



UAE Monthly Monetary Survey July 2017

Monetary Developments (*)

M₁ decreased by 1.9%, from AED 507.1 billion at the end of June 2017 to AED 497.5 billion at the end of July 2017. This reduction was due to a 1.6% decrease in Monetary Deposits (87% of **M₁**) and a 4% decrease in Currency in Circulation outside Banks (13% of **M₁**).

At the end of July 2017, **M₂** decreased by 0.2%, falling from AED 1267.1 billion at the end of June to AED 1264.4 billion. **M₂** mainly fell due to a decreased **M₁**, overriding the AED 6.9 billion or a 0.9% increase in Quasi- Monetary Deposits (60.7% of **M₂**).

M₃ also decreased by 0.3%, from AED 1463.1 billion at the end of June 2017 to AED 1459.1 billion at the end of July 2017. **M₃** decreased because of a combined reduction in **M₁** and an AED 1.3 billion or 0.7% fall in Government Deposits (13.3% of **M₃**).

In summary, during July 2017, **M₁**, **M₂** and **M₃** decreased by 1.9%, 0.2% and 0.3%, respectively.

The Money Multiplier

The money multiplier indicates by how much the money supply and the underlying components will grow following an increase of 1 billion Dirhams in the Monetary Base, defined as the sum of Currency issued (Currency in circulation outside banks and cash at banks), Total Banks' Reserves at the Central Bank and Certificates of Deposits held by Banks (see Table 3).

During the month of July 2017, the Monetary Base expanded by 0.3%. The Monetary Base expanded mainly due to an increase in Certificates of Deposits purchased by Banks (31.2% of the Monetary Base) by 8%, offsetting reductions in; Currency Issued (22.2% of the Monetary Base) by 5.7%, Banks' Required Reserves (35% of the Monetary Base) by 0.7% and Banks & OFC's Excess Reserves (11.6% of the Monetary Base) by 3.5%.

From the end of June 2017 to the end of July 2017, the multipliers of **M₁**, **M₂** and **M₃** decreased from 1.43 to 1.40, from 3.57 to 3.55 and from 4.12 to 4.10, respectively, reflecting a reduction in the Monetary Aggregates in contrast to the expansion of the monetary base.

(*) Monetary aggregates are defined in a footnote to Table 1

Table 1. UAE Monthly Monetary Survey (July 2017)

(End of period, billions of Dirhams)

	Dec 2014	Dec 2015	Mar 2016	Jun 2016	Jul 2016	Sep 2016	Dec 2016	Mar 2017	Jun 2017	Jul ¹ 2017	Change in July 2017		Year on Year Change
											In billions of Dirhams	% Change	
Money Supply M₁^(*)	436.1	456.9	490.3	481.0	469.8	472.5	474.1	504.4	507.1	497.5	-9.6	-1.9%	5.9%
<i>of which:</i>													
Currency Issued	74.5	73.5	77.2	81.3	76.2	77.3	77.6	80.1	83.9	79.1	-4.8	-5.7%	3.8%
Cash at Banks	15.5	15.1	15.4	16.9	14.2	15.5	15.3	14.7	16.5	14.4	-2.1	-12.7%	1.4%
Currency in Circulation Outside Banks	59.0	58.4	61.8	64.4	62.0	61.8	62.3	65.4	67.4	64.7	-2.7	-4.0%	4.4%
Monetary Deposits ^(**)	377.1	398.5	428.5	416.6	407.8	410.7	411.8	439.0	439.7	432.8	-6.9	-1.6%	6.1%
Money Supply M₂^(*)	1125.4	1186.8	1218.4	1180.4	1191.2	1200.2	1225.5	1272.2	1267.1	1264.4	-2.7	-0.2%	6.1%
<i>of which:</i>													
Quasi-Monetary Deposits ^(***)	689.3	729.9	728.1	699.4	721.4	727.7	751.4	767.8	760.0	766.9	6.9	0.9%	6.3%
Money Supply M₃^(*)	1314.5	1342.8	1373.8	1364.8	1364.3	1368.6	1411.4	1465.8	1463.1	1459.1	-4.0	-0.3%	6.9%
<i>of which:</i>													
Government Deposits	189.1	156	155.4	184.4	173.1	168.4	185.9	193.6	196.0	194.7	-1.3	-0.7%	12.5%

¹ Estimates, subject to revision

^(*) M₁ = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits

M₂ = M₁ + Quasi-Monetary Deposits

M₃ = M₂ + Government Deposits

^(**) **Monetary Deposits:** All short term deposits on which bank customer can withdraw without prior notice

^(***) **Quasi-Monetary Deposits:** Resident Time and Savings Deposits in Dirham + Resident Deposits in Foreign Currencies

Table 2. Contribution to Aggregate Money Supply

	Dec-14	Dec-15	Dec-16	Mar-17	May-17	Jun-17	July ¹ 2017		MoM		Contribution to Aggregate Growth*	Year to Date	
							In billions of Dirhams	Shares of the Aggregates	In Billions of Dirhams	% Change		In Billions of Dirhams	% Change
Money Supply M₁	436.1	456.9	474.1	504.4	504.4	507.1	497.5		-9.6	-1.9%		23.4	4.9%
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	67.2	67.4	64.7	13.0%	-2.7	-4.0%	-0.5%	2.4	3.9%
Monetary Deposits	377.1	398.5	411.8	439.0	437.2	439.7	432.8	87.0%	-6.9	-1.6%	-1.4%	21.0	5.1%
Money Supply M₂	1125.4	1186.8	1225.5	1272.2	1274.5	1267.1	1264.4		-2.7	-0.2%		38.9	3.2%
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	67.2	67.4	64.7	5.1%	-2.7	-4.0%	-0.2%	2.4	3.9%
Monetary Deposits	377.1	398.5	411.8	439.0	437.2	439.7	432.8	34.2%	-6.9	-1.6%	-0.5%	21.0	5.1%
Quasi-Monetary Deposits	689.3	729.9	751.4	767.8	770.1	760.0	766.9	60.7%	6.9	0.9%	0.5%	15.5	2.1%
Money Supply M₃	1314.5	1342.8	1411.4	1465.8	1487.6	1463.1	1459.1		-4.0	-0.3%		47.7	3.4%
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	67.2	67.4	64.7	4.4%	-2.7	-4.0%	-0.2%	2.4	3.9%
Monetary Deposits	377.1	398.5	411.8	439.0	437.2	439.7	432.8	29.7%	-6.9	-1.6%	-0.5%	21.0	5.1%
Quasi-Monetary Deposits	689.3	729.9	751.4	767.8	770.1	760.0	766.9	52.6%	6.9	0.9%	0.5%	15.5	2.1%
Government Deposits	189.1	156.0	185.9	193.6	213.1	196.0	194.7	13.3%	-1.3	-0.7%	-0.1%	8.8	4.7%

² Estimates, subject to revision

*Contribution to aggregate growth = Shares of the sub-aggregate times percent change in each sub-aggregate, such that contribution of sub-aggregates equals percent change in the aggregate

Table 3. Money Multiplier in the UAE
(End of period, billions of Dirhams)

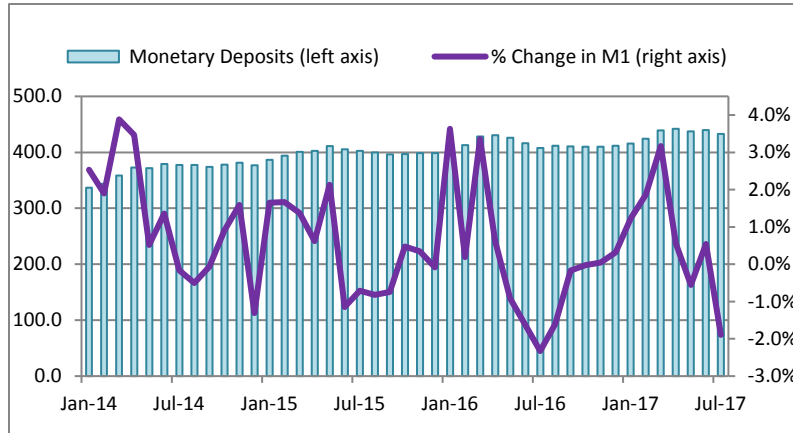
	Dec	Dec	Dec	Jan	Feb	March	April	May	June	July ¹	Change in July 2017	
	2014	2015	2016	2017	2017	2017	2017	2017	2017	2017	In billions of Dirhams	% Change
Monetary Base	309.2	365.2	338.1	325.4	336.3	351.5	342.2	354.5	355.0	356.0	1.0	0.3%
Currency Issued*	74.5	73.5	77.6	77.2	77.5	80.1	78.3	82.0	83.9	79.1	-4.8	-5.7%
Banks' Required Reserves	104.1	111.9	116.9	116.8	118.7	119.9	120.5	122.5	125.5	124.6	-0.9	-0.7%
Banks & OFCs' Excess Reserves	31.1	40	35.4	24.1	28.2	36.2	28.3	35.9	42.8	41.3	-1.5	-3.5%
Certificates of Deposit purchased by Banks	99.5	139.8	108.2	107.3	111.9	115.3	115.1	114.1	102.8	111.0	8.2	8.0%
Money Supply (M ₁)	436.1	456.9	474.1	479.9	488.9	504.4	507.2	504.4	507.1	497.5	-9.6	-1.9%
Money Multiplier of M₁ (M₁/Monetary Base)	1.41	1.25	1.40	1.47	1.45	1.43	1.48	1.42	1.43	1.40		
Money Supply (M ₂)	1125.4	1186.8	1225.5	1230.2	1244.2	1272.2	1273.7	1274.5	1267.1	1264.4	-2.7	-0.2%
Money Multiplier of M₂ (M₂/Monetary Base)	3.64	3.25	3.62	3.78	3.70	3.62	3.72	3.60	3.57	3.55		
Money Supply (M ₃)	1314.5	1342.8	1411.4	1415.6	1442.5	1465.8	1478.3	1487.6	1463.1	1459.1	-4.0	-0.3%
Money Multiplier of M₃ (M₃/Monetary Base)	4.25	3.68	4.17	4.35	4.29	4.17	4.32	4.20	4.12	4.10		

¹ Estimates, subject to revision

* Currency Issued = Currency in circulation outside Banks + Cash at Banks

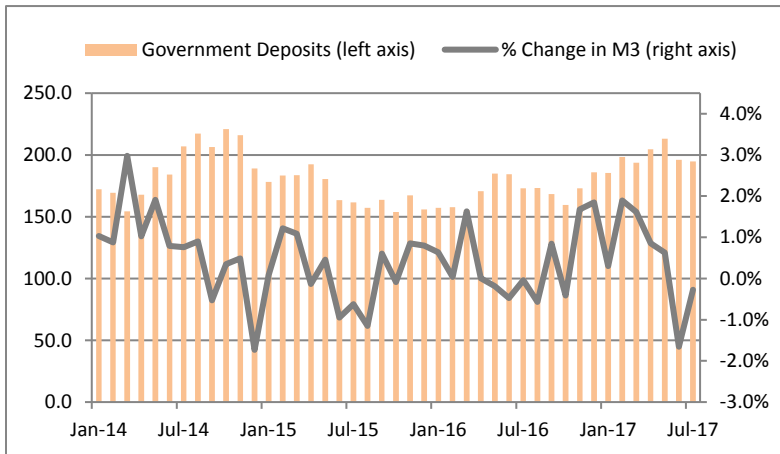
Money Supply M₁ decreased by 1.9%, driven by a 1.6% reduction in Monetary Deposits.

(bn AED, % month-on-month)



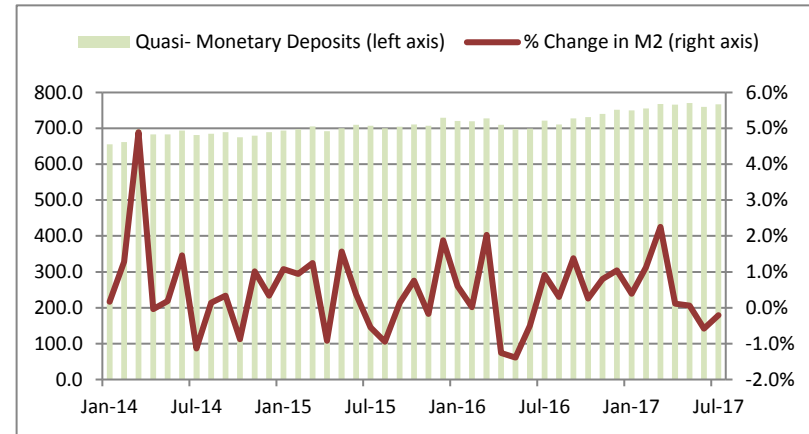
Money Supply M₃ decreased by 0.3%, due to a decreased M₁ & a 0.7% reduction in Government Deposits.

(bn AED, % month-on-month)



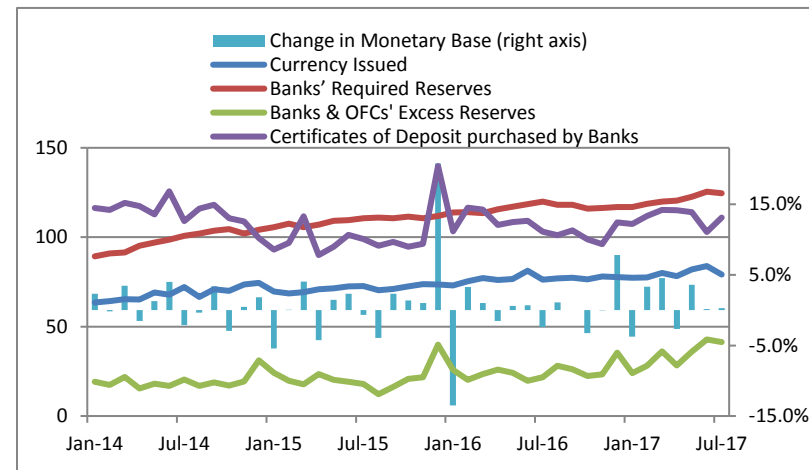
Money Supply M₂ fell by 0.2% due to a reduced M₁, overriding a 0.9% increase in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



Monetary Base expanded by 0.3% during July 2017.

(bn AED, % month-on-month)



Source: CBUAE