



UAE Monthly Monetary Survey July 2018

Monetary Developments (*)

M₁ increased by 0.2%, from AED 495.5 billion at the end of June 2018 to AED 496.4 billion at the end of July 2018. This increase was due to a 0.7% rise in Monetary Deposits (86.1% of **M₁**), overshadowing a 3% reduction in Currency in Circulation outside Banks (13.9% of **M₁**).

At the end of July 2018, **M₂** also increased by 0.2%, rising from AED 1300.1 billion at the end of June 2018 to AED 1302.3 billion. **M₂** mainly increased due to an increased **M₁** and AED 1.3 billion or 0.2% increase in Quasi- Monetary Deposits (61.9% of **M₂**).

M₃ also increased by 0.2%, from AED 1553.6 billion at the end of June 2018 to AED 1556 billion at the end of July 2018. **M₃** increased mainly because of increased **M₁** and **M₂** and AED 0.2 billion or 0.1% increase in Government Deposits (16.3% of **M₃**).

In summary, during July 2018, all Monetary Aggregates; **M₁**, **M₂** and **M₃** exhibited a uniform increase by 0.2%.

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 2).

During the month of July 2018, the Monetary Base expanded by 0.6%. The Monetary Base expanded mainly due to increase in; Banks & OFC's Excess Reserves (7.6% of the Monetary Base) by 55.4%, overriding the reductions in; Banks' Required Reserves (34.8% of the Monetary Base) by 0.8%, Currency Issued (23.5% of the Monetary Base) by 2.7% and Certificates of Deposits purchased by Banks (34% of the Monetary Base) by 3.4%.

From the end of June to the end of July 2018, the multipliers of **M₁**, **M₂** and **M₃** decreased from 1.40 to 1.39, from 3.67 to 3.66 and from 4.39 to 4.37, respectively.

The reduction in the multipliers of **M₁**, **M₂** and **M₃** reflects the slower increase in their respective Monetary Aggregates compared to the faster expansion of the monetary base.

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

Table1. UAE Monthly Monetary Survey With Contribution to Aggregate Money Supply (July 2018)
(End of period, billions of Dirhams)

	Dec-14	Dec-15	Dec-16	Dec-17	Mar-18	Jun-18	July ¹ 2018		MoM		Contribution to Aggregate Growth ²
							In billions of Dirhams	Shares of the Aggregates	In Billions of Dirhams	% Change	
Money Supply M₁*	436.1	456.9	474.1	492.4	510.6	495.5	496.4		0.9	0.2%	
Currency in Circulation Outside Banks	59.0	58.4	62.3	67.7	69.9	71.1	69.0	13.9%	-2.1	-3.0%	-0.4%
Monetary Deposits**	377.1	398.5	411.8	424.7	440.7	424.4	427.4	86.1%	3.0	0.7%	0.6%
Money Supply M₂*	1125.4	1186.8	1225.5	1276.2	1293.8	1300.1	1302.3		2.2	0.2%	
Currency in Circulation Outside Banks	59.0	58.4	62.3	67.7	69.9	71.1	69.0	5.3%	-2.1	-3.0%	-0.2%
Monetary Deposits**	377.1	398.5	411.8	424.7	440.7	424.4	427.4	32.8%	3.0	0.7%	0.2%
Quasi-Monetary Deposits***	689.3	729.9	751.4	783.8	783.2	804.6	805.9	61.9%	1.3	0.2%	0.1%
Money Supply M₃*	1314.5	1342.8	1411.4	1487.1	1526.7	1553.6	1556.0		2.4	0.2%	
Currency in Circulation Outside Banks	59.0	58.4	62.3	67.7	69.9	71.1	69.0	4.4%	-2.1	-3.0%	-0.1%
Monetary Deposits**	377.1	398.5	411.8	424.7	440.7	424.4	427.4	27.5%	3.0	0.7%	0.2%
Quasi-Monetary Deposits***	689.3	729.9	751.4	783.8	783.2	804.6	805.9	51.8%	1.3	0.2%	0.1%
Government Deposits	189.1	156.0	185.9	210.9	232.9	253.5	253.7	16.3%	0.2	0.1%	0.01%

⁽¹⁾ Figures are provisional and subject to revision

⁽²⁾ 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

^(*) 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. Money Multiplier in the UAE

(End of period, billions of Dirhams)

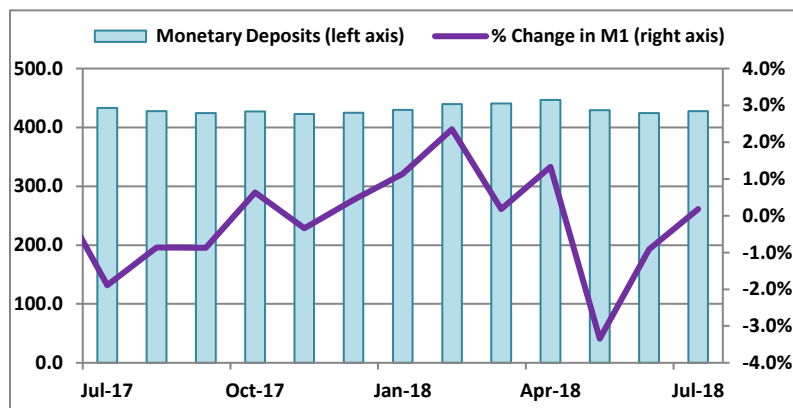
	Dec	Dec	Dec	Dec	March	Jun	Jul ¹	Change in July 2018	
	2014	2015	2016	2017	2018	2018	2018	In billions of Dirhams	% Change
Monetary Base	309.2	365.2	338.1	377.4	365.2	353.9	356.1	2.2	0.6%
Currency Issued*	74.5	73.5	77.6	85.4	84.7	86.1	83.8	-2.3	-2.7%
Banks' Required Reserves	104.1	111.9	116.9	121.4	122.0	125.1	124.1	-1.0	-0.8%
Banks & OFCs' Excess Reserves	31.1	40	35.4	35.5	24.2	17.5	27.2	9.7	55.4%
Certificates of Deposit purchased by Banks	99.5	139.8	108.2	135.1	134.3	125.2	121.0	-4.2	-3.4%
Money Supply (M ₁)	436.1	456.9	474.1	492.4	510.6	495.5	496.4	0.9	0.2%
Money Multiplier of M₁ (M₁/Monetary Base)	1.41	1.25	1.40	1.30	1.40	1.40	1.39		
Money Supply (M ₂)	1125.4	1186.8	1225.5	1276.2	1293.8	1300.1	1302.3	2.2	0.2%
Money Multiplier of M₂ (M₂/Monetary Base)	3.64	3.25	3.62	3.38	3.54	3.67	3.66		
Money Supply (M ₃)	1314.5	1342.8	1411.4	1487.1	1526.7	1553.6	1556.0	2.4	0.2%
Money Multiplier of M₃ (M₃/Monetary Base)	4.25	3.68	4.17	3.94	4.18	4.39	4.37		

⁽¹⁾ Figures are provisional and subject to revision

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

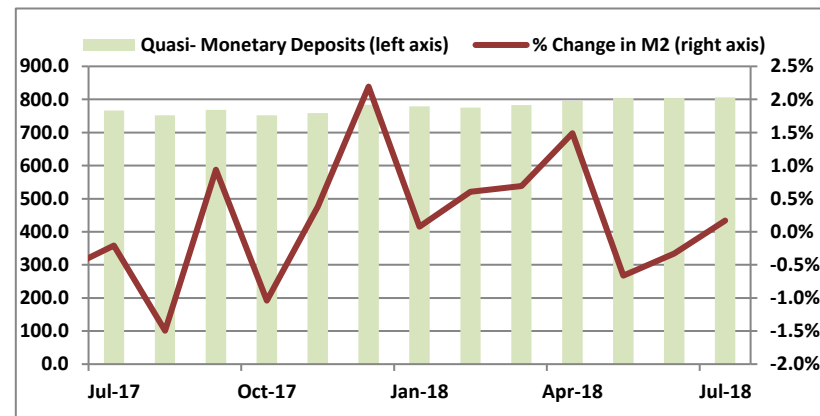
Money Supply M₁ increased by 0.2%, driven by 0.7% increase in Monetary Deposits.

(bn AED, % month-on-month)



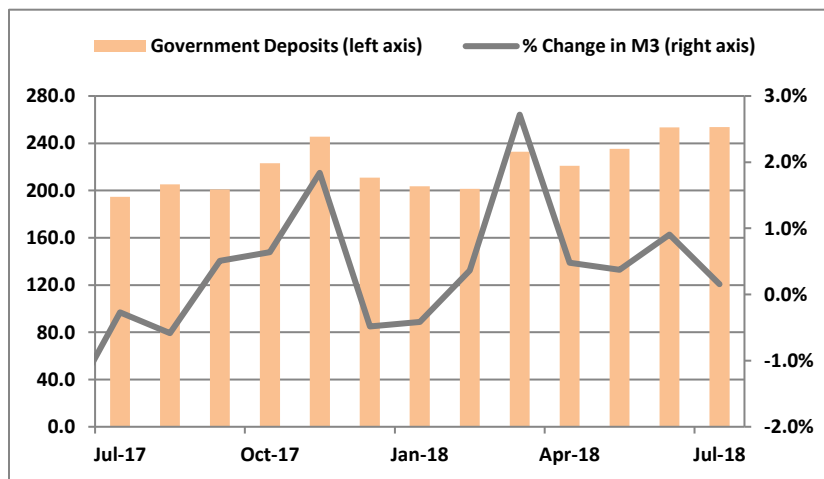
Money Supply M₂ increased by 0.2% due to an increased M₁ and 0.2% increase in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



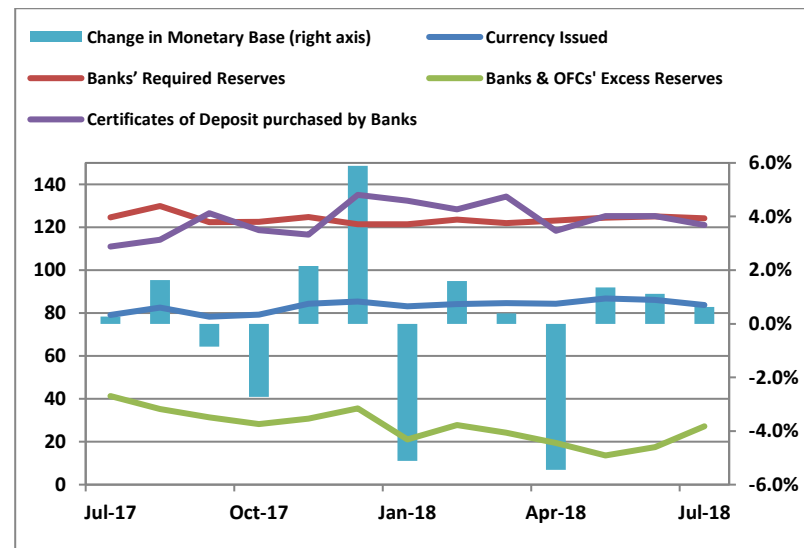
Money Supply M₃ increased by 0.2% due to increased M₁ & M₂ and 0.1% increase in Government Deposits.

(bn AED, % month-on-month)



Monetary Base expanded by 0.6% during July 2018.

(bn AED, % month-on-month)



Source: CBUAE