



UAE Monthly Monetary Survey June 2017

Monetary Developments (*)

M₁ increased by 0.5%, from AED 504.4 billion at the end of May 2017 to AED 507.1 billion at the end of June 2017. This increase was due to a 0.6% increase in Monetary Deposits (86.7% of **M₁**) and a 0.3% increase in Currency in Circulation outside Banks (13.3% of **M₁**).

At the end of June 2017, **M₂** decreased by 0.6%, falling from AED 1274.5 billion at the end of May to AED 1267.1 billion. **M₂** mainly fell due to an AED 10.1 billion or a 1.3% reduction in Quasi- Monetary Deposits (60% of **M₂**).

M₃ also decreased by 1.7%, from AED 1487.6 billion at the end of May 2017 to AED 1463.1 billion at the end of June 2017. **M₃** decreased because of a combined reduction in **M₂** and an AED 17.1 billion or 8% fall in Government Deposits (13.4% of **M₃**).

In summary, during June 2017, **M₁** increased by 0.5% whereas, **M₂** and **M₃** decreased by 0.6% and 1.7%, 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 June 2017, the Monetary Base expanded by 0.1%. The Monetary Base expanded due to a combined increase in; Currency Issued (23.6% of the Monetary Base) by 2.3%, Banks' Required Reserves (35.3% of the Monetary Base) by 2.4%, Banks & OFC's Excess Reserves (12.1% of the Monetary Base) by 19.2%. These increases offset a reduction in Certificates of Deposits purchased by Banks (29% of the Monetary Base) by 9.9%.

From the end of May 2017 to the end of June 2017, the multiplier of **M₁** increased from 1.42 to 1.43, reflecting a faster increase in the monetary aggregate compared to the increase in the monetary base. Whereas, the multipliers of **M₂** and **M₃** decreased from 3.60 to 3.57 and from 4.20 to 4.12 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 (June 2017)

(End of period, billions of Dirhams)

	Dec 2014	Dec 2015	Mar 2016	May 2016	Jun 2016	Sep 2016	Dec 2016	Mar 2017	Apr 2017	May 2017	Jun ¹	Change in June 2017		Year on Year Change
												In billions of Dirhams	% Change	
Money Supply M₁^(*)	436.1	456.9	490.3	488.9	481.0	472.5	474.1	504.4	507.2	504.4	507.1	2.7	0.5%	5.4%
<i>of which:</i>														
Currency Issued	74.5	73.5	77.2	76.6	81.3	77.3	77.6	80.1	78.3	82.0	83.9	1.9	2.3%	3.2%
Cash at Banks	15.5	15.1	15.4	13.6	16.9	15.5	15.3	14.7	13.1	14.8	16.5	1.7	11.5%	-2.4%
Currency in Circulation Outside Banks	59.0	58.4	61.8	63.0	64.4	61.8	62.3	65.4	65.2	67.2	67.4	0.2	0.3%	4.7%
Monetary Deposits ^(**)	377.1	398.5	428.5	425.9	416.6	410.7	411.8	439.0	442.0	437.2	439.7	2.5	0.6%	5.5%
Money Supply M₂^(*)	1125.4	1186.8	1218.4	1186.4	1180.4	1200.2	1225.5	1272.2	1273.7	1274.5	1267.1	-7.4	-0.6%	7.3%
<i>of which:</i>														
Quasi-Monetary Deposits ^(***)	689.3	729.9	728.1	697.5	699.4	727.7	751.4	767.8	766.5	770.1	760.0	-10.1	-1.3%	8.7%
Money Supply M₃^(*)	1314.5	1342.8	1373.8	1371.3	1364.8	1368.6	1411.4	1465.8	1478.3	1487.6	1463.1	-24.5	-1.7%	7.2%
<i>of which:</i>														
Government Deposits	189.1	156	155.4	184.9	184.4	168.4	185.9	193.6	204.6	213.1	196.0	-17.1	-8.0%	6.3%

¹ Estimates, subject to revision

(*) $M_1 =$ Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits

$M_2 = M_1 +$ Quasi-Monetary Deposits

$M_3 = M_2 +$ 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	June 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		2.7	0.5%		33.0	7.0%
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	67.2	67.4	13.3%	0.2	0.3%	0.04%	5.1	8.2%
Monetary Deposits	377.1	398.5	411.8	439.0	437.2	439.7	86.7%	2.5	0.6%	0.5%	27.9	6.8%
Money Supply M₂	1125.4	1186.8	1225.5	1272.2	1274.5	1267.1		-7.4	-0.6%		41.6	3.4%
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	67.2	67.4	5.3%	0.2	0.3%	0.01%	5.1	8.2%
Monetary Deposits	377.1	398.5	411.8	439.0	437.2	439.7	34.7%	2.5	0.6%	0.2%	27.9	6.8%
Quasi-Monetary Deposits	689.3	729.9	751.4	767.8	770.1	760.0	60.0%	-10.1	-1.3%	-0.8%	8.6	1.1%
Money Supply M₃	1314.5	1342.8	1411.4	1465.8	1487.6	1463.1		-24.5	-1.7%		51.7	3.7%
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	67.2	67.4	4.6%	0.2	0.3%	0.01%	5.1	8.2%
Monetary Deposits	377.1	398.5	411.8	439.0	437.2	439.7	30.1%	2.5	0.6%	0.2%	27.9	6.8%
Quasi-Monetary Deposits	689.3	729.9	751.4	767.8	770.1	760.0	51.9%	-10.1	-1.3%	-0.7%	8.6	1.1%
Government Deposits	189.1	156.0	185.9	193.6	213.1	196.0	13.4%	-17.1	-8.0%	-1.1%	10.1	5.4%

² Estimates, subject to revision

³ 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)

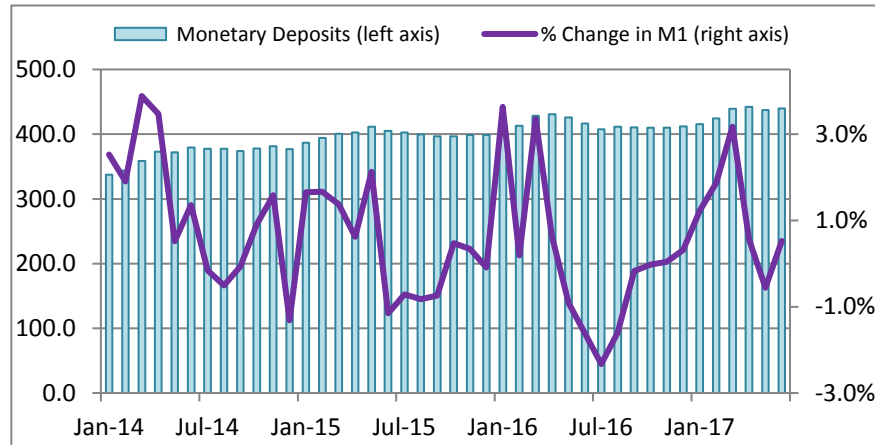
	Dec	Dec	Dec	Jan	Feb	March	April	May	June ¹	Change in June 2017	
	2014	2015	2016	2017	2017	2017	2017	2017	2017	In billions of Dirhams	% Change
Monetary Base	309.2	365.2	338.1	325.4	336.3	351.5	342.2	354.5	355.0	0.5	0.1%
Currency Issued*	74.5	73.5	77.6	77.2	77.5	80.1	78.3	82.0	83.9	1.9	2.3%
Banks' Required Reserves	104.1	111.9	116.9	116.8	118.7	119.9	120.5	122.5	125.5	3.0	2.4%
Banks & OFCs' Excess Reserves	31.1	40	35.4	24.1	28.2	36.2	28.3	35.9	42.8	6.9	19.2%
Certificates of Deposit purchased by Banks	99.5	139.8	108.2	107.3	111.9	115.3	115.1	114.1	102.8	-11.3	-9.9%
Money Supply (M ₁)	436.1	456.9	474.1	479.9	488.9	504.4	507.2	504.4	507.1	2.7	0.5%
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		
Money Supply (M ₂)	1125.4	1186.8	1225.5	1230.2	1244.2	1272.2	1273.7	1274.5	1267.1	-7.4	-0.6%
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		
Money Supply (M ₃)	1314.5	1342.8	1411.4	1415.6	1442.5	1465.8	1478.3	1487.6	1463.1	-24.5	-1.7%
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		

¹ Estimates, subject to revision

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

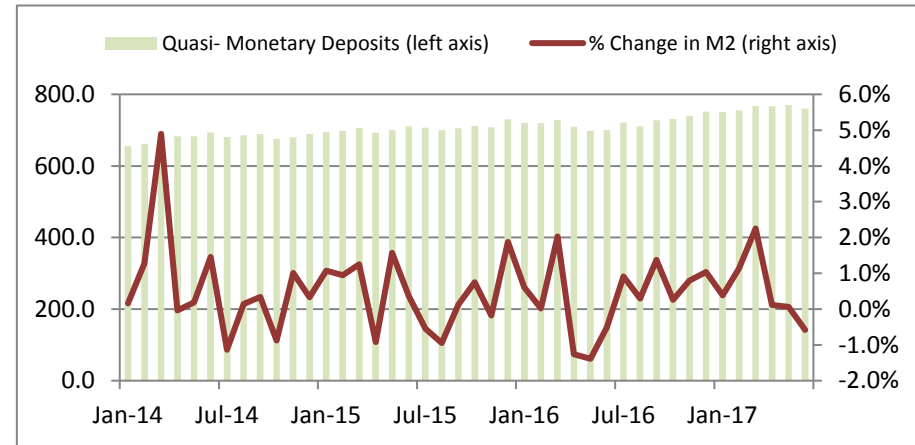
Money Supply M₁ increased by 0.5%, driven by a 0.6% increase in Monetary Deposits.

(bn AED, % month-on-month)



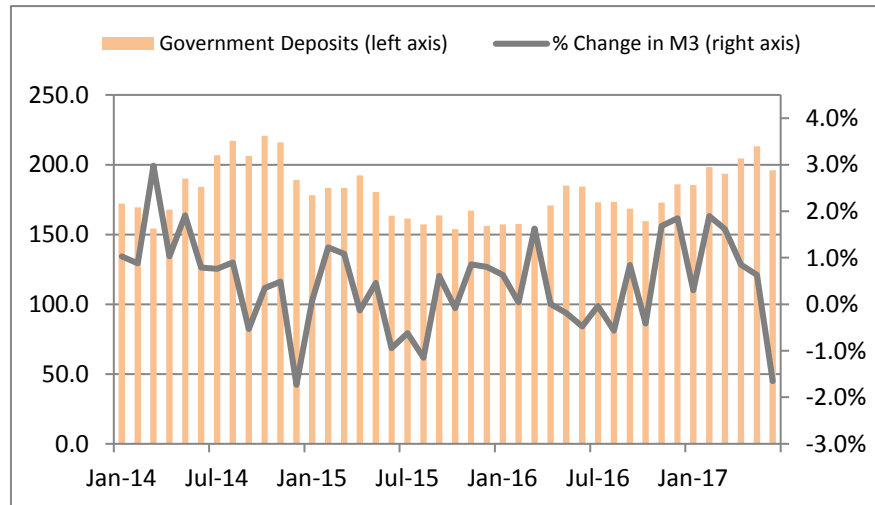
Money Supply M₂ fell by 0.6% due to a .1.3% reduction in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



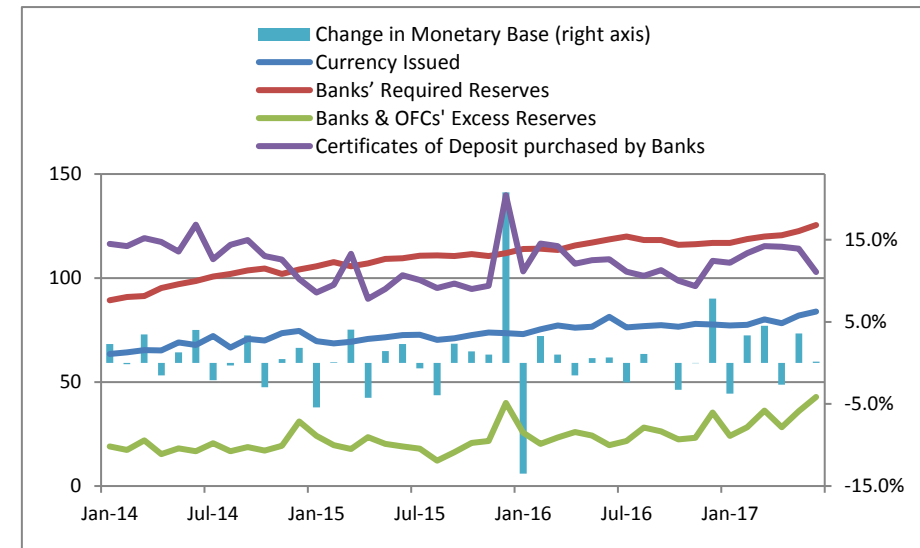
Money Supply M₃ decreased by 1.7%, due to a decreased M₂ and 8% reduction in Government Deposits.

(bn AED, % month-on-month)



Monetary Base expanded by 0.1% during June 2017.

(bn AED, % month-on-month)



Source: CBUAE