



UAE Monthly Monetary Survey March 2017

Monetary Developments (*)

M₁ increased by 3.2%, from AED 488.9 billion at the end of February 2017 to AED 504.4 billion at the end of March 2017. This increase was due to a 1.4% increase in Currency in Circulation outside Banks (13% of **M₁**) and a 3.4% increase in Monetary Deposits (87% of **M₁**).

At the end of March 2017, **M₂** increased by 2.3%, rising from AED 1244.2 billion at the end of February to AED 1272.2 billion. **M₂** mainly rose due to the increased **M₁** and AED 12.5 billion or 1.7% increase in Quasi- Monetary Deposits (60.4% of **M₂**).

M₃ also increased by 1.6%, from AED 1442.5 billion at the end of February 2017 to AED 1465.8 billion at the end of March 2017. **M₃** increased because of a combined increase in **M₁** & **M₂**, overshadowing an AED 4.7 billion or 2.4% reduction in Government Deposits (13.2% of **M₃**).

In summary, during March 2017, **M₁**, **M₂** and **M₃** increased by 3.2%, 2.3% and 1.6%, 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 March 2017, the Monetary Base expanded by 4.5%. The Monetary Base expanded due to a combined increase in; Currency Issued (22.8% of the Monetary Base) by 3.4 %, Banks' Required Reserves (34.1% of the Monetary Base) by 1%, Banks & OFC's Excess Reserves (10.3% of the Monetary Base) by 28.4% and Certificates of Deposits purchased by Banks (32.8% of the Monetary Base) by 3%.

From the end of February 2017 to the end of March 2017, the multipliers of **M₁**, **M₂** and **M₃** decreased from 1.45 to 1.43, from 3.70 to 3.62 and from 4.29 to 4.17 respectively, reflecting a faster growth of the monetary base compared to the growth in the Monetary Aggregates.

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

Table 1. UAE Monthly Monetary Survey (March 2017)

(End of period, billions of Dirhams)

	Dec 2014	Dec 2015	Mar 2016	Jun 2016	Sep 2016	Dec ¹ 2016	Jan 2017	Feb 2017	Mar ¹ 2017	Change in March 2017		Year on Year Change
										In billions of Dirhams	% Change	
Money Supply M₁^(*)	436.1	456.9	490.3	481	472.5	474.0	479.9	488.9	504.4	15.5	3.2%	2.9%
<i>of which:</i>												
Currency Issued	74.5	73.5	77.2	81.3	77.3	77.6	77.2	77.5	80.1	2.6	3.4%	3.8%
Cash at Banks	15.5	15.1	15.4	16.9	15.5	15.3	13.0	13.0	14.7	1.7	13.1%	-4.5%
Currency in Circulation Outside Banks	59.0	58.4	61.8	64.4	61.8	62.3	64.2	64.5	65.4	0.9	1.4%	5.8%
Monetary Deposits ^(**)	377.1	398.5	428.5	416.6	410.7	411.7	415.7	424.4	439.0	14.6	3.4%	2.5%
Money Supply M₂^(*)	1125.4	1186.8	1218.4	1180.4	1200.2	1225.5	1230.2	1244.2	1272.2	28.0	2.3%	4.4%
<i>of which:</i>												
Quasi-Monetary Deposits ^(***)	689.3	729.9	728.1	699.4	727.7	751.5	750.3	755.3	767.8	12.5	1.7%	5.5%
Money Supply M₃^(*)	1314.5	1342.8	1373.8	1364.8	1368.6	1411.4	1415.6	1442.5	1465.8	23.3	1.6%	6.7%
<i>of which:</i>												
Government Deposits	189.1	156	155.4	184.4	168.4	185.9	185.4	198.3	193.6	-4.7	-2.4%	24.6%

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	Mar-16	Jun-16	Sep-16	Dec ¹ -16	Jan-17	Feb-17	March 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	490.3	481	472.5	474.0	479.9	488.9	504.4		15.5	3.2%		30.4	6.4%
Currency in Circulation Outside Banks	59.0	58.4	61.8	64.4	61.8	62.3	64.2	64.5	65.4	13.0%	0.9	1.4%	0.2%	3.1	5.0%
Monetary Deposits	377.1	398.5	428.5	416.6	410.7	411.7	415.7	424.4	439.0	87.0%	14.6	3.4%	3.0%	27.3	6.6%
Money Supply M₂	1125.4	1186.8	1218.4	1180.4	1200.2	1225.5	1230.2	1244.2	1272.2		28.0	2.3%		46.7	3.8%
Currency in Circulation Outside Banks	59.0	58.4	61.8	64.4	61.8	62.3	64.2	64.5	65.4	5.1%	0.9	1.4%	0.1%	3.1	5.0%
Monetary Deposits	377.1	398.5	428.5	416.6	410.7	411.7	415.7	424.4	439.0	34.5%	14.6	3.4%	1.2%	27.3	6.6%
Quasi-Monetary Deposits	689.3	729.9	728.1	699.4	727.7	751.5	750.3	755.3	767.8	60.4%	12.5	1.7%	1.0%	16.3	2.2%
Money Supply M₃	1314.5	1342.8	1373.8	1364.8	1368.6	1411.4	1415.6	1442.5	1465.8		23.3	1.6%		54.4	3.9%
Currency in Circulation Outside Banks	59.0	58.4	61.8	64.4	61.8	62.3	64.2	64.5	65.4	4.5%	0.9	1.4%	0.1%	3.1	5.0%
Monetary Deposits	377.1	398.5	428.5	416.6	410.7	411.7	415.7	424.4	439.0	29.9%	14.6	3.4%	1.0%	27.3	6.6%
Quasi-Monetary Deposits	689.3	729.9	728.1	699.4	727.7	751.5	750.3	755.3	767.8	52.4%	12.5	1.7%	0.9%	16.3	2.2%
Government Deposits	189.1	156	155.4	184.4	168.4	185.9	185.4	198.3	193.6	13.2%	-4.7	-2.4%	-0.3%	7.7	4.1%

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)

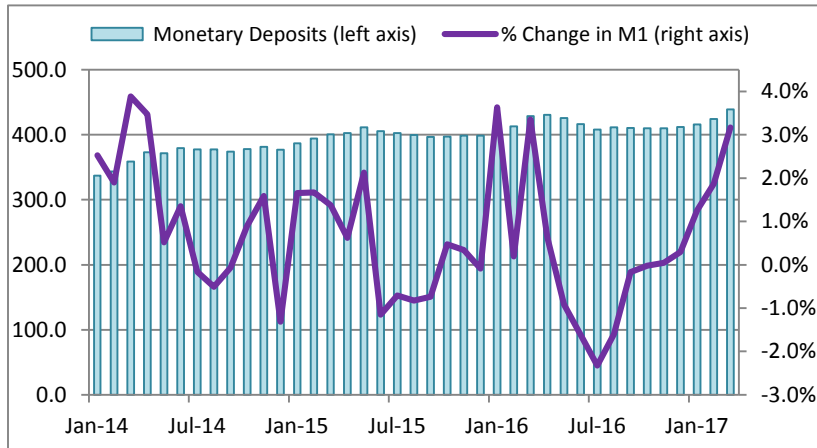
	Dec	Dec	March	June	Sep	Dec ¹	Jan	Feb	March ¹	Change in March 2017	
	2014	2015	2016	2016	2016	2016	2017	2017	2017	In billions of Dirhams	% Change
Monetary Base	309.2	365.2	329.5	328.6	325.5	338.1	325.4	336.3	351.5	15.2	4.5%
Currency Issued*	74.5	73.5	77.2	81.3	77.3	77.6	77.2	77.5	80.1	2.6	3.4%
Banks' Required Reserves	104.1	111.9	113.5	118.5	118.2	116.9	116.8	118.7	119.9	1.2	1.0%
Banks & OFCs' Excess Reserves	31.1	40	23.4	19.7	26.2	35.4	24.1	28.2	36.2	8.0	28.4%
Certificates of Deposit purchased by Banks	99.5	139.8	115.4	109.1	103.8	108.2	107.3	111.9	115.3	3.4	3.0%
Money Supply (M ₁)	436.1	456.9	490.3	481	472.5	474.0	479.9	488.9	504.4	15.5	3.2%
Money Multiplier of M₁ (M₁/Monetary Base)	1.41	1.25	1.49	1.46	1.45	1.40	1.47	1.45	1.43		
Money Supply (M ₂)	1125.4	1186.8	1218.4	1180.4	1200.2	1225.5	1230.2	1244.2	1272.2	28.0	2.3%
Money Multiplier of M₂ (M₂/Monetary Base)	3.64	3.25	3.7	3.59	3.69	3.62	3.78	3.70	3.62		
Money Supply (M ₃)	1314.5	1342.8	1373.8	1364.8	1368.6	1411.4	1415.6	1442.5	1465.8	23.3	1.6%
Money Multiplier of M₃ (M₃/Monetary Base)	4.25	3.68	4.17	4.15	4.20	4.17	4.35	4.29	4.17		

¹ Estimates, subject to revision

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

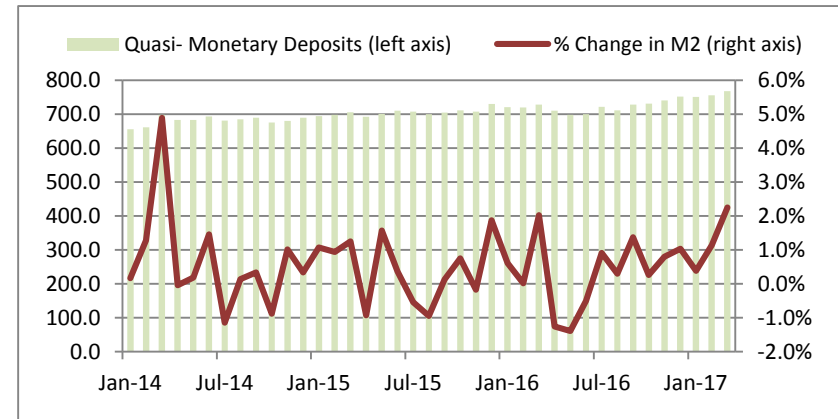
Money Supply M₁ increased by 3.2%, driven by a 3.4% increase in Monetary Deposits.

(bn AED, % month-on-month)



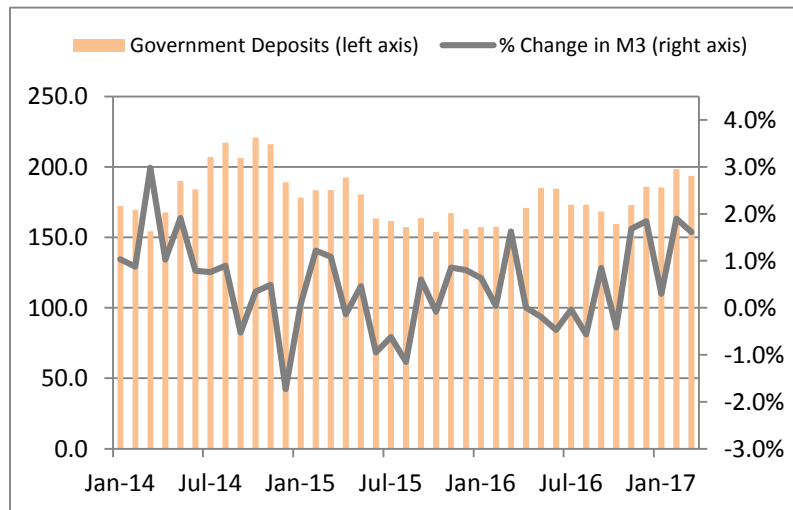
Money Supply M₂ increased by 2.3%, due to an increase in M₁ & 1.7% increase in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



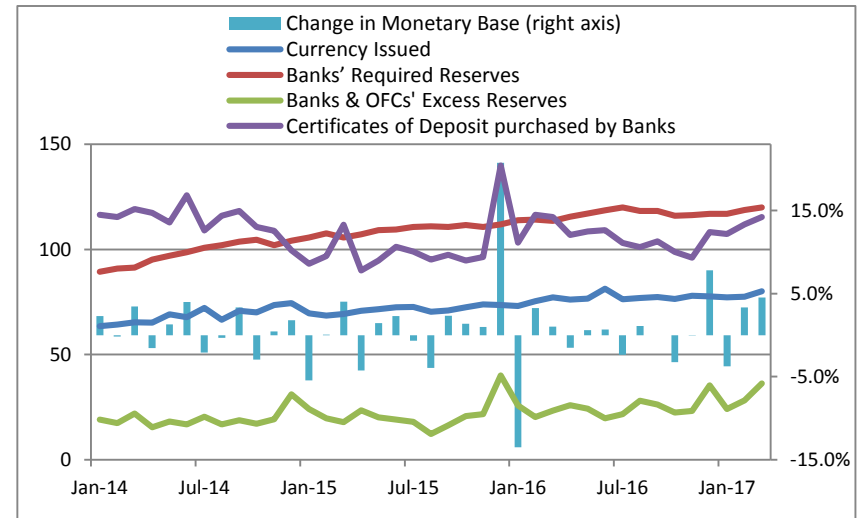
Money Supply M₃ increased by 1.6%, due to increased M₁ & M₂, overshadowing a 2.4% reduction in Government Deposits.

(bn AED, % month-on-month)



Monetary Base expanded by 4.5% during March 2017.

(bn AED, % month-on-month)



Source: CBUAE