



يوم العمل الإماراتي
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19 رمضان

مصرف الإمارات العربية المتحدة المركزي
CENTRAL BANK OF THE U.A.E.

UAE Monthly Monetary Survey May 2016

Monetary Developments (*)

M_1 decreased by 0.9%, from AED 493.4 billion at the end of April to AED 488.9 billion at the end of May 2016. This reduction was mainly due to a 1.1% decrease in Monetary Deposits (87.1% of M_1). The fall in Monetary Deposits was brought about by a reduction in; GRE Demand Deposits by AED 1.2 billion and Corporate Demand Deposits by AED 1.8 billion. However, Individual Demand Deposits increased by AED 0.2 billion in May 2016.

At the end of May 2016, M_2 decreased by 1.4%, falling from AED 1,203.1 billion at the end of April to AED 1,186.4 billion. The reduction in M_2 was attributed to a reduced M_1 and a 1.7% decrease in Quasi- Monetary Deposits (58.8% of M_2). The fall in Quasi- Monetary Deposits was due to a combined fall in; GRE Deposits by AED 7.7 billion, Corporate Deposits by AED 2.8 billion, Individual Deposits by AED 0.5 billion and NBFIs Deposits by 1.1 billion.

M_3 also decreased from AED 1,373.9 billion at the end of April to AED 1,371.3 billion at the end of May 2016. The reduction in M_3 was primarily brought about by reduced M_1 and M_2 . However, this reduction was somewhat diminished by 8.3% increase in Government Deposits (13.5% of M_3). The increase in Government Deposits was due to an AED 19.6 billion increase in Government Sector Deposits in commercial banks.

All in all, during May 2016 M_1 , M_2 and M_3 decreased by 0.9%, 1.4% and 0.2%, 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 2).

During the month of May 2016, the Monetary Base expanded by 0.6%, owing to a combined increase in; Currency Issued (23.5% of the Monetary Base) by 0.7%, Banks' Required Reserves (35.9% of the Monetary Base) by 1.3% and Certificates of Deposits purchased by Banks (33.2 % of the Monetary Base) by 1.5%, overshadowing the 6.6% decrease in Banks & OFCs' Excess Reserves (7.4% of the Monetary Base).

From the end of April 2016 to the end of May 2016, the multipliers of M_1 , M_2 and M_3 decreased from 1.52 to 1.50, from 3.71 to 3.63 and from 4.23 to 4.20, respectively, reflecting that the growth of the monetary base was faster than the growth of the monetary aggregates.

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

Table 1. UAE Monthly Monetary Survey (May 2016)

(End of period, billions of Dirhams)

	Dec. 2014	March 2015	May 2015	June 2015	Sept. 2015	Dec. 2015	Jan. 2016	Feb. 2016	March 2016	April 2016	May ¹ 2016	Change in May		Year on Year Change	
												In billions of Dirhams	% Change		
Money Supply M₁(*)	436.1	456.9	469.5	464.1	453.6	456.9	473.5	474.4	490.3	493.4	488.9	-4.5	-0.9%	4.1%	
<i>of which:</i>															
Currency Issued	74.5	69.3	71.5	72.5	71.0	73.5	73.1	75.3	77.2	76.1	76.6	0.5	0.7%	7.1%	
Cash at Banks	15.5	13.1	13.3	13.7	13.8	15.1	13.7	13.9	15.4	13.4	13.6	0.2	1.5%	2.3%	
Currency in Circulation Outside Banks	59.0	56.2	58.2	58.8	57.2	58.4	59.4	61.4	61.8	62.7	63.0	0.3	0.5%	8.2%	
Monetary Deposits(**)	377.1	400.7	411.3	405.3	396.4	398.5	414.1	413.0	428.5	430.7	425.9	-4.8	-1.1%	3.5%	
Money Supply M₂	1,125.4	1,162.5	1,169.9	1,174.2	1,158.3	1,186.8	1,194.0	1,194.2	1,218.4	1,203.1	1,186.4	-16.7	-1.4%	1.4%	
<i>of which:</i>															
Quasi-Monetary Deposits(***)	689.3	705.7	700.4	710.1	704.6	729.9	720.5	719.8	728.1	709.7	697.5	-12.2	-1.7%	-0.4%	
Money Supply M₃	1,314.5	1,346.0	1,350.4	1,337.6	1,322.0	1,342.8	1,351.3	1,351.8	1,373.8	1,373.9	1,371.3	-2.6	-0.2%	1.5%	
<i>of which:</i>															
Government Deposits	189.1	183.5	180.5	163.4	163.7	156.0	157.3	157.6	155.4	170.8	184.9	14.1	8.3%	2.4%	

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. 2013	Dec. 2014	Dec. 2015	Jan. 2016	Feb. 2016	March 2016	April 2016	May ¹ 2016		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	379.6	436.1	456.9	473.5	474.4	490.3	493.4	488.9		-4.5	-0.9%		32.0	7.0%
Currency in Circulation Outside Banks	50.4	59.0	58.4	59.4	61.4	61.8	62.7	63.0	12.9%	0.3	0.5%	0.1%	4.6	7.9%
Monetary Deposits	329.2	377.1	398.5	414.1	413.0	428.5	430.7	425.9	87.1%	-4.8	-1.1%	-1.0%	27.4	6.9%
Money Supply M₂	1,043.0	1,125.4	1,186.8	1,194.0	1,194.2	1,218.4	1,203.1	1,186.4		-16.7	-1.4%		-0.4	-0.03%
Currency in Circulation Outside Banks	50.4	59.0	58.4	59.4	61.4	61.8	62.7	63.0	5.3%	0.3	0.5%	0.03%	4.6	7.9%
Monetary Deposits	329.2	377.1	398.5	414.1	413.0	428.5	430.7	425.9	35.9%	-4.8	-1.1%	-0.4%	27.4	6.9%
Quasi-Monetary Deposits	663.4	689.3	729.9	720.5	719.8	728.1	709.7	697.5	58.8%	-12.2	-1.7%	-1.0%	-32.4	-4.4%
Money Supply M₃	1,204.5	1,314.5	1,342.8	1,351.3	1,351.8	1,373.8	1,373.9	1,371.3		-2.6	-0.2%		28.5	2.1%
Currency in Circulation Outside Banks	50.4	59.0	58.4	59.4	61.4	61.8	62.7	63.0	4.6%	0.3	0.5%	0.02%	4.6	7.9%
Monetary Deposits	329.2	377.1	398.5	414.1	413.0	428.5	430.7	425.9	31.0%	-4.8	-1.1%	-0.3%	27.4	6.9%
Quasi-Monetary Deposits	663.4	689.3	729.9	720.5	719.8	728.1	709.7	697.5	50.9%	-12.2	-1.7%	-0.9%	-32.4	-4.4%
Government Deposits	161.5	189.1	156.0	157.3	157.6	155.4	170.8	184.9	13.5%	14.1	8.3%	1.1%	28.9	18.5%

¹ 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)

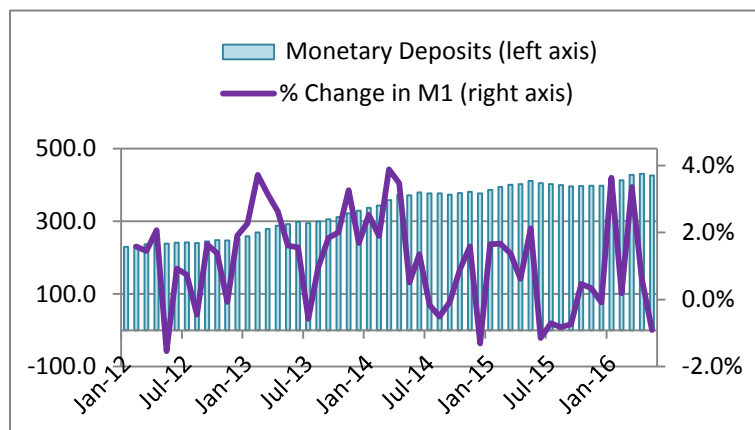
	December	December	December	January	February	March	April	May ¹	Change in May 2016	
	2013	2014	2015	2016	2016	2016	2016	2016	In billions of Dirhams	% Change
Monetary Base	281.8	309.2	365.2	315.9	326.2	329.5	324.5	326.4	1.9	0.6%
Currency Issued*	63.9	74.5	73.5	73.1	75.3	77.2	76.1	76.6	0.5	0.7%
Banks' Required Reserves	87.8	104.1	111.9	113.9	114.1	113.5	115.6	117.1	1.5	1.3%
Banks & OFCs' Excess Reserves	22.2	31.1	40.0	25.7	20.3	23.4	25.9	24.2	-1.7	-6.6%
Certificates of Deposit purchased by Banks	107.9	99.5	139.8	103.2	116.5	115.4	106.9	108.5	1.6	1.5%
Money Supply (M ₁)	379.6	436.1	456.9	473.5	474.4	490.3	493.4	488.9	-4.5	-0.9%
Money Multiplier of M₁ (M₁/Monetary Base)	1.35	1.41	1.25	1.50	1.45	1.49	1.52	1.50		
Money Supply (M ₂)	1,043.0	1,125.4	1,186.8	1,194.0	1,194.2	1,218.4	1,203.1	1,186.4	-16.7	-1.4%
Money Multiplier of M₂ (M₂/Monetary Base)	3.70	3.64	3.25	3.78	3.66	3.70	3.71	3.63		
Money Supply (M ₃)	1,204.5	1,314.5	1,342.8	1,351.3	1,351.8	1,373.8	1,373.9	1,371.3	-2.6	-0.2%
Money Multiplier of M₃ (M₃/Monetary Base)	4.27	4.25	3.68	4.28	4.14	4.17	4.23	4.20		

¹ Estimates, subject to revision

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

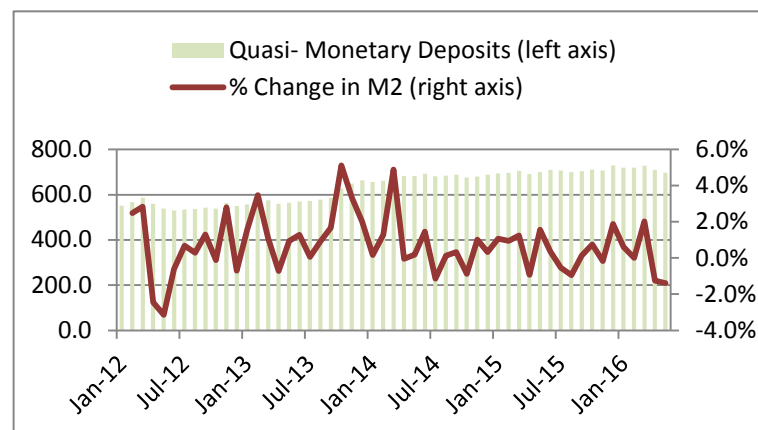
Money Supply M₁ decreased by 0.9%, driven by a 1.1% reduction in Monetary Deposits.

(bn AED, % month-on-month)



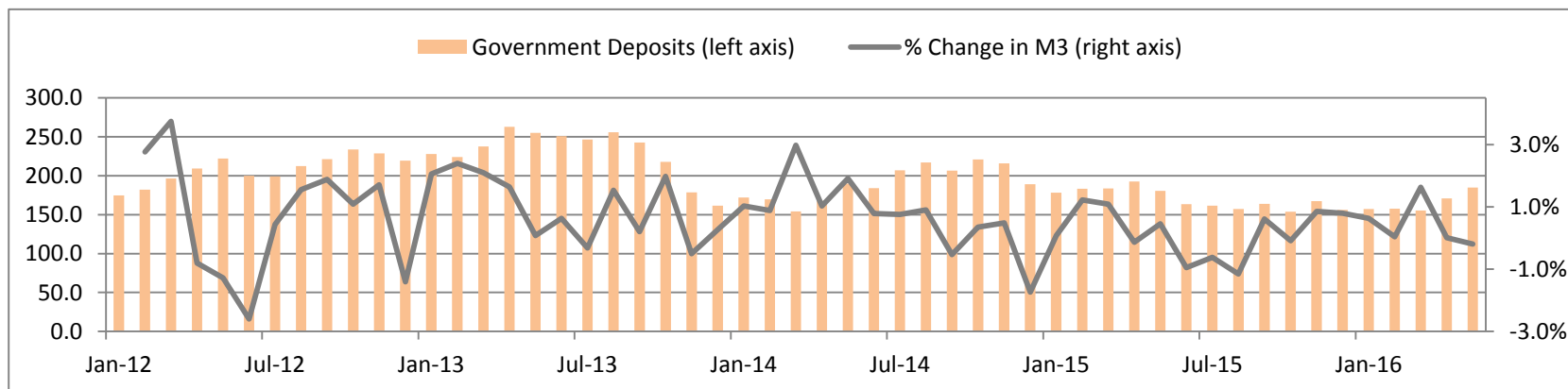
Money Supply M₂ decreased by 1.4%, due to reduced M₁ and a 1.7% reduction in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



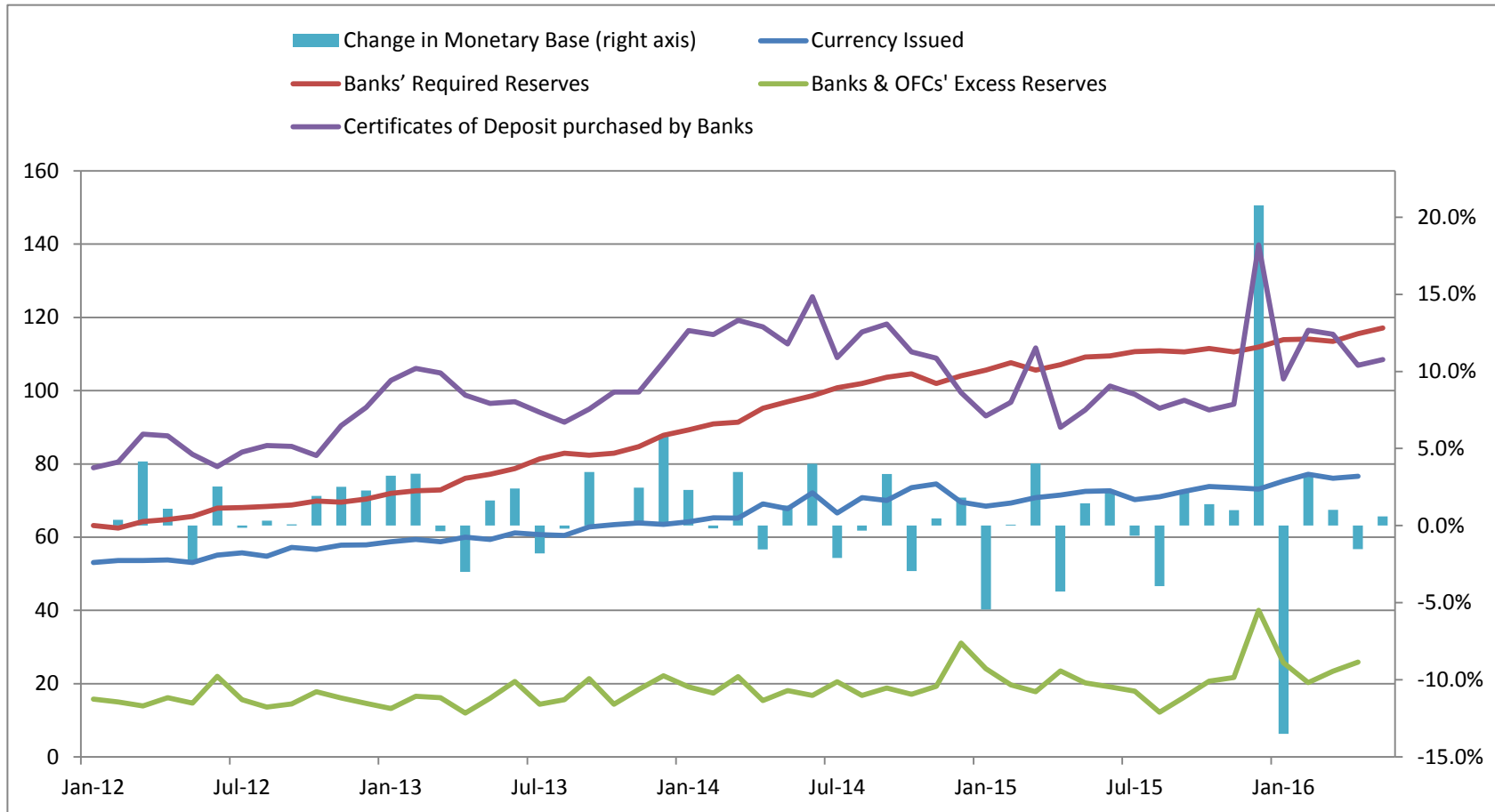
Money Supply M₃ decreased by 0.2%. Whereas, there was an 8.3% increase in Government Deposits.

(bn AED, % month-on-month)



Source: RSD - CBUAE

Monetary Base increased by 0.6% during May 2016.
 (bn AED, % month-on-month)



Source: CBUAE