



# UAE Monthly Monetary Survey May 2017

### Monetary Developments (\*)

**M<sub>1</sub>** decreased by 0.6%, from AED 507.2 billion at the end of April 2017 to AED 504.4 billion at the end of May 2017. This decrease was due to a 1.1% reduction in Monetary Deposits (86.7% of **M<sub>1</sub>**), which overshadowed a 3.1% increase in Currency in Circulation outside Banks (13.3% of **M<sub>1</sub>**).

At the end of May 2017, **M<sub>2</sub>** increased by 0.1%, rising from AED 1273.7 billion at the end of April to AED 1274.5 billion. **M<sub>2</sub>** mainly rose due to an AED 3.6 billion or a 0.5% increase in Quasi- Monetary Deposits (60.4% of **M<sub>2</sub>**).

**M<sub>3</sub>** also increased by 0.6%, from AED 1478.3 billion at the end of April 2017 to AED 1487.6 billion at the end of May 2017. **M<sub>3</sub>** increased because of a combined increase in **M<sub>2</sub>** and an AED 8.5 billion or 4.2% rise in Government Deposits (14.3% of **M<sub>3</sub>**).

In summary, during April 2017, **M<sub>1</sub>** decreased by 0.6% whereas, **M<sub>2</sub>** and **M<sub>3</sub>** increased by 0.1% and 0.6%, 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 May 2017, the Monetary Base expanded by 3.6%. The Monetary Base expanded due to a combined increase in; Currency Issued (23.1% of the Monetary Base) by 4.7 %, Banks' Required Reserves (34.6 % of the Monetary Base) by 1.7%, Banks & OFC's Excess Reserves (10.1% of the Monetary Base) by 27%. These increases offset a reduction in Certificates of Deposits purchased by Banks (32.2% of the Monetary Base) by 0.9%,

From the end of April 2017 to the end of May 2017, the multipliers of **M<sub>1</sub>**, **M<sub>2</sub>** and **M<sub>3</sub>** decreased from 1.48 to 1.42, from 3.72 to 3.60 and from 4.32 to 4.20 respectively, reflecting the slower growth in the Monetary Aggregates in contrast to the expansion of the monetary base.

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

**Table 1. UAE Monthly Monetary Survey (May 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 <sup>1</sup> 2017	Change in May 2017		Year on Year Change
											In billions of Dirhams	% Change	
<b>Money Supply M<sub>1</sub><sup>(*)</sup></b>	<b>436.1</b>	<b>456.9</b>	<b>490.3</b>	<b>488.9</b>	<b>481.0</b>	<b>472.5</b>	<b>474.1</b>	<b>504.4</b>	<b>507.2</b>	<b>504.4</b>	<b>-2.8</b>	<b>-0.6%</b>	<b>3.2%</b>
<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	3.7	4.7%	7.0%
Cash at Banks	15.5	15.1	15.4	13.6	16.9	15.5	15.3	14.7	13.1	14.8	1.7	13.0%	8.8%
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	2.0	3.1%	6.6%
Monetary Deposits <sup>(**)</sup>	377.1	398.5	428.5	425.9	416.6	410.7	411.8	439.0	442.0	437.2	-4.8	-1.1%	2.7%
<b>Money Supply M<sub>2</sub><sup>(*)</sup></b>	<b>1125.4</b>	<b>1186.8</b>	<b>1218.4</b>	<b>1186.4</b>	<b>1180.4</b>	<b>1200.2</b>	<b>1225.5</b>	<b>1272.2</b>	<b>1273.7</b>	<b>1274.5</b>	<b>0.8</b>	<b>0.1%</b>	<b>7.4%</b>
<i>of which:</i>													
Quasi-Monetary Deposits <sup>(***)</sup>	689.3	729.9	728.1	697.5	699.4	727.7	751.4	767.8	766.5	770.1	3.6	0.5%	10.4%
<b>Money Supply M<sub>3</sub><sup>(*)</sup></b>	<b>1314.5</b>	<b>1342.8</b>	<b>1373.8</b>	<b>1371.3</b>	<b>1364.8</b>	<b>1368.6</b>	<b>1411.4</b>	<b>1465.8</b>	<b>1478.3</b>	<b>1487.6</b>	<b>9.3</b>	<b>0.6%</b>	<b>8.5%</b>
<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	8.5	4.2%	15.3%

<sup>1</sup> Estimates, subject to revision

<sup>(\*)</sup> M<sub>1</sub> = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits

M<sub>2</sub> = M<sub>1</sub> + Quasi-Monetary Deposits

M<sub>3</sub> = M<sub>2</sub> + Government Deposits

<sup>(\*\*)</sup> **Monetary Deposits:** All short term deposits on which bank customer can withdraw without prior notice

<sup>(\*\*\*)</sup> **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	Apr-17	May <sup>1</sup> 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
<b>Money Supply M<sub>1</sub></b>	<b>436.1</b>	<b>456.9</b>	<b>474.1</b>	<b>504.4</b>	<b>507.2</b>	<b>504.4</b>		<b>-2.8</b>	<b>-0.6%</b>		<b>30.3</b>	<b>6.4%</b>
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	65.2	67.2	13.3%	2.0	3.1%	0.40%	4.9	7.9%
Monetary Deposits	377.1	398.5	411.8	439.0	442.0	437.2	86.7%	-4.8	-1.1%	-0.9%	25.4	6.2%
<b>Money Supply M<sub>2</sub></b>	<b>1125.4</b>	<b>1186.8</b>	<b>1225.5</b>	<b>1272.2</b>	<b>1273.7</b>	<b>1274.5</b>		<b>0.8</b>	<b>0.1%</b>		<b>49.0</b>	<b>4.0%</b>
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	65.2	67.2	5.3%	2.0	3.1%	0.16%	4.9	7.9%
Monetary Deposits	377.1	398.5	411.8	439.0	442.0	437.2	34.3%	-4.8	-1.1%	-0.4%	25.4	6.2%
Quasi-Monetary Deposits	689.3	729.9	751.4	767.8	766.5	770.1	60.4%	3.6	0.5%	0.3%	18.7	2.5%
<b>Money Supply M<sub>3</sub></b>	<b>1314.5</b>	<b>1342.8</b>	<b>1411.4</b>	<b>1465.8</b>	<b>1478.3</b>	<b>1487.6</b>		<b>9.3</b>	<b>0.6%</b>		<b>76.2</b>	<b>5.4%</b>
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	65.2	67.2	4.5%	2.0	3.1%	0.14%	4.9	7.9%
Monetary Deposits	377.1	398.5	411.8	439.0	442.0	437.2	29.4%	-4.8	-1.1%	-0.3%	25.4	6.2%
Quasi-Monetary Deposits	689.3	729.9	751.4	767.8	766.5	770.1	51.8%	3.6	0.5%	0.2%	18.7	2.5%
Government Deposits	189.1	156.0	185.9	193.6	204.6	213.1	14.3%	8.5	4.2%	0.6%	27.2	14.6%

<sup>2</sup> 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)

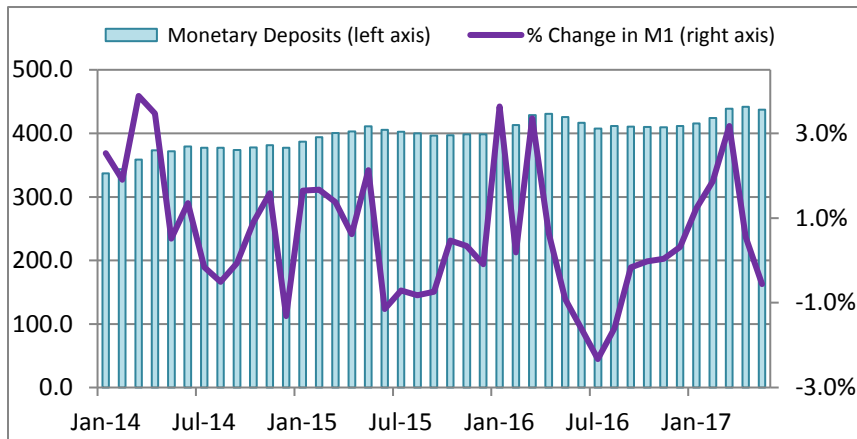
	Dec	Dec	Dec	Jan	Feb	March	April	May <sup>1</sup>	Change in May 2017	
	2014	2015	2016	2017	2017	2017	2017	2017	In billions of Dirhams	% Change
<b>Monetary Base</b>	<b>309.2</b>	<b>365.2</b>	<b>338.1</b>	<b>325.4</b>	<b>336.3</b>	<b>351.5</b>	<b>342.2</b>	<b>354.5</b>	<b>12.3</b>	<b>3.6%</b>
Currency Issued*	74.5	73.5	77.6	77.2	77.5	80.1	78.3	82.0	3.7	4.7%
Banks' Required Reserves	104.1	111.9	116.9	116.8	118.7	119.9	120.5	122.5	2.0	1.7%
Banks & OFCs' Excess Reserves	31.1	40	35.4	24.1	28.2	36.2	28.3	35.9	7.6	26.9%
Certificates of Deposit purchased by Banks	99.5	139.8	108.2	107.3	111.9	115.3	115.1	114.1	-1.0	-0.9%
Money Supply (M <sub>1</sub> )	436.1	456.9	474.1	479.9	488.9	504.4	507.2	504.4	-2.8	-0.6%
<b>Money Multiplier of M<sub>1</sub> (M<sub>1</sub>/Monetary Base)</b>	<b>1.41</b>	<b>1.25</b>	<b>1.40</b>	<b>1.47</b>	<b>1.45</b>	<b>1.43</b>	<b>1.48</b>	<b>1.42</b>		
Money Supply (M <sub>2</sub> )	1125.4	1186.8	1225.5	1230.2	1244.2	1272.2	1273.7	1274.5	0.8	0.1%
<b>Money Multiplier of M<sub>2</sub> (M<sub>2</sub>/Monetary Base)</b>	<b>3.64</b>	<b>3.25</b>	<b>3.62</b>	<b>3.78</b>	<b>3.70</b>	<b>3.62</b>	<b>3.72</b>	<b>3.60</b>		
Money Supply (M <sub>3</sub> )	1314.5	1342.8	1411.4	1415.6	1442.5	1465.8	1478.3	1487.6	9.3	0.6%
<b>Money Multiplier of M<sub>3</sub> (M<sub>3</sub>/Monetary Base)</b>	<b>4.25</b>	<b>3.68</b>	<b>4.17</b>	<b>4.35</b>	<b>4.29</b>	<b>4.17</b>	<b>4.32</b>	<b>4.20</b>		

<sup>1</sup> Estimates, subject to revision

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

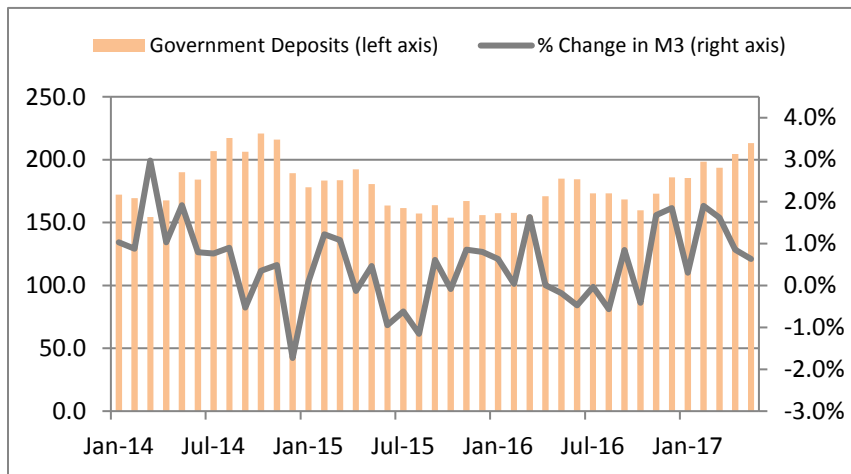
**Money Supply M<sub>1</sub> decreased by 0.6%, driven by a 1.1% reduction in Monetary Deposits.**

(bn AED, % month-on-month)



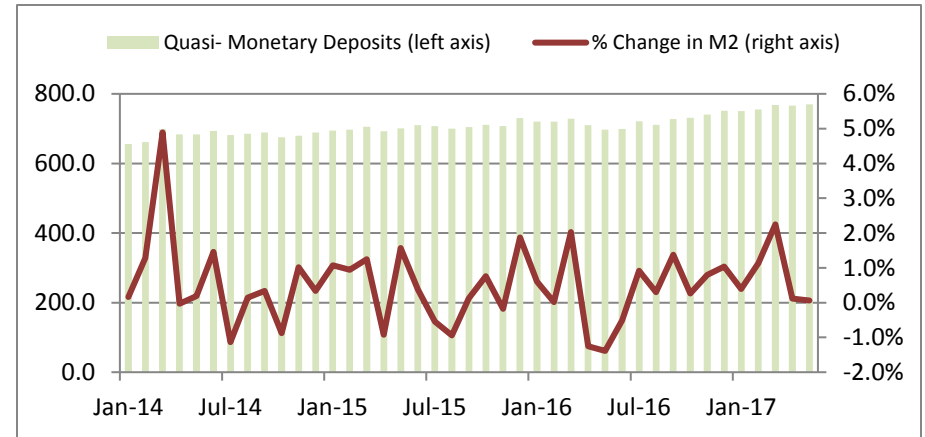
**Money Supply M<sub>3</sub> increased by 0.6%, due to increased M<sub>2</sub> & a 4.2% increase in Government Deposits.**

(bn AED, % month-on-month)



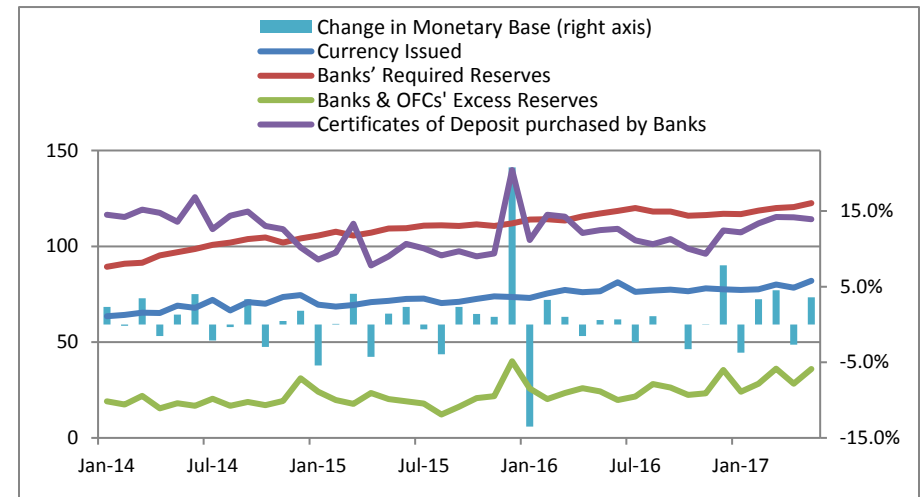
**Money Supply M<sub>2</sub> increased by 0.1%, due to a 0.5% increase in Quasi-Monetary Deposits.**

(bn AED, % month-on-month)



**The Monetary Base expanded by 3.6% during May 2017.**

(bn AED, % month-on-month)



Source: CBUAE