



UAE Monthly Monetary Survey May 2018

Monetary Developments (*)

M₁ decreased by 3.3%, from AED 517.4 billion at the end of April 2018 to AED 500.1 billion at the end of May 2018. This reduction was due to a 3.9% reduction in Monetary Deposits (85.8% of **M₁**), overshadowing a 0.1% increase in Currency in Circulation outside Banks (14.2% of **M₁**).

At the end of May 2018, **M₂** also decreased by 0.7%, falling from AED 1313.1 billion at the end of April 2018 to AED 1304.4 billion. **M₂** mainly decreased due to a reduced **M₁**, overshadowing AED 8.6 billion or 1.1% increase in Quasi- Monetary Deposits (61.7% of **M₂**).

On the other hand, **M₃** increased by 0.4%, from AED 1534 billion at the end of April 2018 to AED 1539.7 billion at the end of May 2018. **M₃** mainly increased because of 6.5% increase in Government Deposits (15.3% of **M₃**), overshadowing the fall in **M₁** and **M₂**.

In summary, during May 2018, **M₁** and **M₂** decreased by 3.3% and 0.7%, respectively. Whereas, **M₃** increased by 0.4%.

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 2018, the Monetary Base expanded by 1.4%. The Monetary Base expanded mainly due to increases in; Currency Issued (24.8% of the Monetary Base) by 3%, Banks' Required Reserves (35.5% of the Monetary Base) by 1% and Certificates of Deposits purchased by Banks (35.8% of the Monetary Base) by 5.8%, overriding the reduction in Banks & OFC's Excess Reserves (3.9% of the Monetary Base) by 30.3%.

From the end of April to the end of May 2018, the multipliers of **M₁**, **M₂** and **M₃** decreased from 1.50 to 1.43, from 3.80 to 3.73 and from 4.44 to 4.40, respectively.

The reduction in the multipliers of **M₁** and **M₂** reflect the decrease in their respective Monetary Aggregates, in contrast to the expansion of the monetary base. Whereas, the decrease in the multiplier of **M₃** indicates a slower increase in its Monetary Aggregate as compared to the bigger 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 (May 2018)

(End of period, billions of Dirhams)

	Dec-14	Dec-15	Dec-16	Dec-17	Mar-18	Apr-18	May 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	517.4	500.1		-17.3	-3.3%	
Currency in Circulation Outside Banks	59.0	58.4	62.3	67.7	69.9	70.7	70.8	14.2%	0.1	0.1%	0.02%
Monetary Deposits**	377.1	398.5	411.8	424.7	440.7	446.7	429.3	85.8%	-17.4	-3.9%	-3.3%
Money Supply M₂*	1125.4	1186.8	1225.5	1276.2	1293.8	1313.1	1304.4		-8.7	-0.7%	
Currency in Circulation Outside Banks	59.0	58.4	62.3	67.7	69.9	70.7	70.8	5.4%	0.1	0.1%	0.01%
Monetary Deposits**	377.1	398.5	411.8	424.7	440.7	446.7	429.3	32.9%	-17.4	-3.9%	-1.3%
Quasi-Monetary Deposits***	689.3	729.9	751.4	783.8	783.2	795.7	804.3	61.7%	8.6	1.1%	0.7%
Money Supply M₃*	1314.5	1342.8	1411.4	1487.1	1526.7	1534.0	1539.7		5.7	0.4%	
Currency in Circulation Outside Banks	59.0	58.4	62.3	67.7	69.9	70.7	70.8	4.6%	0.1	0.1%	0.01%
Monetary Deposits**	377.1	398.5	411.8	424.7	440.7	446.7	429.3	27.9%	-17.4	-3.9%	-1.1%
Quasi-Monetary Deposits***	689.3	729.9	751.4	783.8	783.2	795.7	804.3	52.2%	8.6	1.1%	0.6%
Government Deposits	189.1	156.0	185.9	210.9	232.9	220.9	235.3	15.3%	14.4	6.5%	1.0%

⁽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

^(*) 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. Money Multiplier in the UAE

(End of period, billions of Dirhams)

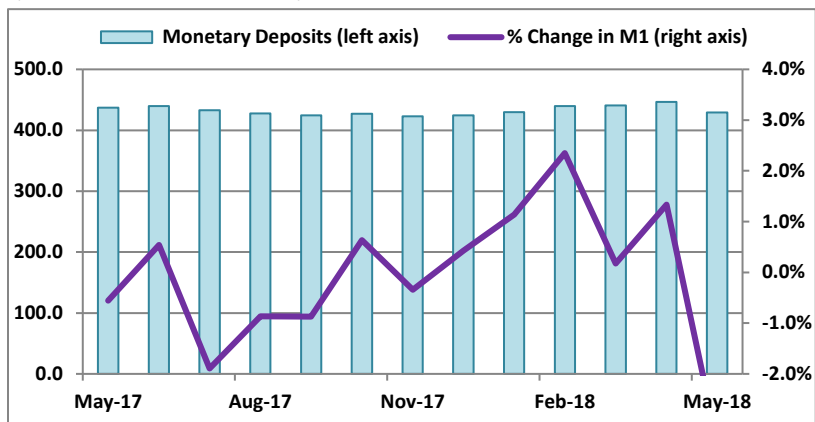
	Dec	Dec	Dec	Dec	March	April	May ¹	Change in May 2018	
	2014	2015	2016	2017	2018	2018	2018	In billions of Dirhams	% Change
Monetary Base	309.2	365.2	338.1	377.4	365.2	345.3	350.0	4.7	1.4%
Currency Issued*	74.5	73.5	77.6	85.4	84.7	84.3	86.8	2.5	3.0%
Banks' Required Reserves	104.1	111.9	116.9	121.4	122.0	123.2	124.4	1.2	1.0%
Banks & OFCs' Excess Reserves	31.1	40	35.4	35.5	24.2	19.5	13.6	-5.9	-30.3%
Certificates of Deposit purchased by Banks	99.5	139.8	108.2	135.1	134.3	118.3	125.2	6.9	5.8%
Money Supply (M ₁)	436.1	456.9	474.1	492.4	510.6	517.4	500.1	-17.3	-3.3%
Money Multiplier of M₁ (M₁/Monetary Base)	1.41	1.25	1.40	1.30	1.40	1.50	1.43		
Money Supply (M ₂)	1125.4	1186.8	1225.5	1276.2	1293.8	1313.1	1304.4	-8.7	-0.7%
Money Multiplier of M₂ (M₂/Monetary Base)	3.64	3.25	3.62	3.38	3.54	3.80	3.73		
Money Supply (M ₃)	1314.5	1342.8	1411.4	1487.1	1526.7	1534.0	1539.7	5.7	0.4%
Money Multiplier of M₃ (M₃/Monetary Base)	4.25	3.68	4.17	3.94	4.18	4.44	4.40		

⁽¹⁾ Figures are provisional and subject to revision

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

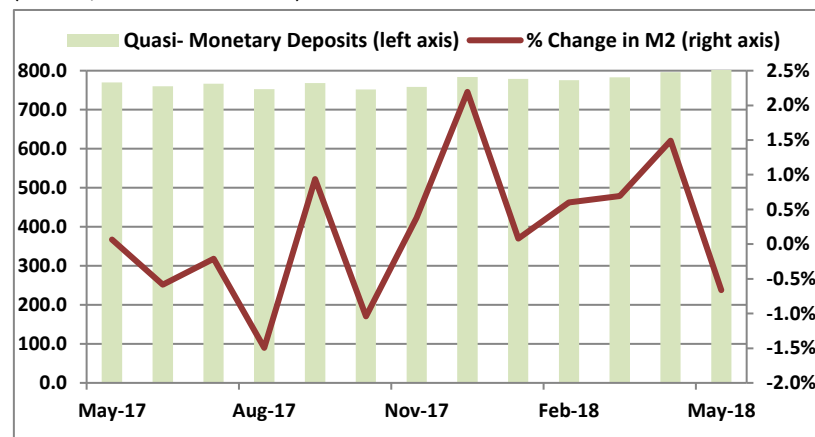
Money Supply M₁ decreased by 3.3%, driven by 3.9% reduction in Monetary Deposits.

(bn AED, % month-on-month)



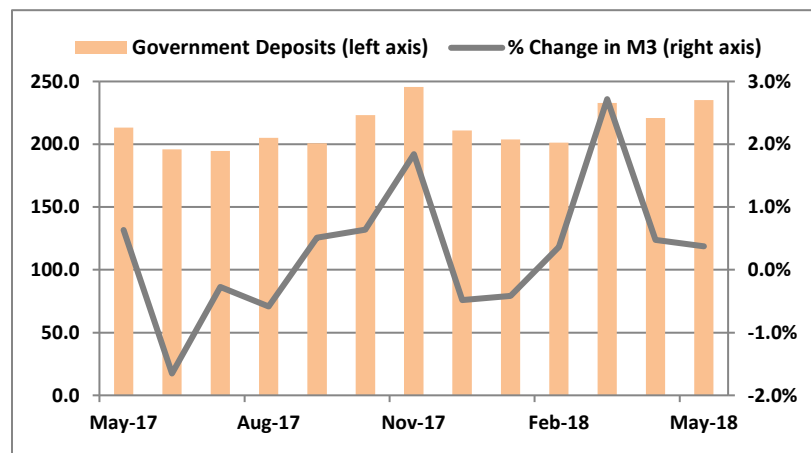
Money Supply M₂ decreased by 0.7% due to a decreased M₁, overshadowing 1.1% increase in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



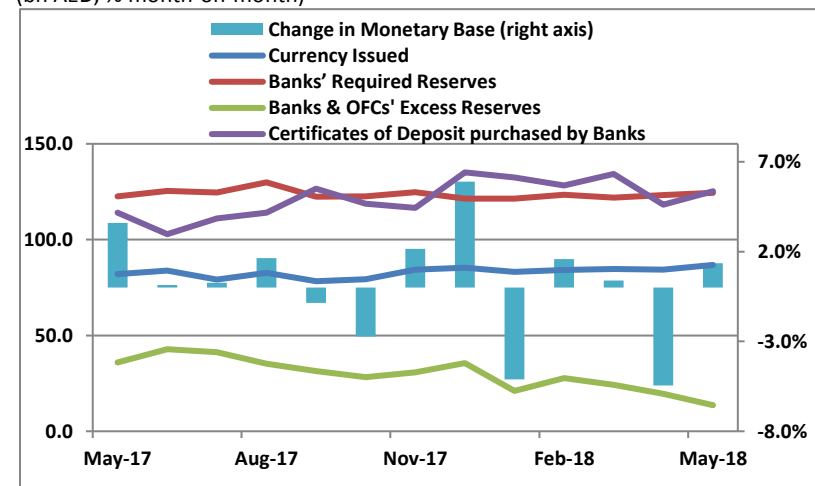
Money Supply M₃ increased by 0.4% due to 6.5% increase in Government Deposits, overriding the reductions in M₁ & M₂.

(bn AED, % month-on-month)



Monetary Base expanded by 1.4% during May 2018.

(bn AED, % month-on-month)



Source: CBUAE