



UAE Monthly Monetary Survey November 2016

Monetary Developments (*)

M₁ increased by 0.04%, from AED 472.4 billion at the end of October to AED 472.6 billion at the end of November 2016. This increase was due to a 1% increase in Currency in Circulation outside Banks (13.3% of **M₁**), overshadowing a 0.1% decrease in Monetary Deposits (86.7% of **M₁**).

At the end of November 2016, **M₂** increased by 0.8%, rising from AED 1203.3 billion at the end of October to AED 1212.9 billion at the end of November. The increase in **M₂** was mainly attributed to a 9.4 billion, i.e. 1.3% increase, in Quasi- Monetary Deposits (61% of **M₂**).

M₃ increased by 1.7%, from AED 1362.9 billion at the end of October to AED 1385.8 billion at the end of November 2016. The rise in **M₃** was primarily brought about by an increased **M₂** and 8.3% increase in Government Deposits (12.5% of **M₃**).

In summary; during November 2016 **M₁**, **M₂** and **M₃** increased by 0.04%, 0.8% 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 November 2016, the Monetary Base contracted by 0.03%, owing to a reduction in Certificates of Deposits purchased by Banks (30.6% of the Monetary Base) by 2.7% despite a combined rise in; Currency Issued (24.9% of the Monetary Base) by 2%, Banks' Required Reserves (37.1% of the Monetary Base) by 0.3% and Banks & OFC's Excess Reserves (7.4% of the Monetary Base) by 3.6%.

From the end of October 2016 to the end of November 2016, the multipliers of **M₂** and **M₃** increased from 3.84 to 3.87 and from 4.34 to 4.42 respectively, reflecting a reduction in the growth of the monetary base, in contrast to the rise of M2 and M3. The multiplier of **M₁** increased slightly, reflecting smaller increase in **M₁**.

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

Table 1. UAE Monthly Monetary Survey (November 2016)

(End of period, billions of Dirhams)

| | Dec 2014 | Mar 2015 | Jun 2015 | Sep 2015 | Nov 2015 | Dec 2015 | Mar 2016 | Jun 2016 | Sep 2016 | Oct 2016 | Nov ¹ 2016 | Change in November | | Year on Year Change |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------------|---------------------------------|--------------|---------------------------|
| | | | | | | | | | | | | In billions of Dirhams | % Change | |
| Money Supply M₁^(*) | 436.1 | 456.9 | 464.1 | 453.6 | 457.3 | 456.9 | 490.3 | 481 | 472.5 | 472.4 | 472.6 | 0.2 | 0.04% | 3.3% |
| <i>of which:</i> | | | | | | | | | | | | | | |
| Currency Issued | 74.5 | 69.3 | 72.5 | 71 | 73.8 | 73.5 | 77.2 | 81.3 | 77.3 | 76.5 | 78.0 | 1.5 | 2.0% | 5.7% |
| Cash at Banks | 15.5 | 13.1 | 13.7 | 13.8 | 15.0 | 15.1 | 15.4 | 16.9 | 15.5 | 14.3 | 15.2 | 0.9 | 6.3% | 1.3% |
| Currency in Circulation Outside Banks | 59.0 | 56.2 | 58.8 | 57.2 | 58.8 | 58.4 | 61.8 | 64.4 | 61.8 | 62.2 | 62.8 | 0.6 | 1.0% | 6.8% |
| Monetary Deposits ^(**) | 377.1 | 400.7 | 405.3 | 396.4 | 398.5 | 398.5 | 428.5 | 416.6 | 410.7 | 410.2 | 409.8 | -0.4 | -0.1% | 2.8% |
| Money Supply M₂^(*) | 1,125.4 | 1,162.5 | 1,174.2 | 1,158.3 | 1,165.0 | 1,186.8 | 1,218.4 | 1,180.4 | 1,200.2 | 1,203.3 | 1,212.9 | 9.6 | 0.8% | 4.1% |
| <i>of which:</i> | | | | | | | | | | | | | | |
| Quasi-Monetary Deposits ^(***) | 689.3 | 705.7 | 710.1 | 704.6 | 707.7 | 729.9 | 728.1 | 699.4 | 727.7 | 730.9 | 740.3 | 9.4 | 1.3% | 4.6% |
| Money Supply M₃^(*) | 1,314.5 | 1,346.0 | 1,337.6 | 1,322.0 | 1,332.2 | 1,342.8 | 1,373.8 | 1,364.8 | 1,368.6 | 1,362.9 | 1,385.8 | 22.9 | 1.7% | 4.0% |
| <i>of which:</i> | | | | | | | | | | | | | | |
| Government Deposits | 189.1 | 183.5 | 163.4 | 163.7 | 167.2 | 156 | 155.4 | 184.4 | 168.4 | 159.6 | 172.9 | 13.3 | 8.3% | 3.4% |

¹ Estimates, subject to revision

^(*) $M_1 = \text{Currency in Circulation Outside Banks (Currency Issued - Cash at banks)} + \text{Monetary Deposits}$

$M_2 = M_1 + \text{Quasi-Monetary Deposits}$

$M_3 = M_2 + \text{Government Deposits}$

^(**) **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. | Dec. | Mar-16 | Jun-16 | Sep-16 | Oct-16 | November ¹ 2016 | | MoM | | Contribution to Aggregate Growth* | Year to Date | |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------------------|--------------------------|------------------------|--------------|-----------------------------------|------------------------|-------------|
| | 2014 | 2015 | | | | | 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 | 472.4 | 472.6 | | 0.2 | 0.04% | | 15.7 | 3.4% |
| Currency in Circulation Outside Banks | 59.0 | 58.4 | 61.8 | 64.4 | 61.8 | 62.2 | 62.8 | 13.3% | 0.6 | 1.0% | 0.13% | 4.4 | 7.5% |
| Monetary Deposits | 377.1 | 398.5 | 428.5 | 416.6 | 410.7 | 410.2 | 409.8 | 86.7% | -0.4 | -0.1% | -0.08% | 11.3 | 2.8% |
| Money Supply M₂ | 1,125.4 | 1,186.8 | 1,218.4 | 1,180.4 | 1,200.2 | 1,203.3 | 1,212.9 | | 9.6 | 0.8% | | 26.1 | 2.2% |
| Currency in Circulation Outside Banks | 59.0 | 58.4 | 61.8 | 64.4 | 61.8 | 62.2 | 62.8 | 5.2% | 0.6 | 1.0% | 0.05% | 4.4 | 7.5% |
| Monetary Deposits | 377.1 | 398.5 | 428.5 | 416.6 | 410.7 | 410.2 | 409.8 | 33.8% | -0.4 | -0.1% | -0.03% | 11.3 | 2.8% |
| Quasi-Monetary Deposits | 689.3 | 729.9 | 728.1 | 699.4 | 727.7 | 730.9 | 740.3 | 61.0% | 9.4 | 1.3% | 0.78% | 10.4 | 1.4% |
| Money Supply M₃ | 1,314.5 | 1,342.8 | 1,373.8 | 1,364.8 | 1,368.6 | 1,362.9 | 1,385.8 | | 22.9 | 1.7% | | 43 | 3.2% |
| Currency in Circulation Outside Banks | 59.0 | 58.4 | 61.8 | 64.4 | 61.8 | 62.2 | 62.8 | 4.5% | 0.6 | 1.0% | 0.04% | 4.4 | 7.5% |
| Monetary Deposits | 377.1 | 398.5 | 428.5 | 416.6 | 410.7 | 410.2 | 409.8 | 29.6% | -0.4 | -0.1% | -0.03% | 11.3 | 2.8% |
| Quasi-Monetary Deposits | 689.3 | 729.9 | 728.1 | 699.4 | 727.7 | 730.9 | 740.3 | 53.4% | 9.4 | 1.3% | 0.69% | 10.4 | 1.4% |
| Government Deposits | 189.1 | 156 | 155.4 | 184.4 | 168.4 | 159.6 | 172.9 | 12.5% | 13.3 | 8.3% | 1.04% | 16.9 | 10.8% |

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)

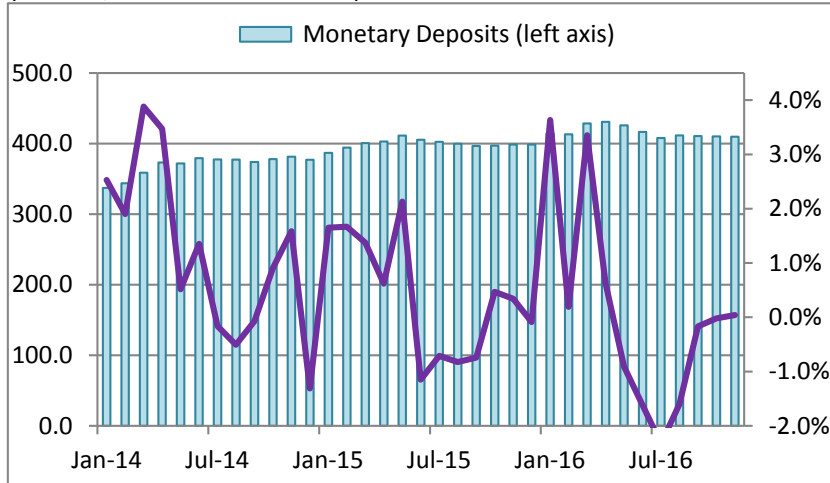
| | December | December | March | June | Sep | Oct | Nov ¹ | Change in November 2016 | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|------------------|-------------------------|---------------|
| | 2014 | 2015 | 2016 | 2016 | 2016 | 2016 | 2016 | In billions of Dirhams | % Change |
| Monetary Base | 309.2 | 365.2 | 329.5 | 328.6 | 325.5 | 313.7 | 313.6 | -0.1 | -0.03% |
| Currency Issued* | 74.5 | 73.5 | 77.2 | 81.3 | 77.3 | 76.5 | 78.0 | 1.5 | 2.0% |
| Banks' Required Reserves | 104.1 | 111.9 | 113.5 | 118.5 | 118.2 | 116.0 | 116.3 | 0.3 | 0.3% |
| Banks & OFCs' Excess Reserves | 31.1 | 40 | 23.4 | 19.7 | 26.2 | 22.4 | 23.2 | 0.8 | 3.6% |
| Certificates of Deposit purchased by Banks | 99.5 | 139.8 | 115.4 | 109.1 | 103.8 | 98.8 | 96.1 | -2.7 | -2.7% |
| Money Supply (M ₁) | 436.1 | 456.9 | 490.3 | 481 | 472.5 | 472.4 | 472.6 | 0.2 | 0.04% |
| Money Multiplier of M₁ (M₁/Monetary Base) | 1.41 | 1.25 | 1.49 | 1.46 | 1.45 | 1.506 | 1.507 | | |
| Money Supply (M ₂) | 1,125.4 | 1,186.8 | 1,218.4 | 1,180.4 | 1,200.2 | 1,203.3 | 1,212.9 | 9.6 | 0.8% |
| Money Multiplier of M₂ (M₂/Monetary Base) | 3.64 | 3.25 | 3.7 | 3.59 | 3.69 | 3.84 | 3.87 | | |
| Money Supply (M ₃) | 1,314.5 | 1,342.8 | 1,373.8 | 1,364.8 | 1,368.6 | 1,362.9 | 1,385.8 | 22.9 | 1.7% |
| Money Multiplier of M₃ (M₃/Monetary Base) | 4.25 | 3.68 | 4.17 | 4.15 | 4.20 | 4.34 | 4.42 | | |

¹ Estimates, subject to revision

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

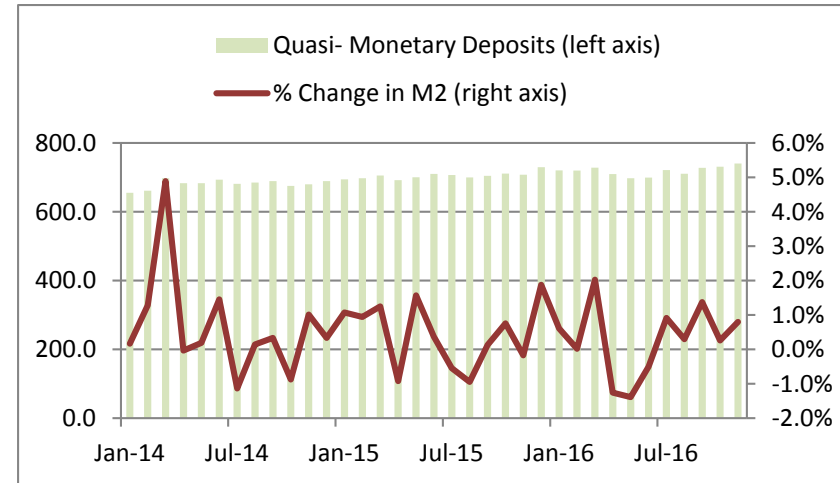
The Money Supply M₁ increased by 0.04%, driven by a 1% increase in Currency in Circulation Outside Banks.

(bn AED, % month-on-month)



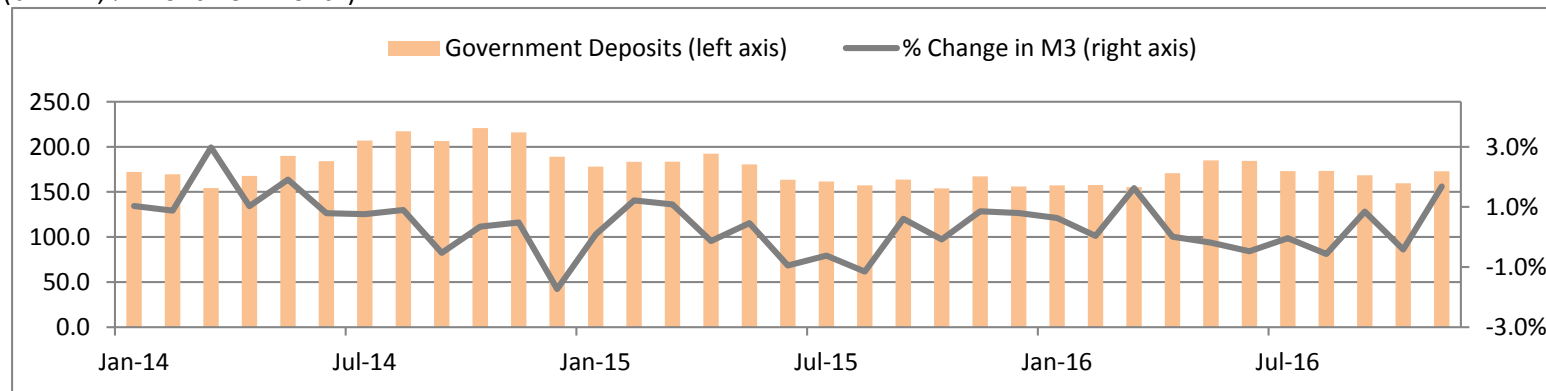
The Money Supply M₂ increased by 0.8%, due to an increase of 1.3% in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



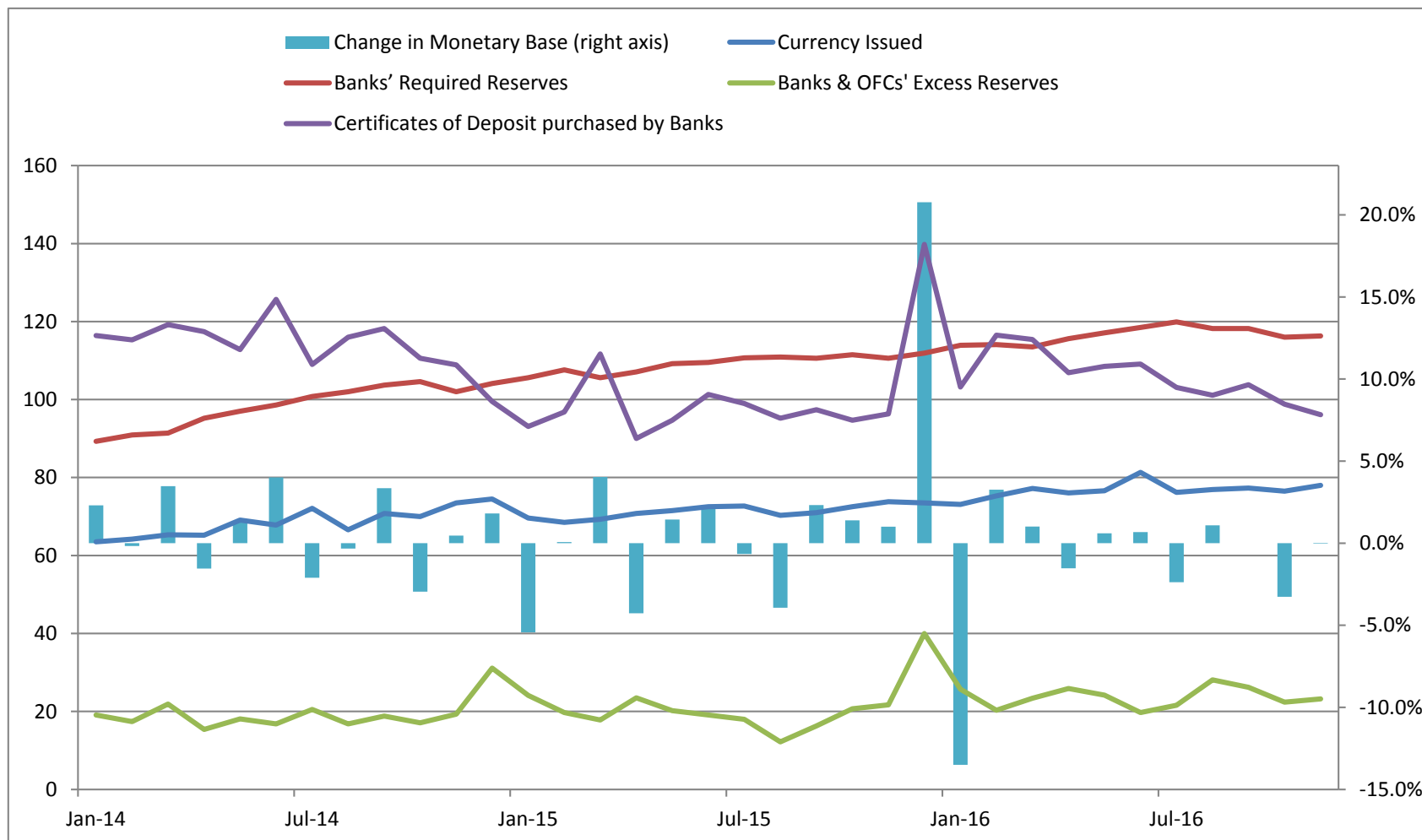
The Money Supply M₃ increased by 1.7% due to 8.3% increase in Government Deposits.

(bn AED, % month-on-month)



Source: RSD - CBUAE

The Monetary Base contracted by 0.03% during November 2016.
(bn AED, % month-on-month)



Source: CBUAE