



# UAE Monthly Monetary Survey November 2017

## Monetary Developments (\*)

**M<sub>1</sub>** decreased by 0.3%, from AED 492 billion at the end of October 2017 to AED 490.3 billion at the end of November 2017. This reduction was due to a 1% decrease in Monetary Deposits (86.2% of **M<sub>1</sub>**), overshadowing a 3.7% increase in Currency in Circulation outside Banks (13.8% of **M<sub>1</sub>**).

At the end of November 2017, **M<sub>2</sub>** increased by 0.4%, rising from AED 1244.1 billion at the end of October to AED 1248.8 billion. **M<sub>2</sub>** mainly increased due to an AED 6.4 billion or 0.9% increase in Quasi- Monetary Deposits (60.7% of **M<sub>2</sub>**), overshadowing the fall in **M<sub>1</sub>**.

**M<sub>3</sub>** increased by 1.8%, from AED 1467.3 billion at the end of October 2017 to AED 1494.3 billion at the end of November 2017. **M<sub>3</sub>** increased because of an increased **M<sub>2</sub>** and an AED 22.3 billion or 10% rise in Government Deposits (16.4% of **M<sub>3</sub>**).

In summary, during November 2017, **M<sub>1</sub>** decreased by 0.3%, whereas, **M<sub>2</sub>** and **M<sub>3</sub>** increased by 0.4% and 1.8%, 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 2017, the Monetary Base expanded by 2.1%. The Monetary Base expanded mainly due to increases in; Currency Issued (23.7% of the Monetary Base) by 6.3%, Banks' Required Reserves (35% of the Monetary Base) by 1.7% and Banks & OFC's Excess Reserves (8.6% of the Monetary Base) by 8.8%, overshadowing reduction in Certificates of Deposits purchased by Banks (32.7% of the Monetary Base) by 1.8%.

From the end of October 2017 to the end of November 2017, the multipliers of **M<sub>1</sub>**, **M<sub>2</sub>** and **M<sub>3</sub>** decreased from 1.41 to 1.38, from 3.57 to 3.50 and from 4.21 to 4.19, respectively.

The decrease in the multiplier of **M<sub>1</sub>** reflects the reduction in the Monetary Aggregate **M<sub>1</sub>** in contrast to the expansion of the monetary base. The decrease in the multipliers of **M<sub>2</sub>** and **M<sub>3</sub>** reflects slower increases in their respective Monetary Aggregates than the expansion of the monetary base.

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

**Table1. UAE Monthly Monetary Survey With Contribution to Aggregate Money Supply (November 2017)**  
(End of period, billions of Dirhams)

	Dec-14	Dec-15	Nov-16	Dec-16	Mar-17	Jun-17	Sep-17	Oct-17	Nov <sup>1</sup> 2017		MoM		Contribution to Aggregate Growth <sup>2</sup>	Year to Date		Year on Year Change
									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>472.6</b>	<b>474.1</b>	<b>504.4</b>	<b>507.1</b>	<b>488.9</b>	<b>492.0</b>	<b>490.3</b>		<b>-1.7</b>	<b>-0.3%</b>		<b>16.2</b>	<b>3.4%</b>	<b>3.7%</b>
Currency Issued	74.5	73.5	78.0	77.6	80.1	83.9	78.3	79.3	84.3		5.0	6.3%		6.7	8.6%	8.1%
Cash at Banks	15.5	15.1	15.2	15.3	14.7	16.5	13.9	14.2	16.8		2.6	18.3%		1.5	9.8%	10.5%
Currency in Circulation Outside Banks	59.0	58.4	62.8	62.3	65.4	67.4	64.4	65.1	67.5	13.8%	2.4	3.7%	0.51%	5.2	8.3%	7.5%
Monetary Deposits**	377.1	398.5	409.8	411.8	439.0	439.7	424.5	426.9	422.8	86.2%	-4.1	-1.0%	-0.8%	11.0	2.7%	3.2%
<b>Money Supply M<sub>2</sub>*</b>	<b>1125.4</b>	<b>1186.8</b>	<b>1212.9</b>	<b>1225.5</b>	<b>1272.2</b>	<b>1267.1</b>	<b>1257.2</b>	<b>1244.1</b>	<b>1248.8</b>		<b>4.7</b>	<b>0.4%</b>		<b>23.3</b>	<b>1.9%</b>	<b>3.0%</b>
Currency in Circulation Outside Banks	59.0	58.4	62.8	62.3	65.4	67.4	64.4	65.1	67.5	5.4%	2.4	3.7%	0.20%	5.2	8.3%	7.5%
Monetary Deposits**	377.1	398.5	409.8	411.8	439.0	439.7	424.5	426.9	422.8	33.9%	-4.1	-1.0%	-0.3%	11.0	2.7%	3.2%
Quasi-Monetary Deposits***	689.3	729.9	740.3	751.4	767.8	760.0	768.3	752.1	758.5	60.7%	6.4	0.9%	0.5%	7.1	0.9%	2.5%
<b>Money Supply M<sub>3</sub>*</b>	<b>1314.5</b>	<b>1342.8</b>	<b>1385.8</b>	<b>1411.4</b>	<b>1465.8</b>	<b>1463.1</b>	<b>1458.0</b>	<b>1467.3</b>	<b>1494.3</b>		<b>27.0</b>	<b>1.8%</b>		<b>82.9</b>	<b>5.9%</b>	<b>7.8%</b>
Currency in Circulation Outside Banks	59.0	58.4	62.8	62.3	65.4	67.4	64.4	65.1	67.5	4.5%	2.4	3.7%	0.17%	5.2	8.3%	7.5%
Monetary Deposits**	377.1	398.5	409.8	411.8	439.0	439.7	424.5	426.9	422.8	28.3%	-4.1	-1.0%	-0.3%	11.0	2.7%	3.2%
Quasi-Monetary Deposits***	689.3	729.9	740.3	751.4	767.8	760.0	768.3	752.1	758.5	50.8%	6.4	0.9%	0.4%	7.1	0.9%	2.5%
Government Deposits	189.1	156.0	172.9	185.9	193.6	196.0	200.8	223.2	245.5	16.4%	22.3	10.0%	1.6%	59.6	32.1%	42.0%

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

<sup>2</sup>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

<sup>6</sup>  $M_1$  = 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

<sup>8</sup> **Monetary Deposits:** All short term deposits on which bank customer can withdraw without prior notice

<sup>9</sup> **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)

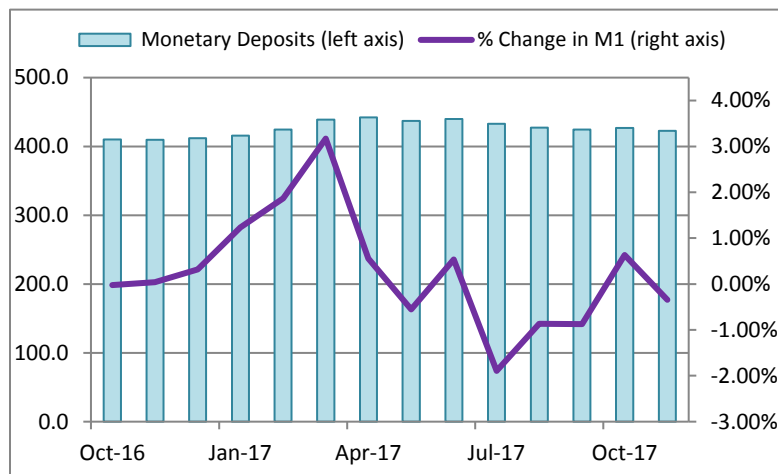
	Dec	Dec	Dec	March	June	Sep	Oct	Nov <sup>1</sup>	Change in November 2017	
	2014	2015	2016	2017	2017	2017	2017	2017	In billions of Dirhams	% Change
<b>Monetary Base</b>	309.2	365.2	338.1	351.5	355.0	358.7	348.9	356.4	7.5	2.1%
Currency Issued*	74.5	73.5	77.6	80.1	83.9	78.3	79.3	84.3	5.0	6.3%
Banks' Required Reserves	104.1	111.9	116.9	119.9	125.5	122.4	122.6	124.7	2.1	1.7%
Banks & OFCs' Excess Reserves	31.1	40	35.4	36.2	42.8	31.4	28.3	30.8	2.5	8.8%
Certificates of Deposit purchased by Banks	99.5	139.8	108.2	115.3	102.9	126.6	118.7	116.6	-2.1	-1.8%
Money Supply (M <sub>1</sub> )	436.1	456.9	474.1	504.4	507.1	488.9	492.0	490.3	-1.7	-0.3%
<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>1.43</b>	<b>1.43</b>	<b>1.36</b>	<b>1.41</b>	<b>1.38</b>		
Money Supply (M <sub>2</sub> )	1125.4	1186.8	1225.5	1272.2	1267.1	1257.2	1244.1	1248.8	4.7	0.4%
<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>3.62</b>	<b>3.57</b>	<b>3.50</b>	<b>3.57</b>	<b>3.50</b>		
Money Supply (M <sub>3</sub> )	1314.5	1342.8	1411.4	1465.8	1463.1	1458.0	1467.3	1494.3	27.0	1.8%
<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>4.17</b>	<b>4.12</b>	<b>4.06</b>	<b>4.21</b>	<b>4.19</b>		

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

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

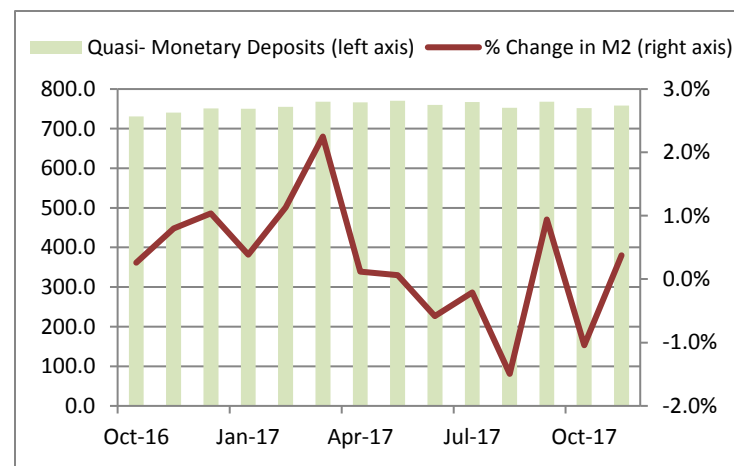
**Money Supply M1 decreased by 0.3%, driven by 1% reduction in Monetary Deposits.**

(bn AED, % month-on-month)



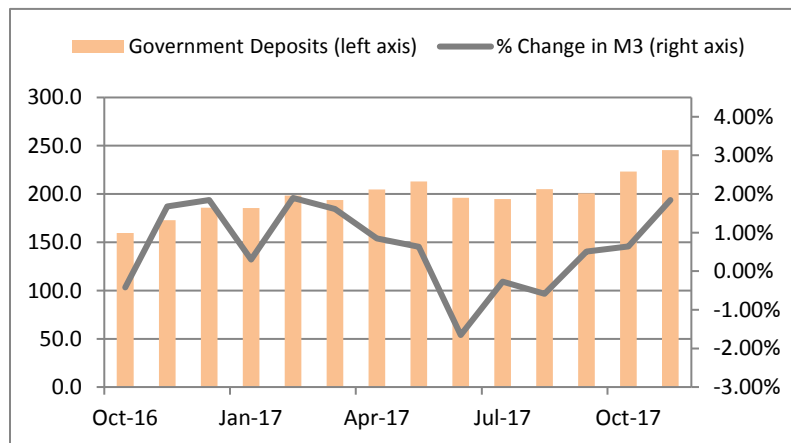
**Money Supply M2 increased by 0.4% due to a 0.9% increase in Quasi-Monetary Deposits.**

(bn AED, % month-on-month)



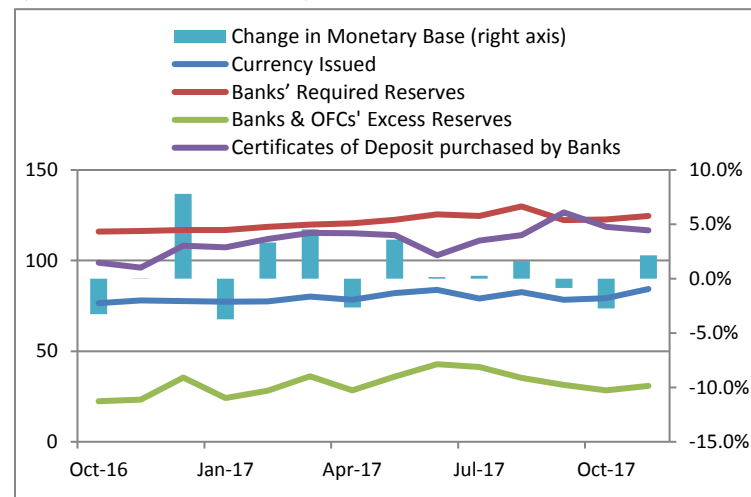
**Money Supply M3 increased by 1.8%, due to a 10% rise in Government Deposits.**

(bn AED, % month-on-month)



**Monetary Base expanded by 2.1% during November 2017.**

(bn AED, % month-on-month)



Source: CBUAE