

## UAE Monthly Monetary Survey October 2015

### Previous Monetary Surveys

- |                  |                  |
|------------------|------------------|
| - January 2014   | - January 2015   |
| - February 2014  | - February 2015  |
| - March 2014     | - March 2015     |
| - April 2014     | - April 2015     |
| - May 2014       | - May 2015       |
| - June 2014      | - June 2015      |
| - July 2014      | - July 2015      |
| - August 2014    | - August 2015    |
| - September 2014 | - September 2015 |
| - October 2014   | - October 2015   |
| - November 2014  |                  |
| - December 2014  |                  |

### Related Publications

- UAE Central Bank Monthly Statistical Bulletin, August 2015
- UAE Central Bank Monthly Statistical Bulletin, July 2015
- UAE Central Bank Monthly Statistical Bulletin, June 2015
- UAE Central Bank Monthly Statistical Bulletin, May 2015
- UAE Monetary Developments Report, 2<sup>nd</sup> Quarter 2015 (English & Arabic)



## Monetary Developments (\*)

$M_1$  increased by 0.5%, from AED 453.6 billion at the end of September to AED 455.7 billion at the end of October 2015. This rise was due to a 0.1% increase in Monetary Deposits (87.1% of  $M_1$ ) and a 2.8% increase in Currency in Circulation outside Banks (12.9% of  $M_1$ ).

Similarly,  $M_2$  increased by 0.7%, from AED 1,176.4 billion at the end of September to AED 1,185.1 billion at the end of October 2015. This increase in  $M_2$  was driven by growth in  $M_1$  combined with a 0.9% increase in Quasi-Monetary Deposits (61.5% of  $M_2$ ).

On the other hand,  $M_3$  decreased slightly by 0.1%, decreasing from AED 1,341.9 billion at the end of September to AED 1,340.8 billion at the end of October 2015. The reduction in  $M_3$  was mainly brought about by a 5.9% decrease in Government Deposits (11.6% of  $M_3$ ) overshadowing the increase in  $M_1$  and  $M_2$ .

In October 2015,  $M_1$  and  $M_2$  increased by 0.5% and 0.7% respectively, but  $M_3$  decreased by 0.1%.

## 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 October 2015, the Monetary Base expanded by 3.3% owing to a combined increase in Currency Issued (24.3% of the Monetary Base) by 2.1%, Banks' Excess Reserves (6.5% of the Monetary Base) by 102.1% and Banks' Required Reserves (37.4% of the Monetary Base) by 0.8%. This increase in the Monetary Base was weakened by a 2.8% reduction in Certificates of Deposits purchased by Banks – Net of Lending (31.8% of the Monetary Base).

From the end of September to the end of October, the multipliers of  $M_1$ ,  $M_2$  and  $M_3$  decreased from 1.57 to 1.53, from 4.08 to 3.98 and from 4.65 to 4.50 respectively, indicating that the increase in the Monetary Base dominated the corresponding changes in monetary aggregates.

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

**Table 1. UAE Monthly Monetary Survey (October 2015)**

(End of period, billions of Dirhams)

	October 2014	December 2014	March 2015	June 2015	September 2015	October <sup>1</sup> 2015	Change in Oct.		Year on Year Change
							In billions of Dirhams	% Change	
<b>Money Supply M<sub>1</sub>(*)</b>	<b>435.0</b>	<b>436.1</b>	<b>456.9</b>	<b>464.1</b>	<b>453.6</b>	<b>455.7</b>	<b>2.1</b>	<b>0.5%</b>	<b>4.8%</b>
<i>of which:</i>									
Currency Issued	70.0	74.5	69.3	72.5	71.0	72.5	1.5	2.1%	3.6%
Cash at Banks	13.0	15.5	13.1	13.7	13.8	13.7	-0.1	-0.7%	5.4%
Currency in Circulation Outside Banks	57.0	59.0	56.2	58.8	57.2	58.8	1.6	2.8%	3.2%
Monetary Deposits(**)	378.0	377.1	400.7	405.3	396.4	396.9	0.5	0.1%	5.0%
<b>Money Supply M<sub>2</sub></b>	<b>1,125.6</b>	<b>1,141.1</b>	<b>1,178.8</b>	<b>1,190.0</b>	<b>1,176.4</b>	<b>1,185.1</b>	<b>8.7</b>	<b>0.7%</b>	<b>5.3%</b>
<i>of which:</i>									
Quasi-Monetary Deposits(***)	690.6	705.0	721.9	725.9	722.8	729.4	6.6	0.9%	5.6%
<b>Money Supply M<sub>3</sub></b>	<b>1,348.2</b>	<b>1,332.0</b>	<b>1,364.1</b>	<b>1,355.1</b>	<b>1,341.9</b>	<b>1,340.8</b>	<b>-1.1</b>	<b>-0.1%</b>	<b>-0.5%</b>
<i>of which:</i>									
Government Deposits	222.6	190.9	185.3	165.1	165.5	155.7	-9.8	-5.9%	-30.1%

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

(\*) 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

(\*\*) 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 + Commercial Prepayments in Dirham + Resident Deposits in foreign currencies

**Table 2. Contribution to Aggregate Money Supply**

	Dec. 2013	Dec. 2014	March 2015	June 2015	September 2015	October 2015		MoM		Contribution to Aggregate Growth <sup>1</sup>	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>379.6</b>	<b>436.1</b>	<b>456.9</b>	<b>464.1</b>	<b>453.6</b>	<b>455.7</b>		<b>2.1</b>	<b>0.5%</b>		<b>19.6</b>	<b>4.5%</b>
Currency in Circulation Outside Banks	50.4	59.0	56.2	58.8	57.2	58.8	12.9%	1.6	2.8%	0.4%	-0.2	-0.3%
Monetary Deposits	329.2	377.1	400.7	405.3	396.4	396.9	87.1%	0.5	0.1%	0.1%	19.8	5.3%
<b>Money Supply M<sub>2</sub></b>	<b>1,056.8</b>	<b>1,141.1</b>	<b>1,178.8</b>	<b>1,190.0</b>	<b>1,176.4</b>	<b>1,185.1</b>		<b>8.7</b>	<b>0.7%</b>		<b>44.0</b>	<b>3.9%</b>
Currency in Circulation Outside Banks	50.4	59.0	56.2	58.8	57.2	58.8	5.0%	1.6	2.8%	0.1%	-0.2	-0.3%
Monetary Deposits	329.2	377.1	400.7	405.3	396.4	396.9	33.5%	0.5	0.1%	0.0%	19.8	5.3%
Quasi-Monetary Deposits	677.2	705.0	721.9	725.9	722.8	729.4	61.5%	6.6	0.9%	0.6%	24.4	3.5%
<b>Money Supply M<sub>3</sub></b>	<b>1,219.9</b>	<b>1,332.0</b>	<b>1,364.1</b>	<b>1,355.1</b>	<b>1,341.9</b>	<b>1,340.8</b>		<b>-1.1</b>	<b>-0.1%</b>		<b>8.8</b>	<b>0.7%</b>
Currency in Circulation Outside Banks	50.4	59.0	56.2	58.8	57.2	58.8	4.4%	1.6	2.8%	0.1%	-0.2	-0.3%
Monetary Deposits	329.2	377.1	400.7	405.3	396.4	396.9	29.6%	0.5	0.1%	0.0%	19.8	5.3%
Quasi-Monetary Deposits	677.2	705.0	721.9	725.9	722.8	729.4	54.4%	6.6	0.9%	0.5%	24.4	3.5%
Government Deposits	163.1	190.9	185.3	165.1	165.5	155.7	11.6%	-9.8	-5.9%	-0.7%	-35.2	-18.4%

N.B. Estimates, subject to revision.

<sup>1</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

**Table 3. Money Multiplier in the UAE**  
(End of period, billions of Dirhams)

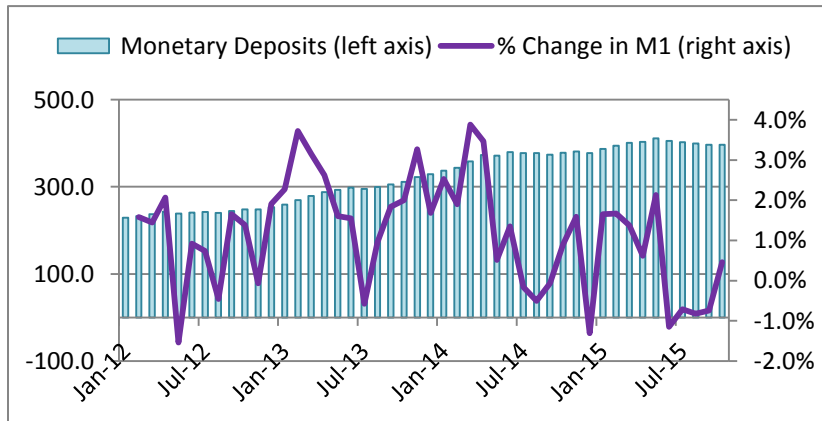
	December	December	March	June	September	October	Change in October 2015	
	2013	2014	2015	2015	2015	2015	In billions of Dirhams	% Change
<b>Monetary Base</b>	<b>278.2</b>	<b>308.1</b>	<b>293.5</b>	<b>295.4</b>	<b>288.6</b>	<b>298.1</b>	<b>9.5</b>	<b>3.3%</b>
Currency Issued*	63.9	74.5	69.4	72.5	71.0	72.5	1.5	2.1%
Banks' Required Reserves	87.8	104.1	105.6	109.5	110.6	111.5	0.9	0.8%
Banks' Excess Reserves	18.6	30.0	12.8	12.1	9.6	19.4	9.8	102.1%
Certificates of Deposit purchased by Banks (Net of Lending)	107.9	99.5	105.8	101.3	97.4	94.7	-2.7	-2.8%
Money Supply (M <sub>1</sub> )	379.6	436.1	456.9	464.1	453.6	455.7	2.1	0.5%
<b>Money Multiplier of M<sub>1</sub> (M<sub>1</sub>/Monetary Base)</b>	<b>1.36</b>	<b>1.42</b>	<b>1.56</b>	<b>1.57</b>	<b>1.57</b>	<b>1.53</b>		
Money Supply (M <sub>2</sub> )	1,056.8	1,141.1	1,178.8	1,190.0	1,176.4	1,185.1	8.7	0.7%
<b>Money Multiplier of M<sub>2</sub> (M<sub>2</sub>/Monetary Base)</b>	<b>3.80</b>	<b>3.70</b>	<b>4.02</b>	<b>4.03</b>	<b>4.08</b>	<b>3.98</b>		
Money Supply (M <sub>3</sub> )	1,219.9	1,332.0	1,364.1	1,355.1	1,341.9	1,340.8	-1.1	-0.1%
<b>Money Multiplier of M<sub>3</sub> (M<sub>3</sub>/Monetary Base)</b>	<b>4.38</b>	<b>4.32</b>	<b>4.65</b>	<b>4.59</b>	<b>4.65</b>	<b>4.50</b>		

**N.B. Estimates, subject to revision.**

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

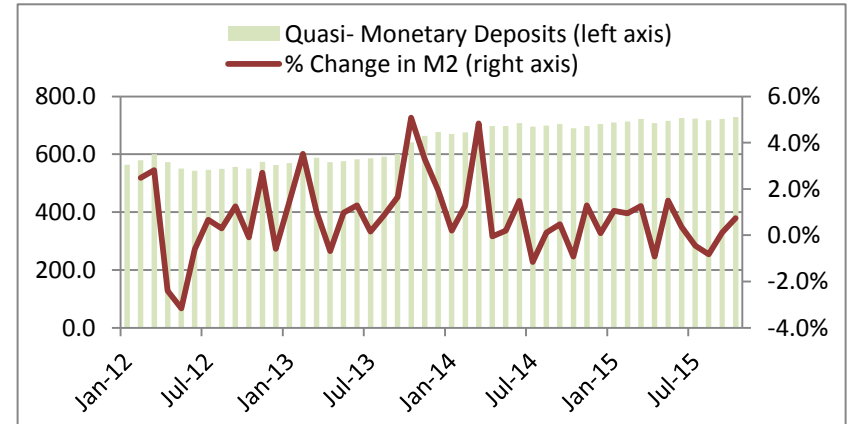
**Money Supply M<sub>1</sub> increased by 0.5%, driven by a 0.1% increase in Monetary Deposits.**

(bn AED, % month-on-month)



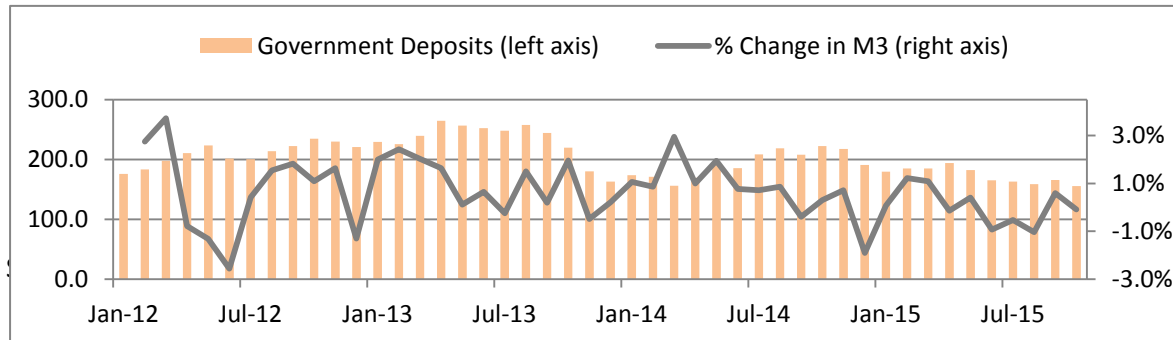
**Money Supply M<sub>2</sub> grew by 0.7% because of an increase in Quasi-Monetary Deposits by 0.9%.**

(bn AED, % month-on-month)



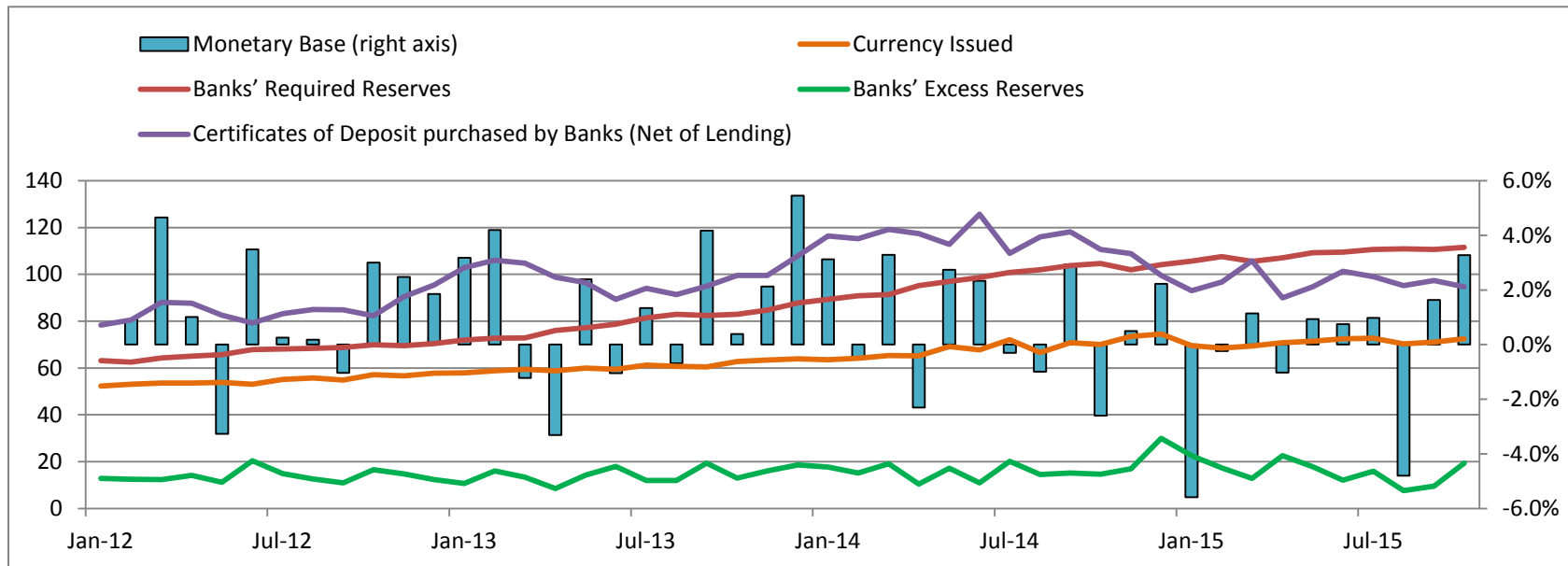
**Money Supply M<sub>3</sub> decreased by 0.1%, due to a 5.9% reduction in Government Deposits.**

(bn AED, % month-on-month)



**Monetary Base** expanded by 3.3% during October owing to a combined increase in Currency Issued, and in Bank's Required and Excess Reserves .

(bn AED, % month-on-month)



Source: CBUAE