



UAE Monthly Monetary Survey October 2016

Monetary Developments (*)

M₁ decreased by 0.02%, from AED 472.5 billion at the end of September to AED 472.4 billion at the end of October 2016. This decrease was due to a 0.1% decrease in Monetary Deposits (86.8% of **M₁**), overshadowing a 0.6% increase in Currency in Circulation Outside Banks (13.2% of **M₁**).

At the end of October 2016, **M₂** increased by 0.3%, rising from AED 1200.2 billion at the end of September to AED 1203.3 billion. The increase in **M₂** was mainly attributed to a 3.2 billion, i.e. 0.4% increase, in Quasi- Monetary Deposits (60.7% of **M₂**).

M₃ decreased by 0.4%, from AED 1368.6 billion at the end of September to AED 1362.9 billion at the end of October 2016. The reduction in **M₃** was primarily brought about by a reduced **M₁** and a 5.2% decrease in Government Deposits (11.7% of **M₃**).

In summary; during October 2016 **M₁** and **M₃** decreased by 0.02% and 0.4%, respectively. Whereas, **M₂** increased by 0.3%.

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 October 2016, the Monetary Base contracted by 3.6%, owing to a combined reduction in; Currency Issued (24.4% of the Monetary Base) by 1%, Banks' Required Reserves (37% of the Monetary Base) by 1.9%, Banks & OFC's Excess Reserves (7.1% of the Monetary Base) by 14.5% and Certificates of Deposits purchased by Banks (31.5% of the Monetary Base) by 4.8%.

From the end of September 2016 to the end of October 2016, the multipliers of **M₁**, **M₂** and **M₃** increased from 1.45 to 1.51, from 3.69 to 3.84 and from 4.20 to 4.34, respectively, reflecting a sharper reduction in the growth of the monetary base, compared to the reduction of **M₁** and **M₃**, and the small increase in **M₂**.

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

Table 1. UAE Monthly Monetary Survey (October 2016)

(End of period, billions of Dirhams)

	Dec 2014	Mar 2015	Jun 2015	Sep 2015	Oct 2015	Dec 2015	Mar 2016	Jun 2016	Sep 2016	Oct ¹ 2016	Change in October		Year on Year Change
											In billions of Dirhams	% Change	
Money Supply M₁^(*)	436.1	456.9	464.1	453.6	455.7	456.9	490.3	481.0	472.5	472.4	-0.1	-0.02%	3.7%
<i>of which:</i>													
Currency Issued	74.5	69.3	72.5	71	72.5	73.5	77.2	81.3	77.3	76.5	-0.8	-1.0%	5.5%
Cash at Banks	15.5	13.1	13.7	13.8	13.7	15.1	15.4	16.9	15.5	14.3	-1.2	-7.7%	4.7%
Currency in Circulation Outside Banks	59	56.2	58.8	57.2	58.8	58.4	61.8	64.4	61.8	62.2	0.4	0.6%	5.7%
Monetary Deposits ^(**)	377.1	400.7	405.3	396.4	396.9	398.5	428.5	416.6	410.7	410.2	-0.5	-0.1%	3.3%
Money Supply M₂^(*)	1,125.4	1,162.5	1,174.2	1,158.3	1,167.0	1,186.8	1,218.4	1,180.4	1,200.2	1,203.3	3.1	0.3%	3.1%
<i>of which:</i>													
Quasi-Monetary Deposits ^(***)	689.3	705.7	710.1	704.6	711.3	729.9	728.1	699.4	727.7	730.9	3.2	0.4%	2.8%
Money Supply M₃^(*)	1,314.5	1,346.0	1,337.6	1,322.0	1,320.9	1,342.8	1,373.8	1,364.8	1,368.6	1,362.9	-5.7	-0.4%	3.2%
<i>of which:</i>													
Government Deposits	189.1	183.5	163.4	163.7	153.9	156	155.4	184.4	168.4	159.6	-8.8	-5.2%	3.7%

¹ Estimates, subject to revision

^(*) M₁ = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits

M₂ = M₁ + Quasi-Monetary
Deposits

M₃ = M₂ + 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	October 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	
Currency in Circulation Outside Banks	59	58.4	61.8	64.4	61.8	62.2	13.2%	0.4	0.6%	0.09%	3.8	6.5%
Monetary Deposits	377.1	398.5	428.5	416.6	410.7	410.2	86.8%	-0.5	-0.1%	-0.11%	11.7	2.9%
Money Supply M₂	1,125.40	1,186.80	1,218.40	1,180.40	1,200.20	1,203.30		3.1	0.3%		16.5	1.4%
Currency in Circulation Outside Banks	59	58.4	61.8	64.4	61.8	62.2	5.2%	0.4	0.6%	0.03%	3.8	6.5%
Monetary Deposits	377.1	398.5	428.5	416.6	410.7	410.2	34.1%	-0.5	-0.1%	-0.04%	11.7	2.9%
Quasi-Monetary Deposits	689.3	729.9	728.1	699.4	727.7	730.9	60.7%	3.2	0.4%	0.27%	1	0.1%
Money Supply M₃	1,314.50	1,342.80	1,373.80	1,364.80	1,368.60	1,362.90		-5.7	-0.4%		20.1	1.5%
Currency in Circulation Outside Banks	59	58.4	61.8	64.4	61.8	62.2	4.6%	0.4	0.6%	0.03%	3.8	6.5%
Monetary Deposits	377.1	398.5	428.5	416.6	410.7	410.2	30.1%	-0.5	-0.1%	-0.04%	11.7	2.9%
Quasi-Monetary Deposits	689.3	729.9	728.1	699.4	727.7	730.9	53.6%	3.2	0.4%	0.24%	1	0.1%
Government Deposits	189.1	156	155.4	184.4	168.4	159.6	11.7%	-8.8	-5.2%	-0.61%	3.6	2.3%

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)

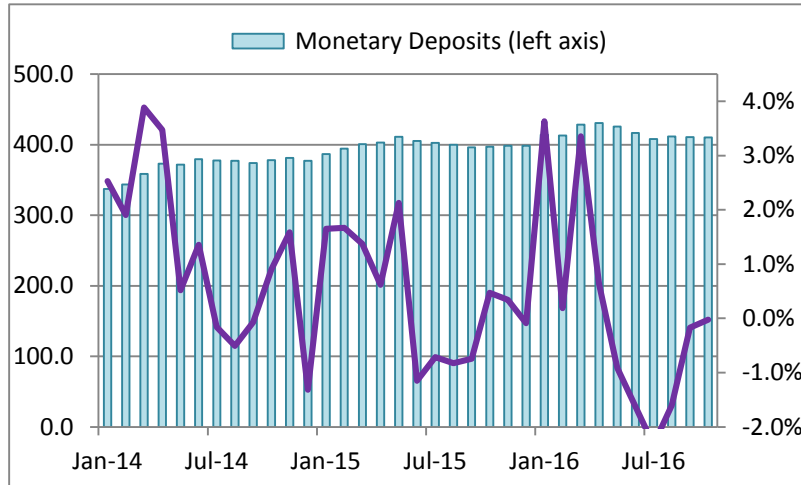
	December	December	March	June	July	Aug	Sep	Oct ¹	Change in October 2016	
	2014	2015	2016	2016	2016	2016	2016	2016	In billions of Dirhams	% Change
Monetary Base	309.2	365.2	329.5	328.6	320.8	324.3	325.5	313.7	-11.8	-3.6%
Currency Issued*	74.5	73.5	77.2	81.3	76.2	76.9	77.3	76.5	-0.8	-1.0%
Banks' Required Reserves	104.1	111.9	113.5	118.5	119.9	118.2	118.2	116.0	-2.2	-1.9%
Banks & OFCs' Excess Reserves	31.1	40	23.4	19.7	21.6	28.1	26.2	22.4	-3.8	-14.5%
Certificates of Deposit purchased by Banks	99.5	139.8	115.4	109.1	103.1	101.1	103.8	98.8	-5.0	-4.8%
Money Supply (M ₁)	436.1	456.9	490.3	481	469.8	473.3	472.5	472.4	-0.1	-0.02%
Money Multiplier of M₁ (M₁/Monetary Base)	1.41	1.25	1.49	1.46	1.46	1.46	1.45	1.51		
Money Supply (M ₂)	1,125.40	1,186.80	1,218.40	1,180.40	1,191.20	1,183.90	1,200.20	1,203.30	3.1	0.3%
Money Multiplier of M₂ (M₂/Monetary Base)	3.64	3.25	3.7	3.59	3.71	3.65	3.69	3.84		
Money Supply (M ₃)	1,314.50	1,342.80	1,373.80	1,364.80	1,364.30	1,357.10	1,368.60	1,362.90	-5.7	-0.4%
Money Multiplier of M₃ (M₃/Monetary Base)	4.25	3.68	4.17	4.15	4.25	4.18	4.20	4.34		

¹ Estimates, subject to revision

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

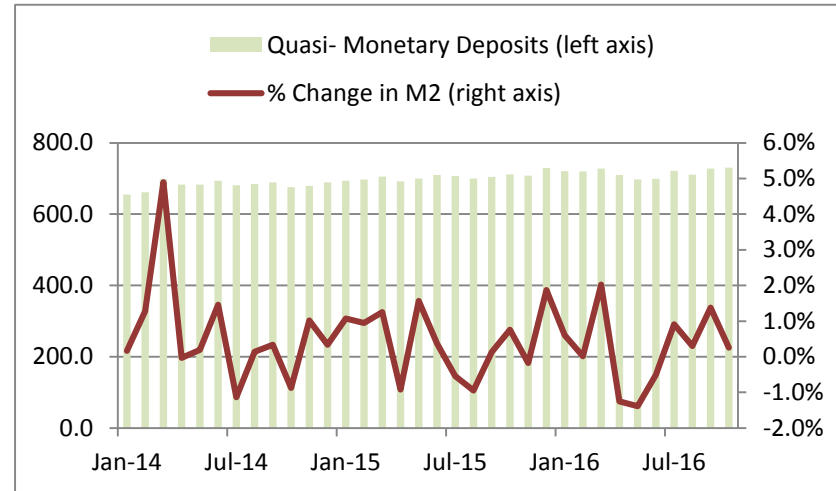
Money Supply M₁ decreased by 0.02%, driven by a 0.1% decrease in Monetary Deposits.

(bn AED, % month-on-month)



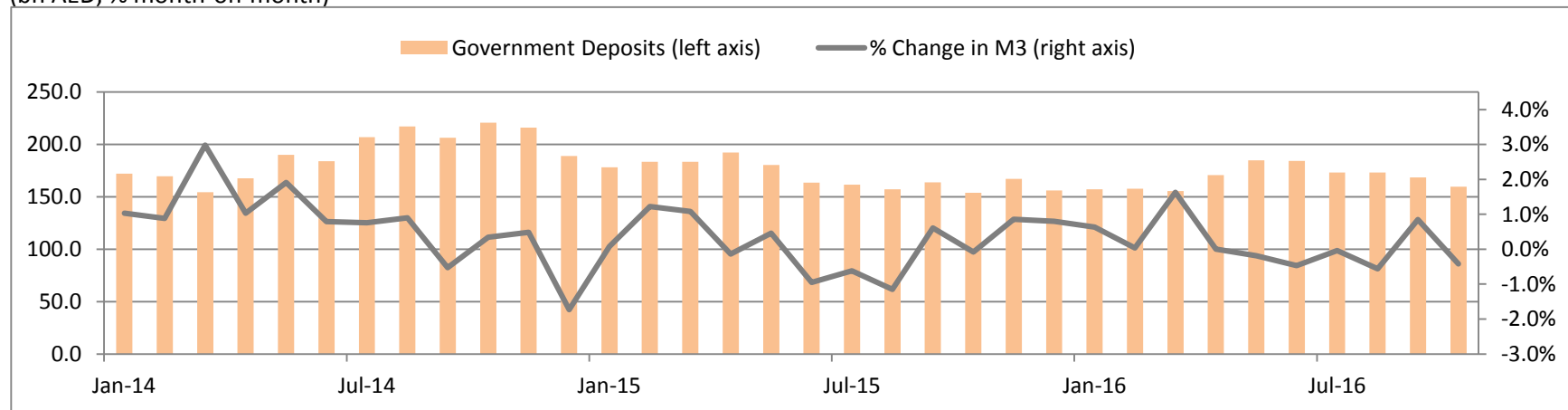
Money Supply M₂ increased by 0.3%, due to an increase of 0.4% in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



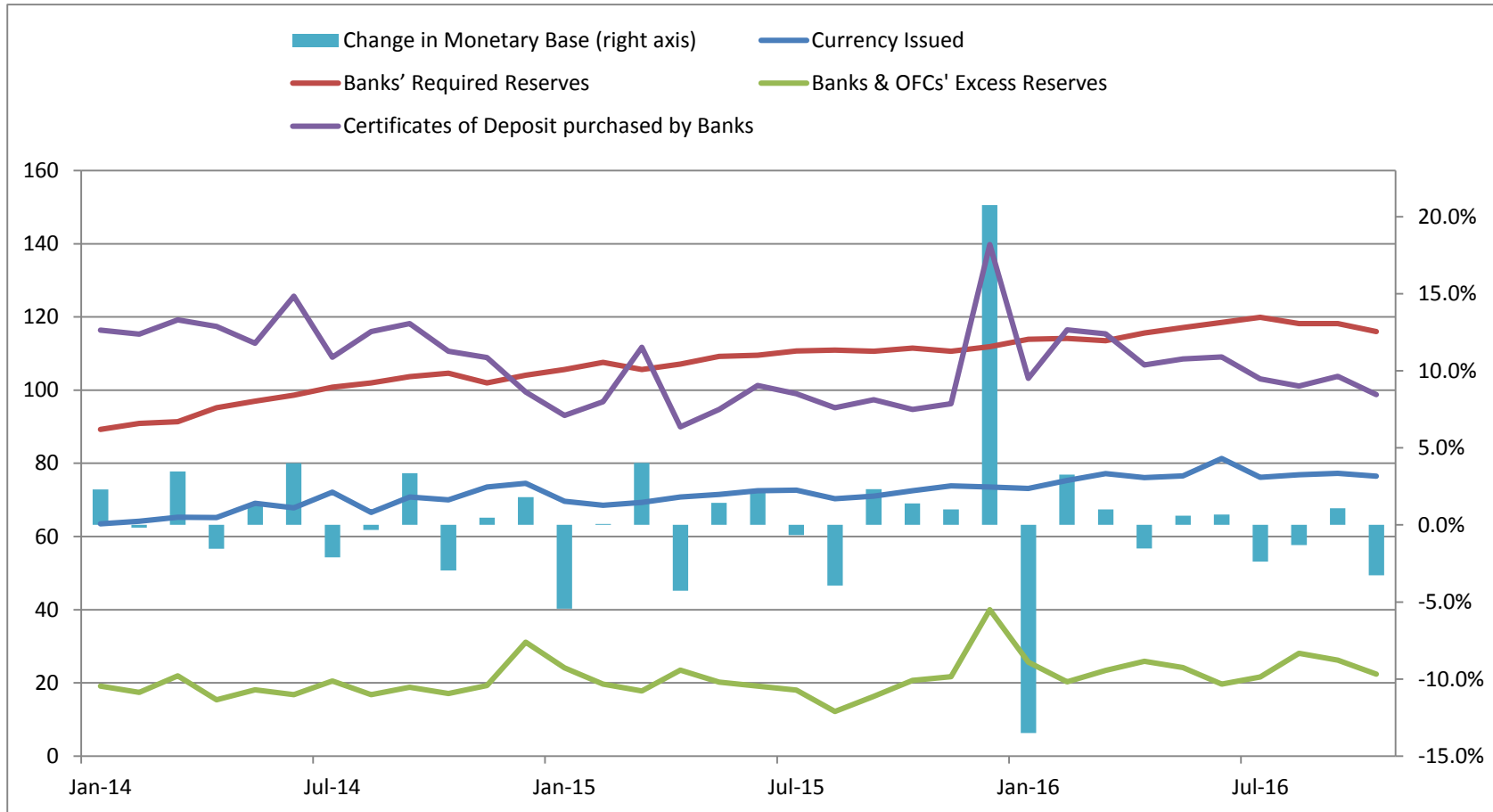
Money Supply M₃ decreased by 0.4% due to a decreased M₁ and 5.2% reduction in Government Deposits.

(bn AED, % month-on-month)



Source: RSD - CBUAE

Monetary Base contracted by 3.6% during October 2016.
(bn AED, % month-on-month)



Source: CBUAE