



# UAE Monthly Monetary Survey October 2017

## Monetary Developments (\*)

**M<sub>1</sub>** increased by 0.6%, from AED 488.9 billion at the end of September 2017 to AED 492 billion at the end of October 2017. This increase was due to a 1.1% increase in Currency in Circulation outside Banks (13.2% of **M<sub>1</sub>**) and a 0.6% increase in Monetary Deposits (86.8% of **M<sub>1</sub>**).

At the end of October 2017, **M<sub>2</sub>** decreased by 1%, falling from AED 1257.2 billion at the end of September to AED 1244.1 billion. **M<sub>2</sub>** mainly decreased due to an AED 16.2 billion or a 2.1% reduction in Quasi- Monetary Deposits (60.5% of **M<sub>2</sub>**), overshadowing the rise in **M<sub>1</sub>**.

**M<sub>3</sub>** increased by 0.6%, from AED 1458 billion at the end of September 2017 to AED 1467.3 billion at the end of October 2017. **M<sub>3</sub>** increased because of an AED 22.4 billion or 11.2% rise in Government Deposits (15.2% of **M<sub>3</sub>**).

In summary, during October 2017, **M<sub>1</sub>** increased by 0.6%, **M<sub>2</sub>** decreased by 1% and **M<sub>3</sub>** increased by 0.6%.

## 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 2017, the Monetary Base contracted by 2.7%. The Monetary Base contracted mainly due to reductions in; Banks & OFC's Excess Reserves (8.1% of the Monetary Base) by 9.9% and Certificates of Deposits purchased by Banks (34% of the Monetary Base) by 6.2% overshadowing the increase in Currency Issued (22.7% of the Monetary Base) by 1.3% and Banks' Required Reserves (35.1% of the Monetary Base) by 0.2%.

From the end of September 2017 to the end of October 2017, the multipliers of **M<sub>1</sub>**, **M<sub>2</sub>** and **M<sub>3</sub>** increased from 1.36 to 1.41, from 3.50 to 3.57 and from 4.06 to 4.21, respectively.

The increase in the multipliers of **M<sub>1</sub>**, and **M<sub>3</sub>** reflects the increase in the Monetary Aggregates in contrast to the contraction of the monetary base. The increase in the multiplier of **M<sub>2</sub>** reflects sharper contraction in the monetary base compared to the contraction in **M<sub>2</sub>**.

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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 (October 2017)**

(End of period, billions of Dirhams)

	Dec-14	Dec-15	Oct-16	Dec-16	Mar-17	Jun-17	Sep-17	Oct <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>472.4</b>	<b>474.1</b>	<b>504.4</b>	<b>507.1</b>	<b>488.9</b>	<b>492.0</b>		<b>3.1</b>	<b>0.6%</b>		<b>17.9</b>	<b>3.8%</b>	<b>4.1%</b>
Currency Issued	74.5	73.5	76.5	77.6	80.1	83.9	78.3	79.3		1.0	1.3%		1.7	2.2%	3.7%
Cash at Banks	15.5	15.1	14.3	15.3	14.7	16.5	13.9	14.2		0.3	2.2%		-1.1	-7.2%	-0.7%
Currency in Circulation Outside Banks	59.0	58.4	62.2	62.3	65.4	67.4	64.4	65.1	13.2%	0.7	1.1%	0.14%	2.8	4.5%	4.7%
Monetary Deposits**	377.1	398.5	410.2	411.8	439.0	439.7	424.5	426.9	86.8%	2.4	0.6%	0.5%	15.1	3.7%	4.1%
<b>Money Supply M<sub>2</sub>*</b>	<b>1125.4</b>	<b>1186.8</b>	<b>1203.3</b>	<b>1225.5</b>	<b>1272.2</b>	<b>1267.1</b>	<b>1257.2</b>	<b>1244.1</b>		<b>-13.1</b>	<b>-1.0%</b>		<b>18.6</b>	<b>1.5%</b>	<b>3.4%</b>
Currency in Circulation Outside Banks	59.0	58.4	62.2	62.3	65.4	67.4	64.4	65.1	5.2%	0.7	1.1%	0.06%	2.8	4.5%	4.7%
Monetary Deposits**	377.1	398.5	410.2	411.8	439.0	439.7	424.5	426.9	34.3%	2.4	0.6%	0.2%	15.1	3.7%	4.1%
Quasi-Monetary Deposits***	689.3	729.9	730.9	751.4	767.8	760.0	768.3	752.1	60.5%	-16.2	-2.1%	-1.3%	0.7	0.1%	2.9%
<b>Money Supply M<sub>3</sub>*</b>	<b>1314.5</b>	<b>1342.8</b>	<b>1362.9</b>	<b>1411.4</b>	<b>1465.8</b>	<b>1463.1</b>	<b>1458.0</b>	<b>1467.3</b>		<b>9.3</b>	<b>0.6%</b>		<b>55.9</b>	<b>4.0%</b>	<b>7.7%</b>
Currency in Circulation Outside Banks	59.0	58.4	62.2	62.3	65.4	67.4	64.4	65.1	4.4%	0.7	1.1%	0.05%	2.8	4.5%	4.7%
Monetary Deposits	377.1	398.5	410.2	411.8	439.0	439.7	424.5	426.9	29.1%	2.4	0.6%	0.2%	15.1	3.7%	4.1%
Quasi-Monetary Deposits**	689.3	729.9	730.9	751.4	767.8	760.0	768.3	752.1	51.3%	-16.2	-2.1%	-1.1%	0.7	0.1%	2.9%
Government Deposits***	189.1	156.0	159.6	185.9	193.6	196.0	200.8	223.2	15.2%	22.4	11.2%	1.7%	37.3	20.1%	39.8%

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

<sup>(\*\*\*)</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)

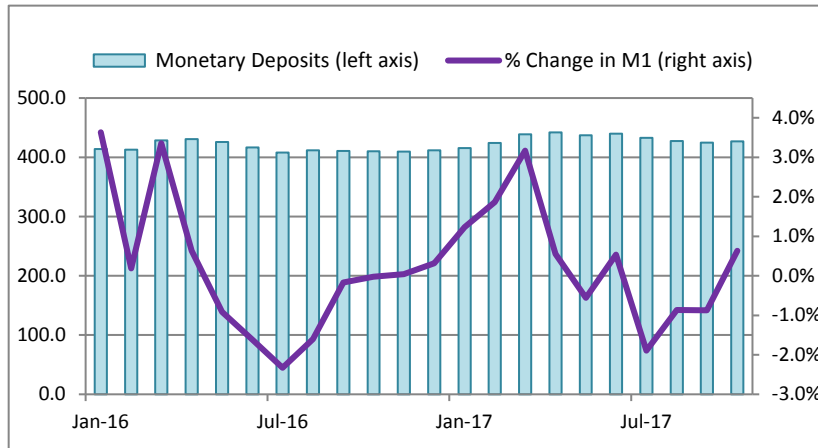
	Dec	Dec	Dec	March	June	Sep	Oct <sup>1</sup>	Change in October 2017	
	2014	2015	2016	2017	2017	2017	2017	In billions of Dirhams	% Change
<b>Monetary Base</b>	<b>309.2</b>	<b>365.2</b>	<b>338.1</b>	<b>351.5</b>	<b>355.0</b>	<b>358.7</b>	<b>348.9</b>	<b>-9.8</b>	<b>-2.7%</b>
Currency Issued*	74.5	73.5	77.6	80.1	83.9	78.3	79.3	1.0	1.3%
Banks' Required Reserves	104.1	111.9	116.9	119.9	125.5	122.4	122.6	0.2	0.2%
Banks & OFCs' Excess Reserves	31.1	40	35.4	36.2	42.8	31.4	28.3	-3.1	-9.9%
Certificates of Deposit purchased by Banks	99.5	139.8	108.2	115.3	102.9	126.6	118.7	-7.9	-6.2%
Money Supply (M <sub>1</sub> )	436.1	456.9	474.1	504.4	507.1	488.9	492.0	3.1	0.6%
<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>		
Money Supply (M <sub>2</sub> )	1125.4	1186.8	1225.5	1272.2	1267.1	1257.2	1244.1	-13.1	-1.0%
<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>		
Money Supply (M <sub>3</sub> )	1314.5	1342.8	1411.4	1465.8	1463.1	1458.0	1467.3	9.3	0.6%
<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>		

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

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

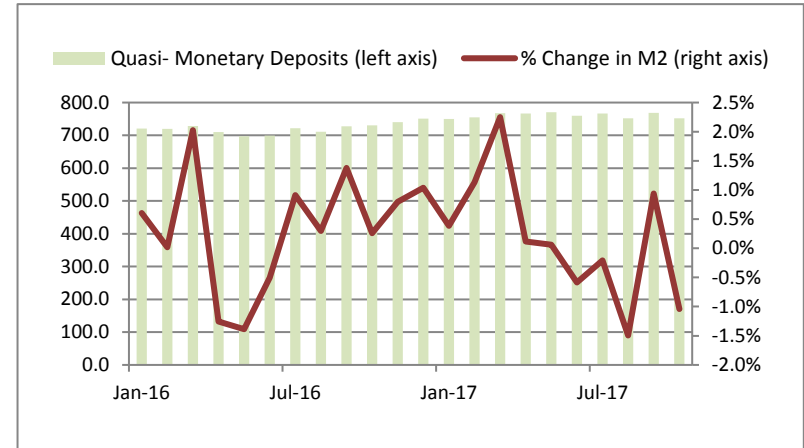
**Money Supply M<sub>1</sub> increased by 0.6%, driven by 1.1% & 0.6% rise in Currency in Circulation Outside Banks & Monetary Deposits, respectively.**

(bn AED, % month-on-month)



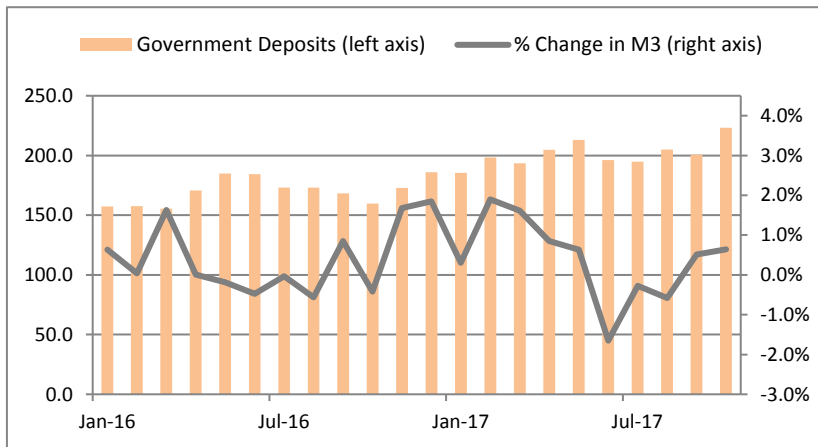
**Money Supply M<sub>2</sub> decreased by 1% due to a 2.1% reduction in Quasi-Monetary Deposits.**

(bn AED, % month-on-month)



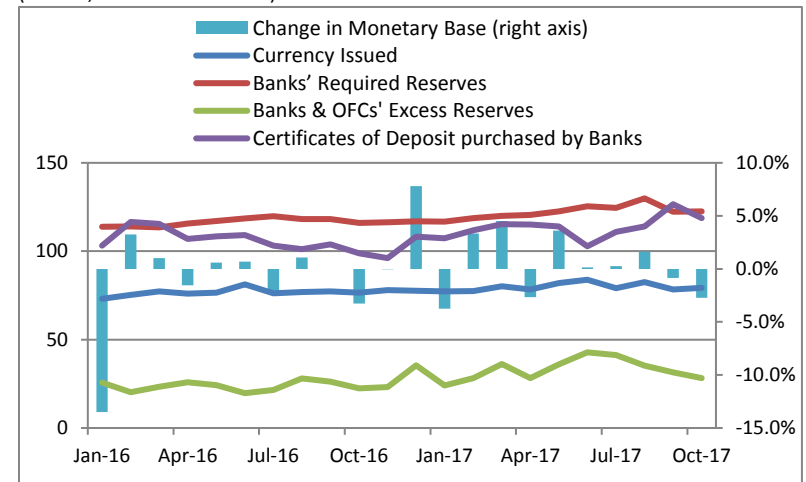
**Money Supply M<sub>3</sub> increased by 0.6%, due to a 11.2% rise in Government Deposits.**

(bn AED, % month-on-month)



**Monetary Base contracted by 2.7% during October 2017.**

(bn AED, % month-on-month)



Source: CBUAE