



مصرف الإمارات العربية المتحدة المركزي
CENTRAL BANK OF THE U.A.E.

UAE Monthly Monetary Survey September 2015

Previous Monetary Surveys

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| - January 2014 | - January 2015 |
| - February 2014 | - February 2015 |
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| - June 2014 | - June 2015 |
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| - August 2014 | - August 2015 |
| - September 2014 | |
| - October 2014 | |
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| - December 2014 | |

Related Publications

- UAE Central Bank Monthly Statistical Bulletin, August 2015
- UAE Monetary Developments Report, 2nd Quarter 2015 (English & Arabic)

Monetary Developments ^(*)

M_1 decreased by 0.7%, from AED 457 billion at the end of August to AED 453.6 billion at the end of September 2015. This reduction was mainly due to a 0.8% decrease in Monetary Deposits (87.4% of M_1), in contrast to the unchanged standing of Currency in Circulation outside Banks (12.6% of M_1).

On the other hand, M_2 increased by 0.1%, from AED 1,175 billion at the end of August to AED 1,176.4 billion at the end of September 2015. Overcoming the reduction in M_1 , the increase in M_2 was mainly brought about by a 0.7% increase in Quasi-Monetary Deposits (61.4% of M_2).

Continuing with the same trend, M_3 also increased by 0.6%, rising from AED 1,334 billion at the end of August to AED 1,341.9 billion at the end of September 2015. The surge in M_3 was brought about by an increased M_2 combined with a 4.1% increase in Government Deposits (12.3% of M_3).

Although in September 2015 M_1 decreased by 0.7%, M_2 , and M_3 increased by 0.1% and 0.6%, 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 2).

During the month of September 2015, the Monetary Base expanded by 1.6% owing to a combined increase in; Currency Issued (24.6% of the Monetary Base) by 1%, Banks' Excess Reserves (3.3% of the Monetary Base) by 26.3% and Certificates of Deposits purchased by Banks – Net of Lending (33.7% of the Monetary Base) by 2.3%. Banks' Required Reserves (38.3% of the Monetary Base), however, decreased by 0.3% during September 2015.

From the end of August to the end of September, the multipliers of M_1 , M_2 and M_3 decreased from 1.61 to 1.57, from 4.14 to 4.08 and from 4.70 to 4.65 respectively, indicating that the rise in the Monetary Base dominated the corresponding changes in monetary aggregates.

(*) The monetary aggregates are defined in a footnote to Table 1.

Table 1. UAE Monthly Monetary Survey (September 2015)
(End of period, billions of Dirhams)

	September 2014	December 2014	June 2015	July 2015	August 2015	September ¹ 2015	Change in Sep.		Year on Year Change
							In billions of Dirhams	% Change	
Money Supply M₁(*)	431.1	436.1	464.1	460.8	457.0	453.6	-3.4	-0.7%	5.2%
<i>of which:</i> Currency Issued	70.8	74.5	72.5	72.7	70.3	71.0	0.7	1.0%	0.3%
Cash at Banks	13.5	15.5	13.7	14.4	13.1	13.8	0.7	5.3%	2.2%
Currency in Circulation Outside Banks	57.3	59	58.8	58.3	57.2	57.2	0.0	0.0%	-0.2%
Monetary Deposits(**)	373.8	377.1	405.3	402.5	399.8	396.4	-3.4	-0.8%	6.1%
Money Supply M₂	1,136.1	1,141.1	1,190.0	1,184.7	1,175.0	1,176.4	1.4	0.1%	3.5%
<i>of which:</i> Quasi-Monetary Deposits(***)	705.0	705.0	725.9	723.9	718.0	722.8	4.8	0.7%	2.5%
Money Supply M₃	1,344.2	1,332.0	1,355.1	1,347.9	1334.0	1341.9	7.9	0.6%	-0.2%
<i>of which:</i> Government Deposits	208.1	190.9	165.1	163.2	159.0	165.5	6.5	4.1%	-20.5%

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 + Commercial Prepayments in Dirham + Resident Deposits in foreign currencies

Table 2. Contribution to Aggregate Money Supply

	Dec. 2013	Dec. 2014	June 2015	July 2015	August 2015	September 2015		MoM		Contribution to Aggregate Growth ¹	Year to Date	
						In billions of Dirhams	Shares of the Aggregates	In Billions of Dirhams	% Change		In Billions of Dirhams	% Change
Money Supply M₁	379.6	436.1	464.1	460.8	457.0	453.6		-3.4	-0.7%		17.5	4.0%
Currency in Circulation Outside Banks	50.4	59.0	58.8	58.3	57.2	57.2	12.6%	0.0	0.0%	0.00%	-1.8	-3.1%
Monetary Deposits	329.2	377.1	405.3	402.5	399.8	396.4	87.4%	-3.4	-0.8%	-0.70%	19.3	5.1%
Money Supply M₂	1,056.8	1,141.1	1,190.0	1,184.7	1,175.0	1,176.4		1.4	0.1%		35.3	3.1%
Currency in Circulation Outside Banks	50.4	59.0	58.8	58.3	57.2	57.2	4.9%	0.0	0.0%	0.00%	-1.8	-3.1%
Monetary Deposits	329.2	377.1	405.3	402.5	399.8	396.4	33.7%	-3.4	-0.8%	-0.27%	19.3	5.1%
Quasi-Monetary Deposits	677.2	705.0	725.9	723.9	718.0	722.8	61.4%	4.8	0.7%	0.43%	17.8	2.5%
Money Supply M₃	1,219.9	1,332.0	1,355.1	1,347.9	1,334.0	1,341.9		7.9	0.6%		9.9	0.7%
Currency in Circulation Outside Banks	50.4	59.0	58.8	58.3	57.2	57.2	4.3%	0.0	0.0%	0.00%	-1.8	-3.1%
Monetary Deposits	329.2	377.1	405.3	402.5	399.8	396.4	29.5%	-3.4	-0.8%	-0.24%	19.3	5.1%
Quasi-Monetary Deposits	677.2	705.0	725.9	723.9	718.0	722.8	53.9%	4.8	0.7%	0.38%	17.8	2.5%
Government Deposits	163.1	190.9	165.1	163.2	159.0	165.5	12.3%	6.5	4.1%	0.51%	-25.4	-13.3%

N.B. Estimates, subject to revision.

¹ 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	June	July	August	September	Change in September 2015	
	2013	2014	2015	2015	2015	2015	In billions of Dirhams	% Change
Monetary Base	278.2	308.1	295.4	298.3	284.0	288.6	4.6	1.6%
Currency Issued*	63.9	74.5	72.5	72.7	70.3	71.0	0.7	1.0%
Banks' Required Reserves	87.8	104.1	109.5	110.7	110.9	110.6	-0.3	-0.3%
Banks' Excess Reserves	18.6	30.0	12.1	15.9	7.6	9.6	2.0	26.3%
Certificates of Deposit purchased by Banks (Net of Lending)	107.9	99.5	101.3	99.0	95.2	97.4	2.2	2.3%
Money Supply (M ₁)	379.6	436.1	464.1	460.8	457.0	453.6	-3.4	-0.7%
Money Multiplier of M₁ (M₁/Monetary Base)	1.36	1.42	1.57	1.54	1.61	1.57		
Money Supply (M ₂)	1,056.8	1,141.1	1,190.0	1,184.7	1,175.0	1,176.4	1.4	0.1%
Money Multiplier of M₂ (M₂/Monetary Base)	3.80	3.70	4.03	3.97	4.14	4.08		
Money Supply (M ₃)	1,219.9	1,332.0	1,355.1	1,347.9	1,334.0	1,341.9	7.9	0.6%
Money Multiplier of M₃ (M₃/Monetary Base)	4.38	4.32	4.59	4.52	4.70	4.65		

N.B. Estimates, subject to revision.

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