



UAE Monthly Monetary Survey September 2016

Monetary Developments (*)

M₁ decreased by 0.2%, from AED 473.3 billion at the end of August to AED 472.5 billion at the end of September 2016. This decrease was due to a 0.2% decrease in Monetary Deposits (86.9% of **M₁**), overshadowing a 0.2% increase in Currency in Circulation outside Banks (13.1 % of **M₁**).

At the end of September 2016, **M₂** increased by 1.4%, rising from AED 1183.9 billion at the end of August to AED 1200.2 billion at the end of September 2016. The increase in **M₂** was mainly attributed to a 17.1 billion i.e. 2.4% increase in Quasi- Monetary Deposits (60.6% of **M₂**).

M₃ also increased by 0.8%, from AED 1357.1 billion at the end of August to AED 1368.6 billion at the end of September 2016. The increase in **M₃** was primarily brought about by an increased **M₂**, overshadowing the 2.8% fall in Government Deposits (12.3% of **M₃**).

In summary; during September 2016 **M₁** decreased by 0.2% whereas, **M₂** and **M₃** increased by 1.4% and 0.8%, 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 September 2016, the Monetary Base expanded by 0.4%, owing to a combined increase in; Currency Issued (23.7% of the Monetary Base) by 0.5% and Certificates of Deposits purchased by Banks (31.9% of the Monetary Base) by 2.7%, overshadowing the 6.8% decrease in Banks & OFC's Excess Reserves (8.0% of the Monetary Base).

From the end of August 2016 to the end of September 2016, the multiplier of **M₁** decreased from 1.46 to 1.45 whereas the multipliers of **M₂** and **M₃** increased from 3.65 to 3.69 and from 4.18 to 4.20, respectively, reflecting that the growth of the monetary aggregates was faster than the growth of the Monetary Base.

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

Table 1. UAE Monthly Monetary Survey (September 2016)

(End of period, billions of Dirhams)

	Dec 2014	Mar 2015	Jun 2015	Sep 2015	Dec 2015	Mar 2016	Jun 2016	Jul 2016	Aug 2016	Sep ¹ 2016	Change in September		Year on Year Change
											In billions of Dirhams	% Change	
Money Supply M₁^(*)	436.1	456.9	464.1	453.6	456.9	490.3	481	469.8	473.3	472.5	-0.8	-0.2%	4.2%
<i>of which:</i>													
Currency Issued	74.5	69.3	72.5	71	73.5	77.2	81.3	76.2	76.9	77.3	0.4	0.5%	8.9%
Cash at Banks	15.5	13.1	13.7	13.8	15.1	15.4	16.9	14.2	15.2	15.5	0.3	2.0%	12.3%
Currency in Circulation Outside Banks	59	56.2	58.8	57.2	58.4	61.8	64.4	62	61.7	61.8	0.1	0.2%	8.0%
Monetary Deposits ^(**)	377.1	400.7	405.3	396.4	398.5	428.5	416.6	407.8	411.6	410.7	-0.9	-0.2%	3.6%
Money Supply M₂^(*)	1,125.40	1,162.50	1,174.20	1,158.30	1,186.80	1,218.40	1,180.40	1,191.20	1,183.90	1,200.20	16.3	1.4%	3.6%
<i>of which:</i>													
Quasi-Monetary Deposits ^(***)	689.3	705.7	710.1	704.6	729.9	728.1	699.4	721.4	710.6	727.7	17.1	2.4%	3.3%
Money Supply M₃^(*)	1,314.50	1,346.00	1,337.60	1,322.00	1,342.80	1,373.80	1,364.80	1,364.30	1,357.10	1,368.60	11.5	0.8%	3.5%
<i>of which:</i>													
Government Deposits	189.1	183.5	163.4	163.7	156	155.4	184.4	173.1	173.2	168.4	-4.8	-2.8%	2.9%

¹ Estimates, subject to revision

^(*) 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

^(**) **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	Jul-16	Aug-16	September 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	469.8	473.3	472.5		-0.8	-0.2%		15.6	3.4%
Currency in Circulation Outside Banks	59	58.4	61.8	64.4	62	61.7	61.8	13.1%	0.1	0.2%	0.02%	3.4	5.8%
Monetary Deposits	377.1	398.5	428.5	416.6	407.8	411.6	410.7	86.9%	-0.9	-0.2%	-0.19%	12.2	3.1%
Money Supply M₂	1,125.40	1,186.80	1,218.40	1,180.40	1,191.20	1,183.90	1,200.20		16.3	1.4%		13.4	1.1%
Currency in Circulation Outside Banks	59	58.4	61.8	64.4	62	61.7	61.8	5.2%	0.1	0.2%	0.01%	3.4	5.8%
Monetary Deposits	377.1	398.5	428.5	416.6	407.8	411.6	410.7	34.2%	-0.9	-0.2%	-0.07%	12.2	3.1%
Quasi-Monetary Deposits	689.3	729.9	728.1	699.4	721.4	710.6	727.7	60.6%	17.1	2.4%	1.46%	-2.2	-0.3%
Money Supply M₃	1,314.50	1,342.80	1,373.80	1,364.80	1,364.30	1,357.10	1,368.60		11.5	0.8%		25.8	1.9%
Currency in Circulation Outside Banks	59	58.4	61.8	64.4	62	61.7	61.8	4.5%	0.1	0.2%	0.01%	3.4	5.8%
Monetary Deposits	377.1	398.5	428.5	416.6	407.8	411.6	410.7	30.0%	-0.9	-0.2%	-0.07%	12.2	3.1%
Quasi-Monetary Deposits	689.3	729.9	728.1	699.4	721.4	710.6	727.7	53.2%	17.1	2.4%	1.28%	-2.2	-0.3%
Government Deposits	189.1	156	155.4	184.4	173.1	173.2	168.4	12.3%	-4.8	-2.8%		12.4	7.9%

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)

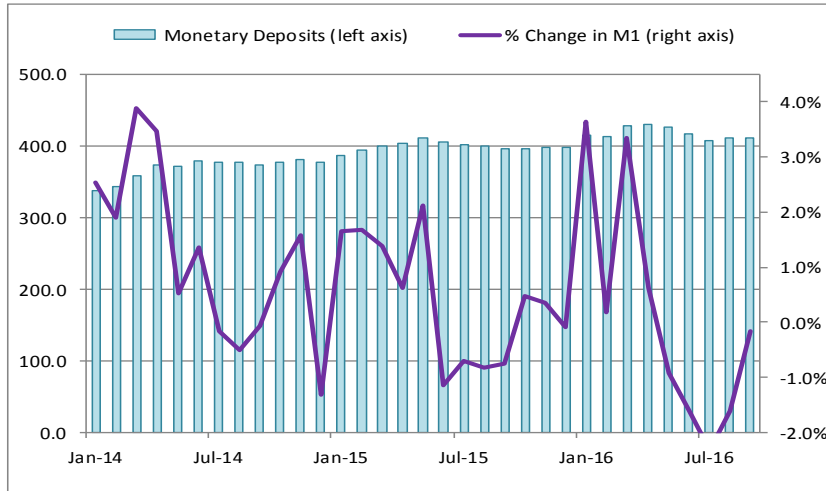
	December	December	March	June	July	Aug	Sep ¹	Change in September 2016	
	2014	2015	2016	2016	2016	2016	2016	In billions of Dirhams	% Change
Monetary Base	309.2	365.2	329.5	328.6	320.8	324.3	325.5	1.2	0.4%
Currency Issued*	74.5	73.5	77.2	81.3	76.2	76.9	77.3	0.4	0.5%
Banks' Required Reserves	104.1	111.9	113.5	118.5	119.9	118.2	118.2	0	0.0%
Banks & OFCs' Excess Reserves	31.1	40	23.4	19.7	21.6	28.1	26.2	-1.9	-6.8%
Certificates of Deposit purchased by Banks	99.5	139.8	115.4	109.1	103.1	101.1	103.8	2.7	2.7%
Money Supply (M ₁)	436.1	456.9	490.3	481	469.8	473.3	472.5	-0.8	-0.2%
Money Multiplier of M₁ (M₁/Monetary Base)	1.41	1.25	1.49	1.46	1.46	1.46	1.45		
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	16.3	1.4%
Money Multiplier of M₂ (M₂/Monetary Base)	3.64	3.25	3.7	3.59	3.71	3.65	3.69		
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	11.5	0.8%
Money Multiplier of M₃ (M₃/Monetary Base)	4.25	3.68	4.17	4.15	4.25	4.18	4.20		

¹ Estimates, subject to revision

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

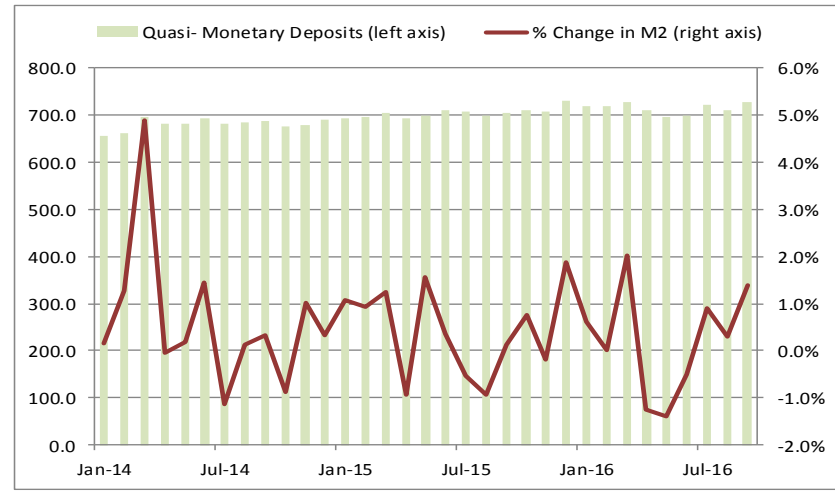
Money Supply M₁ decreased by 0.2%, driven by a 0.2% decrease in Monetary Deposits.

(bn AED, % month-on-month)



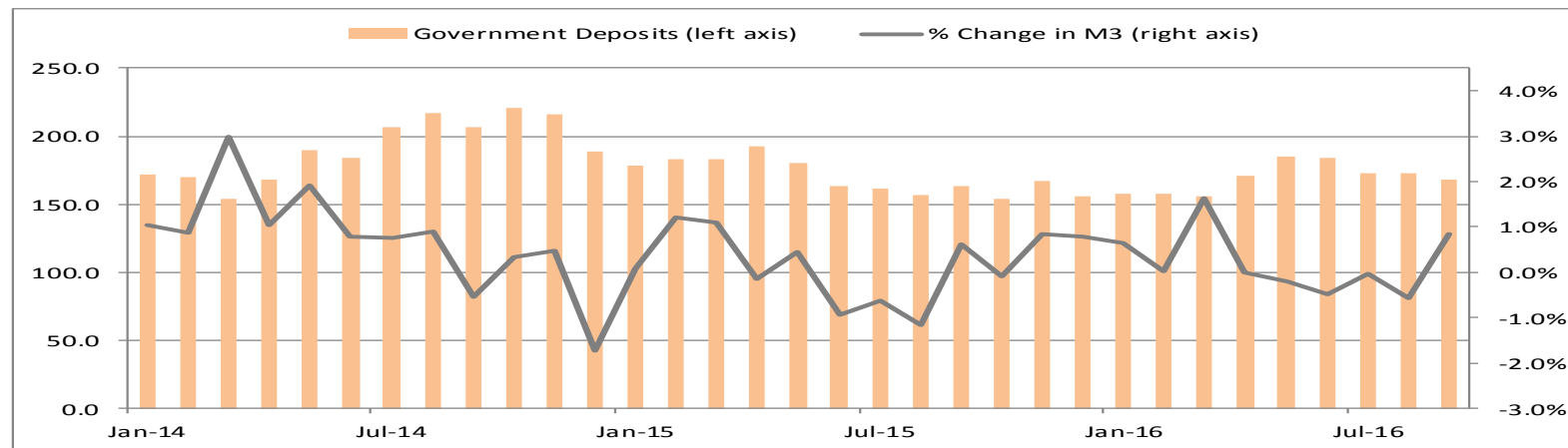
Money Supply M₂ increased by 1.4%, due to an increase of 2.4% in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



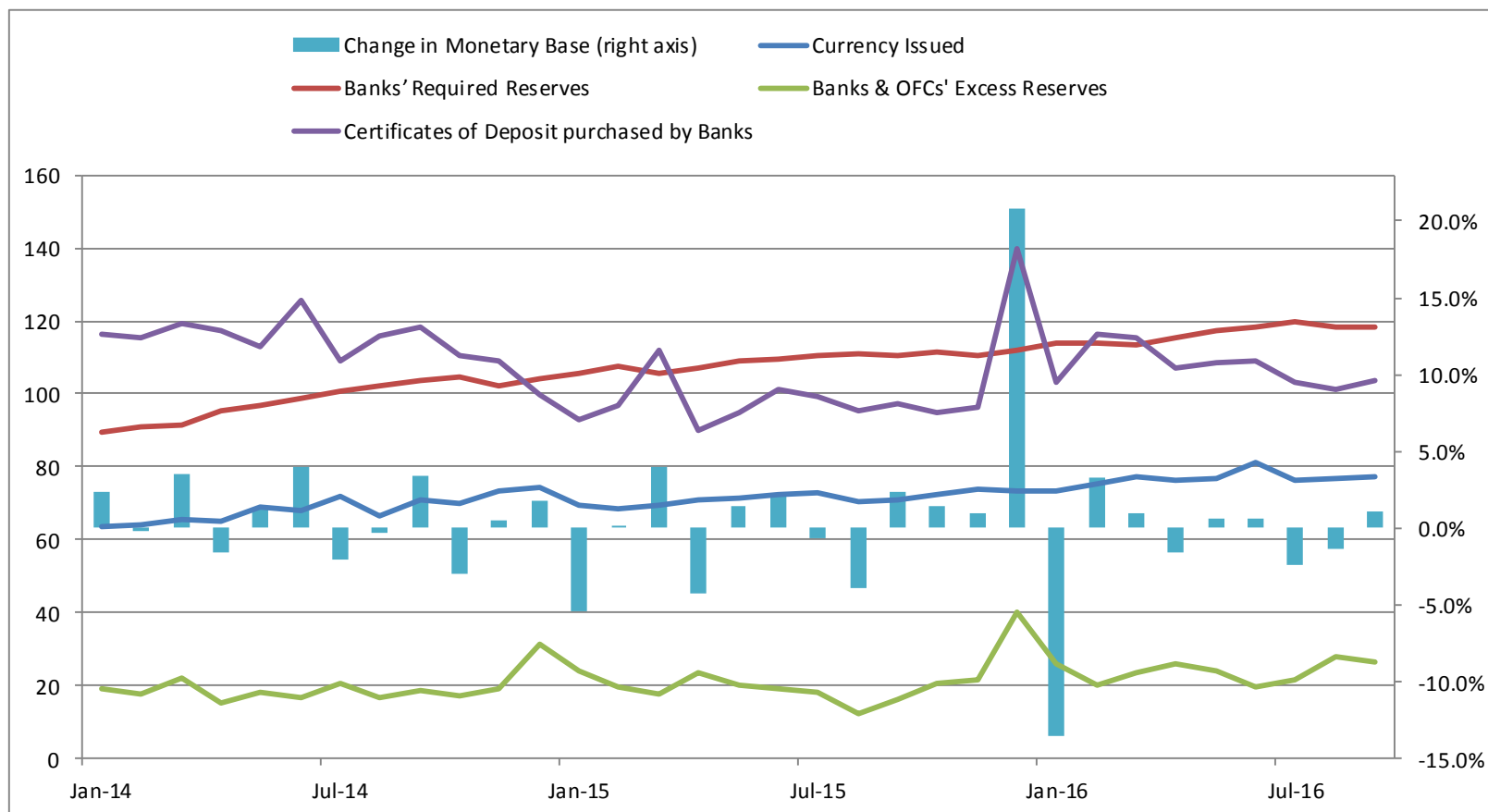
Money Supply M₃ increased by 0.8% due to an increased M₂. However, Government Deposits decreased by 2.8%.

(bn AED, % month-on-month)



Source: RSD - CBUAE

Monetary Base expanded by 0.4% during September 2016.
(bn AED, % month-on-month)



Source: CBUAE