



UAE Monthly Monetary Survey September 2017

Monetary Developments (*)

M₁ decreased by 0.9%, from AED 493.2 billion at the end of August 2017 to AED 488.9 billion at the end of September 2017. This reduction was due to a 2.1% decrease in Currency in Circulation outside Banks (13.2% of **M₁**) and a 0.7% decrease in Monetary Deposits (86.8% of **M₁**).

At the end of September 2017, **M₂** increased by 0.9%, rising from AED 1245.5 billion at the end of August to AED 1257.2 billion. **M₂** mainly rose due to an AED 16 billion or a 2.1% increase in Quasi- Monetary Deposits (61.1% of **M₂**), overshadowing the fall in **M₁**.

M₃ also increased by 0.5%, from AED 1450.6 billion at the end of August 2017 to AED 1458 billion at the end of September 2017. **M₃** increased because of the rise in **M₂**, overshadowing an AED 4.3 billion or 2.1% fall in Government Deposits (13.8% of **M₃**).

In summary, during September 2017, **M₁** decreased by 0.9%. Whereas, **M₂** and **M₃** increased by 0.9% and 0.5%, 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 2017, the Monetary Base contracted by 0.9%. The Monetary Base contracted mainly due to decreases in; Currency Issued (21.8% of the Monetary Base) by 5.2%, Banks' Required Reserves (34.1% of the Monetary Base) by 5.8% and Banks & OFC's Excess Reserves (8.8% of the Monetary Base) by 10.8%, offsetting the increase in Certificates of Deposits purchased by Banks (35.3% of the Monetary Base) by 11%.

From the end of August 2017 to the end of September 2017, the multiplier of **M₁** remained constant at 1.36. However, the multipliers of **M₂** and **M₃** increased from 3.44 to 3.50 and from 4.01 to 4.06, respectively.

The increase in the multipliers of **M₂** and **M₃** reflects the increase in the Monetary Aggregates **M₂** and **M₃** in contrast to the contraction of the monetary base.

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

Table1. UAE Monthly Monetary Survey With Contribution to Aggregate Money Supply (September 2017)

(End of period, billions of Dirhams)

	Dec-14	Dec-15	Sep-16	Dec-16	Mar-17	Jun-17	Aug-17	Sep ¹ 2017		MoM		Contribution to Aggregate Growth ²	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	
Money Supply M₁*	436.1	456.9	472.5	474.1	504.4	507.1	493.2	488.9		-4.3	-0.9%		14.8	3.1%	3.5%
Currency Issued	74.5	73.5	77.3	77.6	80.1	83.9	82.6	78.3		-4.3	-5.2%		0.7	0.9%	1.3%
Cash at Banks	15.5	15.1	15.5	15.3	14.7	16.5	16.8	13.9		-2.9	-17.3%		-1.4	-9.2%	-10.3%
Currency in Circulation Outside Banks	59.0	58.4	61.8	62.3	65.4	67.4	65.8	64.4	13.2%	-1.4	-2.1%	-0.28%	2.1	3.4%	4.2%
Monetary Deposits**	377.1	398.5	410.7	411.8	439.0	439.7	427.4	424.5	86.8%	-2.9	-0.7%	-0.6%	12.7	3.1%	3.4%
Money Supply M₂*	1125.4	1186.8	1200.2	1225.5	1272.2	1267.1	1245.5	1257.2		11.7	0.9%		31.7	2.6%	4.7%
Currency in Circulation Outside Banks	59.0	58.4	61.8	62.3	65.4	67.4	65.8	64.4	5.1%	-1.4	-2.1%	-0.11%	2.1	3.4%	4.2%
Monetary Deposits**	377.1	398.5	410.7	411.8	439.0	439.7	427.4	424.5	33.8%	-2.9	-0.7%	-0.2%	12.7	3.1%	3.4%
Quasi-Monetary Deposits***	689.3	729.9	727.7	751.4	767.8	760.0	752.3	768.3	61.1%	16.0	2.1%	1.3%	16.9	2.2%	5.6%
Money Supply M₃*	1314.5	1342.8	1368.6	1411.4	1465.8	1463.1	1450.6	1458.0		7.4	0.5%		46.6	3.3%	6.5%
Currency in Circulation Outside Banks	59.0	58.4	61.8	62.3	65.4	67.4	65.8	64.4	4.4%	-1.4	-2.1%	-0.09%	2.1	3.4%	4.2%
Monetary Deposits	377.1	398.5	410.7	411.8	439.0	439.7	427.4	424.5	29.1%	-2.9	-0.7%	-0.2%	12.7	3.1%	3.4%
Quasi-Monetary Deposits**	689.3	729.9	727.7	751.4	767.8	760.0	752.3	768.3	52.7%	16.0	2.1%	1.1%	16.9	2.2%	5.6%
Government Deposits***	189.1	156.0	168.4	185.9	193.6	196.0	205.1	200.8	13.8%	-4.3	-2.1%	-0.3%	14.9	8.0%	19.2%

¹Estimates, subject to revision

²Contribution 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

(*) **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. Money Multiplier in the UAE

(End of period, billions of Dirhams)

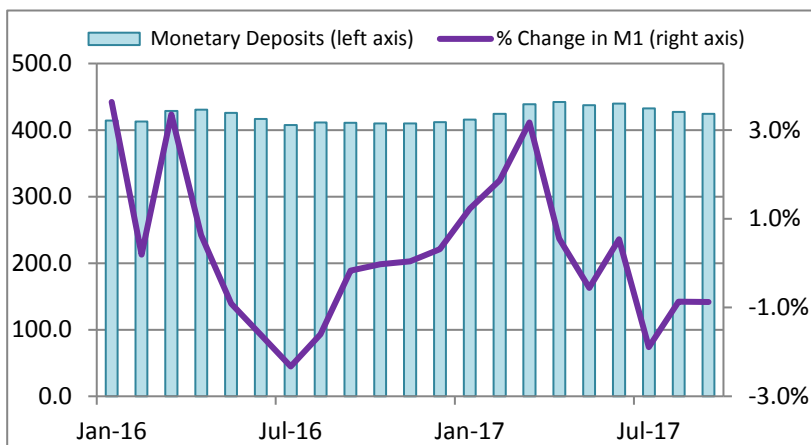
	Dec	Dec	Dec	March	June	Aug	Sep ¹	Change in September 2017	
	2014	2015	2016	2017	2017	2017	2017	In billions of Dirhams	% Change
Monetary Base	309.2	365.2	338.1	351.5	355.0	361.8	358.7	-3.1	-0.9%
Currency Issued*	74.5	73.5	77.6	80.1	83.9	82.6	78.3	-4.3	-5.2%
Banks' Required Reserves	104.1	111.9	116.9	119.9	125.5	129.9	122.4	-7.5	-5.8%
Banks & OFCs' Excess Reserves	31.1	40	35.4	36.2	42.8	35.2	31.4	-3.8	-10.8%
Certificates of Deposit purchased by Banks	99.5	139.8	108.2	115.3	102.9	114.1	126.6	12.5	11.0%
Money Supply (M ₁)	436.1	456.9	474.1	504.4	507.1	493.2	488.9	-4.3	-0.9%
Money Multiplier of M₁ (M₁/Monetary Base)	1.41	1.25	1.40	1.43	1.43	1.36	1.36		
Money Supply (M ₂)	1125.4	1186.8	1225.5	1272.2	1267.1	1245.5	1257.2	11.7	0.9%
Money Multiplier of M₂ (M₂/Monetary Base)	3.64	3.25	3.62	3.62	3.57	3.44	3.50		
Money Supply (M ₃)	1314.5	1342.8	1411.4	1465.8	1463.1	1450.6	1458.0	7.4	0.5%
Money Multiplier of M₃ (M₃/Monetary Base)	4.25	3.68	4.17	4.17	4.12	4.01	4.06		

¹ Estimates, subject to revision

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

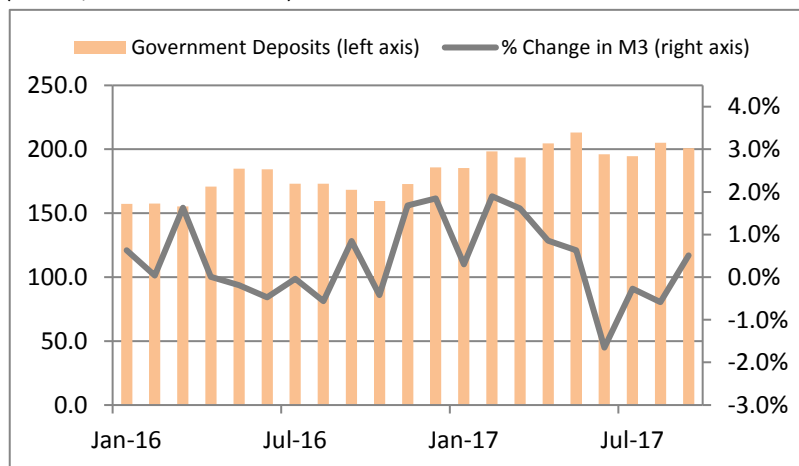
Money Supply M₁ decreased by 0.9%, driven by 2.1% & 0.7% reduction in Currency in Circulation Outside Banks & Monetary Deposits, respectively.

(bn AED, % month-on-month)



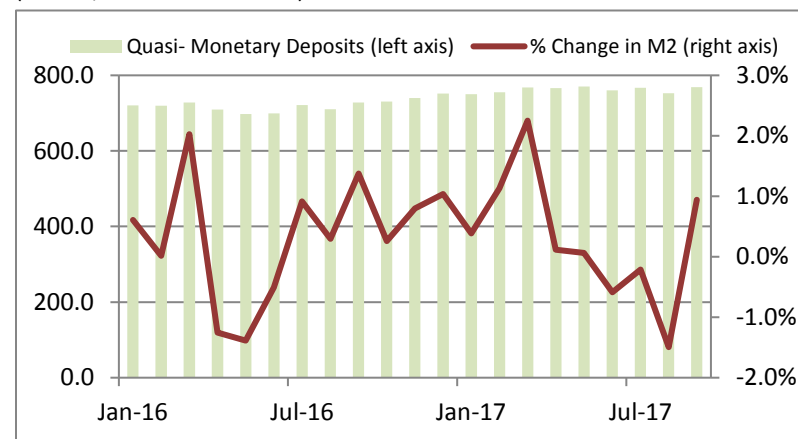
Money Supply M₃ increased by 0.5%, due to an increased M₂, overshadowing a 2.1% fall in Government Deposits.

(bn AED, % month-on-month)



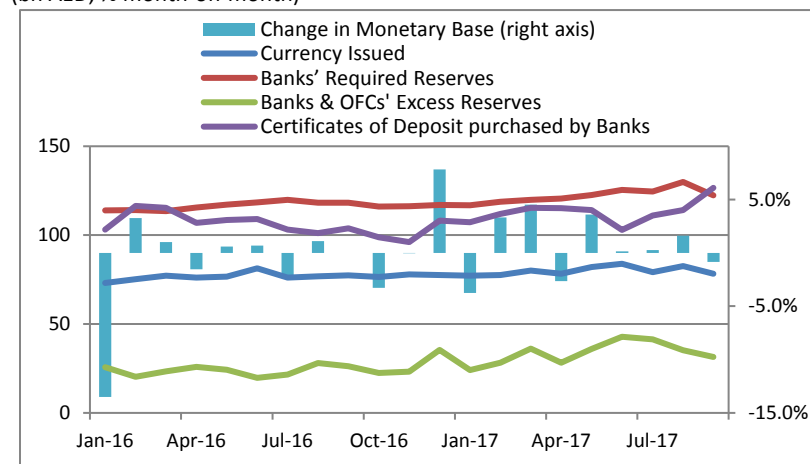
Money Supply M₂ increased by 0.9% due to a 2.1% rise in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



The Monetary Base contracted by 0.9% during September 2017.

(bn AED, % month-on-month)



Source: CBUAE