



**مصرف الإمارات العربية المتحدة المركزي**  
**Central Bank Of The United Arab Emirates**

**UAE Monthly Monetary Survey**  
**- December 2010 -**

**Previous Monetary Surveys**

- November 2010
- October 2010
- September 2010
- August 2010
- July 2010
- June 2010
- May 2010
- April 2010
- March 2010
- February 2010
- January 2010

**Related Publications**

- Governor's Speech: First Annual World Islamic Banking Conference - Singapore, 14 June 2010
- Governor's Speech on "The Regulatory Partnerships for Sustained Growth in MENASA AREA" - Dubai, 24 May 2010
- UAE Central Bank Monthly Statistical Bulletin, October 2010
- UAE Monetary Developments Report, 3<sup>rd</sup> Quarter 2010 (Arabic)

## **Monetary Developments**

After double-digit increases in the previous years, monetary aggregates in the UAE slowed down markedly in 2009 which was a trend that continued in 2010. The monetary aggregate M0 (currency in circulation + currency at banks) grew by 0.8% from AED 47.4 billion at the end of November 2010 to AED 47.8 billion at the end of December of the same year. Meanwhile, the Money Supply M1 increased by 0.6% from AED 231.5 billion to AED 232.9 billion.

In regards to the more relevant aggregate of the Broad Money M2, it increased by 0.2%, from AED 784.6 billion as at the end of November 2010 to AED 786.4 billion at the end of December 2010 while the Broader Money Supply M3 decreased by 0.2%, from AED 987.0 billion to AED 985.2 billion, during the same period.

For the year 2010 as a whole, M0 increased by 4.8%, M1 by 4.2%, M2 by 6.2%, while M3 increased by only 3.9%, due to a decrease in government deposits by 4.1%, during the same period. These monetary developments are consistent with the IMF estimate of 7% GDP growth, at current prices, in 2010.

## **The Money Multiplier**

The money multiplier indicates by how much the Money Supply (M2) will grow following an increase of 1 billion Dirhams in the monetary base (currency in circulation + banks' reserves at the Central Bank + certificates of deposits).

This multiplier was equal to 4.1 at the end of December 2010 in the UAE. This is roughly the level observed in most developed countries. Its variation in the UAE, during the recent years, seems to be influenced by the variation in the Central Bank's Certificates of Deposits purchased by banks.

**Table 1. UAE Monthly Monetary Survey (December 2010)**  
**(End of period, in billions of Dirhams)**

	December 2009	November 2010	December 2010	Change in Dec. 2010		Change during 2010	
				In billions of Dirhams	In %	In billions of Dirhams	In %
<b>M0</b>	<b>45.6</b>	<b>47.4</b>	<b>47.8</b>	<b>0.4</b>	<b>0.8</b>	<b>2.2</b>	<b>4.8</b>
-Currency in Circulation	37.2	38.1	38.5	<b>0.4</b>	<b>1.0</b>	<b>1.3</b>	<b>3.5</b>
-Monetary Deposits(*)	186.3	193.3	194.4	<b>1.1</b>	<b>0.6</b>	<b>8.1</b>	<b>4.3</b>
<b>Money Supply (M1)</b>	<b>223.5</b>	<b>231.5</b>	<b>232.9</b>	<b>1.4</b>	<b>0.6</b>	<b>9.4</b>	<b>4.2</b>
-Quasi Monetary Deposits(**)	517.1	553.2	553.5	<b>0.3</b>	<b>0.1</b>	<b>36.4</b>	<b>7.0</b>
<b>Broad Money (M2)</b>	<b>740.6</b>	<b>784.6</b>	<b>786.4</b>	<b>1.8</b>	<b>0.2</b>	<b>45.8</b>	<b>6.2</b>
-Government Deposits	207.2	202.4	198.8	<b>-3.6</b>	<b>-1.8</b>	<b>-8.4</b>	<b>-4.1</b>
<b>Broader Money Supply (M3)</b>	<b>947.8</b>	<b>987.0</b>	<b>985.2</b>	<b>-1.8</b>	<b>-0.2</b>	<b>37.4</b>	<b>3.9</b>

**N.B. Data for December 2010 are estimates subject to revision**

M0 = Currency in Circulation + Currency at Banks

M1 = Currency in Circulation + 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. Money Multiplier in the UAE**  
**(End of period, figures in billions of Dirhams)**

	December 2009	November 2010	December* 2010	Change in December 2010		Change during 2010	
				In billions of Dirhams	% change	In billions of Dirhams	% change
<b>Monetary Base</b>	<b>170.2</b>	<b>189.8</b>	<b>192.9</b>	<b>3.1</b>	<b>1.6</b>	<b>22.7</b>	<b>13.3</b>
- Currency in Circulation	37.2	38.1	38.5	0.4	1.0	1.3	3.5
- Reserve Requirements	48.9	52.4	54.0	1.6	3.1	5.1	10.4
- Banks Current Accounts at CBUAE (Net)	17.0	8.2	6.4	-1.8	-22.0	-10.6	-62.4
- Certificates of Deposits (Net of Lending)	67.1	91.1	94.0	2.9	3.2	26.9	40.1
Money Supply (M1)	223.5	231.4	232.9	1.5	0.6	9.4	4.2
<b>Money Multiplier of M1 (M1/Monetary Base)</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>-7.7</b>
Broad Money Supply (M2)	740.6	784.6	786.4	1.8	0.2	45.8	6.2
<b>Money Multiplier of M2 (M2/Monetary Base)</b>	<b>4.4</b>	<b>4.1</b>	<b>4.1</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.3</b>	<b>-6.8</b>

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