



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

UAE Monthly Monetary Survey November 2014

Previous Monetary Surveys

- | | |
|------------------|------------------|
| - December 2013 | - January 2014 |
| - November 2013 | - February 2014 |
| - October 2013 | - March 2014 |
| - September 2013 | - April 2014 |
| - August 2013 | - May 2014 |
| - July 2013 | - June 2014 |
| - June 2013 | - July 2014 |
| - May 2013 | - August 2014 |
| - April 2013 | - September 2014 |
| - March 2013 | - October 2014 |

Related Publications

- UAE Central Bank Quarterly Statistical Bulletin, September 2014
- UAE Monetary Developments Report, 3rd Quarter 2014 (Arabic)
- Governor's Speech on Strengthening Financial Sector Supervision and Current Regulatory Priorities (MENA Region) - 2013, Abu Dhabi, November 2013
- Governor's Speech at the Global Financial Markets Forum 2013 – Abu Dhabi, February 2013

Monetary Developments ^(*)

Money supply M_0 increased by 5% during the month of November 2014, rising from AED 70 billion at the end of October to AED 73.5 billion at the end of November of the same year. This expansion was brought about by a 6.3% increase in Currency in Circulation (82.4% of M_0) overshadowing the 0.8% decrease in Cash at Banks (17.6% of M_0).

M_1 increased by 1.6%, growing from AED 435 billion at the end of October to AED 441.9 billion at the end of November 2014. This growth was attributed to 0.9% and 6.3% increase in Monetary Deposits (86.3% of M_1) and Currency in Circulation (13.7% of M_1) respectively.

At the end of November 2014, M_2 also increased by 1.3%; rising from AED 1,125.6 billion at the end of October to AED 1,140.1 billion. This increase was due to an increase in Quasi-Monetary Deposits (61.2% of M_2) by 1.1%, Monetary Deposits (33.4% of M_2) by 0.9% and Currency in Circulation (5.3% of M_2) by 6.3%.

Likewise, M_3 increased slightly by 0.7%, rising from AED 1,348.2 billion at the end of October to AED 1,357.8 billion at the end of November 2014. This increase was brought about by an increase of 1.1%, 0.9% and 6.3% in Quasi-Monetary Deposits (51.4% of M_3), Monetary Deposits (28.1% of M_3) and Currency in Circulation (4.5% of M_3), respectively. The combined increase in these three components of M_3 overshadowed the 2.2% decrease in Government Deposits (16.0% of M_3).

In principle, during the first eleven months of 2014, monetary aggregates M_0 , M_1 , M_2 and M_3 increased by 15%, 16.4%, 7.9% and 11.3%, 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 in Circulation, Total Banks' Reserves at the Central Bank and Certificates of Deposits held by banks (see Table 2).

During the month of November 2014, the Monetary Base increased by 0.6%. This increase was due to significant increases in Currency in Circulation (21% percent of the Monetary Base) by 6.3% and Banks' Excess Reserves (5.9% of the Monetary Base) by 16.4%. The 1.6% and 2.5% decrease in Certificates of Deposits purchased by Banks (37.7% of the total Monetary Base) and Banks' Required Reserves (35.4% of total Monetary Base) respectively were offset by the rise in other components, resulting in an overall rise of the Monetary Base.

Compared to the end of October 2014, the multiplier of M_1 increased from 1.52 to 1.53, the multiplier of M_2 increased from 3.92 to 3.95 and the multiplier of M_3 increased from 4.70 to 4.71 at the end of November of the same year. The increase in the money multipliers was due to an expansion in the relevant monetary aggregates that outpaced the corresponding increase in the Monetary Base by AED 1.6 billion, attributed to an increase in Banks' Excess Reserves by AED 2.4 billion and Currency in Circulation by AED 3.6 billion.

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

Table 1. UAE Monthly Monetary Survey (November 2014)
(End of period, billions of Dirhams)

	December 2013	October 2014	November 2014	Change in November		Change during the first eleven months of 2014	
				In billions of Dirhams	% Change	In billions of Dirhams	% Change
Money Supply M₀	63.9	70.0	73.5	3.5	5.0%	9.6	15.0%
<i>of which:</i> Currency in Circulation	50.4	57.0	60.6	3.6	6.3%	10.2	20.2%
Cash at Banks	13.5	13.0	12.9	-0.1	-0.8%	-0.6	-4.4%
Money Supply M₁	379.6	435.0	441.9	6.9	1.6%	62.3	16.4%
<i>of which:</i> Monetary Deposits(*)	329.1	378.0	381.3	3.3	0.9%	52.2	15.9%
Money Supply M₂	1,056.8	1,125.6	1,140.1	14.5	1.3%	83.3	7.9%
<i>of which:</i> Quasi-Monetary Deposits(**)	677.2	690.6	698.2	7.6	1.1%	21.0	3.1%
Money Supply M₃	1,219.9	1,348.2	1,357.8	9.6	0.7%	137.9	11.3%
<i>of which:</i> Government Deposits	163.1	222.6	217.7	-4.9	-2.2%	54.6	33.5%

N.B. Data 2014 are estimates subject to revision

M₀ = Currency in Circulation + Cash 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 customers 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

	December 2013	October 2014	November 2014		MoM		Contribution to Aggregate Growth ¹	Year to Date	
			In billions of Dirhams	Shares of the Aggregate	In Billions of Dirhams	% Change		In Billions of Dirhams	% Change
Money Supply M₀	63.9	70.0	73.5	100.0%	3.5	5.0%		9.6	15.0%
Currency in Circulation	50.4	57.0	60.6	82.4%	3.6	6.3%	5.21%	10.2	20.2%
Cash at Banks	13.5	13.0	12.9	17.6%	-0.1	-0.8%	-0.14%	-0.6	-4.4%
Money Supply M₁	379.6	435.0	441.9	100.0%	6.9	1.6%		62.3	16.4%
Currency in Circulation	50.4	57.0	60.6	13.7%	3.6	6.3%	0.87%	10.2	20.2%
Monetary Deposits	329.1	378.0	381.3	86.3%	3.3	0.9%	0.75%	52.2	15.9%
Money Supply M₂	1,056.8	1,125.6	1,140.1	100.0%	14.5	1.3%		83.3	7.9%
Currency in Circulation	50.4	57.0	60.6	5.3%	3.6	6.3%	0.34%	10.2	20.2%
Monetary Deposits	329.1	378.0	381.3	33.4%	3.3	0.9%	0.29%	52.2	15.9%
Quasi-Monetary Deposits	677.2	690.6	698.2	61.2%	7.6	1.1%	0.67%	21.0	3.1%
Money Supply M₃	1,219.9	1,348.2	1,357.8	100.0%	9.6	0.7%		137.9	11.3%
Currency in Circulation	50.4	57.0	60.6	4.5%	3.6	6.3%	0.27%	10.2	20.2%
Monetary Deposits	329.1	378.0	381.3	28.1%	3.3	0.9%	0.24%	52.2	15.9%
Quasi-Monetary Deposits	677.2	690.6	698.2	51.4%	7.6	1.1%	0.56%	21.0	3.1%
Government Deposits	163.1	222.6	217.7	16.0%	-4.9	-2.2%	-0.36%	54.6	33.5%

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	October	November	Change in November 2014	
	2013	2014	2014	In billions of Dirhams	% Change
Monetary Base	264.7	286.9	288.5	1.6	0.6%
Currency in Circulation	50.4	57.0	60.6	3.6	6.3%
Banks' Required Reserves	87.8	104.6	102.0	-2.6	-2.5%
Banks' Excess Reserves	18.6	14.6	17.0	2.4	16.4%
Certificates of Deposit purchased by Banks (Net of Lending)	107.9	110.7	108.9	-1.8	-1.6%
Money Supply (M ₁)	379.6	435.0	441.9	6.9	1.6%
Money Multiplier of M₁ (M₁/Monetary Base)	1.43	1.52	1.53	-	-
Money Supply (M ₂)	1,056.8	1,125.6	1,140.1	14.5	1.3%
Money Multiplier of M₂ (M₂/Monetary Base)	3.99	3.92	3.95	-	-
Money Supply (M ₃)	1,219.9	1,348.2	1,357.8	9.6	0.7%
Money Multiplier of M₃ (M₃/Monetary Base)	4.61	4.70	4.71	-	-

N.B. Figures for 2014 are subject to revision