



UAE Monthly Monetary Survey March 2018

Monetary Developments (*)

M₁ increased by 0.2%, from AED 509.7 billion at the end of February 2018 to AED 510.6 billion at the end of March 2018. This increase was due to a 0.2% increase in Monetary Deposits (86.3% of **M₁**), overshadowing a 0.1% reduction in Currency in Circulation outside Banks (13.7% of **M₁**).

At the end of March 2018, **M₂** increased by 0.7%, rising from AED 1284.9 billion at the end of February 2018 to AED 1293.8 billion. **M₂** mainly increased due to an increased **M₁** and an AED 8 billion or 1% increase in Quasi- Monetary Deposits (60.5% of **M₂**).

Consequently, **M₃** also increased by 2.7%, from AED 1486.3 billion at the end of February 2018 to AED 1526.7 billion at the end of March 2018. **M₃** increased because of increases in **M₁** and **M₂**, and an AED 31.5 billion or 15.6% rise in Government Deposits (15.3% of **M₃**).

In summary, during March 2018, **M₁**, **M₂** and **M₃** increased by 0.2%, 0.7% and 2.7%, 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 March 2018, the Monetary Base expanded by 0.4%. The Monetary Base expanded mainly due to increases in; Currency Issued (23.2% of the Monetary Base) by 0.6% and Certificates of Deposits purchased by Banks (36.8% of the Monetary Base) by 4.7%, overriding decreases in Banks' Required Reserves (33.4% of the Monetary Base) by 1.2% and Banks & OFC's Excess Reserves (6.6% of the Monetary Base) by 12.9%.

From the end of February to the end of March 2018, the multiplier of **M₁** remained constant at 1.40. Whereas, the multipliers of **M₂** and **M₃** increased from 3.53 to 3.54 and from 4.09 to 4.18, respectively.

The increases in the multipliers of **M₂** and **M₃** reflect faster increase in their respective Monetary Aggregates, in contrast to the expansion of the monetary base. The constant multiplier of **M₁** is due to a slight increase in its Monetary Aggregate corresponding to the proportional expansion 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 (March 2018)

(End of period, billions of Dirhams)

	Dec-14	Dec-15	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Jan-18	Feb -18	Mar' 2018		MoM		Contribution to Aggregate Growth ²
										In billions of Dirhams	Shares of the Aggregates	In Billions of Dirhams	% Change	
Money Supply M₁*	436.1	456.9	474.1	504.4	507.1	488.9	492.4	498.0	509.7	510.6		0.9	0.2%	
Currency Issued	74.5	73.5	77.6	80.1	83.9	78.3	85.4	83.2	84.2	84.7		0.5	0.6%	
Cash at Banks	15.5	15.1	15.3	14.7	16.5	13.9	17.7	14.9	14.2	14.8		0.6	4.2%	
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	67.4	64.4	67.7	68.3	70.0	69.9	13.7%	-0.1	-0.1%	-0.02%
Monetary Deposits**	377.1	398.5	411.8	439.0	439.7	424.5	424.7	429.7	439.7	440.7	86.3%	1.0	0.2%	0.2%
Money Supply M₂*	1125.4	1186.8	1225.5	1272.2	1267.1	1257.2	1276.2	1277.2	1284.9	1293.8		8.9	0.7%	
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	67.4	64.4	67.7	68.3	70.0	69.9	5.4%	-0.1	-0.1%	-0.01%
Monetary Deposits**	377.1	398.5	411.8	439.0	439.7	424.5	424.7	429.7	439.7	440.7	34.1%	1.0	0.2%	0.1%
Quasi-Monetary Deposits***	689.3	729.9	751.4	767.8	760.0	768.3	783.8	779.2	775.2	783.2	60.5%	8.0	1.0%	0.6%
Money Supply M₃*	1314.5	1342.8	1411.4	1465.8	1463.1	1458.0	1487.1	1480.9	1486.3	1526.7		40.4	2.7%	
Currency in Circulation Outside Banks	59.0	58.4	62.3	65.4	67.4	64.4	67.7	68.3	70.0	69.9	4.6%	-0.1	-0.1%	-0.01%
Monetary Deposits	377.1	398.5	411.8	439.0	439.7	424.5	424.7	429.7	439.7	440.7	28.9%	1.0	0.2%	0.1%
Quasi-Monetary Deposits**	689.3	729.9	751.4	767.8	760.0	768.3	783.8	779.2	775.2	783.2	51.3%	8.0	1.0%	0.5%
Government Deposits***	189.1	156.0	185.9	193.6	196.0	200.8	210.9	203.7	201.4	232.9	15.3%	31.5	15.6%	2.4%

⁽¹⁾ Figures are provisional and subject to revision

⁽²⁾ 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

^(*) 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)

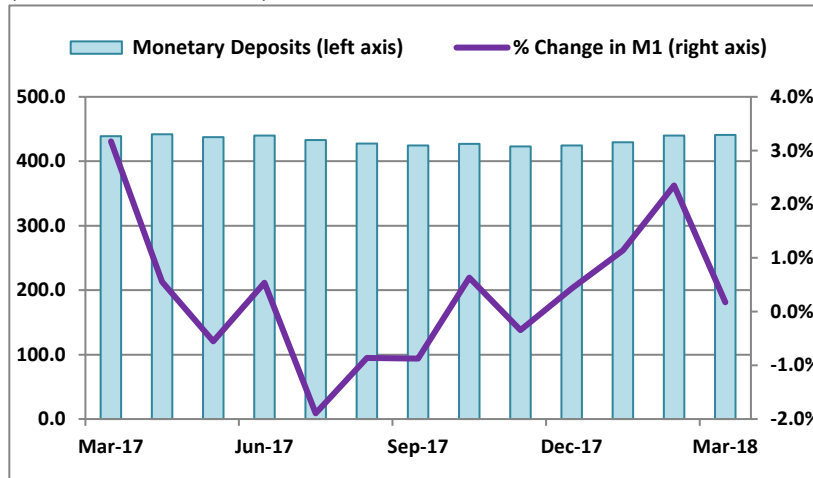
	Dec	Dec	Dec	March	June	Sep	Dec	Jan	Feb	March ¹	Change in March 2018	
	2014	2015	2016	2017	2017	2017	2017	2018	2018	2018	In billions of Dirhams	% Change
Monetary Base	309.2	365.2	338.1	351.5	355.0	358.7	377.4	358.1	363.8	365.2	1.4	0.4%
Currency Issued*	74.5	73.5	77.6	80.1	83.9	78.3	85.4	83.2	84.2	84.7	0.5	0.6%
Banks' Required Reserves	104.1	111.9	116.9	119.9	125.5	122.4	121.4	121.4	123.5	122.0	-1.5	-1.2%
Banks & OFCs' Excess Reserves	31.1	40	35.4	36.2	42.8	31.4	35.5	21.1	27.8	24.2	-3.6	-12.9%
Certificates of Deposit purchased by Banks	99.5	139.8	108.2	115.3	102.9	126.6	135.1	132.4	128.3	134.3	6.0	4.7%
Money Supply (M ₁)	436.1	456.9	474.1	504.4	507.1	488.9	492.4	498.0	509.7	510.6	0.9	0.2%
Money Multiplier of M₁ (M₁/Monetary Base)	1.41	1.25	1.40	1.43	1.43	1.36	1.30	1.39	1.40	1.40		
Money Supply (M ₂)	1125.4	1186.8	1225.5	1272.2	1267.1	1257.2	1276.2	1277.2	1284.9	1293.8	8.9	0.7%
Money Multiplier of M₂ (M₂/Monetary Base)	3.64	3.25	3.62	3.62	3.57	3.50	3.38	3.57	3.53	3.54		
Money Supply (M ₃)	1314.5	1342.8	1411.4	1465.8	1463.1	1458.0	1487.1	1480.9	1486.3	1526.7	40.4	2.7%
Money Multiplier of M₃ (M₃/Monetary Base)	4.25	3.68	4.17	4.17	4.12	4.06	3.94	4.14	4.09	4.18		

(¹) Figures are provisional and subject to revision

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

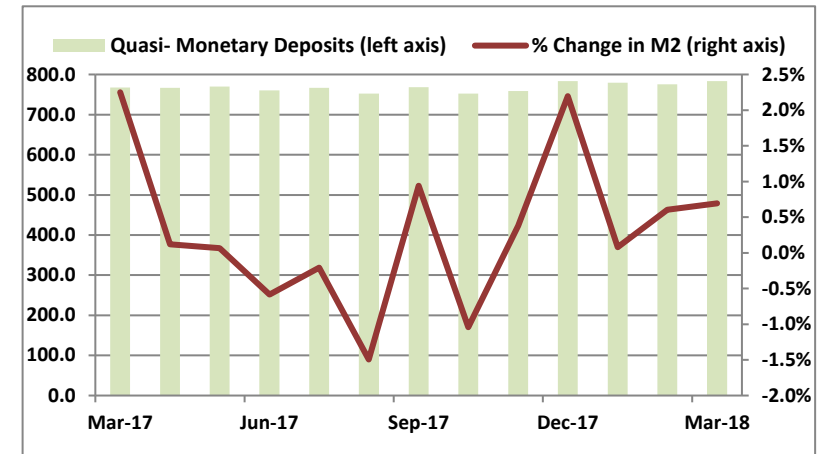
Money Supply M₁ increased by 0.2%, driven by 0.2% increase in Monetary Deposits.

(bn AED, % month-on-month)



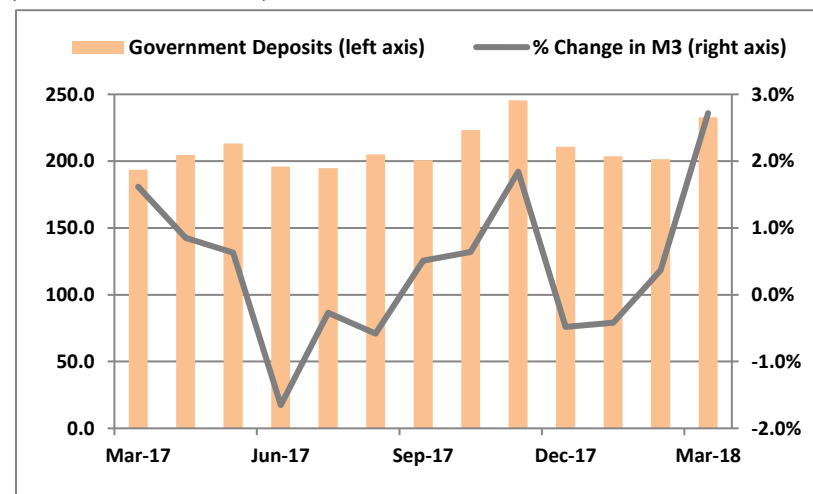
Money Supply M₂ increased by 0.7% due to an increased M₁ and 1% increase in Quasi-Monetary Deposits.

(bn AED, % month-on-month)



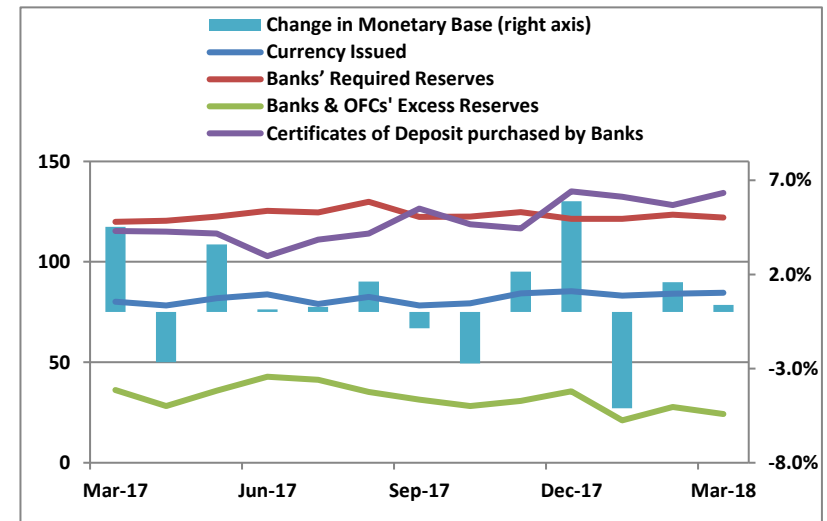
Money Supply M₃ increased by 2.7%, due to increased M₁ & M₂, and a 15.6% rise in Government Deposits.

(bn AED, % month-on-month)



Monetary Base expanded by 0.4% during March 2018.

(bn AED, % month-on-month)



Source: CBUAE