



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

United Arab Emirates
Monetary, Banking & Financial Markets Developments

2017 – 4th Quarter Report
February 2018

Introduction

As part of its commitment to promote economic and financial stability and growth in the UAE, the Central Bank of the UAE actively fosters a stable and efficient financial system by providing effective central banking services. The *United Arab Emirates Monetary, Banking and Financial Markets Developments Report* is one of the many avenues through which the Central Bank seeks to keep its stakeholders informed.

This report discusses the monetary and banking activities as well as developments in the UAE financial markets during the fourth quarter of 2017, in comparison to the fourth quarter of the previous year. The report also reviews ratios of annual change over the period from December 2016 to December 2017.

Monetary Developments

Money Supply M_1 , which comprises Currency in Circulation outside Banks (Currency Issued - Cash at banks) plus Monetary Deposits, increased by 0.7% during the fourth quarter of 2017, compared to a 0.3% quarterly increase during the same period last year. On an annual basis, there was a 3.9% increase in the monetary aggregate M_1 , reaching AED 492.4 billion.

Money Supply M_2 (M_1 plus Quasi Monetary Deposits (Resident Time and Savings Deposits in Dirham plus Resident Deposits in Foreign Currencies)), increased by 1.5% during the fourth quarter of 2017, compared to a 2.1% quarterly increase during the same period last year. On an annual basis, there was a 4.1% increase in Money Supply M_2 , reaching AED 1276.2 billion.

Consequently, Money Supply M_3 (M_2 plus government deposits at banks and at the Central Bank) also increased by 2% during the fourth quarter of 2017 as compared to a 3.1% increase during the fourth quarter of 2016. On an annual basis, there was a 5.4% increase in Money Supply M_3 , reaching AED 1487.1 billion.

Generally, the median money supply, M_2 , is considered the best indicator for the availability of liquidity in the economy, as it comprises currency in circulation outside banks, in addition to various deposits of all the resident sectors except the government sector in the UAE. Statistical data show that at the end of the fourth quarter of 2017, M_2 did not increase as compared to the end of the fourth quarter of 2016. The smaller increase in M_2 during the fourth quarter of 2017 was mainly due to a lesser rise in non-government resident deposits by 1.3% reaching 1208.5 billion, compared to a bigger increase of 2.2% (AED 1163.2 billion) during the same period of the previous year.

Table 1 - Monetary Developments in the UAE

(In Billions Dirhams - End of Period)

	2016				2017								
	Third Quarter		Fourth Quarter		First Quarter		Second Quarter		Third Quarter		Fourth Quarter*		
	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Change (%)	
												Quarterly	Annual
Money Supply (M ₁)	472.5	-1.8%	474.1	0.3%	504.4	6.4%	507.1	0.5%	488.9	-3.6%	492.4	0.7%	3.9%
Money Supply (M ₂)	1200.2	1.7%	1225.5	2.1%	1272.2	3.8%	1267.1	-0.4%	1257.2	-0.8%	1276.2	1.5%	4.1%
Money Supply (M ₃)	1368.6	0.3%	1411.4	3.1%	1465.8	3.9%	1463.1	-0.2%	1458.0	-0.3%	1487.1	2.0%	5.4%

Source- Data received from banks operating in the UAE

M₁ = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits

M₂ = M₁ + Quasi-Monetary Deposits

M₃ = M₂ + Government Deposits

*Estimates, subject to revision

Banking Sector Development

1- Banks Operating in the UAE

The number of locally incorporated banks reduced to 22 banks by the end of the fourth quarter of 2017, while their branches also decreased from 846 at the end of the fourth quarter of 2016 to 771 at the end of the same period of 2017. The number of electronic services units of these banks increased at the end of fourth quarter of 2017 to 36 from 33 at the end of December 2016. The number of Cash Offices decreased from 76 offices at the end of December 2016 to 51 offices at the end of December 2017.

The number of GCC banks remains constant during the fourth quarter of 2017 at 6 banks, with 4 branches. The number of other foreign banks increased to 21 banks and their branches decreased to 78 branches at the end of the fourth quarter of 2017. The number of electronic services units of these banks also decreased from 31 units at the end of December 2016 to 25 units at the end of December 2017. The number of cash offices remains constant during the fourth quarter of 2017 at 1 cash office.

At the end of the fourth quarter of 2017, the number of financial institutions licensed by the Central Bank i.e., Wholesale Banks, Representative Offices, Finance Companies, Financial Investment Companies, Moneychangers and Offices for Intermediating in Currency Trading & Money Market Operations reached 12, 96, 27, 21, 132 and 9, respectively.

The total number of ATM of banks operating in the UAE reached 5,302 by the end of December 2017, compared to 5,243 at the end of December 2016.

Table-2 Banks, Other Financial Institutions & ATMs											
2013 - 2017											
	2013	2014	2015	2016			2017				
	Dec	Dec	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep*	Dec**
Locally Incorporated Banks											
Main Branches	23	23	23	23	23	23	23	23	23	23	22
Additional Branches	841	869	874	874	862	857	846	834	816	810	771
Electronic Banking Service Units	29	34	37	39	33	32	33	35	36	36	36
Cash Offices	89	90	90	90	86	85	76	72	61	58	51
GCC Banks											
Main Branches	6	6	6	6	6	6	6	6	6	6	6
Additional Branches	4	4	4	4	4	4	4	4	4	4	4
Foreign Banks											
Main Branches	22	20	20	20	20	20	20	20	20	20	21
Additional Branches	83	82	82	81	82	81	81	81	81	81	78
Electronic Banking Service Units	52	48	40	41	42	41	31	29	29	29	25
Cash Offices	1	1	1	1	1	1	1	1	1	1	1
Wholesale Banks	4	7	8	9	9	10	11	11	11	12	12
Representative Offices	120	121	115	114	114	114	114	107	108	107	96
Finance Companies	25	26	27	27	27	27	27	28	28	27	27
Financial Investment companies	25	25	25	25	25	25	25	22	21	21	21
Moneychangers	134	140	140	139	139	139	140	141	141	141	132
Offices for Intermediating in Currency Trading & Money Market Operations	12	12	12	12	11	11	11	11	11	9	9
ATMs	4,664	4,847	5,119	5,144	5,118	5,170	5,243	5,211	5,219	5,243	5,302

Source: Banking Supervision Department and UAESWITCH

*Revised

**Estimates, subject to revision

2- Bank Assets and Loans

At the end of the fourth quarter of 2017 total assets of banks operating in the UAE increased by 2%, reaching AED 2695 billion, compared to an increase of 2.5% at the end of the fourth quarter of 2016. During the period between December 2016 and December 2017, the total assets of banks operating in the UAE increased by 4%.

Gross credit also increased by 0.04% at the end of December 2017, reaching 1580.7 billion.

3- Customer Deposits

By the end of the fourth quarter of 2017, total deposits of resident and non-resident customers with banks operating in the UAE increased by 2%, reaching AED 1627.3 billion, compared to an increase of 3.6% at the end of the fourth quarter of 2016 of AED 1562.9 billion. Resident deposits increased by 2%, reaching AED 1435.7 billion at the end of the fourth quarter of 2017, compared to an increase of 3.2% at the end of the fourth quarter of 2016 reaching AED 1363.9 billion. Non-resident deposits increased by 1.8%, reaching AED 191.6 billion by the end of December 2017, compared to a 6.5% increase at the end of the same period of 2016. On an annual basis, Resident deposits increased by 5.3% and Non-resident deposits decreased by 3.7%.

4- Capital and Reserves

Aggregate Capital and Reserves of banks operating in the UAE increased by 3.2%, reaching to AED 337.7 billion at the end of the fourth quarter of 2017 compared to a 2.9% quarterly increase at the end of the same period of 2016. The total Capital Adequacy Ratios increased during the fourth quarter of 2017, compared to the fourth quarter of 2016, remaining well above the 12% Capital Adequacy and 8% Tier1 ratios prescribed by the Central Bank regulations.

Capital adequacy ratios measure the amount of a bank's capital expressed as a percentage of its risk weighted credit exposures. A high capital adequacy ratio provides protection to depositors and promotes the stability and efficiency of the financial system of an economy.

Table- 3: Banking Indicators

(End of Month, Figures in billions of Dirhams unless otherwise indicated)

	2016				2017								% Annual Change
	Sep	Quarterly Change (%)	Dec	Quarterly Change (%)	Mar	Quarterly Change (%)	Jun	Quarterly Change (%)	Sep	Quarterly Change (%)	Dec*	Quarterly Change (%)	
Total Assets ^{(1)**}	2529.4	1.3%	2592.5	2.5%	2626.5	1.3%	2632.0	0.2%	2643.2	0.4%	2695.0	2.0%	4.0%
Banks' Investments in Central Bank CDs	103.8	-4.9%	108.2	4.2%	115.3	6.6%	102.8	-10.8%	126.6	23.2%	135.1	6.7%	24.9%
Shariah Compliant Certificates of Deposits	16.7	-23.7%	20.1	20.4%	26.3	30.8%	20.4	-22.4%	30.4	49.0%	38.3	26.0%	90.5%
Gross Credit ^{(1)**}	1545.3	1.5%	1553.7	0.5%	1575.4	1.4%	1569.0	-0.4%	1580.0	0.7%	1580.7	0.04%	1.7%
Personal Loans to Residents **	325.1	1.1%	326.1	0.3%	327.5	0.4%	329.6	0.6%	335.1	1.7%	337.6	0.7%	3.5%
Total Deposits ⁽²⁾	1508.7	1.1%	1562.9	3.6%	1602.0	2.5%	1589.1	-0.8%	1595.8	0.4%	1627.3	2.0%	4.1%
Capital & Reserves ⁽³⁾	299.0	3.0%	307.8	2.9%	298.3	-3.1%	302.7	1.5%	327.1	8.1%	337.7	3.2%	9.7%
Capital Adequacy Ratio	18.6%	1.1%	18.9%	1.6%	18.6%	-1.6%	18.5%	-0.5%	18.7%	1.1%	18.9%	1.1%	0.0%
Tier-1 Ratio	16.9%	0.6%	17.3%	2.4%	16.9%	-2.3%	16.9%	0.0%	17.1%	1.2%	17.4%	1.8%	0.6%

⁽¹⁾ Includes credit to residents and non-residents: loans to non-banking financial institutions, Trade Bills Discounted and Loans and Advances to the Government and Public Sector, Private sector (corporates and individuals) in local and foreign currencies.

⁽²⁾ Net of inter-bank deposits and bank drafts, including commercial prepayments.

⁽³⁾ Excluding subordinated borrowings/deposits, but including current year profit. The series of data has been revised backward to exclude Instruments such as Perpetual Notes in-order to comply with IMF Guidelines on MFS.

*Estimates, subject to revision

**Revised backwards starting Dec 2013 to reflect the effect of accounting adjustments made by banks to set-off the amount of government refinancing against related Housing Mortgage Loans which have been taken off effective August 2017.

5- Foreign Assets of the Central Bank

At the end of the fourth quarter of 2017, the Central Bank's foreign assets increased by 1%, reaching AED 347.7 billion, compared to a 3.1% increase at the end of the fourth quarter of 2016. This rise was mainly attributed to an increase in Current Account Balances & Deposits with banks abroad by 6.2% (an increase of AED 15.1 billion), overshadowing reductions in Held-to-Maturity Foreign Securities by 10.4% (a reduction of AED 9.8 billion) and Other Foreign Assets by 20.7% (a reduction of AED 1.7 billion).

6- Abu Dhabi and Dubai Financial Markets Values

Abu Dhabi's quarterly average Financial Market Index fell by 3.5% during the fourth quarter of 2017 compared to a 2.7% reduction in the fourth quarter of 2016. The quarterly average Market Capitalization of companies listed at the Abu Dhabi Securities Exchange (ADX) increased by AED 1.7 billion reaching AED 460.9 billion at the end of the fourth quarter of 2017 compared to AED 14.4 billion reduction at the end of the fourth quarter of 2016. Quarterly Trading Value decreased from AED 11.3 billion (32.9% quarterly increase) during the fourth quarter of 2016 to AED 9.9 billion (0.2% quarterly reduction) during the fourth quarter of 2017.

Dubai's quarterly average Financial Market Index also decreased by 3.8% during the fourth quarter of 2017, compared to a 2.3% reduction during the same period in 2016. The quarterly average Market Capitalization of companies listed at the Dubai Financial Market (DFM) increased by AED 8.9 billion reaching AED 386.2 billion at the end of the fourth quarter of 2017 compared to AED 11.2 billion decrease at the end of the fourth quarter of 2016. Quarterly Trading Value decreased from AED 42 billion (93.5% quarterly increase) during the fourth quarter of 2016 to AED 28.2 billion (68.5% quarterly increase) during the fourth quarter of 2017.

Table 4: Abu Dhabi Securities Exchange (ADX) Indicators

	2015				2016				2017			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Number of listed Companies	69	69	69	70	69	69	69	69	67	67	67	69
General Share Price Index**	4537.0	4632.7	4610.3	4288.6	4265.4	4430.5	4507.6	4385.1	4514.8	4458.4	4477.3	4318.4
Quarterly Variation (%)	-3.2%	2.1%	-0.5%	-7.0%	-0.5%	3.9%	1.7%	-2.7%	3.0%	-1.2%	0.4%	-3.5%
Market Capitalization (Billion AED)**	423.7	433.2	443.0	436.9	441.1	449.4	475.5	461.1	467.4	460.7	459.2	460.9
Quarterly Traded Values (Billion AED)	13.4	16.3	13.3	13.7	14.8	10.7	8.5	11.3	17.4	10.9	9.9	9.9

Source: Abu Dhabi Securities Exchange (ADX)

Table 5: Dubai Financial Markets (DFM) Indicators

	2015				2016				2017			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Number of listed Companies*	59	59	59	60	60	60	60	61	62	62	62	65
General Share Price Index**	3684.5	4079.7	3799.7	3286.3	3197.7	3372.2	3487.7	3408.1	3584.5	3382.1	3611.6	3475.4
Quarterly Variation (%)	-12.3%	10.7%	-6.9%	-13.5%	-2.7%	5.5%	3.4%	-2.3%	5.2%	-5.6%	6.8%	-3.8%
Market Capitalization (Billion AED)**	331.7	366.2	360.4	323.3	312.4	332.4	337.0	325.8	387.0	356.9	377.3	386.2
Quarterly Traded Values (Billion AED)	38.2	65.2	28.9	19.1	40.6	28.9	21.7	42.0	48.2	21.6	16.7	28.2

**includes foreign companies*

Source: Dubai Financial Markets (DFM)

******The Quarterly share Price Index and the Quarterly Market Capitalization are measured as the quarterly average of monthly observations.