



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

United Arab Emirates
Monetary, Banking & Financial Markets Developments

2023 – 3rd Quarter Report

December 2023

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 third quarter of 2023. The report also reviews ratios of annual change over the period from September 2022 to September 2023.

Monetary Developments

Money Supply M_1 , which comprises Currency in Circulation outside Banks (Currency Issued - Cash at banks) plus Monetary Deposits, increased by 1.5% (q-o-q) during the third quarter of 2023.

On an annual basis, there was 10.0% (y-o-y) hike in the monetary aggregate M_1 , reaching AED 795.5 billion at the end of September 2023.

Money Supply M_2 (M_1 plus Quasi Monetary Deposits (Resident Time and Savings Deposits in Dirham, plus Resident Deposits in Foreign Currencies)), grew by 2.8% (q-o-q) during the third quarter of 2023.

On an annual basis, there was 16.0% (y-o-y) increase in Money Supply M_2 , reaching AED 1,908.1 billion at the end of September 2023.

Money Supply M_3 (M_2 plus government deposits at banks and at the Central Bank) also rose by 2.5% (q-o-q) during the third quarter of 2023.

On an annual basis, there was a 14.5% (y-o-y) rise in Money Supply M_3 , reaching AED 2,351.3 billion at the end of September 2023.

Table 1 - Monetary Developments in the UAE**(In Billions Dirhams - End of Period)**

	2022				2023						
	Third Quarter		Fourth Quarter		First Quarter		Second Quarter		Third Quarter*		
	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Change (%)	
										Quarterly	Annual
Money Supply (M₁)	723.0	-0.4%	737.5	2.0%	759.3	3.0%	784.1	3.3%	795.5	1.5%	10.0%
Money Supply (M₂)	1,645.6	1.4%	1703.6	3.5%	1,788.4	5.0%	1,855.4	3.7%	1,908.1	2.8%	16.0%
Money Supply (M₃) **	2,053.2	5.6%	2107.2	2.6%	2,209.0	4.8%	2,294.3	3.9%	2,351.3	2.5%	14.5%

*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

** Revised to account for amendments in Overnight Deposit Facility data

Banking Sector Development

1- Banks Operating in the UAE

At the end of the third quarter of 2023, the number of locally incorporated banks (excluding investment banks) remain constant at 22 banks. The branches of these locally incorporated banks decreased to 492 branches at the end of September 2023. The number of electronic banking service units of these banks remain 47 units at the end of the third quarter of 2023. The number of Cash Offices also remained constant at 21 Cash Offices at the end of September 2023.

The number of GCC banks continue to remain steady at the end of the third quarter of 2023 at 6 banks, plus one wholesale GCC Bank. The branches of these banks also remain constant at 6 branches at the end of September 2023. The number of other foreign banks stood at 22 banks with 66 branches. The number of electronic banking service units of these banks persist at 21 units at the end of the third quarter of 2023. The number of cash offices of these banks stood consistent at one cash office during the third quarter of 2023.

The technological and structural advancements in the UAE financial sector continues to enhance security, operational efficiency, accessibility of mobile banking applications, online banking and overall customer experience. Owing to the widespread implementation of Technology throughout the economy, the UAE financial system is more secure and efficient than ever before.

At the end of the third quarter of 2023, the number of financial institutions licensed by the Central Bank, i.e., Wholesale Banks, Representative Offices, Finance Companies, Moneychangers and Offices for Intermediating in Currency Trading & Money Market Operations reached 11, 71, 17, 81 and 3, correspondingly.

The total number of ATM of banks operating in the UAE reached 4,534 by the end of September 2023.

Table-2 Banks, Other Financial Institutions & ATM									
2021 - 2023									
	2021		2022				2023		
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep*
Locally Incorporated Banks (excluding investment banks)									
Main Branches	21	22	22	23	23	22	22	22	22
Additional Branches	521	513	511	508	506	498	494	493	492
Electronic Banking Service Units	42	41	42	43	44	45	47	47	47
Cash Offices	20	20	20	21	21	21	21	21	21
GCC Banks (excluding wholesale banks)									
Main Branches	6	6	6	6	6	6	6	6	6
Additional Branches	6	6	6	6	6	6	6	6	6
Other Foreign Banks									
Main Branches	21	21	21	21	21	22	22	22	22
Additional Branches	68	68	68	68	68	67	66	66	66
Electronic Banking Service Units	21	21	21	21	22	21	21	21	21
Cash Offices	1	1	1	1	1	1	1	1	1
Wholesale Banks	10	10	10	10	10	11	11	11	11
of which GCC Banks	1	1	1	1	1	1	1	1	1
Representative Offices	81	78	77	76	73	72	72	71	71
Finance Companies	19	19	19	19	18	16	16	17	17
Moneychangers	89	89	87	86	86	86	84	77	81
Offices for Intermediating in Currency Trading & Money Market Operations	10	10	6	4	3	3	3	3	3
ATM	4,345	4,396	4,400	4,389	4,376	4,426	4,425	4,458	4,534

Source: Banking Supervision Department and UAESWITCH

*Estimates, subject to revision

2- Bank Assets and Loans

At the end of the third quarter of 2023, total assets of banks operating in the UAE increased by 2.0% (q-o-q), reaching AED 3,951.9 billion. During the period between September 2022 and September 2023, the total assets of banks operating in the UAE increased by 10.3% (y-o-y).

Gross credit increased by 1.9% (q-o-q), reaching 1,981.6 billion at the end of September 2023. On an annual basis, gross credit increased by 5.8%.

3- Customer Deposits

At the end of September 2023, total deposits of resident and non-resident customers with banks operating in the UAE rose by 1.6% (q-o-q) and annually by 10.7% (y-o-y), reaching AED 2,420.9 billion. Resident deposits increased by 2.8% (q-o-q), reaching AED 2,230.8 billion at the end of the third quarter of 2023. Non-resident deposits fell by 9.9% (q-o-q), settling at AED 190.1 billion by the end of September 2023.

On an annual basis, Resident deposits increased by 13.9%, whereas, Non-resident deposits fell by 16.8%.

4- Capital and Reserves

Capital adequacy ratios measure the amount of a bank's capital expressed as a percentage of its risk weighted exposures. A high capital adequacy ratio provides protection to depositors and promotes the stability and efficiency of the financial system of an economy. Effective December 2017, banks in the UAE follow Basel III principles for calculating the Capital Adequacy Ratios in line with the Regulation and Standards issued by the Central Bank.

Aggregate Capital and Reserves of banks operating in the UAE increased by 3.8% (q-o-q), reaching AED 464.6 billion at the end of the third quarter of 2023. At the end of September 2023, Total Capital Adequacy Ratio stood at 18.5%, remaining well above the 13.0% Capital Adequacy Ratio, including the 2.5% Capital Conservation Buffer requirement and the 8.5% Tier1 Ratio, prescribed by the Central Bank regulations in compliance with the Basel III guidelines.

3rd Quarter 2023

[UNITED ARAB EMIRATES MONETARY, BANKING & FINANCIAL MARKETS DEVELOPMENTS]

Table- 3: Banking Indicators

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

					2023						% Annual Change
	Sep	Quarterly Change (%)	Dec*	Quarterly Change (%)	Mar	Quarterly Change (%)	Jun	Quarterly Change (%)	Sep*	Quarterly Change (%)	
Total Assets	3,583.0	3.9%	3,667.6	2.4%	3,764.7	2.6%	3,873.1	2.9%	3,951.9	2.0%	10.3%
Banks' Investments in Monetary Bills & Islamic Certificates of Deposit	145.7	-3.4%	164.7	13.0%	196.0	19.0%	205.7	4.9%	200.6	-2.5%	2612.4%
<i>Of which: Shariah Compliant Certificates of Deposit</i>	25.3	-35.1%	52.5	107.5%	55.4	5.5%	49.2	-11.2%	48.6	-1.2%	92.1%
Gross Credit ⁽¹⁾	1,873.4	0.4%	1,879.4	0.3%	1,895.8	0.9%	1,944.8	2.6%	1,981.6	1.9%	5.8%
Personal Loans to Residents	368.6	2.0%	374.8	1.7%	384.1	2.5%	395.8	3.0%	408.1	3.1%	10.7%
Total Deposits ⁽²⁾	2,186.9	4.5%	2,222.2	1.6%	2,306.0	3.8%	2,382.1	3.3%	2,420.9	1.6%	10.7%
Capital & Reserves ⁽³⁾	413.3	3.5%	428.6	3.7%	430.7	0.5%	447.8	4.0%	464.6	3.8%	12.41%
Capital Adequacy Ratio ⁽⁴⁾	17.5%	3.6%	17.4%	-0.6%	17.8%	2.3%	18.2%	2.2%	18.5%	1.6%	5.7%
Tier-1 Ratio	16.3%	3.2%	16.2%	-0.6%	16.6%	2.5%	17.0%	2.4%	17.4%	2.4%	6.7%
Common Equity Tier 1 (CET 1) Capital Ratio	14.5%	3.6%	14.4%	-0.7%	14.8%	2.8%	15.3%	3.4%	15.6%	2.0%	7.6%

⁽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.

⁽⁴⁾ Total Capital Ratio, Tier 1 Ratio and CET 1 Ratio for the period starting from Dec 2017 are calculated according to the Basel III Guidelines issued by CBUAE vide Circular 52/2017. Whereas CAR for period prior to Dec 2017 are according to Basel II Guidelines.

*Estimates, subject to revision

5- Foreign Assets of the Central Bank

At the end of the third quarter of 2023, the Central Bank's foreign assets decreased by 1.4% (q-o-q), reaching AED 583.8 billion. This fall was because of quarterly contraction in Current Account Balances & Deposits with banks abroad by 3.9% (a quarterly reduction of AED 14.2 billion), overriding the expansions in Foreign Securities by 2.3% (a quarterly rise of AED 3.8 billion) and in Other Foreign Assets by 3.2% (a quarterly increase of AED 2.1 billion).

From September 2022 to September 2023, central bank foreign assets increased by 37.6% (y-o-y).

6- Abu Dhabi and Dubai Financial Markets Values

Abu Dhabi's quarterly average Financial Market Index rose by 2.2% (q-o-q) during the third quarter of 2023. The quarterly average Market Capitalization of companies listed at the Abu Dhabi Securities Exchange (ADX) increased by AED 87.3 billion reaching AED 2,841.7 billion at the end of the third quarter of 2023. The Quarterly Traded Value increased by 10.7% (q-o-q) during the third quarter of 2023 settling at AED 70.9 billion.

On an annual basis, the Abu Dhabi Financial Market Index rose by 5.6%.

Dubai's quarterly average Financial Market Index increased by 12.8% (q-o-q) during the third quarter of 2023. The quarterly average Market Capitalization of companies listed on the Dubai Financial Market (DFM) increased by AED 58.6 billion reaching AED 689.6 billion at the end of the third quarter of 2023. Quarterly Traded Value rose by 16.7% (q-o-q) during the third quarter of 2023 leveling at AED 30.9 billion.

On an annual basis, the Dubai Financial Market Index increased by 9.4% (y-o-y).

Table 4: Abu Dhabi Securities Exchange (ADX) Indicators

	2021				2022				2023		
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep
Number of listed Companies	74	76	80	82	83	86	86	89	91	93	93
General Share Price Index**	5,723.2	6,480.3	7,567.2	8,300.0	9,324.1	9,968.4	9,762.9	10,391.9	9,695.5	9,582.0	9,794.2
<i>Quarterly Variation (%)</i>	17.0%	13.2%	16.8%	9.7%	12.3%	6.9%	-2.1%	6.4%	-6.7%	-1.2%	2.2%
<i>Annual Variation Y-o-Y (%) ***</i>	-3.3%	13.0%	34.5%	54.6%	64.3%	63.2%	51.5%	40.5%	25.7%	12.2%	5.6%
Market Capitalization (Billion AED)**	826.7	1,002.0	1,368.8	1,572.0	1,753.6	1,963.4	2,104.1	2,574.1	2,591.6	2,754.4	2,841.7
Quarterly Traded Values (Billion AED)	50.3	87.7	86.0	118.2	100.9	98.8	88.0	92.6	85.4	64.0	70.9

Source: Abu Dhabi Securities Exchange (ADX)

Table 5: Dubai Financial Markets (DFM) Indicators

	2021				2022				2023		
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep
Number of listed Companies*	64	64	64	62	62	63	65	67	67	62	62
General Share Price Index**	2,585.3	2,737.8	2,792.3	3,044.3	3,361.4	3,430.1	3,373.4	3,330.6	3,382.6	3,637.8	4,101.9
<i>Quarterly Variation (%)</i>	9.2%	5.9%	2.0%	9.0%	10.4%	2.0%	-1.7%	-1.3%	1.6%	7.5%	12.8%
<i>Annual Variation Y-o-Y (%)</i>	-14.1%	-0.3%	13.0%	25.2%	30.9%	27.8%	26.0%	20.9%	13.2%	8.7%	9.4%
Market Capitalization (Billion AED)**	353.9	379.0	387.1	399.2	421.6	554.2	566.9	577.6	589.0	630.9	689.6
Quarterly Traded Values (Billion AED)	15.4	13.0	9.8	32.2	22.8	26.6	19.8	20.4	19.0	26.5	30.9

**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.

***The annual variation of the Share Price Indices are measured as the yearly averages of monthly observations.