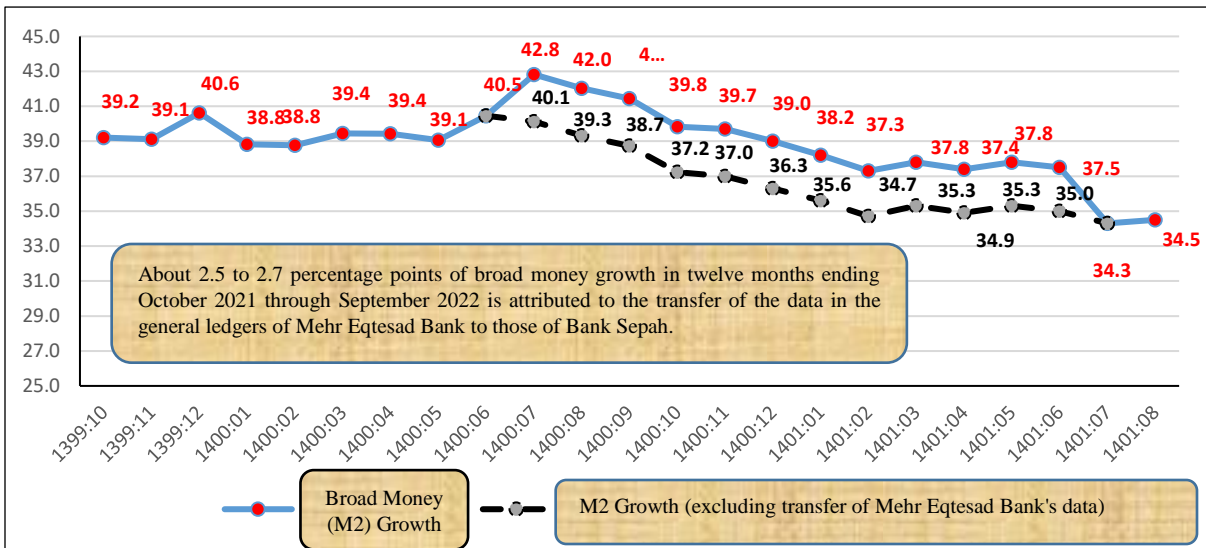


## Selected Economic Indicators

### Analysis on Developments of Monetary and Credit Aggregates

➤ **Broad Money (M2):** A review of broad money developments in Aban 1401 (November 2022) points to the continuing downward trend of broad money growth as in previous months. The volume of broad money grew by 20.2 percent to 58,068.4 trillion rials in November 2022 as compared with March 2022. The twelve-month growth rate of broad money, however, decreased from 42.0 percent at the end of Aban 1400 (November 2021) to 34.5 percent in November 2022. Given that 2.7 percentage points of the twelve-month growth of broad money in November 2021 has been the result of the transfer of the data in the general ledgers of Mehr Eqtesad Bank to those of Bank Sepah, the twelve-month growth of M2 in November 2022 is still indicative of a notable decline compared with the respective period in 2021. The mentioned data transfer occurred as a result of the merger of five banks affiliated to the armed forces with the publically-owned Bank Sepah. Preliminary data for December 2022 indicate that the said trend has not yet stopped. The CBI's making a concerted effort to implement policies aimed at limiting growth in banks' balance sheets and increasing the reserve requirement ratio for banks violating the determined ratios, has led to the containment of money creation by banks as well as broad money growth.



➤ **Monetary Base:** The monetary base increased by 20.5 percent to 7,276.0 trillion rials at the end of Aban 1401 (November 2022) as compared with March 2022. In addition, the growth of monetary base during the twelve-month period covering Aban 1400-Aban 1401 (November 2021-November 2022) shows a rise of 34.6 percent, indicating 1.2 percentage points fall compared with the growth figure in the corresponding period of the previous year (35.8 percent). It is important to note that due to the government's systematic approach to financing, coupled with the CBI's appropriate monetary and supervisory policies, the twelve-month growth of monetary base indicated a notable decline from 42.6 percent at the end of Tir 1400 (July 2021) to 34.6 percent in November 2022. Over the recent months, however, an increasing trend has been witnessed in the monthly growth of monetary base, mainly attributable to the CBI's provision of foreign currency to the Ministries of Agriculture-Jihad and Health and Medical Education. This has been done with the aim of compensating for the adverse effects of the removal of the preferential exchange rate for the imports of agricultural inputs, basic goods, and medicine, following the implementation of the targeted subsidy plan. It is expected that the monetary base should be back on its anticipated track upon the arrangements and agreements made for the settlement of the mentioned obligations in rials. Therefore, despite the implementation of the targeted subsidy plan and the fair distribution of subsidies, as well as the removal of the preferential exchange rate and allocation of cash handouts, the monetary aggregates are following a downward trend. In fact, the government's general approach toward regulating the monetary aggregates is expected to continue in the current year. With the redefinition of the government-CBI relationship, further reliance on deposit resources and the operationalization of the Treasury Single Account as well as more limited utilization of the Treasury's revolving fund are to be put on the agenda.

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