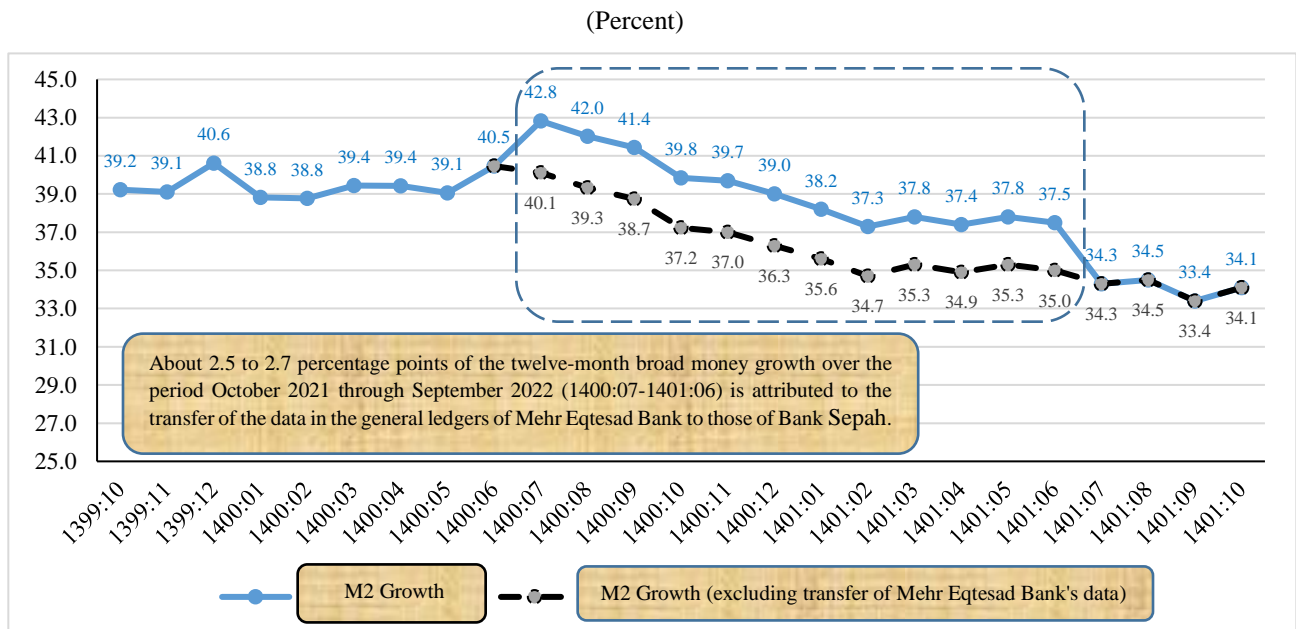


Selected Economic Indicators

Analysis on Developments of Monetary and Credit Aggregates

➤ **Broad Money (M2):** A review of broad money developments in Dey 1401 (January 2023) points to the continuing downward trend of broad money growth as in previous months. The volume of broad money grew by 24.9 percent to 60,376.1 trillion rials in January 2023 as compared with March 2022. The twelve-month growth rate of broad money decreased from 39.8 percent at the end of Dey 1400 (January 2022) to 34.1 percent in January 2023. Given that 2.6 percentage points of the twelve-month growth of broad money in January 2022 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 January 2023 is still indicative of a notable decline compared with the respective period in 2022. 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. 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.

Figure: Twelve-month Growth of Broad Money (M2) in Recent Years



➤ **Monetary Base:** The monetary base increased by 30.0 percent to 7,850.0 trillion rials at the end of Dey 1401 (January 2023) as compared with March 2022. In addition, the growth of monetary base during the twelve-month period covering Dey 1400-Dey 1401 (January 2022-January 2023) shows a rise of 38.2 percent, indicating an increase of 2.7 percentage points compared with the growth figure in the corresponding period of the previous year (35.5 percent). It is important to note that the rise in the monthly growth of monetary base during the recent months is mainly due to the increase in banks' and credit institutions' use of CBI's overdraft facility. Among the other factors affecting the growth of the monetary base was 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 elimination of the preferential exchange rate for the imports of agricultural inputs, basic goods, and medicines, following the implementation of the new Subsidy Plan¹ and the fair distribution of subsidies.

Prepared by the Economic Research and Policy Department, CBI

¹ Elimination of the preferential exchange rate (42,000 rials per one US dollar), allocated to the imports of essential goods, and paying cash handouts to households based on income deciles.