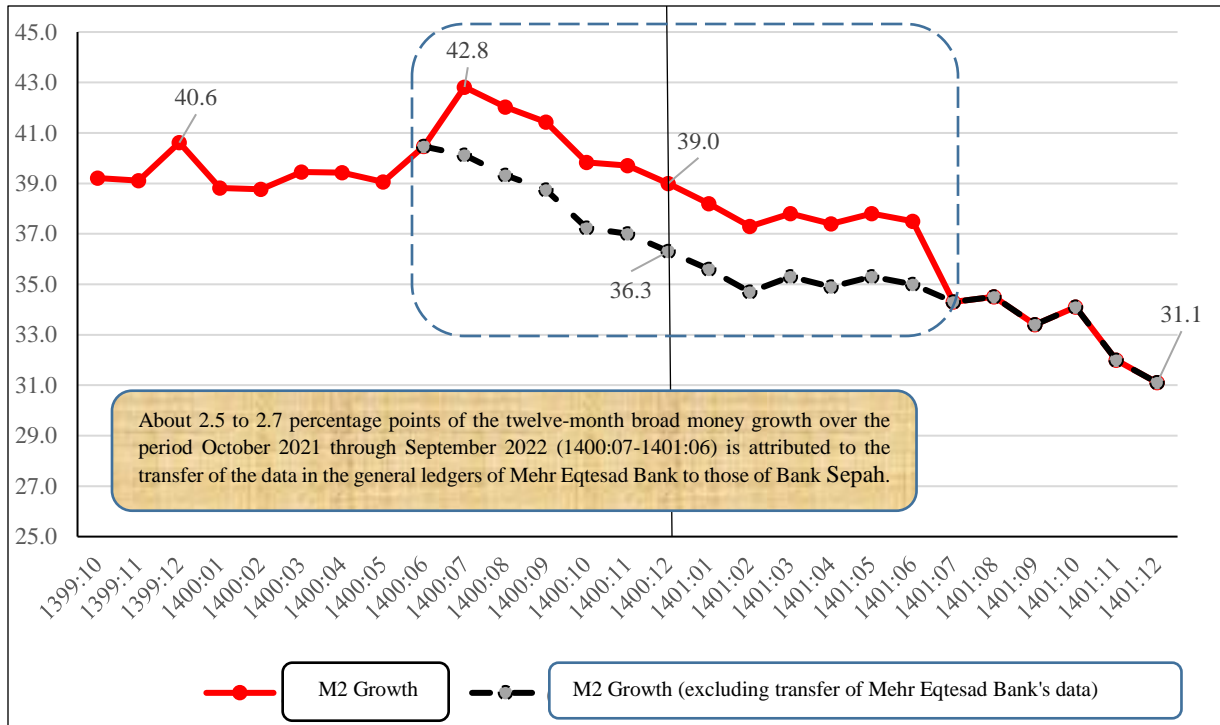


## Selected Economic Indicators

### Analysis on Developments of Monetary and Credit Aggregates

➤ **Broad Money (M2):** A review of broad money developments in Esfand 1401 (March 2023) points to the continuing downward trend of broad money growth as in previous months. The twelve-month growth rate of broad money decreased from 39.0 percent<sup>1</sup> at the end of Esfand 1400 (March 2022) to 31.1 percent at the end of Esfand 1401 (March 2023), indicating relative achievement in managing broad money (M2) growth within the target range of 30.0 percent for 2022/23. Thanks to the CBI's concerted effort in implementing policies aimed at limiting growth in banks' balance sheets and increasing the reserve requirement ratio for banks violating the determined ratios, the broad money (M2) amounted to 63,376.8 trillion rials by March 2023.

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



<sup>1</sup> It should be noted that 2.7 percentage points of the twelve-month growth of broad money in March 2022 (1400:12) has been the result of the transfer of the data in the general ledgers of Mehr Eqtesad Bank to those of Bank Sepah. 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.

- **Monetary Base:** The monetary base increased by 42.4 percent to 8,599.9 trillion rials in March 2023 as compared with March 2022, mainly attributable to the increase in the banks' debt to the CBI. Among the other factors affecting growth in monetary base was the CBI's provision of foreign exchange to the Ministries of Agriculture-Jahad and Health and Medical Education. This measure had been adopted 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 Plan and the fair distribution of subsidies.
- **Money Multiplier:** The money multiplier decreased by 7.9 percent compared with March 2022, amounting to 7.369 in March 2023. It is important not to attribute growth in the monetary base at the end of Esfand 1401 (March 2023) to the injection of high-powered money into the economy. Instead, it is the increase in the reserve requirement ratio along with the decrease in the money multiplier that has raised the banks' need for resources to be held as reserve requirement with the CBI. This has been in line with the objective of controlling monetary aggregates and implementing the policy of limiting growth in banks' balance sheets as well as imposing penalties on violating banks through increasing the reserve requirement ratio. Taking into account the financial imbalances of some banks and credit institutions, the mentioned factors have led to the increase in banks' debt to the CBI and growth in the monetary base. It is to be noted that such growth in the monetary base is rooted in the endogenous nature of money, with no increasing effect on broad money (M2) growth.

An overview of the developments of monetary aggregates in 1401 (April 2022-March 2023) is indicative of the CBI's success in limiting growth in banks' balance sheets as well as achieving the objective of controlling the monetary aggregates and managing broad money (M2) growth.

Prepared by the Economic Research and Policy Department, CBI