# Selecting Proper Monetary Tool in order to Control Fluctuations in Iranian Economy

**by:**
**Abbas Jouzi[1**]**
**Mehdi Sarem[***]**

## Abstract

In this study, we design a DSGE model for Iranian economy in which the government has an active policy for financing budget deficit. Quarterly data in 1388 – 1399 is employed for estimation of structural parameters, where, the diagnosis statistics of model confirm the reliability of results. Using estimated parameters, we analyzed which tool of either policy rate or money base growth rate will be selected by the central bank. To this purpose, the optimal monetary policy is derived for these tools. The simulation results from one percentage point growth in interest rate and one percentage point decline in money base growth rate reveal that using policy rate can control inflation rate and nominal exchange rate more effectively than money base growth rate. In addition, implementing a contractionary policy in the form of policy rate rule reduces private consumption and economic growth less than in the form of money base rule. In other words, the policy rate tool is more efficient than money base rule, since its control of inflation rate and exchange rate is more efficient and has fewer negative effects on economic growth and private consumption.

**Keywords:** Optimal Money Rule, Controlling Economic Fluctuations, DSGE Model, Open Economy.
**JEL Classification**: E31, E32, E42, E43.

[*] Head of Modelling Group, Economic Research and Policy Department, CBI a.jouzi@cbi.ir
[**]Researcher of Modelling Group, Economic Research and Policy Department, CBI m.sarem@cbi.ir

# The Asymmetric Effect of Inflation on Economic Growth in Iran: Nonlinear ARDL Approach

by:
**Ebrahim Nasirifar***

## Abstract

Low inflation and sustainable growth have been the major macroeconomic goals being pursued by every country; Iran inclusive. The main purpose of this study is to investigate the asymmetric effects of inflation on economic growth using Nonlinear auto regressive distribution lag (NARDL) during 1376 to 1399. Based on the research results using this model and the explanatory variables including liquidity volume, labor, net capital stock and government expenditure, the asymmetric effect of inflation on Iran's economic growth in the long run has been confirmed. This result indicates that increasing and decreasing inflation have different effects on economic growth. Moreover, in the long run, rising inflation has had negative and significant effects on GDP in Iran. In addition, in the long run, the impact of rising inflation on Iran's economic growth has been greater than the effect of lower inflation. In the short run, there was no evidence of either positive or negative effects of inflation on economic growth. Also, the variables of liquidity volume, labor, net capital stock and government expenditure have been effective on economic growth both in the short and in the long run.

**Keywords**: Inflation, Economic Growth, Asymmetric Effect, NARDL Model.
**JEL Classification**: E31, E44, E51, E52, O42.

* PhD in Economics, Head of Industrial Statistics Sector, Economic Statistics Department, CBI
nasiri_e@yahoo.com

# Supply Chain and an Overview of Its Banking Financing Methods

**by:**
**Amir Azimi***
**Sedigheh Gholizadeh****
**Milad Gholami*****

## Abstract

Extensive economic, production and commercial transformations in recent decades have led to considerable changes regarding the presence and participation of businesses in national and international supply chains. Simultaneously, with the development of supply chains and the evolution of business models of economic enterprises, it is very important to examine the dimensions and financing mechanism of supply chains. This new configuration of the production structure has shown its effects in the formation of new financing models of banks and financial institutions, which in turn oversees the evolution of new dimensions of relations between banks and economic enterprises. In this study, the conventional methods of financing supply chains by banks of other countries and the possibility of implementing them in Iranian banks according to the existing financing tools have been investigated. In this regard, there is a relatively wide range of financing services, including factoring, reverse factoring, letters of credit, purchase order financing etc, which banks can use to satisfy the financing needs of supply chains. The results of the present research show that by understanding the evolving nature of supply chains and revising the policy-making and internal management approaches, it is possible to implement various supply chain financing methods such as domestic letters of credit, debt purchase contract, Istisna'a contract, productive credit certificate and assignment of contractual claims (factoring) for economic enterprises of the country. Of course, in this regard, it is necessary to take into account the risk of using the mentioned tools and their negative effects on the banks' balance sheets.

**Keywords**: Supply Chain, Supply Chain Financing, Methods of Financing.
**JEL Classification**: D21, G21, G32, O16.

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*Researcher, Economic Research and Policy Department, CBI sa.azimi@cbi.ir
**Researcher, Economic Research and Policy Department, CBI gholizadeh@cbi.ir
***Researcher, Economic Research and Policy Department, CBI mi.gholami@cbi.ir

# Institutional Sectors in the Iranian Economy and a Comparison with Different Countries

**by:**
**Shiva Karimi**[*]
**Shahab Ashrafzadeh**[**]

## Abstract

The remarkable advancements in technology, particularly computer technology, and its indispensable role in the information explosion, the growing impact of various economic institutions on economic growth in various countries together with the different levels of the effects of economic institutions on value-added growth are among the reasons for differentiation of value-added based on economic institutions. Institutions guide information about market conditions, goods, and market participants, and this flow of information enables the businesses to identify patterns and high-yield activities and evaluate their credibility. This information also assists governments in establishing appropriate regulations, allowing them to influence the production, collection, analysis, review, distribution, or withholding of information for participants within and between communities and markets. In this respect, the review of applicable and institutional accounts provides a picture of the economic environment which, in turn, may be an effective guide for the design of development plans and economic policy-making. This study analyzes the behavior of each institutional sector in the Iranian economy from 1387 to 1395 (2008-2016). Furthermore, a comparison is made between the shares of institutional sectors in the Iranian economy and those of six developed countries, six developing countries, and two emerging economies. The study concludes with recommendations for future national programs.

**Keywords**: Institutional Sectors, National Accounts, SNA (System of National Accounts).
**JEL Classification:** O5, G20, G01, E01.

[*] Master's degree in Economics, Researcher, National Accounts Department, CBI
sh.karimi@cbi.ir
[**] Master's degree in Economics, Head of Unit, National Accounts Department, CBI
sh.ashrafzadeh@cbi.ir

# Inflation Targeting in High Inflation Emerging Economies: Lessons About Rules and Instruments

**Translated by:**
**Fakhry Mohaddes***

## Abstract

This talk emphasizes the connection between inflation targeting and monetary policy rules. Inflation targeting is not enough. You need to have a policy procedure – a policy rule – to achieve the target. And one cannot design or evaluate a monetary policy rule without a target inflation rate. Hence, there is a symbiotic relationship between inflation targeting and monetary policy rules. Initially, the instrument in the policy rule was a monetary aggregate – a quantity, usually the money supply. It was only later that research on monetary policy rules focused on another instrument of monetary policy – the interest rate, as velocity became more volatile so the interest rate was more reliable as instrument, at least for low levels of inflation. Interest rate rules work best within a band between very high inflation and deflation. Outside that band, the central bank should rely more on money growth rules.

**Keywords**: Inflation Targeting; Monetary Policy Rules; Monetary Policy Instruments; Interest Rate Rules; Money Growth Rules
**JEL Classification:** E31, E43, E52

* Expert, Economic Research and Policy Department, CBI f.mohades@cbi.ir

# Credit policy and the ‘debt shift’ in Advanced economies

**Translated by:**
**Hajar Jahangard***

## Abstract

The decline in the share of bank credit to non-financial firms since the 1990s, relative to credit for real estate and financial asset markets, has raised concerns over economic growth and financial stability and sparked renewed interest in credit policies, instruments and institutions. We examine their theoretical case and post-war use, and trace their demise during the wider market-oriented policy reconfiguration from the 1980s. Notably, this included home ownership polices favoring mortgage markets. We then examine the empirical relationship between credit policy and credit allocation in 1973-2005 for 17 advanced economies. Taking account of co-integration, we present evidence that the decline of credit policies is significantly associated with a lower share of lending to non-financial firms. It may be worth revisiting the potential of credit policies to support adequate financing for goals such as innovation, industrial development and the transition to a low-carbon economy.

**Keywords**: Credit, Credit Policy, Credit Control, Credit Guidance, Money, Financial Regulation, Macro Prudential Policy, Central Banking, Financial Stability, Economic Growth

**JEL Classification**: B15; B22; C33; E42; E44

* Expert, Economic Research and Policy Department, CBI. H.Jahangard@cbi.ir