

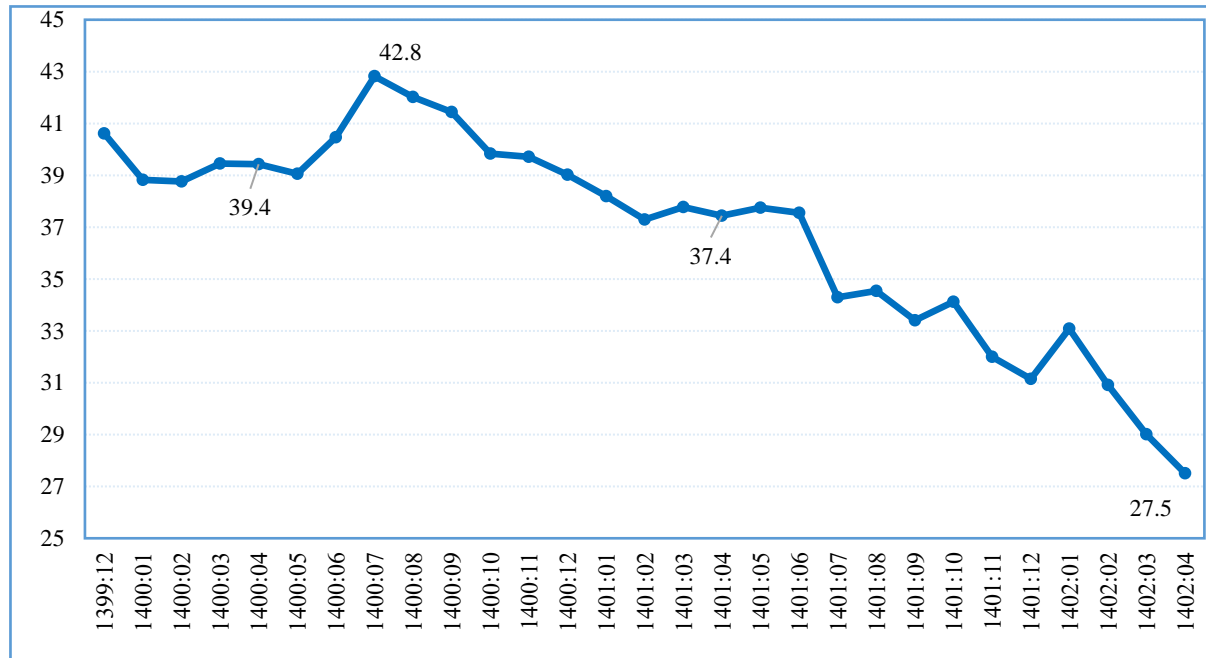
Selected Economic Indicators

Analysis on Developments of Monetary and Credit Aggregates

➤ Broad Money (M2)

Broad money (M2) amounted to 66,940.5 trillion rials at the end of Tir 1402 (July 2023), indicating an increase of 5.6 percent compared with end-Esfand 1401 (March 2023). The twelve-month growth rate of broad money decreased from 37.4 percent at the end of Tir 1401 (July 2022) to 27.5 percent in July 2023, mainly attributable to the CBI's success in actualizing its monetary plan aimed at limiting growth in banks' balance sheets.

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



➤ Monetary Base

The monetary base increased by 7.1 percent compared with March 2023, to reach 9,213.8 trillion rials in July 2023. The amount of the public debt to the CBI (net) had a positive share of 13.0 percentage points in the growth of the monetary base in July 2023 as compared with March 2023. The main factor behind this increase was the fall in the deposits of the government with the CBI in July 2023 compared with March 2023, indicating the government's reliance on its deposit sources rather than the revolving fund of the Treasury. Another factor responsible for the growth of the monetary base in July 2023 was the rise in banks' debt to the CBI with a positive share of 6.2 percentage points in the rise of the monetary base compared

with March 2023. This was mainly due to the increase in the banks' use of the CBI's overdraft facility, partly attributable to the CBI's regulatory measures upon raising the reserve requirement ratio for banks violating the policy of controlling the size of their balance sheets. In addition, the other items of the CBI (net) had a positive share of 3.4 percentage points in the growth of the monetary base in July 2023 compared with March 2023, mainly affected by the increase in the balance of securities remaining from the implementation of the CBI's monetary policy operations and the rise in the volume of repurchase agreements (Open Market Operations). This is indicative of the CBI's efforts in devising an active monetary policy with the aim of providing the liquidity required by banks and credit institutions.

The net foreign assets of the CBI, on the other hand, had a decreasing share of -15.5 percentage points in the 7.1 percent growth of the monetary base in July 2023 compared with March 2023. The decrease in the CBI's net foreign assets in 2023/24 is mainly due to the sales of foreign currencies purchased from the government at the end of the year before (March 2023) and the management of the foreign assets and liabilities by the CBI through the sales of some inaccessible foreign currencies, the rial equivalent of which has already been paid to the government. Thus, the CBI managed to provide the foreign exchange required by the economy and to effectively control growth of the monetary base. Accordingly, the twelve-month growth rate of the monetary base fell from 45.0 percent in April 2023 to 41.1 percent in July 2023.

➤ **Money Multiplier**

The money multiplier decreased by 1.4 percent compared with Esfand 1401 (March 2023), to reach 7.265 at the end of Tir 1402 (July 2023).

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