Monetary and Credit Policies in 1383

Monetary Policies Approved by the MCC in 1383

The Money and Credit Council approved the following monetary and credit policies to be implemented in 1383:

1.1. Sectoral allocations: Banks are authorized to extend up to 45 percent of the increase in outstanding of non-public sector facilities free from sectoral allocations. The share of economic sectors out of the mentioned increase in facilities extended by commercial banks to non-public sector after deducting free uses, legal obligations and facilities from Gharz-al-hasaneh savings deposits to meet urgent needs and to create job opportunities is shown in the following table:

APPROVED SECTORAL CREDIT ALLOCATION
(for remaining 55 percent)

	(percent)
Agriculture and water	25
Manufacturing and mining	32
Housing and construction	28
Exports	11
Domestic trade, services and miscellaneous	4
Total	**100**

Facilities extended by specialized banks are extended according to their articles of association. Bank Keshavarzi is authorized to extend at most 6 percent of the increase in outstanding of its facilities to sectors other than agriculture and agricultural processing industries.

1.2. Provisional profit rates of banking deposits: The provisional profit rates of banking deposits for short-term investment deposits were determined at 7 percent and for long-term investment deposits within the range of 13-17 percent per annum. To enhance competition, banks, having more flexibility, are authorized to set the rates on two- , three- , and four-year deposits within the said range.

1.3. Rates of return on facilities: Except for the (expected minimum) rate of return on manufacturing and mining and export sectors, which is reduced by one percentage point compared to approved figures of the previous year, other rates remain unchanged as the previous year.

1.4. Liquidity: Considering the objectives of the 3rd Plan in reducing the inflation rate, the CBI, with regards to target of the liquidity growth and the relatively diminished relation between liquidity and inflation, attempts to maintain the liquidity (broad money) growth within the range of 20-24 percent.

1.5. CBI Participation Papers: Considering liquidity growth target for 1383 and rapid liquidity growth in the first months of the year, owing to the blocked resources freed as a result of cell phone registration and monetary impacts of budgetary operations, the CBI is authorized to issue Rls. 5,000 billion new participation papers, with 17 percent provisional profit rate per annum to replace the previous matured ones. Issuance of CBI Participation Papers is subject to financing by the government. In order to establish secondary market for participation papers in the stock exchange, the CBI and the TSE are required to pave the ground for participation papers tradings in the TSE within 6 months.

1.6. Participation papers ceiling (subject of Article 4, Law for the Issuance of Participation Papers): Considering the performance of off-budgetary participation papers in the recent years, and the existing demands, the ceiling for issuance of off-budgetary participation papers in 1383 is set at Rls. 5 trillion. This ceiling applies to participation papers subject to Article 17, Industries Renovation Facilitation Act.

1.7. Reserve requirement ratio: Reserve requirement ratios for public commercial banks, private banks and non-bank credit institutions are unified at the average level of weighted ratio of reserve requirement at the end of 1382. The CBI is obliged to issue the required by-law on unification of reserve requirement ratios and forward it to banks within 3 months. The CBI is also authorized to increase or decrease the mentioned ratio by 3 percentage points, depending on economic conditions, to meet monetary policy objectives.