

Part One

**Economic Developments
of Iran in 1388**

*In the Name of God,
The Compassionate, The Merciful*

Gross Domestic Product

The Iranian economy had a relatively favorable performance in the final year of the 4th Plan. Based on preliminary estimates, GDP rose by 3.0 percent at constant prices and reached Rls. 3,562 trillion at current prices. The value-added of the agriculture sector grew by 13.5 percent, manufacturing and mining 2.8 percent, and services 2.2 percent. On the other hand, the value-added figure of the oil sector fell by 3.9 percent. Meanwhile, the share of the agriculture sector in GDP was 10.3 percent, manufacturing and mining 18.4 percent, services 53.9 percent, and oil 20.5 percent, at current prices.

In 1388, non-oil GDP grew by 3.7 percent, which was 0.7 percentage point higher than GDP growth. This was due to the decline in the value-added of the oil sector by 3.9 percent, at constant prices.

In the review year, the value-added of the agriculture sector was estimated at Rls. 365,976 billion at current prices, up by 13.5 percent at constant prices compared with the year before. This was mainly attributable to appropriate rainfall and favorable climatic conditions. The share of the value-added of this sector in GDP increased from 8.9 percent in 1387 to 10.3 percent in 1388, at current prices.

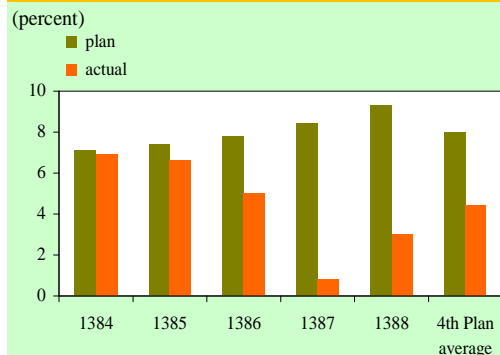
According to preliminary data, the value-added of oil sector amounted to Rls. 729,282

billion in 1388 at current prices, indicating a fall of 3.9 percent at constant prices, compared with the previous year. Decrease in the production of crude oil and fall in the exports of crude oil and oil products were the main driving forces behind the decline in the value-added of the oil sector.

Gross Domestic Product by Various Economic Sectors
(at constant 1376 prices)

	(percentage change)		
	1386□	1387□	1388□
Agriculture	6.4	-11.8	13.5
Oil	1.3	-2.0	-3.9
Manufacturing and mining	3.2	5.5	2.8
Services	6.0	2.4	2.2
GDP	5.0	0.8	3.0
Non-oil GDP	5.4	1.2	3.7

Figure 1.1. GDP growth¹ (1376=100)

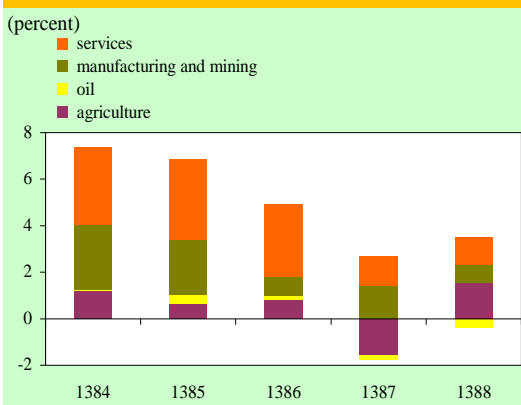


¹ Plan target in the 4th FYDP is based on 1381.

Based on preliminary estimates, in 1388, the value-added of the manufacturing and mining sector experienced 2.8 percent growth, at constant prices. Meanwhile, the value-added of the "mining", "manufacturing", and "electricity, gas, and water" sectors increased by 0.1, 5.3, and 0.7 percent, respectively, at constant prices, while the value-added of "construction" sector decreased by 4.9 percent.

Private sector investment in new buildings in urban areas (including Mehr Housing Program) fell by 2.0 percent at current prices. This growth was adjusted to -3.5 percent at constant 1376 prices, given the value-added growth of buildings in rural areas. Considering this figure and rise in the value-added of government buildings, the growth rate of construction sector is -4.9 percent at constant prices.

Figure 1.2. Economic sectors' contribution to GDP growth (1376=100)



The value-added of the services sector, with the highest share in GDP, grew by 2.2 percent in 1388. The share of the value-added of the mentioned group in GDP was 53.9 percent at current prices. In this year, the share of trade, restaurant and hotel in GDP was 11.5 percent; transport, storage, and communication 9.9 percent; financial

and monetary institutions' services 3.4 percent; real estate, specialized and professional services 15.7 percent; public services 10.7 percent; and social, personal and household services 2.7 percent, at current prices. These groups grew by respectively 3.7, 4.7, 17.2, -0.4, -4.6, and -4.9 percent, at constant prices.

Gross Domestic Expenditure

Based on preliminary data, GDE growth was estimated at 4.0 percent, at constant prices, in 1388. A review of the constituents of GDE reveals that private consumption expenditures had the highest share in GDE by 43.1 percent at current prices. Meanwhile, it fell by 1.1 percent, at constant prices.

Public consumption expenditures in ministries and affiliated institutions, municipalities, and Social Security Organization (SSO) accounted for 12.4 percent share of GDE at current prices, and increased by 2.3 percent at constant prices. Gross fixed capital formation, with a share of 26.5 percent in GDE at current prices, amounted to Rls. 949.4 trillion. Moreover, it fell by 0.9 percent at constant prices.

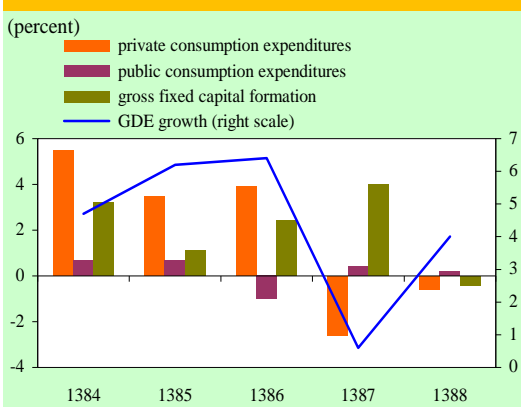
Gross fixed capital formation for machinery and construction grew by 1.3 percent and declined by 3.6 percent, respectively. The decelerating growth of capital formation in construction is attributable to the fall in the investment of both public and private sectors in the construction sector.

Gross Domestic Expenditure (at constant 1376 prices)

	(percentage change)		
	1386	1387	1388
Private consumption expenditures	6.8	-4.5	-1.1
Public consumption expenditures	-8.5	4.1	2.3
Gross fixed capital formation	6.6	10.9	-0.9
GDE	6.4	0.6	4.0
National income	7.3	-1.2	-1.0

Import of goods and services was reduced by 1.6 percent at constant prices, while export of goods and services rose 6.4 percent at constant prices. Therefore, gross domestic expenditure amounted to Rls. 511,975 billion at constant prices, up by 4.0 percent.

Figure 1.3. Expenditure items' contribution to GDE growth (1376=100)



4th Five-Year Development Plan

According to the 4th FYDP Law, GDP is projected to grow by 7.1 percent in 1384, 7.4 percent in 1385, 7.8 percent in 1386, 8.4 percent in 1387, and 9.3 percent in 1388, with the average growth of 8.0 percent. Based on preliminary data, GDP grew by 4.4

percent on average during the course of the 4th FYDP, much lower than the average Plan target. Comparison of the performance figures of various economic sectors with the targets indicates that the Plan targets were not realized in "oil", "manufacturing and mining" and "services" sectors. This was attributable to global financial crisis, in tandem with economic sanctions imposed on the Iranian economy. Meanwhile, total factor productivity has not grown as much as the factors of production. According to the basic assumptions of the 4th FYDP, 31.3 percent of the targeted growth figure was projected based on total factor productivity.

Total consumption expenditures were projected to rise by 4.8, 5.5, 5.9, 6.4, and 7.4 percent, during the course of 1384-1388, with an average growth of 6.0 percent for the mentioned period; however, the average performance of total consumption expenditures was lower than this figure. During the said period, growth performance was mainly affected by investment expenditure growth. Gross fixed capital formation was projected to grow by 11.3, 11.0, 11.7, 12.9, and 14.1 percent during the Plan period, respectively, with an average growth of 12.2 percent. The average annual performance of this variable was 5.6 percent, however, which is far below the Plan target.

Actual Growth Figures of Various Economic Sectors (percentage change)

	1384	1385	1386□	1387□	1388□	4 th Plan average (performance)
Agriculture	9.2	4.7	6.4	-11.8	13.5	4.0
Oil	0.3	3.6	1.3	-2.0	-3.9	-0.2
Manufacturing and mining	11.6	9.4	3.2	5.5	2.8	6.4
Services	6.4	6.7	6.0	2.4	2.2	4.7
Non-oil GDP	7.8	7.0	5.4	1.2	3.7	5.0
GDP	6.9	6.6	5.0	0.8	3.0	4.4

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GDE Performance

(percentage change)

	1384	1385	1386□	1387□	1388□	4 th Plan average (performance)
Private consumption expenditures	10.0	6.1	6.8	-4.5	-1.1	3.3
Public consumption expenditures	6.0	5.8	-8.5	4.1	2.3	1.8
Gross fixed capital formation	8.7	3.0	6.6	10.9	-0.9	5.6
Gross domestic expenditure	4.7	6.2	6.4	0.6	4.0	4.3