

COMPARISON OF THE IRANIAN ECONOMY WITH COUNTRIES IN THE REGION

Of the major objectives stipulated in the 20-Year Vision Plan is to reach the first place in South West region (comprising Central Asia, the Caucasus, the Middle East, and the neighboring countries) in economics, science, and technology. This could be attained with an emphasis on software development and scientific progress, accelerated and sustained economic growth, increase in per capita income, and full employment.

To achieve this strategic goal, it is essential to determine basic concepts, strategies, appropriate patterns, and guidelines for development plan over the course of the 20-Year Vision Plan.

To compare the Iranian economy with countries in the region, certain indicators such as investment, per capita income, gross national product, unemployment rate, inflation rate, and reduction of the gap between the highest and the lowest income deciles are used, which help evaluate Iran's ranking and propose strategies to lessen the gap between country's performance and the set targets.

To upgrade Iran's ranking, vast geographical areas are included in the 20-Year Vision Plan. These countries are: Saudi Arabia, Turkey, Pakistan, Egypt, the United Arab Emirates, Kuwait, Iraq, Qatar, Jordan, Bahrain, Syria, Palestine, Lebanon, Yemen, Oman, Azerbaijan, Uzbekistan, Tajikistan, Turkmenistan, Georgia, Kazakhstan, Kyrgyzstan,

Armenia, and Afghanistan. Moreover, certain indicators for economic growth such as per capita income and employment are selected to be used for the comparison of Iran with the mentioned countries, during the course of the 20-Year Vision Plan, which help determine Iran's ranking among the mentioned countries.

Comparison of Iran's Economic Indicators with the Countries in the Region¹

The present chapter tries to give Iran's ranking among four major countries in the region including Saudi Arabia, Turkey, Pakistan, and Egypt, during 2005-2009. The respective tables indicate data on the mentioned countries as rounded figures. Figures draw on Iran's status compared with major countries according to economic indicators such as economic growth, GDP, GDP per capita, share of manufacturing sector in GDP, investment growth, and the ratio of gross fixed capital formation to GDP. Other indicators include the ratio of government spending to GDP, liquidity growth, inflation rate, unemployment rate, income inequality, and human development index. For inflation rate, unemployment rate, liquidity growth, and the ratio of government spending to GDP, the lowest figure indicates the best position; and for other indicators, the highest figure.

¹ Discrepancy of the data mentioned herein with those in previous years' reports is due to the recently released figures.

Chapter 19 COMPARISON OF THE IRANIAN ECONOMY WITH COUNTRIES IN THE REGION

Comparison of Countries in the Region in 2009

	Population		Economic growth		Investment growth		Output per capita ¹	
	Number (thousand persons)	Rank	Rate (percent)	Rank	Rate (percent)	Rank	Amount (in US dollar)	Rank
Azerbaijan	8,947	12	9.3	1	-8.4	5	9,415	9
Jordan	5,915	15	2.3	13	-34.8	9	5,605	12
Armenia	3,085	21	-14.3	21	-36.2	10	5,266	13
Uzbekistan	27,767	7	8.1	4	..	..	2,861	17
Afghanistan	33,438	5	..	..	..	..	..	..
United Arab Emirates	6,939	13	-0.7	18	..	..	38,089	2
Iran ²	73,137	3	1.8	14	..	..	11,467	7
Bahrain	1,170	25	..	..	..	..	..	..
Pakistan	170,494	1	3.6	11	-11.3	7	2,584	18
Tajikistan	6,783	14	7.9	5	-8.1	4	2,077	21
Turkmenistan	4,980	17	6.1	7	..	..	7,266	10
Turkey	71,846	4	-4.8	20	-19.1	8	14,228	5
Syria	20,038	10	6.0	8	8.1	2	5,138	14
Iraq	31,091	6	4.2	9	..	..	3,578	16
Saudi Arabia	26,809	8	0.2	17	..	..	22,035	4
Oman	2,712	22	1.1	16	..	..	26,554	3
Palestine	4,043	20	..	..	..	..	..	..
Kyrgyzstan	5,321	16	2.9	12	6.0	3	2,285	20
Kazakhstan	15,925	11	1.2	15	..	..	11,429	8
Qatar	1,598	24	8.6	2	..	..	80,229	1
Kuwait	2,646	23	..	..	..	..	..	..
Georgia	4,411	18	-3.8	19	..	..	4,733	15
Lebanon	4,197	19	8.5	3	11.9	1	13,008	6
Egypt	79,716	2	7.2	6	-10.2	6	6,019	11
Yemen	23,328	9	3.8	10	..	..	2,485	19

Source: World Development Indicators (WDI), the World Bank Group, 2011

¹ Calculated on the basis of the purchasing power parity (PPP)

² In order to compare Iran's data with other countries, the same source - WDI - is used. Therefore, with regard to the main data sources and calculation methods used in the mentioned source, figures for Iran may differ from those released by domestic resources.

Comparison of Countries in the Region in 2009 (continued)

	Inflation		Unemployment ³		Ratio of GDP to total output in the region ⁴		Ease of doing business ⁵
	Rate (percent)	Rank	Rate (percent)	Rank	Share (percent)	Rank	Rank in the world
Azerbaijan	1.4	5	..	..	1.8	11	54
Jordan	-0.7	3	12.9	6	0.7	17	111
Armenia	3.4	9	..	..	0.3	19	48
Uzbekistan	..	..	..	..	1.7	12	150
Afghanistan	-13.2	1	..	..	..	..	167
United Arab Emirates	..	..	..	..	5.7	6	40
Iran	13.5	20	11.5	5	18.1	2	129
Bahrain	2.8	7	..	..	..	..	28
Pakistan	13.6	21	..	..	9.5	5	83
Tajikistan	6.4	15	..	..	0.3	20	139
Turkmenistan	..	..	..	..	0.8	16	..
Turkey	6.3	14	14.0	7	22.0	1	65
Syria	2.9	8	8.1	3	2.2	10	144
Iraq	6.9	17	..	..	2.4	9	166
Saudi Arabia	5.1	12	5.4	1	12.7	3	11
Oman	3.9	10	..	..	1.6	13	57
Palestine	..	..	24.5	8	..	..	135
Kyrgyzstan	6.9	16	..	..	0.3	21	44
Kazakhstan	7.3	18	6.6	2	3.9	7	59
Qatar	-4.9	2	..	..	2.8	8	50
Kuwait	4.0	11	..	..	..	..	74
Georgia	1.7	6	..	..	0.4	18	12
Lebanon	1.2	4	..	..	1.2	15	113
Egypt	11.8	19	9.4	4	10.3	4	94
Yemen	5.4	13	..	..	1.2	14	105

³ Source: <http://laborsta.ilo.org> (This source lacks data on Jordan and Saudi Arabia, therefore, data on these two countries are extracted from World Development Indicators, the World Bank Group, 2011.)

⁴ Calculated using GDP figures and on the basis of the purchasing power parity

⁵ Source: www.doingbusiness.org

Economic Growth

Iran enjoyed a positive growth during 2005-2009, with the lowest growth (estimated 1.8 percent) related to 2009 and the highest (7.8 percent) to 2007. Economic growth during 2005-2007 had an upward trend; however, in 2008 and 2009, it declined again to 2.3 and 1.8 percent, respectively. Iran's ranking varied among major countries in the region over the same period. Iran had the lowest rate of economic growth after Egypt in 2005 (the first year of the 20-Year Vision Plan); however, it achieved the highest rate in 2007. According to relevant data, pursuant to the decline in Iran's economic growth in 2008 and 2009, its ranking also fell among countries in the region.

	GDP Growth (percent)				
	2005	2006	2007	2008▲	2009
Iran ¹	4.6	5.9	7.8	2.3	1.8
Saudi Arabia	5.6	3.2	2.0	4.2	0.2
Turkey	8.4	6.9	4.7	0.7	-4.8
Pakistan	7.7	6.2	5.7	1.6	3.6
Egypt	4.5	6.8	7.1	7.2	7.2

Source: WDI, the World Bank Group, 2011

¹ According to the CBI, GDP grew by 6.9, 6.6, 5.0, 0.8 and 3.0 percent, respectively, during 1384-1388.

Gross Domestic Product (GDP)

Gross domestic product, one of the measures of national income and output, gives a clearer picture of economic condition as well as purchasing power of a country. According to WDI data, Iran's GDP (based on PPP) enjoyed a rising trend during 2005-2009, ranking second after Turkey in 2009. The lowest rank belonged to Pakistan and Egypt over this period. Of particular note is that, major countries in the region including Turkey by 22.0 percent, Iran 18.1 percent, Saudi Arabia 12.7 percent, Egypt 10.3 percent, and Pakistan 9.5 percent, accounted for the highest share

in total GDP and ranked first to fifth in the review year.

	GDP (billion dollars)				
	2005	2006▲	2007▲	2008▲	2009
Iran	644	704	781	816	839
Saudi Arabia	491	523	549	584	591
Turkey	781	895	976	1,064	1,022
Pakistan	340	373	406	421	441
Egypt	333	368	405	444	480

Source: WDI, the World Bank Group, 2011

Figure 19.1. GDP growth in Iran and major countries in the region

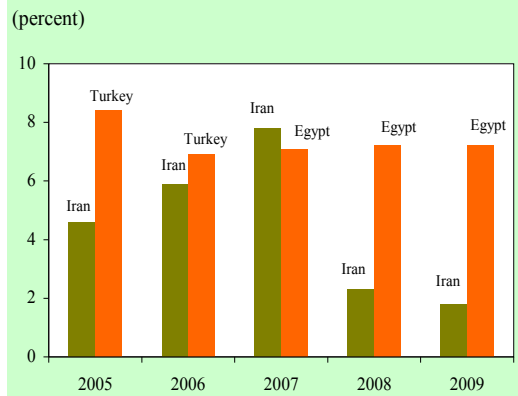
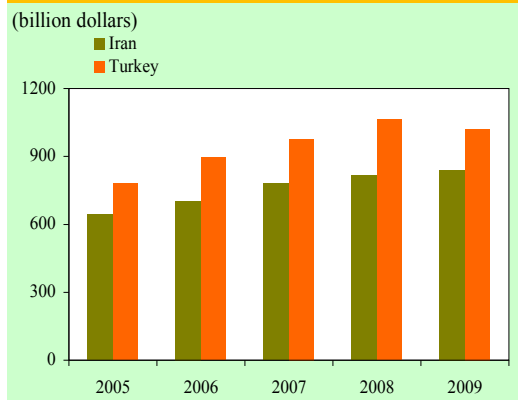


Figure 19.2. GDP in Iran and Turkey



GDP per Capita

Iran's GDP per capita increased during 2005-2009 and according to purchasing power parity reached \$11,467 in 2009 against \$9,228 in 2005. However, Iran ranked third among the countries in the region during 2005-2009. Saudi Arabia ranked first, well above other countries in the region. Saudi Arabia's relative advantage over other countries in the region is partly due to its less population compared with other countries. Saudi Arabia ranks fifth in terms of population.

Share of Manufacturing Sector in GDP

Share of manufacturing in GDP, as a measuring index of industrial development, indicates industrial capabilities and potentialities of a country. According to relevant data, Iran's share of manufacturing sector in GDP

which had decreased to 43.6 percent in 2006, rose to 44.5 percent in 2007. Iran ranked second after Saudi Arabia among major countries in the region. Saudi Arabia ranked first during the mentioned period, while Pakistan ranked last.

Ratio of Value-added of Manufacturing Sector to GDP (percent)

	2005	2006	2007	2008▲	2009
Iran ¹	44.7	43.6	44.5	..	..
Saudi Arabia	63.2	64.6	65.6	70.2	59.6
Turkey	28.5	28.7	28.3	27.7	25.8
Pakistan	27.1	26.9	26.9	26.8	24.3
Egypt	35.9	38.4	36.3	37.5	37.3

Source: WDI, the World Bank Group, 2011

¹ According to the CBI, ratios of total value-added of manufacturing and mining sector and oil sector to GDP were respectively 45.6, 44.7, 45.6, 43.9, and 38.9 percent during 1384-1388.

Figure 19.3. GDP per capita

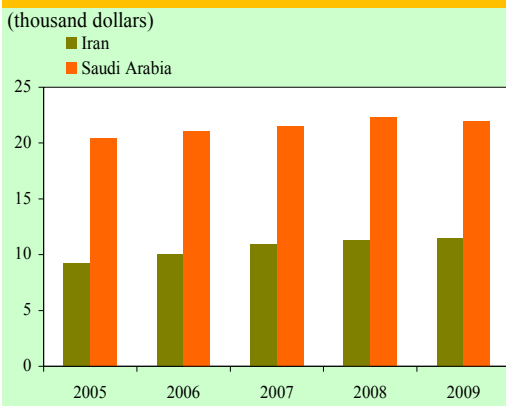
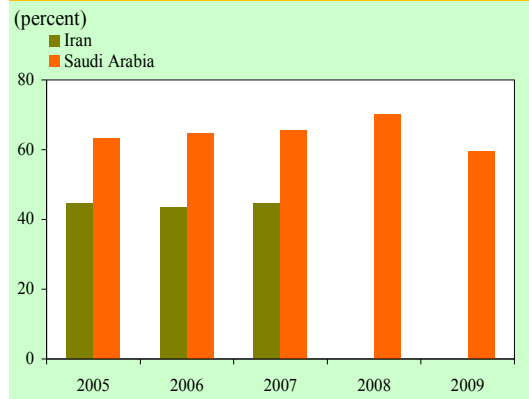


Figure 19.4. Ratio of value-added of manufacturing sector to GDP



GDP per Capita¹

	2005▲	2006▲	2007▲	2008▲	2009
Iran	9,228	9,968	10,932	11,292	11,467
Saudi Arabia	20,406	21,070	21,516	22,334	22,035
Turkey	11,465	12,953	13,950	14,995	14,228
Pakistan	2,145	2,310	2,468	2,516	2,584
Egypt	4,491	4,865	5,267	5,665	6,019

Source: WDI, the World Bank Group, 2011

¹ On the basis of the purchasing power parity

Investment Growth

Data reveal that Iran's rate of gross fixed capital formation fell to 3.3 percent in 2006, against 5.1 percent in 2005, and rose again to 6.0 percent in 2007. The highest growth rate of gross fixed capital formation during 2007-2008 belonged to Egypt by 23.8 and 14.8 percent, respectively, well above Iran's rate of investment growth. Meanwhile, Turkey ranked last during 2007-2009.

Annual Growth of Gross Fixed Capital Formation (percent)

	2005	2006	2007	2008 ▲	2009
Iran ¹	5.1	3.3	6.0	..	..
Saudi Arabia	18.5	17.0	18.3	..	..
Turkey	17.4	13.3	3.1	-6.2	-19.1
Pakistan	13.5	19.9	13.6	7.3	-11.3
Egypt	14.2	13.8	23.8	14.8	-10.2

Source: WDI, the World Bank Group, 2011

¹ According to the CBI, annual growth rates of gross fixed capital formation were 8.7, 3.0, 6.6, 10.9 and -0.9 percent, respectively, during 1384-1388.

Ratio of Gross Fixed Capital Formation to GDP

Ratio of gross fixed capital formation to GDP is an important macroeconomic variable, which reveals the potential capability of a country for economic growth and development in future. During 2005-2007, Iran's ratio of gross fixed capital formation to GDP followed a downward trend; however, Iran constantly ranked first among major countries in the region. The imbalance between economic growth and amount of investment is mainly due to low productivity and inefficiency of investment which could be observed in the government dominant economies. During the review period, except for 2009, Saudi Arabia ranked last in this regard.

Ratio of Gross Fixed Capital Formation to GDP (percent)

	2005	2006	2007	2008 ▲	2009
Iran ¹	27.0	26.4	25.8	..	..
Saudi Arabia	16.5	17.5	20.5	19.5	24.5
Turkey	21.0	22.3	21.8	19.9	16.9
Pakistan	17.5	20.5	20.9	20.5	17.4
Egypt	17.9	18.7	20.9	22.3	18.9

Source: WDI, the World Bank Group, 2011

¹ According to the CBI, the ratios of gross fixed capital formation to GDP were 25.9, 24.5, 24.0, 28.5 and 26.5 percent, respectively, during 1384-1388.

Figure 19.5. Annual growth of gross fixed capital formation

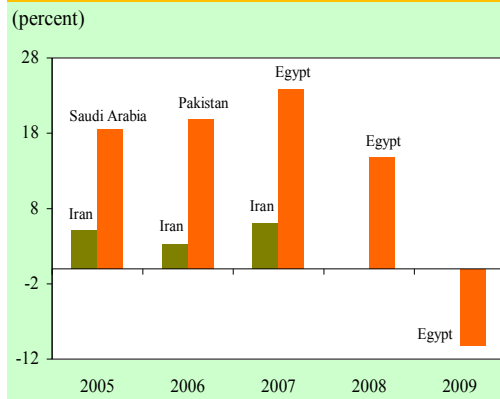
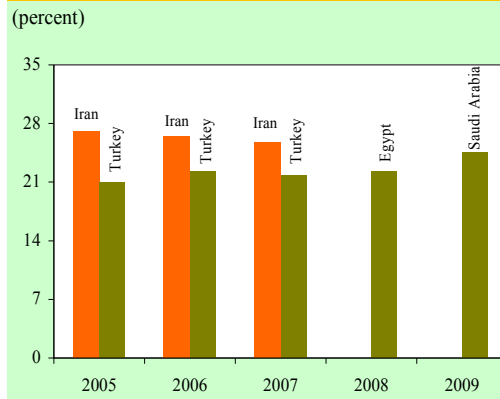


Figure 19.6. Ratio of gross fixed capital formation to GDP



Ratio of Government Spending to GDP

Government spending including government consumption expenditures for the purchase of goods and services (including wages and salaries paid to civil servants) and expenditures for defense and national security, excluding capital formation in this sector, varies with government size and extent of its involvement in economic sectors and activities. Saudi Arabia ranked first while Pakistan always ranked last in ratio of government spending to GDP. Ratio of government spending to GDP for Iran reached 11.2 percent in 2007.

Ratio of Government Spending to GDP (percent)

	2005	2006	2007	2008▲	2009
Iran ¹	13.0	14.2	11.2	..	..
Saudi Arabia	22.2	23.3	22.3	19.3	24.9
Turkey	11.8	12.3	12.8	12.8	14.7
Pakistan	7.8	10.8	9.2	12.5	8.1
Egypt	12.7	12.3	11.3	10.9	11.4

Source: WDI, the World Bank Group, 2011
¹ According to the CBI, the ratios of government spending to GDP were 13.7, 14.0, 10.8, 11.7 and 12.4 percent, respectively, during 1384-1388.

Liquidity Growth

Liquidity growth should be consistent with economic requirements. An inconsistent growth poses a severe threat to price stability. Therefore, monetary authorities remain strongly committed to achieving liquidity management in monetary policy in order to prevent the ensuing inflationary effects of liquidity growth. According to WDI, Iran's liquidity growth which in an upward trend amounted to 30.6 percent in 2007, fell drastically to 7.9 percent in 2008. However, the rising trend was resumed again in 2009, and liquidity reached 27.7 percent.

Liquidity Growth (percent)

	2005	2006	2007	2008	2009
Iran ¹	22.8	29.0	30.6	7.9	27.7
Saudi Arabia	13.2	20.4	20.1	18.0	10.8
Turkey	35.8	22.2	15.2	24.9	12.7
Pakistan	17.2	14.5	19.7	5.7	14.8
Egypt	11.5	15.0	19.1	10.5	9.5

Source: WDI, the World Bank Group, 2011
¹ According to the CBI, liquidity grew by 34.3, 39.4, 27.7, 15.9, and 23.9 percent, respectively, during 1384-1388.

Figure 19.7. Ratio of government spending to GDP

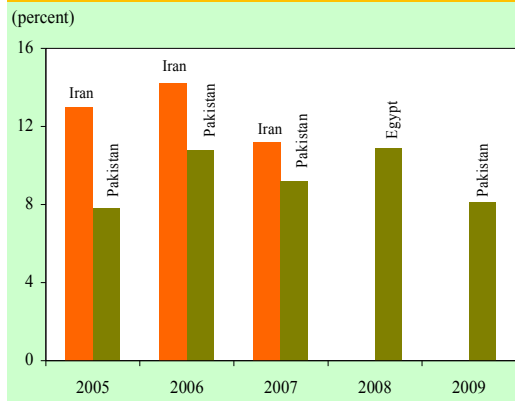
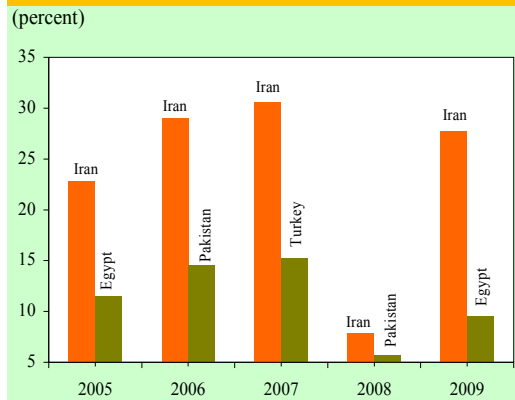


Figure 19.8. Liquidity growth



Inflation Rate

High inflation can impede development and damage economic efficiency in numerous ways, including creating uncertainties in market, worsening income inequality, distorting investment decisions, and complicating economic planning. These persuade the policymakers to curb inflation.

Inflation Rate (percent)					
	2005	2006	2007	2008	2009
Iran ¹	13.4	11.9	17.2	25.5	13.5
Saudi Arabia	0.7	2.2	4.2	9.9	5.1
Turkey	10.1	10.5	8.8	10.4	6.3
Pakistan	9.1	7.9	7.6	20.3	13.6
Egypt	4.9	7.6	9.3	18.3	11.8

Source: WDI, the World Bank Group, 2011

¹ According to the CBI, inflation rates for 1384-1388 were respectively 10.4, 11.9, 18.4, 25.4 and 10.8 percent at 1383 base year.

In Iran, inflation rate during 2005-2009 witnessed upward and downward trends. Inflation rate followed a downward trend from 13.4 percent in 2005 to 11.9 percent in 2006. However, it rose in 2007 and reached 25.5 percent in 2008. In 2009, inflation rate declined steeply again to 13.5 percent. During the review period, Iran had the highest inflation rate (except in 2009) and Saudi Arabia the lowest. All the countries under study faced a noticeable decrease in inflation rate in 2009; therefore, the average inflation rate of the five countries in the region went down from 16.9 percent in 2008 to 10.0 percent in 2009.

Unemployment Rate

According to WDI data, Iran's unemployment rate was always one of the highest in the region until 2007; however, Iran ranked second after Turkey in 2008 and 2009. In 2009, the lowest unemployment rate belonged to Saudi Arabia. Although Pakistan is a highly populated country, it enjoyed a low rate of unemployment during 2005-2009.

Unemployment Rate (percent)

	2005	2006	2007	2008▲	2009
Iran ¹	11.5	11.3	10.5	10.3	11.5
Saudi Arabia ²	..	6.3	5.6	5.0	5.4
Turkey	10.3	9.9	10.3	10.9	14
Pakistan	7.7	6.2	5.3	5.2	..
Egypt	11.2	10.6	8.9	8.7	9.4

Source: <http://laborsta.ilo.org>

¹ According to the Statistical Center of Iran, unemployment rates were 11.5, 11.3, 10.5, 10.4, and 11.9 percent, respectively, during 1384-1388.

² Source: WDI, the World Bank Group, 2011

Figure 19.9. Inflation rate

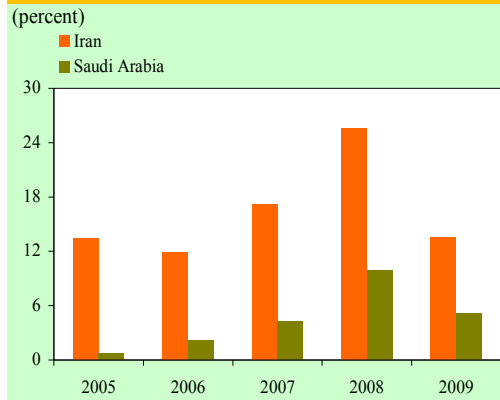
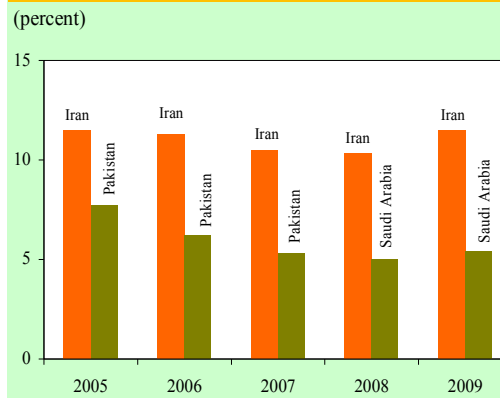


Figure 19.10. Unemployment rate



Income Inequality

Promotion of life quality and social welfare are of prime importance for policy makers in every society. Income distribution indices for different income deciles and Gini coefficient are appropriate criteria for measuring income inequality in a society. According to relevant data, Pakistan holds the lowest Gini coefficient among the countries in the region, while Iran, with a Gini coefficient of 38.28 percent, has a better condition than Turkey and a worse condition than Egypt and Pakistan.

A review of the income distribution among various income deciles in Iran reveals unfavorable conditions. The first two income deciles (high-income households) enjoy 45 percent of total income, while share of the last four income deciles (low-income households) in total was merely 17.3 percent in 2005. Pakistan enjoys a better position as compared with Iran, Turkey and Egypt. Pakistan's low-income households had a share of 21.9 percent in total income, and the high-income households 40.7 percent. Turkey ranked last in this regard as 40 percent of its low-income households held only 15.0 percent of total income, and share of the high-income households was 48.9 percent. The ratios of the richest 10 percent to poorest 10 percent of households for Turkey and Iran were 17.0 and 11.3, respectively, which were the worst among the countries in the region.

Income Inequality Indices¹

	Iran ²	Turkey	Pakistan	Egypt
Gini coefficient (percent)	38.28	43.23	31.18	32.14
Share of 40 percent of low-income households (percent)	17.3	15.0	21.9	21.6
Share of 40 percent of medium-income households (percent)	37.5	36.1	37.4	36.9
Share of 20 percent of high-income households (percent)	45.2	48.9	40.7	41.5
Ratio of richest 10 percent to poorest 10 percent of households	11.3	17.0	6.5	7.2

Source: WDI, the World Bank Group, 2011 ¹ Figures are related to 2005. For Saudi Arabia, no data were released during 2005-2009. ² According to the CBI, Iran's figures for the year 1388 are 39.39, 16.0, 37.8, 46.3 percent and 14.1 from top to the bottom of the table, respectively.

Human Development Index

The Human Development Index (HDI) is a measure of human development with regard to different aspects of socioeconomic development. This index, which is published by the United Nations, ranks countries according to their citizens' quality of life. It is used to distinguish whether the country is a highly developed (with an HDI value of over 0.784), developed (0.675-0.784), developing (0.475-0.674) or a less developed country (less than 0.475).¹

The following table indicates the status of Iran and other major countries in the region during 2005-2009. Saudi Arabia had the highest HDI value while Pakistan ranked last in terms of HDI. Iran with an HDI of 0.697 ranked 72nd among 169 countries, and 2nd among the countries in the region in 2009. HDI values of 2009 indicate that Egypt, Pakistan, and Turkey are ranked as developing countries, while Saudi Arabia and Iran are among developed countries.

Human Development Index

	2005▲	2006▲	2007▲	2008▲	2009
Iran	0.660	0.674	0.684	0.691	0.697
Saudi Arabia	0.732	0.737	0.741	0.746	0.748
Turkey	0.656	0.665	0.672	0.674	0.674
Pakistan	0.468	0.471	0.481	0.484	0.487
Egypt	0.587	0.594	0.601	0.608	0.614

Source: United Nations Development Programme (UNDP), Human Development Report, 2010

¹ For information on the new method of calculating HDI, used as of 2010, see Chapter 9.

4th Five-Year Development Plan

A summary of the status of the Iranian economy during the 4th FYDP as compared with countries in the region (Saudi Arabia, Turkey, Pakistan, and Egypt) is as follows:

During the course of the 4th FYDP, Iran's GDP growth was constantly positive. Based on domestic resources, the highest growth was related to 1384 (6.9 percent) and the lowest to 1387 (0.8 percent). Iran's ranking in this respect was fluctuating during the mentioned period. In 1386 (2007), Iran ranked first in terms of GDP growth; however, it ranked third after Egypt and Pakistan in the final year of the Plan.

Based on data released by international resources, Iran's GDP per capita followed an upward trend during the 4th FYDP years, reaching \$11,467 in 2009 from \$9,228 in 2005, up by \$2,239. However, among countries in the region, Iran ranked third after Saudi Arabia and Turkey.

Share of manufacturing sector in GDP is an indicator that helps evaluate Iran's economic position compared with the countries in the region. This indicator had a downward trend in Iran during the course of the 4th FYDP (except for 1386), decreasing from 45.6 percent in 1384 to 38.9 percent in 1388; however, Iran ranked second after Saudi

Arabia in terms of share of manufacturing sector in GDP.

According to domestic data, ratio of gross fixed capital formation to GDP rose from 25.9 percent in 1384 to 28.5 percent in 1387, while it declined again to 26.5 percent in 1388. During the 4th FYDP, Iran had the highest rank in terms of the ratio of gross fixed capital formation to GDP among countries in the region.

During 1384-1387, inflation rate soared from 10.4 percent to 25.4 percent. In the final year, however, this trend was controlled and the rate of inflation decreased to 10.8 percent. Except for 2009, Iran always had the highest inflation rate in the region.

Iran's rate of unemployment fell from 11.5 percent in 1384 to 10.4 percent in 1387; however, in 1388, this indicator rose 1.5 percentage points to 11.9 percent. Based on WDI data, Iran had the highest unemployment rate until 2007, while it ranked second after Turkey during 2008-2009.

During the 4th FYDP years, Iran always ranked second in terms of Human Development Index among countries in the region. During 2007-2009, Iran was classified among countries enjoying a high HDI value.