

In 1392, average consumer price index (CPI) of goods and services in urban areas registered 34.7 percent growth and the producer price index (PPI) rose by 34.5 percent. Comparing these figures with the corresponding figures in 1391 (30.5 and 32.4 percent, respectively) indicates that both indices registered growth compared with the year before.

**Table 17.1. Annual Average Percentage Change in Price Indices (1390=100)**

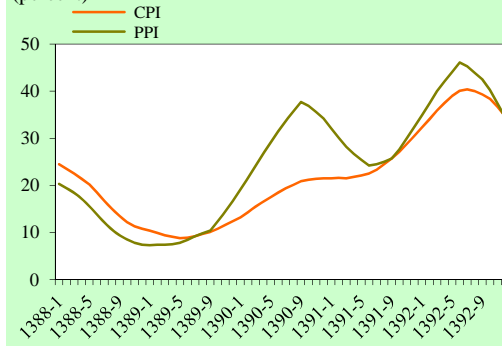
	1391	1392
Consumer price index (CPI) of goods and services in urban areas	30.5	34.7
Producer price index (PPI)	32.4	34.5
Exportable goods price index	124.1	21.8
GDP deflator (base year: 1383)	21.8	34.3
Non-oil GDP deflator (base year: 1383)	27.7	32.2

With the implementation of Subsidy Reform Plan as of late-Azar 1389, the upward trend of the CPI changes year-on-year (inflation rate) was accelerated and continued through the years 1390, 1391, and 1392. Intensification of inflationary pressures, emanating from the adoption of the expansionary monetary policy of recent years, rise in the exchange rate, and imposing of severe economic restrictions, caused the rate of inflation to increase to its highest level at 40.4 percent in Mehr 1392. At year-end, inflation increased by 4.2 percentage points compared with end-1391 and reached 34.7 percent.

The PPI twelve-month changes hit their record high in Shahrivar 1392 (46.1 percent). Twelve-month changes of the PPI at end-1392, with 2.1 percentage points growth compared with 1391 year-end, reached 34.5 percent.

**Figure 17.1. Changes of CPI and PPI (1390=100)**

(compared with the respective period of the previous year) (percent)



## Consumer Price Index (CPI)

### Urban Areas

Review of major components of the CPI in 1392 indicates that the inflation rate in "clothing and footwear", "housing, water, electricity, gas, and other fuels", "furnishings, household equipment, and routine household maintenance", "medical care", "transportation", "restaurants and hotels", and "miscellaneous goods and services" groups was higher than 1391 while in "food and beverages",

"tobacco", "communication", "recreation and culture", and "education" groups, it was lower than 1391. Among the major groups, "furnishings, household equipment, and routine household maintenance" had the highest growth rate by 52.9 percent. In 1392, the lowest growth rate of 7.1 percent was related to "communication".

The major group of "food and beverages", with a relative weight of 27.38 percent in general CPI and a growth rate of 41.7 percent compared with the preceding year, had the lion's share of 36.4 percent in the growth of the general index in 1392. This was mainly attributable to 52.3 percent increase in the price index of "fruits and nuts", accounting for 23.7 percent of the rise in the "food and beverages" index and 8.6 percent of the rise in the general index.

After the major group of "food and beverages", growth in price index of "housing, water, electricity, gas, and other fuels", had the most direct effect on raising the general index. This group, with a relative weight of 32.82 percent in general index, grew by 20.1 percent and contributed by 16.5 percent to the growth in general index. The main factor behind the growth of this index was the growth in the price index of "imputed rental value of owner-occupied housing" by 20.6 percent, which accounted for the lion's share in the rise in "housing, water, electricity, gas, and other fuels" index.

Therefore, the two major groups of "food and beverages" and "housing, water, electricity, gas, and other fuels", with a total relative weight of 60.2 percent, together accounted for 52.9 percent of inflation in 1392.

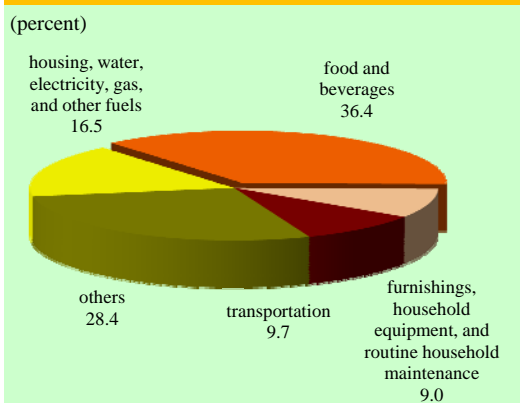
In 1392, price index of "vegetables, pulses, and vegetable products" group, with 58.2 percent growth compared with 1391, registered the highest growth among both major groups and selected subgroups of the CPI.

Among other major components of CPI, the price index of "transportation", with 34.3 percent growth compared with the year before, had 9.7 percent share in raising the general index. In this year, growth rate of "furnishings, household equipment, and routine household maintenance" price index increased from 50.9 percent in 1391 to 52.9 percent in 1392.

A review of CPI changes in each month of 1392 compared with the month before points to the fluctuating, mainly downward, trend of this index in all months of 1392. The highest increase by 3.4 percent was related to Khordad, and the lowest increase by 0.4 percent was related to Bahman, compared with the month before.

A review of CPI developments in urban areas by provinces reveals that, in 1392, the provinces of Qazvin, Ilam, and Ardebil with respectively 39.2, 38.3, and 38.1 percent growth in the CPI compared with 1391, had the highest inflation rates.

**Figure 17.2. Contribution of major groups to the growth of CPI in 1392**



The lowest rate of inflation, by 32.2 percent, was related to Tehran Province which, due to its population and share in total

expenditures of urban households, had a relative weight of 29.0 percent in the general index. Surge in the CPI in Tehran Province raised the general index of urban areas by 9.0 percentage points, and had a share of 26.1 percent in raising the general index. Isfahan Province with 8.8 percent share, Khorasan Razavi Province with 7.2 percent, and Fars Province with 6.2 percent, ranked next in terms of contribution to CPI growth in all urban areas.

### Rural Areas<sup>1</sup>

CPI for rural areas went up by 36.1 percent compared with the previous year. Inflation in rural areas was the result of growth in the price index of "goods" with 39.9 percent and "services" with 25.5 percent, compared with 1391. "Goods", with a relative weight of 70.6, and "services", with a relative weight of 29.4 percent in the general index, raised this index by 81.3 and 18.7 percent, respectively.

**Table 17.2. Annual Average Consumer Price Index in Urban Areas** (1390=100)

	Relative weight in base year	Percentage change		Direct effect <sup>1</sup> on the growth of general index in 1392			
		1391	1392	Percentage point	Percent		
<b>Special groups</b>							
Goods	52.68	141.8	201.2	41.8	41.9	24.0	69.1
Services	47.32	117.6	146.9	17.6	24.9	10.7	30.9
<b>General index</b>	<b>100.00</b>	<b>130.5</b>	<b>175.9</b>	<b>30.5</b>	<b>34.7</b>	<b>34.7</b>	<b>100.0</b>
<b>Major groups and selected subgroups</b>							
<b>Food and beverages</b>	<b>27.38</b>	<b>144.6</b>	<b>204.9</b>	<b>44.6</b>	<b>41.7</b>	<b>12.6</b>	<b>36.4</b>
Meat	6.12	149.0	194.0	49.0	30.2	2.1	6.1
Fish and seafood	0.73	162.7	233.8	62.7	43.8	0.4	1.1
Bread and cereals	5.05	137.3	190.9	37.3	39.0	2.1	6.0
Fats and oils	0.94	144.4	213.2	44.4	47.7	0.5	1.4
Fruits and nuts	5.38	139.1	211.9	39.1	52.3	3.0	8.6
Vegetables, pulses, and vegetable products	3.42	144.7	229.0	44.7	58.2	2.2	6.4
Dairy products and eggs	3.07	153.9	200.1	53.9	30.0	1.1	3.1
<b>Tobacco</b>	<b>0.35</b>	<b>182.5</b>	<b>267.6</b>	<b>82.5</b>	<b>46.6</b>	<b>0.2</b>	<b>0.7</b>
<b>Clothing and footwear</b>	<b>4.94</b>	<b>147.8</b>	<b>219.4</b>	<b>47.8</b>	<b>48.5</b>	<b>2.7</b>	<b>7.8</b>
<b>Housing, water, electricity, gas, and other fuels</b>	<b>32.82</b>	<b>112.9</b>	<b>135.7</b>	<b>12.9</b>	<b>20.1</b>	<b>5.7</b>	<b>16.5</b>
Rental value of non-owner occupied housing	7.51	112.6	136.0	12.6	20.8	1.3	3.9
Imputed rental value of owner-occupied housing	20.92	112.3	135.5	12.3	20.6	3.7	10.7
Maintenance and repair services	1.71	133.9	182.8	33.9	36.5	0.6	1.8
Water	0.53	121.0	121.2	21.0	0.2	*	*
Electricity, gas, and other fuels	2.16	100.8	101.8	0.8	1.0	*	*
<b>Furnishings, household equipment, and routine household maintenance</b>	<b>5.13</b>	<b>150.9</b>	<b>230.7</b>	<b>50.9</b>	<b>52.9</b>	<b>3.1</b>	<b>9.0</b>
<b>Medical care</b>	<b>6.98</b>	<b>124.7</b>	<b>172.6</b>	<b>24.7</b>	<b>38.4</b>	<b>2.6</b>	<b>7.4</b>
<b>Transportation</b>	<b>9.87</b>	<b>129.5</b>	<b>173.9</b>	<b>29.5</b>	<b>34.3</b>	<b>3.4</b>	<b>9.7</b>
<b>Communication</b>	<b>2.38</b>	<b>107.5</b>	<b>115.2</b>	<b>7.5</b>	<b>7.1</b>	<b>0.1</b>	<b>0.4</b>
<b>Recreation and culture</b>	<b>2.85</b>	<b>141.0</b>	<b>190.4</b>	<b>41.0</b>	<b>35.1</b>	<b>1.1</b>	<b>3.1</b>
<b>Education</b>	<b>2.24</b>	<b>114.1</b>	<b>128.5</b>	<b>14.1</b>	<b>12.6</b>	<b>0.2</b>	<b>0.7</b>
<b>Restaurants and hotels</b>	<b>1.86</b>	<b>138.7</b>	<b>193.2</b>	<b>38.7</b>	<b>39.2</b>	<b>0.8</b>	<b>2.2</b>
<b>Miscellaneous goods and services</b>	<b>3.20</b>	<b>146.6</b>	<b>220.8</b>	<b>46.6</b>	<b>50.6</b>	<b>1.8</b>	<b>5.2</b>

<sup>1</sup> Calculated based on rounded figures of relative weight and price index.

<sup>1</sup> Source: "Consumer Price Index of Goods and Services in Rural Areas" published by the SCI (base year: 1390).

## Chapter 17 PRICE TRENDS

In 1392, price index of "food, beverages, and tobacco" grew by 43.3 percent, compared with the previous year, largely due to increase in the growth rates of "vegetables and pulses", "bread and cereals", and "meat, poultry, and their products" groups. "Food, beverages, and tobacco" group constituted 52.6 percent of the rise in CPI for rural areas, and "non-food goods and services", 47.4 percent.

Among the sub-groups of "non-food goods and services", "transportation" with 8.8 percent, "clothing and footwear" with 8.2 percent, and "housing, water, electricity, gas, and other fuels" with 7.8 percent, had the highest shares in raising the general index. These three groups together accounted for 24.8 percent of the growth in the general index in rural areas.

### Producer Price Index (PPI)

In 1392, producer price index (PPI) rose by 34.5 percent compared with last year. The growth rate of this index was 34.2 percent in 1390 and 32.4 percent in 1391. Among the major components of PPI, "manufacturing", "agriculture, forestry, and fishing", and "transport and storage" groups made the greatest contribution to raising the general index.

In 1392, the price index of "manufacturing" group, with 34.9 percent growth compared with the previous year and a relative weight of 51.99 percent, had 54.6 percent contribution to the growth of the general index.

The price index of "agriculture, forestry, and fishing" group, with a relative weight of 17.12 percent in general index and a growth rate of 43.5 percent, made a contribution of 22.7 percent to the growth of the general index.

In 1392, the price indices of "transport and storage" and "health and social work" groups, with 29.9 and 35.7 percent growth, accounted for the rise in the general PPI by 14.6 and 4.8 percent, respectively.

The price indices of "manufacturing", "agriculture, forestry, and fishing", and "transport and storage", with a total relative weight of 87.6 percent, together accounted for 91.9 percent of the growth in the general PPI in 1392.

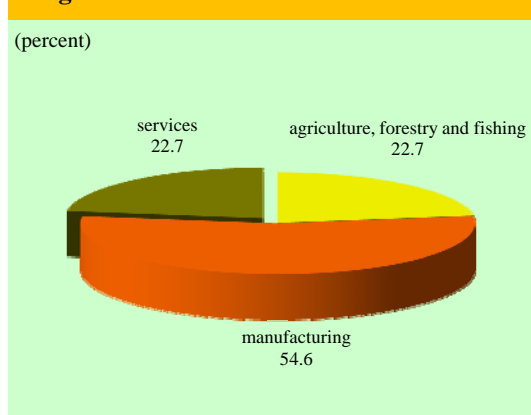
The producer price index followed a fluctuating trend during all months of 1392 compared with the month before. The highest rise of 3.1 percent was related to the month of Tir and the lowest rise by 0.4 percent, to Bahman.

**Table 17.3. Annual Average Producer Price Index**

(1390=100)

	Relative weight in base year	Percentage change				Direct effect <sup>1</sup> on the growth of general index in 1392	
		1391	1392	1391	1392	Percentage point	Percent
<b>Special groups</b>							
Agriculture, forestry, and fishing	17.12	139.3	199.9	39.3	43.5	7.8	22.7
Manufacturing	51.99	137.4	185.4	37.4	34.9	18.8	54.6
Services	30.89	120.1	153.6	20.1	27.9	7.9	22.7
<b>General index</b>	<b>100.00</b>	<b>132.4</b>	<b>178.1</b>	<b>32.4</b>	<b>34.5</b>	<b>34.5</b>	<b>100.0</b>
<b>Major groups</b>							
Agriculture, forestry, and fishing	17.12	139.3	199.9	39.3	43.5	7.8	22.7
Manufacturing	51.99	137.4	185.4	37.4	34.9	18.8	54.6
Transport and storage	18.53	120.3	156.3	20.3	29.9	5.0	14.6
Communication	2.03	103.8	110.7	3.8	6.6	0.1	0.3
Hotels and restaurants	0.91	133.0	181.0	33.0	36.1	0.3	1.0
Education	3.83	114.5	129.8	14.5	13.4	0.4	1.3
Health and social work	4.83	126.6	171.8	26.6	35.7	1.6	4.8
Other community, social & personal service activities	0.75	128.9	176.1	28.9	36.6	0.3	0.8

<sup>1</sup> Calculated based on rounded figures of relative weight and price index.

**Figure 17.3. Contribution of special groups to the growth of PPI in 1392**

### Exportable Goods Price Index

Exportable goods price index is one of the price indices used in Iran to show the

change in the general price level of non-oil exportables. For compilation of this index, the price of exportables in foreign currency is converted into local currency, so that the price index could reflect changes in both the prices of exportables in the international markets and the exchange rate.

Price index of "exportable goods" rose by 21.8 percent compared with the preceding year. This index grew by 14.2 and 124.1 percent in 1390 and 1391, respectively<sup>1</sup>. Among the components of the price index of "exportable goods", "mineral products" with 23.2 percent growth, "products of the chemical or allied industries" with 20.0 percent growth, and "plastic and articles thereof, rubber and articles thereof" with 39.9 percent growth, had the lion's share in raising the general index.

**Table 17.4. Annual Average Price Index of Exportable Goods**

(1390=100)

	Relative weight in base year	Percentage change		Direct effect <sup>1</sup> on the growth of general index in 1392			
		1391	1392	Percentage			
		1391	1392	point	Percent		
Animal products	2.41	229.0	274.2	129.0	19.7	0.5	2.2
Vegetable products	10.43	223.6	268.4	123.6	20.0	2.1	9.6
Animal or vegetable fats and oils	0.36	240.4	297.1	140.4	23.6	0.1	0.4
Prepared foodstuffs, beverages, and tobacco	3.72	226.7	301.1	126.7	32.8	1.2	5.7
Mineral products	31.80	224.8	276.9	124.8	23.2	7.4	33.9
Products of the chemical or allied industries	20.11	232.0	278.5	132.0	20.0	4.2	19.1
Plastic & articles thereof, rubber & articles thereof	10.51	215.5	301.5	115.5	39.9	4.0	18.5
Raw hides and skins, leather and articles thereof	0.59	198.0	234.5	98.0	18.4	0.1	0.4
Wood and articles of wood	0.05	223.5	276.1	123.5	23.5	*	0.1
Textiles and articles thereof	3.61	214.4	212.0	114.4	-1.1	*	-0.2
Footwear	0.46	206.6	281.7	106.6	36.4	0.2	0.7
Articles of stone	2.13	238.9	261.0	138.9	9.3	0.2	1.0
Base metals and articles of base metals	9.71	215.1	242.0	115.1	12.5	1.2	5.3
Mechanical appliances and electrical equipment	2.96	229.9	264.9	129.9	15.2	0.5	2.2
Vehicles and transport equipment	1.15	207.5	251.8	107.5	21.3	0.2	1.0
<b>Special groups</b>							
Petrochemical products	46.33	227.4	284.7	127.4	25.2	11.8	54.3
<b>General index</b>	<b>100.00</b>	<b>224.1</b>	<b>273.0</b>	<b>124.1</b>	<b>21.8</b>	<b>21.8</b>	<b>100.0</b>

<sup>1</sup> Calculated based on rounded figures of relative weight and price index.

<sup>1</sup> Due to higher injection of the foreign currency receipts to the parallel market since Mehr 1391, the parallel market rate has been used for the compilation of the exportable goods price index instead of the reference rate. This was the main reason behind the increase in price index of exportable goods, especially during the second half of 1391.

**Total Return on Assets**

Comparison of the total return on assets (price movements+yields) with the inflation rate reveals that, in 1392, TEDPIX, and price indices of Samand and Pride cars were experiencing an increase higher than the inflation rate, while for other assets, the rate of return was lower than the inflation rate. TEDPIX, with 107.7 percent, price index of Samand car with 48.5 percent, price index of Pride car, with 41.5 percent, and price index of residential units, with 30.0 percent, had the highest growth rates in 1392. During 1390-1392, TEDPIX had the highest average rate of return on assets by 50.3 percent.

**Circulation Velocity of Money**

Circulation velocity of money was within the range of 6.2 to 7.8 and that of liquidity, within 1.5 to 1.8 during the course of 1390-1392. The nominal GDP growth was 13.5

percent in 1391 and 31.8 percent in 1392. Moreover, liquidity growth was 30.0 percent in 1391 and 38.8 percent in 1392. Circulation velocity of notes and coins, and money in 1392 was higher than that of 1391. In Esfand 1392, consumer price index of goods and services grew by 19.7 percent compared with the same month last year, much lower than the corresponding figure of the previous year (41.2 percent).

**Table 17.6. Circulation Velocity of Monetary Aggregates** (percent)

	1390	1391	1392
Notes and coins	23.7	21.5	28.0
Money	7.0	6.2	7.8
Liquidity	1.8	1.5	1.5
<b>CPI changes (1390=100) (compared with Esfand of the year before)</b>	<b>20.7</b>	<b>41.2</b>	<b>19.7</b>

**Table 17.5. Total Return on Assets (price movements+yields)** (1390=100) (percent)

	Growth during the year			Average rate of return <sup>1</sup>	Standard deviation	Sharpe ratio <sup>2</sup>
	1390	1391	1392			
Price index of residential units in Tehran	13.6	40.7	30.0	27.6	13.6	0.6
TEDPIX	11.2	46.8	107.7	50.3	48.8	0.6
Rental value of non-owner occupied housing	11.1	12.6	20.8	14.8	5.2	-1.0
Nominal value of US dollar (parallel market)	28.0	92.1	22.2	44.3	38.8	0.6
Nominal value of euro (parallel market)	33.3	81.8	25.6	44.9	30.5	0.8
Full Bahar Azadi gold coin price (old design)	68.0	72.7	3.1	44.1	38.9	0.6
Full Bahar Azadi gold coin price (new design)	74.1	80.2	4.0	48.3	42.4	0.7
Provisional profit rate of participation papers issued by the government	20.0	20.0	20.0	20.0	0.0	0
Provisional profit rate of one-year deposits (highest rate)	17.0	17.0	23.5	18.0	3.8	-0.5
Price index of Samand car	0.1	31.5	48.5	25.0	24.6	0.2
Price index of Pride car	2.9	39.7	41.5	26.7	21.8	0.3
<b>Consumer price index of goods and services</b>	<b>21.5</b>	<b>30.5</b>	<b>34.7</b>	<b>28.8</b>	<b>6.8</b>	<b>1.3</b>

<sup>1</sup> Average return on assets (except for participation papers and term investment deposits) is calculated using the geometric mean method over 1390-1392.

<sup>2</sup> The Sharpe ratio is calculated by dividing the difference between the average rate of return for an asset and the risk-free asset (participation papers) by the standard deviation of return on risky assets.