

In 1393, average Consumer Price Index (CPI) of goods and services in urban areas and Producer Price Index (PPI) registered 15.6 and 14.8 percent growth, respectively. A comparison of these figures with the corresponding figures in 1392 (34.7 and 34.5 percent) indicates that both indices were notably lower than the year before.

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

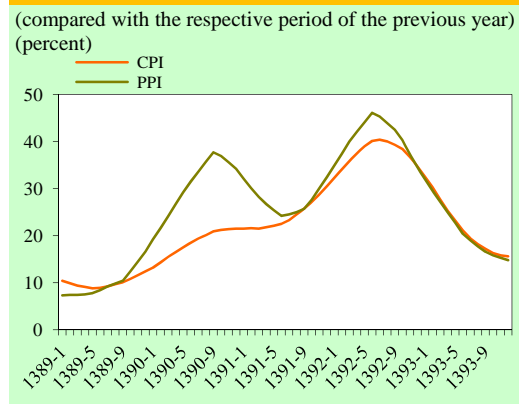
	1392	1393
Consumer price index (CPI) of goods and services in urban areas	34.7	15.6
Producer price index (PPI)	34.5	14.8
Exportable goods price index	21.8	-0.5
GDP deflator (base year: 1383)	34.3	12.3
Non-oil GDP deflator (base year: 1383)	32.2	14.9

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 of 40.4 percent in Mehr 1392. At end-1392, inflation rate reached 34.7 percent. In 1393, factors such as stabilization of the exchange rate, adjustment of inflationary expectations, strengthening of monetary discipline, and

decline in international prices of commodities caused the inflation rate to decrease sharply by 19.1 percentage points to 15.6 percent in 1393.

The PPI twelve-month changes hit their record high of 46.1 percent in Shahrivar 1392 (the highest in 17 years). Twelve-month changes of the PPI at end-1393, with 19.7 percentage points fall compared with 1392 year-end, reached 14.8 percent.

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



Consumer Price Index (CPI)

Urban Areas

Review of major components of the CPI in 1393 indicates that the inflation rate, only for "communication" and "education" groups was higher, compared with the previous year's

figure while for the major groups of "food and beverages", "tobacco", "housing, water, electricity, gas, and other fuels", "clothing and footwear", "furnishings, household equipment, and routine household maintenance", "transportation", "medical care", "recreation and culture", "restaurants and hotels", and "miscellaneous goods and services", inflation rate in 1393 was lower compared with 1392. Among the major groups, "medical care" had the highest growth rate by 31.7 percent and the lowest growth rate of -6.1 percent was related to "tobacco".

The major group of "housing, water, electricity, gas, and other fuels", with a relative weight of 32.82 percent in general CPI and a growth rate of 16.7 percent compared with the preceding year, had the lion's share of 27.2 percent in the growth of the general index in 1393. "Imputed rental value of owner-occupied housing", with 15.8 percent growth compared with 1392, accounted for about 60 percent of the rise in the "housing, water, electricity, gas, and other fuels" index.

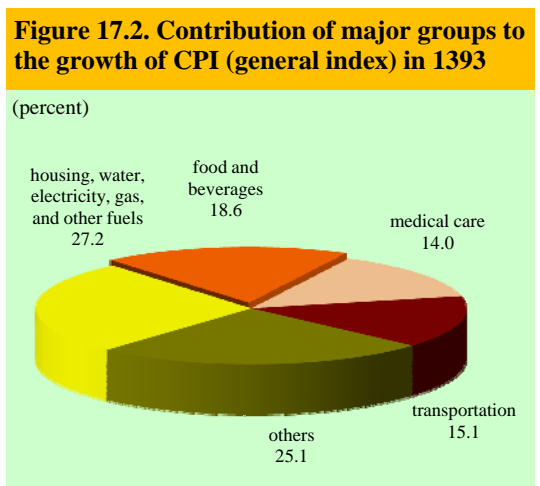
After the major group of "housing, water, electricity, gas, and other fuels", growth in price index of "food and beverages" had the most direct effect on raising the general index. This group, with a relative weight of 27.38 percent in general index, grew by 9.1 percent and contributed by 18.6 percent to the growth in general index. The main factor behind the growth of this index was the increase in the price index of "bread and cereals" by 12.6 percent, which accounted for 4.4 percent of the rise in general CPI.

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, accounted for 45.8 percent of inflation in 1393.

In 1393, price index of "water" group, with 35.0 percent growth compared with

1392, registered the highest growth among both major groups and selected subgroups of the CPI.

Among the other major components of CPI, the price index of "transportation", with 24.0 percent growth compared with the year before, had 15.1 percent share in raising the general index. "Medical care", with 31.7 percent growth compared with the year before, accounted for 14.0 percent of the rise in general CPI.



A review of CPI changes in each month of 1393 compared with the month before points to the fluctuating, but relatively stable, trend of this index. The highest increase by 1.9 percent was related to Azar, and the lowest increase by 0.3 percent was related to Dey, compared with the month before.

A review of CPI developments in urban areas by provinces reveals that, in 1393, the provinces of Qom and Lorestan, with 16.9 percent growth in CPI compared with 1392, had the highest inflation rates. Semnan, Kohgiluyeh va Buyer Ahmad, and Mazandaran provinces, with 16.6 percent, were next.

In 1393, the lowest rate of inflation, by 13.8 percent, was related to South Khorasan

Province. Tehran Province, due to its population and share in total expenditures of urban households, had a relative weight of 29.0 percent in general CPI. Surge in the CPI in Tehran Province raised the general index of urban areas by 4.3 percentage points, and had a share of 27.6 percent in raising the general index. Isfahan Province with 9.1 percent share, Khorasan Razavi Province with 6.7 percent, and Fars Province with 6.2 percent ranked next in terms of contribution to CPI growth in all urban areas.

Rural Areas¹

CPI for rural areas went up by 13.7 percent compared with the previous year. Inflation in rural areas was the result of growth in the price index of "goods" with 12.2 percent and "services" with 18.2 percent, compared with 1392. "Goods", with a relative weight of 70.6 percent in the general index and "services", with a relative weight of 29.4 percent, raised this index by 67.5 and 32.5 percent, respectively.

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

	Relative weight in base year	Percentage change		Direct effect ¹ on the growth of general index in 1393			
		1392	1393	1392	1393	Percentage point	Percent
Special groups							
Goods	52.68	201.2	226.2	41.9	12.4	7.5	48.0
Services	47.32	146.9	177.0	24.9	20.5	8.1	52.0
General index	100.00	175.9	203.2	34.7	15.6	15.6	100.0
Major groups and selected subgroups							
Food and beverages	27.38	204.9	223.4	41.7	9.1	2.9	18.6
Meat	6.12	194.0	203.3	30.2	4.8	0.3	2.1
Fish and seafood	0.73	233.8	268.8	43.8	14.9	0.1	0.9
Bread and cereals	5.05	190.9	215.0	39.0	12.6	0.7	4.4
Fats and oils	0.94	213.2	236.1	47.7	10.7	0.1	0.8
Fruits and nuts	5.38	211.9	226.5	52.3	6.9	0.4	2.9
Vegetables, pulses, and vegetable products	3.42	229.0	236.3	58.2	3.2	0.1	0.9
Dairy products and eggs	3.07	200.1	228.0	30.0	14.0	0.5	3.1
Tobacco	0.35	267.6	251.3	46.6	-6.1	-0.03	-0.2
Housing, water, electricity, gas, and other fuels	32.82	135.7	158.3	20.1	16.7	4.2	27.2
Rental value of non-owner occupied housing	7.51	136.0	157.2	20.8	15.6	0.9	5.8
Imputed rental value of owner-occupied housing	20.92	135.5	156.9	20.6	15.8	2.6	16.4
Maintenance and repair services	1.71	182.8	219.2	36.5	20.0	0.4	2.3
Water	0.53	121.2	163.6	0.2	35.0	0.1	0.8
Electricity, gas, and other fuels	2.16	101.8	123.6	1.0	21.4	0.3	1.7
Clothing and footwear	4.94	219.4	260.1	48.5	18.5	1.1	7.3
Furnishings, household equipment, and routine household maintenance	5.13	230.7	255.2	52.9	10.6	0.7	4.6
Transportation	9.87	173.9	215.7	34.3	24.0	2.3	15.1
Communication	2.38	115.2	127.7	7.1	10.8	0.2	1.1
Medical care	6.98	172.6	227.3	38.4	31.7	2.2	14.0
Recreation and culture	2.85	190.4	232.3	35.1	22.0	0.7	4.4
Education	2.24	128.5	144.9	12.6	12.8	0.2	1.3
Restaurants and hotels	1.86	193.2	229.6	39.2	18.8	0.4	2.5
Miscellaneous goods and services	3.20	220.8	255.8	50.6	15.9	0.6	4.1

¹ Calculated based on rounded figures of relative weight and price index.

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

Chapter 17 PRICE TRENDS

In 1393, price index of "food, beverages, and tobacco" grew by 8.9 percent compared with the previous year, largely due to increase in the growth rates of "bread and cereals", "meat, poultry, and their products", and "vegetables and pulses" groups. "Food, beverages, and tobacco" group constituted 30.1 percent of the rise in CPI for rural areas, and "non-food goods and services", 69.9 percent.

Among the subgroups of "non-food goods and services", "housing, water, electricity, gas, and other fuels" with 20.3 percent, "transportation" with 16.4 percent, and "medical care" with 10.1 percent had the highest shares in raising the general index. These three groups together accounted for 46.8 percent of the growth in the general index in rural areas.

Producer Price Index (PPI)

In 1393, producer price index (PPI) rose by 14.8 percent compared with the previous year. The growth rate of this index was 32.4 percent in 1391 and 34.5 percent in 1392. Among the major components of PPI, "manufacturing", "transport and storage",

and "agriculture, forestry, and fishing", groups made the greatest contribution to raising the general index.

The price index of "manufacturing" group, with 9.9 percent growth compared with the previous year and a relative weight of 51.99 percent, had 36.2 percent contribution to the growth of the general index, in 1393.

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 13.7 percent, made a contribution of 17.8 percent to the growth of the general index.

In 1393, the price indices of "transport and storage" and "health and social work" groups, with 25.8 and 35.4 percent growth, accounted for the rise in the general PPI by 28.4 and 11.1 percent, respectively.

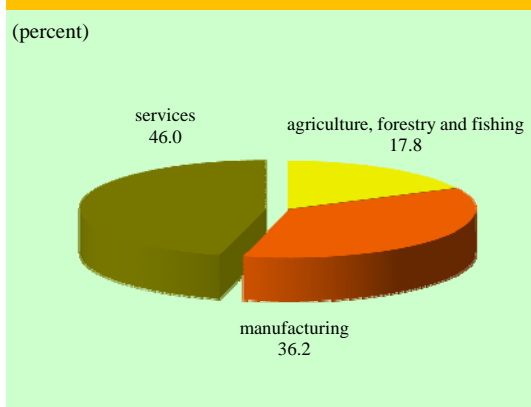
The price indices of "manufacturing", "agriculture, forestry, and fishing", and "transport and storage", with a total relative weight of 87.6 percent, together accounted for 82.4 percent of the growth in the general PPI in 1393.

Table 17.3. Annual Average Producer Price Index

(1390=100)

	Relative weight in base year	Percentage change		Direct effect ¹ on the growth of general index in 1393			
		1392	1393	1392	1393	Percentage point	Percent
Special groups							
Agriculture, forestry, and fishing	17.12	199.9	227.3	43.5	13.7	2.6	17.8
Manufacturing	51.99	185.4	203.8	34.9	9.9	5.4	36.2
Services	30.89	153.6	193.0	27.9	25.7	6.8	46.0
General index	100.00	178.1	204.5	34.5	14.8	14.8	100.0
Major groups							
Agriculture, forestry, and fishing	17.12	199.9	227.3	43.5	13.7	2.6	17.8
Manufacturing	51.99	185.4	203.8	34.9	9.9	5.4	36.2
Transport and storage	18.53	156.3	196.6	29.9	25.8	4.2	28.4
Communication	2.03	110.7	129.3	6.6	16.8	0.2	1.4
Hotels and restaurants	0.91	181.0	218.6	36.1	20.8	0.2	1.3
Education	3.83	129.8	147.8	13.4	13.9	0.4	2.6
Health and social work	4.83	171.8	232.6	35.7	35.4	1.7	11.1
Other community, social & personal service activities	0.75	176.1	221.3	36.6	25.7	0.2	1.3

¹ Calculated based on rounded figures of relative weight and price index.

Figure 17.3. Contribution of special groups to the growth of PPI (general index) in 1393

Monthly changes of producer price index followed a fluctuating trend in 1393. The highest rise by 3.7 percent was related to month Ordibehesht. This index decreased by 0.8 percent, in Bahman.

Exportable Goods Price Index

Exportable goods price index is used in Iran to show the change in the general price level of non-oil exportables. For compilation of this index, the price of exportable goods in foreign currency is converted into local currency, so that the price index could reflect the change in the price of exportables in the international market as well as the change in the exchange rate.

Price index of "exportable goods" fell by 0.5 percent compared with the preceding year. This index grew by 124.1 percent in 1391 and 21.8 percent in 1392. Among the components of the price index of "exportable goods", "products of the chemical or allied industries" with 10.3 percent decrease had the highest share in the fall of the general index.

Table 17.4. Annual Average Price Index of Exportable Goods

(1390=100)

	Relative weight in base year	Relative index		Percentage change		Direct effect ¹ on the growth of general index in 1393	
		1392	1393	1392	1393	Percentage point	Percent
Animal products	2.41	274.2	285.5	19.7	4.1	0.1	-24.5
Vegetable products	10.43	268.4	274.1	20.0	2.1	0.2	-53.5
Animal or vegetable fats and oils	0.36	297.1	298.5	23.6	0.5	0.0	-0.4
Prepared foodstuffs, beverages, and tobacco	3.72	301.1	299.4	32.8	-0.5	0.0	5.5
Mineral products	31.80	276.9	286.2	23.2	3.4	1.1	-265.6
Products of the chemical or allied industries	20.11	278.5	249.9	20.0	-10.3	-2.1	519.3
Plastic & articles thereof, rubber & articles thereof	10.51	301.5	304.0	39.9	0.8	0.1	23.8
Raw hides and skins, leather and articles thereof	0.59	234.5	212.5	18.4	-9.4	0.0	11.7
Wood and articles of wood	0.05	276.1	272.4	23.5	-1.3	0.0	0.2
Textiles and articles thereof	3.61	212.0	233.5	-1.1	10.2	0.3	-70.1
Footwear	0.46	281.7	366.6	36.4	30.1	0.1	-35.2
Articles of stone	2.13	261.0	249.0	9.3	-4.6	-0.1	23.1
Base metals and articles of base metals	9.71	242.0	247.5	12.5	2.3	0.2	-47.9
Mechanical appliances and electrical equipment	2.96	264.9	243.8	15.2	-8.0	-0.2	56.4
Vehicles and transport equipment	1.15	251.8	247.0	21.3	-1.9	0.0	5.0
Special groups							
Petrochemical products	46.33	284.7	281.5	25.2	-1.1	-0.5	115.9
General index	100.00	273.0	271.7	21.8	-0.5	-0.5	100.0

¹ Calculated based on rounded figures of relative weight and price index.

Total Return on Assets

Comparison of the total return on assets (price movements + yields) with the inflation rate reveals that, in 1393, "provisional profit rate of one-year deposits (highest rate)", "participation papers", and "price index of Pride car", by respectively 24.5, 22.0, and 20.9 percent growth, experienced an increase higher than the inflation rate. For other assets, the rate of return was lower than the inflation rate. In 1393, TEPIX, "full Bahar Azadi gold coin price (new design)", and "nominal value of euro in parallel market" experienced the highest negative growth rates by -20.9, -9.0, and -1.5 percent, respectively. During 1391-1393, "nominal value of US dollar in parallel market", TEPIX, and "price index of Pride car" had the highest average rate of return on assets by respectively 34.2, 34.1, and 33.7 percent.

Circulation Velocity of Money

Circulation velocity of money was within the range of 6.2 to 8.9 and that of liquidity,

within 1.4 to 1.5 in Iran's economy during the course of 1391-1393. The nominal GDP growth was 31.8 percent in 1392 and 15.7 percent in 1393. Moreover, liquidity growth was 38.8 percent in 1392 and 22.3 percent in 1393. Circulation velocity of notes and coins and money in 1393 was higher than that of 1392.

Table 17.6. Circulation Velocity of Monetary Aggregates (times)

	1391	1392 ¹	1393
Notes and coins	21.5	28.0	30.7
Money	6.2	7.8	8.9
Liquidity	1.5	1.5	1.4
Quasi-money	2.0	1.8	1.6
Nominal GDP growth (percent)	13.5	31.8	15.7

¹ Due to the inclusion of financial data of 6 new banks and 4 new credit institutions, data on monetary aggregates in 1392 are not comparable with those of 1391.

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

	Growth during the year			Average rate of return ¹	Standard deviation	Sharpe Ratio ²
	1391	1392	1393			
Price of residential units in Tehran (per square meter)	40.7	30.0	5.0	24.3	18.3	0.21
TEPIX	46.8	107.7	-20.9	34.1	64.3	0.21
Rental value of non-owner occupied housing	12.6	20.8	15.6	16.3	4.1	-1.00
Nominal value of US dollar (parallel market)	92.1	22.2	3.0	34.2	46.9	0.30
Nominal value of euro (parallel market)	81.8	25.6	-1.5	31.0	42.5	0.25
Full Bahar Azadi gold coin price (new design)	80.2	4.0	-9.0	19.5	48.2	-0.02
Provisional profit rate of participation papers issued by government	20.0	20.0	22.0	20.3	0.6	0.00
Provisional profit rate of one-year deposits (highest rate)	17.0	23.5	24.5	21.7	4.1	0.33
Price index of Samand car	31.5	48.5	14.3	30.7	17.1	0.60
Price index of Pride car	39.7	41.5	20.9	33.7	11.5	1.17
Consumer price index of goods and services (inflation rate)	30.5	34.7	15.6	26.7	10.1	0.63

¹ Average rate of return on assets (except for participation papers and term investment deposits) is calculated using the geometric mean method over 1391-1393.

² 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.