

In 1394, average Consumer Price Index (CPI) of goods and services in urban areas and Producer Price Index (PPI) registered 11.9 and 4.9 percent growth, respectively. A comparison of these figures with the corresponding figures in 1393 (15.6 and 14.8 percent) indicates that both indices showed notably lower growth than 1393.

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

	1393	1394
Consumer price index (CPI) of goods and services in urban areas	15.6	11.9
Producer price index (PPI)	14.8	4.9
Exportable goods price index	-0.5	-16.0
GDP deflator	10.8	0.4
Non-oil GDP deflator	15.6	7.1

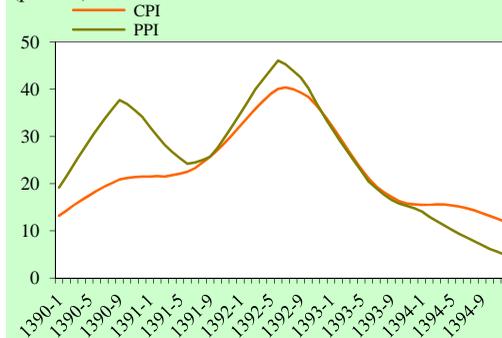
With the implementation of Subsidy Reform Plan as of late-Azar 1389, the upward trend of the CPI changes year-on-year (inflation rate) was accelerated and continued through the years 1390, 1391, and 1392. Intensification of inflationary pressures emanating from the adoption of the expansionary monetary 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. 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. This downtrend continued in 1394 until inflation reached 11.9 percent at year-end.

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. With the continuation of this downward trend, PPI reached 4.9 percent at end-1394.

Figure 17.1. Twelve-month changes of CPI and PPI (1390=100)

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



Consumer Price Index (CPI)

Urban Areas

Review of major components of the CPI in 1394 indicates that the inflation rate, only

for "food and beverages", "tobacco" and "education" groups was higher compared with last year's figure while for the other major groups, inflation rate in 1394 was lower compared with 1393. Among the major groups, "medical care" had the highest growth rate by 23.8 percent and the lowest growth rate of -3.1 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 12.3 percent compared with the preceding year, had the lion's share of 26.3 percent in the growth of the general index in 1394.

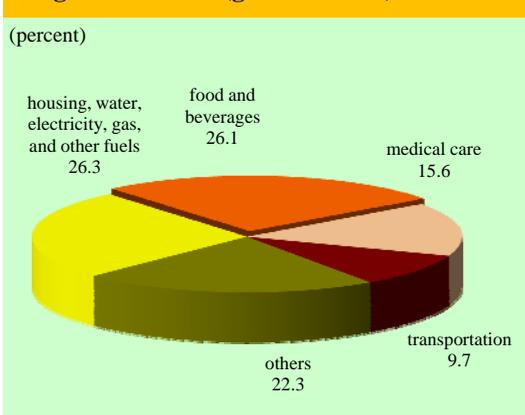
After the major group of "housing, water, electricity, gas, and other fuels", growth in price index of "food and beverages" had the most direct effect on raising the general index. This group, with a relative weight of 27.38 percent in general index, grew by 10.4 percent and contributed by 26.1 percent to the growth in general 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, accounted for 52.4 percent of inflation in 1394.

Among the other major components of CPI, the price index of "medical care", with 23.8 percent growth compared with the year before, had 15.6 percent share in raising the general index. "Transportation", with 11.1 percent growth compared with the year before, accounted for 9.7 percent of the rise in general CPI.

A review of CPI changes in each month of 1394 compared with the month before points to the fluctuating trend of this index. The highest growth by 1.7 percent was related to Khordad and the lowest growth by -0.4 percent was related to Tir compared with the month before.

Figure 17.2. Contribution of major groups to the growth of CPI (general index) in 1394



A review of CPI developments in urban areas by provinces reveals that Semnan and Gilan Provinces, with 13.8 and 13.5 percent growth in CPI compared with 1393, had the highest inflation rates. Fars and Alborz Provinces, with 13.2 and 13.0 percent, were next.

In 1394, the lowest rate of inflation by 10.0 percent was related to South Khorasan Province and the highest by 13.8 percent, to Semnan Province. Tehran Province had an inflation rate of 11.4 percent in 1394.

Rural Areas¹

CPI for rural areas went up by 10.6 percent compared with the year before. Inflation in rural areas was the result of growth in the price index of "goods" with 9.8 percent and that of "services" with 12.7 percent compared with 1393. "Goods", with a relative weight of 70.6 percent in the general index, and "services", with a relative weight of 29.4 percent, raised the general index by respectively 69.3 and 30.7 percent.

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

Producer Price Index (PPI)

In 1394, Producer Price Index (PPI) increased by 4.9 percent compared with the previous year. The growth rate of this index was 34.5 percent in 1392 and 14.8 percent in 1393 (base year: 1390). Among the major

components of PPI, "transport and storage" and "health and social work" groups made the greatest contribution to raising the PPI (general index) by 31.6 percent and 31.1 percent, respectively.

Table 17.2. Annual Average Consumer Price Index in Urban Areas

(1390=100)

	Relative weight in base year	Price index		Percentage change		Direct effect ¹ on the growth of general index in 1394	
		1393	1394	1393	1394	Percentage point	Percent
Special groups							
Goods	52.68	226.2	246.9	12.4	9.2	5.4	45.0
Services	47.32	177.0	205.3	20.5	15.9	6.6	55.0
General index	100.00	203.2	227.5	15.6	11.9	11.9	100.0
Major groups and selected subgroups							
Food and beverages	27.38	223.4	246.5	9.1	10.4	3.1	26.1
Meat	6.12	203.3	212.2	4.8	4.3	0.3	2.2
Fish and seafood	0.73	268.8	311.5	14.9	15.9	0.2	1.3
Bread and cereals	5.05	215.0	248.1	12.6	15.4	0.8	6.9
Fats and oils	0.94	236.1	244.0	10.7	3.3	0.0	0.3
Fruits and nuts	5.38	226.5	260.2	6.9	14.9	0.9	7.5
Vegetables, pulses, and vegetable products	3.42	236.3	251.1	3.2	6.3	0.2	2.1
Dairy products and eggs	3.07	228.0	249.3	14.0	9.3	0.3	2.7
Tobacco	0.35	251.3	243.5	-6.1	-3.1	0.0	-0.1
Housing, water, electricity, gas, and other fuels	32.82	158.3	177.7	16.7	12.3	3.1	26.3
Rental value of non-owner occupied housing	7.51	157.2	176.8	15.6	12.5	0.7	6.1
Imputed rental value of owner-occupied housing	20.92	156.9	176.9	15.8	12.7	2.1	17.2
Maintenance and repair services	1.71	219.2	247.5	20.0	12.9	0.2	2.0
Water	0.53	163.6	182.6	35.0	11.6	0.0	0.4
Electricity, gas, and other fuels	2.16	123.6	129.4	21.4	4.7	0.1	0.5
Clothing and footwear	4.94	260.1	287.2	18.5	10.4	0.7	5.5
Furnishings, household equipment, and routine household maintenance	5.13	255.2	269.7	10.6	5.7	0.4	3.1
Transportation	9.87	215.7	239.5	24.0	11.1	1.2	9.7
Communication	2.38	127.7	132.2	10.8	3.6	0.1	0.4
Medical care	6.98	227.3	281.4	31.7	23.8	1.9	15.6
Recreation and culture	2.85	232.3	267.0	22.0	14.9	0.5	4.1
Education	2.24	144.9	168.7	12.8	16.4	0.3	2.2
Restaurants and hotels	1.86	229.6	266.7	18.8	16.2	0.3	2.8
Miscellaneous goods and services	3.20	255.8	284.2	15.9	11.1	0.4	3.8

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

Chapter 17 PRICE TRENDS

The price index of "manufacturing" group showed 0.4 percent reduction in 1394, after a decade of experiencing positive growth rates. Sharp reduction in price indices of "chemical products" and "basic metals" by respectively 12.7 and 14.0 percent (considering their relative weight in the price index of "manufacturing") had a large contribution to the fall of the manufacturing price index compared with 1393.

The price index of "agriculture, forestry, and fishing" group, with a relative weight of 17.12 percent in the general index and a growth rate of 5.7 percent, made a contribution of 22.1 percent to the growth of the general index.

Although "agriculture, forestry, and fishing" and "transport and storage" groups, with a total relative weight of 35.7 percent and growth rates of respectively 5.7 and 8.7 percent, had a total share of 53.7 percent in the growth of general PPI, the negative growth of "manufacturing" (-0.4 percent) caused the general PPI to experience much lower growth than 1393. Fall in the price index of "manufacturing" group (considering

its relative weight of almost 52.0 percent in PPI) caused the general PPI to experience only 4.9 percent growth in 1394. This was 9.9 percentage points lower than the respective growth figure in 1393 (14.8 percent).

Monthly changes of producer price index followed a fluctuating trend in 1394. The highest increase by 1.7 percent was related to month Khordad and the highest decrease of -0.6 percent was related to Dey.

Figure 17.3. Contribution of special groups to the growth of PPI (general index) in 1394

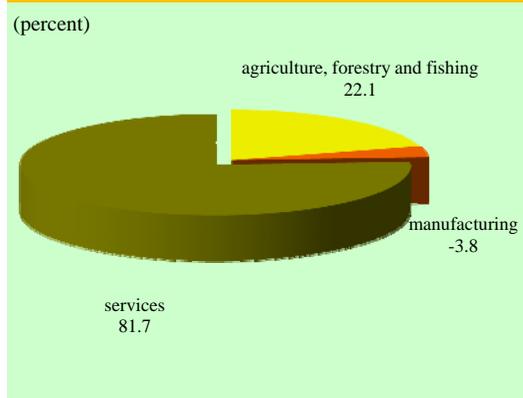


Table 17.3. Annual Average Producer Price Index

(1390=100)

	Relative weight in base year	Percentage change		Direct effect ¹ on the growth of general index in 1394			
		1393	1394	Percentage point	Percent		
Special groups							
Agriculture, forestry, and fishing	17.12	227.3	240.3	13.7	5.7	1.1	22.1
Manufacturing	51.99	203.8	203.0	9.9	-0.4	-0.2	-3.8
Services	30.89	193.0	219.6	25.7	13.8	4.0	81.7
General index	100.00	204.5	214.5	14.8	4.9	4.9	100.0
Major groups							
Agriculture, forestry, and fishing	17.12	227.3	240.3	13.7	5.7	1.1	22.1
Manufacturing	51.99	203.8	203.0	9.9	-0.4	-0.2	-3.8
Transport and storage	18.53	196.6	213.8	25.8	8.7	1.6	31.6
Communication	2.03	129.3	139.8	16.8	8.2	0.1	2.1
Hotels and restaurants	0.91	218.6	258.2	20.8	18.1	0.2	3.6
Education	3.83	147.8	172.9	13.9	17.0	0.5	9.6
Health and social work	4.83	232.6	297.3	35.4	27.8	1.5	31.1
Other community, social and personal service activities	0.75	221.3	271.6	25.7	22.7	0.2	3.8

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

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 developments of the exchange rate.

Price index of exportable goods fell by 16.0 percent compared with the preceding year. This index grew by 21.8 percent in 1392 and -0.5 percent in 1393. Among the components of the price index of exportable goods, "mineral products" with 35.8 percent, "products of the chemical or allied industries"

with 15.5 percent, and "base metals and articles of base metals" with 14.1 percent decrease (considering their relative weight in the exportable goods price index) had the biggest impact on the reduction of this index.

Total Return on Assets

Comparison of the total return on assets (price movements + yields) with the inflation rate in 1394 reveals that the growth rates of "TEPIX", "participation papers", "provisional profit rate of one-year deposits", and "rental value of non-owner occupied housing", by respectively 28.3, 20.8¹, 20.0, and 12.5 percent, were higher than the inflation rate. In 1394, "nominal value of euro in parallel

Table 17.4. Annual Average Price Index of Exportable Goods

(1390=100)

	Relative weight in base year	Percentage change		Direct effect ¹ on the growth of general index in 1394			
		1393	1394	Percentage point	Percent		
Animal products	2.41	285.5	287.4	4.1	0.7	0.0	-0.1
Vegetable products	10.43	274.1	292.5	2.1	6.7	0.7	-4.4
Animal or vegetable fats and oils	0.36	298.5	308.4	0.5	3.3	0.0	-0.1
Prepared foodstuffs, beverages, and tobacco	3.72	299.4	306.4	-0.5	2.3	0.1	-0.6
Mineral products	31.80	286.2	183.7	3.4	-35.8	-12.0	74.5
Products of the chemical or allied industries	20.11	249.9	211.1	-10.3	-15.5	-2.9	17.8
Plastic & articles thereof, rubber & articles thereof	10.51	304.0	276.6	0.8	-9.0	-1.1	6.6
Raw hides and skins, leather and articles thereof	0.59	212.5	139.4	-9.4	-34.4	-0.2	1.0
Wood and articles of wood	0.05	272.4	272.8	-1.3	0.2	0.0	0.0
Textiles and articles thereof	3.61	233.5	260.2	10.2	11.4	0.4	-2.2
Footwear	0.46	366.6	380.8	30.1	3.9	0.0	-0.1
Articles of stone	2.13	249.0	243.5	-4.6	-2.2	0.0	0.3
Base metals and articles of base metals	9.71	247.5	212.7	2.3	-14.1	-1.2	7.7
Mechanical appliances and electrical equipment	2.96	243.8	239.5	-8.0	-1.7	0.0	0.3
Vehicles and transport equipment	1.15	247.0	271.5	-1.9	9.9	0.1	-0.6
Special groups							
Petrochemical products	46.33	281.5	205.1	-1.1	-27.1	-13.0	81.5
General index	100.00	271.7	228.3	-0.5	-16.0	-16.0	100.0

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

¹ In Esfand 1394, the provisional profit rate of participation papers decreased from 21 to 18 percent. The mentioned 20.8 percent is the weighted average of these two rates.

Chapter 17 PRICE TRENDS

market" and "full Bahar Azadi gold coin price (new design)" experienced the highest negative growth rates by respectively -9.0 and -3.3 percent while "nominal value of US dollar in parallel market", "price of residential units in Tehran per square meter (in thousand rials)", and price indices of Pride and Samand cars experienced positive growth by respectively 5.2, 2.3, 1.0, and 0.4 percent. During 1392-1394, "TEPIX", "provisional profit rate of one-year deposits", "participation papers", and "price index of Pride car" had the highest average rate of return on assets by respectively 28.2, 22.7, 20.7, and 20.0 percent.

Circulation Velocity of Money

Circulation velocity of money was within the range of 8.1 to 9.3 times and that of liquidity, within 1.1 to 1.5 times in the Iranian

economy during the course of 1392-1394. The nominal GDP growth was 14.4 percent in 1393 and -1.2 percent in 1394 (1390=100) and liquidity growth was 22.3 percent in 1393 and 30.0 percent in 1394. Circulation velocity of notes and coins and money in 1394 was lower than 1393. CPI growth rate of month Esfand 1394 was 8.3 percent, 7.9 percentage points lower than the respective month of the year before (Esfand 1393).

Table 17.6. Circulation Velocity of Monetary Aggregates (times)

	1392	1393	1394
Notes and coins	29.5	32.0	29.9
Money	8.2	9.3	8.1
Liquidity	1.5	1.4	1.1
Quasi-money	1.9	1.7	1.3
Nominal GDP growth (percent) (1390=100)	35.1	14.4	-1.2

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

	Growth during the year			Average rate of return ¹	Standard deviation	Sharpe Ratio ²
	1392	1393	1394			
Price of residential units in Tehran (per square meter)	30.0	5.0	2.3	11.7	15.3	-0.6
TEPIX	107.7	-20.9	28.3	28.2	64.9	0.1
Rental value of non-owner occupied housing	20.8	15.6	12.5	16.2	4.2	-1.1
Nominal value of US dollar (parallel market)	22.2	3.0	5.2	9.8	10.5	-1.0
Nominal value of euro (parallel market)	25.6	-1.5	-9.0	4.0	18.2	-0.9
Full Bahar Azadi gold coin price (new design)	4.0	-9.0	-3.3	-2.9	6.5	-3.6
Provisional profit rate of participation papers issued by government ³	20.0	22.0	20.8	20.7	0.6	0.0
Provisional profit rate of one-year deposits (highest rate)	23.5	24.5	20.0	22.7	2.4	0.8
Price index of Samand car	48.5	14.3	0.4	19.4	24.8	0.0
Price index of Pride car	41.5	20.9	1.0	20.0	20.3	0.0
Consumer price index of goods and services (1390=100) (inflation rate)	34.7	15.6	11.9	20.3	12.3	0.0

¹ The average rate of return on assets (except for participation papers and term investment deposits) is calculated using the geometric mean method over 1392-1394.

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.

³ The provisional profit rate of participation papers issued by government decreased from 21 percent to 18 percent in Esfand 1394.