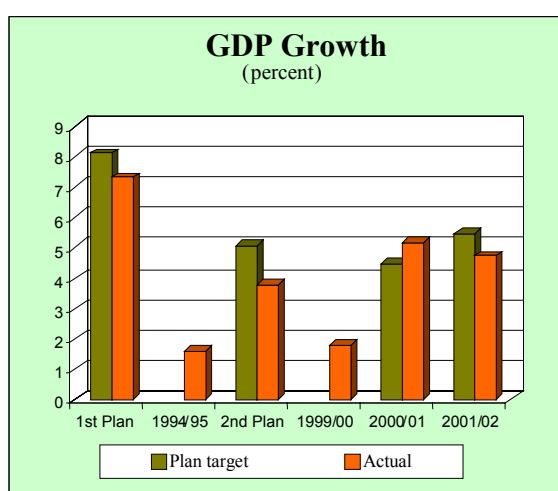


## CHAPTER TWO

### NATIONAL PRODUCT, EXPENDITURE AND INCOME<sup>(1)</sup>

According to the preliminary data, the GDP growth fell in 1380 as compared with the previous year and reached 4.7 percent, which was less than 5.5 percent target set in the 3<sup>rd</sup> Plan. Lower growth was mainly due to reduction in the crude oil production as a result of adherence to quota set by the OPEC. The non-oil GDP, with one percentage point growth compared with 1379, reached 5.8 percent. Increase in the domestic demand as a result of the public confidence due to structural reforms and stability in the exchange market led to higher growth in almost all economic sectors.



#### GDP GROWTH BY ECONOMIC SECTORS (at constant 1369 prices)

	1376	1377	1378	1379	1380
Agriculture	9.1	6.2	-9.4	2.8	4.7
Manufacturing and mining	5.6	0	10.6	7.4	10.4
Oil and gas	-5.2	2.3	-5.8	8.2	-8.4
Services	5.5	4.1	4.1	4.6	4.6
<b>GDP</b>	<b>5.1</b>	<b>3.7</b>	<b>1.8</b>	<b>5.2</b>	<b>4.7</b>

#### National Product

On the basis of preliminary data, GDP grew by 4.7 percent in 1380 at constant 1369 (1990/91) prices and amounted to Rls. 55,183.0 billion. In this year, manufacturing and mining, agriculture, and services groups grew by 10.4, 4.7, and 4.6 percent at constant prices, respectively. The relative shares of these sectors in nominal GDP were 20.1, 13.4, and 53.2 percent, respectively.

#### Agriculture

On the basis of data released by the Ministry of Agriculture Jihad, favorable climatic condition, on the one hand, and provision of more banking facilities to agriculture sector, on the other, resulted in 4.7 percent increase in the value-added of the agriculture sector at constant 1369 prices.

(1) National accounts data have been revised since 1338 (1959/60) and the base year has been changed to 1369 (1990/91).

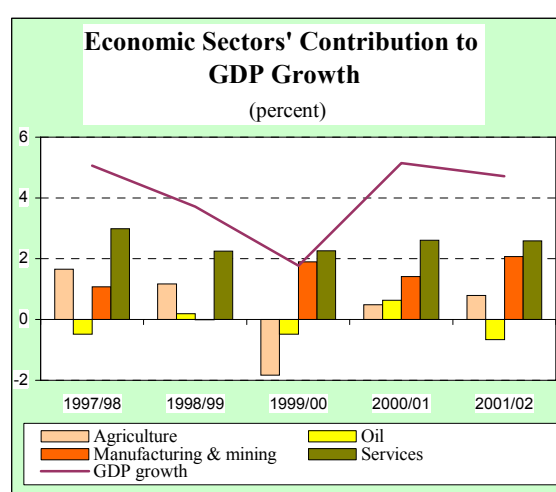
Moreover, increase in the area under cultivation of major farming crops and good precipitation level in the review year resulted in a 6.0 percent growth in real term in the value-added of farming subsector. This growth is much higher when compared with 0.2 percent growth in the previous year. Furthermore, with a rise in the production of livestock products, the value-added of this sector grew by 2.3 percent at constant 1369 prices. It is to be mentioned that forestry and fishing sectors each grew by 4.7 percent at constant 1369 prices. Farming, animal husbandry and hunting enjoyed the highest shares in this sector, respectively.

#### VALUE-ADDED IN THE AGRICULTURE GROUP

	(at constant 1369 prices)				(billion rials)	
			Percentage change		Share (percent)	
	1379	1380	1379	1380	1379	1380
Farming	5,398.5	5,722.3	0.2	6.0	60.8	61.5
Animal husbandry and hunting	3,026.3	3,095.6	8.2	2.3	34.1	33.3
Fishing	117.0	122.5	3.0	4.7	1.3	1.3
Forestry	102.1	106.9	11.3	4.7	1.2	1.2
Agricultural services	233.7	247.7	-5.2	6.0	2.6	2.7
<b>Agriculture group</b>	<b>8,877.6</b>	<b>9,295.0</b>	<b>2.8</b>	<b>4.7</b>	<b>100.0</b>	<b>100.0</b>

#### Oil

Given the international oil market developments, the OPEC cut its production and export to maintain crude price stability. As a result, crude oil production was reduced to 3,441 thousand b/d in 1380, from 3,661 thousand b/d in 1379. Moreover, crude oil export fell from 2,492 thousand b/d to 2,244 thousand b/d in 1380. Thus, the value-added of oil sector and crude oil fell 8.4 and 10.3 percent at constant 1369 prices, respectively.



#### Manufacturing and Mining

Preliminary data suggests that the value-added of manufacturing and mining sector enjoyed a growth of 10.4 percent in 1380 at constant 1369 prices. Thus, the share of this sector in GDP rose by 20.1 percent in the review year at current prices. The value-added of manufacturing sector, with the highest share of 14.3 percent in GDP at current prices, indicated a growth of 10.0 percent. Moreover, construction sector, with a 4.0 percent share in GDP at current prices in 1380, grew by 12.3 percent at constant 1369 prices. More contribution of private sector in investment in this sector and growth of banking facilities resulted in the higher growth of this sector, as compared with the previous year. The value-added of mining sector and the “electricity, gas and water” sector, with respective shares of 0.6 and 1.3 percent in GDP at current prices, grew by 9.6 and 6.6 percent at constant 1369 prices.

#### VALUE-ADDED IN THE MANUFACTURING AND MINING GROUP

	(at constant 1369 prices)				(billion rials)	
			Percentage change		Share (percent)	
	1379	1380	1379	1380	1379	1380
Manufacturing	6,737.3	7,411.0	8.0	10.0	64.0	63.8
Mining	523.2	573.4	4.8	9.6	5.0	4.9
Electricity, gas and water	619.1	660.1	5.5	6.6	5.9	5.7
Construction	2,645.0	2,970.3	6.2	12.3	25.1	25.6
<b>Manufacturing &amp; mining group</b>	<b>10,524.6</b>	<b>11,614.8</b>	<b>7.2</b>	<b>10.4</b>	<b>100.0</b>	<b>100.0</b>

## Services

Services sector, with 53.2 percent share in GDP at current prices, grew by 4.6 percent in 1380 compared with 1379. The value-added of “trade, restaurant, and hotel” sub-group, with 14.3 percent share in GDP, enjoyed a 6.7 percent growth at constant 1369 prices. The value-added of “transportation, warehousing and communication”, with 9.1 percent share in GDP at current prices, grew by 7.0 percent at constant 1369 prices. The monetary and financial institutions’ services, with a 2.2 percent share in GDP, rose by 6.8 percent at constant 1369 prices. Following adoption of fiscal discipline by the government aimed at reducing government consumption expenditures, public services growth declined by 1.8 percent at constant prices.

### VALUE-ADDED IN THE SERVICES GROUP

(at constant 1369 prices)

(billion rials)

	1379	1380	Percentage change		Share (percent)	
			1379	1380	1379	1380
Trade, restaurant and hotel	8,242.6	8,791.6	8.1	6.7	27.9	28.5
Transportation, warehousing and communication	6,488.2	6,942.7	8.8	7.0	22.0	22.5
Monetary and financial institutions services	655.1	699.8	6.5	6.8	2.3	2.3
Real estate, professional and specialized services	9,105.0	9,441.9	0.8	3.7	30.8	30.5
Public services	3,881.6	3,811.0	-1.7	-1.8	13.1	12.3
Social, personal and household services	1,162.5	1,213.6	11.6	4.4	3.9	3.9
<b>Services group</b>	<b>29,535.0</b>	<b>30,900.6</b>	<b>4.6</b>	<b>4.6</b>	<b>100.0</b>	<b>100.0</b>

## National Expenditure

Review of the gross domestic expenditure is indicative of growth in all its components in 1380. Thus, the gross domestic expenditure grew by 5.0 percent at constant 1369 prices. On the basis of the preliminary data, private consumption expenditures, with the highest share of 45.8 percent in the nominal gross domestic expenditure, indicated a rise of 4.4 percent at constant 1369 prices. It is to be mentioned that, food and housing expenses had the highest share in consumption expenditures in rural and urban areas.

As a result of the government fiscal discipline, public consumption expenditures fell by 1.3 percent in 1380. Gross fixed capital formation, as the major component of gross domestic expenditure, with 31.1 percent share in GDP at current prices, grew by 9.9 percent in the review year, at constant 1369 prices to reach Rls. 15,609.2 billion. Gross fixed capital formation for machinery registered a positive trend both in private and public sectors. However, in the construction sector it showed positive trend mainly in private sector, while in the public sector indicated a 5.1 percent reduction. Gross fixed capital formation in construction grew by 20.8 percent at constant 1369 prices in private sector.

In 1380, reduction in oil exports, on the one hand, and rise of imports of goods and services on the other, resulted in real net export of goods and services to decline by 25.5 percent. The export of goods and services, at constant 1369 prices, grew by 3.0 percent, while import of goods and services increased by 18.8 percent, compared with 1379.

In 1380, gross domestic expenditures grew by 5.0 percent at constant 1369 prices to reach Rls. 55,371.9 billion and with the inclusion of terms of trade effect, net factor income from abroad, and deduction of depreciation of fixed capital and net indirect taxes, the national income grew by 4.3 percent in real term.

It is worth mentioning that, per capita income at current prices amounted to Rls. 8,526.4 thousand, showing a growth of 26.8 percent compared with the previous year. Moreover, per capita income at constant 1369 prices amounted to Rls. 709.4 thousand, indicating a 2.7 percent growth, at constant 1369 prices, compared with the year before.