

In 2018/19, household final consumption expenditure fell by 2.6 percent (at constant 2011/12 prices) to Rs. 2,717 trillion. About 1.0 percentage point of the 6.0 percent drop in GDE in this year (at market price) was related to the decline in household final consumption expenditure.

Socioeconomic Characteristics of Households in Urban Areas

Household Budget Survey conducted by the CBI showed that the average household size decreased by 1.2 percent from 3.28 in 2017/18 to 3.24 persons in 2018/19. This was owing to the rise in the share of single- and two-member households and the fall in the share of four-, five-, and six-member households. Households with four and three members enjoyed the highest shares by 28.1 and 27.8 percent, which indicated 0.8 and 0.7 percentage points decline compared with 2017/18, respectively.

Distribution of household members by age groups showed that 22.4 percent of household members in 2018/19 were in the age group of 16-30 years of age. Comparing this share with respective figures in previous years indicated a downward trend. Moreover, 15.1 percent of household members were above 60 years old, up by 1.5 percentage points compared with the year before. Over the coming years, the share of this age group in total population is expected to increase.

Reviewing the literacy rate among household members of 6+ years old in 2018/19 revealed that 11.2 percent of household members were illiterate, indicating a slight increase compared with the 10.9 percent of the previous year. The share of the university-educated members in total household members decreased from 23.9 percent in 2017/18 to 23.3 percent in 2018/19.

Distribution of households' employed members based on expenditure deciles showed that of total households in the 1st decile, 42.4 percent had no employed members in 2018/19. In the 1st decile, about 0.9 percent of households were with three employed members and more. The mentioned share in the 2nd decile was 2.2 and in the 3rd decile, 2.8 percent. This is indicative of low earnings of the employed members in low-income deciles. Reviewing the characteristics of the high-income deciles revealed that 47.2 percent of the households in the 10th decile had one employed person. Moreover, 8.7 percent of total households with one employed person were in the 10th decile.

A study of the distribution of the employed household members based on the economic activity shows that the highest share by 22.9 percent was related to household members employed in wholesale, retail trade, restaurants, and hotels group, followed by community, social, and personal services by 20.6 percent, and manufacturing and mining by 17.4 percent.

Comparing these shares with the corresponding figures of 2017/18 shows that the share of the employed household members in "wholesale, retail trade, restaurants, and hotels" increased while the shares of "community, social, and personal services" and "manufacturing and mining" decreased.

The share of households, who are homeowners residing in their owner-occupied dwellings, rose from 64.8 percent in 2017/18 to 66.1 percent in 2018/19. With regard to expenditure deciles, 7.6 percent of households residing in owner-occupied houses were in the 1st decile, 8.1 percent in the 2nd decile, 9.1 percent in the 3rd decile, and 12.1 percent (the highest) in the 10th decile. In this year, 24.6 percent of households were residing in rental houses, down by 1.3 percentage points compared with 2017/18. Of total households in the 1st decile, 31.4 percent were residing in rental houses, down by 2.7 percentage points. This share was 13.2 percent for households in the 10th decile.

A review of utilities used by urban households in 2018/19 indicates that 99.5 percent of households had access to piped water, 100.0 percent to electricity, 95.2 percent to piped natural gas, and 56.0 percent to sewage system. About 67.6 percent of households had access to internet, up by 3.5 percentage points. Moreover, 50.5 percent of households owned an automobile and 96.9 percent had cell phones. The number of members of social media increased by 5.0 percentage points compared with the year before to 66.6 percent.

Household Budget Survey

Total household expenditure (gross)¹ in urban areas increased by 23.9 percent and

¹ Sums offered as alimony, nazr (vow), and charity are not regarded as expenditure, if paid to another household. It also excludes expenditure on tax and retirement savings. Household

amounted to Rls. 521.9 million in 2018/19 at current prices (Rls. 43.5 million monthly). Total household expenditure (gross) in urban areas was Rls. 367.9 million at constant 2016/17 prices, down by 4.4 percent compared with 2017/18. Comparing the nominal minimum wage (Rls. 11,113 thousand per month) with the nominal expenditure on "food and beverages" at Rls. 10,996 thousand per month indicates that in case a household with the minimum wage opts for a consumption level equal to that of the sample urban household or the average society in terms of spending on "food and beverages", it will have to allocate about 99.0 percent of its wage to this group.

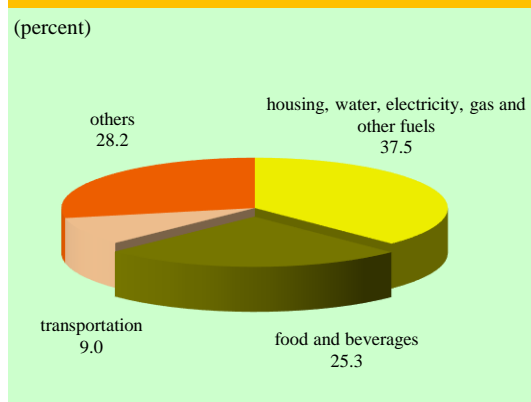
Comparing household expenditure in urban areas on various expenditure groups indicates that spending on "tobacco", "food and beverages", and "housing, water, electricity, gas and other fuels" increased by respectively 67.9, 33.1 and 31.0 percent at current prices in 2018/19, the highest compared with other groups. The share of "food and beverages" group in total household expenditure increased from 23.5 percent in the year before to 25.3 percent in 2018/19, indicating higher household spending on this group compared with 2017/18. Considering the rise in household expenditure on food and beverages by 33.1 percent at current prices and the increase in the CPI of this group by 46.2 percent, household expenditure on food and beverages decreased by 9.0 percent in real terms.

The total share of "food and beverages", "housing, water, electricity, gas, and other fuels", and "clothing and footwear" groups

spending on the purchase, construction, improvement, change, and maintenance of house as well as purchase of phone subscription (landline and wireless), gold and silver coin are considered as investment activities and hence not included in household expenditure (gross). In other words, gross household expenditure (nominal) includes all, except job-related and investment, expenditures.

in household spending was 66.3 percent at current prices, compared with 63.2 percent in 2017/18. This indicates that households have allocated a higher share of their income to essential goods and services in 2018/19. The policies aimed at decreasing the share of basic needs in total household expenditure will have a major impact on improving household welfare.

Figure 9.1. Share of expenditure groups in urban areas at current prices in 2018/19



A review of household expenditure on various goods and services at constant

2016/17 prices indicates that, except for housing, water, electricity, gas, and other fuels and health and medical care, all other major expenditure groups declined in real terms in 2018/19. The highest fall was related to recreation and culture with 32.6 percent, followed by transportation with 26.7 percent, furniture, furnishings, and household equipment and operation with 25.2 percent, and clothing and footwear with 24.0 percent. Comparing the rate of inflation among various expenditure groups indicates that the highest inflation rate was related to "tobacco", "recreation and culture", and "furniture, furnishings, and household equipment and operation" groups, leading to a decrease in spending on the mentioned groups in real terms.

Analysis of Household Expenditure by Deciles

The results of household expenditure survey by various deciles shows that the ratio of the richest 10 percent of households was 15.9 times that of the poorest 10 percent. This implies the worsening of income distribution metrics in 2018/19.

Table 9.1. Gross Household Expenditure in Urban Areas (at current prices)

	(ten thousand rials)							
				Percentage change		Share (percent)		
	2016/17	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	
Food and beverages	8,997.6	9,913.0	13,195.4	10.2	33.1	23.5	25.3	
Tobacco	133.4	138.9	233.1	4.1	67.9	0.3	0.4	
Clothing and footwear	1,691.4	1,778.4	1,831.1	5.1	3.0	4.2	3.5	
Housing, water, electricity, gas and other fuels	13,943.5	14,937.7	19,566.2	7.1	31.0	35.5	37.5	
Furniture, furnishings, and household equipment and operation	1,577.7	1,688.7	1,999.1	7.0	18.4	4.0	3.8	
Health and medical care	2,315.3	2,420.3	2,844.2	4.5	17.5	5.7	5.4	
Transportation	4,185.1	4,464.1	4,722.0	6.7	5.8	10.6	9.0	
Communication	832.2	867.5	960.4	4.2	10.7	2.1	1.8	
Recreation and culture	764.9	803.4	888.6	5.0	10.6	1.9	1.7	
Education	734.4	759.9	791.3	3.5	4.1	1.8	1.5	
Restaurants and hotels	836.8	899.9	1,040.4	7.5	15.6	2.1	2.0	
Miscellaneous goods and services	3,288.4	3,459.2	4,121.3	5.2	19.1	8.2	7.9	
Total	39,300.6	42,130.9	52,193.0	7.2	23.9	100.0	100.0	

Chapter 9 SOCIAL AFFAIRS AND HOUSEHOLD WELFARE

In 2018/19, household expenditure in the 10th decile was 3.3 times that of the total household expenditure in urban areas at current prices. On the contrary, household expenditure in the 1st decile constituted only 21 percent of the total household expenditure in urban areas. Household expenditure

in the 1st to the 7th deciles was lower than the total household expenditure in urban areas. In real terms, household expenditure (gross) in all deciles decreased compared with the year before. The highest decrease was related to the 9th decile, followed by the 7th and 8th deciles.

Table 9.2. Gross Household Expenditure in Urban Areas
(at constant 2016/17 prices)

	(ten thousand rials)						
				Percentage change		Share in growth (percent)	
	2016/17	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Food and beverages	8,997.6	8,704.5	7,924.8	-3.3	-9.0	-0.7	-2.0
Tobacco	133.4	134.7	113.6	1.0	-15.7	*	-0.1
Clothing and footwear	1,691.4	1,686.9	1,282.3	-0.3	-24.0	*	-1.1
Housing, water, electricity, gas and other fuels	13,943.5	13,817.3	15,969.1	-0.9	15.6	-0.3	5.6
Furniture, furnishings, and household equipment and operation	1,577.7	1,561.6	1,167.5	-1.0	-25.2	*	-1.0
Health and medical care	2,315.3	2,198.9	2,208.4	-5.0	0.4	-0.3	*
Transportation	4,185.1	4,190.3	3,070.1	0.1	-26.7	*	-2.9
Communication	832.2	818.9	687.5	-1.6	-16.0	*	-0.3
Recreation and culture	764.9	729.1	491.6	-4.7	-32.6	-0.1	-0.6
Education	734.4	682.6	608.3	-7.1	-10.9	-0.1	-0.2
Restaurants and hotels	836.8	808.6	735.8	-3.4	-9.0	-0.1	-0.2
Miscellaneous goods and services	3,288.4	3,140.5	2,530.1	-4.5	-19.4	-0.4	-1.6
Total¹	39,300.6	38,474.0	36,789.0	-2.1	-4.4	-2.1	-4.4

¹ Total expenditure in real terms is calculated as the sum of expenditures of all groups, instead of dividing the total nominal expenditure by the general CPI. This is due to changes in the share of expenditure groups as compared to the base year.

Table 9.3. Comparison of Growth in Gross Household Expenditure with Inflation in Urban Areas in 2018/19

	(percent)		
	Growth (at current prices)	Inflation	Growth (in real terms)
Food and beverages	33.1	46.2	-9.0
Tobacco	67.9	99.1	-15.7
Clothing and footwear	3.0	35.5	-24.0
Housing, water, electricity, gas and other fuels	31.0	13.3	15.6
Furniture, furnishings, and household equipment and operation	18.4	58.3	-25.2
Health and medical care	17.5	17.0	0.4
Transportation	5.8	44.4	-26.7
Communication	10.7	31.9	-16.0
Recreation and culture	10.6	64.0	-32.6
Education	4.1	16.8	-10.9
Restaurants and hotels	15.6	27.0	-9.0
Miscellaneous goods and services	19.1	47.9	-19.4
Total	23.9	31.2	-4.4

Reviewing the share of deciles in various expenditure groups shows that "housing, water, electricity, gas, and other fuels" and "food and beverages" groups had the highest shares in household expenditure in all deciles. In the 1st and 2nd deciles, the collective shares of these two groups were respectively 77.7 and 72.2 percent in total household expenditure. Given the higher rate of rental houses for lower deciles compared to other deciles, the higher share of "housing, water, electricity, gas, and other fuels" group in total household expenditure shows that this group is affected by the developments of the "housing rental index". However, in the 9th and 10th deciles, the collective shares of these two groups were the lowest at 59.9 and 60.2 percent, respectively.

Household Expenditure by Provinces

A review of household expenditure (gross) in urban areas of various provinces indicates that Tehran Province accounted for the highest expenditure in 2018/19 while Lorestan Province accounted for the lowest expenditure at both current and constant 2016/17 prices. The expenditures of households in Tehran were 3.2 and 3.3 times that of the households in Lorestan at current and constant prices, respectively. Compared to the

corresponding figure of the year before (household expenditure in Tehran being 2.9 times that of the household expenditure in Lorestan at both current and constant prices), this is indicative of higher income inequality among different provinces.

In 2018/19, the highest number of household members (4.21 persons) belonged to Sistan and Baluchestan Province and the lowest by 2.7 persons, to Gilan. Considering the household size, the highest expenditure per capita, at current and constant prices, belonged to Tehran and the lowest was related to North Khorasan Province.

Figure 9.2. Comparison of household expenditure in urban areas with expenditure in each decile at current prices in 2018/19

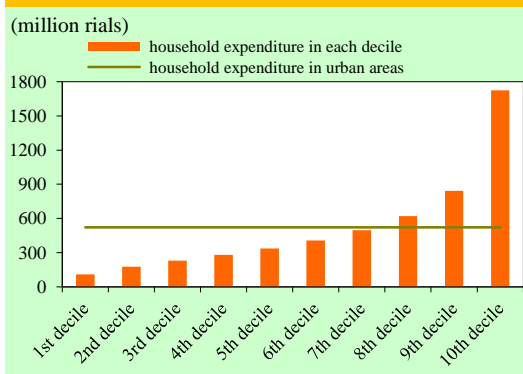


Table 9.4. Gross Household Expenditure by Expenditure Deciles in Urban Areas (at current and constant 2016/17 prices)

	(ten thousand rials)										
	1 st decile	2 nd decile	3 rd decile	4 th decile	5 th decile	6 th decile	7 th decile	8 th decile	9 th decile	10 th decile	
Expenditure in nominal terms (gross)											
2017/18	9,292	15,020	19,242	23,532	28,209	33,857	41,252	51,438	68,807	130,666	
2018/19	10,875	17,654	22,906	28,006	33,690	40,630	49,499	62,027	84,224	172,428	
Growth in nominal terms (percent)	17.0	17.5	19.0	19.0	19.4	20.0	20.0	20.6	22.4	32.0	
Growth in real terms (percent) ¹	-5.4	-6.6	-6.3	-6.9	-7.2	-7.2	-7.9	-7.8	-8.2	-4.4	

¹ Growth in real terms is calculated based on inflation as decomposed by expenditure deciles and is, therefore, not comparable with the household expenditure.

Household Income

In 2018/19, gross household income (monetary and non-monetary income) rose 21.6 percent to Rls. 534.3 million at current prices (Rls. 44.5 million monthly). Out of the mentioned amount, 67.4 percent was monetary and 32.6 percent, non-monetary income. A major portion of the non-monetary income was related to the "imputed rental value of owner-occupied dwellings", affected by the fluctuations of the housing market without necessarily bringing cash to households. A comparison of gross household income at Rls. 534.3 million with household expenditure at Rls. 521.9 million is indicative of positive nominal savings.

Figure 9.3. Comparison of gross household expenditure with income at current prices

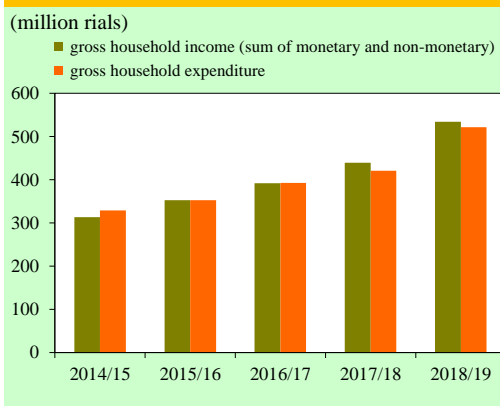


Table 9.5. Decomposition of Expenditure Groups by Deciles in Urban Areas in 2018/19 (at current prices)

	(percent)										
	1 st decile	2 nd decile	3 rd decile	4 th decile	5 th decile	6 th decile	7 th decile	8 th decile	9 th decile	10 th decile	Average share
Food and beverages	27.9	29.6	30.3	30.7	30.7	30.4	29.1	28.3	26.5	18.1	25.3
Tobacco	1.2	1.1	0.9	0.7	0.7	0.6	0.6	0.4	0.3	0.2	0.4
Clothing and footwear	1.3	1.7	2.4	2.7	3.1	3.4	3.8	3.9	4.0	3.8	3.5
Housing, water, electricity, gas and other fuels	49.8	42.6	39.9	36.7	35.1	34.4	32.7	33.1	33.4	42.1	37.5
Furniture, furnishings and household equipment and operation	1.7	2.4	2.9	2.8	3.2	3.2	3.7	3.8	4.3	4.5	3.8
Health and medical care	4.1	4.8	4.1	4.9	4.9	4.9	5.8	5.6	5.7	5.8	5.4
Transportation	4.0	5.4	6.0	6.4	6.7	7.3	7.9	8.1	9.7	11.8	9.0
Communication	2.5	2.5	2.4	2.5	2.4	2.2	2.2	2.0	1.7	1.3	1.8
Recreation and culture	0.7	0.9	1.1	1.2	1.3	1.4	1.7	1.9	1.9	2.0	1.7
Education	0.6	0.9	1.2	1.4	1.4	1.6	1.5	1.6	1.7	1.6	1.5
Restaurants and hotels	0.5	0.8	1.0	1.3	1.4	1.7	2.1	2.3	2.6	2.2	2.0
Miscellaneous goods and services	5.8	7.2	8.0	8.7	9.2	8.9	8.8	9.0	8.2	6.6	7.9

Measurement and Analysis of Income Inequality

Gini coefficient rose by 4.5 percent and reached 0.4190 in 2018/19. The ratio of the income of the richest 10 percent of households, which was 14.0 times that of the poorest 10 percent in 2017/18, increased to 15.9 times in 2018/19. The share of the 20 percent of high-income households increased by 1.8 percentage points from 47.4 percent in 2017/18 to 49.2 percent in 2018/19. A review of the shares of income deciles in total income indicates that the shares of the 1st to 9th deciles decreased while the share of the 10th decile increased. Therefore, income distribution in 2018/19 was in favor of the high-income groups, but not the low- and middle-income groups.

Table 9.6. Income Inequality Metrics in Urban Areas

	2017/18	2018/19
Gini coefficient	0.4008	0.4190
Share of 40 percent of low-income households (percent)	15.9	15.2
Share of 40 percent of middle-income households (percent)	36.7	35.6
Share of 20 percent of high-income households (percent)	47.4	49.2
Ratio of richest 10 percent to poorest 10 percent of households (times)	14.0	15.9

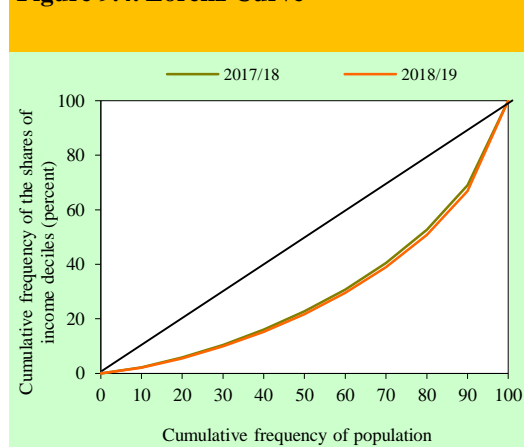
Social Security

Non-contributory Coverage

In 2018/19, the number of people covered by Imam Khomeini Relief Foundation totaled 4,266 thousand, up by 52.6 percent (1,471 thousand persons) compared with 2017/18. Apparently, the great leap in the general level of prices and the consequent decline in the household purchasing power have led to strong growth in the number of people receiving sustainable livelihood support in 2018/19. Against this backdrop and in line with the objective of reducing absolute poverty stipulated in Note 14, Budget Law

for 2018/19¹, the provided grants rose by 111.3 percent at constant 2016/17 prices.

Figure 9.4. Lorenz Curve



Contributory Coverage

Social Security Organization, Iran Health Insurance Organization², as well as some independent Funds are responsible for the provision of contributory insurance in Iran. In 2018/19, total number of people covered by Social Security Organization and Iran Health Insurance Organization increased by 0.8 percent to about 84.2 million persons. This indicates that some citizens are under the insurance coverage of several organizations

¹ In accordance with Note 14 to the Budget Law for 2018/19 (on the targeted expenditure side of the budget), a sum of Rls. 70 trillion was allocated for the purpose of reducing absolute poverty and increasing the livelihood support to the households whose income level was lower than the amount granted by Imam Khomeini Relief Foundation and State Welfare Organization.

² Based on Article 38 of the 5th FYDP Law, Iran Health Insurance Organization, taking over all the duties of the Medical Services Insurance Organization, was established in 2012/13 with the aim of mobilization of financial resources in the health sector, elimination of overlapping health insurance programs, better social justice in the health and medical care sector, provision of medical insurance for all the uncovered Iranians, harmonization of health insurance policies and executive measures, organization of the insured parties' affairs, formation of health files, activation of the family physician project, and reduction of the share of the insured parties in health costs to 30 percent.

with the aim of benefitting from more than one retirement funds. The design of special electronic systems and issuance of insurance policies based on national codes are expected to solve the mentioned statistical errors.

The Social Security Organization (SSO) insures workers and employees, who are subject to Labor Law, through obligatory partnership plans. This organization insures the self-employed parties through contracts. In 2018/19, the number of the main insured parties reached 14.0 million persons, showing 0.3 percent increase compared with 2017/18.

The total number of the main and dependent insured parties as well as pensioners under the coverage of the Social Security Organization rose 1.4 percent to 43 million in 2018/19, of whom 6.5 million were pensioners and the remaining received insurance services. The number of the retired people under the coverage of this organization increased by 9.0 percent to reach 1,926.5 thousand.

Iran Health Insurance Organization, affiliated to the Ministry of Cooperatives, Labor, and Social Welfare, extends health insurance coverage to civil servants and their dependents, rural dwellers, and the self-employed people. In 2018/19, the number of those insured by this organization increased by 0.2 percent and reached 41.3 million persons, of whom 20.0 million were under the coverage of Rural Dwellers' Fund, 13.9 million were insured under the Public Health Insurance Law, 5.4 million were covered by the Staff Fund, 0.5 million were under the coverage of Iranian Insurance Project, and the remaining people who availed themselves of the health insurance granted by Iran Health Insurance Organization were classified under "other". The number of people insured under the coverage of Rural Dwellers' Fund and Iranian Insurance Project increased while that of people insured under the "other" category decreased.

Rural Dwellers' Social Insurance Fund

According to the Structural Rules of the Comprehensive System of Welfare and Social Security, Rural Dwellers' Social Insurance Fund insures farmers and other villagers on a voluntary basis. As a result, the activities of this Fund are expanded through brokerage firms. The number of brokerage firms reached 1,862 in 2018/19, indicating about 1.0 percent decrease compared with the respective figure of the year before (1,880). The amount approved to be contributed by the government to Rural Dwellers' Social Insurance Fund increased by 9.6 percent to Rls. 5,030 billion, 73.8 percent of which was actually allocated.

The number of people insured by Rural Dwellers' Social Insurance Fund reached 1,030.1 thousand in 2018/19, down by 37.0 percent compared with 2017/18. This was due to the structural change in statistics and the classification of the insured parties into active and inactive classes.

Table 9.7. Number of Brokerage Firms and People Insured by Rural Dwellers' Social Insurance Fund

	2017/18	2018/19	Percentage change
Main insured (thousand)	1,636.4	1,030.1	-37.0
Brokerage firms	1,880	1,862	-1.0

Source: Rural Dwellers' Social Insurance Fund.

Human Development Indices¹

Human Development Index (HDI) in Iran

Based on the 2019 Human Development Report (HDR) published for the United Nations Development Program (UNDP), Iran, with an HDI value of 0.797, ranked 65 among 189 countries in 2018. As of the

¹ Based on the 2019 Human Development Report (HDR).

beginning of United Nations Development Program and HDR publication in 1990, most countries have registered significant human development. The average HDI in 62 countries enjoying very high human development was 0.892 in 2018, indicating an improvement compared with 0.890 in 2017. Average world HDI was 0.731 in 2018, up by 0.002 point compared with 2017. This report considers four Human Development Index groups including very high human development, high human development, medium human development, and low human development. Countries with HDI values between 0.700 and 0.800 are the countries with high human development. Norway had the highest HDI value of 0.954 and Iran was ranked among countries with high human development in 2018.

Selected Human Development Indices

Based on the 2019 Report, life expectancy at birth in Iran was 77.7 years for women and 75.4 years for men in 2018, which is higher than the average figure for the world (74.9 and 70.4 years, respectively).

Gender Inequality Index (GII) contains three dimensions of reproductive health, empowerment, and labor market participation,

indicating that countries with unequal distribution of human development also experience high inequality between men and women, and countries with high gender inequality experience unequal distribution of human development. This measure ranges from 0, which indicates that there is the least extent of gender inequality between men and women, to 1 which is indicative of the highest gender inequality. Based on HDR of 2019, Iran's Gender Inequality Index (GII) of 2018 was 0.492 which, in comparison with the same index in the year before (0.461), indicates the worsening of gender inequality dimensions in the said year. Iran ranked 118 in 2018 in GII among 162 countries whose data were available. Switzerland, Denmark, and Sweden ranked respectively 1st to 3rd in 2018 in GII. This indicates that these countries had the lowest gender inequality in 2018. Another index referred to in the 2019 Human Development Report is the percentage of women holding seats in the national parliament. In 2018, the share of parliamentary seats held by women in Iran remained unchanged at 5.9 percent. This index was 17.4 percent in Turkey, 25.2 percent in Iraq, 27.4 percent in Afghanistan, 23.6 percent in the USA, 19.9 percent in Saudi Arabia, and 31.5 percent in Germany.

Table 9.8. Iran's HDI Value

	2000	2010	2016	2017	2018	Annual average growth rate (percent)	
						2000-2010	2010-2018
HDI	0.671	0.756	0.799	0.799	0.797	1.20	0.68

Source: The 2019 Human Development Report.