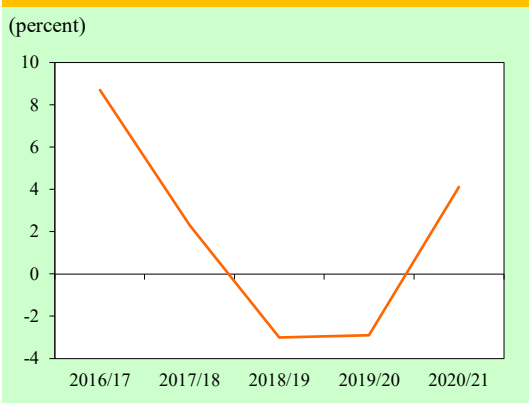


2.1. Gross Domestic Product (GDP)

After withstanding two consecutive years of negative growth, GDP (at constant 2016/17 prices) experienced a positive growth rate of 4.1 percent in 2020/21 compared with the year before. Excluding oil and gas, GDP registered a growth rate of 3.6 percent, mainly attributable to improvements in the performances of "agriculture, forestry, and fishing" and "industry" groups.

Figure 2.1. GDP Growth
(at constant 2016/17 prices)



In 2020/21, the value added of the "agriculture, forestry, and fishing", "oil and gas", "industry", and "services" sectors (at constant 2016/17 prices) increased by 3.2, 9.6, 7.3 and 2.2 percent, respectively, compared with the year before. The shares of the mentioned sectors in GDP were respectively

12.5, 3.7, 33.3 and 50.4 percent, at current prices, in 2020/21.

A look at the developments of the agriculture sector in 2020/21 indicates that "farming", "horticultural", and "livestock" products enjoyed a favorable performance, leading to a rise in the value added of the "agriculture, forestry and fishing" sector by 3.2 percent compared with 2019/20. Contrariwise, the share of the value added of this sector in GDP decreased from 13.8 percent in 2019/20 to 12.5 percent in 2020/21 at current prices.

Table 2.1. Gross Domestic Product
(at constant 2016/17 prices) (percentage change)

	2018/19□	2019/20□	2020/21□
Agriculture, forestry, and fishing	-2.3	9.1	3.2
Oil and gas	-18.4	-36.2	9.6
Industry	-1.8	1.0	7.3
Services	0.1	-0.3	2.2
GDP	-3.0	-2.9	4.1
Non-oil GDP	-0.7	1.1	3.6

The imposition of sanctions under the Maximum Pressure Act impacted enterprises active in the manufacturing and mining sector negatively, raising production costs and further limiting the supply of the required

raw materials and intermediate goods. Notwithstanding these difficulties, the value added of the industry sector grew by 7.3 percent at constant prices. The share of the value added of the "industry" sector in GDP rose from 28.2 percent in 2019/20 to 33.3 percent in 2020/21, at current prices. A review of the developments of the subsectors of "industry" indicates that the value added of the "manufacturing", "mining and quarrying", "electricity, gas, steam and air conditioning supply", "water supply; sewerage, waste management and remediation activities", and "construction" experienced positive growth compared with 2019/20. The value added of the "manufacturing" subsector grew by 7.2 percent at constant prices, as represented by a rise of 12.2 percent in the production index of large manufacturing establishments (constituting about 70 percent of the value added of the manufacturing sector). This was mainly attributable to growth in the manufacture of "basic metals", "chemicals and chemical products", "motor vehicles, trailers and semi-trailers", and "food products". The value added of "mining and quarrying" grew by 14.4 percent at constant prices, caused by growth in the value added of mines, particularly in terms of the mining of iron ores and the production of copper from ores.

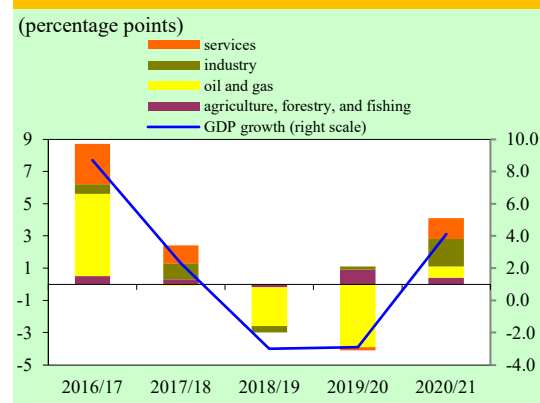
In addition, due to the increase in electricity generation and gas supply, the value added of "electricity, gas, steam and air conditioning supply" increased by 5.9 percent at constant prices. The value added of "water supply; sewerage, waste management and remediation activities" grew by 2.6 percent, mainly attributable to improvements in wastewater treatment in urban and rural areas.

In the construction sector, despite a relative improvement in the private sector's construction indicators as well as an increase

of 12.9 percent in the value added of the private sector's buildings at constant prices, the value added of government buildings decreased in 2020/21. All in all, the value added of the construction sector experienced a growth rate of 7.2 percent at constant prices.

The value added of the services sector, constituting the highest share of GDP by 50.4 percent at current prices, grew by 2.2 percent at constant prices, mainly due to the increases in the performance of "information and communication", "wholesale and retail trade; repair of motor vehicles and motorcycles", "real estate activities", and "financial and insurance activities" groups. However, the value added of "transport and storage", "accommodation and food service activities", "professional, scientific and technical activities", "administrative and support service activities", "public administration and defense; compulsory social security", "education", and "human health and social work activities" groups declined, mainly attributable to the outbreak of the COVID-19 pandemic. Overall, though, the value-added of the "services" sector experienced a growth rate of 2.2 percent in 2020/21, at constant 2016/17 prices.

Figure 2.2. Economic Sectors' Contribution to GDP Growth (at constant 2016/17 prices)



The value added of the "oil and gas" sector grew by 9.6 percent in 2020/21 at constant prices. This was against a decline of 36.2 percent in 2019/20, following the US withdrawal from the JCPOA and the resulting restrictions on oil exports, as well as the non-renewal of exemptions granted to buyers of Iran's oil as of May 2019. However, the share of the value added of the oil and gas sector in GDP fell from 6.3 percent in 2019/20 to 3.7 percent in 2020/21, at current prices.

2.2. Gross Domestic Expenditure (GDE)

In 2020/21, gross domestic expenditure rose by 3.3 percent at constant 2016/17 prices, compared with 2019/20. Reviewing the components of the gross fixed capital formation is indicative of an increase in private consumption expenditures versus a decrease in public consumption expenditures.

Private consumption expenditures, mainly representing household final consumption expenditures, are calculated based on the estimates derived from the household budget survey, population growth, and the rate of inflation. In 2020/21, private consumption expenditures indicated a rise of 0.5 percent, at constant 2016/17 prices, compared with the year before. On the other hand, public consumption expenditures of ministries and their affiliated institutions, municipalities, and the Social Security Organization (SSO), given the rise in the number of employees and based on the current expenses of the government, decreased by 0.9 percent, at constant prices compared with 2019/20.

Gross fixed capital formation increased by 3.2 percent at constant prices. Due to the rise in the amount of investment in the domestically produced as well as the imported capital goods, gross fixed capital formation in the "machinery" group indicated an increase of 3.5 percent compared with 2019/20. In a similar way, gross fixed capital formation in the "construction" group, in spite of a fall in the government's as well as the affiliated companies' construction activities, increased by 3.8 percent in 2020/21, mainly attributable to an improvement in the private sector's investment in the construction of buildings in urban and rural areas.

In 2020/21, the imports of goods and services decreased by 29.7 percent at constant prices, compared with 2019/20. Likewise, the exports of goods and services decreased by 12.8 percent compared with the year before, caused by the reduction in non-oil exports.

Figure 2.3. Expenditure Items' Contribution to GDE Growth (at constant 2016/17 prices)

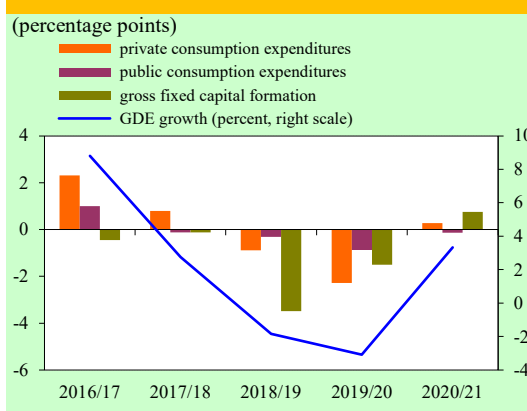


Table 2.2. Gross Domestic Expenditure (at constant 2016/17 prices)

(percentage change)

	2018/19□	2019/20□	2020/21□
Private consumption expenditures	-1.8	-4.7	0.5
Public consumption expenditures	-2.0	-5.6	-0.9
Gross fixed capital formation	-15.8	-6.6	3.2
GDE	-1.8	-3.1	3.3
Net national income at basic prices	-8.8	-10.6	3.4