

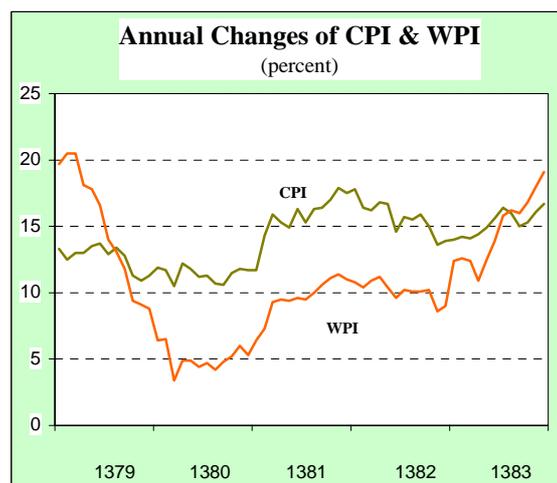
CHAPTER SIXTEEN

PRICE TRENDS

The downward trend of inflation rate in the recent years was reversed as of the beginning of 1381, and reached 15.6 percent in 1382 and 15.2 percent in 1383. This rate was 12.6, 11.4 and 15.8 percent, respectively during 1379-81.

Owing to adverse effects of inflation on the economy, one of the major objectives of the government is to reduce the inflation rate to a single digit level and to maintain price stability.

High liquidity growth was largely responsible for pushing inflation up. Despite a slowdown in the economic growth in 1383 as compared to the previous year, the increasing trend of imports, especially import of consumer goods, undermined the impact of this slowdown on inflation. Therefore, in addition to the liquidity growth, other factors were responsible for changes in the general price level. Increase in wages and price rise of production inputs (domestic and imported) were among other factors for cost-push inflation. Growth in the price index of imported goods severely affected the general index, which was attributable to the high dependence of various sectors of the economy on intermediate goods and raw materials.



AVERAGE ANNUAL CHANGES IN PRICE INDICES

(percent)

	1379	1380	1381	1382	1383	Average Growth
Consumer price index in urban areas	12.6	11.4	15.8	15.6	15.2	14.1
Wholesale price index	14.8	5.1	9.6	10.1	14.7	14.6
Producer price index	16.2	10.9	13.5	15.6	16.8	10.8
Exported goods price index	17.7	1.3	5.7	11.7	28.4	12.4
GDP deflator (basic price) (1)	26.4	11.6	28.3	11.8	20.6	19.5
Non-oil GDP deflator (basic price) (1)	22.5	12.6	16.0	12.6	17.0	16.1

(1) Figure for 1383 is preliminary.

Consumer Price Index (CPI)

Urban Areas

The CPI grew by 15.2 percent in 1383 on average. This shows 0.4 percentage point reduction compared to the previous year. Review of the constituents of this index by special groups indicates that the price indices of "goods", "services", and "housing, water, fuel, and power" groups declined in the year under survey. The price index of "goods" recorded the highest share of 43.3 percent in raising the general index. "Housing, water, fuel, and power" and "services" groups raised the general index by 38.9 and 17.8 percent, respectively.

The growth of price index of the main groups under the headings of "food, beverages, and tobacco", "housing, water, fuel, and power", "transportation and communications", and "miscellaneous goods and services" groups declined compared to 1382, while that of "household furnishings and operations", "clothing and footwear", "health and medical care" and "recreation, reading, and education" groups went up. The price index of "housing, water, fuel, and power" group had the highest and that of "clothing and footwear" the lowest growth.

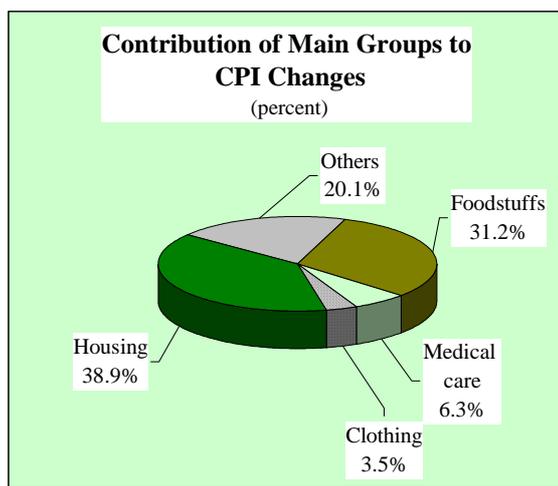
The main group of "housing, water, fuel, and power", with a relative weight of 27.0 percent, grew by 18.2 percent and had the highest share (38.9 percent) in raising the general index. The main reason behind this was the growth of the sub-group of "housing" which, with a growth of 18.8 percent compared to the year before, accounted for 94.9 percent of the rise in the index of "housing, water, fuel, and power" and 36.9 percent of the rise in the general index.

In the review year, inflation rate was 14.9 percent in Tehran province which, due to its population and share in the expenditures of urban households, has the lion's share of 34.9 percent in the general index. Increase in CPI's general index in Tehran province accounts for 5.4 percentage points of that of all urban areas, constituting 35.1 percent share in the rise of the general index.

Rural Areas

According to the data released by the Statistical Center of Iran, the CPI for rural areas went up by 15.5 percent in 1383 compared to the year before. The CPI for rural households, according to two special groups, indicates rise of price index for "goods" by 13.3 percent, and "services" group by 22.4 percent compared to the year before. These two special groups with relative weights of 83.4 and 16.6 percent in the general index raised the general index by 65.4 and 34.6 percent, respectively.

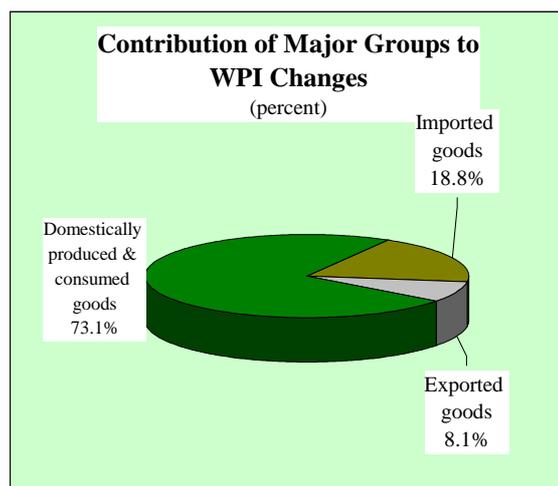
In the review year, the price index of "food, beverages, and tobacco" group picked up by 13.2 percent, with that of "non-edible goods and services" group by 17.4 percent. The shares of "food, beverages, and tobacco" and "non-edible goods and services" groups in the general index were 38.6 and 61.4 percent, respectively.



Wholesale Price Index (WPI)

Wholesale price index grew by 14.7 percent on average in 1383, against 10.1 percent in the previous year. This rise was basically ascribable to the growth rate of "domestically produced and consumed goods" from 11.6 percent in 1382 to 14.2 percent in 1383, accounting for 73.1 percent of changes in the WPI.

The growth rate of the price index of "imported goods" went up from 4.8 percent in 1382 to 14.5 percent in the review year. For "exported goods", this rate also grew from 9.5 percent in 1382 to 22.5 percent in 1383. International prices, the amount of import duties, and exchange parity rate applied in customs calculations are among the factors affecting the price index of imported goods.



Producer Price Index (PPI)

In 1383, the producer price index grew by 16.8 percent, against 13.5 and 15.6 percent in 1381 and 1382, respectively. Among the special constituent groups of this index, the price index of "mining and quarrying, manufacturing and electricity, gas and water supply", considering its remarkable relative weight in the composition of the general index, raised the PPI by 37.1 percent. The growth rate of "agriculture, animal husbandry, forestry, and fishing" group rose from 15.6 percent in 1382 to 17.9 percent in 1383. The price index of "services" had a decelerating growth rate of 18.6 percent in 1383 against 22.2 percent in 1382. Nevertheless, due to its high relative weight in the composition of the general index, "services" special group accounted for approximately 37 percent of growth in this index.

Among the main constituent groups of producer price index, the highest shares in raising the general index belonged respectively to "manufacturing", "agriculture, animal husbandry, and forestry", "real estate, renting, and business activities", and "transport, storage, and communications" groups.

Exported Goods Price Index

In the review year, exported goods price index went up by 28.4 percent compared to the previous year. The growth rates of this index were 5.7 and 11.7 percent for 1381 and 1382, respectively. Among the constituent groups of exported goods, the price index of "basic metals" had the highest growth rate of 71.1 percent, owing to the rise in the price index of various types of iron, cast iron, and steel by 79.2 and copper by 58.7 percent.

In 1383, among the main constituent groups of this index, "chemicals and related industries products" and "basic metals" groups had the greatest effect on the general index and raised it by 25.2 and 24.7 percent, respectively.