CHAPTER 18

COMPARISON OF THE IRANIAN ECONOMY WITH COUNTRIES IN THE REGION

Of the major objectives stipulated in the 20-Year Vision Plan is to attain the first place in South West region (including Central Asia, the Caucasus, the Middle East, and the neighboring countries) in economics, science, and technology. This could be achieved with an emphasis on software development and scientific progress, accelerated and sustained economic growth, raising per capita income, and reaching full employment. To succeed in reaching this strategic goal, it is essential to determine basic concepts, strategies, appropriate patterns, and guidelines for development plans during the course of the 20-Year Vision Plan. In this context, determining indicators and requirements for monitoring and assessment of measures taken to stand the first in the region are of prime importance.

Comparison of Iran's Economic Indicators with the Countries in the Region

To upgrade Iran's ranking, vast geographical areas are included in the 20-Year Vision Plan. These countries are: Saudi Arabia, Turkey, Pakistan, Egypt, Zionist Occupying Regime, the United Arab Emirates, Kuwait, Iraq, Qatar, Jordan, Bahrain, Syria, Palestine, Lebanon, Yemen, Oman, Azerbaijan, Uzbekistan, Tajikistan, Turkmenistan, Georgia, Kazakhstan, Kyrgyzstan, Armenia, and Afghanistan. Moreover, certain indicators for economic growth such as per capita income, employment, etc., are selected to be used for the comparison of Iran with the mentioned countries, during the course of the 20-Year Vision Plan, which help determine Iran's ranking among the mentioned countries.

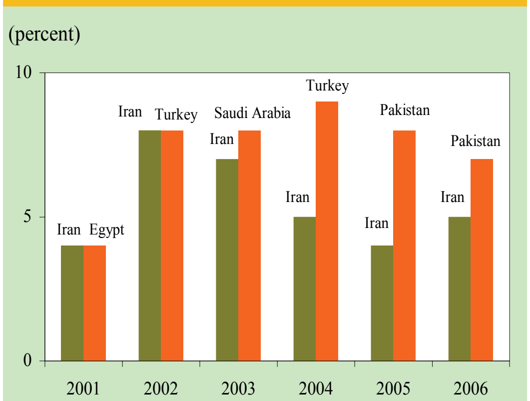
This chapter tries to give Iran's ranking among five major countries in the region including Saudi Arabia, Turkey, Pakistan, Egypt, and Zionist Occupying Regime during 2001-06. The period covered in this study includes the first year of the 20-Year Vision Plan (1384) and the last four years ending 1384.

The respective tables indicate data on the five mentioned countries as rounded figures. Figures draw on Iran's status compared with major countries according to economic indicators such as economic growth, GDP, GDP per capita, share of manufacturing sector in GDP, investment growth, the ratio of gross fixed capital formation to GDP, and the ratio of government spending to GDP. Other indicators include liquidity growth, inflation rate and unemployment rate.

Economic Growth

Iran enjoyed a positive growth during 2001-06, however its upward trend slowed down in 2003 and then went up in 2006. Iran's ranking varied among major regional countries. With the continued economic slowdown, the growth rate distanced from the highest growth rate in Pakistan in 2005 and 2006. Iran ranked the last among regional countries in 2005 (the first year of the 20-Year Vision Plan) and again the lowest after Saudi Arabia in 2006.

Figure 18.1. Iran's GDP growth compared with the highest in the region



GDP GROWTH (percent)

	2001	2002	2003	2004	2005	2006
Iran (1)	4	8	7	5	4	5
Saudi Arabia	1	0	8	5	6	4
Turkey	-7	8	6	9	7	6
Pakistan	2	3	5	7	8	7
Egypt	4	3	3	4	4	7
Zionist Occupying Regime	-1	-1	2	5	5	5

Source: WDI, the World Bank Group, 2007

(1) GDP growth during 1380-85 recorded as 3.3, 7.6, 6.8, 4.8, 5.7, and 6.2 percent, respectively.

Gross Domestic Product (GDP)

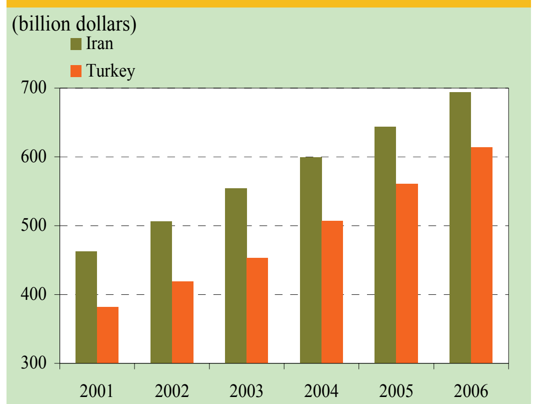
Gross domestic product, one of the measures of national income and output, gives a clearer picture of economic condition as well as purchasing power of a country. According to data released by the WDI, Iran's GDP had been increasing during 2001-06, reaching $644 and 694 billion in 2005 and 2006, respectively, and ranking first among major regional countries followed by Turkey.

GDP (billion dollars)

	2001	2002	2003	2004	2005	2006
Iran	463	506	554	599	644	694
Saudi Arabia	370	377	415	449	491	528
Turkey	382	419	453	507	561	614
Pakistan	247	259	278	307	340	375
Egypt	261	274	289	310	333	367
Zionist Occupying Regime	128	129	134	144	157	170

Source: WDI, the World Bank Group, 2007

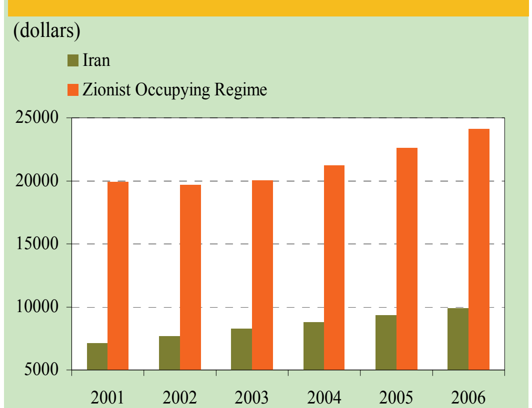
Figure 18.2. GDP



GDP Per Capita

Gross domestic product per capita is a basic economic growth indicator that measures the level and extent of total economic output. Since productive capacity has a strong influence on living conditions, GDP per capita provides a rough estimate of living standards. Iran's GDP per capita had been increasing during 2001-06 and according to purchasing power parity reached $9,906 in 2006, against $7,125 in 2001. However, Iran ranked third in this regard among the mentioned countries.

Figure 18.3. GDP per capita



GDP PER CAPITA (dollars)

	2001	2002	2003	2004	2005	2006
Iran	7,125	7,672	8,264	8,796	9,314	9,906
Saudi Arabia	17,527	17,471	18,805	19,928	21,220	22,296
Turkey	5,567	6,018	6,403	7,128	7,786	8,417
Pakistan	1,746	1,791	1,872	2,017	2,184	2,361
Egypt	3,857	3,977	4,116	4,329	4,574	4,953
Zionist Occupying Regime	19,927	19,683	20,040	21,236	22,627	24,097

Source: WDI, the World Bank Group, 2007

Share of Manufacturing Sector in GDP

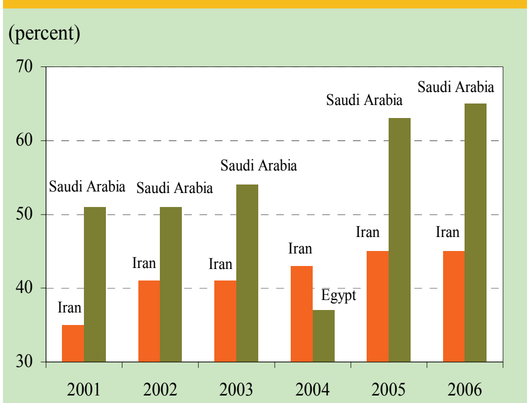
Share of manufacturing in GDP reveals industrial capabilities and potentialities of a country; thus, it is a measuring index of industrial development. According to data released by the WDI, share of the manufacturing sector in GDP rose persistently during 2001-06 to 45 percent in 2006, against 35 percent in 2001. Therefore, Iran ranked second among major regional countries (excluding Zionist Occupying Regime). It is worth mentioning that Saudi Arabia often enjoyed the highest rank.

RATIO OF VALUE-ADDED OF MANUFACTURING SECTOR TO GDP (percent)

	2001	2002	2003	2004	2005	2006
Iran	35	41	41	43	45	45
Saudi Arabia	51	51	54	20	63	65
Turkey	27	26	26	26	27	27
Pakistan	24	24	24	27	27	27
Egypt	33	35	36	37	36	38

Source: WDI, the World Bank Group, 2007

Figure 18.4. Ratio of value-added of the manufacturing sector to GDP



Investment Growth

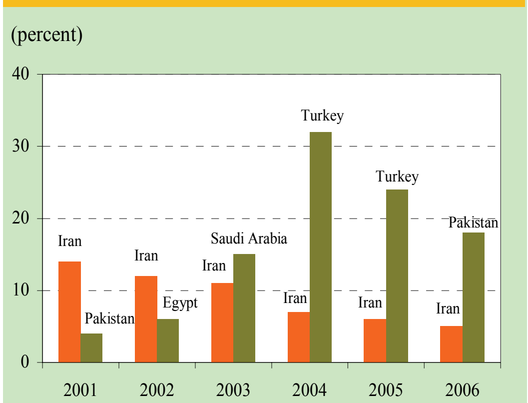
Data reveal that Iran's rate of gross fixed capital formation declined from 14 percent in 2001 to 5 percent in 2006, the lowest ranking in 2006. The highest-ranked countries are Turkey and Pakistan in 2005 and 2006 by 24 and 18 percent, respectively, well above Iran's ranking in terms of investment growth.

ANNUAL GROWTH OF GROSS FIXED CAPITAL FORMATION (percent)

	2001	2002	2003	2004	2005	2006
Iran	14	12	11	7	6	5
Saudi Arabia	2	1	15	..	..	..
Turkey	-32	-1	10	32	24	14
Pakistan	4	0	4	-6	14	18
Egypt	-2	6	-9	9	11	14

Source: WDI, the World Bank Group, 2007

Figure 18.5. Annual growth of gross fixed capital formation



Ratio of Gross Fixed Capital Formation to GDP

Ratio of gross fixed capital formation to GDP is an important macroeconomic variable, which reveals the economy's potential and capability of a country for growth and development in future. Despite a fall in the rate of investment growth during the review period, Iran's ratio of gross fixed capital formation to GDP varied within the range of 27-29 percent, ranking first among major regional countries. The imbalance between economic growth and amount of investment is mainly due to low productivity and inefficiency of investment which could be observed in the government dominant economies.

RATIO OF GROSS FIXED CAPITAL FORMATION TO GDP (percent)

	2001	2002	2003	2004	2005	2006
Iran	28	28	29	29	27	27
Saudi Arabia	18	18	18	17	17	17
Turkey	18	17	15	18	20	21
Pakistan	16	15	15	15	17	20
Egypt	18	18	16	16	18	19
Zionist Occupying Regime	18	18	17	17	17	17

Source: WDI, the World Bank Group, 2007

Ratio of Government Spending to GDP

Government spending including government consumption expenditures for the purchase of goods and services, as well as wages and salaries paid to government employees varies with the government size and extent of its involvement in economic sectors and activities. Ratio of government spending to GDP declined to 11 percent in 2004 against 14 percent in 2001, while it rose to 12 percent in 2005-06. However, the highest ratio belongs to Zionist Occupying Regime, followed by Saudi Arabia.

RATIO OF GOVERNMENT SPENDING TO GDP (percent)

	2001	2002	2003	2004	2005	2006
Iran	14	13	12	11	12	12
Saudi Arabia	27	26	25	24	22	25
Turkey	14	14	14	13	13	13
Pakistan	8	9	9	8	8	11
Egypt	11	12	13	13	13	12
Zionist Occupying Regime	28	30	29	28	27	27

Source: WDI, the World Bank Group, 2007

Figure 18.6. Ratio of gross fixed capital formation to GDP

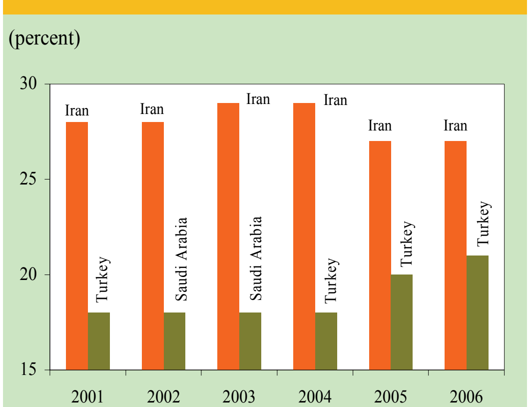
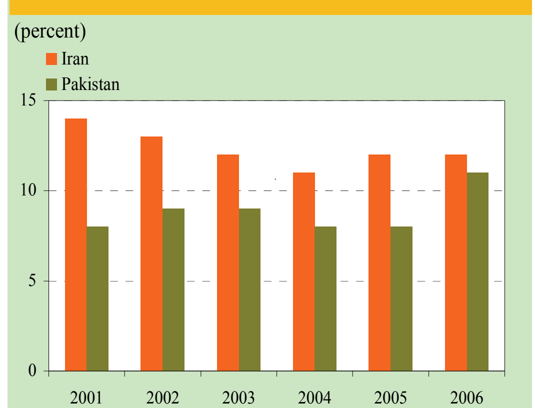


Figure 18.7. Ratio of government spending to GDP



Liquidity Growth (M2)

Liquidity growth should be consistent with economic requirements. An inconsistent growth poses a severe threat to price stability. Therefore, monetary authorities remain strongly committed to achieving liquidity management in monetary policies in order to prevent the ensuing inflationary consequences of liquidity growth. According to the WDI, minimum and maximum rates of liquidity growth were registered at 23 and 29 percent in 2004-05 and 2006, respectively. The upward trend of liquidity growth was reversed during 2002-05, still the highest among the mentioned countries in 2005-06. Zionist Occupying Regime had the lowest rate of liquidity growth over the course of 2001-06.

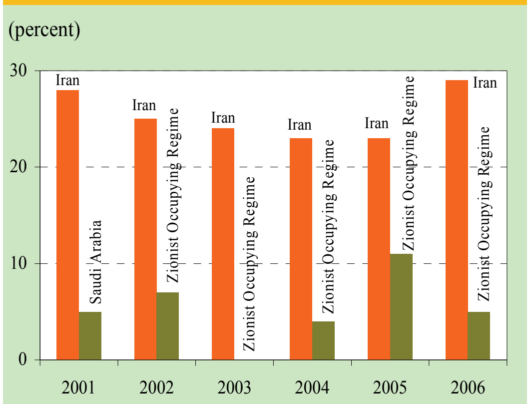
LIQUIDITY GROWTH (percent)

	2001	2002	2003	2004	2005	2006
Iran [(1)]	28	25	24	23	23	29
Saudi Arabia	5	15	8	17	13	20
Turkey	87	30	14	21	25	33
Pakistan	12	17	18	21	17	15
Egypt	13	13	22	15	11	15
Zionist Occupying Regime	9	7	0	4	11	5

Source: WDI, the World Bank Group, 2007

(1) Liquidity grew by 28.8, 30.1, 26.1, 30.2, 34.3 and 39.4 percent, respectively, during 1380-85.

Figure 18.8. Liquidity growth



Inflation Rate

High inflation can damage economic efficiency in numerous ways, including creating uncertainties in market, distorting investment decisions, complicating economic planning, and hindering economic growth. These persuade the policymakers to curb inflation. Iran is always among countries with high inflation rate in the region.

The period 2001-06 witnessed fluctuation in inflation rate, with 16 percent as the highest in 2003. This rate fell to 12 percent in 2006. The highest reduction in inflation rate belonged to Turkey, which was reduced from 54 percent in 2001 to 11 percent in 2006. During 2005 and 2006, Iran had the highest inflation and the lowest was related to Saudi Arabia and Zionist Occupying Regime.

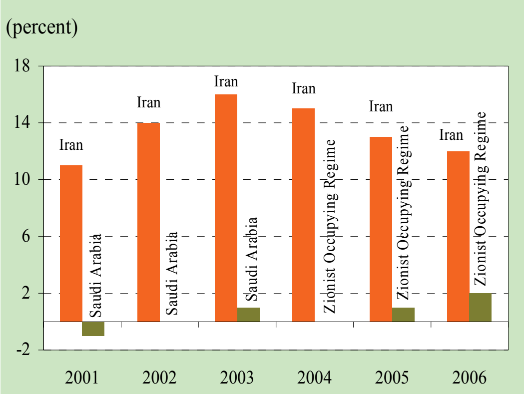
INFLATION RATE (percent)

	2001	2002	2003	2004	2005	2006
Iran [(1)]	11	14	16	15	13	12
Saudi Arabia	-1	0	1	0	1	2
Turkey	54	45	25	11	10	11
Pakistan	3	3	3	7	9	8
Egypt	2	3	5	11	5	8
Zionist Occupying Regime	1	6	1	0	1	2

Source: WDI, the World Bank Group, 2007

(1) Data released by the WDI slightly differ from those by the CBI, which were respectively 11.4, 15.8, 15.6, 15.2, 10.4, and 11.9 percent for 1380-85 at 1383 base year.

Figure 18.9. Inflation rate



Unemployment Rate

According to the data released by the WDI, Iran's unemployment rate was always the highest in the region. On the other hand, Saudi Arabia and Pakistan had the lowest rate during the review period.

UNEMPLOYMENT RATE (percent)

	2001	2002	2003	2004	2005	2006
Iran (1)	..	13	..	10	12	..
Saudi Arabia	5	5	..	..	..	6
Turkey	8	10	10	10	10	..
Pakistan	8	8	8	7	8	..
Egypt	9	10	10	11	..	..
Zionist Occupying Regime	9	10	11	10	9	..

Source: WDI, the World Bank Group, 2007

(1) According to the data released by the Statistical Center of Iran, unemployment rate in Q4 of 1380-85 was 14.7, 12.2, 11.3, 10.3, 12.1, and 12.1 percent, respectively.

Figure 18.10. Unemployment rate (1)

1- Figures for Iran in 2001, 2003, and 2006 are released by the CBI.