In the name of God

Stylized Facts of the Real Sector of the Iranian Economy during 1989-2006

By:
Ali Maroufkhani

Economic Research and Policy Department
Central Bank of the Islamic Republic of Iran
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Abstract

The results of economic and non-economic policies carried out by policy makers are ultimately reflected in the real sector performance of the economy. Moreover, apart from production bottlenecks such as low productivity and efficiency of labor force, capital and technology in this sector, huge oil revenues and oil price fluctuations have affected the structure of the government's expenditure as well as the production cost of corporate sectors. This has led to vulnerabilities in macroeconomic imbalance in monetary and foreign exchange sectors which bring about weaknesses and lack of discipline in government fiscal behavior.

In the current study, we explore the macro indicators of the Iranian economy and compare them with those of regional countries for the years 2000-06 (the review period). With the use of national accounts data of Iran, we have carried out trend and cycle behavior analysis, estimated correlation coefficients, and other characteristics of GDP and GDP components' growth for the countries under study.

The analysis of the macro indicators of the real sector in the review period indicates that although the levels of selected variables are high for Iran, growth and per capita of these variables in comparison with other MENA region countries and with Outlook 1404 Document (Vision Plan) are not appropriate. In addition, the current study shows that the average annual growth of GDP (which is normally used for performance assessment of the country) in Iran was 5.2 percent over the study period which is conceived to be appropriate. However, the high fluctuation and instability of growth performance in Iran compared to other regional countries is a matter of concern.

The major difficulty in Iran's macroeconomic performance does not only stem from large fluctuations and instability in growth of variables like GDP, consumption and investment, but also from the fact that growth in the Iranian economy is highly import intensive and largely dependent on relatively large inflows of oil income. Moreover, given the very low energy price in Iran, the energy intensity which shows the amount of energy consumption for production of each unit of GDP is indeed very high compared with other countries and it has followed an increasing trend over the review period.

Keywords: Stylized Facts, Real Sector, Macro Indicators, Economic Growth