

Part One

**Economic Developments
of Iran in 1387**

*In the Name of God,
The Compassionate, The Merciful*

Gross Domestic Product

In 1387, despite a fall in the value-added of agriculture and oil sectors, the Iranian economy enjoyed a positive growth. Based on preliminary estimates, GDP rose by 0.8 percent at constant (1376) prices and reached Rls. 3,379 trillion at current prices. The value-added of the manufacturing and mining sector grew by 5.5 percent and services 2.4 percent. On the other hand, the value-added figures of the agriculture and oil sectors fell by 11.8 and 2.0 percent, respectively. Meanwhile, the share of the manufacturing and mining sector in GDP was 18.7 percent, services 50.1 percent, agriculture 8.9 percent, and oil 25.2 percent, at current prices.

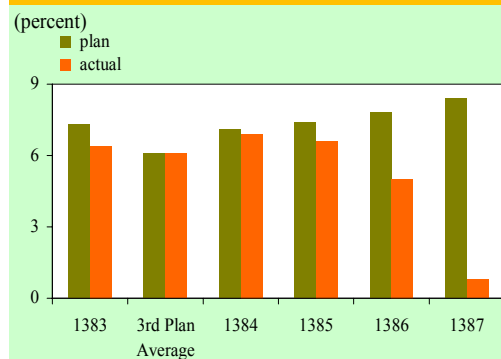
In 1387, non-oil GDP grew by 1.2 percent, which was 0.4 percentage point higher than GDP growth. This was due to the decline in the value-added of the oil sector by 2.0 percent, at constant prices.

Gross Domestic Product by Various Economic Sectors (at constant 1376 prices)

	(percentage change)		
	1385	1386 ▲	1387□
Agriculture	4.7	6.4	-11.8
Oil	3.6	1.3	-2.0
Manufacturing and mining	9.4	3.2	5.5
Services	6.7	6.0	2.4
GDP	6.6	5.0	0.8
Non-oil GDP	7.0	5.4	1.2

In the review year, the value-added of the agriculture sector was estimated at Rls. 302,210 billion at current prices, down by 11.8 percent at constant (1376) prices compared with the year before. This was mainly attributable to drought and unfavorable climatic conditions. The share of the value-added of this sector in GDP decreased from 9.4 percent in 1386 to 8.9 percent in 1387, at current prices.

Figure 1.1. GDP growth¹ (1376=100)



¹ Plan target in the 3rd FYDP is based on 1378 and in the 4th FYDP 1381.

According to preliminary data, the value-added of oil sector amounted to Rls. 850,642 billion in 1387 at current prices, indicating a fall of 2.0 percent at constant (1376) prices, compared with the previous year. Decrease in the production of crude oil and fall in the exports of crude oil, condensates, natural gas liquids, and oil products were the main driving

forces behind the decline in the value-added of the oil sector.

In 1387, the value-added of the manufacturing and mining sector experienced 5.5 percent growth, at constant prices. Meanwhile, the value-added of the manufacturing sector increased by 2.4 percent at constant (1376) prices, mining 11.1 percent, electricity, gas, and water 5.1 percent, and construction 17.3 percent.

Private sector investment in new buildings in urban areas grew by 53.1 percent at current prices. This growth was adjusted to 19.7 percent at constant 1376 prices. Considering this figure and rise in the value-added of government buildings, the growth rate of construction sector is 17.3 percent at constant prices.

The value-added of the services sector, with the highest share in GDP grew by 2.4 percent in 1387 at constant 1376 prices. The share of the value-added of the mentioned group in GDP was 50.1 percent at current prices. In this year, the share of trade, restaurant and hotel in GDP was 10.8 percent; transport, storage, and communication 9.4 percent; financial and monetary institutions' services 3.0 percent; real estate, specialized and professional services 15.0 percent; public

services 9.3 percent; and social, personal and household services 2.6 percent, at current prices. These groups grew by respectively -0.3, 15.9, -5.3, -1.2, -4.0 and -6.1 percent, at constant 1376 prices.

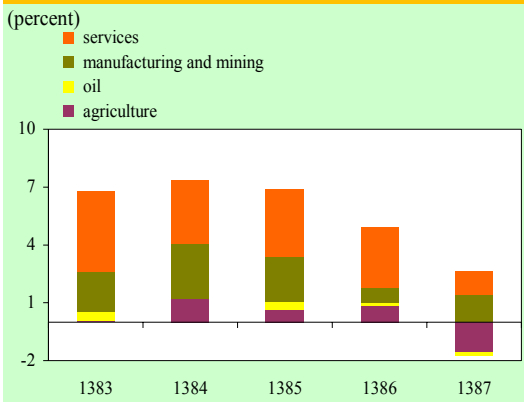
Gross Domestic Expenditure

Based on preliminary data, GDE growth was estimated at 0.6 percent, at constant (1376) prices, in 1387. A review of the constituents of GDE reveals that private consumption expenditures had the highest share in GDE by 42.3 percent at current prices. However, it fell by 4.5 percent, at constant prices.

Public consumption expenditures in ministries and affiliated institutions, municipalities, and Social Security Organization (SSO) accounted for 11.7 percent share of GDE at current prices, and increased by 4.1 percent at constant prices. Gross fixed capital formation, with a share of 28.5 percent in GDE at current prices, amounted to Rls. 957.3 trillion. It also grew by 10.9 percent at constant prices.

Gross fixed capital formation for machinery and construction grew by 6.1 and 17.5 percent, respectively, at constant 1376 prices. The accelerating growth of capital formation in machinery is attributable to the rise in imports of capital goods. For construction, this increase was due to the growth in the investment of both public and private sectors in the construction sector.

Figure 1.2. Economic sectors' contribution to GDP growth



Gross Domestic Expenditure
(at constant 1376 prices)

	(percentage change)		
	1385	1386▲	1387□
Private consumption expenditures	6.1	6.8	-4.5
Public consumption expenditures	5.8	-8.5	4.1
Gross fixed capital formation	3.0	6.6	10.9
GDE	6.2	6.4	0.6
National income	6.7	7.3	-1.2

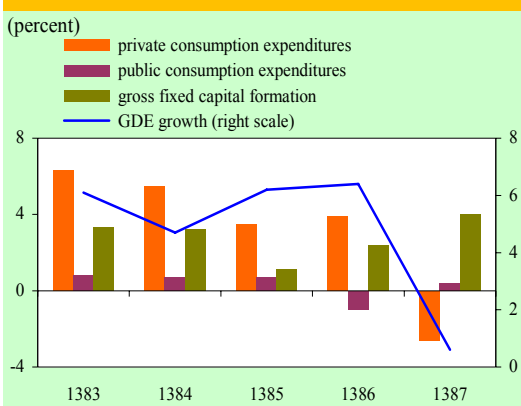
Import of goods and services recorded a growth of 7.8 percent at constant prices, showing a faster growth pace when compared with 3.1 percent growth of the previous year. Export of goods and services declined by 0.3 percent at constant prices. Gross domestic expenditure rose by 0.6 percent at constant (1376) prices to Rls. 3,356.4 trillion at current prices. Considering the net factor income from abroad, gross national expenditure (product), at current and market prices, grew by 18.0 percent to Rls. 3,333.2 trillion, indicating a decline of 0.5 percent at constant prices.

The growth target for agriculture sector in the 4th Plan was set at 6.8 percent, oil 3.2 percent, manufacturing and mining 11.5 percent, and services 9.4 percent, for 1387. Comparison of the performance figures of all these sectors with the mentioned targets indicates that factors such as drought, reduction in production and exports of oil, global recession, and unfavorable conditions in the region hampered the Plan objectives.

Projection of Real Sector Variables during 4th Plan

The tables on next page show 4th FYDP Law projection on major variables of the real sector. According to the 4th Plan Law, GDP is projected to grow by 7.1 percent in 1384, 7.4 percent in 1385, 7.8 percent in 1386, 8.4 percent in 1387, and 9.3 percent in 1388, with the average growth of 8.0 percent. According to the basic assumptions of the 4th Plan, 31.3 percent of the mentioned growth is projected based on total factor productivity. Total consumption expenditures are projected to rise by 4.8, 5.5, 5.9, 6.4, and 7.4 percent, during the course of 1384-88, with an average growth of 6.0 percent for the mentioned period. Realization of economic growth objectives is mainly affected by investment growth. Gross fixed capital formation is projected to grow by 11.3, 11.0, 11.7, 12.9, and 14.1 percent, respectively, with an average growth of 12.2 percent.

Figure 1.3. Expenditure items' contribution to GDE growth (1376=100)



Comparison of Real Sector Performance in 1387 with the 4th FYDP Targets

GDP at constant prices grew by 0.8 percent, indicating a fall of 7.6 percentage points when compared with the 8.4 percent growth projected in the 4th FYDP. The 10.9 percent growth rate of gross fixed capital formation during the review year as compared with the 12.9 percent increase projected in the 4th Plan indicates a difference of 2.0 percentage points which is close to the Plan target. Meanwhile, the 3.2 percent fall in total consumption expenditures (sum of public and private consumption expenditures) in 1387 indicates a downward trend as compared with the 4th Plan projection (6.4 percent).

Comparison of Real Sector Performance in 1387 with the 4th FYDP Projection¹ (percent)

	Actual □	Projection
GDP growth	0.8	8.4
Growth of total consumption expenditures	-3.2	6.4
Growth of gross fixed capital formation	10.9	12.9

¹ Data on real sector performance and 4th Plan projection are calculated on the basis of 1376 and 1381 constant prices, respectively.

Chapter 1 NATIONAL PRODUCT, EXPENDITURE AND INCOME

Projection of Growth of Real Sector Variables during 4th Plan

(at constant 1381 prices)

(percentage change)

	1384	1385	1386	1387	1388	4 th Plan average
GDP	7.1	7.4	7.8	8.4	9.3	8.0
Total consumption expenditures	4.8	5.5	5.9	6.4	7.4	6.0
Gross domestic savings	10.1	9.8	10.2	10.7	11.4	10.4
Gross fixed capital formation	11.3	11.0	11.7	12.9	14.1	12.2

Source: 4th FYDP, Management and Planning Organization

Sectoral Growth Projection during 4th Plan

(at constant 1381 prices)

(percentage change)

	1384	1385	1386	1387	1388	4 th Plan average
Agriculture	6.0	5.9	6.2	6.8	7.6	6.5
Oil	2.6	2.7	2.9	3.2	3.6	3.0
Manufacturing and mining	10.5	10.8	11.0	11.5	12.4	11.2
Services	8.0	8.4	8.8	9.4	10.4	9.0
GDP	7.1	7.4	7.8	8.4	9.3	8.0
Non-oil GDP	8.3	8.6	9.0	9.6	10.6	9.2

Source: 4th FYDP, Management and Planning Organization