

COMPARISON OF THE IRANIAN ECONOMY WITH COUNTRIES IN THE REGION

Of the major objectives stipulated in the 20-Year Vision Plan is to reach the first place in South West region (comprising Central Asia, the Caucasus, the Middle East, and the neighboring countries) in economics, science, and technology. This could be attained with an emphasis on software development and scientific progress, accelerated and sustained economic growth, raising per capita income, and reaching full employment.

To achieve this strategic goal, it is essential to determine basic concepts, strategies, appropriate patterns, and guidelines for development plan over the course of the 20-Year Vision Plan.

To compare the Iranian economy with countries in the region, certain indicators such as investment, per capita income, gross national product, unemployment rate, inflation rate, and the gap between the highest and the lowest income deciles are used, which help evaluate Iran's ranking and propose strategies to lessen the gap between the country's performance and the set targets.

To upgrade Iran's ranking, vast geographical areas are included in the 20-Year Vision Plan. These countries are: Saudi Arabia, Turkey, Pakistan, Egypt, 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.

Comparison of Iran's Economic Indicators with the Countries in the Region¹

The present chapter tries to give Iran's ranking among four major countries in the region including Saudi Arabia, Turkey, Pakistan, and Egypt, during 2004-08. The respective tables indicate data on the 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, and the ratio of gross fixed capital formation to GDP. Other indicators include the ratio of government spending to GDP, liquidity growth, inflation rate, unemployment rate, income distribution inequality indices, and human development index. For inflation rate, unemployment rate, liquidity growth, and the ratio of government spending to GDP, the lowest figure indicates the best position; and for other indicators, the highest figure.

¹ Discrepancy of the data mentioned herein with those in previous years' reports is due to the recently released figures.

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Comparison of Countries in the Region in 2008¹

	Population		Economic growth		Investment growth		Output per capita ²	
	Number (thousand persons)	Rank	Rate (percent)	Rank	Rate (percent)	Rank	Amount (in US dollar)	Rank
Azerbaijan	8,680	11	10.8	1	7.7	7	8,771	7
Jordan	5,906	13	7.9	5	10.3	5	5,474	10
Armenia	3,077	19	6.8	8	5.7	9	6,075	9
Uzbekistan	27,314	6	9.0	3	16.7	2	2,658	14
Afghanistan	29,021	5	2.3	15	..	..	1,103	19
Iran ³	71,956	4	2.5	14	..	..	11,052	6
Bahrain	776	23	6.3	9	..	..	34,899	1
Pakistan	166,111	1	2.0	16	3.8	10	2,538	15
Tajikistan	6,836	12	7.9	5	11.3	4	1,907	18
Turkmenistan	5,044	15	9.8	2	..	..	6,625	8
Turkey	73,914	3	0.9	17	-7.1	12	13,417	3
Syria	20,581	9	5.2	10	-10.1	13	4,583	13
Saudi Arabia	24,646	7	4.4	11	..	..	23,991	2
Oman	2,785	20	..	..	..	..	..	..
Palestine	3,937	18	..	..	..	..	..	..
Kyrgyzstan	5,278	14	7.6	6	6.5	8	2,193	17
Kazakhstan	15,675	10	3.2	13	8.7	6	11,323	5
Qatar	1,281	22	..	..	..	..	..	..
Kuwait	2,728	21	..	..	..	..	..	..
Georgia	4,307	16	2.0	16	-5.7	11	4,966	12
Lebanon	4,194	17	8.5	4	37.5	1	11,777	4
Egypt	81,527	2	7.2	7	14.8	3	5,425	11
Yemen	22,917	8	3.9	12	..	..	2,416	16

Source: World Development Indicators (WDI), the World Bank Group, 2010

¹ Due to lack of data, United Arab Emirates and Iraq are not included.

² Figures are calculated on the basis of the purchasing power parity (PPP).

³ In order to compare Iran's data with other countries, the same source - WDI data - is used. However, as GDP data for 2008 are not released by WDI Website, figures for economic growth, output per capita, and ratio of GDP to total output in the region are drawn from World Economic Outlook Database, IMF, October 2009. Therefore, with regard to the main data sources and calculation methods used in the mentioned source, figures for Iran may differ from those released by domestic resources.

Comparison of Countries in the Region in 2008 (continued)

	Inflation		Unemployment ⁴		Ratio of GDP to total output in the region ⁵		Ease of doing business index ⁶
	Rate (percent)	Rank	Rate (percent)	Rank	Share (percent)	Rank	Rank in the world
Azerbaijan	53.4	19	6.1	3	1.9	8	38
Jordan	14.9	8	12.7	9	0.8	12	100
Armenia	8.9	2	28.6	13	0.5	14	43
Uzbekistan	..	..	..	..	1.8	9	150
Afghanistan	22.7	16	..	..	0.8	12	160
Iran	25.5	18	10.4	7	20.3	2	137
Bahrain	3.5	1	..	..	0.7	13	20
Pakistan	20.3	14	5.2	2	10.6	5	85
Tajikistan	20.5	15	..	..	0.3	15	152
Turkmenistan	..	..	..	..	0.8	12	..
Turkey	10.4	5	11.0	8	25.0	1	73
Syria	15.7	10	..	..	2.4	7	143
Saudi Arabia	9.9	3	5.0	1	14.9	3	13
Oman	12.1	7	..	..	..	..	65
Palestine	..	..	25.7	12	..	..	139
Kyrgyzstan	24.5	17	8.2	5	0.3	15	41
Kazakhstan	17.2	11	6.6	4	4.5	6	63
Qatar	15.0	9	..	..	..	..	39
Kuwait	10.6	6	..	..	..	..	61
Georgia	10.0	4	16.5	11	0.5	14	11
Lebanon	..	..	..	..	1.2	11	108
Egypt	18.3	12	8.7	6	11.1	4	106
Yemen	19.0	13	15.0	10	1.4	10	99

⁴ Source: <http://laborsta.ilo.org>- Data for Egypt and Jordan are not released by this source and they are taken from WDI, the World Bank Group, 2010.

⁵ This ratio is calculated using GDP figures, on the basis of the purchasing power parity.

⁶ Source: www.doingbusiness.org

Economic Growth

Iran enjoyed a positive growth during 2004-08, with the highest growth (7.8 percent) related to 2007 and the lowest (estimated 2.5 percent) to 2008. Economic growth had an upward trend in Iran during 2005-07; however, in 2008, it declined again to 2.5 percent. Iran's ranking varied among major countries in the region over the same period. Although Iran ranked the lowest after Egypt in 2005 (the first year of the 20-Year Vision Plan), it achieved the highest rate in 2007. According to WDI data, pursuant to the decline in Iran's economic growth in 2008, its ranking also fell among countries in the region.

GDP Growth (percent)

	2004	2005	2006	2007	2008
Iran ¹	5.1	4.6	5.9	7.8	2.5 ²
Saudi Arabia	5.3	5.6	3.2	3.3	4.4
Turkey	9.4	8.4	6.9	4.7	0.9
Pakistan	7.4	7.7	6.2	5.7	2.0
Egypt	4.1	4.5	6.8	7.1	7.2

Source: WDI, the World Bank Group, 2010

¹ According to the CBI, GDP grew by 6.4, 6.9, 6.6, 5.0 and 0.8 percent, respectively, during 1383-87.

² Source: World Economic Outlook Database, IMF, October 2009

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 WDI data, Iran's GDP enjoyed a rising trend during 2004-08, ranking second after Turkey in 2008. The lowest rank belonged to Pakistan and Egypt over this period. Of particular note is that, major countries in the region including Turkey by 25.0 percent, Iran 20.3 percent, Saudi Arabia 14.9 percent, Egypt 11.1 percent, and Pakistan 10.6 percent, accounted for the highest shares in GDP and ranked first to fifth in the review year.

GDP (billion dollars)

	2004	2005	2006	2007	2008
Iran	596	644	703	779	805 ¹
Saudi Arabia	450	491	522	554	591
Turkey	688	781	874	939	992
Pakistan	306	340	373	405	422
Egypt	309	333	367	404	442

Source: WDI, the World Bank Group, 2010

¹ Source: World Economic Outlook Database, IMF, October 2009

Figure 19.1. GDP growth in Iran and major countries in the region

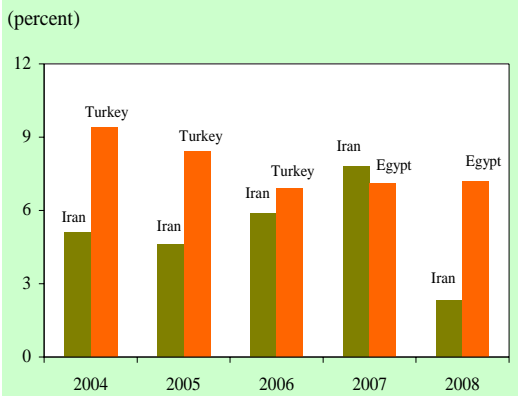
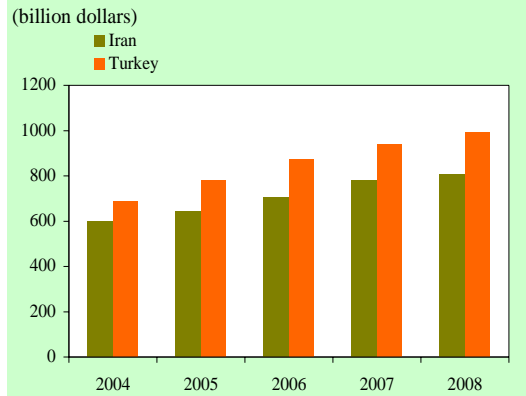


Figure 19.2. GDP in Iran and Turkey



GDP per Capita

Iran's GDP per capita increased during 2004-08 and according to purchasing power parity reached \$11,052 in 2008 against \$8,750 in 2004. However, Iran ranked third among the countries under study. Saudi Arabia ranked first, well above other countries in the region. Its relative advantage over other countries in the region is partly due to its less population compared with other countries. Saudi Arabia ranks fifth in terms of population.

Share of Manufacturing Sector in GDP

Share of manufacturing in GDP, as a measuring index of industrial development, indicates industrial capabilities and potentialities of a country. According to WDI data, Iran's share of manufacturing sector in GDP increased during the review period, except

for 2006, and reached 44.5 percent in 2007. Iran, except for 2004, ranked second after Saudi Arabia among major countries in the region. Saudi Arabia ranked first during the past four years, while Pakistan ranked last.

Ratio of Value-added of Manufacturing Sector to GDP (percent)

	2004	2005	2006	2007	2008
Iran ¹	42.7	44.7	43.6	44.5	..
Saudi Arabia	20.4	63.2	64.6	65.5	70.2
Turkey	28.5	28.5	28.7	28.3	27.6
Pakistan	27.0	27.1	26.9	26.9	26.9
Egypt	36.9	36.3	38.4	36.3	37.5

Source: WDI, the World Bank Group, 2010

¹ According to the CBI, the ratio of sum of the value-added of manufacturing and mining, and oil sectors to GDP was 42.2, 45.6, 44.7, 45.6 and 43.9 percent, respectively, during 1383-87.

Figure 19.3. GDP per capita

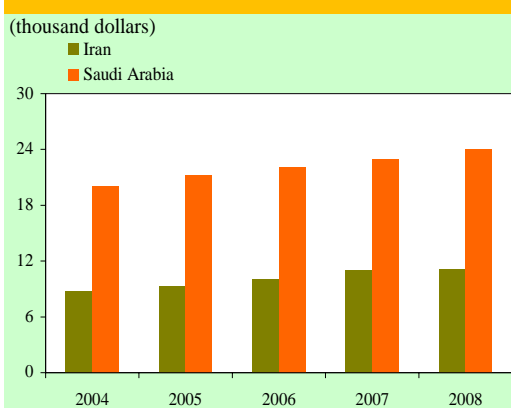
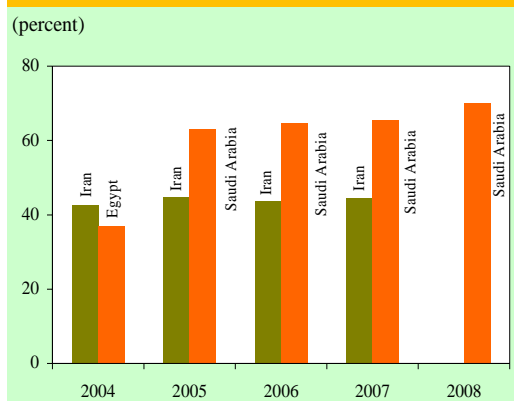


Figure 19.4. Ratio of value-added of manufacturing sector to GDP



GDP per Capita¹ (dollars)

	2004	2005	2006	2007	2008
Iran	8,750	9,314	10,034	10,965	11,052 ²
Saudi Arabia	19,977	21,220	22,060	22,940	23,991
Turkey	9,800	10,977	12,120	12,859	13,417
Pakistan	2,013	2,184	2,343	2,489	2,538
Egypt	4,079	4,319	4,675	5,047	5,425

Source: WDI, the World Bank Group, 2010

¹ GDP per capita is calculated on the basis of the purchasing power parity.

² Source: World Economic Outlook Database, IMF, October 2009

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Chapter 19

Investment Growth

Data reveal that Iran's rate of gross fixed capital formation fell to 3.3 percent in 2006, against 7.0 percent in 2004, and rose again to 6.0 percent in 2007. The highest ranking during 2007-08 belonged to Egypt by 23.8 and 14.8 percent, respectively, well above Iran's ranking in terms of investment growth. Meanwhile, Turkey ranked last in 2007 and 2008.

Annual Growth of Gross Fixed Capital Formation (percent)

	2004	2005	2006	2007	2008
Iran ¹	7.0	5.1	3.3	6.0	..
Saudi Arabia	2.5	18.5	17.0	18.3	..
Turkey	28.4	17.4	13.3	5.4	-7.1
Pakistan	-6.1	13.5	19.9	13.6	3.8
Egypt	6.2	14.2	13.8	23.8	14.8

Source: WDI, the World Bank Group, 2010

¹ According to the CBI, annual growth of gross fixed capital formation was 9.2, 8.7, 3.0, 6.6, and 10.9 percent, respectively, during 1383-87.

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. During 2004-07, Iran's ratio of gross fixed capital formation to GDP varied within the range of 25.8-28.6 percent, ranking first among major countries in the region. 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. During the past four years, Saudi Arabia ranked last in this regard.

Ratio of Gross Fixed Capital Formation to GDP (percent)

	2004	2005	2006	2007	2008
Iran ¹	28.6	27.0	26.4	25.8	..
Saudi Arabia	16.7	16.5	17.5	20.3	19.3
Turkey	20.3	21.0	22.3	21.8	19.9
Pakistan	15.0	17.5	20.5	20.9	20.4
Egypt	16.4	17.9	18.7	20.9	22.4

Source: WDI, the World Bank Group, 2010

¹ According to the CBI, the ratio of gross fixed capital formation to GDE was 27.9, 25.9, 24.5, 24.0, and 28.5 percent, respectively, during 1383-87.

Figure 19.5. Annual growth of gross fixed capital formation

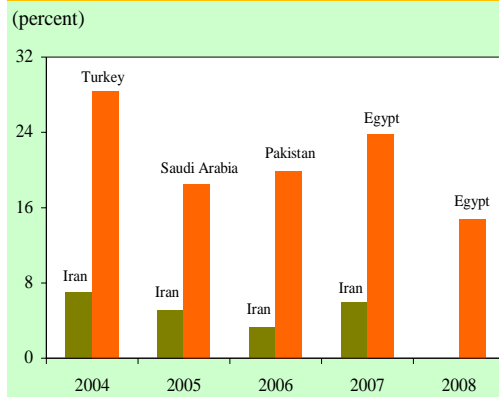
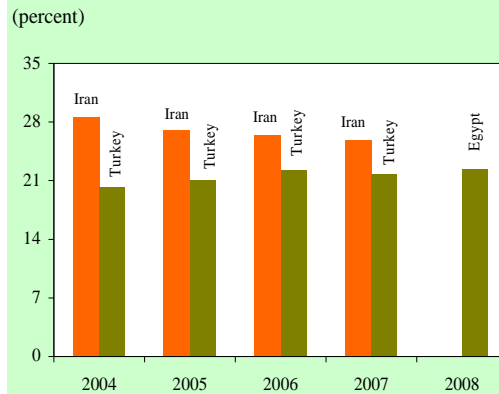


Figure 19.6. Ratio of gross fixed capital formation to GDP



Ratio of Government Spending to GDP

Government spending including government consumption expenditures for the purchase of goods and services (including wages and salaries paid to government employees) and expenditures for defense and national security, excluding capital formation in this sector, varies with government size and extent of its involvement in economic sectors and activities. Saudi Arabia ranked first while Pakistan always ranked last in ratio of government spending to GDP. Ratio of government spending to GDP for Iran reached 11.2 percent in 2007.

Ratio of Government Spending to GDP (percent)

	2004	2005	2006	2007	2008
Iran ¹	11.4	13.0	14.2	11.2	..
Saudi Arabia	23.6	22.2	23.3	22.4	20.5
Turkey	11.9	11.8	12.3	12.8	12.8
Pakistan	8.2	7.8	10.8	9.2	12.4
Egypt	12.8	12.7	12.3	11.3	10.9

Source: WDI, the World Bank Group, 2010

¹ According to the CBI, the ratio of government spending to GDE was 13.1, 13.7, 14.0, 10.8, and 11.7 percent, respectively, during 1383-87.

Liquidity Growth

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 effects of liquidity growth. According to WDI, Iran's liquidity growth which in a downward trend stood at 22.8 percent in 2005, grew noticeably to 30.6 percent in 2007. The rising trend; however, was reversed in 2008 and, with a notable decline, reached 7.9 percent. Therefore, in 2008, Iran ranked last among countries in the region.

Liquidity Growth (percent)

	2004	2005	2006	2007	2008
Iran ¹	23.0	22.8	29.1	30.6	7.9
Saudi Arabia	17.3	13.2	20.4	20.1	18.0
Turkey	20.8	35.8	22.2	15.2	24.9
Pakistan	20.5	16.5	14.6	19.5	..
Egypt	16.2	11.5	15.0	19.1	10.5

Source: WDI, the World Bank Group, 2010

¹ According to the CBI, liquidity grew by 30.2, 34.3, 39.4, 27.7, and 15.9 percent, respectively, during 1383-87.

Figure 19.7. Ratio of government spending to GDP

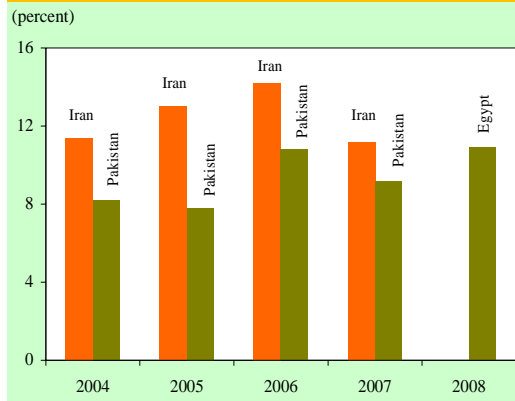
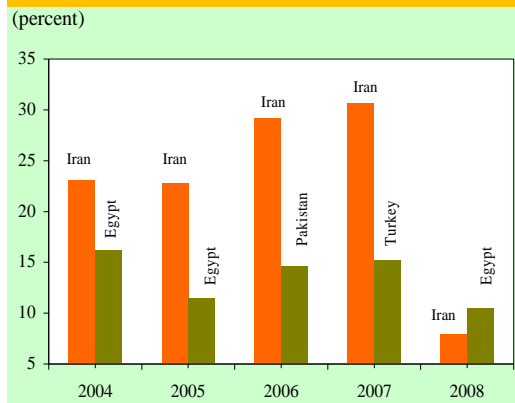


Figure 19.8. Liquidity growth



Inflation Rate

High inflation can impede economic development and damage economic efficiency in numerous ways, including creating uncertainties in market, intensifying unequal distribution of income, distorting investment decisions, and complicating economic planning. These persuade the policymakers to curb inflation.

	Inflation Rate (percent)				
	2004	2005	2006	2007	2008
Iran ¹	14.8	13.4	11.9	17.2	25.5
Saudi Arabia	0.3	0.7	2.2	4.2	9.9
Turkey	10.6	10.1	10.5	8.8	10.4
Pakistan	7.4	9.1	7.9	7.6	20.3
Egypt	11.3	4.9	7.6	9.3	18.3

Source: WDI, the World Bank Group, 2010

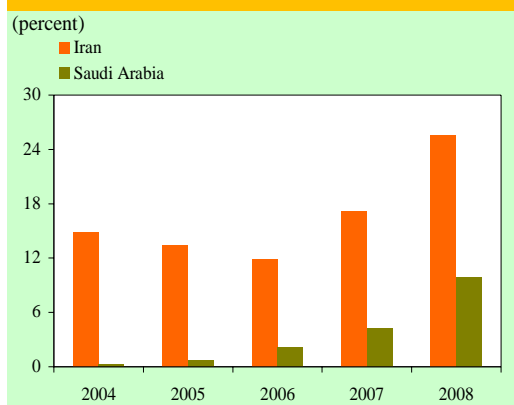
¹ According to the CBI, inflation rates for 1383-87 were respectively 15.2, 10.4, 11.9, 18.4, and 25.4 percent at 1383 base year.

Inflation rate during 2004-08 witnessed upward and downward trends. Accordingly, it followed a downward trend from 14.8 percent in 2004 to 11.9 percent in 2006. However, it rose sharply in 2007 and reached 25.5 percent in 2008. Over the course of 2004-08, Iran had the highest inflation, and the lowest belonged to Saudi Arabia. In 2008, all the countries under study faced a notable increase in inflation rate; therefore, the average inflation rate of the five countries in the region went up from 9.4 percent in 2007 to 16.9 percent in 2008.

Unemployment Rate

According to WDI data, Iran's unemployment rate was always one of the highest in the region. In 2008, the lowest unemployment rate belonged to Saudi Arabia and Pakistan. Although Pakistan is a highly populated country, it enjoyed the lowest rate of unemployment from 2004 to 2007, while Iran always had a high rate of unemployment among the countries in the region.

Figure 19.9. Inflation rate



Unemployment Rate (percent)

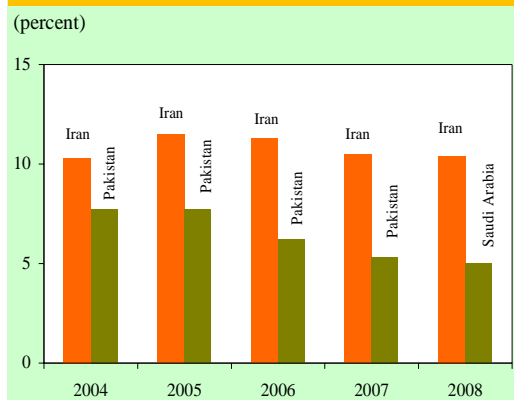
	2004	2005	2006	2007	2008
Iran ¹	10.3 ²	11.5	11.3	10.5	10.4
Saudi Arabia	..	..	6.3	5.6	5.0
Turkey	10.3	10.3	9.9	10.3	11.0
Pakistan	7.7	7.7	6.2	5.3	5.2
Egypt	10.3	11.2	10.6	8.9	8.7 ²

Source: <http://laborsta.ilo.org>

¹ According to the Statistical Center of Iran, unemployment rate for Q3, 1383 was 10.3 percent and 11.5, 11.3, 10.5, and 10.4 percent, respectively, for 1384-87.

² Source: WDI, the World Bank Group, 2010

Figure 19.10. Unemployment rate



Income Distribution Inequality Indices

Promotion of life quality and social welfare are of prime importance for policy makers in every society. Income distribution indices for different income deciles and Gini coefficient are appropriate criteria for measuring income inequality in a society. According to relevant data, Pakistan holds the lowest Gini coefficient among the countries in the region, while Iran stood after Turkey, with 38.28 percent, and ranked behind Egypt and Pakistan.

A review of the income distribution among various income deciles in Iran reveals unfavorable conditions. The first two income deciles (high-income households) enjoy 45 percent of total income, while share of the last four income deciles (low-income households) in total was merely 17.3 percent in 2005. Pakistan enjoys a better position as compared with Iran, Turkey and Egypt. Pakistan's low-income households had a share of 21.8 percent in total income, and the high-income households 40.5 percent. Turkey ranked last in this regard as 40 percent of its low-income households held only 15.7 percent of total income, and share of the high-income households was 47.1 percent. The ratios of the richest 10 percent to poorest 10 percent of households for Turkey and Iran were 15.7 and 11.6 times, respectively, which were the worst among the countries in the region.

Income Distribution Inequality Indices¹

	Iran ²	Turkey	Pakistan	Egypt
Gini coefficient (percent)	38.28	41.15	31.18	32.14
Share of 40 percent of low-income households (percent)	17.3	15.7	21.8	21.6
Share of 40 percent of medium-income households (percent)	37.7	37.2	37.7	36.9
Share of 20 percent of high-income households (percent)	45.0	47.1	40.5	41.5
Ratio of richest 10 percent to poorest 10 percent of households	11.6	15.7	6.7	7.2

Source: WDI, the World Bank Group, 2010 ¹ Figures for Iran, Pakistan, and Egypt are related to 2005, and those for Turkey to 2006. For Saudi Arabia, no data are released during 2004-08. ² According to the CBI, figures for 1387 are 38.59, 16.3, 38.1, 45.6 percent and 13.5 times from top to the bottom of the table, respectively.

Human Development Index

The Human Development Index (HDI) is a measure of human development with regard to different aspects of socioeconomic development. This index, which is published by the United Nations, ranks countries according to their citizens' quality of life. It is used to distinguish whether the country is a highly developed (with an HDI value of over 0.9), developed (0.8-0.899), developing (0.5-0.799) or a less developed country (less than 0.5)¹.

The following table indicates the status of Iran and other major countries in the region during 2004-07. Saudi Arabia and Pakistan had the highest and the lowest HDI values over the same period. Iran with an HDI of 0.782 ranked 88th among 182 countries, and 3rd among the countries in the region in 2007. Considering HDI value for 2007, Iran, Egypt, and Pakistan are ranked as developing countries, while Saudi Arabia and Turkey are among developed countries.

Human Development Index

	2004 ¹	2005	2006	2007
Iran	0.754	0.773	0.777	0.782
Saudi Arabia	0.828	0.837	0.840	0.843
Turkey	0.785	0.796	0.802	0.806
Pakistan	0.526	0.555	0.568	0.572
Egypt	0.709	0.696	0.700	0.703

Source: United Nations Development Programme (UNDP), Human Development Report, 2009 ¹ Data for 2004 are drawn from Human Development Report for 2007/08.

¹ For further information, refer to Chapter 9, Social Affairs and Household Welfare.