

Iran Economic Indicators



Tehran Chamber of Commerce, Industries, Mine and Agriculture
Economic Research Department



Authors:

Foroogh Karimi-Amirkiasar, Mahsa Rajabi Nejad

Supervisor:

Atefeh Ghasemian

Contact us via below Email :
economic.tccim@gmail.com

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Summary:



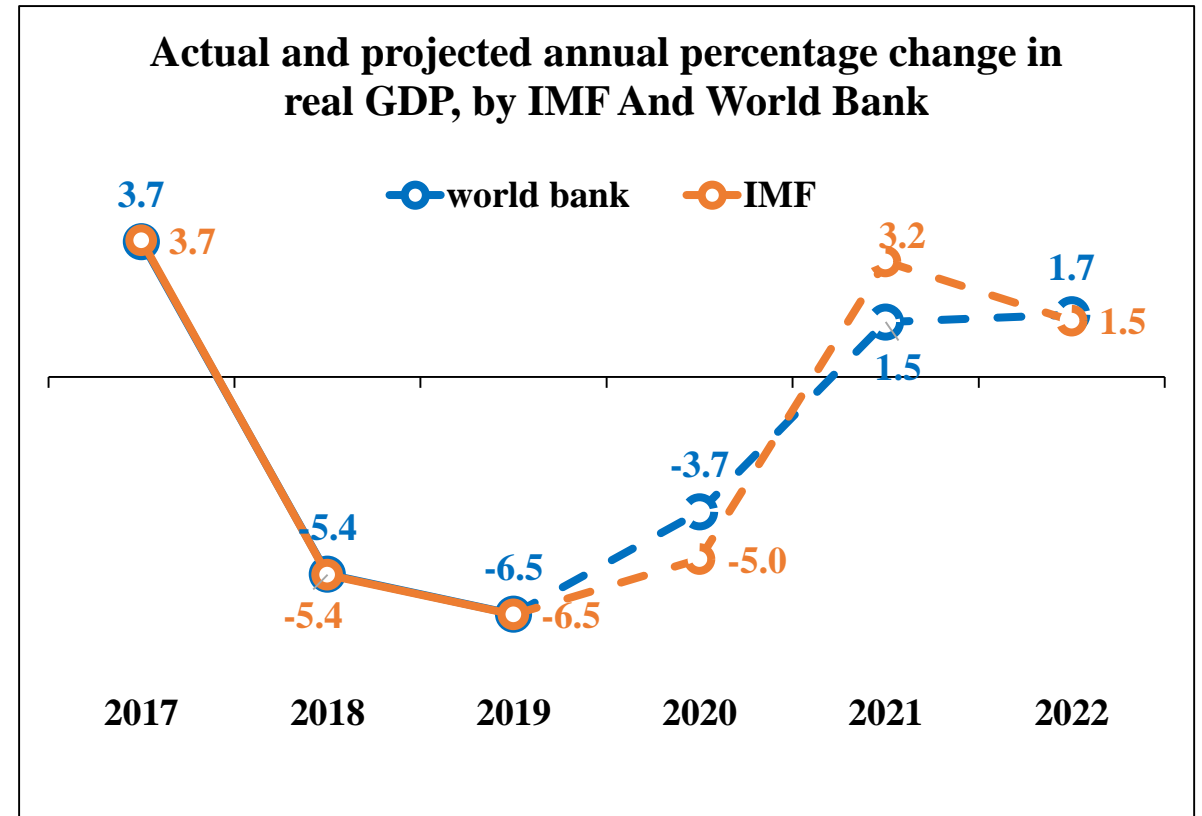
- In the first quarter of 2020/21, there was an economic contraction by 2.9%, but in the second quarter considerable rise in the oil sector value-added led to an economic growth by 5.1%.
- On demand side, Public consumption was the only and main driver of growth in the Q2 with a contribution of 0.6 point percent.
- The gap between Iran's GDP per capita and regional peers widens, owing to the recent economic contractions in Iran. GDP per capita in Iran reached a 15-year low of 13 thousand dollars in 2019.
- During 2017 to 2019, the CPI inflation soared from 9.6% to 41% and it is expected to see a downward trend over the next two years.
- Iran's gross capital formation in 2019 was 39.8% of GDP, and it is predicted to reach to 40.7% and 40% of GDP in 2020 and 2021, respectively.
- There was a sharp decline in annual growth of Iran's exports in goods and services, since 2016/17.
- Iran has experienced a reduction in Gini index in 2019 by 1.01 point.



Real Sector GDP



- During 2017 to 2019, the real GDP growth of Iran has diminished from 3.7% to -6.5%.
- It is expected for 2020, real GDP growth would decline by 3.7 to 5 percent.
- Based on both IMF and World Bank projection, the real GDP growth would be positive over the next two years.



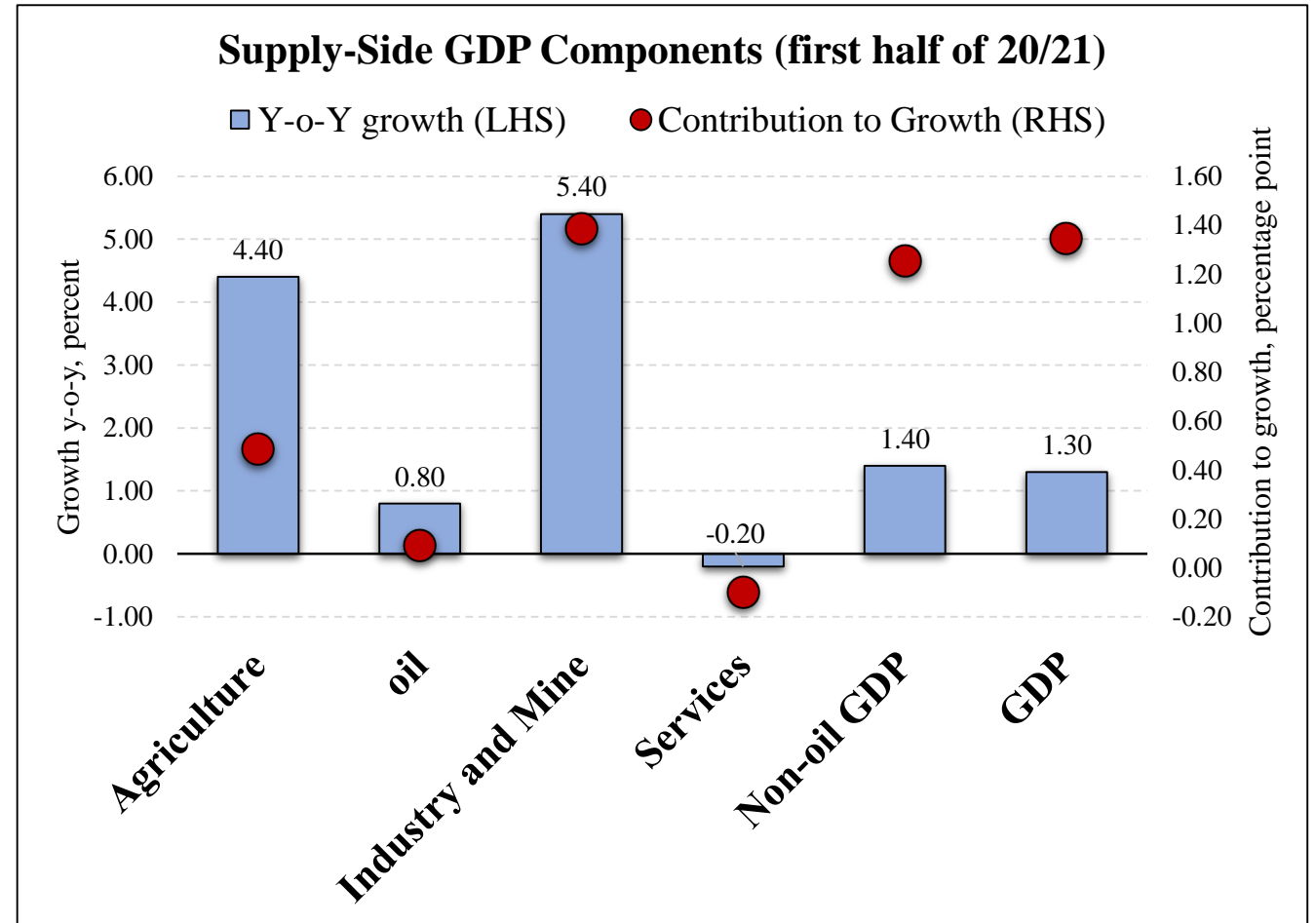


Real Sector

GDP Growth on the Supply-Side



- During the first half of the year 2020/21, GDP of Iran grew by 1.3%. While in the first quarter of this year, there was an economic contraction by 2.9%, in the second quarter the considerable rise in oil sector value-added led to an economic growth.
- On supply side, the main contributor to economic growth is industries and mines sector (1.4 pp), followed by agriculture sector (0.5 pp).
- The only sector that recorded a contraction is services.



Source: CBI

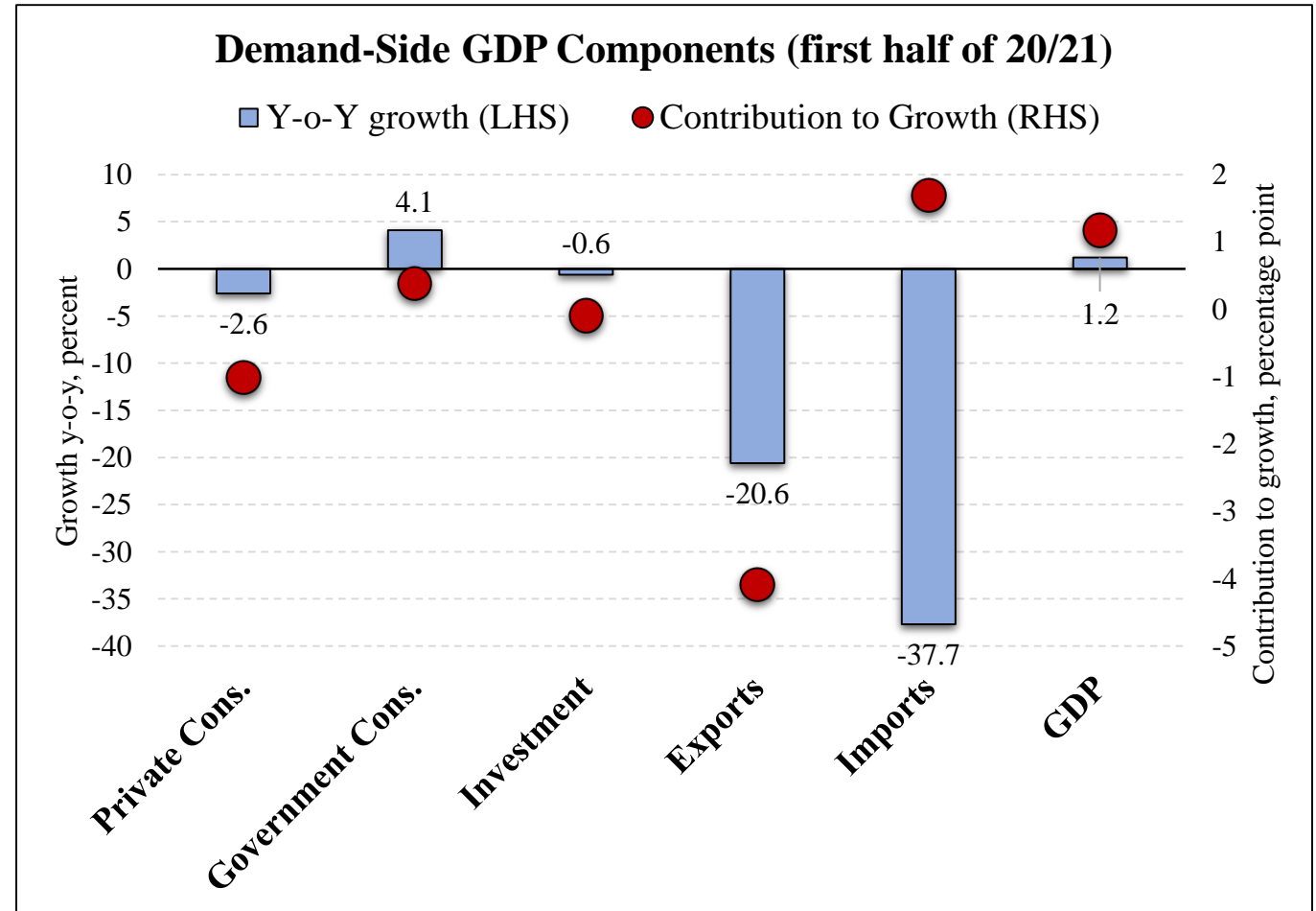


Real Sector

GDP Growth on the Demand-Side



- On the demand-side, over the first half of 2020-21, there was over 4% increase in the government consumption; while private consumption, investment and exports have witnessed 2.6%, 0.6% and 20.6% decline, respectively.
- As illustrated on the chart, imports showed a 38% decline during the specified period and contributed to 1.7 percentage points increase in GDP growth, which offset the negative impact of lower exports and private consumption.



Source: CBI

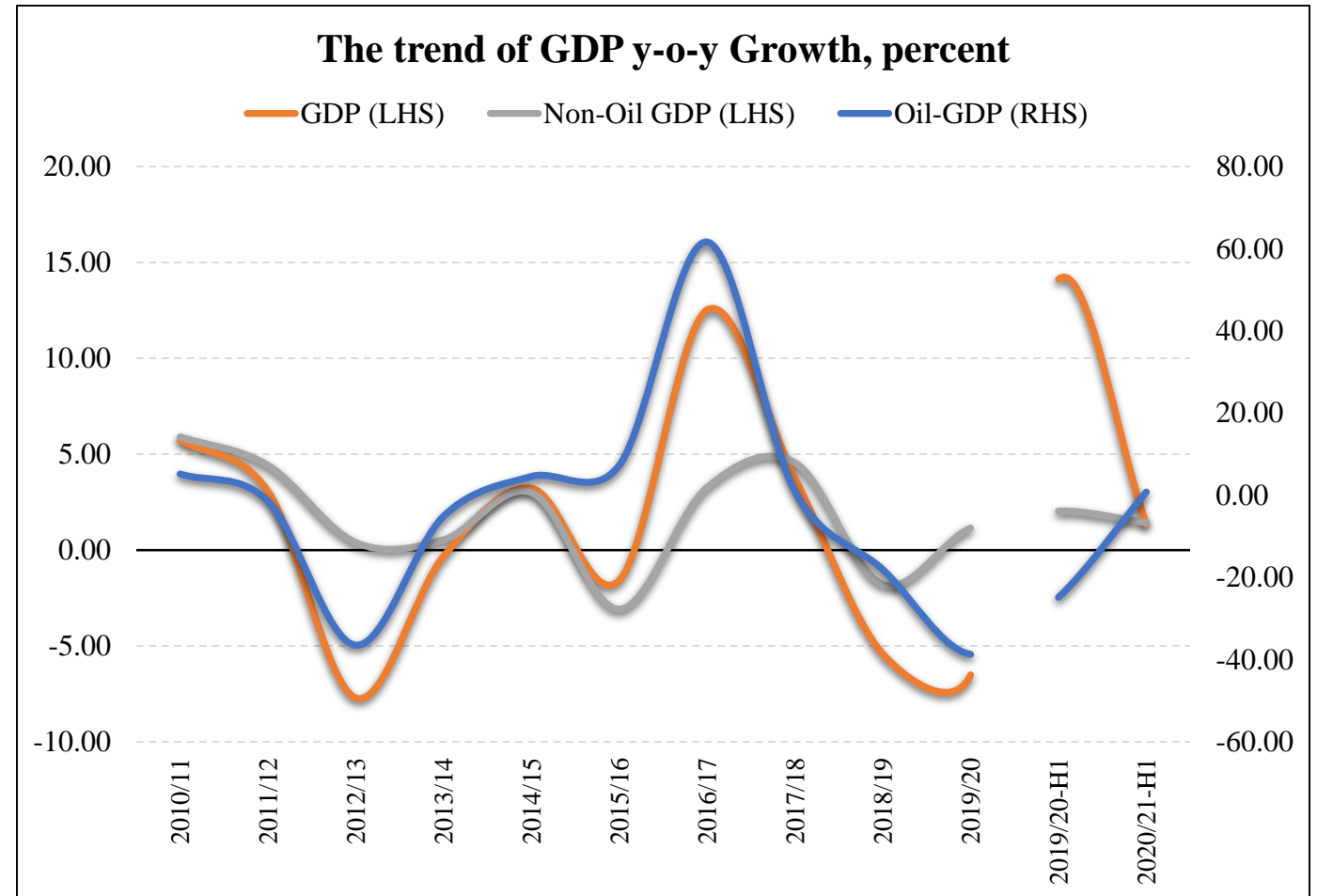


Real Sector

GDP Growth on the Demand-Side



- Economic growth of Iran underwent a sharp decline, from 12.5% in 2016/17 to approximately -6.5% in 2019/20. One of the main reasons for this contraction is the intensification of US sanctions on the Iran's oil industry, which culminated in 39% drop in oil sector value-added.
- However, Over the first half of the year 2020/21, the oil sector value-added experienced a 0.76% increase, after two years of contraction that resulting in a 1.3% growth in GDP

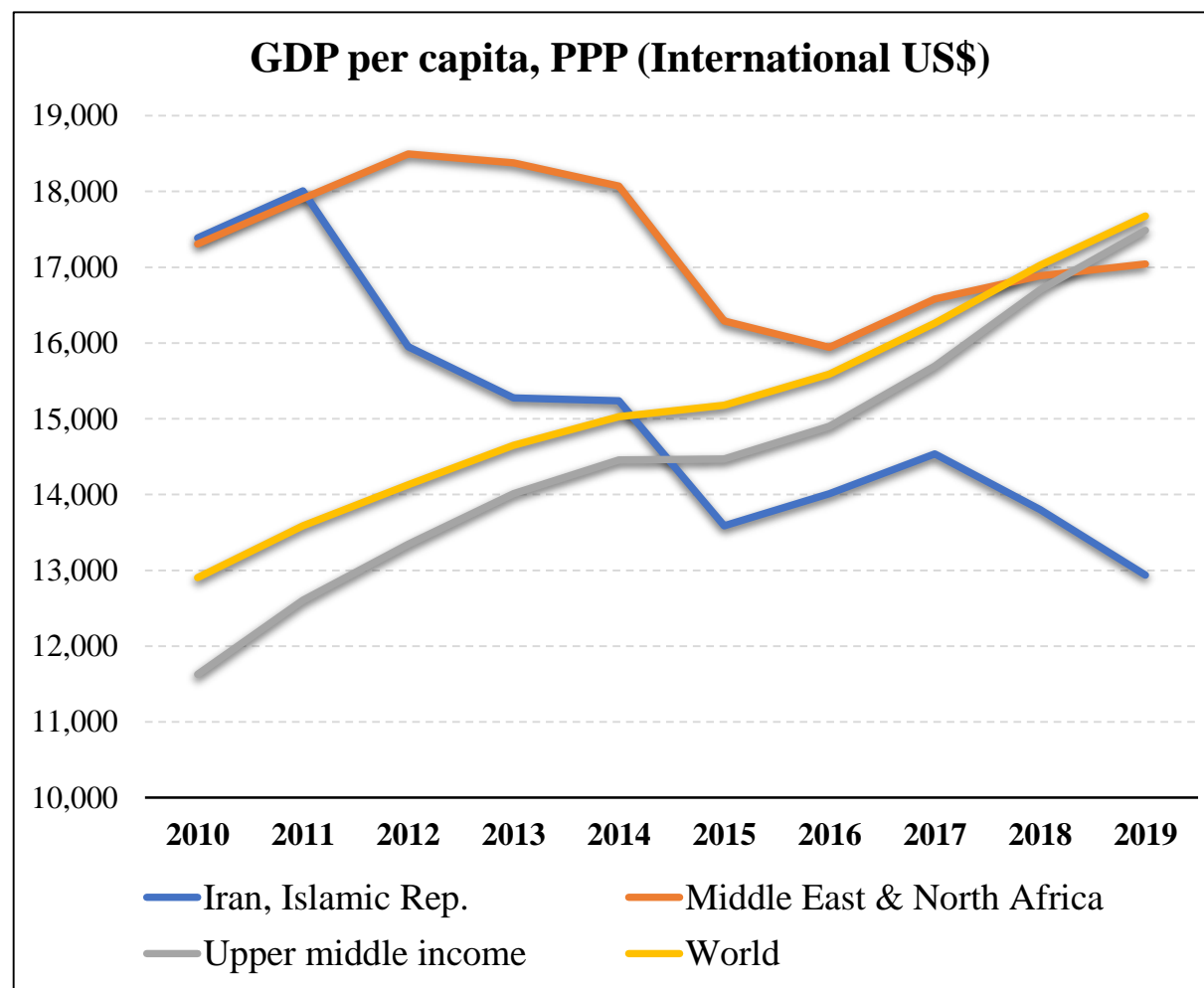


Source: CBI

Real Sector

GDP Per Capita

- The gap between Iran and its income and regional peers widens, owing to the recent economic contraction in Iran.
- As shown on the chart, GDP per capita experienced a steady fall between 2011 and 2015, after touching a peak in 2011. Showing a modest growth from 2015 to 2017, it then reached a 15-year low of 13 thousand dollars in 2019.
- Meanwhile, the GDP per capita in the world and upper middle income countries rose steadily.



Source: Word Bank

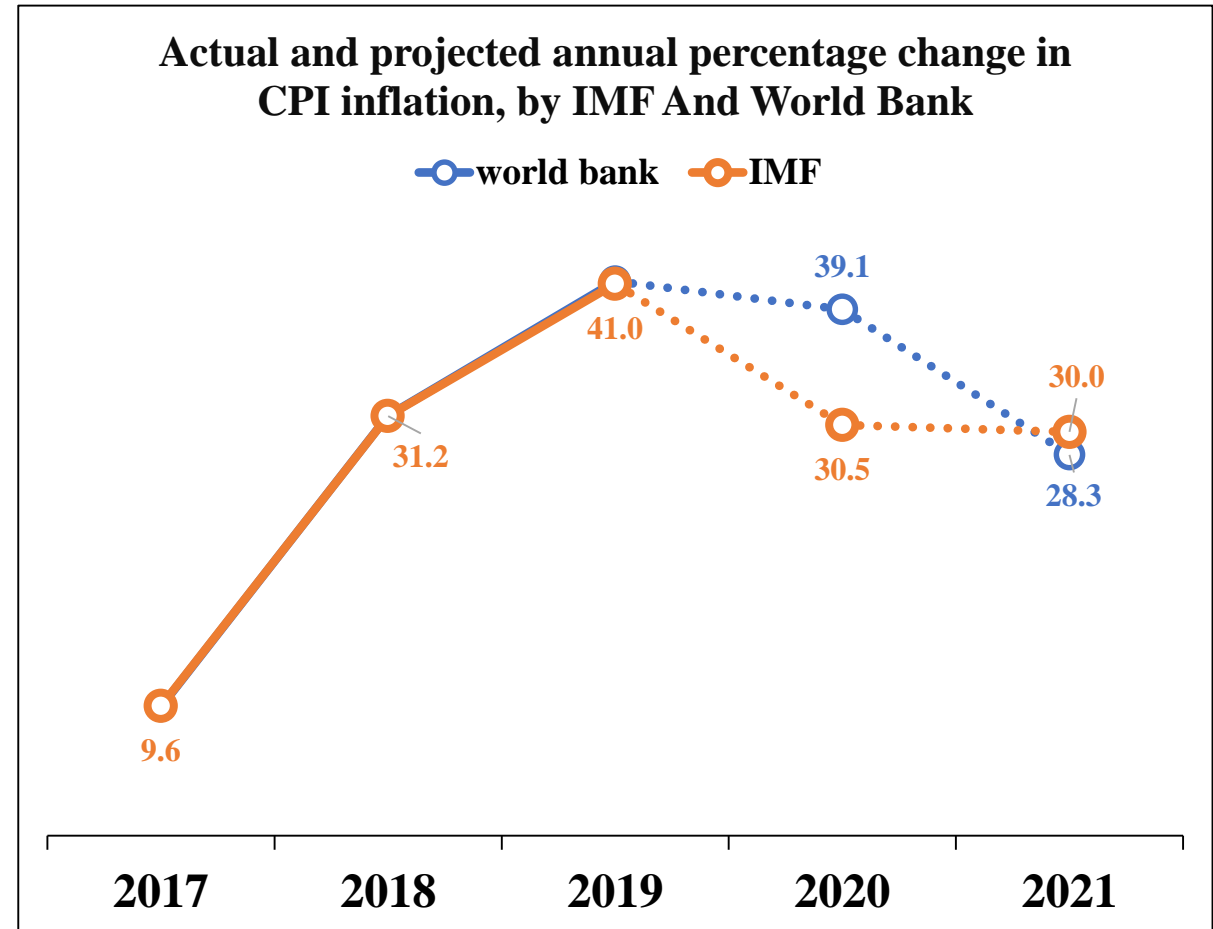


Money and Prices

Inflation



- In a two-year period from 2017 to 2019, the CPI inflation of Iran soared from 9.6% to 41%.
- According to both IMF and World Bank projection, the inflation is expected to see a downward trend over the next 2 years. However, the rate is predicted by World Bank would fall at a lower speed than that of IMF.



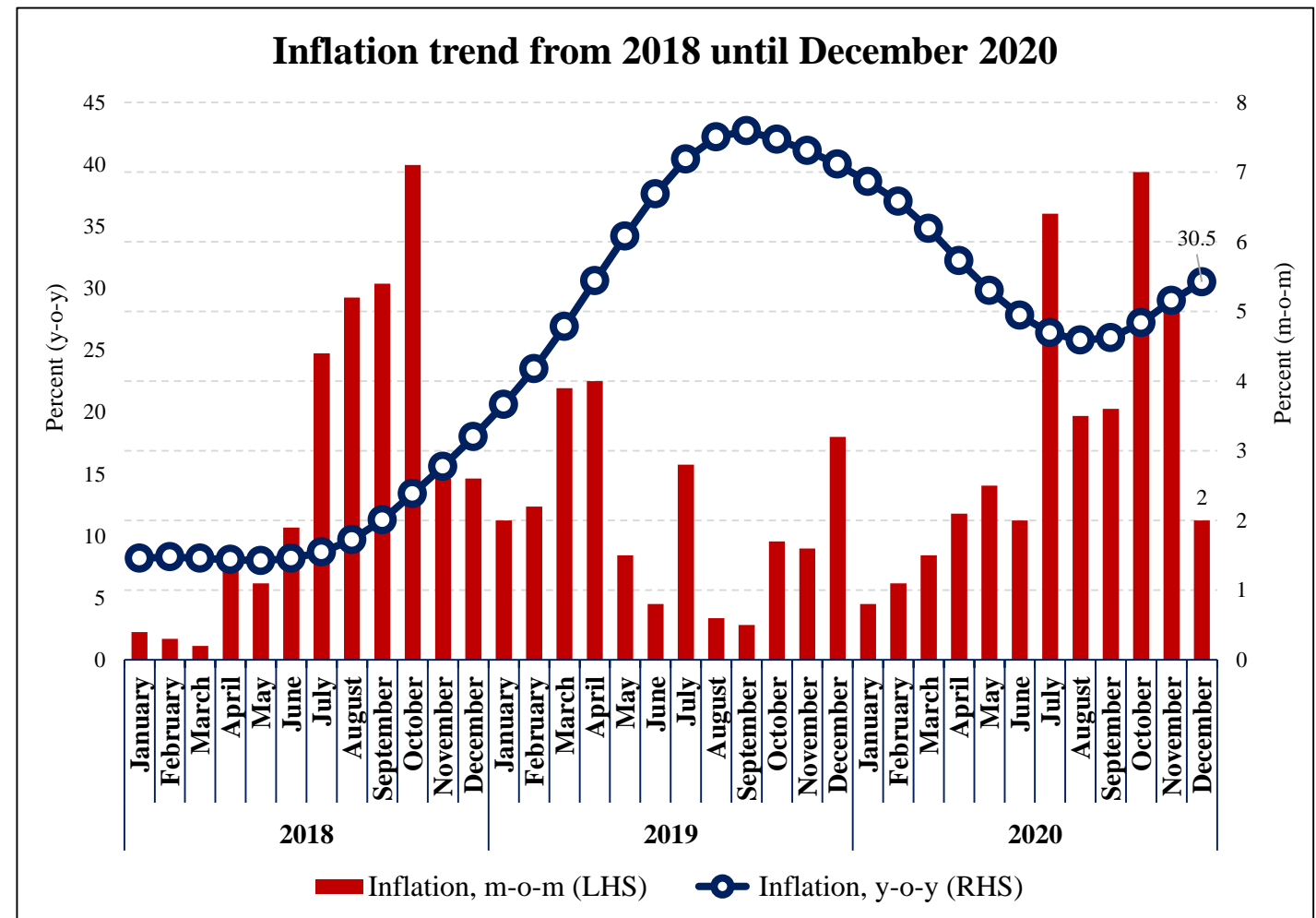


Money and Prices

Inflation



- The downward trend in annual inflation, which started in October 2019, stopped in September 2020 and has been on the rise until December of this year. This figure reached to 30.5% in December 2020 compared to the same previous period .
- Monthly inflation has always fluctuated a lot since the beginning of 2018. Inflation in December 2020 increased by 2% compared to the previous month.
- The main factor in increasing Iran's inflation can be expressed the simultaneous higher trade transaction costs and a sharp depreciation of the Rial.



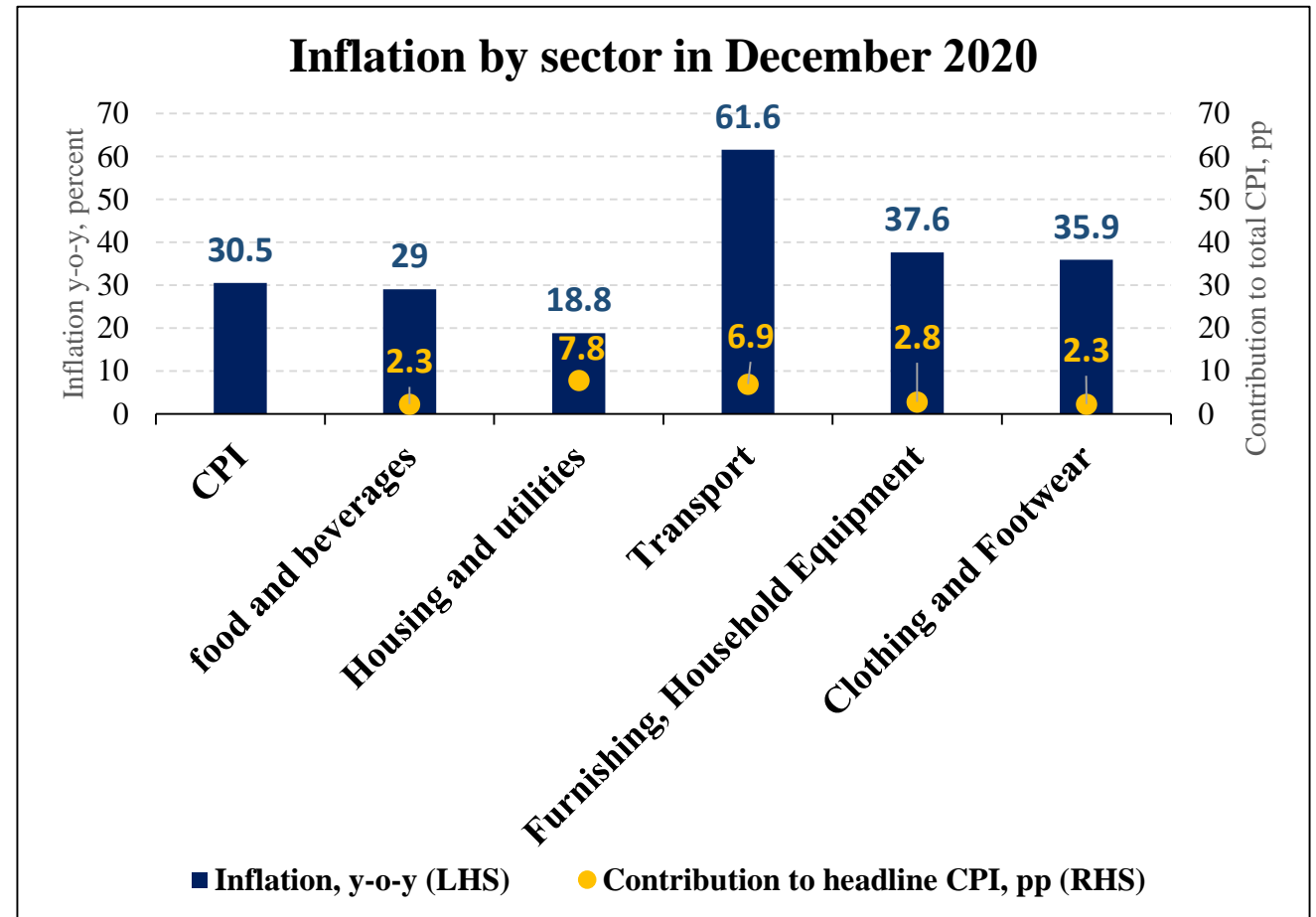


Money and Prices

Inflation



- In December 2020, the Transportation and Furnishing, Household Equipment sectors experienced the highest price growth of 61.6% and 37.6%, respectively, compared to the previous month.
- The dominant factor in the 2% increase of inflation in December 2020 compared to the previous month are housing and utilities with 7.8 percentage point and utilities with 6.9 percentage point contribution.



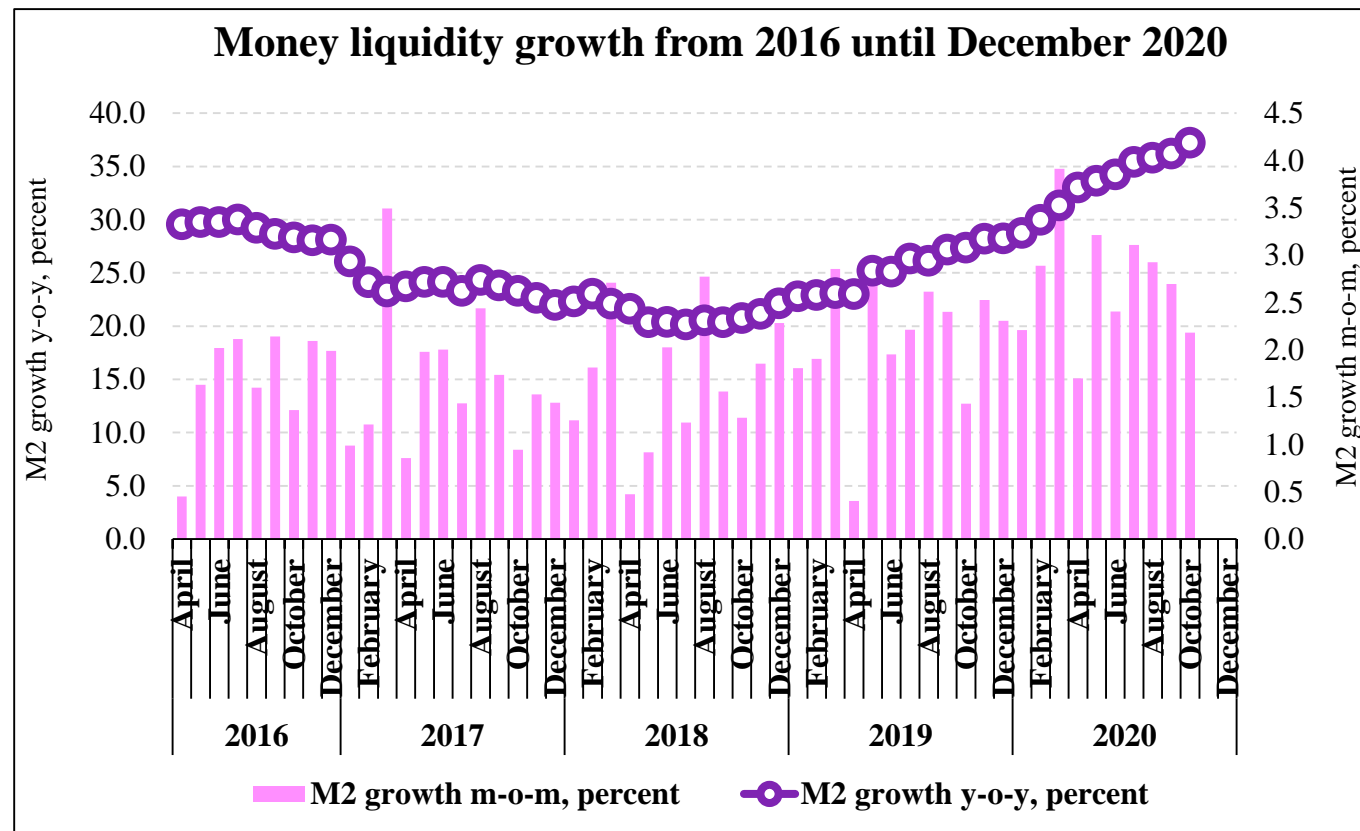
Source: SCI

Money and Prices

Money liquidity



- Since October 2018, the general annual trend of money liquidity growth has always been upward until October 2020. In contrast, the monthly growth trend of this index has faced many ups and downs since 2016.
- In October 2020, for the third consecutive month, M2 growth has slowed down. Liquidity growth in October 2020 increased by 37.2% compared to the October 2019.



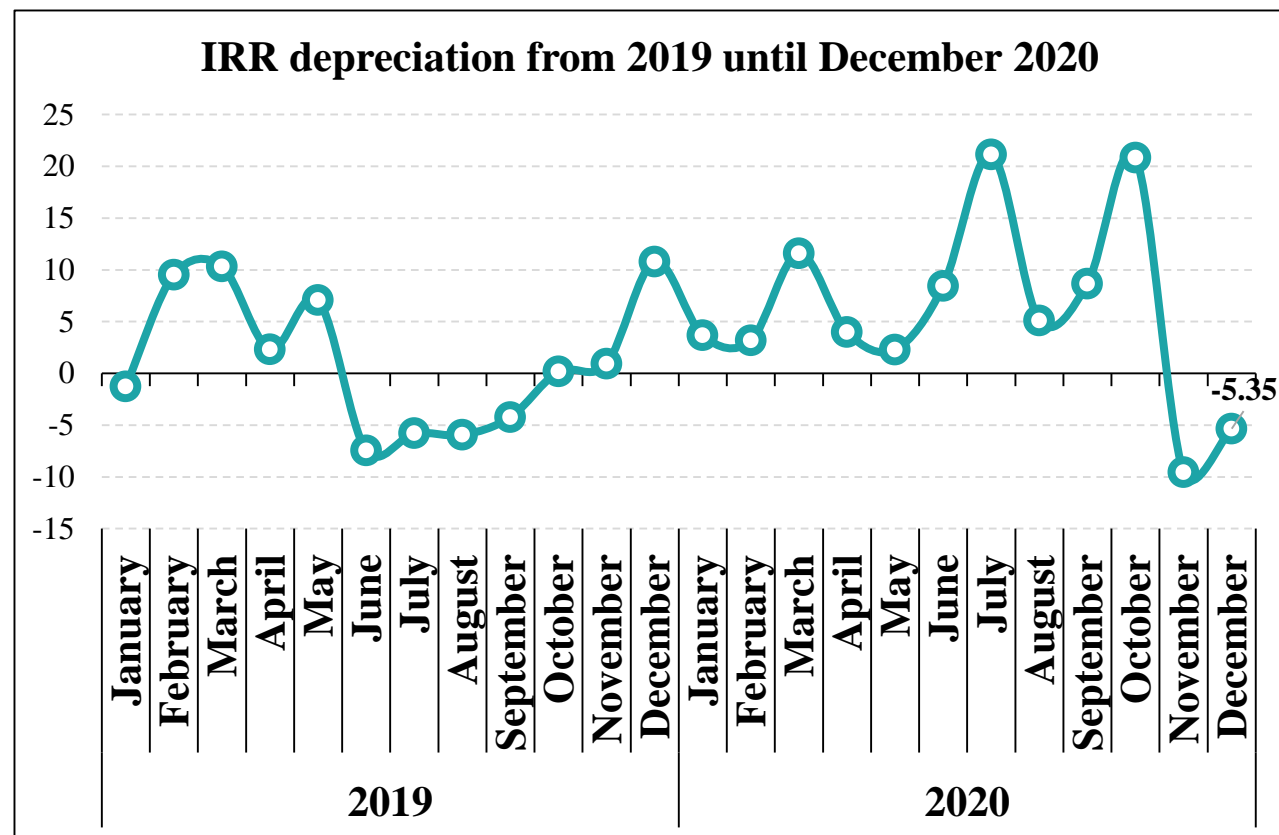
Source: CBI

Money and Prices

IRR depreciation



- Over past two years, Iran's national currency has fluctuated.
- Iran's national currency in October 2020 decreased by 5.4 percent compared to September 2020.
- It fell sharply in November 2020, and then it has slightly improved in December of this year.

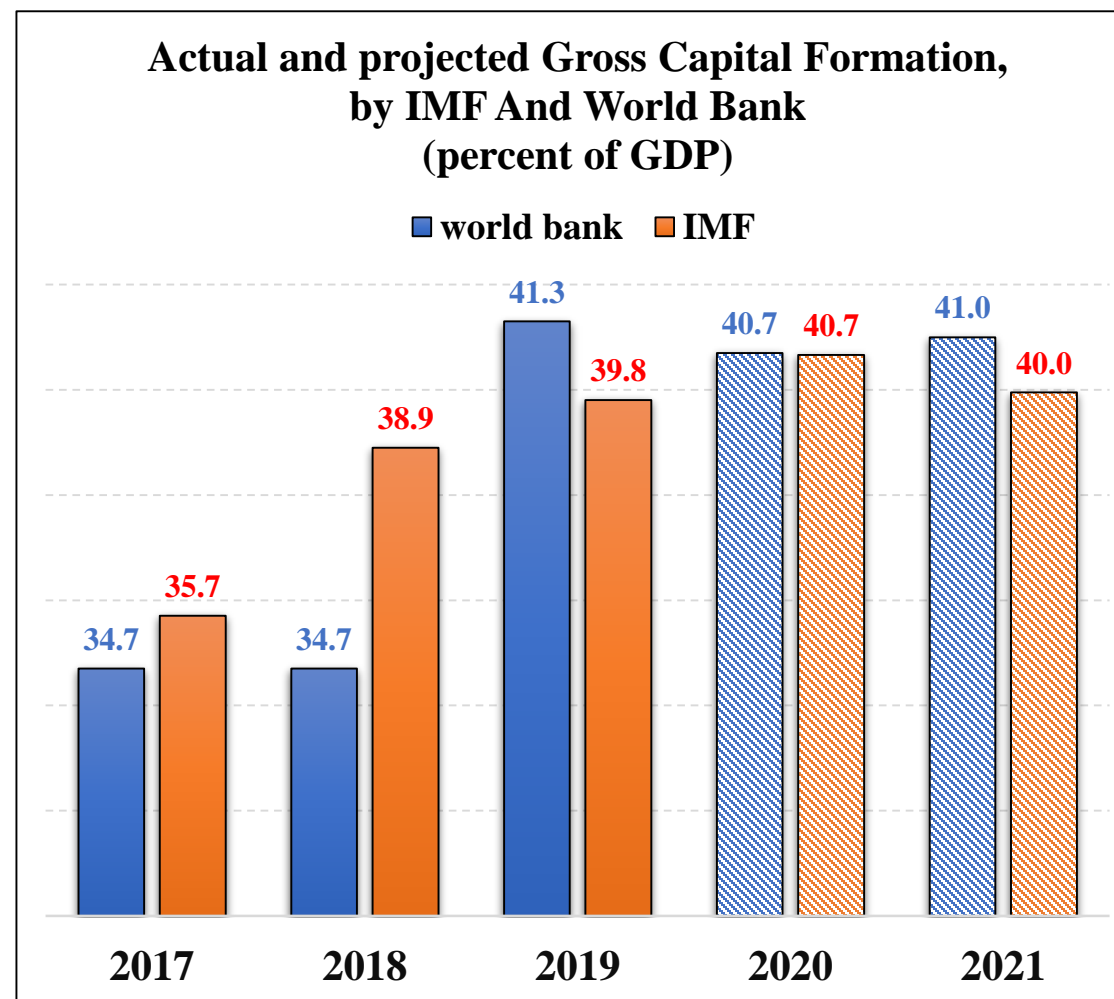


Source: CBI

Investment and Saving

Gross Capital Formation

- There are not significant differences between IMF and the World Bank data for Iran's investment figures.
- According to World Bank, the gross capital formation in Iran accounted for 41.3% of total GDP in 2019 and it is estimated to experience 0.6 pp and 0.7 pp reduction in 2020 and 2021, respectively.
- Based on IMF, Iran's gross capital formation in 2019 was 39.8% of GDP, and it is predicted to reach 40.7% and 40% of GDP in 2020 and 2021, respectively.



Note: Gross Capital Formation is referred to Investment

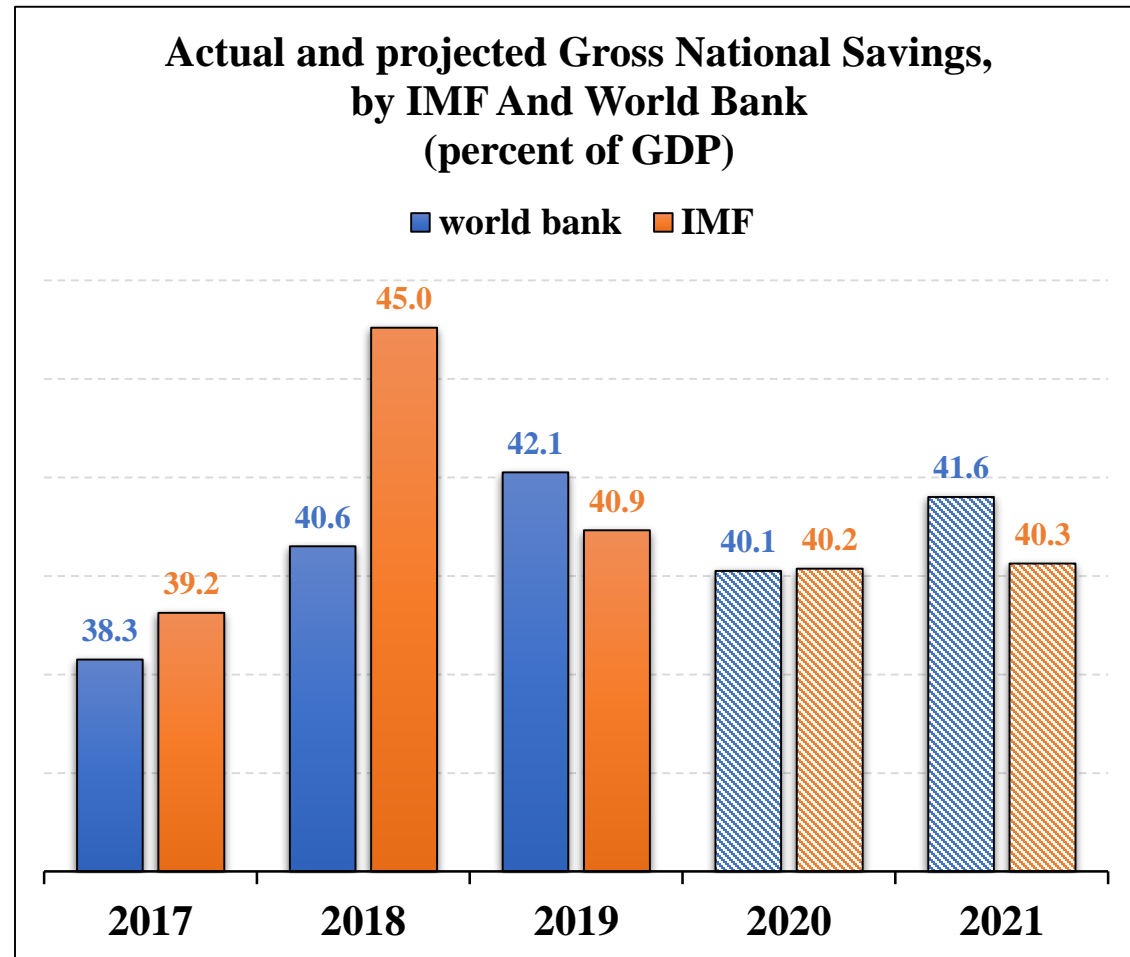


Investment and Saving

Gross National Savings



- Iran's Gross National Savings in 2019 was measured 42.1% of GDP, compared to 40.9% by IMF.
- It is expected a reduction of national saving to GDP ratio in 2020 and a smooth recovery in 2021 based of both World Bank and IMF estimations.



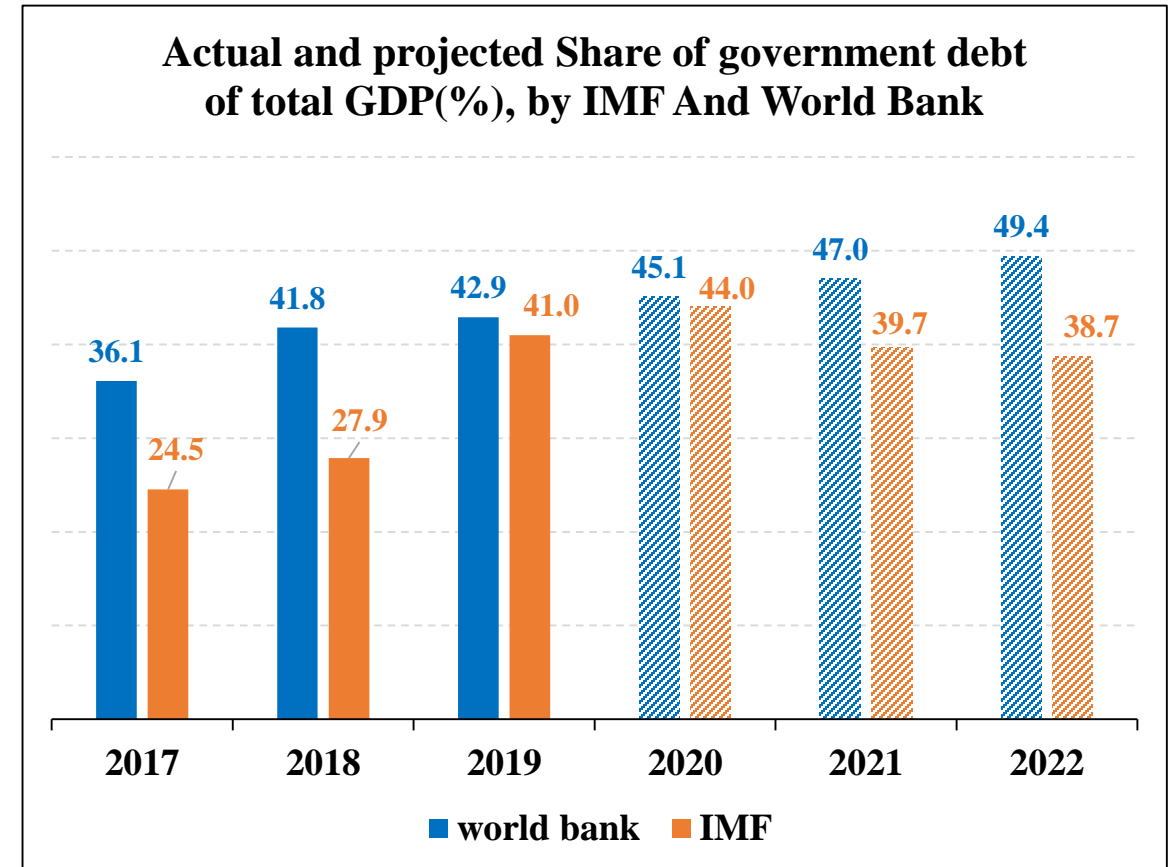


Government Finance

Government Debt



- According to the World Bank data, Iran's government debt of GDP ratio, has experienced an upward trend from 2017 to 2019 and this trend will continue until 2022.
- On the other hand, based on IMF data, above mentioned trend would continue until 2020, but in 2021 this trend will stop and diminish until 2022.



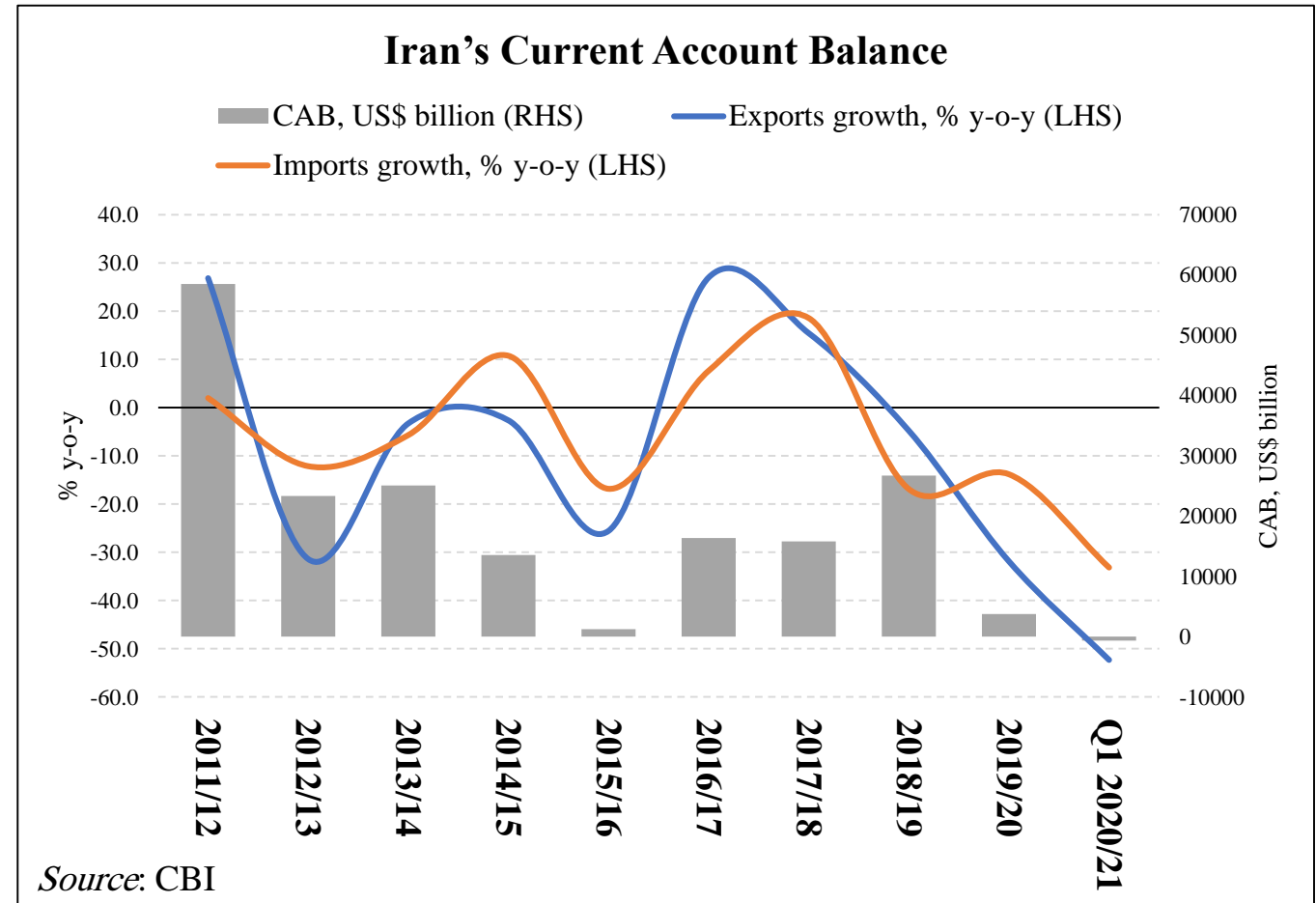


External Sector

Trade



- There is a sharp decline in annual growth of Iran's exports in goods and services, since 2016/17.
- Despite the downward trend of Iran's imports in goods and services, the current account balance (CAB) showed a deficit in the first quarter of the year 2020/21.



External Sector Trade



- As shown on the chart, over the past two years, Iran's monthly non-oil export fluctuated at somewhere between 16.7 billion dollars in April 2020 to 5.8 billion dollars in May 2019.
- Meanwhile, there was a fluctuation in import over this period, with a low in April 2020 and a high in May 2019.



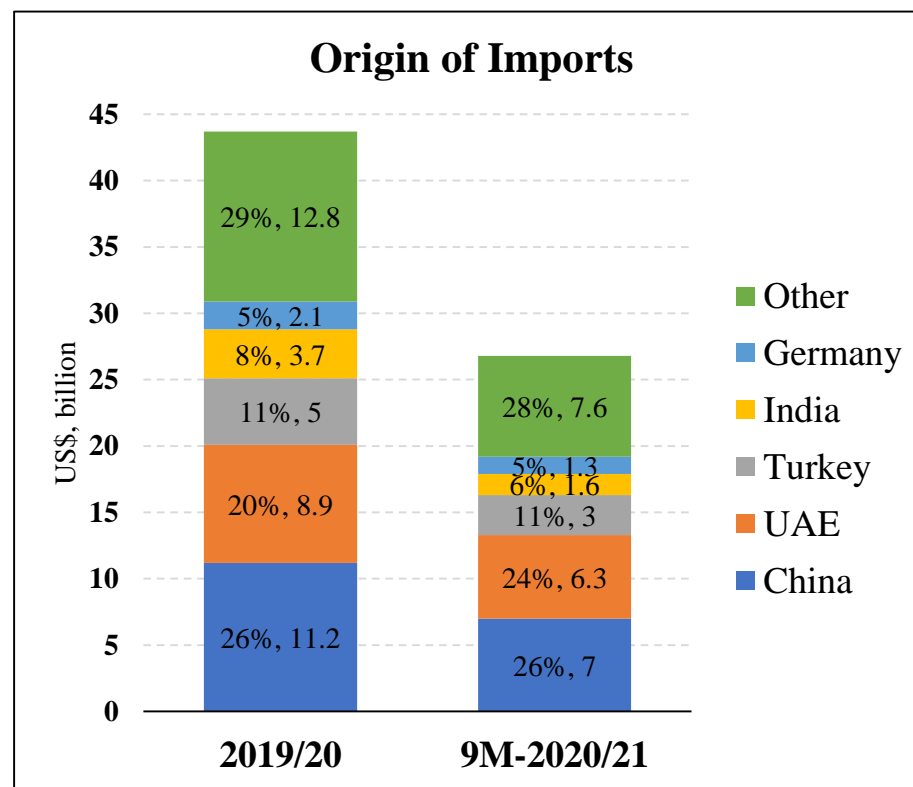
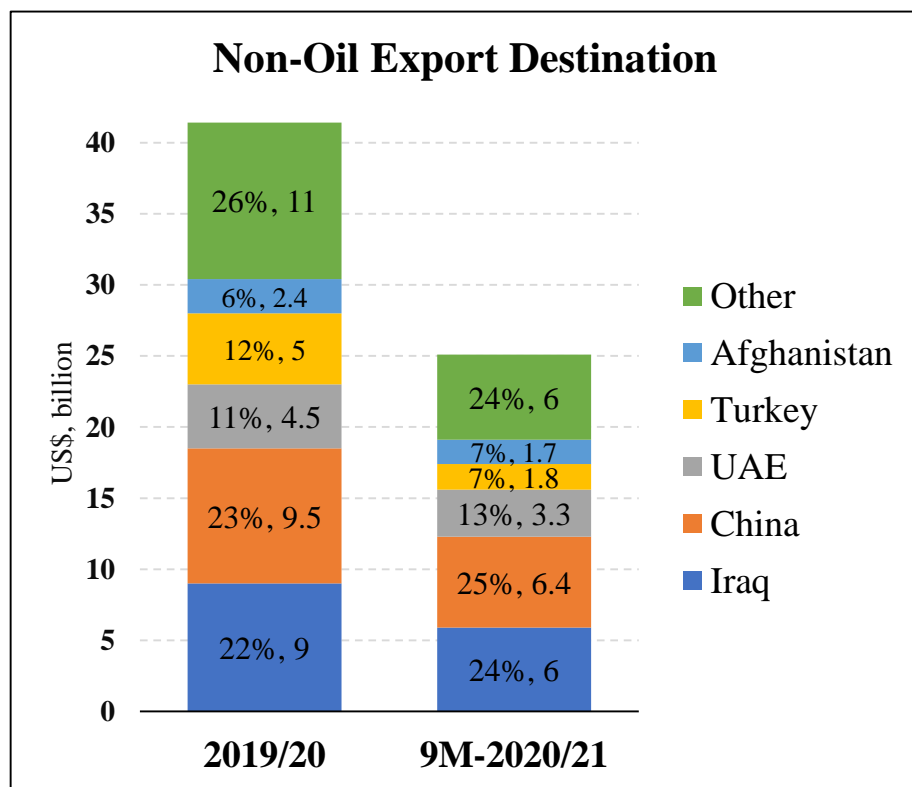
Source: IRICA

External Sector

Trade Partners



During the first 9 months of 2020/21, Iran's exports to its main partners has significantly declined, compared to 2019/2020. The share of Iraq, China, UAE and Afghanistan of Iran's total non-oil export increased, while it declined for Turkey. Iran's import to its main partners were lower in the first 9 months of 2020/21, compared to 2019/20. While the share of China, Turkey and Germany in Iran's import were constant, it declined for India and increased for UAE.



Source: IRICA

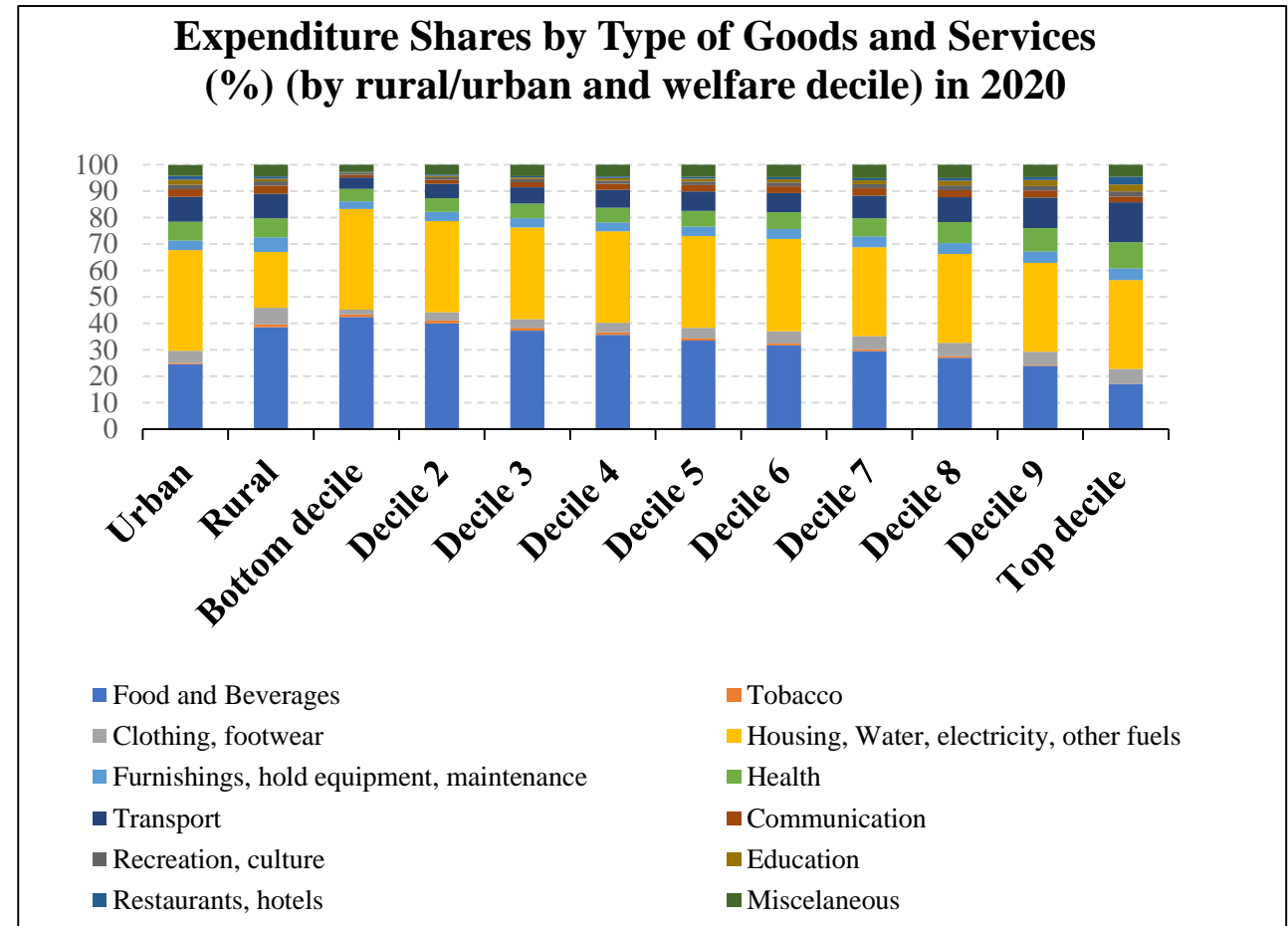
Note: First number represents country's share (%) in total exports



Household Welfare and poverty

Household Expenditure

- Rising cost of living is directly related to declining socio-economic well-being, except that not everyone is equally affected. Inflation affects the lower income deciles more than other people because a larger share of their consumption basket consists of essential items such as food and beverage.
- Among the various income deciles, food and beverage and housing, water, electricity, and other fuels account for a significant share of total household expenditure. The difference is that the share of Food and Beverage in total expenditure of households is higher in the primary deciles. In contrast, the share of costs such as recreation and culture costs is higher in top deciles.



Source: SIC

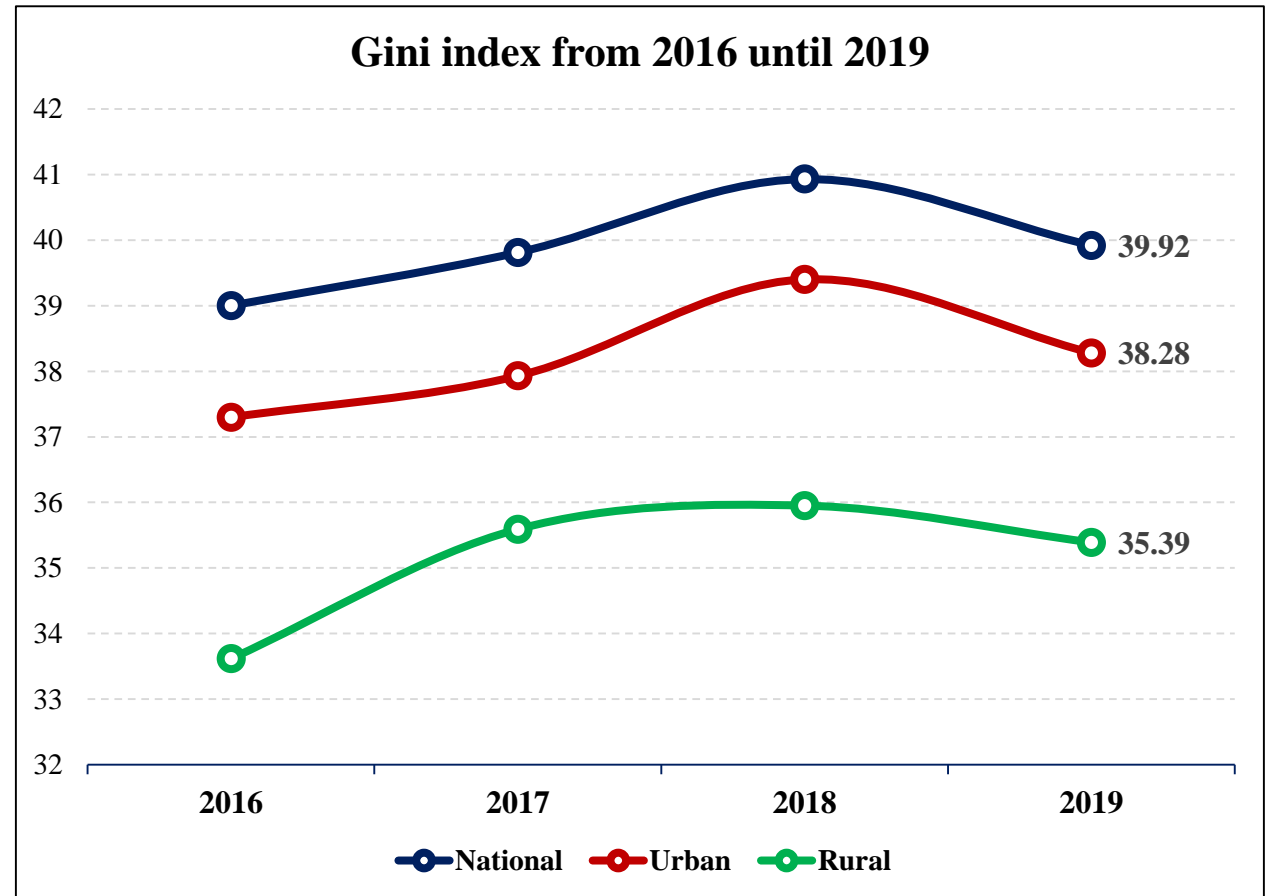


Household Welfare and poverty

Gini Index



- During 2016-2018, the national, urban and rural Gini index of Iran experienced an upward trend. However, this trend has stopped and decreased for all three indicators in 2019, which illustrates a fairer distribution of income in this year.
- The national, urban and rural Gini index were 39.9%, 38.3% and 35.4%, in 2019 respectively.



Source: SIC