

Part One

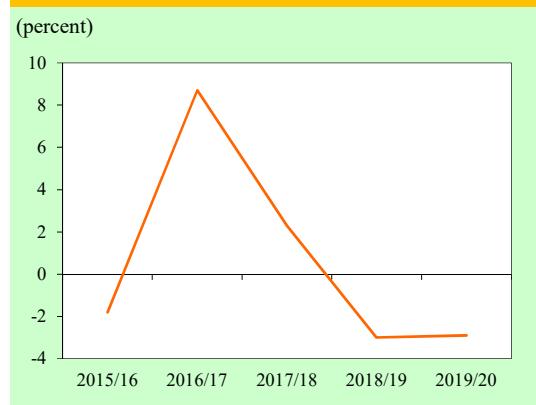
**Economic Developments
of Iran in 2019/20**

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

1.1. Gross Domestic Product (GDP)

The year 2019/20 was witness to another phase of negative growth in GDP as in 2018/19. GDP growth of 2019/20 was -2.9 percent at constant 2016/17 prices. Excluding oil and gas, however, GDP registered a growth rate of 1.1 percent, attributable to improvements in the performances of "agriculture, forestry, and fishing" and "industry" groups.

**Figure 1.1. GDP Growth
(at constant 2016/17 prices)**



The value added of the "agriculture, forestry, and fishing" and "industry" groups increased by respectively 9.1 and 1.0 percent, while that of "oil and gas" and "services" decreased by respectively 36.2 and 0.3 percent. The shares of the mentioned groups in GDP were respectively 13.8, 28.2, 6.3 and 51.8 percent, at current prices.

Despite the damages caused by the flooding of April 2019 to farming, horticultural, and livestock products, the agriculture sector performed favorably as reflected by a rise of 9.1 percent in the value added of "agriculture, forestry and fishing" sector, at constant 2016/17 prices. Accordingly, the share of the value added of this group in GDP increased from 11.5 percent in 2018/19 to 13.8 percent in 2019/20, at current prices.

**Table 1.1. Gross Domestic Product
(at constant 2016/17 prices) (percentage change)**

	2017/18▲	2018/19▲	2019/20□
Agriculture, forestry, and fishing	3.4	-2.3	9.1
Oil and gas	-1.1	-18.4	-36.2
Industry	4.3	-1.8	1.0
Services	2.1	0.1	-0.3
GDP	2.3	-3.0	-2.9
Non-oil GDP	2.8	-0.7	1.1

The imposing of sanctions under a maximum pressure policy impacted enterprises active in the manufacturing and mining sector negatively, raising production costs and further limiting the supply of the required raw materials and intermediate goods. Notwithstanding these difficulties, the value added of the industry group grew by 1.0 percent, at constant 2016/17 prices. The share of the value added of the "industry" group in GDP rose from 25.1 percent in 2018/19 to 28.2 percent in 2019/20, at current prices. A review of the

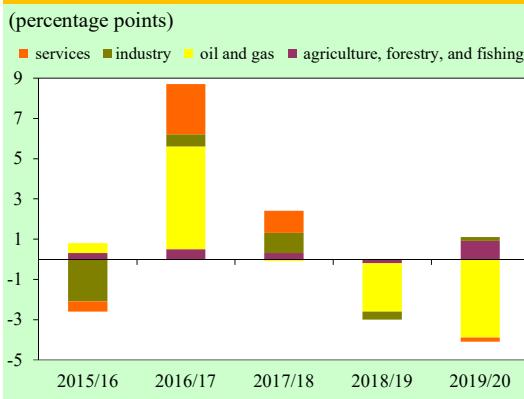
developments of the subgroups of "industry" indicates that the value added of the "manufacturing", "mining and quarrying", "electricity, gas, steam and air conditioning supply", and "water supply; sewerage, waste management and remediation activities" experienced positive growth. In this respect, the value added of the subgroup of "manufacturing" grew by 0.4 percent at constant 2016/17 prices, as represented by a rise of 2.6 percent in the production index of large manufacturing establishments (constituting about 70 percent of the value added of the manufacturing sector). This was mainly attributable to growth in the manufacture of basic metals, chemicals and chemical products, and other nonmetallic mineral products.

The value added of "mining and quarrying" grew by 8.1 percent at constant prices, caused by growth in the value added of mines, particularly in terms of mining of iron ores and production of copper from ores. In addition, due to the increase in electricity generation and gas supply, the value added of "electricity, gas, steam and air conditioning supply" increased by 3.5 percent compared with 2018/19. The value added of "water supply; sewerage, waste management and remediation activities" experienced a growth rate of 3.9 percent, mainly attributable to improvements in wastewater treatment in urban and rural areas.

In the construction sector, despite a relative improvement in the private sector's construction indicators as well as an increase of 5.8 percent in the value added of private sector's buildings at constant prices, the value added of government buildings fell in 2019/20. This led to a decline in the value added of construction by 0.6 percent compared with the year before, at constant 2016/17 prices.

The value added of the services sector, constituting the highest share of GDP at current prices by 51.8 percent, grew by -0.3 percent at constant 2016/17 prices, mainly due to decreases by 3.2 and 4.0 percent in "wholesale and retail trade, repair of motor vehicles and motorcycles" and "public administration and defense; compulsory social security", respectively. Meanwhile, the value added of "transport and storage" increased by 3.1 percent, due to the relative improvement in road transport, and that of "information and communication" grew by 19.1 percent, attributable to the improvement of call services via cell phones, landlines, and the internet. The value added of "real estate activities" experienced a growth rate of 1.2 percent, affected by the rise in the rental value of housing. Moreover, with the US withdrawal from the JCPOA and the resulting restrictions on oil exports, as well as the nonrenewal of exemptions granted to buyers of Iran's oil in May 2019, the value added of the "oil and gas" sector fell by 36.2 percent at constant 2016/17 prices. Accordingly, the share of the value added of the oil and gas sector in GDP declined from 13.5 percent in 2018/19 to 6.3 percent in 2019/20, at current prices.

Figure 1.2. Economic Sectors' Contribution to GDP Growth (at constant 2016/17 prices)



1.2. Gross Domestic Expenditure (GDE)

In 2019/20, gross domestic expenditure declined by 3.1 percent at constant 2016/17 prices, compared with 2018/19. In the same year, both private and public consumption expenditures decreased compared with the year before.

Private consumption expenditures, mainly representing household final consumption expenditures, are calculated based on estimates derived from the household budget survey, population growth in the reference period, and the rate of inflation. On this basis, in 2019/20, private consumption expenditures indicated a decrease of 4.7 percent compared with the year before, at constant 2016/17 prices. Similarly, public consumption expenditures of ministries and their affiliated institutions, municipalities, and the Social Security Organization (SSO), given the rise in the number of employees and based on the current expenses of the government, declined by 5.6 percent compared with 2018/19.

Gross fixed capital formation decreased by 6.6 percent, at constant 2016/17 prices, when compared with 2018/19. Due to a decline in the amount of investment in the domestically produced as well as the imported capital goods, gross fixed capital formation in the "machinery" group indicated a decrease of 13.2 percent compared with the year before. In a similar way, gross fixed

capital formation in the "construction" sector, in spite of an improvement in the private sector's investment in construction in urban and rural areas, declined by 2.1 percent compared with 2018/19 (at constant 2016/17 prices), mainly attributable to the decrease in the government's as well as the affiliated companies' construction activities.

In 2019/20, the imports of goods and services decreased by 31.6 percent, at constant 2016/17 prices, compared with 2018/19. Likewise, the exports of goods and services decreased by 20.6 percent compared with the year before, caused by the reduction in oil exports (due to the drop in the value of exports of crude oil and natural gas condensate) and non-oil exports.

Figure 1.3. Expenditure Items' Contribution to GDE Growth (at constant 2016/17 prices)

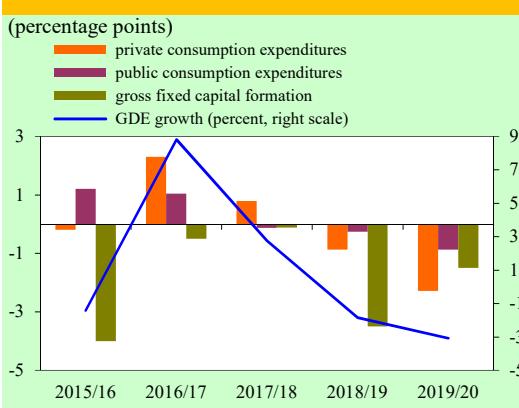


Table 1.2. Gross Domestic Expenditure (at constant 2016/17 prices) (percentage change)

	2017/18▲	2018/19▲	2019/20□
Private consumption expenditures	1.6	-1.8	-4.7
Public consumption expenditures	-0.8	-2.0	-5.6
Gross fixed capital formation	-0.5	-15.8	-6.6
GDE	2.8	-1.8	-3.1
Net national income at basic prices	2.1	-8.8	-10.6