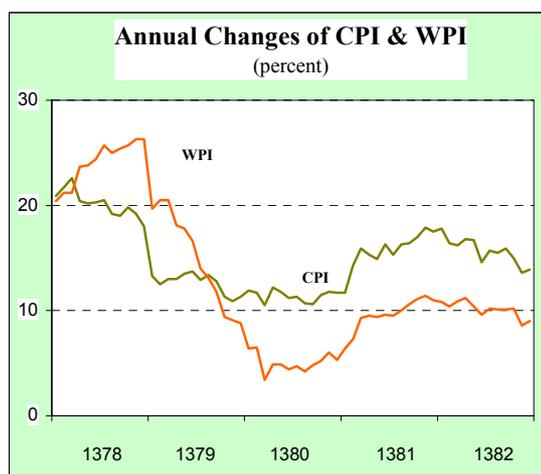


CHAPTER SIXTEEN

PRICE TRENDS

The declining trend of inflation rate in the previous years was reversed since the beginning of 1381 and reached 15.6 percent in the review year. The moderate growth of aggregate supply and the remarkable growth of the constituents of aggregate demand during the past three decades indicate a chronic imbalance between aggregate supply and demand in the Iranian economy. Broad money has been the main driving force behind inflation in the long run, although rise in M2 growth has not been fully reflected in inflation rate over the short run.



AVERAGE ANNUAL CHANGES IN PRICE INDICES

(percent)

	1378	1379	1380	1381	1382
Consumer price index in urban areas	20.1	12.6	11.4	15.8	15.6
Wholesale price index	24.2	14.8	5.1	9.6	10.1
Producer price index	22.9	16.2	10.9	13.5	15.7
Exported goods price index	59.8	17.7	1.3	5.7	11.7
GDP deflator (basic price) (1)	30.0	26.5	11.6	28.3	12.1
Non-oil GDP deflator (basic price) (1)	20.3	22.5	12.6	15.9	12.8

(1) Figure for 1382 is preliminary.

Consumer Price Index (CPI)

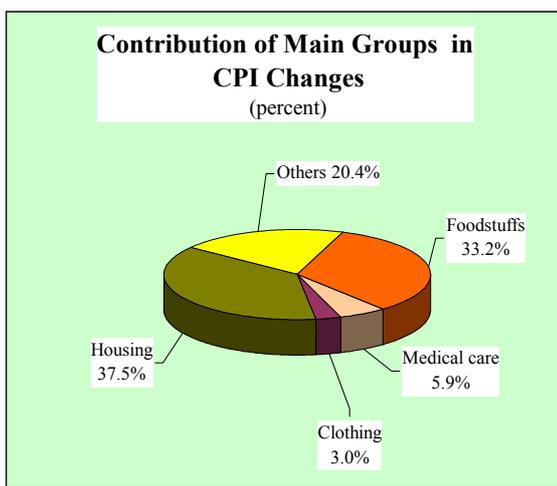
Urban Areas

The CPI grew by 15.6 percent in 1382 on average. This shows 0.2 percentage point reduction compared to the previous year. Review of the constituents of this index by special groups indicates that the price indices of “goods” and “housing, water, fuel and power” declined, while that of “services” went up. The price index of “goods” recorded the highest contribution of 44.1 percent in raising the general index, and “housing, water, fuel and power” and “services” groups raised the general index by 37.5 and 18.4 percent, respectively.

The growth of price index of the main groups under the heading of “food, beverages and tobacco”, “housing, water, fuel and power” and “recreation, reading and education” fell down compared to 1381, while that of “miscellaneous goods and services”, “household furnishings

and operations”, “clothing and footwear”, “transportation and communications” and “medical care” groups went up. The price index of “miscellaneous goods and services” group had the highest and that of “clothing and footwear” the least growth.

The main group of “housing, water, fuel and power” with a relative weight of 27 percent grew by 18.5 percent and had the highest contribution (37.5 percent) in raising the general index. This group together with another main group “food, beverages and tobacco”, with a total relative weight of 59.5 percent in the general index, accounted for 70.7 percent of the 1382 inflation rate; i.e. 11.1 percentage points of the 15.6 percent inflation rate.

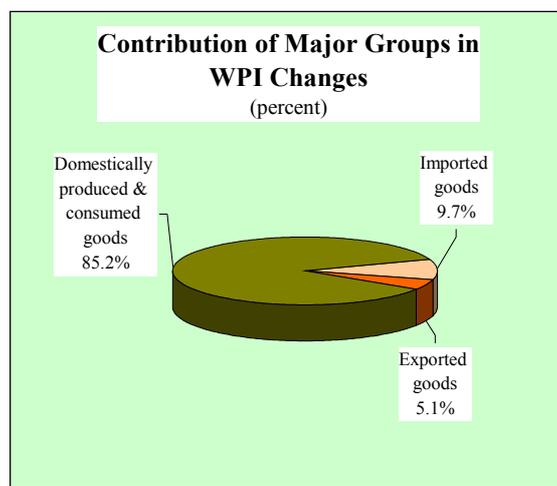


Rural Areas⁽¹⁾

The CPI for rural areas went up by 18.1 percent compared to 1381. The CPI for rural households according to two special groups indicates rise of price index for “goods” by 16 percent (against 14.9 percent in 1381), and “services” group by 25 percent (against 21.7 percent in 1381). The two special groups with relative weights of 83.4 and 16.6 percent in the general index raised the general index by 68.7 and 31.3 percent, respectively.

Wholesale Price Index (WPI)

The wholesale price index surged by 10.1 percent on average compared to the previous year, mainly owing to the rise in the growth rate of “domestically produced and consumed goods” by 11.6 percent. This rise was in turn due to increase in the price index of two main groups of the producer price index, namely “manufactured goods according to raw materials” and “agriculture, animal husbandry and forestry”.



The growth rate of the price index of “imported goods” went up from 4.1 percent in 1381 to 4.8 percent in 1382, while for “exported goods” this rate declined from 10.3 percent in 1381 to 9.5 percent in 1382, indicating an improvement in the competitiveness of the country’s exported goods in the international markets.

Producer Price Index (PPI)

The producer price index grew by 15.7 percent in 1382. Among the special constituent groups of this index, the price index of “services” recorded the highest growth, and due to its

(1) Data for this section are derived from “CPI of Rural Households” released by the Statistical Center of Iran in which the base year is 1374. In 1382, the method for this index was revised. In the new method, after calculating a relative price for each commodity or service, the geometrical average of relative prices is computed.

high relative weight raised the general index markedly. The growth rate of “agriculture, animal husbandry, forestry and fishing” group increased by 15.6 percent in 1382 against 12.4 percent in 1381. Index of the “mining and quarrying, manufacturing and electricity, gas and water supply” group grew by 10.9 percent in 1382, against 9.9 percent in 1381.

Among the main constituent groups of this index, the highest shares in raising the general index belonged respectively to “manufacturing”, “agriculture, animal husbandry and forestry”, “real estate, renting and business activities” and “transport, storage and communications” groups.

Exported Goods Price Index

Exported goods price index in 1382 went up by 11.7 percent compared to the previous year. Among the constituent groups of exported goods, the price index of “animal products” had the highest growth rate of 28.6 percent in 1382 against 15.8 percent growth in the previous year, due to increase in the price of sheep casings and frozen fish. The price index of “base metals and articles of base metals” and “products of the chemical or allied industries” groups with 27.5 and 17.8 percent growth, respectively ranked the next. The price index of “vegetable products” and “optical, precision and medical instruments” groups declined by 2.3 and 0.3 percent, respectively compared to the previous year.