

# ECONOMIC REPORT AND BALANCE SHEET 1386 (2007/08)

CENTRAL BANK
OF THE
ISLAMIC REPUBLIC
OF IRAN



# ECONOMIC REPORT AND BALANCE SHEET 1386 (March 19, 2008)

Approved at the Annual General Meeting

of Central Bank of the Islamic Republic of Iran

Held on

November 23, 2008

### Prepared by:

Economic Research and Policy Department
CENTRAL BANK OF THE ISLAMIC REPUBLIC OF IRAN



# **CONTENTS**

ABBREVIATIONS		vi	
SYMBOLS LIST OF FIGURES			vi
			vii
PART (	NE	E (ECONOMIC DEVELOPMENTS OF IRAN IN 1386)	
Chapter	1:	NATIONAL PRODUCT, EXPENDITURE AND INCOME	1
		Gross Domestic Product	1
		Gross Domestic Expenditure	2
		4 <sup>th</sup> FYDP Projection on Real Sector Performance	4
Chapter	2:	AGRICULTURE	5
		Production	5
		Government Investment	8
		Banking Facilities	8
Chapter	3:	ENERGY	13
		Primary Energy Consumption	13
		Crude Oil Reserves	14
		Crude Oil Production	14
		Production and Export of Crude Oil	17
Chapter	4:	MANUFACTURING AND MINING	19
		Production	19
		Government Investment	21
		Banking Facilities	21
Chapter	5:	CONSTRUCTION AND HOUSING	27
		Government Investment	28
		Banking Facilities	28
		Construction Indices	32
Chapter	6:	TRANSPORTATION	33
		Government Investment	33

### CONTENTS

Chapter 7:	DOMESTIC TRADE	37
	Government Initiatives to Regulate Domestic Market	
	and Procure Essential Needs of the Public	37
	Banking Facilities	38
Chapter 8:	SOCIAL AFFAIRS	41
	Population and Labor Force	41
	Allocation of Facilities for Employment Creation	43
	Education	46
	Health and Medical Care	47
	Social Security	47
	Human Development and Poverty Indices	48
Chapter 9:	FISCAL POLICY AND PERFORMANCE	51
Chapter 10:	FOREIGN EXCHANGE AND TRADE POLICY	55
	Balance of Payments	55
	Foreign Trade Performance	57
	Imports	57
	Non-oil Exports	58
Chapter 11:	RELATIONS WITH INTERNATIONAL MONETARY AND FINANCIAL ORGANIZATIONS	65
Chapter 12:	MONETARY AND BANKING POLICY AND PERFORMANCE	69
	Banking System Performance	70
	Banking System and the Public Sector	71
	Banks and the Non-public Sector	72
	Liquidity	73
	Sources and Uses of Commercial Banks Funds	75
	Sources and Uses of Specialized Banks Funds	76
Chapter 13:	PAYMENT SYSTEM	<b>7</b> 9
	Notes and Coins	79
	Check Clearing System	79
	SAHAB	82
	SATNA	83
Chapter 14:	INSURANCE	85
	Performance of Insurance Industry	85
Chapter 15:	CAPITAL MARKET	89
	Share Trading	89
	Participation Papers	94
Chapter 16:	FINANCIAL DEVELOPMENT	95
	Banking Sector Development	95
	Non-bank Financial Sector Development	98
	Monetary Sector Development and Monetary Policy	100

### ECONOMIC REPORT AND BALANCE SHEET 1386

Chapter 17:	PRICE TRENDS	105
	Consumer Price Index	105
	Wholesale Price Index	107
	Producer Price Index	109
	Exported Goods Price Index	110
	Velocity of Circulation of Money	111
Chapter 18:	COMPARISON OF THE IRANIAN ECONOMY WITH COUNTRIES IN THE REGION	113
	Economic Growth	116
	Investment Growth	118
	Liquidity Growth	119
	Inflation Rate	120
	Unemployment Rate	120
	) (ADMINISTRATIVE ORGANIZATION, BALANCE SHEET AND PROFIT AND LOSS AC	
Executive Board	i	124
Money and Credit Council		125
Note-Reserve Control Board		126
Board of Auditors		126
Balance Sheet		128
Profit and Loss	Account	130
Details of Balance Sheet		132
Details of Profit	and Loss Account	136
PART THR	EE (STATISTICAL APPENDIX)	
List of Tables		140

### **ABBREVIATIONS**

ATM Automated Teller Machine

CBI Central Bank of the Islamic Republic of Iran

CPI Consumer Price Index

CPP Central Bank Participation Paper
FYDP Five-Year Development Plan
GDP Gross Domestic Product

kWh Kilowatt-hour

mb/d Million barrels per day
MCC Money and Credit Council
NIGC National Iranian Gas Company
NIOC National Iranian Oil Company

OPEC Organization of Petroleum Exporting Countries

OSF Oil Stabilization Fund

POS Point of Sale

PPI Producer Price Index

Rls Rials

SMEs Small and Medium Enterprises

TEDPIX Tehran Stock Exchange Dividend and Price Index

TEPIX Tehran Stock Exchange Price Index

TEU Twenty-foot Equivalent Unit

WPI Wholesale Price Index

### **SYMBOLS**

Negligible fractionFigure not available

\* Figure is not a significant decimal fraction

☐ Figure is provisional

▲ Previous figure now revised■ More than 500 percent increase

θ Calculation of percentage change is not possible

• Figure has been rounded

O Percentage change has been calculated from round figures

The year 1386 corresponds to 2007/08 (starting from March 21).

"Billion" means a thousand million; "trillion" means a thousand billion.

## **List of Figures**

			Page
Figure	1.1	GDP Growth	1
Figure	1.2	Economic Sectors' Contribution to GDP Growth	2
Figure	1.3	Economic Sectors' Contribution to GDE Growth	3
Figure	2.1	Estimated Production of Major Farming Crops	5
Figure	2.2	Guaranteed Purchase Price of Major Agricultural Products	7
Figure	2.3	Subsidy Paid on Major Agricultural Products and Foodstuffs	7
Figure	2.4	Outstanding Facilities Extended by Banks to Agriculture Sector	9
Figure	2.5	Facilities Extended by Bank Keshavarzi	9
Figure	3.1	OPEC Members' Quotas in 2007	14
Figure	4.1	Growth Trend of Main Indices in Large Manufacturing Establishments	19
Figure	4.2	Growth Trend of Average Production and Adjusted Wage of Employees in Large Manufacturing Establishments	19
Figure	4.3	Changes in Outstanding Facilities Extended to Non-public Manufacturing and Mining Sector and Government Development Expenditures	21
Figure	5.1	Total Floor Space in Construction Permits Issued by Municipalities	30
Figure	5.2	Number of Completed Residential Buildings in Urban Areas	32
Figure	5.3	Growth in Housing Sector Indices	32
Figure	6.1	Number of Carried Passengers	34
Figure	6.2	Volume of Carried Goods	36
Figure	8.1	Share of Employment in Various Economic Sectors	42
Figure	8.2	Ratio of the Share of 10 <sup>th</sup> to 1 <sup>st</sup> Decile Expenditures	45
Figure	8.3	Share of Expenditure Groups in 1386	46
Figure	8.4	Education Quality Indices in Iran	47
Figure	9.1	Composition of Government Resources	52
Figure	9.2	Government Fiscal Position	53
Figure	9.3	Ratio of Selected Budget Items to GDP	53
Figure	9.4	Ratio of Selected Budget Items to GDP	54
Figure	10.1	Current Account Balance Components	56
Figure	10.2	Current Account Balance	56
Figure	10.3	Distribution of Imports by Continents in 1386	58
Figure	10.4	Major Non-oil Exports	59
Figure	10.5	Exports	59
Figure	10.6	Developments of US Dollar Rate in the Official Market	63
Figure	10.7	Developments of Euro Rate in the Official Market	63

Figure	12.1	Major Economic Variables	69
Figure	12.2	Outstanding Facilities Extended by Banking System to Public and Non-public Sectors	72
Figure	12.3	Liquidity Growth and its Determinants	74
Figure	12.4	Factors Affecting Liquidity Growth	74
Figure	13.1	Share of Electronic Payment Instruments in Total Number of Electronic Transactions in the Banking System in 1386	82
Figure	13.2	Share of Electronic Payment Instruments in Total Value of Electronic Transactions in the Banking System in 1386	82
Figure	13.3	Share of Non-cash Payment Instruments in Total Number of Non-cash Transactions	83
Figure	13.4	Share of Non-cash Payment Instruments in Total Value of Non-cash Transactions in 1386	84
Figure	14.1	Performance of Insurance Industry	85
Figure	14.2	Share of Insurance Companies in Issued Premiums and Paid Claims in 1386	86
Figure	14.3	Share of Insurance Companies in Issued Insurance Policies and Paid Claims in 1386	87
Figure	15.1	TSE Share Trading	90
Figure	15.2	Comparison of Price and Dividend Index Growth with Inflation	90
Figure	15.3	TSE Monthly Indices	91
Figure	15.4	Value and Volume of Offered Shares	92
Figure	16.1	Share of Private Banks in Banking Industry	96
Figure	16.2	Share of Banks' Claims on Non-public Sector in Total Outstanding Debts of Public and Non-public Sectors	96
Figure	16.3	Ratio of Banks' and Credit Institutions' Assets to Banking System's Assets	96
Figure	16.4	Ratio of Banks' and Credit Institutions' Reserves to Total Non-public Sector Deposits	97
Figure	16.5	Banks' Concentration Ratio	97
Figure	16.6	Bank Spread	97
Figure	16.7	Share of the Value-added of Monetary and Financial Institutions' Services in the Value-added of Services Sector	98
Figure	16.8	Market Capitalization to GDP Ratio	98
Figure	16.9	Value-traded to GDP Ratio	99
Figure	16.10	Turnover Ratio	99
Figure	16.11	Insurance Penetration Coefficient	99
Figure	16.12	Share of Value-added of Financial Institutions' Services in Value-added of Monetary and Financial Institutions' Services	100
Figure	16.13	Financial Depth	100
Figure	16.14	Ratio of CBI's Outstanding Participation Papers to Monetary Base	100
Figure	16.15	Stages of Relaxation of Sectoral Credit Allocation	101
Figure	16.16	Ratio of Outstanding Budgetary Facilities to Total Outstanding Facilities	101

Figure	16.17	Real Lending and Deposit Rates	102
Figure	16.18	Share of Government Participation Papers in Government Financing	102
Figure	17.1	Changes of CPI, WPI, and PPI	105
Figure	17.2	Contribution of Main Groups to CPI Changes in 1386	106
Figure	17.3	Contribution of Major Groups to WPI Changes in 1386	108
Figure	18.1	GDP Growth in Iran and Major Countries in the Region	116
Figure	18.2	GDP in Iran and Turkey	116
Figure	18.3	GDP per Capita	117
Figure	18.4	Ratio of Value-added of the Manufacturing Sector to GDP	117
Figure	18.5	Annual Growth of Gross Fixed Capital Formation	118
Figure	18.6	Ratio of Gross Fixed Capital Formation to GDP	118
Figure	18.7	Ratio of Government Spending to GDP	119
Figure	18.8	Liquidity Growth	119
Figure	18.9	Inflation Rate	120
Figure	18.10	Unemployment Rate	120