

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 plans 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 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, Zionist Occupying Regime, the United Arab Emirates, Kuwait, Iraq, Qatar, Jordan, Bahrain, Syria, Pal-

estine, 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 Region ⁽¹⁾

The present chapter tries to give Iran's ranking among five major countries in the region including Saudi Arabia, Turkey, Pakistan, Egypt, and Zionist Occupying Regime during 2003-07. The respective tables indicate data on the five 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.

(1) Discrepancy of the data mentioned herein with those of the Economic Report and Balance Sheet for 1385 is due to the latest figures released.

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Comparison of Countries in the Region in 2007 ⁽¹⁾

	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	8,571	10	19.2	1	14.0	8	7,477	7
Jordan	5,719	13	6.0	13	-2.3	14	4,903	10
Armenia	3,001	18	13.7	2	8.8	11	5,711	8
Uzbekistan	26,868	5	9.5	5	8.6	12	2,425	14
Afghanistan	..	..	13.5	3	..	..	..	..
Iran ⁽³⁾	71,021	4	7.6	8	14.4	6	10,934	4
Pakistan	162,389	1	6.4	12	20.6	4	2,525	13
Tajikistan	6,740	12	7.8	7	94.2	1	1,754	17
Turkey	73,888	3	4.5	15	3.3	13	12,481	3
Zionist Occupying Regime	7,172	11	5.3	14	14.2	7	25,917	1
Syria	19,891	8	6.6	11	8.8	10	4,513	12
Saudi Arabia	24,196	6	3.4	17	..	..	22,907	2
Oman	2,600	20	..	..	..	..	..	..
Palestine	3,869	17	-2.5	19	..	..	..	..
Kyrgyzstan	5,243	14	7.4	9	..	..	1,980	16
Kazakhstan	15,481	9	8.5	6	10.0	9	10,829	5
Qatar	836	21	..	..	..	..	..	..
Kuwait	2,663	19	..	..	..	..	..	..
Georgia	4,396	15	12.4	4	19.5	5	4,667	11
Lebanon	4,097	16	2.0	18	38.6	2	10,112	6
Egypt	75,467	2	7.1	10	30.1	3	5,352	9
Yemen	22,383	7	3.6	16	..	..	2,336	15

Source: World Development Indicators (WDI), the World Bank Group, 2008

(1) Due to lack of data, United Arab Emirates, Bahrain, Turkmenistan, 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, with regard to the main data sources and calculation methods used in WDI, figures for Iran may differ from those released by domestic resources.

Comparison of Countries in the Region in 2007 (continued)

	Inflation		Unemployment ⁽⁴⁾		Ratio of GDP to total in the region ⁽⁵⁾		Ease of doing business index ⁽⁶⁾
	Rate (percent)	Rank	Rate (percent)	Rank	Share (percent)	Rank	Rank
Azerbaijan	16.7	15	6.5	3	1.7	10	33
Jordan	5.4	4	..	..	0.7	13	101
Armenia	4.4	3	..	..	0.4	16	44
Uzbekistan	..	..	..	..	1.7	9	138
Afghanistan	21.5	17	..	..	0.7	14	162
Iran	17.2	16	10.5	7	20.2	2	142
Pakistan	7.6	7	5.3	1	10.7	4	77
Tajikistan	13.1	13	..	..	0.3	17	159
Turkey	8.8	8	9.9	6	24.0	1	59
Zionist Occupying Regime	0.5	1	7.3	4	4.8	6	30
Syria	..	..	..	..	2.3	8	137
Saudi Arabia	4.2	2	5.6	2	14.4	3	16
Oman	5.9	6	..	..	..	..	57
Palestine	..	..	21.3	9	..	..	131
Kyrgyzstan	10.2	11	..	..	0.3	18	68
Kazakhstan	10.8	12	7.3	5	4.4	7	70
Qatar	13.8	14	..	..	..	..	37
Kuwait	5.5	5	..	..	..	..	52
Georgia	9.2	9	13.3	8	0.5	15	15
Lebanon	..	..	..	..	1.1	12	99
Egypt	9.3	10	..	..	10.5	5	114
Yemen	..	..	..	..	1.4	11	98

(4) Source: <http://laborsta.ilo.org>

(5) Figures related to GDP are calculated on the basis of the purchasing power parity.

(6) Source: www.doingbusiness.org

Economic Growth

Iran enjoyed a positive growth during 2003-07, with the highest growth (7.6 percent) related to 2007 and the lowest (4.6 percent) to 2005. Economic growth during 2003-05 had a downward trend and in 2006 and 2007 again faced an upturn. Iran's ranking varied among major regional countries over the same period. Iran ranked the lowest after Egypt in 2005 (the first year of the 20-Year Vision Plan); however, it achieved the highest rate in 2007. It is noteworthy that despite its growth in this year, Iran ranked eighth. Saudi Arabia, Turkey, and Zionist Occupying Regime ranked the lowest in the region.

GDP Growth (percent)

	2003	2004	2005	2006	2007
Iran ⁽¹⁾	7.1	5.1	4.6	5.9	7.6
Saudi Arabia	7.7	5.3	5.6	3.2	3.4
Turkey	5.3	9.4	8.4	6.9	4.5
Pakistan	4.8	7.4	7.7	6.9	6.4
Egypt	3.2	4.1	4.4	6.8	7.1
Zionist Occupying Regime	1.5	4.8	6.5	5.2	5.3

Source: WDI, the World Bank Group, 2008

(1) According to the CBI, GDP growth during 1382-86 stood at 7.8, 6.4, 6.9, 6.6, and 6.7 percent, respectively.

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 2003-07, ranking second after Turkey in the review year. The lowest rank belonged to Zionist Occupying Regime over this period. Of particular note is that, major countries in the region including Turkey by 24 percent, Iran 20.3 percent, Saudi Arabia 14.4 percent, Pakistan 10.7 percent, Egypt 10.5 percent, and Zionist

Occupying Regime 4.8 percent, accounted for the highest share in GDP and ranked first to sixth in the review year.

Figure 18.1. GDP growth in Iran and major countries in the region

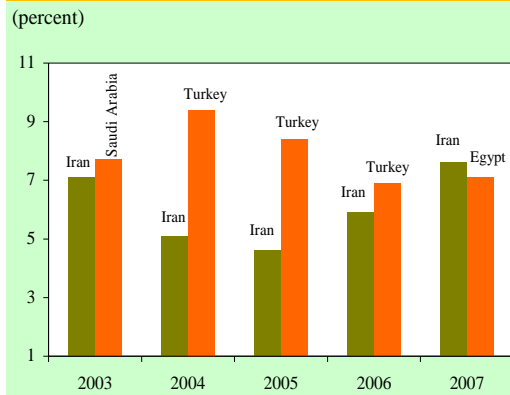
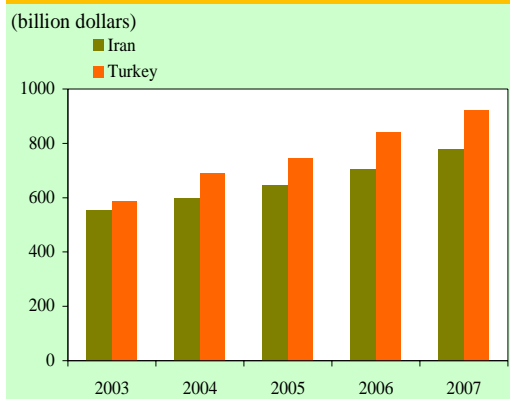


Figure 18.2. GDP in Iran and Turkey



GDP (billion dollars)

	2003	2004	2005	2006	2007
Iran	552	597	644	703	777
Saudi Arabia	417	451	491	522	554
Turkey	588	689	747	842	922
Pakistan	278	307	340	375	410
Egypt	289	310	333	367	404
Zionist Occupying Regime	134	144	158	172	186

Source: WDI, the World Bank Group, 2008

GDP per Capita

Iran's GDP per capita had been increasing during 2003-07 and according to purchasing power parity reached \$10,934 in 2007 against \$8,240 in 2003. However, Iran ranked fourth among the countries under study. Zionist Occupying Regime and Saudi Arabia, by \$25,917 and \$22,907 GDP per capita, ranked first and second in 2007. Their relative advantage over other countries in the region is mostly due to their less population compared with other countries. Saudi Arabia ranked fifth in this regard, followed by Zionist Occupying Regime.

Share of Manufacturing Sector in GDP

Share of manufacturing in GDP reveals industrial capabilities and potentialities of a country; thus, it is a measuring index of industrial development. According to WDI

data, share of manufacturing sector in GDP increased during 2003-06, while it declined in 2007. Except for 2004, Iran ranked second after Saudi Arabia among major regional countries (except Zionist Occupying Regime). Of particular note is that Saudi Arabia ranked first during the past three years, while Pakistan ranked last.

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

	2003	2004	2005	2006	2007
Iran	41.0	42.7	44.6	44.6	41.5
Saudi Arabia	54.4	20.4	63.2	64.6	65.4
Turkey	28.6	28.5	28.5	28.7	28.3
Pakistan	23.9	27.0	27.1	27.2	26.8
Egypt	35.7	36.9	36.3	38.4	35.5
Zionist Occupying Regime	..	..	..	..	..

Source: WDI, the World Bank Group, 2008

Figure 18.3. GDP per capita

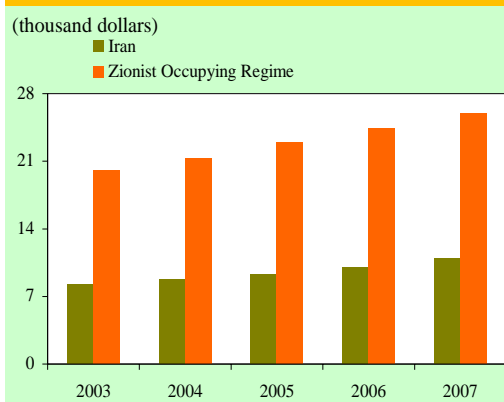
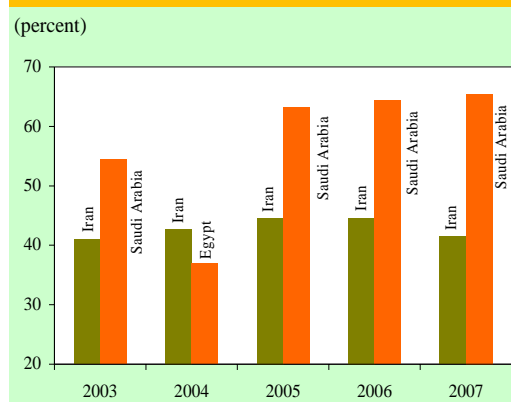


Figure 18.4. Ratio of value-added of the manufacturing sector to GDP



GDP per Capita ⁽¹⁾

	2003	2004	2005	2006	2007
Iran	8,240	8,771	9,314	10,031	10,934
Saudi Arabia	18,896	20,024	21,220	22,053	22,907
Turkey	8,322	9,688	10,370	11,535	12,481
Pakistan	1,872	2,017	2,184	2,361	2,525
Egypt	4,116	4,329	4,574	4,953	5,352
Zionist Occupying Regime	20,040	21,236	22,886	24,405	25,917

Source: WDI, the World Bank Group, 2008

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

Investment Growth

Data reveal that Iran's rate of gross fixed capital formation fell to 5.3 percent in 2006, against 10.8 percent in 2003, and rose again to 14.4 percent in 2007. Therefore, Iran's ranking, which bottomed out against those of other countries in the region during 2005-06, improved in 2007. The highest ranking over the course of 2006-07 belonged to Pakistan by 17.6 percent and Egypt by 30.1 percent, well above Iran's ranking in terms of investment growth. Despite remarkable rise in capital formation in 2007 compared with 2006, Iran ranked sixth in this year.

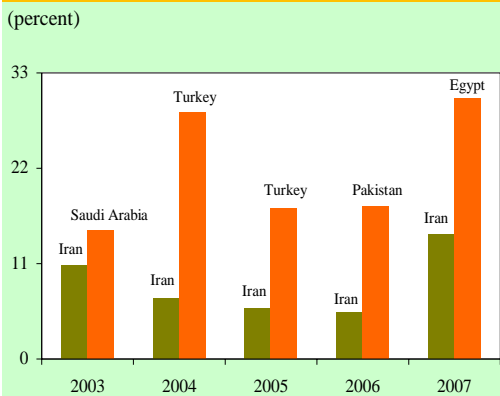
Annual Growth of Gross Fixed Capital Formation (percent)

	2003	2004	2005	2006	2007
Iran ⁽¹⁾	10.8	7.0	5.8	5.3	14.4
Saudi Arabia	14.8	..	..	..	..
Turkey	14.2	28.4	17.4	13.3	3.3
Pakistan	4.1	-6.1	13.5	17.6	20.6
Egypt	-8.7	8.8	11.5	13.8	30.1
Zionist Occupying Regime	..	..	..	..	..

Source: WDI, the World Bank Group, 2008

(1) According to the CBI, annual growth of gross fixed capital formation during 1382-86 was 12.3, 9.2, 8.7, 3.0 and 6.6 percent, respectively.

Figure 18.5. Annual growth of gross fixed capital formation



Ratio of Gross Fixed Capital Formation to GDP

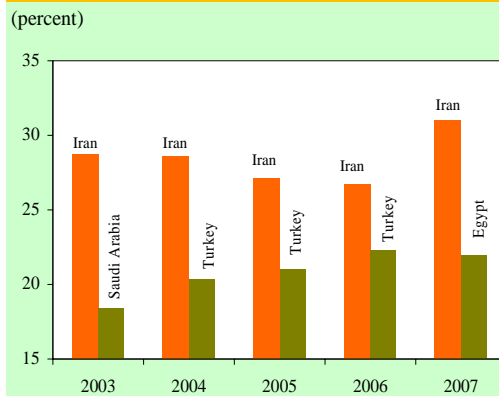
Ratio of gross fixed capital formation to GDP is an important macroeconomic variable, which reveals the economy's potential and capability of a country for growth and development in future. Despite a fall in the rate of investment growth during 2001-06, Iran's ratio of gross fixed capital formation to GDP varied within the range of 27.1-31 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. In recent years, Zionist Occupying Regime ranked last in this regard.

Ratio of Gross Fixed Capital Formation to GDP (percent)

	2003	2004	2005	2006	2007
Iran	28.7	28.6	27.1	26.7	31.0
Saudi Arabia	18.4	16.7	16.5	17.5	20.0
Turkey	17.0	20.3	21.0	22.3	21.5
Pakistan	15.1	15.0	17.5	20.1	21.4
Egypt	16.3	16.4	17.9	18.7	21.9
Zionist Occupying Regime	17.1	16.7	16.3	17.1	18.5

Source: WDI, the World Bank Group, 2008

Figure 18.6. Ratio of gross fixed capital formation to GDP



Ratio of Government Spending to GDP

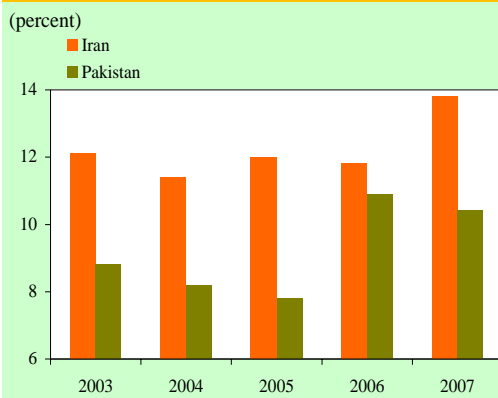
Government spending including government consumption expenditures for the purchase of goods and services, wages and salaries paid to government employees, and expenditures for defense and national security, excluding capital formation in this sector, varies with the government size and extent of its involvement in economic sectors and activities. Ratio of government spending to GDP reached 13.8 percent in 2007. Zionist Occupying Regime ranked first, followed by Saudi Arabia, while Pakistan always ranked last in ratio of government spending to GDP.

Ratio of Government Spending to GDP (percent)

	2003	2004	2005	2006	2007
Iran	12.1	11.4	12.0	11.8	13.8
Saudi Arabia	24.6	23.6	22.2	23.3	22.5
Turkey	12.2	11.9	11.8	12.3	12.2
Pakistan	8.8	8.2	7.8	10.9	10.4
Egypt	12.7	12.8	12.7	12.3	11.2
Zionist Occupying Regime	28.9	27.5	26.3	26.0	25.6

Source: WDI, the World Bank Group, 2008

Figure 18.7. Ratio of government spending to GDP



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, liquidity growth which in a downward trend in 2005 stood at 22.8 percent grew noticeably to 29.1 percent in 2006 and experienced further increase to reach 30.6 percent during 2007, well above liquidity growth in other countries. The lowest rate of liquidity growth belonged to Zionist Occupying Regime during 2003-07. This country even posted negative growth in 2003 and 2007.

Liquidity Growth (percent)

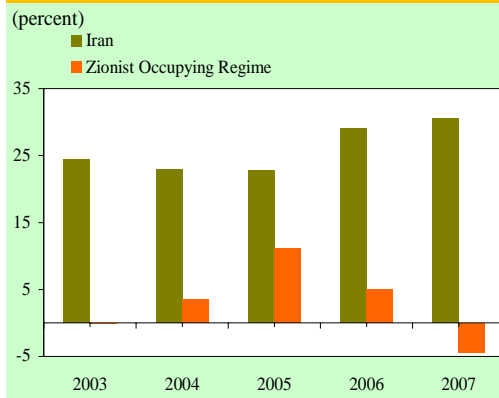
	2003	2004	2005	2006	2007
Iran ⁽¹⁾	24.5	23.0	22.8	29.1	30.6 ⁽²⁾
Saudi Arabia	8.5	17.3	13.2	20.4	20.1
Turkey	14.4	20.8	25.1	32.6	15.2
Pakistan	17.5	20.5	16.5	14.6	19.5
Egypt	22.5	15.1	11.5	15.0	19.1
Zionist Occupying Regime	-0.1	3.6	11.2	5.1	-4.4

Source: WDI, the World Bank Group, 2008

(1) According to the CBI, liquidity grew by 26.1, 30.2, 34.3, 39.4, and 27.7 percent respectively, during 1382-86.

(2) Source: International Financial Statistics, November 2008

Figure 18.8. Liquidity growth



Inflation Rate

High inflation can impede economic development and damage economic efficiency in numerous ways, including creating uncertainties in market, distorting investment decisions, complicating economic planning, and hindering economic growth. These persuade the policymakers to curb inflation. Iran is always among countries with high inflation rate in the region.

Inflation rate during 2003-07 witnessed ups and downs. During 2003-06, inflation rate had a downward trend and reached 11.9 percent in 2006, against 16.5 percent in 2003. However, it rose sharply to 17.2 percent in 2007. The highest reduction during this period was related to Turkey, which by implementation of appropriate policies declined to 8.8 percent in 2007 from 25.3 percent in 2003. Over the course of 2004-07, Iran had the highest inflation, and the lowest belonged to Saudi Arabia and Zionist Occupying Regime.

Inflation Rate (percent)					
	2003	2004	2005	2006	2007
Iran ⁽¹⁾	16.5	14.8	13.4	11.9	17.2
Saudi Arabia	0.6	0.3	0.7	2.2	4.2
Turkey	25.3	10.6	10.1	10.5	8.8
Pakistan	2.9	7.4	9.1	7.9	7.6
Egypt	4.5	11.3	4.9	7.6	9.3
Zionist Occupying Regime	0.7	-0.4	1.3	2.1	0.5

Source: WDI, the World Bank Group, 2008

(1) According to the CBI data, inflation rates for 1382-86 were respectively 15.6, 15.2, 10.4, 11.9, and 18.4 percent at 1383 base year.

Unemployment Rate

According to WDI data, Iran's unemployment rate was always the highest in the region, while the lowest was for Saudi Arabia and Pakistan. Although Pakistan is a populated country, it enjoyed the lowest rate of unemployment in 2007, while Iran had the highest rate among the countries in the region.

Unemployment Rate (percent)

	2003	2004	2005	2006	2007
Iran ⁽¹⁾	..	10.3	11.5	..	10.5 ⁽²⁾
Saudi Arabia	..	..	..	6.2	5.6 ⁽²⁾
Turkey	10.5	10.3	10.3	9.9 ⁽²⁾	9.9 ⁽²⁾
Pakistan	8.3	7.4	7.7	6.2 ⁽²⁾	5.3 ⁽²⁾
Egypt	10.4	10.7	11.2 ⁽²⁾	10.6 ⁽²⁾	..
Zionist Occupying Regime	10.7	10.4	9.0	8.4 ⁽²⁾	7.3 ⁽²⁾

Source: WDI, the World Bank Group, 2008

(1) According to the data released by the Statistical Center of Iran, unemployment rate for Q4, 1382 was 11.3 percent, for Q3, 1383, it was 10.3 percent, and unemployment rates for 1384-86 were 11.5, 11.3 and 10.5 percent, respectively.

(2) Source: <http://laborsta.ilo.org>

Figure 18.9. Inflation rate

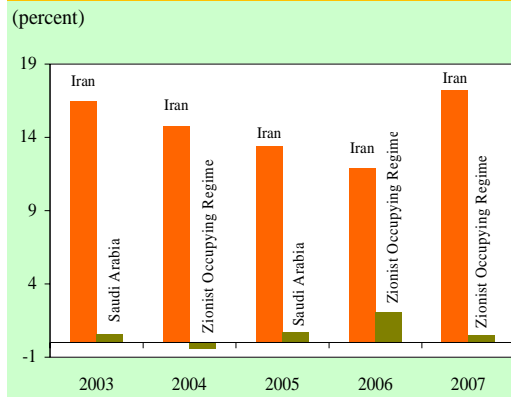
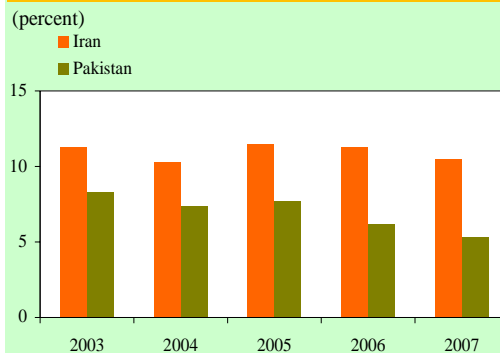


Figure 18.10. Unemployment rate ⁽¹⁾



1- Figures for Iran in 2003 and 2006 are released by the CBI.

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 distribution 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 38.35 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 45.1 percent of total income, while share of the last four income deciles (low-income households) in total was merely 17.4 percent in 2005. Pakistan enjoys a better position as compared with Iran, Turkey and Egypt. Pakistan's low-income households had a share of 22 percent in total income, and the high-income households 40.8 percent. Turkey ranked last in this regard as 40 percent of its low-income households held only 15 percent of total income, and share of the high-income households was 48.8 percent.

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 developed (with an HDI value of over 0.8), developing (0.799-0.5) 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 2003-06. Zionist Occupying Regime and Pakistan had the highest and the lowest HDI value over the same period. Iran with an HDI of 0.777 ranked 84th among 179 countries, and 4th among the countries in the region in 2006. Considering HDI value for 2006, Iran, Turkey, Pakistan and Egypt are ranked as developing countries, while Saudi Arabia and Zionist Occupying Regime are among developed countries.

Human Development Index

	2003	2004	2005	2006
Iran	0.746	0.754	0.770	0.777
Saudi Arabia	..	0.828	0.832	0.835
Turkey	0.781	0.785	0.791	0.798
Pakistan	0.518	0.526	0.548	0.562
Egypt	0.704	0.709	0.712	0.716
Zionist Occupying Regime	..	0.923	0.927	0.930

Source: United Nations Development Programme (UNDP), Human Development Report, 2007/08

Income Distribution Inequality Indices ⁽¹⁾

	Iran	Saudi Arabia	Turkey ⁽²⁾	Pakistan	Egypt	Zionist Occupying Regime
Gini coefficient (percent)	38.35	..	43.23	31.18	34.41	..
Share of 40 percent of low-income households (percent)	17.4	..	15.0	22.0	21.6	..
Share of 40 percent of medium-income households (percent)	37.5	..	36.2	37.2	36.8	..
Share of 20 percent of high-income households (percent)	45.1	..	48.8	40.8	41.5	..
Share of richest 10 percent to poorest 10 percent of households	11.7	..	17.4	6.8	7.2	..

Source: WDI, the World Bank Group, 2008 (1) Figures for Iran, Turkey, and Pakistan are related to 2005, and those for Egypt to 2004. For Saudi Arabia and Zionist Occupying Regime, no data are released during 2003-07. (2) Figures for Turkey are taken from PovcalNet, World Bank website.

(1) For further information, refer to Chapter 8, Social Affairs.