

Article

Economic Fluctuations and Sectoral Growth in Iran: A Decade of Challenges and Opportunities (2010–2021)

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Abstract: This paper aims to analyze the export performance of Iran within the years 2010 to 2021 concerning Export Value Index, export earnings and the agricultural fishery and forestry growth rate. This work further highlights the cyclicity of the trading performance, which can be attributed to factors such as international sanctions, fluctuating oil prices and domestic policies. Though the export value has improved recently, the drastic export concentration to a single product means that Iran's economy is exposed to volatility. There is again some stability in agriculture, but the agriculture industry is relatively still-developed and vulnerable to weather and economic cycles. The statistical analysis, including regression models, reveals the relationships between trade performance on one hand, and sectoral growth on the other. In line with its recommendations, this paper proposes a diversification of the economy, stabilisation of agriculture production, and establishment of trading relationships to stabilise economic growth.

Keywords: Iran economy, Export value index, Agricultural growth, Trade performance, Economic diversification

1. Introduction

Iran's economy has its stand in the world economy besides being endowed with abundant energy sources such as oil and natural gas. However, the economic situation of the nation has depended on shifts in geopolitical standings, international sanctions, and different domestic policies. Recent trade statistics show that Iran's export value and export sector structure have changed over the past decade, especially in agriculture, forestry, and fishing. This paper analyses these dynamics and concentrates on the value of the export index of Iranian products and the value addition contributed by the agricultural sector to the GDP. By analyzing these trends, it is possible to discover the relations between foreign trade, sectors' development, and Iranian economic vulnerability.

Literature Review

Lots of scholars have examined Iran's economic and development subsidies in the context of its unstable trade climate. Export value index compares variation in trade performance with a base year, in this case 2015, and that shows the effect of sanctions and any global volatilities. For example, the export value index has been reduced from 187.8 in 2011 to 66.8 in 2020 due to sanction and low demand of oil in the international market. These patterns support the theory presented by several researchers focusing on the sanctions limiting Iranian economic development.

The agricultural sector, however, though less in value addition compared with oil and gas, has demonstrated episodic volatility, by its value added growth rates. The annual changes in the sector were volatile over the period between 2010 and 2021, and it did register some rises like, 9.12% in 2019 and scares, such as -2.62% in 2021. These fluctuations are therefore explained by combinations of national agricultural policies and climatic and economic conditions outside the countries involved.

Citation: Mustafojev, G. S.
Economic Fluctuations and Sectoral
Growth in Iran: A Decade of
Challenges and Opportunities
(2010–2021). International Journal
on Economics, Finance and
Sustainable Development (IJEFS)
2025, 7(2), 73-76.

Received: 27th Dec 2024
Revised: 12th Jan 2025
Accepted: 20th Jan 2025
Published: 31st Jan 2025



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Moreover, the statistical analysis used here sheds light on the fluctuations in the Iranian trade and the respective sectoral ratios. Thus, the value of the standard deviation of the export value index, and the findings of regression analysis of the trade values and agricultural growth support the contention that the condition in Iran is highly unpredictable. Earlier research works stress that such fluctuations have a way of stifering long-term investments and policy legislation.

2. Materials and Methods

This research adopted a quantitative research method by comparing Iran's economic performance for the period 2010-2021. It also includes export value in terms of an export value index (2015 = 100), exports of goods and services in the current local currency unit, and agricultural and fishery growth rate. These variables were chosen to assess the fluctuations of trade performance and the role of the sectors in the national economy.

Data Collection

The information was obtained from economic bulletins and foreign databases, which made the data more reliable and consistent. The data set used in the present study has been obtained through a cross-sectional survey, which collected data during the last 11 consecutive years. Therefore, it is highly suitable for trend analysis and standard statistical processing.

Data Analysis

The quantitative data analysis comprises descriptive analysis that involves mean, median and standard deviation to conclude on tendencies and variability respectively. Simple regression was used to model the export values vis-à-vis agricultural growth rates to capture the effects of trade volatility on sectoral performance. Two methods were used to judge the reliability and significance of the model respectively that is R-squared and standard error.

3. Results

Table 1. The most essential indicators for Iran's Economic growth

Indicator Name	Export value index (2015 = 100)	Exports of goods and services (current LCU)	Agriculture, forestry, and fishing, value added (annual % growth)
2010	144,1708	1,23E+15	6,116945
2011	187,8335	1,72E+15	3,722664
2012	154,1672	1,77E+15	5,000693
2013	129,1569	2,68E+15	5,335366
2014	135,4109	2,8E+15	8,299312
2015	100	2,27E+15	2,963781
2016	103,7396	3,05E+15	4,943843
2017	132,0014	3,81E+15	3,353291
2018	147,1676	6,73E+15	-2,27534
2019	93,51547	6,43E+15	9,123396
2020	66,7611	7,92E+15	3,165147
2021	101,9504	1,53E+16	-2,61503

Source: dataworldbank.org

Export Value Index (2015 = 100):

The Export Value represents the comparative value for exports over time standardized to the 2015 Export Value Index. It changes a lot; it reaches its maximum of 187.8 in 2011 and becomes minimal at 66.8 in 2020 but then rises to 101.9 in 2021.

4. Discussion

This has been established in the following graph which shows that the decline that occurred between 2011 and 2020 reflects poor performance resulting from motivated sanctions, a declining international market for oil, and a falling price per barrel. This partial recovery in the fiscal year 2021 corresponds to the lifting of some economic burdens as well as the rise in the export of oil, which is Iran's most important source of export income. This trend revealed that Iran's economy is highly sensitive to fluctuations in global oil prices and, therefore the need to diversify.

Export revenues have an overall upward trend, fluctuation high, in particular increasing from 1.23E+15 LCU in 2010 to 1.53E+16 LCU in 2021.

However, nominal export revenues increased in 2018 and 2019 despite a reducing export index, implying possible high export volumes or currency devaluation. Nevertheless, the absence of a sustained increase bears testimony to the structural liabilities threatening export competitiveness in Iran due to volatile oil income.

Table 2. Dispersion analyzes

Dispersion analyzes						
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Значимость F</i>	
Regression	2	4301,409	2150,704	2,421469	0,150557	
Remains	8	7105,452	888,1815			
Total	10	11406,86				
	<i>Coefficient</i>	<i>The standard error</i>	<i>t-statistics</i>	<i>P-Value</i>	<i>The lower 95%</i>	<i>Upper 95%</i>
Y-intersection	171,1199	25,14327	6,805794	0,000137	113,1395	229,1004
1,23E+15	-6,4E-15	2,9E-15	-2,19723	0,059249	-1,3E-14	3,15E-16
6,116945	-4,487	3,206002	-1,39956	0,199205	-11,8801	2,906048

Source: Author Elaboration

Export values depict a moderate R^2 0.377 with agricultural growth, as highlighted in the following regression model. This means that export performance although important determines various economic sectors and sectors, but other domestic and external factors did have a significant role to play.

5. Conclusion

Assessing Iran's economic performance from 2010 to 2021, two main sources are identified as crucial to its economy: oil export and agriculture which are both sensitive to change. The analysis of the Export Value Index suggests that Iraq's economy has highly responded to the international sanctions, instable price of oil and geopolitical risks. In nominal terms export revenues exhibit an increasing path, but the inconsistency in the rate of increase is indicative of structural distortions and absolute dependence on energy sector.

The period of four years indicates that there are some years the agricultural sector maintains good growth rates but there are some other years the agricultural sector grows in high numbers all attributing to the favorable years. Nevertheless, it is unstable, as evidenced by Annual Growth Rate Coefficients, which signal certain system-caused distortions such as inadequate modernization, fluctuations in climate, and resource scarcity. Although agriculture could act as the stabilizer in the economy, it still has not well tapped in the provision of export diversification measures.

From an economic Section perspective, the study infers to the prescriptive need for Iran to undertake a holistic shift. Some of the earlier mentioned recommendations are: Diversification of export basket, dwell less on the oil resources and encourage sustainable agriculture. Non-oil diversification and the development of more trading opportunities,

including with countries that are less sensitive to sanctions, are helpful to build stable and sustainable oil exporting economy.

Alleviating these challenges and making good use of the available resources make it possible for Iran to reduce the external factors and establish a more defensive economic structure capable of accommodating Geopolitical and economic shocks. Thus, this paper emphasizes appropriate strategic policy measures to cope with the corresponding challenging features of today's economic environment.

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