

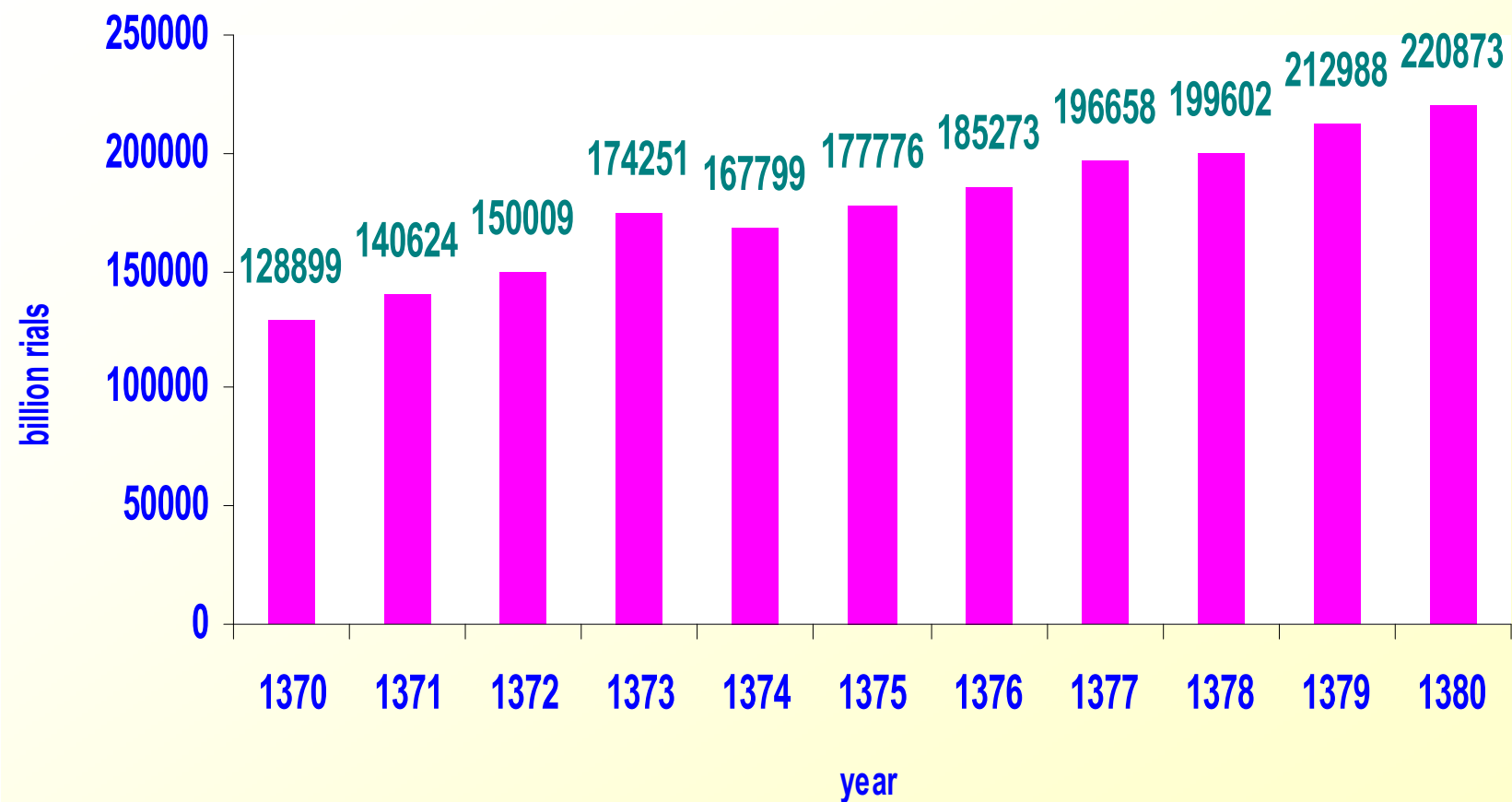
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National Income Reduction and its Effect on the End Consumption of Households

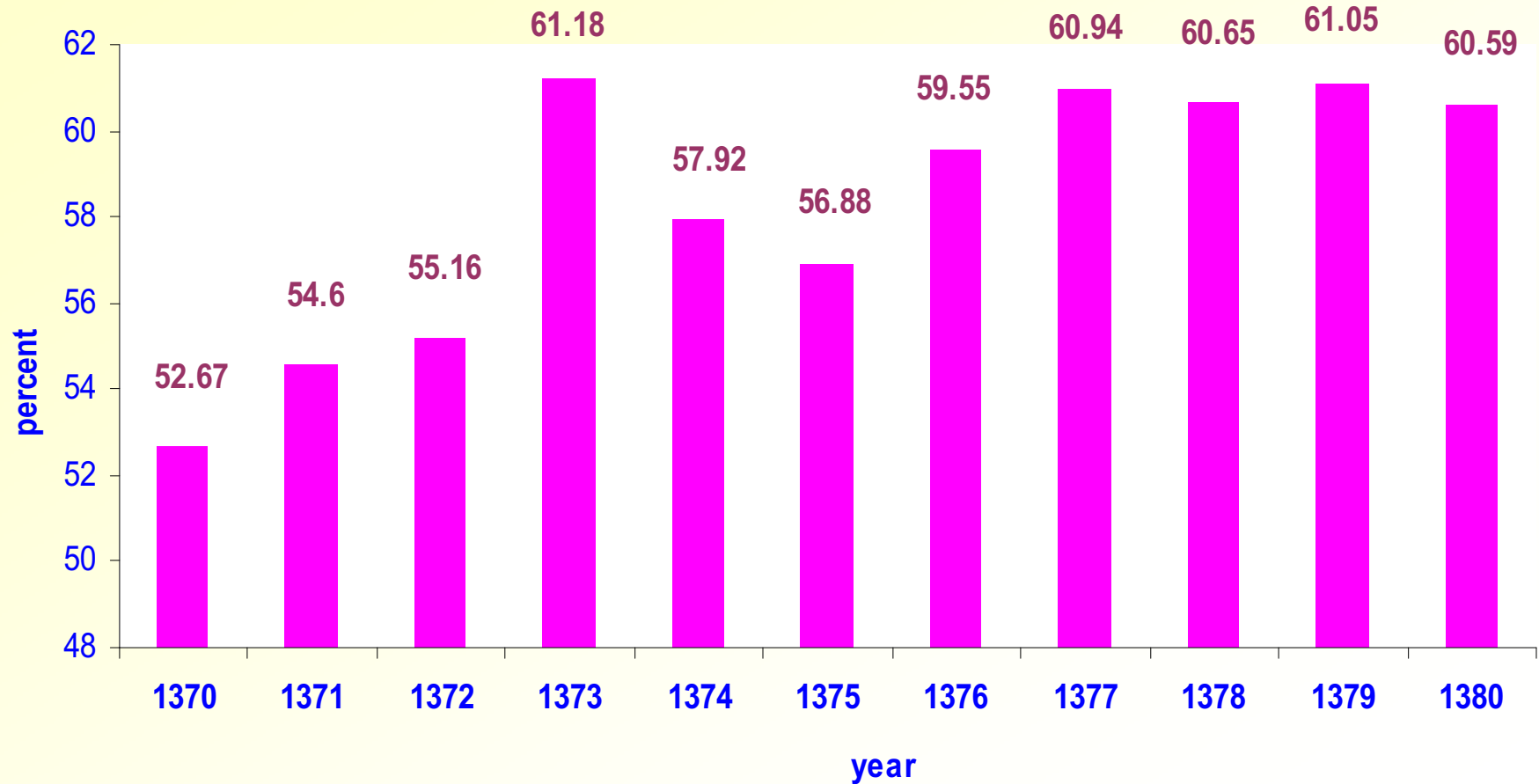
1-National income and End Consumption Cost of Households

- Upon the assessment of Iran's national income and gross domestic production it can be seen that around 60 percent of the GDP pertaining to the year 1997 is made up by the end consumption of households. As a natural extension of this, when the gross domestic production decreases by 20 percent, it will result in a 12 percent decrease in the end consumption of households.

Graph(1): The end consumption cost of households



Graph(2): Share of the end consumption cost of households from Gross domestic production



- Statistics from the year 2001 show that households living in urban areas claim an 82 percent share of the total end consumption, while household living in rural areas account for the remaining 18 percent of end consumption. This is to say that a 12 percent drop in the end consumption costs of households would, in effect mean a 9.9 percent decrease in the end consumption of urban households and a 2.1 percent decrease in the end consumption of rural households.

2-The decrease expenditure of a household after a 20 percent decline in GDP

- when the GDP of 2001 dropped by 20 percent— which was the equivalent of 72913.2 billion rials (approx 9.1 billion USD ^[1])—43747.92 billion rials (approx 5.47 billion USD) of that decline related to the end consumption cost of households, and from this amount the end consumption of urban and rural households fell by 35873.29 and 7874.63 billion rials (approx 4.48 and 0.98 billion USD) respectively.

^[1] For the purpose of this report each USD is taken to be equal to 8000 rials

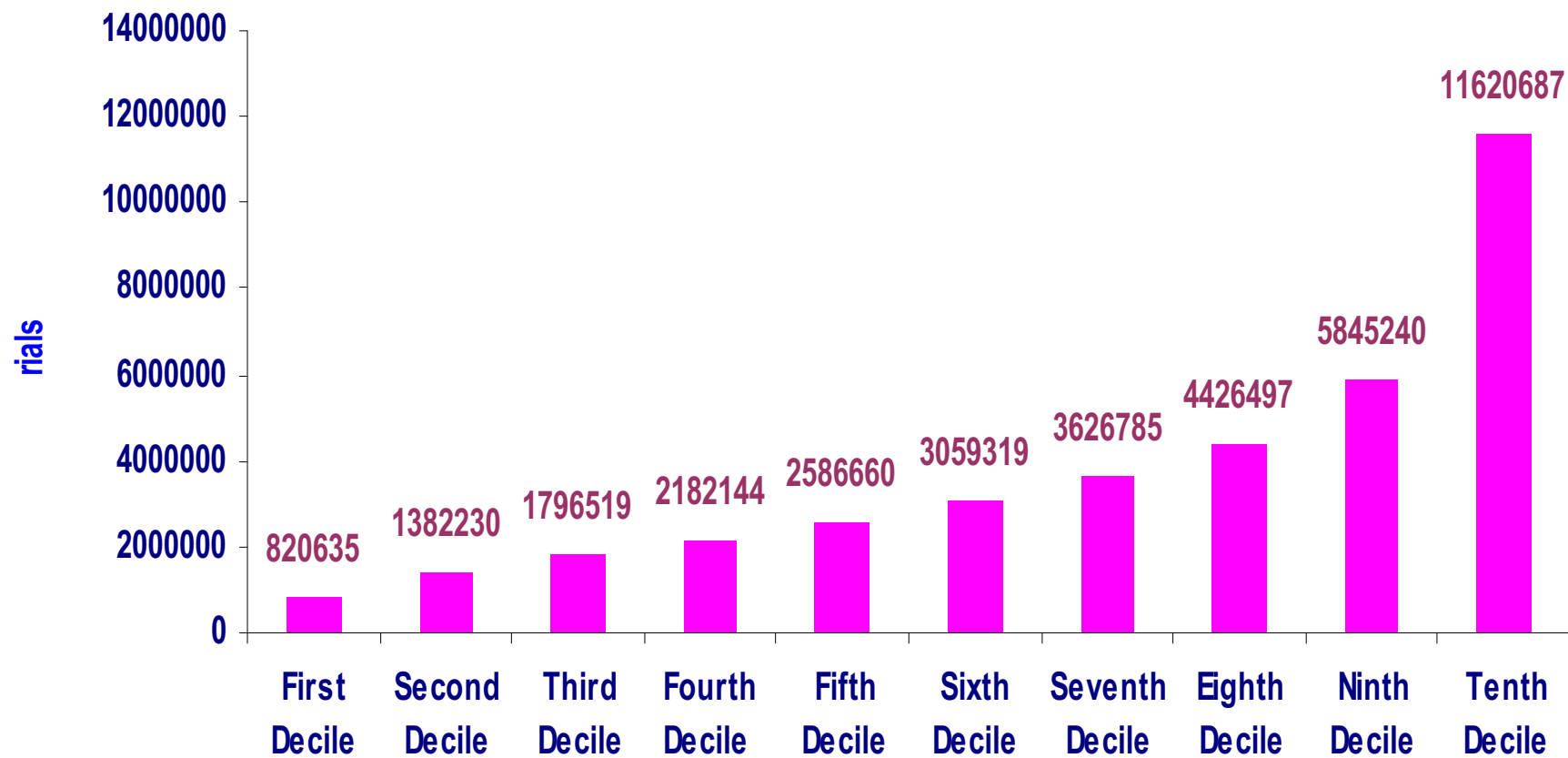
- To determine the actual effect of this decrease on the expenses of each Iranian household the number of urban and rural households must also be taken into consideration. Based on the population estimations of 2001 the respective number of urban and rural residents was approximately 41827471 and 22700691 people; and if the dimensions of the average household of 1996 were considered, in 2001 there were 9092928 households living in urban areas and 4365518 living in rural areas.

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- Considering the number of urban and rural households in 2001, the 20 percent GDP decrease has translated into an average decline in the end consumption cost of each urban and rural household by 3945186 and 1803823 rials (approx 493 and 225 USD) respectively.

3-The separate effect this drop in end consumption expenditure in different income deciles

- For the analysis of this section of the report the expenditure variation of each decile must be calculated in comparison with the average overall expenditure. To calculate the expenditure variation of different income deciles from the average overall expenditure, the expenditure of households in each of the different deciles in the year 2002 has been gauged alongside the average of overall expenditures of all households in that year. This calculation comes up with a factor which can be used to determine the decrease in the expenditure of each urban and rural household as a result of the 20 percent drop in the GDP, with each income decile being analyzed separately.

Graph (3): The effect of the GDP decrease on the expenditures of urban households in different income deciles.



Graph (4): The effect of the GDP decrease on the expenditures of rural households in different income deciles

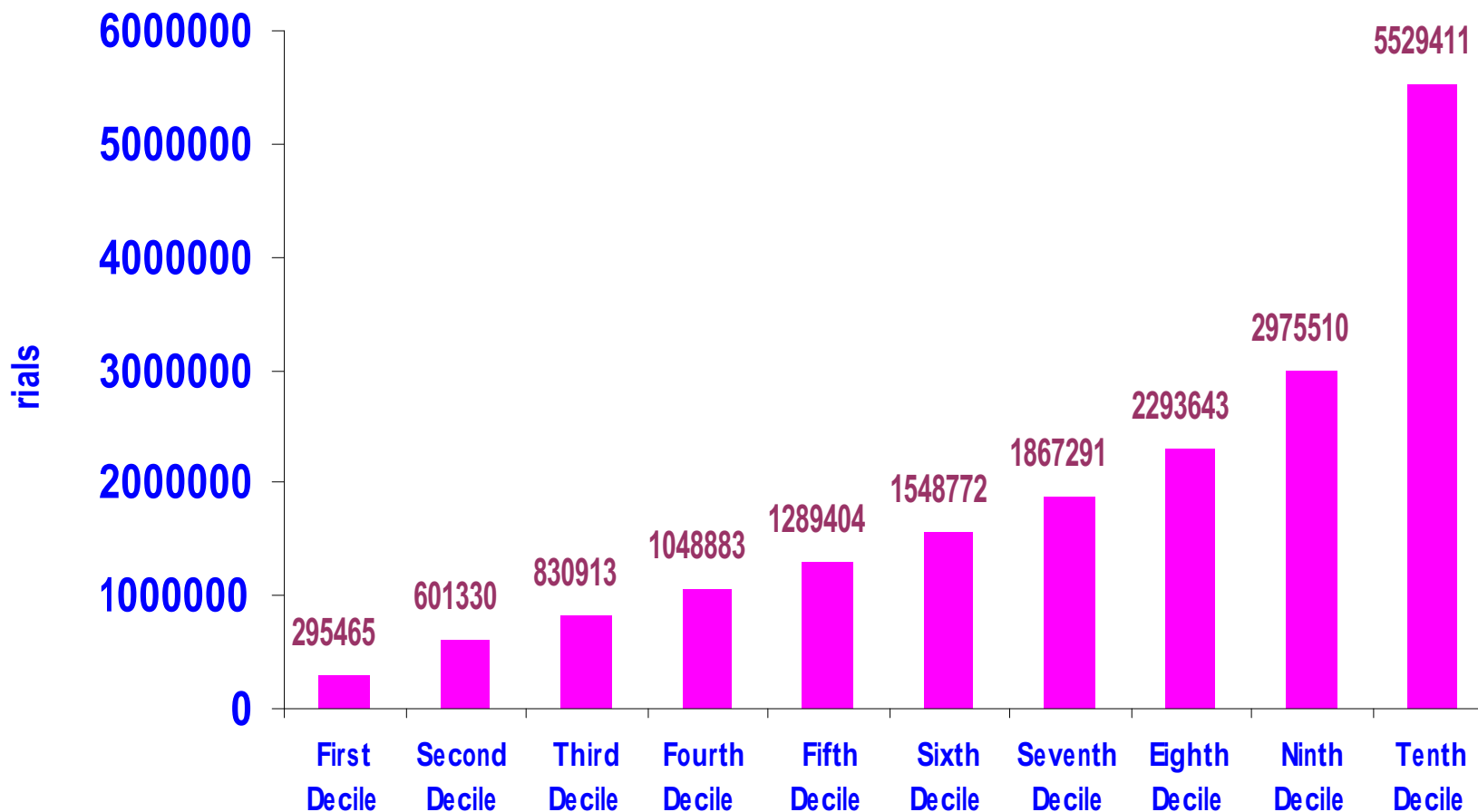


Table 1: The decrease expenditure of an urban household after a 20 percent decline in GDP addressing different goods and services separately

Subject	First Decile	Second Decile	Third Decile	Fourth Decile	Fifth Decile	Sixth Decile	Seventh Decile	Eighth Decile	Ninth Decile	Tenth Decile
Food, Drink and Drugs	300843	482041	606982	728315	817704	933042	1067029	1216969	1378081	1815925
Clothing and Shoes	19842	55302	80321	114545	152056	187068	241136	347318	431373	723619
Housing, Water and Energy	353920	538019	652019	769539	885417	1036424	1168209	1355708	1820606	3104165
Household Appliances and Furniture	30133	58004	85124	105022	138812	164073	201655	271729	366866	691450
Health and Hygiene	38761	72378	98701	114725	147634	171735	234021	278380	374651	1068128
Transportation and Communication	34081	70654	104374	135651	173997	222248	264272	380271	676876	2855135
Entertainment, Cultural and Educational Services	12725	29390	44165	57207	667766	90827	119713	154612	224949	420369
Hotels and Restaurants and Miscellaneous Goods and Services	30329	76442	124832	157140	204275	253903	330750	421510	571839	941897

Table2: The decrease expenditure of rural households after a 20 percent decline in GDP addressing different goods and services separately

Subject	First Decile	Second Decile	Third Decile	Fourth Decile	Fifth Decile	Sixth Decile	Seventh Decile	Eighth Decile	Ninth Decile	Tenth Decile
Food, Drink and Drugs	142268	299987	405591	501872	571840	694335	821087	944934	1142538	1789905
Clothing and Shoes	7056	26579	41420	70533	80366	119231	160806	220894	332241	597541
Housing, Water and Energy	90558	145079	186514	213468	243228	291676	337206	379997	437974	550120
Household Appliances and Furniture	12767	31729	45441	59382	67661	101473	131327	170958	249617	494312
Health and Hygiene	17859	33389	44517	56267	64111	87932	103741	146546	196917	502372
Transportation and Communication	13101	30897	48704	63501	72354	98351	124852	161128	232206	862132
Entertainment, Cultural and Educational Services	2101	8381	16918	24976	28458	40146	48098	65226	83035	136311
Hotels and Restaurants and Miscellaneous Goods and Services	9755	25291	41808	58882	67091	115629	140174	203961	300982	596717

4-Conclusion

- In conclusion it can be said that the implementation of the Kyoto Protocol—and the subsequent drop in national income—will affect Iranian households in different ways. Even though when these changes take effect the households living in higher income deciles will lose a larger amount of their net income, but in regards to the effects of this loss of income, the households living in lower income deciles will feel the pressure to a higher extent, as households living in lower income deciles are the main consumers of necessary goods.
 - In the event that Clean Development Mechanism (CDM) projects are undertaken, the distribution of income will focus mainly on particular sections and even if the loss of national income were to be recuperated by these CDM projects, the distribution of income will still be different. Evaluating new income trends and their distribution method cannot be easily calculated.
 - Thus, a change in the way that income is distributed amongst the country's different income deciles is the only effect the implementation of the Kyoto Protocol will have.
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