

Impacts of Oil Price Shocks on Iranian Economy (CGE Approach)

Topic: CGE and econometric input-output modeling 3

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ABSTRACT

The Islamic Republic of Iran, is the second major oil producer in the Gulf region and is OPEC's second-largest producer and exporter and is the fourth larger exporter of crude oil globally, and its oil incomes is a good financial resource for the government expenditures. The change in the price of international oil has caused effect on economics structure and policy makings. This paper presents a financial Computable General Equilibrium (CGE) model of the Iran's economy, using latest SAM at the national level as the main database. This SAM integrates real economy and financial sectors that can be a platform to evaluate quantitatively the impacts of international oil price changes on Iran's economy, mainly GDP components, sector outputs, employment, and etc. As Iran experiences two exchange rate regimes and recently has been increased sharply, this model examined two conditions: covering fixed, partially flexible exchange rates, and completely flexile exchange rate system and study those effects.

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