

A Study of the relationship between economic growth and Oil sector in the Iranian Economy

Topic: Input-output analysis for policy making 6

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Petroleum and natural gas are the most important primary energy sources to provide financial resources. Iran has 9.2% of the total oil reservoir, and is placed at the fifth position after Saudi Arabia, Iraq, UAE and Kuwait in the Middle East. The population of Iran is 75 million in 2011 (SCI, 2011). Iran's population has increased and simultaneously the residency pattern has favored the urban areas in the last decade, which accounts for almost two third of total population. Urbanism increase is an important index of progress in parallel with the production and growth of economy.

The main aim of this study is: to evaluate the relationship between oil sector and other sectors in the production process to meet growth rate. In the Iranian economy most of the activities and sectors largely depend on the petrodollars not oil product in the production process. According to the Central Bank of Iran in 2010, about 90% of foreign exchange revenues are gained through exports of oil and gas (CBI, 2010). More over the oil sector is not dependent to the other sectors for producing output and is mostly relates to the import: machinery, equipments, etc. in this study we use input-output technique in which the inter-industry relations between economic sectors is well demonstrated. A comparative static analysis will be employed by using 1986, 1991, 1996, 2001, 2006 input-output tables in the fixed price.

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