radio
THE VOICE OF RUSSIA

Iran's unofficial inflation rate tops 105%

The Iranian economy is experiencing severe stress caused by the international sanctions against Tehran. An unofficial estimate of the Iranian inflation rate is almost three times the official annual inflation figure.

By: Valentin Mândrăşescu – June 17, 2013

One day before the Iranian elections, an American think-tank, the Cato Institute, published a research paper on the real state of the Iranian economy. Unsurprisingly, the author of the study, Steve Hanke, claims that the official inflation rates published by Iranian authorities do not reflect the economic reality.

The estimations published by the Cato Institute are based on purchasing power parity. According to the American researchers the real inflation rate in Iran is over 105%. If the estimation is correct, then Iran has one of the highest inflation rates in the world and is one of the countries on the verge of hyperinflation, along with North Korea and Zimbabwe.

There are two issues with this "unofficial" inflation rate. First, it is based on "black market exchange rates". Steve Hanke claims that he has been collecting the "black market rates" from currency traders "in the bazaars of Tehran". Given that Cato Institute has a strong anti-Iranian bias, the correctitude and reliability of a study based on data collected by its operatives is highly debatable. Moreover, it is obvious that the Cato Institute's publication has been scheduled to appear before the Iranian elections. However, the data provided by American researchers clearly shows that the inflation rate has been steady for a whole year and has been reduced in half since its high of 200% in October 2012.

It is quite possible that the research on the "real" inflation rate has been published in order to discredit Iranian authorities. At the same time, given the difficult external conjuncture and draconian economic sanctions, the Iranian inflation rate looks reasonable. Basically, the Iranian government managed to reduce inflation from 200% to 105% in spite of tremendous international pressure and inability to freely trade in the global markets. This is a brilliant result and a good example of successful crisis management in dire circumstances.