

Based on preliminary estimates of national accounts, in 1388, almost Rls. 478.8 trillion agricultural products, Rls. 1,048.5 trillion domestically manufactured products, and Rls. 661.1 trillion imported consumer goods entered the domestic distribution chain, raising the value-added of the domestic trade sector to Rls. 396.1 trillion at current prices and indicating 12.2 percent growth compared with 1387.

In the review year, the share of domestic trade sector in GDP was 11.1 percent, showing an increase when compared with the respective figure for previous year (10.5 percent). In 1388, the value-added of domestic trade sector rose by 3.8 percent at constant 1376 prices. Moreover, value-added of retail distribution activities declined by 0.3 percent, and that of wholesale activities picked up by 5.1 percent. According to the data released by the Statistical Center of Iran (SCI), the wholesale and retail distribution sectors' value-added figures comprise respectively 15.0 and 85.0 percent of total value-added of distribution sector.

Domestic Market Management and Essential Goods Procurement

The Ministry of Commerce is responsible and obligated to adopt appropriate measures and regulations for distribution of goods and services in the domestic market. The Ministry of Commerce is also responsible

to formulate and implement policies aimed at procurement of essential goods and to constantly oversight the markets. Regulation and oversight of prices and national distribution networks as well as coordination and harmonization of measures related to distribution of goods and services are also within the sphere of the responsibilities of the Ministry of Commerce.

In 1388, the Ministry of Commerce adopted appropriate measures in regulating domestic market of goods and services through direct purchase, importation, and distribution of approximately 9.2 million tons of such essential goods as wheat flour, rice, sugar, cube sugar, and edible oil, down by 5.4 percent compared with the year before.

In the review year, in order to regulate the domestic market, an excise of 60 percent was levied on exports of live sheep and goat. Meanwhile, import duty of rice rose from 21 percent to 41 percent. Moreover, tariffs on powdered milk and wheat (as food crop) were set at respectively 90 and 16 percent. Notably, based on the decision approved by the Ministers member to the Article 1 Commission, tariffs on 20 domestically manufactured heavy machineries for road construction and agriculture were raised from respectively 16 and 11 percent to 26 percent.

As of mid-1388, owing to increase in imports and domestic production of wheat, excise duties on wheat and flour exports were removed. Of note, these excises were

set at Rls. 4 thousand and Rls. 5 thousand per kilogram, respectively, in the year before. Moreover, excise duty for chicken was eliminated, and Ministry of Agriculture Jihad was obligated to issue export license for chicken based on domestic production forecast, and domestic market absorption capacity and needs. Based on the Cabinet approval, the market regulation committee was established with the responsibility of Ministry of Commerce at the beginning of 1388.

In the review year, the draft Law for Protection of Consumers' Rights, and the Articles of Association of the Center for Promotion of Electronic Commerce were approved by the Cabinet. The Law mainly delineates consumers' rights that need to be observed by suppliers and producers of goods and services and encourages public participation in implementation of the plans and policies pertaining to protection of consumers' rights. In order to supervise precise implementation of the Electronic Commerce Act passed in 1382, enhance information and communication technologies in electronic commerce, and establish, operate, develop and support electronic commerce, the Center for Promotion of Electronic Commerce was created in 1388.

Import and Stock of Major Foodstuffs

According to data released by Ministry of Commerce, sugar was not imported in the review year, and its stock declined by 81.9 percent at year-end. Due to significant increase in the import and stock of sugar in previous years which caused difficulties for domestic producers of sugar and cube sugar, sugar was not imported by the government in the review year. Imports of wheat by 1.8 million tons raised its stock by 58.4 percent to 8.0 million tons at end-1388.

In 1388, 14.3 thousand tons of red meat were imported by public sector. Based on the data released by the State Livestock Affairs Logistics (SLAL), year-end stock of red meat decreased by 88.1 percent to 1.5 thousand tons.

Government Investment

In 1388, approved credits extended for the acquisition of non-financial-national assets of the domestic trade sector, including domestic market regulation and electronic commerce programs, dipped by 30.3 percent to Rls. 392.8 billion.

Procurement, Distribution, and Stock of Major Foodstuffs (thousand tons)

		1387	1388	Percentage change
Wheat	Domestic purchase	3,775	9,342	147.5
	Imports ¹	5,937	1,840	-69.0
	Distribution	8,474	8,250	-2.6
	Year-end stock	5,022.4	7,954.4	58.4
Sugar and cube sugar	Domestic purchase	403	0.0	-100.0
	Imports ¹	0.0	0.0	0
	Distribution	491	461	-6.1
	Year-end stock	562.7	101.7	-81.9
Red meat	Domestic purchase	0
	Imports ¹	0.0	14.3	0
	Distribution	0
	Year-end stock	13.0	1.5	-88.1

Source: Ministry of Commerce, and State Livestock Affairs Logistics (SLAL)

¹Excluding imports by private sector

In the review year, credits paid to domestic trade sector declined by 29.4 percent to Rls. 281.4 billion, indicating a realization of almost 71.6 percent, higher than the respective figure for the previous year (70.7 percent). Credits extended for domestic market regulation accounted for the lion's share in credits allocated to domestic trade sector (91.7 percent). Moreover, share of electronic commerce in total credits was approximately 8.3 percent.

Banking Facilities

Net outstanding facilities extended by banks and credit institutions to domestic trade sector increased by 16.7 percent to Rls. 228.9 trillion at end-1388. Of this amount, net outstanding facilities extended to non-public and public domestic trade sectors picked up by respectively 16.7 and 16.6 percent to Rls. 213.9 trillion and Rls. 15.0 trillion.

Review of banks' and credit institutions' performance indicates the lion's share of non-public domestic trade sector (93.4 percent) in net outstanding facilities as in the preceding years. Share of commercial and specialized banks in total net outstanding facilities extended to domestic trade sector reached 61.0 percent. Notably, net outstanding facilities extended by private banks and credit institutions rose slightly by 2.5 percent. Therefore, their share in total outstanding facilities (net) extended to domestic trade sector decreased from 44.5 percent in 1387 to 39.0 percent in the review year.

Trade Transactions

The number of transactions registered in public notary offices decreased by 1.7 percent to 3.4 million in 1388. Of total transactions, about 35.2 percent was related to Tehran

Credits for Acquisition of Non-financial–National Assets in Domestic Trade Sector

(billion rials)

	Approved figures		Performance		Percentage of realization		Share (percent)	
	1387	1388	1387	1388	1387	1388	1387	1388
Domestic market regulation program	479.5	339.3	340.2	258.1	70.9	76.1	85.3	91.7
E-commerce program	84.1	53.5	58.5	23.3	69.5	43.5	14.7	8.3
Total	563.6	392.8	398.7	281.4	70.7	71.6	100.0	100.0

Source: Budget Law for 1388, and Treasury General, Ministry of Economic Affairs and Finance

Net Outstanding Facilities Extended by Banks and Credit Institutions to Domestic Trade Sector¹

(billion rials)

	1386	1387	1388	Percentage change		Share (percent)	
				1387	1388	1387	1388
Public and non-public sectors	194,604.8	196,099.5	228,922.0	0.8	16.7	100.0	100.0
Non-public sector	177,980.7	183,218.0	213,904.1	2.9	16.7	93.4	93.4
Commercial banks	100,043.8	95,447.5	121,541.7	-4.6	27.3	48.7	53.1
Specialized banks	738.9	589.8	2,975.1	-20.2	404.4	0.3	1.3
Private banks and credit institutions	77,198.0	87,180.7	89,387.3	12.9	2.5	44.5	39.0
Public sector	16,624.1	12,881.5	15,017.9	-22.5	16.6	6.6	6.6
Commercial banks	16,624.1	12,835.7	15,017.9	-22.8	17.0	6.5	6.6
Specialized banks	0.0	45.8	0.0	0	-100.0	0.0	0.0
Private banks and credit institutions	0.0	0.0	0.0	0	0	0.0	0.0

¹ Excludes profit and revenue receivables.

Chapter 7 DOMESTIC TRADE

Province, indicating a rise of 2.3 percent as compared with the year before.

In 1388, 47.5 million checks and drafts worth Rls. 4,629.4 trillion were transferred in Tehran Interbank Clearing House, representing a reduction of 25.4 percent, in terms of volume, and a fall of 0.7 percent, in terms of value, compared with last year. The ratio of value of transferred checks and drafts to nominal GDP at basic price was 1.38 in 1387, and 1.30 in 1388. In the review year, dishonored checks and drafts rose by respectively 2.9 and 11.8 percent, in terms of volume and value, compared with preceding year. Furthermore, ratio of value of dishonored checks and drafts to total went up by 0.6 percentage point to 5.1 percent, compared with a year earlier.

Cooperatives

The number of cooperatives active in procurement and distribution of goods and

services to producers, consumers, and service sector associations registered in 1388 decreased by 30.6 percent to 267. The initial capital of these cooperatives declined by 36.2 percent to Rls. 19.0 billion, compared with previous year. Employment opportunities created by these cooperatives were reduced by 32.0 percent to 2,553 persons.

In the review year, the amount invested for each employed person went down by 6.1 percent to Rls. 7.5 million, compared with Rls. 7.9 million in preceding year. The members of these cooperatives rose by 15.8 percent to 23.2 thousand persons compared with the corresponding figure of previous year. The highest number of members by 20 thousand belonged to the cooperatives active in procurement of consumers' needs, which increased by 27.3 percent compared with last year. The capital contribution of each member of producer cooperatives was Rls. 2.0 million, consumer cooperatives Rls. 0.7 million, and service sector cooperatives Rls. 0.8 million.

Cooperatives

	1387	1388	Percentage change
Members	20,033	23,190	15.8
Procurement of producers' needs	3,052	2,225	-27.1
Procurement of consumers' needs	15,686	19,967	27.3
Procurement of service sector associations' needs	1,295	998	-22.9
Number	385	267	-30.6
Procurement of producers' needs	152	89	-41.4
Procurement of consumers' needs	166	122	-26.5
Procurement of service sector associations' needs	67	56	-16.4
Capital (million rials)	29,818	19,038	-36.2
Procurement of producers' needs	11,080	4,540	-59.0
Procurement of consumers' needs	11,278	13,710	21.6
Procurement of service sector associations' needs	7,460	788	-89.4
Employment (person)	3,754	2,553	-32.0
Procurement of producers' needs	1,792	816	-54.5
Procurement of consumers' needs	1,195	1,222	2.3
Procurement of service sector associations' needs	767	515	-32.9

Source: Deputy of Planning and Programming, Ministry of Cooperative

Business Establishments

Based on the data released by Iran Trade and Traders Center¹, in 1388, total entities holding business permits went up by 18.5 percent to 1,428.8 thousand units. Of this figure, the share held by distribution units was 53.8 percent, services units 24.6 percent, and manufacturing units 21.6 percent. Among these entities, the number of manufacturing units holding a business permit rose 15.2 percent, representing the lowest growth compared with previous year. Conversely, distribution units enjoyed the highest growth by 20.9 percent.

4th Five-Year Development Plan

Value-added Growth of Domestic Trade Sector

Based on preliminary estimates, in 1388, Rls. 1,048.5 trillion industrial goods, and Rls. 478.8 trillion agricultural products were purchased from domestic producers. Moreover, Rls. 661.1 trillion goods were imported. Thus, the value-added created in the domestic

trade sector reached Rls. 396.1 trillion at current prices. During the 4th Plan, share of domestic trade sector in total GDP, and the annual growth of the value-added of domestic trade sector at constant prices were respectively 10.6 and 4.4 percent, on average annual basis.

Major Statutory Provisions Governing Domestic Trade Sector

Article 39 of the 4th FYDP Law relating to domestic trade sector reiterates the reform of economic enterprises' structure, strengthening of competitiveness, elimination of constraints and growth barriers, as well as the development of small firms. Moreover, various provisions of this Law refer to supportive measures and policies pertaining to production, distribution and consumption, and strengthening of the adopted measures. Article 103 of the 4th Plan Law envisages that the government should target the implicit subsidies on wheat, rice, vegetable oil, cube sugar, sugar, cheese, milk, medicine,

Number of Entities Holding Business Permits¹ (thousand units)

	1386	1387	1388	Percentage change		Share (percent)	
				1387	1388	1387	1388
Total business establishments	1,731.4	1,206.2	1,428.8	-30.3	18.5	100.0	100.0
Manufacturing	337.1	267.5	308.2	-20.7	15.2	22.2	21.6
Distribution	766.4	635.6	768.7	-17.1	20.9	52.7	53.8
Services ²	627.8	303.1	351.9	-51.7	16.1	25.1	24.6

Source: Ministry of Commerce, Iran Trade and Traders Center

¹Data refer to cities with business establishments.

²Due to reclassification of figures in 1387, services include "services" and "technical services" units.

¹ In accordance with Article 4, Trade System Law, and Iran Trade and Traders Center classification in 1387, business establishments are classified by type of activity into production, distribution, and services units.

powdered milk, fertilizers, seeds, pesticides, and energy carriers aiming at rationalization of subsidized goods' consumption, precluding the smuggling of these goods, supporting the domestically produced subsidized goods, reducing the high income groups' share in granted subsidies in line with gradual increase in the low income groups' share, and gradual replacement of subsidies payment with direct transfers and social welfare programs.

During the 4th Plan, major policies and measures adopted for the implementation of Article 84, aimed at enhancement of health and life quality, consisted of:

- Formulation of the table of essential goods' subsidies with the approach taken toward setting the favorable food basket;
- Design of the appropriate food basket scheme, and changes in the consumption pattern of several essential goods;
- Procurement of essential goods stipulated in the budget for low-income groups within the framework of High Welfare and Social Security Council's approval;
- Regulation of special goods domestic market aimed at stabilizing prices of these goods;
- Payment of subsidies for milk distribution at schools and for households, and the rise in milk subsidies;
- Allocation of subsidies for flour enrichment in order to procure the essential foodstuff required by the public.

Over the term of the 4th Plan, main policies and measures adopted for the execution of paragraph (f) of Article 95,

with regard to replacement of subsidies and their effective appropriation aimed at providing a favorable food basket containing healthy and sufficient food included:

- Elimination of detergents' subsidies and reallocation of those subsidies to milk;
- Elimination of rice coupon, and allocation of the respective funds for subsidizing milk distributed at schools.

During the 4th Plan period, significant measures adopted for the enforcement of Article 103, for the purpose of targeting subsidies paid for such essential goods as wheat, rice, vegetable oil, cube sugar, sugar, cotton, milk, medicine, powdered milk, fertilizers, seeds, pesticides, energy carriers, etc., were:

- Increase in the share of essential goods allocated to those under the patronage of Imam Khomeini Relief Foundation, and State Welfare Organization, as well as appropriation of a quota for less developed regions, elimination of subsidies on sugar and flour for industrial use and those for spaghetti, wheat bran, and usable wheat wastes;
- Reduction of the coupons approved for vegetable oil and sugar and cube sugar to provide a favorable food basket from 42 coupons for urban and rural areas as well as tribal areas in 1384 to 34 coupons in 1388.

Procurement and Distribution of Essential Goods

In order to support domestic production, and in pursuance of wheat self-sufficiency plan, purchase of wheat at guaranteed prices continued during the 4th Plan, raising domestic purchase of excess wheat harvested by farmers to 9.3 million tons in 1388. Considering fluctuations of domestic wheat production which was in turn due to the amount

of precipitation, national demand for wheat was partly met by imports. Notably, in 1387, inadequate domestic production led to imports of 5.9 million tons of wheat. Moreover, in 1388, 1.8 million tons of wheat were imported to maintain national contingency stock.

Review of the performance of domestic trade sector with regard to measures adopted in pursuance of paragraph (c) of Article 84, the 4th Plan Law, which aimed at production, distribution and consumption of foodstuffs

for the provision of a favorable food basket, reveals realization of the set targets as reflected in the following table.

Subsidies Paid on Essential Goods

Over the 4th Plan, subsidies paid by the government for essential goods rose by 15.3 percent, on average annual basis, reaching Rls. 40.6 trillion at the final year of the Plan. Wheat and flour accounted for the highest share in the stated subsidies by 71.5 percent.

Performance of Domestic Trade Sector regarding Paragraph (c) of Article 84, the 4th FYDP Law (thousand tons)

	Performance					Average		Realization (percent)
	1384	1385	1386	1387	1388	Target	Performance	
Imports of essential goods (rice, oil, and sugar)	1,828	2,649	1,633	766	70	1,476	1,389	94.1
Wheat stock	3,000	3,000	3,000	3,000	3,000	220	3,000	☐
Guaranteed purchase of wheat	10,928	11,416	11,003	3,775	9,342	10,626	9,293	87.5

Source: Ministry of Commerce

Subsidies Paid on Essential Goods (billion rials)

	Base year	Performance					Average growth (percent)
	1383	1384	1385	1386	1387	1388	
Essential goods	19,929	33,630	35,088	33,804	52,705	40,605	15.3
Wheat and flour	14,049	24,578	25,870	24,415	38,368	26,799	13.8
Rice, vegetable oil, cube sugar and sugar	3,623	5,766	5,600	5,235	7,747	6,530	12.5
Milk and dairy products	2,258	3,287	3,618	4,154	6,590	7,277	26.4

Source: Ministry of Economic Affairs and Finance, and Consumers and Producers Protection Organization