

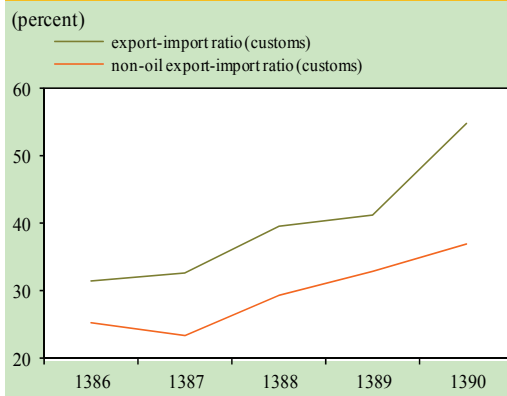
**Trade**

In 1390, despite unilateral and international restrictions on dealings with Iran, rise in the weight and value of the exports of "gas and oil products" resulted in a sharp increase in foreign trade transactions<sup>1</sup> in terms of value. In this year, the total officially registered foreign trade of Iran through Customs reached \$95.6 billion.

Trade through Customs increased by 5.1 percent, in terms of value, in 1390. In terms of weight, however, it decreased by 0.7 percent when compared with 1389. Lower growth in the value of foreign trade in 1390 compared to 1389 as well as the fall in the weight of exports and imports was due to the fall in both weight and value of Iran's imports. On the other hand, the share of exports

in the value and weight of foreign trade transactions registered growth in this year.

**Figure 12.1. Export-import ratio**



**Table 12.1. Foreign Trade**

|                                | 1388          | 1389           | 1390           | Percentage change |             | Share (percent) |              |
|--------------------------------|---------------|----------------|----------------|-------------------|-------------|-----------------|--------------|
|                                |               |                |                | 1389              | 1390        | 1389            | 1390         |
| <b>Value (million dollars)</b> |               |                |                |                   |             |                 |              |
| 1. Imports                     | 55,287        | 64,450         | 61,808         | 16.6              | -4.1        | 70.8            | 64.6         |
| 2. Exports                     | 21,891        | 26,551         | 33,819         | 21.3              | 27.4        | 29.2            | 35.4         |
| Deficit (2-1)                  | -33,395       | -37,899        | -27,990        | 13.5              | -26.1       |                 |              |
| <b>Total (1+2)</b>             | <b>77,178</b> | <b>91,001</b>  | <b>95,627</b>  | <b>17.9</b>       | <b>5.1</b>  | <b>100.0</b>    | <b>100.0</b> |
| <b>Weight (thousand tons)</b>  |               |                |                |                   |             |                 |              |
| 1. Imports                     | 51,921        | 45,346         | 38,379         | -12.7             | -15.4       | 43.0            | 36.6         |
| 2. Exports                     | 47,502        | 60,198         | 66,429         | 26.7              | 10.4        | 57.0            | 63.4         |
| <b>Total (1+2)</b>             | <b>99,422</b> | <b>105,544</b> | <b>104,808</b> | <b>6.2</b>        | <b>-0.7</b> | <b>100.0</b>    | <b>100.0</b> |

Source: Foreign Trade Statistics, Islamic Republic of Iran Customs Administration

<sup>1</sup> Figures and analyses mentioned in the present chapter are based upon the data released by the Islamic Republic of Iran Customs Administration.

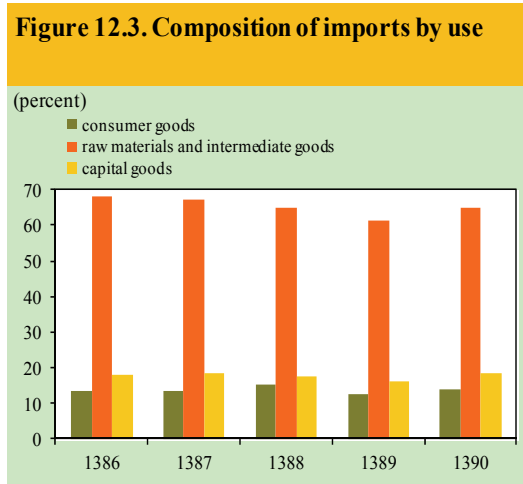
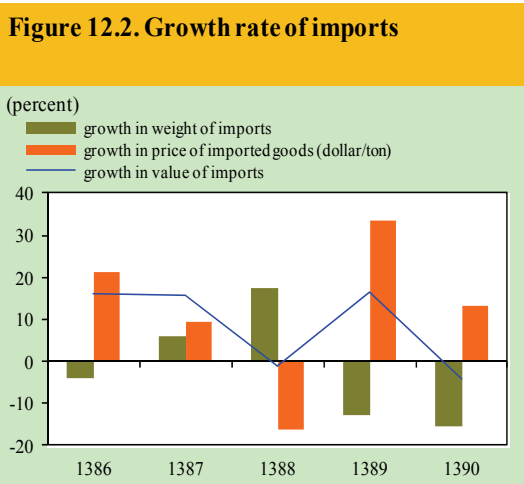
The share of exports in foreign trade was 35.4 percent in terms of value, and 63.4 percent in terms of weight in 1390. This indicates 6.2 and 6.3 percentage points rise, respectively, compared with 1389. The ratio of exports to imports, in terms of value, rose 13.5 percentage points to 54.7 percent.

### Imports

In 1390, the CIF value of imports (through Customs) declined by 4.1 percent to \$61,808 million, mainly due to the decrease in the imports of iron and steel products. Moreover, the weight of imports reached 38,379 thousand tons, down by 15.4 percent compared with the year before. In this year, the price of each ton of imported goods rose 13.3 percent to \$1,610, compared with 1389.

Regarding the composition of imports by use, "raw materials and intermediate goods" constituted the lion's share in total imports by nearly 65.1 percent, up by 3.7 percentage points compared with 1389. "Capital goods" and "consumer goods" were next with shares of 18.7 and 13.9 percent, respectively.

Review of imported goods, in terms of value, reveals that "machinery and transportation vehicles" had a share of 35.8 percent, "iron and steel" 13.5 percent, "chemicals" 12.0 percent, "foodstuffs and live animals" 12.0 percent, and "mineral products, fuels, industrial oils, and grease" 6.3 percent in total imports. Total share of the mentioned groups in the value of imports was 79.7 percent, indicating 5.8 percentage points increase compared with 1389.



**Table 12.2. Composition of Imports by Use**

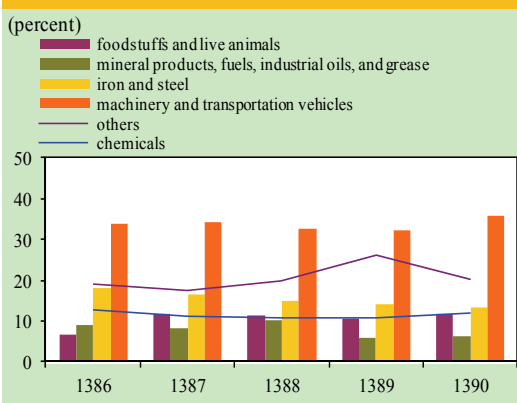
(million dollars)

|                                      | 1388          | 1389          | 1390          | Percentage change |             | Share (percent) |              |
|--------------------------------------|---------------|---------------|---------------|-------------------|-------------|-----------------|--------------|
|                                      |               |               |               | 1389              | 1390        | 1389            | 1390         |
| Raw materials and intermediate goods | 35,936        | 39,593        | 40,262        | 10.2              | 1.7         | 61.4            | 65.1         |
| Capital goods                        | 9,812         | 10,437        | 11,533        | 6.4               | 10.5        | 16.2            | 18.7         |
| Consumer goods                       | 8,345         | 8,200         | 8,575         | -1.7              | 4.6         | 12.7            | 13.9         |
| Goods not elsewhere classified       | 1,193         | 6,220         | 1,437         | 421.3             | -76.9       | 9.7             | 2.3          |
| <b>Total</b>                         | <b>55,287</b> | <b>64,450</b> | <b>61,808</b> | <b>16.6</b>       | <b>-4.1</b> | <b>100.0</b>    | <b>100.0</b> |

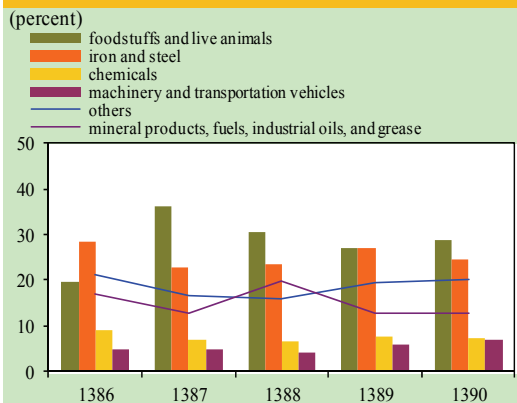
Concentration indices<sup>1</sup> of Iran's imports from the first 3, 5 and 10 countries rose from respectively 49.0, 61.0, and 77.0 percent in 1389 to 51.6, 62.6, and 77.3 percent, respectively, in 1390. The United Arab Emirates, China, South Korea, Germany, Turkey, Switzerland, France, Singapore, Italy, and Japan were Iran's major trading partners in 1390. Decrease in Iran's imports was mainly due to the fall in the shares of the United Arab Emirates, Switzerland, and Germany. On the other hand, China, South Korea, and Singapore made a big contribution to Iran's imports in this year. All in all, Iran's imports decreased, in terms of value, in this year.

Distribution of imports by continents indicates that the share of Asia in Iran's imports was 72.2 percent in 1390, which was the highest compared to other continents. Imports from the Asian countries increased by 2.8 percent, compared with 1389, and reached \$44,595 million while the shares of other continents in imports to Iran were lower than their shares in the year before. In fact, 51.6 percent of Iran's imports were from the United Arab Emirates, China, and South Korea, in this year. Singapore, Japan, and India were among major Asian exporters as well. Europe, with a share of 25.7 percent, was the second large exporter to Iran.

**Figure 12.4. Composition of imports in terms of value**



**Figure 12.5. Composition of imports in terms of weight**



**Table 12.3. Value of Imports by Major Components**

(million dollars)

|  | 1388          | 1389          | 1390          | Percentage change |             | Share (percent) |              |
|--|---------------|---------------|---------------|-------------------|-------------|-----------------|--------------|
|  |               |               |               | 1389              | 1390        | 1389            | 1390         |
| Foodstuffs and live animals                          | 6,409         | 6,790         | 7,388         | 5.9               | 8.8         | 10.5            | 12.0         |
| Mineral products, fuels, industrial oils, and grease | 5,752         | 3,867         | 3,920         | -32.8             | 1.4         | 6.0             | 6.3          |
| Chemicals  | 6,029         | 7,011         | 7,441         | 16.3              | 6.1         | 10.9            | 12.0         |
| Iron and steel                                       | 8,166         | 9,235         | 8,357         | 13.1              | -9.5        | 14.3            | 13.5         |
| Machinery and transportation vehicles                | 18,060        | 20,713        | 22,136        | 14.7              | 6.9         | 32.1            | 35.8         |
| Others   | 10,871        | 16,834        | 12,566        | 54.9              | -25.4       | 26.1            | 20.3         |
| <b>Total</b>   | <b>55,287</b> | <b>64,450</b> | <b>61,808</b> | <b>16.6</b>       | <b>-4.1</b> | <b>100.0</b>    | <b>100.0</b> |

<sup>1</sup> Concentration indices are calculated as the sum of the shares of the first 3, 5, and 10 countries in total imports.

In 1390, Germany, Turkey, Switzerland, France, and Italy were the major European exporters, constituting 20.7 percent of total Iran’s imports.

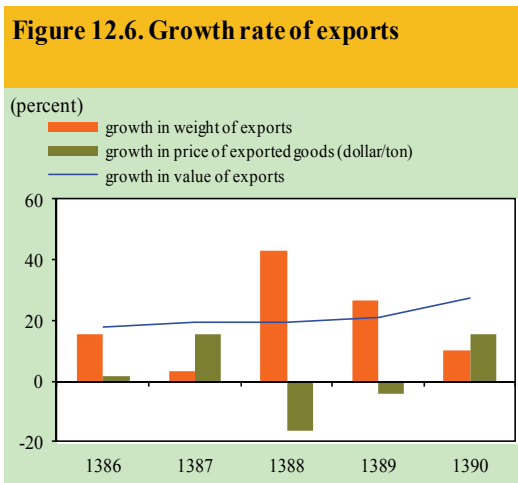
Review of imports by group of countries reveals that the highest share in total imports of goods belonged to ESCAP member countries by 42.0 percent. Imports from ESCAP member countries totaled \$25,937 million, up by 2.2 percent compared with 1389. The European Union, holding a share of 20.1 percent in total imports, ranked second in this regard. It is worth mentioning that imports from the European Union fell by 10.3 percent compared with the year before.

### Exports

In 1390, value of exports (through Customs) increased by 27.4 percent to \$33,819 million, compared with the year before. Furthermore, exports, in terms of weight, advanced 10.4 percent and reached 66,429 thousand tons. The value of exported goods per ton rose 15.4 percent to \$509, compared with 1389.

In this year, exports of industrial goods, in terms of value, rose by 36.6 percent to \$27,590 million and in terms of weight, it increased by 19.4 percent to 44,978 thousand tons. The share of industrial goods in total value of exports through Customs reached 81.6 percent, indicating 5.5 percentage points

increase compared with 1389. This was mainly due to the rise in the value of exports of "chemical and petrochemical products". In 1390, "gas and oil products" and "chemicals (organic and inorganic)" held a share of almost 47.3 percent in the value of exports of industrial goods. This was indicative of 5.9 percentage points increase when compared with the respective figure of the year before.



In 1390, the share of agricultural and traditional goods in the value of exports declined by 3.7 percentage points. Total value of exports of this group rose 2.5 percent to \$5,181 million in this year. The weight of agricultural and traditional goods, however, fell by 16.4 percent to 3,094 thousand tons.

**Table 12.4. Value of Exports**

(million dollars)

|                                    | 1388          | 1389          | 1390          | Percentage change |             | Share (percent) |              |
|------------------------------------|---------------|---------------|---------------|-------------------|-------------|-----------------|--------------|
|                                    |               |               |               | 1389              | 1390        | 1389            | 1390         |
| Agricultural and traditional goods | 4,133         | 5,056         | 5,181         | 22.3              | 2.5         | 19.0            | 15.3         |
| Metallic mineral ores              | 702           | 1,298         | 1,035         | 85.0              | -20.3       | 4.9             | 3.1          |
| Industrial goods                   | 17,017        | 20,194        | 27,590        | 18.7              | 36.6        | 76.1            | 81.6         |
| Goods not elsewhere classified     | 39            | 2             | 13            | -94.3             | ⊠           | *               | *            |
| <b>Total</b>                       | <b>21,891</b> | <b>26,551</b> | <b>33,819</b> | <b>21.3</b>       | <b>27.4</b> | <b>100.0</b>    | <b>100.0</b> |

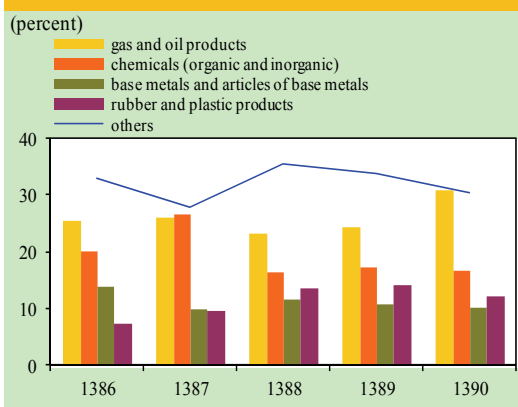
Source: Islamic Republic of Iran Customs Administration

Based on the international classification of goods, in 1390, the lion's share in the value of exports belonged to "chemicals" by 28.5 percent, followed by "mineral products, fuels, industrial oils, and grease" by 25.1 percent and "foodstuffs and live animals" by 15.2 percent. The mentioned groups accounted for 68.8 percent of the total value of exports, indicating 4.1 percentage points increase when compared with the total share of these three groups in the year before.

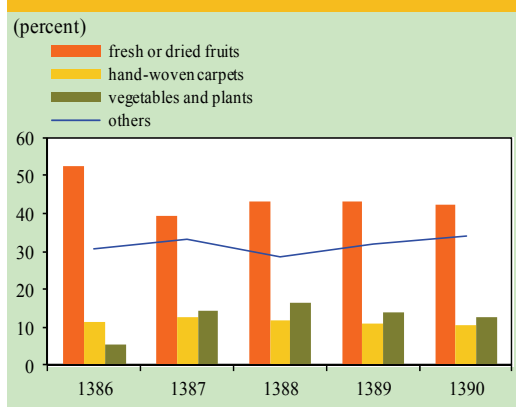
In 1390, "crude inedible materials, excluding fuels" and "chemicals" had the highest shares in total exports, in terms of weight, by 33.7 and 23.0 percent, respectively. These groups accounted for 56.7 percent of the total weight of exports, down by 4.2 percentage points compared with 1389.

In this year, according to the international classification of goods, shares of major commodities in total imports and exports went

**Figure 12.7. Composition of exports of industrial goods in terms of value**



**Figure 12.8. Composition of exports of agricultural & traditional goods in terms of value**



**Table 12.5. Value of Exports of Industrial Goods**

(million dollars)

|   | 1388          | 1389          | 1390          | Percentage change |             | Share (percent) |              |
|---|---------------|---------------|---------------|-------------------|-------------|-----------------|--------------|
|   |               |               |               | 1389              | 1390        | 1389            | 1390         |
| Gas and oil products                    | 3,925         | 4,892         | 8,485         | 24.6              | 73.5        | 24.2            | 30.8         |
| Chemicals (organic and inorganic)       | 2,785         | 3,468         | 4,574         | 24.5              | 31.9        | 17.2            | 16.6         |
| Base metals and articles of base metals | 1,956         | 2,161         | 2,790         | 10.5              | 29.1        | 10.7            | 10.1         |
| Rubber and plastic products             | 2,301         | 2,860         | 3,380         | 24.3              | 18.2        | 14.2            | 12.2         |
| Others                                  | 6,052         | 6,813         | 8,360         | 12.6              | 22.7        | 33.7            | 30.3         |
| <b>Total</b>                            | <b>17,017</b> | <b>20,194</b> | <b>27,590</b> | <b>18.7</b>       | <b>36.6</b> | <b>100.0</b>    | <b>100.0</b> |

**Table 12.6. Value of Exports of Agricultural and Traditional Goods**

(million dollars)

|                       | 1388         | 1389         | 1390         | Percentage change |            | Share (percent) |              |
|-----------------------|--------------|--------------|--------------|-------------------|------------|-----------------|--------------|
|                       |              |              |              | 1389              | 1390       | 1389            | 1390         |
| Fruit, fresh or dried | 1,779        | 2,194        | 2,204        | 23.3              | 0.4        | 43.4            | 42.5         |
| Hand-woven carpets    | 495          | 557          | 559          | 12.6              | 0.3        | 11.0            | 10.8         |
| Vegetables and plants | 685          | 697          | 653          | 1.8               | -6.4       | 13.8            | 12.6         |
| Others                | 1,175        | 1,607        | 1,765        | 36.8              | 9.8        | 31.8            | 34.1         |
| <b>Total</b>          | <b>4,133</b> | <b>5,056</b> | <b>5,181</b> | <b>22.3</b>       | <b>2.5</b> | <b>100.0</b>    | <b>100.0</b> |

up by respectively 5.8 and 2.6 percentage points compared with the year before, to 79.7 and 76.7 percent, respectively. Comparing the value of imports and exports based on the international classification of goods indicates that Iran was a net exporter of "chemicals" and "mineral products, fuels, industrial oils, and grease" and a net importer of other major commodities.

As to the geographical distribution of Iran's exports, the concentration indices of the first 3 countries decreased from 46.9 percent in 1389 to 45.1 percent in 1390. Conversely, the concentration indices of the first 5 and 10 countries increased by about 1.0 and 7.4 percentage points, respectively, in 1390. China, Iraq, the United Arab Emirates, India, Afghanistan, Turkey, South Korea, Singapore, and Indonesia were Iran's major trading partners in terms of exports in 1390.

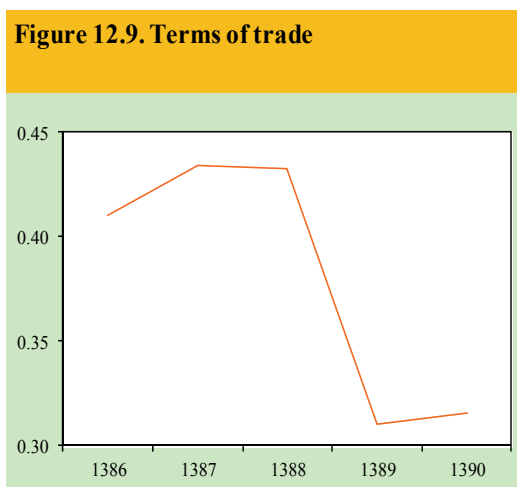
Geographical distribution of Iran's exports by continents points to the lion's share of Asia by 91.3 percent in 1390, up by almost 3.7 percentage points when compared with the year before. Iran's exports to Asia advanced 32.7 percent to \$30,886 million, compared with the corresponding figure for 1389. Europe, Africa, America, and Oceania stood behind Asia. Geographical distribution of exports through Customs by group of countries indicates that ESCAP member

countries still had the highest share in Iran's exports through Customs by 60.5 percent.

### Terms of Trade<sup>1</sup>

In 1390, higher rise in the per ton value of exports than that of imports raised the terms of trade through Customs by 1.9 percent. Terms of trade through Customs reached 0.316 in this year.

The remarkable rise in the price of crude oil and oil products in 1390 led to a higher increase in the per ton value of exports than that of imports (through Customs). Exports (through Customs) mostly included chemical and petrochemical exports.



**Table 12.7. Value of Exports according to International Classification of Goods** (million dollars)

|  | 1388          | 1389          | 1390          | Percentage change |             | Share (percent) |              |
|--|---------------|---------------|---------------|-------------------|-------------|-----------------|--------------|
|  |               |               |               | 1389              | 1390        | 1389            | 1390         |
| Foodstuffs and live animals                          | 4,066         | 4,987         | 5,155         | 22.7              | 3.4         | 18.8            | 15.2         |
| Mineral products, fuels, industrial oils, and grease | 3,920         | 4,873         | 8,474         | 24.3              | 73.9        | 18.4            | 25.1         |
| Chemicals  | 5,720         | 7,331         | 9,642         | 28.2              | 31.5        | 27.6            | 28.5         |
| Iron and steel                                       | 781           | 743           | 1,275         | -4.9              | 71.6        | 2.8             | 3.8          |
| Machinery and transportation vehicles                | 1,526         | 1,747         | 1,392         | 14.5              | -20.3       | 6.6             | 4.1          |
| Others   | 5,878         | 6,870         | 7,882         | 16.9              | 14.7        | 25.9            | 23.3         |
| <b>Total</b>   | <b>21,891</b> | <b>26,551</b> | <b>33,819</b> | <b>21.3</b>       | <b>27.4</b> | <b>100.0</b>    | <b>100.0</b> |

<sup>1</sup> In this chapter, "terms of trade" (the ratio of export prices to import prices) includes Iran's exports and imports through Customs and therefore is different than the figure mentioned in Chapter 1 (National Product, Expenditure and Income).

**Table 12.8. Terms of Trade (through Customs)** (dollar/ton)

|                          | 1388    | 1389    | 1390    | Percentage change |      |
|--------------------------|---------|---------|---------|-------------------|------|
|                          |         |         |         | 1389              | 1390 |
| Per ton value of exports | 460.9   | 441.1   | 509.1   | -4.3              | 15.4 |
| Per ton value of imports | 1,064.8 | 1,421.3 | 1,610.5 | 33.5              | 13.3 |
| Terms of trade           | 0.433   | 0.310   | 0.316   | -28.3             | 1.9  |

Source: Foreign Trade Statistics, Islamic Republic of Iran Customs Administration

### Foreign Exchange Market Developments

In 1390, rise in economic uncertainty in the euro zone and the United States made the global gold price reach a record high. Moreover, weak performance of stock markets, persistent housing market recession, as well as the governments' willingness to diversify reserves due to the instability of hard currencies (US dollar and euro in particular) attracted governments and investors to the market for precious metals, especially the gold market. In this year, heightened tensions in the Middle East upon changes occurring in several Arab states and propaganda against Iran's peaceful nuclear program sharply raised the global oil price.

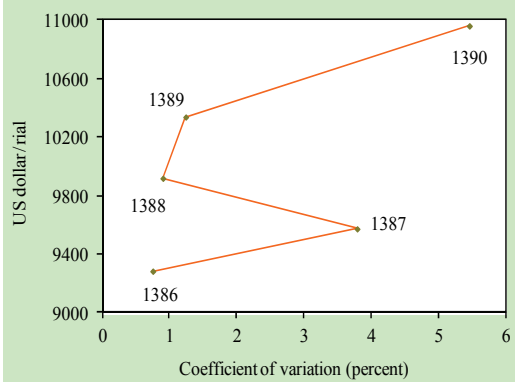
Compared to previous decades, Iranian foreign exchange and gold markets witnessed a volatile year. Despite the unprecedented rise in the export revenue, factors such as lower deposit rates and a declining securities market as well as the implementation of the first phase of the Subsidy Reform Plan, in line with the intensification of economic restrictions, raised gold price and exchange rate to a record high in Iran.

### Rial versus Hard Currencies

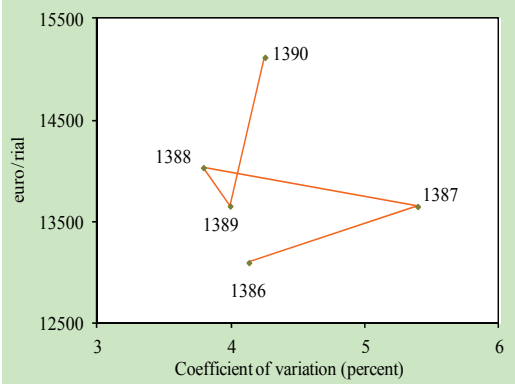
Developments of international foreign exchange markets as well as restrictions imposed on the country's foreign exchange transactions affected the parity rate of hard currencies vis-à-vis the rial in 1390. Depreciation of the US dollar reduced the nominal value of the rial vis-à-vis all the hard currencies. The annual average rate of the Swiss franc versus the rial had the highest increase in the main interbank market by 22.2 percent and that of the US dollar had the lowest increase by 6.0 percent. Although the euro acted as the currency for exchange intervention in 1390, Central Bank largely controlled the fluctuations of the US dollar due to its influence on the economy. Intensification of restrictions on foreign currencies transfer, however, raised the US dollar fluctuations as compared with 1389. A review of the coefficients of variation<sup>1</sup> of reference rates of hard currencies in the interbank market reveals that the parity rate of all hard currencies experienced higher fluctuations in 1390 than in 1389. The parity rates of the Japanese yen and the Swiss franc versus the rial had the highest coefficients of variation while the lowest fluctuations were related to the euro and the pound.

<sup>1</sup> Standard deviation divided by mean

**Figure 12.10. Developments of the US dollar in the official market**



**Figure 12.11. Developments of the euro in the official market**



**Developments of the Interbank Foreign Exchange Market**

In 1390, the value of interbank market transactions (in US dollar, euro, Japanese yen, pound, and other currencies) increased by 6.6 percent from \$72,467 million in 1389 to \$77,227 million in 1390. The turmoil in the foreign exchange market led to the prevalence of multiple exchange rate systems in this year. Hence, CBI introduced a foreign exchange demand management program, aiming at alleviation of destabilizing speculative activities, and enhancing access to the

official foreign exchange market for real applicants of both legal and natural persons. As a result, the offshore foreign exchange market gradually declined in 1390 until it came to a complete closure at the end of Bahman of this year.

The total value of main market transactions almost doubled, increasing from \$20,038 million in 1389 to \$42,412 million in 1390. The Central Bank, with a share of 85.7 percent of total foreign exchange sales in this market at \$36,348 million, remained the main supplier of foreign exchange as before.

The total value of offshore market transactions fell by 33.6 percent from \$52,429 million in 1389 to \$34,815 million in 1390. The CBI held roughly 97 percent of total foreign exchange sales in this market valued at \$33,756 million. Therefore, CBI stood as the main supplier of foreign exchange in the offshore interbank market while commercial and specialized banks were the buyers of foreign exchange.

The upward trend in the share of the US dollar in interbank transactions continued in 1390 as before. The shares of the US dollar and the United Arab Emirates dirham (AED), as the main substitutes for the euro, were higher in 1390 than the respective shares of 1389. However, due to the government ban on order registration for imports invoiced in the AED in Bahman 1390, the share of the AED in interbank market transactions started to decline as of Bahman. In spite of this ban, the share of the AED in foreign exchange interbank market transactions was the highest in 1390, showing 6.0 percentage points increase compared with 1389. The share of the euro in interbank transactions was 33.9 percent and the shares of US dollar, AED, South Korean Won, and Turkish Lira in interbank transactions totaled 61.5 percent in 1390.



**Table 12.9. Foreign Exchange Transactions in the Main and Offshore Interbank Markets**

(million dollars)

|                 | 1388          | 1389          | 1390          | Percentage change |            |
|-----------------|---------------|---------------|---------------|-------------------|------------|
|                 |               |               |               | 1389              | 1390       |
| Main market     | 15,320        | 20,038        | 42,412        | 30.8              | 111.7      |
| Share (percent) | 28.7          | 27.7          | 54.9          |                   |            |
| Offshore market | 38,024        | 52,429        | 34,815        | 37.9              | -33.6      |
| Share (percent) | 71.3          | 72.3          | 45.1          |                   |            |
| <b>Total</b>    | <b>53,343</b> | <b>72,467</b> | <b>77,227</b> | <b>35.8</b>       | <b>6.6</b> |

**Table 12.10. Interbank Market Transactions by Foreign Currencies**

(million dollars)

|                                 | 1388          | 1389          | 1390          | Share (percent) |              |
|---------------------------------|---------------|---------------|---------------|-----------------|--------------|
|                                 |               |               |               | 1389            | 1390         |
| US Dollar                       | 2,711         | 5,965         | 10,315        | 8.2             | 13.4         |
| Euro                            | 40,191        | 35,982        | 26,216        | 49.7            | 33.9         |
| AED                             | 10,047        | 23,986        | 30,165        | 33.1            | 39.1         |
| South Korean Won (one thousand) | –             | 465           | 4,340         | 0.6             | 5.6          |
| Turkish Lira                    | –             | 3,241         | 2,649         | 4.5             | 3.4          |
| Other currencies                | 395           | 2,828         | 3,541         | 3.9             | 4.6          |
| <b>Total</b>                    | <b>53,343</b> | <b>72,467</b> | <b>77,227</b> | <b>100.0</b>    | <b>100.0</b> |