

Trade

In 1391, Iran's foreign trade¹ was adversely affected by both exchange rate fluctuations and exacerbation of economic sanctions, especially on the banking sector. These financial restrictions led to a fall in the value of imports and exports. Based on the Islamic Republic of Iran Customs Administration, trade through Customs decreased by 10.0 percent, in terms of value, to \$86 billion in 1391. In terms of weight, however, it increased by 4.4 percent when compared with 1390. Decrease in the value of foreign trade and rise in its weight were attributable to the fall in the value of imported goods and positive growth in the weight of exported goods. The share of exports in foreign trade was 37.9 percent, in terms of value, and 63.9 percent, in terms of weight, in 1391. This indicates 2.5 and 0.5 percentage points

rise, respectively, compared with 1390. The ratio of exports to imports, in terms of value, rose 6.2 percentage points to 60.9 percent.

Figure 12.1. Export-import ratio

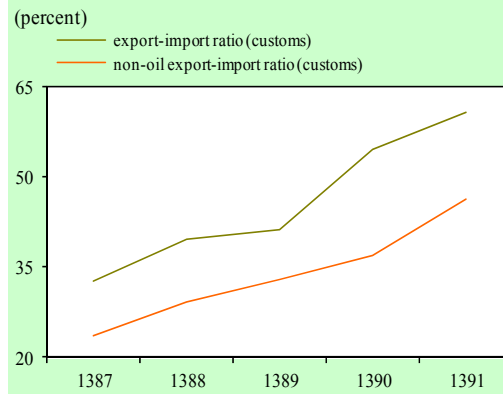


Table 12.1. Foreign Trade

	1389	1390	1391	Percentage change		Share (percent)	
				1390	1391	1390	1391
Value (million dollars)							
1. Imports	64,450	61,808	53,451	-4.1	-13.5	64.6	62.1
2. Exports	26,551	33,819	32,567	27.4	-3.7	35.4	37.9
Deficit (2-1)	-37,899	-27,990	-20,884	-26.1	-25.4		
Total (1+2)	91,001	95,627	86,018	5.1	-10.0	100.0	100.0
Weight (thousand tons)							
1. Imports	45,346	38,379	39,481	-15.4	2.9	36.6	36.1
2. Exports	60,198	66,429	69,936	10.4	5.3	63.4	63.9
Total (1+2)	105,544	104,808	109,417	-0.7	4.4	100.0	100.0

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

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

Imports

In 1391, the CIF value of imports (through Customs) declined by 13.5 percent to \$53,451 million, mainly due to the decrease in the imports of machinery and transportation vehicles. Moreover, the weight of imports reached 39,481 thousand tons, up by 2.9 percent compared with the year before. In this year, the price of each ton of imported goods fell by 15.9 percent to \$1,354, compared with 1390.

Regarding the composition of imports by use, "raw materials and intermediate goods" constituted the lion's share in total imports by nearly 67.6 percent, up by 2.5 percentage points compared with 1390. "Capital goods" and "consumer goods" were next with shares of 15.9 and 14.1 percent, respectively. Decrease in the value of imports of intermediate

and capital goods is not a good sign as fall in the imports of "capital goods" will lead to lower investments and a slowdown in production. Moreover, reduction in the imports of "raw materials and intermediate goods" will slow economic growth and reduce employment.

Review of imported goods, in terms of value, reveals that "machinery and transportation vehicles" had a share of 30.4 percent, "foodstuffs and live animals" 21.5 percent, "chemicals" 12.7 percent, "iron and steel" 11.5 percent, and "mineral products, fuels, industrial oils, and grease" 2.9 percent in total imports. Total share of the mentioned groups in the value of imports was 79.0 percent, indicating nearly 0.7 percentage point decrease compared with 1390.

Figure 12.2. Growth rate of imports

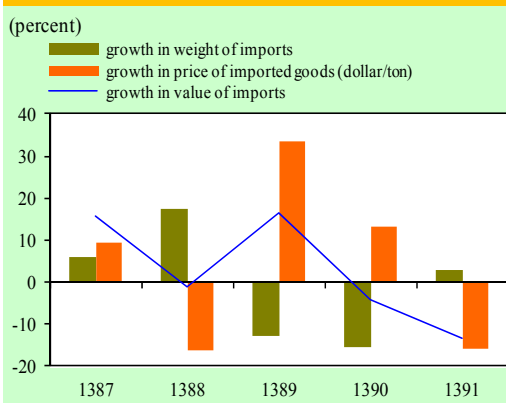


Figure 12.3. Composition of imports by use

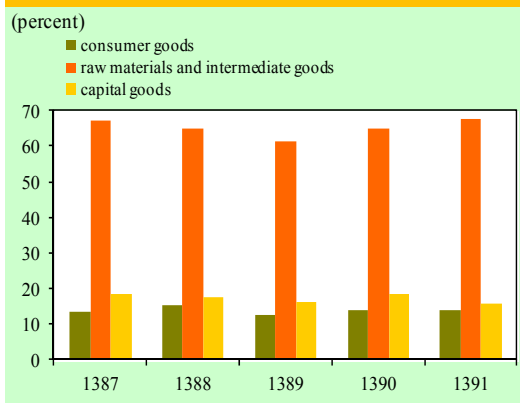


Table 12.2. Composition of Imports by Use

(million dollars)

	1389	1390	1391	Percentage change		Share (percent)	
				1390	1391	1390	1391
Raw materials and intermediate goods	39,593	40,262	36,130	1.7	-10.3	65.1	67.6
Capital goods	10,437	11,533	8,518	10.5	-26.1	18.7	15.9
Consumer goods	8,200	8,575	7,551	4.6	-12.0	13.9	14.1
Goods not elsewhere classified	6,220	1,437	1,253	-76.9	-12.8	2.3	2.3
Total	64,450	61,808	53,451	-4.1	-13.5	100.0	100.0

In 1391, concentration indices¹ of Iran's imports from the first 3 and 5 countries decreased from respectively 51.6 and 62.6 percent in 1390 to 44.2 and 59.2 percent, respectively, while for the first 10 countries, this index increased from 77.3 percent in 1390 to 77.5 percent in 1391. The United Arab Emirates, China, South Korea, Turkey, Switzerland, Germany, India, the Netherlands, Russia, and Italy were Iran's major trading partners in 1391. Decrease in Iran's imports was mainly due to the lower shares of the United Arab Emirates, France, Singapore, and Japan compared with 1390. On the other hand, Turkey, the Netherlands, and Russia made a big contribution to Iran's imports in this year.

Distribution of imports by continents indicates that the share of Asia in Iran's imports was 68.3 percent in 1391, which was higher than other continents. Imports from the Asian countries decreased by 18.2 percent, compared with 1390, to \$36,490 million. Except for America and Oceania, the value of imports from other continents to Iran was lower than 1390. In fact, 44.2 percent of Iran's imports were from the United Arab Emirates, China, and South Korea, in this year. Europe, with a share of 28.6 percent, was the second large exporter to Iran. Furthermore, the major European exporters included Turkey, Switzerland, and Germany, holding a 20.3 percent share in total Iran's imports.

Figure 12.4. Composition of imports in terms of value

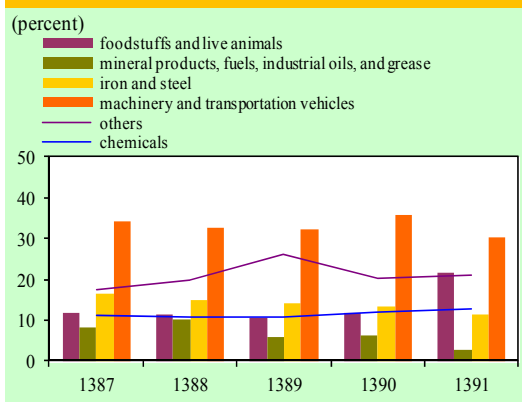


Figure 12.5. Composition of imports in terms of weight

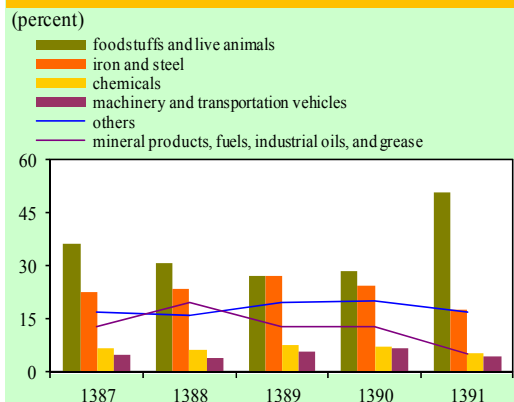


Table 12.3. Value of Imports by Major Components

(million dollars)

	1389	1390	1391	Percentage change		Share (percent)	
				1390	1391	1390	1391
Foodstuffs and live animals	6,790	7,388	11,517	8.8	55.9	12.0	21.5
Mineral products, fuels, industrial oils, and grease	3,867	3,920	1,538	1.4	-60.8	6.3	2.9
Chemicals	7,011	7,441	6,773	6.1	-9.0	12.0	12.7
Iron and steel	9,235	8,357	6,121	-9.5	-26.8	13.5	11.5
Machinery and transportation vehicles	20,713	22,136	16,271	6.9	-26.5	35.8	30.4
Others	16,834	12,566	11,230	-25.4	-10.6	20.3	21.0
Total	64,450	61,808	53,451	-4.1	-13.5	100.0	100.0

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

Review of imports by group of countries reveals that the highest share in total imports of goods belonged to ESCAP member countries by 54.6 percent. Imports from ESCAP member countries totaled \$29,158 million, up by 12.4 percent compared with 1390. The European Union, holding a share of 18.9 percent in total imports, ranked second in this regard. It is worth mentioning that imports from the European Union fell by 18.7 percent compared with the year before.

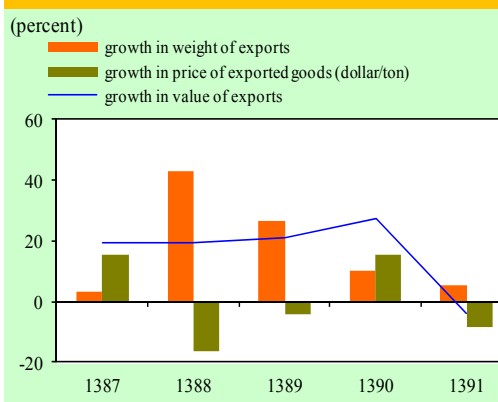
Exports

In 1391, value of exports (through Customs) decreased by 3.7 percent to \$32,567 million, compared with the year before. Conversely, exports advanced 5.3 percent in terms of weight, and reached 69,936 thousand tons. The value of exported goods per ton fell by about 8.5 percent to \$466, compared with 1390.

In this year, exports of industrial goods, in terms of value, declined by 8.9 percent to \$25,137 million and in terms of weight, it fell by 1.5 percent to 44,284 thousand tons. The share of industrial goods in total value of exports through Customs reached 77.2 percent, indicating 4.4 percentage points decrease compared with the year before. In

1391, "gas and oil products" and "chemicals (organic and inorganic)" held a share of almost 36.4 percent in the value of exports of industrial goods. This was indicative of 11.0 percentage points decrease when compared with the respective figure of the year before.

Figure 12.6. Growth rate of exports



In 1391, the share of agricultural and traditional goods in the value of exports increased by 1.8 percentage points. Total value of exports of this group went up by 7.3 percent to \$5,560 million in this year. Moreover, the weight of agricultural and traditional goods rose by 21.7 percent to 3,767 thousand tons.

Table 12.4. Value of Exports

(million dollars)

	1389	1390	1391	Percentage change		Share (percent)	
				1390	1391	1390	1391
Agricultural and traditional goods	5,056	5,181	5,560	2.5	7.3	15.3	17.1
Metallic mineral ores	1,298	1,035	1,169	-20.3	13.0	3.1	3.6
Industrial goods	20,194	27,590	25,137	36.6	-8.9	81.6	77.2
Goods not elsewhere classified	2	13	700	⊠	⊠	*	2.2
Total	26,551	33,819	32,567	27.4	-3.7	100.0	100.0

Source: Islamic Republic of Iran Customs Administration

Based on the international classification of goods, in 1391, the lion's share in the value of exports belonged to "chemicals" by 29.4 percent, followed by "foodstuffs and live animals" by 17.7 percent and "mineral products, fuels, industrial oils, and grease" by 15.8 percent. The mentioned groups accounted for 62.9 percent of the total value of exports, indicating 6.0 percentage points

decrease when compared with the total share of these three groups in the year before. In 1391, "crude inedible materials, excluding fuels" and "chemicals", with respectively 37.6 and 19.3 percent, had the highest shares in total exports, in terms of weight. These two groups together accounted for 57.0 percent of the total weight of exports, up by 0.2 percentage point compared with 1390.

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

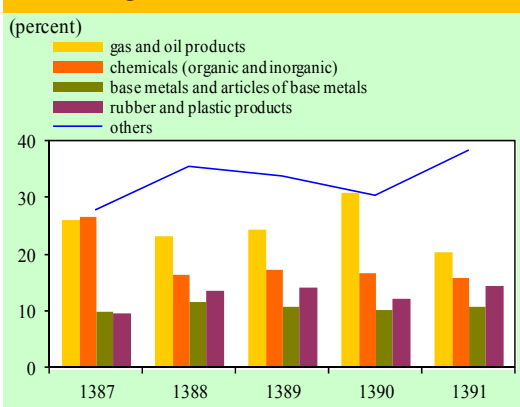


Figure 12.8. Composition of exports of agricultural & traditional goods in terms of value

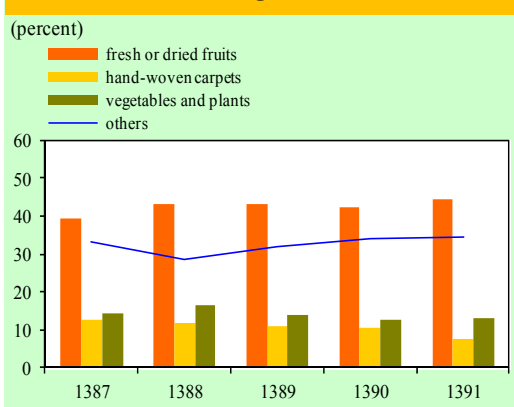


Table 12.5. Value of Exports of Industrial Goods

(million dollars)

	1389	1390	1391	Percentage change		Share (percent)	
				1390	1391	1390	1391
Gas and oil products	4,892	8,485	5,149	73.5	-39.3	30.8	20.5
Chemicals (organic and inorganic)	3,468	4,574	3,993	31.9	-12.7	16.6	15.9
Base metals and articles of base metals	2,161	2,790	2,721	29.1	-2.5	10.1	10.8
Rubber and plastic products	2,860	3,380	3,643	18.2	7.8	12.2	14.5
Others	6,813	8,360	9,632	22.7	15.2	30.3	38.3
Total	20,194	27,590	25,137	36.6	-8.9	100.0	100.0

Table 12.6. Value of Exports of Agricultural and Traditional Goods

(million dollars)

	1389	1390	1391	Percentage change		Share (percent)	
				1390	1391	1390	1391
Fruit, fresh or dried	2,194	2,204	2,482	0.4	12.6	42.5	44.6
Hand-woven carpets	557	559	427	0.3	-23.6	10.8	7.7
Vegetables and plants	697	653	733	-6.4	12.3	12.6	13.2
Others	1,607	1,765	1,917	9.8	8.7	34.1	34.5
Total	5,056	5,181	5,560	2.5	7.3	100.0	100.0

In this year, according to the international classification of goods, shares of major commodities in total imports and exports went down by respectively 0.7 and 4.4 percentage points compared with the year before, to 79.0 and 72.3 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, 5, and 10 countries increased from respectively 45.1, 59.9, and 77.6 percent in 1390 to 49.3, 66.3, and 79.8 percent, respectively, in 1391. Iraq, China, the United Arab Emirates, Afghanistan, India, Turkey, South Korea, Turkmenistan, Pakistan, and Azerbaijan were Iran's major trading partners in terms of exports in 1391.

Reviewing the geographical distribution of Iran's exports by continents indicates that shares of Asia and Africa were higher than 1390 while the shares of other continents in Iran's exports were lower in 1391 compared with the year before. In this year, 91.6 percent of Iran's exports were related to Asia, up by 0.3 percentage point. Iran's exports to Asia declined by 3.4 percent to \$29,831 million, compared with the corresponding

figure for 1390. 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 56.8 percent although Iran's exports to these countries decreased by 9.5 percent compared with 1390.

Terms of Trade¹

In 1391, higher decrease in the per ton value of imports than that of exports raised the terms of trade through Customs by 8.8 percent. Terms of trade through Customs reached 0.344 in this year.

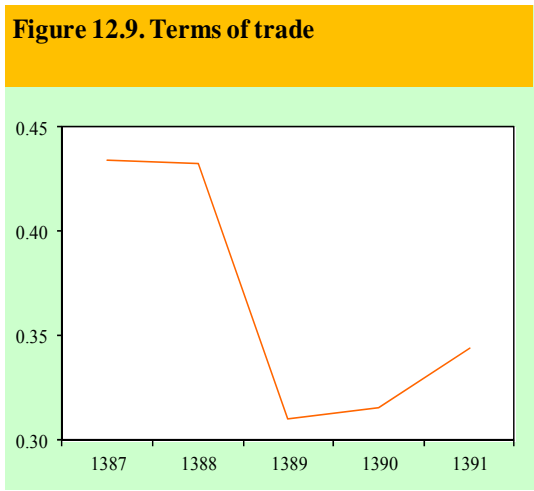


Table 12.7. Value of Exports according to International Classification of Goods (million dollars)

	1389	1390	1391	Percentage change		Share (percent)	
				1390	1391	1390	1391
Foodstuffs and live animals	4,987	5,155	5,758	3.4	11.7	15.2	17.7
Mineral products, fuels, industrial oils, and grease	4,873	8,474	5,131	73.9	-39.4	25.1	15.8
Chemicals	7,331	9,642	9,582	31.5	-0.6	28.5	29.4
Iron and steel	743	1,275	1,370	71.6	7.5	3.8	4.2
Machinery and transportation vehicles	1,747	1,392	1,711	-20.3	23.0	4.1	5.3
Others	6,870	7,882	9,015	14.7	14.4	23.3	27.7
Total	26,551	33,819	32,567	27.4	-3.7	100.0	100.0

¹ 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)

	1389	1390	1391	Percentage change	
				1390	1391
Per ton value of exports	441.1	509.1	465.7	15.4	-8.5
Per ton value of imports	1,421.3	1,610.5	1,353.8	13.3	-15.9
Terms of trade	0.310	0.316	0.344	1.9	8.8

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

Foreign Exchange and Gold Markets Developments

The global gold price experienced a downward trend during the last months of 1391. This trend started in light of a likelihood that the monetary easing of the US by the Federal Reserve System was going to terminate. During the last months of 1391, following the announcement of the US optimistic employment data and the decline in unemployment rate to 8.5 percent, it was anticipated that the interest rate would increase, leading to a noticeable fall in the gold price. Moreover, the decision by the Central Bank of Cyprus to sell €400 million worth of its gold reserves in Esfand 1391 further reduced the international gold prices.

The domestic gold and foreign exchange markets witnessed a volatile year in 1391. Factors such as escalation of tensions over Iran's peaceful nuclear program, heightened economic sanctions, and limitations over foreign exchange transactions led to speculative activities in the market and caused turbulence in the gold and foreign exchange markets in some months of the year. The creation of Foreign Exchange Transactions Center and the channeling of economic agents active in the foreign exchange market towards this Center motivated the authorities to focus on new policies for the better control of developments in the foreign

exchange market. In this regard, the Central Bank concentrated on allocation and provision of foreign currency to priority sectors and for the most urgent needs of the economy.

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 1391. Appreciation of the US dollar against other hard currencies reduced the nominal value of the Iranian rial vis-à-vis all the hard currencies. The annual average rate of the US dollar versus the rial had the highest increase in the main interbank market by 11.8 percent and that of the euro had the lowest increase by 4.6 percent. A review of the coefficients of variation¹ of reference rates of hard currencies in the main interbank market reveals that the parity rate of all hard currencies experienced lower fluctuations in 1391 than in 1390. The parity rates of the Japanese yen and the euro versus the rial had the highest coefficients of variation while the dollar experienced almost no fluctuations in this year.

¹ Standard deviation divided by mean

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

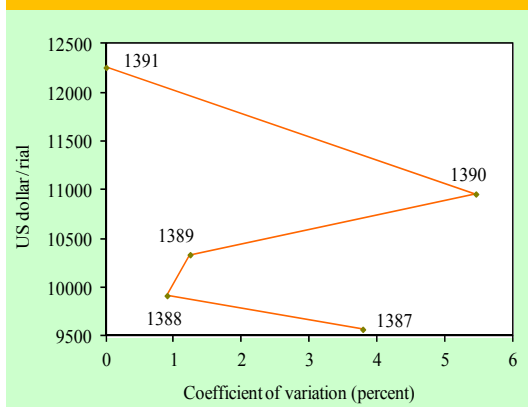
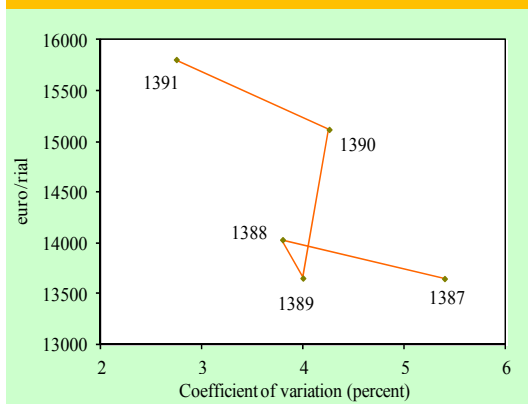


Figure 12.11. Developments of the euro in the official market



Developments of the Interbank Foreign Exchange Market

The value of interbank market transactions (in US dollar, euro, Japanese yen, pound, and other currencies) decreased by 51.2 percent from \$77,227 million in 1390 to \$37,702 million in 1391. In this year, the value of transactions in the offshore market came to zero and all interbank market transactions were processed through the main market.

In Mehr 1391, the Foreign Exchange Transactions Center was created by the Central Bank for the central management of foreign

exchange allocation and sales, through which a fraction of market demand for the imports of priority goods and services was met and foreign currency uses were registered in detail. By end-1391, a sum of \$6,813 million worth of foreign currency was allocated to importers through this Center. Moreover, 10 groups of importable products were assigned priorities and customs tariff codes as follows: groups 1 and 2 comprising essential goods, and basic pharmaceutical products and preparations as first priority and group 10 consisting of consumer goods, industrial raw materials, and non-essential agricultural products, unfinished or complete, as last priority. Groups 3 to 9 consisting of other products lie in between. Imports of groups 1 and 2 were allocated foreign exchange at interbank preferential market rate, while imports of groups 3 to 9 gradually shifted to foreign exchange allocations at transactional rate. Meanwhile, imports order registration of group 10 was prohibited, indicating that no foreign exchange would be allocated to that group at the official market. Furthermore, for better oversight of foreign exchange transactions, all receipts and payments of foreign exchange were registered in the foreign exchange trading portal system.

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 sharply declined in 1391. The share of the euro, as the main substitute for the AED and US dollar in interbank transactions, increased to 50.5 percent in 1391, which was the highest, showing 16.6 percentage points increase compared with the year before. In this year, about 15.9 percent of the interbank transactions were in the US dollar and AED. Reviewing the monthly performance of foreign exchange sales in 1391 indicates that the share of currencies other than the US dollar and AED in Central Bank's foreign exchange sales has increased.

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

(million dollars)

	1389	1390	1391	Percentage change	
				1390	1391
Main market	20,038	42,412	37,702	111.7	-11.1
Share (percent)	27.7	54.9	100.0	–	–
Offshore market	52,429	34,815	0	-33.6	-100.0
Share (percent)	72.3	45.1	0.0	–	–
Total	72,467	77,227	37,702	6.6	-51.2

Table 12.10. Interbank Market Transactions by Foreign Currencies

(million dollars)

	1389	1390	1391	Share (percent)	
				1390	1391
US Dollar	5,965	10,315	4,416	13.4	11.7
Euro	35,982	26,216	19,056	33.9	50.5
AED	23,986	30,165	1,576	39.1	4.2
Other currencies ▲	6,534	10,530	12,653	13.6	33.6
Total	72,467	77,227	37,702	100.0	100.0