

Trade

Iran's foreign trade¹ experienced unfavorable conditions in 1392. Intensification of financial and trade sanctions, 11th Presidential election and its ensuing effect on the political environment of the country, and the new round of nuclear talks in Geneva were among fundamental factors that impacted Iran's exports and imports. Although Geneva negotiations led to an interim agreement between Iran and the P5+1 in early-Azar 1392, the volume of foreign trade did not increase as expected since the implementation date was set almost two months later² and several difficulties arose in this regard.

Figure 12.1. Export-import ratio

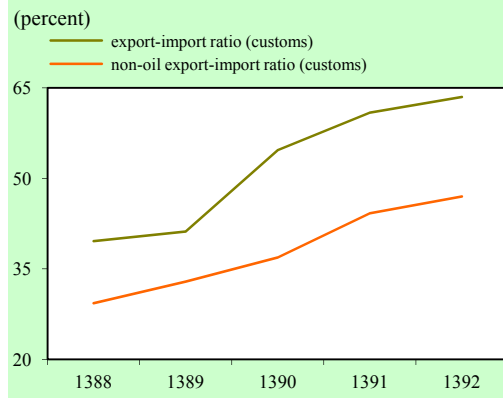


Table 12.1. Foreign Trade

	1390	1391	1392	Percentage change		Share (percent)	
				1391	1392	1391	1392
Value (million dollars)							
1. Imports	61,808	53,451	49,709	-13.5	-7.0	62.1	61.2
2. Exports	33,819	32,567	31,552	-3.7	-3.1	37.9	38.8
Deficit (2-1)	-27,990	-20,884	-18,157	-25.4	-13.1		
Total (1+2)	95,627	86,018	81,261	-10.0	-5.5	100.0	100.0
Volume (thousand tons)							
1. Imports	38,379	39,481	33,684	2.9	-14.7	36.1	29.3
2. Exports	66,429	69,936	81,103	5.3	16.0	63.9	70.7
Total (1+2)	104,808	109,417	114,787	4.4	4.9	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.

² Implementation date of Geneva Agreement was on Dey 30, 1392.

Uncertain economic conditions combined with the prevalent recession in major advanced economies and trade partners of Iran led to continued decline in foreign trade transactions of Iran for the second consecutive year. Based on data released by the Islamic Republic of Iran Customs Administration, in 1392, value of trade decreased by 5.5 percent to \$81,261 million. However, the volume (weight) of trade increased by 4.9 percent compared with 1391, to 114,787 thousand tons. The share of exports in foreign trade was 38.8 percent, in terms of value, and 70.7 percent, in terms of volume, in 1392. These figures indicated about 1.0 and 6.7 percentage points rise, respectively, compared with 1391. The relatively higher increase in the volume share of exported goods in total traded goods of Iran, compared to the value share, shows that the structure of Iran's exported goods has shifted mainly to heavy raw materials with lower unit values.

Imports

In 1392, the CIF value of imports (through Customs) declined by 7.0 percent to \$49,709 million, the lowest since 1387. Moreover, the volume of imports reached 33,684 thousand tons, down by 14.7 percent compared with the year before. "Iron and steel" and "cereals and cereal preparations" had the lion's share in the fall of the value of imports in 1392. In this year, the price of each ton of imported goods reached \$1,476, up by 9.0 percent compared with 1391.

Regarding the composition of imports by use, share of "consumer goods" in total imports increased by 2.0 percentage points to 16.6 percent in 1392. Conversely, total share of "raw materials and intermediate goods" and "capital goods", which are essential to production, decreased from 83.5 percent in 1391 to 82.6 percent in 1392.

Review of imported goods reveals that "machinery and transportation vehicles" had

a share of 31.5 percent, "foodstuffs and live animals" 21.4 percent, "chemicals" 14.7 percent, and "iron and steel" 7.4 percent, in total imports, in terms of value. Total share of the mentioned groups in the value of imports was 75.0 percent, down from 76.1 percent in 1391.

Figure 12.2. Growth rate of imports

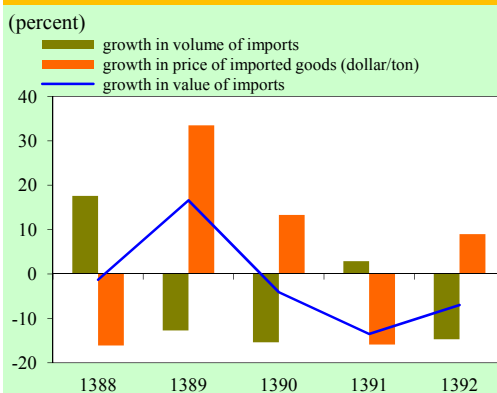
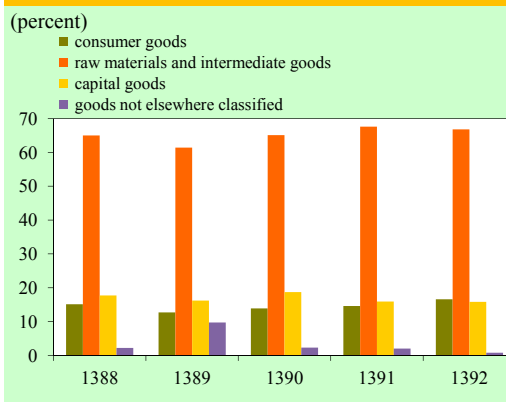


Figure 12.3. Composition of imports by use



In 1392, the United Arab Emirates was Iran's largest trading partner in terms of imports for the 11th consecutive year, followed by China, India, South Korea, Turkey, Germany, Switzerland, the Netherlands, Italy,

and Russia. Concentration indices¹ of Iran's imports from the first 3, 5 and 10 countries increased to respectively 52.1, 67.4, and 81.3 percent compared with 1391.

Distribution of imports by continents indicates that the share of Asia in Iran's imports was 77.8 percent in 1392, up by 9.5

percentage points. Imports from the Asian countries increased by 5.9 percent, compared with 1391, to \$38,658 million. Europe, with a share of 20.2 percent, was the second large exporter to Iran. The value of imports from Europe was \$10,046 million. The top four exporting countries to Iran were Asian and the next six were from Europe.

Figure 12.4. Composition of imports in terms of value

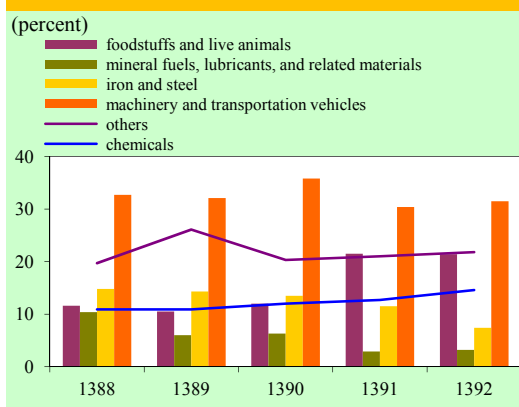


Figure 12.5. Composition of imports in terms of volume

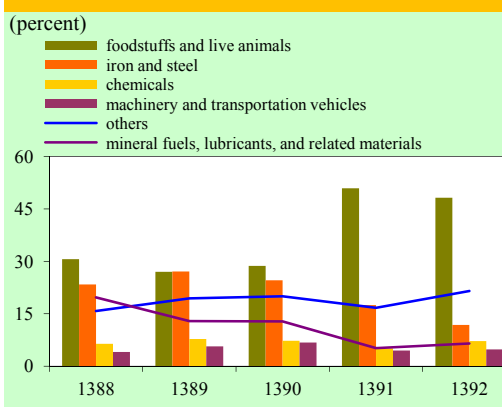


Table 12.2. Composition of Imports by Use

(million dollars)

	1390	1391▲	1392	Percentage change		Share (percent)	
				1391	1392	1391	1392
Raw materials and intermediate goods	40,262	36,115	33,208	-10.3	-8.1	67.6	66.8
Capital goods	11,533	8,495	7,864	-26.3	-7.4	15.9	15.8
Consumer goods	8,575	7,792	8,256	-9.1	6.0	14.6	16.6
Goods not elsewhere classified	1,437	1,049	382	-27.0	-63.6	1.9	0.8
Total	61,808	53,451	49,709	-13.5	-7.0	100.0	100.0

Table 12.3. Value of Imports by Major Components

(million dollars)

	1390	1391	1392	Percentage change		Share (percent)	
				1391	1392	1391	1392
Foodstuffs and live animals	7,388	11,517	10,632	55.9	-7.7	21.5	21.4
Mineral fuels, lubricants, and related materials	3,920	1,538	1,600	-60.8	4.0	2.9	3.2
Chemicals	7,441	6,773	7,281	-9.0	7.5	12.7	14.7
Iron and steel	8,357	6,121	3,684	-26.8	-39.8	11.5	7.4
Machinery and transportation vehicles	22,136	16,271	15,671	-26.5	-3.7	30.4	31.5
Others	12,566	11,230	10,841	-10.6	-3.5	21.0	21.8
Total	61,808	53,451	49,709	-13.5	-7.0	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.

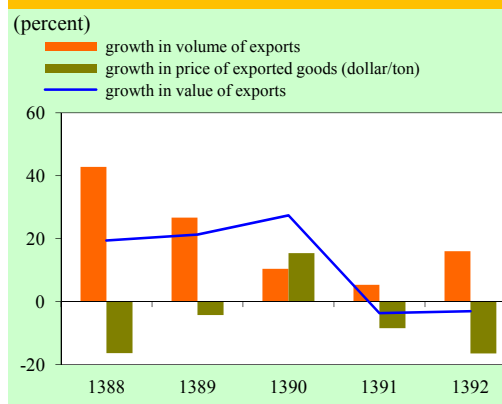
Review of imports by group of countries reveals that in 1392, imports from ESCAP member countries declined by 2.8 percent to \$28,343 million, albeit lower than the decrease in total amount of imports. Therefore, share of ESCAP member countries in total imports increased by nearly 2.5 percentage points from 54.6 percent in 1391 to 57.0 percent in 1392. Shares of the European Union and ECO member countries in total imports were 14.1 and 9.2 percent, down by 4.8 and 0.7 percentage points, respectively. Imports from the Asian Clearing Union almost doubled and share of this group in total imports increased from 4.5 percent in 1391 to 9.8 percent in 1392.

Exports

In 1392, value of exports (through Customs) decreased by 3.1 percent to \$31,552 million. In terms of volume (weight), however, exports increased by 16.0 percent to 81,103 thousand tons. Moreover, the value of industrial exports remained relatively unchanged compared with 1391 and the value of exports of agricultural and traditional goods decreased by 17.4 percent. The value of exports of metallic mineral ores, on the other hand, rose remarkably by 49.6 percent. The value of exported goods per ton reached \$389, down by about 16.5 percent compared with 1391.

In this year, exports of industrial goods, in terms of value, declined by a negligible 0.1 percent to \$25,121 million. The share of industrial goods in total value of exports through Customs reached 79.6 percent, indicating 2.4 percentage points increase compared with the year before.

Figure 12.6. Growth rate of exports



In 1392, value of exports of agricultural and traditional goods declined by 17.4 percent to \$4,594 million. Therefore, the share of this group fell by 2.5 percentage points from 17.1 percent in the year before to 14.6 percent in 1392. "Fresh or dried fruits", "vegetables and plants", and "saffron" subgroups had the biggest impact on the decrease in the value of exports of agricultural and traditional goods.

Table 12.4. Value of Exports

(million dollars)

	1390	1391	1392	Percentage change		Share (percent)	
				1391	1392	1391	1392
Agricultural and traditional goods	5,181	5,560	4,594	7.3	-17.4	17.1	14.6
Metallic mineral ores	1,035	1,169	1,749	13.0	49.6	3.6	5.5
Industrial goods	27,590	25,137	25,121	-8.9	-0.1	77.2	79.6
Goods not elsewhere classified	13	700	89	⊖	-87.3	2.1	0.3
Total	33,819	32,567	31,552	-3.7	-3.1	100.0	100.0

Source: Islamic Republic of Iran Customs Administration.

Based on the international classification of goods, in 1392, the lion's share in the value of exports belonged to "chemicals" by 30.9 percent, followed by "mineral fuels, lubricants, and related materials" by 17.1 percent and "foodstuffs and live animals" by 15.6 percent. Total share of these groups in the value of exports was 63.6 percent, up by 0.7 percentage point compared with 1391.

In 1392, "crude materials, inedible, except fuels", "chemicals", and "mineral fuels, lubricants, and related materials" with respectively 39.5, 16.3, and 9.0 percent, had the highest shares in total volume of exports. These groups together accounted for 64.8 percent of the total volume of exports, down by 2.2 percentage points compared with 1391.

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

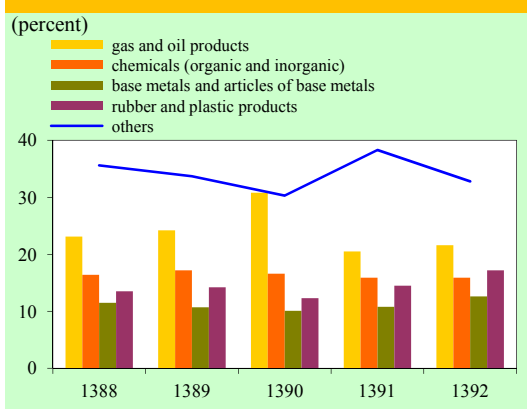


Figure 12.8. Composition of exports of agricultural & traditional goods in terms of value

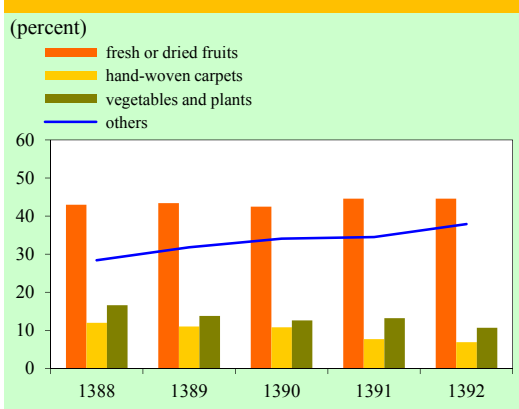


Table 12.5. Value of Exports of Industrial Goods

(million dollars)

	1390	1391	1392	Percentage change		Share (percent)	
				1391	1392	1391	1392
Gas and oil products	8,485	5,149	5,419	-39.3	5.2	20.5	21.6
Chemicals (organic and inorganic)	4,574	3,993	3,990	-12.7	-0.1	15.9	15.9
Base metals and articles of base metals	2,790	2,721	3,153	-2.5	15.9	10.8	12.5
Rubber and plastic products	3,380	3,643	4,320	7.8	18.6	14.5	17.2
Others	8,360	9,632	8,238	15.2	-14.5	38.3	32.8
Total	27,590	25,137	25,121	-8.9	-0.1	100.0	100.0

Table 12.6. Value of Exports of Agricultural and Traditional Goods

(million dollars)

	1390	1391	1392	Percentage change		Share (percent)	
				1391	1392	1391	1392
Fruit, fresh or dried	2,204	2,482	2,048	12.6	-17.5	44.6	44.6
Hand-woven carpets	559	427	315	-23.6	-26.2	7.7	6.9
Vegetables and plants	653	733	490	12.3	-33.2	13.2	10.6
Others	1,765	1,917	1,740	8.7	-9.2	34.5	37.9
Total	5,181	5,560	4,594	7.3	-17.4	100.0	100.0

Comparing the value of imports and exports based on the international classification of goods indicates that Iran was a net exporter of "mineral fuels, lubricants, and related materials", "chemicals", and "crude materials, inedible, except fuels" and a net importer of other major commodities. "Mineral fuels, lubricants, and related materials" enjoyed the highest positive balance while "machinery and transportation vehicles" had the highest negative balance.

As to the geographical distribution of Iran's exports, the concentration indices of the first 3, 5, and 10 countries increased from 49.3, 66.3, and 78.2 percent in 1391 to 54.3, 69.8, and 83.2 percent, respectively, in 1392. About a quarter of Iran's exports were headed towards China and almost one-fifth of them were related to Iraq. The UAE, with a share of 11.6 percent in the value of Iran's exports ranked third, followed by India, Afghanistan, Turkey, Turkmenistan, Pakistan, Egypt, and Azerbaijan.

Reviewing the geographical distribution of Iran's exports by continents indicates that shares of Asia and Africa were higher than 1391 while the shares of other continents in Iran's exports were lower in 1392 compared with the year before. Volume of exports to Africa increased in this year while the

value of exports to other continents decreased. Among the top 10 importers of Iran's goods in 1392, there were eight Asian countries, one European country, and one African country.

Terms of Trade¹

Terms of trade through customs decreased by 23.4 percent to 0.264 in 1392. Rise in the share of exports of commodities with a high weight and a low unit value (including "metallic mineral ores" and "soil and stone, cement, plaster, stone and ceramic products") was the main factor behind this decline.

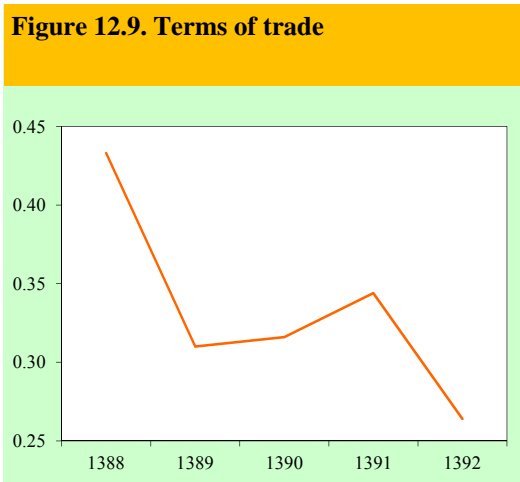


Table 12.7. Value of Exports according to International Classification of Goods (million dollars)

	1390	1391	1392	Percentage change		Share (percent)	
				1391	1392	1391	1392
Foodstuffs and live animals	5,155	5,758	4,911	11.7	-14.7	17.7	15.6
Mineral fuels, lubricants, and related materials	8,474	5,131	5,401	-39.4	5.3	15.8	17.1
Chemicals	9,642	9,582	9,746	-0.6	1.7	29.4	30.9
Iron and steel	1,275	1,370	1,707	7.5	24.6	4.2	5.4
Machinery and transportation vehicles	1,392	1,711	1,336	23.0	-21.9	5.2	4.2
Others	7,882	9,015	8,451	14.4	-6.3	27.7	26.8
Total	33,819	32,567	31,552	-3.7	-3.1	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 from the figure mentioned in Chapter 1 (National Product, Expenditure, and Income).

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

	1390	1391	1392	Percentage change	
				1391	1392
Per ton value of exports	509.1	465.7	389.0	-8.5	-16.5
Per ton value of imports	1,610.5	1,353.8	1,475.7	-15.9	9.0
Terms of trade	0.316	0.344	0.264	8.8	-23.4

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

Foreign Exchange and Gold Markets Developments

The global gold market was weak in 1392, indicating downward trends in gold prices during the whole year. The declining trend of gold markets and prices in this year was mostly a reflection of improved global economic conditions, lower inflation expectations, and appropriate performance of world major financial markets. In light of talks and rumors circulating about the likely shift in US Federal Reserve policies regarding the tapering of quantitative easing and the stimulus package, the weakening of world gold markets accelerated in Shahrivar 1392. With the ultimate change in Federal Reserve policies and the tapering of US expansionary policies (gradual tapering of QE3 purchase of US treasury and corporate bonds), gold prices finally hit their lowest in month of Dey 1392, the most profound depressed level in three years. However, this trend reversed in the last months of 1392 and gold prices strengthened and started an upward trend, largely due to the political crisis in Ukraine and the situation in China.

In 1392, in light of the change in the political environment of the country and the Geneva Agreement between Iran and the P5+1, gold and foreign exchange markets finally achieved relative stability. Nonetheless, factors such as continuation of severe economic sanctions, restrictions on foreign exchange transfers, and economic uncertainty further emphasized the necessity of adopting appropriate foreign exchange

policies and exercise of fine management of the foreign exchange market. Due to the existence of a large gap in the rate of hard currencies vis-à-vis the Iranian rial between the interbank and the parallel markets in 1391, the CBI raised the parity rate of major currencies against the rial in the interbank market almost twice as much in Tir 1392. Therefore, the reference rate for the dollar which was stabilized at RIs. 12,260 for 16 consecutive months, was totally abandoned and CBI started releasing the parity rate of hard currencies vis-à-vis the rial on a daily basis.

Foreign Exchange Markets and Local Currency

Rial versus Hard Currencies

In 1392, the parity rate of major currencies vis-à-vis the rial was affected by the developments of the international foreign exchange market and financial restrictions imposed on the Iranian economy. In line with the global depreciation of the US dollar against most hard currencies, the nominal value of the Iranian rial versus all other currencies decreased. The average parity rate for the euro against the rial in the interbank market experienced the highest increase by 80.6 percent. The Japanese yen, by 42.4 percent, registered the lowest increase. Following the establishment of the Foreign Exchange Transactions Center in

1391, the foreign exchange system of the country was developed into a multiple exchange rate system. To bridge the gap between the interbank and the parallel markets, Central Bank raised the dollar rate by changing the reference rate to the transactional rate of Rs. 24,790 on Tir 12, 1392, eliminating the dollar parity rate of Rs. 12,260 from the foreign exchange system of the country. This led to a rise in the average parity rate of foreign currencies vis-a-vis the rial in the interbank market in 1392.

A review of the coefficients of variation¹ of rates of hard currencies in the interbank market reveals that the parity rate of hard currencies experienced much higher fluctuations in 1392 than in 1391. The parity rates of the British pound and the Swiss franc versus the rial had the highest coefficients of variation, indicating their higher fluctuation in this year. In the parallel market, average parity rate of the euro and Japanese yen versus the rial had respectively the highest and the lowest increase in 1392.

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 48.2 percent from \$37,702 million in 1391 to \$19,539 million in 1392. Due to the shutdown of the offshore market, all interbank market transactions were processed through the main market in 1392. Following 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 and 1392. The share of the euro, as the main substitute for the AED and US dollar in

interbank transactions, increased to 56.1 percent in 1392, which was the highest, showing 5.6 percentage points increase compared with the year before. In this year, the US dollar was eliminated from the interbank transactions. A review of the monthly sales of foreign exchange in 1392 indicates that the share of other currencies (mainly Indian Rupee) in CBI foreign exchange sales increased. A sum of \$6,443 million was sold to applicants through the Foreign Exchange Transactions Center (at transactional rate) on Tir 11, 1392 (whole day).

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

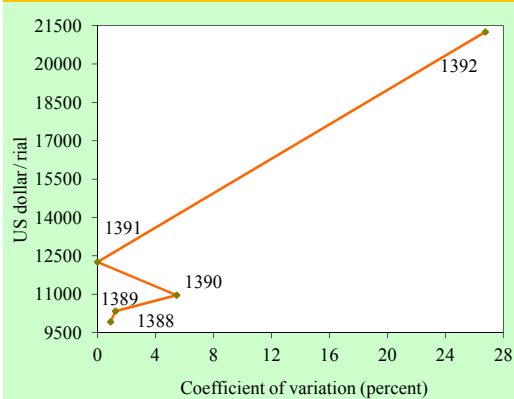
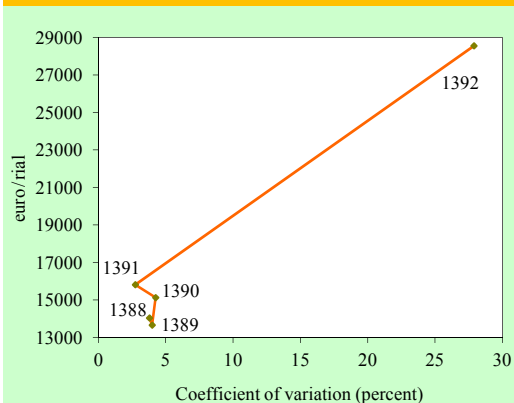


Figure 12.11. Developments of the euro in the official market



¹ Standard deviation divided by mean multiplied by 100.

Table 12.9. Interbank Market Transactions¹

(million dollars)

	1390	1391	1392	Percentage change	
				1391	1392
Main market	42,412	37,702	19,539	-11.1	-48.2
Share (percent)	54.9	100.0	100.0	–	–
Offshore market	34,815	0	0	-100.0	0
Share (percent)	45.1	0.0	0.0	–	–
Total	77,227	37,702	19,539	-51.2	-48.2

¹ Includes currencies purchased and sold at reference and CBI daily rates.**Table 12.10. Interbank Market Transactions by Foreign Currencies**

(million dollars)

	1390	1391	1392	Share (percent)	
				1391	1392
US Dollar	10,315	4,416	2	11.7	0.0
Euro	26,216	19,056	10,966	50.5	56.1
AED	30,165	1,576	100	4.2	0.5
Other currencies	10,530	12,653	8,472	33.6	43.4
Total	77,227	37,702	19,539	100.0	100.0