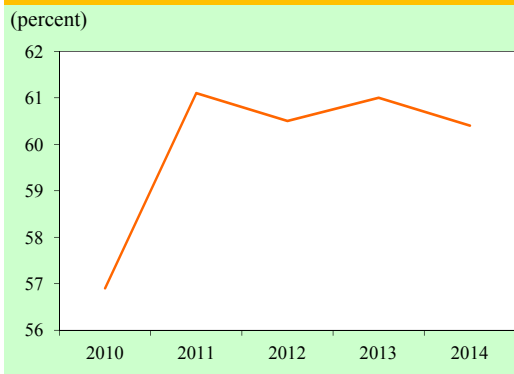


World Trade

In 2014, the declining trend in the price of tradable goods accelerated, leading to further surge in global trade in terms of quantity. Based on the IMF Report, the quantities of world trade for two main groups of "goods and services" and "goods" increased by 3.5 and 3.2 percent, respectively, indicating 0.1 and 0.1 percentage points growth compared with the corresponding figures in 2013. Price indices of these two major groups, namely "goods and services" and "goods", declined by 1.8 and 2.5 percent, respectively.

countries with both surplus and deficit balances in current account, was rather narrower in 2014. Ratio of current account to GDP for Commonwealth of Independent States and emerging market economies in Asia increased in 2014 while for advanced economies, remained at the same level as in 2013. Reduction in current account surplus of energy exporting countries along with the rise in current account surplus of the euro zone countries led to imbalances at global level. Ratio of current account balance to GDP at global level remained unchanged at 0.5 percent in 2014.

Figure 11.1. Ratio of world trade (sum of exports & imports of goods & services) to world GDP



In 2014, growth in world trade was slower than growth in world production. As a result, compared to 2013, the ratio of current account balance to GDP for many

Table 11.1. World Trade Growth (percent)

	2012	2013	2014
Goods and services			
Quantity	2.8	3.4	3.5
Price (in US\$)	-1.7	-0.6	-1.8
Goods			
Quantity	2.5	3.1	3.2
Price (in US\$)	-1.8	-1.1	-2.5

Source: World Economic Outlook, IMF, April 2016.

Table 11.2. Ratio of Current Account to GDP (percent)

	2012	2013	2014
Advanced economies	0.0	0.5	0.5
Emerging market economies in Europe	-4.6	-3.8	-3.1
Commonwealth of Independent States	2.4	0.6	2.1
Emerging market economies in Asia	1.0	0.7	1.4
Middle East, North Africa, Afghanistan, and Pakistan	11.9	10.0	5.5

Source: World Economic Outlook, IMF, April 2016.

Balance of Payments Developments

Some positive impacts of Joint Comprehensive Plan of Action (JCPOA) between Iran and the P5+1, which was concluded in Azar 1392 and came into effect by the end of month Dey of the same year, were realized in trade transactions between Iran and the rest of the world. In light of the conclusion of the nuclear deal, exports of crude oil and oil products as well as non-oil products were facilitated. However, due to the fall in the international crude oil prices, the value of oil exports declined substantially in this year. Therefore, the balance of the goods account in the current account of the balance of payments decreased, leading to a considerable fall in the current account surplus in 1393 compared with 1392.

A. Current Account

Current account posted a surplus of \$13.6 billion in 1393, indicating 45.9 percent fall compared with the respective figure of the year before. This decrease was largely due to the reduction in the surplus of goods account. Moreover, deficit of the

non-oil current account increased by 8.5 percent to roughly \$39.2 billion. The main factor behind the rise in non-oil current account deficit was the increase in the imports of non-oil goods (other goods). Non-oil foreign exchange earnings increased by 15.9 percent and constituted 53.7 percent¹ of foreign exchange requirements of current account, up by 2.2 percentage points compared with 1392.

Figure 11.2. Current account balance components

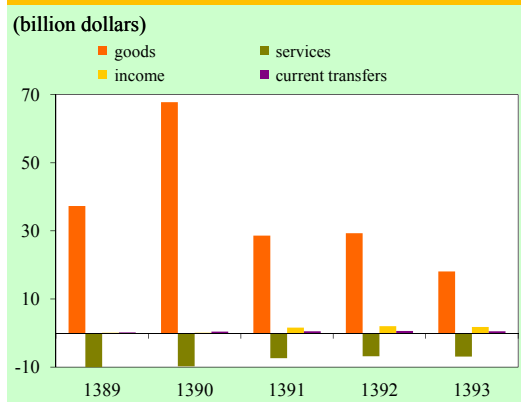


Table 11.3. Current Account Balance

(million dollars)

	1391	1392	1393	Percentage change	
				1392	1393
Current account balance	23,362	25,105	13,571	7.5	-45.9
Goods	28,563	29,326	18,060	2.7	-38.4
Services	-7,359	-6,820	-6,877	-7.3	0.8
Income	1,649	2,034	1,845	23.3	-9.3
Current transfers	509	565	543	10.9	-4.0
Current account balance (non-oil)¹	-42,069	-36,173	-39,239	-14.0	8.5

¹Excludes the value of crude oil, oil products, natural gas, and natural gas condensate and liquids (tariff codes: 2709, 2710, and 2711) exported by NIOC, NIGC, NIORDC, petrochemical companies and others (customs and non-customs).

¹ This ratio is calculated by dividing the sum of "non-oil exports, exports of services, and credit entries of income and current transfers accounts" to the sum of "imports of goods, imports of services, and debit entries of income and current transfers accounts" times 100.

Goods Account (trade balance)

In 1393, FOB values of the exports and imports of goods amounted to \$88,976 million and \$70,915 million, respectively. Therefore, goods account registered a surplus of \$18,060 million, down by 38.4 percent compared with the year before. Increase in imports of goods, coupled with reduction in exports of goods, led to a decline in goods account surplus in 1393 compared with 1392. In spite of the increase in the value of non-oil exports, non-oil goods account deficit rose in 1393 as the FOB value of non-oil goods' imports increased in light of sanctions relief and release of part of the blocked resources of Iran after Geneva Agreement. The deficit in the non-oil goods

account grew by 8.8 percent, from \$31,951 million in 1392 to \$34,749 million in 1393.

In 1393, the FOB value of exports reached \$88,976 million and the value of oil exports amounted to \$55,406 million, showing respectively 4.2 and 14.2 percent decrease. Moreover, the value of non-oil exports rose by 18.3 percent, from \$28,369 million in 1392 to \$33,569 million in 1393. The share of oil exports in total exports decreased by 7.2 percentage points from 69.5 percent in 1392 to 62.3 percent in 1393. Oil exports through Customs amounted to \$4,654 million in 1393, indicating 49.4 percent increase.

Figure 11.3. Total and non-oil current account balance

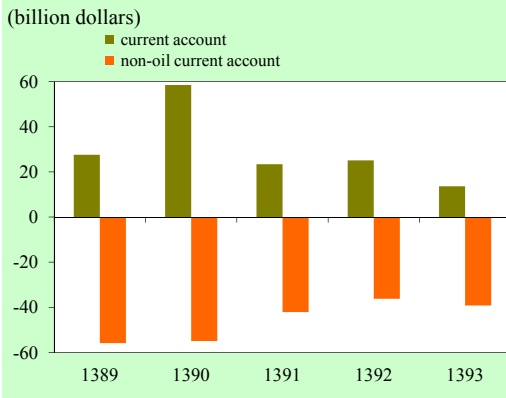


Figure 11.4. Ratio of external trade balance to GDP

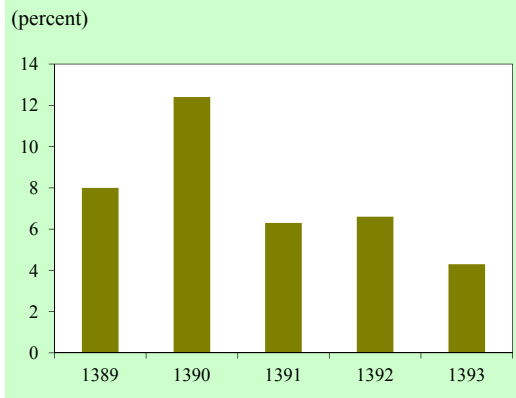
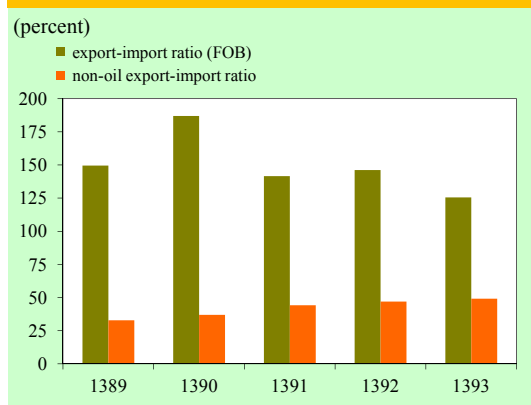


Table 11.4. Goods Account

(million dollars)

	1391	1392	1393	Percentage change	
				1392	1393
Goods account (trade balance)	28,563	29,326	18,060	2.7	-38.4
Exports (FOB)	97,296	92,910	88,976	-4.5	-4.2
Imports (FOB)	68,734	63,584	70,915	-7.5	11.5
Non-oil goods account (trade balance)	-36,868	-31,951	-34,749	-13.3	8.8
Non-oil exports	29,213	28,369	33,569	-2.9	18.3
Non-oil imports	66,082	60,321	68,318	-8.7	13.3

Figure 11.5. Export-import ratio



The FOB value of total imports reached \$70,915 million in 1393, up by 11.5 percent compared with the previous year. Of this figure, \$2,597 million (3.7 percent) was related to gas and oil products and \$68,318 million (96.3 percent), to other goods. In 1393, imports of gas and oil products decreased.

Current account to GDP ratio decreased by 2.4 percentage points compared with 1392, to 3.3 percent. For "Middle East, North Africa, Afghanistan, and Pakistan" group, this ratio was 5.5 percent in 2014, down by 4.5 percentage points compared with 2013. In 1393, the ratio of goods account to GDP was lower than the year before while those of exports and imports of goods to GDP were higher than 1392.

Table 11.7. Ratio of Current Account, Goods Account, Exports, and Imports of Goods to GDP¹ (percent)

	1391	1392	1393
Current account to GDP	5.1	5.7	3.3
Goods account to GDP	6.3	6.6	4.3
Exports of goods to GDP	21.4	21.0	21.4
Imports of goods to GDP	15.1	14.3	17.0

¹ At market price, current prices.

Table 11.5. Exports (million dollars)

	1391	1392	1393	Percentage change		Share (percent)	
				1392	1393	1392	1393
Exports of goods (FOB)	97,296	92,910	88,976	-4.5	-4.2	100.0	100.0
Oil exports¹	68,083	64,540	55,406	-5.2	-14.2	69.5	62.3
Recorded in Customs data ²	2,980	3,116	4,654	4.5	49.4	3.4	5.2
Non-oil exports	29,213	28,369	33,569	-2.9	18.3	30.5	37.7

¹ Includes the value of crude oil, oil products, natural gas, and natural gas condensate and liquids (tariff codes: 2709, 2710, and 2711) exported by NIOC, NIGC, NIORDC, petrochemical companies and others (customs and non-customs).

² Includes the value of natural gas condensate and liquids as well as oil products (tariff codes: 2710 and 2711) exported by petrochemical companies and others mentioned in Customs data.

Table 11.6. Imports (million dollars)

	1391	1392	1393	Percentage change	
				1392	1393
Total imports (FOB)	68,734	63,584	70,915	-7.5	11.5
Gas and oil products ¹	2,652	3,263	2,597	23.0	-20.4
Other goods (non-oil)	66,082	60,321	68,318	-8.7	13.3

¹ Includes the value of natural gas, natural gas condensate and liquids, and oil products (tariff codes: 2710 and 2711) imported by NIOC, NIGC, NIORDC, petrochemical companies and others (customs and non-customs).

Services Account

Services account deficit rose by 0.8 percent to \$6,877 million in 1393. Total services export receipts reached \$10,572 million, indicating 12.8 percent increase compared with 1392. Moreover, services import payments rose by 7.8 percent to \$17,450 million. In 1393, "transportation", "travel", and "construction services" had the biggest impact on the credit and debit entries under the services account. These three groups together accounted for 87.0 percent of the value of exports and 81.0 percent of the value of imports of services. Corresponding figures for 1392 were 88.4 and 81.4 percent.

Income Account

Net transactions under the income account, including receipts and payments under the "compensation of employees, including border and seasonal workers" and "investment income and expenditure" led to a capital inflow of \$1,845 million. Receipts under "compensation of employees, including border and seasonal workers" from non-resident entities increased by 9.4 percent and reached \$384 million and payments on this purpose amounted to \$292 million, up by 0.8 percent compared with 1392. The profit received from investment abroad came to \$3,094 million, up by 8.2 percent. Investment expenditure increased by 51.4 percent to \$1,341 million.

Table 11.8. Services Account

(million dollars)

	1391	1392	1393	Percentage change		Share (percent)	
				1392	1393	1392	1393
Services account	-7,359	-6,820	-6,877	-7.3	0.8	-	-
Exports	8,483	9,374	10,572	10.5	12.8	100.0	100.0
Transportation	3,391	3,717	4,617	9.6	24.2	39.7	43.7
Travel	2,345	3,054	3,841	30.2	25.8	32.6	36.3
Construction services	1,647	1,514	740	-8.1	-51.1	16.2	7.0
Other services	1,100	1,089	1,375	-1.0	26.2	11.6	13.0
Imports	15,843	16,194	17,450	2.2	7.8	100.0	100.0
Transportation	2,930	2,667	3,656	-9.0	37.1	16.5	21.0
Travel	7,825	8,839	9,452	13.0	6.9	54.6	54.2
Construction services	1,634	1,676	1,026	2.5	-38.8	10.3	5.9
Other services	3,453	3,013	3,316	-12.7	10.1	18.6	19.0

Table 11.9. Income Account

(million dollars)

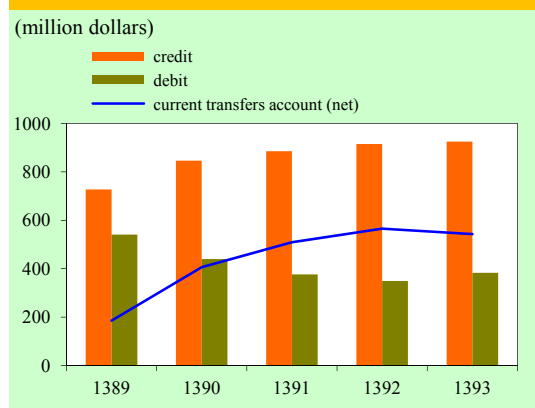
	1391	1392	1393	Percentage change	
				1392	1393
Income account	1,649	2,034	1,845	23.3	-9.3
Credit	3,112	3,209	3,478	3.1	8.4
Compensation of employees, including border, seasonal workers	320	351	384	9.8	9.4
Investment income	2,793	2,858	3,094	2.3	8.2
Debit	1,463	1,175	1,633	-19.7	38.9
Compensation of employees, including border, seasonal workers	417	290	292	-30.6	0.8
Investment expenditure	1,046	886	1,341	-15.3	51.4

Current Transfers Account¹

In 1393, the surplus of current transfers account amounted to \$543 million, indicating 4.0 percent decrease compared with the surplus of this account in 1392.

capital transfers (debt relief or immigrants' transfers). The financial account constitutes transactions under foreign direct investment, portfolio investment, other investments, and changes in the value of reserve assets².

Figure 11.6. Current transfers account



Capital Account

Capital account registered outflows of \$664 million in 1393, up by almost 22.8 percent compared with last year.

Financial Account

Financial account outflows fell by 66.6 percent to \$7.3 billion in 1393. Net figures of "foreign direct investment" and "portfolio investment" are indicative of net capital inflows. Reserve assets of the Central Bank increased by \$8.6 billion in 1393.

B. Capital and Financial Account

Net outflows in the capital and financial account decreased by 64.5 percent to \$8.0 billion in 1393. This was mainly due to the financial outflows. The capital account of the balance of payments mainly includes

Foreign Direct Investment (FDI)

In 1393, net³ foreign direct investment in Iran decreased by about 87.9 percent to \$256 million. Net foreign investment in oil and gas projects in the form of buy-back contracts is included under "foreign direct investment" heading.

Table 11.10. Capital and Financial Account

(million dollars)

	1391	1392	1393	Percentage change	
				1392	1393
Capital and financial account	-22,161	-22,510	-8,002	1.6	-64.5
Capital account	-815	-541	-664	-33.6	22.8
Financial account	-21,346	-21,969	-7,337	2.9	-66.6

¹ Current transfers are current account transactions (between resident and non-resident entities) in which an economic value such as a real source or financial item is transferred to a non-resident entity without receiving something of economic value in exchange. The one-sided transfer of economic value affects the account of BOP and is separate and distinct from capital transfers.

² Change in foreign assets under CBI management (including outstanding balances of NDF and OSF reserves).

³ Refers to sum of receipts and payments, under foreign direct investment.

FDI Inflows

According to the data released by the Organization for Investment, Economic and Technical Assistance of Iran (OIETAI), FDI inflows totaled \$1,394 million in 1393. Approximately \$169 million of the mentioned amount was under the Foreign Investment Promotion and Protection Act, down by 84.0 percent compared with 1392. A sum of \$1,093 million was in the form of oil and gas buy-back contracts, down by 43.3 percent compared with the year before. Moreover, \$132 million was in the form of civil partnership contracts, construction, operation and transfer, buy-back contracts, and foreign investment in the stock exchange, down by 62.1 percent compared with 1392.

Portfolio Investment

Total transactions under the portfolio investment heading are indicative of net

inflows of \$466 million in 1393. These transactions were mainly in the form of purchase of company shares and securities in foreign currency.

Other Investments

"Other investments" account registered inflows of \$501 million in 1393, mainly attributable to reduction in external financial assets in the form of deposits and cash.

External Debt

Total foreign exchange obligations (actual and contingent obligations) amounted to \$20,773 million at end-1393. The value of contingent obligations was \$15,665 million, indicating an increase of 18.6 percent compared with end-1392, and constituting a share of 75.4 percent in total obligations.

Table 11.11. Financial Account

(million dollars)

	1391	1392	1393	Percentage change	
				1392	1393
Financial account	-21,346	-21,969	-7,337	2.9	-66.6
Foreign direct investment (net)	731	2,113	256	189.0	-87.9
Portfolio investment (net)	-26	1,899	466	0	-75.4
Other investments (net)	-9,838	-12,792	501	30.0	0
Reserve assets	-12,213	-13,189	-8,561	8.0	-35.1

Table 11.12. Foreign Investment Inflows in the form of Foreign Direct Investment

(million dollars)

	1391	1392▲	1393	Percentage change	
				1392	1393
Foreign direct investment	4,489	3,329	1,394	-25.8	-58.1
Under Foreign Investment Promotion and Protection Act	687	1,052	169	53.2	-84.0
Oil and gas buy-back contracts	3,466	1,928	1,093	-44.4	-43.3
Others	336	349	132	3.9	-62.1

Source: Organization for Investment, Economic and Technical Assistance of Iran (OIETAI).

Chapter 11 BALANCE OF PAYMENTS

Total value of actual obligations (external debt) was \$5,108 million by end-1393, indicating 23.2 percent fall compared with 1392. Of this amount, \$4,676 million was related to medium- and long-term debt and \$432 million, to short-term debt.

Reserve Assets (CBI foreign assets)

Transactions in foreign exchange between Iranian and foreign entities caused the value of reserve assets to increase by \$8,561 million in 1393, down by 35.1 percent compared with the previous year.

Table 11.13. Foreign Exchange Obligations

(million dollars)

	1391	1392	1393	Percentage change	
				1392	1393
Actual obligations (external debt)	7,682	6,655	5,108	-13.4	-23.2
Medium- and long-term	6,739	5,878	4,676	-12.8	-20.4
Short-term	943	777	432	-17.6	-44.4
Contingent obligations	8,169	13,203	15,665	61.6	18.6
Total	15,851	19,858	20,773	25.3	4.6