

Despite the fall in oil prices, Iran's foreign trade¹ experienced more favorable conditions in 1393 than the year before. Decline in inflation, more stabilized foreign exchange market conditions, and continuation of nuclear talks were among factors greatly affecting the foreign transactions of Iran. Although the trend of nuclear talks followed ups and downs in 1393, positive expectations regarding the early outcome of talks with the P5+1, along with improvement in the main macroeconomic indicators, had major positive impacts on facilitating foreign trade and foreign transactions in 1393.

Figure 12.1. Export-import ratio

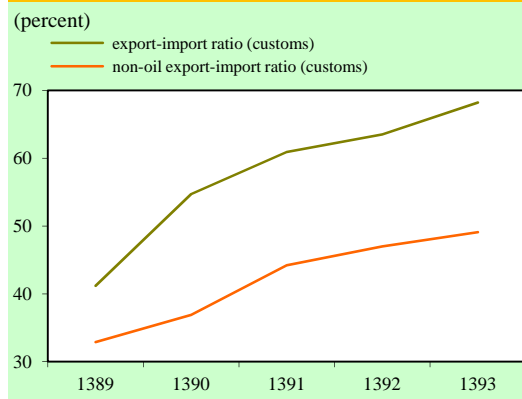


Table 12.1. Foreign Trade (excluding oil, gas, and electricity)

	1391	1392	1393	Percentage change		Share (percent)	
				1392	1393	1392	1393
Value (million dollars)							
1. Imports	53,451	49,709	53,569	-7.0	7.8	61.2	59.4
2. Exports ¹	32,567	31,552	36,555	-3.1	15.9	38.8	40.6
Deficit (2-1)	-20,884	-18,157	-17,014	-13.1	-6.3		
Total (1+2)	86,018	81,261	90,125	-5.5	10.9	100.0	100.0
Volume (thousand tons)							
1. Imports	39,481	33,684	43,016	-14.7	27.7	29.3	34.5
2. Exports	69,936	81,103	81,634	16.0	0.7	70.7	65.5
Total (1+2)	109,417	114,787	124,650	4.9	8.6	100.0	100.0

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

¹ Excludes natural gas condensate.

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

Trade

Stabilized foreign exchange markets and inflation containment boosted foreign trade and transactions in 1393 after two years of continuous decline in Customs registered foreign trade and transactions. Based on data released by the Islamic Republic of Iran Customs Administration, in 1393, value of trade increased by 10.9 percent to \$90,125 million. Moreover, the volume (weight) of trade increased by 8.6 percent compared with 1392, to 124,650 thousand tons. The share of exports in foreign trade was 40.6 percent, in terms of value, and 65.5 percent, in terms of volume, in 1393, indicating about 1.7 percentage points rise and 5.2 percentage points fall, respectively, compared with 1392.

Imports

In 1393, the CIF value of imports (through Customs) increased by 7.8 percent to \$53,569 million. Moreover, the volume of imports reached 43,016 thousand tons, up by 27.7 percent compared with the year before. In this year, the price of each ton of imported goods reached \$1,245, down by 15.6 percent compared with 1392.

Regarding the composition of imports by use, value share of "consumer goods" in total imports decreased by 1.7 percentage points to 14.9 percent in 1393. Moreover, share of "raw materials and intermediate goods" decreased from 66.8 percent in 1392 to 63.6 percent in 1393 while share of "capital goods" increased from 15.8 percent in 1392 to 18.9 percent in 1393.

Review of imported goods reveals that "machinery and transportation vehicles" had a share of 37.2 percent, "foodstuffs and live animals" 18.8 percent, "chemicals" 13.2 percent, and "iron and steel" 7.9 percent, in total imports, in terms of value. Total share of the mentioned groups in the value

of imports was 77.1 percent, up from almost 75.0 percent in 1392. "Machinery and transportation vehicles" group experienced the highest growth in value of imports by 27.2 percent compared with 1392.

Figure 12.2. Growth rate of imports

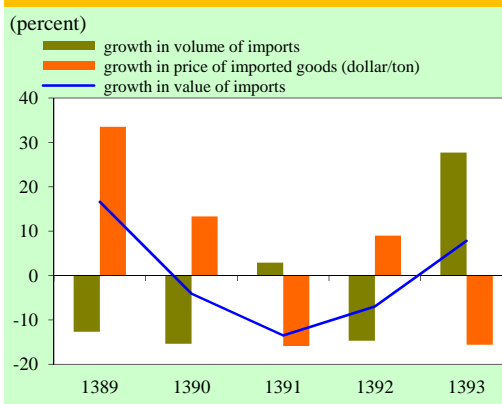
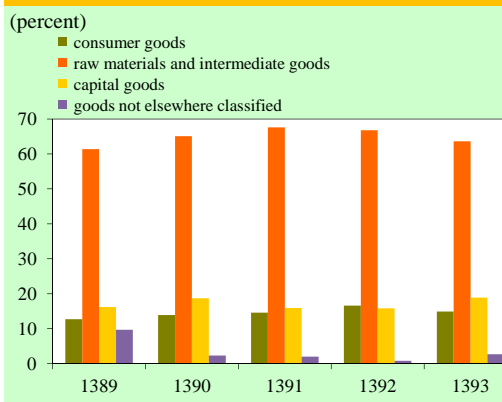


Figure 12.3. Composition of imports by use



In 1393, China was Iran's largest trading partner in terms of imports, with the United Arab Emirates ranking second. South Korea, Turkey, India, Germany, Switzerland, Italy, the Netherlands, and Taiwan were next in

the list. Concentration indices¹ of Iran's imports from the first 3, 5 and 10 countries increased to respectively 54.9, 69.3, and 83.8 percent compared with 1392.

Distribution of imports by continents indicates that the share of Asia in Iran's imports was 77.1 percent in 1393, down by 0.7 percentage point compared with the

year before. Imports from the Asian countries increased by 6.8 percent, compared with 1392, to \$41,276 million. Europe, with a share of 20.9 percent, was the second large exporter to Iran. The value of imports from Europe was \$11,218 million. Among the top exporting countries to Iran, six countries were Asian and four countries were from Europe.

Figure 12.4. Composition of imports in terms of value

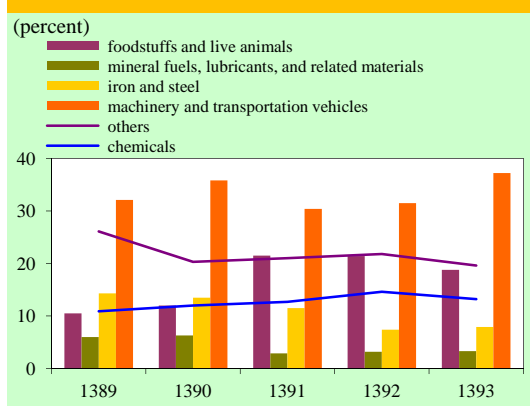


Figure 12.5. Composition of imports in terms of volume

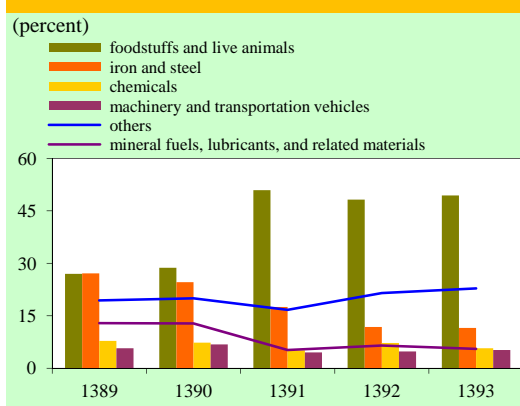


Table 12.2. Composition of Imports by Use

(million dollars)

	1391	1392	1393	Percentage change		Share (percent)	
				1392	1393	1392	1393
Raw materials and intermediate goods	36,115	33,208	34,046	-8.1	2.5	66.8	63.6
Capital goods	8,495	7,864	10,133	-7.4	28.9	15.8	18.9
Consumer goods	7,792	8,256	7,970	6.0	-3.5	16.6	14.9
Goods not elsewhere classified	1,049	382	1,421	-63.6	272.4	0.8	2.7
Total	53,451	49,709	53,569	-7.0	7.8	100.0	100.0

Table 12.3. Value of Imports by Major Components

(million dollars)

	1391	1392	1393	Percentage change		Share (percent)	
				1392	1393	1392	1393
Foodstuffs and live animals	11,517	10,632	10,091	-7.7	-5.1	21.4	18.8
Mineral fuels, lubricants, and related materials	1,538	1,600	1,770	4.0	10.6	3.2	3.3
Chemicals	6,773	7,281	7,069	7.5	-2.9	14.6	13.2
Iron and steel	6,121	3,684	4,210	-39.8	14.3	7.4	7.9
Machinery and transportation vehicles	16,271	15,671	19,935	-3.7	27.2	31.5	37.2
Others	11,230	10,841	10,494	-3.5	-3.2	21.8	19.6
Total	53,451	49,709	53,569	-7.0	7.8	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 1393, imports from ESCAP member countries rose by 8.5 percent to \$30,766 million. Share of ESCAP member countries in total imports increased by 0.4 percentage point from 57.0 percent in 1392 to 57.4 percent in 1393. Share of the European Union in total imports was 14.7 percent, up by 0.6 percentage point compared with 1392. Imports from the ECO member countries and the Asian Clearing Union in total imports decreased by 0.6 and 1.8 percentage points to 8.6 and 7.9 percent, respectively, in 1393.

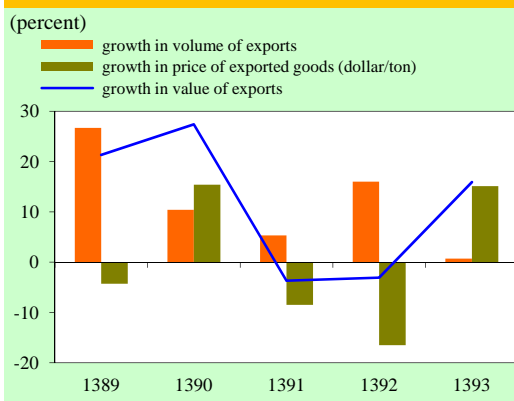
Exports¹

In 1393, value of exports (through Customs) increased by 15.9 percent to \$36,555 million and volume (weight) of exports rose by 0.7 percent to 81,634 thousand tons. Moreover, the value of industrial exports went up by 16.0 percent compared with 1392 and the value of exports of agricultural and traditional goods increased by 33.2 percent. The value of exports of metallic mineral ores, on the other hand, fell by 26.4 percent. The value of exported goods per ton reached \$448, up by 15.1 percent compared with 1392.

In this year, exports of industrial goods, in terms of value, increased by 16.0 percent

to \$29,132 million. Share of industrial goods' exports in total value of exports through Customs reached 79.7 percent, 0.1 percentage point higher than the year before.

Figure 12.6. Growth rate of exports



In 1393, value of exports of agricultural and traditional goods increased by 33.2 percent to \$6,119 million, raising the share of this group in total exports through Customs by 2.1 percentage points from 14.6 percent in 1392 to 16.7 percent in 1393. "Fresh or dried fruits" and "vegetables and plants" subgroups had the biggest impact on the increase in the value of exports of agricultural and traditional goods in 1393.

Table 12.4. Value of Exports

(million dollars)

	1391	1392	1393	Percentage change		Share (percent)	
				1392	1393	1392	1393
Agricultural and traditional goods	5,560	4,594	6,119	-17.4	33.2	14.6	16.7
Metallic mineral ores	1,169	1,749	1,287	49.6	-26.4	5.5	3.5
Industrial goods	25,137	25,121	29,132	-0.1	16.0	79.6	79.7
Goods not elsewhere classified	700	89	17	-87.3	-81.4	0.3	*
Total	32,567	31,552	36,555	-3.1	15.9	100.0	100.0

Source: Islamic Republic of Iran Customs Administration.

¹ Refers to exports through Customs, excluding natural gas condensate.

Based on the international classification of goods, in 1393, the lion's share in the value of exports belonged to "chemicals" by 31.1 percent, followed by "mineral fuels, lubricants, and related materials" by 20.4 percent and "foodstuffs and live animals" by 17.6 percent. Total share of these groups in the value of exports was 69.1 percent, up by 5.5 percentage points compared with 1392.

In 1393, "crude materials, inedible, except fuels", "chemicals", and "mineral fuels, lubricants, and related materials" with respectively 29.6, 19.0, and 12.1 percent, had the highest shares in total volume of exports. These groups together accounted for 60.7 percent of the total volume of exports, down by 4.1 percentage points compared with 1392.

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

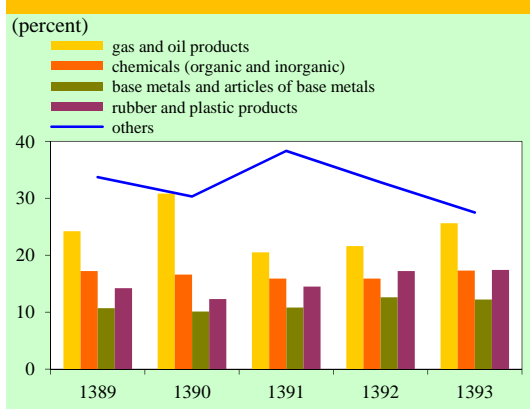


Figure 12.8. Composition of exports of agricultural & traditional goods in terms of value

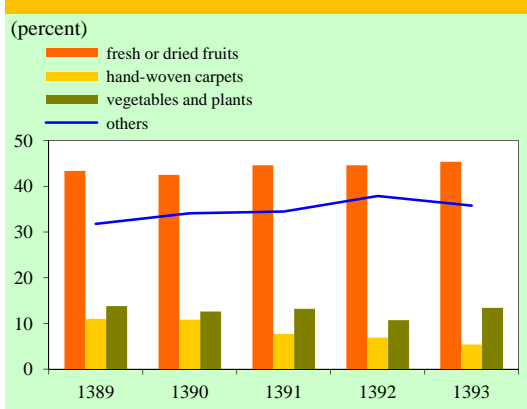


Table 12.5. Value of Exports of Industrial Goods

(million dollars)

	1391	1392	1393	Percentage change		Share (percent)	
				1392	1393	1392	1393
Gas and oil products	5,149	5,419	7,465	5.2	37.8	21.6	25.6
Chemicals (organic and inorganic)	3,993	3,990	5,036	-0.1	26.2	15.9	17.3
Base metals and articles of base metals	2,721	3,153	3,540	15.9	12.3	12.6	12.2
Rubber and plastic products	3,643	4,320	5,075	18.6	17.5	17.2	17.4
Others	9,632	8,238	8,016	-14.5	-2.7	32.8	27.5
Total	25,137	25,121	29,132	-0.1	16.0	100.0	100.0

Table 12.6. Value of Exports of Agricultural and Traditional Goods

(million dollars)

	1391	1392	1393	Percentage change		Share (percent)	
				1392	1393	1392	1393
Fruit, fresh or dried	2,482	2,048	2,779	-17.5	35.7	44.6	45.4
Hand-woven carpets	427	315	331	-26.2	4.8	6.9	5.4
Vegetables and plants	733	490	818	-33.2	66.9	10.7	13.4
Others	1,917	1,740	2,191	-9.2	25.9	37.9	35.8
Total	5,560	4,594	6,119	-17.4	33.2	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" and "chemicals" 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 were respectively 54.5, 68.3, and 82.2 percent. Corresponding figures of 1392 were 54.3, 69.8, and 81.3 percent. More than a quarter of Iran's exports were headed towards China and almost one-fifth were related to Iraq. The United Arab Emirates, with a share of 11.1 percent in the value of Iran's exports ranked third, followed by India, Afghanistan, Turkey, Turkmenistan, Pakistan, Italy, and Hong Kong.

Reviewing the geographical distribution of Iran's exports by continents indicates that shares of Europe, Asia, and Oceania in Iran's exports were higher than 1392 while the shares of other continents in Iran's exports

were lower in 1393 compared with the year before. Exports to Asia increased by 15.9 percent to \$33,680 million. Europe, Africa, America, and Oceania ranked next.

Terms of Trade¹

Terms of trade through Customs increased by 36.4 percent to 0.360 in 1393. Rise in the per ton value of exported goods and fall in the per ton value of imported goods were the major factors behind the increase in terms of trade.

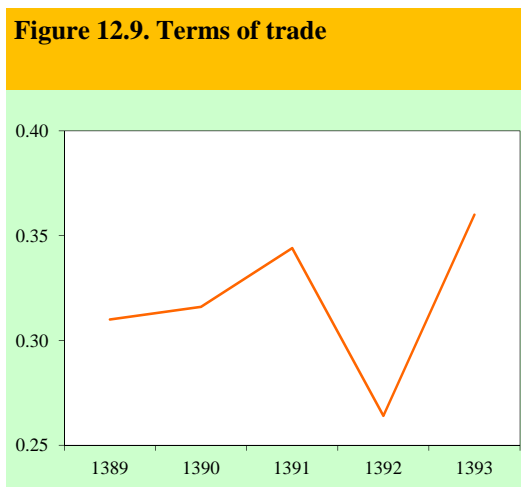


Table 12.7. Value of Exports according to International Classification of Goods (million dollars)

	1391	1392	1393	Percentage change		Share (percent)	
				1392	1393	1392	1393
Foodstuffs and live animals	5,758	4,911	6,451	-14.7	31.4	15.6	17.6
Mineral fuels, lubricants, and related materials	5,131	5,401	7,446	5.3	37.9	17.1	20.4
Chemicals	9,582	9,746	11,358	1.7	16.5	30.9	31.1
Iron and steel	1,370	1,707	2,396	24.6	40.4	5.4	6.6
Machinery and transportation vehicles	1,711	1,336	1,275	-21.9	-4.6	4.2	3.5
Others	9,015	8,451	7,629	-6.3	-9.7	26.8	20.9
Total	32,567	31,552	36,555	-3.1	15.9	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)

	1391	1392	1393	Percentage change	
				1392	1393
Per ton value of exports	466	389	448	-16.5	15.1
Per ton value of imports	1,354	1,476	1,245	9.0	-15.6
Terms of trade	0.344	0.264	0.360	-23.4	36.4

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

Foreign Exchange and Gold Markets Developments

With sanctions relief and the release of a part of Iran's blocked assets following the Geneva Agreement, the domestic foreign exchange and gold markets were partially stabilized. However, the downward trend of the oil prices and relatively lower expectations regarding the nuclear talks' outcome led to a rise in the exchange rate in 1393.

Coefficients of variation of all major currencies in both the interbank and the parallel markets decreased in 1393 compared with the year before. Following the relative stabilization of the parallel market and the gradual increase in the parity rates of the US dollar and euro against rial in the main interbank market, the gap between the interbank and the parallel market rates decreased. Meanwhile, upon the fall in the global gold price, the price of various gold coins in the domestic market also declined.

Foreign Exchange Markets and Local Currency

Rial versus Hard Currencies

In 1393, the US dollar parity rate versus the Iranian rial was largely affected by

nuclear talks and the expectations regarding the talks' outcome. The average parity rate for the dollar against the rial in the interbank market experienced 24.7 percent increase to reach Rls. 26,509. The average parity rate of the British pound experienced the highest increase by 26.5 percent while the Japanese yen registered the lowest increase by 14.6 percent.

A review of the coefficients of variation¹ of rates of hard currencies in the interbank market reveals that the fluctuations in the parity rate of hard currencies in 1393 were noticeably lower than the year before. The parity rate of euro versus rial had the highest coefficient of variation, while the lowest coefficient of variation was related to the British pound.

Despite the fluctuating trend of the US dollar in the parallel market which was in turn due to the fall in oil prices and low expectations on the supply side as well as negative sentiments regarding the trend of nuclear talks, Iran's foreign exchange market experienced relative stability. Lifting of some sanctions which led to the release of part of Iran's frozen assets after the Geneva Agreement was among factors that led to tranquility in the parallel market in 1393.

¹ Standard deviation divided by mean.

Developments of the Interbank Foreign Exchange Market

In 1393, the value of interbank market transactions (in euro, Chinese yuan, Korean won, Indian rupee, and other currencies) increased by 74.6 percent to \$34,117 million. Euro enjoyed the highest share of 39.6 percent in interbank market transactions, showing 16.5 percentage points decrease compared with 1392. The share

of Chinese yuan rose by 10.3 percentage points to 18.1 percent and the Korean won and the Indian rupee had respectively 11.0 and 10.3 percent share in total interbank market transactions. Total share of other currencies reached 21.0 percent, indicating 11.8 percentage points increase compared with 1392.

Figure 12.10. Developments of US dollar in official market

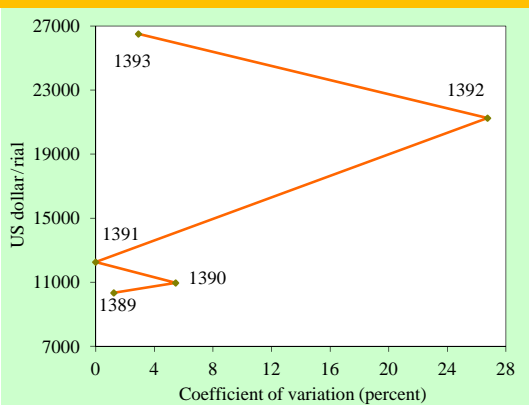


Figure 12.11. Developments of euro in official market

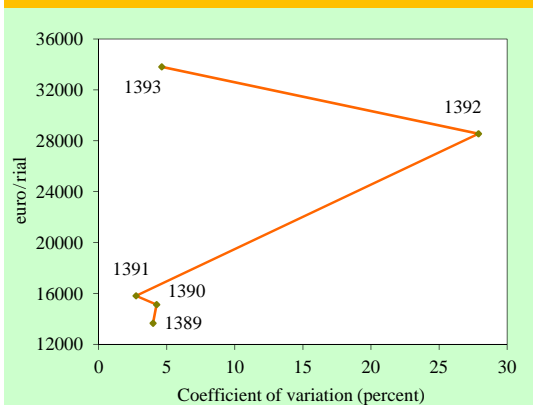


Table 12.9. Interbank Market Transactions by Foreign Currencies

(million dollars)

	1391	1392	1393	Percentage change		Share (percent)	
				1392	1393	1392	1393
Euro	19,056	10,966	13,515	-42.5	23.2	56.1	39.6
Chinese yuan	1,372	1,520	6,164	10.8	305.5	7.8	18.1
Korean won	2,588	1,848	3,748	-28.6	102.9	9.5	11.0
Indian rupee	2,652	3,403	3,523	28.3	3.5	17.4	10.3
Other currencies	12,034	1,802	7,167	-85.0	297.7	9.2	21.0
Total	37,702	19,539	34,117	-48.2	74.6	100.0	100.0