

World Trade

In 2015, growth of global trade was lower than 2014 in real terms and the price indices of major trade groups declined even further in 2015 compared with the year before. Based on the IMF Report, growth in the quantity of the two major groups of "goods and services" and "goods" reached respectively 2.7 and 2.2 percent, indicating 1.0 and 0.9 percentage points decline compared with the corresponding figures in 2014. Price indices of these two major groups (in US dollars), namely "goods and services" and "goods", declined by 13.3 and 14.4 percent, respectively. The rates of decrease for the price indices of these two major groups were higher than the decrease in the year before by 11.5 and 11.9 percentage points.

Table 11.1. World Trade Growth (percent)

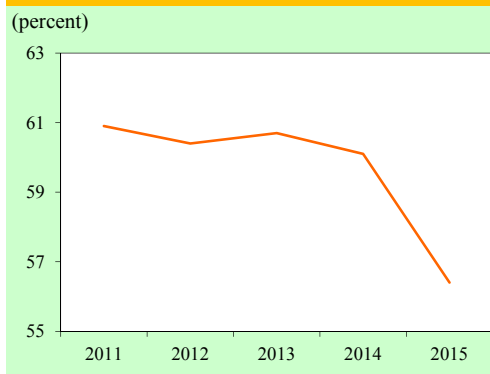
	2013	2014	2015
Goods and services			
Quantity	3.7	3.7	2.7
Price (in US\$)	-0.7	-1.8	-13.3
Goods			
Quantity	3.4	3.1	2.2
Price (in US\$)	-1.2	-2.5	-14.4

Source: World Economic Outlook, IMF, April 2017.

The main factor affecting the global current account developments in 2015 was the reduction of oil prices. Due to the decline

in international oil prices, current account balances of emerging market economies and oil-producing countries became negative for the first time since 1998. For the Commonwealth of Independent States, emerging market economies in Asia, and advanced economies, the ratio of current account to GDP increased in 2015. Decline in the surplus of the current account of energy-exporting countries was balanced against the rise in the current account surplus of China and other advanced Asian economies, especially Japan¹. The ratio of current account to GDP for advanced economies increased by 0.2 percentage point to 0.7 percent.

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



¹ World Economic Outlook, IMF, April 2016.

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

	2013	2014	2015
Advanced economies	0.5	0.5	0.7
Emerging market economies in Europe	-3.6	-2.9	-2.0
Commonwealth of Independent States	0.6	2.1	2.8
Emerging market economies in Asia	0.7	1.5	2.0
Middle East, North Africa, Afghanistan, and Pakistan	10.1	5.3	-4.1

Source: World Economic Outlook, IMF, April 2017.

Balance of Payments Developments

Implementation of the JCPOA in 1394 was one of the most compelling political events in the foreign trade sector of the economy. The post-JCPOA trade facilitation and new trade agreements with foreign parties paved the way for further increase in the exports of crude oil and oil products compared with 1393. The value of oil exports and the surplus of goods account of BOP did not increase accordingly. On the contrary, they deteriorated as the global prices declined and the current account surplus experienced a sharp decrease in 1394 compared with the year before.

A. Current Account

Current account posted a surplus of \$1.2 billion in 1394, indicating 90.9 percent decline

compared with the respective figure of the year before. This decrease was largely due to the reduction in the surplus of goods account. Moreover, the deficit of the non-oil current account decreased by 26.2 percent to roughly \$29.0 billion. The main factor behind the decrease in the non-oil current account deficit was the reduction of imports as well as the decrease in the deficit of services account. Non-oil foreign exchange earnings fell by 7.0 percent and constituted 59.6 percent¹ of foreign exchange requirements of the current account. This was 5.9 percentage points higher than the year before.

Figure 11.2. Current account balance components

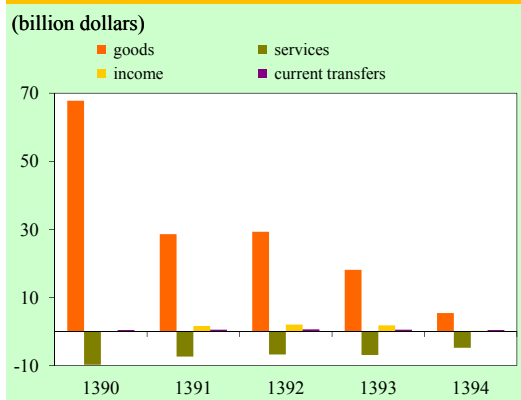


Table 11.3. Current Account Balance (million dollars)

	1392	1393	1394	Percentage change	
				1393	1394
Current account balance	25,105	13,571	1,237	-45.9	-90.9
Goods	29,326	18,060	5,354	-38.4	-70.4
Services	-6,820	-6,877	-4,785	0.8	-30.4
Income	2,034	1,845	241	-9.3	-86.9
Current transfers	565	543	427	-4.0	-21.4
Current account balance (non-oil)¹	-36,173	-39,239	-28,972	8.5	-26.2

¹"Non-oil" in this chapter refers to the exclusion of 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) reflected in the data on imports and exports.

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 1394, the fob values of the exports and imports of goods amounted to \$62,995 million and \$57,641 million, respectively. Therefore, goods account registered a surplus of \$5,354 million, down by 70.4 percent compared with 1393. The relatively higher decrease in the exports of goods compared to imports led to the decline in goods account surplus in 1394. As a result of the decrease in non-oil exports which led to the reduction of the fob value of the imports of non-oil goods, the deficit in the non-oil goods account fell by 28.5 percent from \$34,749 million in 1393 to \$24,856 million in 1394.

In 1394, the fob value of the exports of goods reached \$62,995 million and the value of oil exports amounted to \$31,848 million, showing respectively 29.2 and 42.5 percent decrease. Moreover, the value of non-oil exports decreased by 7.2 percent from \$33,569 million in 1393 to \$31,147 million in the year under review. The share of oil exports in total exports declined by 11.7 percentage points from 62.3 percent in the year before to 50.6 percent in 1394. Meanwhile, oil exports through Customs amounted to \$4,432 million in 1394, indicating 4.8 percent decrease compared with the year before.

Figure 11.3. Total and non-oil current account balance

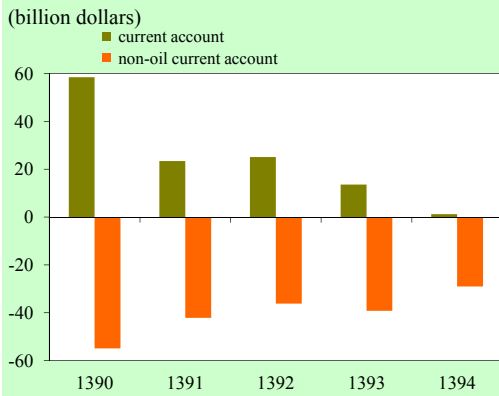


Figure 11.4. Ratio of external trade balance to GDP (base year: 1390)

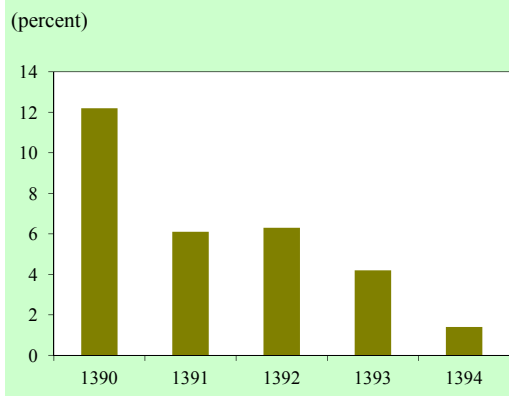
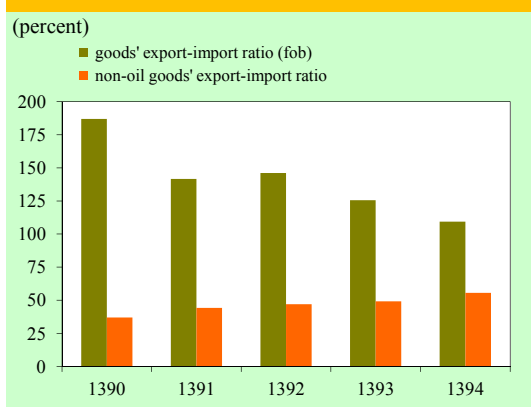


Table 11.4. Goods Account

(million dollars)

	1392	1393	1394	Percentage change	
				1393	1394
Goods account (trade balance)	29,326	18,060	5,354	-38.4	-70.4
Exports (FOB)	92,910	88,976	62,995	-4.2	-29.2
Imports (FOB)	63,584	70,915	57,641	11.5	-18.7
Non-oil goods account (trade balance)	-31,951	-34,749	-24,856	8.8	-28.5
Non-oil exports	28,369	33,569	31,147	18.3	-7.2
Non-oil imports	60,321	68,318	56,003	13.3	-18.0

Figure 11.5. Export-import ratio



The total fob value of goods' imports reached \$57,641 million in 1394, down by 18.7 percent compared with the previous year. Of this figure, \$1,639 million (2.8 percent) was related to gas and oil products and \$56,003 million (97.2 percent), to other goods. In 1394, imports of gas and oil products decreased compared with 1393.

The current account to GDP ratio fell by 2.8 percentage points compared with 1393, to reach 0.3 percent. In 2015, the current account to GDP ratio for the "Middle East, North Africa, Afghanistan, and Pakistan (MENA)" group was -4.1 percent. Most MENA countries experienced current account deficit in 2015, mainly due to the sharp decline of global crude oil prices. Meanwhile, the ratios of goods account and the exports and imports of goods to GDP were lower than the year before.

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

	1392	1393	1394
Current account to GDP	5.4	3.1	0.3
Goods account to GDP	6.3	4.2	1.4
Exports of goods to GDP	19.9	20.5	16.3
Imports of goods to GDP	13.6	16.3	14.9

¹ At market price, current prices (1390=100).

Table 11.5. Exports

	(million dollars)							
				Percentage change		Share (percent)		
	1392	1393	1394	1393	1394	1393	1394	
Exports of goods (FOB)	92,910	88,976	62,995	-4.2	-29.2	100.0	100.0	
Oil exports¹	64,540	55,406	31,848	-14.2	-42.5	62.3	50.6	
Recorded in Customs data ²	3,116	4,654	4,432	49.4	-4.8	5.2	7.0	
Non-oil exports	28,369	33,569	31,147	18.3	-7.2	37.7	49.4	

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)					
				Percentage change		
	1392	1393	1394	1393	1394	
Total imports (FOB)	63,584	70,915	57,641	11.5	-18.7	
Gas and oil products ¹	3,263	2,597	1,639	-20.4	-36.9	
Other goods (non-oil)	60,321	68,318	56,003	13.3	-18.0	

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 decreased by 30.4 percent to \$4,785 million in 1394. Total receipts from exports of services reached \$11,085 million, indicating 4.9 percent increase compared with the year before. Payments on the imports of services, however, decreased by 9.1 percent to \$15,870 million. In this year, "travel", "transportation", and "construction services" had the biggest impact on the credit and debit entries under the services account. These three groups together accounted for 86.6 percent of the value of exports and 83.8 percent of the value of imports of services. Corresponding figures for 1393 were 87.0 and 81.0 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 \$241 million in 1394. Related receipts from non-resident entities fell by 7.9 percent and reached \$354 million while payments on this category amounted to \$458 million, up by 56.8 percent compared with 1393. This increase was mainly attributable to the rise in the number of foreign seasonal workers holding a work permit. The profit received from investment abroad fell by 48.5 percent to \$1,592 million and investment expenditure decreased by 7.0 percent to \$1,247 million.

Table 11.8. Services Account

(million dollars)

	1392	1393	1394	Percentage change		Share (percent)	
				1393	1394	1393	1394
Services account	-6,820	-6,877	-4,785	0.8	-30.4	-	-
Exports	9,374	10,572	11,085	12.8	4.9	100.0	100.0
Transportation	3,717	4,617	3,930	24.2	-14.9	43.7	35.4
Travel	3,054	3,841	4,388	25.8	14.3	36.3	39.6
Construction services	1,514	740	1,284	-51.1	73.5	7.0	11.6
Other services	1,089	1,375	1,483	26.2	7.9	13.0	13.4
Imports	16,194	17,450	15,870	7.8	-9.1	100.0	100.0
Transportation	2,667	3,656	3,781	37.1	3.4	21.0	23.8
Travel	8,839	9,452	8,992	6.9	-4.9	54.2	56.7
Construction services	1,676	1,026	534	-38.8	-47.9	5.9	3.4
Other services	3,013	3,316	2,564	10.1	-22.7	19.0	16.2

Table 11.9. Income Account

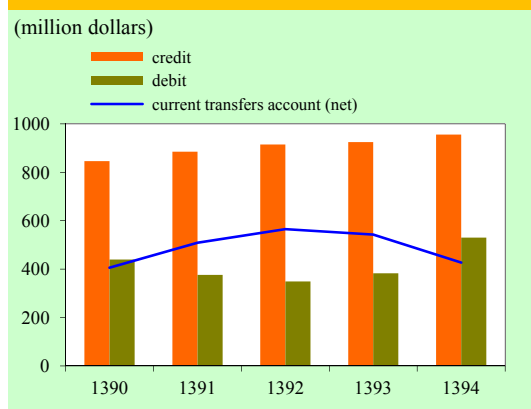
(million dollars)

	1392	1393	1394	Percentage change	
				1393	1394
Income account	2,034	1,845	241	-9.3	-86.9
Credit	3,209	3,478	1,946	8.4	-44.1
Compensation of employees, including border, seasonal workers	351	384	354	9.4	-7.9
Investment income	2,858	3,094	1,592	8.2	-48.5
Debit	1,175	1,633	1,705	38.9	4.4
Compensation of employees, including border, seasonal workers	290	292	458	0.8	56.8
Investment expenditure	886	1,341	1,247	51.4	-7.0

Current Transfers Account¹

In 1394, the surplus of current transfers account amounted to \$427 million, indicating 21.4 percent decrease compared with the surplus of this account in 1393.

Figure 11.6. Current transfers account



B. Capital and Financial Account

Inflows under the capital and financial account amounted to \$113 million in 1394, mainly due to the inflows under the financial account by \$547 million. The capital account of the balance of payments mainly includes

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

Capital Account

Capital account registered outflows of \$433 million in 1394, down by 34.8 percent compared with last year.

Financial Account

Financial account inflows amounted to \$547 million in 1394. Net figure of "foreign direct investment" is indicative of net capital inflows. CBI foreign assets increased by \$2.2 billion in 1394.

Foreign Direct Investment (FDI)

In 1394, net² foreign direct investment in Iran grew by about 58.9 percent to \$407 million. Net foreign investment in oil and gas projects in the form of buy-back contracts is also included under "foreign direct investment" heading.

Table 11.10. Capital and Financial Account

	(million dollars)				
	1392	1393	1394	Percentage change	
				1393	1394
Capital and financial account	-22,510	-8,002	113	-64.5	0
Capital account	-541	-664	-433	22.8	-34.8
Financial account	-21,969	-7,337	547	-66.6	0

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 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 \$945 million in 1394. Approximately \$258 million of the mentioned amount was under the Foreign Investment Promotion and Protection Act, indicating 53.2 percent increase compared with the year before. It is also important to note that a sum of \$618 million out of the \$945 million FDI inflows in this year was in the form of oil and gas buy-back contracts, showing 43.4 percent decrease compared with the year before. Moreover, \$68 million was in the form of foreign investment in the stock exchange, showing 48.4 percent decrease compared with 1393.

Portfolio Investment

Total transactions under the portfolio investment heading are indicative of net outflows of \$22 million in 1394. These transactions were mainly in the form of

purchase of company shares and securities in foreign currency.

Other Investments

"Other investments" account recorded inflows of \$2,395 million in 1394 since "trade credits" heading registered a credit balance. The higher decrease in the value of oil exports compared to the oil export earnings led to capital inflows of \$3.8 billion on trade credits under the assets side of other investments. Meanwhile, growth in foreign financing was another factor behind the mentioned credit balance.

External Debt

Total foreign exchange obligations (actual and contingent obligations) amounted to \$21,304 million at end-1394. The value of contingent obligations decreased by 11.7 percent to \$13,829 million, constituting a share of 64.9 percent in total obligations.

Table 11.11. Financial Account

(million dollars)

	1392	1393	1394	Percentage change	
				1393	1394
Financial account	-21,969	-7,337	547	-66.6	0
Foreign direct investment (net)	2,113	256	407	-87.9	58.9
Portfolio investment (net)	1,899	466	-22	-75.4	0
Other investments (net)	-12,792	501	2,395	0	377.9
Reserve assets	-13,189	-8,561	-2,233	-35.1	-73.9

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

(million dollars)

	1392▲	1393	1394	Percentage change	
				1393	1394
Foreign direct investment	3,329	1,394	945	-58.1	-32.2
FDI inflows under Foreign Investment Promotion and Protection Act	1,334	169	258	-87.4	53.2
Oil and gas buy-back contracts	1,928	1,093	618	-43.3	-43.4
Others	67	132	68	97.9	-48.4

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

Chapter 11 BALANCE OF PAYMENTS

Total value of actual obligations (external debt) was \$7,476 million by end-1394, indicating 46.3 percent rise compared with 1393. Of this amount, \$5,456 million was related to medium- and long-term debt and \$2,019 million was related to short-term debt.

Reserve Assets (CBI foreign assets)

Transactions in foreign exchange between Iranian and foreign entities caused the gross value of CBI foreign assets to increase by \$2,233 million in 1394, down by 73.9 percent compared with the previous year.

Table 11.13. Foreign Exchange Obligations

(million dollars)

	1392	1393	1394	Percentage change	
				1393	1394
Actual obligations (external debt)	6,655	5,108	7,476	-23.2	46.3
Medium- and long-term	5,878	4,676	5,456	-20.4	16.7
Short-term	777	432	2,019	-44.4	367.5
Contingent obligations	13,203	15,665	13,829	18.6	-11.7
Total	19,858	20,773	21,304	4.6	2.6