

Iran's external sector and foreign trade¹ position was weak in 1394. The deterioration in the dollar value of crude oil export earnings in the aftermath of the continued decline in oil prices, the tedious and prolonged nuclear energy negotiations, postponement of JCPOA implementation date to the last days of month Dey, and the sharp appreciation of the US dollar versus other hard currencies were among major factors behind the economic slowdown and adverse current account dynamics of Iran in this year.

Trade

Despite a much lower deficit in the foreign trade balance (according to Customs data), the total value of foreign trade declined by 14.4 percent to \$77,148 million. Moreover, the volume (weight) of foreign trade fell by 9.5 percent compared with 1393, to 112,748 thousand tons. The higher decrease in the imports' side of foreign trade raised the share of exports in the value and volume of transactions by respectively 5.6 and 3.3 percentage points compared with 1393.

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

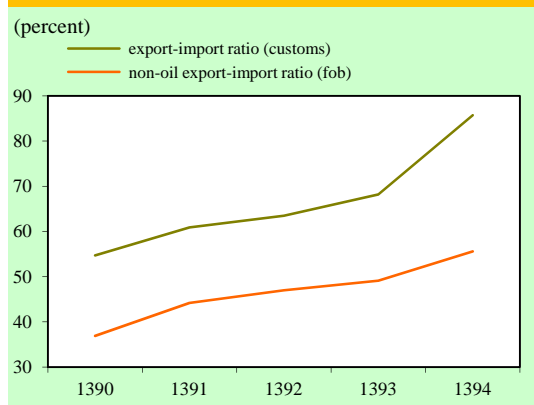
	1392	1393	1394	Percentage change		Share (percent)	
				1393	1394	1393	1394
Value (million dollars)							
1. Imports	49,709	53,569	41,539	7.8	-22.5	59.4	53.8
2. Exports ¹	31,552	36,555	35,609	15.9	-2.6	40.6	46.2
Deficit (2-1)	-18,157	-17,014	-5,930	-6.3	-65.1		
Total (1+2)	81,261	90,125	77,148	10.9	-14.4	100.0	100.0
Volume (thousand tons)							
1. Imports	33,684	43,016	35,152	27.7	-18.3	34.5	31.2
2. Exports	81,103	81,634	77,596	0.7	-4.9	65.5	68.8
Total (1+2)	114,787	124,650	112,748	8.6	-9.5	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.

Figure 12.1. Export-import ratio (goods)



Imports

In 1394, the CIF value of imports (through Customs) decreased by 22.5 percent to \$41,539 million, the lowest in 10 years. Moreover, the volume of imports reached 35,152 thousand tons, down by 18.3 percent compared with the year before. In this year, the price of each ton of imported goods reached \$1,182, down by 5.1 percent compared with 1393.

In 1394, the group of "raw materials and intermediate goods" had the lion's share in the total value of imports by 63.8 percent. Shares of "capital goods" and "consumer goods" groups in total imports reached 18.9 and 15.0 percent, respectively. Comparing the mentioned shares with the corresponding figures of the year before indicates that the share of these commodity groups in the total value of imports did not experience a significant change.

Review of imported goods reveals that "machinery and transportation vehicles" had a share of 36.3 percent, "foodstuffs and live animals" 16.2 percent, "chemicals" 14.1 percent, and "iron and steel" 7.4 percent in

the total value of imports. The total share of the mentioned groups in the value of imports decreased by almost 3.0 percentage points compared with 1393. Among these groups, the share of "chemicals" in total imports increased while the shares of other groups were lower than 1393 (in terms of US dollars).

Figure 12.2. Growth rate of imports

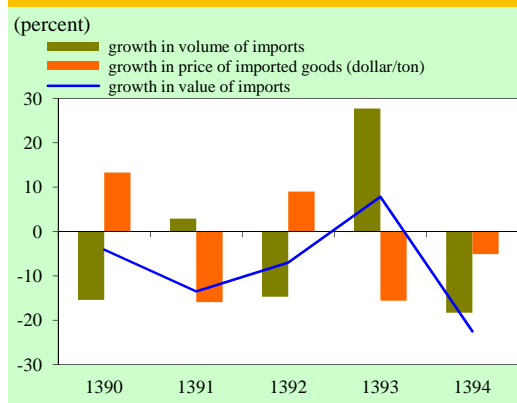
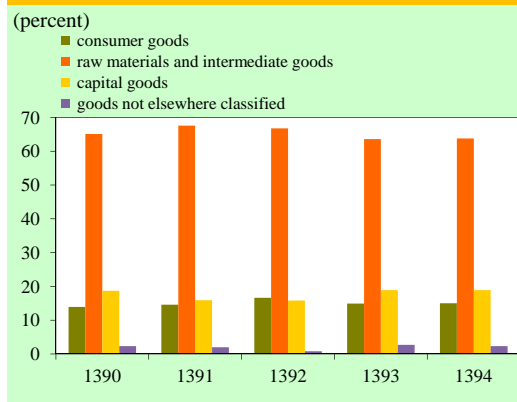


Figure 12.3. Composition of imports by use



In this year, China was still Iran's largest trading partner in terms of imports, accounting for more than one-quarter of

Iran's imports. The United Arab Emirates, South Korea, Turkey, Switzerland, India, Germany, Italy, France, and the Netherlands ranked 2nd to 10th. Concentration indices¹ of

Iran's imports from the first 3, 5 and 10 countries decreased from respectively 54.9, 69.3, and 83.8 percent in 1393 to 52.8, 65.7, and 81.4 percent in 1394.

Figure 12.4. Composition of imports in terms of value

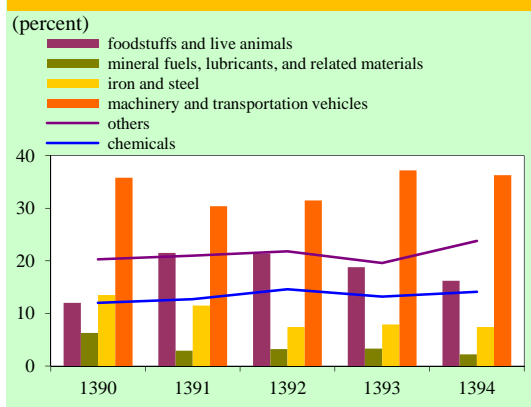


Figure 12.5. Composition of imports in terms of volume

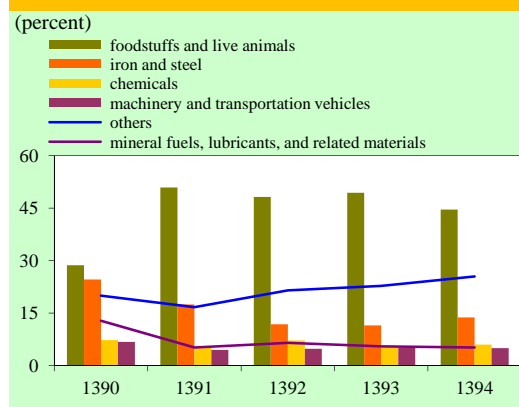


Table 12.2. Composition of Imports by Use

(million dollars)

	1392	1393	1394	Percentage change		Share (percent)	
				1393	1394	1393	1394
Raw materials and intermediate goods	33,208	34,046	26,498	2.5	-22.2	63.6	63.8
Capital goods	7,864	10,133	7,863	28.9	-22.4	18.9	18.9
Consumer goods	8,256	7,970	6,239	-3.5	-21.7	14.9	15.0
Goods not elsewhere classified	382	1,421	939	272.4	-33.9	2.7	2.3
Total	49,709	53,569	41,539	7.8	-22.5	100.0	100.0

Table 12.3. Value of Imports by Major Components

(million dollars)

	1392	1393	1394	Percentage change		Share (percent)	
				1393	1394	1393	1394
Foodstuffs and live animals	10,632	10,091	6,733	-5.1	-33.3	18.8	16.2
Mineral fuels, lubricants, and related materials	1,600	1,770	896	10.6	-49.4	3.3	2.2
Chemicals	7,281	7,069	5,849	-2.9	-17.3	13.2	14.1
Iron and steel	3,684	4,210	3,089	14.3	-26.6	7.9	7.4
Machinery and transportation vehicles	15,671	19,935	15,090	27.2	-24.3	37.2	36.3
Others	10,841	10,494	9,882	-3.2	-5.8	19.6	23.8
Total	49,709	53,569	41,539	7.8	-22.5	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.

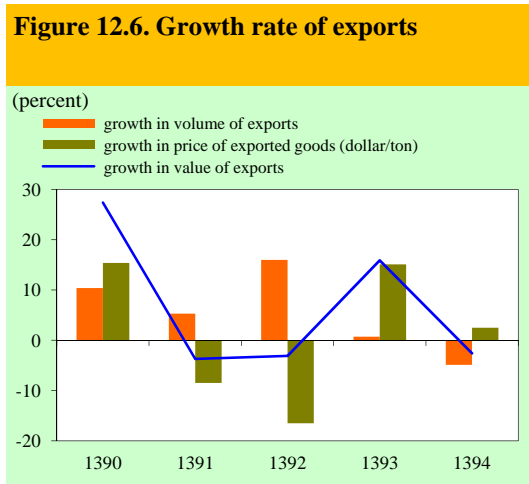
Exports¹

In 1394, the value and volume of exports (through Customs) came to \$35,609 million and 77,596 thousand tons, down by respectively 2.6 and 4.9 percent compared with 1393. The value of exported goods per ton reached \$459, up by 2.5 percent compared with 1393. Fall in the value of industrial goods' exports had the highest impact on the reduction of the value of exports in terms of US dollars.

The exports of industrial goods decreased by 7.7 percent in terms of value and reached \$26,886 million in 1394. The share of industrial goods' exports in the total value of exports through Customs reached 75.5 percent, 4.2 percentage points lower than the year before. "Gas and oil products", "rubber and plastic products", and "organic and inorganic chemicals" enjoyed the highest shares in the value of industrial exports.

In 1394, the value of exports of agricultural and traditional goods decreased by 15.5 percent to \$5,170 million, reducing the share of this group in total exports through Customs by 2.2 percentage points from 16.7 percent in 1393 to 14.5 percent in 1394. The major

factor behind the decrease in the value of exports of agricultural and traditional goods was the reduction in the value of exports of "fresh or dried fruits", especially pistachio.



Based on the international classification of goods, the lion's share in the value of exports in 1394 belonged to "chemicals" by 29.1 percent, followed by "mineral fuels, lubricants, and related materials" by 20.2 percent and "foodstuffs and live animals" by

Table 12.4. Value of Exports

(million dollars)

	1392	1393	1394	Percentage change		Share (percent)	
				1393	1394	1393	1394
Agricultural and traditional goods	4,594	6,119	5,170	33.2	-15.5	16.7	14.5
Metallic mineral ores	1,749	1,287	727	-26.4	-43.5	3.5	2.0
Industrial goods	25,121	29,132	26,886	16.0	-7.7	79.7	75.5
Goods not elsewhere classified	89	17	2,827	-81.4	⊠	*	7.9
Total	31,552	36,555	35,609	15.9	-2.6	100.0	100.0

Source: Islamic Republic of Iran Customs Administration.

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

15.9 percent. The total share of these groups in the value of exports was 65.2 percent, down by 3.9 percentage points compared with 1393.

"Crude materials, inedible, except fuels", "chemicals", and "mineral fuels, lubricants,

and related materials" with respectively 25.1, 21.2, and 17.3 percent, had the highest shares in the total volume of exports in 1394. These groups together accounted for 63.6 percent of the total volume of exports, up by 2.9 percentage points compared with 1393.

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

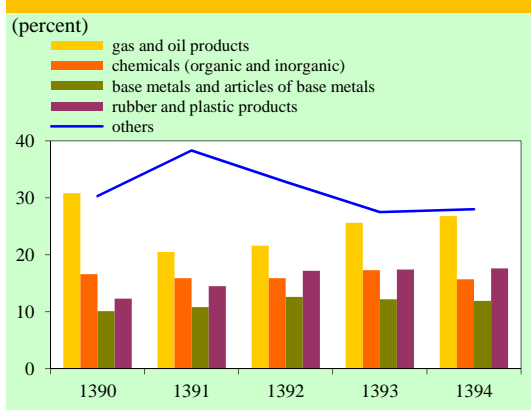


Figure 12.8. Composition of exports of agricultural & traditional goods in terms of value

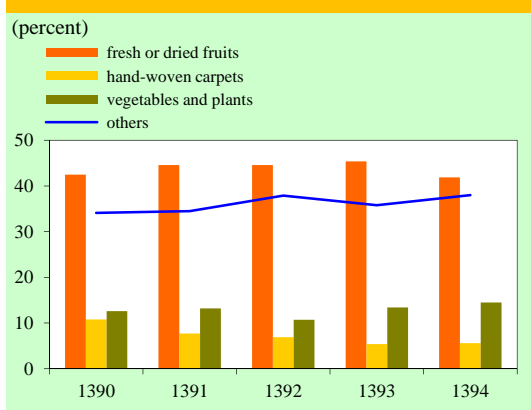


Table 12.5. Value of Exports of Industrial Goods

(million dollars)

	1392	1393	1394	Percentage change		Share (percent)	
				1393	1394	1393	1394
Gas and oil products	5,419	7,465	7,198	37.8	-3.6	25.6	26.8
Chemicals (organic and inorganic)	3,990	5,036	4,220	26.2	-16.2	17.3	15.7
Base metals and articles of base metals	3,153	3,540	3,189	12.3	-9.9	12.2	11.9
Rubber and plastic products	4,320	5,075	4,744	17.5	-6.5	17.4	17.6
Others	8,238	8,016	7,535	-2.7	-6.0	27.5	28.0
Total	25,121	29,132	26,886	16.0	-7.7	100.0	100.0

Table 12.6. Value of Exports of Agricultural and Traditional Goods

(million dollars)

	1392	1393	1394	Percentage change		Share (percent)	
				1393	1394	1393	1394
Fruit, fresh or dried	2,048	2,779	2,168	35.7	-22.0	45.4	41.9
Hand-woven carpets	315	331	291	4.8	-12.1	5.4	5.6
Vegetables and plants	490	818	748	66.9	-8.6	13.4	14.5
Others	1,740	2,191	1,963	25.9	-10.4	35.8	38.0
Total	4,594	6,119	5,170	33.2	-15.5	100.0	100.0

Chapter 12 FOREIGN EXCHANGE AND TRADE POLICY

Comparing the value of exports and imports 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.

Terms of Trade¹

Terms of trade through Customs increased by 8.0 percent to 0.388 in 1394. 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.

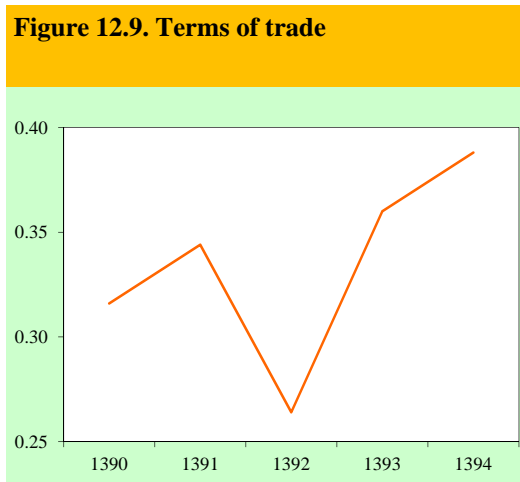


Table 12.7. Value of Exports according to International Classification of Goods (million dollars)

	1392	1393	1394	Percentage change		Share (percent)	
				1393	1394	1393	1394
Foodstuffs and live animals	4,911	6,451	5,661	31.4	-12.3	17.6	15.9
Mineral fuels, lubricants, and related materials	5,401	7,446	7,189	37.9	-3.5	20.4	20.2
Chemicals	9,746	11,358	10,371	16.5	-8.7	31.1	29.1
Iron and steel	1,707	2,396	2,461	40.4	2.7	6.6	6.9
Machinery and transportation vehicles	1,336	1,275	1,074	-4.6	-15.8	3.5	3.0
Others	8,451	7,629	8,853	-9.7	16.1	20.9	24.9
Total	31,552	36,555	35,609	15.9	-2.6	100.0	100.0

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

	1392	1393	1394	Percentage change	
				1393	1394
Per ton value of exports	389	448	459	15.1	2.5
Per ton value of imports	1,476	1,245	1,182	-15.6	-5.1
Terms of trade	0.264	0.360	0.388	36.4	8.0

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

¹ Only includes Iran's exports and imports through Customs and is therefore different from the figure mentioned in Chapter One (National Product, Expenditure, and Income).

Foreign Exchange and Gold Markets Developments

Dollar rate developments in the international markets as well as the implementation of the JCPOA were the most important factors affecting the parity rate of the US dollar vis-à-vis the Iranian rial in the domestic markets in 1394. The market rate of the US dollar against the rial followed a sporadically soaring trend in the market, mainly due to the upward trend of the dollar in the global market. However, the implementation of the JCPOA in late-1394, which led to the release of Iran's frozen foreign assets, reversed this uptrend.

In 1394, the coefficients of variation¹ of all major currencies, except for the British pound and the Japanese yen (one hundred), decreased in the unofficial market. Following the relative stabilization of the unofficial market and the gradual increase in the parity rates of the US dollar and euro against the rial in the main interbank market, the relative gap between the interbank and the parallel market rates narrowed. Meanwhile, upon the fall in the global gold price, the price of various gold coins in the domestic market also declined.

Foreign Exchange Market and Local Currency

Rial versus Hard Currencies

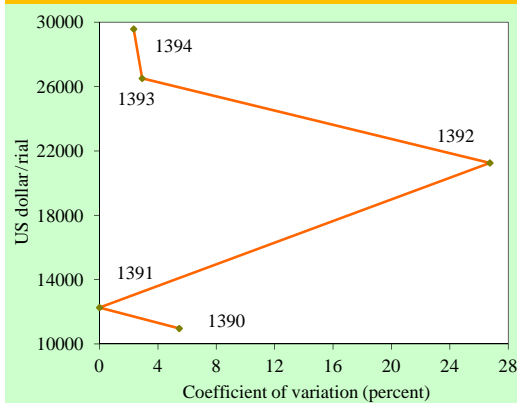
In 1394, the US dollar parity rate versus the Iranian rial was largely affected by the dollar revaluation in the international market and the implementation of the JCPOA. The average parity rate for the US dollar against the rial in the interbank market reached RIs. 29,580. The average parity rate of the US dollar experienced the highest increase by 11.6 percent while the Japanese yen

registered the lowest increase by 1.2 percent. Meanwhile, the parity rate of the euro versus the rial in the interbank market decreased by 3.5 percent.

Reviewing the coefficients of variation of rates of hard currencies in the interbank market reveals that the fluctuations in the parity rate of hard currencies, except for the British pound, were lower in 1394 compared with the year before. The parity rate of the Japanese yen (one hundred) versus the rial had the highest coefficient of variation while the lowest coefficient of variation was related to the Swiss franc.

The average exchange rate of the US dollar against the Iranian rial experienced an uptrend in the parallel market as of mid-1394, mainly due to the revaluation of the dollar and the decline in crude oil prices which led to weakened expectations on the demand side. As of late-Dey 1394, increased optimism regarding the implementation of the JCPOA and the expected fall in foreign exchange transaction costs reversed the upward trend of the US dollar against the rial in the parallel market.

Figure 12.10. Developments of US dollar in official market



¹ Standard deviation divided by mean.

Developments of the Interbank Foreign Exchange Market

In 1394, the value of interbank market transactions (in euro, Chinese yuan, Korean won, Indian rupee, and other currencies) decreased by 35.4 percent to \$22,023 million. Euro enjoyed the highest share of 27.2 percent in the interbank market transactions, showing 12.4 percentage points decrease compared with 1393. The share of Chinese yuan rose by almost 2.2 percentage points to 20.2 percent and the Korean won and the Indian rupee had respectively 13.9 and 8.1 percent shares in total interbank market transactions. The total share of other currencies reached 30.6 percent, indicating 9.6 percentage points increase compared with 1393.

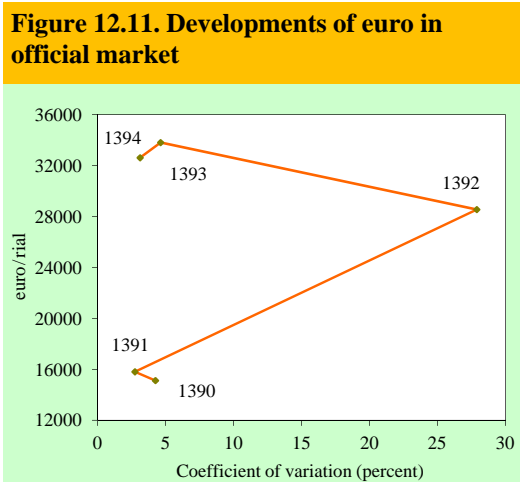


Table 12.9. Interbank Market Transactions by Foreign Currencies (million dollars)

	1392	1393	1394	Percentage change		Share (percent)	
				1393	1394	1393	1394
Euro	10,966	13,515	5,987	23.2	-55.7	39.6	27.2
Chinese yuan	1,520	6,164	4,458	305.5	-27.7	18.1	20.2
Korean won	1,848	3,748	3,057	102.9	-18.4	11.0	13.9
Indian rupee	3,403	3,523	1,786	3.5	-49.3	10.3	8.1
Other currencies	1,802	7,167	6,735	297.7	-6.0	21.0	30.6
Total	19,539	34,117	22,023	74.6	-35.4	100.0	100.0