

According to preliminary figures of national accounts, the value-added growth of the domestic trade sector surged by 4.7 percent, in 1395, at constant 1390 prices. The value-added figure of this sector grew by 12.7 percent to Rls. 1,652.7 trillion at current prices. The favorable performance of domestic trade sector in this year was the result of the high production level of agricultural and industrial goods worth Rls. 2,037.2 trillion and Rls. 4,502.3 trillion, respectively, and the supply of imported goods valued at Rls. 2,150.1 trillion, channeled and distributed through the domestic market.

In 1395, the value-added growth of the domestic trade sector had a share of 13.0 percent in GDP, indicating 0.2 percentage point decrease compared with the year before.

### **Domestic Market Regulation and Essential Goods Procurement**

In order to regulate the domestic market, the government adopts policy measures for the formulation and implementation of trade regulations and the maintenance of equilibrium between the domestic and imported goods' markets through constant supervision of the trade sector. Regulation and oversight of prices and national distribution networks as well as coordination and harmonization of measures related to distribution of goods and services are also within the sphere of the responsibilities of the government in this regard.

### ***Performance of the Consumers and Producers Protection Organization***

The objectives of the Consumers and Producers Protection Organization are as follows:

- Support of domestic producers and consumers against abnormal and abrupt price fluctuations;
- Adjustment and balancing of the prices of imports as well as domestically-produced goods and services through analysis and design of appropriate market operational plans;
- Promotion of exports and introduction of export incentive structures;
- Supervision and oversight on prices and distribution of domestically-produced goods and services as well as imports (those under supervision), in all sectors of the economy including public, cooperative, and non-public sectors;
- Supervision and oversight of prices and administrative court's investigation on the breaching of regulations;
- Formulation and execution of efficient means on inspection and oversight; and
- Oversight of distribution networks of goods and services and confrontation with the supply and distribution of smuggled goods.

### Stock of Major Foodstuffs

According to the data released by the Government Trading Corporation of Iran (GTC), wheat stock increased by 43.8 percent to 8.5 million tons in 1395 year-end.

Based on the data released by the State Livestock Affairs Logistics Company (SLAL), red meat stock reached approximately 2.6 thousand tons at end-1395, up by 18.1 percent compared with 1394.

**Table 7.1. Stock of Major Foodstuffs<sup>1</sup>**  
(thousand tons)

	1394	1395	Percentage change
Wheat	5,907.0	8,495.0	43.8
Sugar and cube sugar	183.0	247.0	35.0
Red meat	2.2	2.6	18.1

Source: Government Trading Corporation of Iran (GTC) and State Livestock Affairs Logistics Company (SLAL).

<sup>1</sup> Excludes the private sector.

### Government Investment

According to the Treasury General, the central government credits approved for the acquisition of non-financial assets of the

domestic trade sector, including those under program headings of "domestic market regulation" and "improvement, production, and marketing of tea leaves", amounted to Rls. 1,076.9 billion in 1395. The amount paid to the mentioned programs reached Rls. 807.7 billion, constituting 75.0 percent of the approved figure.

Credits paid for the acquisition of non-financial assets for "domestic market regulation" program was Rls. 507.7 billion, equal to 65.3 percent of the approved amount. Moreover, the amount allocated to "improvement, production, and marketing of tea leaves" program was Rls. 300.0 billion, indicating full realization compared to the approved figure.

### Banking Facilities

Net outstanding facilities extended by banks and credit institutions to the domestic trade sector rose 18.7 percent to Rls. 637.5 trillion at end-1395. Net outstanding facilities extended to the non-public domestic trade sector went up by 17.7 percent to Rls. 620.1 trillion and the amount extended to the public domestic trade sector increased by 75.6 percent to Rls. 17.4 trillion.

**Table 7.2. Credits for Acquisition of Non-financial Assets in Domestic Trade Sector in 1395<sup>1</sup>**

Programs	Approved <sup>2</sup>	Performance	Percentage of realization	Share (percent)
Domestic market regulation	776.9	507.7	65.3	62.9
Improvement, production, and marketing of tea leaves	300.0	300.0	100.0	37.1
<b>Total</b>	<b>1,076.9</b>	<b>807.7</b>	<b>75.0</b>	<b>100.0</b>

Source: Treasury General, Ministry of Economic Affairs and Finance.

<sup>1</sup> Due to the change in classification of program headings in the Budget Law for 1395, the performance figures of this year are not comparable with those of previous years.

<sup>2</sup> The approved figure is acquired from Treasury General data classified as "amended credit".

The share of domestic trade sector in net outstanding banking facilities extended to "trade, services, and miscellaneous" sector was 17.0 percent and in net outstanding facilities extended to all economic sectors, 6.9 percent. In 1395, as in previous years, the non-public domestic trade sector enjoyed the highest share (97.3 percent) of net outstanding facilities extended by the banking sector.

### Trade Transactions

Total number of transactions registered in notary offices decreased by 4.2 percent to almost 13.0 million in 1395.

### Cooperatives

The performance of operating cooperatives<sup>1</sup> across the country reveals that of total 83.4 thousand active cooperatives by 1395 year-end, 7.4 thousand were active in the fields of procurement of goods and services among producers, consumers, and services sector associations<sup>2</sup>, showing 1.3 percent increase compared with end-1394. Total registered capital of these cooperatives amounted to Rls. 17.4 trillion, indicating 0.3 percent growth

compared with 1394. The number of employment opportunities created by cooperatives active in the domestic trade sector increased by 0.9 percent to 271 thousand. By end-1395, the number of the members of the active cooperatives was 6.3 million persons, up by 0.2 percent compared with 1394 year-end. Furthermore, the highest number of cooperatives was related to those cooperatives active in the field of "procurement of consumers' needs", constituting 69.7 percent of total cooperatives active in the domestic trade sector in 1395.

### Business Establishments

Based on the data released by Iran Trade and Traders Association, total entities holding a business permit increased by 3.2 percent to 2,501.5 thousand units at end-1395. It is to be noted that 48.8 percent of these business establishments were distribution units, 31.4 percent were services units, and 19.8 percent were manufacturing units. Among these entities, the number of distribution, services, and manufacturing units holding a business permit experienced 4.2, 2.8, and 1.2 percent increase, respectively, in 1395.

**Table 7.3. Net Outstanding Facilities Extended by Banks and Credit Institutions to Domestic Trade Sector<sup>1</sup>**

	(trillion rials)						
	1393	1394▲	1395	Percentage change		Share (percent)	
				1394	1395	1394	1395
<b>Public and non-public sectors</b>	<b>516.4</b>	<b>536.8</b>	<b>637.5</b>	<b>4.0</b>	<b>18.7</b>	<b>100.0</b>	<b>100.0</b>
Non-public sector	506.5	526.9	620.1	4.0	17.7	98.2	97.3
Public sector	9.9	9.9	17.4	-0.1	75.6	1.8	2.7

<sup>1</sup> Net outstanding facilities are calculated after deduction of outstanding debts of customers and extended facilities related to the exchange rate differential, profit receivables, profit and commission receivables, receipts from Mudarabah, civil partnership (bank's share), outstanding profit, and outstanding commission. Moreover, net outstanding facilities include legal partnership and direct investment contracts.

<sup>1</sup> Of total 207.6 thousand cooperatives registered by 1395 year-end, 83.4 thousand were active, 30.5 thousand were under construction, and 50.0 thousand were inoperative.

<sup>2</sup> Other types of cooperatives include multi-purpose, services, industrial, mining, utility, agriculture, hand-woven carpets, housing, and transport cooperatives as well as credit unions.

**Table 7.4. Cooperatives Active in Domestic Trade Sector**

	1394	1395	Percentage change	
			1394	1395
<b>Number</b>	<b>7,313</b>	<b>7,405</b>	<b>0.9</b>	<b>1.3</b>
Procurement of producers' needs	1,712	1,754	1.5	2.5
Procurement of services sector associations' needs	466	487	5.0	4.5
Procurement of consumers' needs	5,135	5,164	0.4	0.6
<b>Capital (billion rials)</b>	<b>17,317</b>	<b>17,376</b>	<b>0.1</b>	<b>0.3</b>
Procurement of producers' needs	3,123	3,147	0.1	0.8
Procurement of services sector associations' needs	3,706	3,710	0.1	0.1
Procurement of consumers' needs	10,489	10,519	0.2	0.3
<b>Employment opportunities (thousand persons)</b>	<b>268</b>	<b>271</b>	<b>0.5</b>	<b>0.9</b>
Procurement of producers' needs	32	33	2.7	4.3
Procurement of services sector associations' needs	61	62	0.5	0.7
Procurement of consumers' needs	175	176	0.1	0.4
<b>Members (thousand persons)</b>	<b>6,264</b>	<b>6,278</b>	<b>0.1</b>	<b>0.2</b>
Procurement of producers' needs	234	235	0.7	0.5
Procurement of services sector associations' needs	105	106	0.5	0.7
Procurement of consumers' needs	5,925	5,937	0.1	0.2

Source: Statistics and Strategic Information Center, Ministry of Cooperatives, Labor, and Social Welfare.

**Table 7.5. Number of Entities Holding a Business Permit** (thousand units)

	Year-end			Percentage change		Share (percent)	
	1393 ▲	1394 ▲	1395	1394	1395	1394	1395
<b>Total business establishments</b>	<b>2,188.5</b>	<b>2,424.9</b>	<b>2,501.5</b>	<b>10.8</b>	<b>3.2</b>	<b>100.0</b>	<b>100.0</b>
Manufacturing	448.7	489.3	495.4	9.1	1.2	20.2	19.8
Distribution	1,053.2	1,172.1	1,221.2	11.3	4.2	48.3	48.8
Services	686.6	763.4	784.9	11.2	2.8	31.5	31.4

Source: Ministry of Industry, Mine, and Trade and Iran Trade and Traders Association.

## 5<sup>th</sup> Five-Year Development Plan (1390-1395)

### *Value-added Growth of Domestic Trade Sector*

According to preliminary estimates, Rls. 4,502.3 trillion worth of industrial goods and Rls. 2,037.2 trillion worth of agricultural commodities produced domestically were supplied into the market in the last year of the Plan (1395). Meanwhile, the total amount of goods supplied into the market

out of imports reached Rls. 2,150.1 trillion. As a result, the value-added growth of the domestic trade sector amounted to Rls. 1,652.7 trillion in 1395, at current prices. The average share of the domestic trade sector in total GDP of the 5<sup>th</sup> FYDP period was 12.8 percent.

### *Rules Governing the Domestic Trade Sector*

Considering the significance of government policies for the development of the domestic trade sector aimed at achieving national economic growth, Articles 101 through 110 of the 5<sup>th</sup> FYDP Law have been devoted to domestic trade issues, the distribution system of goods and services, and regulation of the market.

Paragraph (A) of Article 101 of the 5<sup>th</sup> FYDP stipulates the government's obligation to submit the bill on the reorganization of private distribution centers by the end of the second year of the Plan so that the required standards for distribution activity, government supervision and management, and competitive policies would be duly taken into account and the high distribution margin is reduced. Therefore, the relevant bill was drafted to be put on the agenda of the 11<sup>th</sup> government and submitted to the Parliament for final approval. However, in 1393 after the final review, this bill was withdrawn from government agenda. Instead, the decision was made that the reorganization and improvements in the distribution system be implemented through utilizing the capacities under the law on trade associations and unions and other related laws.

Based on the data released by Iran Trade and Traders Association, the total number of distribution and trading entities holding a business permit indicated an annual average

growth rate of 12.3 percent to reach 2,501.5 thousand in 1395, up from 1,245.9 thousand in 1389. Of total business establishments active in 1395, 48.8 percent were engaged in distribution activities, 31.4 percent in services activities, and 19.8 percent in manufacturing activities.

Paragraph (D) and the Notes of Article 101 of the 5<sup>th</sup> FYDP Law are concerned with the pricing of goods and services. Provisions of this Paragraph stipulate that the pricing practice and coverage by government are limited to public goods, government monopolies, as well as subsidized and essential goods. Provisions to Note 1 obligate the government to submit the list of these goods and the pricing mechanism within three months upon approval of the Law. The list and the benchmarks on pricing mechanism for this group of goods should be proposed by a working group composed of representatives from the Ministry of Industry, Mine, and Trade, the President Deputy for Strategic Planning and Control, and other related agencies. In implementation of this Note, the economic council ratified the relevant guideline on Dey 19, 1390 whereby basic goods and government monopoly goods as well as public services were clearly defined. Meanwhile, the list of prices and the relevant benchmarks for pricing of these goods and services were communicated to relevant agencies.

**Table 7.6. Entities Holding a Business Permit during the 5<sup>th</sup> FYDP<sup>1</sup>** (thousand units)

	Base year	Performance						Annual average growth (percent)
	1389	1390	1391	1392	1393	1394	1395	
<b>Total business establishments</b>	<b>1,245.9</b>	<b>1,459.0</b>	<b>1,685.1</b>	<b>1,951.2</b>	<b>2,188.5</b>	<b>2,424.9</b>	<b>2,501.5</b>	<b>12.3</b>
Manufacturing	267.5	312.0	359.4	407.5	448.7	489.3	495.4	10.8
Distribution	622.3	722.1	824.9	941.5	1,053.2	1,172.1	1,221.2	11.9
Services	356.1	425.0	500.8	602.2	686.6	763.4	784.9	14.1

Source: Ministry of Industry, Mine, and Trade and Iran Trade and Traders Association.

<sup>1</sup> Includes cities with trade organizations.

*Procurement and Distribution of Basic Commodities*

The minimum guaranteed purchase prices for some basic commodities, including wheat, from domestic market and with the aim of supporting domestic production, have always been an important economic goal defined by the government for inclusion in economic plans. Accordingly, as also stipulated in the 5<sup>th</sup> FYDP Law, the domestic (guaranteed) purchase of the domestically produced wheat in excess of farmers' needs increased from 10.2 million tons in 1389 to 11.5 million tons in 1395, indicating an annual average growth rate of 2.1 percent. Considering the fluctuations in the domestic production of wheat, the country's requirements were to some extent met by imports. Imports of wheat were on a soaring trend, topping 5.3 million tons in 1393. In 1394, however, wheat imports decreased to 0.3 million tons and finally, in 1395,

imports of wheat came to zero i.e., no wheat was imported by the GTC. Imports of basic commodities (rice, vegetable oil, and sugar) reached 568 thousand tons in 1395, up from 522.7 thousand tons in 1389, indicating an annual average increase of 1.4 percent.

*Subsidy Payment on Basic Commodities*

The amount of subsidy paid on basic commodities, including "wheat and flour", "milk and enriched bread", and "rationed basic commodities" indicated an annual average growth rate of 12.2 percent to reach Rls. 78.1 trillion in the last year of the Plan (1395). Wheat and flour, with an average share of 74.0 percent, accounted for the highest share of government subsidy paid on basic commodities during the years of the Plan.

**Table 7.7. Performance of Domestic Trade Sector in Procurement and Distribution of Basic Commodities during the 5<sup>th</sup> FYDP**

(thousand tons)

	Base year	Performance						Annual average growth (percent)
	1389	1390	1391	1392	1393	1394	1395	
Imports of basic commodities (rice, vegetable oil, and sugar)	522.7	231	1,331	1,717	507	257	568	1.4
Wheat storage	3,000	3,000	3,000	3,000	3,000	3,000	3,000	⊖
Guaranteed purchase of wheat	10,197.8	5,383	2,045	4,822	6,718	8,082	11,520	2.1

Source: Government Trading Corporation of Iran (GTC) and Ministry of Agriculture-Jahad.

**Table 7.8. Subsidy Payment on Basic Commodities during the 5<sup>th</sup> FYDP**

(trillion rials)

	Base year	Performance						Annual average growth (percent)
	1389	1390	1391	1392	1393	1394	1395	
<b>Basic commodities</b>	<b>39.2</b>	<b>62.0</b>	<b>60.0</b>	<b>65.3</b>	<b>88.3</b>	<b>78.7</b>	<b>78.1</b>	<b>12.2</b>
Wheat and flour	31.5	35.0	35.0	41.3	63.4	77.5	74.8	15.5
Milk and enriched bread	4.5	2.0	1.0	1.2	1.5	0.8	2.2	-11.1
Rationed basic commodities	3.2	25.0	24.0	22.8	23.4	0.4	1.1	-16.3

Source: Ministry of Economic Affairs and Finance, Producers and Consumers Protection Organization.