

With the continuation of the implementation of the JCPOA on the one hand and the US threat to withdraw from this deal on the other, Iran's foreign trade faced some turbulence and fluctuations in 2017/18.

Trade

Iran's foreign trade transactions increased in terms of both weight and value in 2017/18 compared with 2016/17. Thus, the total value of foreign trade increased by 17.4 percent to \$94,379 million and the volume (weight) of foreign trade rose by 6.9 percent compared with 2016/17, to reach 154,562 thousand tons in 2017/18. The higher increase in the value of imports than that of exports led to a rise in the foreign trade deficit by 108.9 percent. Moreover, the share of imports in

the total value and volume of transactions increased by 3.4 and 2.0 percentage points compared with the year before, to reach 57.7 and 25.1 percent, respectively, in 2017/18.

Figure 12.1. Export-import ratio in terms of value (goods)

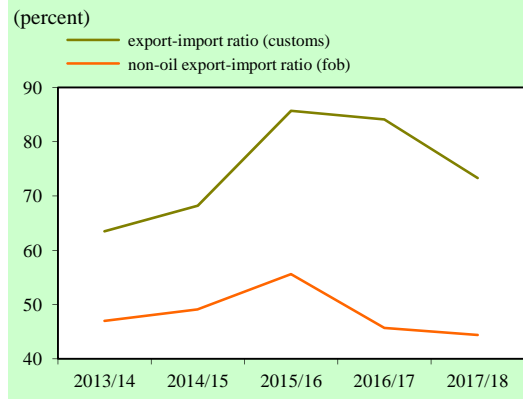


Table 12.1. Foreign Trade (excluding crude oil, gas, and electricity)

	2015/16	2016/17	2017/18	Percentage change		Share (percent)	
				2016/17	2017/18	2016/17	2017/18
Value (million dollars)							
1. Imports	41,539	43,684	54,459	5.2	24.7	54.3	57.7
2. Exports ¹	35,609	36,723	39,920	3.1	8.7	45.7	42.3
Balance (2-1)	-5,930	-6,961	-14,540	17.4	108.9	-	-
Total (1+2)	77,148	80,407	94,379	4.2	17.4	100.0	100.0
Volume (thousand tons)							
1. Imports	35,152	33,399	38,856	-5.0	16.3	23.1	25.1
2. Exports ¹	77,596	111,232	115,707	43.3	4.0	76.9	74.9
Total (1+2)	112,748	144,631	154,562	28.3	6.9	100.0	100.0

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

¹Excludes natural gas condensate.

Imports

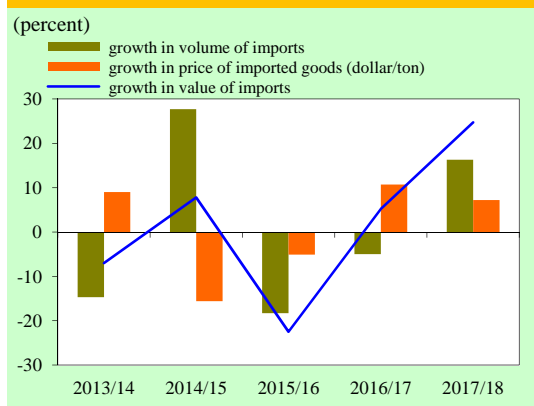
In 2017/18, the CIF value of imports (through Customs) increased by 24.7 percent to \$54,459 million. Moreover, the volume of imports reached 38,856 thousand tons, up by 16.3 percent compared with 2016/17. The price of each ton of imported goods increased by 7.2 percent to reach \$1,402 in 2017/18.

A review of imported goods by use indicates that the share of "raw materials and intermediate goods" group in the total value of imports increased by 2.8 percentage points to 64.8 percent in 2017/18. Moreover, the share of "capital goods" decreased by 3.3 percentage points to 17.7 percent while that of "consumer goods" rose by 0.5 percentage point to 17.2 percent.

72.5 percent. The shares of all the mentioned groups in the total value of imports through Customs in 2017/18 were lower than the year before.

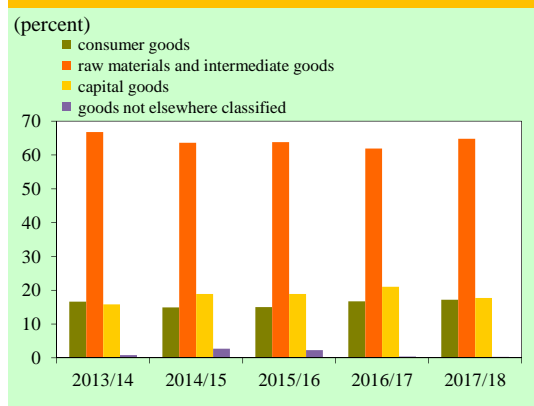
In this year, China, the United Arab Emirates, South Korea, Turkey, Germany, India, Switzerland, France, the Netherlands, and Italy were Iran's largest trading partners in terms of imports, ranking 1st to 10th. Russia and Brazil, which were on the list of top ten trade partners in 2016/17, were replaced by the Netherlands and France in 2017/18. Concentration indices¹ of Iran's imports from the first 3, 5, and 10 countries increased to 49.6, 61.2, and 77.9 percent, respectively, in 2017/18.

Figure 12.2. Growth rate of imports



In 2017/18, "machinery and transportation vehicles" had a share of 40.2 percent in the total value of imports, followed by "food-stuffs and live animals" by 14.0 percent, "chemicals" by 13.3 percent, and "iron and steel" by 4.9 percent. The total share of the mentioned groups in the value of imports decreased by almost 2.1 percentage points to

Figure 12.3. Composition of imports by use



The value of imports from Asia, as the most important provider of Iran's import requirements, grew from \$29.4 billion in 2016/17 to \$37.6 billion in 2017/18, raising its share by 1.6 percentage points. Ranking next was Europe whose share rose by 0.7 percentage point. The value of imports from Europe increased by \$3.3 billion to reach

¹ Concentration indices are calculated as the sum of the shares of the first 3, 5, and 10 countries in total imports.

\$15.1 billion in 2017/18. Meanwhile, the share of Africa in Iran's total imports increased while the shares of America and Oceania were lower than 2016/17. The value of imports from the ESCAP¹ member states amounted to \$31.8 billion in 2017/18, constituting a share of 58.5

percent in the total value of imports. Moreover, imports from the EU, ECO, and ACU member countries totaled \$12.0 billion, \$3.8 billion, and \$2.8 billion, accounting for 21.9, 7.0, and 5.2 percent of the total value of imports through Customs, respectively.

Figure 12.4. Composition of imports in terms of value

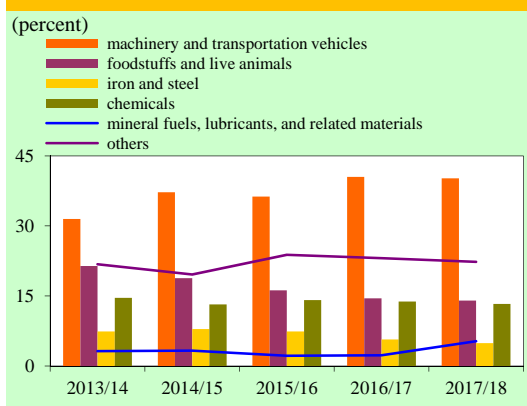


Figure 12.5. Composition of imports in terms of volume

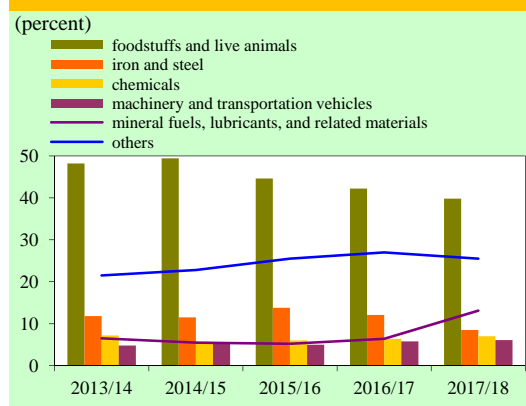


Table 12.2. Composition of Imports by Use

(million dollars)

	2015/16	2016/17	2017/18	Percentage change		Share (percent)	
				2016/17	2017/18	2016/17	2017/18
Raw materials and intermediate goods	26,498	27,061	35,279	2.1	30.4	61.9	64.8
Capital goods	7,863	9,153	9,640	16.4	5.3	21.0	17.7
Consumer goods	6,239	7,292	9,362	16.9	28.4	16.7	17.2
Goods not elsewhere classified	939	179	178	-81.0	-0.6	0.4	0.3
Total	41,539	43,684	54,459	5.2	24.7	100.0	100.0

Table 12.3. Value of Imports by Major Components

(million dollars)

	2015/16	2016/17	2017/18	Percentage change		Share (percent)	
				2016/17	2017/18	2016/17	2017/18
Foodstuffs and live animals	6,733	6,345	7,638	-5.8	20.4	14.5	14.0
Mineral fuels, lubricants, and related materials	896	1,018	2,865	13.6	181.5	2.3	5.3
Chemicals	5,849	6,016	7,234	2.9	20.2	13.8	13.3
Iron and steel	3,089	2,509	2,677	-18.8	6.7	5.7	4.9
Machinery and transportation vehicles	15,090	17,704	21,916	17.3	23.8	40.5	40.2
Others	9,882	10,091	12,129	2.1	20.2	23.1	22.3
Total	41,539	43,684	54,459	5.2	24.7	100.0	100.0

¹ Economic and Social Commission for Asia and the Pacific.

Exports¹

The value and volume of exports (through Customs) reached \$39.9 billion and 115.7 million tons in 2017/18, up by respectively 8.7 and 4.0 percent compared with 2016/17. Industrial goods, agricultural and traditional goods, and metallic mineral ores experienced growth rates of respectively 7.3, 3.2, and 69.3 percent in terms of the value of exports. The unit value of exports (value per ton) increased by 4.5 percent and reached \$345.

The share of industrial goods' exports in the total value of exports through Customs reached 80.6 percent in 2017/18, indicating 1.1 percentage points decrease compared with 2016/17. The total value of industrial exports grew by 7.3 percent compared with 2016/17, to reach \$32.2 billion. "Gas and oil products", "rubber and plastic products", and

"base metals and articles of base metals" enjoyed the highest shares in the value of industrial exports.

Figure 12.6. Growth rate of exports

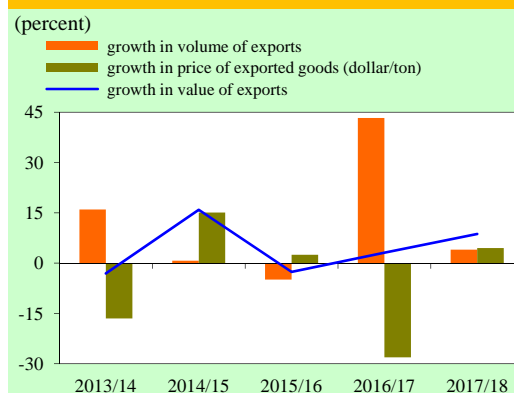


Table 12.4. Value of Exports

(million dollars)

	2015/16	2016/17	2017/18	Percentage change		Share (percent)	
				2016/17	2017/18	2016/17	2017/18
Agricultural and traditional goods	5,170	5,523	5,702	6.8	3.2	15.0	14.3
Metallic mineral ores	727	1,103	1,868	51.8	69.3	3.0	4.7
Industrial goods	26,886	30,004	32,194	11.6	7.3	81.7	80.6
Goods not elsewhere classified	2,827	93	156	-96.7	67.0	0.3	0.4
Total	35,609	36,723	39,920	3.1	8.7	100.0	100.0

Source: Islamic Republic of Iran Customs Administration.

Table 12.5. Value of Exports of Industrial Goods

(million dollars)

	2015/16	2016/17	2017/18	Percentage change		Share (percent)	
				2016/17	2017/18	2016/17	2017/18
Gas and oil products	7,198	9,686	9,017	34.6	-6.9	32.3	28.0
Chemicals (organic and inorganic)	4,220	4,104	4,386	-2.8	6.9	13.7	13.6
Base metals and articles of base metals	3,189	3,773	4,594	18.3	21.8	12.6	14.3
Rubber and plastic products	4,744	4,940	6,076	4.1	23.0	16.4	18.9
Others	7,535	7,502	8,120	-0.4	8.3	25.0	25.2
Total	26,886	30,004	32,194	11.6	7.3	100.0	100.0

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

The value of exports of agricultural and traditional goods increased by 3.2 percent to \$5.7 billion in 2017/18. The share of this group in total value of exports through Customs reached 14.3 percent, indicating 0.7 percentage point decrease compared with 2016/17. "Hand-woven carpets", "saffron", and "vegetables and plants" subgroups made a big contribution to the rise in the value of exports of agricultural and traditional goods in 2017/18 compared with the year before.

Based on the international classification of goods, the lion's share in the value of exports in 2017/18 belonged to "chemicals"

by 28.3 percent, followed by "mineral fuels, lubricants, and related materials" by 22.6 percent and "foodstuffs and live animals" by 15.3 percent. The total share of these groups in the value of exports was 66.2 percent, down by 4.6 percentage points compared with 2016/17. "Crude materials, inedible, except fuels", "mineral fuels, lubricants, and related materials" and "chemicals", with respectively 26.3, 26.0, and 16.9 percent, had the highest shares in the total weight of exports. These groups together accounted for 69.2 percent of the total weight of exports, indicating 2.7 percentage points decrease compared with 2016/17.

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

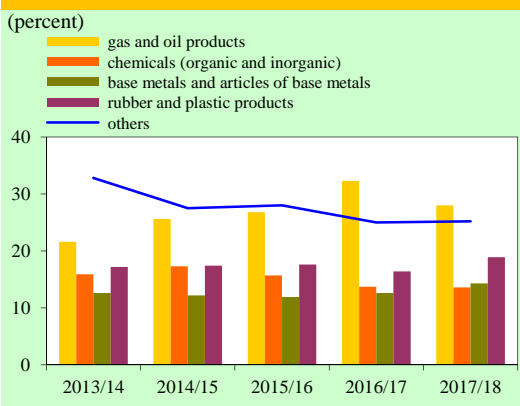


Figure 12.8. Composition of exports of agricultural & traditional goods in terms of value

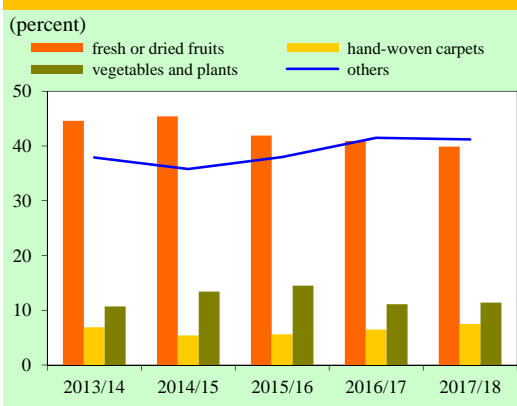


Table 12.6. Value of Exports of Agricultural and Traditional Goods

(million dollars)

	2015/16	2016/17	2017/18	Percentage change		Share (percent)	
				2016/17	2017/18	2016/17	2017/18
Fruit, fresh or dried	2,168	2,257	2,273	4.1	0.7	40.9	39.9
Hand-woven carpets	291	360	426	23.9	18.4	6.5	7.5
Vegetables and plants	748	615	653	-17.8	6.1	11.1	11.4
Others	1,963	2,291	2,350	16.7	2.6	41.5	41.2
Total	5,170	5,523	5,702	6.8	3.2	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 the items of which Iran was a net exporter included "mineral fuels, lubricants, and related materials", "iron and steel", and "chemicals" in 2017/18. Mineral fuels, lubricants, and related materials enjoyed a high positive balance while machinery and transportation vehicles had a high negative balance.

The geographical distribution of exports by group of countries indicates that the value of Iran's exports to ESCAP, ECO, ACU, and EU member countries totaled \$24.3 billion, \$8.9 billion, \$3.7 billion, and \$1.5 billion, respectively, in 2017/18.

Terms of Trade¹

The 7.2 percent increase in the value of imported goods per ton as well as 4.5 percent

rise in the per ton value of exported goods weakened the country's terms of trade position in 2017/18. This variable decreased by 2.5 percent from 0.252 in 2016/17 to 0.246 in 2017/18.

Figure 12.9. Terms of trade

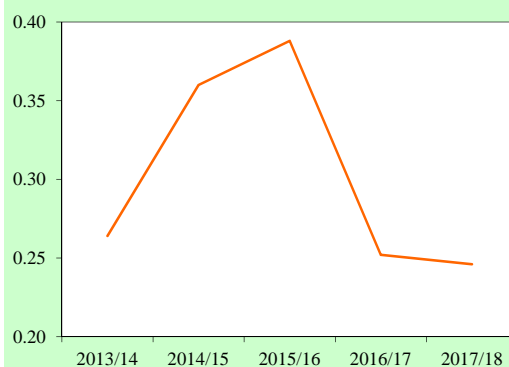


Table 12.7. Value of Exports according to International Classification of Goods (million dollars)

	2015/16	2016/17	2017/18	Percentage change		Share (percent)	
				2016/17	2017/18	2016/17	2017/18
Foodstuffs and live animals	5,661	5,987	6,105	5.8	2.0	16.3	15.3
Mineral fuels, lubricants, and related materials	7,189	9,674	9,004	34.6	-6.9	26.3	22.6
Chemicals	10,371	10,336	11,310	-0.3	9.4	28.1	28.3
Iron and steel	2,461	2,629	3,731	6.8	41.9	7.2	9.3
Machinery and transportation vehicles	1,074	1,004	1,125	-6.5	12.0	2.7	2.8
Others	8,853	7,092	8,645	-19.9	21.9	19.3	21.7
Total	35,609	36,723	39,920	3.1	8.7	100.0	100.0

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

	2015/16	2016/17	2017/18	Percentage change	
				2016/17	2017/18
Value of exports per ton	459	330	345	-28.1	4.5
Value of imports per ton	1,182	1,308	1,402	10.7	7.2
Terms of trade	0.388	0.252	0.246	-35.0	-2.5

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

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

Foreign Exchange and Gold Markets Developments

The US dollar developments in the international markets and concerns regarding the resumption of the US sanctions against Iran were among the most important factors affecting the parity rate of the US dollar vis-à-vis the Iranian rial in domestic markets in 2017/18. The coefficients of variation¹ of all major currencies increased in the unofficial market in this year. Meanwhile, the relative gap² between the average rates of the US dollar and the euro in the official and unofficial markets slightly increased. Upon the rise in the global gold price and the parity rate of the US dollar versus the rial, the price of gold coins in the domestic market increased.

Foreign Exchange Market and Local Currency

Rial versus Hard Currencies

In 2017/18, the parity rate of all major currencies vis-à-vis the Iranian rial increased in the official market. The US dollar exchange rate versus the Iranian rial was largely affected by the US dollar movements in the international market and the likelihood of the US withdrawal from the JCPOA. The average parity rate for the US dollar against the rial in the interbank market reached Rls. 34,214. The average parity rate of the euro experienced the highest increase by 15.8 percent while the Japanese yen registered the lowest increase by 6.3 percent. Meanwhile, the parity rates of the British pound and the Swiss franc versus the rial in the interbank market rose 9.9 and 10.8 percent, respectively.

Reviewing the coefficients of variation of rates of hard currencies in the interbank market reveals that the fluctuations in the parity rate of all currencies including the US dollar, British pound, euro, Swiss franc, and Japanese yen were higher in 2017/18 compared with 2016/17. The parity rate of the euro versus the rial had the highest coefficient of variation in this year. The upward trend in the average parity rate of the US dollar against the Iranian rial in the unofficial market was intensified in the last months of 2017/18. This was mainly rooted in the negative expectations regarding the US withdrawal from the nuclear deal, which could in turn lead to the return of sanctions and further restrictions on correspondent banking relationships. The average exchange rate for the US dollar against the rial in the unofficial market increased by 11.0 percent to Rls. 40,453 in 2017/18. Meanwhile, the parity rate for the euro, Swiss franc, British pound, and Japanese yen versus the rial rose by 19.0, 14.5, 13.4, and 9.2 percent, respectively.

Developments of the Interbank Foreign Exchange Market

The value of interbank market transactions (in euro, the UAE dirham, Chinese yuan, Korean won, and other currencies) grew by 12.7 percent to \$42,991 million in 2017/18. Euro enjoyed the highest share of 43.5 percent in the interbank market transactions, showing 6.2 percentage points decrease compared with the year before. The share of the UAE dirham rose by 7.9 percentage points to 23.6 percent and the Chinese yuan and Korean won had respectively 14.9 and 7.3 percent shares in total interbank market transactions. In 2017/18, the total share of other currencies reached 10.7 percent, indicating 3.3 percentage points decrease compared with the year before.

¹ Standard deviation divided by mean.

² It is the ratio between the differential of the average rates of the US dollar and the euro in the unofficial market and the average rates of these currencies in the official market.

Figure 12.10. Developments of US dollar in official market

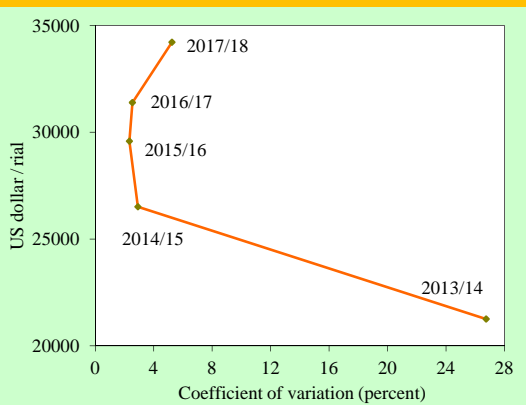


Figure 12.11. Developments of euro in official market

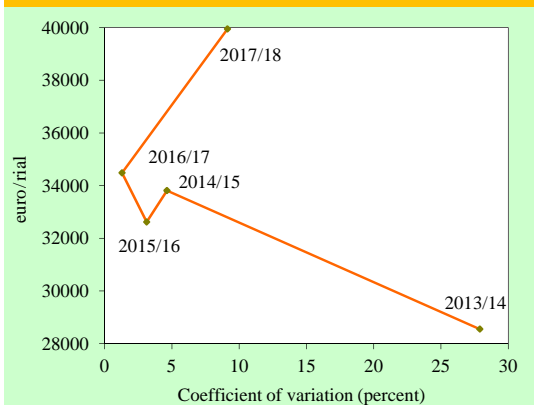


Table 12.9. Interbank Market Transactions by Foreign Currencies (million dollars)

	2015/16	2016/17	2017/18	Percentage change		Share (percent)	
				2016/17	2017/18	2016/17	2017/18
Euro	5,987	18,969	18,690	216.9	-1.5	49.7	43.5
UAE dirham	1,113	6,005	10,165	439.3	69.3	15.7	23.6
Chinese yuan	4,458	4,533	6,405	1.7	41.3	11.9	14.9
Korean won	3,057	3,285	3,126	7.4	-4.8	8.6	7.3
Other currencies	7,408	5,357	4,605	-27.7	-14.0	14.0	10.7
Total	22,023	38,150	42,991	73.2	12.7	100.0	100.0