

Upon the US unilateral withdrawal from the JCPOA whereby the economic and financial sanctions were put back into force against the country in two wind-down periods, Iran's foreign trade environment experienced more difficult conditions in 2018/19 than the year before.

Foreign Trade Transactions

Iran's foreign trade transactions decreased in terms of both value and weight in 2018/19 compared with 2017/18. The total value of foreign trade decreased by 12.3 percent to \$82,749 million and the weight of foreign trade declined by 9.1 percent compared with 2017/18, to reach 140,545 thousand tons. The higher decrease in the value of imports than that of exports led to a decline in the foreign trade deficit by 75.3 percent. The

share of imports in the total value and weight of transactions decreased by 5.5 and 2.1 percentage points compared with the year before, to reach 52.2 and 23.0 percent, respectively, in 2018/19.

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

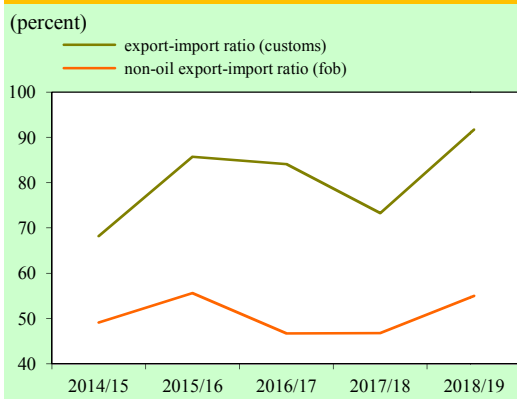


Table 12.1. Foreign Trade (excluding crude oil, gas, and electricity)

	2016/17	2017/18	2018/19	Percentage change		Share (percent)	
				2017/18	2018/19	2017/18	2018/19
Value (million dollars)							
Imports	43,684	54,459	43,169	24.7	-20.7	57.7	52.2
Exports ¹	36,723	39,920	39,580	8.7	-0.8	42.3	47.8
Trade balance (exports minus imports)	-6,961	-14,540	-3,588	108.9	-75.3	-	-
Total value	80,407	94,379	82,749	17.4	-12.3	100.0	100.0
Weight (thousand tons)							
Imports	33,399	38,856	32,356	16.3	-16.7	25.1	23.0
Exports ¹	111,232	115,707	108,189	4.0	-6.5	74.9	77.0
Total weight	144,631	154,562	140,545	6.9	-9.1	100.0	100.0

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

¹ Excludes natural gas condensate.

Imports

In 2018/19, the CIF value of imports (through Customs) decreased by 20.7 percent to \$43,169 million. Moreover, the weight of imports reached 32,356 thousand tons, down by 16.7 percent compared with 2017/18. Thus, the price of each ton of imported goods decreased by 4.8 percent to \$1,334. A review of imports by use indicates that the share of "raw materials and intermediate goods" group in the total value of imports increased by 2.5 percentage points to 67.3 percent in 2018/19. The shares of "capital goods" and "consumer goods" fell by about 0.7 and 1.8 percentage points, respectively, to 17.0 and 15.3 percent.

In 2018/19, "machinery and transportation vehicles" had a share of 37.4 percent in the total value of imports, followed by "food-stuffs and live animals" by 18.5 percent, "chemicals" by 14.8 percent, and "crude materials, inedible, except fuels" by 7.0 percent. The total share of the mentioned groups in the value of imports increased by about 4.3 percentage points compared with 2017/18 to reach 77.7 percent.

Figure 12.2. Growth rate of imports

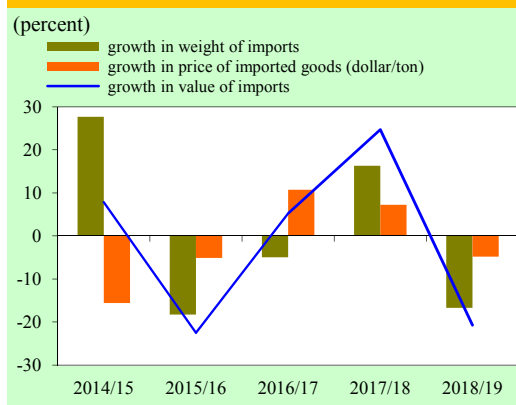
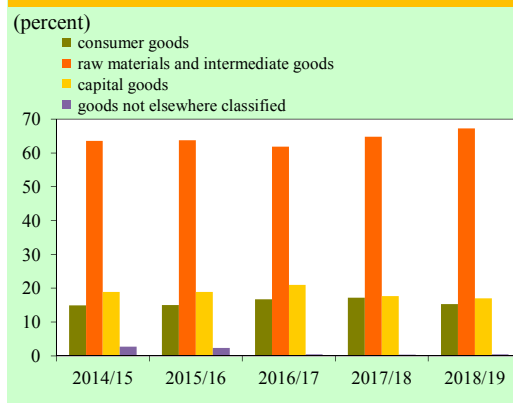


Figure 12.3. Composition of imports by use



China, the United Arab Emirates, India, Turkey, Germany, Switzerland, South Korea, Russia, the Netherlands, and Italy were Iran's largest trading partners in terms of imports in 2018/19, ranking 1st to 10th. France, which was on the list of the top ten trade partners in 2017/18, was replaced by Russia in 2018/19. Concentration indices¹ of Iran's imports from the first 3, 5 and 10 countries decreased to respectively 45.8, 57.7 and 75.9 percent in 2018/19, compared with the year before.

The value of imports from Asia, as the most important provider of Iran's import requirements, fell from \$37.6 billion in 2017/18 to \$28.7 billion in 2018/19, reducing its share by almost 2.6 percentage points. Conversely, the share of Europe rose by 2.7 percentage points compared with the year before. The value of imports from Europe decreased by 12.9 percent to reach \$13.1 billion in 2018/19. Meanwhile, the share of Oceania in Iran's total imports increased while the shares of America and Africa were lower than 2017/18.

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

The value of imports from the ESCAP¹ member states amounted to \$26.1 billion in 2018/19, constituting a share of 60.4 percent in the total value of imports. Moreover, imports from the EU, ACU, and ECO

member countries totaled \$9.5 billion, \$3.2 billion, and \$3.2 billion, respectively, accounting for 21.9, 7.5 and 7.4 percent of the total value of imports through Customs in 2018/19.

Figure 12.4. Composition of imports in terms of value

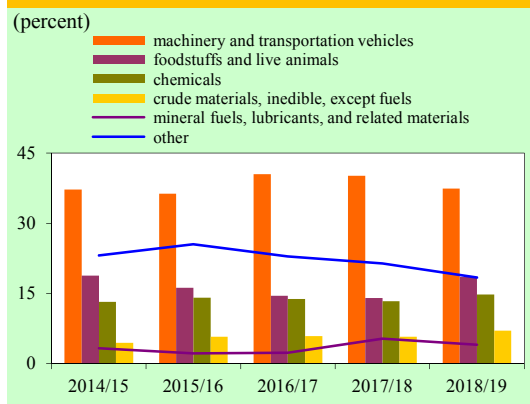


Figure 12.5. Composition of imports in terms of weight

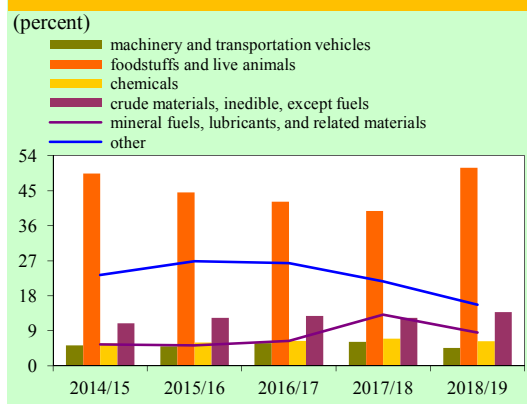


Table 12.2. Composition of Imports by Use

(million dollars)

	2016/17	2017/18	2018/19	Percentage change		Share (percent)	
				2017/18	2018/19	2017/18	2018/19
Raw materials and intermediate goods	27,061	35,279	29,042	30.4	-17.7	64.8	67.3
Capital goods	9,153	9,640	7,332	5.3	-23.9	17.7	17.0
Consumer goods	7,292	9,362	6,623	28.4	-29.3	17.2	15.3
Goods not elsewhere classified	179	178	172	-0.6	-3.4	0.3	0.4
Total	43,684	54,459	43,169	24.7	-20.7	100.0	100.0

Table 12.3. Value of Imports by Major Components

(million dollars)

	2016/17	2017/18	2018/19	Percentage change		Share (percent)	
				2017/18	2018/19	2017/18	2018/19
Machinery and transportation vehicles	17,704	21,916	16,151	23.8	-26.3	40.2	37.4
Foodstuffs and live animals	6,345	7,638	7,971	20.4	4.4	14.0	18.5
Chemicals	6,016	7,234	6,386	20.2	-11.7	13.3	14.8
Crude materials, inedible, except fuels	2,579	3,129	3,024	21.3	-3.4	5.7	7.0
Other	11,039	14,542	9,637	31.7	-33.7	26.7	22.3
Total	43,684	54,459	43,169	24.7	-20.7	100.0	100.0

¹ Economic and Social Commission for Asia and the Pacific.

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Exports¹

The value and weight of exports (through Customs) reached \$39.6 billion and 108.2 million tons in 2018/19, down by respectively 0.8 and 6.5 percent compared with 2017/18. Industrial goods experienced a growth rate of 3.2 percent while agricultural and traditional goods indicated 9.0 and metallic mineral ores 39.0 percent decrease in terms of the value of exports. The value of exports per ton rose by 6.0 percent and reached \$366 in 2018/19.

The share of industrial goods' exports in the total value of exports through Customs reached 84.0 percent in 2018/19, indicating about 3.3 percentage points increase compared with 2017/18. The total value of industrial exports grew by 3.2 percent compared with 2017/18, to reach \$33.2 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

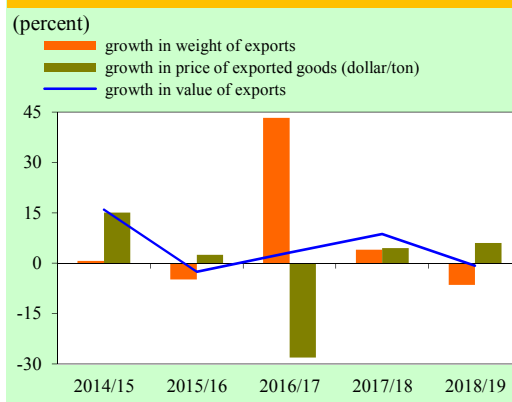


Table 12.4. Value of Exports

(million dollars)

	2016/17	2017/18	2018/19	Percentage change		Share (percent)	
				2017/18	2018/19	2017/18	2018/19
Agricultural and traditional goods	5,523	5,702	5,186	3.2	-9.0	14.3	13.1
Metallic mineral ores	1,103	1,868	1,139	69.3	-39.0	4.7	2.9
Industrial goods	30,004	32,194	33,233	7.3	3.2	80.6	84.0
Goods not elsewhere classified	93	156	22	67.0	-86.2	0.4	0.1
Total	36,723	39,920	39,580	8.7	-0.8	100.0	100.0

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

Table 12.5. Value of Exports of Industrial Goods

(million dollars)

	2016/17	2017/18	2018/19	Percentage change		Share (percent)	
				2017/18	2018/19	2017/18	2018/19
Gas and oil products	9,686	9,017	9,184	-6.9	1.9	28.0	27.6
Chemicals (organic and inorganic)	4,104	4,386	4,469	6.9	1.9	13.6	13.4
Base metals and articles of base metals	3,773	4,594	5,537	21.8	20.5	14.3	16.7
Rubber and plastic products	4,940	6,076	5,639	23.0	-7.2	18.9	17.0
Other	7,502	8,120	8,404	8.3	3.5	25.2	25.3
Total	30,004	32,194	33,233	7.3	3.2	100.0	100.0

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

The value of exports of agricultural and traditional goods decreased by 9.0 percent to \$5.2 billion in 2018/19. The share of this group in the total value of exports through Customs reached 13.1 percent, indicating 1.2 percentage points decrease compared with the year before. "Fruit, fresh or dried" and "hand-woven carpets" subgroups, experiencing the highest decreases compared with other groups, had a large impact on the decline in the value of exports of agricultural and traditional goods.

Based on the international classification of goods, the lion's share in the value of

exports in 2018/19 belonged to "chemicals" by 27.1 percent, followed by "mineral fuels, lubricants, and related materials" by 23.1 percent and "foodstuffs and live animals" by 15.1 percent. The total share of these groups in the value of exports was 65.3 percent, down by 0.9 percentage point compared with 2017/18. "Crude materials, inedible, except fuels", "mineral fuels, lubricants, and related materials", and "chemicals", with respectively 24.0, 23.3 and 18.0 percent, had the highest shares in the total weight of exports. These groups together accounted for 65.3 percent of the total weight of exports, indicating 3.9 percentage points decrease.

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

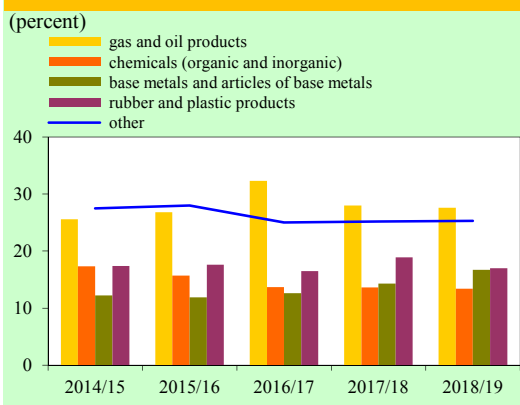


Figure 12.8. Composition of exports of agricultural & traditional goods in terms of value

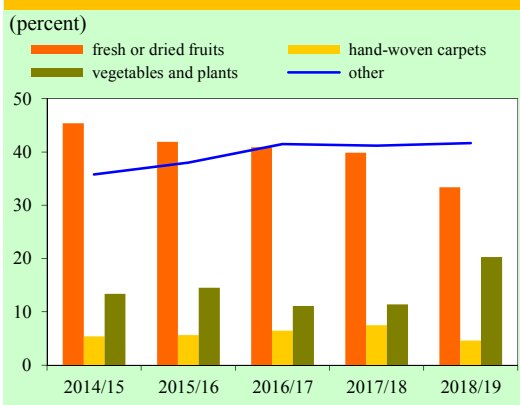


Table 12.6. Value of Exports of Agricultural and Traditional Goods

(million dollars)

	2016/17	2017/18	2018/19	Percentage change		Share (percent)	
				2017/18	2018/19	2017/18	2018/19
Fruit, fresh or dried	2,257	2,273	1,731	0.8	-23.8	39.9	33.4
Hand-woven carpets	360	426	239	18.4	-43.9	7.5	4.6
Vegetables and plants	615	653	1,055	6.1	61.7	11.4	20.3
Other	2,291	2,350	2,161	2.6	-8.1	41.2	41.7
Total	5,523	5,702	5,186	3.2	-9.0	100.0	100.0

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

	2016/17	2017/18▲	2018/19	Percentage change		Share (percent)	
				2017/18	2018/19	2017/18	2018/19
Foodstuffs and live animals	5,987	6,106	5,964	2.0	-2.3	15.3	15.1
Mineral fuels, lubricants, and related materials	9,674	9,004	9,161	-6.9	1.8	22.6	23.1
Chemicals	10,336	11,310	10,725	9.4	-5.2	28.3	27.1
Iron and steel	2,629	3,731	4,261	41.9	14.2	9.3	10.8
Machinery and transportation vehicles	1,004	1,125	1,607	12.0	42.9	2.8	4.1
Other	7,092	8,644	7,861	21.9	-9.1	21.7	19.9
Total	36,723	39,920	39,580	8.7	-0.8	100.0	100.0

Comparing the value of exports and imports based on the international classification of goods indicates that Iran was a net exporter of items such as "mineral fuels, lubricants, and related materials", "iron and steel", and "chemicals" in 2018/19. "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 country groups indicates that the value of Iran's exports to ESCAP, ECO, ACU, and EU member countries totaled \$21.9 billion, \$7.8 billion, \$3.6 billion, and \$1.1 billion, respectively, in 2018/19.

Terms of Trade¹

The 4.8 percent decrease in the value of imported goods per ton as against the 6.0

percent increase in the per ton value of exported goods strengthened the country's terms of trade position in 2018/19. Therefore, the terms of trade increased by 11.4 percent from 0.246 in 2017/18 to 0.274 in 2018/19.

Figure 12.9. Terms of trade

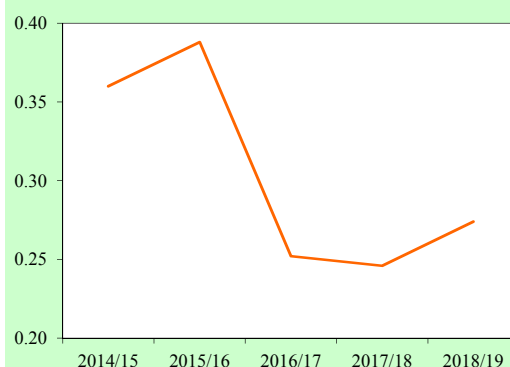


Table 12.8. Terms of Trade (through Customs) (dollars)

	2016/17	2017/18	2018/19	Percentage change	
				2017/18	2018/19
Value of exports per ton	330	345	366	4.5	6.0
Value of imports per ton	1,308	1,402	1,334	7.2	-4.8
Terms of trade	0.252	0.246	0.274	-2.5	11.4

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 (Gross Domestic Product and Expenditure).

Developments in Foreign Exchange and Gold Markets

Improvement of economic growth and decrease in the unemployment rate in the US led to the strengthening of the US dollar versus the other hard currencies in the face of fluctuations, except for the Japanese yen. Global gold prices also declined in 2018/19. As Iran faced difficult economic and financial conditions, its foreign exchange market was hard hit in the said year. To offset the effects of the US withdrawal from the JCPOA and to adjust the foreign exchange market, the Supreme Council of Economic Coordination approved certain measures and imposed some restrictions in order to stabilize the exchange rate. Under the new regulation, the US dollar parity rate was set at Rls. 42,000 for all categories of imported goods. Meanwhile, all sorts of transactions of the foreign currency in the unofficial market were banned. The ensuing shortages of foreign exchange supply, mostly driven by the exporters' refusal to repatriate their proceeds, and the excess demand for foreign exchange in the market created disruptions in supply and demand, the degree of which was not initially anticipated. Consequently, the CBI and the government jointly decided to restrict the foreign exchange allocations of Rls. 42,000 per US dollar to essential goods, pharmaceuticals, and medical equipment only, while the imports of other categories of goods were to be financed out of non-oil exports.

Foreign Exchange Market and Local Currency

Rial versus Hard Currencies

The parity rate of the US dollar versus the Iranian rial increased by 22.6 percent to

Rls. 41,950 in the official market in 2018/19. The highest and lowest increases by 22.9 and 20.4 percent were related to the parity rates of the Japanese yen (one hundred) and the Swiss franc, respectively. The parity rate of the euro and the British pound against the US dollar grew by 21.9 percent compared with the year before. Meanwhile, the coefficients of variation¹ of the US dollar, British pound, euro, Swiss franc, and Japanese yen were lower in 2018/19 compared with the year before. The highest coefficient of variation was related to the British pound.

With the US withdrawal from the JCPOA and the formation of negative expectations regarding the rise in the exchange rate, which was in turn due to the reimposition of sanctions and the prospect of the national currency depreciation as well as the increase in speculative activities, the exchange rate experienced a surge in the unofficial market. The parity rate of the US dollar against the Iranian rial increased by 155.6 percent in the unofficial market to reach Rls. 103,378 in 2018/19. Parity rates of the Japanese yen (one hundred), euro, British pound, and Swiss franc increased by 155.2, 150.2, 148.0 and 141.7 percent, respectively, in the unofficial market.

In 2018/19, the coefficient of variation of the average parity rate of hard currencies versus the Iranian rial experienced a remarkable increase in the unofficial market compared with 2017/18. On this basis, the US dollar had the highest coefficient of variation by 30.58 percent while the Japanese yen (one hundred) experienced the lowest coefficient by 26.88 percent.

¹ Standard deviation divided by mean.

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Developments in the Interbank Foreign Exchange Market

The value of the interbank market transactions (in euro, the UAE dirham, Chinese yuan, Korean won, and other currencies) decreased by 9.5 percent to \$38,927 million in 2018/19. The euro enjoyed the highest share of 45.9 percent in the interbank market transactions, showing 2.4 percentage points increase compared with the year before. The

share of the Chinese yuan rose by 11.2 percentage points to 26.1 percent and the UAE dirham and Korean won had respectively 2.0 and 4.9 percent shares in the total interbank market transactions. In 2018/19, the total share of other currencies reached 21.1 percent, indicating 10.4 percentage points increase compared with 2017/18.

Figure 12.10. Developments of US dollar in official market

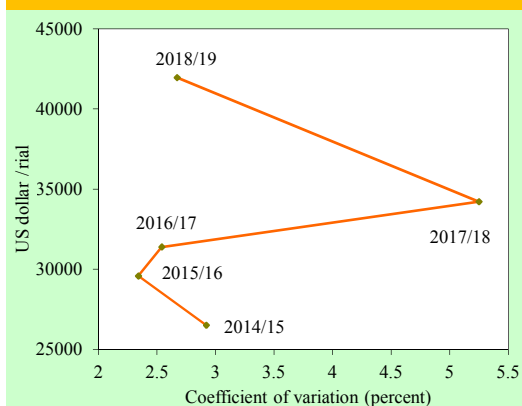


Figure 12.11. Developments of euro in official market

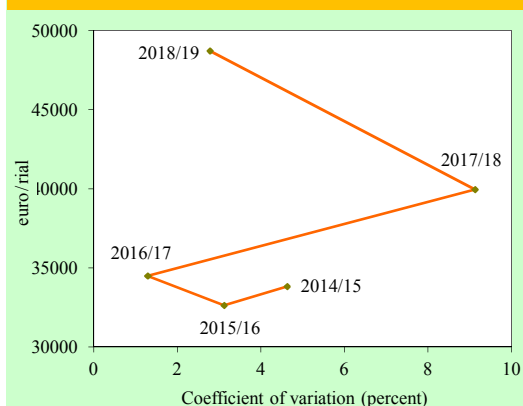


Table 12.9. Interbank Market Transactions by Foreign Currencies

(million dollars)

	2016/17	2017/18	2018/19	Percentage change		Share (percent)	
				2017/18	2018/19	2017/18	2018/19
Euro	18,969	18,690	17,859	-1.5	-4.4	43.5	45.9
UAE dirham	6,005	10,165	786	69.3	-92.3	23.6	2.0
Chinese yuan	4,533	6,405	10,149	41.3	58.5	14.9	26.1
Korean won	3,285	3,126	1,902	-4.8	-39.1	7.3	4.9
Other currencies	5,357	4,605	8,231	-14.0	78.7	10.7	21.1
Total	38,150	42,991	38,927	12.7	-9.5	100.0	100.0

Table 12.10. Average Prices of Gold Coins

(thousand rials)

	2016/17	2017/18	2018/19	Percentage change	
				2017/18	2018/19
A quarter gold coin	3,035	3,944	10,269	30.0	160.4
A half gold coin	5,735	6,795	17,849	18.5	162.7
Full Bahar Azadi gold coin (old design)	11,021	12,940	33,709	17.4	160.5
Full Bahar Azadi gold coin (new design)	11,105	13,263	35,542	19.4	168.0