

11.1 Balance of Payments Developments

Iran's balance of payments position was affected by the expiration of waivers for eight countries importing oil from Iran as well as the intensification of economic sanctions in 2019/20, reducing the country's imports and exports compared with the year before. The decrease in the surplus of goods account, affected by the fall in the exports of goods, and that in the surplus of the income account, attributable to the decline in the investment income, caused the current account to post a deficit in 2019/20. Moreover, the debit to the capital and financial account decreased compared with 2018/19.

11.1.1. Current Account

The current account ran a deficit of \$1.7 billion in 2019/20 as against a surplus in

2018/19. This was largely due to the higher decrease in the exports of goods compared with that in the imports of goods. One of the reasons behind this decrease was the sharp drop in oil exports, as the United States stopped granting waivers allowing eight countries to import Iran's crude in May 2019. Meanwhile, a substantial decline was witnessed in the exports of natural gas condensate, which was in turn attributable to the launching of the different phases of the Persian Gulf Star Refinery and the allocation of a large proportion of resources to domestic production. Furthermore, in 2019/20, the country's non-oil exports were unfavorably affected by the sanctions imposed on the metal industry on the one hand, and the intensification of sanctions on the country's civil aviation manufacturers and shipping companies, on the other.

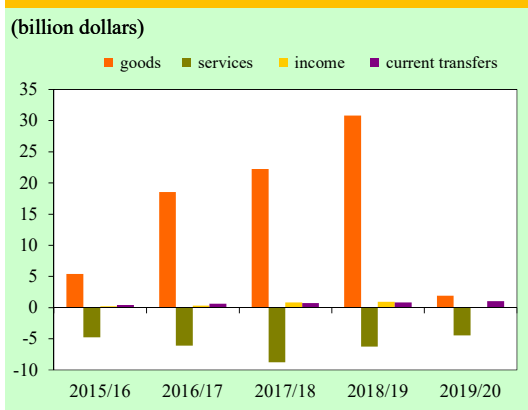
Table 11.1. Current Account

(million dollars)

	2017/18	2018/19▲	2019/20□	Percentage change	
				2018/19	2019/20
Current account	14,915	26,241	-1,652	75.9	N/A
Goods	22,193	30,804	1,885	38.8	-93.9
Services	-8,826	-6,278	-4,504	-28.9	-28.3
Income	838	875	14	4.4	-98.4
Current transfers	710	841	953	18.4	13.3
Non-oil current account¹	-45,103	-29,322	-27,591	-35.0	-5.9

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 and imported by NIOC, NIGC, NIORDC, petrochemical companies, and other companies (customs and non-customs) from the data on imports and exports.

Figure 11.1. Components of Current Account



that of the imports of goods totaled \$58.1 billion. Therefore, goods account registered a surplus of \$1.9 billion. The surplus of the goods account experienced a decline of 93.9 percent in 2019/20 as compared with 2018/19, mainly attributable to a decrease of 35.3 percent in the exports of goods (FOB) as well as a fall of 6.1 percent in imports (FOB). A decline of 4.0 percent in the imports of non-oil goods as well as a decrease of 4.8 percent in non-oil exports led to a reduction by 2.9 percent in the deficit of the non-oil goods account to bring it to \$24.1 billion. Meanwhile, the share of oil exports in the total value of the exports of goods decreased by 18.1 percentage points compared with the year before, to reach 43.4 percent. Oil exports as recorded in Customs data amounted to \$11.5 billion, indicating an increase of 79.6 percent compared with 2018/19.

Figure 11.2. Comparison of Current Account with Non-oil Current Account

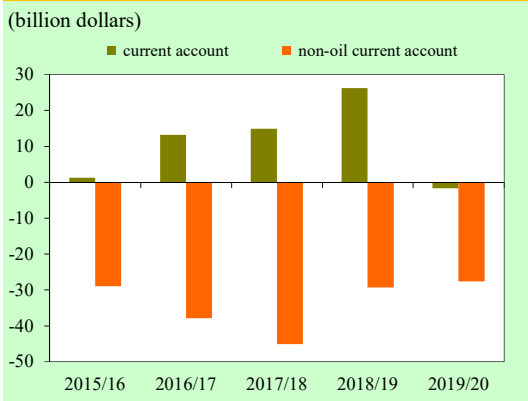
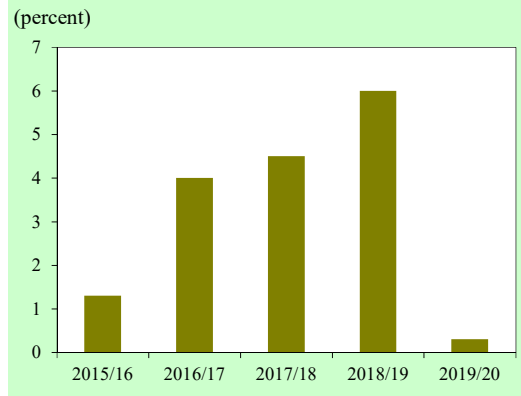


Figure 11.3. Ratio of Goods Account (Trade Balance) to GDP (base year 2016/17)



11.1.1.1. Goods Account (trade balance)

In 2019/20, the value of the exports of goods (FOB)¹ amounted to \$60.0 billion and

Table 11.2. Goods Account

	2017/18	2018/19 ▲	2019/20 □	Percentage change	
				2018/19	2019/20
Goods account (trade balance)	22,193	30,804	1,885	38.8	-93.9
Exports (FOB)	96,034	92,651	59,975	-3.5	-35.3
Imports (FOB)	73,840	61,847	58,090	-16.2	-6.1
Non-oil goods account (trade balance)	-37,825	-24,760	-24,054	-34.5	-2.9
Non-oil exports (FOB)	33,266	35,652	33,926	7.2	-4.8
Non-oil imports (FOB)	71,091	60,412	57,979	-15.0	-4.0

¹ Includes trade through customs and non-customs channels.

Table 11.3. Exports

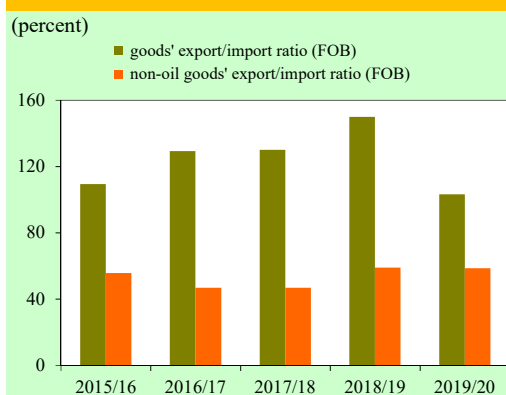
(million dollars)

	2017/18	2018/19 ▲	2019/20 □	Percentage change		Share (percent)	
				2018/19	2019/20	2018/19	2019/20
Exports of goods (FOB)	96,034	92,651	59,975	-3.5	-35.3	100.0	100.0
Oil exports¹	62,768	56,999	26,049	-9.2	-54.3	61.5	43.4
Recorded in Customs data ²	6,781	6,385	11,470	-5.8	79.6	6.9	19.1
Non-oil exports	33,266	35,652	33,926	7.2	-4.8	38.5	56.6

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 other companies (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 NIOC, NIGC, NIORDC, petrochemical companies, and other companies mentioned in Customs data.

The total value of the imports of goods (FOB) amounted to \$58.1 billion in 2019/20, indicating a decrease of 6.1 percent compared with the year before. It is important to note that the ratio of the current account to GDP was -0.3 percent in the year under review, as against 5.1 percent in 2018/19. The ratio of the exports of goods and that of the imports of goods to GDP were lower than the respective ratios in the year before. Similarly, the ratio of the goods account to GDP experienced a decrease of 5.7 percentage points compared with the year before to reach 0.3 percent.

Figure 11.4. Export/Import Ratio (value)

Table 11.4. Imports

(million dollars)

	2017/18	2018/19 ▲	2019/20 □	Percentage change	
				2018/19	2019/20
Total imports (FOB)	73,840	61,847	58,090	-16.2	-6.1
Gas and oil products ¹	2,749	1,435	111	-47.8	-92.3
Other goods (non-oil imports)	71,091	60,412	57,979	-15.0	-4.0

¹ Includes the value of natural gas, natural gas liquids, and oil products (Tariff Codes: 2710 and 2711) imported by NIOC, NIGC, NIORDC, petrochemical companies, and other companies (customs and non-customs).

Table 11.5. Ratio of Current Account, Goods Account, and Exports and Imports of Goods to GDP¹

(percent)

	2017/18 ▲	2018/19 ▲	2019/20 □
Current account to GDP	3.0	5.1	-0.3
Goods account to GDP	4.5	6.0	0.3
Exports of goods to GDP	19.6	18.0	9.2
Imports of goods to GDP	15.1	12.0	8.9

¹ At market and current prices

11.1.1.2. Services Account

The deficit of the services account decreased by 28.3 percent to \$4.5 billion in 2019/20. Exports and imports of services decreased by 3.0 and 11.7 percent compared with 2018/19. The fall in the imports of services was mainly attributable to the decrease in "construction services", which was in turn due to the reduction in costs related to the implementation of buyback contracts in the oil and gas industry. The exports of services also decreased, mainly attributable to a fall in the exports of "transportation" and "construction services". This was, however, against the backdrop of the increase in the exports of travel services, upon the rise in the number of foreigners travelling to Iran.

11.1.1.3. Income Account

Net transactions under the income account, including receipts and payments out of the "compensation of employees" and "investment income" and "expenditure", led to capital inflows by \$14 million in 2019/20. A decrease by 98.4 percent in the surplus of the income account was due to the fall in the investment income. Receipts from the compensation of employees decreased by 2.2 percent to \$358 million and payments to border and seasonal workers fell by 5.5 percent compared with the year before to reach \$204 million in 2019/20. The profit received from investment abroad fell by 30.3 percent to \$1,765 million, while the investment expenditure increased by 5.5 percent to \$1,904 million.

Table 11.6. Services Account

(million dollars)

	2017/18	2018/19▲	2019/20 □	Percentage change		Share (percent)	
				2018/19	2019/20	2018/19	2019/20
Services account	-8,826	-6,278	-4,504	-28.9	-28.3	N/A	N/A
Credit (exports)	9,606	11,860	11,509	23.5	-3.0	100.0	100.0
Transportation	3,524	3,860	3,762	9.5	-2.5	32.5	32.7
Travel	4,193	5,942	6,345	41.7	6.8	50.1	55.1
Construction services	554	728	156	31.4	-78.6	6.1	1.4
Other	1,335	1,330	1,246	-0.4	-6.3	11.2	10.8
Debit (imports)	18,432	18,138	16,013	-1.6	-11.7	100.0	100.0
Transportation	3,357	3,208	4,113	-4.4	28.2	17.7	25.7
Travel	11,507	9,674	9,012	-15.9	-6.8	53.3	56.3
Construction services	130	2,335	36	#	-98.4	12.9	0.2
Other	3,438	2,921	2,852	-15.0	-2.4	16.1	17.8

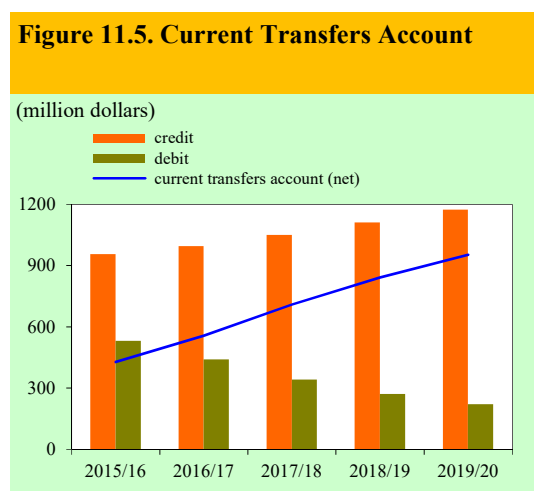
Table 11.7. Income Account

(million dollars)

	2017/18	2018/19▲	2019/20 □	Percentage change	
				2018/19	2019/20
Income account	838	875	14	4.4	-98.4
Credit	2,948	2,897	2,122	-1.7	-26.7
Compensation of employees	460	366	358	-20.6	-2.2
Investment income	2,488	2,531	1,765	1.7	-30.3
Debit	2,111	2,022	2,109	-4.2	4.3
Compensation of employees	417	216	204	-48.1	-5.5
Investment expenditure	1,694	1,806	1,904	6.6	5.5

11.1.1.4. Current Transfers Account

In 2019/20, the net surplus of the current transfers account¹ amounted to \$953.0 million. This indicated an increase of 13.3 percent compared with the surplus of this account in 2018/19.



11.1.2. Capital and Financial Account

The debit to the capital and financial account reached \$1,036.4 million in 2019/20, mainly attributable to the debit under the capital account. The capital account mainly includes capital transfers (debt relief or immigrants' transfers). The

financial account constitutes transactions under "direct investment", "portfolio investment", "other investment", and change in the value of reserve assets (foreign assets of the CBI).

11.1.2.1. Capital Account

The debit to the capital account amounted to \$6.0 billion in 2019/20, mainly attributable to the Iranians' buying of properties and real estate in neighboring countries. As an example, data released by Turkish Statistical Institute are to be noticed, indicating the Iranians' purchase of 6,341 residential units in Turkey in 2019/20.

11.1.2.2. Financial Account

The credit of the financial account amounted to \$5.0 billion in 2019/20, mainly due to a decrease of 93.2 percent in reserve assets (foreign assets of the CBI) as well as a decline in the country's net financial claims on the outside world. The credit under "other investment" account by \$5.1 billion was largely responsible for that under the financial account. This was in turn attributable to the decrease in banks' currency and deposits under the "liabilities" entry.

Table 11.8. Capital and Financial Account

	2017/18	2018/19▲	2019/20□	Percentage change	
				2018/19	2019/20
Capital and financial account	-11,302	-19,815	-1,036	75.3	-94.8
Capital account	-6,293	-5,522	-6,019	-12.3	9.0
Financial account	-5,008	-14,293	4,982	185.4	N/A

¹ Current transfers are current account transactions in which a resident entity in one nation provides a nonresident entity with an economic value, such as a real resource or financial item, without receiving something of economic value in exchange. Accounting for current transfers is not always clear in the balance of payments because of their one-sided nature.

11.1.2.2.1. Direct Investment

In 2019/20, net¹ capital inflows in the form of direct investment, including investments done under Foreign Investment Promotion and Protection Act as well as investments in the oil and gas industry under buyback, Build-Operate-Transfer (BOT), and partnership contracts, amounted to \$491.0 million. This indicated a decrease of 75.7 percent compared with the year before.

11.1.2.2.2. Inflows in the Form of FDI

According to the Organization for Investment, Economic and Technical Assistance of Iran (OIETAI), inflows decreased by 63.1 percent to one billion dollars in 2019/20. Of this amount, \$650 million was under Foreign Investment Promotion and Protection Act, down by 71.7 percent. FDI inflows in the form of investment in the oil and gas industry under buyback contracts amounted to \$45 million. Moreover, a sum of \$306 million was in the form of "other investment" (including foreign investment in Free Economic Zones and portfolio investment).

11.1.2.2.3. Portfolio Investment

The credit of the "portfolio investment" account (net), in the form of purchasing debt instruments and the stock of domestic

companies by nonresidents, amounted to almost \$64.5 million in 2019/20. The debit to this account in the form of purchasing debt instruments and the shares of foreign companies by Iranian residents had amounted to \$503 million in 2018/19.

11.1.2.2.4. Other Investment

The credit of "other investment" account was \$5.1 billion in 2019/20. The debit of the "trade credits" account was due to the lag in the collection of export revenues, in the aftermath of the intensification of sanctions on Iranian banks. In addition, the notable reduction in "currency and deposits" account, due to the payments by banks out of their accounts held with foreign banks, as well as the increase in debts was the major factor behind the credit of "other investment" account in 2019/20.

11.1.2.2.5. Reserve Assets (foreign assets of the CBI)

Receipts and payments in foreign exchange between Iranians and foreign entities caused the value of the foreign assets of the CBI to decrease by 93.2 percent compared with 2018/19, to reach \$671 million in 2019/20.

Table 11.9. Financial Account

(million dollars)

	2017/18	2018/19▲	2019/20 □	Percentage change	
				2018/19	2019/20
Financial account	-5,008	-14,293	4,982	185.4	N/A
Direct investment	-481	2,020	491	N/A	-75.7
Portfolio investment	150	-503	65	N/A	N/A
Other investment	-12,816	-5,930	5,098	-53.7	N/A
Reserve assets (foreign assets of the CBI)	8,140	-9,880	-671	N/A	-93.2

¹ Sum of "direct investment abroad" and "direct investment in Iran".

Table 11.10. Inflows in the Form of FDI (million dollars)

	2017/18	2018/19	2019/20 □	Percentage change	
				2018/19	2019/20
Foreign direct investment	2,419	2,709	1,000	12.0	-63.1
FDI inflows under Foreign Investment Promotion and Protection Act	1,393	2,292	650	64.5	-71.7
Investment in oil and gas industry under buyback contracts	503	109	45	-78.3	-58.7
Other investment ¹	523	308	306	-41.1	-0.6

Source: OIETAI

¹ The OIETAI released no data on investment in the stock exchange for 2018/19. Accordingly, of total foreign investment under Foreign Investment Promotion and Protection Act, ministries, companies, public organizations, municipalities, and foreign investment service centers in provinces absorbed a sum of \$1,416 million in 2018/19 and \$59 million in 2019/20.

11.2. External Debt

Foreign exchange obligations (actual and contingent) totaled \$22.6 billion in March 2020. Of this amount, \$13.4 billion was related to contingent obligations, constituting a share of 59.2 percent in total.

The value of actual obligations (external debt) declined by 13.3 percent to \$9.2 billion. Out of this amount, \$7.7 billion was related to medium- and long-term debt and \$1.5 billion was in the form of short-term debt.

Table 11.11. Foreign Exchange Obligations¹ (million dollars)

	March 2018	March 2019	March 2020	Percentage change	
				March 2019	March 2020
Actual obligations (external debt)	12,270	10,623	9,213	-13.4	-13.3
Medium- and long-term	7,984	8,319	7,674	4.2	-7.7
Short-term	4,287	2,304	1,539	-46.2	-33.2
Contingent obligations	23,246	17,426	13,383	-25.0	-23.2
Total	35,516	28,049	22,596	-21.0	-19.4

¹ Based on foreign trade statistics collected each year by almost mid-March (end of the Iranian year).