

Despite the intensification of financial restrictions, cancellation of waivers for eight countries importing oil from Iran, imposition of sanctions on the metal industry, and placement of limitations on access to foreign exchange revenues, Iran's foreign trade (through Customs) improved in terms of weight and value in 2019/20 as compared with the year before.

12.1. Foreign Trade Transactions

In 2019/20, Iran's foreign trade transactions increased in terms of both value and weight compared with 2018/19. The total value of foreign trade increased by 2.7 percent to \$85.0 billion and the weight of foreign trade rose by 20.3 percent to 169.1 million tons. The higher increase in the value of exports than that in the value of imports led to a decline in the deficit of

foreign trade by 10.7 percent. The share of imports in the total value of trade decreased by 0.3 percentage point to reach 51.9 percent, and the share of imports in the total weight of transactions fell by 1.8 percentage points to 21.2 percent in 2019/20.

Figure 12.1. Export/Import Ratio in Terms of Value (goods)

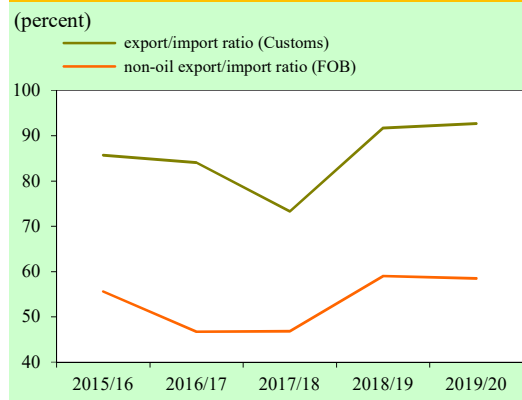


Table 12.1. Foreign Trade (excluding crude oil, gas, and electricity)

	2017/18	2018/19	2019/20 □	Percentage change		Share (percent)	
				2018/19	2019/20	2018/19	2019/20
Value (million dollars)							
Imports	54,459	43,169	44,092	-20.7	2.1	52.2	51.9
Exports ¹	39,920	39,580	40,886	-0.8	3.3	47.8	48.1
Trade balance (exports minus imports)	-14,540	-3,588	-3,205	-75.3	-10.7	N/A	N/A
Total value	94,379	82,749	84,978	-12.3	2.7	100.0	100.0
Weight (thousand tons)							
Imports	38,856	32,356	35,825	-16.7	10.7	23.0	21.2
Exports ¹	115,707	108,189	133,302	-6.5	23.2	77.0	78.8
Total weight	154,562	140,545	169,127	-9.1	20.3	100.0	100.0

Source: Iran's Customs Administration

¹ Excludes natural gas condensate.

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12.2. Imports

In 2019/20, the CIF value of imports (through Customs) increased by 2.1 percent to \$44.1 billion. Moreover, the weight of imports reached 35.8 million tons, up by 10.7 percent compared with 2018/19. Thus, the price of each ton of imported goods decreased by about 7.8 percent to \$1,231.

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 1.9 percentage points to 69.2 percent in 2019/20. The shares of "capital

goods" and "consumer goods" fell by about 1.7 and 0.1 percentage points, respectively, to 15.3 percent.

"Machinery and transport equipment" had a share of 32.6 percent in the total value of imports, followed by "food and live animals" by 21.8 percent, "chemicals" by 16.8 percent, and "crude materials, inedible, except fuels" by 7.2 percent. The total share of the mentioned groups in the value of imports increased by about 0.7 percentage point to almost 78.3 percent.

Figure 12.2. Growth Rate of Imports

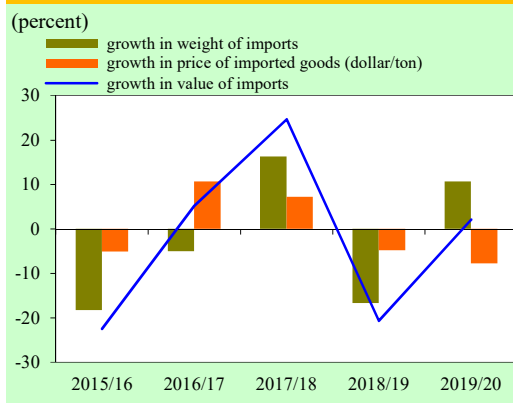


Figure 12.3. Composition of Imports by Use

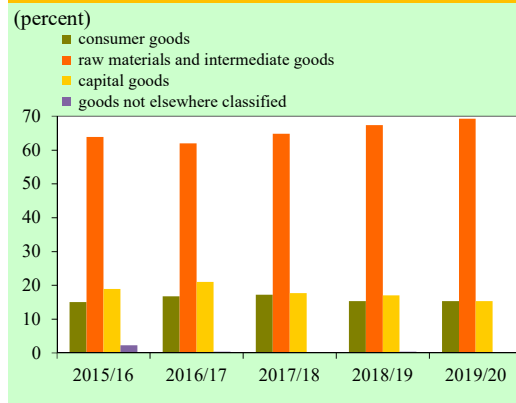


Table 12.2. Composition of Imports by Use¹

(million dollars)

	2017/18	2018/19	2019/20 □	Percentage change		Share (percent)	
				2018/19	2019/20	2018/19	2019/20
Raw materials and intermediate goods	35,279	29,042	30,505	-17.7	5.0	67.3	69.2
Capital goods	9,640	7,332	6,746	-23.9	-8.0	17.0	15.3
Consumer goods	9,362	6,623	6,727	-29.3	1.6	15.3	15.3
Goods not elsewhere classified	178	172	113	-3.4	-34.2	0.4	0.3
Total	54,459	43,169	44,092	-20.7	2.1	100.0	100.0

Source: Iran's Customs Administration

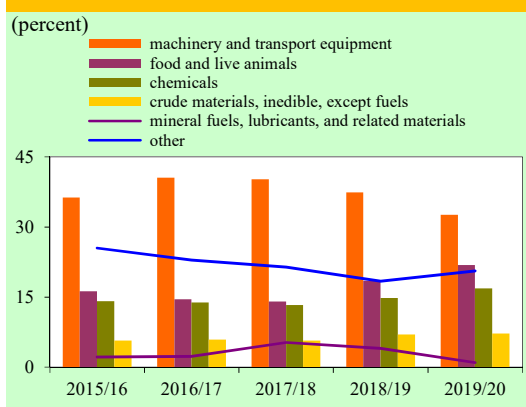
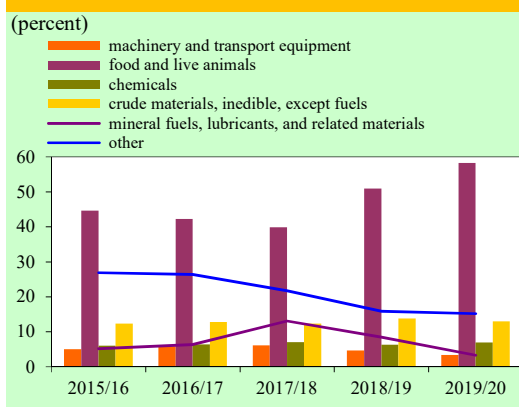
¹ Breakdown is based on the CBI's guidelines.

Table 12.3. Value of Imports by Major Components

(million dollars)

	2017/18	2018/19	2019/20 □	Percentage change		Share (percent)	
				2018/19	2019/20	2018/19	2019/20
Machinery and transport equipment	21,916	16,151	14,373	-26.3	-11.0	37.4	32.6
Food and live animals	7,638	7,971	9,596	4.4	20.4	18.5	21.8
Chemicals	7,234	6,386	7,419	-11.7	16.2	14.8	16.8
Crude materials, inedible, except fuels	3,129	3,024	3,157	-3.4	4.4	7.0	7.2
Other	14,542	9,637	9,546	-33.7	-0.9	22.3	21.7
Total	54,459	43,169	44,092	-20.7	2.1	100.0	100.0

Source: Iran's Customs Administration

Figure 12.4. Composition of Imports in Terms of Value

Figure 12.5. Composition of Imports in Terms of Weight


China, the United Arab Emirates, Turkey, India, Germany, Russia, Switzerland, the United Kingdom, Italy, and the Netherlands were Iran's main trading partners in terms of imports in 2019/20, ranking 1st to 10th. The Republic of Korea, which was on the 7th place in 2018/19, stood at the 11th place in 2019/20. The United Kingdom entered the list in 2019/20, ranking 8th. Concentration indices¹ of Iran's imports from the first 3, 5 and 10 countries increased to respectively 57.3, 70.5 and 82.9 percent in 2019/20. Meanwhile, the value of imports from Asia, as the most important provider of Iran's import requirements, rose from \$28.7 billion in 2018/19 to \$33.1 billion in 2019/20, with its share rising by 8.5 percentage points

compared with 2018/19. Conversely, the share of Europe fell by 8.1 percentage points with the value of imports from Europe decreasing by 25.0 percent to reach \$9.8 billion in 2019/20. The shares of America, Africa, and Oceania in Iran's total value of imports decreased slightly, when compared with 2018/19. The value of imports from the ESCAP member states amounted to \$27.4 billion in 2019/20, constituting a share of 62.1 percent in the total value of imports. Moreover, imports from the EU, ECO, and ACU member countries totaled \$7.4 billion, \$5.8 billion, and \$4.2 billion, respectively, accounting for 16.9, 13.1 and 9.6 percent of the total value of imports through Customs in 2019/20.

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.

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12.3. Exports

The value and weight of exports¹ reached \$40.9 billion and 133.3 million tons in 2019/20, up by respectively 3.3 and 23.2 percent compared with 2018/19. "Industrial goods" experienced a growth rate of 4.4 percent, while "agricultural and traditional goods" indicated a decrease of 4.0 percent and "metallic mineral ores" showed a decline of 4.8 percent in terms of the value of exports. The value of exports per ton fell by about 16.2 percent and reached \$307 in 2019/20.

The total value of industrial exports amounted to \$34.7 billion in 2019/20. The share of the exports of industrial goods in the total value of exports through Customs reached 84.9 percent in 2019/20, indicating an increase of 0.9 percentage point compared with the year before. "Gas and oil

products", "basic metals and articles of basic metals", and "rubber and plastics products" enjoyed the highest shares in the value of industrial exports.

Figure 12.6. Growth Rate of Exports

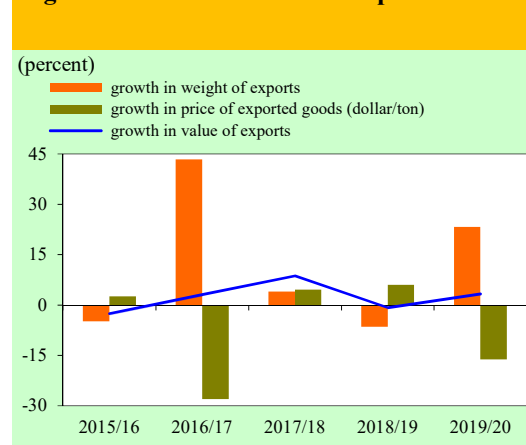


Table 12.4. Value of Exports¹ (through Customs)

(million dollars)

	2017/18	2018/19	2019/20 □	Percentage change		Share (percent)	
				2018/19	2019/20	2018/19	2019/20
Agricultural and traditional goods	5,702	5,186	4,978	-9.0	-4.0	13.1	12.2
Metallic mineral ores	1,868	1,139	1,085	-39.0	-4.8	2.9	2.7
Industrial goods	32,194	33,233	34,704	3.2	4.4	84.0	84.9
Goods not elsewhere classified	156	22	119	-86.2	451.1	0.1	0.3
Total	39,920	39,580	40,886	-0.8	3.3	100.0	100.0

Source: Iran's Customs Administration

¹ Excludes natural gas condensate.

Table 12.5. Value of Exports of Industrial Goods¹

(million dollars)

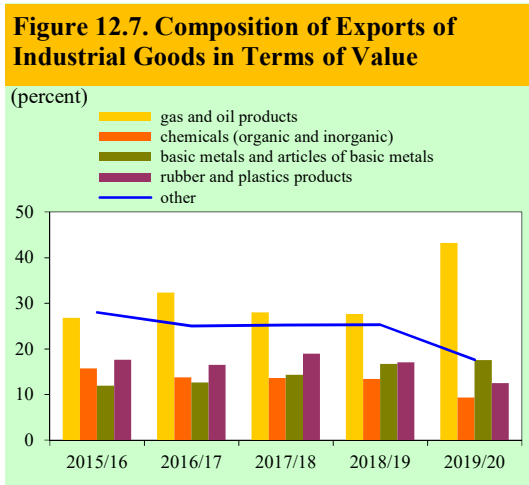
	2017/18	2018/19	2019/20 □	Percentage change		Share (percent)	
				2018/19	2019/20	2018/19	2019/20
Gas and oil products	9,017	9,184	14,998	1.9	63.3	27.6	43.2
Chemicals (organic and inorganic)	4,386	4,469	3,210	1.9	-28.2	13.4	9.3
Basic metals and articles of basic metals ²	4,594	5,537	6,063	20.5	9.5	16.7	17.5
Rubber and plastics products	6,076	5,639	4,333	-7.2	-23.2	17.0	12.5
Other	8,120	8,404	6,100	3.5	-27.4	25.3	17.6
Total	32,194	33,233	34,704	3.2	4.4	100.0	100.0

Source: Iran's Customs Administration

¹ Excludes natural gas condensate.

² Includes "cast iron, iron, steel and their articles" and "aluminum, copper, zinc and articles thereof" groups.

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



The value of the exports of agricultural and traditional goods decreased by 4.0 percent to \$5.0 billion in 2019/20. The share of this group in the total value of exports through Customs reached 12.2 percent, indicating a decrease of 0.9 percentage point compared with the year before. "Live animals", "handwoven carpets", "casings", "all kinds of hides and leather", and "saffron", experiencing the highest decreases compared with other groups, had a large impact on the decline in the value of the exports of agricultural and traditional goods.

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

exports in 2019/20 belonged to "mineral fuels, lubricants, and related materials" by 36.6 percent, followed by "chemicals" by 20.3 percent, and "food and live animals" by 13.6 percent. The total share of these groups in the value of exports was almost 70.6 percent, indicating a rise of 5.3 percentage points compared with 2018/19. "Mineral fuels, lubricants, and related materials", "manufactured goods", "crude materials, inedible, except fuels", and "chemicals" enjoyed the highest shares of the increase in the weight of exports by 34.1, 27.0, 16.8 and 16.2 percent, respectively. These groups together accounted for 94.1 percent of the total weight of exports, up by 1.1 percentage points compared with the year before.

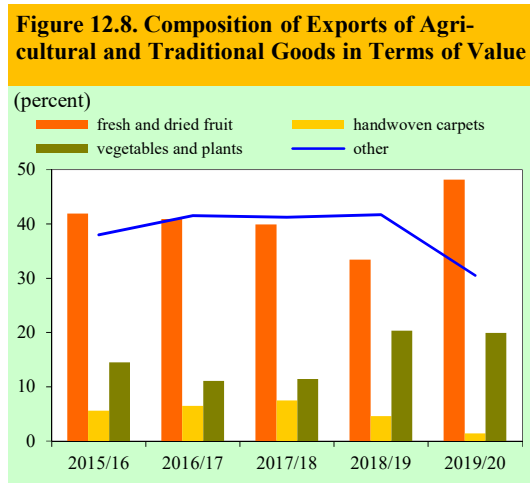


Table 12.6. Value of Exports of Agricultural and Traditional Goods¹ (million dollars)

	2017/18	2018/19	2019/20 □	Percentage change		Share (percent)	
				2018/19	2019/20	2018/19	2019/20
Fresh and dried fruit	2,273	1,731	2,394	-23.8	38.3	33.4	48.1
Handwoven carpets	426	239	72	-43.9	-69.9	4.6	1.4
Vegetables and plants	653	1,055	993	61.7	-5.9	20.3	19.9
Other	2,350	2,161	1,520	-8.1	-29.7	41.7	30.5
Total	5,702	5,186	4,978	-9.0	-4.0	100.0	100.0

Source: Iran's Customs Administration

¹ Excludes natural gas condensate.

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Table 12.7. Value of Exports according to International Classification of Goods¹ (million dollars)

	2017/18	2018/19	2019/20 □	Percentage change		Share (percent)	
				2018/19	2019/20	2018/19	2019/20
Food and live animals	6,106	5,964	5,573	-2.3	-6.6	15.1	13.6
Mineral fuels, lubricants, and related materials	9,004	9,161	14,974	1.8	63.4	23.1	36.6
Chemicals	11,310	10,725	8,317	-5.2	-22.5	27.1	20.3
Machinery and transport equipment	1,125	1,607	1,069	42.9	-33.5	4.1	2.6
Other	12,375	12,122	10,954	-2.0	-9.6	30.6	26.8
Total	39,920	39,580	40,886	-0.8	3.3	100.0	100.0

Source: Iran's Customs Administration

¹ Excludes natural gas condensate.

Based on the international classification of goods, Iran was a net exporter of "mineral fuels, lubricants, and related materials", "manufactured goods", "chemicals", and "goods not elsewhere classified" in 2019/20. On the other hand, the country was a net importer of "machinery and transport equipment", "food and live animals", "crude materials, inedible, except fuels", "animal and vegetable oils, fats, and waxes", "miscellaneous manufactured articles", and "beverages and tobacco". "Mineral fuels, lubricants, and related materials" group enjoyed the highest positive balance, while the highest negative balance was related to "machinery and transport equipment".

Reviewing the distribution of exports by country group indicates that the value of Iran's exports to ESCAP and ECO member countries increased to \$24.3 billion and \$9.7 billion, respectively. Conversely, exports to ACU and EU member states decreased to \$3.1 billion and \$0.7 billion, respectively.

12.4. Terms of Trade ¹

Decreases in the per-ton value of exports and imports by respectively 16.2 and 7.8 percent weakened the country's terms of trade position. Therefore, the terms of trade decreased by 9.1 percent to 0.249 in 2019/20 as against 0.274 in 2018/19.

Figure 12.9. Terms of Trade

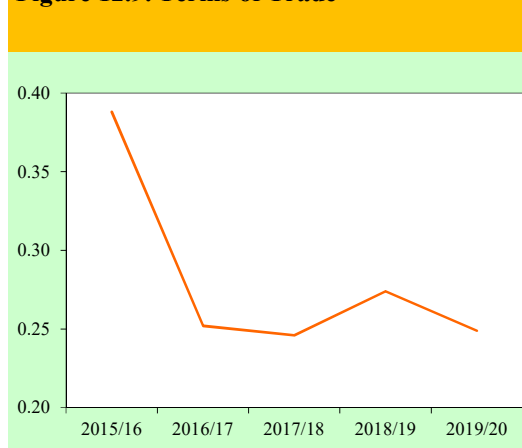


Table 12.8. Terms of Trade (through Customs)

(dollars)

	2017/18	2018/19	2019/20 □	Percentage change	
				2018/19	2019/20
Value of exports per ton ¹	345	366	307	6.0	-16.2
Value of imports per ton	1,402	1,334	1,231	-4.8	-7.8
Terms of trade²	0.246	0.274	0.249	11.4	-9.1

Source: Iran's Customs Administration. ¹ Excludes natural gas condensate. ² The value of exports per ton divided by the value of imports per ton.

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

12.5. Developments in Foreign Exchange and Gold Markets

One of the most important factors affecting the global economy as well as monetary policymaking in 2019/20 was the reescalation of trade tensions between China and the US, combined with the decline in global demand and the slowdown in world economic growth, which was in turn due to risks and resulted uncertainties. In addition, the outbreak of COVID-19 in December 2019 had a detrimental impact on the economy of many countries. The United Kingdom, for instance, was among countries witnessing unstable conditions in 2019/20, under the weight of prolonged political and economic uncertainties emanating from the country's withdrawal from the European Union. Furthermore, the Federal Reserve reduced the key interest rates in different stages during the same year, in reaction to the political and economic climate in the United States, reversing the upward trend of the interest rate started as of March 2016. Meanwhile, the decline in global demand slowed the Eurozone's economic development, prompting the European Central Bank to embark on a new round of quantitative easing policies. Finally, the combination of the economic and monetary policies adopted by different countries caused the parity rate of the US dollar to increase against the euro and the British pound in 2019/20. On the other hand, the parity rate of the US dollar decreased against the Japanese yen (one hundred) and the Swiss franc. In the same period, the price of an ounce of gold grew in global markets, due to rising political and economic tensions throughout the world as well as continued decreases in key interest rates in the US.

Iran's foreign exchange market, however, experienced relatively more stable conditions in 2019/20 than the year before. This was

mainly owing to the monetary and trade policy measures put in place by the CBI and the government. Notwithstanding the said measures, certain developments led to the destabilization of the foreign exchange market. These destabilizing factors include the continuation of economic sanctions, the cancellation of waivers for eight countries importing oil from Iran as of May 2019, the intensification of political disputes, the increased risk of a military conflict between Iran and the US, the outbreak of COVID-19, the contraction of the business cycle, and the fall in oil prices during January-March 2020.

12.6. Foreign Exchange Market and Local Currency

12.6.1. Rial vs. Hard Currencies

Pursuant to the approval of the Government's Economic Coordination Headquarters in April 2018, the US dollar parity rate was set at Rls. 42,000 for all foreign exchange uses. Accordingly, each dollar was offered at the same fixed rate of Rls. 42,000 on average in the official foreign exchange market in 2019/20. In addition, the British pound, the euro, the Swiss franc, and the Japanese yen (one hundred) were offered at average rates of 53,579, 46,749, 42,552 and 38,637 Iranian rials, respectively, in the official market. On this basis, the parity rates of the euro and the British pound against the Iranian rial fell by respectively 4.0 and 2.9 percent compared with the year before, while the parity rates of the Swiss franc and the Japanese yen (one hundred) against the Iranian rial rose by respectively 0.3 and 1.9 percent compared with 2018/19. Meanwhile, the coefficients of variation¹ of the US dollar, British pound, euro, Swiss franc, and Japanese yen (one hundred) were lower

¹ Standard deviation divided by mean.

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in 2019/20 compared with 2018/19. The highest coefficient of variation (2.62) was related to the British pound.

Despite the cancellation of waivers for countries importing oil from Iran as of May 2019, the US dollar started a downward trend in the unofficial market, which continued until November 2019. This was in response to the news surrounding FATF's decision to renew the suspension of counter-measures against Iran as well as the CBI's concerted effort for the design of a new policy package for the exporters to repatriate their proceeds. Other effective factors were the management of speculative demand for foreign exchange through both continued implementation of policies to strengthen rial and effective intervention in the foreign exchange market with the aim of the maintenance of foreign reserves and the timely provision of the required foreign exchange for the imports of essential goods. However, the foreign exchange started an upward trend in the unofficial market as of November 2019 until March 2020, attributable to some particular economic and political circumstances in the second half of the year (starting as of October 2019). These factors included the rise in gas prices in November 2019, with its ensuing effect on

the formation of negative expectations, and the likelihood of a military conflict between the US and Iran, as a result of escalating tensions between the two countries. Other factors included the reinstatement of counter-measures against Iran following its inclusion on the FATF's blacklist and sharp decline in oil prices in the aftermath of the outbreak of COVID-19, which adversely affected the expectations of economic players in the foreign exchange market.

The parity rate of the US dollar against the Iranian rial increased by 25.0 percent in the unofficial market to reach Rls. 129,185 in 2019/20. The parity rates of the Swiss franc, the Japanese yen (one hundred), the British pound, and the euro against the Iranian rial increased by 26.3, 25.6, 21.4 and 20.0 percent, respectively.

12.6.2. Developments in the Interbank Foreign Exchange Market

The value of the interbank market transactions (in Chinese yuan, euro, UAE dirham, US dollar, and other currencies) fell by 16.5 percent to \$32,504 million. The Chinese yuan enjoyed the highest share in the inter-bank market transactions by 26.7 percent, up by 0.6 percentage point.

Figure 12.10. Developments of the US Dollar in the Official Market

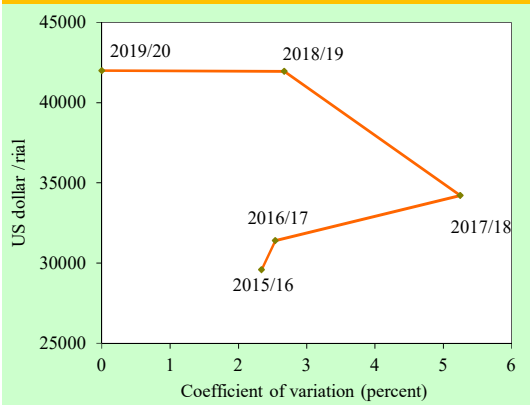
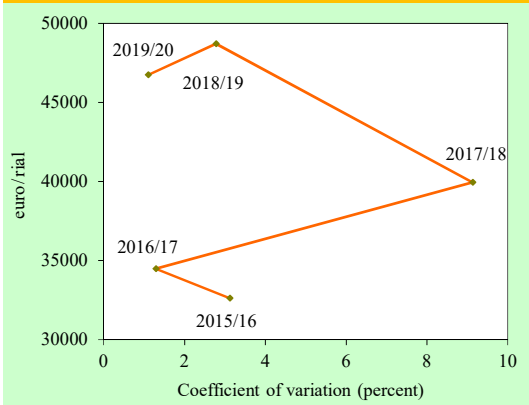


Figure 12.11. Developments of the Euro in the Official Market



The share of the euro decreased by 19.4 percentage points to 26.4 percent, while that of the US dollar increased by 10.6 percentage points to 12.4 percent, compared with 2018/19. The UAE dirham had a share of

17.0 percent in the total value of interbank market transactions. In 2019/20, the total share of other currencies reached 17.4 percent, indicating a decrease of 6.8 percentage points compared with 2018/19.

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

	2017/18	2018/19	2019/20	Percentage change		Share (percent)	
				2018/19	2019/20	2018/19	2019/20
Chinese yuan	6,405	10,149	8,678	58.5	-14.5	26.1	26.7
Euro	18,690	17,859	8,595	-4.4	-51.9	45.9	26.4
UAE dirham	10,165	786	5,523	-92.3	#	2.0	17.0
US dollar	90	712	4,046	#	468.3	1.8	12.4
Other	7,641	9,421	5,661	23.3	-39.9	24.2	17.4
Total	42,991	38,927	32,504	-9.5	-16.5	100.0	100.0

Table 12.10. Rates of Major Currencies against the Iranian Rial in the Official Market

	2017/18		2018/19		2019/20		Average annual growth (2019/20 compared with 2018/19, %)
	Average annual	Coefficient of variation	Average annual	Coefficient of variation	Average annual	Coefficient of variation	
US dollar	34,214	5.25	41,950	2.67	42,000	0.00	0.1
Euro	39,949	9.13	48,715	2.78	46,749	1.10	-4.0
British pound	45,277	8.48	55,188	3.01	53,579	2.62	-2.9
Japanese yen (one hundred)	30,846	6.27	37,901	2.34	38,637	1.51	1.9
Swiss franc	35,231	6.51	42,419	2.25	42,552	1.63	0.3

Table 12.11. Rates of Major Currencies against the Iranian Rial in the Unofficial Market

	2017/18		2018/19		2019/20		Average annual growth (2019/20 compared with 2018/19, %)
	Average annual	Coefficient of variation	Average annual	Coefficient of variation	Average annual	Coefficient of variation	
US dollar	40,453	7.92	103,378	30.58	129,185	9.56	25.0
Euro	48,080	11.74	120,275	29.44	144,277	9.72	20.0
British pound	54,458	12.82	135,039	27.98	163,926	10.79	21.4
Japanese yen (one hundred)	37,167	9.52	94,866	26.88	119,138	9.01	25.6
Swiss franc	42,642	10.48	103,076	29.14	130,176	9.50	26.3

Table 12.12. Average Prices of Gold Coins (million rials)

	2017/18	2018/19	2019/20	Percentage change	
				2018/19	2019/20
One-quarter gold coin	3.9	10.3	15.1	160.4	46.6
Half gold coin	6.8	17.8	24.1	162.7	35.2
Full Bahar Azadi gold coin (old design)	12.9	33.7	45.2	160.5	34.2
Full Bahar Azadi gold coin (new design)	13.3	35.5	46.2	168.0	29.9