

12.1 Balance of Payments Developments

I ran's balance of payments position was impacted by two exogenous shocks in 2020/21, namely the intensification of financial sanctions, which curtailed trade operations with the outside world, and the outbreak of COVID-19, which negatively affected different economic activities at a global level and limited passenger and freight transport following the measures taken to prevent the spread of the virus. Accordingly, the global oil demand as well as the prices of oil and raw materials decreased, ultimately leading to a decline in oil and non-oil exports. The said developments caused the goods account to post a deficit in 2020/21. Thus, despite a decrease in the deficit of the services account, the current account registered a deficit in the year under review. Moreover, the capital

and financial account had a debit balance in 2020/21, mainly due to the payments out of the capital account.

12.1.1. Current Account

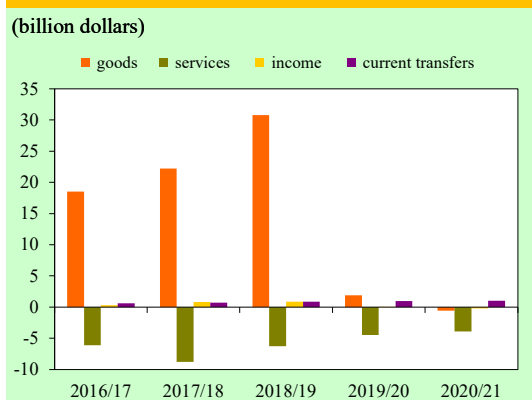
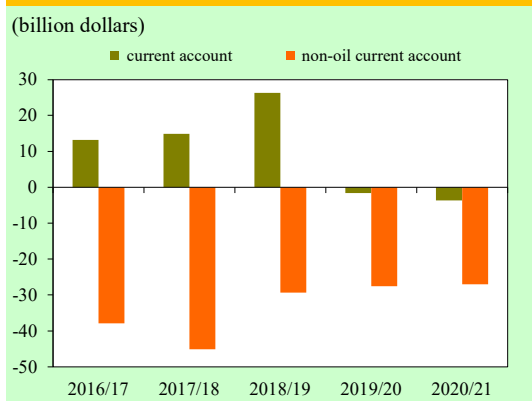
The current account ran a deficit of \$3.7 billion in 2020/21, mainly attributable to the developments in its components. The goods account ran a deficit of \$591 million as against a surplus of \$1.9 billion in the year before. In addition, the services account posted a deficit of \$3.9 billion, indicating a decrease of 14.5 percent compared with 2019/20. In contrast to the income account, which recorded a deficit, the current transfers account experienced a surplus of \$998 million, up by 4.7 percent compared with 2019/20. Thus, the deficit in the current account can be attributed to the deficit in the goods, services, and income accounts.

Table 12.1. Current Account

(million dollars)

	2018/19□	2019/20□	2020/21□	Percentage change	
				2019/20	2020/21
Current account	26,241	-1,652	-3,651	N/A	121.0
Goods	30,804	1,885	-591	-93.9	N/A
Services	-6,278	-4,504	-3,853	-28.3	-14.5
Income	875	14	-206	-98.4	N/A
Current transfers	841	953	998	13.3	4.7
Non-oil current account ¹	-29,322	-27,591	-26,963	-5.9	-2.3

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 12.1. Components of Current Account**Figure 12.2. Comparison of Current Account with Non-oil Current Account****12.1.1.1. Goods Account (trade balance)**

In 2020/21, the value of the exports of goods (FOB)¹ amounted to \$51.6 billion, down by 14.0 percent and that of the imports

of goods totaled \$52.2 billion, indicating a decrease of 10.2 percent compared with the year before. Therefore, the goods account registered a deficit of \$591 million in the year under review, as against a surplus of \$1.9 billion in the year before. In 2020/21, a decline of 10.0 percent in the imports of non-oil goods (FOB) as well as a decrease of 16.6 percent in non-oil exports led to a reduction by 0.6 percent in the deficit of the non-oil goods account to bring it to \$23.9 billion. Meanwhile, the share of oil exports in the total value of the exports of goods increased by about 1.7 percentage points compared with the year before, to reach 45.2 percent in 2020/21. Oil exports as recorded in Customs data amounted to \$8.2 billion, indicating a decrease of 28.8 percent compared with 2019/20.

The total value of the imports of goods (FOB) amounted to \$52.2 billion in 2020/21, indicating a decrease of 10.2 percent compared with the year before. Of note, the value of imports through Customs (CIF), as an important component of the balance of payments, declined by 11.8 percent compared with 2019/20. It is also important to note that the ratio of the current account to GDP was -1.5 percent in the year under review, as against -0.6 percent in 2019/20. The ratio of the exports of goods and that of the imports of goods to GDP were higher than the respective ratios in the year before. Meanwhile, the ratio of the goods account to GDP decreased to -0.2 percent.

Table 12.2. Goods Account

	2018/19□	2019/20□	2020/21□	(million dollars)	
				Percentage change 2019/20	2020/21
Goods account (trade balance)	30,804	1,885	-591	-93.9	N/A
Exports (FOB)	92,651	59,975	51,601	-35.3	-14.0
Imports (FOB)	61,847	58,090	52,191	-6.1	-10.2
Non-oil goods account (trade balance)	-24,760	-24,054	-23,902	-2.9	-0.6
Non-oil exports (FOB)	35,652	33,926	28,289	-4.8	-16.6
Non-oil imports (FOB)	60,412	57,979	52,191	-4.0	-10.0

¹ Includes trade through customs and non-customs channels.

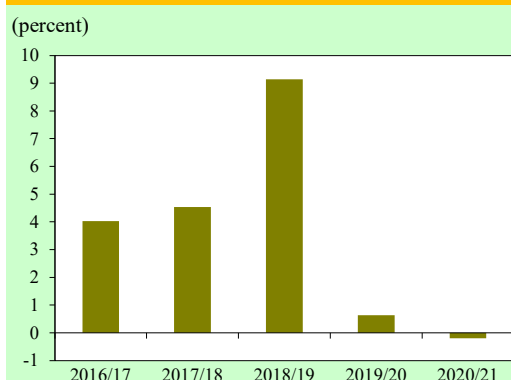
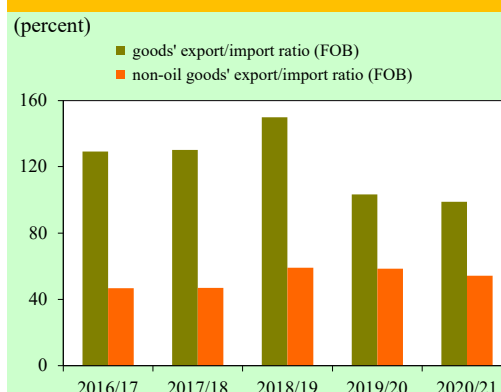
Table 12.3. Exports

(million dollars)

	2018/19□	2019/20□	2020/21□	Percentage change		Share (percent)	
				2019/20	2020/21	2019/20	2020/21
Exports of goods (FOB)	92,651	59,975	51,601	-35.3	-14.0	100.0	100.0
Oil exports¹	56,999	26,049	23,312	-54.3	-10.5	43.4	45.2
Recorded in Customs data ²	6,385	11,470	8,171	79.6	-28.8	19.1	15.8
Non-oil exports	35,652	33,926	28,289	-4.8	-16.6	56.6	54.8

¹Includes 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).

²Includes 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.

Figure 12.3. Ratio of Goods Account (Trade Balance) to GDP (base year 2016/17)**Figure 12.4. Export/Import Ratio (value)****Table 12.4. Imports**

(million dollars)

	2018/19□	2019/20□	2020/21□	Percentage change	
				2019/20	2020/21
Total imports (FOB)	61,847	58,090	52,191	-6.1	-10.2
Gas and oil products ¹	1,435	111	0.1	-92.3	-99.9
Other goods (non-oil imports)	60,412	57,979	52,191	-4.0	-10.0

¹Includes 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 12.5. Ratio of Current Account, Goods Account, and Exports and Imports of Goods to GDP (at market and current prices)¹

(percent)

	2018/19▲□	2019/20▲□	2020/21□
Current account to GDP	7.8	-0.6	-1.5
Goods account to GDP	9.1	0.6	-0.2
Exports of goods to GDP	27.5	20.3	21.3
Imports of goods to GDP	18.3	19.6	21.5

¹ GDP in US dollars is calculated through the weighted average of the preferential exchange rate and the telegraphic transfer (TT) exchange rate of the US dollar in the NIMA platform, based on the share of the two exchange rates in financing the import requirements.

12.1.1.2. Services Account

The deficit of the services account fell by 14.5 percent to \$3.9 billion in 2020/21. Exports and imports of services decreased by 66.8 and 52.1 percent compared with the year before. The main reason behind the reduction in the exports and imports of services was the decrease in the cross-border transport of freight and passengers, which was in turn due to the international travel restrictions, the shrinkage in international trade with the consequent decline in the costs of passenger and freight transport, and the fall in the trade of travel-related services. It should be noted that the cross-border passenger transport from/to the country (exit of Iranian nationals from the country and entry of foreign nationals to Iran) decreased by about 90.0 percent compared with the year before.

12.1.1.3. Income Account

Net transactions under the income account, including receipts and payments out of the "compensation of employees", "investment income", and "investment expenditure" is indicative of the payment of \$206 million by residents for the services provided by non-resident workers in 2020/21. Receipts from the "compensation of employees" and "investment income" fell by 85.2 and 30.2 percent, respectively, leading to a decline in total receipts from the income account by 39.5 compared with 2019/20. Payments out of "compensation of employees" and "investment expenditure" decreased by 10.6 and 31.3 percent, respectively. Overall, the balance of the income account ran a deficit of \$206 million, mainly attributable to the higher decrease in the credit than the debit of the income account.

Table 12.6. Services Account

(million dollars)

	2018/19□	2019/20□	2020/21□	Percentage change		Share (percent)	
				2019/20	2020/21	2019/20	2020/21
Services account	-6,278	-4,504	-3,853	-28.3	-14.5	N/A	N/A
Credit (exports)	11,860	11,509	3,824	-3.0	-66.8	100.0	100.0
Transportation	3,860	3,762	2,068	-2.5	-45.0	32.7	54.1
Travel	5,942	6,345	422	6.8	-93.4	55.1	11.0
Construction services	728	156	281	-78.6	79.9	1.4	7.3
Other	1,330	1,246	1,053	-6.3	-15.5	10.8	27.5
Debit (imports)	18,138	16,013	7,677	-11.7	-52.1	100.0	100.0
Transportation	3,208	4,113	2,429	28.2	-40.9	25.7	31.6
Travel	9,674	9,012	2,549	-6.8	-71.7	56.3	33.2
Construction services	2,335	36	124	-98.4	240.6	0.2	1.6
Other	2,921	2,852	2,575	-2.4	-9.7	17.8	33.5

Table 12.7. Income Account

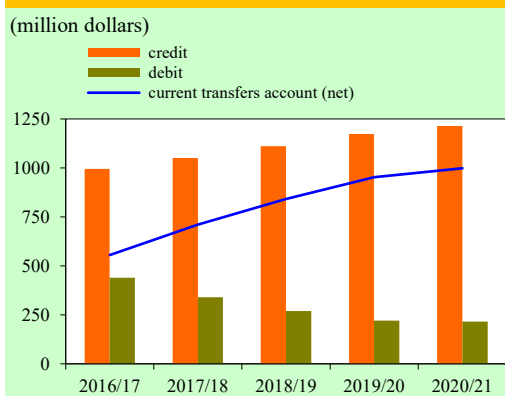
(million dollars)

	2018/19□	2019/20□	2020/21□	Percentage change	
				2019/20	2020/21
Income account	875	14	-206	-98.4	N/A
Credit	2,897	2,122	1,284	-26.7	-39.5
Compensation of employees	366	358	53	-2.2	-85.2
Investment income	2,531	1,765	1,231	-30.3	-30.2
Debit	2,022	2,109	1,490	4.3	-29.3
Compensation of employees	216	204	183	-5.5	-10.6
Investment expenditure	1,806	1,904	1,308	5.5	-31.3

12.1.1.4. Current Transfers Account

In 2020/21, the net surplus of the current transfers account amounted to \$998 million. This indicated an increase of 4.7 percent compared with the surplus of this account in 2019/20.

Figure 12.5. Current Transfers Account



12.1.2. Capital and Financial Account

The debit to the capital and financial account reached \$4.4 billion in 2020/21, mainly attributable to the transactions under the capital account. The capital account mainly includes capital transfers (debt relief or immigrants' transfers) and transaction of

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

12.1.2.1. Capital Account

The debit to the capital account totaled \$5.9 billion in 2020/21, 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 6,924 residential units in Turkey in 2020/21. It is important to note that Iranians had purchased 6,341 residential units in Turkey in 2019/20, lower than this year's figure by 583 residential units.

12.1.2.2. Financial Account

The credit of the financial account totaled \$1.5 billion in 2020/21, indicating a fall of 69.7 percent compared with the year before. Meanwhile, the direct investment account indicated net inflows of \$1.4 billion in the year under review. However, the debit to the "other investment" account under the financial account was approximately \$2.0 billion in 2020/21.

Table 12.8. Capital and Financial Account

	2018/19□	2019/20□	2020/21□	(million dollars)	
				Percentage change	
				2019/20	2020/21
Capital and financial account	-19,815	-1,036	-4,398	-94.8	324.3
Capital account	-5,522	-6,019	-5,906	9.0	-1.9
Financial account	-14,293	4,982	1,508	N/A	-69.7

12.1.2.2.1. Direct Investment

In 2020/21, net¹ capital inflows in the form of direct investment, including investments done under Foreign Investment Promotion and Protection Act and investments in the oil and gas industry under buyback, Build-Operate-Transfer (BOT), and partnership contracts, amounted to \$1.4 billion. This indicated an increase of 182.6 percent compared with the year before.

12.1.2.2.2. Inflows in the Form of FDI

According to the Organization for Investment, Economic and Technical Assistance of Iran (OIETAI), inflows decreased by 6.8 percent to \$877 million² in 2020/21. Out of this amount, \$445 million worth of foreign direct investment was under Foreign Investment Promotion and Protection Act and \$170 million was related to foreign investment in Free Economic Zones (a total of \$615 million), indicating a decrease of 21.3 percent compared with 2019/20. Moreover, FDI inflows under buyback contracts in the oil and gas industry amounted to \$35 million in the year under review. Investment in the form of "other investment" (partnership contracts, Build-Operate-Transfer (BOT), buyback contracts excluding oil and gas, and portfolio investment) totaled \$227 million in 2020/21.

12.1.2.2.3. Portfolio Investment

The credit of the "portfolio investment" account (net), under the financial account, amounted to \$129 million, mainly attributable to the decrease in banks' foreign assets under the "stock and foreign partnership account" heading. This indicated a rise of 99.6 percent compared with 2019/20.

12.1.2.2.4. Other Investment

The debit to the "other investment" account), under the financial account, was \$2.0 billion in 2020/21. The debit of financial assets (residents' financial claims on non-residents) increased by \$3.5 billion compared with 2019/20. Meanwhile, liabilities to foreign residents increased by \$1.5 billion, up by 151.9 percent compared with the year before. The main factor behind the increase in liabilities under the "other investment" heading was the rise in trade credits, foreign currency deposits, and outstanding debt.

**12.1.2.2.5. 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 \$2 billion in 2020/21 compared with 2019/20.

Table 12.9. Financial Account

(million dollars)

	2018/19□	2019/20□	2020/21□	Percentage change	
				2019/20	2020/21
Financial account	-14,293	4,982	1,508	N/A	-69.7
Direct investment	2,020	491	1,388	-75.7	182.6
Portfolio investment	-503	65	129	N/A	99.6
Other investment	-5,930	5,098	-1,981	N/A	N/A
Reserve assets (foreign assets of the CBI)	-9,880	-671	1,972	-93.2	N/A

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

² According to the OIETAI, FDI inflows amounted to \$1,389 million in 2020/21, of which \$877 million is mentioned in Table 12.10. The remaining \$511.8 million was absorbed by ministries, companies, public organizations, municipalities, and foreign investment services centers in provinces.

Table 12.10. Inflows in the Form of FDI

(million dollars)

	2018/19▲	2019/20▲	2020/21□	Percentage change	
				2019/20	2020/21
Foreign direct investment	1,293	941	877	-27.2	-6.8
FDI inflows under Foreign Investment Promotion and Protection Act and investment in free economic zones	900	781	615	-13.1	-21.3
Investment in oil and gas industry under buyback contracts	390	45	35	-88.5	-22.2
Other investment	4	115	227	#	97.5

Source: Organization for Investment, Economic and Technical Assistance of Iran (OIETAI)

12.2. External Debt

Foreign exchange obligations (actual and contingent) totaled \$19.9 billion in March 2021. Of this amount, \$10.8 billion was related to contingent obligations, constituting a share of 54.2 percent in total.

The value of actual obligations (external debt) rose by 1.2 percent to \$9.1 billion. Out of this amount, \$7.2 billion was related to medium- and long-term debt and \$2.0 billion was in the form of short-term debt.

Table 12.11. Foreign Exchange Obligations¹

(million dollars)

	March 2019▲	March 2020▲	March 2021□	Percentage change	
				March 2020	March 2021
Actual obligations (external debt)	10,530	9,031	9,142	-14.2	1.2
Medium- and long-term	8,028	7,492	7,176	-6.7	-4.2
Short-term	2,502	1,539	1,966	-38.5	27.8
Contingent obligations	17,426	13,383	10,807	-23.2	-19.2
Total	27,955	22,414	19,949	-19.8	-11.0

Source: Foreign Exchange Statistics and Research Department, CBI

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