

12.1 Balance of Payments Developments

In 2021/22, following the easing of the COVID-19 restrictions and a resurgence in economic activities, global economic growth strengthened, leading to increased global demand. This, in turn, resulted in a rise in the prices of primary commodities and energy in the international markets. Additionally, transportation costs were affected by rising fuel prices due to port congestion and disruptions in the production chain, further intensifying the upward trend in prices. Restrictions on cross-border transport of freight and passengers were also lifted to some extent. Collectively, these factors contributed to the improved performance of the exports and imports of both goods and services, positively impacting the country's balance of payments and resulting in a surplus in the current account, a notable turnaround from the deficit registered in 2020/21. However, this year also witnessed

a remarkable increase in the capital and financial account deficit compared with the year before, mainly due to a rise in claims (net) by residents on abroad.

12.1.1. Current Account

The current account ran a surplus of \$11.1 billion in 2021/22, despite a deficit of \$3.7 billion in 2020/21. The main reason behind the surplus in the current account in the year under review was the significant rise in the value of the oil and non-oil exports, leading to a surplus of \$15.8 billion in the goods account in 2021/22 as against a deficit of \$591 million in 2020/21. The increase in the value of the exports and imports of services in 2021/22 brought the deficit of the services account to \$5.4 billion. In 2021/22, the income account registered a deficit of \$495 million, while the current transfers account experienced a surplus of \$1.2 billion.

Table 12.1. Current Account

(million dollars)

	2019/20 □	2020/21 □	2021/22 □	Percentage change	
				2020/21	2021/22
Current account	-1,652	-3,651	11,144	121.0	N/A
Goods	1,885	-591	15,844	N/A	N/A
Services	-4,504	-3,853	-5,359	-14.5	39.1
Income	14	-206	-495	N/A	140.0
Current transfers	953	998	1,153	4.7	15.6
Non-oil current account ¹	-27,591	-26,963	-27,579	-2.3	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

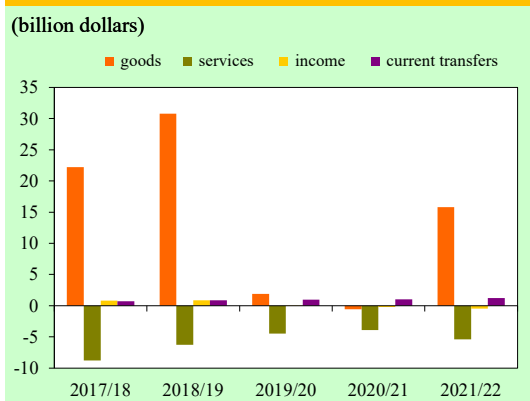
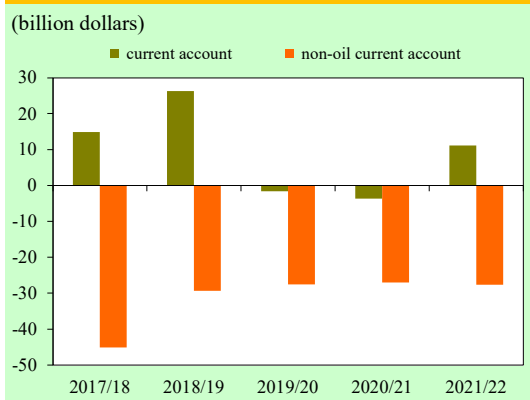


Figure 12.2. Comparison of Current Account with Non-oil Current Account



12.1.1.1. Goods Account (trade balance)

In 2021/22, the value of the exports of goods (FOB)¹ amounted to \$79.5 billion, up

by 54.0 percent and that of the imports of goods (FOB) totaled \$63.6 billion, showing an increase of 21.9 percent compared with the year before. Thus, the goods account registered a surplus of \$15.8 billion in the year under review, as against a deficit of \$591 million in the year before. To explain the increase in the value of the exports and imports of goods, it is important to note that the rise in global energy prices, driven by heightened economic activity following the easing of COVID-19 restrictions, caused a rise in the price of Iran's crude oil exports. Consequently, the value of the country's oil exports surged by 66.1 percent in 2021/22 compared with the previous year, reaching \$38.7 billion.

Additionally, the increase in the weight of the non-oil exports as well as the imports of goods, which resulted from the easing of restrictions on the cross-border transport of goods, combined with the increase in the prices of primary goods in global markets due to heightened demand in most countries, contributed to growth in the value of the non-oil exports and imports in the balance of payments in 2021/22. Consequently, the value of the non-oil exports experienced an increase of 44.0 percent compared with the year before, to amount to \$40.7 billion in 2021/22. Furthermore, the CIF value of the imports of goods through Customs, as an important component of the balance of payments, increased by 36.3 percent.

Table 12.2. Goods Account

	(million dollars)				
	2019/20 □	2020/21 □	2021/22 □	Percentage change	
				2020/21	2021/22
Goods account (trade balance)	1,885	-591	15,844	N/A	N/A
Exports (FOB)	59,975	51,601	79,470	-14.0	54.0
Imports (FOB)	58,090	52,191	63,626	-10.2	21.9
Non-oil goods account (trade balance)	-24,054	-23,902	-22,878	-0.6	-4.3
Non-oil exports (FOB)	33,926	28,289	40,748	-16.6	44.0
Non-oil imports (FOB)	57,979	52,191	63,626	-10.0	21.9

¹ Includes trade through customs and non-customs channels.

Table 12.3. Exports

(million dollars)

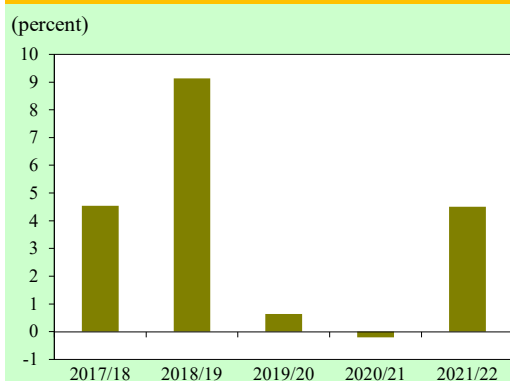
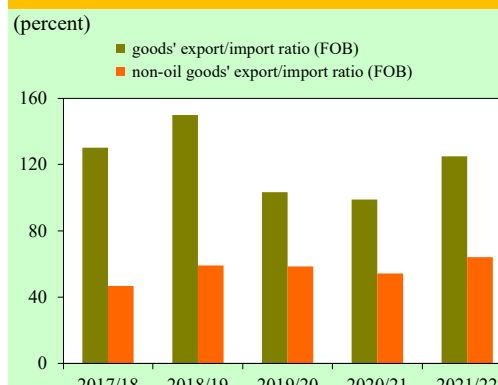
	2019/20 □	2020/21 □	2021/22 □	Percentage change		Share (percent)	
				2020/21	2021/22	2020/21	2021/22
Exports of goods (FOB)	59,975	51,601	79,470	-14.0	54.0	100.0	100.0
Oil exports¹	26,049	23,312	38,723	-10.5	66.1	45.2	48.7
Recorded in Customs data ²	11,470	8,171	9,864	-28.8	20.7	15.8	12.4
Non-oil exports	33,926	28,289	40,748	-16.6	44.0	54.8	51.3

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.

In 2021/22, a rise of 21.9 percent in the imports of non-oil goods (FOB) as well as an increase of 44.0 percent in the non-oil exports (FOB) led to a reduction of 4.3 percent in the deficit of the non-oil goods account to bring it to \$22.9 billion. Meanwhile, the share of the oil exports in the total value of the exports of goods rose by 3.5 percentage points compared with the year before, to reach 48.7 percent in 2021/22. Oil exports, as recorded in Customs data, amounted to \$9.9 billion, indicating a rise of 20.7 percent compared with 2020/21.

In 2021/22, with the current account balance and the goods account balance both turning positive, the ratios of these accounts to GDP reached 3.1 percent and 4.5 percent, respectively. In contrast, in 2020/21, the ratio of the current account to GDP was -1.5 percent and the ratio of goods account to GDP was -0.2 percent. In 2021/22, the ratio of the exports of goods to GDP rose by 1.1 percentage points, compared with the year before, to 22.5 percent and the ratio of the imports of goods to GDP declined by 3.4 percentage points to 18.0 percent.

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)

	2019/20 □	2020/21 □	2021/22 □	Percentage change	
				2020/21	2021/22
Total imports (FOB)	58,090	52,191	63,626	-10.2	21.9
Gas and oil products ¹	111	*	*	-99.9	215.1
Other goods (non-oil imports)	57,979	52,191	63,626	-10.0	21.9

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)

	2019/20□	2020/21□▲	2021/22□
Current account to GDP	-0.6	-1.5	3.1
Goods account to GDP	0.6	-0.2	4.5
Exports of goods to GDP	20.3	21.4	22.5
Imports of goods to GDP	19.6	21.4	18.0

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 indicated an increase of 39.1 percent to \$5.4 billion in 2021/22. The exports and imports of services increased by respectively 70.4 and 54.7 percent compared with the year before, amounting to \$6.5 billion and \$11.9 billion. The main reason behind the increase in the exports and imports of transportation and travel services was the easing of international restrictions in the post-pandemic era on the cross-border transport of freight and passengers, with its due impact on the expansion of international trade transactions and foreign travels, as well as growth in the costs of passenger and freight transport upon the rise in demand. It should be noted that total cross-border passenger travels from/to the country (exit of Iranian nationals from the country and entry of foreign nationals to Iran) increased by about 211.3 percent compared with 2020/21.

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 \$495 million by residents for the services provided by non-resident workers in 2021/22. Receipts from the "compensation of employees" rose by 311.2 percent, mainly attributable to the rise in the number of Iranian manpower working abroad. Furthermore, "investment income" fell by 14.0 percent, leading to a decline of 0.6 percent in total receipts from the income account. Payments out of the "compensation of employees" and "investment expenditure" increased by 9.5 and 20.1 percent, respectively. Overall, the deficit of the income account increased in 2021/22, attributable to a slight fall in credit (receipts) as against a rise of about 18.8 percent in debit (payments) under the income account.

Table 12.6. Services Account (million dollars)

	2019/20□	2020/21□	2021/22□	Percentage change		Share (percent)	
				2020/21	2021/22	2020/21	2021/22
Services account	-4,504	-3,853	-5,359	-14.5	39.1	N/A	N/A
Credit (exports)	11,509	3,824	6,518	-66.8	70.4	100.0	100.0
Transportation	3,762	2,068	2,557	-45.0	23.6	54.1	39.2
Travel	6,345	422	1,854	-93.4	339.6	11.0	28.4
Construction services	156	281	556	79.9	97.8	7.3	8.5
Other	1,246	1,053	1,551	-15.5	47.3	27.5	23.8
Debit (imports)	16,013	7,677	11,877	-52.1	54.7	100.0	100.0
Transportation	4,113	2,429	3,021	-40.9	24.4	31.6	25.4
Travel	9,012	2,549	4,993	-71.7	95.9	33.2	42.0
Construction services	36	124	609	240.6	391.2	1.6	5.1
Other	2,852	2,575	3,254	-9.7	26.4	33.5	27.4

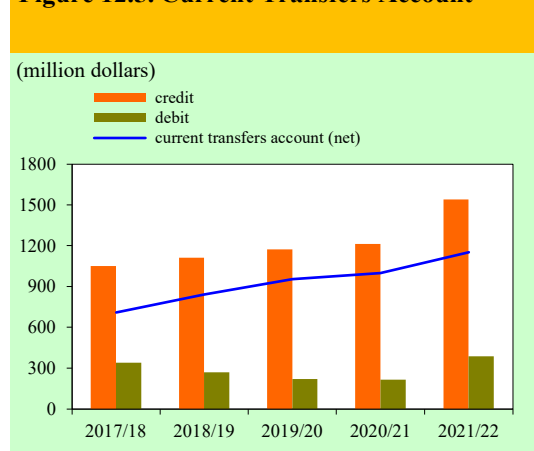
Table 12.7. Income Account

(million dollars)

	2019/20□	2020/21□	2021/22□	Percentage change	
				2020/21	2021/22
Income account	14	-206	-495	N/A	140.0
Credit (receipts)	2,122	1,284	1,276	-39.5	-0.6
Compensation of employees	358	53	217	-85.2	311.2
Investment income	1,765	1,231	1,059	-30.2	-14.0
Debit (payments)	2,109	1,490	1,771	-29.3	18.8
Compensation of employees	204	183	200	-10.6	9.5
Investment expenditure	1,904	1,308	1,571	-31.3	20.1

12.1.1.4. Current Transfers Account

In 2021/22, the surplus of the current transfers account amounted to \$1.2 billion. This indicated an increase of 15.6 percent compared with the surplus of this account in the year before. The major factor behind this rise was the compensation received from the British government for its failure to fulfill obligations towards Iran under an unfulfilled contract related to previous years.

Figure 12.5. Current Transfers Account**12.1.2. Capital and Financial Account**

The debit to the capital and financial account reached \$10.2 billion in 2021/22, up by 132.6 percent compared with 2020/21. Of this amount, \$7.5 billion was related to the payments out of the capital account and \$2.7 billion was related to the debit under the financial 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 rose by 27.7 percent to amount to \$7.5 billion in 2021/22, mainly attributable to the Iranians' buying of properties and real estate in neighboring countries. Data released by Turkish Statistical Institute is indicative of the Iranians' purchase of 10,713 residential units in Turkey in 2021/22.

Table 12.8. Capital and Financial Account

(million dollars)

	2019/20□	2020/21□	2021/22□	Percentage change	
				2020/21	2021/22
Capital and financial account	-1,036	-4,398	-10,229	324.3	132.6
Capital account	-6,019	-5,906	-7,544	-1.9	27.7
Financial account	4,982	1,508	-2,685	-69.7	N/A

12.1.2.2. Financial Account

The debit to the financial account totaled \$2.7 billion in 2021/22, as against a credit of \$1.5 billion in 2020/21. The main factor behind the debit of the financial account in 2021/22 was the debit to the "other investment" account.

12.1.2.2.1. Direct Investment

In 2021/22, 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 projects under buyback contracts and foreign investment in Free Economic Zones, totaled \$97 million. This indicated a decrease of 93.0 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 11.7 percent to \$774 million dollars² in 2021/22. Out of this amount, \$567 million worth of foreign direct investment was under Foreign Investment Promotion and Protection Act (with \$147 million of this amount being related to foreign investment in Free Economic Zones). FDI inflows under buyback contracts in the oil and gas industry totaled \$57 million. Investment in the form of "other investment" (Build-Operate-Transfer (BOT), buyback contracts excluding oil and gas, partnership contracts, and investment in the stock market) amounted to \$151 million. The decline in the foreign investment in 2021/22 was primarily due to reduced FDI volume, especially in the stock market. It is also important to note that FDI done under Foreign Investment Promotion and Protection Act includes foreign direct investment, excluding foreign investment in Free Economic Zones, Build-Operate-Transfer (BOT) projects, buyback contracts, and partnership contracts.

Table 12.9. Financial Account

(million dollars)

	2019/20 □	2020/21 □	2021/22 □	Percentage change	
				2020/21	2021/22
Financial account	4,982	1,508	-2,685	-69.7	N/A
Direct investment	491	1,388	97	182.6	-93.0
Portfolio investment	65	129	-249	99.6	N/A
Other investment	5,098	-1,981	-1,637	N/A	-17.3
Reserve assets (foreign assets of the CBI)	-671	1,972	-895	N/A	N/A

Table 12.10. Inflows in the Form of FDI

(million dollars)

	2019/20	2020/21	2021/22	Percentage change	
				2020/21	2021/22
Foreign direct investment	941	877	774	-6.8	-11.7
FDI inflows under Foreign Investment Promotion and Protection Act	781	615	567	-21.3	-7.9
Investment in oil and gas industry under buyback contracts	45	35	57	-22.2	62.0
Other investment	115	227	151	97.5	-33.4

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

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

² According to the OIETAI, in addition to the \$774 million worth of FDI inflows mentioned in Table 12-10, sums of \$98.7 million and \$11 million were respectively absorbed by "provincial investment services centers" and the "Ministry of Cultural Heritage, Tourism, and Handicrafts".

12.1.2.2.3. Portfolio Investment

The debit to the "portfolio investment" account (net) amounted to \$249 million in 2021/22, compared to a net inflow of \$129 million in 2020/21. This was attributable to the change in the "stock and foreign partnership" account in the form of the increase in banks' foreign assets.

12.1.2.2.4. Other Investment

The debit to "other investment" account was \$1.6 billion in 2021/22. Financial assets (residents' financial claims on non-residents) increased by \$929 million, while financial liabilities to foreign residents decreased by \$709 million, both raising the debit of "other investment" heading. The rise in financial assets was primarily driven by increased trade credit, specifically delays in collecting foreign exchange earnings from oil exports. The decline in financial liabilities stemmed mainly from reduced external loan obliga-

tions and a decrease in net other liabilities, particularly debt arrears.

12.1.2.2.5. Reserve Assets (CBI's foreign assets)

Receipts and payments in foreign exchange between Iranians and foreign entities caused the value of the foreign assets of the CBI to increase by \$895 million in 2021/22 compared with 2020/21.

12.2. External Debt

Foreign exchange obligations (actual and contingent) totaled \$16.7 billion in March 2022. Of this amount, \$8.0 billion was related to contingent obligations, constituting a share of 47.9 percent in total. The value of actual obligations (external debt) fell by 5.1 percent to \$8.7 billion. Out of this amount, \$6.2 billion was related to the medium- and long-term debt and \$2.5 billion was in the form of short-term debt.

Table 12.11. Foreign Exchange Obligations

(million dollars)

	March 2020	March 2021	March 2022	Percentage change	
				March 2021	March 2022
Actual obligations (external debt)	9,031	9,142	8,675	1.2	-5.1
Medium- and long-term	7,492	7,176	6,174	-4.2	-14.0
Short-term	1,539	1,966	2,501	27.8	27.2
Contingent obligations ¹	13,383	10,807	7,987	-19.2	-26.1
Total	22,414	19,949	16,662	-11.0	-16.5

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).