

Trade

In 1389, global economic developments, surge in world economic growth, rise in world trade, global price hike of crude oil and raw materials, in tandem with Iran's GDP growth and increase in non-oil exports, positively influenced foreign trade¹.

In the review year, trade through Customs rose by respectively 17.9 and 6.2 percent, in terms of value and volume, compared with the preceding year. Shares of exports in trade, in terms of value and volume, advanced by 0.8 and 9.3 percentage points to 29.2 and 57.0 percent, respectively, compared with the respective figures for the previous year.

In 1389, the export-import ratio in terms of value, mostly owing to the higher growth

of exports vis-à-vis imports, increased by 1.6 percentage points to 41.2 percent.

Figure 12.1. Export-import ratio

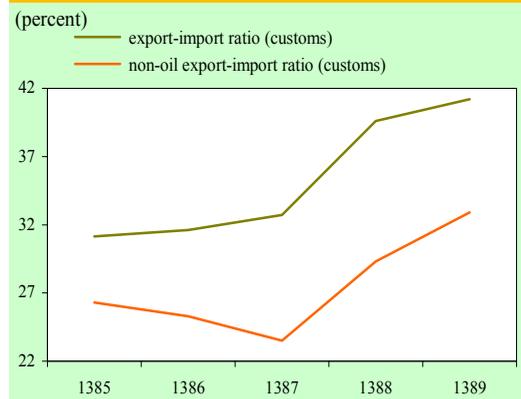


Table 12.1. Foreign Trade

	1387	1388	1389	Percentage change		Share (percent)	
				1388	1389	1388	1389
Value (million dollars)							
1. Imports	56,042	55,287	64,450	-1.3	16.6	71.6	70.8
2. Exports	18,334	21,891	26,551	19.4	21.3	28.4	29.2
Deficit (2-1)	-37,708	-33,395	-37,899	-11.4	13.5		
Total (1+2)	74,376	77,178	91,001	3.8	17.9	100.0	100.0
Weight (thousand tons)							
1. Imports	44,148	51,921	45,346	17.6	-12.7	52.2	43.0
2. Exports	33,252	47,502	60,198	42.9	26.7	47.8	57.0
Total (1+2)	77,400	99,422	105,544	28.5	6.2	100.0	100.0

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

¹ Figures and analyses mentioned in the present chapter are based upon the data released by the Islamic Republic of Iran Customs Administration.

Imports

In the review year, global price rise of "foodstuffs and live animals" and "chemicals" groups, on the one hand, and increase in the imports volume of "machinery and transportation vehicles", on the other, raised the value of imports (cif) by 16.6 percent to \$64,450 million as compared with 1388. Meanwhile, the weight of imports reached 45,346 thousand tons. In 1389, the price of each ton of

imported goods increased by 33.5 percent to \$1,421, compared with the previous year.

Regarding the composition of imports by use, "raw materials and intermediate goods" accounted for the lion's share in total imports by nearly 61.4 percent. Ranking next, "capital goods" held a share of 16.2 percent, and "consumer goods" 12.7 percent.

Figure 12.2. Imports growth

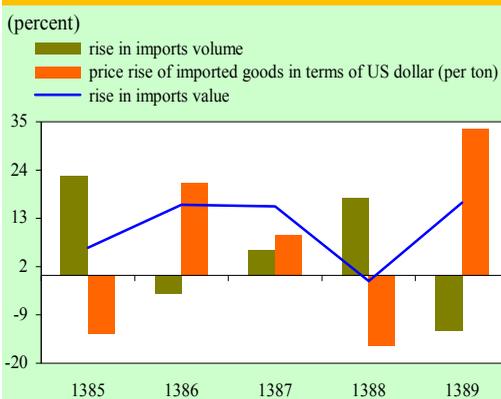


Figure 12.3. Composition of imports by use

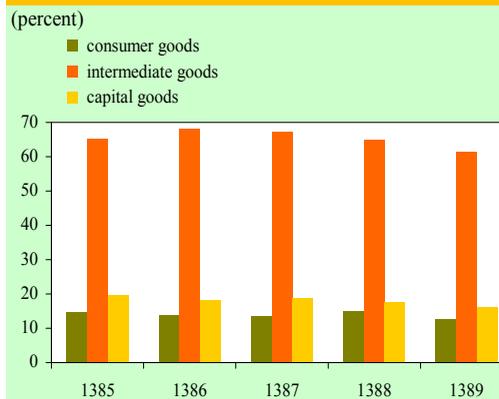


Table 12.2. Composition of Imports by Use

(million dollars)

	1387	1388	1389	Percentage change		Share (percent)	
				1388	1389	1388	1389
Raw materials and intermediate goods	37,696	35,936	39,593	-4.7	10.2	65.0	61.4
Capital goods	10,505	9,812	10,437	-6.6	6.4	17.7	16.2
Consumer goods	7,637	8,345	8,200	9.3	-1.7	15.1	12.7
Goods not elsewhere classified	204	1,193	6,220	484.3	421.3	2.2	9.7
Total	56,042	55,287	64,450	-1.3	16.6	100.0	100.0

Table 12.3. Value of Imports by Major Components

(million dollars)

	1387	1388	1389	Percentage change		Share (percent)	
				1388	1389	1388	1389
Foodstuffs and live animals	6,738	6,409	6,790	-4.9	5.9	11.6	10.5
Mineral products, fuels, industrial oils, and grease	4,656	5,752	3,867	23.6	-32.8	10.4	6.0
Chemicals	6,343	6,029	7,011	-5.0	16.3	10.9	10.9
Iron and steel	9,307	8,166	9,235	-12.3	13.1	14.8	14.3
Machinery and transportation vehicles	19,171	18,060	20,713	-5.8	14.7	32.7	32.1
Others ▲	9,826	10,871	16,834	10.6	54.9	19.7	26.1
Total	56,042	55,287	64,450	-1.3	16.6	100.0	100.0

Review of imported goods, in terms of value, reveals that the highest share belonged to "machinery and transportation vehicles" by 32.1 percent, "iron and steel" by 14.3 percent, "chemicals" by 10.9 percent, "foodstuffs and live animals" by 10.5 percent, and "mineral products, fuels, industrial oils, and grease" by 6.0 percent. Total share of the mentioned groups in the value of imports shrank by 6.5 percentage points to 73.9 percent, compared with the previous year.

Geographical distribution of imports changed as compared with the preceding year. The concentration indices¹ of the first 3, 5 and 10 exporting countries picked up from 46.5, 56.7 and 73.0 percent in 1388 to 49.0, 61.0 and 77.0 percent in the review year, pointing to an increase in the geographical concentration of Iran's imports. The United Arab Emirates, China, Germany, Turkey, Switzerland, South Korea, France, Italy, Japan and India were the major exporting countries in 1389. Review of distribution of imports by countries indicates that the highest rise in value belonged to Turkey (97.3 percent),

followed by Switzerland (76.5 percent), Ukraine (60.9 percent), Thailand (59.3 percent) and Sweden (44.0 percent), which ranked respectively 4th, 5th, 20th, 24th and 14th. Meanwhile, the highest reduction in imports was related to England by 55.7 percent, India 27.7 percent, and Indonesia 18.0 percent.

Distribution of imports by continents reveals that the share of Asia was over 67 percent in 1389. Of this figure, 50 percent was related to the United Arab Emirates, China, South Korea and Japan. Moreover, the share of Europe in imports declined by 5.6 percentage points. In 1389, Germany, Turkey, Switzerland, France and Italy were the major European exporters, accounting for almost 25.1 percent of Iran's imports.

Review of imports by group of countries reveals that the highest share in total imports of goods belonged to ESCAP member countries by 39.4 percent worth \$25,370 million, followed by the European Union by 21.5 percent valued at \$13,868 million.

Figure 12.4. Composition of imports in terms of value

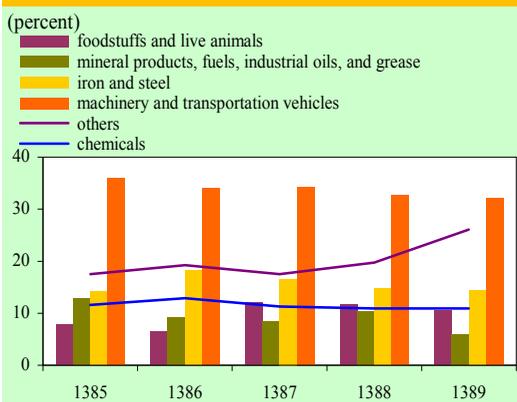
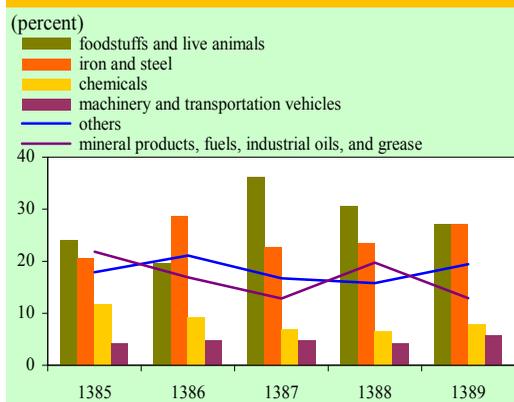


Figure 12.5. Composition of imports in terms of weight



¹ Concentration indices are calculated from total share of the first 3, 5 and 10 exporting countries in total imports.

Exports

In 1389, value of exports went up by 21.3 percent to \$26,551 million, compared with the year before. Meanwhile, exports, in terms of weight, picked up by 26.7 percent to 60,198 thousand tons. The value of exported goods per ton declined by 4.3 percent to nearly \$441, compared with the preceding year.

In the review year, exports of "industrial goods", in terms of value and volume, rose by respectively 18.7 and 12.4 percent to \$20,194 million and 37,678 thousand tons. The share of industrial goods in total value of exports through Customs fell by 1.7 percentage points to 76.1 percent. This was largely owing to reduction in the share of cyclic hydrocarbons classified under the group of organic chemicals, light oils and products thereof. Gas and oil products, along with chemicals

(organic and inorganic), with 2.0 percentage points increase, held a share of 41.4 percent in the value of exports of industrial goods.

Figure 12.6. Growth of exports (through Customs)

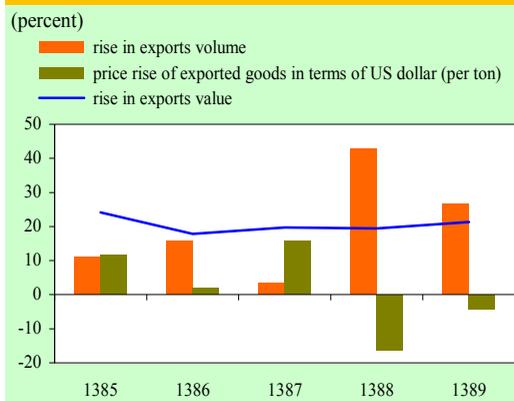


Table 12.4. Value of Exports

(million dollars)

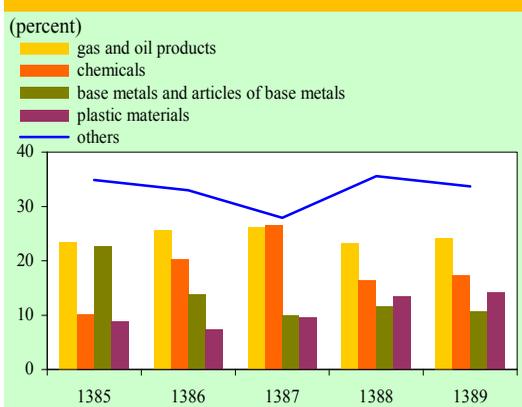
				Percentage change		Share (percent)	
	1387	1388	1389	1388	1389	1388	1389
Agricultural and traditional goods	3,304	4,133	5,056	25.1	22.3	18.9	19.0
Metallic mineral ores	319	702	1,298	119.7	85.0	3.2	4.9
Industrial goods	14,662	17,017	20,194	16.1	18.7	77.7	76.1
Goods not elsewhere classified	48	39	2	-19.1	-94.3	0.2	0.0
Total	18,334	21,891	26,551	19.4	21.3	100.0	100.0

Source: Islamic Republic of Iran Customs Administration

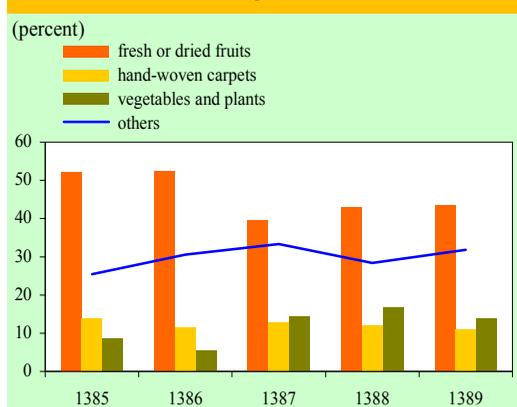
Table 12.5. Value of Exports of Industrial Goods

(million dollars)

				Percentage change		Share (percent)	
	1387	1388	1389	1388	1389	1388	1389
Gas and oil products	3,819	3,925	4,892	2.8	24.6	23.1	24.2
Chemicals (organic and inorganic)	3,881	2,785	3,468	-28.3	24.5	16.4	17.2
Base metals and articles of base metals	1,456	1,956	2,161	34.3	10.5	11.5	10.7
Plastic materials	1,411	2,301	2,860	63.1	24.3	13.5	14.2
Others	4,094	6,052	6,813	47.8	12.6	35.6	33.7
Total	14,662	17,017	20,194	16.1	18.7	100.0	100.0

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


In the review year, the share of agricultural and traditional goods, in terms of value, remained relatively unchanged. Total exports of this group, in terms of value and volume, went up by 22.3 and 37.4 percent to \$5,056 million and 3,700 thousand tons as compared with the preceding year.

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


Based on the international classification of goods, the lion's share in the value of exports belonged to "chemicals" by 27.6 percent, followed by "foodstuffs and live animals" by 18.8 percent, and "mineral products, fuels, industrial oils, and grease" by 18.4 percent. These groups accounted for 64.7 percent of

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

	1387	1388	1389	Percentage change		Share (percent)	
				1388	1389	1388	1389
Fresh or dried fruits	1,307	1,779	2,194	36.2	23.3	43.0	43.4
Hand-woven carpets	422	495	557	17.1	12.6	12.0	11.0
Vegetables and plants	474	685	697	44.6	1.8	16.6	13.8
Others	1,101	1,175	1,607	6.7	36.8	28.4	31.8
Total	3,304	4,133	5,056	25.1	22.3	100.0	100.0

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

	1387	1388	1389	Percentage change		Share (percent)	
				1388	1389	1388	1389
Foodstuffs and live animals	2,951	4,066	4,987	37.8	22.7	18.6	18.8
Mineral products, fuels, industrial oils, and grease	3,815	3,920	4,873	2.8	24.3	17.9	18.4
Chemicals	5,628	5,720	7,331	1.6	28.2	26.1	27.6
Iron and steel	553	781	743	41.2	-4.9	3.6	2.8
Machinery and transportation vehicles	1,210	1,526	1,747	26.1	14.5	7.0	6.6
Others	4,176	5,878	6,870	40.7	16.9	26.9	25.9
Total	18,334	21,891	26,551	19.4	21.3	100.0	100.0

total value of exports, up by 2.1 percentage points compared with 1388.

In the review year, "crude inedible materials, excluding fuels" and "chemicals" had the highest shares in total exports, in terms of weight, by 37.3 and 23.6 percent, respectively. These groups constituted 61 percent of weight of exports, up by 5.2 percentage points compared with the previous year.

According to international classification of goods, shares of major imports in total imports and exports were respectively 73.9 and 74.1 percent in 1389, compared with 80.3 and 73.2 percent in the year before. Moreover, review of imported and exported goods points to net imports of machinery and transportation vehicles, iron and steel, and foodstuffs, as well as net exports of chemicals and fuels in the review year.

Geographical distribution of exports indicates that the concentration indices of the first 3, 5 and 10 importing countries reached respectively 46.9, 58.9 and 71.4 percent in 1389 from 48.5, 59.1 and 70.6 percent in 1388. China, Iraq, the United Arab Emirates, India, Afghanistan, Turkey, Indonesia, South Korea, Pakistan and Syria were the major importing countries from Iran in 1389.

Geographical distribution of exports by continents reveals the lion's share of Asia by 87.7 percent in the review year, up by almost 5.1 percentage points as compared with 82.5 percent in 1388. Iran's exports to this continent rose by 4.3 percentage points to 28.8 percent, compared with 24.5 percent in the previous year. Ranking next, the share of Europe in exports constituted 9.2 percent of total. Value of Iran's exports to Europe decreased by 23.4 percent to \$2,432 million as compared with 1388.

Geographical distribution of exports through Customs by group of countries reveals that ESCAP member countries still had the lion's share in Iran's exports through Customs by 55.3 percent.

Terms of Trade¹

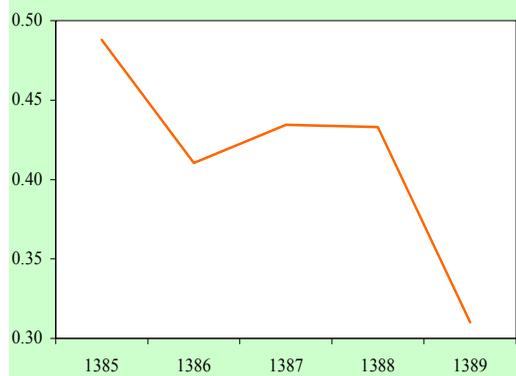
In 1389, 4.3 percent decrease in the unit price of exported goods and 33.5 percent increase in the unit price of imported goods reduced terms of trade through Customs by roughly 28.3 percent to 0.310. Iran's major exports, including raw materials, crude oil, and oil products, have a lower value-added compared with imports. Therefore, low competitiveness of exports leads to a lower movement in the price of exportable goods compared with imports.

Table 12.8. Terms of Trade (through Customs) (dollar/ton)

	1387	1388	1389	Percentage change	
				1388	1389
Unit price of exports	551.4	460.9	441.1	-16.4	-4.3
Unit price of imports	1,269.4	1,064.8	1,421.3	-16.1	33.5
Terms of trade	0.434	0.433	0.310	-0.4	-28.3

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

¹ "Terms of trade" is the ratio of the price of exportable goods to that of importable goods (through Customs); therefore figures mentioned in the present Chapter differ from those published in Chapter 1 (National Product, Expenditure and Income).

Figure 12.9. Terms of trade

Foreign Exchange Market Developments

Global oil price rise as well as oil and non-oil exports growth sharply raised foreign exchange earnings of Iran in 1389. Foreign financing constraints intensified market dependence on CBI's foreign exchange resources. Moreover, fund transfers via bills of exchange through the United Arab Emirates encountered problems in Mehr 1389 and brought about an unexpected rise in exchange rates, and cash transactions worsened market conditions. Central Bank initially attempted to calm the market through higher supply of foreign currencies. Then, the Bank gradually controlled cash transactions upon the ease in funds transfer through bill of exchange.

Rial versus Hard Currencies

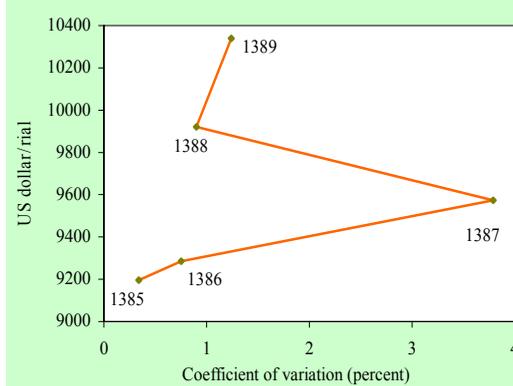
In 1389, developments of international foreign exchange markets as well as restrictions imposed on country's foreign exchange transactions influenced parity rate of hard currencies vis-à-vis the rial. In this year, depreciation of pound and euro vis-à-vis US dollar reduced the nominal value of the

Iranian rial vis-à-vis hard currencies, with the exception of euro.

In the review year, the annual average rate of Japanese yen versus rial had the highest increase in the interbank market by 12.9 percent while that of euro, the highest decrease by 2.7 percent.

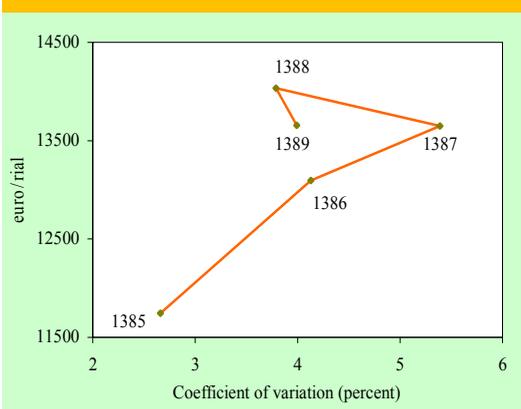
Euro was used as the currency for exchange intervention in 1389 as in the previous years. However, due to dominance of US dollar in foreign exchange market, Central Bank largely controlled fluctuations of the dollar in this market. Thus, the lowest coefficient of variation¹ was shown in the parity of rial against US dollar as in the preceding year.

Coefficient of variation of reference rate of hard currencies in the main interbank market indicates higher fluctuations in the parity rate of the mentioned currencies (except pound) in 1389 as compared with the previous year. The highest coefficient of variation belonged to the Swiss franc and Japanese yen versus the rial, and the lowest to the US dollar and pound.

Figure 12.10. Developments of US dollar in the official market

¹ Standard deviation divided by mean

Figure 12.11. Developments of euro in the official market



Developments of the Interbank Foreign Exchange Market

In 1389, the total value of interbank market transactions (in US dollar, euro, Japanese yen, pound and other currencies) increased by 35.8 percent to \$72,467 million compared with \$53,343 million in the previous year. Rise in the share of the offshore market in total interbank market transactions continued in 1389 and amounted to 72.3 percent from 71.3 percent in the year before. Surge in the share of offshore market in total transactions is attributable to the rise in cash payments in foreign exchange transactions, which was in turn related to the tightening of international restrictions and ease of transactions in the offshore market.

The total value of main market transactions picked up by 30.8 percent from \$15,320

million in 1388 to \$20,038 million in 1389. The Central Bank held 69.8 percent of total foreign exchange sales in this market worth \$13,983 million, remaining the main supplier of foreign exchange as before.

The total value of offshore market transactions went up by 37.9 percent from \$38,024 million in 1388 to \$52,429 million in the review year. The CBI held over 96.9 percent of total foreign exchange sales in this market valued at \$50,791 million in 1389. Therefore, CBI stood as the main supplier of foreign exchange in the interbank market, and commercial and specialized banks were the buyers of foreign exchange.

In the review year, rise in the share of US dollar in interbank transactions continued as before. The share of US dollar and United Arab Emirates dirham (AED), as the main transaction currencies, increased to 41.3 percent, and that of euro decreased by 25.7 percentage points to 49.7 percent. Indeed, euro still held the lion's share in interbank market transactions.

Table 12.10. Interbank Market Transactions by Foreign Currencies (million dollars)

				Share (percent)	
	1387	1388	1389	1388	1389
US dollar	966	2,711	5,965	5.1	8.2
Euro	46,820	40,191	35,982	75.3	49.7
AED	8,096	10,047	23,986	18.8	33.1
Other currencies	556	395	6,534	0.7	9.0
Total	56,438	53,343	72,467	100.0	100.0

Table 12.9. Foreign Exchange Transactions in the Main and Offshore Interbank Markets

				Percentage change	
	1387	1388	1389	1388	1389
Main market	18,619	15,320	20,038	-17.7	30.8
Share (percent)	33.0	28.7	27.7		
Offshore market	37,819	38,024	52,429	0.5	37.9
Share (percent)	67.0	71.3	72.3		
Total	56,438	53,343	72,467	-5.5	35.8