Recent Economic Developments in Iran

A Quarterly Report

بانک خاورمیانه
Middle East Bank

Fall 1402
(roughly 2023Q4)

Disclaimer

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Recent Economic Developments in Iran, A Quarterly Report
Fall 1402

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Note 1: In this Report the growth rate of a variable means the percentage change of that variable during the period under review, or at the point under discussion, compared to the similar period or point the preceding year. As such, "the growth rate of oil revenues in the first quarter of 1402" indicates the percentage change in oil revenues between the first quarter of 1401 and the first quarter of 1402.

Note 2: Iran follows the Persian Calendar, a solar calendar in which years start on the first day of spring and end on the last day of winter. The four quarters of the year correspond exactly to the four seasons. This report covers the year 1402 that started on March 21, 2023, and ends on March 20, 2024. The first quarter of 1402 (referred to as 1402Q1), Spring of 1402, roughly corresponds to the Second quarter of 2023 in the Gregorian Calendar (2023Q2).

The following table provides an easy reference while reading this Report.

1401Q4 = 12/22/2022 - 03/20/2023, roughly **2023Q1**
1402Q1 = 03/21/2023 - 06/21/2023, roughly **2023Q2**
1402Q2 = 06/22/2023 - 09/22/2023, roughly **2023Q3**
1402Q3 = 09/23/2023 - 12/21/2023, roughly **2023Q4**

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Iran's Economy at a Glance

	1401Q1	1401Q2	1401Q3	1401Q4	1401	1402Q1	1402Q2	1402Q3
Labor Force Participation & Unemployment Rates (percent)								
Participation (15 years and over)	40.9	41.0	41.0	40.5	40.9	41.2	41.6	41.5
Unemployment (15 years and over)	9.2	8.9	8.2	9.7	9.0	8.2	7.9	7.6
Unemployment (youth aged 15-24)	24.0	23.0	19.2	24.2	22.6	21.6	20.1	20.6
Real Growth Rates of GDP and Its Subsectors at Constant 1395 Prices (percent)								
Gross Domestic Product (GDP)	1.9	3.9	4.9	5.3	4.0	6.0	3.6	-
Manufacturing and Mining	0.0	8.5	8.2	9.0	6.5	4.0	3.7	-
Oil	3.5	10.5	15.4	12.0	10.0	16.5	17.8	-
Agriculture	1.9	0.8	1.1	1.5	1.1	2.0	0.1	-
Services	2.3	2.4	3.0	2.9	2.7	5.7	2.7	-
GDP (excluding oil)	1.7	3.5	4.1	4.7	3.5	4.9	2.4	-
Gross Fixed Capital Formation (at market prices)	*-1.4*	*6.6*	*15.1*	*6.0*	*6.7*	*2.0*	*6.4*	-
Oil (daily average - thousand barrels)								
Production*	2,555	2,565	2,568	2,572	2,565	2,692	2,999	-
Point-to-point Inflation Rates (percent)								
Growth Rate of Consumer Price Index (1400=100)	38.9	47.5	45.1	50.3	45.8	50.6	39.5	39.6
Growth Rate of Producer Price Index (1395=100)	49.3	43.2	40.1	46.8	44.3	42.4	45.3	-
Balance of Payments (USD millions)								
Oil Exports	14,352	15,042	12,896	13,121	55,410	13,626	-	-
Non-oil Exports	11,253	10,012	10,838	10,144	42,247	9,926	-	-
Imports of Goods	16,447	17,558	19,237	22,167	75,409	17,338	-	-
Goods Account (net)	9,157	7,496	4,496	1,098	22,247	6,213	-	-
Non-oil Goods Account (net)	-5,195	-7,546	-8,399	-12,023	-33,163	-7,319	-	-
Current Account	7,845	5,520	2,442	-1,602	14,205	4,393	-	-
Capital Account	-10,032	-2,818	-3,332	1,113	-15,069	-9,354	-	-
Change in Foreign Reserves	189	2,228	476	1,140	4,033	-81	-	-
Foreign Exchange Rates (USD/IRR daily average)								
Free Market	289,915	311,388	345,789	430,816	343,536	507,098	495,618	506,254
Secondary Market (remittance)	246,900	264,630	276,947	307,368	273,571	379,171	376,865	378,503
Monetary and Credit Aggregates (end of period - IRR trillions)								
Monetary Base (M0)	6,404	6,907	7,663	8,600	8,600	9,081	9,811	-
CBI Claims on Banks	1,449	1,660	2,724	3,912	3,912	3,933	5,211	-
CBI Claims on Public Sector (net)	140	-273	-551	-1,986	-1,986	-751	77	-
CBI Foreign Assets (net)	5,451	5,770	5,592	6,824	6,824	5,794	4,927	-
Liquidity (M2)	51,050	55,949	59,056	63,377	63,377	65,860	70,991	-
Money (M1)	11,268	12,743	13,908	16,297	16,297	16,947	17,913	-
Sight Deposits	10,408	11,824	12,891	15,071	15,071	15,748	16,678	-
Non-sight Deposits (quasi-money)	39,781	43,207	45,148	47,080	47,080	48,913	53,078	-
M2 Money Multiplier	7.97	8.10	7.71	7.37	7.37	7.25	7.24	-
Government Budget and Fiscal Position (IRR trillions)								
The data in this section is not available								
Tehran Stock Exchange (end of period)								
Overall Index (TEDPIX)	1,539,632	1,355,240	1,496,201	1,960,457	1,960,457	2,173,893	2,121,213	2,210,217
Financial Index	1,534,696	1,427,797	1,447,696	1,706,287	1,706,287	2,007,970	1,903,131	1,949,564
Industrial Index	1,437,336	1,254,088	1,403,541	1,867,406	1,867,406	2,052,976	2,012,057	2,101,115
Market Capitalization (IRR trillions)	61,006	51,062	55,379	72,562	72,562	79,894	74,485	77,154

Source: Various reports of Central Bank of the Islamic Republic of Iran (CBI), Statistical Centre of Iran (SCI) and Tehran Stock Exchange

* According to OPEC reports from secondary sources

Introduction

In this quarterly report the Iranian economy has been explored by various sectors. Regarding the real sector of the economy, GDP growth with its quarterly developments in the first half of 1402, Iran's crude oil production and price till 08/1402, developments of labor market in fall 1402, and developments of housing market during the first eight months of 1402 are discussed. The changes in consumer price index on monthly, point-to-point, and quarterly basis have also been analyzed in the relevant section. The report covers the data on balance of payments for spring 1402, and for the first three quarters of the year, the trends of customs imports and exports are discussed. In addition, the change of value of IRR against USD on a daily basis is included in the report in the free market and the secondary market for the first three quarters of 1402. The report has also focused on money market in detail. Monetary aggregates including monetary base, money, quasi-money, and liquidity in conjunction with the aggregated balance sheet of the banking system developments have been analyzed for first half of 1402. The data on extended facilities was available for the first eight months of the year.

The proposed Budget Bill of 1403 and the extent of realization of Budget Law of 1402 legislated figures are analyzed in the report. Besides, variations in total value of transactions, volume of transactions, number of transactions, market capitalization, as well as the financing methods of TSE listed companies are included in the section regarding the capital market developments in the first nine month of 1402. The report concludes with a summary of the world bank report on the poverty in Iran, followed by some key points.

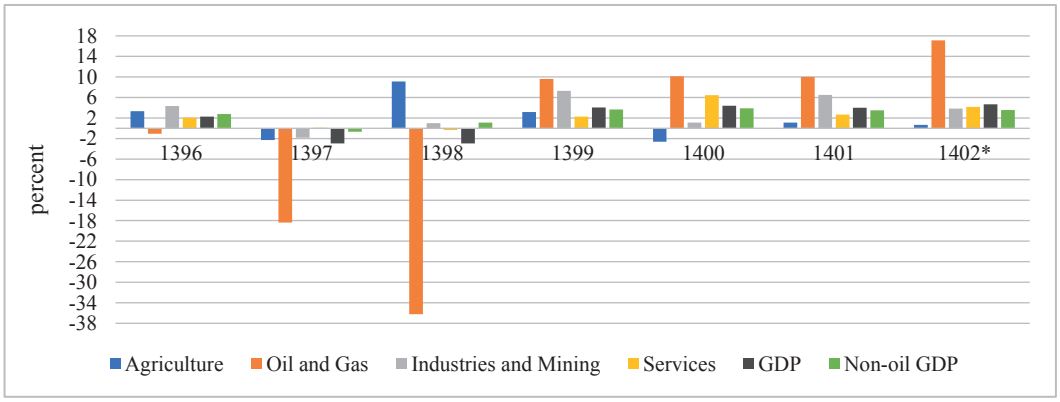
1. Real Sector

The Iranian economy has experienced positive growth rate in the first half of 1402 (hereafter referred to as 1402H1) according to the latest statistics issued by the Central Bank of Iran (CBI). All main sectors of the economy expanded in this period as in 1401H1. The Statistical Center of Iran (SCI) also has reported economic expansion for 1402H1. Note that the Gross Domestic Product (GDP) is reported based on market prices by the SCI, whereas in the CBI reports GDP is calculated by basic prices. In addition, the categorization of the economic activities by the aforementioned institutions are not the same. Finally, the CBI uses 1395 constant prices for GDP growth calculation, while the SCI base year is 1390. In this section the CBI data has been mainly used in the analyses.

The valued-added of the economy (in current prices) totaled IRR67,867.8 trillion in 1402H1, translating to 4.7 percent growth rate based on 1395 constant prices, according to the CBI. With 2.3 percentage points share in the economic growth rate of 1402H1, the services sector has been its main driver. Oil sector accounted for 1.4 percentage points of the 4.7 percent growth rate in 1402H1, far above its 0.8 percentage point share in 1400 and 1401. In line with its 10.0 percent surge in 1401, the oil sector expanded by 17.1 percent in the first six months of 1402.

It is noteworthy that no official news has been published regarding an agreement between the Islamic Republic of Iran and the USA, so that it seems that the rise in Iran's oil exports rooted in the need for controlling global oil prices during 1402H1. The non-oil GDP growth rate registered 3.6 percent in 1402H1. Figure 1 depicts economic growth rates by economic sectors and Figure 2 shows share of each sector in the economic growth rate in recent years based on the CBI reports.

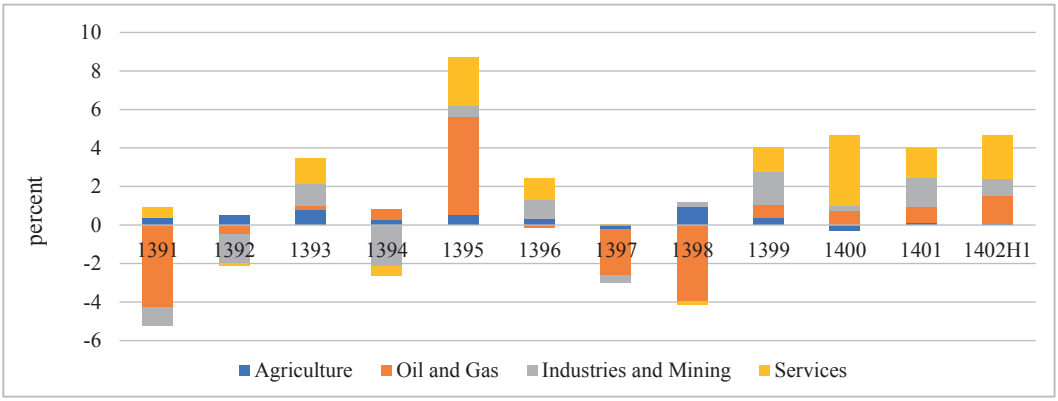
Figure 1-Economic Growth Rates by Various Sectors



Source: Central Bank of Iran

*Data for 1402 covers the first six months of the year.

Figure 2- Share of Various Sectors in Economic Growth Rates



Source: Central Bank of Iran

Industries and Mining sector with its subsectors expanded in 1402H1 according to the CBI. The sector grew by 3.8 percent in total. Mining subsector had the highest growth rate of 4.5 percent, while subsector of Water Supply; Sewerage, Waste Management and Remediation Activities had the lowest growth rate of 3.0 percent. The Services sector also expanded by 4.2 percent in 1402H1.

Among Services subsectors, the highest growth rate of 25.9 percent belonged to Accommodation and Food Services Activities, whereas Professional, Scientific and Technical Activities had the lowest growth rate of negative 13.4 percent during the period under review. Similarly, the Agriculture sector has grown by 0.7 percent, emanating from the 8.7 percent growth in crops productions, 2.1 percent growth in garden products, and 4.7 percent growth in main livestock products. Table 1 provides the growth rates of main sectors of the Iranian economy in detail. The statistics covers the first two quarters of 1401 and 1402 and is issued by the CBI.

Table 1- GDP Growth Rate and Its Subgroups at 1395 Constant Prices (percent-percentage points)

	1401				1402			Share in Growth of 1402H1
	Q1	Q2	H1	Year	Q1	Q2	H1	
Agriculture	1.9	0.8	1.1	1.1	2.0	0.1	0.7	0.1
Oil and Gas	3.5	10.5	6.7	10.0	16.5	17.8	17.1	1.4
Industries and Mining	0.0	8.5	4.3	6.5	4.0	3.7	3.8	0.9
Services	2.3	2.4	2.4	2.7	5.7	2.7	4.2	2.3
Non-oil GDP (at basic prices)	**1.7**	**3.5**	**2.6**	**3.5**	**4.9**	**2.4**	**3.6**	**-**
GDP (at basic prices)	**1.9**	**3.9**	**3.0**	**4.0**	**6.0**	**3.6**	**4.7**	**4.7**

Source: Central Bank of Iran

The preliminary CBI statistics suggest that the continuous decline in private consumption which translates to lower welfare of households has stopped from winter 1399 (1399Q4) and has continued its upward trend in 1402H1, registering 5.9 percent expansion. The government consumption, however, grew by only 0.9 percent in the same period.

Based on the CBI report, gross fixed capital formation has grown by 4.5 percent during 1402H1. Fixed capital formation was divided in two subgroups of Construction and Machinery till the end of 1399 in CBI reports. From the beginning of 1400 a new subgroup titled “Other Capital Formation” was added to the group which consists of R&D expenditures, mine exploration, precious items, and other items. In 1402H1, fixed capital formation in Machinery rose by 7.6 percent and in Construction by 2.7 percent. The Other subgroup experienced 1.2 percent rise in the same period. On the basis of the Central Bank report, exports of goods and services has surged by 23.0 percent while imports of goods and services rose by only 0.6 during 1402H1 compared to 1401H1. Table 2, provides GDP growth rate from expenditure side by its elements in 1402H1.

Table 2- GDP Growth Rate from Expenditure Side at 1395 Constant Pieces (percent)

	1401				1402		
	Q1	Q2	H1	Year	Q1	Q2	H1
Private Consumption	**6.4**	**5.4**	**5.9**	**8.7**	**7.5**	**4.4**	**5.9**
Public Consumption	**-6.5**	**-9.1**	**-7.9**	**-3.6**	**5.3**	**-3.0**	**0.9**
Gross Fixed Capital Formation	**-1.4**	**6.6**	**3.0**	**6.7**	**2.0**	**6.4**	**4.5**
Machinery	15.1	11.8	13.2	15.4	2.1	11.8	7.6
Construction	-9.4	3.9	-2.3	1.2	1.7	3.4	2.7
Other	-8.7	0.7	-3.7	-0.4	7.7	-4.1	1.2
Net Export of Goods and Services							
Exports of Goods and Services	7.3	6.2	6.8	8.2	13.8	33.1	23.0
Imports of Goods and Services	14.6	13.6	14.1	7.5	1.3	0.0	0.6
GDP at Market Prices	**2.2**	**3.2**	**2.7**	**3.8**	**6.3**	**4.0**	**5.1**

Source: Central Bank of Iran

In the report issued by the SCI, the GDP growth rate in 1402H1 registered 7.1 percent, while its non-oil growth rate was 4.2 percent. The report also indicates that the Extraction of Oil and Natural Gas (as a subgroup of Manufacturing) has considerably grown by 22.7 percent in the first half 1402, constituting 3.1 percentage points of the GDP growth rate. It is worth to mention that this subgroup has experienced positive growth rates from 1399 to 1401, albeit less than 10 percent. The Extraction of Oil and Natural Gas experienced the highest growth rate among Manufacturing subgroups in 1402H1, proceeded by Construction subgroup with 3.7 percent growth rate. On the contrary, the subgroup of Water, Electricity, and Natural Gas Supply contracted by 6.2 percent during the period under review. The SCI report suggests that Services sector has registered 8.4 percent growth in 1402H1. Financial Intermediation had the highest expansion of 30.2 percent in the Services based on SCI which is significantly above the 1.9 percent growth rate in the CBI report for the financial services in the period under review. In contrast to the CBI, Agriculture sector has contracted by 3.7 percent according to SCI in 1402H1.

Oil Sector

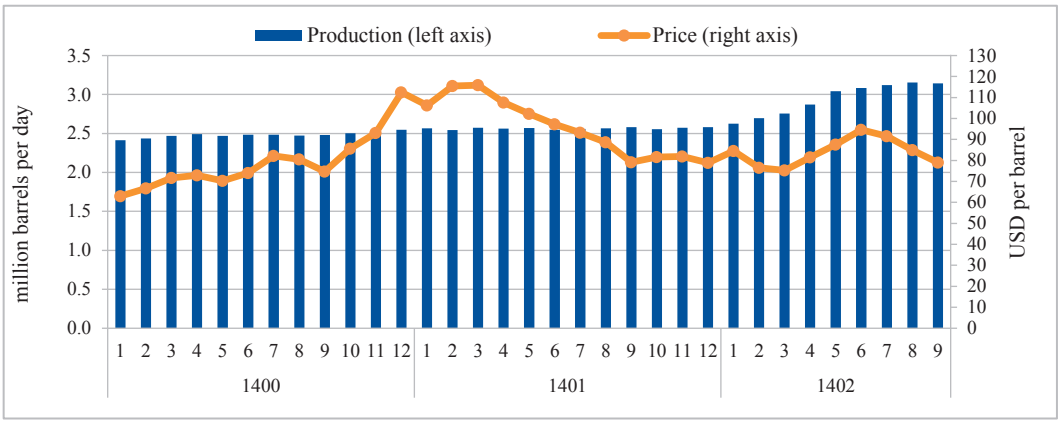
The oil sector that had a small contribution to the Iranian economy in the early 1398 to the late 1399 due to the reimposition of sanctions, reversed course and its share in the value-added started to expand due to inauguration of President Biden, global rise in oil prices, and signals of starting negotiations between Iran and the US, Europe, and Saudi Arabia. On the basis of the preliminary report of the CBI, in 1402H1, Oil and Gas sector constituted 8.7 percent of the total value-added of the economy at current prices, 4.2 percentage points below that of 1401H1. However, its share is far above the 4.5 and 3.5 percent in 1400H1 and 1399H1, respectively.

It is worth to mention that from 1396 to 1398, respectively 13.5, 13.0 and 7.4 percent of GDP belonged to the Oil and Gas sector. In the aftermath of imposition of new sanctions on the oil sector in 1397, no official data on oil production was issued and OPEC statistics from the secondary sources are the most reliable source.

On the basis of reports from secondary sources, in November 2023 (roughly corresponding to 08/1402), Iran crude oil production totaled 3.1 million barrels per day (mbpd), 21.9 percent up from November 2022 and 26.5 percent above that of November 2021. Accordingly, the oil production stands in its highest level from mid-1397 onwards, albeit below the 3.8 mbpd in the JCPOA era. The data on oil exports is considered more confidential than the oil production in recent years and it could be claimed that no official data is issued in that regard. Notwithstanding, the International Monetary Fund (IMF) has estimated Iran's crude oil exports more than one mbpd on average in 2023, showing 13.0 percent rise from 2022. The same level of oil export in 2023 has been reported by some unofficial sources as well.

In 1398 Iran's oil exports reached 200 thousand barrels per day and after emerging COVID-19 pandemic and fall in global oil demand in the early 1399, even collapsed to below 100 thousand barrels per day. This fall in exports did not last long and gradually increased mainly as a result of assignment of the new US administration, expansion of vaccination in most of the countries, elimination of COVID-19 limitations, and finally increase in global oil demand. The rise in global oil prices in the aftermath of the Russian invasion on Ukraine contributed to the rise in Iran's oil exports, aiming for preventing higher oil prices. However, China is the main oil exports destination of Iran albeit with considerable price discounts as well as a vague method of settlements. Iran heavy crude oil price that was beyond USD60 per barrel throughout 1398, dropped significantly in the aftermath of COVID-19 pandemic and decline in global oil demand and in the early 1399 reached USD17 per barrel, but gradually increased in later months. According to OPEC, Iran crude oil price averaged USD57.5 per barrel in 2021 and climbed to USD101.8 in 2022 and by 18.0 percent drop, averaged USD83.5 per barrel in 2023. Iran's crude oil price touched USD85.0 per barrel in November 2023 (roughly corresponding to 08/1402), indicating 7.2 percent monthly drop. Figure 3 demonstrates Iran's crude oil price and production from the beginning of 1400 on the basis of OPEC reports.

Figure 3- Average Daily Production and Average Price of Crude Oil of Iran



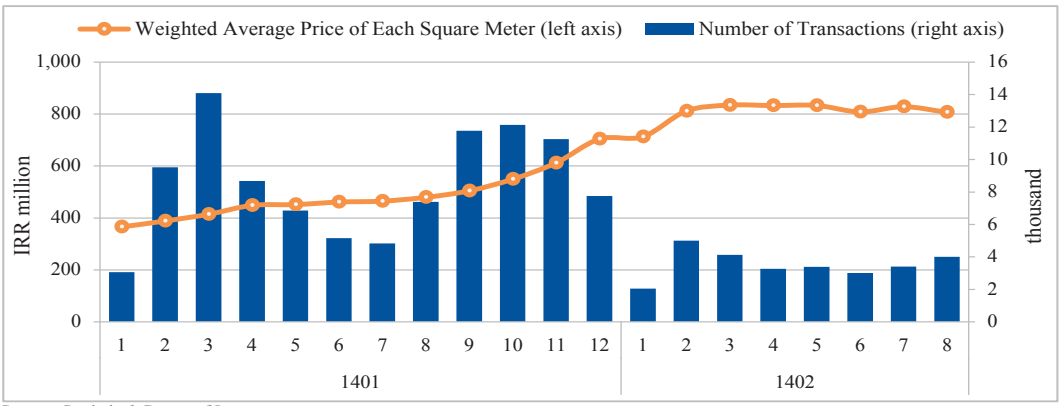
Source: OPEC monthly reports, production level based on the secondary sources
Note: OPEC statistics are based on Gregorian calendar years and their conversion into Persian calendar years are only approximate.

Housing

On the basis of the latest statistics of SCI, the weighted average price[1] of a square meter of traded residential units[2] via real estate agencies in Tehran from IRR479.4 million in 08/1401, reached IRR806.8 million in 08/1402, indicating 68.3 percent rise.

In the second month of fall 1402, among 22 municipal zones in Tehran, the highest average weighted price of a square meter of traded residential units of IRR1,568.0 million belonged to zone 1, while the lowest of IRR407.8 million belonged to zone 20. The volume of monthly traded units in Tehran averaged 3,530 residential units in the first eight months of 1402, 52.6 percent below the average volume of 7,448 in the same period of its preceding year. Figure 4 depicts the developments of price and volume of housing transactions in Tehran in 1401 and 1402.

Figure 4- Number of Transactions and Their Monthly Weighted Average Price in Tehran



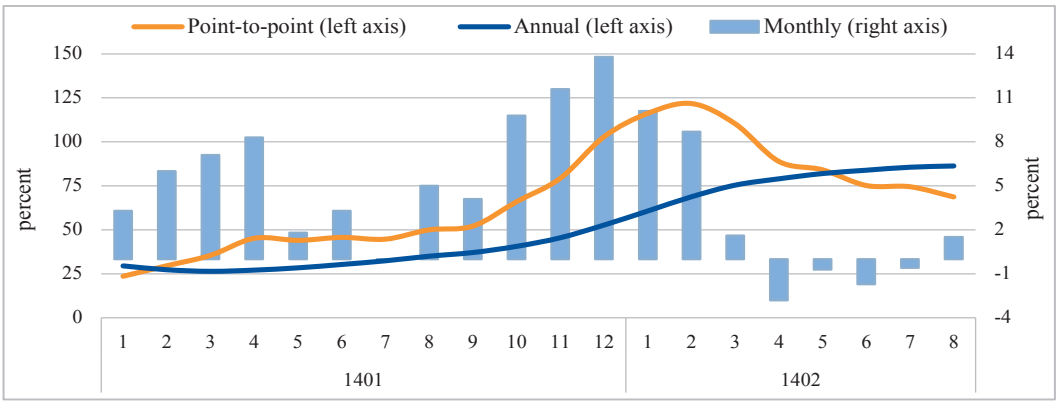
Source: Statistical Center of Iran

The price index of Tehran residential units is calculated by Hedonic method using the statistics from the Tenement Management Information System. The housing price index more reliably illustrates the developments of housing prices than the average housing price. As the features and quality of traded residential units in different periods are not identified in average housing price, housing price index is referred to as a more suitable index in analyzing housing market. Besides, as the changes in housing quality are eliminated by housing price index, it is more reliable than the housing average price.

In contrast to its downward trend in its four preceding months, the monthly inflation rate of residential units price in Tehran registered 1.5 percent in 08/1402 based on the SCI and 2.1 percentage points above that in 07/1402. The point-to-point inflation rate of the residential units price in Tehran that had grown to 121.8 percent in 02/1402, reversed course to register 68.7 percent in 08/1402. The annual inflation rate of residential units price that registered 35.0 percent in 08/1401, maintained its upward trend and eventually registered 86.3 percent at the end of 08/1402. Figure 5 exhibits the inflation rates of the residential units in Tehran from the beginning of 1401 to the end of 08/1402.

1. The weighted average in a certain district is obtained from value of traded units divided by the total area of those units. In Tehran any district weight is used to offset the effect of volume of asymmetric transactions in various districts.
2. Only covers the number of transactions registered in the Tenement Management Information System.

Figure 5- Inflation Rates of Residential Units in Tehran from 1401 to the End of 08/1402



Source: Statistical Center of Iran

Labor Market

On the basis of the latest report of the SCI on labor market in fall 1402, the unemployment rate of the population aged 15 and above registered 7.6 percent in that quarter, 0.6 and 0.3 percentage point below those in 1401Q3 and 1402Q2, respectively. Underemployment (working less than 44 hours a week) on the other hand reached 8.1 percent in the same quarter, indicating 1.4 drop from fall of 1401. Other labor market indices including economic participation, employment ratio (ratio of number of employed to working age population), and the unemployment rate of people with higher education have improved during the period under review. The ease of doing business coupled with the facilities aiming for employment and self-employment are considered as the contributors to the labor market, as the Minister of Economic Affairs and Finance has expressed.

In fall 1402, male unemployment rate registered 6.2 percent, 0.8 percentage point down from that in fall 1401. The female unemployment rate in fall 1402 remained the same at 14.2 percent. During the period under review, the working population has expanded by 705.5 thousand individuals, resulting in 7.6 percent unemployment rate, 0.6 percentage points below that in 1401Q3. In fall 1402, 429.8 thousand males as well as 275.7 thousand females were added to the working population compared to the same quarter of 1401. Hence, the employment ratio of males and females in working age has improved by 0.6 and 0.7 percentage points in 1402Q3 from 1401Q3 to register 64.3 percent and 12.4 percent, respectively. All in all, the employment ratio has totaled 38.3 percent in 1402Q3, 0.6 percentage points up from that in 1401Q3. Out of 2 million unemployed in 1402Q3, 1.4 million aged between 18 to 35, with 14.4 percent rate of unemployment, showing 0.4 percentage points improvement from 1401Q3. The rate of unemployment in people with higher education registered 11.4 percent in the same quarter, constituting 875.7 thousand of the unemployed. In terms of gender, the unemployment rate of highly-educated people in males was 7.7 percent and in females was 19.1, indicating 0.9 and 2.0 percentage points improvement from 1401Q3, respectively. In contrast, share of highly-educated unemployed in the country rose by 0.4 percentage points to 42.8 percent from 1401Q3 during the period under review. Among the unemployed with higher education, 46.7 percent were male and 53.3 percent were female. From higher unemployment rate of highly-educated people than the total rate, it could be grasped that higher education has neither facilitated finding job nor has been consistent with the labor market. It could be inferred that higher education has even been considered as a hinderance to finding job. All in all, in 1402Q3 highly-educated people have 27.5 percent share in total employed with 1.1 percentage point improvement compared to 1401Q3, due to the increase in the population of highly-educated people.

About 760.9 thousand individuals were added to the working age population in 1402Q3 from 1401Q3, with 48.3 percent of males and 51.7 percent of females. In addition, active population expanded by 612.3 thousand individuals in 1402Q3 compared to 1401Q3, constituting 80.5 percent of the people added to the working age population. Out of the added individuals to active population, 289.4 thousand (47.3 percent) are male. Accordingly, 41.5 percent of population at working age have been active, suggesting 0.5 percentage point rise in participation rate in 1402Q3 from 1401Q3. However, this rate has registered 14.4 percent in females and out of 4.7 million females that are willing to work, 4.0 million were successful. After a long period of fall in active female population and rise in number females at working age, in 1401 and 1402 the active female population experienced growth. In spring 1397, approximately 5.6 million females were willing and capable of working, however in winter 1400 this number plummeted to 4.1 million. From 1401 onwards, active female population followed an upward trend to reach to 4.3 million in that year and registered 4.7 million in 1402Q3.

In fall 1402, among 24.8 million employed, 52.1 percent worked in Services sector, 34.2 percent in Manufacturing sector, and the remaining 13.6 percent were in Agriculture sector. Part of this population are considered to be underemployed, suggesting that they have worked less than 44 hours a week due to some economic reasons, in spite of their willingness to work longer. About 2 million of employed population, equaling 8.1 percent have been underemployed in fall 1402 that is 14.1 percentage points lower than that in fall 1401. Table 3 compares major labor market indices between the 3rd quarter of 1401 and 1402.

Table 3- Major Labor Market Indices by Gender for Population Aged 15 and Above

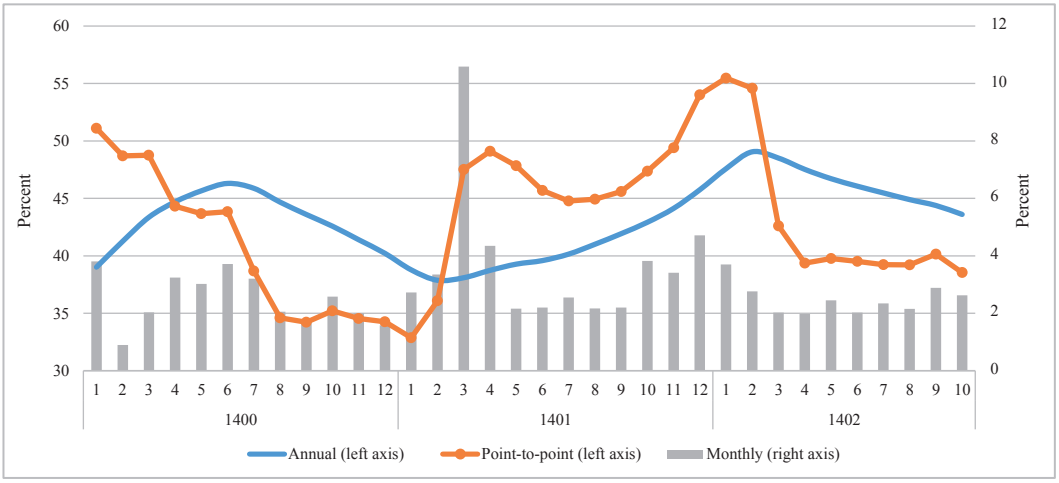
		1401Q3			1402Q3		
		Total	Male	Female	Total	Male	Female
Economic Participation	Rate (percent)	41.0	68.5	13.6	41.5	68.6	14.4
	Number (million)	26.2	21.9	4.3	26.8	22.1	4.7
Employment	Share (percent)	37.7	63.7	11.7	38.3	64.3	12.4
	Number (million)	24.1	20.3	3.7	24.8	20.8	4.0
Unemployment	Rate (percent)	8.2	7.0	14.2	7.6	6.2	14.2
	Number (million)	2.1	1.5	0.6	2.0	1.4	0.7
Unemployment of Population Aged 18 to 35	Rate (percent)	14.8	12.2	25.8	14.4	11.8	24.1
	Number (million)	1.5	1.0	0.5	1.4	1.0	0.5
Unemployment of Population with Higher Education	Rate (percent)	12.5	8.6	21.4	11.4	7.7	19.4
		0.9	0.4	0.5	0.9	0.4	0.5
Share of the Underemployment (percent)		9.5	10.3	4.7	8.1	8.7	5.2
Population Aged 15 and Above (million)		63.9	31.9	32.0	64.6	32.3	32.4

Source: Statistical Center of Iran

2. Prices and Inflation

On the basis of the latest statistics issued by the SCI[3], the annual inflation rate that closed 1401 at 45.8 percent, continued its upward trend till the end of 02/1402 to register 49.1 percent. However, it reversed course and following a downward path reached 44.4 percent at the end of 1402Q3. The point-to-point inflation rate that had peaked 55.5 percent in 01/1402, started to decline and registered 39.2 percent in 08/1402, but again rose to 40.2 percent at the end of fall. Figure 6 demonstrates consumer price index (CPI) inflation rates from 1400 to the end of 1402Q3.

Figure 6- CPI Inflation Rates from 1400 to the End of Fall 1402



Source: Statistical Center of Iran

The annual and point-to-point inflation rates that were decreasing during 1400H2, started to increase from the last month of spring 1401, following the elimination of the allocation of foreign currencies at official rate (IRR42,000 per USD) for imports of essential goods. This upward trend lasted till the early 1402. The point-to-point inflation rate reached its high of 55.5 percent - from 1400 - in the first month of spring 1402. Thereafter, the point-to-point inflation rate decreased and stabilized as the foreign exchange shock subsided. The monthly CPI inflation rate also followed a stable trend in the first three quarters of 1402. The drop in the CPI inflation rates could be to some extent emanated from the macroprudential policy of the CBI since 1400. According to this policy, the commercial banks are strictly required to maintain their monthly facilities growth up to 2 percent. This rate is set at 2.5 percent for specialized banks. Thanks to CBI's exercise, the annual liquidity (M2) growth rate that had peaked 42.8 in the early fall 1400, reversed course and continually decreased to reach 26.2 percent in

3. The Central Bank issued the statistics of CPI inflation rate until the mid-winter 1401, and from that point onwards, Statistical Center of Iran was the only official source of issuance of CPI inflation rate statistics.

08/1402.
The SCI data suggests that Producer Price Index (PPI) inflation rate that is referred to as a leading indicator of the CPI inflation rate has been diminishing from 1400Q2 to the end of 1401, while in the first half of 1402 has experienced negligible changes. The CBI data on PPI inflation rate for the first eight months of 1402 indicates the same trend despite the fact that PPI inflation rates released by CBI are different from those of the SCI. Taking into consideration the stability of PPI inflation rate, the CPI inflation rate is expected to remain involatile in the remainder of the year.
An examination of CPI inflation rate by twelve groups of consumption basket of goods and services at the end of 1402Q3 reveals that Foods and Beverages has experienced a significant annual inflation rate of 50.4 percent, preceded by Hotel and Restaurant with the highest annual inflation rate of 66.2 percent in the consumption basket. Given the 28.82 percent weight assigned to Foods and Beverages in the consumption basket, 16.6 percentage points of the 44.4 percent annual inflation rate belongs to this group at the end of fall 1402. In addition, Housing, Water, Electricity, and other Fuels with the highest weight of 36.11 percent in the consumption basket, experienced annual inflation rate of 38.1 percent in the same period, constituting 12.8 percentage points of the total annual inflation rate. The considerable weights of the two aforementioned groups coupled with their intense rate of inflation during the period under review translates to the exacerbation of welfare and life quality of low-income households in the year ended 09/1402. The weights of Foods and Beverages and Housing, Water, Electricity, and other Fuels in the consumption basket of the first three income deciles in aggregate include 80.7 percent, 75.2 percent, and 72.7 percent of their baskets, respectively (first to third decile). These wights suggest that considering the high inflation rate of the two aforementioned groups, the first three income deciles have been worse-off more compared to the other income deciles. Table 4 provides inflation rates of the twelve main groups of the consumption basket of goods and services with weights assigned to each group in a descending order.

Table 4- Inflation Rates of the Consumption Basket of Goods and Services at the End of Fall 1402 (percent)

	Weight in the Basket	Price Change		
		Monthly	Point-to-point	Annual
Overall	**100.00**	**2.9**	**40.2**	**44.4**
Housing, Water, Electricity and Other Fuels	36.11	3.3	40	38.1
Foods and Beverages	28.82	4.2	41.3	50.4
Transport	8.93	0.9	38.8	47.8
Health	6.68	1.1	35.5	48.5
Clothing and Footwear	4.52	2	47.2	48.6
Others	4.42	1.3	40.5	41.3
Household Equipment	4.4	1.4	36.1	38.2
Communication	2.41	0.3	16.3	18.6
Restaurants and Hotels	1.35	1.4	56.5	66.2
Education	0.88	1.2	42	35.3
Recreation and Culture	0.87	1.4	44.1	43.8
Tobacco	0.62	2.2	45.8	40.7

Source: Statistical Center of Iran

The data on inflation rates by provinces indicate that Yazd ranks 1st with 55.7 percent annual inflation rate while Tehran had the lowest rate of 39.2 percent in the last month of 1402Q3. In addition, the annual inflation rate in the same month has reached 44.1 percent in urban and 46.0 percent in rural areas.

3. Balance of Payments

At the time of preparation of this report the available statistics of balance of payments issued by the CBI only covered 1402Q1. The balance of payments which consists of current account, net capital account, and errors and omissions, experienced a USD81 million deficit in spring 1402, in contrast to the USD189 million surplus in spring 1401.
An examination of the components of balance of payments reveals that the USD7.8 billion surplus in the current account in 1401Q1 has plummeted by 44.0 percent to USD4.4 billion in 1402Q1. Similarly, the deficit of capital account has improved and reached USD9.4 billion in 1402Q1 from the USD10.0 billion in 1401Q1. The errors and omissions, however, have more than doubled from USD2.4 billion in 1401Q1 to USD4.9 billion in 1402Q1.
Goods account, Services account, Income account, and Current Transfers account are the components of the Current account. Goods account which is the difference of the value of exports and imports of goods plummeted to USD6.2 billion in 1402Q1, far below the USD9.2 billion in 1401Q1. All in all, the aggregate value of Iran's goods trade (sum of the value of imports and

exports of goods) has contracted by 2.8 percent in 1402Q1 compared to the same quarter of 1401. The goods imports value in spring 1402 grew by 5.4 percent to reach USD17.3 billion from spring 1401, whereas in the same quarter, goods exports registered USD23.6 billion, 8.0 percent below spring 1401. In 1402Q1 the value of oil and non-oil exports dropped by 5.1 percent and 11.8 percent from 1401Q1 to USD13.6 billion and USD9.9 billion, respectively. The decline in value of non-oil exports was mainly attributed to the drop in global prices of some main Iranian exports items such as steel product as well as petrochemicals in 1402Q1 compared to 1401Q1. Accordingly, oil trade balance surplus fell by about 5.7 percent, while non-oil trade balance deficit climbed by 40.9 percent to USD7.3 billion in 1402Q1. The oil trade balance of Iran has always been positive due to the negligible gas imports and oil products in conjunction with high exports of oil and gas. Besides, share of oil exports in total export of goods in 1402Q1 reached 57.9 percent, showing 1.8 percentage points rise from 1401Q1. The deficit of services account and income account has expanded in the same period with 29.7 percent and 122.0 percent, respectively, to reach USD1.8 billion and USD95 million. Table 5 illustrates Balance of Payments in detail.

Table 5- Balance of Payments in 1401Q1 and 1402Q1 (USD million)

	1401Q1	1402Q1	Percentage Change
Current Account	**7,845**	**4,393**	**-44.0**
Goods Account	9,157	6,213	-32.1
Exports (FOB)	25,604	23,552	-8.0
Oil	14,352	13,626	-5.1
Non-oil	11,253	9,926	-11.8
Imports (FOB)	16,447	17,338	5.4
Gas and Oil Products	0.3	93	-
Others	16,447	17,245	4.9
Services Account	-1,372	-1,779	29.7
Income Account	-43	-95	122.0
Current Transfers Account	105	54	-48.1
Net Capital Account	**-10,032**	**-9,354**	**-6.8**
Errors and Omissions	**2,375**	**4,880**	**105.5**
Overall Balance	**189**	**-81**	**-**

Source: Central Bank of Iran

The latest statistics issued by the Islamic Republic of Iran Customs Administration (IRICA) covered the first nine months of 1402 at the time of preparation of this report. During the first three quarters of 1402, exports of goods (customs based) registered 101.9 million tons, valued at USD36.4 billion, while the goods imports (customs based) reached 28.7 million tons valued at USD48.4 billion. Hence, the customs trade balance deficit during the first nine months of 1402 rose to USD11.9 billion from USD6.4 billion in the same period of its preceding year. This rooted in the 12.3 percent rise in goods imports, equaling USD5.3 billion and the negligible fall in exports due to the fall in global price of major exports items of the country. In the first nine months of 1402, exports of goods grew by 26.5 percent in weight, while fell by 0.2 percent in value. Thus, the average price of goods exported has shrunk to USD357.5 per ton in the first nine months of 1402 from USD453.4 in the same period of 1401. The import of goods in the same period expanded by about 6.0 percent in weight and by 12.4 percent in value. Therefore, the price of goods imported averaged USD1,683 per ton, up from the USD1,589 per ton in the same period of 1401. Consequently, the average price of imports of goods per ton was about four time that of exports of goods which originates in exports of raw or semi-raw materials with low value-added. As no sophisticated technology is implemented in production of such goods, they lack competitive advantage in global markets. It is worth to mention that the exchange rate policy and the economic rents in understatement of exports and overstatement of imports have caused the aggravation of the gap between the prices of exported and imported products. In addition, due to limited exports destinations of Iran as a result of international sanctions, the country is deprived of benefits from trade with various parties, hence proceeds from exports are considerably vulnerable to political and economic developments of trade parties. Table 6 provides the data on Iran's customs trade in the first nine months of 1401 and 1402.

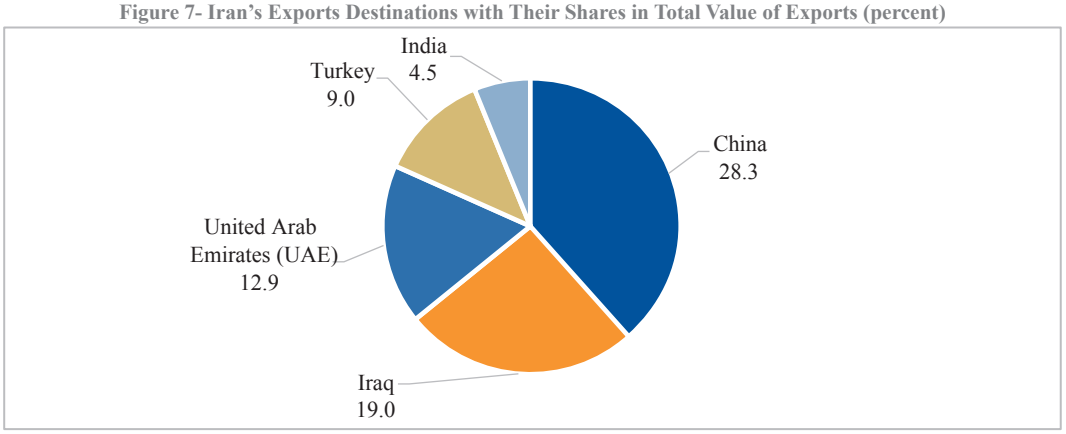
Table 6- Customs Trade in the First Nine Months of 1401 and 1402

	First Nine Months of 1401			First Nine Months of 1402			Percentage Change	
	Weight (1000 tons)	Value (USD million)	Ratio of Value to Weight (USD per ton)	Weight (1000 tons)	Value (USD million)	Ratio of Value to Weight (USD per ton)	Weight	Value
Imports	27,100	43,066	1,589	28,737	48,358	1,683	6.0	12.3
Exports	80,567	36,684	455	101,904	36,434	358	26.5	-0.7
Customs Trade Balance	**53,467**	**-6,382**	**-**	**73,167**	**-11,924**	**-**	**36.8**	**86.8**

Source: Islamic Republic of Iran Customs Administration

China, Iraq, UAE, Turkey, and India in the first nine months of 1402 were still the five main exports destinations of Iran, respectively, constituting 73.3 percent of the value of Iran's exports.
During the period under review, exports to China valued USD10.3 billion with 28.3 percent share in total exports of Iran, proceeded by Iraq at USD6.9 billion and share of 19.0 percent, UAE at USD4.7 billion and share of 12.9 percent, Turkey at USD3.3 billion with share of 9.0 percent, and India at USD1.7 billion with 4.5 percent share in total. Figure 7 demonstrates the main exports destinations of Iran during the first nine months of 1402.

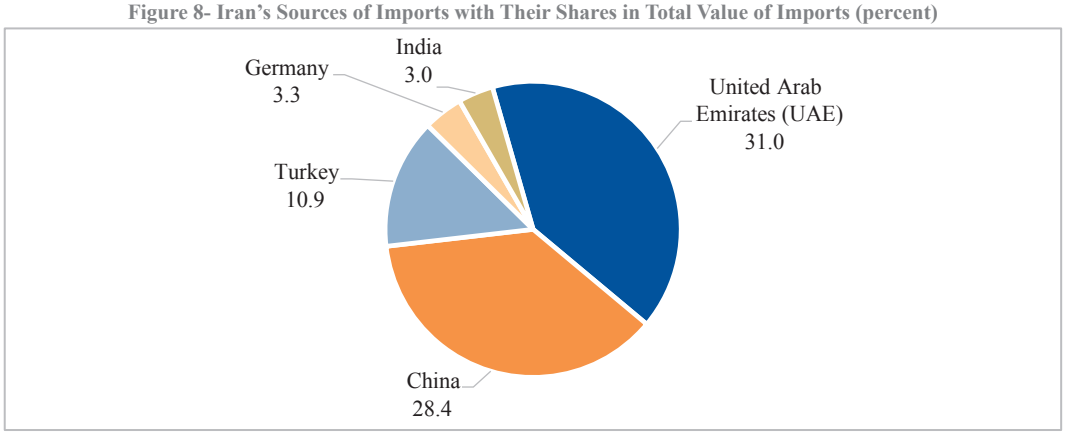
Figure 7- Iran's Exports Destinations with Their Shares in Total Value of Exports (percent)



Source: Islamic Republic of Iran Customs Administration

During the first nine months of 1402, UAE with USD15.0 billion and share of 31.0 in total imports of Iran ranked as the 1st source of imports, followed by China at USD13.7 billion and share of 28.4 percent, Turkey at USD5.3 billion and share of 10.9 percent, Germany at USD1.6 billion and share of 3.3 percent, and finally India at USD1.4 billion with share of 3.0 percent. Figure 8 shows the main sources of Imports of Iran in first nine months of 1402.

Figure 8- Iran's Sources of Imports with Their Shares in Total Value of Imports (percent)

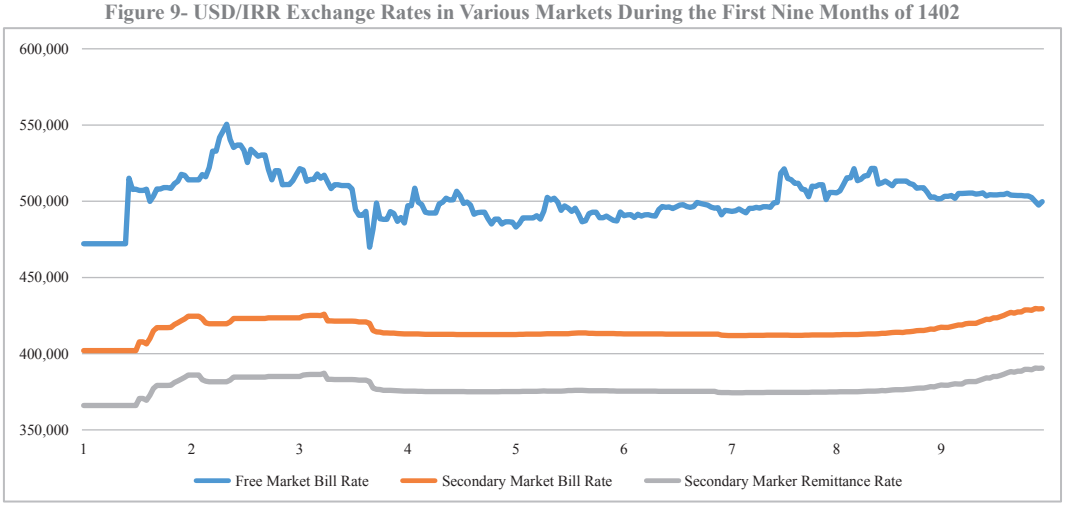


Source: Islamic Republic of Iran Customs Administration

4. Foreign Exchange Market

The USD/IRR exchange rate opened the year 1402 on its 1st trading day at IRR515.1 thousand and on 11/02/1402 peaked IRR550.5. However, this price rise did not last long and by the end of spring 1402 the rate dropped to about IRR470 thousand. From that period onwards, the IRR slightly gained value against USD and with very small fluctuations finally closed fall 1402 at IRR499.8 thousand. Figure 9 depicts the developments of USD/IRR exchange rates in the free market and the secondary market[4] from the beginning of this year till the end of fall.

Figure 9- USD/IRR Exchange Rates in Various Markets During the First Nine Months of 1402



Source: Gold, Coin, and Currency Information Network

In comparison to the same period of 1401, the USD/IRR exchange rate experienced much less fluctuations in the first nine month of 1402. The USD/IRR exchange rate opened 1401 at IRR269 thousand and closed that year at 472.1 thousand. This rate even touched IRR525.0 thousand in the late 1401, indicating the high volatility of the foreign exchange market in that year. Foreign exchange limitations in conjunction with political developments are referred to as the major drivers of the fluctuations in the foreign exchange market. Ceasing of nuclear talks as well as the potential imposition of further sanctions are as such. In contrast, the year 1402 was accompanied by positive incidents that contributed to stabilization of the foreign exchange market. Releasing part of Iran's funds by International Monetary Fund (IMF) in the last month of spring 1402 pulled down the USD/IRR exchange rate to IRR470.0 thousand in the free market. Similarly, release of Iran's funds in Luxemburg and Iraq resulted in an air of optimism in the market. Negotiations regarding Iran's funds with Turkey and Japan are in progress and if they materialize, the total funds released from foreign countries will total USD25 billion, according to the CBI governor. Reining in the liquidity (M2) growth rate in response to putting a cap on monthly banks' balance sheet growth could be considered as other driver of the foreign exchange market stability. Meanwhile, the CBI intervention in the free market through injection of its foreign reserves is remarkable. During 1402H1, notwithstanding the release of funds and the rise in petrodollars, the net foreign assets of CBI considerably contracted by 27.8 percent, translating sales of a large sum of CBI foreign reserves. The USD/IRR exchange rate averaged IRR502.3 thousand during the first three quarters of current year, 59 percent up from that in the same period of the preceding year. Table 7 exhibits the nominal USD/IRR bill rate in the free market in 1401 and the first three quarters of 1402.

Table 7- Nominal USD/IRR Bill Rate in Free Market

	Average	Maximum	Minimum	Standard Deviation
First Nine Months of 1402	502,293	550,510	469,830	14,146
First Nine Months of 1401	315,391	388,320	262,300	28,251
1401 as a whole	343,536	525,000	262,300	57,146

Source: Gold, Coin, and Currency Information Network and research calculations

The USD/IRR exchange rate in the secondary market did not experience considerable changes in the period under review and from the beginning of 1402Q3, started to increase slightly. The gap between the USD/IRR bill rate in the free market and secondary market widened to its maximum of 24.3 percent in 02/1402. The gap was fluctuating between 19.0 to 20.0 percent in summer 1402, but in the first two months of fall, again exceeded 20.0 percent. Eventually, it narrowed down to 18.9 percent in the last month of 1402Q3 due to the higher bill rate in the secondary market and the stability in the free market.

The USD/IRR remittance rate in secondary market moved in line with the bill rate and from IRR370 thousand climbed to the rates beyond IRR390 thousand. All in all, it could be inferred that the foreign exchange free market is highly dependent on the CBI intervention, despite the release of Iran's funds and the decreed banks' balance sheets growth. This fact, however, could be translated to a driver of further decrease in CBI foreign reserves. In order to get along with this issue and stabilizing the free market, exchange rate unification is suggested, which contributes to elimination of rental distribution of foreign currencies.

4. Iran Center for Exchange (ICE), an online market where foreign exchange remittances and bills are traded.

5. Monetary and Credit Aggregates

The latest statistics of monetary aggregates by the CBI covers the first half of 1402. Accordingly, the liquidity which is the sum of money (M1) and quasi-money reached IRR70,991.2 at the end of summer 1402, showing 12.0 percent rise compared to the end of 1401 and 26.9 percent rise from the end of summer 1401. Hence, the 12.0 percent growth in liquidity during 1402H1 indicates that CBI control on money creation has to some extent met its targets. Monetary base (M0) expanded by 14.1 percent during 1402H1. The M2 money multiplier on the other hand decreased by 1.8 percent from the end of 1401 to reach 7.2 at the end of 1402Q2. Table 8 shows the developments of monetary base and liquidity with their components during 1402H1.

Table 8- Liquidity and Monetary Base with the Growth Rates of Their Components (IRR trillion-percent)

	Balance at the End of Period			Growth at the End of 1402Q2 Compared to		Share in Growth at the End of 1402Q2 Compared to	
	06/1401	12/1401	06/1402	06/1401	12/1401	06/1401	12/1401
Monetary Base (M0)	**6,907.3**	**8,599.9**	**9,811.3**	**42.0**	**14.1**	**42.0**	**14.1**
CBI Foreign Assets (net)	5,770.0	6,824.3	4,927.3	-14.6	-27.8	-12.2	-22.1
CBI Claims on Public Sector (net)	-272.7	-1,985.8	77.1	-	-	-	-
CBI Claims on Public Sector	2,231.5	2.725.0	2,849.5	27.7	4.6	-	-
Public Sector Deposits with CBI	2,504.2	4,710.8	2,772.4	10.7	-41.1	-	-
CBI Claims on Banks	1,660.2	3,912.4	5,211.0	213.9	33.2	51.4	15.1
Other Assets (net)	-250.2	-151.0	-404.1	-61.5	-167.6	-2.2	-2.9
Balance Remaining Upon Implementation of Monetary Policy	757.7	988.4	1,098.9	45.0	11.2	4.9	1.3
Liquidity (M2)	**55,949.3**	**63,376.8**	**70,991.2**	**26.9**	**12.0**	**Share in Liquidity at the End of**	
						12/1401	**06/1402**
Money (M1)	**12,742.5**	**16,296.9**	**17,913.2**	**40.6**	**9.9**	**25.7**	**25.2**
Notes and Coins with the Public	918.2	1,226.1	1,235.5	34.6	0.8	1.9	1.7
Sight Deposits	11,824.3	15,070.8	16,677.7	41.0	10.7	23.8	23.5
Checks (net)	107.6	201.1	196.7	82.8	-2.2	3.0	3.0
Quasi-money	**43,206.8**	**47,079.9**	**53,078.0**	**22.8**	**12.7**	**74.3**	**74.7**
Gharz-al-hasaneh Saving Deposit	3,805.5	5,497.3	5,838.1	53.4	6.2	8.7	8.2
Short Term	14,767.6	15,931.3	16,389.8	11.0	2.9	25.1	23.1
One-year	12,413.6	14,739.5	14,295.9	15.2	-3.0	23.3	20.1
Two-year	10,547.9	6,868.3	4,679.0	-55.6	-31.9	10.8	6.6
Three-year	0.0	2,346.8	10,092.6	-	330.1	3.7	14.2
Four-Year	3.6	3.6	3.6	0.0	0.0	0.0	0.0
Five-year	58.3	63.7	66.2	13.6	3.9	0.1	0.1
Miscellaneous Deposits	1,610.3	1,629.4	1,712.8	6.4	5.1	2.6	2.4

Source: Central Bank of Iran

At the end of 1402Q2, liquidity expanded by 26.9 percent from 1401Q2 to IRR70,991.2 trillion. This monetary aggregate experienced annual growth rates of below 30 percent which is attributed to the CBI exercise regarding banks' balance sheet control since 1400. Precisely speaking, CBI put a cap on monthly growth rate of banks' balance sheet[5] , i.e., 2 percent for commercial banks and 2.5 percent for specialized banks. It should be noted that the annual growth rate of liquidity slowed down from the early 1400Q3 and continually decreased to 31.1 percent at the end of 1401, close to the 30.0 percent target of the CBI. The annual growth rate of liquidity rose to 33.1 percent in the first month of 1402 but again started to decrease and registered 26.9 percent at the end of 1402Q2. Compared to the end of 1401, liquidity grew by 12.0 percent at the end of summer 1402, indicating monthly 1.9 percent growth on average.

An examination of liquidity by its components (M1 and quasi-money) reveals that at the end of 1402Q2, M1 has expanded by 9.9 percent from the end of 1401 and by 40.6 percent compared to the end of 1401Q2. Quasi-money has also risen by 12.7 percent and 22.8 percent compared to the end of 1401 and end of 1401Q2, respectively.

At the end of 1402Q2, money constituted 25.2 percent of liquidity, 2.4 percentage points up from 22.8 percent at the end of 1401Q2. The rise in the share of money in liquidity or in other words the higher ratio of money to quasi-money occurred in 1402 in a situation that CBI increased nominal interest rates in order to rein in the inflation rate. In that regard, CBI

5. According to the circular of CBI, all banks and credit institutions are required to observe the capped growth rates. Cash balances, accounts with CBI and Islamic Treasury Bills, as well as the below the line items are exempt from this circular.

raised interest rates on one-year deposits to 20.5 percent from 16 percent, and that of two-year deposits from 18.0 percent to 22.5 percent. The banks were also allowed to offer three-year deposits with 22.5 percent interest rate. However, the exchange rate volatility coupled with the high inflation rate made the CBI practice less effective. In order to increase their market share, some banks offered the depositors with interest rates above the decreed rates of CBI and also exempted the term deposits from penalty in case of prematurity withdrawals. Consequently, as a result of the interest rate competition of banks, absorption of funds by the banks with higher interest rates was inevitable. Exemption of prematurity withdrawal penalty of term deposits after one to three months means that the quasi-money is potentially transformed to money shortly, translating to unfulfillment of the monetary policy in the short run.

The higher interest rate on three-year deposits and the penalty exemption resulted in 330.1 percent boom in balance of three-year deposits and 32.0 percent fall in balance of two-year deposits at the end of 1402Q2 compared to the end of 1401. The short-term deposits and sight deposits constituted about 47 percent of the liquidity at the end of 1402Q2. This figure conveys the fact that the depositors are reluctant to invest their funds in long term deposits and their decision makings are remarkably on short term basis.

On the basis of the CBI balance sheet, the monetary base reached IRR9,811.3 trillion at the end of 1402Q2, 14.1 percent up from the end of 1401 and 42.0 percent above that at the end of 1401Q2. The developments of monetary base components in 1402H1 reveals that the net CBI claims on government grew by about 104 percent during that period, with the highest share in monetary base growth. The semi-annual 41.1 percent drop in the government deposits with the CBI has been the main diver of the monetary base growth in the period under review. Additionally, the semi-annual 33.2 percent climb in the CBI claims on banks is referred to as the second factor of monetary base growth in the same period. CBI claims on banks mainly due to overdrafts has tripled in the year ending 06/1402. In contrast, the net foreign assets of the CBI contracted by 27.8 percent during 1402H1, performing as a reducing factor of the monetary base. This fall is attributed to the sale of foreign currencies by the CBI. The net "other assets" that is a negative item, with 167.6 percent expansion was another diminishing factor of monetary base in the six-months period under review. It is worth to mention that the balance of open market operations as subgroup of other assets grew in the same period, translating to implementation of expansionary monetary policy. In the first half of 1402, the monetary base data in terms of uses suggests that notes and coins has grown by only 1.3 percent compared to the end of 1401. Conversely, banks and credit institutions deposits with the CBI have risen by 16.6 percent in the same period. Finally, the ratio of excessive reserves to total deposits at the end of 1402Q2 had doubled from the end of 1401.

The aggregated balance sheet of banks and non-bank credit institutions reveals that their assets (liabilities) excluding below the line items at the end of summer 1402 have grown by 10.7 percent compared to the end of 1401 and 36.6 percent compared to the end of summer 1401. On the assets side, claims on non-government sector, other assets, and foreign assets with shares of 5.3, 1.8, and 1.6 percentage points, were the main contributors to the 10.7 percent growth of assets during 1402H1. On the liabilities side, the deposits of non-government sector, other liabilities, and foreign exchange loans and deposits with shares of 4.8, 2.6, and 1.5 percentage points were the main drivers of the liabilities growth in the first half this year.

Table 9 illustrates a summary of the assets and liabilities of the banks and non-bank credit institutions.

Table 9- Summary of Assets and Liabilities of Banks and Non-bank Credit Institutions (IRR trillion)

	End of Period Balance			Share of Banks and Non-bank Institution at the End of 06/1402			06/1402 Percentage Change Compared to	
	06/1401	12/1401	06/1402	Public Commercial	Public Specialized	Non-public and Non-bank	12/1401	06/1401
Assets (excluding below the line items)	**89,901.2**	**110,930.6**	**122,764.5**	**28,621.3**	**17,021.2**	**77,122.0**	**10.7**	**36.6**
Foreign Assets	16,733.3	20,336.4	21,733.1	2,981.0	4,986.4	13,765.7	6.9	29.9
Notes and Coins	105.0	193.8	202.6	77.6	17.9	107.1	4.5	93.0
Deposits with the CBI	5,884.1	7,180.0	8,373.2	2,039.3	603.2	5,731.0	16.6	42.3
Claims on Public Sector	5,719.0	7,931.8	9,001.9	3,958.5	1,376.0	3,667.4	13.5	57.4
Claims on Non-public Sector	40,986.0	50,934.4	57,369.9	11,387.8	7,774.9	38,207.2	12.6	40.0
Others	20,473.8	24,354.2	26,083.8	8,177.4	2,662.8	15,643.6	7.1	27.4
Liabilities (excluding below the line items)	**89,901.2**	**110,930.6**	**122,764.5**	**28,621.3**	**17,021.2**	**77,122.0**	**10.7**	**36.6**
Deposits of Non-public Sector	55,031.1	62,150.7	69,755.7	17,374.8	6,560.7	45,820.2	12.2	26.8
Debt to the CBI	1,660.2	3,912.4	5,211.0	1,774.3	827.2	2,640.5	33.2	213.9
Deposits of Public Sector	475.1	463.2	463.9	210.3	188.5	65.1	0.2	-2.4
Capital Account	-38.5	2,384.3	1,962.3	-133.5	880.4	1,215.4	-17.7	-
Foreign Liabilities	13,813.9	17,035.5	18,400.5	3,063.8	4,232.3	11,104.4	8.0	33.2
Others	18,959.4	24,984.5	26,971.1	6,362.6	4,332.1	16,276.4	8.0	42.3

Source: Central Bank of Iran

On the basis of the banking statistics by CBI, at the end of 08/1402 the balance of extended facilities reached IRR48,326.8 trillion, indicating 33.4 percent point-to-point growth and 15.9 percent rise compared to the end of 1401. The balance of deposits on the other hand registered IRR65,452.4 trillion at the end of 08/1402, 30.3 percent above that at the end of 08/1401 and 17.3 percent above the end of 1401. The ratio of extended facilities to deposits less the legal reserves reached 83.9 percent, showing 1.2 percentage points drop compared to the end of 1401. Table 10 shows the balance of extended facilities at the end of 08/1402.

Table 10- Balance of Extended Facilities and Deposits in IRR and Foreign Currencies (end of period-IRR trillion)

	08/1401	12/1401	08/1402	08/1402 Percentage Change Compared to	
				12/1401	08/1401
Extended Facilities (EF)	48,326.8	55,833.1	64,727.1	15.9	33.9
Deposits	65,452.5	72,742.5	85,298.5	17.3	30.3
Deposits Less Required Reserves (DLRR)	58,733.4	65,603.3	77,106.2	17.5	31.2
EF to DLLR Ratio (percent)	82.2	85.1	83.9	-	-

Source: Central Bank of Iran

In the first eight months of 1402, out of IRR33,341.7 of extended facilities to various sectors, IRR27,559.7 belongs to businesses (legal entities and individuals) with 82.7 percent share in total, and the remaining 17.3 percent belongs to final consumers (households). In terms of purpose, facilities aiming for working capital had the highest share in extended facilities, i.e., in the first eight months of this year, IRR21,167.6 trillion of facilities was in that regard. This figure constitutes 76.8 percent of total extended facilities to businesses while 63.5 percent of the total extended facilities. Extended facilities to businesses by sectors of the economy reveal the highest share of services at 41.8 percent, proceeded by Industries and Mining at 35.9 percent.

6. Government Fiscal Performance

Budget Bill of 1403

The initial proposal of Budget Bill of 1403 was provided to the IRI Parliament in the late fall of 1402. According to some articles of the internal regulation of the Parliament, the initial proposal of the Bill including overview (articles), notes, the ceiling of sources of government general budget by general revenues and disposal of financial and non-financial assets with their components, and the assumptions in estimates should had been prepared and presented on the first day of 08/1402. The Budget Bill preparation coincided with the examination of the Seventh Economic, Social, and Cultural Development Plan by the Parliament, hence the provision of final version of the 1403 Budget Bill was delayed to be in line with the requirements of the Seventh Plan. However, the Budget Bill was rejected by the Parliament in the last days of 1402Q3. Being inconsistent with the Seventh Plan, ignorance to the pension incomes, 50 percent increase in taxes, the biased estimate of oil sales, unbalance budget due to unspecified sources, and finally the ambiguities in budget of state-owned companies were all the reasons of rejection of the 1403 Budget Bill.

The Bill was eventually approved after some amendments at the end of fall 1402. Addition of ceiling for the general uses by current expenditures, coupled with acquisition of financial and non-financial assets, provision of the assumptions of the estimation of general uses, allocation of the proceeds from one percentage point rise in value added tax rate for the retirement pensions, making the Bill as consistent as possible with the Seventh Development Plan, and inclusion of a summary of sources and uses of state-owned companies, banks, and profit institutions affiliated to the government were the amendments to the 1403 Budget Bill.

Based on the circular of the 1403 Budget Bill, in a macro scope, the Bill is supposed to focus on promotion of economic growth with the emphasis on promotion and protection of the activities with high priority that are precursor to the growth, expansion of exports, improvement of business environment through clarification and facilitation of issuance of licenses, pricing reforms especially in raw materials and basic products. Inclusion of the sources and uses of the Subsidies Reform Plan in total budget, inclusion of off-budget expenditures, improvement in fiscal discipline and budgeting through high-tech tools, clarification of directed credit program (decreed

facilities) in order to prevent financial burdens on banks, and devising a mechanism either to urge public organizations to sale excess assets or making them income-generating, were other requirements in the circular. However, it seems that the circular requirements are totally ignored while preparing the 1403 Budget Bill.

In 1403 Budget Bill, the Total Budget (sources and uses of country budget) is 29.7 percent up from the Budget law of 1402. The Total Budget consists of state-owned companies' budget and general government budget. The budget of state-owned companies has risen by 29.7 percent in the 1403 Bill compared to the 1402 Budget Law. The general government budget consists of general sources and uses as well as sources and uses from dedicated revenues. The dedicated revenues are gained by each government organizations and are also spent in the same organization. Precisely speaking, such revenues are not transferred to the treasury and hence are not reallocated to other sectors. In contrast, the general sources is totally under the control of the government and the treasury. It consists of general revenues (tax, customs fees, proceeds from government ownership, etc.), disposal of non-financial assets (mainly proceeds from oil exports and disposal of government properties), and disposal of financial assets (mainly sales of debt securities and withdrawal from NDF). The treasury spends these sources for current expenditures (including compensation of employees and payments to pension funds), disposal of non-financial assets (development expenditures), and disposal of financial assets (payments of previous debts such as principals of the matured debt securities).

Table 11 illustrates an overview of 1403 Budget Bill.

Table 11- Overview of 1403 Budget Bill (IRR trillion- percent)

Sources					
Descriptions	1403 Budget Bill	Estimation of 1402 Performance*	1402 Law	1403 Bill Growth to Estimated Performance of 1402	1403 Bill Growth to the 1402 Law
General Revenues	14,983.0	9,619.6	10,540.8	55.8	42.1
Disposal of Non-financial Assets	6,445.6	4,470.0	7,322.5	44.2	-12.0
Disposal of Financial Assets	3,191.8	4,560.4	2,960.0	-30.0	7.8
General Sources	**24,620.4**	**18,650.0**	**20,823.3**	**32.0**	**18.2**
Dedicated Revenues	2,751.0	-	1,812.6	-	51.9
Sources of General Government Budget	**27,371.4**	**-**	**22,634.9**	**-**	**20.9**
Sources of State-owned Companies	37,416.0	-	28,839.1	-	29.7
Sources of Country Budget	**64,787.4**	**-**	**49,947.1**	**-**	**29.7**
Uses					
Descriptions	1403 Budget Bill	Estimation of 1402 Performance*	1402 Law	1403 Bill Growth to Estimated Performance of 1402	1403 Bill Growth to the 1402 Law
Current Expenditures	18,037.4	14,050.0	15,088.4	28.4	19.5
Acquisition of Non-financial Assets	3,750.0	2,700.0	3,750.0	38.9	0.0
Acquisition of Financial Assets	2,833.0	1,900.0	1,984.9	49.1	42.7
General Uses	**24,620.4**	**18,650.0**	**20,823.3**	**32.0**	**18.2**
From Dedicated Revenues	2,751.0	-	1,812.6	-	51.9
Uses of General Government Budget	**27,371.4**	**-**	**22.634.9**	**-**	**20.9**
Uses of State-owned Companies	37,416.0	-	28,839.1	-	29.7
Uses of Country Budget	**64,787.4**	**-**	**49,947.1**	**-**	**29.7**

Source: 1403 Budget Bill and 1402 Budget Law

*The estimation of 1402 performance is based on the Parliament Research Center.

The share of NDF in the proceeds from oil exports is considered 40 percent in the 1403 Budget Bill, the same level at the end of the Sixth Development Plan. However, in contrast to the 1402 Budget Bill, in the 1403 Budget Bill the government is not allowed to withdraw 20 percentage points of the NDF share.

Accordingly, considering the assumptions of the estimated foreign exchange revenues, NDF share in proceeds from oil exports, natural gas condensates, and net exports of natural gas reaches EUR14.1 billion in 1403 Budget Bill, equivalent to IRR4,361.4 based on the estimated EUR/IRR exchange rate at IRR310 thousand. Based on the assumptions of 1403 Budget Bill, in order to estimate oil revenues, the exports of oil and natural gas condensates has been considered 1.35 mbpd at EUR65 a barrel. In addition, the volume of natural gas exports has been assumed 11 billion cube meters at 29 cent (EUR) a cube meter to estimate the proceeds from the net exports of natural gas. Table 12 demonstrates the assumptions and method of estimation of oil revenues in 1403 Budget Bill.

Table 12- Estimated Oil Revenues in 1403 Budget Bill

	1400 Law	1401 Law	1402 Law	1403 Bill*	1403 Bill Growth to 1402 Law (percent)
Oil and Natural Gas Condensates Exports (1000 barrels a day)	2,300.0	1,400.0	1,300.0	1,350.0	5.3
Sales of Feedstock to Domestic Petrochemical Companies (1000 barrels a day)	0.0	145.0	145.0	145.0	0.0
Oil Price per Barrel (USD)	40.0	70.0	75.0	70.7	-5.8
Price of Natural Gas Condensates per Barrel to Be Sold to Domestic Petrochemical Companies (USD)	38.0	66.5	71.3	67.1	-5.8
Share of National Petroleum Company in Exports of Oil and Natural Gas Condensates (percent)	14.5	14.5	14.5	14.5	0.0
Share of National Gas Company in Exports of Natural Gas (percent)	14.5	14.5	14.5	14.5	0.0
Share of NDF in Exports of Oil and Natural Gas Condensates and Net Gas Exports (percent)	38.0	40.0	42.0	40.0	-4.8
Government Share in Exports of Oil and Natural Gas Condensates (percent)	47.5	45.5	43.5	45.5	4.6
Government Share in Sales of Feedstock to Domestic Petrochemical Companies (percent)	85.5	85.5	85.5	85.5	0.0
Government Share in Net Exports of Natural Gas (percent)	47.5	45.5	43.5	45.5	4.6
Share of National Petroleum Company in Sales of Natural Gas Condensates to Domestic Petrochemical Companies (percent)	14.5	14.5	14.5	14.5	0.0
USD/IRR Exchange Rate in the Budget (IRR1000 per USD)	115.0	230.0	285.0	285.0	0.0
Net Exports of Gas (IRR trillion)	2.9	3.6	6.2	3.4	-44.4
Total Revenues from Exports of Crude Oil and Natural Gas Condensates (IRR trillion)	33.6	35.8	35.1	34.8	-0.8
Total Revenues from Sales of Feedstock to Domestic Petrochemical Companies (IRR trillion)	0.0	3.5	3.8	3.6	-5.8
Share of NDF in Total Revenues in Foreign Currencies (USD billion)	13.9	15.7	17.3	15.3	-11.7
Share of National Petroleum Company in Oil Exports and Domestic Sales of Feedstock (USD billion)	4.9	5.7	5.6	5.6	-1.3
Share of National Gas Company from Proceeds of Gas Exports (USD billion)	0.4	0.5	0.9	0.5	-44.4
Share of Government in Total Proceeds of Oil Exports (USD billion)	16.0	16.3	15.3	15.8	3.8
Government Share in Total Proceeds from Net Exports of Gas (USD billion)	1.4	1.6	2.7	1.6	-41.8
Share of Government in Sales of Feedstock to Domestic Petrochemical Companies (USD billion)	0.0	3.0	3.2	3.0	-5.8
Proceeds from Exports of Crude Oil and Natural Gas Condensates (government share-IRR trillion)	1,834.3	3,743.3	4,350.9	4,514.5	3.8
Proceeds from Net Exports of Natural Gas (government share-IRR trillion)	158.4	374.6	768.4	447.3	-41.8
Proceeds from Sales of Natural Gas Condensates to Domestic Petrochemical Companies (government share-IRR trillion)	0.0	692.1	918.9	865.6	-5.8
Exports of Crude Oil, Natural Gas Condensates, and Net Exports of Gas in Excess of Estimated Sources (IRR trillion)	600.0	0.0	0.0	0.0	-
Debt Settlement via Barter of Oil (IRR trillion)	900.0	0.0	0.0	0.0	-
Proceeds from Sales of Vacuum Bottom (Bitumen-IRR trillion)	0.0	0.0	200.0	0.0	-
Total Oil Revenues (government share-IRR trillion)	**3,492.7**	**4,810.1**	**6,238.1**	**5,827.4**	**-6.6**

Source: 1403 Budget Bill and Budget Laws of 1400, 1401 and 1402 with their assumption base on the Parliament Research Center
* In 1403 Budget Bill, the calculations are based on EUR, however, the figures are converted to USD to be comparable with preceding years.

In 1403 Budget Bill, in the article regarding Subsidies Reform Plan, the proceeds from sales of feedstock to domestic petrochemical companies were considered as sources of Subsidies Reform Plan. While the sources and uses of that Plan are not included in the general budget (against the circular of 1403 Budget Bill), they are supposed to be excluded from the government oil revenues. It seems that this source is still included in sources of general budget as in preceding years and total oil revenues of the government has been converted to IRR with rate of 310 thousand per Euro. In 1403 Budget Bill, about EUR13.65 billion (IRR310 thousand per EUR) is considered to be allocated for imports of essential goods, medicine, and medical consumables. Hence, in order to reach the oil revenues estimated in the 1403 Budget Bill, the difference between the total government oil revenues of EUR16 billion (EUR14.6 billion from oil exports plus EUR1.4 billion of net exports of natural gas) and the EUR13.65 billion aiming for imports of essential goods and medicine should have been converted to IRR at rate of IRR680 thousand per EUR in case where the sources from sales of feedstock to domestic petrochemical companies are excluded from general sources and added to the sources of Subsidies Reform Plan. It should be mentioned that the sales of feedstocks to petrochemical companies in 1399 and 1400 were included in article 14, while in 1401 and 1402 Budget Laws, this source was implicitly included in general sources and oil revenues.

Given the assumptions, the share of government in oil revenues (Exports of oil and natural gas condensates, net exports of natural gas and share of 85.5 percent in sales of feedstocks to domestic petrochemical companies) registered IRR5,827.4 trillion, 6.6 percent below that in 1402 Budget Law. Excluding the IRR200 trillion proceeds from sales of vacuum bottom (in 1402 Budget Law as oil revenues and in 1403 Budget Bill as off-budget), the fall in oil revenues in 1403 Budget Bill compared to 1402 Budget Law diminishes to about 3.5 percent. The oil exports in 1403 Budget Bill is forecasted 50 thousand barrel per day above that in 1402 Budget Law, whilst its forecasted price is 5.8 percent below that in 1402 Budget Law. The proceeds from exports of natural gas has also fallen by 41.8 percent. Consequently, oil revenues constitutes 23.7 percent of sources of general budget in 1403 Budget Bill, indicating 6.3 percentage points drop compared to the Budget Law of 1402.

In a note of article 4 on 1403 Budget Bill, the government is required to consider IRR1,368.6 trillion for improvement of armed forces in cash or the right to sell crude oil or natural gas condensates in excess of the maximum oil revenues in the 1403 Budget Bill. Note that this figure is not included in sources of general budget. Hence, adding this figure to the general sources would result in the rise in share of oil revenues from 23.7 percent to 29.2 percent.

In the Budget Bill of 1403, IRR618.2 trillion is proposed for disposal of government properties as a subgroup of disposal of non-financial assets, 43.0 percent below 1402 Budget Law (which does not seem achievable). During the first seven months of 1402, this source of budget has only realized IRR40 trillion of legislated figure. All in all, the disposal of non-financial assets has fallen by 12.0 percent to IRR6,445.6 trillion in 1403 Budget Bill, compared to the Law of 1402.

Compared to the Budget Law of 1402, the acquisition of non-financial assets has remained the same at IRR3,750.0 trillion in the 1403 Budget Bill. According to some unofficial sources (Fars News Agency) the development expenditures has realized 30.9 percent of the legislated figure in the first eight months of 1402, equivalent to IRR1,160.0 trillion. The Research Center of Parliament has estimated performance of those expenditures at IRR2,700 trillion for the whole year, out of which a considerable amount would be financed through NDF. The share of development expenditures in general uses of 1403 Budget Bill is 15.2 percent which is 2.8 percentage points below the legislated figure in 1402 Budge Law. Accordingly, the proposed capital balance (net disposal of non-financial assets) in 1403 Budget Bill is IRR2,695.6 trillion which would be mainly spent for government current expenditures.

In the proposed Budget Bill of 1403, the share of tax revenues in general sources (including customs fees) grew by 8.4 percentage points to 51.4 percent compared to the legislated figure in 1402 Budget Law. Besides, the tax revenues in the proposed 1403 Bill suggest a considerable rise of 41.4 percent compared to 1402 Budget Law. The total tax revenues in 1403 Budget Bill are estimated IRR12,645.0 trillion, consisting of indirect taxes (tax on goods and services and on imports) with 48.4 percent share and direct taxes (tax on legal entities, on income, and on wealth) with 51.6 percent share. Among the components of direct taxes, tax on legal entities has expanded by 53.5 percent in the proposed Bill, with 35.6 percent share in total. The proposed tax on private legal entities is IRR3,560.0 trillion, 39.3 percent up from the legislated figure of 1402 Budget Law, which might make the private sector worse-off. In the sources of the tax on legal entities IRR500.00 trillion is included under the title of Article 159 of the Fifth Development Plan, which might be attributed to the firms, whose 20-year tax exemption is over. The income tax with share of 12.0 percent in total tax revenues shows a 33.3 percent growth compared to the 1402 Budget Law.

Tax on professions and on salary of private sectors employees as the major elements of income tax have also experienced 50.0 percent and 19.4 percent rise compared to 1402 Budget Law, respectively. The tax on wealth, on the other hand shows 32.7 percent climb in the proposed Bill of 1403 which is originated to the 68.1 percent rise in tax on shares transfer. So, the government expects a boom in the capital market in the coming year. Tax on goods and services that forms 37.1 percent of total tax incomes grew by 54.5 percent in 1403 Bill compared to that in 1402 Law. The value-added tax expanded by 43.0 percent in the Bill. However, the proceeds from the one percentage point rise in value-added tax rate to 10 percent have been considered as a separate source in 1403 Budget Bill, amounting to IRR500.0 trillion and in excluded from the sources of value-added tax. Inclusion of this figure to the value-added tax adds up the sources of value-added tax to IRR3,195.0 trillion, 69.5 percent up from the 1402 Law figure and constituting 68.0 percent of the tax on goods and services and 25.3 percent of total tax incomes in 1403. Similarly, tax on automobile transactions has risen by 50.0 percent to IRR196 trillion in 1403 Bill from IRR131 trillion in 1402 Law, composing 4.2 percent of the tax on goods and services.

The tax on imports fell by 2.1 percent in 1403 Bill compared to 1402 Law with the share of 11.3 percent in total tax revenues in 1403 Budget Bill. On the contrary, the Parliament Research Center estimate suggests that about 52.9 percent of this source would not materialize in 1403. The exchange rate used for this estimation is IRR310 thousand per EUR. It could be assumed that in calculation of the oil revenues, the difference of imports of essential goods and total imports has been converted based on EUR/IRR exchange rate of IRR68 thousand (exclusion of sales of feedstocks to domestic petrochemicals from oil revenues is assumed), hence, should the same rate be used for imports tax, customs revenues totals IRR1,390.0 trillion in 1403 which is

close to the proposed figure in the Budget Bill of 1403. It is worth to mention that the Parliament Research Center assumptions regarding imports fees is the base of calculations of our report.

The current expenditures with 73.3 percent share in the total general uses grew by 19.5 percent in the Budget Bill of 1403 compared to the legislated figure in the Budget Law of 1402. The current expenditures are not presented in detail in the Budget Bill of 1403, but with respect to the Parliament Research Center, compensation of government employees forms 62.1 percent of the total current expenditures, equivalent to IRR11,210.0 trillion. The share of pension funds in the current expenditures is estimated IRR3,850.0 trillion, 21.3 percent of the total current expenditures. Accordingly, sum of the two aforementioned uses is estimated IRR15,060.0 trillion, indicating 83.5 percent of the government current expenditures in 1403 Budget Bill. Hence, the operating balance deficit has registered 3,054.2 trillion in the Budget Bill of 1403. Consequently, financing of a considerable portion of the current expenditures through general revenues seems not plausible.

In the Budget Bill of 1403, part of the Budget unbalance is tried to be offset via disposal of financial assets, as a routine. Therefore, with 36.1 percent rise, issuance of IRR2,546.0 trillion of government debt securities was proposed in 1403 Budget Bill. The share of these securities in total disposal of financial assets and in general sources is 79.8 percent and 10.3 percent in 1403 Bill, respectively, showing 16.6 and 1.4 percentage points rise compared to Law of 1402. Furthermore, the state-owned companies were allowed to issue IRR130 trillion debt securities, 30 percent up from that in the Budget Law of 1402. The proceeds from disposal of state-owned companies in the proposed Bill are estimated IRR600.0 trillion, indicating 43.4 percent contraction compared to that in 1402 Law. Given the block trade of 12 percent of Persian Gulf Petrochemicals Industries Corporation (PGPIC) shares in 1401H2, upon the contract, the buyer is required to pay the installments of IRR135 trillion every six months (2nd and 8th month each year) for three consecutive years from 1402 to 1404. Hence, the government would benefit from IRR270 trillion from this source in 1403. However, the IRR330 trillion reminder seems unlikely to be realized as previous years. All in all, the disposal of financial assets in 1403 Budget Bill rose by 7.8 percent to IRR3,191.8 trillion compared to 1402 Law. It constitutes 13.0 percent of the general sources, indicating 1.2 percentage points contraction.

Regarding the acquisition of financial assets, given the increasing issuance of government debt securities from 1399 onwards, the principal repayment of debt securities in Budget Bill of 1403 is 28.5 percent above the legislated figure of 1402 Budget Law. On the whole, acquisition of financial assets with 42.7 percent rise compared to 1402 Budget Law reached IRR2,833.0 trillion from IRR1,985.0 trillion. Accordingly, the net disposal of financial assets is estimated IRR358.8 trillion in 1403 Budget Bill. Table 13 shows major figures of 1403 Budget Bill.

Table 13- General Sources and Uses of 1403 Budget Bill (IRR trillion-percent)

	1403 Bill	Share in Total General Sources	Growth Compared to 1402 Law		1403 Bill	Share in Total General Uses	Growth Compared to 1402 Law
Revenues (general)	**14,983.0**	**60.9**	**42.1**	**Expenditures (current)**	**18,037.4**	**73.3**	**19.5**
Tax revenues	12,645.0	51.4	41.4				
Proceeds of State-owned Properties	1,350.0	5.5	29.1				
Proceeds from Sales of Goods and Services	465.0	1.9	78.8				
Proceeds of Crimes and Damage Fines and Miscellaneous	523.0	2.1	79.8				
Operating Balance					**-3,054.4**	**-**	**-32.8**
Disposal of Non-financial Assets	**6,445.6**	**26.2**	**-12.0**	**Acquisition of Non-financial Assets**	**3,750.0**	**15.2**	**0.0**
Proceeds from Crude Oils and Oil Products	5,827.4	23.7	-6.6				
Proceeds from Disposal of Government Properties and Others	618.2	2.5	-43.0				
Net Disposal of Non-financial Assets					**2.695.6**	**-**	**-24.5**
Disposal of Financial Assets	**3,191.8**	**13.0**	**7.8**	**Acquisition of Financial Assets**	**2,833.0**	**11.5**	**42.7**
Sales of Islamic Debt Securities	2,546.0	10.3	36.1				
Disposal of State-owned Companies	600.0	2.4	-43.4	Principal Repayment of Islamic debt Securities	2,200.0	8.9	28.5
Other	45.8	0.2	52.7				
Net Disposal of Financial Assets					**358.8**	**-**	**-63.2**

Source: Budget Bill of 1403, Budget Law of 1402 and Parliament Research Center reports

Government Fiscal Performance in 1402

At the time of preparation of this report no official data was issued on the performance of general sources and uses of Budget in 1402, hence the data used in this section is based on unofficial sources. The government general sources and uses totaled IRR8,305.4 trillion and IRR9,049.4 trillion in the first seven months of 1402, respectively. In the period under review, 68.4 percent of the legislated general sources and 74.5 percent of legislated general uses have been realized. This 6.1 percentage points difference between the actual sources and uses had resulted in IRR744.1 trillion overall deficit. This deficit likely would be financed through state-owned companies account with the treasury that would be settled at the end of the year.

In the first seven months of 1402, the government gained IRR5,339.4 trillion general revenues (from tax, customs, etc.), equaling 86.6 percent of the legislated figure for the same period. Given the IRR6,999.4 trillion current expenditures - equaling 79.5 percent of the legislated figure - the operating balance deficit reached IRR1,660.0 trillion in the first seven months of this year. Disposal of non-financial assets (given the rise in Iran's oil exports at high and stable oil prices) reached IRR1,990.0 trillion, realizing 46.6 percent of the legislated figure in the first seven months of 1402. Disposal of government properties was not desirable and registered IRR40 trillion, equaling only 6.3 percent of the legislated figure in the first seven months of 1402. The actual oil revenues also equal 53.6 percent of the legislated figure in the same period. Acquisition of non-financial assets (development expenditures) on the other hand realized 41.1 percent of the legislated figure at IRR900 trillion in the first seven months of 1402. Accordingly, net disposal of non-financial assets faced IRR1,090.0 surplus which was mainly used for government current expenditures.

The Parliament Research Center has estimated IRR2,700 trillion development expenditures for 1402, equivalent to 72.0 percent of the legislated figure in the Budget Law. It has also estimated that 63.0 percent of the total development expenditures (equaling IRR1,700 trillion) be financed through the NDF.

Despite its key role in financing part of the budget unbalance, the net disposal of financial assets faced a deficit of IRR174.1 trillion during the first seven months of 1402. This deficit roots in delayed issuance of government debt securities in the CBI auctions coupled with negligible demand of the banks, limited issuance of Islamic Treasury Bills, realization of only 22.6 percent of the legislated figure for disposal of state-owned companies in the first seven months of 1402, and on the other hand, the increasing trend of acquisition of financial assets due to the large issuance of debt securities in previous years. Given that only the data on principal repayment of the matured financial securities in 1402 are available, in order to calculate the total acquisition of financial assets, the legislated figure for the remaining subgroups in the first seven months of 1402 is sued. Table 14 illustrates the fiscal performance of government in the first seven months of 1402.

Table 14- Government Fiscal Performance in the First Seven Months of 1402 (IRR trillion-percent)

	1402 Budget Law	Legislated for the First Seven Months of 1402	Performance of the First Seven Months of 1402	Estimated Performance of 1402*	Ratio of Performance to Legislated for the First Seven Months of 1402	Ratio of Performance to Legislated in 1402 as a whole	Share in Performance of General Sources and Uses in the First Seven Months of 1402
Sources	**20,823.3**	**12,146.9**	**8,305.4**	**18,650.0**	**68.4**	**89.6**	**100.0**
General Revenues	**10,540.8**	**6,148.8**	**5,339.4**	**9,619.6**	**86.8**	**91.3**	**64.3**
Tax	8,944.5	5,217.6	4,429.4	8,039.6	9.84	9.89	53.3
On Legal Entities	2,936.6	1,713.0	1,651.3	2,936.6	96.4	100.0	19.9
On Income	1,140.1	665.1	795.5	1,140.1	119.6	100.0	9.6
On Wealth	372.9	217.5	159.1	372.9	73.1	100.0	1.9
On Goods and Services	3,040.0	1,773.3	1,483.5	3,040.0	83.7	100.0	17.9
On Customs Imports	1,454.9	848.7	340.0	550.0	40.1	37.8	4.1
Other Revenues	1,596.3	931.2	910.0	1,580.0	97.7	99.0	11.0
Disposal of Non-financial Assets	**7,322.5**	**4,271.4**	**1,990.0**	**4,470.0**	**46.6**	**61.0**	**24.0**
Sales of Oil and Oil Products	6,238.1	3,638.9	1,950.0	4,370.0	53.6	70.1	23.5
Sales of Properties and development Plans	1,084.4	632.6	40.0	100.0	6.3	9.2	0.5
Disposal of Financial Assets	**2,960.0**	**1,726.7**	**976.0**	**4,560.4**	**56.5**	**154.1**	**11.8**
Sales of Islamic Debt Securities	1,870.0	1,090.8	540.0	2,260.4	49.5	120.9	6.5
Sales of State-owned Companies	1,060.0	618.3	140.0	300.0	22.6	28.3	1.7
Other	30.0	17.5	296.0	2,000.0	1,691.4	-	3.6
Uses	**20,823.3**	**12,146.9**	**9,049.4**	**18,650.0**	**74.5**	**89.6**	**100.0**
Current Expenditures	15,088.4	8,801.6	6,999.4	14,050.0	79.5	93.1	77.3
Acquisition of Non-financial Assets **	3,750.0	2,187.5	900.0	2,700.0	41.1	72.0	9.9
Acquisition of Financial Assets ***	1,984.9	1,157.8	1,150.1	1,900.0	99.3	95.7	12.7
Overall Balance Deficit	0.0	0.0	-744.1	0.0	-	-	-
Operating Balance	**-4,547.6**	**-2,652.8**	**-1,660.0**	**-4,430.4**	**-**	**-**	**-**
Net Disposal of Non-financial Assets	**3,572.5**	**2,083.9**	**1,090.0**	**1,770.0**	**-**	**-**	**-**
Net Disposal of Financial Assets	**975.1**	**568.8**	**-174.1**	**2,660.4**	**-**	**-**	**-**

Source: 1402 Budget law, Parliament Research Center, Fars News Agency, Iranian National Tax Administration, Iran's Ministry of Economic Affairs and Finance News Center

* The estimated performance of 1402 is on the basis of Parliament Research Center report.

** The figure for performance of the first seven months of 1402 are estimated based on the available data (4-month and 8-month), given that no official data is issued.

*** Given that only the data on principal repayment of the matured financial securities in 1402 are available, in order to calculate the total acquisition of financial assets, the legislated figure for the remaining subgroups in the first seven months of 1402 is used.

In the first seven months of 1402, IRR250 trillion was withdrawn from the NDF in order to finance government expenditures, despite the fact that borrowing from the NDF shares in oil revenues was prohibited in the Budget Law of 1402. According to the Parliament Research Center, the government new permit to use 20 percentage points of the NDF share in oil revenues in 1402, would equal IRR1,700 trillion on the NDF funds in the last months of 1402. Therefore, in 1402 the withdrawal from the NDF would reach IRR1,950 trillion, constituting 10.5 percent of the estimated general sources and as an element of "other" subgroup in disposal of financial assets. In order to cover the general uses, issuance of IRR400 trillion debt securities in excess of the legislated figure in 1402 Budget Law seems plausible. Hence, the issuance of government debt securities is estimated IRR2,260.4 trillion, far beyond the legislated figure in the Law of 1402.

The total tax revenues are estimated IRR8,944.5 trillion in the Budget Law of 1402, out of which 50.3 percent is from indirect tax (tax on goods and services and on imports), and the remaining 49.7 percent is from direct tax (tax on legal entities, on income, and on wealth). Accordingly, tax revenues for the first seven months of 1402 total IRR5,217.6 trillion in 1402 Budget Law. According to Iran's National Tax Administration and the Parliament Research Center, 84.9 percent of the tax revenues specified in the first seven months of 1402 is realized. The actual direct taxes in the same period equal 100.4 percent of the legislated figure in the Law. Among the subgroups of direct taxes, tax on income has been the top with 119.6 percent realization. The tax on professions as a component of income tax with 35.9 percent share in legislated income tax, has realized 134.9 percent of legislated figure to consist 40.4 percent of income tax in the first seven months of 1402. Tax on legal entities in the first seven months of 1402 registered IRR1,651.3 trillion, equaling 96.4 percent of the legislated figure for the first seven months of 1402. Out of this figure, 88.8 percent, equivalent to IRR1,466.3 trillion belongs to private legal entities. In addition, the tax on wealth realized 73.1 percent of the first seven months of 1402 legislated figure at IRR159.1 trillion, 73.1 percent up from the its performance in the first seven months of 1401. In the same period, the tax on shares transfers reached IRR64.4 trillion, equaling 121.7 percent of legislated figure for the first seven months of 1402.

In addition, 69.5 percent of the indirect taxes was fulfilled in the first seven months of 1402 at IRR1,823.5 trillion, 49.0 percent above the performance of the same period of 1401. Out of this amount, 81.4 percent is from tax on goods and services and 18.6 percent from tax on imports. The tax on goods and services in the first seven months of 1402 grew by 45.7 percent from the same period of 1401, and with 33.5 percent share in total reached IRR1,483.5, equaling 83.7 percent of the legislated figure for the first seven months of 1402. The tax on value added with 69.5 percent share in the performance of tax on goods and services in the first seven months of 1402, realized 93.8 percent of the legislated figure for the first seven months of 1402 equivalent to IRR1,031.0 trillion. On the other hand, tax on imports only reached 40.1 percent of its legislated figure, ranking as the worst performance. Table 15 illustrates the performance of tax revenues in the first seven months of 1402.

Table 15- Performance of Tax Revenues in the First Seven Months of 1402 (IRR trillion-percent)

	1402 Budget Law	Legislated for the First Seven Months of 1402	Performance in the First Seven Months of 1401	Performance in the First Seven Months of 1402	Growth Rate of First Seven Months of 1402 to First Seven Month of 1401	Ratio of Performance to Legislated for the First Seven Months of 1402	Share in Total Tax Revenues in the First Seven Months of 1402
Tax Revenues	**8,944.5**	**5,217.6**	**2,955.0**	**4,429.4**	**49.9**	**84.9**	**100.0**
Direct Tax	**4,449.6**	**2,595.6**	**1,690.6**	**2,605.9**	**54.1**	**100.4**	**58.8**
On Legal Entities	2,936.6	1,713.0	1,127.2	1,651.3	46.5	96.4	37.3
On Income	1,140.1	665.1	465.9	795.5	70.7	119.6	18.0
On Wealth	372.9	217.5	97.5	159.1	63.2	73.1	3.6
Indirect Tax	**4,494.9**	**2,622.1**	**1,264.4**	**1,823.5**	**44.2**	**69.5**	**41.2**
On Goods and Services	3,040.0	1,773.3	1,018.4	1,483.5	45.7	83.7	33.5
On Imports	1,454.9	848.7	246.0*	340.0	38.2	40.1	7.7

Source: 1402 Budget law, Parliament Research Center, Iranian National Tax Administration
* Given the lack of data on performance of this source for the first seven months of 1401, the data on 1401H2 is divided by six and has been used as the data for the seventh month of 1401 to be added to performance of 1401H1.

The issuance of government debt securities in 1402 Budget Law was IRR1,870.0 trillion, 81.6 percent above that of the 1401 Budget Law. However, in practice, about IRR2,105.7 trillion debt securities was issued in 1401. Hence, the issuance of debt securities in 1402 Budget Law was 11.2 percent below the performance of 1401. The CBI in cooperation with the Ministry of Economic Affairs and Finance started weekly auctions of government debt securities in money market and the capital market in 1402 from the fifth month of the year.

The CBI issued IRR3,651.4 trillion of government debt securities till the end of 1402Q3 in 21 rounds of auction, out of which IRR285.6 trillion was demanded by the banks and non-bank credit institutions, however, the Ministry of Economic Affairs and Finance as the decision maker agreed with only IRR158.4 trillion of that. In addition, IRR687.5 trillion of the auctioned government debt securities was eventually sold in the capital market. Consequently, during the first three quarters of 1402, the traded government debt securities through auctions totaled IRR845.9 trillion, 59.5 percent above that in the same period of 1401. Supply, demand, as well as the registered transactions of government debt securities through auctions in the first three quarters of 1401 and 1402 are shown in Table 16.

Table 16- Summary of Government Debt Securities Auctions in Money Market and Capital Market During the First Three Quarters of 1402 (IRR trillion-percent)

Month	1401					1402					Point-to-point Growth Rate in Money Market	Point-to-point Growth Rate in Capital Market	Point-to-point Growth Rate in Total
	Supply	Banks Demand	Traded in Money Market	Traded in Capital Market	Total Traded	Supply	Banks Demand	Traded in Money Market	Traded in Capital Market	Total Traded			
03	592.8	121.1	54.0	77.2	131.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
04	496.2	19.5	19.5	54.8	74.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
05	337.3	40.7	40.7	33.9	74.6	874.2	256.5	148.4	58.5	206.9	264.7	72.7	177.5
06	314.8	63.5	59.6	61.1	120.7	628.9	0.0	0.0	164.3	164.3	-	168.9	36.1
07	263.4	0.0	0.0	4.6	4.6	753.6	9.0	9.0	51.3	60.3	-	-	-
08	258.9	0.5	0.5	86.5	87.0	816.4	1.0	1.0	287.0	287.9	94.0	231.6	230.8
09	322.4	43.5	37.8	0.0	37.8	578.3	19.1	0.0	126.4	126.4	-	-	234.6
Total (first nine months)	**2,585.8**	**288.8**	**212.1**	**318.1**	**530.2**	**3,651.4**	**285.6**	**158.4**	**687.5**	**845.9**	**-25.3**	**116.1**	**59.5**

Source: Central Bank of Iran

In addition to the auctions, the government also issues debt securities through two other distinct methods. First, selling Murabaha debt securities in the capital market via an underwriter, and second providing government creditors with Islamic Treasury Bonds in exchange of its debts.

During the first three quarters of 1402, IRR60.0 trillion of Murabaha debt securities was traded through underwriting (first method) and by inclusion of auctions, the value of traded Murabaha debts securities in total reached IRR905.8 trillion in the first three quarters of 1402, indicating 39.8 percent rise compared to the same period of 1401.

Moreover, IRR670.0 trillion Islamic Treasury Bonds was issued during the first three quarters of current year, 91.4 percent up from that in the same period of 1401. However, their combination is not precisely known, i.e., the portion used for settling debt with the creditors and portion that has not yet been allocated.

Consequently, out of IRR1,720.0 trillion government debt securities issued in the first three quarters of 1402, about IRR1,575.8 trillion is traded. Nevertheless, as these securities are traded below their face value, the proceeds from sales of them deviate from the aggregated face value of securities traded.

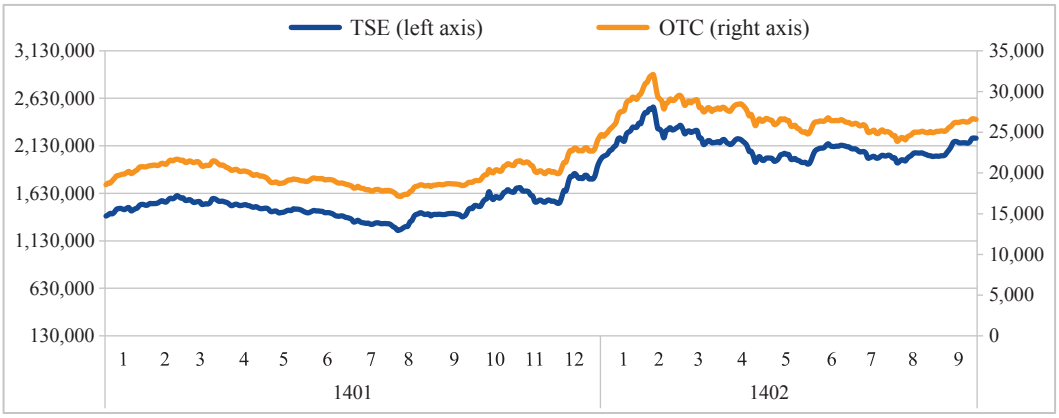
According to the recent report of the Treasury, the government debt securities purchased by the banks and non-bank credit institutions till the 22nd auction totaled IRR389.5 trillion which is far different from its previous reports and also those of the CBI. Comparing this figure with the performance of auctions in CBI report suggests that the banks have purchased IRR231.1 trillion government debt securities indirectly from the capital market, instead of direct purchase through money market.

From the mid-summer 1400, the data on the market of debt securities (primary and secondary markets) by their major players (Government, CBI, banks, funds, etc.) is issued by Iran Fara Bourse (OTC). Hence, from the mid-summer of 1400 to the end of 1402Q3, the net purchase of government debt securities by the CBI and funds aggregated IRR1,180.0 trillion and IRR2,246.8 trillion, respectively. It should be noted that the CBI is prohibited from purchasing government debt securities in the primary market, hence the data on purchase corresponding to the CBI is solely from the secondary market. Contrary to 1400 that banks were mainly the supplier of debt securities in the secondary market (IRR556.3 trillion net sales from 05/1400 to the end of 1400 in the primary and secondary markets), in 1401 was mainly demander of debt securities with net purchase of IRR1,213.6 trillion through primary and secondary markets. This also lasted in the first three quarters of 1402 and the banks net purchase reached IRR114.0 trillion from both primary and secondary markets. Consequently, the net accumulated purchase of government debt securities by the banks reached IRR772 trillion from mid-summer 1400 to the end of 1402Q3.

7. Capital Market

The circular regarding the change in price of petrochemical feedstock in the second month of 1402 resulted in volatility of Tehran Stock Exchange (TSE) and consequently the TSE overall index considerably dropped. Hence, in response to this drop, the policy maker made some amendments to the circular. It should be noted that price of gas feedstock of petrochemicals is the base for gas price in all industries. As the profitability of most of the listed companies is vulnerable to such decisions, the fall in TSE overall index was inevitable. On the other hand, the electricity outage of industries in summer, and fall in global price of petrochemicals and steel products exacerbated the downward trend of the TSE overall index. Accordingly, the TSE overall index reached 2.1 million at the end of 1402Q2 from 2.5 million on 16/02/1402. From fall 1402, the capital market was affected by the tensions in Palestine with the fear of its spread in the region. TSE reaction to regional tensions was such intense that its overall index fell by 2.5 percent from its preceding day on 16/07/1402, marking the highest daily fall in 1402Q3. In the late 1402Q3, some news regarding elimination of automotive price control and capital increase of large companies and banks were the contributors to the improve in the overall index. Consequently, the Overall indices of TSE and Over the Counter (OTC) registered quarterly growth rates of 4.2 percent and 1.4 percent at the end of 1402Q3, respectively. Figure 10 depicts the daily developments of TSE and OTC overall indices from 1401 to the end of 1402Q3.

Figure 10- TSE and OTC Overall Indices



Source: http://news.tse.ir and http://ifb.ir

The total value of TSE transactions climbed to IRR4,453.3 trillion during 1402Q3, indicating 7.5 percent rise compared to 1401Q3.

The highest growth rate in transactions value in 1402Q3 from 1401Q3 belongs to derivatives with 202.3 percent, while the lowest belong to debt securities with negative 18.8 percent. All in all, the total value of TSE transactions has expanded by 66.9 percent during the first three quarters of 1402 compared to the same period of 1401. As in 1402Q3, the highest growth rate of transaction value of 535.1 percent took place in derivatives and the lowest of 21.3 percent in debt securities during the first nine months of 1402.

Table 17 compares the value of transactions in various markets of TSE in fall as well as the first three quarters of 1401 and 1402.

Table 17- Transaction Values of Various Markets in TSE in Fall and First Nine Months of 1401 and 1402 (IRR trillion)

	1401Q3	1402Q3	Percentage Chane of 1402Q3 to 1401Q3	First Nine Months of 1401	First Nine Months of 1402	Percentage Change of the First Nine Months of 1402 to the First Nine Months of 1401
Debt Securities	342.1	277.9	-18.8	711.4	863.3	21.3
Derivatives	21.7	65.5	202.3	31.3	199.0	535.1
Shares	2,693.1	2,375.0	-11.8	6,650.8	10,569.5	58.9
Exchange-traded Funds	1,086.9	1,734.9	59.6	2,821.1	5,417.9	92.0
Total	**4,143.8**	**4,453.3**	**7.5**	**10,214.6**	**17,049.7**	**66.9**

Source: http://news.tse.ir

The volume of TSE transactions of various types of securities in the first three quarters of 1402 reached 2,208.7 billion, indicating 40.8 percent growth from the same period of 1401. Similarly, the number of transactions in the same period grew by 43.8 percent compare to the same period of 1401. The rise in the number of transactions in TSE, especially traded shares could be translated to the rise in number of retail transactions. The value of each transaction in TSE that averaged IRR131.5 million in the first nine months of 1401, reached IRR152.6 million on average in the same period of 1402. Table 18 demonstrates volume, number and value of transactions in TSE by market type in the first three quarters of 1401 and 1402.

Table 18- Volume, Number and Value of Transactions in TSE by Market Type in the First Three Quarters of 1401 and 1402

	Volume of Transactions			Number of Transactions			Value of Each Transaction		
	billion			(1000 times)			IRR million		
	First Nine Months of 1401	First Nine Months of 1402	Percentage Change	First Nine Months of 1401	First Nine Months of 1402	Percentage Change	First Nine Months of 1401	First Nine Months of 1402	Percentage Change
Shares	1,318.6	1,885.3	43.0	66,750.6	93,548.6	40.1	99.6	113.0	13.4
Debt Securities	0.8	0.9	15.7	37.4	8.3	-77.7	19,028.1	103,485.1	443.9
Derivatives	52.7	26.0	-50.7	1,970.1	4,177.6	112.1	15.9	47.6	199.5
Exchange-traded Funds	196.1	296.5	51.2	8,930.9	13,995.6	56.7	315.9	387.1	22.5
Total	**1,568.3**	**2,208.7**	**40.8**	**77,689.0**	**111,730.2**	**43.8**	**131.5**	**152.6**	**16.1**

Source: http://news.tse.ir

On the basis of TSE monthly reports, the TSE market capitalization at the end of fall 1402 escalated by 39.3 percent from the end of fall 1401 to reach IRR77,154 trillion. The OTC market capitalization at the end of 1402Q3 expanded by 38.6 percent to IRR26,580 trillion compared to the end of 1401Q3. The TSE overall index and the equally-weighted overall index grew by 47.7 percent and 70.8 percent in the period under review, respectively. The higher growth of the latter suggests that during the first three quarters of 1402, the price of the smaller companies shares has escalated more than that of the large companies. The free float index of TSE reached 2,828.1 thousand at the end of 1402Q3, indicating 44.8 percent rise from the end of 1401Q3. The lower growth rate of free float index[6] than the growth rate of overall index means that in the first nine months of 1402, the listed companies bearing few floating shares had experienced more price rise than those with more floating shares. Table 19 shows some important statistics in that regard.

Table 19- TSE Indices at the End of Period

	Market Capitalization	Equally-weighted Index	Overall Index	Financial Index	Industrial Index	Free-float Index
	IRR trillion	Thousand	Thousand	Thousand	Thousand	Thousand
1402Q3	77,154.0	761.4	2,210.2	1,949.6	2,101.1	2,828.1
1401Q3	55,379.0	445.7	1,496.2	1,447.7	1,403.5	1,952.9
Percentage Change	39.3	70.8	47.7	34.7	49.7	44.8

Source: http://news.tse.ir

IRR990.0 trillion has been financed by the TSE listed companies during the first three quarters of 1402, out of which 74.5 percent was through raising capital, 10.3 percent through issuance of debt securities, and 11.7 percent through put options. Also, three newly listed companies carried out IPO in the TSE to raise IRR14.1 trillion.

In Table 20 various methods of finance by TSE listed companies in the first three quarters of 1401 and 1402 are compared.

6. Free float refers to the share of a company that can be publicly traded and not restricted. The more free-float share results in less price manipulation, lower liquidity risk of shares and also lower price bubbles.

Table 20- Various Methods of Finance by the TSE Listed Companies (IRR trillion)

	First Nine Months of 1401		First Nine Months of 1402		Percentage Change in value
	Value	Share in Total (percent)	Value	Share in Total (percent)	
Total	**1,479.6**	**100.0**	**990.0**	**100.0**	**-33.1**
Raising Capital (except for asset)	1,254.3	84.8	737.9	74.5	-41.2
Initial Public Offering	6.3	0.4	14.1	1.4	122.7
Underwriting	0.0	0.0	20.0	2.0	-
Issuance of Debt Securities	166.4	11.2	102.1	10.3	-38.6
Issuance of Put Options	52.5	3.6	115.8	11.7	120.4

Source: http://news.tse.ir

8. Other Developments

On the basis of the recent report of the World Bank, between 2011 to 2020, about 10 million people is added to the number of population of poor in Iran. As Iran is categorized in the upper-middle-income countries, the poverty line in terms of USD (based on PPP) is 6.85 a day per person. Consequently, in 2020, about 28.1 percent of the Iranians obtained below this level. However, this is just one side of the coin, i.e., the World Bank report warns that about half of Iran's population is about to descend below the poverty line in near future with the probability of 20 percent. This is mainly attributed to the intensified inequality. In terms of social protection, between the two methods of cash subsidies as well as pension income, the poor are mainly dependent of the former. In recent years the cash subsidies have contracted in real terms, however the pension incomes have been partly adjusted by inflation, resulting in deeper inequality. Furthermore, the poor households who had suffered the most in the recession periods, have also obtained the least in the economic booms. This is why the economic growth rates in the past three years are considered as ineffective in poverty reduction. The SCI statistics on urban households' income and expenditure also confirms this fact. Share of expenditures on food to total expenditures of households that grew from 23.3 percent in 1396 to 25.9 percent in 1399, not only did not diminish in 1400 and 1401, but also rose to 26.6 percent and 27.5 percent, respectively. The rise in share of food in total household expenditures could be referred to as a sign of lower level of welfare, despite the remarkable economic growth rates in 1400 and 1401.

9. Key Points

• The GDP grew by 4.7 percent in 1402H1, owing 1.4 percentage points of its growth to the Oil sector.

• The private consumption and gross fixed capital formation rose by 5.9 percent and 4.5 percent, respectively in 1402H1.

• Despite the housing recession in 1402, in 08/1402 the housing price in Tehran stood 68.3 percent above that in the same point of 1401. This roots in the surge in prices in the last months of 1401.

• In the last month of 1402Q3, the monthly and point-to-point inflation rates reversed course towards an upward trend. This happened in a situation that the liquidity growth rate fell to about 26 percent thanks to the macro prudential policy of the CBI. Out of the 44.4 percent annual inflation rate at the end of 1402Q3, about 16.6 percentage points belongs to foods and beverages, suggesting inflationary pressure on low-income deciles.

• Notwithstanding the IRR190 trillion drop in the CBI foreign assets in the first half of 1402, the monetary base grew by 14.1 percent as a result of the rise in the net CBI claims on the public sector and on the banks. It seems that the fall in CBI reserves be offset considerably through government withdrawal from NDF in the second half of 1402.

• In the first nine months of 1402, China, Iraq, UAE, Turkey, and India were the top five exports destinations of Iran with share of 73.7 percent in the total exports. In terms of imports, UAE, China, Turkey, Germany, and India were the main sources of imports with 76.6 percent share in total.

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