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Islamic Republic of Iran: Recent Economic Developments

This Recent Economic Developments report on the Islamic Republic of Iran was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with this member country. As such, the views expressed in this document are those of the staff team and do not necessarily reflect the views of the Government of the Islamic Republic of Iran or the Executive Board of the IMF.

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ISLAMIC REPUBLIC OF IRAN

Recent Economic Developments

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Approved by the Middle Eastern Department

January 15, 1998

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Islamic Republic of Iran: Basic Data 1/

I. Social and Demographic Indicators

Area (square kilometers)	1,648,000
Population (1996/97)	60.1 million
Urban	36.8 million
Rural	23.3 million
Population growth rate (1991/92-1996/97)	1.5 percent
Life expectancy at birth (1993)	67 years
Infant mortality rate per thousand (1996)	26
Education—enrollment rates in percent of age group (1992)	
Primary	109
<i>Of which: Female</i>	104
Secondary	57
<i>Of which: Female</i>	49
Literacy ratio (6 years and over) (1996/97)	79.5 percent
Literacy ratio (6-29 years) (1996/97)	92.8 percent
Density: population per sq km of agricultural land (1989)	91.2
Density: population per sq km (1996/97)	36
Active population (1996/97)	16.0 million
Employed population (1996/97)	14.6 million
Per capita income (1996/97)	US\$1,428.3 2/
Population per physician (1996)	1,354
Per capita energy consumption (in kg of oil equivalent, 1990)	1,026
Daily calorie supply per capita (1989)	3,181

	1980/85	1986/90	1991/95	1996/97
Additional health indicators 3/				
Infant mortality rate	91.6	59	50	26
Maternal mortality rate	140	91	40	40
Sanitation	50	71	89	90
Access to health care	60	65	82	80
Hospital beds/100000	50	73	...	90
Physicians/10000	148	150	154	156
Dentists/10000	3.4	3.8	...	8.23
Nurses/10000	...	0.6	...	1.5
Immunization DPT	8.5	8.7	...	23.4
Immunization measles	29	77	88	97
Death rate, crude	69	80	84	95
Life expectancy at birth	11	10	6	5
Male	59	65	67	68
Female	63	65	68	70

Islamic Republic of Iran: Basic Data 1/

	1988/89-1989/93	1993/94-1994/95	1994/95-96	1996/97
Indices of educational quality				
Student to school	169.3	182.3	182.5	178.0
Student to class	31.3	30.4	30.3	30.1
Student to teacher	25.1	24.2	24.9	24.2
Class to school	5.4	5.9	5.7	5.9
Number of university students				
Public universities and higher education institutes	250,709	436,564	478,455	579,070
Female	71,822	124,350	145,353	...
Male	178,887	312,214	333,102	...
Islamic Azad University	...	368,200	431,025	611,443
Number of students in schools (in thousands)				
Primary	8,262	9,863	9,746	9,238
Female	3,725	4,652	4,594	...
Male	4,537	5,211	5,152	...
Guidance	2,725	4,440	4,712	5,189
Female	1,086	1,943	2,090	...
Male	1,639	2,497	2,622	...
Secondary	1,363	2,343	2,781	3,401
Female	585	1,061	1,290	...
Male	778	1,282	1,491	...

Islamic Republic of Iran: Basic Data 1/

	1993/94	1994/95	1995/96	Prel. 1996/97
II. Economic and Financial Indicators				
(Annual percentage changes)				
National income and prices				
Real GDP at factor cost	4.9	1.6	3.2	4.5
Oil	3.6	-5.6	0.9	1.5
Non-oil	5.2	3.2	3.6	5.0
Agriculture	5.5	2.0	2.3	3.5
Industry	1.3	4.9	5.5	6.3
Services	7.3	3.2	3.4	5.3
Consumer price index	22.9	35.2	49.4	23.2
GDP deflator	38.4	35.8	39.8	20.1
Non-oil GDP deflator	25.0	32.0	44.5	19.6
Oil	17.6	18.9	16.1	15.5
Non-oil	82.4	81.1	83.9	84.5
Agriculture	20.8	21.1	22.2	20.9
Industry	18.6	18.6	19.7	21.0
Services	43.0	41.4	42.1	42.6
Consumption expenditure	75.9	67.3	65.7	74.1
Private sector	61.4	54.7	53.1	60.7
Public sector	14.6	12.6	12.7	13.4
Gross fixed capital formation	22.1	23.3	23.7	25.6
Private sector	11.4	12.9	13.3	14.3
Public sector	10.7	10.4	10.4	11.3
Gross national saving	24.0	31.8	33.1	25.1
Crude oil production	3,609	3,603	3,600	3,610
Crude oil exports	2,464	2,405	2,440	2,441
(In billions of Iranian rials)				
General government operations				
Total revenue	28,982	33,482	45,008	62,375
Oil and gas revenue	21,649	23,908	29,431	38,153
Non-oil revenue	7,333	9,574	15,577	24,222
Of which: Tax revenue	4,061	5,491	7,313	12,560
Total expenditure and net lending	35,734	39,208	51,467	67,504
Current expenditure	28,506	30,164	38,598	49,317
Capital expenditure and net lending	7,228	9,044	12,869	18,187
Overall deficit (-) or surplus (+)	-6,752	-5,727	-6,459	-5,129
Financing	6,752	5,727	6,459	5,129

Islamic Republic of Iran: Basic Data 1/

	1993/94	1994/95	1995/96	Prel. 1996/97
Domestic (net)	6,650	5,673	6,054	4,974
Foreign (net)	102	54	405	155
Total revenue	31.0	26.1	25.2	26.8
Oil and gas	23.1	18.6	16.5	16.4
Tax	4.3	4.3	4.1	5.4
Nontax	3.5	3.2	4.6	5.1
Total expenditure and net lending	38.2	30.5	28.8	29.0
Current	30.5	23.5	21.6	21.2
Capital	7.7	7.1	7.2	7.8
Overall deficit (-) or surplus (+)	-7.2	-4.5	-3.6	-2.2
Domestic financing (net)	7.3	4.5	3.4	2.1
Monetary developments	(In billions of Iranian rials)			
Net foreign assets	987	3,922	11,432	19,180
Net domestic assets	48,120	59,603	75,497	99,735
Claims on government (net)	15,675	21,558	26,928	28,303
Claims on NFPEs	7,276	9,734	16,407	23,180
Claims on private sector	30,575	37,720	46,939	61,439
Other items, net	-5,406	-9,409	-14,777	-13,187
Broad money	49,108	63,525	86,929	118,915
Money	23,385	32,113	42,824	58,634
Quasi-money	25,722	31,412	44,105	60,281
	(Changes in percent of beginning stock of broad money)			
Foreign assets (net) 4/	-9.8	6.0	11.8	8.9
Net domestic assets	44.6	23.4	25.0	27.9
Claims on government (net)	15.0	12.0	8.5	1.6
Claims on NFPEs	8.5	5.0	10.5	7.8
Claims on private sector	19.5	14.5	14.5	16.7
Other items, net	1.7	-8.2	-8.5	1.8
Broad money	34.8	29.4	36.8	36.8
Money	17.7	17.8	16.9	18.2
Quasi-money	17.1	11.6	20.0	18.6
Memorandum item:				
Velocity of broad money	1.91	2.02	2.06	1.96
Balance of payments	(In millions of U.S. dollars)			
Current account	-4,215	4,957	3,358	5,451
Trade balance	-1,207	6,818	5,586	7,614

Islamic Republic of Iran: Basic Data 1/

	1993/94	1994/95	1995/96	Prel. 1996/97
Exports	18,080	19,435	18,360	22,496
Oil and gas	14,333	14,604	15,103	19,271
Other	3,747	4,831	3,257	3,225
Imports 5/	-19,287	-12,617	-12,774	-14,882
Services (net)	-4,508	-3,059	-2,224	-2,626
Transfers (net)	1,500	1,198	-4	463
Capital account	-1,658	-2,883	-2,603	-4,266
Medium- and long-term capital 6/	3,707	-178	-3,723	-4,663
Short-term capital 6/	-5,665	-3,007	796	192
Foreign direct investment	0	2	24	14
Other capital	300	300	300	191
Errors and omissions	-5,854	-4,035	-360	1,596
Overall balance	-11,727	-1,961	395	2,781
Financing	11,727	1,961	-395	-2,781
Net foreign assets (increase -)	-79	-922	-2,513	-2,705
Exceptional financing	11,806	2,883	2,118	-76
Change in arrears	9,020	-7,902	-1,060	-1,881
Refinancing	2,786	10,785	3,178	1,805
Memorandum items:				
Gross official reserves (in millions of US\$)	2,939	3,861	6,374	9,079
(In months of c.i.f. imports)	1.6	3.4	5.5	6.6
Stock of debt (in millions of US\$)	23,039	22,737	21,928	16,835
Medium and long-term	5,423	16,030	15,485	12,081
Short-term	17,616	6,707	6,443	4,754
Of which: Arrears	11,104	3,282	2,222	341
External debt (in percent of GDP)	28.7	34.5	25.1	16.2

Sources: Data provided by the Iranian authorities; and Fund staff estimates.

1/ Iranian years ending March 20.

2/ At the weighted average exchange rate of RIs 2,246 per U.S. dollar.

3/ Data refer to an available year in the interval, with mid-year if available.

4/ Foreign assets and liabilities valued at RIs 1,748 per U.S. dollar in 1993/94-1994/95, and RIs 1,750 per U.S. dollar in 1995/96-1996/97.

5/ Includes interest of short-term usance LCs.

6/ Based on the external debt outstanding and future repayments data provided by the authorities.

I. OVERVIEW

1. After the war with Iraq (1980–88), Iran embarked on a program of infrastructure reconstruction and economic reform constituting the First Five-Year Development Plan (FFYDP), covering the period 1989/90–1993/94 (fiscal year ending March 20). Policies undertaken in the FFYDP included decontrolling most domestic prices, raising public utility rates, removing many nontariff trade barriers, lowering income tax rates, eliminating bank credit ceilings, starting to privatize public enterprises, and liberalizing the exchange system. These policies led to a number of important achievements; in particular, the growth rate of real GDP averaged 7 percent over the period; social indicators also improved significantly during this period. Progress under the FFYDP was hampered, however, by overly expansionary financial policies and the resulting macroeconomic imbalances. With limited access to longer term external financing, the current account deficit was reflected in a reduction of external reserves and the incurrence of a large amount of short-term debt. The ensuing bunching of debt obligations at a time of much lower-than-anticipated world oil prices in 1993/94 led to severe pressure on the balance of payments and eventually to a growing stock of external payment arrears.
2. Against this background, the unification of the official exchange rates—a key objective of the FFYDP—that was introduced in March 1993¹ could not be sustained. The floating of the official exchange rate was abandoned in December 1993 when the official rate was effectively fixed at Rls 1,750 per U.S. dollar. This exchange rate level then came under increasing pressure given the highly inflationary environment. Administrative allocation of foreign exchange at the official rate was reintroduced and the free market rate depreciated sharply. In an effort to reduce these pressures, the authorities reduced the limit on the amount of foreign exchange that was available for service transactions.
3. The authorities achieved a measure of progress in reducing financial imbalances in 1994/95. The overall fiscal deficit was reduced while the growth of net domestic credit slowed and monetary growth tapered off to 29 percent compared with 35 percent in 1993/94. However, inflation remained high (at 35 percent) as the demand for Iranian rial-denominated assets was weakened by increasingly negative real rates of return; the growth rate of real GDP declined; and exchange rate developments put upward pressure on costs and prices (Table 1 and Chart 1). Success was also achieved in refinancing a large part of the overdue external payments through bilateral arrangements, thereby reducing the stock of external arrears.

¹In March 1993, an official floating rate was introduced at about Rls 1,600 per U.S. dollar, compared with a prevailing weighted average exchange rate of Rls 515 per U.S. dollar. Before March 1993, the official rates were Rls 70 per US\$1 (mainly for oil exports, essential imports, and government debt service) and Rls 600 per US\$1 (for nonessential imports and related services). There was also a free market rate (for non-oil exports and most service transactions).

Table 1. Islamic Republic of Iran: Key Economic Indicators, 1992/93–1996/97 1/

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97
(Annual percentage changes)					
Real GDP at factor cost	5.9	4.9	1.6	3.2	4.5
Consumer price index					
Year-on-year	24.4	22.9	35.2	49.4	23.2
End of period	19.8	27.8	44.8	36.5	17.4
GDP deflator at factor cost	24.9	38.4	35.8	39.9	20.1
Broad money	24.7	34.8	29.4	36.8	36.8
<i>Of which</i> : Net domestic assets 2/	23.8	44.6	23.4	25.0	27.9
(In percent of GDP)					
Government revenue	18.5	31.0	25.9	25.2	26.9
Government expenditure	19.7	38.2	30.3	28.8	29.0
Government overall balance	-1.2	-7.2	-4.4	-3.5	-2.1
Total investment	35.4	29.2	24.2	19.6	19.9
Gross national savings	29.8	23.6	32.0	23.4	25.2
Public sector savings	7.9	3.4	5.9	5.7	5.6
Private savings	21.9	20.2	26.0	17.8	19.5
External current account	-5.6	-5.6	7.7	3.9	5.3
(In millions of U.S. dollars)					
Exports f.o.b.	19,868	18,080	19,435	18,360	22,496
Imports f.o.b.	23,274	19,287	12,617	12,774	14,882
Gross reserves	2,860	2,939	3,861	6,374	9,079
Gross reserves (months of imports)	1.3	1.6	3.4	5.5	6.6
External debt	15,977	23,039	22,737	21,928	16,835
(In thousands of barrels per day)					
Crude oil production	3,692	3,609	3,603	3,600	3,610
Crude oil exports	2,671	2,464	2,405	2,440	2,441
Average crude oil export price (US\$/barrel)	16.75	15.27	15.79	15.85	20.01

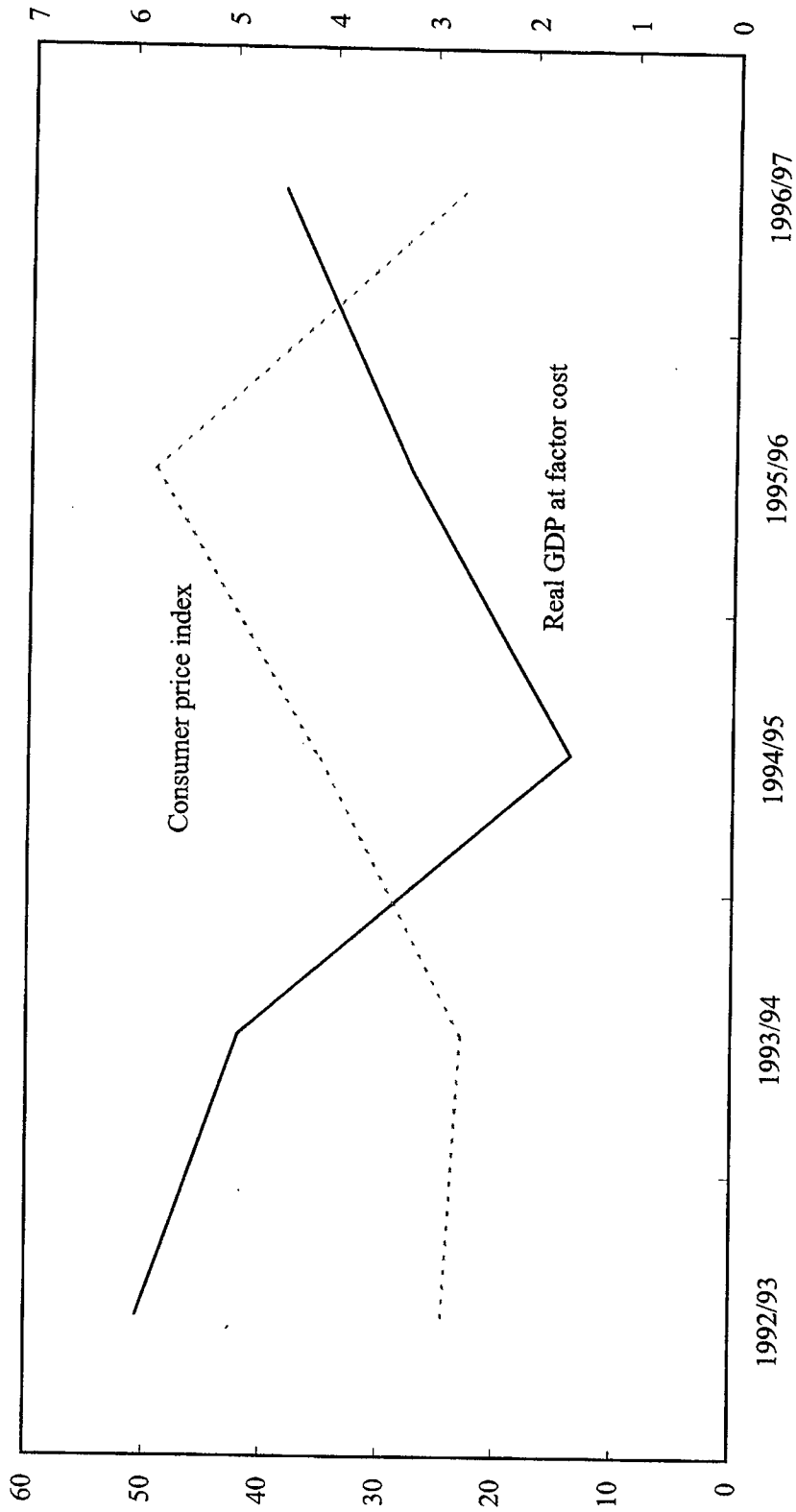
Sources: Data provided by the Iranian authorities; and Fund staff estimates.

1/ Iranian years ending March 20.

2/ Changes in percent of initial broad money.

Chart 1

ISLAMIC REPUBLIC OF IRAN
REAL GDP GROWTH AND INFLATION, 1992/93-1996/97
(Annual percentage changes)



Source: Data provided by the Iranian authorities.

4. Continued weakness of international oil prices and the lack of fresh external financing meant that the timely servicing of external debt and the increase in reserves required a one-third contraction in imports (to half their level in 1991/92), which contributed to markedly slower growth in non-oil output (Table 2). As a result, the current account of the balance of payments shifted into a surplus of US\$5 billion. This was achieved in part through a strict administrative allocation of the oil export receipts, initially at the official exchange rate of Rls 1,750 per U.S. dollar. To alleviate the foreign exchange constraint, the authorities reverted to a dual official exchange system and introduced, in May 1994, a more depreciated official rate, the "export rate", at Rls 2,345 per U.S. dollar, applicable to non-oil exports and nonessential imports. In January 1995, a 50 percent repatriation and surrender requirement was imposed on non-oil exports.

5. The authorities embarked upon the Second Five-Year Development Plan (SFYDP) in 1995/96. The objectives of this plan are to: (i) achieve a 6 percent real growth rate with a single digit inflation performance; (ii) reduce the reliance on oil revenues; and (iii) unify the exchange rate system.² However, initial progress toward these objectives was slow as Iran experienced heightened macroeconomic instability in the first quarter of 1995/96. Among the contributing factors, the announcement by the United States of intensification and extension of sanctions had a pronounced negative impact on expectations. This triggered a run on the foreign exchange market and buying in the goods market. The free market exchange rate shot up to Rls 6,200 per U.S. dollar and consumer prices rose by 14 percent during April–May which pushed the 12-month consumer price inflation to 59 percent in May. The authorities responded by raising the export repatriation and surrender requirement to 100 percent and requiring all foreign exchange transactions to be effected through the banking system—which effectively ended the free nonbank market. Concurrently, they depreciated the export rate from Rls 2,345 to Rls 3,000 per U.S. dollar.

6. In 1996/97, despite a relaxation of import compression facilitated by higher oil revenues, Iran's current account surplus continued to strengthen to reach US\$5.5 billion (compared with US\$3.4 billion in 1995/96). However, the performance of the non-oil sector continued to weaken, reflecting the impact of an increasingly appreciated exchange rate applicable to these exports and a weaker demand for Iranian products in some export markets. The fiscal deficit was further reduced to 2.2 percent of GDP (from 3.6 percent in 1995/96), reflecting the increase in oil revenues and containment of budgetary expenditure. However, money growth was maintained at the high level recorded in the previous year, partly due to an overrun in bank credit at the end of the year for financing imports of industrial goods by the nongovernment sectors. Nevertheless, the 12-month rate of inflation declined steadily through 1996/97 from its May 1995 peak, reaching 17 percent at end 1996/97.

²A more detailed description of the SFYDP is presented in Appendix I.

Table 2. Islamic Republic of Iran: Aggregate Output and Expenditure Trends, 1992/93-1996/97 1/

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97
(Annual percentage changes at 1982/83 prices)					
Oil GDP 2/	1.5	3.6	-5.6	0.9	1.5
Non-oil GDP	7.0	5.2	3.2	3.6	5.0
Agriculture	7.4	5.5	2	2.3	3.5
Industry	4.7	1.3	4.9	5.5	6.3
Services	8.0	7.3	3.2	3.4	5.3
GDP at factor cost	5.9	4.9	1.6	3.2	4.5
Gross domestic expenditure	4.9	-3.0	-3.5	10.7	5.1
Consumption expenditure	3.0	4.6	2.6	-3.5	8.5
Gross domestic investment	11.7	-28.2	-32.8	115.6	-23.7
(In percent of GDP)					
Oil GDP 2/ 3/	9.1	17.6	18.9	16.1	15.5
Non-oil GDP 3/	90.9	82.4	81.1	83.9	84.5
Agriculture	23.9	20.8	21.1	22.2	20.9
Industry	20.1	18.6	18.6	19.7	21.0
Services	46.9	43.0	41.4	42.1	42.6
Gross domestic expenditure 4/	105.4	105.1	91.5	95.1	94.0
Consumption expenditure	70.0	75.9	67.3	65.7	74.1
Gross domestic investment	35.4	29.2	24.2	29.3	19.9

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Includes oil and gas production, refining, and distribution.

3/ In percent of GDP at factor cost, current prices.

4/ In percent of GDP at current market prices.

7. A positive development since the end of the Iran-Iraq war has been a marked improvement in social indicators. In the area of health and demographics, the coverage of health care, safe water and sanitation has increased from approximately half the population to almost the entire population, albeit with the rural areas to some extent still lagging behind. Infant mortality has been reduced and life expectancy has improved. In the area of education, the enrollment rates in primary and secondary schools have increased, which has led to a significant improvement in the literacy rate. University studies and other higher education have experienced a significant expansion.

II. THE DOMESTIC ECONOMY

A. Economic Performance During 1992/93–1996/97

Overall trends in production and expenditure

8. Real GDP growth (at factor cost) increased to 4.5 percent in 1996/97, compared with an average growth rate of 3.8 percent experienced during the period 1992/93–1995/96 (Appendix II, Table 6). Growth in the oil sector remained moderate at 1.5 percent in 1996/97 but this was compensated by a relatively solid growth of 5.0 percent in the non-oil sector compared with a non-oil average growth rate of 4.5 percent experienced between 1992/93–1995/96.

9. Both consumption and investment expenditures displayed strong growth in 1996/97. Total consumption expenditure rose by 8.5 percent in real terms in 1996/97, with private sector consumption growing by 9.1 percent, and public consumption by 5.8 percent (Appendix II, Table 9). This was a sharp turn around from the developments in 1995/96, when total consumption expenditure was compressed by 3.5 percent due to a fall in private consumption by 4.9 percent. As a ratio to GDP, consumption expenditure reached 74.1 percent in 1996/97, with private consumption accounting for 60.7 percent of GDP. Real gross fixed capital formation also recorded a strong performance in 1996/97—6.9 percent in real terms—significantly higher than in the three preceding years when the average growth amounted to 3.3 percent. Over the period 1992/93–1996/97, the ratio of gross national savings to GDP has displayed sharp annual fluctuations, reflecting inter alia the large exchange rate movements, the effect of import controls, changes in real rates of returns, and swings in consumer confidence (Appendix II, Table 8).

The oil and gas sector

10. Crude oil production remained at 3.6 million barrels per day (mbd) in 1996/97, in line with the quota set by OPEC from 1993/94 (Appendix II, Table 10).³ A modest increase in domestic consumption in combination with a decline in exports of refined products maintained

³In November 1997, OPEC decided to increase total production by approximately 10 percent. For Iran, this amounts to a new production quota of 3.94 mbd starting in 1998.

crude oil exports at 2.44 mbd in 1996/97. The average price of crude oil exports was approximately US\$20 per barrel in 1996/97, representing a gain in excess of US\$4 per barrel over the previous three years, which led to an increase in oil export earnings by 27 percent to US\$19.3 billion. Domestic consumption of petroleum products grew by 1.8 percent in 1996/97, approximately half of the average annual growth rate from 1992/93–1995/96. To supply the domestic market with refined products, and to reduce the dependence of crude oil exports and concentrate on export products with higher value added, Iran has continued to expand its domestic refining capacity (Appendix II, Table 12).

11. In addition to the development of domestic refineries, the government has sought to promote expansion of the petrochemical industry, which also generates products with higher value added and, therefore, higher export earnings than crude oil. Total petrochemical output is estimated at 11.2 million tons in 1997 compared with 2.4 million tons in 1989. In the period through 2010, 30 projects are to be implemented in five phases that will require investments in an amount equivalent to US\$24 billion. In the first two stages of the plan, 12 projects are envisaged, with total capital requirements of US\$6.4 billion. The projects are envisaged to double refining capacity to an estimated 21 million tons by 2010.

12. Production of natural gas increased by 8 percent in 1996/97, similar to the growth rate achieved in the previous years, having reached 64.2 billion cubic meters. The majority of the output was consumed domestically; in particular, no export of gas has been recorded since 1995/96. The policy followed by the Iranian authorities is to substitute natural gas for petroleum products domestically, partly because petroleum products require less downstream investment (like pipelines) to be exported, but also because of environmental consideration. In the long run, the gas sector is expected to continue to grow at a rapid rate since Iran has the world's second largest proven gas reserves (estimated at 21 trillion cubic meters in 1995/96). In 1997, Total (a French oil company), Gazprom (a Russian state-owned oil company), and Petronas (a Malaysian oil company) have agreed with the Iranian authorities on the terms of a buyback operation to develop the South Pars gas field. A crucial factor in the development of the gas sector is the construction of pipelines. A recently opened pipeline has linked the gas networks of Turkmenistan and Iran, thereby providing the northeastern part of Iran with an initial 4 billion cubic meters of natural gas in 1998. A larger project would aim at transporting Turkmen gas to Turkey via a pipeline across Iran.

Agriculture

13. Real growth in agriculture improved to 3.5 percent in 1996/97 from a modest 2 percent in the preceding two years. Due to the relatively slow growth, the share of agriculture in nominal GDP declined from 22.2 percent in 1995/96 to 20.9 percent in 1996/97. A major factor contributing to the continued slow growth in agriculture was an 11 percent decline in wheat production due to a reduction in cultivated area and in the yield, the latter being attributable in part to adverse weather conditions. Moreover, another important crop, barley, also experienced a drop in output (by 9 percent). With a view to reducing the sensitivity to changes in rainfall, the government has prepared a number of irrigation and dam

projects. In 1996/97, 49 dams were under construction and another 79 projects were at the planning stage. In 1997, the irrigation and drainage network is projected to cover 1,127 thousand hectares, compared with the coverage of 935 thousand hectares in 1989.

14. Except for the provision of infrastructure, the government aims at reducing its role in agriculture and promoting private sector activities and the growth of cooperatives. The amount of subsidies to agricultural inputs has been reduced over the last few years; in this context, the subsidies to agricultural machinery have been removed and the subsidies to pesticides and fertilizers have been reduced in real terms. However, there are still substantial subsidies to some basic agricultural products, in particular to wheat which accounts for about two-thirds of the total.

15. The government sets its procurement prices for agricultural products by applying a cost-based approach which allows for a gross profit margin of 20–25 percent and also takes into account international prices. These prices serve as a guaranteed benchmark which usually falls below market prices. In addition, in some cases the government's intervention to support the market price can be of a limited magnitude. For example, rice production grew to such an extent in 1997 that the government entered the market to support the price. However, government purchases of rice were limited to 40 thousand tons out of a total production of 1.6 million tons.

Industry

16. The industrial sector has continued to be dominated by relatively few but large public enterprises that account for approximately 70 percent of value added in manufacturing. Public enterprises have relied on relatively capital intensive production while the private sector has been characterized by more labor-intensive activities. Real growth in the industrial sector in 1996/97 reached 6.3 percent while the share of industry in the total value added continued to increase, having reached 21 percent. During 1992/93–1996/97, the average growth rate in industry was 5 percent per year, one percentage point higher than the average growth of real GDP.

17. The construction sector was the most dynamic sector in 1996/97, having grown by 10.6 percent, compared with the 4.5 percent growth recorded in 1995/96 and to the 5.3 percent average growth achieved in the period 1992/93–1995/96. An important reason for the strong growth in construction in 1996/97 was the expansion in both housing and commercial construction in Teheran, partly as a result of local government policies to relieve shortages of housing and office space. As a share of GDP, the value added in the construction sector increased to 4.4 percent in 1996/97 (from 3.5 percent in 1995/96).

Services

18. The services sector is the largest sector in the economy, contributing with almost 43 percent of the total value added in 1996/97. The growth performance in the services sector

was mixed in 1996/97, with trade showing a modest growth of 2.7 percent; dwellings and public services growing rapidly, at 6.2 percent and 7.1 percent, respectively; and transportation and communications expanding at about the same rate as GDP, at 4.9 percent.

B. Prices, Employment and Wages

Prices and subsidies

19. The 12-month rate of change in the consumer price index declined sharply from its peak of 59 percent in May 1995 to 17 percent at the end of 1996/97, with the year-on-year inflation coming down to 23 percent from 49 percent in 1995/96 (Box 1 and Appendix II, Table 24). During the first seven months of 1997/98, inflation fluctuated in the 15–20 percent range. In 1996/97, the food, beverage, and tobacco group of goods (accounting for more than 35 percent of the CPI basket) displayed the largest drop in year-on-year inflation, decelerating from 60 percent in 1995/96 to 15 percent. However, the prices of housing and clothing (which represent another 35 percent of the CPI basket) grew by 35 percent in 1996/97, implying a significant swing in relative prices between this group and the food group.

Box 1. Iran: Inflation in Iran

Since the Islamic Revolution (1979/80), the 12-month rate of inflation in Iran has averaged 22 percent, with a peak of 59 percent in May 1995, a low of 3 percent in June 1990, and a standard deviation of 11 percent. Thus, inflation has not only been high but also fairly volatile. One of the major goals of the SFYDP is to bring down inflation to a consistent single digit level.

In a more extensive study being prepared by the staff, some econometric models of inflation have been estimated. Although it is difficult to get robust results of the short-run effects due to the limited amount of data, some robust long-run results emerge. First of all, monetary expansions transform almost one for one to inflation. Secondly, GDP growth has a dampening impact on inflation, with elasticities in the range of -0.5 to -1. Thirdly, there is a positive but less significant relationship between the parallel market exchange rate and inflation, and most of the effects seem to go from inflation to the exchange rate rather than the other way around.¹ Fourthly, the official exchange rate has a very limited and statistically insignificant effect on inflation. Finally, the real oil price is very closely linked to real GDP growth, and thus implicitly is important in explaining inflation.

The policy conclusions from these findings can be summarized as follows: the most powerful way of reducing inflation is to control money growth and at the same time promote real GDP growth, while the exchange rate in itself is of limited importance. However, if a depreciation of the official exchange rate is accompanied by a loose monetary stance, this can have serious implications for inflation. Similarly, the elimination of the existing price controls and subsidies and the adoption of a more flexible official exchange rate policy may reinforce the influence of the exchange rate on price formation.

¹The fact that a change in the parallel exchange rate has a limited impact on the inflation rate may be due to the existence of widespread price controls and subsidies and/or the composition of the consumer basket used to measure inflation.

20. A number of goods and services are subject to price controls and subsidies, which have mainly been administered by the Consumer and Producer Protection Organization (CPPO). During 1992/93–1996/97, CPPO performed three main functions: (i) determining administered prices; (ii) paying subsidies for basic goods (through 1995/96);⁴ and (iii) collecting the difference between some officially determined prices (which are, however, not administered) and market prices. The price-setting function of CPPO covers goods that are subsidized and made available through the coupon system (sugar, wheat, edible oil, milk, cheese, red meat, rice, fertilizers, pesticides); related goods and services (flour, labor used to produce sugar cubes, sugar beet waste to feed animals, etc.); goods produced by monopolies (e.g., paper, agricultural machinery, petrochemicals, and automobile batteries); other goods imported at the exchange rate of Rs 1,750 per U.S. dollar (e.g., detergents, medicine); and selected other goods (e.g., syringes). For the price-controlled goods numbering about 25, prices are determined at all levels (producer, wholesale, retail). Price determination is based on cost calculations allowing for a certain markup; these calculations are made at all stages of the production and distribution chain, i.e., from the producer all the way to the retail level. While most of the officially determined prices are not administered prices, nonobservance of CPPO price guidelines is subject to payment of a fine. For certain goods, the companies selling them for more than the official price pay some of the difference between the official price and the actual price to the Ministry of Finance (prior to 1997/98 the payments were made through the CPPO). Specifically, 30 percent of this difference can be used by the company for approved investments.

21. Budgetary subsidies in 1996/97 amounted to Rs 5,980 billion, with wheat subsidies accounting for approximately two-thirds of the total. A coupon system is in place for all subsidized goods except wheat. Coupons are issued by the Ministry of Commerce through the banking system. Currently, imports of subsidized goods are made mainly by the government trading corporations (GTCs) at the exchange rate of Rs 1,750 per U.S. dollar. Imports of these goods can also be made by the private sector at Rs 3,000 per U.S. dollar, which is profitable in situations when not all demand is met by the subsidized supply.

22. Large implicit subsidies stem from underpricing domestic consumption of petroleum products in comparison with the international price levels of these products. These implicit subsidies are estimated in the neighborhood of Rs 30 trillion, or close to 10 percent of GDP in 1997/98. The largest implicit subsidy is on the consumption of gas oil, which has a price that amounts to one-fourteenth of the international level, and also constitutes the largest share of domestically consumed petroleum products. The weighted average price of domestic petroleum products is less than one-eighth of comparable international prices. Real annual increases in domestic petroleum prices are part of the SFYDP objectives but, due to inflation, the price adjustments for petroleum products (about 20–30 percent in the last three years) have had only a negligible impact on their relative prices.

⁴From 1996/97, subsidies are made through the budget via procurement organizations that exist for different goods (rather than directly by CPPO).

Employment and wages

23. Total employment in the economy increased from 11 million to 14.6 million (91 percent of the labor force) during the decade ending in 1996/97. In the service sector (the largest employer), employment increased from 4.7 million in 1986/87 to 6.5 million in 1996/97 while industrial employment rose from 2.7 million to approximately 4.4 million. The unemployment rate declined from 14.2 percent in 1986 to 9.1 percent in 1996 despite an average annual increase in the active population of about 2 percent.

24. The only available data on wages outside the civil service is on compensation to private sector construction workers, who experienced an increase of nominal wages of 28 percent from end-1995/96 to end-1996/97; implying that real wages in private construction increased by about 10 percent (compared with a virtual stability in real terms in the preceding year). This large increase in the construction sector is likely to reflect the high real growth rate in the construction sector in 1996/97 and, therefore, is not likely to be representative of the pace of wage increases in the private sector as a whole. In particular, as noted below in the fiscal section, base wages in the civil service continued to decline in real terms in 1996/97.

C. Foreign Investment

25. Foreign direct investment has remained at a low level, with flows in 1996/97 of \$14 million. In order to be eligible to repatriate investment income, foreign investors must obtain approval under the Law of Attraction and Protection of Foreign Investment (LAPFI), which requires, inter alia, that the investment be in industry, mining, agriculture or transportation; and that it be at least self-sufficient with respect to foreign exchange. Between 1993 and October 1997, 50 projects, totaling US\$722 million, were approved; however, actual investment inflows amounted to a total of only US\$40 million. Direct investments are limited to joint ventures but there are no longer restrictions on the share foreigners can hold.⁵

26. An alternative to foreign direct investment which is taking on importance in Iran is the so-called buyback mechanism, wherein the foreign investor receives a portion of the output generated by a project. This is the mechanism whereby investments in the oil and gas sector are carried out, two recent examples being the estimated US\$2 billion agreement with Total, Gazprom, and Petronas for the development of the South Pars gas field, and the agreement with Bow Valley from Canada for the development of the Balal oil field.

D. Social and Environmental Issues

27. The key social indicators have improved in Iran since the beginning of the 1980s, and policies have been implemented to improve both education and health in the country. The enrollment rate in primary education is approximately 100 percent (compared with 87 percent

⁵One-fifth of the projects approved during 1993-97 had foreign majority shareholding.

in 1980), and many students continue to secondary education, where the enrollment rate has increased to close to 70 percent (compared with 42 percent in 1980), (Appendix II, Table 22). The literacy rate increased from about 50 percent in 1987 to more than 70 percent in 1996. In the age group between 6 and 29 years, the education effort is even more evident, bringing up the literacy rate to more than 90 percent for the total population in 1996 and to close to 100 percent in urban areas. Higher education has also experienced a significant expansion, with the number of students increasing from about 500 thousand in 1989 to 1.2 million in 1996/97.

28. There have also been significant improvements in several health-related indicators over the last 10 to 20 years. These include the coverage of health services, access to safe water and sanitation, as well as the numbers of physicians, nurses, and hospital beds per person (Appendix II, Table 23). Furthermore, special attention has been given to the immunization of children. The health policies have achieved a decrease in infant mortality rates (26 per 1,000 live births in 1997, compared with 92 in 1980), and an increase in life expectancy at birth (68 years in 1995 compared with 60 years in 1980). In order to rationalize population growth, a family planning program has been implemented; it has contributed to a reduction in population growth from 3.2 percent in 1984 to 1.6 percent in 1996.

29. Over the last 15 years, there has also been an improvement in income distribution, but there are still vulnerable segments of the population that require support. In order to improve the situation for the most vulnerable segments, especially in rural areas, the government is considering an anti-poverty program comprising expanded provision of food, clothing, health care, education, social security, and bank credits to these groups. In addition, 300 thousand homes and 500 thousand jobs would be created for poor families within five years, with credits guaranteed and subsidized by the government.

Environmental policies

30. Over the last several years, environmental issues have been the object of special attention on the part of the government. There are several environmental research centers in the country and a network of provincial offices is in charge of enforcing environmental standards. An assessment of the environmental impact is required for every government project. The newly elected government has taken a number of steps to further promote environmental objectives side-by-side with economic development. In this context, a national plan of action for environmental protection is being developed by nine subcommittees covering such areas as air and water pollution, and soil erosion whose members have been drawn from government agencies, nongovernment organizations, the private sector, and universities. At present, one of the authorities' top priorities is the reduction of air pollution in Teheran. In this regard, all taxis and a large number of buses have been converted from gasoline to natural gas.

III. THE PUBLIC FINANCES

A. Introduction

31. The public sector in Iran comprises the general government (the central government and 27 provincial governments), and over 400 public financial and nonfinancial enterprises and agencies. The comprehensive budget document contains separate budgets for the general government and for the public enterprises and agencies. The budget of the general government includes transfers to, and taxes and dividends received from the public enterprises. Some nonfinancial public enterprises, such as the state-owned oil company National Iranian Oil Company (NIOC), receive transfers from the general budget to cover capital expenditures which are recorded as capital expenditure in the general government budget. Starting in 1993/94, the operations of the CPPO, which were previously totally extrabudgetary, have been consolidated into the budget.⁶

B. Overall Budgetary Developments

32. The FFYDP established the achievement of a balanced budget, defined as zero borrowing from the banking system, as one of its primary goals. This fiscal rule has also been incorporated in the SFYDP. Toward this end, the budget deficit was reduced over the course of the FFYDP from a postwar peak of 9.2 percent of GDP in 1988/89 to 1.2 percent of GDP in 1992/93 (Table 3 and Chart 2). However, in 1993/94, the fiscal operations were heavily impacted by the introduction of a considerably depreciated, market-based official exchange rate, which sharply raised both revenue and expenditure, in particular foreign exchange losses. In addition, the fiscal position was adversely affected by a large shortfall in oil export earnings,⁷ and lower-than-expected non-oil revenue. These factors led to marked deterioration in the fiscal position to a deficit equivalent to 7.2 percent of GDP (including the foreign exchange losses of the central bank).⁸ Since then, the authorities made efforts to mobilize revenues and control expenditure to bring down the deficit closer to the zero deficit target; as a result, the deficit (including the foreign exchange losses) was brought down in steps to the equivalent of 2.2 percent of GDP in 1996/97.

⁶The budget excludes the financial operations of the city councils and municipalities which, with a few exceptions, are financially independent.

⁷In 1993/94, oil export earnings amounted to only US\$14.3 billion, compared with the amount of US\$17.9 billion used for purposes of formulating the budget.

⁸The foreign exchange losses of the central bank (arising from sales of foreign exchange at appreciated exchange rates for certain imports and debt service payments) are treated, in full, as part of government expenditure in this report although they were not budgeted until 1995/96. Since then, an annual provision of typically RIs 2,757 billion has been budgeted each year and the foreign exchange losses in excess of this amount have been recorded in the central bank balance sheet as claims on the government. For the purposes of this report, these quasi-fiscal foreign exchange losses are also included in budgetary expenditures.

Table 3. Islamic Republic of Iran: General Government Fiscal Position, 1992/93–1997/98 1/

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97	Budget 1997/98	Prel. First Half 1997/98
(In billions of Iranian rials)							
Total revenue	12,298	28,982	33,482	45,008	62,375	77,723	32,651
Oil and gas revenue	5,146	21,649	23,908	29,431	38,153	39,633	16,584
<i>Of which</i> : Sales of foreign exchange 2/ provision for foreign exchange losses 3/	4,078	4,775	240	2,765	5,407	8,625	2,859
Non-oil government revenue	7,152	7,333	9,574	15,577	24,222	38,090	16,067
Tax	3,776	4,061	5,491	7,313	12,560	19,020	9,105
Nontax	2,093	1,506	2,274	4,683	6,409	12,672	3,764
Earmarked revenue 4/	1,284	1,765	1,809	3,581	5,253	6,398	3,198
Total expenditure and net lending	13,074	35,734	39,208	51,467	67,504	83,835	36,351
Current expenditure	8,850	26,741	28,355	35,017	44,064	50,614	23,982
<i>Of which</i> : Foreign exchange losses 5/ 6/	0	13,086	8,513	9,298	7,197	5,837	2,631
Capital expenditure and net lending	2,940	7,228	9,044	12,869	18,187	26,823	9,171
Earmarked expenditure 7/	1,284	1,765	1,809	3,581	5,253	6,398	3,198
Overall balance	-776	-6,752	-5,727	-6,459	-5,129	-6,112	-3,700
Financing	776	6,752	5,727	6,459	5,129	6,112	3,700
Foreign (net)	4	102	54	405	155	528	-2
Disbursements	6	104	58	409	155	532	0
Amortization	-2	-2	-4	-4	0	-4	-2
Domestic (net)	772	6,650	5,673	6,004	4,974	5,584	3,702
Banking system	657	6,843	5,776	6,772	4,075	3,080	2,634
Other 8/	116	-193	-103	-668	899	2,504	1,068
(In percent of GDP)							
Total revenue	18.5	31.0	26.1	25.2	26.8	27.7	...
Oil and gas	7.7	23.1	18.6	16.5	16.4	14.1	...
Tax	5.7	4.3	4.3	4.1	5.4	6.8	...
Nontax	3.1	1.6	1.8	2.6	2.8	4.5	...
Earmarked revenue	1.9	1.9	1.4	2.0	2.3	2.3	...
Total expenditure and net lending	19.7	38.2	30.5	28.8	29.0	29.9	...
Current expenditure	13.3	28.6	22.1	19.6	18.9	18.0	...
Capital expenditure and net lending	4.4	7.7	7.0	7.2	7.8	9.5	...
Earmarked expenditure	1.9	1.9	1.4	2.0	2.3	2.3	...
Overall balance	-1.2	-7.2	-4.5	-3.6	-2.2	-2.2	...
Foreign financing (net)	0.0	0.1	0.0	0.2	0.1	0.2	...
Domestic financing (net)	1.0	7.1	4.4	3.4	2.1	2.0	...
<i>Of which</i> : Banking system	0.9	7.3	4.5	3.8	1.8	1.1	...
Memorandum item:							
Overall balance excluding extra-budgetary foreign exchange losses 9/	-776	-632	358	110	-689	-3,032	-1,069

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Additional revenue due to the sale of share of oil revenue at the export rate.

3/ Consists of valuing a portion of the oil and gas revenue at the pre-March 1993 official rate (RIs 70 per U.S. dollar) in order to cover the subsidy to the service of debts contracted before March 21, 1994. This provisioned amount is deposited in a special government account with Bank Markazi—the Foreign Exchange Obligation Account.

4/ Mostly earmarked revenues of the Social Security Organization.

5/ This relates mainly to the service of debts contracted at pre-March 1993 exchange rates more appreciated than the current official exchange rate used for debt service payments. For each U.S. dollar equivalent of debt service payment, the government covers the difference between the official exchange rate (RIs 1,750 per U.S. dollar) and the amount contracted by the debtor or importer (typically, RIs 70 per U.S. dollar).

6/ In 1993/94, it also includes import subsidies.

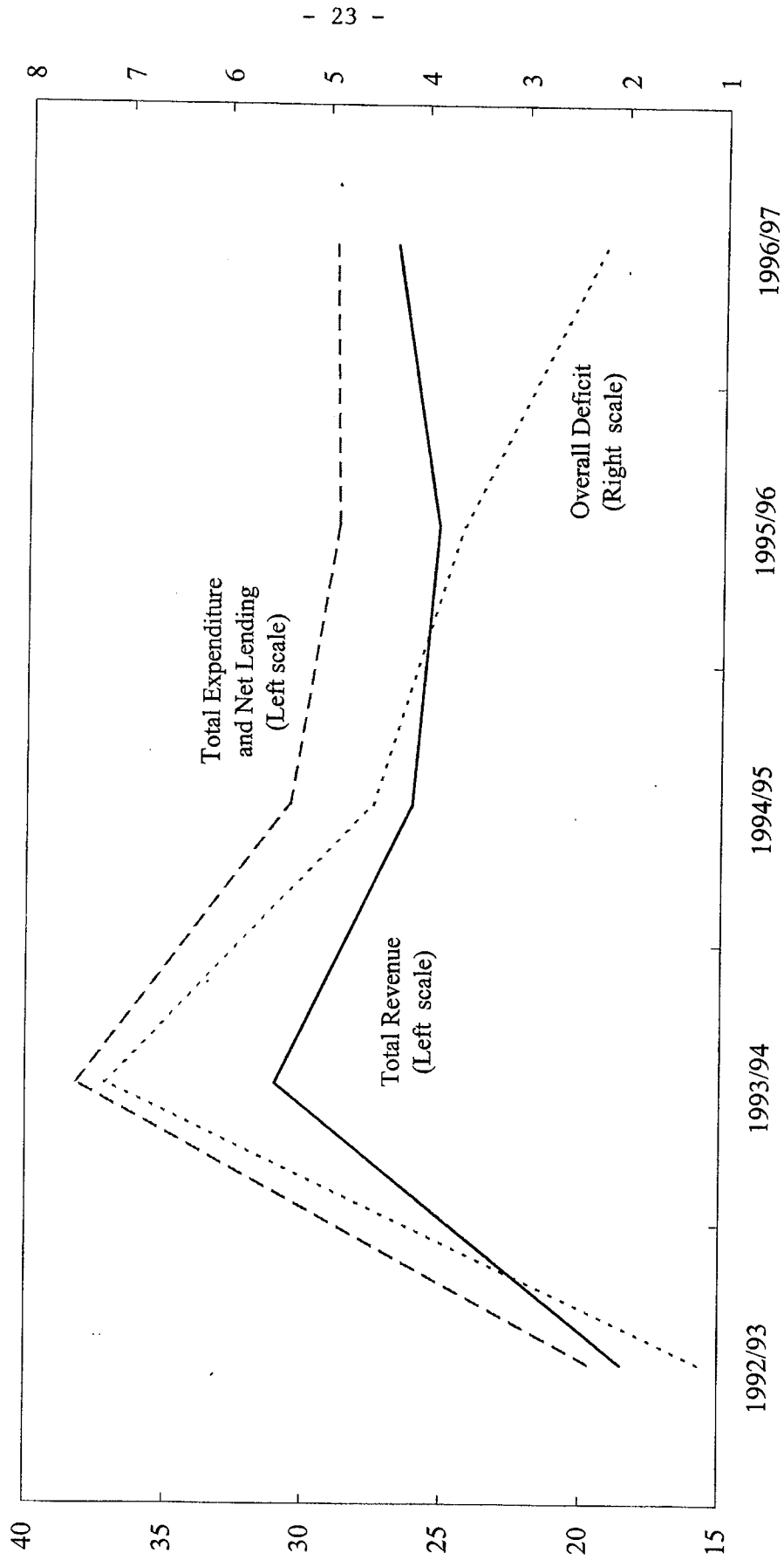
7/ Comprises the counterpart of the earmarked revenue.

8/ Includes the statistical discrepancy between the above-the-line budgetary data and the below-the-line financing data. In 1996/97, refers to the issuance of government partnership papers.

9/ The extra-budgetary foreign exchange losses correspond to the excess of the amount described in footnote 4 less the provision included in the budget law. This excess is reflected in an expansionary movement of the Foreign Exchange Obligation Account.

Chart 2

ISLAMIC REPUBLIC OF IRAN
OPERATIONS OF THE GOVERNMENT, 1992/93-1996/97
(In percent of GDP)



Source: Data provided by the Iranian authorities.

33. The emergence of large foreign exchange losses in 1993/94 was due to a failure to allocate sufficient oil export revenue for external payments which the government had decided to subsidize by providing foreign exchange at the pre-March 1993 basic official rate. Specifically, the 1993/94 budget valued some of the oil revenue at the old official exchange rate of Rls 70 per U.S. dollar (an implicit earmarked deposit with Bank Markazi—the central bank), for some essential and government imports and for covering the settlement of pre-March 1993 letters of credit by the commercial banks. The associated implicit subsidy was equal to the difference in the valuation (at the new versus the old exchange rate) of the payments to be made for such operations during the 1993/94 fiscal year. During 1993/94, Rls 6,966 billion were allocated for this purpose by the government.⁹ In the event, however, the value of the subsidized payments amounted to Rls 13,086 billion, creating foreign exchange losses for the central bank amounting to Rls 6,120 billion.¹⁰ In response to the emergence of quasi-fiscal imbalances as well as to the drop in oil revenue, the authorities made substantial cuts in development expenditure, reducing them to 66 percent of the budgeted level. Excluding the quasi-fiscal operations, the fiscal position would have been virtually balanced in 1993/94 (a deficit of 0.7 percent of GDP).

34. In 1994/95 and 1995/96, the fiscal deficit narrowed to 4.5 percent of GDP and 3.6 percent of GDP, respectively, as foreign exchange losses tapered off (to Rls 8,513 billion and Rls 9,298 billion, respectively) and other budgetary expenditure declined somewhat in relation to GDP.¹¹ Nevertheless, revenues and in particular non-oil revenue continued to fall in relation to GDP. In 1996/97, the fiscal deficit was further reduced to 2.2 percent of GDP owing to a pick up in the share of revenues to GDP from 25.2 percent in 1995/96 to 26.8 percent of GDP in 1996/97, helped by an increase in crude oil export prices, and to a virtual stabilization of overall budgetary expenditure. Within the latter, foreign exchange losses dropped from the equivalent of 5.2 percent of GDP to the equivalent of 3.1 percent of GDP.

⁹In order to make subsidies for imports and debt repayment more transparent, a Foreign Exchange Obligations Account (FEOA) was opened at Bank Markazi in the name of the government.

¹⁰The Bank Markazi recorded this amount of quasi-fiscal losses as credit to the government. However, as noted, these quasi-fiscal losses are treated as budgetary operations in this report, unless otherwise noted.

¹¹Since 1995/96 the accounting for foreign exchange losses has been modified: as noted below, on the revenue side, all oil export revenue has been valued at the floating or export exchange rate; and, on the expenditure side, a provision for foreign exchange losses, typically Rls 2,757 billion has been included in the budget and any foreign exchange losses in excess of this provision has been recorded in the central bank accounts as claims on the government.

C. General Government Revenue

35. Government budgetary revenue comprises oil and gas revenue, tax and nontax revenue, and earmarked revenues.¹² Government *revenue from oil and gas* arises almost entirely from exports. The government also collects a modest sales tax receipts on domestic sales of petroleum products and gas. Starting in 1995/96, the government has also been collecting new excises on the domestic sales of petroleum products. NIOC surrenders all proceeds from oil export earnings to the government, which in turn makes transfers to that company to meet development and production costs.¹³ Oil and gas revenue rose sharply in 1993/94 reflecting conversion into local currency at a significantly more depreciated exchange rate, its contribution rising from 42 percent of total revenue in 1992/93 to 75 percent in 1993/94. Since then, because the official exchange rates have lagged behind inflation, this share has steadily declined in percent of GDP despite the sale of an increasing share of oil revenue at the Rls 3,000 per U.S. dollar export exchange rate.

36. *Tax revenue* consists of income and wealth taxes, import taxes, and taxes on consumption and sales. The tax-to-GDP ratio declined from nearly 6 percent in 1992/93 to about 4 percent in 1995/96 as revenue from import taxes and taxes on consumption and sales did not keep up with the rate of growth in nominal GDP. However, due to tax measures, revenue collection efforts, and higher import volumes, the tax ratio increased to above 5 percent of GDP in 1996/97.

37. After several years of stagnation at a relatively low level in percentage of GDP, revenue from *income and wealth taxes* have increased substantially as a share to GDP in 1995/96–1996/97. In recent years, important steps have been taken to improve tax administration and tax collection, including the issuance of tax identification numbers to a large number of taxpayers, partial computerization of tax administration, and increased recruitment and enhanced training of tax auditors. Personal exemption thresholds have been increased, the maximum personal income and corporate tax rate has been reduced from 75 percent to 54 percent, and the number of tax brackets has been reduced to nine to help

¹²Most earmarked revenues (and their use) relate to the operations of the Social Security Organization.

¹³However, there can be some minor differences between budgetary oil revenues and oil export earnings as reported in the balance of payments. Typically, the budgetary revenues can be lower than the latter; this difference is related, inter alia, to the amortization of pre-lift finance agreements by the NIOC.

stem tax evasion.¹⁴ The authorities have also established new procedures to assess and collect taxes on some professions with the assistance and cooperation of the professional syndicates. All these measures, plus considerable efforts to collect tax arrears from corporate taxpayers, have started to bear fruit in the form of higher revenue collection; from 1994/95 to 1996/97, corporate income tax revenues have increased from 3.0 percent to 3.9 percent of GDP; revenues on personal income tax and taxes on professions have also increased as a share to GDP. However, the base for the corporate income tax remains limited on account of exemptions granted to agriculture, cooperatives, a number of manufacturing and mining establishments, and public utilities. In addition, the foundations (bonyads) and the hundreds of enterprises under their ownership are generally exempted from taxes.

38. *Import taxes* consist of customs duties, the commercial benefits tax (CBT), the order registration fee, and miscellaneous fees and surcharges. Despite significant increases in the customs valuation exchange rate, import taxes remained largely stable in nominal terms from 1992/93 through 1995/96, at around Rls 1,200 billion per annum, due to the decrease in the average import tax rate and import compression. Over that period, import taxes declined from 2 percent of GDP to less than 1 percent of GDP. However, import tax revenue jumped to nearly Rls 3,000 billion (1.3 percent of GDP) in 1996/97, due to an increase in the value of the order registration fees¹⁵ and, more importantly, to the relaxation of import compression, which has translated into a sharp increase in the taxable base.

39. There have been important changes in the import tax regime over the last few years. In November 1993, the exchange rate used for customs valuation purposes was changed from the old official exchange rate of Rls 70 per U.S. dollar to Rls 1,500 per U.S. dollar. In March 1994, the valuation rate was moved to Rls 1,750 per U.S. dollar. Simultaneously, the average combined tariff rate was raised to about 18 percent, partially reversing its lowering to about 11 percent in November 1993. Currently, there are 21 customs duties and commercial benefit combined rates, ranging from 0 percent to 100 percent by tranches of 5 percentage points. As regards exemptions, Iran's legislation is marked by the existence of numerous commodity-specific, user-specific, and activity-specific exemptions from customs duties and the CBT.

¹⁴Despite this reform, direct taxation remains significantly distorted by the progressivity of taxation of retained corporate income and the existence of different rates of taxation of retained income.

¹⁵Order registration fees are paid when registering imports with the customs. They are based on the Iranian rial value of imports and have been increased several times during the period under review: in 1992/93 and 1993/94, its amount was Rls 5 per US\$1 of import of essential goods and Rls 20 per US\$1 of import of other goods; in 1994/95, the amount for nonessential goods imports was raised to Rls 40 per US\$1; in 1994/95, essential goods were exempted, while the rate for nonessential goods was increased to Rls 45 per US\$1; the rate was unified for all imports at Rls 100 per US\$1 in 1996/97 and increased again to Rls 200 per US\$1 in the budget law for 1997/98.

Starting in 1995/96, however, exemptions for a number of important enterprises, including the NIOC, have been rescinded. Currently, basic food and defense-related imports are, however, exempted from import taxes and tariff exemptions can be granted on a case-by-case basis.

40. *Taxes on consumption and sales*, which, for the most part, take the form of specific excises levied on a small number of commodities have been the most inelastic group of taxes in Iran. From 1992/93 to 1996/97, revenue from such taxes dropped from 0.8 percent of GDP to 0.3 percent. However, the budget law for 1997/98 created a new 2 percent sales tax on a list of specific goods (petrochemicals, automobiles, steel and copper, home appliances, and automobile tires and batteries) which is expected to result in a sharp increase in the share of taxes on consumption and sales to GDP. In recognition of the shortcomings in the current system of consumption and sales taxation, the government is considering the introduction of a value-added tax (VAT) for which preparation of the underlying administrative infrastructure is under way.

41. *Nontax revenue* rose from 1.4 percent of GDP in 1993/94 to 2.8 percent of GDP in 1996/97. Income from government monopolies picked up due, in part, to revenue from privatizations. Revenue from services and sales of goods by the government increased by about 90 percent in 1994/95 as a result of some increases in fees. Furthermore, some CPPO receipts were reclassified and consolidated in this category. More important, however, was the introduction of a series of excises on utilities and other goods and services; in particular, as of March 1995, the domestic retail prices of petroleum products were doubled through the imposition of a new 100 percent excise tax. Petroleum prices have subsequently been raised by about 20–30 percent at the beginning of each fiscal year.

D. General Government Expenditure

42. In 1993/94, government expenditure increased dramatically in Iranian rial terms due to the impact of the depreciation of the exchange rate on import subsidies and implicit transfers to public sector entities (mainly the commercial banks) in support of their external debt service payments. Total expenditure, including special outlays and net lending, increased from 19.7 percent of GDP in 1992/93 to 38.2 percent in 1993/94. Subsequently, the share of expenditure to GDP decreased to 29.0 percent by 1996/97, partly because the exchange rate adjustments lagged behind inflation and because of the tapering-off of foreign exchange losses in percentage of GDP.

43. As regards the structure of expenditure, current and capital expenditure averaged 19.3 percent of GDP and 7.5 percent of GDP, respectively, during 1995/96–1996/97, down from their peaks of 28.6 percent of GDP and 7.7 percent of GDP, respectively, in 1993/94. The quasi-fiscal foreign exchange losses (included in current expenditure) dropped from 6.5 percent of GDP to 4.7 percent of GDP in 1994/95 and further to 1.9 percent of GDP in 1996/97. Over the period 1992/93–1995/96 (last year for which the functional breakdown is available), social sector expenditure remained constant in percentage of GDP (at 6.1 percent).

Between 1992/93 and 1996/97, military expenditure¹⁶ decreased from 13.6 percent of GDP to 3.1 percent of GDP. Wages and salaries (including employer contributions) dropped from 10.1 percent of GDP in 1994/95 to 9.1 percent in 1995/96, the last year for which economic classification is available, which reflected a decline in real base wage rates. Explicit subsidies paid through the CPPO (Appendix II, Table 31) declined from 2.9 percent of GDP in 1994/95 to 2.5 percent in 1996/97, reflecting a more restrictive operation of the coupon system. Interest payments on government domestic and foreign debt have been negligible in recent years.

E. Deficit Financing

44. As in previous years, the budget deficits during 1995/96–1996/97 were financed almost entirely through borrowing from Bank Markazi through zero-interest, no-maturity loans. Such credit has been largely associated with the foreign exchange losses incurred by the central bank as the result of providing foreign exchange at appreciated rates for selected external payments (described above). In accordance with Islamic interest-free banking laws, the government does not sell treasury instruments to the private sector. However, it plans to issue “participation certificates” to finance infrastructure and other capital outlays.¹⁷ Starting in 1994/95, the government has mobilized funds from existing World Bank lines of project financing, as a result of which the gross foreign financing of the budget increased from Rls 58 billion in 1994/95 to an average of about Rls 300 billion in 1995/96–1996/97.

F. Public Enterprises

45. The mission was provided with data on transfers to cover the financial losses of public enterprises in 1992/93–1993/94, as well as information on the budget of these enterprises through 1996/97.¹⁸ Transfers to these enterprises averaged 0.4 percent of GDP in 1992/93–1993/94 but were lowered to 0.2 percent in the approved budgets for 1995/96 and 1996/97. Some evidence concerning improved performance of the nonfinancial public enterprises is also available from the monetary accounts.

¹⁶As estimated by the staff on the basis of the budget laws and of the draft budget for 1997/98.

¹⁷In accordance with Islamic banking laws, these certificates would not carry a fixed predetermined interest rate, but their yield would be tied to the profitability of these investment projects.

¹⁸The authorities also provided information on the budgetary outturns for a small, albeit important, group of public enterprises during 1992/93–1995/96, as well as their budget data for 1996/97 (Appendix II, Table 34).

IV. THE FINANCIAL SECTOR

A. The Structure of the Financial System

46. The banking and financial system in the Islamic Republic of Iran consists of the Bank Markazi (central bank), six commercial banks, and four specialized banks which are all government-owned.¹⁹ As of August 1997, the six commercial banks together had a total of more than 11,000 domestic branches (representing a 20 percent increase over the past six years) and 62 foreign branches, while the four specialized banks had approximately 2,000 domestic branches (representing a 36 percent increase over the past six years). During 1997, the first private nonbank financial institution since the revolution initiated operations in Iran. In addition, there are insurance companies, pension funds, and various investment and leasing companies, the majority of which are government-owned. Commercial banks accept demand, time, and savings deposits; engage mainly in short-term lending, primarily to the private sector and public nonbank financial enterprises; and act as agents of depositors in the investment of funds. The profits (losses) from these investments are then distributed to depositors based on the duration and amount of the investment. Specialized banks lend mainly on a long-term basis (five years or more) and have equity participation in the agricultural, industrial, mining, housing, and export sectors. Their sources of funds are low-cost, long-term government deposits and loans, with the exception of the housing bank whose resources are largely private deposits.

B. Overall Money and Credit Developments

47. The growth of broad money accelerated from 29.6 percent in 1992/93–1994/95 to 36.8 percent in 1995/96–1996/97 (Table 4 and Chart 3).²⁰ In 1995/96 broad money expansion picked up sharply, reflecting a doubling of both the rate of expansion of net foreign assets (NFA) (to 12 percent of the beginning-of-period liquidity stock) and the growth of credit to public enterprises (to 10.5 percent). These expansionary factors more than offset a deceleration in credit to government to 8.5 percent of initial broad money associated with the tapering-off of quasi-fiscal losses related to foreign exchange guarantees on debt contracted at pre-March 1993 exchange rates. In 1996/97, domestic credit grew rapidly reflecting large increases in credit to the private sector and to public enterprises. Credit to the nongovernment sectors (private sector and nonfinancial public enterprises) expanded by Rls 21,273 billion (25 percent of initial broad money), nearly three times the annual target for credit expansion

¹⁹The commercial banks are Bank Mellat, Bank Melli Iran, Bank Tejarat, Bank Saderat, Bank Refah Karagaran, and Bank Sepah. The specialized banks are Bank Keshavarzi (agriculture), Bank Maskan (housing), Bank Sanat-va-Madan (industrial and mining), and Bank Tozea-e-Saderat Iran (export promotion).

²⁰The supporting monetary statistics are presented in Appendix II, Tables 37–46; and data on the structure of the banking system are presented in Appendix II, Table 47.

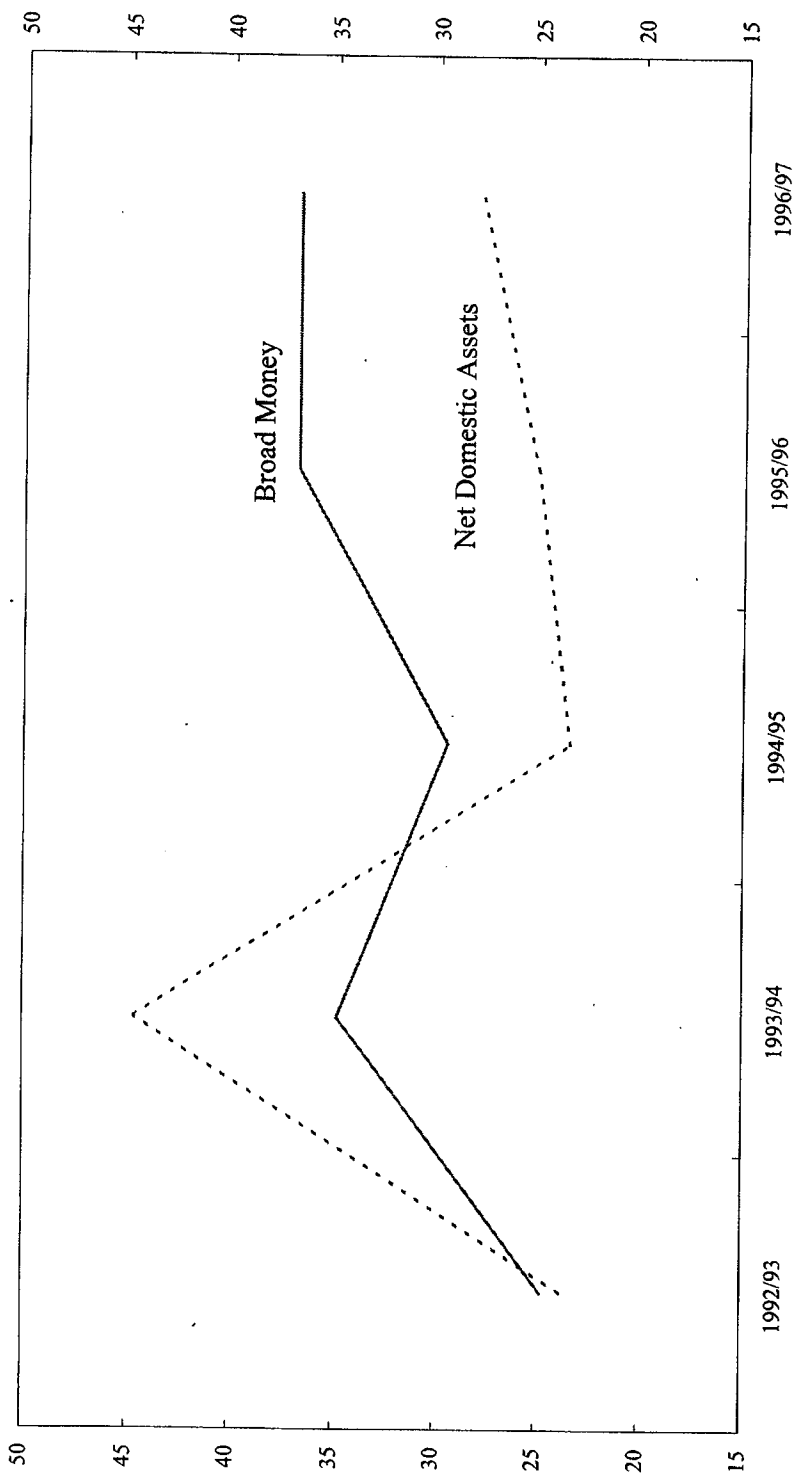
Table 4. Islamic Republic of Iran: Selected Monetary Indicators, 1992/93-1997/98 1/

	1992/93	1993/94	1994/95	1995/96	5 months 1996/97	Prel. 5 months 1996/97	5 months 1997/98
(Changes in billions of rials)							
Net foreign assets	260	-3,585	2,935	7,510	2,768	7,748	2,123
Net domestic assets	6,947	16,255	11,483	15,894	2,046	24,238	6,970
Claims on government (net)	43	5,457	5,883	5,371	310	1,375	-26
Claims on non-financial public enterprises	1,579	3,086	2,458	6,673	1,265	6,773	2,356
Claims on private sector	5,286	7,106	7,145	9,219	3,962	14,500	5,436
Other items (net)	39	605	-4,003	-5,369	-3,491	1,590	-796
Broad money	7,207	12,669	14,418	23,404	4,814	31,986	4,847
Money	2,698	6,444	8,728	10,711	-40	15,810	-683
Quasi-money	4,510	6,225	5,690	12,693	4,854	16,176	5,530
(Changes in percent of initial broad money)							
Net foreign assets	0.9	-9.8	6.0	11.8	3.2	8.9	-1.8
Net domestic assets	23.8	44.6	23.4	25.0	2.4	27.9	5.9
Claims on government (net)	0.1	15.0	12.0	8.5	0.4	1.6	0.0
Claims on non-financial public enterprises	5.4	8.5	5.0	10.5	1.5	7.8	2.0
Claims on private sector	18.1	19.7	14.5	14.5	4.6	16.7	4.6
Other items (net)	0.1	1.4	-8.2	-8.5	-4.0	1.8	-0.7
Broad money	24.7	34.8	29.4	36.8	5.5	36.8	4.1
Money	9.2	17.7	17.8	16.9	0.0	18.2	-0.6
Quasi-money	15.4	17.1	11.6	20.0	5.6	18.6	4.7
Memorandum items:							
Rates of return							
Weighted average deposit rate	10.0	11.1	11.3	12.4	12.4	12.4	...
Weighted average lending rate	13.8	16.3	16.6	16.8	16.8	16.8	...
Credit sources							
Bank Markazi	33.1	34.5	36.5	37.5	36.1	33.4	31.7
Banking institutions	66.9	65.5	63.5	62.5	63.9	66.6	68.3
Credit distribution							
Government and public enterprises	23.5	54.3	53.9	56.6	28.4	36.0	30.0
Private sector and foundations	76.5	45.7	46.1	43.4	71.6	64.0	70.0
Selected ratios							
Income velocity of broad money	1.82	1.91	2.02	2.06	...	1.96	...
Money multiplier	2.42	2.59	2.48	2.40	2.34	2.39	2.45
Currency to deposit ratio	0.17	0.16	0.16	0.14	0.12	0.13	0.10

Source: Bank Markazi Jamhuri Islami Iran.

1/ Iranian years ending March 20.

Chart 3
ISLAMIC REPUBLIC OF IRAN
MONETARY DEVELOPMENTS, 1992/93-1996/97
(Changes in percent of beginning stock of broad money)



Source: Data provided by the Iranian authorities.

(Rls 7,500 billion) under the SFYDP. This overrun was partly associated with bank support for the servicing of external debts incurred by the public enterprises and the private sector before March 1993 (typically, at the highly appreciated exchange rate of Rls 70 per U.S. dollar). Specifically, the banking system extended credits relating to debt service payments totaling Rls 2,122 billion directly to the public enterprises and credits totaling Rls 1,126 billion to the private sector.²¹ Moreover, there was a sharp rise in credit in the final months of 1996/97 that was related to the financing of letters of credit for the import of industrial goods. The increase in imports of such products was allowed by the authorities in order to speed up investment projects, a move made possible by the larger-than-expected oil receipts.

48. During the first five months of 1997/98, liquidity expansion slowed down to only 4.1 percent, compared with 5.5 percent in the first five months of the previous year, reflecting a reduction in NFA amounting to 1.8 percent of initial broad money supply, in contrast to a buildup amounting to 3.2 percent of initial broad money supply in the same period of the previous year. The main source of liquidity expansion has, therefore, shifted to net domestic assets (NDA), which accounted for an injection by 5.9 percent of the initial money stock (compared with 2.4 percent in the same period of 1996/97). Credit to the private sector grew by 4.6 percent of broad money, the same as in the previous year, while credit to the nonfinancial public enterprises increased by 2.0 percent of initial broad money (compared with 1.5 percent). Net claims on government fell slightly during the first five months of 1997/98, reflecting a small buildup of deposits.

49. Rates of return on bank time and savings deposits remained constant in nominal terms and, therefore, negative in real terms, despite a sharp reduction in inflation; however, there was a slight decline in the income velocity of broad money. The disintermediation associated with negative real rates of return in the banking system has contributed to the growth, albeit incipient, of alternative channels for financial intermediation. Over the last three years, activity on the Teheran Stock Exchange (TSE) grew rapidly, a number of new investment companies (akin to mutual funds) were formed; also, a private nonbank financial institution has initiated operations, the first such institution since the Islamic Revolution. In addition, there have been a number of issues of "partnership papers" to finance certain public sector projects (Appendix II, Table 48).

²¹Typically, for each U.S. dollar of debt service payments, the debtors borrowed the exchange rate difference of Rls 1,680, to be repaid over a five-year period. In 1996/97, the total credit expansion associated with external debt service was about Rls 10,446 billion (12 percent of initial broad money or just under half of the expansion in domestic credit), compared with Rls 11,600 billion in 1995/96.

C. Central Bank Operations

50. The growth rate of reserve money increased from 16 percent in 1992/93 to 42 percent in 1995/96, faster than broad money growth in 1994/95–1995/96. Central bank credit to the government and the public enterprises was the main source of reserve money growth during 1994/95–1995/96. Credit to the government was associated mainly with quasi-fiscal foreign exchange losses as reflected in the Foreign Exchange Obligations Account. The impact of claims on banks as well as that of NFA shifted from contractionary in 1993/94 to expansionary in 1994/95 and 1995/96. During 1996/97, reserve money continued to grow at a slightly faster rate than money supply.

51. Import deposits had a strongly contractionary impact on reserve money in 1993/94–1994/95. Part of this increase was associated with imports by government agencies, from which the Bank Markazi requires 100 percent advance import deposits. In addition, private importers were required to deposit with commercial banks 100 percent of the import value for cash imports or use of credit lines opened by domestic banks (and guaranteed by the central bank); from 1995/96, it has been required that an additional 60 percent of these import deposits be held with the central bank.²²

52. The Banking Supervision Department of the central bank has been receiving technical assistance from the Fund on a regular basis since 1995. Largely as a result of this assistance, the authorities have been gradually stepping up prudential supervision. Presently, the central bank is putting into place the mechanisms for off-site supervision, beginning with the implementation of a system of capital adequacy consistent with international standards as defined by the Basle Committee on Banking Supervision. The recent licensing of new instruments and institutions poses fresh challenges for the regulatory and supervisory framework.²³

D. Monetary Policy Developments

53. The main instruments of monetary control available to the central bank have been: (i) credit ceilings; (ii) reserve requirements; (iii) allocation of government bonds to the banking institutions; and (iv) penalties for overdrafts by commercial banks from their agreed credit lines with the central bank. In 1996/97 (as in the previous year), these instruments of monetary control either were not implemented or were ineffective in containing liquidity expansion. As a result, the domestic credit overrun in 1996/97 continued to be partly sterilized, almost exclusively, through the enlarged share of blocked import deposits which the

²²As the legal required reserves are 30 percent, the authorities consider that the additional 60 percent is “voluntarily” placed in the central bank by the commercial banks.

²³The World Bank is also providing technical assistance in bank supervision and regulation, in close coordination with the Fund.

commercial banks were required to place with the central bank. The increase in blocked import deposits amounted to RIs 1,827 billion in 1996/97 (i.e., 2.1 percent of initial broad money).

54. *Credit ceilings* continued to be administered by the central bank on a bank-by-bank basis.²⁴ Individual banks' credit levels are monitored on a monthly basis by the Bank Supervision Department of the Bank Markazi based on ratios of credit to deposits and the overall credit ceiling. However, in certain circumstances, such as when large inflows of oil receipts occurred toward the end of 1996/97, the authorities have allowed the banks to extend credit above the agreed limits.

55. There have been limited changes in the ratios of *reserve requirements* in the last few years (Appendix II, Table 43). Reserve requirements on five-year deposits at commercial banks were lowered from 15 percent to 10 percent in 1993/94. In the same year, reserve requirements on deposits of specialized banks were lowered from 15–17 percent to 10 percent. Reserve requirements on non-interest-bearing savings deposits of commercial banks have been lowered from 30 percent to 25 percent in 1995/96. Similarly, there have not been significant changes in banks' holdings of *government bonds*. In 1993/94, the central bank made a small net repurchase because it was felt that the banks required additional liquidity. In the first half of 1994/95, the central bank made a small net allocation of bonds to the banks. The rate of return on these government debt instruments normally ranges from 5.5 percent (for two-year bonds) to 7 percent (for seven-year bonds); the banks have also been allocated some non-interest-bearing government bonds, bringing the average yield on holdings to about 4 percent.

56. Bank rates of return are set administratively by the central bank according to the maturity of deposits (highest for five-year deposits) and the sector of economic activity to which credit is extended (lowest for agriculture, highest for trade and services). Under Islamic banking, these are expected rates of return; ex-post rates may be higher or lower than the quoted rates, depending on the profitability of the projects financed by banks and of the banks themselves. In practice, the ex-post rates are rarely lower than the quoted rates. The weighted average deposit rate rose steadily from 10.0 percent in 1992/93 to 12.4 percent in 1995/96 while the weighted average rate of charge rose from 13.8 percent to 16.8 percent over the same period (Appendix II, Tables 44 and 46). These rates have been unchanged in the last two years and both have remained negative in real terms given the inflation rates during this period. The reduced attractiveness of bank deposits as a form of financial saving is evidenced by the decline in the share of quasi-money in broad money from 53.5 percent in 1992/93 to 50.7 percent in 1995/96–1996/97. On the lending side, the negative real rates on bank facilities have contributed to a heightened demand for credit, reducing the effectiveness of the instruments of monetary control at the disposal of the central bank. The rate of return on

²⁴The overall credit ceiling is specified annually by the budget law in accordance with the SFYDP.

central bank credit to the banks has been set at 14 percent since 1991/92. In 1993/94, the overdraft penalty of 2 percent was replaced by a progressive schedule of overdraft rates at 20 percent, 24 percent, and 30 percent (depending on the amount by which each bank exceeds its agreed credit).

E. Credit Allocation

57. The commercial banks are required to follow central bank guidelines for the sectoral distribution of credit to the nongovernment sector (Appendix II, Table 45). Credit is extended at administratively set rates of return for different sectors. The authorities are aware of the distortions for credit allocation arising from the central bank guidelines but they indicated that these would remain in place as long as credit to different sectors of the economy commanded different rates of charge. In 1996/97, the authorities allocated bank credit to the nongovernmental sectors as follows: 25 percent for the agricultural sector, 33.5 percent for the industrial and mining sectors, 29 percent for the housing and construction sector, and 12.5 percent for the trade and services sector. In addition to the sectoral ceilings, until 1996/97 banks were required to lend up to 55 percent of their resources to the private sector and 45 percent to the public sector (excluding quasi-fiscal foreign exchange losses); in 1997/98 these ratios have been changed to 60 percent for the private sector and 40 percent for the public sector.

F. Capital Market Developments

58. In recent years, there has been a development of new financial instruments and increased activity in the TSE. In 1994/95, the issuance of partnership papers in line with Islamic principles was approved by the Money and Credit Council. The first issue of partnership papers was carried out by the Teheran Municipality and all subsequent issues have thus far been on behalf of specific public sector agencies, and have been related to specific projects (Appendix II, Table 48). In addition, the Bank Markazi is studying the possibility of issues of participation papers by the private sector. After three years of steady growth, activity in the TSE slowed somewhat in the first six months of 1997/98 which was associated with the slower growth of the general economy. On the other hand, the steady rise of activity by investment companies (akin to mutual funds) has contributed positively to activity in the TSE. There are no limitations on foreign participation in TSE transactions; however, the inability to purchase foreign exchange from the banking system to repatriate portfolio investment has kept foreign participation at a low level.

V. THE EXTERNAL SECTOR

A. Overall Trends

59. The external developments over the last five years have been influenced both by fluctuations in oil export revenues and the macroeconomic policy stance. The relative strength of oil export revenues and substantial increase in non-oil export receipts in the early 1990s encouraged the authorities to undertake major reconstruction and infrastructure projects

during the Iran-Iraq postwar period in the context of expansionary fiscal and monetary policies and a significant exchange rate misalignment. The accompanying surge in imports contributed to substantial increases in current account deficits in 1992/93–1993/94 and the accumulation of a large amount of short-term external debt in the wake of much lower-than-anticipated oil export receipts. Given the policy stance, the absence of repatriation and surrender requirements for non-oil exports and the relaxation of exchange restrictions relating to external services and transfer payments translated into a sharp deterioration in the external reserves position and the build-up of large external payment arrears in 1993/94. The policy response of the authorities since 1994/95 has been to resort to exchange restrictions and tight controls on imports. These policies have brought about surpluses on the external current account which, together with refinancing agreements with foreign creditors, has enabled a virtual elimination of external arrears and a strengthening of the external reserve position.

B. Current Account Developments

60. The external current account balance strengthened substantially in recent years (Table 5 and Chart 4). It turned from a deficit of US\$11.5 billion in 1992/93–1993/94 to surpluses in the US\$3.4–5.5 billion range in 1994/95–1996/97. *Oil and gas export receipts*, which comprised about 80 percent of total exports over the last five years, fluctuated in the US\$14.3–19.3 billion range, which reflected changes in international oil prices.²⁵ Within oil and gas exports, exports of gas and refined petroleum products expanded at an average growth rate of about 30 percent per year during 1992/93–1996/97 (Appendix II, Table 49). Following an exceptional performance in 1994/95, *non-oil export growth* declined from a peak of US\$4.8 billion in 1994/95 to US\$3.2 billion in 1996/97. On the import side, strict import controls were imposed following the 1993/94 debt crisis. The import compression policy has been geared, in particular, at limiting the importation of products with domestically produced substitutes through import licensing. As a result, imports declined from an average of US\$21 billion per year in 1992/93–1993/94 to an average of less than US\$13 billion per year in 1994/95–1995/96. In 1996/97, a relaxation of import compression was reflected in an increase in imports to the vicinity of US\$15 billion; however, given higher oil export revenues, Iran's trade surplus rose to US\$7.6 billion (compared with US\$5.6 billion in 1995/96).

Exports

61. Oil and gas exports declined by about US\$2.5 billion in 1993/94 to US\$14.3 billion as a result of decreases in both the volume and price of oil exports. Over the next two years, these receipts recovered somewhat to US\$15.1 billion by 1995/96, largely as a result of a recovery in international oil prices and substantial growth in exports of refined petroleum products and gas. Oil and gas exports performed strongly in 1996/97, having reached US\$19.3 billion, on account of favorable international crude oil prices.²⁶

²⁵The volume of oil exports remained virtually stable at an average 2.5 million barrels per day.

²⁶Crude oil prices averaged US\$20.0 per barrel, significantly higher than the level of US\$15.8 per barrel recorded in 1995/96.

Table 5. Islamic Republic of Iran: Summary Balance of Payments, 1992/93–1996/97 1/

(In millions of U.S. dollars)

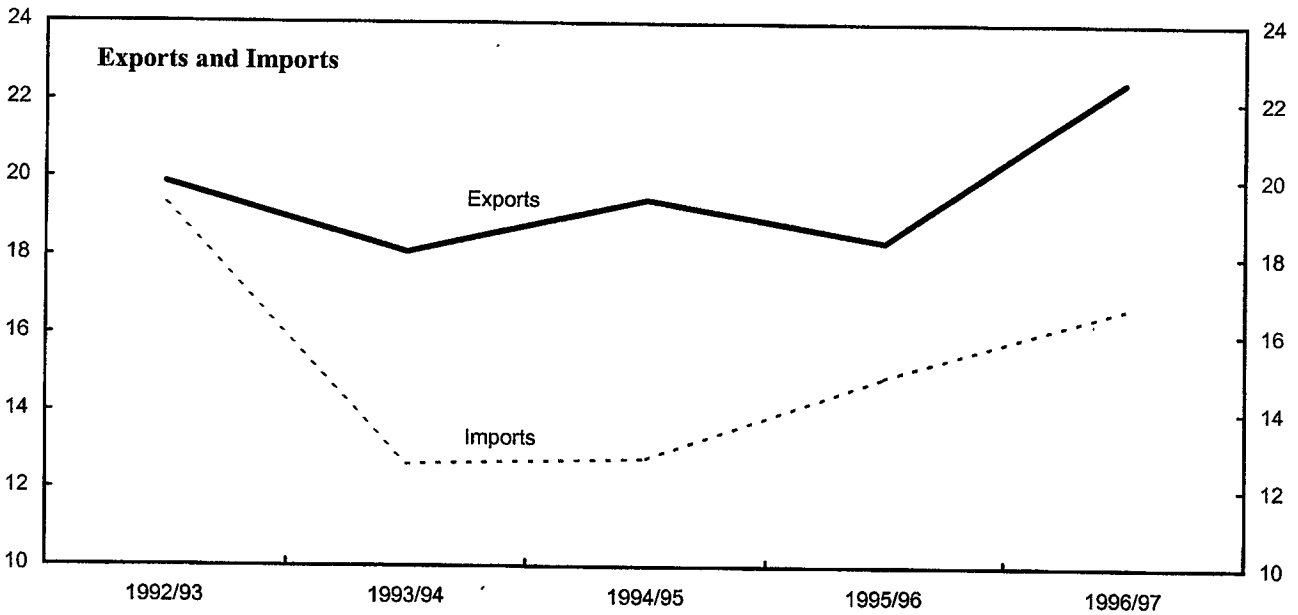
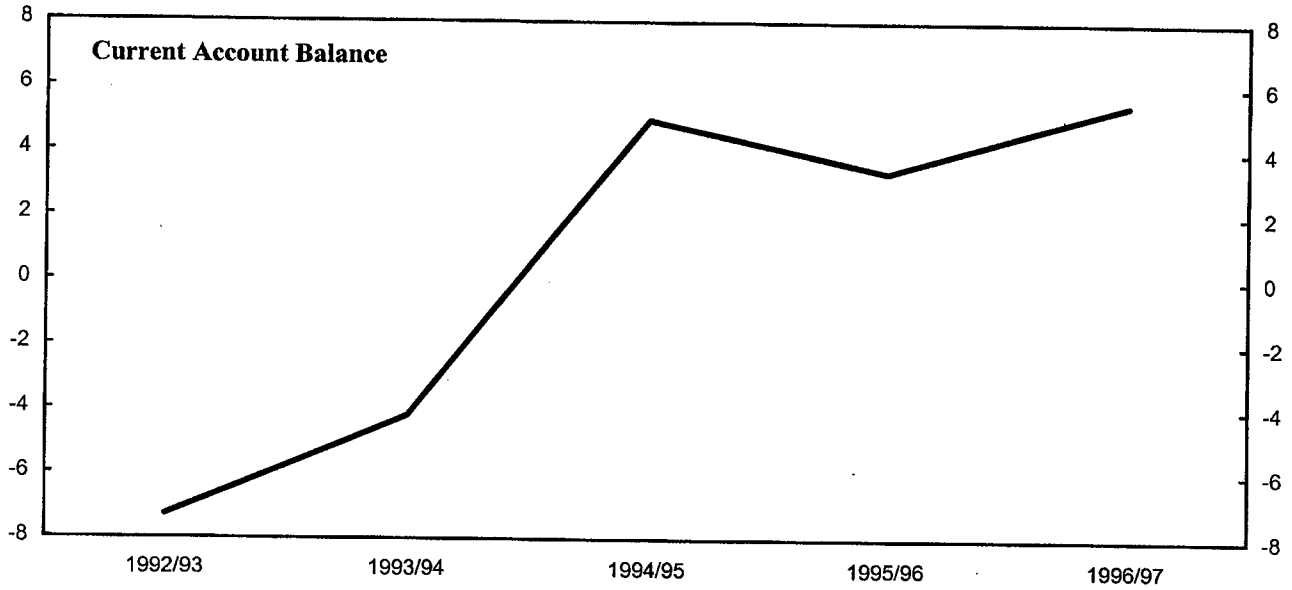
	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97
Current account	-7,304	-4,215	4,957	3,358	5,451
Trade balance	-3,406	-1,207	6,818	5,586	7,614
Exports	19,868	18,080	19,435	18,360	22,496
<i>Of which: Oil and gas</i>	16,880	14,333	14,604	15,103	19,271
Imports	-23,274	-19,287	-12,617	-12,774	-14,882
Services and transfers (net)	-3,898	-3,008	-1,861	-2,228	-2,163
Capital account, including errors and omissions	4,964	-7,512	-6,918	-2,963	-2,670
<i>Of which: Medium- and long-term capital</i>	-348	3,707	-178	-3,723	-4,663
Short-term capital	3,282	-5,665	-3,007	796	192
Overall balance	-2,340	-11,727	-1,961	395	2,781
Financing	2,340	11,727	1,961	-395	-2,781
Net foreign assets (increase -)	176	-79	-922	-2,513	-2,705
Exceptional financing	2,164	11,806	2,883	2,118	-76
Change in arrears	2,164	9,020	-7,902	-1,060	-1,881
Refinancing	0	2,786	10,785	3,178	1,805
Memorandum items:					
Gross official reserves	2,860	2,939	3,861	6,374	9,079
(In months of c.i.f. imports)	1.3	1.6	3.4	5.5	6.6
Current account balance (in percent of GDP)	-5.6	-5.2	7.5	3.8	5.3
Stock of external debt	15,977	23,039	22,737	21,928	16,835
Medium and long-term	0	5,423	16,030	15,485	12,081
Short-term	14,261	17,616	6,707	6,443	4,754
<i>Of which: Arrears</i>	2,164	11,184	3,282	2,222	341
External debt (in percent of GDP)	12.2	28.7	34.5	25.1	16.2

Source: Data provided by Iranian authorities and Fund staff estimates.

1/ Iranian years ending March 20.

Chart 4

ISLAMIC REPUBLIC OF IRAN
EXTERNAL SECTOR DEVELOPMENTS, 1992/93-1996/97
(In billions of U.S. dollars)



Sources: Data provided by the Iranian authorities; and IMF staff estimates.

62. Non-oil exports increased by about 25 percent in 1993/94 and 29 percent in 1994/95 to reach an average of about US\$4.2 billion per year. As a result, the share of non-oil exports in total exports increased from 15 percent in 1992/93 to almost 25 percent in 1994/95. The growth of non-oil exports in 1992/93–1994/95 was relatively broad based, as both the exports of traditional sectors (mainly carpets and pistachios) and those of industrial sectors increased at a rapid pace. However, as noted above, the non-oil exports weakened substantially in 1995/96–1996/97 and decreased to an average of US\$3.2 billion, reflecting the impact of an increasingly appreciated exchange rate, a weaker demand for Iranian products in some export markets, and the anti-export bias in trade policy. In particular, the single largest component of non-oil exports—carpets—declined markedly to US\$600 million by 1996/97, compared with US\$2.1 billion in 1994/95.

Imports

63. Following the balance of payments difficulties faced by Iran after the 1993/94 debt crisis, import controls were sharply tightened and total imports plummeted. The import compression measures consisted, inter alia, of a tightened import licensing procedure, as a result of which imports contracted sharply by US\$6.7 billion to US\$12.6 billion in 1994/95. In 1995/96, imports remained low at about US\$12.8 billion, only marginally higher than their 1994/95 level. After two years of import compression, total imports recovered somewhat in 1996/97 to about US\$14.9 billion (a growth rate of 16.5 percent in U.S. dollar terms), which was facilitated by the increased availability of foreign exchange due to higher world crude oil prices. However, the tight licensing scheme geared at restricting importation of products with domestically produced substitutes remained in place.

Direction of trade

64. The direction of Iran's trade changed substantially in 1995/96, the last year for which data are available (Appendix II, Table 51). While Japan has remained Iran's largest export market abroad with a share in total exports of about 15 percent, the United States has dropped from the second largest destination of Iran's exports to ninth in 1995/96. Concurrently, there was a sharp increase in oil exports to Italy, which became the second largest market for Iran's exports in 1995/96 (representing 9 percent of total exports). The United Kingdom and South Korea maintained the third and fourth positions, respectively, while the share of exports to Germany (consisting mainly of non-oil exports) and Switzerland declined markedly. As regards the distribution of imports, the shares of Iran's imports from Europe and Japan declined in 1995/96 (Appendix II, Table 55); Germany (with 14 percent) and Japan (with 7 percent) were Iran's major suppliers of imports.

Services and transfers

65. The balance in the services account has remained stable over the last three years, with imports exceeding exports by about US\$2–3 billion. Services payments rose in 1996/97, due in part to services relating to increased imports and a pick-up in public sector projects. The

increase in services payments in 1996/97 was, however, partially offset by the increase in service receipts, associated with the higher oil exports. Transfer flows, which consist mainly of private transfers, fluctuated substantially during the period under review. Net private transfers—mainly worker remittances according to the official banking data—dropped from about US\$1.3 billion per year in 1992/93–1994/95 to virtually nil in 1995/96 but recovered modestly in 1996/97 to about US\$470 million.

C. Capital Account Flows and Official Reserves

66. The capital account of the balance of payments shifted from a surplus in 1992/93 to sizable deficits in 1993/94–1994/95 (US\$1.7 billion in 1993/94 and US\$2.9 billion in 1994/95, respectively), mainly owing to large debt service payments linked to short-term import financing (at about US\$5 billion and US\$3 billion, respectively, in 1993/94 and 1994/95). Since 1995/96, the capital account has been dominated by the repayment of external debt in the context of bilateral refinancing arrangements. In that year, repayments of medium- and long-term debt amounted to US\$3.7 billion; this amount was, however, partly offset by net short-term inflows in the form of trade credit and/or oil export prefinancing. The deficit in the capital account increased to US\$4.3 billion in 1996/97 (from US\$2.6 billion in 1995/96), mainly due to the large repayments of medium- and long-term debt in an amount of US\$4.7 billion (of which US\$4.3 billion related to payments arising from the refinancing arrangements).

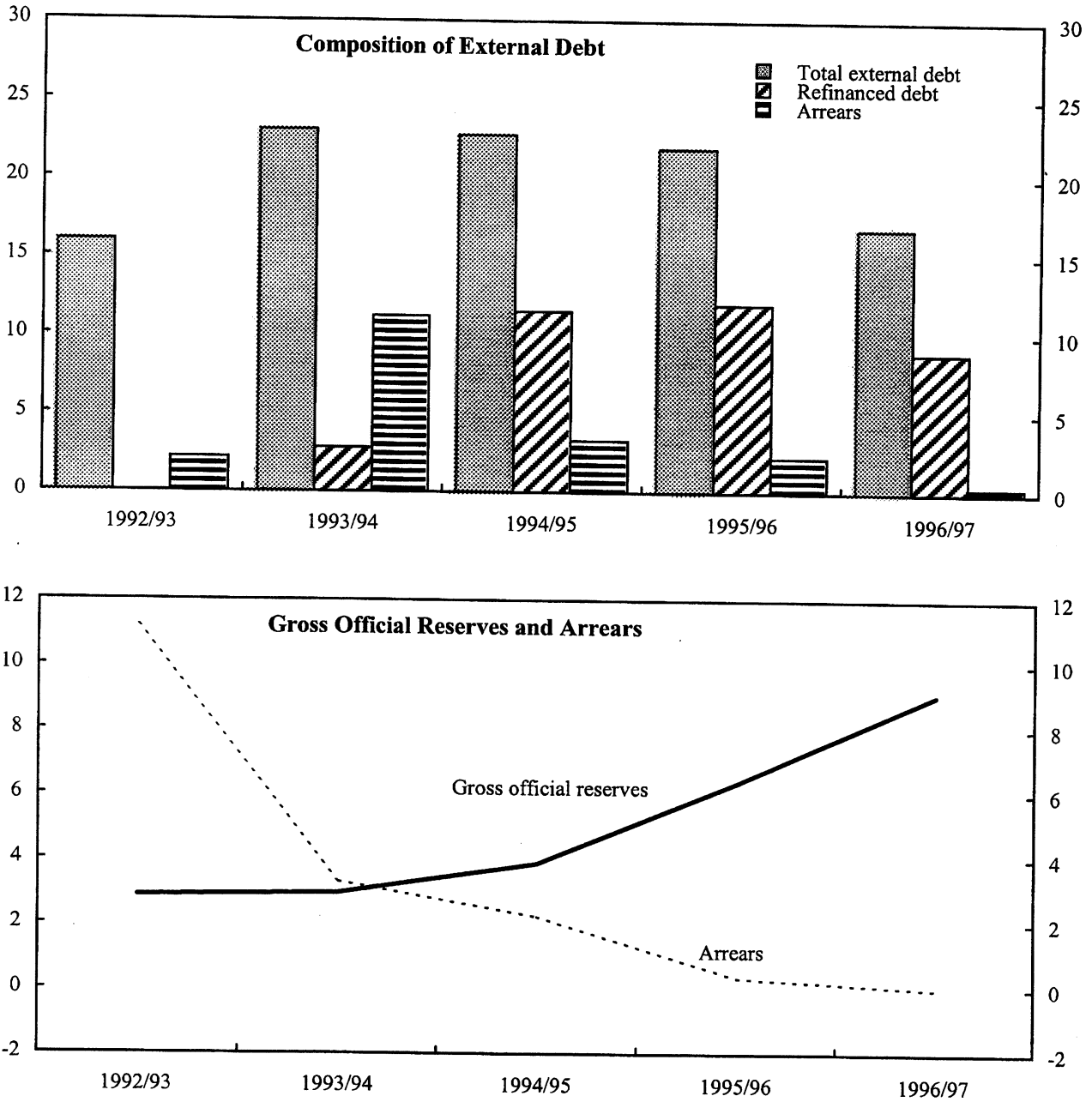
67. Reflecting the weaker oil receipts and the high level of imports, together with the large debt repayments, the overall balance of payments registered a deficit amounting to US\$11.7 billion in 1993/94 and external arrears rose to about US\$12 billion. The latter permitted an end-year external reserves position of US\$2.9 billion (equivalent to 1.6 months of imports). In 1994/95, while oil receipts remained weak, the sharp contraction of imports led to a large surplus in the external current account, which contributed to a reduction in the overall deficit to US\$2 billion despite the continuing capital account deficit. Supported by bilateral refinancing arrangements of US\$10.8 billion, gross official reserves recovered substantially in 1994/95 to US\$3.9 billion (equivalent to 3.4 months of imports). In 1995/96, the overall balance of payments registered a surplus which, together with the support of the refinancing arrangements, contributed to a buildup in external reserves to a level of US\$6.4 billion (equivalent to 5.5 months of imports). Owing in large part to the high current account surplus, the overall surplus in the balance of payments improved to US\$2.8 billion in 1996/97, which contributed to a further increase in gross official reserves to US\$9.1 billion (equivalent to 6.6 months of imports).

D. External Debt and Debt Service

68. Further progress was achieved in 1996/97 in reducing the outstanding stock of external debt and improving its maturity structure (Appendix II, Table 58 and Chart 5). Total outstanding external debt declined from its peak of US\$23 billion in 1993/94 to US\$16.8 billion in 1996/97. Medium- and long-term debt, which had surged to US\$16 billion

Chart 5

ISLAMIC REPUBLIC OF IRAN
EXTERNAL DEBT DEVELOPMENTS AND RESERVES, 1992/93-1996/97
(In billions of U.S. dollars)



Sources: Data provided by the Iranian authorities; and Fund staff estimates.

in 1994/95 (due to refinancing arrangements), declined by about US\$4 billion (to about US\$12 billion) in 1996/97, which was driven by repayment of refinanced debt. Concurrently, outstanding short-term debt dropped substantially from its peak of US\$17.6 billion in 1993/94 to US\$4.7 billion at end-1996/97. As a result of the refinancing operations, external arrears were virtually eliminated (a total reduction of US\$11 billion during 1993/94–1996/97). The residual arrears (US\$341 million) at end-1996/97 resulted mainly from difficulties in identifying creditors to whom the residual amounts were due.²⁷ With the reduction in the debt stock, improvement in the debt structure, and strengthening of the external reserve position, the international environment for mobilizing medium- and long-term external financing had become more favorable, with terms for short-term financing of imports markedly improved. In this context, the authorities succeeded in eliminating in 1996/97 the resort to short-term usance letters of credit (LCs) as means of import financing,²⁸ and replacing them with short-term bank-to-bank lines of credit. The average interest rate for short-term import financing has dropped from about 20 percent per annum in the context of usance LCs to LIBOR plus 0.75 percent currently—a decline of about 13 percentage points.

E. Exchange Rate Developments

69. The government maintains a dual official exchange rate system. The two official rates (the “floating” rate, Rls 1,750 per U.S. dollar, and the “export” rate, at Rls 3,000 per U.S. dollar) have remained unchanged since May 1995. Consequently, the official exchange rates have become increasingly overvalued in real effective terms. Specifically, the Iranian rial has appreciated by about 80 percent in real effective terms since the last adjustment of the export rate in May 1995, of which 27 percent during 1996/97 which has been driven by the double-digit inflation in Iran and appreciation of the U.S. dollar in the more recent period (Chart 6). This real effective appreciation has been partly compensated, however, by the effective depreciation in the weighted average exchange rate as a result of shifts of transactions from the more appreciated “floating” rate to the export rate. Accordingly, on a weighted average basis, the real effective appreciation amounted to only about 16 percent (for current account transactions) in 1996/97.

F. Developments in the Exchange and Trade System

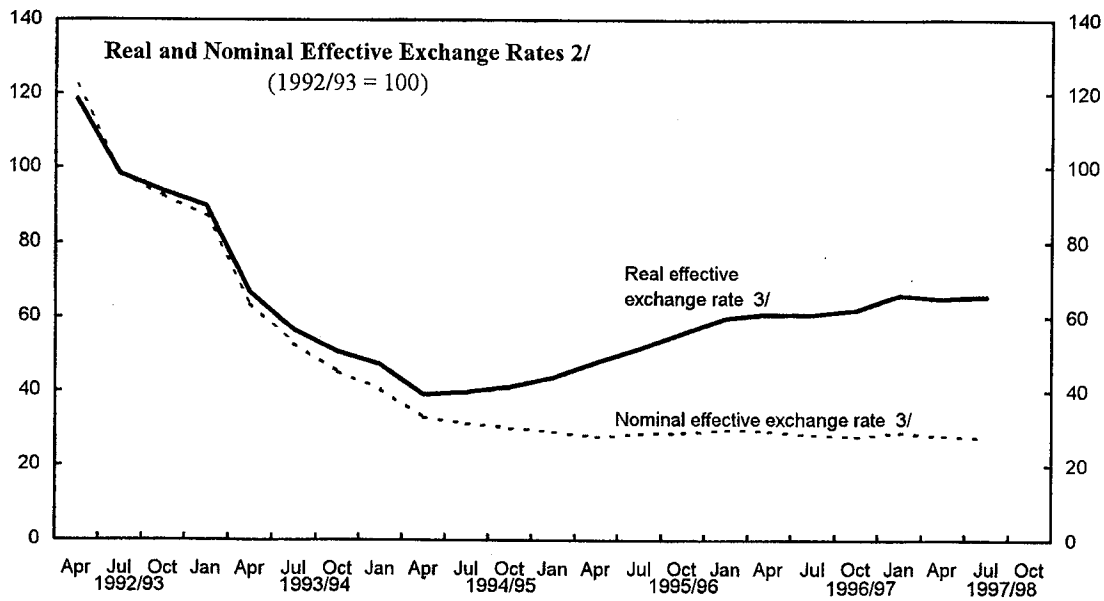
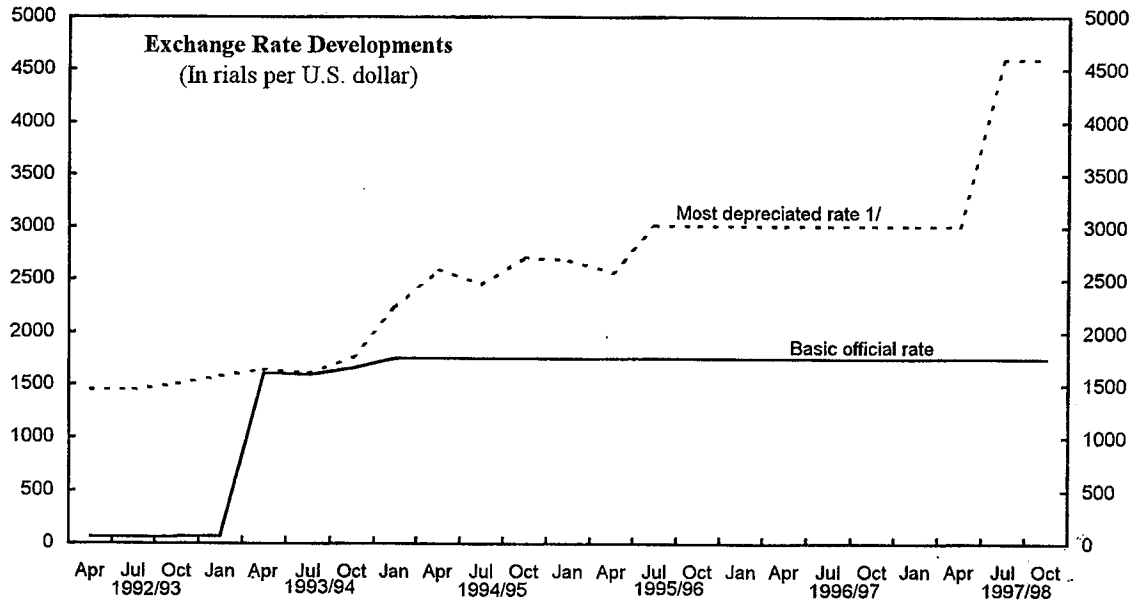
70. The exchange system in Iran is based on the dual exchange rate structure introduced in May 1994 with the creation of the “export” exchange rate. Since May 1995, the exchange rates are Rls 1,750 per U.S. dollar for the “floating” rate (a level effectively fixed in December 1993) and Rls 3,000 per U.S. dollar for the “export” rate (following the adjustment effected at that time). In general, the “floating” rate applies to oil and gas export receipts,

²⁷As of August 1997, the residual stock of arrears had been further reduced to US\$189 million.

²⁸Usance LCs were accepted directly by Iran’s suppliers at a very high cost.

CHART 6

ISLAMIC REPUBLIC OF IRAN
EXCHANGE RATE DEVELOPMENTS, APRIL 1992-OCTOBER 1997



Sources: Data provided by the Iranian authorities; and IMF staff estimates.

1/ Prior to May 1995, refers to the free market exchange rate.

2/ An increase in the index implies an appreciation of the rial.

3/ Based on the weighted average exchange rate.

imports of essential goods and services, and public sector debt services, and the “export” rate to all other official current account transactions, including non-oil export, imports of industrial goods, spare parts, raw materials, and service receipts and invisibles. Also, since May 1995, the authorities have been implementing a phased strategy aiming at unifying the exchange rates in the context of liberalizing the trade regime. In this context, the import coverage of the more appreciated “floating” exchange rate (Rls 1,750 per U.S. dollar) has been gradually reduced and a market for import certificates has been created through the TSE (Box 2) covering 29 groups of imports (Appendix II, Table 60). The price of such certificates (currently about Rls 1,600) provides an indication of the level at which the official exchange rates would need to be unified in order to clean the foreign exchange market.²⁹

Box 2. Iran: Key Changes in the Exchange System, 1995/96–1997/98

March 21, 1995: A bonus scheme was introduced for the early repatriation and surrender of export earnings within the specified deadline with a rate of one and one-half percent per month of the amount surrendered from early repatriation.

May 20, 1995: The export exchange rate was depreciated to Rls 3,000 (from Rls 2,354) per U.S. dollar. The repatriation and surrender requirements on all non-oil exports were increased from 50 percent to 100 percent with a period of three months (six months for carpet exporters).

March 21, 1996: The period required for the repatriation of non-oil export earnings to the banking system was extended from six to eight months for carpet exporters and from three to five months for other exporters.

April 17, 1996: Importation rights out of non-oil export earnings were granted at the share of 50 percent for industrial exporters and 30 percent for other exporters.

February 21, 1997: Importation rights out of non-oil export earnings were increased to 100 percent for carpet exporters (from 30 percent).

March 21, 1997: Importation rights out of non-oil export earnings were increased to 50 percent for other exporters (excluding industrial exporters).

July 11, 1997: Import certificates were allowed to be traded through the TSE. Trading started effectively in late July 1997.

²⁹The price at which import certificates are being traded through the TSE (currently at about Rls 1,600 per U.S. dollar) is equivalent to a depreciation of the “export” rate to Rls 4,600 per U.S. dollar.

Imports and import payments

71. In view of the misalignment of the “floating” rate, allocation of foreign exchange for imports at Rls 1,750 per U.S. dollar is subject to tight administrative controls based on pre-specified sectoral ceilings. The amount of foreign exchange allocation to each sector is communicated to the relevant ministries responsible for the approval of import licenses. Moreover, regardless of the exchange rate at which the import is effected, all importers are required to obtain import licenses which involves: (i) obtaining an identification card from the Ministry of Commerce for the right of purchasing foreign exchange at the official exchange rates; (ii) obtaining an import license from relevant ministries, specifying the commodities to be imported and the amount of foreign exchange to be approved; and (iii) registering the import with the central bank to obtain the approved amount of foreign exchange. Following these steps, the importer is required to open a letter of credit with a commercial bank.³⁰ For goods imported at the export exchange rate of Rls 3,000 per U.S. dollar, a license is generally granted by a relevant ministry if the item considered is not produced domestically or if domestic production cannot meet domestic demand. For industrial goods, the required approval is granted by the Ministry of Industry, while for some other goods the required approval is granted by other ministries.

72. The list of goods which can be imported at Rls 1,750 per U.S. dollar is reviewed each fiscal year and has been substantially streamlined over the last three years and currently covers about 20 categories of goods.³¹ The foreign exchange allocated at this rate covered about 62 percent of the value of imports in 1996/97 (compared with about 75 percent in 1995/96), including essential goods, military items, medicines, strategic raw materials, and certain capital goods for the construction of national projects. Other authorized imports were effected at the “export” rate of Rls 3,000 per U.S. dollar; most of them were industrial inputs, spare parts, and raw materials. In addition, as noted, 29 groups of commodities can be imported through the market for certificates operated by the TSE at an effectively more depreciated rate (currently around Rls 4,600 per U.S. dollar).

³⁰Specification of the approved amount of foreign exchange mentioned in (ii) and (iii) is applicable only to imports made at the exchange rate of Rls 1,750 per U.S. dollar.

³¹Comprising wheat, rice, sugar, barley, corn, soya, iron, fertilizers, pesticides, hybrid seeds, meat, fish powder, tea, detergent, vitamins, medicine for livestock, strategic raw materials (for vegetable oil, papers, fertilizer, pesticides, etc.), tractors, agricultural equipment, and rental and air services.

Exports and export proceeds³²

73. During 1996/97, the authorities implemented several changes in the regime governing export proceeds (Box 2): (i) they extended the period between the date goods are exported and the date when foreign exchange earnings must be repatriated to the banking system while, at the same time, increasing the share of export earnings that could be used for imports at Rls 3,000 per U.S. dollar (and expanded the coverage of such importation to the above-noted 29 categories of goods); (ii) the importation rights out of export proceeds were increased to 100 percent for carpet exporters (from 30 percent) and 50 percent for other nonindustrial exporters (from 30 percent) for export proceeds repatriated within eight and five months, respectively,³³ and (iii) the authorities reactivated an earlier bonus system to encourage the speedy repatriation and surrender of export proceeds; under this system, exporters receive 1.5 percent per month in advance of the time limit for surrendering their export earnings (accordingly, a carpet exporter with a maximum repatriation period of eight months could receive a payment in Iranian rials as high as 12 percent over the amount repatriated).

74. Iran has virtually no operative bilateral trade and payments arrangements, except for small amounts of outstanding liabilities with the Czech Republic, the Slovak Republic, Romania, and Turkey which are in the process of being settled, and outstanding claims on the Baltic countries, Russia, and the other countries of the former Soviet Union. In addition, Iran maintains a regional arrangement for the settlements of current transactions with other member countries of the Asian Clearing Union (ACU)—Bangladesh, India, Myanmar, Nepal, Pakistan, and Sri Lanka. Settlements of current transactions with member countries of the ACU are effected in Asian Monetary Units (AMUs), whose value is equal to one SDR.

G. Relations with the World Trade Organization (WTO)

75. In 1996, Iran notified WTO of its interest in gaining membership.

³²For most allowable exports, the Ministry of Commerce issues an overall export license. For certain goods, licenses are issued on a case-by-case basis.

³³Industrial exporters are receiving an import entitlement equivalent to 50 percent of their export earnings.

Iran: Key Objectives and Policies of the Second Five-Year Development Plan (SFYDP)

The SFYDP commits the government to continue structural reforms and macroeconomic adjustment. The SFYDP's key objectives and policies are:

1. External sector

- The foreign exchange system will be based on a managed unified floating exchange rate that is consistent with maintaining convertibility of the rial for current international payments.
- The customs tariff will be set at an appropriate level that takes account of the need to protect domestic producers and consumers as well as to maintain comparative advantage for Iranian goods in the international market.

2. Financial sector

- Measures will be taken to rationalize bank interest rates by setting rates at a level that would ensure positive real returns on bank deposits, thus generating greater incentives for saving.
- Issuance of long-term participating/investment bonds will be considered as an effective element in monetary and financial policies. Provisions will be made for issuing these types of financial instruments and for enhancing their acceptability to the general public.
- The specialized development banks will be supplied with funds commensurate with the government's economic, social, and cultural development objectives; and its determination to ensure a balanced development among various sectors and regions.
- Private sector entry in the financial system through nonbank financial intermediaries will be encouraged.
- The relationship between GDP growth and the rate of increase in the money supply will be closely monitored to help control inflation.

3. Fiscal sector

The government's revenue policy will be formulated so that government revenue increases in the long run to meet government expenditure while increasing the share of taxes in total revenue. The SFYDP directs the government to:

- a. increase the share of direct taxes (excluding wage taxes) in total tax revenue;
- b. gradually eliminate tax exemptions granted to various sectors, except for the agricultural sector and related industries;
- c. redraft the tax laws with a view to establishing indirect tax rates based on the value of the commodities;
- d. channel oil revenue to development expenditure;
- e. grant tax exemptions or reductions to infrastructure investments and investments contributing to the production of strategic goods, generation of foreign exchange, development of deprived regions, and creation of jobs;
- f. include all subsidies, government aid, and revenue transfers in appropriate budgetary categories; and
- g. undertake a tax system reform, including improving tax administration and a review of tax exemptions.

4. The domestic economy

The objectives of agricultural policy are to:

- maintain sustained growth in agriculture, while strengthening the conservation of water, soil, and forestry;
- ensure sufficient food supply, balance trade flows between agriculture and other sectors, and promote import substitution;
- improve productivity through expansion of research and training programs;
- promote the development of food processing and related industries;
- reduce the use of chemical pesticides in agricultural production;
- provide crop insurance for farmers;
- establish coordination between the Ministry of Agriculture and the Ministry of Industry in order to develop techniques for food preservation; and
- restructure the monopolized or semi-monopoly controlled distribution mechanisms for agricultural products and fertilizers, transferring some public activities to the private and cooperative sectors.

Subsidies will be reduced while making them more transparent in the budget and raising the amount of subsidies to vulnerable groups.

5. Quantitative targets

The SFYDP seeks to achieve an average annual real GDP growth of 5.1 percent. The main sectoral growth objectives are: 1.6 percent for the oil sector; 4.3 percent for the agricultural sector; 5.9 percent for industry and mining; and 3.1 percent for the services sector. The SFYDP targets an average annual growth rate of 6.2 percent in real gross domestic investment; 4 percent in real private consumption; and a decline of 0.9 percent for real government consumption expenditure. The rate of inflation is targeted at an annual average of 12.4 percent. To this end, total liquidity is to grow at 12.5 percent per annum. imports are targeted to increase at an average annual rate of 4.3 percent; oil exports at 3.4 percent; and non-oil exports at 8.4 percent.

Table 6. Islamic Republic of Iran: Gross Domestic Product by Industrial Origin
at Constant Prices, 1992/93–1996/97 1/

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97
(In billions of Iranian rials at 1982/83 prices)					
GDP at factor cost	14,050	14,742	14,985	15,458	16,148
Oil 2/	2,554	2,645	2,496	2,518	2,556
Non-oil	11,496	12,097	12,489	12,940	13,593
Agriculture	3,352	3,536	3,606	3,688	3,818
Industry	2,932	2,970	3,115	3,286	3,494
Mining	72	77	80	84	89
Manufacturing	2,002	1,992	2,061	2,181	2,294
Construction	549	562	597	624	690
Water and power	309	339	377	397	421
Services	5,212	5,591	5,768	5,966	6,282
Transport and communication	1,032	1,113	1,180	1,106	1,160
Banking and insurance	140	152	140	137	135
Trade	1,325	1,370	1,374	1,363	1,400
Ownership and dwellings	1,490	1,555	1,620	1,778	1,888
Public services	1,003	1,194	1,203	1,239	1,327
Private services	353	360	368	401	411
Less: Imputed bank service charge	131	153	117	58	40
Net indirect taxes	401	13	-99	-144	-55
GDP at market prices	14,451	14,755	14,886	15,314	16,093
(Annual percentage changes)					
GDP at factor cost	5.9	4.9	1.6	3.2	4.5
Oil 2/	1.5	3.6	-5.6	0.9	1.5
Non-oil	7.0	5.2	3.2	3.6	5.0
Agriculture	7.4	5.5	2.0	2.3	3.5
Industry	4.7	1.3	4.9	5.5	6.3
Mining	5.9	6.9	3.9	5.0	5.6
Manufacturing	3.2	-0.5	3.5	5.8	5.2
Construction	8.1	2.4	6.2	4.5	10.6
Water and power	8.4	9.7	11.2	5.3	6.1
Services	8.0	7.3	3.2	3.4	5.3
Of which:					
Transportation and communication	11.4	7.8	6.0	-6.3	4.9
Banking and insurance	9.4	8.6	-7.9	-1.9	-1.7
Trade	5.3	3.4	0.3	-0.8	2.7
Ownership and dwellings	7.7	4.4	4.2	9.7	6.2
Public services	8.8	19.0	0.8	3.0	7.1
Private services	7.3	2.0	2.2	9.1	2.5
GDP at market prices	6.1	2.1	0.9	2.9	5.1

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Includes oil and gas production, refining, and distribution.

Table 7. Islamic Republic of Iran: Gross Domestic Product by Industrial Origin
at Current Prices, 1992/93–1996/97 1/

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97
	(In billions of Iranian rials)				
GDP at factor cost	64,401	93,518	129,351	180,800	233,651
Oil 2/	5,840	16,495	24,433	29,069	36,278
Non-oil	58,561	77,023	104,918	151,732	197,373
Agriculture	15,392	19,446	27,273	40,091	48,911
Industry	12,953	17,390	24,112	35,578	48,958
Mining	350	495	636	884	1,264
Manufacturing	9,218	12,682	17,726	25,877	33,882
Construction	2,551	3,134	4,429	6,386	10,346
Water and power	834	1,079	1,321	2,430	3,466
Services	30,216	40,187	53,533	76,063	99,505
Transport and communication	5,274	6,582	8,167	11,368	13,721
Banking and insurance	720	956	1,188	1,745	2,134
Trade	11,308	14,536	19,978	28,989	36,903
Ownership and dwellings	6,858	8,742	11,085	15,309	21,739
Public services	5,327	8,576	11,689	15,687	20,911
Private services	1,403	1,754	2,421	3,706	4,729
Less: Imputed bank service charge	674	959	995	741	632
Net indirect taxes	2,062	92	-969	-1,925	-909
GDP at market prices	66,463	93,610	128,382	178,875	232,742
	(In percent of GDP at factor cost)				
GDP at market prices	103.2	100.1	99.3	98.9	99.6
Oil 2/	9.1	17.6	18.9	16.1	15.5
Non-oil	90.9	82.4	81.1	83.9	84.5
Agriculture	23.9	20.8	21.1	22.2	20.9
Industry	20.1	18.6	18.6	19.7	21.0
Mining	0.5	0.5	0.5	0.5	0.5
Manufacturing	14.3	13.6	13.7	14.3	14.5
Construction	4.0	3.4	3.4	3.5	4.4
Water and power	1.3	1.2	1.0	1.3	1.5
Services	46.9	43.0	41.4	42.1	42.6
Transport and communication	8.2	7.0	6.3	6.3	5.9
Banking and insurance	1.1	1.0	0.9	1.0	0.9
Trade	17.6	15.5	15.4	16.0	15.8
Ownership and dwellings	10.6	9.3	8.6	8.5	9.3
Public services	8.3	9.2	9.0	8.7	8.9
Private services	2.2	1.9	1.9	2.0	2.0
Less: Imputed bank service charge	1.0	1.0	0.8	0.4	0.3

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Includes oil and gas production, refining, and distribution.

Table 8. Islamic Republic of Iran: Gross Domestic Expenditure
at Current Prices, 1992/93–1996/97 1/

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97
	(In billions of Iranian rials)				
Gross domestic expenditure	70,060	98,431	117,478	175,083	218,839
Consumption expenditure	46,552	71,083	86,360	121,101	172,568
Private sector	39,625	57,439	70,183	97,789	141,285
Public sector	6,927	13,644	16,177	23,312	31,283
Gross domestic investment	23,508	27,348	31,118	53,982	46,271
Gross fixed capital formation	14,641	20,658	29,853	43,634	59,474
Private sector	8,638	10,687	16,504	24,416	33,241
Public sector	6,003	9,971	13,349	19,218	26,233
Change in stocks 2/	8,867	6,690	1,265	10,348	-13,203
Net exports of goods and nonfactor services	-3,597	-4,821	10,904	9,104	13,903
Exports 3/	10,131	21,221	38,031	38,100	51,667
Imports 3/	13,728	26,042	27,127	28,996	37,764
GDP at market prices	66,463	93,610	128,382	184,187	232,742
Net factor income from abroad 3/	-722	-1,853	-3,588	-2,204	-2,700
GNP at market prices	65,741	91,757	124,794	181,983	230,042
Transfers (net)	608	1,752	2,332	8	1,040
Gross national income	66,349	93,508	127,126	181,991	231,082
Memorandum items:					
Gross national savings	19,797	22,425	40,766	60,890	58,514
Public savings	5,227	3,219	7,622	12,282	19,299
Private savings	14,570	19,207	33,144	48,608	39,215
	(In percent of GDP)				
Gross domestic expenditure	105.4	105.2	91.5	95.1	94.0
Consumption expenditure	70.0	75.9	67.3	65.7	74.1
Private sector	59.6	61.4	54.7	53.1	60.7
Public sector	10.4	14.6	12.6	12.7	13.4
Gross domestic investment	35.4	29.2	24.2	29.3	19.9
Gross fixed capital formation	22.0	22.1	23.3	23.7	25.6
Private sector	13.0	11.4	12.9	13.3	14.3
Public sector	9.0	10.7	10.4	10.4	11.3
Change in stocks 2/	13.3	7.1	1.0	5.6	-5.7
Net exports of goods and nonfactor services	-5.4	-5.2	8.5	4.9	6.0
Exports 3/	15.2	22.7	29.6	20.7	22.2
Imports 3/	20.7	27.8	21.1	15.7	16.2
Gross national savings	29.8	24.0	31.8	33.1	25.1
Public savings	7.9	3.4	5.9	6.7	8.3
Private savings	21.9	20.5	25.8	26.4	16.8

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Includes statistical discrepancy.

3/ Staff estimates based on balance of payments data provided by the authorities which have been converted into rials at weighted average exchange rates based on current account weights.

Table 9. Islamic Republic of Iran: Gross Domestic Expenditure
at Constant Prices, 1992/93–1996/97 1/

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97
(In billions of Iranian rials at 1982/83 prices)					
Gross domestic expenditure	13,360	12,962	12,512	13,848	14,550
Consumption expenditure	10,273	10,747	11,024	10,640	11,548
Private sector	8,721	8,927	9,125	8,681	9,475
Public sector	1,552	1,820	1,899	1,959	2,073
Gross domestic investment	3,087	2,215	1,488	3,208	2,447
Gross fixed capital formation	2,077	2,134	2,206	2,289	2,447
Private sector	1,143	1,244	1,278	1,317	1,415
Public sector	934	890	928	972	1,032
Changes in stocks 2/	1,010	81	-718	919	-169
Net exports of goods and nonfactor services	1,091	1,793	2,374	1,461	2,099
Exports	2,718	3,155	3,196	2,238	2,883
Imports	1,627	1,362	822	777	785
GDP at market prices	14,451	14,755	14,886	15,309	16,093
Net factor income from abroad	107	287	-17	-26	-44
GNP at market prices	14,558	15,042	14,869	15,283	16,050
Memorandum items:					
Gross national income 3/	12,986	13,371	13,165	13,709	14,506
Gross national savings	2,713	2,624	2,141	3,069	2,958
(Annual percentage changes)					
Gross domestic expenditure	4.9	-3.0	-3.5	10.7	5.1
Consumption expenditure	3.0	4.6	2.6	-3.5	8.5
Private sector	2.3	2.4	2.2	-4.9	9.1
Public sector	7.0	17.3	4.3	3.2	5.8
Gross domestic investment	11.7	-28.2	-32.8	115.6	-23.7
Of which:					
Gross fixed capital formation	6.9	2.7	3.4	3.8	6.9
Private sector	0.6	8.8	2.7	3.1	7.4
Public sector	15.7	-4.7	4.3	4.7	6.2
Changes in stocks 2/	23.0	-92.0	-986.4	-228.0	-118.4
Memorandum item:					
Gross national savings	13.0	-3.3	-18.4	43.3	-3.6

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Includes statistical discrepancy.

3/ Adjusted for changes in terms of trade.

Table 10. Islamic Republic of Iran: Production, Exports, and Domestic Consumption of Oil, 1992/93–1996/97 1/

(In thousands of barrels per day)

	1992/93	1993/94	1994/95	1995/96	1996/97
Crude oil production	3,692	3,609	3,603	3,600	3,610
Total crude exports	2,671	2,464	2,405	2,440	2,441
Crude oil exports	2,397	2,184	2,220	2,290	2,441
Crude oil exports in the form of consignment 2/	274	280	185	150	...
Net exports of refined products	-77	-31	29	24	9
Domestic consumption 3/	1,077	1,125	1,159	1,136	1,155
Gasoline	169	185	197	194	201
Kerosene	180	185	185	182	187
Gas oil	360	378	392	386	390
Fuel oil	226	245	265	264	263
Liquid petroleum gas	52	56	53	53	55
Other products 4/	90	76	65	57	59

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Crude oil exports for refining abroad, or in exchange for refined products.

3/ The discrepancy between domestic consumption and the amount obtained by subtracting net exports from production reflects changes in inventories, crude oil flowing in the pipelines, and refining wastage.

4/ Includes aviation fuel, tar, lubricants, solvents, and insecticides.

Table 11. Islamic Republic of Iran: Oil Products and Trade, 1992/93-1995/96 1/

(In millions of liters)

	1992/93	1993/94	1994/95	1995/96
Imports	10,189	8,979	6,210	4,407
Kerosene	3,047	2,274	1,919	1,791
Gas oil	6,049	5,031	3,554	1,413
Gasoline	1,014	1,674	737	1,200
Liquified petroleum gas	0.0	0.0	0.0	0.0
Other products 2/	79	0.0	0.0	3
Exports	5,626	7,165	7,893	10,181
Fuel oil	5,270	6,896	...	9,162
Other	356	269	...	1,019

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Includes oil and aviation fuel.

Table 12. Islamic Republic of Iran: Crude Oil Deliveries to Domestic Refineries, 1992/93-1997/98 1/

(In thousands of barrels per day)

	1992/93	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98 First half
Abadan	228	280	301	315	322	343
Teheran (I and II)	237	234	237	230	220	206
Tabriz	87	99	102	102	104	103
Shiraz	45	39	41	41	39	25
Bakhtaran	23	24	24	24	23	21
Isfahan	351	341	364	300	280	276
Lavan Topping Plant	23	23	25	22	23	25
Arak	0	99	122	140	150	154
Bandar Abbas	0	0	0	0	0	73
Total	994	1,139	1,198	1,174	1,161	1,226

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

Table 13. Islamic Republic of Iran: Domestic Retail Prices of Petroleum Products and Electricity, 1992/93–1997/98 1/

(In Iranian rials per liter)

	1992/93	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98 First half
Gasoline						
High octane	70	70	70	140	180	220
Regular	50	50	50	100	130	160
Kerosene						
Gas oil	15	15	15	20	30	40
Fuel oil	10	10	10	20	30	40
Electricity						
Average price per Kw/h	5	5	5	10	15	20
Average price per Kw/h	10.5	14.5	28.5	34.5	41.3	...

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20. Petroleum product prices are set at the beginning of the fiscal year.

Table 14. Islamic Republic of Iran: Natural Gas Production and Uses,
1992/93–1997/98 1/

(In billions of standard cubic meters)

	1992/93	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98 First half
Gross production 2/	48.0	48.4	54.9	59.4	64.2	32.1
Domestic consumption	35.1	36.9	35.5	39.0	42.4	22.0
Exports	0.5	0.0	0.1	0.0	0.0	0.0
Flared	12.4	11.5	11.6	11.8	13.2	6.0
Local consumption and losses	0.0	0.0	7.7	8.6	8.6	4.1
Memorandum item:						
Gas reinjected	0.0	0.0	22.5	19.9	21.4	13.0

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Excludes gas reinjected.

Table 15. Islamic Republic of Iran: Domestic Prices for Major Agricultural Products and Fertilizers, 1992/93–1997/98 1/

(In Iranian rials per kilogram)

	1992/93	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
Agricultural products 2/						
Cotton	395-405	514-527	640-660	800	1,600	...
Corn	130	195	235	280	348	430
Wheat	150	225	260	330	410	480
Rice	550	715	900	950	1056	1400
Sunflower	355	530	610	700	870	...
Barley	115	173	210	255	317	387
Sugar beets	27	52	62	78	97	125
Soybean	275	410	475	550	683	...
Green tea	355	500	570	650	...	...
Potatoes	78	117	135	140	174	210
Onion	60	90	105	110	137	180
Lentil	450	500	575	720	895	1050
Peas	430	450	500	585	727	860
White beans	360	470	540	700	870	1030
Red beans	400	520	600	650	808	950
Mixed beans	460	600	660	700	870	1030
Fertilizers						
Urea	19	95	95	150	...	...
Potash	20	100	...	...	...	...
Diammonium phosphate	22	110	110	190	...	...

Source: Ministry of Agriculture.

1/ Iranian years ending March 20.

2/ The domestic prices presented for the agricultural crops in this table are the guaranteed floor prices payable to the domestic farmers. For most crops, the actual market price is above the guaranteed floor price.

Table 16. Islamic Republic of Iran: Output, Cultivated Area, and Yield of Major Crops, 1992/93–1996/97 1/

(Output in thousands of tons, cultivated area in thousands of hectares, and yield in tons per hectare)

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97
Cotton					
Production	330	276	387	523	598
Area	171	141	185	272	320
Yield	1.9	2.0	2.0	1.9	1.9
Wheat					
Production	10,179	10,732	10,870	11,228	10,015
Area	6,640	6,807	6,782	6,567	6,328
Yield	1.5	1.6	1.7	1.7	1.6
Barley					
Production	3,065	3,058	3,045	2,952	2,736
Area	2,086	1,960	1,757	1,752	1,674
Yield	1.5	1.6	1.7	1.7	1.6
Rice					
Production	2,364	2,281	2,259	2,301	2,685
Area	597	588	563	566	600
Yield	4.0	3.9	4.0	4.1	4.5
Sugar beets					
Production	6,005	5,408	5,295	5,521	3,687
Area	205	180	204	203	149
Yield	29.3	30.0	25.9	27.2	24.7
Oil seeds					
Production	267	316	288	234	210
Area	248	295	227	198	198
Yield	1.1	1.1	1.2	1.2	1.1
Pistachio					
Production	202	229	195	239	260
Area	172	202	206	218	232
Yield	1.2	1.1	1.0	1.1	1.1
Green tea					
Production	245	254	248	243	277
Area	32	32	33	34	35
Yield	7.7	8.0	7.5	7.2	7.9
Tobacco					
Production	22	20	10	14	17
Area	19	17	12	14	18
Yield	1.2	1.2	0.8	1.0	0.9
Onions					
Production	1,305	957	1,112	1,130	1,200
Area	46	39	40	48	41
Yield	28.4	24.5	27.8	23.5	29.3
Potatoes					
Production	2,448	3,222	3,185	3,074	3,140
Area	155	151	150	145	143
Yield	15.8	21.3	21.2	21.2	21.9

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

Table 17. Islamic Republic of Iran: Output Value of Major Crops,
1992/93-1996/97 1/

(In millions of Iranian rials at 1982/83 prices)

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97
Cotton	27,377	22,814	32,106	43,388	48,946
Wheat	381,204	401,913	407,082	420,489	375,062
Barley	129,741	129,445	128,895	124,958	115,857
Rice	276,115	266,421	263,851	268,640	327,040
Sugar beet	38,798	34,941	34,211	35,671	25,521
Oil seeds	25,556	30,247	27,566	24,216	...
Pistachio	65,909	74,963	63,808	78,153	...
Green tea	13,892	14,402	14,062	13,778	...
Tobacco	7,436	6,760	3,380	4,732	...
Onions	52,474	38,481	44,714	45,437	58,305
Potatoes	116,986	139,190	137,592	132,797	149,040
Total	1,135,488	1,159,577	1,157,267	...	...
Annual percentage change	7.99	2.12	-0.20	...	...

Source: Bank Markazi Jomhouri Islami Iran.

1/ Iranian years ending March 20.

Table 18. Islamic Republic of Iran: Production Index for Large Manufacturing Establishments, 1992/93–1996/97 1/

(1990/91 = 100)

	Weights	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97
Food, beverages, and tobacco	9.6	128.3	128.4	135.0	156.5	...
Textiles, clothing, and leather products	18.4	115.2	112.4	116.4	114.9	...
Wood and wood products	1.9	96.4	92.2	91.9	91.5	...
Paper and paper products	2.3	107.2	103.4	104.6	123.0	...
Chemical, basic materials, and products	14.7	111.4	116.3	152.2	182.1	...
Nonmetallic mining products (except oil and coal)	9.0	111.8	117.9	122.4	136.0	...
Basic metals	17.7	122.3	140.4	158.1	159.1	...
Fabricated metal products, machinery and equipment	26.4	146.8	119.8	111.9	114.7	...
Overall production	100.0	124.7	121.3	129.4	138.1	143.5
Annual percentage change		2.7	-2.7	6.7	6.7	5.1

Source: Bank Markazi Jomhouri Islami Iran.

1/ Iranian years ending March 20.

Table 19. Islamic Republic of Iran: Employment Indices for
Large Manufacturing Establishments, 1992/93–1995/96 1/

(1990/91 = 100)

	1992/93	1993/94	1994/95	1995/96
Food, beverages, and tobacco	106.8	107.1	107.8	112.3
Textiles, clothing, and leather products	104.4	101.7	100.9	99.5
Wood and wood products	99.1	93.3	89.6	86.4
Paper and paper products	113.1	114.5	114.3	116.5
Chemical, basic materials, and products	108.4	109.2	117.0	118.6
Nonmetallic mining products (except oil and coal)	112.4	113.0	111.9	111.9
Basic metals	96.8	104.1	100.1	97.5
Fabricated metal products, machinery and equipment	115.6	109.2	102.1	101.2
Overall index of employment	108.0	106.5	105.1	105.0

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

Table 20. Islamic Republic of Iran: Index of Wages, Salaries, and Fringe Benefits
for Construction Workers in the Private Sector, 1992/93–1996/97 1/

(1990/91 = 100)

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97
April	124.3	148.4	173.7	240.9	320.5
May	125.4	151.5	180.0	250.8	336.6
June	128.2	155.6	184.0	257.1	354.9
July	130.0	158.1	189.6	261.9	364.4
August	133.3	159.5	193.9	269.9	372.0
September	136.4	160.9	198.7	274.9	374.9
October	140.4	162.8	205.7	282.0	384.8
November	144.1	164.5	211.4	287.2	387.3
December	144.5	165.0	213.4	300.6	389.7
January	144.2	168.8	214.7	300.7	392.7
February	145.1	169.8	216.7	304.6	392.4
March	146.8	172.3	223.5	308.3	395.1

Source: Bank Markazi Jomhouri Islami Iran.

1/ Iranian years ending March 20.

Table 21. Islamic Republic of Iran: Population and Employment, 1986/87-1996/97 1/

	1986/87	1991/92	1996/97
	(In thousands)		
Population	49,445	55,837	60,055
Urban	26,845	31,837	36,818
Rural	22,600	24,000	23,237
Male	25,281	28,768	30,515
Female	24,164	27,069	29,540
0-14	22,364	24,542	23,629
15-54	22,821	26,266	30,855
55+	4,027	4,664	5,327
Active population	12,820	14,737	16,027
Urban	7,026	8,489	9,655
Rural	5,794	6,248	6,372
Male	11,512	13,107	13,990
Female	1,307	1,630	2,037
Employment	11,002	13,097	14,572
Urban	5,953	7,609	8,799
Rural	5,049	5,488	5,773
Male	10,027	11,866	12,807
Female	975	1,231	1,765
Agriculture	3,190	3,205	3,357
Industries	2,749	3,515	4,353
Mining	32	101	120
Services	4,669	5,713	6,484
Other	362	563	258
Unemployment	1,813	1,626	1,450
Urban	1,073	880	855
Rural	740	746	595
Male	1,481	1,231	1,180
Female	332	395	270
	(In percent)		
Population growth rate	2.5	2.3	1.6
Active population as ratio of total	25.9	26.4	26.6
Urban	14.2	15.2	16.1
Rural	11.7	11.2	10.5
Male	23.3	23.5	23.3
Female	2.6	2.9	3.3
Unemployment rate	14.2	10.0	9.1

Source: Based on census data.

1/ Iranian years ending March 20.

Table 22. Islamic Republic of Iran: Education Indicators, 1980-97 1/

	1980	1985	1990	1995	Est. 1997
Literacy rates (In percent)					
Adult literacy rate (age +15)					
Male	...	62.9	73.9	...	79.7
Female	...	40.9	55.8	...	65.9
Urban	...	65.5	75.7	...	81.1
Rural	...	34.5	50	...	58.8
Literacy rate (age 6-29)	...	77.2	88.4	...	92.8
Urban	...	87.3	93.4	...	96
Rural	...	65.4	82	...	87.7
Enrollment rates (In percent gross)					
Primary level	87	96	110	105	...
Male	...	106	118	109	...
Female	...	85	102	101	...
Secondary level	42	44	54	66	...
Male	52	52	62	74	...
Female	32	35	45	58	...
Tertiary level	...	4.1	9.1	15.1	...
School enrolled to population 6-14 years	...	77.4	88.2	...	89
Number of students (In thousands)					
Primary level	4,799	6,788	8,262	9,746	9,238
Male	3,170	3,828	1,639	5,152	...
Female	2,133	2,960	1,086	4,594	...
Secondary level	2,517	3,204	1,363	2,781	3,401
Male	1,532	1,907	778	1,491	...
Female	985	1,297	585	1,290	...
Tertiary level	...	...	...	...	...
Public universities and higher education	...	...	251	478	579
Male	...	...	145	333	...
Female	...	...	...	145	...
Islamic Azad University	...	...	...	431	611
Indices of educational quality	...	...	...	...	...
Students to school	...	...	169.3	182.5	178.0
Students to class	...	...	31.3	30.3	30.1
Students to teacher	...	...	25.1	24.9	24.2
(In billions of Iranian rials)					
Education and research expenditure	...	...	951.6	7,141	8,622
Education	...	...	816.8	5,446	6,271
Percent of government expenditure	...	...	16.6	10.6	9.3
Percent of GDP	...	...	3	3	2.7
Higher education and research	...	...	134.8	1,695	2,352
Percent of government expenditure	...	...	2.7	3.3	3.4
Percent of GDP	...	...	0.5	0.9	1

1/ Data refer to range of years with the middle year of the range displayed. If data are available for more than one year in the range, data closest to the middle year are shown.

Table 23. Islamic Republic of Iran: Health Indicators, 1980-97 1/

	1980	1985	1990	1995	Est. 1996/97
Life expectancy at birth	60.1	65.2	67.5	68.4	...
Male	58.9	65	67	68	68
Female	61.4	65.5	68	69.2	70
Mortality rates					
Infant (per 1,000 live births)	91.6	59	50	45.2	26
Under 5 years (per 1,000 live births)	...	70	40	33	33
Maternal (per 100,000 live births)	...	120	90	45	40
Crude death rate (per 1,000 people)	11.4	9.7	6.4	5.9	4.7
Total fertility rate (births per woman)	6.14	5.6	5.2	4.5	2.8
Family planning (percent coverage)	...	...	33	51	55
Population growth rate	3.2	2.5	2.4	1.8	1.6
Population with access to					
Health service	50	67	75	...	90
Safe water	50	71	89	90.2	90
Rural	33	52	55	...	82
Urban	70	90	97	...	98
Sanitation	60	65	82	80.5	...
Rural	25	...	35	...	74
Urban	85	...	87	...	90
Number of					
Physicians/10,000	3.4	...	3.8	...	8.2
Dentists	...	...	0.6	...	1.5
Pharmacists	...	...	...	...	1
Nurses	...	8.5	8.7	...	23.4
Hospital beds/100,000	...	148	150	154	156
Health houses	...	1,800	11,200	...	14,666
Rural health centers	...	1,200	2,090	...	2,181
Maternity facilities	...	...	...	...	452
Urban health centers	...	1,220	1,520	...	1,890
Immunization (percent under 12 months)					
Measles	...	...	63	95	...
DPT	...	...	67	97	...
Public expenditure					
Health	...	...	...	...	...
Percent of total expenditure	...	...	8.4	8.2	6.3
Percent of GDP	...	...	1.4	1.6	...

1/ Data refer to range of years with the middle year of the range displayed. If data are available for more than one year in the range, data closest to the middle year shown.

Table 24. Islamic Republic of Iran: Price Developments, 1992/93–1997/98 1/

	Weights	1992/93	1993/94	1994/95	1995/96	1996/97	First half 1997/98	3/
(1990/91 = 100)								
Wholesale price index (WPI)	100.0	168.9	211.7	301.4	482.7	604.0	657.6	
Domestic goods 2/	57.7	170.4	216.0	301.7	463.4	573.5	628.1	
Imported goods	33.9	167.9	213.6	314.2	540.0	697.2	754.9	
Exported goods	8.3	163.0	173.7	248.2	383.1	436.0	466.1	
Consumer price index (CPI)	100.0	150.1	184.4	249.3	372.4	458.8	528.0	
Food, beverages and tobacco	37.3	160.1	197.0	270.7	434.0	499.2	547.0	
Housing	23.6	148.9	177.1	215.6	276.1	372.0	476.1	
Clothing	11.1	123.1	142.3	198.2	320.0	431.0	483.9	
Household	7.2	119.5	144.5	205.9	319.1	377.5	403.9	
Transportation and communication	7.9	163.5	197.4	285.6	413.3	480.9	549.7	
Water, fuel, and power	1.5	170.4	199.9	215.8	306.5	427.3	612.6	
Health and medical care	3.9	201.0	286.8	404.2	536.5	721.5	922.2	
Recreation and education	2.0	120.8	158.0	234.3	379.3	477.2	516.6	
Miscellaneous goods and services	5.3	131.3	180.0	260.2	382.4	504.2	540.8	
GDP deflator (factor cost)		154.4	213.7	290.1	405.8	487.4	...	
Non-oil GDP deflator		155.9	194.8	257.1	371.5	444.3	...	
Oil GDP deflator		136.5	372.3	584.4	689.2	847.4	...	
(Annual percentage changes)								
Wholesale price index		33.4	25.3	42.4	60.2	25.1	...	
Domestic goods 2/		34.9	26.8	39.7	53.6	23.8	...	
Imported goods		38.9	27.2	47.1	71.9	29.1	...	
Exported goods		6.7	6.6	42.9	54.4	13.8	...	
Consumer price index		24.4	22.9	35.2	49.4	23.2	...	
Food, beverages and tobacco		28.7	23.0	37.4	60.3	15	...	
Housing		24.5	18.9	21.7	28.1	34.7	...	
Clothing		9.6	15.6	39.3	61.5	34.7	...	
Household		12.5	20.9	42.5	55.0	18.3	...	
Transportation and communication		22.4	20.7	44.7	44.7	16.3	...	
Water, fuel, and power		40.1	17.3	8.0	42.0	39.4	...	
Health and medical care		54.4	42.7	40.9	32.7	34.5	...	
Recreation and education		12.4	30.8	48.3	61.9	25.8	...	
Miscellaneous goods and services		14.0	37.1	44.6	47.0	31.9	...	
GDP deflator (factor cost)		24.9	38.4	35.8	39.9	20.1	...	
Non-oil GDP deflator		22.5	25.0	32.0	44.5	19.6	...	
Oil GDP deflator		44.2	172.7	57.0	17.9	23.0	...	

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Domestically produced and consumed goods.

3/ Data refer to end of first seven months for WPI data, and end of first six months for CPI data (rather than averages that are displayed for the full year data).

Table 25. Islamic Republic of Iran: General Government Revenue, 1992/93–1997/98 1/

(In billions of Iranian rials)

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97	Budget 1997/98	Prel. First Half 1997/98
Total revenue	12,298	28,982	33,482	45,008	62,375	77,723	32,652
Oil and gas revenues	5,146	21,649	23,908	29,431	38,153	39,633	16,584
<i>Of which</i> : Sales of foreign exchange 2/	4,078	4,775	240	2,765	5,407	8,625	2,859
Provision for foreign exchange losses 3/	0	6,966	2,428	0	0	0	0
Non-oil revenue	7,152	7,333	9,574	15,577	24,222	38,090	16,068
Tax	3,776	4,061	5,491	7,313	12,560	19,020	9,106
Tax on income and wealth	1,991	2,616	3,854	5,649	8,971	8,109	6,175
Corporate taxes	1,297	1,601	2,398	3,296	5,378	5,261	3,989
Public corporations	464	470	829	1,065	2,328	2,143	2,009
Private corporations 4/	833	1,131	1,570	2,231	3,050	3,118	1,980
Taxes on wages and salaries	212	338	480	902	1,586	609	904
Taxes on professions 5/	293	372	560	845	1,204	1,416	787
Taxes on other income	42	56	85	122	204	226	134
Wealth and inheritance taxes	147	249	331	484	599	597	361
Tax on imports	1,245	1,123	1,284	1,250	2,934	5,368	1,976
Customs duties	702	654	731	793	1,536	2,880	891
Order registration fees	400	244	390	405	1,358	2,400	1,047
Other 6/	143	226	164	52	40	88	38
Taxes on consumption and sales	539	322	352	414	655	5,543	955
Cigarettes	76	46	37	38	66	151	27
Petroleum products	50	61	71	60	63	64	35
Beverages	39	49	53	74	82	100	52
Automobiles	275	77	74	81	179	150	128
Excise tax on special goods	...	...	...	...	...	1,600	209
Goods and services price differential	...	...	...	...	...	3,100	324
Other	99	90	118	161	265	378	180
Nontax	2,093	1,506	2,274	4,683	6,409	12,672	3,764
Income from government monopolies	73	153	137	161	195	742	96
Services and sales of goods	438	541	831	1,346	2,139	3,246	1,174
Income from foreign investment	48	29	29	117	56	50	55
Other non-tax revenue 7/	1,534	784	1,277	3,059	4,019	8,634	2,439
<i>Of which</i> : Excises on petroleum products	...	...	...	788	1,514	2,743	1,122
Earmarked revenue 8/	1,284	1,765	1,809	3,581	5,253	6,388	3,198

Source: Ministry of Economy and Finance; and Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Additional revenue due to the sale of a share of oil revenue at the export rate.

3/ Consists of valuing a portion of the oil and gas revenue at the pre-March 1993 official exchange rate (Rls 70 per U.S. dollar) in order to cover the subsidy to the service of debts contracted before March 21, 1993. This provisioned amount is deposited in a special government account with Bank Markazi—the Foreign Exchange Obligation Account.

4/ Includes enterprises and foundations under the supervision of ministries and government organizations.

5/ Taxes on self-employed people.

6/ Includes excises and taxes on imported automobiles.

7/ This item includes excises on electricity, telecommunications, and various other services.

8/ Mostly earmarked revenues of the Social Security Organization.

Table 26. Islamic Republic of Iran: Valuation of Budgetary Oil and Gas Export Receipts, 1994/95–1997/98 1/

	1994/95	1995/96	Prel. 1996/97	Est. 1997/98
(In millions of U.S. dollars)				
Oil and gas exports	14,604	15,103	19,271	16,171
Crude oil export revenue	13,861	14,043	17,875	14,470
Revenue from exports of petroleum products and gas	743	1,060	1,396	1,701
Less: amount not accruing to the budget	942	80	0	0
Oil and gas revenue	13,662	15,032	19,271	16,171
Valued at Rls 1,750 per U.S. dollar	13,662	12,532	14,945	8,971
Valued at Rls 3,000 per U.S. dollar	0	2,500	4,326	7,200
(In billions of Iranian rials)				
Oil and gas revenue	23,908	29,431	38,153	37,299
Valued at Rls 1,750 per U.S. dollar	23,908	21,931	25,175	15,699
Valued at Rls 3,000 per U.S. dollar	0	7,500	12,978	21,600

Source: Data provided by the Iranian authorities; and Fund staff estimates.

1/ Iranian years ending March 20.

Table 27. Islamic Republic of Iran: General Government Expenditure—Functional Classification, 1992/93–1997/98 1/

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97	Budget 1997/98	Prel. First half 1997/98
(In billions of Iranian rials)							
Total expenditure and net lending	13,074	35,734	39,208	51,468	67,504	83,833	36,351
Net lending	-9	-4	-27	-14	-67	-712	-12
Total expenditure	13,083	35,738	39,235	51,482	67,571	84,545	36,363
General services	979	1,963	2,368	3,149	...	6,111	...
National defense	946	1,827	2,496	2,774	...	5,812	...
Social services	5,208	9,112	11,059	14,556	...	25,757	...
Education	3,004	4,944	5,533	7,153	...	12,493	...
Health and nutrition	926	1,618	2,448	2,280	...	3,619	...
Housing	96	175	366	287	...	592	...
Social security, and welfare	775	1,377	1,617	2,663	...	5,088	...
Other	407	998	1,095	2,173	...	3,965	...
Economic services	2,082	7,129	11,103	15,350	...	16,803	...
Agriculture	384	1,088	1,421	1,647	...	1,671	...
Water resources	357	881	960	1,514	...	2,559	...
Petroleum, fuel, and power	209	1,580	3,301	5,245	...	7,064	...
Industry	229	221	179	217	...	268	...
Transport and communication	734	1,470	1,670	1,929	...	4,269	...
Commerce	57	1,672	3,285	4,493	...	327	...
Other	112	217	287	305	...	645	...
Foreign exchange losses 2/ 3/	0	13,086	8,513	9,298	7,197	5,837	2,631
Other expenditure 4/	2,584	856	1,887	2,774	...	17,828	...
Earmarked expenditures 5/	1,284	1,765	1,809	3,581	5,253	6,397	3,198
Memorandum item:							
Military expenditure	1,785	2,247	...	...	7,191	9,620	...
(In percent of total expenditure)							
General services	7.5	5.5	6.0	6.1	...	7.2	...
National defense	7.2	5.1	6.4	5.4	...	6.9	...
Social services	39.8	25.5	28.2	28.3	...	30.5	...
Economic services	15.9	19.9	28.3	29.8	...	19.9	...
Foreign exchange losses	0.0	36.6	21.7	18.1	10.7	6.9	7.2
Other expenditure	19.8	2.4	4.8	5.4	...	21.1	...
Earmarked expenditures	9.8	4.9	4.6	7.0	7.8	7.6	8.8
Memorandum item:							
Military expenditure	13.6	6.1	...	...	3.1	3.4	...

Source: Bank Markazi Jomhuri Islami Iran; and staff estimates.

1/ Iranian years ending March 20.

2/ This applies to the service of debts contracted at an exchange rate more appreciated than the current official exchange rate used for debt service payments. For each U.S. dollar equivalent of debt service payment on imports, this amount covers the difference between the official exchange rate (Rls 1,750 per U.S. dollar) and the amount contributed by debtor or importer (typically, Rls 70 per U.S. dollar).

3/ In 1993/94, it also includes imports subsidies.

4/ Includes budgetary OPCR expenditure and in the 1997/98 budget data, an amount of Rls 1,000 billion of unspecified expenditure cuts. Organization. All 1996/97 and 1997/98 data are budget appropriation data.

5/ Counterpart of earmarked revenues which are mostly earmarked revenues of the Social Security Organization. All 1996/97 and 1997/98 data are budget appropriation data.

Table 28. Islamic Republic of Iran: General Government Expenditure—Economic Classification, 1992/93–1996/97

	1992/93	1993/94	1994/95	1995/96	Budget 1996/97
Total expenditures	13,269	35,651	39,913	52,093	61,231
Expenditures on goods and services	6,592	11,541	17,253	22,347	28,423
<i>Of which</i> : wages and salaries	4,918	8,738	12,514	15,533	21,808
Employer contributions	183	434	492	734	767
Other purchases of goods and services	1,491	2,369	4,247	6,080	5,848
Interest payments	3	15	19	7	73
Foreign exchange losses 1/	0	13,086	8,513	9,298	2,757
Subsidies and other current transfers	3,343	3,813	4,083	6,479	8,097
<i>Of which</i> : subsidies	3,343	3,813	4,083	5,589	6,445
Current expenditures	9,938	28,455	29,868	38,131	39,350
Capital expenditures	3,331	7,196	10,045	13,962	21,881
Acquisition of fixed capital assets	3,079	6,592	9,245	12,985	18,596
Purchase of land and intangible assets	207	226	437	606	1,465
Capital transfers	45	378	363	371	1,820
Other 2/	-186	87	-678	-612	-107
Total expenditures (excluding net lending)	13,083	35,738	39,235	51,482	61,124

Source: Bank Markazi Jomhuri Islami Iran.

1/ Excludes quasi-fiscal foreign exchange losses in 1996/97.

2/ Discrepancy with functional classification of expenditures.

Table 29. Islamic Republic of Iran: General Government Current Expenditure,
1992/93-1997/98 1/

(In billions of Iranian rials)

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97	Budget 1997/98	Prel. First half 1997/98
Total current expenditure and net lending	8,841	26,737	28,328	35,004	43,997	48,901	23,204
Net lending	-9	-4	-27	-14	-67	-712	-12
Total current expenditure	8,850	26,741	28,355	35,018	44,064	49,613	23,216
General services	856	1,658	2,034	2,551	...	4,445	...
National defense	946	1,827	2,496	2,774	...	5,812	...
Social services	4,031	6,668	8,282	10,835	...	18,681	...
Education	2,469	3,985	4,478	5,906	...	9,916	...
Health and nutrition	655	1,077	1,883	1,851	...	2,789	...
Housing	7	10	11	14	...	50	...
Social security and welfare	758	1,324	1,569	2,612	...	5,028	...
Other 2/	142	272	341	452	...	898	...
Economic services	465	2,670	5,143	7,075	...	2,766	...
Agriculture 3/	151	568	839	999	...	642	...
Water resources	4	17	15	20	...	16	...
Petroleum, fuel, and power	118	88	812	1,359	...	1,140	...
Industry	14	21	27	39	...	76	...
Transport and communication	136	275	124	132	...	364	...
Commerce	33	1,606	3,192	4,392	..	165	...
Other 4/	9	95	134	134	...	363	...
Foreign exchange losses 5/ 6/	0	13,086	8,513	9,298	7,197	5,837	2,631
Other expenditure 7/	2,552	832	1,887	2,485	...	12,072	...
Of which: Strengthening of defense power	426	433	1,589	2,093	...	2,510	...
Memorandum items:							
Military expenditure	1,432	1,901	...	...	...	...	...
(In percent of total current expenditure)	16.2	7.1	...	...	...	...	...

Sources: Ministry of Economy and Finance; and Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Includes expenditures on rural and urban development, residential housing, and environmental protection.

3/ Includes OPCP fertilizer subsidies.

4/ Includes expenditures on tourism and mining. During 1993/94-1995/96, includes OPCP expenditures. Starting 1996/97, OPCP operations were consolidated into other expenditure.

5/ This relates mainly to the service of debts contracted at pre-March 1993 exchange rates more appreciated than the current official exchange rate used for debt service payments. For each U.S. dollar equivalent of debt service payment, the government covers the difference between the official exchange rate (Rls 1,750 per U.S. dollar) and the amount contracted by debtor or importer (typically, Rls 70 per U.S. dollar).

6/ In 1993/94, it also includes imports subsidies.

7/ Includes part of military expenditure. Starting in 1996/97, also includes OPCP operations.

Table 30. Islamic Republic of Iran: General Government Capital Expenditure,
1992/93–1997/98 1/

(In billions of Iranian rials)

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97	Budget 1997/98	Prel. First half 1997/98
Total capital expenditure	2,949	7,232	9,071	12,883	18,254	32,175	9,183
General services	123	305	334	598	...	1,666	...
National defense	...	...	...	...	...	...	...
Social services	1,177	2,444	2,777	3,721	...	7,076	...
Education	535	959	1,055	1,247	...	2,577	...
Health and nutrition	271	541	565	429	...	830	...
Housing	89	165	355	273	...	542	...
Social Security and Welfare	17	53	48	51	...	60	...
Rural and urban development	166	408	429	1,233	...	1,967	...
Other 2/	99	318	325	488	...	1,100	...
Economic services	1,617	4,459	5,960	8,275	...	14,037	...
Agriculture	233	520	582	648	...	1,029	...
Water resources	353	864	945	1,494	...	2,543	...
Petroleum, fuel, and power	91	1,492	2,489	3,886	...	5,924	...
Industry	215	200	152	178	...	192	...
Transport and communication	598	1,195	1,546	1,797	...	3,905	...
Commerce	24	66	93	101	...	162	...
Other 3/	103	122	153	171	...	282	...
Foreign exchange losses	0	0	0	0	0	0	...
Other expenditure	32	24	0	289	...	5,756	...
Memorandum items:							
Military expenditure	353	346	...	...	...	...	...
(In percent of total capital expenditure)	12	5	...	...	...	...	...

Sources: Ministry of Economy and Finance; and Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Includes environmental protection and multipurpose projects.

3/ Includes expenditures on tourism and mining.

Table 31. Islamic Republic of Iran: Subsidies Paid Through the Consumer and Producer Protection Organization, 1992/93–1997/98 1/

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97	Budget 1997/98
(In billions of Iranian rials)						
Fertilizer	85	239	522	558	492	549
Sugar	244	239	296	329	345	373
Wheat	513	1,154	2,095	2,881	3,933	4,376
Milk and cheese	32	103	129	226	234	459
Rice and vegetable oil 2/	0	0	371	561	604	535
Other 3/	170	392	273	340	372	227
Total	1,044	2,126	3,686	4,895	5,980	6,519
(In percent of GDP)						
Fertilizer	0.1	0.3	0.4	0.3	0.2	0.2
Sugar	0.4	0.3	0.2	0.2	0.1	0.1
Wheat	0.8	1.2	1.6	1.6	1.7	1.6
Milk and cheese	0.0	0.1	0.1	0.1	0.1	0.2
Rice and vegetable oil 2/	0.0	0.0	0.3	0.3	0.3	0.2
Other 3/	0.3	0.4	0.2	0.2	0.2	0.1
Total	1.6	2.3	2.9	2.7	2.5	2.3

Source: Bank Markazi Jomhuri Islami Iran.

1/ Does not include transfers for commodities whose transactions are self-liquidating.

2/ Prior to 1994/95, this category was self-liquidating as it benefitted from subsidies through the official exchange rate of Rls 70 = U.S. dollar. Since then, imports of such goods have been imported using an exchange rate of Rls 1,750 = U.S. dollar. Hence, the subsidies to this category have become more explicit.

3/ Includes transfers to agro-industry complexes, and the Agricultural Products Insurance Fund, as well as subsidies for meat and seeds. Since 1995/96, this line has also included subsidies for pesticides.

Table 32. Islamic Republic of Iran: Quantities and Prices of Subsidized Food Items, 1995/96-1996/97 1/

(In thousands of tons and rials per kilogram)

	Subsidized Quantity		Price	
	1995/96	1996/97	1995/96	1996/97
Wheat	9,300	9,400	62	93
Rice	280	297	100	300
Sugar	340	346	27	100
Edible oil	222	223	60	300
Red meat	53	54	750	1,000
Cheese	15	24	450	1,000
Total	10,210	10,344		

Source: Consumer and Producer Protection Organization.

1/ Iranian years ending March 20.

Table 33. Islamic Republic of Iran: Estimated Consumption of Subsidized Food Items, 1996/97

(In thousands of tons)

	Subsidized Quantity			Other Consumption 1/			Total Consumption
	Total	Domestically Produced	Imported	Total	Domestically Produced	Imported	
Wheat	9,400	6,400	3,000	4,600	4,600	0	14,000
Rice	285	0	285	2,020	1,500	520	2,305
Sugar	346	0	346	1,254	800	454	1,600
Edible oil	223	0	223	677	100	577	900
Red meat	54	0	54	596	556	40	650
Cheese	24	24	0	77	77	0	100

Source: Consumer and Producer Protection Organization.

1/ Partly implicitly subsidized through controlled prices and allocation of foreign exchange for importation at the appreciated floating rate (RIs/US\$1,750). In addition to the items noted, other commodities subject to pricing policy are tea, dairy products, detergents, propylene bags, veterinary medicine, heavy vehicle tires, paper, medicine, car batteries, motor oil, and various plastic threads, and fibers.

Table 34. Islamic Republic of Iran: Operations of Selected
Public Enterprises, 1992/93–1996/97 1/ 2/

	1992/93	1993/94	1994/95	1995/96	Budget 1996/97
(In billions of Iranian rials)					
Operating balance	423.7	277.5	-23.1	604.8	-280.2
Revenue	3,612.5	4,480.5	6,358.6	9,076.9	11,607.8
Current expenditure	3,188.8	4,203.0	6,381.7	8,472.1	11,888.0
Current transfers from the government	8.8	11.5	9.5	10.4	13.5
Current balance	432.5	289.0	-13.6	615.2	-266.7
Capital expenditure	1,591.2	3,163.6	5,752.2	5,063.2	7,288.3
Overall balance	-1,158.7	-2,874.6	-5,765.8	-4,448.0	-7,555.0
Domestic financing	1,158.7	2,874.6	5,765.8	4,448.0	7,555.0
Capital transfer	0.0	0.0	0.0	3,048.9	3,779.3
Banking system	0.0	0.0	0.0	585.0	987.5
Other sources	1,158.7	2,874.6	5,765.8	814.1	2,788.2
(In percent of GDP)					
Operating balance	0.6	0.3	0.0	0.4	-0.1
Revenue	5.4	4.8	5.0	5.3	4.8
Current expenditure	4.8	4.5	5.0	4.9	5.0
Current transfers from the government	0.0	0.0	0.0	0.0	0.0
Current balance	0.7	0.3	0.0	0.4	-0.1
Capital expenditure	2.4	3.4	4.5	2.9	3.0
Overall balance	-1.7	-3.1	-4.5	-2.6	-3.2
Domestic financing	1.7	3.1	4.5	2.6	3.2
Capital transfer	0.0	0.0	0.0	1.8	1.6
Banking system	0.0	0.0	0.0	0.3	0.4
Other sources	1.7	3.1	4.5	0.5	1.2

Source: Ministry of Plan and Budget.

1/ Iranian years ending March 20.

2/ Includes the Armed Forces Medical Services Organization; Central Organization for Rural Cooperatives; Iran Khodro Company; Iran Steel National Industrial Group; Iran Telecommunications Company; Iranian Fisheries Company; Isfahan Steel Mill Company; National Iranian Offshore Company; National Iranian Oil Company; National Iranian Refining and Distribution Company; Provision Production and Distribution of Fodder Crops Company.

Table 35. Islamic Republic of Iran: Budgetary Transfers to Cover Financial Losses of Public Enterprises, 1992/93–1996/97 1/

(In billions of Iranian rials)

	1992/93	1993/94	1994/95	Budget 1995/96	Prel. 1995/96	Budget 1996/97
Organization for Promotion of Agricultural Cooperatives	0.0	0.0	...	10.3	...	13.5
Agricultural Bank	0.0	0.0	...	0.0	...	
Regional water authorities	3.1	18.7	...	16.0	...	18.3
Organization for Procurement and Distribution of Seeds	0.0	0.0	...	0.0	...	0.0
National Wheat Board	12.9	21.0	...	22.9	...	31.3
Iranian National Railroad Company	0.0	9.3	...	0.0	...	0.0
National Airline of the Islamic Republic of Iran	0.0	130.2	...	0.0	...	0.0
News Agency of the Islamic Republic of Iran	2.9	10.0	...	11.4	...	14.1
Iranian Postal Company	3.0	6.5	...	5.6	...	6.0
Iranian Radio and Television	51.7	130.3	...	230.9	...	412.0
Organization for Promotion of Children's Education	3.0	5.5	...	8.7	...	13.3
Other 2/	139.6	126.7	...	14.1	...	1.9
Total	216.2	458.2	...	319.9	...	510.4
In percent of GDP	0.3	0.5	...	0.2	...	0.2

Sources: Bank Markazi Jomhuri Islami Iran; and Ministry of Plan and Budget.

1/ Iranian years ending March 20. This table excludes transfers to the National Iranian Oil Company for purchases of refined products on a consignment basis.

2/ Mostly Consumer and Producer Protection Organization.

Table 36. Islamic Republic of Iran: Proposed Budgets of Banks
and Public Enterprises, 1996/97-1997/98 1/

	1996/97		1997/98	
	Public enterprises, banks, and govt, profit institutions	Public enterprises	Public enterprises, banks, and govt, profit institutions	Public enterprises
Revenue	59,819	50,475	82,395	70,295
Operational revenue	51,355	42,216	73,031	60,931
Other revenue	8,464	8,259	9,364	9,364
Expenditure	74,199	63,986	103,088	89,359
Current expenditure	52,260	43,627	70,418	59,246
Transfers to general revenue	0	0	0	0
Taxes	1,465	1,288	2,621	2,300
Distributed profits of public enterprise	351	266	715	567
Other distributed profits less savings	16	16	123	117
Capital expenditure	24,320	22,531	34,725	32,035
Amortization in current expenditure	-4,213	-3,742	-5,514	-4,906
Deficit	-14,380	-13,511	-20,693	-19,064
Financing	14,380	13,511	20,693	19,064
Current expenditure	1,626	1,626	1,941	1,941
Capital expenditure	9,517	9,421	9,765	9,720
Domestic loans (net)	3,080	3,044	4,748	4,732
Receipts	13,509	13,459	18,026	17,996
Amortization	-10,429	-10,415	-13,278	-13,264
Foreign loans	-1,901	-1,901	649	654
Receipts	1,013	1,013	1,885	1,885
Amortization	-2,914	-2,914	-1,236	-1,231
Current assets	2,058	1,321	3,590	2,017
Receipts	3,594	2,765	4,634	3,061
Payments	-1,536	-1,444	-1,044	-1,044

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

Table 37. Islamic Republic of Iran: Monetary Survey, 1992/93–1997/98 1/

	1992/93	1993/94	1994/95	1995/96	5 months 1996/97	5 months 1996/97	5 months 1997/98
(In billions of Iranian rials)							
Net foreign assets	1,450	987	3,922	11,432	14,200	19,180	17,057
Foreign assets	1,841	11,438	15,046	20,419	22,319	27,259	25,393
Foreign liabilities	-391	-10,450	-11,124	-8,987	-8,119	-8,079	-8,336
Net domestic assets	34,989	48,120	59,603	75,497	77,543	99,735	106,705
Domestic credit	39,936	53,526	69,012	90,274	95,811	112,922	120,688
BMJII 2/	13,264	18,518	25,161	33,860	34,577	37,754	38,225
Banks	26,671	35,009	43,850	56,414	61,234	75,168	82,463
Claims on government (net)	12,277	15,675	21,558	26,928	27,238	28,303	28,277
BMJII 2/	11,131	14,624	20,182	25,336	25,800	26,759	26,881
Claims	14,382	21,225	27,001	33,723	37,427	37,798	39,627
Deposits	3,251	6,601	6,819	8,387	11,627	11,039	12,746
Banks	1,146	1,052	1,376	1,592	1,438	1,544	1,396
Claims	1,351	1,239	1,556	1,824	1,826	1,825	1,824
Deposits	205	187	180	232	388	281	428
Claims on NFPEs	4,190	7,276	9,734	16,407	17,672	23,180	25,536
BMJII 2/	2,134	3,894	4,980	8,524	8,777	10,995	11,344
Banks	2,056	3,382	4,754	7,883	8,895	12,185	14,192
Claims on private sector	23,469	30,575	37,720	46,939	50,901	61,439	66,875
Other items (net)	-4,947	-5,406	-9,409	-14,777	-18,268	-13,187	-13,983
Broad money	36,438	49,108	63,525	86,929	91,743	118,915	123,762
Money	16,941	23,385	32,113	42,824	42,784	58,634	57,951
Currency outside banks	5,359	6,832	8,701	10,672	9,494	13,216	11,380
Demand deposits	11,582	16,553	23,413	32,152	33,290	45,418	46,571
BMJII 2/	572	973	1,681	1,858	2,096	2,362	2,317
Banks	11,009	15,581	21,731	30,294	31,194	43,056	44,254
Quasi-money	19,497	25,722	31,412	44,105	48,959	60,281	65,811
(In millions of U.S. dollars)							
Net foreign assets	2,761	588	2,259	7,015	6,533	10,960	9,747
Foreign assets	8,597	6,567	8,623	12,131	11,668	15,576	14,510
Foreign liabilities	-5,836	-5,978	-6,364	-5,117	-8,987	-4,617	-4,763
Memorandum items:							
Claims on public sector (net)	15,894	21,979	29,610	41,477	42,814	49,121	51,496
Accounting exchange rate	67	1,748	1,748	1,748	1,750	1,750	1,750

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Bank Markazi Jomhuri Islami Iran.

Table 38. Islamic Republic of Iran: Summary Accounts of the Bank Markazi
Jomhuri Islami Iran, 1992/93–1997/98 1/

	1992/93	1993/94	1994/95	1995/96	5 months 1996/97	Prel. 1996/97	Prel. 5 months 1997/98
(In billions of Iranian rials)							
Net foreign assets	1,561	6,399	7,525	11,399	13,203	16,211	13,717
Foreign assets	1,635	8,175	9,658	14,282	15,606	18,919	17,247
Foreign liabilities	-74	-1,776	-2,133	-2,883	-2,403	-2,708	-3,530
Net domestic assets	13,478	12,581	18,092	24,859	26,009	33,484	36,737
Net claims on government	11,131	14,624	20,182	25,336	25,800	26,759	26,881
Claims on government	14,382	21,225	27,001	33,723	37,427	37,798	39,627
Government deposits	-3,251	-6,601	-6,819	-8,387	-11,627	-11,039	-12,746
Claims on NFPEs	2,134	3,894	4,980	8,524	8,777	10,995	11,344
Claims on banks	2,332	1,297	4,915	10,420	9,351	10,190	11,939
Other items (net)	-2,118	-7,234	-11,984	-19,421	-17,919	-14,460	-13,427
Reserve money	15,039	18,980	25,617	36,258	39,212	49,695	50,454
Bank reserves	8,627	10,548	14,250	22,639	25,872	33,104	34,752
Deposits of NFPEs 2/	572	973	1,681	1,858	2,096	2,362	2,317
Currency	5,840	7,459	9,685	11,761	11,244	14,229	13,385
Currency outside banks	5,359	6,832	8,701	10,672	9,494	13,216	11,380
Currency in banks' tills	481	627	985	1,089	1,750	1,013	2,005
(In millions of U.S. dollars)							
Net foreign assets	4,415	3,661	4,305	6,514	7,545	9,263	7,838
Foreign assets	5,521	4,677	5,525	8,161	8,918	10,811	9,855
Foreign liabilities	-1,106	-1,016	-1,220	-1,647	-1,373	-1,547	-2,017
Memorandum items:							
Net claims on NFPEs	1,561	2,922	3,298	6,666	6,681	8,633	9,027
Accounting exchange rate	67	1,748	1,750	1,750	1,750	1,750	1,750

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Includes deposits of municipalities.

Table 39. Islamic Republic of Iran: Detailed Accounts of the Bank Markazi
Jomhuri Islami Iran, 1992/93-1997/98 1/ (continued)

(In billions of Iranian rials)

	1992/93	1993/94	1994/95	1995/96	5 months 1996/97	Prel. 1996/97	Prel. 5 months 1997/98
Total assets	20,709	39,151	51,166	73,228	78,744	87,835	91,605
Foreign assets	1,635	8,175	9,658	14,282	15,606	18,919	17,247
In millions of U.S. dollars	5,521	4,677	5,525	8,161	8,918	10,811	9,855
Gold 2/	695	1,916	2,046	3,081	3,254	3,404	3,513
In millions of U.S. dollars	1,101	1,096	1,171	1,763			
Gold for note cover	693	1,890	1,890	1,887	1,890	1,901	1,901
Exchange rate	631	1,748	1,748	1,750	1,750	1,750	1,750
In millions of U.S. dollars	1,099	1,081	1,081	1,078	1,080	1,086	1,086
Other gold	1	26	156	1,194	1,364	1,503	1,612
Exchange rate	631	1,748	1,748	1,750	1,750	1,750	1,750
In millions of U.S. dollars	2	15	89	682	779	859	921
Foreign exchange	817	3,291	4,463	7,558	8,167	11,662	9,947
In millions of U.S. dollars	2,585	1,883	2,553	4,319	4,667	6,664	5,684
For note cover	740	964	774	495	508	760	620
Exchange rate	316	1,748	1,748	1,750	1,750	1,750	1,750
In millions of U.S. dollars	2,341	551	443	283	290	434	354
Other foreign exchange	77	2,328	3,690	7,063	7,659	10,902	9,327
Exchange rate	316	1,748	1,748	1,750	1,750	1,750	1,750
In millions of U.S. dollars	245	1,332	2,111	4,036	4,377	6,230	5,330
Subscriptions to international organizations 3/	13	97	384	519	574	660	715
Exchange rate	67	1,748	1,748	1,750	1,750	1,750	1,750
In millions of U.S. dollars	197	56	219	297	328	377	409
Foreign exchange clearing	100	2,620	2,509	2,758	3,249	2,615	2,481
Exchange rate	67	1,748	1,748	1,750	1,750	1,750	1,750
In millions of U.S. dollars	1,488	1,499	1,435	1,576	1,857	1,494	1,418
SDR holdings, IMF record	10	251	257	366	362	578	591
Exchange rate	67	1,748	1,748	1,750	1,750	1,750	1,750
In millions of U.S. dollars	149	144	147	209	207	330	338
Reserve position in IMF	0	0	0	0	0	0	0
Claims on government	14,382	21,225	27,001	33,723	37,427	37,798	39,627
Government obligations for note cover	4,388	3,912	5,913	8,117	8,044	10,109	10,053

Table 39. Islamic Republic of Iran: Detailed Accounts of the Bank Markazi
Jomhuri Islami Iran, 1992/93-1997/98 1/ (continued)

(In billions of Iranian rials)

	1992/93	1993/94	1994/95	1995/96	5 months 1996/97	Prel. 1996/97	Prel. 5 months 1997/98
Government securities	1,426	1,406	563	836	836	836	836
Loans and credits	8,504	9,589	7,988	5,585	5,239	3,145	2,653
Loans to cover interest payments to banks	69	203	335	415	415	498	498
Reserve account for foreign obligations	0	6,120	12,205	18,775	22,898	23,215	25,592
Treasury-IMF account	-5	-5	-5	-5	-5	-5	-5
Securities	40	40	40	40	40	40	40
Less subsidies by Treasury	-45	-45	-45	-45	-45	-45	-45
Claims on NFPEs	2,134	3,894	4,980	8,524	8,777	10,995	11,344
Claims on banks	2,332	1,297	4,915	10,420	9,351	10,190	11,939
Commercial banks	1,386	1,098	3,438	6,082	6,082	5,812	7,561
Specialized banks	946	199	1,477	4,378	4,378	4,378	4,378
Unclassified assets	227	4,560	4,613	6,279	7,583	9,933	11,448
Gold with IMF: BMJII	3	93	93	97	97	92	92
Subscriptions to IMF: BMJII	13	627	627	656	656	619	619
Subscriptions by Treasury	45	45	45	45	45	45	45
Securities by Treasury	-40	-40	-40	-40	-40	-40	-40
Reserve position in IMF	0	0	0	0	0	0	0
SDR holdings: BMJII	10	251	257	366	362	578	591
SDR holdings: IMF record	-10	-251	-257	-366	-362	-578	-591
Government promissory note for IMF quota	0	2,424	2,566	3,109	3,109	3,109	3,109
Others 4/	206	1,411	1,322	2,412	3,716	6,108	7,623
Total liabilities	20,709	39,151	51,166	73,228	78,744	87,835	91,605
Reserve money	15,050	19,182	25,806	36,448	39,705	49,933	50,854
Currency outside banks	5,359	6,832	8,701	10,672	9,494	13,216	11,380
Currency issue	5,892	7,636	9,752	11,861	11,874	14,261	14,130
Currency in BMJII's till	-52	-176	-66	-100	-630	-32	-745
Currency in banks' tills	-481	-627	-985	-1,089	-1,750	-1,013	-2,005
Currency in banks' tills	481	627	985	1,089	1,750	1,013	2,005
Deposits of banks	8,627	10,548	14,250	22,639	25,872	33,104	34,752
Legal	8,491	9,877	13,181	21,713	24,816	31,756	34,607
Sight	135	671	1,069	926	1,056	1,348	145
Deposits of NFPEs 5/	583	1,175	1,871	2,048	2,589	2,600	2,717
Rial deposits of NFPEs	496	775	1,407	1,693	1,887	1,983	2,194
Foreign exchange deposits of NFPEs	11	202	190	190	493	238	400
Exchange rate	67	1,748	1,748	1,750	1,750	1,750	1,750
In millions of U.S. dollars	164	116	109	109	282	136	229
Rial deposits of municipalities	76	198	275	165	209	379	123

Table 39. Islamic Republic of Iran: Detailed Accounts of the Bank Markazi
Jomhuri Islami Iran, 1992/93-1997/98 1/ (concluded)

(In billions of Iranian rials)

	1992/93	1993/94	1994/95	1995/96	5 months 1996/97	Prel. 1996/97	Prel. 5 months 1997/98
Government deposits	3,251	6,601	6,819	8,387	11,627	11,039	12,746
Rial deposits	3,169	4,435	5,550	8,000	10,633	10,205	12,132
Foreign currency deposits	82	2,166	1,269	387	994	834	614
Exchange rate	67	1,748	1,748	1,750	1,750	1,750	1,750
In millions of U.S. dollars	1,224	1,239	726	221	568	477	351
Foreign liabilities	74	1,776	2,133	2,883	2,403	2,708	3,530
In millions of U.S. dollars	1,106	1,016	1,220	1,647	1,373	1,547	2,017
Foreign currency deposits of foreign banks	34	591	805	1,417	1,389	1,882	2,702
Exchange rate	67	1,748	1,748	1,750	1,750	1,750	1,750
In millions of U.S. dollars	507	338	461	810	794	1,075	1,544
Bilateral arrangements	40	1,185	1,328	1,466	1,014	826	828
Exchange rate	67	1,748	1,748	1,750	1,750	1,750	1,750
In millions of U.S. dollars	599	678	760	838	579	472	473
Import deposits	543	2,235	6,006	8,637	8,043	9,228	8,293
Private sector	19	12	6	3	3	2	4
Public sector	523	2,223	6,001	8,634	8,040	9,226	8,289
Capital accounts	294	903	965	955	955	969	969
Capital and reserves	271	306	306	331	331	380	380
SDR allocations	23	597	658	624	624	589	589
Unclassified liabilities	1,497	8,453	9,435	15,918	16,011	13,958	15,213
Liabilities to the IMF	0	2,424	2,566	3,109	3,109	3,109	3,109
Other	1,497	6,029	6,869	12,809	12,902	10,849	12,104

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Excludes "Gold with IMF".

3/ Excludes subscriptions to IMF.

4/ Includes cash in till.

5/ Includes deposits of municipalities.

Table 40. Islamic Republic of Iran: Summary Accounts of the Banking Institutions, 1992/93-1997/98 1/

	1992/93	1993/94	1994/95	1995/96	5 months 1996/97	Prel. 1996/97	Prel. 5 months 1997/98
(In billions of Iranian rials)							
Net foreign assets	-111	-5,412	-3,603	33	997	2,969	3,340
Foreign assets 2/	206	3,262	5,388	6,137	6,713	8,340	8,146
Foreign liabilities	-317	-8,674	-8,991	-6,104	-5,716	-5,371	-4,806
Net domestic assets	30,618	46,715	56,746	74,366	79,156	100,368	106,725
Net claims on government	1,146	1,052	1,376	1,592	1,438	1,544	1,396
Claims on government	1,351	1,239	1,556	1,824	1,826	1,825	1,824
Government deposits	-205	-187	-180	-232	-388	-281	-428
Claims on NFPEs	2,056	3,382	4,754	7,883	8,895	12,185	14,192
Claims on private sector 3/	23,469	30,575	37,720	46,939	50,901	61,439	66,875
Net claims on BMJII	6,775	9,879	10,320	13,308	18,271	23,927	24,818
Liabilities to BMJII	-2,332	-1,297	-4,915	-10,420	-9,351	-10,190	-11,939
Deposits with BMJII	8,627	10,548	14,250	22,639	25,872	33,104	34,752
Notes and coins in till	481	627	985	1,089	1,750	1,013	2,005
Other items (net)	-2,829	1,828	2,576	4,644	-349	1,273	-556
Liabilities to the private sector	30,507	41,303	53,143	74,399	80,153	103,337	110,065
Demand deposits 4/	11,009	15,581	21,731	30,294	31,194	43,056	44,254
Time and savings deposits 4/ 5/	19,497	25,722	31,412	44,105	48,959	60,281	65,811
(In millions of U.S. dollars)							
Net foreign assets	-1,654	-3,073	-2,046	19	570	1,697	1,909
Foreign assets	3,076	1,890	3,098	3,507	3,836	4,766	4,655
Foreign liabilities	-4,730	-4,962	-5,144	-3,488	-3,266	-3,069	-2,746
Accounting exchange rate	67	1,748	1,748	1,750	1,750	1,750	1,750

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20. Comprises the commercial banks and specialized banks. Some foreign branches are also consolidated.

2/ Includes foreign exchange deposits with the central bank.

3/ Include investments, foreign exchange bills, equity participation in companies, and claims for foreign exchange losses. Claims on some nonfinancial public enterprises are also included.

4/ Includes deposits of some nonfinancial public enterprises.

5/ Includes government lending funds.

Table 41. Islamic Republic of Iran: Detailed Accounts of the Banking Institutions, 1992/93-1997/98 1/ (continued)

(In billions of Iranian rials)

	1992/93	1993/94	1994/95	1995/96	5 months 1996/97	Prel. 1996/97	Prel. 5 months 1997/98
Total assets	42,465	71,704	89,762	119,524	119,435	152,479	153,497
Balance sheet	45,721	75,537	93,940	123,892	123,782	156,969	157,754
Interbank claims	-3,255	-3,833	-4,178	-4,368	-4,347	-4,490	-4,257
Foreign assets	206	3,262	5,388	6,137	6,713	8,340	8,146
In millions of U.S. dollars	3,076	1,890	3,098	3,507	3,836	4,766	4,655
Gold	1	2	1	5	5	5	13
Exchange rate	67	70	70	1,750	1,750	1,750	1,750
In millions of U.S. dollars	16	24	16	3	3	3	7
Foreign exchange 2/	205	3,261	5,387	6,132	6,708	8,335	8,133
Exchange rate	67	1,748	1,748	1,750	1,750	1,750	1,750
In millions of U.S. dollars	3,060	1,865	3,082	3,504	3,833	4,763	4,647
Claims on government	1,351	1,239	1,556	1,824	1,826	1,825	1,824
Claims on NFPEs	2,056	3,382	4,754	7,883	8,895	12,185	14,192
Claims on private sector 3/	23,469	30,575	37,720	46,939	50,901	61,439	66,875
Loans and credit	2,062	2,817	2,121	3,287	2,871	3,426	4,346
New facilities	19,890	25,710	33,475	41,699	45,331	54,214	58,250
Direct investment and legal partnership	1,517	2,049	2,124	1,953	2,699	3,799	4,279
Reserves	9,107	11,175	15,235	23,728	27,622	34,117	36,757
Notes and coins in till	481	627	985	1,089	1,750	1,013	2,005
Deposits with BMJII	8,627	10,548	14,250	22,639	25,872	33,104	34,752
Legal	8,491	9,877	13,181	21,713	24,816	31,756	34,607
Sight	135	671	1,069	926	1,056	1,348	145
Unclassified assets	6,276	22,071	25,109	33,013	23,478	34,573	25,703
Unclassified assets	9,531	25,904	29,287	37,381	27,825	39,063	29,960
Interbank claims: commercial banks	-3,098	-3,700	-4,096	-4,260	-4,164	-4,291	-4,057
Interbank claims: specialized banks	-157	-133	-83	-108	-183	-199	-200
Total liabilities	42,465	71,704	89,762	119,524	119,435	152,479	153,497
Balance sheet	45,721	75,537	93,940	123,892	123,782	156,969	157,754
Interbank claims	-3,255	-3,833	-4,178	-4,368	-4,347	-4,490	-4,257

Table 41. Islamic Republic of Iran: Detailed Accounts of the Banking Institutions,
1992/93–1997/98 1/ (concluded)

(In billions of Iranian rials)

	1992/93	1993/94	1994/95	1995/96	5 months 1996/97	Prel. 1996/97	Prel. 5 months 1997/98
Foreign loans and FCDs	317	8,674	8,991	6,104	5,716	5,371	4,806
Exchange rate	67	1,748	1,748	1,750	1,750	1,750	1,750
In millions of U.S. dollars	4,730	4,962	5,144	3,488	3,266	3,069	2,746
Demand deposits 4/	11,009	15,581	21,731	30,294	31,194	43,056	44,254
Time and savings deposits 4/ 5/	19,497	25,722	31,412	44,105	48,959	60,281	65,811
Government deposits	205	187	180	232	388	281	428
Credit from BMJII	2,332	1,297	4,915	10,420	9,351	10,190	11,939
Capital accounts	1,004	4,446	5,316	5,264	5,466	5,257	5,716
Unclassified liabilities	8,101	15,797	17,217	23,105	18,361	28,043	20,543
Balance sheet	11,357	19,630	21,396	27,473	22,708	32,533	24,800
Interbank liabilities: commercial banks	-870	-1,232	-872	-1,143	-1,268	-1,496	-1,351
Interbank liabilities: specialized banks	-2,401	-2,752	-2,891	-2,903	-2,987	-2,923	-2,892
Interbank adjustment	15	151	-415	-322	-92	-71	-14

Source: Bank Markazi Jomhuri Islami Iran.

- 1/ Comprises the commercial banks and specialized banks. Some foreign branches are also consolidated.
 2/ Includes foreign exchange deposits with the central bank.
 3/ Includes investment, foreign exchange bills, and equity participation in companies. Claims on some nonfinancial public enterprises are also included.
 4/ Includes deposits of some nonfinancial public enterprises.
 5/ Includes government lending funds.

Table 42. Islamic Republic of Iran: Foreign Assets and Liabilities of the Banking System, 1992/93-1997/98 1/

	1992/93	1993/94	1994/95	1995/96	5 months 1996/97	Prel. 1996/97	Prel. 5 months 1997/98
(Stocks in millions of U.S. dollars)							
Bank Markazi (net)	4,415	3,661	4,305	6,514	7,545	9,263	7,838
International reserves (net)	2,860	2,939	3,861	6,374	6,850	9,079	8,240
Reserve assets	2,860	2,939	3,861	6,374	6,850	9,079	8,240
Gold 2/	1,101	1,096	1,171	1,761	1,859	1,945	2,007
Foreign exchange assets 3/	1,609	1,700	2,544	4,404	4,784	6,803	5,895
SDR holdings	149	144	147	209	207	330	338
Reserve position in IMF	0	0	0	0	0	0	0
Reserve liabilities	0	0	0	0	0	0	0
Bilateral balances (net)	890	821	676	738	1,277	1,022	945
Other foreign assets	1,173	239	229	211	211	238	198
Other foreign liabilities	507	338	461	810	794	1,075	1,544
Commercial and specialized banks (net)	-1,654	-3,073	-2,046	19	570	1,697	1,909
Foreign assets	3,076	1,890	3,098	3,507	3,836	4,766	4,655
Foreign liabilities	4,730	4,962	5,144	3,488	3,266	3,069	2,746
(Changes in millions of U.S. dollars)							
Bank Markazi (net)	962	-754	644	2,209	1,031	1,757	-1,425
International reserves (net)	-176	79	922	2,513	476	1,962	-839
Reserve assets	-176	79	922	2,513	476	1,962	-839
Gold 2/	-7	-5	75	590	99	89	62
Foreign exchange assets 3/	-26	90	844	1,861	379	1,750	-909
SDR holdings	-143	-6	3	62	-2	123	7
Reserve position in IMF	0	0	0	0	0	0	0
Reserve liabilities	0	0	0	0	0	0	0
Bilateral balances (net)	-56	-69	-145	63	539	63	-78
Other foreign assets	-922	-934	-10	-18	0	27	-40
Other foreign liabilities	-2,116	-169	122	349	-16	295	469
Commercial and specialized banks (net)	-2,339	-1,419	1,027	2,065	551	1,368	212
Foreign assets	-631	-1,187	1,208	409	329	855	-111
Foreign liabilities	1,708	232	181	-1,656	-222	-513	-323

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Excludes gold with IMF.

3/ Excludes participation in IMF.

Table 43. Islamic Republic of Iran: Reserve Requirements
on Bank Deposits, 1992/93–1997/98 1/

(In percent of total deposits)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98 2/
Commercial banks						
Demand deposits	30	30	30	30	30	30
Qarz ul-Hasanah savings deposits 3/	30	30	30	25	25	25
Short-term investment deposits	25	25	25	25	25	25
One-year investment deposits	25	25	25	25	25	25
Two-year investment deposits	15	15	15	15	15	15
Three-year investment deposits	15	15	15	15	15	15
Five-year investment deposits	15	10	10	10	10	10
Prepayments for letters of credit 4/	0	30	30	30	30	30
Specialized banks						
Demand deposits	17	10	10	10	10	10
Qarz ul-Hasanah savings deposits 3/	15	10	10	10	10	10
Short-term investment deposits	15	10	10	10	10	10
One-year investment deposits	15	10	10	10	10	10

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ As of January 14, 1998.

3/ Noninterest bearing savings deposits.

4/ From 1995/96, commercial banks were required to deposit an additional 60 percent of prepayments for letters of credit with the central bank.

Table 44. Islamic Republic of Iran: Average Rates of Return on Deposits,
1992/93–1997/98 1/

(In percent per annum)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98 2/
Short-term	7.5	8.0	8.0	8.0	8.0	8.0
Long-term						
1-year	10.0	11.5	11.5	14.0	14.0	14.0
2-year	11.5	13.5	13.5	15.0	15.0	15.0
3-year	13.0	14.5	14.5	16.0	16.0	16.0
5-year	15.0	16.0	16.0	18.5	18.5	18.5
Weighted average deposit rate	10.0	11.1	11.3	12.4	12.4	12.4

Source: Bank Markazi Jomhouri Islami Iran.

1/ Iranian years ending March 20.

2/ As of January 14, 1998.

Table 45. Islamic Republic of Iran: Sectoral Allocation of Credit to the Nongovernment Sectors, 1992/93-1997/98 1/

(In percent of total credit)

	1992/93 Approved	1993/94		1994/95		1995/96		1996/97		Est. 1997/98	
		Approved	Approved	Actual	Approved	Actual	Approved	Actual	Approved	Actual 2/	Approved
Agriculture	20.0	19.0	16.8	19.0	17.0	25.0	23.2	25.0	19.9	25.0	25.0
Industry and mining	37.0	36.0	35.2	36.0	33.4	33.5	28.9	33.5	40.5	33.5	33.5
Housing and construction	32.0	30.0	30.6	30.0	32.4	29.0	35.3	29.0	20.5	29.0	29.0
Trade services and others	11.0	15.0	17.4	15.0	17.2	12.5	12.6	12.5	19.1	12.5	12.5
<i>Of which: Export finance</i>	...	...	...	8.0	...	7.5	...	7.5	...	7.5	7.5

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ As of August 20, 1997.

Table 46. Islamic Republic of Iran: Sectoral Rates of Charge
on Bank Investments, 1992/93–1997/98 1/

(In percent per annum)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98 2/
Agriculture	9	12-16	12-16	13-16	13-16	13-16
Industry and mining	13	16-18	16-18	17-19	17-19	17-19
Housing	12-16	12-16	15	15-16	15-16	15-16
Trade and services	...	18-24	18-24	22-25	22-25	22-25
Exports	17-19	18	18	18	18	18
Weighted average rate of charge	13.8	16.3	16.6	16.8	16.8	16.8

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20. These are announced rates representing the minimum payable return. As such, they may be lower than the actual ex-post rates of return.

2/ As of January 14, 1998.

Table 47. Islamic Republic of Iran: Structure of the Banking System,
1992/93-1997/98 1/

(Number of branches)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98 2/
Central Bank						
Bank Markazi Jomhuri Islami Iran	1	1	1	1	1	1
Deposit money banks and other banking institutions 3/						
Commercial banks						
Bank Mellat (People's Bank)	1,480	1,597	1,569	1,735	2,042	2,047
Bank Melli Iran (National Bank)	2,251	2,371	2,468	2,607	2,760	2,788
Bank Tejarat (Mercantile Bank)	1,292	1,407	1,417	1,385	1,538	1,541
Bank Saderat (Export Bank)	3,081	3,217	3,268	3,333	3,373	3,400
Bank Refah Karagaran (Workers' Welfare Bank)	179	195	221	325	422	422
Bank Sepah (Army's Bank)	1,291	1,206	1,225	1,282	1,269	1,274
Specialized banks						
Bank Keshavarzi (Agricultural Bank)	554	759	1,020	1,240	1,525	1,525
Bank Maskan (Housing Bank)	319	357	434	452	523	523
Bank Sanat-va-Madan (Industrial and Mining Bank)	4	9	10	10	10	10
Bank Tozea-e-Saderat Iran (Export Promotion Bank)	0	1	2	1	12	12
Memorandum items:						
Number of foreign branches	63	61	61	61	62	62
Commercial banks	63	61	61	61	62	62
Specialized banks	0	0	0	0	0	0

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ As of August 20, 1997.

3/ Includes all the domestic and foreign branches of Iranian banks.

Table 48. Islamic Republic of Iran: Partnership Papers

(As of March 1997)

Name of Partnership Papers 1/	Issuer(s)	Amount approved (billion Rls)	Amount transacted (billion Rls)	Times of issue	Agent	Redemption (billion Rls)	Date of first issue	Term maturity (years)	Profit rate (Provincial) (percent p.a.)
Navab Project (Teheran)	Teheran Municipality	250	250	4	Bank Melli Iran	1.3	Oct. 1994	4	20
Renovation of Hazrat Abdolazim Shrine	Teheran Municipality and Superintendence of Hazrat Abdolazim Foundation	70	70	1	Bank Melli Iran	9.9	Nov. 1995	25	20
Hospital Projects	Ministry of Housing and Urban Development	30	16	1	Bank Mellat	0	Feb. 1996	5	20
Hazrat Imam Reza residential construction	Maskan Sazan Khorasan Corporation	80	25	3	Bank Sederat	...	Aug. 1996	5	20
Iran Khurdo Auto plant	Iran Khurdo	585.8	325.6	3	Bank Melli Iran	...	Jan. 1997	4	20, 24
New satellite cities		110.3	35	3	Bank Maskan	...	May 1997	3	20

Source: Bank Markazi Jomhouri Islami Iran.

1/ All partnership papers are "bearer papers".

Table 49. Islamic Republic of Iran: Balance of Payments, 1992/93–1996/97 1/

(In millions of U.S. dollars)

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97
Current account	-7,304	-4,215	4,957	3,358	5,451
Trade balance	-3,406	-1,207	6,818	5,586	7,614
Exports	19,868	18,080	19,435	18,360	22,496
Oil and gas	16,880	14,333	14,604	15,103	19,271
Other	2,988	3,747	4,831	3,257	3,225
Imports 2/	-23,274	-19,287	-12,617	-12,774	-14,882
Services account	-5,094	-4,508	-3,059	-2,224	-2,626
Service receipts	846	1,235	580	909	1,345
Transportation	40	19	91	138	489
Travel	31	71	11	67	19
Investment income	287	151	142	316	485
Other public	110	67	43	35	51
Other private	378	927	293	353	301
Service payments	-5,940	-5,743	-3,639	-3,133	-3,971
Freight and insurance	-2,586	-2,140	-1,157	-1,108	-1,658
Transportation	-49	-9	-12	-6	-16
Travel	-1,109	-862	-149	-241	-258
Interest payments	-157	-143	-413	-794	-898
Other public	-1,552	-972	-682	-725	-872
Other private	-487	-1,617	-1,226	-259	-269
Transfers	1,196	1,500	1,198	-4	463
Official	-4	0	-2	-4	-8
Private	1,200	1,500	1,200	...	471
Capital account	4,964	-7,512	-6,918	-2,963	-2,670
Medium-term and long-term capital	-349	3,707	-178	-3,723	-4,663
Bilateral debt 3/	-438	864	1,796	-1,010	-580
Disbursements	...	...	2,107	150	115
Repayments	...	...	-311	-1,160	-695
Repayments of rescheduled debt	0	2,786	-2,069	-2,690	-4,339
World Bank	89	57	95	-23	256
Short-term capital 3/	3,282	-5,665	-3,007	796	192
LC related bank borrowing	2,512	-5,058	-2,997	399	-497
Oil prefinancing	770	-607	-10	397	689
Foreign direct investment 4/	0	0	2	24	14
Other capital and errors and omissions	2,031	-5,554	-3,735	-60	1,787
Overall balance	-2,340	-11,727	-1,961	395	2,781
Financing	2,340	11,727	1,961	-395	-2,781
Change in net international reserves (increase -)	176	-79	-922	-2,513	-2,705
Exceptional financing	2,164	11,806	2,883	2,118	-76
Change in arrears	2,164	9,020	-7,902	-1,060	-1,881
Increase in arrears (+)	2,164	12,119	3,584	3,578	106
Clearing of arrears (-)	0	-3,099	-11,486	-4,638	-1,987
Refinancing	0	2,786	10,785	3,178	1,805
Memorandum items:					
Gross official reserves	2,860	2,939	3,861	6,374	9,079
(In months of c.i.f. imports)	1.3	1.6	3.4	5.5	6.6
Current account (in percent of GDP)	-5.6	-5.2	7.5	3.8	5.3

Source: Data provided by the Iranian authorities; and Fund staff estimates.

1/ Iranian years ending March 20.

2/ Up to 1996/97, includes interest of short-term usance LCs.

3/ Based on the external debt outstanding and future repayments data provided by the authorities.

4/ In view of the uncertainty in phasing, balance of payments data exclude the project financing in the oil and gas sector.

Table 50. Islamic Republic of Iran: Value of Non-Oil Exports, 1992/93–1996/97 1/

(In millions of U.S. dollars)

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97
Agricultural and traditional goods	1,996	2,516	3,259	1,901	1,508
Carpets	1,106	1,384	2,133	981	602
Cotton	0	1	0	0	31
Fresh and dry fruits	578	675	628	580	608
All kinds of skins and leathers	78	115	135	115	85
Caviar	31	32	28	31	26
Casings	30	32	37	40	46
Gum tragacanth	4	4	1	0	0
Cumin	39	27	23	10	18
Others	131	246	274	144	92
Metal ores	21	39	56	74	22
Industrial goods	971	1,192	1,510	1,276	1,430
Detergents and soaps	6	3	15	20	23
Inorganic chemical products	18	30	35	71	196
Shoes	23	12	37	51	83
Copper ingots, sheets, and wires	132	141	107	64	42
Ready-made clothes, knitwear, and all kinds of fabrics	56	37	96	75	231
Cement, stones, tiles, and construction materials	5	6	33	33	30
Transportation vehicles	80	20	24	29	25
Home appliances and sanitary ware	205	167	138	42	0
Cast iron, iron, and steel	143	399	341	169	106
Hydrocarbons (gas)	48	45	74	97	247
Others	258	333	610	625	447
Others	...	...	...	...	251
Total	2,988	3,747	4,825	3,251	3,211

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

Table 51. Islamic Republic of Iran: Distribution of Exports by Country,
1992/93-1995/96 1/

	1992/93	1993/94	1994/95	1995/96
(In millions of U.S. dollars)				
Japan	2,524	2,476	2,941	2,775
United Kingdom	1,537	1,975	1,790	1,439
United States	2,116	1,409	2,707	762
Germany	794	939	1,204	783
Switzerland	1,272	927	552	140
Turkey	762	908	865	761
South Korea	549	780	927	1,108
Greece	622	615	704	839
Bermuda	618	559	0.0	0.0
Singapore	450	542	702	392
Bahamas	162	485	0.0	0.0
Belgium	554	473	466	524
France	609	450	398	848
Italy	815	397	758	1,587
India	375	364	493	552
United Arab Emirates	336	352	780	809
China	155	329	223	216
Poland	353	258	158	109
Other	5,265	3,842	3,766	4,717
Total	19,686	18,080	19,434	18,361
(In percent of total exports)				
Japan	12.7	13.7	15.1	14.6
United Kingdom	7.7	10.9	9.2	7.8
United States	10.6	7.8	13.9	4.2
Germany	4.0	5.2	6.2	4.3
Switzerland	6.4	5.1	2.8	0.7
Turkey	3.8	5.0	4.5	4.1
South Korea	2.8	4.3	4.8	6.0
Greece	3.1	3.4	3.6	4.5
Bermuda	3.1	3.1	0.0	0.0
Singapore	2.3	3.0	3.6	2.1
Bahamas	0.8	2.7	0.0	0.0
Belgium	2.8	2.6	2.4	2.9
France	3.1	2.5	2.0	4.6
Italy	4.1	2.2	3.9	8.6
India	1.9	2.0	2.5	3.0
United Arab Emirates	1.7	1.9	4.0	4.3
China	0.8	1.8	1.1	1.2
Poland	1.8	1.4	0.8	0.6
Other	26.5	21.3	19.4	26.4
Total	100.0	100.0	100.0	100.0

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

Table 52. Islamic Republic of Iran: Composition of
Non-Oil Exports, 1992/93-1995/96 1/

(In millions of U.S. dollars)

	1992/93	1993/94	1994/95	1995/96
Raw materials and intermediate goods	651	1,089	1,342	1,034
Industrial and mineral products	625	1,038	1,208	958
Textiles	18	20	54	25
Chemicals	172	161	308	331
Skin and leather	76	108	122	98
Metal smelting	212	312	326	219
Food	25	61	47	32
Others	121	376	351	253
Construction	18	27	38	64
Agriculture	7	14	90	5
Services	2	10	6	7
Capital goods	78	44	72	57
Consumer goods	2,259	2,475	3,398	2,120
Other	0	138	13	40
Total	2,988	3,747	4,825	3,251

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

Table 53. Islamic Republic of Iran: Country Distribution of Non-Oil Exports, 1992/93-1995/96 1/

	1992/93	1993/94	1994/95	1995/96
(In millions of U.S. dollars)				
Germany	749	885	1,128	722
United Arab Emirates	336	352	499	298
Italy	222	260	469	263
Switzerland	161	176	264	129
Soviet Union	...	...	...	...
Japan	83	109	182	130
France	86	90	113	61
Netherlands	24	15	40	30
United Kingdom	74	82	82	66
Austria	38	46	62	35
China	147	329	157	73
Belgium	19	25	51	28
The Czech Republic	1	2	2	2
Turkey	357	385	279	164
Canada	51	75	131	48
India	17	81	136	150
Hungary	1	2	2	3
Denmark	4	9	10	9
Other	616	825	1,218	1,040
Total	2,988	3,747	4,825	3,251
(In percent of non-oil exports)				
Germany	25.1	23.6	23.4	22.2
United Arab Emirates	11.3	9.4	10.3	9.2
Italy	7.4	6.9	9.7	8.1
Switzerland	5.4	4.7	5.5	4.0
Soviet Union	0.0	0.0	0.0	0.0
Japan	2.8	2.9	3.8	4.0
France	2.9	2.4	2.3	1.9
Netherlands	0.8	0.4	0.8	0.9
United Kingdom	2.5	2.2	1.7	2.0
Austria	1.3	1.2	1.3	1.1
China	4.9	8.8	3.3	2.2
Belgium	0.6	0.7	1.1	0.8
The Czech Republic	0.0	0.0	0.0	0.1
Turkey	12.0	10.3	5.8	5.0
Canada	1.7	2.0	2.7	1.5
India	0.6	2.2	2.8	4.6
Hungary	0.0	0.1	0.0	0.1
Denmark	0.1	0.2	0.2	0.3
Other	20.6	22.0	25.3	32.0
Total	100.0	100.0	100.0	100.0

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

Table 54. Islamic Republic of Iran: Composition of C.I.F. Imports,
1992/93–1995/96 1/

(In millions of U.S. dollars)

	1992/93	1993/94	1994/95	1995/96
Raw materials and intermediate goods	18,195	12,567	7,485	8,524
Industrial and mineral products	...	...	...	...
Construction	...	...	...	...
Services	...	...	...	...
Agriculture and animal husbandry	...	...	...	...
Capital goods	8,212	5,085	2,771	1,860
Industries and mines	...	...	...	...
Services	...	...	...	...
Agriculture	...	...	...	...
Consumer goods	3,141	2,233	1,476	1,864
Nonclassified goods	322	152	63	65
Total 2/	29,870	20,037	11,795	12,313

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Customs clearance data (C.I.F. base) including registration fee, but not including defense-related imports and refined-oil products which are included in f.o.b. import data in the balance of payments table. Registration fee is included in trade statistics because customs are levied on a registration-fee-inclusive base.

Table 55. Islamic Republic of Iran: Country Distribution of Imports,
1992/93-1995/96 1/

	1992/93	1993/94	1994/95	1995/96
(In millions of U.S. dollars)				
Germany	6,939	3,997	2,209	1,777
Japan	3,639	2,341	894	886
Italy	2,869	1,939	1,008	535
Brazil	400	342	176	227
United Kingdom	1,668	1,007	544	505
Turkey	661	408	274	240
United Arab Emirates	1,588	1,120	647	441
Argentina	433	363	287	544
Australia	235	402	260	412
Belgium	1,052	537	649	663
South Korea	669	469	320	342
Netherlands	666	374	263	281
Switzerland	760	525	212	509
Soviet Union	...	...	...	...
New Zealand	133	58	17	84
Austria	558	394	228	189
Thailand	242	541	69	225
Bulgaria	66	32	7	15
Spain	313	155	136	154
Denmark	237	199	77	94
Yugoslavia	152	73	76	0
Canada	600	273	293	458
Romania	139	75	32	36
France	814	663	479	498
Others	5,037	3,750	2,638	3,198
Total 2/	29,870	20,037	11,795	12,313
(In percent of total imports)				
Germany	23.2	19.9	18.7	14.4
Japan	12.2	11.7	7.6	7.2
Italy	9.6	9.7	8.5	4.3
United Kingdom	5.6	5.0	4.6	4.1
Turkey	2.2	2.0	2.3	1.9
United Arab Emirates	5.3	5.6	5.5	3.6
Belgium	3.5	2.7	5.5	5.4
France	2.7	3.3	4.1	4.0
All others	35.7	40.1	43.2	55.1
Total	100.0	100.0	100.0	100.0

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Customs clearance data (C.I.F. base) including registration fee, but not including defense-related imports and refined-oil products which are included in f.o.b. import data in the balance of payments table. Registration fee is included in trade statistics because customs duties are levied on a registration fee-inclusive basis.

Table 56. Islamic Republic of Iran: Value of Imports According to the International Classification of Goods, 1992/93–1995/96 1/

(In millions of U.S. dollars)

	1992/93	1993/94	1994/95	1995/96
Food and live animals	2,276	2,446	1,369	2,404
Dairy and eggs	166	178	60	96
Grains and derivatives	1,047	1,376	693	1,444
Sugar, its derivatives and honey	308	167	251	376
Coffee, tea, cocoa, spices, etc.	248	147	52	40
Fruits and vegetables	92	119	34	7
Others	415	459	279	442
Beverages and tobacco	95	80	36	2
Raw non-edible products (excluding petroleum fuels)	758	551	649	660
Raw caoutchouc	76	58	73	119
Textile fibers unlisted elsewhere	213	200	207	204
Others	469	293	369	337
Mineral products, fuel, oil products and their derivatives	406	83	324	228
Vegetable and animal shortening	300	431	392	490
Vegetable shortening	274	414	376	455
Others	26	17	16	35
Chemical products	2,689	2,023	1,376	1,733
Chemicals and their compounds	524	405	306	430
Raw materials for paints, dyes and tanning	198	123	86	101
Plastic, cellulose and artificial resins	690	516	237	259
Other unlisted chemicals	636	509	313	293
Others	641	470	434	650
Goods classified according to their composition	5,507	3,344	1,654	2,533
Paper, cardboard and derivatives	395	249	256	527
Various textile yarns and related products	637	343	224	206
Nonmetal mineral goods	383	250	129	136
Iron and steel	2,481	1,667	686	820
Others	1,611	835	359	844
Transportation vehicles, machinery and tools	16,498	10,036	5,525	3,656
Nonelectric machinery	10,193	6,957	4,054	2,285
Electric machinery, tools and appliances	2,913	1,780	834	892
Transportation vehicles	3,392	1,299	637	479
Miscellaneous finished products	1,317	760	403	306
Scientific and professional tools	883	564	316	222
Artificial goods unlisted elsewhere	387	168	79	75
Others	47	28	8	9
Other	24	283	67	301
Total 2/	29,870	20,037	11,795	12,313

Source: Bank Markazi Jomhuri Islami Iran

1/ Iranian years ending March 20.

2/ Customs clearance data (C.I.F. base) including registration fee, but not including defense-related imports and refined-oil products which are included in f.o.b. import data in the balance of payments table. Registration fee is included in trade statistics because customs are levied on a registration-fee-inclusive base.

Table 57. Islamic Republic of Iran: Exchange Rate Developments, 1991/92-1997/98 1/ (continued)

(In Iranian rials per U.S. dollar)

	Banking System				Authorized Dealers Market (Nonbank)	Offshore Market
	Basic 2/	Competitive 2/	Floating 3/	Export 4/		
1991/92						
Mar/Apr	68	600	1,357	...	1,375	1,375
Apr/May	69	600	1,367	...	1,383	1,383
May/Jun	70	600	1,379	...	1,394	1,394
Jun/Jul	70	600	1,354	...	1,366	1,366
Jul/Aug	69	600	1,371	...	1,395	1,395
Aug/Sep	69	600	1,400	...	1,428	1,428
Sep/Oct	68	600	1,406	...	1,460	1,460
Oct/Nov	67	600	1,398	...	1,462	1,462
Nov/Dec	66	600	1,424	...	1,440	1,440
Dec/Jan	66	600	1,424	...	1,437	1,437
Jan/Feb	66	600	1,424	...	1,434	1,434
Feb/Mar	67	600	1,435	...	1,447	1,447
Average	68	600	1,395	...	1,418	1,418
1992/93						
Mar/Apr	67	600	1,439	...	1,451	1,451
Apr/May	67	600	1,447	...	1,469	1,469
May/Jun	66	600	1,440	...	1,445	1,445
Jun/Jul	64	600	1,439	...	1,441	1,441
Jul/Aug	64	600	1,439	...	1,450	1,450
Aug/Sep	63	600	1,439	...	1,459	1,459
Sep/Oct	64	600	1,439	...	1,481	1,481
Oct/Nov	66	600	1,453	...	1,520	1,520
Nov/Dec	67	600	1,459	...	1,520	1,520
Dec/Jan	67	600	1,489	...	1,561	1,561
Jan/Feb	67	600	1,497	...	1,579	1,579
Feb/Mar	67	600	1,530	...	1,607	1,607
Average	66	600	1,459	...	1,499	1,499
1993/94						
Mar/Apr	...	...	1,568	...	1,658	1,658
Apr/May	...	...	1,642	...	1,653	1,653
May/Jun	...	...	1,625	...	1,636	1,636
Jun/Jul	...	...	1,602	...	1,610	1,610
Jul/Aug	...	...	1,585	...	1,596	1,596
Aug/Sep	...	...	1,585	...	1,597	1,597
Sep/Oct	...	...	1,585	...	1,615	1,615
Oct/Nov	...	...	1,648	...	1,698	1,698

Table 57. Islamic Republic of Iran: Exchange Rate Developments, 1991/92-1997/98 1/ (continued)

(In Iranian rials per U.S. dollar)

	Banking System				Authorized Dealers Market (Nonbank)	Offshore Market
	Basic 2/	Competitive 2/	Floating 3/	Export 4/		
Nov/Dec	1,741	...	1,967	1,987
Dec/Jan	1,750	...	2,089	2,131
Jan/Feb	1,750	...	2,158	2,223
Feb/Mar	1,750	...	2,452	2,550
Average	1,750	...	1,811	1,830
1994/95						
Mar/Apr	1,750	...	2,445	2,543
Apr/May	1,750	2,345	2,658	2,817
May/Jun	1,750	2,345	2,686	2,901
Jun/Jul	1,750	2,345	2,456	2,702
Jul/Aug	1,750	2,345	2,398	2,686
Aug/Sep	1,750	2,345	2,507	2,858
Sep/Oct	1,750	2,345	2,720	3,155
Oct/Nov	1,750	2,345	2,728	3,219
Nov/Dec	1,750	2,345	2,686	3,223
Dec/Jan	1,750	2,345	2,686	3,150
Jan/Feb	1,750	2,345	2,686	3,800
Feb/Mar	1,750	2,345	2,686	4,000
Average	1,750	2,345	2,612	3,088
1995/96						
Mar/Apr	1,750	2,345	...	...
Apr/May	1,750	2,345	...	...
May/Jun	1,750	3,015	...	...
Jun/Jul	1,750	3,015	...	...
Jul/Aug	1,750	3,015	...	...
Aug/Sep	1,750	3,015	...	...
Sep/Oct	1,750	3,015	...	...
Oct/Nov	1,750	3,015	...	...
Nov/Dec	1,750	3,015	...	...
Dec/Jan	1,750	3,015	...	...
Jan/Feb	1,750	3,015	...	...
Feb/Mar	1,750	3,015	...	...
Average	1,750	3,015	...	...
1996/97						
Mar/Apr	1,750	3,015	...	...
Apr/May	1,750	3,015	...	...
May/Jun	1,750	3,015	...	...
Jun/Jul	1,750	3,015	...	...

Table 57. Islamic Republic of Iran: Exchange Rate Developments, 1991/92-1997/98 1/ (concluded)

(In Iranian rials per U.S. dollar)

	Banking System				Authorized Dealers Market (Nonbank)	Offshore Market
	Basic 2/	Competitive 2/	Floating 3/	Export 4/		
Jul/Aug	1,750	3,015	...	...
Aug/Sep	1,750	3,015	...	...
Sep/Oct	1,750	3,015	...	...
Oct/Nov	1,750	3,015	...	...
Nov/Dec	1,750	3,015	...	...
Dec/Jan	1,750	3,015	...	...
Jan/Feb	1,750	3,015	...	...
Feb/Mar	1,750	3,015	...	...
Average	1,750	3,015	...	...
1997/98						
Mar/Apr	1,750	3,015	...	...
Apr/May	1,750	3,015	...	...
May/Jun	1,750	3,015	...	...
Jun/Jul	1,750	3,015	...	...
Jul/Aug	1,750	3,015	...	...
Aug/Sep	1,750	3,015	...	...
Sep/Oct	1,750	3,015	...	...
Oct/Nov	1,750	3,015	...	...
Nov/Dec	1,750	3,015	...	...
Dec/Jan	1,750	3,015	...	...
Jan/Feb	1,750	3,015	...	...
Feb/Mar	1,750	3,015	...	...
Average	1,750	3,015	...	...

Source: Bank Markazi Jamhuri Islami Iran.

1/ Iranian years ending March 20.

2/ These rates were abolished in March 1994.

3/ This rate was effectively fixed in December 1993.

4/ This rate was introduced in April 1994.

Table 58. Islamic Republic of Iran: Summary of External Debt, 1992/93–1996/97 1/

(In millions of U.S. dollars, end-of-period)

	1992/93	1993/94	1994/95	1995/96	Prel. 1996/97
Total external debt	15,977	23,039	22,693	21,928	16,835
Medium- and long-term debt	1,716	5,423	16,030	15,485	12,081
Bilateral debt	1,583	2,447	4,243	3,233	2,653
Disbursements	...	...	2,107	150	429
Repayments 2/	...	...	-311	-1,160	-1,009
World Bank 3/	133	190	241	262	518
Refinanced debt	0	2,786	11,502	11,990	8,910
Refinancing	0	2,786	10,785	3,178	1,805
Repayments 2/	0	0	-2,069	-2,690	-4,885
Short-term debt	14,261	17,616	6,707	6,443	4,754
LC related bank borrowing	11,147	6,089	3,092	3,491	2,994
Arrears	2,164	11,184	3,282	2,222	341
Oil prefinancing	950	343	333	730	1,419
Memorandum items:					
Total external debt/GDP (including arrears)	12.2	28.7	34.5	25.1	16.2

Source: Bank Markazi Jamhuri Islami Iran; and Fund staff estimates.

1/ Iranian years ending March 20.

2/ Including valuation adjustments.

3/ World Bank data (including interest payments).

Table 59. Islamic Republic of Iran: Composition of the External Debt,
1994/95-1996/97 1/

(In millions of U.S. dollars)

	1994/95	1995/96	Prel. 1996/97
Medium-and long-term debt	16,030	15,485	
Bilateral debt (nonrescheduled debt)	4,243	3,232	2,653
<i>Of which:</i> Germany	1,124	1,017	713
Japan	976	608	614
Italy	1,195	688	435
France	323	364	299
Austria	169	174	187
Others	456	382	405
Rescheduled debt	11,502	11,990	8,910
Official creditors (export credit agencies)	8,072	8,248	5,524
<i>Of which:</i> Germany	3,078	2,728	1,668
Japan	2,772	2,428	1,958
Austria	490	359	253
France	418	305	196
Switzerland	334	352	208
Others	980	2,036	1,241
Private creditors	3,430	3,742	3,386
<i>Of which:</i> Germany	1,090	775	580
Japan	512	622	531
Italy	568	14	225
South Korea	540	484	388
United Kingdom	195	442	282
Others	525	1,405	1,380
World Bank	241	262	518
Short-term debt	6,707	6,443	4,754
Arrears	3,282	2,222 2/	341 2/
<i>Of which:</i> Japan	465	114	10
Germany	396	381	69
Italy	512	310	21
Switzerland	449	151	34
United Kingdom	365	227	44
Others	1,095	1,039	163
Other than arrears	3,425	4,221	4,413
<i>Of which:</i> Japan	781	401	343
Germany	484	573	637
Italy	152	99	111
Switzerland	157	249	225
United Kingdom	192	328	328
Others	1,659	2,571	2,769
Total external debt	22,693	21,928	16,835

Source: Bank Markazi Jomhuri Islami Iran.

1/ Iranian years ending March 20.

2/ Mainly consists amounts under reconciliation.

Table 60. Allowed Imports from Retained Export Proceeds, 1996/97–1997/98

Items	Description
1	Raw materials, spare parts needed by industry and mining sectors
2	Industrial and mining equipment
3	Agricultural machinery and spare parts
4	Raw materials and equipment needed for irrigation system
5	Various kinds of chemical fertilizers
6	Hybrid seeds of vegetables and grass micro-elements and peat moss
7	Certain strings
8	Packaging equipment and harvest machinery for tea and olives
9	Packaging paper for citrus fruits and potassium carbonate powder
10	Stretch films
11	Equipment for separating and packaging of seeds and agricultural products
12	Meat
13	Butter
14	Cheese starter
15	Aquarium food
16	Eggs and baby fish
17	Fishing equipment and fishing boats including wireless and other navigation equipment
18	Cold storage equipment, facilities for fishing, slaughter houses and poultry
19	Milk and cheese packaging equipment
20	Fertilized chicken eggs
21	Frozen Holstein sperms and containers for the transportation of nitrogen
22	Wool and string used in carpets, washing, preparing and packaging of carpets
23	Burlap and jute string and cloth
24	Various tires (for light, semi-light, and heavy vehicles)
25	Black cloth for veils
26	Iron and steel
27	Medical, hospital and laboratory equipment
28	Paper and cardboard
29	Tea

