



SEMI-ANNUAL SURVEY OF THE IRANIAN ECONOMY

1401H1 (March 21, 2022 - September 22, 2022)



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Table of Contents

Iran's Economy at a Glance	2
1. Real Sector	3
Agriculture	4
Industries and Mines	4
Oil	5
Housing	6
Services	7
2. Labor Market	7
3. Government Budget	8
Government Fiscal Performance	8
Privatization	12
4. National Development Fund	14
5. Balance of Payments	14
Goods Exports and Imports	15
6. Foreign Exchange Market	16
7. Monetary and Credit Aggregates	17
8. Prices and Inflation	20
9. Capital Market	22
10. Business Environment	23
Monitoring Business Environment by ICCIMA	23

Notes

Note 1: In this Report the growth rate of a variable means the percentage change of that variable during the period under review, or at the point under discussion, compared to the similar period or point the preceding year. As such, “the growth rate of oil revenues in the first quarter of 1398” indicates the percentage change in oil revenues between the first quarter of 1397 and the first quarter of 1398.

Note 2: Iran follows the Persian Calendar, a solar calendar in which years start on the first day of spring and end on the last day of winter. The four quarters of the year correspond exactly to the four seasons. The current Persian year is 1401 that started on March 22, 2022, and ends on March 20, 2023. The first quarter of 1401 (referred to as 1401Q1), Spring of 1401, roughly corresponds to the second quarter of 2022 in the Gregorian Calendar (2022Q2). As the same way, the first half of 1401 (referred to as 1401H1), roughly corresponds to the second and third quarters of 2022 in the Gregorian Calendar.

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

1400H1 = 03/21/2021 - 09/22/2021, roughly **2021Q2 and 2021Q3**

1400Q3 = 09/23/2021 - 12/21/2021, roughly **2021Q4**

1400Q4 = 12/22/2021 - 03/20/2022, roughly **2022Q1**

1401Q1 = 03/21/2022 - 06/21/2022, roughly **2022Q2**

1401Q2 = 06/22/2022 - 09/22/2022, roughly **2022Q3**

1401H1 = 03/21/2022 - 09/22/2022, roughly **2022Q2 and 2022Q3**

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Iran's Economy at a Glance

	1399	1400Q1	1400Q2	1400Q3	1400Q4	1400	1401Q1	1401Q2
Labor Force Participation & Unemployment Rates (percent)								
Participation (10 years and over)	41.3	41.4	41.1	40.9	40.4	40.9	40.9	41.0
Unemployment (10 years and over)	9.6	8.8	9.6	8.9	9.4	9.2	9.2	8.9
Unemployment (youth aged 15-24)	23.7	22.1	25.7	23.6	23.1	23.7	24.0	23.0
Real Growth Rates of GDP and Its Subsectors at Constant 1395 Prices (percent)								
Gross Domestic Product (GDP)	4.1	6.7	1.0	4.8	5.7	4.4	2.3	3.6
Manufacturing and Mining	7.3	1.7	-4.4	2.4	5.0	1.1	0.6	6.9
Oil	9.6	36.6	5.4	1.7	0.2	10.1	3.4	10.4
Agriculture	3.2	-2.3	-2.5	-3.0	-3.4	-2.6	1.9	0.8
Services	2.2	6.7	4.1	8.1	7.0	6.5	2.8	2.4
GDP (excluding oil)	3.6	4.4	0.7	5.0	6.3	3.9	2.2	3.1
Gross Fixed Capital Formation (at market prices)	3.2	-2.3	-9.6	-2.6	14.4	0.0	-0.2	7.3
Oil (daily average - thousand barrels)								
Production*	2,023	2,440	2,481	2,479	2,529	2,483	2,561	2,564
Point-to-Point Inflation Rates (percent)								
Growth Rate of Consumer Price Index (1395=100)	48.7	47.6	43.7	35.2	34.7	40.2	52.5	49.6
Growth Rate of Producer Price Index (1395=100)	46.7	73.0	58.9	48.6	42.0	54.3	49.3	43.2
Balance of Payments (USD millions)								
Oil Exports	21,043	8,702	9,974	9,265	10,780	38,723	14,352	-
Non-Oil Exports	28,805	8,582	8,849	10,635	12,681	40,748	11,253	-
Imports of Goods	46,612	13,025	15,010	16,172	19,419	63,626	16,447	-
Goods Account (net)	3,236	4,260	3,813	3,729	4,043	15,844	9,157	-
Non-Oil Goods Account (net)	-17,806	-4,442	-6,161	-5,537	-6,738	-22,878	-5,194	-
Current Account	-708	3,534	2,463	2,211	2,936	11,144	7,845	-
Capital Account	-6,318	-3,174	-3,166	-3,794	801	-9,333	-10,032	-
Change in Foreign Reserves	-2,641	699	-747	-2,164	3,107	895	189	-
Foreign Exchange Rates (USD/IRR daily average)								
Free Market	225,054	233,820	260,867	278,131	267,507	260,081	289,915	311,388
NIMA (remittance)	206,204	217,582	225,797	235,583	243,536	230,652	246,900	264,630
Monetary and Credit Aggregates (end of period - IRR trillions)								
Monetary Base (M0)	4,559.5	5,009.0	5,189.2	5,608.6	6,054.2	6,054.2	6,403.7	6,907.3
CBI Claims on Banks	1,203.0	1,134.4	1,273.5	1,537.4	1,462.7	1,462.7	1,449.4	1,660.2
CBI Claims on Public Sector (net)	-219.4	408.2	36.9	-393.6	-867.2	-867.2	140.1	-272.7
CBI Net Foreign Assets	4,427.2	4,790.9	4,956.3	4,935.7	5,682.2	5,682.2	5,450.6	5,770.0
Liquidity (M2)	34,761.7	37,054.0	40,676.0	44,269.9	48,324.4	48,324.4	51,049.6	55,949.3
Money (M1)	6,906.6	7,261.9	8,164.9	8,779.0	9,865.8	9,865.8	11,268.4	12,742.5
Sight Deposits	6,174.6	6,546.9	7,437.8	8,040.2	9,001.5	9,001.5	10,407.7	11,824.3
Non-sight Deposits (quasi-money)	27,852.1	29,792.1	32,511.1	35,490.9	38,458.6	38,458.6	39,781.2	43,206.8
Tehran Stock Exchange (end of period)								
Overall Index (TEDPIX)	1,307,657	1,168,592	1,386,451	1,318,467	1,367,247	1,367,247	1,539,632	1,355,240
Financial Index	1,782,068	1,622,677	1,558,751	1,404,304	1,474,964	1,474,964	1,534,696	1,427,797
Industrial Index	1,154,258	1,027,589	1,269,899	1,218,339	1,260,819	1,260,819	1,437,336	1,254,088
Market Capitalization (IRR trillions)	51,601	46,660	53,427	52,695	53,604	53,604	61,006	51,062

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

* According to OPEC reports from secondary sources

1. Real Sector

The newest statistics published by the Central Bank of Iran (CBI) regarding the national accounts indicate an expansion in Iran's Economy during the first half of 1401. In this period, all main groups experienced positive growth rates, while the growth rate of "agriculture" and "manufacturing and mining" groups was negative in 1400H1. Similarly, in the report of the Statistical Center of Iran (SCI), positive economic growth rate has been recorded in 1401H1. It should be noted that the SCI's report is calculated at market prices and the CBI's report is presented at basic prices. There are also differences in the classification of main economic activities between the two reports. Moreover, the base year is 1395 in the CBI's report and 1390 in the SCI's report.

The preliminary estimates of the CBI indicate that the total value-added created in Iran's economy amounted to IRR48,728 trillion in 1401H1, representing economic growth rate of 3.0

percent at constant prices. In fact, after experiencing economic growth rates of negative 5.4 percent and negative 6.5 percent in 1397 and 1398, respectively, this trend finally stopped since 1399. However, without considering the oil sector, the economic growth rate will drop to 2.7 percent in 1401H1. In other words, the significant growth rate of 6.6 percent in the oil sector has caused 0.5 percentage points of economic growth rate in 1401H1. There is no official information on the easing of US sanctions against Iran, but unofficial information shows that Iran's oil exports experienced a significant increase from the second half of 1399, after the change of US President. Another point is the growth in the "Services" sector, which has been recovering due to the easing of coronavirus-related restrictions and contributing 1.4 percentage points in economic growth rate in 1401H1.

Table 1 illustrates the details of growth rates of the major sectors of the Iranian economy in recent years.

Table 1- The Growth Rates of GDP Subgroups and Their Share in Economic Growth Rate at 1395 Constant Prices and Their Share in GDP at Current Prices (percent)

	1400						1401			Share in Growth in 1401Q2 (percentage point)	Share in Growth in 1401H1 (percentage point)	Share in GDP in 1401H1
	Q1	Q2	H1	Q3	Q4	Year	Q1	Q2	H1			
Agriculture	-2.3	-2.5	-2.4	-3.0	-3.4	-2.6	1.9	0.8	1.1	0.2	0.2	18.4
Oil and Gas	36.6	5.4	20.0	1.7	0.2	10.1	3.4	10.4	6.6	0.7	0.5	13.0
Industries and Mines	1.7	-4.4	-1.5	2.4	5.0	1.1	0.6	6.9	3.8	1.5	0.8	26.8
Services	6.7	4.1	5.4	8.1	7.0	6.5	2.8	2.4	2.6	1.3	1.4	41.8
Non-oil GDP (at basic prices)	4.4	0.7	2.3	5.0	6.3	3.9	2.2	3.1	2.7	2.9	2.5	87.0
GDP (at basic prices)	6.7	1.0	3.6	4.8	5.7	4.4	2.3	3.6	3.0	3.6	3.0	100.0

Source: CBI, National Accounts reports

On the demand side, the downward trend of private consumption expenditures (at constant prices) finally stopped since 1400 (2.1 percent and 3.9 percent growth rate in 1400H1 and 1400, respectively), registering 6.0 percent growth rate in 1401H1. On the other hand, public consumption, which rose by 8.3 percent in 1400, contracted by 7.8 percent in 1401H1. In contrast, the gross fixed capital formation at constant prices, which did not grow in 1400 and stabilized at the level of 1399, expanded by 3.9 percent in 1401H1, despite its 0.2 percent contraction in 1401Q1. In 1401Q1, the 16.8 percent growth rate of gross fixed capital formation in the form of machinery was not able to cancel out the significant decrease in gross fixed capital formation in the form of construction. Similarly, a significant part of the 7.3 percent growth rate of total gross fixed capital formation

in 1401Q2 is due to the formation of gross fixed capital in the form of machinery, although the gross fixed capital formation in constructions has also grown by 3.9 percent in the same period. It is worth mentioning that in 1401H1, the increase in investment in the form of machinery was due to the increase in both imports and production of capital goods, and on the other hand, the negative growth rate of investment in the form of construction was mainly due to the decrease in public sector investment.

Meanwhile, as in preceding year, Iran's exports and imports at constant prices had a positive growth rate in 1401H1 (7.4 percent and 14.1 percent, respectively), due to the easing of US sanctions and the mitigation of Coronavirus-related restrictions around the world. Table 2 shows the growth rates of GDP components from the expenditure side.

Table 2- GDP Growth from Expenditure Side and Its Components at 1395 Constant Prices (percent)

	1400						1401			Share in GDP in 1401H1
	Q1	Q2	H1	Q3	Q4	Year	Q1	Q2	H1	
Private Consumption	1.3	2.8	2.1	4.5	7.2	3.9	6.3	5.7	6.0	40.6
Public Consumption	2.8	8.0	5.5	4.0	16.3	8.3	-6.4	-9.0	-7.8	10.9
Gross Fixed Capital Formation	-2.3	-9.6	-6.4	-2.6	14.4	0.0	-0.2	7.3	3.9	21.2
Machinery	23.9	2.9	11.0	11.6	15.0	12.5	16.8	13.6	15.0	7.7
Construction	-11.8	-16.1	-14.1	-11.9	13.5	-7.1	-8.3	3.9	-1.9	13.0
Other	-1.2	1.6	0.3	0.5	21.0	5.8	-8.4	0.8	-3.6	0.4
Changes in Inventories and Statistical Discrepancy	-	-	-	-	-	-	-	-	-	23.2
Net Exports of Goods and Service	-	-	-	-	-	-	-	-	-	4.2
Exports	36.2	-1.4	15.2	-8.4	3.1	5.2	7.5	7.4	7.4	26.2
Imports	30.5	19.4	24.3	27.6	20.7	24.1	14.6	13.6	14.1	21.9
Gross Domestic Product (at market prices)	6.9	1.0	3.7	6.7	5.0	4.7	2.6	3.3	2.9	100.0

Source: CBI, National Accounts reports

Agriculture

The agriculture sector is composed of agriculture as well as farming, horticulture, forestry, hunting, animal husbandry, aviculture, and fishing. However, in the preliminary report of the CBI on the developments of the real sector in 1401H1, the details of the components of the agriculture sector are not mentioned and it is only briefly stated that the growth rate of farming, horticulture and animal husbandry in 1401H1 was 3.4 percent, negative 0.2 percent and 2.7 percent, respectively. In the SCI's national accounts reports, the agriculture group is classified into only two sub-sectors: "agriculture, hunting and forestry" and "fishing". The value-added of the fishing sub-sector, which usually fluctuates widely and is independent of other parts

of the national accounts, decreased by 5.6 percent in 1401H1 at constant prices. This sub-sector accounts for less than five percent of the entire agriculture sector value-added and thereby made little impact on the whole group. Therefore, the 2.1 percent contraction in the "agriculture, hunting and forestry" sub-sector resulted in a negative 2.2 percent growth rate in the agriculture sector. This is in contrast to the CBI's report, according to which the agriculture sector expanded by 1.1 percent during the same period. Based on SCI, the contraction of the agricultural sector has intensified in 1401Q2, registering 3.0 percent, including 2.9 percent and 10.1 percent contraction in "agriculture, hunting and forestry" and "fishing" sub-sectors, respectively.

Industries and Mines

According to the CBI, the "Industries and Mines" group accounted for 26.8 percent of GDP in 1401H1 (3.6 percentage points less than that of 1400H1). This group is divided into five sub-sectors: "Manufacturing", "Mining", "Electricity, Gas, Steam and Air Conditioning Supply", "Water supply; Sewerage, Waste management and Remediation Activities" and "Construction", which grew by 5.8 percent, 4.3 percent, 2.7 percent, 0.2 percent and negative 1.5 percent, respectively, in 1401H1. The manufacturing subgroup, which had a growth rate of 1.4 percent in 1400H1, experienced an increase of 4.4 percentage points in its growth rate in 1401H1, so that its share in economic growth rate (3.0 percent) reached 0.8 percentage points. However, according to the SCI's report, the growth rate of the manufacturing sub-sector in 1401H1 was 4.9 percent (0.9 percentage points less than that of CBI's report).

According to the CBI, the growth rate of the mining subgroup recorded 4.3 percent in 1401H1, while it was negative 0.4 percent in 1400. In contrary, in the subgroup of electricity, gas,

steam and air conditioning supply, the growth rate has decreased (from 3.6 percent in 1400H1 to 2.7 percent in 1401H1). Also, the growth rate of subgroup of "water supply; sewerage, waste management and remediation activities" was only 0.2 percent in 1401H1 (5.2 percentage points less than that of 1400H1). In 1401H1, the main factor of the negative 1.5 percent growth rate of the construction subgroup, including residential and non-residential buildings, road construction, dam construction, etc., was the contraction of the public sector construction value-added at constant prices. Moreover, the private sector construction value-added grew by only 0.3 percent in 1401H1, although it increased by 35.5 percent at current prices in the same period. As a result of these developments, value-added of the industries and mines sector at constant prices rose by 3.8 percent in 1401H1 (5.3 percentage points more than that of 1400H1), contributing 0.8 percentage point to the 3.0 percent economic growth rate in 1401H1. Detailed statistics of growth in the main sub-sectors of industries and mines sector are presented in Table 3.

Table 3- Growth Rates of Industries and Mines Sub-sectors at 1395 Constant Prices (percent)

	1400						1401			Share in Growth in 1401Q2 (percentage point)	Share in Growth in 1401H1 (percentage point)	Share in GDP in 1401H1
	Q1	Q2	H1	Q3	Q4	Year	Q1	Q2	H1			
Industries and Mines	1.7	-4.4	-1.5	2.4	5.0	1.1	0.6	6.9	3.8	1.5	0.8	26.8
Mining	1.0	-3.6	-1.3	-0.5	1.5	-0.4	1.2	7.3	4.3	0.1	0.0	2.2
Manufacturing	5.2	-1.9	1.4	5.9	4.1	3.3	2.7	8.7	5.8	1.1	0.8	18.7
Electricity, Gas, Steam and Air Conditioning Supply	6.3	1.1	3.6	3.8	1.6	3.1	0.9	4.5	2.7	0.2	0.1	0.7
Water supply; Sewerage, Waste management and Remediation Activities	4.5	6.3	5.4	6.2	3.7	5.2	4.2	-3.3	0.2	0.0	0.0	0.1
Construction	-11.3	-15.6	-13.6	-10.6	11.9	-6.9	-7.1	3.5	-1.5	0.1	0.1	5.2

Source: CBI, National Accounts reports

Oil

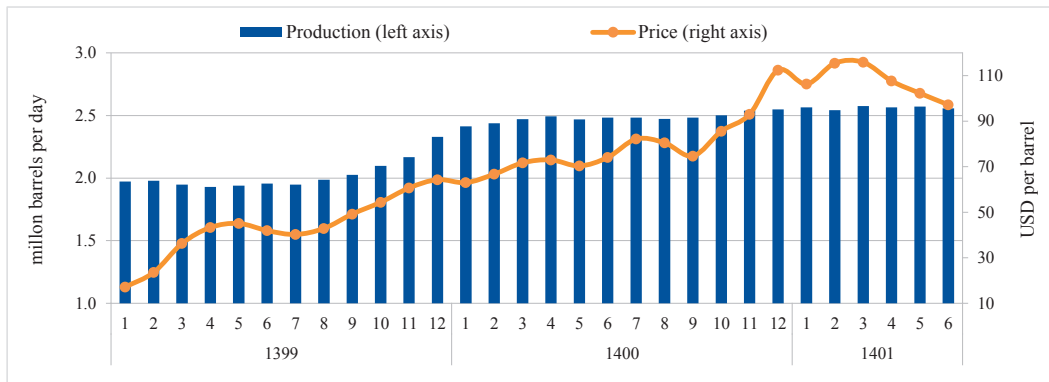
The oil industry, which has always been one of the main pillars of the Iran's economy for the last half-century, has faced several challenges in recent years. The last severe shock to the country's oil sector occurred in early 1397, which imposed by the implementation of the second phase of US sanctions, severely limited Iran's oil exports. These restrictions were enforced in a way that enabled various countries to reduce their needs for Iran's oil step by step, because the United States initially exempted some countries from the embargo temporarily. As a result, Iran's exports and production of oil gradually declined, and consequently, its value-added in the economy decreased substantially. After the Democratic Party won the presidency of the United States, Iran's oil production and exports increased gradually. According to the CBI's national accounts reports, the value-added of the oil sector formed 13.0 percent of the country's economy in 1401H1, which is 8.5 percentage points and 6.0 percentage points more than that of 1400H1 and 1400, respectively. This ratio had dropped from about 17.0 percent in 1397H1 to 3.7 percent in 1399H1, while it rose by 9.3 percentage points in 1401H1 compared to 1399H1.

Due to the special conditions of the country's oil sector in recent years, the publication of relevant information did not continue as before, and official sources often preferred not to release them publicly. Regarding production, hence, the best available statistics are obtainable from the secondary sources in OPEC monthly reports. According to these data, production of crude oil in Iran increased by 3.0 percent and 30.7 percent compared to September 2021 and September 2020, respectively, registering 2.5 million barrels per day in September 2022. However, it is still far from the 3.8 million barrels per day over the lifetime of the nuclear deal.

Iran's oil export statistics were generally considered confidential in recent years. Considering the domestic consumption of oil (nearly 2 million barrels per day), and also according to some international institutions such as International Monetary Fund, Iran's average oil export in 2021 is estimated to be between 400

thousand and 700 thousand barrels per day, about 50 percent more than that in 2020 and about half of that in 2018. Reuters news organization usually uses unofficial sources, such as data from the Energy Information and Tracking Company Kpler, to estimate Iran's oil export amount. Accordingly, Iran's daily oil exports plunged to about 140,000 barrels per day in February 2020, which is unprecedented even during the Iran-Iraq war. This situation continued for several months, especially due to the global epidemic of the Coronavirus, but after that, Iran's oil exports gradually increased to reach about one million barrels per day in September 2022, at least half of which exported to China. The price of Iran's heavy crude oil, which was USD68.5 per barrel in 01/1398 and fluctuated between USD61 to USD64 over the following nine months, dropped to USD29 in 12/1398. In the second week of March 2020 and in the wake of a widespread outbreak of the Coronavirus around the world, oil demand plummeted. Nevertheless, OPEC Plus decided not to reduce oil supply, so the market witnessed a sharp drop in prices, reaching around USD10 per barrel in some days. As a result, the average price of Iran's heavy crude oil reached USD17 per barrel in 01/1399. However, in the following months, Iran's heavy crude oil price rose gradually. According to OPEC, the price of Iranian heavy oil in 2021 averaged USD61.9 per barrel, 7.7 percent more than the preceding year. After Russian invasion of Ukraine from February 2022, the price of Iranian heavy oil increased to USD112.4 per barrel in March 2022, in line with the global growth of oil prices.

In June 2022, due to the reduction of offered discounts to Asian customers by the National Iranian Oil Company, as well as the drop in OPEC oil production, price of Iranian heavy oil averaged USD115.9, which was 3.0 percent more than that of March 2022. In contrast, due to the increase in OPEC oil production, the price of Iranian heavy oil decreased by 13.5 percent compared to March 2022, recording USD97.2 in September 2022. Figure 1 illustrates the price and production of Iran's crude oil from 1399 to 1401H1.

Figure 1- Average Daily Crude Oil Production and Average Price of Iran's Heavy Crude Oil


Source: OPEC monthly reports, production level based on the secondary sources

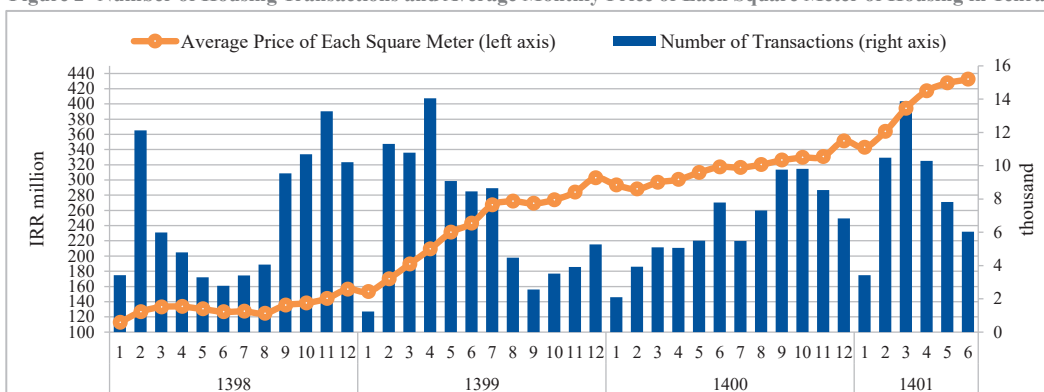
Note: OPEC Statistics are based of Gregorian calendar years and their conversion into Persian calendar years are approximate

Housing

The Tehran housing market experienced a slight increase in prices and a slight decrease in transactions in 1400. The total number of transactions in Tehran was 7.3 percent less than that in 1399 and the average price of one square meter of traded residential unit at the end of 1400 was only 16.0 percent higher than that at the end of 1399. However, in 03/1401, the prices increased by 12.2 percent compared to the end of 1400, so that the average price of a square meter of residential units in Tehran registered IRR394 million, indicating a growth rate of 32.8 percent compared to 03/1400. Also, in 06/1401, the prices increased by 23.1 percent compared to the end of 1400, so that the average price of a square meter of residential units in Tehran registered IRR432 million, indicating a growth rate of 36.3 percent compared to 06/1400. The point-to-point growth rate of housing prices in 06/1401 was 13.3 percentage points less than point-to-point inflation rate at the same time, so housing prices in Tehran dropped in 1401H1, in real terms. In 06/1401, nearly 6,033 transactions were registered in the Tehran housing

market, which was 22.5 percent and 22.9 percent less than that at the same period of preceding year and 05/1401, respectively. The index of housing rents in Tehran, however, experienced a growth rate of 40.9 percent at the end of 06/1401, which is higher than the growth rate of housing prices. It is noteworthy that the point-to-point growth rate of the index of housing rents in Tehran reached from about 35 percent in 01/1400 to about 50 percent at the end of 1400. However, it reversed course in the first half of 1401.

More than half of the total transactions in Tehran housing market in 06/1401 (54.4 percent) were recorded for small units with an area of less than 80 square meters. This share is 1.6 percentage points more than that of 05/1401. For 55.9 percent of these transactions, the price of one square meter was lower than the average. Also, about half of the traded residential units in Tehran were worth more than IRR30 billion in the period under review. Figure 2 illustrates the monthly movement of housing prices and the number of transactions recorded in Tehran.

Figure 2- Number of Housing Transactions and Average Monthly Price of Each Square Meter of Housing in Tehran


Source: Central Bank of Iran, Tehran housing market report, various issues

Services

The services sector, as the largest sector of the economy (about 41.8 percent share), experienced 2.6 percent growth rate in terms of value-added at constant prices in 1401H1 compared to 1400H1, based on CBI. The value-added of this sector at constant prices had grown by 6.5 percent in 1400 compared to 1399, due to the weakening of the Covid-19 pandemic. The five sub-sectors of “Education”, “Public Administration and Defence; Compulsory Social Security”, “Administrative and Support Service Activities”, “Arts, Entertainment and Recreation” and “Human Health and Social Work Activities” contracted by 9.7 percent, 8.9 percent, 7.5 percent, 6.6 percent and 2.9 percent, respectively, while the growth rates of other sub-sectors were positive in 1401H1. The highest positive growth rate in 1401H1 belonged to the “Transportation and Storage” sub-sector (12.5

percent).

According to the SCI, the services sector grew by 2.6 percent in 1401H1, due to the growth of all sub-sectors of the services sector except “Financial Intermediation”. The financial intermediation sub-sector contracted by 3.3 percent in the time span under review, while the “Other Community, Social and Personal Service Activities” had the highest growth rate (50.9 percent). Moreover, the “Public Administration and Defence; Compulsory Social Security; Education; Health and Social Work” sub-sector grew by 3.0 percent in 1401H1. Despite the fact that the growth rate of the services sector is exactly the same between the both reports of the CBI and the SCI in 1401H1, there are significant differences in the growth rates of its sub-sectors. Table 4 depicts the growth rates of services sub-sectors, based on CBI report.

Table 4 – Growth Rates of Services Sub-sectors at 1395 Constant Prices (percent)

	1400						1401			Share in Growth in 1401Q2 (percentage point)	Share in Growth in 1401H1 (percentage point)	Share in GDP in 1401H1
	Q1	Q2	H1	Q3	Q4	Year	Q1	Q2	H1			
Services	6.7	4.1	5.4	8.1	7.0	6.5	2.8	2.4	2.6	1.3	1.4	41.8
Wholesale & Retail Trade; Repair of Motor Vehicles/ cycles	4.6	0.3	2.4	5.0	4.9	3.7	3.9	6.4	5.1	0.6	0.6	10.8
Transportation and Storage	17.3	0.4	8.2	9.9	2.2	6.9	9.1	15.9	12.5	1.1	1.0	7.6
Accommodation and Food Service Activities	28.1	26.8	27.4	30.1	27.9	28.2	15.9	1.7	8.5	0.0	0.0	0.5
Information and Communication	16.5	15.3	15.9	13.9	7.0	13.1	11.1	6.9	9.0	0.3	0.4	0.7
Financial and Insurance Activities	-17.9	-8.1	-13.1	7.8	12.4	-2.4	12.7	1.2	6.7	0.0	0.2	3.1
Real Estate Activities	1.2	0.7	0.9	0.9	1.5	1.1	2.2	2.7	2.5	0.3	0.3	8.3
Professional, Scientific and Technical Activities	13.2	3.1	8.3	37.2	9.6	15.8	4.1	11.8	7.7	0.1	0.1	0.6
Administrative and Support Service Activities	4.7	-4.4	0.0	-7.0	-0.8	-2.0	-6.4	-8.5	-7.5	0.0	0.0	0.0
Public Administration and Defence; Compulsory Social Security	8.8	11.7	10.3	9.9	11.9	10.7	-6.9	-10.6	-8.9	-0.8	-0.6	5.3
Education	6.6	13.3	10.1	15.9	20.1	14.2	-9.2	-10.2	-9.7	-0.3	-0.3	2.1
Human Health and Social Work Activities	22.7	13.6	17.8	13.5	13.0	15.4	-1.2	-4.6	-2.9	-0.1	-0.1	2.1
Arts, Entertainment and Recreation	15.9	8.5	11.9	21.1	13.8	14.6	-5.9	-7.2	-6.6	-0.1	0.0	0.6

Source: CBI, National Accounts reports

2. Labor Market

In 1401Q2, the Iran’s labor market experienced the unemployment rate of 8.9 percent, indicating 0.7 percentage points and 0.3 percentage points drop compared to 1400Q2 and 1401Q1, respectively. Meanwhile, share of the underemployed (defined as working less than 44 hours per week) decreased by

0.3 percentage points compared to the same period of preceding year, registering 9.2 percent. Also, other indices of the labor market - such as share of employment and unemployment rate of highly-educated population - have improved for the first time in recent years, although the economic participation rate

has decreased by 0.1 percentage points compared to the same period of preceding year.

In 1401Q2, the unemployment rate was 7.3 percent for men and 17.2 percent for women, indicating a 0.8 percentage points and 0.5 percentage points decrease compared to 1400Q2, respectively. In fact, from 1400Q2 to 1401Q2, about 373.7 thousand people were added to the employed population, out of which about 259.8 thousand were men and 113.9 thousand were women. So, the employment ratio among men and women improved by 0.1 percentage points and 0.2 percentage points compared to 1400Q2, registering 63.4 percent and 11.3 percent, respectively. Consequently, share of employment for population aged 15 and over rose by 0.1 percentage points compared to 1400Q2 and reached 37.3 percent in 1401Q2.

The number of unemployed in 1401Q2 amounted to 2.3 million, 1.6 million of which were youth aged 18-35, and 955.4 thousand hold a tertiary degree (46.2 percent men and 53.8 percent women). These figures represent the unemployment rate of 16.2 percent for youth (1.4 percentage points less than that of 1400Q2) and 13.2 percent for highly-educated people. The unemployment rate for highly-educated men and women was 8.8 percent and 23.2 percent, 0.9 percentage points and 1.8 percentage points less than that of 1400Q2, respectively. In 1401Q2, the share of highly-educated people in total employees increased by 0.9 percentage points compared to the same period of the preceding year to reach 26.5 percent and their share among the unemployed people rose by 0.3 percentage points to reach 40.9 percent, due to their increasing share in the total population. The higher unemployment rate among the highly-educated population implies that not only the tertiary education has not facilitated finding a job, but also it has not been commensurate with the capacity of the labor market. Thus, graduate and postgraduate programs, which needs

considerable investment from government and households, have not generated positive return for a significant number of individuals, at least in terms of finding an appropriate and well-paying job.

In 1401Q2, despite the addition of 726 thousand people to the population aged 15 and over compared to 1400Q2 (48.9 percent men and 51.1 percent women), the active population increased by only 211 thousand people (47.4 percent men and 52.6 percent women), which is 29.1 percent of added people to the working age population, mainly due to frustration with finding a suitable job. The active population was only 41.0 percent of working age population in 1401Q2, so the participation rate decreased by 0.1 percentage points compared to the same period of preceding year. The rate for women was only 13.7 percent, and yet only 3.6 million of the small population of 4.4 million women willing to work managed to find a job. In recent years, the number of women aged 15 and over was increasing continuously, while the number of active women was decreasing steadily. In 1397Q1, about 5.6 million women had the ability and desire to work, although this figure reduced to 4.1 million in 1400Q4. It reversed course in 1401H1, so that it has reached about 4.4 million in 1401Q2.

Among approximately 23.4 million employed in 1401Q2, 50.4 percent employed in the services sector, 33.8 percent employed in the industry sector and the rest (15.8 percent) in the agriculture sector. However, part of this population was underemployed, meaning that for economic reasons such as declining production, they worked less than 44 hours a week, while being able and willing to work more. In this quarter, about 2.2 million people, equivalent to 9.2 percent of the employed population worked less than 44 hours a week, which is 0.3 percentage points less than that of 1400Q2. Table 5 compares the major statistics of the labor market in 1400Q2 and 1401Q2.

Table 5- Major Labor Market Indicators for the Population Aged 15 and Over

		1400Q2			1401Q2		
		Total	Male	Female	Total	Male	Female
Economic Participation Rate, Population Aged 15 and Over	Rate (percent)	41.1	68.8	13.5	41.0	68.4	13.7
	Number (million)	25.9	21.7	4.2	26.1	21.8	4.4
Share of Employment, Population Aged 15 and Over	Share (percent)	37.2	63.3	11.1	37.3	63.4	11.3
	Number (million)	23.4	19.9	3.5	23.8	20.2	3.6
Unemployment Rate, Population Aged 15 and Over	Rate (percent)	9.6	8.1	17.7	8.9	7.3	17.2
	Number (million)	2.5	1.7	0.8	2.3	1.6	0.7
Unemployment Rate, Population Aged 18-35	Rate (percent)	17.6	14.6	31.0	16.2	13.1	29.3
	Number (million)	1.8	1.2	0.6	1.6	1.1	0.6
Unemployment Rate, for Highly-Educated Population	Rate (percent)	14.4	9.7	25.0	13.2	8.8	23.2
	Number (million)	1.0	0.5	0.5	1.0	0.4	0.5
Share of the Underemployment (percent)		9.5	10.4	4.2	9.2	10.0	4.6

Source: Statistical Center of Iran, Summary result of Labor Force Survey in 1401Q2

3. Government Budget

Government Fiscal Performance

At the time of preparing this report, the performance statistics of government budget for 1401H1 have not been published. What is cited in this report is based on statistics provided by unofficial sources. Based on the Parliament Research Center, in 1400H1, the general uses stood at IRR5,240.0 trillion (73.0 percent of

approved figure for the first six month of 1401), while the general sources registered IRR5,185.5 trillion (73.8 percent of approved figure for the first six month of 1401), leading to a discrepancy of IRR54.5 trillion, mainly financed by withdrawal from resources of state-owned companies at the Treasury.

The revenues (tax revenues and other revenues excluding disposal of financial and non-financial assets) reached IRR3,130.8 trillion (87.8 percent of approved figure) in 1401H1. So, given IRR4,136.6 trillion current expenditures (81.3 percent of approved figure), the deficit of operating balance stood at IRR1,005.8 trillion in the first half of 1401.

The disposal of non-financial assets rose by 431.7 percent in 1401H1, registering IRR1,410.9 trillion (53.5 percent of approved figure for six months). Considering that the volume of oil exports during 1401H1 was not much different from 1400H1 and the government's share in oil exports in 1401 is 2 percentage points less than last year, the increase in the allocation of foreign currencies at NIMA rates instead of the official rates, along with the growth of global oil prices, have been the main factors in increasing the government's oil revenues. On the other hand, the performance of IRR366.7 trillion in the acquisition of non-financial assets (development expenditures) in the first half of 1401 was about 27.7 percent of approved figure for six months. It was IRR666.4 trillion (75.6 percent of approved figure) in

1400H1. In other words, despite lower oil revenues in 1400H1 compared to 1401H1, the government financed its development expenditures through significant issuance of debt securities, while due to the non-realization of 27 percent of general sources in 1401H1, development expenditures reduced greatly. Accordingly, the net disposal of non-financial assets experienced a surplus of IRR1,044.2 trillion in 1401H1, mainly offsetting current expenditures deficit.

The net disposal of financial assets, which has played a key role in financing the budget deficit in recent years, has suffered a deficit of IRR93.0 trillion in 1401H1, while the issuance of government debt securities was even 20 percent more than the approved figure for the same period. The reasons for this deficit are the prohibition of the government from borrowing from the National Development Fund (NDF), the insignificant realization of the disposal of shares of state-owned companies, and the increasing financial burden of repaying government debt bonds (issued in the past years). Table 6 shows the government fiscal performance in 1401H1.

Table 6- Government Fiscal Performance in 1400H1 and 1401H1 (IRR trillion-percent)

	1401 Budget Law	1401H1 Approved	1400H1 Performance	1401H1 Performance	Percentage Change of 1401H1 Performance to 1400H1 Performance	Performance of 1401H1 (percentage of approved)	Share of subset in General Sources and Uses in 1401H1
Revenues	6,996.0	3,565.1	1,951.3	3,130.8	60.4	87.8	60.4
Tax Revenues	5,617.0	2,862.3	1,469.2	2,481.2	68.9	86.7	47.8
Other Revenues	1,379.0	702.7	482.2	649.6	34.7	92.4	12.5
Expenses (current)	9,990.1	5,090.8	3,245.9	4,136.6	27.4	81.3	78.9
Operating Balance	-2,994.1	-1,525.8	-1,294.6	-1,005.8	-22.3	-	-
Disposal of Non-financial Assets	5,176.5	2,637.9	265.4	1,410.9	431.7	53.5	27.2
Receipts from Crude Oil and Oil Products	4,910.5	2,502.3	258.6	1,410.0	445.2	56.3	27.2
Receipts from Sale of Movable and Immovable Assets and Receipts from Disposal of Projects Related to Acquisition of Non-financial Assets ¹	266.0	135.6	6.8	0.9	-86.8	0.7	0.0
Acquisition of Non-financial Assets (Development Expenditures)	2,598.7	1,324.2	666.4	366.7	-45.0	27.7	7.0
Net Disposal of Non-financial Assets	2,577.8	1,313.6	-401.1	1,044.2	-	-	-
Disposal of Financial Assets	1,766.4	900.1	1,394.0	643.7	-53.8	71.5	12.4
Sale of Islamic Debt Securities	1,030.0	524.9	1,140.0	630.0	-44.7	120.0	12.1
Disposal of State-owned Companies	710.0	361.8	8.7	0.3	-96.9	0.1	0.0
Principal of Loans Receipt, Use of Foreign Loans and Last Year's Payment Return ²	26.4	13.5	14.4	13.5	-6.4	100.0	0.3
Use of National Development Fund	0.0	0.0	230.9	0.0	-	-	-
Acquisition of Financial Assets	1,350.1	688.0	237.8	736.7	209.9	107.1	14.1
Net Disposal of Financial Assets	416.3	212.2	1,156.2	-93.0	-	-	-
Total Sources	13,938.8	7,103.1	3,610.7	5,185.5	43.6	73.0	100.0
Total Uses	13,938.8	7,103.1	4,150.1	5,240.0	26.3	73.8	100.0
Overall Balance (difference between total sources and total uses)	0.0	0.0	-539.4	-54.5	-89.9	-	-

Source: 1401 Budget Law; Fars News Agency; Research Center of Parliament; Research calculations

1. Due to the lack of access to the performance data for the first six months of 1401, the corresponding figure has been estimated based on the data for the first four months of this year.

2. Due to the lack of access to the performance data for the first six months of 1401, the corresponding figure is considered to be the same as the approved figure.

Tax revenues have been approved at IRR5,617.0 trillion in the 1401 Budget Law, consisting of 56.3 percent indirect tax (tax on goods and services and import tax) and 43.7 percent direct tax (legal entities tax, income tax and wealth tax). So, tax revenues have been estimated at IRR2,862.3 trillion for the first six months of 1401. According to the unofficial sources, government tax revenues was 13.3 percent less than the approved figure in 1401H1. Performance of direct tax was 118.8 percent compared to the approved figure in 1401H1. Among the sub-categories of direct taxes, tax on legal entities experienced the highest performance (146.1 percent of approved figure), mainly due to performance of tax on private legal entities with 83.9 percent share in tax on legal entities. In contrast, tax on institutions affiliated with the supreme leader registered the lowest performance (11.7 percent of approved figure) in 1401H1. Revenues from wealth tax realized only 60.4 percent of approved figure, mainly due to the stagnation of the capital market and 56.5 percent performance

of tax on shares transfer compared to the approved figure in the first half of 1401. Moreover, indirect taxes increased by 66.1 percent compared to 1400H1 and reached IRR996.3 trillion in the first half of 1401 (61.8 percent of approved figure), out of which 82.3 percent was tax on goods and services and 17.7 percent was import tax. Tax on goods and services with a significant share of 33.1 percent in the total tax revenues in the first half of 1401 increased by 59.0 percent compared to the first half of 1400 and reached IRR820.3 trillion (77.0 percent of approved figure), mainly due to the 76.4 percent performance of value-added tax (compared to the approved figure) with 70.9 percent share in tax on goods and services in 1401H1. On the other hand, thanks to the increase in the foreign exchange rates, the import tax rose by 109.5 percent in 1401H1, although it realized only 32.2 percent of approved figure. Table 7 indicates the details of government tax revenues.

Table 7- Performance of Tax Revenues (IRR trillion-percent)

	1401 Budget Law	1401H1 Approved	1400H1 Performance	1401H1 Performance	Percentage Change of 1401H1 Performance to 1400H1 Performance	Performance of 1401H1 (percentage of approved)	Share of subset in Total Tax Revenues in 1401H1
Tax Revenues	5,617.0	2,862.3	1,469.2	2,481.2	68.9	86.7	100.0
Direct Tax	2,453.5	1,250.3	869.3	1,484.9	70.8	118.8	59.8
Legal Entities	1,336.3	681.0	458.2	994.9	117.1	146.1	40.1
On Income	842.1	429.1	347.4	405.4	16.7	94.5	16.3
On Wealth	275.2	140.2	63.6	84.7	33.1	60.4	3.4
Indirect Tax	3,163.4	1,612.0	599.9	996.3	66.1	61.8	40.2
On Goods and Services	2,091.4	1,065.8	515.9	820.3	59.0	77.0	33.1
Import Tax	1,072.0	546.3	84.0	176.0	109.5	32.2	7.1

Source: 1401 Budget Law; Fars News Agency; Research Center of Parliament

In the budget law of 1401, the issuance of government debt securities decreased by 22.3 percent compared to the budget law of 1400 and stood at IRR1,030.0 trillion. The CBI, in cooperation with Ministry of Economic Affairs and Finance, held weekly auctions of Islamic government bonds in the interbank market (money market) and the capital market from 03/1401 to the end of 06/1401 in 18 rounds. So, the CBI (as government agent) supplied about IRR1,741.1 trillion Government Murabaha Sukuk until the end of 06/1401, although faced with insignificant demand from the banks and non-bank credit institutions (only IRR244.8 trillion).

However, the Ministry of Economic Affairs and Finance, as the decision-maker, agreed to sell IRR173.8 trillion. Furthermore, IRR329.0 trillion worth of government debt securities were purchased in the process of auctions in the capital market during the period under review. Accordingly, the total government debt securities sold in the both markets (money and capital markets) in the process of auctions registered IRR400.8 trillion in 1401H1, 0.4 percent less than that of 1400H1 (IRR402.5 trillion). Table 8 illustrates the details on the auctions of government debt securities held by the CBI during the first half of 1400 and 1401.

Table 8- Government Debt Securities Auctions held by the CBI during 1400H1 and 1401H1 (IRR trillion-percent)

Month	1400					1401					Growth Rate of Traded in Money Market	Growth Rate of Traded in Capital Market	Growth Rate of Total Traded
	Supply	Demand by Banks	Traded in Money Market	Traded in Capital Market	Total Traded	Supply	Demand by Banks	Traded in Money Market	Traded in Capital Market	Total Traded			
03	936.5	17.5	16.1	9.9	26.0	592.8	121.1	54.0	77.2	131.2	236.0	679.8	405.1
04	844.1	21.5	21.5	2.1	23.6	496.2	19.5	19.5	54.8	74.3	-9.3	2,470.4	214.4
05	722.1	36.3	36.3	76.5	112.8	337.3	40.7	40.7	33.9	74.6	12.2	-55.7	-33.9
06	621.9	63.1	63.1	207.0	240.1	314.8	63.5	59.6	61.1	120.7	-5.5	-65.5	-49.7
Total (in the first half)	3,124.6	138.3	136.9	265.5	402.5	1,741.1	244.8	173.8	227.0	400.8	26.9	-14.5	-0.4

Source: Central Bank of Iran, weekly reports of government debt securities auctions

Apart from the auction process, the government issues debt securities in two other ways: 1) Underwriting in capital market and 2) Giving Islamic treasury bonds to contractors for debt settlement.

In 1401H1, IRR102.0 trillion of Government Murabaha Sukuk were sold through underwriting. Including the auction process, the total issuance of Government Murabaha Sukuk in the first half of 1401 was IRR502.8 trillion (16.3 percent more than that in the same period of preceding year).

Meanwhile, the issuance of Islamic treasury bonds amounted to IRR350.0 trillion in 1401H1, recording 56.8 percent decrease compared to 1400H1.

Consequently, the total issuance of government debt bonds in the first half of 1401 was IRR852.8 trillion, and since these bonds are sold below the face value, only IRR630.0 trillion of the budget deficit were financed in this way.

Additionally, based on Iran Fara Bourse (OTC market) reports, net cumulative purchase of government debt securities by CBI and investment funds (in the primary and secondary markets) stood at IRR711.9 trillion and IRR831.3 trillion, respectively, from the second half of 05/1400 to the end of 06/1401. It should be noted that the purchase of government bonds by the CBI is prohibited in the primary market and the mentioned figure for the CBI is only related to the secondary market. Based on CBI, the purchase of government bonds in the secondary market by the CBI from the end of 06/1400 to the end of 06/1401 contributed 12.5 percentage points to the 33.1 percent growth rate of the monetary base. Meanwhile, the net cumulative purchase of government debt securities by banks was about negative IRR556.3 trillion from the second half of 05/1400 to the end of 12/1400, while it turned into positive IRR691.5 trillion During 1401H1. So, net cumulative purchase of government debt securities by banks stood at IRR135.2 trillion from the second half of 05/1400 to the end of 06/1401.

It is worth mentioning that according to the amendment of the 1401 Budget Law, the salaries of government employees and pensioners are supposed to be increased in the second half of the year, which will add about IRR620 trillion to the government's current expenditures. This is despite the fact that the law does not include a source for financing this financial burden. According to unofficial information, removing the ban on car imports and collecting related import taxes, reducing development

expenditures and using the resources of the NDF are considered for its financing. Besides, according to the head of the Planning and Budget Organization, it has been agreed to 10 percentage points withdrawal from the share of the NDF in oil exports to finance additional budget deficit.

The Research Center of Parliament has estimated the overall budget deficit in 1401 to be around IRR3,000 trillion. According to this estimation, the performance of general sources will be about 78 percent of the approved figure and the performance of general uses will be close to the approved figure. In this estimation, the withdrawal of 10 percentage points from the share of the NDF in oil exports is not included. If the performance of oil exports in 1401 is about 60 percent of the forecast of the budget law (similar to the performance in 1401H1), this withdrawal will be about IRR541.7 trillion.

On the other hand, in the report of Research Center of Parliament, the disposal of state-owned companies in 1401 are estimated to be around IRR300.0 trillion, while according to the Privatization Organization, this figure was about IRR329 trillion in the first nine months of 1401, although it is not expected to increase much by the end of the year.

Moreover, 100 percent performance for general budget uses compared to the approved figure seems unreal based on the performance data of previous years. By generalizing the growth rate of current expenditures in the first six months of 1401 to the whole year, the current expenditures will reach about IRR9,310 trillion in 1401. Due to the financial burden caused by the increase in salaries, about IRR620 trillion should be added to this figure. Also, by generalizing the growth rate of acquisition of non-financial assets in the first six months of 1401 to the whole year, it is estimated that the development expenditures will be about IRR767 trillion in 1401. Moreover, based on the performance of the acquisition of financial assets in the first six months of 1401, the predicted figure in the budget law of 1401 for that will probably be realized. Therefore, given this assumption, the performance of general budget uses will be about 13.6 percent less than the prediction of 1401 Budget Law. In this way, the issuance of government debt securities should have a performance of 169.6 percent compared to the approved figure and reach about IRR1,747.4 trillion. Table 9 indicates forecasted performance of general sources and uses based on both of the Research Center of Parliament and our research calculations.

Table 9- Forecasted Performance of General Sources and Uses in 1401 (IRR trillion-percent)

	1401 Budget Law	1401H1 Performance	Predicted 1401 Performance based on Research Center of Parliament	Predicted 1401 Performance based on Research Calculations
General Sources	13,938.8	5,185.5	10,911.3	12,047.4
Tax Revenues (excluding import tax)	4,545.0	2,305.2	4,545.0	4,545.0
Import Tax Revenues	1,072.0	176.0	600.0	600.0
Receipts from Crude Oil and Oil Products	4,910.5	1,410.0	2,946.3	2,946.3
Sale of Islamic Debt Securities	1,030.0	630.0	1,180.0	1,747.4
Disposal of State-owned Companies	710.0	0.3	300.0	330.0
Other	1,671.4	664.0	1,340.0	1,337.1
Withdrawal from NDF's Resources (10 percentage points)	0.0	0.0	0.0	541.7
General Uses	13,938.8	5,240.0	13,938.8	12,047.4
Current Expenditures	9,990.1	4,136.6	-	9,310.0
Acquisition of Non-financial Assets	2,598.7	366.7	-	767.3
Acquisition of Financial Assets	1,350.1	736.7	-	1,350.1
Financial Burden of Increasing Salaries	0.0	0.0	-	620.0
Overall Balance	0.0	-54.5	-3,027.5	0.0

Source: 1401 Budget Law; Research Center of Parliament; Our Research Calculations

Privatization

Iranian Privatization Organization (IPO) started the disposal of state-owned companies from 1380, and at the end of 1401Q3, out of all privatized companies about 52.8 percent was privatized through Tehran Stock Exchange (TSE), 5.8 percent through Over-The-Counter (OTC) market, 41.3 percent through auction, and 0.03 percent through negotiations.

Also, 47.5 percent of the companies were disposed in exchange of settlement of government debts to its creditors, indicating that this part of the privatization has not taken place through

the market. In this period, the "Justice" shares accounted for 4.6 percent of the total privatization. Table 10 exhibits the performance of the IPO by various disposal types from 1380 to the first nine months of 1401 at current prices. The inappropriate way of direct transfer for debt settlements was terminated and no company was disposed of in this form from 1396 to 1398. But, about 61.5 percent of privatization has done in this way, followed by 100.0 percent and 37.5 percent in 1400 and the first nine months of 1401, respectively.

Table 10- Performance of the Iranian Privatization Organization by Various Types (at current prices-IRR trillion)

	1380-1393	1394	1395	1396	1397	1398	1399	1400	First Nine Months of 1401
Sale of Shares or Assets to the Public	758.1	26.2	29.9	10.7	3.7	32.2	471.8	0.0	1,426.3
Settlement of Debt (direct transfer)	289.2	1.2	19.0	0.0	0.0	0.0	753.6	823.9	855.0
Justice Shares (direct transfer)	266.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Sales Value	1,313.7	27.3	48.9	10.7	3.7	32.2	1,225.4	823.9	2,281.3
Percent of Total Disposals	22.8	0.5	0.8	0.2	0.1	0.6	21.2	14.3	39.6

Source: Iranian Privatization Organization, annual performance statistics on the value of disposition of shares and assets of companies qualified for being disposed (at current prices)

Unfortunately, the report of performance statistics on the value of shares and assets disposal of companies qualified for being disposed of at constant prices has not been published in recent years, but an examination of the privatization at constant 1395 prices reveals that the first months of 1401 is estimated to account for 9.7 percent of the total privatization. Table 11

exhibits the performance of the IPO by various disposal types from 1380 to the first nine months of 1401 at 1395 constant prices, based on SCI's Consumer price index. Of course, considering the consumer price index is not the best option for calculating the performance of privatization at constant prices, but is the only available option.

Table 11- Performance of the Iranian Privatization Organization by Various Types (at 1395 constant prices-IRR trillion)

	1380- 1393	1394	1395	1396	1397	1398	1399	1400	First Nine Months of 1401
Sale of Shares or Assets to the Public	1,863.3	27.9	29.9	9.9	2.7	17.5	188.3	0.0	288.3
Settlement of Debt (direct transfer)	638.6	1.2	19.0	0.0	0.0	0.0	300.7	235.3	172.9
Justice Shares (direct transfer)	982.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Sales Value	3,484.7	29.1	48.9	9.9	2.7	17.5	489.0	235.3	461.2
Percent of Total Disposals	72.9	0.6	1.0	0.2	0.1	0.4	10.2	4.9	9.7

Source: Iranian Privatization Organization, annual performance statistics on the value of disposition of shares and assets of companies qualified for being disposed (at current prices); SCI, consumer price index; Research calculations

In the first nine months of 1401, the government carried out 62.5 percent of the disposals through the TSE and 37.5 percent through the auction. The OTC and the negotiation had no share

during the time span under review. Table 12 illustrates the performance of the IPO by market type at current prices and table 13 exhibits the same at 1395 constant prices.

Table 12- Privatization by Market Type (at current prices-IRR trillion)

	1380- 1390	1394	1395	1396	1397	1398	1399	1400	First Nine Months of 1401	Total (1380- 09/1401)	Share in Total Privatization from 1380 to 09/1401 (percent)	Share in Total Sales Value in the First Nine Months of 1401 (percent)
TSE	812.8	21.7	12.7	1.1	0.1	2.3	760.2	9.5	1,426.3	3,046.8	52.8	62.5
OTC	171.2	3.0	0.5	0.0	0.2	29.9	129.3	0.0	0.0	334.1	5.8	0.0
Negotiation	1.4	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	1.7	0.0	0.0
Auction	328.2	2.6	35.7	9.6	3.2	0.0	335.8	814.4	855.0	2,384.5	41.3	37.5
Total Sales Value	1,313.7	27.3	48.9	10.7	3.7	32.2	1,225.3	823.9	2,281.3	5,767.1	100.0	100.0

Source: Iranian Privatization Organization, disposition statistics

Table 13- Privatization by Market Type (at 1395 constant prices-IRR trillion)

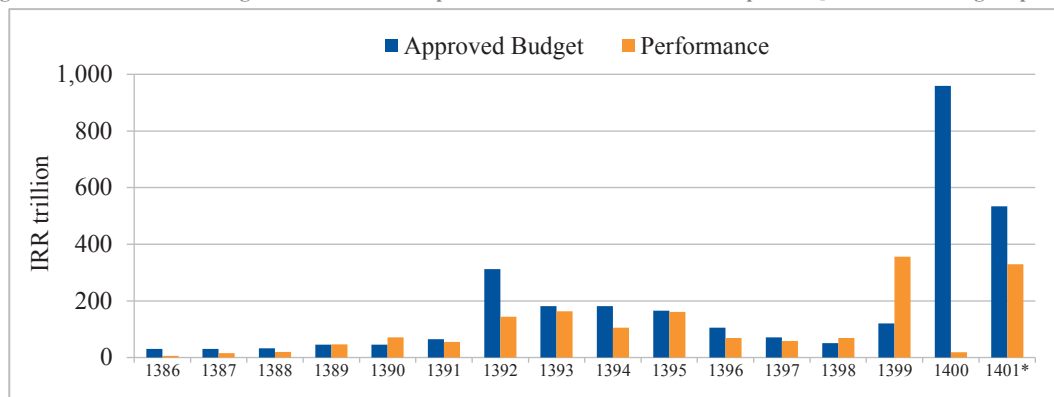
	1380 - 1393	1394	1395	1396	1397	1398	1399	1400	First Nine Months of 1401	Total (1380- 09/1401)	Share in Total Privatization from 1380 to 09/1401 (percent)
TSE	2,376.6	23.1	12.7	1.0	0.1	1.2	303.4	2.7	288.3	3,009.3	63.0
OTC	384.1	3.2	0.5	0.0	0.1	16.3	51.6	0.0	0.0	455.7	9.5
Negotiation	4.4	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	4.6	0.1
Auction	719.7	2.8	35.7	8.9	2.3	0.0	134.0	232.6	172.9	1,308.8	27.4
Total Sales Value	3,484.7	29.1	48.9	9.9	2.7	17.5	489.0	235.3	461.2	4,778.4	100.0

Source: Iranian Privatization Organization, disposition statistics; SCI, consumer price index; Research calculations

According to the IPO report, the total amount of IRR329.2 trillion of privatization revenues was deposited with the treasury, indicating about 4,000 percent growth rate compared to the same period of 1400. Out of that, IRR329.0 trillion were

deposited in the public revenues account of the treasury and the rest belonged to the special accounts of the treasury. Figure 3 exhibits the privatization revenues deposited in the public revenues account compared to the legislated levels.

Figure 3- Performance of Legislated Levels on Disposal of Shares and Assets of Companies Qualified for Being Disposed of



Source: Iranian Privatization Organization, Achieving the Budget Objectives of the Disposal of Shares and Companies by the IPO

* First 9 months

4. National Development Fund

According to the report on IRR and foreign exchange denominated facilities extended from the resources of the NDF since its establishment to the end of 1400, the total sum of requested foreign facilities that were received by the NDF in the form of agency contracts with banks was reported as USD119.3 billion. In 1400, the share of banks (through agency contracts between banks and NDF) was approved about USD3.1 billion and the contracts has been signed with 9 banks. Furthermore, from the beginning of its establishment until the end of 1400, the financing by the agency contracts reached USD34.0 billion, which is pertinent to 318 projects. Out of these numbers of financed projects, 309 projects took USD28.8 billion of LC (Letter of Credit) and received USD23.8 billion through the cooperation between agency banks and CBI. Moreover, out of USD7.2 billion (as a Deposit Agreement) which has been set aside for extending facilities to national projects in oil, gas, petrochemical, industry

and mining sectors, USD5.5 billion (related to 46 projects) was allocated from 1391 to 1396. It is worth mentioning that from 1397 to 1400, due to the banks reluctance, no foreign exchange deposit agreement has been signed between agent banks and NDF. According to the annual budget laws and other laws, the NDF has also allocated facilities in IRR. In this context, about IRR118.8 trillion facilities allocated through agency contracts with banks since the beginning of 1390 until the end of 1393. Since the beginning of 1394, the Fund's IRR facilities has been allocated through IRR Deposit Agreements with banks. In this regard, till the end of 1400, the fund has deposited IRR754 trillion in banks. Moreover, based on 1397 and 1398 Budget Laws and according to "Supporting Development and Creating Sustainable Employment in Rural and Tribal Areas Law", IRR139.6 trillion have been deposited with banks from Fund's resources and about 78 percent have been allocated till now.

5. Balance of Payments

According to CBI, the overall balance of payments which is calculated as the sum of net current account, capital account and errors and omissions, amounted to USD0.2 billion in 1401Q1. However, the corresponding figure for 1400Q1 was USD0.7 billion. Reviewing the details reveals that current account surplus increased from USD3.5 billion in 1400Q1 to USD7.8 billion in 1401Q1, while the net capital account deficit rose significantly by 216.0 percent and registered USD10.0 billion. Furthermore, errors and omissions increased from USD0.3 billion in 1400Q1 to USD2.4 billion in 1401Q1. Therefore, the main reason for the decline in the overall balance of payments in 1401Q1 compared to the same period of preceding year was the multiplication of the capital account deficit.

Current account is composed of goods account, services account, income account, and current transfers account. The balance of payments data show that goods account, which is the difference between goods exports and goods imports, increased by 115.0 percent to reach USD9.2 billion in 1401Q1. The country's total goods trade (sum of export and import values) was 38.7 percent more than that of 1400Q1, although the increase in exports was more significant than the increase in imports, and this was the

major factor of increase in the goods account. In addition to the global easing of corona-related restrictions, the significant improvement in Iran's oil exports has helped to increase the goods account. In 1401Q1, the value of goods imports rose by 26.3 percent and registered USD16.4 billion, while the value of goods exports increased by 48.1 percent to reach USD25.6 billion. In the period under review, the oil exports boosted by 64.9 percent to USD14.4 billion. Also, the non-oil exports rose by 31.1 percent, registering USD11.3 billion.

On the other hand, oil imports in 1401Q1 were almost zero (USD0.3 million exactly) and non-oil imports reached USD16.4 billion. Therefore, the oil trade balance surplus rose considerably by 64.9 percent and reached USD14.4 billion, while the non-oil trade balance deficit increased by 16.9 percent and amounted to USD5.2 billion. The services account deficit rose to USD1.4 billion. Moreover, the income account deficit decreased to USD43 million in 1401Q1.

Meanwhile, the current transfers account surplus drop by 33.1 percent in 1401Q1, registering USD104 million. Table 14 presents the components of balance of payments in 1400Q1 and 1401Q1.

Table 14- Components of Balance of Payments (USD millions)

	1400Q1	1401Q1	Percentage Change
Current Account	3,533.7	7,845.5	122.0
Goods Account	4,259.7	9,156.8	115.0
Exports (f.o.b.)	17,284.6	25,604.2	48.1
Oil Exports	8,702.2	14,351.7	64.9
Non-Oil Exports	8,582.4	11,252.5	31.1
Imports (f.o.b.)	13,024.9	16,447.4	26.3
Gas and Oil Products	0.0	0.3	-
Other Goods	13,024.9	16,447.1	26.3
Services Account	-831.8	-1,372.3	65.0
Income Account	-49.5	-42.9	-13.2
Current Transfers Account	155.3	103.9	-33.1
Net Capital Account	-3,174.4	-10,032.0	216.0
Errors and Omissions	340.0	2,375.5	598.7
Overall Balance	699.3	189.0	-73.0

Source: Central Bank of Iran, Selected Economic Indicators, 03/1401

Based on CBI reports, Iran's total foreign debt declined by 23.6 percent to USD6.9 billion at the end of 1401H1. Out of this figure, about USD5.0 billion belongs to medium-term

and long-term debt that fell by 24.0 percent. Moreover, in this period, short-term debts decreased by 22.3 percent to USD1.9 billion.

Goods Exports and Imports

Based on IRI Customs Administration, in 1401H1, 16.3 million tons of goods valued at USD26.0 billion was imported to the country and the country's goods exports (excluding crude oil) have been 51.8 million tons valued at USD24.3 billion. Therefore, the imports decreased by 14.7 percent in terms of weight, while it rose by 13.2 percent in terms of value, compared to the same period of preceding year. Similarly, exports dropped by 12.6

percent in terms of weight and grew by 13.3 percent in terms of value, compared to the same period of preceding year.

As a result of the developments of the foreign trade, the deficit of non-oil trade balance in 1401H1 increased by 10.9 percent and reached USD1.8 billion.

The statistics of country's foreign trade in 1400H1 and 1401H1 are shown in Table 15.

Table 15- Foreign Trade in the First 6 Months of 1400 and 1401

	1400H1		1401H1		Percentage Change	
	Weight (1000 tons)	Value (USD million)	Weight (1000 tons)	Value (USD million)	Weight	Value
Imports	19,137	23,005	16,320	26,031	-14.7	13.2
Exports	59,215	21,400	51,783	24,251	-12.6	13.3
Non-oil Trade Balance	40,078	-1,605	35,463	-1,780	-11.5	10.9

Source: IRI Customs Administration, Preliminary report of foreign trade data in 1401H1

Unfortunately, the IRI Customs Administration has omitted the major items of imports and exports in its preliminary reports. However, for the first 6 months of 1401, customs exports and imports details have been released. A significant portion of the country's major items of exports are in Chapter 27 of HS codes (mineral fuels, mineral oils and products of their distillation; bituminous substances; and mineral waxes). About 30.9 percent of the country's total exports in 1401H1 (USD7.5 billion) was a subset of Chapter 27, indicating 4.3 percentage points and 3.5 percentage points increase compared to 1400H1 and 1400, respectively.

In 1401H1, China with USD7.8 billion of imports from Iran has been the first exports destination – as in previous years -

accounting for 32.3 percent of Iran's total exports. This share was 30.1 percent, 29.5 percent, 25.9 percent, 23.0 percent and 20.8 percent in 1400H1, 1400, 1399, 1398 and 1397, respectively. Iraq, which in 1400H1, 1400, 1399, 1398 and 1397 had a 17.6 percent, 18.4 percent, 21.3 percent, 21.7 percent and 20.1 percent share in Iran's total exports, respectively, ranked as the 2nd exports destination of Iran in 1401H1, with imports of USD3.4 billion and a share of 14.0 percent. In the period under study, UAE's non-oil imports from Iran totaled USD3.1 billion. The share of exports to UAE in this period registered 12.8 percent in Iran's total exports. This country had ranked as the 4th exports destination with share of 10.3 percent and 10.1 percent in 1400H1 and 1400, respectively. Turkey accounts for 10.8 percent of Iran's total exports valued at

USD2.6 billion in 1401H1, while it had ranked as the 3rd exports destination with share of 10.6 percent and 12.5 percent in 1400H1 and 1400, respectively. India with USD0.9 billion of imports from Iran, accounts for 3.7 percent of total exports of the country in the time span under study, ranked as the 5th exports destination, while this belonged to Afghanistan in 1400H1 and 1400, with a share of 4.6 percent and 3.8 percent in Iran's total exports, respectively. All in all, the top 5 importers from Iran have accounted for 73.7 percent of total Iran's exports in 1401H1, while the corresponding figure was 73.2 percent and 74.2 percent in 1400H1 and 1400, respectively.

On the other hand, China has lost its position as the first exporter to Iran since 1400, and UAE has replaced it with a share of 26.7 percent in total Iran's imports during 1401H1. UAE's share in total Iran's imports was 31.6 percent and 31.2 percent in 1400H1 and 1400, respectively. China has had 2nd place of exporting countries to Iran with USD6.8 billion in 1401H1 and its share

in total Iran's imports rose from 21.8 percent in 1400H1 to 26.3 percent in 1401H1. Turkey ranked as the 3rd exporter to Iran (exports of USD2.7 billion) in the period under review - as in 1400H1 and 1400 - with share of 10.3 percent in total Iran's imports, which is 0.2 percentage points less than that of 1400H1. India, which was not among the top 5 largest sources of imports of Iran in 1400, Has taken the 4th place in 1401H1 with USD1.4 billion of exports to Iran and share of 5.3 percent in total Iran's imports.

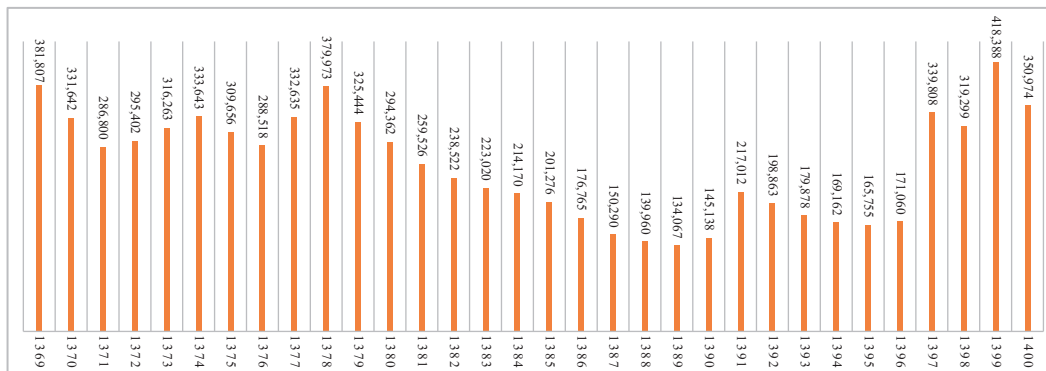
Russia exported USD0.9 billion goods to Iran in 1401H1 and accounted for 3.4 percent of the Iran's total imports. So, in the period under review, Russia is in 5th place, while Germany is no longer among the top 5 largest sources of imports of Iran. All in all, the top 5 exporters to Iran have accounted for 73.0 percent of total Iran's imports in 1401H1, 1.3 percentage points and 1.0 percentage points more than that of 1400H1 and 1400, respectively.

6. Foreign Exchange Market

The USD/IRR exchange rate in the free market had upward trend in 1401H1, increasing from 262.3 thousand at the beginning of the year to 316.7 thousand at the end of 1401H1. Only in some days of this period, this upward trend was stopped, due to the anticipation of reaching a nuclear agreement - proposed by the European Union - although it intensified after the deal was abandoned. So, the average USD/IRR exchange rate in 1401H1 was 21.6 percent more than that of 1400H1. This growth rate was lower than the difference between the inflation rates of Iran and the United States in the period under review, so some experts consider the increasing pressure on foreign exchange rates to be normal. Of course, to calculate the real foreign exchange rate

based on purchasing power parity principle, other years than the previous year can be considered as the base year. Figure 4 shows the average USD/IRR real exchange rate during the whole 1401 based on the inflation difference between Iran and the United States and according to different base years. If 1397 (in which, after a period of revaluation, the USD/IRR exchange rate increased towards the real rate) is considered as the base year, the average USD/IRR exchange rate during 1401 is calculated to be around 340 thousand. It was 300.7 thousand during 1401H1. In this way, if in the second half of the year, the average nominal USD/IRR exchange rate is around 380 thousand, the average will reach around 340 thousand in the whole year.

Figure 4- Estimated Average Real USD/IRR Exchange Rate in the Free Market in 1401 Based on Different Base Years



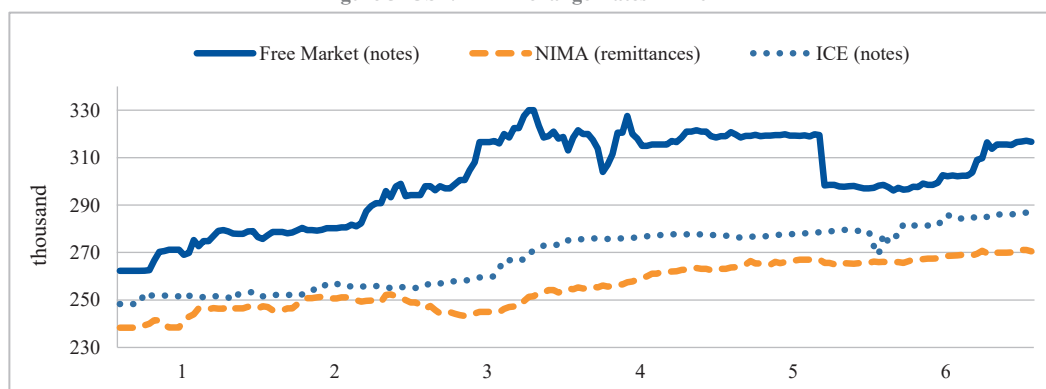
Source: Research calculations

On the other hand, the remittance USD/IRR exchange rate in the secondary market (NIMA) had narrowed its gap with the free market rate from 1399H2 to early months of 1400, while from 03/1400 onwards, with the rise of the USD/IRR exchange rate in the free market, the gap widened again, even exceeding 30 percent in some days of 1401. During 1401H1, the average USD/IRR exchange rate in the free market was about 17.6 percent higher than the corresponding rate in the secondary market (6.0 percentage points more than the corresponding gap in 1400).

In addition to the free market (for foreign currency notes) and the secondary market (for remittances), since 1400, a market called "Iran Currency Exchange (ICE)" was launched for

the exchange of foreign currency notes between banks and authorized foreign exchanges. The rates in this market are different from the free market, because limited uses are set for limited players. For example, authorized foreign exchanges can only allocate about USD2 thousand to each person every year with personal identity documents or, offer about USD300 to travelers after assessment of travel documents. On average, during the first six months of 1401, the USD/IRR exchange rate in the Iran Currency Exchange was about 268 thousand, which is 12.2 percent lower than the corresponding figure in the free market during the same period. Figure 5 shows the USD/IRR exchange rates in the ICE, NIMA and free market during 1401H1.

Figure 5- USD/IRR Exchange Rates in 1401H1



Source: Gold, Coin and Currency Information network, and <https://www.sanarate.ir>

All in all, in 1401H1, the foreign exchange market fluctuated almost at the same rate of the preceding year. Along with the 21.6 percent annual growth rate of average USD/IRR exchange rate in the free market in 1401H1 compared to 1400H1, the standard

deviation of the USD/IRR exchange rate in the free market rose only by 3.0 percent and its coefficient of variation fell by 15.3 percent. Table 16 shows USD/IRR free market exchange rate statistics during 1394-1400, 1400H1 and 1401H1.

Table 16- USD/IRR Exchange Rate Statistics

	1394	1395	1396	1397	1398	1399	1400	1400H1	1401H1	1401H1 to 1400H1 Growth Rate (percent)
Annual Average	34,484	36,487	40,552	103,875	128,214	224,506	259,874	247,343	300,683	21.6
Maximum	37,300	41,450	48,770	189,000	157,450	318,560	291,200	282,010	330,000	17.0
Minimum	32,100	34,400	37,220	42,000	111,000	148,960	206,370	206,370	262,300	27.1
Standard Deviation	1,335	1,662	3,351	30,701	11,798	43,552	18,918	17,857	18,392	3.0
Coefficient of Variation	0.04	0.05	0.08	0.30	0.09	0.19	0.07	0.07	0.06	-15.3

Source: Gold, Coin and Currency Information network; Research Calculations

7. Monetary and Credit Aggregates

According to the CBI's report, high-powered money (M0) and liquidity (M2) stood at IRR6,907.3 trillion and IRR55,949.3 trillion at the end of 1401H1, respectively, showing 33.1 percent and 37.5 percent annual growth rates. The M2 money multiplier, therefore, reached 8.1 at the end of 1401H1, indicating 3.3 percent growth rate compared to the same time of preceding year. Table 17 indicates the details of monetary base and liquidity from 1400H1 to 1401H1.

Reviewing the balance sheet of the whole banking system indicates a 56.1 percent annual jump in the volume of money (M1) and 32.9 percent annual escalation in quasi-money at the end of 1401H1. So, the share of money and quasi-money in the liquidity (M2) reached 22.8 percent and 77.2 percent, respectively, at the end of 1401H1. The share of money in the liquidity had a downward trend from 06/1399 to the end of that year, while it reversed course in 1400 and increased by 0.5 percentage points during 1400 to reach 20.4 percent at the end of the year. It rose more significantly during 1401H1, registering 22.8 percent at the end of the period under review. This increase mainly stems from the abandonment of Coronavirus-related restrictions, as well as the persistence of negative real interest rates. In this situation, people have less incentive to keep long-term savings deposits in banks. The sight deposits allow them to buy and sell easily in other markets when needed. In this way, the effect of liquidity (M2) on the inflation rate intensifies.

The sight deposits increased by 59.0 percent at the end of 1401H1 compared to the same time of preceding year, bringing its share in money (M1) to 92.8 percent and in liquidity (M2) to 21.1 percent. In contrast, the share of "notes and coins with the public" in money and liquidity was 7.2 percent and 1.6 percent at the end of 1401H1, respectively. On the other hand, owing to the revival of two-year deposits as the only available long-term investment option in the money market and the gap of about 2 percentage points between the interest rates of one-year and two-year deposits, the volume of these long-term deposits increased about 100 times during 1399, extending its share in quasi-money to 13.4 percent at the end of this year. It increased by 157.6 percent during 1400, registering 25.0 percent share in quasi-money. However, the volume of two-year deposits rose by only 9.8 percent during 1401H1 to take 24.4 percent share in quasi-money at the end of time span under review.

Considering the CBI's balance sheet, the main sources of the mentioned climb in M0, from 06/1400 to 06/1401, were the net of other items (with a share in growth of 15.9 percentage points mainly due to expansionary open market operation), CBI's foreign assets (with a share in growth of 15.7 percentage points mainly due to change in foreign exchange rate and use of NDF resources) and also CBI claims on banks (with a share in growth of 7.5 percentage points), respectively. On the other hand, net CBI claims on public sector (with a share in growth of negative

6.0 percentage points) had a negative effect on the monetary base during the time span under review. The main reason for drop in the net CBI claims on public sector was a considerable rise (29.9 percent) in the government's deposits held by CBI,

despite a nontrivial increase (13.6 percent) in the government's debts to the CBI. Consequently, the net government's debt to the CBI stood at negative IRR272.7 trillion at the end of 1401H1.

Table 17- Liquidity and Monetary Base (IRR trillions)

	End of the Period			1401H1 Percentage Change Compared to		Share in Liquidity (percent)	
	1400H1	1400	1401H1	1400	1400H1	1400	1400H1
Liquidity (M2)	40,676.0	48,324.4	55,949.3	15.8	37.5	100.0	100.0
Money (M1)	8,164.9	9,865.8	12,742.5	29.2	56.1	20.4	22.8
Notes and Coins with the Public	727.1	864.3	918.2	6.2	26.3	1.8	1.6
Sight Deposits	7,437.8	9,001.5	11,824.3	31.4	59.0	18.6	21.1
Quasi-money	32,511.1	38,458.6	43,206.8	12.3	32.9	79.6	77.2
Gharz-al-hasaneh Savings Deposits	2,541.5	3,261.7	3,805.5	16.7	49.7	6.7	6.8
Short-term Savings Deposits	11,668.8	13,634.7	14,767.6	8.3	26.6	28.2	26.4
Long-term Savings Deposits	17,409.1	20,354.8	23,023.4	13.1	32.2	42.1	41.2
One-year Deposits	10,378.9	10,687.5	12,413.6	16.2	19.6	22.1	22.2
Two-year Deposits	6,966.4	9,602.1	10,547.9	9.8	51.4	19.9	18.9
Three-year Deposits	0.2	0.1	0.0	-100.0	-100.0	0.0	0.0
Four-year Deposits	3.9	3.7	3.6	-2.7	-7.7	0.0	0.0
Five-year Deposits	59.7	61.4	58.3	-5.0	-2.3	0.1	0.1
Miscellaneous Deposits	891.7	1,207.4	1,610.3	33.4	80.6	2.5	2.9
Monetary Base (M0)	5,189.2	6,039.7	6,907.3	14.4	33.1	-	-
CBI Foreign Assets (net)	4,956.3	5,682.0	5,770.0	1.5	16.4	-	-
CBI Claims on Public Sector (net)	36.9	-867.2	-272.7	-68.6	-839.0	-	-
CBI Claims on Banks	1,273.5	1,462.7	1,660.2	13.5	30.4	-	-
Other Items (net)	-1,077.5	-223.3	-250.2	12.0	-76.8	-	-
M2 Money Multiplier	7.84	8.00	8.10	1.2	3.3	-	-

Source: Central Bank of Iran, Selected Economic Indicators

The balance of banks and non-bank credit institutions assets (or liabilities), excluding below the line items, grew by 11.3 percent during 1401H1 (33.6 percent annual growth rate at the end of 1401H1). The major part of this balance (63.1 percent) belongs to non-public banks and non-bank credit institutions, followed by the commercial state-owned banks (22.3 percent) and the specialized state-owned banks (14.6 percent). On the assets side, the main factor was the claims on the non-public sector as extended facilities (with 45.6 percent share), which rose by 41.1 percent at the end of 1401H1 compared to the same time of preceding year. So, claims on the non-public sector had a 17.8 percentage points and 6.5 percentage points share in growth rate of assets in one year and six months ending 06/1401, respectively. Foreign assets, with the share of 18.6 percent ranked second and experienced an annual growth rate of 21.4 percent at the end of 1401H1. So, it had a 4.4 percentage points and 0.6 percentage points share in growth rate of assets in one year and six months ending 06/1401, respectively. Moreover, deposits of banks and credit institutions with the CBI grew by 34.7 percent from 06/1400 to 06/1401, registering 2.3 percentage points share in assets growth rate. Notes and

coins, on the other hand, constituted merely 0.1 percent of the assets and rose by 11.1 percent compared to the end of 1400H1. On the liabilities side of the balance sheet, non-public sector deposits accounted for the highest share (61.2 percent) and grew by 37.8 percent compared to the end of 1400H1. These deposits had a 22.4 percentage points and 9.4 percentage points share in liabilities growth rate, annually and semiannually, respectively. Moreover, foreign exchange loans and deposits (with 15.4 percent share) increased by 17.7 percent compared to the end of 1400H1, registering 3.1 percentage points share in liabilities growth rate. Meanwhile, loans and deposits of the public sector with 0.5 percent share, grew by 1.2 percent compared to the end of 1400H1. On the other hand, the capital account reached from negative IRR72.8 trillion at the end of 1400H1 to negative IRR164.8 trillion at the end of 1400, however, it improved to negative IRR38.5 trillion at the end of 1401H1. Meanwhile, due to the significant losses of state-owned commercial banks, the capital account of this banks went from IRR213.9 trillion at the end of 1400H1 to negative IRR1,132.8 trillion at the end of 1401H1. Table 18 indicates the assets and liabilities of banks and non-bank credit institutions.

Table 18- Assets and Liabilities of Banks and Non-bank Credit Institutions (IRR trillion)

	Balance at the End of Period			Share of Banks and Non-bank Credit Institutions in 1401H1			1401H1 Percentage Change Compared to	
	1400H1	1400	1401H1	Public Commercial	Public Specialized	Non-public	1400	1400H1
Assets (excluding below the line items)	67,289.7	80,746.6	89,901.2	20,046.3	13,119.7	56,735.2	11.3	33.6
Foreign Assets	13,778.1	16,267.5	16,733.3	2,435.1	3,956.1	10,342.1	2.9	21.4
Notes and Coins	94.5	111.1	105.0	33.2	12.8	59.0	-5.5	11.1
Deposits with the CBI	4,367.6	5,064.3	5,884.1	1,433.0	399.2	4,051.9	16.2	34.7
Claims on Public Sector	4,592.6	4,771.8	5,719.0	1,753.1	931.4	3,034.5	19.8	24.5
Claims on Non-public Sector	29,037.8	35,758.4	40,986.0	8,610.5	5,947.1	26,428.4	14.6	41.1
Others	15,419.1	18,773.5	20,473.8	5,781.4	1,873.1	12,819.3	9.1	32.8
Liabilities (excluding below the line items)	67,289.7	80,746.6	89,901.2	20,046.3	13,119.7	56,735.2	11.3	33.6
Deposits of Non-public Sectors	39,948.9	47,460.1	55,031.1	13,723.9	4,980.4	36,326.8	16.0	37.8
Claims of the CBI	1,273.5	1,463.4	1,660.2	437.0	602.3	620.9	13.4	30.4
Loans and Deposits of Public Sector	469.5	463.0	475.1	223.8	199.6	51.7	2.6	1.2
Capital Account	-72.8	-164.8	-38.5	-1,132.8	902.7	191.6	-76.6	-47.1
Foreign Exchange Loans and Deposits	11,735.6	13,511.5	13,813.9	2,309.7	3,275.2	8,229.0	2.2	17.7
Others	13,935.0	18,013.4	18,959.4	4,484.7	3,159.5	11,315.2	5.3	36.1

Source: Central Bank of Iran, Selected Economic Indicators

At the end of 1401H1, the balance of extended facilities of the banking system reached IRR46,425.1 trillion, rising by 34.4 percent from the similar point in 1400. The balance of deposits in banks and non-bank credit institutions increased by 35.6 percent in the same period to reach IRR63,491.4 trillion. Meanwhile, the average legal reserve ratio was 10.17 percent at the end

of 1401H1, about 0.3 percentage points more than that of the same period of preceding year. Therefore, the ratio of extended facilities to deposits (after deduction of the legal reserves) decreased to 81.4 percent at the end of 1401H1 from 83.2 percent at the end of 1400.

Table 19 illustrates these statistics in more detail.

Table 19- End of Period Balance of Extended Facilities and Deposits at Banks and Non-bank Credit Institutions

	1398	1399	1400H1	1400	1401H1	Percentage Change of 1401H1 Compared to	
						1400	1400H1
Extended Facilities (EF - in IRR trillion)	19,355.8	27,922.7	34,554.2	41,418.2	46,425.1	12.1	34.4
Deposits (in IRR trillion)	27,162.8	38,754.6	46,838.7	55,314.3	63,491.4	14.8	35.6
Deposits Less Required Reserves (DLRR - in IRR trillion)	24,381.1	34,824.0	42,233.2	49,753.0	57,037.3	14.6	35.1
Legal Reserve Ratio (percent)	10.24	10.14	9.83	10.05	10.17	-	-
EF to DLRR Ratio (percent)	79.4	80.2	81.8	83.2	81.4	-	-

Source: Central Bank of Iran, Banking Statistics

The banking system's extended facilities totaled IRR23,312.0 trillion during the first 7 months of 1401, registering a growth rate of 47.2 percent compared to the same period of preceding year. In this context, the personal extended facilities increased by 55.1 percent compared to the same period of the preceding year, so that its share in the total extended facilities reached 32.0 percent. Out of IRR7,468.0 trillion personal extended facilities, 76.6 percent (IRR5,722.0 trillion) were small size facilities (less than IRR2 billion). Part of this small size facilities was related to credit cards, which increased by 116.8 percent compared to the

same period of the preceding year and reached IRR867.0 trillion during the first 7 months of 1401, registering 11.6 percent and 15.2 percent share in the total extended facilities and the small size extended facilities, respectively. The extended facilities to legal entities grew by 43.8 percent during the first 7 months of 1401 compared to the same period of preceding year and had a 68.0 percent share in the total extended facilities in the time span under review.

Table 20 indicates extended facilities during the first 7 months of 1400 and 1401.

Table 20- Banks' Extended Facilities (IRR trillion – percent)

	First 7 Months of 1400		First 7 Months of 1401		Percentage Change in Level
	Level	Share	Level	Share	
Total	15,835.0	100.0	23,312.0	100.0	47.2
Personal	4,816.0	30.4	7,468.0	32.0	55.1
Small Size	3,882.0	80.6	5,722.0	76.6	47.4
Credit Cards	400.0	10.3	867.0	15.2	116.8
Less than IRR2 Billion	3,482.0	89.7	4,855.0	84.8	39.4
Other	934.0	19.4	1,746.0	23.4	86.9
Legal Entities	11,019.0	69.6	15,844.0	68.0	43.8

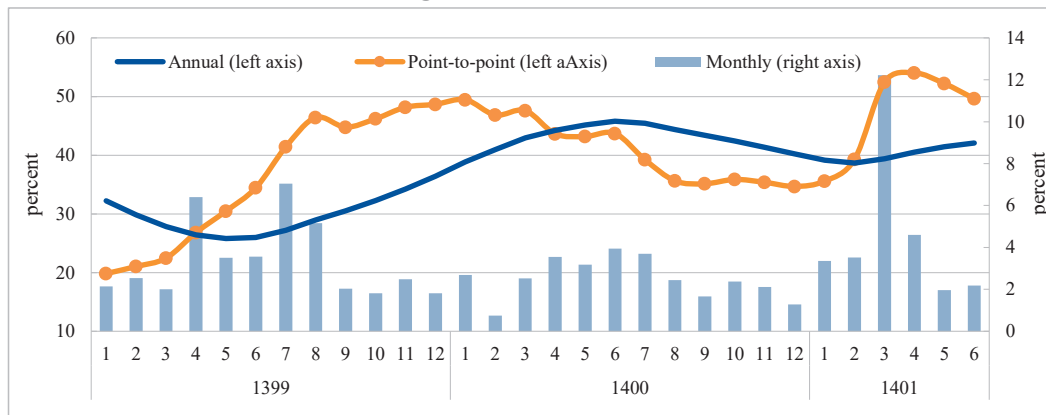
Source: Central Bank of Iran, extended facilities during the first 7 months of 1401

8. Prices and Inflation

The consumer price index (CPI) with the base year of 1395 stood at 525.4 in 06/1401, indicating 49.7 percent point-to-point and 2.2 percent monthly inflation rate. This monthly inflation rate was the second lowest rate in 1401H1. The monthly inflation rate hit a record of 12.2 percent in 03/1401, following the elimination of allocation of foreign currencies at the official rates for the essential goods imports. In addition, the point-to-point inflation rate, which experienced a downward trend in 1400H2, faced an upward trend in the first four months of 1401, so that the point-to-point inflation rate increased by 19.3 percentage points in

04/1401 compared to the end of 1400, registering 54.0 percent which is unprecedented in recent years. However, after the initial consequences of eliminating the allocation of foreign currencies at the official rates, the point-to-point inflation rate gradually began to decline. It decreased by 4.4 percentage points in 06/1401 compared to 04/1401. The annual inflation rate, which had decreased from 40.2 percent at the end of 1400 to 39.4 percent in 03/1401, reversed course in the second quarter of the year and increased to 42.1 percent in 06/1401. Figure 6 illustrates the different types of CPI inflation rate for all Iranian households.

Figure 6- CPI Inflation Rates



Source: Statistical Center of Iran, reports of the consumer price index

Based on SCI, the price index of goods increased more significantly than services in 06/1401, so that the annual inflation rates of them were 47.9 percent and 32.1 percent, respectively. It is worth noting that the monthly inflation rate of durable goods was 34.0 percent in 06/1401, although its effect on changing the general level of prices was negligible, due to the light weight in the consumption basket (5.5 percent). Out of 12 major groups in the consumption basket of goods and services, “Housing, Water, Electricity, Gas and Other Fuels”, “Food and Beverages”, “Transport” and “Health” had the highest weight in the basket, respectively, totally accounting for 78.7 percent, while two former accounting for 62.1 percent. In addition, the highest annual and point-to-point inflation rates (69.8 percent and 84.4 percent, respectively) was related to “Restaurants and Hotels” and the lowest (5.7 percent and 10.4 percent, respectively) belonged to “Communication”. Also, the highest

annual and point-to-point inflation rates experienced in “Food and Beverages” (59.0 percent and 76.1 percent, respectively). The main contributors to the 49.7 percent point-to-point inflation rate in 06/1401 are: Food and Beverages (26.5 percentage points), Housing, Water, Electricity, Gas and Other Fuels (7.7 percentage points), Transport (4.0 percentage points), Clothing and Footwear (2.7 percentage points) and Health (2.3 percentage points), respectively. Meanwhile, the main contributors to the 76.1 percent point-to-point inflation rate of Food and Beverages group in 06/1401 are: Bread and Cereals (17.7 percentage points), Meat, White Meat and Related Products (14.4 percentage points), Oils and Fats (12.4 percentage points), Milk, Cheese and Eggs (10.5 percentage points), Vegetables (7.6 percentage points) and Fruit and Dried Fruit (6.2 percentage points), respectively. The highest monthly inflation rate in 06/1401 belonged to “Restaurants and Hotels” (4.9 percent) which was 2.7 percentage

points higher than the monthly increase in overall index. Furthermore, the lowest monthly inflation rate experienced in “Transport” (0.2 percent). The monthly growth rate of Food and Beverages price index, which was recorded 25.9 percent in 03/1401, has been decreasing since then, recording 1.5 percent in 05/1401, however, it increased by 0.7 percentage points in 06/1401 compared to 05/1401. Among the components of Food and Beverages group, the highest and lowest monthly inflation rates were related to “Meat, White Meat and Related Products” (5.1 percent) and “Oils and Fats” (negative 2.8 percent), respectively. The main contributors to the 2.2 percent monthly inflation rate in 06/1401 are: Food and Beverages (0.9 percentage

points), Housing, Water, Electricity, Gas and Other Fuels (0.7 percentage points), Clothing and Footwear (0.2 percentage points), Restaurants and Hotels (0.1 percentage points) and Household Equipment (0.1 percentage points), respectively. Meanwhile, the main contributors to the 2.2 percent monthly inflation rate of Food and Beverages group in 06/1401 are: Meat, White Meat and Related Products (1.0 percentage points), Vegetables (0.5 percentage points), Fruit and Dried Fruit (0.4 percentage points) and Bread and Cereals (0.2 percentage points), respectively. Table 21 exhibits CPI inflation rates in major groups of the consumption basket in 06/1401, in descending order of weight in the basket.

Table 21 - Inflation Rates of Major Groups in the Consumption Basket in 06/1401 (percent)

	Weight in the Basket	Price Percentage Change		
		Monthly	Point-to-point	Annual
Housing, Water, Electricity, Gas and Other Fuels	35.5	3.3	31.0	28.8
Food and Beverages	26.6	2.2	76.1	59.0
Transport	9.4	0.2	33.9	35.0
Health	7.1	1.5	38.9	35.3
Clothing and Footwear	4.8	2.7	48.4	47.9
Others	4.2	1.3	35.8	35.3
Household Equipment	3.9	1.8	36.0	34.8
Communication	2.9	0.8	10.4	5.7
Education	1.9	2.9	34.1	29.0
Recreation and Culture	1.7	2.6	32.3	31.0
Restaurants and Hotels	1.4	4.9	84.4	69.8
Tobacco	0.6	1.6	46.6	38.7
Overall	100.0	2.2	49.7	42.1

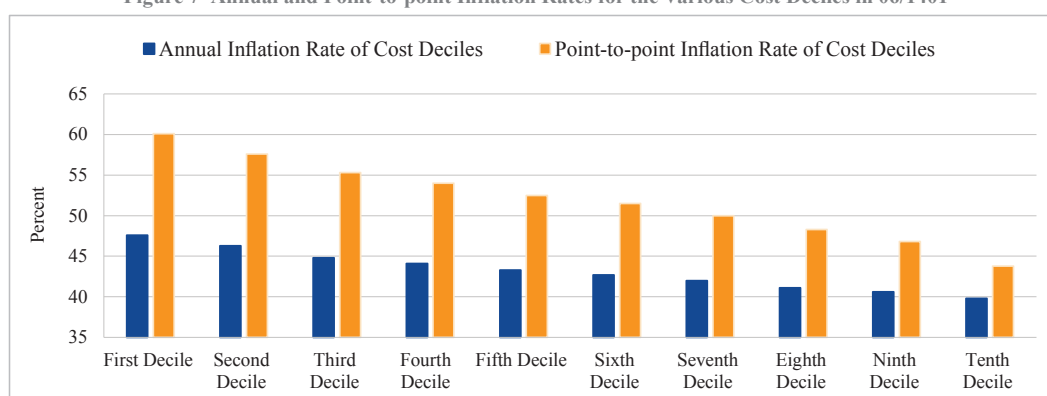
Source: Statistical Center of Iran, reports of the consumer price index

Moreover, the highest and lowest monthly inflation rates belonged to Lorestan province (3.3 percent) and Markazi province (0.8 percent), respectively. Also, the highest and lowest annual inflation rates in the period under review were related to Kohgiluyeh and Boyer-Ahmad province (47.9 percent) and Khuzestan province (37.9 percent), respectively.

On the other hand, the annual inflation rates of different cost deciles ranged between 39.8 percent for the tenth decile and 47.6 percent for the first decile in 06/1401. Regarding point-to-point inflation rate, the range was between 43.8 percent

for the tenth decile and 60.1 percent for the first decile in the period under review. It is noteworthy that the weight in the basket of “food, beverages and tobacco” and “non-food goods and services” is estimated at 43.3 percent and 56.7 percent for the first decile and 17.2 percent and 82.8 percent for the tenth decile, respectively. So, the lower-income class has been incurred heavier expenses which led to a wider gap between high-income and low-income households. Figure 7 shows the annual and point-to-point inflation rates for the various cost deciles in 06/1401.

Figure 7- Annual and Point-to-point Inflation Rates for the Various Cost Deciles in 06/1401



Source: Statistical Center of Iran, reports of the consumer price index

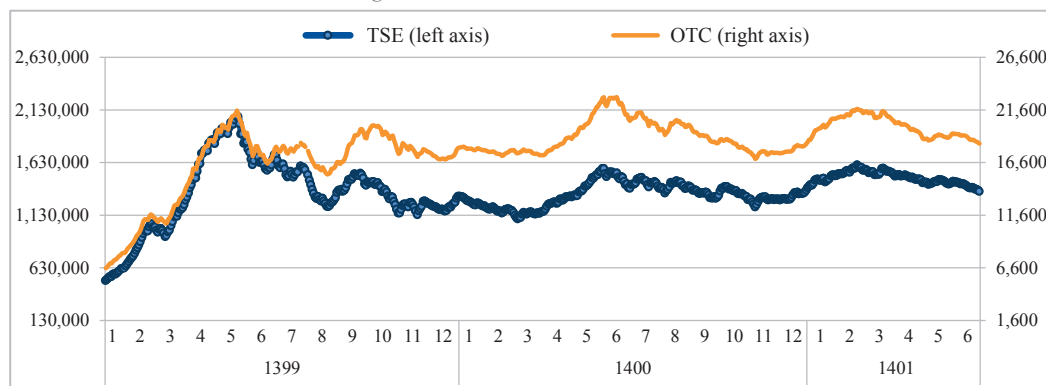
9. Capital Market

The overall index of the Tehran Stock Exchange (TSE) increased by 13.2 percent from the second week of 11/1400 to the end of 1400, registering 1,367.3 thousand, due to decisions such as no change in the share of government in mining revenues in 1401, restricted issuance of government bonds in the capital market up to 50 percent of the capital inflows to the capital market and the active intervention of the CBI in the interbank market to control the interest rate, as well as a significant increase in the global oil

prices. However, the overall index fell to 1,355.2 thousand at the end of 1401H1.

The Over-the-counter (OTC) market had similar trend and its overall index grew by 17.2 percent from the end of 1400 to the end of 02/1401. After that, it reversed course and decreased by 14.6 percent during four months ending 06/1401, registering 18.4 thousand. Figure 8 depicts the daily developments of TSE and OTC indices from 1399 to 1401H1.

Figure 8- TSE and OTC Overall Indices



Source: <http://new.tse.ir> and <http://ifb.ir>

According to the TSE's monthly reports, the number of equities traded in 1401H1 rose by 11.0 percent compared to the same period of the last year, registering 875.7 billion. Considering decrease in prices, the value of equities transactions dropped by 25.0 percent, registering IRR3,957.7 trillion. The value of transactions in debt securities and exchange-traded funds grew by 125.0 percent and 15.3 percent, respectively, although the value of total transactions (sum of equities, debt securities, derivatives and exchange-traded funds) decreased by 12.7 percent during the same period due to their low market share. The TSE's market

capitalization decreased by 4.4 percent and stood at IRR51,062.3 trillion at the end of 06/1401.

At the end of 06/1401, the equally-weighted index rose by 13.6 percent compared to the end of 1400, however, it fell by 4.8 percent (2.5 percentage points more than the decrease of the overall index) compared to the same period of preceding year. Therefore, the equities of small-sized companies experienced a larger decrease in prices compared to the bigger companies on average. Table 22 gives more details on these statistics for the TSE.

Table 22- Some Important Statistics of the TSE

	During the Period			End of the Period				
	Number of Traded Equities (billion shares)	Value of Traded Equities (IRR trillion)	Total Value of Transactions (IRR trillion)	Market Capitalization (IRR trillion)	Equally-weighted Index (thousand)	Overall Index (thousand)	Financial Index (thousand)	Industrial Index (thousand)
1401H1	875.7	3,957.7	6,070.8	51,062.3	395.7	1,355.2	1,427.8	1,254.1
1400H1	788.6	5,275.2	6,950.6	53,427.8	415.5	1,386.5	1,558.8	1,269.9
Percentage Change	11.0	-25.0	-12.7	-4.4	-4.8	-2.3	-8.4	-1.2

Source: Tehran Stock Exchange, Comprehensive Monthly Market Report, various issues

Listed Companies on TSE financed IRR1,114.6 trillion during 1401H1, out of which about 89.0 percent was done through raising capital (receivables and cash inflows, or savings and accumulated profits) and 10.4 percent through issuing debt bonds

and put options. Also, two companies listed their equities on the stock market for the first time, leading to financing to a total of IRR6.3 trillion. Table 23 summarizes this information compared to 1400H1.

Table 23- Financing Methods of Listed Companies on the TSE

	1400H1		1401H1		Percentage Change in Value
	Value (IRR trillion)	Share (percent)	Value (IRR trillion)	Share (percent)	
Total	475.6	100.0	1,114.6	100.0	134.4
Initial Public Offering	40.4	8.5	6.3	0.6	-84.3
Raising Capital (except for asset revaluation)	384.7	80.9	991.8	89.0	157.8
Issuing Debt Bonds	24.7	5.2	89.4	8.0	261.7
Issuing Subordinate Sale Option Bonds	25.9	5.4	27.2	2.4	5.0

Source: Tehran Stock Exchange, Comprehensive Monthly Market Report, various issues

10. Business Environment

The set of factors that are not under the control of the firm's managers but affect the firm's performance form the business environment of that firm. Continuous improvement in business environment of private firms is the prerequisite of the private sector's success. As the government establishes the institutions and regulations of doing business for firms, it plays a significant role in improving or exacerbating the business environment. The government can make sustainable economic growth more achievable by securing the trust of domestic and foreign investors and professional entrepreneurs via elimination of unnecessary interventions in operation of firms, recognition of property rights, and refraining from unfair economic rent distribution among economic agents. Various international institutions measure and quantify business environment factors via their own

methodologies which are presented in terms of different indices. Considering these indices helps achieving an overall picture of the country's business environment and assessing how it can be improved.

The World Bank initiated an index for assessing ease of doing business in various countries in 2001. The assessment results were published in terms of annual reports from 2003 to 2020. Unfortunately, due to the revelation of some violations (data manipulation, including data related to Saudi Arabia) in the 2020 report, the publication of the report is stopped from this year onwards. Meanwhile, the Global Competitiveness Report of the World Economic Forum (WEF) which was ranked countries in four areas (enabling environment, human capital, markets, and innovation ecosystem), is stopped ranking since 2020.

Monitoring Business Environment by ICCIMA

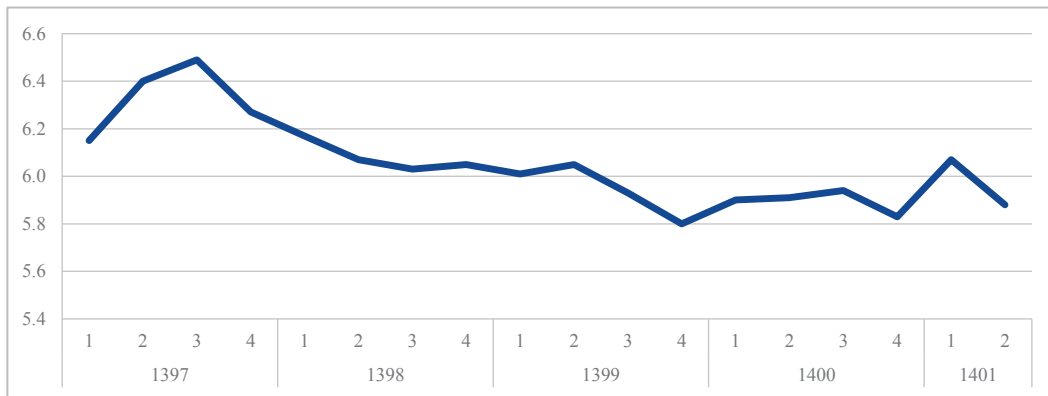
According to "sustained improvement in business environment law" passed in 1390, Chambers of Commerce are obliged to determine national indicators of business environment in Iran and also assess and publish them annually and quarterly in different provinces, sectors, and economic activities in order to enable the policymakers to monitor the conditions of business environment in the country. Although this was previously carried out by Islamic Parliament Research Center till 1395, Iran Chamber of Commerce, Industries, Mines, and Agriculture (ICCIMA) identified and introduced national indicators for monitoring business environment in a research in 1394 and started the national project of monitoring business environment in collaboration with Iran Chamber of Cooperative and Iran Chamber of Guilds.

In 1401Q2, the ICCIMA issued its latest report on monitoring business environment in Iran. In this report, survey data were obtained via perception polls on the condition of business environment components in the country by 2,546 economic agents of three Chambers (the ICCIMA, Chamber of Cooperative, and Chamber of Guilds) through completing online questionnaires and phone sampling, while statistical data were collected from official statistical sources of the country.

Based on the results of the latest report, the national indicator of the business environment in 1401Q2 reached 5.88, indicating minor changes compared to 5.91 in 1400Q2. The indicator ranges from 0 to 10, with 10 pertaining to the worst state.

The economic agents voted for "instability and unpredictability of prices (for raw materials and products)", "instability of policies, regulations, and procedures concerning doing business" and "difficulty of financing from banking system" as the most unfavorable components of the firms' business environment, and "ease of access to water", "ease of access to energy carriers such as electricity, gas and diesel fuel", and "customer acceptance of innovation in products and services" as its most favorable components, respectively. It is worth mentioning that since the fall of 1396, instability and unpredictability of prices have always been evaluated as the most unfavorable component of business environment. Therefore, the inflation crisis is the most important obstacle for businesses. So, expansionary monetary policy will not only do not improve economic growth, but will also reduce it. Another point is that the distribution system has been evaluated as the fifth favorable component of Iran's business environment, while policy makers mainly blame the distribution system and intermediaries for the existing economic problems. Figure 9 exhibits overall index of business environment from 1397Q1 to 1401Q2. It seems that after the shock of the new US sanctions, businesses gradually adapted to the new conditions until 1399. Moreover, the election of the new American president also improved Iran's business environment slightly. However, in the last six quarters, developments have mainly been towards more unfavorable business environment.

Figure 9- Overall Index of Business Environment*



Source: Iran Chamber of Commerce, Industries, Mines, and Agriculture, quarterly reports of monitoring business environment, 1400Q4
* Reducing the index means improving the business environment.

The economic agents voted for agriculture sector as having the most unfavorable business environment, following by services and industry sectors, respectively, however, the indices of all three sectors are very close to each other and their difference is not significant. In all three sectors, instability and unpredictability of prices was the most unfavorable component.

The ease of access to water was the most favorable component in services and industry sectors, however, in agriculture sector, ease of access to energy and customer acceptance of innovation in products and services were more favorable than ease of access to water.

Table 24 depicts which one had the best situation and which one had the worst situation among the fields of economic activities regarding each component in 1401Q2.

In this report, "Kerman", "Ardabil" and "Bushehr" provinces had the most unfavorable and "Markazi", "Qazvin" and "Fars" provinces had the most favorable business environments,

respectively. Also, among the field of economic activities, "water Supply; sewerage, waste Management and remediation activities", "arts, entertainment and recreation" and "construction" had the most unfavorable and "education", "financial and insurance activities" and "real estate activities" had the most favorable business environments, respectively. In terms of firm size, firms with between 6 and 10 employees had the most favorable and firms with over 200 employees had the most unfavorable business environments. Regarding duration of the enterprise activity, enterprises with an activity period of less than 2 years had the most favorable and enterprises with an activity period of between 11 and 15 years had the most unfavorable business environments. The enterprises participating in this project have been operating with an average of 41.2 percent of their nominal capacity, indicating 0.8 percentage points growth compared to the same period of preceding year.

Table 24- The Best and Worst Field of Economic Activities in Terms of Business Environment Components (1401Q2)

Component	Best Situation	Worst Situation
Instability and Unpredictability of Prices (for raw materials and products)	Real Estate Activities	“Water Supply; Sewerage, Waste Management and Remediation Activities” and “Human Health and Social Work Activities”
Instability of Policies, Regulations, and Procedures Concerning Doing Business	Real Estate Activities	Water Supply; Sewerage, Waste Management and Remediation Activities
Difficulty of Financing from the Banking System	Transportation and Storage	Water Supply; Sewerage, Waste Management and Remediation Activities
Inefficient Administrative Processes and Difficulty of Obtaining Business Licenses	Education	Water Supply; Sewerage, Waste Management and Remediation Activities
Unfair Auditing and Taxing Procedures	Financial and Insurance Activities	Arts, Entertainment and Recreation
Corruption in Administrative Organizations	Real Estate Activities	Arts, Entertainment and Recreation
Unreasonable Intervention of Government in Pricing	Administrative and Support Service Activities	Arts, Entertainment and Recreation
Production and Supply of Non-standard and Counterfeit Goods	Financial and Insurance Activities	Other Service Activities*
Different Interpretations of Laws and Regulations by Public Sector Employees	Real Estate Activities	Arts, Entertainment and Recreation
Monopoly, Privilege or Any Kind of Economic Rent to a Number of Competitors in the Market	Mining and Quarrying	Water Supply; Sewerage, Waste Management and Remediation Activities
Unfair Competition of Public or Quasi-public Corporations and Institutions in the Market	Financial and Insurance Activities	Water Supply; Sewerage, Waste Management and Remediation Activities
Courts' Deficiency in Dealing with Complaints and Effective Prosecution of Human Rights Violators	Real Estate Activities	Information and Communication
Strict Labor and Social Security Insurance Procedures for Human Resource Management	Financial and Insurance Activities	Information and Communication
Lack or Non-transparency of Required Information for Doing Business	Real Estate Activities	Information and Communication
General Absenteeism	Education	Arts, Entertainment and Recreation
Supply of Smuggled Goods	Mining and Quarrying	Other Service Activities*
Lack of Skilled Labor	Real Estate Activities	Education
Lack of Demand in the Market	Mining and Quarrying	Education
Lack of New Technologies and Required Equipment	Administrative and Support Service Activities	Water Supply; Sewerage, Waste Management and Remediation Activities
Lack of Appropriate Coordination in the Supply Chain	Human Health and Social Work Activities	Other Service Activities*
Contracting Parties' Non-compliance with Their Obligations and Promises	Real Estate Activities	Human Health and Social Work Activities
Poor Transportation Infrastructures	Education	Mining and Quarrying
General Tendency to Buy Imported Goods Instead of Domestic Products	Mining and Quarrying	Arts, Entertainment and Recreation
Ineffective Distribution System	“Education”, “Arts, Entertainment and Recreation” and “Human Health and Social Work Activities”	Water Supply; Sewerage, Waste Management and Remediation Activities
Limited Access to Mobile Network and Internet	Arts, Entertainment and Recreation	Human Health and Social Work Activities
Customer Acceptance of Innovation in Products and Services	Arts, Entertainment and Recreation	Water Supply; Sewerage, Waste Management and Remediation Activities
Limited Access to Energy Carriers (electricity, gas, diesel fuel, and ...)	Information and Communication	Mining and Quarrying
Limited Access to Water	Arts, Entertainment and Recreation	Mining and Quarrying

Source: Iran Chamber of Commerce, Industries, Mines, and Agriculture, quarterly reports of monitoring business environment

* Activities of membership organizations, the repair of computers and personal and household goods and a variety of personal service activities not covered elsewhere in the classification.

