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## The British-Iranian Chamber of Commerce

# Economic Headlines

16 March/18 April 2007

**Oil exploration and production.** Iran has ceased selling oil in US\$. Foreign companies have purchased the tender documents for the development of 17 oil blocks. Total has longer to decide whether to finally commit to the South Pars investment.

**Oil & Gas sales.** Funding has been allocated for the extension of gas lines in rural areas.

**Trade.** Iran has stopped opening L/Cs in US\$ to counter growing financial pressure.

**Tariffs.** The rise in tariffs this year will increase import duties and tariffs by 20%.

**Economy.** Foreign reserves continue to rise: they were US\$60 billion at the end of December. But liquidity in the economy was 45% in March.

**Inflation and price increases.** Disagreement about the level of inflation continues (the Majlis claiming it to be 22.4% last year, against the CBI figure of 13%). However most agree it is increasing and will continue to do so.

**Rationing and domestic shortages.** Arrangements for gasoline rationing are being put in place for its presumed start on 21st May. Smart cards are being located at gas stations and will be tested shortly.

**Privatisation.** Plans for further distribution of Shares for Justice are in hand. However the Head of the Judiciary warns that interpretations of the Supreme Leader's decree differ widely, which has resulted in implementation policies which are contradictory.

**Banking.** There are over 7,000 financial institutions unregulated by the CBI, although regulation and control of banks continues. 18 banks have been authorised to operate in Iran, but the house banks of the Basij, the police, IRGC and the Bonyad (Mostazafan) are not on the list. A Net Present Value formula for interest rates has been approved for interest rates.

**Finance.** The TSE are introducing measures to reduce market risk including: the development of investment funds, the formation of capital procurement companies, tougher market supervision, more company disclosure, penalties for wrongful disclosure, the design of new fiscal instruments and tighter control of price manipulation and insider dealing.

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