



The British-Iranian Chamber of Commerce

Economic Headlines

19 April-17 May 2007

Oil exploration and production. New oil reservoirs are being found. Iran and Oman have agreed to develop several common oil fields.

Oil & Gas sales. Agreement with Austrian OMV has been made for the annual sale of natural gas and LNG. However progress with major developments stalls when foreign finance is required: so, for example, OSF funds are to be allocated to allow the 7th pipeline to Sistan-Baluchestan to proceed.

Trade. Foreign imports have undercut local production in sectors, such as sugar, rice and shoes. Fears of bankruptcy and closure of local businesses, leading to unemployment, have been voiced by the industry bodies.

Tariffs. There is to be a 50% discount on the tariff and charges for ships carrying non-oil commodities to Iraqis.

Sanctions. The Society of Textile Industries claims that about 400 factories are on the verge of closure due to the unwillingness of foreign banks to accept Iranian L/Cs. Purchases from abroad are increasingly being made on a cash basis.

Economy. Liquidity growth (42.1% last year) is a major problem for the economy which will lead to further inflation without tight control of government spending and a rise in interest rates. This is noted by the IMF. The CBI has proposed that the interest rate on Participation Bonds be increased to encourage their take-up to reduce liquidity. Forecasters disagree on whether Iran's external debt will rise or fall in the near future.

Government budgeting and spending. Last year budget deficit was US\$16 billion, US\$1.3 billion more than the previous year. The reorganisation of MPO is being put into effect.

Inflation and price increases. Inflation continues to rise: IMF says it will increase to 17.6% this year. Specific price rises indicate inflation will rise further: imported clothing is reported to have risen by 30% in the last two months and food prices by 12% in the last month in Tehran.

Rationing and domestic shortages. There is increasing consensus that gasoline rationing will commence on 22nd May, but it may not be comprehensively introduced at first because of the practicality of distributing 7 million smart cards (the mechanism for monitoring rationing) throughout the country.

Privatisation. About US\$8.9 billion of Shares for Justice will be distributed to 14 million people this year.

Banking. The Money and Credit Council are resisting the enforced reduction of bank interest rates, which is government policy.

Finance. The Courts of Audit have instructed the CBI not to give further loans to some 119 government companies, because they are over-borrowed and defaulting on obligations. At present tax collection is at a virtual stop due to widespread changes in the Iran Tax Organisation.

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