



The British-Iranian Chamber of Commerce

Economic Headlines

18 May-14 June 2007

Oil exploration and production. As foreign finance becomes less available, Iran prepares to use its own funds for South Pars developments. OSF funds have been earmarked for South Pars 17 and 18 and issues of Participation Bonds are mooted for other projects.

Oil & Gas sales. It is intended that Bahrain will be a recipient of Iranian gas. Iraq and Iran have agreed to build a pipeline to Abadan for the export of Iraqi oil. Reports suggest that the gas price agreed with Pakistan and India is less than that paid by Turkey for Iranian gas – if so, the average price of Iranian future gas sales has reduced.

Trade. Iranian exports are indicated to remain level this year- a decline in oil exports being compensated by an increase in non-oil exports. Trade relations continue to be developed in the region: Kazakhstan will invest US\$600 million in Mazandaran; and Iran will sell electricity to Iraq. Mineral and industrial goods exports were US\$12.5 billion last year, 71.7% higher than a year earlier.

Sanctions. Auto parts imports have dropped drastically because of the greater difficulty in obtaining LCs.

Economy. Only 85% of last year's budgeted tax revenues were collected. GDP is predicted to grow by US\$22.5 billion this year (to US\$250 billion). The electricity sector needs more resources and higher prices to cover its deficit. The Gonu cyclone has destroyed the 4,000 hectares of shrimp farms in Sistan-Baluchestan. Chemical fertiliser plants have closed due to preference for imports. 57 economists have written to the President criticising economic policies.

Government budgeting and spending. Government deficit is expected to rise this year US\$12.2 billion.

Inflation and price increases. There a number of examples of the further fuelling of inflation beyond its official rate of 17%. Prices rises have occurred or are approved in: medical charges, airfares, home appliances, dairy products, electricity charges in Tehran.

Rationing and domestic shortages. The new subsidised price for gasoline is RIs.1,000 per litre. The government and Majlis are reported to have agreed gasoline quotas. The most recently estimated date for the commencement of gasoline rationing is 22nd June. It seems that gasoline purchases over quota will be at market prices.

Privatisation. Companies in the petroleum and minerals and mines sectors have been identified for privatisation. 5% of Iralco shares have been issued through the TSE. It is intended to provide bank loans to enable large blocks of shares for privatisation to be purchased.

Banking. The reduction of bank lending rates to 12% by government diktat is strongly disputed by the sector and the outcome has still to be settled.

Finance. The Cabinet has approved an issue of RIs.6 trillion (US\$650 million) Participation Bonds by the CBI in two stages, in June and September.

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