



The British-Iranian Chamber of Commerce

Economic Headlines

15 June-12 July 2007

Oil exploration and production. Investment in South Pars is higher this year than last, estimated at US\$4 billion. The Chinese National Oil Company is investing in Kish Island to provide services to oil rigs. The Azadegan oil field has successfully produce trial oil production.

Oil & Gas sales. The volume of oil swaps with Central Asian countries has grown quickly this year. Turkmenistan has increased its sale of gas to Iran. Crude oil exports are expected to remain steady at 2.4 million b/d for the time being.

Trade. EU trade with Iran fell 5% in Q1 2007 to €4.7 billion compared with the same period last year. Iran and Turkey have signed an MoU to transfer 220 MW per day of electricity to Turkey.

Sanctions. A US State Department spokesman has warned that Chinese companies might be subject to US sanctions if they invest in Iran.

Economy. The CBI reported a 39.4% rise in liquidity last year, a 113% rise in the government deficit and a rise in OSF withdrawals of 105%.

Government budgeting and spending. MPO has been merged into the President's office; many believe this will help the government increase spending.

Inflation and price increases. Inflation was 13.6% last year using the new basket of commodities: it was 17% when last measured by the previous index. Monthly inflation continues to grow, being 14.2% in June. Prices have

continued to increase in lamb meat, cooking oil, cereals, fresh vegetables and clothes and are set to rise in dairy products, medical charges and water.

Rationing and domestic shortages. Gasoline rationing commenced at the end of June: 750 gas stations were unable to supply fuel because of inadequate preparation, 37 stations in Tehran were set alight and there were demonstrations against the President. No arrangements have been made to supply excess fuel for those who want it. At first consumption fell, but smuggling is reported. The President suggested that electricity rationing could be a possibility to avoid the blackouts that are predicted for the summer.

Privatisation. IRALCO shares were brought to the market through the TSE. Bank Saderat is being readied for privatisation. The first distribution of dividend on Shares for Justice is planned for the autumn.

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

Chamber of Commerce. Navandian, in an early address as Chairman of the Iran Chamber of Commerce criticised both the government's policy on interest rates and gasoline rationing.

Banking. The new 12% interest rates applied from 7th July. The CBI is to provide US\$6.1 billion of deposits for three banks at 2% interest rate to facilitate the financing of large projects and export-orientated production and services.

The British-Iranian Chamber of Commerce

4 Victoria Street
London SW1H 0NE UK
Telephone: +44 20 7233 4441
Fax: +44 20 7233 4442
Email: directorgeneral@bicc.org.uk

All of the news items in this document are taken from other sources. BICC and Denton Wilde Sapte LLP cannot be held responsible for any inaccuracies in their content.

This document was prepared by and published by British Iranian Chamber of Commerce for its members.

