



The British-Iranian Chamber of Commerce

Economic Headlines

19 October-15 November 2007

Oil exploration and production. Acting Minister of Oil confirmed Iran's oil production at 4.1 million b/d. Reserves of gas in Blocks A and B of the Farfour field have been announced as 31TCF.

Oil & gas sales. This month the news is mixed on the development and sale of both pipeline and liquefied gas. Armenia will not take piped gas from Iran at present as agreed, but there is further positive Iranian comment on the Iran-Turkey gas pipeline project. Shell and Repsol have postponed a decision on Pars LNG until June 2008, but a €400 million subcontract for Iran LNG has been signed with a consortium of Iranian companies and APS Engineering, an Italian company.

Other projects. US\$2.2 billion of power plants await Council of Guardian approval. A €560 million contract has been signed with Siemens for a monorail in Tehran.

Trade. UAE exports to Iran, at \$US2.3 billion, were 5 per cent higher in the second than the first quarter.

Tariffs, duties and taxes. Government wishes to back-date a 300-400 per cent increase in mining royalties to the issuance of exploitation permits: the mining sector wants it implemented from this year only. Enthusiasm for VAT in government seems lukewarm: it will only be introduced for a trial from next September and will be at a rate of 1.5 per cent.

Sanctions. Chairman of the Iran Chamber of Commerce, Nahavandian, says that the introduction of sanctions will have little effect on the economy; sanctions will increase costs but not disrupt the vast bilateral trade deals.

Economy. . CBI has announced that liquidity has slowed, but it is still at 37.4 per cent: two issues of Participation Bonds are mooted in the next few months to reduce it further. The Oil Surplus Fund was reported to have been fully depleted

several months ago, but continuing strong oil prices should have replenished it.

Government budgeting and spending. There has been a fierce argument over next year's budget between government and Majlis. The government made proposals which, in effect, reduced Majlis approval of budget allocations and budget supervision and to pass the responsibility for much of the budget to the provinces. Subsequent signs of some harmony between the Majlis leadership and the President may indicate a deal has been struck behind-the-scenes. Additionally government is considering a new reserve fund for surplus oil revenues, which would reduce Majlis control of the funding of government overspending.

Inflation and price increases. Wholesale price inflation in September was 13.2 per cent, the CBI has announced.

Rationing and domestic shortages. The budget for the import of diesel will need additional funding before the end of the year. A new US\$1.5 billion for the import of gasoline is to be presented to the Majlis. The end of gasoline rationing may be in sight: it is claimed that Iran will be self-sufficient in gasoline by 2009.

Privatisation. . The Article 44 Privatisation Bill has been returned by the Guardian Council directly to the Majlis with 36 objections, without reference to the Expediency Council. But share sales continue through the TSE. The shares of some government banks may be offered to the TSE within a month, but these include banks sanctioned under US law so there is considerable doubt as to whether there will be buyers for bank shares..

Banking. Non-performing loans at August amounted to some US\$13 billion

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