



The British-Iranian Chamber of Commerce

Economic Headlines: 15 May – 12 June 2008

Oil & Gas exploration and production. Oil production remains at 3.9 million b/d. Although NIOOC announced the joint development of the Resalat oil field with Amona, a Malaysian company, it has been denied by the company.

Oil & Gas sales. A Turkish delegation is expected in Tehran to discuss the development of South Pars Phases 22-24.

Trade. The Chinese Ambassador announced that Iran/China trade had increased 59% so far in 2008 and is expected to maintain this growth by the end of the year.

Economy. Iran's external reserves are expected to reach US\$67 billion by the year-end. Unemployment will worsen to 12.5% by the end of 2008. CBI has stopped issuing Participation Bonds, where the interest rate is lower than inflation. An MP is calling for an investigation by the Court of Audit into the claimed non-deposit three years ago of some US\$14 billion of oil income in treasury accounts.

Shortages and drought. Cereal production is expected to fall 19% this year and imports to increase. There is a power shortage which will worsen by the end of the summer: this has caused blackouts in Tehran and other cities. In Gilan province, there is water rationing to private consumers and agriculture. Government budgeting and spending. The head of the Majlis Economy Commission says OSF withdrawals of US\$34 billion last year when the budget was US\$14 billion. The Majlis has regained some initiative in controlling the budget: government agreed to the Majlis making direct budget allocations for an increased number of entities. The VAT bill is finally approved for implementation from September.

Government changes. Rumours abound that Mazaheri will be replaced.

Inflation and price increases. Inflation increased to 25.3% in the year to May and health tariffs are to rise by 30-50% and egg prices by 25.6%. Prices of pasta and fruit have risen by 30% and 40% respectively this year.

Rationing and subsidies. Gasoline quotas are being reduced or eliminated, while the cost of importing gasoline and diesel this year is expected to be US\$8 billion, when US\$3.3 billion had been budgeted.

Privatisation. Privatisation through the TSE continues apace.

Finance, Banking and TSE. TEPIX was at its highest point in three years. The argument between Mazaheri and the government over the level of interest rates continues with contradictory statements made regularly.

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