



The British-Iranian Chamber of Commerce

Economic Headlines: 18 July – 17 September 2008

Oil & Gas exploration and production. Tenders have been issued for 14 oil fields in central Iran. Two new wells have come on stream in the Forouzan oil field.

Oil & Gas sales. Iran's oil revenues were US\$43 billion in the five months to August and the average price was US\$100/b. OMV (Austria) is seeking to participate in the Nabucco pipeline project. Iran claims Japan will not reduce its 10 per cent share of the Azadegan project.

Regional energy relationships. Iran is in various stages of discussion with regional partners about the supply of gas: with Kuwait, Oman (for the development of the Kish field). Talks with Crescent about gas supply to UAE continue but may not be concluded. A 20-year gas/electricity swap has been agreed with Armenia – Iran to receive electricity. Following the Georgian crisis, the first cargo of crude under swap arrangements with Azerbaijan has been received. Russia and Turkmenistan have been invited to participate in the Neka-Jask pipeline (which will transfer Caspian and Central Asian oil to the Oman Sea).

Other Projects. South Pars Phase 10 refinery will commence operations in September. There is strong international interest in bidding for the third Mobile operator contract.

Trade. Re-export from Dubai to Iran increased 25 per cent in the first half of 2008.

Economy. There will be a budget deficit this year, perhaps US\$30 billion, half of which is government debt to banks. Unemployment is predicted by EIU to remain at 12.5 per cent this year, although it will increase subsequently. Liquidity is reported as falling by the CBI and was down to 18.1 per cent in July, but US\$37 billion of Participation Bonds – anti-liquidity instruments – are unsold by banks because their interest rate is lower than inflation. GDP and the current account surplus continue to grow

Economic Restructuring Plan. The government and Majlis have working groups to assess how subsidies can be switched to cash subsidies – an important element in the economic restructuring plan.

Real Estate. The Minister of Housing claimed that there had been a drop in house prices and that it will continue.

Shortages and drought. Blackouts are expected to continue through next year, due to drought and gas shortages to fuel power stations. Wheat production is expected to fall.

Government changes. Three ministerial appointments were made: for Economy, Transport and the Interior.

Inflation and price increases. Annual inflation is rising; it was 27.6 per cent in August. Dairy and energy prices are set to rise further.

Rationing and subsidies. Gasoline consumption has risen despite rationing; Nematzadeh expects the ration for private cars to be reduced.

Privatisation. Five per cent of the shares of Iran Telecommunications Co. were issued on the TSE; there is also strong international interest in the company. Shareholder of Shares for Justice will receive only half the due dividend: the other half being applied to the reduction of the consideration. Shares for Justice will not now be granted to state companies.

Banking, Insurance and Finance. Bank deposit rates have been increased. As many as 75 per cent of Bank of Agriculture customers have asked for help in settling their debts. The Central Insurance Company is providing reinsurance cover for those insurance companies which have lost their international cover due to sanctions.

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