



The British-Iranian Chamber of Commerce

Economic Headlines: 18 September – 14 October 2008

Oil & Gas exploration and production. The development of oil and gas by foreign partners continues. ONGC is about to submit the master development plan for Farzad B block, part of the Farsi gas field. Sinopec has started the basic operational design for the Yadavaran oil field.

Oil & Gas sales. Iran envisages that a pipeline (the Pars Line) will be built from Iran to Europe, avoiding eastern Europe; this will be in addition to the Nabucco pipeline. India, China and Japan are the leading buyers of Iranian crude at present.

Regional energy relationships. Bahrain and Iran have signed a MoU on economic cooperation.

Other Projects. IRGC Khatam-al-Anbia HQ and Sadid Industrial Group have won a €320 million tender to build a pipeline for NIGC.

Trade. In the first half year, non-oil exports were US\$9.7 billion and imports were US\$29.8 billion, a US\$21.1 billion deficit. Imports fell by weight but increased by value. The leading exporters to Iran are: UAE, Germany, China, Switzerland and South Korea. The IMF announced that at an oil price of US\$90/b (higher than present market prices), Iran would have a trade deficit.

Economy. The 2009/2010 Budget is to be based on 20 per cent inflation, 6.6 per cent growth rate and an oil price of US\$55-60 per barrel. Liquidity has declined to 21 per cent (39 per cent in 2006; 27.7 per cent in 2007).

Shortages and drought. The drought continues and its effects are likely to be felt through the autumn and winter. Gas shortages are expected this winter: this will reduce supply to industry.

Bazaar strike. Bazaars around the country closed in protest against the introduction of 3 per cent VAT, causing the deferment of its implementation. At mid-October, parts of the Tehran, Tabriz and Esfahan bazaars remained closed.

Government changes. There have been a number of government appointments. Mazaheri was replaced by Bahmani as Governor of the CBI and Samsami, formerly caretaker Minister of the Economy, was appointed Deputy Governor. Shahnazadeh replaced Nematzadeh as Deputy Minister of Petroleum, although the latter remains as an advisor to Nozari, the Minister of Petroleum. Nozari made six other Deputy Minister appointments.

Inflation and price increases. Annual inflation remains high (the CPI was 29.4 per cent in September) – the IMF believes it will continue to be so for some years.

Rationing and subsidies. It was announced that the subsidised gasoline quota will be reduced from March 2009 and will be phased out by 2012.

Privatisation. A dividend is being paid on Shares for Justice, although a part of it will be withheld to repay principal.

Banking, Insurance and Finance. There are auguries of a healthier banking sector: interest rates on deposits have been increased, US\$5.4 billion of bank debt to the CBI has been written off and the CBI has bought back from banks US\$3.8 billion of unsold Participation Bonds.

Tehran Stock Exchange. The TEPIX has fallen throughout the period. The first listing of a retail chain, Refah Stores, on the TSE is expected to be followed by others.

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