



## The British-Iranian Chamber of Commerce

### Economic Headlines: 15 October – 13 November 2008

**Oil & Gas exploration and production.** South Pars Phases 6, 7 and 8 have been inaugurated. The Kish Island gas field reserves are reported to be 100 million cubic meters per day – equivalent to four phases of South Pars. Iran's share of OPEC's production cut will be 199,000b/d.

**Oil & Gas sales.** Iran, Qatar and Russia, owners of 60 per cent of the world's gas reserves, have met to commence trilateral co-operation for gas field development, and gas supply to global markets – this is the beginnings of a "Gas OPEC" perhaps. India has rejoined contact over the IPI pipeline development. Gas from South Pars 20,21,22,23 and 24 is earmarked for Europe through the Persian pipeline proposal; although OMV, the consortium leader for the Nubucco pipeline says Iran should not be excluded as a long-term supplier.

**Regional energy relationships.** Meetings between Turkmenistan and Iran and Bahrain and Iran have brought these gas supply agreements nearer. Kazakhstan is willing to consider the swap of oil and gas exploration rights in the Caspian with those of Iran in the Gulf: this would reduce Russian influence over its oil sales.

**Impact of the world economic crisis on Iran.** The fall in oil prices will have a significant affect on Iran: reducing income by US\$54 billion this year and next year's budget assumption to US\$50-60 per barrel; but it should lead to a fall in liquidity and inflation and perhaps a reduction in government spending.

**Trade.** Wishing to export to regional markets, cement manufacturers are lobbying for the removal of the export tariff, now that the domestic market is in equilibrium..

**Economy.** EIU estimates unemployment will be 12.5 per cent this year. IMF reports economic growth to be 6.4 per cent in Iran in 2007 but expects it to fall in 2008 and 2009.

**Economic Reform.** The government has submitted a bill to the Majlis to liberalise domestic oil, gas and electricity prices over three years. 60 per cent of the released subsidy is intended for distribution directly to the population. Initial signs are of detailed scrutiny by the Majlis. Although there is a considerable risk of high inflation as a result, it may be opportune to introduce this policy now oil prices have fallen.

**Government Budgeting.** The government continues to draw on the OSF: for power projects and natural gas supply to rural areas. The OSF balance is reported to be US\$25 billion, less than had been expected after a period of high oil income. The Majlis rejected a bill for a US\$15 billion OSF withdrawal to recapitalise the banks. The Majlis estimates the current government deficit to be US\$7 billion.

**Shortages and drought.** Electricity blackouts are expected throughout next year because of the run-down state of generating facilities and the shortage of skilled labour.

**Inflation and price increases.** The annual rate of CPI was 29.4 per cent in September.

**Rationing and subsidies.** Gasoline rationing is forecast to be eliminated next year, subject to Majlis approval.

**VAT.** The introduction of VAT is expected to be delayed by one year.

**Political structure changes.** The Majlis Speaker has written to the President annulling his abolition last year of the Money and Credit Council and the Economy Council and the Board of Trustees of the OSF.

**Privatisation.** Dividend payments to 22 million holders of Shares for Justice commenced in October.

**Banking, Insurance and Finance.** The CBI has granted three credit lines, totalling US\$20.5 billion, to the banking sector, for on-lending to industry, housing and SME fast yield projects.

**Tehran Stock Exchange.** The TEDPIX fell 11.5 per cent during October.

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