



The British-Iranian Chamber of Commerce

Economic Headlines: 15 May – 24 June 2009

Economy and the Presidential Election. The challengers, Mousavi, Rezaee, and Karoubi, were strongly critical of the state of the economy (particularly: the high cost of goods, inflation, the growing income gaps in society and unemployment) and the economic management of the government. Although proclaiming successes, the incumbent, President Ahmadinejad, was largely defensive about unauthorised withdrawals from the OSF, for example. On a number of occasions Ahmadinejad's statements of fact were flatly denied by the challengers or officials or government bodies. On the eve of the election, the government decided to increase pensions by 25 per cent having earlier agreed to pay a Shares for Justice dividend.

Oil & Gas exploration and production. Three per cent of oil revenues are to be allocated to NIOC for the development of South Pars.

Oil & Gas sales. Nozari and officials were called to the Court of Audit to account for US\$1.58 billion of oil monies which had not been transferred to the Treasury.

Regional energy relations. Talks have restarted for the renewal of the contract to import gas from Turkmenistan. An Iran-Pakistan gas contract was signed: a pipeline is to be built to supply South Pars gas to Pakistan after 2013.

Trade. The import of low quality goods is to be prohibited where equivalent goods are manufactured in Iran.

Economy. The IMF forecasts Iran will grow at 3.2 per cent in 2009. Gold reserves are expected to fall to US\$82.6 billion by the end of the year.

Economic reform. Ahmadinejad urged on the Majlis the need for agreement on the subsidy targeting bill.

Inflation. Fruit prices rose by 22 per cent in June.

Petrol rationing. The Majlis Energy Commission reported that the government had violated the budget law by importing petrol without a budget allocation.

Privatisation. It is claimed that the recent distribution of a Share for Justice dividend couldn't have been funded from the declining profits of the companies concerned and must have been part-funded by government. In May, US\$382million was raised from the sale of 1.6 million shares of state organisations. Shares in banks Saderat and Tejarat were offered for sale on the TSE.

Government budgeting. US\$2 million was withdrawn from the OSF for oil and gas developments.

Government and institutional changes. Larijani was re-elected Majlis Speaker. Torkan was removed from his post as Deputy Petroleum Minister. The Majlis has rejected a government bill to reduce the number of ministries from 22 to 17. There was another denial that Bahmani would resign as Governor of CBI.

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