



The British-Iranian Chamber of Commerce

Sector Headlines: 15 May –24 June 2009

Economy and the Presidential Election

- Mousavi stressed the high price of goods, inflation, the growing income gap between groups in Iran, the impact of imports on local manufacture and increasing unemployment.
- Rezaee offered an economic revolution which would address: unemployment, inflation, improved international trade, encouraging foreign investment, and institutional amendments (such as the independence of the CBI).
- Karoubi said he would change the current management system in the country. He also mentioned the economic problems mentioned by Mousavi and Rezaee
- Ahmadinejad, referring to withdrawals from the OSF, described one occasion only on which he had asked the Supreme Leader to approve a withdrawal from the OSF. He also criticised the former Oil Minister, Zanganeh, and the “oil mafia”. He claimed a rise in employment, self-sufficiency in major industries, providing liquidity for the production sector, protection for domestic industry from foreign imports
- The Court of Audit denied Ahmadinejad’s remark on TV that the case of the missing US\$1 billion was now closed and resolved, saying it was still open and would now be referred to the Judiciary.
- In the Karoubi-Ahmadinejad TV debate, the later claimed inflation to be 15 per cent.
- Bahmani, CBI Governor, confirmed that inflation had been 10.4 per cent when the present government came to power and was now 25.4 per cent.
- Arman, a former director of Khuzestan Steel Complex, rejected Ahmadinejad’s claim that steel production was 17 million tons this year, saying that production was 11 million tons and capacity was 13.4 million tons.

- On the eve of the election, the State Security Organisation received a US\$5 billion loan from Bank Refah to pay a general pension increase: prior to the payment the government had decided to increase pensions by 25 per cent.

Oil & Gas exploration and production

- The Cabinet ratified an instruction to the CBI to allocate 3 per cent of oil revenues to NIOC for exploration, extraction and production of oil from South Pars.

Oil & Gas sales

- The US Energy Information Office announced that Iran’s crude oil revenues in 2009 to the end of May were US\$17 billion.
- Nozari, Petroleum Minister, and a number of Oil Ministry officials, were called to the Court of Audit to account for US\$1.58 billion of oil monies - neither the revenues nor the profits from transactions to purchase petrol for re-selling within Iran were transferred to the Treasury.

Regional energy relations

- Kasayi-Zadeh, NIGC director, says talks have restarted to renew the contract to import gas from Turkmenistan: important items are a reduction in the gas price, approval of a mechanism for varying the price and the development of gas fields by Iranian companies.
- The Iran-Pakistan gas contract was signed in Turkey, so that third country law applied. A 1,100km pipeline between the Assaluyeh Energy Zone and Pakistan to carry South Pars gas will be completed by 2013 with a capacity of 22 billion cubic meters per annum (rising later to 55 billion): it will cost some US\$7.4 billion.

- The Majlis and the Ministry of Petroleum disagreed over whether the contract for sale of gas to Pakistan needs Majlis approval. MP Katouzian says that the Constitution requires that contracts with long-term obligations need Majlis approval

Trade

- Davoudi, First Deputy President, announced the ratification of laws to prohibit the import of low quality goods where similar goods are manufactured in Iran.

Economy

- The IMF forecast that Iran's growth rate will be 3.2 per cent: GDP will rise by US\$17 billion to US\$358 billion by the end of 2009.
- EIU reported that Iran's reserves, excluding gold, will reduce by US\$14 billion to US\$82.6 billion this year.
- The Minister of Agriculture predicted wheat production will be around 13.5 million tons this year, which will obviate the need for imports as consumption is about 10.5 million tons.

Economic reform

- Ahmadinejad, in a meeting with the Majlis Economic Reform working group urged the need for agreement on the subsidy targeting bill.

Inflation

- The CBI reported a 22 per cent increase in fruit prices between mid-May and mid-June.

Petrol rationing

- The Majlis Energy Commission reported that the government had violated the budget law by importing petrol to provide 100 litres per month per individual of subsidised petrol for private vehicles for each of the first two quarters. Subsidised petrol for private vehicles can be provided from locally produced petrol only, the capacity of which would allow between 70 and 80 litres per month. A budget of some US\$900 million should have been but wasn't allocated to import the balance.

Privatisation

- Ghanbari MP says some MPs are considering the impeachment of the Economy Minister with regard to the calculation and distribution of the Shares for Justice dividend before the election and for failure to satisfy Article 44 of the Constitution.
- Hassan-Ali Ehsani, MD of a TSE brokerage firm, said that decreased profit margins of the companies in the Shares for Justice basket were insufficient to meet the recent dividend payment: he deduced that the dividend must have been met from government resources to some extent.
- Between 22 April and 22 May US\$382 million was raised from the sale of 1.6 million shares of state organisations.
- 1.8 million Bank Saderat shares were offered for sale on TSE as were 626 million (6 per cent) of Tejarat Bank shares. This brings to three the number of government-owned banks which have been brought to the TSE – the other being Mellat in February.

Government budgeting

- Nozari reported a withdrawal of US\$2 million from the OSF in May for the development of oil and gas.

Government and institutional changes

- Larijani was re-elected Speaker of the Majlis
- 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.
- A CBI public relations statement denied again that Bahmani had resigned.

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