



The British-Iranian Chamber of Commerce

Economic Headlines

20 September-18 October 2007

Oil exploration and production. Crude oil capacity is reported as increasing by the Acting Minister of Petroleum. OMV announced that it will develop the Danan oil field. All gas production from Phases 6, 7 & 8 of South Pars has been dedicated to reinjection into depleted Khuzestan oil fields and a pipeline is being built for its transfer. Primary engineering contracts for South Pars Phases 15 & 16 have been let to European and Australian companies.

Oil & gas sales. Syria has agreed to buy Iranian gas. Abu Dhabi national Energy Co has expressed an interest in the IPI gas project. Gas sales to power plants in Iran will be drastically reduced and a gas supply crisis is expected in the winter.

Trade. Iran confirmed China as its largest trade partner, with a trade volume of US\$15 billion. Exports of US\$4.5 billion of minerals and industrial goods in the first five months of the year are about 79 per cent of all non-oil exports.

Tariffs, duties and taxes. First quarter tax revenues are 24 per cent less than budgeted. NIGC announced new differential gas tariffs.

Sanctions. The Turkish Energy Minister says Turkey will invest US\$3.5 billion in the Iranian gas sector despite US objections. The MD of Total says it will invest in South Pars despite US pressure.

Economy. In the first four months of the year, government expenditure was 4 percent more than budget and 9 per cent more than last year. The Minister of Labour confirms that the 4th Plan predictions for job creation were quite unrealistic.

Government budgeting and spending. The first quarter budget deficit, at US\$ 5.8 billion, was 8.6 per cent higher

than last year. Withdrawals from the OSF are sought by the electricity sector to meet shortfalls arising from the fixed pricing of electricity.

Inflation and price increases. Inflation is growing; the CBI's rate is 17.9 per cent; forecasts see higher figures which are supported by continued high price rises in many products, such as poultry, rice and meat.

Rationing and domestic shortages. Some extra gasoline is to become available. Additional gasoline quota is being given for specific reasons. A Majlis bill requiring the government to provide market-priced fuel did not pass. NIOC is funding imports in the interim. The government is working on a new bill for US\$1.5 billion for gasoline imports and US\$830 million for diesel imports.

Privatisation. Over 80 per cent of TSE transactions are in the shares of article 44 companies. Negotiations with foreign buyers are being held for the sale of 50 per cent of Mobarakeh Steel and IRALCO. The IPO for 5 per cent of Iran Telecommunications Co shares is anticipated for December – three overseas consortia have made proposals.

Banking. Mazaheri's plan for banking sector reform has three elements: banks will not lend with the expectation of sharing customer losses; interest will be eliminated, banks will make a 1-3 per cent administration charge; and customers will repay principal plus an amount equivalent to inflation.

Finance and the Tehran Stock Exchange. TEPIX rose 21 per cent in the year to September, more than officially reported inflation.

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