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Market Overview — 2

The Tehran Stock Exchange (TSE) started the Iranian New Year with a negative trend, declining 2.5 percent during April and March. Banks and financial intermediaries established a stabilization fund called “market development fund” in order to lower market fluctuations. The allocation of hard currency at the official exchange rate to the auto industry resulted in 6 percent increase in the auto industry index. The price of feedstock to petrochemical companies increased, resulting in a decrease in industry profitability outlook. The Central Bank put a cap on interest rates that banks pay depositors.

Country Overview — 5

Iranian New Year’s message by the Supreme Leader, by the President, and by Foreign Heads of States, government’s campaign against registration for cash hand outs, and EU human rights report and the US refusal to grant visa to Iranian Diplomat will be covered in this section.

Economy — 8

Iran’s exports and imports in 1392, the budget bill for the next Iranian year, the trend in oil production and exports, and the IMF’s report on Iran’s economy will be detailed in this section.

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Chief Editor: Ramin Rabii
Authors: Shervin Shahriari, Sanam Mahoozi, Radman Rabii, Mehran Azimi, Ehsan Ghamarian

Special thanks to Babak Motavalli

Turquoise Partners, No. 17 East Gord Alley, Bidar St., Fayyazi (Fereshteh) Ave.
Tel : +98 21 220 35 830 Fax : +98 21 220 49 260
Email : info@turquoisepartners.com
To find out more about Turquoise Partners, visit our website at: www.turquoisepartners.com.

The Tehran Stock Exchange started the Iranian New Year negatively with a 2.5% fall in the index from the beginning of March to the end of April. The index has fallen 13% from its peak on January 2nd.

The negative trend in the market is continuing despite the fact that political factors in relation to Iran's nuclear program are going well and there are no signs of problems regarding the upcoming negotiations in July. The economic factors which seem to be causing the prolongation of this negative trend are competition between banks in relation to deposit interest rates, the forecast for exchange rate stability and the lack of change in sales prices, especially in industries. There is also the high valuation of shares compared to the historical average. Taking into consideration that no rapid changes are predicted for any of the above factors, it is expected that the status quo will not change while investors wait for significant political news such as reaching a nuclear agreement.

Stabilization Fund

Due to the sharp decrease of 13% in the TSE index from the start of 2014, the government and the parliament have promised to support the market. It seems like the government has come up with a tool in order to do this. It has been decided that some banks and financial institutions attached to the government inject money into the stock market through a fund called the market development fund which is aimed at market making and decreasing the fluctuations of the past three months. According to news sources, this decision became operational in the second half of April and the market development fund has so far traded a value of $30 million in a variety of shares. Taking into consideration the natural attractiveness of the market due to the recent fall in prices, it is expected that the steps taken will result in the return of balance to the market after several months of negative performance.

Automotive

The news of the allocation of hard currency at the official exchange rate to domestic car manufacturers at the beginning of April caused a positive shock to this sector, resulting in a 6% rise in the industry index. This new development is good for the car manufactures because of a few reasons: one, with the allocation of the official exchange rate, the costs of imported material and necessary parts will decrease substantially; this is something that has not happened for the past 18 months and car manufacturers have had to get their products at the free market rate. Secondly, there will be a decrease in costs related to money transfers that used to be inflicted on car manufacturers due to the use of unofficial banking routes. Therefore, it can be said that this decision of the government to distribute monies at the official exchange rate to the automotive sector is a sign that there will be positive changes for this sector (which currently has bank debt of $3billion) and will decrease automotive companies costs (if nuclear negotiations continue positively).

Petrochemical

After negotiating for 18 months regarding raising feedstock price of petrochemical companies, the parliament decreed that the price must increase from 2.7 cents to 13 cents per m^3; consequently, the profitability and outlook of the industry became more clear to investors. Despite top managers in the industry massively disagreeing with this increase in prices and their arguments that the industry would not be economically profitable, estimates of the coming year's financials show a limited reduction in the profits of petrochemical companies. With profit margins of more than 50 percent, the petrochemical industry is still the most profitable sector on the stock exchange. Among the companies in this sector, producers of ammonia and urea predicted a decrease of less than 20 percent in their profits for the coming year in comparison to the previous year while methanol producers predicted a reduction of around 30 percent in profitability. Stocks in this sector had fallen on average by 7.3% by mid-March; at this point, majority shareholders started supporting their stocks, which improved sentiment and halted the decline.

Bank Rates

In the second half of April, the Banks Cooperation

Association reached an agreement to set interest rates at a determined and fixed level for all banks. The Central Bank and Money & Credit Council supported this and notified banks of the decision. According to the agreement, the maximum interest rate for deposits of 90 days or less is set at 10 percent, the maximum rate for deposits of more than 1 year is set at 22 percent, and for other maturities the cap is set at 14 to 18 percent. While restricting competitive power of banks to absorb deposits, the decrease in bank deposit rates has a limited power on declining expected return. Before this decision, banks had started offering rates of up to 24 percent for short-term deposits.

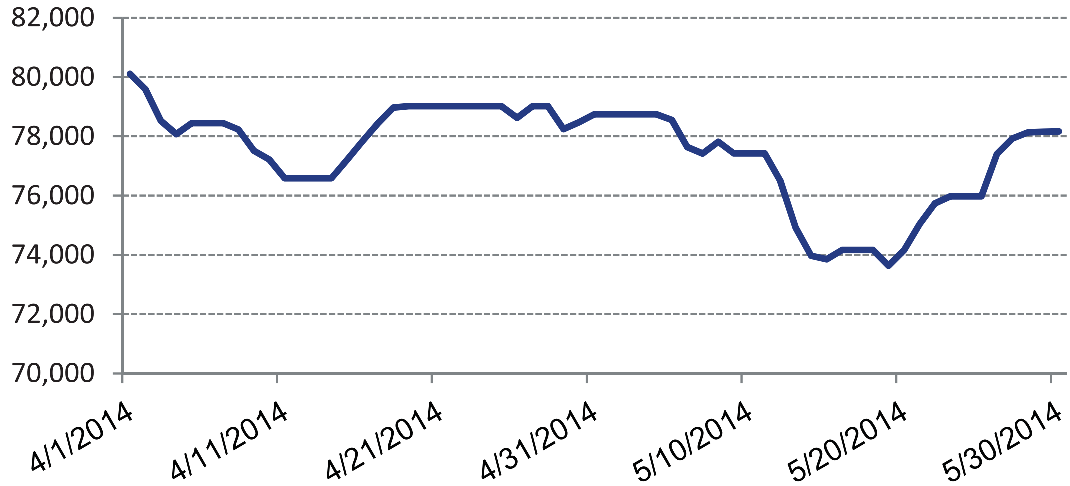
Considering the decrease in the inflation rate to 17 percent and the outlook for inflation, current deposit rates are still attractive to investors and investors' purchasing power can increase. This situation has also a direct effect on the stock market for two reasons. First, liquidity will get locked in banks and investors will have less money to invest. Secondly, expected returns on the stock market with its current average P/E of 7 are not as competitive as the returns that can be earned by placing deposits into banks. However, the outlook for macroeconomic variables suggest that this situation can not last for a long time and decelerating inflation in the first half of this current Iranian year will cause deposit rates to adjust downward.

Second phase of subsidies reform

While the Rouhani's government of Iran has demonstrated that it has a more liberal approach to the economy than the previous government had, some similarities between their approaches were seen at the end of April and after the implementation of the second round of subsidies reform. Based on the cabinet's decree, price controls on basic goods are to be implemented temporarily under the supervision of the president's representative. Basic goods consist of a wide range of goods including sugar, steel bullion, engine oil, cement, tile, auto, tire, polyethylene, etc. The government aims to control the sudden increase in prices and decrease inflation expectations. However, the experience from the first phase of reform showed that price control policy was not effective in the medium-term and that prices would find new equilibriums in spite of price controls. Although the mentioned controls are expected to limit the profitability of industries in the stock market, prices will adjust gradually and the negative effect on the profit margins of companies will not be significant.

In summary, March and April's stock market performance was negative, with the TSE index decreasing 1.3% and 1% respectively. Trade values for the period (excluding block trades) were 30 percent lower than the same period last year, and amounted to $600 million.

Performance of TSE All-Share Index (March & April)



Market Statistics (April)	
Average P/E	6.6
Trade Volume ($ Billion)	3.4
Trade Value Monthly Change (%)	5
Market Cap ($ Billion)	148

Top 5 Traded by Value (April)

Rank	Company Name	Turnover Value ($Million)	% of Total Turnover
1	Esfahan's Mobarakeh Steel Co.	139	8
2	Margarin Co.	137	8
3	Golgohar Mining & Industrial Co.	93	6
4	Mapna Group	69	4
5	Iran Khodro Industrial Group Co.	60	4

Top 5 Companies by Market Cap (April)

Rank	Company Name	Market Cap ($Million)	% of Total MC
1	Persian Gulf Petrochemical Industry	15,660	11
2	Bandar Abbas Oil Refining Co.	6,764	5
3	Esfahan's Mobarakeh Steel Co.	6,174	4
4	Iran Telecommunications Co.	6,121	4
5	Tamin Oil & Gas & Petrochemical Inv. Co.	5,712	4

All figures quoted in USD in this Newsletter are calculated based on the Central Bank of Iran's official USD/IRR exchange rate of 25,518, as at 30 April 2014

Due to Central Bank's revision on the official exchange rate of the Rial, TSE's market capitalization and trading value in USD have reduced dramatically.

Iranian New Year's Message by Supreme Leader, the President and Foreign Heads of States

On the eve of the Iranian New Year, Norouz, the Supreme Leader of the Islamic Republic of Iran, Ayatollah Khamenei, declared this year as "The Year of Economy and Culture with National Determination and Jihadi Management". This was in line with an annual tradition where the Supreme Leader assigns a title for the upcoming year, outlining the most pressing issues of the country.

After wishing the people of Iran, expatriates, and nations who celebrate Norouz, a happy and prosperous year, the Supreme Leader began to talk about the future of the country. Ayatollah Khamenei stressed the significance of problems that Iran's economy has been dealing with and articulated his hope that with the implementation of effective policies and strong efforts, these issues would soon be resolved. The Supreme Leader specified cultural development as another aspect with which the country should be concerned. He stated that with the help of its people and proper management, the country's rich culture and economy would no doubt flourish.

Hassan Rouhani also sent his first New Year's message as President to the people of Iran. He also focused on the economy and government plans to control inflation and boost trade. The President assured the people of Iran that at the very least, the market would be more stable in terms of price fluctuations. With regards to foreign relations and Iran's place in the international community, the President referred to the fact that the government has taken a huge step towards improving relations. He further mentioned that the interim nuclear deal, although short term, was a groundbreaking event and that his administration hoped to transform this into a permanent one. Mr Rouhani stated that he remained hopeful that sanctions, which have been adversely affecting the Iranian economy, can soon be relaxed. The President stressed that with these new developments, Iran has changed its position from both a domestic and international perspective. The President said that during the short time his administration has been in power, Iran has been witnessing a large number of political and economic visits by foreigners; this, he argued, is only a glimpse of what the future beholds.

With this change in the country's atmosphere, foreign heads of states and dignitaries also sent out their New Year's message to Iran with more enthusiasm and hopes for better relations. President Barack Obama, in line with previous years, conveyed his best wishes to the Iranian people for Norouz. The US President stated that he hopes that this new chapter will include an improved relationship between Iran and the United States and its people. He said that the people's election of President Hassan Rouhani, who had made various promises to the electorate, was a voice heard around the world. President Obama said that his direct telephone conversation with President Rouhani in September 2013, which was the first direct contact between Iranian and US Presidents since the Islamic Revolution in 1979, went well and that both parties expressed their respect for each other and their nation's people. Both called for improving mutual understanding and decreasing mistrust. According to the President of the United States, there have been clear improvements in the relationship between Iran and the West; however, it will take some time for many others to share this optimism.

The US Secretary of State, John Kerry, who met and held direct discussions with his Iranian counterpart in September 2013, Javad Zarif, again for the first time since the Iranian revolution, also joined President Obama in wishing the people of Iran and those who celebrate Norouz from East Asia to the Persian Gulf region a happy and prosperous year.

UK Foreign Minister, William Hague also sent a message to Iranians around the world and wished them a year filled with new beginnings and prosperity. He stated that the UK is looking to start a new relationship with Iran and hoped that the two countries will be able to join in building stronger economic ties. Mr. Hague stated that diplomats from both nations have been travelling back and forth and that there are good signs that tensions are starting to decrease. He stated that the UK is willing and looking forward to having a better relationship with Iran and expressed hopes that the two countries can move towards normalizing their relations.

Government's campaign against registration for cash hand outs

In the weeks following the Iranian New Year, the Iranian government initiated a campaign to persuade the wealthier classes of society to refrain from registering for direct cash hand-outs which were provided under the first phase of the subsidies removal scheme implemented during the previous administration. This campaign was in line with preparations for the second phase of the subsidies removal programme, which was meant to reduce the financial burden of subsidies that the government was maintaining on energy products, basic foodstuffs and utilities.

During the first phase of the subsidies removal programme, which was implemented from December 19 2010, the Iranian government cut subsidies on fuel, utilities, and basic foodstuffs. In order to compensate for the rise in prices and its possible socio-economic consequences, a scheme was introduced to provide cash hand-outs to the economically vulnerable members of society from the resources freed up by subsidy cuts. The very high number of cash hand-out applicants and the previous government's decision to grant cash aid to all applicants, resulted in a heavy financial burden for the government where the amount paid as cash hand-outs to the public significantly surpassed the resources that became available from removing subsidies. Regardless of the economic consequences of such a decision, the distribution of cash hand-outs continued to all Iranians who had applied.

With the coming into office of the new government, and the resulting tighter financial policies which were pursued in order to control and reduce inflation, President Rouhani's administration planned to restructure the subsidies removal program. The second phase of the scheme was designed to increase fuel prices, which had remained fixed since December of 2010 despite high inflation. Another objective was to create an obligation for those seeking cash aid to re-register if they wished to continue receiving the cash hand-outs. This was done in the hope of persuading wealthier Iranians to refrain from requesting the aid in the second phase.

Different government officials argued that if the more affluent classes refrained from accepting cash hand outs, the Iranian government would use the freed up resources to battle issues such as unemployment, and improve production, healthcare, public transportation, and education. The campaign included artists, political figures, and other noteworthy individuals who publicly advocated for refraining from the registration process to receive monthly cash payments. Government officials also indicated that in the coming months, the government would review the applications in order to make sure the applicants meet the requirements to receive the cash payments.

Despite weeks of advertising and the government's efforts, however, out of Iran's population of 77 million, 73.6 million registered to receive the cash hand-outs; the number of people who refrained from registering in the second phase of subsidies removal scheme for receiving this type of aid, in comparison to the first phase, was only 2.4 million. Despite the set-back in failing to persuade more people to forgo their aid, the government stated that about IRR 12,000 billion will be made available to the government this year as a result of those who refused the cash hand-outs at this stage. The government also stated that more people can register to refuse the hand-outs in the future. Officials also stated that the executive branch will consider its options regarding identifying the wealthier classes who have registered and halt the payments to these individuals in the coming months.

As the receipt of cash hand-outs has become a politically, socially and economically sensitive issue, analysts are waiting for the government's future actions regarding further restructuring of the cash hand-out scheme and the possible elimination of a higher income families and individuals from the payment list.

EU human rights report and the US refusal to grant visa to Iranian Diplomat

In early April, Iran's relations with the European Union and the United States faced further challenges following a resolution by the EU Parliament condemning the human rights situation in Iran and the US's refusal to grant a visa to Iran's United Nations representative nominee.

The Iranian Ministry of Foreign Affairs, summoned the Greek ambassador, as Greece currently holds the rotating presidency of the EU, to object to the resolution passed in the European Parliament which called for member countries to highlight human rights in all aspects of its relations with Iran. Even though the resolution holds no legislative power and is designed to reflect the parliament's view towards human rights in Iran, it has encouraged EU diplomats to include dialogue with Iranian officials regarding human rights in future discussions. The EU resolution condemns restrictions on free speech in Iran and requests that Iranian officials to place a moratorium on capital punishment.

Iranian officials objected to the resolution and have called such moves a direct interference in Iran's internal policies. The Iranian foreign minister, Mr. Zarif, in delivering a speech at the Iranian parliament, mentioned that the EU holds neither the position nor the moral authority for issuing such a resolution against the country. Iran's Speaker of Parliament also called the passing of the resolution politically motivated while the foreign ministry's spokesperson described it as unfounded and unacceptable. The resolution and the resulting comments by Iranian officials came about despite the fact that Iran is currently engaged in negotiations with three European countries (Britain, France and Germany) as part of the P5+1, represented by the EU's top diplomat, Ms. Catherine Ashton regarding its nuclear programme.

Moreover, following the nomination of Mr. Hamid Aboutalebi as Iran's ambassador to the United Nations, the White House stated that the United States would not be granting a visa to the career diplomat due to Mr. Aboutalebi's alleged role in the US Embassy takeover in 1979. Mr. Aboutalebi, who had previously served as Iran's ambassador to Australia, Belgium, Italy and the European Union, elaborated that he had no role in the embassy takeover and hostage taking, and simply acted as a translator afterwards.

Iran's Deputy Foreign Minister, Abbas Araghchi, stated that regardless of the US's refusal to grant an entry visa to Mr. Aboutalebi, Iran will stick to its choice as representative for the country at the United Nations. Discussions followed this decision by the United States, as to whether the host country for the United Nations, has the right to refuse entry to the member state's choice of representative. Iranian Member of Parliament, Mr. Hossein Naqavi Hosseini, stated that it is the host country's obligation to issue visas for representative at the UN in accordance to an agreement signed between the US and the world body in 1947.

The US congress, however, passed a law that would grant the government the authority to reject visas to UN diplomats if they are suspected of links to terrorism, espionage or perceived national security threats. The White House further stated that it would stick to its decision of refusing entry to Mr. Aboutalebi.

Iran has taken the case to the UN's committee on Relations with the Host Country for review as it believes the United States has breached its obligations as host to the United Nations.

It remains to be seen how this diplomatic row will develop, however, as Iran and the United States continue to be seriously engaged in negotiations that are meant to resolve issues regarding Iran's nuclear programme. These have the potential for the removal of all related sanctions which have been placed on Iran in case of an agreement.

Iran's Imports & Exports in 1392

In the twelve months leading to March 2014, Iran's total imports amounted to $49,422 billion, showing a reduction of 7.5% in comparison to the previous year. The main imported products in this period were rice ($2,300 million), soya meal ($1,827 million), livestock ($1,527 million), internal combustion vehicles of 1000-1500cc ($1,406 million), and wheat ($1,273 million). The top 5 exporters to Iran were the UAE ($10,895 million), China ($9,664 million), India ($4,310 million), the Republic of Korea ($3,855 million), and Turkey ($3,647 million). The average price of each ton of imported commodities stood at $1,472 in the named period, which shows a growth of 8.71% compared to the same period a year before. In value terms, more than 97.9% of the total imports were from Asia and Europe.

In the twelve months leading to March 2014, Iran's total non-oil and gas exports amounted to $31,332 billion, a 0.4% increase year-on-year. The main exported products in the specified period comprised of hematite ($1,505 million), liquefied propane ($1,212 million), and petroleum bitumen ($1,153 million). The top 5 importers of Iran's non-oil and gas goods were China ($7,432 million), Iraq ($5,950 million), UAE ($3,627 million), India ($2,418 million), and Afghanistan ($2,417 million). The average price of each ton of exported commodities stood at $391, showing a reduction of 16.09% compared to the same period a year before. In value terms, almost 96.6% of the total exports headed towards Asia and Europe.

Based on the report of the Iran Customs Administration, the total value of exports and imports excluding oil and gas condensates were $31,332 million and $49,422 million respectively. Based on these figures, Iran's non-oil trade balance shows a deficit of $18,090 million over the twelve months between March 2013 and March 2014. Compared with the trade deficit of $20,884 million in the previous year, Iran's non-oil trade deficit experienced a reduction of approximately 13%. Iran's trade balance (including oil) has always been positive and the country is aiming to make its non-oil trade balance positive.

Budget Bill for 2014

In December 2013, President Rouhani submitted the budget bill for the new Iranian calendar year (March 2014 to March 2015). Claiming to base the new budget bill on practical measurements, the government aims to have positive growth, reduce inflation, reduce unemployment, and implement a coherent monetary and financial policy in the new fiscal year.

Based on the draft, the government's overall budget is set at about $295 billion for the year, which is 7.6% higher than last year's budget. However, although this figure is higher in value, its growth rate is decelerating for the second time in the past 24 years. The operating budget of the government is set at $73 billion, showing a reduction of 17.3% compared to the previous year. This is while, due to the boom in South Pars gas field and other oil and petrochemical companies, the government's capital expenditure is expected to grow by 9.7%. Similarly, given the 18% rise in the salary of public sector employees, the government's expenditure on public sector employees is estimated to grow

Comparative value (in million US Dollar) and volume (in ton) of imports and exports over the twelve months leading to March 2014						
Activity	12 months leading to Mar 2014		12 months leading to Mar 2013		Percent change	
	Volume	Value	Volume	Value	Volume	Value
Export	92,927	31,332	79,566	32,567	16.79%	0.43%
Import	33,568	49,422	39,481	53,451	-14.98%	-7.54%

Comparison of predicted economic indices in the budget bill of 2013 and 2014		
	Predicted Values for March 2013-March 2014	Predicted Values for March 2014-March 2015
Economic Growth	-0.8	3
Investment Growth	-1.7	1.7-1.9
Inflation Rate	36	21-24
Household Expenditures Growth	-1	1.6-1.8
Liquidity Growth	19	18-20
Unemployment Rate	12.6	12.4-12.6
Import Growth	-26	9-11
Non-oil Export Growth	3.5	10-12

Comparison of budget allocation and government resources in 2013 and 2014 (million dollars)$1= 26,500 Rials			
	March 2013-March 2014	March 2014-March 2015	Percent change
Budget value	$274,606	$295,562	7.63%
Government's revenue receipts	$79,411	$82,566	3.97%
Government's non-tax income	$9,664	$8,982	-7.06%
Government's operating budget	$89,075	$73,584	-17.39%
Capital expenditure on public companies	$202,187	$221,837	9.72%

by 11.6%. At the same time, the government's non-tax income is estimated to drop by 7%. These expenses are unlikely to be covered by the predicted 3.9% growth in the revenue receipts in the new fiscal year. However, the government has in its agenda absorption of foreign investments in the amount of $8 billion, which is planned to finance national and infrastructural development plans.

To secure the resources necessary for the enactment of the bill, the government aims to provision $35 billion of its budget through tax revenues and customs duties, which are set to grow by 2.3% in 2014. In addition, $30 billion of the budget is planned to be secured through divestiture of financial assets (factories and participation bonds) and sales of capital assets (oil); this is planned to grow by 13.6% in comparison to the previous year. Contradictory to common belief, the government does not necessarily equate the rise in oil revenues to a higher oil dependency as the government plans to maintain its oil exports of 1 million barrels per day and generate additional revenue through exporting 297,000 bpd of gas condensates and selling 120,000 bpd to local petrochemical companies.

Although the government has remained firm on its goal of pursuing the privatization scheme according to the article 44 of the constitutional law, the predicted capital receipts from divestiture of companies shows a reduction of 66% in the New Year's bill draft. However, the government seems to be mindful of this paradox and attributes the reduction firstly to the government's realistic financial capabilities and secondly to preventing the spread of semi-governmental institutions. The government has set its target based on its ability to pay for the liabilities it incurs through public borrowings. At the same time, with a controlled privatization scheme, the government is attempting to avoid auctioning of potentially productive factories.

In its budget bill, the government has also shrunk the construction expenditure by 33%. With 3,000 unfinished projects across the country, this figure seems far from sufficient. However, instead of dividing the budget across the board, the government plans to target the budget towards 246 projects with 80% progress, which could be operational within one year.

Oil Exports and the government's development policies for the industry

Iran's oil exports continue to follow an upward trend. With the exception of March, which was concurrent with the periodic maintenance and inspection service of petrochemical companies, oil exports have shown a positive trend over the past few months. In the 7 months leading to February 2014, oil exports have grown by 68%. According to Bloomberg, imports of Iranian oil were 1.65 million barrels a day in February, the highest level since June 2012.

As measured in March, the production of oil has also increased by 7%, reaching 2.9 million bpd. According to the report that the oil minister presented at the energy commission of the parliament, the government is attempting to implement infrastructural developments to lay the ground for the production of 4.2 million bpd of oil in 2014. The ultimate aim of the government is to produce 5.7 million bpd of oil by 2018. This production boost is planned to materialize through simultaneous utilization of 26 oil fields.

The government is also attempting to boost the production of gas and petrochemical products. The target set by the oil ministry is for gas production to reach one billion cubic meters per day by 2018. To this end, the research phase for the launching of 8 new gas refineries in Asalouyeh has already begun. Exports of petrochemical products are also intended to increase from $25 billion to $80 billion by 2021. This is while to absorb higher added value, the government's agenda is to increase the production of processed material. As such, measures are being taken to increase the refining of oil from 1.3 million bpd to 2 million bpd. The oil ministry is also trying to increase the production of gas condensates to 1 billion cubic meters per day.

The government seems determined to reduce the dependence of the budget on oil revenues. To this end, the government is planning to set and allocate 14.5% of oil revenues to the development of the oil industry itself. Another 2% of the oil revenues will be allocated to the development of underdeveloped areas and 29% will be deposited in the National Development Fund.

IMF's report on Iran's Economy

April 4, 2014 saw the publication of the Article IV consultation with the Executive Board of the International Monetary Fund (IMF) and the Islamic Republic of Iran. The Annual Health Check on the Iranian economy was the first in 2½ years, and as part of its review, the IMF held bilateral discussions with Iran and its staff visited the country to collect economic and financial information to assess the macroeconomic performance of the economy.

The International Monetary Fund estimates that Iran's economy contracted by almost 6 percent in 2012/13. Additionally, it states that 12-month inflation rose from about 12 percent in late 2010 to around 45 percent in July 2013. The balance of payments was also detailed to have remained in surplus, but the account was understood to have declined to 6½ percent of GDP in 2012/13, almost halving from the year before. The IMF estimates that the deficit of the capital account remained contained, leaving the overall balance of payments in a surplus of 3½ percent of GDP in 2012/13. The consultation found that from mid-2013 there were increasing signs of stability within the Iranian economy, and cited that the exchange rate appreciated markedly in the bureau/parallel market, the 12-month inflation declined to about 29 percent in January 2014, and gross foreign assets of the Central Bank of Iran (CBI) rose to about $105 billion by end-2012/13.

The IMF directors continued to report that they primarily welcomed the removal of the financing of the Mehr housing program from the Central Bank of Iran's balance sheet, the measures to broaden the country's revenue base away from oil, and the steps taken by the authorities to strengthen tax administration and reduce exemptions.

Furthermore, they emphasized that tight monetary policy, balanced fiscal consolidation, and supply-side reforms are essential to deal with stagflation, recommending Iran to increase interest rates gradually to bring inflation down. They also supported the authorities' plans to increase domestic energy prices and projected that economic activity would begin to stabilize in 2014/15, with real GDP projected by the IMF to increase by 1–2 percent. The report concluded discussing two illustrative medium-term scenarios for the Iranian economy, where both scenarios show that in the absence of a sharp increase in oil prices or oil production, Iran will continue to face significant constraints in achieving sustainable growth and lower inflation. Masood Ahmed, director of the IMF's Middle East and Central Asia department told reporters at the World Bank spring meetings in Washington; "we do think that if there is a permanent improvement in that international environment... this should have an impact in terms of generating growth rates in the medium term that are substantially higher". The report similarly concluded by commending recent actions by the Iranian authorities and highlighted a positive and stable outlook for Iran's economy in comparison to that of previous years.

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