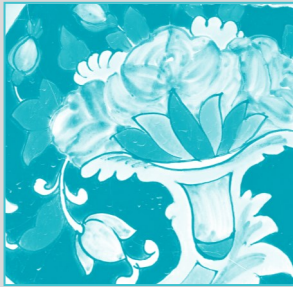




TURQUOISE  
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## IRAN

# Macroeconomic Factsheet

Turquoise Partners Group  
Asset Management Department  
Research Group

January 2016

# IRAN: MACROECONOMY FACTSHEET

## Iran's Macroeconomic Outlook: Gross Domestic Product

VOL. 1, ISSUE 1 - JANUARY 16



### ◆ Gross Domestic Product

<b>Nominal GDP (Billion USD)</b>	2016/17* 390** 2017/18 433** 2018/19 478**	Iran is the third largest economy in the region after Turkey and Saudi Arabia.
<b>Real GDP Growth (%)</b>	2016/17* 4.3 2017/18 4.0 2018/19 4.1	In the short term, recovering oil production is the most important factor underlying GDP growth of 4.3% in 2016/17.
<b>Crude Oil Export (million barrels per day)</b>	2016/17* 3.7 2017/18 4.0 2018/19 4.2	Expansion in the crude oil sector is projected to push growth in the near term. Oil exports are forecast to rise by about 0.6 (mbpd) in 2016, and by a further 0.3 (mbpd) in the medium term.
<b>Gas Output (million barrels per day equivalent)</b>	2016/17* 2.8	Gas production is predicted to remain stable at 2.8 (mbpd) between 2016 and 2017.
<b>Oil GDP Growth (%)</b>	2016/17* 16.9 2017/18 8.8 2018/19 2.9	Increasing oil production will boost the oil GDP share, previously under pressure during sanctions. In 2014, the oil sector registered a share of 15% in nominal GDP by composing 68% of total exports (FOB prices).
<b>Non-oil GDP Growth (%)</b>	2016/17* 2.8 2017/18 3.4 2018/19 4.3	Our forecast for the non-oil sector is to undergo a gradual transformation with regards to increasing overall efficiency in a post sanctions environment. Lower transaction costs and higher income per capita will stimulate consumption in the
<b>GDP PPP Per Capita (USD)</b>	2016/17* 18,400 2017/18 19,200 2018/19 20,200	Iran ranks in the range of upper quartile amongst Middle Eastern countries in the Human Development Index, a composite statistic of life expectancy, education, and income per capita indicators.
<b>Private*** Consumption (billion USD)</b>	2016/17* 211** 2017/18 234** 2018/19 258**	In spite of sanctions, private consumption recorded a 16% annual growth in 2014. Private consumption has the largest share of GDP at about 50% of nominal GDP.

Source: International Monetary Fund - IMF Country Report No. 15/349, December 2015  
 Central Bank of Iran - Economic Trends No. 79 Fourth Quarter 1393 Iranian calendar year

\* The Iranian fiscal year ends March 20.

\*\* Exchange rates are based on in-house calculation.

\*\*\* In-house calculation, private consumption is forecasted based on historic average.

# IRAN: MACROECONOMY FACTSHEET

## Iran's Macroeconomic Outlook: Fiscal Balance

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### ◆ Fiscal Balance

<b>Current Account</b> (% GDP at market prices)	2016/17*	2.1
	2017/18	2.6
	2018/19	2.8

In contrast to the effect on many oil-exporting countries, declining oil prices will have comparatively less impact on the Iranian economy. This is partly due to a one-off increase in the share of oil revenues allocated to the budget, with a lower allocation of the National Development Fund.

<b>Overall Fiscal Balance</b> (% GDP)	2016/17*	-1.3
	2017/18	-0.3
	2018/19	-0.3

In addition, the enforcement of sanctions required Iran to promote the non-oil sector and adopt tax reforms to introduce new revenue measures to compensate for the lack of oil income.

<b>Fiscal Oil Revenue</b> (% GDP)	2016/17*	4.9
	2017/18	5.6
	2018/19	5.5

Prior to sanctions, non-oil & gas exports (excluding petrochemicals) comprised 20% of total exports. These included agricultural goods (e.g. pistachio, saffron), iron ore, copper, textiles, urea, cement and ammonia. Non-oil trade between Iran and the rest of the world is also expected to resume in post sanctions economy.

<b>Fiscal Tax Revenue</b> (% GDP)	2016/17*	7.2
	2017/18	7.6
	2018/19	7.7

Under advice from the IMF, Iran began to redefine taxation in the early 1990s. Recently the government has been successful in implementing more stringent disciplinary measures supporting tax collection, introducing new tax measures and greater supervisory control to aid in preventing tax evasion.

<b>Fiscal Current Expenditure</b> (% GDP)	2016/17*	12.7
	2017/18	12.5
	2018/19	12.3

On December 18th 2010, Iran materially increased domestic energy and agricultural prices, in some cases by up to 20 times. These measures led to it becoming the first major energy exporting country to drastically cut massive indirect subsidies on energy, water, fuel and basic foods. To compensate for the increase in prices, cash dividends payable to households were introduced. In 2015, dividend transfers stood at averaged 13 USD per person per month.

<b>Fiscal Total Expenditure</b> (% GDP)	2016/17*	15.9
	2017/18	15.8
	2018/19	15.7

The other principal component of fiscal expenditure is public sector and governmental expenditure, which is shaping up to contribute more than 70% of total costs in the Government Budget.

<b>Total Gross External Debt</b> (% GDP)	2016	3.0
	2017	3.5
	2018	3.8

Due to its recent economic isolation, Iran has one of the lowest debt to GDP ratios in the region. As at September 2015, the total foreign debt of the government stood at 5.4 billion USD.

Source: International Monetary Fund - IMF Country Report No. 15/349, December 2015  
Central Bank of Iran - Economic Trends No. 79 Fourth Quarter 1393 Iranian calendar year

\* The Iranian fiscal year ends March 20.

# IRAN: MACROECONOMY FACTSHEET

Iran's Macroeconomic Outlook: Monetary & Banking Sector Indicators

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## ◆ Monetary & Banking Sector Indicators

<b>Inflation (%)</b>	2016/17*	11.5	Prudent economic policies have allowed the economy to return to a stable rate of inflation at around 10% in October 2015. During summer 2015, the consumer price index declined by 0.355% in July 2015 on a monthly basis, a historic record in over 6 years.
	2017/18	8.3	
	2018/19	6.3	
<b>Money Growth M2 (%)</b>	2016/17*	17.1	Liquidity stood at 254 billion USD* ending September 2015, according to data from the Central Bank of Iran.
	2017/18	15.4	
	2018/19	13.7	
<b>Credit to Private Sector Growth (%)</b>	2016/17*	18.2	As at June 2015, total debt due to the banking sector from private sector borrowing stood at 192 billion USD**. Loans to the public sector were 47 billion USD.
	2017/18	17.5	
	2018/19	16.0	
<b>Nominal Interest Rate (%)</b>	2016/17*	~ 27%	Official statistics shows that rate of return on debt facilities in both public and private banks stands at c.22%. However these official data do not include all types of credit contracts, many of which are based on agreed forward rates.
			In 2014, one-year deposit rates offered by government-owned banks were between 22% and 24%. Comparable rates from private sector banks were between 17% and 22%. Currently the average one year deposit rate is around 21%
<b>Term Deposit Rates (%)</b>	2016/17*	~ 21%	Some of the more troubled banks have Non-Performing Loan (NPL) ratios of up to 40%; while the healthier institutions have reported NPLs as low as 1%. The official average sector-wide NPL stood at 12% in 2014.
<b>Net Foreign Assets (billion USD)</b>	2016/17*	153	According to the latest projections from the IMF, the net foreign assets of the banking sector –which includes commercial, non-commercial, and specialized banks and credit institutes- are expected to grow by 15% in 2016.
	2017/18	175	
	2018/19	196	

Source: International Monetary Fund - IMF Country Report No. 15/349, December 2015  
Central Bank of Iran - Economic Trends No. 79 Fourth Quarter 1393 Iranian calendar year

\* The Iranian fiscal year ends March 20.

# IRAN: MACROECONOMY FACTSHEET

## Iran's Macroeconomic Outlook: External Sector

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### ◆ External Sector

<b>Total Export (Billion USD)</b>	2016/17*	81.9
	2017/18	94.8
	2018/19	102.0

The top export destinations for Iran are China, India, Japan, South Korea and Turkey.

<b>Oil &amp; Gas** Export (Billion USD)</b>	2016/17*	48.6
	2017/18	59.8
	2018/19	65.3

Exports are, unsurprisingly, led by Crude Petroleum, comprising 64% of the total exports. This is followed by Ethylene Polymers, which account for 5.09%. Oil exports have more than halved from 119 Billion USD in 2011 to 55 Billion USD in 2014.

<b>Non-oil Export (Billion USD)</b>	2016/17*	33.3
	2017/18	35.0
	2018/19	36.7

Driven by the significant drop in oil exports, the government has adopted policies to promote and encourage exports in non-oil sectors. Non-oil exports grew by 10% in 2014, led by agricultural goods.

<b>Import (Billion USD)</b>	2016/17*	67.5
	2017/18	74.0
	2018/19	78.5

Based on the most recent data, imported goods are led by cocoa beans which represent 6.73% of the total imports of Iran, followed by rice, which accounts for 5.2%. The UAE, China and India were three dominant sources of imports in 2014.

<b>Trade Balance (Billion USD)</b>	2016/17*	14.4
	2017/18	20.7
	2018/19	23.4

As of 2014 Iran had a positive Balance of Trade of 21 Billion USD, representing 6% of nominal GDP.

Source: International Monetary Fund - IMF Country Report No. 15/349, December 2015  
Central Bank of Iran - Economic Trends No. 79 Fourth Quarter 1393 Iranian calendar year  
Harvard University - The Atlas of Economic Complexity

\* The Iranian fiscal year ends March 20.

\*\* Including crude oil, petroleum products and natural gas



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