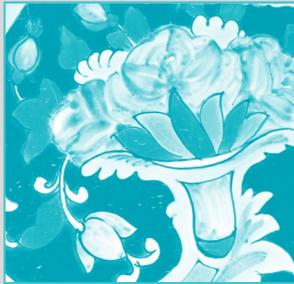




TURQUOISE  
PARTNERS



## IRAN

# Macroeconomic Factsheet

Turquoise Partners  
Asset Management Department  
Research Group

May 2016

# IRAN: MACROECONOMY FACTSHEET

## Iran's Macroeconomic Outlook: Gross Domestic Product

VOL. 1, ISSUE 2 - MAY 16



### ◆ Gross Domestic Product

<b>Nominal GDP (Billion USD)</b>	2016/17* 386 2017/18 409 2018/19 440	Iran is the third largest economy in the region after Turkey and Saudi Arabia.
<b>Real GDP Growth (%)</b>	2016/17* 4.0 2017/18 3.7 2018/19 3.8	In the short term, recovering oil production is the most important factor underlying GDP growth of 4.0% in 2016/17.
<b>Crude Oil Production (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 0.3 (mbpd) in 2016, and by a further 0.1 (mbpd) in the medium term. Although the impact of lower prices will be partly mitigated by higher oil export volumes, there are limited prospects for a large increase in Iran's oil revenue because of high global output and weak demand.
<b>Crude Oil Export (million barrels per day)</b>	2016/17* 1.8 2017/18 2.1 2018/19 2.2	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 2015, the oil sector registered a share of 9% in nominal GDP by composing 54% 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 goods and services sectors (including the financial sector) in the short term.
<b>GDP PPP Per Capita (USD)</b>	2016/17* 17,888 2017/18 18,591 2018/19 19,473	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* 194** 2017/18 214** 2018/19 237**	In spite of sanctions, private consumption recorded a 17% annual growth in 2015/16. Private consumption has the largest share of GDP at about 54% of nominal GDP.

Source: International Monetary Fund - World Economic Outlook, April 2015  
 Central Bank of Iran - Economic Trends No. 82 Third Quarter 1394 Iranian calendar year

\* The Iranian fiscal year ends March 20.

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

\*\*\* 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*	- 0.8	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.
	2017/18	0.0	
	2018/19	0.4	
<b>Overall Fiscal Balance</b> (% GDP)	2016/17*	- 1.3	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.
	2017/18	- 0.3	
	2018/19	- 0.3	
<b>Fiscal Oil Revenue</b> (% GDP)	2016/17*	4.9	Iran has to manage the transition to lower oil prices, like other oil exporters. While the impact of lower prices will be partly mitigated by higher oil export volumes, there are limited prospects for a large increase in Iran's oil revenue because of high global output and weak demand.
	2017/18	5.6	
	2018/19	5.5	
<b>Fiscal Tax Revenue</b> (% GDP)	2016/17*	7.2	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.
	2017/18	7.6	
	2018/19	7.7	
<b>Fiscal Current Expenditure</b> (% GDP)	2016/17*	12.7	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.
	2017/18	12.5	
	2018/19	12.3	
<b>Fiscal Total Expenditure</b> (% GDP)	2016/17*	16.1	The other principal component of fiscal expenditure is public sector and governmental expenditure, which is shaping up to contribute more than <b>70%</b> of total costs in the Government Budget.
	2017/18	16.1	
	2018/19	15.9	
<b>General Government Net Debt</b> (% GDP)	2016/17*	3.0	Due to its recent economic isolation, Iran has one of the lowest debt to GDP ratios in the region. As at February 2016, the total foreign debt of the government stood at 6.0 billion USD.
	2017/18	3.2	
	2018/19	3.2	

Source: International Monetary Fund - World Economic Outlook, April 2015  
Central Bank of Iran - Economic Trends No. 82 Third Quarter 1394 Iranian calendar year  
Central Bank of Iran - New issue of "Selected Economic Indicators". Bahman 1394 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>	<table border="0"> <tr><td>2016/17*</td><td>8.9</td></tr> <tr><td>2017/18</td><td>8.2</td></tr> <tr><td>2018/19</td><td>6.2</td></tr> </table>	2016/17*	8.9	2017/18	8.2	2018/19	6.2	<p>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.</p>
2016/17*	8.9							
2017/18	8.2							
2018/19	6.2							
<b>Money Growth M2 (%)</b>	<table border="0"> <tr><td>2016/17*</td><td>17.1</td></tr> <tr><td>2017/18</td><td>15.4</td></tr> <tr><td>2018/19</td><td>13.7</td></tr> </table>	2016/17*	17.1	2017/18	15.4	2018/19	13.7	<p>Liquidity stood at 272 billion USD* ending February 2016, according to data from the Central Bank of Iran.</p>
2016/17*	17.1							
2017/18	15.4							
2018/19	13.7							
<b>Credit to Private Sector in Rials Growth (%)</b>	<table border="0"> <tr><td>2016/17*</td><td>18.2</td></tr> <tr><td>2017/18</td><td>17.5</td></tr> <tr><td>2018/19</td><td>16.0</td></tr> </table>	2016/17*	18.2	2017/18	17.5	2018/19	16.0	<p>As at February 2016, total debt due to the banking sector from private sector borrowing stood at 179 billion USD**.</p>
2016/17*	18.2							
2017/18	17.5							
2018/19	16.0							
<b>Nominal Interest Rate (%)</b>	<table border="0"> <tr><td>2016/17*</td><td>~ 21%</td></tr> </table>	2016/17*	~ 21%	<p>Official statistics shows that rate of return on debt facilities in both public and private banks stands at c.21%. However these official data do not include all types of credit contracts, many of which are based on agreed forward rates.</p>				
2016/17*	~ 21%							
<b>Term Deposit Rates (%)</b>	<table border="0"> <tr><td>2016/17*</td><td>~ 18%</td></tr> </table>	2016/17*	~ 18%	<p>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 18%</p> <p>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.</p>				
2016/17*	~ 18%							
<b>Net Foreign Assets (billion USD)</b>	<table border="0"> <tr><td>2016/17*</td><td>119</td></tr> <tr><td>2017/18</td><td>136</td></tr> <tr><td>2018/19</td><td>152</td></tr> </table>	2016/17*	119	2017/18	136	2018/19	152	<p>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% and 12% in 2017 and 2018, respectively.</p>
2016/17*	119							
2017/18	136							
2018/19	152							

Source: International Monetary Fund - World Economic Outlook, April 2015  
 Central Bank of Iran - Economic Trends No. 82 Third Quarter 1394 Iranian calendar year  
 Central Bank of Iran - New issue of "Selected Economic Indicators". Bahman 1394 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

Exports are, unsurprisingly, led by Crude Petroleum. This is followed by Condensate and Ethylene Polymers, which account for 10.8% and 8.6%, respectively.

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

Although the impact of lower prices will be partly mitigated by higher oil export volumes, there are limited prospects for a large increase in Iran's oil revenue because of high global output and weak demand.

<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 corn livestock which represent 3.4% of the total imports of Iran, followed by auto parts, which accounts for 3.1%. China and UAE, were two dominant sources of imports in 2015/16.

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

In 2015/16, the country ran a non-oil trade surplus of \$924 million over the period; the figure for the same period a year ago was a deficit of \$3.0 billion. The positive non-oil balance achieved for the first time over the last 30. This is due to a substantial decrease in imports. Domestic macroeconomic policies such as curbing inflation trend and export-oriented strategies as well as monetary discipline of the government have also played a major role.

Source: International Monetary Fund - World Economic Outlook, April 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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