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PARTNERS



IRAN

Macroeconomic Factsheet

Turquoise Partners
Asset Management Department

November 2016

IRAN: MACROECONOMY FACTSHEET

Iran's Macroeconomic Outlook: Gross Domestic Product

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◆ Gross Domestic Product

Nominal GDP (Billion USD)	2016/17* 412 2017/18 438 2018/19 471	Iran is the third largest economy in the region after Turkey and Saudi Arabia.
Real GDP Growth (%)	2016/17* 4.5 2017/18 4.1 2018/19 4.1	In the short term, recovering oil production is the most important factor underlying GDP growth of 4.5% in 2016/17. Real GDP grew by 4.4% in Q2 2016, according to the Statistical Centre of Iran.
Crude Oil Production (million barrels per day)	2016/17* 3.6 2017/18 4.0 2018/19 4.2	Expansion in the crude oil sector is projected to push growth in the near term. Oil production are forecast to rise by about 0.4 million barrels per day (mbpd) in 2017, and by a further 0.2 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 revenues because of high global output and weak demand.
Crude Oil Export (million barrels per day)	2016/17* 2.5 2017/18 2.5 2018/19 2.7	Gas production is predicted to remain stable at 500 million cubic meters per day between 2016 and 2017.
Oil GDP Growth (%)	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 and made up 54% of total exports (FOB prices).
Non-oil GDP Growth (%)	2016/17* 2.8 2017/18 3.4 2018/19 4.3	Our forecast for the non-oil sector is 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.
GDP PPP Per Capita (USD)	2016/17* 17,888 2017/18 18,591 2018/19 19,473	Iran ranks in the upper quartile among Middle Eastern countries in the Human Development Index, a composite statistic of life expectancy, education, and income per capita indicators.
Private** Consumption (billion USD)	2016/17* 194 2017/18 214 2018/19 237	In spite of sanctions, private consumption recorded 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, October 2016
 Central Bank of Iran - Economic Trends No. 83 Fourth Quarter 1394 Iranian calendar year
 All figures in USD are converted from IRR at the free market rate

* The Iranian fiscal year ends March 20.

** 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

Current Account (% GDP at market prices)	2016/17*	4.2
	2017/18	3.3
	2018/19	3.1

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.

Overall Fiscal Balance (% GDP)	2016/17*	- 1.1
	2017/18	- 1.0
	2018/19	- 0.7

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.

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

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.

Fiscal Tax Revenue (% 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 help prevent evasion.

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

On December 18, 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 averaged 13 USD per person per month.

Fiscal Total Expenditure (% GDP)	2016/17*	16.1
	2017/18	16.1
	2018/19	15.9

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.

General Government Gross Debt (% GDP)**	2016/17*	14.9
	2017/18	14.9
	2018/19	15.0

Due to its recent economic isolation, Iran has one of the lowest debt-to-GDP ratios in the region. As of August 2016, the total foreign debt of the government stood at \$7.7 billion.

Source: International Monetary Fund - World Economic Outlook, October 2016
Central Bank of Iran - Economic Trends No. 83 Fourth Quarter 1394 Iranian calendar year
Central Bank of Iran - New issue of "Selected Economic Indicators". Mordad 1395 Iranian calendar year
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** Includes government domestic debt to the banking system.

IRAN: MACROECONOMY FACTSHEET

Iran's Macroeconomic Outlook: Monetary & Banking Sector Indicators

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◆ Monetary & Banking Sector Indicators

Inflation (%)	2016/17*	7.4	Prudent economic policies have allowed the economy to return to a stable rate of inflation at around 8.7% in October 2016.
	2017/18	7.2	
	2018/19	6.2	
Money Growth M2 (%)	2016/17*	28.6	Liquidity stood at \$321 billion at end-September 2016, according to data from the Central Bank of Iran.
	2017/18	15.4	
	2018/19	13.7	
Credit to Private Sector in Rials Growth (%)	2016/17*	14.4	Total debt due to the banking sector from private sector borrowing stood at \$241 billion in September 2016.
	2017/18	17.5	
	2018/19	16.0	
Nominal Interest Rate (%)	2016/17*	~ 19%	The latest activity in the interbank market shows that while transactions were trading at rates between 24% and 30% from March to September 2015, in the same period in 2016 transactions priced between 17% and 22%. The weighted average rate is 18.7% during this period with a lower weight of transaction towards 22%.
Term Deposit Rates (%)	2016/17*	~ 15%	In 2014 one-year deposit rates offered by government-owned banks were between 22% and 24%. Currently the average one-year deposit rate is around 15%. Some of the more troubled banks have Non-Performing Loan (NPL) ratios of up to 40%, while healthier institutions have reported NPLs as low as 1%. The official average sector-wide NPL ratio stood at 12% in 2014.
Net Foreign Assets (billion USD)	2016/17*	119	According to the latest IMF projections, 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.
	2017/18	136	
	2018/19	152	

Source: International Monetary Fund - World Economic Outlook, October 2016
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Iran's Macroeconomic Outlook: External Sector

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◆ External Sector

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

Total exports stood at \$41.6 billion USD for the first half of the current Iranian calendar year (1395), equivalent to the second and third quarter of 2016, with crude oil unsurprisingly accounting for a 47% share.

Oil & Gas Export (Billion USD)	2016/17*	48.6
	2017/18	59.8
	2018/19	65.3

Driven by the significant drop in oil exports during sanctions, the government has adopted policies to promote and encourage exports in non-oil sectors.

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

Based on the most recent data, imported goods stood at \$20 billion in the first half of the current Iranian calendar year, led by auto parts which accounted for 8.1%.

Import (Billion USD)	2016/17*	50.0
	2017/18	67.0
	2018/19	70.1

China and UAE were two dominant sources of imports in the second and third quarter of 2016. Import data are based on official trade data while illegal imports are reported to have reached around \$19 billion in 2015/16.

Trade Balance (Billion USD)	2016/17*	31.9
	2017/18	27.8
	2018/19	31.9

In 2015/16, the country ran a non-oil trade surplus of \$924 million, compared with a deficit of \$3.0 billion a year earlier. The positive non-oil balance was achieved for the first time in 30 years due to a substantial decrease in imports. Domestic macroeconomic policies -- such as curbing inflation, promoting exports and monetary discipline -- also played a major role.

The overall trade surplus reached \$21.3 billion for the first half of the current Iranian calendar year.

Source: International Monetary Fund - World Economic Outlook, October 2016
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