

بانک خاورمیانه
Middle East Bank

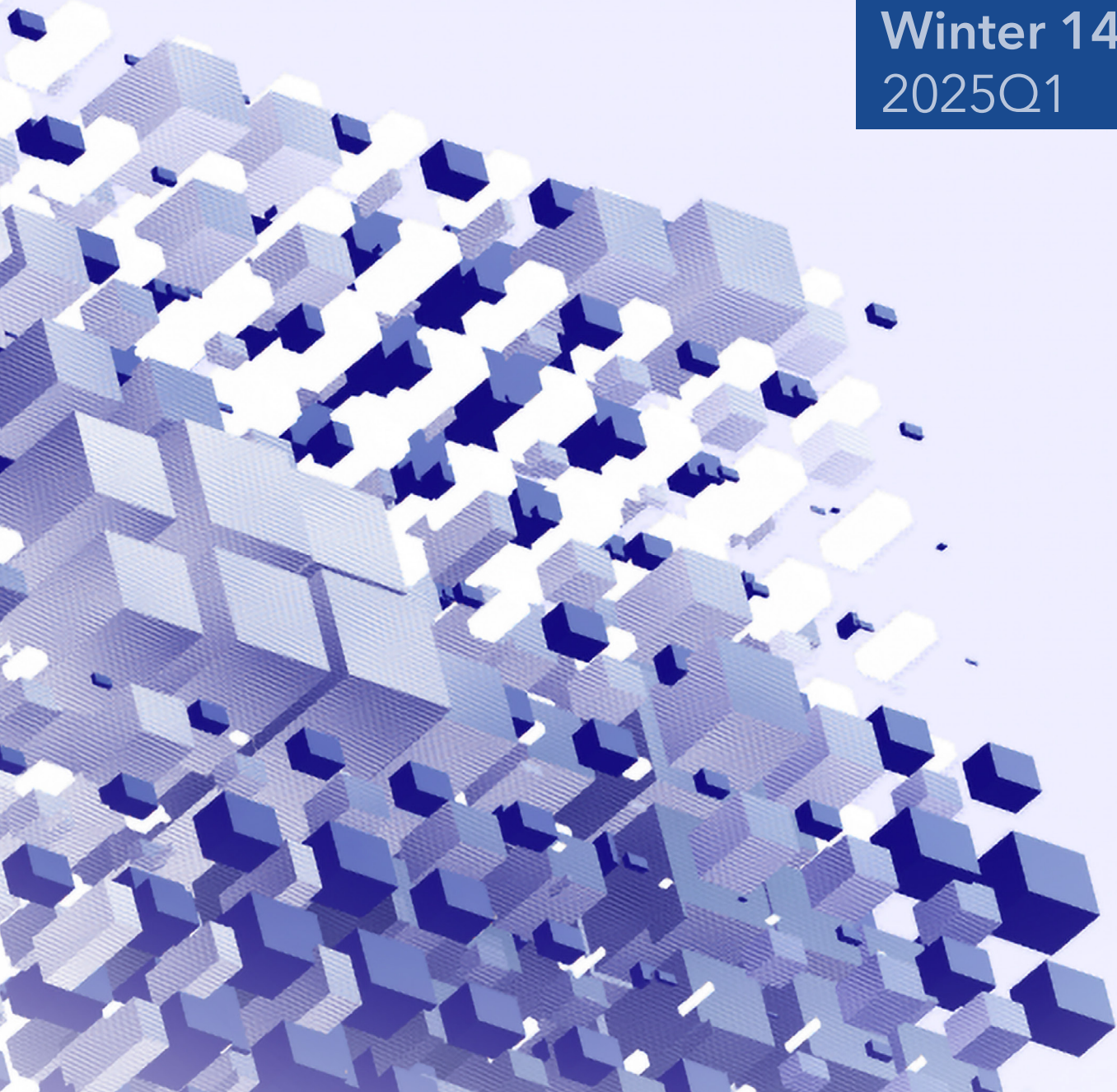


RECENT

ECONOMIC DEVELOPMENTS IN IRAN

A QUARTERLY REPORT

Winter 1403
2025Q1





RECENT
ECONOMIC DEVELOPMENTS
IN IRAN

A QUARTERLY REPORT

Winter 1403 | 2025Q1

Disclaimer

The data, information and analyses presented in this Report are for information purposes only. All data and information used are the latest available at the time of publication (Apr 14, 2025) and have been taken from the referenced sources. While every effort has been made to keep them up-to-date and correct, no representations or warranties of any kind, express or implied, are made about their completeness, accuracy, reliability or suitability for any purpose. Your use of this Report does not entail any responsibility or obligation by Middle East Bank or any entity or person associated with it.

Economic Research Department, Middle East Bank

Contributors: Hossein Soltanabadi, Arian Aghabeigi, Yaser Pakdaman and Bagher Ghaedi

Graphic Designer: Hannaneh Niazmand

Layout Designer: Zeynab Khosravi

NOTE:

- In this Report the growth rate of a variable means the percentage change of that variable during the period under review, or at the point under discussion, compared to the similar period or point in the preceding year. As such, “the growth rate of oil revenues in the fourth quarter of 1403” indicates the percentage change in oil revenues between the fourth quarter of 1402 and the fourth quarter of 1403.
- Iran follows the Persian Calendar, a solar calendar in which years start on the first day of spring and end on the last day of winter. The four quarters of the year correspond exactly to the four seasons. This report covers the year 1403 that starts on March 20, 2024 and ends on March 20, 2025. The fourth quarter of 1403 (referred to as 1403Q4), winter of 1403, roughly corresponds to the first quarter of 2025 in the Gregorian Calendar (2025Q1).

The following table provides an easy reference while reading this Report.

1402Q4 = 12/22/2023 - 03/19/2024, roughly 2024Q1

1403Q1 = 03/20/2024 - 06/20/2024, roughly 2024Q2

1403Q2 = 06/21/2024 - 09/21/2024, roughly 2024Q3

1403Q3 = 09/22/2024 - 12/20/2024, roughly 2024Q4

1403Q4 = 12/21/2024- 03/20/2025, roughly 2025Q1

CONTENTS

Iran's Economy at a Glance	6
Introduction	7
1. Global Economic Developments	8
2. Real Sector.....	9
2-1. Oil.....	11
3. Labor Market	12
4. Prices and Inflation	16
5. Balance of Payments	19
6. Foreign Exchange Market	22
7. Monetary and Credit Aggregates	24
8. Fiscal Policy	28
8-1. Budget Law of 1404	28
8-2. Budget Performance in 1403	33
9. Capital Market	38
10. Other Developments	42
11. Key Points	43

IRAN'S ECONOMY AT A GLANCE

	1402Q3	1402Q4	1402	1403Q1	1403Q2	1403Q3	1403Q4	1403
Labor Force Participation & Unemployment Rates (percent)								
Participation (15 Years and Over)	41.5	40.8	41.3	41.2	41.7	41.2	40.1	-
Unemployment (15 Years and Over)	7.6	8.6	8.1	7.7	7.5	7.2	7.8	-
Unemployment (Youth Aged 15-24)	20.6	22.5	21.2	20.0	19.4	20.2	21.0	-
Real Growth Rates of GDP and Its Subsectors at Constant 1400 Prices (percent)								
Gross Domestic Product (GDP)	-	-	5.0	3.1	2.7	3.6	-	-
Industries and Mining	-	-	5.1	2.8	1.0	3.4	-	-
Oil	-	-	18.8	9.9	7.8	0.1	-	-
Agriculture	-	-	0.8	3.2	3.8	4.1	-	-
Services	-	-	4.0	2.1	2.5	4.3	-	-
Non-oil GDP	-	-	4.0	2.5	2.3	3.9	-	-
Gross Fixed Capital Formation (at market prices)	-	-	6.3	2.2	3.3	4.4	-	-
Oil (daily average - thousand barrels)								
Production*	3,153	3,173	3,004	3,237	3,296	3,301	-	-
Point-to-point Inflation Rates (percent)								
Growth Rate of Consumer Price Index (1400=100)	39.6	35.4	40.7	31.3	31.7	31.8	34.7	32.5
Growth Rate of Producer Price Index (1395=100)	43.6	36.6	38.4	30.8	27.9	30.3	-	-
Balance of Payments (USD million)								
Oil Exports	14,193	14,482	56,796	18,028	15,878	-	-	-
Non-oil Exports	11,558	11,945	43,723	11,519	11,331	-	-	-
Imports of Goods	21,625	20,393	79,442	18,089	21,770	-	-	-
Goods Account (net)	4,126	6,033	21,077	11,458	5,440	-	-	-
Non-oil Goods Account (net)	-9,526	-7,118	-33,215	-6,300	-9,945	-	-	-
Current Account	401	2,687	8,964	8,491	2,428	-	-	-
Capital Account	-4,289	-1,519	-20,457	-7,937	-4,478	-	-	-
Change in Foreign Reserves	182	-1,337	-112	1,312	200	-	-	-
Foreign Exchange Rates (USD/IRR daily average)								
Free Market (bill)	506,254	554,401	514,999	611,620	593,642	675,159	862,096	684,269
Secondary Market (remittance)**	378,503	396,295	382,158	414,654	444,904	504,877	669,470	507,183
Monetary and Credit Aggregates (end of period - IRR trillion)								
Monetary Base (M0)	10,232	10,921	10,921	11,130	11,542	12,165	-	-
CBI Claims on Banks	6,205	7,714	7,714	6,685	5,859	8,225	-	-
CBI Claims on Public Sector (net)	-227	-1,787	-1,787	-635	-879	-1,438	-	-
CBI Net Foreign Assets	4,486	18,537	18,537	19,084	21,704	26,278	-	-
Liquidity (M2)	74,980	78,775	78,775	83,540	90,705	96,036	-	-
Money (M1)	18,014	19,146	19,146	20,537	22,351	23,443	-	-
Sight Deposits	16,746	17,678	17,678	19,101	20,908	21,952	-	-
Non-sight Deposits (quasi-money)	56,966	59,628	59,628	63,003	68,355	72,593	-	-
M2 Money Multiplier	7.33	7.21	7.21	7.51	7.86	7.90	-	-
Government Budget and Fiscal Position (IRR trillion)								
The data in this section is not available								
Tehran Stock Exchange (end of period)								
Overall Index (TEDPIX)	2,210,217	2,195,092	2,195,092	2,043,980	2,097,005	2,210,217	2,710,088	2,710,088
Financial Index	1,949,564	1,917,728	1,917,728	1,795,664	2,664,767	1,949,564	2,311,206	2,311,206
Industrial Index	2,101,115	2,089,989	2,089,989	1,944,126	1,996,195	2,101,115	2,589,606	2,589,606
Market Capitalization (IRR trillion)	80,094	79,408	79,408	73,477	71,954	88,683	89,569	89,569

Source: Various reports of Central Bank of the Islamic Republic of Iran (CBI), Statistical Centre of Iran (SCI) and Tehran Stock Exchange (TSE); Gold, Coin, and Currency Information Network

* According to OPEC reports from secondary sources

**From the beginning of the 11th month of 1403, all foreign exchange transactions in the secondary market were carried out in its newly added subdivision at higher rates.

INTRODUCTION

This quarterly Report investigates the Iranian economy by its various sectors and opens with analyzing the effects of the rise in Tariffs levied on Imports by the United States on the global economy and the Iranian economy. The Report proceeds with going over the real sector of the economy including GDP developments with its growth rate in the first 9 months of 1403 and the developments of production and price of Iran's crude oil in the first 11 months of 1403. Chapter 3 covers the developments of the labor market in winter 1403 (hereafter referred to as 1403Q4). The fourth chapter covers the developments of the Consumer Price Index (CPI) inflation rate in monthly, annual, and point-to-point terms in 1403Q4 and that of the Producer Price Index (PPI) till the end of 1403Q3. In the fifth chapter, the developments of the Balance of Payments in the first half of 1403 (hereafter referred to as 1403H1) and the changes in the customs imports and exports in the first 11 months of 1403 are investigated. The daily developments of the US Dollar price in the domestic free market and the secondary market are explored in 1403Q4 in chapter 6. In the succeeding chapter, the monetary and credit aggregates are analyzed by monetary base, money, quasi-money, and liquidity in the first 11 months of 1403. A summary of assets and liabilities of the banking system and the balance of deposits and facilities are also provided for the same period. The data on extended facilities in 1403 as a whole by various sectors of the economy is presented in the same chapter.

Chapter 8 of the Report presents 1404 Budget Law and continues with the assessment of Government fiscal performance in the first 11 months of 1403. As for the capital market, the developments of the total value of transactions, volume of transactions, the number of transactions, market capitalization, and finally the methods of finance by the listed companies in 1403 are discussed. The Report concludes with an examination of Generic Artificial Intelligence effect on the labor productivity in the Iranian Economy.

1. GLOBAL ECONOMIC DEVELOPMENTS

The new tariffs levied by the new US Administration on much of its trade parties on April 2nd, 2025 could be referred to as one of the most important economic developments of 2025. However, the enforcement of new tariffs on all countries with tariff rates above 10 percent was suspended shortly after that date except for China. Note that the base tariff rate of 10 percent for all countries maintained. Accordingly, the tariff war between USA and China ignited, i.e., by levying reciprocal tariffs on their imports, the USA tariffs on imports from China rose to 145 percent, and that of China on the imports from USA rose to 125 percent, albeit in several stages.

From a political view point, tariffs on imports serve as a tool for protecting domestic industries, while majority of economists - especially the advocates of free trade - believe that such practices would end up in tariff wars, slowing down the global economy growth, and consequently welfare losses in the countries that have levied tariffs. Based on this logic, the experts anticipate that the rise in tariffs on imports by the new US Administration would cause the global economic growth in 2025 to lose pace. In addition, reciprocal actions taken by other countries, especially the major trade parties of

the USA would alter the future path of the global trade as well as the diplomatic relations between the US and other countries.

In response to the downward outlook for the global economic growth which results in lower demand for energy, the oil prices also fell in the aftermath of the new US trade policy. Nevertheless, given the limited trade relations between the US and Iran, the trade policy of the former is not expected to directly affect the economy of the latter, but indirect negative effects are inevitable. It should be noted that in addition to being among the top 3 trade parties of the USA, in recent years China has been the major exports destination of Iran, especially Iran's crude oil. Accordingly, placing high tariffs on imports from China by the US would cause the economic growth rate of China - as major Iran's trade party - to slow down, at least in the short run. Moreover, taking into account the lower demand for energy and fall in oil and gas prices coupled with more sanctions on Iran's Oil sector, severe shortage in Iran's oil revenues is much likely, translating to lower growth rate of the Iranian economy in the year 1404.

2. REAL SECTOR

The latest CBI report on the Iranian national accounts suggests 3.1 percent and 3.6 percent GDP growth rates for the first 9 months of 1403 and 1403Q3, respectively. Note that the CBI has updated its base year for GDP calculation from the year 1395 to the year 1400.

As in its preceding quarters, in 1403Q3 all the sectors of the Iranian economy experienced positive growth rates. Note that much the quarterly and 9-month GDP growth rates in 1403 were obtained thanks to the Services sector, i.e., 1.3 percentage points of the 3.1 percent economic growth rate of the first 9 months of 1403 was owed to that sector of the Iranian economy. In the first 9 months of 1402 and the year 1402 as a whole, the Oil sector contributed to the GDP growth rate by respective shares of 1.4 and 1.3 percentage points. However, share of Oil sector in GDP expansion diminished to 0.8 percentage point in 1403Q1 and to 0.6 percentage point in 1403Q2, and finally to zero in 1403Q3, resulting in its 0.5 percentage point contribution to the economic growth rate of the first 9 months of 1403. Contrary to its 18.8 percent expansion throughout 1402, the growth rate of the Oil sector fell to 9.9 percent and 7.8 percent in 1403Q1 and 1403Q2 and plummeted to 0.1 percent in 1403Q3. All in all, that sector experienced 6.0 percent expansion in the first 9 months of 1403 which was in line with the expectations in the aftermath of the inauguration of the 2nd Administration of Trump. The non-oil GDP growth rate registered 2.5 percent in 1403Q1, 2.3 percent in 1403Q2, 3.9 percent in 1402Q3, and 2.9 percent in the first 9 months of 1403 as a whole. As the slowing down in the expansion of the Oil sector has knock-down effect on the rest of the economy, further fall in the non-oil GDP growth rate seems plausible in the upcoming quarters.

In the Iranian national accounts provided by the CBI, Agriculture sector encompasses activities including Farming, Forestry, Hunting, Animal Husbandry, Aviculture, and Fishery. Despite its categorization, the CBI preliminary report on the developments of the Real Sector of the economy in the first 9 months of 1403 has gone over that sector in brief and has reported 14.8 percent expansion in Farming products, 8.4 percent in Horticultural products, and 4.5 percent in Livestock products compared to the same period of 1402. In the same period, Agriculture

sector as a whole, has expanded by 3.7 percent, signaling that the recession in that sector has ended. It is worth to mention that Agriculture sector formed 14.7 percent of the nominal GDP in the first 9 months of 1403 with 0.5 percentage point share in the economic growth rate in the period under discussion.

Losing 1.7 percentage points compared to the first 9 months of 1402, the Industries and Mining formed 27.5 percent of the nominal GDP in the first 9 months of 1403. The sector itself, consists of five subsectors of "Manufacturing", "Mining", "Electricity, Gas, Steam, and Air Conditioning Supply", "Water Supply, Sewerage, Waste Management and Remediation Activities", and finally "Construction" that, respectively, expanded by 2.1 percent, 3.1 percent, 2.2 percent, 0.1 percent, and 3.3 percent in the 9-month period under review compared to the corresponding period of 1402. Construction subsector that grew slightly by 0.8 percent in the first 9 months of 1402, grew by 3.9 percent in 1403Q1, by 3.0 percent in 1403Q2, and by 3.1 percent in 1403Q3 to constitute 0.2 percentage point of economic growth rate of the first 9 months of 1403. Note that in the same period, Private Construction has grown by 4.7 percent, translating to improvement in its supply side in the short run. All in all, in the first 9 months of 1403, the Industries and Mining sector expanded by 2.4 percent, down 2.0 percentage points from the same period of 1402.

The CBI data suggests that the Services sector as the largest sector of the Iranian economy with 49.4 percent share in GDP at current prices in the first 9 months of 1403 (2.6 percentage points above that of the same period of 1402) has expanded by 3.0 percent at constant 1400 prices compared to the first 9 months of 1402. Among the various subsectors of the Services, "Administrative and Support Service Activities" was the only subsector that contracted by 1.7 percent in the first 9 months of 1403. Other subsectors of Services expanded with "Arts, Entertainment and Recreation" by the highest growth rate of 19.1 percent during the period under discussion. Moreover, "Information and Communication" experienced 13.4 percent expansion in the same period. "Wholesale & Retail Trade; Repair of Motor Vehicles/cycles" that grew by 2.4 percent only, contributed by 0.3

Recent Economic Developments in Iran

A Quarterly Report

percentage point to the economic growth rate of the first 9 months of 1403, thanks to its notable share in GDP.

Table 1 presents the details of GDP growth rate by major sectors of the economy in accordance with the CBI report.

Table 1. Growth Rates of GDP and Its Subsectors at Constant 1400 Prices (percent-percentage point)

	1402		1403				Share in Growth in the First 9 Months of 1403
	First 9 Months	Year	Q1	Q2	Q3	First 9 Months	
Agriculture	0.8	0.8	3.2	3.8	4.1	3.7	0.5
Oil and Gas	20.3	18.8	9.9	7.8	0.1	6.0	0.5
Industries and Mining	4.4	5.1	2.8	1.0	3.4	2.4	0.8
Services	4.0	4.0	2.1	2.5	4.3	3.0	1.3
Non-oil GDP (at basic prices)	3.7	4.0	2.5	2.3	3.9	2.9	-
GDP (at basic prices)	4.8	5.0	3.1	2.7	3.6	3.1	3.1

Source: Central Bank of Iran

On the demand side of the economy, the Private Consumption Expenditures (at constant prices) that had started to expand from 1399Q4 onwards, registered 1.5 percent expansion in 1403Q1, 2.3 percent expansion in 1403Q2, 6.2 percent expansion in 1403Q3, and 3.3 percent expansion in aggregate in the first 9 months of 1403. During the first 9 months of 1403, the Government Consumption Expenditures grew by 0.2 percentage point below the Private Consumption Expenditures. The 3.4 percent contraction in the Government Consumption Expenditures in 1403Q1 was offset by its 4.4 percent and 7.9 percent expansions, respectively, in summer and fall 1403.

In accordance with the CBI, Gross Fixed Capital Formation rose by 3.4 percent in the first 9 months of 1403. Prior

to 1400Q1, the Gross Fixed Capital Formation was categorized into two distinct groups of "Construction" as well as "Machinery" in the CBI books, but was revised and from that quarter a third group titled "Other" joined the two initial groups. The newly added group itself contains R&D expenditures, mine exploration, precious items, and other items. During the first 9 months of 1403, Gross Fixed Capital Formation expanded by 2.7 percent in Construction, by 4.1 percent in Machinery, and by 2.9 percent in Other.

Regarding the international trade, during the first 9 months of 1403 the exports of goods and services grew by 7.6 percent, but their imports diminished by 3.1 percent, at constant 1400 prices. Table 2 present the details of GDP growth rate from the expenditure side.

Table 2. GDP Growth Rate from the Expenditure Side at Constant 1400 Prices (percent)

	1402		1403			
	First 9 Months	Year	Q1	Q2	Q3	First 9 Months
Private Consumption Expenditures	2.0	1.6	1.5	2.3	6.2	3.3
Government Consumption Expenditures	-1.8	-0.6	-3.4	4.4	7.9	3.1
Gross Fixed Capital Formation	3.3	6.3	2.2	3.3	4.4	3.4
Machinery	4.4	6.2	0.2	4.3	6.3	4.1
Construction	2.5	7.0	4.2	2.4	1.6	2.7
Other	-4.0	-4.4	-2.0	4.3	6.9	2.9
Net Exports of Goods and Services						
Exports of Goods and Services	12.6	13.2	12.0	5.1	6.3	7.6
Imports of Goods and Services	4.8	1.5	0.8	-0.2	-9.2	-3.1
GDP at Market Prices	5.0	5.3	3.9	3.5	3.9	3.7

Source: Central Bank of Iran

Both the CBI and the SCI have reported 3.1 percent GDP growth rate at basic prices for the first 9 months of 1403, using the same year of 1400 as the base year of their calculations. Despite their identical economic growth rates for the first 9 months of 1403, the reports of the 2 issuing authorities are far different in details. On the basis of SCI, the GDP growth rate in 1403Q3 is reported 1.6 percent, 2.0 percentage points below the reported rate by the CBI. Besides, in the same quarter, the non-oil GDP growth rate was calculated 1.5 percent by the SCI, down 2.4 percentage points from the corresponding figure in the CBI report. In the CBI books, "Oil and Gas" is considered as a main group, while the corresponding group in the SCI books is a subsector of "Industries and Mining", titled "Extraction of Oil and Natural Gas". The SCI calculated 2.0 percent growth rate of "Extraction of Oil and Natural Gas" for 1403Q3, far close to the 1.9 percent growth rate of the corresponding sector in CBI report for the same quarter. Note that both issuing authorities have

reported roughly same growth rates for the Oil sector in the first 9 months of 1403, but regarding the Construction sector, there is a different story, i.e., contrary to the SCI report, in the CBI report the Construction sector has experienced no change in the first 9 months of 1403. Financial and Insurance Activities has expanded by 4.9 percent in the CBI report, while its corresponding sector in the SCI report titled Financial Intermediation has grown by 9.0 percent in the first 9 months of 1403.

The difference in the data on the demand side of the economy reported by the two issuing authorities is crucial, i.e., contrary to the CBI that reported 2.7 percent growth rate in the Gross Fixed Capital Formation in Construction, the SCI suggests that it has not experienced any change in the first 9 months of 1403. Similarly, as for the Final Private Consumption Expenditures, the growth rate in the first 9 months of 1403 was reported 3.3 percent by the CBI and zero percent by the SCI.

2-1. Oil

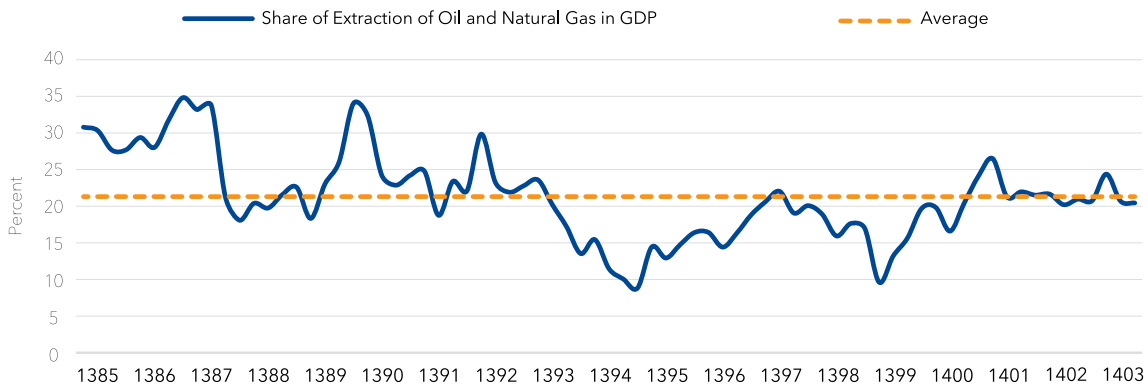
The SCI report suggests that the value-added of the Extraction of Oil and Natural Gas in the first 9 months of 1403 grew by 6.1 percent at constant 1400 prices compared to the first 9 months of 1402, the lowest rate from 1400 onwards. The share of this subgroup of GDP at current prices averaged 21.3 percent from 1385 to the first 9 months of 1403, however that share has been volatile in proportion with the intensity of the economic sanctions on Iran during the period under discussion. Generally, the fall in oil exports, investment limitations, and lower foreign income that altogether root in the sanctions, have caused the value-added of the Extraction of Oil and Natural Gas to decrease. Between 1391 to 1395, Oil sector had lost much of its share in the Iranian economy and even in some points it had constituted less than 15 percent of GDP. The period 1391-1395 coincided with the imposition of severe economic sanctions on the Iranian economy - especially on the Oil sector - and the fall in Iran's oil exports which had directly weakened the

contribution of the Oil sector to the Iranian economy. In the aftermath of the Joint Comprehensive Plan of Action (JCPOA), the Oil sector regained its share in the Iranian economy gradually. However, due to the unilateral withdrawal of the US Administration from the nuclear deal, the Oil sector again lost its share in the Iranian economy. This situation was improved thanks to the inauguration of Biden's Administration coupled with that Russian invasion of Ukraine and the share of Oil sector in the Iranian GDP stood above its long-term average, however, this improvement seems fragile due to inauguration of new Trump's Administration. In addition to the fluctuations of the share of Oil sector in GDP, the Iranian economy faces energy crisis. Accordingly, new investments in Oil sector infrastructure as well as gas injection are the prerequisites for the expansion of oil production. Besides, lack of gas for household consumption has also exacerbated the situation. The share of Extraction of Oil and Natural Gas at current prices in Iran's GDP is shown in Graph 1.

Recent Economic Developments in Iran

A Quarterly Report

Graph 1. Share of Oil Sector in Iran's GDP at Current Prices*

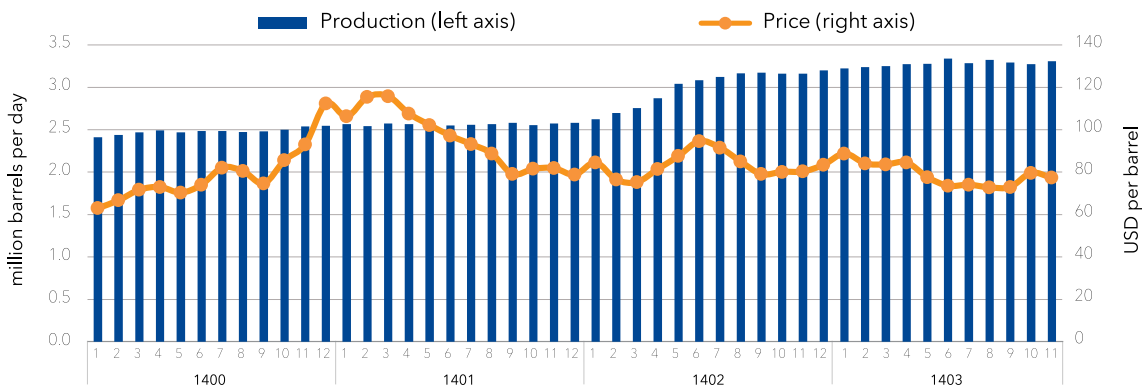


Source: Statistical Center of Iran
 * The data for 1403 covers the first 9 months of that year only.

As the official issuance of data on the Iranian oil production has been ceased from 1397 just after the imposition of new sanctions, the OPEC data from the secondary sources is the most reliable source in that regard. On the basis of the OPEC reports, the Iranian oil production in Feb 2025 (roughly corresponding to the mid-1403Q4) totaled 3.3 million barrels per day (mbpd) to stand 4.6 percent above

that of Feb 2024. Note that there is no room for further rise in the country's oil production, i.e., due to the fall in global oil demand and the worn-out infrastructure of the Iranian Oil sector, no expansion in production seems achievable. Graph 2 depicts the average daily production as well as average price of Iran's crude oil from the beginning of 1400 to end of the 11th month of 1403.

Graph 2. Average Daily Crude Oil Production and Average Price of Iranian Heavy Oil



Source: OPEC monthly reports, production level based on the secondary sources
 Note: OPEC statistics are based on Gregorian calendar years and their conversion into Persian calendar years is only approximate.

The price of Iran's crude oil reached USD79.7 a barrel in Jan 2025, up 9.1 percent from its preceding month. Regarding this price rise it should be noted that:

- In order to prevent oil prices from further decrease, in Dec 2024, the OPEC Plus members decided to cut oil production in 2025;
- The oil prices are highly sensible to geopolitical risks in the

Middle East - the tensions in the region in Oct 2024 as well as the imposition of more sanctions on Iran are as such. According to Goldman Sachs Group, any disruption in Iran's oil production would cause the Brent oil price to rise by USD10 to USD20 a barrel. However, expecting more tensions in future could accelerate the oil price rises;

Note that the tariff war could pull down the oil prices through slowing down the global economic growth rate.

On the basis of the Tanker Trackers website¹, Iran's average oil exports registered 1.6 mbpd in Mar 2025, 16.7 percent

below that of Mar 2024 - much of Iran's crude oil has been exported to China. It should be taken into consideration that in addition to the economic sanctions, Iran's exports of oil would also react to China's oil demand in different time intervals.

1. As data on Iran's exports of crude oil is considered confidential and is not officially published, the data from TankerTrackers.com has been used in our Report. The website is an independent online service that tracks and reports shipments of crude oil in several geographical and geopolitical points of interest.

3. LABOR MARKET

The latest report of the SCI on the Iranian labor market suggests that in 1403Q4, the unemployment rate of the population aged 15 and above has diminished by 0.8 percentage point compared to 1402Q4, while has grown by 0.6 percentage point from 1403Q3, to reach 7.8 percent. Moreover, in 1403Q4, the rate of underemployment (working less than 44 hours a week) has dropped by 0.9 percentage point from 1402Q4 to reach 7.7 percent. Nevertheless, economic participation rate and employment ratio (ratio of employed population to the total working age population) in 1403Q4 have worsened compared to the same quarter of its preceding year. In fact, despite the increase in the population aged 15 and above during 1403, the population that has been willing or able to work has remained almost unchanged, translating to less upward pressure on the unemployment rate.

The unemployment rate of males registered 6.5 percent in 1403Q4, while that of the females registered 14.2 percent, respectively, 0.6 and 1.4 percentage points below those of 1402Q4. Compared to 1402Q4, about 101.8 thousand individuals were added to the employed population in 1403Q4, i.e., the number of males rose by 172.2 thousand, while that of females fell by 70.4 thousand. Nonetheless, as the total male population at working age (15 years and above) expanded faster than the number of employed males, the employment ratio of this group registered 62.9 percent in 1403Q4, down 0.2 percentage point compared to 1402Q4. As for females, the employment ratio fell by 0.3 percentage point to 11.3 percent in the same period. All in all, in 1403Q4, the employment ratio fell by 0.3 percentage point compared to 1402Q4 to reach 37.0 percent.

Out of the 2 million unemployed population in 1403Q4, 1.4 million were aged 18 to 35. Accordingly, the unemployment rate for this age group registered 14.8 percent in 1403Q4, indicating 0.2 percentage point improve from 1402Q4. In the same quarter, 795.5 thousand individuals with higher education were unemployed, translating to 10.7 percent unemployment rate in this group, 7.6 percent among males and 17.7 percent among females, respectively, 0.1 and 2.5 percentage points below those of 1402Q4. In 1403Q4, about 38.9 percent of the total unemployed

population of the country had higher education, indicating 0.1 percentage point fall from 1402Q4. In the same season, males and females, respectively, constituted 48.7 percent and 51.3 percent of the 795.5 thousand unemployed population with higher education. The higher rate of unemployment among population with higher education relative to the average unemployment rate of the country spotlights the fact that higher education has not only assisted individuals to find a job, but also has served as a hindrance in that regard. Subsequently, in 1403Q4, share of individuals with higher education in total employed population fell to 27.3 percent, down 0.5 percentage point from that of 1402Q4.

In 1403Q4 and compared to the same quarter of its preceding year, 791.3 thousand individuals including 384.1 thousand males and 407.2 thousand females were added to the total working age population. In the same quarter, the active population fell by 121.3 thousand as a result of the 3.5 percent fall in the female active population (157.2 thousand) compared to 1402Q4. On the contrary, 35.9 thousand has been added to the male active population in 1403Q4 compared to 1402Q4. Accordingly, out of the total population at working age in 1403Q4, 40.1 percent were active, indicating 0.7 percentage point fall from 1402Q4. As for females, the participation rate registered 13.1 percent, i.e., among 4.3 million females willing and able to work in 1403Q4, only 3.7 million were successful in finding a job. From 1401 onwards, the female active population started to rise and from 4.1 million in 1400 rose to 4.3 million in 1401 and 4.5 million in 1402, but again fell to 4.3 million in 1403Q4.

In 1403Q4, out of 24.3 million employed population, 53.7 percent participated in the Services Sector, 33.5 percent in the Industry Sector, and the remaining 12.7 percent in the Agriculture Sector. In the same quarter, 1.9 million of the employed population (7.7 percent) were underemployed, down 0.9 percentage point from that of 1402Q4, i.e., they have worked less than 44 hours a week due to some economic problems like fall in production and as such, notwithstanding their willingness to work more. Table 3 compares the major labor market indices in winters of 1402 and 1403.

Table 3. Major Labor Market Indices by Gender for the Population Aged 15 and Above

		1402Q4			1403Q4		
		Total	Male	Female	Total	Male	Female
Economic Participation	Rate (percent)	40.8	68.0	13.8	40.1	67.3	13.1
	Number (million)	26.5	22.0	4.5	26.3	22.0	4.3
Employment	Rate (percent)	37.3	63.1	11.6	37.0	62.9	11.3
	Number (million)	24.2	20.4	3.8	24.3	20.6	3.7
Unemployment	Rate (percent)	8.6	7.1	15.6	7.8	6.5	14.2
	Number (million)	2.3	1.6	0.7	2.0	1.4	0.6
Unemployment of Population Aged 18 to 35	Rate (percent)	15.7	12.7	27.1	14.8	12.1	25.2
	Number (million)	1.5	1.0	0.5	1.4	0.9	0.5
Unemployment of Population with Higher Education	Rate (percent)	11.6	7.7	20.2	10.7	7.6	17.7
	Number (million)	0.9	0.4	0.5	0.8	0.4	0.4
Share of Underemployment (percent)		8.6	9.4	4.1	7.7	8.4	4.3
Population Aged 15 and Over (million)		64.8	32.4	32.5	65.6	32.8	32.9

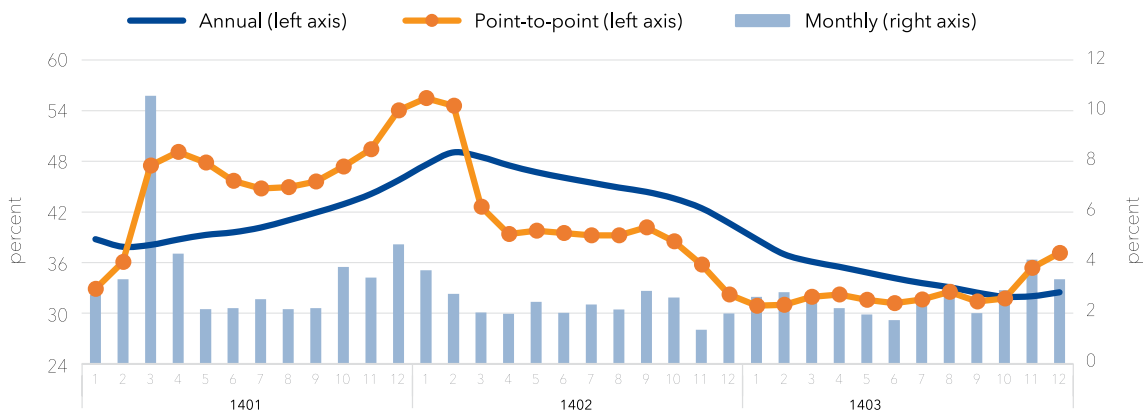
Source: Statistical Center of Iran

4. PRICES AND INFLATION

On the basis of the latest SCI report, the annual CPI inflation rate (1400=100) that had reached the low of 32.0 percent in the first 2 months of 1403Q4, closed that quarter at 32.5 percent with a slight increase. The point-to-point CPI inflation rate opened 1403Q4 at 31.7 percent and in an upward path closed that quarter at 37.1 percent - the highest

point-to-point CPI inflation rate in the year 1403. Moreover, the highest monthly CPI inflation rates during 1403 were experienced in the last quarter. In the second month of 1403Q4, the monthly CPI inflation rate registered the high of 4.1 percent during 1403. Graph 3 depicts the CPI inflation rates from the beginning of 1401 to the end of 1403.

Graph 3. CPI Inflation Rates



Source: Statistical Center of Iran

The annual CPI inflation rate that had fallen to below 40 percent in the beginning of 1403, kept on decreasing and in the first 2 months of 1403Q4 registered 32.0 percent, the lowest rate of that year, but with a slight rise, closed 1403 at 32.5 percent. Nevertheless, the annual CPI inflation rates in 1403Q4 stood below their corresponding rates in 1402Q4. Moreover, the point-to-point CPI inflation rate that was not that volatile from the beginning of 1403 to the end of 1403Q3, started to rise in 1403Q4. Contrary to the same period of 1402, in winter 1403 the point-to-point CPI inflation rate followed an upward path to close that quarter at the highest rate of 37.1 percent during 1403. The monthly CPI inflation rate averaged 3.5 percent in 1403Q4, far above the average of 2.0 percent in the same quarter of 1402. The monthly CPI inflation rate that had experienced the lowest rate of 1402 in the second month of 1402Q4 (11th month of 1402), registered its highest rate of 1403 in the same month of 1403Q4.

Although the CBI has officially ceased the publication of the CPI data from the last month of 1401, according to CBI news, this monetary authority has calculated the annual CPI inflation rate of 35.4 percent for the second month of 1403Q4, up from the SCI rate of 32.0 percent for the same month. Notwithstanding the difference between those rates, the CPI inflation rates calculated by both of the issuing authorities have followed the same trend.

An examination of the CPI inflation rates by the 12 main groups of consumption basket of goods and services reveals that in the last month of 1403Q4, the highest annual inflation rate belonged to Housing, Water, Electricity, and Other Fuels at 39.8 percent, while the lowest was attributed to Communication at 21.1 percent. In the same period, the group of Others as well as Communication, respectively, experienced the highest and the lowest point-to-point inflation rates of 48.3

percent and 23.6 percent. As for the monthly inflation rates, the highest rate belonged to the group of Others at 5.1 percent and the lowest rate to Education at 0.1 percent in the last month of 1403Q4.

The annual, point-to-point, and monthly inflation rates in Housing, Electricity, Water, and Other Fuels with the highest weight in the consumption basket have altogether followed downward trends during 1403Q4. Contrary to this group, Foods and Beverages with the second highest

weight in the consumption basket has experienced an upward trend in annual and point-to-point inflation rates throughout 1403Q4. From a monthly point of view, the inflation rate in the aforementioned group has registered 3.2 percent, 6.7 percent, and 4.9 percent, respectively in 3 consecutive months of the same quarter. Table 4 presents the inflation rates of the 12 main groups of the consumption basket of goods and services with their weights in a descending order at the end of 1403.

Table 4. Inflation Rates of the Basket of Goods and Services at the End of 1403

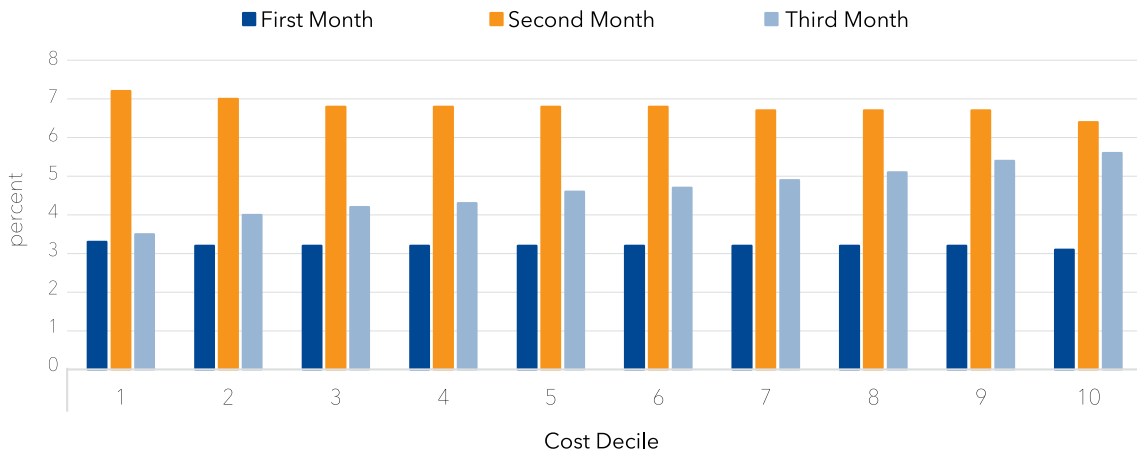
	Base Year (1400) Weight	Inflation Rate		
		Monthly	Point-to-point	Annual
Overall	100.00	3.3	37.1	32.5
Housing, Water, Electricity and Other Fuels	36.11	2.0	37.1	39.8
Foods and Beverages	28.82	4.9	41.0	28.0
Transport	8.93	2.5	29.3	27.6
Health	6.68	1.5	32.4	29.2
Clothing and Footwear	4.52	4.9	32.4	31.3
Others	4.42	5.1	48.3	38.4
Household Equipment	4.40	4.1	34.1	27.2
Communication	2.41	2.4	23.6	21.1
Restaurants and Hotels	1.35	2.8	30.0	33.5
Education	0.88	0.1	34.8	36.9
Recreation and Culture	0.87	2.7	33.1	29.8
Tobacco	0.62	3.7	30.0	27.5

Source: Statistical Center of Iran

The SCI inflation rate statistics by cost deciles reveals that in the last month of 1403, the highest annual inflation rate of 32.8 percent was experienced in the ninth cost decile, while the lowest rate of 31.1 percent was attributed to the second. Regarding the point-to-point inflation rates, in the same month, the first cost decile experienced the highest rate of 39.1 percent, while the tenth experienced the lowest rate of 36.0 percent - the same situation happened in its preceding months but at different rates. During the first two months of 1403Q4, the highest monthly inflation rate belonged to the first cost decile and the lowest was

attributed to the tenth, however, in the last month of that quarter that trend reversed course. Given the considerably high weight assigned to the Foods and Beverages in the consumption basket of low-income deciles, during the first two months of 1403Q4, the bottom cost deciles have incurred much of the inflationary pressure, especially in the second month of that quarter. Graph 4 depicts the developments of monthly inflation rates in "Foods and Beverages" and "Tobacco" in aggregate during 1403Q4 by cost deciles.

Graph 4. Monthly Inflation Rate of Foods and Beverages and Tobacco During 1403Q4

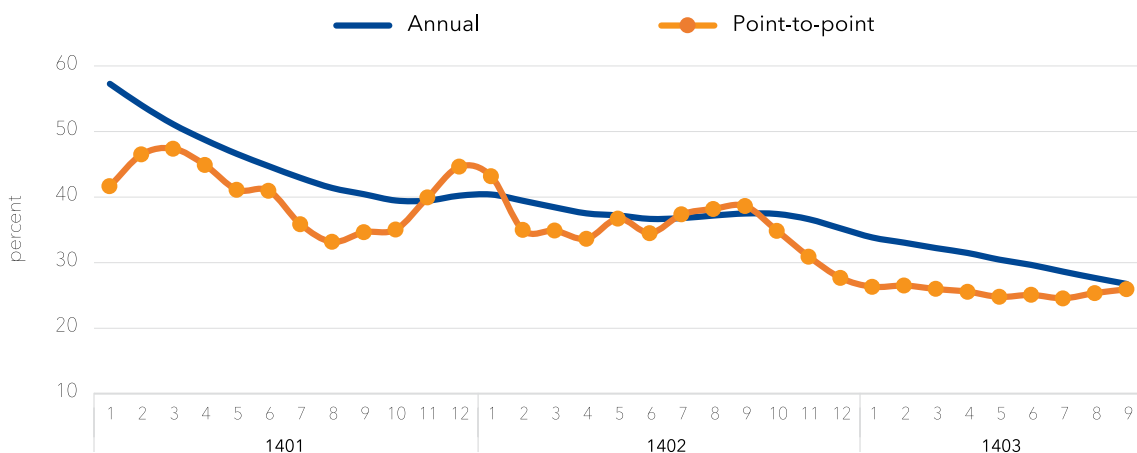


Source: Statistical Center of Iran

The SCI data on PPI is issued on a quarterly basis using the year 1395 as the base year and the CBI issues the same index on a monthly basis but using the year 1400 as the base year. However, the data issued by both covered the same period (till the end of 1403Q3) while preparing this Report. The CBI data suggests that the PPI inflation rate as a leading indicator of the CPI inflation rate followed a downward path that had started from 1402Q4 and by the end of 1403Q2 fell below 30 percent and eventually closed 1403Q3 at 26.7 percent. On the basis of CBI news, the PPI inflation rate registered the same rate

of 26.7 percent in the second month of 1403Q4. The fall in the PPI inflation rate to below 30 percent compared to its rates above 80 percent in 1400 is mainly attributed to the implementation of the CBI macroprudential policy by limiting the growth of banks' balance sheets. Moreover, based on the SCI, the annual PPI inflation rate closed 1403Q3 at 31.2 percent. Although the PPI inflation rates calculated by the SCI stand above those of the CBI, they follow a same downward path. The developments of PPI inflation rates based on the CBI data from the beginning of 1401 to the end of 1403Q3 are illustrated in Graph 5.

Graph 5. Annual and Point-to-point PPI Inflation rates



Source: Central Bank of Iran

5. BALANCE OF PAYMENTS

The balance of Payments that consists of Current Account, Net Capital Account, as well as Errors and Omissions, registered USD1.5 billion in 1403H1, above the USD1.0 billion in 1402H1, the CBI estimated. The Current Account surplus that had registered USD5.9 billion in 1402H1, surged by 85.8 percent to USD10.9 billion in 1403H1, while the Net Capital Account deficit fell to USD12.4 billion in 1403H1 from the USD14.6 billion in 1402H1, serving as factors of increase in the Balance of Payments in 1403H1, while the Errors and Omissions by USD6.8 billion fall in the period under discussion partly offset that increase.

The Current Account contains Goods Account, Services Account, Income Account, and Current Transfers Account. The Goods Account (goods trade balance) which represents net exports of goods, experienced 54.8 percent growth rate and from USD10.9 billion in 1402H1 reached USD16.9 billion in 1403H1.

All in all, the value of Iran's goods trade (aggregated value of exports and imports of goods) in 1403H1 indicated 12.7 percent rise from that of 1402H1. In 1403H1, the value of goods exports grew by 17.4 percent compared to the same period of its preceding year, registering USD56.8 billion. Note that much of the rise in goods exports value in the time span under review is attributed to the 20.6 percent expansion

of the value of oil exports in the same period, albeit thanks to more exports of oil, not the rise in the oil price.

During 1403H1, the value of non-oil exports of Iran grew by 13.0 percent to USD22.9 billion, 32.6 percent below the USD33.9 billion oil exports in the same period. Note that much of the non-oil exports of Iran in the same period is attributed to the exports of petrochemicals and oil-based chemicals.

In 1403H1, the value of goods imports registered USD39.9 billion, up 6.5 percent from the USD37.4 billion in 1402H1. Moreover, imports of gas and oil products² that in 1401 registered USD228 thousand only, rose to USD634 million in 1402H1 and USD764 million in 1403H1 due to more imports of gasoline and other fuels following the exacerbation of energy crisis in the country. Subsequently, the surplus of oil trade balance in 1403H1 grew by 20.6 percent compared to 1402H1, while deficit of non-oil trade balance fell by 2.0 percent to USD16.2 billion in the same period.

In 1403H1, the Services Account deficit reached USD5.4 billion, 15.9 percent above the USD4.6 billion in 1402H1. As for deficit of the Income Account³, this item grew to USD533 million from USD382 million in the same period. The balance of payments is presented in Table 5 in detail.

Table 5. Balance of Payments (USD million - percent)

	1402H1	1402	1403H1	1403H1 to 1402H1 Percentage Change
Current Account	5,876	8,964	10,918	85.8
Goods Account	10,918	21,077	16,897	54.8
Exports (FOB)	48,341	100,519	56,757	17.4
Oil	28,122	56,796	33,906	20.6
Non-oil	20,219	43,723	22,851	13.0
Imports (FOB)	37,424	79,442	39,860	6.5
Gas and Oil Products	634	2,504	764	20.5
Other Goods	36,790	76,937	39,096	6.3
Services Account	-4,631	-11,158	-5,365	15.9
Income Account	-382	-917	-533	39.6
Current Transfers Account	-30	-39	-81	172.3
Net Capital Account	-14,649	-20,457	-12,415	-15.3
Errors and Omissions	9,817	11,382	3,009	-69.3
Overall Balance	1,043	-112	1,513	45.0

Source: Central Bank of Iran

2. Including customs and non-customs imports of oil products, natural gas, and natural gas condensates and liquids

3. Mainly including compensation of workers and revenues and expenditures associated with investments

On the basis of the Islamic Republic of Iran Customs Administration (IRICA), during the first 11 months of 1403, Iran's customs exports and imports of goods have registered about 141.0 million tons valued at USD53.4 billion and about 35.1 million tons valued at USD63.6 billion, respectively. Hence, the customs trade balance deficit fell to USD10.2 billion in the first 11 months of 1403 from USD15.3 billion in the same period of its preceding year.

In the first 11 months of 1403, Iran's customs exports of goods expanded by 12.7 percent in weight and 18.8 percent in value. Hence, the average price of exported goods that had registered USD359 per ton in the first 11 months of 1402, rose to USD378 per ton in the first 11 months of 1403. In the same period, Iran's customs goods imports contracted by 2.6 percent in weight while expanded by 5.6 percent in value. Hence, the average price of imported goods reached USD1,814 per ton in the first 11 months of 1403, above the USD1,673 in the same period of its preceding year. All in all, the average price of each ton of imported goods was five times that of each ton of exported goods, mainly due to exports of raw or semi-raw material with low value-added on the one hand and over-invoice of imports and under-invoice of exports due to CBI foreign exchange policy, on the other hand.

The IRICA data suggests that in the first 11 months of 1403, raw gold was the main Iran's imported item with 93 tons

weight and USD7.3 billion value, about four times that of the same period of 1402. This notable rise rooted in the CBI circular of summer 1402 regarding the settlement of foreign exchange commitments of exporters, based on which the Iranian exporters are required to transfer their exports proceeds to the country. Due to USD transfer limitations, the circular highly tempted the Iranian exporters to convert their export proceeds to gold to easily settle their commitments. Out of the total imported raw gold by Iran, USD4.1 billion is attributed to Turkey with the highest share of 56 percent in the total imported raw gold, during the 11-month period under review. Soybean meal and yellow soybean with respective values of USD1.9 billion and USD1.2 billion, altogether constituted USD3.1 billion of the imports value of the country in the first 11 months of 1403, followed by cattle feed corn at USD2.7 billion, smart phones at USD2.1 billion, and auto parts at USD1.8 billion.

As for Iran's exports, during the first 11 months of 1403, natural gas (liquified or in form of gas), liquified propane, various types of polyethylene, and methanol were the top 4 exported items with respective exports values of USD6.7 billion, USD3.3 billion, USD3.1 billion, and USD2.1 billion. Obviously, the aforementioned exported items are all oil-based and are mainly classified as petrochemicals that have been mainly exported to China. Table 6 presents Iran's customs trade during the first 11 months of 1402 and 1403.

Table 6. Iran's Customs Trade in the First 11 Months of 1402 and 1403

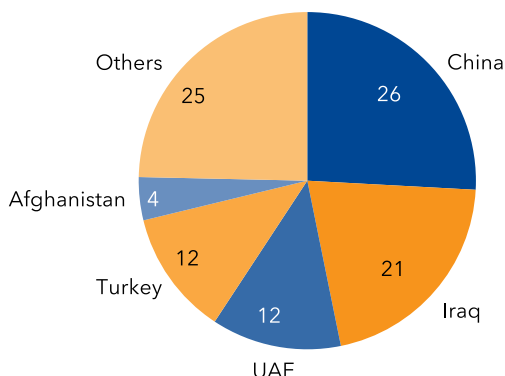
	First 11 Months of 1402			First 11 Months of 1403			Percentage Change	
	Weight (1000 ton)	Value (USD million)	Value to Weight Ratio (USD per ton)	Weight (1000 ton)	Value (USD million)	Value to Weight Ratio (USD per ton)	Weight	Value
Exports	125,182	44,938	359	141,040	53,376	378	12.7	18.8
Imports	36,009	60,248	1,673	35,062	63,606	1,814	-2.6	5.6
Customs Trade Balance	89,173	-15,310	-	105,978	-10,230	-	18.8	-33.2

Source: Islamic Republic of Iran Customs Administration

During the first 11 months of 1403, China, Iraq, UAE, Turkey, and Afghanistan were, respectively, the top 5 exports destinations of Iran, constituting 75.3 percent of Iran's customs exports value. Meanwhile, China with USD13.8 billion imports from Iran formed 25.9 percent of the total customs exports value of Iran, followed by

Iraq with USD11.1 billion and 20.9 percent share, UAE with USD6.6 billion and 12.4 percent share, Turkey with USD6.4 billion and 12.0 percent share, and finally Afghanistan with USD2.2 billion and 4.1 percent share. The major exports destinations of Iran during the first 11 months of 1403 are shown in Graph 6.

Graph 6. Major Customs Exports Destinations of Iran by Their Share in Total in the First 11 Months of 1403 (percent)

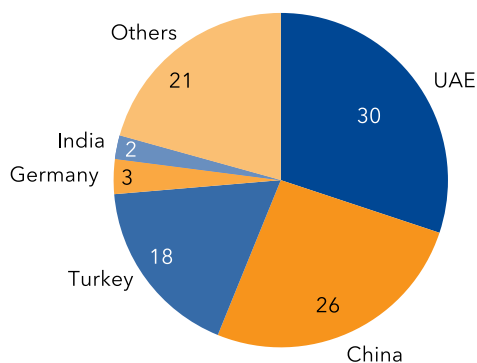


Source: Islamic Republic of Iran Customs Administration

Regarding imports, during the first 11 months of 1403, the UAE was Iran’s major counterpart and the imports from that country registered USD19.1 billion to form 30.1 percent of the total value of Iran’s imports, followed by China with USD16.6 billion and 26.1 percent share and Turkey with USD11.1 billion and 17.5 percent share. These top 3 sources of imports altogether formed about 74 percent of total customs imports value of Iran during

the period under discussion. In the first 11 months of 1403, USD2.1 billion was imported from Germany with 3.4 percent share in total Iran’s imports value and USD1.4 billion was imported from India with 2.3 percent share to put these two counterparts in the fourth and fifth places among top 5 Iran’s sources of imports. The major sources of Iran’s customs imports in the first 11 months of 1403 are shown in Graph 7.

Graph 7. Major Sources of Customs Imports of Iran by Their Share in Total in the First 11 Months of 1403 (percent)



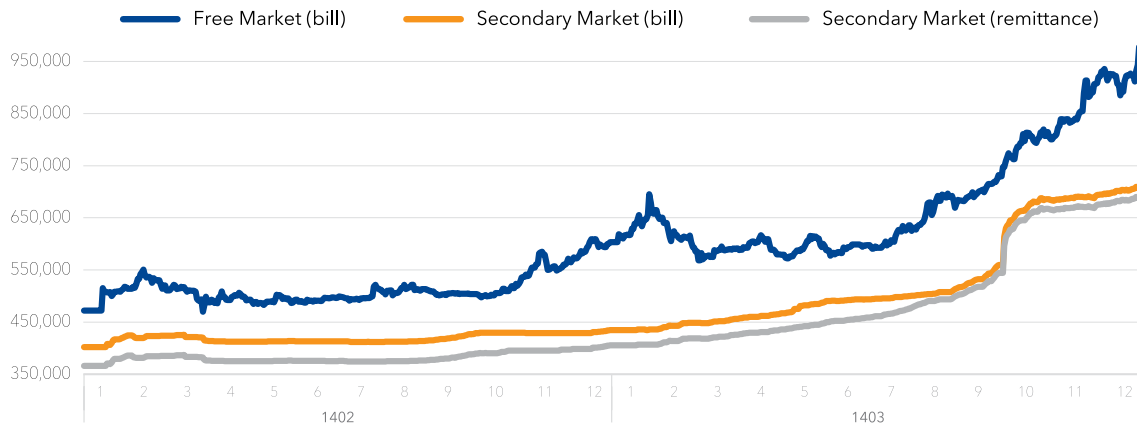
Source: Islamic Republic of Iran Customs Administration

6. FOREIGN EXCHANGE MARKET

The Iranian foreign exchange market was highly volatile during 1403Q4, mainly due to the international tensions, especially between Iran and the USA as well as the unprecedented incidents in the Middle East. The price of USD in the Iranian free market for foreign exchanges closed the year 1403 at IRR978 thousand, 62.2 percent

above the IRR603 thousand at the end of 1402. The USD/IRR exchange rate averaged 863 thousand during 1403Q4, respectively, 27.7 percent and 55.4 percent above that of 1403Q3 and 1402Q4. Graph 8 illustrates the developments of USD/IRR exchange rates in various markets.

Graph 8. USD/IRR Exchange Rates in Various Markets*



Source: Central Bank of Iran; Gold, Coin, and Currency Information Network

* From the 9th month of 1403, the Commercial Foreign Exchange Market was added to the secondary market. In its initial stages, limited number of importers and exporters were able to trade foreign exchanges in the newly established market albeit at higher rates. From the 11th month of 1403 all foreign exchange transactions in secondary market (except for imports of essential goods) were subject to be done in the new subdivision.

The Iranian foreign exchange market faced various unprecedented incidents throughout the year 1403. The free-market USD/IRR exchange rate that had started 1403 at 603 thousand, exceeded 700 thousand in the last days of the first month of 1403, mainly due to the limited military confrontation between Iran and Israel. However, as the tensions subsided and new moderate IRI Government took office, the air of pessimism slightly evaporated, pulling down the free-market USD/IRR exchange rate to below 600 thousand in the second and third months of 1403Q2. However, this situation did not last long and due to some tensions in the region and attacking some military sites of Iran by Israel in the second month of fall 1403, the IRR again started to depreciate. Moreover, in response to the

reelection of Donald Trump in the USA Presidential Election in Nov 2024 (mid 1403Q3) followed by the Fall of Assad Regime in Syria in Dec 2024, the USD/IRR exchange rate in the free market exceeded 700 thousand in the initial days of the last month of 1403Q3 and in less than a month grew to above 800 thousand. In the aftermath of the inauguration of the new US Administration in Jan 2025 (roughly the second month of 1403Q4), imposition of new sanctions on Iran - mainly on its oil supply network - and reluctance of Iran to negotiate with the new US Administration - unlike its willingness after the new IRI Government came to power - the air of pessimism overshadowed the Iranian foreign exchange market and from mid-winter 1403, the USD/IRR exchange rate stood above 900 thousand.

On the basis of the latest CBI data on the net CBI foreign assets, this subgroup of the Monetary Base has severely decreased in the second month of 1403Q4 compared to the end of 1402 and the same period of its preceding year. From the examination of the net CBI foreign assets in the

first 2 months of 1403Q4, it is grasped that probably the market maker has not intervened or has not been willing to do so in the foreign exchange market.⁴ Table 7 presents the developments of nominal USD/IRR bill exchange rate in the free market in 1402Q4 and the 4 quarters of 1403.

Table 7. Nominal USD/IRR Bill Exchange Rate in the Free Market

	Average	Maximum	Minimum	Standard Deviation	Coefficient of Variation
1403Q4	862,096	977,800	762,400	56,146	0.07
1403Q3	675,159	773,650	595,500	44,376	0.07
1403Q2	593,642	616,910	572,200	10,961	0.02
1403Q1	611,620	695,000	568,500	27,926	0.05
1402Q4	554,401	609,200	499,490	34,305	0.06

Source: Central Bank of Iran; Gold, Coin, and Currency Information Network; Research Calculations

In addition to the developments of USD price in the Iranian free market, its developments in the secondary market in 1403Q4 is also worth to be investigated. The USD/IRR bill and remittance exchange rates in the secondary market that were slightly fluctuating during the first 8 months of 1403, stepped in an upward path from the last month of 1403Q3. Meanwhile, the Commercial Foreign Exchange Market was added to the secondary market in the last month of 1403Q3, where limited number of transactions were done albeit at higher rates. However, from the beginning of the second month of 1403Q4, all the foreign exchange transactions in the secondary market - except for imports of the essential goods - were subject to be carried out in the newly established market, translating to an exercise in order to narrow down the gap between the free-market and secondary-market exchange rates. The establishment of the Commercial Foreign Exchange Market, where the exchange rates were higher, in fact aimed to tempt the exporters to supply more foreign currencies in the domestic market, to eliminate the economic rents from the gap between the free-market and secondary-market exchange rates, and finally to move towards getting rid of multiple exchange rate

regime. As a result of the rise in foreign exchange rates in the secondary market, the gap between the USD/IRR bill exchange rate in the free market and the secondary market fell by 10 percentage points to 19 percent in the first month of 1403Q4 compared to its preceding month, but due to political tensions in the same quarter, the gap between them again widened to reach 25 percent and 32 percent, respectively, in the second and third month of winter 1403 on average. The gap between the USD/IRR bill exchange rate in the free market and its remittance exchange rate in the secondary market followed an upward path and, respectively, averaged 22 percent, 28 percent, and 35 percent in the 3 consecutive months of 1403Q4. Accordingly, contrary to expectations, as a result of the abnormal political situations of the country, the newly established subdivision in the secondary market was not successful in eliminating the gap between its ongoing exchange rates and the free-market exchange rates. On the basis of the secondary market statistics, since the beginning of its activity till its last working day in 1403, equivalent to USD6.758 billion has been traded in the Commercial Foreign Exchange Market.

4 . For further information in this regard take a look at Monetary and Credit Aggregates chapter.

7. MONETARY AND CREDIT AGGREGATES

The latest CBI statistics on the monetary aggregates covers the first 11 months of 1403 while preparing this Report. At the end of the 11th month of 1403, the Liquidity (M2) registered IRR99,420.1 trillion, up 27.8 percent from the same month of 1402 and 26.2 percent above the end of 1402. Accordingly, during the first 11 months of 1403, the monthly growth rate of Liquidity averaged 2.1 percent, standing above that of the same period of 1402, conveying that the banks have

not observed the CBI regulation regarding monthly growth rate of their assets at certain periods during 1403. Moreover, the Monetary Base (M0) reached IRR12,729.4 trillion at the end of the 11th month of 1403, indicating 22.0 percent and 16.6 percent rises compared to the same point in 1402 and the end of 1402, respectively. Table 8 presents the developments of Liquidity and Monetary Base at the end of the 11th month of 1403.

Table 8. Liquidity and Monetary Base with Growth Rates of Their Components (IRR trillion-percent-percentage point)

	End of Period Balance			Growth Rate at the End of 11/1403 Compared to		Share in M0 Growth Rate at the End of 11/1403 Compared to	
	11/1402	12/1402	11/1403	11/1402	12/1402	11/1402	12/1402
Monetary Base (M0)	10,433.4	10,921.3	12,729.4	22.0	16.6	22.0	16.6
CBI Foreign Assets (net)	3,075.4	18,537.1	28,149.9	815.3	51.9	240.3	88.0
CBI Claims on Public Sector (net)	-199.2	-1,786.8	-828.5	-315.9	-53.6	-6.0	8.8
CBI Claims on Public Sector	4,421.1	4,742.8	6,192.8	40.1	30.6	17.0	13.3
Public Sector Deposits with CBI	4,620.3	6,529.6	7,021.3	52.0	7.5	-23.0	-4.5
CBI Claims on Banks	6,821.2	7,713.5	9,670.2	41.8	25.4	27.3	17.9
Other Assets (net)	736.0	-13,542.5	-24,262.2	-	79.2	-239.6	-98.2
Balance of Implementation of Monetary Policy	1,610.3	2,040.0	3,402.5	111.3	66.8	17.2	12.5
Liquidity (M2)	77,795.9	78,774.5	99,420.1	27.8	26.2	Share in Liquidity at the End of	
						12/1402	11/1403
Money (M1)	19,273.8	19,146.4	25,072.0	30.1	30.9	24.3	25.2
Notes and Coins with the Public	1,286.0	1,468.8	1,523.0	18.4	3.7	1.9	1.5
Sight Deposits	17,987.8	17,677.6	23,549.0	30.9	33.2	22.4	23.7
Checks (net)	250.3	522.6	632.1	152.5	21.0	0.7	0.6
Quasi-Money	58,522.1	59,628.1	74,348.1	27.0	24.7	75.7	74.8
Interest-free Saving Deposits*	6,834.7	7,603.5	10,412.7	52.4	36.9	9.7	10.5
Short Term Deposits	16,608.4	16,865.4	20,119.5	21.1	19.3	21.4	20.2
One-year Deposits	14,727.2	14,508.7	15,931.6	8.2	9.8	18.4	16.0
Two-year Deposits	4,035.1	4,183.5	3,116.0	-22.8	-25.5	5.3	3.1
Three-year Deposits	14,247.6	14,382.9	21,701.9	52.3	50.9	18.3	21.8
Four-Year Deposits	3.6	3.6	300.3	-	-	0.0	0.3
Five-year Deposits	65.5	65.2	64.0	-2.3	-1.8	0.1	0.1
Miscellaneous Deposits	2,000.0	2,015.3	2,702.1	35.1	34.1	2.6	2.7
M2 Money Multiplier	7.46	7.21	7.81	4.7	8.3	-	-

Source: Central Bank of Iran

The annual growth rate of the Liquidity that was following a downward path from 1400H2, reached to the low of 24.1 percent in the first month of 1403, however it reversed

course and after moving along a fluctuating trend, registered 28.1 percent in the second and third months of fall 1403. The annual growth rate of the Liquidity opened

winter 1403 at 28.4 percent and in the second month of that quarter reached 27.8 percent. During the first 11 months of 1403, the monthly growth rate of Liquidity averaged 2.1 percent to stand above the monthly average of 1.9 percent in the same period of 1402. From a quarterly point of view, the Liquidity has monthly expanded by 2.0 percent in 1403Q1, by 2.8 percent in 1403Q2, and by 1.9 percent in 1403Q3 on average. Accordingly, the deviation from the ceiling for monthly Liquidity growth rate could be attributed to the higher expansion of that monetary aggregate in summer 1403.⁵

An examination of the Liquidity by its components, Money (M1) and quasi-money, reveals that at the end of the 11th month of 1403, M1 has grown by 30.9 percent and quasi-money by 24.7 percent compared to the end of 1402, causing the share of money in Liquidity to rise by 0.9 percentage point to 25.2 percent at the end of the 11th month of 1403. Among the components of quasi-money, the three-year deposits expanded by 50.9 percent, while the two-year deposits contracted at the end of the 11th month of 1403 compared to the end of 1402. The considerable expansion of the three-year deposits in the period under review emanates from the arbitrary waiver of penalty for prematurity withdrawal by some banks and also conversion of matured one-year and two-year deposits to the three-year deposits with higher interest rate.

The M1 (notes and coins in circulation and sight deposits), interest-free saving deposits, and short-term deposits altogether formed 55.9 percent of the Liquidity at the end of the 11th month of 1403 which is considered as a large share. The share of three-year deposits in liquidity in the same point registered 21.8 percent, below the share of sight-deposits in Liquidity at 23.7 percent. All in all, the shares of Liquidity components in this monetary aggregate convey that in the first 11 months of 1403, investment in long-term deposits has not been desirable. Subsequently, further rise in the share of sight deposits in Liquidity in the last month of 1403Q4 seems plausible, translating to more inflationary effect of the Liquidity.

The latest CBI data suggests that the Monetary Base has reached IRR12,729.4 trillion at the end of the 11th month

of 1403, indicating 16.6 percent rise from the end of 1402 and 22.0 percent from the same period of 1402. The annual growth rate of M0 reached its low of 21.1 percent in the second month of 1403, but reversed course and continually increased in its 3 following months. The annual growth rate of M0 suddenly fell to 18.7 percent in the last month of summer 1403, far below the 41.7 percent at the end of summer 1402. The annual growth rate of M0, in a downward path registered 21.3 percent, 20.7 percent, and 20.0 percent in the 3 consecutive months of 1403Q3, but reversed course and, respectively, grew to 21.2 percent and 22.0 percent in the first and second months of 1403Q4. At the end of the 11th month of 1403, the Net CBI Foreign Assets has expanded by 51.9 percent from the end of 1402, with the highest contribution of 88.0 percentage points to the M0 growth rate among its other components during the period under discussion. On the basis of the CBI report, the 51.9 percent rise in the Net CBI Foreign Assets has been mainly due to the rise in USD/IRR exchange rate used for conversion of the assets denominated in foreign currencies to Rial. Accordingly, it is inferred that probably the weighted USD/IRR exchange rate⁶ at the end of each month has been used for conversion of CBI foreign assets from the last month of 1402 onwards, far above the USD/IRR conversion rate of 42 thousand that was previously used. Reconverting the Net CBI Foreign Assets to USD using the end of month weighted USD/IRR exchange rate, it is concluded that at the end of the 11th month of 1403, the Net CBI Foreign Assets has not only expanded but has also experienced a slight fall from the end of 1402. Given the USD/IRR exchange rate of 42 thousand used for asset conversion in the 11th month of 1402, the annual growth rate of the Net CBI Foreign Assets at the end of the 11th month of 1403 reaches 815 percent to form 240 percentage points of the annual growth rate of M0 during the period under discussion. Obviously, the considerable annual growth rate of Net CBI Foreign Assets is also attributed to the rise in USD/IRR exchange rate for conversion, i.e., the Net CBI Foreign Assets in USD at the end of the 11th month of 1403 indicates annual growth rate of negative 33 percent, considering this component as factor of decrease in M0 in the 12-month period under review.⁷

Given these explanations, in fact the CBI claims on banks

5. For further information in that regard take a look at the previous issue of this Report, available on the Middle East Bank website.

6. The weighted exchange rate solely represents a weighted average of USD/IRR bill and remittance exchange rates in the secondary market and the USD rate of IRR285 thousand for imports of essential goods.

7. The weighted USD/IRR exchange rate at the end of the 11th month of 1403 and the end of 1402, registered 573 thousand and 377 thousand, respectively. The USD/IRR exchange rate for conversion of foreign assets prior to devise of the weighted rate registered 42 thousand. Hence, the value of Net CBI Foreign Assets in USD using these rates is calculated USD49.1 billion at the end of the 11th month of 1403, USD49.2 billion at the end of 1402, and USD73.2 billion at the end of the 11th month of 1402.

with 25.4 percent growth rate and 17.9 percentage points share has been the main driver of the M0 growth rate at the end of the 11th month of 1403 compared to the end of 1402, followed by Net CBI Claims on the Public Sector with 8.8 percentage points contribution to M0 growth rate in the same period. At the end of the 11th month of 1403, CBI Claims on Public Sector grew by 30.6 percent and Public Sector Deposits with CBI grew by 7.5 percent compared to the end of 1402 to make the Net CBI Claims on the Public Sector the second factor of increase in the M0 growth rate in the same period.

At the end of the 11th month of 1403, the CBI Net Other Assets that generally takes negative values, expanded by 79 percent from the end of 1402, in order to offset the effect of the rise in USD/IRR exchange rate used for conversion of Net CBI Foreign Assets. Due to the negative nature of the CBI Net Other Assets, this component has served as the major factor of decrease in the M0 growth rate by negative 98.2 percentage points share at the end of the 11th month of 1403. At the end of the 11th month of 1403, the CBI Net Other Assets remained negative, despite the 67 percent expansion in the Balance of the Implementation of the Monetary Policy as its subgroup.

As for the annual growth rate of the CBI Net Other Assets, the same logic holds, i.e., the negative 240 percentage points share in the annual growth rate of M0 roots in the CBI exercise to eliminate the effect of the increase in the USD/IRR exchange rate used for conversion on the M0.

The aggregate balance sheet of the banks and non-bank credit institutions reveals that at the end of the 11th month of 1403, their Assets (or Liabilities) less below the line items have grown by 46.6 percent from the same point in 1402 and by 43.0 percent from the end of 1402. On the Assets side, Foreign Assets, Claims on Non-public Sector, and Other Assets, respectively, were the top 3 contributors to both the annual and 11-month growth rates of the Assets. Note that in the aftermath of the revision of M0 components in the CBI books from the dates 1400 and after, the Deposits with the CBI includes those in IRR only and the deposits in foreign currencies are included in Other Assets of banks. On the Liabilities side, Deposits of Non-public Sector, Foreign Liabilities, and Other Liabilities were the top 3 drivers of the annual and 11-month expansions of the Liabilities. A summary of Assets and Liabilities of the banks and non-bank credit institutions is presented in Table 9.

Table 9. Summary of Assets and Liabilities of Banks and Non-bank Credit Institutions (IRR trillion)

	End of Period Balance			Share of Banks and Non-bank Credit Institutions at the End of 11/1403			11/1403 Percentage Change Compared to	
	11/1402	12/1402	11/1403	Public Commercial	Public Specialized	Non-public	11/1402	12/1402
Assets (excluding below the line Items)	138,584.6	142,022.3	203,161.0	47,285.8	29,993.7	125,941.5	46.6	43.0
Foreign Assets	23,203.0	23,854.1	46,413.3	6,996.9	10,977.6	28,438.8	100.0	94.6
Notes and Coins	168.4	191.9	363.0	163.1	22.1	177.8	115.6	89.2
Deposits with the CBI	8,979.0	9,260.6	10,843.4	2,704.6	720.0	7,418.8	20.8	17.1
Claims on Public Sector	9,193.8	9,749.4	13,048.7	5,999.1	2,962.9	4,086.7	41.9	33.8
Claims on Non-public Sector	64,414.7	66,509.0	83,814.6	17,372.2	11,343.2	55,099.2	30.1	26.0
Other	32,625.7	32,457.3	48,678.0	14,049.9	3,907.9	30,720.2	49.2	50.0
Liabilities (excluding below the line Items)	138,584.6	142,022.3	203,161.0	47,285.8	29,993.7	125,941.5	46.6	43.0
Deposits of Non-public Sector	76,509.9	77,305.7	97,897.1	24,980.0	8,800.3	64,116.8	28.0	26.6
Debt to CBI	6,821.2	7,713.5	9,670.2	3,016.6	1,814.8	4,838.8	41.8	25.4
Deposits of Public Sector	458.7	392.0	704.9	331.5	257.4	116.0	53.7	79.8
Capital Account	1,210.8	2,599.6	3,987.3	327.8	937.2	2,722.3	229.3	53.4
Foreign Liabilities	19,668.9	20,479.7	38,954.0	6,341.7	9,600.9	23,011.4	98.0	90.2
Other	33,915.1	33,531.8	51,947.5	12,288.2	8,523.1	31,136.2	53.2	54.9

Source: Central Bank of Iran

At the end of the 11th month of 1403, the balance of extended facilities by banks registered IRR97,451.7 trillion, up 42.1 percent from the IRR68,602.2 trillion in the same point of 1402. The balance of deposits also grew by 39.3 percent to IRR125,720.6 trillion in the same period. Accordingly, the ratio

of extended facilities to deposits less legal reserves reached 85.2 percent at the end of the 11th month of 1403, only 1.2 percentage point above that of the same point in 1402. The balance of extended facilities and deposits of the banks at the end of the 11th month of 1403 are presented in Table 10.

Table 10. Balances of Facilities and Deposits in IRR and Foreign Currencies (end of period - IRR trillion)

	11/1402	11/1403	Percentage Change
Facilities	68,602.2	97,415.7	42.1
Deposits	90,234.6	125,720.6	39.3
Deposits Less the Required Reserves	81,656.0	114,441.3	40.2
Ratio of Facilities to Deposits Less the Required Reserves (percent)	84.0	85.2	-

Source: Central Bank of Iran

During 1403, IRR76,643.0 trillion facilities has been extended to various sectors of the economy by the banking system, indicating 32.9 percent rise compared to its preceding year. Out of the total extended facilities in the period under discussion, 77.8 percent, equivalent to IRR59,658.6 trillion is attributed to the businesses (individuals and legal entities) and the remaining 22.2 percent at IRR16,984.4 trillion to the final consumers (households). Going over the extended facilities by

various sectors of the economy reveals that during 1403, Industries and Mining sector had the highest share of 40.3 percent in total extended facilities to the businesses, followed by Services sector at 39.4 percent. Among various types of extended facilities, in the same period, 78.0 percent of extended facilities to businesses and 60.7 percent of the total extended facilities were attributed to the Working Capital. The extended facilities by type of recipients in 1403 are shown in Table 11.

Table 11. Extended Facilities by Type of Recipients in 1403 (IRR trillion - percent)

	Sector of the Economy	Amount	Share in Total
Businesses	Agriculture	3,210.5	5.4
	Industries and Mining	24,060.4	40.3
	Housing and Construction	2,827.4	4.7
	Commerce	5,996.8	10.1
	Services	23,514.0	39.4
	Miscellaneous	49.5	0.1
	All Sectors	59,658.6	77.8
Final Consumers (households)	16,984.4	22.2	
Total	76,643.0	100.0	

Source: Central Bank of Iran

8. FISCAL POLICY

8-1. Budget Law of 1404

The first section of the Budget Bill of 1404 (1404 Bill for short) that was delivered to the IRI Parliament in the beginning of the second month of 1403Q3 was submitted to the Guardian Council after some amendments and was finally approved to be enunciated in the mid-winter of 1403. The second section of the Bill was also explored by the IRI Parliament in the late winter of 1403.

Accordingly, the Sources and Uses of the Total Government Budget in the Budget Law of 1404 (1404 Law for short) stood 5.2 percent below the proposed figures of 1404 Bill, due to the elimination of off-budget items that were included in the Government Budget Bill for the first time. The off-budget items that include sources and uses of the Subsidies Reform Plan and allocation of oil to the Armed Forces and Special Plans should be clearly included in the Budget, while they have become off-budget again in the process of approving the Bill. Putting the off-budget items aside from 1404 Bill and taking into consideration the amendments to its proposed figures, the Government Total Budget in 1404 Law has in fact expanded by 9.5 percent. Moreover, the Sources (Uses) of 1404 Law shows 74.6 percent rise compared to those of 1403 Law.

The Total Government Budget itself, consists of Budget of State-owned Companies and General Government Budget. In comparison with 1404 Bill, in 1404 Law the Budget of State-owned Companies shows 16.2 increase. As for the General Government Budget, its approved figure in 1404 Law shows 16.0 percent fall compared to the proposed figure of 1404 Bill, but 12.0 percent

rise, should the off-budget items be excluded from the Bill. The sources of General Government Budget also consist of General Sources as well as Dedicated Revenues. The Dedicated Revenues are collected by some governmental organizations and are spent within the same organizations, i.e., they would not be in the hands of the Treasury to be reallocated. On the contrary, the General Sources that include General Revenues (mainly from tax and state-owned properties), Disposal of Non-financial Assets (mainly from oil exports and disposal of state-owned properties), and Disposal of Financial Assets (sale of debt securities, withdrawal from the National Development Fund, and disposal of state-owned companies) are directly in the hands of Treasury. The Treasury, on the other hand spends these sources of budget for covering Current Expenditures (such as compensation of employees and payments to the pension funds), Acquisition of Non-financial Assets (development expenditures), and Acquisition of Financial Assets (settlement of unpaid obligations from previous years). In the 1404 Law, the Dedicated Revenues stands 1.9 percent above its corresponding figure in 1404 Bill, while regarding General Sources, it shows 17.2 percent fall. Note that in the absence of the off-budget items in 1404 Bill, General Sources in the 1404 Law show 12.9 percent rise compared to the proposed figure of 1404 Bill, of which 5.7 percentage points is attributed to addition of another subgroup to the Acquisition of Financial Assets titled International Economic and Cultural Aids and Investments. An overview of 1404 Law is presented in Table 12.

Table 12. An Overview of 1404 Budget Law (IRR trillion- percent)

	Sources						Uses						
	1404 Bill	1404 Bill (less off-budget items)	1404 Law	1404 Law to 1404 Bill Percentage Change	1404 Law to 1404 Bill Percentage Change (less off-budget items)	1404 Law to 1403 Law Percentage Change	1404 Bill	1404 Bill (less off-budget items)	1404 Law	1404 Law to 1404 Bill Percentage Change	1404 Law to 1404 Bill Percentage Change (less off-budget items)	1404 Law to 1403 Law Percentage Change	
General Revenues	22,756.0	22,756.0	24,464.6	7.5	7.5	53.1	Current Expenditures	40,810.0	31,196.0	33,558.6	-17.8	7.6	78.6
Disposal of Non-financial Assets	23,320.0	7,340.0	9,300.0	-60.1	26.7	44.3	Acquisition of Non-financial Assets	11,966.0	5,600.0	6,006.0	-49.8	7.3	50.2
Disposal of financial Assets	13,800.0	13,800.0	15,800.0	14.5	14.5	395.0	Acquisition of financial Assets	7,100.0	7,100.0	10,000.0	40.8	40.8	253.0
General Sources	59,876.0	43,896.0	49,564.6	-17.2	12.9	93.5	General Uses	59,876.0	43,896.0	49,564.6	-17.2	12.9	93.5
Dedicated Revenues	4,200.0	4,200.0	4,280.0	1.9	1.9	55.6	From Dedicated Revenues	4,200.0	4,200.0	4,280.0	1.9	1.9	55.6
Sources of General Government Budget	64,076.0	48,096.0	53,844.6	-16.0	12.0	89.8	Uses of General Government Budget	64,076.0	48,096.0	53,844.6	-16.0	12.0	89.8
Sources of State-owned Companies	54,890.0	54,890.0	63,773.8	16.2	16.2	70.4	Uses of State-owned Companies	54,890.0	54,890.0	63,773.8	16.2	16.2	70.4
Sources of Total Government Budget	118,966.0	102,986.0	112,795.3	-5.2	9.5	74.6	Uses of Total Government Budget	118,966.0	102,986.0	112,795.3	-5.2	9.5	74.6

Source: Budget Bill of 1404 and Budget Laws of 1403 and 1404

In 1404 Law and Bill, the share of National Development Fund (NDF) in petrodollars is considered 48 percent. Note that despite the year 1403, in 1404 Law and Bill, the government is allowed to borrow 28 percentage points of the share of the NDF in petrodollars, translating to fall in share of NDF to 20 percent. Given the assumptions used for estimation of oil revenues, the 48 percent share of NDF in oil exports proceeds in 1404 Law and Bill is estimated EUR14.9 billion, equaling IRR8,971.9 trillion in 1404 Bill and IRR9,053.5 trillion in 1404 Law.⁸ Taking into consideration the same assumptions, the 28 percentage points borrowing from the NDF is estimated EUR8.7 billion, equaling IRR5,233.6 trillion in 1404 Bill and IRR5,281.2 trillion in 1404 Law. However, in 1404 Law

and Bill, IRR5,410.0 trillion has been considered for the Government borrowing from the NDF in the budget tables which is slightly different from the estimated figures. On the basis of the assumptions of 1404 Law and Bill, exports of oil as well as gas condensates are considered 1.250 mbpd at EUR57.5 per barrel. As for exports of natural gas, 16 billion cubic meters is considered at EUR0.3 per cubic meter. On the basis of the IRI Parliament Research Center, the proceeds from sales of feedstock to the domestic petrochemical producers that were previously included in general sources, are considered as a source of Subsidies Reform Plan (off-budget) in 1404 Law and Bill. The assumptions for estimation of Oil Revenues are presented in Table 13.

8. The EUR/IRR exchange rate is estimated 602.3 thousand in 1404 Bill and 607.8 thousand in 1404 Law.

Recent Economic Developments in Iran

A Quarterly Report

Table 13. Estimated Oil Revenues in 1404 Law and Bill

Assumptions	1403 Bill	1403 Law	1404 Bill	1404 Law	1404 Law to Bill Percentage Change	1404 Law to 1403 Law Percentage Change
Oil and Gas Condensates Exports (1000 barrels a day)	1,350.0	1,350.0	1,250.0	1,250.0	0.0	-7.4
Oil Price per Barrel (USD)	71.0	71.0	63.3	63.3	0.0	-10.9
Share of National Petroleum Company in Exports of Oil and Gas Condensates (percent)	14.5	14.5	14.5	14.5	-	-
Share of National Gas Company in Net Exports of Natural Gas (percent)	14.5	14.5	14.5	14.5	-	-
Share of NDF in Exports of Oil and Gas Condensates and Net Natural Gas Exports (percent)	40.0	45.0	48.0	48.0	-	-
Government Share in Exports of Oil and Gas Condensates (percent)	45.5	40.5	37.5	37.5	-	-
Government Share in Net Exports of Natural Gas (percent)	45.5	40.5	37.5	37.5	-	-
USD/IRR Exchange Rate in the Budget for Imports of Essential Goods (IRR1000)	285.0	285.0	385.0	411.8	7.0	44.5
Foreign Exchange Needed for Imports of Essential Goods at Preferential Rate (USD billion)	15.0	15.0	12.1	12.1	0.0	-19.3
USD/IRR Exchange Rate in the Budget for Imports of Other Goods (IRR1000)	396.0	396.0	557.7	568.8	2.0	43.6
Net Exports of Natural Gas (USD billion)	3.5	3.5	5.3	5.3	0.0	52.6
Total Revenues from Exports of Crude Oil and Gas Condensates (USD billion)	35.0	35.0	28.9	28.9	0.0	-17.5
Share of NDF in Total Revenues in Foreign Currencies (USD billion)	15.4	17.3	16.4	16.4	0.0	-5.2
Share of National Petroleum Company in Oil Exports and Domestic Sales of Feedstock (USD billion)	5.3	5.3	4.2	4.2	0.0	-21.2
Share of National Gas Company from Proceeds of Net Natural Gas Exports (USD billion)	0.5	0.5	0.8	0.8	0.0	52.6
Share of Government in Total Proceeds of Oil Exports (USD billion)	15.9	14.2	10.8	10.8	0.0	-23.6
Share of Government in Total Proceeds from Net Exports of Gas (USD billion)	1.6	1.4	2.0	2.0	0.0	41.3
Total Oil Revenues (government share-IRR trillion)	5,827.8	5,065.7	5,090.0	5,395.0	5.9	6.5

Source: 1403 Bill, 1404 Law and Bill and IRI Parliament Research Center

Given the assumptions of 1403 and 1404 Laws, share of Government in Oil Revenues (exports of oil and gas condensates and net exports of natural gas) in 1404 Law equals IRR5,395.0 trillion to constitute 10.9 percent of the General Sources, up 6.5 percent from that of the 1403 Law. Considering the 40 percent share of NDF in petrodollars in 1403 Bill, the Government share amounts to IRR5,828 trillion. However, while passing 1403 Law, the share of NDF in petrodollars was increased to 45 percent, translating to lower share of Government at IRR5,066 trillion. Despite the amendment to the NDF share, the share of Government was not adjusted in 1403 Law and surprisingly the same figure in 1403 Bill at IRR5,828 trillion was approved. Accordingly, the share of Government in petrodollars in 1404 Law stood 7.4 percent below the corresponding figure in 1403 Law.

In 1404 Law, a new source of IRR650.0 trillion is added to the Disposal of Non-financial Assets, titled "Crude Oil in Exchange of Oil Products". Taking into account this new source, the Government Oil Revenues totals IRR6,054.0

trillion, constituting 12.2 percent of the General Sources in 1404 Law and 3.7 percent above that of 1403 Law (IRR5,828 trillion).

In 1404 Law, IRR3,255.0 trillion is approved for Disposal of Government Properties - as a subgroup of the Disposal of Non-financial Assets - 44.7 percent above the proposed figure in 1404 Bill and up 425.0 percent from the approved figure in 1403 Law. In 1404 Bill, IRR2,000 trillion of Government Properties was proposed for settlement of Government Debts, however, while passing the Law, it was amended, i.e., the Ministry of Economic Affairs and Finance was required to dispose those properties through auctions in capital market. According to 1404 Law, any creditor of the Government either individually or in groups who is an applicant of purchasing Government Properties is supposed to pay 10 percent of the price of that Property and the rest of the price would settle the Government Debt to that certain creditor. All in All, the Disposal of Non-financial Assets in 1404 Law reached IRR9,300.0 trillion, respectively, 44.2 percent and 26.7

percent above those of 1403 Law and 1404 Bill. Note that the Disposal of Non-financial Assets reaches IRR23,320.0 trillion by adding off-budget figures in 1404 Bill, however, to make the 1404 bill comparable with 1404 Law, off-budget figures have been excluded.

The Acquisition of Non-financial Assets in 1404 Law is 3.7 percent above that of 1404 Bill. The share of this subgroup in General Uses in 1404 Law registered 12.1 percent, 0.6 percentage point below that of the 1404 Bill (less off-budget figures) and down 3.1 percentage points from that of 1403 Law. Therefore, the Net Disposal of Non-financial Assets in 1404 Law grew by 89.3 percent to IRR3,294.0 trillion compared to the IRR1,740.0 trillion, proposed in 1404 Bill (less the off-budget figures). This surplus in Net Disposal of Non-financial Assets is mainly spent for Current Expenditures.

The share of Tax Revenues in General Sources that was proposed 51.8 percent in 1404 Bill (less off-budget figures) fell to 49.4 percent in 1404 Law. Note that the approved figure for Tax Revenues in 1404 Law stands 6.1 percent above the proposed figure in 1404 Bill, however, the fall in its share in General Sources of 1404 Law is attributed to the higher growth rates of other sources of Budget. In 1404 Law, the Tax Revenues stand 52.7 percent above the proposed figure in 1404 Bill. In 1404 Law, IRR20,840.0 trillion is approved for Tax Revenues, of which, 43.2 percent belongs to Indirect Taxes (tax on goods and services and on imports) and the remaining 56.8 percent to Direct Taxes (corporate, income, and wealth taxes).

In 1404 Law, IRR11,836.4 trillion is estimated to be obtained through Direct Taxes, indicating 69.4 percent rise from 1403 Law. Among the components of Direct Taxes, Corporate Tax registered IRR8,098.8 trillion in 1404 Law to constitute 38.9 percent of total Tax Revenues. With 72.8 percent rise compared to 1403 Law, Corporate Tax has experienced the highest growth rate among other components of Direct Taxes. In 1404 Law, IRR3,191.3 trillion was approved for Income Tax, up 68.2 percent from the corresponding figure in 1403 Law. Moreover, the Wealth Tax with 2.6 percent share in Total Tax Revenues in 1404 Law stands 36.3 percent above the corresponding figure in 1403 Law.

The Indirect Taxes in 1404 Law rose to IRR9,003.6 trillion, 35.2 percent above that of 1403 Law. Among the subgroups of Indirect Taxes, Tax on Goods and Services Registered IRR6,363.6 trillion in 1404 Law, constituting

30.5 percent of the total Tax Revenues and 21.6 percent up from that of 1403 Law. Moreover, Tax on Imports that constitutes 12.7 percent of the total Tax Revenues in 1404 Law has remained the same as that of 1404 Bill, but stands 85.3 percent above that of 1403 Law.

Current Expenditures in 1404 Law rose by 7.6 percent compared to 1404 Bill (less off-budget figures) to IRR33,558.6 trillion to form 67.7 percent of the General Uses. Taking into consideration the off-budget figures in 1404 Bill, the Current Expenditures had reached IRR40,810.0 trillion with 68.2 percent share in General Uses in 1404 Bill.

Among the various subgroups of Current Expenditures, Social Welfare as well as Compensation of the Government Employees with shares of 33.5 percent and 25.5 percent, respectively, registered IRR11,258.8 trillion and IRR8,558.1 trillion in 1404 Law. The Subsidies with 9.5 percent share in Current Expenditures also registered IRR3,202.0 trillion in 1404 Law. Out of this figure, 62.5 percent equivalent to about IRR2,000 trillion is planned to be spent for covering the deficit of the Subsidies Reform Plan. In 1404 Law, IRR2,308.4 trillion is considered for interest payments on the Government Debt Securities, forming 6.9 percent of the total Current Expenditures. Accordingly, the Operating Balance Deficit of IRR8,440.0 trillion in 1404 Bill (less the off-budget figures) rises by 7.7 percent to IRR9,094.0 trillion in 1404 Law. The Operating Balance Deficit in 1404 Bill reaches IRR18,054 trillion, should the off-budget figures be included.

In line with the budgeting system, the imbalance of the Budget is supposed to be financed through the Disposal of Financial Assets in 1404 Law. In that regard, the Issuance of Government Debt Securities in 1404 Law is considered IRR8,100.0 trillion, indicating 15.7 percent rise compared to the proposed figure in 1404 Bill. The share of Issuance of Government Debt Securities in Total Disposal of Financial Assets in 1404 Law is calculated 51.3 percent and in General Sources is calculated 16.3 percent, respectively, down 28.5 percentage points and up 6.4 percentage points from that of 1403 Law. As a result of the amendments to 1404 Bill prior to passing the Law, IRR1,100.0 trillion was added up to the Issuance of Government Debt Securities, of which IRR500.0 trillion is attributed to raising capital of the banks and the remaining IRR600.0 trillion to Issuance of Islamic Treasury Bonds for settlement of Government Debts to the companies affiliated with the Ministry of Energy.

The proceeds from the Disposal of the State-owned Companies in 1404 Law is estimated IRR2,150.0 trillion, up 59.3 percent from that of 1404 Bill and 258.3 percent above that of 1403 Law. In order to settle the debts of Government to Universities and the Faculties of Medical Sciences, IRR800.0 trillion has been considered to be raised through Disposal of Share of States-owned Companies in auctions.

Moreover, IRR5,410.0 trillion - 28 percentage points of NDF share in Petrodollars - is estimated to be withdrawn from the NDF in 1404 by government. All in all, Disposal of Financial Assets in 1404 Law expanded by 14.5 percent compared to 1404 Bill and 395.3 percent compared to 1403 Law to IRR15,800 trillion with 31.9 percent share in General Sources, respectively, 0.4 and 19.4 percentage points above that of 1404 Bill and 1403 Law.

The IRR7,100.0 trillion proposed for Acquisition of Financial Assets in 1404 Bill was increased by 40.8

percent to IRR10,000.0 trillion in 1404 Law, standing 253.0 percent above its corresponding figure in 1403 Law. Out of the total Acquisition of Financial Assets, IRR4,316.3 trillion is considered for Principal Repayment of Government Debt Securities (previously issued), up 59.9 percent and 94.2 percent from that of 1404 Bill and 1403 Law, respectively. In addition, IRR2,685 trillion is approved for settlement of the Unpaid Obligations from Previous Years. While passing 1404 Law, another subgroup titled "International Economic and Cultural Aids and Investments" was added to the Acquisition of Financial Assets, for which IRR2,503.4 trillion is approved. Given this figure, the share of newly added subgroup in Acquisition of Financial Assets registers 25.0 percent and in General Uses registers 5.0 percent. Accordingly, the Net Disposal of Financial Assets in 1404 Law is estimated IRR5,800.0 trillion, indicating 13.4 percent rise compared to that of 1404 Bill. Main figures of 1404 Law are shown in Table 14.

Table 14. General Sources and Uses of 1404 Budget Law (IRR trillion-percent)

	1404 Bill	1404 Bill (less off- budget figures)	1404 Law	Share in General Sources in 1404 Law	1404 Law to 1404 Bill Percentage Change	1404 Law to 1404 Bill Percentage Change (less off-budget figures)		1404 Bill	1404 Bill (less off- budget figures)	1404 Law	Share in General Sources in 1404 Law	1404 Law to 1404 Bill Percentage Change	1404 Law to 1404 Bill Percentage Change (less off-budget figures)
Revenues (general)	22,756.0	22,756.0	24,464.6	49.4	7.5	7.5	Expenditures (current)	40,810.0	31,196.0	33,558.6	67.7	-17.8	7.6
Tax Revenues	19,640.0	19,640.0	20,840.0	42.0	6.1	6.1	Compensation of Employees	-	-	8,558.1	17.3	-	-
Proceeds from State-owned Properties	1,410.0	1,410.0	1,810.0	3.7	28.4	28.4	Use of Goods and Services	-	-	3,053.2	6.2	-	-
Proceeds from Sales of Goods and Services	606.0	606.0	606.0	1.2	0.0	0.0	Debt Securities Interest expenses	-	-	2,308.4	4.7	-	-
Proceeds of Crimes and Damage Fines and Miscellaneous	1,100.0	1,100.0	1,208.6	2.4	9.9	9.9	Subsidy	-	-	3,202.0	6.5	-	-
							Grants	-	-	399.0	0.8	-	-
							Social Welfare	-	-	11,258.8	22.7	-	-
							Other	-	-	4,779.1	9.6	-	-
Operating Balance								-18,054.0	-8,440.0	-9,094.0	18.3	-49.6	7.7
Disposal of Non-financial Assets	23,320.0	7,340.0	9,300.0	18.8	-60.1	26.7	Acquisition of Non-financial Assets	11,966.0	5,600.0	6,006.0	12.1	-49.8	7.3
Proceeds from Crude Oils and Oil Products	21,070.0	5,090.0	5,395.0	10.9	-74.4	6.0	Construction	-	-	4,238.8	8.6	-	-
Proceeds from Disposal of Government Properties and Others	250.0	250.0	3,255.0	6.6	1,202.0	1,202.0	Machinery and Equipment	-	-	930.5	1.9	-	-
Disposal of Properties in Exchange of Debt Settlement	2,000.0	2,000.0	0.0	0.0	-	-	Other Fixed Assets	-	-	26.2	0.1	-	-
Crude Oil in Exchange of Oil Products	-	-	650.0	1.3	-	-	Inventory Use	-	-	0.0	0.0	-	-
							Precious Items	-	-	0.8	0.0	-	-
							Land	-	-	54.6	0.1	-	-
							Other Non-produced Assets	-	-	755.2	1.5	-	-
Net Disposal of Non-financial Assets								11,354.0	1,740.0	3,294.0	6.6	-71.0	89.3
Disposal of Financial Assets	13,800.0	13,800.0	15,800.0	31.9	14.5	14.5	Acquisition of Financial Assets	7,100.0	7,100.0	10,000.0	20.2	40.8	40.8
Sales of Islamic Debt Securities	7,000.0	7,000.0	8,100.0	16.3	15.7	15.7	Related to Disposal of Stocks	-	-	61.0	0.1	-	-
Disposal of State-owned Companies	1,350.0	1,350.0	2,150.0	4.3	59.3	59.3	Repayment of Islamic Debt Securities Principals	2,700.0	2,700.0	4,316.3	8.7	59.9	59.9
Withdrawal from the NDF	5,410.0	5,410.0	5,410.0	10.9	0.0	0.0	Repayment of Bank Loans Principals	-	-	116.0	0.2	-	-
Other	40.0	40.0	140.0				Unpaid Obligations from Previous Years	4,000.0	-	2,685.7	5.4	-	-
							Repayment of Foreign Loans Principals	-	-	317.6	0.6	-	-
							International Economic and Cultural Aids and Investments	-	-	2,503.4	5.1	-	-
Net Disposal of Financial Assets								6,700.0	6,700.0	5,800.0	11.7	-13.4	-13.4

Source: 1404 Law and Bill

8-2. Budget Performance in 1403

As no official data on the realization of 1403 Law targets was published by Government during the preparation of this Report, the data from the Supreme Audit Court of Iran and some unofficial sources have been used in that regard. Accordingly, during the first 11 months of

1403, the actual General Sources and the actual General Uses amounted to IRR23,640.0 trillion and IRR24,300.0 trillion, respectively, indicating 100.7 percent and 103.5 percent realization ratios. This 2.8 percentage points difference between the realization ratios of General

Sources and General Uses resulted in IRR660.0 trillion Overall Budget Deficit in the first 11 months of 1403 and was financed through some sources such as withdrawal from State-owned companies accounts with the Treasury and the Revolving Fund of the Treasury. Also, on the basis of the Supreme Audit Court of Iran, the sources of the Subsidies Reform Plan in the same period had a deficit of IRR3,260 trillion, of which, IRR2,690 trillion has been financed through General Budget as well as the Revolving Fund of the Treasury. Note that all the deficits that have been financed through Treasury - including Revolving Fund of the Treasury or withdrawal from the state-owned companies deposits with the Treasury - are supposed to repaid by the end of the year 1403.

During the first 11 months of 1403, the actual General Revenues (various types of taxes, etc.) registered IRR14,137.2 trillion, accounting for 96.5 percent of the approved figure in 1403 Law for the period under review. Given the IRR19,604.4 trillion actual Current Expenditures with 113.8 percent realization ratio, the Operating Balance Deficit in the first 11 months of 1403 reached IRR5,467.2 trillion.

Disposal of Non-financial Assets in the first 11 months of 1403 reached IRR3,301.0 trillion, accounting for 55.9 percent of the approved figure of the 1403 Law for that period. In the same period, the actual Oil Revenues registered IRR3,295.3 trillion to realize 61.7 percent of the approved figure of 1403 Law. As for the Disposal of

Government Properties, the actual amount in the first 11 months of 1403 reached IRR5.7 trillion, accounting for one percent of the target for that period in 1403 Law, translating to the Government failure in that regard. The actual Acquisition of Non-financial Assets (development expenditures) reached IRR2,187 trillion in the first 11 months of 1403, accounting for 59.6 percent of the approved figure in 1403 Law for that period. Accordingly, the Net Disposal of Non-financial Assets had a surplus of IRR1,114.0 trillion to be spent for Current Expenditures (financing Operating Balance Deficit).

During the first 11 months of 1403, the Net Disposal of Financial Assets with a surplus of IRR3,693.2 trillion served as another source of financing the Operating Balance Deficit. On the basis of the CBI, in the 11-month period under review, the Issuance of Government Debt Securities aiming for financing the Budget Deficit resulted in raising IRR3,387.4 trillion through auctions to overshoot the 11-month target of 1403 Law by 45.1 percent. In the same period, IRR172.5 trillion was obtained from Disposal of State-owned Companies. The actual Acquisition of Financial Assets registered 96.6 percent of the corresponding figure in the 1403 Law to reach IRR2,508 trillion, out of which IRR2,022.6 trillion (80.4 percent) is attributed to the principal repayment of matured Government Debt Securities that were previously issued. The fiscal performance of the Government in the first 11 months of 1403 is shown in Table 15.

Table 15. Government Fiscal Performance in the First 11 Months of 1403 (IRR trillion-percent)

	1403 Law	Approved for the First 11 Months of 1403	Realization in the First 11 Months of 1403	Realization Ratio in the First 11 Months of 1403	Share in Realized General Sources and Uses in the First 11 Months of 1403
Sources	25,620.4	23,485.4	23,640.0	100.7	100.0
General Revenues	15,983.0	14,651.1	14,137.2	96.5	59.8
Tax Revenues	13,645.0	12,507.9	12,056.0	96.4	51.0
Corporate Tax	4,687.5	4,296.9	4,796.8	111.6	20.3
Income Tax	1,897.1	1,739.0	1,995.0	114.7	8.4
Wealth Tax	400.8	367.4	267.0	72.7	1.1
Tax on Goods and Services	5,234.6	4,798.3	3,826.4	79.7	16.2
Tax on Imports	1,425.0	1,306.2	1,170.8	89.6	5.0
Other Revenues	2,338.0	2,143.2	2,081.2	97.1	8.8
Disposal of Non-financial Assets	6,445.6	5,908.5	3,301.0	55.9	14.0
Oil and Oil Products	5,827.4	5,341.8	3,295.3	61.7	13.9
Other	618.2	566.7	5.7	1.0	0.0
Disposal of Financial Assets	3,191.8	2,925.8	6,201.8	212.0	26.2
Sales of Islamic Debt Securities	2,546.0	2,333.8	3,387.4	145.1	14.3
Disposal of State-owned Companies	600.0	550.0	172.5	31.4	0.7
Other	45.8	42.0	2,642.0	6,292.9	11.2
Uses	25,620.4	23,485.4	24,300.0	103.5	100.0
Current Expenditures	18,787.4	17,221.8	19,604.4	113.8	80.7
Acquisition of Non-financial Assets	4,000.0	3,666.7	2,187.0	59.6	9.0
Acquisition of Financial Assets	2,833.0	2,596.9	2,508.6	96.6	10.3
Operating Balance	-2,804.4	-2,570.7	-5,467.2	212.7	-
Net Disposal of Non-financial Assets	2,445.6	2,241.8	1,114.0	49.7	-
Net Disposal of Financial Assets	358.8	328.9	3,693.2	1,122.9	-

Source: Budget Law of 1403; Iranian National Tax Administration; Ministry of Economic Affairs and Finance; Supreme Audit Court of Iran; research calculations

Despite prohibition of withdrawal from the NDF in the 1403 Law, in accordance with the report of Supreme Audit Court of Iran, in the first 11 months of 1403, in order to finance Government Current Expenditures, IRR2,600 trillion has been withdrawn from NDF as a subtitle of Disposal of Financial Assets (major part of Other in Table 15). This happened Given that the new IRI President's proposal for cutting NDF share in Petrodollars by 20 percentage points was consented by the IRI Supreme Leader. In addition to the IRR120 trillion withdrawal from the NDF based on the permit of 1402, another IRR2,480 trillion was withdrawn in the first 11 months of 1403. All in all, about USD4.8 billion has been withdrawn from the NDF funds given the average USD/IRR remittance exchange rate of 521.0 thousand in the first 11 months of 1403. Taking into consideration the 61.7 percent realization rate of Government Oil Revenues in the first 11 months of 1403, if the same realization rate be obtained for total Oil Revenues (including share of NDF) in the last month

of 1403, the Government could have withdrawn another USD0.9 billion from the NDF in that month, equivalent to IRR646 trillion, using the average USD/IRR remittance exchange rate of 681.1 in the last month of 1403. All in all, it is estimated that the Government has gained IRR3,246 trillion thanks to the withdrawal from the NDF in 1403 as a whole, of which, IRR3,126 trillion is attributed to cut in 1403 NDF share in Petrodollars and IRR120 trillion to the withdrawal with the permit of its preceding year.

In 1403 Law, the Tax Revenues (including imports tax) was estimated IRR13,645.0 trillion, of which, 48.8 percent is attributed to Indirect Taxes (on goods and services and on imports) and the remaining 51.2 percent to Direct Taxes (corporate tax, tax on income and tax on wealth). Accordingly, the Tax Revenues in 1403 Law totaled IRR12,507.9 trillion for the first 11 months of 1403. The data issued by the National Iranian Tax Administration as well as that of the Supreme Audit Court suggest that in

the first 11 months of 1403, 96.4 percent of the targeted Tax Revenues in the 1403 Law has been materialized. During the time span under discussion, the actual Direct Taxes have overshoot the corresponding figure of 1403 Law by 10.2 percent. Among components of the Direct Taxes, Income Tax outperformed other components by 114.7 percent realization rate. Tax on Compensation of Employees of Non-public Sector as a subdivision of Income Tax, also had the highest realization rate of 145.6 percent among other subdivisions of Income Tax. The actual Tax on Compensation of Employees of the Public Sector in the first 11 months of 1403 amounted to IRR346.6 trillion to form 18.9 percent of the total Income Tax in that period, up 37.4 percent from that of its preceding year and 8.6 percent above the targeted figure of 1403 Law. Moreover, Tax on Professions accounted for 97.1 percent of the corresponding figure of 1403 Law and stood 50.2 percent up from its actual level in the same period of 1402 to constitute 35.6 percent of Income Tax in the 11-month period under review.

The actual Corporate Tax amounted to IRR4,796.8 trillion in the first 11 months of 1403 to stand 11.6 percent above its target in 1403 Law. Out of the realized amount, 81.7 percent equaling IRR3,916.6 trillion is associated with Tax on Non-governmental Legal Entities. Among the components of Corporate Tax, Tax on State-owned Companies excelled with the realization rate of 321.2 percent.

The actual Wealth Tax accounted for 72.7 percent of its

legislated figure of 1403 Law for the first 11 months of 1403, up 7.0 percent from the actual level of its preceding year, amounting to IRR267.0 trillion. The Unprecedented Tax that constituted only 0.3 percent of the Wealth Tax in the first 11 months of 1403, had the highest realization rate of 100.5 percent among the components of Wealth Tax, followed by Tax on Properties Transfers with 89.0 percent realization rate as well as 29.1 percent share in Wealth Tax. The actual Tax on Properties Transfers in the first 11 months of 1403 indicates a 29.2 percent rise from the same period of 1402. On the contrary, the actual Tax on Share Transfers in the same period fell by 26.4 percent to IRR67.1 trillion, undershooting its 1403 Law target by 49.3 percent.

In the first 11 months of 1403, 81.9 percent of the Indirect Taxes was realized. Among the components of the Indirect Taxes, actual Tax on Goods and Services grew by 33.5 percent from the same period of 1402 to IRR3,826.4 trillion, indicating 79.7 percent realization rate. The Value-added Tax that formed 63.6 percent of the Tax on Goods and Services amounted to IRR2,435.2 trillion in the first 11 months of 1403, 29.1 percent below its target in 1403 Law. Tax on Imports, as another component of the Indirect Taxes, realized 89.6 percent of its legislated figure in 1403 Law for the same period, up 12.6 percent from its actual level of the same period in 1402 and constituting 9.7 percent of the Tax Revenues in Total in the first 11 months of 1403. The summary of Tax Revenues in the first 11 months of 1403 is presented in Table 16.

Table 16. Tax Revenues in the First 11 Months of 1403 (IRR trillion-percent)

	1403 Law	Approved for the First 11 Months of 1403	Realization in the First 11 Months 1402	Realization in the First 11 Months 1403	Frist 11 Months of 1403 to the First 11 Months of 1402 Percentage Change	Realization Ratio of the First 11 Months of 1403	Share in Total Tax Revenues in the First 11 Months of 1403
Tax Revenues	13,645.0	12,507.9	8,011.2	12,056.0	50.5	96.4	100.0
Direct Taxes	6,985.4	6,403.3	4,104.9	7,058.8	72.0	110.2	58.5
Corporate Tax	4,687.5	4,296.9	2,603.7	4,796.8	84.2	111.6	39.8
Income Tax	1,897.1	1,739.0	1,251.5	1,995.0	59.4	114.7	16.5
Wealth Tax	400.8	367.4	249.6	267.0	7.0	72.7	2.2
Indirect Taxes	6,659.6	6,104.6	3,906.3	4,997.2	27.9	81.9	41.5
Tax on Goods and Services	5,234.6	4,798.3	2,866.3	3,826.4	33.5	79.7	31.7
Tax on Imports	1,425.0	1,306.3	1,040.0	1,170.8	12.6	89.6	9.7

Source: Budget Law of 1403; Iranian National Tax Administration; Supreme Audit Court

The approved figure for the Issuance of Government Debt Securities in 1403 Law stood 61.3 percent above that of 1402 Law at IRR2,546.0 trillion for the whole year. The CBI in collaboration with the Ministry of Economic Affairs and Finance initiated the weekly auctions of Government Debt Securities in the money market and capital market from mid-spring 1403 and till the end of the first month of fall 1403, the approved figure for issuance of Government Debt Securities was completely materialized. Consequently, the Government was allowed by the Supreme Council of Economic Coordination to issue an extra IRR2,700 trillion Debt Securities. Hence, by the end of 1403, 38 rounds of auctions were held, with the accumulated supply of IRR10,321.4 trillion. Out of this supply, IRR2,139.1 trillion

was demanded by banks and non-bank credit institutions but the Ministry of Economic Affairs and Finance consented to IRR2,057.1 trillion of that. In addition, IRR2,442.6 trillion of government debt securities was sold in the capital market. All in all, the value of Government Debt Securities traded through auctions totaled IRR4,499.7 trillion in 1403, up 190.1 percent from that of 1402 at IRR1,551.1 trillion. Precisely speaking, out of the IRR4,746.0 trillion government debt securities issued, 5.2 percent equivalent to IRR246.3 trillion ought to be deducted as the discount in the face value, hence IRR4,499.7 trillion has been raised through this method. A summary of Government Debts Securities auctions in 1402 and 1403 is presented in Table 17.

Table 17. Government Debt Securities Auctions Held by CBI in Capital Market and Money Market (IRR trillion-percent)

Month	1402					1403					Point-to-point Growth of Trades in Money Market	Point-to-point Growth of Trades in Capital Market	Point-to-point Growth of Total Trades
	Supply	Banks Demand	Traded in Money Market	Traded in Capital Market	Total Traded	Supply	Banks Demand	Traded in Money Market	Traded in Capital Market	Total Traded			
02	0.0	0.0	0.0	0.0	0.0	1,048.6	11.9	10.9	10.0	20.9	-	-	-
03	0.0	0.0	0.0	0.0	0.0	1,665.2	348.1	348.1	75.4	423.5	-	-	-
04	0.0	0.0	0.0	0.0	0.0	792.9	9.8	9.8	261.9	271.7	-	-	-
05	874.2	256.5	148.4	58.5	206.9	1,017.3	324.0	324.0	128.8	452.8	118.3	120.2	118.8
06	628.9	0.0	0.0	164.3	164.3	807.4	70.9	70.9	231.6	302.5	-	41.0	84.1
07	753.6	9.0	9.0	51.3	60.3	1,172.5	48.8	22.7	486.1	508.7	151.4	847.9	743.8
08	816.4	1.0	1.0	287.0	287.9	862.4	382.8	382.8	0.0	382.8	39,362.9	-100.0	32.9
09	578.3	19.1	0.0	126.4	126.4	295.9	110.6	110.6	172.9	283.5	-	36.8	124.3
10	519.7	35.7	34.5	151.8	186.3	250.0	48.0	48.0	192.1	240.1	39.1	26.5	28.9
11	454.0	0.0	0.0	65.9	65.9	815.6	255.7	243.7	257.2	500.9	-	290.3	660.0
12	1,058.1	91.6	148.5	304.6	453.1	1,593.6	528.7	485.7	626.6	1,112.3	227.1	105.7	145.5
Total	5,683.1	412.8	341.4	1,209.8	1,551.1	10,321.4	2,139.1	2,057.1	2,442.6	4,499.7	502.6	101.9	190.1

Source: Central Bank of Iran

In addition to the auctions, the Government also issues Debt Securities through two other distinct methods. First, selling Murabaha Debt Securities in the capital market via an underwriter, and second, providing government creditors with Islamic Treasury Bonds in exchange of its debts. However, in 1403 no securities were disposed through the first method, but through the second one, IRR450.0 trillion Islamic Treasury Bonds were disposed. As for the year 1402, IRR60 trillion had been disposed via the first and IRR1,810 trillion had been disposed via the second method. All in all, the issuance of Government Debt Securities in 1403 totaled IRR5,196.0 trillion, indicating 51.9 percent rise compared to 1402.

From mid-summer 1400 onwards, Over the Counter (OTC) has been in charge of issuing the data on debt market transactions by its players including Government, CBI, banks, Investment Funds, etc. From mid-summer 1400 to the end

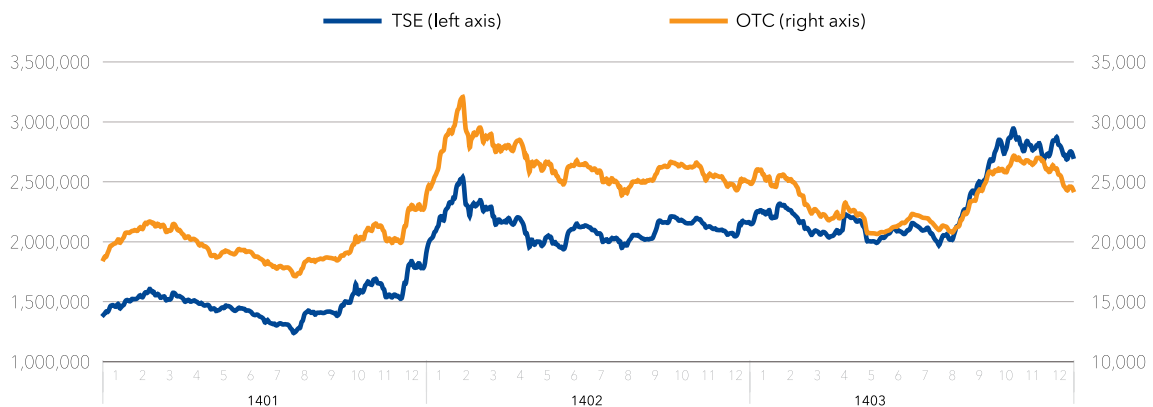
of 1403, the net accumulated purchase of government debt securities by the CBI and by the Investment Funds registered IRR3,746.9 trillion and IRR4,333.2 trillion, respectively. Note that the CBI is prohibited from purchasing those sorts of securities through the primary market (IPO) and the figure of net purchase attributed to that organization is only regarding the secondary market. The banks that were mainly the suppliers of the Government Debt Securities from mid-summer 1400 to the end of that year (negative net accumulated purchase of IRR556.3 trillion in the primary and secondary markets), shifted to the demand side in the succeeding years. In the year 1403, the net purchase of Government Debt Securities by the banks from the primary and secondary markets reached IRR 902.7 trillion. Accordingly, the net accumulated purchase of Government Debt Securities by the banks from mid-summer 1400 to the end of 1403 is estimated about IRR1,799.2 trillion.

9. CAPITAL MARKET

The TSE Overall Index that averaged 2.2 million during 1403Q3, grew by 25.7 percent to 2.8 million during 1403Q4 on average. In addition, the OTC Overall Index that averaged 26.1 thousand in 1403Q4, stood 16.0

percent above its average of 22.5 thousand in 1403Q3. The developments of TSE and OTC Overall Indices are shown in Graph 9.

Graph 9. TSE and OTC Overall Indices



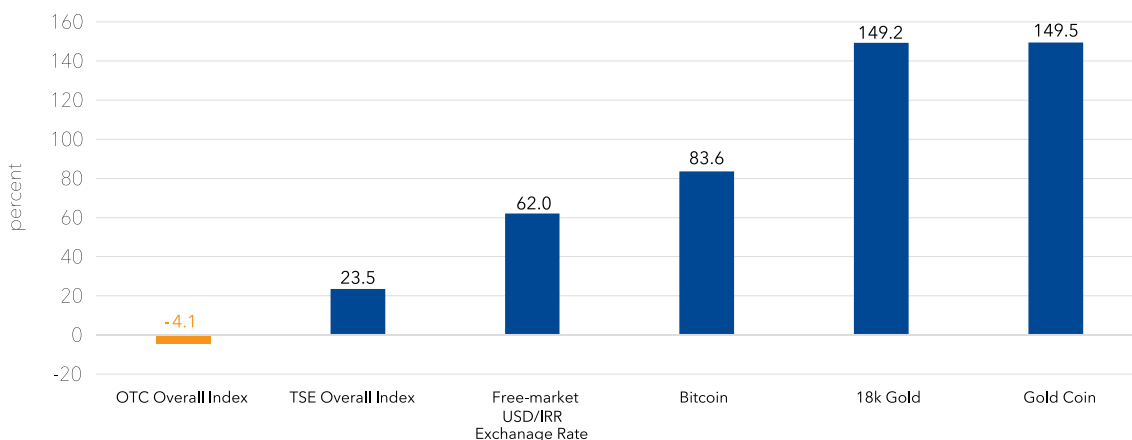
Source: <http://new.tse.ir>, and <http://ifb.ir>

The Iranian economy faced various challenges including the severe depreciation of Rial as well as the limitations from the economic sanctions, especially at the end of 1403. The uncertainty coupled with various risks in the Iranian economy caused the Iranian capital market return to be overtaken not only by the returns of the alternative markets including gold and foreign exchanges, but also

the inflation rate. Note that the weak performance of the TSE took place despite the rise in USD/IRR exchange rate,⁹ a large number of undervalued stocks, and the desirable financial position of some listed industries. In fact, the Iranian capital market yielded a negative real return in 1403. Graph 10 depicts the nominal returns of some investment alternatives during 1403.

9. Higher USD/IRR exchange rate improves the perspective of the export-based industries.

Graph 10. Nominal Returns of the Various Types of Investments During 1403 (in IRR)

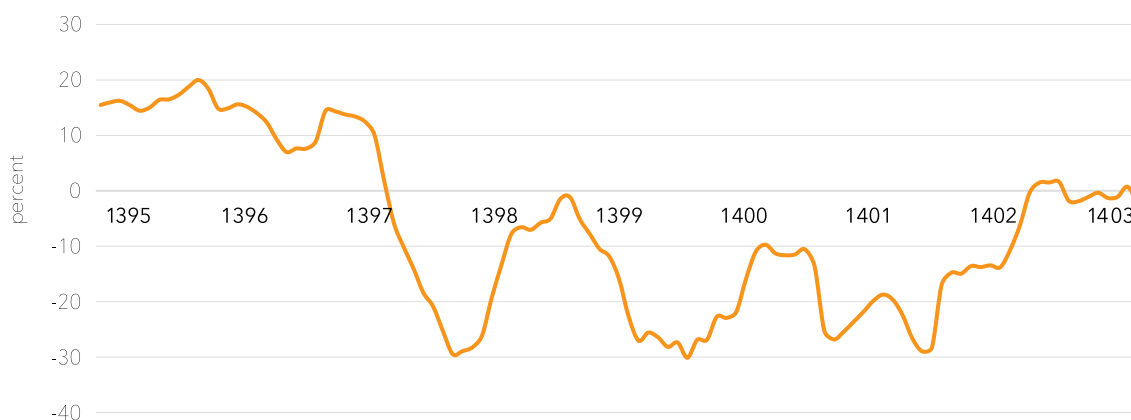


Source: Gold, Coin, and Currency Information Network; research calculations

Some capital market players attribute the weak performance of the Iranian capital market to the high nominal interest rate (money market interest rate and return on risk-free Government Debt Securities). Contrary to this claim, the real interest rate (the difference between the nominal interest rate and the inflation rate) is the

base of the decisions made by the economic agents, not the nominal one. As shown in Graph 11, the real risk-free interest rate¹⁰ has taken negative values from 1397 onwards and only in some points in 1403 has approached to zero or exceeded that.

Graph 11. Real Risk-free Interest Rate*



Source: <https://www.bourseview.com/> and Statistical Center of Iran
 * The nominal weighted average of the Government Debt Securities annual interest rate has been converted to real using the CPI calculated by the SCI (1400=100)

Accordingly, it could be grasped that the monetary policy and the interest rate have not served as a hindrance to the Iranian capital market, but might have even affected that market positively. It is inferred that the international political developments and the risks and uncertainties emanating from them have served as the main drivers of the undesirable performance of the Iranian capital market

and the Iranian Economy as a whole. Note that so long as the interactions between the new US Administration and the Islamic Republic are not clear, the market players in the Iranian capital market act prudentially. As for the economic factors, the gap between the USD/IRR exchange rates in the free market and secondary market are also worth to mention. Since narrower gap between the aforementioned rates

10. Using the CPI issued by the SCI with the year 1400 as the base year and the weighted average of annual interest rate of the government debt securities.

encourages the exporters to supply larger amounts of their foreign currencies in the domestic market, consequently the revenues of the exports-based industries and their share values of this sort of industries including steel and petrochemical industries in the capital market rise as well, which would result in expansion of the TSE Overall Index.

The TSE market capitalization at the end of 1403 rose by 1.0 percent to IRR89,569 trillion compared to the end of 1403Q3. In the same period, the market capitalization by various types of TSE securities reveals 0.8 percent expansion in Stock Market, 0.6 percent in Debt Market, and 12.5 percent in Exchange-traded Funds. Moreover, the OTC market capitalization grew by 5.3 percent in the

same period, emanating from the 0.5 percent contraction of market capitalization of Stocks, 16.5 percent expansion in that of Debt Securities coupled with the 10.5 percent rise in that of Exchange-traded Funds. In the 3-month period under review, the TSE and OTC market capitalizations in total grew by 2.0 percent. Note that the rise in TSE market capitalization in 1403Q3 was more significant and part of that was attributed to the fact that at the end of the first month of that quarter the price to earnings ratio (P/E) in TSE registered its low of 5.67 since the last month of 1394Q3. Hence, should the international tensions be eliminated, a bullish capital market in 1404 could be expected. The TSE and OTC market capitalizations by various types of securities are shown in Table 18 in detail.

Table 18. TSE and OTC Market Capitalizations (IRR trillion- end of period)

	Type of Securities	1402Q4	1403Q1	1403Q2	1403Q3	1403Q4	1403Q4 to 1403Q3 Percentage Change	1403Q4 to 1402Q4 Percentage Change
TSE	Shares	76,188	70,086	68,201	85,573	86,218	0.8	13.2
	Debt Securities	877	952	1,064	1,128	1,135	0.6	29.4
	Exchange-traded Funds	2,343	2,440	1,572	1,969	2,216	12.5	-5.4
	Total	79,408	73,477	70,837	88,670	89,569	1.0	12.8
OTC	Shares	18,163	15,413	15,246	17,684	17,604	-0.5	-3.1
	Debt Securities	6,336	7,031	7,548	8,151	9,496	16.5	49.9
	Exchange-traded Funds	2,467	2,536	1,497	1,841	2,033	10.5	-17.6
	Total	26,965	24,981	24,291	27,675	29,133	5.3	8.0
TSE and OTC in Total		106,373	98,457	95,128	116,345	118,701	2.0	11.6

Source: Securities and Exchange Organization of Iran

The volume of transactions in various TSE markets are shown in Table 19. The volume of transactions in the stock market in 1403 has not experienced much change compared to 1402, but that of the Exchange-traded Funds has grown by 65.4 percent in the same period, mainly thanks to the Gold Funds that absorbed investors due to the especial conditions in the gold market. On the basis of TSE statistics, the ratio of the net asset value of

the Commodity Funds (gold and saffron) to that of the total Exchange-traded Funds reached 15.5 percent at the end of 1403 from 2.3 percent at the beginning of 1402. On the contrary, as for Fixed Income Mutual Funds, the corresponding ratio that had opened the year 1402 at 79.3 percent closed the year 1403 at 68.0 percent. The aggregated net asset values of Gold Funds at the end of 1403 have been 3 times that of the end of 1402.

Table 19. Volume of TSE Transactions in 1402 and 1403 (in million)

	1402	1403	Percentage Change
Shares (primary and secondary market)	2,368,933	2,502,219	5.6
Debt Securities	1,201	1,421	18.3
Derivatives	28,860	30,562	5.9
Exchange-traded Funds	414,602	686,052	65.4
Professional Investments	11,811	20,962	77.4
Total	2,825,407	3,241,215	14.7

Source: Tehran Stock Exchange

An examination of the value of TSE transactions by various types reveals that in 1403, the value of transactions in the stock market has fallen by 25.1 percent compared to 1402, while in the same period, the value of transactions of Exchange-traded Funds has expanded by 81.6 percent.

Accordingly, the risky atmosphere as well as the uncertainties in the Iranian economy in conjunction with the global rise in gold price has driven the investors towards the gold market. Note that a sizable demand of the gold market has been met supply out of the capital market.

Table 20. Value of TSE Transactions in 1402 and 1403 (IRR trillion)

	1402	1403	Percentage Change
Shares	13,336	9,982	-25.1
Debt Securities	1,175	1,372	16.8
Derivatives	268	542	102.2
Exchange-traded Funds	7,577	13,758	81.6
Professional Investments	20	33	65.0
Total	22,376	25,687	14.8

Source: Tehran Stock Exchange

Much of the financing in the Iranian economy takes place in the money market (banking system) and the capital market plays a minor role in that regard. Also, part of the small amount of the financing through the capital market is attributed to the Government Debt Securities - aimed for public finance. As shown in Table 21, during the year 1403, IRR3,581.3 trillion has been financed through the TSE listed companies (coupled with the Government as

the main issuer of Debt Securities) of which, 87.0 percent has been through raising capital (matured claims and cash contributions or retained earnings), 8.8 percent via issuance of Government Debt Securities (mainly by the Government), and 3.0 percent via the Put Options. All in all, the value of financing via the capital market in 1403 has expanded by 24.8 percent compared to 1402, with its composition remaining almost unchanged.

Table 21. Various Methods of Finance in TSE

	1402		1403		Percentage Change in Value
	Value (IRR trillion)	Share in Total (percent)	Value (IRR trillion)	Share in Total (percent)	
Raising Capital (except for asset revaluation)	2,496	87.0	3,113	87.0	24.7
Initial Public Offering	16	0.5	31	0.9	98.4
Stock Premium	-	-	2	0.0	-
Underwriting in Professional Investment Market	20	0.7	16	0.4	-20.0
Issuance of Debt Securities	208	7.2	314	8.8	50.7
Issuance of Put Options	130	4.5	106	3.0	-18.3
Total	2,869	100.0	3,581	100.0	24.8

Source: Tehran Stock Exchange

In 1403, IRR11,569 trillion has been financed through TSE and OTC including the Government Debt Securities, up 47.8 percent from 1402. Given the IRR59,659 trillion financing of businesses via the money market, the share of capital market in 1403 is calculated 16.2 percent in

presence of the Government Debt Securities. Putting the IRR6,039 trillion financing through issuance of Government Debt Securities aside, the share of capital market in total financing in 1403 falls to 8.5 percent.

10. OTHER DEVELOPMENTS

On the basis of the National Iranian Productivity Organization, the labor productivity index in the Iranian economy using the year 1395 as the base year, rose to 103.6 in 1401 from 102.6 in 1391. In other words, in a decade, this economic indicator has not improved much in the Iranian Economy. Recent research shows that employing Generative Artificial Intelligence (GenAI) could result in up to 40 percent time saving in getting a process done, a revolution in the labor productivity. However, this question is raised if the labor productivity in the Iranian economy would benefit from that technology? To find a suitable response, first, the structure of motivation in the Iranian economy has to be investigated.

On the basis of the most recent available data, the employed population in the IRI Administration in the year 1402 constituted more than 9 percent of the total employed population, excluding the employees of the Armed Forces, Ministry of Defence and Armed Forces Logistics, Ministry of Intelligence, Non-Departmental Public Body, and finally quasi-governmental sector. The figure 9 percent is not that large in comparison with most of the countries, but by adding up the employees of the aforementioned organizations, that share becomes much larger. As a comparison, the public sector of the USA accommodates 13 percent of the total employed population, but the US Administration tries to decrease that rate. In some countries including China, Turkey, Lebanon, and Azerbaijan the same situation as that of

the USA exists, but in India, Brazil, and in some south east Asian countries such as Indonesia, Philippines, Vietnam, and Thailand, the ratio of public sector employees to total employed population is smaller. Increasing productivity is challenging in economies with a significant share of employment in the public sector, such as Iran.

Moreover, as for the Iranian economy, uncertainty is referred to as the dominant hindrance to the improvement of productivity. Precisely speaking, the political tensions have deviated the firms from long-run planning, hence no enough room has been left for improvement of labor productivity. Moreover, the inauguration of the new US Administration again heated tensions between the US and the Islamic Republic, causing the uncertainty concerns to exacerbate.

In addition to the volatile political atmosphere, the excessive government intervention in the Iranian economy has caused the firms to opt for economic rent seeking - such as benefiting from the economic rents from the gap between various USD/IRR exchange rates - instead of focusing on profit maximization through production optimization. Accordingly, as a result of the deviation from production optimizations, labor productivity enhancement would be ignored as well. All in all, even in case of widespread utilization of GenAI in the Iranian economy and doubling the pace of activities, the extra time left to employees seems not likely to be spent for more production level.

11. KEY POINTS

- Given the limited trade relations between the US and Iran, the trade policy of the former is not expected to directly affect the economy of the latter, but indirect negative effects are inevitable. It should be noted that in addition to being among the top 3 trade parties of the USA, in recent years China has been the major exports destination of Iran, especially Iran's crude oil. Accordingly, placing high tariffs on imports from China by the US would cause the economic growth rate of China - as major Iran's trade party - to slow down, at least in the short run. Moreover, taking into account the lower demand for energy and fall in oil and gas prices coupled with more sanctions on Iran's Oil sector, severe shortage in Iran's oil revenues is much likely, translating to lower growth rate of the Iranian economy in the year 1404.
- The country's positive economic growth rate continued in the first 9 months of 1403, albeit at slower pace. Precisely speaking, the 5.0 percent economic growth rate of 1402 fell to 3.1 percent in 1403Q1, to 2.7 percent in 1403Q2, and to 3.6 percent in 1403Q3, partly attributed to the slowing down in the Oil sector growth. The 18.8 percent Oil sector expansion in 1402 plummeted to 0.1 percent in 1403Q3. On the demand side of the economy, the growth rate of Gross Fixed Capital Formation that had registered 6.3 percent in 1402, diminished to 3.4 percent in the first 9 months of 1403.
- On the basis of the OPEC reports, the Iranian oil production in Feb 2025 totaled 3.3 mbpd to stand 4.6 percent above that of Feb 2024. Note that there is no room for further rise in the country's oil production, i.e., due to the fall in global oil demand and the worn-out infrastructure of the Iranian Oil sector, no expansion in production seems achievable.
- The latest report of the SCI on the Iranian labor market suggests that in 1403Q4, the unemployment rate of the population aged 15 and above has diminished by 0.8 percentage point compared to 1402Q4, to reach 7.8 percent. During the same period, the population with higher education constitutes 38.9 percent of the total unemployed population, 0.1 percentage point below that of 1402Q4.
- The annual CPI inflation rate that had reached the low of 32.0 percent in the first 2 months of 1403Q4, closed that quarter at 32.5 percent with a slight increase. The point-to-point CPI inflation rate opened 1403Q4 at 31.7 percent and in an upward path, closed that quarter at 37.1 percent - the highest point-to-point CPI inflation rate in the year 1403. In the 11th month of 1403, the monthly CPI inflation rate registered the high of 4.1 percent during 1403.
- The CBI data suggests that the PPI inflation rate followed a downward path that had started from 1402Q4 and eventually closed 1403Q3 at 26.7 percent. Moreover, based on the SCI, the annual PPI inflation rate closed 1403Q3 at 31.2 percent. Although

the PPI inflation rates calculated by the SCI stand above those of the CBI, both follow a same downward path.

- The CBI data on Balance of Payments suggests that in 1403H1, the Oil Exports of the country stood 20.6 percent above that of 1402H1. In addition, the imports of Natural Gas and Oil Products also grew by 20.5 percent, mainly due to the further need for imports of Gasoline in the same period. In 1403H1, the 13.0 percent growth in Non-oil Exports and 6.3 percent expansion in Non-oil Imports caused the Goods Account to expand by 54.8 percent. In the same period, the Capital Account Deficit decreased. All in all, Iran's foreign reserves increased by USD1.5 billion in 1403H1. On the basis of IRICA statistics, during the first 11 months of 1403, the value of customs exports and imports of goods grew by respective rates of 18.8 percent and 5.6 percent compared to the same period of 1402. Accordingly, the Customs Trade Balance Deficit of the Country in the first 11 months of 1403 fell by 33.2 percent to USD10.2 billion. Also, price of exported and imported goods through Customs, respectively, averaged USD378 and USD1,814 per ton.
- The Iranian foreign exchange market was highly volatile during 1403Q4, mainly due to the international tensions, especially between Iran and the USA as well as the unprecedented incidents in the Middle East. The price of USD in the Iranian free market for foreign exchanges closed the year 1403 at IRR978 thousand, 62.2 percent above the IRR603 thousand at the end of 1402. The USD/IRR exchange rate averaged 863 thousand during 1403Q4, respectively, 27.7 percent and 55.4 percent above that of 1403Q3 and 1402Q4. The USD/IRR bill and remittance exchange rates in the secondary market that were slightly fluctuating during the first 8 months of 1403, stepped in an upward path from the last month of 1403Q3. Meanwhile, another subdivision was added to the secondary market in the last month of 1403Q3, where limited number of transactions were done albeit at higher rates. However, from the beginning of the second month of 1403Q4, all the foreign exchange transactions in the secondary market - except for imports of the essential goods - were subject to be carried out in the newly established market, translating to an exercise in order to narrow down the gap between the free-market and secondary-market exchange rates.
- At the end of the 11th month of 1403, the Liquidity registered IRR99,420.1 trillion, up 27.8 percent from the same month of 1402 and 26.2 percent above the end of 1402. During the first 11 months of 1403, the monthly growth rate of Liquidity averaged 2.1 percent, standing above that of the same period of 1402, as the banks did not observe the CBI regulation regarding monthly growth rate of their assets in summer 1403. The M1 (notes and coins in circulation and sight deposits), interest-free saving

deposits, and short-term deposits altogether formed 55.9 percent of the Liquidity at the end of the 11th month of 1403. The share of three-year deposits in liquidity in the same point registered 21.8 percent, below the share of sight-deposits in Liquidity at 23.7 percent. Hence, it is grasped that in the first 11 months of 1403, investment in long-term deposits has not been desirable.

- The Monetary Base reached IRR12,729.4 trillion at the end of the 11th month of 1403, indicating 16.6 percent rise from the end of 1402 and 22.0 percent from the same point of 1402. At the end of the 11th month of 1403, the Net CBI Foreign Assets expanded by 51.9 percent from the end of 1402, with the highest contribution of 88.0 percentage points to the M0 growth rate among its other components during the period under discussion. On the basis of the CBI report, the 51.9 percent rise in the Net CBI Foreign Assets has been mainly due to the rise in USD/IRR exchange rate used for conversion of the assets denominated in foreign currencies to Rial. Accordingly, it is inferred that probably the weighted USD/IRR exchange rate at the end of each month has been used for conversion of CBI foreign assets from the last month of 1402 onwards, far above the USD/IRR conversion rate of 42 thousand that was previously used. Reconverting the Net CBI Foreign Assets to USD using the end of month weighted USD/IRR exchange rate, it is concluded that at the end of the 11th month of 1403, the Net CBI Foreign Assets has not only expanded but has also experienced a slight fall from the end of 1402. In fact, the CBI claims on banks with 25.4 percent growth rate and 17.9 percentage points share has been the main driver of the M0 growth rate at the end of the 11th month of 1403 compared to the end of 1402, followed by Net CBI Claims on the Public Sector with 8.8 percentage points contribution to M0 growth rate in the same period.
- According to the first section of the 1404 Budget Law, the Total

Government Budget for 1404 is considered IRR112,795.3 trillion, 9.5 percent and 74.6 percent above 1404 Bill (less off-budget figures) and 1403 Law, respectively. Regarding 1404 Law, the elimination of off-budget items from the Total Government Budget that was included in 1404 Bill for the first time, is of high importance. The General Sources of 1404 Law stand 93.5 percent above that of 1403 Law at IRR49,564 trillion. The IRR24,464 trillion of General Revenues and IRR33,559 trillion of Current Expenditures in 1404 Law resulted in Operating Balance Deficit of IRR9,094 trillion.

- In the first 11 months of 1403, the realization ratio of the General Uses stood 2.8 percentage points above that of the General Sources, resulting in IRR660.0 trillion Overall Budget Deficit. Given that the Actual Current Expenditures overshot the approved figure of 1403 Law by 13.8 percent, the 96.5 percent realization of General Revenues resulted in IRR5,467.2 trillion Operating Balance Deficit in the first 11 months of 1403. Out of that deficit, IRR1,114.0 trillion was financed via Net Disposal of Non-financial Assets. So, in order to finance the remainder of that deficit as well as the Acquisition of Financial Assets, the Government was left with no choice but to issue Debt Securities. In that regard, the Government Issued IRR3,387.4 and IRR4,499.7 trillion Debt Securities, respectively, in the first 11 months of 1403 and the year 1403 as a whole through auctions held by the CBI.
- The TSE Overall Index that averaged 2.2 million during 1403Q3, grew by 25.7 percent to 2.8 million during 1403Q4 on average. In addition, the OTC Overall Index that averaged 26.1 thousand in 1403Q4, stood 16.0 percent above its average of 22.5 thousand in 1403Q3. The uncertainty coupled with various risks in the Iranian economy caused the Iranian capital market return to be overtaken by the inflation rate, yielding a negative real return in 1403.



THIS PAGE IS INTENTIONALLY LEFT BLANK.



MIDDLE EAST BANK HEADQUARTERS

Building No. 1

No. 2, 5th St., Ahmad Qasir (Bucharest) Ave., Tehran, Iran
Tel: (+9821) 4217 8000 Fax:(+9821) 9121 2383

Building No. 2

No. 26, 6th St., Ahmad Qasir (Bucharest) Ave., Tehran, Iran
Tel: (+9821) 8850 9081 Fax:(+9821) 8875 6949

www.middleeastbank.ir
info@middleeastbank.ir
