



IRAN'S ECONOMY OUTLOOK

A presentation prepared by

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Agenda

- ❑ Iran at a Glance
- ❑ Iran's Economic Situation Economy (Recent Status)
- ❑ Plans For the Future
- ❑ Business Prospects
- ❑ Conclusion & Forecast

Iran at a Glance



Iran at a Glance

Population	77,8 millions (Sept 2014)	← Turkey: 75 mil
Population growth	1.2% (2014)	
Life expectancy	68.8 years for men; 71.9 years for women	
Median age	27 years (65% of population under 30 years old)	
Urban population rate	70%	
Literacy rate	93% (for Iranians from 19 to 40 years)	← Turkey: 95%
Number of Iranian with a university degree	10.5 millions	
Rate of women with a university degree	18,4%	
Rate of men with a university degree	18,2%	
President of the Islamic Republic	Hassan Rohani since June 2013	
National language	Persian – official language- (53%), Azeri Turkish and Turkish dialects (18%), Kurdish (10%), Others (20%)	
GDP/capita*	US\$ 4974 USD (2014/2015)	
Currency	1 USD / 34,000 IRR in 2014/2015 (-10% compared to past year)	
Inflation	16% (2014/2015)	← Turkey: 8.5%



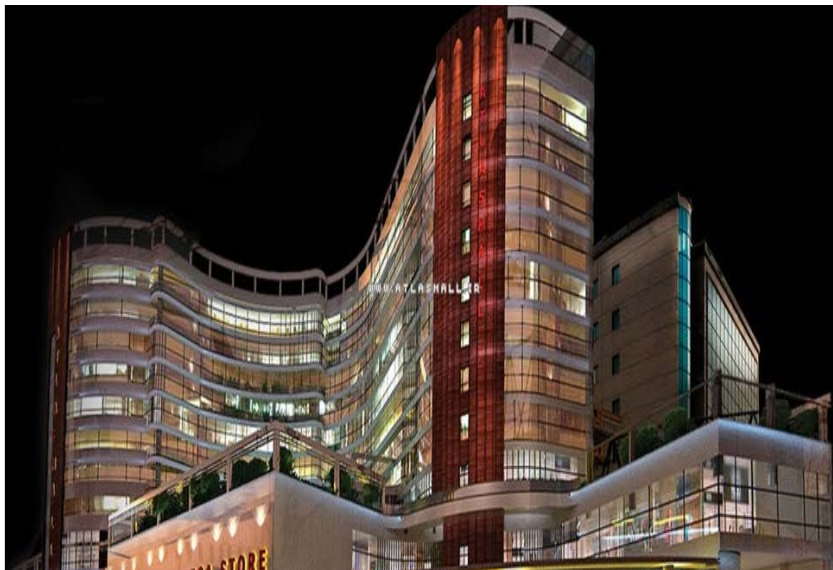
Iran's Economic Situation



Luxury Brands Already Settled in IRAN



1st Importer of Porsche in ME

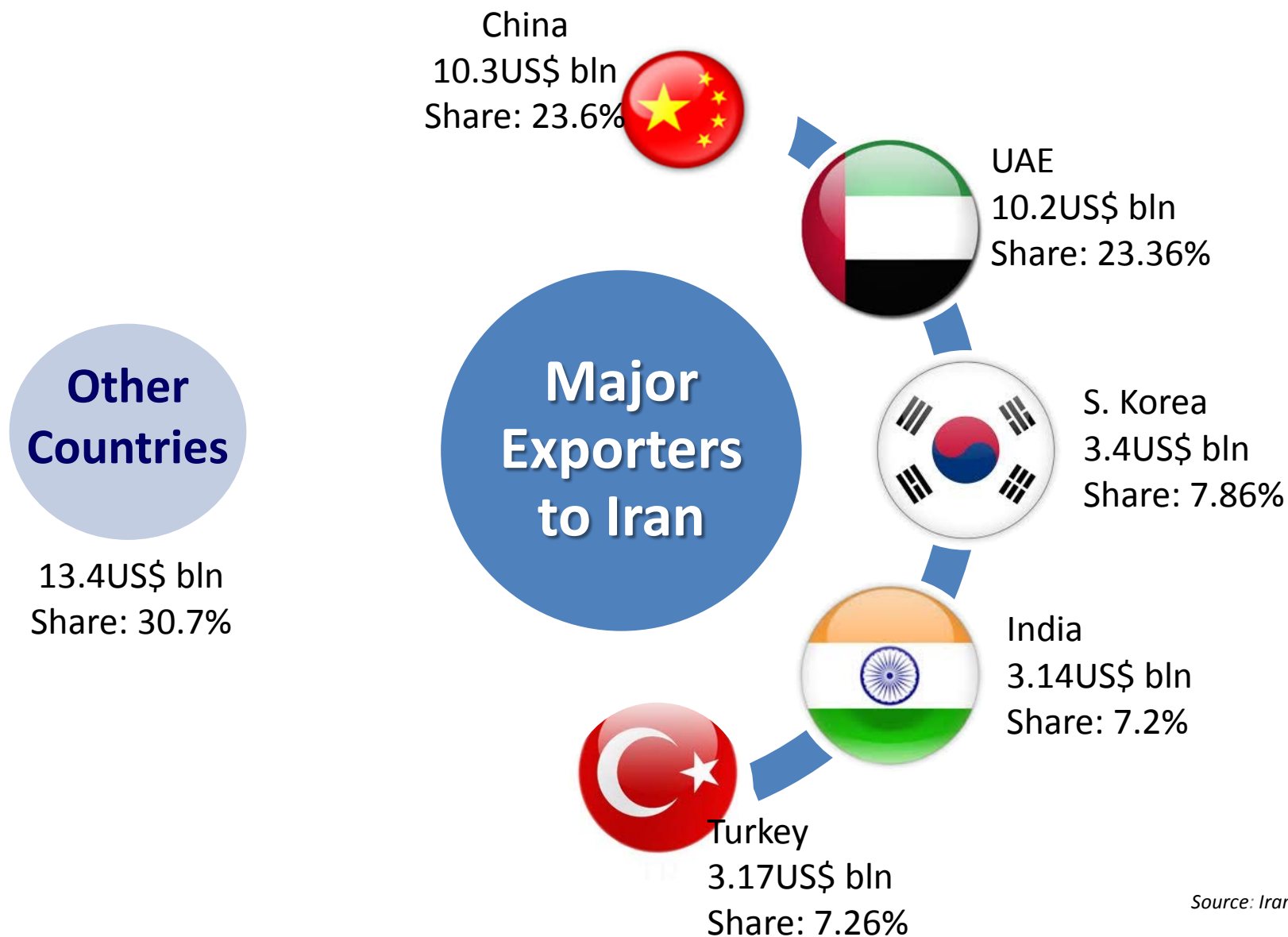


Main Indicators

	March 2009-10	March 2010-11	March 2011-12	March 2012-13	March 2013-14	March 2014-15 (est.)
Population (Millions)	73.6	74.7	75.1	75.5	76	77.8
Exchange rate (US\$/IRR year average) - <i>Managed Floating</i>	10,000	10,000	17,000	22,000	30,000	34,000
Nominal GDP (US\$ Bn)	360 (3.6 trillion Rls)	430 (4.3 trillion Rls)	367 (6.1 trillion Rls)	304 (6.7 trillion Rls)	313 (9.4 trillion Rls)	382 (13 trillion Rls)
GDP growth (%)	3%	6.5%	4.3%	-6.8%	-1.90%	3%
Unemployment (%)	11.9%	12%	12.5%	13.2%	14.0%	15.0%
Inflation (Year average, %)	10.8%	12.4%	21.5%	30.5%	34.7%	16.0%
Exports of Goods and Services (US\$ Bln)	\$ 87.5	\$ 107	\$ 145	\$ 97	\$ 93	\$ 85
Of which crude oil (excluding gas & condensate)	\$ 64	\$ 72	\$ 90	\$ 75	\$ 45	\$ 35
Imports of Goods & Services (US\$ Bln)	\$ 66	\$ 65	\$ 78	\$ 66	\$ 50	\$ 52
Reserves (US\$ Bln)	\$ 68	\$ 75	\$ 84	\$ 80	\$ 75	\$ 120
In months of following year imports	10	11.5	12	15	12	24
External Debt (Percent of GDP)	21.5 (6.5%)	22 (6.7%)	20 (5.6%)	20 (6.6%)	20 (8.3%)	20 (5.1%)

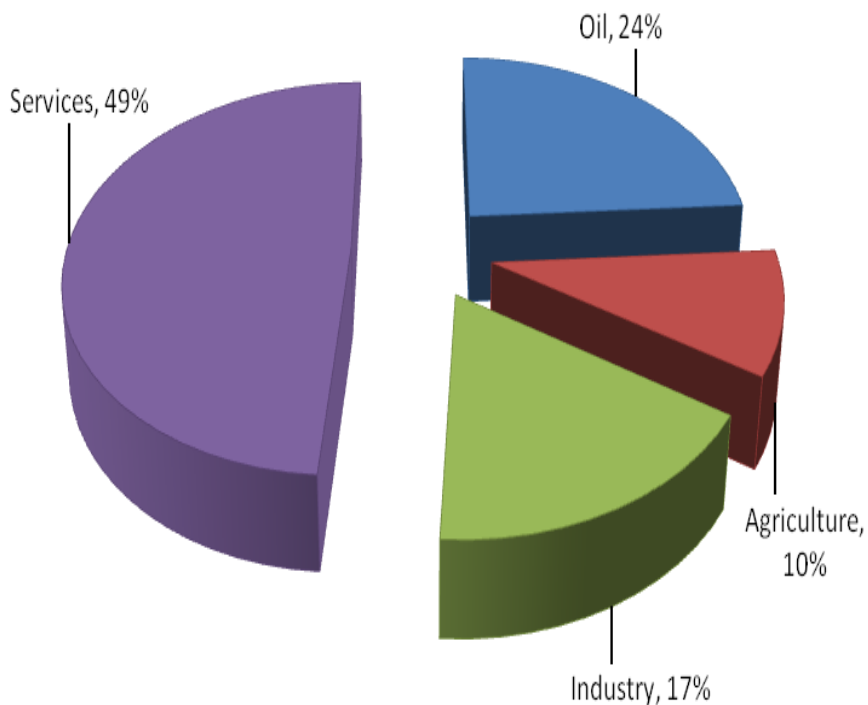
+ NDF
(US\$50
bln)

Change in Ranking of Trade Partners

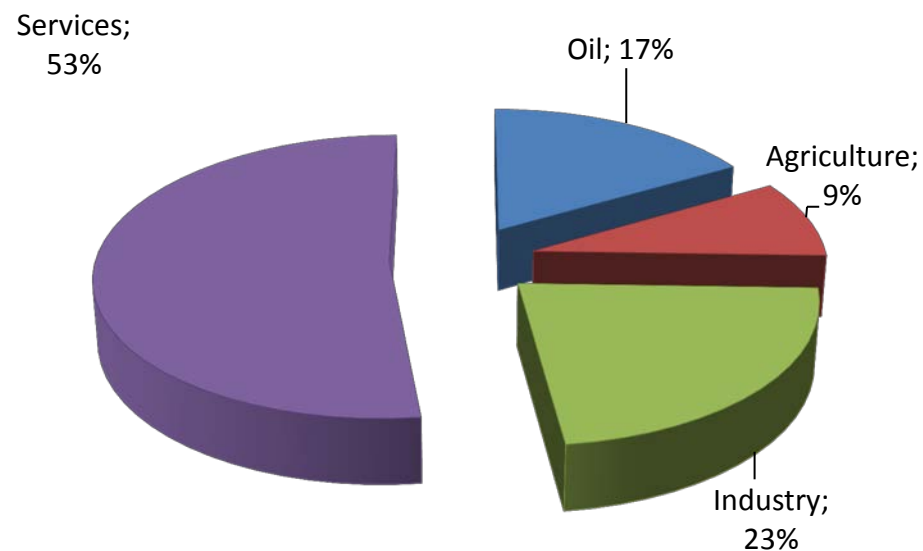


GDP Share Comparison

GDP Share average 2005-2010
(US\$111 bln -US\$430 bln)

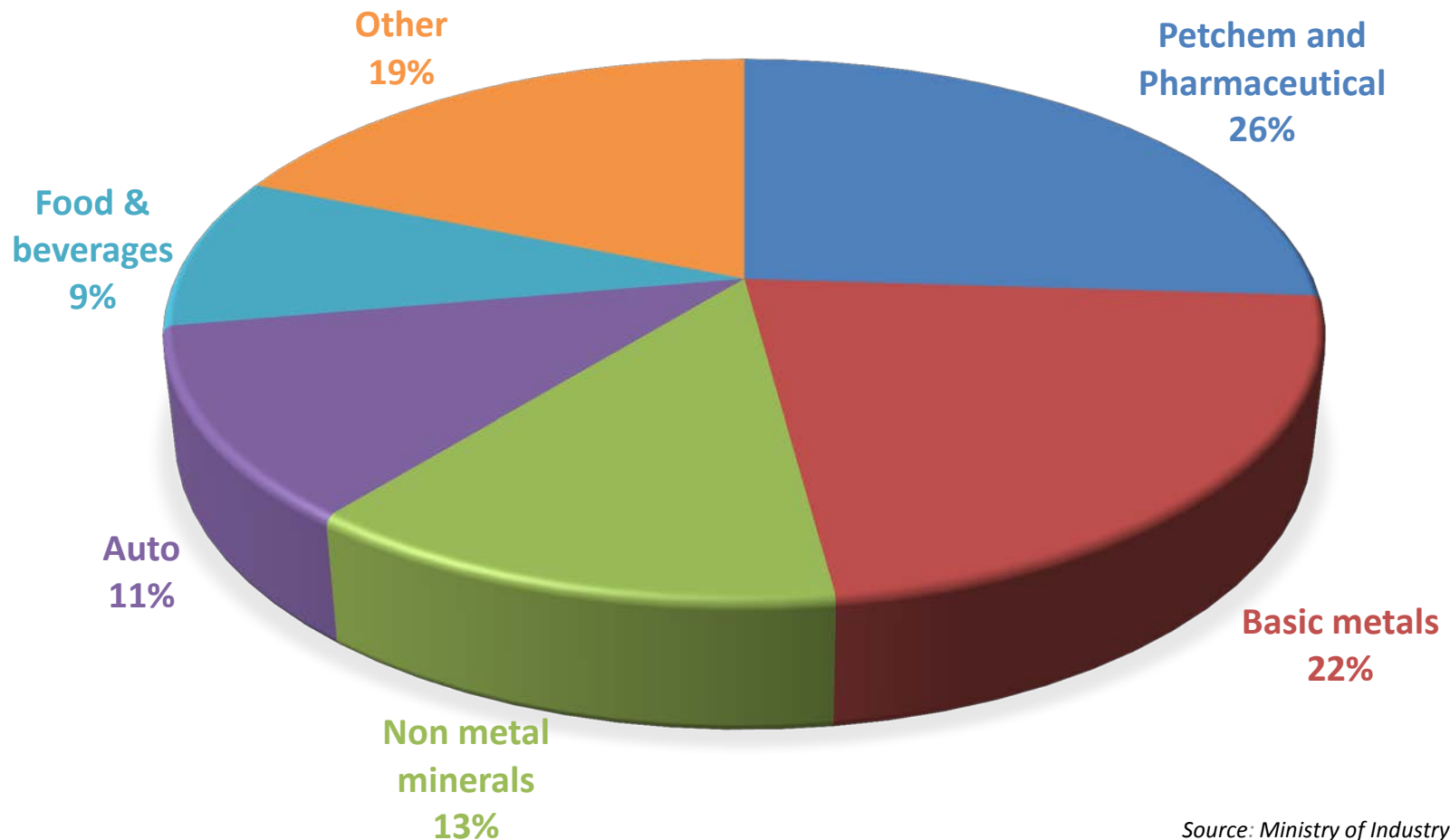


GDP Share average 2011-2014
(US\$359 bln-US\$382 bln)



Industry: Major Sectors Share

2013-14



Source: Ministry of Industry

Ministry of Industry's Plan for Non-Oil Economy



Industry Development Planning

❑ Plan by govt. ending **2025**

❑ Relies on :

- Privatization
- Foreign investment
- Investment in Export oriented products

❑ Industries are prioritized based on capacity to achieve goals:

1. Oil products
2. Chemical/pharmaceutical products
3. Non metal minerals
4. Auto industry
5. Mining (extraction)
6. Basic metals
7. Advanced technologies

Industry Development Planning

	2014	2025
Non-oil exports (US\$ bln)	-	180
Industrial, mining exports (US\$ bln)	-	121
Industry/GDP (%)	-	Plus 2%
Mining/GDP (%)	-	2
Employment-industry& mine (million)	-	4.5
Local Investment (US\$ bln up to 2025)	-	62
FDI (US\$ bln up to 2025)	0.5	20

Example of Selected Industries: *Auto Industry*

Facts

- ❑ Output=2% of the world
- ❑ 2011-12: 13th with 1.6 million cars produced

(20th now after drop in output)

- ❑ 14% of industry sector value added
- ❑ 3% of GDP
- ❑ 12% of employment

Targets

- ❑ 1st in region
- ❑ 5th in Asia
- ❑ 11th in world
- ❑ 3.2 M target prod.



Example of Selected Industries: *Cement*

Facts

- ❑ Output=1.7% of the world
- ❑ 2014: 4th with 75 million tons produced (3rd in Asia, 1st in region)

Targets

- ❑ 3rd in world output capacity
- ❑ 1st in output capacity in region
- ❑ 1st in World exports

	2014	2025
Production capacity (million tons)	80	120
Exports (million tons)	18.9	32
Share in industry sector (%)	3.5	4

Oil, Gas and Petrochemical Industry in the 2025 Horizon

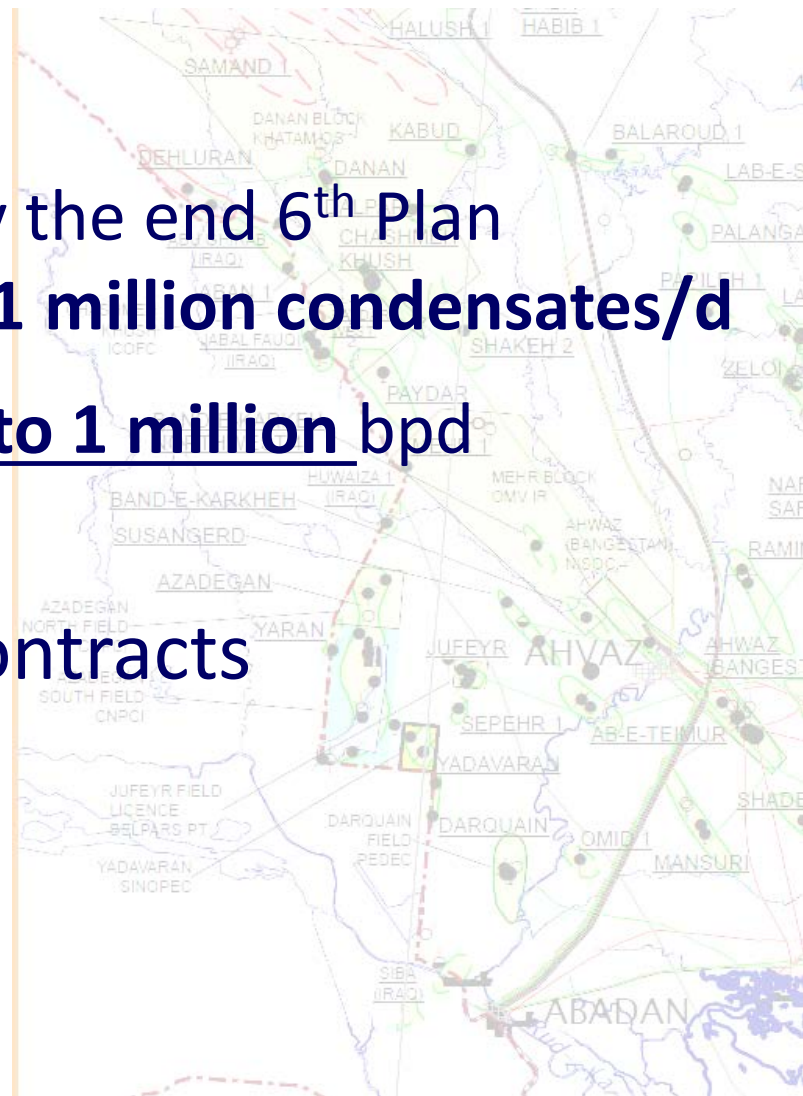
- ❑ 1st producer of Petrochemical Products in the region (value)
- ❑ 2nd OPEC producer with the oil production capacity of 7% of the world demand
- ❑ 3rd world gas producer with the share of 8-10% of the world gas trade

1. Oil Production Target (priority: Shared Fields)

□ Increase:

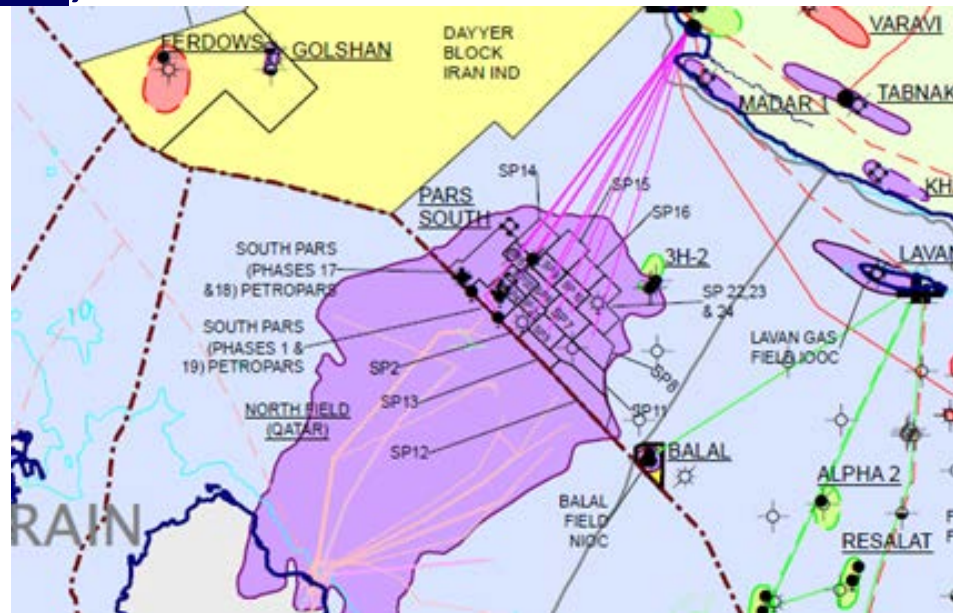
- Crude output **5 million/d** by the end 6th Plan (March 2016-March 2021)+**1 million condensates/d**
- gas condensates output **up to 1 million bpd** (priority: South Pars)

□ Improve structure of oil contracts



2. Gas Production and Gas Exports (Priority: Shared Fields)

- ❑ Increase gas production from South Pars & other shared fields to **1.2 Bcm/d** by the end 6th Plan (March 2016-March 2021)
- ❑ Export gas via pipelines;
- ❑ Export LNG;



Refineries Production (actual)

Name of Refineries	Intake (bpd)
Abadan	410,000
Arak	251,000
Isfahan	361,000
Bandar Abbas	327,000
Tabriz	110,000
Tehran	210,000
Shiraz	59,000
Kermanshah	21,000
Lavan	65,000
Total	1.814 million

3. New Refinery + Optimization Plans

- ❑ Actual refining capacity : 1.8 MB
- ❑ New refinery: Persian Gulf Star Gas Condensate Refinery: 350,000 bpd>>to produce 36 million liters a day of Euro-4 gasoline.
- ❑ Starting 8 mini gas condensate refineries (Siraf Project)– Total

Optimization Plans in Refineries	Euro-4 Diesel Production Capacity (Million Liters a Day)	Date of Commissioning
Lavan	3	Year-End (March 2016)
Bandar Abbas	9	Year-End (March 2016)
Total	12	---

Optimization Plans in Refineries	Euro-4 Gasoline Production Capacity (Million Liters a Day)	Date of Commissioning
Isfahan	7	Soon
Lavan	<1	Year-End (March 2016)
Bandar Abbas	4	Under Construction
1 st Phase of Persian Gulf Star	5 to 12	91% Complete – Launch by Year-End (March 2016)
Total	24	---

4. Number of Projects in the Major Petrochemical Zones

Iran's Petrochemical Projects (Planned / under construction)

Location	No. of Projects	Capacity (million Tons/Y)
Mahshar Special Economy Zone	8	1.4
Assaluyeh Special Ecoomh Zone	26	35.7
Other Regions	33	23.9
Total		61

Required Investment in Iran's Oil & Gas Industry 2016-2025

	Billion \$
Upstream	\$ 176
Downstream	\$ 77
TOTAL	\$ 253

Business Prospects

❑ Petrochemicals

- 60 ongoing projects
- US\$20 bln/y value: Plans to double
- US\$74 bln investment needed 8-10 years
- ~US\$10 bln/y exports



❑ Food industry

- Climate + Population + Industrial infrastructure
- This sector employs around 30% of workforce

❑ Construction

- Mass housing projects, roads, hotels;



Business Prospects

□ Telecommunication

- Mobile (infrastructure + handsets)



□ Auto: doubling production: 1.5 Mln>>3 mln

□ Transportation

- US\$25 bln projects
- Air, rail & road



□ Power

- Production: Top of the region. 14th worldwide
- 5% of the production is exported to neighbors
- 7%/y consumption growth



Business Prospects: After Sanctions



- ☐ Good investment law in place (**foreigners have** 100% shares of Hyperstar and nearly 100% for Nestle factory in Iran), Novo Nordisk building a 70 million euro (\$78 million) Insulin facility , Danon factory
- ☐ 78 m people with proper purchasing power , Educated Iranian experts
- ☐ Acceleration in awarding projects
- ☐ Huge financing and new technologies will be required after many years of mismanagement and sanctions
- ☐ New hotels , new power plants , oil and gas development projects, roads, trains etc will be needed during first years
- ☐ New opportunities will come during the first years

Strength

- ☐ Large population
- ☐ Reasonable purchasing power
- ☐ Strategic geopolitics
- ☐ Availability of skilled workforce/educated people
- ☐ Good Infrastructure
- ☐ FIPPA

Weakness

- ☐ Still Too much dependence on Oil
- ☐ Dual exchange rate
- ☐ Complex Bureaucracy
- ☐ Privatization still at its early stages
- ☐ Non-alignment of short term policies with government targets
- ☐ Weak management skills

Opportunities

- ☐ 10 years of no-investment in the projects
- ☐ Need for new technologies
- ☐ Few hundred billion Usd projects introduced
- ☐ Diversification of projects (Energy, Petchem, Food, Mines, Auto, Construction, Telecomm, etc.)

Threats

- ☐ Renewal of Sanctions
- ☐ Low oil prices
 - share of oil in budget 30% for 2015-16
 - was 35% in 2014-15
 - eventually more than 50% after financing deficits
- ☐ Late Payments

Conclusions





- ❑ Iranian Economy has a good potential and can be improved
- ❑ Bases of economy are very solid (industry, manufacturing capabilities, banking, service sector, educated population, etc.)
- ❑ Foreign investment plays a major role
- ❑ In any case structural reforms are needed (diversification, privatization, etc.)



Recommendations

- ☐ Long term presence
- ☐ Choose your partner wisely
- ☐ Transfer of technology
- ☐ After sales services
- ☐ FDI
- ☐ Re-export of a portion of the production

