UNITED NATIONS ESCAP
Economic and Social Commission for Asia and the Pacific

ECONOMIC AND SOCIAL SURVEY OF ASIA AND THE PACIFIC 2016

UNDER EMBARGO UNTIL 12.00 HRS., BANGKOK TIME, THURSDAY, 28 APRIL 2016

ISLAMIC REPUBLIC OF IRAN

GDP (current US$, billions):	$425.33	Population (thousands):	78,144
Share of GDP in developing Asia-Pacific:	2.7%	GDP per capita (current US$):	$5,442.87
Share of GDP in South and South-West Asia:	11.2%	Average inflation (2015)	13.6%

- Economic growth in the Islamic Republic of Iran decelerated to only 0.8% in 2015, from 4.3% in 2014 and the economic contractions recorded in 2012 and 2013. The slowdown was primarily due to international sanctions and lower oil prices, which constrained private consumption, held back foreign investment and dampened exports.

- Falling oil prices also widened the fiscal deficit in 2015, as oil revenues account for nearly 40% of total revenue.

- Inflation remained high at 13.6% in 2015, although it was much lower than the annual average of 28% in the preceding three years, as access to goods and services were constrained by the sanctions.

- Growth is expected to rebound from a low base to 4.4% in 2016 and 5.1% in 2017, mainly due to the lifting of the sanctions, which became effective in January 2016.

- Oil export revenues should help to increase government revenue and the current account surplus, even though oil prices remain low.

- Foreign investment is also expected to pick up strongly in the near term, especially in infrastructure projects, but the country's medium-term growth is limited by significant domestic bottlenecks and restrictive business conditions.

- Inflation is likely to exceed the central bank's single-digit target due to supply-side bottlenecks and pent-up consumption demand released by renewed access to global markets.

- Part of the policy effort to revive economic growth has been focused on improving financial intermediation through reducing non-performing loans and loosening financial bottlenecks. Examples of such measures include reductions in the bank reserve ratio and the interbank rate, $200 million in deposits in the export promotion bank to support non-oil exports and a plan to develop a public debt market.

- The role of fiscal policy would be constrained by low oil prices. A recent IMF study estimated that a decline by $10 per barrel in the global oil price would worsen the country's fiscal balance by 1% of GDP. To improve its fiscal position, the Government is seeking to strengthen compliance measures, remove tax exemptions and continue its subsidy reforms.