



## A Glance at Iran's Economy

### Economic Developments in the Middle East & North Africa in 2006 & Iran's Position

The 2006 Gross Domestic Product (GDP) growth in the Middle East and North Africa remained approximately the same as in 2005, meaning the growth in the Middle East was 4.9% and it is expected that growth figure would be the same for 2007.

Iran with the GDP of 218 billion U.S. Dollars (USD) maintained its 3rd rank status in the region in 2006 following Turkey (395 billion USD) and Saudi Arabia (323 billion USD) and leading United Arab Emirates (UAE) (163 billion USD). Based on speculations of Iran's 4th Economic and Social Development Plan and 20-year historical records, Islamic Republic of Iran will be a highly potential country in the region with a high growth rate.

The GDP per capita of North America in 2006 was 44,180 USD and in West Europe 31,277 USD, Asia and Australia 3,442 USD and Middle East and North Africa 3,093 USD. The global GDP per capita was 8,797 USD. For the same period the GDP per capita of Iran was 3,141 USD which ranks after countries like Saudi Arabia, UAE, Turkey, etc.

In 2006, the inflation rate in North America was at 2.7%, in West Europe 2.1%, Asia and Australia 4% and in Middle East and North Africa 8.1%.

Middle East and North Africa contribute to 4.7% of world exports and 2.8% of world imports. In 2006, regional exports and imports grow by 6.6% and 12.5%, respectively and it is expected to grow at the rates of 4.7% and 8.7% in 2007.



In 2006 Iran with exports valued at 63 billion USD ranked 3rd after Saudi Arabia and Turkey and was also positioned in 3rd place with 46 billion USD imports.

High regional unemployment rate is one of the most critical issues faced by the regional governments. The important point is that there is no correlation between lower rate of unemployment and economic growth.

The soaring revenues of regional oil exporting countries led to hikes in housing and financial markets. On the other hand, it is expected that the oil prices which may continue to increase in 2007, may be the cause of decreasing the pace of economic improvements.

### **Iran's Economic Reform in 2006/07**

The most significant economic reform in 2006/07, which might as well be the most significant economic reform in Iranian history, was Supreme Leader's announcement regarding general policies of further development of non-governmental sector through transfer of governmental activities and companies. The related derivative was delivered on 1385/4/12 (3/7/2006) and accordingly the directive 80% shares of government owned companies subject to Article 44 were transferred to the private and cooperative sectors, based on the stipulated terms and conditions.

Iran's economic growth in 2006/07 was estimated at 4.8 to 5.2 percent, at the same rate for previous year. The GDP excluding oil was less than 6%. Based on real projections of 4th Development Plan, the growth rate for 2006/07 was expected to be approximately 7.4%. In 2006/07, the GDP at current prices was 1,940,000 billion Rials (211 billion USD) which indicated a rise of 14% when compared with the same figure for previous year. In the same year, GDP excluding oil at current prices was around 1,380,000 billion Rials indicating a rise of 13.6% when compared with the same figure for previous year. According to official reports the inflation rate climbed from 12.1% in 2005/06 to 13.6% in 2006/07. Whilst the service sector experienced the highest rate in 2005/06, it is estimated that the highest rate in 2006/07 was experienced in housing and fuel.



Based on real projections in the 4th Development Plan, the inflation rate was supposed to be at 11.5%. During 2006/07, liquidity rose by 39% to more than 1,280,000 billion Rials.

The unemployment rate was officially reported at 11.2% for 2006/07. Compared to the previous year, the active population slightly rose to 42 million people and hopes of life growth rate maintained its pace of 69.6%.

Non-oil exports increased from 11 billion USD to 16 billion USD indicating a 45% increase. Iran's total exports climbed by 8 billion USD to more than 68 billion USD and considering the 45 billion USD imports, the trade balance rose by 4 billion USD to 23 billion USD, which reached its highest record and was due to soaring prices of petroleum, gas and related product.

Average price of each barrel of Iranian crude oil during 2006/07 was higher than 50 USD and total revenues generated from oil and gas is estimated at 52 billion USD.

It is estimated that the government operation budget deficit in 2006/07, was increased by 26,000 billion Rials to 157 billion Rials.

In 2006/07, average USD and Euro exchange rate rose by 2% and 6.6% to 9,200 Rials and 11,740 Rials, compared to previous year.

Iran's economical mid and long-term challenges are oil price fluctuations, non-oil sector development and independency from petroleum, prolong privatization process, liquidation volume and inflation, exchange rate stabilization, budget deficit and borrowing from Central Bank, reduction and regulation of subsidies as well as modification of existing taxation system.

Iran's 4th Economic, Social and Cultural Development Plan which was ratified in 2004/05, provides a proper overview until the end of 2009/10. Two years after the date of implementation there were deviation from the Plan and it is hoped that the hurdles are alleviated within the next three years. The programs are planned to produce an average GDP growth rate of 8% between 2005/06 and 2009/10. This average rate has approximately doubled compared to 1370s (1991 - 2001) decade.

It is expected that during the planned period, investment, workforce efficiency and non-oil exports to rise by an annual average rate of 12.2, 3.5 and 10.7 percent, respectively. Assessments show that with the implementation of this Plan the annual average rate of liquidity would be 7% less than the same average in 1370's (1991 - 2001) and the average inflation rate would reach 9.9% (13% less than 1370's).

According to this Plan, for the next four years the driving force behind country's economy would be industry and mines and service sectors with annual average growth rates of 11.2% and 9%, respectively. 11.9% growth in building construction and 18% growth in communication were the largest contributors to the growth in industry and mine and service sectors.

## **A Glance at the TSE Indexes & Variations in 2006/07**

During 2006/07, the total TSE index rose by 4% from 9,460 to 9,821 points and the price and yield index rose by 15% to reach 30,786. During the same period, industry index moved from 7,428 to 7,752 (4% increase) by the end of the period. Financial intermediaries group index plunged by 0.8 percent from 20,941 at the beginning of the period to 20,770 at the end of the period.

At the beginning of the period daily market value started at 325,745 billion Rials and due to various factors and offering shares of Mobarakeh Steel Co. and National Copper Industries Co. by the end of the period rose to 395,028 billion Rials presenting an increase of 21 percent.

During 2007/08, the number of TSE company enlistment were increased by six making the total number of enlisted companies to 437.





## Company Profile in Brief

### History

Bank Melli Iran Investment Company (Public Joint Stock) (hereinafter referred to as BMIIIC) was established on 1370/11/20 (9/2/1992) and was officially registered on 1371/1/25 (14/4/1992) under registration number 89584 with Company Registrar. Company headquarters is located at No. 2, Naderi St., Vali Asr Ave., Tehran, Iran.

### Activities

- A.** To search, study, establish and development, commission, invest and participate in all types of industrial, commercial, service, engineering, civil plans and projects across all sectors and management of the same.
- B.** To form and establish all types of manufacturing and industrial, service and engineering, commercial and construction companies and participation in the aforementioned companies.
- C.** To rebuild, renovation, administration and maintenance, improvement, halt, expansion, merge and closure of any type of Iranian or non-Iranian economical companies and institutions.
- D.** To prepare subsidiaries for shares offering and facilitating companies for entry and acceptance to TSE and participation and investments with non-Iranian economical establishments in accordance to the pertinent regulations.
- E.** To use financial and credit facilities of domestic or international credit and financial banks and institutes; to issue participation bonds; to purchase and sale of any type of securities and shares of Iranian and non-iranian companies.
- F.** To perform any and all transactions of shares and investment services; to perform any type of financial and monetary activities in money and capital markets; to purchase and sell products and tangible and intangible properties; to manage custodial cash upon clients' requests.
- G.** To provide any service required by subsidiaries including financial and non-financial services, management and consulting services, system design and marketing services to facilitate and to increased performance and/or for new investments, development and completion projects whether through participation and/or administration and approval and acceptance of any type of guarantee and/or obligatory note for subsidiaries.
- H.** To obtain and grant representation in and outside Iran and to obtain preliminary approval and any other permits for the implementation of new manufacturing and industrial projects and/or development and completion and formation of legal entities to serve such purposes.
- I.** To perform all permissible operations directly or indirectly beneficial to reach company objectives and /or inline with execution of company objectives such as commissioned works, etc.

## Capital

The charter capital of the Company was 100 billion Rials and thereafter was increased to 1,610 billion Rials on 1382/10/23 (13/1/2004) in accordance to the extraordinary general assembly meetings ratifications. Another capital increase was executed in 2004/05 rising the capital to 3,220 billion Rials in two stages in accordance to the extraordinary general assembly meetings ratification of 1383/4/28 (18/7/2004) which was registered with Company Registrar.

Current company capital stands at 3.22 billion Rials, all paid in, divided into 3.22 billion registered shares with nominal value of 1,000 Rials. Shareholding structure and purchase and sales of shares during the fiscal year ended 20/03/2007 are briefly described in the following page.

