

Kuwait Times BUSINESS

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Multinationals ready to jump into Iran market

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Optimistic Naimi says it will take time to stabilize oil market

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AIRBUS PLAN HERALDS IRAN BOOM AS SANCTIONS LIFTED

ROUHANI SAYS ECONOMY NOW 'FREE OF CHAINS,' EYES \$30-50BN IN FDI

DUBAI: A purchase of more than 100 aircraft from Europe's Airbus may be one of Iran's first big deals in a trade and investment boom that could reshape the economy of the Middle East.

"The legs of Iran's economy are now free of the chains of sanctions, and it's time to build and grow," President Hassan Rouhani tweeted yesterday, a day after world powers lifted sanctions on Tehran in exchange for curbs on its nuclear program.

Hours earlier, his transport minister Abbas Akhooondi told the Tasnim news agency that Iran intended to buy 114 civil aircraft from Airbus - a deal that could be worth more than \$10 billion at catalogue prices. Airbus said yesterday it had not yet held commercial talks with Iran, and businesses operating in the Islamic republic will continue to face big obstacles for the foreseeable future.

Risks include indebted Iranian banks, a primitive legal system, corruption and an inflexible labor market. Many foreign companies will remain wary of investing in Iran because of concern that the sanctions could "snap back" if Tehran is later found not to be complying with the nuclear agreement.

Output boost

Iran is ready to increase its crude oil exports by 500,000 barrels a day, the deputy oil minister said yesterday, hours after international sanctions on Tehran were lifted, removing an obstacle to exports.

The Islamic Republic emerged from years of economic isolation on Saturday when world powers lifted sanctions after confirming that Tehran had curbed its nuclear program. "With consideration to global market conditions and the surplus that exists, Iran is ready to raise its crude oil exports by 500,000 barrels a day," Deputy Oil Minister Amir Hossein Zamaninia was quoted as saying by the Shana news agency. Iran's return to an already glutted oil market is one of the factors contributing to a global rout in oil prices, which fell below \$30 a barrel this week for the first time in 12 years.

FDI inflow

Iran needs annual foreign investment of \$30-\$50 billion to reach an eight percent growth target and cash in on a nuclear deal with world powers, Rouhani said. Laying out the budget for the next Iranian year which starts March 20,



TEHRAN: Iranian President Hassan Rouhani, center, gestures as he is greeted by lawmakers at the parliament to present draft of the country's next year budget and sixth development plan in Tehran yesterday. — AP

Rouhani told parliament, a day after the implementation of the historic deal, that the collapse in global oil prices meant the government had to look to abroad to boost the economy.

"Untapped potential in many industries indicates that domestic demand cannot solely push the economy toward eight percent growth," he said, signalling a shift in policy. "Attracting foreign investment will be the best way of using the opportunity of sanctions relief to boost the economy and security." Low oil prices and years of US and European Union sanctions that barred much of Iran's foreign oil sales hammered its income from crude. But despite global prices falling below \$30 Iran intends to increase production after the nuclear deal to recoup lost market share.

Rouhani's government used a projected \$40 per barrel

price and exports of 2.25 million barrels per day—a doubling of current sales.

Even at that level Iran's budget would be less than 25 percent reliant on oil sales, with a much higher 68 percent of revenues coming from taxes. A 75 percent drop in oil prices, from \$110 to \$30 meant "oil revenues would not be considerable," Rouhani said.

"Such drastic drop in oil prices has been unprecedented in the past decades and we cannot base economic growth and employment on optimistic estimations." The International Atomic Energy Agency confirmed Saturday that Iran had carried out measures agreed under last July's nuclear deal, ensuring sanctions would be lifted. As well as next year's budget Rouhani submitted the Islamic republic's sixth five-year development plan, based on policies set by

supreme leader Ayatollah Ali Khamenei, Iran's ultimate authority. "Reaching eight percent growth requires attracting \$30-\$50 billion in foreign investment each year," he said. Iran's budget had been ready and printed for weeks, but Rouhani decided not to present it until the nuclear deal was implemented because it was based on sanctions being lifted.

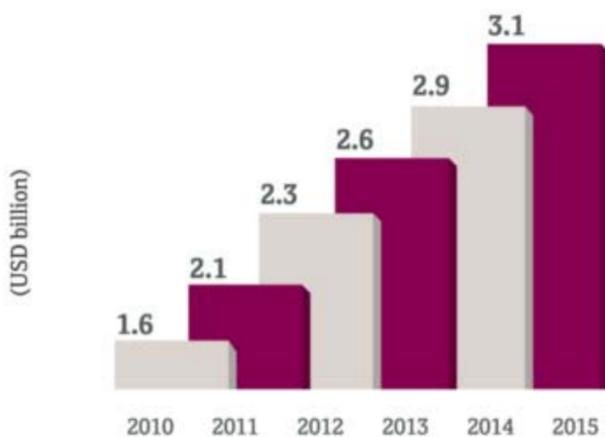
Potential

But the Airbus plan underlined Iran's potential: with about 80 million people and annual output of some \$400 billion, it is the biggest economy to rejoin the global trading system since the Soviet Union broke up over two decades ago. The nuclear deal removed restrictions that stifled Iran's economy for most of this decade - on banking, money transfers, insurance, trade, transport and procurement of technology. This will allow Iran to satisfy pent-up demand for goods and services that it had trouble obtaining at affordable prices under sanctions, from aircraft to factory machinery, medicines and some consumer goods such as cosmetics and branded clothing.

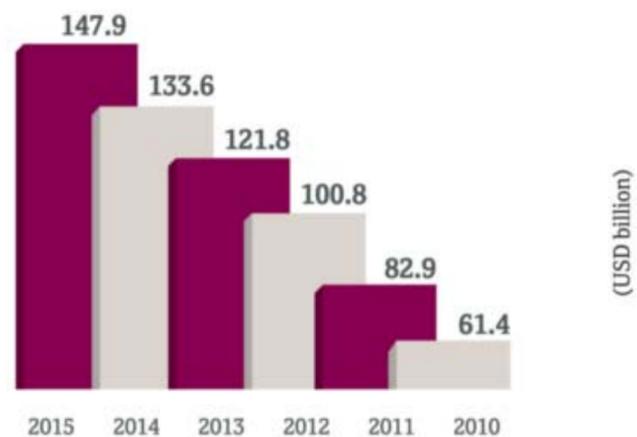
Iran will immediately have more money to pay for imports, as the government gains access to tens of billions of dollars of its assets that were frozen abroad by the sanctions. US officials have estimated the amount of funds to be unblocked at over \$100 billion. Iran's central bank has said the total is much smaller at \$29 billion, but that would by itself still cover several months of imports of goods and services. Iran will also gain financial strength from an increase in oil exports, as it becomes able to sell freely into the global market once again - though ultra-low oil prices, and the need to repair ageing oil facilities, mean the rise in revenues may initially be small.

Iran's trade with the European Union totalled 7.6 billion euros (\$8.4 billion) in 2014. In 2011, before banking sanctions hit, it was 27.8 billion euros - a measure of the ground that may be recovered. US companies look set to lag rivals from other countries in restoring trade with Iran, because Washington will retain broad sanctions that predate the nuclear crisis and were imposed over other issues such as terrorism and human rights abuses. But US business with Iran may still increase, after the US Treasury said on Saturday that it would permit foreign subsidiaries of American companies to trade with Iran - a channel that big multinationals may be able to exploit. — Agencies

Net Profit US\$3.1 billion up by 8% on 2014.



Total Assets US\$147.9 billion up by 11% on 2014.



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