

Opportunities For Growth In New Markets

Redefining Emerging Markets by Introduction of Iran



March
2017

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What Makes us the Next BRICS



Growth Sectors and Opportunities

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"How its next decade will change the world?"

Iran

November 16, 2015



<http://backissues.time.com/storefront/cBackissuesTD2015-p1.html>

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Review Iran C

"Everything is booming in Iran. Day by day, I see the demand is going up,"
 "Sobhani" chairman of Iran's Mobarakeh Steel Company

Oct 16, 2016 MSC will increase production by **more than 25%** next year to meet growing domestic demand **after the easing of international sanctions.**
 Steel output will increase by 2 million tons next year from 7.5 million tons in 2016. Iran's per capita steel consumption could grow to exceed 300 kilograms in the next few years from about 235 kilograms today

Some of the Recent Good News

"Iran has attracted nearly \$1.7 billion dollars in foreign investment during 5 months"
 Seyed Hossein Mirshojaeean Hosseini
 Iranian deputy minister of economic affairs and finance

Sep 2, 2016 During the first five months of the current Iranian year (which began on March 20), the administration has approved **\$7 billion** as foreign investment, **\$1.6bln to \$1.7bln** of which has been absorbed.

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<http://www.iran-bn.com/2016/08/02/iran-attracts-1-7bn-in-foreign-investment-in-5-months/>
francetribune.com/articles/economy-business-and-markets/51273/mos-plans-to-boost-output-by-25/



What Makes us the Next BRICS

Nowadays

the focus on Emerging Markets is more than ever.



For International Companies

Emerging Markets are the best choice to investment and sales of their products.

And also the only solution to use **Market Development Strategy**

From global Point of view

Emerging markets are important because they drive growth in the global economy.

Emerging Market

Signs or elements



Rapid Growth : leaders of emerging markets are willing to undertake the rapid change to a more industrialized economy.

In 2015, the economic growth of most developed countries, such as the United States, Germany, the United Kingdom and Japan, was less than 3 percent but in emerging markets was about 4 percent.



High potential market:: In these countries, there is a big and almost untapped market which is mainly due to having a large population



Developing economy: Moving from natural reserves and agriculture-based economy to industrial economy



lower-than-average per capita income

But What Countries Are Emerging Markets?

There are different classifications for introducing Emerging Markets but one of key factors to determining is

Nominal and PPP-Based GDP

With regard to this, the five largest emerging economies are the BRICS countries (Brazil, Russia, India, China and also South Africa from 2013)

But What Countries Are Emerging Markets?

BRICs and after

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While the BRICS have Nearly 30 percent of the world's economic capacity, however, the rate of economic growth in recent years has fallen So that economists introduce other emerging markets and the focus on new emerging countries has increased.

It can be said Iran is an
Emerging Market
after BRICS?

It can be said Iran is an Emerging Market after BRICS?

Wikipedia

The next six Emerging markets are South Korea, Mexico, Indonesia, Turkey, Saudi Arabia and Iran.

ICEF Monitor

After BRICS , Iran is one of the 5 main emerging economies

The Guardian

Post-sanctions Iran 'could be the best emerging market for years to come

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Emerging Market
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List by the IMF based on GDP (PPP)
(Estimates for 2017)

BRICS

Rank	Country	GDP (millions of Int\$)
1	China	23,066,062
2	United State	19,377,145
3	India	9,585,371
4	Japan	5,066,064
5	Germany	4,122,402
6	Russia	3,866,330
7	Brazil	3,817,990
8	Indonesia	3,756,730
9	UK	3,077,510
10	France	3,000,150
11	Mexico	2,410,950
12	Italy	2,289,578
13	Turkey	2,204,510
14	Saudi Arabia	2,145,419
15	South Korea	2,029,861
16	Spain	1,763,430
17	Canada	1,742,660
18	Iran	1,551,110
19	Thailand	1,246,640
20	Australia	1,225,090

It can be said Iran is an Emerging Market after BRICS?

Iran GDP Growth

Real GDP Growth

After five years of sanctions-driven stagnation during which the Iranian economy shrank by an aggregate 4%, its predicted Iran to witness a major turnaround in 2017-20 and Iran will be at the top of the regional growth rankings.

	2015	2016	2017	2018	2019	2020
GDP Growth Rate	0.9	4.5	5.4	5.2	5.1	5.5
Agriculture	0.5	1	2	1	1.5	1.2
Industry	2	4.8	5.9	5.4	4.4	4.6
Services	-1.5	1.9	5.4	5.6	6	6.5

BRICS GDP Growth

	2015	2016	2017	2018	2019	2020
Turkey	6.1	2.5	3	3.5	3.7	3.5
Brazil	-3.8	-3.4	0.5	1.8	2.2	2.4
Russia	-3.7	-0.6	1.5	1.7	1.8	1.9
China	6.9	6.7	6.5	6.3	6.3	6.2



Growth Sectors and Opportunities



Energy Sector

Given its substantial reserves of oil and gas, Iran has the potential to be a much greater player in global energy markets.



Iran has 157bn barrels of oil in proven reserves (the fourth-largest in the world)



1,201trn cu ft of proven reserves of natural gas (the second-largest in the world)

By the time “Implementation Day” occurred on January 16th— the day nuclear-related sanctions were lifted—Iran had been overtaken by Iraq as the number two producer in OPEC, with its oil production falling to 2.9m b/d and its exports more than halving to 1.1m b/d.

	2015	2016	2017	2018	2019	2020
Crude oil production ('000 b/d)	2,862	3,349	3,426	3,529	3,620	3,801
Oil exports (US\$ m)	41,615	48,672	63,749	73,540	75,304	78,720

Automotive



Iran has the largest automotive industry in the Middle East, and it is the country's second-largest economic sector (after oil and gas), currently accounting for 10% of GDP.



The country produced over 1m passenger and commercial vehicles in 2014

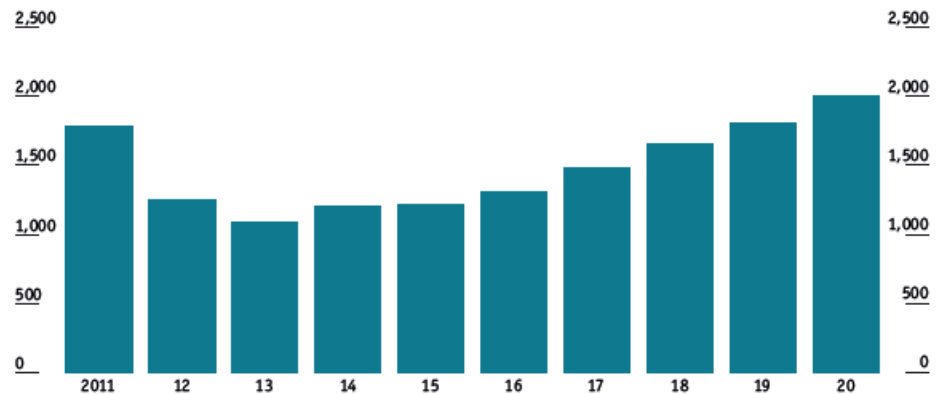


Even under sanctions, the Iranian market size was about **one-third of Germany market size**, which is the largest in Europe and it has the potential to grow quickly during our 2016-20 forecast period, as the economy improves.

We expect pent-up demand to spur car sales, particularly in 2017-18, since even the partial relaxation of sanctions in 2014 has resulted in strong growth. As a result, we expect annual average growth in new passenger car registrations to reach 10.6% in 2016-20, pushing annual sales up to 2m in 2020—almost double their 2013 level.

Passenger car registrations

('000)



Source: The Economist Intelligence Unit.



Consumer Goods



One of the early visible changes that will accompany the lifting of sanctions will be the reappearance of Western goods on shop shelves. The availability of goods, and consumer spending more broadly, had been constrained by the impact of sanctions, but now that financial, trading and investment restrictions are to be lifted, the Iranian consumer market is likely to show vigorous rates of growth.



This growth will be supported by the youthful demographic profile in Iran, where the median age is 27 and 43% of the population is aged below 25.



Iran's population is forecast to reach 83.4m by 2020, making it the second-largest consumer market in the Middle East and North Africa region.



Consumer Goods

Although we are upbeat about Iran's prospects, with retail sales expected to reach US\$167bn in 2020, if the pent-up demand and increased prosperity result in a flood of imports, the government may introduce tariff and non-tariff barriers, to protect both local suppliers and the balance of payments.

	2015	2016	2017	2018	2019	2020
Retail Sales (USD bn)	95.4	104.7	119.3	136.3	148.9	166.6
Retail sale, value growth (%)	-2.5	9.7	14	14.3	9.2	11.9
Non food retail sales (USD bn)	42.1	46.7	54.3	62.8	68.8	77.3
Food retail sales (USD bn)	53.3	57.9	65	73.5	80.1	89.4



Recent Main Deals (only with France and Italy)

Deal	Company	Country	Value
Purchase 118 passenger aircraft	Airbus	France	22.8 bn
Build pipeline and upgrade two refineries	Saipem	Italy	4.6 bn
Metals joint venture and delivery of equipment	Danieli Group	Italy	5.7 bn
MoU to jointly develop infrastructure in Iran, notably in transport	Itinera	Italy	4 bn
Iran to repay monies owed to Italian companies	SACE	Italy	564 m
Produce 200,000 cars a year in Iran	Peugeot-Citroen	France	400 m
Provide Iran with 70 rail locomotive engines and 600 marine engines	Isotta Fraschini	Italy	400 m
Study into modernizing three rail stations	Arep	France	7m
MoU to operate and expand Mashhad and Isfahan airports	Vinci	Italy	N/A
MoU to renovate and expand Imam Khomeini, international airport in Tehran	Aéroports de paris & Bouygues	France	N/A



Business Environment

After implementation of the Joint Comprehensive Plan of Action it became easier trading and payment conditions substantially and allow for higher levels of foreign investment.

However, structural impediments to progress in the business environment will take a long time to overcome. We expect some reform efforts, but these will be limited by vested interests. Hence, although we expect some improvements to policies towards the private sector and foreign investment,

	Value of index (out of 10)		Global rank (out of 82 countries)		Regional rank (out of 17 countries)	
	2011-15	2016-20	2011-15	2016-20	2011-15	2016-20
Overall position	3.86	4.81	80	78	15	14
Political environment	3.6	4.3	75	70	13	13
Political stability	4.0	5.1	75	60	14	6
Political effectiveness	3.3	3.6	74	71	13	13
Macroeconomic environment	5.2	6.6	73	59	13	6
Market opportunities	4.4	6.7	57	14	11	2
Policy towards private enterprise & competition	1.8	2.8	82	79	17	15
Policy towards foreign investment	1.9	3.7	82	77	17	15
Foreign trade & exchange controls	2.8	4.2	81	77	17	14
Taxes	5.1	4.4	69	80	12	16
Financing	2.5	3.6	80	77	15	15
The labour market	5.2	5.8	65	63	9	8
Infrastructure	6.1	6.1	53	61	8	7

We are waiting to receive
your **RFQ** about the
required market research
projects in
Iran



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