Iran's economy posts 'sevenfold' surge in two years

Economic Desk

Iran's economy has witnessed a resurgence, with its economic growth averaging 4.2% over the past two years, which marks a "sevenfold" growth compared to the lackluster 0.6% average during the four years leading up to 2021.

The growth is seen as a clear sign of the nation's emergence from a prolonged period of economic stagnation.

According to economic indicators, if a country's annual economic growth exceeds 3% for two consecutive years, it is considered to have broken free from the shackles of economic inertia. Bolstering this viewpoint are statistics released by the Central Bank of Iran (CBI), suggesting that the nation's economy has turned a corner, leaving behind recession.

Official figures have revealed that Iran's economic expansion for 2021 and 2022 was registered at 4.4% and 4%, respectively. This is in sharp contrast to the paltry 0.6% average recorded during the four-year term of the previous government which left the office in August 2021.

The most recent data from the CBI highlights a dramatic turnaround in the oil and gas industry. Previously mired in a negative growth rate of 8.7%, the sector has staged a strong recovery, posting a robust growth rate of 10% in both 2021 and 2022.

Further analysis of the economic landscape paints a picture of steady progression. The average economic growth from 2011 to 2020 stood at a modest 0.8%. However, this figure underwent a big leap in 2021, soaring to 4.2%. Equally striking is the investment sector, where the average growth from 2011 to 2020 languished at a negative 5.9%. However, 2021 brought about a remarkable reversal, boasting an investment growth rate of 6.7%.

Iran uses various methods to boost oil exports

Economy Desk

The Iranian government has prioritized boosting crude and gas condensate exports through new deals, focusing on fresh target markets and utilizing several novel sales methods including bartering.

Total foreign direct investment (FDI) drawn for Iran's oil and gas sector stood at $5.5 billion via buyback during the tenure of the previous government (August 2013 to August 2021) while from August 2005 to August 2013, the corresponding figure was $16.7 billion, according to IRNA.

The previous government attracted only $35 million in foreign investment for the oil and gas industry during the year to March 2021, but its successor secured $56.7 million in FDI, registering a growth of 62 percent in the year leading up to March 2022, amid harsh sanctions against Iran. Also, the current government, taking office in August 2021, has developed joint oil and gas fields and has signed contracts worth $100 billion using new methods.

The drop in foreign investment in the oil and gas industry under the previous government has resulted in gas shortages and consequently electricity outages throughout the country.

Iran's oil production and exports have seen a remarkable surge under the current government according to OPEC figures.

Iran's oils exports drastically decreased after the US imposed sanctions on the Islamic Republic when it pulled out of a 2015 nuclear deal between Tehran world powers in 2018. However, Washington failed to bring Iran's oil sales to zero.

Now, the conditions the export of oil has been greatly improved as Iran has granted access to its frozen assets overseas.

In October 2021, US President Joe Biden called on importing countries to cut the purchase of Iranian oil in a speech that went against a promise that the White House made to lift sanctions against Iran.

Iran has followed the right track in selling oil. Statistics also show that the country's economic development with oil has been higher than its growth without oil, which indicates an increase in Iran's oil revenues.

With the US unilateral withdrawal from the nuclear deal aimed at bringing the country's oil exports to nil, crude production began to decline and eventually dropped to 1.9 million barrels per day in 2020, the lowest in the last 25 years.

Also, a large part of Iran's crude oil and gas condensate reserves which were stored on land and sea reservoirs have been delivered to customers, said Iran's Oil Minister Javad Owji.

Although sanctions against Iran are still in force, crude production has now reached 2.8 million bpd, according to OPEC.

Black gold's reign continues

By Ebrahim Beheshti
Staff writer

In the most recent BRICS summit, the bloc approved the membership of six countries, namely, Iran, Saudi Arabia, the United Arab Emirates (UAE), Egypt, Ethiopia, and Argentina. Of these six new members, Iran, Saudi Arabia, and the UAE are all major oil producers and are about to join forces with another major oil producer, Russia.

Before the expansion, BRICS was comprised of the five so-called emerging markets of Brazil, Russia, India, China, and South Africa. As a mainly economic organization, BRICS has the potential to become a major economic and political axis in the international arena considering its economic growth as well as its varied geographic and demographic potential, according to many analysts.

In an exclusive interview with Iran Daily, the international affairs expert Shuaib Bahman stressed that this process is currently underway since "the BRICS five contribute 31.5% of global GDP, while the G7 share has fallen to 30%, making them roughly on par when it comes to dominating the global economy".

Despite hearing that oil no longer plays a major role in the global economy as the most important source of energy, it seems that its time on the throne has not yet ended. Inviting three of the world's largest producers of crude oil to join BRICS is not unrelated to the significance of this strategic resource in global competitions.

Based on the outlooks provided by various credible international institutes, particularly the US Energy Information Administration (EIA), which is a part of the US Department of Energy, oil demands will continue to rise by 2050. The predicted population growth and considerable economic growth in some parts of the world have been cited as evidence for the claim. Even though energy (oil) consumption in the member states of the Organization for Economic Cooperation and Development will see a low, negligible growth by 2050, oil demands in non-member states, especially in the East and Africa, will show a sharp increase.

The forecast, of course, is tightly linked to what the recent report of Goldman Sachs referred to as "a dramatic shift in the balance of global economic power in the coming decades". Most importantly, it has been predicted that the share of Asian economies in the global economy will increase while the European countries will have less of a say. Besides China and India, Indonesia is one such Asian country that is expected to experience substantial growth by 2050, to become the fourth largest economy in the world.

Energy is still the driving force behind the economy. Despite the projected rise in the use of renewable energies in the future, oil will not be replaced by renewable energies by 2050. In fact, it is forecast that oil will remain the most important source of energy in 2050.

India, which has become the most populated country on Earth since a few months ago, is anticipated to demand 14 million barrels of crude oil per day by 2050, 12 million barrels of which it must import. By that time, China's daily oil demands will probably reach 17 million barrels per day, only four million barrels of which it will produce. It is estimated that by 2050, some other developing Asian countries including Indonesia, Bangladesh, Malaysia, and Pakistan will require 15 million barrels of oil combined each day. Although Africa will not experience a population growth that would be on par with Asia's, its oil demands will double by then.

The same forecasts suggest that the Middle East will produce the most crude oil. OPEC member states will produce 43 million barrels of crude oil per day, while OPEC non-member states produce around 58 million barrels of crude oil.

With this background, the membership of the three major oil producers in BRICS can be better understood. As an alliance of emerging non-Western markets that claim to compete with international organizations of the West, BRICS needs energy to overtake its competitors. In fact, the presence of major oil producers in the bloc will be its relative advantage to stimulate economic growth.

According to Fars News Agency, through this recent expansion, BRICS will have a hold on nearly half (47.6 percent) of the crude oil that is supplied to the global market. Moreover, half of the world's proven oil reserves will be in the hands of BRICS members, amounting to 719 billion barrels.

Meanwhile, members of the G7 (the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom) have control of only 3.9 percent of the world's supplied oil in total. Of course, that relative advantage paves the way for BRICS members to realize their goal of replacing the US dollar in trade.

Therefore, in defiance of some assessments, oil will continue to play its role in the competition between major global powers or alliances for at least a few more decades. This means that Iran, as a large producer of crude oil, can also play a key role in regional and international arenas through BRICS.

That is why Jafar Qannadbashi, an international affairs expert, told Iran Daily that Iran's admission into BRICS is not a one-sided privilege that is handed down to the country, but rather, it is a win-win deal that has its advantages for all sides.

"Iran's geopolitical position and its energy advantage are factors that would give more weight to BRICS by its admission," he said.

Shuaib Bahman also believes that Iran's geographical position, rich energy resources, and relatively large population are "interesting and advantageous" for BRICS members.

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