Iran's monthly inflation down to 35.5%

Economic Desk

Iran has reported a further drop in its annual inflation rate amid better government controls on basic good supplies and tighter monetary rules.

Figures published on Tuesday showed that the consumer price index (CPI) had increased by 35.5% in the year leading to July 21 compared to the year before to reach 255.2, Press TV reported.

The figures, released by the official government statistics agency the Statistical Center of Iran, showed that the headline inflation rate had dropped by 0.6% compared to the same rate reported in late June.

The SCI had reported a 0.9% decline in inflation rate in June compared to May.

The downward trend in inflation in Iran should be regarded as a success for the outgoing administrative government in the country a year after it was grappling with inflation as high as 49%.

SCI figures showed consumer prices had risen by 2.2% on a month-on-month basis in the calendar month to late July, with prices of food, beverages and smoking products rising 1.6% while prices of non-food goods and services rising 2.5% over the same period.

The point-to-point inflation rate, which compares prices in two similar months of back-to-back years, topped 32.2% in the month to late July, up 0.3% compared to the figures reported in late June, said the SCI.

Head of the Central Bank of Iran, Mohammadreza Farzin, stated on Wednesday that since 2018, the intensification of new sanctions on the Iranian economy has led to a chain reaction of inflation, rising exchange rates, increasing interest rates and heightened liquidity.

"In other words, we found ourselves trapped in a cycle of inflation and escalating exchange rates, which continuously fueled inflation in monetary variables, CRP inflation, PPI inflation, and producer inflation," he remarked during a cabinet performance report session of the current government that addressed monetary variables.

He said that regarding monetary policies, liquidity, which had increased to over 40%, has now decreased to the 20% level and currently sits at 25%.

Experts say lower inflation rates in Iran, a country grappling with a series of unprecedented economic hardships caused by US sanctions, is a result of better government controls on imports and distribution of basic goods supplies, including animal feed and grains.

They say tighter monetary rules have also allowed the Iranian government to have a better control on the money supply and inflation in the country.

CBI stresses more financial ties, less reliance on dollar in BRICS

Economic Desk

Deputy Governor of the Central Bank of Iran, Mohsen Karimi, addresses a meeting of BRICS member states via videoconference in Tehran on July 24, 2024.
CBI

Deputy Governor of the Central Bank of Iran (CBI) for international affairs, during a virtual meeting of BRICS member states, outlined the CBI's policies regarding the development of financial cooperation with the member countries, defining the shared goal of the countries as reducing reliance on the dollar in trade transactions and increasing the use of local currencies.

During a live video conference at the third meeting of the financial deputies of the central banks of BRICS member countries in Brazil's Rio de Janeiro on Wednesday, Mohsen Karimi emphasized the necessity of utilizing local currencies in trade transactions among the member states.

He stated that "reducing reliance on the US dollar and increasing the use of local currencies in economic and trade exchanges, as well as implementing a multilateral financial settlement scheme among BRICS members, and employing fast and secure banking data exchange channels independent of SWIFT, have all been underscored by BRICS members."

In the meeting, Karimi emphasized that issues related to the notion of BRICS Bridge project, the multilateral financial settlement mechanism, and the rapid and secure banking data exchange channels independent of SWIFT for BRICS members are significant for them.

The deputy governor of CBI said that problems such as insufficient transparency, high costs, slow transaction speeds, and lack of equitable access to cross-border payment channels for all participants are primary reasons for the importance of the "BRICS Bridge."

The creation of the BRICS Bridge will help increase mutual trade between the member countries, Russian Federation Council Speaker Valentina Matviyenko said earlier in the month.

Describing BRICS Bridge, the deputy governor of the CBI also said that the mechanism provides an opportunity for participating countries to implement Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) procedures within their jurisdictions.

Karimi added that the potential of the BRICS Anti-Money Laundering and Counter-Terrorism Financing Council can be enhanced, and through this initiative, member countries can benefit from relevant international standards and recommendations, eliminating the need to rely on the suggestions of certain institutions that are based on biased assessments.

Regarding the operational model, the BRICS Bridge should consider the basket of national currencies of the member states, emphasizing the use of national currencies and moving away from the dollar and euro, with settlements to be conducted within the platform.

Karimi noted that Iran has practical experience and with a precise definition of the selected model and the advancement of several similar global models, it is expected that the plan will be implemented in a relatively short time frame given the importance and urgency of the BRICS Bridge.

Foreign investment outlook in Oman

PERSPECTIVE
EXCLUSIVE

Oman's strategic location in the Persian Gulf region presents an opportunity for foreign companies, providing them easy access to major global trade routes connecting Africa, Asia, and Europe. This advantageous position, coupled with the country's geopolitical stability safeguarding it from spillover effects of neighboring crises, has instilled confidence in foreign investors. Additionally, Oman's free trade agreements with 50 countries, including the United States, Singapore, and several European countries, have increased its attractiveness.

The approval of the new Foreign Investment Law in 2020 was a significant step towards attracting more direct foreign investment in Oman. Special Economic Zones have also played a crucial role in attracting direct foreign investment. Oman's free zones offer attractive commercial laws allowing foreign investors to have 100% ownership for 30 years and enjoy tax exemptions, providing a reassuring environment for traders seeking access to markets in the GCC, Europe, and Africa regions.

Oman is also introducing new incentives, including exemptions related to specific costs and operational requirements for ongoing projects in less developed areas of Oman, demonstrating the government's commitment to facilitate business growth beyond the oil and gas sectors.

In 2022, Foreign Direct Investment (FDI) reached 43.2% of Oman's Gross Domestic Product (GDP), indicating the country's economic potential and growth prospects.

Foreign direct investment continued to grow through significant investments from the UK, USA, China, UAE, Kuwait, Qatar, and Bahrain until the end of 2023, with a growth rate of 3.78%. Growth is forecasted to be 2.1% in 2024.

In the current year and beyond, foreign investment in rail, road, renewable energy, and housing projects is expected. New initiatives include several infrastructural projects such as the Hafeet Rail Project connecting Sohar in Oman to Al Ain and Abu Dhabi in the UAE, as well as a planned metro network for Muscat.

Oman has also established the Royal Academy of Management to focus on leadership and management capabilities, supporting Oman's economic diversification and development through knowledge acquisition, skill enhancement, and human capital growth.

In 2024, Oman's Future Fund of $5.2 billion was launched to strategically invest in key sectors and support small and medium-sized enterprises (SMEs) and startups. The new fund will invest in eight strategic sectors: tourism, manufacturing, green energy, information and communication technology (ICT), ports and logistics, mining, fisheries, and agriculture.

Oman is also pursuing digital transformation and enhancing investment services through initiatives like the Oman Business Platform. The Ministry of Commerce, Industry, and Investment Promotion of Oman is committed to improving communication, operational efficiency, and customer services through electronic platforms, creating visible value for investors.

However, Oman needs to address challenges such as reducing its dependence on fossil fuels. Oil exports still constitute over 30% of Oman's GDP, 60% of exports, and more than 70% of government revenue, making its economy vulnerable to global price fluctuations and demand. Simplifying processes and reducing bureaucratic formalities can further aid in attracting more foreign direct investment.

To tackle these challenges, Oman is implementing reforms to streamline regulations, provide targeted incentives, invest in ICT, and skill development, and enhance its strategic position and business-friendly environment to attract sustainable and diversified foreign direct investment, beyond oil and gas sectors.

Investment in infrastructure and ICT skills transformation is a significant step for Oman to become a more attractive destination for foreign investors seeking to leverage advanced digital capabilities. Achieving this could establish Oman as a more appealing destination for stable foreign direct investment.

Overall, the outlook for foreign direct investment in 2024 appears positive, characterized by governance stability, policy reforms, and sustainable economic diversification.

It is worth mentioning that attracting foreign investment is a key strategy for strengthening Oman's economy. With its strategic geographical location, robust port infrastructure, and suitable facilities, Oman is prioritizing attracting foreign investment. Oman has significant potential in sectors such as oil, gas, tourism, transportation, and ICT, offering ample opportunities for increasing foreign investment in the future, similar to recent years.

It should be noted that Oman's National Center for Statistics and Information reported in February 2024 that the total foreign investment in the country by the end of 2022 exceeded $92 billion, of which 75.9% was in the form of direct foreign investment, totaling around $70 billion. More than 71% of Oman's foreign direct investment is in the oil and gas sectors.