Iraq seeks US exemption for Iranian airlines amid flight disruptions

Flights to several destinations continue as Tehran works to reopen suspended routes

Economy Desk

Iraq is holding talks with the United States to secure an exemption from a ban on Iranian airlines that has disrupted travel for patients, students and pilgrims, the Iraqi government said on Saturday.

All Iraqi airports enforced the ban this week, causing major disruption at the airport in the holy city of Najaf, the main destination for Iranian flights to Iraq, AFP reported.

"The Iraqi government is holding direct talks with the American side to exempt certain Iraqi airports from these measures," the prime minister's media office said.

An exemption would allow flights to resume "for humanitarian reasons, including medical treatment, education, religious visits, and for the interest of civilians," it added.

Iranian airlines mainly carry Iraqi pilgrims to Iran's holy cities and Iranians visiting sacred sites in Iraq. The flights also serve Iraqi students studying in Iran and patients seeking medical treatment there.

Several Iraqis told AFP that enforcement of the US sanctions had left them scrambling for alternatives, with some fearing they would lose access to treatment in Iran, while others were stranded there with little choice but to make the more than 12-hour journey home by land.

Iraq has joined several countries, including the United Arab Emirates, in enforcing the US ban after Treasury Secretary Scott Bessent said on Wednesday that Iranian airlines would be "shut down."

Relations between Iraq and neighboring Iran, both predominantly Shiite countries, have long been close because of religious ties as well as political and economic interests.

Iraqi airlines stopped flying to Iran at the start of the Middle East war in February.

Meanwhile, Ramin Kashef-Azar, head of Imam Khomeini International Airport City Company, said on Saturday that apart from previously canceled flights to destinations including the UAE, Iraq and Georgia, no new flight cancellations by foreign countries had been announced.

He added that there had been no flights to Saudi Arabia even before the latest restrictions were announced.

Flights were currently operating to Turkey, China, Malaysia, Vietnam, Afghanistan and Pakistan, among other destinations, he said, adding that aviation officials were in talks to reopen suspended routes.

The developments came as Washington moved to tighten pressure on Iran's aviation sector. On Sept. 8, the US Treasury Department sanctioned 27 Iranian airlines as part of a broader campaign announced on Aug. 24, warning that foreign companies supporting Iran's aviation industry could face sanctions and restrictions on access to the US financial system.

Passengers disembark an Iranian plane in Najaf airport after the end of a flight suspension caused by the regional war that began after US and Israeli strikes on Iran, in Najaf, Iraq, May 8, 2026.
ANMAR KHALILI/AP

CBI governor: Inflation eases slightly after 15 months

Economy Desk

Iran's year-on-year inflation rate eased slightly in the sixth month of the current Iranian calendar year, which began on March 21, after rising for 15 consecutive months, Central Bank Governor Abdolnaser Hemmati said on Saturday.

Hemmati said inflation stood at 3.9% for the month, adding that the year-on-year rate fell to 83.8% in the sixth month from 84.4% in the previous month.

"After 15 months, year-on-year inflation in the sixth month of the current year, although slightly, declined," Hemmati said, according to Tasnim news agency.

He said monthly inflation of around 4% remained high, but the central bank's measures to control money supply growth had significantly slowed the acceleration in inflation seen in the early months of the year despite pressures from war, sanctions, a blockade and the inflation expectations resulting from them.

"The central bank's efforts are focused on reducing it further," he said.

Hemmati said year-on-year inflation had risen steadily over the previous 15 months, since the 12-day war in June 2025, reaching 84.4% in the fifth month of the current year before falling to 83.8% in the sixth month.

"Although the decline is small, the fact that year-on-year inflation has started to fall is very important," he said.

Since late February, when a US-Israeli coalition launched a 40-day war, Iran has been operating under wartime conditions as well as a maritime blockade from the south.

Iran, already under decades of Western sanctions over its nuclear activities, has faced a new wave of U.S. sanctions, with Treasury Secretary Scott Bessent saying last week that Iranian airlines would be shut down from Sept. 23 through secondary sanctions on foreign aviation service providers.

The country's national currency has fallen to record lows, with the US dollar trading at around 2,340,000 rials on the open market on Saturday.

NIOC's associated gas capture rises to 15m cubic meters per day

Economy Desk

NIOC CEO Hamid Bovard said the company has increased associated gas collection to 15 million cubic meters per day.

Bovard said about 5 million cubic meters per day had previously been collected and that the figure has now reached 15 million cubic meters per day. Under existing plans and contracts, Iran aims to collect an additional 21 million cubic meters per day by the end of the year (March 21, 2027), bringing the total to 36 million cubic meters per day, IRNA reported.

Bovard also said a new project that will collect 200 million cubic feet of associated gas is set to be inaugurated. With the launch of the NGL3100 project in Dehloran, Ilam Province, all associated gas in the area is now being collected, he said. He added that serious plans were also in place for West Karoun, with further announcements expected in the coming months.

Talks are also underway with the private sector to collect associated gas from offshore fields, Bovard said.

He also said gas production had reached a multi-year record of 1.1 billion cubic meters per day last winter.

Iran has about 34 trillion cubic meters of proven natural gas reserves, making it the world's second-largest holder of gas reserves after Russia. The country accounts for about 17% of global proven gas reserves. Despite its vast reserves, a significant portion of Iran's gas potential remains undeveloped because of sanctions-related constraints and insufficient investment.

ECONOMIC LENS

Hidden winners of US-Israeli war

By Golzar Aghaei
Economic policy specialist

OPINION EXCLUSIVE

The Iran-US-Israel war that began on 28 February 2026 was a "geo-economics moment" that reshaped the political economy architecture of the region and the world. In its World Economic Outlook (April 2026), the International Monetary Fund lowered global growth from 3.3% to 3.1% and outlined three scenarios: a baseline scenario (war ending in the coming weeks), an adverse scenario (2.5% growth), and a severe scenario (1.3% growth).

In its Global Economic Prospects (June 2026), the World Bank cut its global growth forecast to 2.5% and warned that if the energy shock spills over into financial markets, growth could fall to 1.3%. These reports set the official framework for analyzing the war's consequences.

Western winners: Energy, banking

Western energy companies were the biggest winners of this war. BP's profits more than doubled in the first quarter of 2026, reaching $3.2 billion. Shell posted $6.92 billion in profits, and TotalEnergies saw a one-third increase to $5.4 billion. Western banks also profited from market volatility: JPMorgan recorded a record $11.6 billion in trading revenue, and the combined profits of the six largest US banks reached $47.7 billion.

Winners beyond the West

According to Pakistan's Economic Survey 2025-26 (June 2026), Pakistan achieved 3.7% growth and reduced its budget deficit to 0.7% of GDP, though it missed its 4.2% target. According to the World Bank's Global Economic Prospects (June 2026), the Middle East, North Africa, Afghanistan, and Pakistan saw the sharpest downward revision, with growth forecasts cut from 4 to 1.65%.

Transit traffic at Karachi Port reached 8,860 containers in the first 24 days of March 2026, exceeding the port's total transshipment volume for all of 2025. In August 2026, Pakistan and Iran reaffirmed their commitment to expanding bilateral trade, setting a shared target of $10 billion in annual trade.

According to the IMF (July 2026), the United Arab Emirates kept its economy "resilient" and was expected to recover in the second half of 2026. The non-oil sector accounts for about 75% of GDP, and sovereign wealth funds hold around $2.49 trillion in assets.

According to the IMF's Article IV mission statement (June 2026), Saudi Arabia showed "resilience," and Aramco posted net profits of 122.6 billion riyals ($32.7 billion) — a 44% increase. The East-West pipeline allowed oil exports to continue from the Red Sea.

According to the Bank for International Settlements (May 2026), Turkey faced "a highly uncertain environment," and its budget deficit could widen to 4% of GDP. Nevertheless, exports remained strong and the foreign trade balance improved.

According to the World Bank's Macro Poverty Outlook (April 2026), Qatar faced a 5.7% economic contraction — caused by the halt in LNG production and disruption in the Strait of Hormuz. Damage to Ras-Laffan facilities reduced export capacity by about 17%.

According to the IMF, China experienced 4.4% growth and Russia 1.1%. Analysts consider the BRICS "relative winners" of this war — China politically and Russia economically. Russia benefited from the tripling of Urals oil prices; Moscow's daily revenue reached about $760 million.

Iraq benefited from rising oil prices but felt the risk of the conflict spreading. Turkmenistan gained from increased gas demand from China. Azerbaijan benefited from increased gas exports to Europe. Afghanistan, however, faced a food crisis and a tripling of transport costs.

Domestic beneficiaries

In Pakistan, the military was the largest domestic beneficiary; the defense budget exceeded 3 trillion rupees. In the UAE, port companies such as DP World benefited from increased traffic. In Saudi Arabia, Aramco and affiliated companies gained the most. In China, state oil companies benefited from cheap Iranian oil. In Russia, oil oligarchs gained from the tripling of Urals prices.

The Iran-US-Israel war was a "multi-winner game." Non-belligerent countries with favorable geography, surplus energy capacity, and diplomatic flexibility gained the most. The main lesson for the region is clear: in the new geo-economics order, survival depends not on formal alliances but on diplomatic flexibility, diversified partners, and maintaining communication channels.

This paper is the first in a series on the political economy of the US-Israeli war. In the following issues, we will examine in detail the role of each beneficiary country. Pakistan will be the first country examined in detail (Report 2).