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IRAN'S QUEST FOR A CREDIT RATING

Since the lifting of sanctions, Iran has stepped up its efforts to increase economic growth and raise capital for its large-scale projects, and has also been keen to secure a credit rating to facilitate its return to the global debt markets.

To reach its goal for growth, Iran needs to secure billions in foreign investment for the modernisation and rebuilding of its infrastructure. Although some small and medium banks have started operating within Iran, the bigger banks are still reticent after Iran's 14-year financial isolation.

Obtaining a credit rating from one of the large credit rating agencies will go a long way towards building confidence and facilitating the issuance of debt, which is essential for raising the capital needed for larger infrastructure projects.

To instil confidence in its economy and financial system, Iran has implemented reforms; including anti-money laundering and anti-terrorism policies. Additionally, Iran is successfully working towards lowering inflation. Due to the lifting of sanctions and an overhaul in internal financial policies, the inflation rate has dropped from over 40% in 2013 to less than 8% in 2016. This drop in inflation has also resulted in the interbank lending rate dropping from 30% to 17.5% and a bank deposit rate of 15%, down from 20% just a year ago. The lowering of the deposit rate is aimed at increasing public spending and stimulating economic growth.

Iran's GDP growth has steadily increased in the past few years from a negative figure of -6.8% in 2012, to +1% in 2015, according to the Minister for Economic Affairs Ali Tayebnia, who hopes that this figure will increase to 5% in 2016 with a long-term forecast of 8%.

Along with a reduction in non-performing loans from 14% to 10% in the past three years, Iran is continuously improving its economy.

The OECD has recently improved Iran's rating from its lowest rating of 7 to 6, stating that the past downgrades were due to sanctions and not a result of the economic conditions in Iran. According to the IMF, Iran's last international debt was issued in July 2002. The most recent credit rating for Iran was that of Fitch Ratings, which withdrew its junk B+ sovereign rating in 2008, following the maturity and full repayment of Iran's last sovereign Eurobond in April 2008. Earlier in 2002, Moody's also withdrew its B2 rating.

Fitch has recently visited Tehran and has started a review of the Iranian economy and recent reforms in the financial and banking sectors. A Fitch spokesperson has recently confirmed that Fitch is in discussions with Iran but it is still not clear if and when it will issue a rating.

South Korea has already expressed confidence in Iran's economy by asking Iran to issue bonds in South Korea. With improved economic indicators and one of the lowest debt to production and export ratios in the world, it seems likely that Iran will soon be able to obtain

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a credit rating enabling it to issue Eurobonds and other debt in international markets, while a ban on dollar trading is still in place.

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