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Sanctions Having Unprecedented Impact on Iran

Recently adopted U.S. and international sanctions, designed to persuade Tehran to end its pursuit of nuclear weapons, are having an unprecedented impact on the Iranian economy. The value of Iran's currency has dropped by more than half, while Iran struggles to conduct basic international trade. European and Asian nations are reducing their purchases of Iranian crude, while foreign commodities suppliers are hesitant to ship to a nation having difficulty paying its bills. Iran can resume normal trade and financial ties with the world by coming into compliance with its nonproliferation obligations and terminating its pursuit of nuclear weapons.

Sanctions have cut off Iran from international oil markets.

Sanctions have virtually cut off the entire Iranian financial system from world markets.

- Due to U.S. sanctions targeting the Central Bank of Iran and the decision by the Society for Worldwide Interbank Financial Telecommunications (SWIFT) to deny critical financial services to Iran's banks, Tehran has been virtually cut off from the global financial system.
- International banks have abandoned Iran in order not to lose access to the U.S. financial system. Without SWIFT services, even those banks willing to conduct business with Tehran have no means of doing so.
- Without the ability to receive payments for their goods, many companies have stopped exports to Iran. German companies have been unable to receive payment for almost $2 billion from Iran as a result of SWIFT's terminating Iranian access.
- Iran's access to foreign exchange has been diminished as banks refuse to transfer funds to Iran. Billions of dollars in profits are currently stuck in accounts at South Korean, Japanese and other foreign banks. According to the White House, Iran does not have ready access to 70 percent of its foreign currency reserves.

Sanctions are having a broad impact on the Iranian economy, causing slower growth, higher unemployment and rampant inflation.

- Tehran's rial has shed nearly half its value relative to the dollar in the past six months—a development that Iran's Central Bank governor attributed to U.S. sanctions.
- Security forces have arrested hundreds of Iranians for exchanging rials for more stable currency.
- Unemployment in Iran is also on the rise, as many small and medium sized businesses struggle with the impact of sanctions and the rising costs of Iran's subsidy reforms.

- Iran's central bank reported that in 22.5 percent of Iranian families all family members are unemployed. Most analysts believe that unemployment is as high as 50 percent among young Iranians.
- The central bank estimates Iran's annual inflation rate at 21.8 percent, though economists believe that the real figure is far higher.
- Iran's food costs have increased dramatically, with the prices of vegetables, meat and dairy products rising between 40 and 90 percent compared to last year. A grain shortage has caused surging bread prices in Iran, forcing Tehran to stockpile large quantities of grain to meet its needs.
- Ahmad Karimi-Isfahani, secretary of the Society of Bazaar Associations, recently told the semi-official ILNA news agency: "It had never happened before that the prices of basic commodities rise by about 50 per cent over one year."

The Iranian energy sector—including its ability to export oil—is under extreme pressure.

- A record number of countries are cutting their Iranian oil imports, leading the International Energy Agency and the U.S. Energy Information Administration to predict a major decline in the country's production of oil.
- Analysts at J.P. Morgan predicted that Iran's oil sales could drop almost 1 million barrels per day by July, reporting that many of Tehran's customers have started to seek alternative suppliers.
- The world's largest consumers of Iranian oil – including China, Japan and South Korea – have significantly reduced their oil purchases. China, the number one buyer of Iranian crude, recently slashed by almost half its oil imports from Tehran.
- Every major western energy firm has ceased investing in Iran's energy sector. Without western technology, Iran cannot develop its oil and natural gas resources.
- Since passage of U.S. sanctions targeting Iran's refined petroleum imports, the number of companies selling refined petroleum to Iran has dropped from 16 to 4, according to a recent GAO report.
- Iran has deployed more than half of its supertankers to store unsold oil at anchor in the Persian Gulf. Recent shipping data indicates that the anchored vessels are holding 33 million barrels of oil.
- Fearing a major decline in its oil profits, Iran recently offered six months of free credit to many of its most loyal oil customers in Asia.

Trade has been interrupted by Iran's inability to obtain financial services, insurance coverage and shipping services.

- Having been isolated from the international financial system, many Iranian firms are struggling to purchase wheat from trading partners abroad. International ship owners unable to obtain insurance coverage for cargos to Iran have ceased these operations. Under the pressure of sanctions, maritime insurers in Japan and China – both major buyers of Iranian oil – have significantly reduced cover for tankers carrying Iranian crude
- The central banks of the United Arab Emirates and Qatar recently told local lenders to cease financing trade with Iran. These nations had provided a key source of credit and payment settlement for Iran in the aftermath of U.N. and Western sanctions.
- Because of restricted access to foreign currency, Iranian demand for foreign cars has plunged. Car sales in Iran are expected to fall more than 10 percent this year.
- U.S. sanctions forbidding the import of Iranian-made carpets have significantly reduced Iran's rug sales abroad. The carpet trade is a major pillar of Iran's economy, providing some of Tehran's most profitable exports.