



OCTOBER 2023

# IRAN

COUNTRY REPORT

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**IRAN**  
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To learn more, visit us online at [prsgroup.com](http://prsgroup.com) or contact us at:

**TELEPHONE**  
+1 (315) 431-0511

**ADDRESS**  
290 Elwood Davis Rd, Ste 290, Unit 3  
Liverpool, NY 13088-2133 USA

**EMAIL**  
[custserv@prsgroup.com](mailto:custserv@prsgroup.com)

# IRAN

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# MAP



## KEY TAKEAWAYS

MOST LIKELY REGIMES & THEIR PROBABILITIES	
18-MONTH	Conservative 75%
FIVE-YEAR	Conservative 70%

FORECASTS OF RISK TO INTERNATIONAL BUSINESS				
	TURMOIL	FINANCIAL TRANSFER	DIRECT INVESTMENT	EXPORT MARKET
18-MONTH	Very High	C	C-	C-
FIVE-YEAR	Very High	C- (C)	D+	D+ (C-)

( ) Indicates change in rating

\* Indicates forecast of a new regime

KEY ECONOMIC FORECASTS			
	REAL GDP GROWTH (%)	INFLATION (%)	CURRENT ACCOUNT (\$bn)
2018-2022(AVG)	1.4	37.5	10.34
2023(F)	3.0	46.2	11.40
2024-2028(F)	1.8	26.9	7.20

## RISKS RISING AHEAD OF ELECTIONS

A deadly surprise attack inside Israel by Gaza-based Hamas militants on October 7 has thrown the entire Middle East into a state of heightened anxiety, as the Israeli Defense Forces prepare for a threatened scorched-earth military campaign in Gaza aimed at eliminating Hamas as a threat to Israel’s national security. The potential for warfare between Israel and Hamas to trigger a broader regional conflict and possible military intervention by the US is still fairly low, but is rising, and much could depend on the calculations of political leaders in Iran and their ability to control the actions of the numerous armed groups, including Lebanon-based Hezbollah and Houthi rebel fighters in Yemen, that comprise the Tehran-sponsored “axis of resistance.”

Iran has made no threat to enter the fray but has warned that its proxies are prepared to come to the defense of Hamas and the Palestinian people if Israel proceeds with plans for a full-scale ground war in Gaza. Assuming Israel proceeds with a punishing offensive, Hezbollah and other Arab militias in Gaza and elsewhere in the region will face a test of their credibility as defenders of the Palestinian people and could feel compelled to up the ante. Under that scenario, the potential for a disastrous miscalculation would increase significantly, as would the risk of Iran being drawn into a regional war.

Even if the various worse-case scenarios are averted, the Israel-Hamas conflict will be the main diplomatic focus for regional power brokers, including Saudi Arabia and the UAE, both of which had been pursuing a rapprochement with Tehran that will at the very least be put on indefinite pause as the crisis plays out. Iran’s complicity (even if indirect) in the Hamas attacks earlier this month likewise rules out any progress in stalled negotiations with the US to revive the 2015 nuclear deal, a setback that increases the likelihood that Iran will attempt to build a nuclear weapon amid a heightened risk of external conflict.

Given the state of play in the Middle East, it is probably safe to assume that the US is more likely to tighten sanctions on Iran than to ease them, at least for the time being. That prospect has negative connotations for Iran’s already struggling economy, which adds up to a persistent risk of domestic disquiet as the dominant conservative forces among the clerical establishment prepare for elections in March 2024.

The growing threat of external conflict may generate nationalist sentiment that tempers discontent, but the risk of domestic disquiet cannot be fully contained if the government fails to address the root causes of the recent unrest, and the political tide could shift rapidly if those in power fail to maintain a united front. The possibility that the 84-year-old Khamenei’s failing health might necessitate a change of leadership amid the current crisis poses an obvious threat on that score.

With that in mind, the hardliners are expected to take all steps necessary to ensure that next year’s elections—which include voting for members of the body responsible for choosing Khamenei’s successor—produce no surprises. As in the last election cycle, the Guardian Council, a 12-member body appointed by the supreme leader, will use its vetting powers to disqualify moderate and reformist candidates for office who might threaten the hegemony of the hardliners, which in the current climate of crisis will take priority over concerns about the perceived legitimacy of the result.

Anecdotal evidence points to higher exports in the first half of 2023, the result of Iran’s exemption from OPEC+ production restrictions and the relaxation of enforcement of US sanctions. However, conditions for the oil sector are likely to become less favorable amid a rising risk of region-wide turmoil, and non-oil activity will be hampered by high inflation and power shortages. On that basis, real GDP growth will be held to no more than 3% in 2023, and risks to the forecast are weighted heavily toward the downside.

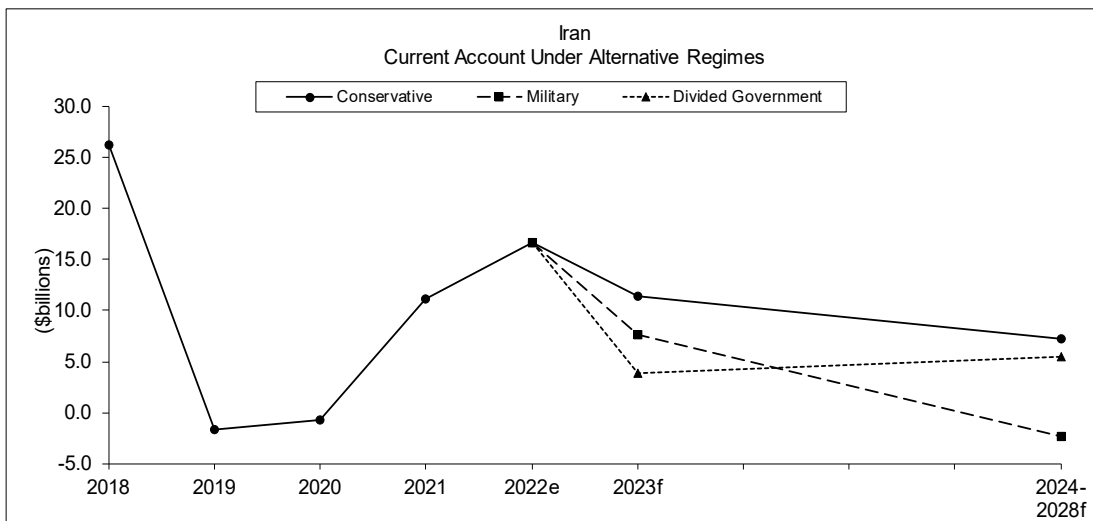
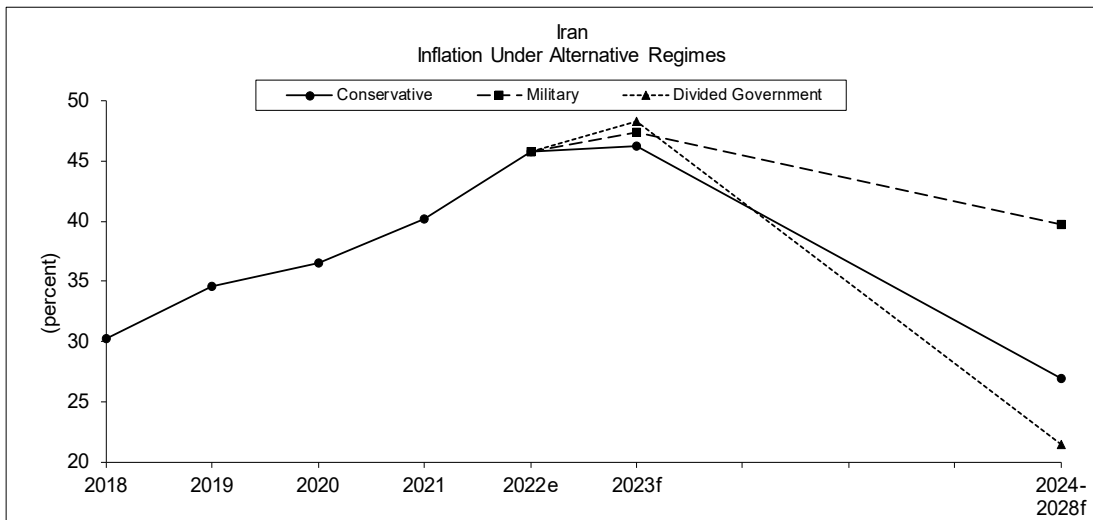
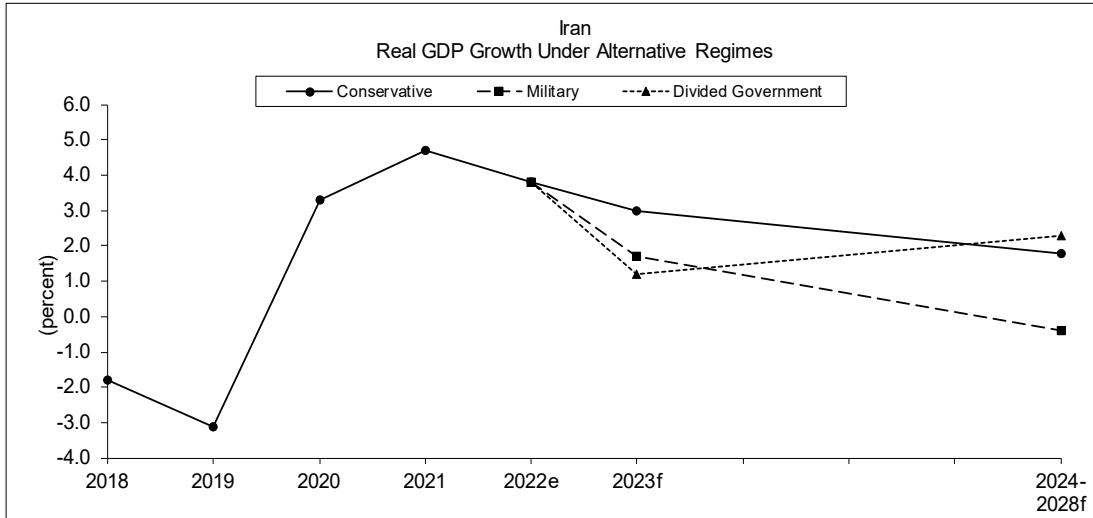
#### ECONOMIC FORECASTS FOR THE THREE ALTERNATIVE REGIMES

	Conservative			Military			Divided Government		
	GROWTH (%)	INFLATION (%)	CACC (\$bn)	GROWTH (%)	INFLATION (%)	CACC (\$bn)	GROWTH (%)	INFLATION (%)	CACC (\$bn)
2023	3.0	46.2	11.40	1.7	47.4	7.60	1.2	48.3	3.80
2024-2028	1.8	26.9	7.20	-0.4	39.7	-2.40	2.3	21.4	5.50

# REGIME, BUSINESS & INVESTMENT FORECASTS

SUMMARY OF 18-MONTH FORECAST				
REGIMES & PROBABILITIES		Conservative 75%	Military 20%	Divided Government 5%
RISK FACTORS	CURRENT			
Turmoil	High	SLIGHTLY MORE	MORE	MORE
Investment				
Equity	Very High	Same	SLIGHTLY MORE	Same
Operations	Very High	Same	SLIGHTLY MORE	Same
Taxation	High	Same	SLIGHTLY MORE	Same
Repatriation	High	Same	MORE	Same
Exchange	Moderate	Same	MORE	Same
Trade				
Tariffs	High	Same	SLIGHTLY MORE	Same
Other Barriers	High	SLIGHTLY MORE	MUCH MORE	MORE
Payment Delays	High	SLIGHTLY MORE	MORE	MORE
Economic Policy				
Expansion	High	SLIGHTLY MORE	MORE	SLIGHTLY MORE
Labor Costs	Low	Same	SLIGHTLY MORE	Same
Foreign Debt	Low	SLIGHTLY MORE	MUCH MORE	SLIGHTLY MORE
SUMMARY OF FIVE-YEAR FORECAST				
REGIMES & PROBABILITIES		Conservative 70%	Military 25%	Divided Government 5%
RISK FACTORS	BASE			
Turmoil	High	Same	MUCH MORE	SLIGHTLY MORE
Restrictions				
Investment	High	Same	SLIGHTLY MORE	SLIGHTLY LESS
Trade	High	Same	SLIGHTLY MORE	SLIGHTLY LESS
Economic Problems				
Domestic	Very High	SLIGHTLY LESS	SLIGHTLY MORE	Same
International	Moderate	SLIGHTLY MORE	MUCH MORE	MORE

\* When present, indicates forecast of a new regime





## Iran Econometric Data

	2013-2017 Average	2018-2022 Average	2013	2014	2015	2016	2017
<b>Domestic Economic Indicators</b>							
GDP (Nominal, \$bn)	448.58	281.32	428.32	460.85	408.94	457.99	486.78
Per Capita GDP (\$)	5653	3331	5531	5877	5153	5705	5998
Real GDP Growth Rate (%)	2.7	1.4	-1.5	5.0	-1.4	8.8	2.8
Inflation Rate (%)	16.2	37.5	34.7	15.6	11.9	9.0	9.6
Capital Investment (\$bn)	104.51	49.25	109.65	122.59	95.28	95.72	99.30
Capital Investment/GDP (%)	23.4	17.1	25.6	26.6	23.3	20.9	20.4
Budget Revenues (\$bn)	63.99	26.89	53.54	60.37	60.52	70.07	75.45
Budget Revenues/GDP (%)	14.2	9.3	12.5	13.1	14.8	15.3	15.5
Budget Expenditures (\$bn)	70.03	37.69	56.97	65.44	66.66	77.86	83.24
Budget Expenditures/GDP (%)	15.6	13.4	13.3	14.2	16.3	17.0	17.1
Budget Balance (\$bn)	-6.04	-10.80	-3.43	-5.07	-6.14	-7.79	-7.79
Budget Balance/GDP (%)	-1.3	-4.0	-0.8	-1.1	-1.5	-1.7	-1.6
Money Supply (M1, \$bn)	54.59	171.21	65.83	46.62	47.19	54.21	59.12
Change in Real Wages (%)	-1.6	-6.3	-5.0	-9.7	2.0	0.0	4.6
Unemployment Rate (%)	11.3	10.2	10.4	10.5	11.0	12.4	12.1
<b>International Economic Indicators</b>							
Foreign Direct Investment (\$bn)	0.78	0.51	1.81	-0.11	0.37	2.30	-0.49
Forex Reserves (\$bn)	72.66	23.87	58.16	50.19	84.50	90.89	79.58
Gross Reserves (ex gold, \$bn)	74.07	27.71	58.75	50.78	84.94	93.55	82.33
Gold Reserves (\$bn)	23.32	24.73	17.98	17.01	25.06	27.18	29.36
Gross reserves (inc gold, \$bn)	97.39	52.44	76.73	67.79	110.00	120.73	111.69
Total Foreign Debt (\$bn)	8.07	7.99	7.01	5.11	7.48	8.48	12.27
Total Foreign Debt/GDP (%)	1.8	3.1	1.6	1.1	1.8	1.9	2.5
Debt Service (\$bn)	0.77	0.41	0.43	0.00	0.00	2.01	1.42
Debt Service/XGS (%)	0.8	0.5	0.4	0.0	0.0	2.1	1.3
Current Account (\$bn)	13.62	10.34	25.11	13.57	1.24	13.24	14.92
Current Account/GDP (%)	3.0	3.1	5.9	2.9	0.3	2.9	3.1
Current Account/XGS (%)	13.2	11.2	23.6	13.1	1.6	13.9	13.6
Exports (\$bn)	84.57	67.58	92.91	88.98	63.00	81.94	96.03
Imports (\$bn)	65.88	54.23	63.58	70.92	57.64	63.44	73.84
Trade Balance (\$bn)	18.69	13.34	29.33	18.06	5.36	18.50	22.19
Exports of Services (\$bn)	10.14	8.45	9.37	10.57	11.09	10.06	9.61
Income, credit (\$bn)	2.83	1.63	3.21	3.48	1.95	2.54	2.95
Transfers, credit (\$bn)	0.96	1.11	0.92	0.93	0.96	1.00	1.01
Exports G&S (\$bn)	98.50	78.77	106.41	103.96	77.00	95.54	109.60
Liabilities (\$bn)	10.09	15.63	9.16	9.32	8.00	10.00	13.96
Net Reserves (\$bn)	87.30	36.81	67.57	58.47	102.00	110.73	97.73
Liquidity (months import cover)	16.1	7.8	12.8	9.9	21.2	20.9	15.9
Currency Exchange Rate	27208.951	41883.479	18169.042	25904.500	28966.300	30075.738	32929.177
Currency Change (%)	-17.0	-4.6	-32.1	-29.9	-10.6	-3.7	-8.7
<b>Social Indicators</b>							
Population (million)	79.33	84.39	77.44	78.41	79.36	80.28	81.16
Population Growth (%)	1.2	1.4	1.3	1.3	1.2	1.2	1.1
Infant Deaths/1000	14	16	15	15	14	14	13
Persons under Age 15 (%)	24	25	24	24	24	24	24
Urban Population (%)	72	76	69	71	73	74	74
Urban Growth (%)	2.7	2.0	1.3	4.2	4.1	2.6	1.1
Literacy % pop.	87	86	85	87	87	87	87
Agricultural Work Force (%)	18	16	24	17	16	16	16
Industry-Commerce Work Force (%)	34	32	31	34	35	35	35
Services Work Force (%)	48	52	45	49	49	49	49
Unionized Work Force (%)	0	0	0	0	0	0	0
Energy - total consumption (10 <sup>15</sup> Btu)	10.83	11.17	10.01	10.63	10.77	11.26	11.49
Energy - consumption/head (10 <sup>9</sup> Btu)	0.14	0.13	0.13	0.14	0.14	0.14	0.14

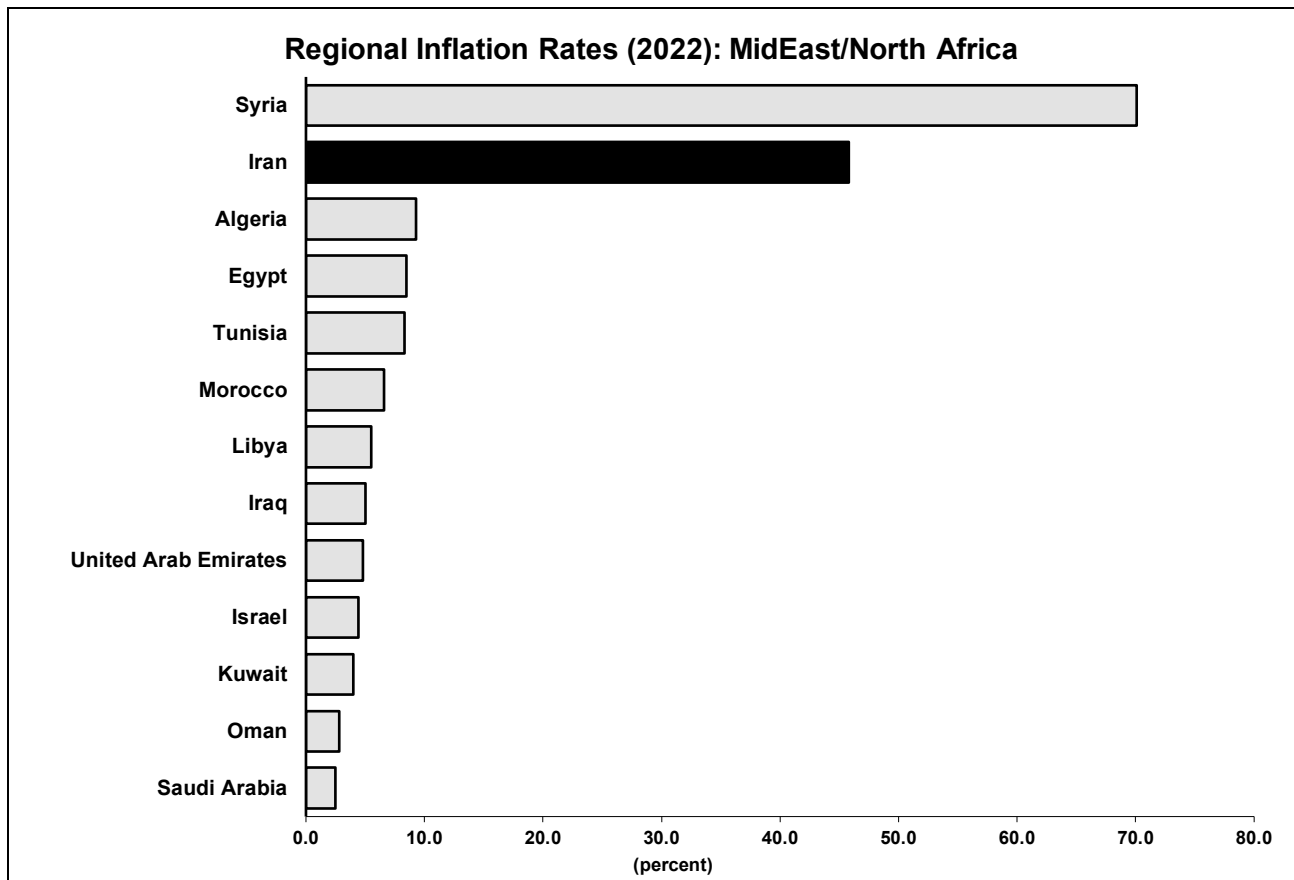
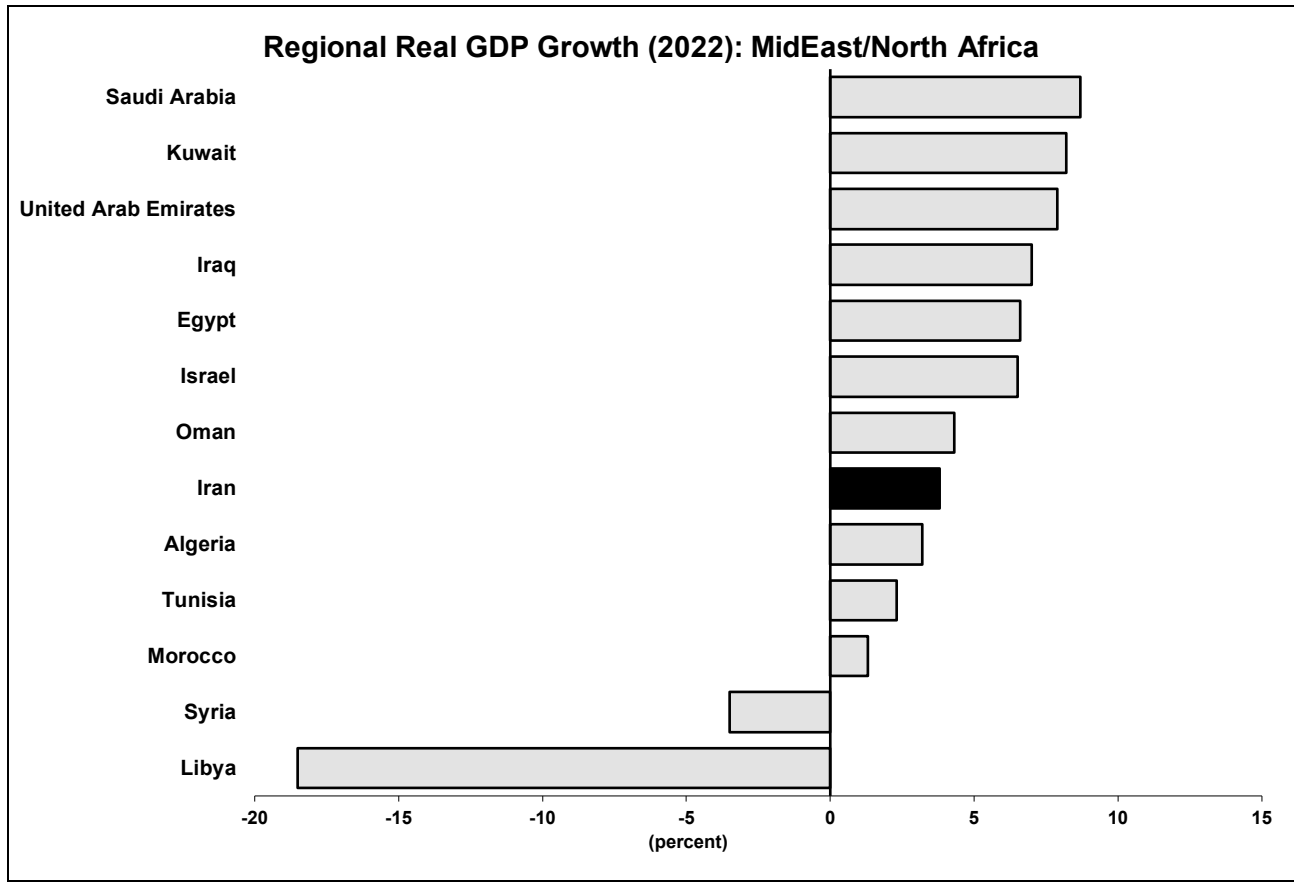
Note: fiscal year beginning March 21

## Iran Econometric Data

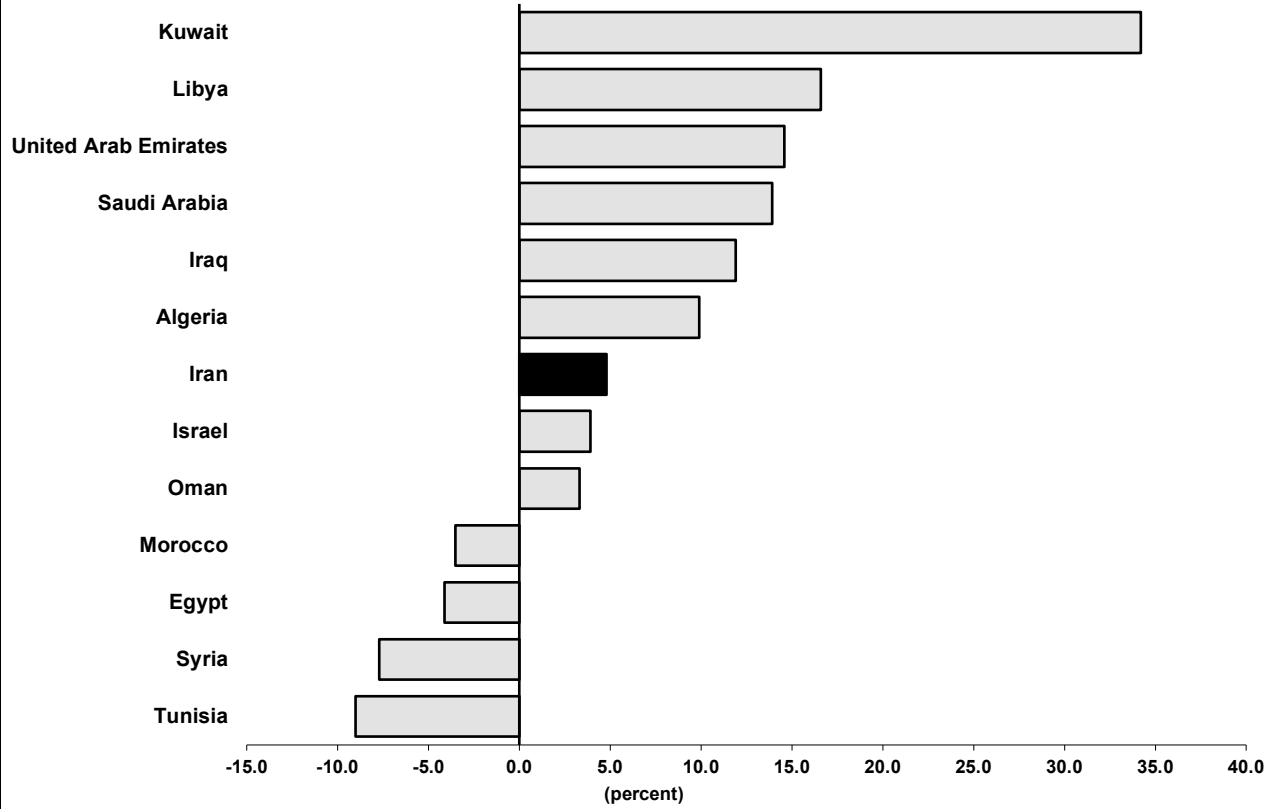
	2013-2017 Average	2018-2022 Average	2018	2019	2020	2021	2022
<b>Domestic Economic Indicators</b>							
GDP (Nominal, \$bn)	448.58	281.32	333.78	241.73	195.30	289.33	346.45
Per Capita GDP (\$)	5653	3331	4068	2914	2324	3365	3986
Real GDP Growth Rate (%)	2.7	1.4	-1.8	-3.1	3.3	4.7	3.8
Inflation Rate (%)	16.2	37.5	30.2	34.6	36.5	40.2	45.8
Capital Investment (\$bn)	104.51	49.25	67.09	35.29	28.90	52.95	62.01
Capital Investment/GDP (%)	23.4	17.1	20.1	14.6	14.8	18.3	17.9
Budget Revenues (\$bn)	63.99	26.89	45.39	23.45	14.06	23.15	28.41
Budget Revenues/GDP (%)	14.2	9.3	13.6	9.7	7.2	8.0	8.2
Budget Expenditures (\$bn)	70.03	37.69	51.07	34.08	25.39	35.30	42.61
Budget Expenditures/GDP (%)	15.6	13.4	15.3	14.1	13.0	12.2	12.3
Budget Balance (\$bn)	-6.04	-10.80	-5.68	-10.63	-11.33	-12.15	-14.20
Budget Balance/GDP (%)	-1.3	-4.0	-1.7	-4.4	-5.8	-4.2	-4.1
Money Supply (M1, \$bn)	54.59	171.21	70.15	101.36	163.84	199.18	321.50
Change in Real Wages (%)	-1.6	-6.3	-11.2	-10.2	-9.0	-9.3	8.0
Unemployment Rate (%)	11.3	10.2	12.1	10.7	9.6	9.2	9.3
<b>International Economic Indicators</b>							
Foreign Direct Investment (\$bn)	0.78	0.51	2.86	-0.46	-0.55	-0.48	1.20
Forex Reserves (\$bn)	72.66	23.87	87.30	12.71	8.81	4.32	6.21
Gross Reserves (ex gold, \$bn)	74.07	27.71	90.41	14.95	12.43	6.09	14.67
Gold Reserves (\$bn)	23.32	24.73	31.16	30.15	31.04	15.22	16.10
Gross reserves (inc gold, \$bn)	97.39	52.44	121.57	45.10	43.47	21.31	30.77
Total Foreign Debt (\$bn)	8.07	7.99	10.62	9.21	9.14	8.83	2.17
Total Foreign Debt/GDP (%)	1.8	3.1	3.2	3.8	4.7	3.1	0.6
Debt Service (\$bn)	0.77	0.41	0.85	0.51	0.22	0.31	0.16
Debt Service/XGS (%)	0.8	0.5	0.8	0.7	0.4	0.4	0.2
Current Account (\$bn)	13.62	10.34	26.24	-1.65	-0.71	11.15	16.69
Current Account/GDP (%)	3.0	3.1	7.9	-0.7	-0.4	3.9	4.8
Current Account/XGS (%)	13.2	11.2	24.6	-2.3	-1.3	14.4	20.8
Exports (\$bn)	84.57	67.58	93.39	59.39	49.84	65.84	69.43
Imports (\$bn)	65.88	54.23	60.76	52.24	46.61	53.40	58.16
Trade Balance (\$bn)	18.69	13.34	32.63	7.15	3.23	12.44	11.27
Exports of Services (\$bn)	10.14	8.45	9.90	10.95	4.21	8.90	8.31
Income, credit (\$bn)	2.83	1.63	2.37	1.69	1.15	1.52	1.42
Transfers, credit (\$bn)	0.96	1.11	1.00	1.01	1.00	1.32	1.23
Exports G&S (\$bn)	98.50	78.77	106.66	73.04	56.20	77.58	80.39
Liabilities (\$bn)	10.09	15.63	14.66	15.15	16.30	16.84	15.22
Net Reserves (\$bn)	87.30	36.81	106.91	29.95	27.17	4.47	15.55
Liquidity (months import cover)	16.1	7.8	21.1	6.9	7.0	1.0	3.2
Currency Exchange Rate	27208.951	41883.479	40661.100	42155.628	42173.874	42157.904	42268.889
Currency Change (%)	-17.0	-4.6	-19.0	-3.5	0.0	0.0	-0.3
<b>Social Indicators</b>							
Population (million)	79.33	84.39	82.05	82.95	84.04	85.97	86.92
Population Growth (%)	1.2	1.4	1.1	1.1	1.3	2.3	1.1
Infant Deaths/1000	14	16	16	15	16	16	16
Persons under Age 15 (%)	24	25	24	24	25	25	25
Urban Population (%)	72	76	75	75	76	76	77
Urban Growth (%)	2.7	2.0	2.5	1.1	2.4	2.3	1.6
Literacy % pop.	87	86	87	86	86	86	86
Agricultural Work Force (%)	18	16	17	17	16	16	16
Industry-Commerce Work Force (%)	34	32	32	32	32	32	32
Services Work Force (%)	48	52	51	51	52	52	52
Unionized Work Force (%)	0	0	0	0	0	0	0
Energy - total consumption (10 <sup>15</sup> Btu)	10.83	11.17	11.21	11.06	10.94	11.34	11.30
Energy - consumption/head (10 <sup>9</sup> Btu)	0.14	0.13	0.14	0.13	0.12	0.13	0.13

Note: fiscal year beginning March 21

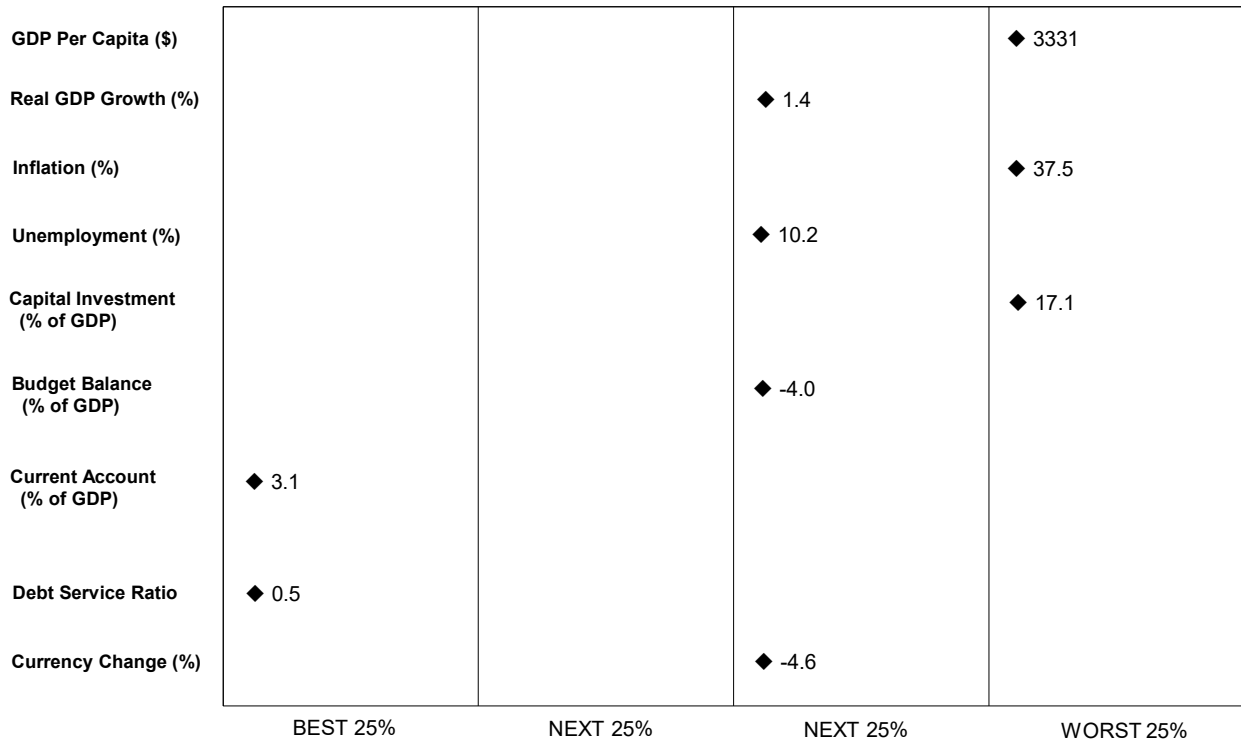
# INTRA-REGIONAL COMPARISONS



### Regional Current Account/GDP (2022): MidEast/North Africa



### Economic Performance Profile Country's Ranking Relative to All Countries Covered by Political Risk Services 2018-2022



# GEOPOLITICAL & ECONOMIC ANALYSIS

## HEIGHTENED EXTERNAL RISKS

A deadly surprise attack inside Israel by Gaza-based Hamas militants on October 7 has thrown the entire Middle East into a state of heightened anxiety, as the Israeli Defense Forces (IDF) prepare for a threatened scorched-earth military campaign in Gaza aimed at eliminating Hamas as a threat to Israel's national security. The risk that warfare between Israel and Hamas might trigger a broader regional conflict and possible military intervention by the US is still fairly low, but is rising, and much could depend on the calculations of political leaders in Iran and their ability to control the actions of the numerous armed groups, including Lebanon-based Hezbollah and Houthi rebel fighters in Yemen, that comprise the Tehran-sponsored "axis of resistance."

Western intelligence agencies believe that Iran was caught off guard by the Hamas attacks and does not want the conflict to expand, but rather is hoping for a protracted contained fight that weakens the IDF and leads to international pressure on the Israeli government to restart purposeful negotiations with the Palestinians, both of which would bolster Iran's position in the region. However, the risk of escalation is high, and the possibility of direct conflict between Iran and Israel (or the US) cannot be discounted.

Iran has made no threat to enter the fray but has warned that its proxies are prepared to come to the defense of Hamas and the Palestinian people if Israel proceeds with plans for a full-scale ground war in Gaza. Hezbollah and the Houthis have launched rockets into Israel, but thus far the attacks have been limited in scope, serving mostly as a warning of their readiness to force Israel to fight a multifront battle if it refuses to heed international pleas to show restraint. Recent rocket and drone attacks by Iran-backed proxies on US military forces in Iraq and Syria appear to be intended to send a similar message to Israel's allies in Washington.

The US is urging caution, but Prime Minister Benjamin Netanyahu faces pressure to hold Hamas to account for attacks on civilians that claimed an estimated 1,400 lives, and the Israeli military contends that Hamas' tactics, including the use of non-combatants as human shields, limit the effectiveness of targeted strikes. Assuming Israel proceeds with a punishing ground offensive, Hezbollah and other Arab militias in Gaza and elsewhere in the region will face a test of their credibility as defenders of the Palestinian people and could feel compelled to up the ante. Under that scenario, the potential for a disastrous miscalculation would increase significantly, as would the risk of Iran being drawn into a regional war.

## HARDLINERS LOOKING TO TIGHTEN HOLD ON POWER

Even if the various worse-case scenarios are averted, the Israel-Hamas conflict will be the main diplomatic focus for regional power brokers, including Saudi Arabia and the UAE, both of which had been

pursuing a rapprochement with Tehran that will at the very least be put on indefinite pause as the crisis plays out. Iran's complicity (even if indirect) in the Hamas attacks earlier this month likewise rules out any progress in stalled negotiations with the US to revive the 2015 nuclear deal, a setback that increases the likelihood that Iran will attempt to build a nuclear weapon amid a heightened risk of external conflict.

Nor can Iran expect the US to continue to free up limited amounts of frozen foreign assets under an informal quid pro quo arrangement with the administration in Washington. In September, the US agreed to grant Iran access to \$6 billion of funds in exchange for the release of five American prisoners held by Iran. The deal was controversial even before the October 7 attacks and became politically untenable for President Joe Biden after critics alleged that Iran's access to the funds had enabled Tehran to divert other resources to finance Hamas' operation.

The Biden administration assured that the Qatari bank account into which the \$6 billion had been deposited had not yet been tapped but agreed that no requests from Iranian vendors (which under the terms of the deal must be approved on a case-by-case basis) would be approved, regardless of their intended use. Given the state of play in the Middle East, it is probably safe to assume that the US is more likely to tighten sanctions on Iran than to ease them, at least for the time being.

That prospect has negative connotations for Iran's already struggling economy, which adds up to a persistent risk of domestic disquiet as the dominant conservative forces among the clerical establishment prepare for elections in March 2024. In addition to deciding who will fill the 290 seats in the national legislature, voters will elect representatives to the Assembly of Experts, an 88-member body that will be responsible for selecting Ayatollah Ali Khamenei's successor as supreme leader of the Islamic republic.

The theocratic regime that has ruled Iran since 1979 confronted the most serious challenge to its authority last year after what began as protests over the death of a young woman, Mahsa Amini, in police custody quickly expanded into a nationwide anti-government movement fueled by discontent over the economic hardship created by Iran's pariah status, a lack of accountability for unelected bodies that wield significant political power, restrictions on personal freedom, and unchecked corruption. As it has previously when facing overt displays of public discontent, the government responded in ruthless fashion.

For now, the forces of order appear to have the situation sufficiently in hand to minimize any immediate threat of widespread disorder and the growing threat of external conflict may generate nationalist sentiment that tempers discontent while also providing the regime with a popular rationale for clamping down on those who continue to voice dissent. However, the risk of domestic disquiet cannot be fully

contained if the government fails to address the root causes of the recent unrest, and the political tide could shift rapidly if those in power fail to maintain a united front.

The possibility that the 84-year-old Khamenei's failing health might necessitate a change of leadership amid the current crisis poses an obvious threat on that score. The absence of a clear consensus among the regime's power brokers on a suitable replacement creates the potential for a messy succession process that leads to infighting within the clerical establishment and, in that event, between the mullahs and other powerful state actors, such as the Islamic Revolutionary Guard Corps (IRGC).

With that in mind, the hardliners are expected to take all steps necessary to ensure that next year's elections produce no surprises. As in the last election cycle, the Guardian Council, a 12-member body appointed by the supreme leader, will use its vetting powers to disqualify moderate and reformist candidates for office who might threaten the hegemony of the hardliners, which in the current climate of crisis will take priority over concerns about the perceived legitimacy of the result.

But that might not be enough to ensure consensus within the Assembly of Experts in the only area where its decision matters, namely, the selection of a supreme leader. The body serves for eight years, and given Khamenei's age, it is very likely that the assembly elected in March will be the one that takes on that responsibility.

The widespread assumption has been that President Ebrahim Raisi is Khamenei's first choice. The supreme religious leader installed him in a succession of positions that enabled him to build a base of power with the political structure, and his elevation to the presidency provided him with a national profile.

But Khamenei's son Mojtaba is said to be preferred by key non-clerical factions within the state apparatus. Among those, none is more influential than the IRGC, which was established as the personal guard of the supreme leader but has emerged as a powerful political force in its own right under Khamenei. While the IRGC might view a Khamenei dynasty as the best bet for protecting its interests, the clerical establishment will likely oppose a choice that would inevitably invite unkind comparisons to the system of hereditary rule overthrown by the 1979 revolution. At the moment, there are no obvious alternative choices around whom a consensus might quickly develop.

## **SANCTIONS HAMPERING ECONOMIC ACTIVITY**

Economic performance was sluggish in 2022, despite a steep rise in global crude prices triggered by the outbreak of war in Europe, the beneficial impact of which was mitigated by US sanctions and increased competition from Russia among the oil-hungry countries willing to purchase Iranian oil. Reliable official data is not readily available, but independent estimates suggest that Iran's oil exports averaged less than

1 million barrels per day (bpd) last year, far below the 1.4 million bpd target, with much of the already-discounted oil shipped to China sold at an even lower price to compete with Russia.

Anecdotal evidence points to higher exports in the first half of 2023, the result of Iran's exemption from OPEC+ production restrictions and the relaxation of enforcement of US sanctions. However, conditions for the oil sector are likely to become less favorable amid a rising risk of region-wide turmoil, and non-oil activity will be hampered by high inflation and power shortages. On that basis, real GDP growth will be held to no more than 3% in 2023, and risks to the forecast weighted heavily toward the downside.

The increase in government revenues and hard-currency earnings generated by higher oil prices amid a post-pandemic global economic recovery in 2021 eased pressure on the rial, and the narrowing of the gap between the official and black-market exchange rates was reflected in the steady easing of headline inflation over the final months of 2021. However, supply shocks stemming from the war in Ukraine pushed global food prices steeply upward beginning in March 2022.

Food inflation eased somewhat after surging to 87% (year-on-year) in July 2022, but remains stubbornly high, exceeding 70% through May 2023. An easing of food inflation was reflected in the significant drop in the headline rate, which nevertheless remained close for 40% in August and September. Rapid expansion of the money supply and shortages of essential items will sustain inflation in high double digits as long as the economy remains constrained by sanctions.

The current account balance moved into surplus in 2021, as export receipts increased by more than 32% (year-on-year). Higher prices for food and other commodities padded the imports bill in 2022, but the boost to exports from higher crude prices and the general slackness of broader domestic demand resulted in a widening of the current account surplus to 4.1% of GDP in 2022. With the cost of food prices remaining high and the positive impact of increased oil exports being offset by the moderation of crude prices, the surplus is forecast to narrow to near 3% of GDP this year.



# INTERNATIONAL COUNTRY RISK GUIDE (ICRG) RATINGS

PRS' Country Reports and Economic Forecasts (CREF) and the International Country Risk Guide (ICRG) have been independently back-tested for accuracy and relevance for over 40 years.

In a landmark 2014 study published in the International Journal of Business Studies\* – using data on political risk claims and a unique textual-based database of risk realizations – both CREF and ICRG forecasts were found to have “predictive power for both political risk insurance claims as well as political risk events measured by news coverage.”

It is therefore instructive to present the scores from Table 1 of the ICRG for a complimentary look at the composite risk scores – calculated by using a combination of the overall political, financial, and economic risk metrics – for the 141+ countries covered each month. Please contact [custserv@prsgroup.com](mailto:custserv@prsgroup.com) for more information.

TABLE 1  
COUNTRY RISK, RANKED BY COMPOSITE RISK RATING  
OCTOBER 2023 VERSUS NOVEMBER 2022

RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
<i>Very Low Risk</i>					
1	Norway	86.0	87.0	-1.0	2
1	Switzerland	86.0	87.3	-1.3	1
3	Luxembourg	85.8	86.0	-0.3	3
4	Denmark	84.8	84.3	0.5	6
5	Taiwan	84.5	84.3	0.3	6
6	Singapore	84.3	85.8	-1.5	4
7	Ireland	83.8	82.3	1.5	8
8	Saudi Arabia	82.5	85.5	-3.0	5
9	Brunei	81.8	79.5	2.3	16
10	Canada	80.8	82.0	-1.3	10
10	Iceland	80.8	80.5	0.3	14
10	Qatar	80.8	78.8	2.0	17

\* C Harvey, et al., “Political Risk Spreads,” Journal of International Business Studies, (2014), 471-493.

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13	United Arab Emirates	80.5	82.3	-1.8	8
14	Netherlands	80.3	79.8	0.5	15
15	Kuwait	80.0	80.8	-0.8	13
<b><i>Low Risk</i></b>					
16	Japan	79.8	76.3	3.5	26
16	Sweden	79.8	81.0	-1.3	12
18	Korea, Republic	79.5	77.8	1.8	22
19	Australia	79.3	81.3	-2.0	11
19	Botswana	79.3	77.0	2.3	24
21	Finland	78.8	78.3	0.5	20
21	New Zealand	78.8	76.0	2.8	27
23	Germany	78.5	78.8	-0.3	17
24	Hong Kong	78.0	74.0	4.0	36
25	Trinidad & Tobago	77.0	77.5	-0.5	23
26	Bahamas	76.8	71.0	5.8	55
26	Portugal	76.8	75.5	1.3	31
28	Austria	76.5	78.5	-2.0	19
28	Oman	76.5	78.3	-1.8	20
30	Czech Republic	75.8	75.5	0.3	31
31	Kazakhstan	75.5	76.0	-0.5	27
32	Guyana	75.3	75.8	-0.5	30
33	Uzbekistan	74.8	73	2.3	43
34	Belgium	74.5	74.5	0.0	35
34	Italy	74.5	73.5	1.0	38
36	Malaysia	74.3	73.5	0.8	38
37	Croatia	73.8	73.8	0.0	37
37	Libya	73.8	70.8	3.0	59
37	Malta	73.8	74.8	-1.0	34

**TABLE 1**  
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37	Panama	73.8	73.5	0.3	38
37	Slovenia	73.8	73.0	0.8	41
37	United Kingdom	73.8	76.8	-3.0	25
37	Uruguay	73.8	75.3	-1.5	33
44	Azerbaijan	73.3	72.5	0.8	43
45	Costa Rica	73.0	72.0	1.0	48
46	Latvia	72.8	71.5	1.3	52
47	Jamaica	72.5	72.3	0.3	46
47	Spain	72.5	72.8	-0.3	42
49	Dominican Republic	72.3	72.5	-0.3	43
50	Brazil	71.8	70.0	1.8	65
50	Chile	71.8	71.8	0.0	49
50	France	71.8	72.3	-0.5	46
50	Israel	71.8	76.0	-4.3	27
54	Bulgaria	71.5	70.8	0.8	59
54	Philippines	71.5	70.8	0.8	59
54	Poland	71.5	71.0	0.5	55
54	Vietnam	71.5	70.8	0.8	59
58	Hungary	71.0	71.5	-0.5	52
58	India	71.0	70.3	0.8	63
60	Guatemala	70.8	71.0	-0.3	55
60	Thailand	70.8	65.0	5.8	88
62	United States	70.5	71.8	-1.3	49
63	China, Peoples' Rep.	70.0	69.5	0.5	67
<b>Moderate Risk</b>					
64	Cyprus	69.8	70.0	-0.3	65
64	Gabon	69.8	66.5	3.3	84
64	Lithuania	69.8	70.3	-0.5	63

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67	Bahrain	69.3	68.8	0.5	71
68	Estonia	69.0	71.5	-2.5	52
68	Indonesia	69.0	68.3	0.8	73
68	Papua New Guinea	69.0	69.3	-0.3	68
71	Greece	68.8	68.0	0.8	76
71	Mexico	68.8	68.3	0.5	73
73	Congo, Republic	68.5	64.3	4.3	94
73	Iraq	68.5	71.0	-2.5	55
73	Peru	68.5	68.0	0.5	76
76	Namibia	68.3	71.8	-3.5	49
76	Slovakia	68.3	68.8	-0.5	71
78	Algeria	67.8	69.3	-1.5	68
79	Romania	67.3	66.8	0.5	82
80	Ecuador	67.0	68.3	-1.3	73
80	Gambia	67.0	65.0	2.0	88
80	Honduras	67.0	66.8	0.3	82
83	Morocco	66.8	64.5	2.3	92
83	Russia	66.8	66.0	0.8	87
85	El Salvador	66.5	63.8	2.8	98
85	Mongolia	66.5	65.0	1.5	88
85	South Africa	66.5	67.3	-0.8	80
88	Tanzania	66.3	65.0	1.3	88
89	Armenia	66.0	60.0	6.0	110
90	Serbia	65.8	67.3	-1.5	80
91	Guinea-Bissau	65.3	64.0	1.3	96
91	Paraguay	65.3	64.3	1.0	94
93	Jordan	65.0	64.5	0.5	92
94	Albania	64.8	67.8	-3.0	79

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95	Iran	64.3	66.5	-2.3	84
96	Bolivia	64.0	66.5	-2.5	84
96	Cote d'Ivoire	64.0	62.3	1.8	105
98	Colombia	63.8	64.0	-0.3	96
98	Nicaragua	63.8	62.8	1.0	101
100	Bangladesh	63.5	62.5	1.0	103
100	Togo	63.5	63.3	0.3	100
102	Madagascar	63.0	62.5	0.5	3
103	Zambia	62.3	62.8	-0.5	101
104	Ghana	62.0	58.8	3.3	115
105	Cuba	61.8	69.3	-7.5	68
106	Cameroon	61.5	60.3	1.3	108
107	Moldova	61.3	59.0	2.3	114
107	Ukraine	61.3	51.8	9.5	133
109	Angola	60.5	68.0	-7.5	76
110	Mozambique	60.0	54.5	5.5	128
110	Uganda	60.0	59.3	0.8	113
<b>High Risk</b>					
112	Guinea	59.8	57.3	2.5	124
112	Tunisia	59.8	61.3	-1.5	107
114	Belarus	59.3	57.0	2.3	126
114	Senegal	59.3	58.3	1.0	119
114	Suriname	59.3	58.5	0.8	117
117	Burkina Faso	59.0	59.5	-0.5	111
118	Myanmar	58.3	55.8	2.5	127
119	Ethiopia	58.0	58.5	-0.5	117
120	Mali	57.8	58.8	-1.0	115
121	Zimbabwe	57.5	61.5	-4.0	106

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122	Egypt	57.3	57.8	-0.5	123
123	Congo, Dem. Republic	57.0	60.3	-3.3	108
123	Sierra Leone	57.0	53.5	3.5	131
125	Haiti	56.8	54.3	2.5	129
125	Kenya	56.8	58.3	-1.5	119
127	Argentina	56.3	63.8	-7.5	98
128	Nigeria	56.0	59.5	-3.5	111
129	Yemen, Republic	55.8	48.3	7.5	138
130	Turkey	55.5	54.3	1.3	129
131	Liberia	55.0	58.0	-3.0	121
131	Venezuela	55.0	58.0	-3.0	121
133	Sri Lanka	54.5	48.5	6.0	137
134	Malawi	52.3	51.0	1.3	134
135	Somalia	51.8	52.0	-0.3	132
<b>Very High Risk</b>					
136	Korea, D.P.R.	49.3	51.0	-1.8	134
136	Pakistan	49.3	51.0	-1.8	134
138	Niger	47.8	57.3	-9.5	124
139	Syria	44.5	43.8	0.8	139
140	Sudan	43.5	43.0	0.5	140
141	Lebanon	34.8	41.3	-6.5	141

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