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What Sanctions Have Done to Iran's Economy

Iran's nuclear program continues even while unemployment hovers around 20 percent


Photographer: Behrouz Mehri/AFP via Getty Images

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Sanctions by the U.S. and its allies, designed to pressure Iran into abandoning its nuclear program, have left Iran largely isolated, but some House Republicans argue that more pain needs to be inflicted to get results. They invited Israeli Prime Minister Benjamin Netanyahu to address a joint session of Congress on Tuesday to make that case.

What have sanctions done to Iran so far? A January report by Kenneth Katzman, a specialist in Middle East affairs at the Congressional Research Service, offers a dramatic snapshot of the squeeze:

−5%

2013 decline in real GDP

In every year from 1995 to 2012, Iran enjoyed at least a measure of economic growth. Then 2013 happened. Conditions improved slightly in 2014, with gross domestic product growing 1 percent to 1.5 percent. That followed an interim agreement, reached in November 2013, that eased some of the sanctions in exchange for a temporary pause to aspects of Iran's nuclear program.

Still, the economy is 15 percent to 20 percent smaller than it would have been without the sanctions enacted after 2010, the Congressional Research Service wrote, citing testimony from David Cohen, Secretary of the Treasury for Terrorism and Financial Intelligence, given to the Senate Foreign Relations Committee last month.

20%

Unemployment rate in mid-2012

The significant reduction in trade caused many private businesses to close a couple of years ago, leaving about one in every five Iranian workers jobless. Katzman says it's unlikely that the rate has come down by much since then. The government estimates the jobless rate at closer to 13 percent, about 3 percentage points worse than that of the U.S. during the worst part of the 2009 recession.

1.4M barrels

Drop in daily oil exports

In 2011, Iran sold about 2.5 million barrels of oil and condensates a day. Over the last year, it has averaged just under 1.1 million barrels a day. Almost half the decline was the result of sanctions by the European Union, which went from buying 600,000 barrels a day to roughly zero. At the same time, China and India scaled back their purchases by a combined 31 percent in efforts to cooperate with U.S. policy.

$80B

Hard currency reserves trapped overseas

Toward the end of 2013, Iran held an estimated $100 billion in various currencies in accounts outside the country, but only about $20 billion of that was accessible. The rest was held in banks abiding by sanctions that prevented the repatriation of those reserves. To protect its remaining reserves at home, Iran has placed new limits on luxury imports such as cars and mobile phones.

25%

Projected inflation rate in March

In July 2013, the U.S. mandated that financial institutions stop conducting business in Iranian rials. Then the Iranian government scaled back subsidies that had reduced food and fuel costs for consumers. A rapid decline in the value of the currency followed. Economists put the annual rate of inflation at from 50 percent to 70 percent that month, although the Iranian Central Bank said it was more like 45 percent. The sanctions pullback that began in November 2013 is expected to help bring the rate down to less than half that by next month.

40%

Decline in motor vehicle production, 2011–2013

Iran was never Detroit, but in 2011, its auto companies produced about 1.6 million vehicles. Two years later, the output was fewer than a million. Iranian diplomats had expected the recent easing of sanctions to buoy the auto and petrochemicals sectors, but combined sales were under $400 million, vs. projections of $2.5 billion, according to declassified reports obtained by Bloomberg News and cited in Katzman's report.

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