

Iran's economy

Islamist Maseratis

Profiteers dominate the market for cars

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USING clever software to get access to his censored Facebook account, a young Iranian in Tehran posts an advertisement for his one-year-old Peugeot 206. Within minutes a stranger calls and they negotiate a price more than double what he paid for it new. “Everyone in Iran is putting their money into cars,” he explains. “They move up with the dollar so it is one of the few safe places for people to store their cash.” A year ago his Peugeot 206 was bought for 130m rials (then worth \$10,500 at the official rate) at the factory gate of Iran Khodro, a domestic car-assembler. Now the state-owned firm sells them for more than twice as much, with dealers pushing the retail price up to 390m rials.

Cars are becoming more expensive because they are made with foreign parts which keep on rising in price. Since Western governments imposed sanctions on Iran in December 2011, the rial has dropped by more than 60% against the dollar. Restrictions on Iran's banks make it even harder to buy parts, choking off supplies.

This has only encouraged people to buy cars. They have become even less affordable for the poor. But middle-class Iranians buy them as investments as cash savings lose value because of inflation and the currency collapse. Iranians with government links are making a mint. At the end of 2011, after a run on the currency, officials fixed the exchange rate at 12,260 rials to the dollars to help importers. Three months ago this was cut to 24,368 rials. But only importers with government connections can get cheap dollars. They buy cars across the Persian Gulf, then sell them at home at the unofficial exchange rate of 37,000 rials.

In the run-up to June's presidential election, rival camps accuse each other of profiteering. One website close to opponents of Mahmoud Ahmadinejad, the outgoing president who is trying to promote his chosen successor, has accused his allies of importing 40 Maseratis at the official rate, netting almost \$500,000 per car.

In January the government banned the preferential rate for cars with engines bigger than 2,500cc. But the impact on luxury-car dealers will be offset to some extent by cuts on import

tariffs. In a car showroom in north Tehran a dealer sells his last Porsche to a young couple for 4.4 billion rials (\$120,000). “With this economy, it’s not the time for real business,” he says, passing a holdall of cash to an assistant. “They just want quick deals.”

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