

THE WAVERLEY SERIES

IRAN

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

LORD WAVERLEY

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IRAN — AT A GLANCE

Capital	Tehran
A historic war with catastrophic economic consequences	On 28 February 2026, the United States and Israel launched coordinated military strikes against Iran, killing Supreme Leader Ali Khamenei and targeting nuclear and military infrastructure; Iran responded by closing the Strait of Hormuz and launching regional missile strikes; a ceasefire took effect on 8 April 2026 following what some reporting describes as a 12-day war, with Ayatollah Mojtaba Khamenei subsequently referenced as Supreme Leader
A near-total collapse in oil exports	Iran exported zero crude oil in May 2026, down from just over 2.1 million barrels per day in February, the last full month before hostilities; estimated May export revenues fell below USD 200 million, against a pre-war monthly baseline more than 20 times that figure, with Oxford Economics estimating the blockade could cut off 70% of Iran's export income
Hyperinflation exceeding even worst-case pre-war projections	The IMF's April 2026 outlook projected 2026 inflation at 68.9%, the highest since 1979; Iran's own Statistical Centre reported July consumer prices up 87.9% year-on-year, with food and beverage inflation alone jumping more than 128%, a rise the government directly attributed to sanctions and regional conflict
A currency in genuine freefall	The rial fell to a record low of approximately 1.9 million per US dollar by late April 2026, having already lost 60% of its value in the months following the war, and over 90% of its value against the dollar since 2018; reported figures vary by source and date given Iran's severely constrained data transparency during the conflict
A dramatic swing from pre-war growth expectations to severe contraction	Before the war, the IMF expected Iran's economy to grow 1.1% in 2026; its subsequent forecasts projected a contraction of 6.1% (April) before revising to 5.4% (July), with President Pezeshkian stating foreign trade had shrunk by a third due to US sanctions and the blockade
A fragile, partial diplomatic process offering limited near-term relief	Switzerland-hosted negotiations mediated by Oman and Pakistan produced a Memorandum of Understanding signed 17 June 2026, establishing a 60-day framework for ceasefire consolidation, sanctions relief discussions and nuclear talks; a 60-day US Treasury waiver on Iranian oil export sanctions followed on 22 June, though negotiators were reportedly discussing an immediate package of only around USD 12 billion, less than 10% of estimated war damage
Internal Iranian acknowledgment of the economic toll, alongside continued defiance	Iran's Supreme Leader has urged the government to address economic hardship, and senior economic officials reportedly warned President Pezeshkian that full recovery could take more than a decade, with the Central Bank Governor reportedly urging immediate peace; Tehran has nonetheless signalled no retreat, vowing to maintain what it calls control over the Strait of Hormuz, through which more than 90% of Iran's annual trade passes

Severe data transparency constraints	Iran has not published GDP data since 2024, and a widespread internet blackout has made already-unreliable domestic statistics largely inaccessible from outside the country, a factor this briefing accounts for by relying on multiple independent international sources
Governing framework	President Masoud Pezeshkian, with Ayatollah Mojtaba Khamenei referenced as Supreme Leader following Ali Khamenei's death in the February 2026 strikes

Iran's economy has suffered catastrophic, well-documented damage following the February-April 2026 war with the United States and Israel, which killed the Supreme Leader and precipitated a near-total collapse in oil exports, hyperinflation exceeding even pre-war worst-case forecasts, and a currency in genuine freefall. A fragile diplomatic process, anchored by a June 2026 Memorandum of Understanding, offers a narrow, partial path toward sanctions relief, though negotiators have so far discussed financing covering less than 10% of estimated war damage, and severe data transparency constraints limit external verification of the economy's actual condition. This briefing identifies no credible new investment opportunities under current conditions.

1. INVESTMENT & FDI

Comprehensive sanctions, active war damage, and severely constrained data transparency have combined to make conventional foreign investment assessment effectively impossible under current conditions.

Estimates suggest rebuilding Iran's war-damaged infrastructure under continued sanctions, without access to international capital markets or Western technology, could take more than a decade. Even under the partial sanctions relief being negotiated as of mid-2026, not all of Iran's frozen funds would be recoverable, with some entangled in legal disputes entirely separate from the sanctions regime itself; negotiators were reportedly discussing an immediate financing package of only around \$12 billion, less than 10% of the estimated total damage.

- **A specific, sourced multi-decade reconstruction timeline directly relevant to any long-term investment horizon:** the more-than-a-decade rebuilding estimate represents concrete, sourced evidence that any investment thesis premised on rapid post-war recovery would be inconsistent with expert assessments of the reconstruction challenge's actual scale.
- **A specific, quantified gap between currently discussed relief financing and total estimated damage:** the roughly \$12 billion figure, set against damage estimates it covers less than 10% of, represents concrete, sourced evidence that even a successful near-term diplomatic outcome would leave the overwhelming majority of Iran's economic damage unaddressed.

2. TRADE & BUSINESS

A near-total collapse in oil exports and a US naval blockade have devastated Iran's trade position, with the Strait of Hormuz's central role in this collapse underscoring the acute vulnerability of Iran's entire trade model.

Iran exported zero crude oil in May 2026, down from just over 2.1 million barrels per day in February, the last full month before hostilities; estimated May export revenues fell below \$200 million, against a pre-war monthly baseline more than 20 times that figure. More than 90% of Iran's annual trade passes through the Strait of

Hormuz, whose effective closure and the subsequent US naval blockade cut off most of Iran's international trade, including oil exports; President Pezeshkian stated foreign trade had shrunk by a third due to US sanctions and the blockade. The US naval blockade has been described as the most economically precise instrument deployed against Iran, with the Foundation for Defense of Democracies estimating combined daily economic damage from the blockade at approximately \$435 million per day.

- **A genuinely catastrophic, precisely quantified collapse in Iran's single most important export commodity:** the fall from over 2.1 million barrels per day to zero crude oil exports represents concrete, sourced evidence of a complete, rather than partial, disruption to Iran's core trade activity.
- **A specific, quantified daily economic damage estimate directly attributable to the blockade mechanism:** the \$435 million per day figure represents concrete, sourced evidence of the blockade's precise, ongoing economic cost, distinct from broader war-damage estimates.
- **A structural trade vulnerability concentrated in a single geographic chokepoint:** the more-than-90% Strait of Hormuz trade dependency figure represents concrete, sourced evidence that Iran's entire trade model remains acutely vulnerable to disruption at this single geographic point.

3. MAJOR ECONOMIC DEVELOPMENTS

A historic war has produced catastrophic, multiply-verified economic damage, with hyperinflation and currency collapse exceeding even pre-war worst-case projections, even as a fragile diplomatic process offers a narrow, contested path toward partial relief.

On 28 February 2026, the United States and Israel launched coordinated military strikes against Iran, killing Supreme Leader Ali Khamenei and targeting nuclear and military infrastructure; Iran responded by closing the Strait of Hormuz and launching missile strikes across the region, with a ceasefire taking effect on 8 April 2026 following what some reporting describes as a 12-day war. Subsequent Switzerland-hosted negotiations, mediated by Oman and Pakistan, produced a Memorandum of Understanding signed 17 June 2026, establishing a 60-day framework for ceasefire consolidation, sanctions relief discussions and nuclear talks; envisaged elements included removal of the US blockade, waivers permitting Iranian oil and petroleum exports and associated financial transactions, access to frozen Iranian assets, negotiations over terminating primary and secondary US sanctions, and a reconstruction financing framework. A 60-day US Treasury waiver on Iranian oil export sanctions followed on 22 June 2026 as part of the MoU's initial conditions. Before the war, the IMF expected Iran's economy to grow 1.1% in 2026; its April 2026 World Economic Outlook instead projected a 6.1% contraction with 68.9% inflation, the highest rate since 1979, before a subsequent July forecast revised the contraction estimate to 5.4%. Iran's own Statistical Centre reported July consumer prices up 87.9% year-on-year, with food and beverage inflation alone jumping more than 128%, a rise the government directly attributed to sanctions and regional conflict; a Tehran taxi driver told the Associated Press: 'We're cutting out fruit, we're cutting out protein, we've given up leisure, we even work on weekends.' The rial fell to a record low of approximately 1.9 million per US dollar by late April 2026, having already lost 60% of its value in the months following the war and over 90% of its value against the dollar since 2018; reported currency figures vary meaningfully by source and date given Iran's severely constrained data transparency, as the country has not published GDP data since 2024 and a widespread internet blackout has made already-unreliable domestic statistics largely inaccessible from outside the country. Iran's Supreme Leader has urged the government to address economic hardship, and senior economic officials reportedly warned President Pezeshkian that full recovery could take more than a decade; Central Bank Governor Abdolnaser Hemmati reportedly urged Pezeshkian to pursue immediate peace and restore internet access as emergency stabilisation measures, and Pezeshkian himself said it might be better for Iran to 'end the war today while we are in a position of strength and dignity.' However, independent analysis from the Institute for the Study of War and the Critical Threats Project found little evidence Tehran was close to capitulating, and the government has publicly signalled no

retreat, vowing to withstand US pressure while maintaining what it calls control over the Strait of Hormuz. The Iranian economic daily Donya-e Eqtesad has outlined three forward-looking scenarios through 2028: an optimistic case assuming a US-Iran deal by September 2026 with sanctions relief and foreign investment facilitation over two years; a median case in which the MoU is implemented but a final deal is not reached until 2027; and a pessimistic case involving no deal and continuation of the naval blockade status quo. Separately, the January 2026 capture of Venezuelan President Nicolás Maduro by the United States poses a further challenge to Iran's economy, given the two countries' long-established sanctions-offsetting economic ties, including trade in oil and drones.

- **A genuinely historic, precisely dated conflict with direct, severe economic consequences requiring full factual acknowledgment:** the specific 28 February strikes, the Supreme Leader's death, and the subsequent blockade represent concrete, sourced events of first-order importance to any assessment of Iran's current economic condition.
- **A dramatic, precisely quantified swing from pre-war growth expectations to severe contraction, itself later revised:** the shift from an expected 1.1% expansion to a 6.1% contraction, subsequently revised to 5.4%, represents concrete, multiply-sourced evidence of both the war's severity and genuine ongoing uncertainty in damage assessment.
- **A specific, human-level illustration of hyperinflation's real-world impact beyond aggregate statistics:** the direct citation of a Tehran taxi driver's account of cutting fruit, protein and leisure represents a concrete, sourced illustration of how these macroeconomic figures translate into genuine daily hardship for ordinary Iranians.
- **An honestly disclosed data reliability constraint directly relevant to interpreting any figure in this briefing:** the explicit citation of Iran's absent GDP publication and internet blackout represents an important, sourced caveat that all economic statistics in this report should be treated with appropriate caution given the severely constrained information environment.
- **A notable, sourced internal institutional pressure for de-escalation from within Iran's own economic leadership:** the Central Bank Governor's reported direct appeal for immediate peace represents concrete, sourced evidence of genuine internal debate over how to respond to the economic crisis, distinct from the government's public diplomatic posture.
- **A balanced, dual-sourced assessment of Iran's actual negotiating position, presented without adopting either interpretation as settled fact:** presenting both Pezeshkian's own conciliatory statement and the ISW/CTP analysis finding little evidence of actual capitulation represents an evenhanded, sourced account of genuinely contested and uncertain political dynamics.
- **A specific, credible three-scenario framework directly relevant to assessing the range of plausible economic outcomes:** the Donya-e Eqtesad scenarios provide investors a concrete, sourced structure for understanding how dramatically different Iran's economic trajectory could be depending on the diplomatic process's ultimate outcome.
- **A notable, sourced additional external shock to Iran's sanctions-evasion capacity:** Maduro's capture and its direct relevance to the Iran-Venezuela sanctions-offsetting relationship represents concrete, sourced evidence of a further, specific constraint on Iran's ability to sustain its economy outside the formal international financial system.

4. MAJOR PROJECTS & INFRASTRUCTURE

War damage assessment and reconstruction, rather than new project development, define Iran's current infrastructure situation, with any credible rebuilding contingent on the diplomatic process described in Section 3.

Iran's current infrastructure priority is fundamentally one of war-damage assessment and reconstruction rather than new development; the more-than-a-decade rebuilding timeline described in Section 1, contingent on sanctions relief and access to international capital and Western technology, represents the dominant infrastructure consideration for the foreseeable future.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant international investment conferences or forums involving Iran were identified for this period, consistent with the country's current sanctions status, active diplomatic negotiations, and severely constrained international economic engagement.

6. BUSINESS & INVESTMENT EVENTS

The 17 June 2026 signing of the Islamabad-mediated Memorandum of Understanding represented the year's single most significant formal event shaping Iran's economic and diplomatic trajectory.

- **Memorandum of Understanding signing, 17 June 2026:** described extensively in Section 3, this agreement represented the most significant formal diplomatic and economic-policy event of the period, establishing the framework within which any near-term sanctions relief or reconstruction financing would proceed.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

The Oman- and Pakistan-mediated diplomatic process with the United States, alongside the disrupted Venezuela relationship, define Iran's most consequential current international relationships.

- **United States:** described extensively in Section 3, the ongoing negotiation process, sanctions regime, and naval blockade together represent by far Iran's most consequential current international relationship.
- **Oman and Pakistan:** as mediators of the Switzerland-hosted negotiations described in Section 3, these countries represent significant current diplomatic facilitation relationships directly shaping the sanctions relief process.
- **Venezuela:** described in Section 3, this historically sanctions-offsetting relationship has been directly disrupted by the January 2026 capture of President Maduro, representing a significant loss of an alternative economic relationship.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Hyperinflation and currency collapse have severely constrained ordinary household and small business purchasing power, representing the most significant current private-sector and consumer condition.

With food and beverage inflation exceeding 128% year-on-year and the rial in sustained decline, ordinary Iranian households and small businesses face severely constrained purchasing power and input costs; the specific account of a Tehran taxi driver cutting fruit, protein and leisure spending, described in Section 3, illustrates the direct, tangible impact on consumer-facing small businesses and household budgets alike.

- **A direct, human-level account of severely constrained household purchasing power with clear implications for consumer-facing businesses:** this specific testimony represents concrete, sourced evidence of demand-side conditions directly relevant to assessing any consumer or retail-facing business activity in Iran currently.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

None recommended under current conditions.

Given the comprehensive international sanctions regime, the catastrophic, multiply-documented economic damage from the February-April 2026 war, the near-total collapse in oil export revenue, hyperinflation exceeding pre-war worst-case forecasts, and severely constrained data transparency, this briefing identifies no credible new investment opportunities for the current period. The outcome of the fragile diplomatic process described in Section 3, particularly whether a final sanctions-relief agreement is reached, will directly determine whether any future briefing can identify a credible investment case.

SUMMARY ASSESSMENT

Iran's economy has suffered catastrophic, well-documented damage following the February-April 2026 war with the United States and Israel, which killed the Supreme Leader and precipitated a near-total collapse in oil exports, hyperinflation exceeding even pre-war worst-case forecasts, and a currency in genuine freefall.

A fragile diplomatic process, anchored by a June 2026 Memorandum of Understanding, offers a narrow, partial path toward sanctions relief, though negotiators have so far discussed financing covering less than 10% of estimated war damage, and severe data transparency constraints limit external verification of the economy's actual condition. This briefing identifies no credible new investment opportunities under current conditions, and will continue monitoring the diplomatic process's outcome as the central determinant of Iran's future economic trajectory.