

Tehran stock exchange market

Hamas War With Israel Deals Another Blow To Iran's Economy

Monday, 10/09/2023

Author: Iran International Newsroom

Economy & Environment Conflict - Military Iran

The bloody invasion of Israel by the Iran-backed Palestinian Hamas has caused a tumble in the Iranian economy, with the rial falling and stock market in decline.

The bloody invasion of Israel by the Iran-backed Palestinian Hamas has caused a tumble in the Iranian economy, with the rial falling and stock market in decline.

At the opening of trading day on Sunday, the Tehran Stock Exchange (TSE) crashed within just 30 minutes, with a sharp decline reported for almost all stocks on trade. Closing at 2.1 million points, the TSE main index dropped over 51 thousand points. The rial began to slightly fall late on Friday, before the attack, while the fall accelerated on Saturday. While for weeks the rial was hovering around 495,000 per US dollar, it broke through the 500,000 on Saturday and dropped to 520,000 on Sunday.

Iran's regime is openly supporting the horror which has seen over 2,000 Israelis wounded, at least 700 dead, and dozens abducted in Hamas's declaration of war, holding state-sponsored street ceremonies. President Ebrahim Raisi defended the atrocities as "the legitimate defense of the Palestinian nation" and held phone calls with Hamas leaders Ismail Haniyeh and Khaled Mashaal.





Regime-sponsored celebrations in Tehran for the invasion of Israel by Iran-backed Hamas

Tejarat News, a business website in Tehran, said in an article Sunday that the surge in the exchange rates of foreign currencies against the national currency rial is due to the developments in Israel. "Since Saturday, dollar traders are saying that tensions in Israel are the cause of the rise in the dollar's exchange rate," the website said.

However, the impact of war was being felt in Israel too. According to **Bloomberg**, Israel's stock exchange also witnessed the biggest drop since March 2020 and the outbreak of the pandemic while the shekel slumped towards a seven-year low in recent days, the war set to push that further. Israel has also faced a **floundering economy amidst political instability** since the return of the Netanyahu coalition at the start of the year which has plunged the country into economic and geopolitical turmoil.

The rial, however, has lost its value 12-fold since early 2018, when the United States withdrew from the JCPOA nuclear deal and imposed tough economic sanctions on Iran. This has made imports much more expensive and has led to inflation at around 50 percent for the past three years. Some officials and media in Tehran have been warning that tens of millions of people have fallen into poverty because of persistent high inflation, and this in turn has seriously contributed to political instability. Widespread anti-regime protests in 2022 and 2023 are partly attributed to financial hardships ordinary citizens face. For the transfer of such an amount to Iran, the greenlight by the US seems necessary given the country's sanctions on the regime's banking system.



A heatmap of Tehran's stock market exchange on October 8, 2023

The sudden devaluation of the rial came a few weeks after Iran managed to get access to \$6 billion of its assets that was blocked In South Korea due to US sanctions as part of a prisoner swap deal with Washington.

Whenever Iran's economy is in a slump, regime officials start bragging about the positive prospects of releasing Iran's frozen assets abroad on the control of inflation and freefall of rial, a propaganda line that never delivers. This time is no exception. Fars news agency, affiliated with the Revolutionary Guards, ran an article Sunday in line with Tehran's effort for damage control, claiming that Iran's unfrozen assets in South Korea and Luxembourg can have a positive psychological impact on the market.

The Central Bank of Iran (CBI) announced on Friday that **Luxembourg has released \$1.7 billion of Iran's frozen funds**, following a ruling issued by the country's Supreme Court. "This fund is now available to the Central Bank of Iran." Former CBI Governor Abdolnasser Hemmati said in 2020 that Iran's assets were unfrozen despite an attempt by victims of terror to get the funds as compensation. In 2012, a New York court found there was evidence showing that the Islamic Republic provided "material support and resources to al Qaida for acts of terrorism".

In another case in 2023, a federal judge in New York ordered Iran's central bank and a European intermediary to pay out \$1.68 billion to family members of troops killed in the 1983 bombing of the US Marine Corps barracks in Lebanon.

The attack has also ignited a wave of criticism directed at the Biden Administration over its deal with Iran and the release of funds that Iran is allegedly funneling to its proxies.

In May, Iran International reported that Hamas pressured the Islamic Republic into inviting its leader, Ismail Haniyeh, to Tehran hoping to get financial support. Our sources said that although the Islamic Republic continues to provide financial aid to Hamas despite its own economic situation, Tehran is not satisfied with the performance of the group against Israel.

While Hezbollah is by far Iran's richest and most powerful proxy, the combined funds of the Palestinian Islamic Jihad Movement, Hamas and the Popular Front for the Liberation of Palestine are enormous, Hamas and Islamic Jihad receiving a large share of Tehran's aid. In March 2022, Haniyeh revealed that the Islamic Republic paid a total of \$70 million to Hamas to help it develop missiles and defense systems. During an interview with Al-Jazeera, Haniyeh said different countries help in financing the group, but Iran is the biggest donor.

In 2018, US President Donald Trump's special Middle East envoy Jason Greenblatt, who recently visited Israel's communities on the Gaza perimeter and toured the terror tunnel the IDF exploded, claimed Iran provided \$100 million annually to Hamas compared to \$700m annually to Hezbollah.

In a video on the official Al-Qassem Brigades' Telegram channel - the military wing of Hamas - published on Sunday, spokesman Abu Obaidah said, "We thank the Islamic Republic of Iran who provided us with weapons, money and other equipment. He gave us missiles to destroy Zionist fortresses, and helped us with standard anti-tank missiles."