

The analysis of the manufacturing and mining activities indicates improvements in the performance of this sector in 1389. Based on preliminary estimates of national accounts, the value-added of "manufacturing" and "mining" sectors increased by 10.0 and 10.1 percent, respectively, at constant 1376 prices. Corresponding figures of the previous year were 5.3 and 0.1 percent, respectively. The growth in manufacturing and mining production index by 10.9 percent projected for large manufacturing establishments in 1389, compared with 5.9 percent growth in 1388, indicates a further surge in the activities of this sector.

10.9 percent. "Non-metallic mineral products", "basic metals", and "motor vehicles, trailers, and semi-trailers", with a total relative weight of 49.8 percent in the mentioned index, grew by 25.4, 14.0, and 13.7 percent, respectively. Meanwhile, "employment" and "wage and salary" indices rose by 1.6 and 16.3 percent, respectively.

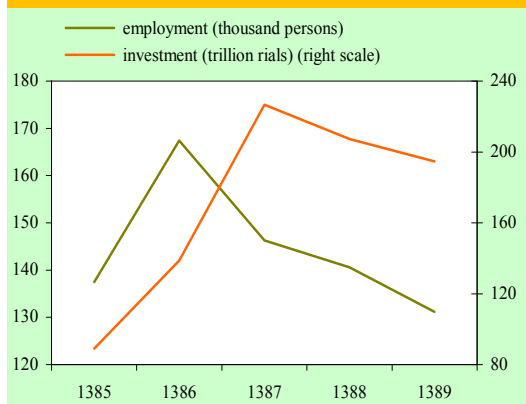
Production of Selected Industries

Despite a diversion of 11.6 percent from the Plan target, manufacture of light- and heavy-duty vehicles increased by 12.2 percent to 1.6 million in 1389. Light-duty passenger cars had a share of 84.4 percent in total vehicle manufacture, up by 13.6 percent compared with the year before. In 1389, due to the boom in the housing sector, the production of crude steel, aluminum bar and copper (cathode) indicated 14.4, 9.0, and 5.2 percent growth, respectively.

According to the National Petrochemical Company, petrochemical products (including the performance of privatized companies and experimental products) amounted to 40.2 million tons in 1389, indicating 16.7 percent increase. Furthermore, the volume of petrochemical exports was raised by 27.2 percent to 17.9 million tons. The value of petrochemical exports amounted to \$11.6 billion, up by 26.4 percent compared with the previous year.

In this year, 10.5 million tons of petrochemical products were sold in the domestic

Figure 4.1. Investment and employment in manufacturing operation permits



Production

In this year, production index of large manufacturing establishments increased by

Table 4.1. Selected Manufacturing and Mining Products

| | | 1387▲ | 1388▲ | 1389 | Percentage change | |
|----------------------------------|---------------|----------|----------|----------|-------------------|------|
| | | | | | 1388 | 1389 |
| Cement | Thousand tons | 44,397.0 | 52,093.0 | 61,619.0 | 17.3 | 18.3 |
| Light-duty vehicles ¹ | Thousand | 1,259.2 | 1,386.6 | 1,555.0 | 10.1 | 12.1 |
| Crude steel | Thousand tons | 10,903.0 | 11,126.9 | 12,728.0 | 2.1 | 14.4 |
| Copper (Cathode) | Thousand tons | 206.0 | 210.2 | 221.1 | 2.0 | 5.2 |
| Aluminum bar | Thousand tons | 248.3 | 277.9 | 303.0 | 11.9 | 9.0 |

Source: Manufacturing and Mining Comprehensive Report, 1388-1390

¹ Source: Sapco (Supplying Automotive Parts Co.)

Including various types of passenger cars, pick-ups, vans, ambulances, and double-differential cars

market, showing a remarkable growth of 33.9 percent compared with 4.0 percent growth of the year before.

Government Investment

According to the Budget Law for 1389, government approved Rls. 2,592.4 billion for the implementation and completion of acquisition of non-financial-national assets projects in manufacturing and mining sector and industrial research project. According to the Treasury General of the Ministry of Economic Affairs and Finance, Rls. 2,329.9 billion was allocated to the mentioned sector and project, up by 22.3 percent compared with last year's performance.

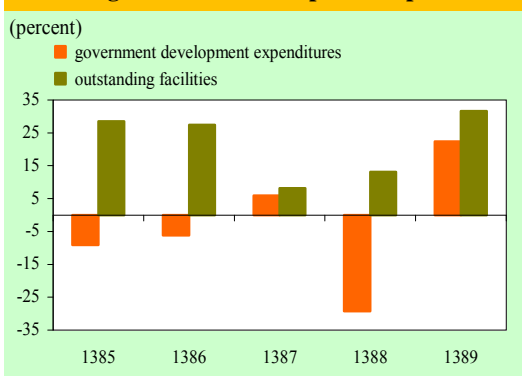
In this year, Rls. 18.9 billion was paid to the "industrial research project in the manufacturing and mining sector", showing 4.2 percent increase. The share of the industrial research project in total approved credits was 1.1 percent, and in total paid credits 0.8 percent. A review of government budget performance in 1389 reveals that 89.9 percent of credits approved for the acquisition of non-financial assets projects in the manufacturing and mining sector and industrial research project were realized. The highest realization figure by 509.5 percent was related to "exploration and operation of mines" project, followed by "manufacturing and mining infrastructures" by 97.7 percent.

Table 4.2. Performance of Petrochemical Industry

| | 1387 | 1388 | 1389 | Percentage change | |
|---|---------------|---------------|---------------|-------------------|-------------|
| | | | | 1388 | 1389 |
| Production (thousand tons)¹ | 30,040 | 34,433 | 40,175 | 14.6 | 16.7 |
| Exports | | | | | |
| Volume (thousand tons) | 12,254 | 14,039 | 17,861 | 14.6 | 27.2 |
| Value (million dollars) | 7,843 | 9,147 | 11,559 | 16.6 | 26.4 |
| Domestic sales | | | | | |
| Volume (thousand tons) | 7,566 | 7,865 | 10,532 | 4.0 | 33.9 |
| Value (billion rials) | 40,056 | 46,766 | 67,692 | 16.8 | 44.7 |

Source: National Petrochemical Company

¹ Due to the utilization of several petrochemical products for intermediate consumption, the production volume of this sector is constantly higher than sum of exports and domestic sales.

Figure 4.2. Change in outstanding facilities extended to non-public manufacturing & mining sector & government development expenditures

Banking Facilities

By end-1389, total outstanding facilities (net) extended to public and non-public manufacturing and mining sectors (excluding profit and revenue receivables) grew by 30.4 percent to Rls. 605.6 trillion compared with

the previous year-end. Accordingly, the share of change in the outstanding debts of the non-public manufacturing and mining sector in total change in the outstanding facilities extended by banks and credit institutions to non-public economic sectors was 21.6 percent.

Data drawn by the Ministry of Industries and Mines indicate that a sum of \$2.1 billion out of the OSF was approved to be allocated to 90 projects, showing 61.1 and 52.4 percent decline in terms of value of facilities and number of projects, respectively. Average value of facilities extended to each project was \$23.7 million. "Mining" and "chemical and cellulose" industries accounted for the highest shares in the value of approved facilities by 35.8 and 30 percent, respectively.

As of the implementation of the executive by-law for the expansion of Small and Medium Enterprises (SMEs) till end-1389, total value of paid facilities amounted to Rls. 250.8 trillion,

Table 4.3. Credits for Acquisition of Non-financial–National Assets in Manufacturing and Mining Sector and Industrial Research Project

(billion rials)

| | Percentage change | | | Share (percent) | | 1389 | | | |
|---------------------------------|-------------------|----------------|----------------|-----------------|-------------|--------------|-----------------------|----------------|-------------|
| | 1387 | 1388 | 1389 | 1388 | 1389 | Approved | Realization (percent) | | |
| Manufacturing and mining sector | 2,668.2 | 1,886.9 | 2,311.0 | -29.3 | 22.5 | 99.0 | 99.2 | 2,562.8 | 90.2 |
| Industrial research project | 27.4 | 18.2 | 18.9 | -33.8 | 4.2 | 1.0 | 0.8 | 29.6 | 64.0 |
| Total | 2,695.7 | 1,905.0 | 2,329.9 | -29.3 | 22.3 | 100.0 | 100.0 | 2,592.4 | 89.9 |

Source: Treasury General, Ministry of Economic Affairs and Finance

Table 4.4. Outstanding Facilities Extended by Banks and Credit Institutions to Manufacturing and Mining Sector¹

(billion rials)

| | Year-end | | 1389 | | | |
|-------------------|------------------|------------------|-------------------|-----------------------|--|--------------------------|
| | 1388 | 1389 | Percentage change | Change in outstanding | Total change in outstanding ² | Relative share (percent) |
| Non-public sector | 456,670.7 | 600,814.4 | 31.6 | 144,143.7 | 666,958.5 | 21.6 |
| Public sector | 7,601.0 | 4,795.1 | -36.9 | -2,805.9 | 67,408.2 | -4.2 |
| Total | 464,271.7 | 605,609.5 | 30.4 | 141,337.8 | 734,366.7 | 19.2 |

¹ Excluding profit and revenue receivables

² Change in outstanding facilities extended by banks and credit institutions to all economic sectors

Table 4.5. Summary Performance of Approved Projects Financed out of the OSF according to Industrial Groups in 1389

| Industries | Number | Share (percent) | Value (million dollars) | Share (percent) | Average amount paid to each project (million dollars) |
|---------------------------------|-----------|-----------------|-------------------------|-----------------|---|
| Food and pharmaceutical | 18 | 20.0 | 131.3 | 6.2 | 7.3 |
| Chemical and cellulose | 20 | 22.2 | 639.5 | 30.0 | 32.0 |
| Mining | 13 | 14.4 | 762.7 | 35.8 | 58.7 |
| Metallic | 3 | 3.3 | 18.2 | 0.9 | 6.1 |
| Textile and leather | 5 | 5.5 | 38.3 | 1.8 | 7.7 |
| Electrical | 3 | 3.3 | 51.6 | 2.4 | 17.2 |
| Non-metallic mineral products | 22 | 24.4 | 322.8 | 15.1 | 14.7 |
| Automotive | 1 | 1.1 | 26.8 | 1.3 | 26.8 |
| Metal casting and blacksmithing | 1 | 1.1 | 1.8 | 0.08 | 1.8 |
| Machinery and equipment | 4 | 4.4 | 138.3 | 6.5 | 34.6 |
| Total | 90 | 100.0 | 2,131.3 | 100.0 | 23.7 |

Source: Ministry of Industries and Mines, Comprehensive Report of 1389

over Rls. 22.2 trillion of which was paid in 1389. Based on the quotas, set and declared by the CBI for commercial and specialized banks by Rls. 387.1 trillion (82.8 percent) and Rls. 80.5 trillion (17.2 percent), respectively, the number of projects referred to agent banks as of the implementation date till end-1389 was 1.1 million, valued at Rls. 672.4 trillion. Share of commercial banks was 84.5 percent (Rls. 568.1 trillion) and that of specialized banks 15.5 percent (Rls. 104.3 trillion).

New Manufacturing Units

The number of establishment permits issued in 1389 amounted to 15.8 thousand, up by 18.2 percent compared with the year before. Meanwhile, investors tended to invest in "non-metallic mineral products", "food and beverages", and "rubber and plastic products" more than other manufacturing groups in this year. These three groups accounted for 53.9 percent of issued establishment permits¹.

¹ Ministry of Industries and Mines revised the guideline on the issuance of establishment permits in 1387. Based on the new guideline, establishment permits are issued solely for priority projects announced by this Ministry and according to national requirements.

The amount of projected investment based on issued establishment permits was Rls. 872.2 trillion, indicating 4.3 percent growth. This figure indicated 20.9 percent fall in 1388. Average investment projected for each manufacturing project, on the basis of establishment permits, decreased by 11.8 percent to Rls. 55.2 billion. Average capital formation per employment opportunity was Rls. 1.9 billion, showing 1.0 percent increase.

Permits Issued in the Mining Sector

In the review year, 827 discovery certificates, with a projected reserve of 3,244.9 million tons of minerals, were issued by the Ministry of Industries and Mines, indicating 3.4 and 116.7 percent rise, respectively. Meanwhile, 997 operation permits, with an actual reserve of 3,416.8 million tons were issued in this year. The extraction capacity of the new mines is estimated at 59.3 million tons, showing 32.7 percent growth. Moreover, 829 exploitation permits, with an extraction

Table 4.6. Number, Investment, and Employment of Establishment and Operation Permits Issued for Manufacturing Groups

| | 1387 | 1388 | 1389 | Percentage change | |
|-------------------------------|---------|--------|--------|-------------------|------|
| | | | | 1388 | 1389 |
| Establishment permits | | | | | |
| Number | 26,238 | 13,380 | 15,813 | -49.0 | 18.2 |
| Investment (trillion rials) | 1,056.9 | 836.4 | 872.2 | -20.9 | 4.3 |
| Employment (thousand persons) | 833.3 | 451.1 | 465.6 | -45.9 | 3.2 |
| Operation permits | | | | | |
| Number | 7,684 | 6,661 | 6,878 | -13.3 | 3.3 |
| Investment (trillion rials) | 226.6 | 207.4 | 194.7 | -8.5 | -6.1 |
| Employment (thousand persons) | 146.3 | 140.6 | 131.2 | -3.9 | -6.7 |

Source: Ministry of Industry, Mine and Trade, Comprehensive Report of 1390

Table 4.7. Average Capital Formation and Employment Generation of New Manufacturing Permits

| | 1387 | 1388 | 1389 | Percentage change | |
|--|----------|----------|----------|-------------------|-------|
| | | | | 1388 | 1389 |
| Establishment permits | | | | | |
| Average capital formation forecast in each project (million rials) | 40,282.4 | 62,512.9 | 55,157.0 | 55.2 | -11.8 |
| Average employment generation forecast by each project (person) | 31.8 | 33.7 | 29.4 | 6.2 | -12.7 |
| Average capital formation per employment opportunity (million rials) | 1,268.4 | 1,854.2 | 1,873.4 | 46.2 | 1.0 |
| Operation permits | | | | | |
| Average capital formation by an industrial unit (million rials) | 29,494.8 | 31,136.9 | 28,303.8 | 5.6 | -9.1 |
| Average employment generation by an industrial unit (person) | 19.0 | 21.1 | 19.1 | 10.8 | -9.6 |
| Average capital formation per employment opportunity (million rials) | 1,548.9 | 1,475.2 | 1,483.5 | -4.8 | 0.6 |

Source: Ministry of Industry, Mine and Trade, Comprehensive Report of 1390

volume of 19.5 million tons, were submitted to applicants, up by 24.2 percent compared with the year before.

Employment

Employment index of large manufacturing establishments increased by 1.6 percent in 1389. The highest rise of this index by 18.6 percent was related to "furniture, manufacturing n.e.c.", followed by "basic metals" by 12.8 percent and "motor vehicles, trailers, and semi-trailers" by 3.9 percent.

Employment index in several manufacturing groups experienced a reduction in this

year. The highest reduction was related to "leather and leather products" by 14 percent, "radio, television and communication equipment and apparatus" (9.1 percent), and "fabricated metal products except machinery and equipment" (7.0 percent).

Data related to employment based on operation permits issued by the Ministry of Industries and Mines indicate that about 131.2 thousand job opportunities were created in the manufacturing sector, showing a decline of 6.7 percent compared with the previous year. Meanwhile, 10.2 thousand job opportunities were created in the mining sector, up by 14.6 percent.

Table 4.8. Issued Mining Permits

| | 1387 | 1388 | 1389 | Percentage change | |
|--|--------------|--------------|--------------|-------------------|------------|
| | | | | 1388 | 1389 |
| Number of exploration permits¹ | 1,731 | 1,650 | 1,755 | -4.7 | 6.4 |
| Discovery certificates² | | | | | |
| Number | 676 | 800 | 827 | 18.3 | 3.4 |
| Reserve (million tons) | 3,242.0 | 1,497.2 | 3,244.9 | -53.8 | 116.7 |
| Operation expenses (billion rials) | 149.3 | 181.3 | 169.7 | 21.4 | -6.4 |
| Operation permits³ | | | | | |
| Number | 656 | 836 | 997 | 27.4 | 19.3 |
| Extraction capacity (million tons) | 54.3 | 44.7 | 59.3 | -17.7 | 32.7 |
| Employment (person) | 10,393 | 8,940 | 10,244 | -14.0 | 14.6 |
| Actual reserve (million tons) | 3,802.9 | 3,496.4 | 3,416.8 | -8.1 | -2.3 |
| Investment (billion rials) | 3,880.9 | 4,378.9 | 5,761.6 | 12.8 | 31.6 |
| Exploitation permits⁴ | | | | | |
| Number | 811 | 864 | 829 | 6.5 | -4.1 |
| Extraction volume (million tons) | 9.7 | 15.7 | 19.5 | 61.9 | 24.2 |

Source: Ministry of Industry, Mine and Trade

¹ It is a license issued by the Ministry of Industries and Mines which permits exploitation of minerals within a specific scope.

² It is an endorsement certificate issued by the Ministry of Industries and Mines in the name of the owner of exploration permit after the completion of exploration and discovery.

³ It is a license issued by the Ministry of Industries and Mines for extracting, ore dressing, and obtaining salable mining products.

⁴ It is a license issued by the Ministry of Industries and Mines for procurement of construction materials required for development projects, exploitation of colluviums and limited and marginal reserves as well as laboratory operations.

Producer Price Index of Manufacturing and Mining Products

In 1389, the Producer Price Index (PPI) increased by 16.6 percent compared with 7.4 percent rise in the year before. A review of the components of this index indicates that the PPI of "manufacturing" group grew by 22.0 percent, accounting for the highest share in the rise of the general PPI by 60.4 percent.

Industrial Exports

In the review year, the weight and value of industrial exports increased by 12.3 and

18.2 percent to 37.6 million tons and \$20.1 billion. The average unit value of industrial exports reached \$535, up by 5.3 percent compared with the previous year. Weight of industrial exports was lower than the year before; however, the value of industrial exports was 2.2 percentage points higher than last year. Value of imports (Customs), which declined by 1.3 percent in 1388, rose by 16.6 percent in 1389.