

Production and investment indices and data in the manufacturing and mining sector in 1391 point to further declines and unfavorable trends which started a couple of years earlier. Based on the preliminary data of national accounts, the value-added growth of the "manufacturing" and "mining" sectors were -8.5 and -2.5 percent, respectively, at constant 1383 prices.

Production

Production index of large manufacturing establishments decreased by 9.0 percent in 1391. Manufacture of "motor vehicles, trailers, and semi-trailers", "electrical machinery and apparatus n.e.c.", and "machinery and equipment n.e.c.", with a total relative weight of 27.1 percent in the mentioned index, fell by 44.4, 23.9, and 23.0 percent, respectively. "Employment" index decreased by 2.4 percent while "wage" index increased by 15.7 percent.

Production of Selected Industries

In 1391, a total of 921.4 thousand light- and heavy-duty vehicles were manufactured,

down by 43.9 percent compared with 1390. In the Production Plan of the Automotive Industry, it was envisaged that 2,016.6 thousand vehicles should be manufactured in 1391. However, only 45.7 percent of the production target was actualized in this year. Production of cement and crude steel recorded lower growth figures than the year before.

Figure 4.1. Growth in value-added of manufacturing and mining sector (at constant 1383 prices)

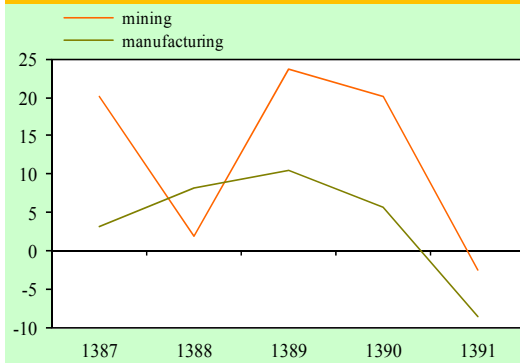


Table 4.1. Selected Manufacturing and Mining Products

	1389	1390	1391	Percentage change	
				1390	1391
Cement (million tons)	61.6	66.5	70.1	7.9	5.5
Light-duty vehicles ¹ (thousand)	1,555.0	1,602.0	903.9	3.0	-43.6
Crude steel (million tons)	12.7	14.1	14.8	10.6	5.3
Copper cathode (thousand tons)	221.1	235.0	213.5	6.3	-9.1
Aluminum bar (thousand tons)	303.0	318.0	277.5	5.0	-12.7

Source: Ministry of Industry, Mine, and Trade; Report for 1384-1391

¹ Source: SAPCO (Supplying Automotive Parts Company) - Including various types of passenger cars, pick-ups, vans, ambulances, and double-differential cars

Chapter 4 MANUFACTURING AND MINING

According to the National Petrochemical Company, petrochemical products (including the performance of privatized companies) amounted to 41.1 million tons in 1391, indicating 3.9 percent decrease. Furthermore, the weight of petrochemical exports fell by 18.3 percent to 15.8 million tons. The value of petrochemical exports reached \$12.1 billion, down by 20.5 percent compared with the previous year. In this year, 13.3 million tons of petrochemical products were sold in the domestic market, showing a growth rate of 10.5 percent compared with the year before.

Government Investment

Based on the Budget Law for 1391, government approved Rls. 6,449.4 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, a sum of Rls. 720.4 billion was allocated to the mentioned sector and project, down by 87.5 percent compared with the performance of the year before.

In this year, a sum of Rls. 9.0 billion was paid to the "industrial research project in manufacturing and mining sector", showing 65.8 percent decrease. The share of the industrial research project in total credits approved to be allocated to the manufacturing and mining sector was 1.2 percent.

Table 4.2. Performance of Petrochemical Industry

	1389	1390	1391	Percentage change	
				1390	1391
Production (thousand tons)¹	40,175	42,736	41,064	6.4	-3.9
Exports					
Weight (thousand tons)	17,861	19,282	15,757	8.0	-18.3
Value (million dollars)	11,559	15,177	12,061	31.3	-20.5
Domestic sales					
Volume (thousand tons)	10,532	12,010	13,273	14.0	10.5
Value (billion rials)	67,692	112,264	174,777	65.8	55.7

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.

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

	Percentage change						Share (percent)		(billion rials)	
	1389	1390	1391	Percentage change		Share (percent)		1391		
				1390	1391	1390	1391	Approved	Realization (percent)	
Manufacturing and mining sector	2,311.0	5,718.4	711.4	147.4	-87.6	99.5	98.8	6,414.3	11.1	
Industrial research project in manufacturing and mining sector	18.9	26.3	9.0	39.3	-65.8	0.5	1.2	35.0	25.7	
Total	2,329.9	5,744.8	720.4	146.6	-87.5	100.0	100.0	6,449.4	11.2	

Source: Treasury General, Ministry of Economic Affairs and Finance

A review of government budget performance in 1391 reveals that 11.2 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 by 72.0 percent was related to "exploration and operation of mines" project, followed by "geology" by 56.5 percent.

Banking Facilities

By end-1391, total outstanding facilities (net) extended to public and non-public manufacturing and mining sectors (excluding profit and revenue receivables) grew by 10.5 percent compared with the previous year-end to reach Rls. 782.3 trillion. Accordingly, 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 non-bank credit institutions to all non-public economic sectors was 13.9 percent.

In 1391, of total Rls. 1,955.9 trillion loans and facilities allocated by banks and non-bank credit institutions to various economic sectors, a sum of Rls. 619.3 trillion

was extended to the manufacturing and mining sector, showing 2.3 percent decrease compared with 1390. Therefore, the share of the manufacturing and mining sector in total allocated facilities was 31.7 percent. The significant difference between the share of the manufacturing and mining sector in total loans (31.7 percent) with the share of change in outstanding facilities extended to this sector (12 percent) relates to the extension of short-term facilities, aimed at financing the working capital of manufacturing units.

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

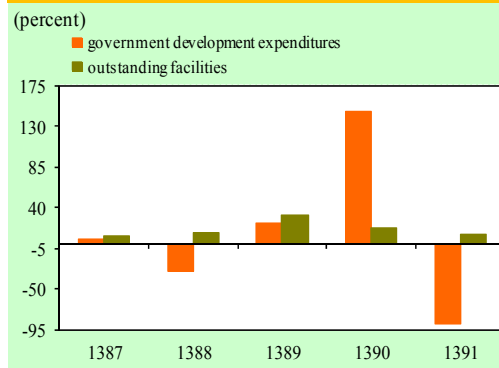


Table 4.4. Outstanding Facilities Extended by Banks and Non-bank Credit Institutions to Manufacturing and Mining Sector¹

(billion rials)

	Year-end		Percentage change	1391		
	1390	1391		Change in outstanding	Total change in outstanding ²	Relative share (percent)
Non-public sector	705,134.9	775,740.2	10.0	70,605.3	509,582.7	13.9
Public sector	3,075.2	6,604.3	114.8	3,529.2	108,095.3	3.3
Total	708,210.1	782,344.6	10.5	74,134.5	617,678.0	12.0

¹ Excluding profit and revenue receivables

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

New Manufacturing Units

The number of establishment permits issued in 1391 reached 15.5 thousand, down by 3.0 percent compared with the year before. Reviewing the number of issued establishment permits based on different industrial groups indicates that investors tended to invest in "non-metallic mineral products" (20.5 percent), "food and beverages" (14.5 percent), and "rubber and plastic products" (11.3 percent) more than other manufacturing groups in this year. Therefore, about 46.2 percent of issued establishment permits were related to these three industrial groups.

The amount of projected investment based on issued establishment permits was Rls. 640.8 trillion, indicating 21.5 percent decrease compared with 1390. Average investment projected for each manufacturing project, on the basis of establishment permits, decreased by 19.1 percent to Rls. 41.4 billion. Average capital formation per employment opportunity, based on establishment permits, was Rls. 1,800.1 million, up by 2.8 percent.

A total of 4,084 operation permits, with an investment of Rls. 86.8 trillion at current prices, were issued in this year, showing 35.7 and 45.6 percent decrease, respectively. "Food and beverages", "non-metallic mineral products", and "rubber and plastic products"

industries had the highest shares in the number of issued operation permits by 17.3, 16.8, and 14.5 percent, respectively. Average capital formation by an industrial unit, based on operation permits, was Rls. 21.3 billion, showing 15.5 percent decline compared with the year before.

Permits Issued in the Mining Sector

In 1391, a total of 786 discovery certificates, with a projected reserve of 1,477 million tons of minerals, were issued by the Ministry of Industry, Mine, and Trade. Moreover, 821 operation permits with an actual reserve of 2,331 million tons and an extraction capacity of 43 million tons were issued, showing 36.3 percent decrease in extraction capacity. A total of 1,475 exploitation permits, with an extraction volume of 50 million tons were awarded to applicants, showing 97.7 and 199.0 percent increase, respectively.

Employment in Manufacturing and Mining Sector

Considering Iran's demographic structure, employment generation has been a major challenge facing the Iranian economy over the recent years. Data related to employment

Table 4.5. Number, Investment, and Employment of Establishment and Operation Permits Issued for Manufacturing Groups

	1389	1390 ▲	1391	Percentage change	
				1390	1391
Establishment permits					
Number	15,839	15,948	15,469	0.7	-3.0
Investment (trillion rials)	881.3	816.4	640.8	-7.4	-21.5
Employment (thousand persons)	467.2	466.2	356.0	-0.2	-23.6
Operation permits					
Number	6,891	6,348	4,084	-7.9	-35.7
Investment (trillion rials)	194.1	159.6	86.8	-17.8	-45.6
Employment (thousand persons)	131.1	111.2	69.8	-15.2	-37.2

Source: Ministry of Industry, Mine, and Trade

based on issued operation permits indicate that 69.8 thousand job opportunities were created in the manufacturing sector, and 7.5 thousand job opportunities were created in the mining sector. Based on the report released by the Ministry of Industry, Mine, and Trade, the number of persons employed in the manufacturing sector in 1391, based on operation permits, was 17 on average. Average capital formation per employment opportunity, based on operation permits, decreased by 13.3 percent and reached Rls. 1,244.0 million.

Producer Price Index of Manufacturing and Mining Products

The Producer Price Index (PPI) measures the average change over time in prices received by domestic producers for their output. The PPI, along with the Consumer Price Index (CPI), is a primary measure of inflation. In 1391, general PPI grew by 29.6

percent compared with 1390. Corresponding growth figure of the year before was 34.2 percent. The PPI of "manufacturing" group grew by 29.6 percent in 1391, compared with the year before.

Industrial Exports

In 1391, the weight and value of industrial exports decreased by respectively 1.5 and 8.9 percent, to 44.3 million tons and \$25.1 billion, respectively. Therefore, the average value of industrial exports was \$567.6 per ton, which shows 7.5 percent decrease compared with the year before. Major items of industrial exports in this year included "gas and oil products" with a share of 20.5 percent in the value of industrial exports, "rubber and plastic products" with a share of 14.5 percent, "organic chemicals" with 13.7 percent, and "soil and stone, cement, plaster, stone and ceramic products" with 7.5 percent.

Table 4.6. Average Capital Formation and Employment Generation of New Manufacturing Permits

	1389	1390▲	1391	Percentage change	
				1390	1391
Establishment permits					
Average capital formation forecast in each project (million rials)	55,640	51,193	41,426	-8.0	-19.1
Average employment generation forecast by each project (person)	29	29	23	-0.9	-21.3
Average capital formation per employment opportunity (million rials)	1,886	1,751	1,800	-7.2	2.8
Operation permits					
Average capital formation by an industrial unit (million rials)	28,163	25,137	21,250	-10.7	-15.5
Average employment generation by an industrial unit (person)	19	18	17	-7.9	-2.4
Average capital formation per employment opportunity (million rials)	1,480	1,435	1,244	-3.1	-13.3

Source: Ministry of Industry, Mine, and Trade

Chapter 4 MANUFACTURING AND MINING

Table 4.7. Issued Mining Permits

	1389	1390	1391	Percentage change	
				1390	1391
Number of exploration permits¹	1,755	1,544	1,708	-12.0	10.6
Discovery certificates²					
Number	827	882	786	6.7	-10.9
Reserve (million tons)	3,245	3,891	1,477	19.9	-62.0
Operation expenses (billion rials)	170	285	490	68.0	72.0
Operation permits³					
Number	997	1,040	821	4.3	-21.1
Extraction capacity (million tons)	59	68	43	14.9	-36.3
Employment (person)	10,244	10,415	7,485	1.7	-28.1
Actual reserve (million tons)	3,417	2,676	2,331	-21.7	-12.9
Investment (billion rials)	5,762	9,622	7,328	67.0	-23.8
Exploitation permits⁴					
Number	829	746	1,475	-10.0	97.7
Extraction volume (million tons)	19	17	50	-14.8	199.0

Source: Ministry of Industry, Mine, and Trade

¹ It is a license issued by the Ministry of Industry, Mine, and Trade which permits exploitation of minerals within a specific scope.

² It is an endorsement certificate issued by the Ministry of Industry, Mine, and Trade 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 Industry, Mine, and Trade for extracting, ore dressing, and obtaining salable mining products.

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