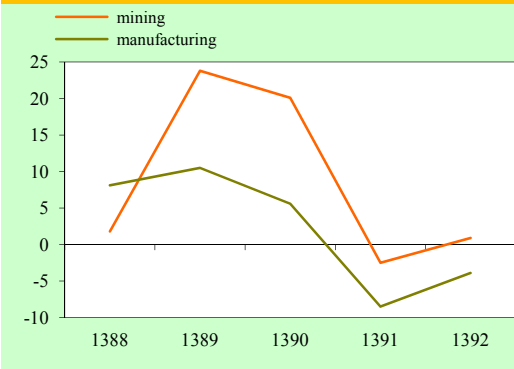


The manufacturing developments in the year 1392 indicate weak performance and difficult conditions in this sector. The value-added of this sector declined by 3.9 percent in real terms. The mining sector, on the other hand, experienced minor growth by 0.9 percent.

Production

Production index of large manufacturing establishments decreased by 4.8 percent in 1392. "Motor vehicles, trailers, and semi-trailers", "chemical products", and "food" industries, with a total relative weight of 49.9 percent in this index, declined by 20.3, 9.8, and 1.4 percent, respectively. Moreover, "employment" index fell by 0.6 percent while "wage" index rose by 28.4 percent.

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



Production of Selected Industries

In 1392, a total of 737.1 thousand light- and heavy-duty vehicles were manufactured, down by 20.0 percent compared with 1391. In the Production Plan of the Automotive Industry, it was envisaged that 1,212.1 thousand vehicles should be manufactured in 1392. Therefore, 60.8 percent of the production target was actualized in this year. Production of copper (cathode) recorded 11.7 percent reduction compared with the year before.

Table 4.1. Selected Manufacturing and Mining Products

	1390	1391	1392	Percentage change	
				1391	1392
Cement (million tons)	66.5	70.1	71.0	5.5	1.3
Light-duty vehicles ¹ (thousand)	1,602.0	903.9	729.5	-43.6	-19.3
Crude steel (million tons)	14.1	14.8	15.5	5.3	4.4
Copper cathode (thousand tons)	235.0	213.5	188.6	-9.1	-11.7
Aluminum bar (thousand tons)	318.0	277.5	299.4	-12.7	7.9

Source: Ministry of Industry, Mine, and Trade.

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

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According to the National Petrochemical Company, petrochemical products (including the performance of privatized companies) amounted to 40.6 million tons in 1392, indicating 1.2 percent decrease compared with the year before. Furthermore, the volume (weight) of petrochemical exports amounted to 12.8 million tons, showing 18.6 percent decrease compared with 1391. The value of petrochemical exports reached \$9.9 billion, down by 18.2 percent compared with the previous year. The volume of domestic sales of petrochemical products increased by 9.4 percent in this year, however, the remarkable rise in the price of these products led to 79.5 percent growth in the value of petrochemical products' domestic sales.

Government Investment

Based on the 1392 Budget Law, government approved Rls. 5,934.9 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, a sum of Rls. 2,875.0 billion was paid to the mentioned sector and project, up by 299.1 percent compared with 1391. A review of government budget performance in 1392 reveals that 48.4 percent of credits approved for the acquisition of non-financial assets projects in the mentioned sector and project were realized. The highest realization by 76.9 percent was related to "manufacturing and mining infrastructures" project, followed by "geology" by 63.2 percent.

Table 4.2. Performance of Petrochemical Industry

	1390	1391	1392	Percentage change	
				1391	1392
Production (thousand tons)¹	42,736	41,064	40,574	-3.9	-1.2
Exports					
Volume (thousand tons)	19,282	15,757	12,827	-18.3	-18.6
Value (million dollars)	15,177	12,061	9,869	-20.5	-18.2
Domestic sales					
Volume (thousand tons)	12,010	13,273	14,525	10.5	9.4
Value (billion rials)	112,264	174,777	313,765	55.7	79.5

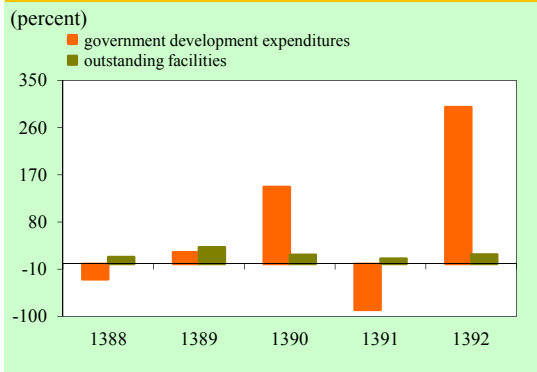
Source: National Petrochemical Company.

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

	(billion rials)								
				Percentage change		Share (percent)		1392	
	1390	1391	1392	1391	1392	1391	1392	Approved	Realization (percent)
Manufacturing and mining sector	5,718.4	711.4	2,875.0	-87.6	304.1	98.8	100.0	5,934.9	48.4
Industrial research project in manufacturing and mining sector	26.3	9.0	0.0	-65.8	-100.0	1.2	0.0	0.0	0
Total	5,744.8	720.4	2,875.0	-87.5	299.1	100.0	100.0	5,934.9	48.4

Source: Treasury General, Ministry of Economic Affairs and Finance.

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

Banking Facilities

By end-1392, total outstanding facilities (net) extended to public and non-public manufacturing and mining sectors (excluding profit and revenue receivables) grew by 17.9 percent compared with the previous year-end to reach Rls. 922.2 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 18.3 percent.

In 1392, of total Rls. 2,362.2 trillion loans and facilities allocated by banks and non-bank credit institutions to various economic sectors, a sum of Rls. 706.0 trillion was extended to the manufacturing and mining sector, showing 14.0 percent increase compared with 1391. Of total sum paid to the manufacturing and mining sector, 73.7 percent was in the form of working capital. The share of the manufacturing and mining sector in total allocated facilities was 29.9 percent.

New Manufacturing Units

The number of establishment permits issued in 1392 reached 17.2 thousand, up by 19.3 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 "other non-metallic mineral products" (20.5 percent), "food and beverages" (12.5 percent), and "rubber and plastic products" (11.1 percent) more than other manufacturing groups in this year. Therefore, about 44.2 percent of issued establishment permits were related to these three industrial groups.

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

(billion rials)

	Year-end		Percentage change	1392		
	1391	1392		Change in outstanding	Total change in outstanding ²	Relative share (percent)
Non-public sector	775,740.2	914,374.6	17.9	138,634.4	756,074.0	18.3
Public sector	6,604.3	7,785.1	17.9	1,180.8	158,471.3	0.7
Total	782,344.6	922,159.7	17.9	139,815.2	914,545.4	15.3

¹ Excludes profit and revenue receivables.

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

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The amount of projected investment based on issued establishment permits was Rls. 1,104.2 trillion, indicating 101.5 percent increase compared with 1391. Average investment projected for each manufacturing project, on the basis of establishment permits, increased by 68.8 percent to Rls. 64.0 billion. Average capital formation per employment opportunity, based on establishment permits, was Rls. 2,440.4 million, up by 48.2 percent.

A total of 2,498 operation permits, with an investment of Rls. 77.0 trillion (at current

prices) were issued in this year, showing 20.5 percent decrease in the number of operation permits and 28.4 percent increase in investment. "Other non-metallic mineral products" had the highest share in the number of issued operation permits by 16.5 percent, followed by "rubber and plastic products" and "food and beverages" industries with 15.8 and 12.9 percent, respectively. In 1392, average capital formation by an industrial unit, based on operation permits, was Rls. 30.8 billion, indicating 61.4 percent increase compared with the year before.

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

	1390▲	1391▲	1392	Percentage change	
				1391	1392
Establishment permits					
Number	15,784	14,456	17,249	-8.4	19.3
Investment (trillion rials)	801.2	548.1	1,104.2	-31.6	101.5
Employment (thousand persons)	460.0	332.9	452.5	-27.6	35.9
Operation permits					
Number	4,747	3,141	2,498	-33.8	-20.5
Investment (trillion rials)	91.2	60.0	77.0	-34.2	28.4
Employment (thousand persons)	79.8	54.7	46.8	-31.4	-14.4

Source: Ministry of Industry, Mine, and Trade.

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

	1390▲	1391▲	1392	Percentage change	
				1391	1392
Establishment permits					
Average capital formation forecast in each project (million rials)	50,757	37,917	64,018	-25.3	68.8
Average employment generation forecast by each project (person)	29	23	26	-21.0	13.9
Average capital formation per employment opportunity (million rials)	1,741	1,646	2,440	-5.5	48.2
Operation permits					
Average capital formation by an industrial unit (million rials)	19,209	19,105	30,837	-0.5	61.4
Average employment generation by an industrial unit (person)	17	17	19	3.6	7.7
Average capital formation per employment opportunity (million rials)	1,143	1,097	1,645	-4.0	49.9

Source: Ministry of Industry, Mine, and Trade.

Permits Issued in the Mining Sector

A total of 885 discovery certificates, with a projected reserve of 2,250 million tons of minerals, were issued by the Ministry of Industry, Mine, and Trade, in 1392. Based on relevant data, the provinces of Yazd, Markazi, Kerman, and Khorasan Razavi, with respectively 8.0, 7.9, 7.6, and 7.0 percent share in total number of discovery certificates, accounted for the highest number of certificates in the whole country. Moreover, 837 operation permits with an actual reserve of 3,511 million tons and an extraction capacity of 60 million tons were issued, showing 39.1 percent increase in extraction capacity. A total of 1,769 exploitation permits, with an extraction volume of 68 million tons were awarded to applicants, showing 19.9 and 37.0 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 based on issued operation permits indicate that 46.8 thousand job opportunities were created in the manufacturing sector, and 9.0 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 1392, based on operation permits, was 19 on average. Average capital formation per employment opportunity, based on operation permits, increased by 49.9 percent and reached Rls. 1,645.0 million.

Table 4.7. Issued Mining Permits

	1390	1391	1392	Percentage change	
				1391	1392
Number of exploration permits¹	1,544	1,708	2,142	10.6	25.4
Discovery certificates²					
Number	882	786	885	-10.9	12.6
Reserve (million tons)	3,891	1,477	2,250	-62.0	52.3
Operation expenses (billion rials)	285	490	630	72.0	28.6
Operation permits³					
Number	1,040	821	837	-21.1	1.9
Extraction capacity (million tons)	68	43	60	-36.3	39.1
Employment (person)	10,415	7,485	9,012	-28.1	20.4
Actual reserve (million tons)	2,676	2,331	3,511	-12.9	50.7
Investment (billion rials)	9,622	7,328	10,729	-23.8	46.4
Exploitation permits⁴					
Number	746	1,475	1,769	97.7	19.9
Extraction volume (million tons)	17	50	68	199.0	37.0

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.

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 1392, general PPI grew by 34.5 percent (base year: 1390) compared with the year before. Corresponding growth figure of 1391 was 32.4 percent (1390=100). The PPI of "manufacturing" group grew by 34.9 percent in 1392, compared with the year before.

Industrial Exports

In 1392, the volume (weight) of industrial exports increased by 12.3 percent to 49.7 million tons while the value of industrial exports decreased by 0.1 percent to \$25.1 billion. Therefore, the average value of industrial exports was \$504.9 per ton, down by 11.0 percent compared with 1391. Major items of industrial exports included "gas and oil products" with a share of 21.6 percent in the value of industrial exports, "rubber and plastic products" with a share of 17.2 percent, "organic chemicals" with 13.9 percent, and "cast iron, iron, steel, and their articles" with 8.9 percent.