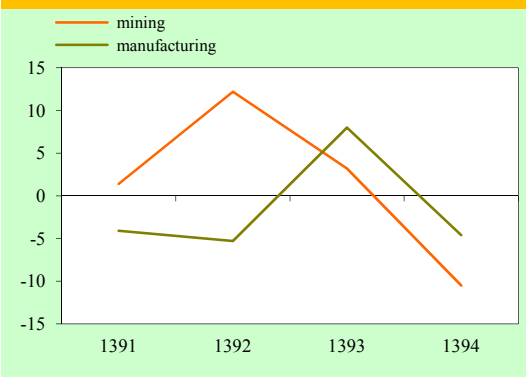


The performance of the manufacturing and mining sector reflects strenuous conditions for production in 1394. Based on preliminary data on national accounts, the value-added growth figures for "manufacturing" and "mining" subsectors indicate respectively 4.6 and 10.5 percent reduction at constant 1390 prices.

Figure 4.1. Growth in value-added of manufacturing and mining sector (at constant 1390 prices)



Production

The production index of large manufacturing establishments declined by 2.9 percent in 1394. Manufacture of "basic metals", "motor vehicles, trailers, and semi-trailers", "non-metallic mineral products", and "electrical machinery and apparatus", with a total relative weight of 49.7 percent, decreased by respectively 5.5, 14.9, 8.6, and 15.8 percent

and the "employment" index decreased by 1.2 percent in 1394.

Production of Selected Industries

In 1394, a total of 976.8 thousand light- and heavy-duty vehicles were manufactured, down by 13.6 percent compared with 1393. In the Production Plan of the Automotive Industry, it was envisaged that 1,424.3 thousand vehicles should be manufactured in 1394. Therefore, 68.6 percent of the production target was actualized in this year. Production of crude steel, cement, and copper cathode decreased by respectively 0.6, 11.7, and 1.5 percent compared with 1393 while products such as aluminum bar, glass, and glassware experienced respectively 3.8, 19.7, and 23.5 percent increase compared with 1393.

According to the National Petrochemical Company, petrochemical products (including the performance of privatized companies) amounted to 46.4 million tons in 1394, indicating 4.3 percent increase compared with the year before. Furthermore, the volume (weight) of petrochemical exports amounted to 18.8 million tons, showing 18.4 percent rise compared with 1393. The value of petrochemical exports reached \$9.6 billion, down by 6.7 percent compared with the previous year. Domestic sales of petrochemical products decreased by 14.5 and 27.6 percent in this year, in terms of volume and value, respectively.

Government Investment

Based on the 1394 Budget Law, government approved Rls. 5,618.1 billion for the implementation and completion of acquisition of non-financial-national assets projects in manufacturing and mining sector and industrial and commercial research and development programs. According to the Treasury General, Rls. 1,342.1 billion was paid on this purpose, down by 40.9 percent compared to 1393. It is noteworthy that 23.9 percent of credits approved for the acquisition of non-financial assets' projects in this sector were realized. The highest realization figures of 50.0 and 30.9 percent were related to "exploration and operation of mines" and "geology" projects, respectively.

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

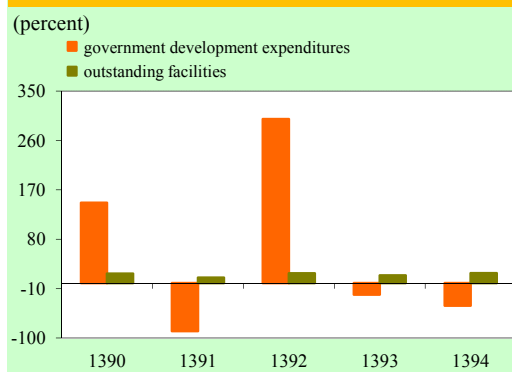


Table 4.1. Selected Manufacturing and Mining Products

	1392	1393	1394	Percentage change	
				1393	1394
Cement (million tons)	71.0	66.5	58.7	-6.4	-11.7
Light-duty vehicles ¹ (thousand)	729.5	1,109.3	965.8	52.1	-12.9
Crude steel (million tons)	15.5	16.8	16.7	8.6	-0.6
Copper cathode (thousand tons)	188.6	193.6	190.7	2.7	-1.5
Aluminum bar (thousand tons)	299.4	287.0	298.0	-4.1	3.8

Source: Ministry of Industry, Mine, and Trade.

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

Table 4.2. Performance of Petrochemical Industry

	1392	1393	1394	Percentage change	
				1393	1394
Production (thousand tons)¹	40,574	44,511	46,411	9.7	4.3
Exports					
Volume (thousand tons)	12,827	15,886	18,809	23.9	18.4
Value (million dollars)	9,869	10,273	9,586	4.1	-6.7
Domestic sales					
Volume (thousand tons)	14,525	16,333	13,968	12.4	-14.5
Value (billion rials)	313,765	333,489	241,485	6.3	-27.6

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.

Banking Facilities

By end-1394, total outstanding facilities (net) extended to public and non-public manufacturing and mining sectors (excluding profit and revenue receivables) grew by 18.4 percent compared with the previous year-end to reach Rls. 1,243.4 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 17.1 percent.

In 1394, of total Rls. 4,173.2 trillion loans and facilities allocated by banks and non-bank credit institutions to various economic sectors, a sum of Rls. 1,219.5 trillion was extended to the manufacturing and mining sector, showing 14.5 percent increase compared with 1393. Of the total sum paid to the manufacturing and mining sector, 82.2 percent was in the form of working capital financing facilities. The share of the manufacturing and mining sector in total allocated facilities was 29.2 percent.

Banking System Contribution to Economic Stimulus Package

Sharp reduction in global crude oil prices, which led to a decline in economic

growth in the 4th quarter of 1393, raised concerns about the path of economic growth for 1394. Therefore, the government team of economic experts adopted a new economic stimulus package. In compliance with the MCC Approval of Mehr 28, 1394, CBI initiated an active role in implementing the policies declared in the stimulus package. One of the most important policies of the CBI in this regard was the funding of debt purchase contracts concluded between the agent banks and their clients (domestic automakers and manufacturers of agricultural machinery) for the rediscount of commercial papers submitted to agent banks. By the end of the package, a sum of Rls. 27.7 trillion was provided by the CBI to the agent banks for the purchase of the commercial papers of 127.5 thousand vehicles and Rls. 8.2 trillion was allocated for the purchase of the intermediate goods required by the manufacturing units. Moreover, the funding required for the issuance of credit cards for the purchase of domestically-manufactured goods, to be delivered to the target groups, was financed by the CBI. The objective of the stimulus package was to strengthen the purchasing power of households and the support for domestic production and demand.

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

									(billion rials)	
				Percentage change		Share (percent)		1394		
	1392	1393	1394	1393	1394	1393	1394	Approved	Realization (percent)	
Manufacturing and mining sector	2,875.0	2,271.9	1,329.3	-21.0	-41.5	100.0	99.0	5,555.7	23.9	
Industrial and commercial research and development projects	0.0	0.0	12.8	0	0	0.0	1.0	62.4	20.4	
Total	2,875.0	2,271.9	1,342.1	-21.0	-40.9	100.0	100.0	5,618.1	23.9	

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

New Manufacturing Units

The number of establishment permits issued in 1394 reached 14.8 thousand, down by 11.9 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 "food and beverages" (17.8 percent), "other non-metallic mineral products" (13.0 percent), and "rubber and plastic products" (11.7 percent) more than the other manufacturing groups in this year. Therefore, 42.5 percent of issued establishment permits were related to these three industrial groups.

The amount of projected investment based on issued establishment permits was Rls. 1,160.7 trillion, indicating 19.5 percent increase compared with 1393. Average investment projected for each manufacturing project, based on establishment permits,

increased by 35.6 percent to Rls. 78.2 billion. Average capital formation per employment opportunity, based on establishment permits, was Rls. 3,181.8 million, up by 32.4 percent.

A total of 4,838 operation permits, with an investment of Rls. 175.0 trillion (at current prices) were issued in this year, showing 2.6 percent decrease in the number of operation permits and 19.4 percent increase in investment. "Food and beverages" had the highest share in the number of issued operation permits by 17.3 percent, followed by "rubber and plastic products" and "chemical products" industries with 12.7 and 11.5 percent, respectively. In 1394, the average capital formation by an industrial unit, based on operation permits, amounted to Rls. 36.2 billion, indicating 22.6 percent increase compared with the year before.

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

(trillion rials)

	Year-end		1394			
	1393	1394	Percentage change	Change in outstanding	Total change in outstanding ²	Relative share (percent)
Non-public sector	1,042.8	1,232.5	18.2	189.7	1,107.6	17.1
Public sector	7.2	10.9	51.0	3.7	490.8	0.8
Total	1,050.0	1,243.4	18.4	193.4	1,598.4	12.1

¹ Excludes profit and revenue receivables.

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

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

	1392	1393	1394	Percentage change	
				1393	1394
Establishment permits					
Number	17,249	16,841	14,844	-2.4	-11.9
Investment (trillion rials)	1,104.2	971.1	1,160.7	-12.1	19.5
Employment (thousand persons)	452.5	404.1	364.8	-10.7	-9.7
Operation permits					
Number	4,168	4,966	4,838	19.1	-2.6
Investment (trillion rials)	148.6	146.6	175.0	-1.4	19.4
Employment (thousand persons)	76.4	80.0	76.3	4.6	-4.6

Source: Ministry of Industry, Mine, and Trade.

Permits Issued in the Mining Sector

The total number of discovery certificates issued by the Ministry of Industry, Mine, and Trade decreased by 42.0 percent to reach 520 and the number of issued operation permits, aimed at putting more mines into operation, came to 578 in 1394. Meanwhile, 807 exploitation permits were awarded to applicants, showing 36.1 percent decline compared with the year before.

Employment in Manufacturing and Mining Sector

Data related to employment based on issued operation permits indicate that 76.3 thousand job opportunities were created in the manufacturing sector in 1394. Based on the report released by the Ministry of Industry, Mine, and Trade, the number of persons employed in the manufacturing sector, based on operation permits, reached 16 on average. On this basis, the average capital formation per employment opportunity increased by 25.1 percent compared with the year before to reach Rls. 2,292.5 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 1394, the general PPI grew by 4.9 percent (base year: 1390) compared with 14.8 percent growth in 1393. Moreover, the PPI for "manufacturing" group decreased by 0.4 percent compared with the year before.

Industrial Exports

In 1394, the weight of industrial exports rose 2.4 percent to reach 58.1 million tons while their value fell by 7.7 percent to \$26.9 billion. Therefore, the average value of industrial exports was \$462.9 per ton, down by 9.8 percent compared with 1393. Major items of industrial exports included "gas and oil products" with a share of 26.8 percent in the value of industrial exports, "rubber and plastic products" with 17.6 percent, "organic chemicals" with 13.7 percent, and "cast iron, iron, steel, and their articles" with 10.2 percent.

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

	1392	1393	1394	Percentage change	
				1393	1394
Establishment permits					
Average capital formation forecast in each project (million rials)	64,018	57,664	78,194	-9.9	35.6
Average employment generation forecast by each project (person)	26	24	25	-8.5	2.4
Average capital formation per employment opportunity (million rials)	2,440	2,403	3,182	-1.5	32.4
Operation permits					
Average capital formation by an industrial unit (million rials)	35,651	29,516	36,177	-17.2	22.6
Average employment generation by an industrial unit (person)	18	16	16	-12.2	-2.0
Average capital formation per employment opportunity (million rials)	1,944	1,832	2,292	-5.7	25.1

Source: Ministry of Industry, Mine, and Trade.

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Table 4.7. Number of Issued Mining Permits

	1392	1393 ▲	1394	Percentage change	
				1393	1394
Exploration permits ¹	1,977	1,020	655	-48.4	-35.8
Discovery certificates ²	859	896	520	4.3	-42.0
Operation permits ³	926	988	578	6.7	0 ⁵
Exploitation permits ⁴	1,595	1,263	807	-20.8	-36.1

Source: Ministry of Industry, Mine, and Trade.

¹ It is a license issued by the Ministry of Industry, Mine, and Trade which permits exploration 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.

⁵ As of 1394, mining operation permits only include the newly issued operation permits, excluding the renewed ones. Therefore, data for 1394 are not comparable with the previous year.