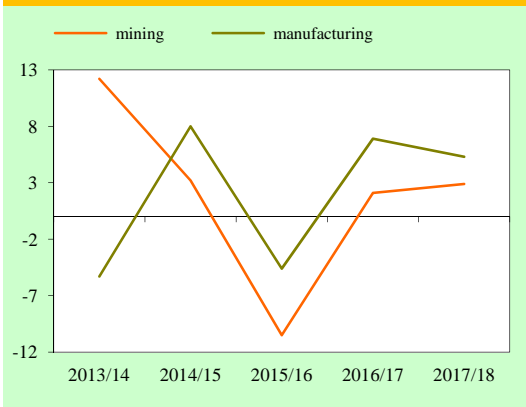


Major indices in manufacturing and mining sector indicated favorable trends in 2017/18. Based on preliminary data of national accounts, the value-added growth rates for "manufacturing" and "mining" sectors indicated respectively 5.3 and 2.9 percent growth, in 2017/18, at constant 2011/12 prices.

Figure 4.1. Growth in value of manufacturing and mining sector (at constant 2011/12 prices)



Production

The production index of large manufacturing establishments increased by 6.3 percent in 2017/18. Manufacture of "motor vehicles, trailers, and semi-trailers", "non-metallic mineral products", "food products", "chemical products", and "base metals" with a relative weight of 75.1 percent in the total production index of large manufacturing establishments, increased by respectively 10.9, 9.9, 8.0, 6.3, and 3.3 percent. The employment and wage indices increased by 1.0 and 19.3 percent in 2017/18, respectively.

Production of Selected Industries

In 2017/18, a total of 1,535.8 thousand light- and heavy-duty vehicles were manufactured, up by 13.8 percent compared with 2016/17. In this year, 89 percent of total production capacity of the automotive industry was utilized. Meanwhile, the production of crude steel increased by 11.0 percent while products such as cement and copper cathode decreased by respectively 1.5 and 16.0 percent.

Table 4.1. Selected Manufacturing and Mining Products

	2015/16	2016/17	2017/18	Percentage change	
				2016/17	2017/18
Cement (million tons)	57.9	55.5	54.7	-4.1	-1.5
Light-duty vehicles ¹ (thousand)	965.8	1,333.1	1,516.1	38.0	13.7
Crude steel (million tons)	16.5	18.8	20.8	13.5	11.0
Copper cathode (thousand tons)	193.1	190.1	159.6	-1.5	-16.0
Aluminum bar (thousand tons)	353.3	338.8	351.0	-4.1	3.6

Source: Ministry of Industry, Mine, and Trade.

¹Source: SAPCO (Supplying Automotive Parts Company) - Includes various types of passenger cars, pickup trucks, 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 53.6 million tons in 2017/18, indicating 6.0 percent increase compared with the year before. Furthermore, the volume (weight) of petrochemical exports amounted to 22.4 million tons, showing 7.5 percent rise compared with 2016/17. The value of petrochemical exports reached \$12.0 billion, up by 22.5 percent compared with the year before. Domestic sales of petrochemical products rose by 9.0 percent in terms of volume and 30.7 percent in terms of value.

Government Investment

According to the Treasury General, the government approved a sum of Rls. 18.3 trillion in the 2017/18 Budget Law for the implementation and completion of acquisition of non-financial assets' projects in the manufacturing and mining sector. It is to be

noted that Rls. 7.2 trillion was paid on this purpose in this year, which is equal to 39.3 percent of the approved credits. The highest performance rate of the budget by 73.3 percent was related to "raising public awareness on national standards" program heading, followed by "provision, development, reinforcement, repair, and maintenance of buildings and machinery" by 64.5 percent.

Banking Facilities

By March 2018, net outstanding facilities extended to manufacturing and mining activities (public and non-public sectors) grew by 15.9 percent to reach Rls. 1,657.8 trillion, excluding profit and revenue receivables. 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 non-bank credit institutions to all non-public sectors of the economy was 15.7 percent.

Table 4.2. Performance of Petrochemical Industry

	2015/16	2016/17	2017/18	Percentage change	
				2016/17	2017/18
Production (thousand tons)¹	46,411	50,614	53,629	9.1	6.0
Exports					
Volume (thousand tons)	18,809	20,851	22,410	10.9	7.5
Value (million dollars)	9,586	9,803	12,012	2.3	22.5
Domestic sales					
Volume (thousand tons)	13,968	16,204	17,665	16.0	9.0
Value (billion rials)	241,485	297,826	389,168	23.3	30.7

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.

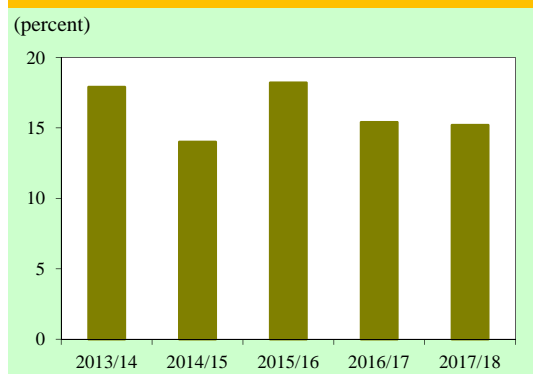
Table 4.3. Credits for Acquisition of Non-financial Assets in Manufacturing and Mining Sector

(billion rials)

	2016/17	2017/18	Percentage change	2017/18	
				Approved	Performance (percent)
Manufacturing and mining sector	1,849.1	7,216.8	290.3	18,341.9	39.3

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

Figure 4.2. Change in outstanding facilities extended by banking system to non-public manufacturing and mining sector



In 2017/18, of total Rls. 6,139.1 trillion of loans and facilities allocated by banks and non-bank credit institutions to various economic sectors, a sum of Rls. 1,742.2 trillion was extended to the manufacturing and mining sector, showing 8.3 percent increase compared with 2016/17. Of the total sum paid to the manufacturing and mining sector, 83.6 percent was in the form of financing facilities for working capital. The share of the manufacturing and mining sector in total allocated facilities was 28.4 percent.

Credit to SMEs

The supportive plan for the financing of the Small and Medium-sized Enterprises

(SMEs), which had started in 2016/17, continued through 2017/18, benefiting from the CBI funding, aimed at the further boosting of SMEs' production, preserving the employment level, and expanding economic growth. Based on the "Guideline on Financing the SMEs for 2017/18", it was decided that the provision of the working capital of 10 thousand companies, financing of facilities required for the completion of 6 thousand semi-finished projects with a minimum physical progress of 60 percent, and provision of facilities for renovation and refurbishment of 5 thousand economic units be set on top of the priority list of banks and credit institutions. According to the data received from the registration platform containing information on facility-requiring manufacturing units, a sum of Rls. 194.8 trillion worth of facilities was allocated to a total of 28.2 thousand eligible manufacturing establishments by the end of the year (March 2018).

New Manufacturing Units

The number of establishment permits issued in 2017/18 reached 19.2 thousand, showing 24.5 percent increase compared with the year before. The projected investment based on establishment permits increased by 47.7 percent to reach Rls. 1,821.9 trillion in this year.

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

(trillion rials)

	Year-end		Percentage change	2017/18		
	2016/17	2017/18		Change in outstanding	Total change in outstanding ²	Relative share (percent)
Non-public sector	1,421.8	1,637.3	15.2	215.5	1,374.0	15.7
Public sector	8.6	20.4	138.2	11.8	361.6	3.3
Total	1,430.4	1,657.8	15.9	227.4	1,735.5	13.1

¹ Net outstanding facilities are calculated after deduction of outstanding debts of customers and extended facilities related to the exchange rate differential, profit receivables, profit and commission receivables, receipts from Mudarabah, civil partnership (bank's share), outstanding profit, and outstanding commission. Moreover, net outstanding facilities include legal partnership and direct investment contracts.

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

Chapter 4 MANUFACTURING AND MINING

Reviewing the investment status based on issued establishment permits for different industrial groups indicated that investors tended to invest in three industrial groups including coke and refined petroleum products (with a share of 22.6 percent), chemical products (20.1 percent), and base metals (9.5 percent) more than the other manufacturing groups, accounting for almost 52.2 percent of total issued establishment permits. The average amount of projected investment based on issued establishment permits was Rls. 95.0 billion, indicating 18.7 percent increase compared with 2016/17. Average investment projected for each employment opportunity, based on establishment permits, increased by 19.6 percent to Rls. 4.0 billion.

A total of 5,372 operation permits, with an investment of Rls. 257.8 trillion (at current prices) were issued in this year, showing 3.2 percent rise and 9.1 percent decrease, respectively. "Food and beverages" had the highest share in the number of issued operation permits by 16.1 percent, followed by "rubber and plastic products" with 14.1 percent, and "chemical products" with 12.1 percent. In 2017/18, the average capital formation by an industrial unit, based on operation permits, amounted to Rls. 48.0

billion, indicating 11.9 percent decrease compared with the year before.

Permits Issued in the Mining Sector

The total number of discovery certificates issued by the Ministry of Industry, Mine, and Trade decreased by 8.9 percent to reach 512 in 2017/18. Meanwhile, the number of operation permits issued with the objective of putting new mines into operation reached 755, down by 12.2 percent. The number of exploration permits, given to applicants, increased by 25.5 percent compared with 2016/17, to reach 998.

Employment in Manufacturing Sector

Data related to employment based on issued operation permits indicated that 97.9 thousand job opportunities were created in the manufacturing sector in 2017/18. 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 18 on average. On this basis, the average capital formation per employment opportunity decreased by 21.0 percent compared with the year before to reach Rls. 2.6 billion in 2017/18.

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

	2015/16	2016/17	2017/18	Percentage change	
				2016/17	2017/18
Establishment permits					
Number	14,896	15,417	19,187	3.5	24.5
Projected investment (trillion rials)	1,253.1	1,233.7	1,821.9	-1.5	47.7
Projected employment (thousand persons)	366.5	365.7	451.5	-0.2	23.4
Operation permits					
Number	4,833	5,207	5,372	7.7	3.2
Investment (trillion rials, current prices)	174.5	283.5	257.8	62.5	-9.1
Employment (thousand persons)	76.3	85.0	97.9	11.4	15.2

Source: Ministry of Industry, Mine, and Trade.

Producer Price Index of Manufacturing Products

The Producer Price Index (PPI) measures the average change over time in the sales price of domestic production as received by domestic producers. The PPI is an admissible parameter normally used as a leading indicator for inflation. In 2017/18, the general PPI grew by 10.0 percent (base year: 2016/17) compared with 4.9 percent growth in 2016/17. Moreover, the PPI for "manufacturing" group increased by 10.7 percent compared with the year before.

Industrial Exports

In 2017/18, the weight of industrial exports rose 5.9 percent to reach 87.8 million tons and their value increased by 7.3 percent to \$32.2 billion. Therefore, the average unit value of industrial exports was \$366.5 per ton, up by 1.3 percent compared with 2016/17. Major items of industrial exports included gas and oil products with a share of 28.0 percent in the value of industrial exports, rubber and plastic products with 18.9 percent, cast iron, iron, steel, and their articles with 12.4 percent, and organic chemicals with 12.1 percent.

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

	2015/16	2016/17	2017/18	Percentage change	
				2016/17	2017/18
Establishment permits					
Average capital formation forecast in each project (million rials)	84,124	80,022	94,953	-4.9	18.7
Average employment generation forecast by each project (person)	24.6	23.7	23.5	-3.6	-0.8
Average capital formation per employment opportunity (million rials)	3,419	3,373	4,036	-1.4	19.6
Operation permits					
Average capital formation by an industrial unit (million rials)	36,103	54,451	47,997	50.8	-11.9
Average employment generation by an industrial unit (person)	16	16	18	3.4	11.6
Average capital formation per employment opportunity (million rials)	2,287	3,337	2,635	45.9	-21.0

Source: Ministry of Industry, Mine, and Trade.

Table 4.7. Number of Issued Mining Permits

	2015/16	2016/17	2017/18	Percentage change	
				2016/17	2017/18
Exploration permits ¹	719	795	998	10.6	25.5
Discovery certificates ²	630	562	512	-10.8	-8.9
Operation permits ³	792	860	755	8.6	-12.2

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 the exploration permit, after the completion of exploration and ore discovery.

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