

CHAPTER FIVE

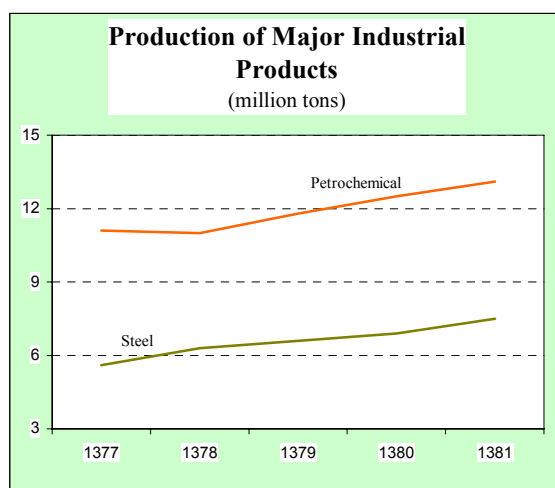
MANUFACTURING AND MINING

In 1381, manufacturing and mining activities enjoyed a sustained growth despite structural impediments to manufacturing sector. The value-added of manufacturing and mining sectors went up by 11.0 and 12.0 percent, respectively at constant 1376 prices, far above the targets set in the plan for this year (8.2 and 5.6 percent). In the review year, government payments in the form of national development expenditures for manufacturing and mining sectors grew markedly. Moreover, the outstanding facilities extended by banks and credit institutions to non-public manufacturing and mining sector went up. The production index of large manufacturing establishments increased by 18 percent compared with the previous year. Private investment in this sector enjoyed a remarkable rise, so that amount of investment on the basis of operation and establishment permits showed noticeable growth.

Production

In the review year, the production of most manufacturing units went up compared to the previous year, in that among 20 industry groups, the production index of 16 groups increased.

In this year, the “production of motor vehicles and trailer” industry with 52.5 percent growth had the highest share of 49.9 percent in raising the general index. The “production of other transport vehicles” and “radio, television and telecommunications” industries ranked the second and third. On the contrary, taking into account the relative weight of each group, reduction in production index of “leather and leather products” and “basic metals” groups negatively affected the change in general index more than other groups. Production cut in textiles industry group was basically attributable to closing down of some textile manufacturing units, and reconstruction and renovation of out-dated units.



Data drawn by petrochemical industries indicates that, petrochemical production grew by 4.5 percent compared to the previous year to 13.1 million tons. The nominal capacity of petrochemical units was 15.5 million tons. In this year, petrochemical exports amounted to 3.9 million tons and the value per ton of petrochemical products was \$ 241.5.

LARGE MANUFACTURING ESTABLISHMENTS INDICES (1)

(1376=100)

	1379▲	1380	1381	Percentage change	
				1380	1381
Production	128.7	148.6	175.4	20.4	18.0
Employment	106.0	110.9	110.2	7.7	-0.6
Wage, salary, and fringe benefits	201.4	252.8	313.8	28.5	24.1
Per capita wage, salary and fringe benefits (in nominal terms)	189.9	227.9	284.5	20.0	24.8
Per capita wage, salary & fringe benefits (in real terms) (2)	118.9	128.1	138.1	7.7	7.8

(1) Includes establishments with 100 employees or more.

(2) Adjusted with CPI in urban areas

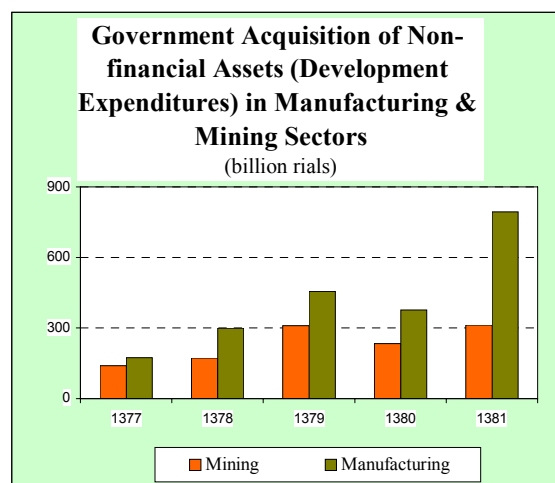
PRODUCTION AND EXPORT OF PETROCHEMICAL PRODUCTS

	1379	1380	1381	Percentage change	
				1380	1381
Production (thousand tons)	11,807.9	12,542.9	13,110.0	6.2	4.5
Actual production/Nominal capacity (percent)	75.7	82.9	86.8	9.5	4.7
Actual production/planned production (percent)	89.2	90.9	104.6	2.0	15.1
Exports					
Amount (thousand tons)	3,128.0	4,011.0	3,899.0	28.2	-2.8
Value (million dollars)	829.0	795.0	941.4	-4.1	18.4

Source: National Petrochemical Industries Corporation

Government Investment

In the 1381 Budget Law, a total of Rls. 1,792.5 billion credits was approved for manufacturing and mining sectors and the industrial research program. On the basis of the data released by the Treasury General, the performance of the credits for this sector with 81.1 percent growth compared with the previous year equaled Rls. 1,105.6 billion.


ACQUISITION OF NON-FINANCIAL-NATIONAL ASSETS (NATIONAL DEVELOPMENT EXPENDITURES) IN MANUFACTURING AND MINING SECTORS AND INDUSTRIAL RESEARCH PROGRAM

(million rials)

	1379	1380	1381	Percentage change		Share (percent)		Approved 1381	Percent of realization to approved 1381
				1380	1381	1380	1381		
Manufacturing	192,221	140,827	435,155	-26.7	209.0	23.1	39.4	747,600	58.2
Mining	310,637	233,428	312,169	-24.9	33.7	38.2	28.2	687,900	45.4
Industrial research program	263,018	236,396	358,305	-10.1	51.6	38.7	32.4	357,039	100.4
Total	765,876	610,651	1,105,629	-20.3	81.1	100.0	100.0	1,792,539	61.7

Source: Ministry of Economic Affairs and Finance-Treasury General

Banking Facilities

The amount of facilities extended by banks and credit institutions to manufacturing and mining sector went up in the review year, so that the outstanding facilities extended to this sector (excluding profit and revenue receivables) at the end of the year with 34.3 percent growth compared with the end of 1380 amounted to Rls. 102.3 trillion. According to the mentioned data, the share of the change in outstanding facilities extended to non-public manufacturing and mining sector out of the total change in outstanding facilities extended by public banks to non-public sectors including free uses equaled 38.0 percent and excluding free uses equaled 32.2 percent. The share of commercial banks out of the change in outstanding facilities extended to non-public manufacturing and mining sector was 85.0 percent.

OUTSTANDING FACILITIES EXTENDED BY BANKS AND CREDIT INSTITUTIONS TO MANUFACTURING AND MINING SECTOR (billion rials)

	Year-end		Change in outstanding 1381	Percentage change 1381	Share of change in outstanding (percent)	Total change in outstanding (1)
	1380	1381				
Non-public sector	58,191.8	81,470.6	23,278.8	40.0	89.0	72,359.6
Commercial banks	54,376.4	76,596.7	22,220.3	40.9	85.0	54,323.7
Specialized banks	3,435.4	3,448.0	12.6	0.4	0.05	15,651.5
Credit institutions	380.0	1,425.9	1,045.9	275.2	4.0	2,384.5
Public sector	17,973.0	20,845.9	2,872.9	16.0	11.0	15,263.7
Total	76,164.8	102,316.5	26,151.7	34.3	100.0	87,623.3

(1) It refers to the change in outstanding facilities extended by banks and credit institutions to all economic sectors.

In addition to the mentioned facilities (in rial), a total of \$ 1,121.6 million was withdrawn from the OSF to finance the manufacturing and mining projects.

In the review year, the Bank of Industry and Mine extended Rls. 735.7 billion facilities out of its own resources to manufacturing and mining sector, 49 percent of which was in the framework of direct investment and legal partnership and the remainder in other forms. Out of the total facilities extended, Rls. 51.7 billion was extended to small-scale industries, registering 26.8 and 16.9 percent fall as compared with the previous year in terms of number and amount, respectively. An amount of Rls. 1,036.9 billion was also extended in the framework of administered funds which recorded 64.4 percent growth compared to the previous year.

FACILITIES EXTENDED BY BANK OF INDUSTRY AND MINE (1)

	1379	1380	1381	Percentage change		Share (percent)	
				1380	1381	1380	1381
Direct investment and legal partnership							
Number	8	4	14	-50.0	250.0	0.4	1.6
Amount (billion rials)	89.8	42.2	359.3	-53.1	☐	13.1	48.8
Banking facilities (2)							
Number	1,245	982	876	-21.1	-10.8	99.6	98.4
Amount (billion rials)	407.7	280.7	376.4	-31.2	34.1	86.9	51.2
Total							
Number	1,253	986	890	-21.3	-9.7	100.0	100.0
Amount (billion rials)	497.6	322.9	735.7	-35.1	127.8	100.0	100.0

Source: Bank of Industry and Mine

(1) Excludes Bank's payments in the form of administered funds and facilities extended through Article 60 of the 3rd FYDP Law.

(2) Includes other contracts except direct investment and legal partnership.

New Manufacturing and Mining Units

On the basis of the data released by the Ministry of Industries and Mines, investment (especially by the private sector) in manufacturing and mining sector went up in 1381. According to operation permits issued, Rls. 18.1 trillion investment for establishment of new manufacturing and mining units and expansion of existing units was done. Moreover, according to establishment permits, amount of investment projected for new manufacturing and mining units with 63.9 percent rise compared to 1380 reached Rls. 269 trillion, indicating private sector further contribution to investment in this sector.

INVESTMENT AND EMPLOYMENT ACCORDING TO MANUFACTURING AND MINING PERMITS

	1379▲	1380	1381	Percentage change	
				1380	1381
Establishment permits					
Number	9,087	17,098	27,101	88.2	58.5
Investment (billion rials)	87,578	164,288	269,277	87.6	63.9
Employment (person)	270,605	485,522	717,092	79.4	47.7
Operation permits					
Number	3,264	3,550	4,147	8.8	16.8
Investment (billion rials)	6,462	13,023	18,059	101.5	38.7
Employment (person)	56,492	74,578	77,296	32.0	3.6

Source: Ministry of Industries and Mines

Mining activities in 1381 grew markedly. In this year, 1,557 exploration permits and 320 discovery certificates with an estimated reserve of 913.1 million tons of mineral products were issued by the Ministry of Industries and Mines, registering 32.5, 23.1 and 33.4 percent rise, respectively. In order to exploit the mines, 662 operation permits with an actual reserve of 3,038.7 million tons with Rls. 2,243.2 billion investment were issued. Moreover, 632 extraction permits with 13.6 million tons extraction amount were issued.

Foreign Investment

On the basis of data provided by the Ministry of Industries and Mines, 38 manufacturing projects with \$ 774.8 million foreign joint investment were implemented in 1381. These investments were done on the basis of new Foreign Investment Promotion and Protection Act.

APPROVED MANUFACTURING AND MINING PROJECTS WITH FOREIGN INVESTMENT

Project	Nationality of foreign partner	Volume of foreign partnership (million dollars)	% of foreign partnership
Exploration, exploitation and processing of Dashksan Mine reserves	English	225.0	70
Production of large tubes	German	215.1	95
Production of vehicles	English	44.6	71
Production of Isocyanates	Swedish, German and English	22.2	60

Source: Ministry of Industries and Mines

Employment

Employment index of large manufacturing establishments fell by 0.6 percent in 1381, mainly affected by textile industries. However, employment index of certain units increased. The highest growth was related to production of “motor vehicles and trailer” and “other transport vehicles” industries with 15.9 and 11.5 percent rise, respectively. These two industries totally accounted for 13 percent of employment in large manufacturing establishments. Large manufacturing establishments due to their production scale and use of capital-intensive technologies create limited direct employment. Manufacturing employment creation is mostly realized by the expansion of small-and medium-sized industries.

Employment based on operation permits issued by the Ministry of Industries and Mines indicates creation of 77.3 thousand direct employments in manufacturing and 11.4 thousand job opportunities in mining sector. Comparison of these figures with the projected figure for this year (119.7 thousand persons) is indicative of a realization of 74.1 percent targeted in the plan.