

CHAPTER FIVE

MANUFACTURING AND MINING

The growth rate of activities in manufacturing and mining sector in the 4th year of the 3rd Plan, despite structural impediments to this sector, enjoyed a sustained trend. On the basis of preliminary figures, the value-added of manufacturing and mining sectors at constant 1376 prices grew by 9.9 and 12.7 percent, respectively, well above the targets set for this year in the 3rd Plan, i.e. 8.7 and 6 percent. The share of these sectors out of GDP at current prices reached 11.2 and 0.6 percent, respectively.

The policies pursued by the government to support private sector and improve economic condition during the past years such as: utilization of administered funds, extending facilities at subsidized rates, extending foreign exchange facilities out of OSF, utilization of foreign finance and payment of subsidy on profit and commission of facilities for private sector investment projects were the main driving forces behind the continued boom in manufacturing and mining activities, amid unfavorable international and regional conditions. Moreover, inauguration of metals exchange in the first half of 1382 may play a crucial role in future activities of this sector.

Production

Production of most manufacturing units increased in the review year. The production index of large manufacturing establishments rose by 24.7 percent in 1382. The growth of the production index of 15 groups of industries out of 20 groups increased and that of the rest decreased.

	LARGE MANUFACTURING ESTABLISHMENTS INDICES (1)			(1376=100)	
	1380	1381	1382	Percentage change	
				1381	1382
Production	148.6	176.0	219.5	18.4	24.7
Employment	110.9	110.4	106.2	-0.5	-3.8
Wage, salary, and fringe benefits	252.8	314.0	374.1	24.2	19.1
Per capita wage, salary and fringe benefits (in nominal term)	227.9	284.3	352.0	24.7	23.8
Per capita wage, salary and fringe benefits (in real term) (2)	128.1	138.0	147.8	7.7	7.1

(1) Includes establishments with 100 employees or more.

(2) It is adjusted with CPI in urban areas.

On the basis of the data released by the Ministry of Industries and Mines, the output of 73 out of 87 types of selected manufacturing and mining products went up in 1382, among which 38 items had a growth of more than 10 percent.

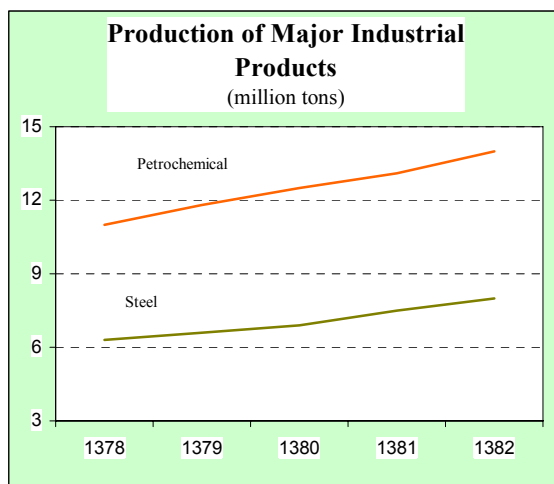
MANUFACTURING AND MINING PRODUCTS

	Unit	1380	1381	1382	Percentage change	
					1381	1382
Motor vehicles	per unit	378,476.0	531,461.0	752,387.0	40.4	41.6
Cement	thousand tons	26,645.0	28,433.1	30,466.4	6.7	7.2
Raw steel	thousand tons	6,927.0	7,477.1	7,959.1	7.9	6.4
Aluminum bar	thousand tons	148.8	158.3	180.9	6.4	14.3
Copper (Cathode)	thousand tons	152.7	142.9	145.7	-6.4	2.0

Source: Ministry of Industries and Mines

On the basis of the data released by National Petrochemical Industries Corporation, petrochemical products grew by 6.6 percent to 14 million tons in 1382. In this year, about 75.4 percent of the nominal capacity of petrochemical units was utilized.

In the review year, petrochemical complexes produced 1,904.2 thousand tons of chemical fertilizers, up by 0.1 percent compared to the previous year. Export of petrochemical products with a 16.5 percent rise amounted to 4.5 million tons. The unit value of petrochemical products with 11.7 percent growth reached \$ 269.6. The total petrochemical exports exceeded one billion dollar in 1382.



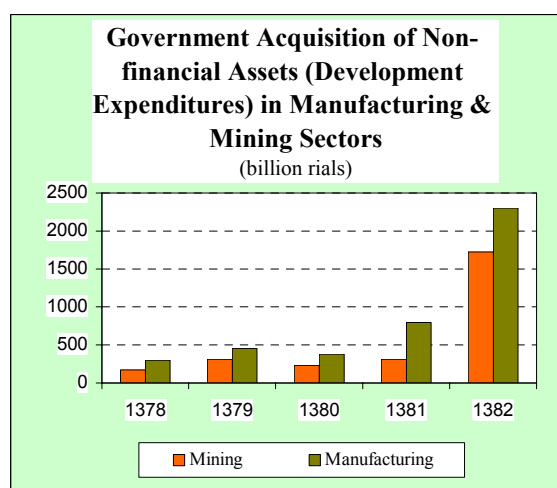
PETROCHEMICAL PRODUCTS

	1380	1381	1382	Percentage change	
				1381	1382
Production (thousand tons)	12,542.9	13,110.0	13,969.0	4.5	6.6
Actual production/nominal capacity (percent)	82.9	86.8	75.4	4.7	-13.1
Actual production/planned production (percent)	90.9	104.6	95.2	15.1	-9.0
Exports					
Volume (thousand tons)	4,011.0	3,899.0	4,544.0	-2.8	16.5
Value (million dollars)	795.0	941.4	1,225.0	18.4	30.1

Source: National Petrochemical Industries Corporation

Government Investment

According to the Budget Law for 1382, government allocated Rls. 2,707.7 billion for national projects of manufacturing and mining sectors and industrial research program, indicating 51 percent growth compared to the approved figures for 1381. According to the data released by the Treasury General, the performance of expenditures in the mentioned sectors recorded Rls. 4,027 billion, showing 264.2 percent growth when compared with the actual figure of the previous year.



**ACQUISITION OF NON-FINANCIAL NATIONAL ASSETS IN MANUFACTURING AND MINING
SECTORS AND INDUSTRIAL RESEARCH PROGRAM** (million rials)

	Year-end			Percentage change		Share (percent)		Approved	Implementa- tion rate (%)
	1380	1381	1382	1381	1382	1381	1382	1382	1382
Manufacturing	140,827	435,155	1,917,470	209.0	340.6	39.4	47.6	1,232,600	155.6
Mining	233,428	312,169	1,724,895	33.7	452.6	28.2	42.8	1,007,750	171.2
Industrial research program	236,396	358,305	384,612	51.6	7.3	32.4	9.6	467,339	82.3
Total	610,651	1,105,629	4,026,977	81.1	264.2	100.0	100.0	2,707,689	148.7

Source: Ministry of Economic Affairs and Finance-Treasury General

Banking Facilities

Facilities extended by banks and credit institutions to manufacturing and mining sectors in the framework of government and the MCC approval increased in 1382. Thus, the outstanding facilities extended to public and non-public manufacturing and mining sectors, excluding profit and revenue receivables, grew by 39.1 percent and amounted to Rls. 142.3 trillion at the end of 1382 as compared to the previous year.

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

	Year-end		Change in outstanding 1382	Percentage change 1382	Share of change in outstanding (percent)	Total change in outstanding (1)
	1381	1382				
Non-public sector	81,470.6	123,337.4	41,866.8	51.4	104.6	107,902.7
Commercial banks	76,596.7	112,843.4	36,246.7	47.3	90.5	81,536.8
Specialized banks	3,448.0	6,258.6	2,810.6	81.5	7.0	17,029.3
Credit institutions	1,425.9	4,235.4	2,809.5	197.0	7.0	9,336.6
Public sector	20,845.9	19,010.8	-1,835.1	-8.8	-4.6	7,852.0
Total	102,316.5	142,348.2	40,031.7	39.1	100.0	115,754.7

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

Newly Established Manufacturing and Mining Units

On the basis of the data released by the Ministry of Industries and Mines, investment in manufacturing and mining sector (mainly private sector investment) increased in 1382. According to operation permits, Rls. 28.9 trillion was invested for the establishment of new manufacturing and mining units and expansion of existing units, up by 59.9 percent as compared to the previous year. The mentioned investment raises production capacity of these units as well as the value-added of this sector in future. According to establishment permits issued in 1382, investments estimated for new manufacturing and mining projects with 52.3 percent growth amounted to Rls. 410.2 trillion, indicating more investment and output by the private sector in the future. Number of establishment permits and employment created thence grew by 1.6 and 15.4 percent, respectively compared to the year before.

According to the mentioned data, a total of 3,688 new manufacturing units were put into operation with an investment of Rls. 22,869 billion, creating 94.2 thousand new job opportunities in 1382.

**NUMBER, INVESTMENT AND EMPLOYMENT OF
MANUFACTURING AND MINING PERMITS**

	1380	1381	1382	Percentage change	
				1381	1382
Establishment permits					
Number	17,098	27,101	27,548	58.5	1.6
Investment (billion rials)	164,288	269,277	410,226	63.9	52.3
Employment (person)	485,522	717,092	827,593	47.7	15.4
Operation permits					
Number	3,550	4,147	4,482	16.8	8.1
Investment (billion rials)	13,023	18,059	28,875	38.7	59.9
Employment (person)	74,578	77,296	113,372	3.6	46.7

Source: Ministry of Industries and Mines

Mining activities grew in 1382. On the basis of the data released by the Ministry of Industries and Mines, the number of active mines in the country reached 2,575, up by 14.3 percent compared to 1381. In this year, 1,583 exploration permits and 377 discovery certificates with a projected reserve of 1,543.2 million tons of mining products were issued by the Ministry of Industries and Mines.

MINING PERMITS ISSUED

	1380	1381	1382	Percentage change○	
				1381	1382
Number of exploration permits (1)	1,175	1,557	1,583	32.5	1.7
Discovery certificate (2)					
Number	260	320	377	23.1	17.8
Reserve (million tons)	684.7	913.1	1,543.2	33.4	69.0
Operation expenses (billion rials)	19.2	28.7	60.5	49.5	110.8
Operation permit (3)					
Number	608	662	578	8.9	-12.7
Extraction volume (million tons)	25.3	26.5	22.6	4.7	-14.7
Employment (person)	8,307	11,632	9,430	40.0	-18.9
Actual reserve (million tons)	2,193.8	3,038.7	2,012.8	38.5	-33.8
Investment (billion rials)	751.4	2,243.2	868.3	198.5	-61.3
Withdrawal permit (4)					
Number	549	632	674.0	15.1	6.6
Extraction volume (million tons)	4.6	13.6	5.3	195.6	-61.0

Source: Ministry of Industries and Mines

- (1) It is a permit issued by the Ministry of Industries and Mines for mining exploration operations in a specific area.
- (2) It is a confirmation letter issued by the Ministry of Industries and Mines after completion of exploration operations and discovery of ore under the name of the holder of exploration permit.
- (3) It is a permit issued by the Ministry of Industries and Mines for extracting, ore dressing and obtaining salable mining products.
- (4) It is a permit issued by the Ministry of Industries and Mines for procurement of construction materials required for development projects, withdrawal of colluviums and limited and minor reserves and laboratory operations.

Foreign Investment

On the basis of a report released by the Ministry of Industries and Mines, execution of a total of 45 manufacturing projects with \$ 1,956.2 million foreign investment was approved to be carried out in 1382, under Foreign Investment Promotion and Protection Act.

**SELECTED MANUFACTURING AND MINING PROJECTS
(approved to be executed with foreign investment) (1)**

Subject	Nationality of foreign partner	Amount of foreign partnership (million dollars)	% of foreign partnership
Production of L90 automobile	France	585.6	51
Establishment of South Isfahan Powerplant	Germany and UAE	400.0	Under "BOT" contract
Al-Mahdi Aluminum Company	Italy	345.0	Financial facilities
Production of large diameter tubes	Germany	235.2	95

Source: Ministry of Industries and Mines

(1) Investment is done under "Foreign Investment Promotion and Protection Act".

Employment

Employment index of large manufacturing establishments declined by 3.8 percent compared to the previous year, largely related to the textiles industry.

Employment based on operation permits issued by the Ministry of Industries and Mines shows that 113.4 thousand direct employments in manufacturing and 9.4 thousand job opportunities in mining sector were created in 1382. Average employment opportunity created by new manufacturing units increased from 19 persons in 1381 to 25 persons in 1382. Investment required for creating each new job opportunity with 9 percent growth amounted to Rls. 254.7 million.

Producer Price Index for Manufacturing and Mining Products

Review of the producer price index indicates that this index on the basis of 1376 as the base year for mining and manufacturing products, with 4.3 and 10.7 percent rise, reached 157.7 and 216.4, respectively. The mentioned changes are less than the general index (PPI) changes by 15.7 percent.