

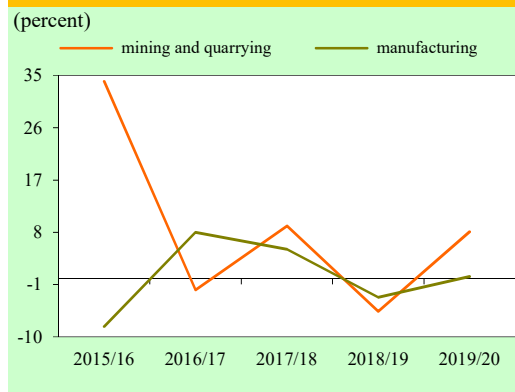
Despite the continuation of maximum pressures emanating from economic sanctions imposed on Iran's economy, the indicators of the manufacturing and mining sector pointed to favorable conditions in 2019/20. Accordingly, the production index of large manufacturing establishments experienced a growth rate of 2.6 percent in the reference period. Based on preliminary data of national accounts, the value added of the "manufacturing" and "mining and quarrying" subsectors recorded the growth rates of respectively 0.4 and 8.1 percent compared with 2018/19, at constant 2016/17 prices.

4.1. Production

4.1.1. Production Index of Large Manufacturing Establishments

The production index of large manufacturing establishments indicated an increase of 2.6 percent in 2019/20 (base year 2016/17). Growth in the manufacture of "basic metals", "chemicals and chemical products", "other nonmetallic mineral products", "food products", and "pharmaceuticals, medicinal chemical and botanical products" made the biggest contribution to the increase in the production index of large manufacturing establishments in 2019/20. The "employment" index and the "wage" index of large manufacturing establishments recorded increases of 1.4 and 34.4 percent, respectively, compared with the year before.

Figure 4.1. Growth in Value Added of "Manufacturing" and "Mining and Quarrying" Subsectors (base year 2016/17)



4.1.2. Production of Selected Industries

In 2019/20, a total of 758.9 thousand vehicles were manufactured, indicating a decrease of 14.4 percent compared with the year before. It is important to note that the country's automotive industry experienced a downtrend in production for the second consecutive year in 2019/20, affected by the intensification of sanctions on the Iranian economy, which caused the country's leading trade partners to drastically reduce their cooperation with the industry. The mentioned downward trend, though, was not as steep as the year before. Meanwhile, the production of crude steel and copper cathode increased by 12.0 and 2.0 percent, respectively, while the production of aluminum bar decreased by 7.4 percent compared with 2018/19.

Table 4.1. Selected Manufacturing and Mining Products

	2017/18	2018/19	2019/20	Percentage change	
				2018/19	2019/20
Cement (million tons)	54.7	56.9	61.7	4.0	8.4
Vehicles (thousand)	1,429.0	886.3	758.9	-38.0	-14.4
Crude steel (million tons)	20.8	23.6	26.4	13.3	12.0
Copper cathode (thousand tons)	159.6	249.1	254.1	56.1	2.0
Aluminum bar (thousand tons)	351.0	310.0	287.1	-11.7	-7.4

Source: Ministry of Industry, Mine, and Trade

According to the National Petrochemical Company, production of petrochemicals (including the performance of privatized companies) amounted to 55.4 million tons in 2019/20, indicating an increase of 3.9 percent. The weight of petrochemical exports (including the privatized companies) amounted to 22.3 million tons, showing an increase of 9.6 percent compared with 2018/19. Furthermore, the value of petrochemical exports decreased by 16.9 percent to \$9.5 billion, while the domestic sales of petrochemical products increased by 5.1 percent in terms of weight and 55.2 percent in terms of value.

4.2. Government Investment

According to the Treasury General, the government approved a sum of Rls. 5.0 trillion in the Budget Law for 2019/20 for the implementation of projects related to the

acquisition of non-financial assets in the manufacturing and mining sector. The actual amount paid on this purpose was Rls. 3.8 trillion (75.1 percent of the budget), indicating a decrease of 72.2 percent compared with 2018/19. This reduction was for the most part due to a decrease by 74.2 percent in the performance of "establishment and development of industries, mines, and manufacturing and mining infrastructure" project with a share of 89.7 percent in paid credits. The credits actually allocated to the "geological studies" project constituted 85.3 of the credits originally approved to be allocated to this project, which was the highest compared with other projects. Next on the list was the "establishment and development of industries, mines, and manufacturing and mining infrastructure" project, the credits allocated to which accounted for 75.3 percent of the approved amount.

Table 4.2. Performance of Petrochemical Industry

	2017/18	2018/19	2019/20	Percentage change	
				2018/19	2019/20
Production (thousand tons)¹	53,629	53,311	55,393	-0.6	3.9
Exports					
Weight (thousand tons)	22,410	20,307	22,261	-9.4	9.6
Value (million dollars)	12,012	11,432	9,497	-4.8	-16.9
Domestic sales					
Weight (thousand tons)	17,665	17,754	18,651	0.5	5.1
Value (billion rials)	389,168	675,222	1,047,835	73.5	55.2

Source: National Petrochemical Company

¹ Due to the utilization of some petrochemical products as intermediate goods, the weight of products in this sector is constantly higher than the sum of the weights of exports and domestic sales.

Table 4.3. Credits Paid on Acquisition of Non-financial Assets in Manufacturing and Mining Sector (trillion rials)

	2017/18	2018/19	2019/20	Percentage change		2019/20	
				2018/19	2019/20	Approved	Performance ¹ (percent)
Manufacturing and mining sector	7.2	13.6	3.8	88.1	-72.2	5.0	75.1

Source: Ministry of Economic Affairs and Finance, Treasury General

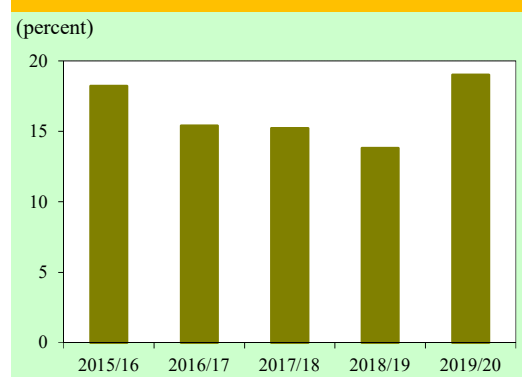
¹ Calculated through dividing the performance figure by the approved figure multiplied by 100.

4.3. Banking Facilities

By March 2020, outstanding facilities (net) extended to the manufacturing and mining sector (public and non-public) increased by 19.7 percent to Rls. 2,281.1 trillion, excluding future profits and revenues. Accordingly, the relative share of growth in the outstanding debt of the non-public manufacturing and mining sector in total growth in the outstanding facilities extended by banks and non-bank credit institutions to all non-public sectors of the economy was 13.4 percent.

In 2019/20, a sum of Rls. 9,749.9 trillion was allocated as facilities by banks and non-bank credit institutions to various sectors of the economy. Out of this amount, a sum of Rls. 3,172.4 trillion worth of facilities was extended to the manufacturing and mining sector, up by 51.8 percent compared with 2018/19. Thus, the share of the manufacturing

and mining sector in total allocated facilities was 32.5 percent. Of the total sum paid to the manufacturing and mining sector, 68.3 percent was in the form of the working capital.

Figure 4.2. Growth in Outstanding Facilities (Net) Extended by Banks and Non-bank Credit Institutions to Non-public Manufacturing and Mining Sector**Table 4.4. Outstanding Facilities (Net) Extended by Banks and Non-bank Credit Institutions to Manufacturing and Mining Sector¹** (trillion rials)

	March		Percentage change	March 2020		
	2019	2020		Change in outstanding	Total change in outstanding ²	Relative share (percent)
Non-public sector	1,862.5	2,215.5	19.0	353.0	2,633.2	13.4
Public sector	42.6	65.6	54.0	23.0	500.3	4.6
Total	1,905.1	2,281.1	19.7	376.0	3,133.5	12.0

¹ Outstanding facilities (net) are calculated upon the deduction of the outstanding debt of customers and extended facilities under the exchange rate differential, future profits, future profits and commissions, receipts from Mudarabah, partnership contracts (with the bank as partner), and outstanding profits and commissions headings. Outstanding facilities include legal partnership and direct investment contracts.

² It refers to growth in the outstanding facilities extended by banks and non-bank credit institutions to all economic sectors.

4.4. Contribution of Banking Network to SMEs

The implementation of the supportive plan for the financing of the SMEs continued in 2019/20, benefitting from the relevant experiences of the years 2016 through 2018 and in accordance with the requirements of the banking network. Based on the "Guideline on Supporting the SMEs", the CBI continued with its supportive policies and strategic plans for the strengthening of the SMEs in 2019/20. In this respect, the decision on removing the barriers subject to Article (5), "Amended Law on Check Issuance" (approved on November 4, 2018), upon the discretion of the "Supply Council" in each province is to be noted. According to data received from the registration platform containing information on facility-requiring units, a sum of Rls. 544.7 trillion worth of facilities was allocated to 37.5 thousand eligible manufacturing establishments by the end of the year (March 2020).

4.5. Manufacturing Establishments

The number of establishment permits issued in 2019/20 reached 25.7 thousand, indicating a rise of 13.8 percent compared with 2018/19. The projected investment based on establishment permits increased by

1.9 percent to reach Rls. 2,864.5 trillion in 2019/20. "Manufacture of food products and beverages" had the highest share in the number of establishment permits by 12.7 percent, followed by the "manufacture of chemicals and chemical products", and "other nonmetallic mineral products" by 12.6 and 12.5 percent, respectively. Thus, the total share of these three groups in the number of establishment permits amounted to 37.8 percent. The average projected investment in each project, based on issued establishment permits, was Rls. 111.4 billion, indicating a decrease of 10.5 percent. Average projected investment per employment opportunity, based on establishment permits, decreased by 10.6 percent to Rls. 4.8 billion. Moreover, 5,782 operation permits, with an investment of Rls. 504.8 trillion (at current prices), were issued. This indicated decreases by 1.2 and 15.6 percent, respectively. "Manufacture of food products and beverages" had the highest share in the number of issued operation permits by 15.6 percent, followed by "manufacture of chemicals and chemical products" with 14.2 percent and "manufacture of rubber and plastics products" with 13.4 percent. The average investment per industrial unit, based on operation permits, totaled Rls. 87.3 billion, down by 14.6 percent compared with the year before.

Table 4.5. Establishment and Operation Permits Issued for Industrial Groups

	2017/18	2018/19	2019/20	Percentage change	
				2018/19	2019/20
Establishment permits					
Number	19,187	22,590	25,712	17.7	13.8
Projected investment (trillion rials)	1,821.9	2,811.9	2,864.5	54.3	1.9
Projected employment (thousand persons)	451.5	522.6	595.5	15.8	13.9
Operation permits					
Number	5,372	5,850	5,782	8.9	-1.2
Investment (trillion rials, current prices)	257.8	598.3	504.8	132.0	-15.6
Employment (thousand persons)	97.9	101.6	90.0	3.8	-11.4

Source: Ministry of Industry, Mine, and Trade

4.6. Employment in the Manufacturing Sector

Data related to employment based on issued operation permits indicate that 90.0 thousand job opportunities were created in the manufacturing sector in 2019/20. 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, was 16 on average. Hence, the average investment per employment opportunity decreased by 4.8 percent compared with the year before to reach Rls. 5.6 billion.

4.7. Permits Issued in the Mining Sector

Totally, 507 discovery certificates, with a projected reserve of 587 million tons, were issued by the Ministry of Industry, Mine, and Trade in 2019/20, indicating decreases by 9.3 and 70.5 percent, respectively. In order to put new mines into operation, 576 operation permits, with a nominal extraction capacity of 24 million tons, were issued. This indicated decreases by 11.1 and 12.9 percent, respectively. Employment based on operation permits decreased by 8.3 percent to 4,778 persons in 2019/20.

Table 4.6. Average Investment and Employment Generation by Permit

	2017/18	2018/19	2019/20	Percentage change	
				2018/19	2019/20
Establishment permits					
Average projected investment in each project (million rials)	94,953	124,475	111,409	31.1	-10.5
Average projected employment generation by each project (person)	24	23	23	-1.7	0.1
Average projected investment per employment opportunity (million rials)	4,036	5,380	4,811	33.3	-10.6
Operation permits					
Average investment per industrial unit (million rials)	47,997	102,266	87,300	113.1	-14.6
Average employment generation per industrial unit (person)	18	17	16	-4.7	-10.4
Average investment per employment opportunity (million rials)	2,635	5,888	5,608	123.5	-4.8

Source: Ministry of Industry, Mine, and Trade

Table 4.7. Permits Issued for Mining Activities

	2017/18	2018/19	2019/20	Percentage change	
				2018/19	2019/20
Exploration permits¹	998	1,029	960	3.1	-6.7
Discovery certificates²					
Number	512	559	507	9.2	-9.3
Projected reserve (million tons)	775	1,990	587	157.0	-70.5
Operation costs (billion rials)	682	702	1,111	2.9	58.1
Operation permits³					
Number	755	648	576	-14.2	-11.1
Nominal extraction capacity (million tons)	42	27	24	-34.0	-12.9
Employment (person)	5,914	5,209	4,778	-11.9	-8.3

Source: Ministry of Industry, Mine, and Trade

¹ It is a license issued by the Ministry of Industry, Mine, and Trade, permitting the 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 procedures.

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

It is also important to note that the number of mining exploration permits given to applicants reached 960 in 2019/20. This indicated a decrease of 6.7 percent compared with the year before.

4.8. Producer Price Index (PPI) of Manufacturing Products

The Producer Price Index (PPI) is a measure of the average change over time in the selling prices received by domestic producers for their goods and services. In 2019/20, the PPI indicated a growth rate of 37.6 percent compared with 2018/19 (base year 2016/17). The growth rate of the PPI in 2018/19 had stood at 42.1 percent, compared with 2017/18 (base year 2016/17). The producer price index (PPI) for manufacturing

products increased by 36.2 percent in the year under review, when compared with 2018/19.

4.9. Industrial Exports

Based on the Customs Administration, the weight and value of industrial exports increased by respectively 34.2 and 4.4 percent compared with the year before, to reach 113.0 million tons and \$34.7 billion in 2019/20. Thus, the value of industrial exports amounted to \$307 per ton, down by 22.2 percent compared with the year before. "Gas and oil products" had the highest share in the value of industrial exports with 43.2 percent, followed by "cast iron, iron, steel, and their articles" with 14.1 percent, and "rubber and plastics products" with 12.5 percent.