

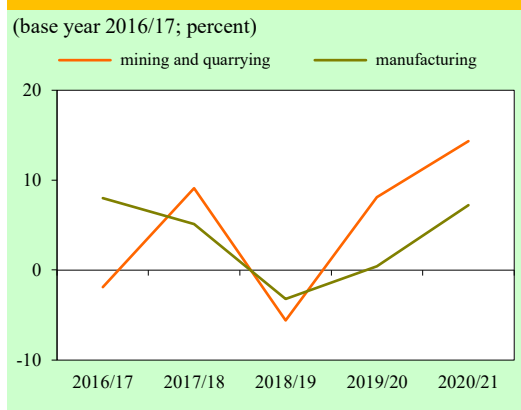
Despite the continuation of maximum pressures emanating from economic sanctions imposed on Iran's economy as well as the outbreak of COVID-19, the indicators of the manufacturing and mining sector pointed to favorable conditions in 2020/21. Accordingly, the production index of large manufacturing establishments increased by 12.2 percent in 2020/21. Based on preliminary data of national accounts, the value added of the "manufacturing" and "mining and quarrying" subsectors recorded the growth rates of respectively 7.2 and 14.4 percent compared with the year before, at constant 2016/17 prices.

5.1. Production

5.1.1. Production Index of Large Manufacturing Establishments

The production index of large manufacturing establishments indicated a growth rate of 12.2 percent in 2020/21 (base year 2016/17). Growth in the manufacture of "chemicals and chemical products", "basic metals", and "motor vehicles, trailers and semi-trailers" made the biggest contribution to the increase in the production index of large manufacturing establishments in 2020/21. The "employment" and "wage" indices of large manufacturing establishments recorded increases of respectively 5.4 and 43.2 percent compared with 2019/20 (2016/17=100).

Figure 5.1. Growth in Value Added of "Manufacturing" and "Mining and Quarrying" Subsectors



5.1.2. Production of Selected Industries

In 2020/21, a total of 903.9 thousand vehicles were manufactured, indicating an increase of 19.1 percent compared with the year before. This was against the backdrop of the downward trend of the country's automotive industry in the year before (2019/20), which was in turn affected by the intensification of sanctions on the Iranian economy. This had caused the country's leading trade partners to drastically reduce their cooperation with the automotive industry. Meanwhile, the production of aluminum bar, copper cathode, cement, and crude steel indicated increases of respectively 59.0, 14.4, 12.6 and 8.3 percent in 2020/21, compared with the volume of production in the year before.

Table 5.1. Selected Manufacturing and Mining Products

	2018/19	2019/20	2020/21□	Percentage change	
				2019/20	2020/21
Cement (million tons)	56.9	61.7	69.4	8.4	12.6
Vehicles (thousand)	886.3	758.9	903.9	-14.4	19.1
Crude steel (million tons)	23.6	26.4	28.6	12.0	8.3
Copper cathode (thousand tons)	249.1	254.1	290.8	2.0	14.4
Aluminum bar (thousand tons)	310.0	287.1	456.4	-7.4	59.0

Source: Ministry of Industry, Mine, and Trade

According to the National Petrochemical Company, production of petrochemicals (including the performance of privatized companies) amounted to 61.2 million tons in 2020/21, indicating an increase of 10.4 percent compared with 2019/20. The weight of petrochemical exports (including the privatized companies) amounted to 24.4 million tons, showing an increase of 9.4 percent compared with 2019/20. Furthermore, the value of petrochemical exports decreased by 7.1 percent to \$8.8 billion, while the domestic sales of petrochemical products increased by 12.1 percent in terms of weight and 83.7 percent in terms of value, compared with the year before.

5.2. Government Investment

According to the Treasury General, the government approved a sum of Rls. 13.6

trillion in the Budget Law for 2020/21 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 increased by 117.9 percent compared with 2019/20 to reach Rls. 8.2 trillion (equal to 60.3 percent of the figure approved in the budget). This rise was for the most part attributable to an increase by 96.8 percent in the performance of the "establishment and development of industries, mines, and manufacturing and mining infrastructure" project with a share of 81.1 percent in paid credits. The credits actually allocated to the "enhancement of mining productivity and efficiency", "laboratory studies", and "formulation of research-based standards and laboratory services" projects each constituted 100.0 of the credits originally approved to be allocated to these projects.

Table 5.2. Performance of Petrochemical Industry

	2018/19	2019/20	2020/21	Percentage change	
				2019/20	2020/21
Production (thousand tons)¹	53,311	55,393	61,155	3.9	10.4
Exports					
Weight (thousand tons)	20,307	22,261	24,360	9.6	9.4
Value (million dollars)	11,432	9,497	8,824	-16.9	-7.1
Domestic sales					
Weight (thousand tons)	17,754	18,651	20,914	5.1	12.1
Value (billion rials)	675,222	1,047,835	1,925,376	55.2	83.7

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

	2018/19	2019/20	2020/21	Percentage change		2020/21	
				2019/20	2020/21	Approved	Performance ¹ (percent)
Manufacturing and mining sector	13.6	3.8	8.2	-72.2	117.9	13.6	60.3

Source: Ministry of Economic Affairs and Finance, Treasury General

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

5.3. Banking Facilities

By March 2021, outstanding facilities (net) extended to the manufacturing and mining sector (public and non-public) increased by 97.5 percent to Rls. 4,504.8 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 32.7 percent in March 2021.

In 2020/21, a sum of Rls. 19,267.2 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. 6,008.2 trillion worth of facilities was extended to the manufacturing and mining sector, up by 89.4 percent compared with 2019/20. Thus, the share of the manufacturing

and mining sector in total allocated facilities was 31.2 percent in 2020/21. Of the total sum paid to the manufacturing and mining sector, 73.6 percent was in the form of the working capital.

Figure 5.2. Growth in Outstanding Facilities (Net) Extended by Banks and Non-bank Credit Institutions to Non-public Manufacturing and Mining Sector

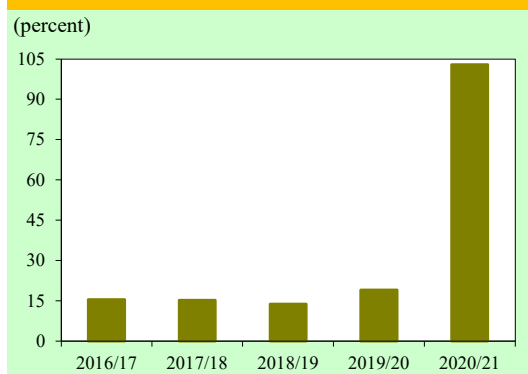


Table 5.4. Outstanding Facilities (Net) Extended by Banks and Non-bank Credit Institutions to Manufacturing and Mining Sector¹ (trillion rials)

	March		Percentage change	March 2021		
	2020	2021		Change in outstanding	Total change in outstanding ²	Relative share (percent)
Non-public sector	2,215.5	4,493.7	102.8	2,278.2	6,967.7	32.7
Public sector	65.6	11.1	-83.0	-54.5	417.2	-13.1
Total	2,281.1	4,504.8	97.5	2,223.7	7,384.9	30.1

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.

5.4. Contribution of Banking Network to SMEs

The implementation of the supportive plan for the financing of the SMEs continued in 2020/21, benefitting from the relevant experiences of the years 2016 through 2020 and in accordance with the requirements of the banking network. According to data received from the registration platform containing information on facility-requiring units, Rls. 856.5 trillion worth of facilities was allocated to 27.1 thousand eligible manufacturing establishments by the end of the year under review (March 2021). In addition, the outbreak of COVID-19 pandemic caused business closures as well as decreases in demand in different economic sectors. Under these circumstances, the banking network allocated facilities to households and businesses adversely affected by the virus. On this basis, the CBI communicated to banks and non-bank credit institutions the executive guideline on allocating financial assistance to affected businesses amid the ongoing pandemic. Banks were then obligated with the responsibility to grant facilities, up to the approved amount, to applicants identified by the Ministry of Cooperatives, Labor, and Social Welfare as qualified to receive facilities. Thus, 514.8 thousand businesses were introduced to banks and credit institutions to be granted a sum of Rls. 137.2 trillion worth of facilities as compensation for the losses incurred by COVID-19. Practically, 387.8 thousand facilities, valued at Rls. 91.7 trillion, were paid to eligible businesses until March 2021.

5.5. Manufacturing Establishments

The number of establishment permits issued in 2020/21 reached 36.0 thousand, indicating a rise of 40.0 percent compared with 2019/20. The projected investment

based on establishment permits increased by 116.5 percent to reach Rls. 6,202.8 trillion in 2020/21. "Manufacture of other non-metallic mineral products" had the highest share in the number of establishment permits by 14.3 percent, followed by "manufacture of chemicals and chemical products" and "manufacture of food products and beverages" by 12.5 and 10.5 percent, respectively. Thus, the total share of these three groups in the number of establishment permits amounted to 37.3 percent. The average projected investment in each project, based on issued establishment permits, was Rls. 172.4 billion, indicating an increase of 54.7 percent compared with 2019/20. Average projected investment per employment opportunity, based on establishment permits, increased by 51.8 percent compared with 2019/20, to reach Rls. 7.3 billion in 2020/21.

Moreover, 6,546 operation permits, with an investment of Rls. 1,700.1 trillion (at current prices), were issued in 2020/21. This indicated increases of 13.2 and 236.8 percent, respectively, compared with the year before. "Manufacture of chemicals and chemical products" had the highest share in the number of issued operation permits by 15.8 percent, followed by "manufacture of food products and beverages" with 14.1 percent and "manufacture of rubber and plastics products" with 12.4 percent. The average investment per industrial unit, based on operation permits, totaled Rls. 259.7 billion in 2020/21, indicating an increase of 197.5 percent compared with the year before.

5.6. Employment in the Manufacturing Sector

Data related to employment based on issued operation permits indicate that 114.8 thousand job opportunities were created in the manufacturing sector in 2020/21.

Based on the report released by the Ministry of Industry, Mine, and Trade, the number of those employed in the manufacturing sector in the year under review, based on the operation permits, was 18

persons on average. Therefore, the average investment per employment opportunity increased by 164.1 percent compared with the year before to reach Rls. 14.8 billion in 2020/21.

Table 5.5. Establishment and Operation Permits Issued for Industrial Groups

	2018/19	2019/20	2020/21	Percentage change	
				2019/20	2020/21
Establishment permits					
Number	22,590	25,712	35,988	13.8	40.0
Projected investment (trillion rials)	2,811.9	2,864.5	6,202.8	1.9	116.5
Projected employment (thousand persons)	522.6	595.5	849.6	13.9	42.7
Operation permits					
Number	5,850	5,782	6,546	-1.2	13.2
Investment (trillion rials, current prices)	598.3	504.8	1,700.1	-15.6	236.8
Employment (thousand persons)	101.6	90.0	114.8	-11.4	27.6

Source: Ministry of Industry, Mine, and Trade

Table 5.6. Average Investment and Employment Generation by Permit

	2018/19	2019/20	2020/21	Percentage change	
				2019/20	2020/21
Establishment permits					
Average projected investment in each project (billion rials)	124.5	111.4	172.4	-10.5	54.7
Average projected employment generation by each project (person)	23	23	24	0.1	1.9
Average projected investment per employment opportunity (billion rials)	5.4	4.8	7.3	-10.6	51.8
Operation permits					
Average investment per industrial unit (billion rials)	102.3	87.3	259.7	-14.6	197.5
Average employment generation per industrial unit (person)	17	16	18	-10.4	12.7
Average investment per employment opportunity (billion rials)	5.9	5.6	14.8	-4.8	164.1

Source: Ministry of Industry, Mine, and Trade

5.7. Permits Issued in the Mining Sector

Totally, 537 discovery certificates, with a projected reserve of 716 million tons, were issued by the Ministry of Industry, Mine, and Trade in 2020/21, indicating increases of 5.9 and 21.9 percent, respectively, compared with 2019/20. In order to put new mines into operation, 684 operation permits, with a nominal extraction capacity of 48.3 million tons, were issued, showing increases

of 18.8 and 102.3 percent, respectively, compared with the year before. Employment based on operation permits increased by 16.6 percent compared with 2019/20, to reach 5,570 persons in 2020/21. Furthermore, 1,023 exploration permits were issued in the mining sector, pointing to an increase of 6.6 percent compared with the year before.

Table 5.7. Permits Issued for Mining Activities

	2018/19	2019/20	2020/21	Percentage change	
				2019/20	2020/21
Exploration permits¹	1,029	960	1,023	-6.7	6.6
Discovery certificates²					
Number	559	507	537	-9.3	5.9
Projected reserve (million tons)	1,990	587	716	-70.5	21.9
Operation costs (billion rials)	702	1,111	1,565	58.1	40.9
Operation permits³					
Number	648	576	684	-11.1	18.8
Nominal extraction capacity (million tons)	27	24	48	-12.9	102.3
Employment (person)	5,209	4,778	5,570	-8.3	16.6

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 salable mining products.

5.8. Industrial Exports

Based on the Customs Administration, the weight and value of industrial exports decreased by respectively 11.4 and 18.5 percent compared with the year before, to reach 100.2 million tons and \$28.3 billion in 2020/21. Thus, the average value of industrial exports amounted to \$282.3 per ton, down by 8.0 percent compared with 2019/20. "Gas and oil products" had the highest share in the value of industrial exports with 33.6 percent, followed by "rubber and plastics products" with 16.5 percent and "cast iron, iron, steel, and their articles" with 16.1 percent.

5.9. 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 2020/21, the general PPI indicated a growth rate of 55.2 percent compared with 2019/20 (base year 2016/17). The growth rate of the PPI in 2019/20 had stood at 37.5 percent, compared with 2018/19 (base year 2016/17). The producer price index (PPI) for manufacturing products increased by 57.6 percent in the year under review, when compared with 2019/20.