

CHAPTER FIVE

MANUFACTURING AND MINING

Manufacturing and mining sector activities enjoyed an upturn in 1383. According to the preliminary estimates, the growth rates of these two sectors showed an increase of 12 and 8.8 percent, respectively at constant 1376 prices, well above the targets of 9.5 and 6.8 percent set in the 4th FYDP. The shares of manufacturing and mining sectors in the GDP were also 11.3 and 0.6 percent, respectively at current prices.

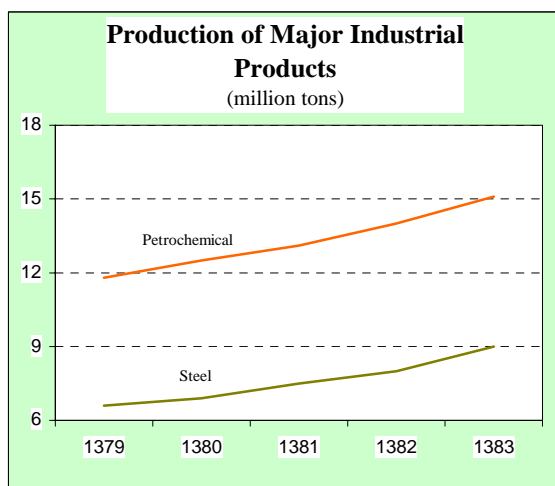
High oil revenues together with a surge in import of raw materials and intermediate goods required by the manufacturing sector raised the capacity utilization of manufacturing units, and helped rise the demand for industrial goods, which in turn enhanced the private investment in this sector. Moreover, despite the regional and international tensions, the government's initiatives during the past years boosted manufacturing and mining activities further. These initiatives are the utilization of administered funds, extending of foreign exchange facilities out of the Oil Stabilization Fund (OSF), utilization of foreign finance and payment of subsidized facilities, and revision of regulations with the aim of streamlining the process of renovation of industries.

Production

The production index of the large manufacturing establishments went up by 12.9 percent. The growth of the production index of 15 groups of industries out of 20 groups increased and the remaining groups faced a decline as compared with the previous year.

According to the data released by the Ministry of Industries and Mines, production of major industrial products enjoyed favorable growth, so that out of 85 selected industrial products, 61 items registered an increase in production in which 31 items showed a growth of over 10 percent.

In this year, the auto industries raised their production. The production of various types of trucks and vans, minibuses, passenger cars, road construction machineries, and pick-ups increased by respectively 112.4, 88.5, 19.8, 9.5, and 6.9 percent, compared to last year.



LARGE MANUFACTURING ESTABLISHMENTS INDICES (1)

(1376=100)

	1381	1382▲	1383□	Percentage change	
				1382	1383
Production	176.0	220.6	249.0	25.3	12.9
Employment	110.4	106.2	102.6	-3.8	-3.4
Wage, salary, and fringe benefits	314.0	375.2	442.3	19.5	17.9
Per capita wage, salary and fringe benefits (in nominal term)	284.3	353.3	430.9	24.3	22.0
Per capita wage, salary and fringe benefits (in real term) (2)	138.0	148.3	157.0	7.5	5.9

(1) Includes establishments with 100 employees or more. (2) It is adjusted with CPI in urban areas.

Moreover, with the participation of foreign companies, in this year, production of the new automobiles was put into the agenda of automobile manufacturers to diversify auto manufacturing industry in Iran.

MANUFACTURING AND MINING PRODUCTS

		1381	1382▲	1383	Percentage change	
					1382	1383
Motor vehicles (1)	Unit	531,461.0	752,387.0	903,193.0	41.5	20.1
Cement	Thousand tons	28,433.1	29,782.7	32,199.0	4.7	8.1
Raw steel	Thousand tons	7,477.1	7,991.0	8,989.6	6.9	12.5
Aluminum bar	Thousand tons	158.3	180.9	212.2	14.3	17.3
Copper (Cathode)	Thousand tons	142.9	145.7	152.5	2.0	4.7

Source: Ministry of Industries and Mines

(1) Includes different types of trucks, vans, passenger cars, pick-ups, buses, minibuses, and double-differential cars.

Petrochemical products grew by 7.9 percent to 15.1 million tons in 1383 when compared with the previous year. About 82.6 percent of nominal capacity of petrochemical units was utilized in the review year. In terms of production growth, Bou Ali Sina Petrochemical Complex enjoyed the highest growth of 54.2 percent, followed by HD Unit of Amir Kabir Complex (with 17.0 percent), Razi Complex (with 10.8 percent), Isfahan Complex (with 8.7 percent), and Tabriz and Orumiye complexes (with 8.1 percent).

Fanavar Petrochemical Unit, with a nominal capacity of one million tons, was put into operation, producing 447.7 thousand tons. In this year, the petrochemical units of Arak, Isfahan, and Khark were privatized. The total capacity of these three units is 2.5 million tons per annum (13.4 percent of the country's total capacity).

In 1383, petrochemical complexes produced 1,872.7 thousand tons of various types of chemical fertilizers, showing a decrease of 1.7 percent compared to the previous year. The major share of chemical fertilizers production belongs to Urea fertilizer with 79.4 and Di-Ammonium Phosphate with 14.0 percent.

In this year, petrochemical exports, with 14.3 percent increase over the previous year, amounted to 5.2 million tons valuing at \$1.7 billion. The highest share of 46.5 percent in petrochemical exports went to Bandar Imam Petrochemical Complex.

PETROCHEMICAL PRODUCTS

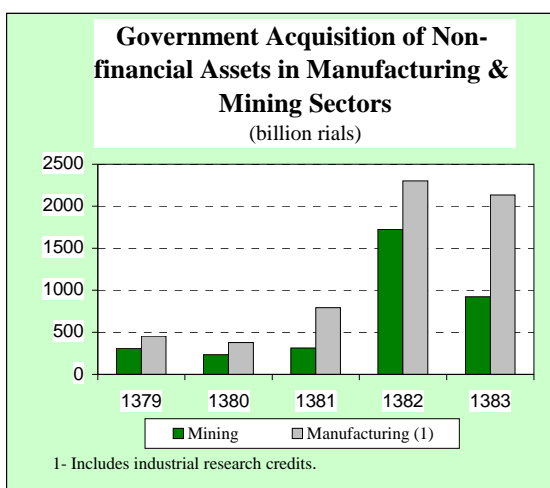
	1381	1382	1383	Percentage change	
				1382	1383
Production (thousand tons)	13,110.0	13,969.0	15,068.3	6.6	7.9
Actual production/nominal capacity (percent)	86.8	75.4	82.6	-13.1	9.5
Actual production/planned production (percent)	104.6	95.2	92.5	-9.0	-2.8
Exports					
Volume (thousand tons)	3,899.0	4,544.0	5,192	16.5	14.3
Value (million dollars)	941.4	1,225.0	1,722	30.1	40.6

Source: National Petrochemical Industries Corporation

Government Investment

According to the Budget Law for 1383, the government allocated Rls. 2,952.7 billion for national projects of manufacturing and mining sectors and industrial research program, which constitutes 4.6 percent of total credits of acquisition of non-financial assets for this year. Based on the data released by the Treasury General, the credits allocated to the aforesaid sectors and program were Rls. 3,054.9 billion, showing 24.1 percent decrease compared to the previous year. This decline was largely attributable to the reduction of credits allocated to the mining sector.

In this year, based on Participation Papers Issuance Act, the Money and Credit Council (MCC), approved the license for the issuance of Rls. 7,000 billion participation papers by companies, of which Rls. 3,000 billion was issued and sold out. As approved by the Cabinet, in this year, the specialized holding companies of "Development and Renovation of Industries of Iran" and "Development and Renovation of Mines and Mining Industries of Iran" were obliged to allocate at least 40 percent of their new investments joint with the investment of the non-public sector (specifying the minimum shares of the public sector) to less developed regions and provinces. The "National Petrochemical Industries Company" was also obliged to allocate up to 40 percent of new investments to the said regions. All the ministries and state organizations benefiting from "technical and credit assistance plan" were obliged to allocate at least 40 percent of their allocated funds approved in the laws of annual budget to productive units and projects and relevant services that are technically, economically, and financially justifiable and create permanent employment.



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

	1381	1382	1383	Percentage change		Share (percent)		Approved	Implementa-
				1382	1383	1382	1383	1383	tion rate (%)
Manufacturing	435,155	1,917,470	1,813,770	340.6	-5.4	47.6	59.4	1,462,600	124.0
Mining	312,169	1,724,895	922,275	452.6	-46.5	42.8	30.2	1,007,750	91.5
Industrial research program	358,305	384,612	318,834	7.3	-17.1	9.6	10.4	482,339	66.1
Total	1,105,629	4,026,977	3,054,879	264.2	-24.1	100.0	100.0	2,952,689.0	103.5

Source: Ministry of Economic Affairs and Finance -Treasury General

Banking Facilities

Banks and credit institutions increased the volume of facilities extended to manufacturing and mining sectors in the framework of the MCC approvals in the review year. Thus, the outstanding facilities extended to public and non-public manufacturing and mining sectors (excluding profit and revenue receivables) grew by 39 percent at the year-end to Rls. 193.9 trillion when compared with the previous year-end. Moreover, according to the MCC approval, the minimum expected rate of return on facilities extended by public banks to public and private manufacturing and mining sectors was reduced by one percentage point to 15 percent.

According to the Ministry of Industries and Mines, in addition to extending of rial facilities, banking system concluded a total of \$904.9 million contracts out of the OSF to 87 investment projects in the manufacturing and mining sectors; therefore, a sum of \$8,558.9 million was allocated to 1,064 projects since the establishment of the OSF until the end of 1383.

OUTSTANDING FACILITIES EXTENDED BY BANKS AND NON-BANK CREDIT INSTITUTIONS TO MANUFACTURING AND MINING SECTOR (1) (billion rials)

	Year-end		Change in outstanding 1383	Percentage change 1383	Share of change in outstanding (percent)	Total change in outstanding (2)
	1382▲	1383				
Non-public sector	121,267.4	172,642.3	51,374.9	42.4	94.6	142,419.7
Commercial banks	110,902.9	151,789.0	40,886.1	36.9	75.3	98,374.2
Specialized banks	6,258.6	8,211.1	1,952.5	31.2	3.6	20,048.9
Non-public banks and non-bank credit institutions	4,105.9	12,642.2	8,536.3	207.9	15.7	23,996.6
Public sector	18,243.8	21,238.8	2,995.0	16.4	5.5	12,737.9
Total	139,511.2	193,881.1	54,369.9	39.0	100.0	155,157.6

(1) Excludes profit and revenue receivables.

(2) 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 the manufacturing and mining sector increased during the review year. According to the statistics related to the operation permits, a total of Rls. 50.1 trillion was invested in establishing new manufacturing and mining units and the expansion of existing units in the same year, showing 73.7 percent growth compared to the year before. Such investments, in addition to raising productive capacities, could pave the way for further growth of the manufacturing and mining sector during the coming years. Meanwhile, regarding the establishment permits, the projected investments in the new manufacturing and mining projects grew by 86.2 percent, compared to the previous year, to Rls. 764.0 trillion. This shows further tendency of the private sector for new investments. Moreover, the number of establishment permits and employment created show 7.6 and 14.8 percent growth respectively, compared to the previous year.

NUMBER, INVESTMENT AND EMPLOYMENT OF MANUFACTURING AND MINING PERMITS

	1381	1382	1383	Percentage change	
				1382	1383
Establishment permits					
Number	27,101	27,548	29,638	1.6	7.6
Investment (billion rials)	269,277	410,226	763,987	52.3	86.2
Employment (person)	717,092	827,593	949,752	15.4	14.8
Operation permits					
Number	4,147	4,482	5,125	8.1	14.3
Investment (billion rials)	18,059	28,875	50,144	59.9	73.7
Employment (person)	77,296	113,372	137,579	46.7	21.4

Source: Ministry of Industries and Mines

In 1383, the volume of investment in each new manufacturing unit based on the operation permits increased markedly by 51.9 percent when compared with the previous year.

INVESTMENT AND EMPLOYMENT OF MANUFACTURING AND MINING PERMITS

	1381	1382	1383	Percentage change○	
				1382	1383
Establishment permits					
Average investment in each project (million rials)	9,936.0	14,891.3	25,777	49.9	73.1
Average employment created by each project (person)	27	30	32	13.5	6.7
Average investment request for each occupation (million rials)	375.5	496.0	804.0	32.0	62.3
Operating permits					
Average investment by an industrial unit (million rials)	4,354.8	6,442.4	9,784.0	47.9	51.9
Average employment created by an industrial unit (person)	19	25	27	36.0	6.1
Average investment for an occupation (million rials)	233.6	254.7	364.0	9.0	43.1

Source: Ministry of Industries and Mines

According to the Ministry of Industries and Mines, 3,043 new manufacturing units with an investment of Rls. 37.5 trillion were put into operation in 1383. This created 86.2 thousand job opportunities in the review year.

Permits Issued in the Mining Sector

The Ministry of Industries and Mines issued 1,680 exploration permits and 472 discovery certificates with a projected reserve of 3,705.0 million tons of mining products in 1383. In this year, 610 operation permits with actual reserves of 2,221.8 million tons were issued. The volume of investment done in these permits was Rls. 960.7 billion.

MINING PERMITS ISSUED

	1381	1382	1383	Percentage change○	
				1382	1383
Number of exploration permits (1)	1,557	1,583	1,680	1.7	6.1
Discovery certificate (2)					
Number	320	377	472	17.8	25.2
Reserve (million tons)	913.1	1,543.2	3,705.0	69.0	140.1
Operation expenses (billion rials)	28.7	60.5	91.9	110.8	51.9
Operation permit (3)					
Number	662	578	610	-12.7	5.5
Extraction volume (million tons)	26.5	22.6	24.7	-14.4	9.1
Employment (person)	11,632	9,430	6,437	-18.9	-31.7
Actual reserve (million tons)	3,038.7	2,012.8	2,221.8	-33.8	10.4
Investment (billion rials)	2,243.2	868.3	960.7	-61.3	10.6
Exploitation permit (4)					
Number	632	674	606	6.6	-10.1
Extraction volume (million tons)	13.6	5.3	10.2	-60.9	92.3

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, exploitation of colluviums and limited and minor reserves and laboratory operations.

Foreign Investment

According to the Ministry of Industries and Mines, the implementation of 36 industrial projects, with a total of \$1,522.4 million joint foreign investment, was approved to be carried out under Foreign Investment Promotion and Protection Act in 1383.

SELECTED MANUFACTURING AND MINING PROJECTS (1)

Project	Nationality of foreign partner	Amount of foreign partnership (million dollars)	% of foreign partnership
Establishment of Pareh Sar Gas Plant in Guilan	Germany	590.5	Under BOT (2)
Sponge Iron and Steel Production	Belgium	320.0	Under BOT
Establishment of Maroun Petrochemical Complex	Saudi Arabia	173.5	50
Investment in Behshahr Industries Development and Oil Industries Management Company	Saudi Arabia	92.6	49
Establishment Project for Urea and Ammonia Production Petrochemical Complex	India	47.7	55
Long-diameter Pipes for Oil and Gas Transfer	Germany	32.6	68
Automobile Wiring System Production	Malaysia	29.9	50
Paper Manufacture	Pakistan	26.0	100
Investment in Gachsazan Corporation	Germany	19.4	89.7
Electronic Payment Banking Services	Turkey	12.3	100

Source: Ministry of Industries and Mines

(1) Includes approved projects with more than \$10 million foreign participation.

(2) Build – Operate – Transfer (BOT)

Employment

Employment index of the large manufacturing establishments declined by 3.4 percent in 1383. The performance of industries such as basic metals, chemicals and textiles was largely responsible for the mentioned decline, with regard to the relative weight of industries.

Survey of employment according to operation permits indicates that in 1383 about 137.6 thousand jobs were created in manufacturing sector, up by 21.4 percent. This figure was 6.4 thousand job opportunities in mining sector, which posted a 31.7 percent reduction, as compared with the previous year. The average employment opportunities created by new manufacturing projects based on operation permits rose from 25 persons in 1382 to 27 persons in the review year. Investment required for the creation of each job opportunity based on operation permits grew by 43.1 percent to Rls. 364 million. A comparison between this figure and the growth rate of 9 percent in 1382 is indicative of the operation of more capital intensive manufacturing projects in 1383.