

Production

Most manufacturing establishments experienced production growth in 1385, the 2nd year of the 4th FYDP. According to the Ministry of Industries and Mines, production of most selected manufacturing and mining goods enjoyed growth in 1385. Out of 37 selected products, 26 items posted an increase in production, among which 16 items showed over 10 percent growth. Production of raw steel, flat glass, cement, and

tile, all used as construction materials, increased by 6.2, 13.4, 8.2, and 26.6 percent, respectively.

In this year, the automotive industry raised the volume of its production. Manufacture of various types of pick-ups, double-differential cars, and passenger cars increased by 22.2, 28.2, and 9.2 percent, respectively. In the production of spare parts, the production of automobile tires grew by 2 percent.

MANUFACTURING AND MINING PRODUCTS

		1383	1384▲	1385	Percentage change	
					1384	1385
Motor vehicles ⁽¹⁾	Thousand units	868.2	970.9	1,076.8	11.8	10.9
Cement	Thousand tons	32,195.4	32,633.7	35,308.0	1.4	8.2
Raw steel	Thousand tons	8,989.6	9,603.6	10,199.6	6.8	6.2
Aluminum bar	Thousand tons	212.2	218.7	205.5	3.1	-6.0
Copper (Cathode)	Thousand tons	152.5	178.0	200.8	16.7	12.8

Source: Ministry of Industries and Mines

(1) Includes various types of passenger cars, pick-ups, vans, and double-differential cars.

According to the National Petrochemical Company, petrochemical products grew by 14.8 percent to 15.2 million tons in 1385, against 5.7 percent growth in the previous year. About 57.4 percent of the nominal capacity of petrochemical units was utilized in this year.

Petrochemical exports surged by 14.9 percent in 1385 to 4.5 million tons. The value of petrochemical exports amounted to

\$2.6 billion, showing 39.5 percent rise compared with the previous year. The performance of National Petrochemical Company exports shows respectively 87 and 138.7 percent realization in terms of amount and value compared with the target set in the 4th Plan. Due to the growth in the international price of petrochemicals, the unit value of petrochemical exports increased by 21.4 percent, compared with the previous year, and amounted to \$575.4 a ton.

PETROCHEMICAL PRODUCTS ⁽¹⁾

	1383 ▲	1384 ▲	1385	Percentage change ○	
				1384	1385
Production (thousand tons)	12,517	13,231	15,184	5.7	14.8
Actual production/nominal capacity (percent)	79.5	73.7	57.4	-7.4	-22.0
Actual production/planned production (percent)	90.9	87.0	87.9	-4.3	1.0
Exports					
Volume (thousand tons)	4,041	3,936	4,523	-2.6	14.9
Value (million dollars)	1,361.4	1,865.9	2,602.4	37.1	39.5

Source: National Petrochemical Company

(1) Excludes private sector petrochemical companies.

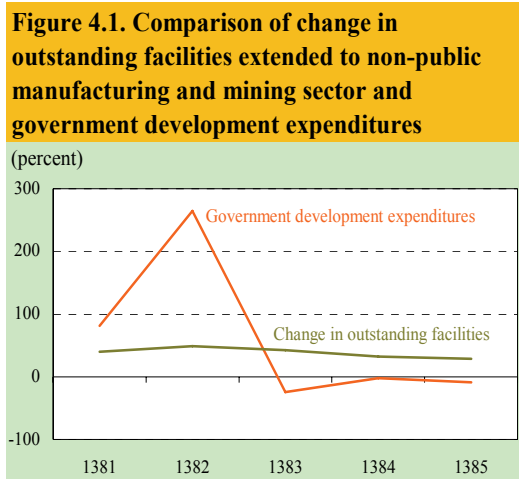
Government Investment

According to the Budget Law for 1385, government approved Rls. 3,382.2 billion for the implementation and completion of acquisition of non-financial assets projects in manufacturing and mining sector and industrial research project. According to the Treasury General, Rls. 2,715.2 billion was allocated to the mentioned sector, down by 9.1 percent compared with last year's performance. The great portion of these credits (Rls. 2,147.2 billion) was paid to the programs of "establishment and development of Industries" by 50.5 percent, "quality improvement of manufacturing products" by 16.2 percent, and "geology" by 12.4 percent.

In this year, Rls. 18.8 billion was paid to the "industrial research project in the manufacturing and mining sector", down drastically by 77.5 percent. The share of this program in total credits paid to manufacturing and mining sector was a mere 0.7 percent in 1385. Since research and development are very essential for every country's competitiveness, such a low contribution might

create a challenging condition for the country in a global economy.

A review of government budget performance in 1385 reveals that 80.3 percent of credits approved for the acquisition of non-financial assets projects in manufacturing and mining sector and industrial research project was realized, which is lower than 83.1 percent of last year.



ACQUISITION OF NON-FINANCIAL – NATIONAL ASSETS IN MANUFACTURING AND MINING SECTOR AND INDUSTRIAL RESEARCH PROJECT (billion rials)

				Percentage change		Share (percent)		1385	
	1383	1384	1385	1384	1385	1384	1385	Approved	Implementation rate (%)
Manufacturing and mining	2,736.0	2,903.7	2,696.4	6.1	-7.1	97.2	99.3	3,353.3	80.4
Industrial research project	318.8	83.7	18.8	-73.8	-77.5	2.8	0.7	28.9	65.0
Total	3,054.8	2,987.4	2,715.2	-2.2	-9.1	100.0	100.0	3,382.2	80.3

Source: Ministry of Economic Affairs and Finance-Treasury General

Banking Facilities

In 1385, in accordance with the MCC approvals, banks and non-bank credit institutions increased the amount of their facilities extended to the manufacturing and mining sector. Therefore, outstanding facilities extended to public and non-public sectors (excluding profit and revenue receivables) amounted to Rls. 314.7 trillion, up by 24.7 percent compared with end-1384. Meanwhile,

the share of non-public manufacturing and mining sector in total change in the outstanding facilities extended by banks and non-bank credit institutions to non-public economic sectors (including free uses) was 21.9 percent. In the review year, commercial banks accounted for 89.7 percent of total change in the outstanding facilities extended to non-public manufacturing and mining sector.

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

	Year-end		1385			
	1384	1385	Change in outstanding	Percentage change	Share of change in outstanding (percent)	Total change in outstanding ⁽²⁾
Non-public sector	228,133.2	293,959.9	65,826.7	28.9	105.5	300,976.3
Commercial banks	186,118.6	242,110.2	55,991.6	30.1	89.7	197,897.6
Specialized banks	15,453.7	17,864.5	2,410.8	15.6	3.9	54,002.4
Private banks and non-bank credit institutions	26,560.9	33,985.2	7,424.3	28.0	11.9	49,076.3
Public sector	24,170.6	20,738.8	-3,431.8	-14.2	-5.5	2,840.7
Total	252,303.8	314,698.7	62,394.9	24.7	100.0	303,817.0

(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.

In Azar 1384, the government approved a by-law for supporting the expansion of Small and Medium Enterprises (SMEs). On this basis, agent banks were obliged to extend facilities up to 20 percent in the first year of the 4th Plan (1384), 35 percent in the second year and 50 percent during third to fifth years. The Central Bank announced the quotas of agent banks at Rls. 67,680 and 180,000 billion for 1384 and 1385, respectively. By end-1385, 669,134 projects valuing at Rls. 326,025 billion were referred to agent banks for 278,838 of which, contracts worth Rls. 87,560.6 billion were concluded. The share of the manufacturing and mining sector in total extended facilities was 48.9 percent at Rls. 36,280.0 billion.

New Manufacturing and Mining Units

Based on the data drawn by the Ministry of Industries and Mines, investment, mostly private sector investment, in manufacturing

and mining sector increased in 1385. The number of issued operation permits indicated that Rls. 77.2 trillion was invested in the establishment of 6,764 new manufacturing and mining units, showing 39.9 and 12.3 percent rise in terms of investment and number of units, respectively. Employment created by these units indicated 4 percent increase. Based on the number of establishment permits, the amount of investment envisaged for the establishment of new manufacturing and mining units and expansion of existing units grew by 58 percent, compared with 1384, to Rls. 1,423.5 trillion. This indicates further participation of private sector to invest in new manufacturing and mining projects. The number and employment, based on these permits, registered growth of 74 and 51.5 percent, respectively. High growth in the number of establishment permits is indicative of manufacturers' tendency to establish SMEs.

NUMBER, INVESTMENT AND EMPLOYMENT OF
MANUFACTURING AND MINING PERMITS

	1383	1384	1385	Percentage change	
				1384	1385
Establishment permits					
Number	29,638	31,205	54,288	5.3	74.0
Investment (billion rials)	763,985.9	900,874.0	1,423,515.3	17.9	58.0
Employment (person)	949,752	979,418	1,484,237	3.1	51.5
Operation permits					
Number	4,926	6,025	6,764	22.3	12.3
Investment (billion rials)	49,248.2	55,181.4	77,172.7	12.0	39.9
Employment (person)	129,834	121,319	126,155	-6.6	4.0

Source: Ministry of Industries and Mines

INVESTMENT AND EMPLOYMENT OF MANUFACTURING AND MINING PERMITS

	1383	1384	1385	Percentage change ○	
				1384	1385
Establishment permits					
Average investment in each project (million rials)	25,777.2	28,869.5	26,221.5	12.0	-9.2
Average employment created by each project (person)	32	31	27	-2.1	-12.9
Average investment for each occupation (million rials)	804.4	919.8	959.1	14.3	4.3
Operation permits					
Average investment by an industrial unit (million rials)	9,997.6	9,158.7	11,409.3	-8.4	24.6
Average employment created by an industrial unit (person)	26	20	19	-23.6	-7.4
Average investment for each occupation (million rials)	379.3	454.8	611.7	19.9	34.5

Source: Ministry of Industries and Mines

According to the Ministry of Industries and Mines, in 1385, 3,194 new manufacturing units, with an investment of Rls. 47.3 trillion, came on stream, thus creating 64.9 thousand job opportunities. The highest number of projects in operation was related to provinces of Gilan with 261, Esfahan with 297, Khorasan Razavi with 247, and East Azerbaijan with 210 projects.

Permits Issued in the Mining Sector

Despite a high growth in the value-added of the manufacturing and mining sector, mining activities grew moderately in

1385. In this year, 1,549 exploration permits and 528 discovery certificates, with a projected reserve of 3,079.5 million tons of mining products, were issued by the Ministry of Industries and Mines. The number of operation permits, with an actual reserve of 2,811.3 million tons and an investment of Rls. 1,462.1 billion, amounted to 595. Based on the kind of material exploited from mines, the number of issued permits came to 432 for construction materials, 32 for metallic, and 131 for non-metallic materials. Moreover, 629 exploitation permits with an extraction volume of 13.5 million tons were issued.

MINING PERMITS ISSUED

	1383	1384	1385	Percentage change ○	
				1384	1385
Number of exploration permits ⁽¹⁾	1,696	1,575	1,549	-7.1	-1.7
Discovery certificates ⁽²⁾					
Number	481	508	528	5.6	3.9
Reserve (million tons)	3,706.4	2,865.5	3,079.5	-22.7	7.5
Operation expenses (billion rials)	92.5	172.4	151.3	86.4	-12.3
Operation permits ⁽³⁾					
Number	616	654	595	6.2	-9.0
Extraction volume (million tons)	24.7	31.2	28.7	26.4	-8.2
Employment (person)	6,499	7,171	6,130	10.3	-14.5
Actual reserve (million tons)	2,231.4	2,831.4	2,811.3	26.9	-0.7
Investment (billion rials)	970.3	2,402.0	1,462.1	147.6	-39.1
Exploitation permits ⁽⁴⁾					
Number	631	546	629	-13.5	15.2
Extraction volume (million tons)	10.3	10.3	13.5	-0.1	31.8

Source: Ministry of Industries and Mines

- (1) It is a license issued by the Ministry of Industries and Mines which permits exploitation of minerals within a specific scope.
- (2) It is an endorsement certificate issued by the Ministry of Industries and Mines in the name of the owner of exploration permit after the completion of exploration and discovery.
- (3) It is a license issued by the Ministry of Industries and Mines for extracting, ore dressing, and obtaining salable mining products.
- (4) It is a license issued by the Ministry of Industries and Mines for procurement of construction materials required for development projects, exploitation of colluviums and limited and marginal reserves as well as laboratory operations.

Foreign Investment

According to the Ministry of Industries and Mines, implementation of 60 industrial projects was approved at \$9.3 billion. This was a foreign joint venture and under Foreign

Investment Promotion and Protection Act. The amount of investment was 376.3 percent more than the previous year.

Article 24, 4th Plan Law, an Encouragement for Absorption of Foreign Investment

According to Article 24, 4th Plan Law, in the implementation of Foreign Investment Promotion and Protection Act approved in 1380, the government is authorized to provide the appropriate ground to attract foreign investment. This is to be achieved with the aim of enhancing economic growth, developing new technologies, improving production qualitatively, increasing job opportunities and raising exports in the area of manufacturing, mining, agriculture, infrastructure, services and information technology. In line with these objectives, the government is bound to guarantee the payment of contractual obligations of Iranian state-owned companies for the procurement of goods and services that

are bound to be purchased by the government as approved by the High Council of Economy. This payment is to be financed out of the domestic funds and resources of these companies. Meanwhile, in order to achieve foreign investment growth as envisaged in the 4th Plan, the government is authorized to make available to the Organization for Investment, Economic and Technical Assistance of Iran (OIETAI) equal to one thousandth of the total foreign direct investment (in real terms) under Foreign Investment Promotion and Protection Act on an annual basis. This shall be on top of the amount envisaged in annual budget laws.

**APPROVED PROJECTS UNDER
"FOREIGN INVESTMENT PROMOTION AND PROTECTION ACT" IN 1385**

Group	Number of projects	Amount of investment (million dollars)
Food and drugs	12	62.3
Textiles and leather	4	1.4
Chemical and cellulose products	16	1,524.0
Non-metallic mineral ores	6	166.6
Mining	3	14.2
Electrical machines and electronic devices	3	2.5
Metallic materials	5	1,834.2
Automobiles and automotive industry	4	52.0
Manufacture of automobiles, machine tools and equipment	6	5,606.4
Miscellaneous	1	0.1
Total	60	9,263.8

Source: Ministry of Industries and Mines

Employment

Data related to operation permits issued by the Ministry of Industries and Mines indicate that about 126.2 thousand job opportunities were created in manufacturing and 6.1 thousand in mining sector. This shows 4 percent increase and 14.5 percent decrease. Meanwhile, average employment rate for manufacturing projects based on operation permits declined from 20 persons in 1384 to 19 persons in the review year. The investment required for creation of each new job opportunity based on the mentioned permits equaled Rls. 611.7 million, up by 34.5 percent.

In this year, 92 percent of establishment permits and 94.2 percent of operation permits were issued for projects with job opportunities for less than 50 persons. Based on the number of establishment permits, average

investment projected for creation of each job opportunity amounted to Rls. 959.1 million, up by 4.3 percent. However, considering the downward trend of investment growth from 62.3 and 14.3 percent in 1383 and 1384, respectively, and the fall of average employment created by each project from 31.4 persons in 1384 to 27.3 persons in 1385, new investments are aimed at small and less capital-intensive industries.

Producer Price Index of Manufacturing and Mining Products

The producer price index in the two sectors of manufacturing and mining advanced 11.5 and 34.9 percent, respectively, to 302.6 and 268.1. Comparing these figures with general index changes at 12.2 percent points to a higher inflation in the mining sector in the review year.