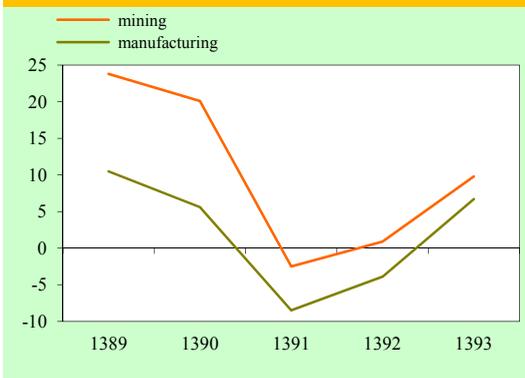


The manufacturing and mining developments in the year 1393 indicate improvement in the performance of this sector. The value-added figures of the "manufacturing" and "mining" sectors increased by 6.7 and 9.8 percent, respectively, at constant 1383 prices.

Figure 4.1. Growth in value-added of manufacturing and mining sector (at constant 1383 prices)



Production

Production index of large manufacturing establishments increased by 7.2 percent in 1393. Manufacture of "motor vehicles, trailers, and semi-trailers", "basic metals", and "chemical products", with a total relative weight of 62.5 percent in the production index, rose by 50.8, 5.0, and 0.9 percent, respectively. Moreover, "employment" index and "wage" index went up by 2.5 and 31.8 percent.

Production of Selected Industries

In 1393, a total of 1,130.2 thousand light- and heavy-duty vehicles were manufactured, up by 53.3 percent compared with 1392. In the Production Plan of the Automotive Industry, it was envisaged that 1,399.2 thousand vehicles should be manufactured in 1393. Therefore, 80.8 percent of the production target was actualized in this year. Production of copper cathode experienced 2.7 percent growth compared with 1392.

Table 4.1. Selected Manufacturing and Mining Products

	1391	1392	1393	Percentage change	
				1392	1393
Cement (million tons)	70.1	71.0	66.5	1.3	-6.4
Light-duty vehicles ¹ (thousand)	903.9	729.5	1,109.3	-19.3	52.1
Crude steel (million tons)	14.8	15.5	16.8	4.4	8.6
Copper cathode (thousand tons)	213.5	188.6	193.6	-11.7	2.7
Aluminum bar (thousand tons)	277.5	299.4	287.0	7.9	-4.1

Source: Ministry of Industry, Mine, and Trade.

¹ Source: SAPCO (Supplying Automotive Parts Company) - Includes various types of passenger cars, pick-ups, vans, ambulances, and double-differential cars.

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According to the National Petrochemical Company, petrochemical products (including the performance of privatized companies) amounted to 44.5 million tons in 1393, indicating 9.7 percent increase compared with the year before. Furthermore, the volume (weight) of petrochemical exports amounted to 15.9 million tons, showing 23.9 percent rise compared with 1392. The value of petrochemical exports reached \$10.3 billion, up by 4.1 percent compared with the previous year. Domestic sales of petrochemical products increased by 12.4 and 6.3 percent in this year, in terms of volume and value.

Government Investment

Based on the 1393 Budget Law, government approved Rls. 4,620.1 billion for the implementation and completion of acquisition of non-financial-national assets projects in manufacturing and mining sector and industrial research project. According to the Treasury General, a sum of Rls. 2,271.9 billion was paid to the mentioned sector and

project, down by 21.0 percent compared with 1392. A review of government budget performance in 1393 reveals that 49.2 percent of credits approved for the acquisition of non-financial assets projects in the mentioned sector and project were realized. The highest realization by 54.4 percent was related to "establishment and development of industries" project, followed by "geology" by 48.8 percent.

Figure 4.2. Change in outstanding facilities extended to non-public manufacturing & mining sector & government development expenditures

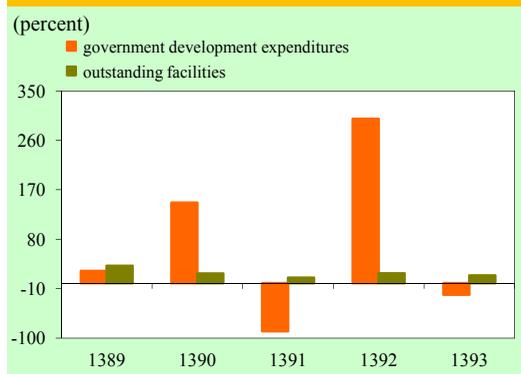


Table 4.2. Performance of Petrochemical Industry

	1391	1392	1393	Percentage change	
				1392	1393
Production (thousand tons)¹	41,064	40,574	44,511	-1.2	9.7
Exports					
Volume (thousand tons)	15,757	12,827	15,886	-18.6	23.9
Value (million dollars)	12,061	9,869	10,273	-18.2	4.1
Domestic sales					
Volume (thousand tons)	13,273	14,525	16,333	9.4	12.4
Value (billion rials)	174,777	313,765	333,489	79.5	6.3

Source: National Petrochemical Company.

¹ Due to the utilization of several petrochemical products for intermediate consumption, the production volume of this sector is constantly higher than sum of exports and domestic sales.

Banking Facilities

By end-1393, total outstanding facilities (net) extended to public and non-public manufacturing and mining sectors (excluding profit and revenue receivables) grew by 13.9 percent compared with the previous year-end to reach Rls. 1,050.0 trillion. Accordingly, share of change in the outstanding debts of the non-public manufacturing and mining sector in total change in the outstanding facilities extended by banks and non-bank credit institutions to all non-public economic sectors was 16.6 percent.

In 1393, of total Rls. 3,414.2 trillion loans and facilities allocated by banks and non-bank credit institutions to various economic sectors, a sum of Rls. 1,064.9 trillion was extended to the manufacturing and mining sector, showing 50.8 percent increase compared with 1392. Of the total sum paid to the manufacturing and mining sector, 80.9

percent was in the form of working capital. The share of the manufacturing and mining sector in total allocated facilities was 31.2 percent.

New Manufacturing Units

The number of establishment permits issued in 1393 reached 16.8 thousand, down by 2.4 percent compared with the year before. Reviewing the number of issued establishment permits based on different industrial groups indicates that investors tended to invest in "other non-metallic mineral products" (16.6 percent), "food and beverages" (15.6 percent), and "rubber and plastic products" (11.4 percent) more than other manufacturing groups in this year. Therefore, 43.6 percent of issued establishment permits were related to these three industrial groups.

Table 4.3. Credits for Acquisition of Non-financial–National Assets in Manufacturing and Mining Sector and Industrial Research Project

				Percentage change		Share (percent)		1393	
	1391	1392	1393	1392	1393	1392	1393	Approved	Realization (percent)
	Manufacturing and mining sector	711.4	2,875.0	2,271.9	304.1	-21.0	100.0	100.0	4,620.1
Industrial research project in manufacturing and mining sector	9.0	0.0	0.0	-100.0	0	0.0	0.0	0.0	0
Total	720.4	2,875.0	2,271.9	299.1	-21.0	100.0	100.0	4,620.1	49.2

Source: Treasury General, Ministry of Economic Affairs and Finance.

Table 4.4. Outstanding Facilities Extended by Banks and Non-bank Credit Institutions to Manufacturing and Mining Sector¹

	Year-end		1393			
	1392	1393	Percentage change	Change in outstanding	Total change in outstanding ²	Relative share (percent)
Non-public sector	914,374.6	1,042,756.0	14.0	128,381.3	775,105.1	16.6
Public sector	7,785.1	7,220.8	-7.2	-564.3	309,276.7	-0.2
Total	922,159.7	1,049,976.8	13.9	127,817.1	1,084,381.8	11.8

¹ Excludes profit and revenue receivables.

² Change in outstanding facilities extended by banks and non-bank credit institutions to all economic sectors.

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The amount of projected investment based on issued establishment permits was Rls. 971.1 trillion, indicating 12.1 percent decrease compared with 1392. Average investment projected for each manufacturing project, on the basis of establishment permits, decreased by 9.9 percent to Rls. 57.7 billion. Average capital formation per employment opportunity, based on establishment permits, was Rls. 2,403.3 million, down by 1.5 percent.

A total of 4,966 operation permits, with an investment of Rls. 146.6 trillion (at current

prices) were issued in this year, showing 19.1 percent increase in the number of operation permits and 1.4 percent decrease in investment. "Food and beverages" had the highest share in the number of issued operation permits by 15.8 percent, followed by "rubber and plastic products" and "other non-metallic mineral products" industries with 14.4 and 12.2 percent, respectively. In 1393, average capital formation by an industrial unit, based on operation permits, was Rls. 29.5 billion, indicating 17.2 percent decrease compared with the year before.

Table 4.5. Number, Investment, and Employment of Establishment and Operation Permits Issued for Manufacturing Groups

	1391 ▲	1392 ▲	1393	Percentage change	
				1392	1393
Establishment permits					
Number	14,456	17,249	16,841	19.3	-2.4
Investment (trillion rials)	548.1	1,104.2	971.1	101.5	-12.1
Employment (thousand persons)	332.9	452.5	404.1	35.9	-10.7
Operation permits					
Number	3,987	4,168	4,966	4.5	19.1
Investment (trillion rials)	83.2	148.6	146.6	78.6	-1.4
Employment (thousand persons)	68.6	76.4	80.0	11.5	4.6

Source: Ministry of Industry, Mine, and Trade.

Table 4.6. Average Capital Formation and Employment Generation of New Manufacturing Permits

	1391 ▲	1392 ▲	1393	Percentage change	
				1392	1393
Establishment permits					
Average capital formation forecast in each project (million rials)	37,917	64,018	57,664	68.8	-9.9
Average employment generation forecast by each project (person)	23	26	24	13.9	-8.5
Average capital formation per employment opportunity (million rials)	1,646	2,440	2,403	48.2	-1.5
Operation permits					
Average capital formation by an industrial unit (million rials)	20,873	35,651	29,517	70.8	-17.2
Average employment generation by an industrial unit (person)	17	18	16	6.7	-12.2
Average capital formation per employment opportunity (million rials)	1,214	1,944	1,832	60.1	-5.7

Source: Ministry of Industry, Mine, and Trade.

Permits Issued in the Mining Sector

A total of 949 discovery certificates, with a projected reserve of 1,897 million tons of minerals, were issued by the Ministry of Industry, Mine, and Trade, in 1393. Based on the relevant data, the provinces of South Khorasan, Khorasan Razavi, Semnan, and Yazd, with respectively 11.7, 11.5, 7.4, and 7.2 percent share in total number of discovery certificates, accounted for the highest number of certificates in the whole country. Moreover, 988 operation permits with an actual reserve of 6,037 million tons and an extraction capacity of 64 million tons were issued, showing 20 percent decrease in extraction capacity. A total of 1,263 exploitation permits, with an extraction volume of 55 million tons were awarded to applicants, showing 20.8 and 12.6 percent decrease, respectively.

Employment in Manufacturing and Mining Sector

Considering Iran's demographic structure, employment generation has been a major challenge facing the Iranian economy over the recent years. Data related to employment based on issued operation permits indicate that 80.0 thousand job opportunities were created in the manufacturing sector, and 9.4 thousand job opportunities were created in the mining sector. Based on the report released by the Ministry of Industry, Mine, and Trade, the number of persons employed in the manufacturing sector in 1393, based on operation permits, was 16 on average. Average capital formation per employment opportunity, based on operation permits, fell by 5.7 percent and reached Rls. 1,832.4 million.

Table 4.7. Issued Mining Permits

	1391▲	1392▲	1393	Percentage change	
				1392	1393
Number of exploration permits¹	1,708	1,977	1,072	15.7	-45.8
Discovery certificates²					
Number	789	859	949	8.9	10.5
Reserve (million tons)	1,478	2,074	1,897	40.3	-8.5
Operation expenses (billion rials)	490	638	457	30.2	-28.4
Operation permits³					
Number	821	926	988	12.8	6.7
Extraction capacity (million tons)	43	80	64	83.6	-20.0
Employment (person)	7,485	10,026	9,352	33.9	-6.7
Actual reserve (million tons)	2,331	4,300	6,037	84.5	40.4
Investment (billion rials)	7,328	9,129	17,107	24.6	87.4
Exploitation permits⁴					
Number	1,475	1,595	1,263	8.1	-20.8
Extraction volume (million tons)	50	62	55	25.8	-12.6

Source: Ministry of Industry, Mine, and Trade.

¹ It is a license issued by the Ministry of Industry, Mine, and Trade which permits 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 exploration permit after the completion of exploration and discovery.

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

⁴ It is a license issued by the Ministry of Industry, Mine, and Trade for procurement of construction materials required for development projects, exploitation of colluviums and limited and marginal reserves as well as laboratory operations.

Producer Price Index of Manufacturing and Mining Products

The Producer Price Index (PPI) measures the average change over time in prices received by domestic producers for their output. The PPI, along with the Consumer Price Index (CPI), is a primary measure of inflation. In 1393, general PPI grew by 14.8 percent (base year: 1390) compared with the year before. Corresponding growth figure of 1392 was 34.5 percent (1390=100). The PPI of "manufacturing" group grew by 9.9 percent in 1393, compared with the year before.

Industrial Exports

In 1393, the volume (weight) of industrial exports increased by 14.1 percent to 56.7 million tons and the value of industrial exports rose by 15.9 percent to \$29.1 billion. Therefore, the average value of industrial exports was \$513.0 per ton, up by 1.6 percent compared with 1392. Major items of industrial exports included "gas and oil products" with a share of 25.6 percent in the value of industrial exports, "rubber and plastic products" with 17.4 percent, "organic chemicals" with 15.1 percent, and "cast iron, iron, steel, and their articles" with 9.6 percent.