

Tehran Chamber of Commerce, Industries, Mines, and Agriculture; TCCIMA is the capital largest independent and non-profit networking and business support organization. Representing the interests of more than 18 thousands of companies, TCCIMA connects business people and offer its members a wide range of practical and professional services.

The Economic Research department of TCCIMA is responsible for providing economic analysis, conducting business research, managing official data collection, providing timely and accurate information to TCCIMA members and units. This sector actively seeks new data sources, suggests research topics, and prepares reports on various economic subjects' with the aim of analyzing economic challenges and increasing private sector awareness of macroeconomic and business environment issues.

In regards to promotion of research and development, Economic Research Department of the TCCIMA prepares different reports about Iran's economic and trade performance. This report provides a quick overview of the Iran's manufacturing performance during the selected periods

For more information about TCCIMA, please visit <http://en.tccim.ir/>
© 2018 TCCIMA All Rights Reserved

Report on Iran Manufacturing Production, 2017/18

This report provides a view of Iran's manufacturing performance for a year 2017/18 (21 March 2017 to 20 March 2018). Figures are based on two kinds of statistics: Manufacturing Value Added (MVA) and Manufacturing Production Index (MPI).

The first one is the MVA growth rate based on the Central Bank of Iran (CBI) and the second one is Manufacturing Production Index (MPI) measured by CBI for manufacturing establishments with 100 employees or more.

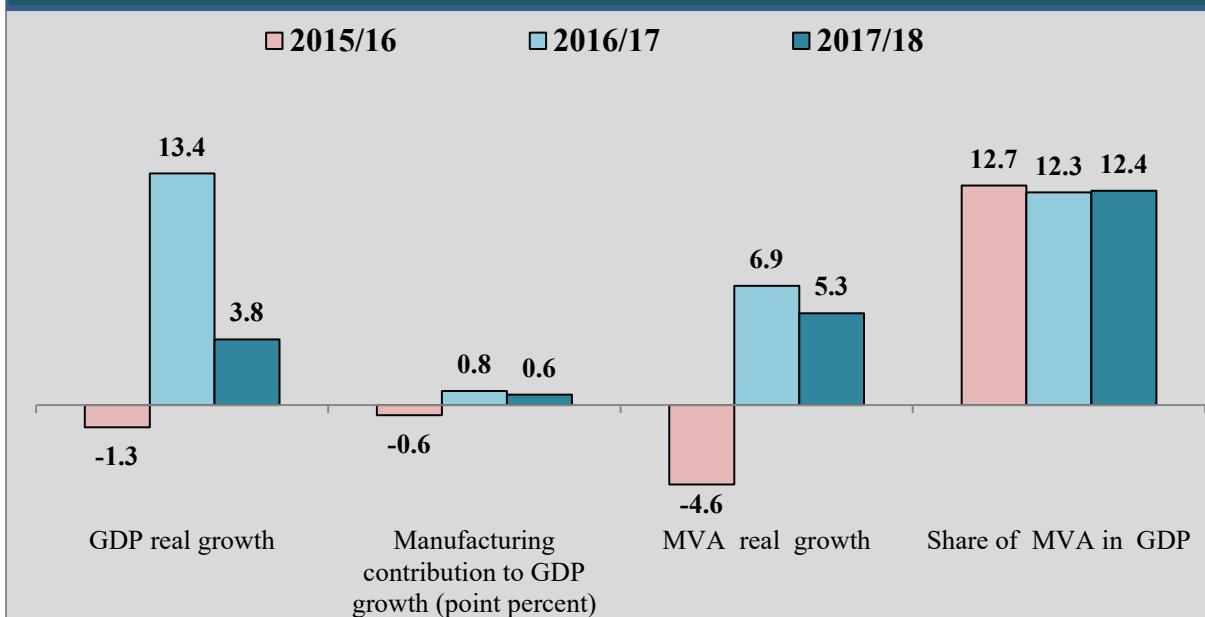
Section One: Manufacturing Value Added, MVA

The manufacturing sector accounted for 12.4 percent of Iran's GDP in 2017/18. As per the CBI latest figures, GDP rose by 3.8 percent year-over-year in the twelve months ended to 20 March 2017.

The service sector was the main driver of this growth with 2.2 point percent contribution while manufacturing sector contributed 0.6 point percent of growth (Chart1).

Iran's manufacturing value added expanded by 5.3 percent y-o-y in the four-quarters of 2017/18.

Chart 1 - Iran GDP & Manufacturing
(2011=100), Percent



Data Source: CBI

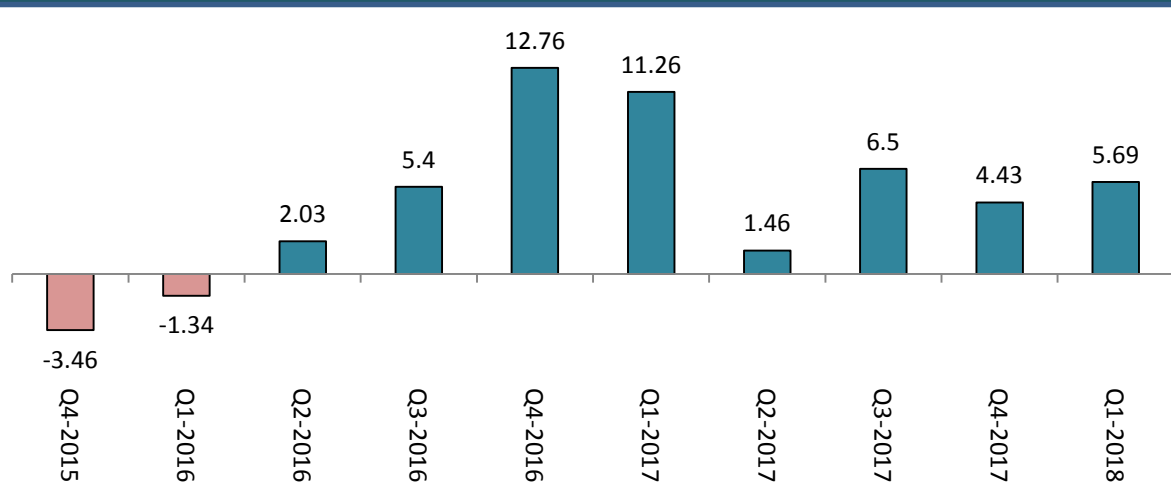
Section Two: Manufacturing Production Index, MPI

The MPI determines the growth of the volume of manufacturing production in real terms and price adjusted (2011=100). This growth rate reflects the year-over-year changes in manufacturing production index. The manufacturing output growth rate would be a good variable of manufacturing value added (MVA) growth.

The MPI figures are based on revision 4 of international standard for industrial classification; ISIC Rev 4 that covers 10- 33 codes.

Iran manufacturing output growth improved during four quarters of 2017/18. The overall trend of quarterly MPI growth during seasons of 2016 (as shown in chart 2) is upward. In the following quarters, MPI growth slowed down and stood at about 1.5 percent in second quarter of 2017. From that time manufacturing production has been gradually growing again although the MPI growth remains below 6 percent in the next quarters ended to the first season of 2018.

Chart 2 - Iran MPI growth rate
(2011=100, Percent)

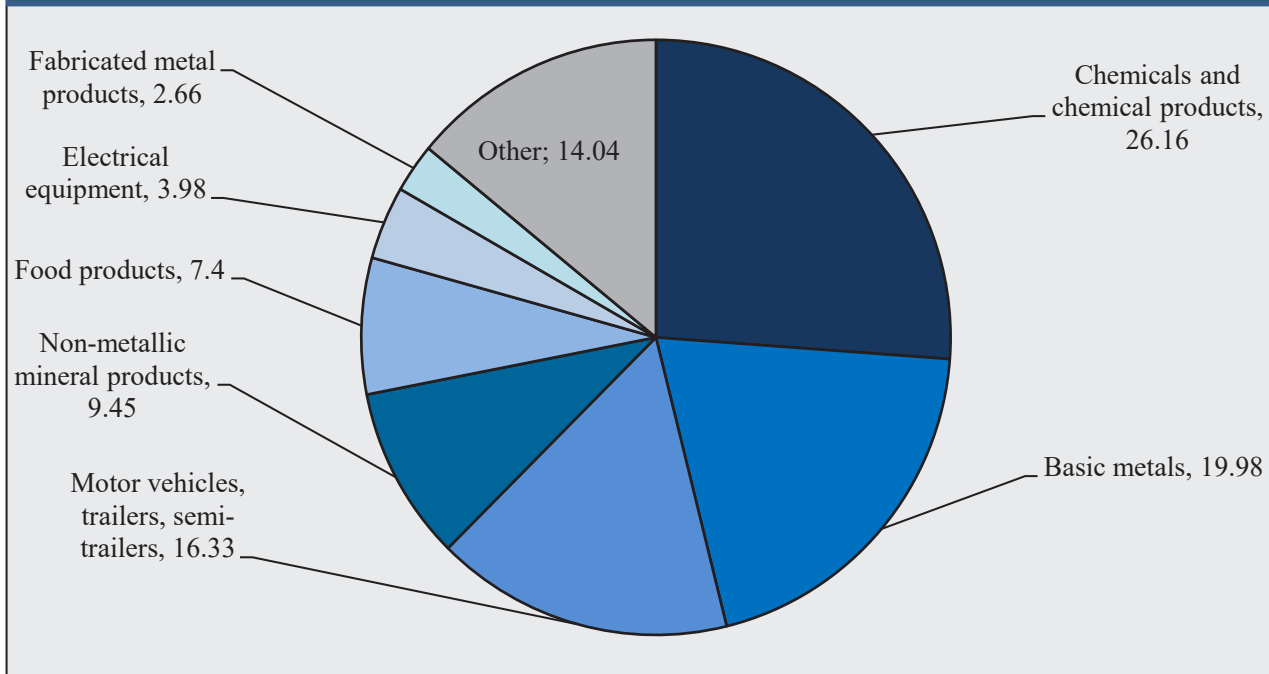


Data Source: CBI

Manufacturing output growth improved during twelve months ended to 20 March 2018 and increased by 5.5 per cent on y-o-y.

This increase is primarily attributed to the performance of 4 major manufacturing sectors; motor vehicles, chemical products, basic metals and food products with 69.8% share of total manufacturing value added (Chart3).

Chart 3 - Share of manufacturing by top sectors
Share in the total MVA(2011)



During the selected period, 17 manufacturing sectors grew by 3.5-18.3 percent and 7 sectors recorded negative growth rates by 0.4-36.6 percent (Table1).

The top contributing sectors to the total MVA that accounts nearly 83 percent of total MVA are; chemicals and chemical products(ISIC20); basic metals(ISIC 24); motor vehicles(ISIC 29); non-metallic mineral products(ISIC 23); food products (ISIC 10) and electrical equipment(ISIC 27) (Chart 4).

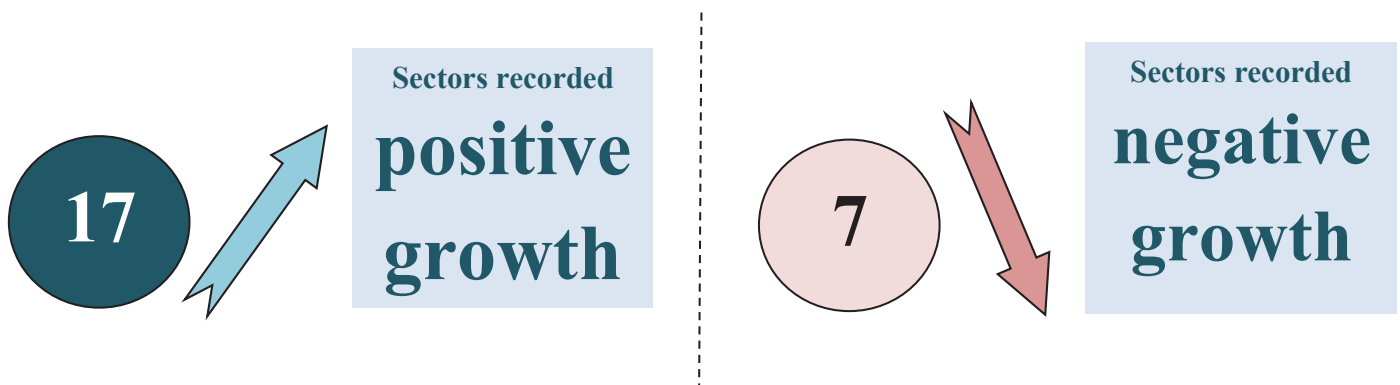
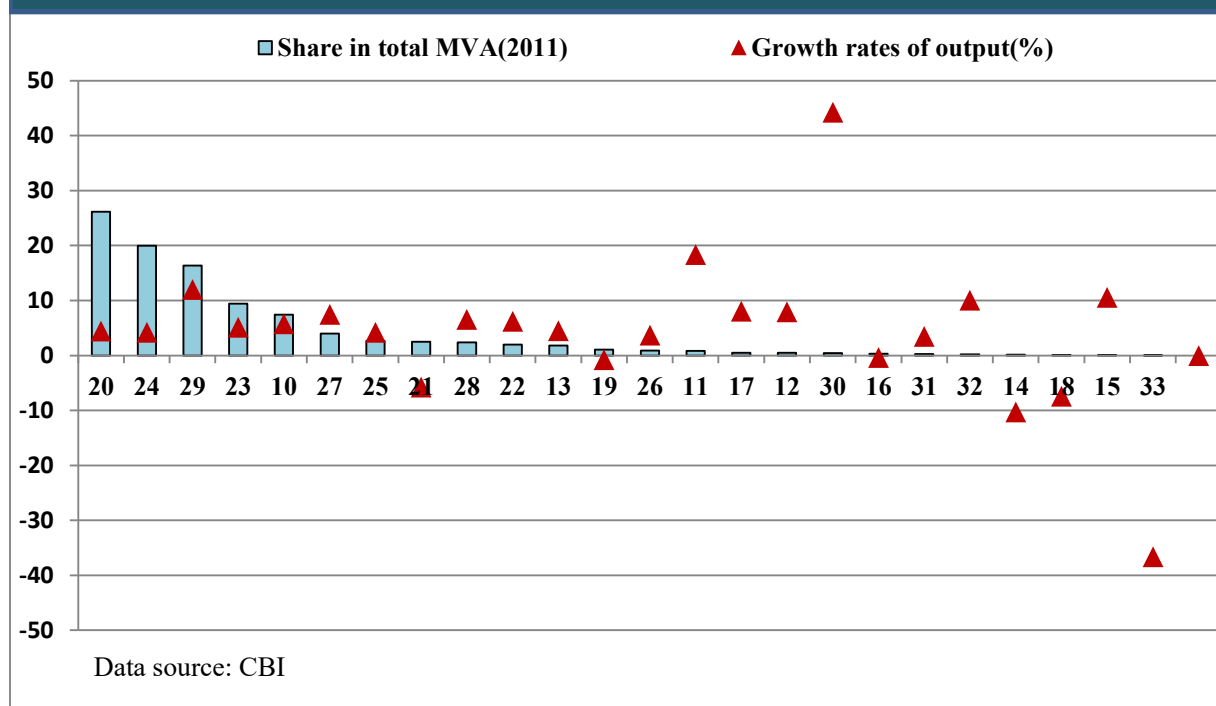


Chart 4: Top Manufacturing Sectors Performance

MPI growth rate during the twelve months ended to 20 March 2018(2011=100, ISIC Rev 4)



The manufacturing production maintained a positive growth in 17 manufacturing sectors in the 2017/18 that accounted for 95.4 percent of total MVA.

The seven manufacturing sectors with 4.6 percent contribution to total MVA experienced negative growth during 2017/18. The largest loss was recorded in the repair and installation of machinery and equipment with 36.6 percent.

The manufacture of motor vehicles grew by 12 percent in twelve months that was top contributed in total MVA growth. In contrast, production of basic chemical and herbal pharmaceutical products and pharmaceutical preparations products contracted by 5.7 percent that is contributed most negatively to MVA growth during 2017/18.

In the production of basic consumer goods, the manufacture of food products grew by 5.8 percent, the manufacture of beverages rose by 18.3 percent, the production of textiles by 4.5 percent and the leather products by 10.6 percent. However, the production of wearing apparel contracted by 10.3 percent.

In the cellulose industries, the manufacture of wood products which essentially supply part of construction materials, registered a negative growth figure of 0.4 percent. Also, production of printing and reproduction of recorded media fell by 7.4 percent too. In contrast, the production of furniture grew by 3.5 percent and production of paper products rose by 8 percent.

The manufacture of non-metallic mineral products increased by 5.1 percent in the 2017/18. The growth of private investment in the construction sector and improving of export are the

main factors of growing sanitary porcelain, ceramic and tile and stone glass that grew by 16.9 to 21.8 percent. Also, production of cement, porcelain and glass dinnerware experienced reduction in the volume of production during selected periods by 1.5 to 10.6 percent.

Along with the increase of basic metals in the world in 2017, Iran reached a positive growth of 5.1 percent in this sector in 2017/18. Production volume of crude steel and aluminum ingot grew by 11% and 3.6% respectively. Unlike most basic metals, the manufacture of copper cathode fell by 16 percent in 2017/18. In metal downstream industries sector, manufacturing of fabricated metal products increased by 4.2 percent.

In 2017/18, Production of chemical and herbal pharmaceutical products decreased by 5.7 percent. The pharmaceutical manufacturing sector is one of high-tech sectors in Iran that contributed to 2.5 percent of total MVA.

Table 1- Manufacturing Production Index for establishments with 100 employees or more, 2011=100

ISIC Rev. 4.	Manufacturing Sector	Share in total MVA(2011)	Year ended 20 March 2018	MPI growth rate 2017 to 2018 (%)
Total		100	105.5	5.5
10	Food products	7.4	124.6	5.8
11	Beverages	0.82	133.6	18.3
12	Tobacco products	0.47	58.5	7.9
13	Textiles	1.81	97.8	4.5
14	Wearing apparel	0.16	49.0	-10.3
15	Leather, leather products, and footwear	0.08	93.9	10.6
16	Wood products (excl. furniture)	0.3	100.5	-0.4
17	Paper and paper products	0.48	131.9	8.0
18	Printing and reproduction of recorded media	0.09	68.7	-7.4
19	Coke, refined petroleum products, nuclear fuel	1.06	117.8	-0.8
20	Chemicals and chemical products	26.16	115.4	4.4
21	Chemical and herbal pharmaceutical products	2.5	124.9	-5.7
22	Rubber and plastics products	2	111.4	6.2
23	Non-metallic mineral products	9.45	94.3	5.1
24	Basic metals	19.98	109.5	4.2
25	Fabricated metal products, except machinery and	2.66	91.7	4.2
26	Computer, electronic and optical products	0.87	61.3	3.7
27	Electrical equipment	3.98	97.9	7.5
28	Machinery and equipment	2.37	108.9	6.6
29	Motor vehicles, trailers, semi-trailers	16.33	86.0	12.0
30	Other transport equipment	0.45	94.2	-1.2
31	Furniture	0.28	59.3	3.5
32	Other manufacturing	0.23	104.0	10.1
33	Repair and installation of machinery and	0.06	47.4	-36.6

Data Source: CBI

The fastest-growing manufacturing industries

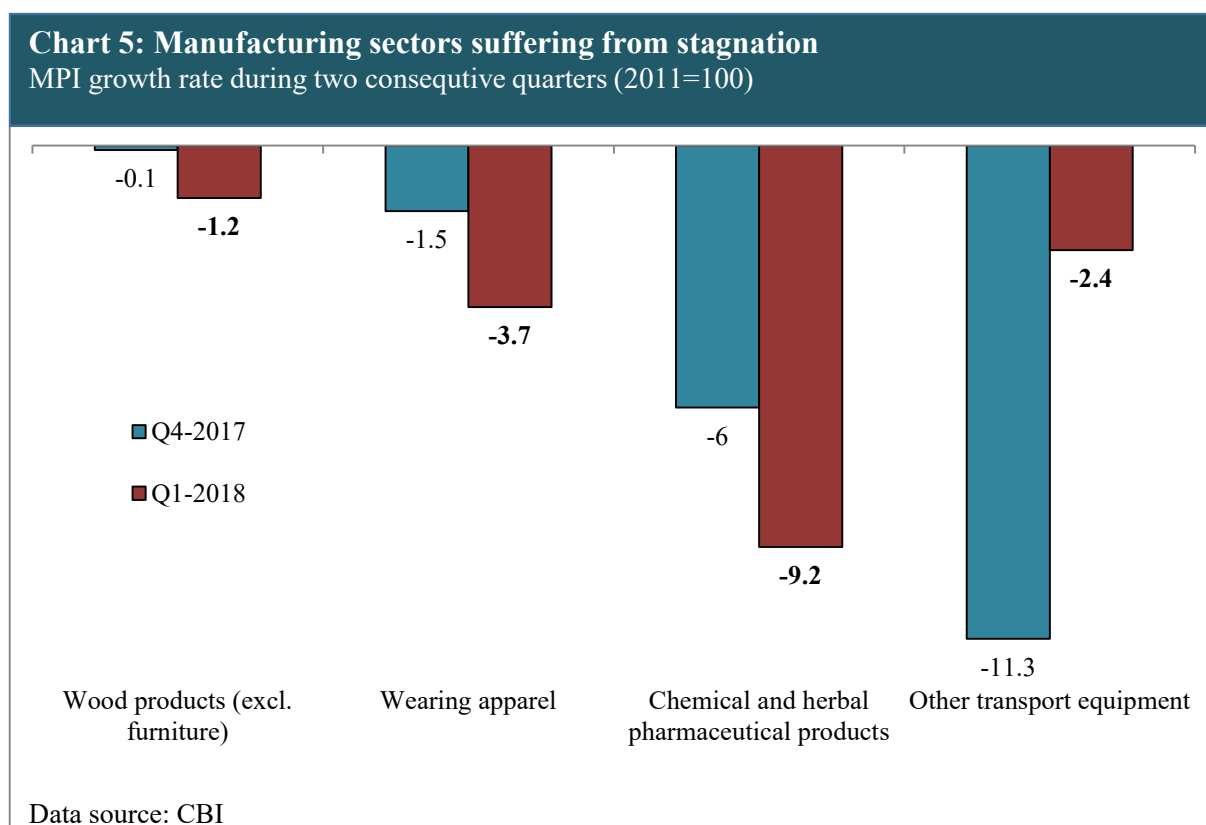
In 2017/18, four manufacturing industries experienced two-digit growth rate in manufacturing production index. These activities include beverage industries, motor vehicles, leather and other manufacturing products. The share of these activities in the value added of the entire manufacturing industry is 17.5 percent.

Also, ten manufacturing activities grew with a higher-than-average growth rate in 2017/18 with 34.2 percent share in total manufacturing value added.

Stagnating manufacturing industries

Among the industrial activities, four manufacturing activities experienced two consecutive quarters' negative growth rates in manufacturing production index. These industries with 3.4 percent share of total manufacturing value added, are suffering from stagnation.

As shown in chart 5, chemical and herbal pharmaceutical, wearing apparel and wood products manufacturing experienced higher rate of MPI index reduction in first quarter of 2018 compared to previous quarter. Manufacturing production index of other transport equipment fell in the first quarter of 2018 but with slower rate than fourth quarter of 2017.

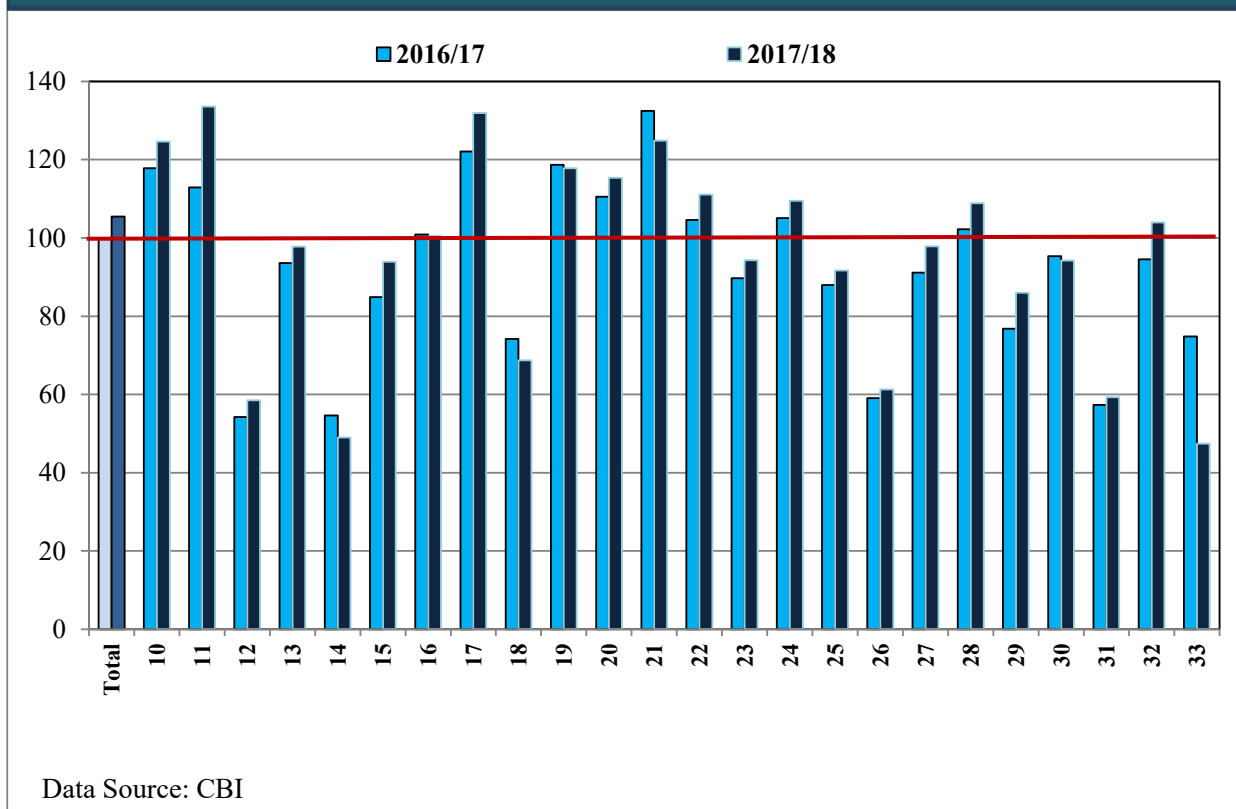


Section Three: Manufacturing Medium- term Trend

The medium term MPI analysis shows after 6 years, overall real manufacturing production has reached the 2011 levels. The MPI index during 2017/18 is 105, just 5.5 point percent higher than 2011 level (Chart 6).

Chart 6- Manufacturing Production Output Gap

Production index of manufacturing establishments with 100 employees or more
(2011=100, ISIC Rev 4)



Eleven manufacturing sectors with 63.3 percent contribution in total MVA gained MPI degree more than 100 as 2011 level. The beverages, paper, pharmaceutical and food products are four sectors with the highest manufacturing production index respectively.

In contrast, 13 manufacture activities could not reach to 2011 levels that contributed to 36.7 percent of total MVA. The repair and installation of machinery and equipment, wearing apparel and tobacco products are the worst performing sectors over six last years.