



# Iran Manufacturing Sector



**Economic Research Department**  
Tehran Chamber of Commerce, Industries,  
Mines, and Agriculture  
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In regards to promotion of research and development, Economic Research Department of the TCCIM 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.



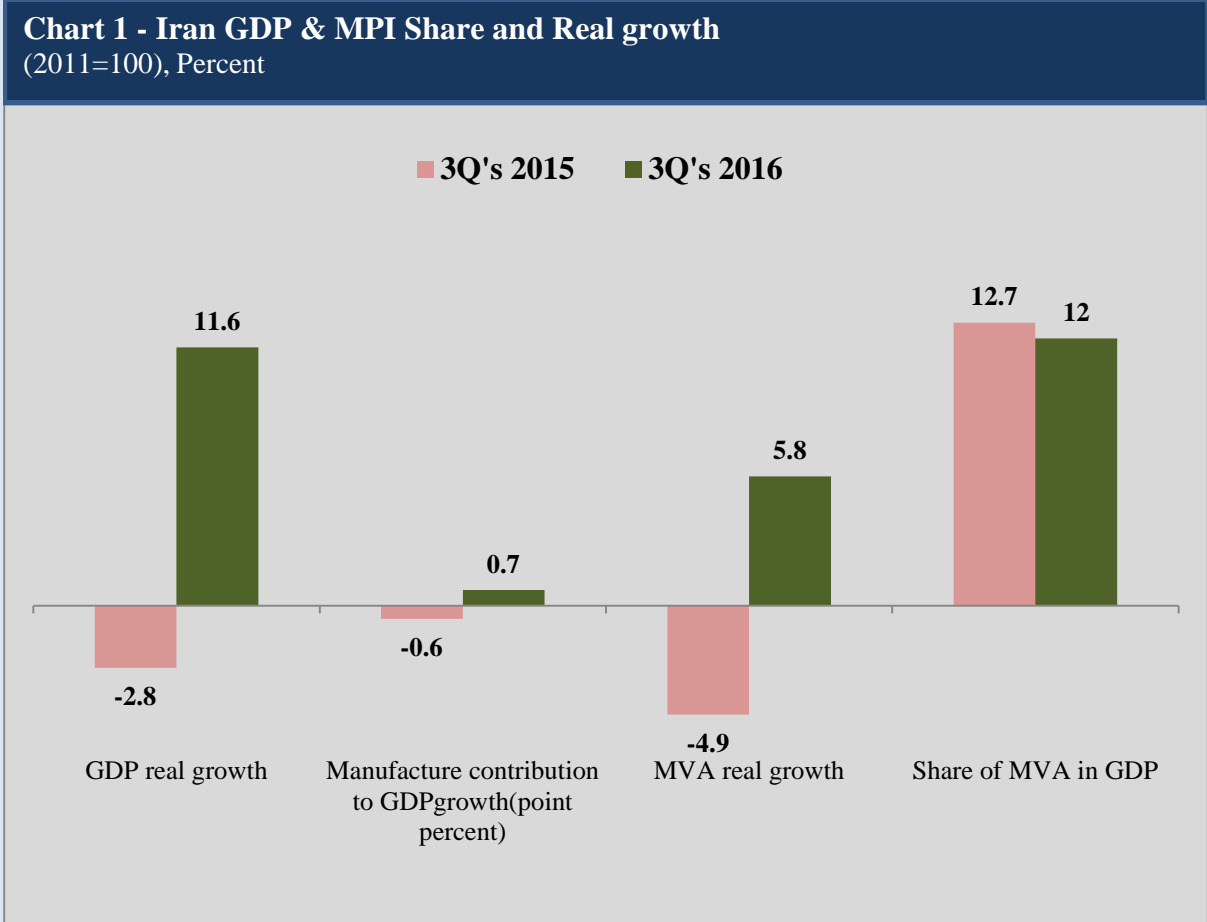
### Report on Iran Manufacturing Production, 3 Quarters, 2016

This report provides a view of Iran's manufacturing performance for three-quarters of 2016 (21 March to 21 Dec 2016). 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 the index of manufacturing production (MPI) measured by CBI for manufacturing establishments with 100 employees or more.

#### Section One: Manufacturing Value Added, MVA

The manufacturing sector accounted for 12 percent of Iran's GDP in 2016. As per the CBI latest figures, GDP rose by 11.6 percent year-over-year in the nine months ended to 21 December 2016. The oil sector was the main driver of this growth with 10 point percent contribution while manufacturing sector contributed 0.7 point percent of growth (Chart1). Iran's manufacturing value added expanded by 5.8 percent y-o-y in the three-quarters of 2016.





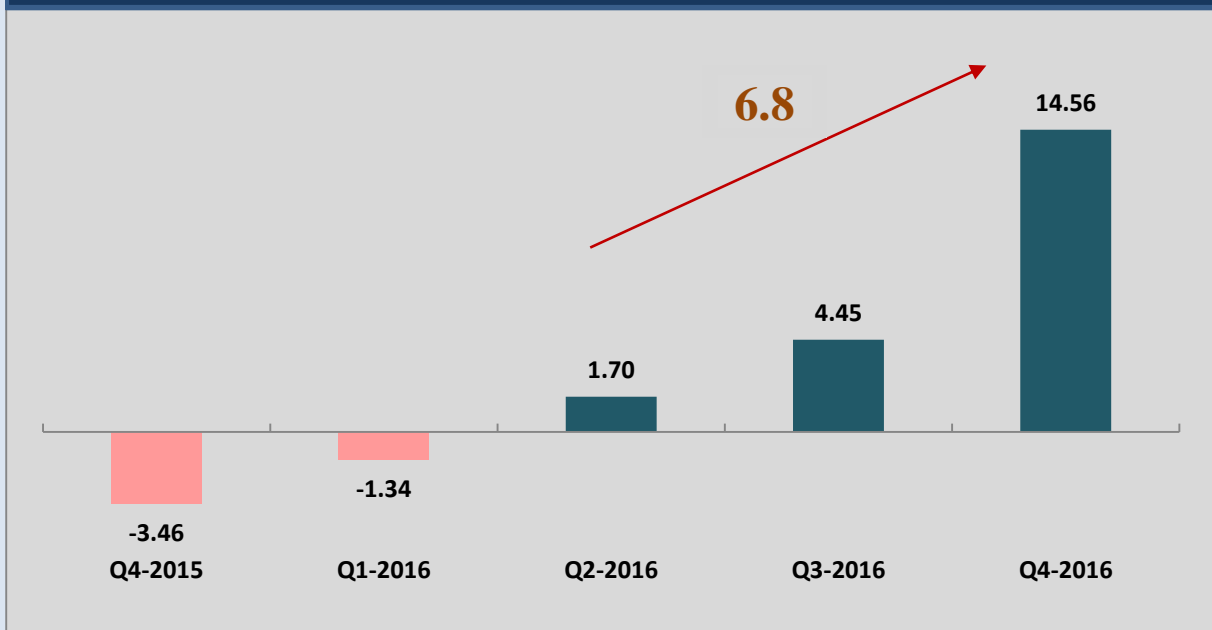
**Section Two:**  
Manufacturing Production Index, MPI

The MPI determines the volume of manufacturing production in real terms and price adjusted (2011=100). This MPI growth rate reflects the year-over-year change 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.

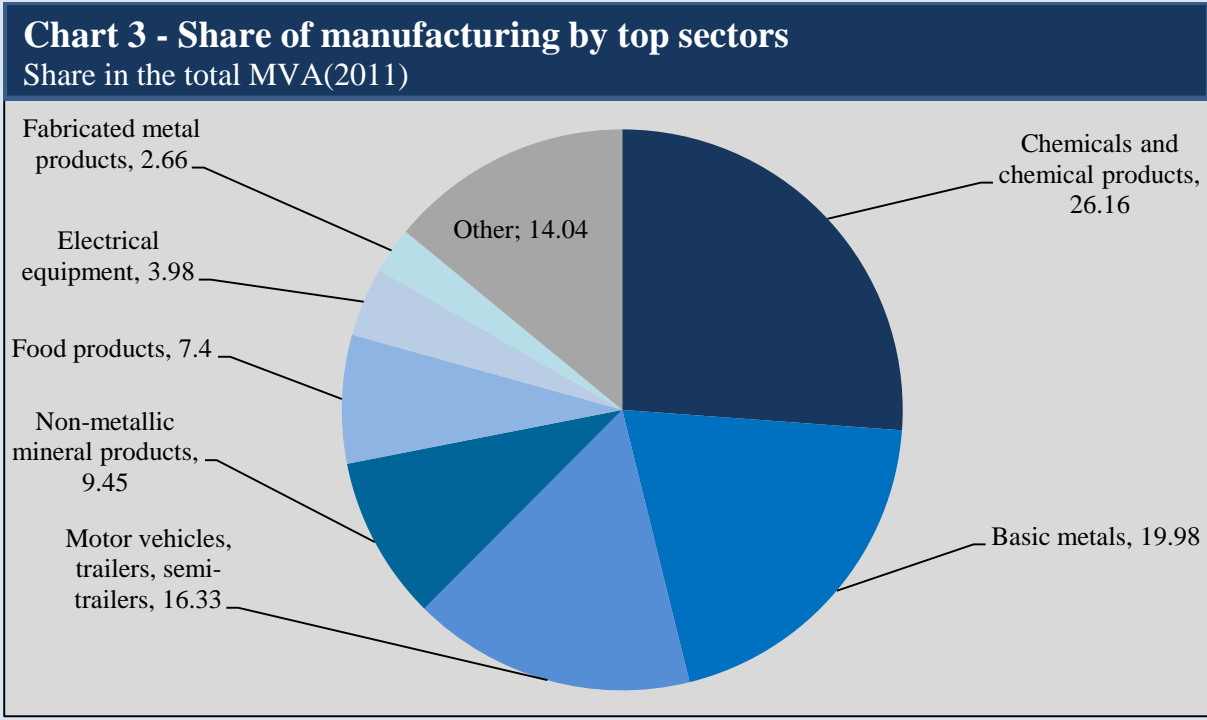
Iran manufacturing output growth improved during the nine months of 2016. The overall trend of quarterly MPI during past five seasons is upward and manufacturing production output recorded the highest growth rate; 14.56 percent in the Q4-2016.

**Chart 2 - Iran MPI Real Growth Rate**  
(2011=100)



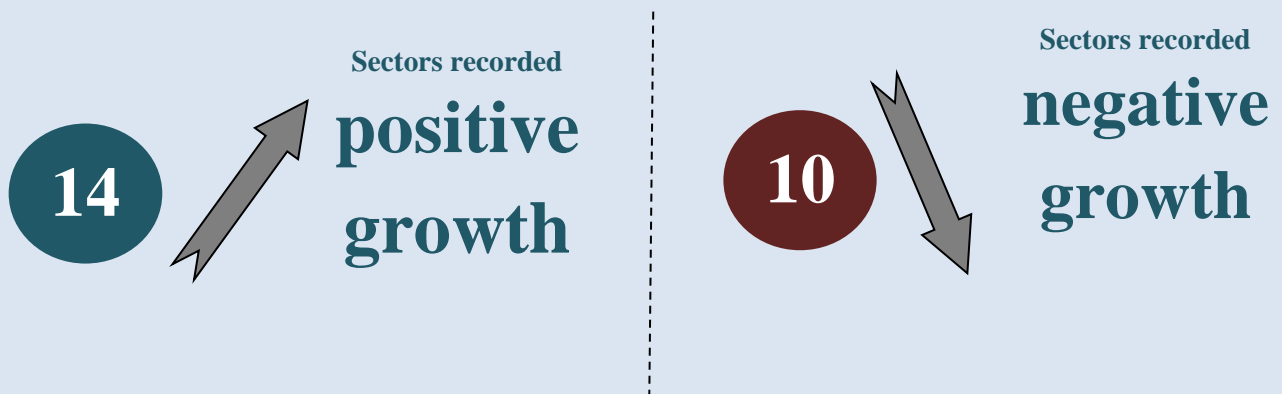
Manufacturing output growth improved considerably during nine months ended to 21 Dec 2016 and increased by 6.8 percent on y-o-y.

This increase is primarily attributable to the performance of 3 major manufacturing sectors; chemical products, motor vehicles and basic metals. These sectors involves 62% share of total manufacturing value added (Chart3).



During the selected period, 14 manufacturing sectors grew by 2.8-37 percent and 10 sectors recorded negative growth rates by 1.0-29 percent (Table1).

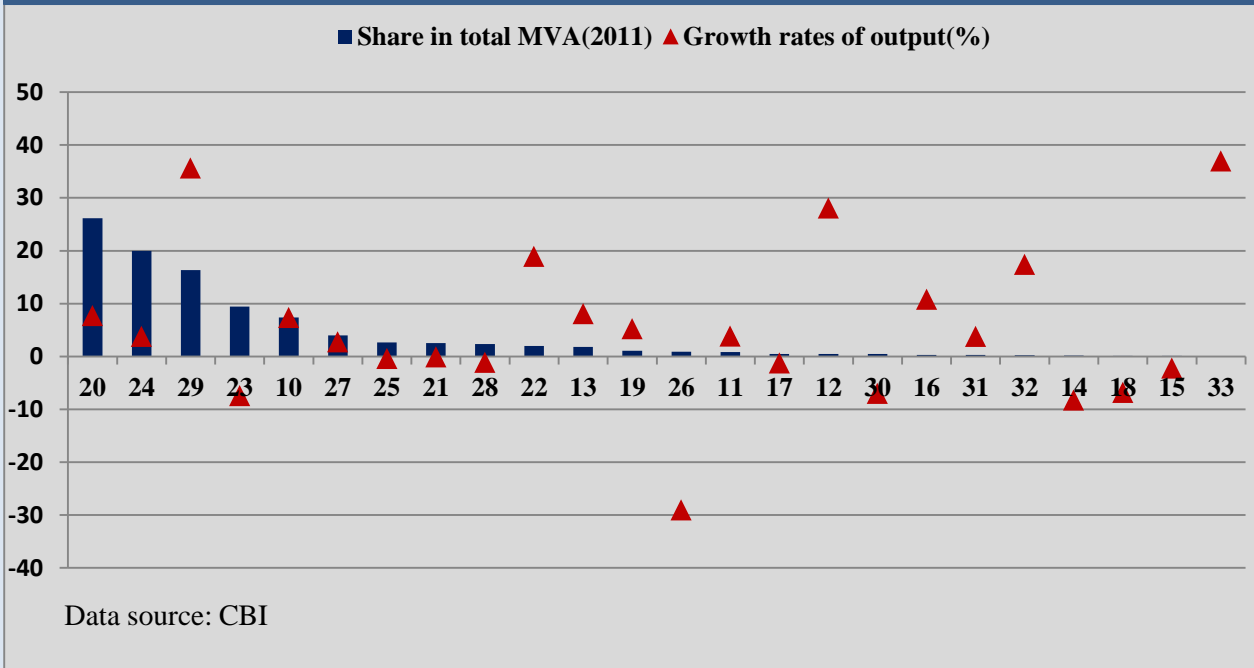
The top contributing sectors to the total MVA that accounts nearly 83 percent of total MVA are; chemicals and chemical products(ISIC20); basic metals(ISIC 24); motor vehicles(ISIC 29); non-metallic mineral products(ISIC 23); food products (ISIC 10) and electrical equipment(ISIC 27) (Chart 4).





### Chart 4- Iran's Top Manufacturing Sectors Performance

MPI growth rate in 3 quarters ended to 21 Dec 2016(2011=100, ISIC Rev 4)



The manufacturing production maintained a positive growth in 14 manufacturing sectors in the three-quarters of 2016 that accounted for 81 percent of total MVA. Repair and installation of machinery and equipment industries held top position with 37 percent growth in 3Q's of 2016.

Ten manufacturing sectors with 19 percent contribution to total MVA experienced negative growth during 3Q's of 2016. The largest loss was recorded in the computer, electronic and optical products.

The manufacture of motor vehicle grew by 35.6 percent in 9 months that was top contributed in total MVA growth. In contrast production of non-metallic mineral products contracted by 7.4 percent that contributed most negatively to MVA growth during 3 quarters of 2016.

In the production of basic consumer goods, the manufacture of food products grew by 7.35 percent, the manufacture of beverages rose by 3.9 percent and the production of textiles rose by 8.1 percent. However, the production of wearing apparel and leather, leather products contracted by 8.3 and 2.2 percent respectively.

In the cellulose industries, the manufacture of wood products which essentially supply part of construction materials, registered a 10.8 percent growth and the production of furniture grew by 3.8 percent. In contrast production of paper products and printing fell by 1.2 and 6.8 percent respectively.

The manufacture of non-metallic mineral products decreased by 7.4 percent in the selected period. The recession of the construction sector and reduction of export are the main factors



of reducing sanitary porcelain, ceramic and tile and cement production that fell by 1.4 to 10 percent. Also, production of porcelain dinnerware and stone glass experienced reduction in the volume of production during selected periods.

Despite systematically losing strength of global manufacturing of basic metals, Iran reached a positive growth of 3.8 percent in this sector. The metal downstream industries, manufacturing of fabricated metal products decreased by 0.37 percent that shows there is a gap between up and down streams in this sector.

The manufacture of pharmaceutical products decreased slightly by 0.08 percent. The pharmaceutical manufacturing sector is one of high-tech sectors in Iran that contributed to 2.5 percent of total MVA.

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

ISIC Rev. 4.	Manufacturing Sector	Share in total MVA(2011)	3 Quarters ended 21 Dec 2016	MPI growth rate y-o-y (%)
	<b>Total</b>	<b>100</b>	<b>96.9</b>	<b>6.84</b>
10	Food products	7.4	115.4	7.35
11	Beverages	0.82	120.5	3.88
12	Tobacco products	0.47	61.6	28.07
13	Textiles	1.81	88	8.11
14	Wearing apparel	0.16	48.9	-8.26
15	Leather, leather products, and footwear	0.08	97.9	-2.20
16	Wood products (excl. furniture)	0.3	89.9	10.85
17	Paper and paper products	0.48	112.7	-1.23
18	Printing and reproduction of recorded media	0.09	81.2	-6.77
19	Coke, refined petroleum products, nuclear fuel	1.06	114	5.26
20	Chemicals and chemical products	26.16	108.3	7.76
21	Basic pharmaceutical products and pharmaceutical preparations	2.5	132.5	-0.08
22	Rubber and plastics products	2	101.8	18.93
23	Non-metallic mineral products	9.45	89.1	-7.38
24	Basic metals	19.98	106.6	3.80
25	Fabricated metal products, except machinery and equipment	2.66	79.7	-0.37
26	Computer, electronic and optical products	0.87	51.6	-29.02
27	Electrical equipment	3.98	81.8	2.76
28	Machinery and equipment	2.37	80.3	-1.11
29	Motor vehicles, trailers, semi-trailers	16.33	70	35.66
30	Other transport equipment	0.45	67.8	-7.00
31	Furniture	0.28	57.7	3.78
32	Other manufacturing	0.23	101	17.44
33	Repair and installation of machinery and equipment	0.06	60.4	36.96

**Data Source: CBI**

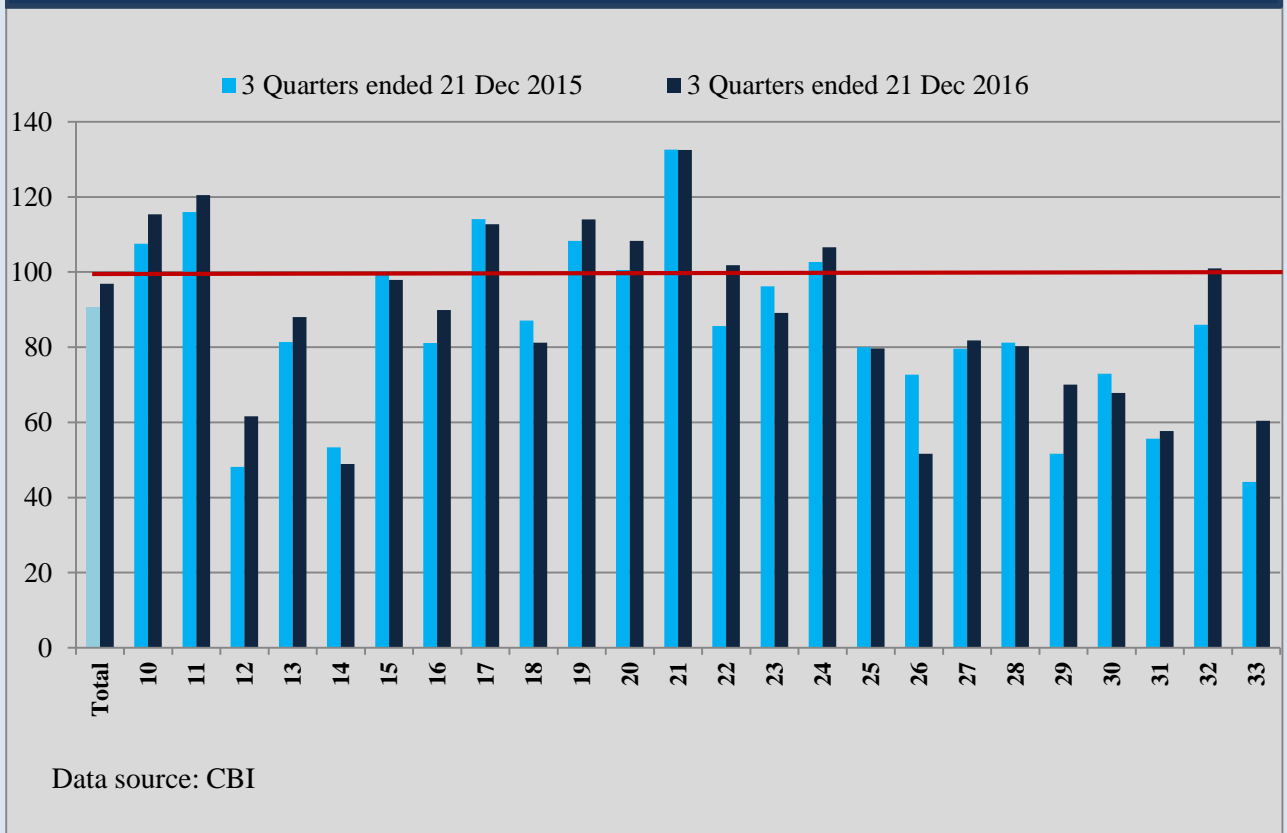


**Section Three:**  
Manufacturing Medium-Term Trend

The medium term MPI analysis shows overall real manufacturing production has not reached the 2011 levels in spite of recent progress. The MPI index during selected period of 2016 is 96.9 that is 3.1 point lower than 2011 level (Chart 5).

**Chart 5- Iran's Manufacturing Production Output Gap**

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



Nine manufacture sectors with 61 percent contribution in total MVA gained MPI degree more than 100 as 2011 level. The pharmaceutical industry, beverages, and food products are three industries with the highest manufacturing production index respectively.

In contrast, 15 manufacture activities could not reach to 2011 levels that contributed to 39 percent of total MVA. The wearing apparel and Computer, electronic and optical products are the worst performing sectors over five last years.





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