

Iran Foundry Industry Outlook 2015

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EMC (Esfahan Malleable Company)

Where is Iran?

Iran is located in the Middle East; southwest Asia covering 1,648,000 km² of land. Its population in July 2014 counted 80,840,713 [1].

What resources does it have?

Iran has 9.3% of proven global oil reserves, 18.2% [2] of proven gas reserves and an abundance of strategic minerals including iron and copper ores. "If you put together the consumer potential of Turkey, the oil reserves of Saudi Arabia, the natural gas reserves of Russia, and the mineral reserves of Australia you have it all in one country," [3]. The country also has a strong, but often overlooked, industrial base. It's a heavyweight when it comes to autos, cement and steel. Iran produced 1.6 million automobile in 2010, and was ranked third in cement and, 14th in global steel production in 2014 [4].

What about human resources?

The country's human resource base will be the central socioeconomic factor that under appropriate circumstances will facilitate fast-paced economic development. In fact, Iran has an above-average pool of educated workers. They may lack experiences in some new economic sectors, but the base is solid, young and dynamic. Furthermore, the young average age of the population has increased the pace of sociocultural change, making Iranian society much more adaptable to new technologies and conditions, the main platform for the development of a knowledge-based society, the core objective of the country's [20-Year Perspective](#). This young, urban society provides not only the human resource pool, but also a dynamic market that can pave the way for growth. In addition, the economy will benefit from a vibrant private sector and the country's material wealth. Iran enjoys geostrategic position as a regional hub for energy and trade. Incidentally, the country's diverse economic base will also help the outlook for economic progress. [5]

How big is the economy? How big it will be?

Total Gross Domestic Product (GDP) and GDP of the country per capita have been reported as, \$576.6 billion and \$7644 in 2011, respectively, which ranks as the 19th economy in the world. Iran economy and industry faced major decline due to sanctions during last 6 years. For instance its GDP for 2014 has been declared as \$415.3 billion due to international sanctions [6].

According to world bank prediction, Iran economy will experience much better situation after Vienna deal. Lifting sanctions will influence the world oil market and the Iranian economy and Iran's trading partners. Iran's GDP annual growth rate is predicted 3 and 6 percent for 2015 and 2016, respectively [7], [8], [6].

The Iranian oil sector will not be the only beneficiary of lifted sanctions, as Iran gains high competitive abilities in a number of economic sectors, such as heavy industries and automotives. Therefore, with the lift of sanctions, the auto production will return to its previous rates (1.6 million cars in 2011) [9].

Why one should invest in Iran?

Iran has really appropriate demographics, facilities, and potential opportunities for FDI (Foreign Direct Investment) [9]. After internal and international fluctuations now Iran wants to gain its right position in international trade. The government is trying to facilitate business and international trade. Therefore, Iran is keen to attract big international oil and gas companies as it tries to increase output and investment over the coming months. Stock market investors also appear keen. Iran has natural gas resources that compare with Russia. It has highly educated, very tech-savvy consumers and 92% of its population have bank accounts [10]. Automotive, mining, machinery manufacturing, power plants, and Oil, gas and petrochemical industries are some of the most important industries which will critically increase in the close future.

Why foundry industry?

Iran steel making and foundry industry benefits from lower costs of manufacturing because of low price energy and moderately paid yet experienced workforce. Growing steadily in recent years, now its production capacity is capable of covering the needs of all sectors of the domestic industries for cast parts. There are big cast iron foundries supplying high quantity demands of automobile and similar industries. Steel companies are able to cast more than 100MT parts. There are many medium and small size producers which could supply high alloy steels, special stainless steels, high alloyed cast iron and nickel alloys with quality meeting all requirements of globally used standards ASTM and DIN.

Being affected by the last longing sanctions, Iran foundry companies had trouble employing new technologies, lead them suffering low productivity and increased costs of production. Now they are keen to establish relationships with well reputed global companies not only in order to obtain new technologies but also to supply the needs of regional customers of cast parts on behalf of the global suppliers, which would be beneficial for both parties.

image: <http://www.emcasting.com/uploads/files/gate%20pouring.jpg>



Conclusion

Considering all the mentioned highlights, today opportunities for investing in Iran foundry industry seems lucratively unrepeatable. Without the need to invest much in infrastructures and workforce training, while accessing the lowest priced energy sources, a market of over 400 million population scattering in more than 10 developing countries, could be reached and covered.

Esfahan Malleable Company

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