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Annual Report 2018

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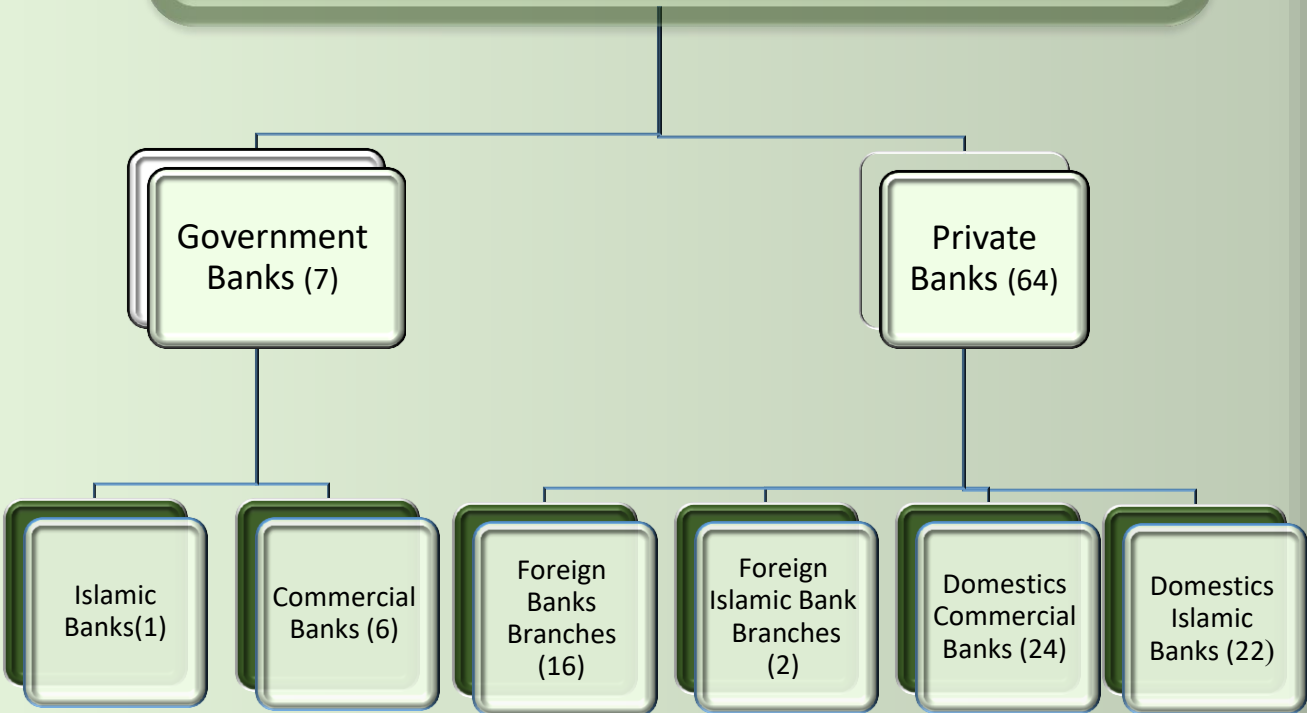
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Banking System Structure
for 2018 including 71 Bank



Summary of Iraqi Economic Indicators for 2017- 2018

Statement	2017	2018
Currency (Iraqi Dinar)		
Gross Domestic Product in Current Prices (GDP) (IQD trillion)	225.7	251.1
Gross Domestic Product in Constant Prices (GDP) (IQD trillion)	201.1	199.1
GDP Per Capita in Current Prices (IQD Million)	6.1	6.6
Core Inflation Rate%	0.6	0.2
General Inflation Rate%	0.2	0.4
Average for Consumer Price Index (CPI):(point)	104.3	104.7
Average for Consumer Price Index after exclusion: (point)	105.1	105.3
Daily Average Oil Export (million barrels)	3.3	4.0
Average Price per Barrel of Oil (\$ / barrel)	49.3	65.6
Money Supply (M1) (IQD trillion)	77.0	77.8
Money Supply (M2) (IQD trillion)	92.9	95.4
Average of (CBI)Interest Rates%	4	4
Iraqi Dinar Exchange Rate against the US dollar in Market Price (IQD)	1258	1209
Total Cash Credit by Commercial Banks (IQD trillion)	38.0	38.5
Total Deposits (IQD trillion)	67	76.9
Total Capital of Operating Banks (IQD trillion)	14.5	15.2
Actual/ General Revenue (IQD trillion)	77.3	106.6
Actual /Public Expenses (IQD trillion)	75.5	80.9
Iraq's Quota in the IMF (SDR million)	1663.8	1663.8

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Introduction

The Research and Statistics Dept. at the Central Bank of Iraq is pleased to issue the Annual Economic Report for 2018 within a series of economic reports that this department is keen to issue and publish annually; the report includes the latest available data and statistics related to the aspects of performance of the Iraqi economy for this year. The report presents these developments within six chapters, as each one of them discusses a main subject equally detailed as follows:

- 1- Global and Arab economic development.
- 2- Developments of domestic economic sectors
- 3- Monetary and banking developments
- 4- Developments of public finance sector
- 5- Developments of external sector and balance of payments
- 6- Developments of the Iraqi payment system

- The first chapter reflects the global and Arab developments that illustrate the most important changes in the economic indicators for 2018 and the expected for 2019 and 2020 (inflation, economic growth, interest rate, and external trade), while the second chapter deals with the developments of domestic economic sectors as it refers to the main trends of the Iraqi economy performance related to the growth rates in GDP at current and constant prices for 2018 compared to 2017.

-The report reviews in chapter three the main monetary and banking developments along with the CBIs activities in the areas of monetary policy and supervision through presenting the most important developments witnessed by the main monetary indicators (money supply and influential factors) in addition to its tools represented by (reserve requirement, open market operations, discount rate, and the window for buying and selling foreign currency) which is enlisted within open market operations as it achieved two main objectives: the stability of the Iraqi dinar exchange rate against the dollar in addition to building foreign reserves to ensure stability.

-The economic report follows in the fourth chapter the developments of public finance sector in the light of public budget data of the state for 2018 compared to 2017, as for the fifth chapter it discusses the development of trade and financial relations of the Iraqi economy with other economies as reflected by external trade and balance of payments statistics during 2018 compared to 2017. Finally, chapter six monitors the evolution of the Iraqi payment system performance for 2018 .



Chapter One
Global and Arab Economic Developments

Global and Arab Economic Developments

First: International Developments

Global Economy recorded a growth rate close to the rate recorded before the global financial crisis,(3.6%) in 2018 whereas several signs refers to the weak recovery of global economy faster than expected under the acceleration of trade tensions among major economies and concerns about the big increase in the levels of public debt along with the uncertainty regarding policies ; this was reflected on trade, investment and manufacturing activities in both advanced and developing countries ,accordingly it is expected that growth rate of global economy to reduce to (3.3%) during 2019 in the light of the expected decline in growth rates to (70%) of the world's countries, especially during the first half of 2019, whereas it is expected for the growth rate of global economy to revert upwards to become (3.6%) in 2020 under the prospective improvement of global economy activity during the second half of 2019.

Advanced economies witnessed a growth rate of (2.3%) in 2018, and it is expected to decline to (2.0%) & (1.7%) in 2019 and 2020 respectively; this was due to the expectations of a decline in economic activity in the Euro area as a result to the significant reduction in the growth rate in Germany under the expected slowdown of external demand levels. As for developing countries and emerging market economies, they recovered a growth rate of (4.5%) in 2018 and it is expected to decline slightly to (4.4%) in 2019.

Inflation rates witnessed a rise on an annual basis in both advanced and emerging market economies, as a result to the increase in energy prices, while headline inflation remained lower than targeted levels in central banks in most of advanced, emerging and developing economies excluding hyperinflation in Venezuela, where headline inflation remained lower than the average in recent years, as headline inflation exceeded in advanced economies (2%) in 2018 against (1.7%) in 2017, where unemployment rates are close to its absolute lowest levels during several decades ,both advanced and emerging economies keep on containing headline inflation to reach (2.0%) in China as a result to the slowdown in domestic demand while declining to (2.5%) & (3.5%) in Brazil and Mexico respectively, reflecting the decline in the activity levels and the improvement of fixed pillars on which inflation expectations are built on.

As for monetary conditions and financial markets, financial conditions are still favorable to growth in those economies, central banks in a number of advanced economies are preparing to return to the traditional paths of monetary policy during the coming period after nearly ten years ago during which those banks adopted a concessional monetary policy through a big reduction in interest rates. The basic interest rates path was more severe than expected; leading to raise the return on 10 –year maturity U.S. government bonds. The true value of the US \$ increased at about (6.5%) as a result to the widening differences in growth and interest rates.

With respect to emerging economies, basic interest rates rose as a result to large increase in basic interest rates in Turkey along with the increase in the return of long-term government bonds, in general, while the emerging markets currency value declined generally; the decline was significant in Turkey and Argentina due to the rising concerns of macroeconomic imbalances.

With regard to exchange rates and capital flows; the value of the US dollar rose again in 2018 posing pressures on economies with fixed exchange rates or with in-compatible balance sheets, whereas the EURO declined nearly at a rate of (2%) under the slow growth and concerns related to the conditions in Italy, also the sterling pound declined to (2%) with the rising doubts surrounding Brexit of the European Union , in contrast the Japanese Yen rose nearly at a rate of (3%) due to the increase in risk avoidance. Currencies recovered in many emerging markets –of which Turkish Lira, Argentine peso, Brazilian real, South African rand, Indian rupee, Indonesian rupiah-compared to their low valuation in the period from August-September 2018, as for capital flows; with the reduction of their exposure to hazardous assets, in general, emerging market economies witnessed net capital outflows in the Q3 of 2018.

Concerning global trade volume, it witnessed a slowdown during 2018 after recording a notable growth in 2017, where estimates refer to the reduction of world trade to (3.8%) in 2018 against (5.4%) in 2017.

Advanced Economies

In advanced economies, growth rate recorded a decline during 2018 to reach (2.3%) against (2.4%) in 2017 and expected to keep on declining to reach (2%) and (1.7%) during 2019 & 2020 respectively with the partial reversal of US tax reduction path, while inflation rate recorded a rise in 2018 to reach (2%) against (1.7%) in 2017, and is expected to decline in 2019 to record (1.8%).

On group country level in the US growth rate recorded (2.9%) in 2018 supported by payments of financial activation in line with periodic trends after consequent eight years of continued expansion and concession in financial conditions. The outlook indicate a growth decline to (2.5%) in 2019 and (1.8%) in 2020 with the outset of receding effect of payments of financial activation. Strong local demand is expected to push the economy to overcome full employment level and contribute in increasing revenues and current account deficit. As for CPI inflation, it rose to (2.4%) in 2018 and expected to record (2.1%) in 2019.

Growth rate in the Euro area recorded a decline in 2018 to become (1.8%) against (2.4%) in 2017 and expected to reach (1.9%) in 2019. Growth types are different across countries on the short term, in France growth rate recorded (1.6%) in 2018 reflecting the decline of external demand and low performance results also high frequency indicators in 2018. In Germany growth outlook reduced to (1.9%) in 2018 due to the slowdown of exports and industrial production, growth rate declined in Italy to record (1.2%) in 2018 due to the deterioration in local and external demand, also the uncertainty concerning the new government policies. In Spain growth rate declined in 2018 to become (2.7%) and is expected to decline more in 2019 to become (2.2%) affected by constraints of production growth slowdown and unfavorable demographic factors .

In the United Kingdom growth rate declined in 2018 to record (1.4%) against (1.8%) in 2017 and is expected to record (1.5%) in 2019 due to the weak growth in the Q1 of 2018. Growth forecasts on the medium term remained unchanged at (1.6%) affected by the expected increase in trade barriers after the Brexit from the European Union. It is expected that customs tariff to remain fixed on trade with the European Union at the level zero with a potential of a somewhat rise in non-custom costs .Under the receding effect of the Sterling Pound value decline, headline inflation declined to (2.1%) in 2018 against (2.4%) in 2017, and is expected to stabilize on the medium term at (2%) in early 2020.On the level of

overall inflation, it declined to (2.5%) in 2018 against (2.7%) in 2017 and expected to move gradually close to (2%) in 2020.

The rate of growth recorded a decline in Japan 2018 at a rate of (1.1%) against a rate of growth of (1.7%) in 2017 and is expected to fall back to (0.9%) in 2019, much of this decline is contributed to deflation in the first Quarter of 2018, given the rise in both growth and local demand in the second Quarter of the same year, it is most likely that this decline is temporary and not the beginning of a turn in the economic cycle.

With respect to general inflation rate, it rose to (1.2%) in 2018 against (0.5%) in 2017 due to the increase in International energy prices; the rate of inflation is expected to continue to be lower than the targeted level by the Central Bank of Japan during the five coming years due to the slow wage growth and rigidity of inflation expectations.

Developing and emerging market economies

Growth witnessed a slight decline in both developing and emerging market economies to record (4.6%) in 2018 against (4.7%) in 2017 and expected to become (4.5%) , (4.9%) in 2019 & 2020 respectively, this was due to the gradual increase in the growth rate in India as a result to the structural reforms that raises potential product and the notable improvement in countries exporting primary commodities ,where economic activity is growing in countries importing those commodities.

As for developing and emerging Asia which is expected to grow at a rate of (6.3%) during 2019 the most important engine is the growth that is happening in China, analysts expect that China will announce an economic growth decline to the slowest pace in 28 years in 2018 to record (6.6%) against (6.9%) in 2017 amid weak local demand and high US customs fees, also overall inflation recorded a rise to become (2.2%) in 2018 against (1.6%) in 2017 pushed by the rise in food and energy prices.

In developing and emerging Europe growth rate declined in 2018 to become (3.8%) against (6%) in 2017 and expected to decline to (0.7%) in 2019, but is expected to rise to (2.4%) in 2020.

In Latin America and the Caribbean growth recorded (1.1%) in 2018 against (1.3%) in 2017 and expected to rise to (2%) in 2019.

In Sub Saharan Africa growth rate stabilized in 2018 at (2.9%), which is the same rate, recorded in 2017, and expected to rise in 2019 to become (3.5%), also inflation pressures declined in general to become (8.6%) in 2018 against (11%) in 2017, and is expected to record (8.5%) in 2019.

Second: Arab Economies

Arab economies witnessed this year a notable rise in growth rate at a rate of (2.5%) against (0.7%) in 2017, due to the increase witnessed by the oil production quantities during the second half of 2017 under the OPEC resolution to dilute of the decision to modify production quantities in order to reduce price pressures witnessed by International oil markets during that period, beside the recorded rise in oil prices in the previous year at a rate of (33%) which was reflected in the improvement of public budgets conditions in a number of countries helping them to keep on government spending on infrastructure projects and economic diversification.

Thus, growth rate increased in Arab oil exporting countries to (1.8%) in 2018 compared with (0.3%) in 2017. As for oil importing countries, they are responsible for the bigger part of increase recorded in the growth rate of Arab countries as a group during 2018 , under high growth rate in the country group to (4.1%) against the background of economic reforms implemented by those countries in order to enhance economic stability and recover external and internal balances that contributed in a number of those countries in providing financial resources supportive to growth, also stimulating investment and exports, then support overall demand levels.

It is expected that those countries to record a growth of (3.1%) & (3.4%) during 2019-2020 respectively reflecting the expectations in a continued high growth rate in oil exporting country groups to (2.8%) & (3.1%) in 2019 & 2020 respectively amid an expected contrast to economic activity trends among country groups. Regarding, oil importing Arab countries, it is expected that growth will continue in those countries supported by economic reforms policies in those countries to overcome the challenges they face to enhance Macro economy stability and support growth, which is reflected in reducing unemployment rates and realizing a significant increase in the level of prices and exports in some countries.

With respect to inflation rates, it witnessed a slight decline in 2018 to record (13.4%) against (13.6%) in 2017; this is due to the monetary policies followed in some Arab countries to contain inflationary pressures. It is expected that inflation rate to become (9.3%) & (8.1%) during 2019-2020 respectively according to Arab Economic Outlook Report in April 2019.

On public Finance level, Arab countries continued in 2018 through their efforts, to achieve fiscal consolidation and ensure public debt sustainability through medium term programs to reform public finance by focusing on tax reform and adjust and raise the efficiency of public spending levels some of those countries adopted medium term frameworks that include targets to reduce deficits in public budgets and put public debt on descending paths.

Concerning monetary and banking developments , monetary conditions of Arab countries were affected by the slow economic activity; so countries that adopt more flexible exchange rates systems, some went towards raising interest rates in order to contain inflationary pressures whereas Central Banks in other countries went towards implementing frameworks for inflation targeting on the short and medium term to control inflation, also the adopted reforms in Arab countries focused on increasing the efficiency level of monetary policy in achieving its goals through developing new financial products and develop the standing monetary policy instruments to ensure liquidity management and raise the efficiency level of operational frameworks for monetary policy, in addition Central Banks intervention contributed in ensuring the stability of exchange rates markets, also control and supervision operations by Central Banks helped in enabling the banking sector to face challenges in a manner that ensures the stability of fixed exchange rate policies in a number of countries , and it is expected according to the Arab Monetary Fund estimates, that monetary conditions will be affected in Arab countries in 2019,2020 by the trends of economic activity, external demand levels and the monetary policy conditions Both in the US. and EU.

For the external sector, current transactions balance of Arab countries witnessed a notable improvement during 2018, reflecting the changes in global prices for oil and produced quantities, and improved exports of agricultural and industrial commodities in particular electric and Mechanical commodities, in addition to the actions taken by some Arab countries to reform their exchange rate systems and rationalize goods imports especially the consumer ones. Current balance of Arab countries as a group recorded an improvement as a result to the high receipts from the tourism sector, financial services and remittances of workers

in some Arab countries. Thus, deficit recorded in the current balance on the level of Arab countries as a group turned during 2017 at a value of (3.2) billion dollar into surplus at a value amounting to US\$ (47.4) billion in 2018, the surplus is expected to increase in the current transaction balance in 2019 at a rate of (1.9%) to become US\$ (48.3) billion equivalent to (1.7%) of GDP of Arab countries as a group during 2019. The improvement in the surplus recorded in the current transactions balance is expected to continue in 2020 to become US\$ (49.6) billion which represent about (1.6%) of GDP.

On the level of Countries group Saudi Arabia economy realized a strong growth; for domestic product, data indicate the growth of the economy as a whole and non-oil sector at a rate of (1.6%) & (2.4%) respectively despite expectations of risks in 2019 related to oil prices which might be lower than expected, non-oil revenues enhancement was based on reform policies that reinforced sustainability in public finance, within expectations non-oil revenue growth is to go higher whenever capacities to implement these reforms improved through what value added tax provided and selective tax in addition to energy prices reform .since the tax experience was launched with the beginning of 2018 , the outlook of implementation improvement seems very promising, which strengthen non-oil revenue growth. It is expected for non-oil growth to increase in GDP to (2.3%), which may greatly affect deficit levels in the public budget.

As for Kuwaiti economy, Kuwait managed during 2018 to maintain stable economic indicators and succeeded in achieving a distinguished economic development due to its huge financial reserves and open economic policies, Kuwait managed to shift its economy which used to depend mainly on oil revenues to become a more diversified economy after the rapid development achieved during the past three years in creating and developing non-oil projects, as growth rate reached (2.4%) during 2018, Kuwaiti economy growth is expected to record (3.7%) in 2019 supported by oil production improvement and the increase in crude oil prices.

UAE ranked 29th globally within the index of countries with the highest in the world GDP, ranked sixth globally of per capita of GDP and ranked 31st globally in the index of purchasing power parity of GDP within the world Bank first classification of 2018, where the industrial sector joins the state with (53%) of non-oil exports and expected to contribute by (25%) of GDP by 2025. The sector contributed in attracting investments at a value of US\$ (75) billion .it is expected that UAE GDP to increase during 2018 to (1.6) trillion Dirham with a growth rate of (3.4%) compared with 2017, although Emirates still depend largely on oil

income, however Emirates has the largest diversified economy in the GCC region, non-oil sector currently accounts for (70%) of GDP, this rate is expected to rise to (80%) by 2020.

Qatar maintained during 2018 its regional and international political and economic superiority on different levels, despite the aggravated siege imposed by some Arab countries Qatar economy realized a growth at a rate of (2.8%) in 2018 exceeding the IMF expectations ; as a result to the development of Qatar economy the country turned to be an internationally attracting center for foreign investments coinciding with the growth of local investments ,where the volume of foreign investments were estimated in Doha to be US\$ (182.69) billion.

Regarding the Egyptian economy, Egypt realized many economic pros in 2018, most notable of which is the rise in economic growth, increase foreign reserves, rising numbers of incoming tourism, reduction of inflation rate against the rise in borrowing rates internally and externally.

Egyptian economy growth rate increased to (5.3%) in the financial world in 2017/2018 ending in June 2018, recording the highest annual growth rate in 10 years according to the Ministry of Planning, Egypt is aiming at realizing an economic growth rate of (5.8%) in 2019; regarding foreign reserve, it was characterized by continuous rise since the liberalization of the pound in November 2016 supported by a big package of international financing.

Jordanian economy is still capable to grow despite challenges and pressures to which it is exposed as a result to high public debt, the country managed to adapt with events and maintained negative impacts at potential limits. The government seeks to borrow just to accomplish capital projects, preliminary data indicate that the real economic growth rate for 2018 amounted to (2%) and will rise in 2019 to (2.3%) , government plans aiming at stimulating the economy will seek to achieve bigger growth rates .High public debt levels is one of the most important obstacles facing economic and financial policies . the Jordanian government continued to proceed forward in its reformist approach through economic reform programs 2016-2019 supported by agreements of extended credit facilities with the International Monetary Fund aiming at comprehensive economy and alleviate. Jordanian economy competitiveness and provide more job opportunities. Jordanian government also work on implementing procedures concerning economic growth stimulation plan 2019-2022 which include many reforms in economic sectors to regain economic growth momentum through benefitting from available promising potentials for development.



Chapter Two

Developments of Domestic Economic Sectors

First: Gross Domestic Product for 2018:

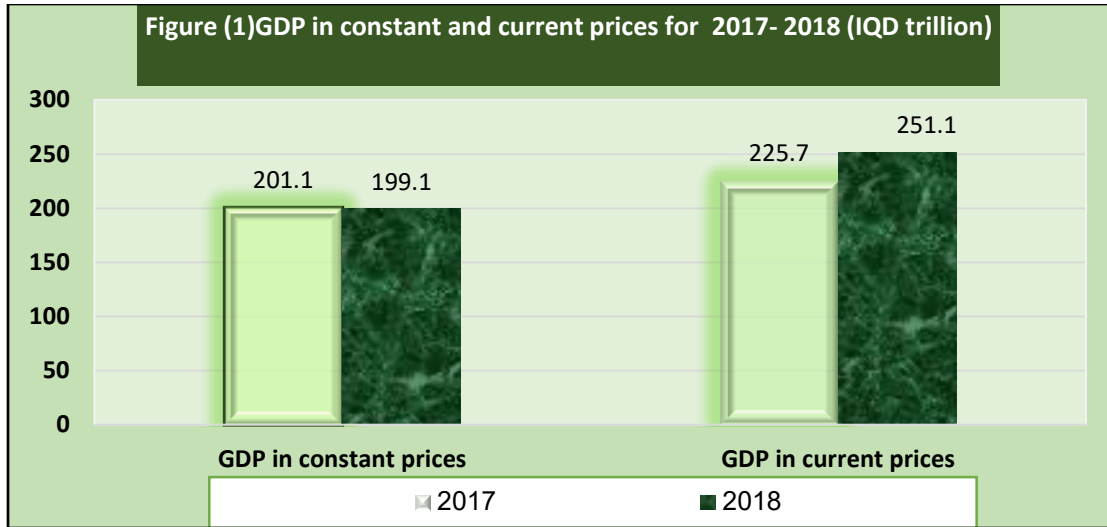
- GDP (with Cost of production factors) recorded with oil a decline at a rate of (-1%) compared with 2017 to record IQD (199.1) trillion against IQD (201.1) trillion for 2017 this is due to the reduction of gross annual crude oil production and the daily average during 2018 was (-1.3%) for both .whereas GDP value declined except oil at a rate of (-0.4%) to become IQD (71.2) trillion against IQD (71.5) trillion in 2017 as indicated in the annex –Table1.
- The value of GDP increased with oil in current prices at a rate of (11.2%) compared with 2017 to record IQD (251.1) trillion against IQD (225.7) trillion at for 2017 as a result to the rise in the price of oil barrel at a rate of (33.1%) during 2018, also the daily average of export rose to (21.2%) compared with the previous year, whereas GDP except oil declined at a rate of (-2.8%) to record IQD (133.2) trillion against IQD (137.1) trillion in 2017 as shown in the annex –Table 2.
- The per capita average of GDP in current prices rose at a rate of (8.2%) to become IQD (6.6) million in 2018 against IQD (6.1) million in 2017 as shown in table 1.

Table 1
GDP in constant and current prices and the average of per capita for
2017- 2018

Details	2017	2018*	Growth rate %
GDP in constant prices (IQD trillion) base year (2007=100)	201.1	199.1	- 1.0
GDP in current prices (IQD trillion)	225.7	251.1	11.2
The per capita average of GDP in current prices (IQD Million)	6.1	6.6	8.2

The source: Planning Ministry/CSO

*Preliminary annual estimates



- Crude oil activity is considered the basic engine for growth, the relative importance for this sector is still the highest compared to other sectors, it amounted to in constant prices (63.7%) against (64%) in the previous year, while most of the other economic activities (non- oil) did not take its desired role in the development operation, its contribution rate was (36.3%) of GDP for 2018 against (36.0%) in 2017- table 2. This ratio is considered very low as being incompatible with available resources and potentials in the economy, at the time when serious and rapid steps should be taken towards changing the Iraqi economy structure and get rid of rentier, which make the economy susceptible to external crisis.

Table 2

Relative contribution in GDP in constant prices for oil sector and other sectors for 2017-2018

Sectors	2017	*2018
Relative contribution of oil sector in GDP%	64.0	63.7
Relative contribution of non-oil sector in GDP%	36.0	36.3
The total	100.0	100.0

The source: Planning Ministry/CSO

*Preliminary annual estimates

Second: GDP by total main activities (commodity, distribution & service)

1- GDP in constant prices by total main activities (commodity, distribution & service)

Commodity activities ranked first in the order of priorities by the contribution in real GDP at a rate of (69.3%) for 2018 against (71.0%) for 2017, i.e. a reduction of (-3.2%) as a result to the declined growth of most sectors except Electricity, which realized a growth rate of (9.2%). the second in rank is distributive activities at a contribution rate of (17.2%) compared with (15.7%) in 2017 ,realizing a growth rate of (8.7%) as a result to the rise in growth rate in all as internalized within those activities. Service activities ranked last to contribute with (13.5%) against (13.4%) of the previous year realizing a growth rate of (0.3%) as indicated in table 3.

Table 3
Relative contribution in domestic product for the main activities in
constant prices 100=2007 for 2017-2018

activities	2017	2018*	Growth rate %
Goods activities (IQD billion)	143801.8	139231.7	-3.2
Contribution in GDP %	71.0	69.3	
Distributive activities (IQD billion)	31727.3	34492.0	8.7
Contribution in GDP %	15.7	17.2	
Service activities (IQD billion)	27079.1	27171.9	0.3
Contribution in GDP %	13.4	13.5	
GDP according to activities (IQD billion)	202608.2	200895.6	-0.8

The source: Planning Ministry/CSO

*Preliminary annual estimates



2-GDP in current prices for main activities (commodity, distribution&service)

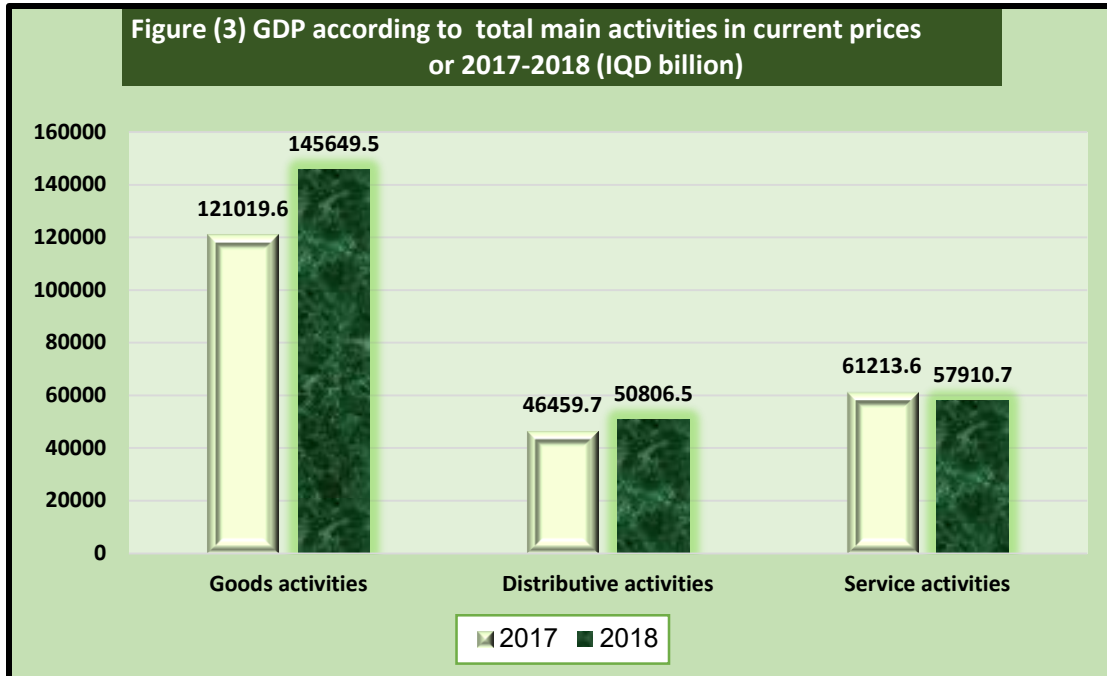
Commodity activities witnessed a notable growth during 2018 at a rate of (20.4%) and contribution rate of (57.3%), this due to the growth in oil and electricity sectors at a rate of (32.9%) and (13.5%) respectively, distributive activities realized a rise in growth rate of (9.4%) and a contribution rate of (20%) against (20.3%) in 2017 due to high growth rate in all internalized sectors within these activities. As for service activities, its contribution rate declined to (22.8%) compared with (26.8%) in the previous year, recording a negative growth rate of (-5.4%) due to the decline in the growth rate of central government activity and house ownership at a rate of (-8%) and (- 2.4%) respectively as in table 4.

Table 4
Relative contribution in domestic product for the main activities in current prices for 2017-2018

activities	2017	*2018	Growth rate %
Goods activities (IQD billion)	121019.6	145649.5	20.4
Contribution in GDP %	52.9	57.3	
Distributive activities(IQD billion)	46459.7	50806.5	9.4
Contribution in GDP %	20.3	20.0	
Service activities(IQD billion)	61213.6	57910.7	-5.4
Contribution in GDP %	26.8	22.8	
GDP according to activities(IQD billion)	228693.0	254367	11.2

The source: Planning Ministry/CSO

*Preliminary annual estimates



Third: Economic Activities Contribution in the Formation of GDP in Constant Prices According to their Relative Importance.

1- The Activity of Mining and quarrying Sector:

Mining and quarrying Sector is considered the biggest contributor in generating GDP compared with the rest of other activities; its contribution rate in constant prices for this year was (63.8%) equivalent to (12.8) trillion IQD against (13) trillion IQD for the previous year.

2- The Activity of social and personal development services sector:

This activity ranked the second in terms of its contribution in GDP, recording (9.5%) of GDP; this was due to the rise in personal services activity at a rate of (2.0%), whereas central government activity did not record any rate during 2018 due to the decline in spending allocations on this activity.

3- Transportation ,communications and Storage activity :

This sector witnessed a clear rise in its annual growth rate this year at a rate of (10.3%) compared with the previous year to record IQD (1.8) trillion against IQD (1.6) trillion in 2017, thus maintaining the third rank in its contribution rate of GDP (8.9%); this ratio is still lower than the desired level. It is required under the current circumstances to enhance the private sector role in this area due to the importance of this sector in making social

and economic changes, as being the sensitive nerve of the economy and the effective mean in achieving continued communication among different economic and production operators.

4- Retail, wholesale trade and hotels activity

Added value for this sector in constant prices recorded a rise of (5.9%) to become (1.4) trillion IQD against (1.3) trillion IQD of the previous year to account for (7.1%) of GDP, it is noteworthy to mention that during 2018 recommendations of economic development conference were acknowledged, which included streamlining business procedures reducing bureaucracy, apply customs tariff, establish the suitable controls related to contracting and partnership contracts currently applicable also partnership contracts with operating companies in other Ministries, along with allowing the entry with companies to stimulate economic growth and make the Iraqi economy an attractive environment for investment.

5- Activity of money, Insurance, real estate and business services :

Banking sector recorded for this year in constant prices a rise in its growth rate (3.1%) compared with the previous year to become (5.2%) of GDP, the rise in banking sector and insurance activity at a rate of (14%) is due to the improvement in security situation and business recovery for destroyed branches because of war and terrorism.

Whereas the rest of the activities contributed (building & construction, agriculture, forestry, hunting and fishing, electricity, water and manufacture) at a different growth rates (2.2%, 1.4%, 1%, 0.9%) respectively, annex – table 1, which reflects the reality of structural imbalance and a move away from economic diversification.



Chapter Three

Monetary and Banking Developments

Monetary and Banking developments

First: Monetary developments

Money Supply M1 witnessed during 2018 a rise at a rate of (1.1%) which is due to growth in current deposits at a rate of (1.9%), also M2 recorded a growth rate of (2.7%) of the previous year which is basically due to other deposits rise at a rate of (10.7%), whereas monetary stability coefficient recorded (0.2%) to reflect the context of Iraqi economy recession.

Consolidated budget of the Central Bank of Iraq showed a rise in its assets /liabilities at a rate of (20.1%) compared with 2017.

Iraqi dinar official exchange rate against the dollar maintained its value of (1190) Dinar/Dollar during this year through the window for selling foreign currency (cash and strengthening bank accounts abroad), monetary policy succeeded in reducing the gap between nominal and parallel rate to (0.7%) on average after recording (4.8%) on average in 2017.

The Central bank of Iraq continued in 2018 to use its monetary policy instruments through working in investment windows and develop new financial products represented in issuing medium term securities to manage banking sector liquidity, as well as continue to adopt an interest policy rate (4%) annually, the Central Bank also kept on working with CBI treasury bills so the interest rate offered by banks according to demand & supply for the purpose of auction transparency, while investing in more than (50%) of the (15%) of reserve requirement in purchasing treasury bills in Iraqi Dinar, was cancelled on 11/2/2018 due to the absence of need and the shift in the economic conditions of the country . Monetary policy achieved its goal during 2018 in reducing headline inflation to a single digit, as headline and general inflation recorded (0.4%) & (0.2%) respectively, and the central bank continued to manage its reserves within accepted rates and according to international standards to record IQD (76) trillion.

Within the context of stimulating the economy and enhance monetary and financial stability, the Central bank of Iraq continued during 2018 to implement its development project represented by allocating IQD (6) trillion to finance large, medium and small projects which is being implemented through the banking system.

1- Money Supply Developments

a- Narrow money supply M1

The stock of narrow money M1 recorded a rise of (1.1%) at year-end 2018 compared with the previous year to become IQD (77.8) trillion against IQD (77) trillion in 2017, this mainly due to the growth of current deposits at a rate of (1.9%) to record IQD (37.3) trillion and account for (48%) of money supply M1, whereas currency outside banks recorded a slight rise at a rate of (0.4%) to become IQD (40.5) trillion against IQD (40.3) trillion for 2017 and to account for (52%) of money supply M1 as indicated in the annex-table (3) .

b- Broad Money Supply M2 (domestic liquidity)

Broad money M2 (domestic liquidity) recorded at year-end 2018 a rise of (2.7%) of the previous year to record IQD (95.4) trillion against IQD (92.9) trillion for 2017 and account for (38%) of GDP in current prices.

The increase in domestic liquidity M2 came because of growth of its two basic components: money supply M1 at a rate of (1.1%), and other deposits (fixed, savings, deposits, post and insurance) at a rate of (10.7%) to record IQD (17.6) trillion in 2018 against IQD (15.9) trillion in 2017 as shown in the annex – table 3. For its part coefficient of monetary policy recorded (0.2%), indicating that the recession continues in the Iraqi economy for 2018.

c- Factors Affecting Money Supply

Expansive factors which had a notable role in money supply increase during 2018, was represented in the increase in net foreign assets from IQD (69331) billion at year-end 2017 to IQD (91423) billion at year-end 2018 at a rate of increase (31.9%), this increase resulted from the rise in the average price of oil barrel during 2018 at a rate of (33.1%) to become (65.6) dollar per barrel against (49.3) dollar per barrel of the previous year. The expansive effect is shown on money supply too through the budget recording an increase of IQD (2906) billion at year-end 2018, both items of net foreign assets and the budget accounted for (88.4%) and (11.6%) respectively of total expansive factors amounting to IQD (24998) billion, whereas the reduction in net government debt IQD (-19835) billion made a contractionary effect on money supply, this reduction came as a result to government deposits increase amounting to IQD (19802) billion of the previous year, i.e. at a rate of (63.4%) against the reduction in government debt by IQD (-33) billion at a slight rate of (-0.1%). Other contractionary factors were

represented in items of net private sector debts, other sectors and other deposits, where the first declined by IQD (2629) billion to record IQD (25180) billion against IQD (27809) billion at the end of 2017 at a rate of (-9.5%), whereas the second item increased by IQD(1692) billion to record IQD (17562) billion at the end of 2018 against IQD (15870) billion at the end of 2017, at a rate of increase amounting to (10.7%), other aforementioned items accounted for (82.1%),(10.9%) and (7.0%) respectively of total contractionary factors amounting to IQD (24156) billion as shown in table (5).

Table (5)
Money Supply and Effecting Factors for 2017-2018

IQD Billion

	Dec 2017	Dec 2018	Amount of change from the last year	Growth rate %
Foreign assets net with the banking system (CBI+ banks)	69,331	91,423	22,092	31.9
Private sector debt & other sectors	27,809	25,180	(2,629)	(9.5)
Government debt	44,385	44,352	(33)	(0.1)
Total assets	141,525	160,955	19,430	13.7
Money supply (M1)	76,987	77,829	842	1.1
Currency outside banks	40,344	40,498	154	0.4
Current deposits	36,643	37,330	687	1.9
Other deposits	15,870	17,562	1,692	10.7
Government deposits	31,212	51,014	19,802	63.4
Budget item	(17,456)	(14,550)	2,906	(16.6)
Total non-cash liabilities	64538	83,126	18588	28.8
Total liabilities	141,525	160,955	19,430	13.7

2- Foreign Reserves with the Central Bank of Iraq

Foreign Reserves stock recorded at year-end 2018 an increase of IQD (18.1) trillion at a rate of (31.3%) of the previous year to become IQD (76) trillion compared with IQD (57.9) trillion at year-end 2017, forming a rate of (30.3%) of GDP in current prices, this increase is due to the increase in foreign investments abroad.

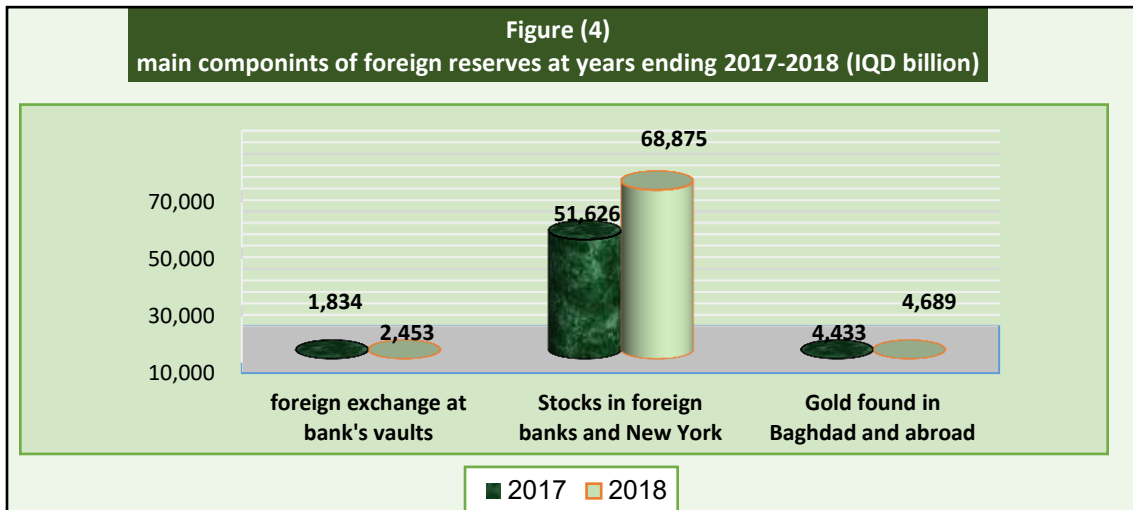
It is noted in table (6) that there is an increase in the stock of foreign exchange at this bank's vaults at a rate of (33.8%) to become IQD (2.5) trillion against IQD (1.8) trillion for the previous year, also the stock of investments (in Foreign Banks and the Federal Reserve) recorded a rise of IQD (17.2) trillion at a rate of (33.4%) of 2017 to reach IQD (68.9) trillion at year-end 2018 against IQD (51.6) trillion at year-end 2017, as for the gold in Baghdad and abroad it nearly amounted to IQD (4.7) trillion against IQD (4.4) trillion at year-end 2017.

Table (6)

Main Components of Foreign Reserves at Years Ending 2017-2018

IQD Billion

Item	2017	2018
Foreign Exchange at Bank's Vaults	1,834	2,453
Stocks in Foreign Banks and Federal Reserve	51,626	68,875
Gold in Baghdad and Abroad	4,433	4,689
Foreign reserves	57,893	76,017



CBI Consolidated Budget

During 2018, the CBI continued to monitor monetary, financial and credit developments closely and made proper decisions in order to maintain monetary stability and prepare requirements of development process in the country.

The CBI assets (liabilities) amounted to IQD (99.9) trillion at the end of the year, by an increase of IQD (16.7) trillion or a rate of (20.1%) of its rate at the end of 2017. This increase was higher than the previous year, which amounted (7.8%), as in the table (7).

Assets Side

When looking at the assets side, we find that foreign assets have increased with an amount of IQD (18.1) trillion or a rate of (31%) to reach IQD (76.5) trillion at end of the year, contributing with largest part of the increase in CBI assets.

Government debts came next (bonds, government drafts, loans, and advances to government agencies) which decreased by a rate of (-8%) to reach IQD (18.4) trillion at end of the year. It is noted that loans and advances have declined by a rate of (-11.3%), due to payment by the MOF of part of the debt payable on 30/6/2018 according to the rescheduling agreement of banking arrangements between MOF & CBI on 18/7/2016, also bonds & drafts item declined by a rate of (-7.6%) of the previous year.

Liabilities side

At the liabilities side, it is noted that the monetary reserves have increased by IQD (1.5) trillion or by (2.2%) against a decrease of (-4.4%) for the previous year 2017. The increase in monetary reserves is attributed to the increase in both: banks` reserves & currency in circulation by (5.2%) & (0.4%) respectively compared to the previous year.

As for banking facilities, they recorded a remarkable decline of (-54.5%) compared to the previous year, due to the decline in deposits balances for (7 days, 14 days, and 30 days) in Iraqi Dinar. Moreover, the investment for (14 days) was abolished since 1/9/2018 according to circular No. 6/6/2614 dated 8/8/2018, as disallowing investment for state-owned banks (Al- Rafidain, Al-Rasheed, Trade Bank of Iraq, Agricultural cooperative, and Real Estate) in the said instruments according to board resolution No.139 on 7/11/2017.

In addition, government deposits recorded a great rise of (185.4%) due to the rise in rates of oil prices in international markets by (33.1%), while banks` deposits in US\$ recorded an increase of (28.9%) of the previous year.

As for capital and reserves items, they recorded a notable rise of (24.5%) compared to the previous year.

Table (7)
CBI Consolidated Budget for 2017-2018

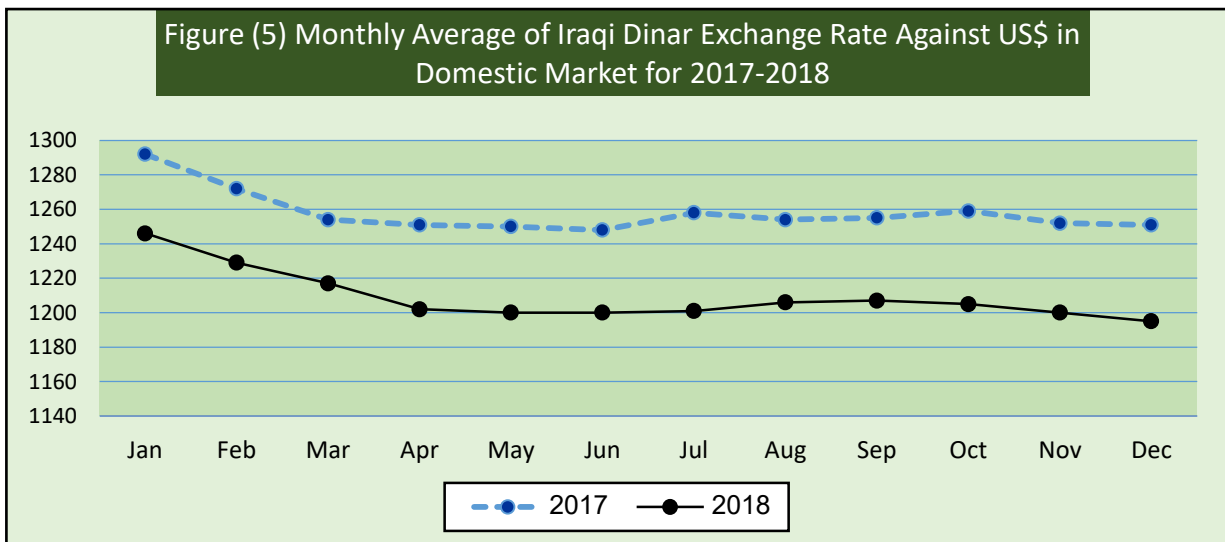
IQD Million

Items	2017	2018
Assets		
Foreign Assets	58,364,992	76,481,186
Government Debts	20,011,788	18,409,547
Bonds & Government Drafts	17,740,608	16,393,985
Loans & Advances of Government Agencies	2,271,180	2,015,562
Loans & Advances of Commercial Banks	0	0
Other Assets	4,558,569	4,730,206
Total Assets or Liabilities	82,935,349	99,620,939
Liabilities		
Monetary Reserves	65,690,505	67,160,979
Banking Facilities	1,057,650	454,500
Deposits in US\$	3,426,108	4,415,725
Government Deposits	7,102,907	20,272,344
Foreign Liabilities	62,255	112,707
Capital & Reserves	6,423,824	8,000,206
Other Liabilities	(827,900)	(795,522)

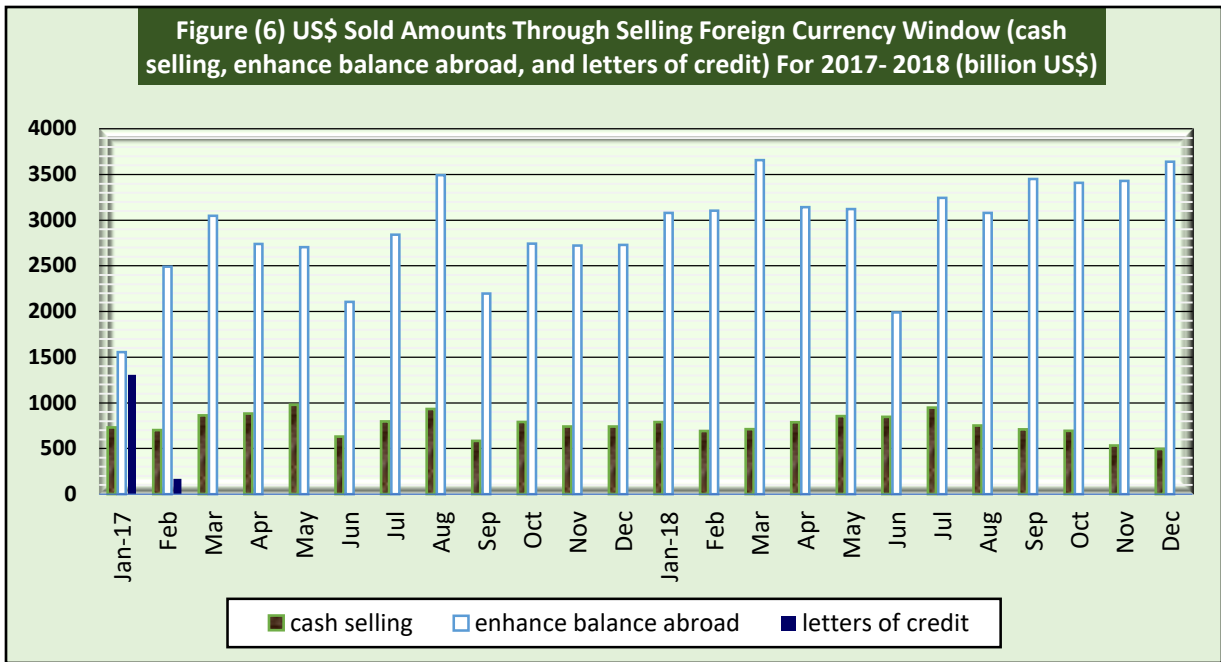
Second / Development Indirect Monetary Policy Instruments

1-Foreign Currency Selling Window

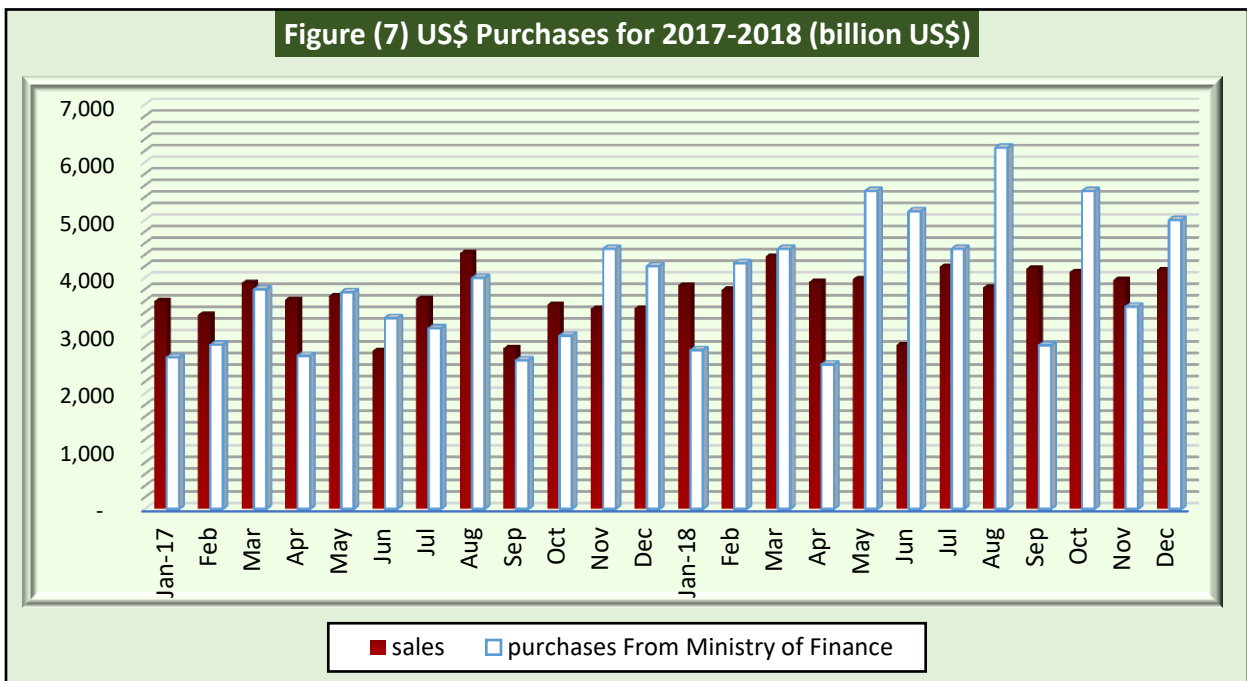
The dollar-selling rate to banks for this year preserved its value of IQD (1190) per US\$ for 2018, through foreign currency selling window, while Iraqi exchange rate against US\$ is IQD(1209) in domestic market, compared to a rate of IQD(1258) per US\$ for 2017, as in Annex of Table (4). This is reflected in the gap decline between nominal exchange rate and parallel exchange rate with a great percentage amounted (0.8%) as an average compared to (4.8%) as an average for 2017, which is an indicator of monetary policy success during this year in achieving high stability in Iraqi exchange rate.



Sold amounts of US\$ through CBI foreign currency selling window (cash, enhance banks` accounts abroad, and letters of credit) recorded a rise of (11.7%) for 2017, to reach IQD (47.1) billion distributed as the following: IQD (38.3) billion sold for enhancing balances abroad, IQD (8.8) billion for cash selling, as each one of them constituted (81.4%) & (18.6%) respectively of total sold amounts. While sold amounts of US\$ for 2017 recorded IQD (42.2) billion, of which IQD (31.4) billion was sold as enhancing balances abroad, IQD (1.5) billion as letters of credit, and IQD (9.4) billion as cash selling; each of which constituted (74.3%), (3.5%), and (22.2%) respectively of total sales, according to the description in annex of table (5).



As for CBI purchases of US\$ from MOF, they have recorded arise of (29.4%) to reach US\$ (52.2) billion for 2018 compared to US\$ (40.4) billion for 2017, according to the description in annex of table (6).



2- Standing Facilities

During this year, CBI continued adopting a Policy Rate of (4%) annually and kept on working by investment windows for (7, 14, and 30) days with the adjustment of interest rates; so investment became according to new rates as the following:

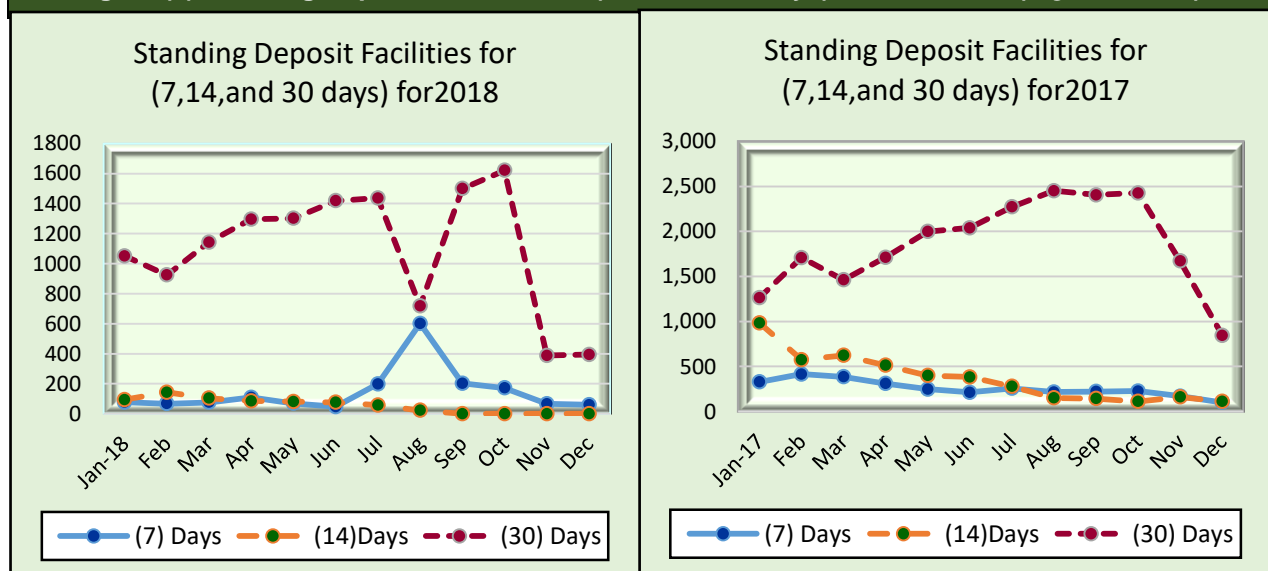
- A- Investment for (7) days with an interest rate of (1%) instead of (0.5%).
- B- Investment for (30) days with an interest rate of (1.5%) instead of (1%).

While working on Investment for 14 days was abolished since 1/9/2018 according to circular No.6/6/2614 dated 8/8/2018.

A- Standing Deposit Facilities

It's clear in table (7) that deposits balances in IQD for (7 days) for private & state-owned banks have dropped notably by (-40.6%) to record IQD (60) billion at end of 2018 compared to IQD (101) billion at end of 2017. Also deposit balances in IQD for (14 days) dropped, which totaled IQD (22) billion until August 2018 compared to IQD (112) billion at end of 2017, and deposits balances in IQD for (30 days) have dropped by (-54%) to record IQD (389) billion at end of 2018 compared to IQD (845) billion at end of 2017, due to stop allowing investment for state-owned banks (Al- Rafidain, Al- Rasheed, Trade Bank of Iraq, Manufactural, Agricultural cooperative, and Real Estate) in the above instruments according to board decision No. 139 dated 7/11/2017.

Figure (8) Standing Deposit Facilities for (7,14, and 30 days) for 2017-2018 (IQD billion)



B- Standing Lending Facilities

The CBI continued adopting this instrument to implement CBI monetary policy goals with the aim of extending credit to banks, ensure control over banking liquidity, and affect them through interest rates (price indicators) which have been set for each type of them according to the following:

- Initial credit (6%) annually.
- Secondary credit (7%) annually.
- Loan of last resort (7.5%) annually.

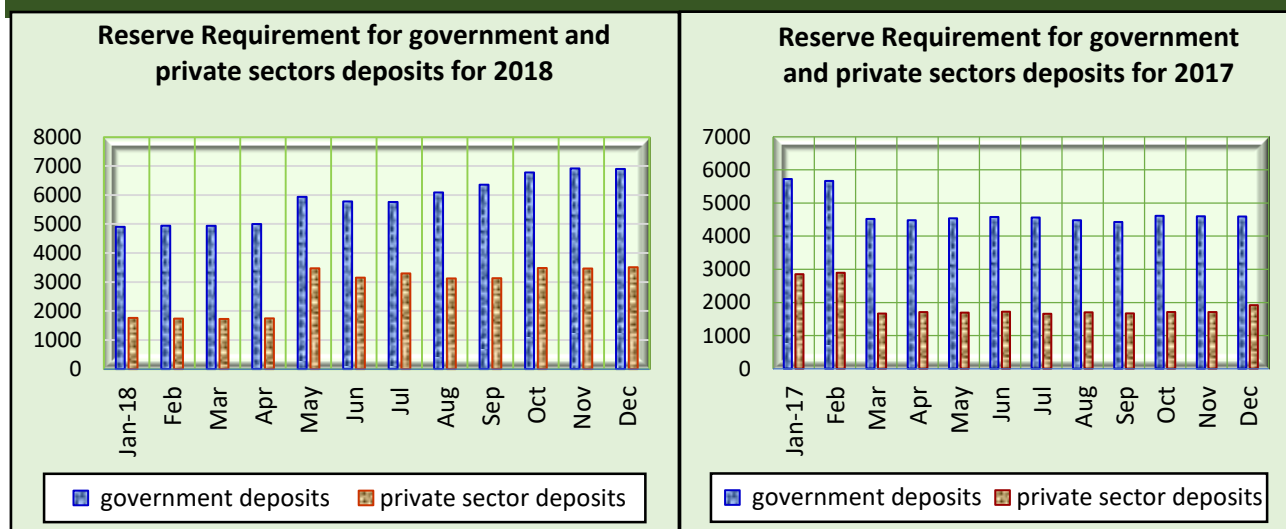
None of state-owned or private banks have requested for any of those credits until now.

3-Reserve Requirement

In line with monetary policy orientations and its high flexibility that currently depend on supporting monetary development, and to support banking system liquidity with regard to providing liquidity, CBI continued adopting reserve requirement ratios on current deposits (15%) and saving & fixed deposits (10%) for IQD & US\$ according to board decision No. 6 dated 24/1/2017, while it has stopped allowing all licensed banks to invest more than (50%) of the reserve requirement of (15%) in purchasing treasury bills in IQD due to absence of need & change of economic conditions of the country according to circular No. 58816 dated 11/2/2018.

At end of 2018, the reserve requirement on government deposits rose to record IQD (6.9) trillion against IQD (4.6) trillion for 2017; a rise of (50.0%). In addition to that, reserve requirement on private sector deposits rose to record IQD (3.5) trillion against IQD (1.9) trillion for 2017; recording a rise of (83.2%), according to the description in annex of table (8).

Figure (9) Reserve Requirement for government and private sectors deposits for 2017- 2018 (IQD trillion)



4-CBI Remittances

For the implementation of CBI monetary policy aiming at achieving monetary stability within a framework of open market operations through activating its indirect monetary instruments to manage public liquidity, the CBI issued remittances for maturities of (182 days & 365 days) through the central securities depository system (CSD) since Sept. 2018 according to circular No. 6/6/2614 dated 8/8/2018.

The most important auctions held this year are as the following:

- Two auctions for (182) days with an amount of IQD (100) billion for each issue, of which actual sold amount was IQD (140) billion with a cut rate of (2.5%), while the repaid amount was IQD (605.02) billion for 2018.
- Two auctions for (365) days with an amount of IQD (100) billion for each issue, of which actual sold amount was IQD (125) billion with a cut rate of (2.9%), while there was no repaid amounts for that term, as in annex of table (9).

5-Islamic Deposit Certificates

On Jan. 2018, the CBI issued medium-term Islamic Deposit Certificates for (14) days through the central securities depository system (CSD) in order to diversify investment portfolio for banks and manage liquidity at the banking sector.

The most important auctions held this year are as the following:

- Five auctions for (14) days with an amount of IQD (100) billion for each issue, of which actual sold amount was IQD (96.3) billion with a cut rate of (0.7%); the whole amount was repaid.
- Ten auctions for (14) days with an amount of IQD (50) billion for each issue, of which actual sold amount was IQD (126.6) billion with a cut rate of (0.7%); the whole amount was repaid.

The CBI stopped issuing deposit certificates for (14) days since Sept. 2018. Similarly, CBI had issued new deposit certificates for (30, 91, 182, and 365 days) since Sept. according to circular No. 6/6/2615 dated 8/8/2018.

The most important auctions held were as the following:

- Four auctions for (30) days with an amount of IQD (50) billion for each issue, of which actual sold amount was IQD (109) billion with an average of cut rate range of (1.4% - 1.5%); the repaid amount was IQD (79) billion in 2018.
- One auction for (91) days with an amount of IQD (50) billion, of which real sold amount was IQD (36) billion with a cut rate of (1.7%); the whole amount was repaid.
- One auction for (182) days with an amount of IQD (100) billion, of which actual sold amount was IQD (25) billion with a cut rate of (2.0%), the amount will be repaid in due.
- One auction for (365) days with an amount of IQD (100) billion, of which actual sold amount was IQD (1) billion with a cut rate of (0.7%), the amount will be repaid in due.

CBI Role in Motivating Development Process

Out of contribution to support the Iraqi economy, the CBI announced its initiative of IQD (1) trillion to finance SMEs, by extending IQD (31.2) billion during this year. The real amount of IQD (20.6) billion extended by banks to (947) enterprises was as the following:

- A- Total amount paid for agricultural sector was IQD (623) billion.
- B- Financing enterprises of manufactural sector was IQD (2) billion.
- C- Financing commercial sector enterprises was IQD (13.8) billion.
- D- Financing enterprises of health, educational, and recreation services was IQD (4.1) billion; to finance (199) enterprises.

Regarding the plan for IQD (5.5) billion initiative that was dedicated to support specialized commercial banks` liquidity (Agricultural, Manufactural, Housing Fund, and Real Estate banks) for (5) years, in course of actions taken by CBI when distributing the initiative`s values for the above mentioned specialized banks, the amounts were as the following:

- A- Agricultural Bank: IQD (1666) billion.
- B- Manufactural Bank: IQD (1666) billion.
- C- Real Estate Bank: IQD (834) billion.
- D- Housing Fund: IQD (1334) billion.

Third / Banking Developments

During 2018, the CBI has taken many measures to cope with the evolution occurred in the banking sector, enhance its role in achieving monetary stability, mobilize economic resources, and finance economic growth. The most important measures and steps taken by CBI:

- 1- Joining Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- 2- Joining Islamic Financial Services Board (IFSB).
- 3- Consultation and cooperation with Central Banks and signing cooperation agreements with central banks of Lebanon, Jordan, and Egypt in banking supervision area.
- 4- Signing joint cooperation agreements with World Bank (WB), International Monetary Fund (IMF), and International Finance Corporation (IFC) to evaluate & develop financial & banking sector in Iraq.
- 5- Signing joint cooperation agreement with the Arab Monetary Fund (AMF) to design Financial Inclusion Strategy.
- 6- Establishment of Deposit Insurance Company to support citizen's confidence in Iraqi banking sector and ensure their savings deposited at all banks.
- 7- Establishment of National Payment Board with the aim of developing electronic payment and collection.
- 8- Issuance of many new instructions & measures related to foreign currency window, to reduce the gap between official & parallel exchange rate, as it started to classify banks depending on seven major and minor specific weighting criteria that reflect the bank's compliance to rules related to operations of foreign currency selling.
- 9- Enhance comprehensive supervision systems that depend on risks in order to activate banking sector and financial institutions role to ensure financial system stability & its efficiency to reach a Crisis-free banking system. Within best international criteria for banking supervision, the following had been achieved:
 - A- Implementing consolidated evaluation criteria on all private commercial banks operating in Iraq by using CAMEL system in evaluation as appropriate to with Iraqi banking environment.

B- Implementing Basil III decisions regarding credit, operational, and market risks, in addition to issuing instructions that should be followed by all banks.

C- Evaluating banks under the principle of net maturity on a semi-annual basis and calculating net maturity for troubled banks during 2018 according to the approach prepared for that.

D- Launching a plan for opening branches to all licensed banks for 2019 according to circular No. 9/3/0/4 on 11/11/2018.

1-Banking System Structure for 2018

Commercial banks operating in Iraq at end of 2018 amounted (71) banks, including (7) state-owned banks distributed as the following:

- (6) Commercial Banks, (1) Islamic state-owned bank, and (64) private banks, including (22) domestic Islamic banks, (24) domestic commercial banks, (16) foreign banks, and (2) foreign Islamic banks.

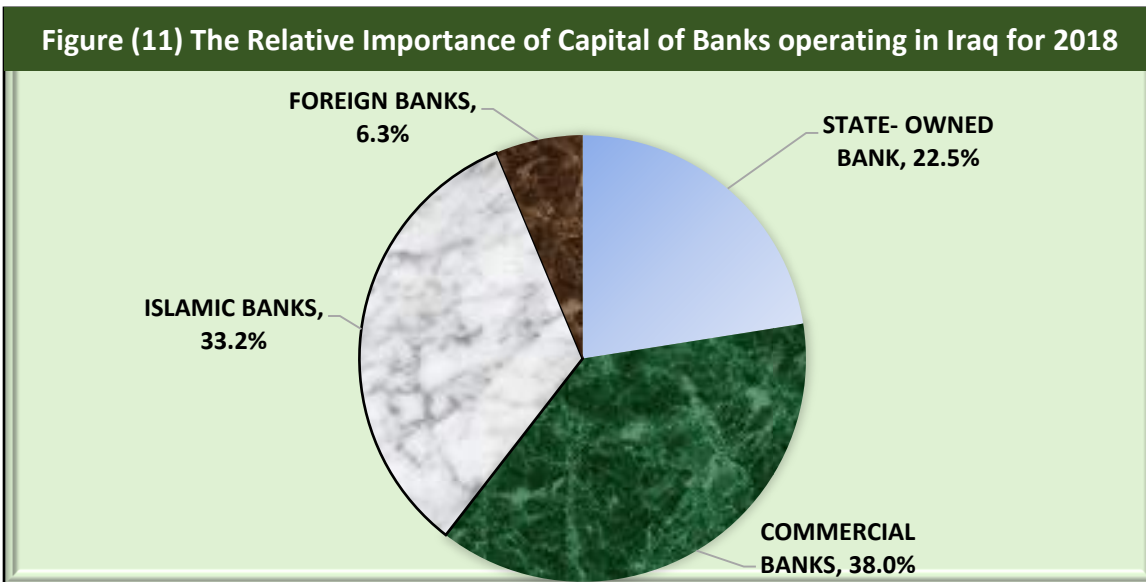
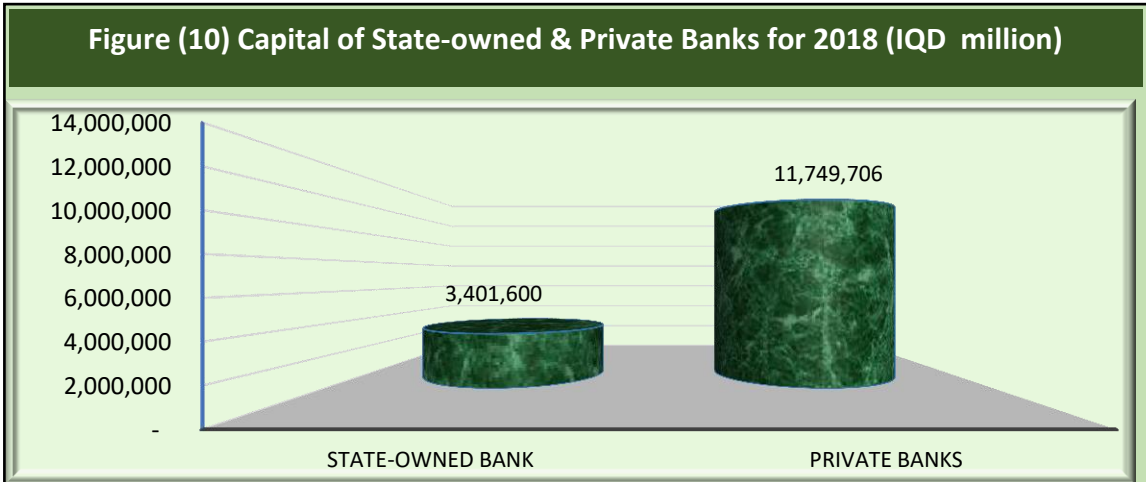
2- Financial Position of the Banking System

Total capital for banks operating in Iraq during 2018 recorded a rise of (4.7%) to reach an amount of IQD (15.2) trillion against IQD (14.5) trillion for 2017.

The largest percentage was concentrated in the capital of private banks, which amounted IQD (11.7) trillion by (77.6%) of total capital for banks operating in Iraq, while the contribution of foreign banks reached (6.3%) of total capital for banks. In addition to a rise of Islamic banks capital of (9.2%) with a contribution ratio of (33.2%).

Regarding the capital of domestic commercial banks, they did not record any change, as its contribution ratio was (38%) of total of commercial banks capital.

Capital of state-owned banks recorded a rise of IQD (25) billion; a ratio of (0.7%) compared with the previous year to reach IQD (3.40) trillion against IQD (3.37) trillion for 2017; a ratio of (22.5%) of total capital of commercial banks.



3-Consolidated Budget for Commercial Banks Operating in Iraq

The consolidated budget for commercial banks shows that internal self-sources of funding (capital & reserves) rose during this year by (6%) of the previous year to reach IQD (22) trillion against IQD (20.7) trillion at end of 2017, while those resources recorded a percentage of (20.3%) of total liabilities.

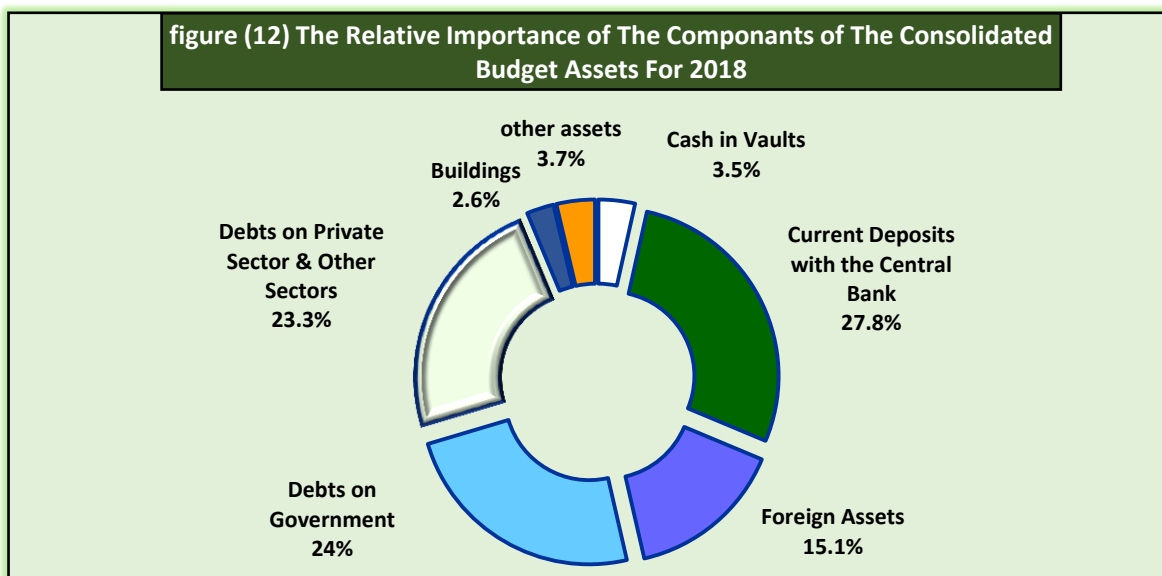
As for non-self-financing external sources, they rose from IQD (82.3) trillion at end of 2017 to IQD (86) trillion at end of 2018; with an increase of (4.6%). Therefore, the ratio of external funding to total liabilities was (79.7%).

Assets Side

At the end of 2018, foreign assets rose by (37.1%) compared to the previous year to reach IQD (16.3) trillion against IQD (11.9) trillion at the end of the previous year, due to a rise in foreign investments item by (152%) and debit balances abroad with commercial banks item by (5.3%). Monetary assets for commercial banks varied in their component values represented in cash in the vaults which is kept by banks in its vaults to face requests of daily withdrawals and the other different needs, which recorded a decline by (3.3%) to record IQD (3.8) trillion against IQD (3.9) trillion at end of the previous year. Current deposits kept by banks with the CBI recorded a rise by (6.3%) of the previous year, reaching IQD (30) trillion against IQD (28.2) trillion at end of 2017 with a contribution ratio amounted to (27.8%) of total banks` assets, due to stop allowing all licensed banks to invest no more than (50%) of the (15%) of the reserve requirement in buying treasury bills in Iraqi dinar, due to absence of need & change of country economic conditions in accordance with circular No. 58816 dated 11/2/2018. Debts on private sector & other sectors item recorded a decrease by (-9.5%) of the previous year.

On the other side, government debts recorded a rise by (6.4%) of the previous year, with a contribution ratio amounted (24%) of total banks` assets recording IQD (25.9) trillion against IQD (24.4) trillion at end of 2017. While buildings item rose by (5%) compared to 2017, with a contribution ratio of (2.6%) of total budget assets recording IQD (2.8) trillion against IQD (2.6) trillion for 2017.

As for other assets, they recorded a decrease of (-3.2%) of the previous year to record IQD (4) trillion against IQD (4.2) trillion for 2017.



Liabilities Side

It is noted that there was an increase of (10.8%) & (8.8%) respectively in saving & fixed deposits and current deposits which contributed by (20.6%) & (40%) of total deposits respectively. On the other side, L/C deposits and guarantees recorded a decline by (-12.2%) of the previous year to record IQD (2.2) trillion against IQD (2.5) trillion for the previous year with a moderate contribution of (2.6%) of total deposits.

Government deposits recorded a rise by (27.5%) compared to the previous year, recording IQD (30.7) trillion against IQD (24.1) trillion for 2017; as its contribution ratio reached (36.7%) of total deposits due to an increase in government revenues because of improvement in crude oil prices, while foreign liabilities recorded a rise by (43.9%) to record the minimum contribution of (1.2%) of total budget liabilities (assets), table (8).

The budget revealed capital movement, reserves, and provisions that reflected profitability resulted from expansion in banking activities with a rise by (6%) of the previous year to record IQD (22) trillion against IQD (20.7) trillion to record a contribution of (20.3%) of total liabilities.

Regarding other liabilities item, they recorded a decrease of (-88.2%) of the previous year to record a contribution of (0.9%) of total liabilities.

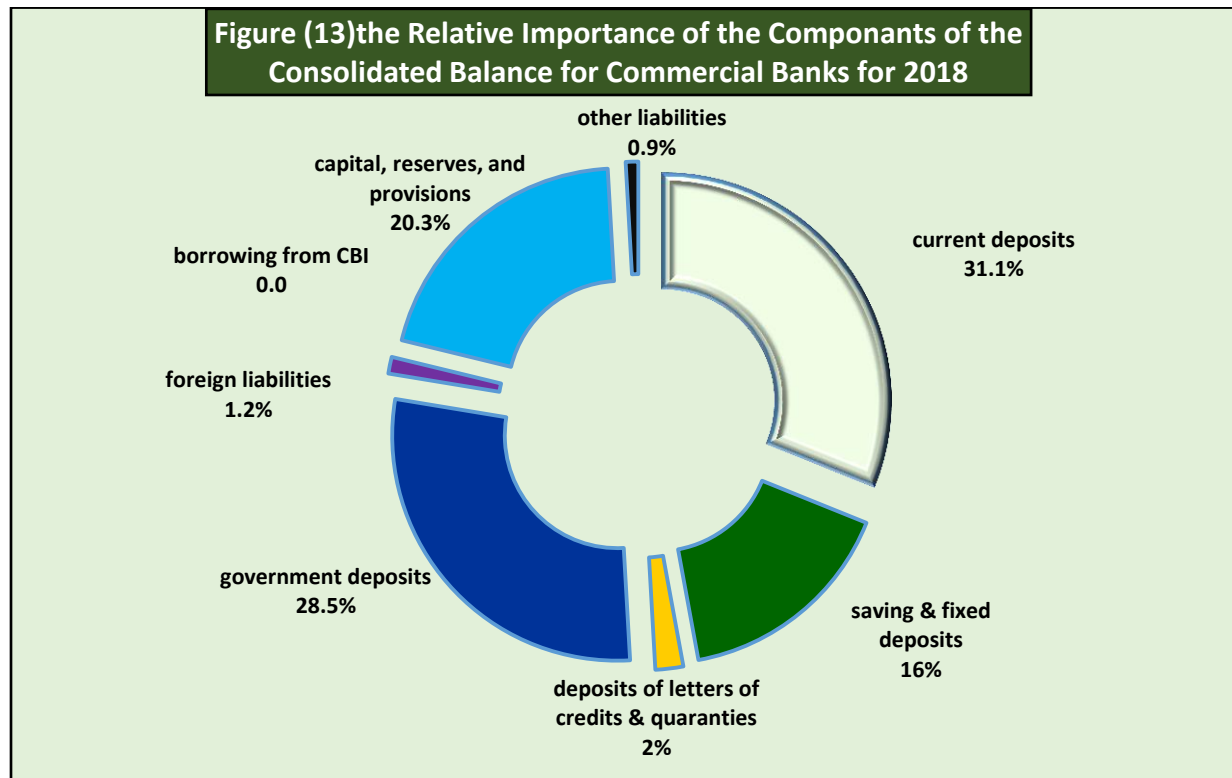


Table (8)
Consolidated Budget for Commercial Banks for 2017-2018

IQD million

Items	Dec. 2017	Dec. 2018	Change rate %	Relative Importance %
Assets				
Cash In Vaults	3,893,345	3,766,417	(3.3)	3.5
Current Deposits with the CBI	28,215,678	29,988,161	6.3	27.8
Foreign Assets	11,902,000	16,312,099	37.1	15.1
Debts on Government	24,373,280	25,943,000	6.4	24.0
Private Sector & Other Sectors Debts	27,809,664	25,179,810	(9.5)	23.3
Buildings	2,632,766	2,764,188	5.0	2.6
Other Assets	4,184,789	4,049,646	(3.2)	3.7
Total Assets & Liabilities	103,011,522	108,003,321	4.8	100.0
Liabilities				
Current Deposits	30,818,242	33,536,505	8.8	31.1
Saving & Fixed Deposits	15,612,025	17,301,980	10.8	16.0
Deposits of Letters of Credits & guaranties	2,521,009	2,213,271	(12.2)	2.0
Government Deposits	24,109,072	30,742,188	27.5	28.5
Foreign Liabilities	874,005	1,257,700	43.9	1.2
Borrowing from CBI	0	0	0	0
Capital, Reserves, and Provisions	20,734,235	21,967,966	6.0	20.3
Other Liabilities	8,342,934	983,711	(88.2)	0.9

4-Banking Deposits

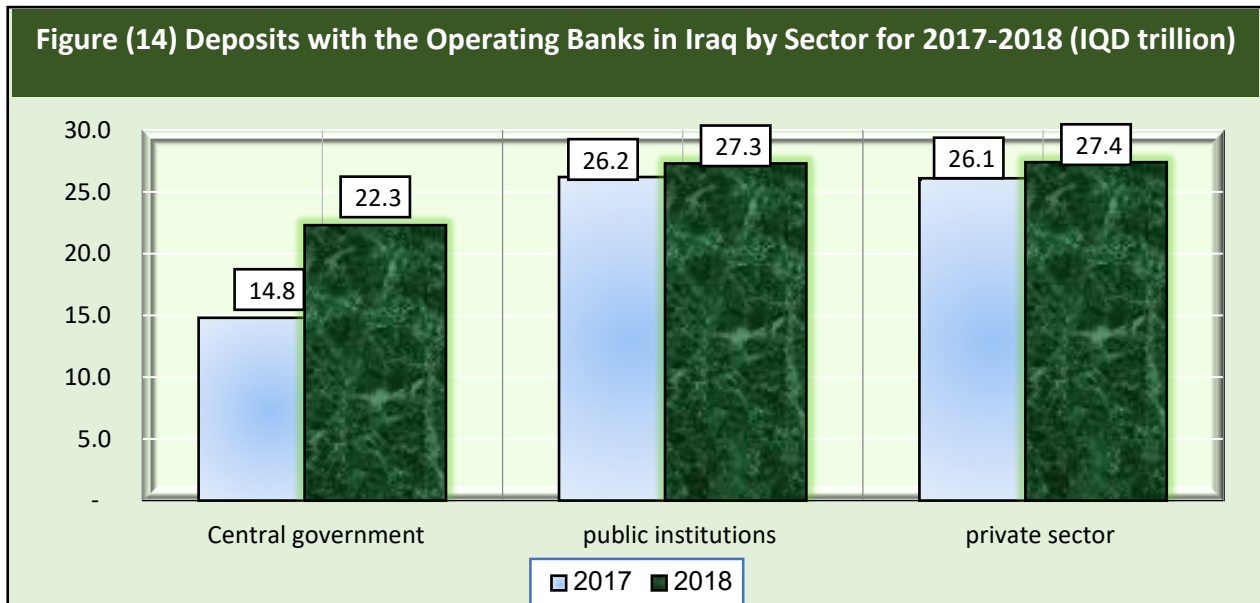
At the end of 2018, total deposits with the banks operating in Iraq recorded a rise of IQD (9.8) trillion by (14.7%) of the recorded level for 2017, to contribute (30.6%) of GDP in current prices reaching IQD (76.9) trillion against IQD (67) trillion for 2017.

Analysis of Total Deposits Structure by Sector

Central government sector ranked first among other sectors regarding growth ratios, as it recorded an obvious growth for its deposits during this year by (50.4%) compared to 2017 reaching IQD (22.3) trillion against IQD (14.8) trillion for the previous year, due to a rise in current & fixed deposits by (61.9%) and (14.7%) respectively.

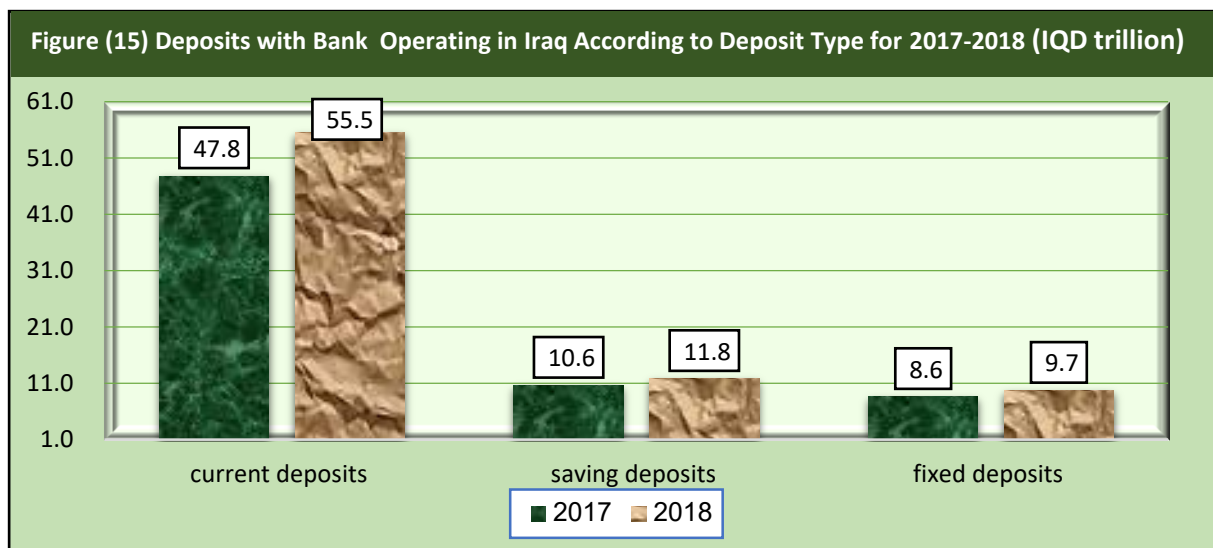
Deposits stock with the private sector recorded a rise by (4.9%) compared to the previous year to record IQD (27.4) trillion against IQD (26.1) trillion for the previous year, due to growth in fixed deposits & saving deposits balance by (22.6%) and (11.3%) respectively.

Deposits stock with the public institutions came in third place to record a growth by (4.2%) compared to 2017, reaching IQD (27.3) trillion against IQD (26.2) trillion for the previous year, due to a rise in current deposits & fixed deposits by (5.2%) and (4.1%) respectively, as explained in annex of table (10).



Analysis of Total Deposits Structure by Type

During this year, current deposits ranked first regarding growth rates compared to other deposits recording a growth by (15.9%) of the previous year reaching IQD (55.5) trillion against IQD (47.8) trillion for 2017, followed by fixed deposits in the second place by (11.9%), while saving deposits came in third & last place by (11.3%) compared to the previous year.



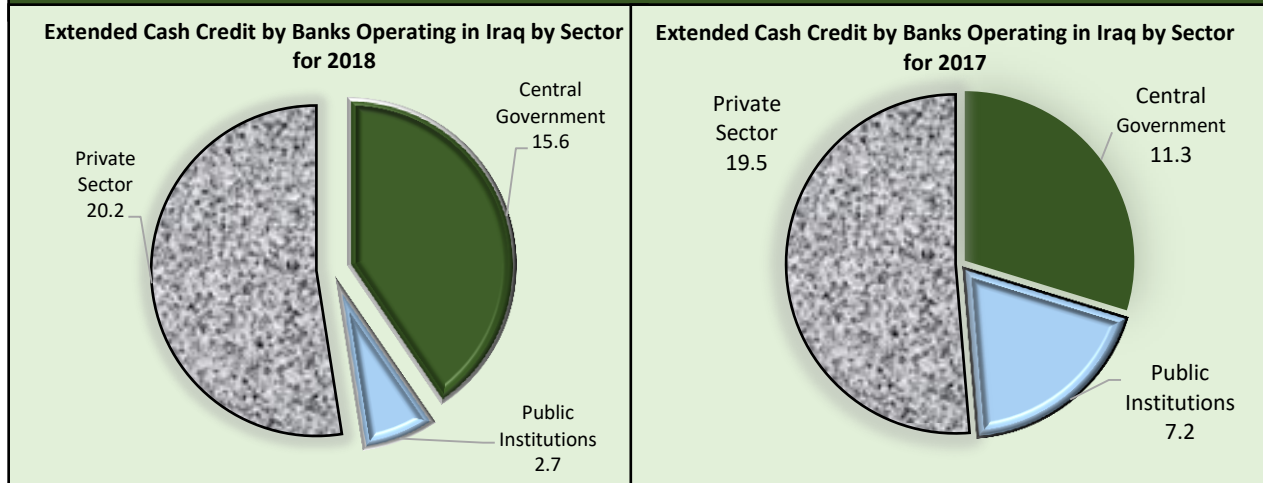
5-Banking Credit

At end of 2018, the standing stock of total credit facilities extended by banks operating in Iraq recorded a rise of IQD (0.5) trillion by (1.4%) of the previous year reaching IQD (38.5) trillion against IQD (38) trillion; accounting for (15.3%) of GDP in current prices.

Analysis of Extended Credit Structure by Borrower

Extended credit balance to private sector rose by (3.9%) ranking the first regarding its contribution ratio by (52.5%) of total extended cash credit. Also credit facilities balance (cash) extended to the central government rose this year by (38.3%) compared to the previous year, ranking the second regarding its contribution ratio of (40.5%) of extended cash credit balance, while extended credit facilities balance to public institutions declined by(-63%) of the previous year with a contribution ratio of (7%) of total extended cash credit.

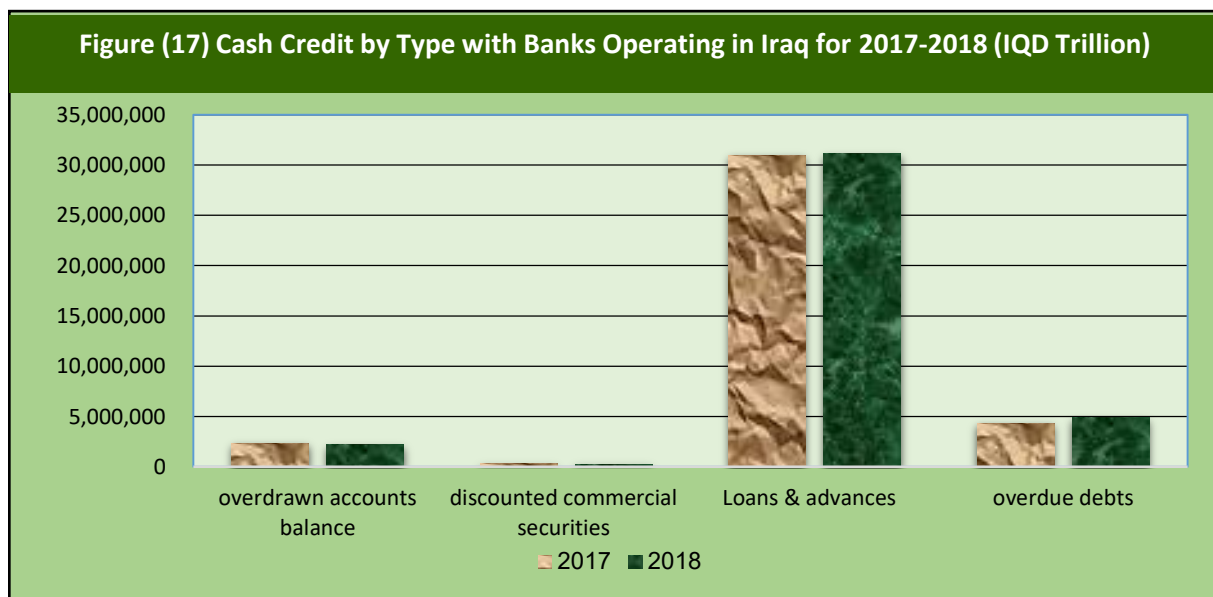
Figure (16) Extended Cash Credit by Banks Operating in Iraq by Sector for 2017-2018 (IQD trillion)



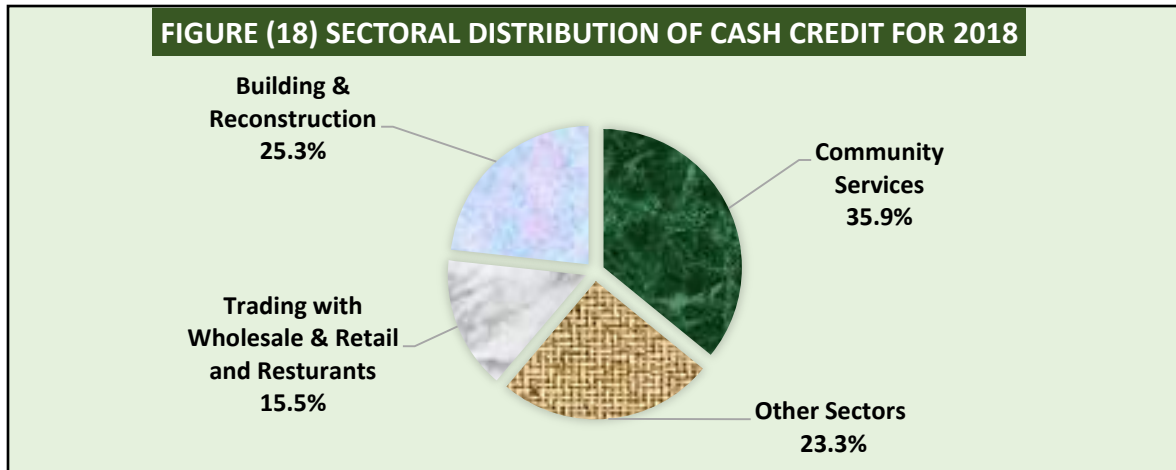
Analysis of Structure of Total Standing Facilities by Type of Classification

Loans & advances item acquired most of the extended credit by banks operating in Iraq to record (80.9%) of total credit balance with a growth rate of (1%), followed by overdue debts item recording a growth rate of (12.4%) of the previous year with a contribution ratio of (12.7%) of total cash balance. While both overdrawn accounts balance and discounted commercial securities items declined by (-6.6% & -3.9%) respectively, with a contribution ratio of (5.7% & 0.7%) respectively of total extended cash balance, annex of table (11).

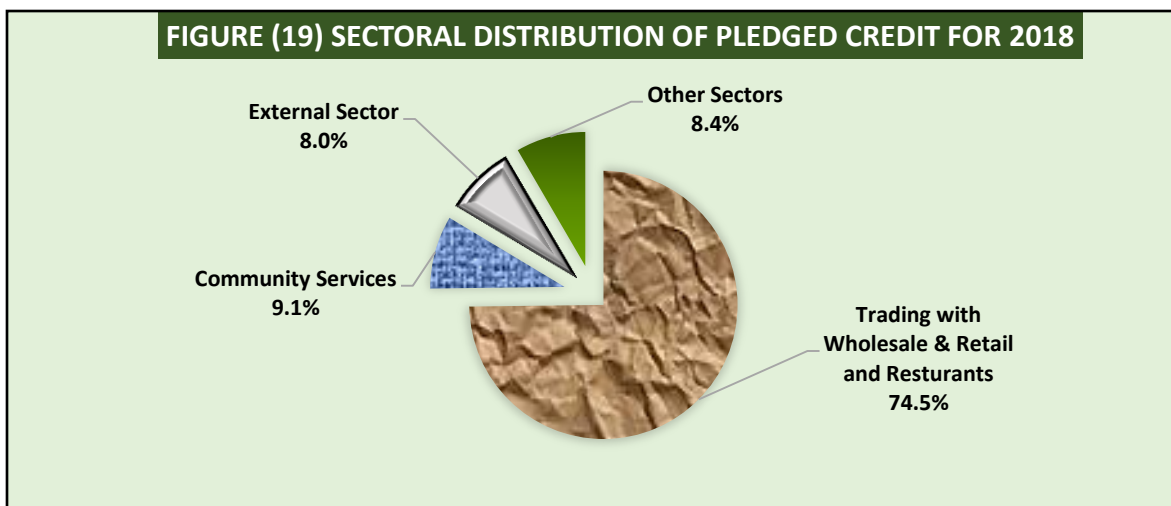
Figure (17) Cash Credit by Type with Banks Operating in Iraq for 2017-2018 (IQD Trillion)



Regarding sectoral distribution for extended credit facilities by banks operating in Iraq, the cash credit for 2018 recorded a rise of (1.4%) of the previous year reaching IQD (38.5) trillion against IQD (37.9) trillion for 2017. Community services sector ranked first of total cash credit by (35.9%), followed by construction & buildings sector by (25.3%), while trading with wholesale & retail and restaurants & hotels sectors ranked third by (15.5%). The other sectors recorded (23.3%) of total cash credit.



As for the extended pledged credit by banks operating in Iraq for 2018, they recorded a decline by (-8.4%) of the previous year to record IQD (25.3) trillion against IQD (27.6) trillion for 2017. Trading with wholesale & retail and restaurants & hotels sector ranked first of total extended pledged credit by (74.5%), while community services sector ranked second of the same credit by (9.1%), followed by external sector ranking third by (8%). Other sectors recorded (8.4%) of the above credit, as in annex table (12).





Chapter Four

Developments of the Public Finance Sector

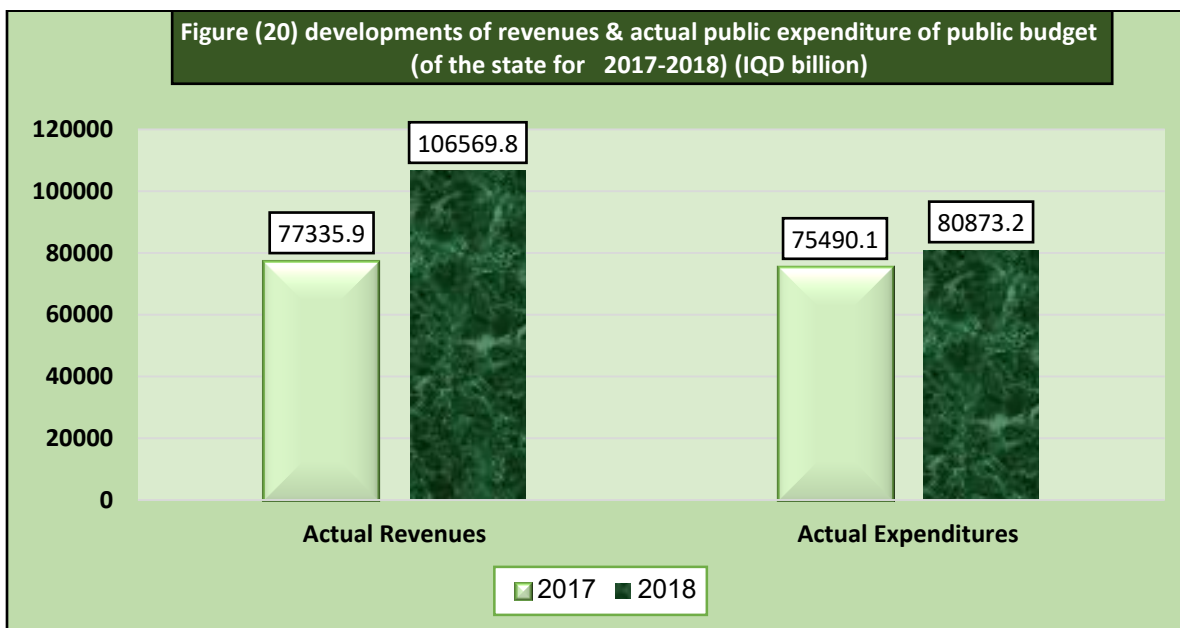
Financial Sector

- Actual public revenues recorded a rise by (37.8%) compared to the previous year 2017 contributing (42.4%) of GDP.
- Actual public expenditures recorded a rise by (7.1%) compared to the previous year 2017 contributing (32.2%) of GDP, as illustrated in table (9).

Table (9)
Actual Public Revenues & Expenditures Development
of Public Budget of the state for (2017-2018)

Items	2017	2018
Actual Revenues(IQD billion)	77335.9	106569.8
Growth Rate %	42.1	37.8
Actual Expenditures(IQD billion)	75490.1	80873.2
Growth Rate %	12.6	7.1

Source: MOF / Accounting Dept.



First: Public Revenues

Public revenue increased in 2018 by a rate of (37.8%) to reach IQD (106.5) trillion compared to IQD (77.3) trillion in 2017 by a rate of (42.4 %) of GDP in current prices-Annex of table (13) and, this is attributed to the increase of Oil revenues by a rate of (46.9%) because of the increase in crude oil prices. Oil revenues represented the largest share of total revenues, So it's contribution rate become (89.7%) to reach IQD (95.6) trillion, as well as, fees, capital revenues, commodity taxes, production fees and budget's share of public sector's profits increased at a rate of (43.5%, 30.0%, 28.1% and 14.8%) respectively.

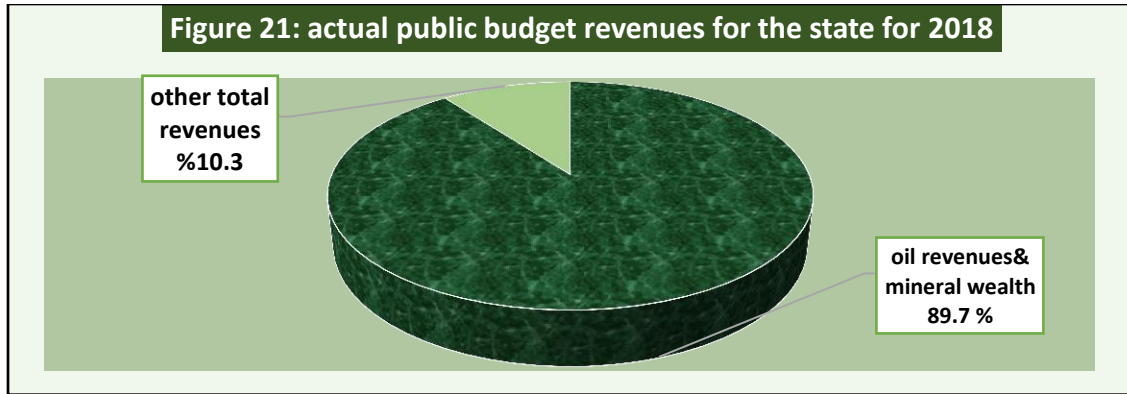
Taxes on both transferable revenues and other revenues, taxes on incomes and wealth decreased by (-27.9%, -24.8%, and -24.5%) respectively, as shown in Table (10).

(Table10)

Growth Rate of Actual Revenues listed According to Their Contribution Ratio in Total Revenues of 2018

Revenues Types	Growth Rate%	Contribution Ratio%
Oil Revenues & Mineral Wealth	46.9	89.7
Taxes on Incomes and Wealth	-24.5	3.2
Commodity Taxes & Production fees	28.1	2.1
Other Revenues	-24.8	1.6
Transferable Revenues	-27.9	1.5
Fees	43.5	1.0
Budget's Share of Public Sector Profits	14.8	0.8
Capital Revenues	30.0	0.1
Total	37.8	100.0

Source: MOF/Accounting Dept.



Second: public spending

Public spending recorded a growth during 2018 by a rate of (7.1%) to reach IQD (80.9) trillion compared to IQD (75.5) trillion in 2017 by a rate of (32.2 %) of GDP in current prices. This increase attributed to growth the in current spending by a rate of (13.6%). While, investment spending recorded a decrease by a rate of (-16.1%) as shown in (Table.11).

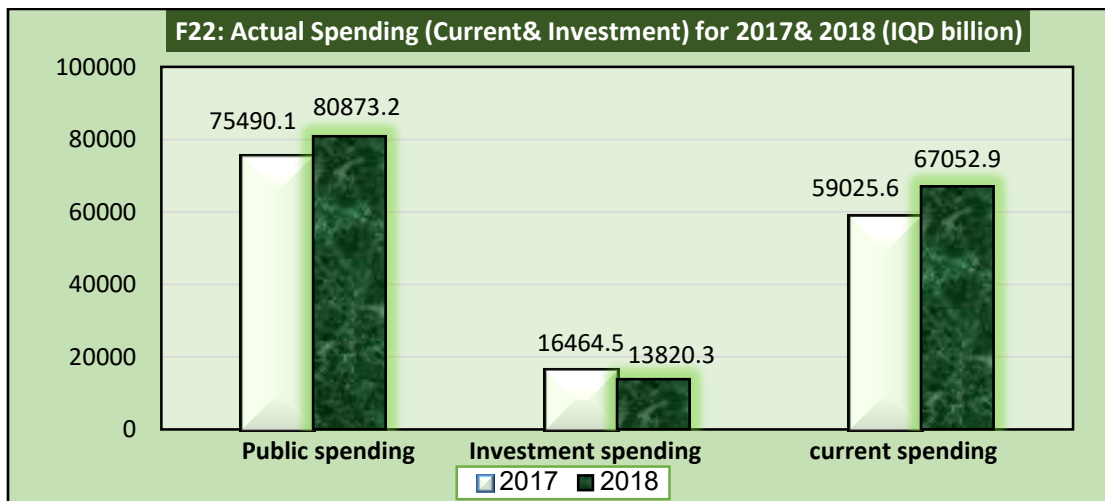
(Table.11)

Actual Public Spending (Current & Investment) for 2017 & 2018

IQD billion

Public Spending	Amount		Change rate%	GDP Ratio in Current Prices %	
	2017	2018		2017	2018
Current Spending	59025.6	67052.9	13.6	26.1	26.7
Investment Spending	16464.5	13820.3	-16.1	7.3	5.5
Total Actual Public Spending	75490.1	80873.2	7.1	33.4	32.2

Source: MOF/Accounting Dept.



1-Current Spending

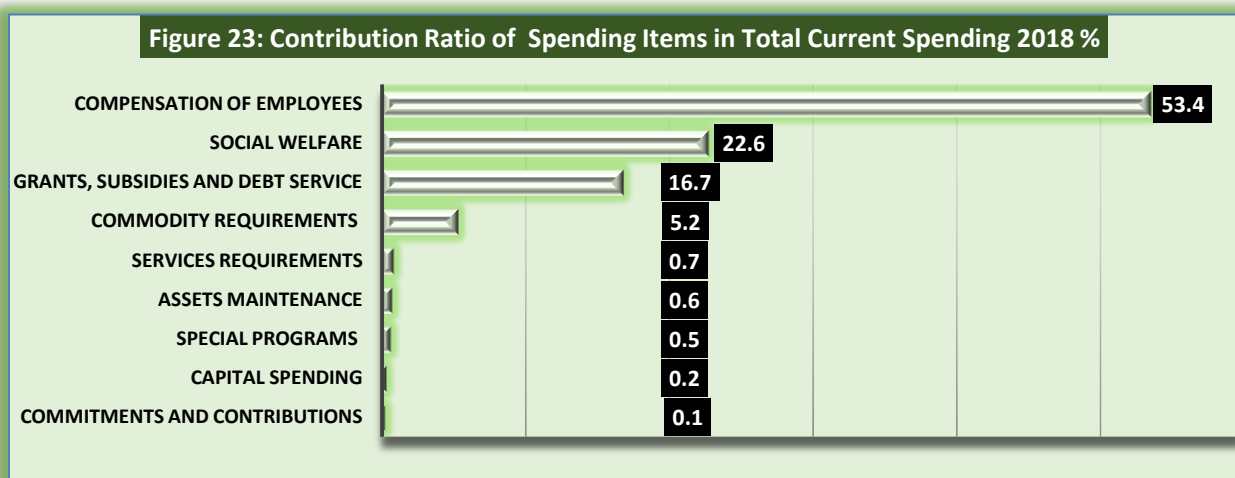
Current spending recorded a growth in 2018 by a rate of (13.6%) to reach IQD (67.1) trillion compared to IQD (59) trillion in 2017, as in annex of (Table.14). by a rate of (26.7 %) of GDP in current prices. This is attributed to the increase in most components of current spending, especially grants, subsidies and debt service, which recorded an increase by a rate of (63.8%), while the rest of spending items by increased in varied rates (28.0% max. and 2.3% min), on the other hand, spending recorded a decrease on both service requirements and commitments & contributions by a rate of (-40.4%) & (-26.6%) respectively, as shown in (Table.12).

(Table.12)

Growth Rates of Spending Items (Current Spending) and their Contribution Ratio to Total Current Spending of 2018

Spending Items	Growth Rates%	Share Rate%
Compensation of Employees	9.0	53.4
Social Welfare	2.3	22.6
Grants, Subsidies and Debt Service	63.8	16.7
Commodity Requirements	18.8	5.2
Services Requirements	-40.4	0.7
Assets Maintenance	13.3	0.6
Special Programs	28.0	0.5
Capital Spending	6.7	0.2
Commitments and Contributions	-26.6	0.1
Total	13.6	100

Source: MOF /Accounting dept.



2- Investment Spending

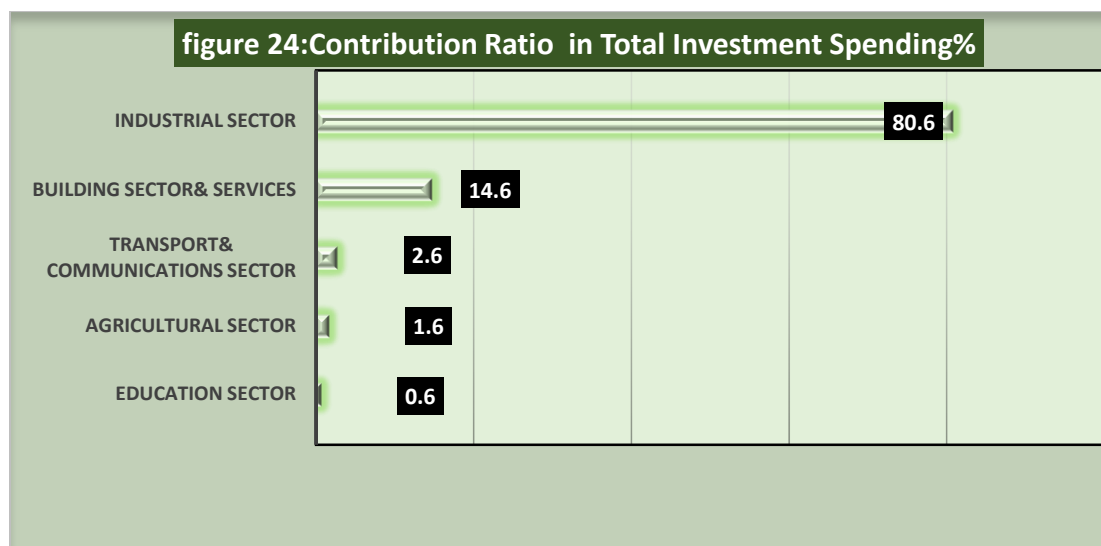
Investment spending recorded a negative growth in 2018 by a rate of (-16.1%) to reach IQD (13.8) trillion compared to IQD (16.5) trillion in 2017 as in annex (Table.15), by a rate of (5.5 %) of GDP in current prices. The industrial sector accounted for the highest ratio of total Investment spending, it is recorded a rate of (80.6%), followed by building sector& services sector by a rate of (14.6%0), while the remained sectors ranged between (2.6% max & 0.6% min), as shown in (Table.13).

(Table.13)

Growth Rates of Spending Items (Investment Spending) and their Contribution Ratio to Total Investment Spending of 2018

Spending Items	Growth Rates%	Share Rate in Total Investment Spending %
Industrial Sector	-21.6	80.6
Building Sector& Services	6.3	14.6
Transport& Communications Sector	58.0	2.6
Agricultural Sector	452.9	1.6
Education Sector	-14.9	0.6
Total	-16.1	100

Source: MOF/Accounting dept.





Chapter Five
Developments of External Sector and Iraqi Balance of
Payments

External Sector

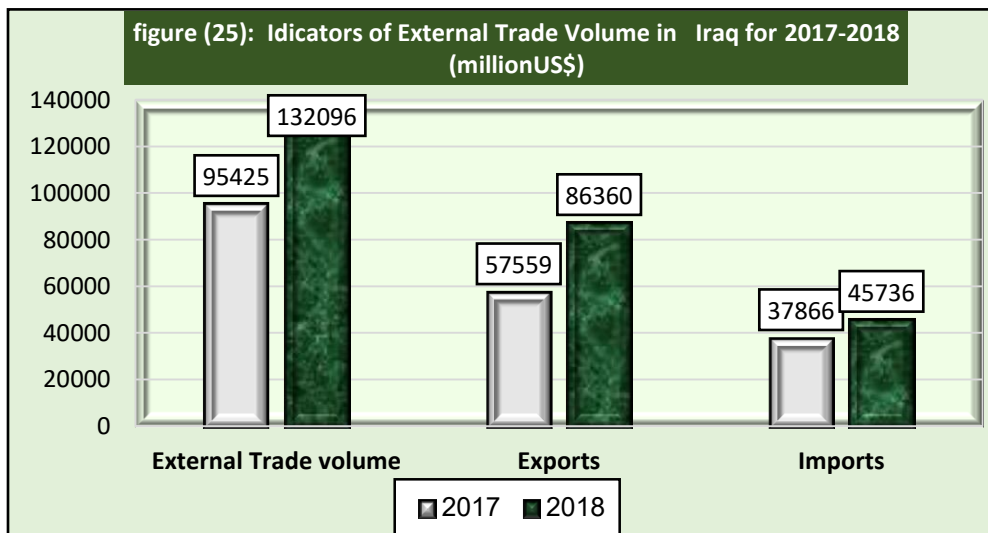
First: External Trade

External Trade volume recorded an increase by a rate of (38.4%) to reach US\$ (132) billion compared to US\$ (95.4) billion, this is attributed to the increase in Exports& Imports value. Exports increased by a rate of (50.0%) to record US\$ (86.4) billion compared to US\$ (57.6) billion. This is due to the increase in crude oil exports & oil products to US\$ (86.3) billion compared to US\$ (57.5) billion for the previous year, because of the oil barrel price increase in the global markets to US\$ (65.6) per barrel, compared to US\$ (49.3) in 2017. Also, imports increased by a rate of (20.8%) based on CIF, of the previous year to record US\$ (45.7) billion compared to US\$ (37.9) billion in 2017, as shown in (Table.14).

Table.14
Indicators of External Trade Volume in 2017-2018
 (Million US\$)

	2017	2018
External Trade Volume	95425	132096
Exports	57559	86360
Imports*	37866	45736

*imports calculated based on CIF
 Adjustable preliminary Data



1-The Important External Trade Partners with Iraq

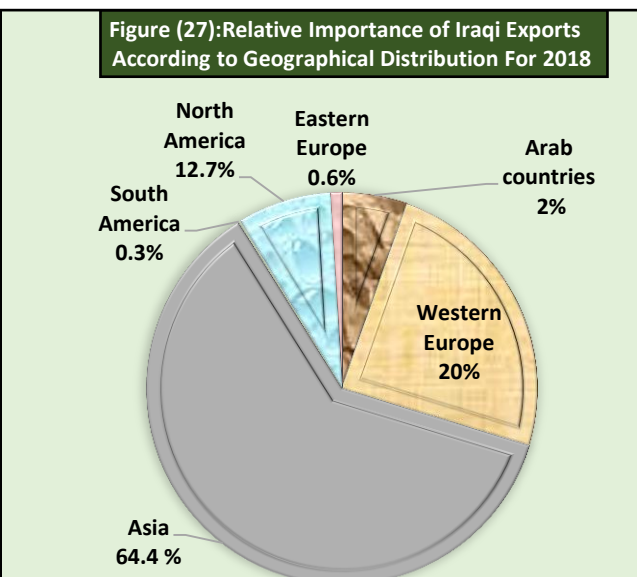
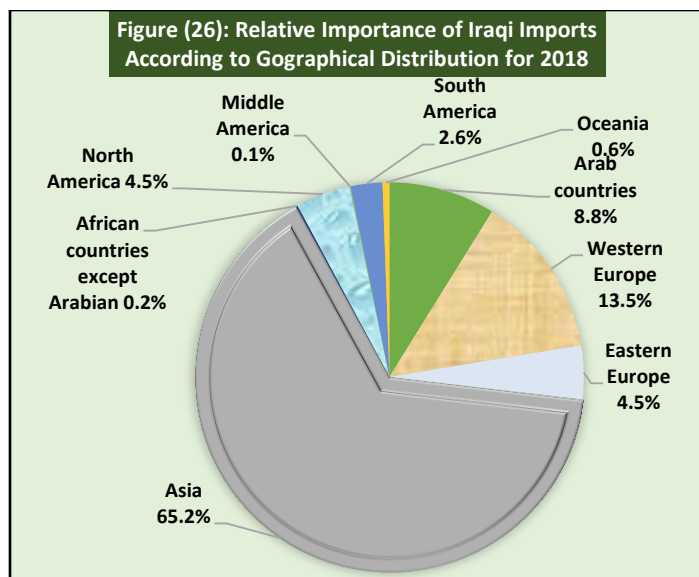
Asian countries ranked first in the trade partnership with Iraq, where exports& imports from Iraq reached a rate of (64.4%) & (65.2%) of total exports& imports respectively, followed by western Europe countries in trade partnership where the proportion of Iraq's contributions of total exports to that region reached (20%), the proportion of imports contributions ratio to total imports reached (13.5%). Also, the proportion of exports contributions to North America& Arab countries reached (12.7%, 2%) respectively and the proportion of imports contributions ratio to total imports reached (4.5%,8.8%) respectively. the proportion of Iraq's imports& exports to the rest of the world reached (0.9% & 8%) of total imports& exports, as shown in (Table.15).

Table.15
Development of Trade Volume with Major Trade Partners through
2017- 2018

(Million US\$)

Country	2017		2018		Contribution Ratio to Total Exports for 2018 %	Contribution Ratio to Total Imports for 2018 %
	Exports	Imports*	Exports	Imports*		
Arab Countries	1529	2611	1767	4046	2.0	8.8
Western Europe	12470	4977	17232	6199	20.0	13.5
Eastern Europe	402	2251	520	2039	0.6	4.5
Asia	33928	25123	55573	29800	64.4	65.2
African Countries Except Arabian	3	16	4	69	0.0	0.2
North America	9113	1446	10934	2074	12.7	4.5
Middle America	0.0	54	0.0	44	0.0	0.1
South America	114	1300	330	1206	0.3	2.6
Oceania Countries	0.0	88	0.0	259	0.0	0.6
Total	57559	37866	86360	45736	100.0	100.0

Adjustable Preliminary Data
Imports Value based on CIF



2- Commodity Composition of Iraqi Exports

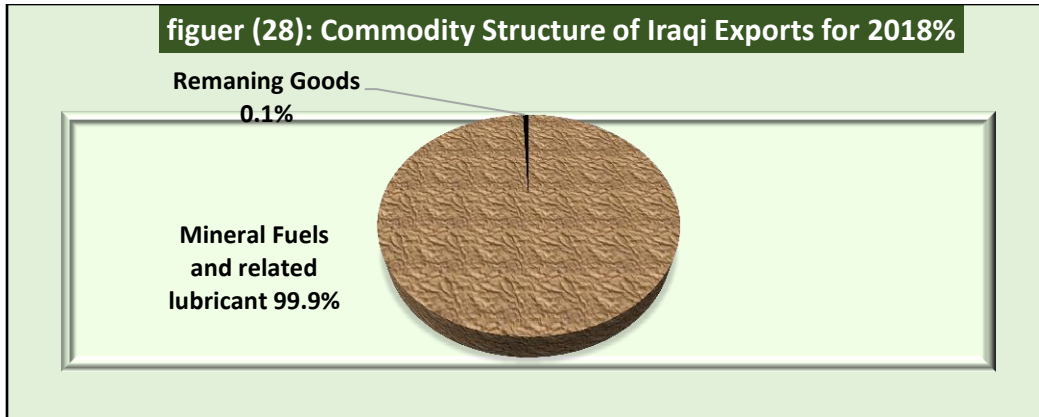
Mineral fuel item including (oil & petroleum products) recorded a highest proportion of contribution ratio to total exports to reach (99.9%), while the remaining items (foods, live animals, non-food raw materials except fuel, manufactured commodities and machines & transport equipment) recorded (0.1%) of total exports in 2018, as shown in (Table.16)

**Table (16)
Commodity Structure of Iraqi Exports for 2017- 2018**

(Million US\$)

Commodity	2017	Relative Importance %	2018	Relative Importance %
Foods & live Animals	28	0.04	6	0.0
Beverages & Tobacco	0	0.0	0	0.0
Non-food raw Materials Except Fuel	13	0.02	16	0.02
Mineral Fuels and Related lubricant*	57489	99.9	86259	99.9
Fuels & Animal and Vegetable Fats	0	0.0	0	0.0
Chemicals	0	0.0	0	0.0
Manufactured Commodities	1	0.0	74	0.08
Machines & Transport Equipment	28	0.04	5	0.0
Miscellaneous Crafts	0	0.0	0	0.0
Not Classified Commodities	0	0.0	0	0.0
Total	57559	100.0	86360	100.0

*Including oil products & crude oil exports
Adjustable preliminary Data



3- Commodity Composition of Iraqi Imports

Machines & transport equipment ranked first in the scale of priority order of contribution ratios in total imports to reach (38.5%), followed by (miscellaneous crafts) and (manufactured commodities) items by a rate of (15.8%& 11.4%) respectively. Mineral fuels & related lubricant, chemicals Fuels& animal and vegetable fats and Foods & live animals items recorded (9.8%, 6.7%, 6.4% ,and 5.4%) respectively. The remaining items (unclassified commodities, and raw materials except fuel and beverages &tobacco) recorded (2.9%, 1.8%, and 1.3%) of total imports respectively, as shown in (Table.17).

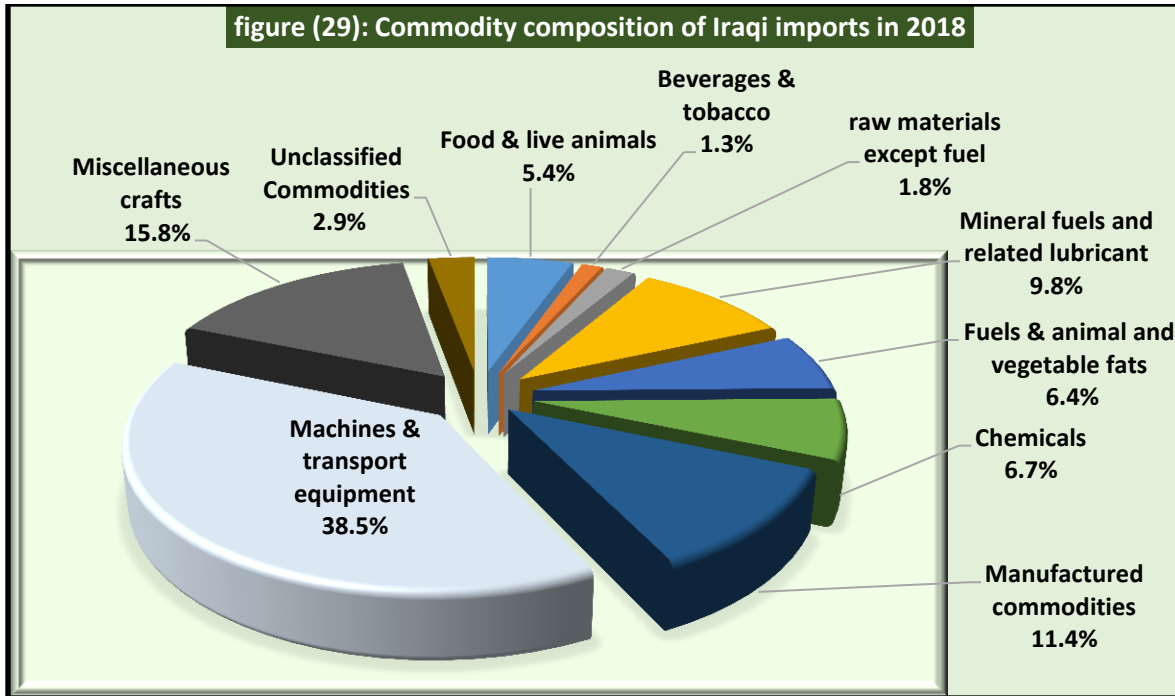
(Table.17)

Commodity structure of Iraqi imports for 2017- 2018

(Million US\$)

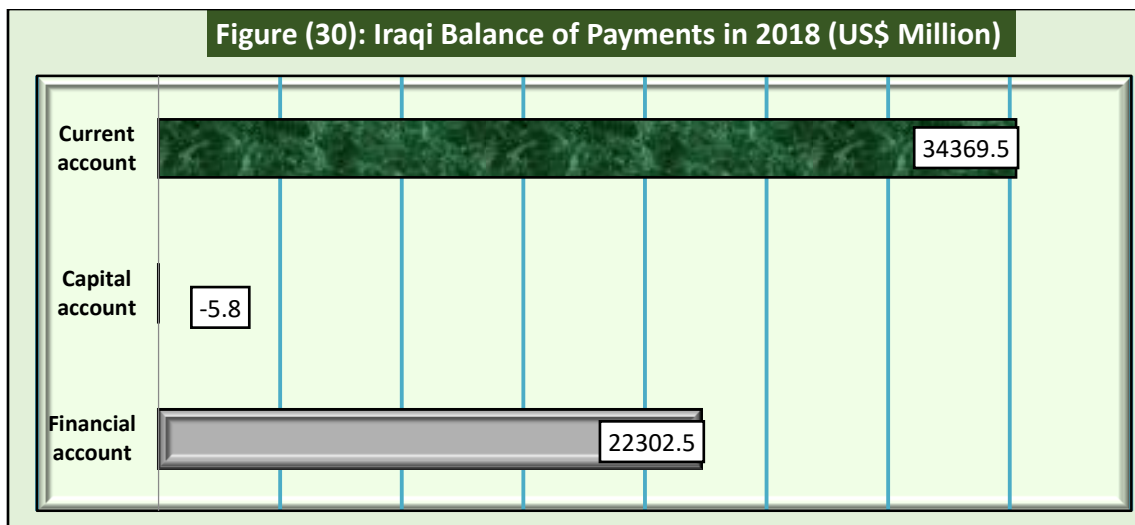
Commodity	2017	Relative Importance %	2018	Relative Importance %
Foods& Live Animals	2045	5.4	2470	5.4
Beverages &Tobacco	492	1.3	595	1.3
Non- food Raw Materials Except Fuel	682	1.8	823	1.8
Mineral Fuels and Related Lubricant*	3711	9.8	4482	9.8
Fuels& Animal and Vegetable Fats	2423	6.4	2927	6.4
Chemicals	2537	6.7	3064	6.7
Manufactured Commodities	4317	11.4	5214	11.4
Machines& Transport Equipment	14578	38.5	17609	38.5
Miscellaneous Crafts	5983	15.8	7226	15.8
Unclassified Commodities	1098	2.9	1326	2.9
total	37866	100.0	45736	100.0

Imports Value based on CIF
Adjustable preliminary Data



Second: Balance of Payment

The results of the Iraqi balance of payments in 2018 showed a surplus of US\$ (6595.8) million, this is reflected in the increase realized in the change in reserved assets during this period. Several factors contributed in this surplus, which are reflected in the review of the Iraqi balance of payments components as follows:



First- Current Account

Current account in the balance of payments reflects the state and private sector behavior through the budget and available data. Through data available, net current account recorded a surplus of US\$ (34369.5) million in 2018, details of the components of this account are given below: -

1- Trade Balance

The trade balance realized a surplus of US\$ (47484.2) Million in 2018, overall exports recorded an amount of US\$ (86359.9) million including crude oil value in kind paid to foreign oil companies of US\$ (10945.6) million, while the overall imports recorded an amount of US\$ (38875.7) million.

2- Net Service Account

Net service account showed a deficit reached to US\$ (12429.5) million in 2018, the deficit in this account was the result of the increased of payments of US\$ (18000.3) million mostly related to freight and import insurance costs to be transferred from CIF to FOB.

while the receipts side reached an amount of US\$ (5570.8) million, most of which are included in the travel item, this item includes arrivals which have come to Iraq of Arab& foreigners for tourism purposes and holy shrines visits.

3- Primary Income Account

Primary income account realized a deficit reached to US\$ (1754.0) million in 2018, below is the details of this account:

- a) Workers Compensation: represents the amounts transferred by workers who work outside their countries less than a year, and this account realized a surplus reached US\$ (33.3) million in 2018.
- b) Investment Income: net investment income account realized a deficit reached to US\$ (1787.3) million because of the increased of payments most of which are related to profits of foreign companies operating in Iraq transferred abroad in Addition to ministry of finance payments abroad for the benefits of external public debt.

4- Secondary Income Account

Secondary income account realized a surplus reached to US\$(1068.8) million in 2018 because of increased receipts on official transfers of US\$ (1286.6) million of grants to Iraq from international organizations as humanitarian aid to the

displaced from hot spot, while the payments side of this account realized US\$ (394.3) million. Net private transfers realized a surplus valued US\$ (176.5) million of family financial support from non-resident to relatives and, remittances of workers working outside their home country for more than one year, in addition to grants offered to Iraq from humanitarian organizations except international for displaced people from hot spot.

Second- Capital Account

Capital account realized a deficit reached to US\$ (5.8) million in 2018, this account represents capital transfers resulting from disposal of fixed assets in addition to capital grants to Iraq by international organizations.

Third- Financial Account

Financial account realized an amount of US\$ (22302.5) million in 2018, this account showed a plus sign because of changes in external financial assets and liabilities, the components of this account is stated below:

1- Net Direct Investment:

Net direct investment realized an amount of US\$ (5073.5) million in 2018 because of the increase in external financial assets of US\$ (188.4) million with the decrease in financial liabilities US\$ (4885.1) million for payment of capital costs for oil fields submitted by service contract contractors of foreign companies operating in Iraq.

2- Net Portfolio Investment:

Net portfolio investment realized a decrease of US\$ (21.8) million in 2018, because of the decrease in investments of portfolio of Ministry of Defense securities of US\$(14.1) million, while the other sectors realized an increase in all financial assets and liabilities as a result of investment in portfolios at a value of US\$ (1.5, 9. 2) million respectively.

3- Net Other Investment

Net other investment realized an amount of US\$ (10655.0) million in 2018, because of the increase in financial assets in official sector and depository companies at a value of US\$ (8661.0, 3774.0) million. In addition, the liabilities side of this account realized an increase in the financial liabilities in the official sector of US\$ (1011.0) million because of the increased withdrawals from external

loans granted for Iraq which was US\$ (2037.3) million. While paid installments of those loans amounted US\$ (1070.8) million and the increased government commitment towards service contract contractors of foreign companies operating in Iraq reached US\$ (44.5) million. Financial liabilities for other depository companies realized an increase of US\$ (326.0) million while, net deposits abroad for non-banking sector realized a decrease amounted to US\$ (443.0) million.

4- Reserve Assets (official reserves)

Reserve assets realized a surplus amounted US\$(6595.8) million in 2018, because of the increase in foreign assets of currency, deposits in foreign banks, and investment in securities portfolio of CBI abroad.

5- Net Error & Omission Item

Net error & omission item realized an amount of US\$ (12061.2) million on 2018. This item showed a negative sign so; this means that there are debit transactions not registered in the balance of payment or, there are transactions related to government imports or private sector imports not fully captured because, non-available from source.



Chapter Six

Developments of the Iraqi Payment System

Developments of the Iraqi Payment System

Iraqi Payment System is considered a system for control and supervision on implemented financial operations through systems in addition to supervising bank participants in the systems, electronic payment providers of services, and set plans to implement projects.

The significant progresses in Payment System in 2018 refers to:

1. Finishing the assessment of Iraqi Electronic Payment System compliance for international principles and analyzing Iraqi Payment Systems according to international standards (PFMIs).
2. Actual launch of retail payment system (IRPSI) for (Babylon, South, AL-Rasheed, Mosel, Byblos, Noor Al- Iraq, Jihan, Mediterranean Sea, investment and Abu Dhabi) banks after finishing administrative, technical and regulatory procedures and completion of connection process with the national switch.
3. Iraqi Payment System Board started working on 17/5/2017, which considered an advisory circle to support the Central Bank of Iraq to specify and explain its goals and strategic orientation, set strategies to develop payment & settlement systems and follow their implementation.
4. Activate the day lending mechanism (ILF) in order to provide liquidity to be used in case the bank cannot meet its commitments or cover its ceased operations.
5. Activate the output of Islamic depository certificate in (CSD) system in order to diversify investments for Islamic banks, as the first depository certificate was issued on 16/1/2018; conducted according to a contract between CBI & Islamic banks from one side and with bourses on the other side against making implicit profits according to Murabaha contract.
6. Many of electronic payment companies acquired license in order to participate in retail payment system and act as a collector, an issuer, and a processor of pre-paid cards in addition to process settlements in coordination with the related departments like (national gate, funds/ as an issuer, collector and a processor) & (international network, as an issuer, and a processor)
7. (70) Banks had participated in (RTGS) in addition to MOF, national pension board and minors' care service. Three banks in addition to MOF participated in (C- ACH) and (73) branches in updated system so that total number of banks' branches participating is (689), in addition to (5) banks and (45)

branches participating in the internal settlements between the branches of one bank (IBCS). So that total participating branches is (341, 10) banks, and (4) companies in the Iraqi retail payment system (IRPSI) by local cards. Therefore, total participating banks is (21) and (6) companies. Table (18) illustrates number of transfers and transferred amounts in IQD & US\$.

Table (18)
Transferred Amounts in IQD & US\$ by Participants
In the Iraqi Payment Systems

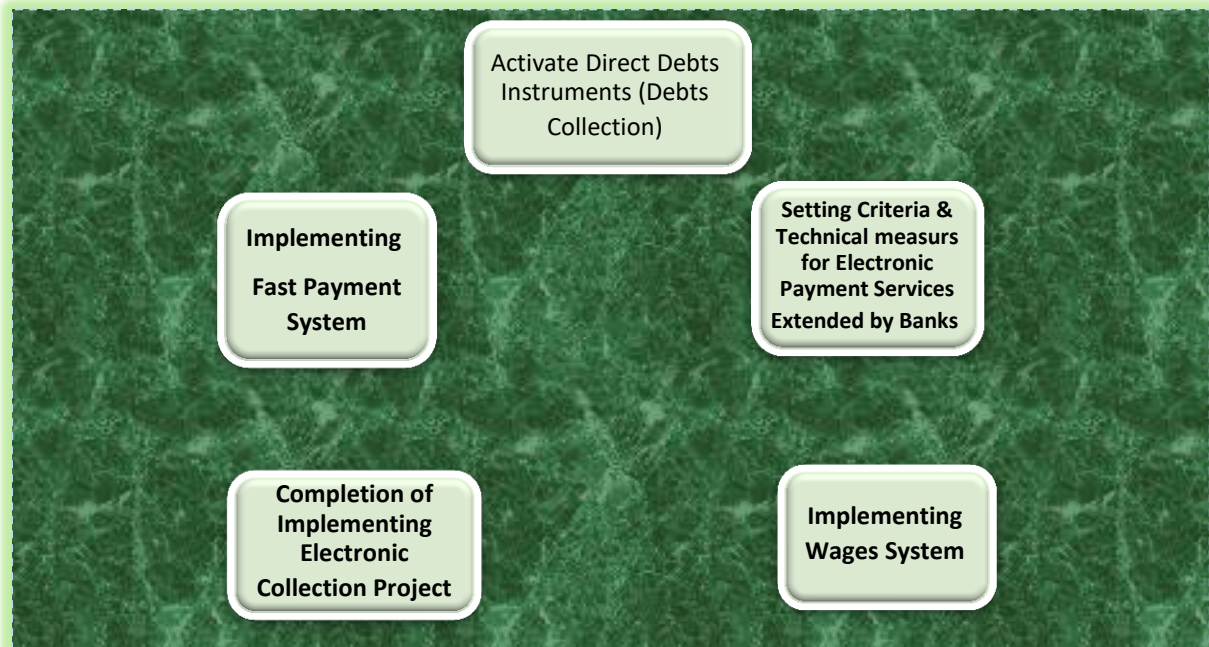
	Name of System	Number of Transfers in IQD	Number of Transfers in US\$	Amount in IQD trillion IQD	Amount in US\$ Million US\$
	RTGS System	59,897	19,158	173.8	4.7
	C-CAH System				
A	Credit Payment Orders (CT)	507,057	5,234	3.4	44.5
B	Electronic Checks (CH)	608,503	2,039	31.4	549.6
	IBCS System				
A	Credit Payment Orders (CT)	218,735	582	3.1	66.5
B	Electronic Checks (CH)	673,004	83	27.1	21.3
	IRPSI System				
	Financial Transfers by Domestic Cards	101,775	3,327	4.5	0.7

As for the plans to develop electronic payment, system in Iraq illustrated in figure (31) there are five projects under way currently:

- 1- Activate direct debt instruments (Debt Collection).
- 2- Setting criteria & technical measures for electronic payment services extended by banks.

- 3- Implementing fast payment system.
- 4- Implementing wages system.
- 5- Completion of implementing electronic collection project.

Figure (31)
Plans to Develop Electronic Payment Systems in Iraq for 2018



Financial Inclusion

Financial inclusion is considered one of the main goals included in the strategic plan for the CBI (2016 -2020); the CBI worked on achieving this goal through a number of important steps taken in this regard; the distinguished steps are:

- Adopting two strategies: a short-term strategy (2018-2020) prepared by CBI and a long-term strategy undergoing with Arab Monetary Fund & a number of related parties in order to raise financial inclusion ratio in Iraq.
- Receiving a mission from Arab Monetary Fund included representatives from (World Bank, Alliance for Financial Inclusion (AFI), and (GIZ) to get acquainted with current financial inclusion reality in Iraq.
- Within salary localization project for government employees, government employees` salaries had been localized for 2018 by (124) spending units. Therefore, total-spending units that had been localized is (130) spending units since the beginning of the project.



Statistical Annexes

Annex Table (1)

Gross Domestic Product by Economic Activities at Constant Prices 2017-2018 Base Year 2007 = 100

(IQD Billion)

Economic Activities	Value Added at Constant Prices for 2017	Value Added at Constant Prices for 2018	Relative Importance %	Change Rate %
Agriculture, forestry, hunting and fishing	3863.2	2854.9	1.4	-26.1
Mining and Quarries:	129839.6	128081.5	63.8	-1.4
Crude Oil	129589.1	127885.4	63.7	-1.3
- Other Types of Mining	250.5	196.1	0.1	-21.7
Manufacturing	2353.9	1792.0	0.9	-23.9
Electricity and Water	1938.6	2116.9	1.0	9.2
Building and Construction	5806.5	4386.4	2.2	-24.5
Transport, Communication and Storage	16121.6	17787.1	8.9	10.3
Wholesale and Retail Trade, Hotels and the Like	13448.3	14244.8	7.1	5.9
Finance, Insurance, Real Estate and Business Services: -	10134.5	10445	5.2	3.1
Banks and Insurance	2157.4	2460.1	1.2	14.0
- Ownership of Houses	7977.1	7984.9	4.0	0.1
Social and Personal Development Services	19102	19187	9.5	0.4
General Government	14881.4	14880.8	7.4	0.0
Personal Services	4220.6	4306.2	2.1	2.0
TOTAL BY ACTIVITY	202608.2	200895.6	100	-0.8
Less: Service Charge Calculated	1548.8	1766.3	—	—
Gross Domestic Product	201059.4	199129.3	—	-1.0

Source: Ministry of Planning / Central Statistical Organization

Annex Table (2)

GDP by Economic Activities at Current Prices for 2017 – 2018

(IQD Billion)

Economic Activities	Value Added at Constant Prices for 2017	Value Added at Constant Prices for 2018	Relative Importance %	Change Rate%
Agriculture, Forestry, Hunting and Fishing	6598.4	4897.6	1.9	-25.8
Mining and Quarries:	89065	118198.3	46.4	32.7
Crude oil	88664.8	117856.3	46.3	32.9
- Other Types of Mining	400.2	341.9	0.1	-14.6
Manufacturing	5889.5	4509.7	1.8	-23.4
Electricity and Water	6486.4	7358.9	2.9	13.5
Building and Construction	12980.3	10685	4.2	-17.7
Transport, Communication and Storage	23924.5	26687.9	10.5	11.6
Wholesale and Retail trade, Hotels and the Like	18397.3	19519.4	7.7	6.1
Finance, Insurance, Real estate and Business Services: -	19190.6	19284.8	7.6	0.5
Banks and Insurance	4137.9	4599.2	1.8	11.1
- Ownership of Houses	15052.7	14685.6	5.8	-2.4
Social and Personal Development Services	46160.9	43225.1	17.0	-6.4
General Government	39164.5	36019.7	14.2	-8.0
Personal Services	6996.4	7205.5	2.8	3.0
TOTAL BY ACTIVITY	228693	254366.7	100	11.2
Less: Service Charge Calculated	2970.6	3302.2	—	—
Gross Domestic Product	225722.4	251064.5	—	11.2

Source: Ministry of Planning / Central Statistical Organization

Annex Table (3)

Money Supply (M₁, M₂) and its Components for Months of (2017-2018)
(IQD Billion)

Period	Currency Outside Banks	Current Deposits	M1	Other Deposits	M2
January/2017	40,803.9	34,671.1	75,475.0	14,979.1	90,454.1
February	40,474.0	34,853.8	75,327.8	15,031.3	90,359.1
March	40,175.4	35,179.3	75,354.7	14,825.4	90,180.1
April	39,725.1	34,243.8	73,968.9	14,886.4	88,855.3
May	39,975.6	34,616.7	74,592.3	14,958.3	89,550.6
June	41,343.6	33,533.0	74,876.6	15,168.6	90,045.2
July	41,235.9	34,565.1	75,801.0	15,404.2	91,205.2
August	41,043.0	34,251.0	75,294.0	15,518.0	90,812.0
September	40,701.7	33,723.4	74,425.1	15,445.6	89,870.7
October	40,671.2	33,733.2	74,404.4	15,500.5	89,904.9
November	39,937.8	35,660.9	75,598.7	15,531.2	91,129.9
December	40,343.3	36,643.3	76,986.6	15,870.5	92,857.1
January/2018	39,370.5	36,306.2	75,676.7	15,948.5	91,625.2
February	38,887.2	35,826.9	74,714.1	16,117.1	90,831.2
March	38,213.2	35,156.0	73,369.2	16,148.1	89,517.3
April	38,054.2	35,619.4	73,673.6	16,129.2	89,802.8
May	38,852.5	33,842.3	72,694.8	16,253.2	88,948.0
June	39,564.2	35,009.4	74,573.6	16,399.7	90,973.3
July	39,608.8	34,783.9	74,392.7	16,535.2	90,927.9
August	39,496.0	35,387.4	74,883.4	16,604.1	91,487.5
September	39,800.2	36,718.7	76,518.9	16,651.2	93,170.1
October	40,512.8	35,564.9	76,077.7	16,779.2	92,856.9
November	39,877.9	36,744.2	76,622.1	17,080.1	93,702.2
December	40,498.1	37,330.9	77,829.0	17,561.7	95,390.7

Annex Table (4)

Monthly Average of Exchange Rate of Iraqi Dinar per USD in Domestic Market for the Months of (2017-2018)

(ID/US\$)

Period	2017	2018
January	1292	1246
February	1272	1229
March	1254	1217
April	1251	1202
May	1250	1200
June	1248	1200
July	1258	1201
August	1254	1206
September	1255	1206
October	1259	1205
November	1252	1200
December	1251	1195
Average	1258	1209

Annex Table (5)

Sold Quantities of Dollars in the CBI for 2017 – 2018

(Million US \$)

Period	2017				2018		
	Cash	Transfer/Enhancing Bank Account	L/Cs	Total	Cash	Transfer/Enhancing Bank Account	Total
January	729	1557	1307	3593	788	3078	3866
February	700	2491	167	3358	690	3104	3794
March	861	3047		3908	709	3657	4366
April	881	2740		3621	785	3141	3926
May	977	2706		3683	853	3122	3975
June	629	2106		2735	845	1990	2835
July	795	2843		3638	945	3243	4188
August	931	3494		4425	750	3079	3829
September	582	2198		2780	709	3450	4159
October	789	2743		3532	692	3409	4101
November	739	2722		3461	530	3430	3960
December	739	2728		3467	492	3642	4134
Total	9352	31375	1474	42201	8788	38345	47133

Annex Table (6)

Sale & Purchases of Dollars for 2017-2018

(Million US \$)

period	2017		2018	
	Sales	Purchases from Ministry of Finance	Sales	Purchases from Ministry of Finance
January	3,593	2,620	3,866	2,750
February	3,358	2,840	3,794	4,250
March	3,908	3,800	4,366	4,500
April	3,621	2,650	3,926	2,500
May	3,683	3,750	3,975	5,500
June	2,735	3,300	2,835	5,150
July	3,638	3,125	4,188	4,500
August	4,425	4,000	3,829	6,250
September	2,780	2,570	4,159	2,829
October	3,532	3,000	4,100	5,500
November	3,461	4,500	3,961	3,500
December	3,467	4,200	4,134	5,000
Total	42,201	40,355	47,133	52,229

Annex Table (7)

Standing Deposit Balances in IQD for Period (7, 14, 30) Days for 2017 -2018 (IQD Billion)

Period	2017			2018		
	Days(7)	(14) Days	(30) Days	Days(7)	(14) Days	(30) Days
January	328	984	1263	77	94	1051
February	416	576	1709	67	143	924
March	385	623	1461	75	103	1143
April	311	513	1713	108	85	1296
May	248	400	1998	69	81	1301
June	213	383	2039	47	75	1419
July	257	279	2272	198	57	1437
August	216	150	2451	601	22	717
September	221	144	2405	202		1500
October	227	112	2426	171		1621
November	170	161	1672	66		388
December	101	112	845	60		389

Annex Table (8)

Reserve Requirement for (2017-2018)

(IQD Billion)

period	2017		2018	
	Government Deposits	Private Sector Deposits	Government Deposits	Private Sector Deposits
January	5721	2850	4904	1764
February	5663	2893	4942	1740
March	4517	1663	4939	1728
April	4478	1707	5000	1748
May	4536	1691	5937	3474
June	4576	1719	5779	3152
July	4560	1656	5760	3298
August	4477	1700	6089	3125
September	4425	1668	6356	3133
October	4611	1709	6778	3484
November	4597	1708	6917	3467
December	4590	1916	6898	3511

Annex Table (9)

CBI Remittances on Maturities of (91, 182, 365) days for 2017-2018

(IQD Million)

Period	2017						2018								
	Amount Sold (91) days	Amount Paid	Interest Rate Average %	Amount Sold (182) days	Amount Paid	Interest Rate Average %	Amount Sold (91) days	Amount Paid	Interest Rate Average %	Amount Sold (182) days	Amount Paid	Interest rate average %	amount sold (365) days	Amount paid	Interest rate average %
January				60,000		2.5		40,000			85,000				
February	30,000		1.5					65,000			10,000				
March					50,000			40,000			100,000				
April				40,000	15,000	2.5					200,020				
May		30,000									105,000				
June				30,000		2.5					105,000				
July				85,000	60,000	2.5									
August	10,000		1.5	10,000		2.5									
September	10,000		1.5	100,000		2.5				60,000		2.5			
October	40,000		1.5	200,020	40,000	2.5							55,000		2.9
November	65,000	10,000	1.5	105,000		2.5				80,000		2.5			
December	40,000	10,000	1.5	105,000	30,000	2.5							70,000		2.9
Total	195,000	50,000	1.5	735,020	195,000	2.5		145,000		140,000	605,020	2.5	125,000		2.9

Annex Table (10)

Stock of Deposits with Commercial Banks by Type and Sector for 2017-2018

(IQD Million)

Items	2017	2018
The Central Government	14,804,965	22,272,569
Current	11,207,369	18,145,359
Savings	0	0
Fixed	3,597,596	4,127,210
Public Institutions	26,150,312	27,256,973
Current	22,128,901	23,029,308
Savings	8,541	7,952
Fixed	4,012,870	4,219,713
Private Sector	26,093,354	27,364,385
Current	14,502,740	14,290,070
Savings	10,570,546	11,762,599
Fixed	1,020,068	1,311,716
Total	67,048,631	76,893,927

Annex Table (11)

**Direct Cash Credit Stock Granted by Commercial Banks by Type and Sector
for 2017-2018**

(IQD Million)

Items	2017	2018
The Central Government	11,279,281	15,595,379
Overdrawn Accounts Balance	1,247	1,006
Discounted Commercial Papers	162	2,083
Loans and Advances	11,277,483	15,591,895
Overdue Debts	389	395
Public Institutions	7,221,255	2,675,495
Overdrawn Accounts balance	166,454	151,333
Discounted Commercial Papers	0	0
Loans and Advances	7,047,956	2,500,409
Overdue Debts	6,845	23,753
Private Sector	19,452,293	20,216,073
Overdrawn Accounts Balance	2,182,102	2,041,472
Discounted Commercial Papers	295,243	281,829
Loans and Advances	12,641,614	13,036,292
Overdue Debts	4,333,334	4,856,480
Total	37,952,829	38,486,947

Annex Table (12)

Sectoral Distribution of Cash and Pledges Granted by Commercial Banks for the Years 2017-2018

(IQD Million)

Activities	Cash Credit		Pledged	
	2017	2018	2017	2018
Agriculture and Fishing	1,744,181	1,964,092	122,589	84,767
Mining	6	89,462	1,920	1,322
Manufacturing	1,734,325	1,787,083	193,819	106,113
Water, Electricity & Gas	2,295,415	1,999,932	247,447	369,426
Trade, Restaurants & Hotels	6,099,279	5,970,463	20,422,314	18,880,204
Transport, communications & Storage	2,642,232	1,919,944	175,718	79,871
Finance & Insurance	1,049,714	1,153,776	354,937	605,484
Community Services	14,495,900	13,813,654	2,926,970	2,309,910
External World	1,882	36,743	2,022,887	2,013,891
Building & Construction	7,889,896	9,751,797	1,182,776	885,645
Total	37,952,829	38,486,947	27,651,378	25,336,633

Annex Table (13)

Components of the State Budget Revenues for 2017 and 2018 (Actual)

(IQD Billion)

Revenue Types	2017	2018	Growth Rate %	Contribution Ratio%
Oil Revenues and Mineral Wealth	65071.9	95619.8	46.9	89.7
Taxes on Incomes and Wealth	4533.8	3425.1	-24.5	3.2
Commodity Taxes and Production Fees	1764.5	2261.1	28.1	2.1
Other Revenues	2217.2	1667.0	-24.8	1.6
Transfer Revenues	2202.5	1587.2	-27.9	1.5
Fees	788.2	1131.1	43.5	1.0
Budget's Share of Public Sector Profits	700.9	804.5	14.8	0.8
Capital Revenue	56.9	74	30.0	0.1
Total Revenue	77335.9	106569.8	37.8	100.0

Source: Ministry of Finance / Accounting Department

Annex Table (14)

Current Expenditure of the State Budget for 2017 - 2018 (Actual)

(IQD Billion)

Spending Items	2017	2018	Growth Rate %	Contribution Ratio%
Compensation of Employees	32866.5	35835.5	9.0	53.4
Social Welfare	14822.6	15166.8	2.3	22.6
Grants, Subsidies and Debt Service	6857.6	11231	63.8	16.7
Commodity Requirements	2922.5	3471.4	18.8	5.2
Service Requirements	753.7	449.2	-40.4	0.7
Asset Maintenance	358.5	406.2	13.3	0.6
Special Programs	236.8	303.2	28.0	0.5
Commitments and Contributions	95.3	70	-26.6	0.1
Capital Spending	112.2	119.6	6.7	0.2
Total	59025.7	67052.9	13.6	100.0

Source: Ministry of Finance / Accounting Department

Annex Table (15)

Investment Spending of the State Budget for 2017 -2018

(IQD Billion)

Spending Items	Amounts		Growth Rate%	Contribution Ratio%
	2017	2018		
Industrial Sector	14204	11134	-21.6	80.6
Building Sector & Services	1901.8	2021.6	6.3	14.6
Transport & Communications Sector	227.8	360.1	58.1	2.6
Agricultural Sector	90.1	76.7	-14.9	0.6
Education Sector	41.2	227.8	452.9	1.6
Total	16465	13820	-16.1	100

Source: Ministry of Finance / Accounting Department

Annex Table (16) I
Iraqi Balance of Payments (BPM6) 2018

(US\$ Million)

Items	Amount
First - Current Account	34,369.5
1- Trade Balance	47,484.2
Exports	86,359.9
– Crude Oil	85,798.7
-*Governmental	85,798.7
- Private	0.0
– Oil Products	436.0
- Governmental	341.6
- Private	94.4
– Other Exports	125.2
Imports	38,875.7
1.Government Imports	6,274.8
A- Consumption Imports	2,609.6
B- Capital Imports	1,220.0
C- Refined Oil Products	2,366.1
D- Other Gov. Imports	39.4
E- Cost of Currency Printing	39.7
2- Private Sector Imports	32,600.9
A. Cons. Goods Imports	8,150.3
B. Capital Goods Imports	24,450.6
C. Oil Products Imports Private Sector	0.0
2- Services Account, Net	-12,429.5
Receipts	5,570.8
Payments**	18,000.3
3-Primary Income Account	-1,754.0
Compensation of Employee	33.3
Investment Income	-1,787.3
– Receipts	1,109.7
– Payments	2,897.0
- Interest/External Debt	877.9
- Others	2,019.1
4-Secondary Income Account	1,068.8
Special Transfers Included Remittances	176.5
Official	892.3
– Receipts	1,286.6
Total of Grants	1,198.7
Other Current Transfers	87.9
– Payments	394.3
Total of Grants	9.7
Other Current Transfers	384.6
UN Compensation Fund	364.7
Others	19.9

* Including the value of oil in kind

** Includes The costs of shipments and insurance deducted from imports (CIF) value US\$ (6860.43) million.

Note: Preliminary data

Annex Table (16) II Iraqi Balance of Payments (BPM6) 2018

(US\$ Million)

Items	(FOB)
Second- Capital Account/ Net	-5.8
Credit	0.7
Debit	6.5
Third- Financial Account/Net	22,302.5
1- Direct Investment /Net	5,073.5
Abroad	188.4
In Iraq	-4,885.1
2- Portfolio Investment /Net	-21.8
- Assets	-12.6
a-General Government	-14.1
Drawing	5,144.9
Paid	5,159.0
b-Other Sectors	1.5
Drawing	1.8
Paid	0.3
- Liabilities	9.2
a-General Government	0.0
Drawing	0.0
Paid	0.0
b-Other Sectors	9.2
Drawing	11.3
Paid	2.1
3- Other Investment , Net	10,655.0
a- Official , Net	7,650.0
- Assets	8,661.0
- Claims Held Abroad	0.0
- Change In Government Available Stock	8668.3
- Trade Credit	-54.4
- Other Equity	47.1
- Liabilities	1,011.0
- Obligation on Government	44.5
- Loan Disbursements	2,037.3
- Amortization	-1,070.8
- Trade Credit	0.0
b- Private, Net/ ODC's	3,448.0
- Assets	3,774.0
- Liabilities	326.0
c- Foreign Deposits, Net /Other Sectors	-443.0
4-Reserve Assets	6,595.8
- Central Bank	6,595.8
- Reserves	6,595.8
- Reserve Assets	6,595.8
a-Monetary Gold	246.3
b-Special Drawing Rights	-2.6
c-Reserve Position in the Fund	0.0
d-Foreign Assets	6,352.1
1- Currency and Deposits	-7,242.1
-With Monetary Authorities	-8,818.5
-With Banks	1576.4
2- Securities	13,594.2
-Equities	0.0
-Notes & Bonds	0.0
- Money Market Instrument/Financial / Derivatives, net	13,594.2
3-Other Claims	0.0
Fourth- Errors and omissions Net: Financial Account-(Current Account +Capital Account)	-12,061.2

