



البنك المركزي العراقي

Central Bank of Iraq Statistics & Research Department

Monetary Policy Report Central Bank of Iraq Annual Report 2019

<http://www.cbi.iq>

Central Bank of Iraq

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Monetary Policy Report

**Central Bank of Iraq
Annual Report 2019**

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Introduction

The Central Bank of Iraq operates through its monetary policy aimed at achieving monetary and financial stability towards encouraging real investment and strengthening development opportunities, especially reducing core inflation rates and bringing it under control, maintaining stability of the value of the local currency against the US dollar, improving the value of the Iraqi dinar, and making it an attractive currency and a way to preserve values and a tool Important in payments, through the foreign currency sale window, out of its relentless pursuit of expansion in achieving positive targeted results through the selection of approved measures that amount to maintaining monetary stability that contributes to sustainable growth and a pivotal component in the overall economy, building efficient institutional governance of the financial sector and operating payment systems compatible with best international practices. The Central Bank seeks to achieve the record in maintaining its strong performance, which gives it a unique advantage to achieve its ambitious plans in the coming years, and from now on the bank will continue to move towards developing its business while ensuring that it continues to manage risks effectively and adopt new opportunities to simplify and improve internal efficiency the bank.

The money supply in the narrow concept M1 at the end of 2019 recorded a growth of (11.5%) due to the increase in the currency outside the banks by (17.6%), while the money supply in the broad concept recorded a growth of (8.4%) from the previous year and the cash stability coefficient reached a percentage of (1.9%). The balance of foreign reserves recorded at the end of 2019, an increase of (5.1%) over the previous year to reach (80.0) trillion dinars, compared to (76.0) trillion dinars at the end of 2018.

The general inflation rate for this year recorded a rate of (-0.2%), and the rate of core inflation growth recorded after excluding the oil derivatives (oil and gas) and the two groups (fruits and vegetables) (-0.1 %) .

The Central Bank continued to adopt the policy-rate of (4%), and for the purpose of managing liquidity in the banking sector, financial products were created with the aim of diversifying the investment portfolio of banks represented by issuing short-term securities (in dinars and dollars) in February of 2019, including a window for investment in dollars for a period of (91) days, work continued in this window until the end of September of the same year, due to the weak response of banks in diversifying their investment portfolios in a manner that achieves the desired goals for the period mentioned, with continuing accrual operations for the principal amount with interest (profits) For those investments whose maturity date is not yet due.

The mandatory reserve ratios imposed on Islamic bank deposits were reduced on 7/2/2019, to be (5% instead of 10%) on absolute (unrestricted) savings (fixed) and (fixed) for dinars and dollars, while continuing to rely on mandatory reserve ratios on Current deposits and other deposits at a rate of (15%).

With the aim of seeking to accommodate more investment projects, the ceiling of loans granted to finance small and medium projects was raised to one billion dinars.

For the purpose of keeping pace with the development of Islamic banking work, it was decided to form the supreme Sharia Advisory Committee in the Central Bank of Iraq in accordance with the decision of the Board of Directors of the Central Bank of Iraq number (136) of 2019. The monetary policy has activated the role of the banking sector and financial institutions to ensure the stability of the financial system and ensure its efficiency to reach to a banking system free from crises and within the best international standards for banking supervision, as the corporate governance guide for Iraqi banks was approved by the International Finance Corporation (IFC). The Anti-Money Laundering and Terrorist Financing Council issued regulations No. 1 of 2019, the first amendment of the controls for declaring money when it is entering and taking out across the Iraqi border.

It is worth noting that this report was prepared in exceptional circumstances in which the country lives in light of the Corona crisis, and that the data are preliminary and subject to modification. The data are published on the statistical site of the Central Bank of Iraq.



FIRST CHAPTER

Money Supply Developments & Monetary Policy Tools

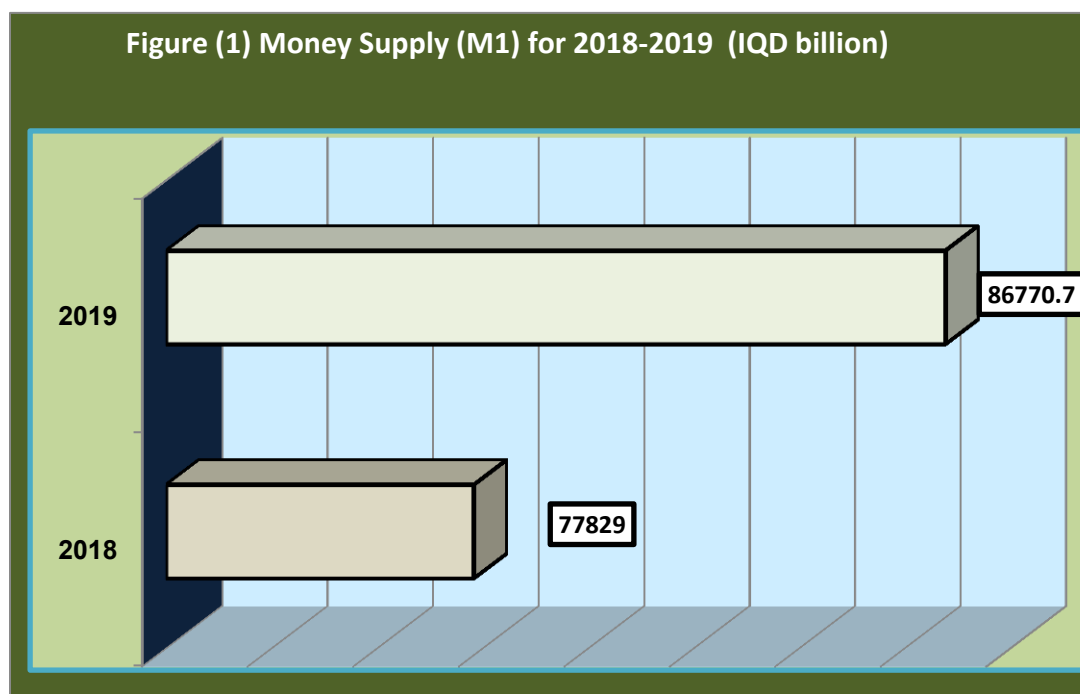
First: Money Supply Developments

A- Money Supply (M1)

Money supply (M1) recorded a rise of (11.5 %) at the end of 2019 compared to 2018, to reach IQD (86.8) trillion against IQD (77.8) trillion at the end of 2018, The rise was principally due to currency growth outside banks of (17.6%) to record IQD (47.6) trillion & account for (54.9%) of money supply (M1) because of the increase in grants given by the government to the unemployed as a result of protests. While current deposits recorded a rise of (4.8 %) to reach IQD (39.1) trillion against IQD (37.3) trillion for 2018, to account for (45.1%) of money supply (M1) as shown in table (1).

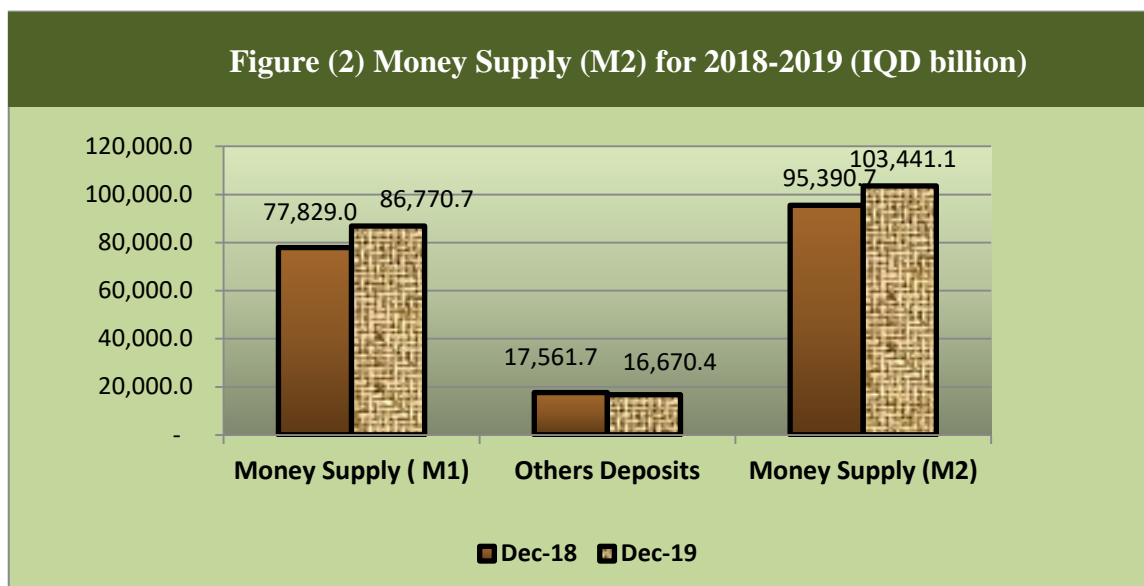
Table (1)
Money Supply (M1) for 2018-2019

Contents	Dec.2018	Dec.2019
Money Supply (M1)	77,829.0	86,770.7
Growth Rate %	1.1	11.5



B- Money Supply (M2) (Domestic Liquidity)

Money supply (M2) (domestic liquidity) recorded a rise of (8.4%) at the end of 2019 from 2018 to record IQD (103.4) trillion against IQD (95.4) trillion for 2018 to account for (39.3%) of GDP in current prices as shown in table (2).



The increase in domestic liquidity (M2) came as an outcome of the growth in one of its principal components represented in money supply (M1) by (11.5%). While other deposits (fixed, saving, postal and insurance deposits) decreased by (5.1%) to record IQD (16.7) trillion for 2019 against IQD (17.6) trillion for 2018.

Table (2)
Components of Domestic Liquidity (M2) for 2018-2019
(IQD billion)

Components	Dec.2018	Dec.2019
Money Supply (M1)	77,829.0	86,770.7
Others Deposits	17,561.7	16,670.4
Money Supply (M2)	95,390.7	103,441.1

Second: Foreign Reserves with the CBI

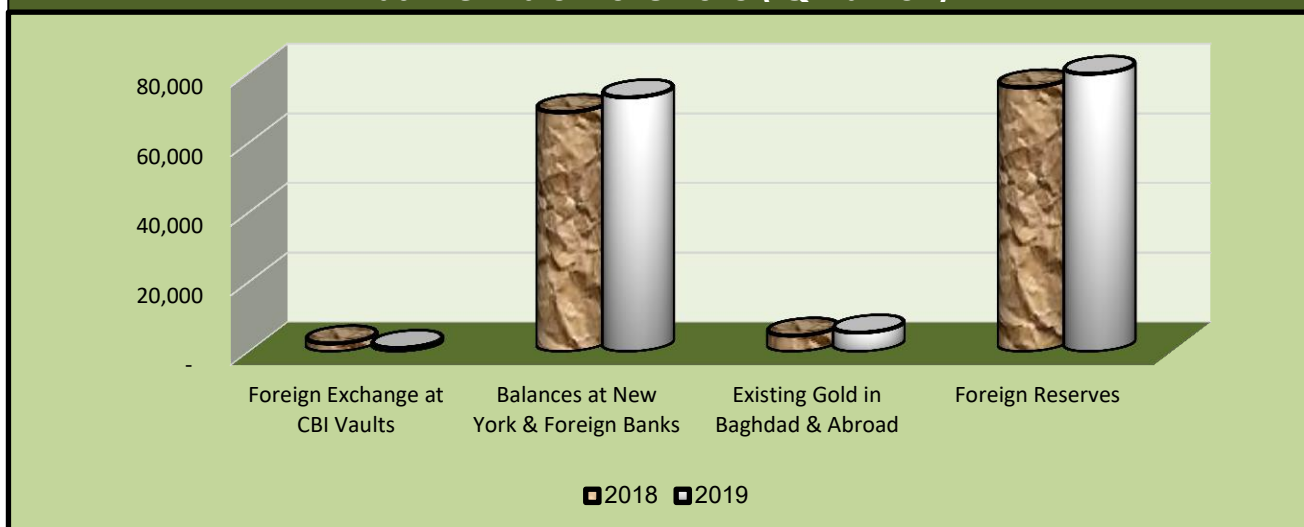
At the end of 2019, The balance of foreign reserves recorded a rise of IQD (3.9) trillion by (5.1%) of the previous year, to reach IQD (80.0) trillion compared to IQD (76) trillion at end of 2018, as shown in table (3).

This increase was mainly due to the increase in existing gold balance in Baghdad and abroad by (18.8%) that reached about IQD (5.6) trillion at the end of 2019 against IQD (4.7) trillion at the end of 2018. Also foreign investments abroad increased by (6.3%) to reach IQD (73.2) trillion for 2019 against IQD (68.9) trillion of the previous year, while foreign exchange balance at CBI vaults recorded an amount of IQD (1.1) trillion for 2019 against IQD (2.4) trillion for 2018.

Table (3)
Main Components of Foreign Reserves at The End of 2018-2019
(IQD billion)

Item	2018	2019
Foreign Exchange with CBI Vaults	2,453	1,162
Balances at New York & Foreign Banks	68,875	73,184
Existing Gold in Baghdad & Abroad	4,689	5,572
Foreign Reserves	76,017	79,918

Figure (3) Main Components of Foreign Reserves
at The End of 2018-2019 (IQD billion)

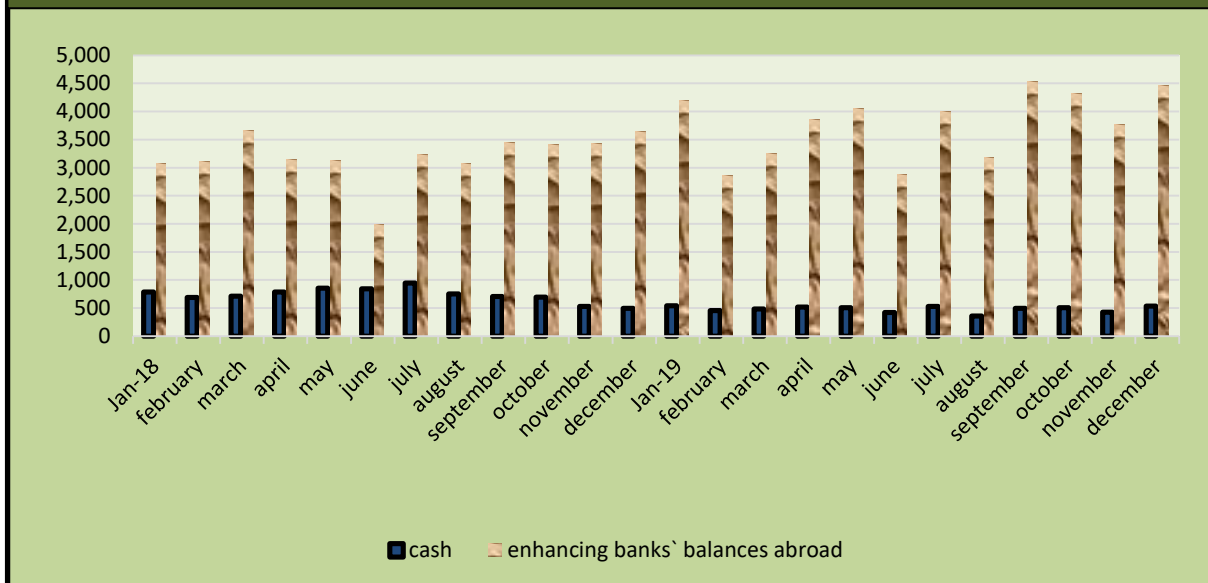


Third: Developments of Indirect Monetary Policy Instruments

1- Foreign Currency Selling Window

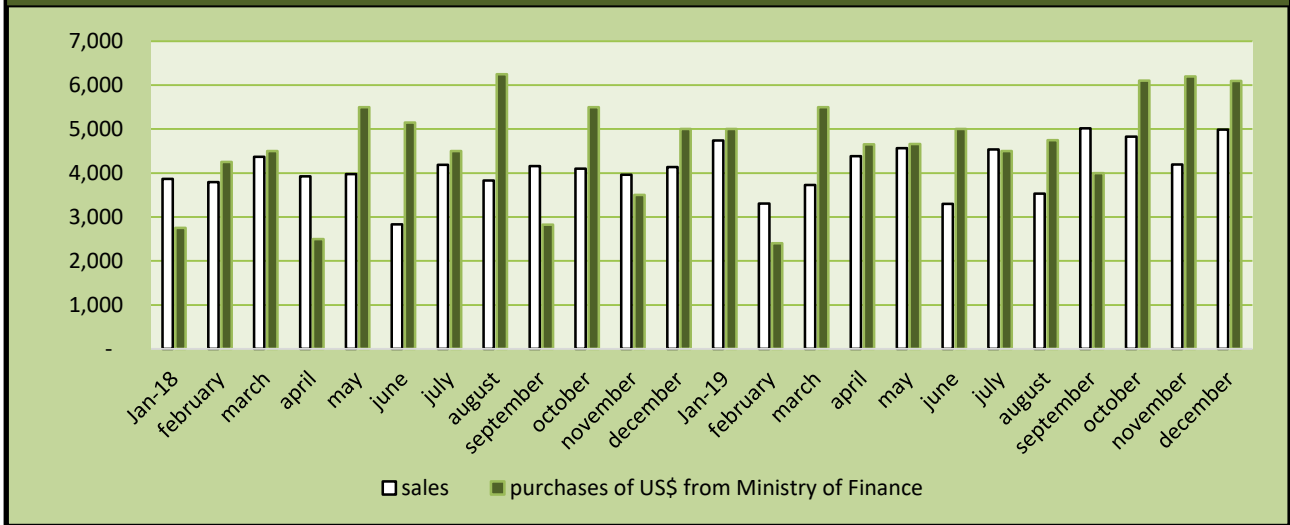
Amounts of US\$ sold through foreign currency window at the CBI (cash, enhancing banks' balances abroad) for 2019 recorded a rise by (8.5%) of 2018, to reach US\$ (51.1) billion, of which US\$ (45.3) billion was sold to enhance banks' balances abroad & US\$ (5.8) billion was sold in cash, as each one of them contributed to (88.7%) & (11.3%) respectively of total sold amounts, while sales of US\$ for 2018 recorded US\$(47.1) billion, of which US\$ (38.3) billion was sold as balance enhancement abroad & US\$ (8.8) billion was sold as cash – each one of them contributed (81.4%) & (18.6%) respectively to total sold amounts.

Figure (4) Sold Amounts of US\$ Through Foreign Currency Window at The CBI (Cash, Enhancing Banks' Balances Abroad) for 2018-2019 (billion US\$)



As for CBI purchases of US\$ from Ministry of Finance, it has recorded a rise of (12.7%) to reach US\$ (58.9) billion during 2019 compared to US\$ (52.2) billion for 2018.

Figure (5) Sales & Purchases of US\$ for 2018-2019 (billion US\$)



2- Standing Facilities

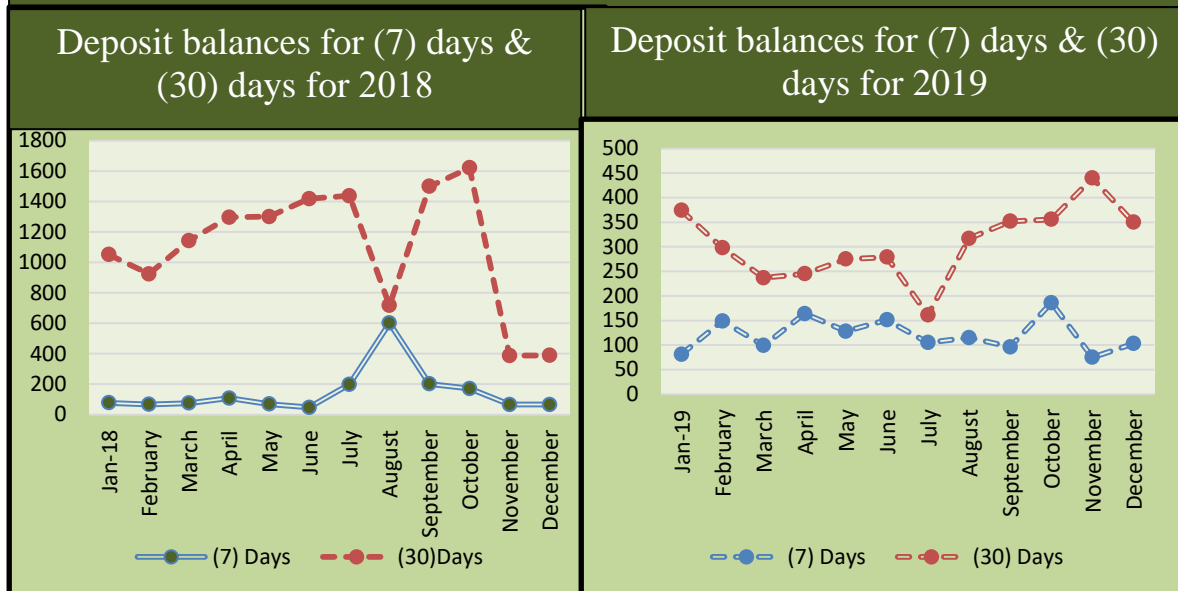
During this year, CBI continued adopting a policy rate of (4%) annually and operating with investment windows for (7) days & (30) days according to the listed below interest rates:

- Investment window for (7) days with an interest of (1%).
- Investment window for (30) days with an interest of (1.5%)

A- Standing Deposit Facilities

Deposit balances for (7) days in IQD for private & state-owned banks rose remarkably to reach (56.1%) & recorded IQD (103) billion at the end of 2019 compared to IQD (66) billion at the end of 2018. In contrast, deposit balances for (30) days declined by (-10%) to record IQD (350) billion compared to IQD (389) billion at the end of 2018, due to continuance of disallowing state-owned banks (AL-Rafidain, AL-Rasheed, TBI, Industrial, Agricultural Cooperative, Real-estate banks) to invest in the above instruments.

Figure (6) Standing Deposit Balances for (7) days & (30) days for 2018-2019 (IQD billion)



In Feb. 2019, CBI launched an investment window in US\$ for (91) days according to circular No.6/5/272 dated 30/1/2019. Operating with this window continued until end of Sept. 2019; as deposits balance recorded US\$ (37) million, but operation with all dollar financial instruments (deposits, treasury bills, Islamic deposit certificates) have ceased according to circular No.6/6/1930 dated 1/8/2019 because of banks` weak response in diversifying their investments portfolio in a way that achieves required goals for the mentioned period, with continuing maturities of the principal amount with interest (profits) for investment that have not yet come to maturity.

B- Standing Borrowing Facilities

CBI continued operating with this instrument in implementing goals of CBI monetary policy aiming at granting credit to banks, in a way to ensure control over banking liquidity and affect it through interest rates (pricing signals) which was set for each kind of them as the following:

- Primary credit (6%) annually.
- Secondary credit (7%) annually.
- Lender of last resort (7.5%) annually.

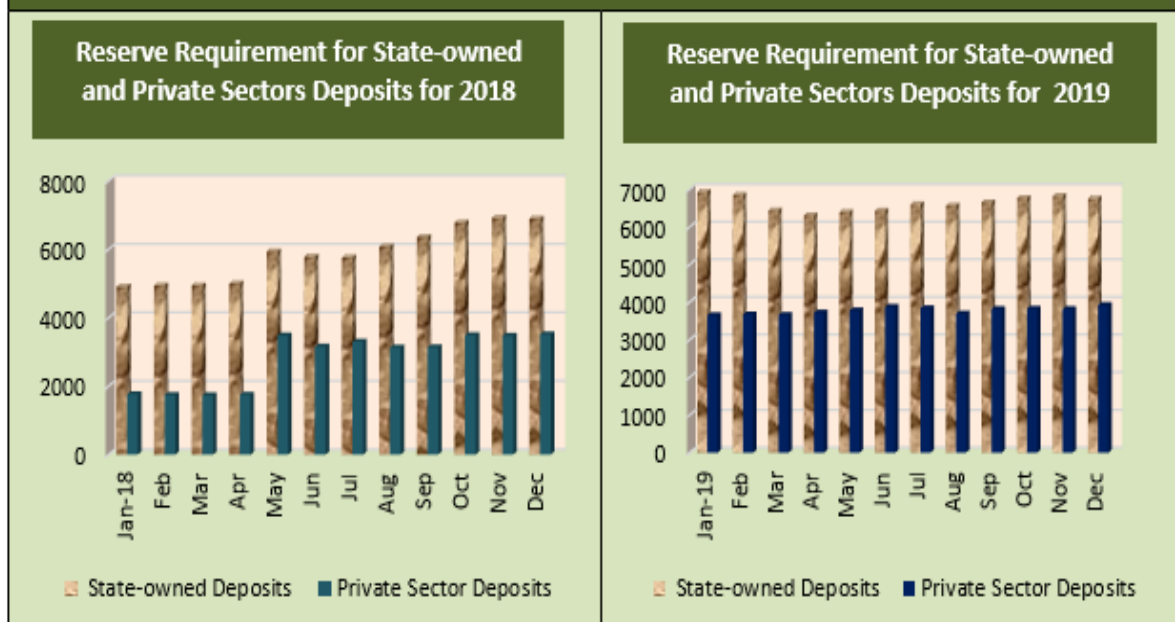
None of the state-owned or private banks have applied for any of these credits till now.

3- Reserve Requirement

In accordance with the adopted monetary policy trends & its high resilience to support economic development process and in order to support financial system policy regarding providing liquidity, CBI continued to adopt reserve requirement of (15%) on current deposits, while it was (10%) on saving & fixed deposits for both IQD & US\$ according to CBI board decision No. 6 dated 24/1/2017. Also continued to disallow all licensed banks to invest in no more than (50%) of the (15%) of reserve requirement in purchasing treasury bills in IQD according to circular No. 58816 dated 11/2/2018 due to the absence of the need and change of economic conditions of the country.

Reserve requirement recorded a rise of (2.5%) to reach IQD (10.6) trillion at the end of 2019 against IQD (10.4) trillion at the end of 2018 - due to increased reserve requirement on private sector deposits by (11.6%) to record IQD (3.9) trillion compared to IQD (3.5) trillion in 2018, while it recorded a decline on government deposits at the end of 2019 by (-2.1%) to record IQD (6.8) trillion compared to IQD (6.9) trillion in 2018.

Figure (7) - Reserve Requirement for Deposits of Private & State-owned Sectors for 2018-2019 (IQD trillion)



4. CBI Treasury bills

In implementation of the monetary policy pursued by the central bank of Iraq, which aims to achieve monetary stability within the framework of open market operations by activating its indirect monetary tools in its indirect management of public liquidity, CBI issued treasury bills for (182, 365 days' maturity) through the Central Securities Depository system (CSD): below are the most important auctions held this year: -

- (6) auctions for (182) days with an amount of IQD (100) billion for a single issue, the actual sold amount reached IQD (346) billion, at an interest rate of (2.5%) while, the paid amount was IQD (310) billion for 2019.
- (3) auctions for (365) days with an amount IQD (100) billion for a single issue, the actual sold amount reached IQD (171.5) billion, at an interest rate of (2.9% - 3.0%) while, the amount paid was IQD (125) billion.
- (1) auction US\$ for (182) days in an amount US\$ (100) million for a single issue, the actual sold amount reached US\$ (17) million, at an interest rate of (2%) all amount was paid in 2019.

5. Islamic deposits certificates

In 2019, CBI issued Islamic deposit certificates for different maturities through (CSD), with the aim of diversifying the investment portfolio of banks and managing liquidity in the banking sector, below are the most important auctions held this year: -

- (8) auctions for (30) days with an amount of IQD (50) billion for a single issue, the actual sold amount reached IQD (234) billion, at an interest rate of (1.5%) to purchase Aluminum in the global markets while, the paid amount was IQD (254) billion.
- (3) auctions for (30) days with an amount of IQD (50) billion for a single issue, the actual sold amount reached IQD (68.2) billion, at an interest rate of (1.5%) to purchase palm oil in the global markets, all the amount was paid.
- (2) auctions for (91) days with an amount of IQD (50) billion for a single issue, the actual amount reached IQD (25) billion, at an interest rate of (1.5% - 1.7%) to purchase Aluminum while, the paid amount was IQD (61) billion.

- (1) auction for (91) days with an amount of IQD (50) billion for a single issue, the actual sold amount reached IQD (40) billion, at an interest rate of (1.7%) to purchase Plastic.
- (2) auctions for (182) days with an amount IQD (100) billion for a single issue, the actual sold amount reached IQD (46.2) billion, at an interest rate of (2% - 2.1%) to purchase palm oil, the paid amount was IQD (20) billion
- (2) auctions for (182) days with an amount IQD (100) billion for a single issue, the actual sold amount reached IQD (33.8) billion, at an interest rate of (2%) to purchase Aluminum, the paid amount was IQD (20) billion
- IQD (25) billion was paid off for the auction of (182) days' deposit certificates held in 2018 to purchase Plastic.
- IQD (1) billion was paid off for the auction of (365) days' deposit certificates held in 2018 to purchase Plastic.
- Holding one auction in US\$ for (182) days, at an interest rate of (1.8%), the actual sold amount was US\$ (15) million to purchase palm oil, all amount was paid.
- Holding one auction in US\$ for of (182) days, at interest rate of (2%), the actual sold amount was US\$ (33.2) million to purchase Aluminum.

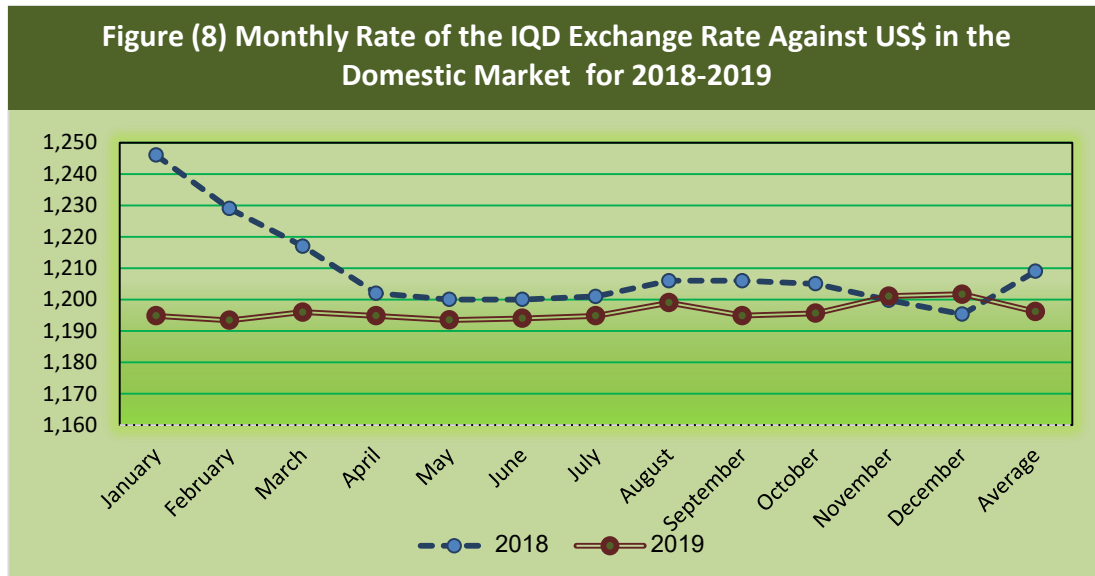


Second Chapter

Prices

1- Exchange rate

The price of selling US\$ to banks through the foreign currency selling window maintained its value of (1190) Dinars per US\$ for 2019, in contrast, the average Iraqi Dinar exchange rate against US\$ in domestic market reached (1196) Dinars per US\$ in 2019 compared to (1209) Dinars in 2018.



1- Trends of Consumer Price Index in Iraq

The consumer price index in Iraq as an indicator of inflations for this year showed a decline in its growth rate to reach (-0.2%) compared to (0.4%) for the previous year to record (104.5) points compared to (104.7) points in 2018. While the consumer price index after excluding Oil derivatives (oil& gas), vegetables and fruits recorded (105.2) points in 2019 compared to (105.3) in 2018, recording a decline of (-0.1%) in 2019 compared to (0.2%) in 2018.

This is mainly due to the CBI's monetary policy in maintaining an ideal exchange rate, which in turn was reflected in lower prices for imported consumer goods denominated in national currency. This policy has effectively contributed to prevent domestic prices from wandering higher. When comparing the main components of the consumer basket for 2019 with the previous year, an increase is remarked in 5 groups including (health, entertainment, culture, education, restaurants, miscellaneous goods and services). Also a decline is remarked in 6

groups including (Tobago, clothes & footwear, housing & water, electricity, gas, equipment, household appliances & equipment and maintenance, transportation, and communications). While food and non-alcoholic beverages item did not record any significant change, the following is a detailed analysis of the developments in inflation rates for 2019 compared to 2018 according to commodity groups. Table (4)

-Developments in Inflation Rates According to Commodity Groups for 2019 Compared to 2018

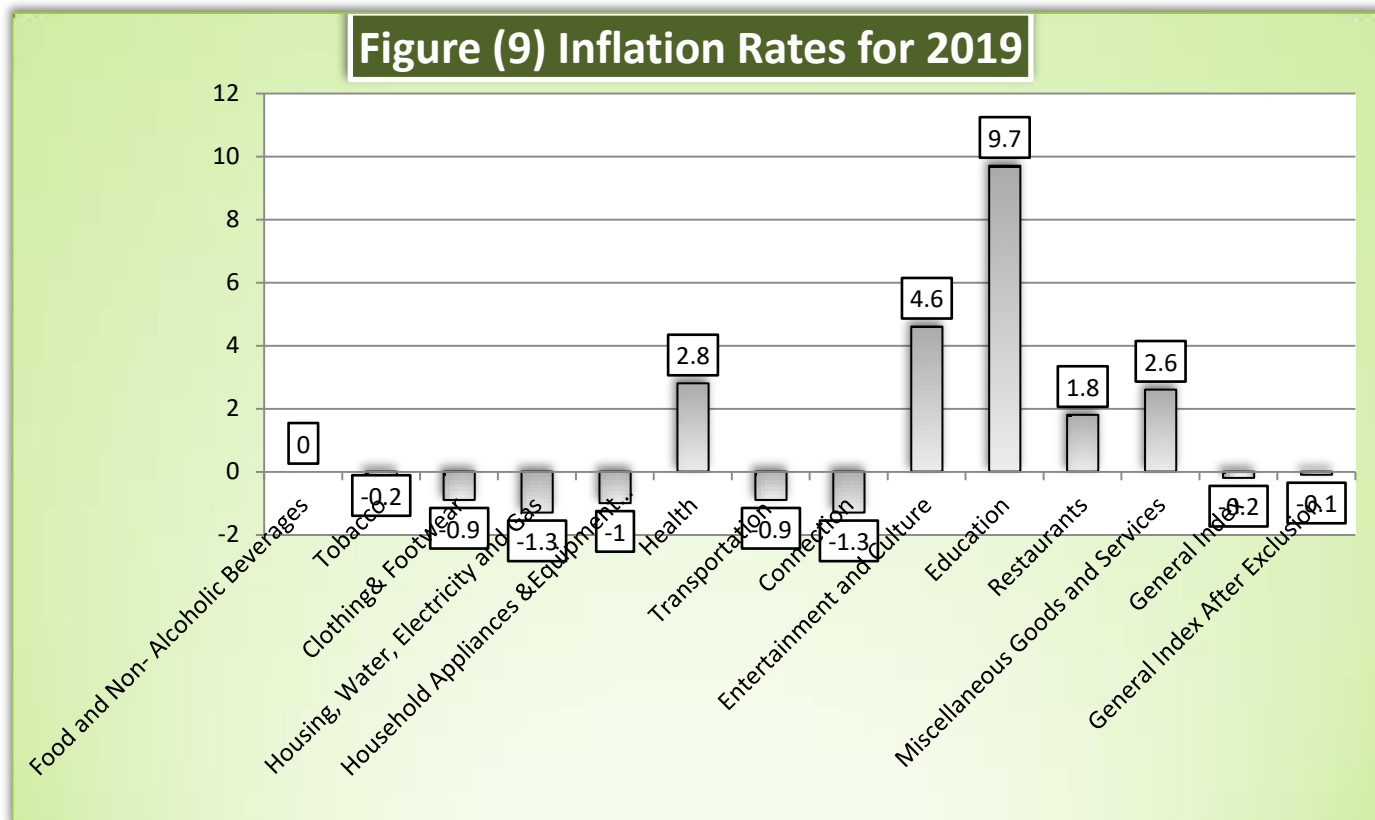
The educational group recorded the highest rate of inflation during 2019 to reach (9.7%) due to the increase in the wages of private education because of low absorption capacity of governmental education in the universities & schools and the decrease in services, which led to an increase in demand for the private sector – which had, in turn, led to higher wages. Followed by the entertainment and culture group, as it has recorded a rate of (4.6%) due to the lack of entertainment means and tourism activities in Iraq, which was not fit with the increase in population.

Health has recorded an inflation rate of (2.8%) in 2019, due to the persistently high fees for private hospitals and high costs of private clinics. The two groups of (goods, Miscellaneous services and restaurants) recorded an inflation rate (2.6%, 1.8%) respectively. On the other hand, the group of (housing, water, electricity and gas) recorded the highest decrease rate (-1.3%) in 2019, due to the decrease in maintenance and housing services, water supply, electricity and fuel (gasoline, oil & gas) by (-1.6%, -8.1%, -2.3%) respectively. A group of household appliances & equipment and maintenance followed it by (-1%) because of the decrease in prices of furniture and equipment by (-0.1%) and household appliances by (-1.6%). Transportation, clothing and footwear items recorded the same percentage (-0.9%) while tobacco item decreased by (-0.2%).

Table (4)
Consumer Price Index in Iraq for 2018-2019
Base Year (2012=100)

Section/Main Group/Sub Group	Rate of 2018	Rate of 2019	Inflation Rate of 2019%
1 Food and Non- Alcoholic Beverages	97.5	97.5	0.0
2 Tobacco	121.4	121.1	- 0.2
3 Clothing& Footwear	103.1	102.2	- 0.9
4 Housing, Water, Electricity and Gas	115.4	113.9	-1.3
5 Household Appliances &Equipment and Maintenance	97.7	96.7	-1.0
6 Health	119.7	123.1	2.8
7 Transportation	98.5	97.6	-0.9
8 Connection	111.2	109.7	-1.3
9 Entertainment and Culture	90.1	94.2	4.6
10 Education	131.3	144	9.7
11 Restaurants	110.1	112.1	1.8
12 Miscellaneous Goods and Services	104.0	106.7	2.6
General Index	104.7	104.5	-0.2
General Index After Exclusion	105.3	105.2	-0.1

Source: Ministry of Planning / Central Statistical Organization (CSO)



2- (Implicit Index) The Implicit Deflator of GDP Prices in Iraq for 2018-2019

The implicit deflator of GDP prices is one of indices that relies on it as a comprehensive indicator to measure changes in the general level of real prices, as it represents real prices weighted by a mobile basket of goods at a time when we find the consumer price index may move with a fixed basket of goods when adopting the weights required to estimate that number. In other words, the implicit deflator; that is the product of dividing GDP at current prices by GDP at constant prices, and reflects changes in prices of all goods and services, whether they are consumer, intermediate or productive goods. Also it includes both wholesale and consumer prices. The implicit deflator is greatly influenced by oil prices, as it constitutes an important percentage of the added value, which creates a gap between the calculation of inflation through the deflator and the calculation of inflation through consumer price indices.

Table No.5 shows a decrease in GDP deflator from (125.7) in 2018 to (124.1) in 2019, mainly due to a drop in crude oil prices, to record a barrel price of US\$ (60.38) in 2019 compared to US\$ (65.98) in 2018.

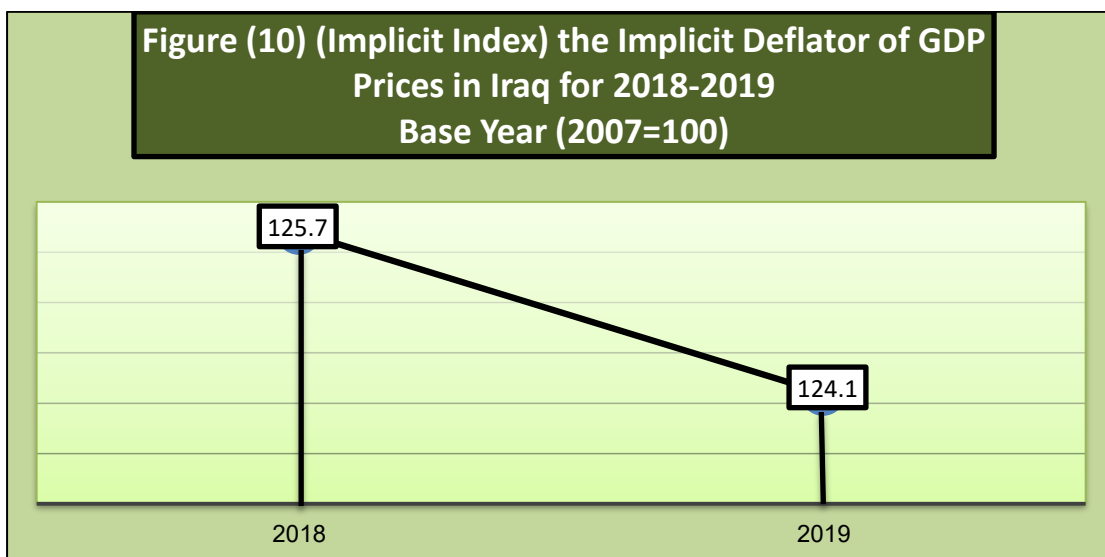


Table (5)
(Implicit Index) Deflator of GDP Prices in Iraq for (2018-2019)
Base Year (2007 =100)

	2018	2019
Gross Domestic Product (IQD Billion)		
In Current Prices	254870.1	262917.2
In Constant Prices	202776.3	211789.8
Reduced Gross Domestic Product	125.7	124.1
Annual Change%	-----	-1.3
Non-oil Gross Domestic Product (IQD Billion)		
In Current Prices	137013.8	148886
In Constant Prices	74890.9	79089.6

Source: Ministry of Planning / Central Statistical Organization (CSO)

4- (Index of Imports) Imported Inflation

Imports are one of the most important external factors in transferring inflationary pressures from other countries to the Iraqi economy, we note that Iraq is affected by the inflation of trading partners, due to the increased dependence on foreign imports, or what is known as (Imported Inflation) which is reflected negatively on the Iraqi economy because it creates the so-called (inflationary forecasts situation) that is more dangerous than inflation itself, especially on the budgets of countries, because it accelerates the escalation of the price index. The main trading partner's inflation is considered one of the most important long-term inflationary determinates.

For more accurate computing of contribution of imported inflation to achieve changes in the number the general index, we calculated imported inflation by calculating the effect on the aggregate level by dividing imports on the output and multiplying them by global inflation rates. It is noted from table (6) that the imported inflation for 2019 amounted to (88.9%) compared by (44.9%) for 2018, due to the increase in imports to cover total demand and a rise in global inflation rates, while this inflation was contained and stability in the general level of prices was achieved through CBI monetary policy and its success in absorbing major shocks to which the economy is exposed.

Table (6)

Imported Inflation for 2018-2019				
Year	Global Inflation	Imports (IQD billion)	Gross Domestic Product (GDP) in Current Prices (IQD billion)	Imported Inflation (%)
2018	2.5	45821.1	254870.2	44.9
2019	3.4	68719.5	262917.2	88.9

5- Real Interest Rate

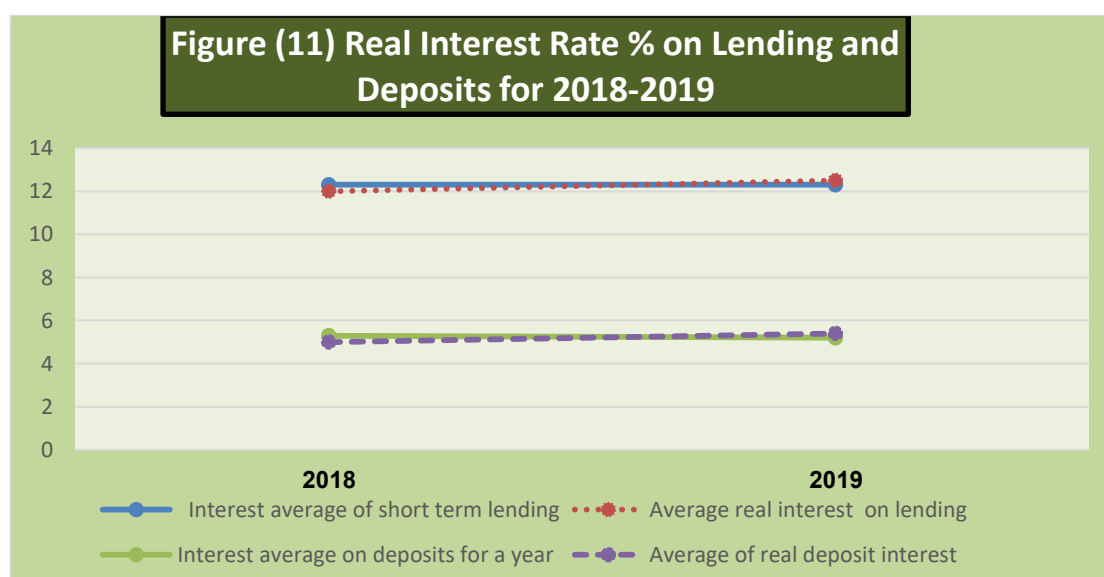
Real interest rate reflects the true cost of the borrower's money and the real return of the lender or investor. The short term lending interest rate in dinars is used to indicate the real lending interest, and the interest on a one-year deposits is used to indicate the real interest on deposits. The data indicates that the average interest of real lending and deposit have maintained their positive value during the years (2018-2019) to reach (12.5%) and (5.4%) respectively in 2019 compared to (11.9%) and (4.9%) in 2018, Also we note that Lending interest rates have maintained the same level to reach (12.3), while nominal deposit interest rates decreased during 2019 to (5.2) compared to (5.3) in 2018 resulting from their adjustment due to low inflation rates, as in Table (7).

Table (7)

Real Interest Rate Average % on lending and deposits for 2018-2019		
Items	2018	2019
Average of Interest on Short Term Lending in IQD	12.3	12.3
Average of Interest on Real Lending*	11.9	12.5
Average of Interest on deposits for a Year in IQD	5.3	5.2
Average of Interest on Real Deposits **	4.9	5.4

* Average real Interest on Real Lending = the average of interest on short- term lending – general inflation rate.

** Average of Interest on Real Deposit = the average of interest on deposits for a year – general inflation rate.





Third Chapter

Developments of Monetary Policy Performance

First: Analysis the Ratio of Official Reserves to the Issued Currency

The composition of the Iraqi economy, which depends on the returns of exporting natural resources to achieve the inflows and the behavior of the market in generating outflows through the banking market, made the monetary policy in a state of full coverage of the basic cash (net foreign assets and net domestic assets) in foreign currency from monetary liabilities side. It is a continuous state in shaping the monetary system, as the Iraqi economy is a superbly rentier economy. Therefore, the composition of the balance sheet of the Central Bank on the assets side tended in favor of foreign assets, not domestic assets. Thus, foreign assets became the main component of base money.

Achieving stability in the general level of prices is one of the main objectives of the Central Bank of Iraq, which was defined in its Law No. (56) Article (3). Therefore, the Central Bank used the policy of stabilizing the dinar exchange rate as a basic tool in achieving price stability in Iraq through the foreign currency selling window, which requires that the Central Bank maintain official reserves that cover or equivalent to (100%) of the volume of dinars that the CBI issues and becomes outside its treasury to maintain price stability.

The data indicates that issued currency increased by (16.9%), to record IQD (51.8) trillion on 31/12/2019, compared to IQD (44.3) trillion on 31/12/2018. In contrast, the official reserves recorded an increase of (5.1%) to reach IQD (79.9) trillion for 2019 compared to IQD (76.0) trillion in 2018, table (8).

Table (8)
Ratio of Official Reserves to Issued Currency for 2018-2019
(IQD trillion)

Year	Official Reserves	Issued Currency	The Ratio of Official Reserves to Issued Currency (%)
2018	76.0	44.3	172
2019	80.0	51.8	154.2

Second: The Velocity of Money Circulation

The velocity of money circulation is an analytical indicator of the rate of inflation and it often reveals the reality of the rate of inflation, as it is clear that the velocity of money circulation decreased from (3.2) times in 2018 to (3.0) times in 2019, this means that there is a slight decrease in the number of times in which Iraqi dinar is spent during the year, Table (9).

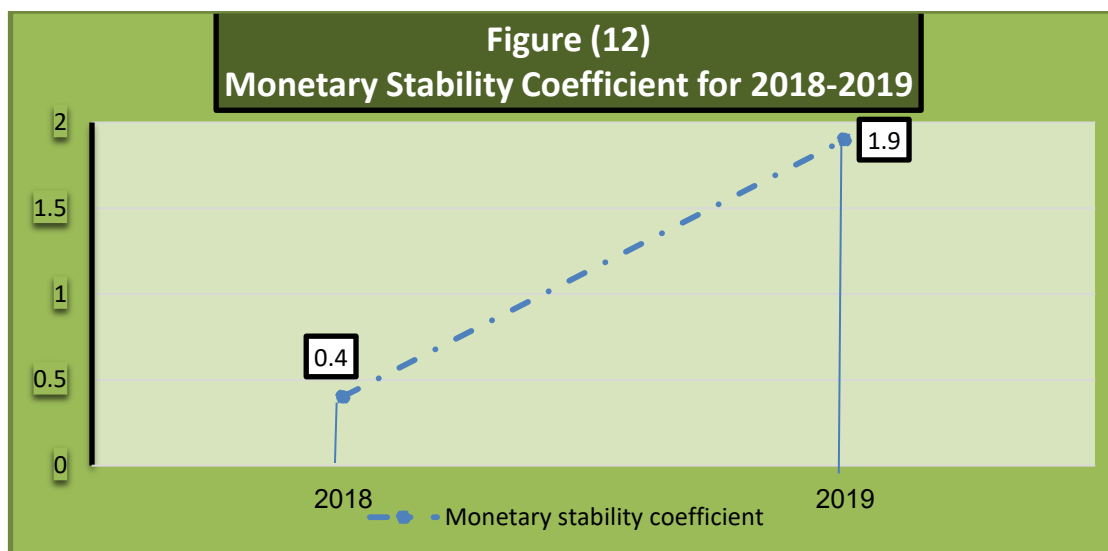
Table (9)

The Velocity of Money Circulation and the Factors Affecting it for (2018-2019)			
Year	GDP in Current Prices (IQD billion) (1)	Money Supply(M1) (IQD billion) (2)	The Velocity of Money Circulation (1/2)
2018	254870	77829.0	3.2
2019	262917.2	86770.7	3.0

Third: The Monetary Stability Coefficient (Inflationary Pressure Gauge) for the Years 2018-2019

The monetary stability coefficient (B) clearly explains the extent of inflationary pressures (the inflationary gap) experienced by the economy. The essence of this measure is that the mismatch between the increase for money quantity and the increase in GDP will lead to an imbalance between the cash flow and the supply stream of goods and services, which push up prices continuously. When indicator (B) is close to one, the state of monetary stability increases in the country and the its value is equal to one, this means that monetary stability occurs, but if the rate exceeds one, this means that there are inflationary pressures and potential price rises, and if the rate is less than One, this means that the inflationary pressure will fade away.

The monetary stability coefficient for 2019 reached (1.9%) compared to (0.4%) for 2018, as the money supply balance (M2) (domestic liquidity) at the end of 2019 recorded an increase of (8.4%), while the annual growth rate of the GDP at constant prices for 2019 was (4.4%), this which means that there are inflationary pressures and potential increases in prices.



Fourth: The Purchasing Power of Money for the Years 2018-2019

We note from table (10) that the money has maintained its value for 2019 and this means that the individual can get in that year the same amount that he has bought in 2018, and we can say that IQD maintained its purchasing power in 2019.

In general, this stability in the value of the domestic currency indicates the correctness of the monetary policies followed by the central bank to maintain the Iraqi dinar exchange rate against the US dollar by adopting new mechanisms that disclosed multiple dimensions of objectives and tasks in response to the challenges witnessed by the Iraqi economy; represented by controlling the ratio of inflation and reduce it to low levels in order to maintain the general level of prices, attract investment, and maintain exchange rates through new instructions and procedures that have been followed in the foreign currency selling window, which began with rating banks and the dependence on seven criteria that reflect the degree of banks' compliance with the rules related to the process of selling foreign currency along with transparency of that rating. Also through revision of this rating periodically while ensuring the integrity of the financial system.

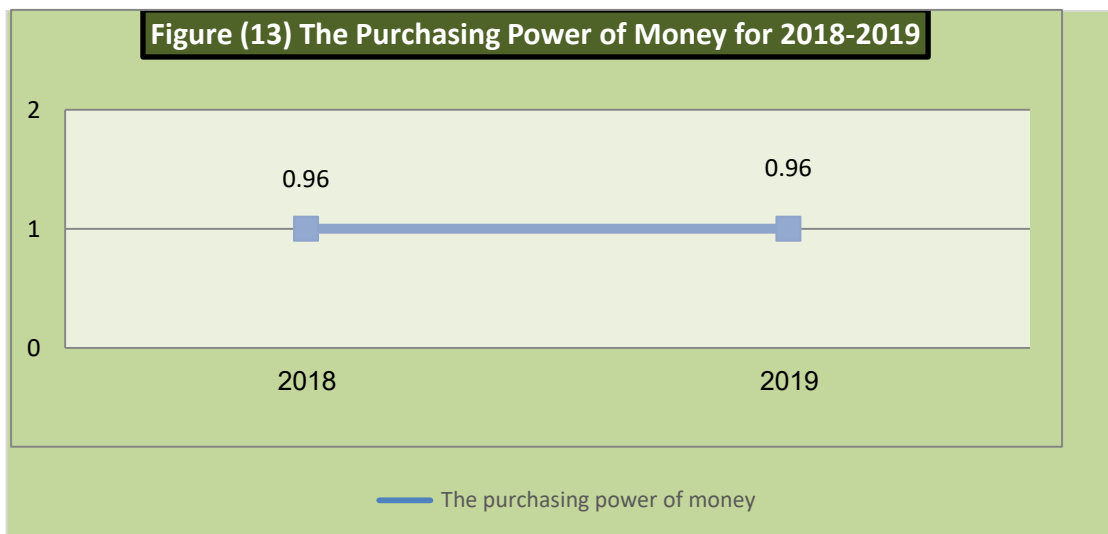


Table (10)

The Purchasing Power of Money for 2018-2019		
Year	Price Index on the basis (100 = 2012)	The Purchasing Power of Money
2018	104.7	0.96
2019	104.5	0.96

The Purchasing Power of Money = $1/\text{Price Index of Prices} * 100$

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