



# Annual Economic Report 2021

**Republic of Iraq**  
**Central Bank of Iraq**  
**Statistics & Research Department**

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**Statistics & Research Department**

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### Summary of Iraqi Economic Indicators for 2021

Statement		
Currency (Iraqi Dinar (IQD))	2021	2020
Gross Domestic Product at Current Prices (GDP) (IQD trillion)	198.8	277.9
Gross Domestic Product at Constant Prices (GDP) (IQD trillion)	188.1	223.1
Average of Per Capita to GDP at Current Prices (IQD million)	4.95	7.1
Total Area Cultivated with Wheat and Barley (thousand dunums)	13102	10052
Rated Output Power (MW)	14139	14008.3
Core Inflation Rate	1.0	-0.1
General Inflation Rate	0.6	-0.2
Average of Consumer Price Index (CPI):(point)	105.1	104.5
Average of Consumer Price Index After Exclusion (point)	106.2	105.2
Daily Average of Oil Export (million barrels)	3.5	4.0
Average price per Barrel of Oil (US\$ / barrel)	40.69	60.38
Money Supply (M1) ( IQD trillion )	103.4	86.8
Money Supply (M2) ( IQD trillion )	119.9	103.4
Interest Rates Average of (CBI)	4	4
Average of Iraqi Dinar Exchange Rate Against the US dollar at Market Price (IQD)	1234	1196
Cash Credit Balance Extended by Commercial Banks ( IQD trillion)	49.8	42.1
Total Deposits with Commercial Banks ( IQD trillion)	84.9	82.1
Total Capital of Operating Banks (IQD trillion)	16.9	15.5
Actual/ Public Revenue ( IQD trillion)	63.2	107.6
Actual /Public Expenditure ( IQD trillion)	76.1	111.7
Iraq's Quota at the IMF ( SDR million)	1663.8	1663.8

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**Chapter One**  
**Global and Arab Economic Developments**



## Global and Arab Economic Developments

### First: Global Developments

In 2021, global economy faced challenges related to the extent of the world's states ability to support economic recovery levels from the consequences of Covid-19 pandemic and mitigate its effects on individuals and companies, especially in light of the continued spread of the virus and its mutated strains in many regions of the world. IMF's expectations indicates an increase of growth rates in 2021 from (3.3%) to (5.7%) amid various paths of economic recovery among developed and developing countries; based on the achieved progress in terms of vaccination programs and different levels of ability of the world's governments to provide adequate support to their economies through fiscal stimulation packages. Levels of global demand and international trade witnessed a remarkable acceleration, especially during the second half of 2021 that constituted exceptional pressure on global economic resources, supply side and international supply chains, especially in light of the continued restrictions imposed because of the pandemic. This in turn resulted in a wave of inflationary pressures attributed to temporary factors that are expected to disappear with opening global economies. Yet concerns of its continuity may prompt central banks in advanced economies to quickly restore the traditional paths of monetary policy and then raise interest rates on major currencies.

These developments may lead to the emergence of a number of risks facing emerging economies during the expectation horizon, especially those that have high levels of external borrowing and suffer from high levels of internal and external economic imbalances, as they may lead to pressure on interest rates and exchange rates in these countries. In addition, the influx of foreign capital abroad, which may result in financial crisis in some of these markets and challenges facing the full and balanced recovery of the global economy. Thus, policy priorities stand out on the context of proceeding to achieve the desired progress in terms of national vaccination programs in order to enhance health readiness to confront the pandemic & the mutated strains, continued adoption of all measures that would enhance the necessary fiscal space to support economic recovery within coordinated frameworks for monetary, fiscal and macro prudential policies. As well as proceeding with structural reforms aimed at increasing levels of accessible output, enhancing chances of reaching strong, comprehensive, balanced and sustainable growth with the necessary requirements to address the common risks currently facing global economies. They risks were represented in: supporting governments` ability to achieve sustainable development goals, meeting international commitments within the framework of reducing carbon emissions, and facing the risks associated with

high levels of indebtedness and financial fragility. Growth of the global economy reached (5.9%) in 2021 and is expected to decline to reach (4.9%) in 2022.

Expectations had been revised slightly with a moderate decrease in the expected global economic growth rate in 2021 by about one percentage point compared to the IMF's expectations issued in July 2021. They reflected a decrease in the expected growth rate of advanced economies by about (0.4) percentage points to reach (%5.2) as a result of the distortions that supply chains witnessed during this year and their effects on economic activity in some of these countries. Expectations of advanced economies' growth rate for the next year were raised to reach (4.5%) compared to expectations issued last July. The rise was due to the effects of stimulating aggregate demand because of huge fiscal stimulation packages adopted in some advanced economies, especially with regard to jobs & households plans in the United States of America and the next generation plan in the European Union.

On the other hand, growth expectations for developing countries and emerging market economies for the year 2022 were raised compared to those issued in July to reach (5.1%), assuming achieved progress in the paths of vaccination against the virus. It is expected that the divergence of global recovery paths will leave permanent imprints on the performance of the global economy on the medium term in light of the current economic performance gaps, which mainly depend on the ability of the world's states to obtain vaccines and continue to support policies.

The rapid spread of the delta variant and the resulting threats from the emergence of new variants have increased uncertainty about the speed with which the pandemic could be overcome, making policy choices more difficult with limited room for maneuver.

International Monetary Fund also warned of the spillovers of divergent recovery paths among the countries of the world based on the levels of vaccines availability. At the time when it is expected that there would be a rapid restoration of economic activity to its normal paths in advanced economies, the rest of the world will continue to face new spikes in infection levels and loss of lives due to the COVID-19 pandemic. In all cases, global recovery will remain uncertain even in countries with currently very low levels of infection, as long as the virus continues to spread and mutate in other countries.

Inflation rates increased during 2021 to reach (4.71%), compared to (3.2%) in 2020, and it is expected to reach (7.4%) in 2022 due to basic motives represented in the following:

- 1- **Bottlenecks in supply chains:** The pandemic has had two different impacts on global supply chains. In the first stage, the general closure measures and restrictions on freedom of movement led to severe interruptions in various supply chains, which caused a shortage of supplies on the short term; many of these interruptions had faded. However, the recent rise in number of infections with Omicron strain in China and other countries has led to a renewal of pressures on some supply chains. As for the last stage of the pandemic, various supply chains witnessed new bottlenecks, as the most severe bottlenecks affect raw materials, intermediate manufactured commodities and transportation of goods. Pressures were expected to last for at least a while longer.
- 2- **Shift in demand from services to commodities:** the pandemic initially led to a sharp shift in the nature of consumerism purchases, as spending on commodities increased dramatically. Hence, a large part of the initial increase in inflation rates is attributed to inflation of durable commodities (including used cars), while inflation of services increased slightly.
- 3- **Package of macro activation measures and post-pandemic recovery:** financial measures worth of US\$16.9 trillion was announced globally to combat the pandemic. The provided support was relatively greater in advanced economies. At the start of the pandemic, households made use of savings as well as the activation measures & financial transfers from governments, which led to a sudden increase in aggregate demand and a stronger-than-expected economic recovery. Persistent strong aggregate demand ultimately depends on the nature of central banks` response.
- 4- **Shock of labor supply:** Disruptions in the labor markets because of the pandemic continues, even after two years of its onset. Rates of labor force participation are still below pre-pandemic levels in a number of countries; it is expected that the largest part of employment deficit will continue during the coming period, even if the results are optimistic in the wake of Covid-19. This will have a major role in the inflationary pressures that the United States will witness for the coming period, and according to previous historical experiences, this out-of-control inflationary boom will not last for more than two years.

With regard to monetary policy, central banks continued to adopt accommodative monetary policies with the aim of providing the necessary support to liquidity and credit levels that were directed to the private sector. Accordingly, interest rates were kept at low levels during the year, while they recorded zero or negative levels in some countries. Quantitative easing programs was widely adopted, as well as

spreading to advanced economies, some developing countries, and emerging markets.

Despite that, some central banks indicated near resumption of regular paths of monetary policy under increased inflationary pressures in most of the world's states. The matter that may prompt central banks to gradual withdrawal of quantitative easing programs and an early-tightened monetary policy under expected high inflation rates in advanced economies from 0.7% in 2020 to 2.4% in 2021; with keeping them next year at the targeted inflation rate in a number of these banks that is set at (2%).

As for fiscal policy, public finance will be under pressure during coming months and years, as global public debt had reached record levels to cover pandemic-related spending at a time when tax revenues had declined. Higher interest rates will make borrowing more expensive, especially for countries that borrow in foreign currencies with short-term maturity, because of which fiscal deficit in most countries would have to narrow in the coming years though enhancement should depend on the pace of recovery. When movement restrictions are reintroduced, governments must re-establish programs such as a lifeline for the most affected families and businesses as needed and increase support for the most vulnerable segments of population. However, policies' space had contracted, therefore better targeting of this subsidy will be necessary to maintain fiscal sustainability, as crucial support from the international community will be necessary for low-income countries with high levels of debts to be able to provide such financial support.

With regard to the volume of global trade, the volume of commodity trade returned to pre-pandemic levels, while cross-border trade in services continued to slow. The United Nations indicated that trade in services finally returned to pre-pandemic levels in the fourth quarter of 2021. Trade in commodities remained strong and increased by about US\$200 billion, to reach about US\$5.8 trillion; a new record.

UNCTAD indicated that poor countries' exports outperformed their richer counterparts for Q4 2021, compared to 4Q 2020 (by 30% compared to 15%).

According to UNCTAD, Trade growth of Q4 2021 remained very strong in all geographic regions, though it declined in Europe, North America and East Asia. Commodity exporting regions performed better, as commodity prices increased. UNCTAD indicated that the global supply chain is a key element of the global trade puzzle, will also continue to face negative pressures caused by the COVID-19 pandemic. It is expected that global trade will decline in 2022 & 2023 in line with the overall pace of expansion, assuming that the pandemic had eased during 2022 and that supply chain problems are expected to recede at later time of the year. Also

that the accompanying moderation in global demand for commodities will also help reduce imbalances, yet cross-border trade in services is expected to remain weak, particularly tourism.

### **Advanced Economies**

The collapse of global economic activity in 2020 was slightly less severe than previously expected, primarily due to a milder contraction in advanced economies and a stronger recovery in China. On the other hand, the disruption of activity in the majority of emerging market economies and developing countries was more severe than expected. Estimates indicate that the gross domestic product GDP of advanced countries increased by (5%) in 2021 and is expected to decline to record 3.9% in 2022.

While inflation rate rose in these countries to reach 3.1% in 2021 and is expected to continue to rise during the year 2022 to reach 3.9% as a result of the accommodative policies adopted to confront the Corona pandemic on one hand, and the disruption of global trade supplies on the other hand.

**United States of America:** growth rate increased significantly to reach (5.6%) in 2021 compared to (-3.4%) in 2020, supported by the growth of fixed investments by (1.3%) in the fourth quarter; after its contraction by (0.9%) in Q3 of 2021 and the growth of Consumer spending increased by (3.3%), with higher than (2%) in the third quarter of the year. Growth is expected to decline during 2022 to record (4%) as a result of the measures taken to face inflationary pressures, as annual inflation rate rose to the highest level in 40 years, driven by higher energy prices and damage of supply chains due to the Corona pandemic.

The consumer price index, which is the main determinant of inflation, increased in December 2021 by (7%) on an annual basis, with the fastest increase since June 1982. This increase in the overall inflation rate is attributed, in particular, to the rise in housing prices, used cars and trucks. While the food group also contributed to the rise in inflation, despite the fact that the prices of this group rose less in December than in recent months.

This increase in the inflation rate would increase pressures on the US Federal Reserve Bank to tighten monetary policy by reducing its holdings of bonds and securities and raising interest rates. Inflation rate is considered much higher currently than the targeted level by the US Central Bank at (2%) on the medium term.

**Euro area:** GDP grew by (5.2%) during current year, after declining by (-6.4%) in 2020, while growth is expected to decrease in 2022 to reach (3.9%). Inflation was in the range of (5%) during December 2021, and (0.9%) for the previous year. The contribution of energy sector was the highest in inflation rate in the euro area with

(2.8%), followed by services with (0.98%) and food, tobacco and alcohol with (0.77%).

The European Central Bank decided to slightly reduce the main support measures that were adopted as a result of Covid-19 pandemic, at a time when the European economy is gradually recovering with a remarkable rise in inflation. Public debt ratio for the euro area fell to (97.7%) of GDP in Q3 of 2021. Public debt ratio in the euro area was (98.3%) in Q2 of 2021; estimated at € (11.6 trillion) equal to US\$ (13.11 trillion).

**Japan:** it witnessed an increase in growth rate during the current year to reach (1.6%) against a contraction of (-4.5%) during 2020. It is expected that economic growth will rise to reach (3.3%) during 2022, and recovery will come at the end of the year because of the increase in households` consumption by (2.8%), which had benefited from a stable health level at the end of December. However, non-residential investments of companies barely grew during the past quarter by (0.4%), while the Japanese industry still restrained due to the shortage of some materials. Uncertainty about the development of course of events remains high, and the Japanese exports increased by (1%) in Q4 of 2021, but without affecting growth due to the increase in imports and energy prices. While inflation rate rose to (0.8%) in December 2021. Japan had expected acceleration of inflation soon under the influence of sharp rise in energy and agricultural materials prices. However, increasing prices is not an easy issue for companies in a country accustomed to prices deflation. At the level of monetary policy, the Monetary Policy Committee/ Bank of Japan decided to rely on a special program to support financing the response against emerging COVID-19.

### **Emerging and developing market economies**

Economic growth of these economies witnessed a remarkable increase during 2021 to reach (6.5%) compared to (-2.0%) in 2020; it is expected to decline in 2022 to reach (4.8%). This increase is due to the gradual economic recovery that the world witnessed after the general and partial closure during 2020 in order to limit the spread of COVID-19. This aforementioned growth was supported with an increase in demand and primary commodity prices. However, there are factors that hinder recovery in many of these countries, including the resurgence of COVID-19 infections, in addition to the cessation of policy support in some cases. Despite that, the results achieved by this group of economies are nowhere enough to compensate for the losses they suffered during the recession in 2020. It is expected that the GDP will decrease by (4.1%) from pre-pandemic expectations.

It is expected that the average of per capita incomes in many emerging market countries and developing economies would remain below pre-pandemic levels, and

that losses would exacerbate deprivation cases related to health, education and living standards. It is also expected that the main forces driving growth would lose their momentum even before COVID-19 crisis; this trend is likely to be strengthened by the negative effects of the pandemic.

On the other hand, the links achieved through trade were a major engine for economic progress of developing countries and they helped lifting numerous people out of poverty. However, in light of current trends, the pace of global trade growth is expected to slow down over the next decade. As developing economies recover from the COVID-19 pandemic, lower trade costs could create a proper environment to a return to global supply chains and reinvigorate trade growth.

Emerging and developing economies witnessed an increase in inflation, reaching (5.7%) in 2021 against (5.1%) in 2020. It is expected to rise in 2022 to reach (5.9%), which coincided with the recovery of economic activity. The global recession in 2020 led to the shortest period of decline in inflation rate and fastest period of subsequent rise when compared to duration of the last five global recessions. Global inflation would likely continue to rise during the rest of the year, it is expected that inflation will remain within target ranges in most inflation-targeting countries, emerging markets and developing economies where inflation is above the target level. In addition to that, the rise in the global inflation rate might lead to complex policy options for emerging market countries & developing economies, as some economies still depend on expansionary support measures to ensure a permanent recovery, unless risks of high debt levels to unprecedented levels are addressed because of inflationary pressures in advanced economies. Rising food prices and accelerating overall inflation rate may exacerbate the challenges associated with food insecurity in low-income countries. Policymakers in these countries should ensure that high inflation rates do not alter long-term inflation expectations and resist subsidies or price controls to avoid upward pressure on global food prices. Instead, policies that focus on expanding social safety net programs, improving logistics, and making food supply more resilient to climate change would be helpful.

A number of emerging & developing economies began to witness pressures in financial markets starting on mid-June 2021, resulting from the expectation of an imminent interest rate hike, which forced a number of central banks in some emerging markets to raise interest rates similar to what happened in Brazil, Mexico, and Russia, the matter that led to high credit margins. Investment portfolios began to flow out of a number of emerging market & developing countries on the back of expectations that monetary policy would resume its traditional paths in USA sooner than expected with a broader decline in the level of risk.

Likewise, the continuation of the rapid exit of foreign capital inflows would lead to a parallel increase in interest rates, escalation of inflationary pressures, decline in the value of domestic currencies, and then the possibility of financial crises in emerging markets, especially in countries that have high levels of deficits in public finance and current account balance. All of which may undermine the recovery paths of economic activity in these countries.

**East Asia and Pacific region:** At the level of the countries of the group, they witnessed a growth rate of (7.2%); it is expected that growth pace would slow down in the region by (5.9%) in 2022. This growth was supported by the growth in all countries of the group, especially China and India by (8.1%) and (9.0%) , respectively during 2021. It is expected that growth would decrease in 2022 in China to record (4.5%), which reflects the decrease in financial and monetary support and the tightening of property regulations and macro prudential measures, with India maintaining the same level of growth.

**Europe and Central Asia region:** It recorded an increase in the growth rate during this year to reach (6.5%), compared to the contraction witnessed in 2020. Growth in Russia recorded (4.5%) in 2021, which is considered the largest economy in the region; supported by stable domestic demand and high energy prices. In addition to adopting a more strict macroeconomic policy than expected. In Turkey, the second largest economy in the region, growth reached (12%) in 2021, supported by an increase in exports to benefit from external demand; it is expected to decline to (4.5%) in 2022.

### **Latin America and the Caribbean**

The region is still severely affected by Covid-19 pandemic, and new cases had picked up after slowing in early 2021. However, growth has picked up this year to reach (6.8%). Brazil in particular was struggling with outbreaks of strains that did not infect people only, but re-infected them too. Restrictions on travel were tightened in countries such as Argentina, Barbados, Brazil, Colombia, Ecuador, Paraguay, Peru and Uruguay in the first half of the year, the matter that hampered economic activity, particularly in the services sector. In addition to the fact that vaccination is uneven across countries. External economic conditions had improved since the beginning of the year, as higher commodity prices have boosted government revenues and remittance flows have remained strong that supported consumer spending in this region. International tourist arrivals represent a small percentage of pre-pandemic levels in most parts of the Caribbean, but were close to half of pre-pandemic levels in the Dominican Republic and Mexico in recent months. Currencies had depreciated and inflation had risen in many countries, though at low levels, given the fiscal pressures. Assuming progress in the fight against the



pandemic, spending and easing taxes related to COVID-19 are declining in most countries.

## **Second: Arab Developments**

Arab countries, like other countries in the world, witnessed different paths of economic recovery during 2021, based on a number of factors: perhaps the most important of which was the different levels of progress in implementing national vaccination campaigns and the extent to which governments of these countries were able to support economic recovery. As growth rate reached (3.3%) in 2021 against (-5.0%) in 2020, it is expected to reach (5.0%) in 2022, supported by the global recovery and the remarkable improvement in energy markets. The achieved accomplishment in terms of vaccination campaigns encouraged a number of Arab governments to ease restrictions on economic activities and contributed to the recovery of a number of economic sectors that have strong direct & indirect connections with the rest of the other sectors starting from the second quarter of 2021. Probably the most important of them were export, tourism, construction, building, public works, internal trade, manufacturing industries, medicines, communications and information technology. In addition to that, several factors contributed to support the economic recovery of the Arab countries in 2021. On top of these factors were high growth expectations of the global economy, international trade, recovery of global demand for energy, and the keenness of central banks & Arab finance ministers to implement a number of stimulation measures of aggregate demand in the context of fiscal support packages.

As for the level of inflation rates, it witnessed an increase during 2021 at the level of total Arab countries to reach (5.7%) against (4.2%) in 2020, as some Arab countries faced inflationary pressures during 2021 affected by a set of factors, the most important of which is the tangible rise in international food prices. In addition to the rise in the prices of energy products, especially in light of implementing the automatic pricing mechanism in a number of Arab countries for energy products; to comply with changes in global markets. It was expected that the general level of prices will be affected by the scrolling effect resulting from pressures facing the domestic currencies` exchange rates in some Arab countries. As well as the escalation of inflationary pressures resulting from the effect of increasing levels of domestic demand in some countries due to increasing levels of money supply and raising wage rates. It was expected that the general level of prices in some Arab countries would be affected by changes in the volume of agricultural production related to climate fluctuations in these countries. On the other side, it was expected that the decline of inflationary pressures in 2022 was in part due to the removal of

some of the current bottlenecks affecting supply chains and the expected increases in the levels of supply of goods & services.

As for the level of public debt, levels of indebtedness had increased in a number of Arab countries, as public debt to GDP of the borrowing Arab countries reached (108%) at the end of 2021, with an amount close to about US\$ (756) billion. This represented a challenge for policymakers, as high levels of indebtedness limited the ability of these countries` governments to provide additional resources that support economic activity and enhance recovery from repercussions resulting from the pandemic. In addition to the associated increased risks because of the high volume of budget financing needs and external financing requirements. On the other side, volume of sustainable financing in the Arab countries increased from US\$ (590) million in 2017 to US\$ (4.9) and US\$ (3.9) billion in 2020 and 2021, respectively.

### **A- Arab oil-exporting countries**

The oil-exporting countries witnessed an increase in growth rates during 2021 to reach (3.2%) against (-6.3%) in 2020 because of the recovery in global oil prices; it was expected that it would reach (5.6%) in 2022. At the same time, they also witnessed a rise in the inflation rate to reach (7.5%) in 2021 against (4.8%) in 2020.

It was expected that the economies of Gulf Cooperation Council countries would recover during 2022 from effects of Covid-19 pandemic supported by a number of factors, the most important of which is the continuation of these countries in adopting many initiatives and stimulus packages that support economic activity with the aim of encouraging private sector to maintain jobs. It was expected that the non-oil sector would contribute more to support economic growth, and the relative recovery achieved in production of oil sector would help support prospects of economic growth because of the increase in prices and production quantities. Accordingly, the countries of the group recorded a growth rate of (3.1%); it was expected to reach (5.8%) in 2022 against a contraction of (-5.2%) in 2020.

The **Kingdom of Saudi Arabia** recorded a growth rate of (2.3%) during 2021; it was expected to reach (7.4%) in 2022 due to economic and financial reforms that strengthened the Kingdom`s ability to confront Covid-19 pandemic crisis, as the decisive health measures during the pandemic constituted the cornerstone in containing it faster than expected. This progress had been reflected on the continued growth of private sector, at a higher rate than the previous period, to lead the economic growth on the medium-term through the government efforts to enhance private sector`s role and support the growth of small & medium enterprises. In addition, it coincided with the role of government spending in achieving structural reforms that enhances long-term growth. In terms of policies, support from fiscal and monetary policies will continue to support economic recovery, as the Central

Bank's response to the need of domestic economy during the pandemic period was quick and strong. Thus, a number of stimulation programs were taken with the aim of supporting the needs of the economic sectors to mitigate the impact of the pandemic on those sectors and their employees. These initiatives stem from the role of the Central Bank of Saudi Arabia in maintaining monetary & financial stability and supporting economic recovery for various economic activities.

The **United Arab Emirates** witnessed a growth in GDP of (3.8%) in 2021 against (-5.9%) in 2020 due to the fact that the government had taken several measures to support economic recovery from Covid-19 pandemic and prepare the economy for stronger, more sustainable and diversified paths. Within this framework, it had launched a number of initiatives to promote economic growth and develop economic sectors, support digital transformation, accelerate growth of green economy, and enhance food security. In terms of supporting priority sectors and small & medium-sized emerging companies, the government adopted "The Strategy of Emirates Development Bank", which had provisioned a financial portfolio worth of UAE dirhams 30 billion over five years allocated to support industrial sectors, contribute to financing and supporting more than (13.5) thousand small, medium and large companies, and created (25) thousand jobs. In addition to adopting measures to promote foreign trade and non-oil sectors through the implementation of the "Export Development Policy." which seeks to support the country's foreign trade, create space for Emirati commodities, increase its presence in global markets, add higher value to areas of exported commodities, and then achieve growth in domestic product of the non-oil sectors.

According to the aforementioned, growth rate of the UAE economy was expected to increase by (2.7%) in 2022. This increase was due to many stimulation measures, on top of which comes the government's efforts to support non-oil activities taking advantage of the financial savings achieved because of the increase in the production of the oil sector; whether it was because of increased production quantities scheduled for 2022, or because of its high prices in global markets.

In **Algeria**, supporting the economic recovery faces a number of challenges, including the persistent need to increase populations levels of vaccination in accordance with national vaccination programs, in order to ease precautionary measures in a way that supports private spending and stimulates economic growth.

Considerations to support economic growth require intensifying reforms in terms of strengthening business environment and facilitating projects' access to finance, which in turn led to achieve economic growth during 2021 by (3.8%). On the other hand, economic growth would be supported by the expected increase in oil & gas revenues, especially during 2022, because of the expected increase in production

quantities and the recorded rise in international energy prices compared to the levels reached during 2021. Accordingly, it was expected that economic growth would record (3.3%) in 2022, while annual inflation rate recorded (6.5%) in 2021.

During 2023, general price level was expected to be affected by a number of regional, international and domestic factors.

### **B- Arab oil-importing countries**

The countries of the group were affected by several challenges during 2021 onward, including the difficulty of full recovery from the repercussions resulting from the Covid-19 pandemic because of low levels of vaccination in a number of countries of the group. In addition to that, group's economies were affected by many implications resulting from global developments: as the rise in commodity prices put pressure on the budgets of both households & companies and then weaken levels of purchasing power, which in turn lead to an expected relative decline in levels of private consumption on the rest of the goods & services. This decline comes at a time when governments of countries of the group were facing tangible economic challenges to support economic recovery in light of the effects of these developments on internal and external balances. The matter that would limit their ability to continue spending that support growth, which had led to an increase in public debt and continued pressures on interest and exchange rates. Based on the above, the countries of the group recorded a growth rate of (3.3%) during 2021, supported by the growth achieved in most of the countries of the group. It was expected to record a growth rate of (5%) in 2022 with high levels of consumption and investment.

**Arab Republic of Egypt:** data indicated an increase in the growth rate of the Egyptian economy to (3.3%) in 2021: it was expected to continue growing during 2022 to record (5.5%). At this stage, Egypt is looking forward to completion of the economic reform process in accordance with ambitious targets of economic performance. To achieve these targets, Egypt aims to focus on implementing a set of radical structural reforms to support opportunities for reaching strong, comprehensive, sustainable and balanced growth, during the second phase of the economic reform program. The most important axes of the program focused on supporting the real sector and transforming the path of the Egyptian economy into a productive economy that enjoys competitive advantages through focusing on increasing the relative weight of manufacturing, agriculture, communications and information technology sectors.

The government would continue its main role in supporting growth and employment rates through many mechanisms within the framework of the aforementioned program. The general level of prices increased during 2021 by

(5.2%) due to changes in the global prices of raw materials, especially oil and food commodities, because of the developments taking place in the world. In addition to pressures on the domestic currency exchange rate due to the decline in foreign exchange resources and its impact on the decline in its value, the matter that affected the general level of prices in domestic market, especially those imported from abroad. As a result of the aforementioned developments, it was expected that inflation rate in Egypt would rise to about (8.5%) during 2022.

**Hashemite Kingdom of Jordan:** the large & rapid measures taken by the government and the Central Bank, such as postpone loan installments for affected individuals & sectors, enhance liquidity and launch many social protection programs had a major role in avoiding national economy the most difficult part of Covid-19 pandemic repercussions. These measures strengthened the ability of the Jordanian economy to resume positive growth in 2021 as the economy recorded a growth rate of (2%), which indicated a less severe impact of the Covid-19 pandemic repercussions on the economy. In addition, many of the main economic indicators achieved positive performance in 2021. As for growth expectations for 2022, it indicated an increase in economic growth to (2.7%) driven by continued improvement of external sector indicators, domestic demand and the continuation of the process of structural economic reforms. Inflation rate increased to record (1.4%) during 2021, since the impact of the global inflationary wave that the world had witnessed during 2021 was limited to domestic prices and it came much less than expected, thanks to the many measures taken by the government. Perhaps the most distinguished measure was adoption of price caps for transporting cost of imported goods; for the purposes of calculating taxes and customs duties until end of 2021. Also the prohibition on exporting basic foodstuffs, thereby giving priority to domestic market, as well as fixing prices until the end of 2021. With regard to expectations during 2022, inflation rates were expected to remain within moderate levels & consistent with the pace of recovery in economic activity, but they will witness an increase in the light of the rise in oil & food prices in global markets to reach (2.5%).



**Chapter Two**  
**Developments of Domestic Economic Sectors**

## Gross Domestic Product

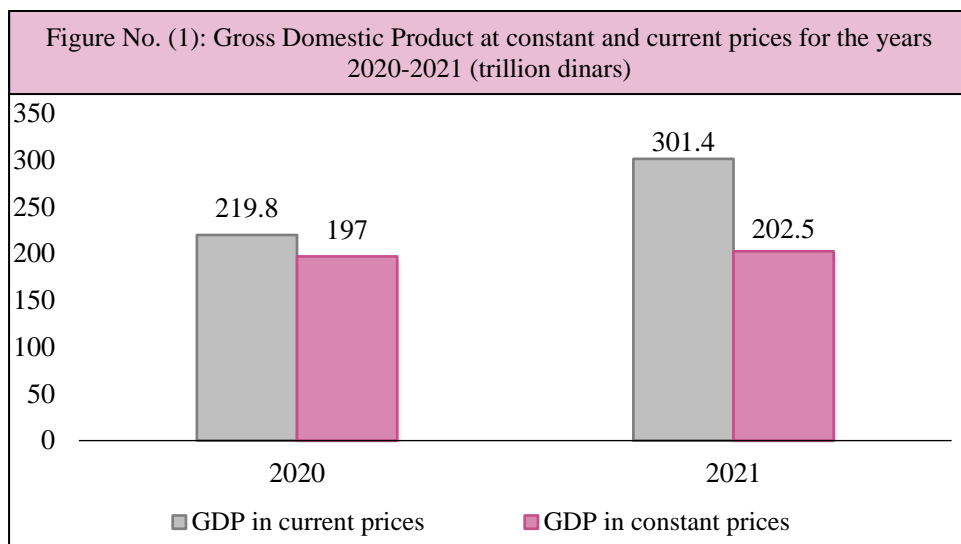
### First: Gross Domestic Product for 2021

In 2021, the Iraqi economy recorded an improvement with lifting restrictions, increases of monthly quotas for (OPEC+) decisions and recovery of global crude oil prices due to the increase in global demand compared to 2020. As the decrease in infections of COVID-19 pandemic due to the increase in vaccination rate, the rise in global crude oil prices and (OPEC+) decisions had positively affected GDP, whether at current or constant prices.

The above mentioned was detailed below:

#### **Preliminary estimates of GDP indicators in Iraq for 2021 indicated:**

- An increase in the value of GDP with oil at constant prices for the year 2021 by (2.8%) after deducting the service fee calculated in comparison to the previous year, to record (202.5) trillion dinars compared to (197) trillion dinars in 2020, due to the growth of (manufacturing industries, electricity ,water, Transport, communications and storage, wholesale and retail trade, hotels and the like, social and personal development services) at rates of (3.3%, 18.3%, 22.8%, 24.8%, 12%), respectively. The added value of GDP, excluding oil, increased by (7.8%), to reach (87) trillion dinars in 2021, compared to (80.7) trillion dinars in 2020. This is attributed to the growth of manufacturing activities, electricity and water, transportation and storage, Wholesale and retail trade, hotels and the like, social and personal development services as set out in **Appendix to Table No. (1)**.
- The value of GDP with oil at current prices for the year 2021 increased by (37.2%) compared to the previous year, to record (301.4) trillion dinars in 2021 compared to (219.8) trillion dinars in 2020. This is due to the increase in crude oil activity by (117.4%).
- The value added to the gross domestic product, excluding oil, also increased by (4.7%). This is due to the growth of (manufacturing industries, electricity and water, transportation and storage, wholesale and retail trade, hotels and the like) at rates (4.1%, 4%, 30.8 %, and 32.7%) as shown in **Appendix Table No. (2)**.
- Per capita gross domestic product increased at current prices to reach (7.3) million dinars in 2021 compared to (5.5) million dinars in the previous year, i.e. an increase of (32.7%), as shown in **Table No. (1)**.



**Table No. (1) Gross Domestic Product at Constant and Current Prices and Average Per Capita for (2020-2021)**

Details	2020	2021	Growth rate %
GDP at constant prices (trillion dinars) (100=2007)	197	202.5	2.8
GDP at current prices (trillion dinars)	219.8	301.4	37.2
Average per capita at current prices (million dinars)	5.5	7.3	32.7

- Ministry of Planning/ Central Organization for Statistics

The relative importance of the activity of the crude oil sector at constant prices reached (56.5%) in 2021 compared to (59.0%) in 2020, and this percentage is the highest compared to other sectors, while the relative importance of other (non-oil) sectors amounted to (43.5%) of the GDP at constant prices in 2021 compared to (41.0%) in the previous year, which explains the slight decrease in the rents of the Iraqi economy as shown in **Table No. (2)**.

**Table No. (2) Relative Contribution of Gross Domestic Product at Constant Prices for Oil Sector & Other Sectors for (2020-2021)**

Sectors	2020	2021
Contribution of the oil sector to GDP (%)	59.0	56.5
Contribution of the non-oil sector to GDP (%)	41.0	43.5
Total	100	100

- Source: Ministry of Planning / Central Statistical Organization.



## Second: Gross Domestic Product at constant and current prices according to the total main activities (commodity, distribution and services) as follows:

### 1-Gross Domestic Product at constant prices for the main activities (commodity, distribution and services)

**Commodity activities** at constant prices in 2021 recorded a decrease of (-2.3%), to reach (134,194.1) billion dinars, compared to (137,318.1) billion dinars in the previous year. This is attributed to the decrease in value added growth in each of the (agriculture, forestry and hunting, mining and quarrying, building and construction) sectors, at negative rates of (17.5%, 0.7%, and 16.1%), respectively.

**Distributive activities** recorded an increase by (23.1%) to reach (39,982.1) billion dinars, compared to (32,479.1) billion dinars in the previous year. This is due to the increase in the added value in each of (transportation and storage, wholesale and retail trade, hotels and the like) sectors, in addition to the banking and insurance sector, at rates of (22.8%, 24.8%, and 15.6%), respectively.

**Service activities** recorded an increase of (4.9%) from the previous year, to reach (30,285.1) billion dinars, compared to (28,859.4) billion dinars in 2020. Thus, commodity activities rank first in terms of relative importance to the GDP, with a rate of (65.6%), followed by distributive activities with a rate of (19.6%), and then service activities with a rate of (14.8%), as shown in **Table No. (3)**.

#### Box 1

The Iraqi economy gradually emerged from the deep recession caused by the COVID-19 pandemic and the collapse of oil prices in 2020, as high oil revenues pushed Iraq's overall fiscal and external balances into surplus in 2021. The shift in oil markets has led to a significant improvement in Iraq's economic outlook in the medium term, and the Unemployment rates in Iraq recorded (16.5%) in 2021. Underemployment, in general, affected workers of working age, as its impact was on men by (73.1%) more than women (26.9%), and its impact on those (aged 25 years and over) was clear with a rate of (58.4%) and on youth (aged 15-15). 24 years) with a rate of (41.6%). The financial, social and economic fragility in Iraq confirms the urgent need for large-scale structural reforms from the new government. In contrast, the current food security challenges in Iraq have intensified with the recent rise in global commodity prices.

To bridge the food supply gap, Iraq has become increasingly dependent on imports for more than half of its food consumption, which has increased the country's vulnerability to global food price and supply shocks. In addition, subsidies and direct transfers, including new measures recently announced by the Iraqi government, mitigate part of the impact of rising global prices in the short term. However, achieving food security requires concerted efforts to improve local production, including increasing the efficiency of irrigation water, reducing soil degradation and rehabilitation, improving land management, implementing climate change adaptation and mitigation measures, and adopting climate-smart agriculture.

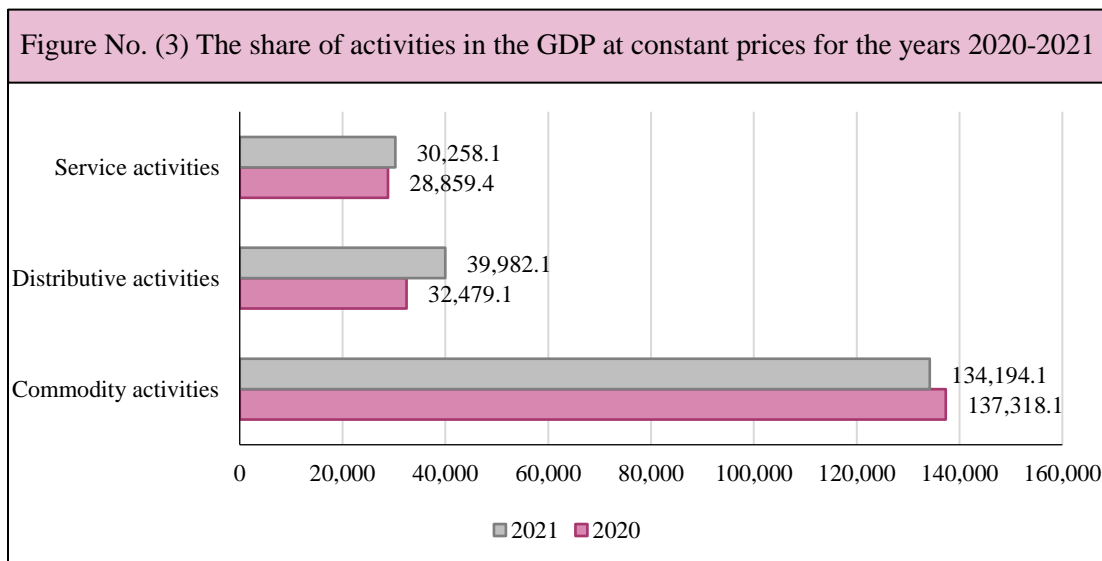
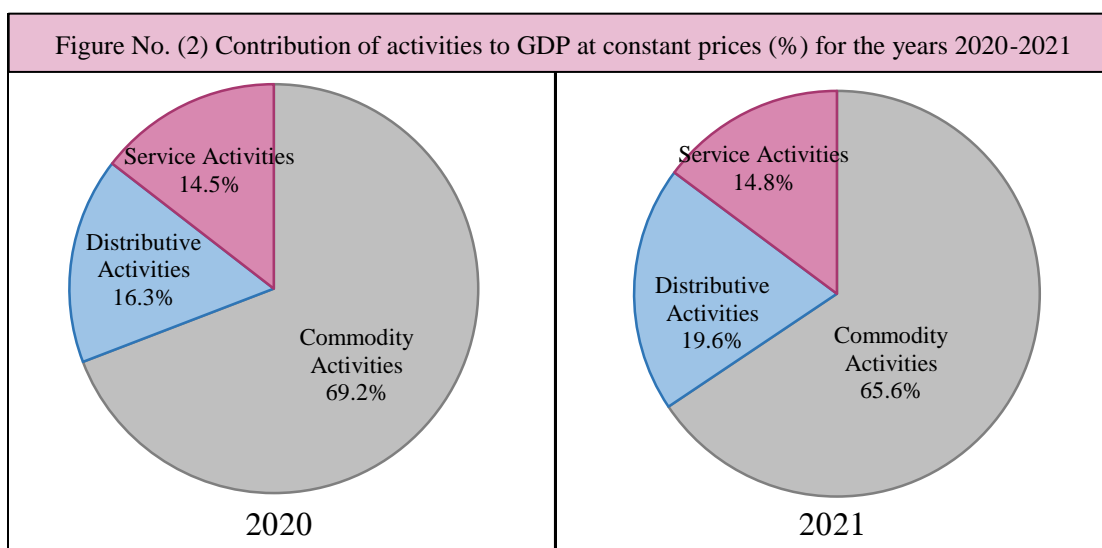
**Table No. (3) Relative Contribution in the Growth of Domestic Product for Main Activities at Initial Constant Prices for (2020-2021) (2007=100)**

Activities	2020	2021	Growth rate %
Commodity activities	137,318.1	134,194.1	-2.3
Contribution to GDP (%)	69.1	65.6	
Distributive activities	32,479.1	39,982.1	23.1
Contribution to GDP (%)	16.3	19.6	
Service activities	28,859.4	30,285.1	4.9
Contribution to GDP (%)	14.5	14.8	
GDP by activities	198,656.6	204,461.4	2.9

(billion dinars)

Ministry of Planning/ Central Organization of Statistics.

\* Quarterly preliminary estimates.



## 2- Gross Domestic Product at current prices for the main activities (commodity, distribution and services)

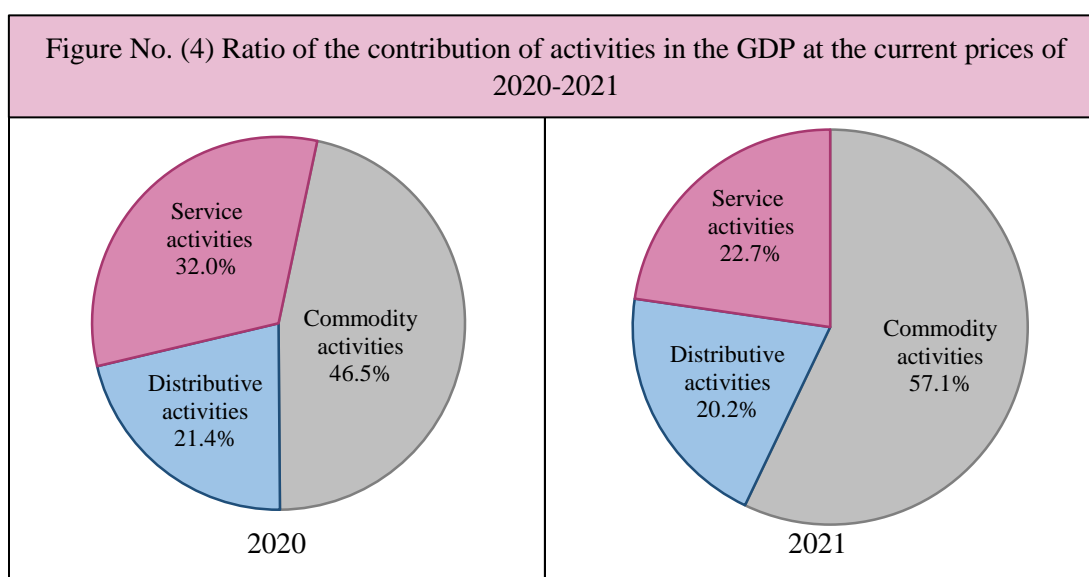
Commodity activities at current prices for the year 2021 recorded an increase of (67.8%), with a contribution rate of (57.1%), to reach (174,178.2) billion dinars, compared to (103,804.5) billion dinars for the year 2020, and this is due to the increase in the mining and quarries sector, the manufacturing sector and the electricity and water sector at rates of (116.8%, 4.1%, and 4%), respectively.

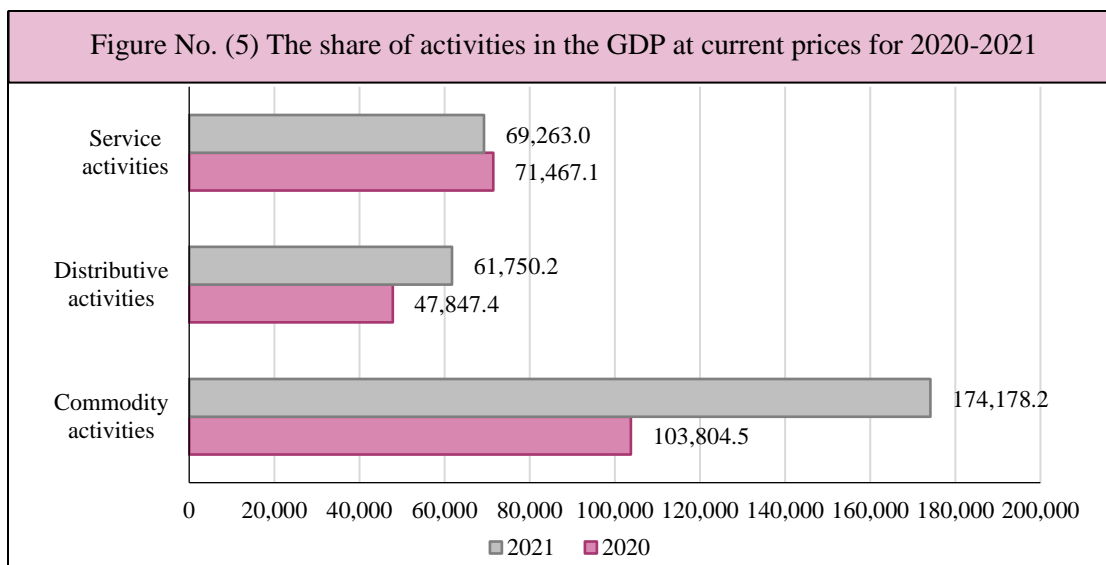
Distribution activities at current prices increased by (29.1%), with a contribution rate of (20.2%), reaching (61,750.2) billion dinars, compared to (47,847.4) billion dinars for the previous year. Service activities recorded a decrease during this year by (3.1%), with a contribution rate of (22.7%), to reach (69,263) billion dinars, compared to (71,467.1) billion dinars in 2020, as shown in **table No. (4)**.

**Table No. (4) Relative Contribution in the Growth of Domestic Product for Main Activities at Current Prices for (2020-2021)**

Activities	2020	2021	Growth rate (%)
Commodity activities	103,804.5	174,178.2	67.8
Contribution to GDP (%)	46.5	57.1	
Distributive activities	47,847.4	61,750.2	29.1
Contribution to GDP (%)	21.4	20.2	
Service activities	71,467.1	69,263	-3.1
Contribution to GDP (%)	32	22.7	
GDP by activities	223,119	305,191.4	36.8

- Ministry of Planning/ Central Organization for Statistics
- \*Initial quarterly estimates.





### Third: Contribution of Main Activities to the Formation of GDP at Constant Prices

#### 1- Agriculture, Forests, Hunting and Fishing Activities

In 2021, the value added of the activity of this sector recorded a decrease of (-17.48%) to record IQD (7,854.9) billion against IQD (9,518.6) billion of the previous year due to the decrease in agricultural production, as the production of (wheat & barley) had recorded a decrease of (-32.1%, -84.8%) respectively, compared to the previous year 2020. This decrease was attributed to the lack of rain during the season and the shrinkage of surface water coming from neighboring countries. As well as the dumping policy pursued by neighboring countries, which contributed to the weak competitiveness of the domestic product, in addition to the incapability of provisioning fertilizers by the Ministry of Agriculture due to lack of financial allocations for this ministry. On the other hand, the recede in the cultivated area of these two crops was (4.2%) compared to the previous year made a clear impact on the low production of wheat & barley this year. The average dunum yield for the wheat crop recorded a decrease of (-38.5%) to record (447.3) kg/dunum in 2021 against (727.6) kg/dunum in 2020 due to the decrease in the volume of production by (32.1%) in 2021.

While, the average dunum yield of barley crop decreased from (387.8) kg/dunum in 2020 to (86.2) kg/dunum in 2021 by a rate of (-77.8%) due to the decrease in the cultivated area of t barley crop by (-31.7%), as shown in **Table No. (5)**.

**Table No. (5): Agricultural Production, Cultivated Areas and Productivity per dunum in Iraq for (2020-2021)**

	Cultivated Area (1000) dunum			Production (1000) ton			Average Yield of 1 dunum (kg/dunum)		
	***2020	***2021	Change (%)	***2020	***2021	Change (%)	***2020	***2021	Change (%)
Wheat	8,574	9,464	10.4	6,238	4,234	-32.1	727.6	447.3	-38.5
Barley	4,528	3,092	-31.7	1,756	267	-84.8	387.8	86.2	-77.8
Total	13,102	12,556	-4.2	7,994	4,501	-43.7	1,115.4	533.5	-52.2

- Ministry of Planning/ National Organization for Statistics

\*\*\* except for Kurdistan region and some villages in governorates of: Nineveh, Kirkuk, Diyala, Anbar, and Saladin.

## 2- Mining & Quarry Sector Activity

In 2021, value added of the activity of this sector recorded a decrease of (-0.72%) to record IQD (115,562.4) billion against IQD (116,399.5) billion of the previous year, mainly due to the decrease in **crude oil activity** by (-0.70%) during this year to record IQD (115,424.9) billion against IQD (116,242.7) billion in 2020. \*\* This came because of the reduction in quantities of oil production set within the framework of the OPEC+ agreement, as well as adopted isolation procedures in the world that affected the global demand for energy compared to the previous year. While **other types of mining** recorded a decrease of (-12.3%) compared to the previous year. As for the contribution rate of this sector, it ranked first with a contribution rate of (56.52%) of GDP as a result of the Iraqi economy's dependence mainly on crude oil, which constituted (56.45%) of GDP.

## 3- Manufacturing Activity

The value added at constant prices of this sector witnessed an increase of (3.3%) compared to the previous year to record IQD (2,390) billion in 2021 against IQD (2,313) billion in 2020 due to producing new sterilization and disinfection products to combat COVID-19 pandemic. Ministry of Industry & Minerals adopted the rehabilitation and operation plan with which made many achievements including opening & operation of waste tire recycling factory in Diwanayah and the asphalt products factories in governorates of: Diyala, Kirkuk, Maysan and Nineveh. As well as the establishment of a pilot unit to produce sterilizers, the installation of a unit for the production of pure & highly concentrated hydrochloric acid and maintenance & rehabilitation of the sulfuric acid factory. In addition to the reconstruction, rehabilitation, delivery and operation of factories belonged to the Iraqi General Cement Company.

#### 4- Electricity & water Activity

In 2021, the value added of the activity of electricity sector at constant prices recorded an increase of (18.3%) compared to the previous year, as the value added amounted IQD (2,613.9) billion against IQD (2,208.8) billion in 2020. Still it recorded a small contribution rate to GDP amounted (1.3%). The increase in the value added was due to the increase of electric energy production by (1.6%), against the increase in demand by (7.6%), the matter that led to an increase in deficit of electric energy by (29%) **Table No.6.**

**Table No. (6): Average of Output & Demand for Electric Energy for (2020-2021)**  
(MW)

Statement	2020	2021	Change Rate %
Energy Production	14,139.0	14,361	1.6
Energy Demand	18,159.9	19,548	7.6
Deficit	-4,020.9	-5,188	29

**Source: Ministry of Electricity**

- In 2021, the import rate of electric energy recorded an increase by (0.6%) compared to 2020 to record (53,416.3) megawatt-hours against (53,091.3) megawatt-hours of the previous year, as shown in **Table No. (7).**

- The production capacity of domestic investment lines recorded an increase of (8.2%) compared to the previous year to reach (46,428.5) megawatt-hours in 2021 against (42,904.8) megawatt-hours in 2020.

**Table No. (7): Imported Electric Energy & Domestic Investment Lines for (2020-2021)**  
(MW)

Statement	2020	2021	Change rate (%)
Iranian Line	10,186.5	69,87.8	-31.4
Investment Line	42,904.8	46,428.5	8.2
Total	53,091.3	53,416.3	0.6

**Source: Ministry of Electricity**

#### 5- Building & Construction Activity

In 2021, building and construction sector at constant prices recorded a significant decrease by (-16.07%) compared to 2020, as the value added recorded IQD (5,773) billion against IQD (6,878.2) billion of the previous year due to the rise in the prices of construction materials in general, especially the imported ones. In addition to the continued restrictions imposed by the authorities to limit COVID-19 pandemic during the early months of the year, as well as the prolonged process to approve the general budget in 2021 by nearly three months. This sector contributed by (2.8%) of the total gross domestic product.

## **6- Transportation & Storage Activity**

Transportation sector witnessed an increase in its annual growth rate at constant prices during this year by (22.8%) compared to the previous year, as the value added recorded IQD (18,769.4) billion against IQD (15,278.8) billion in 2020. This rise was attributed to the easing of isolation restrictions that the world witnessed during 2021, which were imposed during COVID-19 pandemic. This sector contributed by (9.2%) to total gross domestic product.

## **7- Hotels, wholesale and retail trade activity**

The activity of this sector at constant prices recorded an increase of (24.8%) this year compared to the previous year with a contribution rate of (8.8%), as the value added reached IQD (18,075.2) billion against IQD (14,486.5) billion in 2020. This rise was attributed to the easing of the isolation restrictions that the world witnessed during 2021, which were imposed during the COVID-19 pandemic, and then activity resumption of hotels and the like to their pre-COVID-19 activity levels.

## **8-Capital, Insurance Activity and Real Estate Services**

The activity of this sector at constant prices during this year recorded a decrease by (-3.8%) compared to 2020 with a contribution rate of (5.7%), as the value added reached IQD (11,743.1) billion against IQD (12,208.4) billion of the previous year. This decrease was due to the decline in real estate purchasing activity by (-9.4%) (as a consequence of COVID-19 pandemic). It constituted (73.3%) of total activity of capital, insurance and real estate services, despite the rise in banking and insurance activity by (15.6%) as Al-Rafidain Bank continued to finance medium & small enterprises, as well as banking facilities to support investment and commercial projects.

## **9- Activity of Social & Personal Development Services**

This sector witnessed an increase of (12%) this year compared to 2020, as the value added recorded IQD (21,679.6) billion in 2021 against IQD (19,364.7) billion of the previous year. This increase was attributed to the rise in general government activity by (16.9%) as a result of the increase in oil revenues due to high demand for oil and the decrease in personal services activity by (-2.4%). This sector ranked second in terms of its contribution to GDP, which recorded (10.6%) of total GDP at constant prices.



**Chapter Three**  
**Monetary and Banking Developments**



## Monetary Developments

### First: Developments of Money Supply

#### 1. Monetary Basis (M0)

Balance of money base recorded an increase of (23.9%) to reach an amount of IQD (110.1) trillion in 2021 against IQD (88.9) trillion in 2020. This increase was attributed to the increase in issued cash by (16%) due to the increase in public expenditure, under approval of the budget, and the increase of provisions of CBI's initiatives.

#### 2. Narrow Money Supply (M1)

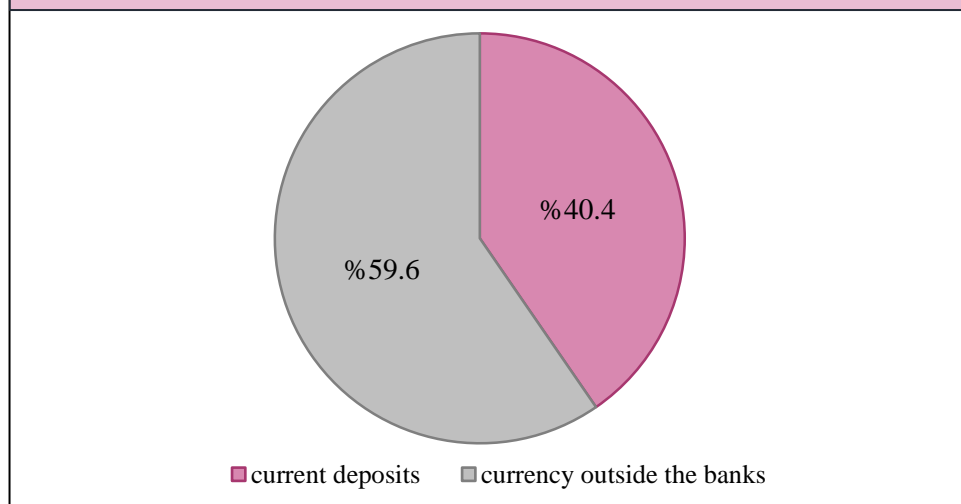
Narrow Money supply (M1) recorded an increase of (16.1%) at the end of 2021 compared to 2020; to reach IQD (119.9) trillion against IQD (103.4) trillion in 2020.

This increase was mainly attributed to growth of currency outside banks by (19.2%) to record IQD (71.5%) trillion against IQD (60) trillion in 2020; it constituted (59.6%) of money supply (M1). While current deposits recorded an increase of (11.6%) to reach IQD (48.4) trillion against IQD (43.4) trillion in 2020; it constituted (40.4%) of money supply (M1), as shown in **Table No. (8)**. By analyzing the structure of narrow money supply (M1), it was noticed that the currency outside banks still constituted high contribution rate due to the lack of development of the banking system in such a way that facilitate domestic monetary transactions.

**Table No. (8): Narrow Money Supply (M1) for 2020-2021**

Components	Dec. 2020	Dec. 2021
Narrow Money Supply (M1)	103,353	119,944
Growth Rate %	19.1	16.1
Current Deposits	43,366	48,418
Rate of Current Deposits to Narrow Money Supply M1 %	42	40.4
Currency Outside Banks	59,987.1	71,526.1
Rate of Currency Outside Banks to Narrow Money Supply M1 %	58	59.6

Figure No. (6): Contribution of Current Deposits &amp; Currency Outside Banks to Narrow Money Supply (M1) for 2021



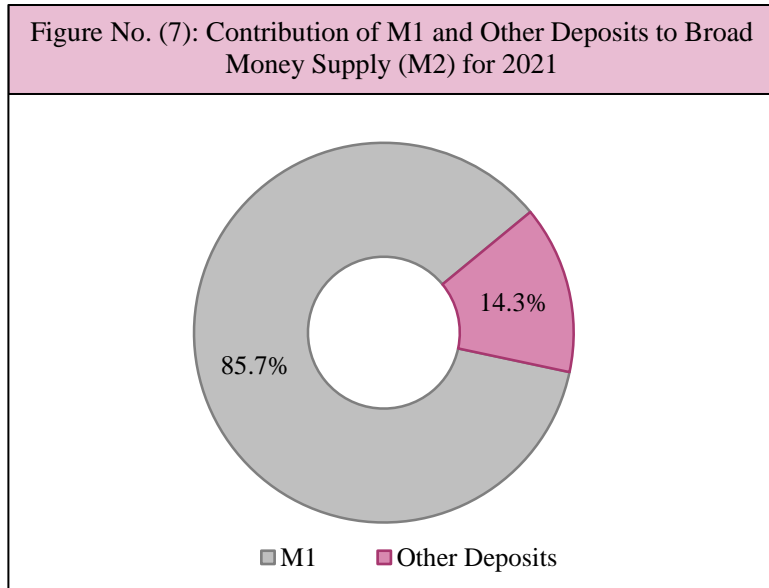
### 3. Broad Money Supply M2

At the end of 2021, broad money supply (M2) (domestic liquidity) recorded an increase of (16.7%) of the previous year (2020) to record IQD (139.9) trillion against IQD (119.9) trillion in 2020; it constituted (46.4%) of GDP at current prices, as shown in **Table No. (9)**.

**Table No. (9): Components of Domestic Liquidity (M2) for (2020-2021)**

Components	(IQD billion)	
	Dec. 20	Dec. 21
Narrow Money Supply M1	103,353	119,944
Other Deposits	16,553	19,942
Broad Money Supply M2	119,906	139,886

The increase in domestic liquidity (M2) came as a result of the growth of the narrow money supply (M1) by (16.1%) and the increase in other deposits (fixed, saving, and postal deposits & insurance) by (20.5%) to record IQD (19.9) trillion in 2021 against IQD (16.6) trillion in 2020. It was noted that other deposits still constituted low percentages that reached (14.3%) of total (M2) in 2021 against (13.8%) in 2020. This increase of contribution percentage was attributed to the fact that public`s confidence in the banking sector tended towards improvement after reaching high rates of salaries domiciliation.



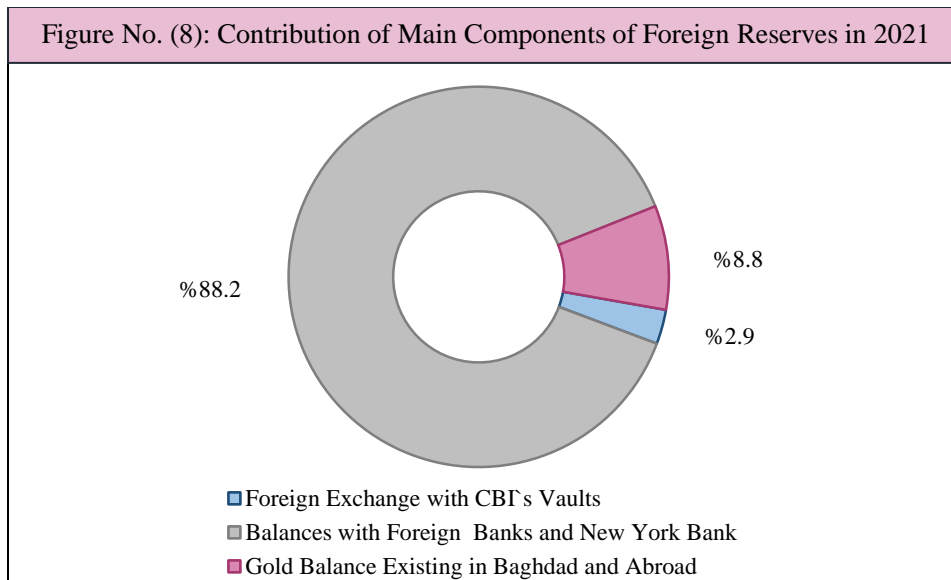
#### 4. Foreign Reserves with the Central Bank of Iraq

At the end of 2021, foreign reserves balance recorded an increase of (18.2%) of the previous year to reach IQD (92.5) trillion against IQD (78.3) trillion at the end of 2020, as shown in **Table No. (10)**.

This increase was mainly due to the increase of balances with foreign banks and New York Bank by (25.8%) to reach IQD (81.6) trillion in 2021 against IQD (64.9) trillion for the previous year. Despite the market value decrease of gold balance existing in Baghdad and abroad by (-3.7%), which amounted approximately to IQD (8.2) trillion at the end of 2021 against IQD (8.5) trillion at the end of 2020. In addition, the decrease of foreign exchange balance with central bank vaults by (44.4%) to record IQD (2.7) trillion in 2021 against IQD (4.9) trillion in 2020.

**Table No. (10): Main Components of Foreign Reserves for 2020-2021**

Components	(IQD billion)	
	2020	2021
Foreign Exchange with CBI's Vaults	4,887	2,719
Balances with Foreign Banks and New York Bank	64,919	81,639
Gold Balance Existing in Baghdad and Abroad	8,487	8,169
<b>Foreign Reserves</b>	<b>78,293</b>	<b>92,527</b>



## Second: Developments of Indirect Policy Instruments

### 1. Foreign Currency Selling Window

In 2021, sold amounts of US\$ through foreign currency selling window with the Central Bank (cash, enhancement of bank`s accounts abroad) recorded a decrease of (-15.8%) compared to 2020 to reach US\$ (37.1) billion against US\$ (44.1) billion. This decrease was due to a decrease of Iraq`s imports by (15.4%) because of the persistent crisis it was exposed to; represented by the spread of the pandemic and the restrictions on supply chains that the world witnessed due to the pandemic on the one side.

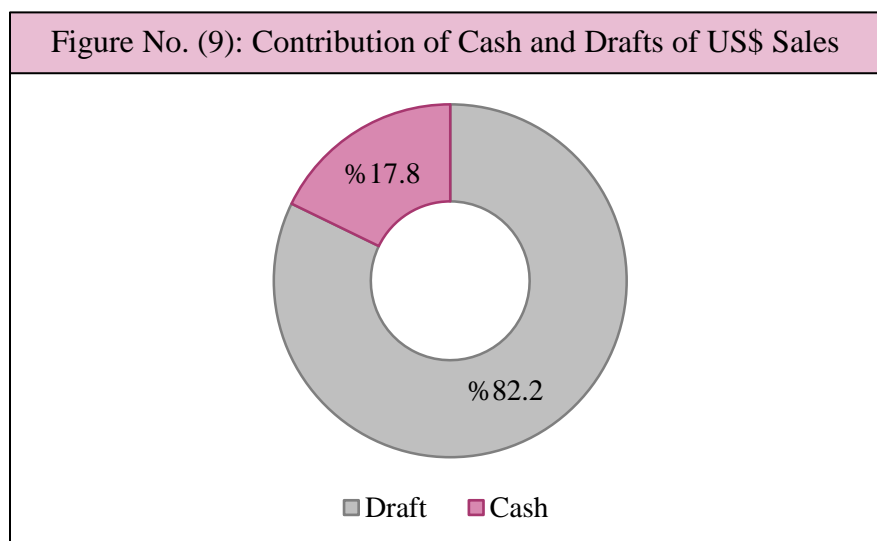
Also the change of exchange rate, which led to a rise of prices imported goods. In addition to the rise of global commodity prices on the other side. However, cash sales increased by (96.5%) in 2021 because of the increased demand from individuals for the purposes of travel or treatment abroad, after the gradual increase in transportation between countries during this year.

CBI`s sales of foreign currency were distributed to US\$ (30.5) billion to enhance banks` balances abroad and US\$ (6.6) billion in cash. As sales of drafts to enhance balances abroad accounted for (82.2%) and cash sales (17.8%) of total sold amounts, while enhancement of balances abroad and cash accounted for (92.4%) and (7.6%), respectively, of total sales in 2020. As for the Central Bank`s purchases of US\$ from the Ministry of Finance, it recorded an increase of (49.7%) to reach US\$ (46) billion during 2021 compared to US\$ (30.7) billion in 2020. This increase was due to high government revenues from crude oil as a result of the increase in oil prices at global markets by (59.5%); as the world witnessed increased energy demand on one side.

On the other side, it was because of the approval of the state's general budget and the associated increase in public spending.

**Table No. (11): Sold and Purchased Amounts of US\$ Through Foreign Currency Selling Window (Cash, Enhancement of Balances Abroad) for (2020-2021)**

	(US\$ billion)				
	Cash	Drafts	Sales	Purchases	Gap
2020	3.4	40.7	44.1	30.7	-13.4
2021	6.6	30.5	37.1	46	8.9
Growth rate (%)	94.1	-25.1	-15.8	49.7	



## 2. Outstanding Facilities

During this year, the Central Bank of Iraq continued to adopt the monetary policy rate of (4%) annually, while operation with investment windows for (7) days and (30) days was suspended according to Board of Directors' decision No. 6/5/929 dated 6/14/2020 in order to provide liquidity to banks to counter the effects of Covid-19 crisis.

CBI suspended operation with all dollar financial products (deposits, transfers, Islamic deposit certificates) due to the weak response of banks in diversifying their investment portfolios in a way that achieves the desired goals for the mentioned period, with the continuation of the accrual processes for the principal amount with interest.

### As for the outstanding lending facilities

CBI continued operation with this instrument in implementation of its monetary policy objectives with the aim of granting credit to banks in a manner that guarantees control over banking liquidity and affecting it through interest rates (price signals) that were set for each type of them according to the following:

- Primary credit (6%) annually
- Secondary credit (7%) annually
- Last resort loan (7.5%) annually

None of the government or private banks applied for any of these credits during the year 2021.

### 3. Reserve Requirement

In line with the monetary policy directions and its high flexibility adopted to support the economic development process, reserve requirement ratio was restored to (15%) instead of (13%) for government and private current deposits, which were calculated in June 2021 after the improvement of the economic and social situation after Covid-19 crisis.

Reserve requirement recorded an increase of (19.8%) at the end of 2021 to reach IQD (11) trillion in 2021 against IQD (9.2) trillion at the end of 2020. This increase was due to the increase in reserve requirement on deposits with private banks by (33.6%) to record IQD (1.4) trillion against IQD (1.1) trillion in 2020 and the increase in reserve requirement on deposits with government banks by (18%) to record IQD (9.6) trillion, compared to IQD (8.1) trillion in 2020.

### Third: CBI Consolidated Budget

CBI's budget for 2021 showed an increase of its total assets (liabilities) by (18.7%) compared to 2020, as CBI assets (liabilities) at the end of the year reached IQD (151.5) trillion against IQD (127.6) trillion at the end of 2020, as shown in **Table No. (12)**.

#### Assets Side

Data of **Table No. (12)** indicated an increase of (foreign) assets by (18%) to reach IQD (93.1) trillion at the end of 2021 against IQD (78.9) trillion for the previous year; which represented the largest percentage of total assets at a rate of (61.4%).

Government debts (bonds, T-bills, loans and advances to government agencies) recorded an increase of (13.7%) of the previous year to reach IQD (48.5) trillion against IQD (42.7) trillion for the previous year. This increase was due to the

increase of (government bonds & T-bills) item by (14.1%) with a contribution rate of (96.7%) of total government debt in order to finance the budget deficit. In 2021, other assets grew by (65.7%) to reach IQD (9.9) trillion against IQD (6) trillion for the previous year.

### Liabilities Side

Monetary reserves had increased by (23.9%) compared to the previous year to reach IQD (110.1) trillion against IQD (88.9) trillion due to the growth of the currency outside banks because of the increase in public spending.

As for banks accounts with CBI in US\$, which include deposits in US\$ in addition to reserve requirement amounts imposed on deposits with banks in US\$, recorded an increase of (6.2%) against the previous year to reach IQD (6.3) trillion against (5.9) trillion. This increase was attributed to the change in exchange rate, which affected its valuation in IQD. While government deposits recorded a remarkable decrease of (-20.6%) to reach IQD (5.8) trillion against IQD (7.3) trillion because of health crisis that the world was exposed to, the matter that affected government revenues significantly and consequently affected its deposits.

As for foreign liabilities item, it decreased by (-22.6%). While (capital & reserves) item recorded an increase of (11%) compared to 2020.

**Table No. (12): CBI's Consolidated Budget for 2020-2021**

(IQD million, %)

Assets	2020	2021	Growth Rate
Foreign Assets	78,888,824	93,095,248	18
Government Debt	42,659,802	48,492,215	13.7
Government bonds & T-bills	41,100,386	46,925,021	14.2
Loans and Advances to Government Agencies	1,559,416	1,567,194	0.5
Loans and Advances to Commercial Banks	0	0	0
Other Assets	6,001,593	9,942,919	65.7
Liabilities	2020	2021	
Monetary reserves	88,861,792	110,137,166	23.9
Banking Facilities	0	0	0.0
Banks` Accounts with Central Bank in US\$	5,910,960	6,275,355	6.2
Government Deposits	7,325,246	5,817,218	-20.6
Foreign Liabilities	6,183	4,822	-22.0
Capital & Reserves	27,540,663	30,562,303	11.0
Other Liabilities	(2,094,625)	(1,266,482)	-39.5
<b>Total Assets or Liabilities</b>	<b>127,550,219</b>	<b>151,530,382</b>	<b>18.8</b>

## Banking Developments

Iraqi banking system witnessed many developments during this year. CBI had a major role in this development, as it is considered the responsible institution for regulating and monitoring banks operating in Iraq. During 2021, it took more measures that regulate banks operating and enhance their role in financing Economic activity.

The most important measures that the bank followed during this year:

1. Continue work on the electronic platform project that was launched on 18/10/2020, including apply electronic control on letters of guarantee for banks, as a bank was not allowed to open a letter of guarantee unless it was registered on the electronic platform.
2. Launch the unified electronic bond project for letters of guarantee, as to complete the automation of all required stages of letters of guarantee so that control becomes an electronic one instead of the traditional one.
3. Emphasize the installation of a device (a device that regulate cue of customers) for banks with the aim of improving their performance and prevent overcrowding of customers on cashiers, as well as emphasize banks to open a window to replace damaged domestic currency with advertisements that show the replacement mechanism.
4. Launch the scorecard of environmental, social and governance criteria on 26/5/2021; as this project strengthens control and supervision systems based on the best international practices in this field. In addition to cope with developments in the banking industry, as the adoption of this tool entails the following:
  - Provide an electronic database for the first time with the Central Bank of Iraq that shows the extent to which the banking sector met the requirements of the Institutional Governance Guide. As well as pursue best international practices related to disclosure, transparency, environmental and social aspects to achieve the sustainability of these banking institutions.
  - Provide information to international agencies and investment companies on the level of adherence to best practices in the banking sector inside Iraq and the relevant domestic authorities through Governance Report that the Central Bank of Iraq would prepare.
  - Classify and arrange banks operating in the Iraqi banking sector according to sound application, with an opportunity to improve the classification according to the gradual adoption of best practices.



5. Open subsidiary banking accounts within the bank account opened for this bank with (JP-Morgan Bank) for companies of electronic payment service providers who have major memberships from the international payment companies Visa and MasterCard. Namely, they are Al-Saqi for E-Payment Service Company, Al-Arab Payment Service Company, Iraq Electronic Gate for Financial Service Company, Ishtar Gate for E-Payment and Service Company and International Network for Card and Digital Payments Services.
6. Contracting with the Montran Company that provided the payment system in accordance with the specified timings enlisted within the plan of developing the real-time gross settlement system to operate (24) hours, seven days a week.
7. Expand the use of electronic payment tools and activate banking operation in universities for providing them with a payment gate to accept payment of amounts electronically from beneficiaries. The aim of the project was financial education, increasing the acceptance of electronic dealings, maximize revenues of banking operations for banks and companies, facilitate operation of banks and expand credits extended by banks.
8. Work with the German Agency for International Development (GIZ) to implement the financial inclusion project for the beginning of a new economic integration by improving financial inclusion in a sustainable manner and having access to comprehensive financial services for vulnerable target groups such as internally displaced persons and other communities, especially women and young entrepreneurs of micro and small businesses.
9. Accelerate the pace of banking services provided via mobile phone with the aim of expanding banking services and achieving financial inclusion through the CBI issuance of circulars to banks requiring them to apply (Mobile Banking), through which banks provided financial services via mobile phone.
10. Contracting with major international auditing firms to audit electronic payment service providers from the financial, technical and technological standpoint.

### **First: Structure of Banking System for 2021**

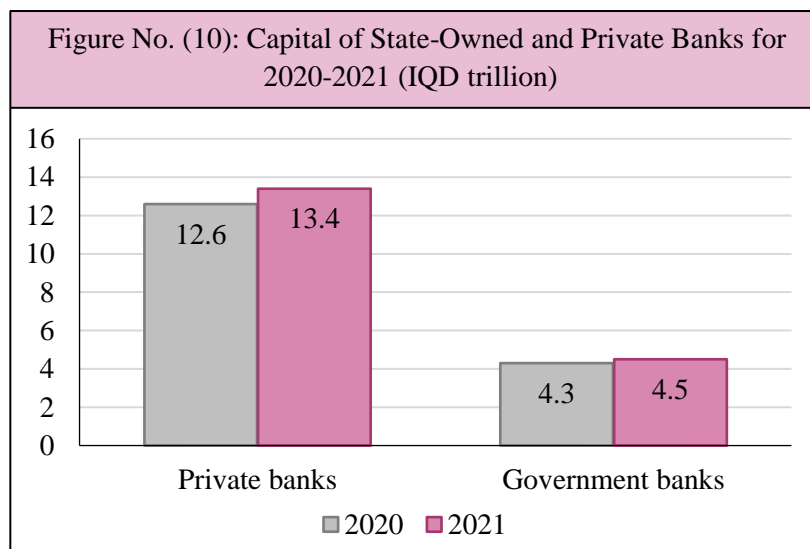
Number of commercial banks operating in Iraq at the end of 2021 reached (74) banks, distributed as the following:

- (7) State-owned banks, including (3) commercial banks, (3) specialized banks, and one Islamic bank.
- (67) Private banks, including (28) domestic Islamic banks, (25) domestic commercial banks, (12) foreign banks and (2) foreign Islamic banks.

## Second: Financial Position of the Banking System

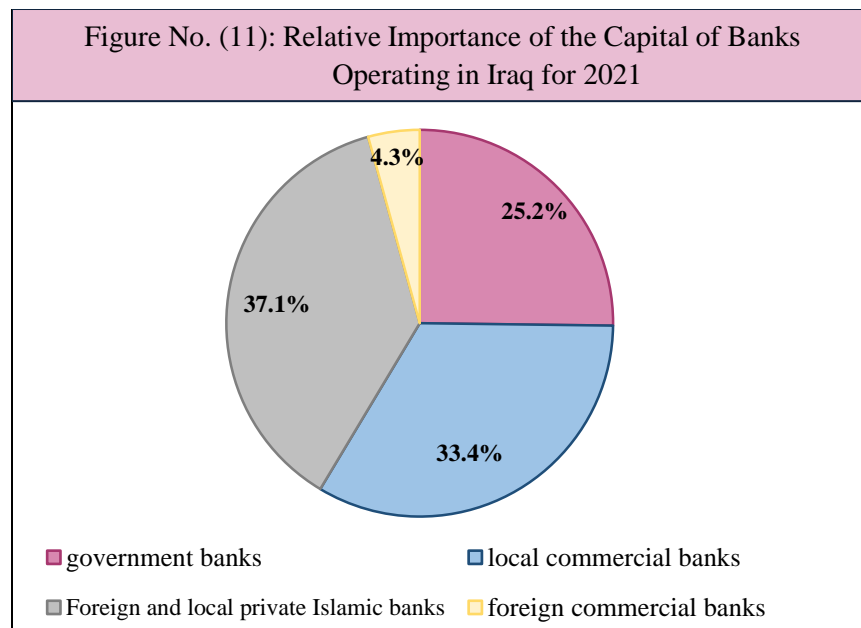
### 1. Banks' capital

Total capital of banks operating in Iraq during 2021 increased by (5.3%), to record an amount of IQD (17.8) trillion against IQD (16.9) trillion in 2020, in response to the decision of the Central Bank that obligated banks to increase their capital to IQD (250) billion.



The largest percentage was concentrated on the capital of private banks, which amounted IQD (13.4) trillion with a rate of (74.8%) of total capital operating in Iraq. Contribution of foreign commercial banks` capital amounted (4.3%) of total banks` capital, while contribution of Islamic banks` capital (foreign & domestic) with the exception of the governmental Islamic Bank of Al-Nahrain Bank amounted (37.1%). The contribution of domestic commercial banks` capital amounted (33.4%) of total banks` capital.

In 2021, capital of SOB banks (commercial and specialized banks) recorded an increase of (4.7%) compared to the previous year to reach IQD (4.3) trillion, against IQD (4.2) trillion in 2020. It constituted a contribution rate of (24.3%) of total capital of banks. This increase was attributed to the rise of banks` capital of both: Industrial Bank and Agricultural Bank.



## 2. Bank Deposits

At the end of 2021, total deposits with banks operating in Iraq increased by (13.2%) from their recorded level of 2020, as they amounted IQD (96.1) trillion against IQD (84.9) trillion in 2020 due to the improvement of economic conditions in 2021 compared to 2020.

### Analysis of the Structure of Total Deposits by Sector

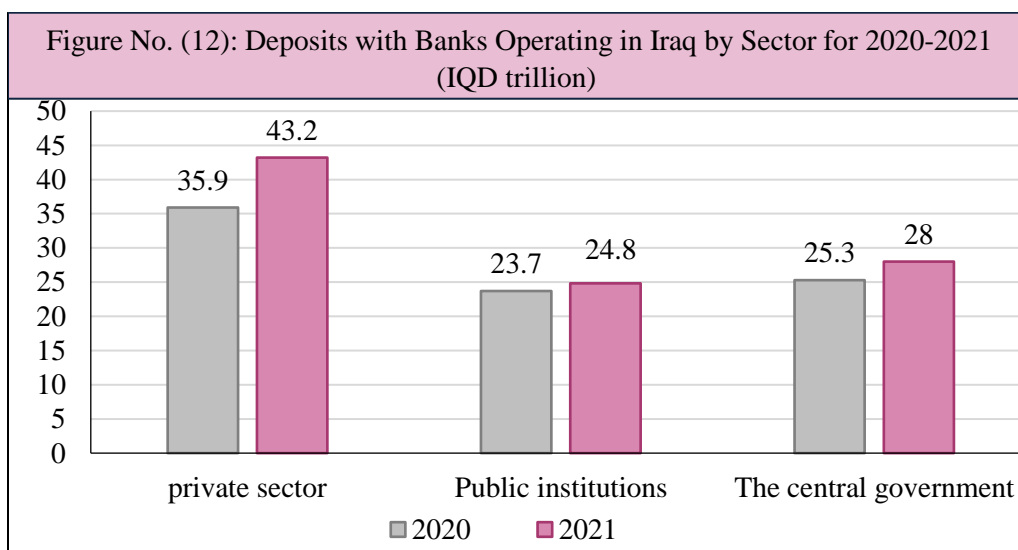
In 2021, balance of the private sector deposits recorded an increase of (20.3%) to rank first among other sectors regarding growth rates; it amounted IQD (43.2) trillion against IQD (35.9) trillion in 2020. This increase was attributed to the increase of current & savings deposits by (18.6%) & (22.3%), respectively; as each of them constituted (60%), (35.7%) of private sector total deposits. Fixed deposits grew by (30.3%) with a contribution rate of (4.3%).

Balance of deposits with public institutions sector recorded an increased growth rate of (4.6%) to reach IQD (24.8) trillion in 2021 against IQD (23.7) trillion in 2020 due to the increase of current deposits balance by (4.5%); as it was considered the main component of deposits balance with a contribution rate of (90.4%).

This increase was attributed to the improvement of oil companies' revenues because of the improvement in oil prices and the accompanying improvement in other institutions as a result of lifting of the ban and the improvement of health conditions, while both savings & fixed deposits increased by (1.2%) & (5.5%), respectively, as shown in appendix of **Table No. (9)**.

Balance of deposits with central government sector increased by (10.8%) compared to the previous year to reach IQD (28) trillion in 2021 against IQD (25.3) trillion for the previous year. This increase was due to the rise of balance of current & fixed deposits by (9.1%) & (17.2%), respectively, due to the improvement in government revenues because of the improvement in crude oil prices.

As for type of banks, State-owned banks still dominate total deposits. Its contribution rate amounted (87%) of total deposits, while the contribution rate of private banks` deposits reached (13%). It indicated weak public confidence in private banks that require increased efforts of CBI and banks to restore public confidence by increasing banking services; moreover, Central Bank had taken additional measures to raise level of performance of weak banks.

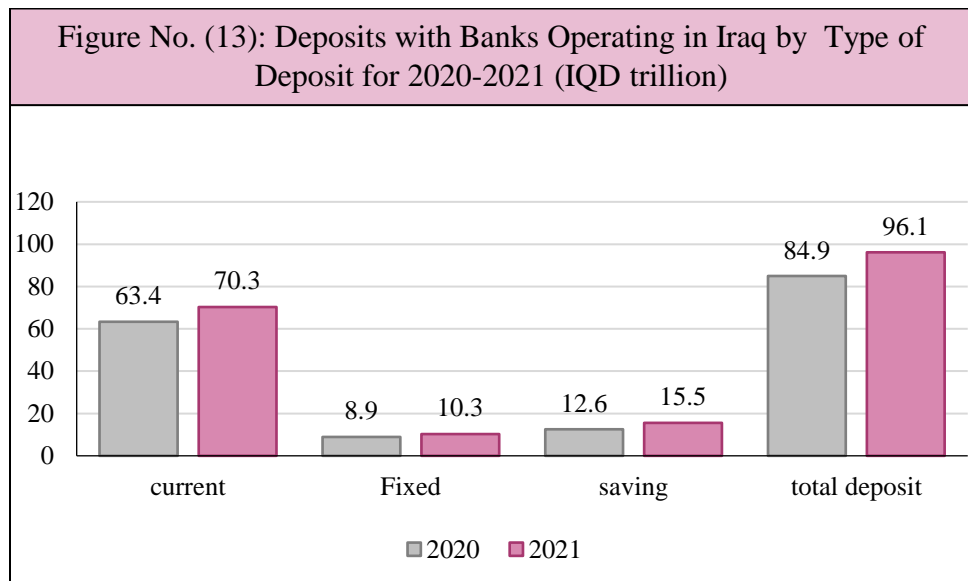


**Analysis of the Structure of Total Deposits by Type**

During the year 2021, savings deposits ranked first in terms of growth rates compared to other deposits; it recorded a growth of (22.2%) of the previous year to reach IQD (15.5) trillion against IQD (12.7) trillion for the year 2020. Followed by fixed deposits at the second rank with a rate of (16.4%), while current deposits recorded an increase of (10.9%) this year compared to 2020.

As for the contribution level, current deposits ranked first with a contribution rate of (73.1%) due to the increase of public sector deposits, which constituted (55%) of total deposits. In addition to the increase of private sector`s current deposits. Savings deposits ranked second with a contribution rate of (16.1%) due to the increase in savings with the private sector because of the increase in public confidence.

Fixed deposits ranked third with a contribution rate of (10.8%) due to the increase in the government sector. However, it was still low with the private sector as it still constituted (18%) of the total fixed deposits due to several factors, including low banking awareness.

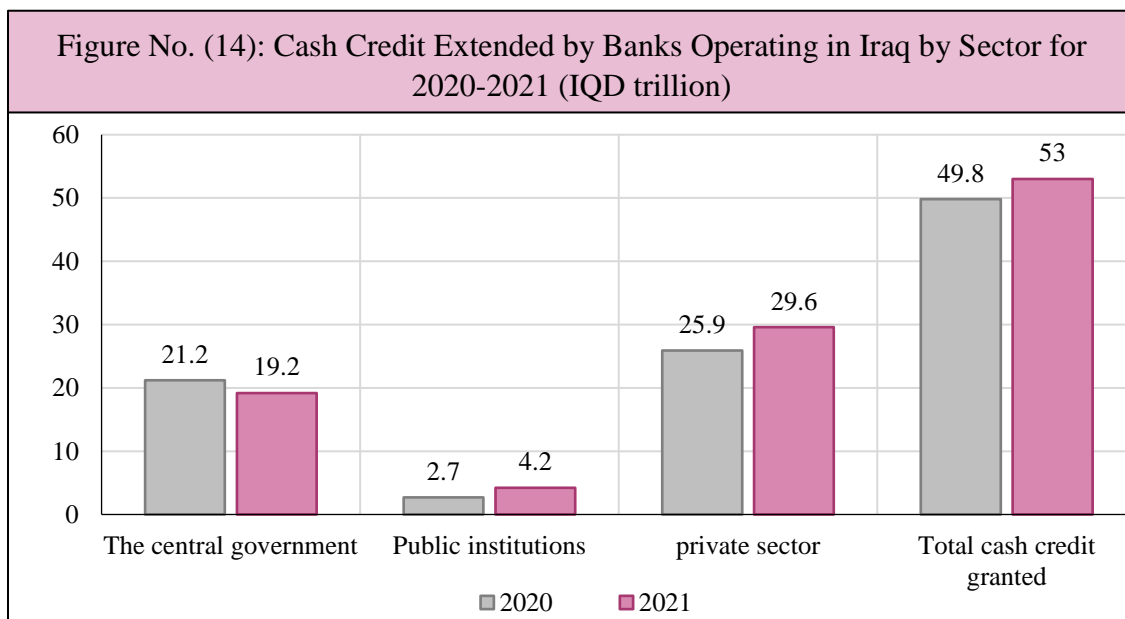


### 3. Bank Credit

At the end of 2021, balance of bank credit extended by banks operating in Iraq recorded an increase of (6.4%) of the previous year to reach IQD (53) trillion against IQD (49.8) trillion in 2020 to constitute (17.6%) of GDP at current prices.

#### Analysis of the Structure of Extended Credit by Borrower

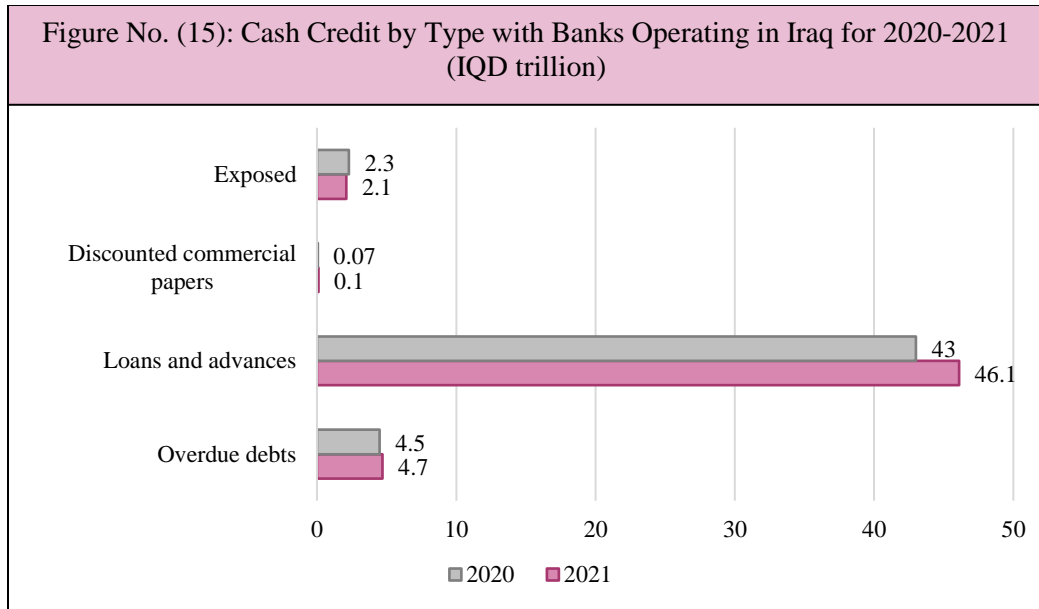
Balance of credit extended to private sector ranked first in terms of its contribution rate that amounted (55.8%) of total extended cash credit. As it increased by (14.3%) in 2021, while balance of extended credit to central government ranked second with a contribution rate of (36.3%) of cash credit balance, which decreased by (-9.5%) for this year compared to 2020. Balance of credit extended to public institutions ranked third to contribute (7.9%) of total extended cash credit, with a growth rate of (53.5%) for the previous year.



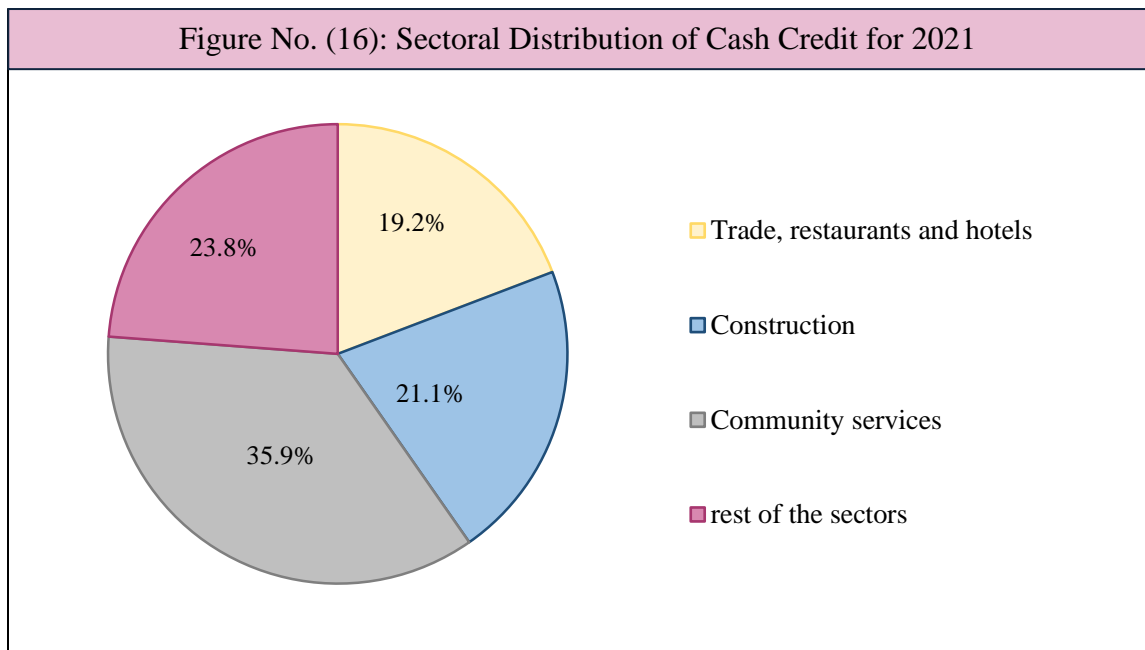
**Analysis of the structure of Total Extended Credit by Qualitative Classification**

In 2021, loans and advances item accounted for the majority of extended credit by banks operating in Iraq to record (87.1%) of total credit balance with a growth rate of (7.2%) as a result of its increase in both public institutions and the private sector by (57.4%) & (19.0%), respectively. Followed by overdue debts item with a contribution rate of (8.8%) of total credit balance and a growth rate of (4.9%) for the year 2020. This growth was attributed to the increase of private sector non-performing debts by (5%) despite its decrease in public institutions by (-1.4%) due to spillovers of COVID-19 pandemic and political conditions on the country and the private sector. While balance of overdrawn accounts contribution was (3.9%) of total extended credit balance; as balance of overdrawn accounts item creased by (-8.3%) due to its decrease in both public and private sectors. while the item of discounted commercial securities increased by (50.4%) with a contribution rate of (0.2%) due to its increase in both the central government and private sector, appendix of **Table No. (10)**.

As for the credit extended by type of a bank, State-owned banks occupied the largest percentage to constitute (84.1%) of total extended credit, while private banks occupied only (15.9%) due to the SOB` acquisition of salary domiciliation loans that facilitated the process of obtaining credit by individuals.

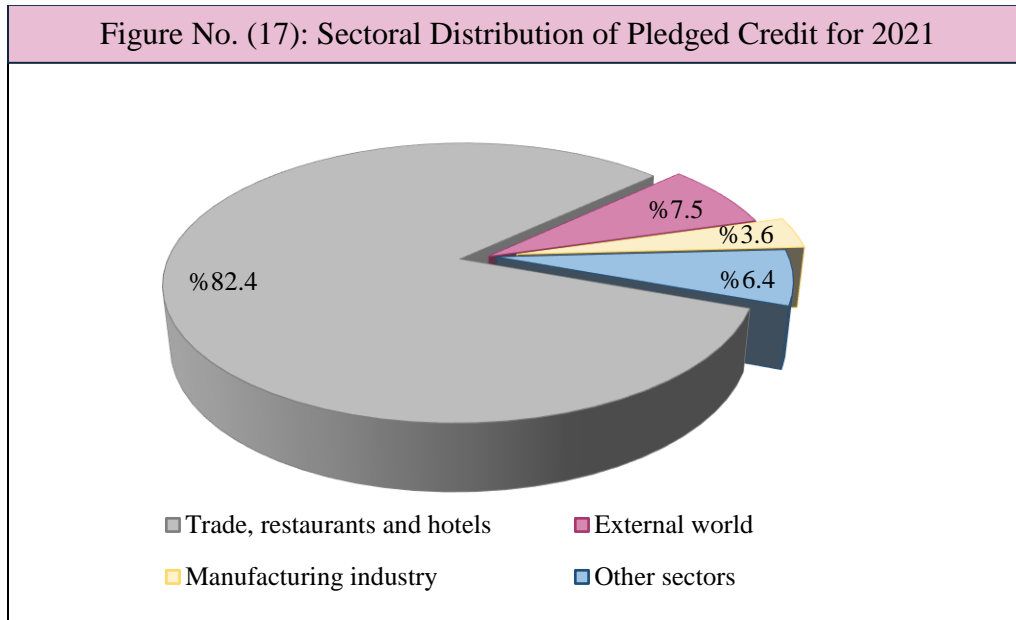


As for the sectoral distribution of extended credit balance of banks operating in Iraq, cash credit for 2021 recorded an increase of (6.3%) of the previous year to record IQD (53) trillion against IQD (49.8) trillion in 2020. Community services sector ranked first among total cash credit with a rate of (35.9%) followed by construction & building sector with a rate of (21.1%). The (trade, restaurants and hotels) sector ranked third with a rate of (19.2%), while other sectors recorded a rate of (23.8%) of total cash credit.



As regarding extended pledged credit by commercial banks operating in Iraq for 2021, it recorded an increase of (8.6%) of the previous year to reach IQD (27.6)

trillion against IQD (25.5) trillion in 2020. The (trade, restaurants and hotels) sector ranked first in terms of total extended pledged credit with a rate of (82.4%), followed by the external world sector with a rate of (7.5%). Manufacturing industry sector ranked third of total extended pledged credit with a rate of (3.6%). Other sectors recorded (6.4%) of total extended pledged credit, as shown in appendix of **Table No. (11)**.



### Third: Consolidated Budget of Commercial Banks Operating in Iraq

At the end of 2021, consolidated budget of commercial banks operating in Iraq showed an improvement in banking performance through assets (liabilities), as it grew by (15.6%) compared to the previous year, to reach IQD (143.3) trillion against IQD (124) trillion at the end of 2020 as shown in **Table No. (13)**. This increase was due to the increase in all components of assets side, except for cash on hand and government debt against the increase in all components of liabilities side.

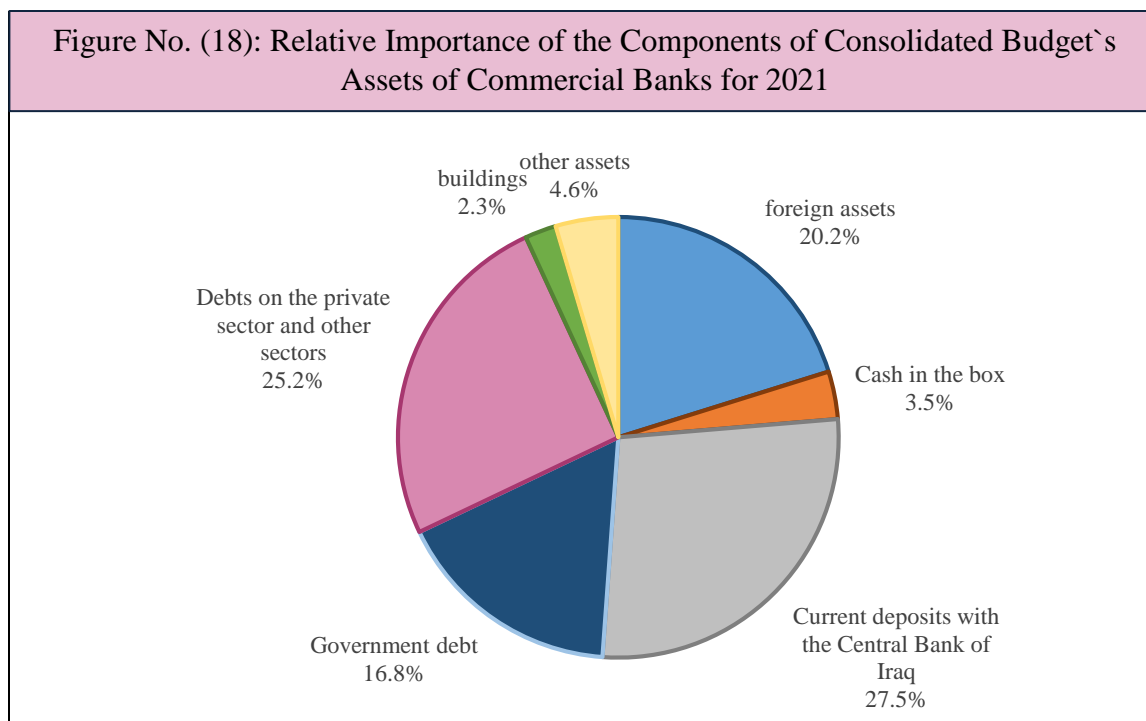
Below is an analysis of the most important developments Commercial Banks` budget 2021.

#### Assets Side

- Foreign assets side including (foreign investments of commercial banks & their debit balances with commercial banks outside Iraq + foreign exchange) recorded an increase of (8.4%) compared to the previous year. It reached IQD (28.9) trillion against IQD (26.7) trillion at the end of 2020 with a contribution amounted (20.2%) of total assets due to the change of exchange rate of Iraqi dinar at the end of 2020, which affected its calculation in Iraqi dinars.



- Cash on hand item that banks keep at their vaults to meet daily withdrawal requests and the rest of their various needs decreased by (-16.7%) to reach IQD (5.0) trillion against IQD (6.0) trillion in 2020, with a contribution rate of (3.5%) of the total the findings.
- Current deposits item with the CBI recorded an increase of (41.8%) to reach IQD (39.4) trillion against IQD (27.8) trillion at the end of 2020. It constituted a contribution rate of (27.5%) of total banks` assets because of restoring reserve requirement rate to (15%) instead of (13%) for current government & private deposits, which were calculated on June 2021 after the improvement of the economic & social situation that followed COVID-19 crisis.
- Government debt item declined by (5.4%) to reach IQD (24.1) trillion against IQD (25.5) trillion at the end of 2020 with a contribution rate of (16.8%) of total banks` asset due to the Central Bank`s re-discounting of T-Bills from banks.
- Debts item on private sector & other sectors increased by (16.5%) to reach IQD (36.0) trillion against IQD (30.9) trillion at the end of 2020 with a contribution rate of (25.2%) of total banks` assets. It came because of banks` expansion in extending loans and advances to the public, especially after the expansion of salary domiciliation project, which was considered as more guaranteed for banks, in addition to the expansion of CBI`s lending initiatives.
- An increase in buildings item, which is part of fixed assets of the banking sector with a rate of (7%) to record IQD (3.3) trillion against IQD (3.1) trillion at the end of 2020 and contributed (2.3%) of banks` total assets. It came as a result of the expansion of opening banks` branches with a rate of (1.5%) to reach (904) branches in 2021, against (891) branches in 2020.
- As for the other assets item, it recorded an increase of (64%) to reach IQD (6.5) trillion against IQD (4) trillion at the end of 2020, with a contribution rate of (4.6%).



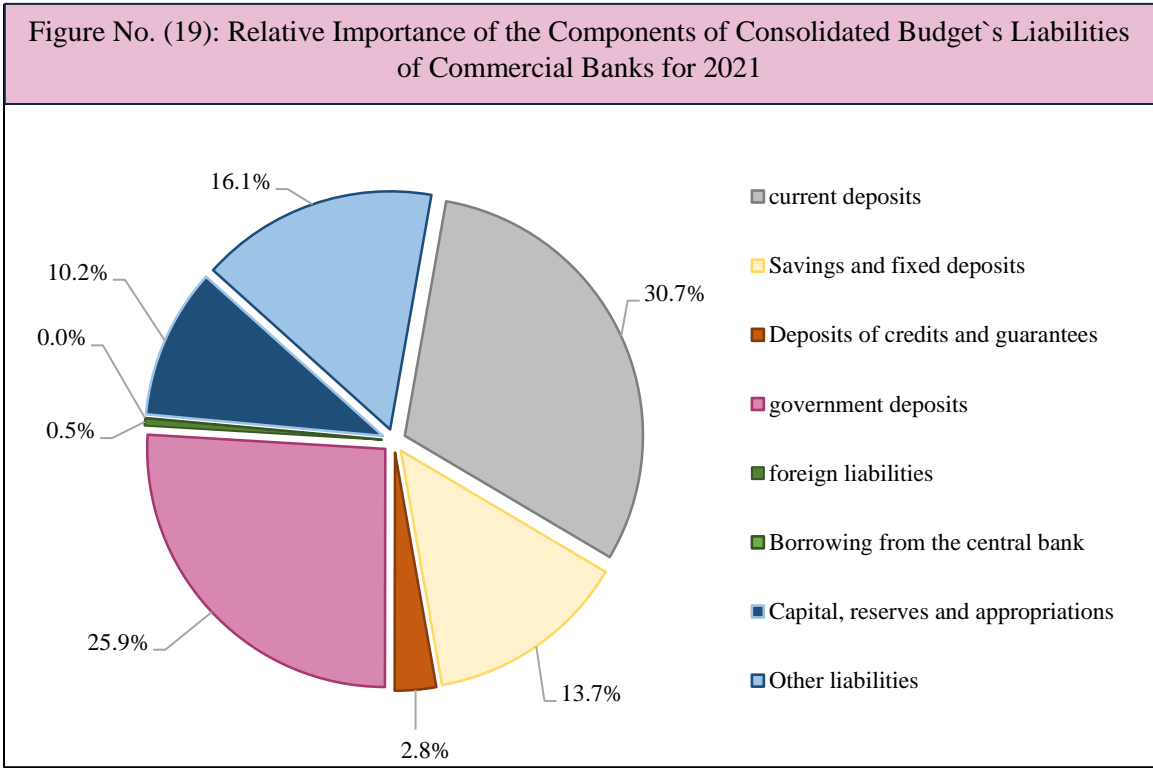
### Liabilities Side (Sources of Banks' Funds)

Liabilities of commercial banks recorded an increase of (15.6%) compared to 2020 due to the increase in all its components. As current deposits increased by (18.1%) to reach IQD (43.9) trillion against IQD (37.2) trillion at the end of 2020, to record the highest contribution rate of (30.7%) of total Banks' liabilities. This increase was due to the increase in opening current deposit accounts resulting from the increase of salary domiciliation accounts on one hand. Also the increase of CBI's initiatives that required opening a current deposit account for the customer with a certain bank in order to deposit the loan amount until the customer benefits from the loan on the other hand. Other liabilities recorded an increase of (13.8%) to record a contribution rate of (16.1%) of total commercial banks' liabilities, as shown in **Table No. (13)**.

As for (government deposits with commercial banks) item, it recorded an increase of (8%) to record IQD (37.1) trillion against IQD (34.4) trillion at end of 2020. It constituted (25.9%) of total liabilities due to the rise of governmental revenues as a result of the rise of oil prices and the increase of the exported Crude oil quantities, which affected revenues for 2021. Savings & fixed deposits increased by (20.7%) to reach IQD (19.7) trillion against IQD (16.3) trillion for 2020 with a contribution rate of (13.7%).

It indicated an increase of public's desire to deposit their money with banks, as banks provided more financial products. Credit & guarantee deposits increased by

(63.4%) to reach IQD (4) trillion against IQD (2.5) trillion at end of 2020. It recorded a contribution rate of (2.8%) due to the increase of private sector imports with an increase of buying US dollars through foreign currency selling window. Foreign liabilities recorded an increase of (6.6%) to reach IQD (0.8) trillion against IQD (0.7) trillion in 2020 with a contribution rate of (0.5%) of total liabilities.



**Table No. (13): Consolidated Budget of Commercial Banks for 2020-2021**

**(IQD million)**

Items	2020	2021	Change %	Relative Importance%
Assets				
Cash on Hand	6,044,136	5,035,598	-16.7	3.5
Current Deposits with the Central Bank of Iraq	27,768,926	39,364,395	41.8	27.5
Foreign Assets	26,664,980	28,898,359	8.4	20.2
debts on the government	25,452,346	24,069,636	-5.4	16.8
Debt on the Private Sector & Other Sectors	30,937,352	36,035,305	16.5	25.2
Buildings	3,121,884	3,339,607	7.0	2.3
Other assets	3,982,191	6,530,217	64.0	4.6
<b>Total Assets or Liabilities</b>	<b>123,971,815</b>	<b>143,273,117</b>	<b>15.6</b>	<b>100</b>
Liabilities				
Current Deposits	37,194,354	43,925,173	18.1	30.7
Savings & Fixed Deposits	16,309,028	19,680,608	20.7	13.7
Deposits of credits & guarantees	2,468,176	4,033,800	63.4	2.8
Government Deposits	34,383,788	37,145,626	8.0	25.9
Foreign Liabilities	733,237	781,592	6.6	0.5
Borrowing from the Central Bank	0	0	0	0
Capital, Reserves and Provisions	12,635,753	14,654,925	16.0	10.2
Other Liabilities	20,247,479	23,051,393	13.8	16.1

**- Initial data subject to amendments.**



**Chapter Four**  
**Developments of Public Finance Sector**

## Public Finance Sector

### First: Planned Public Budget for 2021

Public budget is considered the main instrument for the state's public finance, as it describes the mechanism that embodies the philosophy of that state, its priorities & objectives, including political, economic, administrative and social ones. In addition, it describes the patterns of its expenditure directions and revenues expressed in the form of numerical provisions for the various administrative units and reflects the nature of necessary services to meet society's needs & requirements including size and type. In Iraq, this idea is considered an important idea due to a number of different political, legal, economic, administrative and social characteristics.

The following are the most important provisions of the public budget for 2021, as the federal public budget law for the fiscal year 2021 was issued in accordance with Resolution No. (23) of 2021, which included the following:

**1-Estimate public revenues** with an amount of IQD (101.3) trillion, as the estimated revenues from exporting crude oil were calculated on the basis of an average price of US\$ (45) per barrel. It depended on export average of (3.250) million barrels per day; including (250) thousand barrels per day for the quantities of crude oil produced in Kurdistan region based on the exchange rate of IQD (1450) per dollar.

#### **2- Planned public expenditures**

- An amount of IQD (129.99) trillion has been allocated, including the following amounts:
  - a- Operation expenditure: amounted to IQD (90.56) trillion.
  - b- Indebtedness: represented by installments of internal and external debts amounted IQD (9.04) trillion.
  - c- Special programs: amounted IQD (1.26) trillion.
- An amount of IQD (29.14) trillion was allocated for capital expenditures, including amounts for capital expenditures & fixed assets, domestic investment projects, investment projects funded by foreign loans, investment projects funded by government's commercial banks, in addition to allocating an amount of IQD (150) billion for emergency reserves within other expenditure provisions for the federal financial budget. Also an amount was allocated for reconstruction and development of projects in all governorates.

### 3- Planned Deficit

Total planned deficit of the federal public budget for the fiscal year 2021 amounted IQD (28.69) trillion. This deficit was covered by the surplus achieved from the increase in selling prices of exported crude oil, the increase in crude oil exports, internal & external borrowing and the amounts of cash rolled over to the account of Federal Ministry of Finance. As with regard to the planned deficit to GDP at constant prices, it had reached (14.2%) to exceed the set percentage of (3%) defined in the Amended Financial Management Law of 2019.

### Second: Actual Public Budget for 2021

Actual public budget achieved during the year might not be matched with the planned budget law of the state for administrative and economic reasons. The actual public budget 2021 was also different from the planned one because of the delay in budget approval and implementation dates.

Important developments that occurred on both sides of the budget were enlisted hereunder:

**Table No. (14): Developments of (Actual) Public Revenues and Expenditure of the State's Public Budget for 2020-2021**

Items	2020	2021
Public Revenue (Actual)	63,199.7	109,081.5
Growth Rate (%)	-41.4	72.6
Public Expenditure (Actual)	76,082.4	102,849.7
Growth Rate (%)	-31.9	35.2

(IQD billion)

- MOF/ Accounting Department.
- Preliminary data subject to Amendments.
- Did not include settlements (government Commitments).

### A- Public Revenues

In 2021, public revenues recorded a significant increase amounted (72.6%) to reach IQD (109.1) trillion against IQD (63.2) trillion in 2020 due to the increase in oil prices by (59.5%), as oil revenues constituted the largest percentage of total revenues. They constituted (87.3%) to reach an IQD (95.3) trillion with a growth rate of (75.0%) and an increase in transformational revenues by (889.2%) due to the change of exchange rate and the resulting profits from the evaluation of foreign currency and its equivalent of domestic currency. In addition to the increase in capital revenues, other revenues and fees by (121.8%, 69.2%, and 42%), respectively.

On the other hand, budget's share of the public sector's profits decreased by (-14.6%) compared to the previous year due to several reasons, including that some companies failed to adhere to pay their share of achieved profits, some of which date back to the previous year. While commodity taxes & production fees and taxes on income & wealth decreased this year by (-8.4%, -1.9%), respectively, as shown in **Table No. (15)**.

**Box (2)**

Federal Budget Law of 2021 provided that (Funds shall be established in all governorates producing crude oil, refined oil, or gas; it is called (Petrodollar Fund). The Fund should be managed by the concerned governor and monthly funded by the increase of price difference obtained through crude oil selling prices of the prices that had been proven in Article (1/First /b) of this law. The price difference should be added to the principle amounts stated in Article (2/First/5) in accordance with the provisions of that same Article.

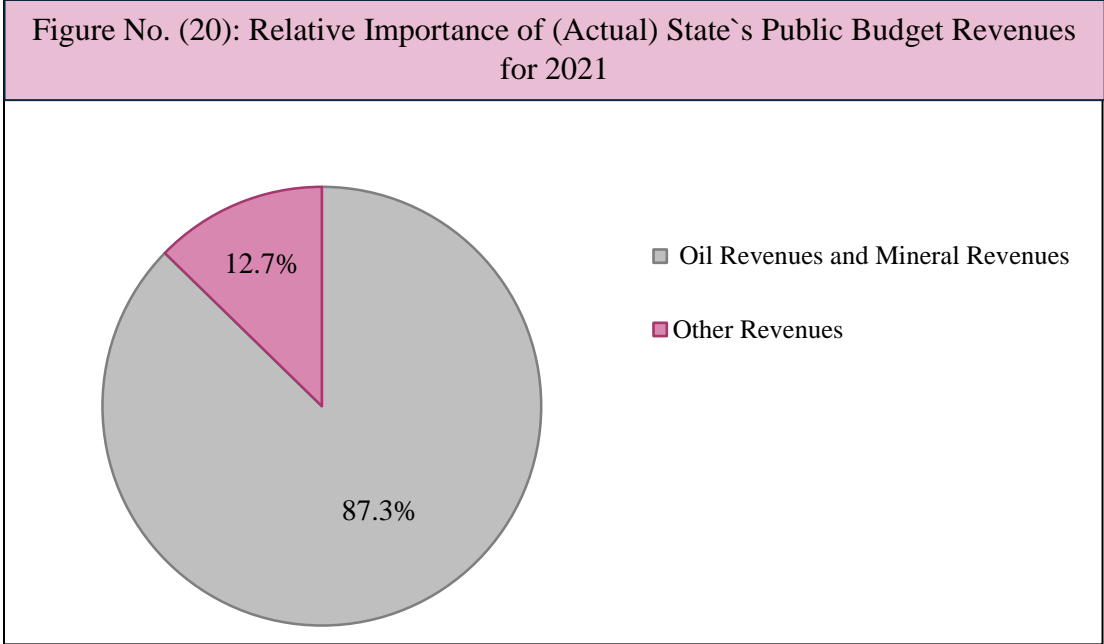
**Table No. (15): Components of (Actual) State's Budget Revenues For 2020-2021**

Revenue Items	2020	2021	Change Rate %	Contribution Rate to Total Public Revenues
Oil Revenues and Mineral Wealth	54,448.5	95,270.3	75.0	87.3
Taxes on Income and Wealth	3,316.1	3,252.6	-1.9	3.0
Commodity Taxes and Production fees	1,402.1	1,283.7	-8.4	1.2
Other Revenues	922.9	1,561.7	69.2	1.4
Manufacturing Revenues	504.5	4,990.3	889.2	4.6
Fees	801.6	1,137.9	42.0	1.0
Budget's Share of Public Sector's Profits	1,771.9	1,513.9	-14.6	1.4
Capital Revenues	32.1	71.1	121.8	0.1
<b>Total Revenues</b>	<b>63,199.7</b>	<b>109,081.5</b>		<b>100</b>

- MOF/ Accounting Department.
- Preliminary data subject to Amendments.

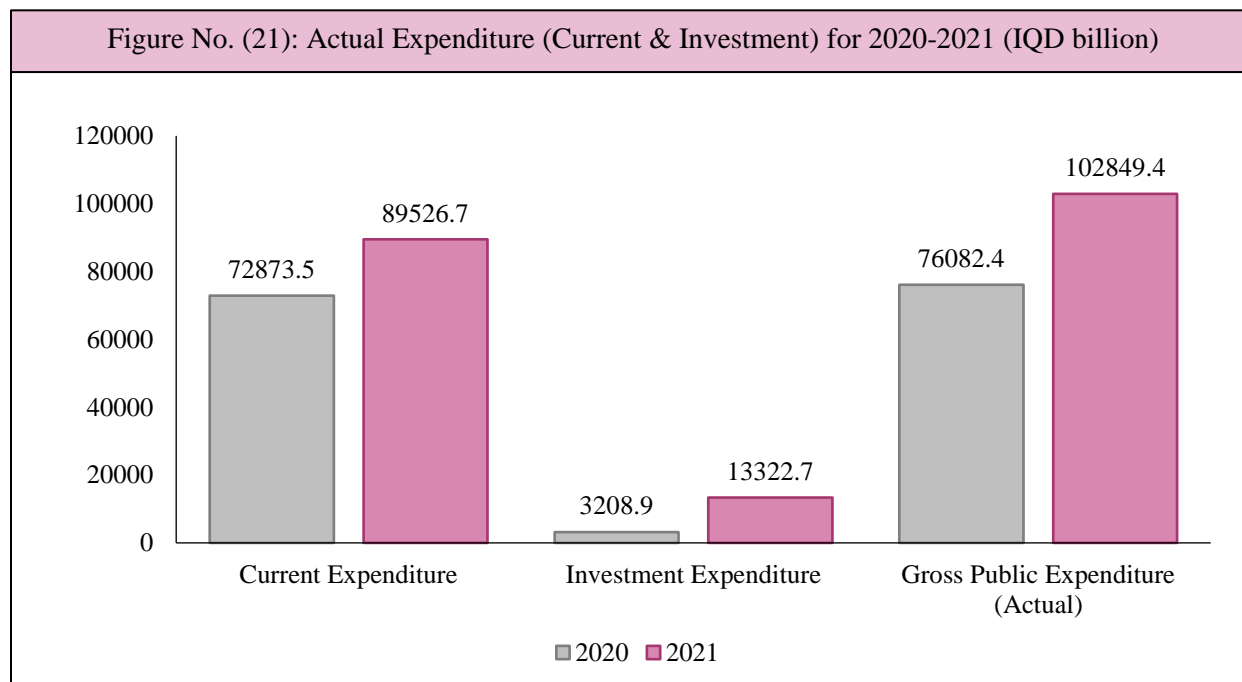
According to the above table, it was noted that the actual revenues were greater than the planned ones by IQD (7.8) trillion because of the increase in oil revenues; they still prevailed over public revenues with a very high rate compared to the rest of the revenues which constituted (12.7%) only. Taxes in all its forms constituted a low rate of (4.2%) that indicated the weakness of fiscal policy instruments to control inflation. It was a result of not following modern methods to raise the ability of public revenues to shift towards usage of self-stabilization instruments to be supportive to monetary policy instruments in controlling domestic inflation.





**B- Public Expenditure**

Actual public expenditure recorded a remarkable rise this year with a rate of (35.2%) to reach IQD (102.8) trillion against IQD (76.1) trillion in 2020 to constitute (34.1%) of GDP at current prices. This rise was due to the rise in spending in both sides (investment & current) by (315.2% & 22.9%), respectively, due to the rise in public revenues by (72.6%) compared to the previous year, which led to the possibility of rising public expenditure to cover the economic and administrative requirements of the state. Yet actual expenditure was less than the planned one within public budget with an amount of IQD (27,143.6) billion as actual expenditure to planned one reached (79.1%). Meaning there was a decrease in actual expenditure from the planned one by a rate of (20.9%); due to a decrease at investment spending side. The actual spending amounted (45.7%) of the planned one, compared to (88.8%) for the actual current spending to planned one, as shown in **Table No. (16)**. Current expenditure represented the largest percentage of total public expenditure to constitute (87%), while investment expenditure contribution reached (13%) of total public expenditure.



**Table No. (16): Actual Public Expenditure (Current & Investment) For 2020-2021 (IQD billion)**

Public Expenditure	2020	2021	Change Rate %	Contribution Rate to Total Public Expenditure
Current Expenditure	72,873.5	89,526.7	22.9	87.0
Investment Expenditure	3,208.9	13,322.7	315.2	13.0
<b>Total Actual Public Expenditure</b>	<b>76,082.7</b>	<b>102,849.7</b>	<b>35.2</b>	<b>100</b>

- MOF/Accounting Department.
- Preliminary data subject to Amendments.

### 1-Current expenditure

In 2021, current expenditure recorded a rise of (22.9%) to reach IQD (89.5) trillion, against IQD (72.9) trillion in 2020. It constituted (29.7%) of GDP at current prices, due to the rise in most components of current spending because of the rise in Iraq’s financial revenues and compensated for the decline that took place in 2020.

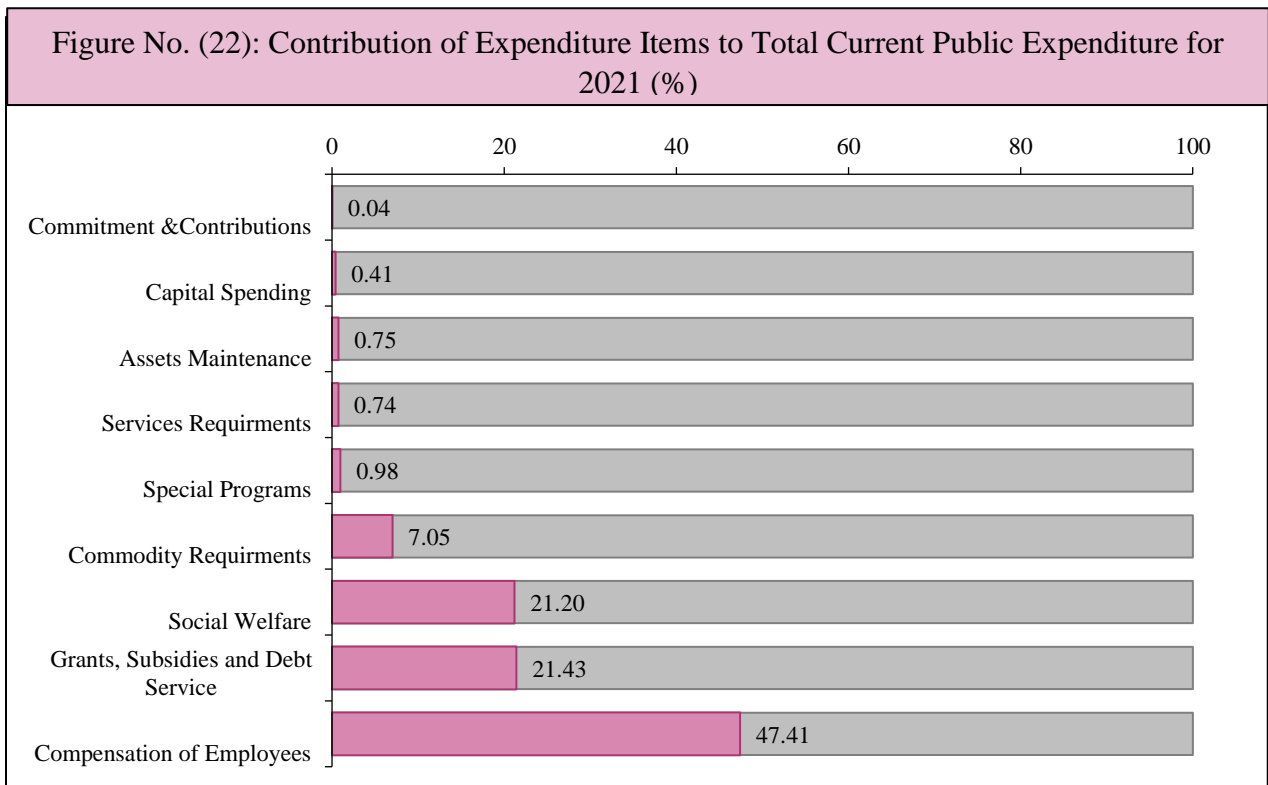
Employee’s Compensation recorded the largest percentage of total current expenditure to reach (47.4%), followed by (grants, subsidies, and debt service) with a rate of (21.4%). Social care expenditure item ranked third with a rate of (21.2%), followed by commodity requirements with a rate of (7%), While other items recorded the rest percentage of (3%). All items recorded a remarkable growth during the year. The largest percentage of growth was for (commitments & contributions) with a rate of (242.7%), while employee’s compensation recorded the lowest growth rate of (6.0%), as shown in **Table No. (17)**.

**Table No. (17): (Actual) Current Expenditure of State's Public Budget For 2020-2021**

(IQD billion)

Spending Items			Change Rate %	Contribution Rate to total Current Spending %
	2020	2021		
Employee's Compensation	40,037.3	40,446.7	6.0	47.41
Grants, Subsidies and Debt Service	11,294.5	19,182.2	69.8	21.43
Social Care	16,427.9	18,979.3	15.5	21.20
Commodity Requirements	4,105.0	6,310.8	53.7	7.05
Special Programs	296.6	874.5	194.8	0.98
Services Requirements	313.6	659.8	110.4	0.74
Assets Maintenance	226.5	670.4	196.0	0.75
Capital Expenditure	161.1	365.3	126.8	0.41
Commitments & Contributions	11.0	37.7	242.7	0.04
<b>Total</b>	<b>72,873.5</b>	<b>89,526.7</b>	<b>22.9</b>	<b>100.00</b>

- **MOF /Accounting Department.**
- **Preliminary data subject to amendments.**



## 2- Investment Expenditure

In 2021, investment expenditure recorded a significant rise with a rate of (315.2%) to reach IQD (13.3) trillion against IQD (3.2) trillion in 2020. It recorded (4.4%) of GDP at current prices, as the increase was attributed to the re-operation of projects

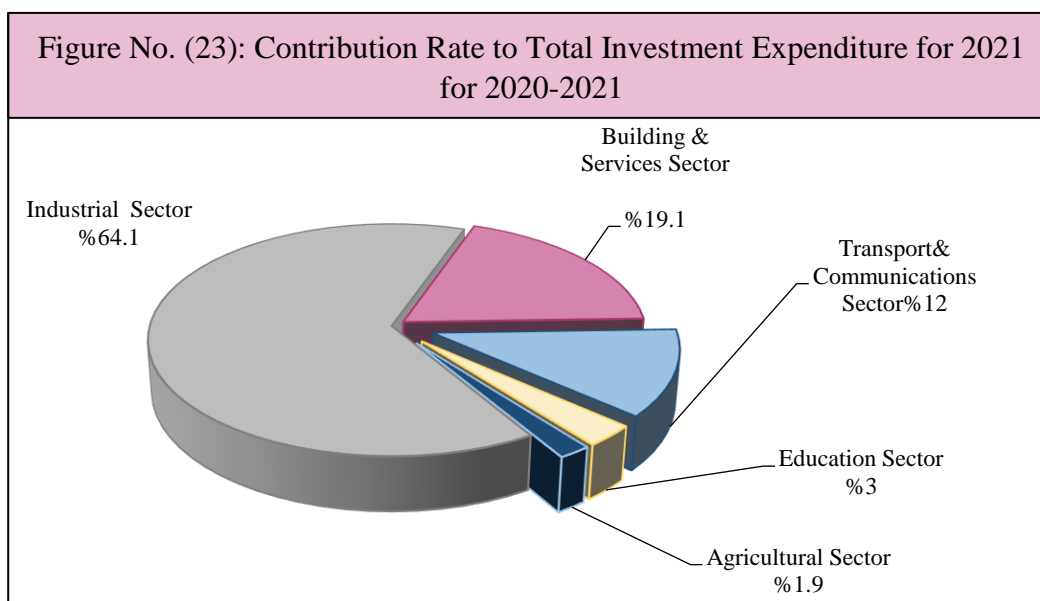
that had stopped in 2020. In addition to the rise in public revenues, which led to rise in public expenditure, especially investment for all sectors. The industrial sector accounted for the highest percentage of provisioning of total investment expenditure with a contribution rate of (64.1%), followed by buildings & services sector with a rate of (19.1%). While transport and communication sector ranked third with a rate of (12%), followed by education sector and agricultural sector by a rate of (3%, 1.9%), respectively, as shown in **Table No. (18)**.

**Table No. (18): Investment Expenditure of the State's General Budget for 2020-2021**

Sectors	2020	2021	Change rate %	Contribution Rate to Total Investment Expenditure %
Industrial Sector	831.7	8,535.6	926.3	64.1
Building & Services Sector	1,331.4	2,538.5	90.7	19.0
Transport & Communications Sector	751.1	1,601.4	113.2	12.0
Education Sector	215.3	394.8	83.4	3.0
Agricultural Sector	79.4	252.4	217.9	1.9
<b>Total</b>	<b>3,208.9</b>	<b>13,322.7</b>		<b>100</b>

- MOF /Accounting Department.
- Preliminary data subject to amendments.

As for the growth levels, the industrial sector recorded the highest growth rate of (926.3%), while education sector recorded the lowest growth rate of (83.4%), which indicated government's attitude to support economic diversity by increasing expenditure on productive sectors.



### **Third: Internal Public Debt Developments**

At end of 2021, balance of internal public debt recorded an increase of (8.8%) of the previous year by an amount of IQD (5,665.8) billion to reach IQD (69,912.4) billion against IQD (64,246.6) billion in 2020 **Table No. (19)**. The increase was attributed to the increase in most public debt components due to the increase of state's financial commitments after Covid-19 & oil prices decline crises. While balance of the internal public debt constituted (23.2%) of GDP at current prices; this percentage was considered within acceptable levels.

The following is an analysis of the internal public debt items for 2021:

#### **MOF Treasury bills to pay employees' salaries of self- financing companies, property claims, cover federal Public budget deficit and complete building of armament capabilities of Ministry of Defense:**

##### **A- MOF Treasury Bills Out of Auction**

In 2021, MOF Treasury bills out of auction recorded a rise of (8.7%) as a result of the rise of discounted Treasury bills balance by CBI at the secondary market, despite the decrease in outstanding debt balance of treasury bills (reserve requirement), as shown below:

- 1- At the end of 2021, the outstanding debt balance of treasury bills (reserve requirement) recorded a decrease of (-4.4%) to reach IQD (3,659.9) billion against IQD (3,826.9) billion at the end of 2020.
- 2- In 2020, outstanding debt balance of discounted treasury bills by CBI at the secondary market had risen by (9.9%) compared to the previous year to reach IQD (44,452.4) billion against IQD (40,452.4) billion at the end of 2020.

##### **B- Loans**

During 2021, loans item recorded a growth of (10%) to reach IQD (18,146.8) billion against IQD (16,495.2) billion in 2020 due to the rise in most of its sub-items, as shown below:

1. Trade Bank of Iraq (TBI's) loan increased by (19.5%) to reach IQD (2,183.8) billion in 2021 against IQD (1,826.7) billion in 2020.
2. Loans of self-financing companies' for the payment of its employees' salaries for (2010-2014) increased during 2021 by (1.4%) to reach IQD (8,160.7) billion against IQD (8,045) billion in 2020.
3. During 2020 extended loans increased by (0.01%). It reached IQD (6,017.5) billion in 2021 against IQD (6,017) billion in 2020.
4. The amount of (the loan of projects for self-financing directorates at the Ministry of Electricity under Cabinet Resolution No. (314) of 2014) did not change during 2021 compared to 2020 amounted IQD (606.5) billion.

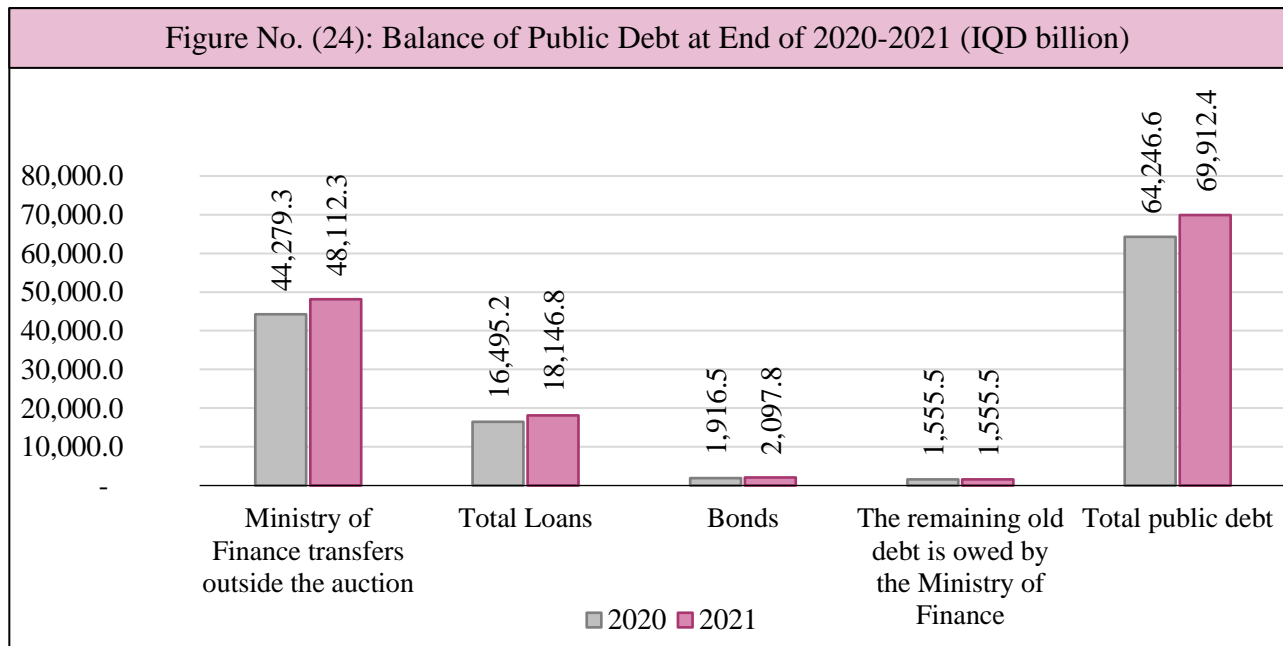
5. In 2021, Loans were extended from TBI to fund Ministries of Commerce and Agriculture amounted IQD (1,178.3) billion.

**C- Bonds**

The amounts of sold bonds (contractor's receivable bonds and Binaa bonds) raised by (9.5%) in 2021 to reach IQD (2,097.8) billion against IQD (1,916.5) billion in 2020. This rise was attributed to CBI issuance of (Binaa bonds) on behalf of MOF through banks during 2021 with an amount of IQD (1,000) billion, despite the decrease in contractor's receivable bonds to (42.7%).

**D- Agreement of Rescheduling Government Debt**

The balance of the remaining debt owed by MOF in favor of CBI did not change in 2021 compared to 2020, which amounted IQD (1,555.5) billion; indicated that MOF did not pay what it owed during 2021.



**Table No. (19): Developments of Internal Public Debt for 2020- 2021**

(IQD billion)

Details	Outstanding Debt Balance at End of 2020	Outstanding Debt Balance at End of 2021
<b>Treasury Bills Auctions of 364 days</b>	-	-
<b>Remaining Debt Owed by MOF</b>	<b>1,555.5</b>	<b>1,555.5</b>
<b>MOF T-bills Out of Auctions</b>	<b>44,279.3</b>	<b>48,112.3</b>
-T-bills with a Maturity of 364 days Out of Auction	0.0	-
- Reserve Requirement T-bills	3,826.9	3,626.9
-Discounted at the Secondary Market by CBI	40,452.4	44,452.4
- Discounted T-bills by Al-Rafidain Bank	-	-
<b>Bonds</b>	<b>1,916.5</b>	<b>2,097.8</b>
- Forward Delivery	-	-
- National Bonds	0.0	-
- Farmers` Bonds/ Binna bonds	-	1,000.0
- Contractor`s Receivable Bonds	1,916.5	1,097.8
<b>Total Loans</b>	<b>16,495.2</b>	<b>18,146.8</b>
- TBI Loan	1,826.7	2,183.8
- Loan for Self- Financed Projects for Directorates at Ministry of Electricity Under Cabinet Resolution No. 314 of 2014	606.5	606.5
-	-	1,178.3
- Loan of Self-Financed Companies for Paying their Employees' Salaries for (2010,2011,2012, 2013, 2014)	8,045.0	8,160.7
- Loans Extended During 2020	6,017.0	6,017.5
<b>Total Debts</b>	<b>64,246.6</b>	<b>69,912.4</b>

**-Preliminary data subject to amendments.**



## **Chapter Five**

### **Developments of External Sector and Iraqi Balance of Payments**



## External Sector

### First: External Trade

In 2021, external trade volume recorded an increase of (19.6%) to reach US\$ (113.5) billion against US\$ (95.0) billion in 2020 due to the increase of exports` value with a rate of (55.5%): it recorded US\$ (72.8) billion against US\$ (46.8) billion in 2020. This increase was attributed to the increase of oil revenues by (75%) to reach US\$ (95.3) billion against US\$ (54.4) billion in 2020 due to the increase of global oil prices by (59.5%). On the other hand, imports on CIF basis decreased by (15.4%), to record US\$ (40.7) billion against US\$ (48.2) billion in 2020 as shown in **Table No. (20)**. As 2020 witnessed an economic and health shock, data were distorted and unusual, in addition to the change of the exchange rate. Thus it is necessary to compare data of 2021 with data of 2019, as external trade decreased in 2021 by (-18.7 %) compared to 2019 because of the decrease in both: exports and imports by (10.7%) and (-29.9%), respectively.

**Table No. (20): Indicator of External Trade Volume for 2019-2021**  
(US\$ million)

	2019	2020	2021
External Trade Volume	139,723	94,979	113,558
Exports	81,585	46,829	72,822
Imports	58,138	48,150	40,736

- \*Imports calculated based on CIF.
- Preliminary data subject to adjustment.

**Figure No. (25): Indicator of External Trade Volume in Iraq for 2020-2021 (US\$ million)**



## 1-Most Important External Trade Partners with Iraq

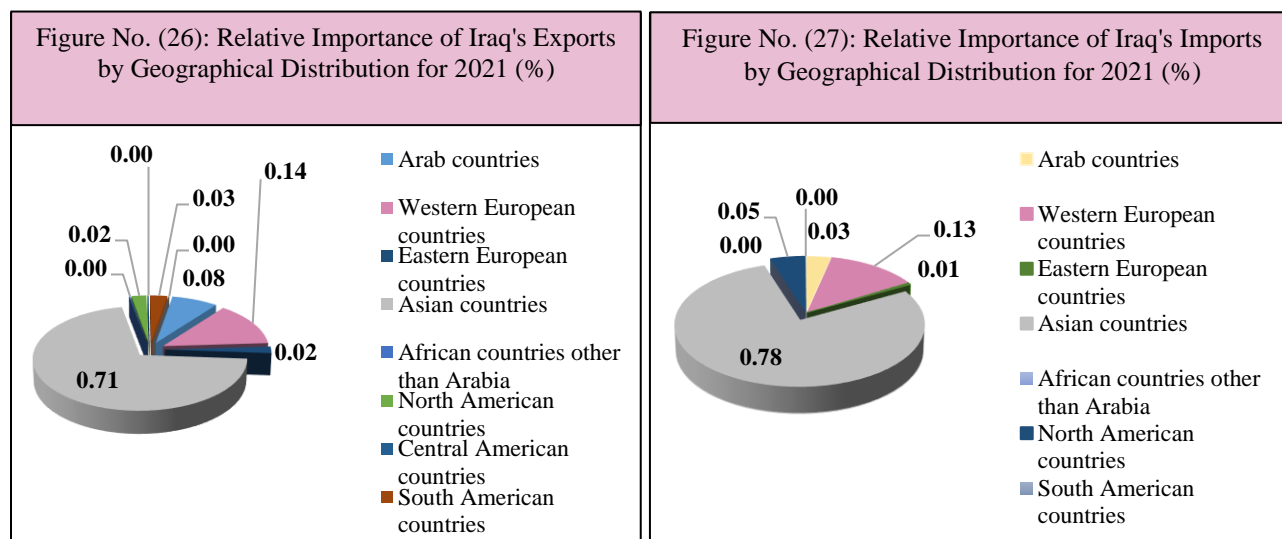
Asian countries continued to rank first at trade partnership with Iraq, as Iraq's exports & imports with Asian countries constituted (78.05%) and (70.9%), respectively, of total exports & imports. The commercial importance of Asian countries with Iraq was the outcome of the fact that the largest percentage of oil market share was in favor of China. As for imports, most of Iraq's imports were machinery and transport equipment coming mostly from Asian countries; the most important of which are: China, Korea and Japan. While Western European countries occupied the second rank at trade partnership, as Iraq's contribution of exports to that region (12.8%) of total exports, while the contribution of imports amounted (13.66%) of total imports. Also contribution of exports to: North American states and Arab countries amounted (4.81%, 3.45%), respectively, of total exports. While imports contributed (2.47%, 7.6%) respectively, of total imports. Iraq's imports & exports to the rest of the world reached (0.88% and 5.34%) of total exports & imports, respectively, as shown in **Table No. (21)**.

**Table No. (21): Trade Partners of Iraq for 2020-2021**

(US\$ million)

Country	2020		2021		Contribution Rate to Total Exports for 2021 %	Contribution Rate to Total Imports for 2021 %
	Exports	Imports	Exports	Import		
Arab Countries	1,616	3,664	2,512	3,100	3.45	7.61
Western Europe	5,999	6,577	9,328	5,565	12.81	13.66
Eastern Europe	323	1,006	502	851	0.69	2.09
Asian countries	36,550	34,148	56,838	28,890	78.05	70.92
African Countries Except Arabian	9	87	15	73	0.02	0.18
North America	2,252	1,189	3,503	1,006	4.81	2.47
Middle America	0	92	0	78	0.00	0.19
South America	80	1,363	124	1,153	0.17	2.83
Oceania Countries	0	24	0	20	0.00	0.05
<b>Total</b>	<b>46,829</b>	<b>48,150</b>	<b>72,822</b>	<b>40,736</b>	<b>100</b>	<b>100</b>

- \*imports calculated based on CIF.
- Preliminary data subject to adjustment.



## 2- Commodity Composition of Iraqi Exports

Mineral fuel item, which includes (oil and petroleum products), recorded the highest contribution rate amounted (99.70 %) of total exports, while the rest of the items (foodstuff, live animals and non-food raw materials except fuel & manufactured goods) recorded the remaining rate amounted (0.03%) of total exports in 2021. It indicated the depth of the structural imbalance in the Iraqi economy and the heavy reliance on exporting crude oil. Export sector suffers from many internal and external constraints represented by the backwardness of the productive sectors that are unable to meet domestic demand due to weak and degradation of the production of industrial, agricultural and service sectors, as shown in **Table No. (22)**.

**Table No. (22): Commodity Composition of Iraqi Exports for 2020-2021**

Commodity	2020	Relative Importance % 2020	2021	Relative Importance % 2021	(US\$ million)
					Growth Rate %
Food & Lives Animals	12	0.03	22	0.03	83.3
Beverages & Tobacco	0	0.00	0	0.00	-
Non- food Raw Materials Except Fuel	33	0.07	51	0.07	54.5
Mineral Fuels and Related lubricant Oil	46,692	99.70	72,603	99.70	55.5
Animal and Vegetable Oil & Fats	0	0.00	0	0.00	-
Chemicals	0	0.00	0	0.00	-
Manufactured Commodities	92	0.20	146	0.20	58.7
Machines & Transport Equipment	0	0.00	0	0.00	-
Miscellaneous Crafts	0	0.00	0	0	0
Not Classified Commodities	0	0.00	0	0	0
<b>Total</b>	<b>46,829</b>	<b>100</b>	<b>72,822</b>	<b>100</b>	<b>55.5</b>

- \*Including crude oil and petroleum products exports.

- Preliminary data (subject to Amendments.)

### 3- Commodity Composition of Iraqi Imports

(Machineries, transport and equipment) item ranked first in priority order according to contribution rate to total imports amounted (38.5%). Despite this increase, most of the equipment were for personal use, while a less percentage was directed towards production. Followed by (Miscellaneous Crafts) and (manufactured Commodities) items with a rate of (15.8%, 11.4%), respectively. The (mineral fuels & lubricating oils), (chemicals), (animal and vegetable oils and fats) and (food & live animals) items recorded (9.8%, 6.7%, 6.4%, 5.4%), respectively. (Unclassified goods) item recorded (2.9%), while (raw materials except fuel) item recorded (1.8%) indicating a decrease in demand for commodities that were considered as inputs for production because of weak domestic production. (Beverages & tobacco) item recorded (1.3%) of total imports, as shown in **Table No. (23)**.

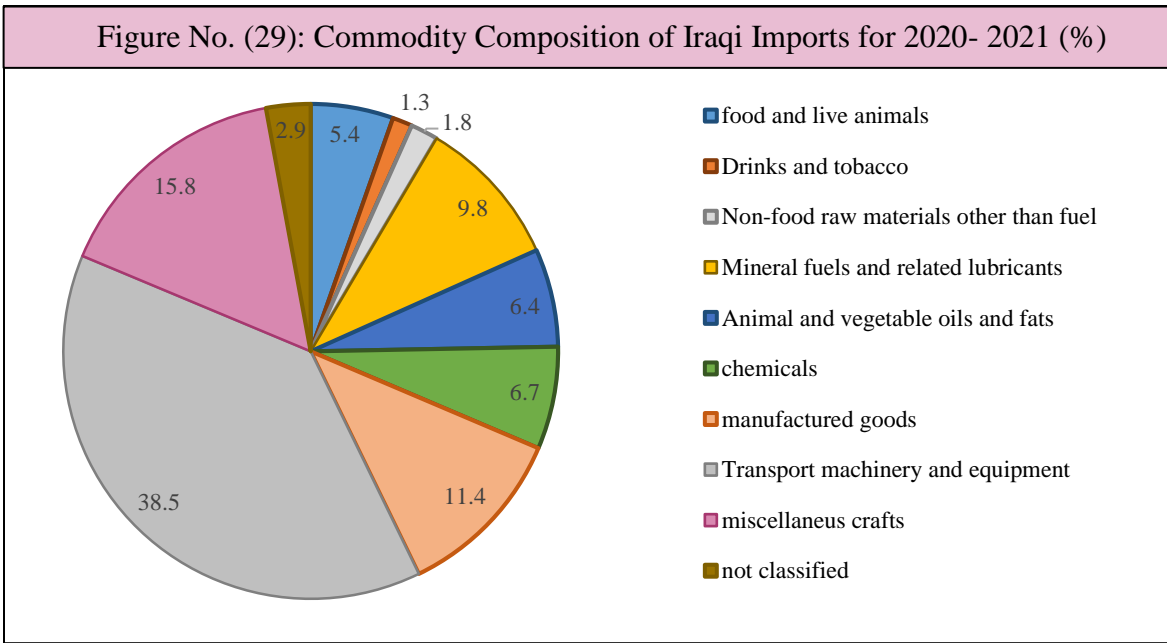
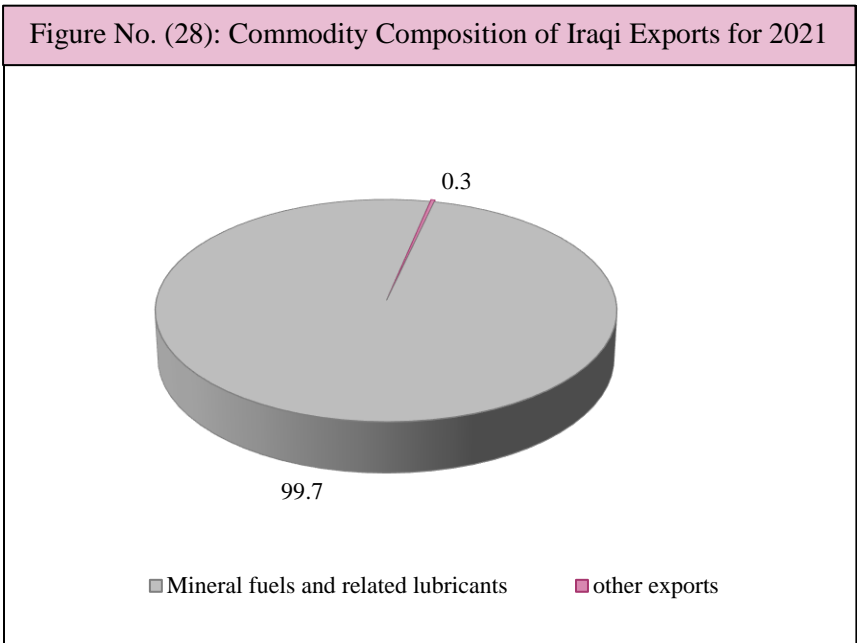
Weakness domestic production opened the door for imports of foreign goods to invade the domestic market, which in turn would lead to outflow of hard currency to cover the large value of imports that included consumer goods; it contributed to make the non-oil commodity trade balance in a state of persistent deficit. On the other hand, it was noticed that the relative contribution rate of imports composition to total imports didn't change for 2020-2021 due to lack of data quality because of using traditional methods of data collection and not adopting modern automation of customs.

**Figure No. (23): Commodity Composition of Iraqi Imports**

Commodity	2020	Relative Importance 2020 %	(US\$ million)	
			2021	Relative Importance 2021 %
Food& Lives Animals	2,600	5.40	2,199	5.40
Beverages& Tobacco	626	1.30	530	1.30
Non- food raw Materials Except Fuel	867	1.80	733	1.80
Mineral Fuels and Related lubricant Oil	4,718	9.80	3,992	9.80
Animal and Vegetable Oil &Fats	3,082	6.40	2,607	6.40
Chemicals	3,226	6.70	2,729	6.70
Manufactured Commodities	5,489	11.40	4,644	11.40
Machines & Transport Equipment	18,538	38.50	15,684	38.50
Miscellaneous Crafts	7,608	15.80	6,437	15.80
Not Classified Commodities	1,396	2.90	1,181	2.90
<b>Total</b>	<b>48,150</b>	<b>100</b>	<b>40,736</b>	<b>100</b>

- \*imports calculated based on CIF

- Preliminary data subject to adjustment.



## **Second: Iraq's Annual Balance of Payment**

In light of the available data, the results of Iraqi BOP showed a surplus of US\$ (10,791.9) million during 2021 because of the increase achieved in asset reserves of CBI during this period. Several factors contributed to achieve the surplus that were reflected through the presentation of Iraqi BOP components as the following:

### **First- Current Account**

Current account indicator of BOP reflects the state's behavior and private sector behavior through the public budget. Through the available data, net current account recorded a surplus of US\$ (24,563.4) million during 2021. The following is a presentation of the components of this account:

#### **1- Trade Balance**

During 2021, trade balance recorded a surplus of US\$ (38,362.7) million, as total exports recorded US\$(73,083.8) million, including the value of paid crude oil in kind to foreign oil companies with a value of US\$ (10,325.7) million. As for total imports, it recorded an amount of US\$ (40,848.5) million on CIF basis and US\$ (34,721.1) million on FOB basis. (15%) of the value of total imports was deducted for freight and insurance costs to transfer it from CIF to FOB.

#### **2-Net Services Account**

During 2021, net services account showed a deficit of US\$ (10,809.1) million due to an increase in payments amounted US\$ (15,985.8) million, mostly related to freight and insurance costs on imports to transfer them from CIF to FOB. While the receipts side amounted US\$ (5,176.7) million, most of which were achieved at travel item, which included Arab and foreign arrivals to Iraq for the purpose of tourism and the Holy shrines visits.

#### **3-Primary Income Account**

During 2021, net primary income account achieved a deficit of US\$ (2,064.2) million. Below are the details of this account:

**A-Workers' Compensation:** represented transferred amounts by workers who work outside their home countries for less than a year. During 2021, net Workers' compensation account achieved a surplus of US\$ (21.1) million.

**B-Investment Income:** Net investment income account achieved a deficit of US\$ (2,085.3) million because of the increase of payments, most of which were payments related to profits of foreign oil companies operating in Iraq that were transferred abroad, in addition to payments of Ministry of Finance for the interests of external public debt.

#### **4- Secondary Income Account**

During 2021, net secondary income account recorded a deficit OF US\$ (926.0) million because of the increase in payments amounted US\$ (1.642.4) million, most of which were payments related to compensation of Gulf war amounted US\$ (1,592.6) million that constituted (3%) of the value of exported crude oil. As for the receipts side, it recorded an amount of US\$ (782.0) million, most of which represented grants offered to Iraq from international organizations as humanitarian aid to the displaced from conflict areas. While net private transfers achieved a deficit of US\$ (65.6) million for family aid provided by non-residents to their families and workers' remittances who work outside their home countries for more than one year.

#### **Second: Capital Account**

In 2021, net capital account recorded a deficit of US\$ (17.5) million. This account represented capital transfers resulting from disposal of fixed assets and capital grants to Iraq extended by governments and international organizations.

#### **Third: Financial Account**

During 2021, net financial account recorded an amount of US\$ (24,993.3) million; it showed a positive sign because of changes that occurred in each of the external financial assets and liabilities. The following is a presentation of the components of this account:

##### **1- Net Direct Investment:**

During 2021, net direct investment account recorded a surplus of US\$ (2,771.9) million because of the increase of external financial assets by US\$ (134.6) million, with a decrease of financial liabilities by US\$ (2,637.3) million for the payment of capital costs of oil fields submitted by contractors of service contract for foreign oil companies operating in Iraq.

##### **2- Net Portfolio Investment:**

During 2021, net portfolio investment recorded a decrease of US\$ (270.1) million because of the decrease in investments of portfolio of Ministry of Defense securities by US\$ (618.7) million, with a decrease in financial liabilities of the public government of US\$ (348.6) million.

##### **3- Net Other Investment:**

During 2021, net other investment achieved US\$ (11,699.6) million as a result of the increase of financial assets of each of the official sector, other depository companies and net deposits abroad with a value of US\$ (5,530.3, 1,540.2, 803.9) million, respectively. While liabilities side of this account showed a decrease of financial liabilities with a value of US\$ (3,858.5) million because of a decrease in

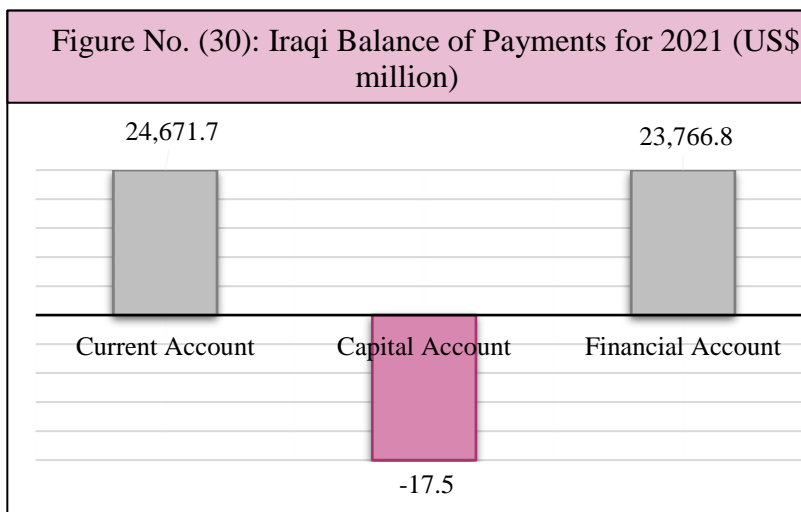
government’s obligations towards contractors of service contract of foreign oil companies operating in Iraq with a value of US\$(1,608.5) million. In addition to the paid installments for loans extended to Iraq amounted US\$ (3,114.2) million, while financial liabilities of other depository companies achieved an increase of US\$ (33.3) million.

**4- Reserve Assets (Official Reserves)**

In 2021, CBI reserve assets recorded a surplus of US\$(10,791.9) million because of the increase of CBI’s foreign assets of deposits & currency and CBI investment in securities portfolio during this period.

**Fourth: Net Error and Omission Item**

In 2021, (Net Error & Omission) item recorded an amount of US\$ (447.4) million. This item appeared with a positive sign meaning there were credit transactions that were not registered in BOP, or there were transactions that were not fully captured as they were not available from the source, or there might be debit entries that had been overestimated.







**Chapter Six**  
**Developments of the Iraqi Payment System**

## Developments of the Iraqi Payment System

The progress achieved on payment system operation during the past period had led to a great control over the flow of funds into Iraq and provided a comprehensive & accurate database on all transfers that took place within the scope of the financial and banking sector. This progress came through a number of procedures and precautionary measures that had been implemented and were being worked on; including modernization of payment system with all its components according to international standards. This modernization was adopted with the aim of accommodating the increased volume of transactions that were implemented through this system to easily comply with the various banking systems. Central Bank of Iraq issued a set of instructions and precautionary measures to banks to reduce the risks of exchanging "sukuk" through the system. Also the Central Bank sought to establish the Iraqi National Payments Council that included members from inside and outside the Central Bank, which contributed to set strategies for developing payment & settlement systems, following up on their implementation and upgrading to best international practices. This chapter presents the most important developments witnessed by the Iraqi payments system during 2021 and the future strategic plans.

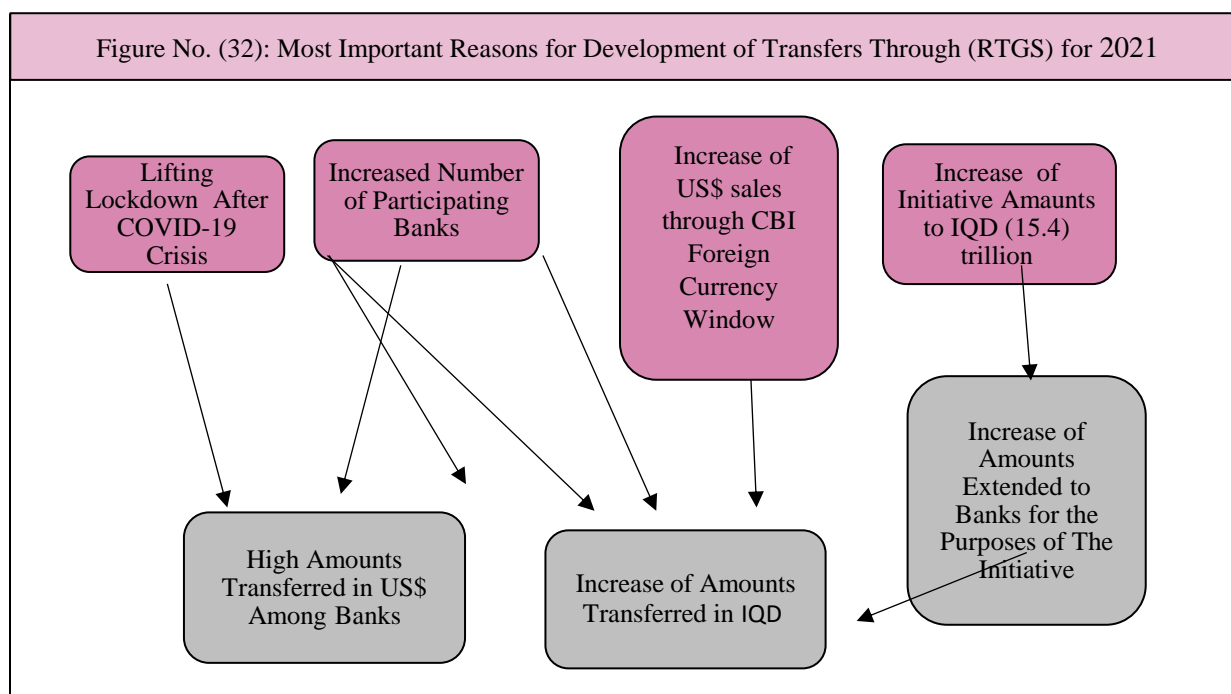
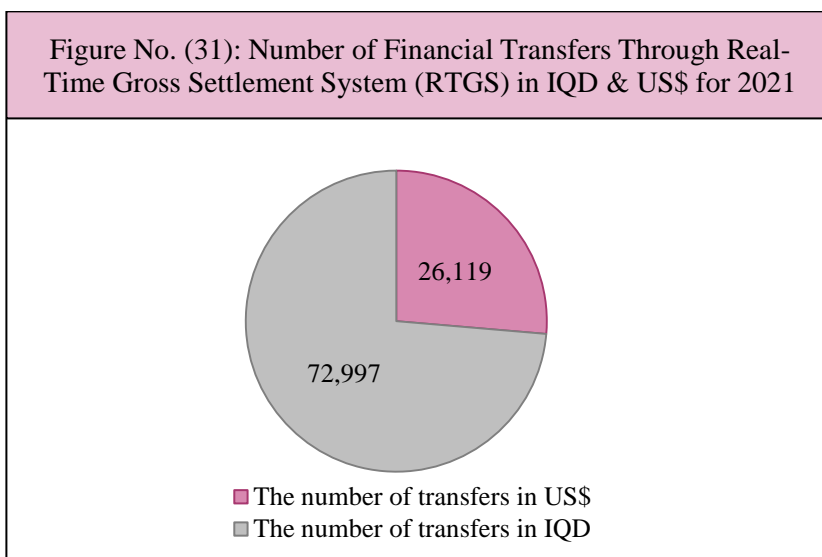
### First: Most Important Components of the Iraqi Payment System

#### A- Real-time Gross Settlement System (RTGS)

It is a real-time gross settlement system that provides a mechanism by which both: processing orders and final settlement of high-value payment orders exchanged between the participants take place continuously during work day. Actual operation of the system began on 24/8/2006. Direct participants of the system are Ministry of Finance and the participating banks; as total number of banks reached (75) banks after the participation of (4) banks during the year. As well as Department of Minor Welfare, General Retirement Authority, and General Post and Saving Company for settlement purposes through their participation at the central preservation system for depositing government bonds.

Number of financial transfers through Real-time Gross Settlement System (RTGS) in IQD increased by (42.2%) to reach (72,997) transfers in 2021 against (51,337) transfers in 2020. While the number of transfers in US\$ increased by (15.4%) to reach (26,119) transfers compared to (22,637) transfers in 2020. The increase of transfers was attributed to the predominance of domestic currency over internal transactions between banks and the central bank.

Transfer amounts in IQD grew by (1.4%) during 2021 to reach IQD (200.8) trillion against IQD (198.0) trillion due to the increase of number of participating banks on one hand, and the increase of amounts related to the extended initiatives that were transferred through this system with the Central Bank of Iraq on the other hand. Amounts of US\$ transfers increased by (8.1%) to reach US\$ (5.3) billion due to the gradual restoration of normal life process after the COVID-19 crisis, and then the increase of dealings among banks in US\$ for opening documentary credits and others purposes.

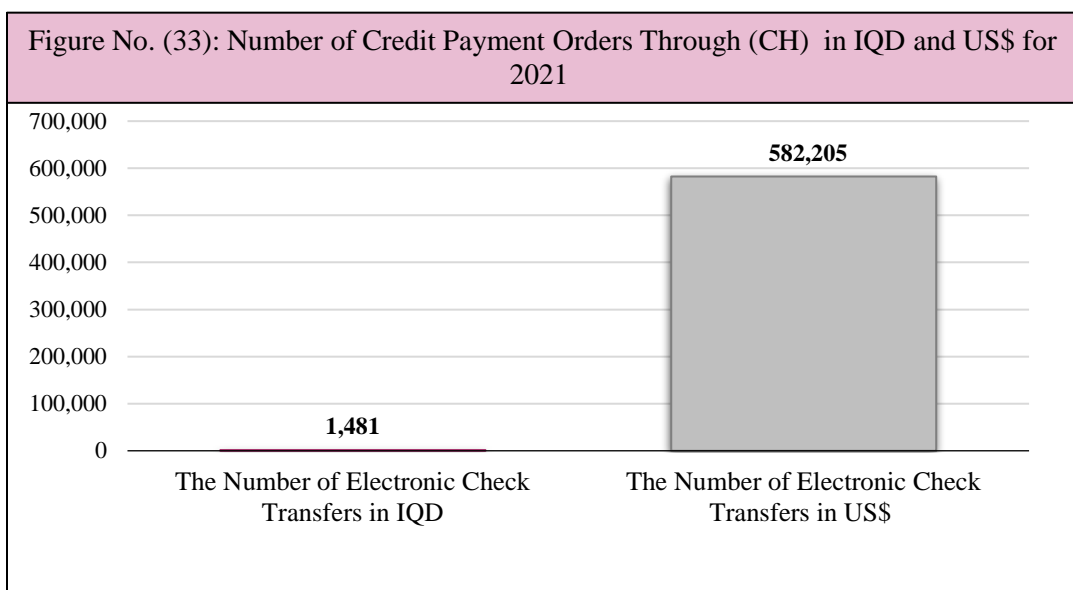


### B- Automated Clearinghouse System (C-ACH)

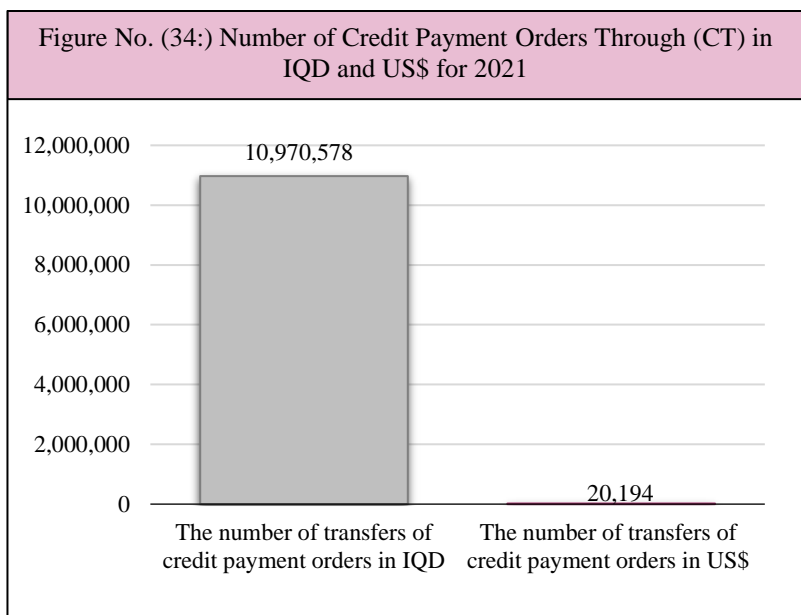
A system that enables participating banks and their branches to exchange payment orders among them in an automatic manner. The final net settlement is processed and sent to Real-Time Gross Settlement system (RTGS). The electronic checks encoded with magnetic ink are exchanged through this system as the original copy of the check is kept at the branch in which it is deposited, with sending a copy of the check and its data through the branch's system to the participant's system at the public administration. The system was actually operated on 9/14/2006 for the main branches of: (Al-Rafidain, Al-Rasheed, Baghdad, Iraqi Commercial, Iraqi Middle East Investment) banks.

The most important developments that occurred on this system during 2021:

- (4) Banks, in addition to the Ministry of Finance, had participated in the electronic clearing system (C-ACH). Total number of participating banks reached (73).
- (26) Branches participated in the system, bringing total number of participating banks` branches to (815).



- Number of credit payment orders through (CT) at electronic clearing system (C-ACH) reached (10,970,578) transfers in IQD and (20,194) transfers in US\$. Number of transfers of electronic checks (CH) at electronic clearing system (ACH) reached (582,205) checks in IQD and (1,481) checks in US\$.



**C - Internal Clearing System among Branches of the Same Bank (IBCS).**

A system for the internal clearing exchange among state-owned banks that do not have comprehensive banking systems. It provides the general administration of the bank with accuracy, efficiency and transparency to monitor transfers with a sound database to perform matching and auditing process. The system started operation on 1/6/2016.

Number of banks and their branches participating at the internal clearing system reached (5) banks and (12) branches, bringing total number to (373) branches.

Number of electronic check transfers (CH) at the internal clearing system (IBCS) reached (472,504) checks in IQD and (49) checks in US\$. Number of financial transfers through credit payment orders (CT) at the internal clearing system (IBCS) was (32,705,691) transfers in IQD (306) transfers in US\$.

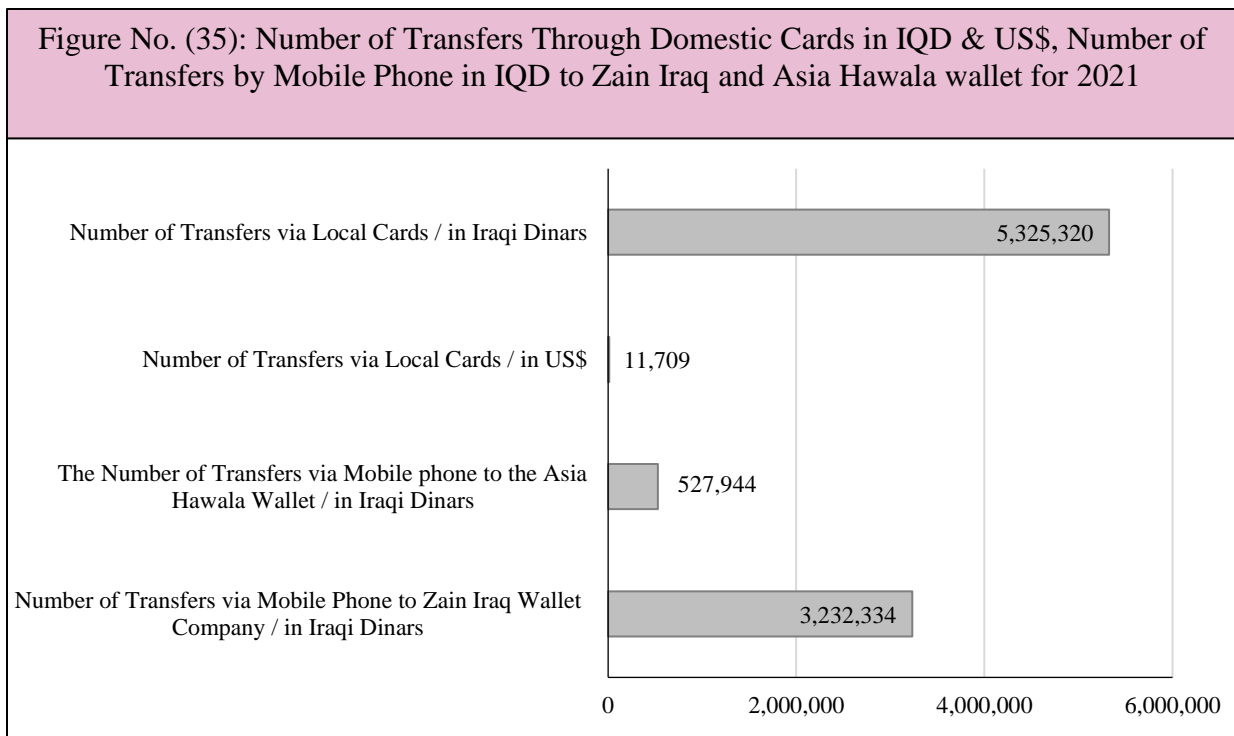
**D- National Switch for Retail and Payment (IRPSI)**

A payment system for low-value payments that are made primarily by individuals and companies represented by mail order payments, online shopping, salary payments, etc. It processes a large number of payments in one day. Mutual retail payment system provides an opportunity for Iraqi banks to access the most modern and developed tools, which contribute to facilitate transactions between people, citizens and expatriates. As well as stimulate market for domestic cash payments and reduce dealing by cash the matter that help create a competitive environment among banks to provide new services to attract customers. It would revitalize domestic

economy and provide new job opportunities. In addition, the presence of a solid retail payment system that operates in accordance with international standards will give great confidence to investors.

Actual launch of (IRPSI) started with banks & companies, as 4 banks were linked among each other. Total participating banks at retail payment system reached 46 banks. As regarding companies, (International Company) was linked. Thus, total participating companies reached 9 after completing all administrative and technical measures.

Number of financial transfers through domestic cards among banks participating at the national switch for retail payment reached (5,325,320) transfers in IQD and (11,709) transfers in US\$. Number of financial transfers by mobile phone to companies participating at the national switch were (3,232,334) and (527,944) transfers in IQD to Zain Iraq Wallet Company and Asia (transfer) Hawala, respectively.



**Table No. (24): Transfers in IQD and US\$ from Participants at Iraqi Payment System for 2021**

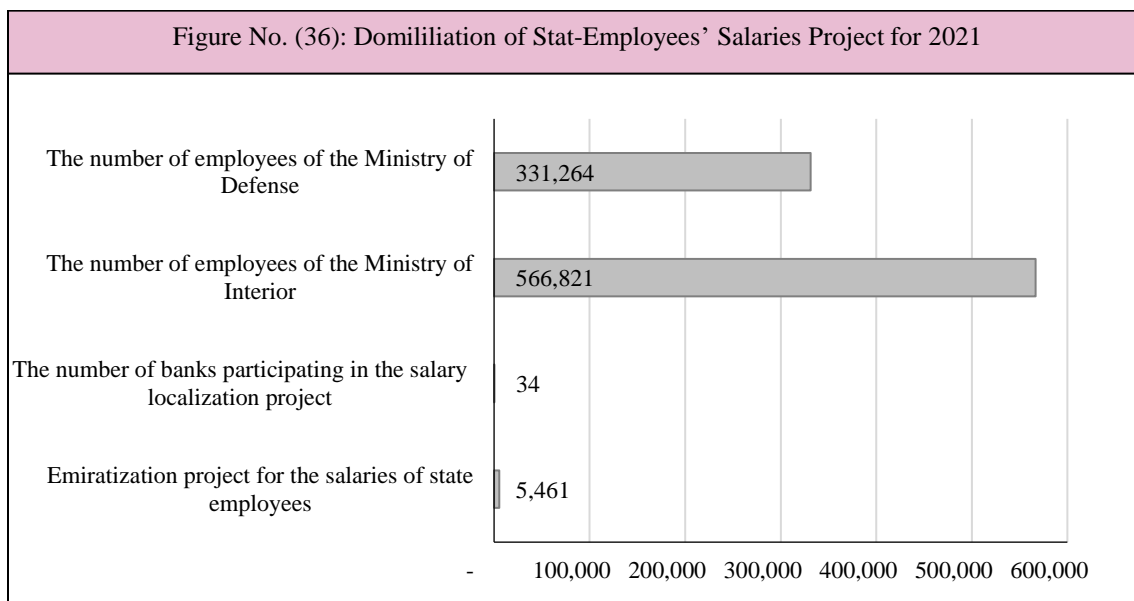
System	Number of Transfers in IQD	Number of Transfers in US\$
RTGS System	72,997	26,119
C-CAH System		
A. Credit Payment Orders (CTs)	10,970,578	20,194
B- Electronic Checks CH	582,205	1,481
IBCS System		
A - Payment Orders Credit CT	32,705,691	306
B. Electronic Checks CH	472,504	49
IRPSI System		
A- Financial Transfers Through Domestic Cards	5,325,320	11,709
B- Financial Transfers Through Mobile Phone		
1- Zain Iraq Portfolio Company	3,232,334	
2- Asia Hawala	527,944	

**Second: Achieved Developments of the Iraqi Payment System for 2021****- Domiciliation project of state-employees' salary:**

In implementation of the directives of General Secretariat of the Council of Ministers, pursuant to Resolution No. (281) of 2017 to convert from cash to electronic payment in paying salaries and employees' dues by opening a bank account for each employee linked to a debit card exclusively, the following had been done:

- Domiciliation project of state-employees' salary until 2021 covered (5,461) spending units (self-financed & centrally financed) according to the instructions and controls issued with (867.6) thousands state-employee in 2021, bringing the total number to (3,985,608) employees.
- Total number of banks participating in Domiciliation project of state-employees' salary was (34) banks, of which (6) state-owned banks and (26) private banks, in addition to (2) two branches of foreign banks.
- Based on National Security Council Resolution No. (12) of 2019 taken on its session dated May 22, 2019 included the start of salary domiciliation of state-employees & employees working at the Ministries of Defense and Interior Affairs.

Procedures for salary domiciliation related to Ministry of Defense were completed; as work had been done to open bank accounts for its employees with training the staff to prepare the (salary file) for March 2021. The actual launch of Data Center regarding Ministries of Defense and Interior Affairs and the project was completed at a rate of (100%). Number of employees of Ministry of Interior Affairs reached (566,821) and employees of the Ministry of Defense reached (331,264).



### Third: Financial Inclusion

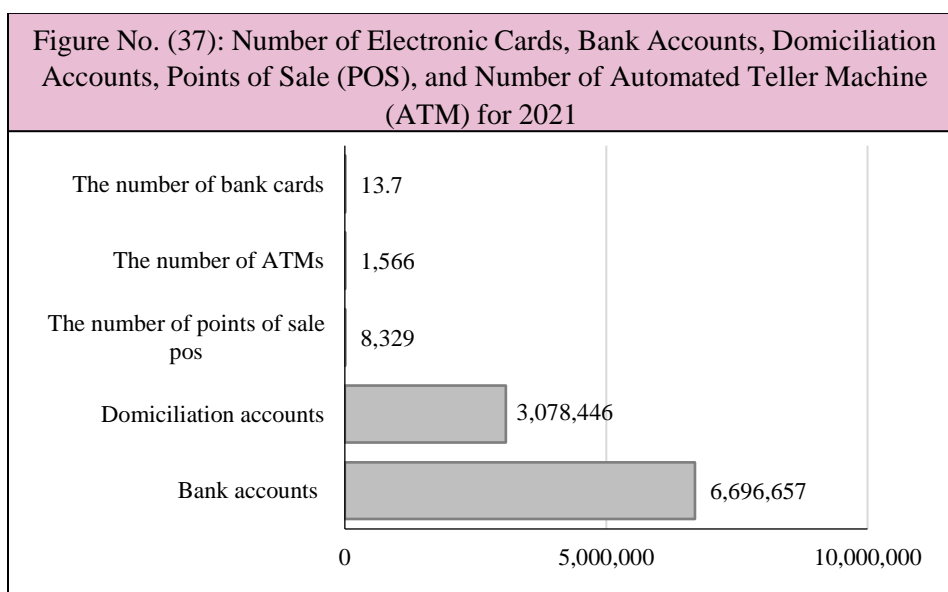
To enhance the access of financial services and products to all segments of society, including the marginalized and the poor to provide them with financial services in a fair & transparent manner and at reasonable costs, including protecting consumers` rights and encouraging them to manage their money and savings properly. The Central Bank worked to achieve this goal through a number of important steps that were taken in addition to new sub-committees that emerged from the Supreme Committee of Financial Inclusion, as the following:

- Receipt of the matrix of activities and proposed steps for a road map according to a letter of Arab Monetary Fund to support the National Strategy for Financial Inclusion in Iraq.
- Work with the World Bank and the German Agency for International Development (GIZ) to implement financial inclusion project. The cooperation was meant to start a new economic integration through improving financial inclusion in a sustainable manner and having access to comprehensive financial



services for vulnerable targeted groups such as internally displaced persons and host communities, especially women and young entrepreneurs and micro enterprises.

- Accelerate the pace of banking services provided through mobile phone.
- Opened bank accounts for 2021 amounted (6,696,657), domiciliation accounts amounted (3,078,446), number of points of sale (POS) reached (8,329), and number of automated teller machines (ATM) reached (1,566).
- Open bank accounts for 2021 amounted to (6,696,657), settlement accounts amounted to (3,078,446), the number of points of sale (POS) reached (8,329), and the number of automated teller machines (ATM) reached (1,566).
- During the past years, number of bank cards increased from (6.4) million in 2017 to (14.9) million in 2021.
- Automation of financial transfers between state-departments & agencies, collection of due amounts through the electronic clearing system ((C-ACH), and confirmation to ministries and affiliated formations such as (syndicates affiliated to Ministry of Health and Civil Aviation Authority) using electronic payment tools instead of cash and checks. The most important accomplishment was installment of the system in the treasury directorates of Baghdad and governorates, as their transfers and financial transactions were automated. In addition, the system was installed for a number of spending units, such as the Journalists' Pension Fund and the Oil Projects Company.



#### **Fourth: Strategic Plans for the Payment System**

1. Establish a quick payment system.
2. Develop the real-time gross settlement system (RTGS).
3. Encourage banks to participate at Bunna platform, as speed and security are provided in making transfers and enhance banking services.
4. A project to add the Iraqi currency (Iraqi dinar) to Bunna platform for Arab payments.
5. Link the Iraqi payment system with the basic systems operating at the bank.

##### **Box No. (3)**

##### **Arab Regional Payment System Project (Bunna)**

A platform that provide real-time clearing and settlement services for cross-border financial transfers in Arab and international currencies. Participating banks will be able to send & receive payments among them in a safe reliable way and reduce resorting to global centers of correspondent banks to clear & settle Arab payments, which contributes to reduce time and accompanied costs on banks and their customers.

Bunna platform had been on full operation in cooperation with the Arab Monetary Fund making payment operations. This achievement is considered as a new stage to the development of electronic payments, as (13) banks participate at the platform.



**Statistical Annex**

## Annex of Table No. (1)

**Gross Domestic Product by Economic Activities at Constant Prices for 2020-2021 Base Year  
2007 = 100**

(IQD billion)

Economic Activities	Value Added at Constant Prices for 2020	Value Added at Constant Prices for 2021*	Relative Importance %	Change Rate %
Agriculture, Forestry, Hunting and Fishing	9,518.6	7,85.9	3.84	-17.5
Mining and Quarries:	116,399.5	115,562.4	56.52	-0.7
-Crude Oil	116,242.7	115,424.9	56.45	-0.7
- Other Types of Mining	156.8	137.5	0.07	-12.3
Manufacturing Industry	2,313	2,390	1.17	3.3
Electricity and Water	2,208.8	2613.9	1.28	18.3
Building and Construction	6,878.2	5,773	2.82	-16.1
Transport, Communication and Storage	15,278.8	18,769.4	9.18	22.8
Wholesale and Retail Trade, Hotels and the Like	14,486.5	18,075.2	8.84	24.8
Money , Insurance, Real Estate and Business Services	12,208.4	11,743.1	5.74	-3.
-Banks and Insurance	2,713.7	3,137.5	1.53	15.6
- Ownership of Houses	9,494.7	8,605.5	4.21	-9.4
Social and Personal Development Services	19,364.7	21,679.6	10.60	12
General Government	14,397	16,830.7	8.23	16.9
Personal Services	4,967.7	4,848.9	2.37	-2.4
<b>Total by activities</b>	<b>198,656.6</b>	<b>204,461.4</b>	<b>100.00</b>	<b>2.9</b>
Minus: Calculated Service Charge	1,671.1	1,993.1	0.97	19.3
<b>Gross Domestic Product</b>	<b>196,985.5</b>	<b>202,468.3</b>	<b>99.03</b>	<b>2.8</b>

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

\* Quarterly preliminary estimates

## Annex of Table No. (2)

## GDP by Economic Activities at Current Prices for 2020 – 2021

(IQD billion)

Economic Activities	Value Added at Constant Prices for 2020	Value Added at Constant Prices for 2021*	Relative Importance %	Change Rate%
Agriculture, Forestry, Hunting and Fishing	13,130.9	11,912.8	3.90	-9.3
Mining and Quarries:	63,622	137,919.8	45.19	116.8
Crude oil	63,335.7	137,673.5	45.11	117.4
- Other Types of Mining	286.3	246.4	0.08	-14
Manufacturing Industry	5,951.4	6,193.7	2.03	4.1
Electricity and Water	7,584.6	7,886.7	2.58	4
Building and Construction	13,515.7	10,265.1	3.36	-24.1
Transport, Communication and Storage	22,850.1	29,886.4	9.79	30.8
Wholesale and Retail trade, Hotels and the Like	19,556.8	25,958	8.51	32.7
Money , Insurance, Real estate and Business Services: -	23,034.1	21,720.1	7.12	-5.7
Banks and Insurance	5,440.5	5,905.7	1.94	8.6
- Ownership of Houses	17,593.6	15,814.4	5.18	-10.1
Social and Personal Development Services	53,873.5	53,448.7	17.51	-0.8
General Government	43,416.4	43,932.3	14.39	1.2
Personal Services	10,457.1	9,516.4	3.12	-9
<b>Total by Activities</b>	<b>223,119</b>	<b>305,191.4</b>	<b>100.00</b>	<b>36.8</b>
Minus: Calculated Service Charge	3,350.2	3,751.8	1.23	12
<b>Gross Domestic Product</b>	<b>219,768.8</b>	<b>301,439.5</b>	<b>98.77</b>	<b>37.2</b>

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

\*Quarterly preliminary estimates

**Annex of Table No. (3)**  
**Money Supply (M<sub>1</sub>, M<sub>2</sub>) and its Components for Months of (2020-2021)**

(IQD billion)

Period	Currency Outside Banks	Current Deposits	M1	Other	M2
January/2020	46,864.8	39,312.9	86,177.6	16,353.0	102,530.6
February	46,217.4	43,041.0	89,258.4	16,418.7	105,677.1
March	49,445.0	42,400.8	91,845.8	16,373.9	108,219.7
April	52,075.7	42,637.4	94,713.1	15,982.9	110,696.1
May	53,154.4	40,977.0	94,131.3	15,884.4	110,015.7
June	53,346.0	41,129.6	94,475.6	15,778.5	110,254.1
July	56,535.7	40,554.4	97,090.1	14,016.8	111,106.9
August	56,980.1	40,657.8	97,637.9	14,036.6	111,674.5
September	54,448.5	42,041.1	96,489.6	16,004.8	112,494.4
October	55,124.0	40,745.0	95,869.0	15,948.1	111,817.1
November	56,959.0	40,991.9	97,951.0	15,784.5	113,795.5
December	59,987.1	43,366.5	103,353.6	16,552.7	119,906.3
January/2021	63,159.0	42,203.7	105,362.7	16,674.2	122,037.0
February	65,034.4	43,891.7	108,926.1	16,836.3	125,762.4
March	69,193.6	42,410.8	111,604.4	17,088.7	128,693.1
April	68,234.6	44,209.7	112,444.3	17,416.1	129,860.4
May	70,024.9	45,352.0	115,376.9	17,572.7	132,949.6
June	68,917.2	46,715.2	115,632.4	17,914.2	133,546.5
July	69,261.9	47,622.7	116,884.6	18,025.9	134,910.5
August	69,239.3	47,977.0	117,216.3	18,387.6	135,603.9
September	69,468.3	46,845.9	116,314.2	18,787.0	135,101.1
October	70,687.8	48,327.3	119,015.1	18,840.3	137,855.4
November	70,818.5	46,974.7	117,793.2	19,121.3	136,914.5
December	71,526.1	48,418.0	119,944.0	19,942.0	139,886.0

Preliminary data subject to adjustment.

**Annex of Table No. (4)**  
**Monthly Average of Exchange Rate of Iraqi Dinar per US\$ in Domestic**  
**Market for Months of (2020-2021)**

Period	(IQD/US\$)	
	2020	2021
January	1202	1461
February	1194	1461
March	1199	1461
April	1226	1476
May	1227	1486
June	1243	1487
July	1230	1473
August	1223	1475
September	1222	1471
October	1241	1481
November	1249	1481
December	1351	1477
Average	1234	1474

**Annex of Table No. (5)**  
**Sold Amounts of US\$ at the CBI for 2020 – 2021**

	2020			2021		
	Cash	Draft/Enhancement Balance	Total	Cash	Draft/Enhancing Balance	Total
January	489	4,516	5,005	2	490	492
February	470	4,158	4,628	1	1,175	1,176
March	306	3,620	3,926	0	1,441	1,141
April	0	1,555	1,555	273	2,836	3,109
May	49	2,616	2,665	433	2,206	2,639
June	238	2,581	2,819	757	4,067	4,824
July	205	3,655	3,860	607	2,336	2,943
August	290	3,082	3,372	983	3,730	4,713
September	373	4,296	4,669	911	3,538	4,449
October	338	3,481	3,819	791	2,356	3,147
November	367	4,200	4,567	937	3,110	4,047
December	244	2,951	3,195	924	3,190	4,114
Total	3,369	40,711	44,080	6,619	30,475	36,794

**Annex of Table No. (6)  
Sales & Purchases of US\$ for 2020-2021**

(US\$ million)

	2020		2021	
	Sales	Purchases from Ministry of Finance	Sales	Purchases from Ministry of Finance
January	5,005	2,780	492	2,000
February	4,628	3,500	1,176	3,290
March	3,926	7,200	1,441	3,773
April	1,555	3,500	3,109	4,355
May	2,665	2,950	2,639	3,050
June	2,819	1,800	4,824	4,319
July	3,860	900	2,943	3,050
August	3,372	0	4,713	4,810
September	4,669	0	4,449	4,150
October	3,819	4,000	3,147	4,100
November	4,567	3,100	4,047	4,350
December	3,195	1,000	4,114	4,750
<b>Total</b>	<b>44,080</b>	<b>30,730</b>	<b>37,094</b>	<b>45,997</b>

Preliminary data subject to adjustment.



**Annex of Table No. (7)**  
**Reserve Requirement at the end of (2020 -2021)**

(IQD million)

Period	2020		2021	
	State-Owned Banks	Private Banks	State-Owned Banks	Private Banks
January	8,505	1,210	7,990	1,106
February	8,572	1,183	8,951	1,185
March	8,315	1,184	8,956	1,147
April	8,907	1,170	8,921	1,142
May	8,226	1,095	8,996	1,220
June	8,290	1,028	8,123	1,205
July	7,925	1,021	8,923	1,280
August	7,856	1,038	9,085	1,306
September	7,840	1,056	9,212	1,351
October	8,254	1,075	9,434	1,363
November	8,083	1,054	9,356	1,371
December	8,131	1,062	9,596	1,419

**Annex of Table No. (8)  
CBI Drafts with Maturities of (182) days and (365) days in IQD for 2020-2021**

	2021						2020					
	Sold Amount (182) days	Paid Amount	Average of Interest Rate %	Sold Amount (365) days	Paid Amount	Average of Interest Rate %	Sold Amount (182) days	Paid Amount	Average of Interest Rate %	Amount Sold (365) days	Paid Amount	Average of Interest Rate %
January							78,000	41,000	2.5			
February		34,600								34,600		3.00
March							47,640	35,000	2.5			
April												
May							38,330	100,030	2.5			
June												
July								78,000				
August											20,000	
September								47,640				
October											51,500	
November								38,330				
December											1,00,010	
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34,600</b>	<b>0</b>	<b>163,970</b>	<b>340,000</b>	<b>2.50</b>	<b>34,600</b>	<b>171,510</b>	<b>3.00</b>

Preliminary data subject to adjustment.

**Annex of Table No. (9)  
Balance of Deposits with Commercial Banks by Type and Sector for  
2020-2021**

(IQD million)

Items	2020	2021
Central Government	25,262,846	27,987,982
Current	20,043,470	21,873,095
Savings	0	0
Fixed	5,219,376	6,114,887
Public Institutions	23,740,789	24,840,341
Current	21,485,161	22,461,103
Savings	32,917	33,337
Fixed	2,222,711	2,345,901
Private Sector	35,920,533	43,243,055
Current	21,867,133	25,941,688
Savings	12,619,980	15,432,918
Fixed	1,433,420	1,868,449
<b>Total</b>	<b>84,924,168</b>	<b>96,071,378</b>

Preliminary data subject to adjustment.

**Annex of Table No. (10)**

**Direct Cash Credit Stock Extended by Commercial Banks by Type and Sector for 2020-2021**  
(IQD million)

Items	2020	2021
Central Government	21,234,010	19,223,528
Overdrawn Accounts Balance	2,195	2,303
Discounted Commercial Securities	0	18,073
Loans and Advances	21,231,815	19,203,152
Overdue Debts	0	0
<b>Public Institutions</b>	<b>2,717,075</b>	<b>4,169,687</b>
Overdrawn Accounts balance	107,642	107,542
Discounted Commercial Securities	0	0
Loans and Advances	2,531,148	3,984,953
Overdue Debts	78,285	77,192
<b>Private Sector</b>	<b>25,866,652</b>	<b>29,578,293</b>
Overdrawn Accounts Balance	2,155,440	1,967,900
Discounted Commercial Securities	67,985	84,199
Loans and Advances	19,270,522	22,934,840
Overdue Debts	4,372,705	4,591,354
<b>Total</b>	<b>49,817,737</b>	<b>52,971,508</b>

Preliminary data subject to adjustment.

**Annex of Table No. (11)**

**Sectoral Distribution of Cash and Pledged Credit Extended by Commercial Banks for 2020-2022**

(IQD million)

Activities	Cash Credit		Pledged Credit	
	2020	2021	2020	2021
Agriculture and Fishing	2,098,462	2,110,038	857	5,224
Mining	11,179	6	235	41,650
Manufacturing Industry	1,388,336	2,361,734	51,292	998,226
Water, Electricity & Gas	384,595	1,309,437	279,279	296,151
Trade, Restaurants & Hotels	21,304,458	10,180,123	21,385,823	22,787,958
Transport, communications & Storage	1,570,022	1,716,146	386,420	239,202
Finance & Insurance	5,556,073	5,127,790	26,554	89,705
Community Services	7,379,406	18,998,599	973,585	633,959
External World	12,597	11,977	2,041,532	2,069,343
Building & Construction	10,112,609	11,155,658	304,579	482,755
<b>Total</b>	<b>49,817,737</b>	<b>52,971,508</b>	<b>25,450,156</b>	<b>27,644,173</b>

\* Preliminary data subject to adjustment.

**Annex of Table No. (12) I**  
**Annual Iraqi Balance of Payments (BPM6) primary 2021**

(US\$ million)

Items	FOB	CIF
<b>First - Current Account</b>	<b>24,563.4</b>	
<b>1- Trade Balance</b>	<b>38,362.7</b>	
Exports	73,083.8	
– Crude Oil	68,803.7	
-*Governmental	68,803.7	
- Private	0.0	
– Oil Products	4,021.5	
- Governmental	4,001.8	
- Private	19.7	
– Other Exports	258.6	
Imports	34,721.1	40,848.5
1. Government Imports	8,937.9	10,515.3
A- Consumption Imports	2,858.9	3,363.6
B- Capital Imports	1,455.4	1,712.3
C- Refined Oil Products	3,732.7	4,391.3
D- Other Gov. Imports	878.5	1,033.5
E- Cost of Currency Printing	12.4	14.6
2- Private Sector Imports	25,783.2	30,333.2
A. Cons. Goods Imports	6,445.9	7,583.4
B. Capital Goods Imports	19,337.3	22,749.8
C. Oil Products Imports Private Sector	0.0	0.0
<b>2- Services Account, Net</b>	<b>-10,809.1</b>	
Receipts	5,176.7	
Payments**	15,985.8	
<b>3-Primary Income Account</b>	<b>-2,064.2</b>	
Compensation of Employee	21.1	
Investment Income	-2,085.3	
– Receipts	451.5	
– Payments	2,536.8	
- Interest/External Debt	685.6	
- Others	1,851.2	
<b>4-Secondary Income Account</b>	<b>-926.0</b>	
Special Transfers Included Remittances	-65.6	
Official	-860.4	
– Receipts	782.0	
Total of Grants	721.3	
Other Current Transfers	60.7	
– Payments	1,642.4	
Total of Grants	0.0	
Other Current Transfers	1,642.4	
UN Compensation Fund	1,592.6	
Others	49.8	

\* Including the value of oil in kind.

\*\* Includes The costs of shipments and insurance deducted from imports (CIF) value US\$ (6127,3) US\$ million.

Note: Preliminary data.

**Annex of Table (12) II**  
**Annual Iraqi Balance of Payments (BPM6) Primary 2021**

Items	( FOB )	(US\$ million) (CIF)
<b>Second- Capital Account/ Net</b>	<b>-17.5</b>	
Credit	0.2	
Debit	17.7	
<b>Third- Financial Account/Net</b>	<b>24,993.3</b>	
<b>1- Direct Investment /Net</b>	<b>2,771.9</b>	
Abroad	134.6	
In Iraq	-2,637.3	
<b>2- Portfolio Investment /Net</b>	<b>-270.1</b>	
- Assets	-618.7	
a-General Government	-618.7	
Drawing	7,795.8	
Paid	8,414.5	
b-Other Sectors	0.0	
Drawing	0.0	
Paid	0.0	
- Liabilities	-348.6	
a-General Government	-348.6	
Drawing	0.0	
Paid	348.6	
b-Other Sectors	0.0	
Drawing	6.5	
Paid	6.5	
<b>3- Other Investment , Net</b>	<b>11,699.6</b>	
a- Official , Net	9,388.8	
- Assets	5,530.3	
- Claims Held Abroad	7.6	
- Change In Government Available Stock	-1,324.3	
- Trade Credit	6,847.0	
- Other Equity	0.0	
- Liabilities	-3,858.5	
- Obligation on Government	-1,608.5	
- Loan Disbursements	864.2	
- Amortization	-3,114.2	
- Trade Credit	0.0	
b- Private, Net/ ODC's	1,506.9	
- Assets	1,540.2	
- Liabilities	33.3	
c- Foreign Deposits, Net /Other Sectors	803.9	
<b>4-Reserve Assets</b>	<b>10,791.9</b>	
- Central Bank	10,791.9	
- Reserves	10,791.9	
- Reserve Assets	10,791.9	
a-Monetary Gold	0.0	
b-Special Drawing Rights	6.5	
c-Reserve Position in the Fund	0.0	
d-Foreign Assets	10,785.4	
1- Currency and Deposits	2,393.2	
-With Monetary Authorities	2,851.5	
- With Banks	-458.3	
2- Securities	8,392.2	
-Equities	0.0	
-Notes & Bonds	0.0	
- Money Market Instrument/Financial/Derivatives, net	8,392.2	
3-Other Claims	0.0	
<b>Fourth- Errors and omissions Net: Financial Account- (Current Account +Capital Account)</b>	<b>447.4</b>	