



Annual Economic Report 2022



Republic of Iraq
Central Bank of Iraq
Statistics & Research Department

Annual Economic Report **2022**

Central Bank of Iraq
Statistics & Research Department

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Summary of Iraqi Economic Indicators for 2022

Statement		
Currency (Iraqi Dinar (IQD))	2021	2022
GDP at Current Prices (GDP) (IQD trillion)	301.2	383.1
GDP Domestic Product at Constant Prices (GDP) (IQD trillion)	198.5	212.4
Average of Per Capita to GDP at Current Prices (IQD million)	5.0	6.3
Total Area Cultivated with Wheat and Barley (thousand dunums)	9,464	7,487
Rated Power Production (MW)	13,990	16,195
Core Inflation Rate %	6.4	4.8
General Inflation Rate %	6.0	5.0
Average of Consumer Price Index (CPI):(point)	111.5	117.0
Average of Consumer Price Index After Exclusion (point)	118.5	113.1
Daily Average of Oil Export (million barrels)	3.0	3.3
Average Price Per Barrel of Oil (US\$/ barrel)	68.4	95.6
Narrow Money Supply (M1) (IQD trillion)	119.9	146.4
Broad Money Supply (M2) (IQD trillion)	139.9	168.8
Average of (CBI) Interest Rate %	4	4
Average of Iraqi Dinar Exchange Rate Against the US Dollar at Domestic Market Price (IQD)	1474	1482
Cash Credit Balance Extended by Commercial Banks (IQD trillion)	53.0	60.6
Total Deposits with Commercial Banks (IQD trillion)	96.1	129.0
Total Capital of Operating Banks (IQD trillion)	17.8	17.9
Actual/ Public Revenue (IQD trillion)	109.1	161.7
Actual /Public Expenditure (IQD trillion)	102.8	116.9

Preliminary Adjustable Data.

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Introduction

Statistics and Research Department at CBI is pleased to issue the Annual Economic Report for 2022 as part of a series of economic reports that this department is keen to prepare and publish annually. The report includes the latest available data and statistics related to aspects of Iraqi economic performance for this year; it presents these developments within seven chapters –as each one of them addresses a main topic with the appropriate amount of detail as the following:

1. Global and Arab economic developments.
2. Developments in domestic economic sectors.
3. Monetary and banking developments.
4. Developments of public finance sector.
5. Developments of the external sector and the Iraqi balance of payments.
6. Developments of the payment system.
7. The role of CBI in achieving sustainable growth in 2022.

The **first chapter** reflects global and Arab economic developments that illustrate the most important changes of economic indicators in 2022 and the expected ones. While the **second chapter** deals with developments in domestic economic sectors; as it indicates the main trends in the performance of the Iraqi economy regarding growth rates of GDP at current and constant prices in 2022 compared to 2021. The **third chapter** reviews main monetary & banking developments and the activity of CBI in the areas of monetary policy and banking supervision, through a presentation of the most important developments witnessed by the main monetary indicators. whereas the **fourth chapter** follow up the development of public finance situations in light of what the data of state's general budget indicate in 2022 and its comparison with 2022. The **fifth chapter** deals with developments of trade and financial relations of the Iraqi economy with other economies, as reflected in statistics on foreign trade and the Iraqi balance of payments during the year 2022 compared to the year 2021. The **sixth chapter** of this report monitors the performance of the Iraqi payments system in 2022 and the most important developments that took place. Finally, **chapter Seven** deals with the role of CBI in achieving sustainable growth in 2022 through the initiatives provided by the bank that contribute to the sustainable development process, noting that the data contained in this report are preliminary and subject to adjustment.



Chapter One

Global and Arab Economic Developments

Global and Arab Economic Developments

First: Global Developments

Global economic activity is still suffering from the weight of central banks raising interest rates in order to combat inflation and the Russian-Ukrainian war. The global economy did not find its way to recovery in 2022 with continued high inflation rates, high prices of energy sources, and disruptions to global supply chains. The war hindered the global economic recovery, which was reflected in huge increases of the prices of energy sources and agricultural crops. The Russian-Ukrainian war also led to a significant rise in food and energy prices, which is expected to continue over the next three years. This was confirmed by the World Bank, which increased fears that the global economy was heading toward a situation similar to what happened in the 1970s of the last century, with weak growth and high inflation (stagflation). This means that there are risks represented by the fact that commodity costs will continue to rise until the end of 2024, which may lead to stagflation accompanied by significant pressures on the costs of living.

The rapid spread of the Corona pandemic in China weakened growth in 2022, but the reopening of the Chinese economy paved the way for recovery at a faster pace than expected. International Monetary Fund's expectations indicate a decline in global inflation from (8.8%) during 2022 to (6.6%) in 2023 and (4.3%) during 2024, which are higher than pre-pandemic levels (2017–2019) by about (3.5%).

The balance of risks is still tilted towards negative developments. On the positive side, we could witness a stronger boost from pent-up demand in many economies or a faster decline in inflation. On the negative side, the serious health outcomes in China could curb the recovery, the Russian - Ukrainian war could escalate and tight global financing conditions could worsen the critical indebtedness situation. Financial markets may suddenly begin to reprice interest rates in reaction to adverse news about inflation. While increased geopolitical volatility could hinder economic progress according to the International Monetary Fund's expectations. The priority in most economies remains to achieve a sustainable decline in inflation.

1- Advanced Economies

Corona pandemic and then the Russian-Ukrainian war revealed risks that surfaced. They include debt inflation and the subsequent developed markets (the United States of America, the Eurozone and the United Kingdom) adopting a tight monetary policy based on raising interest rates with the aim of achieving a balance between controlling inflation without causing a deep or long-term recession and protecting citizens from the consequences of high debts.

United States of America: despite the recovery witnessed by the American economy for consequences of Covid-19 pandemic during 2021, the matter that made it the most recovered economy among the majority of the world's economies, the year 2022 came laden with many events that had put it against many challenges. The Russian-Ukrainian

war with its economic repercussions and the accompanied geopolitical tensions, might represented the most prominent factors in the emergence of these challenges that are still persistent with the new year 2023. As the economy recorded growth in 2022, but at a slower pace than in 2021. While Americans continued to consume despite the decline in purchasing power due to high interest rates and inflation, GDP growth reached (2.1%) in 2022 with a slower pace compared to 2021 - which witnessed the strongest growth since 1984 as it reached (5.9%).

The year 2022 began with weak indicators and a decline in domestic product, while consumption, which is the engine of the American economy, remained strong at the end of 2022 despite the intervention of the US Federal Bank. While Americans depend largely on credit for their purchases, the Federal Reserve Bank raised the main interest rate by (425) basis point during 2022 from near zero level to a percentage ranging between (4.25% and 4.5%); which is the largest increase since 2007. The matter that prompted commercial banks to raise interest rates, which affected the purchasing power of consumers who were suffering because of inflation.

The size of the US public debt in 2022 also reached a record level exceeding US\$ (31) trillion, while the current account deficit reached US\$ (206.8) billion.

Consumer spending on goods witnessed a significant boom, as spending derived support from the labor market soundness, in addition to the surplus savings that accumulated during Covid-19 pandemic. Yet demand for durable goods that are often purchased on credit declined and some families, especially low-income families, exhausted their savings. In addition, corporate spending lost some of its strength at the end of Q4 2022.

Eurozone: it exceeded expectations by recording positive economic growth in Q4 2022, which reduced fears of a possible recession. Data showed that the Eurozone recorded growth of (0.1%) in Q4 2022; this percentage indicated a severe slowdown compared to (0.3%) in Q3 of the same year. The euro zone escaped an economic deflation thanks to the slight growth in its GDP that reached (3.5%) over an annual period, which exceeds the growth rate of China (3%) and the United States (2.1%), but it nevertheless came as contrary to expectations which warned of an economic deflation in the euro area.

The region has come under great pressure in the wake of the Russian-Ukrainian war, as rising food and energy costs have exacerbated long-term bottlenecks in the supply chain. Economists have warned that the 20-nation region may be on the edge of entering an economic recession, while energy prices have fallen during the last period of 2022, which led to an improvement in the economic performance of the euro zone. However, **Germany**, the largest economy in Europe, recorded a deflation of (0.2%) in Q4 2022; it is expected to head into recession and continue until Q1 before the economy stabilizes in Q2 2023.

The region witnessed unprecedented inflation rates, which prompted the European Central Bank in July 2022 to raise the interest rate in the euro zone by (0.50) percentage points for the first time in eleven years. Inflation rate in the euro zone reached a new record

level in August 2022 by (9.1%) according to figures issued by the European Statistical Office; the rate is the ninth consecutive record for the rise in consumer prices in the Eurozone, as the rise began in November 2021.

The European Central Bank also raised the interest rate again in September 2022 by (0.75) percentage points, as the total interest rate reached (1.25%). This increase of the interest rate is the highest on one payment since the adoption of the paper euro currency on daily financial transactions of the euro zone in 2002; the European Central Bank intervened to confront increasing inflation rates.

Raising the interest rate in the Eurozone remains a controversial matter among economic experts. Some criticize the slow intervention of the European Central Bank to raise the interest rate, considering it the most useful and successful means of resisting inflation. While a number of other experts warn that raising the interest rate to a large extent may give reasons to investment and growth decline, with the increased possibility of an economic recession, especially since the zero interest rate, which has been prevailing in the Eurozone since 2016, has shown positive economic results in terms of increased investment and corporate financing. In addition, raising the interest rate has fundamental, albeit opposite, effects on a number of important economic sectors, most notably the banking sector, financial funding institutions, and the construction & real estate sectors.

The euro zone recorded a record trade deficit during 2022 affected by the significant rise in imported energy prices after the Russian-Ukrainian war, as the trade deficit in goods for the euro zone reached € (432) billion, while government debt of the European Union rose to € (13.4) trillion. However, European economic activity shows resilience against the consequences of the war in Ukraine, benefiting in particular from inflation decline since November 2022, the recovery of supply chains, and the recent reopening of the Chinese economy.

The United Kingdom: the repercussions of the Russian-Ukrainian war left the British economy in a state of confusion and turmoil, and caused the economy to be subject to major structural changes. However, in the case of the British economy, there is another reason appears to cast a shadow on the economic conditions in Britain, which is its exit from the European Union. This factor along with the previous factors, caused inflation rates to have record levels. Unemployment rates also rose, which led to the deprivation of a large segment of the population from work, or salaries and increased economic uncertainty that led to more than half a million British workers deciding to strike due to the increase of inflation rates that affect wages.

Regarding the growth rates of the British economy, despite a slight improvement by (0.4%) on an annual basis in Q4 2022, it remained the weakest performance since Q1 2021 as GDP recorded an annual growth of (4.2%) in 2022, which is lower than it was in 2021 by (7.5%).

Expectations indicate that the deflation will continue leading to recession during 2023 with declined growth rates, raised inflation rates, and government borrowing rise to £ (128.1) billion for the fiscal year until December 2022, according to the National Statistics Office data; with an increase of £ (5.1) billion over the same period of the last year. At the end of 2022, net public sector debt was equivalent to (99.5%) of GDP - similar to its level a year ago.

Although the British Kingdom's trade balance has been in deficit since 1998, yet Britain's exit from the European Union officially contributed to a decline of its exports of goods to the European Union on December 2020 by (30%) during the first year of Britain's exit from the European Union. The United Kingdom's trade deficit with the European Union widened to a record level in Q4 2022 reaching US\$ (39.9) billion, with imports from the European Union rising by (3.8%) driven by increased purchases of machinery and transport equipment, especially ships, and rising fuel prices. On the other hand, British exports to the European Union decreased, which reflected some of the customs barriers that appeared after Britain's exit from the European Union, which had an impact on prices at home with high inflation rates that added to the cost of living crisis in the United Kingdom.

While inflation rates reached their highest level in 41 years at (11.1%) with the rise of energy and food prices, inflation levels began to rise in mid-2021- that is - months before the Russian-Ukrainian war. Then inflation rates rose due to that war and its repercussions from commodity market shocks and Energy prices rose in developed markets, but inflation in Britain remained higher than what was achieved in those countries. Therefore, the Bank of Britain raised interest rates to (3.5%) on December 15, an increase from (3.0%), which was the ninth increase in a row.

JAPAN: the third largest economy in the world recorded a growth of only (1.7%) in 2022, which is less than previous expectations of growth of (2.3%). The Japanese economy is expected to record (1.1%) during the year 2023, while the Organization for Economic Cooperation and Development (OECD) expected a growth of (1.8%) in 2023. While the Japanese government raised its expectations for the country's real GDP growth to (1.5%) in fiscal year 2023.

The optimistic opinions about the Japanese economy collide with expectations that it will likely fall into a recession trap during 2023, under pressure from a decline in exports and household spending, with high inflation that reached (4%) in 2022 and the Bank of Japan's insistence on its accommodative policy.

The policy of Bank of Japan's led to a depreciation of the national currency during 2022 by (12%) against the US dollar, to record its lowest levels in three decades. The country recorded a trade deficit in 2022 amounted US\$(155) billion, under pressure from the weakness of the yen, the rise of global energy prices, and import and manufacturing costs.

Imports increased by (39.2%) due to the rise in energy prices. It is expected that there will be a change in the approach of the Bank of Japan and it is likely to join the wave of global monetary tightening, but at a more conservative pace.

The Organization for Economic Cooperation and Development (OECD) expected that inflation in Japan would continue to decline during 2023 compared to other advanced economies because it was still low compared to the rates recorded in them. The economic stimulus package approved by Japan on October 2022 amounted (\$ 265) billion, would contribute to revive domestic demand and reduce burdens of high energy prices on families.

The Japanese government expects that private consumption, which represents more than half of the economy, would rise by (2.2%) during 2023 due to the rise in wages. Private consumption is likely to grow strongly with the support of domestic demand that began to grow with lifting Corona restrictions and the reopening of borders to foreign tourism starting from October 2022 after a closure of more than two years.

There are clear signs that tightening monetary policy in most developed countries has begun to reduce demand and inflation, but its full effect is unlikely to be achieved before 2024. It appears that global inflation has reached its peak in Q3 2022, and fuel and commodity prices declined. Thus, overall inflation declined, especially in the United States, the Eurozone, and Latin America. But core inflation has not yet reached its peak in most economies and is still much higher than at pre-pandemic levels; it has persisted amid indirect effects of previous cost shocks and labor market undersupply, with strong wage growth and continued solid consumer demand.

Also, the world will face a recession in 2023, as high borrowing costs, which are essentially an attempt by central banks to address inflation, will lead to deflation of a number of economies.

The global economic outlook was more negative than expected due to monetary policy tightening caused by persistently high and widespread inflation, weak growth momentum in China, continued supply imbalances, and food insecurity resulting from the war in Ukraine.

The priority in most economies, amid the cost of living crisis, remains to achieve a sustainable decline in the inflation rate. With tightening monetary conditions and the potential impact of low growth on financial and debt-related stability, it will be necessary to use macro-prudential safety tools and strengthen debt-restructuring frameworks. The focus should be to direct the support of public finance to those most affected by rising food and energy prices. Risks to financial stability remain generally high as investors reassess their expectations about inflation and monetary policy. The change in market expectations regarding the interest rate cycle had a major role in facilitating global financial conditions to some extent. Given the tension between the growing risks of recession and the uncertainty regarding monetary policies, the markets witnessed huge fluctuations and

several central banks in advanced economies announced their need to impose higher interest rates for a longer period to reduce inflation.

2- Emerging and developing market economies

At the end of 2022, interest in emerging and developing economies declined with greater attention on the major economies and their crises that surrounded the world from East to West. However, these economies succeeded to seize some qualitative successes throughout the year, despite the fact that they suffer from several problems, including accumulated debts, delayed development, and emerging problems because of the repercussions of crises on their economies.

The World Bank (WB) expects growth in emerging market economies and developing countries to decline from (3.8%) in 2022 to (2.7%) in 2023, which reflects a noticeable weakness in external demand and is compounded by high inflation rates, currency depreciation, and tightening financing conditions. The WB expects that the growth of total investment in these economies is about (3.5%) and he pointed out that weak investment is a serious concern because it is linked to weak productivity and trade.

During 2022, as the dollar continue to be appreciated against other currencies to its highest levels in 20 years - especially against currencies of emerging countries, the cost of debt increased for these countries. In addition to the successive and rapid increase of the US interest rate, which adds more pressure with the failure of many developing countries to pay off their debts during the year. Many of them were forced to “loan recycling” through new borrowing to pay off the old installments, but with a higher interest rate.

The debt-to-GDP ratio in emerging markets has risen again to record levels despite the decline in the size of global debt by US\$ (6.4) trillion to US\$(290) trillion in Q3 2022 (on a quarterly basis) due to appreciating the dollar and the decline of bond sales. The budget deficit and slow economic growth led to an increase in the debt-to-GDP ratio in developing economies to (254%) in 2022, but the total volume of emerging market debt decreased to US\$ (96.2) trillion from US\$ (98.7) trillion in the previous quarter. While the global debt-to-GDP ratio decreased for the sixth consecutive quarter to (343%) of GDP.

The Institute of International Finance also indicated that “in light of the tightening of global financing market conditions, access to international markets has become more difficult for many borrowers who pay high interest this year, and the global sovereign interest bill is expected to rise at a rapid pace, especially in Africa and European Emerging Economies”. Policymakers and credit rating agencies have warned that debt pressures on fragile developing economies are far from over, and that further defaults are likely to take place.

On the positive side, the slowdown in the pace of interest rate increases in major economies, especially the US, could contribute to pave the way for a recovery in emerging markets in 2023, with the decline of the dollar and inflation providing much needed relief.

In 2022, emerging markets witnessed group migration of investors (hot money) due to raising interest rates at a high pace and domestic currency-denominated sovereign bonds fell by the largest amount since 2009. The currencies faced the worst annual losses since Russia defaulted on its debts in 1998.

The tightening of financial conditions in the context of high levels of global debt led to a decline in credit expansion in emerging and developing countries, which hindered access to capital and disrupted consumption and investment, and negatively affected economic activity. In general, despite the promising start, challenges dominated the year 2022; it led to suboptimal global growth. However, there is a hope that most of the causes of global slowdown will moderate or change in 2023, including the lockdown in China, ongoing supply chain restrictions, rising commodity prices, accelerating inflation, and tightening central bank policies.

With the rise of global inflation and the rise of the dollar exchange rate, developing and emerging countries are in a violent dilemma as the cost of global imports increases dramatically. Although weak currencies can support exports through price competitiveness, countries that are not producers of basic commodities or are net importers face a great danger, which is strongly observed especially in food and energy expenditures that in turn has a sharp impact on the living standard and social situation of the most vulnerable groups.

Emerging markets and middle-income countries are facing a deep shock regarding rates of trade exchange index in terms of the value of exports relative to the value of imports. The International Monetary Fund (IMF) indicated that these countries must be alert with increasing headwinds and increasing vulnerabilities in light of the slowdown of global economy, food and energy price volatility, and tightening financing conditions. The region needs to act quickly and work in a comprehensive manner on structural reforms. One of the urgent challenges is to address the cost of living crisis by restoring price stability and protecting vulnerable groups through targeted support and ensure food security.

The G20 countries indicated that central banks will continue to evaluate the pace of tightening monetary policy, and reaffirm their commitment to avoid excessive fluctuations in exchange rates. These banks will also take into account the need to limit the repercussions, in reference to concerns among emerging economies about the impact that could be made by decisions to raise US interest rates sharply in its markets.

As for the Chinese economy, it was negatively affected by the increase of number of people infected with Covid-19 virus in 2022, and the government's closure of a number of cities, most notably the city of Shanghai, which weakened production and consumption rates - as such economic growth declined. Despite the Chinese government's abandonment of the "zero Covid-19" policy, it is not unlikely that the Chinese economy will witness a rapid recovery. The economic performance will continue to decline, especially during the Q1 2023, before improving in Q2. The growth of the Chinese economy declined to (3%) in 2022, which is the first time in more than 40 years that growth has been less than the

global average. Annual inflation rates in China accelerated in 2022 and reached (2%), driven by the rise in food prices even as domestic demand fluctuated due to restrictions imposed on economic activity with Covid-19 outbreak. The rapid spread of infections led to keep a number of people inside their homes, made stores and restaurants out of business, and factories were forced to close or reduce production due to illness of workers.

In 2022, consumer price index rose by an amount close to expectations by (1.8%) compared to 2021. While consumer price index in China, which is a main measurement of inflation, rose by (2%) on an annual basis in 2022, compared to the government target of about (3%). China achieved a huge trade surplus that reached a record level of US\$ (877.6) billion in 2022 with a rise of exports despite the decline in American and European demand and Covid-19 restrictions that led to the temporary closure of Shanghai and other industrial centers.

With regard to monetary policy, China reduced key interest rates for loans to maintain real interest rates at an appropriate level, which effectively reduced financial costs and supported the real economy. The average interest rates on new corporate loans reached (4.17%) in 2022 with a decrease of (1.28) percentage points compared to 2018, while the cost incurred by China as a result of dealing with the Covid-19 pandemic and the futile attempt to contain it became more apparent, as the budget deficit reached a record level amounted US\$ (1.3) trillion.

IMF expected that China's economy would grow by (5.2%) in 2023 after it abandoned strict measures to combat the spread of Covid-19, and then it would decline to (4.5%) in 2024 before stabilizing at less than (4%) on the medium-term amid declining business dynamism and slow progress in structural reforms.

Likewise, the outlook for the Indian economy remains strong, with expectations that growth in 2023 will decline to (6.1%) compared to its performance in 2022, as it recorded growth of (6.8%). This means that the two powerful Asian economies (China and India) will contribute more than (50%) of global growth in 2023.

One of the main reasons for the rise of India's economy is its ability to develop its manufacturing sector, and that India has worked to develop the information technology and pharmaceutical sectors on a global level, and has strong consumer demand that represents about 55% of the economy. Government reforms, which included reducing corporate tax from (35%) to (25%) and opening India to more foreign investment, also contributed to the liberation of entrepreneurs. As well as government policies that led to increased public investment, exemption of debtors, and credit guarantees that helped keep inflation under control relatively which reached (5.72%) in 2022.

The Central Bank of India raised interest rates several times in 2022 to reach (6.25%).

Through this step, the bank aims to curb high inflation rates, and thus the bank abandoned its adherence to the accommodative policy, which reinforced expectations of further interest rate rises.

Second: Arab Developments

Most countries in the world are still in the process of recovering from the Covid-19 pandemic, and the war in Ukraine is expected to have severe repercussions on the global economy in general and the Arab economy in particular. The size of the impact varies from one country to another and depends on the components of the country's economy and the extent of its commercial and financial connection with the two conflict- countries. Expectations indicated that if the conflict ended in 2022, the GDP in the Arab region would have risen to a percentage of (5.18%) in 2022 instead of (4.78%), that is, with a difference of US\$ (11) billion.

IMF data indicated that the Arab oil-producing countries dominated about half of the list of the world's fastest-growing economies during 2022, despite the difficulties faced by a number of countries during the current year and the unfavorable economic conditions. However, oil prices were supportive of three Arab oil producers' countries that are included in the list; they are Iraq, Kuwait and Saudi Arabia.

Gulf Cooperation Council (GCC) countries of Oil-intensive production will benefit their economies from the recovery in oil markets, and will witness their fastest growth since 2014. These countries will also benefit from higher oil prices resulting from the conflict between Russia and Ukraine. As for other Arab countries, their growth is expected to be slower than what was expected before the crisis, as the rise in oil prices will burden middle-income Arab countries. In addition, food security will be at risk as a result of economic sanctions on the Russian Federation, and the disruption to supply chains that will be caused by military actions. Some countries will face reduction of official development assistance.

The World Bank (WB) expected that the decline of growth rates witnessed by the oil-producing Arab region countries would lead to a slowdown of growth rate in the Middle East and North Africa (MENA). It estimated that the growth of the oil-producing Arab region countries would decline from (6.1%) in 2022 to (3.3%) in 2023 and then to (2.3%) in 2024. As for GCC countries, thanks to the stability of their currency exchange rates against the dollar and fuel subsidies, these countries were able to maintain inflation at a level much lower than the global average.

Oil and gas exporting countries in the Gulf region tend to move towards the Federal Reserve regarding interest rate movements, as most of the region's currencies are pegged to the US dollar. The Gulf region countries raised interest rates to keep up with the US Federal Reserve Bank and prevent depositors' capital from leaving Gulf banks and heading towards the US ones. This decision will result in raising the interest rate on borrowing, which means stagnation of non-oil activities, namely "industrial, economic and commercial". In addition to that, raising the interest rate leads to a lack of financial liquidity in the markets, which negatively affects commercial, industrial and economic activity. As well as the fact that bank credits will be of high interest, which affects exports and imports

of non-oil sectors. Also raising the interest rate results in a decrease of lending operations, which means a loss for banks that live on the financial returns of loans.

As regarding the Kingdom of Saudi Arabia, the Saudi economy achieved a growth of GDP amounted (8.7%) during 2022 despite the complex economic conditions and challenges that countries of the world witness. Thus, it exceeded the expectations of international organizations, as their maximum estimates reached (8.3%), while the current growth rate is the highest annual rate in the last decade.

Inflation rate reached (2.6%); it came after the Kingdom took a set of measures to protect the economy from inflation, most notably: fixed energy prices and taking proactive measures such as setting ceilings on the prices of some petroleum derivatives, through which it was able to contain inflation and limit the impact of rising prices.

In 2022, the Saudi Central Bank raised the interest rate by (50) basis points from (4.5%) to (5%). The Saudi Central Bank's decision to raise interest rates was consistent with global economic variables and the changes that occur to them, especially after the Federal Reserve Bank raised US interest rates.

The policies adopted by the Kingdom to support the national economy contributed to diversify its sources and provide the appropriate environment to achieve growth witnessed by GDP in all its components during this year, as economic and financial reforms contributed to provide more investment opportunities for development funds and the private sector.

WB reduced its expectations for the largest economy in the region from its estimates issued in mid-2022 by (0.1%) for this year to (3.7%), and by (0.7%) for next year to (2.3%). It pointed out that the downward amendments in expected growth prospects came as a reflection of the slowdown that is expected to be experienced by the Kingdom's main trading partners, new cuts in oil production, and the subsequent effects of tightening domestic monetary policy.

On the other hand, WB indicated that high rate of inflation and tightening financial conditions had a significant impact on the domestic product in the oil-importing countries of the region. Egypt, for example, witnessed a significant slowdown in growth with inflation rising to unprecedented rates, estimating that Egypt's economy would grow at a rate of (4.5%) for the fiscal year 2022-2023, which is less than June expectations of (4.8%).

In 2022, Egypt, like other Arab countries and countries of the world, faced a number of economic challenges. The severity of those challenges increased after the Russian-Ukrainian war and the subsequent shortage of supplies of basic materials such as oil, gas, and wheat with the rise in their prices in global markets.

Over the course of this year, the economy suffered from the repercussions of the flotation of the Egyptian pound and its depreciation against international currencies, the scarcity of the dollar in the Egyptian market, and the high basic imports bill - all of which had a

negative impact on the purchasing power of individuals. The inflation rate reached (21.3%), and the external debt reached US\$ (162.9) billion, while the domestic public debt amounted approximately Egyptian pound (5.7) trillion. This public debt results in several things, including increasing the burden on the state's general budget by paying the debt bill, which was estimated at Egyptian pound (690) billion in 2022-2023 budget. It is expected that this number will be exceeded due to government's expansion of public debt during the year.

The increased debt interest bill in Egypt has restricted economic policymakers, whether with regard to increased spending on public services such as education and health, or spending on infrastructure projects. It also pushes the government to increase taxes in order to pay the debt burden, whether in installments or interest, and often resorts to short-term debt. While its resources do not allow to deal with these debts, which makes it forced to borrow every year - so the deficit in the state's public budget recorded around US\$ (30) billion.

In 2022, Balance of payments figures for Egypt show that the trade deficit reached US\$ (43.3) billion due to goods imports reaching US\$ (87.3) billion, while goods exports reached US\$ (43.9) billion. For these reasons, the Egyptian government was forced to negotiate again with IMF for loans.

Regarding future prospects, risks to growth in the Arab region still exist. The indirect effects resulting from further weakness in the conditions of major trading partners, tightening global financial conditions, worsening social tensions, and political instability, all highlight the possibility of more economic deflation and increased poverty rates.

The possibility of further adverse shocks could push the global economy into recession in 2023. Small countries are particularly vulnerable, and that even without another crisis, global growth during 2023 is expected to slow sharply in a reflection of the tightened monetary policy, which aims to contain very high inflation, deteriorating financial conditions and the ongoing turmoil caused by the Russian-Ukrainian war. Therefore, the situation requires urgent global efforts at the national level to mitigate the risks of deflation, as well as the debt crisis in emerging markets and developing economies, as investment growth is expected to remain below average over the past two decades.

Based on the above mentioned, it can be said that further deterioration in financial or economic conditions at the global and domestic levels may lead countries that suffer from major imbalances in their overall economy to enter the tunnel of crises. As central banks' governors across the world have introduced measures to raise interest rates strongly to ease price pressures, while governments support companies and households by containing energy costs. Therefore, it is important that government agencies in emerging markets and developing countries ensure that any financial support is focused on vulnerable groups, inflation expectations remain stable, and that financial systems continue to be flexible.



Chapter Two

Developments of Domestic Economic Sectors

Gross Domestic Product

First: GDP for 2022

Iraq topped the list of Arab countries with the most growing rates of (GDP) for 2022 and ranked second among top 10 countries with highest-growth rates in the world for 2022. According to (IMF) classifications, Iraq's economy continues to rebound as oil production rises with lifting restrictions, increased monthly quotas for (OPEC+) decisions, and recovery of global crude oil prices due to increased global demand compared to 2021. The decrease in infections of COVID-19 pandemic due to the increase of vaccination rate, the rise of global crude oil prices, and (OPEC+) decisions had positively affected GDP, whether at current or constant prices.

The above mentioned information was detailed below:

Preliminary estimates of GDP indicators in Iraq for 2022 indicated:

- An increase of GDP value at constant prices by (7.0%) for 2022 after deducting the service fee calculated in comparison to the previous year. It recorded IQD (212.4) trillion against IQD (198.5) trillion in 2021 due to the growth of (Mining & quarry), (manufacturing industries), (electricity & water), (transport, communications, and storage), (wholesale & retail trade, hotels and the like), and (social and personal development services) at rates of (11.9%, 2.0%, 11.5%, 2.1%, 4.6%, and 2.3%), respectively.

The added value of GDP, excluding oil, decreased by (0.03%), to reach IQD (82.984) trillion in 2022 against IQD (83.011) trillion in 2021 due to the decline in (agriculture, forestry, hunting, and fishing), (building & construction), (money, real- estate, and insurance services), and the like as set out in annex of table No. (1).

- The value of GDP with oil at current prices increased by (27.2%) for 2022 compared to the previous year, to record IQD (383.1) trillion in 2022 against IQD (301.2) trillion in 2021 due to the increase of crude oil activity by (59.4%).

The added value to GDP, excluding oil, also increased by (0.1%) due to the growth of (manufacturing industries), (electricity & water), (transportation, communication, and storage), (wholesale & retail trade, hotels and the like) by (2.1%, 7.5%, 10.4 %, and 12.4%) as shown in annex of table No. (2).

- Per capita GDP increased at current prices to reach IQD (6.3) million in 2022 against IQD (5.0) million for the previous year, with an increase of (26%), as shown in table No. (1).

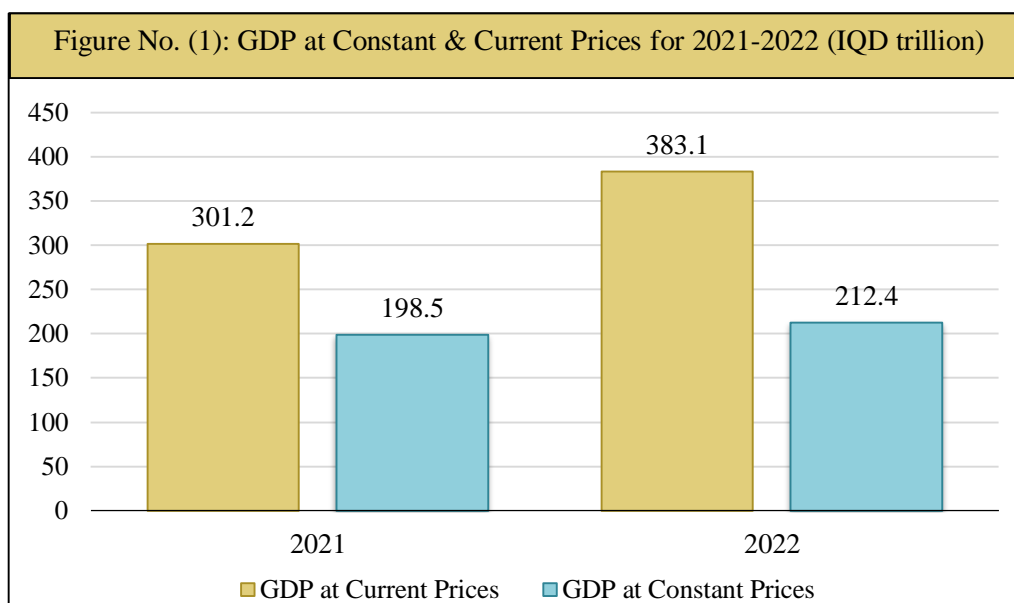


Table No. (1): GDP at Constant & Current Prices and Average Per Capita for (2021-2022)

Details	2021	2022	Growth Rate %
GDP at Constant Prices (trillion IQD) (100=2007)	198.5	212.4	7.0
GDP at Current Prices (trillion IQD)	301.2	383.1	27.2
Average Per Capita at Current Prices (million IQD)	5.0	6.3	26.0

- Ministry of Planning/ Central Statistical Organization.

- The relative importance of the activity of crude oil sector at constant prices reached (60.7%) in 2022 against (56.6%) in 2021. This rate was the highest compared to other sectors (non-oil sectors) that constituted (39.3%) of GDP at constant prices in 2022 against (41.0%) for the previous year, which explains the increase of oil sector contribution and deeper rent as shown in table No. (2).

Table No. (2): Relative Contribution to GDP at Constant Prices for Oil Sector & Other Sectors for (2021-2022)

Sectors	2021	2022
Contribution of Oil Sector to GDP (%)	56.5	60.9
Contribution of Non-Oil Sector to GDP (%)	43.5	39.1
Total	100	100

- Source: Ministry of Planning/ Central Statistical Organization.

Second: GDP at Constant & Current Prices by Total Main Activities (Commodity, Distribution and Services) as follows:

1. GDP at constant prices for the main activities (commodity, distribution and services)

Commodity activities at constant prices recorded an increase of (9.9%) to reach IQD (145,805.6) billion in 2022 compared to IQD (132,651.3) billion for the previous year, which was attributed to the increase of added value growth in most productive sectors except (agriculture) and (building & construction). On the other hand, commodity activities accounted for the highest contribution rate reaching (68.4%) due to the high oil sector's contribution to the composition of GDP.

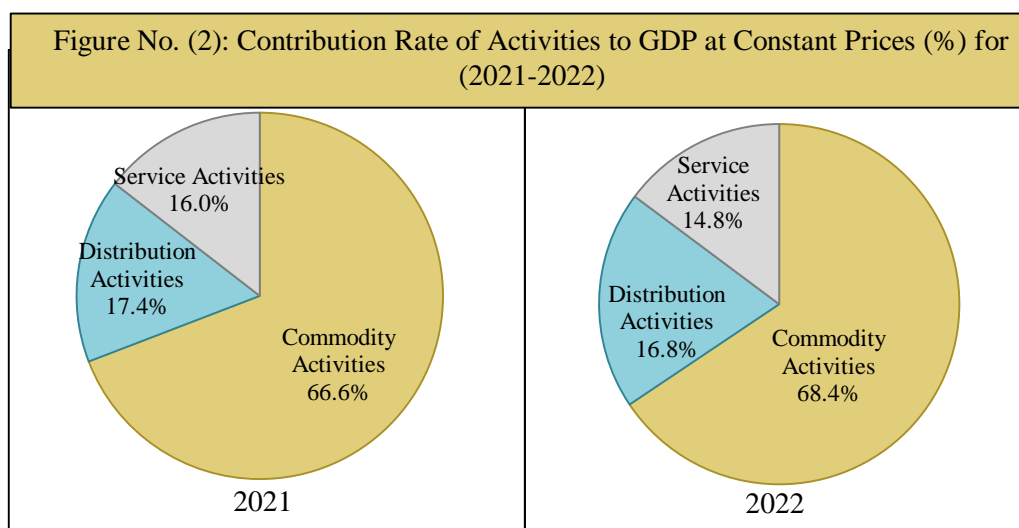
Distribution activities recorded an increase of (3.2%) to reach IQD (35, 891.0) billion against IQD (34, 765.9) billion for the previous year due to the increase of added value in each of: (transportation & storage), (wholesale & retail trade, hotels and the like), and (banking & insurance) sectors by (2.1%, 4.6%, and 4.8%), respectively. However, it recorded a low contribution rate amounted (16.8%) of GDP composition.

Service activities recorded a decrease of (-1.2%) from the previous year to reach IQD (31,467.8) billion compared to IQD (31,860.6) billion in 2021 due to the decline in both: housing ownership and public government activity by (-9.4%) and (-2.0%) respectively. Thus, commodity activities rank first in terms of relative importance to GDP with a rate of (68.4%) followed by distributive activities with a rate of (16.8%), which affected the contribution of service activities to reach (14.8%) as shown in table No. (3).

Table No. (3): Relative Contribution to the Growth of Domestic Product for Main Activities at Initial Constant Prices for (2021-2022) (2007=100)			
(IQD billion)			
Activities	2021	2022	Growth Rate %
Commodity Activities	132,651.4	145,805.6	9.9
Distribution Activities	34,765.9	35,891.0	3.2
Service Activities	31,860.6	31,467.8	-1.2
GDP by Activities	199,277.80	213,164.40	7.0

- Ministry of Planning/ Central Statistical Organization

* Quarterly preliminary estimates.



2. GDP at Current Prices for Main Activities (Commodity, Distribution, and Services)

Commodity activities at current prices for 2022 recorded an increase of (46%) with a contribution rate of (65.4%) to reach IQD (251,291.9) billion against IQD (171,789.4) billion in 2021 due to the increase in all sectors except building & construction sector.

Distribution activities at current prices increased by (10.9%) with a contribution rate of (15.3%) to reach IQD (58,917.0) billion against IQD (53,109.2) billion for the previous year.

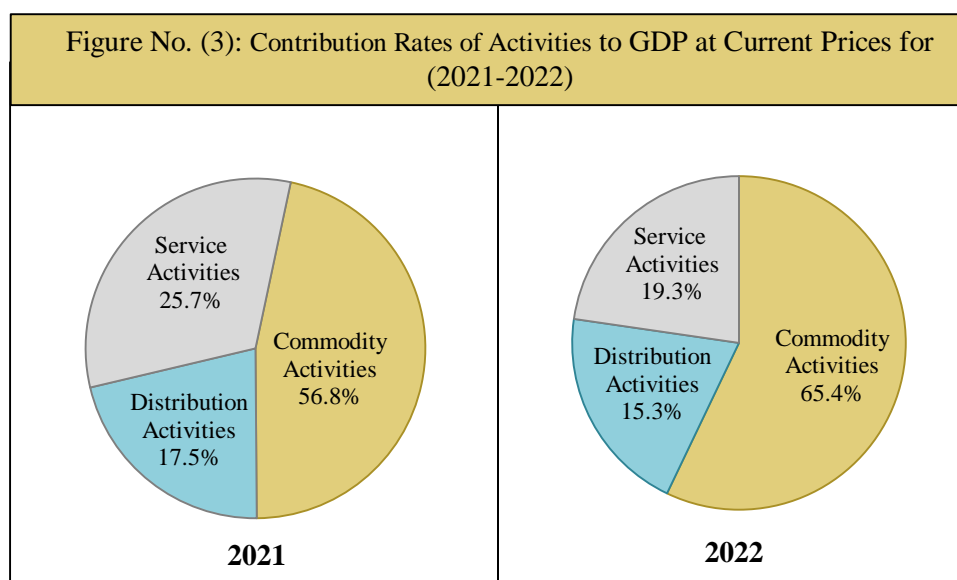
During this year, **Service activities** recorded a decrease of (-4.4%) with a contribution rate of (19.3%) to reach IQD (74,346.3) billion against IQD (77,793.3) billion in 2021 due to the decline in both: housing ownership and public government activity because of the delay regarding budget approval as shown in table No. (4).

Figure No. (3) showed that there is an increase in the contribution of commodity activities at the expense of both: service and distribution activities.

Table No. (4): Relative Contribution to the Growth of Domestic Product for Main Activities at Current Prices for (2021-2022)			
	(IQD billion)		
Activities	2021	2022	Growth Rate (%)
Commodity Activities	171,789.4	251,291.9	46.3
Distribution Activities	53,109.2	58,917.0	10.9
Service Activities	77,793.3	74,346.3	4.4-
GDP by Activities	302,691.9	384,555.2	27.0

- Ministry of Planning/ Central Statistical Organization

* Quarterly preliminary estimates.



Third: Main Activities` Contribution to GDP Composition at Constant Prices

1. Agriculture, Forests, Hunting, and Fishing Activities

In 2022, the added value of the activity of this sector at constant prices recorded a decrease of (-10.6%) to record IQD (6,763.1) billion against IQD (7,561.8) billion for the previous year due to the decrease in agricultural production, as the production of (wheat & barley) had recorded a decrease of (-34.7% & -46.1%) respectively, compared to the previous year 2021. 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 them, which contributed to the weak competitiveness of the domestic product, in addition to the incapability of providing fertilizers by the Ministry of Agriculture due to lack of financial allocations for this ministry. On the other hand, the recede of the cultivated area with these two crops was (-22.0%) compared to the previous year – the matter that 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 (-17.4%) to record (369.3) kg/dunum in 2022 against (447.3) kg/dunum in 2021, which affected the volume of production to decrease by (-34.7%) in 2022.

Whereas the average dunum yield of barley crop decreased from (86.2) kg/dunum in 2021 to (62.6) kg/dunum in 2022 by a rate of (-27.4%) leading to a decrease in the production by (-46.1%), as shown in table No. (5).

Table No. (5): Agricultural Production, Cultivated Areas, and Productivity per dunum in Iraq for (2021-2022)									
	Cultivated Area (1000) dunum			Production (1000) ton			Average Yield of 1 dunum (kg/dunum)		
	*2021	*2022	Change (%)	*2021	*2022	Change (%)	*2021	*2022	Change (%)
Wheat	9,464	7,487	-20.9	4,234	2,765	-34.7	447.3	369.3	-17.4
Barley	3,092	2,309	-25.3	267	144	-46.1	86.2	62.6	-27.4
Total	12,556	9,796	-22.0	4,501	2,909	-35.4	533.5	431.9	-19.0

- Ministry of Planning/ Central Statistical Organization.

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

2. Activity of Mining & Quarry Sector

In 2022, the added value of the activity of this sector at constant prices recorded a decrease by (11.9%) to record IQD (129,554.6) billion against IQD (115,799.6) billion of the previous year. It is mainly attributed to the increase of **crude oil activity** by (12.1%) during this year to record IQD (129,485.6) billion against IQD (115,485.7) billion in 2021 because of the increased quantities of oil production set according to OPEC+ agreement. As well as, the adopted isolation procedures across the world that affected the global demand for energy compared to the previous year. While **other types of mining** recorded a decrease of (-55.7%) compared to the previous year. As for the contribution rate of this sector, it ranked first with a contribution rate of (60.8%) of GDP as a result of the Iraqi economy's dependence mainly on crude oil which constituted (60.7%) of GDP.

Table No. (6): Quantities of Production, Average of Barrel Price, and Daily Oil Export Average for (2021-2022)			
	Quantity of Crude Oil Produced (million barrels)	Average of Barrel Price (US\$)	Daily Oil Export Average (million barrels)
2021	1453.4	68.4	3.0
2022	1628.7	95.6	3.3
Change Rate %	12.1	39.8	10.0

3. Manufacturing Industry Activity

Manufacturing industries activity at Constant prices of this sector witnessed an increase of (2.0%) compared to the previous year to record IQD (2,641.6) billion in 2022 against IQD (2,590.4) billion in 2021. The high contribution of manufacturing industries activity to GDP was due to high production in pharmaceutical industries as the Iraqi pharmaceutical market achieved a rise in sales of pharmaceutical industries during the first nine months of 2022. As well as the reproduction of a number of factories in multiple areas to achieve growth of (16%). For petrochemical industries, the quantities of regular and resistant cement production increased by (7.6%) and (15.5%), respectively. while the quantities of uria fertilizer decreased significantly by (30.5%) to reach (166,000) tons compared to (239,000) tons from the previous year.

Table No. (7): Quantities of Cement Produced in (2021-2022)			
Item Name	2021	2022	Change Rate %
Regular Cement	3,388,330.5	3,645,906.5	7.6
Resistant Cement	3,878,481.3	4,478,844.3	15.5
Uria Fertilizer	238,852.0	165,886.0	30.5-

4. Electricity and water Activity

In 2022, the added value of the activity of electricity sector at constant prices recorded an increase of (11.5%) compared to the previous year, as the added value amounted IQD (1,384.1) billion against IQD (1,241.8) billion in 2021. Yet, it recorded a small contribution rate to GDP that amounted (0.6%). The increase of the added value was due to the increase of electric energy production by (15.8%) against the increase in demand by (20.7%), the matter that led to an increase in deficit of electric energy by (-8.985) MW in 2021 to (-11.533) MW in 2022, table No.8.

Table No. (8): Average of Production & Demand for Electric Energy for (2021-2022) (MW)			
Statement	2021	2022	Change Rate %
Energy Production	13,990	16,195	15.8
Energy Demand	22,975	27,728	20.7
Deficit	-8.985	-11.533	28.4

Source: Ministry of Electricity.

- In 2022, the import average of electric energy recorded a decline of (52.9%) compared to 2021 to record (5,709.0) MW/hour against (4,733.4) MW/hour of the previous year, as shown in table No. (9).
- The production capacity of domestic investment lines recorded an increase of (36.8%) compared to the previous year to reach (5,306.0) MW/hour in 2022 against (3,877.8) MW/hour in 2021.

Table No. (9): Imported Electric Energy & Domestic Investment Lines for (2021-2022) (MW)			
Statement	2021	2022	Change Rate (%)
Imported Energy Lines	855.7	403.0	-52.9
Investment Lines	3,877.8	5,306.0	36.8
Total	4,733.4	5,709.0	20.6

Source: Ministry of Electricity.

5. Building and Construction Activity

In 2022, building & construction sector at constant prices recorded a significant decrease by (-0.3%) compared to 2021, as the added value recorded IQD (5,462) billion against IQD (5,477.9) billion for the previous year due to the rise of construction materials prices in general, and the imported ones in particular, on one hand. With the decrease of government investments because of non-approval of the public budget, on the other hand. Thus, this sector contributed by (2.6%) to total GDP.

6. Transportation and Storage Activity

Transportation sector witnessed an increase in its annual growth rate at constant prices during this year by (2.1%) compared to the previous year, as the added value recorded IQD (19,470.1) billion against IQD (19,067.0) billion in 2021. 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 (9.1%) to total GDP. Ministry of Transport also announced an increase in air traffic over Iraq and the Federal Aviation confirmed that Iraq's airspace is safe and fit for global companies. As well as, the remarked increase in number of aircrafts transiting Iraq's airspace, that have exceeded (450) aircrafts per day.

7. Wholesale & retail trade, and Hotels activity

The activity of this sector at constant prices recorded an increase of (4.6%) this year compared to the previous year with a contribution rate of (7.2%), as the added value reached IQD (15,286.1) billion against IQD (14,616.0) billion in 2021 due to increased overall consumption because of improved economic activity.

8. Capital, Insurance, and Real-Estate Services

The activity of this sector at constant prices recorded a decrease of (-7.9%) compared to 2021 with a contribution rate of (4.7%), as the added value reached IQD (9,914.9) billion against IQD (10,770.4) 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 (4.8%) as Al-Rafidain Bank continued to finance MSEs, as well as providing banking facilities to support investment and commercial projects.

9. Activity of Social and Personal Development Services

This sector witnessed an increase of (2.3%) this year compared to 2021, as the added value recorded IQD (22,679.6) billion in 2021 against IQD (19,364.7) billion of the previous year. This increase was attributed to the rise in individual services activity by (15.9%) because of the improvement in economic activity. It was reflected by the increase of services provided to individuals, whether through the rise in the number of private schools, hospitals, or entertainment means, despite the decline in public government activity by (-2.0%) as a result of non-approval of the budget for 2022. This sector ranked second in terms of its contribution to GDP, which recorded (10.6%) of GDP at constant prices.



Chapter Three

Monetary and Banking Developments

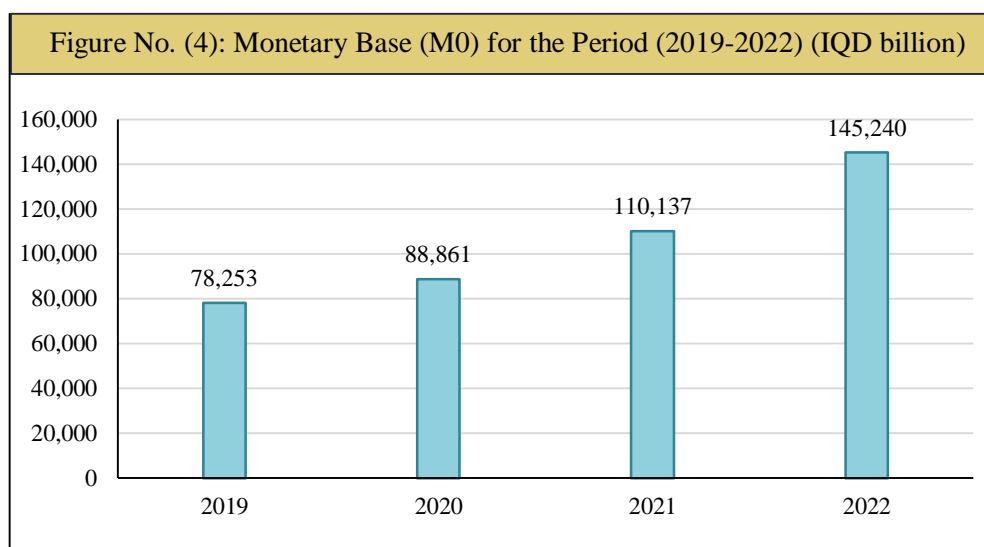
Monetary Developments

First: Developments of Money Supply

1. Monetary Base (M0)

The issued cash represents (currency outside banks + currency within banks) plus the current accounts of commercial banks with the CBI (in Dinars and Dollars).

Balance of monetary base recorded an increase by (31.9%) to record an amount of IQD (145.2) trillion in 2022 against IQD (110.1) trillion in 2021. This increase was attributed to the increase of foreign assets with the Central Bank by (51.1%).

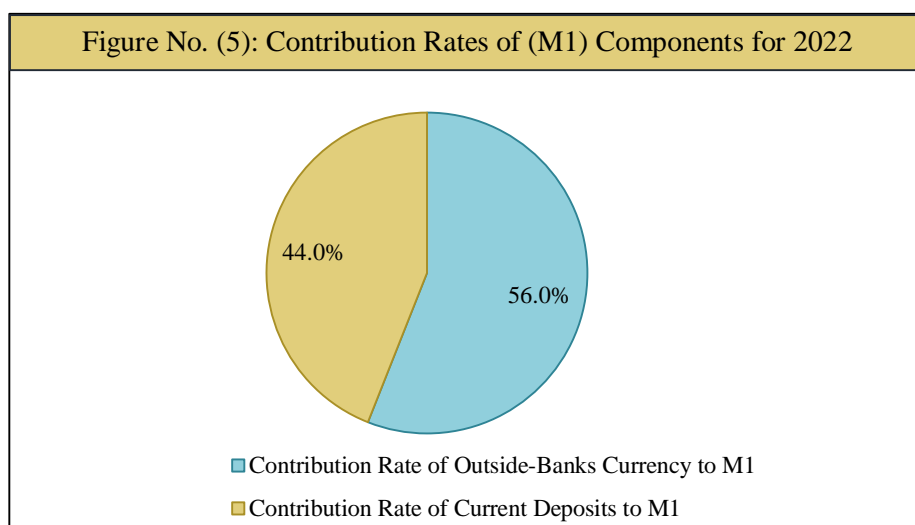


2. Narrow Money Supply (M1)

Narrow money supply (M1) recorded an increase of (22.1%) at the end of 2022 compared to 2021. It reached IQD (146.6) trillion against IQD (119.9) trillion in 2021 due to the growth of the currency outside banks by (14.7 %) to record IQD (82) trillion against IQD (71.5) trillion in 2021; it constituted (56.0%) of money supply (M1) in 2022 against (59.6%) in 2021. While current deposits recorded an increase of (33.3%) to reach IQD (64.5) trillion against IQD (48.4) trillion in 2021; it constituted (44.0%) of money supply (M1) in 2022 against (40.4%) in 2021 as shown in table No. (10). Through analyzing the structure of money supply (M1), an increase could be noticed in the contribution of current deposits to currency account outside banks in 2022, but currency outside banks still constitute high contribution rates. This situation is resulting from non-development of banking system in a way that facilitates domestic cash transactions and shift towards e-payments, while the use of banknotes could face many risks, including forgery, theft, and others.

Table No. (10): Narrow Money Supply (M1) for (2021-2022)		
(IQD billion)		
Components	Dec-2021	Dec-2022
Narrow Money Supply (M1)	119,944	146,488
Growth Rate %	16.1	22.1
Current Deposits	48,418	64,456
Rate of Current Deposits to Narrow Money Supply M1 %	40.4	44.0
Currency Outside Banks	71,526	82,032
Rate of Currency Outside Banks to Narrow Money Supply M1 %	59.6	56.0

- Source: CBI/ Statistics and Research Dept. - Division of Monetary and Financial Statistics.

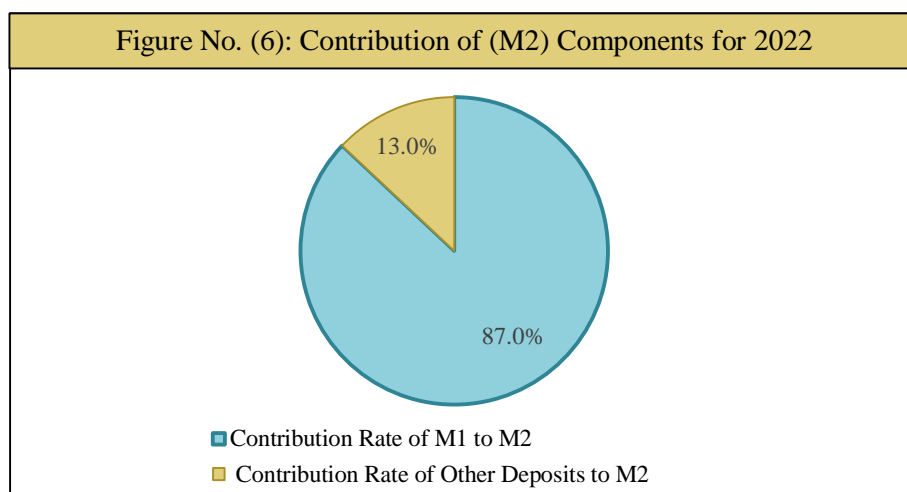


3. Broad Money Supply M2 (domestic liquidity)

Broad money supply (M2) (domestic liquidity) recorded an increase of (20.3%) at the end of 2022 compared to 2021; it reached IQD (168.3) trillion against IQD (139.9) trillion in 2021 and constituted (43.9%) of GDP at current prices, as shown in table No. (11).

Table No. (11): Domestic Liquidity Components (M2) for (2021-2022)			
(IQD billion)			
Components	Dec. 21	Dec-2022	Growth %
Narrow Money Supply M1	119,944	146,488.0	22.1
Other Deposits	19,942	21,803.4	9.3
Broad Money Supply M2	139,886.0	168,291.4	20.3

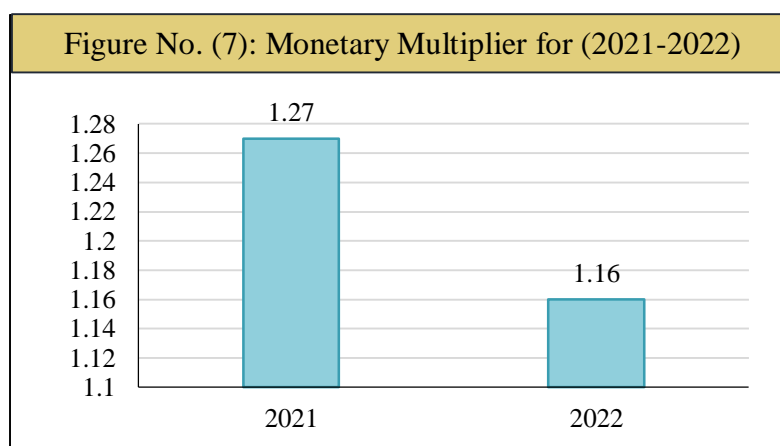
- Source: CBI/ Statistics and Research Dept. - Division of Monetary and Financial Statistics.



The increase in domestic liquidity (M2) occurred as a result of the growth of the narrow money supply (M1) by (22.1%) and the increase in other deposits (fixed, saving, postal, and insurance) represented (9.3%) to record IQD (21.8) trillion in 2022 against IQD (19.9) trillion in 2021. It could be noted that other deposits still constitute low percentages, as it reached (13.0%) of total (M2) in 2022 against (14.3%) in 2021, while currency outside banks is constantly growing at the expense of deposits contribution, whether it were current or other deposits, as a result of banks adopting non-serious policies in attracting deposits. Therefore, this requires the central bank to follow some policies and procedures that motivate banks to move towards attracting deposits and control the monetary supply outside the banking system, which limits the efficiency and effectiveness of monetary policy during crisis.

4. Monetary Multiplier (m)

It measures the ability of banks to create money and influence its size within the national economy. It could be achieved through the process of creating deposits, so it represents the ratio of money supply (M2) to the monetary base. The monetary multiplier recorded (1.16) in 2022 compared to (1.27) in 2021 with a decrease of (-8.7%); it indicates that the ratio of broad money supply to monetary base in 2022 is lower than it is in 2021, as a result of the increase in net foreign assets with CBI (51.1%).



$$\text{Box No. (1)} \\ \text{Monetary Multiplier} \\ \frac{\text{Current Deposits} + \text{Currency Outside Banks} + \text{Other Deposits}}{\text{Excess Reserves} + \text{Official Reserves} + \text{Currency Outside Banks}}$$

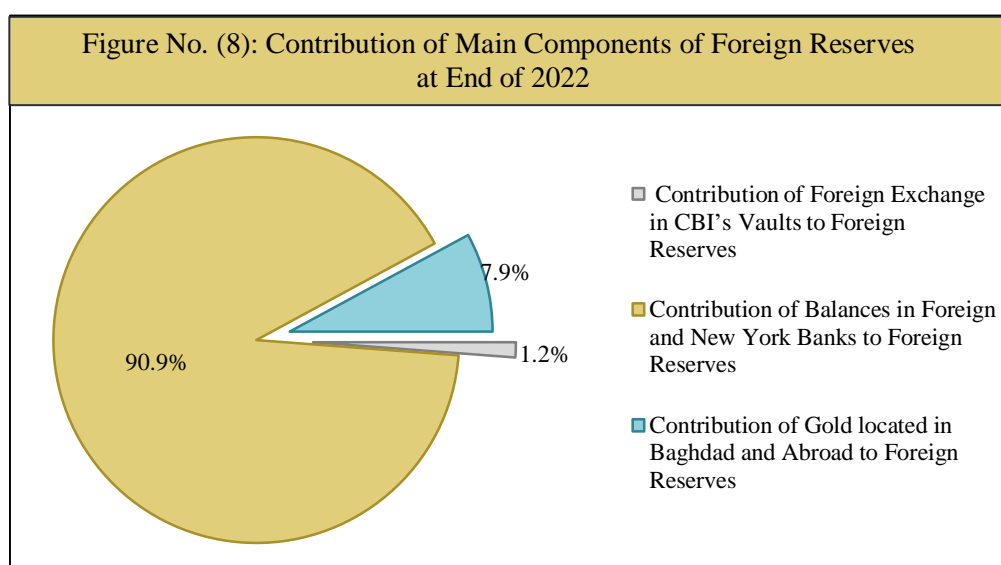
5. Foreign Reserves with CBI

The balance of foreign reserves recorded an increase of (51.4%) at the end of 2022 compared to the previous year, reaching IQD (140.1) trillion against IQD (92.5) trillion at the end of 2021, as shown in table No. (12). this increase was attributed to the increase of oil prices globally, which was reflected through the increase of (foreign investments abroad) item by (56%) to reach IQD (127.4) trillion in 2022 against IQD (81.6) trillion for the previous year.

Balance of gold of Baghdad and abroad increased by (34.9%); it has risen to approximately IQD (11) trillion at the end of 2022, compared to IQD (8.2) trillion at the end of 2021 because of the new quantities of gold that were purchased by CBI. Yet foreign exchange balance in the Central Bank’s vaults decreased by (-38%) to record IQD (1.7) trillion in 2022, compared to IQD (2.7) trillion in 2021.

Table No. (12): Main Components of Foreign Reserves at End of (2021-2022) (IQD billion)		
Components	2021	2022
Foreign Exchange within CBI’s Vaults	2,719	1,685
Balances with Foreign Banks and New York Banks	81,638	127,383
Gold Balance of Baghdad and Abroad	8,169	11,018
Foreign Reserves	92,526	140,086

- Source: CBI/ Statistics and Research Dept. - Division of Monetary and Financial Statistics.



Box No. (2)

Purchases of new quantities of gold of approximately (34) tons with an increase of (35%) were made for the first time through direct transaction implemented on electronic platforms, e-mail, and obtaining the best offers. Thus, Iraq advanced a series of 10 ranks globally within a table of countries that possess reserves of the precious metal across the world. Hence, Iraq's ranking has advanced eight places in gold list according to the World Gold Council report. Iraq has the 30th rank globally and the fourth of the Arab world, after Saudi Arabia, Lebanon***, and Algeria during 2022 after it ranked the 38th globally out of 100 countries listed in the international financial statistics for global gold reserves.

Second: Developments of Indirect Policy Instruments

1. Foreign Currency Selling & Buying Window

Sold amounts of US\$ through foreign currency selling & Buying window at the Central Bank (in cash, and enhancement of banks' accounts abroad) in 2022 recorded an increase of (26.1%) compared to 2021, reaching US\$ (46.8) billion against US\$ (37.1) billion in 2021. This increase was due to the rise of cash sales by (37.9%) in 2022, which was attributed to the increased demand of individuals for the purposes of travel, or medication abroad after the gradual increase of travel among countries. Sales of US\$ for the purposes of enhancement of banks' accounts abroad increased by (23.6%) due to the increase of Iraq's imports by (35.1%) as restrictions of the Corona Pandemic that the world witnessed had been lifted, on one hand. In addition to absorbing, shock of changing the exchange rate that led to an increase in prices of imported goods. On the other hand, CBI's foreign currency sales were distributed to US\$ (37.7) billion to enhance banks' balance abroad and US\$ (9.1) billion in cash. Therefore, sales of drafts to enhance balances abroad constituted (80.6%) and cash sales (19.4%) of total sold amounts.

As for the CBI's purchases of US\$ from MoF, it recorded an increase of (16.1%) to reach US\$ (53.4) billion in 2022 compared to US\$ (46) billion in 2021. The increase resulted from government's revenues growth from crude oil due to the rise of global crude oil prices, including Brent crude and West Texas crude by (5.70%) and (4.24%), respectively. It was attributed to the increase in demand for energy that the world witnessed by (2.31%) despite the increase in OPEC production by (7.73%) and non-OPEC countries by (2.87%). These factors led to an increase in public spending during 2022 after the adoption of "Emergency Support for Food Security and Development Law". Thus, the government increased purchases in IQD from the Central Bank.

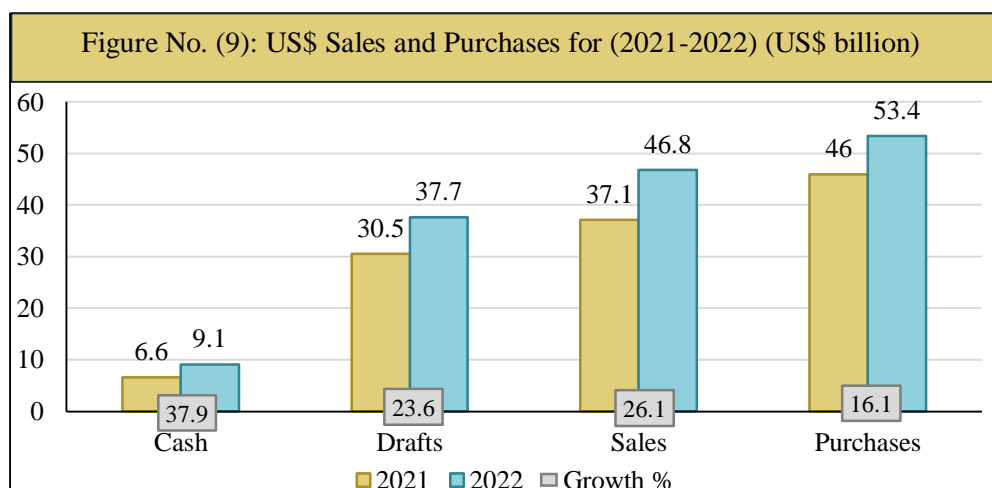
Regarding exchange rates, the selling price of US dollar to banks maintained the value of (1460) dinar per dollar.

Box No. (3)

The CBI has established an electronic platform, through which banks submit their customers' requests, as it initiated establishing that platform in coordination with international bodies. The purpose aimed at ruling and regulating the foreign currency selling and buying window operations and ensuring the effectiveness the control. A specialized international company has been assigned to establish it to connect banks with the Central Bank. This platform process requires providing information about customers, who requesting transfers, beneficiaries, correspondent banks, etc., in order to reduce process of fraud and terrorist financing, as well as to raise the level of performance of the banking sector.

Table No. (13): Sold & Purchased Amounts of US\$ Through Foreign Currency Selling & Buying Window (Cash, Enhancement of Balances Abroad) for (2021-2022)					
(US\$ billion)					
	Cash	Drafts	Sales (1)	Purchases (2)	Gap (2-1)
2021	6.6	30.5	37.1	46.0	8.9
2022	9.1	37.7	46.8	53.4	6.6
Growth Rate (%)	37.9	23.6	26.1	16.1	

- Source: CBI/ Statistical Website.



2. Outstanding Facilities

During this year, CBI continued to adopt the annual monetary policy rate of (4%). Financial products were reintroduced according to circular No. (6/6/1866) dated 31/5/2022, as it resumed operation with deposits for period of (30) days in IQD with an interest rate of (1%). It started from June 2022, as invested amount reached IQD (210,000) million in response to economy activity. Islamic deposit certificates IQD were also reintroduced for period of (182, 364) days.

As regarding the existing lending facilities, CBI continued operation with this tool in implementation of the objectives of its monetary policy aiming at extending credit to banks, ensuring control on the banking liquidity, and affect it through interest rates (price signals) that were set for each type according to the following:

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

None of the state owned or private banks provided any of these credits during 2022.

3. Reserve Requirement

In line with the direction of monetary policy and its high flexibility adopted to support the process of economic development and control of liquidity, the reserve requirement ratio was restored to (15%) instead of (13%) for government and private current deposits, which was calculated in June 2021 after the improvement of economic and social situation after Corona crisis. As well, to reduce the inflationary pressures witnessed in 2022 resulting from Russian-Ukrainian war and the faltering supply chains.

Reserve requirement recorded an increase of (16.4%) to reach IQD (12.8) trillion in 2022 compared to IQD (11) trillion at the end of 2021; it resulted from the increased volume of reserve requirement on deposits with private banks by (7.1%) to reach IQD (1.5) trillion against IQD (1.4) trillion in 2021. Reserve requirement on SOB`s deposits increased by (17.7%) to reach IQD (11.3) trillion compared to IQD (9.6) trillion in 2021.

On the other hand, deposits subjected to reserves (in foreign currency) increased by (93.9%) and deposits subjected to reserve (in dinar) by (7.2%).

Box No. (4)

Operation with investment windows were suspended for a period of (7) &(30) days in accordance with Board of Directors decision No. 6/5/929 dated 14/6/2020 in order to provide liquidity to banks to confront the effects of Covid-19 crisis.

Operation with all dollar financial products (deposits, drafts, Islamic deposit certificates) continued to be suspended in accordance with circular No. 6/6/1930 dated 1/8/2019. The suspend was due to weak response of banks in diversifying their investment portfolios in a way that achieves the desired goals for the aforementioned period, with continuation of accruals operations for principal amount with interest.

Box No. (5)

On 28/12/2022, interest rates and returns on investment financial products were raised, so that private banks (conventional and Islamic) in Iraq could invest their surplus liquidity with CBI and open investment windows for (90, 182, 364) days. The monetary policy rate maintained the same level of (4%).

Third: Consolidated Statement of CBI

CBI's Statement for 2022 showed an increase in its total assets (liabilities) by (35.7%) compared to 2021, as the CBI's assets (liabilities) at the end of the year amounted IQD (205.6) trillion against IQD (151.5) trillion at the end of 2021, as shown in table No. (14).

Assets Side

Data of table No. (14) Indicates an increase of (foreign) assets by (51.0%) to reach IQD (140.6) trillion at the end of 2022 against IQD (93.1) trillion for the previous year, which represents the largest percentage of total assets at a rate of (68.4%).

Government debts (bonds, T-bills, loans & advances to government agencies) recorded an increase of (1.4%) compared to the previous year, reaching IQD (49.2) trillion against IQD (48.5) trillion for the previous year. This is attributed to the increase of (government bonds & transfers) item by (1.6%) with a contribution rate of (96.8%) of total government debt in order to finance the budget deficit. Other assets grew in 2022 by (57.7%) to reach IQD (15.7) trillion against IQD (9.9) trillion for the previous year.

Liabilities Side

Cash reserves increased by (31.9%) compared to the previous year, to reach IQD (145.2) trillion against IQD (110.1) trillion due to the growth of currency outside banks because of the increase in public spending and CBI's initiatives.

As for banking facilities, they recorded IQD (0.210) trillion in 2022, while banks' accounts in US\$ with CBI include deposits in US\$ in addition to the reserve requirement amounts imposed on deposits with banks in US\$; they recorded an increase of (31.7%) compared to the previous year to reach IQD (8.3) trillion against IQD (6.3) trillion for the previous year. It was due to the increase of deposits subjected to reserve requirement in US\$ denominated in IQD by (93.9%). While government deposits recorded a remarkable increase by (308.6%) to reach IQD (23.7) trillion against IQD (5.8) trillion because of the increase in government revenues resulting from the rise in oil prices and quantities exported.

Regarding the foreign liabilities item, it increased by (25.7%). While the capital, and reserves items recorded an increase of (3.3%) compared to 2021.

Table No. (14): CBI's Consolidated Statement of CBI for (2021-2022)			
(IQD million, %)			
Assets	2021	2022	Growth Rate
Foreign Assets	93,093,378	140,642,108	51.1
Government Debt	48,492,215	49,237,057	1.5
Government Bonds & T-bills	46,925,021	47,666,951	1.6
Loans and Advances to Government's Agencies	1,567,194	1,570,106	0.2
Loans and Advances to Commercial Banks	0	0	-
Other Assets	9,944,789	15,685,198	57.7
Liabilities	2021	2022	
Monetary Reserves	110,137,166	145,240,698	31.9
Banking Facilities	0	210,000	-
Banks' Accounts with Central Bank in US\$	6,275,355	8,255,704	31.6
Government Deposits	5,817,218	23,700,967	307.4
Foreign Liabilities	4,822	6,060	25.7
Capital & Reserves	30,562,303	31,563,469	3.3
Other Liabilities	(1,266,482)	(3,412,535)	169.4
Total Assets or Liabilities	151,530,382	205,564,363	35.7

- Source: CBI/ Statistics and Research Dept. - Division of Monetary and Financial Statistics.

Banking Developments

During 2022, CBI took numbers of measures that regulate banks` operation and enhance their role in financing the activity of the economy. Among the most important measures that CBI had followed during this year were:

1. Issuance of regulations that organize the operation of electronic payment service providers licensed to work as electronic foreign transfer service providers.
2. Organize work of merchants of small projects through creating a portfolio called (portfolio of merchants of small projects).
3. CBI decided to adopt a specialized electronic platform for the purposes of exchanging documents and data with banks, which enables banks to benefit from many services, including trading in foreign currencies and stocks, as well as it could be an access to global financial markets.
4. Issuance of instructions regarding electronic pre-paid cards.
5. Support the enhancement of financial inclusion levels by urging banks to provide financial and banking services and products, including credit facilities and granting loans to customers and entrepreneurs.
6. Amendment of the controls of financing electricity generation systems of renewable energy.
7. Issuance of controls to regulate the work of buying and selling foreign exchange and intermediation companies amended No.1 for 2022.
8. Issuance of Warranty letters controls.
9. Continue operation on the e- platform project for Warranty letters, which was initiated on 18/10/2020.
10. Expand usage of electronic payment tools and activate banking work in universities for providing them with a payment gateway to accept amounts electronically from beneficiaries. The goal of the project was to provide financial awareness, increase acceptance of electronic transactions, maximize revenues of banking operations for banks and companies, facilitate work of banks, and expand credits extended by banks.

First: Structure of the Banking System for 2022

The number of commercial banks in Iraq reached (70) banks at the end of 2022, after the exit of (5) banks and entrance of one bank into the banking system, those banks are distributed as follows:

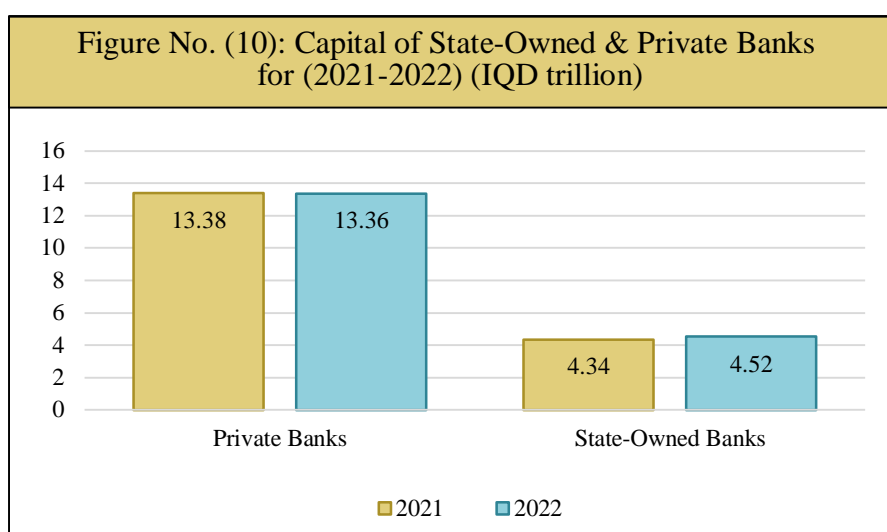
- (7) State-owned banks: including (3) commercial banks, (3) specialized banks, and one Islamic bank.

- (63) Private Banks, including (28) domestic Islamic banks, (23) domestic commercial banks, (10) foreign banks, and (2) foreign Islamic banks.

Second: Financial Position of the Banking System

1. Capital of Banks

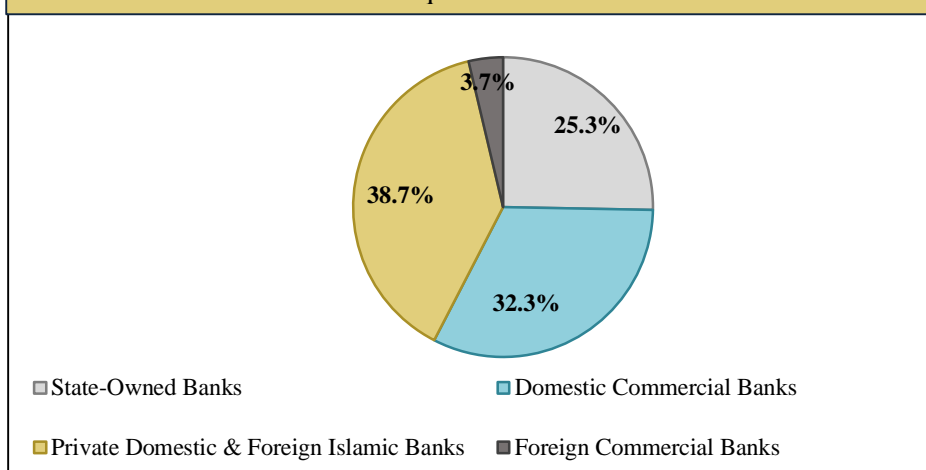
Total capital of banks in Iraq during 2022 increased by (1.1%) to record an amount of IQD (17.9) trillion against IQD (17.7) trillion in 2021, despite the exit of a number of Lebanese banks, yet (12) of the state-owned, domestic, foreign, and Islamic banks raised their capital.



Private Banks constituted the largest percentage of Capital Banks Operating in Iraq of (74.6%), which amounted to IQD (13.36) trillion. The contribution rate of foreign commercial banks reached (3.7%) of total banks' capital, while the contribution rate of Islamic banks' capital (foreign and domestic banks) with the exception of Al-Nahrain state-owned Islamic Bank reached (38.7%), whereas domestic commercial banks' capital reached (32.3%) of total banks' capital.

Capital of commercial and specialized state-owned banks in 2022 recorded an increase of (4.1%) compared to the previous year to reach IQD (4.52) trillion against IQD (4.34) trillion in 2021 and constitute (25.3%) of total banks' capital. This increase was attributed to raising the capital of al-Rafidain Bank, Industrial Bank, and Agricultural Bank.

Figure No. (11): Relative Importance of the Capital of Banks Operating in Iraq for 2022



2. Banking Deposits

Total deposits with banks in Iraq at the end of 2022 recorded an increase of (34.2%) compared to its level recorded in 2021; it reached IQD (129.0) trillion against IQD (96.1) trillion in 2021, which was attributed to the continued improvement of economic conditions in 2022 compared to the previous year.

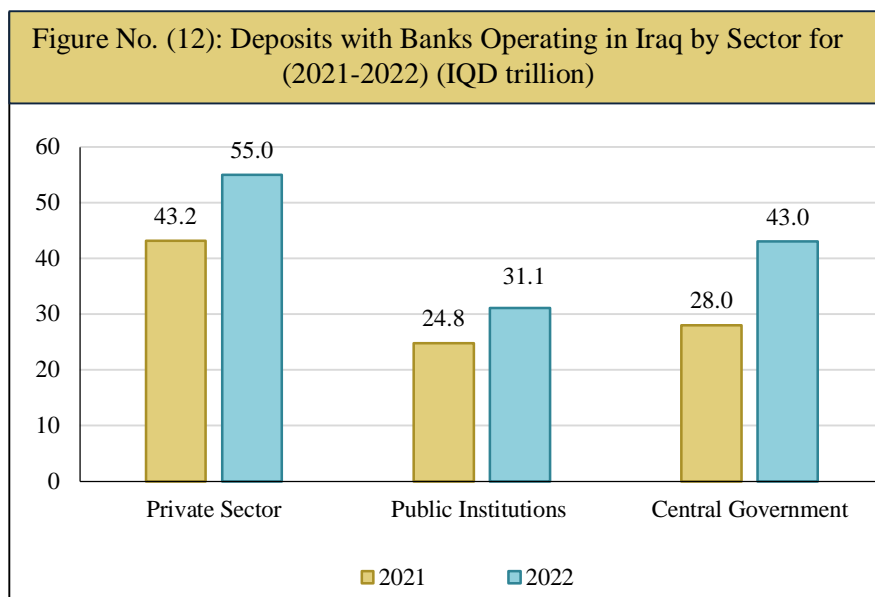
Analysis of the Structure of Total Deposits by Sector

Balance of deposits for the private sector recorded an increase of (27.3%) in 2022, reaching IQD (55.0) trillion against IQD (43.2) trillion dinars in 2021 due to an increase of current, saving, and fixed deposits by (37.6%), (7.8%), and (41.2%), respectively. Current deposits still dominate total private sector deposits; they constituted (64.9%) while savings deposits ranked second reaching (30.3%) of the total private sector deposits, respectively. whereas fixed deposits constituted a low percentage of (4.8%).

Balance of deposits with public institutions sector recorded an increased growth rate of (25.2%) to reach IQD (31.1) trillion in 2022 against IQD (24.8) trillion in 2021 due to the increase of current deposits balance by (27.9%) representing the basic component of deposits balance with a contribution of (92.4%). This increase was attributed to continued improvement in oil companies' revenues resulting from rising oil prices, as well as the improved performance of many companies of Industry and Agriculture Ministries. While both saving and fixed deposits decreased by (7.4%) and (0.4%), respectively, as shown in table No. (9).

Balance of deposits for the central government sector recorded an increase of (53.6%) compared to the previous year, reaching IQD (43) trillion in 2022 against IQD (28) trillion for the previous year due to the increase of current deposits balance by (72.9%) because of the improvement in government revenues as a result of the improvement in crude oil prices. Whereas fixed deposits decreased by (15.1%), yet this decrease did not affect the increase of deposits balance for the central government sector because current deposits balance

represented the largest proportion, which constituted (87.9%) of total deposits of the central government.



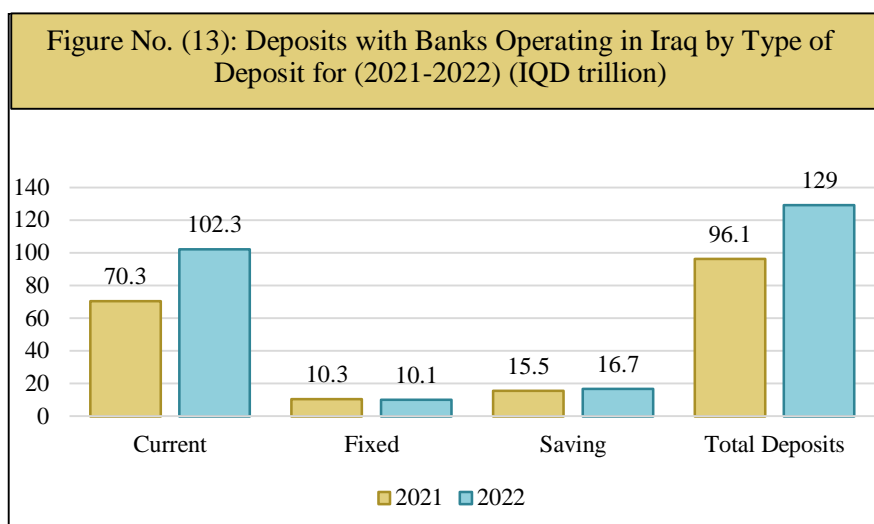
State-owned banks continued to dominate total deposits, as contribution rate reached (89.8%) of total deposits, while the rate of private banks' deposits reached (10.2%). This situation indicates the weakness of the public's confidence concerning private banks. Accordingly, this situation places the responsibility on CBI to intensify efforts to urge banks to attract the confidence of individuals through increasing and diversifying banking financial services.

Analysis of the Structure of Total Deposits by Type

During 2022, current deposits ranked first in terms of growth rates compared to the other deposits, recording a growth rate of (45.5%) compared with previous year to reach IQD (102.3) trillion against IQD (70.3) trillion for 2021. Followed by saving deposits as a second rank with a rate of (7.8%), while fixed deposits recorded a decrease of (1.6%) this year compared to 2021.

As for the contribution level of total deposits, current deposits ranked first with a rate of (79.2%), which attributed to the increase of deposits of the central government, public institutions, and private sector. While saving deposits ranked second with a rate of (12.9%) due to the increase of saving deposits by (7.9%) the private sector resulted from a slight positive change in public's confidence.

Fixed deposits ranked third with a rate of (7.9%), as these deposits grew by (41.2%) in the private sector. Yet this type still constitutes a percentage of (26.0%) of total fixed deposits, despite their decline in both- the central government and public institutions, which gives an indication of improved banking awareness.

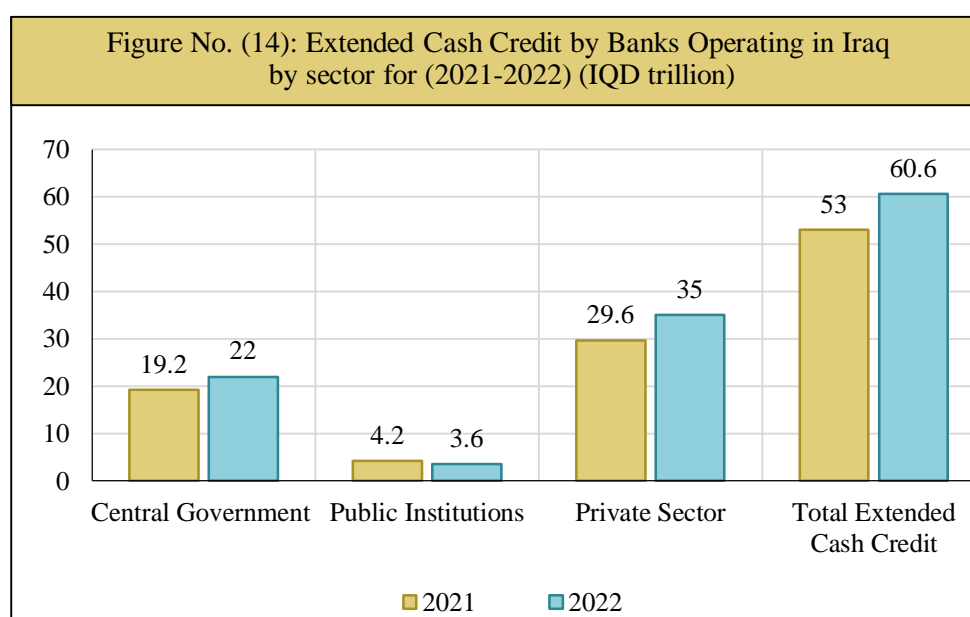


3. Banking Credit

Balance of banking credit extended by banks in Iraq at the end of 2022 recorded an increase of (14.4%) compared to the previous year, reaching IQD (60.6) trillion against IQD (53) in for 2021 to constitute (15.8%) of GDP at current prices. This means that the banking depth is still low and does not meet the needs of economy.

Analysis of the Structure of Extended Credit by Borrower

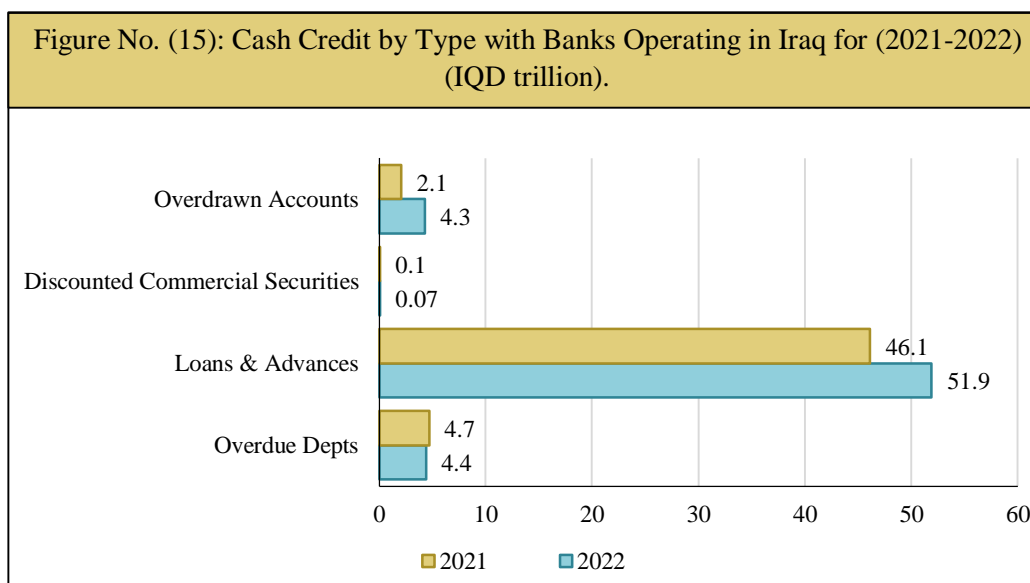
Balance of credit extended to private sector ranked first in terms of its contribution rate of (57.8%) to total extended cash credit, as it increased in 2022 by (18.4%). While balance of credit extended to the central government ranked second with a contribution rate of (36.3%) of extended cash credit, which increased by (14.4%) for this year compared to 2021. Whereas the extended credit to public institutions constituted a low contribution rate of (5.9%) to total extended cash credit, which decreased by (-14.3%) compared to the previous year.



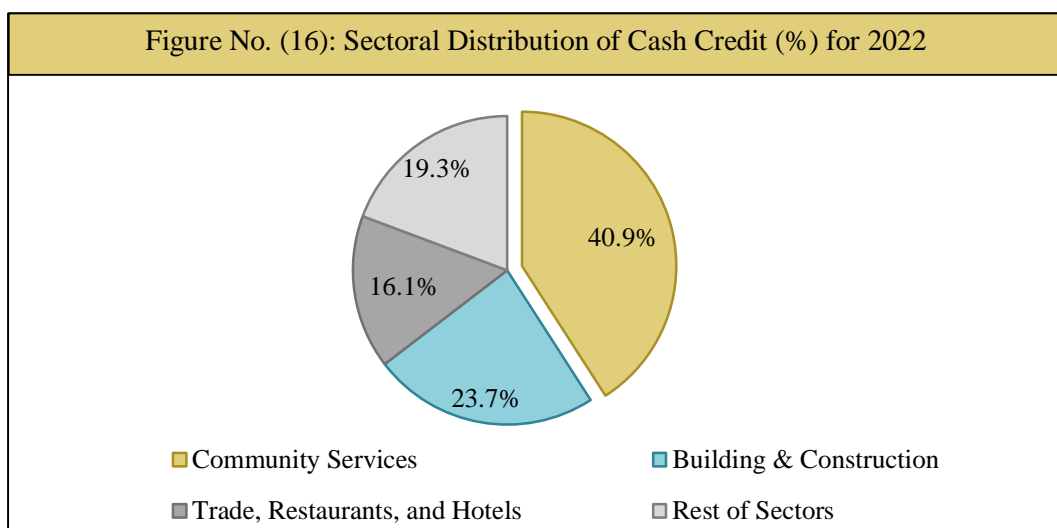
Analysis of the Structure of Total Extended Credit by Qualitative Classification

(Loans and advances) item dominated the majority of the extended credit by banks operating in Iraq for 2022; it recorded (85.6%) of total credit balance. Followed by (overdue debts) item with a contribution rate of (7.2%) of total extended credit, while (balance of overdrawn accounts contributed by (7.1%) to total balance of extended credit, whereas discounted commercial securities recorded (0.1%), as shown in annex of table No. (10).

Regarding growth rates of extended credit by qualitative classification, (loans and advances) item recorded an increase in both: the central government and private sector by (6.8%), and (21.9%), respectively. While the growth of overdue debts balance decreased by (-6.7%) in 2021 due to the decrease occurred in both public institutions and private sector by (-7.7%), and (-6.7%), respectively, that was attributed to the improved conditions following pandemic’s effects, political circumstances, and the activity of the private sector. Balance of overdrawn accounts increased by (106.2%), because of its increase in both: the central government sector and the private sector. While the discounted commercial securities decreased by (-27.1%) due to the decrease with the private sector by (-33.8%), despite the increase with the Central government by (4.3%).



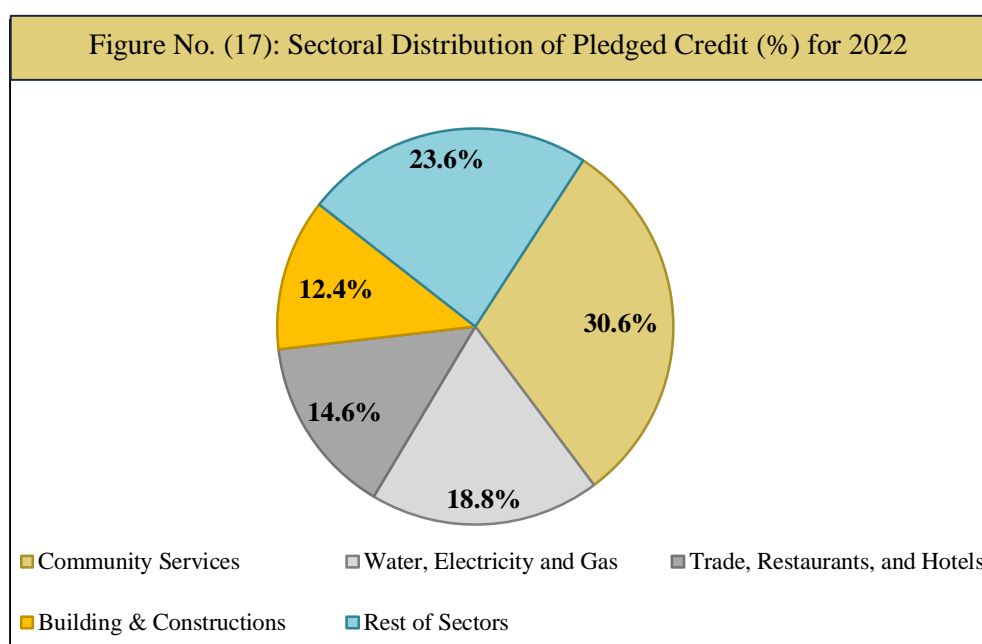
As concerning extended credit by the type of a bank, state-owned banks dominated the largest proportion to constitute (83.7%) of total extended credit. While private banks recorded only (16.3%) of total extended credit due to the possession of state-owned banks for the large proportion of deposits, in addition to loans related to salary domiciliation, which facilitated the process of credit obtaining by individuals.



With regard to pledged credit extended by commercial banks operating in Iraq for 2022, it recorded an increase of (9.9%) compared to the previous year, reaching an amount of IQD (30.4) trillion against IQD (27.6) trillion in 2021 due to the increase of letters of credits by (132%), and the increase of letters of guarantee by (4.3%).

At the same time letters of credit constituted the largest proportion of total pledged credit reaching (65.3%), letters of guarantee constituted (34.7%) of total pledged credit.

Public institutions ranked first in terms of total extended pledged credit by (42.9%) followed by the private sector, which ranked second by (40.4%). While the central government ranked third in terms of the total pledged credit by (16.7%), as shown in the annex of table No. (11).



Sectoral Distribution of Credit

First: Sectoral Distribution of Cash Credit

(Water & electricity) sector recorded the highest contribution rate of **overdraft**, reaching (48.9%) of total overdraft. (Trade, restaurants and hotels) sector came in second place, reaching (34.5%), while the rest of the sectors recorded (16.6%) of the total overdraft.

(Trade, restaurants and hotels) sector ranked first in terms of **discounted commercial securities** by (51.5%), and (community services) sector ranked second by (44.3%), while the rest of sectors formed (4.2%).

(Community services) sector ranked first in (**loans & advances**), reaching (47.0%), followed by (building & construction) sector by (26.1%), while (trade, restaurants and hotels) sector ranked third by (12%), whereas the rest of the sectors formed (14.9%).

As for **overdue debts**, (trade, restaurants and hotels) sector ranked first with a contribution rate of (46.8%), followed by the (manufacturing industry) sector with a contribution rate of (15.1%), while (building & construction) sector ranked third with a contribution rate of (10.8%).

Second: Sectoral Distribution of Pledged Credit

(Trade, restaurants and hotels) sector ranked first in letters of guarantee with a contribution rate of (28.4%), while (building & construction) sector ranked second with a contribution rate of (20.5%), while (finance & insurance) sector recorded the lowest rate of (0.8%).

(Community services) sector recorded the largest contribution rate of (42.6%), while (water, electricity, and gas) sector ranked second with a contribution rate of (22.2%). Whereas (the agriculture) sector recorded the lowest rate of (0.3%).

From the above mentioned, it could be noticed that most of the credit, whether it was cash or pledged is dominated by (trade, restaurants, and hotels,) and (community services) sectors. Yet (the trade) sector is one of the most default sectors.

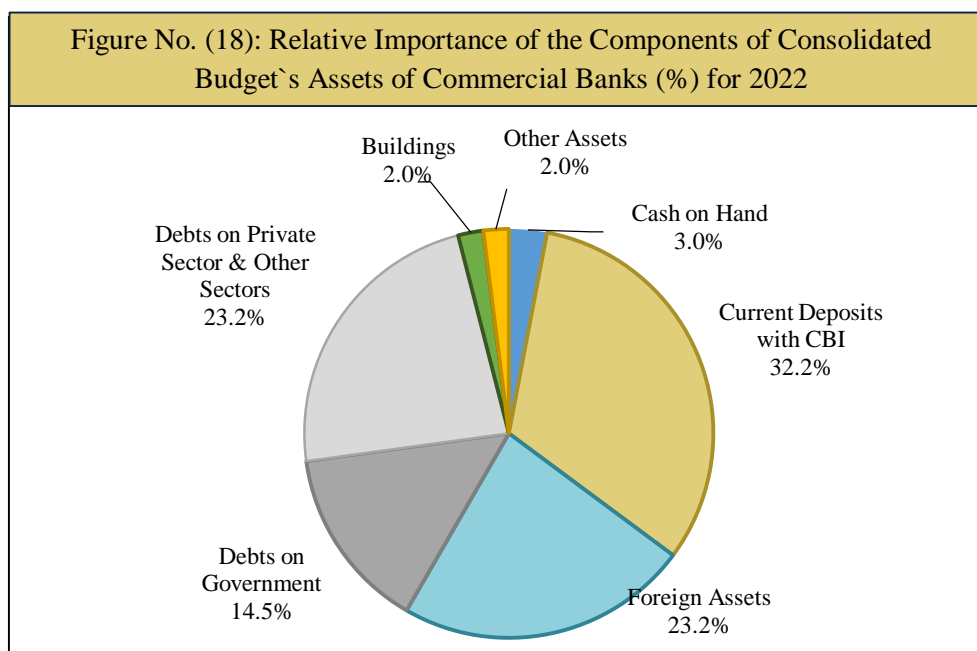
Third: Consolidated Statement of Commercial Banks Operating in Iraq

The consolidated Statement of commercial banks operating in Iraq recorded an improvement at banking performance level at end of 2022 through assets (liabilities), as they grew by (28.9%) compared to the previous year to reach IQD (184.7) trillion against IQD (143.3) trillion at end of 2021, as shown in table No. (13). This increase was attributed to the growth of all components of assets side, except other assets, compared to the increase in all components of the liabilities side.

The following analysis reflects the most important developments in the commercial banks' budget for 2022.

Assets Side

- Foreign assets side, including (foreign investments of commercial banks, and their debit balances with commercial banks outside Iraq + foreign cash) recorded an increase of (48.1%) compared to the previous year. It reached IQD (42.8) trillion against IQD (28.9) trillion at the end of 2021 with a contribution rate of (23.2%) to total assets because of the increase in foreign currencies` balance with commercial banks by (48.1%), reaching IQD (42.8) trillion against IQD (28.9) trillion for the previous year.
- (Cash on hand) item held by banks in their vaults to meet daily withdrawal requests and the rest of their various needs increased by (10%) to reach IQD (5.5) trillion against IQD (5.0) trillion in 2021, with a contribution rate of (3.0%) of total assets.
- (Current deposits with CBI) item recorded an increase of (50.8%) to reach IQD (59.4) trillion against IQD (39.4) trillion at the end of 2021, recording (32.2%) of banks` total assets. The increase was due to the rise of the central government, public institutions, and private sector deposits with operating banks in Iraq, which was reflected on the increase of reserve requirement volume.
- (Debts on government) item increased by (11.3%) to reach IQD (26.8) trillion against IQD (24.1) trillion at the end of 2021 with a rate of (14.5%) of the banks` total assets. This increase was resulted from growth of discounted commercial securities, loans, and advances.
- (Debts on private sector & other sectors) item increased by (18.7%) to reach IQD (42.8) trillion against IQD (36.0) trillion at the end of 2021 with a contribution rate of (23.2%) of total banking assets. It resulted from the growth of loans and advances extended to the public, as banks continued the process of salaries domiciliation, which is considered the most guarantee for banks. In addition to CBI`s continued lending initiatives.
- (Buildings) item, that represents part of banking sector`s fixed assets, increased by (10.9%) to record IQD (3.7) trillion against IQD (3.3) trillion at end of 2021. Accordingly, It recorded (2.0%) of the banks` total assets because of buildings` revaluation, despite the decrease in the number of branches that reached (876) branches in 2022 compared to (904) branches in 2021.
- As for (other assets) item, it recorded a decrease of (-43.1%) to reach IQD (3.7) trillion against IQD (6.5) trillion at the end of 2021, with a contribution rate of (2.0%).



Liabilities Side (Sources of Banks' Funds)

Commercial banks' liabilities recorded an increase of (28.9%) compared to 2021 because of the increase in all its components. As current deposits increased by (36.7%) to reach IQD (60) trillion against IQD (43.9) trillion at the end of 2021, recording a highest contribution rate of (32.5%) to total banks' liabilities. This increase was due to opening accounts for current deposits that resulted from the increase of salary domiciliation on one hand. As well as the increase of CBI's initiatives, which require opening a current deposit account for a customer to deposit the amount of a loan with a bank to be used by the customer, on the other hand. Other liabilities recorded an increase of (7.9%) to constitute (13.5%) of total liabilities of commercial banks, as shown in table No. (15).

As for (government deposits with commercial banks) item, it recorded an increase of (44.9%) to reach IQD (53.8) trillion against IQD (37.1) trillion at end of 2021 with a contribution rate of (29.1%) to total liabilities. The rise was due to the increase of government revenues resulting from the rise of oil prices, in addition to the increase in daily average of crude oil exported quantities.

Savings and fixed deposits recorded an increase of (10.0%) to reach IQD (21.6) trillion against IQD (19.7) trillion in 2021 with a contribution rate of (11.7%). This indicates an increase in the public's desire to deposit their money with banks because of the rise of nominal interest rates on deposits in 2022. Deposits of credits and guarantees also increased by (10.5%) to reach IQD (4.5) trillion against IQD (4) trillion at end of 2021 with a contribution rate of (2.4%) due to the increase in private sector imports. While foreign

liabilities recorded an increase of (2.4%) to reach IQD (0.80) trillion against IQD (0.78) trillion in 2021 with a contribution rate of (0.4%) to total liabilities.

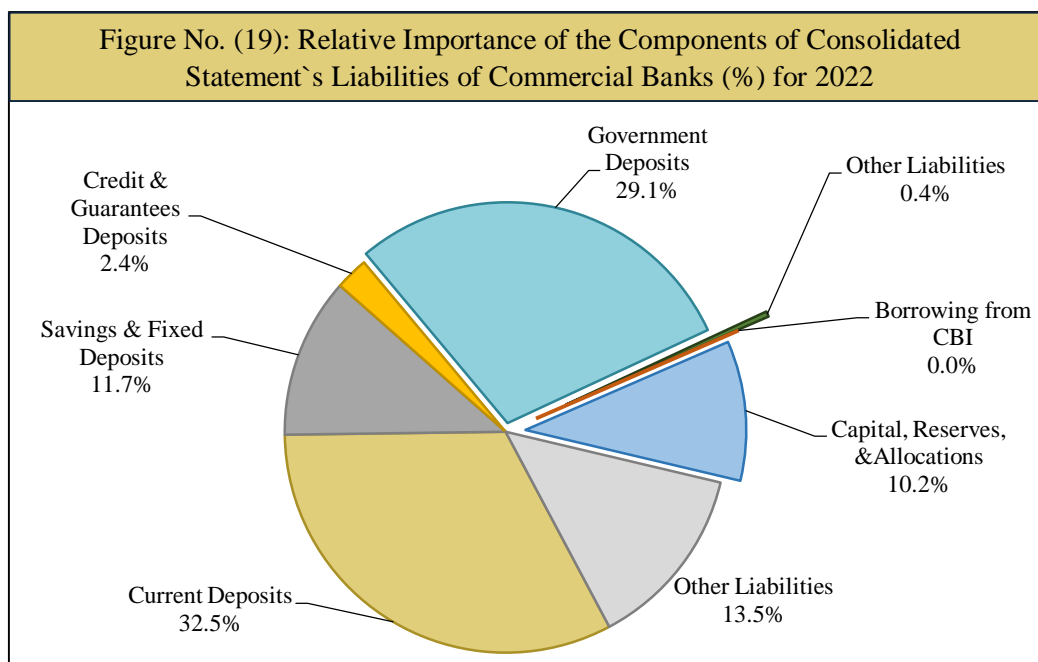


Table No. (15): Consolidated Statement of Commercial Banks for (2021-2022)
(IQD million)

Items	2021	2022	Change Rate %	Relative Importance %
Assets				
Cash on Hand	5,035,545	5,529,826	10.0	3.0
Current Deposits with CBI	39,364,395	59,375,867	50.8	32.2
Foreign Assets	28,898,359	42,803,804	48.1	23.2
Debts on the government	24,069,636	26,798,167	11.3	14.5
Debt on the Private Sector & Other Sectors	36,035,284	42,777,213	18.7	23.2
Buildings	3,339,607	3,703,535	10.9	2.0
Other assets	6,528,972	3,703,707	-43.1	2.0
Total Assets or Liabilities	143,271,798	184,692,119	28.9	100
Liabilities				
Current Deposits	43,925,151	60,095,508	36.8	32.5
Savings & Fixed Deposits	19,680,605	21,639,729	10.0	11.7
Deposits of Credits & Guarantees	4,033,800	4,458,488	10.5	2.4
Government Deposits	37,145,626	53,840,396	44.9	29.1
Foreign Liabilities	781,592	800,488	2.4	0.4
Borrowing from CBI	0	0	0	0.0
Capital, Reserves and Allocations	14,654,829	18,988,640	29.6	10.2
Other Liabilities	23,050,195	24,868,870	7.9	13.5

- Source: CBI/ Statistics and Research Dept. - Division of Monetary and Financial Statistics.

- Preliminary adjustable data.



Chapter Four
Developments of Public Finance Sectors

Public Finance Sector

First: Planned Public Budget

The public budget is the government's financial platform for a coming year that includes estimates of government expenditures and revenues to conduct government activities and achieve its social, economic and political objectives. It is prepared by the executive authority and becomes executable after its approval by the legislative authority. Due to the failure to approve the budget for the year 2022, it led to the adoption of Federal Financial Management Law No. (6) For 2019/ Article (13) which stipulates the following:

In the event of a delay in approving the federal public budget until December 31 of the year preceding the year of budget preparation, the Minister of Finance shall issue a circular according to the following:

First: Disbursement at a rate of (1/12) (one/twelve) or less of total actual expenditures for current expenditures for the previous fiscal year after excluding non-recurring expenditures on a monthly basis and until the approval of the federal general budget.

Second: Disbursement from total annual allocation for ongoing investment projects whose allocations were included during the previous and subsequent fiscal years according to the completed units or the actual preparation of the project.

Third: In the event that the draft federal public budget law for a particular fiscal year is not approved, the final financial statements for the previous year shall be considered a basis for the financial statements for this year and shall be submitted to the Parliament for the purpose of approval.

Due to global developments that led to an increase in prices, the government resorted to ask the Parliament to legislate an emergency law to compensate for the shortfall in public spending. Based on what is approved by the Parliament, Law No. (2) Of 2022 titled "Emergency Support for Food Security and Development Law" was issued, which included the following:

- Article (1) - Ministry of Finance shall establish an account called (Support Food Security, Development, Financial Hedging, and Poverty Alleviation), which for the purposes of this law shall be called (the Account).

- Article (2) - the account shall be funded with no more than IQD (25) trillion from the following sources:

First: The available funds with Ministry of Finance's accounts in excess of total expenditure amounts stipulated in Article (13) of the Federal Financial Management Law No. (6) for 2019 (amended) on a monthly basis and not to exceed twenty-five trillion dinars for the year 2022.

Second: Grants, aid, and financial and in-kind donations provided by countries, domestic, and international organizations.

Third: Any other sources.

- Article (3) - first: An amount of IQD (25) trillion will be allocated by the Ministry of Finance, distributed according to tables: (A) and (B) attached to the law.

As the Ministry is committed to fund the provisions of the law to secure food and electricity sectors, lecturers, administrators, contractors, holders of higher degrees, and the first graduates of colleges and those whose contracts were terminated by the security agencies. The Ministry is also committed to finance (50%) of the allocations mentioned in table (B) attached to the law regarding economic development.

Table No. (16): Developments of (Actual) Public Revenue and Expenditure of the State's Public Budget for (2021-2022)		
(IQD billion)		
Items	2021	2022
Public Revenue (Actual)	109,081.5	161,697.4
Growth Rate (%)	72.6	48.2
Public Expenditure (Actual)	102,849.7	116,959.6
Growth Rate (%)	35.2	13.7

- MOF/ Accounting Department.
- Preliminary adjustable data.
- Exclude settlements (government Commitments).

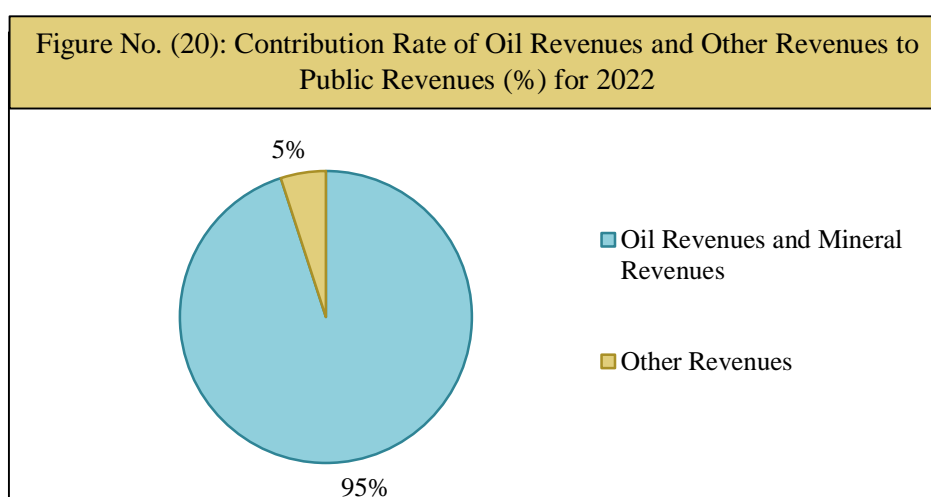
A- Public Revenues

In 2022, Public revenues recorded a significant increase of (48.2%) to reach IQD (161,697.4) billion against IQD (109,081.5) billion in 2021. This is attributed to the rise in oil prices, as oil revenues constitute the largest percentage of total revenues with a contribution rate of (95.0%) amounted IQD (153,623.3) billion, and a growth rate of (61.2%). On the other hand, commodity taxes, other revenues, and transfer revenues recorded a decrease by (11.7%, 28.0%, 79.1%), respectively. In addition to an increase in capital revenues and fees by (37% and 10.6%), respectively.

On the other hand, budget's share of public sector's profits recorded a decrease of (-57.63%) compared to the previous year due to several reasons, including that some companies failed to pay their share of the achieved profits. While taxes on income and wealth recorded a decrease of (-14.59%) because of the decrease in the number of employees this year as a result of retirement and non-employment due to the non-approval of the budget law, as the tax on government employees' salaries constitutes the largest percentage of these taxes, as shown in table (17).

Table No. (17): Components of Revenues of the State`s Budget (Actual) for (2021-2022) (IQD billion)				
Revenue Items	2021	2022	Change Rate %	Contribution Rate to Total Public Revenues
Oil Revenues & Mineral Wealth	95,270.3	153,623.3	61.24	95.0
Taxes on Income & Wealth	3,252.6	2,778.1	-14.59	1.72
Commodity Taxes & Production Fees	1,283.7	1,133.3	-11.71	0.70
Other Revenues	1,561.7	1,124.3	-28.01	0.70
Transfer Revenues	4,990.3	1,041.7	-79.12	0.64
Fees	1,137.9	1,257.9	10.55	0.78
Budget's Share of Public Sector's Profits	1,513.9	641.4	-57.63	0.40
Capital Revenues	71.1	97.4	37.0	0.06
Total Revenues	109,081.5	161,697.4	48.2	100

- MOF/ Accounting Dept.
- Preliminary adjustable data.



It is noted from the table above that oil revenues still dominate public revenues, with a very high percentage compared to the rest of the revenues, which constitute (5.0%). While taxes in all forms still constitute a low percentage of (2.42%) that requires work to expand the public revenue base by automating the tax system and electronic collection to mobilize public financial resources.

B- Public Expenditure

Actual public Expenditure recorded a remarkable increase in 2022 by (13.8%) to reach IQD (117.0) trillion against IQD (102.8) trillion in 2021, to constitute (30.5%) of GDP at current prices. This increase attributed to the increase in (current) Expenditure by (17.2%) as a result of the increase in public revenues by (48.2%) compared to 2021. The matter that led to an increase in public expenditures to cover the economic and administrative requirements of the state, especially after global events and the rise in the general level of prices, as shown in table (18). Current expenditures constitute the largest proportion of total public expenditure, reaching (89.7%), while the contribution of investment expenditure was (10.3%) of total public expenditure.

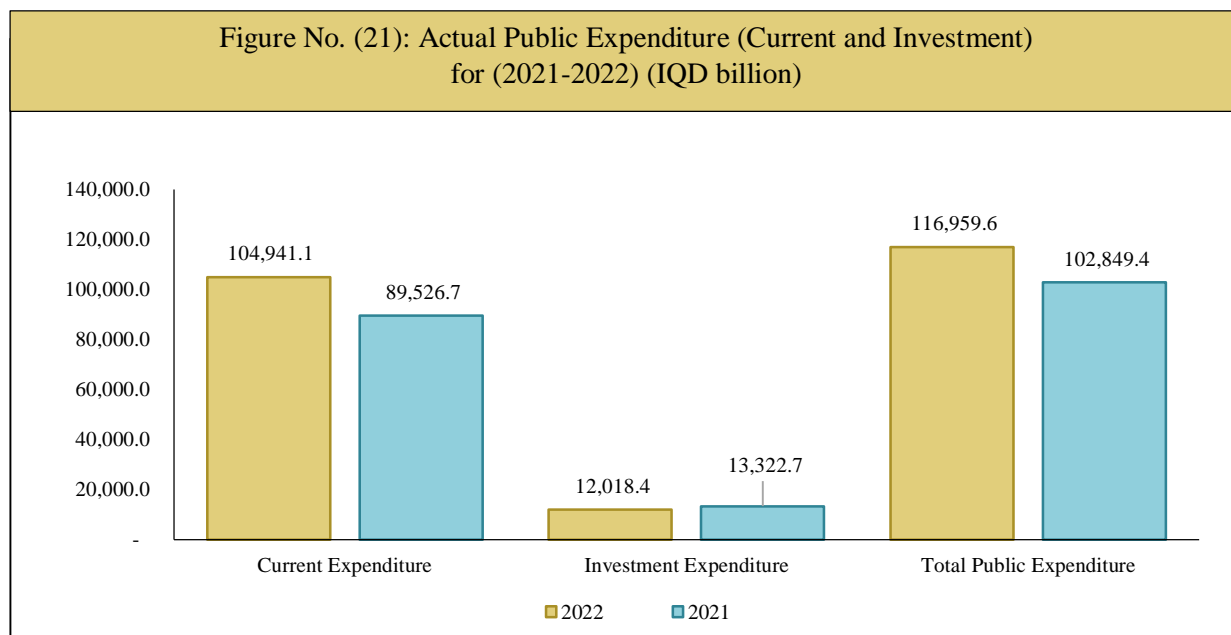


Table No. (18): Actual Public Expenditure (Current & Investment) for (2021-2022) (IQD billion)

Public Expenditure	2021	2022	Change Rate %	Contribution Rate to Total Public Expenditure
Current Expenditure	89,526.7	104,941.1	17.2	89.7
Investment Expenditure	13,322.7	12,018.5	-9.8	10.3
Actual Total Public Expenditure	102,849.4	116,959.6	13.7	100

- MOF/ Accounting Dept.
- Preliminary adjustable data.

1. Current Expenditure

In 2022, current expenditure recorded a rise of (17.2%) to reach IQD (104.9) trillion against IQD (89.5) trillion in 2021. It constituted (27.40%) of GDP at current prices due to the rise in all components of current expenditure because of the rise of Iraq's financial revenues and the compensation for the decline that took place in 2021. According to Article (4) of (Emergency Support for Food Security and Development Law) that stated (disbursement conducted from the account shall be an exception to the provisions of Article (13) of the Federal Financial Management Law No. (6) of 2019 "amended"), which allowed for an additional spending of IQD (22.2) billion for social care, transferring daily wage workers to contractors, and food & energy support, in addition to allocating IQD (2.8) billion to pay late bills to farmers and energy suppliers. All items recorded remarkable growth during the year. The highest recorded growth rate was for employee compensation by (41.56%), while capital expenditures recorded the lowest growth rate by (-28.44%), as shown in table (19).

Employee compensation item recorded the largest percentage of total current spending, reaching (41.56%), followed by social care (23.16%). (Grants, subsidies, and debt service)

item ranked third with a percentage of (18.39%), followed by commodity supplies with a percentage of (13.64%), while other items recorded the remaining percentage of (3.25%).

Table No. (19): Current Expenditure of State's Public Budget (Actual) for (2021-2022) (IQD billion)				
Expenditure Items	Amounts		Change Rate %	Contribution Rate to Total Current Expenditure %
	2021	2022		
Employee's Compensation	42,446.7	43,614.0	2.8	41.56
Grants, Subsidies, and Debt Service	19,182.2	19,305.6	0.64	18.40
Social Care	18,979.3	24,783.5	30.58	23.60
Commodity Requirements	6,310.8	14,320.9	126.9	13.64
Special Programs	874.5	859.9	(1.67)	0.82
Services Requirements	659.8	1,142.1	73.09	1.1
Assets Maintenance	670.4	613.4	(8.50)	0.58
Capital Expenditure	365.3	261.4	(28.44)	0.3
Commitments & Contributions	37.7	40.2	6.63	0.03
Total	89,526.7	104,941.1	17.22	100

- MOF/ Accounting Dept.
- Preliminary adjustable data.

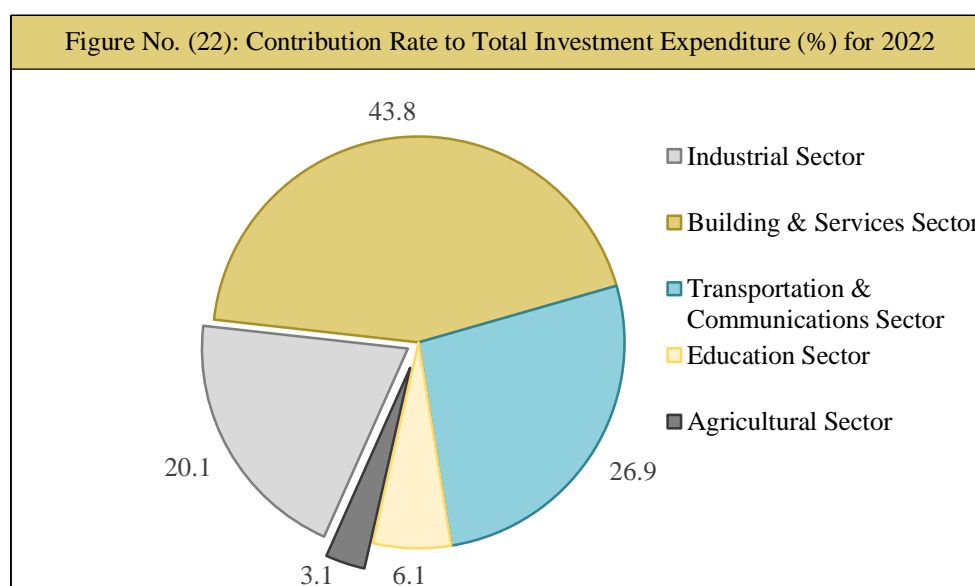
2. Investment Expenditure

In 2022, investment expenditure recorded a decrease of (9.8%) to reach IQD (12.0) billion against IQD (13.3) billion in 2021 to record (3.1%) of GDP at current prices. This decrease is attributed to non-approving the budget and the cessation of work on investment projects with low completion rates. At the sector level, (buildings & services) sector had the highest allocation percentage of total investment expenditure to record a contribution rate of (43.81%), followed by (transportation) sector with a percentage of (26.88%). While (industrial) sector ranked third with a percentage of (20.1%), followed by (education) sector and (agricultural) sector with percentages of (6.14% & 3.1%) respectively, as shown in table (20).

Table No. (20): Investment Expenditure of the State's Public Budget for (2021-2022)				
Sectors	2021	2022	Change Rate %	Contribution Rate to Total Investment Expenditure %
Industrial Sector	8,535.6	2,412.3	(71.7)	20.1
Building & Services Sector	2,538.5	5,265.7	107.4	43.8
Transport & Communications Sector	1,601.4	3,231.7	101.8	26.9
Education Sector	394.8	738.1	86.96	6.1
Agricultural Sector	252.7	370.9	46.8	3.1
Total	13,323	12,018.5	(9.79)	100

- MOF/ Accounting Dept.
- Preliminary adjustable data.
- () means a negative rate.

As for growth levels, (building & services) sector recorded the highest growth rate of (107.4%) as funds were allocated in the (Emergency Support for Food Security and Development Law). In addition to petrodollar allocations distributed to the oil-producing governorates. Moreover, an amount of IQD (500) billion was allocated to the Ministry of Reconstruction and Housing to finance new and ongoing projects. The growth of the industrial sector decreased by (-71.7%) due to the lack of investment expenditure in industrial projects in 2022 because of non-approval of the budget for the same year and non-covering industrial projects in “Emergency Support for Food Security and Development Law”.



Second: Internal Public Debt Developments

The rise of oil revenues has reduced the burden of public debt, but there are still significant financial risks despite the decline in the ratio of internal public debt to GDP from (23.2%) in 2021 to (18.1%) in 2022 and as a result of the financial surpluses that occurred in 2022 that helped to pay part of the debt. The internal debt recorded a decrease after the adoption of the Emergency Support for Food Security and Development Law No. (2) of 2022, as the balance of internal public debt at the end of 2022 recorded a decrease of (-0.6%) from the year 2021 to reach IQD (69,495.7) billion in 2022 against IQD (69,912.4) billion in 2021, table (19). The decrease in most of the public debt is due to not resorting to debt and paying the debt as a result of the increase in oil revenues, with the exception of the old debt remaining owed by the Ministry of Finance. No installment was paid during 2022. The following is an analysis of internal public debts` sections for 2022:

A- MOF T-bills Out of Auction

In 2022, MOF Treasury bills out of auction recorded a decrease of (-0.33%) due to the decrease in outstanding debt balance for T-bills (reserve requirement), since the outstanding debt balance for T-bills (reserve requirement) recorded a decrease at end of

2022 by (-1.4%) to reach IQD (3,607.9) billion in 2022 against IQD (3,659.9) billion in 2021. Trade Bank of Iraq (TBI) loan recorded a decrease by (-5.2%) during this year to reach IQD (2,069.8) billion. The balance of outstanding debt for discounted T-bills at the secondary market by CBI remained stable in 2022 compared to 2021 reaching IQD (44,452.4) billion.

B- Loans

During 2022, loans item recorded a decrease by (-13.0%) to reach IQD (15,779) billion against IQD (15,963) billion in 2021 due to the decrease of TBI’s loans that are used to finance both the Ministry of Trade and the Ministry of Agriculture.

Below are the components of loans:

- Loan for self-financing companies for the payment of their employees’ salaries for (2010-2014) remained stable during 2022 as it reached IQD (8,160.7) billion.
- Loans given during 2022 remained stable at IQD (6,017.5) billion.
- The amount of (the loan of projects for self-financing directorates at the Ministry of Electricity under Cabinet Resolution No. (314) for 2014) that reached IQD (606.5) billion.
- TBI dollar-dominated loans for the Samawa Water Project recorded an increase by (507.4%) to reach IQD (509) billion, compared to IQD (83.8) billion.

C- Bonds

The amounts of sold bonds (contractor's receivable bonds and Binaa bonds) recorded a decrease by (-3.17%) in 2022 to reach IQD (2,031.1) billion against IQD (2,097.8) billion in 2021 due to the decrease in contractor’s receivable bonds by (92.5%) despite the increase in farmers’ bonds/ Binaa bonds by (94.9%).

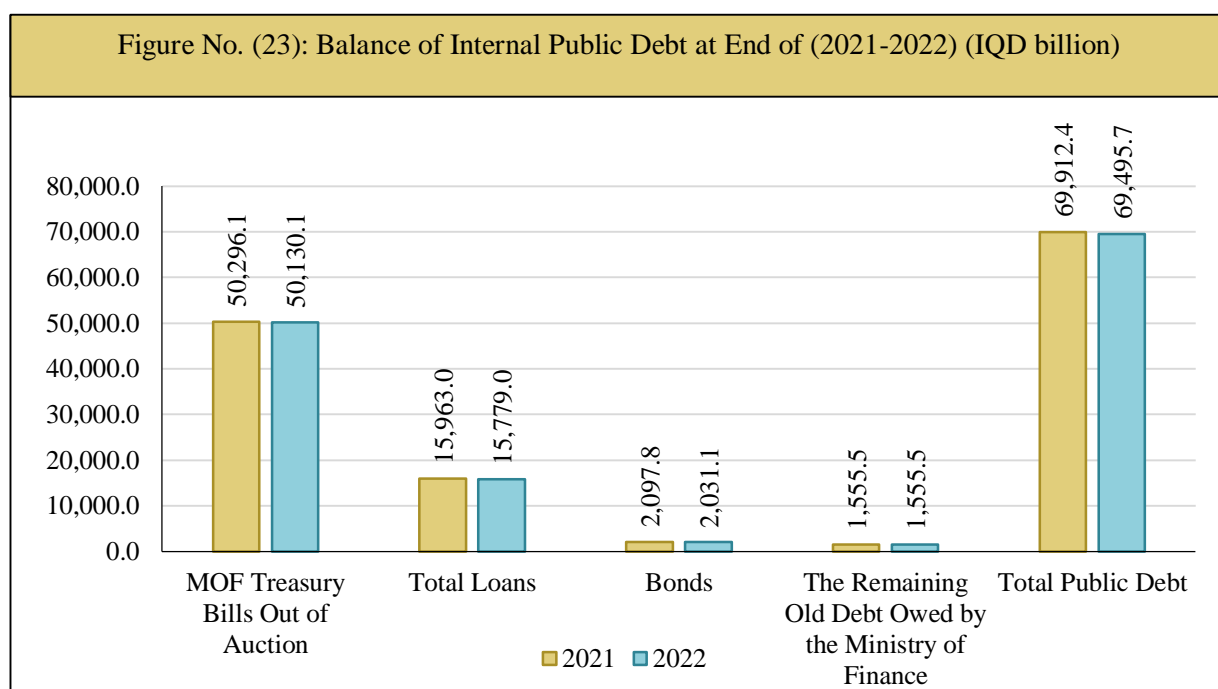


Table No. (21): Developments of Internal Public Debt for (2021- 2022) (IQD billion)		
Details	Outstanding Debt Balance at End of 2021	Outstanding Debt Balance at End of 2022
Auctions of Treasury-bills for 364 Days	—————	—————
Remaining Debt Owed by MOF	1,555.5	1,555.5
MOF T-bills Out of Auctions	50,296.1	50,130.1
- TBI Loan	2,183.8	2,069.8
- Reserve Requirement T-bills	3,659.9	3,607.9
- T-bills discounted at the secondary market by CBI	44,452.4	44,452.4
- Discounted T-bills by Al-Rafidain Bank	—	—
Bonds	2,097.8	2,031.1
- Forward Delivery	—	—
- National Bonds	0.0	
- Farmers` Bonds/ Binna Bonds	1,000.0	1,948,8
- Contractor`s Receivable Bonds	1,097.8	82,357
Total Loans	15,963	15,779
- TBI dollar-dominated loan for the “Samawa” Water Project	-	509
- Loan for Self- Financing Projects for Directorates at Ministry of Electricity Under Cabinet Resolution No. 314 for 2014	606.5	606.5
- TBI loan to finance Ministry of Trade and Ministry of Agriculture	1,178.3	485.3
- Loan of Self-Financing Companies for Paying their Employees' Salaries for (2010,2011,2012, 2013, 2014)	8,160.7	8,160.7
- Loans Extended During 2020	6,017.5	6,017.5
Total Debts	69,912.4	69,495.7

- Source: CBI/ Statistics and Research Dept. - Division of Monetary and Financial Statistics.
- Preliminary adjustable data.



Chapter Five

Developments of External Sector and Iraqi Balance of Payments

External Sector

First: External Trade

In 2022, external trade volume recorded a remarkable increase of (52.1%) to reach US\$ (173.2) billion against US\$ (113.9) billion in 2021 due to rise of exports` value by (61.5%) to reach US\$ (118) billion against US\$ (73.1) billion in 2021. Also oil exports increased by (62%) to reach US\$ (117.9) billion against US\$ (72.8) billion in 2021 because of the rise of oil prices by (39.8%). Imports on CIF basis recorded an increase of (35.1%) to reach US\$ (55.2) billion against US\$ (40.8) billion in 2021 due to economic recovery after COVID-19 pandemic.

Economic exposure ratio reached (65.6%), which indicates that the Iraqi economy is suffering from economic exposure to the outside world, since it exceeded the standard ratio for economic exposure (45%), as indicated in table No. (22).

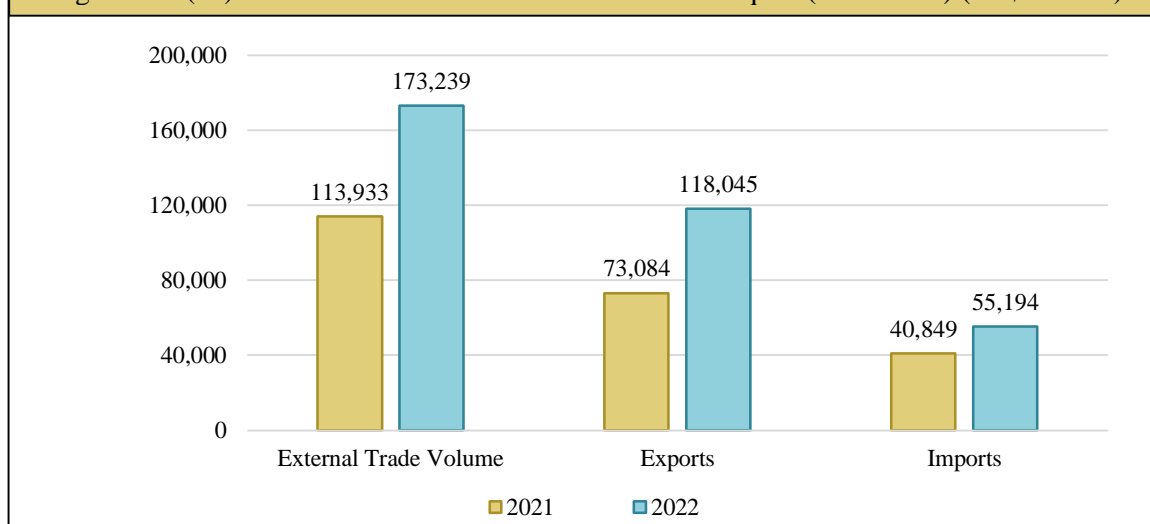
Table No. (22): Indicator of External Trade Volume for (2021-2022)			
	(US\$ million)		
	2021	2022	Growth (%)
External Trade Volume	113,933	173,239	52.1
Exports	73,084	118,045	61.5
Imports	40,849	55,194	35.1
Economic Exposure (%)	54.8	65.6	—

- Source: Imports and Exports - CBI/ Statistics and Research Dept. – Division of Balance of Payments and External Trade Statistics.

- *Imports are calculated based on CIF.

- Preliminary adjustable data.

Figure No. (24): Indicator of External Trade Volume in Iraq for (2021-2022) (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 and imports with Asian countries constituted (72.72%) and (70.79%), respectively, of total exports & imports. The commercial importance of Asian countries with Iraq comes from the fact that the largest percentage of oil market share is in favor of China because of its increasing need for energy due to continuous rise of production levels.

As for imports, most of Iraq’s imports are machinery and transportation equipment, most of which come from Asian countries - the most important of which are China, Korea, and Japan. While West European countries rank second in trade partnership, as Iraq’s contribution of exports to that region constituted (17.72%) of total exports, while the contribution of imports constituted (14.02%) of total imports. Also contribution of exports to: North American states and Arab countries constituted (4, 4%, 3.93%) respectively, of total exports, while imports constituted (2.37%, 7.36%) respectively, of total imports. Iraq’s imports & exports to the rest of the world reached (1.23% and 5.46%) of total exports & imports, respectively, as shown in table No. (23).

Table No. (23): Trade Partners of Iraq for (2021-2022)

(US\$ million)

Geographical Region	2021		2022		Contribution Rate to Total Exports for 2022 %	Contribution Rate to Total Imports for 2022 %
	Imports	Exports*	Imports	Exports*		
Arab Countries	2,872	3,006	4,639	4,062	3.93	7.36
West Europe Countries	12,950	5,727	20,917	7,738	17.72	14.02
East Europe Countries	614	1,083	992	1,462	0.84	2.65
Asian Countries	53,147	28,917	85,842	39,072	72.72	70.79
African Countries Except Arabian	7	69	12	94	0.01	0.17
North America Countries	3,216	968	5,194	1,308	4.40	2.37
Middle America Countries	0	37	0	50	0.00	0.09
South America Countries	278	1,005	449	1,358	0.38	2.46
Oceania Countries	0	37	0	50	0.00	0.09
Total	73,084	40,849	118,045	55,194	100.00	100.00

- Source: CBI/ Statistics and Research Dept. – Division of Balance of Payments and External Trade Statistics.
- *Imports are calculated based on CIF.
- Preliminary adjustable data.

Figure No. (25): Relative Importance of Iraq’s Exports by Geographical Distribution for 2022

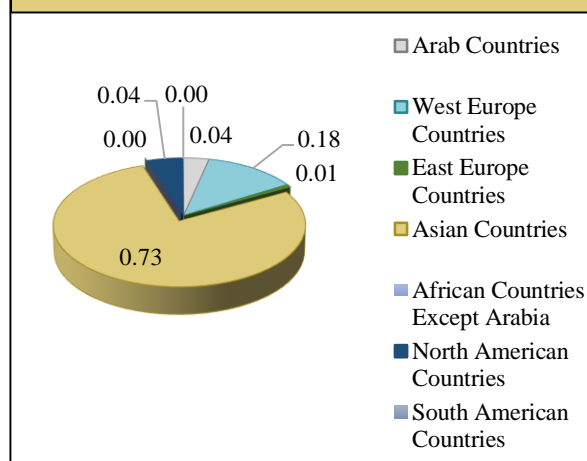
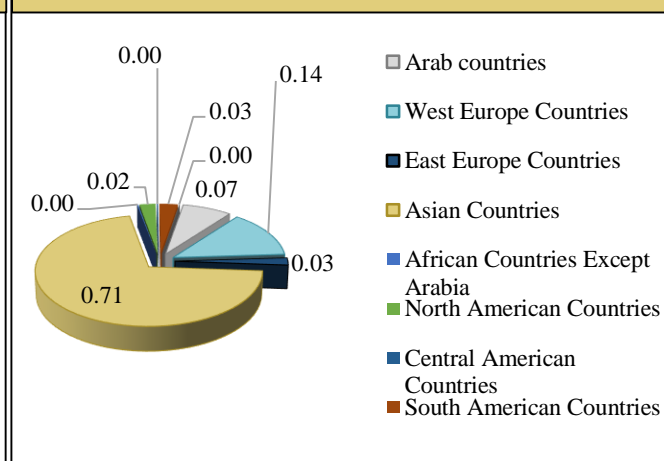


Figure No. (26): Relative Importance of Iraq’s Imports by Geographical Distribution for 2022



2. Commodity Composition of Iraqi Exports

Mineral fuel item, which includes (oil and petroleum products), recorded the highest contribution rate amounted (99.85 %) 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 that amounted (0.15%) of total exports in 2022. It indicated the depth of the structural imbalance of the Iraqi economy and the heavy reliance on exporting crude oil due to the weakness of business environment, the small role of the private sector in GDP formation, and the lack of economic diversification that is reflected on the lack of diversification of exports as shown below in table No. (24).

Table No. (24): Commodity Composition of Iraqi Exports for (2021-2022) (US\$ million)					
Commodity	2021	Relative Importance % 2021	2022	Relative Importance % 2022	Growth Rate %
Food & Live Animals	59	0.08	35	0.03	-40.7
Beverages & Tobacco	0	0.00	0	0.00	-
Non- Food Raw Materials Except Fuel	198	0.27	142	0.12	-28.3
Mineral Fuels and Related Lubricant Oil*	72,825	99.65	117,868	99.85	61.9
Animal and Vegetable Oils & Fats	0	0.00	0	0.00	-
Chemicals	0	0.00	0	0.00	-
Manufactured Commodities	0	0.00	0	0.00	-
Machines & Transport Equipment	2	0.00	0	0.00	-100
Miscellaneous Crafts	0	0.00	0	0.00	-
Not Classified Commodities	0	0.00	0	0.00	-
Total	73,084	100	118,045	100	61.5

- Source: CBI/ Statistics and Research Dept. – Division of Balance of Payments and External Trade Statistics.

*Including crude oil and petroleum products exports.

-Preliminary adjustable data.

3. Commodity Composition of Iraqi Imports

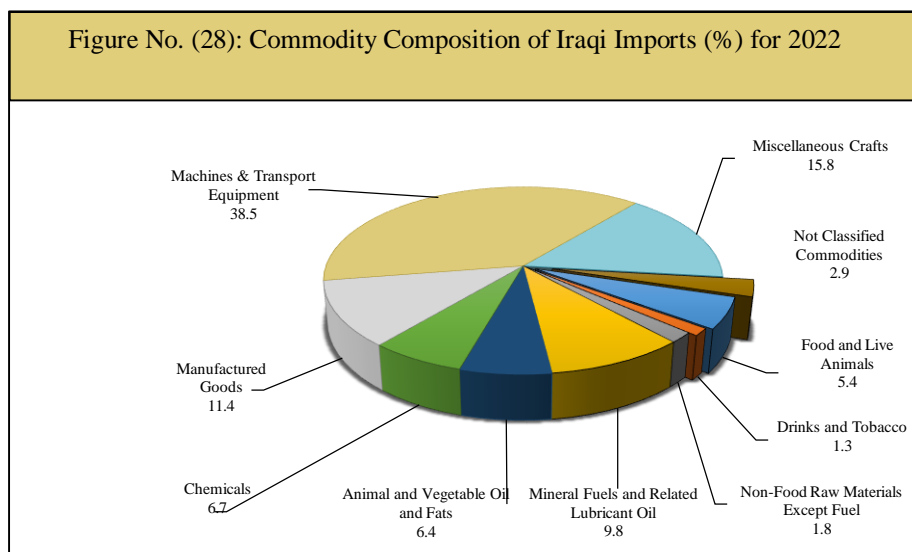
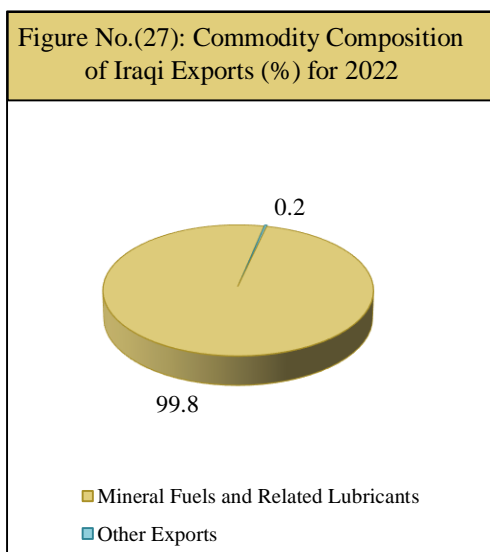
(Machineries, transport and equipment) item ranked first in priority order according to contribution rate to total imports amounted (38.5%). Despite this increase, most of the equipment were for personal use, while a lesser percentage was directed towards production. Followed by (Miscellaneous Crafts) 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 are considered as inputs for production because of weak domestic production. (Beverages & tobacco) item recorded (1.3%) of total imports, as shown in table No. (25).

The weakness of domestic production and high dependence on oil financial revenues opened the door for importing foreign goods to invade the domestic market, which in turn would lead to hard currency outflow to cover the large value of imports including 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 2021-2022 due to lack of data quality because

of using traditional methods of data collection and not adopting modern automation of customs.

Table No. (25): Commodity Composition of Iraqi Imports for (2021-2022) (US\$ million)			
Commodity	2021	2022	Relative Importance % 2022
Food& Live Animals	2,206	2,980	5.40
Beverages& Tobacco	531	718	1.30
Non- Food Raw Materials Except Fuel	735	993	1.80
Mineral Fuels and Related Lubricant Oil	4,003	5,409	9.80
Animal and Vegetable Oils & Fats	2,614	3,532	6.40
Chemicals	2,737	3698	6.70
Manufactured Commodities	4,657	6,292	11.40
Machines & Transport Equipment	15,727	21,250	38.50
Miscellaneous Crafts	6,454	8,721	15.80
Not Classified Commodities	1,185	1,601	2.90
Total	40,849	55,194	100

- Source: CBI/ Statistics and Research Dept. – Division of Balance of Payments and External Trade Statistics.
- Imports calculated on CIF basis.
- Preliminary adjustable data.



Second: Balance of Payments

In light of the available data, results of BOP during 2022 showed a surplus of US\$ (23,336.1) million due to the increase achieved in CBI's reserve assets during this period. Several factors contributed to the achievement of this surplus; they are reflected in the review of the Iraqi BOP components as follows:

First: Current Account

Current account indicator of BOP reflects the state's behavior through the public budget and the behavior of the private sector. According to available data, net current account recorded a surplus of US\$ (58,009.5) million during 2022. The following is a presentation of the components of this account:

1. Trade Balance

During 2022, trade balance recorded a surplus of US\$ (71,130.0) million, as total exports recorded US\$ (118,044.8) million including the value of crude oil paid in kind to International oil companies (IOC) with a value of US\$ (10,734.1) million. As for total imports, it recorded an amount of US\$ (55,193.9) on CIF basis and US\$ (46,914.8) on FOB basis, since (15%) of the value of total imports were deducted for freight and insurance costs to transfer it from CIF to FOB.

2. Net Services Account

During 2022, net services account recorded a deficit of US\$ (13,212.7) million; this deficit came as a result of the increase in payments that amounted US\$ (22,246.7) million, most of these payments are related to shipping and insurance costs on imports to transfer them from CIF to FOB. While the receipts side recorded an amount of US\$ (9,034.0) million, most of which were achieved from travel item, including Arab and foreign arrivals to Iraq for the purpose of tourism and holy shrines visits.

3. Primary Income Account

During 2022, net primary income account achieved a deficit of US\$ (946.2) billion. Below are the details of this account:

- A- **Workers' compensation:** It represents the transferred amounts by workers who work outside their home countries for less than a year. During 2022, net workers' compensation account achieved a surplus of US\$ (63.4) million.
- B- **Investment Income:** Net investment account achieved a deficit of US\$ (1,009.6) million due to the increase in payments, most of which being payments related to profits of (IOC) operating in Iraq that were transferred abroad, in addition to payments of the Ministry of Finance for the interests of external public debt.

4. Secondary Income Account

During 2022, net secondary income account recorded a surplus of US\$ (1,038.4) million. This surplus was due to an increase of receipts amounted US\$ (696.4) million, a decrease of payments amounted US\$ (25.8) million, and an increase of net private transfers

amounted US\$ (367.8) 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 2022, net capital account recorded a deficit of US\$ (27.0) million. This account represents capital transfers resulting from disposal of fixed assets and capital grants extended by governments and international organizations.

Third: Financial Account

During 2022, net financial account achieved a surplus of US\$ (54,693.5) million, this account showed a positive sign due to changes that occurred on both external financial assets and liabilities. The following is a presentation of the components of this account and how the surplus was achieved:

1. Net Direct Investment

During 2022, net direct investment account recorded a surplus of US\$ (2,326.5) million due to the increase of external financial assets by US\$ (238.3) million, with a decrease of financial liabilities by US\$ (2,088.2) million for the payment of capital costs of oil fields submitted by contractors of service contracts for (IOC) operating in Iraq.

2. Net Portfolio Investment

During 2022, net portfolio investment recorded a decrease of US\$ (51.5) million, because of the decrease in investments of the Ministry of Defense's securities investment portfolio by US\$ (403.1) million, with a decrease of financial liabilities of the public government of US\$ (348.6) million.

3. Net Other Investment

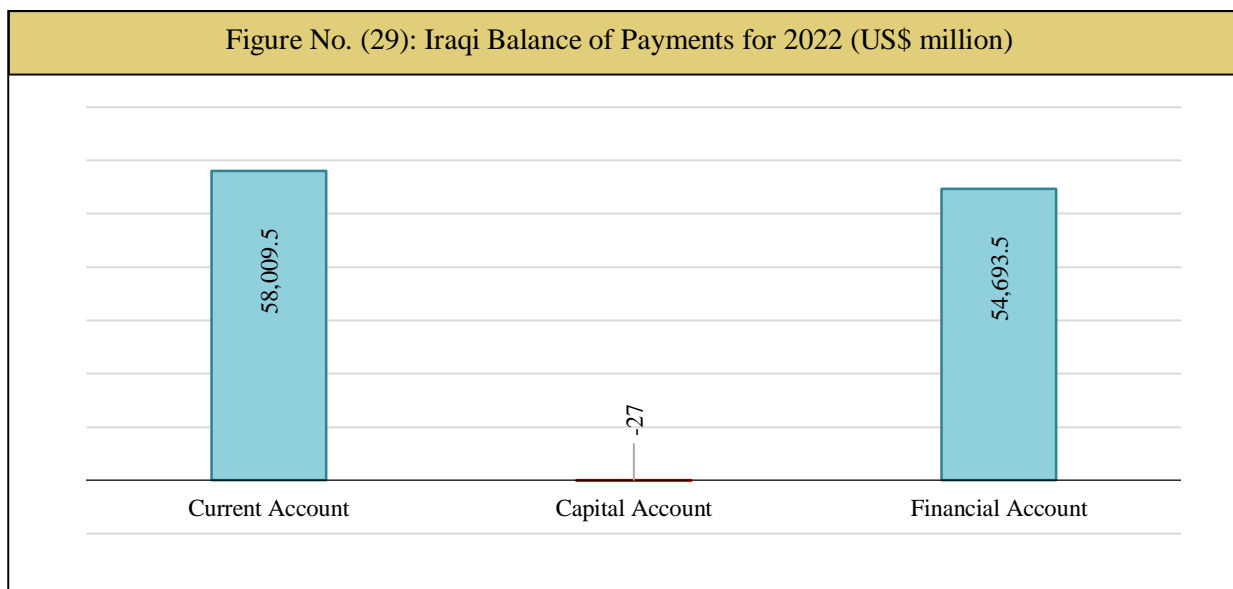
During 2022, net investment achieved US\$ (29,082.4) million, as a result of the increase of financial assets of each of the official sector, other depository companies, and net deposits abroad with a value of US\$ (12,412.2, 9,546.7, 860.0) million, respectively. While liabilities side of this account achieved a decrease of financial liabilities with a value of US\$ (6,271.9) million because of a decrease in government's obligations towards contractors of services provided to foreign oil companies operating in Iraq with a value of US\$ (1,007.2) million. In addition to the paid installments for loans extended to Iraq amounted US\$ (3,695.7) million, while financial liabilities of other depository companies achieved an increase of US\$ (8.4) million.

4. Reserve Assets (Official Reserves)

During 2022, CBI reserve assets recorded a surplus of US\$ (23,336.1) million, because of the increase of CBI's foreign assets through its investments in securities portfolio during this period.

Fourth: Net Error and Omission Item

In 2022, net error and omission item recorded an amount of US\$ (3,289.0) million. This item appeared with a negative sign, meaning that there are debit transactions that were not recorded in the BOP, or were not fully covered because they were not available from the source, or there might be credit entries that were overestimated. If it appeared with a positive sign, it meant that there were credit transactions that were not recorded or debt entries that were overestimated.





Chapter Six

Developments of the Payments System

Developments of the Iraqi Payments System

CBI seeks to limit the use of cash in the country and the automation of the monetary system because of its positive repercussions. Perhaps the most important is that any decision or action taken by monetary policymakers has a faster, more efficient and accurate effect than the traditional monetary system (use of cash), in addition to overcoming geographical and time challenges and security issues that have made the movement of cash across the country difficult and risky. Thus, all efforts sought to automate reconciliations operations of the network & salaries, activate electronic card automation systems to maintain more liquidity with banking accounts, as well as monitor the flow of funds into Iraq, provide a comprehensive & accurate database of all drafts within the financial and banking sector, and achieve governance. The progress of Iraq's payments system operation has come through a number of procedures and precautionary actions that had been implemented and adopted, 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 & automating the financial transactions of ministries. CBI also issued a set of instructions and precautionary actions for banks to reduce the risks of exchanging "sukuk" through the system. In addition to automating the primary market of government's securities system, which had been initiated by CBI in consultation with MoF in 2008 while seeking to automate the activities of commercial secondary market, which is hoped to work on soon. Also CBI directed to establish the Iraqi National Payments Council that included members from inside and outside the CBI, which contributed to set strategies for developing payment & settlement systems, following up their implementation, and upgrading to best international practices.

This chapter presents the most significant developments in the Iraqi payments system during 2022 and the future strategic plans.

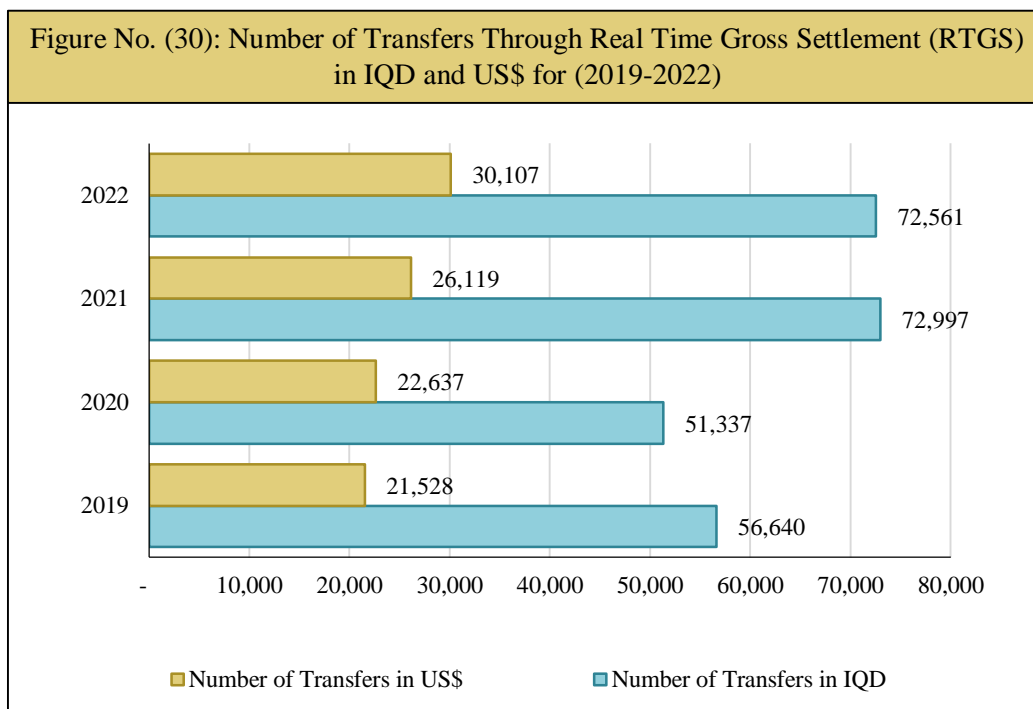
First: Most Important Components of the Iraqi Payments System

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 workday. Number of financial transfers through (RTGS) in IQD declined by (0.6%) to reach (72,561) transfers in 2022 against (72,997) in 2021. While number of transfers in US\$ increased by (15.3%) to reach (30,107) transfers against (26,119) in 2021, which explains that most transfers between banks and CBI are in Iraqi dinars.

Transfer amounts in IQD grew by (15.2%) in 2022 to reach IQD (231.4) trillion against IQD (200.8) trillion. The growth was attributed to increased amounts of extended initiatives transferred through this system at CBI. Transfer amounts in US\$ increased by (73.6%) to reach US\$ (9.2) billion against US\$ (5.3) billion attributed to increased interbank US\$

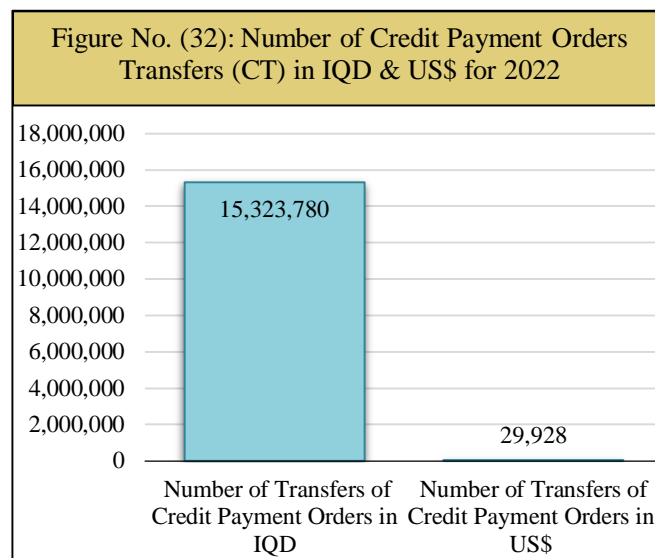
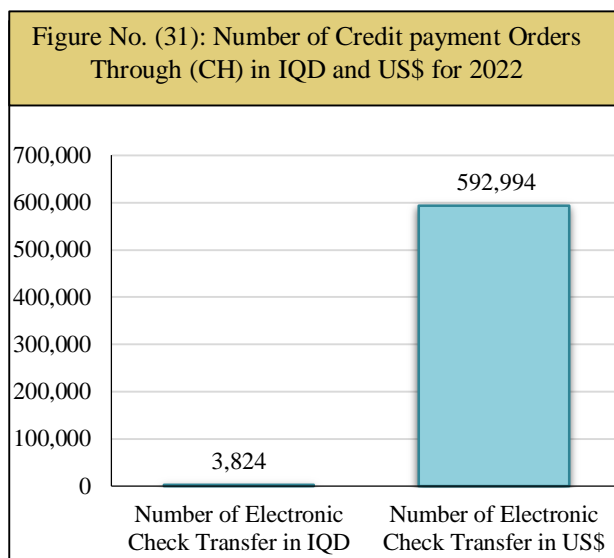
transactions to open documentary and other credits, and improvements in trade sector, especially after improved oil prices – which was reflected in improved public spending and thus higher MoF drafts for trade purposes.



B- Number of credit transfers (CT) orders in electronic clearing system (C-ACH) increased by (39.7%) to reach (15,323,780) transfers in IQD, while number of transfers in US\$ increased by (48.2%) to reach (29,928) transfers.

- Number of electronic check transfers (E-CH) in the electronic clearing system (C-ACH) was (592,994) checks in IQD and (2,363) checks in US\$.
- Transferred amounts in IQD and US\$ increased by (35.8%) and (81.2%), respectively.
- Number of transfers of electronic checks (E-CH) in IQD and US\$ increased by (1.9%) and (158.2%) respectively, as the amounts of checks increased by (33.1%) in IQD, but total amount of checks in US\$ decreased by (-2.2%).

It is noted from the above mentioned, that number of check transfers in US\$ is higher than in IQD, contrary to credit payment orders - as number of transfers in IQD significantly exceeds transfers in US\$.



Box No. (6)

Automated Clearing System (C-ACH) is a system in which banks and their participating branches can automatically exchange payment orders among them, and sent the final net settlement to the real-time gross reconciliation system (RTGS). As well as the exchange of electronic checks encoded in magnetic ink. The original version of check is kept at the branch deposited with and sent an image of check & its data through branch`s system to the participant's system at the public administration. Therefore, CBI sought to automate financial transfers among state agencies & institutions, collect due amounts through the electronic clearing system (C-ACH), and emphasize the ministries and their affiliates to adhere to the aforementioned.

C- Interbank Clearing System (IBCS)

An interbank Clearing System for state-owned banks that do not have comprehensive banking systems. It allows the Bank's general administration to be accurate, effective and transparent in monitoring transfers, and provides a database for the conduct of the reconciliation and audit process.

Number of transfers of electronic checks (E-CH) in the Interbank Clearing System (IBCS) increased in IQD and US\$ by (6.6%) and (53.1%), respectively, to reach (592,994) checks in IQD and (3,824) checks in US\$. Number of Credit Payment (CT) transfers via Interbank Clearing System (IBCS) reached (38,887,041) in IQD and (324) in US\$, with an increase of (12.1%) and (5.9%), respectively.

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, and salary payments, etc. It processes a large number of payments in one day.

Number of financial transfers in IQD through domestic cards among banks participating at the national switch for retail payment for 2022 increased by (117.2%) to reach (11,568.1) thousand transfers against (5,325.3) thousand transfers in 2021. Also transfers in US\$ also increased by (111%) to reach (2,470.4) transfers against (11,709).

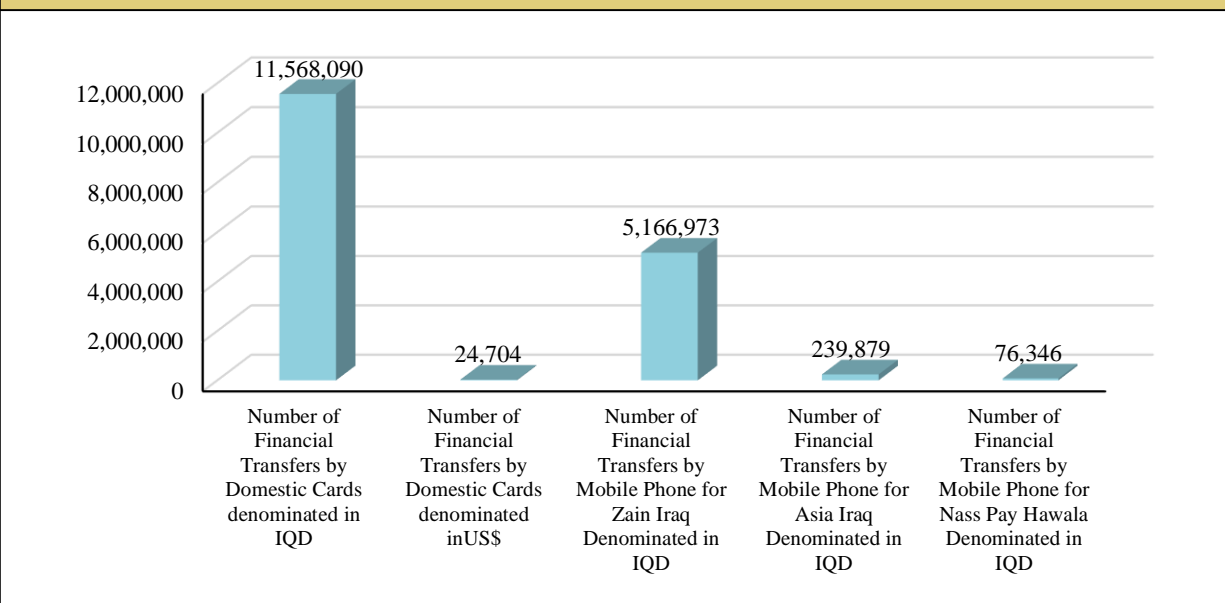
Number of financial transfers by electronic payment means increased by (44.3%) and the rate of increase of financial transfers amounted (17.1%). Transfers in IQD to Asia (transfer) Hawala, Zain Iraq Wallet Company, and (Nass Pay) accounted for (8.3%), (84.4%) and (7.3%), respectively.

It is noted that there were services provided by banks and companies that facilitated transactions among citizens and arrivals, which had activated domestic cash payments market, which promoted electronic payment transactions.

Table No. (26): Transfers in IQD & US\$ from Participants at Iraqi Payments System for 2022		
System	Number of Transfers in IQD	Number of Transfers in US\$
RTGS System	72,561	30,107
C-CAH System		
A-Credit Payment Transfers CT	15,323,780	29,928
B-Electronic Checks (CH)	592,994	3,824
IBCS System		
A- Credit Payment orders CT	38,887,041	324
B- Electronic checks CH	503,703	23
IRPSI System		
A- Financial Transfers Via Domestic Cards	11,568,090	24,704
B- Financial Transfers Via Mobile Phone	5,483,198	
1- Zain Iraq Wallet Company	5,166,973	
2- Asia (transfer) Hawala	239,879	
3-Nass Pay	76,346	

- Source: CBI/ Payment Dept.

Figure No. (33): Number of Financial Transfers through Domestic Cards in IQD & US\$ and Transfers by Mobile Phone for 2022



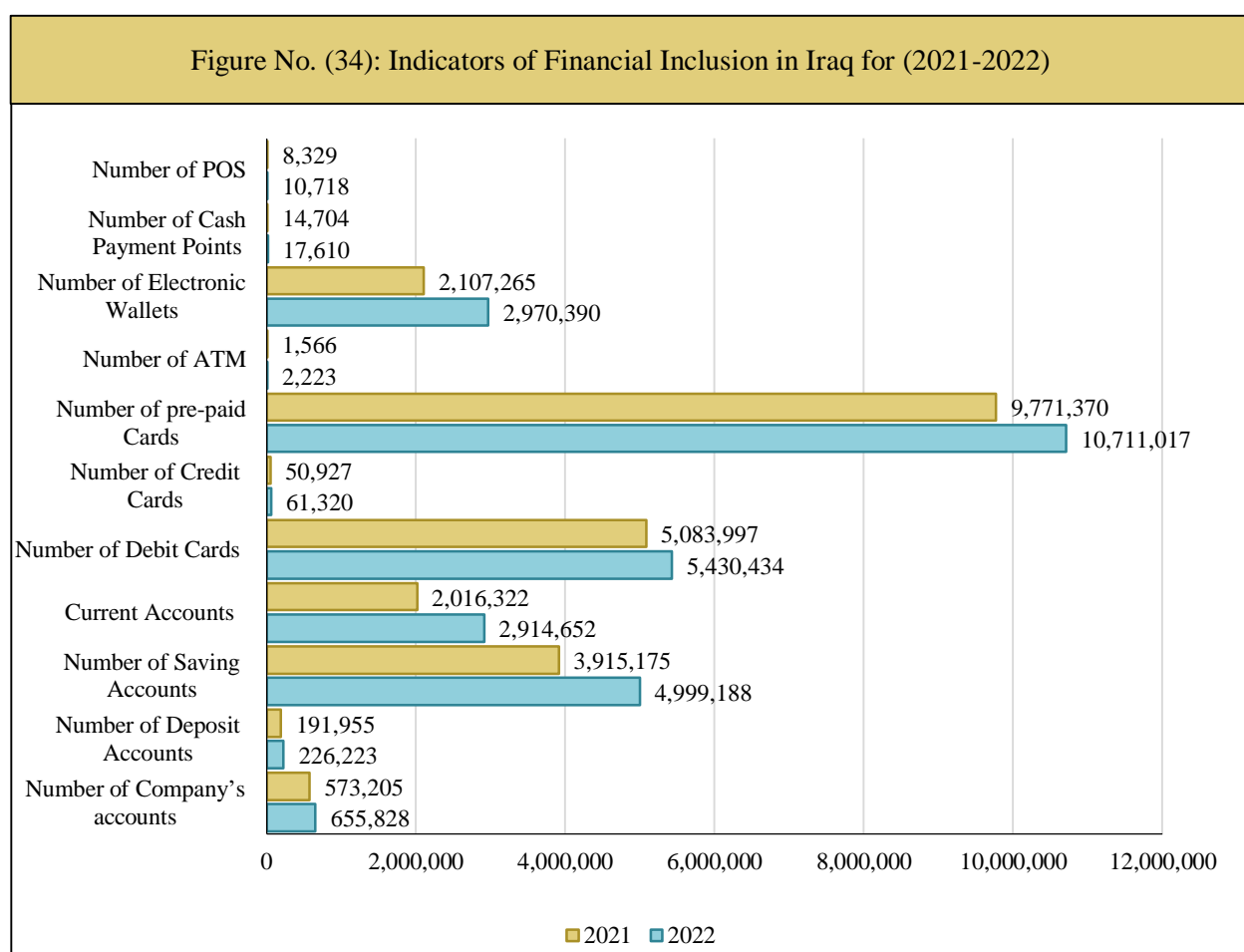
Second: Financial Inclusion

To enhance the access of financial services and products to all segments of society, including the marginalized & the poor to provide them with financial services in a fair & transparent manner and at reasonable costs, including protecting consumers` rights and encourage them to manage their money and savings properly. CBI worked to achieve this goal through the spread of electronic payment tools and reduce reliance on cash, as CBI had obliged the beneficiaries of the "2 trillion" initiative to be financially collected through (POS devices, payment gate, mobile phone portfolio) as a main condition related to extended loans; it was implemented retroactively. As well as to undertake a set of measures, the most important of which were:

- Work with the World Bank (WB), the German Agency for International Development (GIZ), the Global Financial Inclusion Alliance (AFI), and several international organizations and institutions to develop Iraq's financial inclusion reality for the start of a new economic integration by improving sustainable financial inclusion and access to financial services given the multiple economic and social implications.
- Coordinate with the cabinet /Women's Empowerment Dept. and with World Bank`s experts for the purpose of finalizing and circulating a plan to banks and payment service providers within the framework of "Women's Economic Empowerment Initiative" project.
- Open bank accounts for 2022 reached (8,795,891), number of POS reached (10,718), and number of ATM reached (2,223).
- Over the past years, Number of bank cards increased from (14.9) million in 2021 to (16.2) million in 2022.

Third: Strategic Plans for the Payments System

1. CBI is working to accelerate the pace of banking services within the implementation plan of the economic reform program and improve the distribution of government grants and benefits to its beneficiaries.
2. Work on the Electronic Collection Project, which will launch in June 2023.
3. Develop (RTGS) system to work for (24) hours per day and (7) days per week.
4. Distribute government grants through mobile phone wallets (G2P).
5. Regulate the process of paying financial dues to banks.
6. Linking Iraq's payments system to essential bank's operating systems.





Chapter Seven

The Role of CBI in Achieving Sustainable Growth 2022

The Role of CBI in Achieving Sustainable Growth 2022

CBI's role in supporting the development process, in general, and sustainable development, in particular, is obvious through its monetary policy that aims to encourage real investment, strengthen development opportunities by stimulating bank credit activity and direct it towards development projects. Also, enhance the required levels of financing, which at the same time; help to raise the efficiency of operating levels with the optimal use of the country's material and human available & potential resources. As well as adopting many initiatives and contributions, that had a significant impact on society and led sustainable development achievement in its various fields (economic, social, environmental, and technological).

Given the fact that achieving economic stability and promoting sustainable development are among CBI's basic economic and societal goals set out in its Law No. 56 for 2004, CBI supports the community economically, humanely and culturally through initiatives, activities and events provided by CBI, banks and other supporting parties. In 2015, CBI launched many initiatives. In addition to the establishment of "Fund of Community Initiatives (Tamkeen)" in 2017 with the aim of embodiment of the above goals and achieving them in light of the economic conditions, challenges, and repercussions witnessed by the country.

First: Role of CBI in Providing Sustainable Finance

CBI contributed to promote economic development, provide job opportunities, and achieve prosperity in Iraq by providing necessary funding for small, medium and large enterprises through its various initiatives dedicated to all economic sectors (agricultural, industrial, housing, commercial, health, educational, tourism and transport), that would boost economic situation in the country. They contributed to supporting all segments of the society as the following:

1. CBI's initiative of IQD (4) trillion: total amounts extended during 2022 to all sectors amounted IQD (1,864.3) billion, distributed as the following:

A- Total amounts of funding for projects of more than IQD (1) billion during 2022 amounted IQD (1,147.7) billion.

B- Total amounts of funding for medium-sized projects whose amount is less than IQD (1) billion during 2022-amounted IQD (136) billion distributed among various governorates and sectors.

C- Total amounts of funding under housing initiative during 2022 amounted IQD (420.6) billion.

D- Total amounts of funding for the purchase of ATMs during 2022 amounted IQD (3.8) billion.

2. Initiative of concessional loans (IQD 15 million – free of interest)

In light of the successes achieved by CBI's initiative for small, medium and large enterprises to support projects, meet the demands for concessional personal loans, and provide support to employees in state-institutions. Also, based on the approval of the CBI's board of directors on decision No.(9) for 2021, which stated the inclusion of employees who had domiciliated their salaries with banks, to provide them with concessional personal loans not exceeding IQD (15) million – free of interest with deducting administrative commission of (4%). The commission was distributed by (2%) for the benefit of CBI and by (2%) for the benefit of the bank with a repayment period not exceeding (5) years without loan guarantor. Total extended concessional loans in 2022 reached IQD (156) billion.

3. Initiative of Health Loans (IQD 15 million)

Based on CBI's role in supporting fragile segments of Iraqi society and urgent & critical humanitarian situations within its development initiative, it had extended health loans in an amount not exceeding IQD (15) million for each loan. The loans were dedicated for cancer patients and incurable & critical cases (which is assessed by the competent authorities, even when they had little opportunity for treatment). Total amount extended under this initiative during 2022 was IQD (120) million.

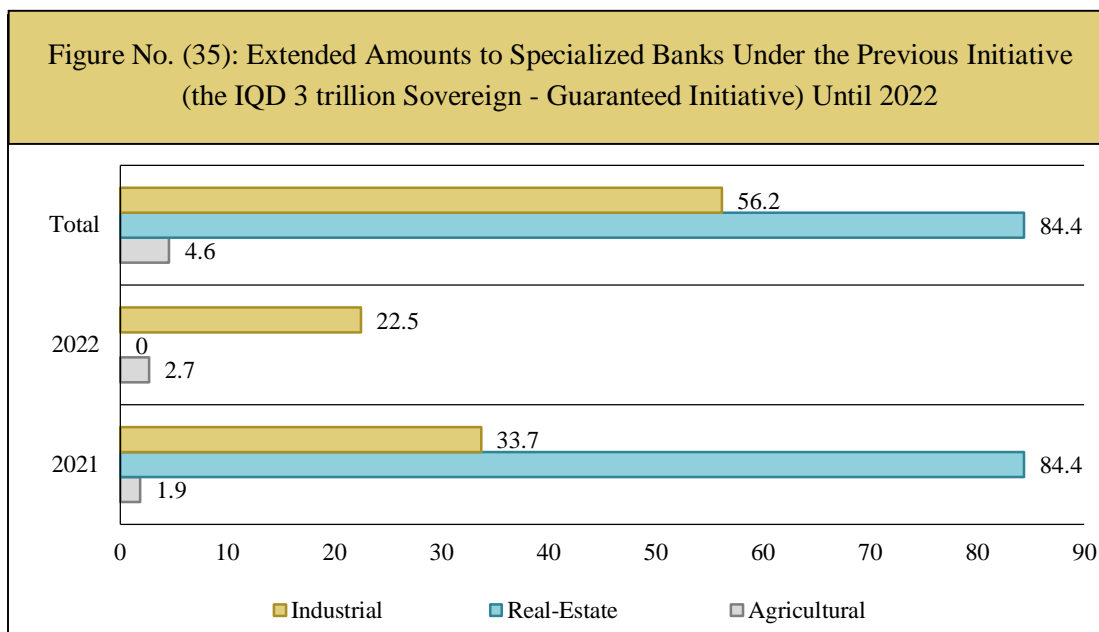
4. Initiative of Renewable Energy

Total amounts extended for the purchase of electricity generation systems from renewable energy sources in 2022 for residential, commercial, agricultural and investment sectors reached IQD (264.8) million.

5. Initiative of Specialized State-Owned Banks

A. CBI's previous initiative for specialized state-owned banks of (IQD (3) trillion sovereign-guaranteed) had been allocated as the following:

- Housing Fund has exhausted the allocated amount under CBI initiative amounted IQD (1,634) billion distributed over (24) payments; the last payment had been financed on 26/5/2021.
- The specialized banks were financed in 2022 according to figure No. (35).



- Previous instalments had been rescheduled (from 14 to 24 payments) extended by CBI to Housing Fund were rescheduled on an accrual basis of (20) years with a grace-period of (18) months based on CBI’s board of director decision No. (10) for 2021 according to the new lending mechanisms issued by the cabinet. As for the instalments from (1-13 payments), they had been rescheduled following the issuance of CBI’s board of director’s decision regarding charging the administrative commission on the remaining portion of the same above mentioned payments - after the cancellation of interest based on the decision No. (114) for 2021.

- Based on CBI’s board of director decision No. (114) for 2021, interest on previously extended loans through (Housing Fund and Real-Estate Bank) and be Satisfied with one-time administrative commission of (1%) in favor of CBI for the remaining instalments. Thus, a contract supplement was prepared for both: the Real-Estate Bank and Housing Fund. Based on the above-mentioned decision, the previous loans were rescheduled again after issuance, as the contract item regarding the administrative commission of both: the Real-Estate Bank and Housing Fund were amended.

- Postpone settlement of the instalments of agricultural and industrial projects and their interests in accordance with CBI’s board of director decision No. (68) for 2022.

B. CBI’s New Initiative for Specialized Banks of IQD (8,782,000,000,000)

- A new lending mechanism had been adopted under the instructions of the cabinet, which came to alleviate citizens` burdens and facilitate the procedures of specialized banks to extend loans to projects under the above new mechanism with no interest or low interest. In addition, to extend the duration of loans to (20) years with the aim of increasing number of projects, or expand the existing ones, contribute to employment of labor force, and reduce unemployment

and poverty. Accordingly, contracts had been signed by CBI and each of: Real-Estate Bank, Industrial Bank, and Housing Fund according to the new mechanism.

- Through the new mechanism, specialized banks were funded in 2022, as shown in the table No. (27).

Table No. (27): Amounts Allocated and Extended to Specialized Banks Under the New Initiative with an Amount of IQD (9,435) billion Until 2022 (IQD billion)				
Banks	Agricultural Bank	Real-Estate Bank	Housing Fund	Industrial Bank
Extended Amounts in 2021	-	1,875	650	40,639.7
Extended Amounts in 2022	-	2,240	1,600	132,133.5
Total	-	4,115	2,250	172,773.1
Allocated Amounts	250	4,166	3,366	1,000
Remaining of Allocated Amount	250	51	1,116	827.2

- Source: CBI/ Statistics and Research Dept. - Division of Monetary & Financial Statistics.

- Increase the allocated amount to Real-Estate Bank and Housing Fund as in table No. (28).

Table No. (28): Allocated Amounts to Real-Estate Bank and Housing Fund Until 2022 (IQD billion)		
	Real-Estate Bank	Housing Fund
Increase Allocated Amounts Based on Decision No. (85) for 2022	831	516
Total Allocated Amounts to Both: Real-Estate Bank and Housing Fund Under the New Initiative	4,166	3,366

- Source: CBI/ Statistics and Research Dept. - Division of Monetary & Financial Statistics.

- Analysis of financial data of the participating banks to the initiative based on certain indicators, initiative of IQD (1) trillion in particular.
- Adopting the International Financial Reporting Statement (IFRS9) to calculate bank's projected credit loss allocation (including CBI bills, T-bills with Ministry of Finance, CBI's initiatives of IQD 1 trillion, and IQD 5 trillion).

C- Initiative of Large Projects for More Than IQD (20) billion

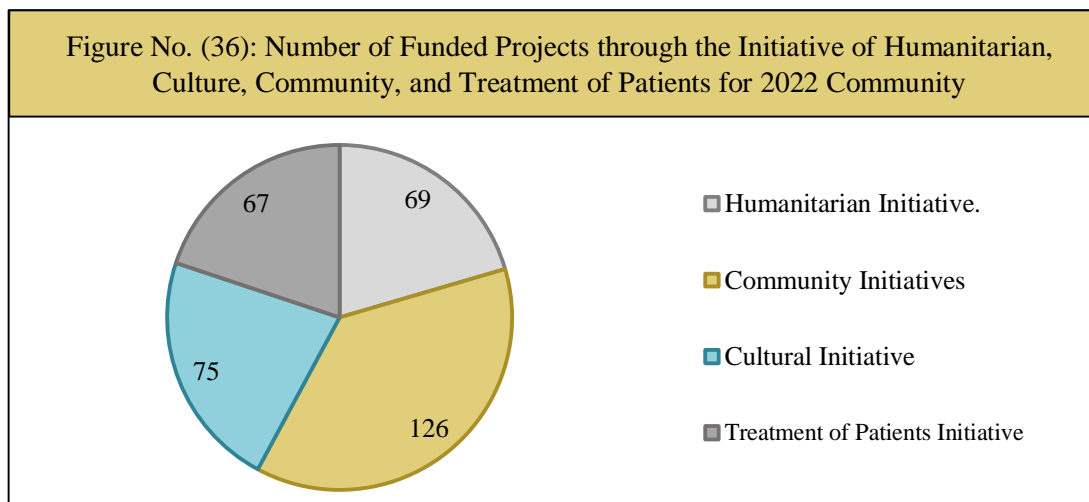
The amount of IQD (1) trillion was allocated to finance large projects through state-owned banks (specialized and non-specialized) directed for all sectors (industrial, agricultural, service, and residential). The total extended amount reached IQD (17.5) billion during 2022.

Second: CBI's Role in Supporting Banks to Achieve Community Sustainability (Community Initiatives Fund)

This initiative aims to empower Iraqi society and support strategic projects to contribute to the achievement of sustainable development goals, youth and women's empowerment, and support public, private institutions, and individuals to do their functions in the best way. (Community Initiatives Fund) was financed (named “Tamkeen”) through contributions from Iraqi private banks and certain non-bank financial institution; these funds were deposited in a separate account with CBI and shall be disbursed by instructions of initiative`s board of directors.

The importance of the Initiatives` Fund (Tamkeen) in its seeking to support society through boosting social and economic situations, work force employment, empowerment of women and youth, provide support for humanitarian, cultural, community, artistic, and environmental cases. Total initiatives` amount supported by the Fund since its establishment reached hundreds of economic, humanitarian, cultural, and community initiatives. The main areas in which (Tamkeen) Fund contributed were:

1. Humanitarian and social cases.
2. Support the education sector.
3. Environmental protection and desertification control in cooperation with the Ministry of Agriculture.
4. Support for culture, heritage, media and arts.
5. Financing economic, development, and reconstruction projects.
6. Empowering women and youth.



Third: CBI's Role in Promoting Intellectual and Human Capital

One of the immediate strategic issues is developing intellectual capital as it is the necessary process for moving and development of human capabilities and competencies in scientific and behavioral aspects leading to the supply of human by resources and skills that increase its capacity to work and produce in the development of intellectual capital. Thus, CBI took on its responsibility to develop human resources working at the banking system in general, other ministries, and the private sector at two levels:

1. All ministries and the private sector:

Banking Studies Centre at this Bank worked to develop the skills and capabilities of CBI's staff as well as the Iraqi banking system staff during 2022:

- Completion of training plan was realized by 100% in 2022.
- Number of participants in the courses reached (5,516) of which (999) participants from CBI, (4,184) participants from state-owned and private banks, (147) participants from non-banking financial Companies, and (186) participants from other government agencies and ministries.

2. CBI's staff:

The Administrative Dept. worked to set plans for human resources and organize the training process, as human resources planning depends on the preparation of the permanent staff and the implementation of training programs plan of both sides: in Iraq and abroad to develop staff performance. Table No. (29) showed number of courses for CBI's staff within the training plan for 2022.

Table No. (29): Number of Training Courses for CBI's Staff for 2022					
Number of Training Courses Inside Iraq	Number of Participants	Number of Training Courses Outside Iraq	Number of Participants	On-line Courses	Number of Participants
144	1031	31	170	17	25

- Source: CBI/ Administrative Dept.



Statistical Annexe

Annex of Table No. (1)
GDP by Economic Activities at Constant Prices for (2021-2022) Base Year = 100: 2007
(IQD billion)

Economic Activities	Added Value at Constant Prices for 2021*	Added Value at Constant Prices for 2022**	Relative Importance %	Change Rate %
Agriculture, Forestry, Hunting and Fishing	7,561.8	6,763.1	3.2	-10.6
Mining and Quarries:	115,779.6	129,554.7	60.8	11.9
-Crude Oil	115,485.7	129,424.6	60.7	12.1
- Other Types of Mining	293.9	130.1	0.1	-55.7
Manufacturing Industry	2,590.4	2,641.9	1.2	2.0
Electricity and Water	1,241.8	1,384.1	0.6	11.5
Building and Construction	5,477.9	5,462.0	2.6	-0.3
Transport, Communication, and Storage	19,067.0	19,470.1	9.1	2.1
Wholesale & Retail Trade, Hotels, and the Like	14,616.0	15,286.1	7.2	4.6
Money, Insurance, Real-Estate, and Business Services	10,770.4	9,914.9	4.7	-7.9
- Banks and Insurance	1,082.9	1,134.8	0.5	4.8
- Ownership of Houses	9,687.6	8,780.1	4.1	-9.4
Social and Personal Development Services:	22,173.0	22,687.7	10.6	2.3
- General Government	16,830.7	16,494.1	7.7	-2.0
- Personal Services	5,342.3	6,193.6	2.9	15.9
Total by activities	199,277.8	213,164.4	100	
Minus: Calculated Service Charge	781.3	755.7		
GDP	198,496.5	212,408.66		

- Source: Ministry of Planning/ Central Statistical Organization (CSO).
- * Annually preliminary estimates.
- ** Quarterly preliminary estimates.

Annex of Table No. (2)				
GDP by Economic Activities at Current Prices for (2021 – 2022)				
(IQD billion)				
Economic Activities	Added Value at Current Prices for 2021	Added Value at Current Prices for 2022*	Relative Importance %	Change Rate%
Agriculture, Forestry, Hunting and Fishing	9,970.5	10,922.8	2.8	9.6
Mining and Quarries:	137,895.6	219,563.8	57.1	59.2
-Crude oil	137,596.7	219,353.6	57.0	59.4
- Other Types of Mining	298.9	210.3	0.1	-29.6
Manufacturing Industry	6,714.3	6,852.6	1.8	2.1
Electricity and Water	4,829.0	5,190.9	1.3	7.5
Building and Construction	12,380.0	8,761.8	2.3	-29.2
Transport, Communication and Storage	30,259.6	33,402.2	8.7	10.4
Wholesale and Retail trade, Hotels, and the Like	20,716.4	23,275.9	6.1	12.4
Money, Insurance, Real-Estate, and Business Services: -	19,929.3	18,588.3	4.8	-6.7
-Banks and Insurance	2,133.3	2,238.8	0.6	4.9
- Ownership of Houses	17,796.0	16,349.4	4.3	-8.1
Social and Personal Development Services:	59,997.3	57,996.9	15.1	-3.3
- General Government	47,316.7	45,140.5	11.7	-4.6
- Personal Services	12,680.5	12,856.3	3.3	1.4
Total by Activities	302,691.9	384,555.2	100	27.0
Minus: Calculated Service Charge	1,539.1	1,491.1		
GDP	301,152.8	383,064.2		

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

- *Quarterly preliminary estimates.

Annex of Table No. (3)					
Money Supply (M ₁ , M ₂) and its Components for Months of (2021-2022)					
(IQD billion)					
Period	Currency Outside Banks	Current Deposits	M1	Other	M2
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
January/2022	72,059.9	42,780.9	114,840.8	20,016.6	139,567
February	73,378.1	43,650.2	117,028.3	20,270.1	141,848
March	74,465.3	42,995.8	117,461.1	20,540.7	143,176
April	76,052.8	43,526.6	119,579.4	2,769.8	146,019
May	76,420.5	43,791.6	120,212.1	20,910.7	146,009
June	76,118.6	47,503.2	123,621.8	21,148.7	150,010
July	76,295.1	48,095.2	124,390.3	21,154.6	151,762
August	76,446.3	50,464.9	126,911.2	21,074.3	153,983
September	75,915.8	50,513.2	126,429.0	20,959.9	153,729
October	76,007.0	54,498.5	130,505.5	21,251.9	157,418
November	77,404.4	58,160.9	135,565.3	21,357.1	161,714
December	82,025.4	60,016.3	142,041.7	21,803.7	168,202

- Source: CBI/ Statistics & Research Dept. – Division of Financial & Monetary Statistics.
- Preliminary adjustable data.

Annex of Table No. (4) Monthly Average of Exchange Rate of IQD per US\$ in Domestic Market for Months of (2021-2022) (IQD/US\$)		
Period	2021	2022
January	1461	1479
February	1461	1475
March	1461	1474
April	1476	1474
May	1486	1481
June	1487	1481
July	1473	1480
August	1475	1477
September	1471	1476
October	1481	1475
November	1481	1488
December	1477	1530
Average	1474	1482

- Source: CBI/ Statistics & Research Dept. – Division of Financial & Monetary Statistics.

Annex of Table No. (5) Sold Amounts of US\$ at the CBI for (2021 – 2022) (US\$ million)						
	2021			2022		
	Cash	Draft/ Balance Enhancement	Total	Cash	Draft/ Balance Enhancement	Total
January	2	490	492	969	3,132	4,101
February	1	1,175	1,176	798	2,862	3,660
March	0	1,441	1,141	859	3,134	3,993
April	273	2,836	3,109	710	3,270	3,980
May	433	2,206	2,639	604	2,845	3,449
June	757	4,067	4,824	810	4,507	5,317
July	607	2,336	2,943	543	3,411	3,954
August	983	3,730	4,713	834	4,715	5,549
September	912	3,537	4,449	753	3,971	4,724
October	792	2,356	3,147	758	4,094	4,852
November	937	3,110	4,047	577	1,478	2,055
December	924	3,190	4,114	860	312	1,172
Total	6,619	30,475	36,794	9,075	37,731	46,806

- Source: CBI/ Statistics & Research Dept. - Division of Financial & Monetary Statistics.

- Preliminary adjustable data.

Annex of Table No. (6)
Sales & Purchases of US\$ for (2021-2022)

(US\$ million)

	2021		2022	
	Sales	Purchases from Ministry of Finance	Sales	Purchases from Ministry of Finance
January	492	2,000	4,101	5,405
February	1,176	3,290	3,660	3,050
March	1,441	3,773	3,993	5,200
April	3,109	4,355	3,980	4,950
May	2,639	3,050	3,449	5,750
June	4,824	4,319	5,317	5,000
July	2,943	3,050	3,954	4,500
August	4,713	4,810	5,549	6,500
September	4,449	4,150	4,724	2,500
October	3,147	4,100	4,852	3,500
November	4,047	4,350	2,055	1,000
December	4,114	4,750	1,172	6,000
Total	37,094	45,997	46,806	53,355

- Source: CBI/ Statistics & Research Dept. - Division of Financial & Monetary Statistics.
- Preliminary adjustable data.

Annex of Table No. (7)
Reserve Requirement at the end of (2021 -2022)

(IQD million)

Period	2021		2022	
	State-Owned Banks	Private Banks	State-Owned Banks	Private Banks
January	7,990	1,106	9,468	1,453
February	8,951	1,185	10,198	1,510
March	8,956	1,147	10,158	1,500
April	8,921	1,142	10,156	1,414
May	8,996	1,220	10,306	1,442
June	8,123	1,205	10,467	1,420
July	8,923	1,280	10,579	1,453
August	9,085	1,306	10,849	1,452
September	9,212	1,351	11,191	1,437
October	9,434	1,363	10,975	1,473
November	9,356	1,371	10,924	1,480
December	9,596	1,419	11,285	1,518

- Source: CBI/ Statistics & Research Dept. - Division of Financial & Monetary Statistics.
- Preliminary adjustable data.

Annex of Table No. (8)						
CBI's Bills with Maturities of (182) days and (365) days in IQD for (2021-2022)						
Period	Sold Amount (182) days	Paid Amount	Average of Interest Rate %	Sold Amount (365) days	Paid Amount	Average of Interest Rate %
January 2021						
February						
March						
April						
May						
June						
July						
August						
September						
October						
November						
December						
Total	0	0	0	0	34,600	0
January2022						
February						
March						
April						
May						
June	50,000		3.00	17,000		3.5
July	35,000		3.00	30,000		3.5
August	10,000		3.00	30,000		3.5
September	50,000		3.00	20,000		3.5
October	55,000		3.00	15,000		3.5
November	60,000		3.00			
December	60,000		3.00	50,000		3.5
Total	320,000	0	21.00	162,000	0	

- Source: CBI/ Statistics & Research Dept. - Division of Financial & Monetary Statistics.
- Preliminary adjustable data.

Annex of Table No. (9) Balance of Deposits with Commercial Banks by Type and Sector For (2021-2022) (IQD million)		
Items	2021	2022
Central Government	27,987,982	43,001,253
Current	21,873,095	37,812,533
Saving	0	0
Fixed	6,114,887	5,188,720
Public Institutions	24,840,341	31,105,882
Current	22,461,103	28,738,948
Saving	33,337	30,875
Fixed	2,345,901	2,336,059
Private Sector	43,243,055	54,893,772
Current	25,941,688	35,620,738
Savings	15,432,918	16,635,381
Fixed	1,868,449	2,637,653
Total	96,071,378	129,000,907

- Source: CBI/ Statistics & Research Dept. - Division of Financial & Monetary Statistics.

- Preliminary adjustable data.

Annex of Table No. (10) Balance of Direct Cash Credit Extended by Commercial Banks by Type and Sector for (2021-2022) (IQD million)		
Items	2021	2022
Central Government	19,223,528	21,984,380
Overdraft	2,303	1,464,535
Discounted Commercial Securities	18,073	18,856
Loans and Advances	19,203,152	20,500,933
Overdue Debts	0	56
Public Institutions	4,169,687	3,575,102
Overdraft	107,542	90,670
Discounted Commercial Securities	0	0
Loans and Advances	3,984,953	3,413,218
Overdue Debts	77,192	71,214
Private Sector	29,578,293	35,016,909
Overdraft	1,967,900	2,729,188
Discounted Commercial Securities	84,199	55,726
Loans and Advances	22,934,840	27,947,432
Overdue Debts	4,591,354	4,284,563
Total	52,971,508	60,576,391

- Source: CBI/ Statistics & Research Dept. - Division of Financial & Monetary Statistics.

- Preliminary adjustable data.

Annex of Table No. (11)				
Sectoral Distribution of Cash and Pledged Credit Extended by Commercial Banks for (2021-2022)				
(IQD million)				
Activities	Cash Credit		Pledged Credit	
	2021	2022	2021	2022
Agriculture and Hunting	2,110,038	2,134,087	5,224	116,625
Mining	6	4,920	41,650	188,730
Manufacturing Industry	2,361,734	3,179,667	998,226	3,612,375
Water, Electricity, and Gas	1,309,437	4,184,158	296,151	5,717,312
Trade, Restaurants, and Hotels	10,180,123	9,758,327	22,787,958	4,443,433
Transport, Storage, and Communications	1,716,146	1,650,076	239,202	515,974
Finance & Insurance	5,127,790	530,725	89,705	82,820
Community Services	18,998,599	24,776,624	633,959	9,288,154
External World	11,977	12,291	2,069,343	2,639,821
Building & Construction	11,155,658	14,345,516	482,755	3,782,647
Total	52,971,508	60,576,391	27,644,173	30,387,891

- Source: CBI/ Statistics & Research Dept. - Division of Financial & Monetary Statistics.

- Preliminary adjustable data.

Annex of Table No. (12)			
Amounts Extended for Specialized Banks by Previous Initiative (Sovereign Guaranteed Initiative of IQD 3 billion) Until 2022			
(IQD million)			
Years/ Banks	Agricultural	Real-Estate	Industrial
2016	715,000,000	200,000,000,000	-
2017	15,117,416,999	400,000,000,000	14,074,000,000
2018	11,726,608,403	65,000,000,000	77,678,000,000
2019	23,242,890,031	-	4,900,000,000
2020	2,397,280,000	35,000,000,000	17,470,000,000
2021	1,877,000,000	84,413,500,000	33,664,000,000
2022	2,737,440,000	-	22,492,090,000
Total	57,813,635,433	784,413,500,000	170,278,090,000
Allocated amount	172,519,414,068	834,000,000,000	359,480,585,932
The Remaining of Allocated Amount	114,705,778,635	49,586,500,000	189,202,495,932

- Source: CBI/ Statistics & Research Dept. - Division of Financial & Monetary Statistics.

Annex of Table No. (13)		
Iraqi Balance of Payments (BPM6) Primary 2022		
Million of US\$		
Items	(FOB)	(CIF)
First -current account	58,009.5	
1- Trade balance	71,130.0	
Exports (F.O.B)	118,044.8	
– Crude oil	113,097.2	
-*Governmental	113,097.2	
- Private	0.0	
– Oil Products	4,766.4	
- Governmental	4,608.1	
- Private	158.3	
– Other Exports	181.2	
Imports	46,914.8	55,193.9
1. Government Imports	14,839.9	17,458.8
A- Consumption Imports	5,526.3	6,501.5
B- Capital Imports	2,668.7	3,139.7
C- Refined Oil Products	6,179.1	7,269.5
D- Other Government Imports	456.4	537.1
E- Cost of Currency Printing	9.4	11.0
2- Private Sector Imports	32,074.9	37,735.1
A-Cons. Goods Imports	8,018.9	9,433.9
B-Capital Goods Imports	24,056.0	28,301.2
C-Oil Products Imports of Private Sector	0.0	0.0
2- Services Account, Net	-13,212.7	
Receipts	9,034.0	
Payments**	22,246.7	
3-Primary Income Account	-946.2	
Compensation of employees	63.4	
Investment Income	-1,009.6	
– Receipts	1,379.7	
– Payments	2,389.3	
- Interest/external debt	541.2	
- others	1,848.1	
4-Secondary Income Account	1,038.4	
Special Transfers Included Remittances	367.8	
Official Transfers	670.6	
– Receipts	696.4	
Total of Grants	0.9	
Other Current Transfers	695.5	
– Payments	25.8	
Total of Grants	0.0	
Other Current Transfers	25.8	
UN Compensation Fund	0.0	
Others	25.8	

* Including the value of oil in kind

**Includes the costs of shipment & insurance deducted from imports value on CIF of (8279.1) million US\$.

Note: Preliminary data.

Annex of Table No. (13)		
Iraqi Balance of Payments (BPM6) Primary 2022		
Millions of US\$		
Items	(FOB)	(CIF)
Second- Capital Account/ Net	-27.0	
Credit	0.6	
Debit	27.6	
Third- Financial Account/Net	54,693.5	
1- Direct Investment /Net	2,326.5	
Abroad	238.3	
In Iraq	-2,088.2	
2- Portfolio Investment /Net	-51.5	
- Assets	-400.1	
A-General Government	-403.1	
Drawn (invested)	4,867.2	
Paid	5,270.3	
B-Other Sectors	3.0	
Drawn (invested)	3.0	
Paid	0.0	
- Liabilities	-348.6	
A-General Government	-348.7	
Drawn (invested)	0.0	
Paid	348.7	
B-other Sectors	0.1	
Drawn (invested)	1.0	
Paid	0.9	
3- Other Investment , Net	29,082.4	
A- Official , Net	18,684.1	
- Assets	12,412.2	
- Claims Held Abroad	4.4	
- Change In Government Available Stock	9,935.6	
- Trade Credit	2,471.5	
- Other Equity	0.7	
- Liabilities	-6,271.9	
- Obligations on government	-1,007.2	
- Loan Disbursements	-1,569.0	
- Amortization	-3,695.7	
- Trade Credit	0.0	
B- Private, Net/ ODC's	9,538.3	
- Assets	9,546.7	
- Liabilities	8.4	
C- Foreign Deposits, Net /Other Sectors	860.0	
4-Reserve Assets	23,336.1	
- Central Bank	23,336.1	
- Reserves	23,336.1	
- Reserve Assets	23,336.1	
A-Monetary Gold	1,605.9	
B-Special Drawing Rights	0.5	
C-Reserve Position in the Fund	11.1	
D-Foreign Assets	21,718.6	
1- Currency and Deposits	-157.5	
-With Monetary Authorities	-6,448.9	
-With Foreign Banks	6,291.4	
2- Securities	21,876.1	
- Equities	0.0	
- Bonds & Notes	0.0	
- Money Market Instruments/ Net Financial	21,876.1	
Derivatives		
3-Other Claims	0.0	
Fourth- Errors & Omissions, Net: Financial Account- (Current account +Capital Account)	-3,289.0	

Source: CBI/ Statistics and Research Dept. –Division of Balance of Payments and External Trade Statistics.