



Annual Economic Report 2023



Republic of Iraq
Central Bank of Iraq
Statistics and Research Department



البنك المركزي العراقي

Annual Economic Report 2023

Central Bank of Iraq

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ECONOMIC EXPERT

Iraqi Economic Indicators 2023

Statement		
Currency (Iraqi Dinar)	2022	2023
Gross Domestic Product in Current Prices (GDP) (trillion IQD)	415.6	330.0
Gross Domestic Product in Constant Prices (GDP) (trillion IQD)	213.5	207.2
GDP Per Capita in Current Prices (million IQD)	9.8	7.6
Total area cultivated with wheat and barley (thousand dunums)	9,796	10,764
Rated output power (MW)	15,933	17,947
General Inflation Rate	5.0	4.4
Core Inflation Rate	4.8	4.6
Average for Consumer Price Index (CPI): (point)	117.0	122.2
Average for Consumer Price Index after exclusion (point)	118.5	123.9
Daily Average Oil Export (million barrels)	2.99	2.85
Average price per Barrel of Oil (\$/ barrel)	95.0	78.5
Money Supply (M1) (trillion IQD)	146.5	160.3
Money Supply (M2) (trillion IQD)	168.3	181.0
Average of (CBI) Interest Rates	4	7.5
Cash Credit balance by Commercial Banks (trillion IQD)	60.6	69.3
Total deposits (trillion IQD)	129.1	133.5
Total Capital of Operating Banks (trillion IQD)	17.9	19.1
Actual/ General Revenue (trillion IQD)	161.7	135.7
Actual/ Public Expenses (trillion IQD)	117.0	142.4
Population (million)	42.2	43.3
Monetary base M0 (trillion IQD)	145.2	165.2
Balance of Payments Position (million IQD)	23,336.1	43,196.7
Non-oil Revenues (trillion IQD)	8.1	11.3
Bank density (1 per 100,000)	2.0	1.9
Number of Banks Operating in Iraq	70	70

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Introduction

The Department of Statistics and Research at the Central Bank of Iraq is pleased to release the Annual Economic Report for 2023. This report is part of a series of economic reports that the department is keen to prepare and publish annually. The report includes the latest available data and statistics related to various aspects of Iraq's economic performance in 2023.

The report provides a comprehensive explanation of the Central Bank's roles and responsibilities, including monetary policy management, foreign exchange reserves management and investment, as well as the oversight and supervision of commercial banks and non-bank financial institutions.

The report primarily relies on official data issued by government ministries and public institutions, in addition to data published by the Central Bank itself.

The report presents these developments in seven chapters, each of which explores a main topic with an appropriate level of detail, as follows:

1. Global and Arab Economic Developments.
2. Developments In Domestic Economic Sectors.
3. Monetary and Banking Developments.
4. Developments Of the 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 The Central Bank of Iraq in Achieving Sustainable Growth.

The first chapter reflects global and Arab economic developments, outlining the most significant changes in economic indicators for 2023 and the expected trends. The second chapter examines developments in domestic economic sectors, indicating the main trends in Iraq's economic performance regarding growth rates of the gross domestic product at current and constant prices in 2023 compared to 2022. The third chapter reviews major monetary and banking developments and the Central Bank of Iraq's activities in the fields of monetary policy and banking supervision through presenting the most important developments in key monetary indicators. The fourth chapter follows up on the developments of public finance considering the data presented in the state's general budget for 2023 compared to 2022. The fifth chapter examines the developments of Iraq's trade and financial relations with other economies and reflects Iraqi foreign trade statistics and the balance of payments in 2023 compared to 2022. The sixth chapter of this report monitors the performance of Iraq's payment system in 2023 and the most important developments that took place. Finally, the seventh chapter explores the role of the Central Bank of Iraq in contributing to achieving sustainable growth through the initiatives it provides, which contribute to the process of sustainable development."

Please note that the data presented in this report is preliminary and subject to revision.



Chapter One

Global and Arab Economic Developments

The global economy has experienced numerous events, starting with supply chain disruptions in the aftermath of the pandemic, followed by the Russian Ukrainian war, which caused a global energy and food crisis and a significant increase in inflation. This was followed by a simultaneous global tightening of monetary policy, as central banks moved to raise interest rates to curb inflation.

Despite widespread predictions, the world managed to avert a recession. The banking system proved to be largely resilient, even though the global economy witnessed the collapse of several banks, including some in the United States. Moreover, major emerging market economies did not experience abrupt halts. Furthermore, while inflation was severe and accompanied by a cost-of-living crisis, it did not lead to uncontrolled wage spirals. Instead, global inflation rates began to decline as rapidly as they had risen.

This Chapter will present the most important Global and Arab Developments.

- Global Developments
- Arab Developments

First: Global Developments

2023 saw a string of economic events, some of which were unprecedented globally, while others were the result of the repercussions of previous economic events and crises.

Undoubtedly, 2023 was the year of central banks, as evidenced by their policies of raising or maintaining interest rates. Additionally, OPEC+ dominated the economic landscape with its consecutive decisions to limit oil production, which naturally impacted global commodity prices and the gold market.

Central banks worldwide unleashed a series of interest rate hikes, the most aggressive in decades, to curb inflation over the past two years and their work may not be finished yet. Policymakers raised interest rates by an average of around four hundred basis points in advanced economies since late 2021 and by about 650 basis points in emerging market economies.

Most economies have absorbed this aggressive monetary tightening, demonstrating their resilience over the past year. However, core inflation rates remain elevated in several countries, particularly the United States and parts of Europe. Consequently, major central banks may need to maintain higher interest rates for an extended period.

Gross Domestic Product (GDP) witnessed a growth in 2023 by (3.1%) after it recorded (3.5%) in 2022. This slowdown in growth is attributed to the tight monetary policies implemented by many countries. Global growth is projected to reach (3.1%) in 2024 and (3.2%) in 2025, driven by the stronger-than-expected resilience of the United States and many emerging market and developing

economies, as well as public finance support in China. However, the 2024-2025 forecasts remain below the historical average of (3.8%) for the period (2000-2019), amid higher base interest rates set by central banks to combat inflation, withdrawal of fiscal support in the context of rising debt, which negatively impacts economic activity, and a decline in underlying productivity growth.

Inflation has been decreasing at a faster pace than expected in most regions as well as the easing of supply-side issues and the tightening of monetary policy. After being a major concern in the global economy in recent months, with prices rising rapidly in many sectors, inflation has begun to cool down. After reaching (8.7%) in 2022, it declined to (6.8%) in 2023. Forecasts indicate that global inflation will further decrease to (5.8%) in 2024 and (4.4%) in 2025, with the forecast for 2025 being revised downward.

It is expected that advanced economies will return to their inflation targets sooner than emerging markets and developing economies. The global economy has shown remarkable resilience in 2023, despite the significant interest rate hikes implemented by central banks to restore price stability.

As for fiscal policy, this year has witnessed a decreasing degree of consistency between it and monetary policy. Fiscal policy should not simply follow cyclical trends; rather, public financial policy in all countries should focus on rebuilding fiscal buffers that have been severely eroded by the pandemic and energy crisis. This can be achieved by, for instance, removing energy subsidies, which has negatively impacted public finances.

Regarding global debt, it reached approximately USD (307) trillion at the end of December 2023, marking a significant increase of at least USD (10) trillion from the previous year. Moreover, the global debt-to-GDP ratio climbed to (336%), up from (334%) in the fourth quarter of 2022. This increase encompasses borrowing by governments, corporations, and households, posing a formidable threat to both developed and developing nations. High debt levels and elevated debt-to-GDP ratios increase government burdens, consequently exerting greater pressure on domestic debt.

Global trade experienced a contraction of (5%) this year. This decline can be attributed to factors such as the weak performance of exports from developing countries which were primarily affected by the decreasing demand in developed nations, the sluggish performance of East Asian economies, and the falling prices of commodities. Meanwhile, the outlook for global trade in 2024 remains highly uncertain and is generally pessimistic.

1. Advanced Economies

Recent global events, particularly the COVID-19 pandemic, the Russia-Ukraine war, and the attack on Gaza, have significantly impacted global economic performance. Economic growth slowed to (1.6%) in 2023 compared to (2.6%) in 2022. Meanwhile, inflation decreased from (7.3%) in 2022 to (4.6%) in 2023 and is projected to continue declining to (2.6%) and (2.0%) in 2024 and 2025, respectively. Debts have risen primarily in developed countries such as the United States, Japan, the United Kingdom, and France, this increase has pushed the global debt-to-GDP ratio to record levels. This is a worrying indicator of potential global economic pressures.

At the level of advanced economies, growth in the **United States** increased to (2.5%) in 2023 compared to (1.9%) in the previous year, despite the Federal Reserve's tight monetary policy. However, job gains have become more concentrated in three sectors: leisure and hospitality, healthcare and government, and public education. These sectors are the least sensitive to rising interest rates and suffered from a severe shortage of workers in 2023. The concentration of job gains makes the labor market more vulnerable to external shocks. Unemployment is expected to rise to (4.1%) and (4.3%) in 2024 and 2025, respectively, after recording (3.6%) in 2023. On the other hand, the US federal budget deficit reached USD (510) billion in the three months ending in December, pushing the total government debt above USD (34) trillion for the first time, making the 2023 fiscal year end with a deficit of just over USD 2 trillion.

At the **euro area** level, Spain and Portugal outperformed the major European economies in 2023, helping to prevent the euro area from falling into recession last year. The euro area registered growth of (0.5%), with the Spanish economy growing by (2.5%) in 2022, driven by a strong recovery in the country's key tourism sector after years of pandemic-induced disruption. In neighboring Portugal, which also saw a tourism rebound, the economy grew by (2.3%), with GDP growth accelerating at the end of 2022.

Meanwhile, the inflation rate in the euro area declined throughout 2023, after peaking at a record (10.7%) in autumn 2022. Core inflation, which excludes energy and food prices, continued to decline, registering (3.4%) year-on-year in January, compared to (3.6%) in November 2022.

This easing of inflation led the European Central Bank to keep interest rates unchanged at its last meeting, motivated by slowing inflation and concerns that previous rounds of monetary

tightening are taking time to affect consumer demand and economic growth.

Japan experienced a growth rate of (1.9%) in 2023, compared to (1.0%) in 2022. The avoidance of recession is attributed to stronger-than-expected corporate spending on factories and equipment, while the core inflation rate exceeded analysts' forecasts. This development may support the Bank of Japan's move towards ending its negative interest rate policy. Data revealed that Japan's core inflation rate reached (2.3%) year-on-year in January 2023.

2. Emerging and Developing Market Economies

The growth prospects for emerging markets and developing economies vary widely as they navigate a complex landscape of global and domestic trends. These countries recorded a growth rate of (4.1%) in 2023, the same as in 2022.

Growth is expected to slow this year in East Asia and the Pacific (mainly due to a slowdown in China), Europe and Central Asia, and South Asia, but is projected to pick up in other regions in late 2024. In 2024, growth is expected to rebound in most regions as the global economy continues to recover. Risks to the outlook for all regions include escalating conflicts, increased volatility in energy and food prices, weakening external demand, tighter financial conditions, and natural disasters linked to climate change.

Regarding the **Chinese economy**, China's gross domestic product (GDP) grew by (5.2%) year-on-year in 2023, exceeding the annual target of around (5%). According to the data, China's value-added industrial output increased by (4.6%) year-on-year in 2023. The data also showed that China's unemployment rate declined to (5.2%) in 2023, a decrease of (0.4%) compared to 2022. In terms of

monetary policy, the People's Bank of China unexpectedly cut the short-term interest rate, as a step to ease its monetary policy to help the economy recover. The Chinese yuan continued to lose ground, falling (0.3%) to (7.2) against the dollar, following the interest rate cut. On the other hand, the country faces a challenge of declining output and rising debt, although consumer price inflation is nearing negative territory, producer price inflation has been negating for a year, and at the same time, enormous debts have accumulated in both the private and public sectors due to increased spending during the pandemic and the broader response to easy money conditions in previous years.

Despite a slowdown in 2022, the **Indian economy** continues to exhibit remarkable growth. It recorded a growth rate of (6.7%) in 2023, compared to (7.2%) in 2022, with projections indicating a further decline to (6.5%) in 2024. India has adopted a series of economic policies, including increased government spending on infrastructure and incentives for manufacturing sectors, driving its exceptional growth. The manufacturing sector, which constitutes (17%) of the economy, expanded by (11.6%) year-on-year in December 2022. Investment growth exceeded (10%) for the second consecutive quarter, and the construction sector witnessed growth exceeding (9%). The growth in the manufacturing sector can be attributed to declining input costs. Private consumption, which accounts for (60%) of the GDP, showed signs of recovery with a (3.5%) year-on-year increase, compared to 2.4% in the previous quarter. However, government spending contracted by (3.2%) year-on-year. Despite the overall positive trend, the agricultural sector, which accounts for approximately 15% of India's economy, faced challenges due to unfavorable monsoon rains. This led to a

contraction of (0.8%) in the agricultural sector in December 2023. Inflation stood at (5.6%) in 2023, and the Governor of the Reserve Bank of India affirmed that the bank aims for an inflation rate within the target range of (2-6%), indicating that a relatively tight monetary policy will continue for some time.

The countries of Eastern Europe, Latin America, the Middle East, and North Africa experienced growth rates of (2.7%), (2.5%), and (2.0%) respectively in 2023. Growth in these countries is expected to continue in 2024 at rates of (2.8%), (1.9%), and (2.9%), respectively.

Second: Arab Developments

Arab economies witnessed a decline in their growth rate in 2023, with projections indicating a growth rate of (2.2%) , compared to (5.8%) in 2022. However, on a positive note, a recovery is expected in 2024, with growth projected to reach (3.3%) . These projections reflect the broader economic climate and the impact of ongoing global challenges, including interest rate changes and oil market dynamics. Regarding inflation in Arab countries, it recorded a relatively high rate of (13.2%) in 2023 after excluding Sudan, Syria, and Lebanon, which recorded very high rates. This was influenced by numerous factors such as the depreciation of currencies in several Arab countries and fluctuations in energy and food prices. However, inflation is expected to decline to around (3.6%) by 2024. These inflation trends highlight the complex economic landscape in which Arab countries operate and the need for cautious policy management.

Meanwhile, debt levels continue to rise across the region, reaching alarmingly elevated levels in several countries. Egypt, Jordan, and Tunisia face a precarious situation as their

economic stability teeters on the brink of a potential debt crisis. Lebanon, already grappling with one of the worst economic crises in history, has highlighted the severe challenges associated with debt in these countries. This crisis has been exacerbated by the scarcity of low-interest financing and the reluctance of wealthy oil-producing countries in the region to continue providing the unconditional financial support they once offered. The challenging social conditions faced by these countries further complicate this equation, leaving little room for significant fiscal adjustments. As a result, maintaining debt sustainability poses a formidable challenge for these countries, and it is becoming more difficult than ever.

On the other hand, the diversity of economic conditions across the Arab world categorizes countries into oil-exporting and oil-importing groups, each facing a unique set of challenges and opportunities.

On the other hand, for oil-exporting countries, due to the continued fluctuation in global oil prices, **Saudi** Arabia's GDP declined by (4.4%), owing to the Saudi economy's heavy reliance on oil exports. Despite this, the country is making every effort to diversify its economy, focusing on industries such as manufacturing and tourism. Inflation slowed down in 2023 to (2.3%) , compared to (2.5%)in 2022. This is due to the continued effectiveness of fiscal and monetary policies in controlling inflation, as well as the ongoing support for food prices, the imposition of maximum fuel prices, and the tightening of monetary policy by the Saudi Central Bank. Based on these factors, inflation is expected to remain at low levels of around (2.1%).

The Algerian economy is one of the largest in Africa and the Arab world, characterized by its diversity and strong reliance on the oil sector.

The energy sector is the main engine of the Algerian economy, with oil and natural gas exports accounting for a huge portion of the country's revenue. Algeria ranked 19th among oil producers with a share of 978,000 barrels per day. It is also the tenth largest producer of natural gas in the world. Despite this, the growth rate slowed in 2023 to (2.4%), as relatively high inflation is expected to impact private consumption. Conversely, the government is working to boost economic activity by increasing social spending, investing in the oil and gas sectors, and implementing several structural reforms. Given these factors, the Algerian economy is projected to grow by (2.3%) in 2024. On the other hand, Algeria recorded high inflation in 2023, reaching (9.3%). Part of this increase in inflation is due to rising global prices for basic commodities, including food products. However, the government is seeking to control inflation through several measures such as government subsidies and attempting to control the prices of basic commodities, especially wheat. Inflation is expected to reach (5.7%) in 2024.

The Egyptian economy constitutes a significant part of the Arab economic landscape, characterized by various aspects reflecting challenges and opportunities. Egypt is one of the largest economies in the Arab region in terms of population. The Egyptian economy relies primarily on diverse sectors, including agriculture, industry, and services. The Egyptian economy grew by (3.8%) in 2023, compared to (6.7%) in 2022. The decline in growth is attributed to global economic conditions and uncertainty resulting from economic and geopolitical variables, and

the high inflation rate during this year of (33.8%) compared to (13.9%) in 2022. This is due to the rise in global prices of basic commodities, and the depreciation of the Egyptian pound against the US dollar also had a significant impact on the general price level. To address severe inflationary pressures and pressures on the exchange rate, the Central Bank of Egypt significantly raised its key interest rates and increased the reserve requirement ratio.



Chapter Two

Developments of Domestic Economic Sectors

Gross Domestic Product (GDP) enables central banks and policymakers to assess the economy, whether it needs to be strengthened or restricted, and then identify if there are signs of recession or inflation. Additionally, GDP provides a clear understanding of the contribution of various economic sectors to it, and subsequently it will show the size of a country's official economy. GDP growth is usually relied upon when compared to previous data, whether it is contracting or expanding. As such, it is a significant tool for investors, business leaders and policy makers at both the domestic and international levels.

Growth rates of GDP vary among developed, emerging, and developing countries due to differences in economies, the factors influencing GDP growth, and the policies adopted by fiscal and monetary policymakers.

GDP is one of the most important variables used in several indicators to assess the health of economic sectors. This is done by relying on both nominal and real GDP. Accordingly, real GDP is calculated by using the GDP price deflator, which represents the difference in prices between the current year and the base year.

Iraq's GDP at constant prices contracted by (3.0%), while the value of GDP at constant prices excluding oil increased by (4.4%).

This report will analyze GDP as follows:

- Gross Domestic Product (GDP) for 2023
- GDP at constant and current prices according to the sum of the main activities (commodity, distribution, and services)
- The main activities contributing to the formation of GDP at constant prices.

Gross Domestic Product

First: GDP of 2023

Iraq ranked (54) among the largest economies in the world for 2023, while it was in fourth place among Arab countries after Saudi Arabia, UAE, and Egypt, according to data issued by the World Bank.

Preliminary Estimates of GDP indicators in Iraq for 2023 indicate:

- The value of GDP at constant prices for 2023 was decreased by (3.0%) after deducting imputed service charges comparing to the previous year, to record IQD (207.2) trillion compared to IQD (213.5) trillion in 2022, as a result of the decrease in activities (mining and quarries, electricity and water, transportation, communications and storage, housing ownership, and personal services) by rates (7.6%, 22.5%, 8.2%, 14.2%, 1.2%) respectively.

The added value of the GDP without oil recorded an increase of (4.4%) to reach IQD (87.8) trillion in 2023 compared to IQD (84.1) trillion in 2022, due to the increase in each of the manufacturing activities, construction and building, wholesale and retail trade, hotels and the like, and personal services and so on, as shown in the appendix of **Table No. (1)**.

- The value of the GDP with oil at current prices for 2023 decreased compared to 2022 by (20.6%) to record IQD (330.0) trillion in 2023 compared to IQD (415.6) trillion in 2022, due to the decrease in crude oil activity by (38.2%).

The added value to the GDP without oil recorded an increase of (3.4%), which is attributed to the increase in all activities except (electricity and water, housing ownership), which decreased by (31.0%, 11.9%), as shown in appendix of **Table No. (2)**.

- The average per capita share of the GDP at current prices decreased to reach IQD (7.6)

million in 2023 compared to IQD (9.8) million in the previous year, i.e., a decrease amounted to (22.4%) due to the decrease in the GDP at current prices, as shown in **Table No. (1)**.

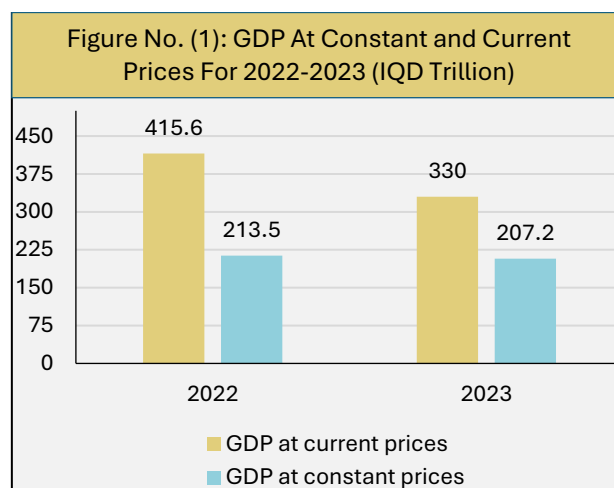


Table No (1): GDP At Constant and Current Prices, and Average Per Capita For 2022-2023

Details	2022	2023	Growth rate %
GDP at constant prices (IQD trillion) (2007=100)	213.5	207.2	-3.0
GDP at current prices (IQD trillion)	415.6	330.0	-20.6
Average per capita at current prices (IQD million)	9.8	7.6	-22.4

Source: Ministry of Planning, Authority of Statistics and Geographic Information Systems (formerly Central Statistical Organization).

- The relative importance of the activity of the crude oil sector at constant prices reached (57.3%) in 2023 compared to (60.3%) in 2022, and this percentage is the highest compared to other sectors (non-oil) which formed (42.7%) of the total domestic product at constant prices in 2023 compared to (39.7%) in 2022. This indicates the increase in the contribution of the oil sector and the deepening of rentierism, as shown in **Table No (2)**.

Sectors	2022	2023
Percentage of oil sector contribution to GDP (%)	60.3	57.3
Percentage of non-oil sector contribution to GDP (%)	39.7	42.7
Total	100	100

Source: Ministry of Planning, Authority of Statistics and Geographic Information Systems (formerly Central Statistical Organization).

Second: GDP At Constant & Current Prices by Main Activities According to The Sum of Main Activities (Commodity, Distribution and Services) as follows:

1. GDP At Constant Prices for Main Activities (Commodity, Distribution, And Service).

Commodity activities at constant prices recorded a decrease of (5.1%) in 2023 to reach IQD (139,249.9) billion compared to IQD (146,774.6) billion in 2022, due to the decrease in the growth of the value of mining, quarries, electricity, and water.

On the other hand, commodity activities constituted the highest contribution rate, reaching (66.9%) due to the increase in the contribution of the oil sector to the formation of GDP.

Distribution activities recorded a decrease of (3.7%) to reach IQD (34,401.6) billion compared to IQD (35,706.5) billion in 2022, due to the decrease in the added value in the transportation, communications and storage sector by (8.2%), but it still records a low contribution rate to the formation of GDP, reaching (16.5%).

Service activities recorded an increase of (8.2%) over the previous year to reach IQD (34,602.3) billion in 2023 compared to IQD (31,993.0) billion in 2022 because of the increase in both ownership of social and personal development services and public

government activity by (18.3%, 24.8%) respectively. Thus, commodity activities occupy the first place in terms of relative significance of the GDP at (66.9%), followed by service activities at (16.6%), which affected the contribution rate of distribution activities to reach (16.5%), as shown in **Table No. (3)**.

Activities	2022	*2023	Growth rate %
Commodity activities	146,774.6	139,249.9	-5.1
Distribution activities	35,706.5	34,401.6	-3.7
Service activities	31,993.0	34,602.3	8.2
GDP by activities	214,474.1	208,253.7	-2.9

Source: Ministry of Planning, Authority of Statistics and Geographic Information Systems (formerly Central Statistical Organization). - * Preliminary estimates.

Figure No. (2): The Percentage of Activities' Contribution to GDP At Constant Prices (%) For 2022-2023

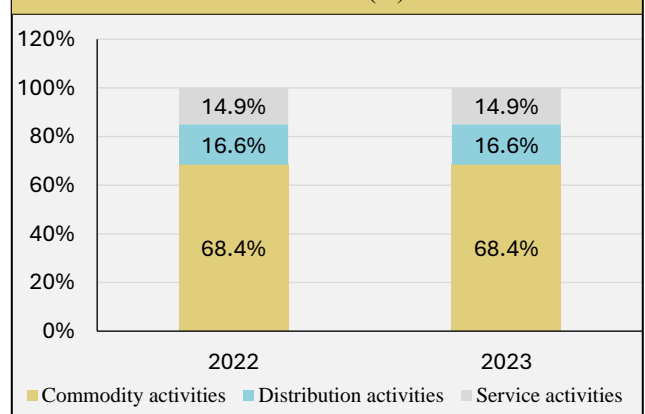
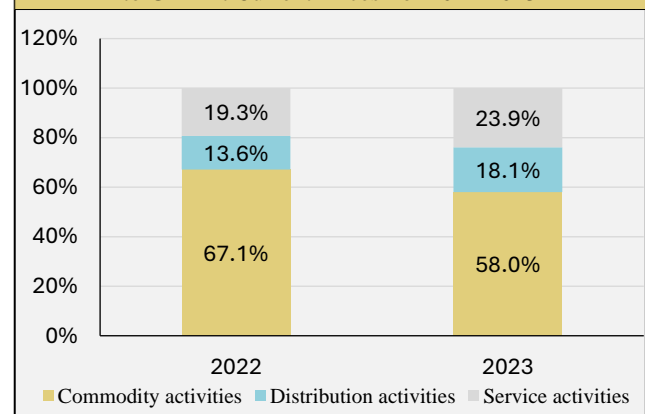


Figure No (3): The Percentage of Activities' Contribution to GDP At Current Prices For 2022-2023



2. GDP At Current Prices for Main Activities (Commodity, Distribution, And Service).

Commodity activities at current prices for 2023 recorded a decrease of (31.3%) and the contribution rate was (58%) in 2023. It reached IQD (192,709.9) billion compared to IQD (280,397.3) billion for 2022, due to the decrease in each of mining, quarries, electricity, and water. The **distribution activities** at current prices recorded an increase of (5.9%) and a contribution rate of (18.1%) to reach IQD (60,154.1) billion compared to IQD (56,811.5) billion for 2022. While **service activities** recorded a decrease during this year by (1.4%) and a contribution rate of (23.9%) to reach IQD (79,310.7) billion compared to IQD (80,477.3) billion in 2022. This decrease is attributed to the reduction in the ownership of real estate units, as shown in **Table No. (4)**. It could be noted from **Figure No. (3)** that there is a decrease in the contribution of commodity activities at the expense of both service and distribution activities.

Table No (4): GDP At Current Prices for Main Activities For 2022-2023 (IQD Billion)			
Activities	2022	2023	Growth rate%
Commodity activities	280,397.3	192,709.9	-31.3
Distribution activities	56,811.5	60,154.1	5.9
Service activities	80,477.3	79,310.7	-1.4
GDP by activities	417,686.1	332,174.7	20.5

Source: Ministry of Planning, Authority of Statistics and Geographic Information Systems (formerly Central Statistical Organization).

- *Preliminary estimates.

Third: Main Activities' Contribution to The Formation of the GDP At Constant Prices

1. Agriculture, Forestry, Hunting, And Fishing Activity

The added value of this sector's activity in 2023 at constant prices recorded an increase of (28.9%) to record an amount of IQD (6,502.7) billion compared to IQD (5,046.2) billion in 2022, because of the increase in agricultural production, as wheat production recorded an increase of (53.6%), despite a decrease in barley production by (26.7%) compared to 2022.

Some farmers' income increased in 2023 compared to 2022, because of rainfall at a rate higher than initial estimates, which led to an improvement in crop rates. On the other hand, there was an increase in the cultivated area for both crops by (9.9%) compared to 2022, and this has a clear impact on the increase in agricultural production during 2023.

The average yield per dunum for wheat crops also increased by (36.6%) to record (504.5) kg/dunum in 2023 compared to (369.3) kg/dunum in 2022, which positively affected its production volume. While the average yield per dunum for barley decreased to reach (62.6) kg/dunum in 2022 compared to (45.2) kg/dunum in 2023, with a decrease rate of (27.8%), as shown in **Table No. (5)**.

Table No. (5): Agricultural Production, Cultivated Areas and Productivity Per Dunum in Iraq in 2022-2023				
		Wheat	Barley	Total
Cultivated area (one thousand) dunums	2022*	7,487	2,309	9,796
	2023*	8,420	2,344	10,764
	Change %	12.5	1.5	9.9
Production (1000) tons	2022*	2,765	144.5	2,910
	2023*	4,248	106	4,354
	Change	53.6	26.6-	49.7
Average yield per dunum (dunum/kg)	2022*	369.3	62.6	431.9
	2023*	504.5	45.2	549.7
	Change %	36.6	27.8-	27.3

- Source: Ministry of Planning, Statistics and Geographic Information Systems Authority (formerly Central Statistical Organization).

- *Excluding Kurdistan Region and some villages in the provinces of Nineveh, Kirkuk, Diyala, Anbar and Salah al-Din.

2. Mining And Quarrying Sector Activity

The added value of this sector's activity in 2023 at constant prices decreased by (7.6%) to record IQD (120,217.4) billion compared to IQD (130,128.9) billion in 2022. This is mainly attributed to the decrease in crude oil activity by (7.7%) during 2023 to record IQD (119,429.4) billion compared to IQD (129,424.6) billion in 2022, as a result of the decrease in production quantities scheduled under the OPEC+ agreement, while the country's large financial expansion in the three-year budget law poses risks in the medium term, while other types of mining recorded an increase of (11.9%) compared to the previous year. As for the contribution rate of this sector, it ranks first in terms of contribution rates, reaching (57.7%) of the gross domestic product because of the Iraqi economy's dependence mainly on crude oil.

Table. No (6): Produced Quantities, Average Price Per Barrel, And Daily Average Oil Export In 2022-2023			
	Quantity of crude oil produced* (million barrels)	Average price per barrel** (dollars)	Daily average export** (million barrels)
2022	1628.7	95.0	2.99
2023	1502.9	78.5	2.85
Change Rate %	-7.7	-17.4	-4.7

Source: Ministry of Planning, Authority of Statistics and Geographic Information Systems (formerly Central Statistical Organization).

** CBI, Statistics and Research Department, Balance of Payments, and Foreign Trade Division.

3. Manufacturing Activity

The manufacturing industries at constant prices for this sector witnessed an increase of (10.9%) compared to the previous year to record IQD (4,341.6) billion in 2023 compared to IQD (3,916.3) billion in 2022. The reason for the increase in the contribution of manufacturing industries to the GDP is due to the increase in production in the Iraqi General Cement Company by (17.6%) and the increase in the food, clothing, wood, and other industries. As for the cement industries, the quantities of production achieved for regular cement increased during this year by (16.4%) and the quantities of resistant cement production increased by (16.7%) respectively, while the quantities of urea fertilizer witnessed a significant increase by (18.6%) to reach

(197) compared to (166) thousand tons in 2022.

Table No. (7): Quantities of cement produced in 2022-2023			
Material name	2022	2023	Change Rate %
Ordinary cement	3,645,906.5	4,242,4750	16.4
Resistant cement	4,478,844.3	5,228,073	16.7
Nitrogen fertilizers (urea)	165,886.0	196,706	18.6

Source: Ministry of Industry and Minerals.

4. Electricity and Water Activity

The added value of the electricity sector activity at constant prices for 2023 recorded a decrease of (22.5%) compared to the previous year, as the added value amounted to (890,094.3) million compared to (1,148,636.3) million in 2022, but it still recorded a small contribution rate of (0.4%) to GDP. Despite the decrease in this sector, the production of electrical energy increased by (12.6%) compared to a decrease in demand for it by (16.5%), which led to a decrease in the deficit in electrical energy from (11,533) megawatts in 2022 to (5,244) megawatts in 2023, by a percentage of (55.8%) as mentioned in **Table No. (8)**.

Table. No (8): Production and Demand Rate of Electric Energy for The Year 2022-2023			
(MW)			
Statement	2022	2023	Rate of change %
Energy production	15,933	17,947	12.6
Demand for energy	27,728	23,158	-16.5
Surplus/Deficit	-11,794	-5,211	-55.8

Source: Ministry of Electricity.

- The import rate of electrical energy decreased in 2023 by (11.2%) compared to 2022, to record (357.7) compared to (403) megawatt/hour in the previous year, as shown in **Table No. (9)**.

- The electricity production capacity in local investment lines increased by (28.4%) compared to the previous year to reach

(6,814.7) in 2023 compared to (5,306.0) megawatt/hour in 2022.

Table. No (9): Imported Energy and Local Investment Lines For 2022-2023			
(MW)			
Statement	2022	2023	Rate of change %
Imported energy lines	403.0	357.7	-11.2
Local investment lines	5,306.0	6,814.7	28.4
Total	5,709.0	7,172.4	25.6

Source: Ministry of Electricity.

5. Construction and Building Activity

The construction and building sector activity at constant prices in 2023 recorded a significant increase of (11.7%) compared to 2022, which contributes (3.5%) of the total GDP, as the added value recorded IQD (7,298.0) billion compared to IQD (6,534.5) billion in 2022, due to the increase in investment expenditures because of the budget approval.

6. Transport, Communications and Storage Activity

The transport and communications sector witnessed a decrease in its annual growth rate at constant prices during 2023 by (8.2%) compared to 2022, as its added value recorded IQD (17,616.6) in 2023 compared to IQD (19,197.3) billion in 2022, as it contributed (8.5%) of the GDP.

7. Wholesale, Retail, And Hotel Trade Activity

The activity of this sector at constant prices recorded an increase of (1.4%) in 2023 compared to the previous year, with a contribution rate of (7.3%), so that its added value reached IQD (15,228.9) billion in 2023 compared to IQD (15,023.8) billion in 2022. This is due to the increase in the consumption and investment components resulting from the approval of the budget.

8. Money, Insurance, And Real Estate Services Activity

The activity of this sector at constant prices witnessed a decline of (11.7%) in 2023 compared to 2022. Its contribution rate reached 4.9%, with the added value amounting to IQD (10,158.4) billion in 2023 compared to IQD (11,505.6) billion in 2022. This decline is attributed to a (14.2%) decrease in real estate ownership, which constitutes (4.1%) of the total activity of money, insurance, and real estate. Despite the increase in the activity of banks and insurance by (4.8%) due to the continuing of the financing of medium and small-sized projects by Rafidain Bank, in addition to the banking facilities to support investment and commercial projects.

9. Social and Personal Development Services Activity:

This sector witnessed an increase during 2023 by (18.3%) compared to 2022, as the added value recorded IQD (25,999.9) billion in 2023 compared to IQD (21,972.7) billion in 2022, and this is attributed to the increase in public government activity by (24.8%), because of the budget approval for 2023. This sector ranked as second in terms of its contribution to GDP, which recorded (9.9%) of the total GDP at constant prices, despite the decrease in personal services activity by (1.2%), but this increase is due to the growth of activity of social development services by (18.3%).



Chapter Three

Monetary and Banking Developments

Monetary policy is a fundamental pillar in achieving many primary objectives designed to enhance economic and price stability. Central banks use monetary policy to control inflation rates (a general increase in prices) or deflation (a general decrease in prices). Maintaining low and stable inflation rates is crucial for economic stability. In addition to managing liquidity. One of the most significant objectives of the Central Bank of Iraq is to ensure the stability of domestic prices and to foster a stable, competitive financial system. The Central Bank of Iraq is responsible for this, as well as many other goals it seeks to achieve:

- Maintaining price stability.
- Implementing monetary policy (including exchange rate policy).
- Managing foreign reserves.
- Issuing and managing currency.
- Regulating the banking sector to develop a competitive and stable financial system.
- Contributing to economic growth.

This chapter will address the following:

- Developments in money supply.
- Developments in indirect monetary policy instruments.
- The consolidated balance sheet of the Central Bank of Iraq.
- The structure of the banking sector in 2023.
- The financial position of the banking sector.
- The consolidated balance sheets of commercial banks operating in Iraq.

Monetary & Banking Developments

Monetary Developments

This section will address the most significant monetary developments during 2023 compared to 2022.

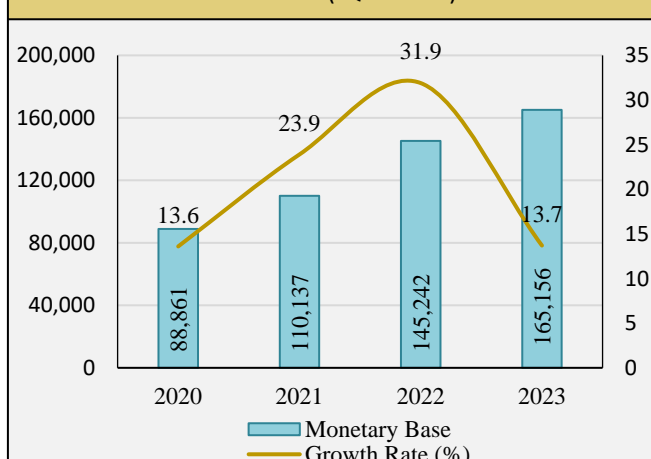
First: Developments in money supply

1. Monetary Base (M0)

The monetary base, comprising currency in circulation (currency outside banks + currency in banks) plus commercial banks' current accounts with the Central Bank of Iraq (denominated in Iraqi dinars and dollars).

The monetary base recorded a (13.7%) increase in 2023, reaching IQD (165.2) trillion compared to IQD (145.2) trillion in 2022. This increase is attributed to a (3.6%) rise in net foreign assets and a (328.8%) increase in net domestic assets at the central bank of Iraq on the sources side, respectively. On the uses side, both currency outside banks and bank reserves increased by (15.3%) and (11.6%), respectively.

Figure No (4): the Monetary Base Balance (M0) for 2020-2023 (IQD billion)



2. Narrow Money Supply (M1)

The narrow money supply (M1) recorded a (9.4%) increase at the end of 2023 compared to 2022, reaching IQD (160.3) trillion versus IQD (146.5) trillion in 2022. This is primarily due to a (15.3%) growth in currency outside banks, reaching IQD (95) trillion compared to IQD (82) trillion in 2022, constituting (59%) of (M1) in 2023 compared to (56%) in 2022. Meanwhile, demand for deposits increased by (1.9%) to reach IQD (65.7) trillion compared to IQD (64.5) trillion in 2022, representing (41%) of (M1) in 2023 compared to (44%) in 2022.

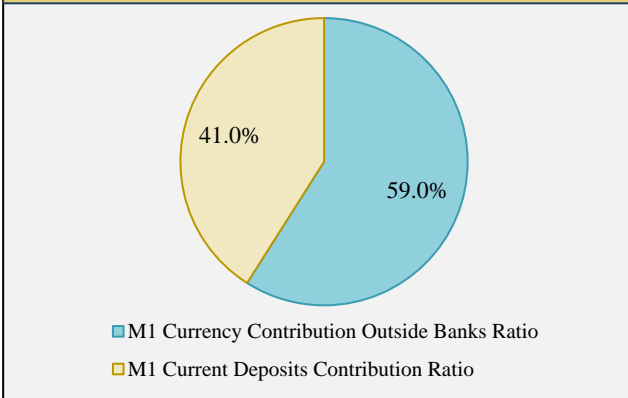
As shown in **Table No. (10)**, an analysis of the structure of the narrow money supply (M1) reveals an increase in the contribution of currency outside banks at the expense of demand deposits in 2023. This continues to represent a high percentage of contribution, which is due to weaknesses in the banking sector. While the use of paper currency poses many risks, such as counterfeiting and theft, there is a strong trend by the government, with the support of the central bank, to promote electronic payments and enhance financial inclusion.

Table No (10): Components of (M1) for 2022 and 2023 (IQD Billion)

Components	Dec-2022	Dec-2023
Money Supply M1	146,488	160,318
Growth Rate %	22.1	9.4
Current Deposits	64,456	65,697
Current Deposits to Money Supply Ratio M1%	44.0	41.0
Currency Outside Banks	82,032	94,621
Currency Outside Banks to Money Supply Ratio M1 %	56.0	59.0

- Source: Central Bank of Iraq, Department of Statistics and Research, Monetary and Financial Statistics Division.

Figure No (5): (M1) Components contribution Rates of 2023



3. Broad Money Supply (M2) (Domestic liquidity)

The broad money supply (M2) recorded a (7.5%) increase at the end of 2023 compared to 2022, reaching IQD (181.0) trillion versus IQD (168.3) trillion in 2022, representing (54.8%) of GDP at current prices.

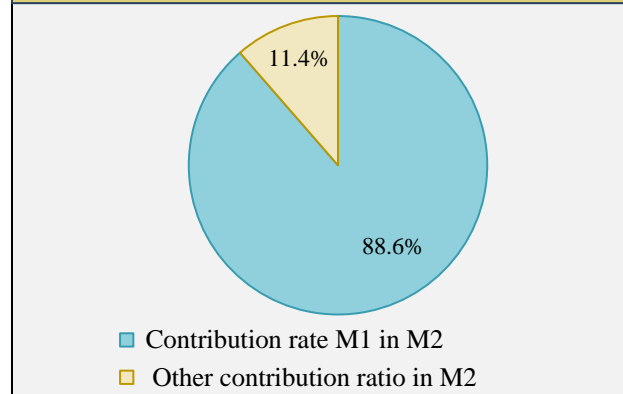
As shown in Table No. (11), the increase in the broad money supply (M2) was the result of a (9.4%) growth in the narrow money supply (M1), despite a (5.3%) decrease in other deposits (time deposits, savings, postal, and insurance), reaching IQD (20.7) trillion in 2023 compared to IQD (21.8) trillion in 2022. It is noteworthy that other deposits still constitute a low proportion, reaching (11.4%) of the total (M2) in 2023 compared to (13.0%) in 2022. Meanwhile, currency outside banks continues to rise at the expense of both current and other deposits, due to the increase in issued currency because of the increase in public spending after the implementation of the general budget, on the one hand, and on the other hand, due to the nature of the economy and the behavior of the society which relies on cash in its transactions.

Table No (11): Components of Domestic Liquidity (M2) for 2022 - 2023

(IQD Billion)			
Components	Dec-2022	Dec-2023	Growth %
Money Supply M1	146,488.0	160,318	9.4
Other Deposits	21,803.4	20,657	-5.3
Money Supply M2	168,291.4	180,976.0	7.5

- Source: Central Bank of Iraq, Department of Statistics and Research, Monetary and Financial Statistics Division.

Figure No (6): Contribution of Broad Money Supply (M2) Components Ratios



4. Foreign Exchange Reserves at the Central Bank of Iraq

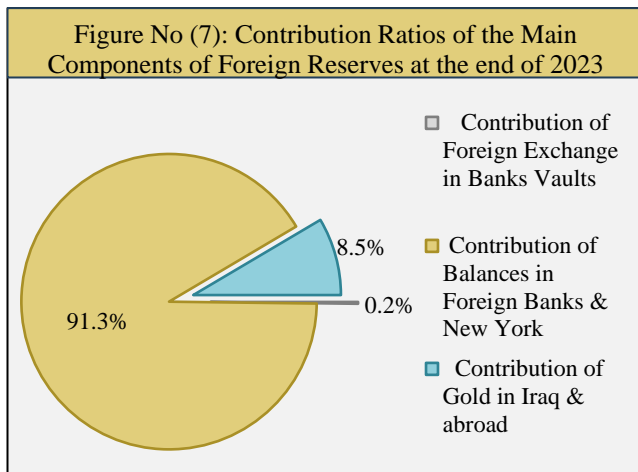
Foreign exchange reserves recorded a (3.7%) increase at the end of 2023 compared to the previous year, reaching IQD (145.3) trillion compared to IQD (140.08) trillion at the end of 2022.

As shown in Table No. (12), this increase is attributed to a (4.1%) rise in foreign direct investment abroad, reaching IQD (132.6) trillion in 2023 compared to IQD (127.4) trillion in the previous year. Additionally, the balance of gold held both domestically and abroad increased by (11.6%), reaching approximately IQD (12.3) trillion at the end of 2023 compared to IQD (11) trillion at the end of 2022. This increase was due to the central bank's purchase of gold, bringing its total gold holdings reaching (142.6) tons in 2023, in addition to a revaluation based on the market price. Meanwhile, the foreign currency reserves in the central bank's vaults decreased

by (80.8%), recording IQD (0.324) trillion in 2023 compared to IQD (1.7) trillion in 2022.

Table No (12): Main Components of Foreign Reserves at the end of 2022-2023 (IQD Billion)		
Item	2022	2023
Foreign exchange in Bank Vaults	1,685	323
Balances in Foreign Banks & New York	127,383	132,641
Gold in Iraq & abroad	11,018	12,293
Foreign Reserves	140,086	145,257

- Source: Central Bank of Iraq, Department of Statistics and Research, Monetary and Financial Statistics Division



Second: Developments of Indirect Monetary Policy Tools

1- Electronic Platform for Selling Foreign Currency:

The quantities of dollars sold on the central bank's electronic platform for foreign currency sales (cash, transfers, credits, reinforcements) recorded a (20%) increase in 2023 compared to 2022, reaching USD (56.1) billion versus USD (46.8) billion in 2022.

This is attributed to the implementation of the new electronic mechanism (platform) to enhance the reserves of banks abroad. Dollar sales to strengthen bank accounts abroad recorded USD (22.6) billion to reinforce the most traded currencies in foreign trade, thus alleviating pressure on the foreign currency

(dollar) against a decrease in remittances by (35%). Meanwhile, dollar sales to strengthen credit accounts increased by (9.5%), and cash sales decreased by (8%) in 2023. The electronic platform recorded sales of foreign currency (remittances, credits, and strengthening bank reserves abroad) of USD (23.6), (1.5), and (22.6) billion respectively, while cash sales amounted to USD (8.3) billion. This means that remittances, credits, and strengthening reserves abroad constituted (42.1%), (2.7%), and (40.3%) respectively, of the total sales, while cash sales accounted for (14.9%).

As for the central bank's purchases of US dollars from the Ministry of Finance, they recorded an increase of (20%) to reach USD (64) billion in 2023 compared to USD (53.4) billion in 2022. This is due to an increase in government revenues from crude oil, which did not fall below the level of USD (79) as an average for the selling price of Iraqi oil in global oil markets, with a difference of USD (9) from what was stipulated in the general budget. In addition to the increase in the Ministry of Finance's sales to (20%) in 2023 compared to (16%) in 2022 to finance public spending, which grew by (22%) during 2023 after the approval of the general budget law for the fiscal years (2023-2024-2025), and hence the increase in government purchases from the central bank to meet the increase in public spending at the end of 2023.

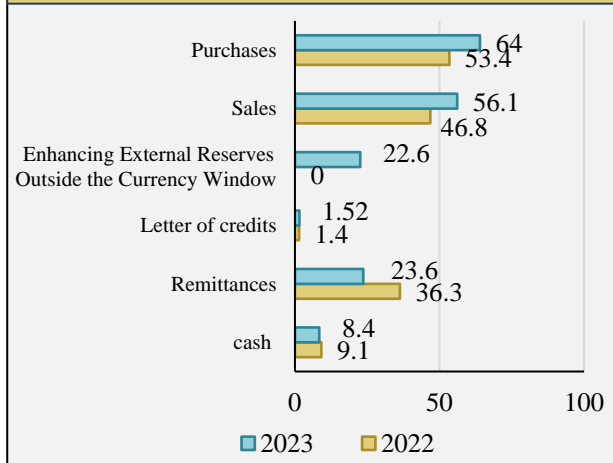
As for exchange rates, the selling price of the dollar to banks was maintained at its value of (1310) Iraqi dinar per dollar.

Table No. (13): Quantities of Dollars Sold Through the Electronic Platform for Foreign Exchange Sales and Quantities Purchased in 2022-2023 (USD Billion)

	2022	2023	Growth Rate (%)
Cash	9.1	8.4	8-
Remittances	36.3	23.6	35-
Letters of credit	1.4	1.5	9.5
Enhancing External Reserves Outside the Currency Window	-	22.6	-
Purchases (1)	53.4	64	19.9
Sales (2)	46.8	56.1	19.9
The Gap (1-2)	6.6	7.9	

-Source: Central Bank of Iraq, Statistical Website.

Figure No (8): Purchases & Sales of USD for 2022-2023 (USD Billion)



Box No. (1)

At its extraordinary session held on February 6, 2023, the Board of Directors of the Central Bank of Iraq decided to increase the value of the Iraqi dinar and adopted the following exchange rates for foreign currency (US dollar):

- (1300) per dollar: Purchase price of the dollar from the Ministry of Finance and any other entity.
- (1310) per dollar: Selling price of the dollar to banks through the electronic platform.
- (1320) per dollar: Selling price of the dollar from banks and non-bank financial institutions to the end beneficiary.

2- Existing Facilities

In 2023, the Central Bank of Iraq increased the policy rate from (4%) to (7.5%) annually to control domestic inflation rates by withdrawing excess liquidity.

Existing Deposit Facilities: The amounts invested in (30)-day deposits increased by (42.1%) in 2023, reaching IQD (2,091) million compared to IQD (1,471) million in 2022. Meanwhile, the amounts invested for periods of (90, 182, and 364) days were IQD (732 million, 49 million, and 336 million), respectively.

Islamic deposit certificates in Iraqi dinar for:

- (91) days amounted to IQD (254,710) million at a rate of (4.9%).
- (182) days recorded a decrease of (42.9%) in 2023, reaching IQD (113,000) million compared to IQD (198,000) million in 2022, with a rate of (6.0%) for 2023 and (3%) for 2022.
- (364) days amounted to IQD (150,000) million at a rate of (8.0%).
- All products were discontinued in mid-2023, except for the Central Bank's (14)-day transfers amounting to IQD (54,286) million, and Islamic deposit certificates with a maturity of (14) days amounted to IQD (11,156,800) million at an interest rate of (7.5%).

Existing Lending Facilities: The Central Bank continued to use these facilities to implement its monetary policy objectives, aiming to provide credit to banks while controlling and influencing bank liquidity through interest rates. The (interest rates) for each type of credit were as follows:

- Primary credit: (9.5%) per annum.
- Secondary credit: (10.5%) per annum.
- Lender of last resort: (11.0%) per annum.

However, no state-owned or private banks utilized any of these credits in 2023.

3. Reserve Requirements

In line with the monetary policy's orientation and its high flexibility to support economic development, control liquidity, and maintain the soundness of the banking sector, the Central Bank of Iraq adopted a tight monetary policy by increasing the reserve requirement ratio to (18%) from (15%) for current deposits, (13%) from (10%) for government and private savings deposits, and (8%) from (5%) for Islamic term deposits, which was calculated in April 2023. The reserve requirement recorded an increase of (45.6%), reaching IQD (18.6) trillion in 2023 compared to IQD (12.8) trillion at the end of 2022.

This is attributed to the increase in the reserve requirement for deposits with private banks by (69), reaching IQD (2.6) trillion compared to IQD (1.5) trillion in 2022, as well as an increase in the reserve requirement on government deposits increased by (42%), reaching IQD (16) trillion in 2023 compared to IQD (11.3) trillion in 2022. On the other hand, foreign currency deposits subject to reserves decreased by (27.8%), while dinar deposits subject to reserves increased by (40%).

Third: Consolidated Balance Sheet of the Central Bank of Iraq

The Central Bank of Iraq's balance sheet in 2023 showed a decrease of (0.02%) in total assets (liabilities) compared to 2022, reaching a total of IQD (205.5) trillion at the end of 2023 compared to IQD (205.6) trillion in 2022, as shown in **Table No. (14)**.

Assets Side:

According to **Table No. (14)**, the detailed analysis of the Central Bank of Iraq's assets showed an increase in foreign assets of (3.6%), reaching IQD (145.8) trillion at the end of 2023 compared to IQD (140.6) trillion in 2022, representing the largest proportion of total assets at (70.9%). **Government debt** (government bonds, transfers, loans, and advances to government agencies) recorded a decrease of (8.2%) from the previous year, reaching IQD (45.2) trillion in 2023 compared to IQD (49.2) trillion in 2022. This is attributed to a decrease in government bonds and transfers by (7.8%), which accounted for (97.2%) of total government debt, as well as a decrease in loans and advances to government agencies by (19.6%). **Other assets** decreased by (7.0%) in 2023, totaling IQD (14.6) trillion compared to IQD (15.7) trillion in the previous year.

Liabilities Side:

Cash reserve recorded an increase by (13.7%) compared to the previous year, reaching IQD (165.2) trillion in 2023 from IQD (145.2) trillion. This is primarily due to the growth of currency outside banks because of increased government spending following the approval of the general budget, along with a (60%) increase in **banking facilities** compared to the previous year, reaching IQD (0.336) trillion in 2023 compared to IQD (0.210) trillion in the previous year.

Banks' Accounts at the Central Bank in Dollars: Including US dollar deposits and the required legal reserves on deposits held by banks in US dollars, these recorded a decrease of (2.4%) compared to the previous year, reaching IQD (8.06) trillion compared to IQD (8.3) trillion in the previous year. This is attributed to a (93.9%) increase in dollar-denominated reserves held in Iraqi.

Government Deposits recorded a significant decrease of (55.6%), reaching IQD (10.5) trillion compared to IQD (23.7) trillion, due to a decrease in government revenues resulting from the decline in oil prices compared to the previous year and the quantities exported due to the OPEC agreement.

Foreign Liabilities: This item recorded an increase of (2571.9%).

Capital and Reserves: This item decreased by (15.9%) compared to the previous year, attributed to the Central Bank's activities for the year.

Table No. (14): Consolidated Balance Sheet of the Central Bank of Iraq, 2022-2023
(IQD Million)

Assets	2022	2023	Growth Ratio %	Relative Importance
Foreign Assets	140,642,108	145,761,759	3.6	70.9
*Government Debt	49,237,057	45,207,878	-8.2	22.0
Government Bonds and Transfers	47,666,951	43,946,194	-7.8	21.4
Loans and Advances to Government Agencies	1,570,106	1,261,684	-19.6	0.6
Loans and Advances to Commercial Banks	0	0		0.0
Other Assets	15,685,198	14,561,236	-7.2	7.1
Liabilities				
Cash Reserves**	145,242,164	165,155,551	13.7	80.4
Banking Facilities	210,000	336,000	60.0	0.2
Banks' Accounts at the Central Bank in Dollars	8,255,704	8,057,066	-2.4	3.9
Government Deposits	23,700,967	10,530,812	-55.6	5.1
Foreign Liabilities	4,594	122,749	2571.9	0.1
Capital and Reserves	31,563,469	26,530,353	-15.9	12.9
Other Liabilities	5,053,169	3,191,408	-36.8	1.5
Total assets or liabilities	205,564,363	205,530,873	-0.02	100

- Source: Central Bank of Iraq, Department of Statistics and Research, Monetary and Financial Statistics Division.

- * Government debt = government bonds and transfers + loans and advances to government departments.

- ** Cash reserves including banking facilities and banks' accounts at the Central Bank in dollars.

Banking Developments

Throughout 2023, the Central Bank of Iraq implemented a series of measures to regulate banking operations and enhance their role in financing economic activity. The most important procedures taken by the bank during this year:

1. **Capital Increase for Banks:** On July 18, 2023, the Central Bank issued a decision mandating that all Iraqi banks increase their capital to at least IQD (400) billion in three installments by December 31, 2024. Foreign banks operating in Iraq were also required to increase their operational capital by at least (60%) within a maximum period of 31/12/2023.
2. **Prohibition of Cryptocurrency Trading:** The central bank issued a directive prohibiting the use of cards and electronic wallets for speculation and trading in cryptocurrencies of all types. Licensed banks, non-bank financial institutions, and electronic payment companies were instructed to educate customers about the risks associated with cryptocurrencies and to implement all the necessary administrative, legal, and technical means to prevent such transactions.
3. **Issuing Guidelines for Correspondent Banks,** which came as a completion of the Central Bank of Iraq's efforts to establish a solid infrastructure domestically and internationally to deal with reputable banks and international institutions regarding combating money laundering and terrorist financing and methods of compliance with them. This follows an update to the foreign currency sale and purchase window instructions to enhance the transparency and security of banking

operations between sending and receiving banks, as follows:

- **Providing Reliable and Accurate Reference Sources:** This involves offering dependable resources for both sending and receiving banks to improve financial services and enhance their quality and to ensure they have the information needed to comply with regulations.
 - **Identifying AML/CFT risks:** outline methods for identifying and mitigating money laundering (ML) and terrorism financing (TF) risks within correspondent banking relationships.
4. **Controls for granting micro-loans by electronic payment companies via mobile phone, which are as follows:**
 - **Appropriate Policies and Procedures:** Companies offering mobile microfinance loans must adhere to relevant laws and regulations, provide the central bank with the required reports, and maintain transparency in their lending practices.
 - **Central Bank Authority:** The central bank reserves the right to suspend microfinance loan services if deemed necessary.
 5. **Renewable Energy Financing:** The initiative to finance the purchase of renewable energy units will continue, besides the initiative to finance small and medium-sized enterprises (SMEs) within the IQD (4) trillion initiative will also continue.

First: Banking Sector Structure for 2023

As of the end of 2023, there were (70) commercial banks operating in Iraq, categorized as follows:

- (7) State-Owned Banks: include (3) commercial banks, (3) specialized banks, and (1) Islamic bank.
- (63) Private Banks: include (28) local Islamic banks, (23) local commercial banks, (10) foreign banks, and (2) foreign Islamic banks.

Second: Financial Position of the Banking Sector

1. Capital of Banks

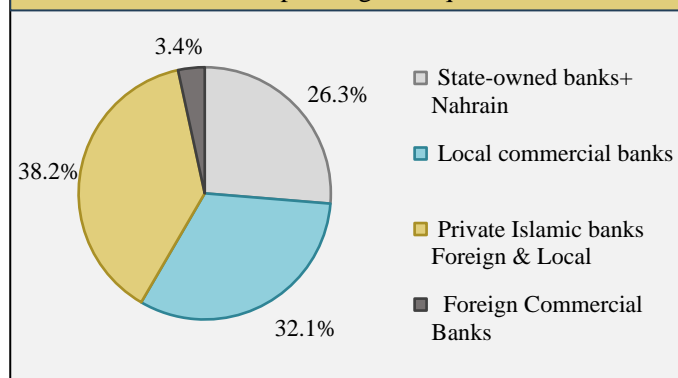
The total capital of banks operating in Iraq increased by (6.7%) in 2023 to reach IQD (19.1) trillion, compared to IQD (17.9) trillion in 2022. This increase is primarily attributed to the Central Bank of Iraq's decision to require private banks to increase their capital to at least IQD (400) billion.

Private Banks accounted for the largest share of total bank capital at (73.7%), amounting to IQD (14.04) trillion in 2023, representing a (5.2%) increase. Foreign commercial banks contributed (3.4%) to the total capital of the banking sector. Islamic banks (both foreign and domestic), excluding the state-owned Islamic Bank of Al- Nahrain, contributed (38.2%) to the total capital. Domestic commercial banks contributed (32.1%) to the total capital of the banking sector.

The capital of Iraqi state-owned commercial and specialized banks increased by (11.1%) in 2023 compared to 2022, reaching IQD (5.01) trillion compared to IQD (4.51) trillion in 2022. This represents a (25.5%) share of the total bank capital. This increase is primarily

attributed to a (141%) increase in the capital of the Industrial Bank.

Figure No (9): The Relative Importance of the Capital of Banks Operating in Iraq 2023



2- Bank Deposits

Total deposits with Iraqi banks increased by (3.4%) at the end of 2023 compared to 2022, reaching IQD (133.5) trillion compared to IQD (129.1) trillion in 2022. This is attributed to the continued improvement in the financial and economic conditions in 2023 compared to 2022.

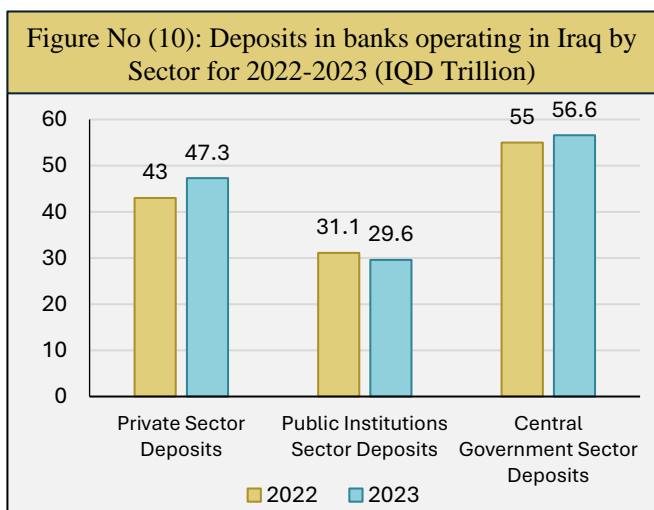
A. Analysis of the Structure of Total Deposits by Sector

The balance of deposits of the private sector increased by (2.9%) in 2023, reaching IQD (56.6) trillion compared to IQD (55.0) trillion in 2022. This is due to a (5.5%) increase in current deposits of the private sector, and a decrease of (1.5%) and (2%) in fixed and savings deposits, respectively. Current deposits continue to dominate the total deposits of the private sector, accounting for (66.6%), while savings deposits ranked second, accounting for (28.8%) of the total private sector deposits respectively, while fixed deposits constituted a decrease of (4.6%).

The balance of deposits for the public sector institutions recorded a decrease of (4.8%) in 2023 to reach IQD (29.6) trillion, compared to IQD (31.1) trillion in 2022. This is attributed to a decrease of (2.5%) in current deposits,

which constitute the main component of the deposit balance with a contribution of (94.6%). Both savings and fixed deposits recorded decreases of (8.7%) and (33.0%), respectively, as shown in the annex of **Table No. (6)**.

The balance of deposits for the central government sector recorded an increase of (10.0%) compared to the previous year, reaching IQD (47.3) trillion in 2023 compared to IQD (43.0) trillion in the previous year. This is due to an increase of (10.6%) in the balance of current deposits. Fixed deposits also increased by (6.1%). This decrease did not affect the increase in the deposit balance for the central government sector due to the decrease in its contribution ratio of (11.6%) compared to the balance of current deposits, which constitutes (88.4%) of the total deposits of the central government.



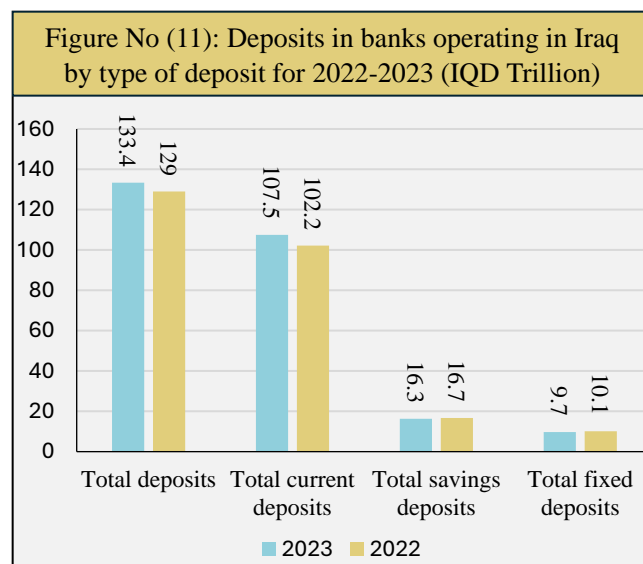
B- Analysis of Total Deposit Structure by Type

Total deposits in the banking sector recorded an increase of (5.13%), amounting to IQD (107.5) trillion in 2023, compared to IQD (102.2) trillion in the previous year. This growth was primarily driven by a significant increase in current deposits.

Conversely, both fixed and savings deposits experienced declines of (4.8%) and (2%), respectively, in 2023.

In terms of contribution to the total deposits, current deposits held the largest share, accounting for (80.5%). This increase can be attributed to higher deposits from the central government, public institutions, and the private sector. Savings deposits followed in second place with a (12.2%) share.

Fixed deposits held the third position with a (7.2%) share, these deposits of the central government grew by (6.1%) and constituted (57.0%) of total fixed deposits, despite declines in both the private sector and public institutions.



C: Analysis of Total Deposit Structure by Banks

The proportion of total deposits held in state-owned banks has decreased to (87.1%) compared to the previous year. Conversely, the share of deposits in private banks has increased to (12.9%), representing a growth rate of (30.1%). The increase in current accounts held by the private sector and the central government, as well as the increase in fixed deposits for public institutions, can be attributed to the public's inclination towards private banks. This also reflects the success of the central bank's efforts to encourage banks to expand and diversify their financial and

banking services to promote financial inclusion.

3- Bank Credit

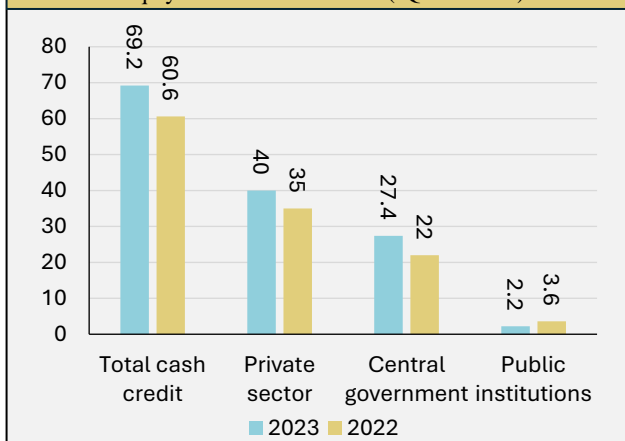
The balance of bank credit extended by banks in Iraq at the end of 2023 recorded an increase of (14.3%) compared to the previous year, reaching IQD (69.3) trillion, compared to IQD (60.6) trillion in 2022. Bank credit represented (21.0%) of the gross domestic product at current prices. This indicates that the depth of the banking system is still low and does not meet the needs of the economy.

A-Cash Credit

-Analysis of the Structure of Cash Credit granted to the Borrower

The balance of **credit extended to the private sector** held the first rank in terms of its contribution, accounting for (57.1%) the total bank credit extended. This figure increased by (12.9%) in 2023. **Credit extended to the central government** ranked second, contributing (39.6%) of the total cash credit in 2023, with a growth rate of (24.9%) compared to the previous year. **Credit extended to public institutions** recorded a decrease of (37%) compared to the previous year, with a decline in its contribution to total extended cash credit.

Figure No (12): Cash Credit Granted by Banks Operating in Iraq by Sector of 2022-2023 (IQD Trillion)

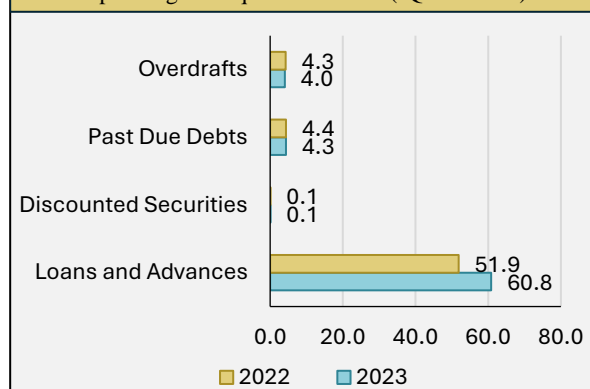


- Analysis of the Total Structure of Extended Bank Credit granted by Type

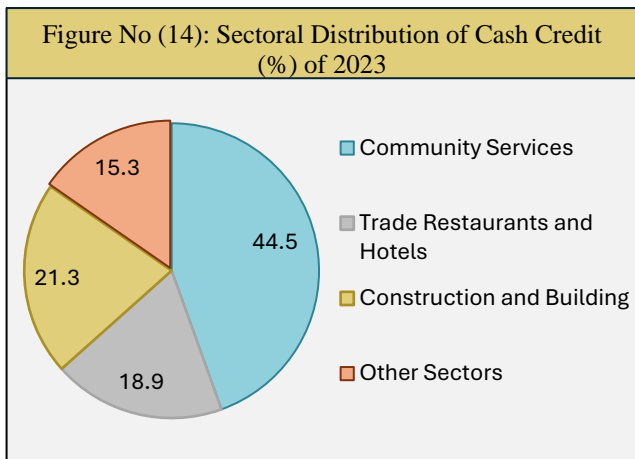
Loans and advances constituted the largest portion of credit extended by banks operating in Iraq in 2023, accounting for (87.8%) of the total credit balance. This was followed by **overdue debts**, which contributed (6.3%) of the total credit balance. **Overdraft balance** accounted for (5.8%) of the total credit balance, while **discounted securities** (0.1%), as detailed in **Table No. (7)**.

Moving on to the growth rates of credit granted according to the qualitative classification, **Loans and advances** recorded an increase in both the central government and the private sector by (26.6%) and (17.2%) respectively. However, the growth rate of **overdue debt** decreased by (0.41%) compared to 2022. This is attributed to a decline in both public institutions and the private sector by (0.8%) and (0.4%) respectively, resulting from improved economic conditions, political circumstances in the country, and the performance of the private sector. **Overdrafts balance** decreased by (5.9%), due to a decrease in the private sector by (10.4%), which constitutes the largest proportion of the total balance of overdrafts. Following this, the balance of **discounted securities** decreased by (3.8%), despite an increase in the private sector by (28.8%) in 2023.

Figure No. (13): Cash Credit by Type in Banks Operating in Iraq of 2022-2023 (IQD Trillion)



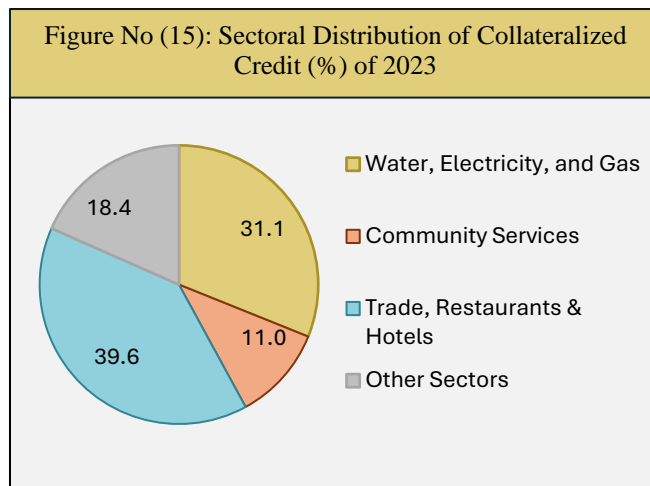
Regarding credit extended by bank type, **state-owned banks** held the largest share, accounting for (84.3%) of total credit extended, while **private banks** held only (15.7%) of total credit extended. This is because state-owned banks hold a substantial proportion of deposits, in addition to salary domiciliation loans, which facilitated individuals' access to credit.



B- Collateralized Credit

Regarding collateralized credit extended by commercial banks operating in Iraq in 2023, it recorded a decrease of (13.1%) compared to the previous year, reaching IQD (26.4) trillion compared to IQD (30.4) trillion in 2022. This is attributed to a decrease in letters of credit by (10.7%), which constituted the largest proportion of total collateralized credit at (67.1%), followed by a decrease of (18%) in guarantees, which accounted for (34.7%) of total collateralized credit.

Public institutions topped the list of total collateralized credit extended with a share of (44.8%), followed by the private sector with (37.2%), while the central government ranked third with (18%) of total collateralized credit, as shown in Appendix **Table No. (8)**.



C- Sectoral Distribution of Bank Credit

Sectoral Distribution of Cash Credit

The water and electricity sector recorded the highest contribution to **overdrafts**, accounting for (41.0%) of the total overdrafts. The trade, restaurants, and hotels sector came in second with (39.7%), while the remaining sectors accounted for (19.3%) of the total overdrafts.

The community services sector ranked first in terms of **discounted securities** with a share of (50.4%). The trade, restaurants, and hotels sector ranked second with a contribution of (43.2%), while the remaining sectors accounted for (6.4%).

The community services sector held the top position in **loans and advances**, accounting for (49.7%), followed by the construction sector at (23.3%). The trade, restaurants, and hotels sector ranked third with a contribution of (15.4%), while the remaining sectors constituted (11.6%).

The trade, restaurants, and hotels sector ranked first in **overdue debts**, with a contribution of (47.5%), followed by the manufacturing sector at (16.4%). The construction sector ranked third at (7.1%), and the remaining sectors accounted for (29%).

Sectoral Distribution of Collateralized Credit

The trade, restaurants, and hotels sector ranked first in letters of guarantee, with a contribution of (39.7%), while the community services sector ranked second at (17.9%). The agriculture and fishing sector made the lowest contribution at (0.1%).

The trade, restaurants, and hotels sector recorded the highest contribution to letters of credit at (39.5%), followed by the water, electricity, and gas sector at (38.4%). The agriculture sector made the lowest contribution at (0.04%).

From the above we notice that the trade, restaurants, and hotels sector, and the community services sector dominate both cash credit and collateralized credit. However, the trade sector is also one of the most delinquent in terms of repayments.

Third: The Consolidated Budget of Banks Operating in Iraq

The consolidated budget of commercial banks operating in Iraq for 2023 recorded an improvement in bank performance through assets (liabilities), as it increased by (2.5%) compared to the previous year to reach IQD (190) trillion, compared to IQD (185.4) trillion at the end of 2022, as shown in **Table No. (15)**. This increase is attributed to the increase in all components of the assets side, except for foreign assets and other assets. On the other hand, some components of the liabilities side increased, except for savings and fixed deposits, foreign liabilities, and other liabilities.

The following is an analysis of the most important developments in the general budgets of commercial banks for 2023.

The Assets Side

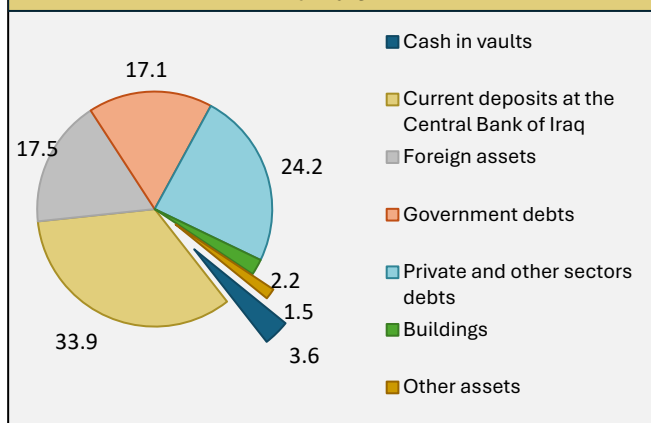
- **Foreign assets**, which include foreign investments by commercial banks, their debts balances with commercial banks outside Iraq + foreign exchange), recorded a decrease of (22.4%) compared to the previous year, reaching IQD (33.2) trillion in 2023 compared to IQD (42.8) trillion in 2022. This decline was primarily due to a decrease in the foreign currency balance by commercial banks recording (22.4%).
- **Cash in Vault:** The amount of cash held by banks in their vaults to meet daily withdrawal requests and other needs increased by (24.1%) to IQD (6.9) trillion, compared to IQD (5.5) trillion in 2022.
- **Current Deposits with the Central Bank:** Current deposits with the central bank recorded an increase of (8.5%) to IQD (64.4) trillion, compared to IQD (59.4) trillion at the end of 2022. This increase is attributed to the growth in deposits from the central government and the private sector with banks operating in Iraq.
- **Government debt:** government debt increased by (21.2%) to IQD (32.5) trillion, compared to IQD (26.8) trillion at the end of 2022, due to an increase in loans and advances.
- **Private Sector and Other Sectors debt:** private sector and other sectors debt increased by (7.5%) to IQD (46) trillion, compared to IQD (42.8) trillion at the end of 2022. This growth is attributed to increased lending to individuals, driven by the continued practice of banks

crediting salaries, which provides a strong guarantee for banks, as well as ongoing lending initiatives by the Central Bank of Iraq.

- **Buildings:** The value of buildings, which are part of the bank's fixed assets, increased by (14.1%) to IQD (4.2) trillion, compared to IQD (7.3) trillion at the end of 2022, due to revaluation of buildings.
- **Other Assets:** Other assets decreased by (36.6%) to IQD (2.8) trillion, compared to IQD (4.4) trillion at the end of 2022.

Contribution Ratios, Current deposits with the central bank accounted for (33.9%) of total assets, followed by loans to the private sector and other sectors at (24.2%). Foreign assets accounted for (17.5%) of total assets, while loans to the government accounted for (17.1%).

Figure No (16): The Relative Importance of Asset Components in the Consolidated Balance Sheet of Commercial Banks (%) of 2023



Liabilities Side (Sources of Funds for Banks)

Current Deposits: Current deposits increased by (1.3%) to IQD (60.9) trillion compared to IQD (60.1) trillion at the end of 2022. This is attributed to the opening of new current accounts due to an increase in salary accounts and the central bank's initiatives that require customers to open a current account to deposit

loan amounts, from other side, other liabilities decreased by (5.1%).

Government Deposits: Government deposits with commercial banks increased by (7.2%) to IQD (57.7) trillion compared to IQD (53.8) trillion at the end of 2022. **Savings and fixed deposits** decreased by (5.3%) to IQD (20.5) trillion compared to IQD (21.6) trillion in 2022. This indicates an increased willingness of the public to deposit their money in banks due to higher nominal interest rates on deposits in 2023. **Deposits of Guarantees and Letters of Credit** increased by (5.8%) to IQD (4.7) trillion compared to IQD (4.5) trillion at the end of 2022, due to an increase in private sector imports. Foreign liabilities decreased by (9.2%) to IQD (0.73) trillion compared to IQD (0.80) trillion in 2022.

While Contribution Ratios, Current deposits had the highest contribution ratio at (32.0%). Government deposits with commercial banks had a contribution ratio of (30.4%). Other liabilities had a contribution ratio of (12.8%). The capital and reserves item recorded (11.2%).

Figure No. (17): The Relative Importance of Liability Components in the Consolidated Balance Sheet of Commercial Banks (%) of 2023

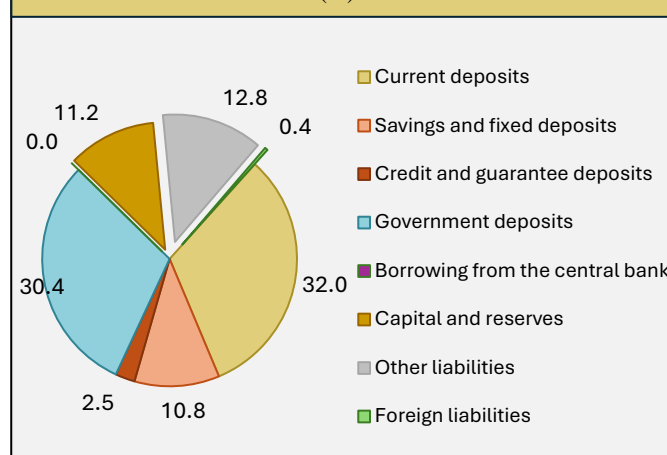


Table No (15): Consolidated Balance Sheet of Commercial Banks of 2022-2023

(IQD Million)

Items	2022	2023	Growth Rate %	Relative importance%
Assets				
Cash in vaults	5,529,826	6,859,898	24.1	3.6
Current deposits with the Central Bank of Iraq	59,375,867	64,426,729	8.5	33.9
Foreign assets	42,803,804	33,222,502	-22.4	17.5
Government debts	26,798,167	32,472,188	21.2	17.1
Private and other sector debts	42,777,213	45,996,562	7.5	24.2
Buildings	3,703,707	4,224,563	14.1	2.2
Other Assets	4,361,902	2,767,085	-36.6	1.5
Total Assets or liabilities	185,350,486	189,969,527	2.5	100.0
Liabilities				
Current deposits	60,095,508	60,896,908	1.3	32.0
Savings and fixed deposits	21,639,729	20,489,033	-5.3	10.8
Credit and guarantee deposits	4,458,488	4,716,142	5.8	2.5
Government deposits	53,840,396	57,721,391	7.2	30.4
Foreign liabilities	800,488	726,715	-9.2	0.4
Borrowing from the Central Bank	0	0		0.0
Capital and reserves	18,988,640	21,193,485	11.6	11.2
Other liabilities	25,527,237	24,225,853	-5.1	12.8

-Source: Central Bank of Iraq, Department of Statistics and Research, Monetary and Financial Statistics Division.

- Data are preliminary and subject to change.



Chapter Four

Public Finance Sector Developments

Iraq's financial policy plays a key role in driving the country's economic activity through the public budget tool, as years of delayed budget approval of 2014-2020-2021 witnessed a slowdown in the movement of economic activity.

Mid-2023 witnessed the approval of the medium-term budget for the 2023-2024-2025 years, the largest in Iraq's history. It is a modifiable medium-term plan in accordance with developments during the years of approval of the public budget, such as oil price shocks, which have a significant impact on public revenues and hence the actual deficit or surplus. This budget relied heavily on internal financing to close the funding gap that amounted to IQD 64.4 trillion.

In this chapter, the report will address the planned budget, the public budget, and developments of internal public debt.

- Planned budget
- Public budget
- Developments of internal public debt.

Public Finance Sector

First: Planned Budget

The Public budget considered as the government's financial curriculum for the next year, including estimates of government expenditures and revenues for the functioning of the government and the achievement of its social, economic, and political purposes, prepared by the executive authority, and become enforceable after approval by the of legislative authority.

a- Revenues

The federal public budget revenues for FY 2023 were estimated at IQD 134.6 trillion, as the estimated revenues from exporting crude oil was calculated based on a price rate of US\$ 70 per barrel and an exporting rate of 3.5 million barrels per day, including 400 thousand barrels of crude oil produced in Kurdistan region based on the exchange rate of IQD 1300 per dollar. The share of oil revenues in total revenues estimated at (87.1%) against (6.8%) of tax revenues and the remaining from non-tax revenues.

b- Expenditure

Federal public budget expenditures for FY 2023 estimated at IQD 198.9 trillion, including operating expenditures (67%), indebtedness (6.4%), special programs (1.8%) and capital expenditures (24.8%).

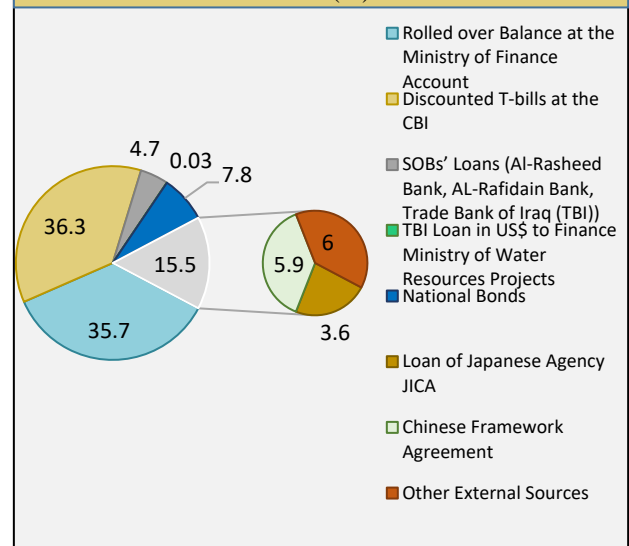
c- Deficit

The 2023 budget recorded a planned deficit of IQD 64.4 trillion, which is covered by the abundance achieved by increased prices of exported crude oil, or the increase of crude oil exports over their estimates, or internal and external borrowing and from the rolled over

balance of IQD 23 trillion at the Federal Ministry of Finance account (MoF) for 2022.

The (discounted T-bills at the CBI item) estimated at (36.3%), while the rolled over amount at the MoF account was (35.7%). The figure below shows that internal funding was higher than external funding, as the share of internal funding¹ contribution was (84.5%).

Figure No (18): Estimated Contribution to Fund the Financial Gap (Deficit) for the Public Budget for 2023 (%)



¹ According to Law No. 13 of 2023, "Federal Public Budget of the Republic of Iraq for FY (2023-2024-2025)".

The discounted T-bills at the CBI constitute (60.4%) of the internal debt in 2023. It explains the large reliance of budget funding gap for 2023 on the discounted T-bills at the CBI by (36.3%) that, in turn, will put pressure on this item during 2024-2025.

¹ Internal Funding = Rolled over Balance at MoF Account + discounted T-bills at CBI + SOBs' Loans (Rasheed, Rafidain, TBI) + National

Bonds + TBI Loan in US\$ to Finance Ministry of Water Resources Projects.

Second: Public Budget

The public budget for 2023 recorded an actual deficit of IQD 6.8 trillion against a surplus of IQD 44.7 trillion for 2022. Since the Federal Public Budget approval delayed until June 2023, disbursement made by 1/12 (one/twelve) or less than total actual expenditure of the current expenditure for the previous fiscal year after the elimination of non-recurrent expenditure monthly, pending the approval of the Federal Public Budget.

Table No (16): Development of (Actual) Public Revenue and Expenditure of the State's Public Budget for 2022-2023 (IQD billion)			
Items		2022	2023
(Actual) Public Revenue		161,697.4	135,681.3
Growth Rate %		-16.1	
(Actual) Public Expenditure*		116,959.6	142,435.6
Growth Rate %		21.8	

Source: Ministry of Finance, Accounting Dept.

- Preliminary adjustable data.

* Do not include payments of (government commitments).

a- Public Revenues

Public revenues for 2023 fell by (16.1%) to reach IQD (135.7) trillion compared to IQD 161.7 trillion for 2022 due to the decline of oil prices, as oil revenues constitute the largest share of total revenues reaching (90.9%) at an amount of IQD (124.4) trillion, with a decrease of (19%). On the other hand, both commodity taxes and production fees declined to (12.6%) and manufacturing revenues to (220.9%).

In contrast, both income and wealth taxes increased by (77.2%) owing to lower tax evasion and higher number of government employees this year, as the tax on government employees' salaries accounted for the largest proportion of these taxes.

Other revenues also increased by (204.1%), as fees, budget share of public sector profits, capital revenues increased by (4.2%), (165.5%), and (69.6%), respectively, compared to the previous year. It is also noted that oil revenues continue to dominate public revenues by very high percentage compared to other revenues, while taxes in all their forms continue to be of low percentage (4.3%), which require work to expand the public revenue base by tax automation and electronic collection apparatus to mobilize public financial resources.

Box No. (2)

On 15 June 2023, Iraq approved the Federal Public Budget Law for the years (2023-2024-2025) after it was disrupted for one and a half year, as total public revenues estimated at IQD (134.5) trillion, total public expenditures at IQD (198.9) trillion and total planned deficit at IQD (64.3) trillion.

Table No (17): Components of the State (Actual) Public Revenues for 2022-2023

IQD billion

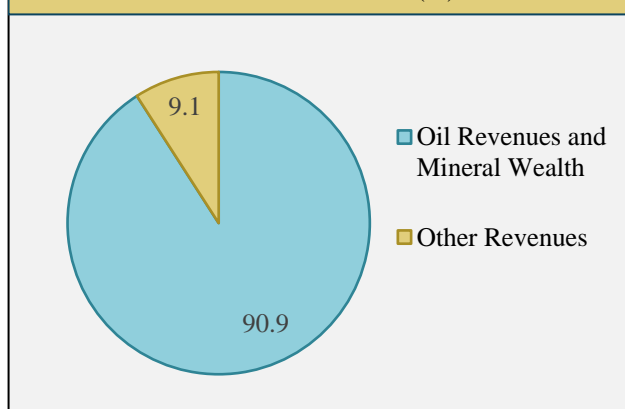
Revenues	2022	2023	Change Rate %	Contribution to Total Public Revenues %
Oil Revenues and Mineral Wealth	153,623.3	124,428.7	-19.0	90.9
Taxes on Income and Wealth	2,778.1	4,923.1	77.2	3.6
Commodity Taxes and Production Fees	1,133.3	990.1	-12.6	0.7
Other Revenues	1,124.3	3,419.4	204.1	2.5
Manufacturing Revenues	1,041.7	-1,259.3	-220.9	-
Fees	1,257.9	1,310.8	4.2	1.0
Budget Share from Public Sector Profits	641.4	1,703.2	165.5	1.2
Capital Revenues	97.4	165.2	69.6	0.1
Total Revenues	161,697.4	135,681.2	-16.1	100
Revenues After excluding Manufacturing Revenues	160,655.7	136,940.6		

Source: Ministry of Finance, Accounting Dept.

- Preliminary adjustable data.

- Contribution rate calculated after excluding manufacturing revenues.

Figure No (19): Contribution Rate of Oil and Other Revenues To Public Revenues (%) for 2023



b- Public Expenditures

In 2023, Actual public expenditure increased significantly by (21.8%) to reach IQD 142.4 trillion against IQD 117.0 trillion in 2022, representing (42.9%) of GDP at current prices. It is attributable to higher (current) expenditures of (12.7%) and investment expenditures of (101.3%) despite the decrease of public revenues by (16.1%) compared to 2022, as shown in table No. (18). Current expenditures constitute the largest share of total public expenditures reaching (83.0%), while investment expenditures contributed to (17.0%) of total public expenditures.

Table No (18): Actual Public Expenditures (Current and Investment) for 2022-2023

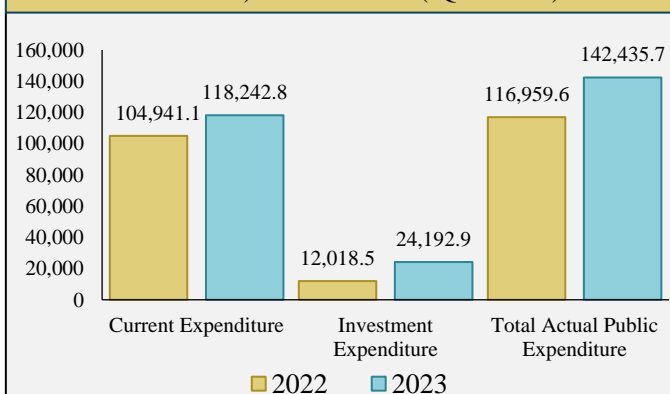
IQD billion

Public Expenditures	Current Expenditures	Investment Expenditures	Total Actual Public Expenditures
2022	104,941.1	12,018.5	116,959.6
2023	118,242.8	24,192.9	142,435.7
Change Rate %	12.7	101.3	21.8
Contribution Rate to Total Public Expenditures	83	17	100

Source: Ministry of Finance, Accounting Dept.

- Preliminary adjustable data.

Figure No (20): Actual Public Expenditures (Current and Investment) for 2022-2023 (IQD billion)



1- Current Expenditure

In 2023, current expenditure increased by (12.7%) to reach IQD 118.2 trillion against IQD 104.9 trillion in 2022, constituting (35.6%) of GDP at current prices due to higher current expenditure components excluding commodity supplies, which decreased by

(18.8%) and maintenance of assets by (5.0%), respectively. As employees' compensation increased by (8.3%) due to the payment of (contract employees' wages), salaries of new recruits, and the Council of Ministers decision to increase pensioners' salaries by IQD 100 thousand. Also (grants, subsidy and debt service) item increased by (81.1%) because of the launch of a compensatory grant for political prisoners along with partial repayment of public debt interests, while social welfare recorded the lowest growth rate

of (0.8%) due to audit process of those covered by social welfare, as shown in the **Table No. (19)**.

At the contribution level, employees' compensation accounted for the largest proportion of total current expenditures reaching (39.9%) followed by social welfare (21.1%). The (grants, subsidy, and debt service) item ranked third (17.2%), while the other items recorded the remaining percentage of (21.8%).

Table No (19): Actual Current Expenditure of the State Public Budget for 2022-2023				
IQD Billion				
Expenditures	Amounts		Change Rate %	Contribution to Total Current Expenditure %
	2022	2023		
Employees' Compensation	43,614.0	47,216.8	8.3	39.9
Grants, Subsidy and Debt Service	11,245.9	20,369.8	81.1	17.2
Social Welfare	24,783.5	24,988.4	0.8	21.1
Commodity Supplies	14,320.9	11,630.2	-18.8	9.8
Special Programs	859.9	1,060.8	23.4	0.9
Service Supplies	1,142.1	1,899.6	66.3	1.6
Maintenance of Assets	613.4	582.5	-5.0	0.5
Capital Expenditures	261.4	645.0	146.7	0.5
Commitments and Contributions	40.2	83.7	108.0	0.1
Indebtedness (Debt Service)	8,059.7	9,766.1	21.2	8.3
Total	104,941.00	118,242.90	12.7	100

Source: Ministry of Finance, Accounting Dept.

- Preliminary adjustable data.

2- Investment Expenditure

Investment expenditures during 2023 recorded a rise of (101.3%) to reach IQD 24.2 trillion compared to IQD 12.0 trillion in 2022, recording (7.3%) of GDP at current prices due to higher investment expenditures for all sectors (except transportation and communications) following the approval of the public budget. Investment expenditure growth prior to approval of the public budget (before July) was (58.3%), while it was (121.3%) after approval of the public budget, which illustrates the impact of public budget approval on increased investment expenditure. The industrial sector recorded the highest growth rate of (388.7%) after the approval of the public budget, as it grew by (28.7%) before

the public budget was approved (before July), while its growth was (483.5%) after the approval of the public budget, which is a positive indicator for government's trend towards industrial sector development that could increase the non-oil GDP contribution to total GDP over the coming years.

Therefore, non-oil revenues will increase in total revenues.

The (buildings and services) sector grew by (40.1%) after the government undertook several service projects, most notably traffic jams, while the (transportation and communications) sector fell by (3.3%). At contribution rates level, the industrial sector accounted for the highest percentage to record a contribution rate of (48.7%), whereas (buildings and services) sector captured the highest allocation of total investment expenditures in 2022, which came second at (30.5%). It indicates that the industrial sector is significant. The (transportation and communications) sector ranked third by (12.9%), followed by both education and

agriculture sectors (5.9%), respectively, as shown in the **Table No. (20)**.

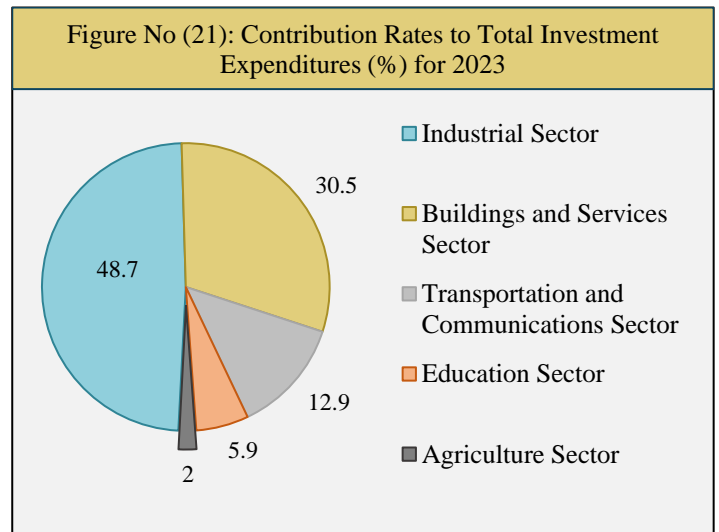


Table No. (20): Investment Expenditures of the State Public Budget for 2022-2023				
(IQD Billion)				
Sectors	2022	2023	Change Rate %	Contribution Rate to Total Investment Expenditures (%) for 2023
Industrial Sector	2,412.3	11,788.8	388.7	48.7
Buildings and Services Sector	5,265.7	7,379.1	40.1	30.5
Transportation and Communications Sector	3,231.6	3,126.3	-3.3	12.9
Education Sector	738.0	1,410.6	91.1	5.9
Agriculture Sector	370.9	488.1	31.6	2.0
Total	12,018.5	24,192.9	101.3	100

Source: Ministry of Finance, Accounting Dept.
- Preliminary adjustable data.

Third: Developments of Internal Public Debt

Internal debt is a critical factor, especially for low credit ranking countries, as many countries choose to access funds through various forms of internal debt instruments, such as transfers and bonds, to cover a substantial portion of the national budget deficit.

The internal public debt at the end of 2023 rose by (1.5%) to reach IQD (70,557.5) billion against IQD (69,495.7) billion in 2022, owing to the introduction of “Emaar bonds” along with higher loans from government financial institutions to support public spending resulting to change the debt structure of Ministry of Finance towards bonds. Also new “Emaar bonds” were issued and some contractors' and farmers' bonds were recovered, as shown in **Table No. (21)**.

Ministry of Finance T-bills

A. Ministry of Finance T-bills Outside the Auction

In 2023, MoF T-bills outside the auction recorded a decline of (4.7%) because of the decrease of T-bills outstanding debt balance (reserve requirement), as it recorded a decline of (7.3%) at the end of 2023 to reach IQD (3,346.0) billion in 2023, compared to IQD (3,607.9) billion at the end of 2022. The Trade Bank of Iraq (TBI) loan fell by (14.9%) during this year to reach IQD (1,760.5) billion, with a declined outstanding debt balance of discounted T-bills by CBI at the secondary market in 2023 compared to 2022 reaching IQD (42,643.1) billion.

B. Loans

In 2023, loans sector increased by (15.7%) with a total of IQD (18,261.2) billion compared to IQD (15,779) billion in 2022.

The constituent sectors of loans are as follows:

There was a slight rise of self-financing companies' loans to meet their employees'

salaries during the period (2010-2014) in 2023, reaching IQD (8,088.3) billion against IQD (8,160.7) billion compared to 2022. A decrease of extended loans noted in 2020 reaching IQD (5,622.5) billion by the end of 2023 compared to the previous year, reaching IQD (6,017.5) billion. A decrease of loans for self-financed projects also observed in the Ministry of Electricity under Council of Ministers Decision No. 314 of 2014, as it reached IQD (545.5) billion in 2023 compared to the previous year, in which it amounted IQD (606.5) billion. Also, TBI's dollar loans for the Samawah Water Project decreased by (17.6%) in 2023 to reach IQD 419.5 billion in 2023, against IQD (509) billion for the previous year. The emergence of the extended loans to the Ministry of Agriculture in 2010 with a value of IQD (218.7) billion and the item of SOBs' loans with a value of IQD (3,000) billion led to a rise of the proportion of public loans in 2023.

C. Bonds

The amounts of sold bonds (contractors' receivable bonds, “Binna” bonds) increased by (62%) in 2023 to reach IQD (3,291.0) billion against IQD (2,031.1) billion in 2022 owing to the introduction of new bonds (Emmar bonds) with an amount of IQD (2,999.9) billion. In contrast, T-bills fell by (78.1%) due to the repayments of Ministry of Finance for 2023.

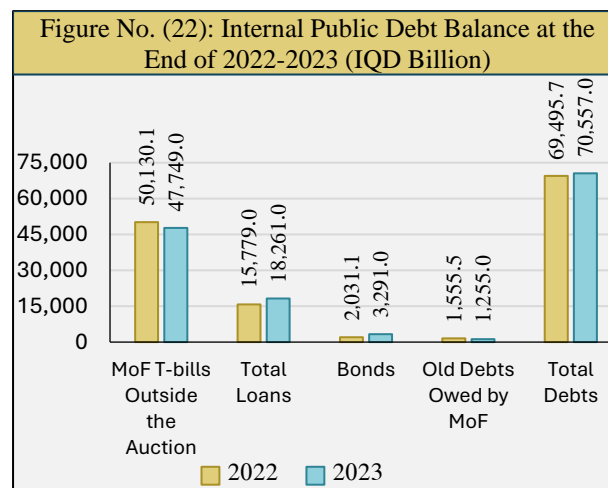


Table No. (21): Developments of Internal Public Debt for (2022- 2023)

(IQD billion)

Details	Outstanding Debt Balance at the End of 2022	Outstanding Debt Balance at the End of 2023	Internal Debt Growth Rate %
T-Bills Auctions for (364) Days	—	—	—
Old Debts Owed by MoF	1,555.5	1,255.5	-19.3
MoF T-Bills Outside the Auction	50,130.1	47,749.6	-4.7
- TBI Loan	2,069.8	1,760.5	-14.9
- Reserve Requirement T-Bills	3,607.9	3,346.0	-7.3
- T-Bills Purchased by CBI at the Secondary Market	44,452.4	42,643.1	-4.1
- T-Bills Discounted by AL-Rafidain Bank	—	—	—
Bonds	2,031.1	3,291.0	62.0
- Forward Delivery (Immar' Bonds).	—	2,999.9	—
- National Bonds.	—	—	—
- Farmers' Bonds/ Binna Bonds.	1,948.8	251.9	-87.1
- Contractors' Receivables Bonds.	82,357	39.2	-99.9
Total Loans	15,779	18,261.2	15.7
- TBI's Dollar Loans - Samawah Water Project	509	419.5	-17.6
- Loans of Self-Financed Projects for The Ministry of Electricity Under Council of Ministers Decision No. 314 of 2014.	606.5	545.5	-10.1
- TBI Loans to Finance the Ministry of Trade and Ministry of Agriculture.	485.3	366.5	-24.5
- Loans Granted to The Ministry of Agriculture Under the Guarantee of MoF 2010	—	218.7	—
- Self-Financing Companies' Loan to Pay Their Employees' Salaries For 2010, 2011, 2012, 2013, 2014.	8,160.7	8,088.3	-0.9
- Loans Granted During 2020.	6,017.5	5,622.5	-6.6
- SOBs' Loans.	—	3,000	—
Total Internal Public Debt	69,495.7	70,557.5	1.5

Source: Ministry of Finance, Accounting Dept.

- Preliminary adjustable data.



Chapter Five
Developments of External
Sector and Iraqi Balance
of Payments

The external sector constitutes the real backbone of a country's economy. It encompasses the balance of payments with all its components. This chapter, which clarifies the external sector, is crucial for fostering economic stability in Iraq. Iraq heavily relies on crude oil exports and imports to meet its commodity needs, which reflects the degree of economic exposure. Moreover, a significant portion of its trade is concentrated with Asian countries."

This chapter examines the volume of Iraq's external trade in 2022-2023, including its major trading partners in terms of both exports and imports. Subsequently, it delves into the composition of exports and imports, followed by an analysis of the balance of payments for the year 2023.

- External trade
- Balance of payments

External Sector

First: External Trade

The external sector constitutes the real backbone of a country's economy, both exports and imports, as well as including the balance of payments in all its paragraphs, and what this chapter includes of clarification of the external sector to create economic stability in Iraq, as this chapter explains the volume of Iraq's external trade for the years 2022-2023. Additionally, it identifies Iraq's key trading partners in terms of exports and imports, delves into the commodity composition of exports and imports, and subsequently conducts an analysis of the balance of payments for the year 2023.

Iraq's total external trade recorded a decline of (4.7%) in 2023, reaching USD (165.0) billion compared to USD (173.2) billion in 2022. This decrease is attributed to a significant drop in exports in 2023 compared to 2022, with exports declining by (16.0%) to reach USD (99.2) billion compared to USD (118.0) billion in 2022. This decline is mainly due to a (16.5%) decrease in crude oil exports because of the production cuts implemented by OPEC+ during 2023. The monthly average of crude oil exports amounted to (85.5) million barrels with an annual production of (1026.0) million barrels at a price of USD (78.5) per barrel in 2023, compared to a production of (1628.7) million barrels and a monthly average of (89.6) million barrels at a price of USD (95) per barrel in 2022. Meanwhile, imports on a CIF basis recorded an increase of (19.2%) to reach USD (65.8) billion compared to (55.2) billion in 2022. This increase is mainly due to a (73%) rise in imports from India, driven by a (68%) increase in fuel (gasoline) imports, a (90%) increases in rice

imports, a (40%) increases in sugar imports, and a (15%) increase in red meat imports. While the economic exposure rate reached (65.0%) for the year 2023, which is less than the year 2022 of (60.1%), this indicates that the Iraqi economy continues to suffer from significant external exposure, as its vulnerability index exceeded the benchmark of 45%, despite a decline as shown in **Table No. 22**.

Table No. (22): Volume of External Trade 2022-2023
(USD million)

	2022	2023	Growth %
External trade volume	173,239	164,975.6	-4.8
Exports	118,045	99,149.2	-16.0
Imports*	55,194	65,826.4	19.3
Economic Exposure (%)	60.1	65.0	—

- Source: Imports, Exports: Central Bank of Iraq, Statistics and Research Department, Balance of Payments and External Trade Division.

- * Calculation of CIF-based imports.

- *Initial data adjustable.

Figure No. (23): Volume of External Trade in Iraq in
2022-2023 (USD 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 (69.07%) and (73.81%) of the total exports and imports, respectively. The commercial importance of Asian countries with Iraq comes from the fact that the largest proportion of the market share of oil is for the benefit of China and India as a result of its increasing need for energy due to the continuous rise in production levels, as for imports, most of Iraq's imports are transport machinery and equipment, most of which are derived from Asian countries, the

most important of which are China, Korea and Japan, while Western European countries rank second in the trade partnership, as the contribution of Iraq's exports to that region reached (18.47%) of the total exports, while the contribution of imports reached (11.4%) of the total imports, while the contribution of exports to North America and Arab countries reached (7.57%, 3.93%) of the total exports respectively, and imports contributed (2.18%, 8.56%) of the total imports, respectively, in While the percentage of Iraq's exports and imports to the rest of the world constituted (0.96% and 4.03%) of the total exports and imports respectively, as shown in **Table No. (23)**.

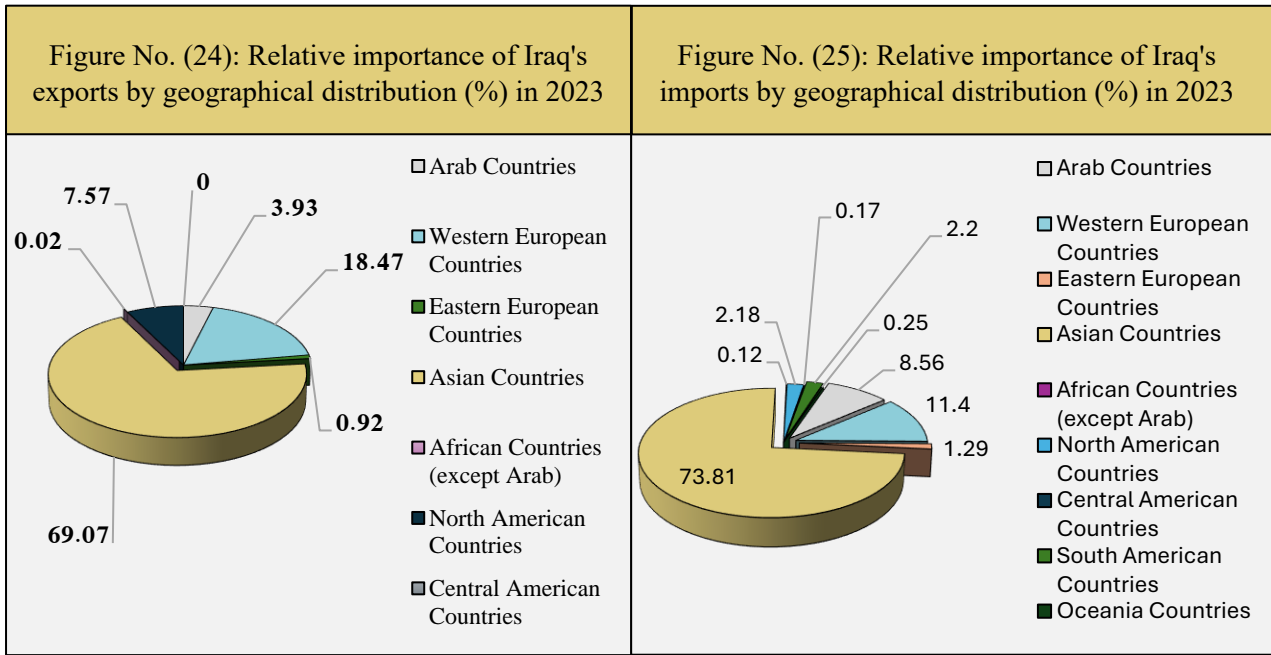
Table No. (23): Showing Iraq's Trade Partners for 2022-2023

Geographical Region	2022		2023		Contribution to Total Exports for 2023 %	Contribution to Total imports for 2023 %
	Exports	Imports	Exports	Imports		
	Arab Countries	4,639	4,725	3,896		
Western European Countries	21,803	6,303	18,313	7,517	18.47	11.4
Eastern European Countries	1,086	712	912	849	0.92	1.29
Asian Countries	81,534	40,739	68,482	48,586	69.07	73.81
African Countries (except Arab)	24	66	20	80	0.02	0.14
North American Countries	8,936	1,203	7,506	1,435	7.57	2.18
Central American Countries	0	94	0	112	0.00	0.17
South American Countries	23	1,214	20	1,448	0.02	2.20
Oceania Countries	0	138	0	164	0.00	0.25
Total	118,045	55,194	99,149	65,826	100.00	100.00

- Central Bank of Iraq, Statistics and Research Department, Balance of Payments, and External Trade Division.

- Value of imports based on CIF.

- Preliminary adjustable data.



2. Commodity Structure of Iraqi Exports

The fuel and mineral category, encompassing (oil and petroleum products), contributed the highest percentage to total exports in 2023, accounting for (99.57%). The remaining categories (including food and live animals, crude materials, except fuels, and manufactured goods) comprised the remaining

(0.43%) of total exports in 2023. This indicates the depth of structural imbalance in the Iraqi economy and a heavy reliance on crude oil exports, resulting from a weak business environment, a low role of the private sector in GDP, and a lack of economic diversification, which reflects the non-diversity of exports, as shown in **Table No. (24)**.

Table No. (24): Commodity Structure of Iraqi Exports 2022-2023

(USD million)

	2022	Relative Importance % 2022	2023	Relative Importance % 2023	Growth Rate 2023%
Food and living animals	35	0.03	228	0.230	551.4
Drinks and tobacco	0	0.00	0	0.000	-
Non-food raw materials except fuel	142	0.12	193	0.195	35.92
Mineral fuel and related lubricants *	117,864	99.85	98,721	99.568	-16.3
Animal and plant oils and greases	0	0.00	0	0.000	-
Chemicals	0	0.00	0	0.000	-
Manufactured goods	4	0.003	2	0.002	-50
Transportation machinery and equipment	0	0.00	5	0.005	-
Miscellaneous manufactures	0	0.00	0	0.000	-
Unclassified goods	0	0.00	0	0.000	-
Total	118,045	100	99,149	100.00	-16.01

- Central Bank of Iraq, Statistics and Research Department, Balance of Payments, and External Trade Division.

- * * Includes exports of crude oil and petroleum products.

- Preliminary adjustable data.

3-Commodity Composition of Iraqi Imports

The category of machinery and transport equipment ranked first in terms of contribution to total imports, accounting for (38.50%). Despite this high percentage, most of this equipment is for personal use, with a smaller portion being directed towards production. Following this, the categories of (miscellaneous manufactured articles) and (manufactured goods) contributed (15.80%) and (11.40%) respectively. The categories of (mineral fuels and lubricants), (chemical products), (animal and vegetable oils and fats), and (food and live animals) recorded (9.8%), (6.7%), (6.4%), and (5.4%) respectively. The category of (miscellaneous articles) recorded (2.9%), while (crude materials, except fuels) recorded (1.8%). This indicates a decline in

demand for goods used in production due to weak domestic production. The category of (beverages and tobacco) recorded (1.3%) of total imports, as shown in **Table No. (25)**.

The weakness of domestic production and overreliance on oil revenues have opened the door for the importation of foreign goods to dominate the local market. This, in turn, has led to a significant outflow of foreign currency to cover the cost of these large imports, which primarily consist of consumer goods. This has resulted in a persistent deficit in the non-oil trade balance, especially as essential goods such as food staff and live animals have recorded a remarkable growth rate of (19.3%) this year compared to the previous year. Similarly, imports of non-food raw materials, excluding fuel, have increased by (19.3%).

Table No. (25): Commodity Structure of Iraqi Imports 2022-2023 (USD million)

Commodities	2022	2023	Relative Importance% 2023
Food and living animals	2,980	3,555	5.40
Drinks and tobacco	718	856	1.30
Non-food raw materials except fuel	993	1,185	1.80
Mineral fuel and related lubricants *	5,409	6,451	9.80
Animal and plant oils and greases	3,532	4,213	6.40
Chemicals	3,698	4,410	6.70
Manufactured goods	6,292	7,504	11.40
Transportation machinery and equipment	21,250	25,343	38.50
Miscellaneous manufactures	8,721	10,400	15.80
Unclassified goods	1,601	1,909	2.90
Total	55,194	65,826	100.00

Source: Central Bank of Iraq, Statistics and Research Department, Balance of Payments, and External Trade Division.

Second: Balance of Payments:

Based on the available data, Iraq's balance of payments recorded a surplus of USD (20,078.8) million in 2023. This surplus was primarily due to an increase in the reserve assets managed by the Central Bank during this period. Several factors contributed to this surplus, as reflected in an analysis of the components of Iraq's balance of payments, as follows:

First- Current Account

The Balance of Payments Current Account Index reflects the conduct of the State through the State's public budget and the conduct of the private sector. Through our available data, the current net account recorded a surplus of USD (28,374.6) million during 2023.

1- Balance of Trade

The trade balance achieved a surplus of USD (43,196.7) million in 2023. Total exports amounted to USD (99,149.2) million, including the value of crude oil in-kind payments to foreign oil companies, which was USD (13,388.2) million. Total imports, on the other hand, were recorded at USD 65,826.4 million on a CIF basis and USD (55,952.5) million on an FOB basis. A (15%) deduction was made from the total value of imports for shipping and insurance costs to convert it from CIF to FOB.

2- Net Services Account

The net service account during 2023 showed a deficit of USD (16,524.0) million, resulting from increased payments of USD (25,226.7) million, mostly for travel, transportation, and insurance costs.

The receipt side amounted to USD (8,702.7) million, mostly under travel, which includes

Arab and foreign nationals coming to Iraq for tourism and visiting holy shrines.

3- Primary Income Account

During 2023, the net primary income account achieved a surplus of USD (973.3) million. Below are the details of this account:

- A- Workers' compensation:** It represents the transfer amounts by workers who work outside their home countries for less than a year. During 2023, net workers' compensation account achieved a surplus of USD (71.3) million.
- B- Investment Income:** The net investment income account recorded a surplus of USD (902.0) million due to an increase in receipts, primarily from interest income on investments held by both the Central Bank and the Ministry of Finance.

4- Secondary Income Account:

The secondary net income account recorded a surplus of USD (728.6) million in 2023. This was due to an increase in receipts of USD (614.6) million, a decrease in payments of USD (63.1) million, and a rise in net private transfers of USD (177.1) million, primarily from remittances sent by non-residents to their families and by workers working abroad for more than a year.

Second - Capital Account:

The net capital account recorded a deficit of USD (41.2) million in 2023. This account represents capital transfers resulting from the disposal of fixed assets and capital grants received from governments and international organizations.

Third - Financial Account

The net financial account recorded a surplus of USD (25,988.3) million in 2023. This positive balance resulted from changes in both external financial assets and liabilities. A breakdown of

the components of this account is presented below.

1- Net Direct Investment

This account recorded a surplus of USD (5,649.7) million in 2023. This surplus was due to an increase in external financial assets of USD (286.2) million, coupled with a decrease in financial liabilities of USD (5,363.5) million. The decrease in liabilities was primarily due to the repayment of capital costs for oil fields by service contract contractors to foreign oil companies operating in Iraq.

2- Net Portfolio Investment

Net portfolio investment during 2023 reached a surplus of USD (243.1) million because of a decrease in government liabilities of USD (348.3) million and a rise in other sectors' assets of USD (12.5) million.

3- Other Net Investment

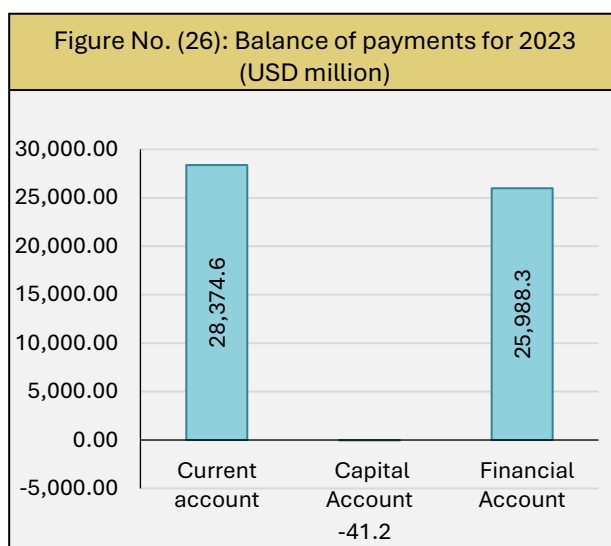
Other net investment during 2023 achieved a surplus of USD (16.7) million due to a decrease in the official sector's financial liabilities of USD (5,903.6) million, lower net official investment of other depositories worth USD (3,970.0) million and higher net deposits abroad worth USD (325.5) million.

4- Reserve Assets (Official Reserves)

During 2023, the central bank's reserve assets achieved a surplus of USD (20,078.8) million because of an increase in external assets managed by the central bank in currency and deposits with foreign banks.

Fourth-Net Omission and Error Paragraph

Net errors and omissions accounted for a deficit of USD (2,345.1) million in 2023. This negative figure indicates that there were debit transactions that were either not recorded in the balance of payments or were not fully covered due to a lack of data, or there may have been credit entries that were overestimated.





Chapter Six

Payments System Development

Iraq boasts one of the world's most advanced electronic payment systems, utilizing a secure and efficient network responsible for exchanging payment orders between banks.

The Central Bank of Iraq operates and manages settlement accounts for participants to ensure the safety and efficiency of the payment system and clearing operations. The Central Bank of Iraq aims to bolster economic confidence by creating a secure environment and a sound and competitive banking system that aligns with international banking standards. Additionally, it seeks to maintain price stability in the country, enhance competitiveness, and establish a stable financial system.

Payment systems represent a modern form of settlement of transactions. They serve as a tool that provides cash settlement services electronically and have a positive impact on capital markets. Electronic payments contribute to increased capital accumulation and, consequently, foster economic growth.

Moreover, the system enhances the regulatory capacity of individuals and institutions, alleviates liquidity crises, eliminates the problem of counterfeit banknotes, and protects users from certain losses. Banks are responsible for educating their customers and the public in general about adopting payment systems as a quick, secure, and efficient means of payment.

This chapter provides an overview of the most significant developments in Iraq's electronic payment system in 2023 and outlines future strategic plans.

- The Most Important Components of The Iraqi Payment System.
- Financial Inclusion.

First: Iraq's Payment System components

A- Real-Time Gross Settlement (RTGS) System

The RTGS system serves as a crucial link between the Central Bank of Iraq, major bank branches, and the Ministry of Finance for the exchange of high-value payment orders within Iraq. This system replaces the manual execution of financial transactions and eliminates the risks associated with the overall settlement of payment values between all banks operating in Iraq.

The number of Iraqi Dinar transactions decreased by (4.4%) in 2023 to (69,386) compared to (72,561) in 2022. However, the total value of these transactions increased by (19.5%) to IQD (276.5) trillion in 2023, compared to IQD (231.4) trillion in 2022.

The number of US Dollar transactions also decreased by (9.5%) to (27,256) in 2023 compared to (30,107) in 2022. Yet, the total value of these transactions surged by (21.8%) to USD (11.3) billion in 2023, compared to USD (9.2) billion in the previous year.

Most transactions between banks and the Central Bank are conducted in the Iraqi Dinar, accounting for (72%) of the total transactions within the system. This trend can be attributed to the Iraqi banking sector's adoption of a financial transfer system designed to manage the usage of the US Dollar in official transactions and curb the growth of the informal economy. The implementation of the electronic platform for selling US Dollars has led to an increase in the value of financial transfers in 2023 compared to 2022.

Figure No. (27): Number of Transfers via the Real Time Gross Settlement (RTGS) System in Iraqi Dinar and US Dollars of 2020-2023

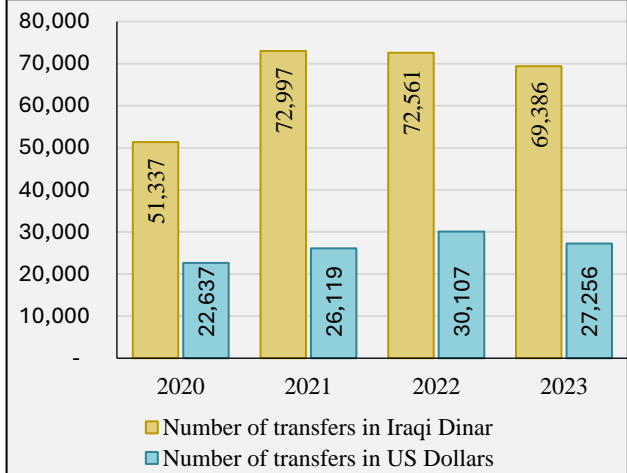
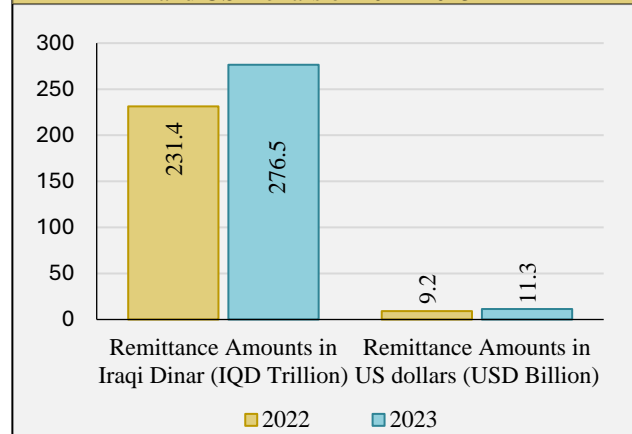


Figure No. (28): Number of Transfers via the Real Time Gross Settlement (RTGS) system in Iraqi Dinars and US Dollars of 2022-2023



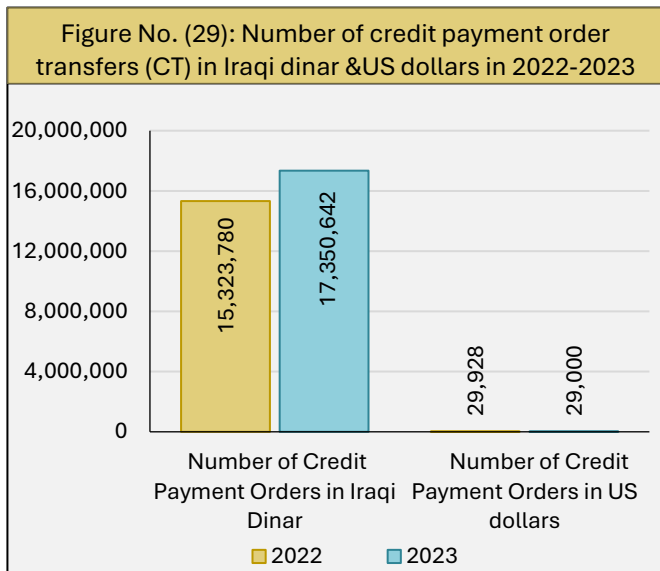
B- Electronic Clearing System (C-ACH)

1. Credit Transfer Orders (CT) in the Electronic Clearing System (C-ACH)

The number of credit transfer orders in Iraq recorded a (13.2%) increase in 2023, reaching (17,350,642) transactions compared to (15,323,780) in the previous year. Concurrently, the value of these transactions in Iraqi dinar surged by (23.4%), amounting to IQD (37.4) trillion in 2023, up from IQD (30.3) trillion in 2022

Conversely, the number of credit transfer orders in US Dollars experienced a (3.1%) decrease, reaching (29,000) transactions in

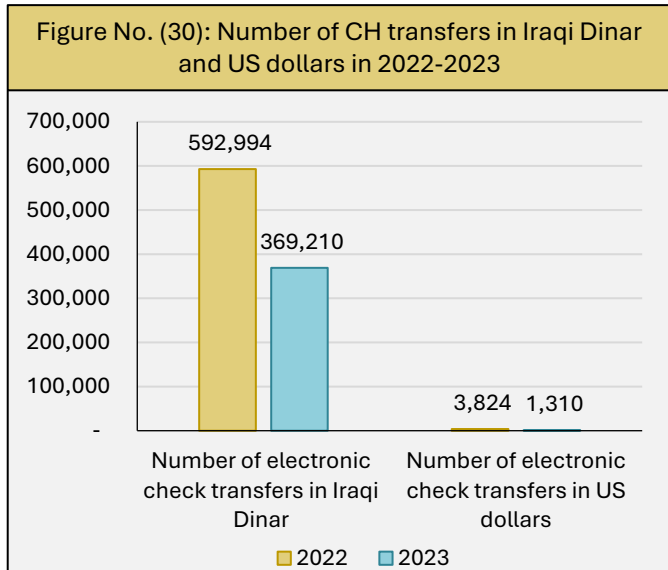
2023 compared to (29,928) in 2022. However, the value of these transactions in US Dollars saw a (24.2%) increase, reaching USD (407.6) million in 2023 compared to USD (328) million in 2022.



2. Check Transactions (Ch) in the Electronic Clearing System (C-ACH)

The number of check transactions in Iraqi recorded a significant decline of (37.7%) in 2023, reaching (369,210) transactions compared to (592,994) transactions in 2022. Simultaneously, the value of these transactions also decreased by (15%), amounting to IQD (25.8) trillion in 2023, down from IQD (30.3) trillion in 2022.

Regarding US Dollar check transactions, there was a substantial decrease of (65.7%), reaching (1,310) transactions in 2023 compared to (3,824) transactions in the previous year. However, the value of these transactions witnessed a remarkable increase of (173.3%), amounting to USD (617.2) million in 2023, up from USD (255.9) million in 2022.



C. Internal Clearing System (IBCS)

This is an internal clearing system for government banks that do not have a comprehensive banking system. It enables the bank's general management to monitor transfers accurately, efficiently, and transparently, and provides a database for settlement and auditing processes.

1. Credit Transfer Orders (CT) in the Internal Clearing System (IBCS)

The number of Iraqi Dinar transactions recorded an increase of (2.5%), reaching (39,859,679) transactions in 2023 compared to (38,887,041) transactions in 2022. Meanwhile, the value of these transactions increased by (14.6%), reaching IQD (59) trillion in 2023 compared to IQD (51.5) trillion in 2022.

As for US Dollar transactions, the number decreased by (27%), reaching (235) transactions in 2023 compared to (324) transactions in the previous year. The value of these transactions also decreased by (55%), reaching USD (42.2) million in 2023 compared to USD (94) million in the previous year.

2. Electronic Check Transactions (CH) in the Internal Clearing System (IBCS)

The number of electronic check transactions in Iraqi dinar decreased by (28.4%) in 2023, reaching (360,875) transactions compared to (503,703) transactions in the previous year. Despite this decrease in the number of transactions, their value increased by (2.3%), reaching IQD (18.2) trillion in 2023 compared to IQD (17.8) trillion in the previous year. The number of electronic check transactions in US Dollars remained unchanged in 2023 at (23) transactions, the same as the previous year. Conversely, the value of these transactions increased by (62.8%), reaching USD (37) million in 2023 compared to USD (22.7) million in the previous year.

D. Iraqi Retail Payment System Infrastructure (IRPSI)

IRPSI is a tool for measuring the efficiency and effectiveness of financial performance in both the government and private sectors. It is a centralized electronic payment system used to facilitate financial transactions between various financial institutions in the country.

The IRPSI system enables electronic fund transfers between banks and electronic payment service providers through point-of-sale terminals and ATMs. This allows credit card holders to make withdrawals and purchases, as well as conduct financial transactions through the mobile payment system by transferring funds via electronic wallets. The system acts as an intermediary between banks and electronic payment companies, allowing transactions to be conducted smoothly and securely.

The number of financial transactions for local credit cards in Iraqi recorded a (61%) increase, reaching (18,624,624) transactions in 2023

compared to (11,568,090) transactions in the previous year.

And its value increased by (17.1%), reaching IQD (9.6) trillion in 2023 compared to IQD (8.2) trillion in the previous year. As for the number of transactions in US dollars, it recorded a slight decrease of (0.3%), reaching (24,625) transactions in 2023 compared to (24,704) transactions in the previous year, while its value increased by (23%), reaching USD (9) million in 2023 compared to USD (7) million in 2022.

On the other hand, the number of financial transactions through electronic payment methods using mobile phones and electronic wallets recorded a (140.6%) increase, reaching (13,193,417) transactions in 2023 compared to (5,483,198) transactions in the previous year. In addition, the value of these financial transactions increased by (388%), reaching IQD (5) trillion in 2023 compared to IQD (1) trillion in 2022.

And this increase is due to the activities of electronic payment companies, represented by Zain Cash, which recorded an increase in the number of transfers by (126.2%) and an increase in the value of its transactions by (471.2%) in 2023 compared to the previous year.

As for Asia Hawala, it recorded an increase in the number of transfers by (504%) and a decrease in the value of its transactions by (81%) in 2023 compared to the previous year.

As for the company Nas Pay, it recorded a decrease in the number of transfers by (29%) and a decrease in the value of its transactions by (44%) in 2023 compared to the previous year. Zain Cash achieved the highest contribution rate in the number of transfers and values, with (88.6%) and (98.8%) of the total transfers, respectively. While Asia

Hawala and Nas Pay recorded a contribution rate in the number of transfers of (11%) and (0.4%), respectively, and in value of (0.3%) and (0.8%), respectively.

Furthermore, we observe that there are services provided by banks and electronic

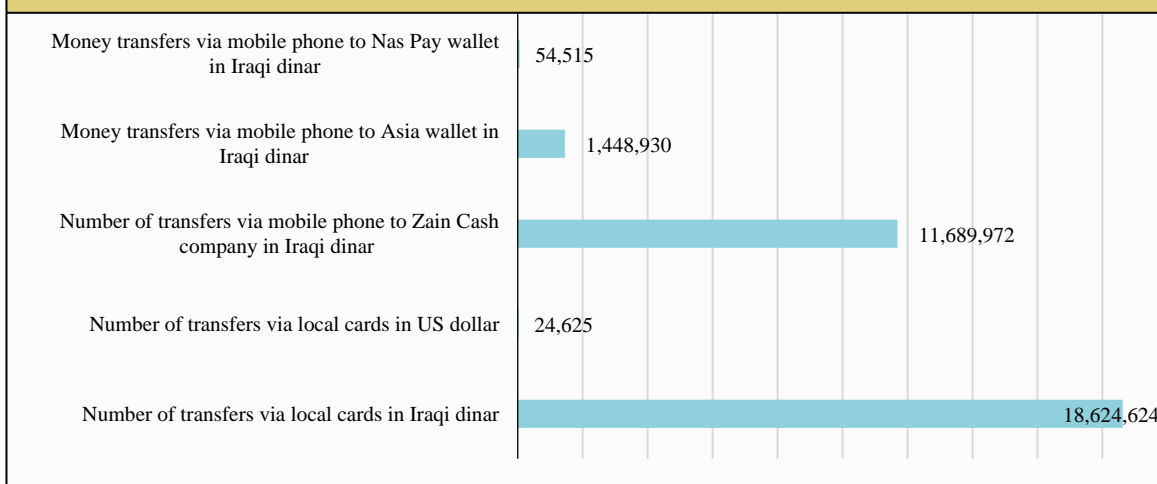
payment companies to facilitate transactions between citizens and expatriates, which has led to the activation of the local cash payments market, thus promoting the reduction of cash transactions, in addition to the government's orientation towards promoting electronic payments in government transactions.

Table No. (26): Transfers in Iraqi Dinar & US Dollars From Participants in Iraqi Payment Systems In 2022-2023

System Name	Number of transfers in Iraqi Dinar 2022	Number of transfers in Iraqi Dinar 2023	Growth rate %	Number of transfers in US dollars 2022	Number of transfers in US dollars 2023	Growth rate %
RTGS System	72,561	69,386	-3.4	30,107	27,256	-9.4
C-ACH System:						
A- Credit Payment Orders CT	15,323,780	17,350,642	13.2	29,928	29,000	-3.1
B- Electronic Checks CH	592,994	369,210	-37.7	3,824	1,310	-65.7
IBCS System:						
A- Credit Payment Orders CT	38,887,041	39,859,679	2.5	324	235	-27
B- Electronic Checks CH	503,703	360,875	-28.4	23	23	0
IRPSI System:						
A- Money Transfers via Local Cards	11,568,090	18,624,624	61.0	24,704	24,625	-0.3
B- Money Transfers via Mobile Phone:						
1. Zain Cash Wallet Company	5,166,973	11,689,972	126.2			
2. Asia Hawala	239,879	1,448,930	504			
3. Nas Pay	76,346	54,515	-28.6			
Total Number of Money Transfers via Mobile Phone	5,483,198	13,193,417	140.6			

- Source: Central Bank of Iraq, Information Technology and Payments Department.

Figure No. (31): Financial transfers via local cards in US dollars and Iraqi dinar and the number of transfers via mobile phones in Iraq in 2023



Box No. (3)

The digital economy plays a significant role in global economies and is considered a key component of countries worldwide. Numerous issues related to the digital economy exist, such as internet infrastructure, information regulation, and government policies. It has become a model for the global economy using information technology in various economic sectors.

The digital economy reflects the image of economic activities that operate using digital technology. Electronic wallets have been issued, and the Iraqi government, through the Central Bank of Iraq, has licensed two Payment Service Providers (PSPs) to provide this service. Additionally, as part of its COVID-19 initiatives, the Central Bank of Iraq facilitated access to services for citizens by allowing them to open electronic wallets from their homes through the electronic Know Your Customer (KYC) process. The government has worked to promote financial inclusion and non-cash, contactless payments (i.e., electronic wallets, point of sale, ATMs) through the launch of the electronic wallet system and the use of promotional means such as media and visual tools.

The Central Bank of Iraq emphasized that the development of the electronic payment system has led to monitoring the flow of funds within Iraq and providing a comprehensive and accurate database of all transfers in the banking sector and various banking systems, including the Real-time Gross Settlement (RTGS) system and the Automated Clearing House (ACH) system.

The Central Bank of Iraq has issued instructions to Iraqi banks to reduce the risks of exchanging electronic payment instruments by developing strategies to develop payment and settlement systems. The Central Bank has implemented a number of measures, including the implementation of the International Bank Account Number (IBAN) system, which aims to unify the bank account numbers of all banks operating in Iraq, allowing them to verify the accuracy of the transferred account number and take precautionary measures to tighten financial transfers, especially with regard to electronic instruments, to prevent fraud and add new functions to the system to enable banks and their branches to control the process of sending and receiving checks and prevent their forgery or theft. The Central Bank of Iraq has also implemented an internal clearing system between branches of the same bank, which enables banks that do not have comprehensive banking services to have a system for automating all transfers from their branches and providing a comprehensive database for effective reconciliation between general departments and branches.

Second: Financial Inclusion

The significance of financial inclusion lies in enabling individuals and businesses to access quality financial products and services at affordable prices. These services cater to their transaction needs, payment settlements, credit facilities, loans, and insurance, all delivered in a responsible and sustainable manner. This provides small and medium-sized enterprises, as well as low-income individuals, with a crucial opportunity to boost economic growth and improve social welfare in Iraq.

Financial inclusion indicators in Iraq have evolved with the increasing use of electronic payment tools, aligned with a strategy that has saved time and effort in settling financial transactions within society. This has also reduced the circulation of physical cash, which is considered a medium for transmitting diseases and viruses. The Central Bank of Iraq has adopted an electronic payment strategy, collaborating with both the public and private sectors to enhance financial inclusion rates, a key indicator of a country's economic growth. This is achieved by improving and accelerating financial and economic services.

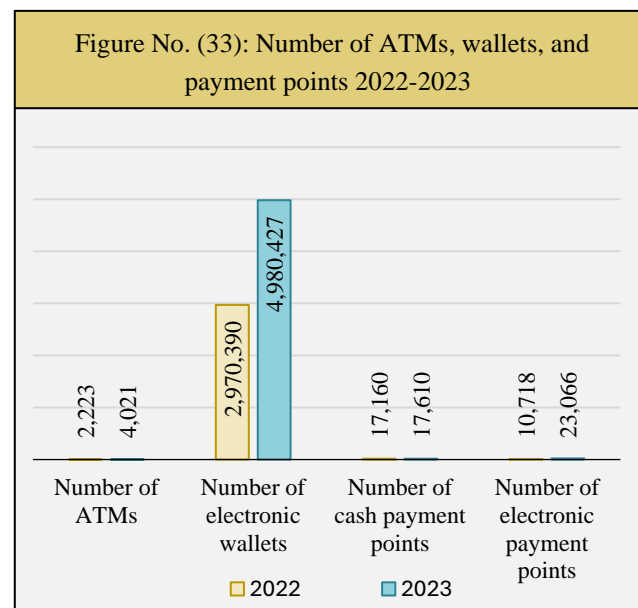
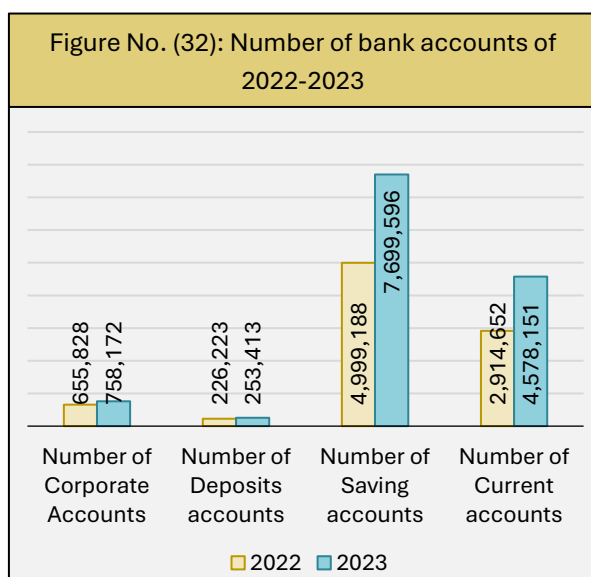
The electronic payment strategy in Iraq is focused on achieving the following:

- Providing advice and empowering financial service providers to develop and market comprehensive and innovative financial services.
- Offering training programs on financial literacy and increasing awareness of financial services tailored to specific target groups.
- Strengthening the enabling environment through the Central Bank of Iraq's support for promoting and regulating comprehensive financial services.

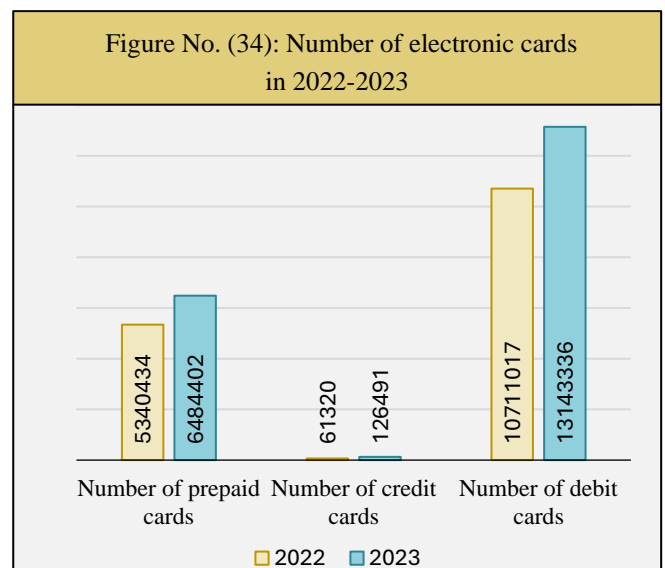
Financial inclusion is essential for building a more sustainable and inclusive future for all by providing individuals and businesses with the knowledge and tools necessary to fully participate in the financial system. This financial literacy empowers them to save, invest, and foster innovation.

The Central Bank of Iraq is working to enable individuals and businesses to access banking services through a variety of channels, including digital applications and online services, to facilitate daily financial transactions smoothly and efficiently. The bank also encourages the use of electronic payment instruments such as bank cards and electronic wallets to achieve rapid and effective financial integration.

- Open bank accounts in 2023 increased by (51.1%) to reach (13,289,332) accounts compared to 2022, which amounted to (8,795,891) accounts. The number of points of sale (POS) devices reached (23,066) points, and the number of ATMs reached (4,021) devices.



- The number of bank cards in 2023 increased by (21.9%) to reach (19,754,229) cards compared to (16,202,771) cards in 2022.





Chapter Seven

The Role of the Central Bank of Iraq in Achieving Sustainable Growth 2023

The Central Bank of Iraq's involvement in advancing overall development, with a focus on sustainable development, is evident in its monetary policy. This policy is designed to promote real investment, enhance development opportunities, and stimulate bank credit activities.

Moreover, monetary policy aims to direct these activities towards development projects, increase the required funding levels and improve operational efficiency. The Central Bank of Iraq also seeks to maximize the use of the country's available resources, both material and human. In addition, through many initiatives and contributions, the Central Bank seeks to make a significant societal impact and drive sustainable development across the economic, social, environmental and technological sectors.

The report will address the following in this chapter:

- The role of the Central Bank of Iraq in providing sustainable financing
- The role of the Central Bank of Iraq to enhance intellectual and human capital.

The Role of The Central Bank of Iraq in Providing Sustainable Financing 2023

Economic stability and contribution to sustainable development are fundamental economic and societal objectives set out in the Central Bank of Iraq Law No. 56 of 2004. Therefore, the Central Bank of Iraq is committed to support individuals in society economically, socially, and culturally. This support is expanded through a range of initiatives, activities and events organized by the Central Bank of Iraq, financial institutions, and other supporting entities. It's worth mentioning that in 2015, the Central Bank of Iraq introduced several initiatives aimed at achieving the above objectives amid economic challenges and conditions facing the country.

First: The Role of The Central Bank of Iraq in Providing Sustainable Financing

The Central Bank of Iraq contributed significantly to the promotion of economic development, job creation and prosperity in Iraq by providing basic financial support to small, medium and large enterprises in various sectors (such as agriculture, industry, housing, trade, health care, education, tourism and transportation) aiming to revitalize the country's economic landscape. Moreover, it has played a key role in supporting all segments of society.

1- Central Bank Initiative of IQD (4) trillion: total amount extended during 2023 for all sectors was IQD (231.3) billion distributed as follows:

- A. Total funding for projects of more than IQD (1) billion was IQD (117.7) billion during 2023.
- B. Total amount of funding for medium-sized projects of less than IQD (1) billion was IQD (29.1) billion during 2023,

distributed to different governorates and sectors.

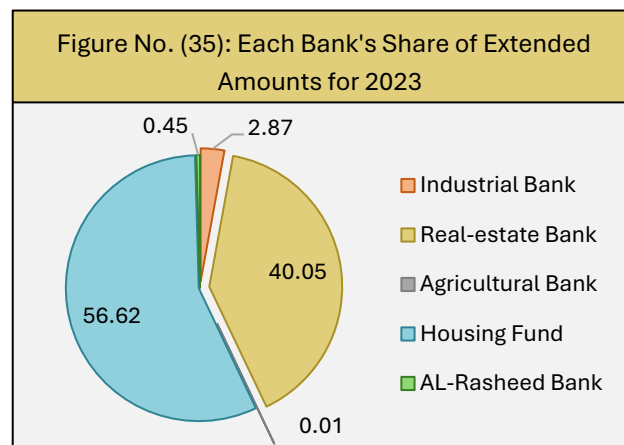
- C. Total amount of funding, under the (Housing Initiative), amounted IQD (66.9) billion during 2023.
- D. Total funding for small projects amounted to IQD (723) million during 2023.
- E. The total amount of concessional loans was IQD (16.6) billion during 2023.

2- Renewable Energy Initiative

Total amounts extended for the purchase of electricity generation systems from renewable energy sources amounted to IQD (207.01) million until 31/12/2023 for residential, commercial, agricultural and investment projects. However, there was no demand during 2023.

3- An initiative Directed to SOBs

- A. An initiative directed to specialized state-owned banks.
 - The total amount allocated to the (Housing Fund) was IQD (5.1) trillion, as IQD (2.8) trillion was extended in 2023.
 - The amount allocated to the Agricultural Bank was IQD (422.5) billion, as IQD (205.9) million was extended during 2023, as shown in **Figure No. (35)**.



- Total amount allocated to the Industrial Bank amounted to IQD 1.4 trillion, as IQD (63.8) billion was extended in 2023.
- The total amount allocated to the Real-estate Bank was IQD (5.7) trillion, as IQD (2.2) billion was extended during 2023.
- Postpone the repayment of agricultural and industrial projects' installments and interests pursuant to CBI Board Decision No. (68) of 2022.

- Continuation of funding projects related to (AFAC) program (based on the letter of commitment signed between this bank and the International Labor Organization (ILO) within the limits of guarantees provided to these loans by ILO and Iraqi Company for Banking Guarantees.
- Continue operation with Central Bank of Iraq's initiative to finance the purchase of power generating units from renewable sources.
- The Real-estate Bank grants the sum IQD 500 billion that was previously allocated to it, under CBI's letter No. 6/5/2479 dated 29/06/2022, to borrowers according to lending mechanisms issued by the General Secretariat of the Council of Ministers.
- Continuation to fund applications submitted to the Real-estate Bank and the Iraqi Housing Fund by reallocating (50%) of the previously granted total loan repayments, with the total of more than IQD 10 trillion, financed by the Central Bank of Iraq.
- Re-examine applications for projects that were previously granted a (preliminary approval) whose amount is exceeding IQD 100 million within its various initiatives.
- SOBs and private banks shall finance the advances of employees and security agencies in accordance with their specialization and under their lending policies. Applications submitted to the Central Bank of Iraq shall be forwarded to those banks.
- Amend the items (First) and (Second) of CBI Board of Directors' Decision No. (128) of 2023, as the time terms for the restoration of funding amounts granted by this bank under the (Housing Loan Initiative) shall be as following:

Table No. (27): Allocations Extended to Specialized Banks Under the New Initiative with an Amount of IQD 9,435 billion for 2023 (IQD Billion)

Bank	Agricultural Bank	Real-estate Bank	Housing Fund	Industrial Bank
Extended Amount in 2022	1.8	4.0	1,600	143.8
Extended Amount in 2023	0.2	2.2	2,861	63.8
Allocations	422.5	5,701.6	5,145	1,359.5

B. Central Bank of Iraq's Initiative for Non-Specialized Banks

The total amount allocated to Al-Rasheed Bank amounted to IQD (70) billion, as IQD (10) billion was extended in 2023.

4. The Main Decisions Related to The Initiative During 2023:

- Continued financing of SMEs to a maximum of IQD 20 million per loan, with a financing ceiling of IQD 200 million per an advance. The duration of the loan shall be (5) years including a ceiling of (1) year of grace, involving the process period for granting loans up to a maximum of (3) months. The bank shall be entitled to request a renewal of the advance when financing the full amount of the ceiling granted to it.

a - (20) years for Real-estate Bank, including (6) months of grace.

b - (15) years for Real Estate Housing Fund, including (6) months of grace.

The above is applied to loans granted from repayments or any new allocations.

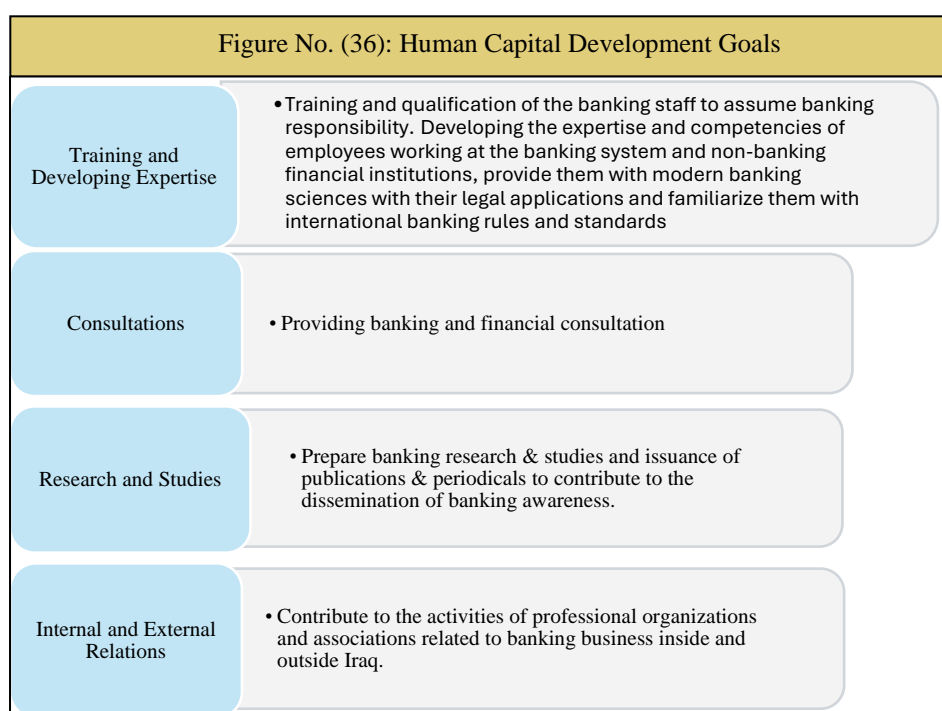
5. The Most Important Practices Conducted by The Central Bank of Iraq in Financing area:

- Financial statements analysis of the participating banks in the initiatives, particularly the IQD (1) trillion initiative.
- Adoption of the IFRS9 methodology in calculating the bank's projected credit loss provisioning (T-bills at the Bank, T-bills at MoF, CBI's IQD (1) trillion initiative and CBI's IQD (5) trillion initiative.
- The Central Bank of Iraq has developed the General Framework for the Financial Sustainability Roadmap for (2023-2029) as recommended by the World Bank (WB) to develop and implement a Green Financing Framework to assist Iraq's

financial sector. Therefore, Sustainable Financing Roadmap for Environmental, Social and Governance Risk Management (ESG) has been developed to maintain monetary and financial stability and protect depositors, investors, and shareholders.

Second: The Role of The Central Bank of Iraq to Enhance Intellectual and Human Capital

It includes a critical strategic concern and nurturing intellectual wealth; it is a vital process that enhances human potential and skills in both scientific and behavioral fields that, in turn, provides individuals with the resources and capabilities necessary to enhance productivity and innovation around intellectual wealth. Therefore, the Central Bank of Iraq committed itself to the promotion and development of human capital within the banking sector, as well as across other government entities to operate at two distinct levels:

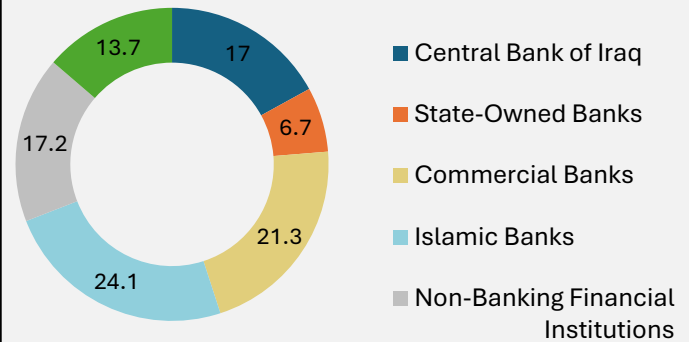


1- All Ministries and the Private Sector

The (Banking Studies Centre) within this financial institution dedicated its efforts towards enhancing the competencies and talents of employees at the Central Bank of Iraq and the broader Iraqi banking sector throughout 2023.

- A total of 145 training programs were implemented during 2023, distributed by 88 courses within the annual plan and 57 programs outside the plan. The information technology and payments systems topped those programs as eleven training courses were held with 256 participants, followed by the banking compliance, countering money laundering & terrorist financing and accounting, as the entire planned number of 10 training courses were implemented for each topic.
- The completion rate of the specific training agenda was remarkable of (100%) for 2023, as total number of participants to those educational programs was (5157), including (878) participants from the Central Bank of Iraq, while (2689) were from various government and private banks. Also (886) participants were from non-banking financial entities and (704) participants from other government agencies and ministries, as shown in **Figure No. (36)**.

Figure No. (37): Rates of Participants in Courses Inside and Outside Iraq2023 (%)



- Among total number of courses held during 2023, two courses were on “Documentary Accreditation” that were held in the United Arab Emirates with the participation of (37) participants, and a course entitled "Sensitization of Managers” held in the Kingdom of Bahrain with the participation of (15) participants.
- During this year, the Banking Studies Centre at the Central Bank of Iraq signed a training cooperation document with:

- 1- Bahrain Institute of Banking and Financial Studies (BIFB).
- 2- Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

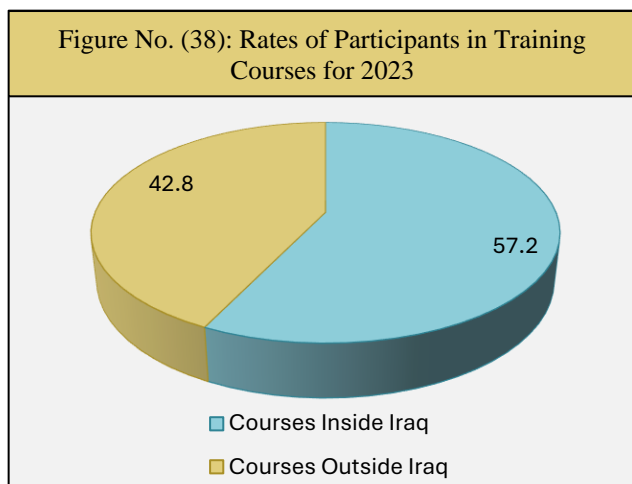
2- Central Bank of Iraq Staff

The Central Bank of Iraq constantly seeks to develop its staff abilities and skills through both attendance and online courses. The Administrative Dept. is responsible for implementing workforce planning and coordinating training procedures. Effective workforce planning depends on staff preparation and implementation of the training schedule, including domestic and international training initiatives aimed at enhancing staff performance. **Table No. (28)** provides a

breakdown of training courses for CBI staff for 2023 training agenda.

Table No. (28): Number of Courses for CBI Staff for 2023			
Courses Inside Iraq	Number of Participants	Courses Outside Iraq	Number of Participants
297	649	187	485

Source: Central Bank of Iraq, the Administrative Dept.



3-Other Development Activities of the Bank

Regarding the development goal of women's empowerment, the Central Bank of Iraq provided support to Iraqi women to give them means of empowerment and achieve required stabilization to support their participation in development and achieve Iraq's national vision. A section has been formed in this bank that seeks to empower women socially and economically through support of productive projects that work for the employment of all women in cooperation with the United Nations and the Iraqi Women's Empowerment Dept./Council of Ministers 2023 for the economic empowerment of Iraqi women in accordance with the constitution, laws and valid legislation, as well as in line with international standards to achieve an environment free of discrimination against women and provide legal protection. The section has endeavored to prepare and follow up on all plans, programs and activities related

to women's issues, as well as to obtain an official approval to allocate (25%) of concessional loans to women.

- Aiming to reduce pollution, the Central Bank of Iraq approved electronic inclusion regarding performance of Accounting Dept. activities for the purpose of reducing paper handling by working to activate the system with the (National Board of Pensions), as well as the use of modern techniques related to the auditing activity (electronic auditing).
- Aiming to raise the health level of the CBI staff, best practices have been applied to ensure their health and safety guided by the provisions of the international standard (ISO45001: 2018). This application was adopted to provide a sound and risk-free working environment by establishing a framework that allows the CBI to identify its health risks and reduce the likelihood of accidents, work injuries, occupational illnesses, compliance with legal requirements, occupational safety, and improved performance.
- Banks operating in the banking sector are classified according to the soundness and application of the Governance Manual issued by the Central Bank of Iraq through the performance scorecards of environmental and social standards with the opportunity to improve the classification according to the gradual application of the best practices in this regard. The CBI board of directors approved control regulations for the classification of systemically important domestic banks and send them to banks, as actual application was completed in 2023.



Statistical Appendices

This report relied on data from ministries for the analysis of Iraqi economic variables, in addition to data from the Monetary and Financial Statistics Division and the Balance of Payments and Foreign Trade Division of this bank.

Appendices

Annex of Table No. (1)				
Gross Domestic Product by Economic Activities at Constant Prices for (2021-2022)				
Base Year = 100: 2007				
(IQD Billion)				
Economic Activities	Added Value at Constant Prices for 2022*	Added Value at Constant Prices for 2023*	Relative Importance %	Change Rate %
Agriculture, Forestry, Hunting, and Fishing	5,046.2	6,502.7	3.1	28.9
Mining and Quarries:	130,128.9	120,217.4	57.7	-7.6
-Crude Oil	129,424.6	119,429.4	57.3	-7.7
- Other Types of Mining	704.4	788.0	0.4	11.9
Manufacturing Industry	3,916.3	4,341.6	2.1	10.9
Electricity and Water	1,148,636.3	890,094.3	0.4	-22.5
Building and Construction	6,534.5	7,298.0	3.5	11.7
Transport, Communication, and Storage	19,197.3	17,616.6	8.5	-8.2
Wholesale & Retail Trade, Hotels, and the Like	15,023.8	15,228.9	7.3	1.4
Money, Insurance, Real Estate, and Business Services	11,505.6	10,158.4	4.9	-11.7
Banks and Insurance	1,485.3	1,556.1	0.7	4.8
- Ownership of Houses	10,020.3	8,602.4	4.1	-14.2
Social and Personal Development Services:	21,972.7	25,999.9	12.5	18.3
- General Government	16,494.1	20,584.6	9.9	24.8
- Personal Services	5,478.6	5,415.3	2.6	-1.2
Total by activities	214,474.1	208,253.8	100.0	-2.9
Minus: Calculated Service Charge	983.6	1,030.4		
Gross Domestic Product	213,490.5	207,223.4		

- Source: Ministry of Planning/ Authority of Statistics and Geographic Information System, previously known as the Central Statistical Organization (CSO).

- * Annually preliminary estimates.

Annex of Table No. (2)
GDP by Economic Activities at Current Prices for (2022 – 2023)

(IQD Billion)

Economic Activities	Added Value of Current Prices for 2022	Added Value at Current Prices for 2023	Relative Importance %	Change Rate %
Agriculture, Forestry, Hunting and Fishing	6,795.7	9,255.8	2.8	36.2
Mining and Quarries:	240,609.9	14,908.1	44.9	-38.0
Crude oil	239,769.6	148,141.4	44.6	-38.2
- Other Types of Mining	840.3	940.1	0.3	11.9
Manufacturing Industry	10,455.5	11,782.5	3.5	12.7
Electricity and Water	5,494.2	3,788.4	1.1	-31.0
Building and Construction	17,042.1	18,801.7	5.7	10.3
Transport, Communication and Storage	31,181.4	33,221.7	10.0	6.5
Wholesale and Retail trade, Hotels, and the Like	22,522.9	23,718.4	7.1	5.3
Money, Insurance, Real Estate, and Business Services: -	21,764	19,644.1	5.9	-937
-Banks and Insurance	3,107.2	3,214.0	1.0	3.4
- Ownership of Houses	18,657.8	16,430.0	4.9	-11.9
Social and Personal Development Services:	61,819.6	62,880.6	18.9	1.7
General Government	48,309.1	48,869.3	14.7	1.2
Personal Services	13,510.5	14,011.3	4.2	3.7
Total by Activities	417,686.1	332,174.7	100	25.7
Minus: Calculated Service Charge	2,057.6	2,128.3		
Gross Domestic Product	415,628.5	330,046.4		

- Source: Ministry of Planning/ Authority of Statistics and Geographic Information System, previously known as the Central Statistical Organization (CSO).

- * Annually preliminary estimates.

Annex of Table No. (3)
Money Supply (M₁, M₂) and its Components for Months of (2022-2023)

(IQD Billion)

Period	Currency Outside Banks	Current Deposits	M1	Other	M2
January/2022	72,060	47,490	119,550	20,017	139,567
February	73,378	48,200	121,578	20,270	141,848
March	74,465	48,170	122,636	20,541	143,176
April	76,053	49,196	125,249	20,771	146,019
May	76,420	48,678	125,098	20,911	146,009
June	76,119	52,743	128,861	21,149	150,010
July	76,295	54,312	130,607	21,155	151,762
August	76,446	56,462	132,909	21,074	153,983
September	75,916	56,853	132,769	20,960	153,728
October	76,007	60,159	136,166	21,252	157,418
November	77,404	62,953	140,357	21,357	161,714
December	82,032	64,456	146,488	21,803	168,291
January/2023	85,782	64,286	150,068	21,784	171,852
February	88,554	61,360	149,914	21,537	171,451
March	88,369	61,004	149,914	21,091	170,464
April	89,753	61,870	151,623	21,494	173,116
May	90,677	62,945	153,622	19,864	173,486
June	92,615	63,154	155,769	22,002	177,771
July	91,121	63,835	154,956	21,828	176,784
August	91,451	61,118	152,569	21,746	174,315
September	91,845	60,573	152,418	21,532	173,950
October	93,105	62,323	155,428	20,877	176,305
November	93,762	64,872	158,635	20,255	178,890
December	94,621	65,697	160,318	20,657	180,976

- Source: Central Bank of Iraq, Department of Statistics and Research, Monetary and Financial Statistics Division.

*Preliminary data subject to revision

Annex of Table No. (4)
Reserve Requirement at the end of (2022 -2023)

(IQD Billion)

Period	2022		2023	
	State-Owned Banks	Private Banks	State-Owned Banks	Private Banks
January	9,468	1,453	12,069	1,553
February	10,198	1,510	13,307	1,590
March	10,158	1,500	12,947	1,620
April	10,156	1,414	12,696	1,751
May	10,306	1,442	15,535	2,199
June	10,467	1,420	15,559	2,305
July	10,579	1,453	15,367	2,403
August	10,849	1,452	15,263	2,430
September	11,191	1,437	14,977	2,462
October	10,975	1,473	14,963	2,424
November	10,924	1,480	15,295	2,480
December	11,285	1,518	16,075	2,570

- Source: CBI/ Statistics & Research Department /Monetary and Financial Statistics Division.
- Preliminary adjustable data.

Annex of Table No. (5)
CBI's Bills with Maturities of (182) days, (365) days, and (14) days in IQD for (2022-2023)

Period	Amount Sold (182) days	Amount Paid	Average of Interest Rate %	Amount Sold (365) days	Amount Paid	Average of Interest Rate %	Amount Sold (14) days	Amount Paid	Average of Interest Rate %
January 2022									
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	10,000		3.00	50,000		3.5			
Total	270,000	0	21.0	162,000	0	0			
January 2023									
February									
March									
April									
May									
June									
July							8,022,000	1,565,000	7.50
August							12,365,430	12,577,580	7.50
September							7,209,790	13,454,640	7.50
October							11,062,110	11,062,110	7.50
November							10,964,600	5,345,600	7.50
December							4,662,000	10,281,000	7.50
Total		0			0			54,285,930	

- Source: Central Bank of Iraq / Statistics & Research Department / Monetary and Financial Statistics Division.
- Preliminary adjustable data.

Annex of Table No. (6)
Balance of Deposits with Commercial Banks by Type and Sector For (2022-2023)

(IQD Million)

Items	2022	2023
Central Government	43,001,253	47,324,968
Current	37,812,533	41,817,470
Saving	0	0
Fixed	5,188,720	5,507,498
Public Institutions	31,105,882	29,616,997
Current	28,738,948	28,023,813
Saving	30,875	28,193
Fixed	2,336,059	1,564,991
Private Sector	54,976,187	56,556,673
Current	35,703,392	37,660,824
Savings	16,635,142	16,298,474
Fixed	2,637,653	2,597,375
Total	129,083,322	133,498,638

- Source: Central Bank of Iraq/ Statistics and Research Department / Monetary and Financial Statistics Division.

- Preliminary adjustable data.

Annex of Table No. (7)
Balance of Direct Cash Credit Extended by Commercial Banks by Type and Sector for (2022-2023)

(IQD Million)

Items	2022	2023
Central Government	21,984,380	27,454,254
Overdraft	1,464,535	1,494,193
Discounted Securities	18,856	0
Loans and Advances	20,500,933	25,959,705
Overdue Debts	56	356
Public Institutions	3,575,102	2,250,601
Overdraft	90,670	91,248
Discounted Securities	0	0
Loans and Advances	3,413,218	2,088,678
Overdue Debts	71,214	70,675
Private Sector	35,016,532	39,548,039
Overdraft	2,729,188	2,445,822
Discounted Securities	55,726	71,776
Loans and Advances	27,947,301	32,763,923
Overdue Debts	4,284,317	4,266,518
Total	60,576,014	69,252,894

- Source: Central Bank of Iraq/ Statistics and Research Department / Monetary and Financial Statistics Division.

- Preliminary adjustable data.

Annex of Table No. (8)
Sectoral Distribution of Cash and Pledged Credit Extended by Commercial Banks for (2022-2023)
(IQD Million)

Activities	Cash Credit		Pledged Cash	
	2022	2023	2022	2023
Agriculture and Hunting	2,134,087	2,062,878	116,625	11,129
Mining	4,324	62,806	188,730	19,147
Manufacturing Industry	3,184,263	2,830,776	3,612,375	463,177
Water, Electricity, and Gas	4,145,371	3,121,279	5,717,312	8,206,937
Trade, Restaurants, and Hotels	9,796,327	13,083,679	4,443,433	10,446,119
Transport, Storage, and Communications	1,650,076	1,458,447	515,974	590,292
Finance & Insurance	530,725	998,316	82,820	232,073
Community Services	24,776,624	30,824,282	9,288,154	2,896,833
External World	12,291	93,459	2,639,821	2,021,308
Building & Construction	14,345,516	14,716,972	3,782,647	1,516,285
Total	60,576,014	69,252,894	30,387,891	26,403,300

- Source: Central Bank of Iraq/ Statistics and Research Department / Monetary and Financial Statistics Division.

- Preliminary adjustable data.

Annex of Table No. (9)		
Iraqi Balance of Payments (BPM6) Primary 2023 Millions of U.S \$		
Items	(FOB)	(CIF)
first -current account	28,374.6	
1- Trade balance	43,196.7	
Exports (F.O.B)	99,149.2	
– Crude oil	94,488.5	
-*Governmental	94,488.5	
- private	0.0	
– Oil Products	4,232.7	
- Governmental	3,753.1	
- private	479.6	
– Other exports	428.0	
Imports	55,952.5	65,826.4
1.Government Imports	15,389.6	18,105.4
A- consumption imports	7,040.1	8,282.6
B- capital imports	2,280.0	2,682.4
C- Refined oil products	5,569.8	6,552.6
D- Other Gov.imports	471.1	554.2
E- Cost of currency printing	28.6	33.6
2- Private Sector imports	40,562.9	47,721.0
a. Consumption goods imports	10,140.8	11,930.3
B. Capital goods imports	30,422.1	35,790.7
C. Oil products import private sector	0.0	0.0
2- Services Account, net	-16,524.0	
Receipts	8,702.7	
Payments**	25,226.7	
3-Primary Income Account	973.3	
Compensation of employee	71.3	
Investment Income	902.0	
– Receipts	4,548.0	
– Payments	3,646.0	
- Interest/ external debt	634.6	
- others	3,011.4	
4-Secondary Income Account	728.6	
Special transfers Included Remittances	177.1	
Official	551.5	
– Receipts	614.6	
Total of Grants	0.0	
Other current transfers	614.6	
– Payments	63.1	
Total of Grants	5.6	
Other current transfers	57.5	
UN Compensation Fund	0.0	
Others	57.5	

* Including the value of oil in kind.

**Includes the costs of shipment & insurance deducted from imports value CIF (9874.0) million US \$

Note: Preliminary data.

Supplement of annex – Table No. 9 Iraqi Balance of Payments (BPM6) Primary 2023 Millions of U.S \$		
Items	(FOB)	
second- Capital Account/ net	-41.2	
credit	0.2	
debit	41.4	
third- Financial Account/ net	25,988.3	
1- Direct investment/ Net	5,649.7	
Abroad	286.2	
In Iraq	-5,363.5	
2- Portfolio Investment/ Net	243.1	
– Assets	-111.3	
a-General Government	-123.8	
drawing	5,625.8	
paid	5,749.6	
b-Other sectors	12.5	
drawing	14.8	
paid	2.3	
– Liabilities	-354.4	
a-General Government	-348.3	
drawing	0.0	
paid	348.3	
b-other Sectors	-6.1	
drawing	0.0	
paid	6.1	
3- Other Investment, net	16.7	
a- Official net investment	3,661.2	
– Assets	-2,242.4	
- Claims held abroad	152.0	
- Change In Government Available Stock	-5,479.5	
- Trade Credit	3,085.1	
- Other equity	0.0	
– Liabilities	-5,903.6	
- Obligation on government	-1,658.2	
- Loan disbursements	-765.3	
- Amortization	-3,480.1	
- Trade Credit	0.0	
b- Private, net/ ODC's	-3,970.0	
– Assets	-3,961.7	
– Liabilities	8.3	
c- Foreign Net Deposits/ Other Sectors	325.5	
4-Reserve assets	20,078.8	
- Central bank	20,078.8	
- Reserves	20,078.8	
- Reserve Assets	20,078.8	
a-Monetary Gold	0.0	
b-Special Drawing Rights	105.1	
c-Reserve Position in the Fund	0.0	
d-Foreign Assets	19,973.7	
1- Currency and Deposits	18,833.3	
–With Monetary Authorities	5,054.6	
–With banks	13,778.7	
2- Securities	1,140.4	
- Equities	0.0	
- bonds & notes	0.0	
– Money Market	1,140.4	
Instrument\Financial/ Derivatives, net	1,140.4	
3-Other Claims	0.0	
Fourth- Errors and omissions Net: Financial Account- (current account + Capital Account)	-2,345.1	

Source: Central Bank of Iraq \ Statistical and Research Department \ Balance of Payments and External Trade Division.