



IRAQ BALANCE OF PAYMENTS ANNUAL REPORT 2024

SECOND EDITION



Iraq's Balance of Payments

Annual Report

2024

Statistics & Research Department

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Key Concepts of the Balance of Payments

First: Current Account

The current account records the flow of goods, services, primary income, and secondary income between residents and non-residents.

- 1. Balance of Trade:** Records the differences between exports and imports of goods.
- 2. Balance of Services:** Records the differences between the exports and imports of services. Services are categorized by functional type rather than the providing entity, ensuring alignment with international trade manuals.
- 3. Primary Income Account:** Tracks income flow between residents and non-resident institutional units.
 - A. Income Generation Account:** This records income generated through the production process and includes the compensation of seasonal workers (those employed for less than a year), whose wages are considered income for contributing to the labor input of the production process.
 - B. Primary Income Allocation Account:** This records Primary Income attributable to the institutional units responsible for providing labor, financial assets, and natural resources.
- 4. Secondary Income Account:** This shows current transfers between residents and non-residents, illustrating their role in the process of distributing income between economies. These secondary income transfers take the form of cash or in-kind donations and are divided into:
 - A. Private Transfers:** Include transfers made by workers employed for more than one year, and transfers of assistance between individuals or households regardless of kinship.
 - B. Official Transfers:** Include taxes on income and wealth, benefits, social contributions, subscriptions, and grants.

Second: Capital Accounts

The Capital Account records credit and debit transfers for non-produced, non-financial assets (such as natural resources, leases, licenses, and marketing assets) and capital grants provided by governments and international organizations. This account, along with the Current Account, serves as a balance item for the Financial Account.

Together, both accounts (Current + Capital) represent non-financial transactions to show their net non-financial lending or borrowing balances, while the Financial Account shows how that net lending or borrowing is financed.

Third: Financial Account

This account records transactions involving financial assets and liabilities between residents and non-residents. The total balance of the financial account is referred to as Net Lending / Net Borrowing.

Net lending is defined as the economy providing funds to the outside world, which is represented by an increase in its net financial assets (assets increase, or liabilities decrease).

Net borrowing is defined as the rest of the world providing funds to the economy, which is represented by a decrease in its net financial assets (assets decrease, or liabilities increase). The total balance of this account must be equal to the sum of the current and capital account balances.

The following are the most important components of this account:

1. Net Direct Investment: Foreign Direct Investment records investment flows where a foreign investor obtains a lasting interest and a degree of control over an enterprise in an economy other than the investor's own. This is conventionally established when the investment represents 10% or more of the company's capital or 10% or more of the voting power. This type of investment reflects a long-term relationship and the direct investor's significant influence over the management of the resident enterprise.

2. Portfolio Investment: This category includes transactions in debt securities and equity rights and cross-border financial positions that do not meet the criteria for Direct Investment (i.e., holding less than 10% of voting power) or Reserve Assets. Securities classified as Portfolio Investment are primarily marketable and highly liquid, allowing for ease of trading and transfer among various parties throughout their lifetime. This offers investors the key benefits of portfolio diversification and the ability to easily withdraw their investments.

3. Other Investments: Other investments cover other equity interests, currency, deposits, loans, insurance schemes, pensions, unified guarantees, credits, commercial advances, and special drawing rights allocations.

4. Reserve Assets: Reserve assets include foreign assets at the disposal of and under the control of monetary authorities to meet the needs of the balance of payments, intervene in exchange markets to influence the exchange rate, or for other related purposes (such as maintaining confidence in the domestic currency) and forming a basis for external borrowing. Reserve assets must be foreign currency assets and assets that exist, excluding contingent assets.

A. Special Drawing Rights: Special Drawing Rights are an international reserve asset created by the Fund in 1969 to supplement the official reserves of member countries. Member countries participating in the management of SDRs can exchange these rights for any freely usable currency. These units serve as a supplement to countries' foreign exchange reserves to support their economies and reduce their dependence on higher-cost domestic or external debt.

B. Monetary Gold: This is gold owned by monetary authorities and held in the form of bullion with a purity of 995 parts per thousand, traded on organized markets or through bilateral arrangements between central banks.

C. Fund Reserve Position: This position reflects the reserve tranche, i.e., the amounts in foreign currency that a member country may withdraw from the Fund within a short period of time, and any indebtedness to the Fund (under a borrowing agreement) in the general resources account that is readily available to the member country through purchases from the reserve tranche and is available for an agreed period of time.

D. Foreign Assets: These include the following:

- **Currency and Deposits:** These include deposits with foreign central banks, the Bank for International Settlements, and other non-resident deposit-taking corporations, as well as deposit agreements in Fund trust accounts that are readily redeemable to settle balance of payments needs.

- **Securities:** These include liquid and marketable equity and debt securities issued by non-resident entities, including long-term securities (such as US Treasury bills), but excluding securities not listed for public trading unless they are liquid.

Introduction:

Based on the Central Bank of Iraq's Statistics and Research Department's commitment to promoting a policy of disclosure and transparency, this report aims to serve several functions, foremost among which is monitoring key external sector indicators to inform economic policy needs.

The report's first section presents the performance of the Current Account components. The second section reviews developments in the Current Account, Capital Account, and Financial Account. This difference is included in the net error and omission paragraph, which determines the size of the imbalance in the credit and debit aspects of those operations.

For 2024, Iraq's external economic transactions resulted in a total Balance of Payments deficit of USD 12,754.4 million, with the current account achieving a surplus of USD 8,366.5 million as a result of the trade surplus, which amounted to USD 26,691.4 million, in addition to a surplus in the primary and secondary income accounts amounting to USD 1,331.0 million and USD 357.4 million, respectively, as a result of increased receipts. On the other hand, the Balance of Services recorded a deficit of USD 20,013.3 million due to deficits in travel, transportation, insurance, financial services, and telecommunications.

Capital Account transactions for 2024 resulted in a minor net inflow of USD 11 million. The Financial Account recorded a net increase in liabilities (or decrease in net assets) of USD 334.1 million, reflecting a positive net change in foreign financial assets and liabilities.

Theoretically, the combined Current and Capital Accounts must equal the Financial Account. Any imbalance between these major sections indicates discrepancies arising from insufficient source data or differences in data preparation methods. This residual is designated as Net Errors and Omissions. This item recorded a net debit of -USD 8,021.4 million, which largely reflects the difficulty in accurately recording debit entries (such as imports of goods and services) in the Current and Capital Accounts. The magnitude of this figure necessitates periodic and continuous reviews to enhance data accuracy and reduce the item's size.

1. Current Account

There are two important aspects that must be clarified before proceeding with the analysis of this account's indicators:

First Aspect:

The current account registers a deficit when the country's consumption exceeds its production, according to the important relationship between the country's current account and its capital and financial accounts.

The current account includes international trade, net investment income (NII), and direct payments, while the financial account describes the change in international ownership of assets. The capital account includes all other financial transactions that do not affect the country's economic production.

This relationship is explained in what is known as the “Trade Identity Equation,” which states that “if a country runs a deficit in its current account, it must balance this deficit with equal flows in the financial account.”

The current account deficit is considered sustainable as long as there are international lenders willing to finance this deficit. However, if the flow of funds into the economy falters, the value of the currency often deteriorates, and the economy suffers from sudden turmoil. Therefore, the focus is on the current account, which constitutes the largest and most important part of the balance of payments, as it is linked to national accounts indicators represented by production and national income, as growth provides a comprehensive view of the direction and level of economic growth.

Second Aspect:

A Current Account surplus is no less important for analysis than a deficit. A surplus occurs when a country's production exceeds its consumption or, equivalently, when domestic savings rates exceed investment rates.

For countries that do not consume all their production, particularly those reliant on primary goods, such as rentier countries, they must constantly find buyers to utilize this surplus. On this basis, countries with Current Account surpluses effectively become net lenders to the rest of the world. They lend their excess savings internationally, thereby transferring real resources now in exchange for a claim on future real resources (income or debt repayment), which allows other countries to purchase their surplus production.

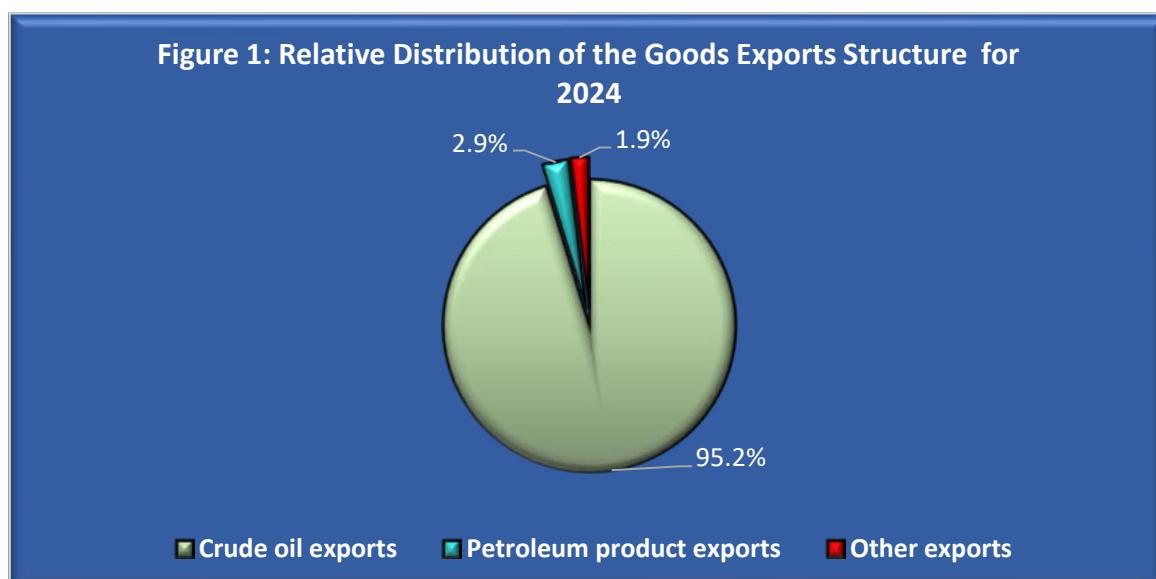
The current account recorded a surplus of USD 8,366.5 million in 2024, which is attributable to the surplus achieved in the trade balance.

1.1 Balance of Trade

The trade balance for 2024 recorded a surplus of USD 26,691.4 million, which is attributable to the following:

1.1.1 Goods Exports

Goods exports in 2024 amounted to USD 100,989.9 million. Oil exports accounted for 95.2% of total commodity exports, amounting to USD 96,189.9 million. This figure includes the value of crude oil paid in kind to foreign oil companies amounting to USD 13,342.6 million. Oil product exports accounted for 2.9% of total commodity exports, amounting to USD 2,907.7 million, while other exports accounting for a negligible 1.9% (USD 1,892.3 million), primarily consisted of industrial equipment and some basic foodstuffs and beverages intended for household consumption, as shown in Figure 1, which illustrates the relative distribution of Iraq's export structure.



1.1.2 Goods Imports

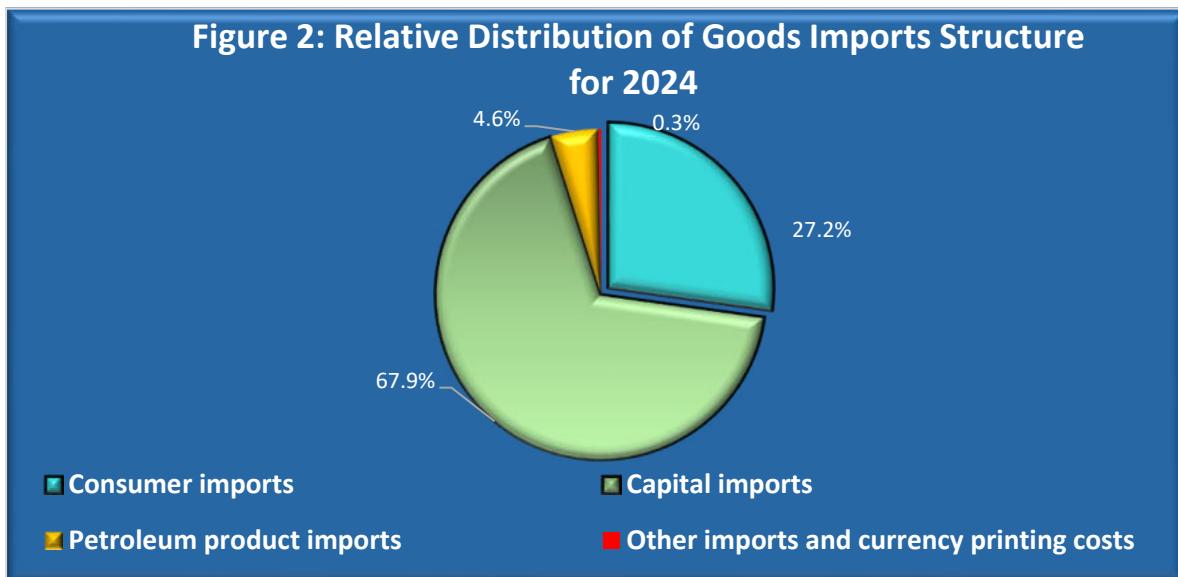
Total goods import for 2024 amounted to USD 87,410.0 million on a Cost, Insurance, and Freight (CIF) basis. This figure is converted to USD 74,298.5 million on a Free-on-Board (FOB) basis by deducting 15% of the total CIF value to adjust for freight and insurance costs.

The following is a breakdown of imports on a FOB basis:

- **Consumer Imports:** These imports accounted for 27.2% of total goods imports on an FOB basis, amounting to USD 20,207.0 million. The largest portion of this

category represents imports related to ration card items, medicine imports, and electrical energy imports

- **Capital Imports:** These imports accounted for 67.9% of total goods imports, amounting to USD 50,465.7 million. A part of this total represents imports related to security equipment and the electricity sector.
- **Government Imports of Petroleum Products:** These imports accounted for 4.6% of total goods imports, with a value of USD 3,418.3 million.
- **Other Government Imports and Currency Printing Costs:** These two types of imports accounted for 0.3% of total goods imports (based on the value provided), amounting to USD 207.5 million. This structure is illustrated in Figure 2, which shows the relative distribution of the goods imported structure.



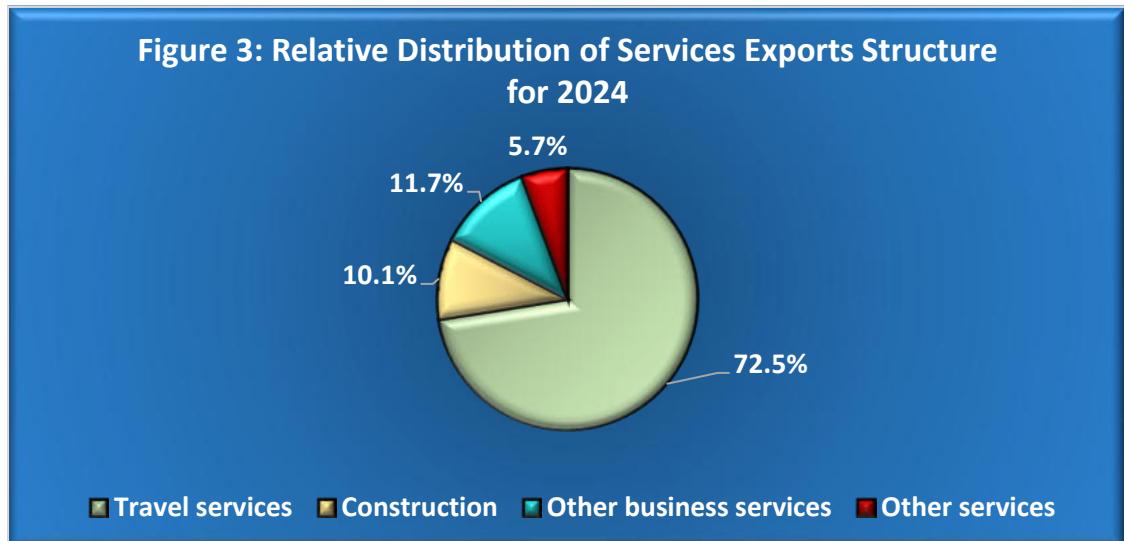
1.2 Balance of Services

The Balance of Services for 2024 recorded a deficit of USD 20,013.3 million. The following is a detailed explanation of the Balance of Services:

1.2.1 Services Exports

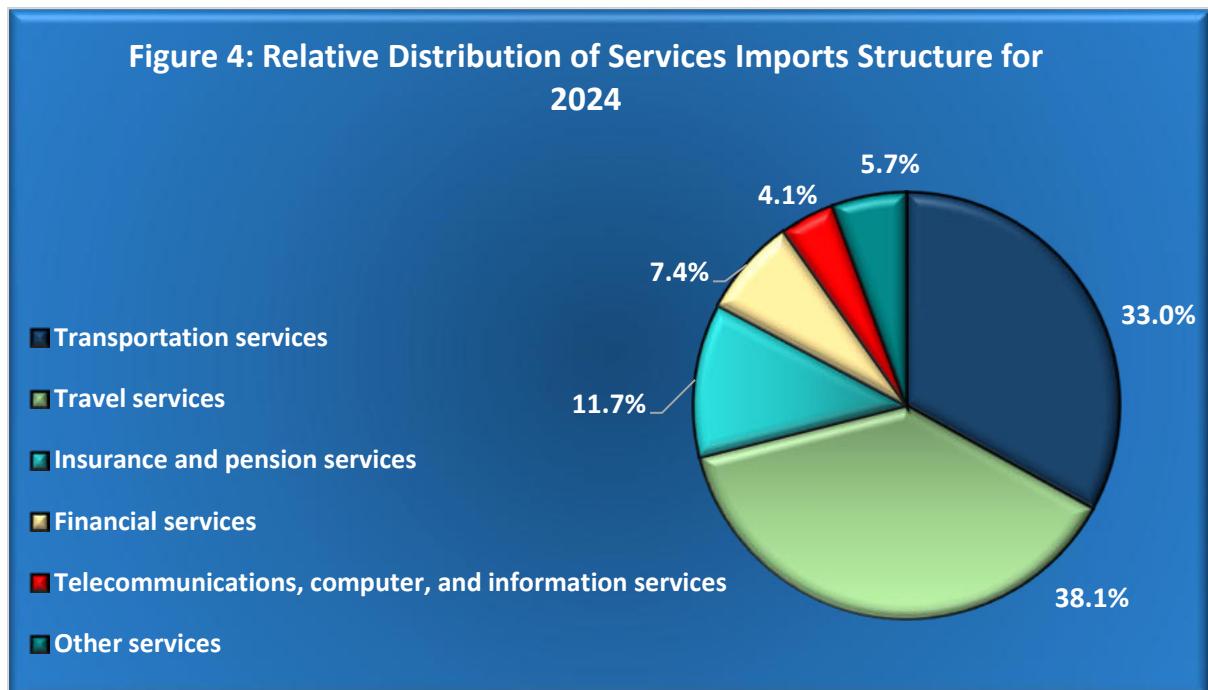
Service exports for 2024 recorded USD (10,205.3) million, mainly attributable to travel services, which accounted for 72.5% of total service exports. Other business services exports, which ranked second with a contribution of 11.7%. Construction services exports accounted for 10.1% of the total, while other services accounted for the remaining 5.7%.

This distribution is shown in Figure 3, which illustrates the relative of the service export's structure.



1.2.2 Services Imports

The services imports side for 2024 recorded a value of USD 30218.6 million, as travel services ranked first with a relative contribution rate of 38.1% and transportation services ranked second with a contribution rate of 33.0% to total services imports. Whereas insurance services ranked third with a relative contribution rate of 11.7%, and financial services imports recorded a contribution rate of 7.4%, while the relative contribution of both wire and wireless communications services accounted to 4.1% and the rest of the services amounted to 5.7%, as shown in Figure 4.



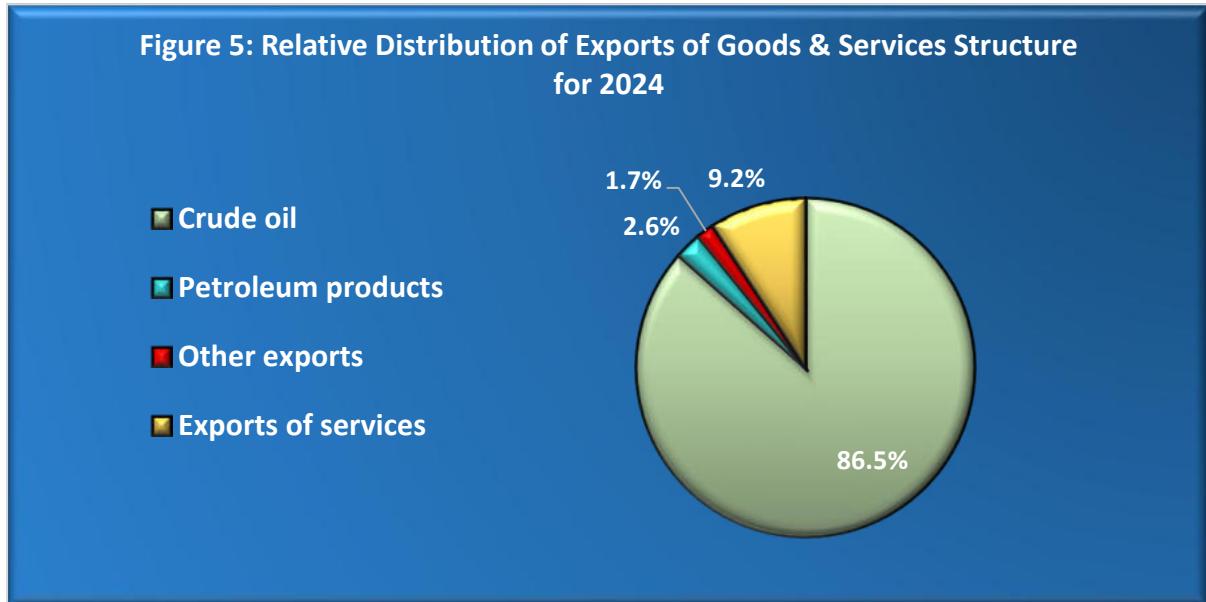
1.3 Balance of Goods and Services

The balance of goods and services for 2024 recorded a surplus amounting USD 6678.1 million. The following is a detailed analysis of this surplus:

1.3.1 Exports of Goods & Services

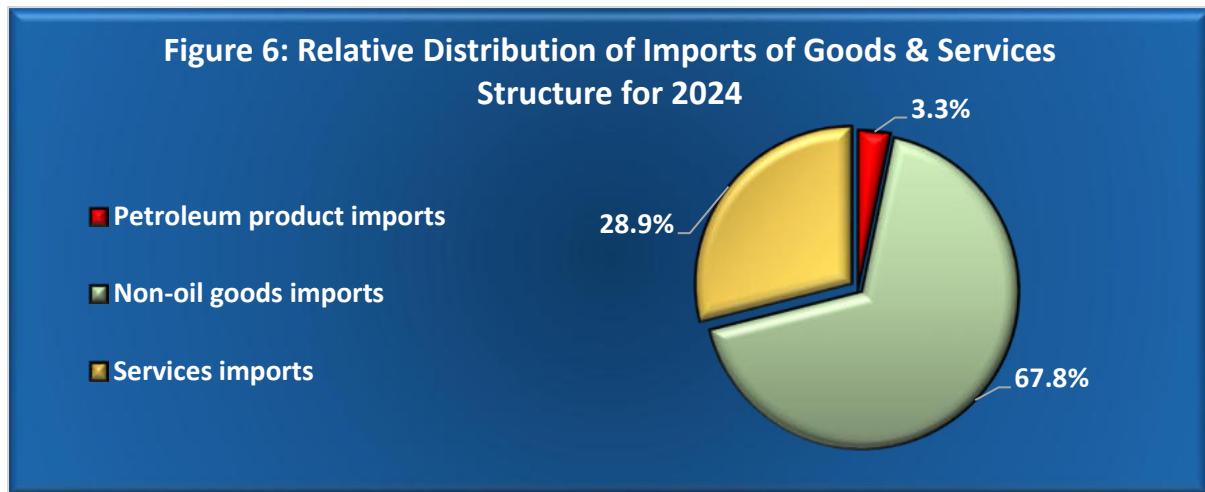
Iraq's total exports of goods & services recorded a value of USD 111195.2 million, as Iraq's goods exports constituted 90.8% of total exports of goods & services, while services exports captured the remaining percentage of 9.2% of total exports of goods & services.

The relative contribution of Iraq's exports of (crude oil and petroleum products) for 2024 amounted 89.1% of Iraq's total exports of goods & services, while the relative contribution of other goods exports amounted 1.7% and the relative contribution of services exports amounted 9.2%, as shown in Figure 5.



1.3.2 Imports of Goods & Services

Iraq's total imports of goods & services for 2024 recorded a value of USD 104,517.1 million, as Iraq's imports of petroleum products constituted 3.3% of Iraq's total imports of goods & services, while non-oil imports of goods & service and services imports constituted relative contributions amounting to 67.8% and 28.9%, respectively, as shown in Figure 6 below.



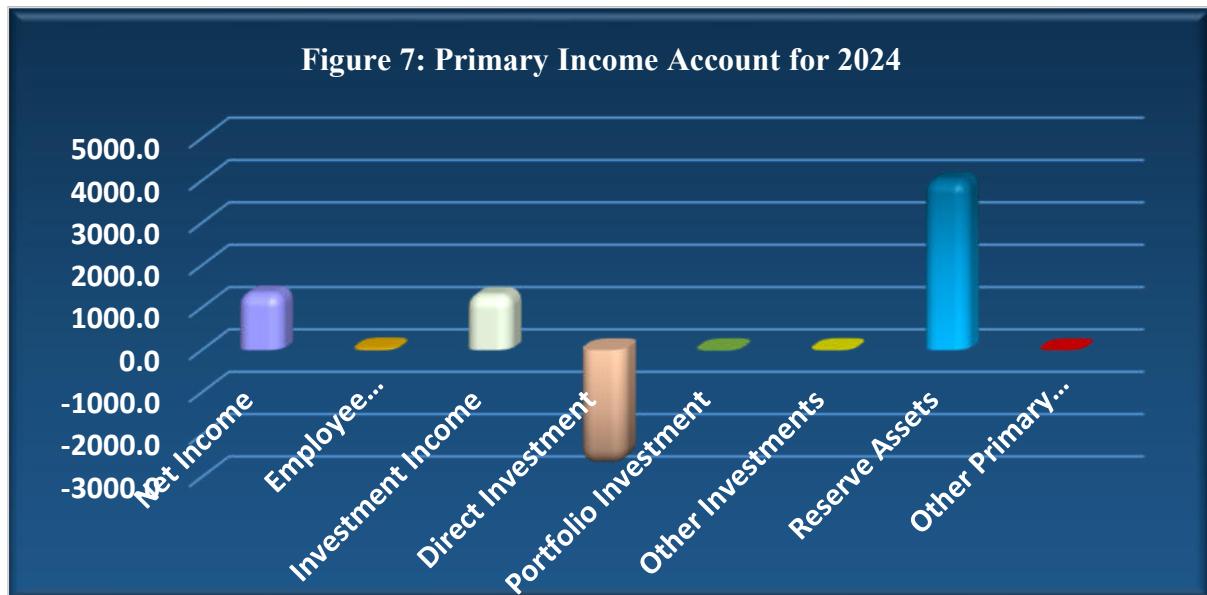
1.4 Primary Income Account

This account recorded a surplus of USD 1,331 million for 2024. The following is a detailed analysis of this account:

- **Compensation for Employees:** This item represents the remittances sent by employees working abroad for less than a year. Net compensation of employees achieved a surplus of USD 42.2 million in 2024, resulting from the increase of inward worker compensation flows exceeding payments abroad.
- **Investment Income:** The net account of investment income recorded a surplus of USD 1,296.2 million, due to increased receipts represented by interest earned in Central Bank investments. Below is a more detailed analysis of the sub-components of Investment Income:
- **Direct Investment:** Net direct investment recorded a deficit of USD 2,714.2 million for 2024. This deficit is due to the increase in payments represented by the transfer abroad of profits by foreign oil companies operating in Iraq (which constituted 64.2% of payments) and the increase in other flows represented by profits of non-oil companies abroad (which constituted 35.8% of payments).
- **Portfolio Investment:** Net portfolio investments recorded a deficit of USD 17.3 million in 2024, due to increased payments of interest on state-owned loans and external government debt securities.
- **Other Investment:** Other investments (which include income from equity holdings and interests) recorded a surplus of USD 12.7 million resulting from higher interest earned in overnight investments by Ministry of Finance and Ministry of Defense.
- **Reserve Assets:** net flow generated from interests in the Central Bank's reserve assets abroad recorded a surplus amounting to USD 4,015 million. This surplus in flows is mainly due to the rise in interest in deposits in foreign

currencies, interest in foreign treasury bills, interest in European investment of foreign banks, as well as the rise in interest in overnight investment.

- **Other Primary Income:** This account achieved a deficit of USD 7.6 million for 2024, which is attributed to the increase in private sector rent payments abroad. Figure 7 shows the components of the primary income account.



1.5 Secondary Income Account

The net secondary income account for 2024 recorded a surplus of USD 357.4 million. The components of this account are detailed below:

1.5.1 Official Transfers (which include government transfers)

Net official transfers recorded a surplus of USD 482.1 million. This surplus was achieved through: A positive net flow of USD 108.6 million from various current transfers by the public government. An inward flow of USD 394.3 million related to net current transfers for international cooperation.

Conversely, both current grants and social contributions recorded outflows amounting to USD 20.0 million and USD 0.8 million, respectively.

The secondary income account components are shown below in Figure 8.

Figure 8: Secondary Income Calculation for 2024



1.5.2 Private Transfers of Financial & Non-Financial Companies, Households and Non-Profit Institutions

Net transfers for 2024 recorded a deficit of USD 124.7 million after net personal transfers, including transfers of workers, aid, and pension, achieved net outflows amounted to USD -81.8 million. Other net current transfers (including premiums, insurance claims, and subscriptions to international organizations), which achieved outflows amounting to USD -42.9 million.

2. Capital Account

The Capital account for 2024 recorded a deficit of USD 11 million. This account primarily records capital transfers related to the acquisition/disposal of non-produced, non-financial assets and capital grants provided by governments and international organizations.

3. Financial Account

Net financial account flow during 2024 reached USD 334.1 million. This account appeared with a positive sign due to the changes that occurred in both external financial assets and liabilities. The following is a review of the components of this account:

3.1 Net Direct Investment

This account achieved a net surplus of USD 8087.6 million during 2024 due to an increase of external financial assets with a value of USD 438.7 million and a decrease of financial liabilities with a value of USD 7648.9 (This decrease was primarily due to the payment of capital costs of oil fields provided by service contract contractors to foreign oil companies operating in Iraq, which are considered financial liabilities against Iraq.)

Foreign direct investment data indicate that the relative contribution of outflows from Iraq amounted to 5.4% of direct investment, while the relative contribution of inflows into Iraq constituted 94.6% of the net direct investment value.

3.2 Portfolio Investment

Net portfolio investment for 2024 achieved a deficit of USD 1322.5 million, after assets recorded a decrease of USD 1670.3 million, represented by net paid investments of the public government, while net investments of other sectors recorded an increase of USD 1 million, represented by withdrawn investments in other sectors. As for the liabilities, it recorded a decrease of USD 347.8, as public government payments to the International Monetary Fund amounted to USD 348 million, which represents debt bonds payments. For the private sector, investments in the Iraq Stock Exchange for 2024 totaled USD 0.8 million (invested) and USD 0.6 million (repaid).

The components of this account are shown in Figure 9.



3.3 Other Investments

The flow of this category of investment for 2024 registered a surplus of USD 6,323.4 million. This is attributed to the surplus achieved in both net official investment and net deposits of residents abroad, detailed as follows:

3.3.1 Net Official Investment

Net investment during 2024 recorded a surplus of USD 2,746.5 million. This surplus is attributed to:

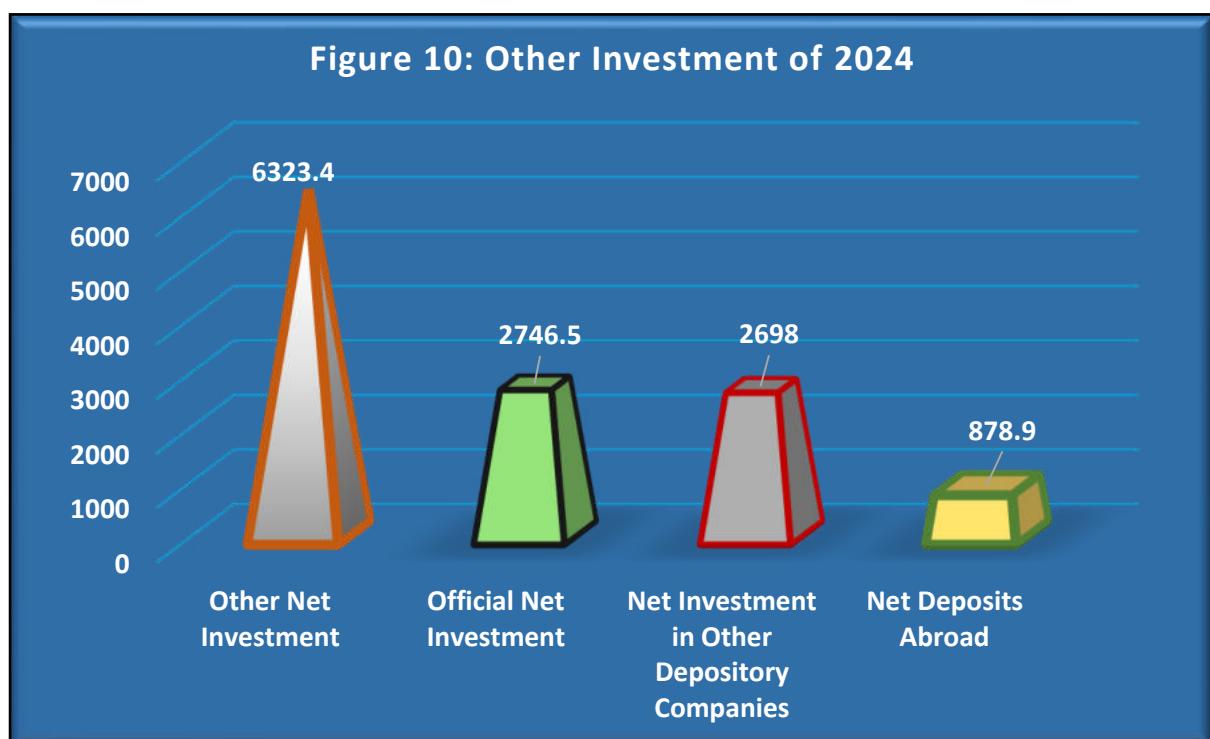
- **Official Investment Liability Side:** This side recorded a value of USD -5149.7 million, which represents a decrease in external liabilities. This was driven by repayments of loans and obligations on the government and drawn loans, with contribution ratios of 49.8%, 38% and 12.2%, respectively.
- **Official Investment Asset Side:** This side recorded a deficit of USD 2,403.2 million. This is attributed to a decrease in the government's available balance and a decrease in trade credits.

3.3.2 Net Investment of Other Depository Corporations

Net investment for the private sector in 2024 recorded a surplus of USD 2,698 million. This followed the recording of USD 2,682 million on the assets side, versus the liabilities side recording USD -16 million, which represents a decrease in the private sector's external liabilities.

3.3.3 Net Foreign Deposits of the Private Sector

The net foreign deposits of the private sector in 2024 recorded an increase in residents' deposits abroad totaling USD 878.9 million. The components of Other Investments are illustrated in Figure 10.



3.4 Reserve Assets

Reserve assets decreased by USD 12,754.4 million during 2024. This decrease is attributed to changes in the components of the reserve assets, as follows:

3.4.1 Foreign Assets

Foreign assets recorded a decrease of USD 14,355 million in 2024. This noticeable decrease is attributed to changes in the components of foreign assets, as follows:

- **Currency and Deposits:** This item recorded a deficit of USD -5,253.9 million in 2024. This is due to a decrease in the currency and deposits held by the monetary authorities of USD 4,240 million, which contributed 80.7% of the Currency and Deposits deficit. This decrease resulted from the decline in overnight investment and current accounts with foreign banks. The foreign banks side also recorded 19.3% of the Currency and Deposits deficit, decreasing by USD 1,013.9 million. The decrease recorded in the Currency and Deposits item accounted for 36.6% of the total decrease in Foreign Assets.
- **Securities:** Securities recorded a decline by USD 9,101.1 million for 2024. These securities represent financial derivatives of money market instruments, which include, in part, investments in the Bank for International Settlements (BIS), investment in deposits and bills of the International Monetary Fund (IMF), Euroclear bonds, and other internationally tradable financial derivatives. This decrease in securities accounted for 63.4% of the total decline in foreign assets. Figure 11 illustrates the components of the reserve assets.

3.4.2 Reserve Position in the Fund

Iraq's reserve position in the International Monetary Fund did not witness any significant changes during the period.

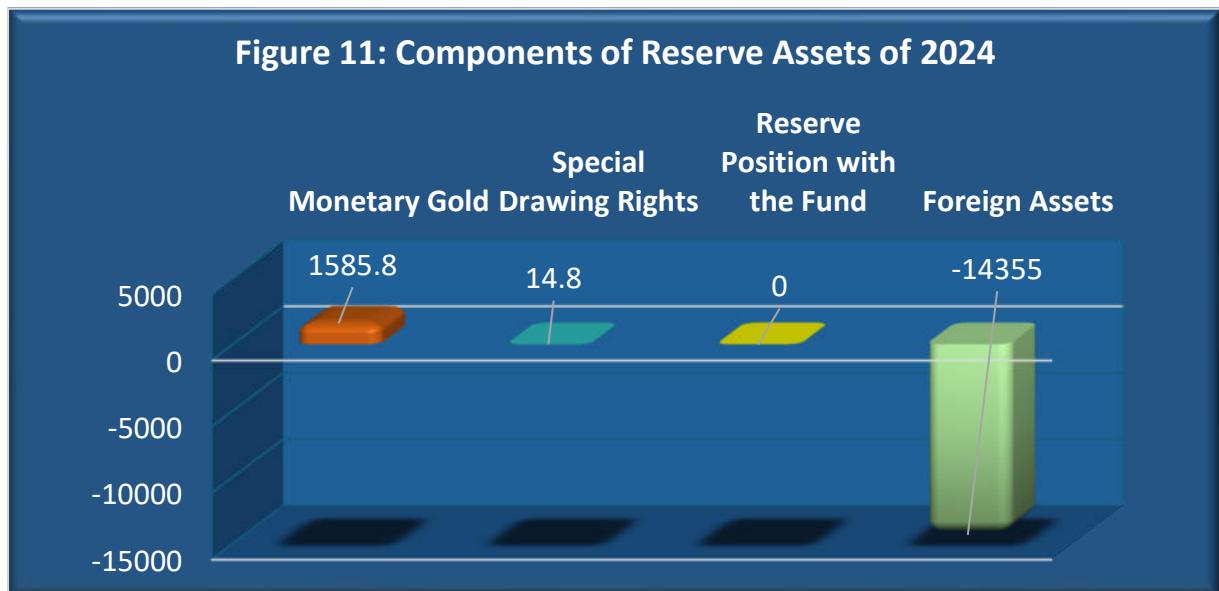
The Following Accounts Under Reserve Assets Registered an Increase:

3.4.3 Monetary Gold

The gold balance witnessed a value increase of USD 1,585.8 million in 2024. This is a result of Iraq's purchase of quantities of monetary gold to bolster its reserve assets.

3.4.4 Special Drawing Rights (SDRs)

Special Drawing Rights (SDRs) recorded an increase of USD 14.8 million. This is attributed to Iraq's purchase of additional SDR shares, as well as the international valuation adjustments.



4. Net Errors and Omissions

Net Errors and Omissions Despite the theoretical identity of the Balance of Payments (BOP) accounts, imbalances arise in practice due to deficiencies in source data and data compilation methods. This discrepancy is referred to as Net Errors and Omissions (NEO), a standard feature in BOP reporting. This item is derived as a residual value based on net lending or borrowing, or by using the following equation:

$$\text{Net of Omission and Error Item} = \text{Net Financial Account} - (\text{Net current account} + \text{Net capital account})$$

- A. positive value for Net Errors and Omissions indicates a significant decline in the value of credit entries in the Current and Capital Accounts.
- B. and/or a significant increase in the value of debit entries in the Current and Capital Accounts.
- C. and/or a significant increase in the net acquisition of assets in the Financial Account.

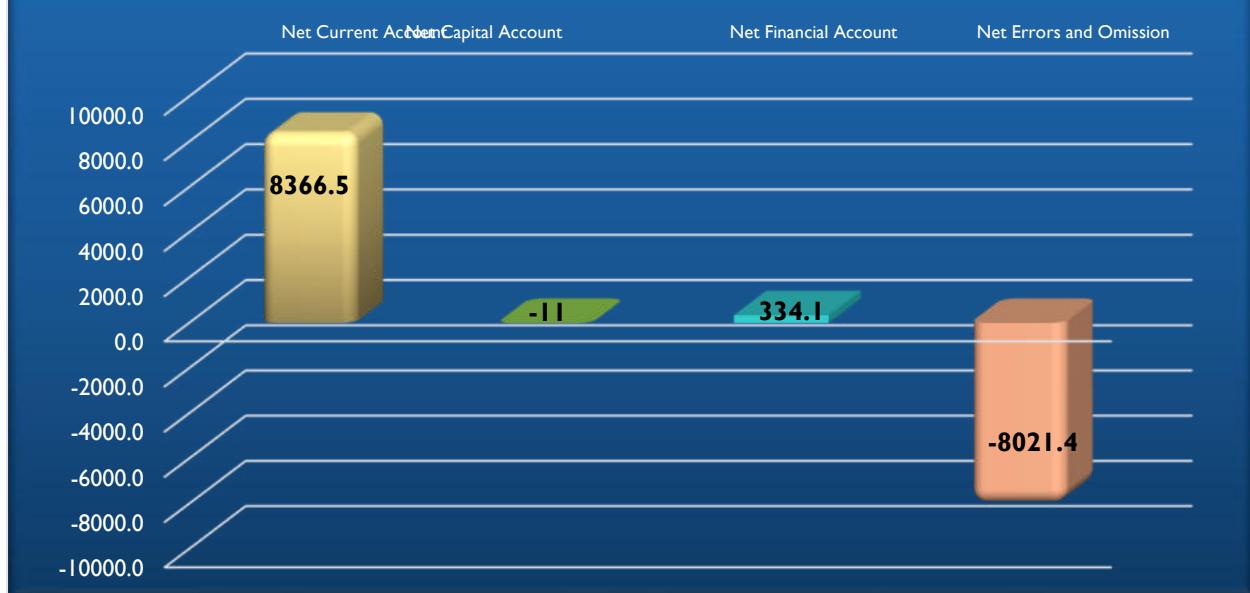
D. and/or a significant decrease in the net incurrence of liabilities in the Financial Account.

(These trends are reversed when the value of Net Errors and Omissions is negative.)

The Iraqi Balance of Payments for 2024 recorded a negative value of USD - 8,021.4 million in the Net Errors and Omissions (NEO) item. This result is attributed to the factors mentioned in items (A) and (C) above, indicating a significant increase in credit entries within the current account alongside a substantial decrease in the net acquisition of assets in the financial account. Figure 12 illustrates the trend of Net Errors and Omissions.

Items	Credit	Debit	Net
Net Current Account	117067.1	108700.6	8366.5
Net Capital Account	0.6	11.6	-11
Net Financial Account	12828.3-	13162.4-	334.1
Net Errors and Omissions			8021.4-

Figure 12: Net Errors and Omissions for the Iraqi BOP





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Trade Devision

