



Central Bank of Iraq

Statistics and Research Department

Balance of Payments and Foreign Trade

Division

Iraqi Balance of Payments Report

Quarterly Report

Q1 2025



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Key Concepts of Balance of Payments

First: Current Account

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

1. **Balance of Trade:** It records the differences between exports and imports.
2. **Balance of Services:** It records the differences between exports and imports of services. The types of services classified in this balance are classified according to the type of service provided, not by the provider of the service in close connection with the International Trade in Services Manual and the Balance of Payments Manual.
3. **Primary Income Account:** It shows income flows between residents and non-resident institutional units.
 - A. Income Generation Account** in which the generated income through production process is recorded and includes the compensation of the seasonal workers less than a year, whose wages are considered income for contributing to the labor input of the production process.
 - B. Primary Income Allocation Account** in which Primary income attributable to the institutional units responsible for providing labor, financial assets and natural resources is recorded.
4. **Secondary Income Account:** It shows the current transfers between residents and non-residents to show their role in the process of distributing income between economies, as these secondary income transfers take the form of cash or in kind. They are divided into:
 - A. Private Transfers:** These transfers include remittances of workers for more than one year, and transferred assistance, whether between individuals or households, regardless of relationship.
 - B. Official Transfers:** These include taxes on income, wealth, benefits, social contributions, contributions and grants.

Second: Capital Account

The capital account displays credit and debit transfers of non-financial, non-productive fixed assets such as natural resources, leases, licenses and marketing assets and capital grants provided by governments and international organizations. This account works with the current account as an item that balances the financial account, as each of the two accounts current + capital shows non-financial transactions, so their balances represent net lending or non-financial borrowing. The Financial Account, conversely, shows how to finance that net lending or borrowing.

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 called net lending/net borrowing. Net lending is defined as the provision of funds by the economy to the outside world, meaning a rise of assets, while net borrowing is the provision of funds by the rest of the world to the economy concerned, meaning a decline of assets. The total balance of this account must be equal to the total balance of the sum of the balances of current and capital accounts.

The following are the most important components of this account:

1. Net Direct Investment

Foreign Direct Investment FDI is defined as investment flows where a foreign investor acquires 10% or more of a company's capital or 10% or more of its voting power. This type of investment is conducted to acquire a permanent interest in an enterprise operating in an economy other than the investor's economy. It involves a long-term relationship and reflects a permanent interest and control of a resident entity in one economy over an institution residing in an economy other than that of the foreign investor.

2. Portfolio Investment

Portfolio investment involves transactions in securities and cross-border positions that involve debt bonds or property rights that are not included in direct investment or reserve assets, meaning those that have a less than 10% voting power. The securities included under the portfolio investment item are characterized by facilitating their trading, allowing their possession by various parties over their lifetime, which represents an opportunity for investors to diversify their investment portfolios and be able to withdraw their investments easily, as well as the high degree of trading liquidity of those financial instruments.

3. Other Investments

Other investments cover other property shares, currency, deposits, loans, insurance schemes, pensions, consolidated guarantees, credits, commercial advances and special drawing rights provisions.

4. Reserve Assets

The reserve assets include external assets at the disposal of monetary authorities and under their control to meet the financing needs of the balance of payments or to intervene in exchange markets to affect the currency's exchange rate or for other relevant purposes such as maintaining confidence in the national currency and serving as a basis for external borrowing. Reserve assets must be assets in foreign currency and assets that already exist, excluding potential assets.

A. Special Drawing Rights: The Special Drawing Rights SDRs are an international reserve asset introduced by the IMF in 1969 to complement the official reserves of member countries. IMF member countries participating in the administration of SDRs can exchange SDRs for any of the freely usable currencies, as these SDRs act as a complement to countries' foreign exchange reserves to support their economies and reduce the reliance on higher-cost domestic or external debt.

B. Monetary Gold: It is gold owned by the monetary authorities and kept in the form of bullion with a purity of up to 995 per thousand and is traded in regulated markets or through bilateral arrangements between central banks.

C. IMF Reserve Position: This position reflects the reserve tranche, meaning the foreign currency amounts that a member country may withdraw from the Fund within a short period, 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 within a period of time to be agreed upon.

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 receiving companies and deposit agreements in easily recoverable trust fund accounts to settle balance of payments needs.
- **Securities:** It includes marketable equity and liquid debt securities issued by non-resident entities, including long-term securities such as US Treasury notes/bonds. Securities not listed for public trading are excluded unless they are demonstrably liquid.

Introduction:

Stemming from the Central Bank of Iraq's Department of Statistics and Research commitment to promoting the policy of disclosure and transparency, which aims to serve several functions—foremost among them monitoring the key indicators of the external sector to identify areas requiring economic policy intervention—the preparation of the Q1 2025 report included two main sections. These sections clarify the magnitude of the imbalance that resulted in the imbalance between both the Financial Account and the Current and Capital Accounts.

The Balance of Payments BOP is considered the mirror reflecting the national economy, as it systematically records all economic transactions between a specific country and the rest of the world using credit and debit accounting operations over a defined period.

The Iraqi economy's transactions with the rest of the world during Q1 2025 resulted in a reduction in the Balance of Payments deficit, registering a value of US\$-5,526.7 million compared to a deficit of US\$-7,397.4 million in Q4 2024, where the Current Account recorded a significant increase of 135.8% over the previous quarter, this was primarily driven by the rise in the trade balance for Q1 2025 by 820.9% compared to the preceding quarter. This increase was attributed to an increase in crude oil exports, in addition to a 19.2% decline in imports for Q1 2025 compared to the previous quarter, which resulted from a drop in government capital and consumption imports, as well as petroleum product imports. The Services Balance recorded a further increase in its negative flow deficit, reaching US\$-5,024.3 million in Q1 compared to US\$-4,881.3 million in the previous quarter, representing a 2.9% increase in the deficit. This was due to the growing deficit in travel services and other business services. The Primary Income Account recorded a surplus of 162.0% for Q1 2025 due to a decrease in the payments side. The Secondary Income Account showed a decrease of 66.5% from the previous quarter, resulting from a decline in receipts. The Capital Account recorded no notable results. The Financial Account for Q1 2025 achieved a remarkable reduction in its deficit, declining by 88.4% compared to the previous quarter.

To achieve balance, equality must be achieved between each of the Current and Capital Accounts and the Financial Account. The practical inequality between them arises due to shortcomings in source data and data compilation methods, which is expressed in the item Net Errors and Omissions. This item appeared with a negative value for the first quarter of 2025, which signifies that either there were debit transactions that were not recorded or covered due to unavailability, or there may have been credit entries that were overestimated.

1. Current Account

Two important parts must be clarified before analyzing the indicators of this account:

The First Part:

The current account shows 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."

A 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.

The Second Part:

The surplus generated by the current account is no less important in the analysis than a deficit. The domestic production surplus appears in the current account when the country's production exceeds its consumption or when savings rates rise in comparison with investment rates. Since these countries do not consume all their production, which may be primary goods. As in rentier countries, they are in constant need of buyers to achieve this surplus.

On this basis, countries with surpluses in their current accounts lend their savings in kind to the rest of the world so that they have money necessary to purchase the surplus production of the lending countries.

Current account

This account recorded a surplus of US\$1,396.5 million for the first quarter of 2025, compared to US\$-3,895.8 million for the previous quarter of 2024, representing a growth rate of 135%. The following is a comprehensive explanation of the components of this account and the reasons for this surplus over the previous quarter:

1-1 Balance of Trade

In Q1 of 2025, it recorded a surplus of 820.9%, reaching US\$5,953.7 million, compared to US\$646.5 million for the previous quarter.

The following explains the components of this account

1-1-1 Goods Exports

Goods Exports recorded an increase of 4.2% to reach US\$24,112.3 million for Q1 2025, compared to US\$23,132.9 million for the previous quarter of 2024. The following is a comprehensive explanation of the components of this account:

• Crude Oil Exports

The value of these exports increased by 3.3% to reach US\$22,365.4 million for Q1 of 2025, compared to US\$21,643.3 million in the previous quarter. This was due to higher oil prices, with the price per barrel reaching US\$73.3 compared to US\$71 in the previous quarter, as well as an increase in export volumes of 4.5% compared to the previous quarter. Its contribution rate amounted to 92.8% of total exports, compared to 93.6% for the previous quarter.

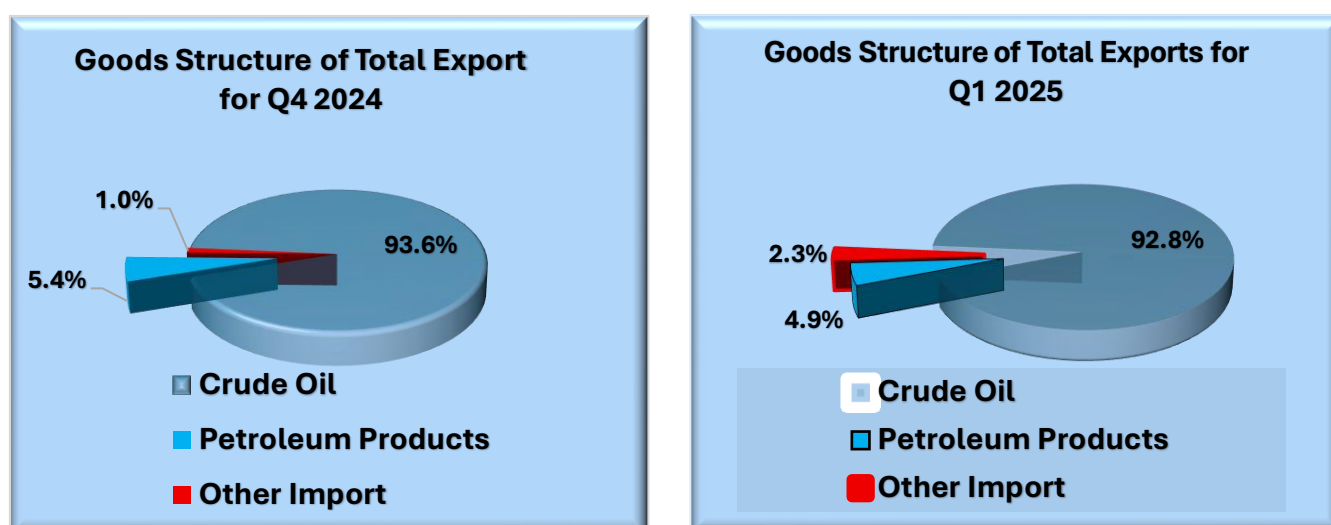
• Petroleum Products Exports

Iraq's exports of Petroleum Products for Q1 of 2025 decreased to US\$1,182.6 million compared to US\$1,247.2 million for the previous quarter, with a relative contribution of 4.9% of total exports compared to its contribution 5.4% for the previous quarter.

• Other Exports

Iraq's exports of other goods increased by US\$564.3 million for the first quarter of 2025 compared to US\$242.4 million for the previous quarter, with a growth rate of 132.8% and a relative contribution of 2.3%. This increase is due to higher exports of food and beverages manufactured for household consumption and industrial equipment. Figure 1 shows the relative distribution of the goods export structure.

Figure 1: Relative Distribution of Goods Export Structure for Q4 2024 & Q1 2025



1-1-2 Goods imports

Goods imports recorded a decline to reach US\$18,158.6 million in Q1 of 2025, compared to US\$22,486.4 million. This decline is primarily due to a decrease in private sector imports. The most important components of goods imports are listed below:

- **Government Consumption Imports**

In Q1 of 2025, government consumption imports recorded a decrease to US\$448.8 million, compared to US\$1,283.2 million for the previous quarter. This represents -65.0% and a relative contribution of US\$2.5 million to total imports, compared to US\$5.7 million in the previous quarter.

- **Government Capital Imports**

In Q1 of 2025, government capital imports decreased by -75.2% to reach US\$379.6 million, compared to US\$1,527.6 million in the previous quarter, with a relative contribution of 2.1% of total imports, compared to 6.8% in the previous quarter.

- **Government Imports of Petroleum Products**

In Q1 of 2025, government imports of Petroleum Products decreased to US\$286.4 million compared to US\$518.4 million for the previous quarter, with a relative contribution of 1.6% of total imports, compared to 2.3% for the previous quarter.

- **Other Government Imports and Currency Printing Costs** recorded a slight decrease to US\$56.3 million for Q1 of 2025, compared to US\$56.8 million for the previous quarter, with a relative contribution of 0.3% of total imports. This is attributed to lower currency printing costs and other government imports.

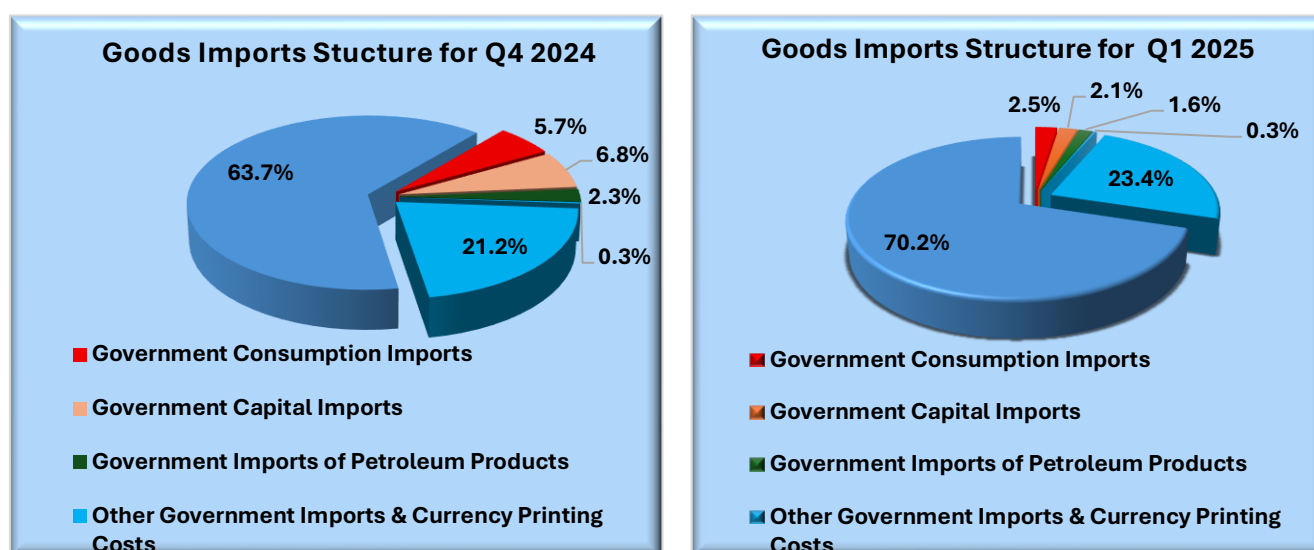
• Private Sector Consumer Imports

Private sector consumer imports declined to US\$4,246.9 million for Q1 of 2025, compared to US\$4,775.1 million in the previous quarter, with a relative contribution of 23.4% of total imports, compared to 21.2% in the previous quarter.

• Private Sector Capital Imports

In Q1 of 2025, private sector capital imports amounted to US\$12,740.6 million, compared to US\$14,325.3 million for the previous quarter, with a relative contribution of 70.2% of total imports, compared to 63.7% for the previous quarter, as shown in Figure 2.

Figure 2: Relative Distribution of Goods Imports Structure for Q4 2024 & Q1 2025



2-1 Balance of Services

In Q1 of 2025, the net Balance of Services deficit increased by 2.9%, reaching US\$-5,024.3 million, compared to a deficit of US\$-4,881.3 million for the previous quarter. The following details illustrate the items and reasons for the growth in the deficit:

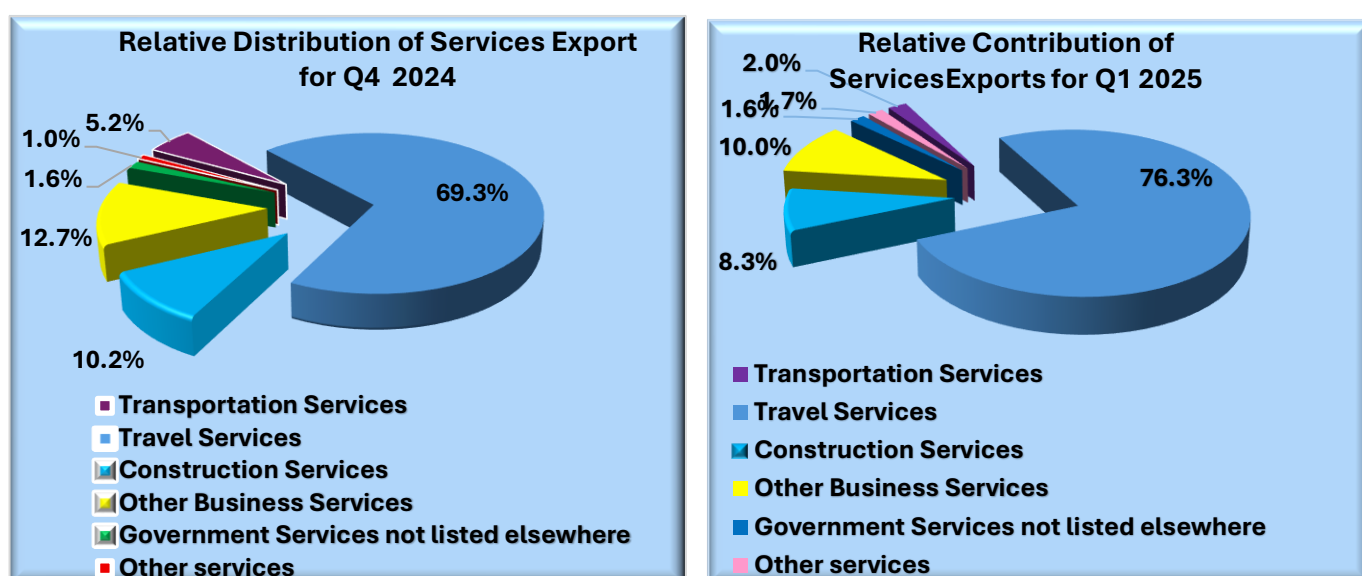
1-2-1 Services Exports

In Q1 of 2025, service exports recorded an increase of 14.7% over the previous quarter, reaching US\$2,719.4 million compared to US\$2,371.9 million for the previous quarter. This is attributed to the increase in travel services exports, which reached US\$2,074.6 million for the Q1 of 2025, compared to US\$1,644.8 million for the previous quarter, with a contribution of 76.3% of total service exports, compared to 69.3% for the previous quarter.

This is attributed to an increase in the number of Arab and foreign visitors to the country, while exports of transportation services decreased to US\$55.3 million for Q1 of 2025, compared to US\$123.7 million for the previous quarter, with a contribution rate of 2.0%

compared to 5.2% of total service exports for the previous quarter, and construction services reached US\$227 million for the Q1 of 2025, compared to US\$241.4 million for the previous quarter, with a contribution rate of 8.3% compared to 10.2% of total services exports, and other business services amounted to US\$272.9 million compared to US\$301.9 million for the previous quarter, with a contribution rate of 10.0% compared to 12.7% of total services exports. While government services not listed elsewhere recorded a slight increase to US\$44.6 million for the current quarter compared to US\$36.9 million, and other services accounted for a relative contribution rate of 1.7% of total services exports compared to 1.0% for the previous quarter, as shown in Figure 3.

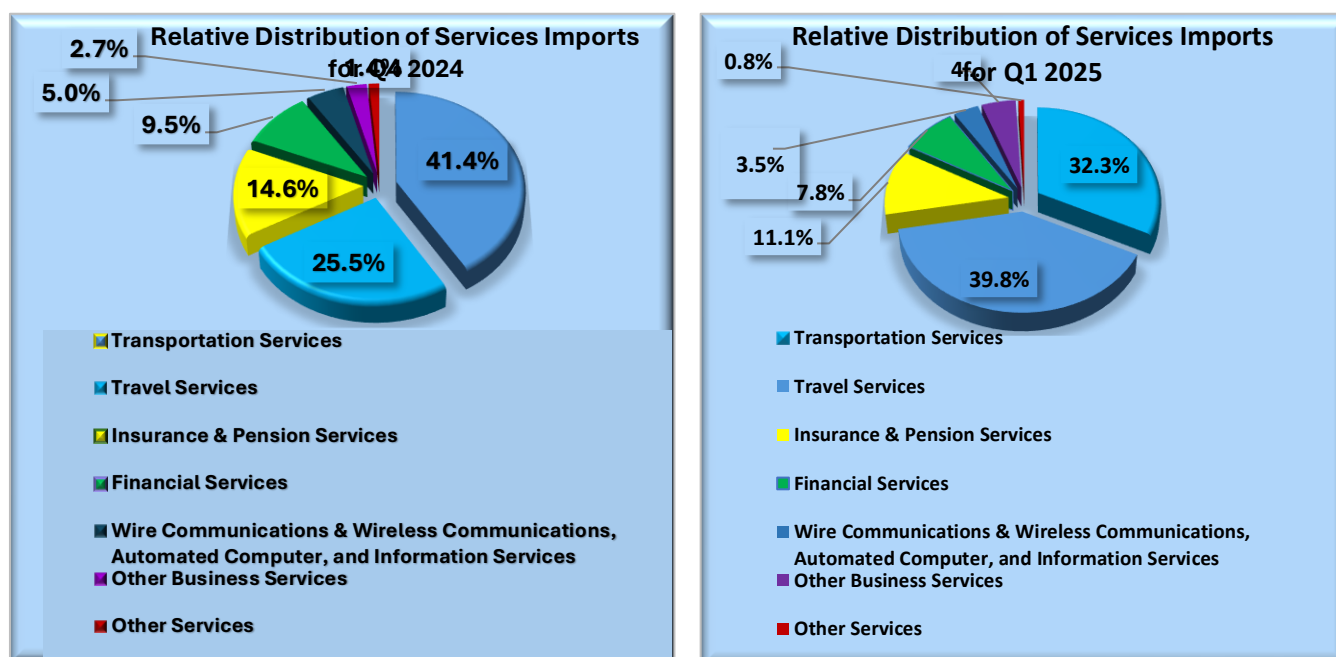
Figure 3: Relative Distribution of Services Export Structure for Q4 2024 & Q1 2025



1-2-2 Services Imports

Iraq's service imports for Q1 of 2025 increased by 6.8% to reach US\$7743.7 million compared to US\$7253.2 million for the previous quarter, as transportation services imports recorded a contribution rate of 32.3% of total services imports compared to their rate of 41.4% for the previous quarter. Followed by travel services with a contribution rate of 39.8% compared to its rate of 25.5% for the previous quarter, due to the increase in the number of Iraqi departures outside the country, while insurance services imports for Q1 of 2025 recorded a contribution rate of 11.1% compared to its rate of 14.6% for the previous quarter. Financial services and wire communications services imports recorded a relative contribution of 7.8% and 3.5%, respectively, compared to their contributions of 9.5% and 5.0%, respectively, for the previous quarter. In addition, imports of other business services recorded a relative contribution of 4.8% compared to their contribution of 2.7% for the previous quarter. As for imports of other services, they recorded a contribution of 0.8% compared to 1.4% in the previous quarter, as shown in Figure 4.

Figure 4: Relative Distribution of Services Imports Structure for Q4 2024 & Q1 2025



1-3 Goods & Services Balance

Balance of goods & services for Q1 of 2025 recorded a surplus of 121.9%, reaching US\$929.4 million compared to US\$-4234.8 million for the previous quarter, attributed to the increase in net exports of goods & services to reach US\$26831.7 million compared to US\$25504.8 million for the previous quarter. While net imports of goods & services decreased to US\$25902.3 million compared to US\$29739.6 million for the previous quarter. The following is an analysis of the account components:

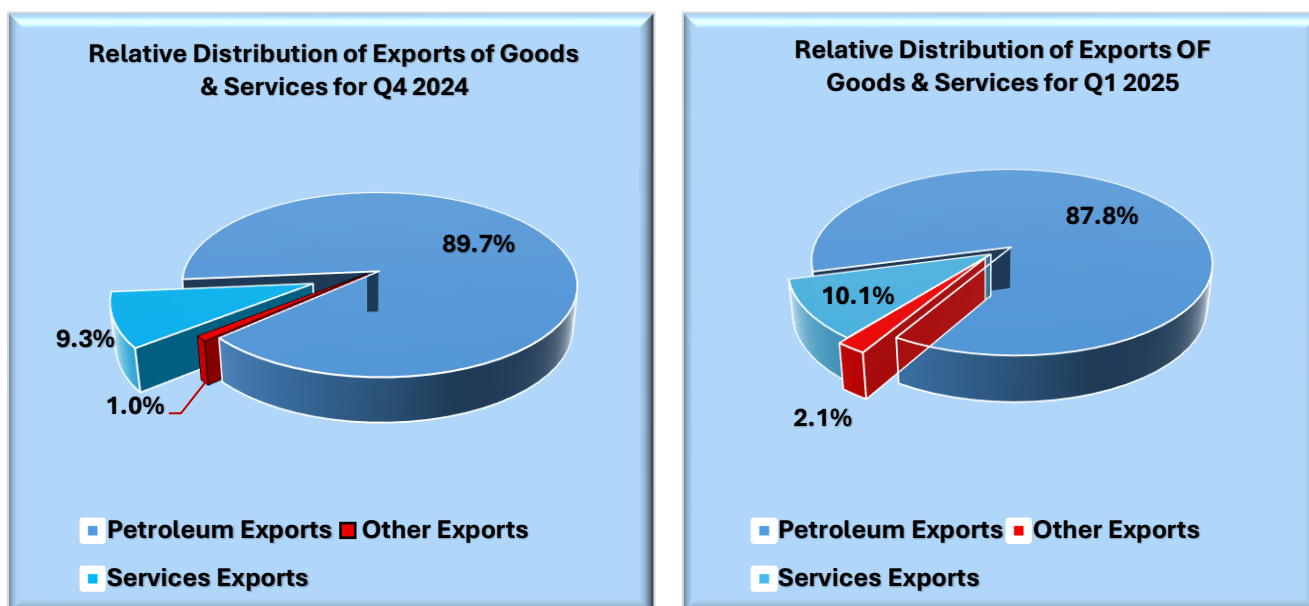
1-3-1 Goods & Services Exports

- Iraq's total exports of goods & services for Q1 of 2025 recorded an increase of 5.2% with a value of US\$26831.7 million compared to its value of US\$25504.8 million for the previous quarter, as Iraq's goods exports constituted 89.9% of total goods & services exports.
- The relative contribution of Iraq's exports of crude oil and petroleum products for Q1 of 2025 amounted 87.8% of total exports of goods & services, compared to its contribution of 89.7% for the previous quarter.
- The relative contribution of other goods exports and services exports amounted to 2.1% and 10.1%, respectively, compared to their rates of 1.0% and 9.3% for the previous quarter. Table 1 included below shows the relative and absolute distribution of the structure of exports of goods & services for Q4 of 2024 and Q1 of 2025. Figure 5 shows the relative distribution of exports of goods & services structure.

Table 1: Relative and Absolute Distribution of Exports of Goods & Services Structure for Q4 2024 & Q1 2025						
Details	Q4 2024	Q1 2025	Relative Contribution for Q4 2024	Relative Contribution for Q1 2025	Absolute Contribution	Growth Rate
Oil Exports	22890.5	23548	89.7%	87.8%	2.6%	2.9%
Other Exports	242.4	564.3	1.0%	2.1%	0.5%	132.8%
Services Exports	2371.9	2719.4	9.3%	10.1%	1.4%	14.7%
Goods & Services Exports	25504.8	26831.7	100.0%	100.0%	-	5.2%

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

**Figure 5: Relative Distribution of Exports of Goods & Services Structure
for Q4 2024 & Q1 2025**



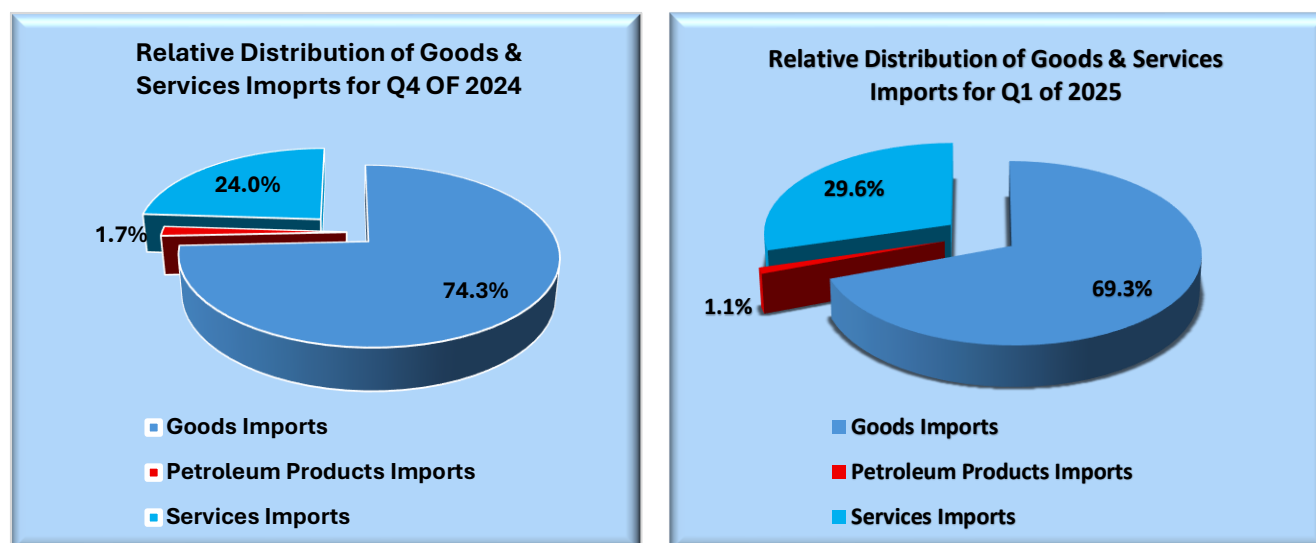
1-3-2 Goods & Services Imports

- Iraq's total imports of goods & services for Q1 of 2025 achieved a decline of 12.9% with a value of US\$25902.3 million, compared to their value of US\$29739.6 million for the previous quarter.
- Iraq's imports of petroleum products recorded a decline of 44.8% compared to the previous quarter, as it recorded a contribution rate of 1.1% of Iraq's total imports of goods & services for Q1 of 2025, compared to its contribution of 1.7% for the previous quarter, with an absolute contribution of - 0.8% of total goods & services, as shown in Figure 6.
- Goods imports excluding petroleum products recorded a decline of 19.2% compared to the previous quarter, with an absolute contribution of -14.3% of the decline of total goods & service imports. Service imports recorded a growth of 6.8%, with a contribution rate of 29.6% for Q1 of 2025 compared to the previous quarter, with an absolute contribution of 1.6% of the decline in total goods & services imports, as shown in Table 2

Table 2: Relative and Absolute Distribution of Imports of Goods & Services Structure for Q4 2024 & Q1 2025						
Details	Q4 2024	Q1 2025	Relative Contribution for Q4 2024	Relative Contribution for Q1 2025	Absolute Contribution	Growth Rate
Goods Imports	22486.4	18158.6	74.3%	69.3%	-14.3%	-19.2%
Petroleum Products Imports	518.4	286.4	1.7%	1.1%	-0.8%	-44.8%
Services Imports	7253.2	7743.7	24.0%	29.6%	1.6%	6.8%
Goods & Services Imports	30258.0	26188.7	100.0%	100.0%	-	-13.4%

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

**Figure 6: Relative Distribution of Imports of Goods & Services Structure
for Q4 of 2024 & Q1 of 2025**



1-4 Primary Income Account

This account recorded a significant growth of 162.0% for Q1 of 2025 compared to the previous quarter, reaching US\$405.3 million compared to US\$154.7 million. This growth is attributed to the following:

1-4-1 Net Flows of Employee Compensation

It represents the transferred amounts by workers employed outside their country of origin for less than a year. This account recorded a growth of US\$11.3 million for Q1 of 2025, by a rate of 24.2% compared to US\$9.1 million for the previous quarter.

1-4-2 Net Investment Income Account

This account recorded a growth rate of 173.1% for Q1 of 2025 to reach US\$393.6 million compared to its value of US\$144.1 million for the previous quarter due to the growth of the components of this account as follows:

1-4-2-1 Direct Investment

The Net Direct Investment account for Q1 of 2025 showed an improvement in its deficit of 69.3%, decreasing to a deficit of US\$-231.4 million compared to US\$-752.7 million for the previous quarter. This resulted from a decrease of its payments abroad by 69.2%, represented by a decrease in transfers of profits of foreign oil companies and other foreign companies operating in Iraq by 95.7%.

1-4-2-2 Portfolio Investment Interests of Foreign Treasury Bills

Portfolio investments that include income from equity shares and interests accrued on debt bonds recorded slight inflows for this quarter due to the lack of investments on government bonds.

1-4-2-3 Other Investments

Other investments represented by income from equity shares and interests for Q1 of 2025 recorded a remarkable declining deficit with a rate of 66.8% to reach US\$-26.6 million, compared to their value of US\$-80.2 million for the previous quarter, due to the decline of interest payments by the Ministry of Finance.

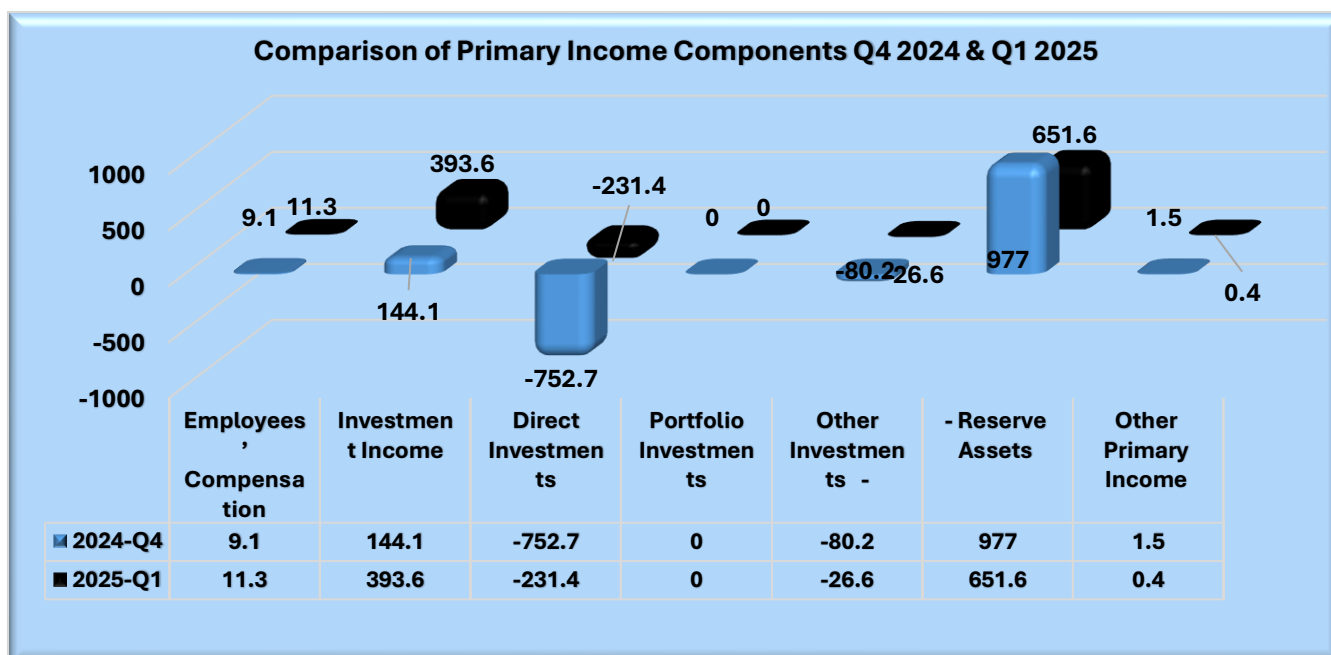
1-4-2-4 Reserve Assets

Net flows generated from interest on reserve assets managed by the Central Bank of Iraq abroad for Q1 of 2025 recorded a decline of 33.3% to reach US\$651.6 million compared to US\$977 million for the previous quarter. This is attributed mainly to the overall decrease in reserve assets flows, and the decline in interest earned on deposits in foreign currencies, European investment for foreign banks, and foreign treasury bills.

1-4-3 Other Primary Income

This account recorded a -73.3% decline in its net inflows, reaching US\$0.4 million in Q1 2025, compared to US\$1.5 million in the previous quarter, due to a decrease in private sector rent payments inward, as shown in Figure 7

Figure 7: Comparison of Primary Income Components Q4 2024 & Q1 2025



1-5 Secondary Income Account

The net flow of this account for Q1 2025 achieved a decrease of 66.5% to reach US\$61.8 million compared to US\$184.3 million for the previous quarter. This decrease is attributed to:

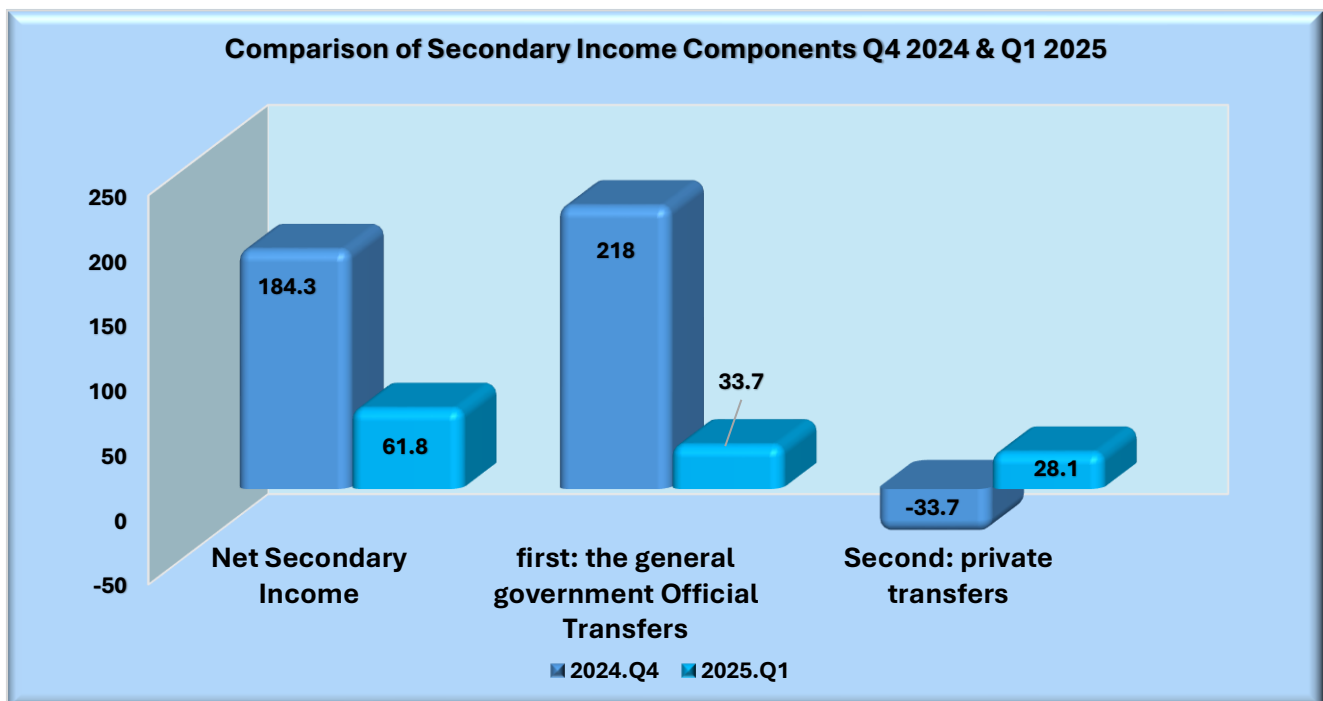
- Official Transfers including government transfers

Net official transfers for the first quarter of 2025 recorded a significant decrease of 84.5%, reaching US\$33.7 million, compared to US\$218 million in the previous quarter. This is attributed to a decrease in the receipts of various current transfers of the public government, with the decrease rate reaching 110.2% because of a 98.9% decline in taxes receipts.

- Net private transfers to the financial and non-financial corporations, households, and non-profit institutions

It recorded a significant growth of 183.4% in Q1 2025, reaching US\$28.1 million compared to a deficit of US\$-33.7 million in the previous quarter. This growth is attributed to a rise in net personal transfers, resulting from a 39.5% increase in the receipts of transfers from Iraqis working for more than a year, as shown in Figure 8.

Figure 8: Comparison of Secondary Income Components Q4 2024 & Q1 2025



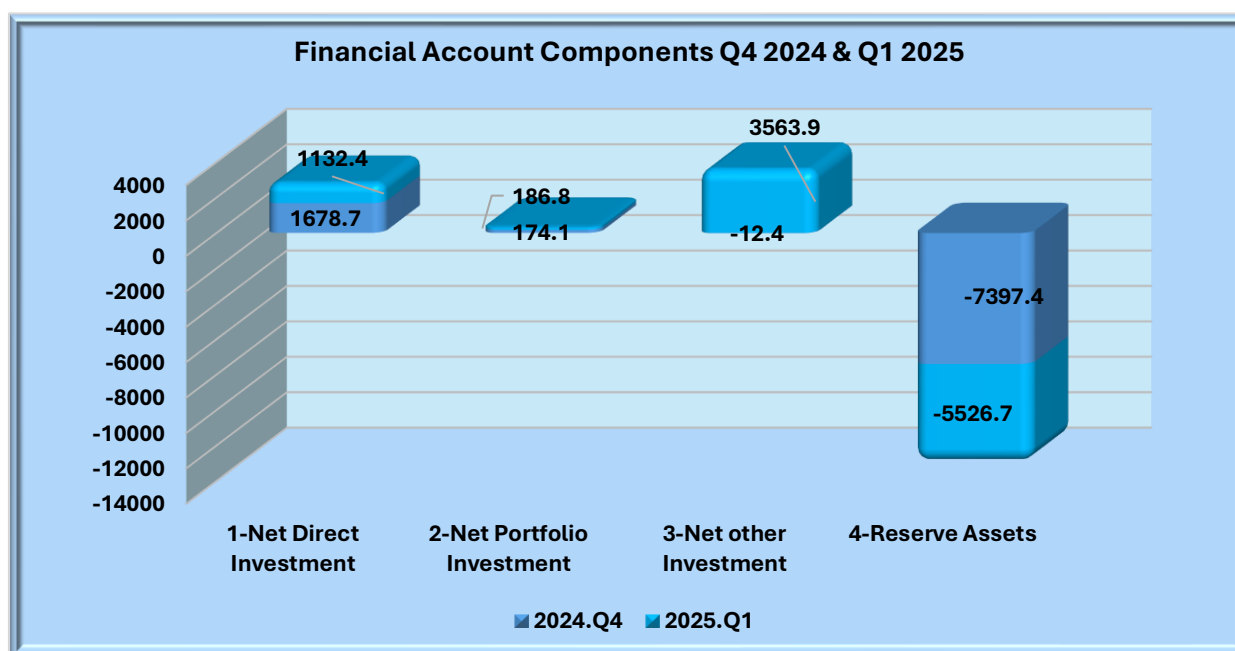
2- Capital account:

This account recorded no significant flows during the first quarter of 2025.

3-Financial account:

The net flow of the financial account recorded a decline in the deficit of 88.4% for the first quarter of 2025, reaching a deficit of US\$-643.6 million, compared to a deficit of US\$-5,557 million in the previous quarter. The following explanations illustrate the decline in the components of this account, as shown in Figure 9.

Figure 9: Financial Account Components Q4 2024 & Q1 2025



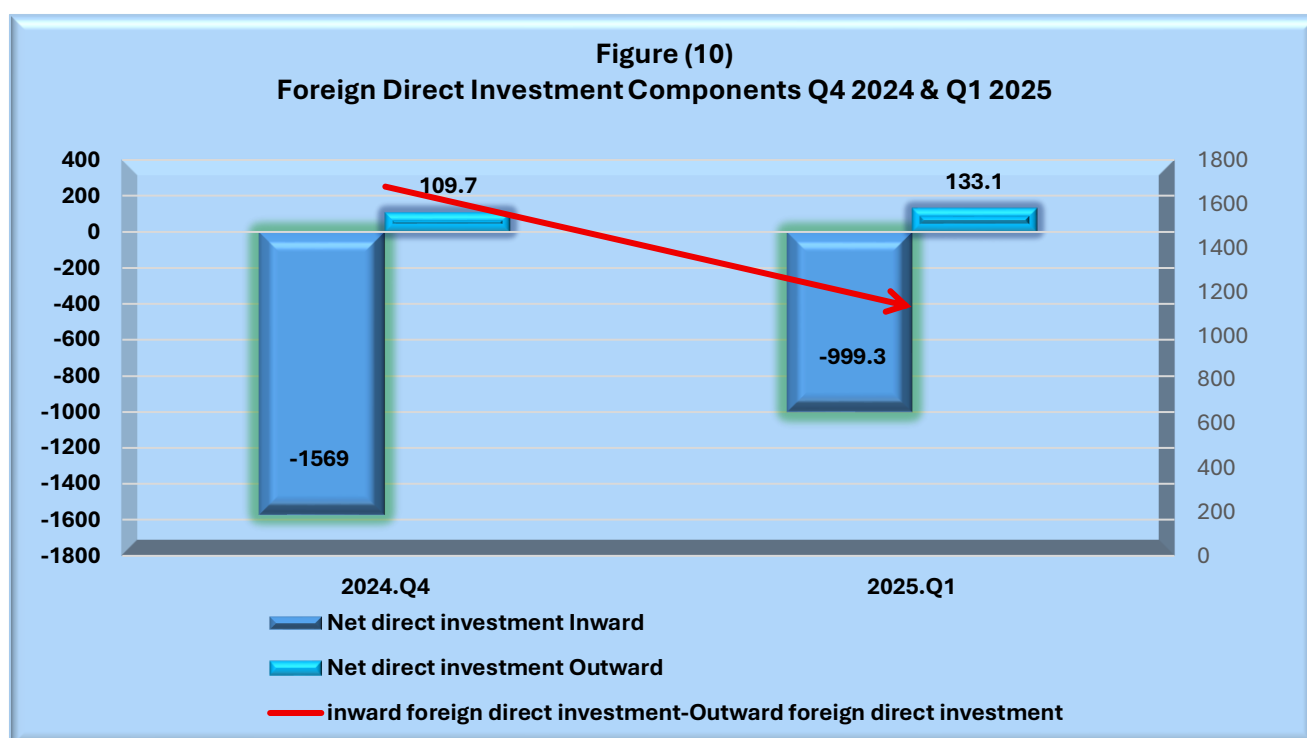
3 -1 Net direct investment

Net foreign direct investment for the first quarter of 2025 recorded a decrease of 32.5% to reach US\$1132.4 million compared to US\$1678.7 million for the previous quarter. This is attributed to the decrease in inward foreign direct investment in the banking sector by 24.8% and oil investment, which represents the petroleum costs paid to foreign companies, and is considered a financial liability for Iraq by 31.4%, and the purchase of shares in direct investment above 10% in the Iraq Stock Exchange, as shown in Figure10.

Despite an increase in outward Foreign Direct Investment FDI by 21.3%, which represents a financial asset for the investing country, this rise was caused by an increase in foreign investment designated for outgoing transfers from the banking sector.

- A closer look at the components of the financial account reveals that the decline in Net Foreign Direct Investment in the first quarter of 2025 contributed to the deficit in the net financial account.

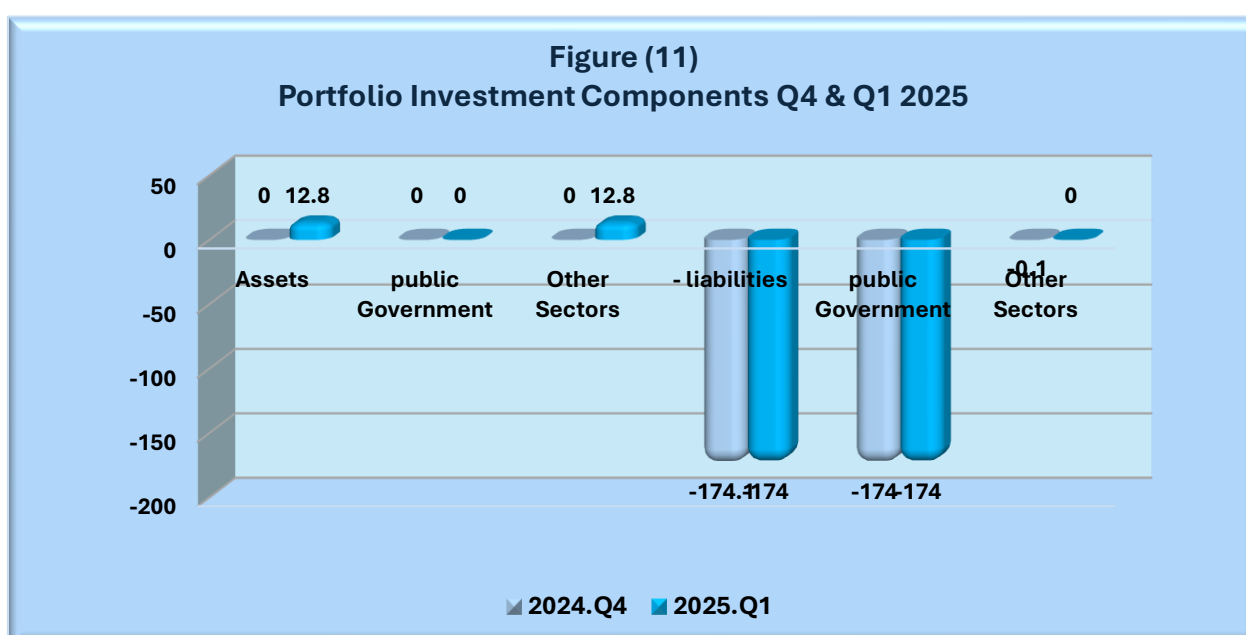
Figure 10: Foreign Direct Investment Components Q4 2024 & Q1 2025



3-2 Portfolio investment

The flow of this account Q1 2025 achieved an increase of 7.3%, reaching US\$186.8 million, compared to US\$174.1 million in the previous quarter. This is attributed to an increase in the assets of other sectors, represented by the purchase of shares in the banking sector, as shown in 11.

Figure 11: Portfolio investment Components Q4 2024 & Q1 2025



3-3 Other investments

Flows for this investment type increased by 28,841.1% in Q1 2025, reaching US\$3,563.9 million, compared to US\$-12.4 million in the previous quarter. The main components of the account and the reasons leading to this increase are listed below:

3-3-1 Net official investment

Net Official Investment improved by 61.2% in Q1 2025, reaching US\$2,749.0 million, compared to US\$-1,359.4 million in the previous quarter. This is attributed to:

- Assets rose by 34.2%, reaching US\$1,008.9 million in Q1 2025, compared to US\$-2,546.7 million in the previous quarter. This was driven by an improvement in the government's available balance of 123.6%, reaching US\$587.1 million compared to US\$-2,487.3 million in the previous quarter, and an increase in trade credits to Iraq for crude oil exports of 810.1%.

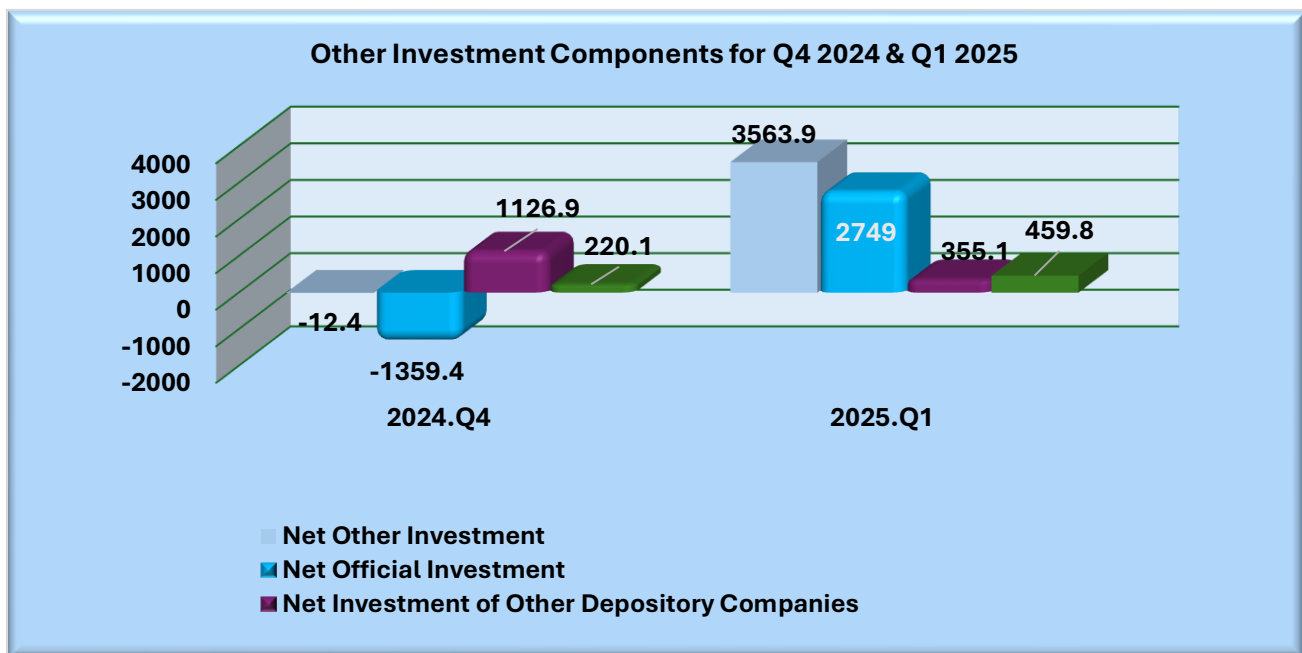
3-3-2 Net investment of other depository companies

Net investment of other depository companies decreased to US\$355.1 million, compared to US\$1,126.90 million. This is attributed to a decrease in the assets side, reaching US\$214.9 million compared to US\$513.7 million in the previous quarter, while the liabilities side recorded a -77.1% decrease in the deficit to US\$-140.2 million, compared to US\$-613.2 million in the previous quarter.

3-3-3 Net Private Sector Deposits Abroad

Net Private Sector Deposits Abroad, which include deposits of resident Iraqis abroad and the profits of domestic oil companies transferred abroad, registered an increase of 108.9% to reach US\$459.8 million in Q1 of 2025, compared to US\$220.1 million in the previous quarter, as shown in Figure 12.

Figure 12: Other Investment Components for Q4 2024 & Q1 2025



3-4 Reserve Assets

Reserve Assets registered 25.3% reduction in their net outflow or deficit, recording a negative flow of US\$-5,526.7 million compared to US\$-7,397.4 million in the previous quarter. This reduction is attributed to the changes in the components of reserve assets, as follows:

3-4-1 Special Drawing Rights SDRs

SDRs shifted to a deficit of US\$-25.6 million in Q1 2025, compared to a positive flow of US\$3.9 million in the previous quarter, representing a US\$756.4% decrease in the flow.

3-4-2 Monetary Gold

There were no purchases of monetary gold by Iraq for Q1 of 2025, compared to a flow of US\$847 million in the previous quarter.

3-4-3 Reserve Position in the Fund: Iraq's reserve position at the International Monetary Fund IMF witnessed no significant changes.

3-4-4 Foreign Assets

Foreign assets for Q1 of 2025 registered a 33.3% reduction in the deficit, to reach US\$-5501.1 million compared to US\$-8248.3 million in the previous quarter. This is attributed to the growth in its components, as follows:

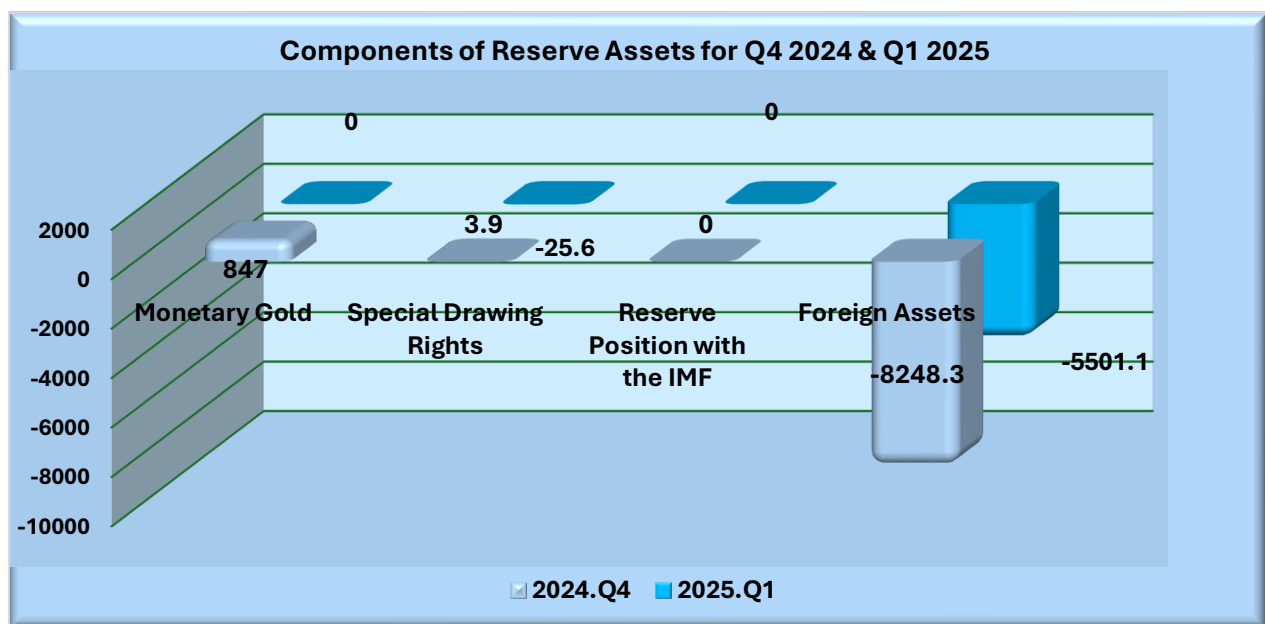
- **Currency and Deposits**

Currency and Deposits for Q1 of 2025 registered a 33.1% reduction in the deficit, to reach US\$-2944 million compared to US\$-4403.7 million in the previous quarter. This is attributed to an increase in the currency and deposits held by the monetary authorities of 85.4% compared to the previous quarter.

- **Securities**

Securities for Q1 of 2025 registered a 33.5% reduction in the deficit, to reach US\$-2557.1 million compared to US\$-3844.6 million in the previous quarter. This is attributed to the growth in money market instruments of -33.5%. Figure 13 illustrates the components of reserve assets.

Figure 13: Components of Reserve Assets for Q4 2024 & Q1 2025



4- Net Errors and Omissions Item:

Despite the initial balance in the Balance of Payments (BOP) accounts, practically, imbalances arise due to limitations in source data and the means of data compilation. This imbalance is referred to as Net Errors and Omissions (NEO).

It is a usual feature in Balance of Payments data, and this item is derived as a residual value based on the value of net lending or net borrowing.

Alternatively, this item can be derived from the following equation:

Net Errors and Omissions Item = Net Financial Account – Net Current Account + Net Capital Account

a - A positive value for Net Errors and Omissions indicates a significant underestimate of credit entries in the Current and Capital Accounts.

b - And/or a significantly overestimate value of debit entries in the Current and Capital Accounts.

c - And/or a significantly overestimate value of the net acquisition of assets in the Financial Account.

d - And/or a significantly underestimate value of the net incurrence of liabilities in the Financial Account.

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

Table 3: Credit and Debit Side of the Main Accounts of the Balance of Payments										
	Q4 2024			Q1 2025			Relative & Real Changes			
Details	Credit	Debit	Net	Credit	Debit	Net	Change in the credit side %	Change in the Debit side %	Change in the value of the credit account US\$ million	Change in the value of the debit account US\$ million
Current Account	26967	30862.8	-3895.8	27831.8	26435.3	1396.5	3.2%	-14.3%	865	-4427
Capital Account	0	0	0	0	0	0	0	0	0	0
Financial Account	-9101	-3543.6	-5557	-3697.2	-3053.6	-643.6	-59.4%	-13.8%	5403.4	490
Net Errors & missions			-1661.2			-2040.1				

The Iraqi Balance of Payments for the first quarter of 2025, as shown in Table 3, revealed a negative Net Errors and Omissions NEO entry valued at US\$-2,040.1 million, compared to US\$-1,661.2 million in the previous quarter. The current account's credit registered a change of US\$865 million compared to the preceding quarter, while the debit side recorded a change of US\$-4,427.5 million. The capital account registered no change on either side. As for the financial account, the credit side showed a change valued at US\$5,403.8 million, while the debit side recorded a change of US\$490 million.

The financial account reflects compensatory or consequential transactions related to the real operations recorded in the current account. The appearance of the Net Errors and Omissions item with a negative sign indicates the existence of several transactions that were not recorded in the current account or items that were underestimated in value.

Figure 14: An illustration showing the Role of Net Errors and Omissions in Interpreting Balance of Payments Imbalances

