



**Central Bank Of Iraq  
Statistics And Research Department Balance  
Of Payments And Foreign Trade Division**

**Iraqi Balance Of  
Payments Report**



**Q2 2025**

Republic of Iraq

Central Bank of Iraq

Statistics & Research Department



# **Iraqi Balance of Payments**

## **Report**

### **Q2 2025**

**Statistics & Research Department**

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Table of Contents		Page
Key Concepts of the Balance of Payments		A-B
Introduction		C
<b>1</b>	<b>Current Account</b>	<b>1</b>
<b>1.1</b>	Balance of Trade	<b>2</b>
<b>1.2</b>	Balance of Services	<b>4</b>
<b>1.3</b>	Balance of Goods and Services	<b>6</b>
<b>1.4</b>	Primary Income Account	<b>8</b>
<b>1.5</b>	Secondary Income Account	<b>10</b>
<b>2</b>	<b>Capital Account</b>	<b>11</b>
<b>3</b>	<b>Financial Account</b>	<b>11</b>
<b>3.1</b>	Net Foreign Direct Investment (FDI)	<b>11</b>
<b>3.2</b>	Portfolio Investment	<b>12</b>
<b>3.3</b>	Other Investments	<b>12</b>
<b>3.4</b>	Reserve Assets	<b>13</b>
<b>4</b>	<b>Net Errors and Omissions Item</b>	<b>15</b>

List of Figures		Page
<b>1</b>	Relative Distribution of Exports of Goods Structure for Q1 & Q2 of 2025	<b>3</b>
<b>2</b>	Relative Distribution of Imports of Goods Structure for Q1 & Q2 of 2025	<b>4</b>
<b>3</b>	Relative Distribution of Exports of Services Structure for Q1 & Q2 of 2025	<b>5</b>
<b>4</b>	Relative Distribution of Imports of Services Structure for Q1 & Q2 of 2025	<b>6</b>
<b>5</b>	Relative Distribution of Exports of Goods & Services Structure for Q1 & Q2 of 2025	<b>7</b>
<b>6</b>	Relative Distribution of Imports of Goods and Services Structure for Q1 & Q2 of 2025	<b>8</b>
<b>7</b>	Components of Primary Income Account for Q1 & Q2 of 2025	<b>10</b>
<b>8</b>	Components of Secondary Income Account for Q1 & Q2 of 2025	<b>10</b>
<b>9</b>	Components of Financial Income Account for Q1 & Q2 of 2025	<b>11</b>
<b>10</b>	Components of Foreign Direct Investment for Q1 & Q2 of 2025	<b>11</b>
<b>11</b>	Portfolio Investment Components for Q1 & Q2 of 2025	<b>12</b>
<b>12</b>	Other Investment Components for Q1 & Q2 of 2025	<b>13</b>
<b>13</b>	Components of Foreign Reserves for Q1 & Q2 of 2025	<b>14</b>
<b>14</b>	Net Errors and Omissions Item for the Iraqi Balance of Payments (USD Million)	<b>16</b>

List of Tables		Page
<b>1</b>	Relative and Absolute Distribution of Exports of Goods & Services Structure for Q1 & Q2 of 2025	<b>7</b>
<b>2</b>	Relative and Absolute Distribution of Imports of Goods & Services for Q1 & Q2 of 2025	<b>8</b>
<b>3</b>	Credit and Debit Sides of the Main Accounts of the Balance of Payments	<b>16</b>

## 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 exports and imports of services. Services are categorized by the type of service provided rather than the provider. This aligns closely with the International Trade in Services Manual and the Balance of Payments Manual.

**3. Primary Income Account:** Tracks income flow between residents and non-resident institutional units.

**a. Income Generation Account:** This records income generated in the production process. This account includes the compensation of seasonal workers who are employed for less than one year. Their wages are classified as income derived from their contribution of labor input to 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 Account**

Capital Account records credit and debit transfers for non-financial, non-productive fixed assets (such as natural resources, leases, licenses, and marketing assets), as well as capital grants from governments and international organizations. This account works with the current account as a balancing item to the financial account.

Both accounts (Current+ Capital) show non-financial transactions, and their balances represent net non-financial lending or borrowing. The financial account shows how 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 provision of funds by the economy to the rest of the world, i.e., an increase in assets, while net borrowing is the provision of funds by the rest of the world to the economy, i.e., a decrease in assets, noting that 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 is investment from foreign investors that accounts for at least 10% of a company's capital or voting power. This type

of investment is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor. It involves a long-term relationship that reflects lasting interest and control by a resident entity in one economy over an enterprise in another economy.

**2. Portfolio Investment:** Portfolio investment includes transactions in securities and cross-border positions that involve debt securities or equity not included in direct investment or reserve assets, i.e. those with voting power of less than 10%. The securities included under portfolio investment are characterized by ease of trading, which allows them to be held by various parties throughout their life. This represents an opportunity for investors to diversify their investment portfolios and be able to withdraw their investments easily, in addition to increasing the degree of trading liquidity in these financial instruments.

**3. Other Investments:** Other investments cover other equity interests, currency, deposits, loans, insurance systems, 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 national currency) and forming a basis for external borrowing. Reserve assets must be foreign currency assets and assets that actually 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<sup>1</sup>.

**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.

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<sup>1</sup> International Monetary Fund, Balance of Payments and International Investment Position Manual, Sixth Edition, 2008, p. 113

## **Introduction:**

The Statistics and Research Department at the Central Bank of Iraq is keen to promote a policy of disclosure and transparency. This policy serves several functions, the most important of which is monitoring the main indicators of the external sector to identify areas where economic policy is needed. This report for Q2 of 2025 therefore includes two sections that explain imbalances leading to instability: the financial account and the current and capital accounts.

The balance of payments reflects the activity of the national economy by recording all economic transactions as debits and credits over a specific period of time between a given country and the rest of the world.

Iraq's economic transactions with the rest of the world in Q2 of 2025 resulted in a balance of payments deficit. This represented an improvement on the negative flow of USD -1,156.6 million recorded in the first quarter of 2025, which was USD -5,526.7 million. The current account surplus for Q2 declined by 43.1% compared to the previous quarter of the same year due to a 92.7% decline in the primary income account resulting from increased payments. Total exports also declined by 3.4% from the previous quarter due to a fall in petroleum product exports, crude oil exports and other commodity exports of 17.0%, 6.3% and 3.4% respectively. The services balance recorded an increase in its deficit, reaching USD 5,061.9 million in Q2 compared to USD 5,024.3 million in Q1, an increase of 0.7%, due to an increase in the travel services deficit. The secondary income account of the trade balance improved by 22.2% in Q2 of 2025 compared to the previous quarter, while there were no significant flows in the formal account in this quarter. The financial account for the second quarter of 2025 recorded a significant decline of 261.0% compared to the previous quarter.

To achieve balance, theoretical equality must be established between both the (current and capital accounts) and the (financial account), revealing the practical inequality arising from the inadequacy of source data and data preparation methods. This is expressed as a negative value in the net omissions and errors paragraph due to a number of transactions not being recorded in the current account.

## 1. Current Account

**There are two important aspects that must be explained before starting to analyze the indicators of this account:**

**First Aspect:** The current account witnesses a deficit when a country's consumption exceeds its production, according to the important relationship between a country's current account and its capital & financial accounts. The current account includes international trade, net income on investments, and direct payments. The financial account describes the change in international ownership of assets. The capital account includes all other financial transactions which do not affect the country's economic production. This relationship is explained in what is called the "**trade identity formula**", which states, "**if the country manages a deficit in its current account, it must balance this deficit by equal flows in the financial account**".

The current account deficit is sustainable as long as international lenders are willing to finance it, but if the flow of money into the economy falters, the currency will likely deteriorate, and the economy will suffer sudden disruptions. 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 their growth gives an overall picture of the direction and level of economic growth.

**Second Aspect:** The surplus achieved by the current account is no less serious than the deficit, as the surplus of domestic production appears on the current account when the country's production exceeds its consumption, or when saving rates rise compared to investment rates. Since these countries do not consume all their production, which may be (a primary commodity) as is the case in rentier countries, they are in constant need of someone to buy this surplus. On this basis, countries that manage surpluses in their current accounts lend their in-kind savings to the rest of the world so that they have the needed money to purchase the surplus production of the lending countries.

## Current Account Analysis

The current account for Q2 of 2025 recorded a decrease of 43.1%, reaching USD 794.5 million compared to USD 1396.5 million for the previous quarter. The following is a comprehensive explanation that shows the developments of the account components compared to the previous quarter:

### 1.1 Balance of Trade

The trade balance for Q2 of 2025 recorded a decrease of 3.4%, reaching USD 5751.4 million compared to USD 5953.7 million for the previous quarter. The decrease in this component is attributed to:

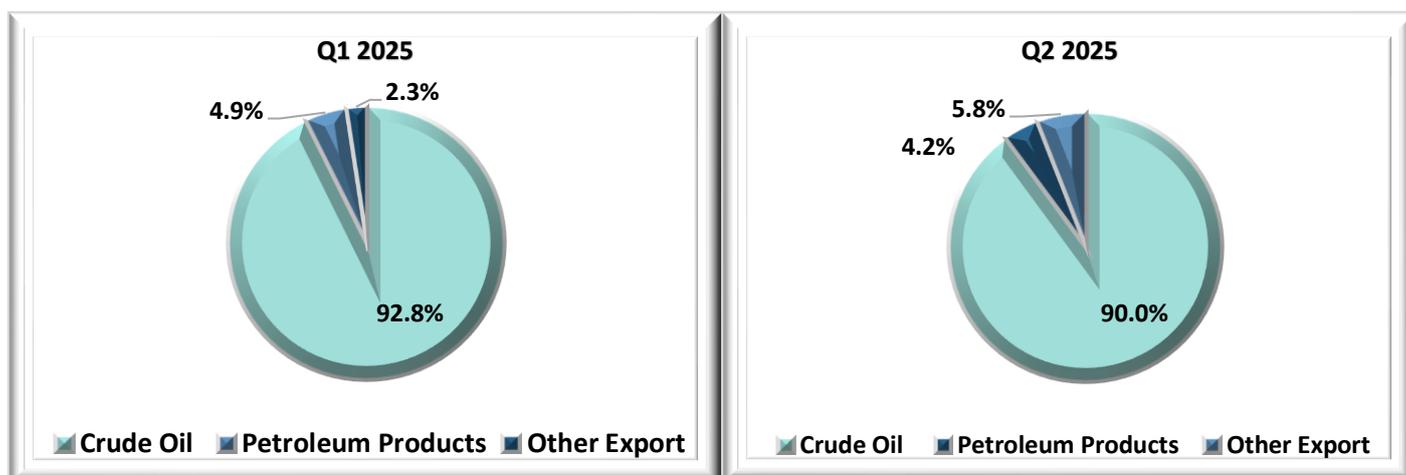
#### 1.1.1 Exports of Goods

Goods exports for Q2 of 2025 recorded a decrease of 3.4%, reaching USD 23,285.6 million compared to USD 24,112.3 million for the previous quarter due to developments in the components of exports, as follows:

- **Exports of Crude Oil:** These exports for Q2 of 2025 constituted a contribution of 90% to total goods exports, reaching USD 20,956.4 million, compared to USD 22,365.4 million, recording a decrease of 6.3% from the previous quarter due to the decline of crude oil prices. The price of oil barrel reached USD 68.2 compared to USD 73.3 for the previous quarter, while exported quantities recorded a decline of 5.7% from the previous quarter.
- **Iraq's Exports of Petroleum Products**, most of which consist of (fuel oil, naphtha, and natural gasoline) for Q2 of 2025, constituted a relative contribution amounting to 4.2% to total exports, reaching the value of USD 981.5 million, compared to an amount of USD 1182.6 million with a contribution rate of 4.9% for the previous quarter, recording a remarkable decline of 17%.
- **Exports of Iraq's Other Goods** constituted a relative contribution rate amounting 5.8% to total exports with a value of USD 1,347.7 million, compared to their contribution rate of 2.3%, reaching a value of USD 564.3 million for the previous quarter. The largest part was concentrated on (food, live animals, primary industrial equipment, and capital goods except transportation

equipment) to record a growth rate of 138.8%. **Figure 1 shows the relative distribution of the goods exports structure.**

**Figure 1: Relative Distribution of Exports of Goods Structure for Q1 & Q2 of 2025**



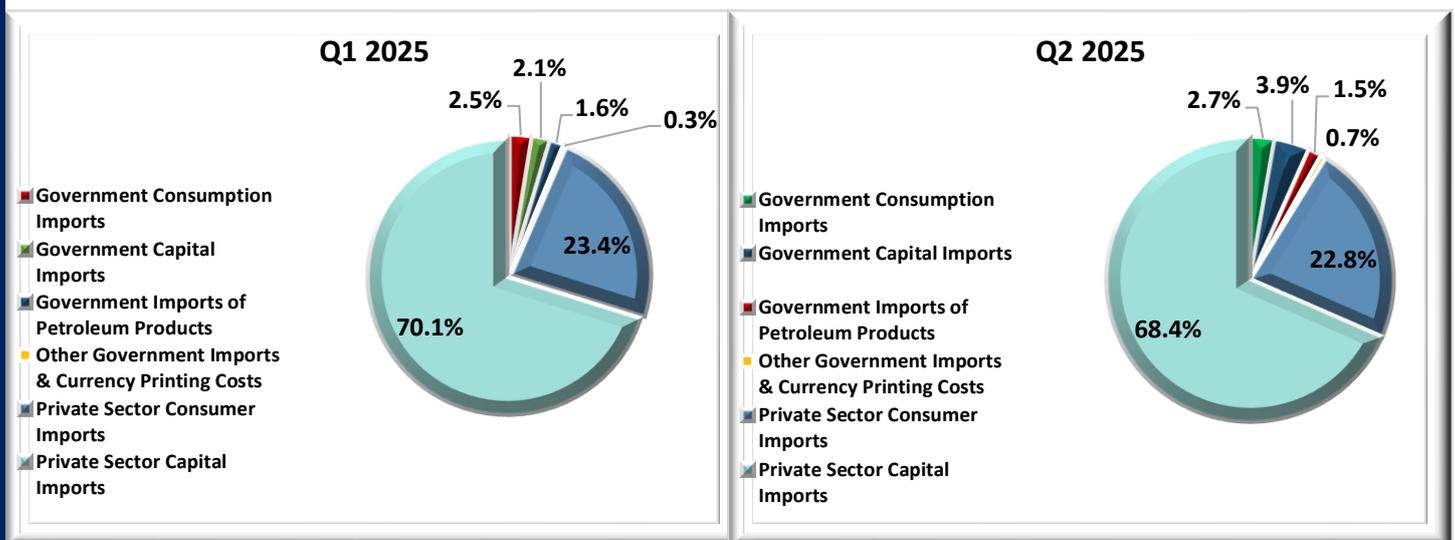
### 1.1.2 Imports of Goods

Imports of goods for Q2 of 2025 recorded a decline of 3.4% over the previous quarter, reaching the value of USD 17,534.2 million, compared to USD 18,158.6 million for the previous quarter. The most important components of goods imports for Q2 of 2025 are as follows:

- **Imports of Government Consumer Goods** for Q2 of 2025 recorded a slight increase, reaching a value of USD 474.2 million with a contribution rate of 2.7%, compared to their contribution of 2.5% with a value of USD 448.8 million for the previous quarter. The bulk of it was concentrated on imports of ration card items and imports of medical supplies and medicines.
- **Imports of Government Consumer Goods** for Q2 of 2025 recorded an increase of USD 686 million with a relative contribution rate of 3.9% to total imports, compared to a value of USD 379.6 million with a relative contribution rate of 2.1% for Q1 of 2025.
- **Government's Imports of Petroleum Products** for Q2 of 2025 recorded a decline of 9.3% to reach the value of USD 259.8 million with a relative contribution rate of 1.5%, compared to the value of USD 286.4 million with a relative contribution rate of 1.6% for the previous quarter.

- **Other Government Imports and Currency Printing Costs** recorded an increase of 115.1% to reach the value of USD 121.1 million with a relative contribution rate of 0.7%, compared to the value of USD 56.3 million with a relative contribution rate of 0.3% to total imports for the previous quarter.
- **Imports of Private Sector Consumer Goods** recorded a decrease of 5.9% to reach the value of USD 3,998.3 million with a contribution rate of 22.8%, compared to the value of USD 4,246.9 million with a contribution rate of 23.4% to total imports for the previous quarter.
- **Imports of Private Sector Capital Goods** for Q2 of 2025 recorded a decline of 5.9%, reaching USD 11,994.8 million with a relative contribution rate of 68.4%, compared to the value of USD 12,740.6 million with a relative contribution rate of 70.1% to total imports for Q1 of 2025, as shown in **Figure 2**.

**Figure 2: Relative Distribution of Imports of Goods Structure for Q1 & Q2 of 2025**

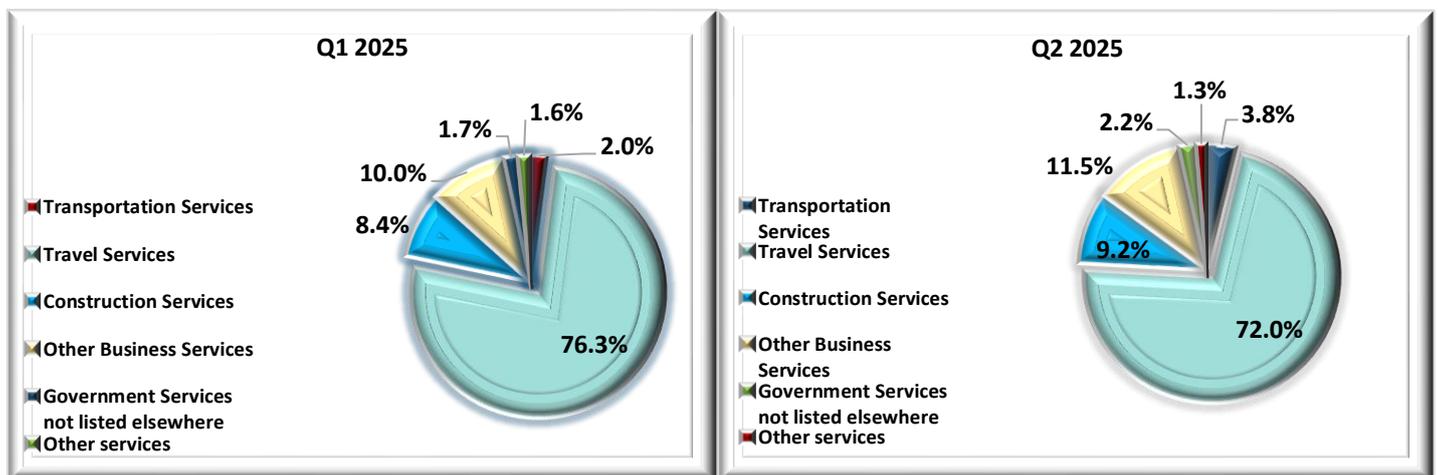


**1.2 Balance of Services:** Net services balance for Q2 of 2025 recorded a slight increase in deficit that amounted to 0.7%, reaching the value of USD -5061.9 million, compared to the value of USD -5024.3 million for the previous quarter. The following are the details of the development of its items:

**1.2.1 Exports of Services:** Services exports for Q2 of 2025 recorded an increase of 0.7% over the previous quarter to reach the value of USD 2,738.7 million, compared to the value of USD 2,719.4 million for the previous quarter. This is attributed to an

increase in Transportation Services by 87.3%, reaching a value of USD 103.6 million with a contribution rate of 3.8%, compared to 2.0% to total services exports for the previous quarter. While Travel item recorded a decrease of 4.9% to reach the value of USD 1972.7 million, compared to USD 2074.6 million for the previous quarter of the same year, with the highest contribution rate reaching 76.3% to total services exports. Construction Services achieved a slight increase amounting to USD 251.8 million with a contribution rate of 9.2%, compared to 8.4% to total services exports. Other Business Services and Government Services not included elsewhere recorded a contribution rate of 11.5% and 2.2% compared to 10% and 1.7%, respectively, to total services exports. Other Services constituted a contribution rate of 1.3% compared to 1.6% to total services exports, as shown in **Figure 3**.

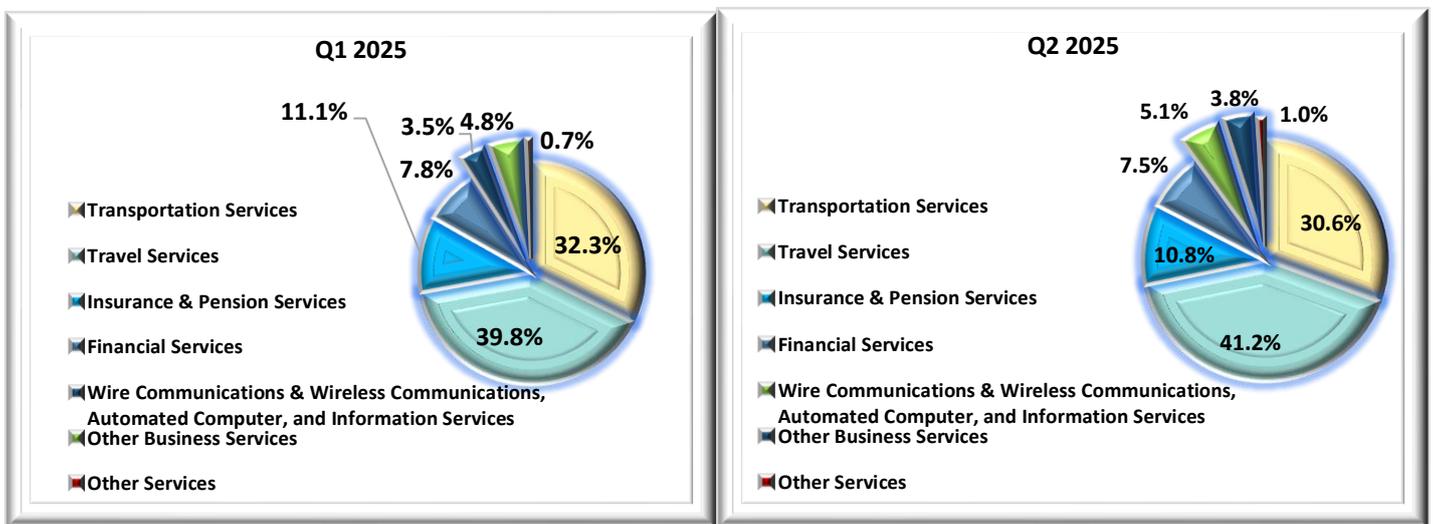
**Figure 3: Relative Distribution of Exports of Services Structure for Q1 & Q2 of 2025**



**1.2.2 Imports of Services:** Iraq's services imports for Q2 of 2025 recorded a slight increase of 0.7% to reach the value of USD 7,800.6 million compared to the value of USD 7,743.7 million for the previous quarter. This is due to an increase in Travel Payments by a contribution rate of 41.2% to total services imports with a value of USD 3,214.5 million, compared to the value of USD 3,082.0 million for the previous quarter because of the increase in the number of Iraqi departures outside the country (Hajj season). While Transportation Services recorded a decrease with a value of USD 2,390.0 million and contribution rate of 30.6% to total services imports, compared to their value of USD 2,498.9 million for the previous quarter of the same year. While

Insurance and Retirement Pension Services constituted a contribution rate of 10.8% to total services imports, reaching the value of USD 839.3 million, compared to the value of USD 859.3 million for the previous quarter. Followed by Financial Services with a contribution rate of 7.5% to total services imports with the value of USD 580.2 million, compared to the value of USD 600.4 million for the previous quarter. Services of Wired & Wireless Communications, Computers and Information and Other Business Services constituted relative contributions of 5.1% and 3.8%, respectively, to total services imports, while the contribution of Other Services amounted 1.0% to total service imports. **Figure 4** shows the relative distribution of services imports.

**Figure 4: Relative Distribution of Services Imports Structure for Q1 & Q2 of 2025**



### 1.3 Balance of Goods & Services

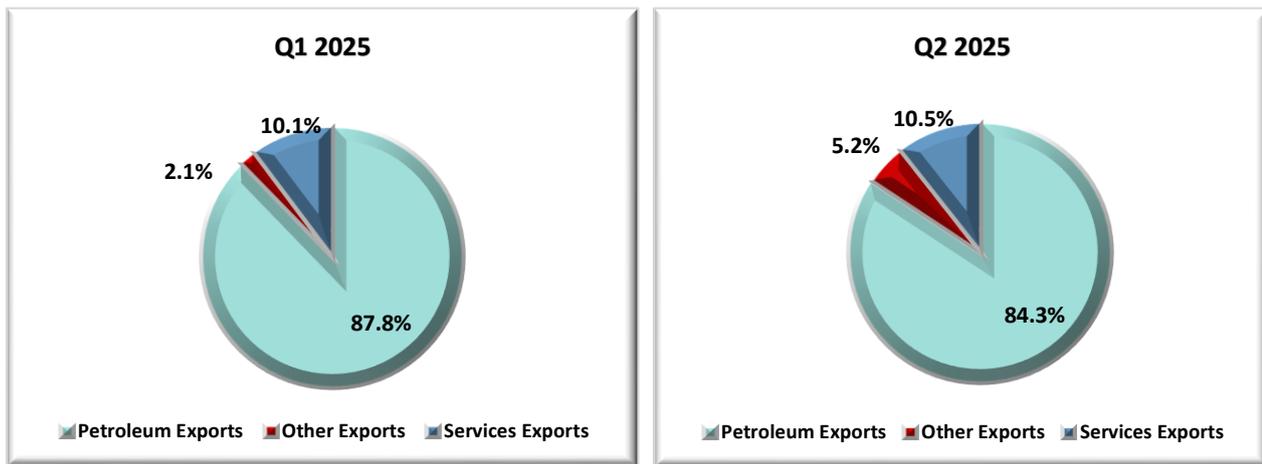
Table 1 shows that the balance of goods & services recorded a decrease of 25.8% for Q2 of 2025, amounting to USD 689.5 million, compared to its value of USD 929.4 million for the previous quarter. This is attributed to the decrease in net exports of goods & services, which amounted to USD 26024.3 million, compared to its value of USD 26831.7 million for the previous quarter. Net imports of goods & services also recorded a decrease, amounting to USD 25334.8 million, compared to USD 25902.3 million for the previous quarter. The following is an analysis of the developments in the exports and imports of goods and services:

#### 1.3.1 Exports of Goods & Services

- Iraq's total exports of goods and services for Q2 of 2025 recorded a decline in growth of 3.0% with a value of USD 26,024.3 million compared to USD 26,831.7 million for the previous quarter, where Iraq's goods exports constituted 89.5% of the total exports of goods & services.

- Relative contribution of Iraq’s exports of (crude oil and petroleum products) for Q2 of 2025 amounted to 84.3% of the total exports of goods and services, compared to 87.8% for the previous quarter. Meanwhile, the relative contribution of service exports and other exports amounted to 10.5% and 5.2%, compared to 10.1% and 2.1% respectively for the previous quarter. This slight decrease in crude oil and petroleum products is attributed to the increase in the contribution of service exports, as shown in **Figure 5**, which illustrates relative distribution of the structure of exports of goods & services.

**Figure 5: Relative Distribution of Exports of Goods & Services Structure for Q1 and Q2 of 2025.**



**Table 1: Relative and Absolute Distribution of Exports of Goods & Services Structure for Q1 & Q2 of 2025**

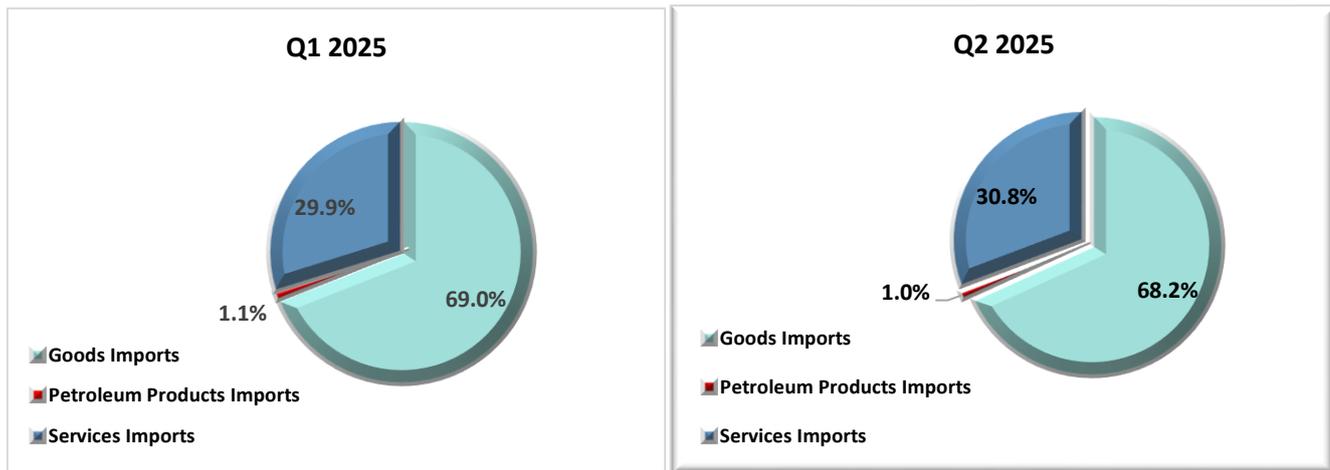
Details	Q1 2025 (Million USD)	Q2 2025 (Million USD)	Relative Contribution Q1 2025	Relative Contribution Q2 2025	Growth%	Absolute Contribution to Growth %
Oil Exports	23548	21937.9	87.8%	84.3%	-6.8%	-6.0%
Other Exports	564.3	1347.7	2.1%	5.2%	138.8%	2.9%
Exports of Services	2719.4	2738.7	10.1%	10.5%	0.7%	0.1%
<b>Total Exports of Goods &amp; Services (Million USD)</b>	<b>26831.7</b>	<b>26024.3</b>	<b>100%</b>	<b>100%</b>	<b>-3.0%</b>	

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

### 1.3.2 Imports of Goods & Services

- Iraq’s total imports of goods & services for Q2 of 2025 decreased by 2.2%, amounting to USD 25,334.8 million, compared to USD 25,902.3 million in the previous quarter.
- Iraq’s imports of petroleum products decreased to USD 259.8 million, compared to USD 286.4 million in the previous quarter, with a contribution of representing 1.0% of Iraq’s total imports of goods & services, compared to 1.1% in the previous quarter, as shown in **Figure 6**.

**Figure 6: Relative Distribution of Imports of Goods & Services Structure for Q1 & Q2 of 2025**



- **Imports of Goods (excluding petroleum products)** recorded a decline of 3.3% compared to the previous quarter, amounting to USD 17,274.4 million compared to USD 17,872.2 million, while service imports recorded a slight increase in their relative contribution of 30.8% compared to 29.9% for the previous quarter and an absolute contribution of 0.2% of the total goods & service imports, as shown in **Table 2**.

**Table 2: Relative and Absolute Distribution of Imports of Goods & Services for Q1 and Q2 of 2025**

Details	Q1 2025 (Million USD)	Q2 2025 (Million USD)	Relative Contribution on Q1 2025	Relative Contribution Q2 2025	Growth %	Absolute Contribution to Growth %
<b>Goods Imports</b>	17872.2	17274.4	69.0%	68.2%	-3.3%	-2.3%
<b>Petroleum Product Imports</b>	286.4	259.8	1.1%	1.0%	-9.3%	-0.1%
<b>Services Imports</b>	7743.7	7800.6	29.9%	30.8%	0.7%	0.2%
<b>Imports of Goods and Services</b>	25902.3	25334.8	100%	100%	-2.2%	

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

## 1.4 Primary Income Account:

This account for Q2 of 2025 recorded a decrease of 92.7% compared to the previous quarter, amounting to USD 29.5 million compared to USD 405.3 million. This decrease is attributed to developments in the items of this account, as follows:

**1.4.1 Net Employee Compensation Flows** for Q2 of 2025 recorded a decrease of 33.6%, amounting to USD 7.5 million compared to USD 11.3 million for Q1 of the same year. This is due to a decrease in employees' receipts from seasonal workers residing abroad for less than one year of 30.5% compared to the previous quarter.

**1.4.2 Net Investment Income Account** for Q2 of 2025 recorded a decrease of 94.9%, reaching USD 20.1 million, compared to its value of USD 393.6 million for the previous quarter. This is attributed to developments in the components of this account, as follows:

**1.4.2.1 Direct Investment:** Net direct investment account for Q2 of 2025 recorded an increase in its deficit of 285.4%, reaching USD -891.8 million, compared to its value of USD -231.4 million for the previous quarter. This is due to an increase in its payments abroad, represented by an increase in profit transfers from foreign oil companies operating in Iraq, and an increase in profit payments from other companies operating in Iraq.

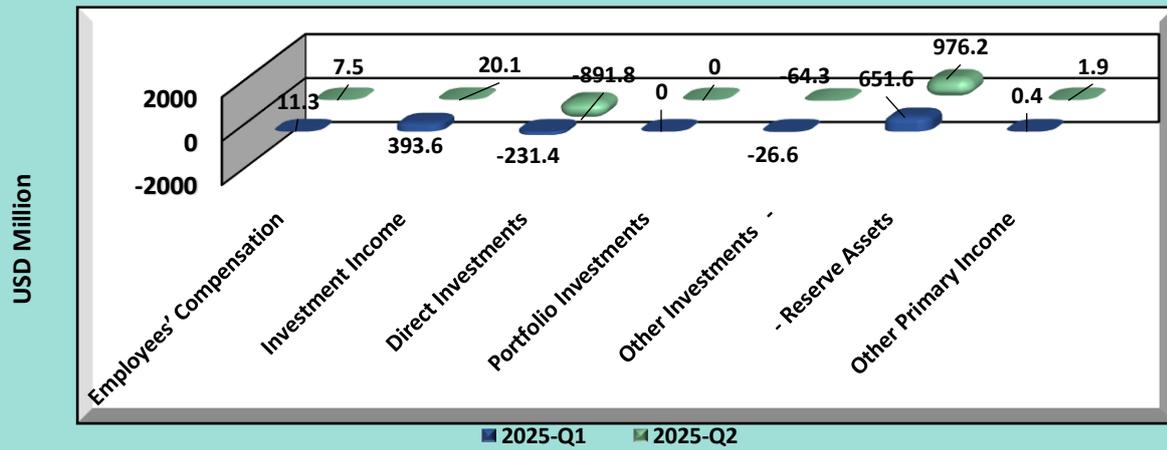
**1.4.2.2 Portfolio Investment (Interest on Foreign Treasury Bills) :** Portfolio investments, which include income from equity shares and interest accrued on debt securities, did not record any significant inflows this quarter due to the absence of investments in government bonds.

**1.4.2.3 Other Investment:** other investments (which include income from equity shares, interest accrued from overnight investments, interest earned on banking system deposits, and interest on loans to other sectors) recorded a significant increase in their deficit for Q2 of 2025. The deficit rose by 141.7%, reaching USD -64.3 million compared to USD -26.6 million in the previous quarter, driven by an increase in paid government loan interest.

**1.4.2.4 Reserve Assets:** Net flows generated from interest in the central bank's reserve assets abroad recorded an increase of 49.8% to reach a value of USD 976.2 million compared to its value of USD 651.6 million for the previous quarter. This increase in reserve asset flows is mainly attributed to the increase in interest in foreign currency deposits, interest in foreign treasury bills, and interest in European investment with foreign banks.

**1.4.3 Other Primary Income:** This account recorded an increase in its net inflows to reach USD 1.9 million for Q2 of 2025, compared to USD 0.4 million for the previous quarter, with a growth rate of 375%. This is attributed to the increase in private sector rent receipts from abroad. **Figure 7** shows the developments in the components of the primary income account.

**Figure 7: Primary Income Components for Q1 & Q2 of 2025**



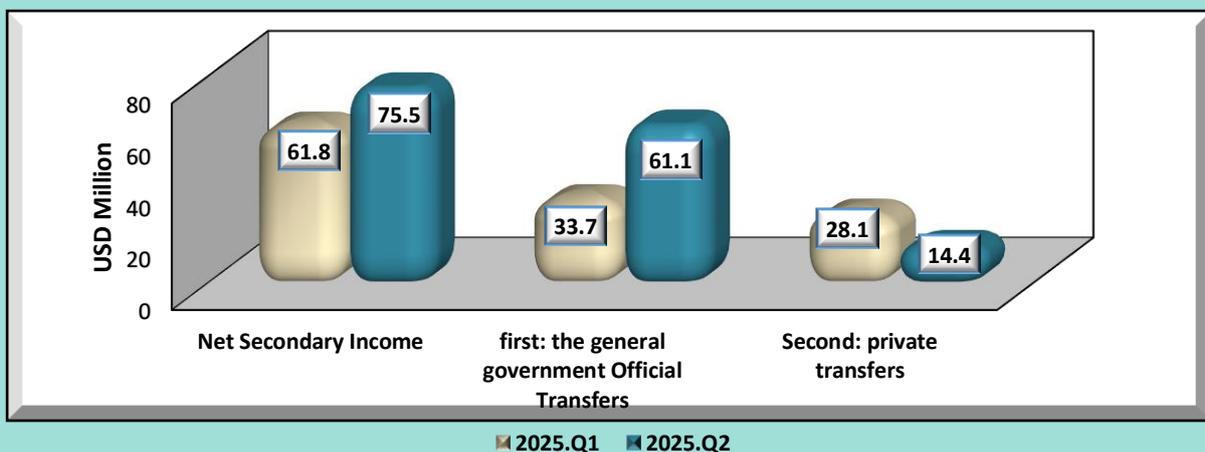
### 1.5 Secondary Income Account:

Net inflows to this account for Q2 of 2025 showed an improvement of 22.2%, reaching USD 75.5 million compared to USD 61.8 million for the previous quarter. This is due to the improvement in net official transfers and is shown below:

**1.5.1 Net Official Transfers (including government transfers):** Net official transfers for the second quarter of 2025 recorded a growth of 81.3% compared to the previous quarter due to the increase in current transfer receipts related to international cooperation, as well as the decrease in subscription payments to international organizations.

**1.5.2 Net Private Transfers of Financial & Non-Financial Companies, Households and Non-Profit Institutions** for Q2 of 2025 recorded a decrease of 48.8% compared to the previous quarter. This is attributed to the decrease in net personal transfers as a result of the decrease in the receipts of transfers from Iraqi workers for more than a year, aid and retirement compared to the previous quarter of the same year, as shown in **Figure 8**.

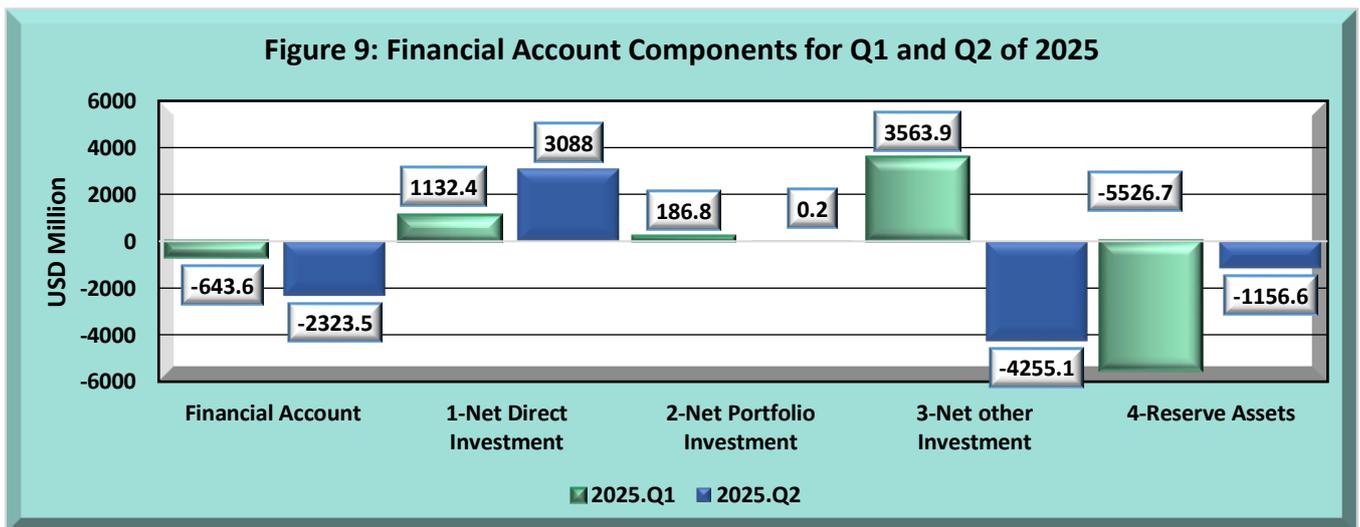
**Figure 8: Secondary Income Components for Q1 and Q2 of 2025**



## 2. Capital Account:

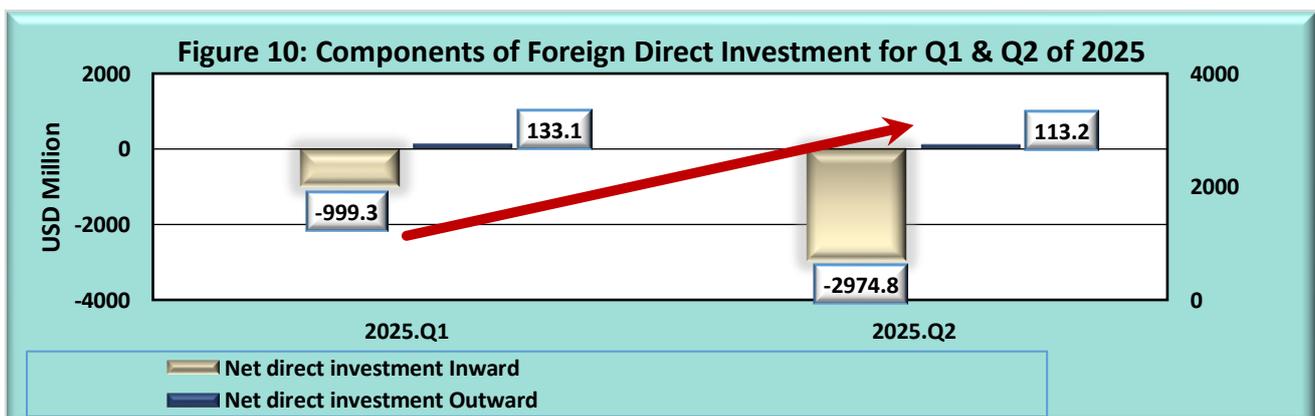
Most capital outflows were inheritance transactions, which recorded negligible flows in this quarter.

**3. Financial Account:** The net financial account deficit increased by 261.0% in Q2 of 2025, reaching a deficit of USD -2323.5 million compared to USD -643.6 million in the previous quarter. The following details are the developments in the components of this account, as shown in **Figure 9**.



### 3.1. Net Foreign Direct Investment (FDI)

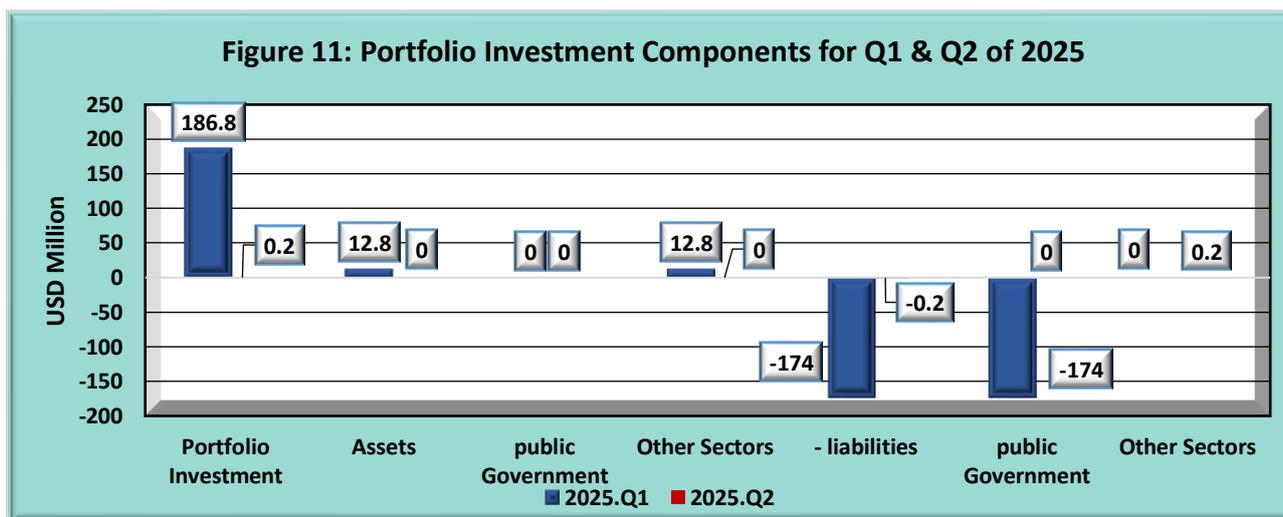
Net Foreign Direct Investment (FDI) for Q2 of 2025 recorded a significant surge of 172.7%, reaching USD 3,088.0 million, compared to USD 1,132.4 million in the previous quarter. This growth is primarily attributed to an increase in petroleum cost recoveries paid to oil companies operating in Iraq, along with payments related to the Sino-Iraqi framework agreement, which increased by 38.1% and 100%, respectively. Conversely, net outward foreign investment experienced a slight decline of 15.0% during Q2 2025, as illustrated in **Figure 10**.



### 3.2. Portfolio Investment

Portfolio investment recorded a sharp downturn, falling to USD 0.2 million from USD 186.8 million in the previous quarter—a decrease of 99.9% for Q2 2025. This contract is due to a decline in the assets of other sectors, specifically in banking sector equity

purchases, coupled with a reduction in government repayments on the liabilities side compared to the previous quarter, as shown in **Figure 11**.



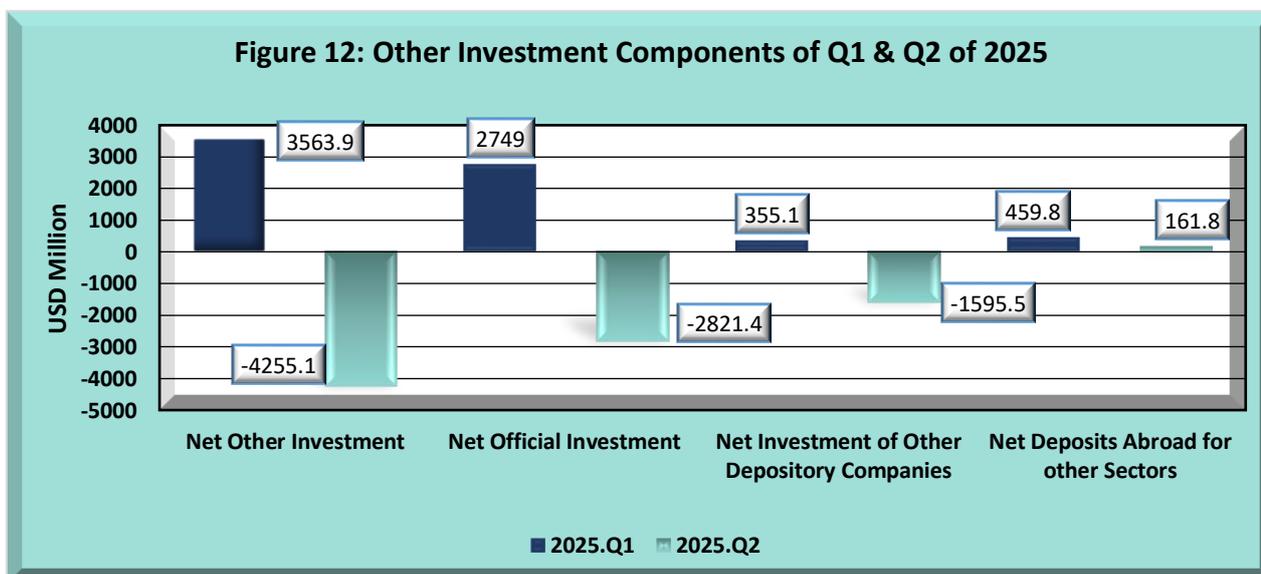
### 3.3. Other Investments

In Q2 of 2025, flows in this investment category recorded a significant downturn of 219.4%, falling to a value of USD -4,255.1 million compared to USD 3,563.9 million in the preceding quarter. The primary components of this account and the drivers behind this decline are detailed below:

**3.3.1. Net Official Investment:** Net official investment for Q2 2025 dropped by 202.6%, reaching USD -2,821.4 million against USD 2,749.0 million in the previous quarter. This was driven by a 335.7% decrease in official investment assets, which fell to USD -2,378.3 million down from USD 1,008.9 million in Q1 due to a 308.4% reduction in the government's available balance and a 374.6% decline in trade credits. Conversely, official investment liabilities rose by 125.5%, attributed to a 128.6% increase in government obligations and a surge in loan drawings of 1,933.3% compared to the previous quarter, while external debt repayments decreased by 28.0%.

**3.3.2. Net Investment of Other Depository Corporations:** The net investment for other depository corporations saw a sharp decline of 549.3%, reaching USD -1,595.5 million compared to USD 355.1 million previously. This is primarily due to an 815.5% decrease in assets compared to the previous quarter. Liabilities, however, recorded an increase to USD 57.9 million, up from a negative value of USD -140.2 million in the preceding quarter.

**3.3.3. Net Private Sector Deposits Abroad:** Net private sector deposits abroad—which include deposits of Iraqi residents held overseas and the repatriated profits of domestic oil companies—recorded a decline of 64.8%, reaching USD 161.8 million, compared to USD 459.8 million in the previous quarter, as illustrated in **Figure 12**.



### 3.4. Reserve Assets

The deficit in reserve assets narrowed significantly by 79.1%, recording a value of USD -1,156.6 million compared to USD -5,526.7 million in the previous quarter. This improvement is attributed to fluctuations in the following components:

**3.4.1. Special Drawing Rights (SDRs):** SDR flows recorded a substantial growth of 643.8%, reaching USD 139.2 million, rebounding from a negative flow of USD -25.6 million in the preceding quarter.

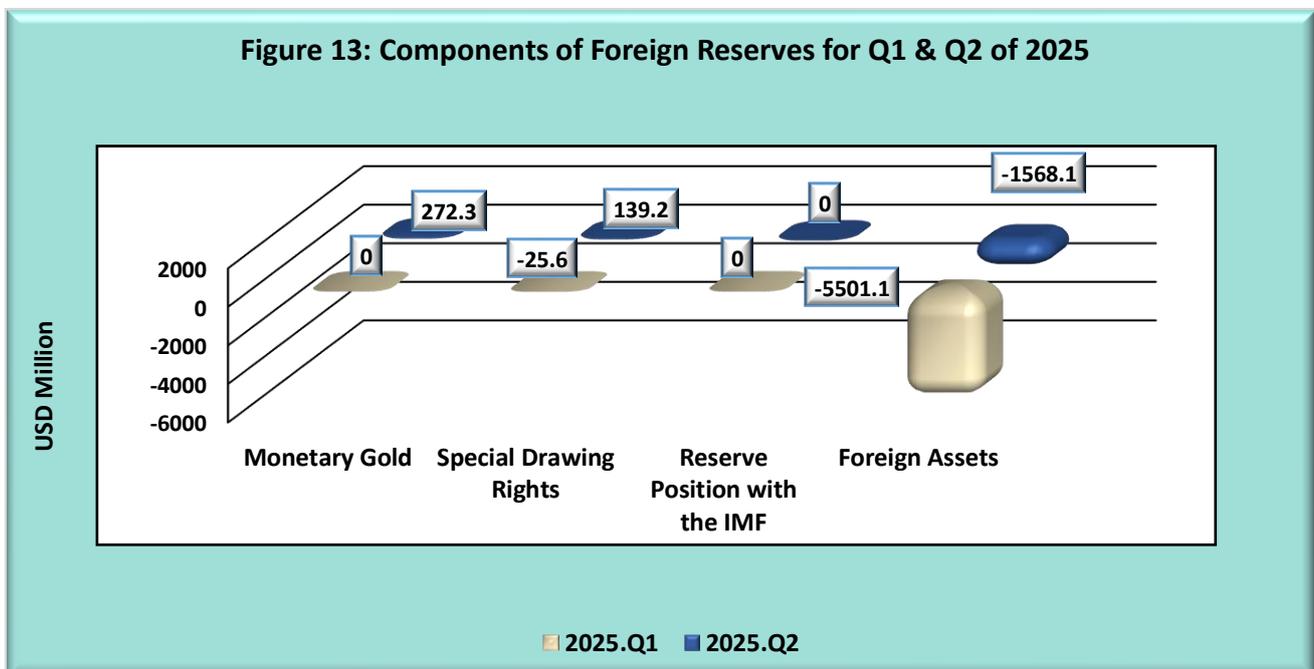
**3.4.2. Monetary Gold:** Iraq’s monetary gold reserves recorded an inflow of USD 272.3 million, resulting from the strategic purchase of monetary gold during Q2 of 2025.

**3.4.3. Reserve Position in the Fund:** Iraq's reserve position with the International Monetary Fund (IMF) remained stable, with no significant changes recorded.

**3.4.4. Foreign Assets:** Foreign assets showed a relative growth reduction in net outflow of 71.5% in Q2 2025, with flows amounting to USD -1,568.1 million compared to USD -5,501.1 million in the previous quarter. This shift is driven by developments in the following sub-components:

- **Currency and Deposits:** This sub-sector saw a remarkable recovery of 171.6%, reaching USD 2,107.3 million compared to a negative flow of USD -2,944.0 million in the previous quarter of the same year. This is attributed to a 316.4% increase in currency and deposits held by monetary authorities, and a 153.3% increase in currency and deposits held with foreign banks.
- **Securities:** Investment in securities recorded an expansion in the deficit by 43.7%, totaling USD -3,675.4 million compared to USD -2,557.1 million in the previous quarter. This deficit is primarily due to a 43.7% decline in money market instruments.

**Figure 13 illustrates the detailed components of the Reserve Assets.**



#### 4. Net Errors and Omissions Item

Despite the theoretical balance in the Balance of Payments (BOP) accounts, practical imbalances arise due to deficiencies in source data and data compilation methods. This imbalance is referred to as "Net Errors and Omissions" (NEO). It is a standard feature in BOP data, where this item is derived as a residual value based on the net lending or net borrowing position. Alternatively, this item can be derived using the following equation:

$$\text{Net Errors and Omissions Item} = \text{Net Financial Account} - (\text{Net Current Account} + \text{Net Capital Account})$$

A positive value for the Net Errors and Omissions item indicates:

- a) A significant understatement of credit entries in the current and capital accounts.
- b) And/or a significant overstatement of debit entries in the current and capital accounts.
- c) And/or a significant overstatement of the net increase in assets in the financial account.
- d) And/or a significant understatement of the net increase in liabilities in the financial account.

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

As shown in Table 3, the Iraqi Balance of Payments for Q2 of 2025 reported a negative Net Errors and Omissions figure of USD -3,118.0 million, compared to USD -2,020.1 million in the previous quarter.

The credit side of the Current Account recorded a change of USD 27,333.3 million from the previous quarter, while the debit side recorded a change of USD 26,538.8 million, resulting in a net value of USD 794.5 million.

Regarding the Financial Account, the credit side saw a change of USD -4,797.5 million, while the debit side changed by USD -2,474 million, resulting in a net value of USD -2,323.5 million. The financial account reflects compensatory or subordinate operations to the real transactions recorded in the current account.

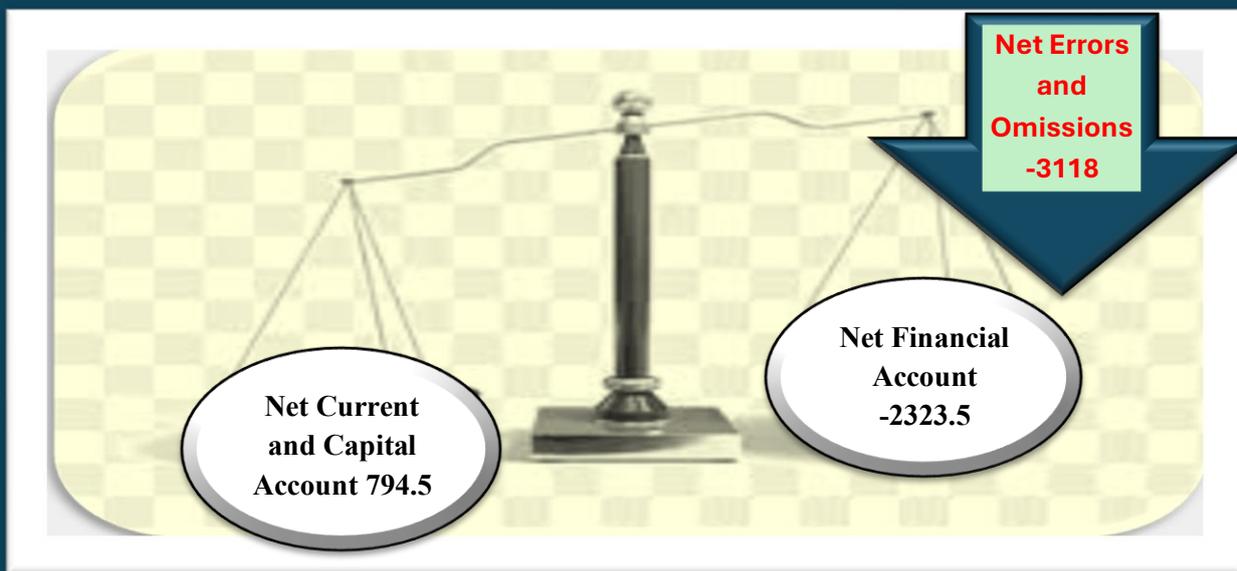
The appearance of a negative sign for the Net Errors and Omissions item indicates the existence of several transactions that were either not recorded in the current account or items that were undervalued.

**Table 3: Credit and Debit Sides of the Main Accounts of the Balance of Payments**

Details	2025-Q1			2025-Q2			Relative & Absolute Changes			
	Credit (USD Million)	Debit (USD Million)	Net (USD Million)	Credit (USD Million)	Debit (USD Million)	Net (USD Million)	Change in the Credit Side (%)	Change in the Debit Side (%)	Change in the Value of Credit (USD million)	Change In the Value of Debit (USD Million)
Current Account	27831.8	26435.3	1396.5	27333.3	26538.8	794.5	-1.8%	0.4%	-498.5	103.5
Capital Account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial Account	-3697.2	-3053.6	-643.6	-4797.5	-2474	-2323.5	29.8%	-19%	-1100.3	579.6
Net Errors & Omissions			-2040.1			-3118				

**Figure 14: Net Errors and Omissions Item for the Iraqi Balance of Payments**

(USD Million)





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