Central Bank of Iraq

Statistics and Research Department

Macroeconomics Division/ Economic Sectors Section

Inflation Analysis Report in Iraq
2025

Central Bank of Iraq

Statistics and Research Department

Inflation Analysis Report in Iraq

2025

www.cbi.iq

Introduction

Global inflation gradually declined in 2025 after a wave of increases in previous years. This decline is attributed to the tight monetary policies pursued by central banks, such as raising interest rates to limit demand and controlling prices.

The International Monetary Fund (IMF) estimates that the global inflation rate gradually declined to reach about 4% in 2025, which is the lowest since 2020, when the global inflation rate reached 3%, before reaching higher levels for the period (2021-2024) caused by supply chain problems and the Russian-Ukrainian war.

Despite this relative decline, the global economy in 2025 continued to face several challenges that may affect inflation levels in the future, such as changes in global trade policies represented by customs duties, volatility of energy and food prices, in addition to the continuation of some geopolitical turmoil that may lead to increased production and transportation costs. Therefore, inflation expectations remain largely linked to developments in the global economy and the economic policies pursued by major countries.

Despite the relative decline of inflation rates, the global economy still faces uncertainty, as political tensions or changes in energy prices could bring inflationary pressures back.

In Iraq, imported inflation affects the consumer basket. At the same time, government support for the energy sector plays a significant role in stabilizing prices, along with other types of support, including support for purchasing wheat from farmers to limit price fluctuations domestically and globally and ensure its stability in the consumer basket.

The decline of economic activity in 2025 also led to lower inflation rates.

This report presents annual inflation details and indicators for 2025 compared to 2024.

1. **Global inflation developments for 2025.**
2. **Headline and core inflation (on an annual basis).**
3. **Inflation of the prices of tradable and non-tradable goods.**
4. **Inflation by geographic regions.**

1. Global Inflation Developments for 2025

Central banks in several countries have adopted tight monetary policies, such as raising interest rates to limit inflationary pressures. To show inflation rates in 2025, the Food and Agriculture Organization of the United Nations (FAO) index and energy indicators will be used.

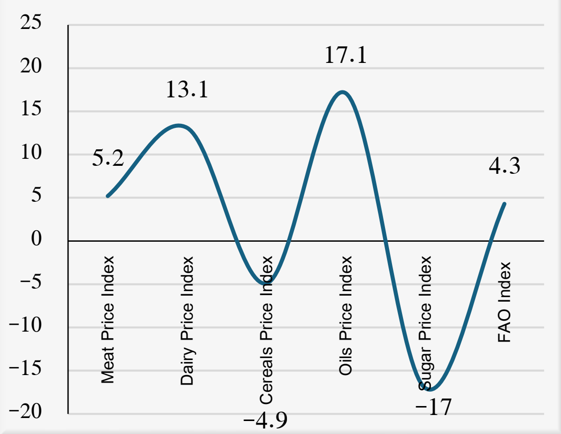
1.1 Index of the Food and Agriculture Organization of the United Nations (FAO)

It is a monthly average of the prices of five main groups of food commodities traded globally. It is used to track global food price trends and consists of indicators of grains, vegetable oils, dairy products, meat, and sugar.

Movements in agricultural commodity and food prices indicate changes in the basic pillars of supply and demand. Therefore, market imbalances would, for example, portend a worsening of the food security situation. Timely price monitoring is also important to assess the performance and efficiency of international and national markets.

The FAO index recorded an increase from 122 points in 2024 to 127.2 points in 2025 at a growth rate of 4.3%, because of[1] **The dairy index** rose by 13.1%, reflecting strong demand for imports and limited exportable supplies earlier in the year. Similarly, **the meat price index** rose by 5.1% due to strong demand alongside uncertainty linked to animal diseases and geopolitical tensions, according to FAO data. **The vegetable oils index** also rose by 17.1%, reaching its highest level in three years due to a supply shortage. While **the grain and sugar indices** decreased by 4.9% and 17%, respectively, because of the increase in supply[2].

Figure 1: Index of Food and Agriculture Organization for 2025 (%)



1.2 Energy Indicators

Energy prices are one of the most important factors affecting global inflation, for both production and consumption. In this paragraph, we will present energy prices using commodity price data issued by the World Bank.[3] This includes crude oil prices, the natural gas index, and coal prices.

Average annual prices of **Brent crude** fell by 14.5% from USD 80.7 per barrel in 2024 to USD 69.0 per barrel in 2025. Average annual prices of **West Texas Intermediate crude** also fell by 14.4% from USD 75.8 per barrel in 2024 to USD 64.9 per barrel in 2025, as a result of a 3.1% increase in global production from 76.58 million barrels per day in 2024 to 78.93 million barrels per day in 2025, according to

[1] https://economictimes.indiatimes.com/news/international/business/world-food-prices-extend-fall-in-december-uns-fao-says/articleshow/126432036.cms

[2] The Provided Data are Based on FAO.

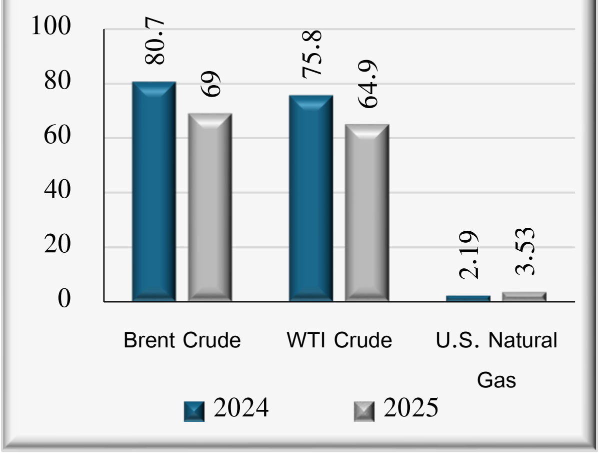
[3] https://thedocs.worldbank.org/en/doc/74e8be41ceb20fa0da750cda2f6b9e4e-0050012026/related/CMO-Pink-Sheet-March-2026.pdf

data from the US Energy Information Administration (EIA).

U.S. natural gas prices rose by 61.2% from 2.19 million British thermal units in 2024 to 3.53 million British thermal units in 2025, due to the increase in U.S. natural gas exports by 26.1% from 11.9 billion cubic feet per day in 2024 to 15.0 billion cubic feet per day in 2025, according to EIA data.

The natural gas index rose by 23.3% from 87.4 points in 2024 to 107.8 points in 2025, due to a 0.9% rise in global demand for natural gas and a slowdown in global supply amid economic uncertainty, according to the EIA website.

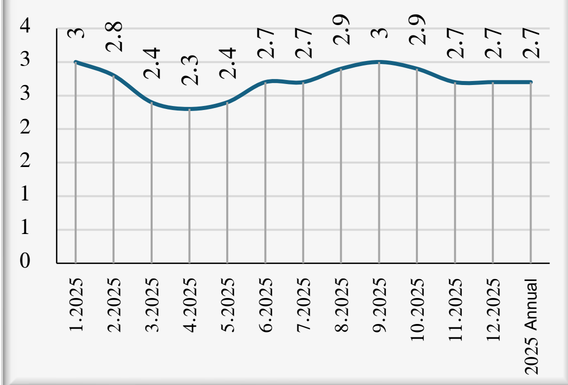
Figure 2: Average Global Oil and Natural Gas Prices for 2024–2025



1.3 Inflation Rates for Selected Countries

The annual inflation rates[4] of the United States recorded 2.7% in 2025, with rates tending toward stability, as the Federal Reserve Bank reduced interest rates three times in 2025, from 4.5% on 17/9/2025, then to 4.25% in October 2025, and to 3.75% on 10/12/2025. Inflation rates ranged between 3% for January and September 2025 and 2.7% for December 2025.

Figure 3: Inflation Rates in USA for 2025 (%)

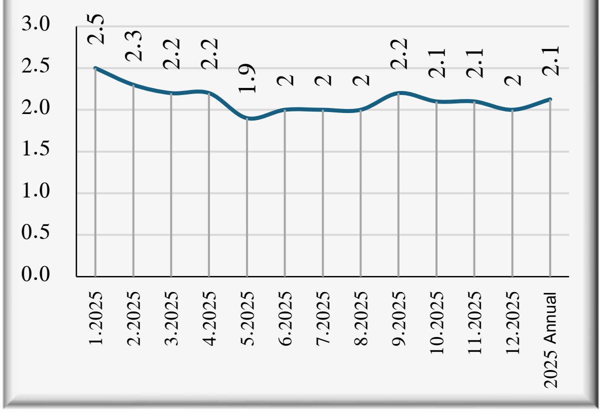


The **Eurozone** witnessed stable inflation rates in 2025, recording an annual inflation rate of 2.13%, as the European Central Bank reduced interest rates four times from 3.15% on 18/12/2024 to 2.15% on 16/11/2025.

Inflation rates have remained stable after a period of decline, driven by lower energy prices, which encouraged the US Federal Reserve Bank and the European Central Bank to reduce interest rates after a long period of monetary tightening.

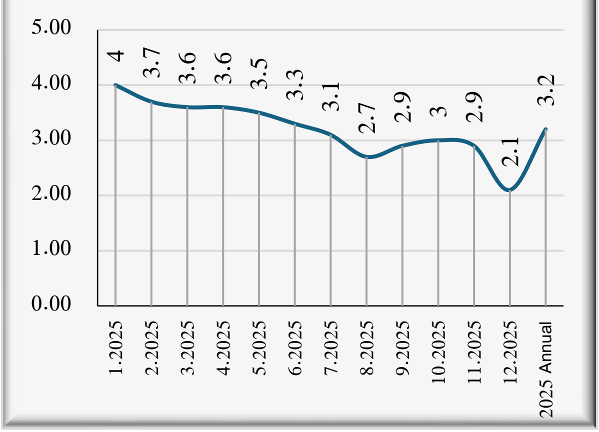
[4] October 2025 CPI release was canceled due to inability of collecting data retrospectively. This is the first time U.S. Bureau of Labor Statistics has not published monthly CPI rates. (11-months average was adopted).

Figure 4: Inflation Rates in Eurozone for 2025 (%)



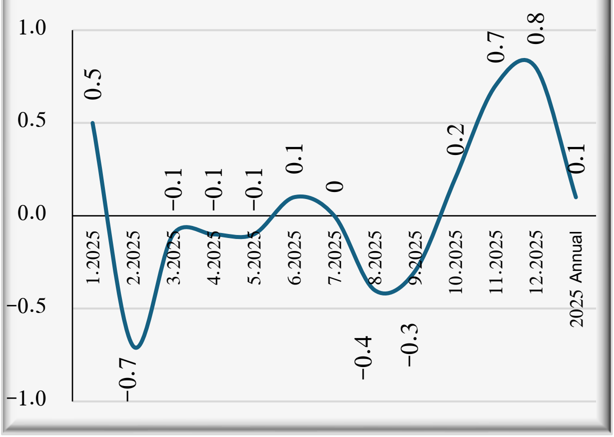
In **Japan**, annual inflation reached 3.2% in 2025, as inflation rates remained higher than the target 2%[5] of the Central Bank of Japan. Inflation rates tended to decline from 4% in January 2025 to reach 2.1% in December 2025. This led the Central Bank of Japan to raise interest rates to 0.75%, after it was fixed at 0.5% until December 2025. It is the highest level in thirty years, after years of negative interest rates aimed at stimulating the economy and encouraging individuals to spend.

Figure 5: Inflation Rates in Japan for 2025 (%)



In **China**, Inflation rates also tended to decline to a record 0.1% in 2025, as they fell into negative territory in several months of 2025. Inflation rates ranged between -0.7% and 0.8%, indicating deflationary pressures and a decline in domestic demand.

Figure 6: Inflation Rates in China for 2025 (%)



As for **Türkiye,** the annual inflation rate recorded 35.2% in 2025, starting high at 42.1% in January and reaching 30.9% in December. Despite this decline, it remains above the medium-term target of 5%, even after the Turkish Central Bank reduced the interest rate from 45.0% to 38.0% at the end of 2025 and the Turkish lira declined in 2025. This was driven by high annual inflation of 60% and monetary tightening, with interest rates reaching 50% in 2024. In addition, the Central Bank of Türkiye introduced amendments to the practice of reserve requirements based on loan growth to ensure that loan growth and composition are consistent with the path of reducing inflation.

[5] The Central Bank of Japan set a "price stability target" of 2% in terms of the average annual change of the Consumer Price Index (CPI) in January 2013 and committed to achieving this target as soon as possible.

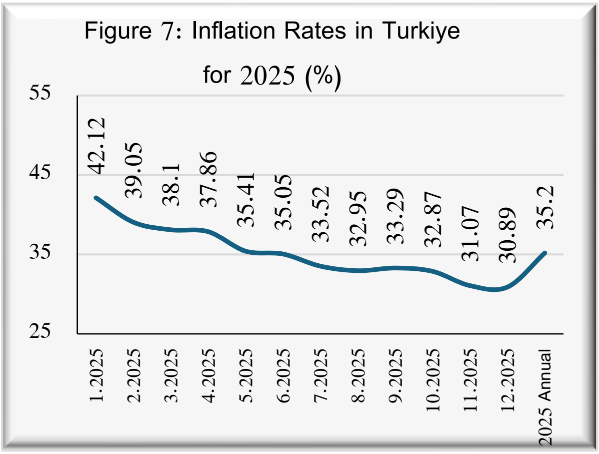


Figure 7: Inflation Rates in Turkiye for 2025 (%)

As for **Gulf Cooperation Council** countries (GCC), which enjoy stable energy prices in the consumer basket, in addition to government support for food and basic commodities, they rely heavily on imports to cover their commodity needs. They recorded inflation rates that did not exceed 3% in 2025. Saudi Arabia recorded an inflation rate of 2.4%, while Kuwait recorded 2.2%. In the UAE, the inflation rate was 1.3%, the lowest since 2021, when it reached 0.2%, after tight monetary policy during 2022 and 2023, raising interest rates before starting to reduce them six times in 2024 and 2025. Oman recorded an inflation rate of 1% and Qatar 0.5%, while inflation decreased in Bahrain, reaching 0.1%, as the global decline contributed to inflation rates, as shown in **Figure 8.**

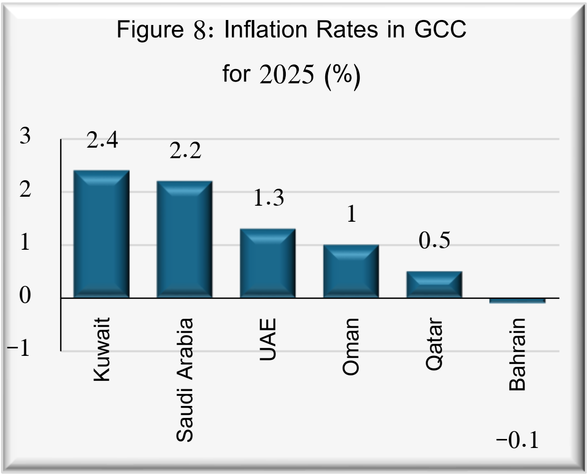


Figure 8: Inflation Rates in GCC for 2025 (%)

2. Headline and Core Inflation (on an Annual Basis)

The headline inflation rate is affected by changes in consumer basket items that carry different weights, and the core inflation rate is also affected by changes in its items, after excluding fluctuating goods (food and fuel), as shown in **Figure 9.**

The headline inflation rate on an annual basis reached 0.3% in 2025, recording 107.4 points compared to 107.1 points in 2024.

The core inflation rate recorded 0.2% for the same year, reaching 107.7 points in 2025 compared to 107.5 points in 2024. The difference between headline and core inflation is noted, indicating an increase in the prices of excluded goods (Fuel and Fruits) by 0.2% and 7.2%, except for Vegetables, which decreased by 2.3%.

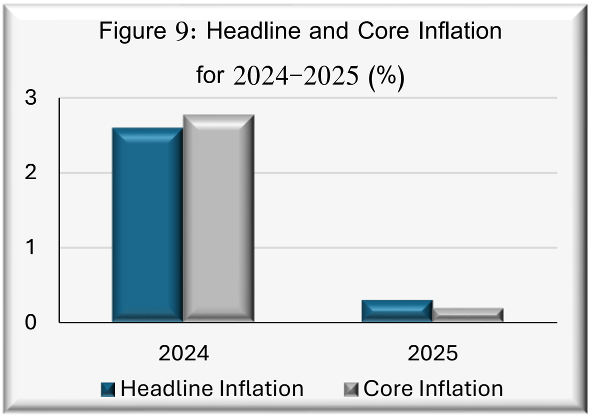


Figure 9: Headline and Core Inflation for 2024–2025 (%)

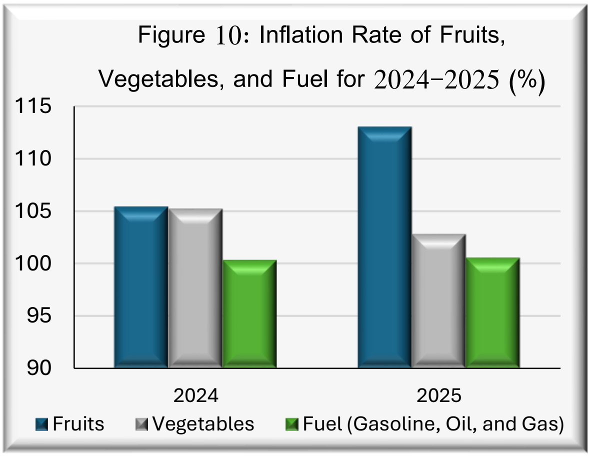


Figure 10: Inflation Rate of Fruits, Vegetables, and Fuel for 2024–2025 (%)

3. Inflation of the Prices of Tradable & Non-Tradable Goods

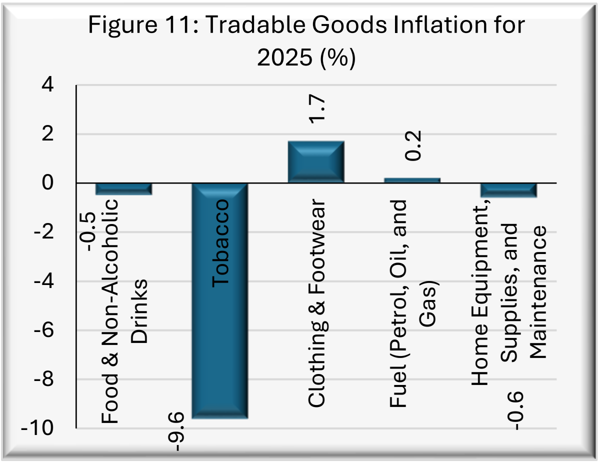
When analyzing inflation rates, the consumer basket is divided into tradable and non-tradable goods. Each type is influenced by different factors that drive price changes and contribute differently to inflation. This division helps diagnose the source of inflation accurately and determine whether internal or external factors cause it. Inflation in certain goods can also affect non-tradable goods, as they are linked to tradable goods.

3.1 Tradable Goods

Tradable goods are affected by global commodity prices, mainly because of freight rates, supply chains, energy prices, and uncertainty. The annual inflation rate for most items of tradable goods declined in 2025, except for Clothing & Footwear and Fuel (Petrol, Oil and Gas), which increased by 1.7% and 0.2%, respectively. Tradeable goods account for a significant proportion of 48.912 of the consumer baskets.

Box 1

The Ministry of Oil reorganized the distribution of petroleum products through a smart application that used oil coupons; gradually moving to a digital system, leading to limiting product resale.



3.2 Non-Tradable Goods

The annual inflation rate for non-tradable goods in 2025 recorded a slight increase across most items. Miscellaneous Goods & Services Item ranked first in inflation at 7.7%, while Health, Restaurants & Hotels, Rent, and Education recorded 2.1%, 1.5%, 1.4%, and 1.1%, respectively. Meanwhile, Transportation fell by 1.6% due to competition among transportation companies, including delivery services, as apps have enabled consumers to compare prices across companies. Housing and Maintenance Services fell slightly by 0.3%. In general, prices of non-tradable goods are linked to per capita income and rising wages. These goods account for a significant proportion, reaching 51.088 % of the consumer basket.

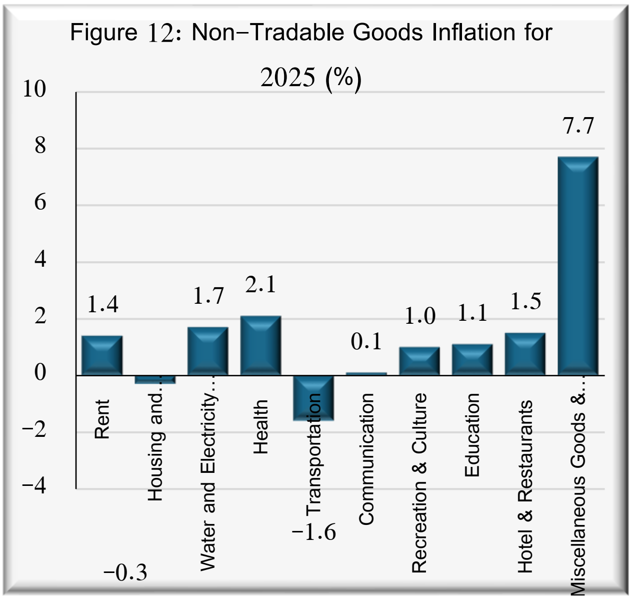


Figure 12: Non−Tradable Goods Inflation for 2025 (%)

4. Inflation by Geographic Regions

Inflation rates for commodity groups vary across geographical regions in Iraq, and their weights also differ because of variations in spending income on each group. According to data published by the Ministry of Planning (MOP), the inflation rate is calculated by geographical region for Iraq's governorates: southern, central, and Kurdistan Region.

The annual headline inflation rate for 2025 reached 1.1% for southern governorates and 0.9 % for Kurdistan Region governorates, while the annual inflation rate for the central governorates was 0%, as shown in **Figure 13.**

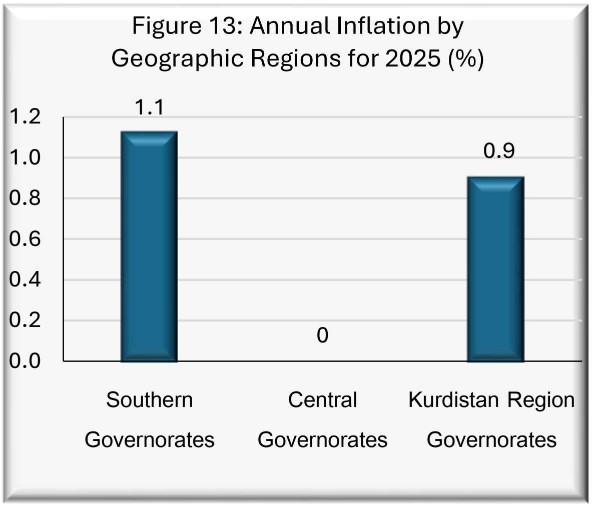


Figure 13: Annual Inflation by Geographic Regions for 2025 (%)

As for **southern governorates**, Miscellaneous Goods & Services recorded the highest inflation rate of 11.7% in 2025, followed by Health at 3.9%, and Clothing & Footwear at 2.5%. In contrast, the annual inflation rate for 2025 was negative for Tobacco at -10.3% and for Education and Transportation at -0.9% each, while Food & Non-Alcoholic Beverages recorded zero inflation in 2025.

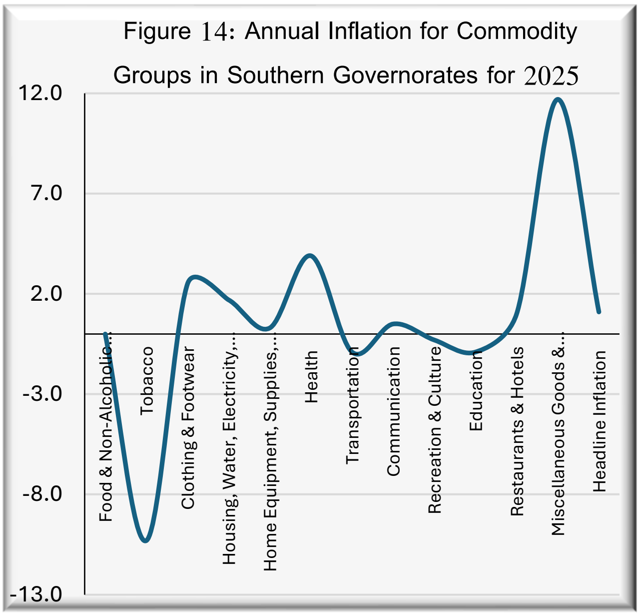


Figure 14: Annual Inflation for Commodity Groups in Southern Governorates for 2025

In the **central governorates**, Miscellaneous Goods & Services recorded the highest inflation rate at 8.4 %, followed by Education, Health, Restaurants & Hotels, Clothing & Footwear, and Housing, Water, Electricity and Gas at 3.6%, 2.4%, 1.6%, 1.5%, and 0.4%, respectively.

Conversely, Communication, Home Equipment, Supplies and Maintenance, Recreation & Culture, Transportation, and Tobacco recorded decreases of -0.4%, -1.0%, -1.4%, -3.7%, and -12.8%, respectively.

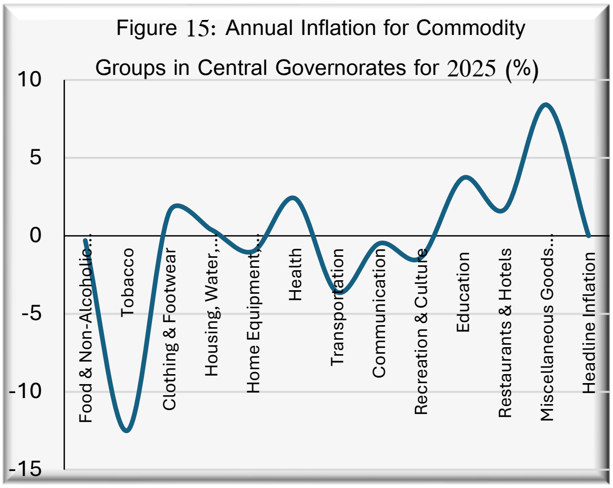


Figure 15: Annual Inflation for Commodity Groups in Central Governorates for 2025 (%)

In **Kurdistan Region governorates**, Miscellaneous Goods & Services recorded the highest inflation rate of 20.2% for 2025. Communication followed this at 1.9% and then Housing, Water, Electricity, and Gas at 1.7%. Transportation was 0.7%, and Tobacco, Restaurants & Hotels, Recreation & Culture, and Clothing & Footwear were 0.5%, 0.4%, 0.1%, and 0.1%, respectively. These divisions accounted for 37.486% of the consumer basket. Meanwhile, the inflation rate for the remaining items was negative, including Food & Non-Alcoholic Beverages, which recorded -2.9%.

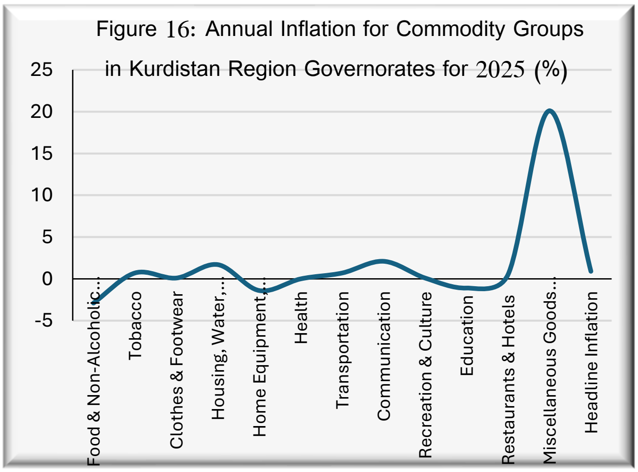


Figure 16: Annual Inflation for Commodity Groups in Kurdistan Region Governorates for 2025 (%)

The inflation rate for **Food & Non-Alcoholic Beverages** in Kurdistan Region governorates was -2.9%, while it was -0.3% in the Central governorates. As for southern governorates, it remained unchanged. This division accounts for the largest weight, exceeding 25% of all governorates. In contrast, the inflation rate for Tobacco in the Kurdistan Region, central and southern governorates stood at 0.5%, -12.8%, and -10.3%, respectively.

While **Housing, Water, Electricity, and Gas** recorded an inflation rate of 1.7% for Kurdistan region governorates due to the increase in Rent and Fuel, compared to 1.7% for southern governorates as a result of the increase in all items that make up this division, It also recorded a rate of 0.4% for the central governorates, due to the increase in Rent despite the decrease in the rest of the items, as a result of the difference in the weights that make up this division.

It is noted that the inflation rate for the **Transportation** division differs between the governorates of the Kurdistan Region and the rest of the governorates (southern and central) because of the weight difference between the governorates of the region and the rest of the governorates, as it weighs 22.021% for Kurdistan Region governorates. While the weight is 12.223% and 12.797% for the southern and central governorates, respectively, leading to an increase in the weight of this item in the consumer basket. It is also noted that the inflation rate varies for Fuel (Gasoline, Oil, and Gas) due to reduced government support and the reliance of Kurdistan Region Governorates on imported fuel priced globally, making them vulnerable to fluctuations. **(Appendix 3).**

Appendix 1: Annual Inflation for 2025				
Division /Main Group/ Sub-Group	Weight %	Consumer Price Index (Point) Annual Rate		Inflation (%)
		2024	2025	Annual Change Rate
Food & Non-Alcoholic Beverages	31.633	108.7	108.2	-0.5
Food	29.946	109.1	108.6	-0.5
Bread and Cereals	6.39	102.8	102.0	-0.8
Meat	5.647	121.8	118.9	-2.4
Fishs	1.455	117.9	109.5	-7.1
Milk, Cheese, and Eggs	2.874	106.4	106.6	0.2
Oils and Fats	1.731	95.8	95.8	0.0
Fruits	3.39	105.4	113.0	7.2
Vegetables	5.649	105.2	102.8	-2.3
Sugar and Confectionery	2.052	108.6	109.6	0.9
Other Food Products	0.758	103.7	105.7	1.9
Non-Alcoholic Beverages	1.687	101.8	101.6	-0.2
Tobacco	1.626	116.5	105.3	-9.6
Clothing & Footwear	6.472	109.4	111.3	1.7
Clothing	5.003	107.9	109.6	1.6
Clothing Materials	0.553	106.0	106.8	0.8
Ready-made Garments	4.136	108.3	110.0	1.6
Other Clothing Items and Accessories	0.288	109.0	111.0	1.8
Laundry	0.026	107.6	108.4	0.7
Footwear	1.469	116.5	119.0	2.1
Housing, Water, Electricity, and Gas	24.386	102.7	103.9	1.2
Rent	16.306	102.8	104.2	1.4
Housing and Maintenance Services	2.176	116.1	115.7	-0.3
Water and Electricity Supplies	2.763	95.2	96.8	1.7
Fuel (Gasoline, Kerosene, and Gas)	3.141	100.3	100.5	0.2
Home Equipment, Supplies and Maintenance	6.04	108.7	108.1	-0.6
Furniture and Furnishings	1.958	109.9	110.3	0.4
Household Devices	4.082	108.0	106.9	-1.0
Health	6.124	107.0	109.3	2.1
Transportation	12.467	107.9	106.2	-1.6
Communication	3.159	98.6	98.7	0.1
Recreation & Culture	1.835	113.8	114.9	1.0
Education	1.069	107.1	108.3	1.1
Restaurants & Hotels	1.504	113.0	114.7	1.5
Miscellaneous Goods & Services	3.685	112.2	120.8	7.7
CPI	100	107.1	107.4	0.3
Core CPI	100	107.5	107.7	0.2

Based on: Ministry of Planning, Statistics and Geographic Information Systems Authority
https://cosit.gov.iq/ar/stat-index/index-number/cpi

Appendix 2: Consumer Price Index for Tradable and Non-Tradeable Goods 2024-2025				
Item / Main Group / Sub-Group	weight	2024	2025	Inflation (%) 2025
Food & Non-Alcoholic Beverages	31.633	108.7	108.2	-0.5
Tobacco	1.626	116.5	105.3	-9.6
Clothing & Footwear	6.472	109.4	111.3	1.7
Fuel (Gasoline, Oil, Gas)	3.141	100.3	100.5	0.2
Home Equipment, Supplies, and Maintenance	6.04	108.7	108.1	-0.6
Inflation of Tradable Goods	48.912			
Rent	16.306	102.8	104.2	1.4
Housing and Maintenance Services	2.176	116.1	115.7	-0.3
Water and Electricity Supplies	2.763	95.2	96.8	1.7
Health	6.124	107.0	109.3	2.1
Transportation	12.467	107.9	106.2	-1.6
Communication	3.159	98.6	98.7	0.1
Recreation & Culture	1.835	113.8	114.9	1.0
Education	1.069	107.1	108.3	1.1
Restaurants & Hotels	1.504	113.0	114.7	1.5
Miscellaneous Goods & Services	3.685	112.2	120.8	7.7
Non-Tradable Goods Inflation	51.088			
Based on: Ministry of Planning, Statistics and Geographic Information Systems Authority https://cosit.gov.iq/ar/stat-index/index-number/cpi				

Appendix 3: Annual Inflation for 2025 by Geographical Regions %						
Division / Main Group / Sub-Group	Southern		Central		Kurdistan Region	
	Weights	Inflation	Weights	Inflation	Weights	Inflation
Food & Non-Alcoholic Beverages	32.373	0.0	30.608	-0.3	25.207	-2.9
Foodstuffs	30.676	0.0	29.228	-0.3	24.259	-3.0
Bread and Cereals	5.282	-0.6	5.266	-0.5	3.875	-1.5
Meat	5.672	-0.9	5.958	-2.3	7.05	-5.7
Fish	1.863	-8.8	0.683	-7.1	0.283	-3.3
Milk, Cheese and Eggs	3.8	0.1	3.975	0.8	2.527	-0.6
Oils and Fats	1.411	0.0	1.557	0.0	0.904	-0.5
Fruits	3.019	9.6	2.51	7.2	3.246	3.0
Vegetables	6.701	-1.5	6.456	-1.2	4.634	-6.9
Sugar and Confectionery	2.325	1.5	2.283	0.5	1.489	0.8
Other Food Products	0.603	2.9	0.54	1.6	0.251	0.4
Non-Alcoholic Beverages	1.697	-0.1	1.38	0.0	0.948	-0.9
Tobacco	0.653	-10.3	0.717	-12.8	0.414	0.5
Clothing & Footwear	6.096	2.5	5.728	1.5	8.044	0.1
Clothes	4.922	2.7	4.615	1.2	6.739	0.0
Clothing Materials	0.607	1.8	0.334	0.4	1.804	0.4
Ready-made Garments	4.257	2.8	4.212	1.3	4.804	-0.2
Other Clothing Items and Accessories	0.047	3.1	0.052	0.8	0.105	1.7
Laundry	0.011	0.0	0.017	1.0	0.026	1.2
Footwear	1.174	2.0	1.113	2.6	1.305	0.7
Housing, Water, Electricity, Gas	26.185	1.7	28.859	0.4	18.895	1.7
Rent	16.836	1.2	19.922	1.2	12.922	2.4
Housing and Maintenance Services	4.237	0.5	2.893	-0.3	1.838	-1.6
Water and Electricity Supplies	2.606	7.4	3.507	-1.9	1.516	-1.6
Fuel (Gasoline, Oil, Gas)	2.506	0.1	2.537	-0.2	2.619	2.5
Furnishings, Household Equipment & Maintenance	6.886	0.2	5.614	-1.0	7.6	-1.4
Furniture and Equipment	2.413	1.0	2.097	0.3	3.426	-1.0
Household Appliances	4.473	-0.3	3.517	-1.8	4.174	-1.6
Health	4.04	3.9	4.346	2.4	3.932	0.0
Transportation	12.223	-0.9	12.797	-3.7	22.021	0.7
Communication	3.197	0.5	3.244	-0.4	2.801	1.9
Recreation and Culture	1.766	-0.3	1.593	-1.4	2.892	0.1
Education	0.737	-0.9	1.185	3.6	0.688	-1.2
Restaurants & Hotels	1.656	1.0	1.127	1.6	2.038	0.4
Miscellaneous Goods & Services	4.188	11.7	4.182	8.4	5.468	20.2
CPI	100	1.1	100	0.0	100	0.9

Based on: Ministry of Planning, Statistics and Geographic Information Systems Authority
https://cosit.gov.iq/ar/stat-index/index-number/cpi

cbi@cbi.iq

www.cbi.iq