



# IRAQ

May 2024

## 2024 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR IRAQ

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2024 Article IV consultation with Iraq, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its May 13, 2024 consideration of the staff report that concluded the Article IV consultation with Iraq.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 13, 2024, following discussions that ended on February 29, 2024, with the officials of Iraq on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on April 10, 2023.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Iraq.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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**Washington, D.C.**



## IMF Executive Board Concludes 2024 Article IV Consultation with Iraq

FOR IMMEDIATE RELEASE

**Washington, DC – May 16, 2024:** On May 13, 2024, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation<sup>1</sup> with Iraq and considered and endorsed the staff appraisal.

Domestic stability has improved since the new government took office in October 2022, facilitating the passage of Iraq's first three-year budget, which entailed a large fiscal expansion starting in 2023. This supported the strong recovery in Iraq's non-oil economy after a contraction in 2022, while Iraq was largely unaffected by the ongoing conflict in the region. Domestic inflation declined to 4 percent by end-2023, reflecting lower international food prices, the currency revaluation as of February 2023, and the normalization in trade finance. However, imbalances have worsened due to the large fiscal expansion and lower oil prices.

The ongoing fiscal expansion is expected to boost growth in 2024, at the expense of a further deterioration of fiscal and external accounts and Iraq's vulnerability to oil price fluctuations. Without policy adjustment, the risk of medium-term sovereign debt stress is high and external stability risks could emerge. Key downside risks include much lower oil prices or a spread of the conflict in Gaza and Israel.

### Executive Board Assessment<sup>2</sup>

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the strong economic rebound, declining inflation, and the improved domestic conditions which have resulted in the implementation of the first-ever three-year budget. Noting that risks are tilted to the downside, given regional conflicts and large dependence on volatile oil prices, and that the large fiscal expansion could result in fiscal and external imbalances, Directors underscored the need for sound macroeconomic policies and structural reforms to secure fiscal and debt sustainability, advance economic diversification, and achieve sustainable, inclusive, and private sector-led growth.

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<sup>1</sup> Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

<sup>2</sup> At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here:

<http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

Directors emphasized that a gradual, yet sizeable fiscal adjustment is needed to stabilize debt in the medium term and rebuild fiscal buffers. They encouraged the authorities to focus on controlling the public wage bill, phasing out mandatory hiring policies, and mobilizing non-oil revenues, while better targeting social assistance. Directors agreed that prompt implementation of customs and revenue administration reforms, a full implementation of the Treasury Single Account, and a strict control and limit of the use of extrabudgetary funds and government guarantees are key to support fiscal consolidation. Limiting monetary financing and reforming the pension system are also important.

Directors commended the central bank's efforts to tighten monetary policy and enhance its liquidity management framework. Improving coordination between fiscal and monetary operations would help absorb excess liquidity and enhance monetary policy transmission. Directors concurred that accelerating the restructuring of the large state-owned banks is also essential. They encouraged further modernizing the private banking sector, including by facilitating the establishment of correspondent banking relationships, reducing regulatory uncertainties, and promoting efficiency and competitiveness of private banks.

Directors emphasized the need for structural reforms to unlock private sector development. They encouraged leveling the playing field between public and private jobs, boosting female labor force participation, and reforming education and labor laws. Directors agreed that improving governance and combatting corruption are also key and encouraged further strengthening the AML-CFT framework, enhancing public procurement and business regulations, and addressing electricity sector inefficiencies. Directors welcomed the renewed efforts toward WTO accession. They also encouraged the authorities to improve the coverage and timeliness of statistics.

Directors concurred that close engagement with the Fund, including through continued technical assistance, would be useful, and welcomed the authorities' request for a Policy Coordination Instrument.

It is expected that the next Article IV consultation with Iraq will be held on the standard 12-month cycle.

### Iraq: Selected Economic Indicators, 2023–25

Population: 455 million (2023 est.)                      Per capita GDP: US\$ 5,591(2023)  
 Quota: SDR 1,663.8 million                              Poverty rate: 23 percent (2014)  
 Main products and exports: Crude oil  
 Key export markets: United States, India, China, South Korea

	2023	2024	2025
	Est.	Proj.	
<b>Output</b>			
Real GDP (% change)	-2.2	1.4	5.3
Non-oil real GDP (% change)	6.0	3.5	3.3
<b>Prices</b>			
Inflation, end of period (%)	4.0	4.0	4.0
<b>Central Government Finances</b>			
Revenues and grants (% of GDP)	42.6	40.1	38.4
Oil revenue (% of GDP)	38.8	36.7	34.9
Expenditure and net lending (% of GDP)	43.9	47.7	47.2
Wages and pensions (% of GDP)	20.2	23.6	23.4
Fiscal balance (% of GDP)	-1.3	-7.6	-8.8
Total government debt (% of GDP)	44.2	48.2	54.6
<b>Money and Credit</b>			
Broad money (% change)	7.5	8.9	9.1
Credit to the private sector (% change)	17.0	10.9	9.3
<b>Balance of Payments</b>			
Current account (% of GDP)	2.6	-3.6	-5.1
Foreign direct investment (% of GDP)	3.2	2.9	2.9
Gross reserves (US\$ billions)	112.0	100.5	93.4
In months of imports	11.4	9.7	8.7
Total external debt (% of GDP)	23.1	21.3	19.8
<b>Exchange Rate</b>			
Exchange rate (dinar per US\$; period average)	1316	1300	1300
REER (% change, end of period) <sup>1/</sup>	10.0	...	...
<b>Oil and Gas Sector</b>			
Crude oil production (millions of barrels/day)	4.1	4.1	4.4
Crude oil exports (millions of barrels/day)	3.5	3.4	3.7
Average crude oil export price (US\$/barrel)	79.2	77.2	72.3
Crude oil exports (US\$ billions)	100.2	97.0	97.9

Sources: Iraqi authorities; and Fund staff estimates.

1/ Positive means appreciation.