
Is Iraq Facing a Cash Crisis?

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Authors

Mahmood Baban

Summary : The amount of money sold, domestically and internationally, by the Central Bank in dollars this year has exceeded \$62 billion, resulting in the receipt of dinars in equivalent proportion, averaging approximately 80.6 trillion dinars for the year. Non-oil revenues generated from taxes, fees, and customs by the end of October 2024 amounted to 14.3 trillion dinars. Combined, these revenues total around 95 trillion dinars. However, by the end of October, Iraq's total expenditures had reached 122 trillion dinars. With two months of expenditures still unaccounted for, it is evident that the dinar reserves derived from oil-based dollar revenues have been exhausted.

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This comes despite [reports from the Central Bank's](#) Foreign Currency Selling Window, which indicate that total transfers abroad (remittances and credits) this year have reached the highest level in seven years—34% higher than last year. Similarly, dinars returned to the Central Bank and subsequently to the Ministry of Finance in proportion to this increase. So why is there talk of a cash shortage affecting the distribution of December salaries for some ministries in Baghdad and the November salary allocations for the Kurdistan Region?

According to [reports from the Iraqi Ministry of Finance](#) on revenues and expenditures, total expenditures for the first nine months of this year amounted to 94.5 trillion dinars, including 85 trillion dinars in operating expenses and 9.5 trillion dinars in investment expenses. However, according to the Ministry of Finance's October report, total expenditures had climbed to 122.7 trillion dinars, with operating expenses accounting for 100.6 trillion dinars and investment expenses rising to 22 trillion dinars.

Looking back at previous months, it becomes evident that average monthly expenditures ranged between 10 and 11 trillion dinars. For instance, total expenditures from the beginning of the year to July were 73 trillion dinars, increasing to 83 trillion dinars in August and 94 trillion dinars in September—demonstrating consistent monthly spending within this range. However, expenditures surged dramatically in October, reaching 28.2 trillion dinars and bringing the total for the year to 122 trillion dinars by the end of that month. This significant jump was driven by increases in both operating and investment expenditures. Operating expenditures, which typically ranged from 9 to 10 trillion dinars per month, rose to 15.6 trillion dinars in October, while investment expenditures, previously averaging 1 trillion dinars per month, soared to 12.6 trillion dinars in the same period.

As a result of the excessive expenditures in October, the Ministry of Finance now lacks the cash needed to cover expenses at the end of the year. October's spending was nearly triple the average monthly expenditure of previous months. While total revenues for the first 10 months exceeded expenditures, converting the full oil revenue—received in dollars—into Iraqi dinars or conducting domestic transactions in dinars has not been feasible which is due to government policies mandating that all domestic transactions must be conducted in dinars, while foreign transactions must be conducted in dollars and processed through remittance

According to the Iraqi Ministry of Finance, October's expenditures rose so significantly that the total amount of dinars generated from selling dollars domestically and internationally, combined with non-oil domestic revenues, was insufficient to cover the spending. Total expenditures for the month reached 28 trillion dinars, approximately 18 trillion dinars more than in previous months. It remains unclear how the Ministry of Finance plans to manage expenses for the remainder of the year, as 95% of Iraq's currency is held [outside the banking system](#), which amounts to 95.5 trillion dinars out of a total of 101.3 trillion dinars by the end of November 2024.

The underlying issue here highlights the weaknesses in Iraq's monetary system and the absence of a coherent expenditure and revenue policy. Despite having not spent 60% of its allocated budget, the Ministry of Finance is already encountering significant challenges. Had the budget been fully implemented as planned, cash shortages would likely have arisen mid-year rather than at year-end.

In conclusion, is it true that Iraq has cash problems? Yes, Iraq is indeed facing cash problems. However, these issues are not

caused by low oil revenues, declining oil prices, or a shortage of money or dollar issuance. Instead, the root cause lies in the government's economic expenditure policy, which allowed spending to surge by approximately 300% in a single month.