
Reasons Behind The IQD Decline in front of Dollar

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Summary : The Iraqi dinar, the Iranian Rial, and the Turkish and Syrian Lira are not the only ones declining against the dollar, but most of the US competitor's currencies have fallen this year. According to official data, in 2022, most other currencies, such as the Japanese yen, the Chinese Yuan, the British Pound, and the Euro, have lost value by -14% to -6% against the dollar

Intro

Despite assurances from the Central Bank of Iraq, finance officials, and the Prime Minister about the potential stabilization of the dinar's value, the Iraqi dinar continues to decline daily against the US dollar. On October 26, 2022, the dollar's trading price exceeded 10 thousand above the market price.

The Iraqi dinar, Iranian Rial, and Turkish and Syrian Lira are not the only currencies depreciating against the dollar; many of the US's competitor currencies have also experienced declines this year. According to official data, in 2022, numerous other currencies, including the Japanese yen, Chinese Yuan, British Pound, and Euro, have lost between 6% and 14% of their value against the dollar.

Concerning the value of the IQD, the central question is whether the Iraqi dinar's fate against the dollar will mirror that of the Iranian Rial and the Turkish and Syrian Lira, or if the Central Bank will be able to maintain the dinar's stability against the dollar.

IQD vs. Dollar

Due to the depreciation of the dinar against the dollar, the CBI called on private Iraqi banks to boost their foreign exchange reserves, especially the Chinese yuan, the euro, the UAE dirham and the Jordanian dinar. This call is a step counter to the actions taken by the Fed.

The central bank's plan to increase the value of the dinar against the dollar also includes "reducing the exchange rate of the US dollar for tourism or buying the Internet from 1470 dinars to 1465 dinars, and giving the option to sell foreign currency to Iraqis in government banks for reasons that include pilgrimage, study or medical treatments."

The Iraqi dinar fell against the dollar by 5.5% in a few hours on December 25, 2022 (CBI) [\[1\]](#).

The US Federal Reserve recently imposed several stringent conditions on the sale of dollars to Iraq, including the requirement to "provide a list of individuals and entities to whom dollars were sold by the Central Bank of Iraq (CBI)." While it was not explicitly stated whether any funds went to terrorist organizations [\[2\]](#), it was indicated that "the currency was sold to them." This serves as the primary reason for the Fed's tightening of measures against Iraq. In June 2022, Iraq repaid \$1.6 billion in cash for gas import loans to Iran [\[3\]](#). It has now become apparent that the reduction in the daily issuance of US dollars by the Central Bank is not connected to anti-corruption efforts or the pursuit of money laundering companies, but rather, it is linked to the actions of the Fed and the sale of dollars in Iraq.

The first table displays the monthly value of the Iraqi dinar against the dollar from December 2021 to December 2022.

Table 1: The exchange rate of the dinar against the dollar in 2021 and 2022, by month

Changing Rate	Lowest	Highest	Opening	Price	Monthly
-0.07%	1,459.25	1,461.00	1,459.50	1,459.50	Dec-22
0.14%	1,458.75	1,460.50	1,459.50	1,460.50	Nov-22
0.00%	1,458.75	1,461.00	1,459.53	1,458.50	Oct-22
0.04%	1,458.75	1,461.00	1,459.52	1,458.53	Sep-22

-0.04%	1,458.75	1,461.00	1,459.52	1,458.00	Aug-22
0.00%	1,459.25	1,461.00	1,459.50	1,458.52	Jul-22
0.00%	1,459.25	1,460.27	1,459.50	1,458.50	Jun-22
0.00%	1,459.25	1,460.27	1,459.52	1,458.50	May-22
0.00%	1,458.75	1,460.77	1,459.52	1,458.52	Apr-22
0.00%	1,459.25	1,461.00	1,459.50	1,458.52	Mar-22
0.00%	1,459.00	1,460.57	1,459.52	1,458.50	Feb-22
0.00%	1,459.20	1,461.07	1,459.52	1,458.52	Jan-22
0.04%	1,458.50	1,461.15	1,459.00	1,458.52	Dec-21
0.00%	1,458.00	1,461.57	1,459.00	1,458.00	Nov-21
-0.07%	1,458.00	1,461.50	1,460.00	1,458.00	Oct-21
0.07%	1,458.50	1,461.65	1,459.00	1,459.00	Sep-21
0.00%	1,458.00	1,461.15	1,459.00	1,458.00	Aug-21
0.00%	1,457.00	1,461.65	1,459.00	1,458.00	Jul-21
0.00%	1,458.54	1,462.00	1,459.00	1,458.00	Jun-21
0.00%	1,458.00	1,463.00	1,459.00	1,458.00	May-21
0.00%	1,458.00	1,462.50	1,459.00	1,458.00	Apr-21
0.00%	1,458.00	1,462.79	1,459.00	1,458.00	Mar-21
-0.14%	1,458.00	1,462.50	1,460.00	1,458.00	Feb-21
0.07%	1,458.54	1,462.79	1,460.00	1,460.00	Jan-21

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US Dollar Strength Compared to Other Currencies

In 2022, the dollar hit an all-time high against most other currencies, including the euro, pound, Japanese yen, and Chinese yuan. Trading View states, "In a difficult year filled with highs and lows The US dollar has recorded a perfect value against most of the world's currencies." [5]

Due to the strong performance of the US economy compared to other countries like China and Europe [6], the dollar has reached its highest value in the last two decades. Europe has suffered this year due to COVID and the oil and natural gas crisis, which are considered reasons for its currency's decline against the dollar. Another reason for the rise in the US dollar cost is the increase in bank interest rates by the US Federal Reserve.

Other currencies, such as the Japanese yen, pound, euro and the Australian dollar fell for the second year in a row. For example, the Japanese yen fell by -14.7%, the Indian rupee -9.6%, the British pound -8%, the Chinese yen -8.6% and the

euro -6% against the dollar. In 2021, the Indian rupee increased by 2%, the Chinese yuan by 2.7%, and the Canadian dollar by 0.7% against the dollar, according to the figures shown in the second table.

The dollar is expected to remain relatively stable in 2023 due to the threat of the global financial crisis and the slowdown in global economic growth. Still, some studies indicate that its value will decline against other currencies [7].

Table 2: Currency depreciation rate against the dollar in 2021 and 2022

2022	2021	Countries' Currencies against dollar
-14.7%	-10.4%	Japanese yen
-9.6%	2.0%	Indian rupee
-8.0%	-11%	British pound
-8.6%	2.7%	Chinese yuan
-6.0%	-7.0%	Euro
-6.6%	0.7%	Canadian dollar
-5.2%	-5.7%	Australian dollar

Trading View [8], accessed on 14th December 2022

Another point related to the dollar is the depreciation of the currencies of Iraq's neighbouring countries. Their currencies are declining daily against the dollar. For example, the Turkish lira fell -41% against the dollar in 2021 alone. In September 2021, one American dollar was equal to 8 liras, but in December 2022, one dollar has reached 18 [9].

The Iranian currency, too, has fallen to its lowest level this month. It lost nearly 50% in 2021 and 18% since the beginning of the protests [10]. The Syrian pound also set new records against the dollar. While each 47 pound was equal to \$1 in 2011, it lost 99% of its value in the last period to reach 5K Syrian pounds for \$1 [11].

The Iraqi dinar is not the only currency that fell against the dollar. Other currencies fell too, especially the major economic countries' currencies such as China, Japan and the UK. In recent years, the value of the Iraqi dinar has been relatively stable or controlled by the CBI. However, now Iraq is suffering from the same problem as its neighbouring countries in the depreciation of its currency.

Finally, the fear does not lie in the loss of the daily value from 1,000 to 10,000 dinars against the dollar in the market, nor the fight against corruption, the prevention of money laundering, and the issue of fictitious transfers, but the essence of the matter is related to the demands of the US Federal Bank from the CBI and the measures taken by the CBI. Also, the real fear is the collapse of the Iraqi dinar against the dollar, like the Turkish lira and the Iranian Rial. However, it is still too early to witness that because Iraq has more than **\$90 billion** in reserves and can withstand it, but for how long!

[1] <https://cbi.iq/news/view/2177>

[2] <https://www.rudaw.net/sorani/business/151220224>

[3]

https://twitter.com/javad_owji/status/1537147458727321601?s=20&t=trThy4Fi3HBP3bQZkufT5g&fbclid=IwAR3nuSoLCr0e5Sm0aSCDIPq6CEYjoxeqHnNof9dXZu9NXDldQlvAT95-kms

[4] https://in.investing.com/currencies/usd-iqd-historical-data?interval_sec=monthly

[5] <https://www.tradingview.com/>

[6] <https://elements.visualcapitalist.com/visualizing-currencies-decline-against-the-u-s-dollar>

[7] <https://www.euronews.com/2022/11/09/everything-is-overheating-why-is-turkeys-economy-in-such-a-mess#:~:text=Starting%20in%202013%2C%20the%20currency,%2D%2D%20and%20lots%20of%20it.>

[8] <https://www.tradingview.com/>

[9] <https://www.euronews.com/2022/11/09/everything-is-overheating-why-is-turkeys-economy-in-such-a-mess#:~:text=Starting%20in%202013%2C%20the%20currency,%2D%2D%20and%20lots%20of%20it.>

[10] <https://www.bloomberg.com/news/articles/2022-12-13/iran-s-currency-weakens-to-record-low-amid-more-sanctions-and-protests?leadSource=uverify%20wall>

[11] <https://www.middleeastmonitor.com/20221011-syria-lira-records-unprecedented-losses-against-us-dollar/>