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Analyzing the Fluctuations of the Iraqi Dinar Exchange Rate in Light of Covid-19

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Abstract: Due to its high sensitivity to investment, business environment, and economic conditions, the exchange rate is one of the most significant instruments for monetary authorities in all countries of the globe in general, and developing countries in particular. As a result, the monetary authority chooses the exchange system that best fits the facts and data of the political economy. This research analyzed an exchange rate using exchange data from 1/1/2019 to 1/1/ 2022. The problem lies in the excessive sensitivity to exchange rate changes in economic and social crises due to the deterioration of the fundamental macroeconomic environment. The objective of this study is to determine the amount of the gap between the official and parallel exchange rates during the Corona pandemic. The amount of exported currency, the net surplus or deficit in the public budget, the growth rate relative to the domestic product, and the degree of economic openness in Iraq were shown to be the most critical variables that have a clear and direct influence on exchange rate movements.

Keywords: Corona pandemic, exchange rate, exchange rate gap.

Introduction:

Globally, the Corona pandemic has affected regular economic activities and daily living. As a result of the pandemic, many governments throughout the world have adopted stringent steps to prevent the illness from spreading, assure the correct functioning of the healthcare system, and protect the most vulnerable people. Short-term economic effects in terms of reduced production, investment, and profits are imminent as a result of the increasing uncertainty and weakness caused by closing businesses, imposing travel restrictions, and containment measures, resulting in fluctuations in the exchange rate of the Iraqi dinar against the US dollar. The Iraqi economy has been severely impacted by the current Corona crisis, as there is no financial budget in place to manage the economic situation of the country, no financial resources available to combat the outbreak of the Corona pandemic, and no financial allocations to the dilapidated health sector to mitigate the health effects, and no financial policy capable of supporting the economy in the face of a sharp and significant drop in oil prices. Oil is almost the only resource for financing the economy. In view of the growing demand for social expenditure and the necessity to assist people impacted by urban processes and economic interruption, there is no financial rescue plan in place.

Monetary policy faced great pressure and exchange rates were subjected to fluctuations that exceeded the estimated standard ratios of 2%, due to the decline in oil prices and macroeconomic expectations and its closure under the influence of the spread of the epidemic. This shock led to a deficit in the current account as a percentage of GDP and a deficit in public budget revenues. Thus, the repercussions associated with the Coronavirus and the decline in oil prices affected the performance of monetary policy in Iraq. Foreign reserves may witness declines during the next stage as a result of the drop in oil prices. The decline this time will be more severe than before because foreign reserves have not yet reached the levels before the double crisis (2014-2018). Exchange rates may face fluctuations that would affect price stability, and the central bank may finance the budget deficit indirectly, representing a new challenge to the central bank's efforts to achieve economic stability in the country.

First: the definition of the Corona pandemic:

In order to define the Corona pandemic, we must first address the pandemic as a term, then deal with Covid-19, and then address the compound term Corona pandemic as follows: What is meant by the pandemic is the residue of a certain amount of fruits, crops, or vegetables, after selling and booming, which the stricken buyer is usually unable to pay for his money (Al-Dusoqui, 1981). It was known as every great calamity and great sedition (Al-Jarjany, 1982).

The last definition is the most complete and suitable, since it encompasses all aspects of the term pandemic at this time, affecting vast segments of its association strength. The preceding terminological definition is nothing more than a description of a pandemic in which man's livelihood and well-being are threatened by money and stuff. At a time when the Corona epidemic was regarded as a pandemic that first and foremost exposed man, the incapacity of man to dispose of his money, or restrict the potential of his disposal of it, or not to access it, or to destroy it in some situations, was an indirect result. Therefore; its effect was indirect. The World Health Organization has defined it as a disease that constitutes unpredictable but recurring events that can profoundly affect health and economic societies throughout the world (WHO, 2018). In parallel, it has been known as the most common global health crisis today. In addition to being a health crisis, it is also a social, economic, and political crisis (UNDP, 2022). The pandemic was in the form of a sudden crisis for humanity in terms of severity and its impact on all countries of the world without exception. It is much larger than previous pandemic viruses (Adel, 2020). It was also known as a heavenly scourge with which no one can be included, such as wind, hail, ice, thunderbolt, and others (Al-Saraira, 2008).

Pandemic: Pandemic is what spreads among people in a vast area such as a continent or expands to include all parts of the world, wasting the interests of people directly or indirectly. If the pandemic is a disease or epidemic, it is required that it spreads widely among humans. (Al-Zubaidy & Al-Abadi, 2008). Therefore, in order for the disease to be considered a pandemic, it must be:

1. Widespread or likely to spread in a wide geographical area, and is not endemic to a specific and specific area.
2. It quickly spreads among humans.
3. It cannot be confronted or determined.
4. People’s interests are affected by it to an effective extent, whether directly or indirectly.

However, based on the above, it may be determined that the scourge or illness is spreading either among people or among the things that people rely on, and is affecting them and their livelihood to a significant degree, whether directly or indirectly, and so can be classified as a pandemic. We can see from the preceding presentation that there are people who are aware of it, but it is for its own sake in that it is something that cannot be repulsed, i.e. everything that a person is incapable of addressing and which

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intrudes on individual interests. There are those who have known it for its effects, that is, for the effects it leaves behind, which greatly affect the interests of individuals, whether the effect is direct or indirect.

Second: The economic effects of the Corona pandemic:

The global economy was severely affected by the outbreak of the Corona virus, COVID-19. Then, it became an uncontrollable global pandemic, turning into a peerless economic, social and health crisis. Monitoring, containing and mitigating the effects of the coronavirus has become a top priority. In this context, countries and governments have taken unprecedented measures to combat the pandemic in order to protect societies and individuals, and the public fiscal policy has taken the initiative to provide great support to the most affected individuals and companies, including the informal sectors, in order to maintain the continuity of economic activity. It is estimated that the financial measures taken at the international level amounted to about 8 trillion dollars (equivalent to about 9% of global GDP). The financial institutions also announced the mobilization of their financial resources to provide assistance in confronting the epidemic at the economic, social and humanitarian levels. The International Monetary Fund (IMF) announced the provision of $1 trillion in financial resources for emergency support. The World Bank IB announced that it will provide $160 billion over the next fifteen months (Saladdin, 2020).

As for monetary policy, historical economic facts have proven its effective role in confronting crises, mitigating them and achieving economic stability, the most recent of which was the 2008 global financial crisis (the mortgage crisis). Timely and decisive action by health authorities, central banks, and regulatory and supervisory agencies can help contain the spread of the virus and offset the economic impact of the pandemic.

Third: The repercussions of the COVID-19 on the Iraqi economy:

In such a multi-faceted crisis, the oil GDP recorded a contraction of 12% in light of the restrictions of the OPEC and non-OPEC producers' agreement to reduce production, while the non-oil GDP contracted by (5%) because the service sectors are affected by the measures to restrict the spread of the pandemic, especially the key religious tourism sector. Weak domestic demand and the devaluation of the currencies of Iran and Turkey against the dinar have curbed the inflation rate. The overall and core inflation rate only increased by 0.4% and (0.7%) in the first half of 2020 on an annual basis (Al-Nasrawi, 2020). In order to confront the Corona pandemic, the Iraqi government stopped operating spending and public investments, including human capital programs and providing services that are critical to achieving growth. As a result of the pandemic, the budget surplus in the first half of 2019 turned into a deficit of (0.7%) of GDP in the first half of 2020. Resorting to financial markets in order to finance this deficit mainly by the central bank, and also by state-owned banks to a lesser extent, increases pressures on the exchange rate. In addition, public debt is expected to represent (66%) of GDP in 2020, compared to (45%) in 2019 (Al-Nasrawi, 2020).

Fourth: the concept of the exchange rate

The exchange rate is the link between the open economy and the rest of the world economies, representing the link between cost and selling rates among trading partners, through which such prices are translated between countries. It also plays an effective role in the competitiveness of the economy and consequently in setting the balance of payments, as well as in real growth and inflation rates. The significance of this price reaches not only the commodity markets but also the capital and factor markets. Hence the reflexive or regressive effects on most economic variables. Therefore, we can consider it one of the most important rates used as an effective and satisfactory economic policy tool (Ben Zawi, 2016, p. 13). It is known that one country can deal in legal currency and obligations are paid either by transferring bank deposits or savings fund deposits by check or transfer, through commercial papers or bills of exchange denominated

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in a national currency. However, when any "country" deals with more than one country, this mechanism stops working and a system is needed to convert national currencies from each other. (Wartan, 2016, p. 283).

The exchange rate is an essential determinant because of its profound effects on the economic level, financial markets and citizens. The exchange rate can be considered a reference to the current financial markets, as it reflects the factors of competitiveness. It needs to be evaluated because it is surrounded by the influence of many factors. At the same time, changing this has many implications for external competitiveness, the real economy, and financial markets (Bostan, Toderascu, & Firtescu, 2018, p. 1). An exchange rate can affect any economy through many channels. It measures the national-to-world price system that influences key aggregate price ratios, such as those between tradable and non-tradable goods, capital goods and labor and even exports and imports. It can partly determine inflation rates. The exchange rate can serve as a major fulcrum, the constant pressure on rising rates and their adjustment by the monetary authorities. It can also be considered as one of the necessary mechanisms for monetary policy (Frenkel & Taylor, 2006, p. 3). This means that each country has its own currency that it uses in payments within its country, when commercial or financial relations arise between companies operating in the country and companies operating abroad. When importing firms need the currency of the country, the obligation to use foreign currency arises. The exporting country pays for the imported goods. In this case for this transaction to take place, you need to go to the foreign exchange market to buy the currency of the issuing country. In fact, it is not only the companies that trade abroad that need foreign currency, but also everyone who travels abroad would need the currency of the country they want to go to. At that time he is obliged to carry out exchange transactions (Kitan, 2017, p. 6-7)

Fifth: Types of exchange rates:

The exchange rate is one of the most important ways of finding the parties in the supply and demand for foreign exchange, and facilitating the implementation of the various commercial and financial relations between countries and the outside world.

1. Nominal Exchange Rate NER -

The nominal exchange rate is the price of a particular currency expressed in terms of another currency or a basket of currencies. This rate is based on current prices and does not take into account the level of inflation. The nominal exchange rate expresses the nominal value of the currency and does not reflect its purchasing power (Al-Maamouri, 2018, pg. 29). It is the currency rate determined by the process of meeting supply and demand in the foreign exchange market. The relationship is bilateral when exchanging with only one currency (Tariq, 2009, p. 20). Therefore, the exchange rate may vary according to the exchange system adopted in a country, where we can break down the nominal exchange rate into the following:

- The official exchange rate used in official commercial exchanges
- Parallel exchange rate prevailing in parallel markets

The nominal exchange rate changes daily, either through a recovery, that is, an increase in the exchange rate of the local currency in relation to a foreign currency, or a decline. Therefore, the nominal exchange rate is viewed as a measure of the relative rates between two different currencies (Timerzar, 2016, p. 4). The nominal exchange rate between two currencies can be expressed as (x & y). This expression denotes that the rate of one unit of currency y in terms of currency x number of units x per unit of y the nominal exchange rate is not adjusted for changes in rates. It is also binary because it is an expression of two

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currencies in terms of each other (A. Moosa, Exchange Rate Regimes Fixed, flexible or something in-between?, 2005, p. 7).26

2. Real Exchange Rate RER

The real exchange rate indicates the number of units of foreign goods required to purchase one unit of the national good. Thus, it measures the competitiveness of countries due to their important role in the economy, including facing domestic inflation rates, because it links the local market with the global market (Abdul-Mahdi, 2017, p. 8) The real exchange rate is also seen as the rate of a foreign currency against the value of the local currency multiplied by the level ratio of the rate of the foreign currency against the level of the local currency rate (lily, kogid, Mulok, Thien Sang, & Asid, 2014, p. 4). The real exchange rate also measures the relative rate of national goods in relation to foreign goods. It is an indicator of the international competitiveness of a particular country (Hua, 2011, p. 14). The real exchange rate is also defined as the foreign currency rate for local goods and services. The real exchange rate can be used as an indicator of deviations from purchasing power parity or as an indicator of the international price competitiveness of a country (S. Copeland, Exchange Rates and International Finance, 2014, p. 63).

The real exchange rate is also expressed by the real cost of foreign goods and services taking both the nominal exchange rate and relative rate levels into account as the nominal exchange rate rises. Therefore, foreign goods and services become more expensive when the domestic economy suffers a trade surplus and the country exports are greater than its imports (T. Harvey, 2009, p. 26). The real exchange rate plays an effective role in the economy as a means of maintaining the international competitiveness of a country as well as in the face of domestic inflation rates as the exchange rate attempts to link the domestic market with the global market. This can be proven by the following mathematical relationship:

$$RE= \frac{pd}{e.pf} \text{ ………. ………. ……….} \quad (1)$$

where:

RE: real exchange rate

Pod: the commodity price index in the national currency

e : the nominal exchange rate

Pf: the index of the rate of a commodity in a foreign currency

Via the aforementioned mathematical equation, it can be seen that there is an inverse relationship among the real exchange rate and international competitiveness. As the real exchange rate decreases, international competitiveness does so, and vice versa. When the real exchange rate at the international level rises, competitiveness decreases (Al-Mafraji, 2005, p. 13). The change in domestic rates directly affects the real exchange rate in a negative direction. If the nominal exchange rate is fixed, an increase in the domestic rate (inflation) causes the local currency to appreciate (Vinh & Fujita, 2007, p. 8)

3. Effective Exchange Rate (EER)

This kind of rates gives the intrinsic value of the national currency compared to the foreign currency. This rate reflects the development of rate competition for one country compared to another, taking into account the evolution of the nominal exchange rate and the movement of rates in the concerned country and other countries of the world. It can be said that it is a measure of the rates of domestic commodities in relation to the rates of foreign commodities when evaluated in one currency (Tariq, 2009, p 20). The average rate of the local currency in relation to a group or basket of foreign currencies is weighted for each currency on the basis of its weight and importance in foreign trade. It gives a general idea of the value of the national

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currency in the international markets on the basis of any change in the value of the currencies that make up the commodity. This will contribute to the change in the exchange rate of the domestic value at home (Wartan, 2016 AD, p. 288). The effective exchange rate calculated using the inflation rates of the local economy and trading partners is converted to the real effective exchange rate. The effective exchange rate calculated using the nominal exchange rate is converted to the nominal effective exchange rate and the effective exchange rate is calculated as in the following equation (Kerlman, 2018, p. 25)

EEXR = ∑ W . aq ………… (2):

EEXR = Effective Exchange Rate

Wi = Relative weight of the local currency i

Aq = is the relative change in the exchange rate of the foreign currency of the country. q is the direction of the local currency i.

4. Equilibrium Exchange Rate . (EER)

It's a definition of the exchange rate that correlates to macroeconomic equilibrium, which means that the equilibrium exchange rate represents the balance of payments' sustainable equilibrium when the economy expands at its natural rate. Therefore, it is the prevailing exchange rate in the non-diversified economic environment. Temporary nominal shocks affect the real exchange rate and move it away from the equilibrium level. This level of equilibrium must be determined and its course explained (Yamana, 2010, p. 7). Equilibrium exchange rate (EER) refers to the weak and constant attractant of the actual price, which pushes it towards itself. The simple method of calculating the EER is the purchasing power parity in a shorter time. Purchasing power parity compares the prices of goods in one country with the prices of a foreign country. Purchasing power parity is effective for estimating the long-run interest rate, but in the short-run, it is not strongly supported. Other methods are considered the real exchange rate as part of the macroeconomic system, which is influenced by macroeconomic factors (Jančovič, 2017, p. 4).

Sixth: factors affecting exchange rates

There are many factors that affect the movement and characteristics of the currency, economic and other non-economic factors are among these factors:

1- Inflation: It plays an instrumental role in the valuation of a country's currency (J. Patel, J. Patel, & R. Patel, 2014, p. 53)). Cases in which the high rate of inflation in the national or global economies leads to a decrease in the value of the national currency against other currencies, which leads to an increase in the number of units of the national currency that are exchanged for one unit of foreign currency. The purchasing power parity theory of the economic world (coastal castle) also indicates that where he emphasized that the exchange rate of the national currency against other currencies tends to decline in the same proportion as the general level of prices (Khalaf, 2016, p. 193).

2- The rate of interest: the exchange rate is affected by interest rates, as the movement of international capital and its circulation among high economies is moving to search for interest. A country in which interest rates are higher than other countries will encourage the transfer of capital to it, meaning an increase in the supply of foreign currency inside the country, which will lead to a deterioration in its exchange rate (Abbas, 2008, p. 65).

3- Balance of Payment: The balance and imbalance in the balance of payments is one of the key factors affecting the exchange rate because it is a link that links the state relationship with the outside world. What is meant here is balance and economic imbalance. The accounting balance will inevitably occur due to the use of the double-entry method in recording balance of payments data. (Zangila, 2016, pp. 7-8)

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4- Money Supply: In his article, Money Supply, Changes in Prices and Output, Friedman explains that rate exchanges mainly reflect large changes in the quantity of money. There is a close relationship between changes in the quantity of money per unit of output and rate movements. Friedman said that there are no cases in which there is a fundamental change in the quantity of money relative to a unit of output without significant changes in the price level in the same direction and vice versa. There is no change in the level of rates are only accompanied by a fundamental change in the quantity of money per unit and in the same direction. (Al-Nahal, 2016, p. 37-38). As Friedman pointed out in his article that there are two key factors to explain the validity of the relationship between the rate level and the quantity of money per unit of output. These two factors are as follows (Khader, 2012, pg. 43)

5- The public budget: The general budget of the state is defined as a legislative instrument in which state expenditures and revenues are estimated for the following year, where taxes and expenditures are allowed. The state budget affects the exchange rate of the currency (Wartan, 2016 AD, p. 293). The government deflationary policy by reducing public spending means curbing the volume of demand, lowering economic activity, and lowering inflation rates. Consequently, this leads to an increase in the local currency exchange rate (Abbas, 2008, p. 65).

6- Debt of the Country: The state spending more on public sector projects and financing social advancement leads to the incurring of greater debts on the state. Such spending stimulates the national economy. Countries with increasing public debt are not attractive to foreign investors, because high state debt leads to high inflation and thus an increase in debt occurs to control inflation. Some rating organizations, such as Standard & Poor's, give Moody's a country debt rating, which is an essential factor in determining the exchange rate (J. Patel, J. Patel, & R. Patel, 2014, p. 54).

7- Expectations: Since future expectations about exchange rates affect the current exchange rates of a currency, the main influence on short-term exchange rates is expectations. Like in other financial markets, foreign exchange markets are also affected by various news that may be affected by various developments in the future. During the 1997-1998 Asian crisis, many commercial banks around the world sold Asian currencies for other currencies because they believed these currencies would be overvalued. When banks do so, this could push the value of the currency to the right level, making the foreign exchange market more efficient in terms of market capitalization by quickly adapting relevant information that affects the outlook (Bejan, 2016, p. 8).

All the factors mentioned above are economic factors which affect the exchange rate, but there are also non-economic factors that affect the exchange rate, such as wars and turmoil whose impact is comprehensive on the economic situation of the country. It also directly affects the exchange rate, in addition to the experience of dealers through factors affecting the exchange rate, as well as rumors and changes in the value of exports and imports (Kharbash, 2012, p. 36).

seventh: Analyzing the Iraqi dinar exchange rate for the period 2019-2021

The exchange rate is of great significance in the Iraqi economy owing to the development of international economic relations and the integration of Iraq into global economies. Most countries seek to stabilize the exchange rate of their currency. Therefore, it reflects the economic conditions of the country and has an impact on the prices of domestic and foreign goods. When the value of the local currency rises, the price of foreign goods at home decreases. When the value of the local currency decreases, the cost of local goods abroad decreases, and the cost of foreign goods in local markets rises. The exchange rate gap can be measured by the following formula:

Exchange rate gap = market rate - window rate

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Table (1) shows that the period (2019-2021) reflects the gap in the window rate and the parallel market rate, resulting from the adoption of monetary policy in light of the outbreak of the Corona pandemic. Therefore, its effects were negatively reflected on the exchange rate of the local currency against the dollar. This is clear in Table (1) which shows that in 2019 the exchange rate gap reached about (0.011) Iraqi dinars in the second month of the same year as a minimum. The highest limit was about (0.020) Iraqi dinars at the end of the year. This expansion is attributed to the outbreak of the Corona pandemic in China. In 2020, the minimum gap was about (0.012) Iraqi dinars in the second month of 2020. After the outbreak of the pandemic in Iraq on April 24, 2020, when it first appeared in the holy city of Najaf, the gap began to widen between the window exchange rate and the market rate. Until it reached the highest limit of the gap in the eleventh month of the same year, which amounted to (0.067) Iraqi dinars.

The exchange rate disparity between the Iraqi dinar and the US dollar was significantly reduced in 2021. This is due to the Central Bank of Iraq adjustment in the Iraqi dinar exchange rate, which was raised from (1.182) Iraqi dinars per (100) dollar to (1,450) Iraqi dinars per (100) dollar. This reduced the gap to (0.011) Iraqi dinars during the months (first, second, and third), which represents the minimum gap in the same year. Then the gap fluctuated during the remaining period until it reached the highest level of the gap about (0.037) Iraqi dinars in the sixth month. At the end of the year, it amounted to about (0.027) Iraqi dinars.

Table (1) The Iraqi dinar exchange rate gap for the period 2019-2020

Duration	Window rate	Market rate	The gap between the window rate and market rate
2019/1/31	1.182	1.195	0.013
2019/2/28	1.182	1.193	0.011
2019/3/31	1.182	1.196	0.014
2019/4/30	1.182	1.195	0.013
2019/5/31	1.182	1.194	0.012
2019/6/30	1.182	1.194	0.012
2019/7/31	1.182	1.195	0.013
2019/8/31	1.182	1.199	0.017
2019/9/30	1.182	1.195	0.013
2019/10/31	1.182	1.196	0.014
2019/11/30	1.182	1.201	0.019
2019/12/31	1.182	1.202	0.020
2020/1/31	1.182	1.202	0.020
2020/2/28	1.182	1.194	0.012
2020/3/31	1.182	1.199	0.017
2020/4/30	1.182	1.226	0.044
2020/5/31	1.182	1.227	0.045
2020/6/30	1.182	1.243	0.061
2020/7/31	1.182	1.230	0.048
2020/8/31	1.182	1.223	0.041
2020/9/30	1.182	1.222	0.040
2020/10/31	1.182	1.241	0.059
2020/11/30	1.182	1.249	0.067

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2020/12/31	**1.304**	**1.351**	**0.047**
2021/1/31	**1.450**	**1.461**	**0.011**
2021/2/28	**1.450**	**1.461**	**0.011**
2021/3/31	**1.450**	**1.461**	**0.011**
2021/4/30	**1.450**	**1.476**	**0.026**
2021/5/31	**1.450**	**1.486**	**0.036**
2021/6/30	**1.450**	**1.487**	**0.037**
2021/7/31	**1.450**	**1.473**	**0.023**
2021/8/31	**1.450**	**1.475**	**0.025**
2021/9/30	**1.450**	**1.471**	**0.021**
2021/10/31	**1.450**	**1.481**	**0.031**
2021/11/30	**1.450**	**1.481**	**0.031**
2021/12/31	**1.450**	**1.477**	**0.027**

Source: Central Bank of Iraq, General Directorate of Statistics and Research, Annual Bulletin.

Conclusions:

1. The Iraqi exchange rate is highly sensitive to the local political and economic conditions, as well as to external conditions, because it is generated in an indirect way derived from the whims and reasons of the international environment, especially the international oil market. This puts it at the beginning of the list for monetary tools that strongly affect the environment of the Iraqi economy.

2. The stability of the nominal dinar exchange rate for the period (2019-2020) led to the depletion of the foreign cash reserves of the Central Bank, and to widening the gap between the window rate and the market rate. With the monetary authority attempt to reduce the attrition, it raised the window rate to (1,450) at the beginning of 2021.

3. The spillovers associated with the Corona virus and the decline in oil prices affected the performance of monetary policy in Iraq. Foreign reserves may witness declines during the next stage as a result of the drop in oil prices. The decline this time will be more severe than before, since foreign reserves have not yet reached the levels before the double crisis, which caused a widening gap between the window rate and the market rate, which reached its climax at (0.067) Iraqi dinars at the end of the month of 2020.

Recommendations:

Because the exchange rate plays such an important role in economic activity, it is critical to sustain the value of the Iraqi dinar by maintaining low inflation rates and investing and striving to develop exchange reserves in order to deal with economic, social, and political problems. The exchange rate must be controlled by supporting the productive sectors, which is reflected in an increase in the gross domestic product through the entry of hard currency into Iraq, which works to stabilize the exchange rates of the Iraqi dinar against the US dollar and thus achieve the desired economic stability. As well as enhancing confidence in the Iraqi economy by building a solid economy and an appropriate investment environment based on the crisis and stable legislation that is in line with new global developments. The floating exchange system managed by the monetary authority, which is currently in force, must continue, due to the weak production structure in the country. As for the future, it is possible to switch to a new exchange system by working on consistency between economic policies, monetary policy, financial policy and trade policy, developing a comprehensive economic plan and advancing the Iraqi economy.

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