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August 5, 1983

To: Members of the Executive Board

From: The Acting Secretary

Subject: Iraq - Staff Report for the 1983 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1983 Article IV consultation with Iraq. A draft decision appears on page 10.

Because of the timing of the issuance of the staff report, it will not be possible to complete the 1983 Article IV consultation with Iraq within the three-month period. Accordingly, it will be necessary to extend the period for consideration of the paper. A proposed decision relating to such an extension will be submitted to the Executive Board when it is feasible to schedule a date for the Board discussion.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Karamali, ext. 76406.

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INTERNATIONAL MONETARY FUND

IRAQ

Staff Report for the 1983 Article IV Consultation

Prepared by the Staff Representatives for the 1983 Consultation with Iraq

Approved by A.K. El Selehdar and Subimal Mookerjee

August 5, 1983

I. Introduction

The 1983 Article IV consultation discussions with Iraq were held in Baghdad during the period April 30–May 5, 1983. The Iraqi authorities were represented by the Deputy Governor of the Central Bank, and senior officials from the Central Bank and the Ministries of Finance, Planning, Oil, and Trade. The mission also met with the Governor of the Central Bank and the Undersecretary of the Ministry of Finance. The staff representatives were Messrs. B.A. Karamali (Head - MED), M. Huybrechts (INST), P. Menon (RES), D. Noursi (MED), and J. Rose (MED), and Mrs. S. Khandagle (Secretary - LEG). Mr. Tariq Alhaimus, Alternate Executive Director, attended the meetings.

The previous consultation discussions were held in November 1979 and the Staff Report (SM/80/33) was reviewed by the Executive Board on February 29, 1980. Iraq continues to avail itself of the transitional arrangements under Article XIV.

II. Background

In 1979, the year before the outbreak of hostilities with the Islamic Republic of Iran, Iraq accounted for about 5 per cent of world oil production, being the second largest producer in the Organization of Petroleum Exporting Countries (OPEC) and the fourth largest in the world (the first three being the U.S.S.R., the United States, and Saudi Arabia). The country's proven oil reserves have been officially estimated at 59 billion barrels, with additional probable reserves of 46 billion barrels. Crude oil production was running at a level of about 3.5 million barrels per day (mbd) prior to September 1980, close to the peak production level of 3.7 mbd in the first half of the year. The major part of exports was shipped from deep water terminals near Basra. With the immediate loss of access to these terminals as a result of the hostilities, the means of export of oil was limited to available pipelines to Mediterranean terminals.

Pipelines link the Kirkuk and associated fields with Mediterranean terminals: Banias in Syria, Tripoli in Lebanon, and Ceyhan in Turkey. The line to Tripoli is a spur from the Syrian line. Together, the lines through Syria and Lebanon have a capacity of 1.2 mbd while the line through Turkey has a capacity of 0.7 mbd. At the commencement of hostilities, the line to Ceyhan was inoperative as a result of pumping station repairs and there was a reduced flow through the line to Banias, which had reopened earlier in the year after a prolonged shutdown as a result of a dispute over transit dues; the line to Tripoli was unutilized. Though the Turkish line reopened in November 1980, total exports in the last quarter of that year plummeted to an average of 0.3 mbd. While the lines were subject to disruption, their average combined throughput rose from 0.7 mbd in the first quarter of 1981 to 1.2 mbd in the first quarter of 1982 after the line to Tripoli was reopened. In April 1982, however, Syria closed the lines through its territory, limiting Iraq's export capability to the capacity of the Turkish line--0.7 mbd.

A drawdown in inventories due to the relatively severe winter of 1978 and the sharp decline in Iranian production in early 1979 created a tight situation in the world oil market and resulted in sharp increases in oil prices. The annual average unit value of Iraqi oil exports, which lagged generally behind the increase in spot market prices in 1979 and 1980, increased from US$12.75 a barrel in 1979 to about US$35.50 a barrel in 1981. Oil export receipts rose from US$13 billion in 1978 to US$22 billion in 1979 and, with further price increases offsetting the impact of the decline in the volume of oil exports in the fourth quarter of 1980, receipts continued to grow to US$28 billion in that year. However, in 1981 the volume of oil exports declined to about one quarter of the 1979 level; receipts dropped to US$11 billion.

Iraq operates a centrally planned economy with the bulk of activity undertaken by the public sector. In view of the growing availability of foreign exchange resources and budgetary oil revenues in the 1970s, the authorities embarked on an ambitious program for the rapid economic and social development of the country. This program, pursued within the framework of five-year development plans, involved a sharp acceleration in government budgetary expenditures which grew at an average annual rate of nearly 38 per cent during the four years 1978-81. In addition to the heavy investments in the productive and infrastructural sectors, there was a concurrent growth in social expenditures for provision of health, education, and other services, and in expenditures for subsidies for food items. Incentives were extended to the private sector to participate in industrial development and the role of that sector expanded in food processing, the manufacture of construction materials, agro-industries, and other light industries. Private sector activity in trade and construction also accelerated.

The growing public sector expenditures, financed by oil revenues, and buoyant private sector activity, partly financed by a rapid growth in bank credit, resulted in domestic liquidity expansion at an average annual rate of 40 per cent during 1978-81. National income data in constant prices are not available but it is believed that real non-oil GDP may have grown at an average rate of about 14 per cent per annum over the period. The consumer price index, which is heavily influenced by the impact of consumption subsidies and price controls, rose at an average annual rate of 13 per cent during these years.

The high level of activity and investment was sustained by a rapid growth in the import of goods and services, including those of foreign contractors and a large force of foreign workers (estimated at 1.7 million in 1981, about one third of the labor force). The value of imports rose at an average annual rate of nearly 30 per cent during 1978-1981. The strong growth in oil export receipts easily accommodated the rising level of import payments up to 1980, when there was an overall balance of payments surplus of US$16 billion as against a surplus of US$3.5 billion in 1978. However, with the sharp fall in oil receipts in 1981, there was a turnabout in the overall balance as a deficit of US$13 billion was recorded. Nevertheless, the net foreign assets of the banking system at end-1981 amounted to US$24 billion, equivalent to about 18 months' imports at the 1981 level.

Consistent with its operation of a planned economy, Iraq maintains a comprehensive system of exchange and trade controls as part of the machinery for resource allocation. In the late 1970s the system underwent some liberalization. The Iraqi dinar is pegged to the U.S. dollar at ID 1 = US$3.2169.

Iraq's total outstanding external nonmilitary debt stood at about US$1 billion as of June 30, 1982. External debt service payments on medium- and long-term debt committed as of June 30, 1982 are estimated at US$113 million in 1983 (about 1 per cent of projected current receipts) and US$127 million in 1984.

III. Report on Discussions

The discussions focused on the severe financial pressures that Iraq was experiencing and the economic policies aimed at alleviating them. It was recognized that, while financial stability remained a prime objective, it had to be subordinated to national security concerns. While the Iraqi authorities cooperated in supplying the mission with available data, there were still severe limitations in respect of the scope and currentness of the data due to the war situation and the fact that most economic departments were operating with reduced staff. 1/

1/ For instance, the monetary survey data are available only up to June 1982. Budgetary data since 1980 exclude a large volume of defense expenditures, notably those which have been financed by aid from neighboring oil producing countries. Data for this aid are also excluded from the balance of payments; according to a statement by the Iraqi Deputy Premier, assistance from these countries amounted to US$18-20 billion during the period September 1980-December 1981 but "not the same amount" in 1982.

1. Domestic sector

Since, as indicated above, oil export capacity has been restricted to 0.7 mbd, total crude oil production, covering also domestic consumption, has been limited to 1.0 mbd. GDP and production data are not available for 1982, but it is likely that manufacturing output increased while better than average rainfall resulted in higher agricultural output. A new Five-Year Development Plan was instituted for 1981-85, but difficulties in its implementation have been experienced, notably in the availability of skilled and unskilled labor and in the generation of electricity. Besides, the war has necessitated rerouting transport and communication lines and caused the destruction of productive and infrastructural facilities in the war zone areas. In mid-1982, in the face of an emerging foreign exchange constraint, an austerity program was instituted. There has been a consequent slowdown in the planned pace of development.

The staff have only limited data on budgetary performance in 1982 and estimates for 1983. Revised estimates for 1982 indicate that total revenues and expenditures were maintained at about their 1981 levels of ID 4 billion and ID 9 billion, respectively; while, for revenues, the oil and non-oil components were each at roughly their previous year's level, the breakdown of expenditures between ordinary and development is not available. An overall deficit of ID 4.6 billion is estimated. Monetary data for the whole of 1982 are not available to support this estimate but the banking system's net claims on the public sector increased by ID 2.2 billion in the first half of the year. Preliminary estimates for 1983 show an increase in revenues to ID 5.0 billion from an estimated outturn of ID 4.2 billion in 1982 and a decline in expenditures to ID 8.3 billion from ID 8.8 billion; as a result, the overall deficit is projected to decline to ID 3.3 billion from ID 4.6 billion.

The projected increase in revenues in 1983 arises from a 124 per cent increase in non-oil revenues. While it is understood that increases in rates of customs duties and excises as well as increased receipts from the profits of public enterprises will contribute to the higher level of these revenues, in the absence of detailed information on the revenue items the staff feels that the revenue estimate is probably optimistic. Oil revenues are expected to decline by 23 per cent as a result of both lower export volume and prices. The expected decline in expenditures results from measures taken to hold down nondefense spending, including reduction in allocations for supplies and services, staff reductions, and elimination of all nonessential current expenditures. While budgetary subsidies continue to be provided for basic consumer goods, such as wheat, flour, and bread, the government policy is to reduce subsidies (implicit subsidies applying to petroleum products were eliminated in 1982). The budgetary cost of subsidies, which had amounted to ID 309 million and ID 283 million in 1981 and 1982, respectively, is expected to decline to ID 170 million in 1983. Development spending is undertaken within the framework of current annual plans reflecting prevailing conditions. Guidelines have been issued to rationalize spending on ongoing projects and to freeze allocations for new projects. Priority is being given to ongoing projects which are nearing completion and to projects of strategic importance. For other projects under implementation, the authorities are seeking to work out suitable financing arrangements with contractors and suppliers.

In the three-year period 1978-80 there was a fast pace of monetary expansion, averaging 40 per cent per year, which mainly reflected the sharp growth in the public sector's domestic expenditures. While the rapid monetary expansion continued in 1981, the factors leading to such expansion were different. The decline in oil revenues led to a pronounced swing in the balance of payments; net foreign assets declined by ID 3.8 billion in 1981 compared with the rise of ID 4.8 billion in the preceding year. On the other hand, the public sector became heavily dependent on the domestic banking system to finance the emerging budgetary deficit; net domestic assets rose by ID 5.1 billion as against their contractionary impact of ID 3.6 billion in 1980. During the first half of 1982 the growth of domestic liquidity slowed down to 9 per cent compared with the 20 per cent increase in the corresponding period of 1981. As in 1981, the factors leading to this growth were the continued expansion in net domestic assets which more than offset the contractionary impact of the balance of payments deficit.

While the increase in banks' claims on the private sector in 1981 was modest--ID 0.5 billion--against increases in banks' net claims on the public sector, private sector credit grew at a fast pace--78 per cent in 1981--as private sector activity was stimulated by the rapid growth in government expenditures. In the first half of 1982, banks' claims on the private sector increased by 17 per cent as against the rise of 22 per cent in the similar period of 1981. The Central Bank formulates credit guidelines for the Rafidain Bank (the only commercial bank) and the specialized banks; these are of an indicative nature and are prepared with due regard to the annual budgets of the public sector, the development plan, and the needs of the private sector. Other regulatory instruments have recently been used in a more flexible manner. In particular, the interest rates charged by the commercial bank were raised substantially in January 1982, with the basic loan rate being increased from 6 per cent to a range of 6.5-9.0 per cent; a further change is under consideration. Margins on letters of credit for private sector imports were raised in February 1982.

During the first half of 1982 the Central Bank, for the first time, sold bonds to the public, totaling about ID 50 million, with an interest rate of 9-10 per cent according to the denomination and maturity of the bond; about ID 35 million of the bonds is still being held by the private sector. The bond issue was undertaken to encourage savings, mop up excess liquidity, and promote the public holding of financial securities.

The consumer price index, which reflects the impact of administrative pricing policies and subsidies, rose by 13 per cent in 1982 as against 20 per cent in 1981.

2. External sector

As indicated earlier, the shutdown of the Syrian pipeline in April 1982 caused oil exports to drop to 0.7 mbd, but for that year as a whole export volume was only marginally below that of 1981. The average annual oil price in 1982 was lower, and as a result oil export proceeds declined from US$11.3 billion to US$10.5 billion. Other export proceeds--chiefly petroleum products, fertilizer, and dates--had peaked at US$0.4 billion in 1980 but declined to US$0.1 billion in 1982 as the war affected production. Despite the sharp decline in export receipts after 1980, the growth in import payments continued through 1982 as the austerity program was not initiated until midyear; overall, import payments more than doubled between 1979 and 1982 when they totaled US$19 billion, nearly twice as much as export receipts in that year. In the services account of the balance of payments, the continuing decline in 1982 in international reserves and the downward turn in interest rates caused investment income to fall but service payments showed a strong increase in line with import payments. Overall, there was a balance of payments deficit of US$19 billion, reducing net international reserves to US$6 billion.

Oil export volume is projected to fall to 0.7 mbd in 1983 1/, which together with the drop in crude oil prices is expected to result in a decline in oil export receipts from US$10.5 billion in 1982 to US$7.5 billion. The import program for 1983 envisages a reduction in import payments from US$19 billion in 1982 to US$9 billion. The authorities believe that the economy should be able to absorb a cutback of this order without seriously affecting employment or capacity utilization, as there were very large stocks of imported goods at the beginning of the year, with perhaps 12 months' requirements in hand. Decisions on priorities for what activities are to be maintained have taken account of the use of local materials rather than imports and the costs of local production relative to the costs of competitive imports. Besides, foreign exchange expenditures which are not essential are being eliminated and there is a tight control on the issuance of import licenses. A very large cutback in other service payments from US$9 billion in 1982 to US$2 billion in 1983 is also forecast, resulting from the repatriation of a large part of

1/ Iraq's national quota under the March 1983 OPEC agreement on prices and production is 1.2 mbd for the rest of 1983. Iraq accepted this quota on the condition that it would be revised upward if and when the Syrian pipeline is reopened. Also, it is expected that part of the Iraqi quota--some 200,000 barrels per day (b/d), possibly rising to about 300,000 b/d--will be supplied to Iraq's customers by Saudi Arabia and Kuwait with payment being made to Iraq; such aid arrangements have already been in operation. In accordance with the March 1983 agreement, on March 15 the price of Kirkuk crude was reduced by US$5 per barrel. On April 1 the transport tariff for Mediterranean delivery of this oil was reduced by 40 U.S. cents per barrel so that the effective price at terminal was US$29.43 per barrel. Work is under way to increase the capacity of the Turkish pipeline to 1.0 mbd by April 1984 and mediation efforts are continuing for the reopening of the pipeline through Syria.

the foreign work force as investment activity contracts and from the negotiated deferment of contractors' payments. Overall, the objective is to hold the balance of payments deficit in 1983 to about US$3 billion.

While detailed data for the capital account of the balance of payments are not available, Iraqi bilateral foreign aid was stopped in April 1982 for all countries except Jordan, Mauritania, and the Yemen Arab Republic, and for those three countries in November 1982. A program to compensate developing countries for the increased costs of oil was also terminated in 1982, aid through international organizations has been cut, and investment in joint ventures with other Arab countries has been slowed down. On the capital inflow side, in 1983 Iraq has raised two loans in the Eurodollar market: US$500 million for the Rafidain Bank and US$120 million for the Iraq National Oil Company (to finance the expansion of the Turkish pipeline); it has also obtained agricultural credits totaling US$440 million from the U.S. Government and short-term bank credit facilities from Jordan and Turkey. Debt servicing on external public debt in 1983 will account for about only 1 per cent of estimated exchange receipts from exports of goods and services.

As regards the conversions from cash to deferred payment terms for foreign contractors, these are being implemented on the basis of negotiations with the contractors and respective governments. All other current external payment obligations are being met without delay, including airline collections in Iraq, service payments, and foreign workers' permitted remittances. For Iraqi residents, while reduced tourist allowances are still operative, permits for tourist travel itself outside Iraq have not been issued since July 1982. Travel allowances for official travel were reduced in November 1982 and, in the following month, the maximum amounts foreign workers were permitted to transfer abroad were reduced (from 75 per cent to 60 per cent of income for those under contract and from ID 75 a month to ID 58 a month for those without contract).

A 5 per cent devaluation of the Iraqi dinar was effected in October 1982 in response to the continued strengthening of the U.S. dollar--the peg currency--which had distorted the dinar's value in terms of the other trading currencies. The authorities intend to maintain the peg against the dollar. The nominal effective exchange rate for the dinar (import-weighted basis) appreciated by 42 per cent over the period December 1979-April 1983. 1/

Policies governing the management of international reserves continue to be guided by security, liquidity, and return considerations. A mandatory requirement for foreign exchange cover of the currency issue has been suspended in view of the stringent exchange position and the need to meet essential external payments.

1/ In the absence of usable data on domestic price movements, it is not possible to calculate the real effective exchange rate for Iraq.

IV. Staff Appraisal

During the late 1970s a fast growth in oil export receipts permitted Iraq to initiate an ambitious development program with a high reliance on imports of goods and services, including foreign labor. As a result, large strides were made toward building the basic infrastructure, diversifying the productive base of the economy, and raising the standard of living of the population. However, the outbreak of war with the Islamic Republic of Iran in September 1980 disrupted oil exports and led to the emergence of financial pressures. These pressures were intensified by the closure of the oil pipeline through Syria in April 1982. The high level of Iraq's international reserves permitted the development effort to be maintained until mid-1982, but the resultant rundown in reserves necessitated the adoption of an austerity program and a rationalization of the development effort. The import program for 1983 envisages a halving of imports; while the high level of stocks may serve to insulate the economy for some time, the authorities will need to be mindful of the adverse consequences of such a cutback on productive activity.

The reordering of development priorities seems broadly appropriate, in that it emphasizes continuing investment in essential and productive areas. This process will be implemented on a current annual plan basis in the light of evolving circumstances, with emphasis on the completion of ongoing projects. Thus, selected infrastructural and other projects may be accelerated and some projects deferred in response to changing requirements and shifting balances in a more flexible development process. With financial resources now less abundant than before, it is important in the present situation to ensure maximum efficient use of available resources.

The appropriate financial framework of austerity calls for a tight control over public expenditures and an increase in public revenues. The staff understands that public expenditures are already under control and commends the authorities for the measures taken in the 1983 budget to contain spending. Private consumption expenditures may be discouraged by appropriate measures such as higher customs and excise levies on non-essential or luxury goods. The existing machinery of controls over prices and distribution may help avoid supply disruptions and speculative price movements which tend to emerge in a war situation.

Although monetary policy is of limited significance in a centrally planned economy, it can nevertheless play a useful role. Iraq has experienced high rates of monetary expansion in recent years and efforts are now required to mop up surplus liquidity and to tightly control the injection of new liquidity. There needs to be a greater emphasis on demand management now that the previous policy stance of ensuring adequate supply availabilities to meet any level of demand can no longer be sustained. To mobilize savings and depress private demand, the sales of bonds to the public should be energetically promoted. The staff notes that the authorities are keeping interest rate policy under review; despite the recent shift in the rate structure, real interest rates are still quite negative and correction of this situation is advisable. The influence of interest rates on achieving the optimum efficiency in the allocation of credit may be supplemented by direct measures ensuring priority in credit availability to productive sectors.

Iraq has recently been able to raise foreign credit by successful flotations in the Eurodollar market. Its continuing international creditworthiness will depend on how successful it is in managing the emerging financial situation. One important aspect of this management is its relationship with foreign contractors. As negotiations with these contractors proceed for the amendment of their contracts from cash to deferred payment terms, it will be necessary to ensure that payment arrears do not develop. Exchange allowances for foreign travel by Iraqis and permitted remittances by foreign workers have been reduced, and the Iraqi authorities have expressed their intention to maintain the resulting exchange restrictions that are subject to the Fund's Article VIII for a limited period. In the circumstances of Iraq, the staff recommends that Executive Board approval be granted for the maintenance by Iraq of these restrictions.

As a result of the exceptional circumstances which have prevailed in Iraq in recent years, it is more than three years since the conclusion of the previous Article IV consultation. It is recommended that the next Article IV consultation be held by February 1985.

V. Proposed Decision

The following decision is proposed for adoption by the Executive Board:

1. The Fund takes this decision relating to Iraq's exchange measures subject to Article VIII, Section 2, and in concluding the 1983 Article XIV consultation with Iraq, in the light of the 1983 Article IV consultation with Iraq conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. Iraq has intensified some existing restrictions on the making of payments and transfers for current international transactions as described in SM/83/ . The Fund notes the situation of Iraq and hopes that, when the circumstances permit, Iraq will return to the previous path of liberalization of the exchange system. In the circumstances of Iraq, the Fund grants approval for the maintainence of these exchange restrictions until August 31, 1984 or the next Article IV consultation with Iraq, whichever is earlier.

Iraq: Fund Relations 1/

Date of membership:	Original member, December 1945.
Status:	Article XIV.
Quota:	SDR 234.1 million (proposed quota of SDR 504 million under the Eighth Review).
Fund holdings of Iraqi dinars:	SDR 234.1 million equivalent to 100 per cent of quota. The reserve tranche of SDR 112 million was drawn in January 1983, the first purchase transaction since 1970.
SDR holdings:	SDR 9.76 million, equivalent to 14.3 per cent of net cumulative allocations.
Gold distribution:	Iraq acquired 93,273.618 fine ounces of gold.
Direct distribution of profits from gold sales:	Iraq ceded to the Trust Fund its share of profits from the Fund's gold sales amounting to US$17.3 million.
Exchange rate system:	The Iraqi dinar (ID) is pegged to the U.S. dollar, the intervention currency. In October 1982 the dinar was devalued 5 per cent with a new representative rate of ID 1 = US$3.217.
Last Article IV consultation:	November 1979; the staff report (SM/80/33) was discussed by the Executive Board on February 29, 1980 (EBM/80/32).

The Executive Board's decision (Decision No. 6427-(80/32)), adopted February 29, 1980, was as follows:

1. The Fund takes this decision in concluding the 1979 Article XIV consultation with Iraq, in the light of the 1979 Article IV consultation with Iraq conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. The Fund welcomes the recent measures taken by Iraq to liberalize the exchange system and hopes that further progress would be made in this direction.

1/ As of July 31, 1983.

Iraq - Basic Data

Area and population	
Area	438,317 square kilometers
Population	13.5 million (UN estimate, October 1981)
Per capita GDP (current factor cost--1981 estimate)	US$2,750

	1978	1979	1980	1981	1982
Crude oil production and exports					
Production (in million barrels per day--mbd)	2.9	3.6	2.8	1.1	1.2
Exports (mbd)	2.8	3.3	2.6	0.9	0.8
	(In millions of Iraqi dinars)				
National accounts (at current factor/cost)					
Non-oil gross domestic product	3,495.8	4,902.9	6,147.1	7,492.1	...
Agriculture	(550.5)	(611.8)	(741.8)	(977.0)	(...)
Industry	(1,108.4)	(1,660.2)	(1,894.1)	(2,308.7)	(...)
Distribution and services	(1,836.9)	(2,630.9)	(3,511.2)	(4,206.4)	(...)
	(1973 = 100)				
Price indices					
Consumer prices	151.9	168.1	195.3	234.0	265.4
Percentage changes	(4.5)	(10.7)	(16.2)	(19.8)	(13.4)
Wholesale prices	155.2	164.8	180.7	214.4	267.9
Percentage changes	(5.2)	(6.2)	(9.6)	(18.7)	(25.0)

	Actuals			Prel. Actuals		Est.
	1978	1979	1980	1981	1982	1983
	(In millions of Iraqi dinars)					
Central government finances						
Total revenues	4,056.5	6,618.6	8,881.7	4,268.4	4,194.8	4,973.5
Of which: oil revenue	(3,479.8)	(5,857.5)	(8,231.0)	(3,285.6)	(3,000.0)	(2,300.0)
Total expenditures	3,712.0	4,766.3	6,182.5	9,012.4	8,800.0	8,300.0
Ordinary	(1,936.4)	(2,639.3)	(3,650.0)	(5,025.0)	(...)	(...)
Development	(1,775.6)	(2,127.0)	(2,532.5)	(3,987.4)	(...)	(...)
Surplus or deficit (-)	344.5	1,852.3	2,699.2	-4,744.0	-4,605.2	-3,326.5

Iraq - Basic Data (concluded)

	1978	1979	1980	1981	Jan.-June 1982
	(In millions of Iraqi dinars)				
Changes in money and quasi-money	530.4	414.4	1,155.5	1,375.2	435.1
Factors affecting changes in domestic liquidity					
Foreign assets (net)	1,031.8	2,976.7	4,750.7	-3,764.6	-2,452.9
Domestic assets (net)	-501.4	-2,562.3	-3,595.2	5,139.8	2,888.0
Claims on public sector (net)	(-285.3)	(-2,429.0)	(-3,695.7)	(4,877.2)	(2,182.2)
Claims on private sector	(72.1)	(161.9)	(214.5)	(503.7)	(189.4)
Other items (net)	(-288.2)	(-295.2)	(-114.0)	(-241.1)	(516.4)
Rate of change in money and quasi-money (in per cent)	(43)	(23)	(53)	(41)	(9)

	1978	1979	1980	1981	Prel. 1982	Proj. 1983
	(In millions of U.S. dollars)					
Balance of payments						
Exports, f.o.b.	13,048	21,849	28,001	11,401	10,547	7,500
Of which: oil	(12,835)	(21,566)	(27,588)	(11,344)	(10,490)	(7,450)
Imports, f.o.b.	-6,346	-9,109	-12,146	-16,701	-18,979	-9,000
Services (net)	-1,422	-1,344	-2,269	-5,303	-8,711	-1,950
Transfer payments (net)	-115	-968	-596	-196	-251	-100
Balance on current account	5,165	10,428	12,990	-10,799	-17,394	-3,550
Overall balance	3,494	10,080	16,087	-12,748	-18,520	-3,350
Gross foreign assets (end year)	11,045	21,272	37,669	26,354	...	...
Net foreign assets (end year)	10,842	20,922	37,008	24,261	5,741	2,391