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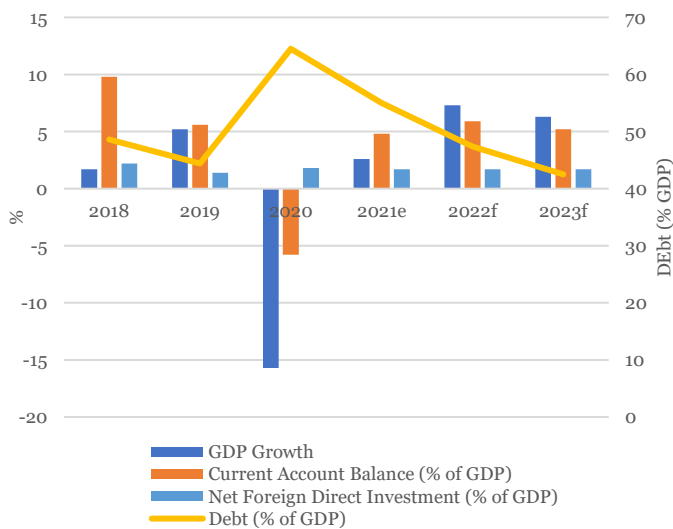
Latest in the Iraqi and Global Energy Markets

- The country's economy is gradually recovering from the double oil and CoVid-19 shocks of 2020. In H1 2021, Iraq's GDP grew by 0.9% y-o-y. Iraq's non-oil economy grew over 21% in H1 2021 following a solid performance in the services sectors along with the easing of containment measures, a pick-up in vaccination rollouts and a decline in infection rates. The non-oil economy recovery outpaced the slowdown in the oil sector, which was down by 10% in H1 2021 as the country attempted to meet its OPEC+ compliance obligations.
- Iraq expects to earn oil revenues of US\$ 47.5 B¹ based on an oil price of US\$ 45/b and ~3.5 Mb/d of exports, which in devalued dinars should significantly improve state earnings. With oil prices averaging US\$ 65/bbl this year, the actual deficit would come well under the reported figure of US\$ 19.5 B. Iraq's oil export earnings are likely to reach over US\$ 77 B in 2021, nearing 2019's US\$ 79 B, as OPEC+ eases restrictions and oil prices remain well above budgeted levels.
- 3.5 Mb/d is a significant jump from Iraq's current ~3 Mb/d exports, which it hopes to realise from state-run fields that have been shut-in due to OPEC+ constraints. Oil prices are also likely to be higher, as Brent crude has averaged almost \$66 per barrel so far this year, with Iraqi export pricing to Asia about \$0.50 below that. Under the revised OPEC+ deal of July 2021, the group's production will increase by 400 kb/d each month, of which Iraq's share would be 44 kb/d, up to April 2022. After that, production will increase by 432 kb/d each month to the end of 2022, with Iraq's share at 48 kb/d. If oil prices remain at current levels, Iraq would therefore earn almost an additional \$115 million progressively each month. This would raise Iraq's quota to 4.412 Mb/d by end-April 2022 and 4.797 Mb/d by end-2022, implying that the country would reach its actual capacity during 2H 2022.
- This has caused Fitch Ratings to revise the Outlook on Iraq's Long-Term Foreign-Currency Issuer Default Rating (IDR) to Stable from Negative and affirmed the IDR at 'B-'.

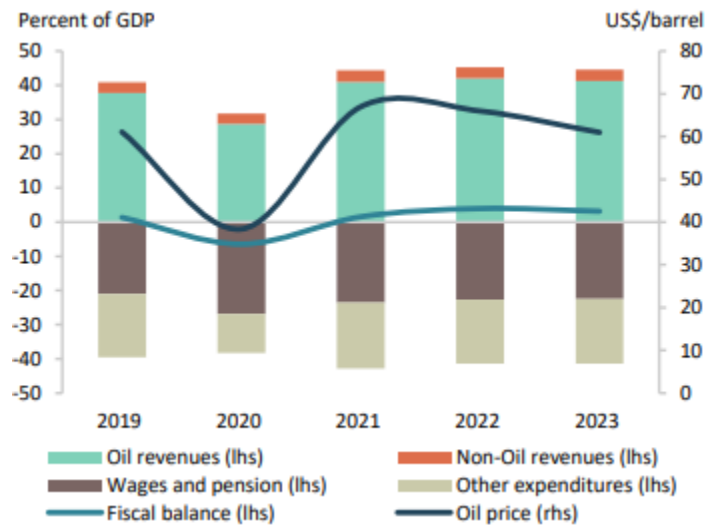
¹ While not yet disclosed by the Iraqi Parliament, the revenues earned seemed to be calculated by excluding the first two months of 2021, for the remainder of the year

- In the medium term, Oil GDP will be the primary driver of growth. The economy is forecasted to gradually recover on the back of rising oil prices and OPEC+ production quotas, which are planned to be phased out end-2022. Non-oil GDP gains are forecasted to recover but remain under 3% on average in 2021-2023, mainly due to the impact of the CoVid-19 Delta variant along with water and electricity shortages, affecting the agricultural and industrial sectors. We expect the fiscal balance to remain in surplus in the medium term, leading to a steady drop in the debt-to-GDP ratio.
- However, Iraq's economy might be subject to significant downside risks including: a potential decline in the oil price, political problems over government formation following October's elections, a fourth wave of CoVid-19 possibly caused by the new variant detected in southern Africa, a deterioration in the security situation, intensified impact of climate change and additional macroeconomic volatility.

Macroeconomic Indicators¹ Outlook



Budgeted Revenue & Spending, 2019-23²



² World Bank

Get in Touch

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