

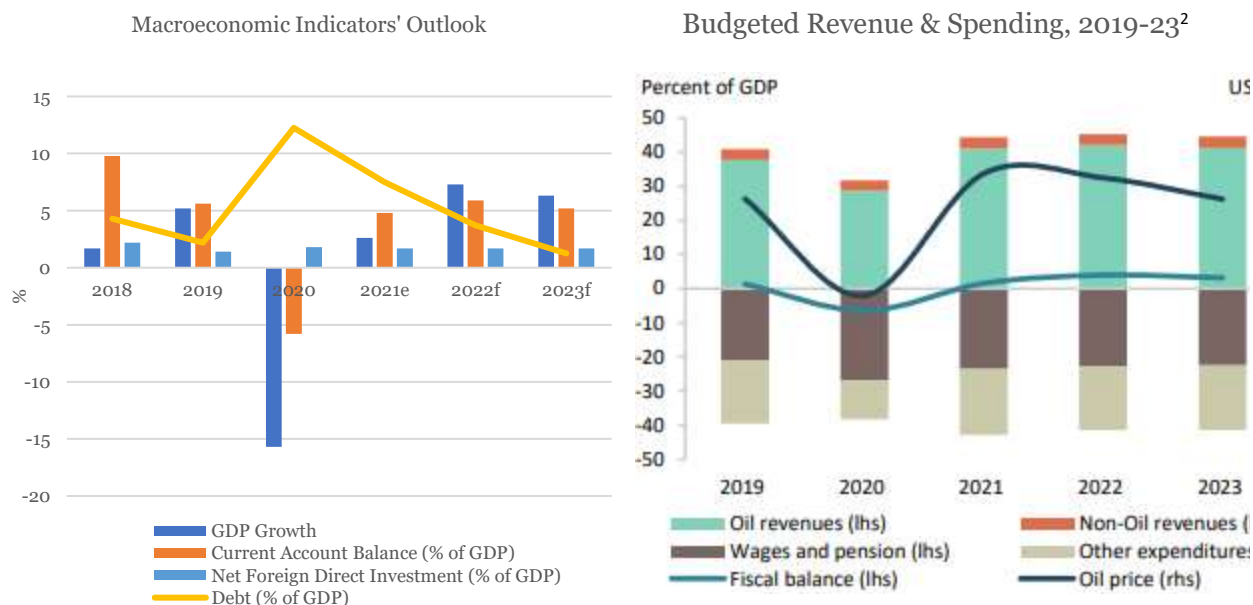
## Latest in the Iraqi & Global Energy Markets – Economic Outlook

- Iraq expects to earn oil revenues of US\$ 47.5 B<sup>1</sup> 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\$ 68.38/bbl in 2021, generating revenues of US\$ 75.65 B, the actual deficit would come well under the reported figure of US\$ 19.5 B. Final spending figures are not in, but Iraq is estimated actually to have run a fiscal surplus of 1.4% of GDP in 2021 (IQD 3.6 trillion).
- The EIA now forecasts Brent to average US\$ 105/bbl in 2022, up US\$ 22.35/bbl from its February STEO. Iraq's maximum production is likely to reach 4.8 Mb/d by December 2022, while exports might increase to 3.4-3.5 Mb/d by then. This places monthly average revenues for 2022 at US\$ 10.7 B with exports averaging 3.4 Mb/d in 2022, higher than the average 2012 crude revenues of US\$ 7.78 B with exports averaging 2.395 Mb/d. State-operated fields including Majnoon and others would contribute about 260 kb/d of this increase, with possibly another 50 kb/d from West Qurna-2 after it returns from a shutdown in mid-March, and another 100 kb/d from Rumaila. After September, Iraq would be able to produce at capacity (if there is no new OPEC+ target), but it is likely the country would already be around its maximum output. Some increased production volumes are likely to be absorbed domestically as refining output capacity will increase by over 280 kb/d end-2022. Federal exports in this case would average 3.4 Mb/d for the year, a little below the 2021 budget target (3.5 Mb/d), but oil prices will likely average at least double the 2021 budget figure.
- This has caused Fitch Ratings to keep the Outlook on Iraq's Long-Term Foreign-Currency Issuer Default Rating (IDR) unchanged at Stable from Negative and affirmed the IDR at 'B-'. Moody's rates Iraq at Caa1 with stable outlook. Government debt fell from 86% of GDP in 2020

<sup>1</sup> 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

to 66% of GDP in 2021 due to the GDP recovery, although the debt stock in local currency rose slightly (from IQD 169 trillion to IQD 175 trillion). In 2022-2023, government debt is expected to stabilise at about 57% of GDP.

- Several of the major concerns facing Iraq's economy have receded: the Omicron wave has diminished and been less serious than previous waves; formation of the new government is likely approaching its close; oil prices are strong and Iraqi production is rising. High inflation, particularly on food prices, is a growing concern and could lead to worsening social stability. Iraq's cereal imports are forecast to reach \$3 billion in 2021-22 from \$0.9 billion in 2020-21. Food subsidies are a heavy and growing drain on the budget.



## Get in Touch

For any inquiries, contact us at [info@almajalenergy.com](mailto:info@almajalenergy.com)

<sup>2</sup> World Bank