

## Troubled history, huge potential

### General Information



<b>GDP</b>	USD195.5bn (2011e)
<b>Population</b>	32.66 million (2011e)
<b>Form of state</b>	Constitutional Republic
<b>Head of government</b>	President Jalal Talabani; PM Nouri al-Maliki
<b>Next elections</b>	March 2014 legislative; May 2014 presidential



### Strengths

- Substantial hydrocarbon reserves.
- Fiscal and current account surpluses.
- High FX and strong import cover.
- Low external debt and comfortable repayment schedule.

### Weaknesses

- Domestic politics is fragile because of ethnic fragmentation, weak institutions and inexperience of those in governance.
- Partly reflecting the above, security (domestic and border) is weak, with significant levels of violence.
- Uncertainties relating to the country's national integrity, particularly given the aspirations for independence of the semi-autonomous Kurdish region.
- Regional tensions, including border with Iran.
- Industry and export base is highly concentrated.

### Country Rating

**D4**

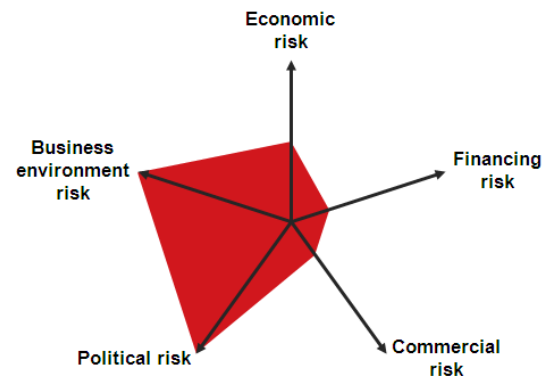
#### Country Grade



#### Country Risk Level

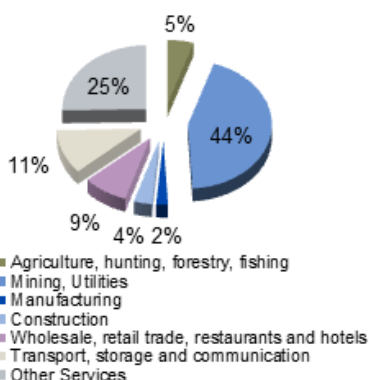


### Risk Dimensions



## Economic Structure

### GDP breakdown (% of total, 2010)



### Trade structure (% of total, 2010)

By destination/origin

Exports	Rank	Imports
United States	25% 1	26% Turkey
India	21% 2	12% China
China	12% 3	8% United States
Korea, Republic of	11% 4	7% Syrian Arab Republic
Italy	5% 5	5% Germany

By product

Exports	Rank	Imports
Petroleum, petroleum products and related materials	99% 1	8% Cereals and cereal preparations
Inorganic chemicals	0% 2	7% Road vehicles
Chemical materials and products, n.e.s.	0% 3	7% Iron and steel

Sources: Chelem, UnctadStat, IHS Global Insight, Euler Hermes

## Economic Forecast

	Average 2000-08	2009	2010	2011	2012	2013f	2014f
GDP growth (% change)	6.3	2.5	4.3	1.9	3.4	3.5	3.5
Inflation (% end-year)	1.9	1.6	1.0	0.2	2.6	3	2.8
Fiscal balance (% of GDP)	2.0	-6.6	-7.0	-1.7	-2.2	-1.7	-4.0
Public debt (% of GDP)	27.6	25.4	35.5	36.5	37.3	37.8	39.3
Current account (% of GDP)	7.1	2.4	3.0	11.1	12.3	9.2	6.1
External debt (% of GDP)	47.9	56.2	53.4	50.4	49.5	48.2	46.8

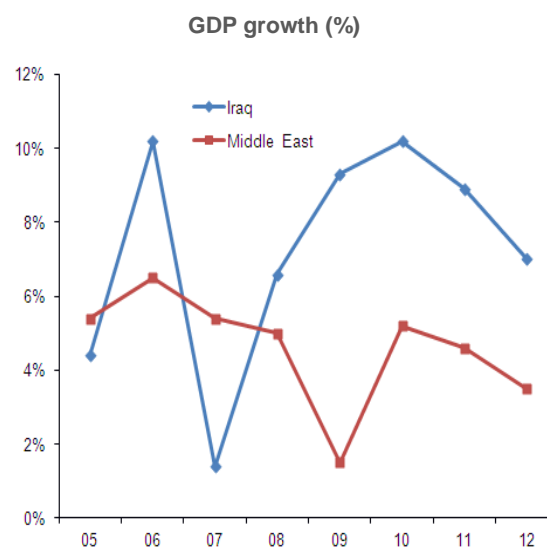
Source: IHS Global Insight, National sources, Euler Hermes

## Economic Overview

Growth is forecast to continue registering strong annual increases in 2013 and 2014, partly reflecting the ongoing reconstruction and recovery after the fall of the Saddam Hussein regime and return of output in the oil sector. Moreover, inflows of oil revenues have enabled the government to increase capital spending. International energy companies are conducting exploratory work and new oilfields are likely to be discovered, with potential for overall economic growth to remain strong into the medium-term. EH forecasts GDP growth of +5% in 2013 and +5.5% in 2014, subject to an absence of significant disruption to the oil sector from internal conflict.

The economic authorities have been successful in controlling inflationary pressures at a time of rapid growth and high receipts of oil revenues. In 2007, inflation reached over +30% y/y but consumer price growth averaged only +5.1% in 2009 and ended that year at +3.1%. Relatively strong domestic demand and upward price pressures through housing and food have increased inflation but price pressures appear containable.

EH expects a fiscal surplus of over +7% of GDP in 2012 to be repeated in 2013, reflecting high revenues from oil sales. Even with a forecast easing in international energy prices in 2014 (weakness in some key import markets and further supplies of shale oil from North America) a fiscal surplus will be recorded in that year, currently forecast at +3.8%.



Sources: IHS Global Insight, Euler Hermes

## Economic Overview (continued)

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Iraq's external accounts mirror developments in oil output and international energy prices. Accordingly, large surpluses were recorded in the current account in 2011 and 2012, +13.4% and +15.2% of GDP, respectively. EH expects the surplus to remain in double digits in 2013 (+12.7% of GDP) before falling back to +6.5% in 2014, reflecting the forecast easing in oil prices and output stabilisation. Against this background of large current account surpluses, FX reserves have remained above USD50 billion and currently provide around 10 months of import cover, suggesting that repayments of foreign debt obligations and settlement of trade payments will not be a problem over the forecast period.

Iraq's external debt levels are low relative to the size of the economy and income generation ability. EH expects external debt/GDP to be around 14% in 2013 and debt/export earnings 35%. In terms of repayments of existing external debt the servicing ratio (repayments/export earnings) is forecast at below 6% in 2013.

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