THE IMPACT OF CORONAVIRUS PANDEMIC ON THE IRAQI ECONOMY

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ABSTRACT

Purpose: The research aims to study the impact of the Corona pandemic on the Iraqi economy and its effect on the various economic sectors, especially after the succession of political crises (October demonstrations and the government's fall).

Theoretical framework: The Corona pandemic has left many problems, and consequences beyond the spread of the disease, the most important of which is the almost complete halt in economic life, resulting in the significant decline in various commercial activities, the severance of global supply chains, the collapse of financial markets, the suspension of global trade movement, and the rise in unemployment rates that included the entire developed and developing world, and Iraq is one of them. It caused a worldwide recession. Third, it forced the government to adjust several economic sectors to the economic, financial, and health crises.


Findings: The study concluded that the Corona pandemic had more impact on Iraq than other countries due to the conditions that occurred before Corona, from the demonstrations, which were due to the political and economic situation in the country and poor services, and then the impact of the collapse in global oil prices due to the decrease in global demand for oil, which led to a reduction in public revenues to a third, which hindered the government's ability to present the draft budget for the year 2020.

Research, Practical & Social implications: We focus on the banking sector's recovery after the pandemic, this paper provides a unique and critical discussion of the knowledge gap between the economic sciences and the public's awareness of the topic, as well as its implications for the recovery of various economic sectors in Iraq following COVID-19.

Originality/value: This article discusses the gap between economic science knowledge and public awareness and its consequences for the revival of several economic sectors in Iraq following COVID-19, emphasizing the banking sector.

Doi: https://doi.org/10.26668/businessreview/2022.v7i5.705
O IMPACTO DA PANDEMIA DE CORONAVÍRUS NA ECONOMIA IRAQUIANA

RESUMO

Objetivo: A pesquisa tem como objetivo estudar o impacto da pandemia de Corona na economia iraquiana e seu efeito nos vários setores econômicos, especialmente após a sucessão de crises políticas (manifestações de outubro e a queda do governo).

Referencial teórico: A pandemia de Corona deixou muitos problemas e consequências além da propagação da doença, sendo o mais importante a paralisação quase completa da vida econômica, resultando no declínio significativo de várias atividades comerciais, no rompimento das cadeias de suprimentos globais, no colapso de mercados financeiros, a suspensão do movimento do comércio global e o aumento das taxas de desemprego que incluiu todo o mundo desenvolvido e em desenvolvimento, e o Iraque é um deles. Isso causou uma recessão mundial. O que obrigou o governo a ajustar diversos setores econômicos às crises econômica, financeira e de saúde.


Resultados: O estudo concluiu que a pandemia de Corona teve mais impacto no Iraque do que em outros países devido às condições que ocorreram antes do Corona, desde as manifestações, que foram devido à situação política e econômica do país e aos serviços precários, e depois o impacto da crise. colapso dos preços mundiais do petróleo devido à diminuição da procura mundial de petróleo, que levou a uma diminuição das receitas públicas para um terço, o que prejudicou a capacidade do governo de apresentar o projeto de orçamento para o ano de 2020.

Pesquisa, implicações práticas e sociais: focamos na recuperação do setor bancário após a pandemia, este artigo apresenta uma discussão única e crítica sobre a lacuna de conhecimento entre as ciências econômicas e a conscientização do público sobre o tema, bem como suas implicações para a recuperação de vários setores econômicos no Iraque após COVID-19.

Originalidade/valor: Este artigo discute a lacuna entre o conhecimento da ciência econômica e a conscientização pública, bem como suas consequências para o renascimento de vários setores econômicos no Iraque após COVID-19, com ênfase no setor bancário.

Palavras-chave: Pandemia de Coronavírus, Economia Iraquiana, Crises Econômicas, Desemprego, Pobreza.

EL IMPACTO DE LA PANDEMIA DE CORONAVIRUS EN LA ECONOMÍA IRAQUÍ

RESUMEN

Propósito: La investigación tiene como objetivo estudiar el impacto de la pandemia Corona en la economía iraquí y su efecto en los diversos sectores económicos, especialmente después de la sucesión de crisis políticas (manifestaciones de octubre y caída del gobierno).


Conclusiones: El estudio concluyó que la pandemia de Corona tuvo más impacto en Irak que en otros países debido a las condiciones que ocurrieron antes de Corona, desde las manifestaciones, que se debieron a la situación política y económica en el país y los servicios deficientes, y luego el impacto de la desplome de los precios mundiales del petróleo debido a la disminución de la demanda mundial de petróleo, lo que provocó una disminución de los ingresos públicos a un tercio, lo que dificultó la capacidad del gobierno para presentar el proyecto de presupuesto para el año 2020.

Implicaciones de la Investigación: Nos centramos en la recuperación del sector bancario después de la pandemia, este documento proporciona una discusión única y crítica de la brecha de conocimiento entre las ciencias económicas y la conciencia del público sobre el tema, así como sus implicaciones para la recuperación de varios sectores económicos en Irak después COVID-19.

Palabras clave: Pandemia de Coronavirus, Economía Iraquí, Crisis Económicas, Desempleo, Pobreza.
1 INTRODUCTION

The Corona (Covid 19) pandemic began in late 2019 and early 2020 in the Chinese province of Wuhan, and since the emergence of the virus, countries have been living in a state of terror. Iraq is one of them after the first infection appeared in Najaf Governorate, from which disease cases began to spread in all governorates of Iraq. Hence, the government started. The Iraqi government took preventive measures such as a comprehensive ban to preserve citizens' lives and limit the virus's spread. Then the economic situation began to stagnate in the world in general and Iraq in particular, which created a severe crisis in the lives of citizens. Individuals and self-employed people with daily incomes were the most affected by these measures and the direct impact in all sectors. Still, the oil, air transport, and tourism sectors were the most affected, which greatly affected the government's revenues, forcing it to borrow from the Central Bank to finance its operating expenses. The Corona pandemic has left many problems, and consequences beyond the spread of the disease, the most important of which is the almost complete halt in economic life, which has resulted in the significant decline in various commercial activities, the severance of global supply chains, the collapse of financial markets, the suspension of global trade movement and the rise in unemployment rates that included the entire developed and developing world, and Iraq is one of them. And introduced the global economy into a significant economic recession. Which required the government to take measures to adapt the conditions of the various economic sectors in line with the depth of the economic, financial, and health crisis. The importance of the study lies in shedding light on the extent to which the Iraqi economy and sectors were affected during the Corona pandemic and the recession it caused. The Corona pandemic (Covid 19) has shown the fragility of the Iraqi economy in its various sectors and its inability to deal with complex crises, which led to more imbalance and economic, political, and social instability in Iraq. Therefore, this paper aims to:

1) Knowing the most prominent sectors that have been greatly affected in its work.
2) Revealing the extent of the impact of the pandemic on the Iraqi economy and the consequences of the pandemic.

2 CORONA PANDEMIC AND ITS IMPACT ON IRAQ

2.1 An Overview of the Corona Pandemic (COVID 19)

Many global crises have greatly affected the global economy and involved all the economic, social and political aspects of the "Covid 19", which is difficult for the whole world to control and find immediate and practical solutions to. In this axis, the concept and interpretation of the pandemic will be reviewed. How did it arise? And the stages of its spread?
2.1.1 The emergence of the COVID 19 pandemic, its stages of spread, and its impact on human lives

The covid-19 disease is an infectious disease caused by a virus that was discovered from the Coronavirus strain, whose mechanism of action was unknown before the outbreak began in the Chinese city of Wuhan in December 2019 (Jaber, Hussein, Kadhim, & Bojassim, 2022), after the World Health Organization reported cases of unspecified pneumonia that was discovered in Wuhan City, Hubei Province, People's Republic of China, and was identified by the Chinese authorities on January 7, 2020, as the virus that causes these infections, to declare the World Health Organization on January 31, 2020, a public emergency of international concern (Chapman, Miller, & Salley, 2021), especially after the rapid spread of infection and its vast scope from One person to another in several countries in the world. Furthermore, due to the countries' failure to control the virus, the World Health Organization's global director announced that Covid-19 has turned into a worldwide pandemic starting on March 11, 2020, after infections spread in 57 countries (Stein, 2020).

2.1.2 The emergence of the corona pandemic and its impact on Iraq

The health crisis began recording the first infection with the Coronavirus on February 24, 2020, in Najaf Governorate and quickly spread throughout Iraq; by the end of July 2020, the number of diseases had increased (12,469), and government data indicated an acceleration in infections during June and July 2020 (Reich & Dombrowski, 2020). The government should have taken firm measures in tracking diseases and increasing random survey campaigns in different regions in all governorates. One of the reasons for the increase in infections is negligence in adhering to the curfew. It requires security, economic and media measures to confront and contain the crisis (Burhan Ismael et al., 2021).

Iraq suffered from unstable conditions after witnessing serious security events and demonstrations in 2019 that led to the government's dismissal. Due to the increase in unemployment among young people, its essential demands were services and improving economic conditions. It was not considered that the year 2020 would come with the new Coronavirus, which paralyzed The movement of the world stopped, and the movement completely stopped. The collapse of international oil prices accompanied this, and the government tried to avoid the health and economic crisis and, like the rest of the world, took comprehensive and then partial urban measures to limit the spread of the virus that paralyzed the movement of commercial markets until many citizens considered these measures as security. Although it is not healthy, especially since it leaves the citizen who works in the liberal
professions and depends on their daily income without any source of income that could support their family, on the other hand, these measures deepened the crisis in the Iraqi economy (Namatovu & Larsen, 2021).

2.2 The Impact of the Pandemic on the Economic Performance in Iraq

With the spread of the new Coronavirus worldwide, governments continued to take exceptional measures and measures to combat the virus and limit its spread. The comprehensive, and the travel and study sector and other sectors of the business sectors stopped. The social divergence policy was imposed (Hanieh & Ziadah, 2022), and soon the virus reached Iraq. The spread of the Corona pandemic coincided with two political and economic crises. The political turmoil preceded all problems, starting in October 2019. Youth protests in Baghdad and several other governorates of Iraq came due to poor services and conditions and the lack of job opportunities for the unemployed. The spread of the Coronavirus forced the government to impose an extended curfew and granted the governorates the power to expand or reduce the ban. Depending on the circumstances, this led to economic difficulties for the poor and vulnerable groups (Ahmad & Murad, 2020).

The measures taken by the various world governments as a precautionary measure to limit the spread of the Coronavirus have led to the suspension of air, land, and sea transportation, which led to a decrease in global demand for oil by more than 30% and the collapse of its prices to less than $20 a barrel, as oil in Iraq forms the backbone The revenues of the general budget are more than 90%. The oil sector constitutes more than 45% of the GDP and more than 99% of merchandise exports. Therefore, the drop in international oil prices led to a decrease in financial revenues and the government's inability to organize and approve the 2020 budget.

Although Iraq took precautionary steps to avoid the danger of this virus and to preserve people's lives, the deficit in public revenues in the year of the pandemic 2020 reflected negatively on government performance and the weak efficiency of the health system, and the weakness of the services it provides. In addition to this, the general weakness in the use of electronic applications at the official and unofficial levels, as Iraq ranked 15 out of 197 in 2018 in the e-government development index, which made it unable to transfer administrative, economic, and service activity from the real world to the virtual world to compensate or At least to alleviate the paralysis that affected economic, social and health life (JasemAlnasrawi, Abed, & Muslm, 2020).
2.3 The Adverse Effects of Covid-19 on the GDP and Economic Sectors in Iraq

The virus outbreak resulted in taking preventive measures to limit the spread, which negatively impacted the Iraqi economy, represented by the suspension of official institutions from work and the trend toward managing institutions and communicating with employees through electronic means of communication in the tens of millions a day. In addition, the imposition of the curfew led to the deprivation of low-income people from daily business owners and daily wage workers in the unorganized sectors, representing a large group estimated at more than three million workers (Hussein, 2022). The Corona pandemic has had many adverse effects on the various economic sectors, especially the services sector, which can be identified by:

2.3.1 The impact of the Corona pandemic on GDP

After the Iraqi economy witnessed a significant slowdown in 2020, the GDP decreased from 233.64 billion dollars in 2019 to 184.37 billion dollars in 2020, rising to 207.89 billion dollars in 2021, as shown in Figure (2), the Iraqi economy rose to 207.89 billion dollars in 2021. The deficit of the general budget for the year 2020 (the government's failure to submit the 2020 budget) to a rate of (30%) of the gross domestic product, and this percentage contradicts the percentage allowed in Public Financial Management Law No. 6 of 2019, which approved the annual deficit ceiling not to exceed the ratio of (3%) of GDP to strengthen the legal framework for financial management (Rashed & Awaad, 2020). But the necessity and the depth of the global health and economic crisis prompted Parliament to agree to direct central bank lending to the government to finance its necessary expenditures with two loans, the first amounting to 15 trillion dinars in June and the second to 12 trillion dinars in October of 2020. The negative growth of the GDP has led to a sector's contraction. The oil and non-oil sectors were the most affected by 13% and 4.4%, respectively, and the service sectors, such as trade, transportation, the financial industry, and tourism (Mansour et al., 2020). According to the GDP estimates for the first quarter of 2020, issued by the Central Bureau of Statistics, The output decreased in the first quarter of 2020 compared to its counterpart in 2019 by (12.3%) at current prices and by (20.9%) from the fourth quarter of 2019 (Samouak, 2021). The drop in oil prices and the spread of the Coronavirus led to a decline in GDP. Still, the rise in global oil prices and the easing of health measures and restrictions in the second half of 2020 mitigated the negative effects of the pandemic on the Iraqi economy (Burhan Ismael et al., 2021).
2.3.2 Oil sector

The outbreak of the Corona pandemic in most countries of the world and taking preventive measures led to the suspension of all types of transport (air, sea, and land) between countries and within the same country, which led to a sharp and significant decrease in global demand for oil. Then the decline in global oil prices coincided with the increase in war. The price difference between the major oil producers, Saudi Arabia and Russia, led to a further decline in oil prices (McKibbin & Fernando, 2021), so the price of oil fell sharply from (74.9) dollars on January 6 to (20.59) dollars on April 20, 2020, to return to A rise of (46.87) dollars per barrel on July 17, 2020. Accordingly, oil revenues were affected (16). Although Iraq is the second largest oil producer in the Organization of the Petroleum Exporting Countries, it has faced severe challenges after the significant decline in its oil revenues, which constitute more than 90% of the general budget revenues, which led to the failure of the government's efforts to combat the Corona epidemic and limit its spread, in addition to the decline in the capabilities of Iraq.

On the other hand, the government is implementing its development programs and the possibility of securing food security requirements for the country and financing the salaries of employees and retirees (Bahrini & Filfilan, 2020). Figure (1) shows the average price of a barrel of Iraqi oil sold per month in the first half of 2020, and it is clear from it the sharp drop in prices from (60) dollars for the average barrel sold in January to nearly (13) dollars for the average barrel sold in April 2020. It rose to (21) dollars per barrel in May as a result of the price movement that the markets witnessed after the entry into force of the OPEC + agreement.
2.3.3 Air transport sector

Air transport in Iraq after 2003 witnessed a remarkable development in terms of the number of planes, the number of flights, and the number of passengers, the development in the volume of revenues and profits, and Iraq's openness to the outside world. The number of aircraft operating in Iraqi Airways reached 32 aircraft in 2018. The total number of passengers (arrivals and departures) carried on all Iraqi Airways General Company aircraft (3,968 02) people, while the unlimited quantities of goods transported for all Iraqi airlines amounted to (14,212) tons, except for Erbil Airport (Al-Yasiri, 2021). However, despite these developments in the aviation sector, it suffered significant losses due to the Coronavirus and the suspension of air transport, which caused substantial losses to the air transport sector in Iraq after the number of flights and passengers decreased by (50%) in Iraqi Airways planes than it was in 2018 (Ali, 2021).

2.3.4 Education sector

The Coronavirus has resulted in a significant interruption of education in history. The impact was almost comprehensive on students and teachers worldwide, from pre-primary education to secondary schools, technical and vocational education and training institutions, and universities (Xiao, 2021). Iraq In 2020, the government took a set of precautionary measures to prevent the spread of the virus in the country, so schools and universities were closed throughout Iraq. The Ministries of Education and Higher Education and Scientific Research took emergency solutions when they called on teachers in schools and universities to communicate and go towards e-learning with students. Unfortunately, e-learning in Iraq does not keep pace with the Iraqi environment due to its lack of modern means and laboratories, the
slow Internet in Iraq, and the Iraqi educational institutions' lack of technological infrastructure. Still, in light of these conditions, there were no other solutions to take; therefore, it is necessary to accept e-learning To prevent the spread of the virus (Al-Husseini, Obaid, & Kadhim, 2022).

2.3.5 Coronavirus impact on food security

The Corona pandemic led to changes in the prices of food commodities, especially those commodities that people desperately needed during the outbreak of the virus, as Iraq imports annually at a rate of more than (40) billion dollars, representing food commodities, beverages, and animal products about (13%) (Jabbar & Tuama, 2019). Thus The rise in their prices in the global markets as a result of the decline in global production due to droughts and due to, the high costs of international transportation, and the disruption of supply chains negatively affected the lives of individuals, especially those with low incomes, by reducing their consumption quantitatively and qualitatively. In addition, their crops and their displacement to cities will exacerbate the national food security gap (Hussein, 2022). These effects may continue for other years as a result of food shortages in the world. According to the Food and Agriculture Organization, more than (90%) of companies and small and medium-sized enterprises in the agricultural and food sector had been severely affected by the pandemic (Erokhin & Gao, 2020).

2.3.6 Tourism sector

Tourism in Iraq constitutes an essential source of revenue, especially religious tourism, which comprises (75%) of tourism revenues in Iraq. According to the World Tourism Council, this revenue was estimated at (5) billion dollars in 2017, but it was the sector most affected by the pandemic. It includes the owners of hotels and restaurants whose sales depend on tourists, as well as recreational tourism and archaeological sites, which represent 25% of the country's tourism revenues, which are in the northern side of Iraq after the virus stopped the movement of the entire world (Altameemi & Flayyih, 2021).

2.3.7 Unemployment during the Corona pandemic

The closure announced by the Crisis Cell due to the Corona pandemic caused many workers to lose their jobs, especially those with daily incomes and workers in the private sector. The International Labor Organization stated that more than (81%) of people around the world were affected by the total or partial closure that was announced all over the world, which led to a rise in the number of the unemployed, so how in a country like Iraq, which has many
problems, and unemployment was its main problem before the spread of the virus (Bouillon-Minois, Clinchamps, & Dutheil, 2020). It exceeded (40%) of young people holding a bachelor's degree in 2020 after it was estimated at (13.8%) for those of working age (15 years and over), and unemployment rates are high for the age group (15-24 years). About (27.5%) in 2018 (Malallah & Al-Ghalby, 2022) as a result of the closures that occurred throughout Iraq, which prompted most workers in the informal sector to leave their jobs and were forced to fall into forced unemployment, and the sectors most affected were the sectors in which the majority of them are active workforce (ALJAWAHERI, OJAH, MACHI, & ALMAGTOME, 2021).

2.3.8 Poverty during the Corona pandemic

The Corona pandemic has severely affected families with weak incomes and has affected families' living and their level of well-being through several paths. In addition to the decline in domestic and external transfers due to the economic erosion, this has exposed the country to financial pressures, the quarantine and the suspension of daily business and economic activities, and the significant decline in oil prices, in addition to the decline in public spending, which negatively affected the possibility of providing food to various segments of society, in addition to the suspension of monetary transfers. The public, as well as the turmoil in internal and external shopping operations, led to an increase in prices, especially foodstuffs, accompanied by a decline in educational services, health care, and other services that had negative effects on the livelihood of Iraqis (Shrestha et al., 2020). The challenge that Iraq faced in light of the Corona crisis was the increasing preparation of people who needed support and protection to meet the conditions of poverty and deprivation left by the crisis, whose numbers are estimated at more than ten million poor people and a similar number of workers in the unorganized sectors interfere with them, who do not have them Any protection, which led to a rise in poverty levels in Iraq to unprecedented rates after it rose from (20.5%) in 2018 to (31.7%) in 2020, an estimated increase of (11.7%) compared to the previous year which was in 2018. By adding (4.5) million people to the poor of Iraq, whose number was estimated before the Corona pandemic at about (7) million people as a result of the pandemic, poverty exceeds (46%) among families with more than (7) people, especially those that include more than Children who are more vulnerable to poverty (Hameedi, Al-Fatlawi, Ali, & Almagtome, 2021). Then poverty rates have increased due to the Coronavirus.
2.3.9 The impact of the Corona pandemic on the banking sector

In 2019-2020, the banking sector faced fluctuations in economic conditions that were more severe than in the 2008 global financial crisis after the Coronavirus caused a shock of a different nature. Furthermore, the banking system and debt defaults became imminent due to the great surprise and stumbling caused by the pandemic, which severely affected the banking sector due to the sudden entry of the crisis (Taskinsoy, 2022). Therefore, it led to the existence of uncertainties in the economic environment, in addition to what the global financial markets witnessed increasing levels of economic volatility, forcing governments and central banks to respond to these changes with monetary and financial interventions to achieve stability in economic conditions, especially after the emergence of default indicators in the credit portfolios of Banks, as a result of the postponement of loan maturities and the expected rise in default rates among bank customers, as well as a decline in liquidity due to the withdrawal of deposits, as well as a decline in the employment movement in various economic markets. However, the Iraqi banking sector did not differ from the banking sector in different countries of the world of its impact on the economic and health crisis and facing several challenges, including low revenues and pressures on liquidity, and the ability to adapt to the digital transformation, which has become an absolute necessity after the rapid and sudden changes caused by the Coronavirus, which led to The increasing use of the Internet and social media, which can lead to an increase in cyber risks and an increase in the hacking of the banking system and contacting bank customers to obtain encrypted customer data such as personally identifiable information and other banking details, as shown in Figure (3).

Figure 3. The main challenges facing the banking sector after the Corona pandemic

- Reduced revenue
- Quality Credit
- Operational Risks
- Adaptability to Digital Transformation
- Liquidity pressures

Covid_19
One of the most important effects of the Corona pandemic on the Iraqi banking sector was the increase in its non-performing debts by 18% in 2020, which required treatments that mimic the facts of reality. Various funds to contribute to sustainable development and mitigate the effects of the crisis, including the deduction of treasury transfers worth 27 trillion dinars to fund the dues of the Ministry of Finance after the decline in its public revenues and the change in the exchange rate of the dinar against the dollar, which contributed to enhancing financial sustainability as a result of the increase in the volume of foreign reserves and the strengthening of public finances, which increases the reliability of investors and decreases Production costs, increasing the competitiveness of local goods and balancing the balance of payments through a decrease in the volume of imports (36). As for the initiatives of the Central Bank, which it launched in partnership with private banks, which contributed to alleviating the effects of the crisis, it was represented by the establishment of an Empowerment Fund, the most important of which was a donation to support the health sector, rehabilitation of squares and gardens Public services in the city of Baghdad, the rehabilitation of Al-Mutanabbi Street, the rehabilitation of the Al-Rashad House for the elderly, and the retrieval of To meet loan installments, reduce interest, and increase loans allocated to small and medium enterprises by one trillion dinars to finance 4000 new small projects in addition to the previous trillion launched in 2015, in addition to launching a new initiative with an additional 5 trillion dinars to stimulate the various economic sectors (industrial, agricultural, services and housing) at interest rates Reduced and extended loan term to 15 years, in addition to the initiative to finance renewable energy projects with one trillion dinars, which contributed to moving the economy to all small, medium and large projects, in addition to housing loans, with the Iraqi banking sector taking a series of measures that alleviate the problems faced by its clients (Mousa, Mousa, Aljshamee, & Nasir, 2021).

3 CONCLUSIONS

The most important conclusion reached by the study is that the Corona pandemic has affected the country's economic conditions and increased unemployment. Thus the poverty rate has increased significantly. As much as some sectors, such as transportation, aviation, tourism, and others, are negatively affected by the pandemic, this pandemic has prompted these sectors to adapt to the pandemic and to shift towards using electronic applications in providing their services, such as pre-booking. The banking sector in Iraq was more affected, despite the various initiatives of the Central Bank, due to the weakness of banking services from Visa Cards and automated teller machines that support and facilitate e-commerce operations and support the
banking sector, in addition to the desire of individuals to pay cash upon receipt of goods. The study concluded that the Corona pandemic had more impact on Iraq than other countries due to the conditions that occurred before Corona, from the demonstrations, which were due to the political and economic situation in the country and poor services, and then the impact of the collapse in global oil prices due to the decrease in global demand for oil, which led to a reduction in public revenues to a third, which hindered the government's ability to present the draft budget for the year 2020.

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