

Iraq - Plunges into Economic Crisis Amid Covid-19 Outbreak

- Iraq is struggling to pay its debts and salaries, and also it plunges into an economic crisis
- Iraq is running out of money to pay its bills. That has created a financial crisis with the potential to destabilize the government
- Iraq also faced mass protests over corruption and unemployment - touch off fighting among armed groups, and empower Iraq's neighbor and longtime rival, Iran
- With its economy hammered by the pandemic and plunging oil and gas prices, which account for 90% of government revenue
- The economy was unable to pay government workers for months at a time last year
- Last month, Iraq devalued its currency, the dinar, for the first time in decades, immediately raising prices on almost everything in a country that relies on imports
- The financial crisis threatens to destabilize the country, whose government was ousted a year ago after mass protests over corruption and unemployment

Source(s)

<https://economictimes.indiatimes.com/news/international/world-news/hit-by-the-pandemic-struggling-to-pay-debts-and-salaries-iraq-plunges-into-economic-crisis/articleshow/80099171.cms>

<https://www.nytimes.com/2021/01/04/world/middleeast/iraq-economy-debt-oil.html>

Targets Affected:

Iraq

Category(s):

Geo-Political Risk

Event:

Coronavirus (COVID-19) Incident(s)

Guidance

Actions to consider:

- Consider implementing suggested actions related to 'Negative Impact on Economy' under the 'COVID-19: Actions to Consider' section below / next page

Impact level Definitions

Impact Level	Definitions
Immediate	Certain - Supply Wisdom recommends considering prompt action. Examples of Immediate level alert events may include bankruptcy filings, data breaches, unexpected curfews, strikes, power black-outs, major geo-political events etc.
High	Highly likely to occur in the near term (within 3 months) - Supply Wisdom recommends being in a state of readiness to take quick action. Examples of High level alert events may include withdrawal of rating by ratings agencies, hostile takeover, multiple cyber-attacks, new business policies causing significant hardship etc.
Medium	Likely to occur in the mid-term (within 3 to 6 months) - Supply Wisdom recommends reviewing current mitigation steps and being ready to take proactive actions if and when situation deteriorates further. Examples of Medium level alert events may include unplanned C-level exits, suppliers caught in bribery cases, economy slipping into recession.
Low	Possible in the long-term (after 6 months) - Supply Wisdom recommends taking proactive action if situation does not resolve. Examples of Low level alert events may include lawsuits filed against suppliers, client losses, air pollution alerts issued by country's local authorities, unexpected holidays announced for the location etc.
Informational	The event is pertinent information but does not have a risk element associated with it. Examples of Info level alert events may include launch of new solutions, partnerships signed, industry outlook, positive changes in government policies, announcements regarding launch of software parks/ free trade zones/special economic zones etc.