Socioeconomic Background

In Iraq, oil production remains the main source of income for the country. Oil revenue constitutes more than 90 percent of the total revenues. The oil sector contributed 62 percent to the Gross Domestic Production (GDP) of the third quarter. The GDP increased 8 percent between second and third quarter 2018. The price of one barrel of crude oil increased 8 percent during the same period. Consequently, compared with the second quarter 2018 the increase of oil GDP was 8.4 percent and non-oil GDP 7.7 percent. The rest of sectors’ contribution in the third quarter GDP growth were: 9.2 percent for (transportation, warehousing, and communications), 9.1 percent for social development and personal services. While agricultural and industrial sectors only constitute 2.3 and 1.3 percent respectively. In December 2018 the decrease of food prices contributed 1.1 percent to the Consumer Price Index (CPI), a reduction 0.6 percent compared to November 2018. Subsequently, the economics of Iraq can be described as fragile due to this high dependency on oil production.

IOM has stated that among the 1.8 million displaced people in Iraq, only 13 percent participated in reconciliation initiatives and civic group activities while living in areas of displacement. Whereas 20 percent of almost 4 million returnees are participating in reconciliation effort activities in the areas of return.

Highlights

- While rising international oil prices contributed to the GDP growth significantly, the Iraqi economic situation is considered to be fragile.
- There was a notable increase of the price of the standard food basket in Kirkuk, Anbar and Wasit. Decreases were recorded in Qadisiya, Muthanna, Diyala, and Basrah.
- Sulaimaniyah, Anbar, and Wasit continued with stress level according to the Alert for the Price Spikes (ALPS).
- Compared with one year ago the unskilled labour wage improved considerably, particularly in southern governorates.

Contacts

Sally Haydock
sally.haydock@wfp.org

Marianne Ward
marianne.ward@wfp.org

Asif Niazi
asif.niazi@wfp.org

2 IOM Access to durable solution among IDPs, Feb. 2019
Food National Price Trends

On average the price of the food basket decreased 5 percent during January 2019 compared with December 2018, (22,808 to 21,638 IQD per person per month), though this change varied among the governorates. Compared with December 2018, there was a significant increase in food basket prices in Kirkuk, 22 percent and Anbar, 19 percent. On the other hand, food basket prices experienced remarkable decreases in Qadisiya 37 percent, Muthanna 33 percent, Diyala 8 percent, and Basrah 7 percent. The main two drivers of food basket value, rice and wheat flour prices, followed different patterns. The price of wheat flour decreased significantly (21 percent) compared with December 2018, but the price of rice increased slightly one percent. The price of bread decreased 27 percent as a consequence of the decrease of the wheat flour price.

The monitored commodities witnessed mixed trends across governorates. During January, generally and for both food and non-food items there was an increase of 7 percent compared to December 2018. Remarkable increases of prices were found for tomatoes (19 percent) and fresh milk (14 percent). After introducing the customs duties on some seasonal imports across Iraqi borders, and controversial check points between federal and regional governments, there were dramatic changes in tomato prices, particularly in most central governorates (Kirkuk more than 100 percent, Anbar 100 percent, Salah Al-deen 50 percent, Nainawa 29 percent) and some southern governorates (Wasit 60 percent, Thi-qar 23 percent). However, it was reduced remarkably in Qadisiya 21 percent. When the same commodity (tomato) price was compared, there were significant changes between January 2018 and January 2019. These increases were most visible in Kirkuk and Wasit by more than 100 percent, Thi-qar 100 percent, Babylon 82 percent, Diyala 42 percent, Dohuk 29 percent, and Muthanna 17 percent. At national level the price of fresh milk increased 14 percent during January. The increase was more remarkable in central governorates: Anbar 50 percent, Salah Al-deen 39 percent, and in south Thi-qar 9 percent.
Following the trend of December, the wages of unskilled labour did not increase significantly. There was only a 3 percent change between January 2019 and December 2018. However, compared to January 2018 there was a notable increase by 24 percent (18,800 to 23,300 IQD per day). The increase of unskilled labour wages compared with December 2018 were in Kirkuk and Diyala 25 percent, Kerbala 15 percent, Wasit and Qadisiya 6 percent. Although there was overall improvement of wages, there were reductions found in Muthanna 11 percent and Thi-qar 6 percent. On the other hand, the comparison with one year ago indicated that there are improvements in wages. The most significant changes were in Najaf by more than 100 percent (10,000 to 25,000 IQD per day), followed by 59 percent in Babylon and Sulaimaniyah 59 percent (around 16,000 to 25,000 IQD per day), and 43 percent (17,500 to 25,000 IQD IQD per day) in Kirkuk. However, this change was negative in Nainawa 14 percent (17,500 to 15,000 IQD per day) and had a slight decrease in Qadisiya 5 percent.

Similar to the food basket changes, the reduced price of wheat flour has driven the wage-to-wheat terms of trade (ToT) to the highest since several years. At national level, the ToT increased 13 percent (from 24 to 32 kilogramme of wheat flour). Compared with December 2018, there were substantial increases in ToT that reached more than 100 percent in Kirkuk, Anbar, and Qadisiya, and 89 percent in Muthanna,. whilst there was a remarkable decrease in Thi-qar (34 percent) due to the increase of wheat flour price (700 to 1000 IQD per kilogramme).
Alert for Price Spikes (ALPS)

Compared to the seasonally adjusted index, the food basket is at normal model across 15 out of 18 governorates. According to the Alert for Price Spikes (ALPS) indicator, in January 2019 the food basket is continued to be at stress level in Sulaimaniyah, Anbar, and Wasit (Map 3). The ALPS indicator also provides a 3 month forecast. In the forecast, the price of the food basket is expected to remain stable in the next quarter.

Methodology

Market information is collected on a weekly basis by WFP field monitors for 6 governorates. Additionally, WFP in partnership with Independent Form for Market Research (IFMR) collects market data covering 16 governorates. Data are then cleaned and consolidated. Monthly averages are used for the Iraq Monthly Monitor Report. Field monitors collect prices for 23 food commodities, 3 fuel items, 7 hygiene commodities and the cost of unskilled labour via Open Data Kit (ODK) designed tool.

The report is based on the analyses produced by the Safety Nets Alert Platform (SNAP) which replaces the Integrated Market Surveillance Tool (IMST). Through an automated analysis, the SNAP platform analyzes trends of main food and non-food commodities, minimum food basket, providing an indication of how much the markets are integrated in the country. In addition SNAP produces an early warning indicator (ALPS) with a 3-month forecast for each relevant commodity at subnational level. Food and non-food prices are analyzed against previous periods. The Alert for Price Spikes (ALPS) is a WFP-developed indicator calculated as follows: $\text{ALPS} = \frac{(\text{Price}_i - \text{Season}_i)}{\sigma_ε}$. It is computed for each month ($i$) by dividing the difference between the observed and estimated seasonal price of a commodity ($i$) by the standard deviation of the error term ($σ_ε$).
### Annex 1: Market Prices by Governorate

<table>
<thead>
<tr>
<th>Governorate</th>
<th>Commodity</th>
<th>Current Month</th>
<th>Previous Period</th>
<th>% Change from the Previous Period</th>
<th>Direction of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anbar</td>
<td>Meat (beef)</td>
<td>1,083.33</td>
<td>1,000.00</td>
<td>-8%</td>
<td>(−)</td>
</tr>
<tr>
<td>Kirkuk</td>
<td>Wheat flour</td>
<td>1,500.00</td>
<td>1,469.70</td>
<td>2%</td>
<td>(+)</td>
</tr>
<tr>
<td>Najaf</td>
<td>Rice</td>
<td>1,875.00</td>
<td>1,833.33</td>
<td>2%</td>
<td>(+)</td>
</tr>
<tr>
<td>Missan</td>
<td>Sugar</td>
<td>1,750.00</td>
<td>1,716.67</td>
<td>2%</td>
<td>(+)</td>
</tr>
<tr>
<td>Baghdad</td>
<td>Oil (vegetable)</td>
<td>2,000.00</td>
<td>1,916.67</td>
<td>4%</td>
<td>(+)</td>
</tr>
<tr>
<td>Basrah</td>
<td>Lentils</td>
<td>2,000.00</td>
<td>1,890.00</td>
<td>6%</td>
<td>(+)</td>
</tr>
<tr>
<td>Dhi Quban</td>
<td>Sugar</td>
<td>2,000.00</td>
<td>1,916.67</td>
<td>4%</td>
<td>(+)</td>
</tr>
<tr>
<td>Suhaimiyah</td>
<td>Milk</td>
<td>2,000.00</td>
<td>1,916.67</td>
<td>4%</td>
<td>(+)</td>
</tr>
</tbody>
</table>

---

**Legend (Annex 1 and Annex 2)**

Positive changes beyond the defined thresholds are highlighted with a green arrow (↑), while negative changes beyond the defined thresholds are highlighted with a red arrow (↓). Changes within 'normal' values are represented with a yellow arrow (→) and represent price stability.
### Annex 2: Market Prices by Commodity

<table>
<thead>
<tr>
<th>Governorate</th>
<th>Governorate</th>
<th>Current Month</th>
<th>Previous Period</th>
<th>% Change From the Previous Period</th>
<th>Direction of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1 M (+/- 5%)</td>
<td>3 M (+/- 10%)</td>
<td>6 M (+/- 20%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 Yr (+/- 25%)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Food Basket

- **Sugar**
- **Wheat flour**
- **Rice**
- **Milk**
- **Oil (vegetable)**
- **Meat (beef)**

An interactive version of the analysis presented in this bulletin, along with additional details, can be found on [SNAP website](https://www.snapwebsite.com) (click here to request an account).