

-RESEARCH ARTICLE-

THE IMPACT OF TIGHTENING GLOBAL MONETARY POLICIES ON THE MACROECONOMIC STABILITY OF THE IRAQI ECONOMY

Mamdooh Attallah Faihan

College of Administration and Economics, University of Anbar

ORCID: <https://orcid.org/0009-0003-6087-2505>

Email: Mmaa.ff@uoanbar.edu.iq

Jawad Shakir Frayyeh

College of Administration and Economics, University of Anbar

ORCID: <https://orcid.org/0000-0001-9550-0996>

Email: Ja79hd@uoanbar.edu.iq

Mohammed Jumaah Raheem

College of Financial and Administrative Sciences, University of Al Maarif, Iraq

ORCID: <https://orcid.org/0000-0003-1302-3837>

Email: mohammedjummah@uoa.edu.iq

Sebyan Tareq Saeed Al-Aaraji

College of Administration and Economics, University of Anbar

ORCID: <https://orcid.org/0009-0008-1842-4238>

Email: sebyan.tareq@uoanbar.edu.iq

Wisam Al-Anezi

Department of Economics, College of Administration and Economics, University of Anbar

ORCID: <https://orcid.org/0000-0002-3729-2460>

Email: wisamali@uoanbar.edu.iq

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Ahmad Hussein Battal

Department of Economics University of Anbar, College of
Administration and Economics Anbar, Iraq

ORCID: <https://orcid.org/0000-0002-8142-8484>

Email: ahmed.battall@uoanbar.edu.iq

—Abstract—

This paper examines and measures the impact of a monetary policy shock in the developed world on selected macroeconomic variables using the local projection approach. It discusses more recent tightenings in the U.S. and the E.U. and uses data from the World Bank and policy interest rates from the E.C.B. and the F.E.F. The findings reveal that the indirect impact of tighter monetary policy on Iraq's Gross Domestic Product (GDP) growth, export-to-GDP ratio, import-to-GDP ratio, foreign direct investment (FDI)-to-GDP ratio, foreign assets-to-GDP ratio and parallel exchange rate is carried through oil price and import transmission channels. The results support the traditional notion that contractionary policy in advanced countries can have spillover effects on each other and advanced economies, generally influencing the economies of both groups through slower growth, currency devaluation and more restrictive fiscal policies, including in Iraq.

Keywords: Monetary Policies Tightening, Local Projection, Iraq.

INTRODUCTION

In 2022 and 2023, many advanced economies adopted restrictive monetary policies to curb the inflationary pressures stemming from the effects of the COVID-19 pandemic and the Russian–Ukrainian war, as well as the conflict in Gaza and other global security developments. The events further exacerbated energy and food prices and hampered global food supply chains, adding further inflationary pressures. Meanwhile, the pandemic's demand support measures continued to drive inflation. In this context, the present study has investigated the impact of these monetary tightening on some macroeconomic indicators in a rentier economy such as Iraq, which heavily relies on oil revenues to finance public expenditure, and which depends heavily on imports, as production of oil is not enough to meet aggregate demand. Some of the economic growth slowdowns in the advanced economies, coupled with increased financial markets stress, may also dampen investment inflows to Iraq. Additionally, higher interest rates in developed economies can also jeopardize foreign exchange reserves and stability of exchange rates, especially as a result of domestic unfavorable economic conditions, which can limit economic growth and worsen the risk of deep economic crises.

These spill over effects can be passed on via several channels. The global slowdown in demand due to the tightening of monetary policy will likely slow down Iraqi exports and several transmission mechanisms will work simultaneously. The conventional theory, which argues that these effects are mainly due to changes in the trade balance or to the synchronisation of international business cycles (Obstfeld & Rogoff, 2007), has been followed. The conventional theory has been followed, which argues that these effects are mainly due to changes in the trade balance or to the synchronisation of international business cycles (Obstfeld & Rogoff, 2007). Monetary policy has an impact on aggregate domestic demand, while exchange rate changes have an important impact on the world of imbalances via the current account. The weight of these transmission channels is dependent on Iraq's contribution to global output and international trade, in relation to other countries, and thus its vulnerability to external shocks. Past research has shown that the standard approach of the ECB to shaping interest rates has a spill over effect internationally, with the majority of these effects going through trade channels (Ca'Zorzi et al., 2020; Jarociński, 2022).

This study examines these factors as important variables in looking at the dynamic transmission of conventional monetary policy over the relevant macroeconomic horizons and frequencies. In particular, it analyzes the impact of policy interest rate differentials between the U.S. Federal Reserve and the European Central Bank on Iraq's macroeconomic performance – output, trade, foreign direct and indirect capital inflows. The rest of the paper is structured as follows: In section 2, the literature currently available on the international spillover effects of conventional monetary tightening by the U.S. Federal Reserve and the European Central Bank is reviewed. The methodology of the study and the data used are described in Section 3, the empirical results in Section 4, and the conclusions in Section 5.

LITERATURE REVIEW

Restrictive monetary policy has been studied in the literature mostly in terms of its international effects, with a focus on the policy actions by the Federal Reserve, as the US dollar is the most important global currency. The US dollar is the world's most widely used currency, and is the main currency used for trade and finance transactions involving other countries (Coerdacier & Rey, 2013; Gopinath, 2015; Ilzetzi et al., 2019; Maggiori et al., 2020). This dominance gives US monetary policy a significant impact on the foreign financial market and the solution of global financial crisis, when combined with the high level of global financial integration (Habib & Venditti, 2018; Jordà, 2018; Miranda-Agrippino & Rey, 2020). Similarly, earlier work shows that ECB monetary policy measures have international repercussions even if the recipient countries operate under fixed exchange rates (Corsetti et al., 2021).

demonstrated that the European Central Bank's balance sheet policies exert substantial and persistent effects on the EUR/USD exchange rate. Similarly, Ca'Zorzi et al. (2020),

and [Miranda-Agrippino and Nenova \(2022\)](#), [Mansoor et al. \(2025\)](#) Changes in the conventional policy interest rate of the European Central Bank (ECB) are reported to be passed internationally mostly via trade. The size of these spillovers, however, is contingent on the characteristics of the country, such as financial integration, trade and exchange rate policies, industrial structure, infrastructure, financial market development, and labour market conditions ([Calvo et al., 2008](#); [Edwards, 2007](#); [Edwards & Levy Yeyati, 2005](#); [Milesi-Ferretti & Tille, 2011](#)). The level of external monetary spillovers tends to be stronger for countries with high levels of participation in international capital markets but relatively low levels of trade, labour market rigidity, financial system development, and manufacturing sectors ([Georgiadis, 2015](#)).

A broad body of empirical evidence concludes that monetary tightening in advanced economies strengthens financial constraints in developing and emerging countries by reducing capital inflows, lowering asset prices, and weakening economic activity ([Bräuning & Ivashina, 2020](#); [Bruno & Shin, 2015](#); [Curcuru et al., 2018](#); [Fratzscher et al., 2018](#); [Gilchrist et al., 2019](#); [Glick & Leduc, 2015](#); [Neely, 2015](#); [Rogers et al., 2014](#)). The overall effect depends on the interaction among the principal transmission mechanisms through which monetary policy shocks spread internationally. Previous studies identify three dominant channels relevant to Iraq.

The first is the exchange rate channel. Higher interest rates in advanced economies may influence the trade balance of developing countries through exchange rate adjustments. Under flexible exchange rate regimes, stronger external demand for domestic currencies may result in currency appreciation. In contrast, countries operating fixed exchange rate systems experience more limited exchange rate adjustments because their currencies are pegged to those of major economies. However, the literature provides no consensus on the relative effectiveness of either regime. Fixed exchange rate systems may support lower inflation and improve price competitiveness, whereas sovereign risk in advanced economies can weaken sectoral competitiveness through alternative transmission mechanisms ([Farhi & Werning, 2014](#); [Levy Yeyati & Sturzenegger, 2000](#)).

The second is the external demand channel which, in general, has negative consequences. In advanced economies, increased policy interest rates lead to higher borrowing costs, thus lowering investment and consumption. This leads to a reduction in the demand for imports, which in turn reduces the amount of exports from developing countries and hence their GDP. The third is the indirect Financial channel. Monetary policy is considered restrictive when it raises the cost of financing and curtails domestic spending, thereby making financing conditions more restrictive worldwide. Meanwhile, rising returns on financial assets in the advanced economies encourage investors to pull out from developing economies where returns are relatively lower. Tighter domestic financial conditions, then, decrease investment and begin downward pressure on GDP.

The results indicate that a comprehensive framework that incorporates all important channels of transmission and their interactions is needed to assess the impacts of monetary contraction on the Iraqi economy. For this purpose, this study uses an analytical model that includes suitable macroeconomic variables to fully evaluate these mechanisms in a way that is more comprehensive than with traditional empirical methods, the ability of which to estimate these mechanisms is less robust. The available literature suggests that monetary contraction in the advanced economies is linked to the more traditional aspects of an economic recession, including currency devaluation and fiscal contraction, as it is represented by [Camara \(2025\)](#) As is the traditional understanding of monetary tightening. The other side, however, is that monetary contraction in response to new economic data could ease financial conditions, stimulate economic growth, and appreciate the currency. From this point of view, both policy makers and private agents are continually adjusting their expectations based on the latest economic data in their possession, thereby changing the impact of monetary policy ([Camara, 2025](#); [Ghareeb et al., 2026](#)).

This study adds to the literature in three ways. First of all, it builds a methodology to separate the information component that is hidden behind monetary policy decisions and then applies the traditional view to data from the first two decades of the twenty-first century. Second, it examines the impact of restrictive monetary policy by the US Fed and ECB on Iraq's macroeconomic performance from a traditional viewpoint. Third, to the best of the authors' knowledge, this is the first study to use the local projection methodology to analyse the impact of monetary tightening's in advanced economies on Iraq's macroeconomic variables. Moreover, the analysis will discuss the impact of the global rise in interest rates on Iraq's parallel exchange rate, despite having enough foreign reserves. It also covers the post-pandemic phase in which the world's monetary policy has tightened more than ever in recent decades, and offers a detailed evaluation of the effect of these structural policy adjustments on macroeconomic stability in Iraq's rentier economy that has been plagued by persistent structural imbalances.

METHODOLOGY

This study employs the local projection methodology introduced by [Jordà \(2005\)](#). The local projection method differs from the traditional method used in Vector Auto regression (VAR) models which involves extrapolating over many periods to derive the dynamic responses, in that the response is estimated separately for each forecast horizon ([Jordà, 2005](#)). This approach has a number of benefits. For one, it can be applied by traditional regression methods and common econometric software. Secondly, it doesn't necessitate extensive time-series data and typically offers more dependable forecasts than classical VAR models ([Jordà, 2005](#)). The local projection framework is based on the same theory behind structural vector autoregressive (SVAR) models, but is estimated in a different way. Instead of estimating one impulse response, it estimates

the impulse response independently for each forecast horizon. The structural autoregressive vector model is given by (Jordà, 2005):

$$\begin{pmatrix} X_{1,t} \\ \vdots \\ X_{m,t} \end{pmatrix} = \begin{pmatrix} b_1 \\ \vdots \\ b_n \end{pmatrix} + \begin{pmatrix} A_{11}^1 & \cdots & A_{1m}^1 \\ \vdots & & \vdots \\ A_{n1}^1 & \cdots & A_{nm}^1 \end{pmatrix} \begin{pmatrix} X_{1,t-1} \\ \vdots \\ X_{m,t-1} \end{pmatrix} \\ + \begin{pmatrix} A_{11}^D & \cdots & A_{1n}^D \\ \vdots & & \vdots \\ A_{n1}^D & \cdots & A_{nm}^D \end{pmatrix} \begin{pmatrix} X_{1,t-D} \\ \vdots \\ X_{m,t-D} \end{pmatrix} + \begin{pmatrix} \varepsilon_{1,t} \\ \vdots \\ \varepsilon_{n,t} \end{pmatrix}$$

Or more simply:

$$A_0 X_t = b + \sum_{i=1}^D A_i X_{t-i} + \varepsilon_t \quad (1)$$

Where ε denotes the estimated disturbance term of a random variable with a zero mean. Since the structural coefficient matrix (A_0) is not directly identifiable because the number of unknown parameters exceeds the number of equations in Equation (1), the analysis instead employs the reduced-form VAR model.

$$X_t = \tilde{b} + \sum_{i=1}^D \tilde{A}_i X_{t-i} + u_t \quad (2)$$

The reduced-form VAR model is linked to the structural representation through the matrices $\tilde{A}$, A , A_0 , $\tilde{b}$, u , and ε , as follows:

$$u_t = A_0^{-1} \varepsilon_t, \tilde{A}_i = A_0^{-1} A_i, \tilde{b} = A_0^{-1} b$$

Because the structural model in Equation (1) assumes that the disturbance terms (ε) are mutually uncorrelated, their variance–covariance matrix is equal to the identity matrix. Consequently, the variance–covariance matrix of the reduced-form disturbance term (u) in Equation (2) is obtained by premultiplying the inverse of matrix (A_0) by the transpose of its inverse, as follows:

$$\Sigma_u = E[u_t u_t'] = (A_0^{-1})(A_0^{-1}) \quad (3)$$

After estimating the model parameters using Equation (2), the structural matrix (A_0) can be identified by imposing appropriate restrictions on its structure. One of the most widely used identification approaches is the Cholesky decomposition, which assumes that (A_0) follows a lower triangular form. Economically, this decomposition reflects the ordering of variables within the VAR model, specifically in the vector (X_t). Under this ordering, the first variable (X_1) responds contemporaneously only to its own structural shock (ε_1); the second variable (X_2) reacts simultaneously to X_1 and its own shock (ε_2); while the third variable (X_3) responds contemporaneously to both preceding variables in addition to its own shock (ε_3) (Keating, 1992).

Impulse response analysis relies on the estimated reduced-form VAR model's structural

matrix (A_0). The local projection methodology is different from the traditional SVAR methodology, in that a different regression is estimated for each of the forecast horizons (R) in the forecast period. This estimation approach has several advantages over the standard SVAR models.

$$\begin{aligned} X_t &= b^0 + \theta_1^0 x_{t-1} + \dots + \theta_p^0 x_{t-p} + u_t^0 \\ x_{t+1} &= a^1 + \theta_1^1 x_{t-1} + \dots + \theta_p^1 x_{t-p} + u_{t+1}^1 \\ x_{t+h} &= a^R + \theta_1^R x_{t-1} + \dots + \theta_p^R x_{t-p} + u_{t+R}^R \end{aligned}$$

The equations listed above are the local projection equations. The solution of these equations in conjunction with the estimated structural matrix (A_0) gives the following estimation of structural impulse response functions:

$$\hat{F}(r) = \hat{\theta}^r A_0^{-1}, \quad r = 0, 1, \dots, R$$

DESCRIPTION OF SAMPLE AND VARIABLES

This study uses the annual data covering the period 2004-2024 to estimate the impact of restrictive monetary policy on selected Iraqi macroeconomic variables in this study at a broad international level. The data comes from the World Bank's World Development Indicators, along with data on policy interest rates from the US Federal Reserve and the European Central Bank. The analysis uses a complete series of macroeconomic and financial indicators for the largest time span possible as presented in [Table \(1\)](#). The variables used in this research are average annual policy interest rates of US Federal Reserve and European Central Bank, selected Iraqi macroeconomic indicators for the study period.

Table 1: Research Sample Variables

X1	ECB Deposit Facility Rate for Euro Area
X2	Federal Funds Effective Rate
Y1	Annual growth rate of GDP at constant prices
Y2	Imports as a percentage of GDP at constant prices
Y3	Exports as a percentage of GDP at constant prices
Y4	FDI as a percentage of GDP at constant prices
Y5	res/gdp Foreign assets as a percentage of GDP
Y6	Annual change rate of the parallel exchange rate

The information presented in [Table \(1\)](#) was obtained from World Bank's World Development Indicators as well as the policy interest rates of the US Federal Reserve and the European Central Bank. The stationarity properties of the variables were checked with Kwiatkowski–Phillips–Schmidt–Shin (KPSS) test results of which are presented in Appendix (2). The results suggest that none of the variables are stationary, but they become stationary after their first difference. The results in Appendix (2) show that the KPSS framework indicates a series as "stationary" if the null hypothesis is

accepted.

DISCUSSION OF RESULTS

A 100 basis-point Fed and ECB monetary policy shock was considered in evaluating the effects of their increases in the policy interest rates. The analysis then attempted to calculate the reactions of certain macroeconomic indicators in Iraq to the same increase in interest rates by the respective central banks. The effect of these policy shocks on the growth rate of Iraq's GDP at constant prices is shown in [Figure \(1\)](#).

It should be recognized, however, that the impact of advanced economies' monetary tightening on the growth of real GDP in Iraq is indirect and transmitted through a number of channels. The main mode of transmission is through the oil channel, because oil constitutes more than 55% of Iraq's GDP and more than 90% of government revenues. Restrictive monetary policy is used to fight inflation which helps to reduce the demand for oil in the world which results in lower oil prices, and consequently in Iraq lower economic growth. The second way of transmission is through importation. Some of the measures taken by the Fed to tighten monetary policy tend to strengthen the US dollar, making imports more expensive. Since Iraq has very little domestic production to meet aggregate demand, higher import costs diminish the economic activity and support to GDP growth.

The results confirm the traditional doctrine of 'monetary tightening', that tight money in advanced economies causes recessionary pressures, tighter financial conditions in the developing and emerging economies, less capital inflows, falling asset prices and lower economic activity ([Bräuning & Ivashina, 2020](#); [Curcuro et al., 2018](#); [Fratzscher et al., 2018](#); [Gilchrist et al., 2019](#); [Glick & Leduc, 2015](#); [Neely, 2015](#); [Rogers et al., 2014](#)). The findings show that the monetary restriction of the US Federal Reserve and the European Central Bank have led to an increase in the costs of financing, which has made it difficult for Iraq to increase its expenditure and has reduced the growth of GDP by about one percentage point in the first year.

The figure below ([Figure 1](#)) shows the impact of an increase in the policy interest rates of the European Central Bank (X1) and the US Federal Reserve (X2) on the growth rate of the GDP of Iraq at constant prices (Y1) over five years. The results suggest that monetary tightening leads to a similar reduction in GDP growth in the first year of the tightening. But GDP has a mild recovery in the third and fourth years after the rate-tightening by the US Federal Reserve and the European Central Bank. The recovery is mainly due to the gradual recovery in the global demand for crude oil, recovery from the COVID-19 pandemic in international markets and the critical reliance of the Iraqi economy on crude oil exports. Iraq is a rentier economy, and its economy is extremely volatile due to fluctuations in the international oil market.

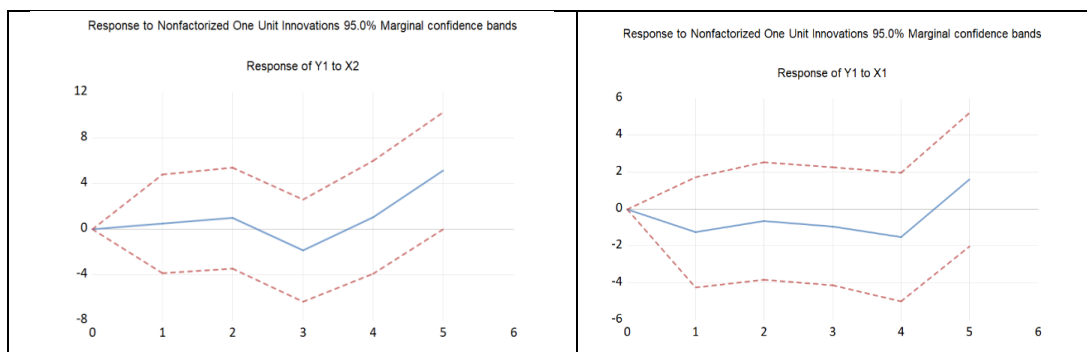


Figure 1: The Impact of Monetary Tightening on the Growth Rate of Iraq's Gross Domestic

Figure (2) The graphs show how a change in the policy interest rate of the European Central Bank (X1) and the Federal Reserve (X2) affects the FDI-to-GDP ratio (Y4) over a 5-year period. The results show that, despite monetary tightening, the flow of FDI to Iraq is not significantly affected in the early months, except for the slight decrease of around one per cent.

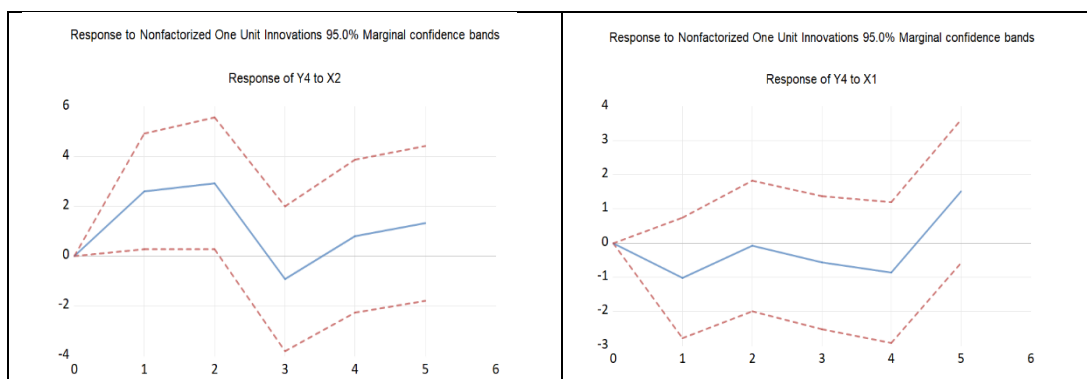


Figure 2: The Effect of the European Central Bank's (X1) and US Federal Reserve's (X2) Main Interest Rate Hikes on the FDI-to-GDP Ratio (Y4) Over Five Years

This sectoral composition of FDI in Iraq, with a strong focus on the oil sector (both exploration and extraction), and the telecommunications sector, could explain this limited response. The sectors are relatively high return and hence less vulnerable to advanced economies' monetary tightening. Thus, the medium-term monetary tightening of the European Central Bank and the US Federal Reserve leads to about a two percent rise in FDI inflows to Iraq. Therefore, it is found that monetary tightening by the European Central Bank and the US Federal Reserve increases the FDI inflows to Iraq by approximately two percent in the medium term. The estimated impact is greater when the policy rate hike comes from the European Central Bank (ECB) than from the US Federal Reserve. The results show that the FDI resilience of Iraq is mostly endogenous, related to the profitability and strategic value of the sectors that are subjected to foreign investment, and not to international monetary conditions.

The other major factor is that advanced economies tighten money, which dampens global demand for oil and curtails Iraqi oil exports. Simultaneously, since the price of crude oil is in dollars, the effect of dollar appreciation after monetary contraction raises the relative price of crude oil in global markets. The developments cut down Iraq's oil exports and the revenues from them. The second year after the monetary policy shock is when exports fall by around 2% of GDP as shown in Figure (3). But in the fourth and fifth years export growth is bolstered, with more than four per cent of GDP being achieved, and the ECB's monetary policy is having a bigger impact than the Federal Reserve's. This is due to the economic recovery in the world after the COVID-19 outbreak which boosted the demand for crude oil after 2023. Since Iraq is a rentier economy, which is heavily dependent on oil exports to the rest of the world, the consequences of monetary contraction slowly fade as world demand for oil rises.

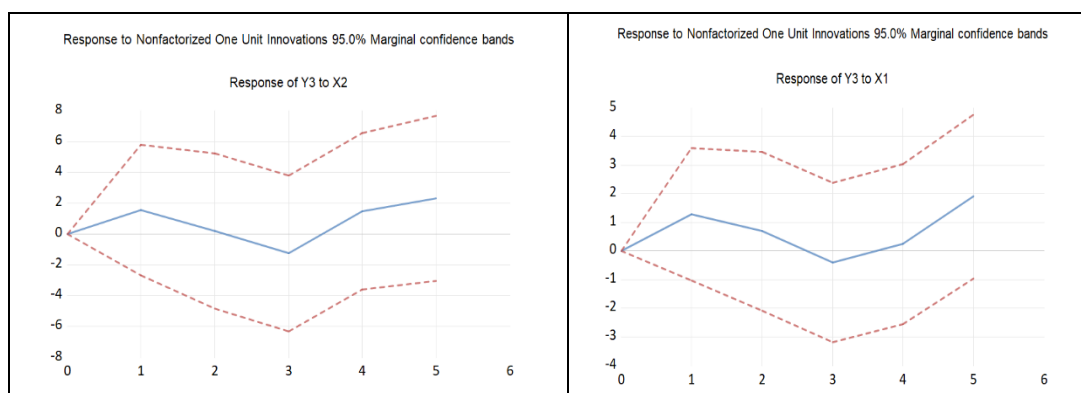


Figure 3: The Impact of the Main Interest Rate Hikes by the European Central Bank (X1) and the US Federal Reserve (X2) on the Exports-to-GDP Ratio (Y3) Over a Five-Year Period

As for imports, Iraq is heavily reliant on imports due to the lack of domestic agricultural and industrial production to meet its aggregate demand. In addition, the Central Bank of Iraq (CBI) devaluated the Iraqi dinar currency at the end of 2020 which led to a rise in import prices. Money supply contraction also helped strengthen the US dollar, which led to higher prices for imported goods in terms of dollars. The financial constraints by US Treasury and US Federal Reserve, such as regulating foreign currency transfer and remittance, led many small traders to seek funding on the parallel market to purchase foreign currency for importation, reinforcing these pressures. All of these combined raised the relative price of imports relative to domestic products.

Figure (4) illustrates the response of Iraq's imports to monetary tightening in the United States and Europe. The results show little change during the first year, followed by a decline in the second year of approximately one percentage point in response to the European Central Bank's policy tightening and two percentage points following tightening by the US Federal Reserve. This decline coincided with the devaluation of

the Iraqi dinar, which further constrained imports. Thereafter, imports began to recover as aggregate demand strengthened following the easing of pandemic-related restrictions and the reopening of economic activity.

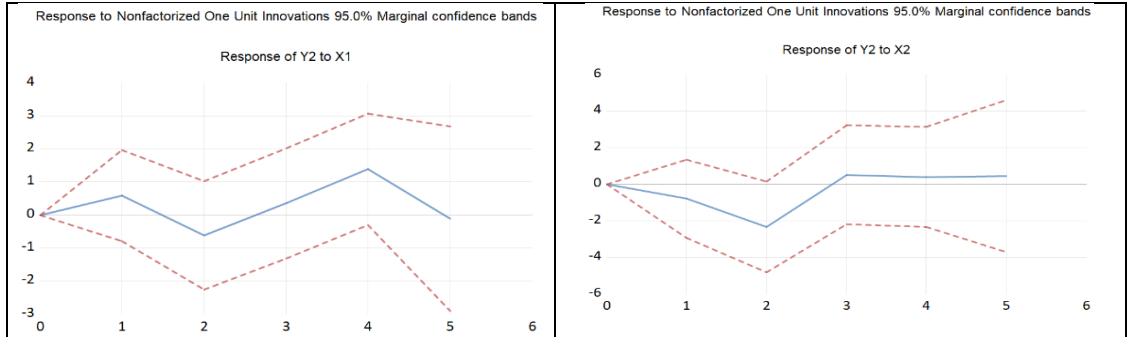


Figure 4: The Impact of the Main Interest Rate Hikes by the European Central Bank (X1) and the US Federal Reserve (X2) on the Import-to-GDP Ratio (Y2) Over a Five-Year Period

Figure (5) illustrates the effects of increases in the policy interest rates of the European Central Bank (X1) and the US Federal Reserve (X2) on Iraq's foreign assets-to-GDP ratio (Y5) over a five-year period. The results indicate that monetary tightening by both central banks increases the foreign assets-to-GDP ratio. This outcome can be attributed to higher returns on Iraq's foreign asset holdings, particularly cash deposits in the United States, which generate greater interest income as policy rates rise. However, monetary tightening also produces adverse effects. It is often accompanied by tighter control of international money transfers by the U.S. Federal Reserve to prevent illegal money transfers. These measures can limit Iraq's access to its foreign assets and limit US dollar liquidity in Iraq. Central Bank of Iraq, on the other hand, might need to inject more US dollars into the foreign exchange auction to meet the demand of imports and thus draw down its net foreign reserves to keep up with the official exchange rate.

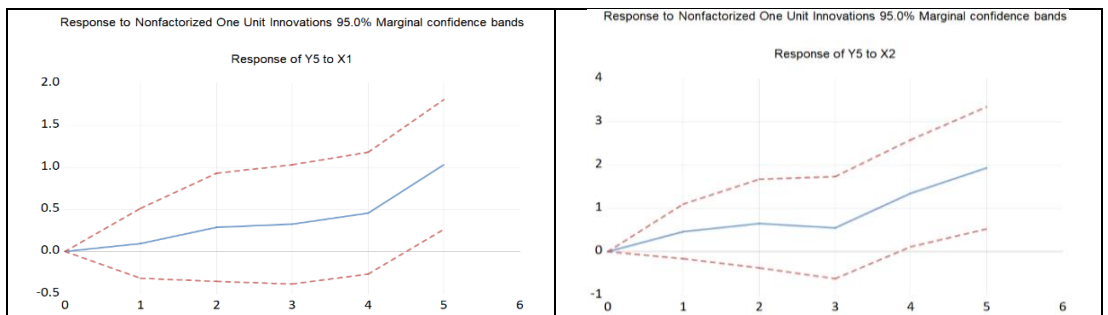


Figure 5: The Impact of the Main Interest Rate Hikes by the European Central Bank (X1) and the US Federal Reserve (X2) on the Foreign Assets -to-GDP Ratio (Y5) Over a Five-Year Period

Figure (6) The graph shows the impact of the ECB and Fed policy interest rate changes (X1 and X2 respectively) on Iraq's parallel exchange rate (Y6) over five years. The results show that indeed higher the monetary tightening in advanced economies, higher the parallel exchange rate. This is due to US dollar appreciation after an increase in policy interest rates which helped to increase demand for dollars and also exerted upward pressure on the parallel exchange rate which led to an increase in the difference between the parallel exchange rate and official exchange rate. Furthermore, Iraq's reliance on imports enhances the imported inflationary effect, which leads to the foreign exchange auctions by the Central Bank of Iraq to provide more US dollars and to curb the imported inflation. These are gradual decreases in foreign reserves. Moreover, the decision of the Central Bank of Iraq in early 2021 to increase the official exchange rate, also played its part in the depreciation of the Iraqi dinar in the parallel market.

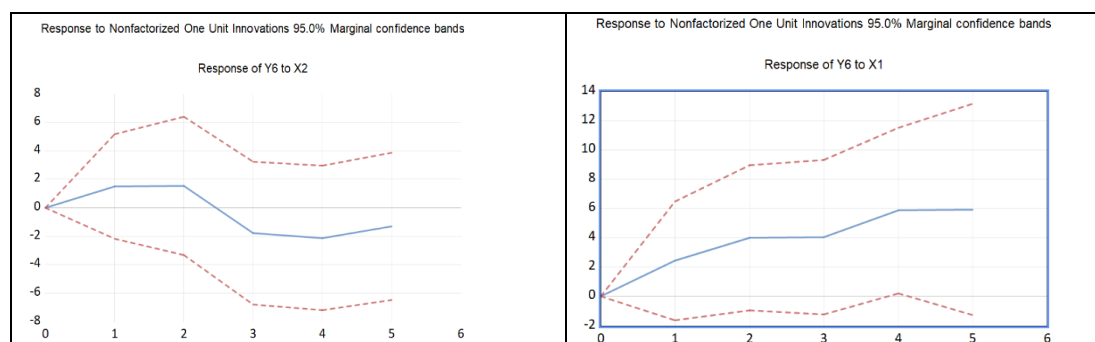


Figure 6: The Impact of the Main Interest Rate Hikes by the European Central Bank (X1) and the US Federal Reserve (X2) on the Parallel Exchange Rate (Y6) Over a Five-Year Period

In general, the results show that the monetary policy of the US Federal Reserve and the European Central Bank has a negative impact on the external sector of Iraq, thus the necessity of suitable economic, monetary, fiscal and trade policy response. However, monetary policy's tools for action are still limited. First, domestic monetary policy can't affect the contraction of external demand caused by the contraction in advanced economies. Second, any monetary policy that is not aligned with the policies of the major central banks would leave the financial markets of Iraq open to speculative pressures, which could negatively affect financial stability and exchange rate control. Similarly, fiscal policy is constrained by high levels of government spending, falling oil prices (which are the source of most government revenue) and public debt high at more than 60% of GDP before and after the COVID-19 pandemic, restricting the government's ability to borrow.

In such a scenario, Iraq needs to focus on structural economic reforms to enhance the capacity to withstand shocks and limit reliance on oil revenues. This has to be realised through the development of the industry, services and agriculture, the improvement of the business climate, modernisation of the banking system and the solution of structural

factors that tend to deter foreign investment. Moreover, extensive political and legislative changes are critical to gaining foreign investment and creating a more competitive and viable economic climate.

CONCLUSION

This study deals with the impact of monetary tightening that took place in advanced economies from the beginning of 2022 on some external indicators of the Iraqi economy through the local forecasting methodology. This method, which is based on the theoretical idea of SVAR models, offers more reliable estimates and has less stringent prerequisites for the length of the data time series. The results suggest that the initial impact of the monetary tightening is limited and the effects on imports, GDP growth, exports, foreign assets and FDI are typically transitory, lasting around one year. Afterwards, the picture starts to change: exports start to improve because of Iraq's reliance on crude oil and the surge in global oil demand after the restart of international markets. The results also confirm the importance of policies promoting growth without compromising macroeconomic stability in the current period of high public debt and high global interest rates. Thus, Iraq must develop its economic capacity to resist external shocks by making structural changes, making the business environment better, making Iraq more appealing to foreign investment, and reforming the governmental, banking and legislative systems. Future research should continue to contrast the old and new perspectives as to the monetary tightening path of emerging economies, such as Iraq, to confirm and extend current findings.

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