

OSOUL

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The Dollar Gap Settles at 10.7% as the Generator Crisis Exposes the Cost of Untargeted Subsidies

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Key takeaway: the gap holds, costs shift to households

10.7%

Black-market dollar in Baghdad ~IQD 168,200 per USD 100, 10.7% above the official IQD 1,520; the gap is neither widening nor closing.

Food basket +16.4% above April prices; imports rose more than the FX adjustment: market-generated inflation on top of imported inflation.

2027 budget

Spending ~IQD 217 trillion (≈USD 143bn) vs revenue ~174 trillion, a deficit of 40–50 trillion. Extraordinary cabinet session for the vote, and preparations for IMF programme talks.

Priority: faster official transfers, targeted household support, and broader economic activity before new levies.

Four numbers that sum up the week

168,200

IQD per USD 100, Baghdad black market

3 Nov 2026

↓ $103.6

Brent per barrel, down ~10% on the week

↑ 3,012

IQD/kg imported rice, vs 2,194 in April

Cost-of-Living Survey, Osoul

71%

of participating households expect the dollar to rise within three months

Cost-of-Living Survey, Osoul

Indicators: a stable gap and falling oil

Indicator	Latest	Comparison
Official exchange rate	IQD 1,520 per USD	Unchanged since 7 Oct (was 1,320)
Black-market dollar, Baghdad	168,200 per USD 100	≈10.7% above official
Brent	USD 103.6	↓ ~10% on the week
Oil exports	~3.35 million b/d	↑ 9.5% vs September (estimate)
Annual inflation	3.3% (Aug 2026)	Predates FX adjustment
Food basket (Osoul survey)	+16.4% vs April	First edition: +15.8%
Foreign reserves	USD 78.3bn (July)	vs 102bn in February

The dinar and prices: the official route must be the fastest



≈40 days official transfer

So importers buy cash on the black market, and the gap passes into import costs.

21.9% rise in imported goods

vs 18.1% local and 15.2% FX adjustment; 90.4% felt no effect from the customs exemption.

IMF and OECD: simplify procedures, ease regulatory burden; World Bank: "support people, not prices".

Osoul's proposal: a weekly indicator of transfer completion times with a five-working-day target, and a single electronic window linking the import licence to the transfer.

Generator amperes: an administrative tariff for a cost municipalities do not control

13,000

IQD per ampere in Kirkuk

12,000 for Baghdad's golden line, while owners put the cost at ~24,000. The fuel allocation covers ≈1 week of monthly operation; the shortfall is bought at ~IQD 1,400/litre.

OECD: 77% of energy support cost in 2022–2023 went to untargeted measures; its advice is targeted, temporary support.

Osoul's proposal: a support card for households earning under IQD 1.5m/month with a generator voucher and food voucher; ampere tariff set by a published cost formula.

The 2027 budget: activity before levies

24.5%

of GDP on wages and pensions (IMF, 2026); permanent hiring raises the bill and the need for oil rent.

$84 vs $58

IMF break-even oil price vs the draft budget assumption.



Broaden the base from the top

OECD: broadening tax bases and removing exemptions beats raising rates.

Osoul's reading: taxing small businesses undermines formality; firms hit by new taxes reported losses at 97% vs 72% for others.



Decisions of the week: four government milestones

4 Nov

Extraordinary session to vote on the draft 2027 budget and refer it to parliament. Impact: ends 1/12 monthly spending; locked-in current spending raises the need for oil revenue.

3 Nov

Supplying the Kurdistan Region with 50,000 m^3 of kerosene for winter. Impact: a seasonal response with an implicit cost equal to the gap between official and commercial prices.

3 Nov

Mosul Dam daily-wage workers moved to contracts, hazard allowance raised to 50%. Impact: a variable cost becomes a fixed wage-bill obligation.

3 Nov

KBR study to develop Iraqi Airways, and a Boeing instalment financed from current allocations. Impact: a step towards SOE governance; aircraft are better financed from the investment budget.

Six recommendations

1. Weekly indicator of external-transfer times, with a five-working-day target
2. Temporary targeted support card with generator and food vouchers
3. Ampere tariff based on a published cost formula, with fuel allocations disclosed
4. Statement of the cost of making contracts permanent attached to the 2027 budget
5. Broaden the tax base from the top before new taxes on small businesses
6. Monthly price dashboard to track the food customs exemption



What we are watching until the next issue

- The 2027 budget vote and its oil and deficit assumptions
- IMF talks and the US–Iran negotiating round (10–11 Nov) and their effect on Brent
- Generator fuel allocations and December tariffs, and the first official post-adjustment inflation figure





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