

# Analysis Of The Performance Of The Iraqi Stock Exchange Indices For The Period 2004-2022

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## Abstract:

*The modern trends of fiscal and monetary policies did not work on the approach of finding diverse sources of financial return but rather continued the old approach represented by the oil source as a basic pillar of financial return, which made the general budget lose the flexibility to confront fluctuations in the oil financial return and concentrated high percentages of the gross domestic product in the oil commodity with neglecting other financial resources, which made fiscal and monetary policies lose their self-stabilizing technique.*

**Research Problem:** *political instability, deterioration of the security aspect, and the spread of the phenomenon of financial and administrative corruption in Iraq are factors that negatively affected the work of the Iraqi Stock Exchange, which was negatively reflected in economic activity in general and financing of economic development in particular.*

**Research Hypothesis:** *The efficiency and development of the stock market enhances its importance and role in economic activity, which opens a wide scope for governments to provide the necessary liquidity to finance the fiscal deficit.*

**Research Objective:** *to provide actual directions in the Iraqi Stock Exchange, to activate the entry of foreign investments through it, with the importance of issuing a law and legislation, and to implement the capitalization policy.*

**Study Results:** *There is a discrepancy in the direction of fiscal and monetary policies, resulting in a significant waste of effort and waste of financial resources. The Iraqi Stock Exchange represents a modern market and one of the emerging markets in the process of development and growth.*

**Keywords:** *performance indicators, Iraqi market, securities, law, economic activity, finance and monetary, policy, variation.*

## Introduction:

The beginning of the twentieth century witnessed the first steps in the emergence of the stock market in Iraq, after the establishment of the modern Iraqi state in (1921), when the Indian Companies Law No. (7) of (1913) was implemented, which adopted the division of companies into three types, which are (unlimited companies), companies limited by guarantee, companies limited by shares), and in the year (1921) joint-stock companies were established with several shares for trading, followed by the issuance of Trade Law No. (65) of (1936) to establish a stock exchange for the trade of major goods, but it was stopped under Law No. (54) for the year (1938) temporarily as a result of most of the deals being held outside the market building, then in (1939) a law was issued allowing the legal trading of shares and bonds until it reached (40) companies in (1950), as the shares and bonds offered by these companies were traded in the informal stock market (al-Ghalbi, 2008).

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During the decade of the fifties of the last century, the process of establishing joint-stock companies became active and trading operations increased, which prompted the government to issue Companies Law No. (31) of (1957) to replace the Indian Companies Law, but the year (1964) witnessed the movement to nationalize banks, insurance companies, and financial companies operating in industry and trade, which negatively affected the activity of establishing companies and trading in shares, and this situation continued after the year (1968), when it was Supporting and developing the socialist sector, (Abdel Moneim El-Sayed, 2004). During the period (1970-1974), the Industrial Bank played the role of an intermediary in the process of buying and selling shares of joint-stock companies, the majority of which are controlled by the state. In 1975, he established an office for buying and selling company shares in return for a limited commission, and the issuance and trading market remained inactive until the official establishment of a stock market. Given the structural transformations that the Iraqi economy has witnessed since the mid-eighties and the nineties, which were embodied in the establishment of multiple mixed and private joint-stock companies, In addition to the existing ones, in addition to the new laws and legislation that regulate financial, banking and investment transactions. There has become an urgent need for an organized securities market to trade the shares of these companies on the one hand and as a reflection of the reality of the stock market in Iraq on the other hand. This has led to the preparation of a project formula to establish the (Baghdad Stock Exchange) in (1990) by the dissolved National Council distributed among Eleven chapters were then issued under Law No. (34) of (1991), which stipulated the establishment of the Baghdad Stock Exchange. The activity of this market continued until the year (2002), and after the events of (2003), Temporary Law No. (74) was issued establishing the Iraq Stock Exchange. Securities on April 18, 2004.

### **Iraq Stock Exchange (Establishment-Organization-Objectives)**

#### **First: The Emergence of the Market**

The Iraq Stock Exchange was established under Law No. (74) issued on April 18, 2004. Its first trading session was held on June 24, 2004, using the manual trading method and registration on plastic plates, which continued until April 16, 2009. Then it moved to the electronic trading method starting from the day's session. Sunday, 4/19/2009, and the number of weekly sessions became five, starting from 11/1/2009, (Iraqi Stock Exchange, 2011). It is considered a self-regulated, administratively and financially independent institution for public benefit that does not aim for profit in its work, subject to the Securities Commission. Finance, and manages it, (Board of Governors), which represents the various economic segments of the investment sector in the country, based on Article (6) of Section (5) of Law (74), the Iraq Stock Exchange approved brokers accredited and licensed by the dissolved Baghdad Stock Exchange and those who were brokers on ( 3/19/2003).

#### **Second: Market Regulation: (Iraqi Stock Exchange, 2005)**

1. The main center of the market will be in Baghdad and it has the right to open branches in other Iraqi cities. The market's responsibility is limited to the assets owned by it and does not include the assets owned by the members.
2. The market is not responsible for any obligations that have resulted or may arise from the Baghdad Stock Exchange.
3. The market has a legal personality and is financially and administratively independent from the government and the Ministry of Finance. The Registrar of Companies in the Ministry of Commerce will not have any supervisory authority over the market, nor is it required to register with the Ministry of Commerce.
4. The market has the right to file lawsuits before the courts, investigative bodies, or any other authority, provided that it is represented by the Chairman of the Board of Governors or by a person authorized by him.
5. The market is a self-regulated, non-profit institution owned by the members. Its commercial dealings are joint with others and do not contradict the temporary and

permanent law, internal regulations and other instructions of the market or the authority.

### **Third: Market Objective**

#### **The Iraq Stock Exchange aims to do the following:**

1. Maintaining recognized standards for companies in a way that is compatible with investors' objectives and enhancing investor confidence in the market.
2. Promoting investors' interests in a safe, efficient, reliable, competitive, transparent and honest market.
3. Organizing and facilitating fair and orderly dealing in securities as well as procedural transactions and determining the rights and obligations of the concerned parties to protect their legal interests.
4. Assisting and increasing the capital of companies listed in the market.
5. Participate in investment educational programs to inform competent investors about investment opportunities in the market.
6. Collect, analyze and publish statistics and information to achieve the goals stipulated by the law.
7. Establishing and supporting communications with Arab and international financial markets that contribute to the development of securities markets and other international markets to develop the market.
8. Regulating transactions between its members in everything related to the buying and selling of securities, including the clearing and settlement operations for these transactions.

### **Economic Analysis of the Performance of the Iraqi Stock Exchange Indicators for the Period 2004-2022**

Through the development of the work of the Iraq Stock Exchange from its inception in the year (2004) until the year (2022), a set of indicators was available that represent the development of market activity, which are as follows:

#### **First: The General Market Index:**

The market index is one of the most important means of knowing market trends and stock price movements, as it summarizes the overall performance of the financial market and is of great importance to all traders in the market. The Iraq Stock Exchange issued the (ISX 37) index, which is the index that represents the relative weight of (37) stocks. A company listed on the market that was selected based on (trading volume, market value, regular trading of its shares, and number of deals or contracts executed for it), (Iraqi Stock Exchange, 2011) and in (2/12/2015) the market management replaced the index (ISX 37), as a result of the collapse that occurred due to the increase in trading volume and the increase in the number of companies listed in the market, with another index, which is (ISX 60), which takes the relative weight of the shares of (60) companies listed in the market, as it increased the sample size of the index to sixty. One of the companies listed therein.

From Table (1) It is evident that the Iraqi Stock Exchange's general index increased from 24.7 points in 2004 to 58.63 points in 2008, with the majority of the sectorial index indicators contributing to this gain. After thereafter, the index rebounded and kept rising. It then reappeared between the years 2013 and 2014, declining to record (113.15) and (92) points, respectively, during the period spanning 2009 to 2012. The majority of the sectorial index indicators, which are the ones that are calculated to assess this drop, have also declined. The stock prices of listed companies for each sector fluctuate due to these factors as well as the worsening security situation in Iraq. As a result, the stock prices have fluctuated between rising and falling, reaching a high of 444.90 points in 2020. In terms of annual growth rates, the highest growth rates were recorded in the years 2005 (85%), 2009 (72.82%), 2008 (68.72%), and 2007 (42.40%). The years 2011 (34.83%), 2022 (15.27%),

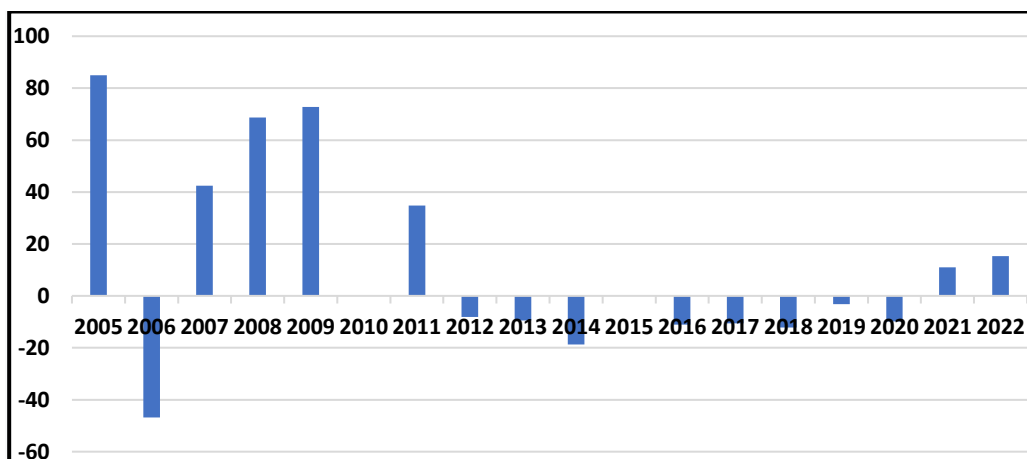
2021 (10.98%), and 2010 (0.03) came next, while the years 2006 (-46.78%) had the lowest yearly growth rate. This was followed by The year 2015 (-20.65) marked the year that the basis for calculation was changed from (100) to (1000). 2014 (-18.96%), 2018 (-12.13%), 2016 (-11.10%), 2017 (10.61%), 2020 (9.90%), 2013 (9.49%), 2012 (8.09%), 2019 (3.21%), and so on are the years that follow: Table (1) and Figure (1).

**Table 1 The General Index of the Iraqi Stock Exchange for the Period (2004-2022)**

Year	General Market Index (Points)	Annual Growth Rate %
2004	24.67	***
2005	45.64	85
2006	25.29	-46.78
2007	34.59	42.40
2008	58.63	68.72
2009	100.86	72.82
2010	100.89	0.03
2011	136.03	34.83
2012	125.02	-8.09
2013	113.15	-9.49
2014	92.00	-18.69
2015	73.00	20.65-
2016	649.48	-11.10
2017	580.54	-10.61
2018	510.12	-12.13
2019	493.76	-3.21
2020	444.90	-9.90
2021	493.76	10.98
2022	569.20	15.27

Source: Annual reports of the Iraqi Stock Exchange for the period 2004-2022.

**Figure 1 Annual Growth Rate of the General Index of the Iraqi Stock Exchange for the Period (2004-2022)**



Source: Prepared by the researcher based on the data in Table (1).

**Second: Trading Volume Indicator:**

The trading volume index is one of the most important indicators that show the level of financial liquidity in the stock market. It expresses the total value of securities traded in the market during a certain period, and through it, the size of the market can be known.

From the data in Table (1), It is evident that the Iraq Stock Exchange's overall trading volume dropped from 3515.14 million dinars in 2004 to 2455.99 million dinars in 2008. The high unemployment and inflation rates are to blame for this decline. After then, it reappeared and showed a rise across the time frame (2009–2013). This increase can be attributed to a number of factors, including the introduction of electronic trading in 2009, better economic conditions, a rise in the number of firms participating in the market, and a relative improvement in security conditions, all of which had a positive impact on market trading volume. Iraq Securities, although it fell between 2018 and 2020, reaching (661.22) million dinars in 2020. When it comes to yearly growth rates, the year 2013 had the greatest growth rate (212%), which was followed by the years 2011 (123%), 2007 (122%), and 2005 (105%). Subsequently, the year (2017) accounted for 73% of the increase, whereas the years (2009) (37%), (2016) (6%), and 2006 (74%), had the lowest yearly growth rates. Next came the year 2014 (69-%), then 2020 (61-%), then the years 2015 and 2018, each of which reached 50-%, and finally the year 2008 (43-%). Then the year (2019) (41%), the year (2012) (10%), and the year (2010) (5%). Reasons for the rise in trading volume include the expansion of the number of traded companies, the improvement in economic and security conditions relative to each other, and other factors that have contributed to the growth of trading volume in the Iraqi Stock Exchange. (Stock Exchange of Iraq, 2006) The general decline in the indicators of the Iraqi Stock Exchange can be attributed to the impact of the country's economic and security conditions on the market, as was the case in 2014, and the subsequent worsening of security conditions as exemplified by terrorist attacks and the financial crisis. This happened as a result of the drop in crude oil prices in 2020 as well as the broader effects of the COVID-19 pandemic on the Iraqi economy, as seen in Figure (1).

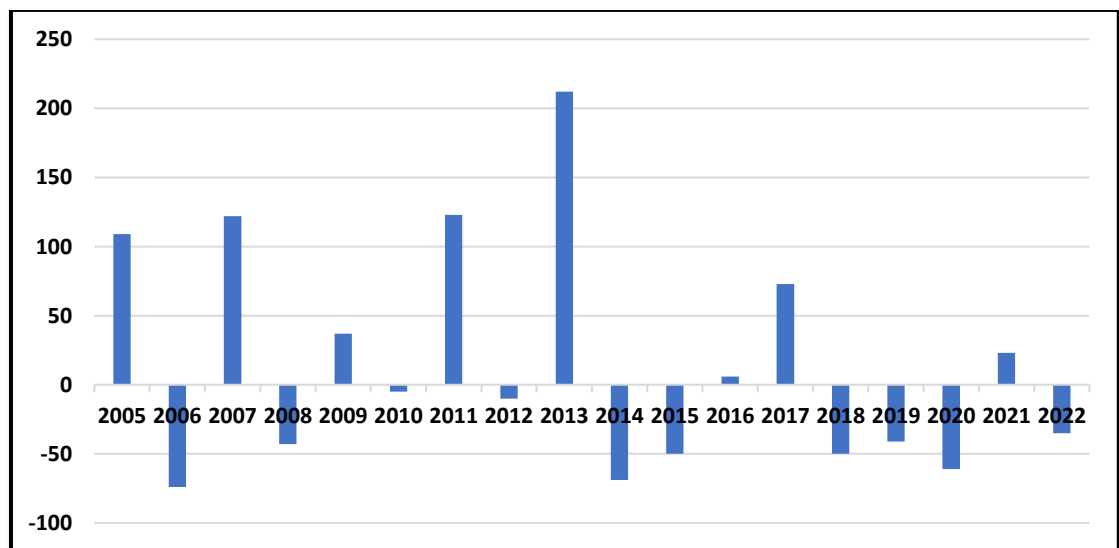
**Table 2 Trading Volume in the Iraqi Stock Exchange for the Period (2004-2022)**

Year	Total Trading Volume (Million Dinars)	Annual Growth Rate of Trading Volume (%)
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2004	3515.14	***
2005	7350.88	109
2006	1922.66	-74
2007	4273.68	122
2008	2455.99	-43
2009	3373.70	37
2010	3200.32	-5
2011	7124.89	123
2012	6379.91	-10
2013	19904.02	212
2014	6157.07	-69
2015	3082.55	-50
2016	3270.86	6
2017	5646.34	73
2018	2830.55	-50
2019	1680.60	-41
2020	661.22	-61
2021	812.38	23
2022	521.51	-35

Source: Annual reports of the Iraqi Stock Exchange for the period 2004-2022.

Figure 2 Annual Growth Rate of Trading Volume in the Iraqi Stock Exchange for the Period (2004-2022)



Source: Prepared by the researcher based on the data in Table (2).

### Third: Market Value Index

The market value index expresses the total value of securities listed on the stock market, so an increase in the market value is evidence of the expansion of the market size. The market value of shares is calculated by (multiplying the number of shares traded in the market by their prices during a certain period), (Melicher & Norton, 2017).

From Table (2) We note that between 2004 and 2008, the market value dropped from 45224.26 million dinars to 19178.02 million dinars, then between 2009 and 2013, it increased once again. Several variables have been identified as the cause of this growth, with one of the most significant being: The country's security situation has improved, the investment law has been implemented to encourage the entry of foreign companies,

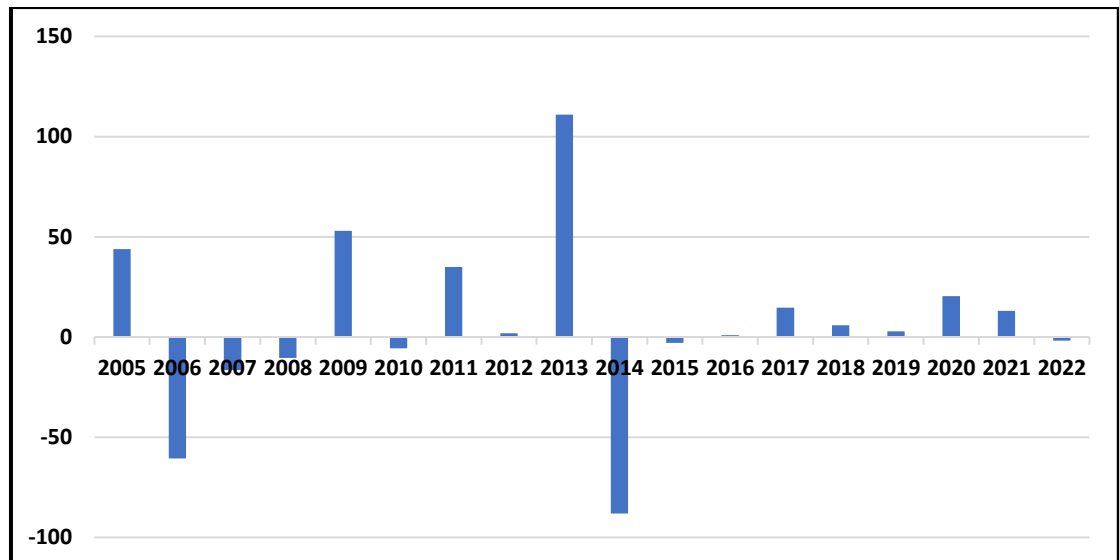
electronic trading activity has been implemented, and the market database has been activated. These factors have all contributed to the increase in market value, which has since returned to rising and falling levels until the year 2022. A total of 15,887.161 million dinars. The year 2013 had the largest yearly increase rate of market values (111%), followed by the years (2005) (44%), (2009) (53%), and 2010. (2012). 2011 (35%), 2020 (20%), 2017 (15%), 2021 (13%), 2018 (6%), and 2012 (2%), were the next years in order of precedence. The lowest annual growth rate of market value, which is a negative amount, occurred in the years 2006 (-61%), followed by 2014 (-88%), then in 2007 (-17%), 2008 (-10%), 2010 (-6%), then 2015 (-3%), and finally 2022 (-2%).

**Table 3 Market value of the Iraq Stock Exchange for the Period (2004-2022)**

Year	Market Value (Million Dinars)	Annual Growth Rate %
2004	45224.26	-
2005	65067.39	44
2006	25657.13	-61
2007	21421.69	-17
2008	19178.02	-10
2009	29330.04	35
2010	27676.06	-6
2011	37322.65	35
2012	38025.35	2
2013	80252.00	111
2014	9548.876	-88
2015	9264.815	-3
2016	9354.696	1
2017	10721.116	15
2018	11350.365	6
2019	11661.912	3
2020	14033.415	20
2021	15872.906	13
2022	15587.161	-2

Source: Annual reports of the Iraqi Stock Exchange for the period 2004-2022.

**Figure 3 Annual Growth Rate of the Market Value of the Iraqi Stock Exchange for the Period (2004-2022)**



Source: Prepared by the researcher based on the data in Table (3).

#### Fourth: Turnover Rate Indicator

The traded stock turnover index expresses the number of cycles in which securities are transferred between traders in the market as a result of executed contracts. Its high value reflects the speed of completion of contracts and low costs. It can be calculated by dividing the volume of traded stocks by the market value of the shares of companies listed in the market.

It is clear from the data in Table (27) that the turnover rate increased from (8%) in (2004) to (13%) in (2008) and increased again during the period 2008-2012 to reach (16.77%) in (2012), but it decreased. During the period (2012-2016) to reach (4.25%) in (2016), the turnover rate continued to decline during the period 2016-2020 to reach (0.86%) in (2020), and in terms of annual growth rates (annual increase), it was higher The annual growth rate of the turnover index in the Iraqi Stock Exchange during the years (2007) is (166%), followed by the year (2017) (97%), then the year (2011) (65%), followed by the year (2013) (48%), then the year (2005) (45%), followed by the year 2021 (29%), then the year (2016) (15%), then 2022 (3%), followed by 2010 (1%), while the lowest annual rate during the years (2020) was (64%), followed by (2015) (62%). -, then the year (2015) (61%), followed by the year (2018) (51%), then the year (2019) (41%), followed by the year (2008) (36%), then the year (2006) (-34%), followed by the year (2012) (-12%), then the year (2009) (-10%), and this indicates the decline in the liquidity of the Iraqi stock market, and the decline in the level of performance or economic activity in it and the Iraqi economy. In general, this is on the one hand, and on the other hand, low turnover rates indicate that contracting or deal-concluding procedures are slow and expensive.

Table 4 Stock Turnover Rate in the Iraq Stock Exchange for the Period (2004-2022)

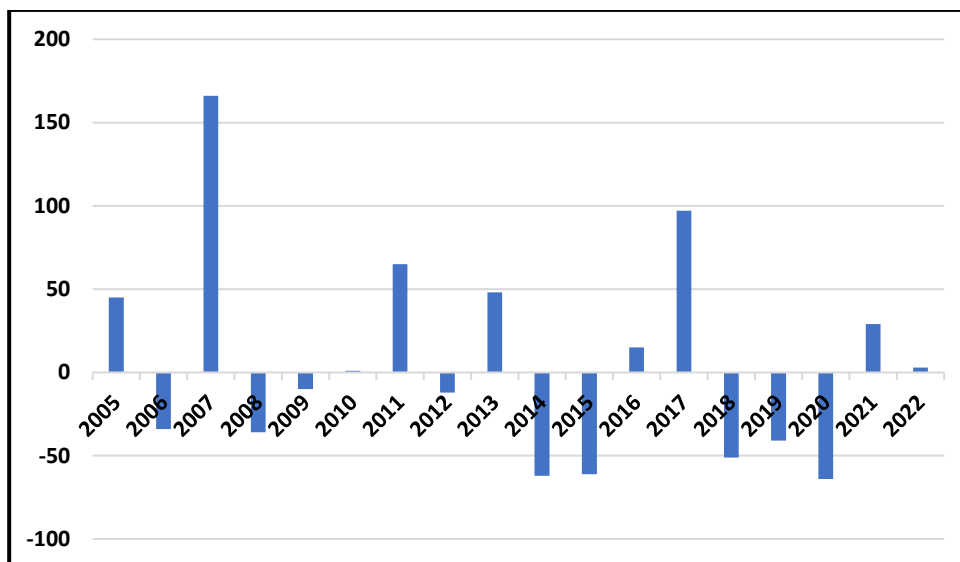
Year	Stock Turnover Rate %	Annual Growth Rate %
2004	8	--
2005	11	45
2006	7.5	-34
2007	20	166
2008	13	-36
2009	11.50	-10
2010	11.56	1



2011	19.09	65
2012	16.77	-12
2013	24.8	48
2014	9.43	-62
2015	3.70	-61
2016	4.25	15
2017	8.39	97
2018	4.10	-51
2019	2.44	-41
2020	0.86	-64
2021	1.11	29
2022	1.14	3

Source: Annual reports of the Iraqi Stock Exchange for the period 2004-2022.

Figure 4 Annual growth rate of stock turnover in the Iraq Stock Exchange for the period (2004-2022)



Source: Prepared by the researcher based on the data in Table (4).

#### Several Shares Traded Index:

This indicator indicates the total number of traded shares of all companies listed on the stock market during a certain period, which are dealt with in the buying or selling process.

It is clear from the data in Table (4) that from 4,393.6 million shares in 2004 to 1,508,531 million shares in 2008, the amount of shares traded on the Iraqi Stock Exchange rose. From 2008 to 2012, the number of shares index climbed, reaching 6,256,399 million shares in 2012. A variety of factors have contributed to the increase in shares traded on the market, the most significant of which is the rise in the number of firms. Considering the rise in memberships brought about by financial advancement, knowledge, and the substantial earnings it generates for businesses, After that, it increased once again between 2012 and 2016 to reach 10,382,297 million shares in that year. However, between 2018 and 2020, it fell, reaching 72,729.6 million shares in 2020. The cause of this decrease is ascribed to the incidence of... As a result of the social unrest that occurred in Iraq in 2019 and the security incidents that followed, the country's economy was negatively impacted and remained so until 2020. This period of time was marked by the so-called Corona pandemic, which

caused a recession in both the global and Iraqi economies. wide-ranging financial and economic catastrophe.

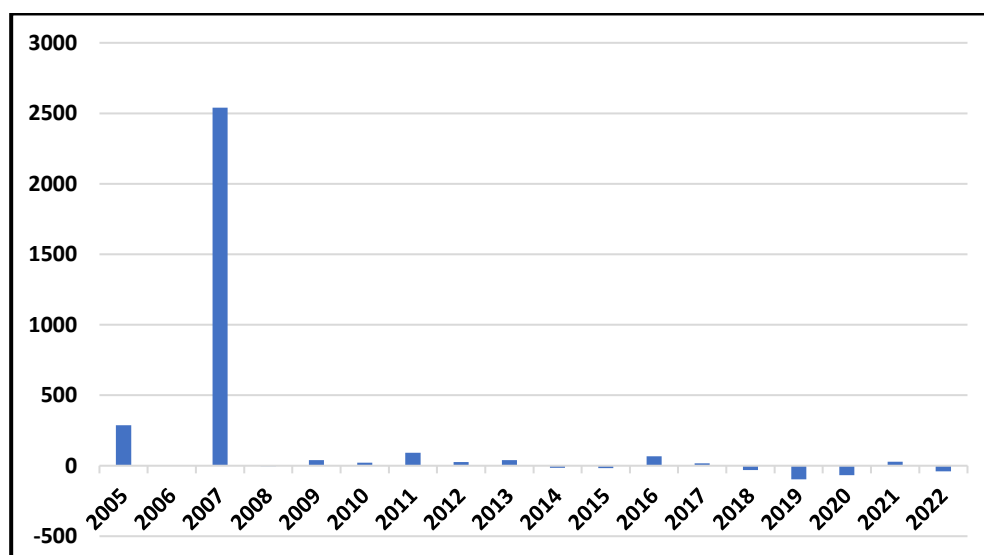
**Table 5** Number of Shares Traded in the Iraq Stock Exchange for the Period (2004-2022)

Year	Number of Shares Traded (Million Shares)	Annual Growth Rate %
2004	14393.6	***
2005	55639.1	287
2006	57974.9	4
2007	1529909	2539
2008	1508531	-1
2009	2112906	40
2010	2556595	21
2011	9423715	93
2012	6256399	27
2013	8711821	39
2014	7438523	-15
2015	6196402	-17
2016	10382297	68
2017	12150821	17
2018	8326309	-31
2019	210840.8	-97
2020	72729.6	-66
2021	93059.9	28
2022	56492.2	-39

Source: Annual reports of the Iraqi Stock Exchange for the period 2004-2022.

In terms of yearly growth rates, or increases per year, the years 2007 (2539%) had the greatest annual growth rate, followed by 2005 (287%), 2011 (93%), and 2016. (68%), then the year (2009) (40%), then the year (2013) (39%), then the year 2021 (28%), then the year (2012) (27%), then the year (2010) (21%), then the year (2017) (17%), and finally the year (2006) (4%). In contrast, the years with the lowest annual growth rate were 2019 (-97%), 2020 (66%) -, 2022 (-39%), 2019 (-31%), 2015 (-17%), 2014 (-15%), and (2008). (1-%), and it is evident from the aforementioned that the index of the number of traded shares is impacted (increases or decreases) by the overall state of the economy. The number of shares showed a discernible increase during the years in which the Iraqi economy experienced relative stability, but it decreased. As seen in Figure (4), the Iraqi economy went through periods of economic shock, including the years 2008, 2014, 2015, 2019, 2020, and 2022.

**Figure 5** Annual Growth Rate of the Number of Shares Traded in the Iraqi Stock Exchange for the Period (2004-2022)



**Source:** Prepared by the researcher based on the data in Table (5).

### Conclusions:

1. Investing in financial markets has a number of hazards if the foundations are not laid correctly, which emphasizes the significance of examining monetary policy-related indicators (exchange rate, inflation, money supply, and interest rate), as well as other elements that contribute to a solid assessment. For different equities, which aids investors in choosing the best moment to make an investment.

2. Building and fortifying the specialized intermediary institutions that are present on the Iraqi Stock Exchange will help to keep the market from being driven into speculative activity by unskilled intermediaries looking to profit quickly. In the end, this benefits the investor because, should the aforementioned procedures be put into practice, the market will become more stable and will demonstrate the effectiveness of the companies issuing these shares as well as the actual percentage of their profits, enabling the investor to choose wisely when making an investment.

3. In order to attain price stability through the exchange rate signal and the Central Bank's currency auctions, which aim to target the gross domestic product, it is imperative that efforts be made to identify new avenues for financial and monetary policy at the level of the Iraqi economy.

4. Work on creating suitable plans and strategies to increase the Iraqi Stock Exchange's influence on the country's economic growth. This is accomplished through human resource development, qualification and training programs, and the attraction of foreign investors who can help to expand and strengthen the market and transfer successful global experiences—particularly from nations whose economies are similar to Iraq's.

5. Developing policies to boost the effectiveness of the Iraqi stock market, particularly in light of the country's recent economic liberalization and openness. This is because the financial market is seen as a key instrument for inspiring and motivating investors to support the expansion of various economic sectors and bring about the necessary development.

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