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## **Analysis of Inflationary Burden Impact on The Consumption of Iraqi Households**

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### **Abstract:**

The research focused on examining the connection between the inflationary burden and the consumption patterns of Iraqi families. Inflation significantly impacts consumption, and Iraq is grappling with rising prices, leading to a crisis in the cost of living due to increased prices for essential goods and reduced government subsidies. The study aimed to provide insights into the inflationary burden phenomenon, highlight the primary channels affecting Iraqi families, and explore short and long-term consequences. It also aimed to identify the variables and causes contributing to the wage-price gap. Ultimately, the research sought to address the issue of the inflationary burden in the Iraqi economy, which has adversely affected the standard of living for families, resulting in reduced consumption and a diminished real value of money. The goal was to propose solutions to enhance living standards and manage price stability.

Key findings :Recent years have seen a sharp increase in consumer spending as a percentage of total income, reaching 70%. This reflects the high prices of essential goods and services.

The Iraqi economy has faced various crises, including war, the COVID-19 pandemic, exchange rate fluctuations, and global conflicts, leading to economic decline and worsened family conditions.

Recommendations :Promote consumer spending awareness among Iraqi families through visual and audio advertising, encouraging responsible consumption and savings for future crises.

Protect local products by imposing customs taxes on imports, except for essential items.

Ensure coordination between fiscal and monetary policies to maintain price stability and boost consumer goods production, granting the central bank independence for policy development.

**Paper:** Research paper

**Keywords:** Inflation, consumption, exchange rate, Wages and salaries, cuonsumer spending, Government spending.

## **1. Introduction:**

Channels of inflationary burden transmission are causal channels that start from several specific variables. Alternative transfer channels include a range of different linkages, which vary from the effects of monetary and fiscal policy to the real economy and inflation. Things started well early on to influence real economic trends during the period since the beginning of the 20th century, as they were relied on so much to grow by focusing on achieving them. The main goal of monetary politics is certainly the settlement of choices. In this context, the impact on monetary policy was not. Rather, it extended to include effective and effective measures to manage the monetary authorities through fully investing in the channels that it plans to invest in various commercial investments. There is no doubt that fiscal policy also has a role in influencing the economic situation and in line with its ability to influence macroeconomic variables a key goal is to reduce unemployment and inflation rates while ensuring economic growth and a balanced balance of payments. To achieve this, monetary and fiscal authorities must have clear plans and strategies, along with the necessary tools to enact effective policies.

### **1.1 Literature Review :**

There are many studies that have dealt with the first variable, which is industrial projects, especially those that have been discontinued, including these studies:

Ali (2014) studied determinants of household consumption in Sudan (1972-2011). The research hypothesis is that consumption is mainly affected by disposable income, and there are variables that affect it, but in a secondary way. The research aimed to estimate the household consumption function, and to identify the most important factors affecting consumption.

The most important conclusion of the determinants of household consumption in this study are inflation and disposable income. Sudan is a consumer society because it tends to simulate. The most important recommendation is to work on arranging consumer needs in order of necessities to luxuries, and to reject the phenomenon of simulated consumption.

Chalabi (2015) studied Analysis of the costs of inflation and its impact. on living standards in Iraq for the period( 1990-2012). The hypothesis of the research led the economic and political conditions experienced by Iraq for decades. Which was represented by the imbalance of prices and the reflection of its negative effects on living standards as a result of the high costs of inflation, to an increase in consumer spending at the expense of saving, a decrease in per capita output and an increase in poverty. The aim of the research is to define the costs of inflation, and to identify the mechanisms of their impact on living standards.

The most important conclusion / standard of living is an expression usually used to denote the economic level of an individual, family or country, and it is a qualitative variable that represents a reflection of a number of indicators, including the level of income from output, consumer spending and the poverty line.

The most important recommendation/ The state should achieve security and political stability, because it is a direct cause of a decrease in the rate of inflation and its costs, and then an increase in the living standards of society through hard work by the state to improve the standard of living of Iraqi society.

Ibrahim and Hussein (2015) delved into diagnosing key economic The impact of consumption modes on inflation in Iraq for period 1996-2011: field study. Between consumption and prices close relationship, because the changes in consumption often reflected on the price levels, especially in underdeveloped countries as demand increases changes accelerated while the display will be in conditions not conducive either to be in a stalemate and either be in decline so that there is no proportionality between the levels supply and demand, therefore increasing consumption for many reasons, including population increases or a change in the short periods consumer patterns reflected mostly on price levels.

In Iraq occurred during the period (1996 - 2011) developments in the consumption patterns for many reasons, including

- Raising urban partial oil exports after 2003.
- increase the incomes of state employees after 2003.

Of conclusions Changing consumer patterns still need of life Dharoat, when life was so change is expected to change in consumer patterns.

Of recommendations for the development of consumer patterns and maintain price levels it is the richest search for contemporary consumption patterns experienced by civilized peoples and emulate them as much as possible.

Hone and Marisennayya (2019) ) revealed determinants of household consumption expenditure in the city of Ethiopia, amhara region. The study assumes that there is a negative relationship between saving and consumption, as the higher the consumption, the lower the saving. It assumes an assessment of household consumption expenditure and a study of the most important determinants that affect household consumption expenditure. The aim of the study is that disposable income is the most determining factor for household consumption and that saving is negatively related to consumption, The most important conclusion is that the government must implement projects and policies that increase the disposable income of the family, and the family must be aware enough to increase savings instead of spending more on useless activities. The most important recommendation

Hussein and Hammadi (2019) The studied analyzed household consumption in Iraq from 2004 to 2015, considering economic and political changes post-2003. They used the ARDL model to estimate short and long-term relationships. Findings indicate that population, savings, inflation rate, and disposable income explain 99% of consumption changes. There's a long-term equilibrium relationship, with the F-value exceeding critical values. Error correction coefficient suggests 35% of short-term errors self-correct for long-term equilibrium. Variables affect household consumption in the short term (35%), with structural stability verified. The model has strong predictive capacity (Theil).

Al-Azzawi (2021) reach out reflection of economic shocks on household consumption patterns in Iraq after 2003. is that economic shocks have negative effects on household consumption patterns, especially the low-income groups. The most important conclusion is that the fiscal and monetary policy did not help in providing appropriate buffers that help mitigate the repercussions of economic shocks on Iraqi families. Structuring public expenditures to support vulnerable and poor families when economic shocks occur.

**The Research Problem:** the Iraqi economy faces inflationary issues, impacting the standard of living and causing reduced consumption due to rising prices and decreasing money's real value. The research problem is about addressing this question: How does the inflationary burden affect the consumption of Iraqi families?

**The Research Objective:** The study to come up with a set of explanatory results for the phenomenon of inflationary burden, and to show the effects in the short and long term, and to try to identify the variables and reasons that led to the emergence of (the wages and prices gap), and to work on analyzing and interpreting the consumer spending of the Iraqi family, and to ascertain the effect of inflation on consumption.

## **2.Material and Methods:**

### **2.1The Research Hypotheses:**

The research assumes that there is an inverse correlation between inflation (the rise in the general level of prices) and consumer spending in the long term. The hypothesis is based on that the lower the gap between wages and prices, i.e. (an increase in the purchasing power of money), it will lead to an increase in the standard of living of the Iraqi family.

## 2.2 The Importance of Research.

- 1- The importance of the study comes as the phenomenon of the inflationary burden (the gap between wages and prices) is one of the phenomena facing the Iraqi economy.
- 2- Searching for the real causes of the problem of the inflationary burden (the gap between wages and prices), which is the main, and taking the appropriate policy to address the problem.
- 3- The importance of the research is due to an attempt to, measure the impact of the general level of prices on the, Iraqi consumer.
- 4- Knowing the most important factors that caused the rise in the general level of prices.

### 2.2.1 Analysis of the Reflection of Inflation on Consumption Using the Channels of Transmission of the Inflationary Burden on the Consumption of Iraqi

#### A. Interest Rate Channel:

The interest rate channel, according to classical thought, is considered the traditional channel for transmitting the impact of monetary policy to economic variables, including economic growth and the impact on the nature of consumption (Abdul Hamid, 2013) the interest rate, One of the important economic variables at the macro and micro levels in economic activity. The stability of interest rates within acceptable limits reflects the safety and soundness of the monetary policies adopted in a particular economy (Al-Shennawy and Al-Naeem, 2001). The Keynesian theory in this channel focused on a major factor represented in the decisions of institutions regarding investment spending, The main advantage of this channel is that real interest rates affect consumer and corporate activation decisions. The interest rate in Keynesian politics is the knot that connects the monetary world with the real world. (Rahim, 2010) Some studies presented by economists on the interest rate channel confirmed that monetary policy is able to influence economic activity even when interest rates are close to zero (Davoodi et al, 2013). This can be seen in some advanced economies, such as Japan, that is, low real interest rates increase investment in fixed capital in every business sector, and consumer spending (Yasmine, 2014) Changes in interest rates affect consumers' and investors' decisions about the monetary rates they spend on goods and services. The decline in lending interest rates reduces interest payments on debt, and in turn increases the amount of cash available for spending by families and investors, (Dagher, 2019), and it is the traditional channel of transmission.



Figure 1: the effect of the interest rate channel

Source / Prepared by the researcher, relying on Najla Shimon Chalabi, Analysis of costs of inflation and its impact on living standards in Iraq for the period ( 1990-2012), Master's thesis in Economic Sciences, Al-Mustansiriya University, 2015, p. 18

### **B. The Exchange Rate Channel:**

The exchange rate channel occupies a great place within the monetary policies of a large number of countries, especially those that seek stability and rise in the price of their currency, which helps control inflation, and this channel works in conjunction with interest rates (Al-Sadiq Ali et al, 1999). The exchange rate channel is considered one of the most important channels of influence of monetary policy in small economies, and this can have an impact on the relative prices of domestic and foreign commodities and affect net exports and production, when the monetary authority reduces interest rates, this leads to a decrease in the attractiveness of local deposits compared to deposits The foreigner, (Davoodi et al, 2013) The exchange rate channel operates in monetary policy through the interest rate. Changes in the exchange rate are related to the difference between domestic interest rates and foreign interest rates (Hussein and El-Eidami, 2020). Since the decision of the central bank to reduce the money supply (contractionary monetary policy) will lead to a rise in the real interest rate in the local economy relative to its counterpart abroad, which leads to attracting foreign capital towards the inside, and thus increasing the demand for the local currency, which raises its value, This makes domestic goods cyclically more expensive than foreign goods, which leads to a decline in net exports (Chmielews et al, 2017). The money supply or changes in the interest rate are translated into changes in production, employment, prices, and inflation is what is called the monetary effect transmission mechanism (Ali, 2006).

### **C. The Money Supply Channel:**

The money supply channel is considered one of the channels that express monetary changes and through which some or all of the final goals are achieved, so it confirms the existence of a relationship between them and the final goals on the one hand and the possibility of monitoring them by relying on monetary policy tools on the other hand. The impact of monetary policy on the components of the real economy, including the individual consumer, by transferring its impact on prices and gross domestic product (Sari, 2014). The money supply includes cash in circulation and bank account funds. (Kimberly Amadeo, 2016) and it is also known as the total balance of currencies and liquid financial instruments that are circulated in the economy of a particular country (Team, 2022). Which is represented by paper and metal money, semi-money and foreign currencies, as well as linear money that will be required by individuals and financial and production companies for the purpose of speculation or transactions, if its increase leads to an increase in production of goods and services and an increase in the rate of economic growth (Ali, 2011) Developed and developing countries since the 1970s and 1980s have pursued intermediate goals or channels, which depend on the growth of the monetary mass to meet price fluctuations that are in line with the monetary school, and according to Milton Friedman, who called for maintaining a constant growth rate of the monetary mass within the limits of the growth of the monetary base at a rate of (4%) annually, Monetary scholars believe that the central goal of the monetary authorities is to stabilize the growth rate of the money supply at a level close to the real growth rate of the economy (Naeem, 2016). And that the increase in the money supply will negatively affect the wealth of individuals, when the real income decreases because of the increase in the money supply and not because of the rise in the general level of prices(Dawood, 2021), that is, there are other factors that lead to the emergence of inflation other than prices and cash income, which are costs if it means an increase in expenditures as a result of the failure of supply in Fulfilling the demand (Al-Bayati and Al-Dulaimi,2021), The increase in the costs of the goods and services that the individual needs makes the commodity higher in price, and therefore the individual spends more money in order to obtain the same goods and services that he used to obtain previously, and thus the cost of living increases ( Siegel, 1982).

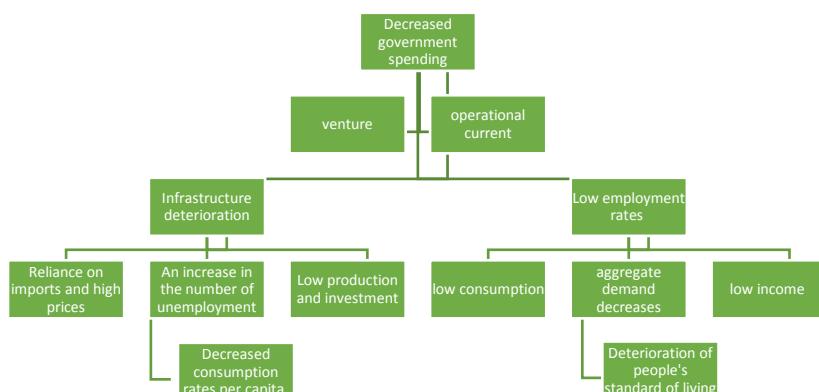


**Figure 2:** Effectiveness of the money supply channel

The source prepared by the researcher, based on Marwa Ibrahim Abd al-Banna, The impact of government spending and money supply on the gross domestic product of Iraq for the period 2004-2020, a master's thesis submitted to the Council of the College of Administration and Economics, University of Baghdad, 2022. And Aziz, Khalil Ismail, 2016, measurement and analysis The function of demand for money in Iraq in the long and short term within the framework of joint integration, PhD thesis, College of Administration and Economics, University of Baghdad, Iraq

#### D. Tax Channel:

The effect of the government's tax policy on the distribution of national income is clearly evident through its return to income distribution. Direct taxes, for example, lead to a reduction in income in favor of those with fixed cash incomes, while the imposition of indirect taxes by the government leads to an increase in prices(Idan,et al ,2021), and thus the redistribution of income in favor of those with variable cash incomes, Thus, the government's tax policy affects the income available for spending (Al-Ani, 2018), and that the state imposes taxes to achieve a number of goals, including protecting national industries, serving the state's economic policy, redistributing national income, or influencing the import of goods and services (Al-Rubaie 2013). To further Governments employ various strategies, including income exceptions, tax deductions, and credits, as well as reduced tax rates or exemptions for specific items, to achieve their objectives in tax policy.. But increasing tax rates can have a negative impact on low-income families, Thus, it will affect consumption rates (OECD, 2012).



**Figure 3:** The impact of the government spending channel

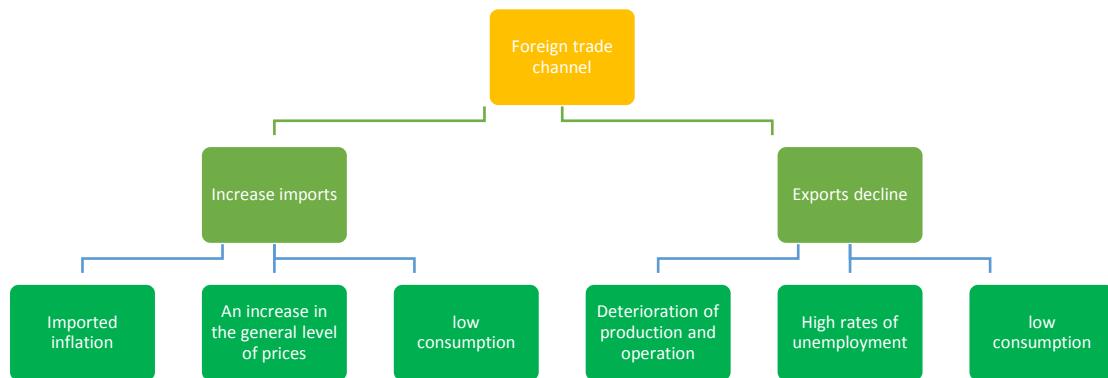
The source prepared by the researcher, relying on Salah Mahdi Al-Birmani, Dawood, Muhammad Nuri, The impact of government consumption spending on the status of the current account balance in Iraq for the period (1990-2004) using the Ardel model, Journal of Economic and Administrative Sciences, Issue 48, Volume 23, 2017-f Hussein Jawad Kazem, Government Deficit Financing Policies in Iraq, Journal of Economic Sciences, Iraq, Issue 18, 2006, p. 29

**E. The Government Spending Channel:** The public spending channel represents the purchases of the central government and the regions of various goods and services during a specific fiscal year, whether the spending is to cover consumption or investment, if the public spending is divided into:

- Consumption public spending: It includes total government purchases of goods and services, as well as salaries and wages for workers in the public sector and workers' compensation (Hussen and Hamdan,2020).
- Public investment spending: It includes total public purchases of goods and services supporting capital formation, as well as inventory changes. (Dagher, 2019). That is, government spending is the sum of the payments made by the state to obtain goods and services, such as wages and salaries, and government purchases of other goods (Chalabi, 2015). The redistribution of government spending
- and its increase in size has a significant impact on economic activity, and this is drawn according to the state's policy and according to the stage the economy is going through. (Al-Rubaie, 2013). Relying on public expenditures as a tool of fiscal policy in particular and as one of the tools of the public economy in general has developed according to the different economic conditions of the country. Therefore, fiscal policy begins its work through public spending and control of the structure and size of the economy (Zubair and Al-Mousawi,2020). In times of recession, public spending policy is used by raising the rates of public spending directly by increasing the quantity in public spending or indirectly by reducing taxes on consumer spending and lowering taxes on profits to encourage investment. In the case of inflation, it works by reducing its expenditures, or indirectly by raising tax rates on consumption to reduce spending, (Al-Hamdani et al , 2018,).

**F. Foreign Trade Channel:**

This channel expresses imports, exports, and customs taxes and their implications for the economy. Imports represent all goods and services produced in the outside world that are imported for consumption or use within the national economy, as an increase in imports leads to a decrease in demand for local goods and services (Sakhry, 2005), Customs taxes are a tax imposed on goods when they cross the national borders of the state, imposed on entry in the case of imports and exit in the case of exports, and the majority that customs duties are imposed on imports while exports are exempted from all fees in exceptional cases in the case of goods necessary to prevent them from being exported (Yunus, 2007), In some cases, if the country wishes to prevent the entry of the commodity into the country, it will impose a customs tax that raises the price of the imported commodity by an amount equal to the difference between the price of the free commodity in the global market(Al-Kubaisi and Al-mafraji,2022). Market and domestic price in the absence of foreign trade. The customs tax here is called the prohibitive tax, and the state will not receive customs revenues (Rahim, Ali), So, the aim of the tax in this case is a protection goal, that is, it is imposed for the purpose of protecting the local industry from competition with foreigners. (Nasef, 2008), Effects of Tariffs on Consumers Consumers of goods imported from abroad will be affected by tariffs because they will pay a higher price or buy less, or both. To illustrate this, we will use supply and demand analysis to calculate consumer loss (Thanoun,2020).



**Figure 4:** Impact of foreign trade channel

The source was prepared by the researcher ,based on

- Burhan Shaa Mari and Hamdiya Shaker Muslim, The Impact of Public Debt on the Trade Balance in Iraq for the Period (2003-2021), University of Baghdad, College of Administration and Economics, Department of Economics, Journal of Economics and Administrative Sciences, 2023, Volume 29, Issue 136, p. 45.
- Saad Abd Najm, Heba Saad Rashid, Analysis of the Relationship between Iraq's Foreign Trade and Economic Growth for the Period (1989-2013), College of Administrative and Economic Sciences, Issue 89, Volume 23, Baghdad, 2016, p. 338
- Omar Hameed Majeed, Mohammed Noori Farhan, Taameem Mohamed Salloum, The Impact of Dumping Policy on the Food Gap of Chicken Meat in Iraq For the Period (2004-2019) - Turkish Imports Of Chicken Meat a Case Study,  
<https://www.scopus.com/authid/detail.uri?authorId=57944176900>

#### **2.2.2: Analysis of the Transmission Channels of Inflation on Consumption**

##### **The Exchange Rate Channel and Analysis of the Development of Exchange Rates in Iraq.**

The monetary authority adopted the managed floating exchange rate system, which is the intervention of the central bank for the purpose of stabilizing the exchange rate as it approaches the fixed exchange rate However, this was achieved under the oversight and control of the central bank, facilitated through the currency window portal, which successfully unified the exchange rates of the Iraqi dinar. a vital and appropriate field in passing a signal The exchange rate that monetary policy wants to adopt (Salal, Radi, 2016). A nominal stabilizing factor for the public's inflationary expectations, and thus the currency window method has set a relative limit due to the deviation and fluctuation of price signals that were weakening real and financial investment activity (Al-Shabibi, 2007).

**Table 1:** Data on the official and parallel exchange rates and the annual growth rate for years (2004-2022)

The Gap between the Official and Parallel Exchange Rate (5)	Annual Growth Rate in Parallel Price (4)	Parallel Exchange Rate (3)	Annual Growth Rate in the Official Price (2)	Official (1) Exchange Rate	Years
0	—	1453	—	1453	2004
3	1.307639367	1472	1.101169993	1469	2005
8	0.203804348	1475	-0.136147039	1467	2006
21	-13.49152542	1276	-14.45126108	1255	2007
21	-5.721003135	1203	-5.816733068	1182	2008
12	-1.74563591	1182	-1.015228426	1170	2009
16	0.338409475	1186	0	1170	2010
26	0.84317032	1196	0	1170	2011
67.0	3.093645485	1233	-0.341880342	1166	2012
44	-0.081103001	1232	1.886792453	1188	2013
24	-1.461038961	1214	0.168350168	1190	2014
81	2.718286656	1247	-2.016806723	1166	2015
85	2.245388933	1275	2.058319039	1190	2016
17	0	1275	5.714285714	1258	2017
66	0	1275	-3.895071542	1209	2018
79	0	1275	-1.075268817	1196	2019
41	0	1275	3.177257525	1234	2020
20	15.29411765	1470	17.50405186	1450	2021
50	2.040816327	1500	0	1450	2022

**Source:** Column (1), (3) Central Bank of Iraq, General Directorate of Statistics, Annual Statistical Bulletin for the years (2004-2022), columns (2),(4),(5)prepared by the Researcher. From the table it is clear that the discrepancy between the official exchange rate and the parallel exchange rate gradually fades away and the difference between the two rates becomes slight.

### 2.2.3 The Import Channel and Analysis of the Nature of Imports in Iraq:

Imports reflect the extent of the development of economic activity and the extent of the importing country's connection with the countries of the other world, and that imports represent in their entirety the values of the resources that individuals sacrifice to obtain goods and services from them. Abroad to meet their needs and desires (Kadhim and Salman, 2017), and that the decrease or increase in imports is an indication of the amount of dependence on the outside world to meet the gross domestic demand (Najm and Rashid, 2016). Iraqi imports are characterized by the diversity of their structure and the import of a significant amount of consumer goods in particular and the rest of the goods in general.

In 2013, the highest percentage of imports was recorded, which amounted to (19132777.4) due to the large size of the budget that year, but the percentage decreased after that due to wars with terrorist organizations and the allocation of the largest amount of the budget for war affairs if imports reached in 2015 (11494249), as the value of imports decreased after that To (9573136.2) in 2016, then it rose again, recording its highest rate in 2019, which amounted to (21523975.7).

**Table 2:** Analysis of the relationship between imports, exchange rate, inflation, and growth rates for years (2004-2021)

Growth Rate %	inflation	Annual Growth Rate in The Official Price	Official Exchange Rate\$	Growth Rate%	Consumer Imports Million Dinars	Years
-	27	-	1453	-	8836565	2004
37.04	37	1.10117	1469	-15.08	7504387	2005
43.78	53.2	-0.13615	1467	10.41	8285616	2006
-81.02	10.1	-14.4513	1255	-1.43	8167289	2007
25.74	12.7	-5.81673	1182	43.85	11749022	2008
-45.67	6.9	-1.01523	1170	8.19	12711699	2009
-57.97	2.9	0	1170	9.77	13953186	2010
100	5.8	0	1170	5.82	14764815	2011
5.17	6.1	-0.34188	1166	13.44	16748774	2012
-68.85	1.9	1.886792	1188	14.23	19132777	2013
15.79	2.2	0.16835	1190	-19.09	15479466	2014
-36.36	1.4	-2.01681	1166	-25.75	11494250	2015
-57.14	0.6	2.058319	1190	-16.71	9573136	2016
-66.67	0.2	5.714286	1258	40.88	13486470	2017
100	0.4	-3.89507	1209	-5.62	12728962	2018
-50	0.2	-1.07527	1196	69.09	21523976	2019
200	0.6	3.177258	1234	-23.19	16532300	2020
900	6	17.50405	1450	-5.74537	15582459	2021

**Source :** Ministry of Planning, Central Statistical Organization, Central Bank of Iraq, Statistical Bulletin, World Bank, published data \_ Arab Monetary Fund.

It is clear from the above table that whenever the exchange rate decreases, it reflects positively on imports, because imports are priced at the global dollar exchange rate, and that the effects of the change in the exchange rate are reflected in inflation rates, and that imports are one of the reasons for attracting inflation to Iraq, because it depends at a high rate.

And the relationship between the rate of growth of the exchange rate and its reflection on the growth rate of imports, as whenever the exchange rate decreases, it leads to negative growth rates that are reflected in the decrease of imports. Whenever the official exchange rate rises, it reflects negatively on imports, as import growth rates recorded negative results in recent years, as the exchange rate increased if the import growth rate in 2020 and 2021, respectively, reached (-23.19) (-5.7453), and that the rise in exchange rates was reflected in the rise in inflation rates, as Reached 2021(6) and a growth rate of 900%.

#### **2.2.4 The Transmission Channel of the Rise in the Price Index Over the Real Value of Wages and Salaries.**

The researcher will explain through this channel the effect that it reflects, the rise in the general level of prices on the value of wages and salaries received by the individual consumer, since the majority of the population of Iraq are people with limited incomes receiving wages and salaries, and they are greatly affected by changes in price levels due to their limited income(Al-Ramli, 2020). We will try to explain the impact of the rise in the index on wages and salaries through the following table:

**Table 3:** Wages, salaries and the general index, the ratio of wages and salaries to the index for years (2004-2021)

<b>The ratio of wages and salaries to the index</b>	<b>Wages and salaries /12</b>	<b>General record</b>	<b>Wages and salaries million dinars</b>	<b>Years</b>
26830.435	697591.3083	26.000	8371095.7	2004
25259.216	899228.0833	35.600	10790737.0	2005
25342.099	1381144.375	54.500	16573732.5	2006
24943.614	1780974.042	71.400	21371688.5	2007
35655.873	2866732.175	80.400	34400786.1	2008
33665.994	2935674.633	87.200	35228095.6	2009
27975.819	3463406.342	123.8	41560876.1	2010
29918.603	3826589.342	127.9	45919072.1	2011
36551.171	4956338.775	135.6	59476065.3	2012
41683.578	5856542.667	140.5	70278512.0	2013
41700.764	6042440.633	144.9	72509287.6	2014
36945.238	5438339	147.2	65260068.0	2015
36219.310	5454628.017	150.6	65455536.2	2016
53481.910	5551422.283	103.8	66617067.4	2017
56249.500	5883697.75	104.6	70604373.0	2018
61262.4681	6401927.917	104.5	76823135.0	2019
61040.866	6384874.583	104.6	76618495.0	2020
66203.97899	7143409.333	107.9	85720912.1	2021

**Source :** Ministry of Planning, Central Statistical Organization, various years \_ The international Bank

From the table above, we can see an increase in the volume of wages and salaries, respectively, during the years of research from (2004-2021) due to the economic and political conditions that Iraq went through, and we notice a big boom from 2012 if wages and salaries reached (59476065.3) to be recorded in 2013 (70278512.0) and that The reason for this rise is the enormity of the budget due to the rise in oil prices, which was reflected in the increase in the amount allocated for wages and salaries.

### **2.2.5 A Channel Showing the Percentage of Household Consumption Expenditure of Total Wages and Salaries.**

This channel shows the amount of spending on consumer goods out of the total per capita income represented by wages and salaries obtained by the government, and this will be clarified through the following table:

**Table 4:** Wages, salaries, household consumption expenditure, and the ratio of consumption expenditure to wages and salaries for years (2004-2021)

<b>The ratio of consumer spending to wages and salaries (3)</b>	<b>Family consumption spending (2)</b>	<b>Wages and salaries Million Dinars (1)</b>	<b>Years</b>
42.84350762	19538773	8371095.7	2004
39.10645186	27593239.7	10790737.0	2005
46.65195638	35526339.7	16573732.5	2006
49.74438909	42963013.3	21371688.5	2007
70.07503787	49091355.7	34400786.1	2008
51.61157391	68256193.2	35228095.6	2009
57.70234241	72026324	41560876.1	2010
60.21356326	76260346.7	45919072.1	2011
58.71305075	101299565.5	59476065.3	2012
66.49070578	105696745.4	70278512	2013
64.71946255	112036294.4	72509287.6	2014
60.20494482	108396524.9	65260068.0	2015
58.48527076	111917984.4	65455536.2	2016
58.40611365	114058380.6	66617067.4	2017
60.30329849	117082107.9	70604373.0	2018
64.74366299	118657381.2	76823135	2019
67.93657245	112779453.3	76618495	2020
69.88189691	122665405.2	85720912	2021

**Source :** column (1) and (2) from the Ministry of Planning, Central Statistical Organization - World Bank, published data

Column (3) prepared by the researcher by dividing by  $100 \times \frac{\text{column 1}}{\text{column 2}}$

It is clear from the table above that the total wages and salaries are constantly increasing during the research years, and this increase was reflected in the increase in consumer spending for the Iraqi family, if the wages and salaries in 2004 reached (8371095.7) Household consumption expenditure amounted to (19,538,773) if the ratio of consumption expenditure to total wages and salaries reached a ratio that formed (42.8%) This percentage continued to increase during the following years, when it reached (51.6%) in 2009 That is, it accounted for nearly half of the amount of wages and salaries going to consumer spending on goods and services, and this percentage continued to rise, This is due to the economic, social and political conditions that the country is going through, which is reflected in the fact that the majority of the people are from the middle class to the poor and their income is limited, and they are directly affected in the event of high prices, which is reflected in the decrease in the real value of money, which leads to an increase in spending rates to obtain the same goods and previous services.

### **3. Discussion of Results :**

- 1- It is clear from the research a continuous increase in consumer spending due to the high volume of public spending (wages and salaries, payments for social and health care, and education expense).
- 2- The widening gap between the official exchange rate and the parallel exchange rate, which reflects the rise in prices and the occurrence of an inflationary gap (the wages and prices gap), meaning that prices are not commensurate with wages and the decrease in the real value of income.
- 3- The exchange rate affects both Iraqi imports and the inflation rate, as the exchange rate has a direct effect on imports, if the relationship between them is characterized as a direct relationship, that is, the higher the exchange rate of the local currency against the dollar, the higher the amount of imports from abroad, because foreign goods become cheap in the eyes of the local importer.
- 4- It is clear from the research a continuous increase in the total wages and salaries, and this increase was reflected in the increase in consumer spending for the Iraqi family.
- 5- In recent years, we notice an increase in the percentage of consumer spending out of the total wages and salaries, to reach (70%), which is a very high percentage, which reflects the high prices of necessary goods and services that the consumer cannot do without.
- 6- The Iraqi economy has suffered from a number of economic crises that have burdened it, including the recent crises, the war with terrorist organizations, the Corona pandemic, exchange rate imbalances, and the Russian-Ukrainian war, all of which were reflected in the deterioration of the Iraqi economy in general and the deterioration of the situation of Iraqi families in particular.

### **Authors Declaration:**

Conflicts of Interest: None

-We Hereby Confirm That All The Figures and Tables In The Manuscript Are Mine and Ours. Besides, The Figures and Images, Which are Not Mine, Have Been Permitted Republication and Attached to The Manuscript.

- Ethical Clearance: The Research Was Approved By The Local Ethical Committee in The University.

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## تحليل قنوات انتقال العبء التضخمي على استهلاك الاسر العراقية

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هذا العمل مرخص تحت اتفاقية المشاع الابداعي نسب المُصلَّف - غير تجاري - الترخيص العمومي الدولي 4.0  
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### مستخلص البحث:

اهتم البحث بتحليل العلاقة بين العبء التضخمي واستهلاك الاسر العراقية وذلك لأن التضخم يعد من اهم العوامل التي تؤثر بشكل مباشر على مقدار الاستهلاك، وإن الاقتصاد العراقي يعاني من ازمة تضخمية أى ارتفاع المستوى العام للأسعار (الفجوة بين الأجر والأسعار) والعراق يعاني من ازمة ارتفاع الأسعار والتي انعكست بشكل مباشر على مستوى استهلاك الاسر العراقية. اذا نلاحظ ارتفاع نسب الفقر وذلك بسبب ارتفاع أسعار المواد الأساسية والضرورية للمعيشة بالإضافة الى ضعف الإعانات المقدمة من الحكومة وبهذا يهدف البحث الى الخروج بجموعة من النتائج المفسرة لظاهرة العبء التضخمي، وتوضيح اهم القنوات التي تنقل العبء التضخمي الى الاسر العراقية، وبيان التأثيرات على المدى القصير والطويل ومحولة معرفة المتغيرات والأسباب التي أدت الى ظهور فجوة الأجر والأسعار. ومحاولة تحديد مشكلة الدراسة اذ إن الاقتصاد العراقي يعاني من مشكلة العبء التضخمي (فجوة الأجر والأسعار) مما إثر على المستوى المعيشي للأسرة العراقية، والذي انعكس على انخفاض الاستهلاك بسبب ارتفاع المستوى العام للأسعار وانخفاض القيمة الحقيقة للنقد، ومحاولة ايجاد الحلول والمعالجات التي يمكن ان تساهم في تحسين المستوى المعاشي للأسر والسيطرة على ضبط الأسعار.

### نوع البحث: ورقة بحثية\*

المصطلحات الرئيسية للبحث: التضخم، الاستهلاك، سعر الصرف، الأجر والرواتب، الإنفاق الاستهلاكي، الإنفاق الحكومي.