

Review Article

Exchange Rate Fluctuations and Change in Inflation Rates and its Impact on Economic Growth in Iraq for the Period (2010-2024)

Ayyed Jasym Abboud^{1*}, Yusra Rasim Jabbar²¹ Economics Department, College of Administration and Economics, University of Al-Qadisiyah, Iraq
e-mail: AYYED.JABBOOD@qu.edu.iq² Economics Department, College of Administration and Economics, University of Al-Qadisiyah, Iraq
e-mail: Yusra.Rasem@qu.edu.iq

* Corresponding Author: Ayyed Jasym Abboud

Abstract: The research aims to show the impact of exchange rate fluctuations and changes in inflation rates on economic growth, in terms of the impact of the increase in the amount of goods and services produced by a particular economy. The primary components of production—land, labor, capital, and organization—are used to create these things. Furthermore, the rise in the market value of the products and services generated by an economy over time is known as economic growth. As well as the impact on achieving a high growth rate of real per capita income during a certain period of time. Spatial boundaries were represented in the data published by the Central Bank - Directorate General of Statistics and Research. The time limits of the research were a continuous time series of fifteen years from (2010-2022) due to the availability of information and data on the variables of searching for the studied variables. The research reached several conclusions, the most important of which was that exchange rate fluctuations and change in inflation rates can affect the increase in real income and thus affect the livelihood of citizens and purposeful stability, through which societies are upgraded, as well as the impact on national income, planning, providing the necessary data and information, production of quality, providing appropriate technology and developing appropriate economic policies.

Keywords: Change in Inflation Rates, Economic Growth, Exchange Rate Fluctuations

1. Introduction

The ratio at which foreign currency is converted into domestic currency is known as the exchange rate. The number of financial components used to convert one component of local money into a distant one is known as the exchange rate. A significant way to affect how resources are distributed among economic sectors, how profitable export-oriented businesses are, and how much imported resources are.

Exchange rate fluctuations often occur, which affects economic growth. Where the exchange rate policies are one of the most important economic tools in the state, due to their impact on the variables in the Iraqi macro economy, the relative prices of the state's local prices increase in tandem with the increase in the exchange rate of its local currency, which led to a rise in the prices of its exports compared to the prices of imports of foreign goods, which resulted in a decrease in exports. As inflation rates exceed a certain high level, the impact of inflation on growth becomes negative. Inflation is a reason for individuals to exchange cash in the form of liquidity into interest-bearing financial assets, which leads to an increase in capital stock and economic growth, i.e. inflation exerts a positive impact on economic growth.

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Research Problem

The problematic of the education is the occurrence of fluctuations in conversation rates as well as a change in inflation rates in the economies of many countries, including Iraq, which can affect economic growth, which indicates an increase in the size of a country's economy over a period of time. The size of the economy is usually measured by the total production of goods and services in the economy, where natural resources, human resources, capital formation, technical development and the nature of the institutional structure in the country are the most important sources of economic growth.

The Importance of Research

The research's significance stemmed from the significance of its variables, which include how changes in inflation and exchange rates can impact economic growth by influencing the process by which real income rises steadily and cumulatively over time to surpass the rate of population growth while delivering social and productive services, safeguarding renewable resources from pollution, and preventing the depletion of non-renewable resources.

Research Objectives

The goal of the study is to demonstrate how changes in inflation and exchange rates affect economic growth by examining how an economy's increased production of goods and services is affected. The primary components of production—land, labor, capital, and organization—are used to create these things. Furthermore, economic growth is the gradual rise in the market value of the products and services generated by an economy. Additionally, the effect on attaining residents' livelihoods and purposeful stability, which improves societies' actual per capita income over a specific time period.

Research Hypothesis

The research is based on the basic hypothesis that there is a statistically significant impact relationship between exchange rate fluctuations and change in inflation rates and financial growing in Iraq for the old-fashioned (2010-2024).

Research Limits

Spatial boundaries were represented in the data published by the Central Bank - Directorate General of Statistics and Research. The time limits of the research were a continuous time series of fifteen years from (2010-2022) due to the availability of information and data on the variables of searching for the studied variables.

2. The Theoretical Aspect of the Research

Concept and Types of Exchange Rates

The ratio of exchanging a number of local currency units with a number of foreign currency units, as well as a mirror reflecting the state's commercial hub to the outside world, is known as the exchange rate. There are two ways to look at the exchange rate: First, how many units of local currency are traded for one unit of foreign currency. Through the relationship between imports and exports, this acts as a bridge connecting the local economy to the global economy. Second, the exchange rate is the quantity of foreign currency units that are equivalent to one unit of local currency [1].

The importance of the exchange rate's function in tying the local economy to the global economy is made clearer by the three markets—the asset, commodity, and factor markets—as well as by the macro and micro levels. The exchange rate establishes the real exchange market by determining the quantity of foreign goods required to purchase one unit of local goods, as its main objective is to accomplish the overall goals of internal and external balance. It also links the prices of local goods with their prices in the global market. Its only objective is to stabilize the country's currency's exchange rate relative to other currencies, which is the desired result. However, this may prove difficult to achieve because, similar to any commodity in a market with full competition, the conversation rate is wedged by a variety of factors that are dictated by the interaction between supply and demand [2].

By understanding global costs and prices, the exchange rate serves as a bridge connecting open economies to other economies. As a result, it achieves both internal balance, which is symbolized by price stability and economic growth, and external balance, which is represented

by the achievement of the balance of payments. There are various kinds of exchange rates, and the following points can help to clarify them: [3, 4]

1. The price of the foreign currency expressed in terms of the number of local currency units is known as the current nominal exchange rate.
2. Real effective exchange rate: The real exchange rate is a metric that quantifies how much a given currency's value has changed over time in relation to a number of other currencies.
3. The exchange rate used for currency exchanges with present delivery, wherein it is agreed to deliver currencies at the time of purchase, is known as the current and future exchange rate.
4. The price of one currency relative to another, their relationship to a third currency, and the point where these two currencies intersect with one another are all known as the cross exchange rate.
5. The adjusted exchange rate is the one that is connected to the actual balance of payments, which directly affects and is closely related to the value of the nation's imports and exports.

Exchange Rate Fluctuations and Factors Affecting Them

Exchange rate fluctuations refer to changes in the value of one currency compared to another over time. These fluctuations occur as a result of various economic, political, and market reasons. Exchange rate fluctuation is the term used to describe the exchange rate change between a common currency pair over a short period of time. The exchange rate directly affects the real economy through changes in export and import demand. The depreciation of the local currency increases the competitiveness of exports abroad and decreases the ability of imports to compete locally, leading to increased demand for locally produced goods [5].

Since it is commonly known that the exchange rate is frequently unstable, either up or down, due to a variety of factors, including monetary, financial, and other commercial factors, the state usually steps in to fulfill its role in stabilizing exchange rates, the livelihood of citizens, and purposeful stability. All of these elements have an effect on the status of the national economy, both directly and indirectly, through the imbalance in the balance of payments that results from exchange rate-related factors, through which societies are upgraded, as well as the impact on national income, planning, providing the necessary data and information, production of quality, providing appropriate technology and developing appropriate economic policies so the most significant influences touching the prices of Exchange is as follows: [6]

First: Monetary factors: These factors are as follows: [7]

1. Inflation rates: High inflation devalues a nation's currency, which is offset by high prices for goods and services in comparison to other countries. As a result, the balance of payments becomes unbalanced since imports will surpass exports.
2. Interest rate: An increase in the interest rate is thought to be a factor in the strength of the currency because of the close relationship between the interest rate and the currency rate. Conversely, high real interest rates will draw in foreign investment and boost the currency's value on foreign exchange markets.
3. Money supply: The money supply and exchange rate have an inverse relationship. A high money supply, which is represented by the amount of currency in circulation and bank deposits, causes exchange rates to decline. This is because inflation works in this way, lowering the worth of the native money and raising its conversation rate.

Second: Financial factors: These factors are as follows: [8]

1. Public expenditures: The second pillar of the nation's general cheap is community expenses, which should not be greater than community incomes in order to avoid a budget deficit. Budget deficits result when public spending exceeds revenue.
2. Public revenues (taxes): The percentage of exemptions offered by tax policy influences exchange rates by attracting foreign capital and encouraging investment, which raises request for the native money and, consequently, its exchange rate.
3. Government budget deficit: One of the most prevalent issues affecting economic stability is the budget deficit, which has an impact on the exchange rate's movement, particularly in developing nations.

Third: Real factors: These factors are as follows: [9]

1. National product: The national product, which is the total productivity of all the country's economic sectors, affects the exchange rate either favorably or unfavorably depending on whether it is fixed or flexible because increased productivity will result in higher exports.
2. level of service: The high rate of joblessness necessitates defence from industries that are imported into the nation. However, if monetary tightening has taken place in a country where citizens' livelihoods and purposeful stability are the main means of upgrading societies, it is impossible to avoid the impact of joblessness, even if it is provisional. Additionally, there are bad effects of monetary reduction in order to protect rival businesses due to the impact on national income, planning, providing the necessary data and information, producing high-quality products, and providing technology.

The Concept of Inflation Rates and Their Economic Effects

Inflation is measured as the rate of overall increase in the consumer price index by the Central Agency for Public Mobilization and Statistics (CAPMAS), which collects and analyzes prices of goods and services by allocating weights to each commodity and group. Tobin's conclusion is that inflation is a reason for individuals to exchange cash in the form of liquidity into interest-bearing financial assets, which leads to an increase in capital stocks and economic growth, meaning that inflation exerts a positive impact on economic growth [10].

1. The continuous rise in prices has effects on the livelihood of members of society and various aspects of economic activity, the most important of which are listed as follows: [11].
2. The impact of inflation on income: Inflation harms some segments of society while others, fixed income earners are certainly the ones affected by high prices, while those with incomes arising from profits benefit from businessmen, traders and others whose incomes rise by a greater percentage than the rate of price increase from the presence of inflation.
3. The effect of inflation on debt: As a result of the ongoing price increases, the debtor benefits from inflation while the creditor suffers because the debtor borrows money and later returns it at a lower real value.
4. The impact of inflation on the equilibrium of expenditures: The equilibrium of expenditures is negatively impacted by inflation because the country with high prices finds that its goods are less competitive when compared to those of other nations with lower prices.
5. The impact of inflation on economic growth: Uncertainty about future economic conditions brought on by inflation influences and delays investment decisions, as well as the motivation to save and employee productivity and enthusiasm due to the drop in real incomes.

In this section of the study, we address the definition, types, and consequences of inflation, a worldwide phenomenon that has affected both developed and developing economies. While there are numerous and varied definitions of inflation, one of the most well-known ones states that it is "a lot of money chasing a few goods." Alternatively, it is "the rise in prices due to an increase in bank credit or cash issuance [12].

As a result, prior definitions of inflation were based on the amount of money. However, given the global crisis and the ensuing political and social challenges, economic theory broadened the definition of inflation to include factors other than money, such as a shortage in the supply of goods. This is evident from the above: [13].

1. The movement of any dynamic moving process is called inflation.
2. Since inflation is a price movement, we reject any definition that relies on the creation of money because price increases are the primary phenomenon of inflation, and the issuance of new money in any form may be a contributing factor.
3. In the sense that inflation is explicitly defined as a continuous increase in prices that are dispersed throughout the national economy, the movement of prices is defined by continuity, self-permanence, and irreversibility.

The Relationship Between Exchange Rate Variations and Changes in Inflation Rates and Their Impact On Economic Growth:

In order to provide productive and social services, protect renewable resources from pollution, and prevent non-renewable resources from depleting, economic growth is the process of increasing real income cumulatively and continuously over a long period of time (a quarter of a century) so that this increase exceeds the rate of population growth [14].

A process known as economic growth occurs when real income rises steadily and cumulatively over a long period of time, surpassing the rate of population growth, while social and productive services are provided, renewable resources are shielded from pollution, and non-renewable resources are kept from being depleted. The term "economic development" has several definitions. According to a popular definition, it is the process of raising average per capita income at a rapid rate, as long as this isn't accompanied by a worsening of income inequality or a rise in poverty. within the neighborhood [15].

The rise in the quantity of goods and services generated by a particular economy is known as economic growth. The primary components of production—land, labor, capital, and organization—are used to create these goods. The rise in the market value of goods is another indicator of economic growth. Economic growth can be impacted by changes in inflation rates and exchange rates, as demonstrated by the following: [16].

Effect on GDP: that is, the effect on raising the overall market value of domestically produced goods and services.

1. Effect on gross national product: that is, the effect on output from economic sectors like industry, services, and agriculture, as well as rising incomes that accelerate trade and purchases.
2. Effect on the unemployment rate: the lower the rate of financial development, the lower the percentage of the workforce that is unemployed.
3. Effect on the National Consumer Price Index: This statistic represents the typical shift in the costs of consumable goods and services.
4. Impact on the balance of payments: This is a report that details the cash transactions that occurred between the nation and the rest of the world over a given time period.

3. The Applied Side of the Research

Indicators of Exchange Rate Variations in Iraq for The Period (2010-2024):

Because it affects the value of the indigenous money, the exchange rate is the most important factor in achieving equilibrium in the event of a particular imbalance in the balance of payments. Table (1) shows that the local currency exchange rate is also erratic due to specific issues that the nation occasionally faces, and the following table provides clarification on the indicators of exchange rate fluctuations in Iraq from 2010 to 2024:

Table 1. Exchange rate fluctuations indicators in Iraq for the retro (2010-2024)

Year	Auction exchange rate	Parallel exchange rate
2010	1170.00	1182.00
2011	1170.00	1196.00
2012	1166.00	1233.00
2013	1166.00	1232.00
2014	1186.00	1214.00
2015	1190.00	1228.00
2016	1190.00	1229.00
2017	1190.00	1200.00
2018	1190.00	1200.00
2019	1190.00	1200.00
2020	1460.00	1472.00
2021	1460.00	1475.00
2022	1554.00	1567.00
2023	1593.00	1503.00
2024	1570.00	1582.00
Average	1296.33	1314.20

Source: Central Bank of Iraq (2010-2024) Annual Bulletins, Directorate General of Statistics and Research.

It is clear from the upstairs bench that the average exchange rate of the auction for the period (2010-2024) was (1296.33), and the average parallel exchange rate was (1314.20). Where the Central Bank established a central official exchange market that undertakes the sale and purchase of foreign currency according to the market mechanism, as it was under the control of monetary policy and the imposition of its control and work on its stability in a desire for the economic growth of the country, then the country lived in the multiple exchange system where the exchange rates reached more than 13 rates, where the official rate of the exchange rate reached 3.2 dollars per Iraqi dinar and another official rate of 1450 dinars per dollar, and there was a parallel market for hybrid exchange composition dealing with rates Exchange of the Iraqi dinar, as that market was its leader in determining exchange rates according to the absolute or complete floating system of exchange, and because of all that, a distorted exchange system arose due to the different official pluralism, as the multiple fixed exchange systems represented support at unrealistic exchange rates for goods and services supplied and denominated in foreign currency There was difficulty in determining the exchange system, especially in economies that adopt the exchange rate fixed for their monetary policy, as it does not participate in the stabilization targeting inflation through the policy interest rate due to the absence of financial depth, which is happening in Iraq, so the Iraqi realistic exchange system being the basis for evaluating monetary policy and a system of exchange that stimulates stability livelihood of citizens and purposeful stability, through which societies are upgraded, as well as the impact on national income, planning, providing the necessary data and information, production of quality, providing appropriate technology and developing appropriate economic policies, so it has become difficult to harmonize the multiple fixed exchange systems that have been adopted, so the work of monetary policymakers to resort to a price system that suits developments The current and maintains the stability of the value of the local currency, livelihood of citizens and purposeful stability, through which societies are upgraded, as well as the impact on the floating exchange rate system managed to be the free exchange rate determined according to the mechanism of supply and demand and under the supervision of the Central Bank and for the success of this the Central Bank followed the policy of daily auctions for the sale and purchase of foreign currency.

Indicators of Change in Inflation Rates in Iraq for The Period (2010-2024):

In Iraq, core inflation tracks price changes that consumers pay for a basket of goods that some elements exclude volatile prices. Basic consumer prices in Iraq increased by 2.30% in November 2024 compared to the same month of the previous year. The indicators of livelihood of citizens and purposeful stability, through which societies are upgraded, as well as the impact on national income, planning, providing the necessary data and information, production of quality, providing appropriate technology and developing appropriate economic policies change in interest rate and inflation rates in Iraq for the period (2010-2024) can be clarified through the following table:

Table 2. Indicators of change in interest rate and inflation rates in Iraq for the period (2010-2024)

Year	Nominal interest rate	Real interest rate	Inflation
2010	9.750	7.350	2.400
2011	9.500	3.900	5.600
2012	9.500	3.400	6.100
2013	9.600	4.500	1.860
2014	9.400	4.400	2.240
2015	9.400	4.900	1.440
2016	9.200	5.300	1.460
2017	9.500	5.900	0.190
2018	9.100	5.700	0.400
2019	5.100	5.300	0.800
2020	9.500	5.900	0.190
2021	9.100	5.700	0.400

2022	5.100	5.300	0.800
2023	9.500	3.900	5.600
2024	9.500	3.400	6.100
Average	634.89	4.990	2.372

Source: Central Bank of Iraq (2010-2024) Annual Bulletins, Directorate General of Statistics and Research.

It is clear from the above table that the average nominal interest rate for the period (2010-2024) was (634.89), the average real interest rate was (4.990), and the average inflation rate was (2.372). The interest rate is the amount that is paid for a unit of time and is expressed as the cost of lending money and interest rates are measured by an annual percentage, which varies according to the characteristics of the loan in terms of maturity, risk and liquidity, and the state uses the interest rate tool when it finds it difficult to move the exchange rate to solve. If the country can use the conversation rate and attention rate together, it moves the interest rate to control the exchange rate, as in the United States. Iraq's average consumer price inflation was 1.6% in the ten years to 2022, lower than the MENA average of 5.4%. The average figure for 2022 was 5.0%. For more information on inflation, visit our dedicated page.

Indicators of Economic Growth in Iraq for the Period (2010-2024):

The International Monetary Fund provided a detailed assessment of the Iraqi economy, noting the challenges and opportunities that await Iraq in the future. According to the IMF, Iraq's economy contracted by 2.2% in 2022, but the outlook for 2024 and 2025 is more optimistic. The IMF expects the economy to grow by 1.4% in 2024 and 5.3% in 2025. The indicators of economic growth in Iraq for the retro (2010-2024) can be illustrated finished the following table:

Table 3. Economic growth indicators in Iraq for the period (2010-2024)

Year	GDP billion dollars	GDP per capita USD	Economic growth rate
2010	135.50	4487.00	8.00
2011	180.50	5839.00	3.00
2012	212.00	6650.00	6.00
2013	232.50	6882.00	2.00
2014	223.00	6420.00	9.00
2015	172.40	4900.00	8.00
2016	172.20	4940.00	6.00
2017	207.00	5602.00	9.00
2018	231.00	6086.00	3.00
2019	254.00	6528.00	3.00
2020	276.00	6922.00	8.00
2021	236.60	1391.00	7.00
2022	250.10	1849.00	6.00
2023	265.10	2350.00	5.00
2024	288.80	2125.00	7.00
Average	222.45	4864.73	6.00

Source: Central Bank of Iraq (2010-2024) Annual Bulletins, Directorate General of Statistics and Research.

It is clear from the above table that the average GDP of one billion dollars for the period (2010-2024) was (222.45), the average per capita GDP was (4864.73), and the average economic growth rate was (6.00). The year 2024 witnessed significant economic developments in relations with international institutions. Starting with the International Monetary Fund, which on May 16 predicted that Iraq's economy would grow by 1.4 percent in 2024 and 5.3 percent in 2025. The IMF also pointed to the widening of the Iraqi budget deficit to 7.6% in 2024 compared to 1.3% in 2023. According to the IMF report, the high demand for natural gas and crude oil around the world is what caused Iraq's economy to grow at a rate of 9.3%. With an average daily production of 4.6 million barrels, of which approximately 3.3 million barrels are exported under normal circumstances, Iraq is a major exporter of crude oil and the

second-largest producer in the Organization of the Petroleum Exporting Countries after Saudi Arabia. The report also discusses the impact on national income, planning, providing the necessary data and information, producing high-quality oil, providing appropriate technology, and developing appropriate economic policies. After the International Monetary Fund revealed that the growth rate for this year is the highest in the history of Iraq. The Iraqi economy went through two cycles that witnessed a sharp reversal in economic growth, pointing out that the first was at a negative level in 2020 when the GDP reached (-11%) and then moved to the positive level. And that the positive growth is estimated at about 9.3% in the first influential cycle, which he described as the oil assets cycle, which was represented by an increase in the quantities of Iraqi oil produced by more than one million barrels per day, which contributed to raising the rate of oil production to about 4.6 million barrels, in addition to the increase in crude prices by more than 33% compared to last year. Through the growth of exceptional activity in the sectors of transport, digital economy, housing and construction, and the accompanying strong engines in reconstruction, the "Central Bank of Iraq" adopted a credit facilitation policy in support of the housing and construction sector, and granted loans to the youth, industry and agriculture initiative, which approached \$ 15 billion. After the International Monetary Fund revealed that the growth rate for this year is the highest in the history of Iraq. The Iraqi economy went through two cycles that witnessed a sharp reversal in economic growth, pointing out that the first was at a negative level in 2020 when the GDP reached (-11%) and then moved to the positive level. And that the positive growth is estimated at about 9.3% in the first influential cycle, which he described as the oil assets cycle, which was represented by an increase in the quantities of Iraqi oil produced by more than one million barrels per day, which contributed to raising the rate of oil production to about 4.6 million barrels, in addition to the increase in crude prices by more than 33% compared to last year. Through the growth of exceptional activity in the sectors of transport, livelihood of citizens and purposeful stability, through which societies are upgraded, as well as the impact on national income, planning, providing the necessary data and information, production of quality, providing appropriate technology and developing appropriate economic policies. digital economy, housing and construction, and the accompanying strong engines in reconstruction, the Central Bank of Iraq adopted a credit facilitation policy in support of the housing and construction sector, and granted loans to the youth, industry and agriculture initiative, which approached \$ 15 billion.

Testing The Research Hypothesis and Finding Correlations and Impact Between Exchange Rate Fluctuations and Change in Inflation Rates and Economic Growth in Iraq for The Period (2010-2024)

The value of the correlation coefficient (Pearson) between the research variables can be explained as follows: correlation and impact relationships between exchange rate fluctuations and changes in inflation rates and economic growth in Iraq for the period (2010-2024) are found in order to test the hypothesis of the current research:

Table 4. The value of the correlation coefficient (Pearson) between the search variables

Correlations				
Details		exchange rate fluctuations	change in inflation rates	economic growth
exchange rate fluctuations	Pearson Correlation	1	.887*	.872*-
	Sig. (2-tailed)		.000	.000
	N	15	15	15
change in inflation rates	Pearson Correlation	.887*	1	.902*-
	Sig. (2-tailed)	.000		.000
	N	15	15	15
economic growth	Pearson Correlation	-.872*	.902*-	1
	Sig. (2-tailed)	.000	.000	
	N	15	15	15

As can be seen from the above table, there is a strong inverse correlation between the exchange rate fluctuation and economic growth variables (correlation coefficient of 0.872), a strong inverse relationship between the change in inflation rates and the economic growth variable (correlation coefficient of 0.902), and a strong direct correlation (correlation coefficient of 0.887) between the exchange rate fluctuation and the change in inflation rates variable. The following table illustrates how the impact relationship between the research variables can be tested:

Table 5. Impact relationship test between research variables

Independent variables	Model summary		(ANOVA)			Coefficients		
	R	R ²	F	Sig.F	Dependent variable	%i	T	Sig.T
exchange rate fluctuations	-0.872	0.760	9.671	0.05	economic growth	5.269	5.288	0.05
change in inflation rates	0.902-	0.814	10.451	0.05		6.132	4.913	0.05

Source: Prepared by the researcher.

The correlation coefficient between the variables of exchange rate fluctuations and economic growth has reached -0.872, as can be seen in the above table. This suggests that there is an inverse relationship between the two variables, and the coefficient of determination R² (0.760) explains 76% of the variation in exchange rate fluctuations. The value of F (9.671) at the level of (0.05) confirms the significance of the decline, meaning that a 1% increase in exchange rate fluctuations will result in a 5.269% decrease in economic growth. Additionally, it is observed that the correlation coefficient between the variables of change in inflation rates and economic growth has reached -0.902, indicating an inverse relationship between the two variables. The coefficient of determination R² value of 0.814 explains 81.4 percent of the variation in the change in inflation rates, as the value of F (10.451) at the level of (0.05) confirms the significance of the decline. Therefore, a 1 percent increase in change in inflation rates will result in a 6.132 percent decrease in economic growth.

Particularly following the enactment of the Central Bank's independence law, the Central Bank of Iraq employed its monetary tools to preserve the value of the Iraqi dinar. One such tool was the currency window, which it used to keep the exchange rate stable. Through its tools, the Central Bank was able to reduce the rate of inflation in the Iraqi economy, especially the currency window, and Iraq did not rely on the foreign exchange market in the Iraqi Stock Exchange as well as in the Central Bank for currency trading against the Iraqi dinar.

4. Conclusions

In conclusion, exchange rates play a crucial role in connecting an open economy to the global market, influencing external and internal balance by stabilizing the balance of payments and supporting economic growth and price stability. Exchange rate fluctuations, driven by various market, political, and economic factors, directly impact the economy through changes in import and export demand. Inflation, measured by the consumer price index, also affects economic conditions as it influences investment decisions, saving behavior, and worker productivity due to the decline in real income. Changes in inflation and exchange rates can impact real income growth, quality of life, and national stability, which in turn affects national income and the formation of effective economic policies. Therefore, these interconnected factors are essential for ensuring sustainable economic progress and stability.

5. Recommendations

1. To improve the nation's external circumstances, economic policies that lessen inflation and exchange rate swings and encourage constant remittance flows through authorized channels are being developed. Additionally, strive to increase the worth of the local money while maintaining the objective of internal stability, avoiding a secure conversation rate, and being realistic enough to take supply and demand into account.
2. Working on the development of other economic sectors and not relying only on the oil resource for exports while creating a state of balance between the two sides of the balance

- of payments, improving the efficiency of the productive apparatus to keep pace with the total demand for exported goods, diversifying the structure of trade exchange in exports, and finding alternatives to local imports to reduce the depletion of foreign exchange.
3. In order to prevent anticipated shocks and adopt a more flexible exchange policy, the local currency's exchange rate will now be linked to a basket of foreign currencies rather than just one currency, like the dollar, for example.
 4. Finding platforms for currency trading based on a number of currencies with the Iraqi dinar is necessary. These platforms must be either part of the Central Bank of Iraq or the Iraq Stock Exchange and compute a unique index at the conversation rate of the Iraqi dinar in contradiction of foreign moneys, which is determined by the foreign exchange market's daily trading.
 5. As required by law, the Central Bank of Iraq's independence must not be cooperated, so long as its goals align with those of the Iraqi state as a whole. Additionally, a general framework for integrating the Central Bank's monetary instruments with fiscal policy financial tools should be developed in order to stabilize the Iraqi dinar's exchange rate and manage inflation rates.

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