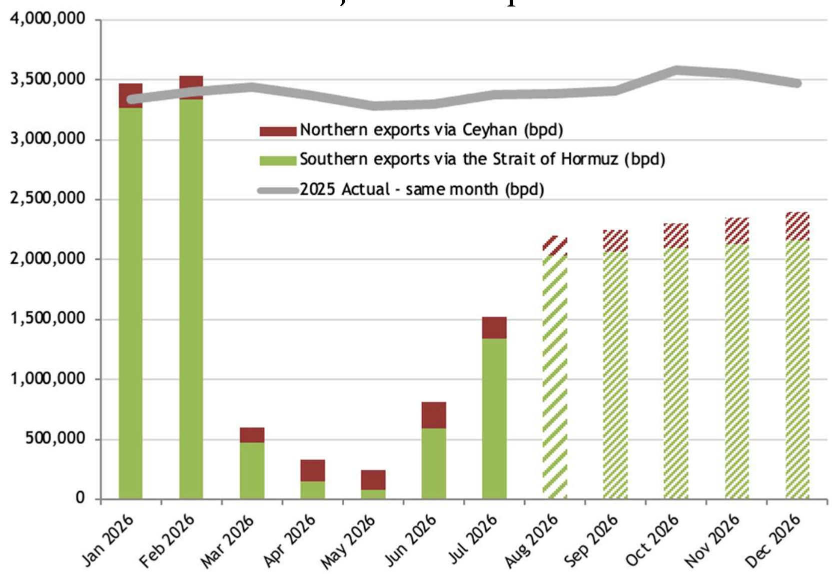
"Oil Exports Recover to 60% of Pre-war Levels"
Ahmed Tabaqchali, September 4th, 2026

The market, as measured by the Rabee Securities U.S. Dollar Equity Index (RSISX USD Index), ended August down 2.4%, trimming its year-to-date gain to 7.9% – which follows a three-year increase of 224.5% through end-2025.

The month also marked the recovery of regional oil exports through the Gulf to about two-thirds of pre-war levels, thus limiting the impact of the initial closure of the Strait of Hormuz for the region's oil exporters. In Iraq's case, the recovery of both its southern exports through the Strait of Hormuz (green bars in chart below) and northern exports via Türkiye's Ceyhan port on the Mediterranean Sea (maroon bars in chart below) took the combined exports to 60% of pre-war levels. As long as the current U.S.-Iran no-peace/no-war stalemate continues, the recovery's momentum is unlikely to take exports to much higher percentages of pre-war levels; nevertheless, exports are likely to improve incrementally over the next few months.

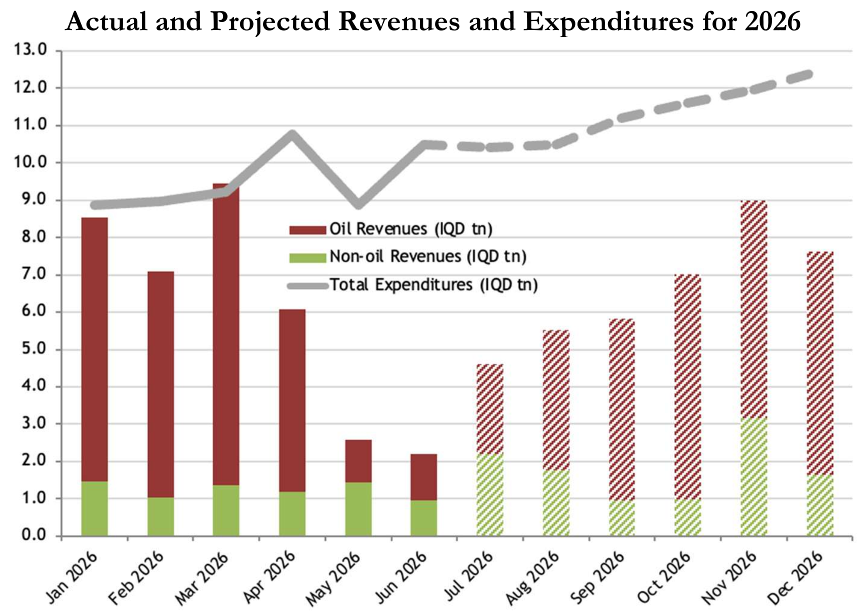
Actual and Projected Oil Exports for 2026



(*Note: * January-June are actual figures from the State Oil Marketing Organization (SOMO), July is based on data from the Iraq Oil Report (IOR), August is an estimate, while September-December are projections*)

The two-month lag between oil exports and the receipt of their revenues** means that full oil revenues from the August export recovery will not be felt until October (chart below) – in much the same way that the revenue shock from the Strait of Hormuz's closure was not felt immediately, as asserted at the time in "Market Reaches All-Time Highs as War Rages". Somewhat mitigating the sharp drop in oil revenues of the last few months, and the reduced revenues from projected oil exports, is the sharp recovery in non-oil revenues that benefited from the implementation of the new automated customs tariff system at the end of 2025. In January-June, non-oil revenues amounted to Iraqi dinars (IQD) 7.4 trillion, which was 50% higher than in the same period of the prior year. Nevertheless, even if this growth continues for the rest of the year, non-oil revenues cannot fully make up for the sharp drop in oil revenues; thus, the year's projected deficit will be much larger than in recent years.

The budget deficit was funded in the last few months – and will continue to be funded for the rest of the year – by a combination of tight cost controls and the issuance of domestic debt, in the form of treasury bills (T-Bills). The silver lining, as asserted in "What Next after a Gangbuster Three-year Rally", is that this much increased need for sovereign debt will play a big role in developing the country's bond market, which will ultimately bring with it "bond market discipline" that has the potential to correct the structural imbalances between current and investment spending that were perpetuated in every budget over the last two decades.



(*Note:* * *January-June are actual figures sourced from the Ministry of Finance, July-December are projections*)

Notwithstanding the positives of the recovery in oil exports, considerable risks remain for Iraq's economy and its equity markets. The pause in the tit-for-tat attacks between the U.S. and Iran could collapse, starting a conflict that could escalate well beyond the control of the protagonists and their proxies, and become an all-out regional war – with severe consequences for Iraq.

Notes:

(*) Projections for oil exports assume incremental month-over-month increases from August's estimated levels. Blended oil prices for southern oil exports assume a discount of $25 per barrel (/bbl) to Brent crude futures prices, while blended oil prices for northern oil exports assume a premium of $1/bbl to Brent crude futures prices (futures prices as of 27-Aug-2026; September reflects a blend of actual and forward pricing). Projected non-oil revenues assume continued growth, but at moderating rates from those experienced in the first half of the year. Projected expenditures assume continued cost controls; each month's projected expenditures are based on a three-month average of the preceding months' figures and include estimates for oil capital expenditures that were not made in the first half of the year.

(**) Based on an ongoing review of historical oil exports as reported by the Ministry of Oil and oil revenues as reported by the Ministry of Finance, a two-month lag is the best single overall fit, but for detailed work in Excel, a better fit is a split of 44% same-month and 56% two-months-prior exports, reflecting the mix of cargo payment terms.