Determinants of Oil Prices during the Pre-and Past Covid-19

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Abstract

The aim of this paper is to analyze the effect of financial and political crises on oil prices in an oil-production country (Iraq) before and during the covid-19. In order to do this, the data that used in the project is secondary data, taken from Iraq's and global formal sources that publish oil prices and the changes that occur In this research, we have relied on two types of data, which are the annually changing oil prices and the domestic and foreign economic crises that affect oil prices directly. We performed analyzes of this data using a data analyzer Least Squares, The result of data analysis shows that the crisis affects oil prices(-19.17706) percent. At the end of the research, we proposed several solutions to reduce the amount of the economic crisis, and we can focus on them in the event of any economic crisis due to oil.

Keywords: *Financial Crisis, Covid-19, Oil Price Volatility, IRAQ*

Introduction

Over the last century, important and revolutionary changes had happened to the modern life of humans and the way organizations, companies and corporations operate. Technology and industrialization had been major determinants of the shifts in the market and economy on a national and an international level (Shiller, 2000). The oil industry, for sure, had gained great attention from big countries. Thus, the discovery of oil as a primary source of energy changed the strategies and mechanisms of the international market. In addition, the business environment today is unforeseeable whereas many new developments contribute to it. The oil industry played a big role in easing up the process of globalization and a single market. Many countries rich in these resources benefited from oil natural resources to build up their economy and place themselves next to a developed country (Bhar & Nikolova, 2010). Larger countries, on the other hand, play a role in their demands on oil and its transport. Therefore, a system has been made in which both countries that provide oil and those that buy it depend on each other equally. The oil and gas history was historically determined and controlled by national policies and trade strategies. However, globalization progressed rapidly and speeded up the diffusion of strategies adopted by different countries. It is safe to say that over the last two decades the oil and gas business has gained a stronger financial focus on the basis of changes in globalization (Mohn & Misund, 2009).

Investment in the oil and gas industry has become uncertain today. There are continuous growing mistrusts between the big countries whose decisions and policies make big changes in the oil industry. There have been major collapses in the price of oil several times such as the price collapse in 1998. Towards the end of the decade, the oil industry focused on strengthening its foundations, increasing products, cost-cutting, and speeding up transport in short-term profitability strategies (Antill & Arnott, 2002).

Iraq as one of the conflicted areas of the Middle East is found to have massive oil resources. The history of finding oil goes back to the last century. Since then many foreign companies from different countries have made big deals with Iraq's government to have a role in the extraction, production, and transport of oil. Advances in technology have not left the country behind, but with time, Iraq became more dependent on its oil market. The strategies of the country to build up a strong economy are built upon the oil and gas industry. Since the oil industry is shortly profitable and is uncertain, Iraq's national economy has become vulnerable because any falls in the price of oil in the international market will lead to the downfall of its economy. In addition, after the discovery of oil, Iraq has neglected other important sectors like agriculture, transport, banking, and small businesses. The entire country waits to become employed by the government. Therefore, whenever there happens a change to the price of oil, every family will be affected. The problem with the vulnerability of Iraq is the fact that it is not politically strong enough to determine the price of oil in the national market, meanwhile, big countries who do not singly base their economy on the oil market but rather have big shares in it can easily determine the fate and price of oil for years and even for decades ("Impact of Oil Price Fluctuations on Human Development: A Standard Study of Iraq," 2018).

There has been a long going argument on whether the benefits oil industry to Iraq is strong enough to outweigh the damages made. Many citizens of the country believe that oil resources have been a curse on their lives and have brought them no good except for conflicts and foreigners. The government, on the other hand, does not give mind and attention to the demands of the people. An increase in the number of employees and orienting life towards the oil business may have been a good strategy to elevate the quality of life in the country. People in urban areas and villages migrated and moved their houses to the cities; therefore, the agricultural sector got abandoned. People who used to have small businesses also became employees of the government and their small businesses were replaced by foreign investors. Meanwhile, the national production industry also fell down because products from the neighboring countries were imported in massive numbers. With all these going on and when the price of oil was at the peak, conflicts and terrorism would not leave the country making it more unsafe and vulnerable.

Disruption in the government towards the oil production and its transport has also caused big damage to the country. People of Iraq have always complained of disruption and blurred clarity in what happens to the money earned from oil. Looking at the other countries of the Middle East, it is a matter of fact that oil can change a developing country to a developed one. However, the government has not paid attention to improve the life of people, reconstruct the roads, build large markets, and improve health and education systems, and so on. Therefore, the country is now delicate and the people are suffering from poverty (Palley, 2004).

Iraq has gone through economic, security crises, and tourism has led to deterioration in the economic situation. It is considered the source of the Iraqi economy, and the reason for Iraq's political weakness. Oil is exposed in Iraq economically, and not only the crises inside and inside it also had a clear role. In 2003 the global demand for oil increased, clinics at prices Oil peaked in 2004, and returned to the same level in 2005 (Mert, 2016). The cause of this crisis is the "global financial crisis".

After the crises of 2007-2008 Iraq's economy was stable until the 2014 when ISIS attacked Iraq. Moreover, the crisis of ISIS had a major effect on Iraq's economy and many consequences. For instance, the production of oil was decreasing which eventually leads to decreasing in the price of oil. (Abdullah, Majeed, & Ahmed, 2019)

KRG Iraq has a share in the Iraqi economy because most of the oil refineries are in the northern regions and because of the political events that began in 2014 to the present day, these events greatly affected the Iraqi economy. The region's crisis led to problems inside and outside the region, to deductions in salaries, even trade between the region and foreign countries.

From the onset of the global COVID-19 pandemic, it has been crystal clear that the oil and gas industry will be affected and there will be significant worldwide changes. The chain reactions have created an unstable market very vulnerable to changes in political and strategical adoptions. Companies that invest in the oil and gas industry are in the midst of a two-ended crisis today; the war in oil price and the COVID-19. The demands for oil and gas have reduced because large companies and industries are shut down during this pandemic, and due to slow down in other sectors that were based on the oil production. Big companies respond to the pandemic by cutting their capital and operational costs, which will equalize and reflect in the suppliers of oil services. It believed that the COVID-19 pandemic will have potentially long-term effects on all oil, gas, and chemicals companies and countries will have to find alternatives methods of obtaining energy that is more cost-effective meanwhile keeping long-term relationships with oil and gas suppliers. Finally, to take practical steps to save the national and international economy (Understanding the Sector Impact of COVID-19, 2020).

Throughout this paper, the different aspects of oil and gas industry will be discussed in detail including the major and minor determinants and the impacts of COVID-19. In addition, the important changes in strategy that needs to be adopted by Iraq will be discussed in order to save its falling economy.

Research Problem

The relationship between oil prices in Iraq and global and internal crises is needed to be investigated more and more. There are studies to analyze crises, this thesis seeks to analyze the crises that directly affected Iraqi oil prices. This research, in researcher's opinion, will help focus more on developing long-term plans in the event of expected or unexpected crises, in order to avoid crises that directly affect the Iraqi economy, and everyone knows that the economic situation is in constant deterioration.

Research Objective

The aim of this research is to verify whether there is a direct impact of the global and internal crises on the oil prices in Iraq in previous years, using data on oil prices as well as the total annual production.

Research Hypotheses

The following hypotheses have been empirically tested to answer the research question:

H0: there is no relationship and impact of financial crisis on oil price.

H1: financial crisis has negatively and significantly impact on oil prices.

Literature Review

The Price of Crude Oil and its Relationship with Global Financial Crisis

The topic of this study indicates that the production of oil and price of oil affects most if not all aspects in every country, especially affects the economy and finance of the country. This study focuses on Iraq, because Iraq is one of the countries that lives entirely on oil and financial crises happen in the country every now and then.

The topic of the discussion to be concerned about, is either the government's attitude with production and price of oil that lures the country into a periodic financial crisis, or is it the instability of oil's price in the world that affects every country and in particular to this case, (Iraq) as it fully depends its economy on the demand of oil in the world.

There are numerous conducted studies on production of oil and its price, and financial prices. But in this literature review several relatable topics of research and papers to our topic have been highlighted. They have been explained in a general way below;

Crisis in General

A crisis is what puts everyone in the world into difficult situations. Every country has suffered due to multiple types of crises. But, they have survived. Since human beings are survival creatures and they do not give up in difficult situations. There are many types of crises such as technological crisis, natural crises, financial crises and they all have their own consequences, in this study, I have mainly focused on financial crises and its relationship to the price of crude oil.

When it comes to description of crisis, the fundamental complication arising is the how and the means behind it. It is best described as the economical suffering which is very serious to a degree that causes a significant fall down of the majority of the capital inside the entity (Allen & Galle, 2007).

A crisis in bills and currency is best framed in the description as an imposed switch in the uniformity, neglecting of a fixed rate of exchange or an international rescue. The next complication lies in the quantification of the crisis's life span as of how long. To gain the capability of doing that, one needs to calculate the Gross Domestic Product GDP's rate of trend for at least the five years earlier. The time scale of a crisis, in other words, the exact "period" of a crisis, is the time span prior to the comeback of the gross domestic product GDP's value to the trend rate. At last, sizing the profundity and the drop of the crisis's depth is computed through casting up the output loss corresponding to trend of the crisis's same span (Allen & Galle, 2007).

There are three types of phenomena in the terms of crisis. Circle of Crisis of Banking and circle of crisis of currency. And we have the intersection of the two circles referred to as the twin crisis. These sorts of crises have happened and come to existence in numerous dissimilar and unlike monetary and regulatory authorities. In the 1.2 centuries past, we have seen crises that have been accompanied with economic fall down that have been on for about three years, and they have cost approximately five to ten percent of the total gross domestic product value each time (Allen & Galle, 2007).

As for the Twin crisis being in the intersection circle of the other two, is familiar and recognized with their big amount of output loss. In case of recessions, having depressions and downfalls with crisis are always more dramatic and more seriously harmful than without them (Allen & Galle, 2007).

Global Financial Crisis

A financial crisis is not a simple incident in which a downfall takes place and results in a crisis in finances. It is more of a mixture and a combination of events together with important details like sizable switches and changes in credit volume and asset values, grave disturbance in financial intermediation, external financing contribution, extensive balance sheet difficulties, and the lnessisation of large scale support from the government (Claessens, Kose, Laeven & Valencia, 2013).

However, these events can be brought to happening on numerous different grounds and by a variety of elements and factors, financial crises are often led by credit and asset blasting that afterwards switch into down draws. In consequence to that, numerous speculations and theories that are on the matter of finding the birthplace and origin of a financial crisis have acknowledged the significance of steep maneuvers in the markets of asset and credit (Claessens, Kose, Laeven & Valencia, 2013).

Regardless of where, how and any other background formulas affecting it, financial crises have repeated and frequent grounds, but also, they appear in multiple shapes and structures. A financial crisis is usually recognized and accompanied by one or more of the phenomena that are laid below: considerable swap in volume of credit and values of assets, critical disturbance in financial intermediation and providing of external financing to numerous different features in the economy, immense problems in balance sheets (either of firms, households, mediator financials, and sovereigns), and when mentioning extensive government support and help, meaning in the shape of liquidity support and recapitalization). Most of the time, it is extremely difficult to successfully identify and characterize a financial crisis, due to the variety of dimensions it acquires and the complexity it possesses, in terms of events (Claessens, Kose, Laeven, & Valencia, 2013).

The Price of Crude Oil

The globally known phenomenon of pricing is characterized by levels of supply and levels of demand. Basically when a demand is high for a product, that product's price rises proportionally with it, and vice versa. The same scenario applies for supply, but in reverse. Meaning if supply is low, the price goes up in return and vice versa (Bencivenga, D'Ecclesia, & Triulzi, 2012).

However, this is not always the case for oil prices. The significance of oil prices might also be increased due to the reality that other forms of energy like coal and gas mainly, and to smaller length electricity, are all proceed sometimes in order to engage with oil and compete in turn. And this is so that prices of oil become dependent on a variety of factors in the market (Bencivenga, D'Ecclesia, & Triulzi, 2012).

Among all product markets in the entire world, the unpurified oil known as the crude oil, is the largest market of all. Also, the benchmark crudes are a central feature of the oil pricing system. With this being said, the unpurified oil, the crude oil's rise and fall of price affects the world's economy in a great scene. Also, the sudden movements in the oil price, the shock prices possess many significant implications to the international stock market in terms of asset allocations and portfolio risk management (Bencivenga, D'Ecclesia & Triulzi, 2012).

To be more accurate, there are precisely nine sectors that show statistically great and important relation with oil-features return distribution and industry excess return (Mensi, 2019). Prices of oil in the markets are all exchanged with American dollars, internationally. Because of this any potential change in the rate of dollar exchange affects the perceptive price by the buyers and consumers, also producers of oil and/or products that are related to oil (Roubaud & Arouri, 2018).

In the Figure 1 below, oil price is presented over seventy years of time. The graph is full of fluctuations. Full of up rises and downfalls over the 70-year period. As it can be observed below from the graph, oil price has seen a significant stability before the year 1970 as it has not taken any up rises critical enough to show any steep movements in the graph. But when you move forward forty years in the graph, the maneuvers in the price are dramatically switched. Many obvious factors are behind such distresses and the most obvious one was the appearance of ISIS entrance into the market. ("Crude Oil Prices - 70 Year Historical Chart", 2021).

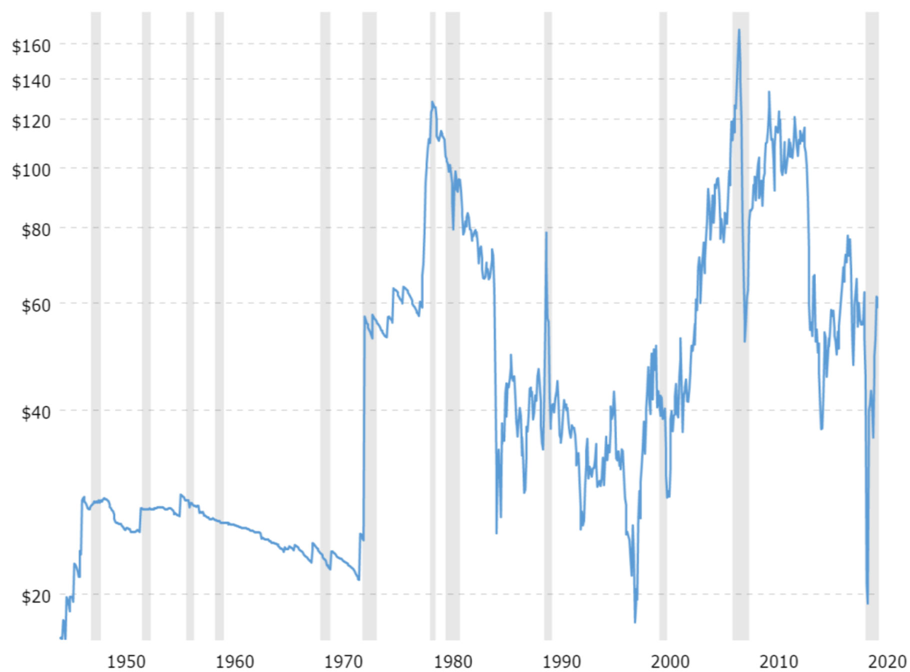

Figure 1 70 years of crude oil price ("Crude Oil Prices - 70 Year Historical Chart", 2021)

The Relationship between the Price of Crude Oil and Global Financial Crisis

Changes in oil prices frequently give a grave distress to policy makers in the globe due to its significant negative impacts and effects on the economy of the world. As a result, investors have changed their views and approaches towards keeping their investments in gold as another alternative to investing in oil and stocks. There are many links between gold and oil channels that close them to each other, but the clearest and bold one is through inflationary stocks (Yaya, Tumala & Udomboso, 2016).

There are a numerous and variety of researches and papers regarding the factors that possess impacts on oil prices in the market. According to oil prices and the financial crisis study; oil prices escalate with respect to variables of economy and finances. This study considers investigations of Hamilton 2009 that focused their thoughts on the macroeconomic fundamental role against predictions of economic theory (Bencivenga, D'Ecclesia, & Triulzi, 2012). Hamilton inspected three major ways in his study, which were demand supply, statistical regularities of prices and predictions of economic theories. These three ways significantly affected oil prices and were of Hamilton's findings. He discovered three key features that were initial pressure points of affecting oil prices. At the same time, triggers of commodity speculations. The three elements are, low price elasticity of demand, strong growth in demand from emerging countries and failure of global productions to increase (Bencivenga, D'Ecclesia, & Triulzi, 2012).

According to the Impact of the global financial crisis on the crude oil market study, the global 2008's financial crisis focused mainly and significantly impacted on crude oil prices. The crisis that happened in 2008 in Housing market in the United States, the bubble that was formed on the US market by the housing supporting banks, did not only crash the Market of Housing, but also had a butterfly effect on the entire world's economy and market. It was ripped out to the entire finance of the world (Joo, Suh, Lee, & Ahn, 2020). In turn, this global financial crisis made the price of crude oil fluctuate on a daily basis. Maneuvered up and fell down sharp in the times and also after the global financial crisis. From July 2008 the price of one barrel of oil fell from the peak by 80%. It fell to 30.28 USD per barrel for five consecutive months. Oil is a source of energy for the entire world (Joo, Suh, Lee, & Ahn, 2020).

Technology and industries around the globe depend on oil to continue functioning. A sudden drop in the market at any time is a great penalty and hits the world economy very critically. Late studies about the market have explored immensely about crude oil market's properties like, the efficiency, long term equilibrium, and collective phenomena post GFC period (Joo, Suh, Lee, & Ahn, 2020).

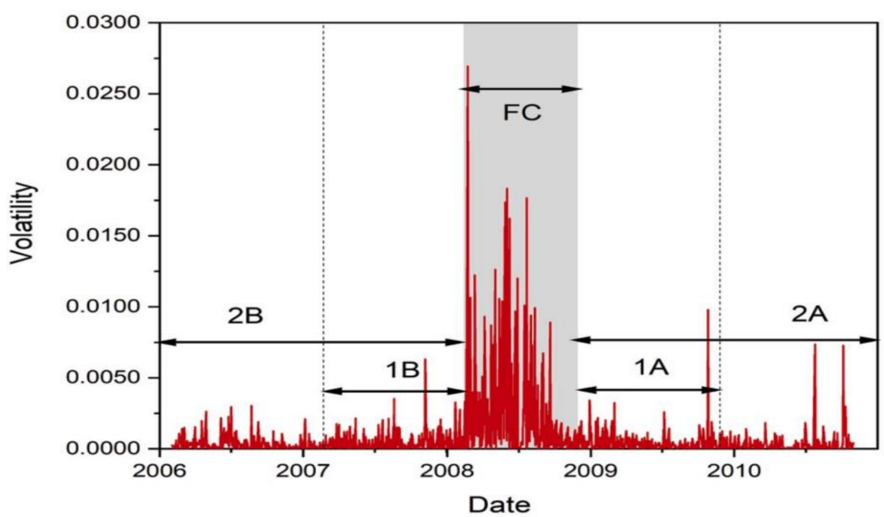

Figure 2 Volatility and Financial Crisis (Joo, Suh, Lee & Ahn, 2020)

Figure 2 shows the volatility of the WTI prices (long scaled) versus the, the time span varying. The area in the middle shaded shows the financial crisis length, as clear and obvious as it can be, during the time of the crisis the volatility fluctuations are going up and falling down rapidly and continuously. As for the lines in the right and left of the shaded area, indicate the average volatility for each period (Joo, Suh, Lee, & Ahn, 2020).

The mechanism of pricing has switched due to the multiple macroeconomic outer shocks that in turn have changed the psychology of market participants' presumptions. And because of this the oil market has become yet more insatiable overall. The global economic depression and down turn cause a steep drop in commercial unpurified oil trading. Meanwhile on the other hand, the non-commercial trading made an overflow (Joo, Suh, Lee & Ahn, 2020).

To conclude in a nutshell, financial crises and the price of crude oil are two elements that are interconnected to a very deep level. Any occurrence of any financial change, affects the price of a crude oil exponentially. Any change in price of oil, going up in the chart or falling down in a maneuver, impacts the status of the entire world's economy and finance.

Methodology

Participants

In this outlines the methodology used in thesis to assess the relationship between global crisis and oil price. The range of the study covers the period from 2004 to 2020. In this thesis, we discuss the impact of crisis on the rest of oil price. Due to the continuous and unexpected changes that have occurred in Iraq in the years 2004-2020, these disasters have affected the security situation and the economy in particular, and the Iraqi economy is completely dependent on "oil". For this reason, it is interesting to study the continuing effects of these crises on oil prices. For doing this study we have used secondary data, oil price data and crisis data.

In every research they have to use data to analyse it and take the result to make best solution for the problem. Each research has a data collection method. Because of this we have two types of data (primary data) and (secondary data), primary data that data they are already collected by the personal experiences. The data is collected through, surveys, interviews, case study (Surbhi, 2020). The second types of data's that we have used in this research is secondary data, this type of data it means second-hand information, this data is all already collected.in this promptly accessible shape of information collected from different source like censuses, government publications. (Surbhi, 2020).

Procedure and Measure

In order to achieve research objective secondary data has been collected, because in this research, certified and correct data must be used from official and documented government websites (The data collected from three documented government websites (SOMO and makingpolicies.org). There are two variable financial crises and oil price on of them is independent (financial crisis) and the other variable depended (oil price). Based on the results of the research, there are several crises that affected oil prices, including the global crisis that occurred in 2008, and in 2014 until 2016, Iraq was affected by two successive crises, including ISIS and the economic crisis in KRG, and the last crisis is the COVD-19.

To achieve research objective, eviews9 was used as an econometrics program. EViews is a statistical analysis used by financial analysts, economists, and policy analysts (Brochure, 2015).

First of all, we have to test (Unit root test), the unit root test is a test of stationarity in a time series. If the time offset does not cause the shape of the distribution to change, then the time series has stationarity; the unit root is one of the causes of instability (Stephanie, 2016).

Second test was Co-integration, Counteraction deals with common behaviors of multivariate time series. In practice, it often happens that each individual component of a multivariate time series may be non-stationary, but some linear combinations of these components are fixed. Counteraction studies the effects of these combinations and the relationship between the various components (Chan, 2001).

The third type of test was least square. It was used to determine the most suitable line for a set of data and visually demonstrate the relationship between data points. Each point of the data represents the relationship between the known independent variable and the unknown dependent variable (Kenton, 2021).

Data Analysis

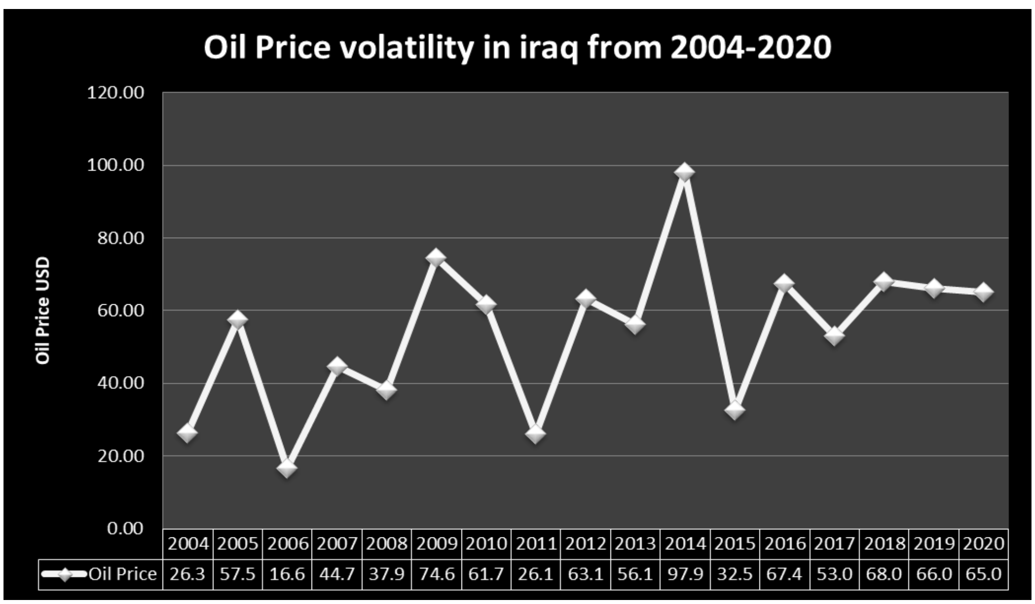

Figure 3 Table Oil Price Volatility in Iraq from 2004-2020

According to the oil price chart, it's understandable that there are some fluctuations in the oil price from 2004 until COVID 19 pandemic year 2020. The oil prices reach $60 in 2005 and then sharply decreased to less than $20 in 2006. Then it starts to rise until 2009 and it records $74.61 in value. After then it starts to decrease until 2011 the oil price value comes to $26.1 and it continue to increase until 2014 the oil price value hits the top and it records $97.98 which is the highest value in the history of oil. Suddenly this value decreased to $32.52 which created financial crisis in Iraq especially in Kurdistan region because nearly 97 percent of income was over oil trade. After then, the oil price increased and decreased until the year of COVID pandemic. In both 2019 and 2020 the oil price was $66 and $65 respectively. During this pandemic the oil price didn't face any ups and downs it was nearly the same at value.

Least Squares is one of the best methods which is used to analyse surest data. In here we want to understand the impact of financial crises on oil price. First of all, based on data the probability of oil price is 0.0018 which means there is no problem in our data; we can rely on it and they are stationary. On the other hand, we can see the oil price link between first, second and third year which are less than 5 percent and acceptable. Both R square and adjusted R square tells us that this model is best fit for our investigation. Further, in Co-integration test we have found that there is correlated relation between two variables and they are usable. In the least square model, we wanted to show how the financial crisis affect oil price. The financial crises probability is equal to 0.0413 which is acceptable because it's less than 5 percent. It's better for both R square and adjusted R square to be higher because it shows us that this model is best fit our data. The S. Error regression must be less than 5 percent because having less error shows the best quality of our data. When Probability of F-statistic is less than 5 percent, we can say that our model is very significant and we can use it. 0.0413 is indicated as probability of Financial Crisis which must be less than 5 percent and it's already smaller than 5 percent. Consequently, the result is significant and it has impact on oil price by (-19.17706) percent. This is means if financial crisis happen nearly Iraqi oil price would be affected by 19.17% negatively which is equal to price fall by this rate at the same time. This result comes from the coefficient of financial crises which is scored as 19.17706 negatively. Therefore, our hypothesis is accepted and we can say that the financial crises had negative impact over oil price in the last recent years especially during COVID 19 pandemic when the oil industries were closed.

Unit Root Test

Table 1-unit root test

Null Hypothesis: D(OILPR) has a unit root			
Exogenous: Constant			
Lag Length: 3 (Automatic - based on SIC, maxlag=3)			
		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-5.222192	0.0018
Test critical values:	1% level	-4.121990	
	5% level	-3.144920	
	10% level	-2.713751	

In this table, we have tested either our data are stationary or not. This kind of test is called unit root test. So, we look at the probability and compare to the p value we can directly understand that our data are stationary or not. The probability for oil price in this table is equal to 0.0018 which means there is no problem in our data and all of the data are stationary. The following table shows the probability result for oil price. We can clearly see that the probability results are less than 5 percent. So again, we found out that our data are reliable and we can use them. The R square and Adjusted R square are equal to 94 and 91 percent respectively which supports our data and tell us this model is fit for our data. Finally, P. F statistic shows that this model is suitable and good for our data.

Co-Integration

Table 2 Co-integration

Date: 04/28/21 Time: 00:30				
Sample (adjusted): 2008 2020				
Included observations: 13 after adjustments				
Trend assumption: Linear deterministic trend				
Series: OILPR FC				
Lags interval (in first differences): 1 to 3				
Unrestricted Counteraction Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.878231	31.63184	15.49471	0.0001
At most 1 *	0.279339	4.258629	3.841466	0.0390

The second test is called Co-integration test. In here we have worked on oil price again and we want to identify that our variables are correlated with each other or not. The p value must be less than 5 percent to indicate the relationship between variables of oil price. The statistic trace has been used in this table to indicate the relationship between variables. So, according to the probability results we can find out that probability for both are 0.0003 and 0.0390 which is mean our data have related to each other and it's usable.

Least Square

Table 3 Least squares

Dependent Variable: OILPR				
Method: Least Squares				
Date: 04/28/21 Time: 00:42				
Sample (adjusted): 2008 2020				
Included observations: 13 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
FC	-0.19177	19.40879	-0.988061	0.0413
C	11.2845	30.33889	3.997658	0.0071
R-squared	0.831692	Mean dependent var	59.20154	
Adjusted R-squared	0.823383	S.D. dependent var	18.91635	
S.E. of regression	0.055414	Akaike info criterion	8.742765	
Sum squared resid	1624.433	Schwarz criterion	9.046968	
Log likelihood	-49.82797	Hannan-Quinn criter.	8.680237	
F-statistic	0.643347	Durbin-Watson stat	1.897371	
Prob(F-statistic)	0.040679			

The last table is directly related to our main subject in this study and it's very important to us in some aspects. Least square is a method which is used for understanding how and in which direction the financial crises effects oil price. First, the probability result of Financial Crises is equal to (0.0413) which is less than 5 percent and it's acceptable. The R square in here is 83 percent which is high and tells us that this model is best fit with our data. However, 50 percent and upper is acceptable range for R square in here, but the higher the better. This is also true for adjusted R square which is 82 percent and the higher the better. The S.E regression of this table is 0.05 percent; it's less than 5 percent and the smaller the better. The Probability of F-statistic must be less than 5%. Here our result is good and the model is significant. The probability of Financial Crisis is equal to 0.0413 which is smaller than 5 percent. So, we can say that it is significant and it has impact on oil price by (-19.17706) percent. This means if financial crisis happen nearly

Iraqi oil price would be affected by 19.17% negatively which is equal to price fall by this rate at the same time. Our result shows that the hypothesis result is (H0 was rejected and H1is accepted).

Conclusion

In conclusion, the oil industry is one of the most significant industries that affect the globalization and the modernization of our world today. There are several factors that may affect the decrease and increase of oil prices in the market. Unlike other products the main factor effecting oil price is not simply supply and demand, but many products in direct competition with oil like gold and other forms of energy like coal and gas affect the price and demand on oil. Multiple studies have shown that oil prices escalate with economic and financial factors, which means any crisis in the latter will cause the price of oil to fluctuate. Even though oil prices are volatile, its decrease and increase are highly correlated to financial crisis's occurring. Based on several tests made in this research, the results came positively showing that oil prices decrease is related to financial crisis. This highly explains the drastic decrease in oil prices in the year 2020 due to the COVID-19 pandemic, especially because many oil industries shut down. Iraq's economy is highly dependent on oil, therefore, the affect that COVID-19 had on the price decrease of oil industry in the world has sharply and directly caused an economic crisis in Iraq. The research hypothesis has proven that there is a direct impact on oil price decrease in Iraq when financial crisis occurs.

Suggestions

Iraq mostly depends on oil so when oil prices face a collapse Iraq suffers the most. So in order to solve this obstacle Iraq must find new ways to develop and grow its economy. First Iraq must become a more multi-dimensional country and start new plans for the economy in all sectors, for example, production, tourism, and agriculture. Iraq has very good agricultural lands that can grow many plants not to mention the good quality but since it depends so much on oil the agriculture has been quite forgotten by the government. Iraq also has a good capability for cement production and the Middle East generally is in a development period and it may use this to its advantage by selling high quantities as it was before.

Study Limitations

As other researches it can be obvious that this research also has limitations. The limitations about such study was difficulty in obtaining data because the lack of reliable government sources, and on the other hand, due to political problems, we did not find help from any government agency. The second limitation is overlocking time; because of Covid-19; we faced several problems, including the city's closure, which caused the inability to meet the competent authorities in the economy**.**

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