

# SOUTH SUDAN

## Recent developments

**Table 1** 2018

Population, million	12.8
GDP, current US\$ billion	3.2
GDP per capita, current US\$	250
International poverty rate (\$ 19) <sup>a</sup>	82.3
Lower middle-income poverty rate (\$3.2) <sup>a</sup>	96.8
Life expectancy at birth, years <sup>b</sup>	56.3

Source: WDI, Macro Poverty Outlook, and official data.

Notes:

(a) Most recent value (2016).

(b) Most recent WDI value (2015).

*South Sudan's economy is projected to slightly recover in FY19 provided the peace agreement signed in September 2018 is respected by all parties. Oil production is expected to be the major driver of growth in the short and medium term. South Sudan remains in debt distress and the external position is weak with depleted reserves estimated at less than one week's import cover. Poverty levels are expected to remain extremely high given severe food insecurity and limited access to basic services across the country.*

The economic situation in South Sudan remains dire as the country struggles to recover from the effects of conflict. Coupled with economic mismanagement, many years of conflict have eroded the productive capacity of the country. With consumption and non-oil exports declining, oil related investment and production provides the immediate source of growth in South Sudan. While the rehabilitation of oil fields and resumption of oil production are underway, oil production is not expected to reach pre-crisis levels in the short term. Output is estimated to have contracted by about 3.5 percent during FY18 (2017-2018). Inflation remains high notwithstanding the downward trend, with the overall rate of inflation declining to 40.1 percent in December 2018 from 123 percent in July 2018. The spread between the official and the parallel market exchange rates widened in the last quarter of 2018 to reach 59 percent in November 2018.

The authorities in South Sudan implemented several reforms intended to improve fiscal performance. These reforms included the removal of fuel subsidies, the formulation of the national revenue authority, as well as the implementation of the single treasury account for revenue collection. However, the fiscal situation remains dire and it is unclear how the government will fund the implementation of the revitalized agreement on the resolution of the conflict in South Sudan

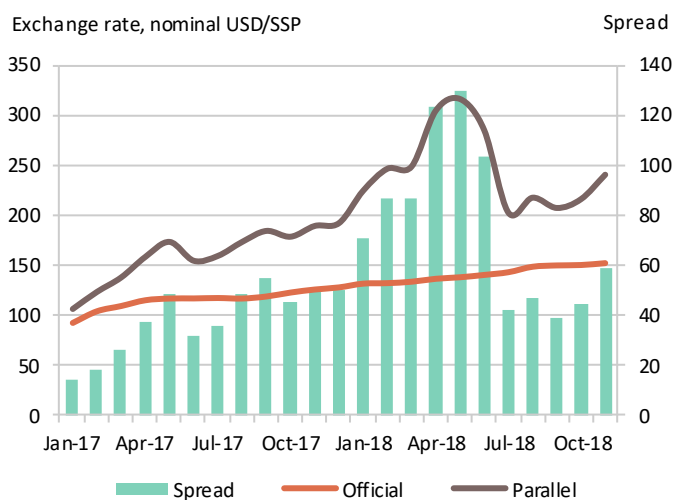
(R-ARCSS) signed in September 2018. The government has been accumulating arrears by defaulting on the payment of civil service salaries and accepting advance oil payments.

The fiscal deficit was 3.1 percent of GDP in FY18 and is projected to rise to 4.1 percent in FY19 due to rising government spending and slow progress in generating non-oil revenues. Expenditures continue to be concentrated in three sectors, namely; security, accountability, and public administration, which account for close to three quarters of the total FY19 budget. More pro-poor expenditures on health, agriculture, education, and basic infrastructure represent only 17 percent of the budget. Capital spending remains limited. Consequently, South Sudan continues to under invest in sectors that would have the largest knock-on effect on poverty reduction and building resilience.

South Sudan's external position is weak. The current account deficit decreased marginally to 11.7 percent of GDP in FY18. Foreign exchange reserves, estimated at US\$33 million at end of FY2018 or less than one week of import cover, are critically low.

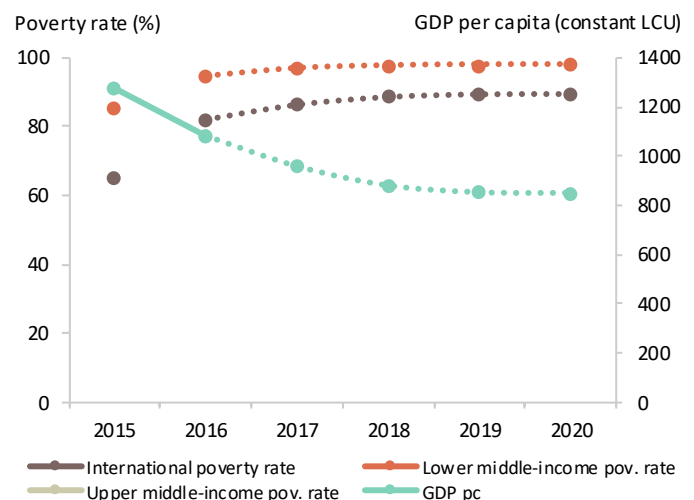
Based on the US\$1.90 2011 PPP poverty line, 82 percent of the population in South Sudan was poor in 2016. The urban poverty rate stood at over 70 percent – a sharp increase from the level of 52 percent in 2009, and 66 percent in 2015. The combination of high inflation disrupted trade flows and continued conflict has exposed many South Sudanese households to food insecurity and has led to the displacement of more than one third of the population.

**FIGURE 1 South Sudan / The exchange rate spread widened**



Source: Bank of South Sudan.

**FIGURE 2 South Sudan / Actual and projected poverty rates and real GDP per capita**



Source: World Bank. Notes: see table 2.

## Outlook

Real GDP annual growth is projected at around 1.8 percent in FY19 assuming that the peace agreement remains respected by all parties. Oil production is expected to be the major driver of growth in the short and medium term, with the rehabilitation of oil fields and resumption of oil production underway. Oil production is estimated to have already increased from around 130,000 barrels per day (bpd) at the end of FY18 to 163,000 bpd in January 2019. Private investment could recover in the medium term, if the country pursues its current recovery and reconstruction path. Inflation could then decelerate to below 30 percent as fiscal revenue increases and the need to monetize the fiscal deficit recedes. However, a less positive outlook could emerge if the peace agreement falters with growth barely reaching 0.3 percent in FY19 in the absence of progress in non-oil sectors. With the oil export recovery, the current account deficit is projected to further improve in FY19. However, the preliminary

2019 DSA indicates that South Sudan remains in debt distress and the external position is weak with depleted foreign exchange reserves. Mechanical risk ratings indicate South Sudan is at high risk of debt distress with breaches of thresholds related to the debt-to-GDP and debt service-to-revenue ratios.

Food insecurity is expected to persist in many parts of South Sudan, exacerbating an already alarming humanitarian crisis in the country. The food insecurity has been particularly severe in counties most affected by conflict where the local population has been facing recurrent violence and displacements and has been cut off from humanitarian assistance. The most recent assessments by the United Nations indicate that nearly 7 million people (out of a total population of an estimated 13 million) could face acute food insecurity at the height of the next lean season during May-July 2019, with planned humanitarian assistance estimated to reach only 2-3 million people a month. Accordingly, poverty levels are expected to remain extremely high until the provision of basic services can be restored across the country.

## Risks and challenges

The major risk to the outlook is the sustainability of the relative peace and security in the country. While a revitalized peace agreement was signed in September 2018 offering new opportunities for peace and recovery, the situation in South Sudan continues to be fluid and conflict persists across the country. Peace and reconciliation are required to achieve macroeconomic stability and support a return to positive economic growth.

The oil sector provides the immediate sources of growth in South Sudan. However, the volatility in oil price movements represent another major risk and challenge. Oil prices had strengthened significantly over the past two years but started to fall in the second half of 2018. A sustained downturn in oil prices would have negative consequences for the South Sudan economy.

**TABLE 2 South Sudan / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2016	2017	2018 e	2019 f	2020 f	2021 f
<b>Real GDP growth, at constant market prices</b>	-11.2	-6.9	-3.5	1.8	3.4	4.8
Private Consumption	-16.0	-15.0	-7.5	-0.5	-0.5	3.9
Government Consumption	3.0	3.0	4.0	5.0	7.5	5.0
Gross Fixed Capital Investment	0.0	3.0	4.0	4.5	5.0	5.5
Change in Inventories, % contrib	0.0	0.0	0.0	0.0	0.0	0.0
Exports, Goods and Services	-44.0	-20.0	-10.0	5.0	7.5	10.0
Imports, Goods and Services	-17.0	-10.0	3.2	5.1	5.4	5.5
<b>Real GDP growth, at constant factor prices</b>	-11.2	-6.9	-3.5	1.8	3.4	4.8
Agriculture	-15.0	-10.0	-5.0	0.5	2.5	2.5
Industry	-20.5	-7	-1.5	3.3	4.8	6.2
Services	-6.1	-6.1	0	1.5	6.0	6.0
<b>Inflation (Consumer Price Index)</b>	410.0	125.0	130.9	49.3	35	30.0
<b>Current Account Balance (% of GDP)</b>	-7.5	-12.5	-11.7	-9.1	-11.1	-6.6
<b>Fiscal Balance (% of GDP)</b>	-8.5	-3.8	-3.1	-4.1	-10.4	-7.1
<b>International poverty rate (\$1.9 in 2011 PPP)<sup>a,b</sup></b>	82.3	86.5	88.7	89.5	74.6	..
<b>Lower middle-income poverty rate (\$3.2 in 2011 PPP)<sup>a,b</sup></b>	94.5	96.8	97.7	97.9	92.2	..

Sources: National Bureau of Statistics, World Bank projections (2019 – 2021); Poverty: World Bank projections.  
Notes: e = estimate, f = forecast.

(a) Calculations based on 2015 and 2016 HFS. Actual data: 2015 and 2016. Nowcast 2017. Forecasts are from 2018 to 2020.

(b) Projection using neutral distribution with pass-through = 0.87 based on GDP per capita in constant LCU.