Recent developments

The proliferation of the violent conflict in Syria over the past six years has taken a heavy toll on life of the Syrian people and is resulting in a large outflow of refugees. The estimated death toll has exceeded 250,000 people (as per the UN); a recent report by the Syrian Center for Policy Research (SCPR) put the death toll at 470,000, with 1.2 million injured and many more displaced. In addition, 1.1 million asylum applications were filed by Syrians in Europe from 2011 through June 2016. The United Nations High Commissioner for Refugees (UNHCR), estimated that half of the Syrian population has been forcibly displaced, with an estimated 7.6 million internally displaced persons (IDPs) and 4.8 million registered refugees (UNHCR, 2016).

The conflict has significantly damaged the country’s public and private assets including health, education, energy, water and sanitation, agriculture, transportation, housing and other infrastructure. The World Bank Damage and Needs Assessment (DNA) report (conducted for six governorate capitals namely, Aleppo; Dar’a; Hama; Homs; Idlib; and Latakia) estimated the total damages for the six cities range between US$5.9 to 7.2 billion (as of March 2016). The SCPR estimated that, for the whole country, the destruction of physical infrastructure amounted to US$75 billion and the UN estimated that investments of US$150-200 billion will be needed to bring Syrian GDP back to pre-conflict levels.

The conflict has had severe macroeconomic implications. Real GDP contracted sharply in 2012-15, including some 12 percent in 2015. After increasing by nearly 90 percent in 2013, inflation eased but remained high at nearly 30 percent in 2014-15. The severe decline in oil receipts since the second half of 2012 and disruptions of trade due to the conflict has put pressure on the balance of payments and the exchange rate. Revenues from oil exports decreased from US$4.7 billion in 2011 to an estimated US$0.14 billion in 2015 as most of Syria’s oil fields are outside government control. The current account deficit reached 19 percent of GDP in 2014 but declined markedly to 8 percent of GDP in 2015. International reserves declined from US$20 billion at end-2010 to US$1.1 billion at end-2015, while the Syrian pound depreciated from 47 pounds per USD in 2010 to 517 pounds per USD at end-August 2016. The overall fiscal deficit increased sharply, reaching 20 percent of GDP in 2015, with revenues falling to an all-time low of below 7 percent of GDP during 2014-15 due to a collapse of oil and tax revenues. In response, the government cut spending, including on wages and salaries, but this was not enough to offset the fall in revenues and higher military spending.

Outlook

Macroeconomic and poverty projections are complicated by the uncertainty about
the duration and severity of the conflict. Nevertheless, real GDP is estimated to continue to contract in 2016 by around 4 percent on account of a worsening of the conflict in key centers of economic activity such as Aleppo and as oil and gas production and non-oil economic activity continue to suffer from the conflict. Inflation is likely to remain very high at around 25 percent in 2016, because of continued exchange rate depreciation, trade disruptions, and shortages. Current account and fiscal deficits are also projected to remain large, broadly around the levels of 2015. Medium-term macroeconomic prospects hinge on containing the war and finding a political resolution to the conflict, and rebuilding the damaged infrastructure and social capital.

### Risks and challenges

The key challenges are clearly to end the conflict and restore basic public services along with other measures to address the humanitarian crisis. Syria will also eventually need to move towards some degree of macroeconomic stability and create the conditions for renewed growth. The international community will have a key role to play in a post-conflict environment.

### TABLE 1 Syrian Arab Republic / Macro outlook indicators

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016 f</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Real GDP growth, at constant market prices</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Consumption</td>
<td>-20.6</td>
<td>-18.0</td>
<td>-15.8</td>
<td>1.7</td>
</tr>
<tr>
<td>Government Consumption</td>
<td>-18.5</td>
<td>-10.0</td>
<td>-3.3</td>
<td>0.0</td>
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<tr>
<td>Gross Fixed Capital Investment</td>
<td>-34.4</td>
<td>-27.1</td>
<td>-26.4</td>
<td>10.2</td>
</tr>
<tr>
<td>Exports, Goods and Services</td>
<td>-55.5</td>
<td>-9.3</td>
<td>-11.8</td>
<td>1.7</td>
</tr>
<tr>
<td>Imports, Goods and Services</td>
<td>-46.8</td>
<td>10.1</td>
<td>-30.4</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Real GDP growth, at constant factor prices</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>-35.0</td>
<td>-20.0</td>
<td>-15.0</td>
<td>7.7</td>
</tr>
<tr>
<td>Industry</td>
<td>-8.3</td>
<td>-9.8</td>
<td>-27.2</td>
<td>-0.2</td>
</tr>
<tr>
<td>Services</td>
<td>-20.0</td>
<td>-20.0</td>
<td>-10.0</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>Inflation (Private Consumption Deflator)</strong></td>
<td>19.4</td>
<td>24.9</td>
<td>48.0</td>
<td>40.0</td>
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<tr>
<td><strong>Current Account Balance (% of GDP)</strong></td>
<td>-7.0</td>
<td>-7.7</td>
<td>-4.6</td>
<td>-3.1</td>
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<tr>
<td><strong>Fiscal Balance (% of GDP)</strong></td>
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<tr>
<td><strong>Debt (% of GDP)</strong></td>
<td>0.1</td>
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<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Primary Balance (% of GDP)</strong></td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Sources: World Bank, Macroeconomics and Fiscal Management Global Practice, and Poverty Global Practice.

Note: f = forecast.