

# SUDAN

**Table 1**

	<b>2020</b>
Population, million	43.8
GDP, current US\$ billion	21.2
GDP per capita, current US\$	482.5
International poverty rate (\$19) <sup>a</sup>	12.2
Lower middle-income poverty rate (\$3.2) <sup>a</sup>	44.0
Upper middle-income poverty rate (\$5.5) <sup>a</sup>	79.3
Gini index <sup>a</sup>	34.2
School enrollment, primary (% gross) <sup>b</sup>	76.8
Life expectancy at birth, years <sup>b</sup>	65.1

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

Notes:

(a) Most recent value (2014), 2011 PPPs.

(b) WDI for school enrollment (2017); life expectancy (2018).

## Key conditions and challenges

Following the popular revolt in 2019, a new Government has been pursuing stabilization and structural reforms under exceedingly difficult circumstances. Over US\$ 50 billion in accumulated external arrears continues to severely limit access to external finance at a time when the country is struggling to correct major macroeconomic imbalances. By 2019, the cost of fuel subsidies alone reached the equivalent of 100 percent of all government revenues. The monetary financing of large public sector deficits has pushed inflation into triple digits. The Government took important measures to reduce fuel subsidies in 2020, and pursued fiscal consolidation to slow the pace of monetary expansion, but these efforts were offset by the impact of the COVID-19 pandemic and massive flooding in parts of the country. The economic recession in Sudan deepened in 2020, government revenues plummeted, and inflationary pressures mounted. While the current government has enjoyed a significant level of political legitimacy in the eyes of the population, the patience of the Sudanese people is being tested, and social protests became widespread in early 2021.

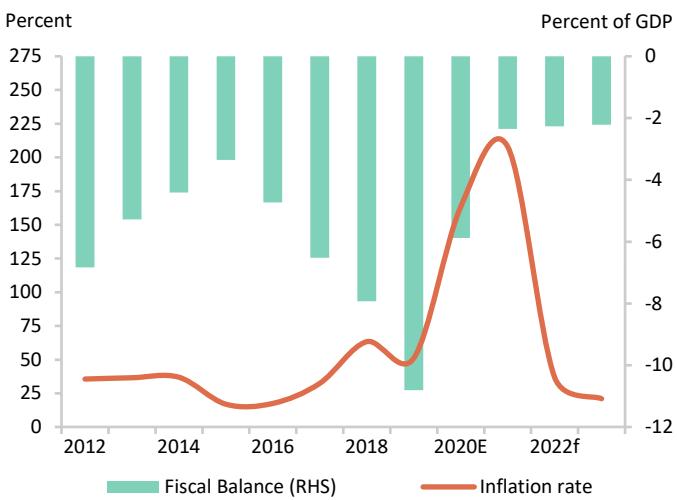
Since July 2020, Sudan's reform program has been supported by an IMF staff-monitored program (SMP) and more recently by a World Bank Development Policy Financing Operation. These programs

can support Sudan toward a path to stabilization, resolution of the country's external debt problems and restoration of access to development financing. Economic stabilization, together with measures to mitigate the impact of the current economic crisis on the welfare of the population, remain the highest priorities in 2021. Given the current level of distortions in the Sudanese economy, there is a potential for a strong revival of economic growth provided that initial stabilization efforts will be successful. Major risks to economic outlook include the recent socio-political turmoil, uncertainty around COVID-19, external shocks (bad weather, flooding), and potential instability of money demand in the context of exceptionally high inflation.

## Recent developments

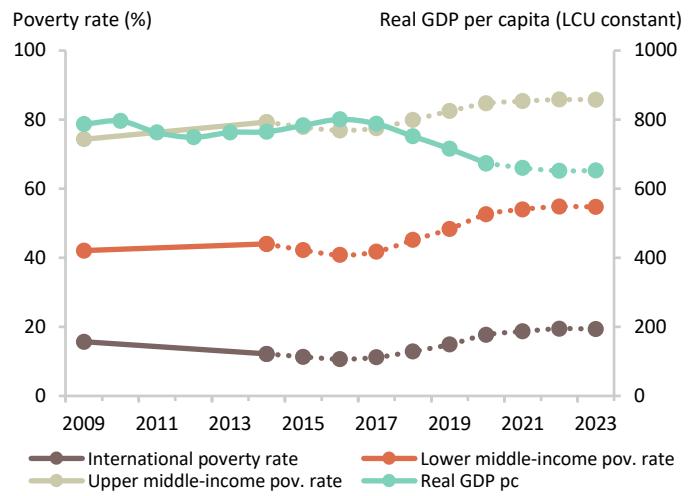
GDP growth declined from -2.5 in 2019 to -3.6 percent in 2020 in the context of the COVID-19 crisis and severe flooding that disrupted economic activity. Despite some efforts to rein in excessive public expenditures, particularly on fuel subsidies, the economic downturn, COVID-19 crisis, and increasingly overvalued exchange rate had a very negative fiscal impact in 2020. Delayed exchange rate adjustment pushed foreign inflows, including grants, to record low levels, while the economic downturn also depressed tax revenues. At the same time, additional emergency spending was needed in health care due to the COVID-19 crisis. Given the current virtual absence of debt markets and con-

**FIGURE 1** Sudan / Fiscal Balance and inflation rate



Sources: WDI, IMF and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

strained access to external finances, the fiscal and quasi-fiscal deficit was monetized, adding to inflation pressures that increasingly threatened destabilization. The pace of annual CPI inflation accelerated to 269 percent in December 2020.

The current poverty level is unknown because data from the latest household survey (2014/15) do not reflect the impact of the recent economic decline, high inflation, and the impact of COVID-19 in Sudan. Poverty projections based on GDP growth suggests that poverty rates may have increased consistently in recent years, to reach in 2020 an estimated 17.7 percent at \$1.90/day PPP and 52.6 percent at \$3.20/day PPP. A new household survey, under preparation, would provide a more accurate estimate of poverty.

## Outlook

Sudan has conducted major reforms, including exchange rate adjustment and fuel subsidy reduction, that put the country on a potential path toward recovery and restoration of access to external financing in 2021. In this context, the decline in GDP of the past three years is projected to stabilize in 2021, leading into a period of positive economic growth. The

2021 budget envisions a reduction in the fiscal deficit to around 2 percent of GDP, thus allowing for a significant slowdown in the monetary expansion that has been fueling inflation. Sudan aims to accomplish arrears clearance with IFIs in 2021 and obtain access to over US\$ 2 billion in external support from development partners.

The risks to economic outlook in 2021 are high. As the country borders hyperinflation and the patience of the population is being tested, the success of Sudan's bold efforts to achieve stabilization in 2021 is far from guaranteed. The COVID-19 pandemic is still raging in the country and negative external shocks, such as the flooding experienced in 2020, could compound what is already an exceedingly difficult situation. 2021 should be decisive year for the future of the country.

Poverty outlook remains negative. Poverty rates are projected to increase to 19.5 percent by 2022 at \$1.90/day PPP, and 54.8 percent at \$3.20/day PPP. The continued rise in inflation, shortage of fuel and other basic commodities and COVID-19 are expected to continue adversely affecting living conditions. Results from the Bank's ongoing high frequency survey on COVID-19, suggest that about one-third of respondents had stopped working in September 2020 mainly due to the

COVID-19 pandemic; and that over 20 percent of households were unable to buy bread and cereals as well as milk and milk products as price increases were felt by most households. The recent economic stabilization reforms are expected to take time to deliver positive results on poverty. The Government has launched a family support program that aims to reach a significant proportion of households with cash transfers to cushion the impact of the reform.

**TABLE 2 Sudan / Macro poverty outlook indicators** (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
<b>Real GDP growth, at constant market prices</b>	-2.3	-2.5	-3.6	0.5	1.1	2.6
Private Consumption	-3.2	-2.5	-3.5	0.5	2.0	2.4
Government Consumption	-4.9	-15.3	1.2	8.6	3.2	1.4
Gross Fixed Capital Investment	3.8	11.4	-13.1	8.4	3.3	1.8
Exports, Goods and Services	10.7	11.9	5.2	15.4	29.0	21.8
Imports, Goods and Services	11.9	23.8	-13.8	26.6	21.3	11.0
<b>Real GDP growth, at constant factor prices</b>	-2.3	-2.5	-3.6	0.4	1.1	2.6
Agriculture	-1.5	-1.0	-2.5	0.4	1.2	2.7
Industry	-1.7	-0.7	-5.7	0.7	2.1	3.4
Services	-3.2	-4.8	-2.9	0.2	0.4	2.0
<b>Inflation (Consumer Price Index)</b>	63.3	51.0	163.3	207.9	36.8	21.0
<b>Current Account Balance (% of GDP)</b>	-8.7	-11.5	-13.2	-7.2	-9.8	-7.5
<b>Net Foreign Direct Investment (% of GDP)</b>	1.4	3.0	4.7	6.7	4.2	1.9
<b>Fiscal Balance (% of GDP)</b>	-7.9	-10.8	-5.9	-2.4	-2.3	-2.2
<b>Debt (% of GDP)<sup>a</sup></b>	186.6	200.3	249.1	205.2	197.9	189.9
<b>Primary Balance (% of GDP)</b>	-7.8	-10.6	-5.9	-2.1	-2.1	-2.1
<b>International poverty rate (\$1.9 in 2011 PPP)<sup>b,c</sup></b>	12.9	14.9	17.7	18.7	19.5	19.4
<b>Lower middle-income poverty rate (\$3.2 in 2011 PPP)<sup>b,c</sup></b>	45.2	48.3	52.6	54.0	54.8	54.7
<b>Upper middle-income poverty rate (\$5.5 in 2011 PPP)<sup>b,c</sup></b>	79.9	82.5	84.7	85.4	85.8	85.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

Notes: e = estimate. f = forecast.

(a) Debt projections do not include any restructuring achieved during the HIPC process.

(b) Calculations based on 2014-NBHS. Actual data: 2014. Nowcast: 2015-2020. Forecast are from 2021 to 2023.

(c) Projection using neutral distribution (2014) with pass-through = 1 based on GDP per capita in constant LCU.