

SOUTH SUDAN

Key conditions and challenges

Table 1 2020

Population, million	11.2
GDP, current US\$ billion	5.1
GDP per capita, current US\$	459.8
International poverty rate (\$ 19) ^a	76.4
Lower middle-income poverty rate (\$3.2) ^a	91.6
Upper middle-income poverty rate (\$5.5) ^a	97.8
Gini index ^a	44.2
School enrollment, primary (% gross) ^b	73.0
Life expectancy at birth, years ^b	57.6

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

Notes:

(a) Most recent value (2016), 2011 PPPs.

(b) WDI for school enrollment (2015); life expectancy (2018).

South Sudan's economy is set to contract by 3.4 percent in FY2020/21 as concurrent shocks including COVID-19, floods, and subnational conflict have constrained economic activity. Low oil prices have led to large fiscal and external imbalances. Living standards have deteriorated. More than 6 million people are facing crisis-level food insecurity, with 1.4 million children under 5 years expected to be acutely malnourished in 2021. Long term economic growth prospects critically depend on sustainability of peace and commitments to reform.

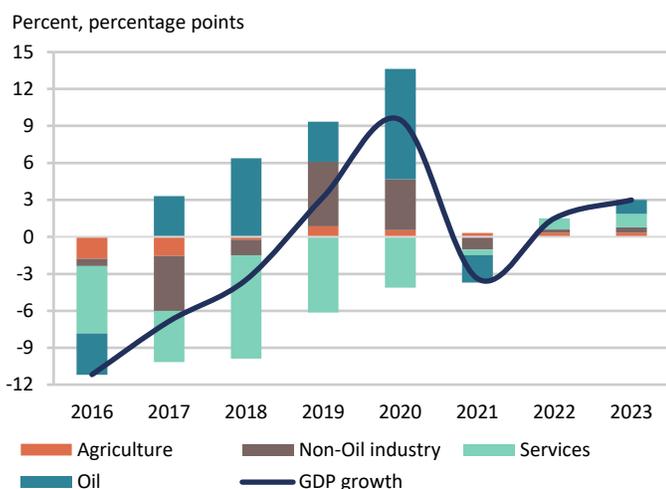
A decade after independence, South Sudan remains caught in a web of fragility, economic stagnation, and instability. Poverty is ubiquitous and has been reinforced by a history of conflict, displacement, and shocks. The signing of the latest truce in September 2018 and subsequent formation of a unity government in February 2020 had provided hope for recovery and peace building. Conflict events decreased significantly in 2019, allowing some refugees previously dispersed in the region to return. At the same time, a resumption of oil production in oil fields previously shutdown due to conflict had raised hopes for an oil-led recovery. However, the country faces the risk of reversal of these gains, with increasing incidents of subnational violence in 2020 and COVID-19 pandemic exacerbating an already dire situation. Legacy of economic mismanagement and resistance to reform have resulted in a distorted macroeconomic environment. Monetization of the fiscal deficit led to soaring inflation and widening exchange rate premium. At the same time, recurring cycles of internal conflict and violence have eroded the economic base, with output contracting for consecutive years during 2015 - 2018. Consequently, real household disposable income declined, contributing to an increase in poverty headcount ratio from 44 percent in 2009 to about 76 percent in 2016.

The authorities have accelerated dialogue on key economic and public financial management reforms amidst a double health and economic crisis. Discussions with the IMF have included the possibility of a Staff Monitored Program with a focus on macroeconomic stabilization, exchange rate and monetary policy reform, and public financial management support. Coupled with economic diversification, strengthening service delivery institutions will be critical as the country seeks to build resilience to future shocks, providing building blocks for an inclusive and sustainable growth path.

Recent developments

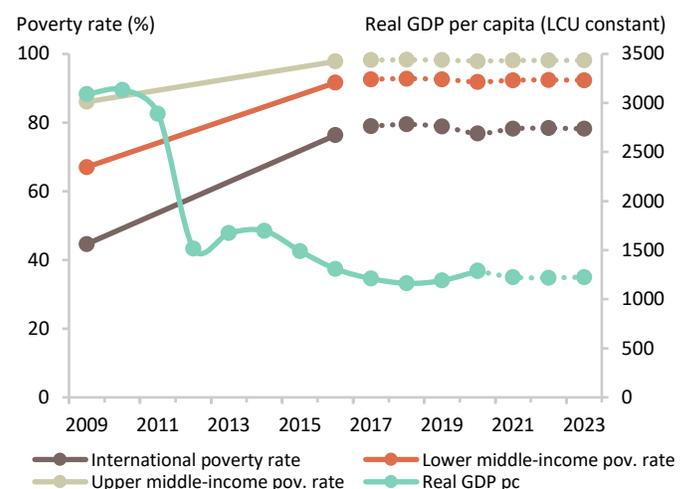
The economy had picked up strongly before the COVID-19 pandemic, with GDP real growth reaching 9.5 percent in FY2019/20. The oil sector has continued to be the primary driver of growth, with estimated oil production of 62.1 million barrels in FY2019/20, representing a 26.5 percent increase on the 49.1 million barrels realized in FY2018/19. In the agricultural sector, cultivated area increased by 6 percent in 2020 compared to the previous year, but it is still far from reaching the pre-conflict levels. However, living standards deteriorated as the pandemic disrupted livelihoods. High-frequency surveys conducted in June 2020 showed that 51.2 percent of respondents reported reduced earnings from their main income source. The situ-

FIGURE 1 South Sudan / Real GDP growth and sectoral contributions to real GDP growth



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

ation has since improved somewhat, with 50.7 percent of the respondents reporting reduced incomes by October 2020.

The FY2019/20 budget deficit is estimated to have widened to 6.8 percent of GDP compared to 3.2 percent of GDP that was budgeted, driven by large shortfalls for oil revenue. Budget planning and execution challenges have led to persistence of expenditure arrears. The authorities estimate cumulative outstanding obligations at the end of FY2019/20 amounting to SSP 896 billion (108 percent of GDP) and salary arrears estimated at SSP 18.45 billion (2.2 percent of GDP). The current account deficit is estimated to have increased to 6.1 percent in FY2019/20 from 5.0 percent in FY2018/19 as export growth weakened relative to imports.

Monetization of the fiscal deficit resulted in significant pressure on prices and the exchange rate. Inflation rose to an average of 72.2 percent during FY2019/20 from 63.6 during FY2018/19. The parallel exchange rate depreciated by 36 percent from an average of SSP 297 during 2019 to SSP 404 during 2020. By December 2020, the spread between the official and parallel rates had widened to 242 percent from 100 percent in December 2019.

Outlook

South Sudan's economy is set to contract by 3.4 percent in FY2020/21 primarily due to a decline in oil production and slower recovery of the non-oil economy. The Covid-19 pandemic has delayed new investments in the oil sector, with oil production expected to decline by 5.8 percent to 58.4 million barrels in FY2020/21. The non-oil economy is expected to contract by 1.9 percent owing to a combination of conflict and Covid-19, with new lockdown measures imposed in early February 2021.

A gradual recovery is expected in the near term, assuming a rebound in the global economy and domestic containment of the pandemic. In addition, commitment to a credible reform process, sustainability of peace, and resilience to climatic shocks will play a critical role. Inflation is expected to decline in the medium term as economic and public financial management reforms mature and government commits to a credible fiscal consolidation plan. Given the large economic fallout from Covid-19 and other concurrent shocks, poverty at \$1.90 per person per day is projected to increase to 78.2 percent in FY2020/21 from 76.8 percent in FY2019/20.

The budget process has been significantly delayed and complete fiscal data are not available. Nevertheless, fiscal revenue is projected to decline to 25.8 percent of GDP in FY2020/21 relative to the pre-pandemic projection of 34.8 percent. However, the fiscal deficit is expected to reduce to about 2.4 percent of GDP in FY2020/21 from 6.8 percent in FY2020 as the authorities commit to fiscal prudence. Fiscal consolidation will benefit from cuts to investment expenditures, which are expected to decline from 3.0 percent of GDP in FY2019/20 to 1.8 percent of GDP in FY2020/21. The current account balance is expected to widen to 6.3 percent of GDP from 6.1 percent in FY2019/20 reflecting lower oil export performance.

TABLE 2 South Sudan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	-3.5	3.2	9.5	-3.4	1.5	3.0
Real GDP growth, at constant factor prices	-3.5	3.2	9.5	-3.4	1.5	3.0
Agriculture	-2.5	9.9	6.0	3.5	3.5	3.5
Industry	15.0	20.9	27.5	-5.8	0.5	2.9
Services	-14.6	-12.1	-9.6	-1.3	2.5	3.0
Inflation (Consumer Price Index)	121.6	63.6	72.2	32.2	24.4	18.7
Current Account Balance (% of GDP)	-9.6	-5.0	-6.1	-6.3	-5.8	-3.5
Net Foreign Direct Investment (% of GDP)	-0.5	-1.6	-0.3	1.0	1.0	0.9
Fiscal Balance (% of GDP)	-3.3	-0.9	-6.8	-2.4	-1.1	2.9
Debt (% of GDP)	44.7	29.9	42.9	40.8	33.1	30.0
Primary Balance (% of GDP)	-3.0	-0.4	-4.8	-1.3	0.3	3.8
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	79.5	78.9	76.8	78.2	78.4	78.2
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	92.8	92.6	91.8	92.3	92.4	92.3
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	98.3	98.2	97.9	98.1	98.1	98.1

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

Notes: e = estimate, f = forecast.

(a) Calculations based on 2016-HFS-W3. Actual data: 2016. Nowcast: 2017-2020. Forecast are from 2021 to 2023.

(b) Projection using neutral distribution (2016) with pass-through = 0.7 based on GDP per capita in constant LCU.