

SYRIAN ARAB REPUBLIC

Key conditions and challenges

Table 1 **2023**

Population, million	23.2
GDP, current US\$ billion	12.0
GDP per capita, current US\$	515.9
International poverty rate (\$2.15) ^a	24.8
Lower middle-income poverty rate (\$3.65) ^a	67.0
School enrollment, primary (% gross) ^b	74.4
Life expectancy at birth, years ^b	72.1
Total GHG emissions (mtCO2e)	51.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Syria's protracted economic contraction persists due to a combination of shocks related to conflict both within Syria and across the region. Indeed, the Middle East conflict has spilled over into Syria as airstrikes damaged critical infrastructure. With the economy in continued retreat and increased cost of living due to currency depreciation and trade disruptions, ordinary Syrians continue to bear the brunt of the conflict, with about one-quarter of Syrians now estimated to live in extreme poverty.

Syria's civil war is the deadliest conflict of the past three decades. Between 2011 and 2022, the Uppsala Conflict Data Program (UCDP) recorded more than 407,000 battle-related deaths in Syria. As political settlements to end the conflict remain elusive and extremist groups, notably the so-called Islamic State, continue waging insurgencies, the Syrian civil war has become one of the most protracted conflicts in recent history. To date, the conflict in Syria ranks second in duration, with only the Afghan civil wars of 1989-2001 and 2006-2021 lasting longer since 1990.

A decade of conflict has had devastating economic and social consequences on Syria. Syria has further been subjected to several external shocks, which the war has made the country ill-equipped to deal with. These include economic turmoil in neighboring Lebanon and Turkey, the knock-on effects on commodity prices due to the war in Ukraine, earthquakes in Syria and Turkey in February 2023, and lately, attacks and trade disruptions related to the ongoing Middle East conflict. Gross Domestic Product (GDP) contracted by 54 percent between 2010 and 2021. The decline in Gross National Income per capita prompted the World Bank to reclassify Syria as a low-income country in 2018.

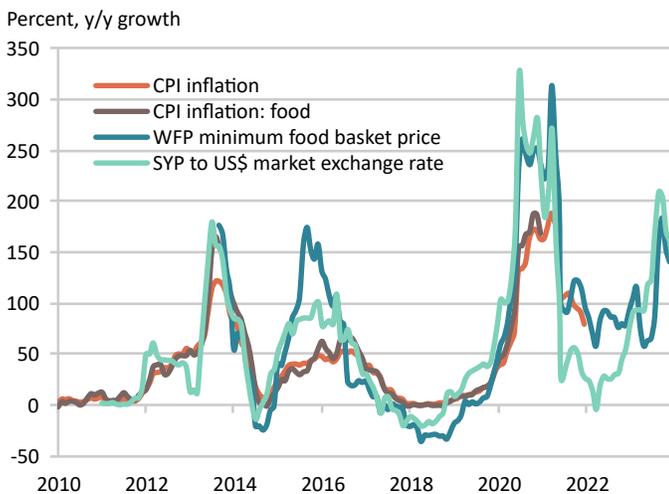
Poverty rates in Syria have increased significantly in the last two decades. This

decrease in the welfare of Syrian households stems from the direct effects of the long-lasting conflict and recent natural disasters, combined with increased inflation following regional shocks and monetization of fiscal deficits. In 2022, extreme poverty, as measured by the share of the population living below the international poverty line of US\$2.15 (2017 PPP) per capita per day, affected almost 25 percent of the Syrian population, starkly contrasting with the virtually non-existent extreme poverty before the conflict. When considering the US\$3.65 (2017 PPP) international poverty line of low- and middle-income countries, poverty affected 67 percent of the population in 2022, equivalent to approximately 14.5 million Syrians.

Recent developments

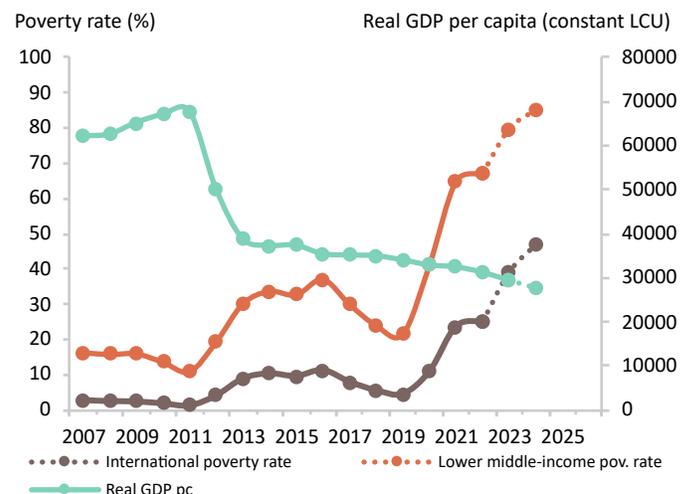
The Middle East conflict has spilled over Syria's borders. According to data compiled by the Armed Conflict Location & Event Data Project (ACLED), Syria recorded 146 conflict events and 136 fatalities linked to Israeli attacks from October 2023 to January 2024. Repeated Israel airstrikes on Syria's main airports led to a 42 percent decline in overall flights in the fourth quarter of 2023 compared to the previous quarter. Military groups affiliated with the Iran-backed "axis of resistance" carried out at least 83 attacks on US bases in northeast Syria from October 2023 to January 2024 and targeted locations in the occupied Golan Heights, prompting a fierce US military response in January 2024.

FIGURE 1 Syrian Arab Republic / Inflation and exchange rates



Sources: Central Bureau of Statistics of Syria, WFP Market Price Watch Bulletin, and World Bank estimates.

FIGURE 2 Syrian Arab Republic / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

Macroeconomic conditions in Syria have further deteriorated. Economic activity, as proxied by nighttime light emissions (see our Syria Economic Monitor for details), declined in 2023 by 1.2 percent year-on-year (yoy), particularly along Syria's western borders, possibly due to weakened trade activity. Nighttime gas flaring data points to a decrease in oil production in 2023 of 3.5 percent yoy, likely due to earthquake- and conflict-related infrastructure damage.

Currency depreciation and consumer price inflation are persistently high. In 2023, the market price of the Syrian pound depreciated by 141 percent against the US dollar. With heavy reliance on imports, currency depreciation quickly leads to higher consumer prices in Syria. Consequently, consumer price inflation is estimated to have risen by 93 percent in 2023.

After rebounding in the wake of the February 2023 earthquake, aid flows to Syria have declined and access to humanitarian assistance has become more challenging. According to the UN Financial Tracking Service (FTS), total funding for humanitarian assistance amounted to US\$2.8 billion

in 2023, a 5 percent decrease from the previous year. Compounded by soaring prices and diminished access to essential goods, this has deepened welfare challenges for Syrian households. According to the REACH Humanitarian Situation Overview in Syria (HSOS) surveys, access to health services, sewage systems, and food markets has continued to deteriorate in highly affected areas in northern Syria after the earthquake. Heightened financial vulnerability increasingly prompts households to borrow money, purchase goods on credit, and rely on child labor as a coping strategy.

Outlook

Subject to extraordinarily high uncertainty, real GDP is projected to contract by 1.5 percent in 2024, assuming that the regional conflict will remain largely contained this year. Inflation is anticipated to remain high in the short term due to the pass-through effects of currency depreciation, along with persistent shortages and reduced rationing of food and fuel. Private

consumption will remain subdued with a continued erosion of purchasing power amid rising prices. Private investment is expected to remain weak, as the security situation is expected to remain volatile and economic and policy uncertainties to persist. Government spending, especially capital expenditures, will continue to be constrained by low revenues and lack of access to financing.

Risks to the growth outlook are significant and tilted to the downside. Increased intensity of conflict and heightened geopolitical tensions stemming from the recent Middle East conflict risk deepening a growth contraction. Escalating airstrikes and bombings may lead to additional infrastructure damage, potentially further disrupting supply chains and increasing logistics costs. A broader regional conflict could elevate commodity prices, negatively affecting Syria as a net food and fuel importer. A potential redirection of aid and international assistance in response to the conflict in Gaza could exacerbate Syria's humanitarian crisis, potentially worsening malnutrition, further increasing poverty, and the likelihood of disease outbreaks.

TABLE 2 Syrian Arab Republic / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f
Real GDP growth, at constant market prices^a	1.3	-0.1	-1.2	-1.5
Inflation (consumer price index)	118.8	74.0	92.6	99.7
Fiscal balance (% of GDP)	-9.6	-8.4	-8.2	-8.0
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	23.6	24.8	39.0	46.8
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	65.0	67.0	79.7	84.9

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

Notes: e = estimate, f = forecast.

a/ Projections based on nighttime light data.

b/ Calculations based on 2022-HNAP and 2007, 2009 CBS. Actual data: 2022. Nowcast: 2021, 2023. Forecasts: 2024.

c/ Projection and nowcast using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU deflated by CPI. Poverty rates in 2009 and 2022 use different sources that are not directly comparable.