SYRIAN ARAB REPUBLIC

Key conditions and challenges

A decade of conflict has led to devastating socioeconomic consequences. Despite a 2020 ceasefire that halted major hostilities, insecurity and violence persist across many parts of Syria, which still ranked 10th globally in conflict-related fatalities in 2022. More than half of Syria’s pre-conflict population remains displaced, including 6.8 million Internally Displaced Persons (IDPs) and 6.7 million refugees abroad. Between 2010 and 2021, GDP shrank by more than half. The decline in Gross National Income per capita led the World Bank to re-classify Syria as a low-income country in 2018.

In February 2023, a series of earthquakes severely hit northern and western Syria, where a large share of its population and economic activity were located. The 7.6 Richter scale shock was the deadliest in Syria since the one that hit Aleppo in 1822. The areas that experienced strong or higher levels of impact from the earthquake were home to 6.6 million Syrians, representing around 31 percent of the total population and about 17 percent of GDP in 2022 (estimated using nighttime illumination). Of the 6.6 million Syrians affected, 4.6 million (70 percent) live in areas outside of Syrian government control. The affected areas also hosted approximately 3 million IDPs, or 46 percent of all IDPs in Syria. The earthquake severely hit the area that has been most intensely contested among the warring parties of the more than decade-old civil war.

The earthquake caused massive human suffering and damages, resulting in approximately 6,000 fatalities, 12,000 injuries, and the displacement of roughly 600,000 individuals in Syria. In terms of physical impacts, the World Bank published a Rapid Damage and Needs Assessment (RDNA) that estimates the earthquake caused physical damages and losses across the six most affected governorates that amount to about 10 percent of Syria’s GDP.

Recent developments

The earthquake caused temporary but widespread economic and trade disruptions. Alternative data tracking mobile device activity and nighttime illumination trends revealed a decline in mobility and a nationwide contraction in economic output in the aftermath of the disaster. Nighttime illumination data tracking gas flaring showed a contraction in oil production. Damage to roads and maritime facilities halted shipping and cargo arrivals following the earthquake, as indicated by shipping-position data. In addition, the destruction of roads connecting Antakya in Türkiye with the Bab al Hawa caused delays in delivering cross-border humanitarian assistance. Currency depreciation and consumer price inflation accelerated after the earthquake. Since February 2023, the Syrian pound (SYP) lost about half of its value against...
the United States dollar (US$), reaching around SYP 14,000/US$ in the parallel foreign exchange market in early September. From February to July 2023, inflation, as proxied by the World Food Program (WFP) minimum food basket price index, rose by 27 percent, driven by reduced access to goods, disrupted supply chains, and heightened logistics costs, all of which exerted upward pressure on prices.

The pre-existing vulnerability of Syrian households has left many ill-equipped to cope with the lingering economic impact of the earthquake. Survey results from the REACH humanitarian situation overview in Syria, encompassing non-government-controlled areas of both the northwestern and northeastern regions, indicate that the adoption of coping strategies, such as selling household items and productive assets, has increased in earthquake-affected areas. Meanwhile, access to health services and sanitation continues to deteriorate.

The Syrian government further reduced subsidies through price hikes on essential goods and limited purchase quantities, exacerbating already dire living conditions. In August 2023, the government substantially increased the prices of subsidized gasoline and petroleum, in addition to a 50 percent hike in pharmaceutical prices, placing an additional burden on Syrians. Rising prices sparked massive demonstrations in southern Syria, non-regime-held northwest territories, and the northeastern governorates of Deir ez-Zor, Raqqa, and Hasakeh.

### Outlook

Real GDP is projected to contract by 5.5 percent in 2023, extending the 3.5 percent decline last year. The earthquake has reduced the country’s productive capacity, mainly by damaging physical capital and disrupting trade networks. Oil production is anticipated to remain low in 2023, with adverse effects on the industry. Crop production is expected to rebound from the near-historical lows observed in 2022, partly due to greater precipitation this year. On the consumption side, rising inflation, which is projected to increase from 44 percent to 62 percent, is set to lower real incomes and worsen household welfare throughout the country. The earthquake by itself is expected to place only a small additional strain on public finances, assuming foreign aid largely addresses post-earthquake needs. However, the fiscal deficit is expected to remain large at 8.4 percent of GDP in 2023, as efforts to tighten fiscal subsidies are projected to only partly offset the cost-driven increase in expenditures.

Risks to the growth outlook are significant and tilted to the downside. The economy may contract more if earthquake-related reconstruction efforts fall short of expectations. The risk is heightened by a lack of public resources, low levels of private investment, and a combination of physical obstacles and security challenges that prevent humanitarian assistance from reaching some of the affected areas. Both, conflicts and earthquakes, destroy fixed capital and degrade human capital through disruptions in education services and psychological trauma; this is expected to produce large, sustained negative effects on productivity in the longer run.

<table>
<thead>
<tr>
<th>TABLE 2 Syrian Arab Republic / Macro poverty outlook indicators</th>
<th>(annual percent change unless indicated otherwise)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Real GDP growth, at constant market prices</strong>&lt;sup&gt;a&lt;/sup&gt;</td>
<td>2020</td>
</tr>
<tr>
<td>-0.2</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Inflation (consumer price index)</strong></td>
<td>114.2</td>
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<tr>
<td><strong>Fiscal balance (% of GDP)</strong></td>
<td>-8.4</td>
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Notes: e = estimate, f = forecast.

<sup>a</sup> Projections based on nighttime light data.