

SYRIAN ARAB REPUBLIC

Table 1 **2021**

Population, million	17.4
GDP, current US\$ billion	16.5
GDP per capita, current US\$	947.7
School enrollment, primary (% gross) ^a	81.7
Life expectancy at birth, years ^a	72.7
Total GHG Emissions (mtCO2e)	44.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2013); Life expectancy (2019).

Socioeconomic conditions are deteriorating rapidly in Syria, affected by a range of shocks, including prolonged armed conflict, economic sanctions, COVID-19 pandemic, a severe drought, deepening economic crisis in neighboring Lebanon and Turkey and the economic consequences of the Russian invasion, war and associated sanctions. The continued depreciation of the local currency has led to rampant inflation, worsening already high food insecurity and pushing more people into poverty. Conflict, displacement and the collapse of economic activities and social services have all contributed to the decline in welfare for Syria's inhabitants.

Key conditions and challenges

Now moving into its eleventh year, the conflict in Syria has continued to inflict a devastating impact on the inhabitants and their economy. More than half the country's pre-conflict population remains displaced, including 6.6 million survivors in internally displaced people (IDP) status in Syria and another 5.6 million Syrians registered as refugees in neighboring countries. Although large-scale conflict has subsided recently, Syria still recorded 7,465 conflict-related deaths in 2021, the 9th highest in the world, according to the statistics collected under the Armed Conflict Location & Event Data Project (ACLED).

The social and economic impact of the conflict is large and growing. Between 2010 and 2019, Syria's GDP shrunk by more than a half. The decline in Gross National Income per capita in Syria has led the World Bank Group to reclassify Syria as a low-income country in 2018, a reclassification that highlights the scale of the damage on Syria's economy since 2011.

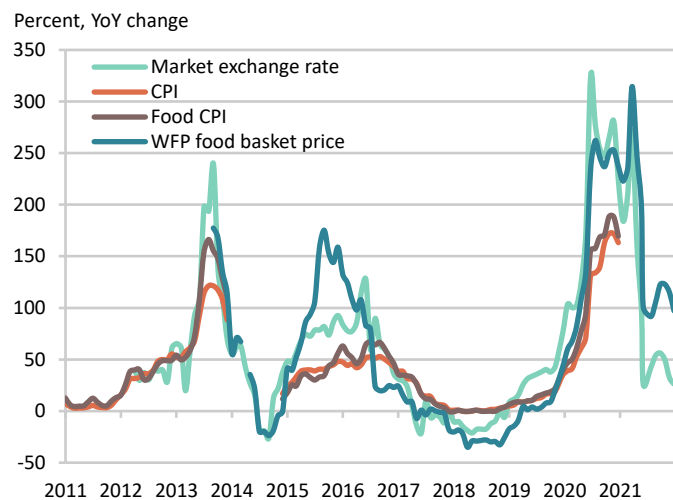
Conflict, displacement and the collapse of economic activities and social services have all contributed to the decline in social welfare. Before the conflict, extreme poverty in Syria (\$1.90 2011 PPP per day) was virtually nonexistent. It is now affecting more than 50 percent of the population. On the non-monetary front, access to shelter, livelihood opportunities, health, education, water, and sanitation have all worsened dramatically

since the onset of the conflict. With a severely degraded healthcare system following the decade-long war, COVID-19 has only exacerbated the pre-existing vulnerable situations. COVID-19-associated deaths continue to rise in Syria, partially due to a slow vaccine rollout. By the end of February 2022, only 11 percent of the total population received at least one dose of the vaccine, and 6 percent was fully vaccinated.

Recent developments

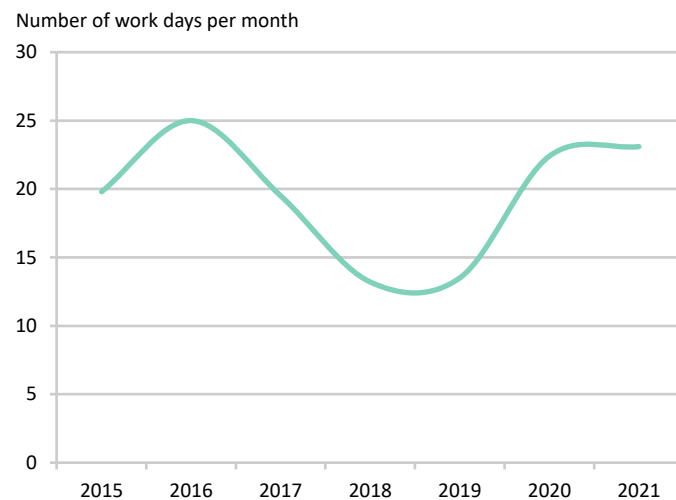
The economy continues to suffer from the compounding effects of the health crisis, adverse weather events, regional fragility, and macroeconomic instability. Since 2020, Syria's external economic ties have been severely restrained by the deepening crisis in neighboring Lebanon and Turkey as well as the introduction of new US sanctions under the Caesar Law, which triggered shortages of essential goods and rapid currency depreciation. The market exchange rate of the Syrian pound against the US dollar weakened by 26 percent year-on-year (yoy) in 2021, following a 224 percent yoy depreciation in 2020. Given the heavy reliance on imports, currency falls have quickly feed into higher domestic prices, causing hyperinflation. Annual inflation reached 114 percent in 2020, the largest increase in decades. In response to the surge in inflation, the government introduced two rounds of wage increases for public sector workers in 2021, but this was not enough to compensate for the erosion of real incomes.

FIGURE 1 Syrian Arab Republic / Exchange rate depreciation along with surging inflation



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

FIGURE 2 Syrian Arab Republic / Work days per month for a worker to afford the minimum food basket



Sources: WFP Market Price Market Price Watch Bulletin and World Bank estimates.

Syria's triple-digit inflation has affected the poor and vulnerable disproportionately. Food price inflation—proxied by the World Food Program (WFP) food basket price index—rose by 97 percent during 2021 on the top of a 236 percent increase in 2020. It is estimated that, on average, a low skilled worker would need to work for as many as 23 days a month to afford the minimum food basket (sole basic food needs of a family of five). Driven by the noticeable increase in commodity prices, government subsidies on essential food and fuel goods have dramatically risen over the past years, accounting for approximately 40 percent of the total budgeted expenditures in 2021 and 2022. To compress subsidies, Syria's government has tightened rationing, which has inevitably deteriorated the already dire living conditions of the Syrian people. According to recent WFP estimates, close to half of the surveyed households (49 percent) reported poor or borderline

food consumption in December 2021, a rise from 39 percent a year ago.

Outlook

The economic conditions in Syria is projected to continue to be mired by the low intensity conflict, turmoil in Lebanon and Turkey, the COVID-19 pandemic, and the economic consequences of the Russian invasion, war and associated sanctions. A persistent twin deficit would further drain foreign exchange reserves, putting further pressure on the domestic currency. Inflation is projected to remain high in the short term, due to the pass-through effects of currency depreciation, persistent food and fuel shortages, and reduced food and fuel rationing. Private consumption will remain subdued with continued erosion of purchasing power amid rising prices and currency depreciation. Government spending,

especially capital expenditures, will remain constrained by low revenues and the lack of access to financing. As a result of protracted and compounding crises, the international donor community estimates that over 60 percent of the Syrians will be in need of assistance in 2022.

Risks to the growth outlook are significant and tilted to the downside. Owing to its heavy reliance on food and fuel imports, Syria is particularly vulnerable to soaring food prices triggered by the economic consequences of the Russian invasion, war and associated sanctions, which would worsen the already acute food insecurity of the country. Should trade flows with Russia be affected, the impact would be even greater given Syria imports a significant amount of wheat from Russia. In addition, economic stagnation and deterioration of public services may lead to an increase in social unrest and conflict, worsening Syria's already vulnerable political instability.

TABLE 2 Syrian Arab Republic / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f
Real GDP growth, at constant market prices^a	3.7	1.5	-2.1	-2.6
Inflation (Consumer Price Index)	13.4	114.2	89.2	60.0
Fiscal Balance (% of GDP)	-7.9	-6.5	-6.8	-7.7

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

a/ Projections based on nighttime light data.