

SOUTH SUDAN

Key conditions and challenges

Table 1 2023

Population, million	11.1
GDP, current US\$ billion	4.4
GDP per capita, current US\$	392.8
International poverty rate (\$2.15) ^a	67.3
Lower middle-income poverty rate (\$3.65) ^a	86.5
Upper middle-income poverty rate (\$6.85) ^a	96.6
Gini index ^a	44.1
School enrollment, primary (% gross) ^b	81.9
Life expectancy at birth, years ^b	55.0
Total GHG emissions (mtCO2e)	73.4

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2016), 2017 PPPs.
 b/ Most recent WDI value (2021).

Better harvests and a partial recovery in oil production following flooding-related disruptions are lifting overall growth. However, food insecurity and extreme poverty remain high because of climate and external shocks, declining official development assistance, structurally weak governance, inadequate service delivery, and localized conflict. The conflict in Sudan presents acute risks to macroeconomic stability amid growing fiscal pressures and pressing humanitarian needs; a loss of momentum in the political transition could amplify these risks.

A decade after independence, South Sudan's development prospects remain constrained by fragility amid localized/intercommunal conflict. The 2018 peace agreement ended five years of civil war; however, the transition period needed for its full implementation has been extended to 2025. Oil accounts for nearly all exports and about 90 percent of government revenues. Historic floods and the COVID-19 pandemic upended a modest economic recovery in 2019.

International Monetary Fund (IMF)-supported reforms initiated since 2021 have helped improve macroeconomic and price stability and supported a recovery in the non-oil private sector. Higher oil prices following the war in Ukraine have lifted fiscal revenues, although expenditures have also increased. Poverty remains dire, with 7 in 10 people living in extreme poverty. Some 8.9 million people, 78 percent of the population, face severe food insecurity, made worse by higher global food prices and domestic floods. In addition, 2 million people are internally displaced (55 percent of whom are women and girls), and 2.1 million remain refugees in neighboring countries. Since the start of the conflict in Sudan, over half a million Sudanese refugees and returnees from South Sudan have registered in the country, compounding already severe domestic humanitarian needs.

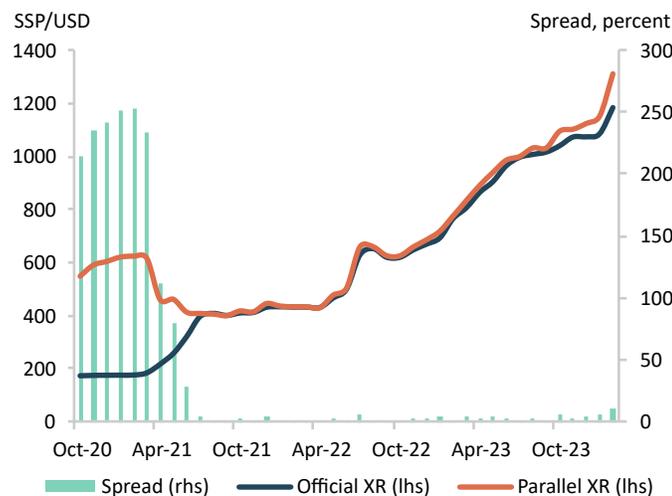
South Sudan's economy faces vulnerabilities, including its dependence on non-concessional financing and limited fiscal space to respond to adverse global oil and food price developments. The conflict in Sudan presents acute macroeconomic risks if oil pipeline routes through the country are disrupted.

Implementing the 2018 peace deal and holding credible elections in December 2024 is essential for domestic peace and continued growth. Urgent implementation of macroeconomic, governance, and transparency reforms is necessary to ensure scarce resources are spent on development needs and to facilitate a sustainable and inclusive economic recovery. Reforms and investments are especially critical in agriculture, which supports livelihoods for 80 percent of the population; these will help to support diversification away from the oil sector, create jobs, and build resilience to climate change.

Recent developments

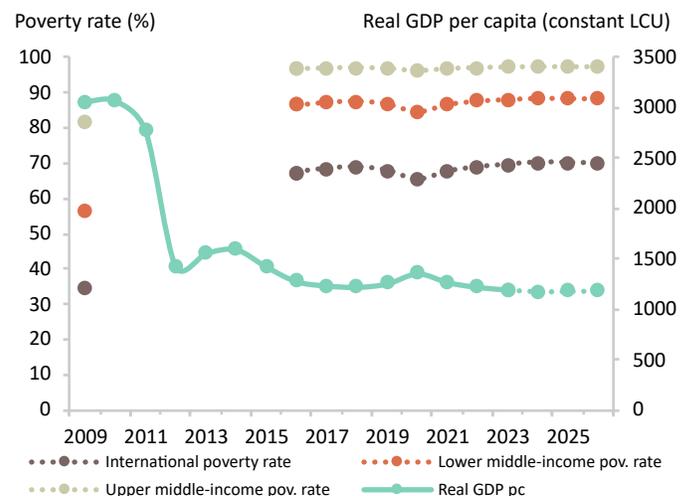
GDP growth contracted by an estimated 1.3 percent FY2022/23 due to a fourth consecutive year of flooding that dragged on oil production and higher food inflation due to the war in Ukraine and the lingering impacts of the COVID-19 pandemic. Nevertheless, a sustained recovery in private sector activity is evident, supported by improvements in macroeconomic stability due to reforms anchored by IMF programs, higher government spending enabled by a recovery in

FIGURE 1 South Sudan / Exchange rate developments



Sources: Bank of South Sudan and World Bank.

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



Source: World Bank. Notes: see Table 2.

oil prices, an increased flow of credit to firms, and a steady expansion in harvested areas as localized improvements in peace and high crop prices encouraged farmers to expand planting. Inflation has increased significantly in recent months, rising from 13.3 percent in 2023H1 to 31.9 percent in January 2024 due to the weakening currency. The onset of the conflict in Sudan and the recent Red Sea crisis have impacted the oil revenue flows, causing foreign exchange reserves to drop from 0.5 months of import coverage in June 2023 to 0.2 months in December 2023. Amid increasing recourse to deficit monetization, the official exchange rate has depreciated by 42 percent since the start of 2024, and the premium in parallel markets has widened to 13.7 percent. Fiscal pressures proved more significant than anticipated in FY2022/23. Higher oil prices and non-oil revenue administration reforms increased overall revenues by 42 percent. Expenses exceeded planned outlays by 29 percent, with overall spending increasing by 41.9 percent, mainly due to higher operational and capital expenditures. The FY2023/24 budget further raised capital expenditures, increased public sector salaries by 130 percent to protect against the impacts of inflation, and raised transfers to regions.

However, the government has accumulated salary arrears since the start of the fiscal year and reverted to deficit monetization. Data for FY24Q2 show continued overdrafts at the central bank and the use of oil advances to finance the budget. Public financial management reforms to strengthen expenditure controls and cash management have been initiated. However, there is limited transparency on oil revenues, including servicing of non-concessional external debt. South Sudan remains at a high risk of both external and domestic debt distress. Despite a good trade deficit, the overall current account deficit has gradually narrowed and shifted into a small surplus due to large net transfers, mainly remittances, reflecting increased confidence in the economy following the exchange rate reforms.

Outlook

Growth is expected to rebound to 2 percent in FY2023/24, supported by a sustained recovery in the non-oil sector and expanding crop planting. The recovery in oil production from the impacts of flooding of oil fields has been partially offset by a temporary decline in production and

exports in recent months. Over the medium term, growth should remain close to 4 percent as oil output levels recover and non-oil activity improves, supported by moderating inflation and higher government outlays on critical public investments, health, and education. This outlook is predicated on prudent monetary and fiscal policies that anchor macroeconomic stability, progress on governance, transparency, and structural reforms, and credible elections in 2024 that help to sustain peace. The pressure on the current account is expected to increase due to higher debt-service obligations, a decline in oil prices, and a decline in international aid. Extreme poverty is expected to remain stagnant at around 70 percent in the medium term as real growth prospects are limited. Addressing this reinforces the urgency of fiscal and public financial management reforms that generate budgetary resources to increase social expenditures. While efforts to modernize tax administration using digital solutions and to expand the tax base could help, fiscal pressures are expected to remain substantial given sizable debt-service obligations, a reduction in legacy arrears, and increasing social and humanitarian expenditures. It is thus also vital to strengthen the management and transparency of oil revenues.

TABLE 2 South Sudan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	-5.1	-2.3	-1.3	2.0	3.8	4.0
Real GDP growth, at constant factor prices	-5.1	-2.3	-1.3	2.0	3.8	4.0
Agriculture	-4.0	-1.8	-1.7	1.7	2.8	3.0
Industry	-2.3	-4.8	-4.3	0.5	3.3	3.0
Services	-9.7	1.7	3.6	4.1	4.7	5.6
Inflation (consumer price index)	43.1	22.0	18.0	35.0	22.0	12.4
Current account balance (% of GDP)	-5.5	-1.6	5.0	4.2	5.7	6.4
Net foreign direct investment inflow (% of GDP)	0.9	1.0	0.8	0.7	0.6	0.6
Fiscal balance (% of GDP)	-6.8	-6.1	1.9	2.0	2.0	1.9
Revenues (% of GDP)	30.9	30.1	30.6	32.0	31.8	31.5
Debt (% of GDP)	57.6	59.5	42.9	36.9	32.4	27.5
Primary balance (% of GDP)	-4.4	-4.0	3.0	2.7	2.8	2.6
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	67.5	68.8	69.5	70.1	70.0	69.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	86.6	87.6	88.0	88.3	88.2	88.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	96.7	97.1	97.2	97.3	97.3	97.3
GHG emissions growth (mtCO₂e)	2.1	0.8	0.9	1.3	1.4	1.5
Energy related GHG emissions (% of total)	2.7	2.7	2.7	2.7	2.9	3.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2016-HFS-W3. Actual data: 2016. Nowcast: 2017-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.