SOUTH SUDAN

Table 1	2021
Population, million	11.4
GDP, current US$ billion	5.0
GDP per capita, current US$	437.3
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]	44.2
School enrollment, primary (% gross)[b]	73.0
Life expectancy at birth, years[b]	58.1
Total GHG emissions (mtCO2e)	60.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ WDI for School enrollment (2015); Life expectancy (2020).

Despite high oil prices, the economy is projected to contract by 2.8 percent in FY2021/22 due to falling oil production and weather-related and external shocks. These, coupled with structural challenges related to weak governance, inadequate service delivery, and ongoing localized conflict, contributed to high levels of food insecurity and widespread poverty. Key downside risks include heightened conflict, climate shocks, and adverse terms of trade amid limited fiscal resources and pressing humanitarian needs.

Key conditions and challenges

A decade after independence, South Sudan's development prospects remain constrained by high levels of fragility amid localized/inter-communal conflict. A 2018 peace agreement ended five years of civil war; however, the transition period needed for its full implementation has been extended until 2025. The country is vulnerable to climate change and external shocks. Oil accounts for nearly all exports and around 90 percent of government revenues. A modest economic recovery in 2019 was upended by historic floods and the COVID-19 pandemic that led to a massive loss in oil revenues. The government's response – salary arrears and reliance on monetary financing – further compounded economic hardship and added to currency and inflation pressures.

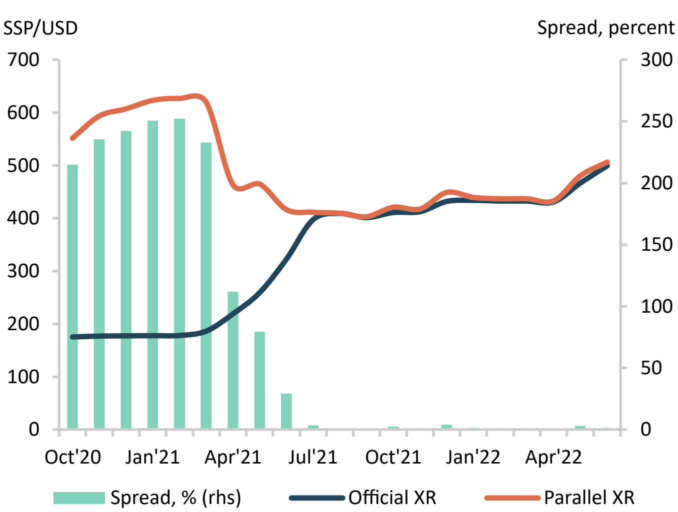
Since 2021, reforms initiated under an IMF staff-monitored program have helped improve macroeconomic and price stability. Higher oil prices following the Ukraine war have supported FX buffers and fiscal revenues. Poverty, however, remains dire, with 7 in 10 people living in extreme poverty. Some 8.3 million people, comprising 75 percent of the population, face severe food insecurity made worse by higher global food prices and domestic floods. In addition, 2.2 million people are internally displaced (55 percent of whom were women and girls), up from 2 million in 2021. An additional 2.3 million remain refugees in neighboring countries.

External risks relate to adverse global oil and food prices that reduce scarce fiscal resources amid pressing humanitarian needs. Implementing the 2018 peace deal, the timeline for which was recently extended by 2 years, is essential for domestic peace and stability and the resumption of growth. Macroeconomic, governance, and transparency reforms are urgent 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

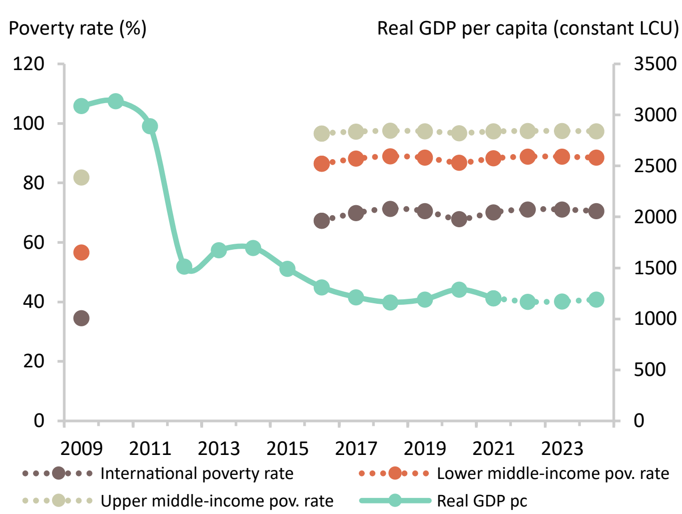
Economic activity has remained weighed down by a fourth consecutive year of flooding, lingering impacts of the COVID-19 pandemic, violence flareups, and higher food inflation due to the war in Ukraine. Oil production fell 8.6 percent in FY2021/22 due to floods and COVID-related delays in investments to replace exhausted wells. Agricultural prospects remain disappointing: the cereal deficit in 2022 is estimated at 541,000 tons (16 percent higher than in 2021), mainly driven by reduced yields due to widespread floods and prolonged dry spells. GDP is estimated to contract by 2.8 percent in FY 2021/22,

FIGURE 1 South Sudan / Exchange rate developments



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

following a 5.1 percent decline the previous year.

Tighter monetary policy and successful exchange rate reforms in 2021 helped to ease inflation pressures, which averaged 22 percent in FY2021/22, vs. 43.1 percent in FY2020/21. Official Juba CPI data shows year-on-year inflation dropped to -11.5 in June 2022; however, monthly inflation momentum has increased since March in line with global food prices. The exchange rate premium between official and parallel markets has increased, albeit modestly, following the appreciation of USD and drawdown on FX deposits at the central bank by the Ministry of Finance to reduce salary arrears.

Notwithstanding higher oil revenues, fiscal pressures remained significant in FY2021/22due to rising road investments, reduction of arrears, and unanticipated debt repayments.

The FY2022/23 draft budget envisages sustained increases in capital expenditures, a 20 percent increase in public sector salaries to protect against the impacts of inflation, and rising transfers to regions, which will widen the fiscal deficit. Public financial management (PFM) reforms to strengthen expenditure controls and cash management have been initiated, including an IFMIS. But there is limited transparency on oil revenues, including servicing of non-concessional external debt. South Sudan remains at a high risk of debt distress for both external and domestic debt.

Rising food import costs have been offset by higher oil export revenues, completion of transfers to Sudan, and weaker demand for capital imports. Consequently, the current account shifted to a surplus of 0.8 percent of GDP from a deficit of 5.5 percent.

Outlook

GDP growth should remain negative in FY2022/23, reflecting the continued impact of floods on agricultural and oil output, with oil production projected to drop by 3.8 percent. Nonetheless, higher government current spending should support a return to positive growth in the service sector.

Over the medium term, growth should rise to above 2 percent as oil output recovers and non-oil activity improves, supported by higher government outlays on critical public investments, health and education, and moderating inflation. This outlook is predicated on prudent monetary and fiscal policies that anchor macro-stability, progress on governance, transparency, and structural reforms, and steady implementation of the peace deal. The current account surplus is expected to benefit from the completion of financial transfers to Sudan, but eventually narrow as the peak in global energy prices passes.

Poverty is tenacious and expected to remain stagnant at around 71 percent in the medium term as real growth prospects are limited. Addressing this reinforces the urgency of fiscal and PFM reforms that generate budgetary resources to increase social expenditures. While efforts to modernize tax administration using digital solutions and expand the tax base will help, fiscal pressures will remain substantial given sizable debt service obligations, reduction of legacy arrears, and ramping up 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)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	3.2	9.5	-5.1	-2.8	-0.8	2.1
Real GDP growth, at constant factor prices	3.2	9.5	-5.1	-2.8	-0.8	2.1
Agriculture	9.9	6.0	-4.0	-1.8	-1.8	2.5
Industry	20.9	27.5	-2.3	-3.4	-1.8	1.2
Services	-12.1	-9.6	-9.7	-2.0	1.1	3.5
Inflation (Consumer Price Index)	63.6	33.3	43.1	22.0	28.0	16.1
Current Account Balance (% of GDP)	-6.3	-20.3	-5.5	0.8	3.5	1.9
Net Foreign Direct Investment Inflow (% of GDP)	-1.7	-0.4	0.9	1.0	0.9	2.4
Fiscal Balance (% of GDP)	-1.0	-9.8	-6.8	-3.0	-7.0	0.9
Debt (% of GDP)	32.7	40.7	57.6	59.5	46.4	34.9
Primary Balance (% of GDP)	-0.5	-7.8	-4.4	-0.8	-5.2	2.0
International poverty rate ($2.15 in 2017 PPP)[a,b]	70.5	67.8	70.1	71.1	71.1	70.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	88.5	86.9	88.3	88.9	88.9	88.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	97.4	96.8	97.4	97.5	97.5	97.4
GHG emissions growth (mtCO2e)	-10.2	0.2	0.7	0.1	0.0	0.3
Energy related GHG emissions (% of total)	2.9	3.3	3.3	3.3	3.4	3.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2016-HFS-W3. Actual data: 2016. Nowcast: 2017-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2016) with pass-through = 0.87 based on GDP per capita in constant LCU.