

# South Sudan

## Recent macroeconomic and financial developments

GDP contracted by 6.0% in 2020/21 after growth of 13.2% in 2019/20, owing to floods, locust invasions, and COVID-19. Pandemic containment measures constrained movement and business operating hours and affected the services sector. On the supply side, agriculture was hurt by the floods and locusts. Production in the oil sector, which accounts for over 75% of GDP and 80% of the industry sector's value added, fell as some oilfields reached maturity. Public and private consumption, which drove growth on the demand side in 2020, were affected by reduced economic activity in 2020/21.

Tighter monetary policy reduced inflation to an estimated 24.0% in 2020/21 from 33.3% in 2019/20. The financial sector has limited competition, although banking NPLs at 12% of total loans in September 2021 were below the statutory requirement of 20%. The fiscal deficit narrowed to 6.7% of GDP in 2020/21 from 9.8% the prior year, reflecting fiscal consolidation, and was financed mainly by oil-backed loans. The risk of public debt distress improved, from "debt distress" to "high risk" in 2021 following debt restructuring in 2020. The current account deficit improved to 15.6% of GDP in 2020/21 from 16.9% the previous year due to lower financial transfers to Sudan and was financed by FDI and remittances. The SDR allocation (\$334 million) financed the deficit (\$150 million) and boosted international reserves (\$184 million). A \$49.2 million COVID-19 Strategic Preparedness and Response Plan was implemented to mitigate the socioeconomic effects of the pandemic.

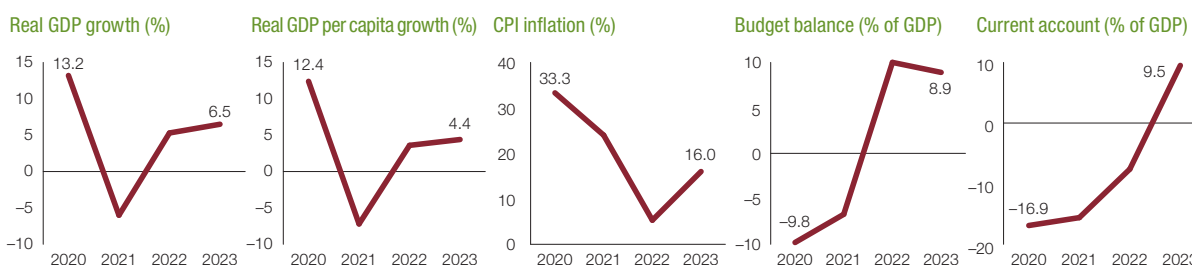
## Outlook and risks

Growth is projected to rebound to 5.3% and 6.5% in 2021/22 and 2022/23 due to increased oil export receipts. It will be driven by industry and by private consumption and investment. Inflation is projected to fall to 5.3% in 2021/22, reflecting improved food supply, but to increase

to 16% in 2022/23 because of drought and higher food prices in the key source markets of Kenya and Uganda following the Russia–Ukraine conflict. Fiscal consolidation, the SDR allocation (about 3.8% of GDP), and increased oil revenues will generate a fiscal surplus of 10.0% of GDP in 2021/22 and 8.9% in 2022/23. The current account deficit is projected to improve to 7.6% of GDP in 2021/22 before flipping to a surplus of 9.5% in 2022/23 on higher oil export earnings. Disruptions to the peace process, fluctuations in oil prices, lingering COVID-19, and climate change effects are the main downside risks to growth.

## Climate change issues and policy options

South Sudan is eight on the 2021 GCRI, and is heavily exposed to climate change, notably frequent droughts, floods, and locust invasions. This takes down agricultural productivity and GDP growth. Scarcity of water can aggravate intercommunal conflicts between pastoralists and crop farmers. Climate change-induced natural disasters and intercommunal clashes have triggered internal displacements and socioeconomic deprivation for the most vulnerable. They have also increased incidence of infectious diseases in a weak national health system, with diarrhea and malaria among the top five causes of deaths, according to the Second Nationally Determined Contribution (SNDC) Report of 2021. South Sudan adopted an Environmental Policy (2015–26) and prepared the SNDC Report to inform remedial actions. The SNDC prioritizes a transition to a low-carbon economy, targeting a 158% reduction in GHG emissions by 2030, and recommended forest and land-use policies to guide sustainable exploitation of forests and natural resources; policies and incentives for private investments in RE generation; and regulations to reduce gas flaring. Access to climate finance is limited, however, and so it is critical to raise awareness about carbon financing and associated credit programs. Achieving SDG 13 on climate action will be a challenge.



Source: Data are as of April 2022 and are from domestic authorities; figures for 2021 are estimates and figures for 2022 and 2023 are projections by the African Economic Outlook team. Data on the budget balance correspond to South Sudan's fiscal year, which runs from July 1 to June 30.