

BUFF/04/82

April 28, 2004

**Statement by the Staff Representative on Syrian Arab Republic
Executive Board Meeting
April 30, 2004**

This statement provides information on economic developments in Syria that has become available since the preparation of the staff report for the 2004 Article IV consultation (SM/04/131). The data is preliminary and will need to be verified by staff. The updated information does not change the thrust of the staff appraisal.

A. *Macroeconomic Developments*

1. Recent data are mixed, indicating that the macroeconomic situation, while still stable, continues to weaken somewhat.

Inflation (measured by the consumer price index) rose to about 5 percent for the year 2003.

Official foreign reserves increased to \$4.8 billion through September 2003 (9.5 months of imports).

The exchange rate in the parallel market remained stable through early April 2004 (latest available data).

The authorities' initial estimates for 2003 indicate 3 percent growth in real GDP; this would reflect a somewhat stronger outcome than expected, due to a robust outturn in the agriculture sector and continued, albeit modest, growth in other sectors.

B. *Policy Developments*

2. Although no major reforms have been introduced in the past two months, progress has been made in several key areas.

A unit has been established at the finance ministry to prepare for introduction of a VAT and to draft VAT legislation.

Beginning in mid-February, the official "private sector" exchange rate has been changed on a daily basis, a break from the past practice of infrequent changes in official rates. The authorities have affirmed their intention to unify the official exchange rates by end-year.

- Following passage of anti-money laundering legislation in late 2003, a financial information unit has now been established at the central bank. The law and a completed questionnaire have been submitted by the authorities to the Fund for assessment.