

**EXECUTIVE
BOARD
MEETING**

SM/17/33
Supplement 3

March 9, 2017

To: Members of the Executive Board

From: The Secretary

Subject: **Republic of South Sudan—Staff Report for the 2016 Article IV
Consultation—Draft Press Release**

Board Action: Executive Directors' **consideration** (Formal)

Tentative Board Date: **Wednesday, March 15, 2017**

Publication: Yes*

Questions: Mr. Mikkelsen, AFR (ext. 38735)
Mr. Tjirongo, AFR (ext. 35574)

***Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the press release will be published.**



INTERNATIONAL MONETARY FUND



Press Release No. 17/x
FOR IMMEDIATE RELEASE
March --, 2017

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes 2016 Article IV Consultation with the Republic of South Sudan

On March 15, 2017, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation¹ with the Republic of South Sudan.

South Sudan faces enormous economic and humanitarian challenges in the aftermath of internal conflict and external shocks. The relapse into violence a few months after forming a transitional government of national unity in April 2016 compounded the humanitarian crisis and derailed the peace process. The conflict has contributed to the deaths of thousands and led to severe food insecurity for nearly half of the population, as well as a substantial flight of refugees to neighboring countries. Moreover, famine was recently declared in some areas of the country.

Economic conditions have deteriorated rapidly since the beginning of the civil conflict in late 2013. Real GDP growth declined by nearly 20 percent in the two years through 2015/16, and annual inflation rose to about 550 percent in September 2016 before declining to 370 percent in January 2017. The conflict and the collapse of oil prices led to a decline in oil production and export proceeds. Falling government revenue and rising security-related spending caused the fiscal deficit to rise rapidly, which exacerbated the economic instability. Monetization of the fiscal deficit led to strong money growth, high inflation and precipitous exchange rate depreciation. Since December 2015, the South Sudanese pound has lost more than 95 percent of its value against the U.S. dollar.

The authorities shifted economic policy course in late 2016 with the passing of a new budget for 2016/17, which incorporates bold fiscal measures that could go a long way to restore macroeconomic stability and strengthen public financial management. Preliminary information indicates a substantial reduction in the fiscal deficit for the first half of the fiscal year and significant moderation in money growth.

The medium-term outlook faces challenges and significant downside risks. Without significant progress toward peace and economic stabilization, the economic trajectory for South Sudan is

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

highly unstable, and the country risks falling into a spiraling trap of deteriorating economic performance and worsening security conditions with continued high humanitarian costs. A sustainable medium-term outlook is predicated on achieving progress on normalization of the political and security situation, sustained economic adjustment and reforms, and renewed access to external financing. Assuming that peace is achieved, the fiscal deficit could fall to 2–3 percent of GDP in the coming years consistent with a return to single digit inflation and exchange rate stability. In the next five years, annual GDP growth could increase to 5-6 percent, reflecting a recovery in oil production and in non-oil GDP.

Executive Board Assessment²

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² At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.imf.org/external/np/sec/misc/qualifiers.htm>.

Republic of South Sudan: Selected Economic Indicators ¹				
Population (millions; 2015/16):	12.2	Per capita GDP (US\$) (2015/16):	240	
IMF Quota (current; millions SDR; % total):	46; 0.05%	Literacy rate (%) (2009):	27	
Main exports:	Oil	Poverty rate (%) (2009):	51	
Key export markets:	China, Malaysia	Paved road density:	2km/100k m ²	
	2013/14 Act.	2014/15 Act.	2015/16 Prel.	2016/17 Proj.
Output and Prices				
Real GDP growth (%)	39.3	-12.8	-6.9	-10.5
Oil production (millions of barrels per year)	66.8	57.8	53.1	43.4
Inflation, average (%)	-5.6	14.8	158.7	336.2
South Sudan's oil price (US dollars per barrel)	97.8	62.4	34.7	41.4
Central government finances				
Revenue and grants (% GDP)	26.4	28.6	29.0	34.4
<i>Of which:</i> grants (% of GDP)	0.0	8.3	0.4	0.9
<i>Of which:</i> oil revenues (% of GDP)	24.1	16.7	22.0	29.5
Expenditure (% GDP)	28.1	37.2	38.4	36.3
Current	24.5	34.7	33.0	33.7
<i>Of which:</i> Payments to Sudan (% of GDP)	6.2	5.9	7.9	17.2
Capital	3.6	2.4	5.4	2.6
Errors and Omissions	1.1	6.0	-1.8	-0.5
Change in arrears	0.0	0.0	23.2	0.0
Fiscal balance (% GDP) ²	-2.9	-14.6	-30.8	-1.3
Money and Credit				
Broad money (% change)	20.5	36.9	219.1	38.7
Reserve money (% change)	37.0	81.1	239.6	56.6
Credit to private sector (% change)	4.6	13.7	172.6	46.9
Balance of payments				
Current account (% GDP)	2.3	-4.2	-3.7	2.1
Net foreign assets of the central bank (in months of imports, end of period)	1.0	1.4	0.4	0.2
External debt (% GDP)	4.2	5.5	28.6	38.7
Exchange rate				
Official rate (SSP per dollar; period average)	3.0	3.0	16.9	...
Parallel market rate (SSP per dollar; period aver	4.3	6.6	23.8	...
Source: South Sudanese authorities; and IMF staff estimates and projections.				
¹ The data corresponds to fiscal year (July to June).				
² On an accrual basis.				