SOUTH SUDAN

Table 1	2023
Population, million	11.1
GDP, current US$ billion	4.6
GDP per capita, current US$	418.0
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]	55.6
Total GHG emissions (mtCO2e)	68.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ WDI for School enrollment (2021); Life expectancy (2022).

A significant drop in oil production derailed economic growth, despite better harvests. Food insecurity and extreme poverty remain high because of high inflation, climate and external shocks, declining official development assistance, structurally weak governance, inadequate service delivery, and localized conflict. The conflict in Sudan poses acute risks to macroeconomic stability, exacerbating fiscal pressures and pressing humanitarian needs. A loss of momentum in the political transition could amplify these risks.

Key conditions and challenges

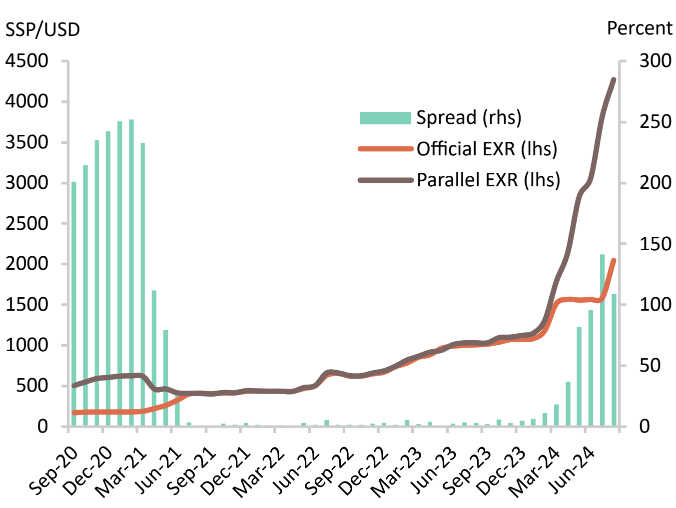
More than a decade after independence, South Sudan's development prospects remain constrained by fragility, heavy reliance on oil revenue and external financing, and limited state capacity to deliver public services. Acute humanitarian and macroeconomic challenges have been further compounded by the conflict in neighboring Sudan that has disrupted the flow of oil through pipelines in Sudan. These developments fuel a macroeconomic and fiscal crisis, given that oil accounts for nearly all exports and about 90 percent of government revenues. Fiscal capacity to counter the large decline in oil production or global oil and food price shocks remains highly constrained by severe challenges in the governance of oil sector revenues and weak fiscal discipline. Furthermore, the limited fiscal resources are used to repay non-concessional debts or flow to the security sector. South Sudan remains at high risk of both external and domestic debt distress, with a substantial downside risk on sustainability and falling into debt distress. Critical social expenditures are mainly financed by humanitarian official development assistance that is under pressure due to competing global needs. The 2018 peace agreement ended five years of civil war; however, the transition period for its full implementation has been repeatedly extended, including the recent two-year extension to February 2027.

IMF-backed reforms, beginning in 2021, fostered macroeconomic stability and revived the non-oil private sector. However, the disruption in oil production and exports undermined economic stability and reversed the gains from exchange rate reforms and higher oil prices. Extreme poverty is widespread, with more than 70 percent of the population living on less than US$2.15 per day based on projections from the most recent available data. Food insecurity is acute, affecting 9 million people (78 percent of the population), exacerbated by high food prices and floods. Additionally, 2 million people are internally displaced, while 2.1 million remain refugees in neighboring countries. The conflict in Sudan has also led to over 700 thousand Sudanese refugees and South Sudanese returnees entering the country, intensifying the humanitarian crisis. The country is highly vulnerable to climate shocks reflected in the increased severity, durations, and spread of annual floods.

Recent developments

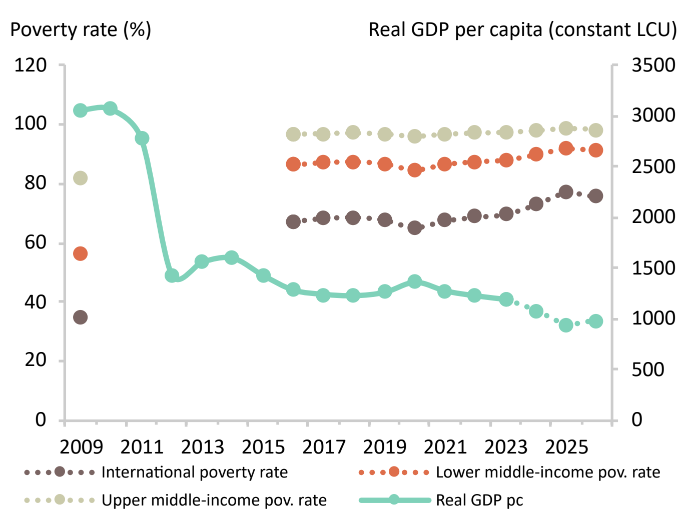
Macroeconomic conditions have significantly deteriorated over the past year with the economy contracting by an estimated 7.8 percent in FY2023/24. While the agricultural sector, mainly crop production, expanded by 1.8 percent, the non-agricultural sector has been affected by heightened political uncertainty, lower trade flows, and higher food inflation due to significant currency depreciation in recent months. The oil sector has come under

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.

pressure following damages to the pipeline in Sudan and heightened geo-political tensions in the Red Sea. Since February 2024 oil production plunged to 50,000bpd from 150,000 previously. Moreover, Petronas International Corporation, the main operator of South Sudan's oil fields, submitted a request for arbitration to ICSID against the government of South Sudan over the takeover of its assets by the state-owned Nilepet.

Inflation soared to 107 percent in July, as the South Sudan pound depreciated, supply shortages intensified, including due to sharply lower cross border trade of essential food items mainly from Uganda, and as transport costs increased. Loss of revenue led the government to return to deficit monetization. As a result, since the beginning of 2024, the official exchange rate depreciated by 89 percent, and the premium in the parallel market widened to 75 percent.

In FY2023/24, fiscal pressures proved more significant than anticipated. Despite lower oil production in the second half of FY24, oil revenues increased by 23 percent in nominal terms while non-oil revenues rose by 91 percent, helped by an increase in custom valuation exchange rate from SSP90 to SSP300, which remains substantially low, suspension of discretionary exemptions and improved compliance, as well as due to high inflation. Preliminary fiscal outturns exceeded outlays by 36 percent, with overall spending increasing by 50 percent, mainly due to higher operational and capital expenditures. As a result, the fiscal deficit reached 3 percent of GDP. Further, the FY25 draft budget envisages a deficit amounting to 45 percent of the total expenditures, with no clear financing plans. The current account balance deteriorated following the decline in oil export revenues, while partly cushioned by reduced imports and large net transfers, mainly humanitarian aid flows.

Outlook

Real GDP is expected to decline by 11.4 percent in FY2024/25, due to the drop in oil production and uncertainty regarding future production. The non-oil sector`s rebound is expected to be constrained by floods that disrupt agricultural production. Growth is projected to rebound to 6 percent in FY2025/26, predicated on oil output recovery and non-oil activities gradually picking up, supported by easing inflation and increased public spending. The pressure on the current account is expected to increase due to continued decline in oil revenues, higher debt-service obligations, and a decline in international aid.

Putting the economy on a sustainable growth path requires the full implementation of the 2018 peace accord and the organization of fair and transparent elections. Currently, the transitional period is extended to February 2027, and elections are postponed to December 2026. Meanwhile, ensuring budget credibility and disciplined execution, refraining from monetization of fiscal deficit, are critical to restoring macroeconomic stability, improving governance, and fostering inclusive growth. Extreme poverty is expected to remain high at over 70 percent in the medium term as real growth prospects are limited in the short-term. This underscores the urgency of fiscal and public financial management reforms to generate budgetary resources to increase social expenditures. While digital solutions to modernize tax administration, efforts to expand the tax base and to strengthen the management and transparency of oil revenues could help, fiscal pressures are expected to remain substantial given sizable debt-service obligations, the need to clear legacy arrears, and increase social and humanitarian expenditures.

TABLE 2 South Sudan / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	-5.1	-2.3	-1.3	-7.8	-11.4	6.1
Real GDP growth, at constant factor prices	-5.1	-2.3	-1.3	-7.8	-11.4	6.1
Agriculture	-4.0	-1.8	-1.7	1.8	1.8	2.5
Industry	-2.3	-4.8	-4.3	-17.2	-26.5	8.7
Services	-9.7	1.7	3.6	3.5	2.9	4.8
Inflation (consumer price index)	43.1	22.0	18.0	35.0	47.0	24.6
Current account balance (% of GDP)	-5.5	4.6	5.1	3.2	-3.3	-1.6
Net foreign direct investment inflow (% of GDP)	0.9	0.9	0.8	0.6	1.1	0.8
Fiscal balance (% of GDP)	-6.8	-5.9	1.8	-3.1	-7.1	-2.4
Revenues (% of GDP)	30.9	28.8	28.8	28.4	21.0	29.0
Debt (% of GDP)	57.6	56.9	40.3	43.3	52.3	49.9
Primary balance (% of GDP)	-4.4	-3.8	2.8	-2.4	-6.2	-1.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	67.5	68.8	69.7	73.0	77.1	75.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	86.6	87.6	88.1	89.9	92.0	91.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	96.7	97.1	97.3	97.8	98.4	98.2
GHG emissions growth (mtCO2e)	-5.6	0.3	1.0	0.9	0.8	1.1
Energy related GHG emissions (% of total)	2.8	2.8	2.8	2.6	2.4	2.5

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.