



### *Casa África –Business opportunities*

#### **Republic of South Sudan**

South Sudan is a country characterized by the threat of famine and civil wars, and whose situation will most likely worsen with the current crisis. The impact of the pandemic is expected to be transmitted through commodity prices and trade, as well as foreign direct investment flows and migrant remittances. GDP is projected to contract by 0.4-3.6% by 2020. Unlike other countries, the situation in Southern Sudan does not appear to be improving by 2021, with a contraction of 1.5% projected for that year. However, it is expected that the stabilization of international oil prices will boost oil production and exports, which in this case would lead to a recovery in GDP growth of 0.1% by 2021.

Oil revenues represent about 80% of GDP and an even higher percentage of government revenues, making Southern Sudan very vulnerable to fluctuations in international oil prices. Moderate growth in key trading partners such as China has reduced demand for oil exports, and with the sharp fall in oil prices, profits have declined. The resulting deterioration in the trade deficit and the expected reduction in remittances will further widen the current account deficit to 8.8% in 2020 and could reach 9.3% if the pandemic drags on, worsened by lower foreign direct investment, especially in the oil sector. Inflation is expected to remain high at 32.6% by 2020, as declining demand will not compensate for disrupted supply chains due to border closures and containment measures in neighboring countries. Reduced oil revenues and high public spending to contain the pandemic are also expected to worsen the fiscal deficit to 7.4% of GDP in 2020. Ultimately, declining remittance inflows will reduce consumption, exacerbate poverty and exacerbate humanitarian needs in the midst of the fragile post-conflict political transition, with more than half of the population facing food insecurity.

Prior to the arrival of COVID-19 the outlook for the country was positive, mainly due to the expected increase in oil exports, increased electricity supply and improved infrastructure. This was expected to give confidence to private investors and consequently increase foreign investment, but with the arrival of this health crisis the outlook presents great challenges for the country and a postponement of the above. There were also several reforms planned by the government to increase revenue collection, especially non-oil revenues.

Among the most notable structural challenges for the country are the lack of economic diversification, high public debt, weak institutions and political uncertainty. Commitment to the peace agreement will remain key to the stability of oil production, private investment, foreign exchange flows and public investment in the critical sectors of health, education and agriculture.

AEO: <https://www.afdb.org/en/documents/african-economic-outlook-2020>

AEO (Suplemento COVID-19): <https://www.afdb.org/en/documents/african-economic-outlook-2020-supplement>