

**BANK OF SOUTH SUDAN**  
**RESEARCH AND STATISTICS DEPARTMENT-ECONOMIC BULLETIN**

**DEPOSITORY CORPORATIONS AND CENTRAL BANK SURVEY**  
**FEBRUARY 2016**

The consolidated Depository Corporations with the Bank of South Sudan Survey for February indicated M2 has risen from SSP 8.1 billion in February 2015 to SSP 20.8 billion February 2016. This increase of money supply is in response to the mounting net claim on Central Government as economic crisis contributed to SSP depreciation and high inflation in the country. A net foreign asset has decreased from SSP 0.9 billion in February 2015 to negative SSP 15.6 billion in February 2016 because the liabilities to nonresidents has largely exceeded the claim on nonresidents due to SSP devaluation by the Bank of South Sudan in consultation with Ministry of Finance and Economics Planning in mid-December 2015.

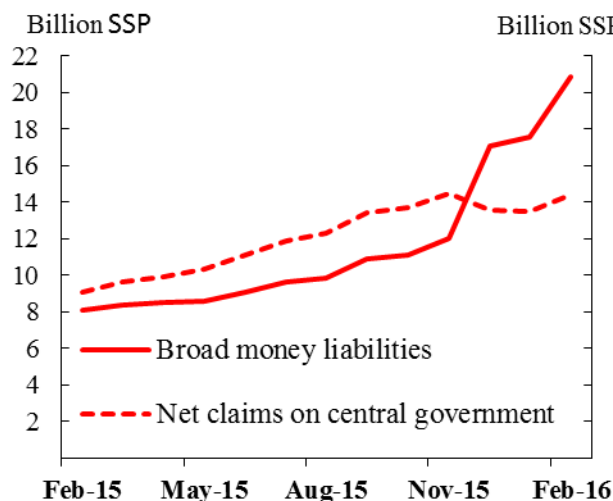
Over one year period (February 2015 to February 2016), net claims on the Central Government (NCG) have increased from SSP 9.0 billion to SSP 14.4 billion as shown in chart 1 below. We expect the NCG to continue increasing as government expenditures are becoming high during the peace implementation process.

Government increases in borrowing is a result of the low oil production (which comprises of more than 98 per cent of Government revenue) due to the crisis in the oil producing regions, and the decline in oil prices at the international market since 2014.

Growth of M2 has been particularly strong in transferable deposits and moderate in other deposits and currency outside depository corporations (see Chart 2 below), which largely comprises Central Government Officials Salaries and other government expenses. This is consistent with the continuous increase in Net Claims on the Central Government in Chart 1.

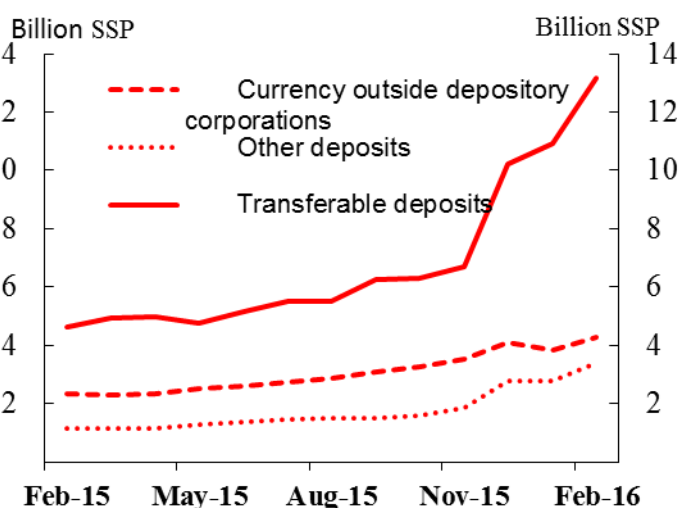
We believe the steady growth of broad money will further weaken the value of the South Sudanese Pound despite the fact that the Bank of South Sudan has adopted floating exchange rate and this will push the inflation higher over the coming Months.

**Chart 1: Claims on Central Government and Liabilities to Central Government**



Source : Depository Corporation Survey

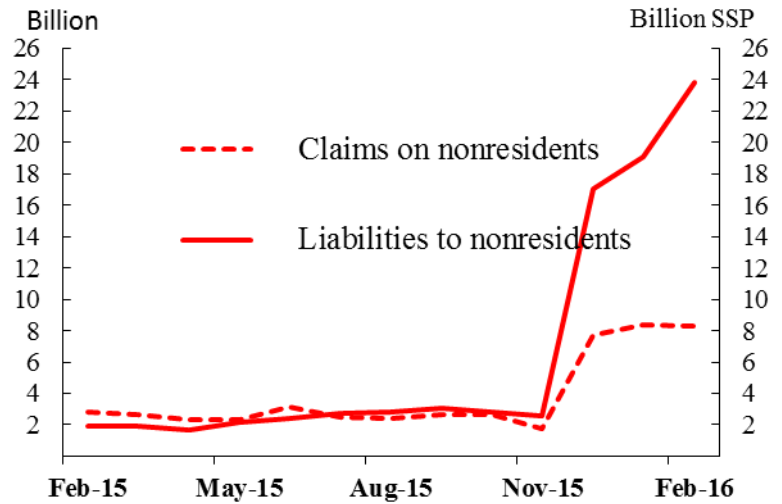
**Chart 2: Components of Broad Money**



Source : Depository Corporation Survey

Net Foreign Assets (Chart 3) has decreased from SSP 0.9 billion in February 2015 to negative SSP 15.6 billion in February 2016 over period of one year due to devaluation of SSP in mid-December 2015. Liabilities to nonresidents has increased from SSP 1.9 billion to SSP 23.8 billion over year period, tremendously exceeding the claims on nonresidents of about 65% over the year.

**Chart 3: Components of Net Foreign Assets**



Source : Depository Corporation Survey

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