

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

**DEPOSITORY CORPORATIONS AND CENTRAL BANK SURVEY
SEPTEMBER 2017**

The Monetary Survey for September 2017 (consolidated Depository Corporations and the Bank of South Sudan Survey) has indicated money supply (M2) increased from SSP 34.22 billion in September 2016 to SSP 59.75 billion in September 2017. This increase of M2 is in response to the mounting transferable deposits in its components as well as large increase in liabilities to other depository corporations (ODCs) in the monetary base components. A net foreign asset has deteriorated further from negative SSP 45.15 billion in September 2016 to negative SSP 73.70 billion in September 2017 as the liabilities to nonresidents largely exceeded the claims on nonresidents since the SSP was allowed to float in mid-December 2015.

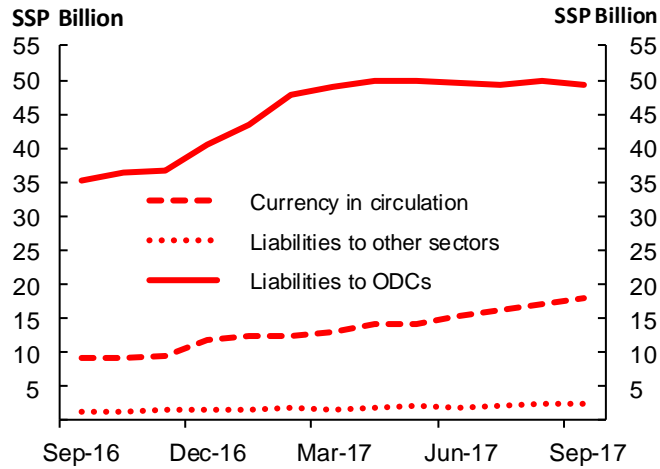
Over one year period (September 2016 to September 2017), the liabilities to ODCs in the monetary base (MB) components has largely increased from SSP 35.11 billion to SSP 49.24 billion as shown in chart 1 below. The Currency in Circulation has doubled over the year from SSP 9.07 billion in September 2016 to SSP 18.10 billion September 2017. Liabilities to other sectors had also increased from SSP 1.27 billion to SSP 2.56 billion over the year. We expect liabilities to ODCs continue increasing as Government of National Unity expenditures will increase during the peace implementation process.

The government revenue comprises about 98 per cent of oil income, and therefore the Government continues to take monthly temporary advances and overdrafts from the BSS to cover the expenses as the oil prices fall at the international market, and significant reduction of oil production in the oil producing areas in South Sudan since the civil war crisis began in December 2013.

Growth of M2 has been particularly strong in transferable deposits (which largely comprises Central Government Officials Salaries and other government expenses) and moderate in other deposits and currency outside depository corporations (see Chart 2 below). This is consistent with the direct moderate increase in currency in circulation and liabilities to ODCs, whereas liabilities to other sectors have reasonably been steady over the year as indicated in Chart 1.

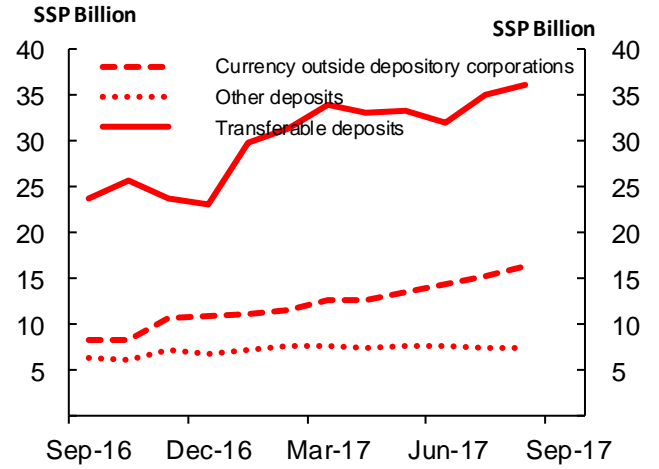
We believe the continuous growth in money supply will further weaken the value of the South Sudanese Pound despite the fact that the Bank of South Sudan has adopted floating exchange rate which may push the inflation higher over the coming Months.

Chart 1: Monetary Base Components



Source : Bank of south Sudan Survey

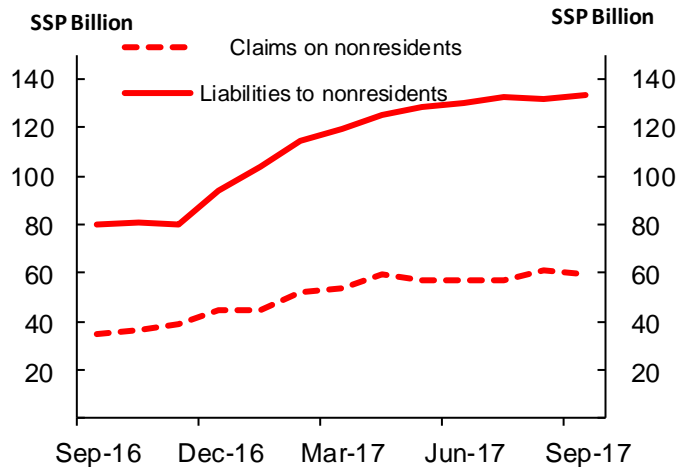
Chart 2: Broad Money Components



Source : Depository Corporation Survey

Net Foreign Assets (Chart 3) has deteriorated from negative SSP 45.45 billion in September 2016 to negative SSP 73.70 billion in September 2017 over one year period due to the devaluation of SSP in mid-December 2015. And Liabilities to nonresidents have increased from SSP 80.18 billion to SSP 133.32 billion over one year.

Chart 3: Net Foreign Assets Components



Source : Depository Corporation Survey

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