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# BANK OF SOUTH SUDAN: MACROECONOMIC REVIEW

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Fourth Quarter Report

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RESEARCH AND STATISTICS DEPARTMENT  
Po Box 136 Juba South Sudan

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## Abbreviations

BSS	Bank of South Sudan
NFA	Net Foreign Assets
Mb/d	Millions of Barrels per Day
ODCs	Other Depositary Corporations
SSNBS	South Sudan National Bureau of Statistics
CAR	Capital Adequacy Ratio
OPEC	Organization of the Petroleum Exporting Countries
CI	Credit Institutions
EAC	East African Community
EMEs	Emerging Market Economies
EU	European Union
GDP	Gross Domestic Product
IMF	International Monetary Fund
MoFEP	Ministry of Finance and Economic Planning
MPM	Ministry of Petroleum and Mining
NRA	National Revenue Authority
UGX	Uganda Shillings
USD	United States Dollar
GIR	Gross International Reserves
CAB	Current Account Balance
Ksh	Kenyan Shillings
WEO	World Economic Outlook
Tb/d	Thousands of barrels per day
ROW	Rest of the World


## Foreword

The Bank of South Sudan (BSS) is pleased to share with the public this fourth quarter 2018 report on macroeconomic developments in the country. The document is on continuous process of improvement so that the quality of production and dissemination of this key macroeconomic updates meet international standards.

The quarterly report is one of the Bank of South Sudan's prime document through which information on some selected macroeconomic variables derived from the four sectors (Real, Fiscal, Monetary and External) of the economy is disseminated.

The BSS would like to appreciate the Macro Framework Working Group (MFWG) which comprises Ministry of Finance and Planning (MoFP), Ministry of Petroleum (MP), National Bureau of Statistics and other government agencies for providing their insight and forecast on the general macroeconomic situation of the country, including sharing of the data that helped in producing this publication. The Bank of South Sudan welcomes constructive comments from stakeholders that aim at enhancing the quality of future publications.

Copies of this publication are available at the Bank of South Sudan's head office Juba, Plot No: 1 Block DVI 1<sup>st</sup> Class, South Sudan. They can also be obtained from the official Banks' website: [www.bankofsouthsudan.org](http://www.bankofsouthsudan.org)



Dier Tong Ngor  
Governor, Bank of South Sudan

## Executive summary

**Global output** expansion has shown signs of weakening at the end of the fourth quarter 2018. The weaker than expected growth was partly due to the negative effects of tariff increases enacted in the United States and China, new fuel emission standards in Germany, natural disasters in Japan, concerns over a US government shutdown, weakening financial market sentiments in large economies and other triggers such as a “no-deal” withdrawal of the United Kingdom from the European Union has affected global economy. As a result, the IMF estimated global output to average 3.7 per cent in 2018, to slow down further to 3.5 per cent in 2019.

GDP growth for most of the **East African** member states has remained robust towards the end of the fourth quarter of 2018 supported by the high demand due to low oil prices, moderate drought condition and expansionary fiscal policies. As a result, the IMF projected output to average about 6.8 per cent in Tanzania, 6.5 per cent in Rwanda, 5.5 per cent in Kenya, 5.2 per cent in Uganda and 0.1 per cent Burundi at the end of the year 2018

South Sudan macroeconomic outlook at the end of the fourth quarter 2018 was featured by a number of varying developments among which includes the resumption of oil production in some parts of the country, the launching of South Sudan National Development Strategy (NDS) Agenda 2040 with the main strategy of guiding government investment in areas that will consolidate peace and macroeconomic stabilization focusing on agriculture, livestock, petroleum, security sector reform, and basic services. As result, government revenue is anticipated to improve in the short and medium run.

Nevertheless, the government of South Sudan is still facing challenges of budget execution. There is need to continue with reforms enacted earlier at the beginning of the fiscal year 2017/2018 to restore macroeconomic stability. The underperformance of the non-oil sector especially local agricultural production, the weak performance of the private sector as manifested by minimal ratios of loans to total deposits by the commercial banks and the high none performing loans in the country has signaled low output at the end of the year 2018. Consequently, the Bank of South Sudan projected GDP to decline by about negative 3.24 per cent at the end of the year 2018 while inflation has dropped to around 40 per cent at the same period supported partly by liquidity tightening by the Monetary Authorities.



Provisional figures show that the South Sudan current account is in surplus of about USD 275.42 million mainly due to low imports and high exports especially from the oil sector. However, these numbers should be used with caution because the Bank of South Sudan believes that imports into the country may have been underestimated. The South Sudanese Pound has depreciated by about 17 per cent from SSP 211.78/USD in the third quarter of 2018 to about SSP 247.97/USD at the end of the fourth quarter of 2018 in the parallel market, reflecting high demand for foreign currencies by traders and holidays makers during the Christmas season, and the gross international reserves of South Sudan has dropped by about 7 per cent at the end of the fourth quarter 2018.

## 1. International and Regional Outlook

### 1.1. Global Outlook

Global expansion has shown signs of weakening at the end of the fourth quarter 2018. The weaker than expected growth was partly due to the negative effects of tariff increases enacted in the United States and China, new fuel emission standards in Germany, natural disasters in Japan and the weakening financial market sentiments that have all weighed on activity in large economies. As a result, the IMF estimated global output to average 3.7 per cent in 2018, to slow down further to 3.5 per cent in 2019. Concerns over a US government shutdown further weighed on financial sector sentiments towards the end of the fourth quarter 2018, other triggers such as a “no-deal” withdrawal of the United Kingdom from the European Union and a greater-than-envisaged slowdown in China has also weighed down growth in the world economy. The IMF estimated growth in advanced economies to average about 2.3 per cent in 2018 before slowing down to 2.0 per cent in 2019. Growth in emerging markets and developing economies is expected to decline further to 4.6 per cent in 2018 from 4.7 per cent in 2017 as shown in table 1 below, while growth in the euro area is expected to decline to 1.8 per cent in 2018 from 2.4 per cent in 2017 (WEO January, 2019).

**Table 1: Global GDP Growth Rate**

	2016	2017	Estimates 2018	Projections 2019
<b>World</b>	<b>3.2</b>	<b>3.8</b>	<b>3.7</b>	<b>3.5</b>
<b>Advanced Economies</b>	<b>1.7</b>	<b>2.4</b>	<b>2.3</b>	<b>2.0</b>
United States	1.5	2.2	2.9	2.5
Euro Area	1.8	2.4	1.8	1.6
Japan	0.9	1.9	0.9	1.1
<b>Emerging &amp; developing economies</b>	<b>4.4</b>	<b>4.7</b>	<b>4.6</b>	<b>4.5</b>
China	6.7	6.9	6.6	6.2
India	7.1	6.7	7.3	7.5
<b>Sub-Saharan Africa</b>	<b>1.4</b>	<b>2.9</b>	<b>2.9</b>	<b>3.5</b>
Nigeria	-1.6	0.8	1.9	2.0
South Africa	0.6	1.3	0.8	1.4

Source: IMF World Economic Outlook database (WEO, January 2019)

The **US economy** maintained strong growth with current growth still remaining above potential growth, this is boosted by increase in private sector activity, the sizable fiscal stimulus and strong

domestic demand. As a result, the IMF has estimated US output to average about 2.9 per cent at the end of the year 2018, up from 2.2 per cent in 2017 (WEO January, 2019).

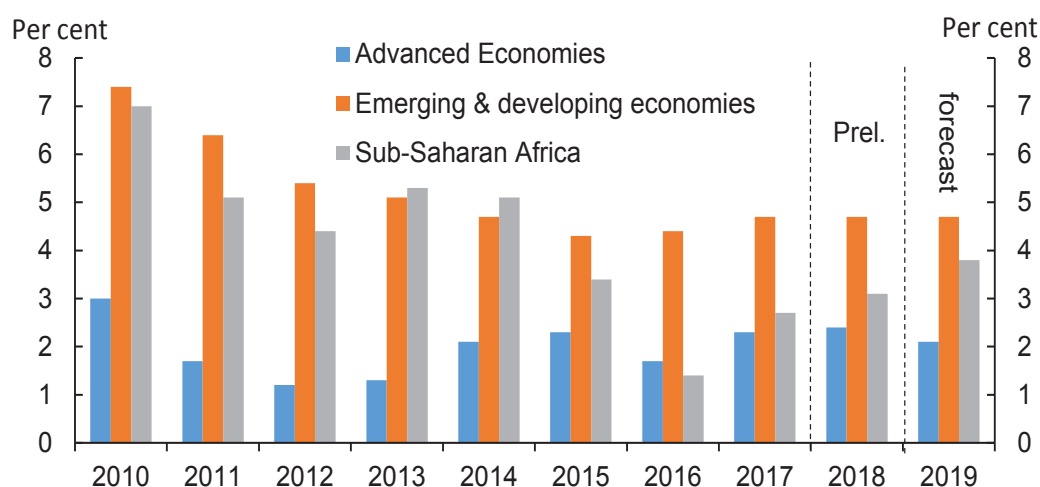
Growth in **China** and a number of Asian Economies have also been revised downward due to the combined influence of needed financial regulatory tightening and trade tension with the US Administration. The IMF projected output growth in the Chinese economy to decline to 6.6 per cent in 2018 from 6.9 per cent in 2017 reflecting weak external demand growth (table 1 above).

## **1.2. Sub-Saharan Africa**

Economic recovery in the Sub-Sahara region continues but at a slower pace than expected due to downward growth revisions in the three largest economies (Nigeria, South Africa, and Angola) according to the World Bank, 2018. On the supply side, the moderate recovery in some of the sub-Sahara countries reflected higher oil prices and better agricultural conditions following ease of drought conditions. On the demand side, growth was supported by consumer spending amid eased inflation and public investment—especially among non-resource-rich countries. For example, **Nigeria's** economic recovery faltered in 2017, mainly due to decline in oil production brought about by closure of some pipelines for maintenance and a decline in agriculture output due to internal conflicts which disrupted crop production, as a result the Nigeria's GDP declined to an average of 0.8 per cent in 2018. However, the IMF estimates that output will rebound to about 1.9 per cent at the end of 2018 mainly due to recovery in crude oil prices in the international market. Economic activity in **South Africa** is expected to remain subdued, as high unemployment and slow credit growth weigh on household demand, and fiscal consolidation limits government spending and as a result output was estimated to average about 0.8 per cent in 2018 compared to 1.3 in 2017 (IMF, January 2019).

**Inflation** is expected to fluctuate from one region to the other at the end of the year 2018. The IMF projects inflation to average about 2.4 per cent in the group of advanced economies, 4.7 per cent for the group of emerging markets and developing economies and about 3.1 per cent in the group of sub Saharan African countries by the end of 2018 ( figure 1 below).

**Figure 1: Annual Inflation Rate for Some Selected Regions**



Source: IMF World Economic Outlook database (WEO January 2019)

The reasons for this dynamics in inflation according to the IMF (January 2019) is the tightening of monetary policy that ensures expectations remain well anchored especially in the USA and tightening of regulatory measures in China, the cautious process taken by most central banks especially in Euro area due to the uncertainty created by trade deals, the dispersion of inflation in Sub-Saharan Africa reflecting variation in cyclical positions, anchoring of inflation expectations, and inflation targets in a number of countries (WEO, January 2019).

### 1.3. Risks to global Outlook

Some of the key sources of risks to the global economy are the outcome of trade negotiations and the direction of financial condition it will take in the medium run. Failure to resolve differences and a resulting increase in tariff barriers would lead to higher costs of imported intermediate and capital goods and higher final goods prices for consumers. Beyond these direct impacts, higher trade policy uncertainty and concerns over escalation and retaliation would lower business investment, disrupt supply chains, and slow productivity growth according to the IMF. In addition, civil wars and domestic conflicts in parts of the Middle East and Africa still continue to weigh down on global economic activity.

Intensification of conflicts in the Middle East and Africa would have large negative domestic consequences on both macroeconomic developments and humanitarian consequences, in addition to the vulnerability of many economies to the humanitarian costs of extreme weather conditions and other natural disasters may continue to pose challenges to the global economy.

## 1.4. Outlook for Oil

### 1.4.1. World Oil Price

Crude oil prices were pressured by concerns surrounding global oversupply and softening oil demand, amid high uncertainty about global economic growth. The risk to global output discussed earlier are weighing in to oil prices. The rolling down of measures in Germany to phase out fuel vehicles in favour of electric cars are affecting demand for oil in the short and medium run. As a result crude oil prices are expected to flat at the USD 50 per barrel for quite a long time according to OPEC and the IMF.

**Table 2: Selected Crude Oil Prices, US\$/b**

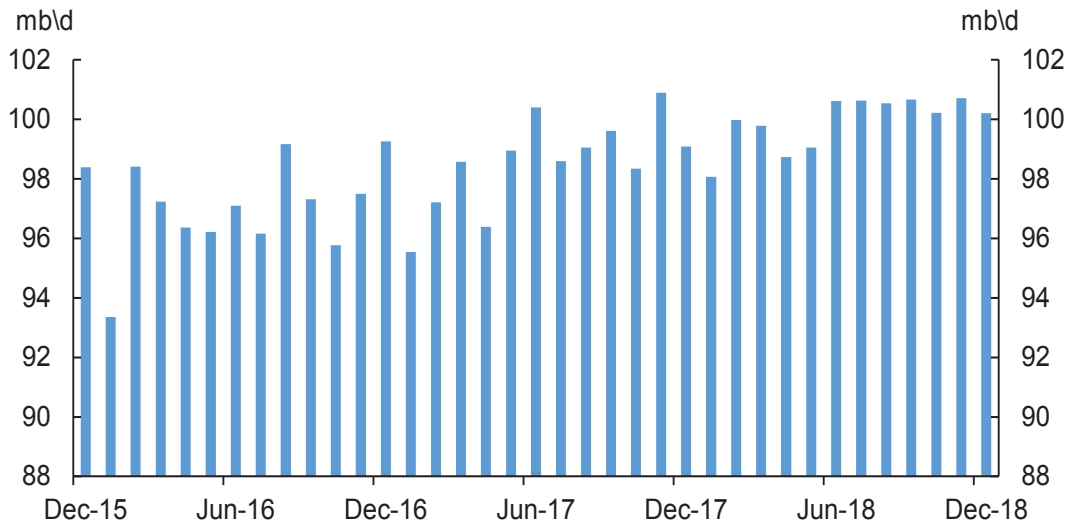
Crude oil price (US\$/b)	2017	2018			
	Q4	Q1	Q2	Q3	Q4
UK Brent Price	64.37	66.02	74.41	78.89	58.82
Dar Blend price	60.44	59.61	67.22	74.71	53.0
Discount	3.93	6.41	7.19	4.18	4.38

Source: Ministry of Petroleum and Bank of South Sudan

### 1.4.2. Oil Supply

Global oil supply decreased in the fourth quarter of 2018 to average 100.02 mb/d. The decline was mainly driven by decrease in OPEC supply especially in Saudi Arabia as demand declined. While oil production in Non-OPEC including the State of Qatar continues to grow, and is expected to average 62.06 mb/d at the end of the year 2018. The US, Canada, Russia and Kazakhstan are seen to be the main growth drivers for the Non-OPEC oil supply growth, while Mexico and Norway are estimated to show the largest declines. OPEC estimates growth in Non-OPEC oil supply growth in 2019 to increase by 2.10 mb/d to average 64.16 mb/d at the end of the year 2019. US, Brazil, Russia and the UK are projected to be the main drivers for 2019 growth in oil supply, while Mexico and Norway are expected to see sizeable declines. OPEC crude oil production decreased by 751 tb/d to average 31.58 mb/d, according to OPEC month on month report January 2019 (figure 2).

**Figure 2: Global Crude Oil Production**



Source: US Energy International Agency (EIA) and OPEC Monthly Bulletin, September 2018

The table below shows quarterly crude oil production by some selected countries, most of the countries in the table are Non-OPEC member countries (table 3 below).

**Table 3: Selected Crude Oil producing Countries**

Crude oil production (million barrels per day)	2017	2018			
	Q4	Q1	Q2	Q3	Q4
USA	10.04	10.46	10.70	11.07	11.54
Russia	11.17	11.19	11.28	11.57	11.61
Saudi Arabia	10.06	10.05	10.42	10.52	10.02
China	0.33	0.37	0.37	0.38	0.39
Norway	1.94	1.91	1.86	1.86	1.85
<b>Global Crude oil Output</b>	<b>99.08</b>	<b>99.78</b>	<b>100.61</b>	<b>100.66</b>	<b>100.2</b>

Source: US Energy International Agency (EIA) and OPEC Monthly Bulletin, September 2018

US crude oil output (including lease condensate) showed an increase to average 11.54 mb/d at the end of the year 2018. The main increase came from North Dakota (PADD 2), from New Mexico and from the state of Texas. Crude oil output in Colorado, Oklahoma and Alaska also increased while oil output from the Gulf of Mexico (GoM) declined by 29 tb/d.

Oil production in GoM dropped by 178 tb/d since its peak in August 2018 as the region was affected mainly by shut-in production due to tropical storm Gordon as well as the less-affected production due to Hurricane Michael. However, oil production is expected to increase in the medium run following production ramp-ups coming from Big Foot, which started up in November 2018, as well as from Shell's Appomattox project.

In **Norway**, oil supply is estimated to decline at the end the year 2018 to average 1.85 mb/d due to limited new field start-ups, the shutdown of the Sture oil terminal following the return of production from maintenance.

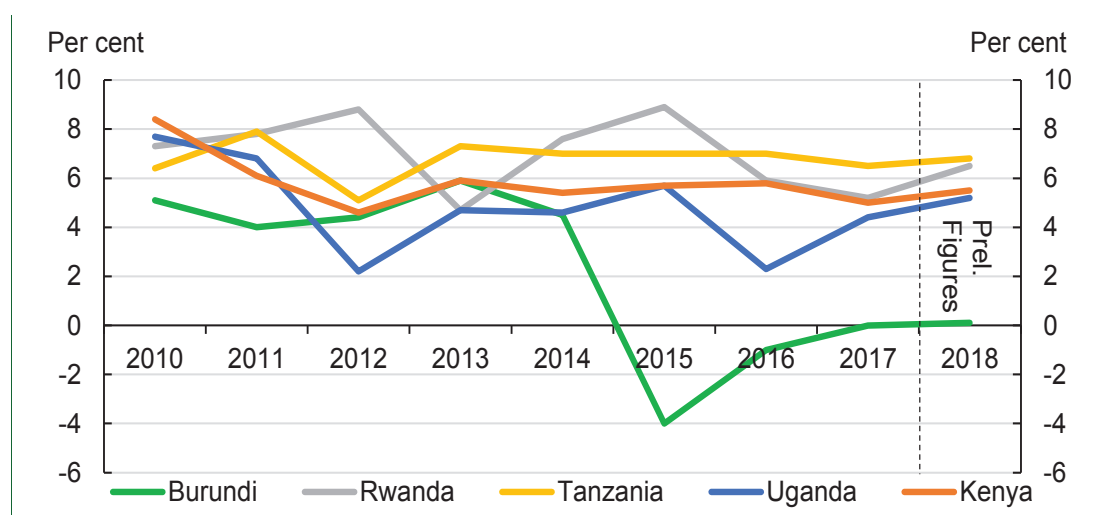
**Russia's** preliminary liquids supply stood at 11.65 mb/d in December 2018. Oil supply hit a new post-Soviet record at 11.65 mb/d in December 2018, according to OPEC. Consequently, Russia's oil supply for the fourth quarter 2018 has been revised up by 59 tb/d to average 11.61 mb/d.

## 1.5. Regional Outlook

### 1.5.1. East African Community (EAC)

GDP growth for most of the East African member states has remained robust towards the end of the fourth quarter of 2018 supported by the high demand due to low oil prices, moderate drought conditions and expansionary fiscal policies. As a result, the IMF projected output to average about 6.8 per cent in Tanzania, 6.5 per cent in Rwanda, 5.5 per cent in Kenya, 5.2 per cent in Uganda and 0.1 per cent in Burundi at the end of the year 2018. Figure 3 below shows the growth rates of GDP for five EAC partner states.

**Figure 3: GDP Growth Rate for the rest of EAC Member States**



Source: National Bank of Rwanda, Bank of Tanzania, Bank of Uganda,

Central Bank of Kenya, National Bank of Burundi and the IMF October 2018 forecast

Inflation in most of the East African member states has remained stable over the fourth quarter of 2018 supported partly by low oil prices. However, seasonal fluctuations caused by the festive season has created temporary inflationary pressures in Uganda and Kenya as the demand for foreign currency by traders went up. In South Sudan, inflation has recorded a steady decline from

a record high of 161.2 per cent in the first quarter of 2018 to about 40.1 per cent in the fourth quarter of 2018 (refer to table 4 below). These positive developments are backed-up by high expectations from both the citizens and investors as the country is more likely to return to stability following the signing of the Revitalized Peace Agreement.

**Table 4: Inflation rate for some selected EAC member states**

EAC	2017	2018		
Member States	Q4	Q2	Q3	Q4
Rwanda	2.00	1.60	1.60	1.4
Tanzania	4.00	3.40	3.30	3.0
Uganda	3.30	2.15	3.66	2.2
Kenya	7.98	4.28	5.70	5.7
South Sudan	117.67	88.53	49.06	40.1

Source: National Bank of Rwanda, Bank of Tanzania, Bank of Uganda, Central Bank of Kenya and Bank of South Sudan

The inflationary pressures that were created due to seasonal effects in some member states of the EAC are also due to the depreciation of the local currency against the United States Dollars as shown in table 5 below.

**Table 5: Exchange rates for some selected EAC member states**

Selected EAC	2018			
	Q1	Q2	Q3	Q4
Ksh/USD	100.85	101.05	101.46	101.85
Ugx/USD	3,686.89	3,879.54	3,822.14	3713.35
SSP/USD	133.27	138.75	145.84	153.32

Source: Bank of Uganda, Central Bank of Kenya and Bank of South Sudan

The effects of exchange rate pass through to domestic prices is high within the EAC member states, especially in South Sudan. Therefore, in order to have an effective monetary policy, exchange rate volatility must be taken into account. The depreciation of the EAC currencies are exacerbated further by the recent tightening of liquidity conditions in the US as the FED decided to raise the



interest rate and the likely decline in FDI from China as it implements regulatory measures to counter the effects of trade disputes.

## 2. Domestic Outlook

### 2.1. Fiscal Outlook

The government of South Sudan launched its National Development Strategy (NDS) Agenda 2040 at the beginning of the fourth quarter 2018. The strategy is to guide the government to invest in areas that will consolidate peace and stabilize the economy, notably, agriculture and livestock, petroleum, security sector reform, and basic services. As a result, the FY 2018/19 budget was cited as the main and first instrument to actualize this strategy with alignment of the budget each year to the NDS priorities.

#### 2.1.1. Revenue

Government revenue is anticipated to improve in the short and medium run owing to the resumption of production in some oil fields and restoration of security in the country. However, there are fluctuations in revenue collections in the fourth quarter 2018 (herein referred to as the second quarter in fiscal years), with revenue performing above and below targets in some sectors. Table 6 below shows summary of revenues outturns compared to fiscal budget estimates of 2018/2019.

**Table 6: Summary of revenue outturns compared to fiscal budget estimates 2018/2019**

<i>SSP million</i>	<i>FY 2018/19</i>	<i>Quarterly Targets</i>	<i>Outturns Q2 2018</i>
Net Oil Revenue	71,800	17,950	10,600
Non-Oil revenue	25,056	6,264	7,935
<i>Of which:</i>			
<i>PIT</i>	<i>13,138</i>	<i>3,284.50</i>	<i>3,768.48</i>
<i>Sales Tax/VAT</i>	<i>2,917</i>	<i>729.25</i>	<i>998.01</i>
<i>Excise</i>	<i>3,428</i>	<i>857.00</i>	<i>1,205.15</i>
<i>Business Profit Tax</i>	<i>1,375</i>	<i>343.75</i>	<i>1,960.48</i>
<i>Customs</i>	<i>1,866</i>	<i>466.50</i>	<i>0.92</i>
<i>Other Revenue (fees, licenses, etc)</i>	<i>2,332</i>	<i>583.00</i>	<i>2.31</i>
<i>memorandum item</i>			
Budget	81,590		

Source: RSS, Ministry of Finance and Planning, Ministry of Petroleum and BSS Calculations

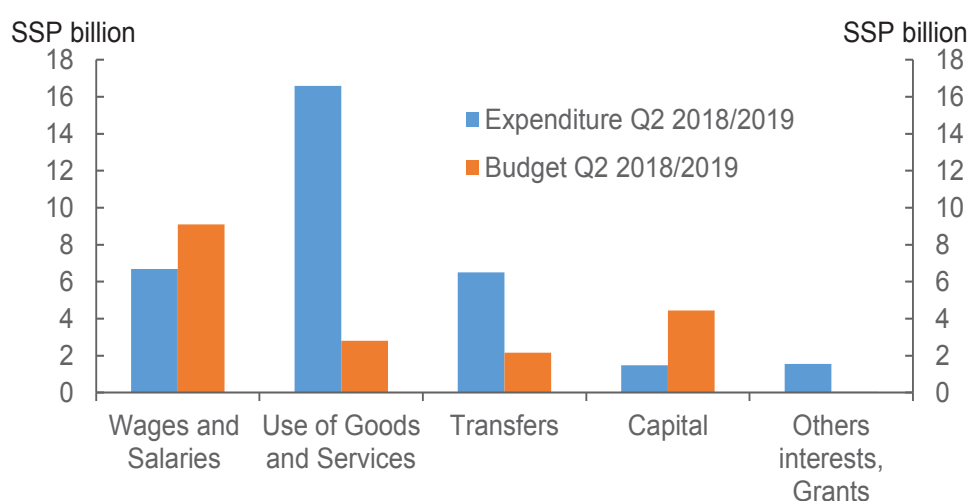
Table 5 shows revenue performance in the fourth quarter 2018 visa-ve targets for the quarter 2018. It shows that oil revenue are SSP 7,350 million below targets. The low outturn could be attributed

to payment of arrears and loans by the government during the quarter. While there is a positive performance of the non-oil revenues. Total of SSP 7,935 million were collected by the end of the same quarter of 2018 compared to the target of SSP 6,264 million for the quarter 2018. This represents a surplus of SSP 1,671 million for the quarter. It is also worth noting that this positive performance is recorded as the National Revenue Authority (NRA) is on the process of its full establishment.

### 2.1.2. Expenditures

Nevertheless, the government of South Sudan is still facing challenges of budget execution. Series of fiscal reforms including but not limited to trimming of off budget items such as medical costs, foreign travels, exemptions and others, require review. Figure 5 below shows expenditures for the second quarter of the fiscal year 2018/19 compared to the approved quarterly budget of the fiscal year 2018/19.

**Figure 4: Quarterly Budget allocation and Outturns 2018/19**



Source: Ministry of Finance and Planning, Bank of South Sudan

Figure 5 above shows that Budget for wages and salaries and capital expenditure performed well because actual expenditures for the fourth quarter, 2018 (referred to as Q2, 2018/19 in fiscal year accounts) is below budget. However, again this should be used with caution because civil servants salaries are not being paid regularly especially when considering the performance of the budget for wages and salaries. Budget allocated for the use of goods and services, transfers, other interest payments and grant is already overspent in the second quarter of the fiscal year 2018/2019. For example, the budget for use of goods and services is over spent by more than SSP 13 billion. This

could be attributed to implementation of the peace agreement. If the trend continues, it will continue to create significant challenges in terms of budget execution at the end of the fiscal year 2018/2019 (figure 5 above).

### 2.1.3. Government debts

There is no updated information on the position of external debt, the relevant agencies tasked to compile that information are still gathering all the necessary data. However, there is a grant from development partners that amount to about SSP 1 billion mainly to support local government projects at the end of the third quarter 2018. Table 7 summarizes the country's outstanding debts up to the end of the third quarter of 2018. This includes loans from the World Bank and African Development Bank (AfDB) which is concessional in nature, Payment to Sudan in form of Transitional Financial Arrangement (TFA), Loans from oil companies in form of oil advances and grants as shown in table 7 below.

**Table 7: South Sudan Outstanding public debts**

<i>million USD</i>	As of September 2018	interest
World Bank/AfDB Loans	223.16	0.75%
Transitional Financial Arrangement (TFA)	1,186.26	
loans from Oil Companies as Oil Advances	1,178	
Qatar National Bank and China EXIM	650	
<b>Total</b>	<b>3,237.78</b>	
<b>Total Grants</b>	<b>46.62</b>	
Grants	46.62	

Source: Ministry of Finance and Planning, Republic of South Sudan

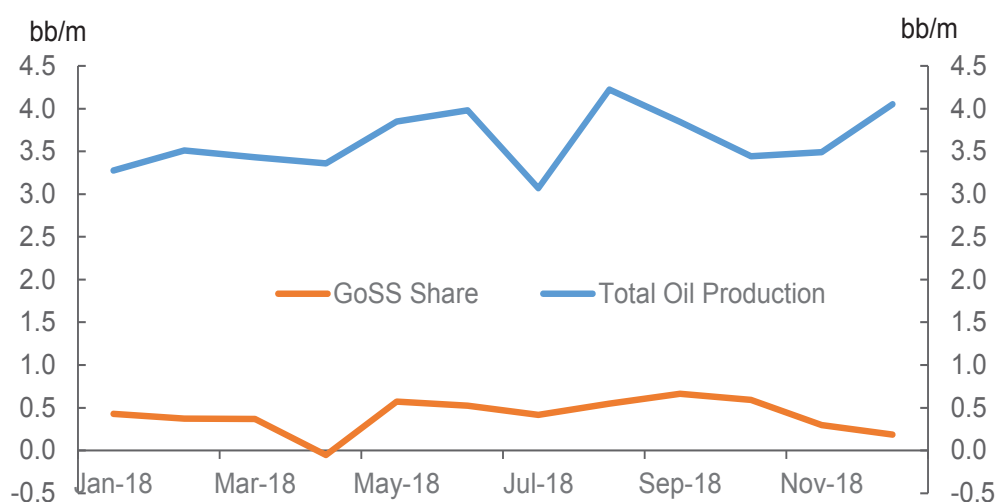
The information on debt position should be used with caution because the numbers keep on changing as the government meets its loan contractual obligations especially the numbers for TFA are believed to have declined significantly in the fourth quarter 2018. For a more comprehensive and latest data, interested parties should contact the Ministry of Finance and Planning, Debt Management Units (DMU).

## 2.2. Outlook for Oil

### 2.2.1. South Sudan Oil production

South Sudan total crude oil production has increased from 3.84 million barrels at the end of the third quarter 2018 to about 4.05 million barrels at the end of the fourth quarter 2018. This is partly because of the resumption of some oil fields that were closed during the civil strife. Production is expected to increase in the near future. Figure 6 below shows trend of oil production in South Sudan.

**Figure 5: South Sudan Crude oil Production (million of barrels)**



Source: Ministry of Petroleum, Republic of South Sudan

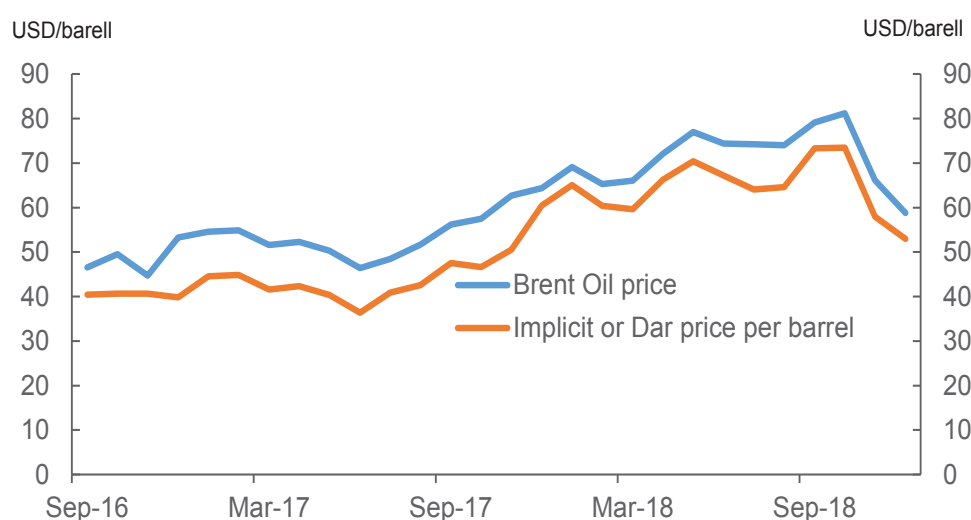
Figure 6 above shows the government of South Sudan share of the crude oil from total production. There is divergence especially at the end of the fourth quarter 2018, that is, as total production goes up, government of South Sudan share drops more likely because of payment of oil advances, TFA and other related loan obligations.

### 2.2.2. Crude Oil Prices

Crude oil prices are declining especially towards the end of the fourth quarter 2018 as shown in figure 7 below. This is because of increase in inventories in the international market from non-OPEC member countries. According to US Energy International Agency (January 2019), the United States is set to be the leading producer of crude oil in the world. The idiosyncratic measures rolled out in Germany to phase out the use of fuel car in favour of electric cars is also likely to

affect crude oil prices in the future especially when copied by a significant number of countries. While in Africa, inventories are declining due to the closure of some oil fields for pipeline maintenance in Nigeria and Angola. Figure 7 shows developments in oil prices in international market.

**Figure 6: Crude Oil Prices (USD)**



Source: Ministry of Petroleum and the Bank of South Sudan

## 2.3. Monetary Sector

### Overview

There has been significant increase in claims on central government mainly attributed to reclassification of Qatar National Bank (QNB) loan as liabilities to central government. As a result net credit to central government increased sharply from SSP 21.52 billion in the fourth quarter of 2017 to SSP 131.35 billion in the fourth quarter of 2018, the net foreign asset is at SSP -80 billion, and the credit to the private sector has declined by about 503 million from SSP 7,313.6 billion in the third quarter 2018 to SSP 6,809.68 billion at the end of the fourth quarter 2018.

#### 2.3.1. Money Supply

Money supply (M2) has increased by about 14 per cent from SSP 91.51 billion in the third quarter 2018 to about SSP 105 billion in the fourth quarter 2018. This increase largely reflects the continued growth in currency outside depository corporations, transferable and other deposits which has potential to trigger increase in inflation and the depreciation of the South Sudanese Pound. Table 8 below shows developments in money supply and its components.

**Table 8: Money Supply and its Components**

<i>SSP billion</i>	2017	2018			
	Q4	Q1	Q2	Q3	Q4
<b>Money Supply</b>	<b>69.42</b>	<b>74.89</b>	<b>89.20</b>	<b>91.51</b>	<b>105.11</b>
Currency outside depository corporations	20.97	23.99	27.14	30.02	36.41
Transferable deposits	40.95	43.47	53.44	55.78	61.97
Other deposits	7.50	7.42	8.62	5.71	6.73
<i>In percentage (Quarterly Growth)</i>					
<b>Money Supply</b>	<b>16.18</b>	<b>7.88</b>	<b>19.11</b>	<b>2.59</b>	<b>14.86</b>
Currency outside depository corporations	28.91	14.45	13.10	10.63	21.26
Transferable deposits	13.45	6.14	22.95	4.37	11.11
Other deposits	1.51	-1.00	16.08	-33.77	17.91

Source: Bank of South Sudan

### 2.3.2. Net Foreign Asset

South Sudan Net Foreign Assets (NFA) is negative, meaning that liabilities to non-residents have exceeded the assets claim on non-residents. In terms of growth, the liabilities to non-residents has decreased to 6.18 per cent in the fourth quarter 2018 from 7.73 per cent in the third quarter 2018, that is, from SSP 174.41 billion in the third quarter 2018 to about SSP 185.18 billion in the fourth quarter 2018.

Therefore, the Net Foreign Assets (table 9) shows the quarterly movements of NFA and its components from the third quarter of 2017 to the fourth quarter of 2018.

**Table 9: NFA Components**

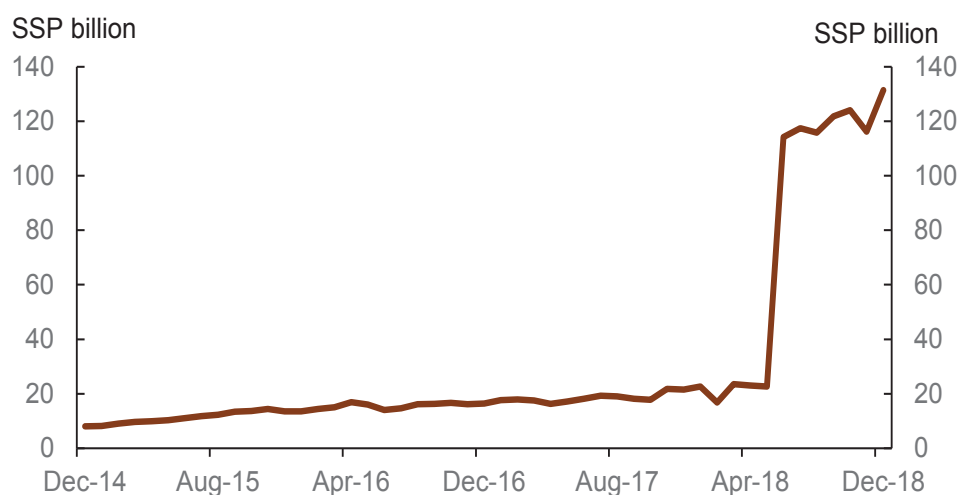
<i>billions SSP</i>	2017		2018		
	Q3	Q4	Q2	Q3	Q4
<b>Net foreign assets</b>	<b>-73.70</b>	<b>-72.81</b>	<b>-74.89</b>	<b>-82.66</b>	<b>-80.50</b>
Claims on nonresidents	59.62	74.38	87.00	91.75	104.68
Less: Liabilities to nonresidents	133.32	147.19	161.89	174.41	185.18
<i>In percentage (Quarterly change)</i>					
<b>Net foreign assets</b>	<b>1.21</b>	<b>-1.20</b>	<b>-5.04</b>	<b>10.36</b>	<b>-2.61</b>
Claims on nonresidents	4.46	24.76	14.54	5.46	14.09
Less: Liabilities to nonresidents	2.64	10.41	4.57	7.73	6.18

Source: Bank of South Sudan

### 2.3.3. National Debt

The national debt consists of domestic and foreign borrowings by the Central Government. As indicated in figure 8 below, domestic debt has increased by more than 280 per cent at the end of the fourth quarter 2018 compared to the first quarter of 2018 due to the reclassification of QNB to trade credit and advances to the central government. But over the fourth quarter 2018, the domestic component of national debt (net claims on central Government) has increased by 7.84 per cent from SSP 121.81 billion in the third quarter 2018 to SSP 131.35 billion in the fourth quarter of 2018 as shown in figure 8 and table 10 below.

**Figure 7: Net Credit to the government**



Source: Bank of South Sudan

**Table 10: Composition of Net Claim on Central Government**

SSP billion	2017	2018			
	Q4	Q1	Q2	Q3	Q4
<b>NCG</b>	<b>21.52</b>	<b>23.50</b>	<b>114.17</b>	<b>121.81</b>	<b>131.35</b>
CG (BSS)	21.61	23.81	26.78	27.45	32.16
CG (ODCs)	-0.10	-0.31	87.40	94.36	98.03

Source: Bank of South Sudan



### 2.3.4. Monetary Base

The monetary base has increased by 9.41 per cent in the fourth quarter of 2018 from growth rate of about 3.35 per cent in the third quarter of 2018. This growth is driven by growth in currency in circulation which increased by 24.40 per cent and liabilities to other sectors that expanded by about 21 per cent in the fourth quarter of 2018 (table 11).

**Table 11: Monetary Base and its Components**

<i>billions SPP</i>	2017	2018			
	Q4	Q1	Q2	Q3	Q4
<b>Monetary base</b>	<b>79.94</b>	<b>83.83</b>	<b>89.46</b>	<b>92.45</b>	<b>101.15</b>
Currency in circulation	23.74	26.51	30.47	33.37	41.52
Liabilities to ODCs	53.11	54.58	56.03	56.73	56.77
Liabilities to other sectors	3.09	2.75	2.96	2.35	2.86
<i>In Percentage (Quarterly Change)</i>					
<b>Monetary base</b>	<b>14.36</b>	<b>4.87</b>	<b>6.71</b>	<b>3.35</b>	<b>9.41</b>
Currency in circulation	31.17	11.64	14.95	9.53	24.40
Liabilities to ODCs	7.87	2.76	2.65	1.25	0.08
Liabilities to other sectors	20.46	-11.02	7.88	-20.69	21.73

Source: Bank of South Sudan

### 2.3.5. Lending and Deposit Interest Rate

There is a big spread between the interest rate charged by South Sudan's depository corporations on loans that they extend to the private sector, and the interest rate paid on deposits. For example, the average interest rate on deposits has decreased from 0.05 per cent in the third quarter 2018 to 0.03 per cent in fourth quarter 2018. The decrease could be because of the fact that most deposits are in demand/current account an account category that always yields low interest rate. The average interest rate on the banks loans has decreased from 16.92 per cent in the third quarter 2018 to 15.83 per cent in the fourth quarter 2018 and this could be attributed to inadequate collateral securities to be presented to the banks and the general volatile business environment in the country (table 11).

The average interest rate spread between lending and deposits has also decreased from 16.87 per cent in the third quarter 2018 to 15.80 per cent in the fourth quarter 2018. The overall change of

interest rates from third quarter 2018 to fourth quarter 2018 was due to a decrease in the interest rate on deposits and lending as shown in the table 12 below.

**Table 12: Average lending and deposit interest rates**

In percentage points	2017 Q4	2018 Q2	2018 Q3	2018 Q4	Change (Q4-Q3)
Interest rate on deposit	0.09	0.07	0.05	0.03	-0.12
Interest rate on loans	13.38	17.82	16.92	15.83	-1.03
Interest rate spread	13.30	17.75	16.87	15.80	-1.01

Source: Bank of South Sudan

### 2.3.6. Developments in Credit to Private Sector

Credit to the private sector has decreased by about 8.0 per cent of the total deposits in other depository corporations from SSP 7.31 billion in the third quarter 2018 to about SSP 6.8 billion in the fourth quarter 2018. The loan value to the private sector is still small compared to deposit. Commercial banks are therefore encouraged to lend to the private sector in order to promote economic activities in the country. Table 13 below shows the loans to the private sector by economic activity.

**Table 13: Private Sector Credit by Economic Activities**

Sector (million SSP)	2017 Q4	2018			
		Q1	Q2	Q3	Q4
Agriculture	59.6	58.9	54.9	58.4	41.71
Manufacturing	270.8	314.8	314.8	364.1	451.42
Building and Construction	239.5	238.7	306.3	439.9	471.95
Real Estate	732.6	813.9	861.5	1,387.0	827.44
Energy and Water	9.3	7.3	20.3	21.2	15.00
Mining and quarrying	0.0	0.1	0.0	22.2	22.24
Domestic Trade, Restaurants & Hotel	2,417.8	2,025.9	2,713.2	3,613.9	3048.13
Foreign Trade	780.3	856.8	831.9	824.4	996.88
Transport and Communication	243.4	358.2	260.4	268.3	397.27
Financial Services	7.3	9.8	78.7	121.0	84.66
Household Services	244.9	144.9	153.2	193.1	452.98
<b>Total</b>	<b>5,005.4</b>	<b>4,829.3</b>	<b>5,595.1</b>	<b>7,313.6</b>	<b>6,809.68</b>

Source: Bank of South Sudan

## 2.4. Prices and Output

### Overview

South Sudan output is expected to remain low at the end of 2018 due to weak performance of the non-oil sector especially local agricultural production. As a result, the Bank of South Sudan projected GDP to decline by a negative of 3.24 per cent, remaining unchanged from the third quarter forecast and inflation drop down to around 40 per cent at the end of the fourth quarter of 2018, supported by liquidity tightening by the Monetary Authorities.

### 2.3.1. Inflation Developments

Inflation has significantly reduced from triple digits in 2017 to a lower mid double digits in 2018. In the period under review, annual inflation decreased from over 49.06 per cent in the third quarter of 2018 down to around 40.06 per cent in the fourth quarter of 2018. Figure 9 represents the month-on-month and the annual inflation changes in South Sudan.

**Figure 8: Monthly and through-the-year Inflation**



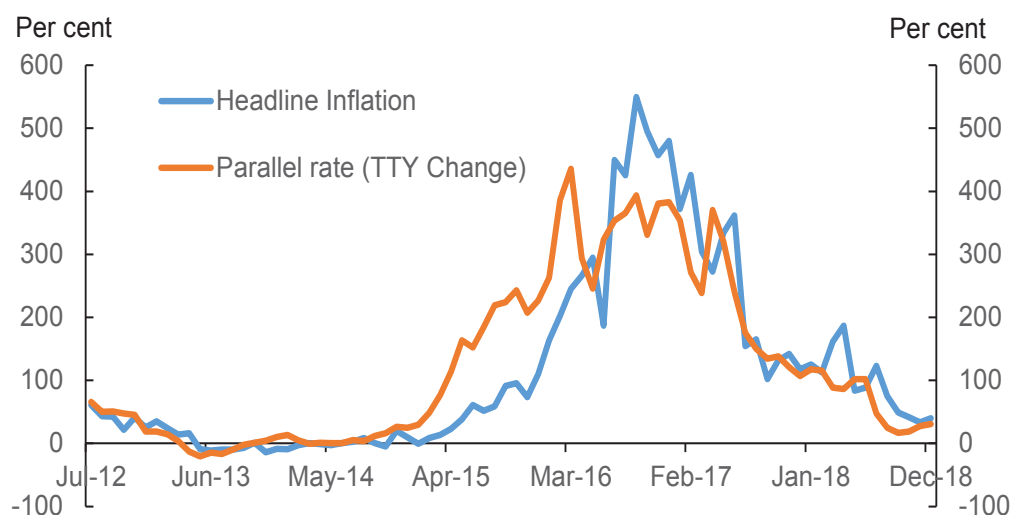
Source: South Sudan National Bureau of Statistics and Bank of South Sudan calculation

Note: June 2011 =100

Overall inflation outlook in South Sudan is highly driven by food as it accounts for over 70 per cent of the overall Consumer Price Index because most of the foods commodities consumed in South Sudan are imported from the East African countries, and mainly from Uganda. As a result, inflation reflects the combination of both the depreciation of the exchange rate in Uganda and in

the Republic of South Sudan. Any increase in food prices in Uganda usually impacts on South Sudanese food prices with a short lag. Figure 10 below illustrates the co-movement of the exchange rates and inflation in South Sudan.

**Figure 9: Co movement of exchange rate and inflation in South Sudan**



Source: National Bureau of statistics and Bank of South Sudan calculation

Food price growth in neighboring countries has been moderate, so any short term increase in inflation in South Sudan can be attributed partly to the volatility of exchange rate against major currencies and the inadequate domestically produced consumer and tradable goods.

**Table 14: South Sudan Quarterly Inflation**

	2017		2018		
<i>Consumer Price Index( CPI)</i>	Q4	Q1	Q2	Q3	Q4
<b>Headline</b>	<b>4,502.21</b>	<b>6,349.07</b>	<b>6,270.98</b>	<b>5,942.90</b>	<b>6,305.98</b>
Core	5,242.77	8,820.55	7,762.10	7,174.93	8,028.33
Food	4,002.46	4,951.33	5,307.25	5,032.35	5,172.58
<i>Inflation (% , eop)</i>					
<b>Headline</b>	<b>117.67</b>	<b>161.20</b>	<b>88.53</b>	<b>49.06</b>	<b>40.06</b>
Core	172.99	287.06	116.40	50.30	53.13
Food	83.57	92.23	68.29	43.65	29.23
<i>Monthly inflation (headline)</i>	<i>-1.86</i>	<i>9.75</i>	<i>-4.62</i>	<i>-7.80</i>	<i>2.97</i>

Source: Bank of South Sudan

Core inflation has also declined significantly from about 287 per cent in the first quarter of 2018 to about 53 per cent at the end of the fourth quarter 2018.

### 2.3.2. GDP Performance

South Sudan computes its GDP on an annual basis. The mandate to prepare and produce annual GDP growth rates lies with the South Sudan's National Bureau of Statistics. GDP measures the value of all final goods and services produced in a country over a given period. Nominal GDP is measured at current prices and Real GDP is deflated at constant 2009 prices. The nominal GDP of South Sudan in 2018 is forecasted to be 840,945 million South Sudanese Pounds.

Real GDP is projected to have declined down by -3.24 per cent in the year 2018. Table below shows the National Accounts Aggregates at the 2009 constant prices.

**Table 15: Summary of some Key National Accounts Aggregates**

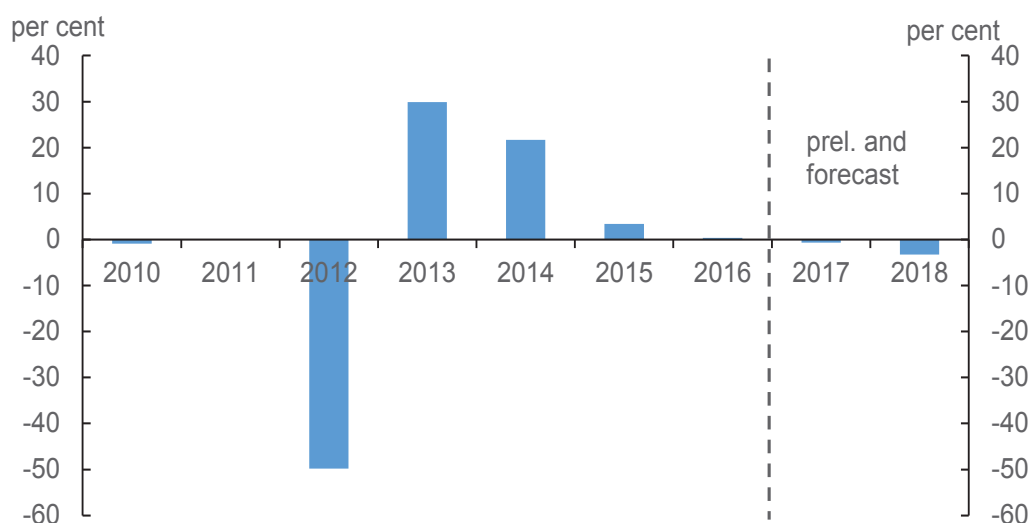
<i>National Accounts Aggregates</i>			prel <sup>1</sup> .	forecast
<i>2009 constant prices</i>	2015	2016	2017	2018
<b>Gross Domestic Product</b>	<b>3.43</b>	<b>0.33</b>	<b>-0.69</b>	<b>-3.24</b>
Oil sector	-1.38	-17.00	-8.92	-2.28
Non-oil GDP	5.39	6.92	1.73	-3.49
<i>Memorandum Item</i>				
Population (million)	11	11.4	11.9	12.4

Source: National Bureau of Statistics and Bank of South Sudan staffs forecast

The oil sector still remains the major sector in terms of its contribution to GDP. Nevertheless, the agriculture sector which employs about 70 percent of labor force in the country (according to South Sudan National Bureau of Statistics 2012 baseline survey) is significantly hit hard by refugees' crisis and internal displacement over the last 3 years. Figure 11 below illustrates the real GDP growth since independence.

<sup>1</sup> 2017 are preliminary estimates from the National Bureau of Statistics

**Figure 10: Real GDP growth Rate**



Source: National Bureau of Statistics and Bank of South Sudan

## 2.5. External Sector

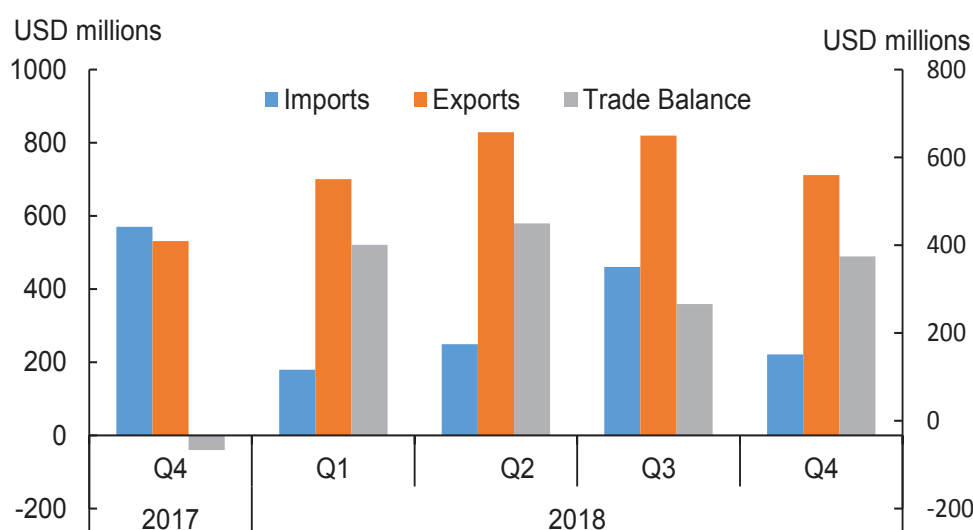
### Overview

Provisional figures shows that the South Sudan current account is in surplus of about USD 275.42 million mainly due to low imports and high exports especially from the oil sector. However, these numbers should be used with caution because the Bank of South believes that imports into the country may have been underestimated. The South Sudanese Pounds has depreciated by about 17 per cent from SSP 211.78/USD in the third quarter of 2018 to about SSP 247.97/USD at the end of the fourth quarter 2018 in the parallel market, reflecting high demand for foreign currencies for holidays makers at the Christmas season, and the Gross International reserves of South Sudan dropped by about 7 per cent at the end of the fourth quarter 2018.

### 2.5.1. South Sudan Trade Preliminary Statistics

Preliminary figures presented in figure 12 below show that South Sudan trade balance recorded a surplus of about USD 489.68 million at the end of the fourth quarter 2018. This shows a significant increase of about 130 million from the third quarter of 2018.

**Figure 11: South Sudan Preliminary Trade Statistics (2018)**



Source: Bank of South Sudan

### 2.5.2. Current Account Developments

South Sudan current account balance recorded a surplus in the last three quarters of 2018, except in quarter one. This is probably attributed to two factors; firstly there was a considerable improvement in oil export receipts particular in the second and third quarters respectively. And secondly, there was a remarkable drop in the imports bills most likely due to under coverage. The table below shows detailed developments in the current account balance.

**Table 16: South Sudan Provisional Current Account Components (USD millions)**

Period	2017	2018			
	Q4	Q1	Q2	Q3	Q4
<b>CAB</b>	<b>-79.01</b>	<b>-96.56</b>	<b>173.33</b>	<b>33.87</b>	<b>275.42</b>
Trade in goods	152.48	299.69	661.4	529.72	598.07
Trade in Services	-76.22	-82.56	-122.34	-168.62	-106.88
Primary Income	-35.43	-179.75	-215.39	-207.8	-81.02
Secondary Income	-119.84	-133.94	-150.33	-119.42	-134.75

Source: Bank of South Sudan

Table 15 above shows developments in the current account and its components. Trade in goods recorded a surplus of about USD 598 million at the end of the fourth quarter 2018 while trade in services account recorded a deficit of about USD 106.88 in the fourth quarter of 2018. Primary income registered negative balances of about USD 81 million while the secondary income shows

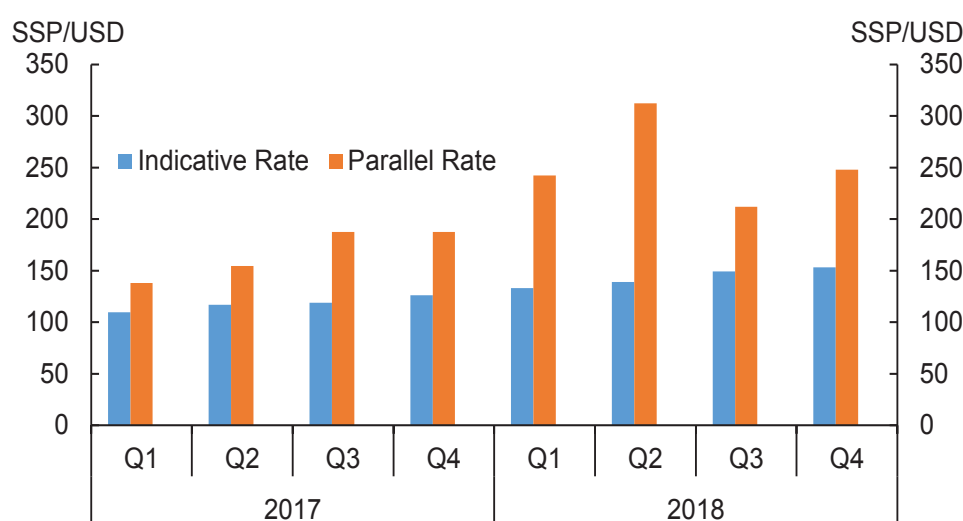
USD -134 million at the end of the fourth quarter of 2018. These developments could be due to South Sudan's ongoing fulfillment of its obligations to Sudan in form of payment of TFA, transportation charges and other related to oil production charges (table 15).

### 2.5.3. Exchange Rate Development

The South Sudanese Pound depreciated by 2.8 per cent at the official rate against the US dollars at the end of the fourth quarter 2018 from SSP 149.15/USD in the third quarter 2018 to 153.32/USD at the end of the fourth quarter 2018.

In the parallel market, the pound depreciated by about 17 per cent on a quarterly basis from SSP 211.78/USD in the third quarter of 2018 to SSP 247.97/USD in fourth quarter of 2018. The indicative rate on the other hand has always been insensitive to developments in the parallel market rate. These recent pressures to on the South Sudanese pound could be due to high demand of foreign currencies by traders to import goods for the festive season and foreign travels by the holidays makers. This developments are shown in figure 13 below.

**Figure 12: Quarterly Exchange rate (2017-2018)**



Source: Bank of South Sudan

Consequently, the spread between the parallel and the indicative rate expanded further by about SSP 94/USD at the end of the fourth quarter 2018 from an average of about SSP 62/USD at the third quarter of 2018 as shown in table 16 below.



**Table 17: Exchange rate Dynamics**

<i>Exchange rate</i>	2017	2018			
	Q4	Q1	Q2	Q3	Q4
Indicative rate	126.28	132.93	138.86	149.15	153.32
Parallel rate	187.45	242.29	312.21	211.78	247.97
Spread	63.54	109.36	173.35	62.63	94.65
<i>In percentage (Quarterly Change)</i>					
Indicative rate	6.25	5.27	4.46	7.41	2.80
Parallel rate	0.00	29.26	28.86	-32.17	17.09
Spread	-7.38	72.11	58.51	-63.87	51.13

Source: Bank of South Sudan

#### 2.5.4. Gross International Reserve Position

The gross international reserve position represents the country's foreign currency reserves with the correspondent banks, and are denominated in special drawing rights (SDR) and in three different currencies; Euro, Sterling/Pound, and US Dollars. The foreign reserve asset is for the external financing of the balance of payment. South Sudan foreign reserves dropped on average by 7.6 per cent from 16 per cent in the third quarter of 2018. The figure below shows the development over the last two years.

**Figure 13: Gross International Reserves 2017-2018**

Source: Bank of South Sudan

## Appendix1: Summary of Monetary Developments

	2015	2016	2017	2018
<b>Depository Corporations Survey (all eop)</b>				
Net foreign assets	(9,321.4)	(51,698.9)	(72,814.0)	(58,046.4)
Net domestic assets	26,387.4	93,118.2	142,230.1	183,126.3
Domestic claims	14,572.4	19,180.9	29,882.5	143,246.4
Net claims on government	13,575.8	16,375.6	21,516.7	130,190.1
Central Bank	12,290.9	14,458.0	21,613.6	32,157.3
Commercial banks	1,284.9	1,917.5	(97.0)	98,032.8
Net claims on other sectors	996.6	2,805.3	8,365.8	13,056.3
Other items (net)	11,815.0	73,937.4	112,347.6	39,880.0
M1	14,303.0	34,237.2	61,918.7	118,351.4
M2 Broad money	17,066.0	41,419.3	69,416.2	125,079.9
Currency outside Banks (COB)	4,094.4	10,574.6	20,965.6	36,700.5
Deposits (DEP)	12,971.6	30,844.7	48,450.6	88,379.4
COB / DEP (yr avg)	0.4	0.3	0.4	0.4
Reserve requirement	0.2	0.2	4.2	0.2
Excess reserves (experimental)	11,980.6	34,741.5	(110,786.8)	46,334.6
Excess reserves / M2	0.6	0.8	(1.6)	0.4
<b>Central bank (all eop)</b>				
Net foreign assets	(360.7)	(9,072.3)	(14,260.6)	(15,745.9)
Net domestic assets	5,273.8	(33,840.1)	(43,991.1)	(39,832.1)
Domestic claims	12,360.0	14,516.3	25,106.3	38,531.7
Claims on ODCs	28.5	23.9	24.1	65.1
Net claims on government	12,290.9	14,458.0	21,613.6	32,157.3
Claims on government	15,765.6	19,939.0	28,277.4	38,634.0
Net claims on other sectors	40.6	34.4	3,468.6	6,309.2
Other items (net)	(7,086.2)	(48,356.4)	(69,097.4)	(78,363.7)
Shares and other equity	(8,389.3)	(42,886.7)	(55,854.2)	(63,076.7)
Monetary Base (BM)	19,085.4	53,800.4	79,943.2	101,149.4
Currency in circulation (CIC)	4,771.4	11,920.2	23,743.4	41,516.7
Liabilities to ODCs (LODC)	13,889.6	40,379.4	53,113.9	56,772.8
Liabilities to Other (LO)	424.4	1,500.9	3,085.9	2,860.0
M1 Money Multiplier	0.8	0.6	0.8	1.2
M2 Money Multiplier (M2 / BM) (yr. avg)	0.9	0.8	0.9	1.2
CIC / DEP (yr. avg)	0.5	0.4	0.5	0.5
LODC / DEP (yr. avg)	1.0	1.3	1.1	0.6
LO / DEP (yr. avg)	0.0	0.1	0.1	0.0
<b>Commercial banks (all eop)</b>				
Net foreign assets	(8,960.7)	(42,626.6)	(58,553.4)	(42,300.5)

Net domestic assets	26,496.3	88,570.0	132,401.5	166,933.4
Domestic claims	16,880.5	45,250.8	60,959.4	172,595.6
Claims on central bank	14,639.6	40,562.3	56,159.1	67,815.8
Net claims on government	1,284.9	1,917.5	(97.0)	98,032.8
Claims on government	1,363.6	2,023.0	33.2	100,653.8
Claims on other sectors	956.0	2,771.0	4,897.2	6,747.0
Other items (net)	9,615.8	43,319.2	71,442.1	(5,662.2)
Liabilities	17,535.6	45,943.4	73,848.1	124,632.9
Central bank	125.5	109.3	1,019.3	1,823.5
Other sectors	17,410.1	45,834.2	72,828.8	122,809.5

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