

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

**DEPOSITORY CORPORATIONS AND CENTRAL BANK SURVEY
AUGUST 2015**

The consolidated Depository Corporations and Central Bank Survey for August shows M2 rising from SSP 6.7 billion in August 2014 to SSP 9.9 billion August 2015. This increase of money supply is in response to the mounting net claim on Central Government, and also contributed to depreciation of the SSP and high inflation in the country. A net foreign asset has further decreased to negative SSP 458 from previous amount of negative SSP 290 million in July 2015 alone, which indicates liabilities to nonresidents is continuing to exceed assets claims on nonresidents.

Over one year period (August 2014 to August 2015), net claims on the Central Government have increased from SSP 5.4 billion to SSP 12.3 billion. We expect the increase to continue as peace implementation is going to commence with government expenditures are expected to be high.

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 in the parallel market, and push the inflation higher over the coming months.

Chart 1: Net Claims on Central Government and Broad Money Liabilities

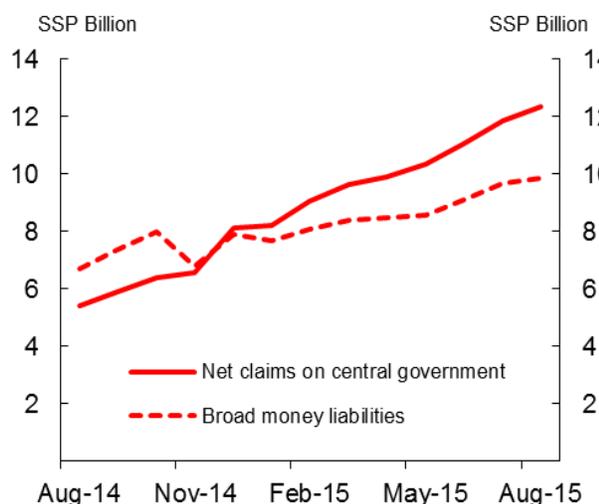


Chart 2: Components of Broad Money

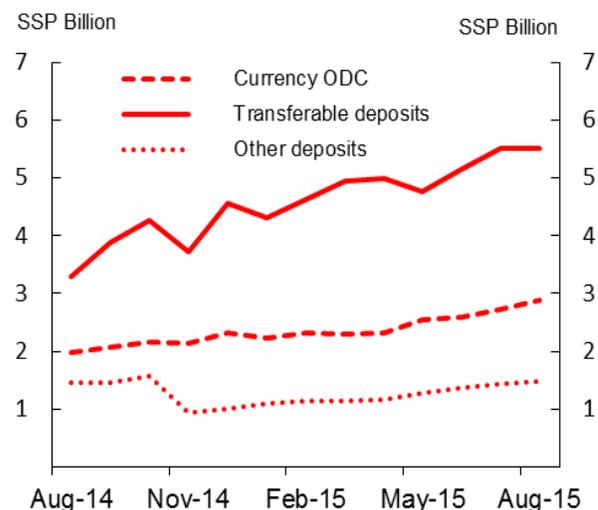
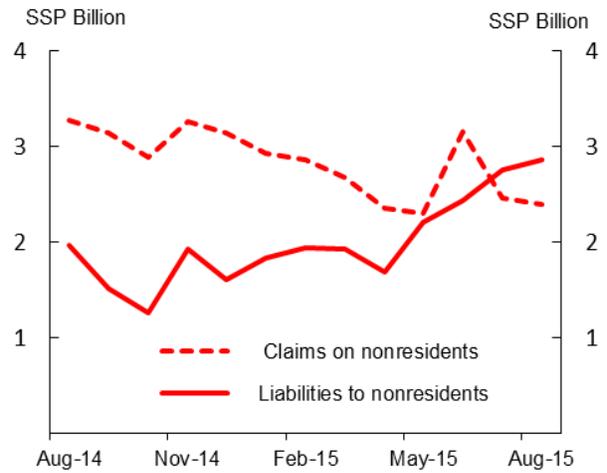


Chart 3: Components of Net Foreign Assets

Net Foreign Assets (Chart 3) has further deteriorated from its initial negative SSP 290 million in July 2015 to negative SSP 458 million in August 2015 over period of one month.



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