

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

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

The consolidated Depository Corporations and Central Bank Survey for October shows M2 rising from SSP 8 billion in October 2014 to SSP 11.1 billion October 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 reduced from negative SSP 377.9 million in September 2015 to negative SSP 182 million in October 2015, which indicates claim on nonresidents has decreased leading to increase in liabilities to nonresidents and thus reduced the negative proportion.

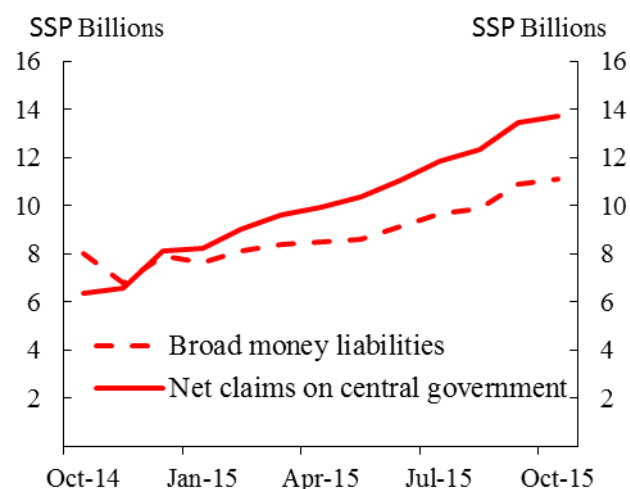
Over one year period (October 2014 to October 2015), net claims on the Central Government (NCG) have increased from SSP 6.4 billion to SSP 13.7 billion as shown in chart 1 below. We expect the increase of NCG to continue as government expenditure will expand during the peace implementation.

An increase in government borrowing is the result of low oil production (which comprises of more than 98 per cent of Government revenue) due to civil war affecting the oil producing areas, and continuous 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 constant increase in Net Claims on Central Government in Chart 1.

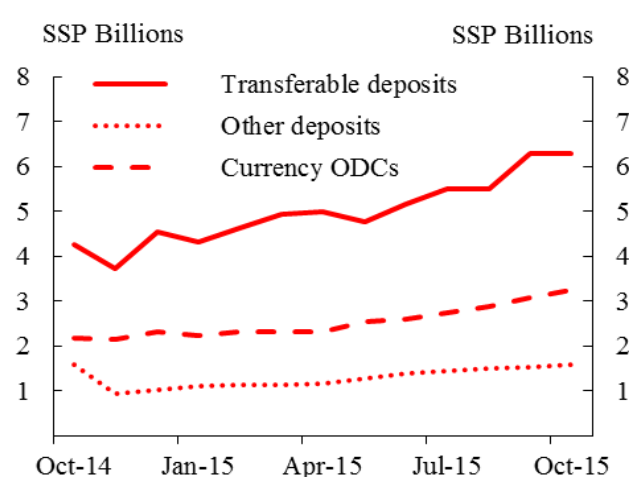
We believe the steady growth of broad money will further weaken the value of the South Sudanese Pound in the parallel market, and push the inflation higher over the coming months.

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



Source : Depository Corporation Survey

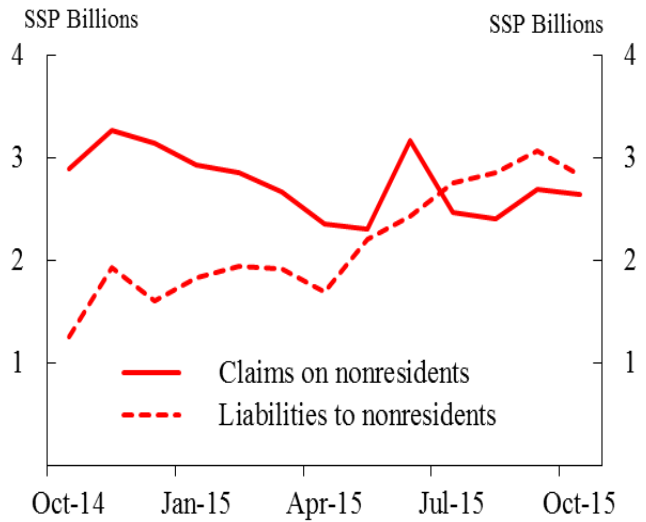
Chart 2: Components of Broad Money



Source : Depository Corporation Survey

Chart 3: Components of Net Foreign Assets

Net Foreign Assets (Chart 3) has reduced from Negative SSP 377.9 million in September 2015 to negative SSP 182 million in October 2015 over period of one month.



Source : Depository Corporation Survey

Martin Matueny
Analyst, Monetary & Financial Sector Unit
Tel. 0927 375 989

Kerbino Manyiel
Senior Analyst, Monetary Statistics Sector Unit
Tel. 0923989081

Atany Lopwonya
Analyst, Monetary & Financial Sector Unit
Tel. 0955 925 402