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Highlights

Outlook for 2010-11

- The president, Omar al-Bashir, will continue to lead a coalition between the NCP and SPLM, plus a few minor parties, which is a transitional government pending the outcome of a referendum on southern self-determination
- Attention will focus on preparations for the referendum, due by January 9th 2011, and negotiations on post-referendum arrangements for independence or unity, as well as on Darfur peace talks being mediated by Qatar.
- Progress with economic reform will be limited, as the government is preoccupied with the political situation and unwilling to risk losing support from key constituencies. The fiscal deficit will average 2.6% of GDP in 2010-11.
- The world economy will recover from recession in 2010-11 and global GDP growth will average 4%. Brent Blend will average US\$77/barrel over the forecast period and Sudanese crude will trade about US\$8/b below this.
- A weak global recovery and domestic turmoil will constrain Sudan's real GDP growth to an average of 4.3% in 2010-11. The current-account deficit will remain substantial at an average of US\$2.8bn (4.6% of GDP).
- Inflation will ease slightly to an average of 10.3% in 2010-11, and the Sudanese pound will continue to depreciate in final half 2010, averaging SP2.4:US\$1 in 2010 and SP2.79:US\$1 in 2011.

Monthly review

- Preparations for the referendum are moving forward slowly. Agreement has finally been reached on a secretary-general for the Referendum Commission and a number of foreign donors have pledged financial support.
- The SPLM and NCP have agreed not to let the expected failure to fully demarcate the north-south border by January become grounds for a delay in holding the referendum.
- Lual Deng, the new national oil minister, has been the first senior member of the SPLM to express his public support for unity in the referendum vote.
- Mr Bashir visited Kenya, a party to the International Criminal Court, but was not apprehended despite the war crimes arrest warrant against him.
- The government's oil revenue in the first half of 2010 was US\$2.7bn, of which US\$1.1bn accrued to Southern Sudan, beating budgetary expectations.
- There is still uncertainty about the accuracy of oil-production data, despite a government seminar on transparency, and also a dispute with the south about oil payments being made in local currency not US dollars.
- An agreement has been signed with Star Petroleum, a small and untested European oil company, to explore Block E, which is largely in the south.

Outlook for 2010-11: Domestic politics

The first comprehensive and (partly) contested elections in a quarter of a century, held in April, consolidated the status quo, in which the National Congress Party (NCP) dominates the north and

the Sudan People's Liberation Movement (SPLM) controls Southern Sudan. In fact, the representation of both parties in parliament was strengthened, reducing opposition parties to just 5% of seats. The president, Omar al-Bashir, has re-appointed Salva Kiir, the leader of the SPLM and southern president, as national vice-president, and the new government continues the partnership between the two parties for the sake of stability, even though the NCP has a sufficient parliamentary majority to govern alone (and is even near the 75% parliamentary threshold needed to revise the constitution). Some small parties and former northern rebel movements have been given minor positions as a form of patronage.

In the south, the SPLM's control of the regional parliament, as well as state governorships and assemblies, remains almost total. However, on the ground, it faces challenges from internal rebels, particularly some militia leaders who lost out in the elections. Although there were some serious irregularities in the elections, international and domestic attention is quickly shifting instead to the referendum on southern independence, which is theoretically due by January 9th 2011, although a few months' delay "on technical grounds" might be possible despite firm rhetoric from the SPLM that the date is immutable. The most immediate challenge to be addressed by the Referendum Commission, a theoretically independent nine-member body recently approved by parliament, is the complex logistical task of registering voters (based on hard-to-implement eligibility criteria) and putting in place the mechanics of the referendum. Unless it makes quick progress either the credibility or the date of the vote will slip.

The SPLM is officially committed to the "New Sudan" vision of a united country free of marginalisation and repression. However, this still seems like a distant hope, and it is widely believed that most southerners would vote for independence—although some living in the border regions and displaced in the north may be weary of the potential fallout from secession, while others worry that the Dinka ethnic group might dominate the new state. Their votes on the day will depend on the details of the referendum options and what post-referendum frameworks are agreed between the NCP and SPLM. Whatever the outcome of the referendum, the parties will continue, out of necessity, the existing mutually beneficial oil-revenue-sharing agreement, by which oil produced in the south is exported through northern pipelines and terminals, although the terms will be subject to bargaining. An SPLM-NCP joint negotiating team has been formed to discuss this and other difficult issues such as borders and citizenship. The negotiation process will proceed painfully slowly and brinkmanship will be displayed until right before the referendum.

There is a risk that disagreements over the referendum process, or its result, could spark a resumption of the civil war, although this is not the Economist Intelligence Unit's central scenario. Fighting would probably be focused in Upper Nile and Unity states, where there are key oilfields and militias that were sometimes allied to the NCP during the civil war. There is also a risk of conflict in South Kordofan and Blue Nile, northern states that contain sizeable populations allied to the SPLM. State elections in South Kordofan, delayed until later this year, could be a flashpoint. A third area, Abyei, will probably choose to join Southern Sudan in a parallel referendum, although the logistics of that vote will be difficult given its remote location and opposition from local Messiria Arabs, afraid of losing their traditional nomadic grazing rights.

Whatever happens in the referendums, the NCP will maintain control in the economic heartland of the country but will have continuing difficulty asserting itself in the marginalised periphery, particularly in Darfur (where 2.5m people remain displaced). It will seek to exploit divisions between Darfuri rebel groups, fighting some and trying to coerce others through Qatari-mediated peace talks. The issuance of a second arrest warrant against Mr Bashir by the International Criminal Court (ICC), for genocide in Darfur, is a further diplomatic embarrassment, but patronage networks that span the NCP, the business community, the army and the security services mean his domestic position remains secure. If Southern Sudan were to become independent, it could fragment internally—the Government of Southern Sudan (GOSS) already struggles to maintain order within its overmanned armed forces and to mitigate inter-tribal

conflict. However, if the new state were to hold together and forge good relations with the north, southern independence within a loose confederal arrangement might still prove economically viable for both north and south.

Outlook for 2010-11: International relations

Sudan's relations with the US have improved under the current US envoy, Scott Gration, but US sanctions will remain in place unless there is a peaceful and credible referendum and also an acceptable resolution is achieved in Darfur. Relations with EU countries, which collectively provide the bulk of donor aid to Sudan, have been made more difficult by the ICC ruling (as they are members of the court, unlike the US). However, Western countries will increasingly shift their focus from Darfur to the southern referendum, as they strive to prevent a return to civil war.

The Gulf Arab and Asian countries, particularly China, that have invested heavily in Sudan will continue to support the government. Egypt has a particular concern about the possible impact of Southern secession on the sharing of Nile waters. The African Union will continue to back Mr Bashir against the ICC, although some member states take a contrarian line on this, and Mr Bashir will rarely travel beyond the Arab world and Africa for fear of being intercepted and handed to the court. Although relations between Sudan and Chad have become more amicable in recent months, there is still a risk they could revert to the old pattern in which they arm and support each other's rebel groups. If north-south conflict resumes, then relations with Kenya and other African states close to the SPLM will become difficult.

Outlook for 2010-11: Policy trends

National economic policy in 2010-11 will remain largely subservient to short-term political needs, although fiscal policy is partly constrained by the transfer requirements of the various regional peace agreements. The government will look to widen the tax base and reduce exemptions in line with IMF recommendations. This is aimed at diversifying the economy away from its dependence on oil, which is forecast to generate 57% of the national government's revenue in 2010-11 (and around 98% of GOSS revenue). Other policy goals include rebuilding international reserves (which are now back to around three months of import cover), increasing exchange-rate flexibility, strengthening the banking system and restoring confidence in public financial management.

Sudan has substantial debt arrears with multilateral and bilateral lenders (as well as domestic payment arrears), but creditors are unlikely to grant debt-relief in 2010-11 because of concerns about conflict and human rights abuses. The authorities will seek to finance infrastructure projects and the fiscal deficit by taking on extra debt from Gulf Arab countries, China and India, although these loans will be difficult to secure as global credit conditions remain tight, and the government has made commitments to the IMF on limiting the amount of new non-concessional debt it takes on. International donors provide substantial funds to Sudan, mainly disbursed through UN agencies and non-governmental organisations, although the government will continue to restrict the operations of some of these groups.

Outlook for 2010-11: Fiscal policy

State revenue is forecast to rise by 26% to SP26.2bn (US\$10.9bn) in 2010, because of higher oil prices and improved tax receipts. In 2011 oil revenue will grow in local-currency terms owing to the depreciation of the Sudanese pound. Our forecasts aggregate the revenue accruing to both Southern Sudan and the central government in Khartoum. The spending of the national government is forecast to grow by 29% to SP31.1bn in 2010 but only modestly in 2011, so the deficit will widen to 3.3% of GDP (SP4.9bn) in 2010, before narrowing to 2% of GDP in 2011.

GOSS spending is funded almost entirely by oil revenue transfers from the national government, which will average about US\$2.2bn in 2010-11. Higher oil prices will ease the fiscal pressure on GOSS, although most of its expenditure will be on wages, and its capacity to improve infrastructure and public services will remain low.

Outlook for 2010-11: Monetary policy

US sanctions left Sudan's financial sector relatively isolated from the global credit crunch, but it has home-grown problems. In 2010-11 the Bank of Sudan (the central bank) will seek to improve banking supervision, restructure the banking system and increase provisioning levels in an attempt to address a high level of non-performing loans (NPLs), which stood at 22% of total loans at end-2008. (More than half of the NPLs are held by the moribund state-owned Omdurman National Bank.) The central bank manages monetary policy largely by issuing Islamic financial certificates and through exchange-rate manipulation. After a period of supporting liquidity, the central bank is now adopting a more austere monetary policy, aimed at tackling inflation, including by boosting banks' reserve requirements and no longer making deposits to support the commercial banks.

Outlook for 2010-11: International assumptions

International assumptions summary

(% unless otherwise indicated)

	2008	2009	2010	2011
Real GDP growth				
World	2.7	-0.7	4.4	3.6
OECD	0.3	-3.4	2.4	1.6
EU27	0.5	-4.2	1.4	1.1
Exchange rates				
¥: US\$	103.4	93.7	88.2	87.8
US\$: €	1.470	1.393	1.292	1.190
SDR: US\$	0.629	0.646	0.660	0.682
Financial indicators				
¥ 3-month money market rate	0.85	0.38	0.19	0.31
US\$ 3-month commercial paper rate	2.18	0.26	0.24	0.31
Commodity prices				
Oil (Brent; US\$/b)	97.7	61.9	77.5	76.4
Cotton (US cents/lb)	72.1	62.7	85.4	81.8
Food, feedstuffs & beverages (% change in US\$ terms)	28.3	-20.4	4.9	4.2
Industrial raw materials (% change in US\$ terms)	-5.1	-25.6	35.3	6.2

Note. Regional GDP growth rates weighted using purchasing power parity exchange rates.

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The global economy will recover in 2010-11, with GDP forecast to expand by an average of 4% (at purchasing power parity exchange rates), although this is markedly lower than growth before the recession and there will be a slight dip in 2011. Dated Brent Blend, the benchmark crude oil, will average US\$77/barrel in 2010-11, and Sudanese crude will average US\$69/b. Raw materials prices will rebound in 2010, as inventories are built up, while food prices will rise steadily.

Outlook for 2010-11: Economic growth

In recent years, oil has been the main driver of growth, although agriculture still accounts for more than one-third of GDP and the services sector is expanding. Official GDP data are problematic as they use 1982 as their base year (although this will change soon) and do not capture the large informal economy. However, we estimate that real GDP growth slowed substantially, to 4.2%, in 2009, but forecast that it will pick up to 4.9% in 2010, led by growth in services and utilities, before easing to 3.7% in 2011, as political uncertainty inhibits investment. Oil output is forecast to edge up to an average of 485,000 barrels/day in 2011, owing largely to increased production of the less valuable Dar Blend.

Government consumption will rebound in 2010 owing to higher oil revenue and election-related expenditure. Private consumption will continue to expand steadily, albeit less rapidly than in 2005-08. There will be a reasonable amount of state investment in infrastructure, particularly electricity generation and transmission. Much private investment will be delayed because of a lack of financing and concerns about political risks relating to the referendum. Imports and non-oil exports will both increase gradually in 2010-11.

Outlook for 2010-11: Inflation

Unlike many other countries in the region, which have seen sharp declines in inflation, Sudan experienced only a modest fall in price growth in 2009, with a surge in prices in the final months of the year pushing inflation to an annual average of 11.2%. In 2010-11 we forecast that it will still remain high, averaging 10.3%, as the depreciating pound increases imported inflation. The government is expected to maintain food and fuel subsidies.

Outlook for 2010-11: Exchange rates

The central bank operates a managed float of the pound through foreign-currency purchases and daily limits on the trading band, sometimes intervening to smooth out volatility related to oil exports and foreign direct investment flows. Having risen by 10% since August 2009—owing to restrictions on access to foreign exchange introduced when state foreign reserves were critically low—the pound has depreciated in recent months and is forecast to move closer to the black-market rate. It is forecast to average SP2.4:US\$1 in 2010, slipping to SP2.79:US\$1 in 2011. The central bank restrictions will probably be eased in late 2010. The measures include prohibiting banks from disbursing foreign transfers in foreign currency, requiring a 100% cash margin on most imports and restricting the foreign exchange that can be taken abroad by travellers or sent in personal transfers.

Outlook for 2010-11: External sector

Oil sales will continue to generate the bulk of export revenue, which will rise to an average of US\$9.8bn in 2010-11. One positive factor is that Dar Blend, which comprises more than half of Sudan's export volumes, is expected to trade closer to benchmark prices than in previous years (its price differential below Brent is expected to narrow to around US\$8/b in 2010-11), as more refineries become able to process the acidic crude. Imports will average US\$8.7bn over the forecast period. The trade account fell into deficit in 2009 but will return to a surplus of US\$1.2bn in 2010, which will narrow to US\$867m in 2011.

The non-merchandise deficit will grow to an average of US\$3.9bn in 2010-11, owing to rising income and services debits related to foreign companies' profit repatriation and engineering services payments (which were both depressed in 2009), although net current transfers will remain positive, boosted by remittances from Sudanese working abroad. Overall, the current-account deficit—which we estimate reached US\$2.8bn (5.2% of GDP) in 2009—is forecast to narrow to 4.2% of GDP in 2010, before widening to 5% of GDP in 2011.

Outlook for 2010-11: Forecast summary

Forecast summary

(% unless otherwise indicated)

	2008 ^a	2009 ^b	2010 ^c	2011 ^c
Real GDP growth	6.6 ^b	4.2	4.9	3.7
Oil production ('000 b/d)	461.5	473.0	477.8	485.0
Crude oil exports (US\$ m)	11,106	7,113	9,164	9,211
Consumer price inflation (av)	14.3	11.2 ^a	11.8	8.9
Government balance (% of GDP)	-1.5 ^b	-2.6	-3.3	-2.0
Exports of goods fob (US\$ bn)	11.7	7.6	9.7	9.9
Imports of goods fob (US\$ bn)	8.2	8.3	8.5	9.0
Current-account balance (US\$ bn)	-1.3	-2.8	-2.6	-3.0
Current-account balance (% of GDP)	-2.4 ^b	-5.2	-4.2	-5.0
External debt (year-end; US\$ bn)	33.1 ^b	35.7	38.0	40.4
Exchange rate SP:US\$ (av)	2.09	2.30 ^a	2.40	2.79
Exchange rate SP:¥100 (av)	2.02	2.45 ^a	2.71	3.18
Exchange rate SP:€ (av)	3.07	3.20 ^a	3.09	3.32
Exchange rate SP:SDR (av)	3.32	3.56 ^a	3.63	4.09

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

 [Download the numbers in Excel](#)

The political scene: Referendum preparations edge forward

On September 2nd Mohammed Osman al-Nijoumi was appointed secretary-general of the Southern Sudan Referendum Commission, putting an end to months of disagreement. The appointment of Mr Nijoumi, a former diplomat, to head the Commission's secretariat means that the senior staff are now all in place and it should be able to oversee the preparations for the referendum on self-determination for Southern Sudan, due to be held in January 2011. The Sudan People's Liberation Movement (SPLM) had opposed the original candidate nominated by the commission's chairman, creating an additional complication in its negotiations with the ruling National Congress Party (NCP). Partly as a result, during August no major progress was achieved in the pivotal negotiations between the NCP and the SPLM about post-referendum arrangements. All the same, officials from both sides continue to insist not only that the referendum should and will be held on time. In late August, for example, the national second vice-president, Ali Uthman Mohammed Taha insisted to the head of the African Union High-Level Implementation Panel on Sudan (AUHIP), the former South African president, Thabo Mbeki, that the referendum would be held on time.

In the meantime, technical and practical preparations for the referendum have been moving forward. For example, the ten states of Southern Sudan have begun forming the committees that are due to handle voter registration, education and mobilisation, and the UN peacekeeping mission in Sudan (UNMIS) is building and equipping "County Referendum Bases" across the 79 counties of the southern states. UNMIS will provide logistical and security support and manage the printing of the referendum voting cards abroad. Funding for various elements of the referendum also continues to come in. For example, the European Commission has agreed to provide €15m (US\$19.2m) worth of technical assistance, and Japan has contributed US\$8.2m. Promisingly for the timetable, the deputy head of the Referendum Commission, Chan Reec Madut, said that voter registration would start in October, and the presidency has reportedly agreed to reduce the period of time between the publication of voter lists and voting to one month.

The political scene: Deal agreed to finish border demarcation after referendum

On August 30th the joint NCP-SPLM political committee, headed by Salah Gosh, the national security adviser, and Pagan Amum, the minister in the Government of Southern Sudan (GOSS) responsible for overseeing implementation of the 2005 Comprehensive Peace Agreement (CPA), held a meeting with AUHIP to brief it on the outcome of negotiations so far. According to Mr Amum, the parties had agreed that complete demarcation of the north-south border was not a prerequisite for the conduct of the referendum. This agreement (if it lasts) is a practical measure, as it is unlikely the parties could resolve all their disagreements about the border before January. Although a border-demarcation commission has been operating for more than a year, in late August the SPLM minister for regional co-operation, Deng Alor, said that there were "far-reaching differences" between the two parties, and that these were delaying the actual demarcation of the border on the ground. The boundaries of Abyei, an oil-rich area on the north-south border, are also still contested, even though the NCP and the SPLM both accepted the ruling of the Permanent Court of Arbitration in The Hague in 2009. In early September a chief of the nomadic Messiria tribe, Mukhtar Babu Nimir, communicated to the head of UNMIS, the tribe's ongoing rejection of the court's demarcation of the boundaries.

Under the terms of the referendum law, many other important issues certainly are meant to be negotiated before the referendum. Key among these are arrangements for oil, water, currency, and liabilities after the referendum. Neither party has publicly said much about the state of negotiations on these issues, but it appears that little has been agreed so far. With so little time left before January, it is therefore difficult not to see the situation as perilous. Thus, for example, in early September the US secretary of state, Hillary Clinton, described the situation as a "ticking time-bomb of enormous consequence". All the same, a crisis is not inevitable. The NCP and the SPLM have some common interests in avoiding an all-out crisis. The key determinant of the outcome of the referendum is therefore likely to be what the two parties agree in their negotiations, even if major uncertainties persist until just before the referendum.

The political scene: Lual Deng, a senior SPLM figure, voices support for unity

In late August the national oil minister, Lual Deng, became the first senior member of the SPLM to publicly express his support for unity in preference to secession for Southern Sudan. In an interview with Asharq al-Awsat, a Saudi-owned newspaper, Mr Deng said that he was a unionist in the footsteps of the SPLM's founder, John Garang. Mr Deng said that, although he accepted the widespread view that if the referendum were to take place today, the result would be in favour of independence, he believed it was still possible to change the minds of voters. Whether others within the SPLM leadership believe the same is another question. But in mid-August the SPLM chairman and president of Southern Sudan, Salva Kiir, appointed as a presidential adviser, Joseph Lagu, who was the leader of the southern rebel movement that signed a peace agreement to end Sudan's first civil war in 1972, and subsequently served as vice-president. He is one of Southern Sudan's elder statesmen, and in a personal capacity he has already warned southerners against pushing for all-out independence, arguing that under the present arrangements Southern Sudan already has sufficient autonomy.

Meanwhile, concerns have been raised about the environment in which the referendum is set to be held, and the ability of the SPLM to maintain security. In early August unidentified gunmen attacked a lorry, killing 17 soldiers and six civilians in Koche county in Unity State. A spokesman for the southern army, the Sudan People's Liberation Army (SPLA), Malaak Ayuen Ajok, blamed the attack on renegade forces loyal to Galwak Gai, a militia leader who rebelled against the SPLA after the elections in April, alleging fraud. Southern opponents and critics of the SPLM—such as Lam Akol, a former senior SPLM figure who now leads a rival party, SPLM-Democratic Change—are arguing that the referendum must be free, fair and transparent, and that these conditions currently do not prevail in the south.

Under the CPA, the SPLM is officially meant to be trying to give unity a chance. At present, though, the common assumption is that a vote for secession is inevitable, and SPLM officials frequently make statements to this effect. However, the party has not yet adopted an official position, and what position it takes when the referendum date eventually arrives is likely to be determined by basic considerations about whether its own position and hold on power will be better served by independence or unity—depending on the detail of what exactly is entailed by those options, arising from the negotiations on post-referendum arrangements.

The political scene: Mr Bashir visits Kenya untroubled by ICC warrant

In late August the president, Omar al-Bashir, visited the Kenyan capital, Nairobi, to attend a ceremony marking the adoption of the new Kenyan constitution. The visit attracted attention as Kenya is a party to the International Criminal Court (ICC) and is therefore required to co-operate with the court and act on its arrest warrants. The ICC issued an arrest warrant for Mr Bashir in March 2009 on seven counts, and in July it added a further three counts of genocide. In practice, however, like other African countries that Mr Bashir has visited since 2009 (including Chad, which is also a party to the ICC), Kenya made it clear that it had no intention of trying to implement the arrest warrant.

Economic policy: Oil revenue in the first half of 2010 is above budget

At a meeting of officials from the national government and the GOSS in early September, Al-Tayeb Abu Gnaya, under-secretary at the national Ministry of Finance and National Economy, announced that oil revenue during the first six months of 2010 totalled US\$2.7bn, of which US\$1.94bn was from exports and US\$780m from domestic consumption. These figures suggest, on the basis of reasonable price and production forecasts, that full-year revenue will be above the US\$4.5bn budget forecast. According to Mr Abu Gnaya, the national government's share was US\$1.51bn and GOSS's share was US\$1.08bn, over 40% of the total, meaning that GOSS is also likely to receive more revenue than the US\$1.7bn it budgeted for. The balance of US\$53m was divided between the oil-producing states. By comparison, according to Mr Abu Gnaya, total oil revenue in the second half of 2009 was US\$1.86bn, of which GOSS's share was US\$699m. However according to data published earlier this year by the GOSS Ministry of Finance and Economic Planning, GOSS's total oil revenue in 2009 was supplemented by other allocations (including US\$494m from the national Oil Revenue Stabilisation Account and US\$351m in arrears payments), which meant that GOSS oil revenue was also above budget in 2009.

The above-budget revenue, resulting from strong global oil prices, is a timely boon to both the national and southern governments, which have both been facing pressures to increase spending as a result of the elections last April (which will have added to the opaque costs of patronage) and the approach of the referendum. The latter has led to the announcement of various projects designed to promote unity, funded through the Unity Support Fund.

Economic policy: Accuracy of oil volume data is still questioned

The national Ministry of Oil convened a seminar in the capital, Khartoum, on August 18th aimed at addressing questions about the accuracy of oil volume data and other concerns that were raised in a report last year by an international non-governmental organisation, Global Witness (September 2009, Economic policy). This is the first time that the authorities have taken such a public step in response to concerns about oil transparency. It was instigated by the new oil minister, Lual Deng, a member of the SPLM who had previously served as the state minister of finance in the national government. In its report, Global Witness had argued, among other points, that there were unexplained discrepancies between oil volumes reported by the Sudanese government and those reported by the foreign oil operating companies. At the seminar,

representatives of the China National Petroleum Corporation (CNPC) argued that some of the discrepancies were due to the consumption of oil in processing and transport, while the government argued that the larger oil volume data were inflated by the inclusion of water. Subsequently, Global Witness argued that these clarifications did not resolve the discrepancies and that documentation for public verification of the data was still needed.

Further clarifications may yet be forthcoming. But in the meantime, there does not seem to be any dispute at present between the national government and GOSS about the oil data. Oil revenue data are normally agreed and shared by both the national and southern finance ministries. Thus, according to the Sudan News Agency, an under-secretary of the GOSS finance ministry, Salvatore Garang, vouched for the accuracy of the figures announced in August. All the same, if negotiations about arrangements for oil in the post-referendum period become fraught, it is possible that the SPLM and the NCP may yet find themselves disagreeing over previously accepted data. Oil-revenue-sharing reports used to be published by the national finance ministry on a monthly basis, but have not been readily available since June 2009. However, in a new initiative, the national oil ministry has started publishing daily production data on its website for Sudan's four main oil producing areas.

Economic policy: GOSS and central bank dispute revenue-transfer currency

On August 24th the governor of the central bank, Sabir Mohammed al-Hassan, rebutted a claim by the GOSS finance minister, David Deng, that the Bank of Sudan (the central bank) had started to make oil revenue transfers to Southern Sudan in Sudanese pounds rather than US dollars. The claim by Mr Deng was later backed up by the GOSS information and broadcasting minister, Barnaba Marial, who said that during July and August GOSS had received its share of oil revenue from the central bank in local currency. However, in early September an under-secretary in the GOSS finance ministry, Mr Garang, reported that the national authorities had since resumed making the oil revenue transfers in dollars.

Although this issue appears to be resolved for the time being, Sudan still faces currency problems. Restrictions on foreign-exchange transactions remain in place, causing difficulties, particularly for Sudanese businesses. One example is a telecommunications operator, Sudatel, which in early September claimed that the foreign-exchange restrictions had prevented it from paying dividends to shareholders, leading to the UAE stock exchange threatening to delist it. Meanwhile, pressure on the pound remains evident. As of early September the black-market exchange rate was around US\$1:SP2.87, compared with US\$1:SP2.80 in August, and well above the official bank rate of around US\$1:SP2.5. Furthermore, although oil revenue is likely to remain relatively stable during at least the coming six months, the looming uncertainty of the referendum is likely to increase pressure on the currency.

Economic performance: Oil concession for Block E signed with a small company

On August 6th the oil ministry signed an exploration agreement with a Luxembourg-based oil and gas exploration firm, Star Petroleum. The agreement covers Block E, an area of some 50,000 square km, which stretches across parts of four southern states (Northern Bahr al-Ghazal, Western Bahr al-Ghazal, Lakes and Warab) and one northern state (South Darfur). Under the agreement Star Petroleum is reportedly to take a 75% stake in Block E, while 20% is to be shared equally by the national and southern oil companies, Sudapet and Nilepet, and 5% is to be held by Hamla, a Norwegian company. According to the Sudan News Agency, the signing ceremony was attended by the national oil minister, Lual Deng, the GOSS energy and mining minister, Garang Diing, and the governors of the concerned states, as well as the chairman of Star Petroleum, Farshad Zandi.



This is consistent with the Southern Sudanese authorities' haphazard approach to attracting foreign oil companies, and does not inspire confidence. Star Petroleum is a small firm that operates some petrol stations in Spain and claims to focus on exploration in areas of "medium technical risk", although its track record is unclear—its website lists much of the Arabian peninsula, Libya and the Caspian Sea as areas with "present and planned activities", but the Economist Intelligence Unit has not been able to find evidence of any such activities. Star had previously bid unsuccessfully to take up the remaining unallocated 20% share on Block B, a much larger block in Southern Sudan which is adjacent to Block E and on which Total of France is the lead shareholder. Star Petroleum may begin preliminary exploratory work on Block E, but there is little evidence that it has the financial and technical resources to do significant work, despite saying it will invest US\$200m over six years. Meanwhile, there is no sign that Total or its partners intend to start exploring Block B before the Southern Sudan referendum is held and the future of the region becomes clearer.

Economic performance: SAB Miller to double beer production

In mid-August SAB Miller of South Africa announced that its subsidiary Southern Sudan Beverages Limited (SSBL) is substantially increasing its production of beer and soft drinks. A little embarrassingly for Southern Sudan, SSBL is the most successful formal foreign investment in region, despite ambitions of attracting investment in productive sectors such as oil and agriculture. According to SSBL, annual beer-production capacity will reach 350,000 hectolitres by the end of this year, double that when production began in May 2009. Production of carbonated soft drinks will go up from 60,000 hectolitres to 320,000 hectolitres.

Data and charts: Annual data and forecast

	2005 ^a	2006 ^a	2007 ^a	2008 ^b	2009 ^b	2010 ^c	2011 ^c
Gross domestic product							
Nominal GDP (US\$ m)	27,342	36,427	46,139	55,654	54,280	62,332	59,647
Nominal GDP (SP m)	66,714	79,046	93,200	116,317	124,844	149,311	166,207
Real GDP growth (%)	6.3	11.3	10.2	6.6	4.2	4.9	3.7
Expenditure on GDP (% real change)							
Private consumption	8.0	10.5	5.0	6.5	4.2	5.2	3.9
Government consumption	7.0	10.5	4.5	9.8	-7.0	8.2	1.1
Gross fixed investment	18.0	17.0	9.0	6.0	1.5	5.3	2.5
Exports of goods & services	3.5	13.5	30.0	1.4	-1.0	-0.3	4.1

Imports of goods & services	26.5	13.0	5.0	1.3	-7.8	2.4	2.1
Origin of GDP (% real change)							
Agriculture	7.2	8.4	6.0	7.8	4.1	5.3	3.4
Industry	7.6	12.5	22.7	0.5	3.2	3.1	2.9
Services	9.8	10.3	5.7	10.7	5.1	6.1	4.7
Population and income							
Population (m)	38.7	39.6	40.4	41.4 ^a	42.3	43.2	44.2
GDP per head (US\$ at PPP)	1,601 ^b	1,800 ^b	1,996 ^b	2,126	2,193	2,271	2,335
Fiscal indicators (% of GDP)							
Public-sector revenue	22.1	20.0	20.7	22.7	16.7	17.6	17.6
Public-sector expenditure	23.9	24.3	26.1	24.2	19.2	20.8	19.6
Public-sector balance	-1.8	-4.4	-5.4	-1.5	-2.6	-3.3	-2.0
Net public debt	104.3	120.1	110.3 ^b	100.1	105.1	95.2	96.7
Prices and financial indicators							
Exchange rate SP: US\$ (end-period) ^d	2.31	2.01	2.05	2.18 ^a	2.24 ^a	2.78	2.75
Consumer prices (end-period; % change)	5.6	15.7	8.8	8.1 ^a	13.5 ^a	8.4	13.7
Stock of money M1 (% change)	34.5	29.4	8.1	19.9 ^a	18.1 ^a	13.1	9.8
Stock of money M2 (% change)	43.5	29.7	10.3	16.3 ^a	23.5 ^a	12.6	10.2
Murabaha (profit) rate (av; %)	11.0	11.4	11.8	11.7 ^a	11.2	10.1	10.7
Current account (US\$ m)							
Trade balance	-1,122	-1,448	1,157	3,441 ^a	-692	1,228	867
Goods: exports fob	4,824	5,657	8,879	11,671 ^a	7,560	9,711	9,884
Goods: imports fob	-5,946	-7,105	-7,722	-8,229 ^a	-8,253	-8,483	-9,016
Services balance	-1,731	-2,553	-2,555	-2,127 ^a	-2,274	-2,490	-2,612
Income balance	-1,362	-2,014	-2,253	-3,013 ^a	-1,653	-2,834	-2,927
Current transfers balance	1,201	816	204	385 ^a	1,802	1,456	1,678
Current-account balance	-3,013	-5,199	-3,447	-1,314 ^a	-2,817	-2,641	-2,994
External debt (US\$ m)							
Debt stock	27,005	28,197	30,858 ^b	33,129	35,706	37,983	40,374
Debt service paid	212	177	309 ^b	349	330	393	401
Principal repayments	133	113	218 ^b	263	273	344	363
Interest	79	64	91	86 ^a	36	35	20
Debt service due	880 ^b	1,274 ^b	1,613 ^b	1,240	1,460	1,522	1,576
International reserves (US\$ m)							
Total international reserves	1,869	1,660	1,378	1,399 ^a	897 ^a	2,063	1,651

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts. ^d The Sudanese pound replaced the Sudanese dinar on September 1st 2007, at a rate of SD100:SP1. Source: IMF, International Financial Statistics.

 [Download the numbers in Excel](#)

Data and charts: Quarterly data

	2008		2009			2010		
	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr
Prices								
Consumer prices (2005=100; av)	140.0	136.4	136.8	141.5	155.5	154.9	156.7	163.2
Consumer prices (% change, year on year)	20.0	16.3	11.1	9.1	11.1	13.6	14.6	15.3
Financial indicators								
Exchange rate SP:US\$ (av)	2.093	2.197	2.226	2.351	2.400	2.262	2.236	2.260
Exchange rate SP:US\$ (end-period)	2.143	2.184	2.313	2.376	2.309	2.240	2.232	2.363
M1 (end-period; SP m)	12,618	13,637	13,687	14,189	14,749	16,106	16,608	n/a

M1 (% change, year on year)	20.6	19.9	19.5	19.6	16.9	18.1	21.3	n/a
M2 (end-period; SP m)	22,493	22,933	23,717	25,004	26,337	28,314	30,156	n/a
M2 (% change, year on year)	23.0	16.3	16.9	18.8	17.1	23.5	27.1	n/a

Sectoral trends

Crude petroleum production ('000 barrels/day) ^a	451.0	477.0	453.2	480.8	n/a	n/a	n/a	n/a
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Balance of payments (US\$ m)

Goods: exports fob	2,978	1,618	1,294	1,692	2,413	n/a	n/a	n/a
Goods: imports fob	-2,187	-2,212	2,304	1,983	1,982	n/a	n/a	n/a
Merchandise trade balance fob-fob	790.8	-594.6	-1,009.3	-291.2	431.0	177.6	582.1	261.9
Services balance	-452	-581	n/a	n/a	n/a	n/a	n/a	n/a
Income balance	-839	-556	n/a	n/a	n/a	n/a	n/a	n/a
Net transfer payments	245	-144	-855	-221	-436	-613	-956	-44
Current-account balance	-255	-1,875	-1,865	-512	-5	-436	-374	218
Reserves excl gold (end-period)	1,493	1,399	607	625	984	1,094	1,263	n/a

^a Excluding Block 6 output.

Sources: IMF; International Financial Statistics; Bank of Sudan; Ministry of Finance; Government of Southern Sudan Oil Revenue Share report.

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Data and charts: Monthly data

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rate SP:US\$ (av)												
2008	2.047	2.014	2.027	2.029	2.038	2.058	2.067	2.081	2.132	2.186	2.209	2.195
2009	2.222	2.248	2.208	2.326	2.356	2.373	2.392	2.452	2.358	2.199	2.248	2.240
2010	2.239	2.248	2.234	2.231	2.231	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Murabaha (profit) rate (av; %)												
2008	11.8	11.5	11.7	11.9	11.9	11.3	11.8	11.7	11.3	11.5	12.0	12.0
2009	12.0	11.2	11.5	11.6	11.8	11.5	11.5	9.8	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M1 (end-period; % change, year on year)												
2008	11.1	10.5	16.1	16.1	18.0	15.2	18.6	17.9	20.6	16.8	20.0	19.9
2009	15.2	14.0	19.5	20.1	14.4	19.6	20.8	16.2	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M2 (end-period; % change, year on year)												
2008	13.7	10.8	14.7	13.8	17.4	17.8	21.1	20.6	23.0	18.8	18.3	16.3
2009	13.6	14.1	16.9	18.7	16.1	18.8	18.9	16.7	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Stock of domestic credit (end-period; SP m)												
2008	18,248	17,741	17,459	17,470	17,691	17,592	17,507	18,126	18,751	18,530	18,780	20,005
2009	18,383	19,704	20,247	21,555	21,350	21,955	22,644	22,916	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Consumer prices (av; % change, year on year)												
2008	6.3	7.3	7.8	11.8	12.1	16.9	17.1	22.8	15.2	9.0	9.4	8.1
2009	11.2	11.1	10.9	8.5	8.9	9.9	9.8	10.4	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Petroleum production (excl Block 6; '000 b/d)												
2008	448.1	432.9	430.7	424.9	420.8	405.0	410.8	405.6	416.2	421.3	456.4	408.2
2009	428.3	417.5	409.8	437.2	441.8	443.9	n/a	n/a	n/a	n/a	n/a	n/a
2010	n/a	n/a	438.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Foreign-exchange reserves excl gold (end-period; US\$ m)

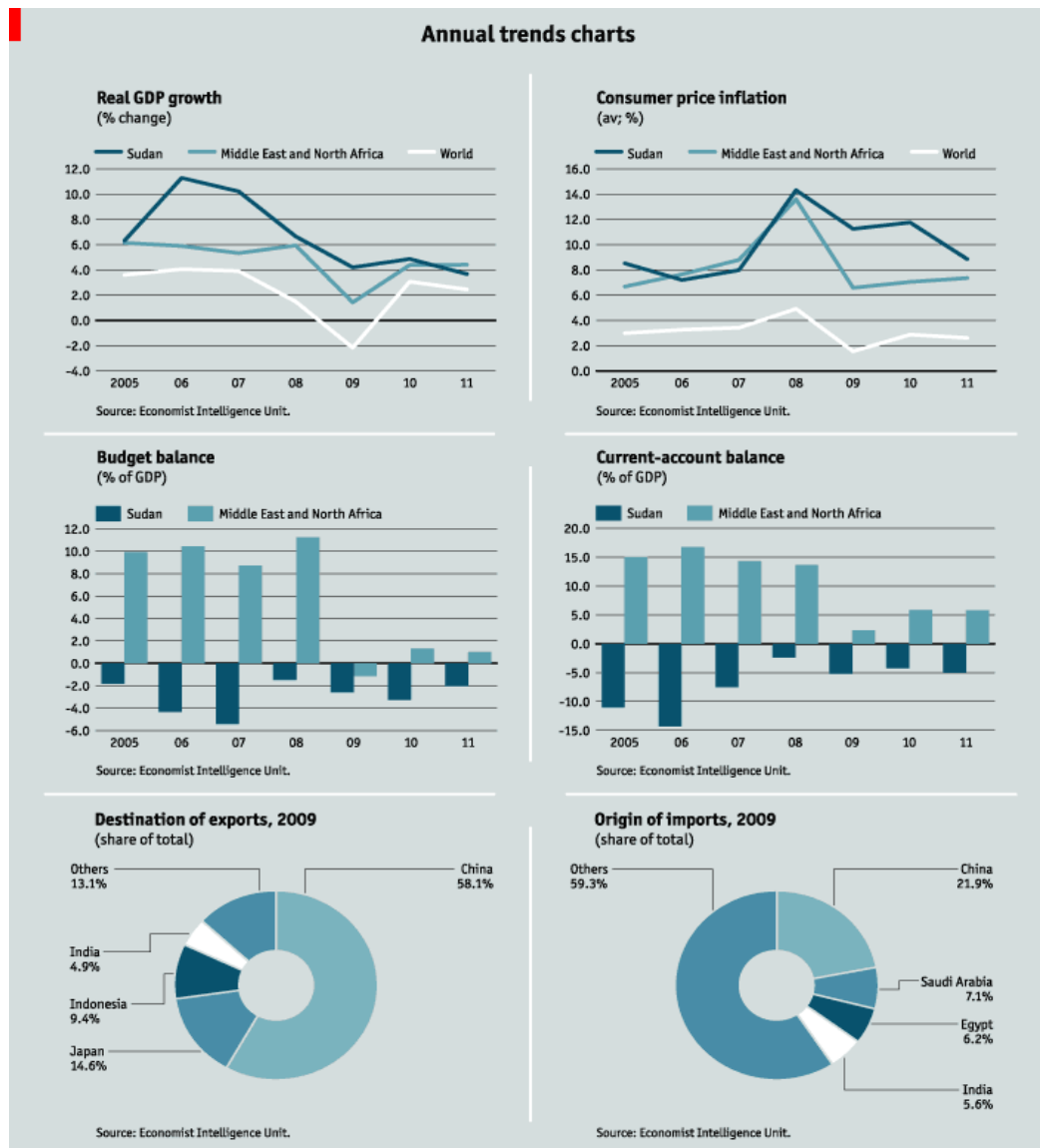
2008	1,423	1,551	1,291	1,727	2,286	2,292	2,064	2,318	1,493	1,940	1,640	1,399
2009	810	692	607	607	729	625	584	844	984	1,282	1,281	1,094
2010	1,152	1,168	1,263	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Sources: IMF; Bank of Sudan; Haver Analytics.

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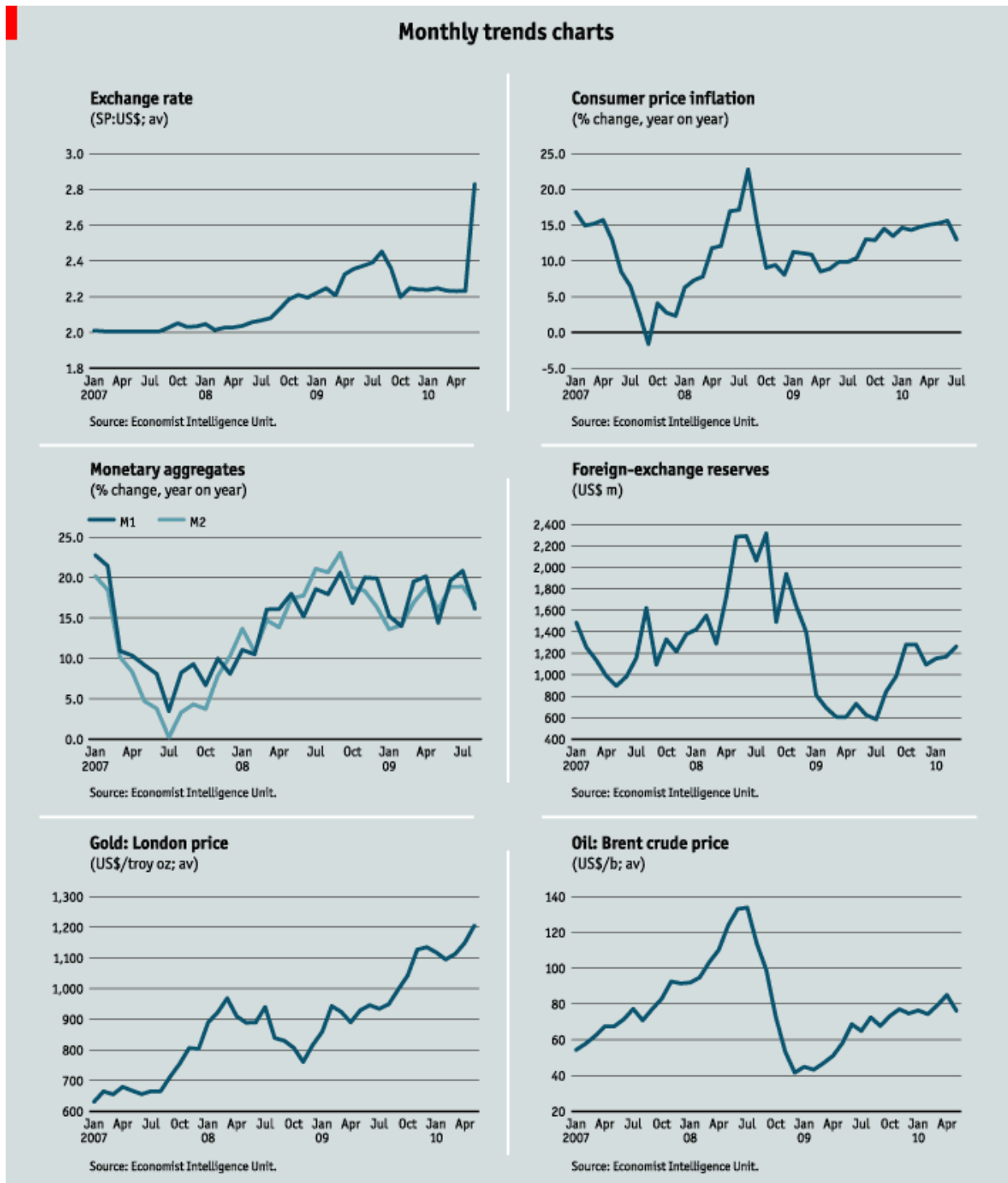
Data and charts: Annual trends charts

Please see graphic below



Data and charts: Monthly trends charts

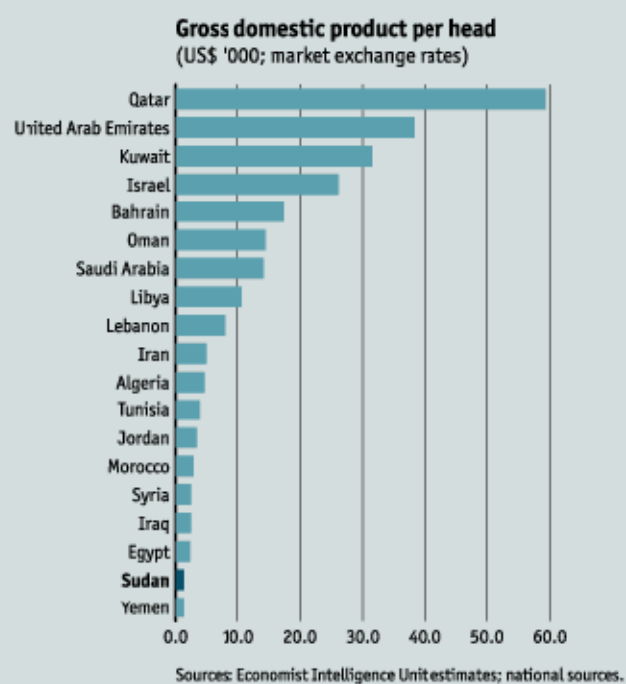
Please see graphic below



Data and charts: Comparative economic indicators

Please see graphic below

Comparative economic indicators, 2009





Land area

2.5m sq km

Population

43.3m (mid-2010, Economist Intelligence Unit estimate)

Main towns

Population in '000; 1993 census (some may have more than doubled since then)

Khartoum (capital): 925 El Obeid: 228

Port Sudan: 305 Wad Medani: 219

Kassala: 234 Gedaref: 189

Omdurman: 229 Juba: 115

Climate

Northern Sudan: hot and dry in September-May; rainy season from April/May to September/October depending on latitude (average annual rainfall 100 mm). Southern Sudan: rainy season from April to October (average annual rainfall 1,000 mm)

Weather in Khartoum (altitude 390 metres)

Hottest month, May, 26-42°C; coldest month, January, 16-32°C; driest months, January-April, usually no rainfall; wettest month, August, 72 mm average rainfall (average annual rainfall 200 mm)

Languages

The official language is Arabic, which is spoken by about 60% of the population; English is also widely spoken in the south. There are an estimated 115 tribal languages, of which over 27 or more are each spoken by more than 100,000 people

Measures

Metric system. Some local measures are also used:

1 diraa = 58 cm; 1 feddan = 0.39 ha; 12 keilas = 1 arde = 1.98 hl

Currency

In 2007 the Sudanese pound replaced the Sudanese dinar as the national currency at a value of SP1=SD100. The pound is made up of 100 qirush/piaster

Time

3 hours ahead of GMT

Public holidays

Independence Day (January 1st); Coptic Christmas (January 7th); Peace Agreement Day (January 9th); the Prophet's birthday (February 26th 2010); Coptic Easter (April 4th-5th 2010); Labour Day (May 5th); Revolution Day (June 30th); Eid al-Fitr (October 10th 2010); Eid al-Adha (November 15th 2010); Islamic New Year (December 7th 2010); Christmas Day (December 25th)

The dates of the Islamic festivals are uncertain because they depend on the actual sighting of the moon. There are additional regional public holidays in Southern Sudan

Political structure

Official name

Republic of Sudan

Legal system

Sharia (Islamic law) applies in both civil and criminal cases in the north—although there are some special provisions for non-Muslims. The south has a non-Islamic legal system

National legislature

Sudan has a bicameral parliament with a 450-member National Assembly (with 60% of seats elected by majority voting in geographical constituencies and 40% by proportional representation, including 25% reserved for women), together with a Council of States composed of two representatives elected by each state assembly

National elections

April 2010 (presidential and parliamentary)

Head of state

Omar al-Bashir, who took office following a 1989 coup and was sworn in as president in October 1993, was most recently re-elected in April 2010

National government

The government is a coalition between the National Congress Party (NCP) and its former adversary in the north-south civil war, the Sudan People's Liberation Movement (SPLM), with a few minor parties such as the Eastern Front also represented

Main political parties

The main northern opposition parties include the Democratic Unionist Party (DUP), the Umma Party and the Popular Congress Party (PCP). In Darfur the main political-military groups are the Justice and Equality Movement (JEM) and the fragmented Sudan Liberation Movement (SLM)

The presidency

President: Omar al-Bashir (NCP)

First vice-president: Salva Kiir (SPLM)

Second vice-president: Ali Uthman Mohammed Taha (NCP)

Assistants to the president:

Nafie Ali Nafie (NCP)

Musa Mohammed Ahmed (EF)

Key ministers

Agriculture: Abdul-Halim Ismail al-Muaafi (NCP)

Cabinet affairs: Luka Biong (SPLM)

Communications & IT: Yahia Abdalla Mohammed Hamad (NCP)

Defence: Abdel-Rahim Mohammed Hussein (NCP)

Education: Farah Mustafa Abdalla (NCP)

Electricity & dams: Osama Abdullah Mohammed al-Hassan (NCP)

Finance & national economy: Ali Mahmoud Abdul-Rasool (NCP)

Foreign affairs: Ali Ahmed Karti (NCP)

Foreign trade: Elias Neyama Lei (SPLM)

Health: Abdalla Tiya Gumaa (NCP)

Industry: Awad Ahmed al-Jaz (NCP)

Interior: Ibrahim Mahmoud Hamed

Investment: George Bioring (SPLM)

Irrigation & water resources: Kamal Ali Mohammed (NCP)

Justice: Mohamed Bushara Dosa (NCP)

Labour: Dak Dok Bichok (SPLM)

Minerals: Abdul-Bagi al-Jailani (NCP)

Oil: Lual Achuil Deng (SPLM)

Social welfare & insurance: Amira al-Fadil Mohammed al-Fadil (NCP)

Transport: Chol Ram Pang (SPLM)

Central bank governor

Sabir Mohammed al-Hassan

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