



## LIKELY IMPACT OF COVID-19 PANDEMIC ON MARKETS AND FOOD SECURITY IN SOUTH SUDAN

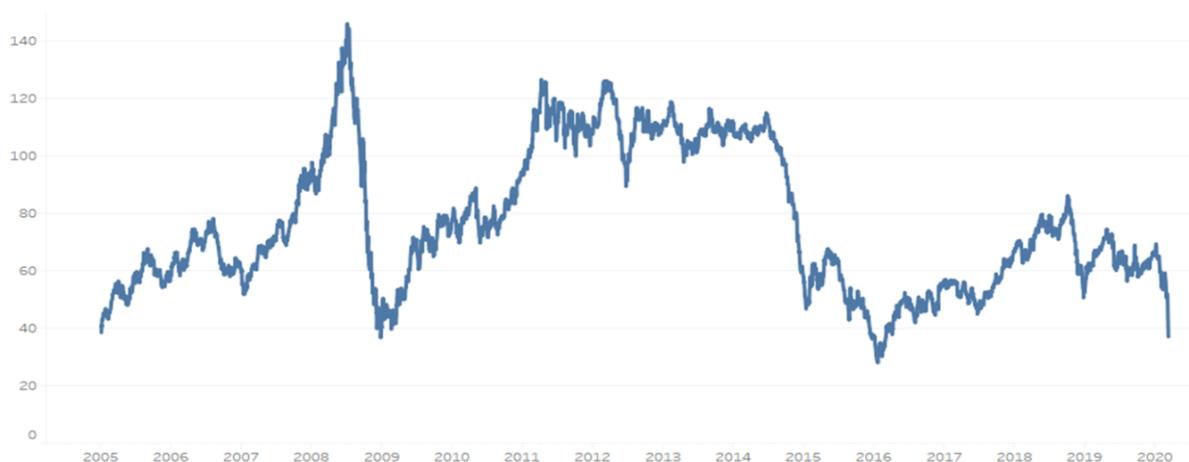
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### Background

More than half of South Sudan's population – 6.5 million people out of 12 million – were expected to face severe food insecurity at the height of the annual hunger season – even before the COVID-19 pandemic. Years of conflict, climatic shocks, pests, diseases, prolonged depletion of household assets and chronic economic hardships have all contributed to high food insecurity levels in the country.

The country relies heavily on revenue from oil exports. Whilst the re-opening of some damaged oil wells following the revitalized peace agreement in 2018 pushed up daily oil production by about 20 percent in February 2019, the increase has not yet translated to meaningful gains. Hard currency is still restricted, and traders depend on the informal market. The oil revenue will be impacted by the collapse of the world oil prices amidst the spread of COVID-19. The plummeting international oil price translates to heavy losses in export earnings, this means the trade deficit of over 2 billion SSP will only widen.

Figure 1: Brent crude oil price in USD per barrel



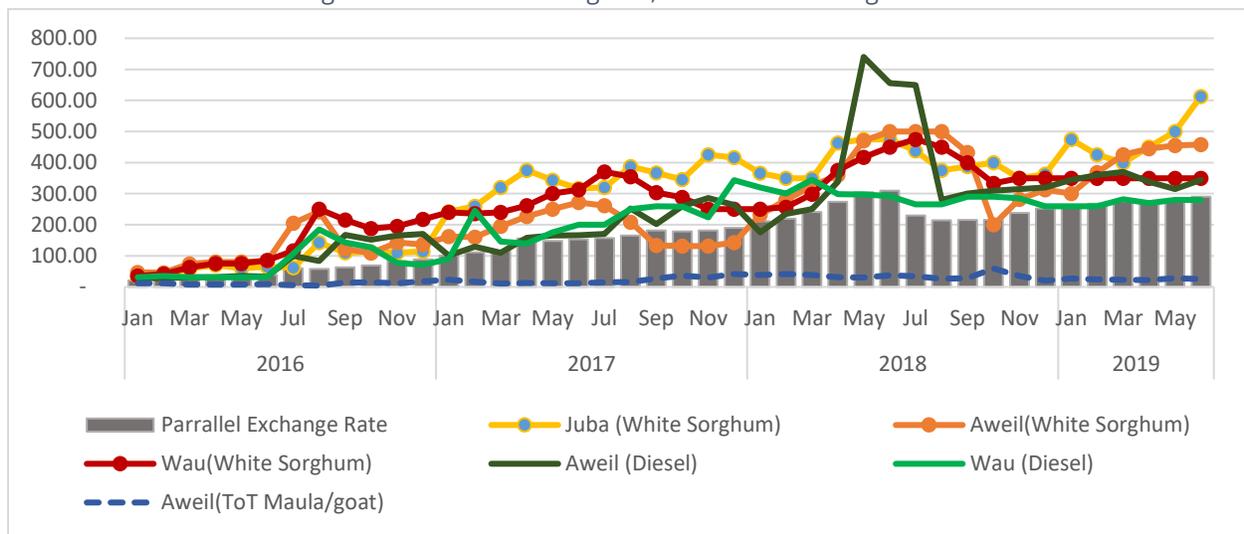
Source: trading economics

For further information please contact Elliot Vhurumuku, Head of VAM and MEAL ([Elliot.Vhurumuku@wfp.org](mailto:Elliot.Vhurumuku@wfp.org)) and Lia Pozzi ([lia.pozzi@wfp.org](mailto:lia.pozzi@wfp.org)), Head of VAM.



South Sudan is a net cereal importer with an estimated gap of 483,000 mt in 2020. The food gap is met through food aid making over 300,000 mt of mixed commodities and the balance from commercial imports mainly from Uganda and Sudan. The COVID-19 pandemic has resulted in limited commercial activity in neighboring countries and border closures are limiting the free movement of commodities. This will exert pressure on prices for both cereals and other commodities.

Figure 2: Price Trends Sorghum, Diesel and Exchange rates



Source: WFP

Pressure from reduced crop production in Uganda and the insecurity in Sudan coupled with the reduction in oil revenues as well as the limitation in the free commercial trade movement has also resulted in a sharp devaluation of the local currency. As of 25 March 2020, the SPP on the parallel market depreciated to previous high levels seen at the end of 2019 from SSP 270/USD to 310/USD.

From the Global markets, on March 9 all the major stock indices plunged by 5 to 11 percent, as a result of the combined effect of panic and crashing oil prices. **When financial markets become spooked by risk, poor countries such as South Sudan are put in danger of losing their ability to borrow and spend when they most need it.**

For South Sudan, a country that relies heavily on imports and has huge supply-chain exposure to China, factory shutdowns in China, import bans, increased shipping and freight costs, suspension of flights and restrictions on the movement of goods and people could disrupt trade and market chains with knock-on effects imported food prices.

These economic shocks are likely to exacerbate the severity of acute food insecurity in South Sudan, at a time when the country is approaching the peak of the lean season, when household stocks have



generally been exhausted, market prices are at their highest, as are food and nutrition insecurity. Increased food prices curtail households' purchasing power, putting households' access to food at risk, and forcing them to activate coping mechanisms ranging from switching to cheaper, less nutritious foods, to reducing their consumption and/or going for days without food.

### **Impact of a possible COVID-19 spreading in South Sudan: *"Poverty can fuel contagion, but contagion can also create or deepen poverty"*<sup>1</sup>**

The COVID-19 pandemic which has resulted in border closures, restricted movement of goods and people across borders will have a significant impact on South Sudan consumers given its import dependency. The country's urban and rural poor households who are highly dependent on markets will have to should high food prices through no fault of their own by.

The following are the impacts that will worsen if the pandemic spreads into the country.

1. **Loss of oil revenue:** The plummeting oil prices will impact on Government revenue affecting its ability to meet import obligations and payment of public service salaries that are already in arrears. This will negatively impact the economy which had already negative trade balances and Gross Domestic Product (GDP), the shortage of hard currency and the exchange rate that has started to depreciate after starting to recover. This will affect commercial imports that are desperately needed for traders to reposition before the start of the rainfall season from April 2020. The oil revenue and its impact on the wider economy will have other ripple negative effects such as depreciated exchange rate and decreased commercial food in the markets and decreased purchasing power particularly of civil servants, pastoralists and those dependent on markets during the lean season.
2. **Currency depreciation and market-dependent populations:** According to the 2008 Census, 17% of South Sudan's population live in urban areas. However, this figure is now estimated to be over 25%. The July-August (indicative of lean season) 2019 FSNMS reports that increasingly high proportions of the population are market dependent for their cereal consumption, with the highest percent recorded in Northern Bahr el Gazal (73 percent), Central Equatoria (61 percent), Upper Nile (58 percent) and Eastern Equatoria (56 percent). These states largely and primarily depend on commodity imports and devaluation, which increases the prices of imported goods, will negatively affect their purchasing power. This is likely to result in the rapid depletion of assets, especially livestock for market-dependent households.
3. **Possible rise in nominal price of fuel** amidst scarcity and erratic supply to markets, likely to cause further upward pressure on the prices through inflated transport costs. Increased fuel prices immediately triggered corresponding upward adjustment in transport fares and cost of

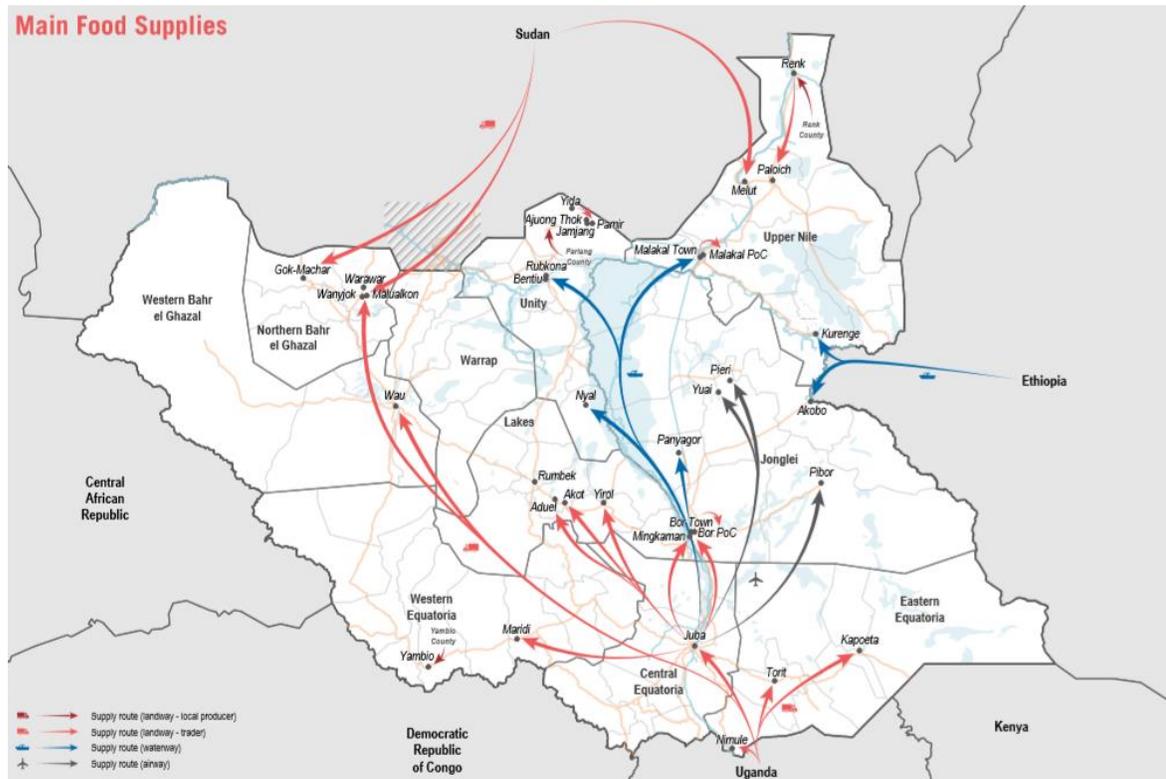
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<sup>1</sup> <https://www.odi.org/blogs>

transporting commodities further spiraling the retail costs of food. Transport costs typically comprise 15-30 percent of food prices in South Sudan and so increased prices of fuel are likely to be shouldered by urban poor households who are highly dependent on markets but also market-dependent rural poor in some areas of the country.

4. **Impact on commodity flows and prices:** Whilst the Governments in the East African Region including Uganda and Sudan that are the major source of commodities for South Sudan (see Figure 3 below) have indicated that they will allow commercial and food aid cargo to continue moving cross the borders, the screening process has slowed down the commodity movement.

Figure 3: Trade flows



Source: South Sudan Joint Markets Monitoring Initiative, December 2019

Whilst the impact on cross border trade volumes, will become clearer when the Regional cross border trade bulletin is released next month, price have already started to react t the border closures in South Sudan and Uganda the main source market.



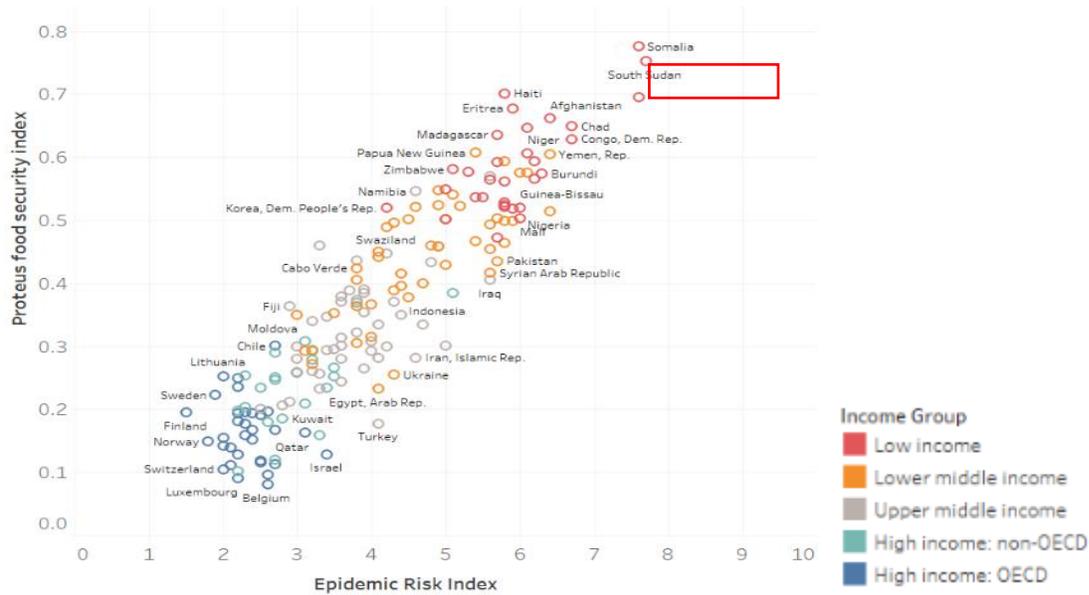
| Juba- Konyokonyo  | Uganda   |
|---|--|
| - 50 kg bag of maize flour increased from SSP 4,500 to SSP 6,700 <b>(+49%)</b> ;      | - In <b>Moyo</b> , a small packet of salt used to be 800 USH, now sold at 5,000 USH <b>(+525%)</b> ;               |
| - 50 kg bag of wheat flour increased from SSP 4,500 to SSP 6,000 <b>(+33%)</b> ;      | - in <b>Adjumani</b> , the same packet of salt used to be 500 USH, now sold at 2,000 USH <b>(+300%)</b> ;          |
| - 20 liters of cooking oil increased from SSP 4,500 to SSP 7,000 <b>(+56%)</b> ;      | - in <b>Arua</b> , the price of a bag of 25kg of sugar has increased from USH 58,000 to USH 80,000 <b>(+38%)</b> ; |
| - In Gudele, a 10kg bag of flour increased from SSP 1,200 to SSP 3,000 <b>(+150%)</b> | - in <b>Arua</b> , the price of a bag of 50kg of rice has increased from USH 70,000 to USH 98,000 <b>(+40%)</b>    |

Prices of imported and processed commodities such as sugar, maize flour, water, soft drinks etc. are likely to continue with an upward seasonal trend, though at a much steeper rate.

5. **Real incomes of casual labourers:** A significant vulnerable layer in urban areas, were already on a downward spiral and are likely to be further impacted on by currency devaluation. The purchasing power of these populations will continue to be compromised going forward if the SSP continue losing its value. Casual and fixed income workers paid in SSP will be trapped with lower wages, as their purchasing power continually diminishes (as inflation rises). The worst hit will be the urban poor and rural low-income market-dependent earners. There is likely to be increased workers' agitation for higher wages to meet the skyrocketing cost of living. Workers will be forced to engage in multiple incoming generating activities in order to cope with the rising cost of living and reduced purchasing power, and any form of isolation to protect the spreading of COVID-19 will be really challenging.
  
6. **Food security:** Apart from the food security implications of a COVID-19-triggered economic slowdown, an extensive spread of the disease in South Sudan, a poorer and food insecure country with extremely limited basic infrastructures, could take a heavier toll in terms of mortality rates. Countries with high levels of food insecurity are generally more vulnerable and less prepared for an epidemics or pandemics outbreaks than those which are seeing a rapid spread of the disease at present. The joint WHO-JRC Epidemic Risk Index, which measures risk based on hazard, exposure, vulnerability and coping capacity is higher for countries with a higher score for the Proteus index of food insecurity (figure 4 below).



Figure 4: Food security and epidemic risk



Source: WHO/JRC and WFP calculations

- Agriculture production:** In South Sudan, a larger hit of the COVID-19 on the workforce would negatively affect the agricultural sector, characterized by labour intensive production, aggravating the repercussions on production. As the main agricultural season is about to start, especially in the Green Belt, reduced labour force and, in turn, reduced production is likely to have long-lasting effects on 2020-2021 production levels, compromising food security for the next year or so. The COVID-19 will be further aggravated by the desert locusts' outbreak if this is not controlled.



Figure 5: South Sudan Agricultural Calendar

|  |                      | Mar                           | Apr                           | May            | June           | July | Aug                           | Sept    | Oct            | Nov        | Dec        | Jan | Feb |
|--|----------------------|-------------------------------|-------------------------------|----------------|----------------|------|-------------------------------|---------|----------------|------------|------------|-----|-----|
| Unimodal rainfall zone found in Greater Bahr el Ghazal; Greater Upper Nile | Rainfall             | Dry season                    |                               | Wet season     |                |      |                               |         |                | Dry season |            |     |     |
|  | Main crop            |                               | Land preparation and planting |                | Growing season |      |                               | Harvest |                |            |            |     |     |
|  | Long-cycle crops     |                               | Land preparation and planting |                | Growing season |      |                               |         | Harvest        |            |            |     |     |
| Bimodal rainfall zone found in Greater Equatoria                           | Rainfall             | Dry season                    | Wet season                    |                |                |      |                               |         |                |            | Dry season |     |     |
|  | First crop           | Land preparation and planting |                               | Growing season |                |      | Harvest                       |         |                |            |            |     |     |
|  | Second & third crops |                               |                               |                |                |      | Land preparation and planting |         | Growing season |            | Harvest    |     |     |

Source: FAO

### Possible mitigating factors

However, there are also factors that could mitigate the damage of a COVID-19 pandemic in South Sudan, like the age structure of its population. The share of people with the highest risk (by age) of developing severe disease or dying is far lower in South Sudan than in, for example, China or Europe. Moreover, a sparse and predominantly rural based population and more limited travel networks both within the country and within the region could reduce the pace at which COVID-19 spreads.

### Measures to prevent an exacerbation of the food security situation

While COVID-19 is a health emergency, it is likely to further exacerbate acute food insecurity. Beyond measures to contain the pandemic it is essential to continue providing food assistance to support vulnerable populations. Thus, it is important:

1. To continue providing support to the most vulnerable populations through shock-responsive assistance and consider monitoring additional population groups that could become vulnerable and in need of food assistance, as a result of COVID-19 related effects.
2. Whilst WFP respects the Government's decision to close its international airports and border crossings, to advocate for humanitarian corridors to remain open for as long as possible and restrictions on commercial trade to be minimized to ensure adequate food supplies.
3. To continue monitoring food prices and markets, as they represent a very critical indicator for the evolution of the food security situation. Information is to be shared information timely to decisionmakers and all actors. This will help evidence-based programming and will support choice for most appropriate assistance modalities, including definition of transfer value for CBT operations, in a time of rapidly changing food prices.