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.

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 outbreak has resulted in limited commercial activity in neighbouring countries and border closures are limiting the free movement of commodities. This will exert pressure on prices for both cereals and other commodities.

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.

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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!”

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 outbreak 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.

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 Bhar 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.

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 as this typically comprise 15-30 percent of food prices in South Sudan.

4. **Impact on commodity flows and prices**: Whilst the Governments in the East African Region including Uganda and Sudan, major source markets for South Sudan, 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 and limited trade volume, though the impact on cross border trade volumes will become clearer in the coming weeks. Moreover, food prices in source markets are increasing due to stockpiling. These combines resulted in a knock-on effect on food prices in South Sudan i.e. 50 kg maize flour increased by 49%, from SSP 4,500 to SSP 6,700 in Juba. Prices of imported and processed commodities are likely to continue with an upward seasonal trend, though at a much steeper rate.

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1 https://www.odi.org/blogs
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 by the 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.

6. **Vulnerability**: 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 epidemic outbreak than those which see a rapid spread of the disease at present.

7. **Agriculture production**: In South Sudan, a larger hit of the COVID19 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.

**Possible mitigating factors**

However, there are also factors that could mitigate the damage caused by the 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 in 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 COVID19 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.