

SYRIAN ARAB REPUBLIC

Table 1	2022
Population, million	22.1
GDP, current US\$ billion	12.4
GDP per capita, current US\$	560.5
School enrollment, primary (% gross) ^a	81.7
Life expectancy at birth, years ^a	72.1
Total GHG emissions (mtCO2e)	50.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2020).

Syria's real GDP contraction is projected to widen by 2.3 percentage points to 5.5 percent in 2023 as a result of the devastating earthquake that affected significant parts of Syria's northern and western territory; the additional contraction is primarily driven by the destruction of physical capital and disruptions in trade activity. Earthquake-induced displacement added about 20 percent to the staggering count of the 3 million conflict-induced internally displaced people (IDPs) already living in affected areas.

Key conditions and challenges

A decade-long conflict has had devastating socioeconomic consequences. Although the intensity of the conflict has declined from a peak in the mid-2010s, Syria continues to rank amongst the top countries in terms of violent deaths. More than half of Syria's pre-conflict population remains displaced, including 6.8 million IDPs and 6.9 million refugees abroad. The destruction of physical capital, casualties, forced displacement, and the break-up of economic networks have halved the size of the economy compared to 2010. Nighttime light emissions suggest that GDP has further contracted since 2021, particularly in regions where conflict is more intense.

Severe drought, damages to the irrigation infrastructure, and high input costs have halved agricultural production since 2021. Economic instability in neighboring Lebanon and Türkiye, and U.S. sanctions towards Syria under the Caesar Act have further exacerbated crisis conditions. After a decade of war, a severely degraded healthcare system is preventing an effective response to a cholera outbreak that started last summer. With nearly half of the oil consumption and about one-third of cereal consumption being imported, higher commodity prices following Russia's invasion of Ukraine, have weakened Syria's external position, and are fueling inflation. The market exchange rate of the Syrian pound depreciated by about 76 percent

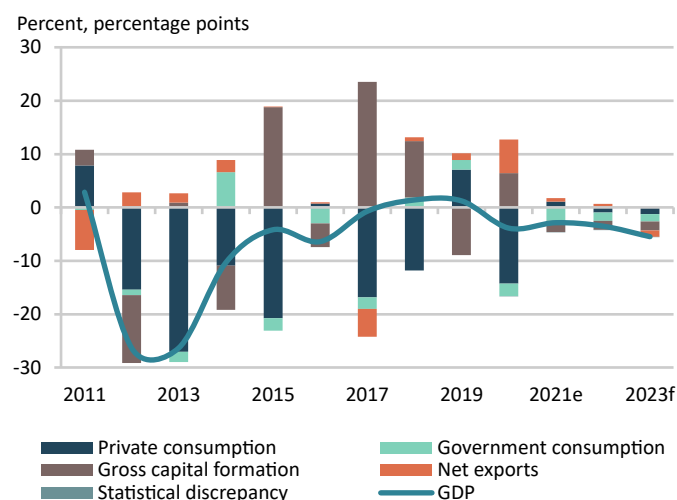
against the U.S. dollar in 2022 alone. Currency depreciation has been accompanied by rising inflation, with food prices, as proxied by the World Food Programme's (WFP) minimum food basket price index, rising by 93 percent in 2022.

Syrian households face ever-growing challenges in coping with shocks. According to Humanitarian Needs Assessment Programme (NHAP) data, between 2021 and 2022, the share of households having to rely on at least one extreme negative coping strategy increased from 59 to 76 percent. Deteriorating welfare conditions are further reflected in a higher share of households having to reduce expenditure on essential items, being forced to take up high-risk and exploitative work, or even having to rely on child labor (Figure 2). In 2022, only 15 percent of households report having sufficient income to satisfy essential needs and close to 50 percent of households have had to sell their assets – either productive, unproductive, or both – in order to make ends meet.

Recent developments

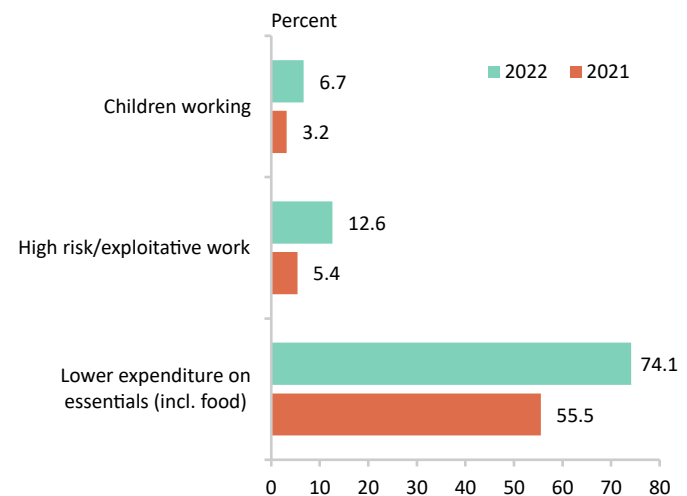
The 7.8 magnitude earthquake that struck the southern region of Türkiye on February 6, 2023, affected significant parts of Syria's northern and western territory. The human toll of the earthquake on the Syrian side of the border was significant, with approximately 6,000 people killed and 12,000 injured. Initial accounts indicate that approximately 600,000 people have been displaced by the earthquake, adding about

FIGURE 1 Syrian Arab Republic / Real GDP growth and contributions to real GDP growth



Sources: Central Bureau of Statistics, Syria and World Bank estimates.

FIGURE 2 Syrian Arab Republic / Share of households relying on extreme coping strategies



Source: World Bank staff calculations based on the Summer 2022 NHAP demographic household survey.

20 percent to the already higher number of 3 million IDPs that already lived in the area affected by the earthquake

Earthquakes and aftershocks caused an estimated \$5.2 billion in physical damages and losses in Syria, according to the World Bank Syria Earthquake 2023 Rapid Damage and Needs Assessment (RDNA). The governorate of Aleppo suffered the greatest damages (44 percent of total damages), followed by Idlib (21 percent). By sector, the largest physical damages were incurred in housing (24 percent of the total), followed by transport (19 percent of the total) and environment (16 percent of the total).

Prices have increased in the aftermath of the earthquake. According to the WFP, the nominal prices of key commodities in the food basket, comprised of bread, lentils, vegetable oil, sugar, and rice, increased by about 10 percent in all of the heavily hit governorates (Aleppo, Hama, Idleb, and Latakia) two weeks after the earthquake. Even in regions that were not seriously impacted by the

earthquake, the cost of food and other necessities also increased noticeably.

Outlook

Subject to extraordinarily high uncertainty, the Syrian economy, which was projected to contract by 3.2 percent in 2023 prior to the earthquake, is now projected to contract by 5.5 percent. On the production side, the earthquake would adversely impact the production capacity of the country, mainly through disruptions in physical capital and trade networks. On the consumption side, higher inflation, which is projected to rise from 44 percent to 60 percent as a result of supply chain disruptions and higher transportation costs, would lead to a contraction in private consumption. Earthquake-related reconstruction activity is expected to offset some of these losses, but there is significant uncertainty about the extent and pace of reconstruction.

The fiscal deficit of the Syrian government is projected to rise marginally from a pre-earthquake baseline of 8.6 percent to 8.8 percent of GDP; this is based on the assumption that social and infrastructure needs in the aftermath of the earthquake are largely met by foreign aid. The current account deficit is estimated to increase, rising from a pre-earthquake baseline projection of 2.5 percent to around 3.2 percent of GDP, due mainly to higher imports for reconstruction investment.

High levels of pre-existing welfare vulnerability limit households' capacity to cope with the impact of the earthquake hence exacerbating the risk of long-lasting welfare consequences.

Risks to the economic outlook are significant and tilted to the downside. These include, most notably, a slower-than-expected reconstruction effort, weak private investment, and limited humanitarian assistance for affected areas. GDP losses would be materially higher if reconstruction efforts are delayed.

TABLE 2 Syrian Arab Republic / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f
Real GDP growth, at constant market prices^a	-3.9	-2.9	-3.5	-5.5
Inflation (Consumer Price Index)	114.2	118.8	70.1	60.0
Current Account Balance (% of GDP)	-3.2	-2.8	-2.6	-3.2
Fiscal Balance (% of GDP)	-8.4	-8.6	-8.4	-8.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

Notes: e = estimate, f = forecast.

a/ Projections based on nighttime light data.