Understanding the Recent Depreciation of the South Sudanese Pound (SSP) and the Surge in Fuel Prices: A Preliminary Economic Reflection

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Over the past week, South Sudan has experienced a sharp depreciation of the South Sudanese Pound (SSP), with the **parallel market exchange rate reportedly reaching approximately SSP 7,800 per United States Dollar (USD)**, while diesel prices in Juba have risen to around **SSP 18,500 per litre**. These rapid developments have generated understandable concern among households, businesses, humanitarian organizations, and policymakers, as they point to mounting inflationary pressures and heightened macroeconomic uncertainty. While the immediate causes remain under investigation, economic history demonstrates that exchange-rate crises are rarely triggered by a single event. Rather, they typically arise from the interaction of domestic macroeconomic conditions, structural economic vulnerabilities, regional developments, and global economic shocks operating simultaneously. Understanding these dynamics is therefore essential for informing sound public debate and evidence-based policy responses.

South Sudan's economy remains structurally vulnerable because it depends overwhelmingly on crude oil exports for foreign exchange while importing most of its consumer goods, including refined petroleum products, food, medicines, construction materials, and industrial inputs. Consequently, any reduction in foreign exchange inflows—or any increase in demand for United States Dollars—immediately places pressure on the exchange rate. As the SSP depreciates, import costs rise, fuel becomes more expensive, transportation costs increase, and inflation spreads rapidly throughout the economy. Taylor (2000) observed that exchange-rate pass-through is particularly pronounced in small, open, and import-dependent economies, making domestic prices highly sensitive to currency fluctuations.

The current developments should also be understood within a broader regional and global context. The continuing conflict in neighbouring Sudan has affected oil export logistics and regional trade, while tighter global financial conditions, a relatively strong United States Dollar, and volatility in international energy markets have increased pressures on many developing economies. The World Bank (2025) notes that economies heavily dependent on a single export commodity are particularly vulnerable to external shocks because fluctuations in export earnings quickly translate into fiscal and balance-of-payments pressures.

Several plausible explanations therefore deserve careful consideration. These include tightening foreign exchange liquidity, fiscal and monetary pressures, disruptions within fuel supply chains, and changing market expectations. None of these factors should be viewed in isolation. As Olivier Blanchard (2023) argues, *"modern inflation episodes are increasingly driven by multiple interacting shocks rather than a* *single macroeconomic imbalance."* This observation appears particularly relevant to South Sudan's current circumstances.

Market expectations may also be playing a significant role. In fragile economies, perceptions often become economic realities. Traders who expect further depreciation adjust prices according to anticipated replacement costs rather than historical purchase prices. Importers increase their demand for foreign currency to safeguard future transactions, while consumers accelerate purchases in anticipation of additional price increases. The result is a self-reinforcing cycle in which expectations contribute to further exchange-rate depreciation and inflation.

South Sudan's own economic history reinforces this concern. The hyperinflationary episode of 2015–2016 demonstrated how rapidly confidence in the domestic currency can deteriorate when foreign exchange shortages, fiscal pressures, and inflation expectations reinforce one another. As Rudiger Dornbusch (1976) explained through his Exchange Rate Overshooting Model, financial markets often react faster than the real economy, causing exchange rates to depreciate beyond levels initially justified by economic fundamentals before gradually stabilising.

Milton Friedman (1968) famously stated that *"inflation is always and everywhere a monetary phenomenon."* While monetary conditions undoubtedly remain an important driver of inflation, South Sudan's current experience suggests that monetary factors alone cannot fully explain recent developments. Exchange-rate pressures, imported inflation, structural dependence on imports, regional instability, fuel supply constraints, and market expectations appear to be interacting simultaneously. The challenge, therefore, is not to search for a single culprit but to understand how these forces reinforce one another.

It is also important to recognise an apparent paradox. Although South Sudan is an oil-producing country, it imports nearly all of its refined petroleum products. Producing crude oil does not automatically guarantee affordable domestic fuel. Because refined petroleum is imported and crude oil exports depend on pipeline infrastructure through neighbouring Sudan, domestic fuel prices remain highly sensitive to exchange-rate movements, regional logistics, and international market conditions.

At this stage, it would be premature to attribute the recent depreciation to any single cause before comprehensive economic data become available. A rigorous assessment requires evidence on foreign exchange inflows, oil revenue receipts, reserve money growth, fuel inventories, Bank of South Sudan foreign exchange interventions, and broader balance-of-payments developments. Sound economic policy must always be guided by evidence rather than speculation.

Ultimately, the recent developments should remind us that sustainable macroeconomic stability cannot be achieved through short-term interventions alone. It requires prudent fiscal and monetary management, transparent foreign exchange policies, stronger institutions, expanded domestic production, economic diversification, improved agricultural productivity, and increased private sector investment. As the African proverb wisely reminds us, *"The best time to repair the roof is when the sun is shining."* Building economic resilience before the next crisis emerges is far less costly than attempting to manage one after it unfolds.

South Sudan possesses immense economic potential. The current challenges, while significant, also present an opportunity for informed national dialogue. By grounding our discussions in evidence, sound economic principles, and constructive policy debate, we can move beyond reacting to crises and begin addressing the structural constraints that continue to undermine long-term macroeconomic stability.

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