The key features of the 2018 budget characterized by:

- An increase in the US dollar exchange rate applicable to customs by 160 percent.
- Banning the importation of 19 commodities, lifting the subsidies for wheat and doubling the cost of electricity for businesses.
- Increasing the indicative rate of the US Dollar again on February 5, from SDG 18 to SDG 30 which is changing on daily basis.
- Squeezing the liquidity.
- The Fiscal deficit as a percentage of GDP is expected to widen from 1.4 in 2017 to 2.4 in 2018.

**Fiscal risks**

- Domestic risk includes fuel supply shortage which could result in poor harvest season.
- External risk includes the low competitiveness of export commodities in the international markets.

**Update on Inflation rate**

- The inflation rate has witnessed an upward trend from 52.37 percent in January 2018 to 60.93 percent in May 2018. (Source: CBS).
- Food and beverages group were the main source of inflation in the 1st half of 2018.
- Food price inflation has been compounded by imported inflation as many food items are imported.
- Lower inflation should contribute to macroeconomic stability and put less upward pressure on the real exchange rate, which is an essential element for improving Sudanese exports competitiveness.
Rural inflation is much higher than urban for the period from January to May 2018. This could exasperate the poverty level in rural areas.

**Fiscal performance for the 1st quarter of 2018:** Total revenues amounted to SDG 32.1 billion whereas the total expenditures reached SDG 37.7 billion, thus, the deficit reached SDG 5.6 billion (Source: MoFEP). The government should design and implement policies that could diversify the economy, increase the revenues and decrease public expenditure to increase economic growth and reduce poverty.

**Gold Production in the 1st half of 2018:** Gold production has reached 63.3 tons during the first half of 2018 and has contributed by 6 percent to the Gross Domestic Product (GDP). Gold revenue in the first half of the year has reached SDG 1.5 billion approximately. Gold smuggling represents a big challenge to the Government of Sudan. (Source: Media Monitoring Report of Thursday, July 12, 2018 (UNDP)

**Trade Balance for the 1st Quarter of 2018:** The trade balance deficit (Exports-Imports) narrowed slightly to US$934.5 million compared to US$ 947.4 million for the same period of 2017. (reduced by 1.4 percent)  
- The Trade deficit could put upward pressure on inflation and the exchange rate. (Source: MoFEP)

**Update on fuel and cooking gas supply**

The Khartoum refinery has been operating at its maximum capacity, producing 90,000 barrels of fuel and 1,000 tonnes of cooking gas a day. On the other side, the technical teams have started work to restore oil production in the fields of the State of South Sudan. The start of the re-production is expected by the end of September. (https://alsudanalyoum.com/sudan-news/economy)
Socioeconomic and human development status

- The poverty rate in Sudan stood at 36.1 percent ranging between 12.2 percent in Northern state and 50.4 percent in East Darfur state.
- One in four Sudanese falls below the extreme poverty line (25 %) with unemployment standing as a major cause of poverty in Sudan.
- Food was the main category of expenditure and accounted for 60 % of total consumption, with significant differences between urban and rural areas (respectively 53 % and 64 %).
- Kordofan States, Darfur States, Red Sea state and White Nile State are the poorest regions which are likely to be more affected by the current economic tricky situation. (Source: Sudan Household Budget and Poverty Survey 2014).
- According to the Federal Ministry of Health, the neonatal mortality in Sudan increased by 40 percent in 2018. (Source: Alwatan Magazine, issue No:5334, 14 July 2018).
- The hard-economic situation resulted in an increase in child marriage in the country, which reached 37% of total marriages cases during the first half of 2018. (Source: Alwatan Magazine, issue No:5334, 14 July 2018).
- According to the Ministry of Health, Khartoum State, the overall malnutrition rate in Sudan reached 16.3% in 2018. (Source: Alwatan Magazine, issue No:5334, 14 July 2018).

Update on Medicines Supply

- Currently, there is a scarcity of several medicinal products in the country. More than 200 types of medicines have become completely unavailable. (Media Monitoring Report of Wednesday, July 11, 2018).
- This could result in further increases in medicine prices in the country and the poor are the more venerable.

Update on the PRSP Preparation Process

- A set of thematic and background papers to address the sectoral policies and its priority and development strategies for the targeted sectors have been prepared and validated through consultative workshops.
- The full PRSP is expected to be launched by the end of this year.