

# SYRIA AT WAR, EIGHT YEARS ON POLICY BRIEF ON THE ECONOMY



Shared Prosperity Dignified Life



University of  
St Andrews

FOUNDED  
1413



E/ESCWA/CL3.SEP/2020/POLICY BRIEF.2

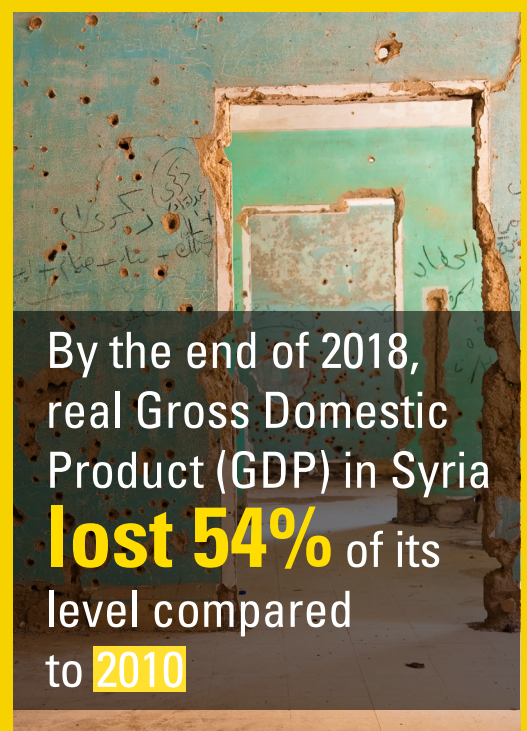


## Introduction

The conflict in the Syrian Arab Republic has been one of the most destructive since the Second World War. It has encompassed huge physical and social damage, infrastructure destruction, a massive refugee crisis, and severe economic downturn.

In this policy brief, we highlight the severe economic consequences that the conflict has had on the nation, while paying particular attention to macroeconomic indicators. The economic and fiscal costs are identified and measured using data from the Central Bureau of Statistics in Syria, Central Bank of Syria, ESCWA, the National Agenda for the Future of Syria (NAFS) Programme's estimations and calculations, the International Monetary Fund (IMF), Data Mapper, and the International Trade Centre, among others.

By any benchmark, losses have been considerable, and the extent of the devastation is laid bare when comparing 2011-2018 macroeconomic indicators with those of pre-conflict 2010.



By the end of 2018,  
real Gross Domestic  
Product (GDP) in Syria  
**lost 54%** of its  
level compared  
to **2010**

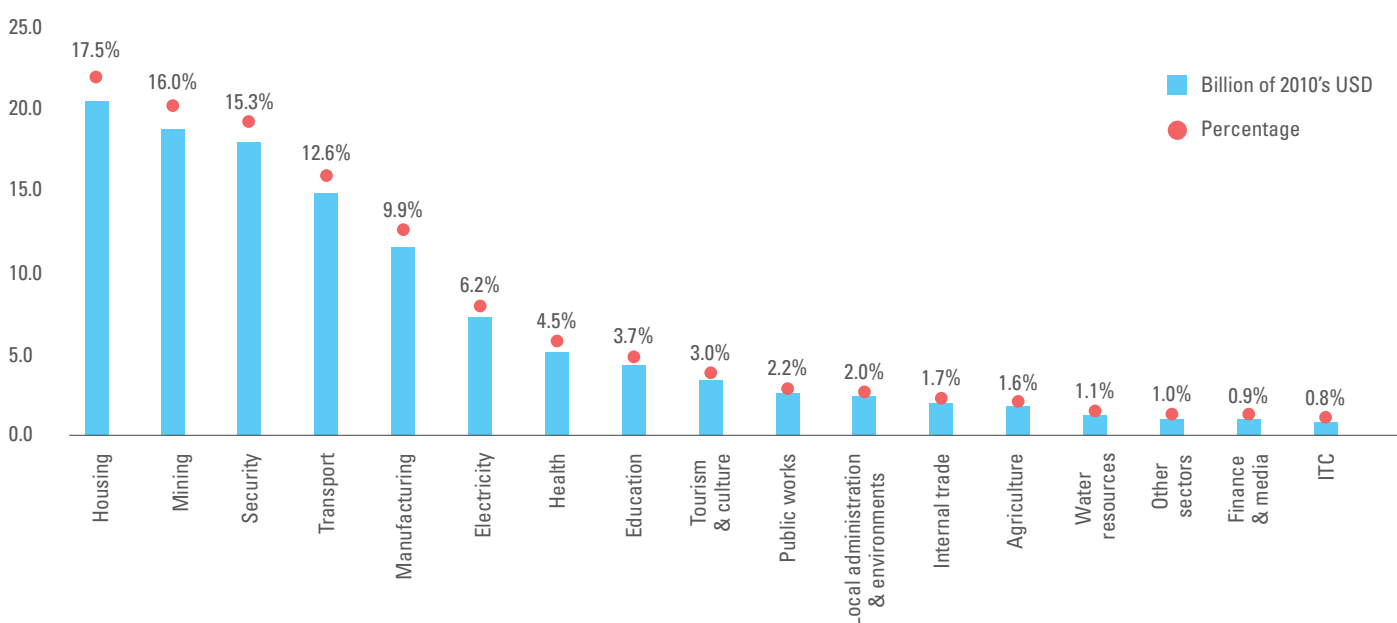
# Our Findings

According to official data, by the end of 2018, real GDP in Syria had lost 54 per cent of its 2010 level.

Eight years of conflict were more than enough to deal a major blow to accumulated physical capital and infrastructure. By the end of 2018, the damage to physical capital was estimated at \$117.7 billion at 2010 prices,

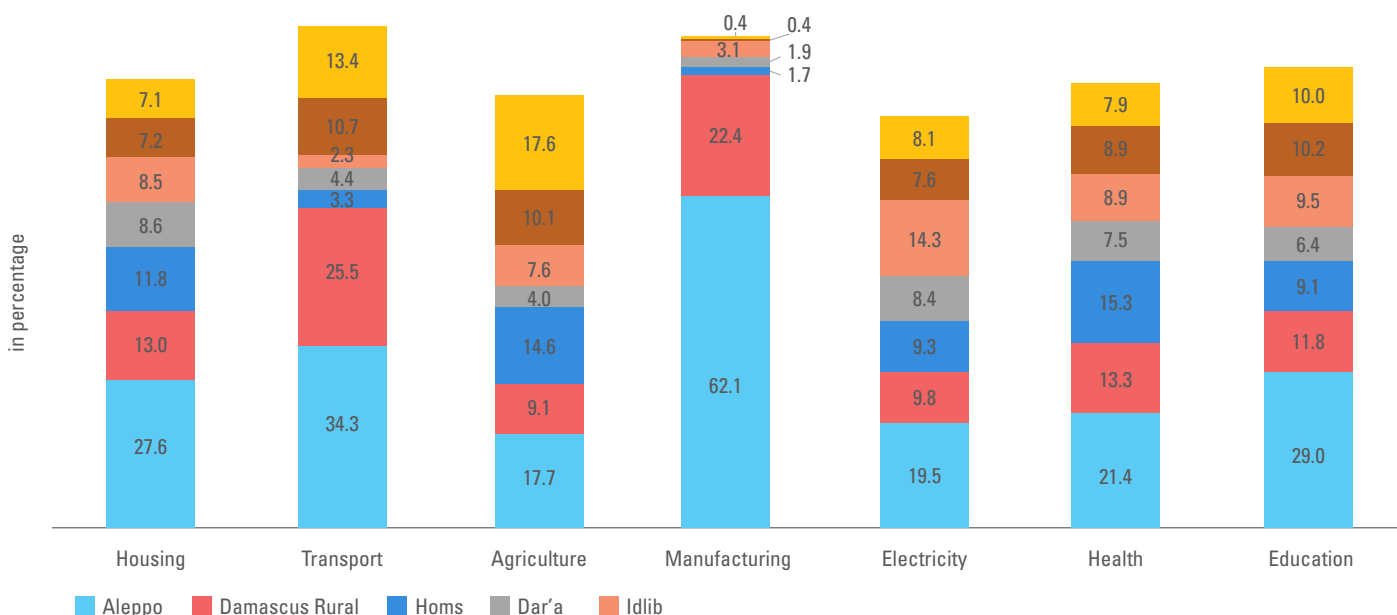
after discounting the annual damage value by the world inflation rate. 82 per cent of the damage was in seven of the most capital-intensive sectors. The hardest hit sector was housing, as it constituted 17.5 per cent of the total damage, followed by the mining sector, which comprised of 16 per cent.

**Figure 1.** Sectoral distribution of physical capital loss, 2011-2018 (billion dollars, 2010 prices)



Source: ESCWA, NAFS estimations and calculations.

**Figure 2.** Distribution of main sectoral damage to physical capital in selected governorates, 2011-2018 (percentage)



Source: ESCWA, NAFS Programme estimations and calculations.



During 2011 – 2018, the total economic cost of the conflict was estimated at \$442.2 billion. This number is the sum of the estimated value of the damage to physical capital (\$117.7 billion) and the estimated losses in GDP of \$324.5 billion.

By the end of 2018, the railway system was non-operational, and Damascus airport remained the only one of three airports open to international flights. The public power supply dropped by 62.5 per cent between 2010 and 2015, resulting in electricity shortages which created major problems for firms.

The mining (including oil) and manufacturing sector's contribution to real GDP fell from 23 per cent on average in 2006-2010 to 12 per cent in 2011-2018, and the contribution of the internal trade sector from 20 per cent to 16 per cent. Restrictive unilateral economic sanctions imposed by the United States and the European Union on oil, finance and trade, as well as damage to physical capital and deterioration in security, were the major factors leading to the collapse in these sectors.

Foreign trade followed a similar downward trend. The trade deficit widened from -16.6 per cent to -34.6 per cent of GDP – despite the fact it fell from \$10.1 billion to \$6.1 billion in 2010-2018 – with drastic implications on the value of the Syrian pound.

In absolute terms, Syrian exports collapsed from \$8.7 billion in 2010 to \$2.3 billion in 2012 and continued to shrink steadily, dropping to \$0.72 billion in 2018.

During the conflict, savings and investments also dropped as a result of a deteriorating investment climate, causing a large-scale exodus of financial assets and capital.

The dramatic rise in inflation rates has aggravated poverty and food insecurity indicators, further deteriorating the purchasing powers of ordinary Syrians.

The dollar value of bank deposits fell from \$29.8 billion in 2010 to \$4.6 billion in 2016, a decline of 85 per cent.

Public revenues plunged by -78 per cent, from \$13.6 billion (22.4 per cent of GDP) in 2010 to approximately \$3 billion (20.8 per cent of GDP) in 2017.


Public expenditures fell by 76 per cent, from \$14.9 billion (24.5 per cent of GDP) to \$3.6 billion (25.5 per cent of GDP) in the same period.

Development expenditure allocations changed, from 35 per cent in 2010 to 15 per cent in 2017. This was due to the increase in military and social expenditure, for which no breakdown is available.

The wages of public employees fell from \$6.4 billion in 2010 to \$1.7 billion in 2017.

Among the World Bank's Ease of Doing Business rankings for 2020, the Syrian Arab Republic ranked 143rd in ease of starting a business among a total of 190 economies.

In 2011, the World Governance Indicators (WGI) ranked the country at the 20th and 26th percentiles on regulatory quality and rule of law. By 2016, the ranking had declined severely to the lowest 4<sup>th</sup> and 1<sup>st</sup> percentile.



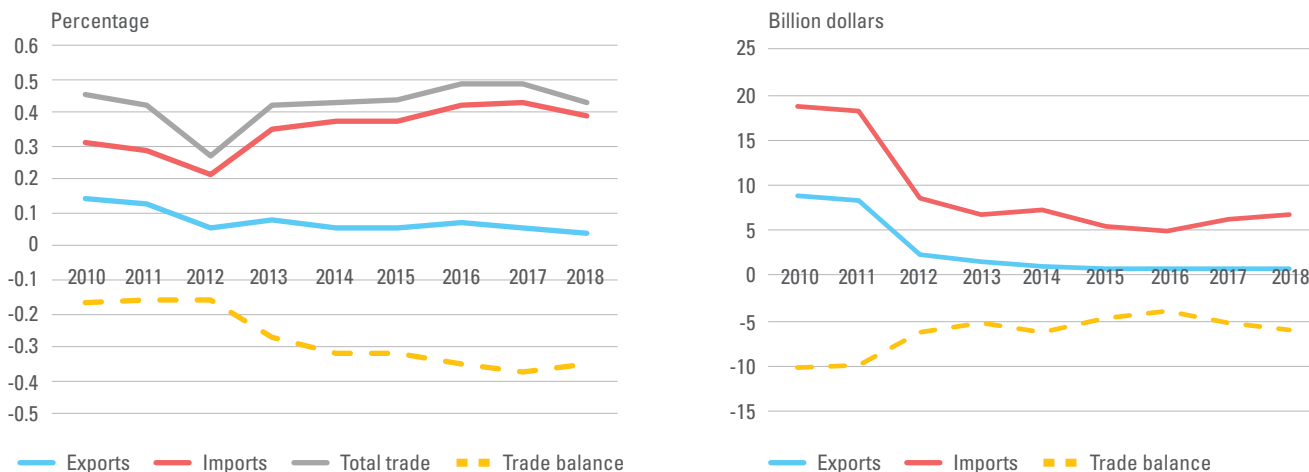
The deterioration of the **Syrian pound** and the record **high inflation** rates have aggravated **poverty and food** insecurity indicators due to the losses in the purchasing power of ordinary Syrians



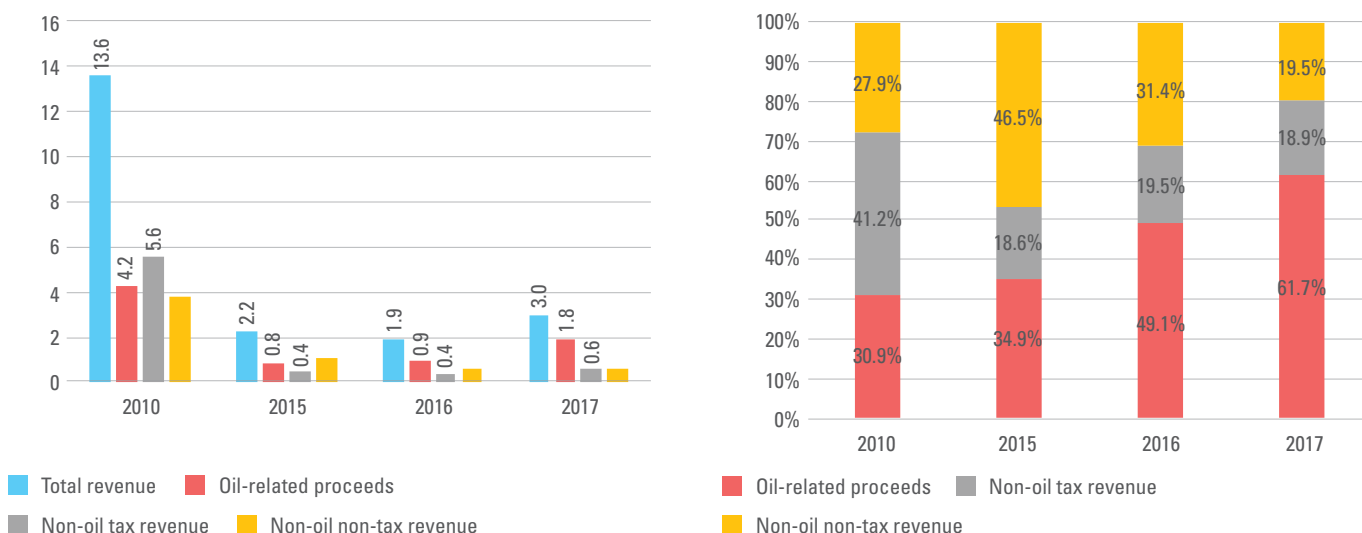
During **2011-2018**, the total economic toll of the conflict was estimated at

**USD 442.2 billion:**

This is the sum of the estimated value of the damage to physical capital (**USD 117.7 billion**) added to the estimated losses in GDP (**USD 324.5 billion**)

**Figure 3.** Foreign trade as percentage of GDP, and foreign trade, 2010-2018 (billion dollars)

Source: Based on International Trade Centre mirror data and author's calculations.

**Figure 4.** Estimated public revenue composition (billion dollars), and estimated public revenue composition (percentage), 2015-2017 compared with 2010

Source: ESCWA, NAFS estimations and calculations.

## Moving Forward

Despite the huge damage, the economy has coped, and has kept functioning in all sectors, to varying degrees. The economy had diversity pre-conflict and this, with the important agricultural base, has afforded it significant resilience. Though weakened, State institutions have largely survived with some administrative and fiscal capacity, managing day-to-day life by providing basic needs and legal documents, and governance, public

finance and economic management. It will be crucial to harness their strengths while transforming their governance structures and performance to make them representative, accountable and responsive.

With regard to natural resources, the most important oil wells and water resource (the Euphrates river) are still in conflict zones. However, the country enjoys considerable



natural resources, such as water, oil and gas, phosphate and other minerals. These resources will facilitate the provision of basic needs (energy, for example) and the financing of other urgent stabilization initiatives.

Finally, the Syrian diaspora has always been an asset. Remittances have played an increasingly important role in household incomes throughout the conflict and are expected to do so in the following years. In 2016, the World Bank estimated remittances at \$1.62 billion, which reflect an average daily rate of approximately \$4 million. Remittances are an important source of household support, ensuring basic needs such as shelter,

education and health, and helping people counteract transient poverty in general.

It is imperative that the reconstruction of the Syrian Arab Republic transcends mere restoration, for it would not be sensible to replicate the conditions that gave way to the conflict. Reconstruction must follow a comprehensive, interlinked process that includes transformation at the economic, social and governance levels. It must be inclusive of all Syrians, be they inside the country or refugees, and must pay particular attention to the role of women. Finally, the process must be sustainable in all aspects.



©istock.com/ali suliman



Shared Prosperity Dignified Life



**VISION:** ESCWA, an innovative catalyst for a stable, just and flourishing Arab region

**MISSION:** Committed to the 2030 Agenda, ESCWA's passionate team produces innovative knowledge, fosters regional consensus and delivers transformational policy advice. Together, we work for a sustainable future for all.

[www.unescwa.org](http://www.unescwa.org)