



الوكالة الإسلامية الدولية للتصنيف
Islamic International Rating Agency

ECONOMIC & BANKING SECTOR OVERVIEW

Syrian Arab Republic

September, 2016

Situated in Western Asia, bordering Lebanon and Mediterranean Sea to the west, Turkey to the north, Iraq to the east, Jordan to south and Palestine to the southwest, Syria is home to more than 17m people. The economy of Syria, which is broadly based on oil & agricultural products, has contracted by about 15-16%¹ per year since the outbreak of the conflict in 2011. Presently, about 60% of the Syrian population lives in government controlled areas, while about 60-70% of the actual territory is effectively controlled by opposition and militant groups.

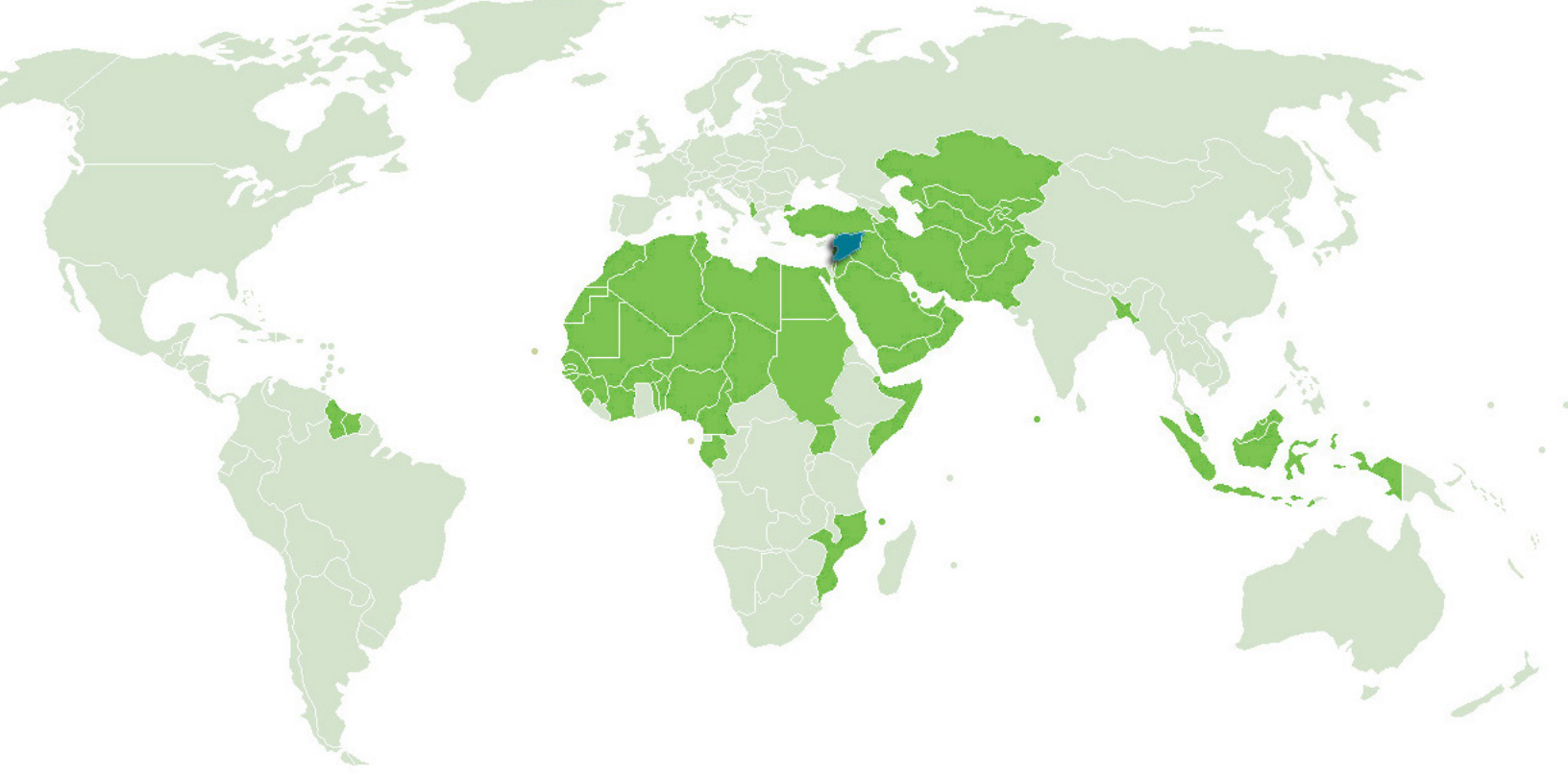
As per estimates of international financial institutions, Syria's GDP roughly stood at around USD 14b by end of 2015 and CPI inflation has trended at around 30% during the past couple of years. The high inflation can be attributed to trade disruption, shortages of basic utilities and sharp depreciation in Syrian Pound (SYP) (Dec'2015: SYP 337/USD; Dec'2014: SYP 198/USD; Dec'2013: SYP 144/USD). Given loss of territory, oil production of the country has fallen from 368,000 barrels/day to 40,000 barrels/day. Accordingly with lower oil production, exports have declined considerably impacting the country's Balance of Payment position. As per estimates, oil revenues have fallen from USD 4.7b in 2011 to under USD 0.2b presently, current account deficit of the country has reached 13% of the GDP and international reserves stand below USD 1b. Given fall in government revenues to below 6% of GDP, the country has a fiscal deficit of approximately 22% of GDP.

The country's economic trends are expected to continue worsening until a resolution of the conflict is sought. However, subsequent to any resolution, the country will have to face a multitude of economic & social challenges including rebuilding of the country's infrastructure to support the return of more than 7.5m internally displaced people and refugees in neighboring countries, which according to recent reports of UNHCR number at over 4.4m. As per estimates of UNOCHA, Syrian Center for Policy Research, more than 12.2m people, including 5.6m children, are in need of humanitarian assistance. Moreover the conflict has significantly obliterated the country's infrastructure in major cities including Aleppo, Dar'a, Homs and Idlib, with Aleppo being the most affected. As a result of the crisis, skilled work force has also reduced significantly, with about a quarter of the country's schools not being operational as per latest estimates available in this regard.

Banking Sector

The banking sector of Syria comprises 21 banks, which include 14 private banks and 7 state owned banks. The private banks are primarily subsidiaries of regional Arab banks in Lebanon, Jordan, Qatar, Saudi Arabia, Kuwait and Bahrain. The Syrian banking sector seems to have so far weathered the difficult regional situation, with no bank failures reported since the beginning of the conflict. The country's banking sector, which was previously dominated by state-owned banks, has witnessed a change of trends with private banks gaining momentum. Presently there are a total of 3 Islamic banks operating in Syria that hold close to 35% of the private banking sector deposits. BBSY is the second largest private banking institution and the largest Islamic banking institution in the country. Although the banking sector continues to face a myriad of operational risks, the prospects of large scale reconstruction, once regional conflicts are resolved, represent a silver lining to the present crisis.

¹ As per World Bank estimates



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