

## SURINAME

### 1. General trends

Following the crisis of 2015 and 2016, Suriname's economy began to stabilize in 2017, and this continued into 2018. Economic growth is estimated at 1.9% for 2018, a small improvement on the 1.7% seen in 2017. Commodity exports remain the backbone of the economy, with gold, oil and agricultural production contributing most to the expansion. The growth forecast for 2019 is 2.1%, based on continued gold and oil production and exploration.

The government has had difficulty in containing the fiscal deficit in recent years and 2019 is no exception. After falling to 8.7% of gross domestic product (GDP) in 2017, it was expected to be 11.1% of GDP in 2018, mainly as a result of an increase in subsidy payments and in wages and salaries following salary negotiation settlements. Containing the deficit may prove even more difficult in 2019 as expenditure is expected to increase in the lead-up to the general election in 2020.

Public debt fell to 73.6% of GDP by the end of 2018 based on the national definition, although the share of domestic debt within that total rose as the government began to switch to local sources of financing. In June 2018, the State-owned oil company, Staatsolie, repaid the central government loan received in 2016 using funds borrowed on the international capital market. The central government was then able to repay some of its own debts.

The official exchange rate remained stable at around 7.5 Suriname dollars (Sur\$) to 1 United States dollar (US\$) in 2018, but a limited supply of United States dollars in the financial system resulted in higher unofficial rates. Foreign reserves continued to rise, however, partly thanks to the repayment of the Staatsolie loan, reaching 3.3 months of import cover by the end of 2018.

The current account deficit grew to 4.8% of GDP in 2018, as a 16.1% increase in imports, mainly capital equipment by mining companies, outweighed a 4.7% rise in exports. The growth in exports was boosted by re-exports of machinery and transport equipment, as well as higher oil and gold exports.

Inflation continued its downward trend, falling from 9.1% in January 2018 to 5.4% by December, reaching 4.1% in March 2019.

### 2. Economic policy

#### (a) Fiscal policy

Fiscal policy was expansionary in 2018. The government had intended to introduce a value added tax (VAT) in January 2018, but this was initially postponed to July 2018 and then again to 2019. The delays were attributed to setbacks in the preparation of the VAT law and in the upgrade of the tax service computer system.

Despite budget estimates of an improved fiscal balance, the overall deficit expanded to 11.1% of GDP in 2018, up from 8.7% in 2017. A 3.7 percentage point jump in expenditure, as a percentage of GDP, heavily outweighed the increase in total revenues (0.1 percentage points of GDP). While spending on other

goods and services saw an absolute decrease of 14.2%, it increased in all other expenditure categories, with a notable 25.6% growth in wages and salaries, and a 58.1% hike in subsidies. The increase in wages and salaries is largely attributed to salary settlements with teachers, lecturers and civil servants, made in an effort to restore some of their purchasing power which has been eroded in the years since the crisis. A large portion of the hike in subsidies was for additional payments to the State-owned power company, NV EnergieBedrijven Suriname (EBS), related to settlements. Capital expenditure grew by 34%, most of which was spent on roads and bridges together with capital investment in the energy and various economic and social sectors.

After total revenues increased by almost 50% in 2017, this growth slowed in 2018 (17.2%). Tax revenues were up 16.6%, as direct and indirect taxes increased by 7.4% and 28.9%, respectively. Mining revenues accounted for 35.8% of the total, while the remaining 64.2% came from non-mining sectors.

The government has presented an expansive budget for 2019, with expenditure set to increase by 71%, compared to actual spending in 2018, but current revenues are projected to grow by just 8.7%. The rise in spending will be driven by growth in capital expenditure, while the deficit will be financed by higher borrowing.

After rising to 78.5% of GDP in 2017, public debt based on the national definition fell to 73.6% by the end of 2018, due mainly to an increase in nominal GDP. Higher domestic borrowing to finance several infrastructural projects led to a hike in the absolute value of the public debt. In June 2018, after securing a US\$ 625 million syndicated loan on the international capital market, the State-owned oil company, Staatsolie, repaid the US\$ 261.5 million loan provided by the central government in 2016 and paid US\$ 76 million to purchase the government's 4.8% share in the Newmont gold mine. In turn, the central government used part of this windfall to settle some of its own debts. The share of domestic debt in the total debt stock was 31.0% in 2018, up from 26.3% in 2016 and 29.9% in 2017. Domestic debt jumped again in the first quarter of 2019 as the Central Bank of Suriname made Sur\$ 670 million available to the government. This was the first loan of its kind since the memorandum of understanding signed in April 2016 which stated that the central bank would not finance the government. By the end of March 2019, domestic debt accounted for 34% of the total debt burden.

## **(b) Monetary policy**

The reserve requirement remains the central bank's main policy instrument, and the ratios for both Sur\$ and foreign currencies did not change in 2018, standing at 35% and 50%, respectively.

The average lending rate generally held steady over the course of 2018, fluctuating slightly between 14.2% and 14.4%. The average deposit rate was equally stable, varying between 9.1% and 9.4%. With regard to individual lending rates, rates on personal loans changed the most in 2018, up from 14.9% in January 2018 to 16.1% by December. After rising almost 65 basis points in 2017, the average interbank rate fell 85 basis points in two months, from 18.6% in October 2018 to 10.1% in December, its lowest value since May 2016.

Growth in net domestic credit was negative in 2018. Credit to the private sector contracted by 3.9%, down from sluggish growth of 0.2% in 2017; this is indicative of the depressed economic activity following the crisis. Credit to the central government shrank by 9.2%, partly as a result of the large repayment by Staatsolie in June, while credit to other public institutions grew by 72%, as Staatsolie borrowed from local banks. Bank lending to the government is set to rise in 2019, in line with debt financing from the central

bank. From the end of 2018 to March 2019, credit to the public sector and the central government was up by 21% and 23.1%, respectively. Growth in credit to the private sector was sluggish, at just 0.3%.

### (c) Exchange-rate policy

Following the devaluations in 2015–2016, the official Sur\$ to US\$ exchange rate has largely stabilized. The rate was flat in 2018, with only very minor fluctuations from the mean selling rate of Sur\$ 7.525 to US\$ 1. However, there has been a growing shortage of United States dollars in the financial system since early 2018. Since 2013, the central bank had been facilitating money shipments on behalf of commercial banks in order to exchange euros for United States dollars, but this was halted in April 2018 when a flight containing 19.5 million euros, a portion of which was meant to be exchanged for United States dollars, was seized by the Dutch authorities. The reasons for holding this shipment have not been clearly conveyed to the Surinamese authorities, but to date, the central bank has been unable to retrieve this money or to send further euros for exchange. As a result, demand for euros has fallen significantly, and the exchange rate dropped from Sur\$ 9.090 in April 2018 to Sur\$ 8.406 by December 2018, and then to Sur\$ 8.349 by March 2019. It has also been increasingly difficult to access United States dollars and the cash exchange rate in the foreign exchange offices has risen to over Sur\$ 8 for US\$ 1. Commercial banks have begun restricting withdrawals of United States dollars to businesses and customers. Cashless transactions, such as wire transfers, are not affected. In the interim, the central bank has made foreign currency available to pay for essential imported goods. The bank has also entered into an arrangement with commercial banks to supplement their foreign currency balances, “nostro accounts”, at local banks.

Foreign exchange reserves continued growing steadily in 2018, as they have been since the devaluations of 2015 and 2016. Official reserves stood at US\$ 580.7 million or 3.3 months of import cover at the end of 2018, up from US\$ 424.4 million or 2.8 months of import cover at the end of 2017. Official reserves spiked to US\$ 761.7 million in May 2018, following the Staatsolie loan payment, but fell sharply in the following month to US\$ 533.4 million as a result of government debt service obligations.

## 3. The main variables

### (a) The external sector

Following the fall in international prices of its main commodity exports, Suriname’s current account deficit widened significantly in 2015. It shrank over the course of the following two years, reaching 0.1% of GDP in 2017. However, it increased once again in 2018, up to 5.6% of GDP. Exports were up by 4.7%, but this failed to offset import growth of 16.1%, the largest year-on-year increase since 2012. The growth in exports in 2018 was driven by increases in exports of oil (15.7%), nonmonetary gold (1.4%), wood products (16.9%) and other goods (28.6%). The largest increase in imports seen in investment goods (18%), which includes machinery and equipment, oil (23.7%) and other products (28.6%). Imports of capital goods for oil exploration and other mining companies were responsible for large inflows and subsequent re-exports of machinery and transport equipment.

The transfer surplus shrank slightly in 2018 to 2.6% of GDP, and inflows consisted largely of remittances from the Netherlands. The income deficit narrowed slightly to 11.6% of GDP, driven by the retained earnings of mining firms and external interest payments by both the government and the private sector.

The financial account surplus expanded from 5.3% of GDP in 2017 to 9.3% in 2018. Foreign direct investment (FDI) inflows grew by US\$ 29.4 million or 18.3%, following a 48% decrease in 2017. New

exploration and production agreements between Staatsolie and Exxon Mobil and Hess are expected to boost FDI inflows in the short to medium term.

**(b) Economic activity**

The economy is expected to grow by 1.9% in 2018, a minor increase over the 1.7% posted in 2017. The largest contributions to growth came from the agriculture, hunting and forestry sector and the manufacturing sector (which includes production of refined gold and oil), which both expanded by 0.9 percentage points. The agriculture subsector grew by 9.6%, thanks to increased logging activity. Wholesale and retail trade shrank by just 1.4%, a major improvement over the contractions of 41.3% and 18.7% seen in 2016 and 2017, respectively. This sector has not experienced positive growth since 2013, but the gradual stabilization of inflation over the last few years has helped to curb that contraction and the erosion of consumers' purchasing power. Meanwhile, a fall in the production of gold ore led to a 2.2% contraction in the mining and quarrying sector, which contributed -0.1 percentage points to growth. The government sector contracted by 3% and contributed -0.3 percentage points to growth.

Economic growth is projected to be 2.1% in 2019. The IAMGOLD won a concession for further gold exploration at the Rosebel gold mine, which should commence in 2019 and contribute to economic growth.

**(c) Prices, wages and employment**

The consumer price inflation rate fell gradually over 2018, from 9.1% in January to 5.4% in December (values are missing for May and June owing to a strike by Statistics Bureau staff). At the beginning of 2018, the largest year-on-year growth was posted by the following subcomponents: food and non-alcoholic beverages (12.3%); transportation (13.4%); communication (11.1%); recreation, culture and education (11.2%); food away from home (13.4%); and miscellaneous (16.5%). By December 2018, the year-on-year increases for all these subcomponents were below 10%, while the change in the healthcare subcomponent of the consumer price index was 13%, up from 6.2% in November. By March 2019, inflation was back to 4.1% for the first time since October 2015.

The 2018 unemployment rate for Paramaribo and the Wanica district is not available yet, but the latest available data would indicate that it has continued to improve, falling from 9.7% in 2016 to 7.6% in 2017.

Table 1  
**SURINAME: MAIN ECONOMIC INDICATORS**

	2010	2011	2012	2013	2014	2015	2016	2017	2018 a/
<b>Annual growth rates b/</b>									
Gross domestic product	5.1	5.3	3.3	2.9	0.3	-3.4	-5.6	1.7	1.9
Per capita gross domestic product	4.0	4.3	2.3	1.9	-0.7	-4.3	-6.4	0.8	1.0
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	2.8	4.3	10.1	-8.7	3.5	4.2	1.0	11.8	...
Mining and quarrying	5.3	13.7	3.0	-2.5	-5.8	-14.6	-9.8	13.7	...
Manufacturing	12.0	1.8	-18.1	8.7	-8.1	1.1	7.3	3.0	...
Electricity, gas and water	2.6	13.5	0.0	7.4	-1.6	-2.7	-13.8	5.8	...
Construction	-9.2	11.3	0.0	4.6	19.5	16.3	-16.4	3.6	...
Wholesale and retail commerce, restaurants and hotels	6.3	3.0	7.9	2.7	-1.6	-10.7	-34.0	-13.3	...
Transport, storage and communications	3.6	4.3	4.6	0.3	4.1	2.7	1.3	-3.7	...
Financial institutions, insurance, real estate and business services	2.7	7.0	8.2	21.0	-11.2	-2.6	7.2	-15.7	...
Community, social and personal services	2.0	4.3	14.6	-4.7	18.4	-8.4	-14.6	1.8	...
<b>Millions of dollars</b>									
Balance of payments	651	431	162	-196	-416	-786	-170	-2	-189
Current account balance	686	968	729	291	183	-307	238	734	626
Goods balance	2 084	2 647	2 700	2 417	2 149	1 666	1 440	2 028	2 124
Exports, f.o.b.	1 398	1 679	1 972	2 126	1 966	1 973	1 202	1 293	1 498
Imports, f.o.b.	-18	-362	-447	-422	-600	-531	-334	-379	-459
Services trade balance	-104	-262	-192	-131	-70	-13	-176	-457	-459
Income balance	87	87	73	67	71	65	102	100	103
Net current transfers	-616	-307	18	48	266	520	248	23	290
Capital and financial balance c/	-248	218	169	187	-283	101	173	154	214
Net foreign direct investment	-368	-525	-152	-138	550	420	75	-131	76
Other capital movements	35	124	180	-148	-150	-266	78	21	148
Overall balance	-35	-124	-180	148	150	266	-78	-21	-148
Variation in reserve assets d/									
Other external-sector indicators									
Net resource transfer (millions of dollars)	-720	-569	-175	-83	196	507	72	-434	-168
Gross external public debt (millions of dollars)	334	601	707	878	942	1 156	1 870	2 046	2 060
<b>Annual percentages</b>									
Prices									
Variation in consumer prices (December-December)	10.3	15.3	4.4	0.6	3.9	25.2	49.2	9.3	5.4
Variation in nominal exchange rate (annual average)	0.0	19.0	1.0	0.0	1.8	2.5	82.1	19.3	0.3
Nominal deposit rate e/	6.2	6.4	6.8	7.1	7.4	7.6	8.1	9.1	9.3
Nominal lending rate f/	11.7	11.8	11.7	12.0	12.3	12.6	13.5	14.4	14.3
<b>Percentages of GDP</b>									
Central government g/									
Total revenue	21.7	24.5	24.5	23.3	21.7	20.8	17.3	22.2	22.3
Tax revenue	15.7	18.5	18.4	18.5	16.5	16.6	12.9	15.5	15.5
Total expenditure	24.6	24.6	26.8	27.8	26.4	30.6	26.7	29.6	33.3
Current expenditure	20.0	19.7	22.4	23.4	21.2	27.9	23.9	25.9	29.1
Interest	0.9	1.0	1.0	1.3	0.9	1.5	1.9	3.0	3.4
Capital expenditure	4.6	4.8	4.4	4.5	5.2	2.7	2.8	3.7	4.2
Primary balance	-2.0	0.9	-1.4	-3.2	-3.8	-8.3	-7.5	-4.4	-7.6
Overall balance	-2.5	-2.0	-2.7	-6.0	-5.9	-10.7	-11.2	-8.7	-11.1
Non-financial public sector debt	27.5	26.8	27.1	36.5	33.7	50.9	57.4	86.9	81.4

Table 1 (concluded)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
	<b>Percentages of GDP, end-of-year stocks</b>								
Money and credit									
Domestic credit	27.1	25.0	25.8	32.5	38.9	54.7	53.3	52.5	43.5
To the public sector	2.4	0.4	0.6	3.8	8.1	17.1	13.5	18.3	15.3
To the private sector	24.2	23.8	24.3	27.9	29.9	36.4	38.5	33.4	27.4
Others	0.5	0.7	0.8	0.8	0.9	1.2	1.2	0.8	0.8
Monetary base	14.1	12.9	15.4	14.1	12.7	15.9	15.2	16.0	18.6
Money (M1)	16.4	14.4	15.9	16.2	16.2	18.0	16.7	16.5	17.1
M2	25.6	22.9	26.0	27.7	28.6	30.9	28.8	27.7	28.7
Foreign-currency deposits	19.8	22.8	22.8	25.2	26.2	34.1	53.1	48.7	42.8

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2007 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) indicates an increase in reserve assets.

e/ Average deposits rate published by the central bank.

f/ Average lending rate published by the central bank.

g/ Fiscal years, from April 1 to March 31.

Table 2  
**SURINAME: MAIN QUARTERLY INDICATORS**

	2017				2018				2019	
	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2 a/
Gross international reserves (millions of dollars)	391	393	408	415	445	581	557	568	583	613 b/
Consumer prices (12-month percentage variation)	38.9	19.8	11.7	9.3	8.7	7.0	5.5	5.4	4.1	4.7 b/
Average nominal exchange rate (Suriname dollars per dollar)	7.5	7.5	7.4	7.4	7.5	7.5	7.5	7.5	7.5	7.5 b/
Nominal interest rates (average annualized percentages)										
Deposit rate c/	9.0	9.2	9.0	9.0	9.2	9.3	9.3	9.2	9.2	9.0 d/
Lending rate e/	14.7	14.2	14.4	14.4	14.3	14.3	14.2	14.3	14.8	14.9 d/
Interbank rate	11.9	13.8	12.3	16.3	17.0	16.6	17.4	14.6	10.6	12.3 d/
Domestic credit (variation from same quarter of preceding year)	14.9	7.0	6.4	26.9	10.8	-7.5	-9.8	-4.5	2.4	8.4 d/

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Figures as of May.

c/ Average deposits rate published by the central bank.

d/ Figures as of April.

e/ Average lending rate published by the central bank.