

Suriname

Economic growth in Suriname is forecast to be 2.1% in 2019, down from 2.6% in 2018, with the agriculture sector making the largest contribution to that growth. The annualized fiscal deficit is estimated to be 11.2% of gross domestic product (GDP), due in part to higher wage and salary payments following the conclusion of the government's salary negotiations with civil servants in 2018. In the external sector, the current account deficit widened as a result of a decrease in the merchandise goods surplus. The official exchange rate remained steady in 2019 at 7.520 Suriname dollars (Sur\$) to 1 United States dollar (US\$), but the unofficial rate increased to over Sur\$ 8 to US\$ 1 owing to a reduced supply of United States dollars in the economy.

The government once again delayed the adoption of the value added tax (VAT) in 2019, but did reintroduce the road and vehicle taxes in an effort to increase revenue. The fiscal deficit for 2019, using annualized half-year data, is estimated to be 11.2% of GDP, up from 7.9% in 2018.¹ Total revenue fell from 23.1% of GDP to 21.0%, as a 12.6% absolute decline in non-tax revenue offset an 4.8% increase in tax revenue. Total committed expenditure increased from 30.7% of GDP to 32.2%, driven by absolute increases in wages and salaries (20.9%) and payments for other goods and services (31.5%). The total number of civil servants decreased in 2017 and 2018 but had increased slightly by May 2019. This combined with their 25% negotiated pay increase was responsible for the increase in wages and salaries. Subsidies, which is the largest component of expenditure, fell by 8.1%, which went some way to offsetting the increases in the first two components.

Monetary policy in 2019 sought to maintain a stable exchange rate. The central bank's main monetary policy instrument is the commercial bank reserve requirement, but in July 2019 the central bank began using two new market-based instruments, namely gold certificates and central bank certificates of deposit, to influence money supply. In mid-2019 the central bank increased the reserve requirement for foreign-currency deposits so that at least half of the commercial banks' United States dollar deposits and all the euro deposits must be held at the bank.

The interest rate spread increased over the first nine months of 2019, as average lending rates increased from 14.4% in December 2018 to 15.2% by September 2019 on the back of the rise in the current account credit rate, which grew from 15.6% to 18.8% over the same period. All other lending rates stayed relatively stable. Among the individual deposit rates, time deposits of one year or less fell from 11.6% to 10.6%, while those of more than one year fell from 13.6% to 12.9% over that period.

The official exchange rate remained stable over the first nine months of 2019, at around Sur\$ 7.520:US\$ 1. The Sur\$ to euro exchange rate continued to fall in 2019, in line with reduced demand; the euro selling rate fell from Sur\$ 8.564 in January 2019 to Sur\$ 8.303 in October. Demand for euros has been falling since the central bank stopped shipping euros to the Netherlands in order to exchange them for United States dollars after a shipment was held by Netherlands' authorities in April 2018. This has also reduced the supply of United States dollars in the market and a parallel exchange rate has therefore emerged. The unofficial selling rate was approximately Sur\$ 8.05 to US\$ 1 in November 2019. Commercial banks have begun restricting withdrawals of United States dollars to businesses and customers, although cashless transactions are not affected. The central bank has made foreign exchange available to certain importers at the official rate to meet some of the excess demand.

¹ Data refer to the fiscal deficit excluding statistical discrepancies.

The current account deficit widened in the first half of 2019 compared to same period in 2018, from 0.1% of full-year GDP to 5.3%. While the goods trade balance remained positive, it contracted by 28.3% in nominal terms, down from 7.4% of full-year GDP to 4.6%. The deficit on the services account expanded from 4.9% of GDP to 5.8%, while the income account deficit rose from 4.3% to 5.2% of full-year GDP. The financial account surplus was 6.2% of GDP in the first half of 2018, before reaching 8.9% in the same period of 2019. The global balance surplus fell from 3.1% of full-year GDP in the first six months of 2018 to 0.9% of GDP in the first half of 2019.

International reserves grew by 18.5% over the first 10 months of 2019, up from US\$ 580.7 million, or 3.27 months of import cover, at the end of 2018, to US\$ 688.3 million, or 3.42 months of import cover, by September 2019.

The economy is expected to expand by 2.1% in 2019, down from 2.6% in 2018. The contribution to growth was fairly balanced across sectors, with the largest contributions coming from agriculture, hunting and forestry, and manufacturing (0.7 and 0.6 percentage points, respectively). Mining and quarrying, and transport, storage and communication both contributed negatively to growth (-0.1 percentage points). The poor performance of the mining and quarrying sector was partly due to the temporary suspension of operations at the Rosebel gold mine in September and October following clashes between artisanal miners and police.

Growth is projected to be 1.7% in 2020. The Saramacca mining project is supposed to come on stream before the end of 2019 and will contribute to growth in the next year.

Inflation, measured as the year-on-year change in the consumer price index, remained fairly stable in 2019, falling from 5.5% in January to 4.0% by September. The largest price increases were seen in the health care subcomponent.

Suriname: main economic indicators, 2017-2019

	2017	2018	2019 ^a
	Annual growth rate		
Gross domestic product	1.8	2.6	2.1
Per capita gross domestic product	0.9	1.7	1.2
Consumer prices	9.3	5.4	4.2 ^b
Money (M1)	14.1	14.8	29.1 ^c
	Annual average percentage		
Central government			
Overall balance / GDP	-8.7	-11.1	-10.9
Nominal deposit rate ^d	9.1	9.3	9.0 ^e
Nominal lending rate ^f	14.4	14.3	14.9 ^e
	Millions of dollars		
Exports of goods and services	2 167	2 275	...
Imports of goods and services	1 812	2 108	...
Current account balance	-2	-189	...
Capital and financial balance ^g	23	322	...
Overall balance	21	101	...

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

a/ Estimates.

b/ Figures as of October.

c/ Figures as of September.

d/ Average deposit rates.

e/ Figures as of August.

f/ Average bank lending rate in local currency.

g/ Includes errors and omissions.