

SURINAME

1. General trends

In 2019, Suriname's economy marked its third year of positive growth —2.0%— since the 2016 crisis. Agricultural products and refined mining products were the main contributors to this economic growth, while most other sectors remained fairly flat. Domestic consumption and imports increased as a result of steady, low inflation, which fell to 4.2% at the end of the year.

Although the central government narrowed the fiscal deficit in 2019, it remained high, at 10.8% of GDP year-on-year. Total revenue and total expenditure increased by 10.2% and 7.8%, respectively. A rise in spending on wages and salaries offset a decline in subsidies. Public debt increased by 6.5 percentage points to 79.1% by the end of 2019.

The current account deficit expanded to 10.9% of GDP in 2019, owing to a lower goods surplus, which in turn stemmed from higher imports of mining and transport equipment.

The shortage of United States dollars, which have been difficult to access since 2018, was a major concern for Suriname in 2019 and continues to be in 2020. While the official exchange rate has remained steady at 7.52 Suriname dollars (Sur\$) to US\$ 1 since 2018, the parallel rate has increased significantly. In March 2020 the government implemented currency controls which prompted local industry strikes and were subsequently reversed. The shortage of United States dollars and rising parallel rate led to a 17.6% jump in year-on-year inflation in March 2020.

The first case of COVID-19 in Suriname was diagnosed on 13 March 2020. The country's borders were closed in March and a state of emergency went into effect on 8 April. The authorities have applied fiscal, monetary and other measures to tackle the crisis, and the impact on Suriname's economy is expected to be severe and wide-ranging. Most 2020 macroeconomic data after March, when most of the measures were implemented, are not yet available. The fiscal deficit and public debt ratios are expected to increase, while economic output will likely contract. A growth rate of -7.0% is estimated for 2020.

2. Economic policy

(a) Fiscal policy

In 2019, fiscal policy was expansionary and reflected progress in implementation. A public financial management law which improved revenue and expenditure management was passed. However, the introduction of VAT, which was initially scheduled for 2018, was postponed once again. In 2019 the government revoked a memorandum of understanding with the Central Bank of Suriname that prohibited monetary financing of the budget and as a result, part of the 2019 budget was financed by the central bank.

On the basis of annualized data for the first 10 months of the year, the overall fiscal deficit in 2019 is estimated at 10.8% of GDP,¹ down from 11.7% in 2018. Total expenditure grew by 7.8% in absolute terms, though it decreased from 34.6% of GDP in 2018 to 34.0% in 2019. Payment of arrears from previous

¹ Includes payment of arrears from previous years.

fiscal years decreased by 12% after expanding by 352% in 2018 and 109% in 2017. The subsidies and capital expenditure categories declined by 4.5% and 1.4%, respectively. Although spending on other goods and services and on interest rose by 8.6% and 4.3%, respectively, wages and salaries recorded the strongest growth in expenditure, up by 31.4%. This category is the second largest spending component (behind subsidies) and grew from 27% of total expenditure in 2018 to 33% in 2019.

Total revenue grew by 10.2% in absolute terms in 2019: tax revenue and non-tax revenue rose by 12% and 6%, respectively. The mining sector contributed 30.1% to total revenue, while the remaining 69.9% came from the non-mining sector.

Central government debt grew from 72.6% of GDP at the end of 2018 to 79.1% at the end of 2019. The government increased borrowing from both domestic and external sources in 2019. Borrowing from the central bank, which jumped by 55.3%, accounted for the lion's share of the increase, while lending from commercial banks and the rest of the private sector grew by 9.8% and 6.4%, respectively. The expansion in external debt was largely as a result of increases in lending from bilateral creditors (27%) and private creditors (20.9%). The biggest agreement signed in 2019 was a US\$ 196 million loan from the Export-Import Bank of China for an airport expansion project. The National Debt Act was revised to raise the debt ceiling from 60% of GDP to 95% of GDP.

The fiscal deficit and public debt ratios are expected to increase further in 2020 because of COVID-19 measures. Reduced economic activity will likely result in a decline in revenue, while expenditure on measures to slow the spread of the virus and to provide financial support to the affected population are expected to increase. The government has implemented a number of fiscal measures in response to the crisis. The COVID-19 Exceptional Condition Act was passed on 8 April and was expected to remain in force for three months. The Act provides Sur\$ 400 million (US\$ 53.2 million) for health sector expenditure but also removes the public debt limit, allows the government to exceed the budget without informing parliament and allows for further monetary financing while converting all current debt owed to the central bank to long-term debt. Two new funds were announced on 11 May: one of Sur\$ 400 million for unemployment support, pensions and assistance to children and the other of Sur\$ 300 million for domestic production.

(b) Monetary policy

Although the reserve requirement is the main policy instrument of the central bank, in July 2019 this body began using two new market-based instruments to influence money supply: gold certificates and central bank certificates of deposit. In mid-2019 the central bank increased the reserve requirement for foreign-currency deposits and required that at least half of commercial banks' United States dollar cash deposits and all their euro deposits be held at the bank. In September, it introduced open market operations with intraday liquidity facilities, short-term liquidity facilities, and deposit facilities. In January 2020, over USD 200 million of commercial banks' deposits with the central bank were used by the government for basic goods imports and foreign exchange intervention.

The interest rate spread increased over the course of 2019, as average lending rates rose from 14.4% in December 2018 to 15.2% by September 2019. The current account lending rate was responsible for the increase in the overall lending rate, which rose from 15.6% in December 2018 to 19.1% by December 2019, owing to current account overdrafts provided mainly to businesses. All other lending rates remained relatively stable. The average deposit rate fell from 9.2% in December 2018 to 8.8% in December 2019. Among individual deposit rates, time deposits of one year or less fell from 11.6% at the end of 2018 to 10.6% at the end of 2019. Time deposits of more than one year posted a decrease from 13.6% to 12.8%

over the same period. The interest rate spread continued to widen in the first quarter of 2020: while the average lending rate remained at 15.2% up to March, short-term deposit rates continued to fall, with the average deposit rate decreasing to 8.6% at the end of the first quarter.

After contracting in 2018 (-4.0%), lending to the private sector returned to positive, albeit sluggish, growth in 2019 (0.5%), and grew by 1.7% from December 2019 to March 2020.

The central bank has implemented measures in response to the pandemic in the first half of 2020. It reduced the domestic currency reserve requirement from 35% to 27.5% to increase system liquidity and allowed commercial banks to assist affected persons, companies and institutions by granting deferrals of payments for three to six months and by providing loans at 7.5% interest, which is below market lending rates.

(c) Exchange-rate policy

Following devaluations in late 2015 and early 2016, the monetary authorities adopted a freely floating exchange rate system in 2016. However, the United States dollar selling rate has remained fixed at Sur\$ 7.52 to US\$ 1 since August 2018, marking a return to exchange rate support. Also in 2018, a shipment of United States dollars in cash was seized by Dutch authorities in the Netherlands,² resulting in a limited supply of that currency in Suriname since then. A parallel exchange rate emerged, which grew higher than the official exchange rate as demand for United States dollars outstripped supply. While cashless transactions remain unaffected, commercial banks began restricting withdrawals of United States dollars by businesses and customers. The central bank made foreign currency available to certain importers at the official rate to meet some of the excess demand. In March 2020, the government implemented currency controls which prompted a strike by the Association of Surinamese Manufacturers and the Association of Surinamese Industry. The currency controls were subsequently overturned through legal action. In November 2019, the unofficial selling rate was approximately Sur\$ 8.05 to US\$ 1 in some currency exchange businesses. It rose to over Sur\$ 11.5 to US\$ 1 in March 2020, but then settled at Sur\$ 10.0 to US\$ 1 in late May 2020.

(d) Other policies

The first case of COVID-19 in Suriname was diagnosed on 13 March 2020. Travel restrictions and social distancing measures soon followed. The Johan Adolf Pengel International Airport was closed indefinitely to international travel on 14 March. Public markets and schools were closed, and all gatherings of more than 100 persons were banned. Most government offices closed or introduced limited hours. A night-time curfew was implemented on 29 March.

The spread of COVID-19 in Suriname was relatively slower than in other parts of the Caribbean. Up to 17 May, there were only 10 confirmed cases in the country and 1 death. The authorities began to ease lockdown measures from 9 May. However, at the end of May the number of positive COVID-19 tests began to spike and total cases exceeded 100 in early June.

² The shipment was seized on suspicion of money laundering. Suriname's authorities have denied any wrongdoing.

3. The main variables

(a) The external sector

The current account deficit expanded from 3.4% of GDP in 2018 to 10.9% of GDP in 2019. The goods balance was the main contributor to this performance, as the goods surplus fell from 16% of GDP in 2018 to 10.8% of GDP in 2019. A decrease in exports was compounded by an increase in imports, which grew by 14% in 2019, following growth of 16.1% in 2018 and 8.8% in 2017. The largest contributions to the increase in imports came from the investment goods and transportation categories, owing to imports of equipment for mining projects, police cars and buses. Exports fell across all major categories except rice and wood and wood products, which both grew slightly. The ‘other’ category grew by 20.6%. The services deficit expanded from 11.1% of GDP in 2018 to 13.1% of GDP in 2019, while the income deficit and transfer balance both contracted slightly.

The financial account surplus more than doubled, from 8.7% of GDP in 2018 to 20.6% of GDP in 2019, driven by strong expansion in other investment assets, from -3% of GDP in 2018 to 13.3% in 2019, owing largely to a new foreign currency reserve requirement established by the central bank. Direct investment fell to 0.2% of GDP in 2019, from 3.5% of GDP in 2018, as a result of an increase in the repatriated earnings of mining sector firms.

While balance-of-payments data are still unavailable for the first quarter of 2020, the current account deficit is expected to narrow this year. The reduction in consumption owing to COVID-19 measures is projected to reduce imports. In addition, rising gold prices are expected to increase export values. The international gold price jumped by more than 17% between December 2019 and May 2020.

International reserves grew by 11.5% in 2019. However, the increase in imports meant that the import cover fell to 1.6 months, the lowest level since 2015.

(b) Economic activity

The economy is estimated to have grown by 2.0% in 2019, following growth of 2.6% in 2018 and 1.8% in 2017. Growth was fairly balanced across sectors, with the largest contributions coming from the agriculture, hunting and forestry sector and the manufacturing sector, with 0.7 and 0.6 percentage points, respectively. The growth in manufacturing stemmed from increased production of refined petroleum. The mining and quarrying sector is estimated to have contributed -0.1 percentage points in 2019, but the opening of the Saramacca gold mine near the end of 2019 is expected to increase production in 2020. Gold and oil production were relatively flat in the first half of 2019, and the sector was also affected by shutdowns at the Rosebel gold mine in August and October owing to clashes between artisanal miners and the police.

Growth in 2020 is expected to be -7.0%, owing to a steep fall in private consumption and investment as a result of the social distancing measures implemented to combat the spread of COVID-19. The contraction in consumption is expected to be compounded by high and rising inflation because of the United States dollar shortage. These factors are also likely to lower imports, resulting in an improved goods balance and in turn offsetting the economic contraction to some extent. This growth estimate is highly uncertain because of the unforeseeable evolution of the COVID-19 pandemic.

(c) Prices, wages and employment

Prices remained stable in 2019. Headline inflation fell from 5.5% at the start of 2019 to 4.2% at the end of the year. Year-on-year growth in the subindex for clothing and footwear prices grew throughout the year, from 1.3% in January to 11.7% in December. Conversely, health care and transportation prices reflected a downward trend over the period, declining from 12.5% and 7.6%, respectively, in January 2019, to 3.8% and 0.4%, respectively, in December 2019.

Inflation increased rapidly in the first quarter of 2020. Headline inflation grew from 4.2% in January to 6.9% in February and 17.6% in March. The higher parallel exchange rate was responsible for the sharp increase in prices. Inflation is expected rise further through the rest of 2020, especially in the case of further devaluation.

In 2019, the National Assembly passed legislation that is expected to have an impact the labour market. The Labour Protection for the Family Act, which grants maternity and paternity leave to new parents, was approved in April 2019. This new leave will be partly financed by a new fund that is yet to be established. In July 2019 the Minimum Wage Act was updated to increase the minimum wage to Sur\$ 8.4 per hour.

Table 1
SURINAME: MAIN ECONOMIC INDICATORS

	2011	2012	2013	2014	2015	2016	2017	2018	2019 a/
	Annual growth rates b/								
Gross domestic product	5.8	2.7	2.9	0.3	-3.4	-5.6	1.8	2.6	2.0
Per capita gross domestic product	4.3	2.3	1.8	-0.8	-4.4	-6.5	0.8	1.0	1.0
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	4.3	10.1	-8.7	3.5	4.2	1.0	12.4	4.5	5.5
Mining and quarrying	13.7	3.0	-2.5	-5.8	-14.6	-9.8	45.1	-0.5	-1.0
Manufacturing	1.8	-18.1	8.7	-8.1	1.1	7.3	21.5	-1.3	2.6
Electricity, gas and water	13.5	0.0	7.4	-1.6	-2.7	-13.8	5.8	2.4	2.7
Construction	11.3	0.0	4.6	19.5	16.3	-16.4	2.2	5.5	4.4
Wholesale and retail commerce, restaurants and hotels	3.0	7.9	2.7	-1.6	-10.7	-34.0	-13.3	9.7	3.2
Transport, storage and communications	4.3	4.6	0.3	4.1	2.7	1.3	-3.7	5.3	-1.0
Financial institutions, insurance, real estate and business services	7.0	8.2	21.0	-11.2	-2.6	7.2	-15.7	0.6	-0.1
Community, social and personal services	4.3	14.6	-4.7	18.4	-8.4	-14.6	1.6	1.5	0.8
Balance of payments	Millions of dollars								
Current account balance	431	162	-196	-416	-786	-160	61	-118	-411
Goods balance	968	707	243	133	-376	187	672	547	407
Exports, f.o.b.	2 647	2 700	2 416	2 145	1 652	1 439	2 034	2 129	2 210
Imports, f.o.b.	1 679	1 993	2 174	2 012	2 028	1 252	1 363	1 582	1 803
Services trade balance	-362	-425	-374	-550	-463	-283	-317	-380	-494
Income balance	-262	-192	-131	-70	-13	-166	-394	-387	-413
Net current transfers	87	73	67	71	65	102	100	103	90
Capital and financial balance c/	-307	18	47	266	521	240	-39	266	455
Net foreign direct investment	73	173	188	164	267	300	98	119	7
Other capital movements	-380	-155	-140	102	254	-60	-137	147	448
Overall balance	124	180	-149	-150	-266	79	22	148	45
Variation in reserve assets d/	-124	-180	149	150	266	-79	-22	-148	-45
Other external-sector indicators									
Net resource transfer (millions of dollars)	-569	-175	-84	196	544	783	-433	-75	147
Gross external public debt (millions of dollars)	601	707	878	942	1 156	1 872	2 046	2 060	2 298
Prices	Annual percentages								
Variation in consumer prices (December-December)	15.3	4.4	0.6	3.9	25.2	49.2	9.3	5.4	4.2
Variation in nominal exchange rate (annual average)	19.0	1.0	0.0	1.8	2.5	82.1	19.3	0.3	-0.1
Nominal deposit rate e/	6.4	6.8	7.1	7.4	7.6	8.1	9.1	9.3	9.0
Nominal lending rate f/	11.8	11.7	12.0	12.3	12.6	13.5	14.4	14.3	15.0
Central government g/	Percentages of GDP								
Total revenue	24.5	24.5	23.3	21.7	20.8	17.3	22.2	22.3	...
Tax revenue	18.5	18.4	18.5	16.5	16.6	12.9	15.5	15.5	...
Total expenditure	24.6	26.8	27.8	26.4	30.6	26.7	29.6	33.3	...
Current expenditure	19.7	22.4	23.4	21.2	27.9	23.9	25.9	29.1	...
Interest	1.0	1.0	1.3	0.9	1.5	1.9	3.0	3.4	...
Capital expenditure	4.8	4.4	4.5	5.2	2.7	2.8	3.7	4.2	...
Primary balance	0.9	-1.4	-3.2	-3.8	-8.3	-7.5	-4.4	-7.6	...
Overall balance	-2.0	-2.7	-6.0	-5.9	-10.7	-11.2	-8.7	-11.1	...
Non-financial public sector debt	27.3	35.6	33.3	52.3	49.0	74.8	72.6	75.2	...

Table 1 (concluded)

	2011	2012	2013	2014	2015	2016	2017	2018	2019 a/
Money and credit	Percentages of GDP, end-of-year stocks								
Domestic credit	25.0	25.8	32.5	38.9	54.7	53.9	50.2	45.2	46.9
To the public sector	0.4	0.6	3.8	8.1	17.1	13.7	17.5	15.9	20.0
To the private sector	23.8	24.3	27.9	29.9	36.4	39.0	32.0	28.4	26.3
Others	0.7	0.8	0.8	0.9	1.2	1.2	0.7	0.8	0.5
Monetary base	12.9	15.4	14.1	12.7	15.9	15.4	15.3	19.3	33.9
Money (M1)	14.4	15.9	16.2	16.2	18.0	16.9	15.8	17.8	20.3
M2	22.9	26.0	27.7	28.6	30.9	29.2	26.5	29.8	33.4
Foreign-currency deposits	22.8	22.8	25.2	26.2	34.1	53.7	46.5	44.4	38.2

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

	2018				2019				2020	
	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)	445	581	557	568	583	613	699	657	572	529 b/
Consumer prices (12-month percentage variation)	8.7	7.2	5.5	5.4	4.1	4.3	4.0	4.2	17.8	26.2 b/
Average nominal exchange rate (Suriname dollars per dollar)	7.5	7.5	7.5	7.5	7.5	7.6	7.5	7.5	7.4	7.5 b/
Nominal interest rates (average annualized percentages)										
Deposit rate c/	9.2	9.3	9.3	9.2	9.2	9.0	8.9	8.9	8.7	...
Lending rate d/	14.3	14.3	14.2	14.3	14.8	14.8	15.1	15.1	15.2	...
Interbank rate	17.0	16.6	17.4	14.6	10.6	12.7	10.8	12.7	12.4	...
Domestic credit (variation from same quarter of preceding year)	10.8	-7.5	-9.8	-4.5	2.4	23.5	25.4	14.7	7.8	24.1 b/

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/ Average lending rate published by the central bank.