

## Suriname

Suriname's vulnerable economy was still recovering from the crisis of 2015–2016 before the coronavirus disease (COVID-19) pandemic pushed it into another one. The first case of COVID-19 in Suriname was diagnosed on 13 March 2020. The country's borders were closed in the same month and a state of emergency was declared on 8 April. While the virus initially spread very slowly, the number of cases began to spike in June and for a few months Suriname had the highest cumulative number of COVID-19 cases per million persons in the English- and Dutch-speaking Caribbean. The authorities established border controls and limited economic activity, public gatherings and movement across the country. Eventually, the number of new cases began to fall, and lockdowns were eased. Nevertheless, the economy is expected to contract by 10.1% this year, following growth of 0.3% in 2019.

The government implemented a number of fiscal measures in response to the outbreak. Two 400 million Surinamese dollar (Sur\$) funds were introduced, one for health sector expenditure and the other for unemployment support, pensions and assistance for children. A Sur\$ 300 million fund was also introduced for domestic production. The COVID-19 Exceptional Conditions Act, which was passed in April 2020, removed the debt ceiling and allowed the government to exceed the budget without informing parliament. The Act also allows for further monetary financing, while converting all current borrowing from the Central Bank of Suriname (Centrale Bank van Suriname) to long-term debt. In September the central bank devalued the Surinamese dollar by almost 90%. This will result in decreased consumption, owing to higher prices, and will drive public debt ratios up even further.

In 2020, Suriname's fiscal policy was very expansionary. However, the country's fiscal deficit has expanded in recent years and is set to grow even further in 2020. The fiscal deficit for the first half of 2020 is estimated at 15.4% of forecast full-year GDP, as an 8.4% year-on-year increase in total revenue in the first six months was more than offset by a 50.5% rise in expenditure. Most of the increase in expenditure was because of higher interest payments, slightly mitigated by lower capital expenditure. In addition to spending on COVID-19 support and relief programmes, outlay in the run-up to the May election also contributed to the increase. In late 2020, the new government removed subsidies on energy and introduced new taxes in an effort to improve the fiscal situation.

From the end of 2019 to August 2020 Suriname's total public debt ratio increased by 24 percentage points to 105.8% of GDP. As a large portion of the country's public debt is in foreign currency, the debt to GDP ratio will increase significantly following the devaluation of the Surinamese dollar. In December, Suriname and its creditors reached an agreement to defer interest and principal payments that had fallen due during the year for bonds that matured in 2023 and 2026 that have a combined value of US\$ 675 million.

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

Despite the decision by the authorities to adopt a floating exchange rate in 2016, it remained steady at 7.52 Sur\$ to 1 US\$ from 2018 through to late 2020. Since 2018, the availability of United

States dollars in Suriname has been limited, and a parallel exchange rate emerged, with a significant gap. The country took several steps in 2020 to attempt to maintain the rate. In January 2020, over US\$ 200 million of commercial bank deposits with the central bank was used by the government for imports of basic goods and foreign exchange intervention. In March, the government put currency controls in place, prompting strikes from local industry that led to the changes being reversed. Eventually, due to dwindling reserves, in September the exchange rate was devalued by almost 90%, resulting in a new rate of 14.29 Sur\$ to 1 USD.

The slowdown in consumption caused a decline in imports in the first half of the year, accompanied by an increase in exports. As a result, the goods balance expanded by 123% relative to the first half of 2019. The transfers balance grew by 28%, while the income and services balances shrank by just 1.8% and 1.5%, respectively. Consequently, the current account is expected show an annualized surplus of 2.6% in 2020, up from a deficit of 11.2% of GDP in 2019.

The country's international reserves fell from US\$ 647 million at the end of 2019, equivalent to 1.6 months of import cover, to US\$ 520 million in May 2020, equal to 1.3 months of import cover. By September, reserves had recovered somewhat, to US\$ 551 million.

The economy is forecast to contract by 10.1% in 2020. Lockdowns have stifled domestic economic activity, resulting in large downturns in several sectors. The largest falls are expected in the hotels and restaurants, wholesale and retail, and construction sectors at 60%, 46% and 39%, respectively. The only sectors that are expected to record meaningful growth in 2020 are agriculture, hunting and forestry and manufacturing, which are expected to grow by 5% and 10% respectively. The mining and quarrying sector is set to contract by 3%. Gold prices rose from US\$ 1,285 per ounce on 1 January 2019 to US\$ 1,519 on 1 January 2020 and then peaked at US\$ 2,064 on 6 August 2020. However, in June, a COVID-19 outbreak in one of the country's largest gold mines prompted a trade union to call on its members to stop working, resulting in a stoppage that lasted several weeks. Thus, overall, mining and quarrying output in Suriname slowed.

Following the 2016 crisis, inflation in Suriname remained in single digits from November 2017 onward. However, partly due to monetization of the public deficit, year-on-year inflation jumped from 6.9% in February 2020 to 17.6% in March. Prices continued to rise steadily in subsequent months. The most recent price data is from October 2020, when inflation was 54.2%. Following the devaluation announcement, prices of fuel, bus fares and telecommunications all rose.