

SURINAME

1. General trends

Suriname was mired in an economic crisis for much of 2020 and 2021, while simultaneously battling several waves of the coronavirus disease (COVID-19) pandemic. After years of falling exports and dwindling reserves, the country was facing a balance of payments crisis. In preparation for an agreement with the International Monetary Fund (IMF), Suriname embarked on a series of macroeconomic policy reforms, including moving from a fixed to a floating exchange rate regime, modernizing its monetary policy framework and reducing the fiscal deficit, with cuts to electricity subsidies. As a result, in 2021 the Suriname government recorded its first fiscal surplus since 2009. In addition, Suriname's international reserves grew to 6.4 months of import cover. While these policies have improved Suriname's fiscal and external indicators, they have also resulted in severe inflation of more than 40% for over 22 months.

The Suriname dollar (Sur\$) was devalued by 216% between September 2020 and June 2021 as the monetary system gradually moved to a freely floating exchange rate. This devaluation caused Suriname's public debt-to-GDP ratio to spike and the high pass-through effect resulted in inflation rates of over 60% in the following months. Many of Suriname's indicators have been affected by the high inflation, as nominal GDP grew by 21% in 2021 and 49% in 2022.

In December 2021, Suriname entered into a 36-month Extended Fund Facility arrangement with IMF for US\$ 688 million. The agreement is meant to restore fiscal sustainability, reduce public debt, stabilize the financial system and strengthen institutional capacity. In March 2022, the IMF Executive Board completed the first review of the arrangement and concluded that the programmes remain on track.

For 2022, economic growth is projected to be 1.5%. The domestic economy should benefit from an easing of pandemic-related restrictions, owing to more recent strains of COVID-19 being less severe. In February, the curfew that had been in place for 23 months was lifted and restrictions on gatherings were eased. The pick-up in economic activity from increased mobility will contribute to a recovery. However, growth will be held back by high inflation, which is expected to remain in double digits well into 2023, as international factors such as the conflict between the Russian Federation and Ukraine compound Suriname's domestic issues.

2. Economic policy

a) Fiscal policy

After years of expansive fiscal deficits, Suriname embarked on intense fiscal consolidation in 2021, which resulted in the first fiscal surplus (1.6% of GDP) since 2009. Suriname's fiscal deficit in 2020 was 9.7% of GDP and the average deficit from 2015 to 2020 was 11% of GDP. The turnaround came from a rise in government revenue, from 18.4% of GDP in 2020 to 28.2% in 2021, mainly from direct taxes, which almost doubled as a percentage of GDP, from 7.6% in 2020 to 14.3% in 2021. Total expenditure was also reduced from 29.6% to 26.5% of GDP in 2021.

Upon taking office in 2020, the current government began phasing out fuel subsidies, reducing expenditure and ending monetary financing of the deficit. To increase revenue, temporary "solidarity" taxes

were applied to the highest tax brackets, gold mining royalties were increased and the sales tax on imports was raised. The government plans to redirect some of the fiscal savings to social programmes benefitting lower income groups. These policy changes were part of the government's conditions to enter into the 36-month Extended Fund Facility arrangement, signed with IMF in December 2021 for a total of US\$ 688 million.

In early 2022, the government reduced the pace of fiscal consolidation in response to rising energy prices. In April, a temporary subsidy was introduced on diesel and unleaded fuels, funded by increased revenue from the state-owned oil firm and a 1 percentage point increase in royalty rates for small gold producers. In addition, the long-planned introduction of a new value added tax was postponed to January 2023, following discussions with the private sector.

From the end of 2020 to the end of 2021, the debt stock grew by 38.7%, but the debt-to-GDP ratio fell to 114.3%, as a result of the nominal GDP growth resulting from significant inflation. In late 2020, Suriname began debt restructuring negotiations with its creditors, agreeing a deferral of debt service into 2021. The freeze on payments has helped the government's fiscal position considerably. In June 2021, however, creditors triggered termination clauses on two sovereign bonds in response to the government's insistence on a 70% haircut.

In June 2022, Suriname reached an agreement with the Paris Club of Industrial Country Creditors to restructure its external public debt. Under the agreement, all arrears as at the end of 2021 will be repaid in two instalments: one in 2022 and another in 2024. The restructuring will create US\$ 34 million in fiscal space over the next three years.

b) Monetary policy and exchange rate policy

In June 2021, Suriname formally switched to a more modern monetary policy framework as part of the country's recovery programme. The new framework, which is a "Reserve Money Targeting Regime" sets targets for the basic money supply (banknotes and cashless money), based on projected economic growth and inflation. The Centrale Bank van Suriname also signed an agreement with the Ministry of Finance and Planning to end monetary financing of the government.

Average lending rates in Suriname fluctuated slightly over the course of 2021 and the first half of 2022, falling from 14.9% in January 2021 to 14.7% in December 2021 and 14.7% in June 2022. Average deposit rates climbed from 7.1% in January 2021 to 7.8% in March 2022 before falling back to 6.9% by June 2022.

Credit to the private sector grew by 17.6% in 2021 following growth of 30.2% in 2020. Growth in 2022 has also been high, with a rise of 20.3% from July 2021 to July 2022. The rapid growth stemmed mainly from an increase in the money supply as a result of devaluation and the shift to a floating exchange rate.

As part of the new monetary policy framework and one of the IMF prerequisites for the EFF, Suriname transitioned to a freely floating exchange rate in 2021. To achieve this change from a fixed exchange rate the Centrale Bank van Suriname first introduced an exchange rate band in March 2021, with an upper limit of Sur\$ 16.30 to US\$ 1 and a lower limit of Sur\$ 14.29 to US\$ 1. On 7 June 2021, the central bank ended the exchange rate band and moved to a floating exchange rate, following which the selling rate on banknotes increased to Sur\$ 21.13 to US\$ 1. Currently the average buying and selling prices are calculated based on the transaction volumes and price quotations of general banks and exchange offices. The Suriname dollar has depreciated slowly against the United States dollar since floating in June 2021. By

December 2021, the exchange rate was Sur\$ 21.68 to US\$ 1 and by June 2022 it had increased to Sur\$ 22.58 to US\$ 1.

d) Other policies

In November 2021, Suriname entered into a carbon credit agreement with TotalEnergies, a French multinational energy company, to protect its forests. The agreement is meant to protect Suriname's rainforest ecosystems and biodiversity, and to reduce greenhouse gas emissions. More specifically, the agreement will strengthen strategic institutes, including the National Institute for Environment and Development in Suriname, and the Foundation for Forest Management and Forest Supervision. An integrated programme to maintain forests will also be produced. TotalEnergies provided US\$ 50 million for implementation of programmes, in exchange for carbon credits.

3. The main variables

a) The external sector

The external current account surplus narrowed from 9.7% of GDP in 2020 to 6.4% in 2021, as its absolute value decreased by 32.2%. The goods surplus fell from 39.5% of GDP in 2020 to 31.6% in 2021. The contraction in the goods balance was due to a 6.0% fall in exports and a 4.4% increase in imports. The largest declines by goods category were in shrimp (38.3%), rice (23.5%) and wood and wood products (18.9%). The categories, however, totalled just 5% of Suriname's total exports in 2021. Exports of the second largest category, oil, grew by 32.1% on account of higher international oil prices in 2021. The largest category of exports, non-monetary gold, which accounted for 81.3% of total exports in 2021, shrank by 8.5% relative to 2020. In 2020 international gold prices had risen steeply, from US\$ 1,549 at the start of January to US\$ 1,896 at the end of the year due to gold's appeal to investors as a safe haven in uncertain times. By December 2021, however, gold prices had fallen to US\$ 1,790 owing to less demand, as rising yields on United States bonds made gold relatively less attractive.

The balance on the financial account moved from a surplus of 8.2% in 2020 to a deficit of 3.0% in 2021. A surplus in direct investment of 4.5% of GDP was offset by negative flows in portfolio investment and other investment of 1.7% and 5.8% of GDP, respectively. Foreign direct investment, which when netted stood at 0.0% of GDP in 2020, became a net outflow of 4.8% in 2021 as firms repatriated profits.

In 2021, Suriname's international reserves grew to US\$ 992.2 million, a 70% increase from 2020, and the highest level since 2012. As a result, import cover by the reserves grew from 3.8 months in 2020 to 6.4 months in 2021.

b) Economic activity

The Suriname economy is estimated to have shrunk by 2% in 2021, following a more substantial contraction of 15.9% in 2020. High inflation depressed consumer activity, along with restrictions to limit the spread of COVID-19. In 2021, those restrictions were gradually lifted, but the economy did not rebound like some other Caribbean economies. The Centrale Bank van Suriname's monthly economic activity index improved gradually from a -14.7% year-on-year change in January 2021 to 1.4% by the end of the year.

In 2020, 12 out of 17 productive sectors in the Suriname economy contracted. In 2021, this improved to just 7. The sectors that contributed the most to growth were manufacturing and information and communication. The sectors that made the largest negative contributions to growth were those most

affected by the pandemic, namely construction, wholesale and retail trade and accommodation and food service activities.

For 2022 growth of 1.5% is projected. A further relaxing of COVID-19 restrictions should bring some improvement to the domestic economy, though this will be tempered by continued high inflation. Suriname's growth prospects in the medium to long term are more upbeat, as recent oil finds will bring increased investment, and later production as the sector is developed. It is estimated that 50% of Suriname's reserves are natural gas.

c) Prices, wages and employment

Inflation in Suriname was once again the highest in the Caribbean through 2021 and the first few months of 2022, mostly owing to the high pass-through from the increase in the exchange rate. The rate of inflation fell gradually over the first five months of 2021, to a low of 43.5% in May 2021, but then began to climb. Inflation jumped almost 16 percentage points in August 2021, peaking at 74.4%, owing to a 113.2% increase in the housing and utilities subindex following a cut to the fuel subsidy. Since then, inflation has been easing slowly. Although the conflict between the Russian Federation and Ukraine has continued to exert upward pressure on international energy and food prices, inflation has continued to slow in Suriname in 2022. In January 2022, year-on-year inflation stood at 61.5%, falling to 55.1% by June.

While there are no official estimates for unemployment in Suriname after 2020, the International Labour Organization estimates that it increased from 8.0% in 2019 to 9.8% in 2020 and then to 10.1% in 2021. Because of the rapid inflation, real wages have fallen significantly over 2021 and 2022. In response to the increase in the cost of living, in June 2022 the general minimum hourly wage in Suriname was increased to Sur\$ 20 from Sur\$ 8.40. For the home care and security sectors the minimum hourly wage was set at Sur\$ 15.49 for the period 1 June 2022 to 31 December 2022.

Table 1
SURINAME: MAIN ECONOMIC INDICATORS

	2013	2014	2015	2016	2017	2018	2019	2020	2021 a/
	Annual growth rates b/								
Gross domestic product	2.9	0.3	-3.4	-4.9	1.6	4.9	1.1	-15.9	-2.0
Per capita gross domestic product	1.8	-0.8	-4.4	-5.9	0.6	3.9	0.2	-16.7	-2.9
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	-8.7	3.5	4.2	0.0	-6.4	-8.5	-18.8	-1.5	...
Mining and quarrying	-2.5	-5.8	-14.6	-21.7	14.0	5.4	-20.3	-30.2	...
Manufacturing	8.7	-8.1	1.1	4.5	21.8	5.9	-7.7	1.8	...
Electricity, gas and water	7.4	-1.6	-2.7	-24.5	22.2	-0.8	5.7	-18.9	...
Construction	4.6	19.5	16.3	-27.0	18.6	-0.2	4.8	-42.8	...
Wholesale and retail commerce, restaurants and hotels	2.7	-1.6	-10.7	2.6	-9.7	10.4	4.5	-26.8	...
Transport, storage and communications	0.3	4.1	2.7	-5.0	-6.2	9.5	2.8	1.6	...
Financial institutions, insurance, real estate and business services	21.0	-11.2	-2.6	8.0	-7.5	15.0	5.0	-5.7	...
Community, social and personal services	-4.7	18.4	-8.4	-14.3	7.6	-1.6	20.1	-25.4	...
Balance of payments	Millions of dollars								
Current account balance	-196	-416	-786	-160	69	-119	-448	259	...
Goods balance	243	133	-376	187	774	662	532	1 061	...
Exports, f.o.b.	2 416	2 145	1 652	1 439	1 985	2 065	2 129	2 344	...
Imports, f.o.b.	2 174	2 012	2 028	1 252	1 211	1 403	1 598	1 283	...
Services trade balance	-374	-550	-463	-283	-411	-496	-658	-460	...
Income balance	-131	-70	-13	-166	-394	-387	-412	-466	...
Net current transfers	67	71	65	102	100	103	90	124	...
Capital and financial balance c/	47	266	521	240	-48	220	136	-397	...
Net foreign direct investment	188	164	267	300	98	119	-8	0	...
Other capital movements	-140	102	254	-60	-146	101	143	-397	...
Overall balance	-149	-150	-266	79	21	101	-313	-137	...
Variation in reserve assets d/	149	150	266	-79	-21	-148	208	83	...
Other external-sector indicators									
Net resource transfer (millions of dollars)	-84	196	507	74	-442	-121	-171	-809	...
Gross external public debt (millions of dollars)	878	942	1 156	1 872	2 046	2 040	2 150	2 151	2 204
Prices	Annual percentages								
Variation in consumer prices (December-December)	0.6	3.9	25.2	49.2	9.3	5.4	4.2	60.7	60.7
Variation in nominal exchange rate (annual average)	0.0	1.8	2.5	82.1	19.3	0.3	-0.1	24.2	...
Nominal deposit rate e/	7.1	7.4	7.6	8.1	9.1	9.3	9.0	7.9	6.9
Nominal lending rate f/	12.0	12.3	12.6	13.5	14.4	14.3	15.0	14.8	14.8
Central government g/	Percentages of GDP								
Total revenue	21.8	20.3	19.4	16.5	18.9	20.0	20.4	18.4	27.3
Tax revenue	17.2	15.4	15.5	12.3	13.2	13.9	15.0	13.4	20.2
Total expenditure	26.0	24.6	28.6	25.5	25.3	29.9	39.0	29.6	25.8
Current expenditure	21.8	19.8	26.1	22.8	22.1	25.8	32.4	27.4	24.1
Interest	1.2	0.8	1.4	1.8	2.6	3.1	2.9	3.7	2.1
Capital expenditure	4.2	4.8	2.5	2.6	3.2	4.1	6.6	2.2	1.7
Primary balance	-3.0	-3.6	-7.8	-7.2	-3.8	-6.8	-15.7	-7.5	3.6
Overall balance	-5.6	-5.5	-10.0	-10.7	-7.4	-10.1	-18.6	-9.7	1.7
Non-financial public sector debt	33.5	31.0	49.9	72.0	67.3	62.7	71.5	122.5	128.9

Table 1 (concluded)

	2013	2014	2015	2016	2017	2018	2019	2020	2021 a/
Money and credit	Percentages of GDP, end-of-year stocks								
Domestic credit	30.4	36.3	51.1	50.8	44.9	39.1	42.1	57.6	38.5
To the public sector	3.6	7.5	16.0	12.9	15.6	13.8	18.0	31.9	19.1
To the private sector	26.1	27.9	34.0	36.7	28.6	24.6	23.6	25.2	19.1
Others	0.8	0.8	1.1	1.2	0.7	0.7	0.5	0.6	0.4
Monetary base	13.2	11.9	14.9	14.5	13.7	16.7	30.5	33.4	31.8
Money (M1)	15.1	15.1	16.8	16.0	14.1	15.4	18.3	20.9	16.6
M2	25.9	26.7	28.8	27.5	23.7	25.8	30.0	32.5	25.8
Foreign-currency deposits	23.5	24.5	31.8	50.7	41.6	38.5	34.3	53.0	53.3

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

	2020				2021				2022	
	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)	583	613	699	657	572	529	559	569	602	658 b/
Consumer prices (12-month percentage variation)	4.1	4.3	4.0	4.2	17.8	35.2	45.1	60.7	50.2	43.6
Average nominal exchange rate (Suriname dollars per dollar)	7.5	7.6	7.5	7.5	7.4	7.6	8.1	14.1	14.1	15.9
Nominal interest rates (average annualized percentages)										
Deposit rate c/	9.2	9.0	8.9	8.9	8.7	8.1	7.6	7.5	7.0	6.7 b/
Lending rate d/	14.8	14.8	15.1	15.1	14.8	14.9	14.7	14.8	14.9	15.1 b/
Interbank rate	10.6	12.7	10.8	12.7	12.4	14.6	12.5	12.0	11.1	8.8 b/
Domestic credit (variation from same quarter of preceding year)	2.4	23.5	25.4	14.7	7.8	31.2	53.2	69.0	70.0	56.7 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.

