

Suriname

The economic crisis in Suriname began to abate in 2017, with the contraction easing to a projected -0.7%. After signing a two-year stand-by arrangement with the International Monetary Fund (IMF) in April 2016, the administration shifted from a pegged exchange rate with the United States dollar to a freely floating rate. This move, along with removal of some utility subsidies, caused inflation to soar to over 70% and the rising prices, along with the economic slowdown, led to austerity protests against the government. In late 2016, IMF expressed concern over Suriname's performance under the stand-by arrangement, particularly in relation to negative real interest rates and the slow removal of subsidies. In May 2017, the government cancelled its arrangement with IMF and announced its own recovery plan. The economy has seen some progress in 2017, in the form of falling inflation and expansion in the mining sector, but the fiscal deficit remains wide and growth negative.

The government has managed to gradually reduce the fiscal deficit after it ballooned to 10.2% of GDP in 2015, narrowing it to 7.9% of GDP in 2016 and 7.3% in the first five months of 2017 in annualized terms. Revenues over the first five months of 2017 expanded by 32% relative to the same period in 2016. The main contributors to the growth were a 75% increase in direct tax and a 59% increase in non-tax revenues. Expenditure grew by 43% relative to 2016, with the largest increases occurring in capital expenditure (90%) and interest payments (206%). Total central government debt, based on the national definition, fell from 42.6% at the end of 2016 to 38.6% by April 2017. Reserve requirements remained unchanged in 2017, at 35% for deposits in Surinamese dollars (Sr\$), 46% for deposits in United States dollars and 28% for those denominated in euros. After increasing by around one percentage point in 2015 and 2016, average lending rates stabilized in 2017, falling from 14.7% in January to 14.5% in September. Average deposit rates fluctuated slightly over the year, increasing from 8.9% in January to 9.0% in September, after having increased by one percentage point between January 2015 and December 2016.

The exchange rate with the United States dollar largely stabilized in 2017. After increasing from Sr\$ 4.04 per US\$ 1 in January 2016 to Sr\$ 7.45 per US\$ 1 in December, the rate fluctuated little around an average of Sr\$ 7.563 per US\$ 1 between January and September 2017. The move to a freely floating exchange rate appears to have halted the slide in international reserves, which rose from US\$ 330 million at the end of 2015 to US\$ 381 by end-2016 and US\$ 403.9 million in September 2017.

Suriname's current account balance moved into surplus in the first six months of 2017, of approximately 5.3% of full year GDP, marking a turnaround from the current account deficits the economy has recorded since 2013. The improved current account balance was due in large part to the expansion in the goods balance, as exports expanded by 47% —largely a result of the operation of the Newmont gold mine— and imports fell by 6%. The financial account balance fell from 7% of GDP in the first half of 2016 to 0.2% in the first half of 2017. A major contributor to this shift was the fall in direct investment in the country from 3.9% of GDP in the first half of 2016 to -1.3% in the first half of 2017.

In 2017 overall, Suriname is expected to posted negative growth of -0.7%. This is a major improvement over the 10.5% contraction in 2016, which stemmed from the closure of the alumina industry as well as the reduction in consumption as a result of high inflation. In late 2016, the Merian gold mine opened; the production from this mine, along with a modest upturn in gold and oil prices, resulted in a 12.5% expansion in the mining and quarrying sector and an 11.6% expansion in the manufacturing sector. These two sectors contributed 0.7 and 2.0 percentage points to overall growth, respectively. The main drag on growth was again wholesale and retail trade, which contracted by 9.1% and contributed -1.3

percentage points to economic growth. These figures are nevertheless an improvement over 2016, as consumers continued to contend with high, albeit decreasing, inflation in 2017. Construction shrank by 18% and contributed -1 point to growth. In 2018 the economy is projected to return to positive growth, at a modest rate of 0.7%, a performance predicated on a smaller contraction in consumption, as inflation returns to single digit levels.

Following the price shock of the initial devaluation in late 2015 and the move to a floating exchange-rate regime in 2016, inflation peaked at 79.2% in October 2016 and began to fall thereafter, coming down to 48.7% in January and easing gradually throughout 2017 to reach 11.7% in September. That month, the health-care component of inflation had fallen to 1.4%, while the rates for foods and non-alcoholic beverages, transportation, and miscellaneous goods and services were 15.4%, 15.9% and 18.7% respectively.

Suriname: main economic indicators, 2015-2017

	2015	2016	2017 ^a
	Annual growth rate		
Gross domestic product	-2.6	-5.1	-0.7
Per capita gross domestic product	-3.4	-6.0	-1.5
Consumer prices	25.2	49.2	16.2 ^b
Money (M1)	-5.1	14.9	12.8 ^c
	Annual average percentage		
Central government			
Overall balance / GDP	-10.2	-7.9	-6.0
Nominal deposit rate ^d	7.6	8.1	9.1 ^c
Nominal lending rate ^e	12.6	13.5	14.4 ^c
	Millions of dollars		
Exports of goods and services	1 856	2 352	...
Imports of goods and services	2 702	2 769	...
Current account balance	-808	-157	...
Capital and financial balance ^f	542	-1 262	...
Overall balance	-266	150	...

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

a/ Estimates.

b/ Figures as of August.

c/ Figures as of September.

d/ Average deposit rates.

e/ Average bank lending rate in local currency.

f/ Includes errors and omissions.