SURINAME

1. General trends

After years of stagnation brought on by falling commodity prices, culminating in an 5.1% contraction in 2016, Suriname's economy is showing signs of stabilizing. Economic growth returned to positive territory in 2017, and is estimated at 1.5%. The rebound is attributed mainly to production from the Merian gold mine, which opened in late 2016, along with buoyant gold prices. While the increased production and some other indicators point to a minor recovery, challenges remain for the Surinamese economy.

Consumer price increases stabilized in 2017, and by the end of the year inflation fell to single digits for the first time since 2014. Inflation may need to remain subdued for a time, along with sustained economic growth, if consumers' purchasing power is to be restored. The wholesale and retail sector continued to decline as consumers struggled with the economic conditions. Imports did increase slightly, owing mostly to machinery and transport goods. Exports increased by a larger amount as a result of increased gold and rice production, leading to an expansion in the trade balance. Official reserves climbed to 3.1 months of import cover in April 2018, from 2.7 months in 2016 and 1.5 months in 2015.

The government made some progress in addressing fiscal imbalances in 2017, as the fiscal deficit fell from 10.8% of GDP in 2016 to 8.0% of GDP. In April 2016, the Government of Suriname entered into a two-year, US$ 481-million agreement with the International Monetary Fund (IMF). Just over a year into the arrangement, amid concern on the part of IMF about the government's performance and anti-austerity protests from the public, the government ended the agreement in favour of a homegrown adjustment strategy. Notwithstanding, the country has entered into a number of other loan agreements, and government debt has been increasing, and debt service along with it.

The growth outlook for 2018 is positive, with higher exports due to improved international competitiveness and stable commodity prices. The government will face the challenge of reducing its deficit amid calls for wages increases and the need to reduce expenditure.

2. Economic policy

(a) Fiscal policy

The fiscal deficit contracted to 8.0% of GDP in 2017, down from 10.8% in 2016 and 10.6% in 2015. Total expenditure fell slightly from 25.8% of GDP in 2016 to 25.5% in 2017. Most of the government's cost cutting came from expenditure on other goods and services and from transfers. In contrast, capital expenditure rose moderately, from 2.7% of GDP in 2016 to 3.3% of GDP in 2017.

Total government revenue grew significantly, from 16.7% of GDP in 2016 to 17.4% of GDP in 2017, on the back of strong non-tax revenues. Tax revenues, in turn, registered a modest gain in absolute terms and relative to GDP, edging up from 12.4% of GDP to 12.6% of GDP.

The government hoped to reduce the fiscal deficit and increase income stability in 2018, on the basis of new fiscal measures, including the introduction of a value added tax (VAT). The legislation introducing VAT also included the reduction of the income tax and a number of VAT-exempt items. However, on 15 April 2018, the government announced the postponement of the VAT, which was to be introduced at the start of July 2018, owing to complications in its preparation. The postponement of VAT has in fact left the government with more income instability instead of the anticipated reduction.

Total central government debt has been rapidly increasing since the start of Suriname's economic crisis. The debt-to-GDP ratio increased almost 20 percentage points, from 33.3% in 2014 to 52.3% in 2015, stemming from a fall in nominal GDP along with a rise in the debt stock, then to 57.5% in 2016. These trends continued in 2017, with overall debt rising further, to an estimated 69.8% of GDP.

(b) Monetary policy

The government introduced Treasury bill auctions in 2016 as a tool of monetary policy to help keep inflation at a moderate level. The auctions produced interest rates of 25% on three-month Treasury bills. After climbing throughout 2016, the average lending rate fell slightly from 14.7% in January 2017 to 14.3% by December. The average lending rate remained constant in early 2018, until the most recent data from March. The average deposit rate rose slightly, from 8.9% in January 2017 to 9.1% by year-end. By March 2017, the average deposit rate had climbed to 9.2%. Real interest rates returned to positive territory with the normalization of inflation in 2017.

Despite the rebound in the economy in 2017, a slowdown in private sector was evident. Credit to the private sector increased by 0.2%, after a 27.4% jump in 2016. Net domestic credit overall grew by 15.3%, driven by a 56.9% increase in credit to the public sector, after a net repayment of domestic debt in 2016 resulted in a 4.6% decline.

Required reserve ratios remained unchanged in 2017 and early 2018, at 35% for Suriname dollars (Sr$) and 46% for United States dollars. The reserve ratio for euros fell slightly, from 28.6% in 2016 to 27.6% in 2017 and then rose to 28.1% by April 2018.

(c) Exchange-rate policy

Suriname's exchange rate was largely stable in 2017. The selling rate depreciated by just over 1 percentage point from January 2017 (Sr$ 7.530 per US$ 1) to April (Sr$ 7.611 per US$ 1), and then appreciated by 1.44 points by August (Sr$ 7.501 per US$ 1). Since then, the exchange rate has been slowly depreciating. By January 2018 it stood at Sr$ 7.523 to the United States dollar, and then increased slightly to Sr$ 7.530 by April 2018. Downside risks to exchange-rate stability include a sudden unexpected fall in the price of gold, which would bring down the terms of trade.

3. The main variables

(a) The external sector

Stemming mainly from an improvement in the merchandise trade, the current account balance moved from a deficit of 5.2% of GDP in 2016 to a deficit of 0.1% in 2017.

Following a 12.9% decline in 2016, exports grew by 41.4% in 2017, driven by a 55.2% increase in exports of non-monetary gold, and an 18.9% increase in crude oil exports. After a 38.3% decline in 2016, imports rose as well, though only by 8.8%. In 2016 all import categories had exhibited declines, ranging from 24.7% for food products to 57.0% for transport equipment. In 2017, all import categories showed an increase, except beverages and tobacco (-0.6%), mineral fuels, lubricants and related products (-40.5%), manufactured goods (-0.7%) and commodities and transactions (-18.4%). The largest increase in imports was seen in machinery and transport equipment (26.1%), largely owing to stronger mining activity. The trade balance achieved its highest value since 2012.

The services deficit rose slightly, from 8.6% of GDP in 2016 to 9.5% in 2017. The income deficit expanded significantly, from 5.4% of GDP to 13.6%, while the transfers surplus contracted from 3.1% of GDP to 3.0%.

The financial account surplus narrowed from 15.0% of GDP to 5.0% of GDP. Foreign direct investment (FDI) inflows fell from 9.4% of GDP to 4.9% as a result of repayment of investment by FDI enterprises in the mining sector. The government is currently operationalizing the investment promotion company InvestSur, which will focus on attracting FDI into the economy in the future. The overall surplus on the balance of payments fell from 2.4% of GDP to 0.6% of GDP.

Official reserve assets, which saw a boost after the IMF disbursement in June 2016, continued rising throughout 2017. Recorded at US$ 398.6 million or 2.8 months of import cover in January 2017, reserves climbed to US$ 424 million (3.0 months of import cover) by December. The increase has continued into 2018, and reserves stood at US$ 448.2 million (3.1 months of import cover) in April 2018, which is still only 42.1% of its peak value in 2012.

(b) Economic activity

The economy is expected to grow by 1.5% in 2017, due to increased gold production and higher gold and oil prices. Production by the Newmont gold mine, which opened in late 2016, made a positive contribution in 2017. Indeed, mining and quarrying made an evident turnaround, with growth of 16.4%, contributing 0.9 points of GDP growth. Manufacturing grew by 5.9% and contributed 1.1 GDP points. Agriculture also grew by 3.9% and contributed 0.3 points. Increased rice production due to good weather and strong international prices, as well as stronger fish exports, were responsible for the performance in this sector.

Although inflation abated in the second half of the year, purchasing power still fell significantly in 2017, and the wholesale and retail trade sector contracted by 1.9% and contributed -0.2 percentage points to growth. While this was an improvement from the contractions of 10.5% and 28% in 2015 and 2016, respectively, it nevertheless marked the fourth consecutive year of decline for this sector. Construction also shrank by 4.0%, slightly better than the 9.0% contraction in 2016. The government sector contributed -0.8 percentage points to growth, due in large part to large contractions in the education and health and social work sectors.

For 2018 growth is projected to be 2.7%, based on continued strong commodity prices and onoing expansion in the mining and quarrying and manufacturing sectors.

(c) Prices, wages and employment

Inflation began to decline in October 2016, one year after the exchange-rate shock, continued to fall in 2017, and reached single digits by year-end. The fall overall in 2017 was from 48.7% in January to 9.3% in December. While inflation declined across all consumer good categories, the level of decline was not constant. Price rises for alcoholic beverages and tobacco, clothing and footwear, housing and utilities, household furnishings and health care all fell to below 6%. However, information for food and non-alcoholic beverages; recreation, culture, and education; food away from home; transportation; and miscellaneous goods and services were all up by over 10%, the latter two by 16.6% and 16%, respectively.

By March 2018, inflation had fallen to 8.7% overall, but remained over 10% for Food and non-alcoholic beverages; transportation; communications; and food away from home. While prices are expected to remain fairly stable, risks for higher inflation are the introduction of VAT, increases in public or private salaries or any exchange-rate changes.

Like economic growth, the unemployment rate is stabilizing. Unemployment in Suriname had evolved as expected in an economic slowdown, increasing from 6.9% in 2014 to 7.2% in 2015 then to 8.2% in 2016. However, in 2017 this rise came to a halt and the rate stabilized at around 8.1%.

Table 1

SURINAME: MAIN ECONOMIC INDICATORS

	2009	2010	2011	2012	2013	2014	2015	2016	2017 a/
	Annual growth rates b/								
Gross domestic product	3.0	5.2	5.8	2.7	2.9	0.3	-2.7	-5.1	1.5
Per capita gross domestic product	1.9	4.1	4.8	1.6	1.9	-0.7	-3.5	-6.0	0.6
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	30.5	2.9	4.3	10.1	-8.7	3.5	4.2	1.8	…
Mining and quarrying	-13.3	5.3	13.7	3.1	-2.6	-5.9	-14.6	-9.7	…
Manufacturing	-11.5	12.0	1.8	-18.1	8.7	-8.2	1.1	3.8	…
Electricity, gas and water	-1.3	2.2	14.4	-0.5	7.5	-1.1	-3.5	-2.5	…
Construction	6.7	-9.1	11.3	-0.1	4.7	19.4	16.3	-13.5	…
Wholesale and retail commerce, restaurants and hotels	17.7	6.3	3.0	7.9	2.7	-1.6	-10.8	-34.1	…
Transport, storage and communications	0.2	3.6	4.3	4.6	0.2	4.1	6.1	6.2	…
Financial institutions, insurance, real estate and business services	2.7	2.7	7.1	8.1	21.0	-11.2	-2.5	-1.8	…
Community, social and personal services	-0.1	1.9	4.5	14.6	-4.8	18.4	-4.2	-9.2	…
Balance of payments	**Millions of dollars**								
Current account balance	111	2 192	431	162	-196	-416	-798	-102	258
Goods balance	11	686	968	707	243	133	-375	243	566
Exports, f.o.b.	1 402	2 084	2 647	2 700	2 416	2 145	1 652	1 440	1 464
Imports, f.o.b.	1 391	1 398	1 679	1 993	2 174	2 012	2 028	1 197	898
Services trade balance	1	-18	-362	-425	-374	-550	-470	-335	-273
Income balance	5	-104	-262	-192	-131	-69	-27	-111	-108
Net current transfers	94	87	87	73	67	71	65	102	74
Capital and financial balance c/	-73	-616	-307	18	47	265	542	-540	-107
Net foreign direct investment	-93	-248	73	173	188	163	276	127	-66
Other capital movements	21	-368	-380	-155	-140	102	265	-666	-42
Overall balance	39	35	124	180	-149	-150	-266	-78	-14
Variation in reserve assets d/	-39	-35	-124	-180	149	150	266	78	14
Other external-sector indicators									
Net resource transfer (millions of dollars)	-68	-720	-569	-175	-84	196	514	-651	-216
Gross external public debt (millions of dollars)	269	334	601	707	878	942	1 156	1 869	2 034
Prices	**Annual percentages**								
Variation in consumer prices (December-December)	1.3	10.3	15.3	4.4	0.6	3.9	25.2	49.2	9.3
Variation in nominal exchange rate (annual average)	0.0	0.0	19.0	1.0	0.0	1.8	2.5	82.1	19.3
Nominal deposit rate e/	6.4	6.2	6.4	6.8	7.1	7.4	7.6	8.1	9.1
Nominal lending rate f/	11.7	11.7	11.8	11.7	12.0	12.3	12.6	13.5	14.4
Central government	**Percentajes of GDP**								
Total revenue	27.7	21.7	24.5	24.5	23.3	21.7	20.6	16.7	17.4
Tax revenue	17.2	15.7	18.5	18.4	18.5	16.5	16.5	12.4	12.6
Total expenditure	26.9	24.6	24.6	26.8	27.8	26.4	30.4	25.8	24.7
Current expenditure	21.2	20.0	19.7	22.4	23.4	21.2	27.7	23.1	21.3
Interest	1.3	0.9	1.0	1.0	1.3	0.9	1.5	1.8	2.5
Capital expenditure	5.7	4.6	4.8	4.4	4.5	5.2	2.6	2.7	3.3
Primary balance	2.1	-2.0	0.9	-1.4	-3.2	-3.8	-8.2	-7.3	-4.8
Overall balance	-2.1	-2.5	-2.0	-2.7	-6.0	-5.9	-10.6	-10.8	-8.0
Non-financial public sector debt	27.6	27.5	26.8	27.3	35.6	33.3	52.3	57.5	69.8

Table 1 (concluded)

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Money and credit	**Percentages of GDP, end-of-year stocks**								
Domestic credit	26.6	27.1	25.0	25.8	32.5	38.9	54.3	51.4	47.4
To the public sector	1.5	2.4	0.4	0.6	3.8	8.1	17.0	13.1	16.5
To the private sector	24.6	24.2	23.8	24.3	27.9	29.9	36.1	37.2	30.2
Others	0.5	0.5	0.7	0.8	0.8	0.9	1.2	1.2	0.7
Monetary base	13.9	14.1	12.9	15.4	14.1	12.7	15.8	14.7	11.8
Money (M1)	15.8	16.4	14.4	15.9	16.2	16.2	17.9	16.1	14.9
M2	24.8	25.6	22.9	26.0	27.7	28.6	30.6	27.8	25.0
Foreign-currency deposits	21.6	19.8	22.8	22.8	25.2	26.2	33.8	51.3	43.9

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.

Table 2
SURINAME: MAIN QUARTERLY INDICATORS

	2016				2017				2018	
	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)	295	283	363	382	391	393	408	415	445	581
Consumer prices										
(12-month percentage variation)	36.6	57.5	73.4	49.2	41.8	19.8	11.7	9.3	8.7	8.7 b/
Average nominal exchange rate										
(Suriname dollars per dollar)	4.0	6.2	7.3	7.6	7.5	7.5	7.4	7.4	7.5	7.5
Nominal interest rates (average annualized percentages)										
Deposit rate c/	7.7	7.8	8.3	8.5	9.0	9.2	9.0	9.0	9.2	9.2 b/
Lending rate d/	12.9	13.2	13.8	14.1	14.7	14.2	14.4	14.4	14.3	14.3 b/
Interbank rate	8.7	10.1	14.6	13.6	11.9	13.8	12.3	16.3	17.0	16.6 b/
Domestic credit (variation from same										
quarter of preceding year)	36.2	48.8	43.8	10.6	14.9	7.0	6.4	26.9	10.8	-5.4 e/

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Preliminary figures.
b/ Figures as of April.
c/ Average deposits rate published by the central bank.
d/ Average lending rate published by the central bank.
e/ Figures as of May.

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