Suriname

Suriname was mired in an economic crisis for much of 2020 and 2021, while simultaneously battling several waves of COVID-19 infections. After years of falling exports and dwindling reserves, the Surinamese dollar was devalued by 228% between August 2020 and October 2021 as the monetary system gradually moved to a freely floating exchange-rate system. This devaluation sent Suriname's public debt ratio soaring and resulted in inflation rates exceeding 60%. Many of Suriname's indicators have been affected by its high inflation, as its nominal GDP grew by 56%.

The COVID-19 crisis has affected Suriname particularly badly. As of November 2021, Suriname was the Caribbean country worst affected by the pandemic, with the highest cumulative number of cases and deaths per million people. The government implemented a raft of restrictions meant to combat the spread of the virus, but which also contributed to an economic contraction of 15.9% in 2020. Growth in 2021 is expected to be -1%, as continued restrictions and reduced purchasing power impact on economic activity.

The Government of Suriname embarked on intense fiscal consolidation in 2021, which resulted in a fiscal surplus of 1.5% of GDP for the first eight months of the year. This surplus will be the first since 2009 and comes after an average deficit of 11% of GDP over the past six years. Total revenue increased by 97% from 2020 to 2021, driven by a 114% increase in direct taxes, and offsetting a 3.9% increase in total expenditure.

Suriname's public debt grew to 115% of GDP in 2020, driven mainly by the large local-currency devaluation in November, and the total debt stock (measured in Suriname dollars) expanded by 96.5%. From end-2020 to September 2021, the debt stock had risen by just 5.6%, but the total debt ratio fell to 78.1% of GDP, as a result of the expansion in nominal GDP resulting from the significant inflation in the economy. In late 2020, Suriname had begun debt restructuring negotiations with its creditors and arranged a deferral of debt service payments into 2021. The standstill on payments helped the government's fiscal position significantly. In addition, in April 2021 the government managed to secure a staff-level agreement with the International Monetary Fund (IMF) for a 36-month extended fund facility of US$ 690 million. However, in June 2021 creditors issued termination clauses on two sets of sovereign bonds following the government's proposal of a 70% haircut in nominal value. In the short term, the government intends to introduce the long-postponed value added tax to improve tax collection and continue with its fiscal consolidation programme.

The central bank's monetary policy in 2021 was focused on dealing with high inflation following successive currency devaluations and a major shift in exchange-rate policy. The reserve requirement ratio remained unchanged, at 39%, in 2021. While this ratio remains the central bank's main monetary policy tool, in 2021 the bank announced its intention to move away from the reserve requirement monetary instrument and towards the use of interest rates.

In late 2020, Suriname undertook a major devaluation —of 90%— when the exchange rate increased from 7.52 Suriname dollars (Sur$) to Sur$ 14.29 per US$ 1. In March 2021, the central bank introduced an exchange-rate band, with an upper limit of Sur$ 16.30 and a lower limit of Sur$ 14.29. The exchange rate remained at Sur$ 14.29 per US$ 1 until June, when the central bank moved to a freely floating exchange-rate regime and the selling rate jumped to Sur$ 21.274. The currency depreciated slowly over the following months to Sur$ 21.612 per US$ 1 in October 2021. The bank also introduced new foreign-exchange regulations for exporters and importers, with the aim of increasing the supply of United States currency in the economy.

The balance-of-payments current account surplus expanded by 177% in the first six months of 2021, owing mainly to improved performance on the goods and services accounts. The goods surplus grew by 3.3% year on year in the first half of 2021, after doubling in 2020 amid a fall in imports and an increase in gold prices. After driving the expansion of the goods surplus in 2020, gold exports fell by 7.8% in the first half of 2021. Meanwhile, the services deficit contracted by 21% in the first six months of 2021.

The Surinamese economy is expected to shrink by 1% in 2021, following a heavy contraction of 15.9% in 2020 as a result of the pandemic. High inflation limited consumer activity, along with restrictions on economic activity adopted to limit the spread of COVID-19. The year-on-year change in the central bank’s monthly economic activity index went from -16% in January 2021 to 6.0% by June. The average change over the first half of the year was 1.4%. The subindices for five industry groups averaged negative growth in the first six months of 2021: fisheries; manufacturing; electricity, gas and water supply; transport, storage and communication; and construction, which together contracted by 16.1%. The industries that grew in the first six months were: agriculture, hunting and forestry; mining and quarrying; wholesale and retail commerce; hotels and restaurants; financial intermediation and government activity. Growth in 2022 is projected at 1.5%.

Inflation in Suriname remained high over the course of 2021. The year-on-year change in consumer prices was measured at 63.8% in January 2021, then fell steadily to 43.5% in May 2021, before jumping in June to 54.0% with the move to the freely floating exchange rate, and again in August to 74.4% following the reduction of energy subsidies.