

SURINAME

Key conditions and challenges

Table 1 2023

Population, million	0.6
GDP, current US\$ billion	3.8
GDP per capita, current US\$	6069.2
International poverty rate (\$2.15) ^a	1.1
Lower middle-income poverty rate (\$3.65) ^a	4.2
Upper middle-income poverty rate (\$6.85) ^a	17.5
Gini index ^a	39.2
School enrollment, primary (% gross) ^b	98.0
Life expectancy at birth, years ^b	70.3
Total GHG emissions (mtCO2e)	13.7

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2022), 2017 PPPs.
 b/ Most recent WDI value (2021).

Successful debt restructuring and implementation of wide-reaching reforms under a comprehensive macroeconomic stabilization program has put Suriname on a path to fiscal sustainability. Currency stabilization and tight monetary policy are gradually reducing inflationary pressures, improving the purchasing power of households, particularly the most vulnerable. Prospective offshore oil production is stimulating growth-enhancing investment. It will be critical to put a good framework in place to manage the incoming oil wealth.

Suriname has made progress with implementing a comprehensive macroeconomic stabilization program to reverse imbalances built up over years of economic mismanagement and the COVID-19 pandemic. In mid-2020, the government adopted a program to address debt sustainability, improve monetary and exchange rate policies, promote financial sector stability, and strengthen economic governance, supported by an IMF Extended Fund Facility (EFF). The program temporarily went off-track in mid-2022 due to spending overruns which triggered rapid currency depreciation and accelerated already high inflation. However, the government subsequently reestablished policy discipline under revised EFF targets.

Preliminary findings of a new poverty assessment indicate that in 2022, after years of macroeconomic challenges, about 17.5 percent of the population lived below the World Bank's upper middle-income poverty line of US\$6.85 (2017 PPP) per day. Inequality, as measured by the Gini coefficient, was approximately 38.9, not out of line with other countries in the region. About four in 10 Surinamese lived in multidimensional poverty – a broader poverty measure highlighting chronic illness, low levels of education, limited ICT skills, and lack of access to medical insurance. Both monetary and multidimensional poverty are markedly higher in the country's interior.

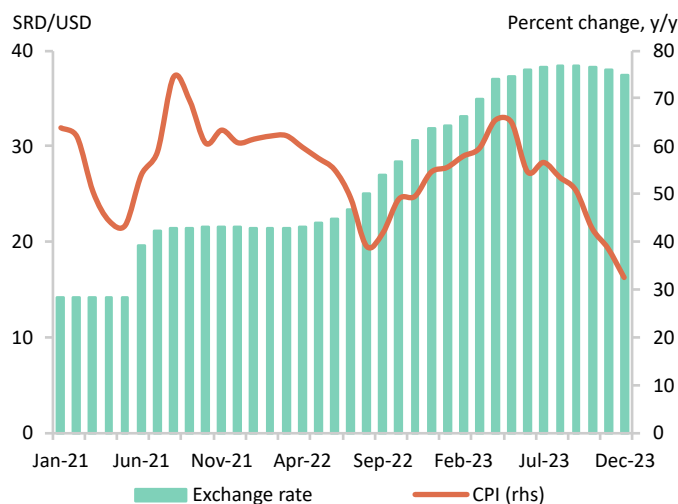
Suriname is susceptible to natural disasters (floods and droughts) due to irregular precipitation; water management is a high priority, especially in the more vulnerable interior. Recent discoveries of several offshore oil deposits should improve Suriname's economic prospects over the medium term. A Final Investment Decision by one of the major oil companies is expected by the end of 2024, with production starting in 2028. Unlocking sustainable and inclusive economic growth will require resolving significant governance and institutional challenges, strengthening fiscal management, improving public services including education provision, and adapting to climate change.

Recent developments

Output growth is estimated to have moderated to 2.1 percent in 2023, from a 2.4 percent rebound in 2022. Services and industry (manufacturing and construction) led the expansion, supported by recovery in agriculture. The monthly economic activity index increased by an average of 0.3 percent (y-o-y) up to August 2023, driven by mining and some of the more labor-intensive sectors like transport and storage, construction, and food and accommodation.

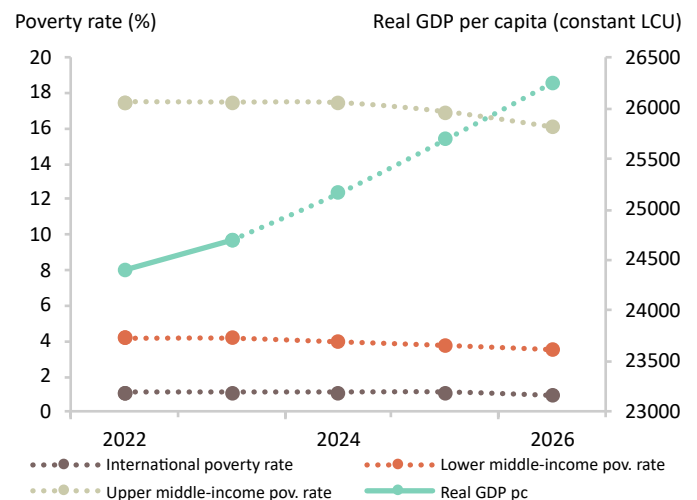
The currency, which had depreciated sharply against the USD during the second half of 2022, stabilized at around SRD 38/USD in 2023Q4 as a result of tight monetary policy. A decline in global commodity prices helped boost the current account

FIGURE 1 Suriname / Exchange rate and inflation



Source: Central Bank of Suriname.

FIGURE 2 Suriname / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

to an estimated 2.7 percent surplus in 2023, edging up from 2.1 percent in 2022. Mining exports underperformed but the EFF and other multilateral financing strengthened reserves allowing gross international reserves to increase to \$1346 million in 2023, from \$1194 million in 2022. Currency stabilization, along with easing global inflationary pressures allowed domestic inflation to moderate to 32.6 percent (y-o-y) by December 2023. Nevertheless, higher inflation in food and non-alcoholic beverages, and transportation led to an erosion of purchasing power, especially among the poorest households. Financial sector indicators highlight chronic vulnerabilities in the banking system related to capital adequacy and asset quality.

Fiscal policy is focused on restoring debt sustainability while improving the quality of public spending and protecting vulnerable persons through enhanced social assistance. The government achieved a primary surplus of 1.6 percent in 2023 following a series of revenue and expenditure measures, including a phaseout of energy subsidies, expanded VAT coverage of goods and services, and removal of unregistered workers from public payrolls. These measures were coupled with increased cash transfers to mitigate the impact of higher energy prices for the vulnerable. Spending

on social assistance increased to 2.8 percent of GDP in 2023 (from 1.9 percent in 2022). To further improve social assistance performance, the government seeks to expand coverage, introduce digital payments, and regularly update payment amounts in line with inflation.

Debt restructuring negotiations with most official and private creditors have been completed. Standard and Poor raised Suriname's credit rating to CCC+/C with a stable outlook in December 2023 following the successful exchange with private bondholders. Adherence to prudent fiscal reforms and policies under the EFF is critical to entrench debt sustainability and improve growth prospects.

Outlook

Real output growth in 2024 is projected to accelerate to 3.0 percent, driven by public investment spending in non-oil sectors. Growth is expected to maintain momentum over the medium term despite fiscal consolidation, as private investment in infrastructure for the oil and gas sector picks up. Inflation is anticipated to significantly decelerate in 2024 and over the medium term as the government maintains tight

monetary policy and as external inflationary pressures subside.

The fiscal position is expected to continue improving as the government completes debt restructuring and ends fuel subsidies to parastatals. Gross financing needs will decline until 2026, but external debt repayment is expected to increase in the medium to long term as grace periods on restructured debt end. Continued implementation of fiscal consolidation measures will create space to scale up social spending and support growth-enhancing infrastructure investments, including for climate adaptation. The 2024 budget foresees social assistance spending of 3.1 percent of GDP which, combined with reduced price pressure, could have important implications for poverty reduction.

Over the long term, earnings from offshore oil production will further increase fiscal space for social programs and resilient growth. However, increased reliance on the oil sector raises Suriname's vulnerability to commodity price shocks, can lead to Dutch Disease, and has environmental consequences. Enhancing macroeconomic institutions, governance, and human capital ahead of the oil windfall is critical to alleviating risks and creating a foundation for efficient and equitable management of oil revenues.

TABLE 2 Suriname / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	-2.4	2.4	2.1	3.0	3.0	3.0
Real GDP growth, at constant factor prices	-2.4	2.4	2.0	3.0	3.0	3.1
Agriculture	-7.5	-1.6	3.5	1.6	1.9	1.9
Industry	-10.9	3.1	0.5	3.5	2.8	3.0
Services	2.2	2.7	2.5	3.0	3.2	3.2
Inflation (consumer price index)	59.1	52.4	51.6	23.3	18.3	11.9
Current account balance (% of GDP)	5.3	2.1	2.7	2.4	0.7	1.0
Net foreign direct investment inflow (% of GDP)	-3.7	0.1	-1.7	-0.3	0.3	0.4
Fiscal balance (% of GDP)^a	-6.4	-3.0	-0.9	-0.6	0.0	0.4
Revenues (% of GDP)	26.4	26.8	25.7	24.9	25.2	25.1
Debt (% of GDP)^a	115.9	116.1	90.1	92.5	87.2	82.4
Primary balance (% of GDP)^a	-0.5	1.0	1.6	2.9	3.5	3.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	..	1.1	1.1	1.1	1.1	1.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	..	4.2	4.2	4.0	3.8	3.5
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	..	17.5	17.5	17.4	16.9	16.1
GHG emissions growth (mtCO₂e)	-0.1	0.8	0.6	1.1	1.2	1.3
Energy related GHG emissions (% of total)	19.1	19.6	19.9	20.5	21.2	21.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Budget balances and public debt are for the central government.

b/ Calculations based on SEDLAC harmonization, using 2022-SSLC. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.