

SURINAME

Table 1	2021
Population, million	0.6
GDP, current US\$ billion	3.1
GDP per capita, current US\$	5204.6
School enrollment, primary (% gross) ^a	109.2
Life expectancy at birth, years ^a	71.7
Total GHG Emissions (mtCO ₂ e)	12.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2019).

Suriname built up substantial macroeconomic imbalances as a result of economic mismanagement and high commodity revenue volatility. A newly elected government adopted a comprehensive macroeconomic stabilization program and obtained support through an IMF Extended Fund Facility by end-2021. The COVID-19 pandemic exacerbated existing domestic vulnerabilities, leading to a sharp GDP contraction, increased unemployment and high inflation which created an increase in poverty. The discovery of offshore oil, if adequately managed, may accelerate fiscal consolidation and higher growth in the longer-term.

Key conditions and challenges

Suriname is a small, natural-resource-rich, upper middle-income country. Gold currently represents more than 80 percent of total exports and the overall mining sector accounts for nearly half of public sector revenue. The government redistributes revenue earned from extractive industries through significant public sector employment and, to a lesser extent, through some categorically targeted income support to people with disabilities, households with children, the elderly, and vulnerable households. The private sector is mostly engaged in provision of non-tradeable services, often through small firms employing informal workers.

Substantial macroeconomic imbalances have built up since the closure of bauxite mines in 2015 and a sharp decline in commodity prices in 2015-16. In the run-up to the 2020 general elections, macro-economic imbalances were further exacerbated by severe economic mismanagement including a substantial expansion in the number of civil servants, excessive borrowing, and monetary financing of the fiscal deficit. A fixed official exchange rate created a widening gap between the official and parallel market rates and led to a near-exhaustion of usable gross international reserves. Suriname does not regularly publish employment and poverty statistics. The latest poverty data were collected in 2016. At the time over a quarter of the population lived

in consumption poverty and one in 20 in extreme poverty. Over half of the population in the interior regions lived in poverty. About 13 percent of the population was non-poor but at risk of falling into poverty.

Recent developments

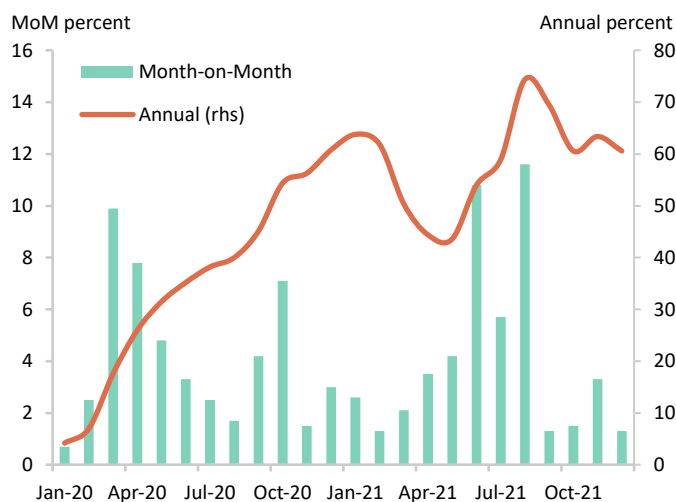
Economic mismanagement compounded by restrictions on economic activity to curb the spread of COVID-19 resulted in a severe economic crisis, with GDP contracting 15.9 percent in 2020 and another estimated 3.5 percent in 2021.

Suriname continues to experience significant COVID-19 related challenges, including peak transmission rates in September 2021 and January 2022 leading to tightening restrictions on mobility and economic activity, depending on the number of new COVID-19 cases. The country has been able to ensure a sufficient stock of COVID-19 vaccines, mainly from bilateral sources. In February 2022, about 40 percent of the population had been fully vaccinated.

The government adopted a comprehensive program of policy measures with respect to fiscal and debt sustainability, monetary and exchange rate policy, financial sector stability and governance to address macroeconomic imbalances as of mid-2020. On December 22, 2021, the IMF board approved a three-year Extended Fund Facility in support of this program.

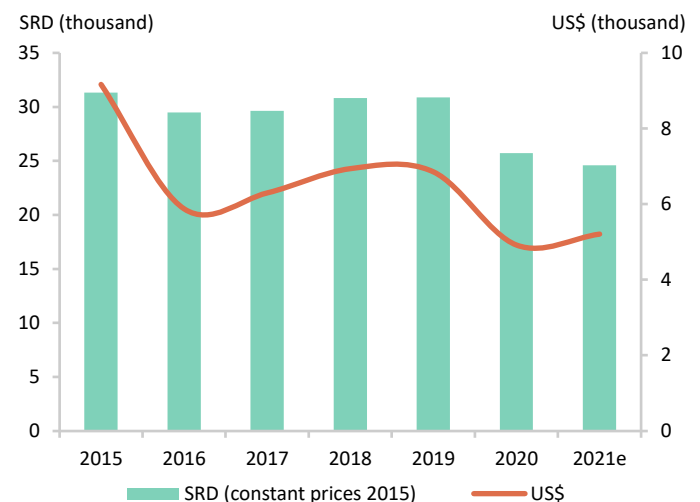
Public debt amounted to US\$3.4 bn or 126 percent of GDP at the end of 2021 and arrears on external bilateral and private market debt

FIGURE 1 Suriname / Consumer price inflation



Source: General Bureau of Statistics.

FIGURE 2 Suriname / GDP per capita



Sources: General Bureau of Statistics and World Bank.

are estimated at about 11 percent of GDP. Restoring debt sustainability under the IMF-supported program will require important debt relief from Suriname's private and bilateral external creditors. In the meantime, the country is expected to continue to accumulate arrears on its liabilities to these creditors.

Revenue enhancing and expenditure reduction measures have already led to modest surpluses in the country's overall and primary fiscal balances on a cash basis. Additional measures, such as the introduction of a Value Added Tax, the elimination of electricity subsidies and the rationalization of civil service, should turn the primary balance from a persistent deficit into a surplus of 3-4 percent of GDP by 2023-24.

The government introduced a floating exchange rate, and a reserve money targeting regime was adopted as the basis of monetary policy in June 2021. The exchange rate stabilized at the then prevailing parallel market rate of about SRD21/US\$ (compared to the official exchange rate of SRD7.5/US\$ early 2020). The large step-wise depreciation of the exchange rate throughout 2020 and 2021, led to a sharp pass-through to month-on-month consumer price inflation rates and annual (12-month accumulated), inflation peaked in August 2021 at 74.4 percent. Reserve money targets are employed to anchor inflation expectations, whereas a flexible exchange rate should moderate the appreciation of the real exchange rate.

The banking system is facing a rise in non-performing loans due to the recession and

currency depreciation. Banks are likely to face a capital shortfall and need for recapitalization, the exact magnitude of which will be determined through an asset quality review.

Beneficiaries of social protection programs received additional payments during the 2020 economic downturn and, in 2021 and 2022, the amounts provided by these programs were increased to compensate beneficiaries for price increases. However, this increase is not expected to fully offset declines in disposable household incomes that were brought about by declines in employment and rapid inflation.

Micro-simulations suggest that employment losses induced by the economic downturn, combined with a loss in purchasing power stemming from high levels of inflation, led to a substantial increase in poverty rates. Women, especially those who were single and those with lower levels of education, were more likely to be poor pre-pandemic and more heavily affected by the economic downturn.

Exchange rate depreciation as well as the overall economic downturn led to a significant shift in the current account of the balance of payments: from a deficit of 11 percent of GDP in 2019 to a surplus of 9 and 5 percent of GDP in 2020 and 2021, respectively. The change in the current account was mainly brought about by a sharp contraction in imports of goods and services, a build-up of arrears on external debt-service liabilities as well as a strengthening in the price of gold, the main export commodity.

Outlook

Suriname faces challenging economic conditions. The near-term outlook critically depends on the successful implementation of the macroeconomic stabilization program, including an external public debt restructuring with a sizeable reduction in the Net Present Value of the debt. After two years of sharp contraction in economic activity, a gradual resumption of economic growth is expected for 2022-24 to nearly 3 percent per year in the medium term.

The longer-term growth outlook may be more positive following the discoveries of several offshore oil deposits as of 2020. A Final Investment Decision (FID) by one of the major oil companies is expected later this year at which point there is more certainty about a possible revenue flow from offshore oil production which will take several years to materialize.

The modest economic recovery will at best partially counterbalance the significant challenges faced by many households. Planned efforts to improve the delivery and effectiveness of social assistance, therefore remain a priority. Although purchasing power is expected to stabilize gradually, international inflationary pressure due to global conflict poses a risk, especially to the poorest. Labor market indicators are not expected to return to their pre-pandemic level any time soon, with continued negative implications for poverty.

TABLE 2 Suriname / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	1.1	-15.9	-3.5	1.8	2.1	2.7
Real GDP growth, at constant factor prices	1.1	-15.9	-3.5	1.8	2.1	2.7
Agriculture	-18.8	-1.5	-2.0	1.2	3.0	3.0
Industry	-5.1	-17.1	-2.5	2.0	2.0	2.5
Services	7.7	-17.1	-4.2	1.8	2.0	2.8
Inflation (Consumer Price Index)	4.3	34.8	59.1	37.9	22.2	14.1
Current Account Balance (% of GDP)	-11.2	9.1	5.4	1.9	0.7	-0.9
Net Foreign Direct Investment (% of GDP)	-0.2	0.0	-5.3	3.3	3.2	2.9
Fiscal Balance (% of GDP)^a	-18.8	-11.2	1.6	-1.0	-0.4	0.4
Debt (% of GDP)^a	85.2	148.3	125.9	123.7	115.3	112.6
Primary Balance (% of GDP)^a	-15.7	-7.5	3.8	2.1	3.1	3.9
GHG emissions growth (mtCO₂e)	1.2	-4.0	-0.9	0.0	-0.2	0.1
Energy related GHG emissions (% of total)	17.2	14.9	14.4	14.6	14.5	14.7

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

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