INTERNATIONAL
MONETARY FUND

INTERNATIONAL
MONETARY FUND

INTERNATIONAL
MONETARY FUND

INTERNATIONAL
MONETARY FUND

INTERNATIONAL
MONETARY FUND

INTERNATIONAL
MONETARY FUND

INTERNATIONAL
MONETARY FUND

INTERNATIONAL
MONETARY FUND

INTERNATIONAL
MONETARY FUND

INTERNATIONAL MONETARY FUND

INTERNATIONAL
MONETARY FUND

PRESS RELEASE NO. 19/456

IMF Executive Board Concludes 2019 Article IV Consultation with Suriname

December 12, 2019

On December 11, 2019, the Executive Board of the International Monetary Fund (IMF) concluded the 2019 Article IV consultation [1] (file:///Q:/COM/MR/Press%20Releases/2019/PR19456%20-%20Suriname%20-%20IMF%20Executive%20Board%20Concludes%20Article%20IV%20Consultation%20with%20Suriname.docx#_ftn1) with Suriname.

Suriname's economy is growing steadily with low inflation. Real GDP grew by 2.6 percent in 2018, following 1.8 percent in 2017. Activity growth has been broad based with expansions in wholesale and retail trade, construction, hotels, restaurants, and manufacturing, while mining has remained stable. Inflation has fallen below 5 percent mainly arising from exchange rate stability and control over excess liquidity. The unemployment rate was 7.6 percent in 2017 and is expected to have declined further in 2018. Real GDP is expected to expand annually by 2¼ to 2½ percent during 2019–24, while inflation is expected to remain low. However, the balance of risks to this outlook is negative, mainly due to fiscal imbalances. The overall fiscal deficit is expected to reach 8.6 percent of GDP in 2019 while public debt remains high at around 72 percent of GDP.

This year's Article IV consultation focused on policies to bolster the economy in the medium term. These include fiscal measures to enhance revenues and efficiency and lower expenditures, policies to improve the monetary and financial sector supervision frameworks, and structural policies to boost potential growth.

Executive Board Assessment [2] (file:///Q:/COM/MR/Press%20Releases/2019/PR19456%20-%20Suriname%20-%20IMF%20Executive%20Board%20Concludes%20Article%20IV%20Consultation%20with%20Suriname.docx#_ftn2)

Executive Directors took positive note that the Surinamese economy is growing steadily, with a falling unemployment rate, low inflation, and a stable exchange rate. They stressed that this stabilization presents an opportunity to address the central challenges facing the economy, including a weak fiscal position and rising public debt, monetary and financial supervision frameworks that need to be enhanced, a low degree of economic diversification, and other structural impediments to growth. Timely action will be necessary to reduce macroeconomic vulnerabilities and downside risks.

Directors underscored the importance of putting public debt on a sustained downward path. They were encouraged by the authorities' fiscal plans and emphasized the need to phase out electricity sector subsidies, implement the VAT, and continue to improve revenue and expenditure administration. Implementing these measures, while also protecting vulnerable households, would be instrumental in creating space for public investment and supporting long-term growth. Directors welcomed, in this context, the passage of the public financial management law.

Directors expressed concern about the resumption of monetary financing of the budget this year but welcomed the authorities' plan to avoid any further such financing, including through a new Bank Act. They welcomed the recent introduction of new monetary tools and instruments and the preparation of several draft legislation to enhance the monetary framework. They underscored, nonetheless, that the central bank should also publish explicit monetary targets, further expand their operational tool box to implement effectively a reserve money target, and further strengthen coordination with the government on liquidity projections and operations. Directors generally agreed that a more flexible exchange rate is needed to act as a shock absorber.

Directors recognized that important vulnerabilities remain in the financial sector. They urged the central bank to revamp its supervisory actions and take a more assertive approach to ensuring banks' return to compliance with regulatory requirements over a pre-determined time horizon. A comprehensive crisis management system is needed to give the central bank the power to intervene in banks' governance and operations when necessary, as well as improve bank resolution. Directors looked forward to approval of draft legislation in these areas as soon as feasible. Directors were encouraged that the authorities have embarked on a national risk assessment this year to further enhance the AML/CFT framework.

Directors underscored the importance of diversifying the economy and implementing structural reforms to boost potential growth. Addressing the high costs of doing business, reforming the investment framework, and strengthening governance will be important to support investor confidence. Investment in education and labor market reforms, combined with a meaningful safety net for the unemployed, will also be important. Directors were encouraged by recent laws on the minimum wage and the enhancement of maternity and paternity support. They welcomed the authorities' commitment to strengthen governance in the extractive sector.

Suriname: Selected Economic Indicators

						Proj.			
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Real sector (percent change)									
Real GDP	-5.6	1.8	2.6	2.3	2.5	2.4	2.0	2.4	2.5
Nominal GDP	19.1	23.3	7.4	11.8	12.6	8.0	10.7	6.0	6.7
GDP deflator	26.2	21.2	4.6	9.3	9.9	5.5	8.5	3.6	4.1
Consumer prices (period average)	55.5	22.0	6.9	4.5	5.8	4.7	10.2	5.1	4.8
Consumer prices (end of period)	52.4	9.3	5.4	4.8	4.8	5.7	8.3	5.2	4.4
Labor market (percent)									
Unemployment rate	9.7	7.6	7.1	6.7	6.3	5.9	5.5	5.1	4.7
Labor force participation rate	59.6	59.9	60.2	60.6	60.9	61.2	61.5	61.8	62.2
Money and credit (percent change)									
Broad money (constant exchange rate)	5.9	8.6	8.1	9.5	9.4	7.6	7.5	7.5	7.0
Broad money (local currency; percent of GDP)	27.7	25.3	28.0	28.8	29.3	29.7	29.4	30.2	30.7
Reserve money (constant exchange rate)	8.1	22.2	35.4	14.8	12.6	8.6	8.5	8.5	7.6
Reserve money (percent of GDP)	15.4	15.3	19.3	19.9	19.9	20.1	19.7	20.2	20.4
Private sector credit (constant exchange rate)	-5.7	0.9	-4.5	-4.7	7.4	12.8	10.6	14.5	12.8
Private sector credit (percent of GDP)	38.6	31.7	28.2	24.3	23.4	24.8	25.0	27.1	28.9
Central government (percent of GDP)									
Revenue and grants	18.9	22.0	23.9	25.4	24.9	24.9	26.3	26.2	26.0
Total expenditure	28.0	30.9	31.0	34.0	33.8	33.2	32.7	33.8	33.5

Of which: Primary expenditure	25.4	26.6	27.1	30.2	29.9	29.1	28.9	28.8	28.7
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (net lending/borrowing) 1/	-9.1	-8.8	-7.1	-8.6	-8.9	-8.2	-6.4	-7.6	-7.5
Primary balance	-6.5	-5.3	-3.5	-4.8	-5.0	-4.1	-2.7	-2.6	-2.7
Net acquisition of financial assets 2/	13.2	0.3	-11.9	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	22.3	9.1	-4.8	8.6	8.9	8.2	6.4	7.6	7.5
Net domestic financing	-11.1	5.9	8.3	2.8	2.8	2.7	2.3	2.6	2.6
Net external financing	18.9	7.4	1.4	5.8	6.1	5.5	4.2	5.0	4.9
Central government debt 3/ (percent of GDP)	76.1	74.6	72.1	72.3	74.6	79.5	79.5	83.8	87.4
Domestic	21.4	22.4	22.5	21.0	21.8	23.3	23.8	25.6	27.2
External	54.7	52.2	49.6	51.3	52.8	56.3	55.7	58.2	60.1
External sector (percent of GDP)									
Current account balance	-5.1	1.9	-3.4	-6.1	-5.9	-4.5	-3.3	-4.8	-4.3
Capital and financial account	16.1	3.5	8.6	9.5	8.5	4.4	4.2	4.6	3.6
Overall balance	1.6	1.3	4.5	3.4	2.6	-0.1	0.9	-0.2	-0.6
Financing									
Change in reserves (- = increase)	-1.6	-1.3	-4.5	-3.4	-2.6	0.1	-0.9	0.2	0.6
Memorandum items									
GDP at current prices (SRD billions)	19.5	24.0	25.8	28.8	32.5	35.1	38.8	41.2	43.9
Terms of trade (percent change)	8.9	-2.8	-3.7	6.7	7.7	1.0	0.2	-0.2	-0.5
Gross international reserves (USD millions)	381	424	581	710	819	814	857	847	813

In months of imports	2.5	2.4	2.9	3.6	3.7	3.6	3.7	3.5	3.3
Gold price (USD per troy ounce)	1,248	1,257	1,269	1,400	1,531	1,558	1,580	1,599	1,619
Oil price (USD per barrel)	42.8	52.8	68.3	61.8	57.9	55.3	54.6	54.7	55.3

Sources: Surinamese authorities and Fund staff calculations and projections.

1/ The overall balance is computed using net financial transactions, and therefore, includes statistical discrepancy.

2/ Includes acquisition of stake in gold mine and loans to state-owned enterprises.

3/ The debt-to-GDP ratio is different when computed using the definition in the Government Debt Act of Suriname.

---

[1] (file:///Q:/COM/MR/Press%20Releases/2019/PR19456%20-%20Suriname%20-%20IMF%20Executive%20Board%20Concludes%20Article%20IV%20Consultation%20with%20Suriname.docx#_ftnref1) Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] (file:///Q:/COM/MR/Press%20Releases/2019/PR19456%20-%20Suriname%20-%20IMF%20Executive%20Board%20Concludes%20Article%20IV%20Consultation%20with%20Suriname.docx#_ftnref2) At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm (http://www.imf.org/external/np/sec/misc/qualifiers.htm) .

MEDIA RELATIONS

PRESS OFFICER: RANDA ELNAGAR

PHONE: +1 202 623-7100 | **EMAIL:** MEDIA@IMF.ORG

@IMFSpokesperson (https://twitter.com/IMFSpokesperson)