Suriname
Recent economic developments and outlook

Presented by
The Ministry of Finance

September 2018
Economic growth

- Sharp economic decline in 2015-16 (combined 8%), due to a fall in disposable income stemming from a decline in mining revenue and a sharp fiscal contraction.
- Estimated near-zero growth in 2017 with mining and related manufacturing recovering, limited recovery in private sector profits and income, and a declining fiscal deficit that adds a negative growth impulse.
- Exports increased sharply, as well as export-related imports, while domestic demand-related imports have only recovered slightly.
- Growth projected on average at 3% for 2018-22, baring unexpected events (offshore oil finds, commodity price shocks, ...).
Economic growth

Percentage change

Year | Growth
---|---
2008 | 4.1
2009 | 3.0
2010 | 5.2
2011 | 5.8
2012 | 2.7
2013 | 2.9
2014 | 0.3
2015 | -2.6
2016 | -5.1
2017 | 0.4

Per capita GDP (in US$)

Year | GDP (US$)
---|---
2008 | 6,921
2009 | 7,490
2010 | 8,329
2011 | 8,236
2012 | 9,336
2013 | 9,496
2014 | 9,523
2015 | 8,626
2016 | 6,256
2017 | 6,414

Upper middle-income
($3,956-$12,235)

Lower middle-income
($1,006-$3,955)
Exchange rate

- Depreciation ended September 2016 and exchange rate broadly stable since October 2016.
- Exchange rate unified in the various markets in mid-2016.
- No apparent shortage of FX in the country and an excess of Euros.
- Increase in trading and foreign currency loans, and declining dollarization ratios point to an increase in confidence in the stability of the exchange rate going forward.
- Exchange rate stability is the main driver of the decline in inflation in 2017-18.
Inflation pressures subsided since October 2016.

- Inflation during January-July 2018 averaged 0.5% per month or 0.3% seasonally adjusted.
- Inflation decline is directly linked to exchange rate stability.
- Some repressed inflation elements being unwound in the system (private sector prices and subsidies).
- Inflation will trend towards trading partner levels, except for inflation increases due to policy changes, e.g. electricity price increases or VAT. These are not included in projections for 2018-19.
Balance of payments

BOP developments
- The elimination of the current account deficit is due to 4 factors:
  - increase in gold exports,
  - narrowing of oil trade deficit,
  - absence of major investment projects in gold and oil,
  - contraction of consumer imports.
- CBvS has a non-intervention policy, but has not yet begun to aggressively purchase FX to bolster reserves.

BOP outlook
- We can expect an increase in the current account deficit in the short term as imports have rebounded strongly in 2018.
- Exports will increase after 2019 with new investments in the pipeline, e.g., Iamgold’s Saramacca concession.
- The sharp increase in the income debits in 2017 was due to profit remittances by Newmont. This will decrease as Newmont completes the accelerated depreciation.
- With the start of more active FX purchases by the CBvS, reserves will increase.
- Reserve coverage will slowly increase from current 4 months of total imports of goods and services.
Fiscal 2013-19

Fiscal policy 2013-2019 (% of GDP)

- Expenditure
- Revenue

Overall balance (right axis)
Fiscal developments 2015-18

Mining revenue fell by from US$407m in 2012 to US$24m in 2016.

Indirect taxes and non-mining direct taxes fell sharply as the economy contracted.

Revenue has yet to recover meaningfully.

Expenditure has been compressed by strong real cuts, including a sharp reduction in real wages.

Deficit has fallen significantly.

<table>
<thead>
<tr>
<th>Central Government operations</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions of SRD)</td>
<td>(in percent of GDP)</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Revenue</td>
<td>3,404.6</td>
<td>4,427.2</td>
<td>5,234.9</td>
<td>16.7</td>
<td>16.0</td>
<td>17.2</td>
</tr>
<tr>
<td>Tax revenue</td>
<td>2,536.7</td>
<td>3,205.8</td>
<td>3,786.8</td>
<td>12.4</td>
<td>11.6</td>
<td>12.4</td>
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<tr>
<td>Direct taxes</td>
<td>1,226.3</td>
<td>1,709.5</td>
<td>2,021.3</td>
<td>6.0</td>
<td>6.2</td>
<td>6.6</td>
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<tr>
<td>Indirect taxes</td>
<td>1,310.4</td>
<td>1,496.3</td>
<td>1,765.5</td>
<td>6.4</td>
<td>5.4</td>
<td>5.8</td>
</tr>
<tr>
<td>Non-tax revenue</td>
<td>867.9</td>
<td>1,221.4</td>
<td>1,448.1</td>
<td>4.3</td>
<td>4.4</td>
<td>4.8</td>
</tr>
<tr>
<td>Expenditure and net lending</td>
<td>5,260.5</td>
<td>6,279.3</td>
<td>6,877.8</td>
<td>25.8</td>
<td>22.7</td>
<td>22.6</td>
</tr>
<tr>
<td>Current expenditure</td>
<td>4,714.9</td>
<td>5,429.4</td>
<td>6,097.8</td>
<td>23.1</td>
<td>19.6</td>
<td>20.0</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>1,602.2</td>
<td>1,922.5</td>
<td>2,092.8</td>
<td>7.8</td>
<td>6.9</td>
<td>6.9</td>
</tr>
<tr>
<td>Goods and services</td>
<td>1,089.1</td>
<td>1,148.2</td>
<td>1,247.6</td>
<td>5.3</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Subsidies</td>
<td>1,655.5</td>
<td>1,716.5</td>
<td>1,917.1</td>
<td>8.1</td>
<td>6.2</td>
<td>6.3</td>
</tr>
<tr>
<td>Interest</td>
<td>368.1</td>
<td>642.2</td>
<td>840.2</td>
<td>1.8</td>
<td>2.3</td>
<td>2.8</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>545.6</td>
<td>849.9</td>
<td>780.0</td>
<td>2.7</td>
<td>3.1</td>
<td>2.6</td>
</tr>
<tr>
<td>Statistical discrepancy</td>
<td>148.1</td>
<td>38.0</td>
<td>0.0</td>
<td>0.7</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Overall balance (from financing)</td>
<td>-2,004.0</td>
<td>-1,890.1</td>
<td>-1,642.9</td>
<td>-9.8</td>
<td>-6.8</td>
<td>-5.4</td>
</tr>
<tr>
<td>Acquisition of financial assets</td>
<td>-2,590.2</td>
<td>-70.9</td>
<td>2,535.0</td>
<td>-12.7</td>
<td>-0.3</td>
<td>8.3</td>
</tr>
<tr>
<td>Domestic net financing 1)</td>
<td>-117.7</td>
<td>1,247.5</td>
<td>-1,307.0</td>
<td>-0.6</td>
<td>4.5</td>
<td>-4.3</td>
</tr>
<tr>
<td>Net foreign financing</td>
<td>4,711.9</td>
<td>713.5</td>
<td>414.9</td>
<td>23.1</td>
<td>2.6</td>
<td>1.4</td>
</tr>
</tbody>
</table>

1) On a commitment basis. Corrects for cash payments for domestic arrears.
Fiscal highlights 2017

- Revenue
  - Mining revenue began to recover in early-2017.
  - Non-mining revenue (direct and indirect taxes) only begun to show signs of recovery in late-2017.

- Expenditure
  - Real wage cuts through limited nominal adjustments.
  - Goods and services expenditure commitments maintained at low levels.
  - Subsides were streamlined.

- Financing
  - Government used its deposits at the CBvS, while repaying its liabilities to the CBvS.
  - Government relied heavily on issuance of T-bills and loans from banks as there was ample liquidity (credit to the private sector fell from 37% of GDP in 2016 to 27% in 2017).
  - Minor multilateral and bilateral financing in 2017.
Mining exports and fiscal revenue

Mining 2013-2019: exports (millions of US dollars) and government mining revenue (% of GDP)

Government mining revenue (% of GDP, right axis)
Fiscal highlights 2018

○ Revenue
  • Revenue is recovering as the economy is recovering, as evidenced by strong growth in imports.
  • Revenue will increase despite the postponement of the VAT introduction (currently projected for 2020).

○ Expenditure
  • Wage expenditure will stay about unchanged in % of GDP in the absence of significant wage increases.
  • Continued restraint in non-wage primary expenditure, but continuing to protect social expenditure.
  • Capital expenditure remains at levels below historical norms.

○ Financing
  • Significant financing from selling Merian shares to Staatsolie and allowing the company to repay early its share of the 2016 bond.
  • Some bilateral project financing, e.g., China.
  • Significant decline in domestic net financing, as the government uses the Staatsolie-deal funds to repay T-bills and other domestic debt and increase deposits at CBvS.
Structural measures

- **Legal framework**
  - **Business environment:**
    - Code of Commerce, Law on Business and Professions, Annual Accounting Law, Anti-corruption Law, and Electronic Transaction Law were passed.
    - A credit reporting law and insurance sector law are being prepared.
  - **Public sector environment:**
    - Public sector procurement law and public finance management law are in discussion.
    - VAT law is being advanced to be presented to Parliament, together with the wage and income tax law. The latter correct for bracket creep, but also introduce a unique taxpayer identification number (TIN).

- **Fiscal management**
  - Tax administration being reorganized along functional lines.
  - IFMIS now operational as an expenditure control instrument.
  - Jacobs finalized its report on the electricity sector.
Rating agencies reviews

- **Moody’s**
  - April 2017: Affirms rating as B1 with stable outlook.
  - September 2017: Places Suriname on review for downgrade.
  - February 2018: Downgraded to B2 with a negative outlook.

- **Fitch**
  - March 2017: Downgraded from B+ to B- with negative outlook.
  - February 2018: Affirmed rating, while improving outlook to stable.

- **S&P**
  - April 2017: Downgraded from B+ to B with negative outlook.
  - April 2018: Affirmed rating at B, while improving outlook to stable.