

The 8<sup>th</sup> SEOB Bulletin discusses the progress of the IMF program and key developments related to it. The SEOB is an independent organization and its main objective is to monitor and advise the government on the implementation of the IMF program and the Economic Recovery Plan. This is done by analyzing performance indicators. On our website – [www.seob.sr](http://www.seob.sr) - regular statistics and measures, related to the IMF program, are conveniently presented.

## MAIN TRENDS

- Foreign currency exchange rates decreased further in January compared to the previous months.
- Year-on-year inflation (hereafter inflation) stood at 32.6% in December 2023.
- This decline from November 2023 is due to the exchange rate appreciation and the impact of fiscal and monetary measures. Although decreasing, inflation is still high according to international standards.
- Average inflation - price increases in the last 12 months, relative to the previous 12 months - remains high and stood at 51.6% in December 2023.
- On the monetary front, money aggregates fell short of the limits agreed with the IMF. Base money supply growth is in check.
- Average investment rates at banks increased sharply from the 4<sup>th</sup> quarter of 2023.
- Gross international reserves (including bank reserves) rose sharply to USD 1.35 billion by the end of 2023. This brought import coverage down to 7.5 months.
- Suriname's credit rating was upgraded from "Selective Default" (SD) to CCC+/C by international credit rating agency S&P in December 2023. This was due to the restructuring of a large part of its debts, such as the so-called Oppenheimer debts. An agreement in principle at technical level was reached with the China Export Import (Exim) bank for debt restructuring.

Table 1. Status of measures IMF program

Policy area	Completed	In progress	Other
A: Monetary and exchange rate policy	64.3%	33.3%	2.4%
B: Fiscal policy	61.3%	9.7%	29.0%
C: Debt	57.1%	35.7%	7.1%
D: Financial sector	65.2%	26.1%	8.7%
E: Governance	62.1%	31.0%	6.9%
F: Other	75.0%	25.0%	0.0%
<b>Total</b>	<b>62.6%</b>	<b>23.6%</b>	<b>13.8%</b>

*Note: "Other" means that the measure has been postponed or has not yet started, or the status of the measure is unknown. Measures requiring immediate attention are reviewed at each IMF review and are also part of policy areas A to F.*

*Source: SEOB calculations with data IMF monitoring matrix.*

Following the completion of the 4<sup>th</sup> review under the Extended Fund Facility (EFF) arrangement for Suriname, the IMF disbursed about USD 53 million to Suriname in December 2023. As of end-January 2024, according to our calculation, 62.6% of the measures under the IMF program had been completed. Most of the outstanding measures are within the Fiscal policy domain (Table 1). The IMF indicated in its [latest review](#) that the implementation of the program is progressing satisfactorily, with the exception of the social program.

## SEOB EMPHASIZES THE SOCIAL PROGRAM

The social program is an essential inherent part of the recovery program. The IMF indicates that the social program aims to protect the weaker households, as well as people in rural areas, because of the reduction in subsidies and the sharp decline in purchasing power. However, it appears that the government is structurally failing to meet its targets for this part of the recovery program. Unfortunately, the government remains in the vicious circle of short-term measures, including handing out packages. The target for social spending is minimal unlike most of the measures. As of the 3<sup>rd</sup> quarter of 2023, the government had planned to allocate more than SRD 2,971 million in social expenditures. Realization was over SRD 1,056 million lower. Social expenditure not only falls short of the intended goal but also lacks effectiveness and transparency in its allocation.

The SEOB stresses the need for a re-evaluation of the initial social program. The reasons are:

- The poverty line is outdated because inflation has been substantial in the recent period.
- The target group covered by the program is larger as purchasing power has declined sharply for several groups in society in recent times.
- The composition and necessity of society's needs into the future has changed.

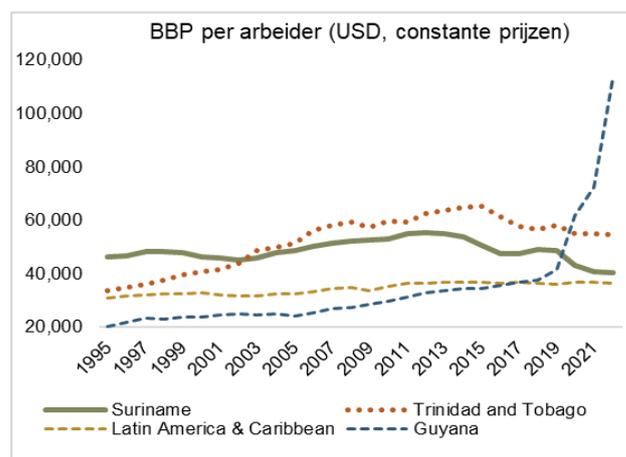
Furthermore, ensuring the social program is implemented effectively and transparently is imperative, especially considering additional cost-increasing measures expected in 2024. The SEOB does not see offering packages as a sustainable solution to the social issue. Indeed, the IMF estimates inflation for 2024 at around 20%. The following will contribute to further loss of purchasing power in 2024:

- Further reduction of subsidies on utility tariffs.
- Implementation of VAT on utility tariffs.
- Possible price increases of fuel.
- Producer price adjustments to compensate for higher production and labor costs.

Finally, the SEOB calls for more transparency in the implementation of the social program, through the publication of progress and effectiveness of social benefits. The SEOB has also previously recommended that social benefit payments be made through the banking system. This, in the context of efficiency and discouraging corruption.

The SEOB also calls attention to public sector reform. We see the ministerial decision for discontinuing salaries for civil servants who do not re-register ("ghost civil servants") as a step in the right direction. In this way, the position of the active civil servant can be improved with the funds saved from the 'ghost civil servants'.

Tackling the civil service is more than necessary, given that productivity in Suriname is on a downward trend; see graph. Gross domestic product (GDP) per worker is used here by the World Bank as a measure of productivity<sup>1</sup>.



Source: World Bank.

<sup>1</sup> GDP has been converted to constant 2017 international dollars based on purchasing power parity.

## RECENT ECONOMIC DEVELOPMENTS

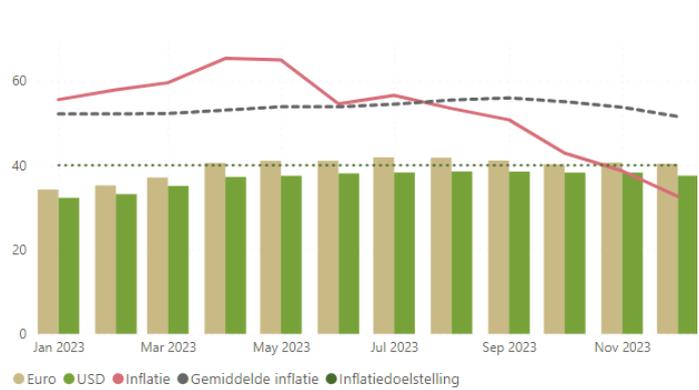
### INFLATION 2023 COMES DOWN TO 32.6%; MONETARY DEVELOPMENTS FAVOURABLE

Annual inflation for 2023 came in at 32.6%, according to the ABS. Compared to November, inflation further decreased due to declining pump prices and foreign exchange rates. Monthly inflation in December stood at 0.1%. The increase in utility rates by around 2.4% was offset by a decrease in transport - mainly fuel - by 3.7%. Average 12-month inflation stood at 51.6% in December.

Foreign currency exchange rates continue to decline in December. Compared to November, the USD/SRD exchange rate was almost 2% lower. Money aggregates growth is also in check. The base money supply (M0) fell significantly lower than the cap agreed upon with the IMF by the end of 2023. In contrast, a slowdown in credit lending is evident. The ongoing appreciation, as a result of the operation of the flexible exchange rate system, brings both benefits and risks. For instance, the government incurs losses in revenue (expressed in SRD) with a declining exchange rate. For the local export sector, a declining exchange rate can signify a deterioration in competitiveness. A dwindling exchange rate, on the other hand, can be favorable for repayments of foreign government debt. A decreasing exchange rate also increases consumers' purchasing power. Rent prices denominated in SRD decrease. It can also result in a decrease in the prices of goods that are immediately linked to a foreign currency, such as luxury import goods.

Gross international reserves - including commercial banks' reserves - increased by about USD 200 million to a total of USD 1.35 billion as of December 2023. The increase in reserves was due to draws on existing loans as well as the disbursement of the IMF-tranche following the 3<sup>rd</sup> review. International reserves reflected an import cover of about 7.5 months.

Inflatie (in %) en Wisselkoers



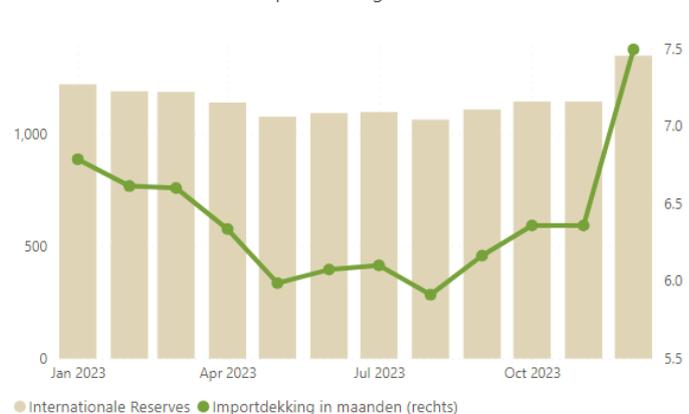
Sources: ABS, CBvS.

Liquiditeitenmassa en groei M0



Sources: ABS, CBvS.

Internationale Reserves en Importdekking



Source: CBvS.

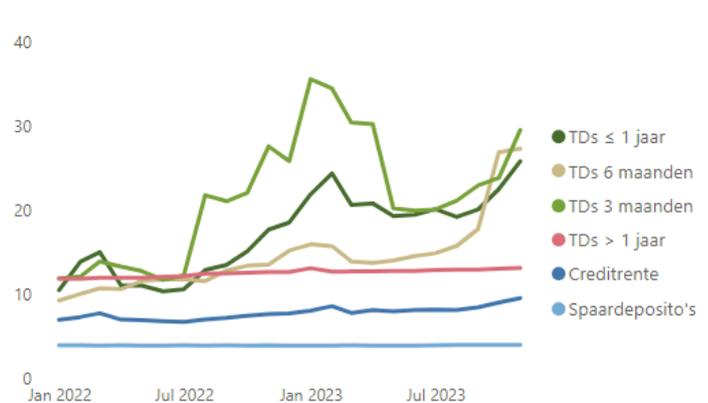
## INTEREST RATES RISE FURTHER; BANKING SECTOR LESS PROFITABLE

Average interest rates on deposits jumped substantially in October and November last year. Interest rates on 3-month and 6-month term deposits were near 30%. Average lending rates remained more or less at the same level in November 2023. The SEOB expects that lending rates will continue to increase in the upcoming months. However, high lending rates may pose challenges to economic activity. Especially for small and medium-sized enterprises (SMEs), high interest costs are discouraging.

Profitability within the banking sector deteriorated in the October 2023 compared to the same month in 2022. Profitability measured by return on assets (ROA) fell from 2.7% to 2.2% in the aforementioned period. Asset quality improved. Non-performing loans (NPLs) dropped marginally to 14% in October 2023.

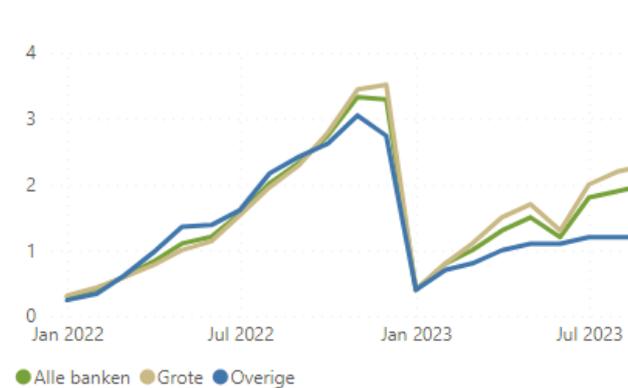
The implementation of asset rating instructions (AQR), as well as a new governance framework for state-owned banks, should help strengthen the soundness of the banking sector.

Creditrentes SRD (in %)



Source: CBvS.

Winstgevendheid (ROA, in %)

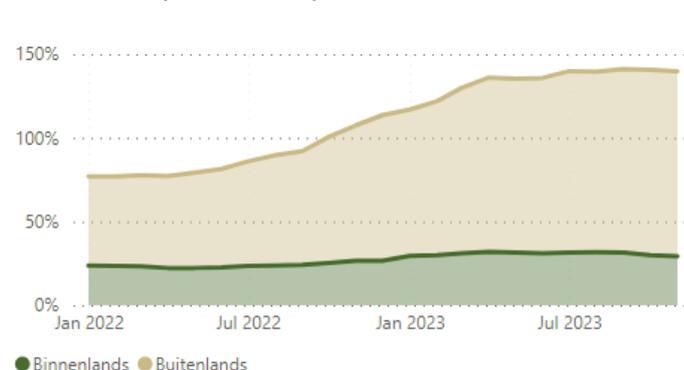


Source: CBvS.

## DEVELOPMENT IN PUBLIC DEBT

The debt-to-GDP ratio - the national debt as a percentage of GDP – presented a slight decline in November to 139.7% according to the legal definition. As of November, due to an exchange rate effect, foreign debt denominated in local currency decreased to SRD 98.8 billion, while domestic debt slid further, to SRD 26.2 billion. Progress was made on debt restructuring. A technical agreement in principle was reached with Exim China.

Staatsschuld (in % van BBP)



Source: SDMO.

## OUTLOOK AND RECOMMENDATIONS

- The SEOB emphasizes that declining purchasing power requires an effective social program. The SEOB calls for more transparency in the implementation of the social program, through publishing progress of social benefits. We also recommend using the banking system for efficient and timely disbursement of social benefits.
- SEOB urges public sector reforms. Tackling the phenomenon of "ghost civil servants" will free up more space for the financial position of the active civil servant. However, the government should carry out sound calculations when providing pay increases so that they (1) do not put further pressure on public finances and (2) are not inflationary. The IMF suggests that the wage bill should be 6.7% of GDP by 2024.
- We expect that inflation will continue to decelerate slowly in 2024. The IMF expects inflation to reach around 20% by 2024, driven by further tariff adjustment of utilities. SEOB stresses that achieving this target will require fiscal discipline. This implies that the government should avoid deficits.
- SEOB expects the economy's growth to start slowly in 2024, in case inflation continues to slowly decline. We also expect growth to be propelled by the start-up of the offshore oil sector, in case of a positive investment decision by TotalEnergies and Apache.
- Monetary measures result in a tightening of M0. This is positive but results in high interest rates. The SEOB highlights the importance of facilitating lending to SMEs, especially those in the import-replacement or export sector. The SEOB welcomes projects such as SURGE, the guarantee fund and the production credit fund.
- Although stringent monetary measures are still necessary, the SEOB emphasizes that VSB, SBV, CBvS, as well as the government are engaging in dialogue on how the productive sectors will and can be stimulated in order to boost economic growth.
- The SEOB favors an IMF-2 program to strengthen institutions so as not to undo the achievements of this IMF program.
- Finally, the SEOB calls for a serious approach to AML/CFT actions stemming from the CFATF recommendations. The SEOB also recommends including officials from the private and banking sectors in the National Anti-Money Laundering Commission and/or the AML PIU. This is because of the impact that non-compliance has on banks and the private sector.
- SEOB stresses that an AML/CFT (countering fraud, corruption, money laundering, etc.) is necessary to create the right investment climate, attract sound investors and ensure a one-level-paying field for all enterprises in Suriname.

---

<http://www.seob.sr>  
[secretary@seob.sr](mailto:secretary@seob.sr)

