Suriname
Recent economic developments and outlook

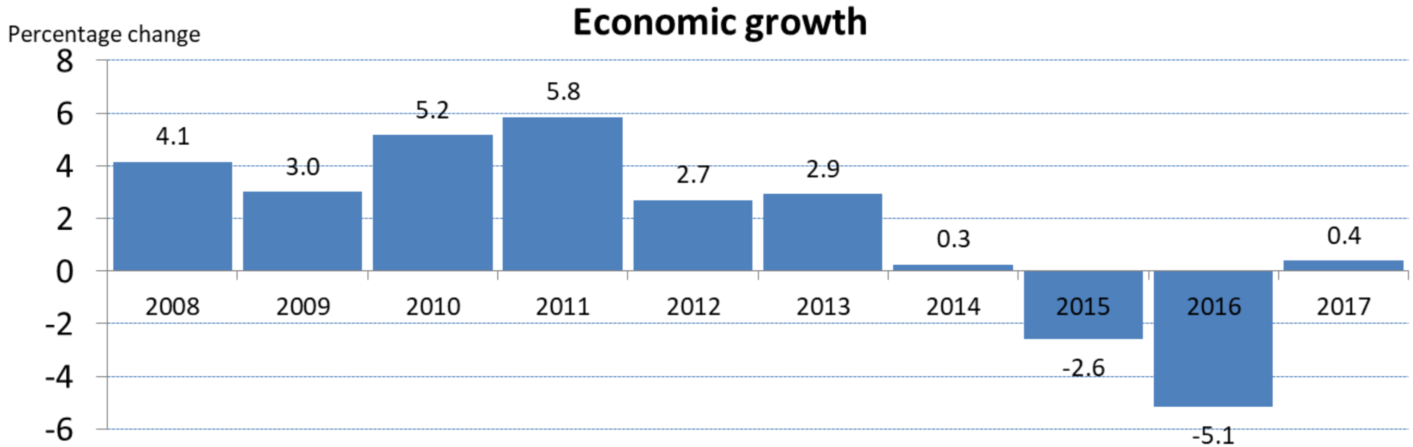
Presented by

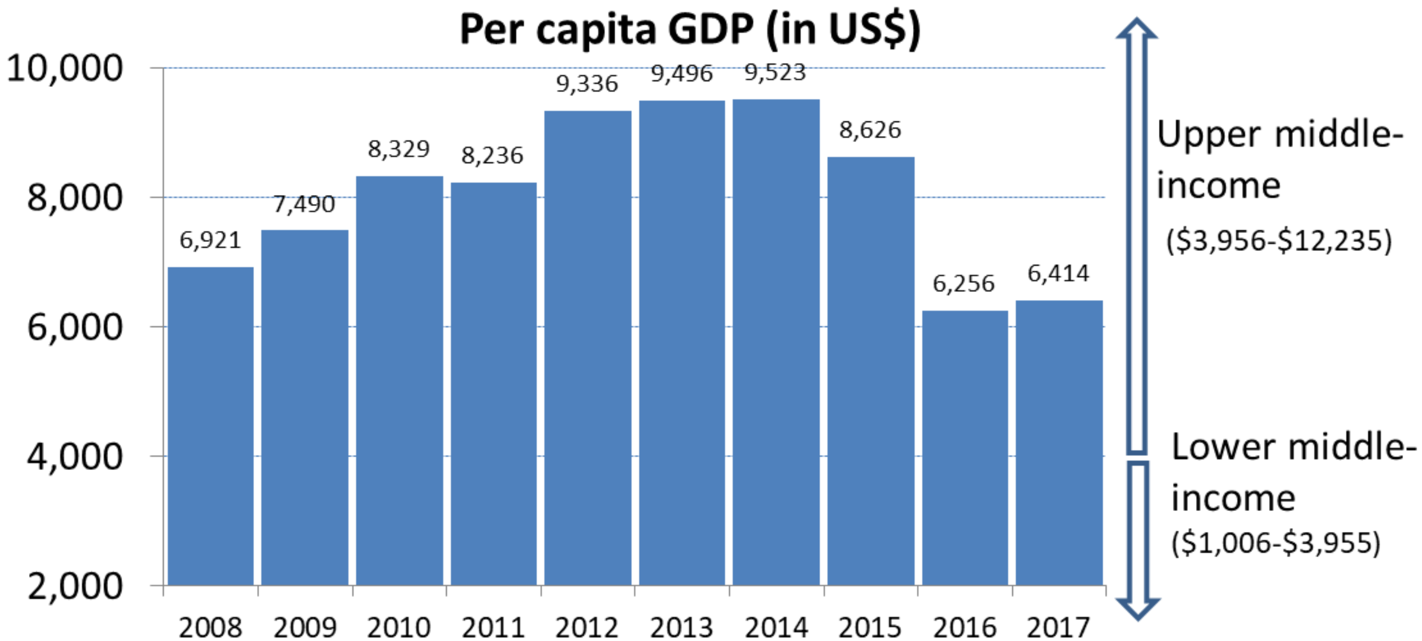
The Ministry of Finance

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, …).

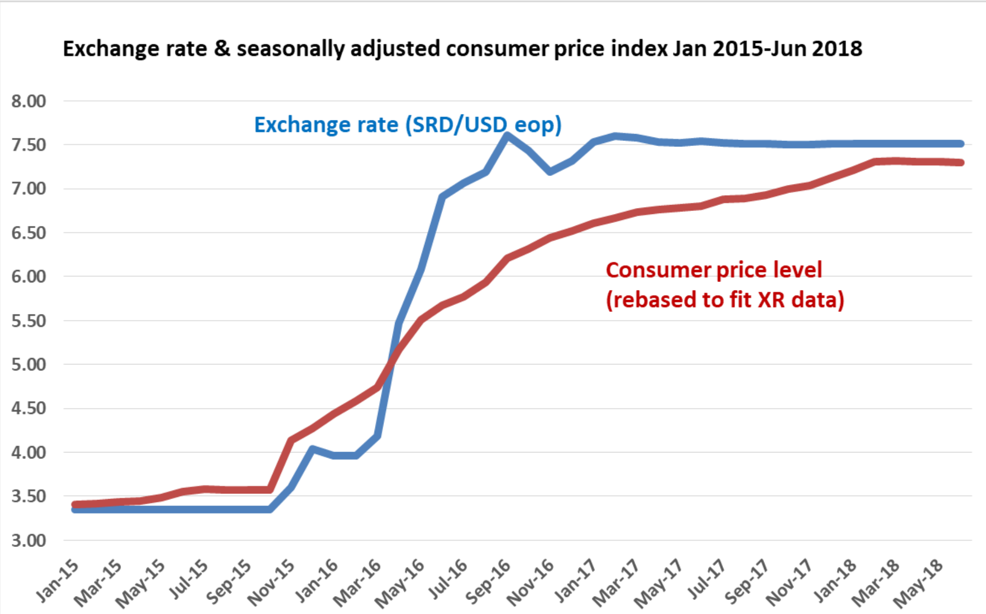

Economic growth
Percentage change
8
6
4
2
0
-2
-4
-6
4.1
3.0
5.2
5.8
2.7
2.9
0.3
-2.6
-5.1
0.4
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017


Per capita GDP (in US$)
10,000
8,000
6,000
4,000
2,000
6,921
7,490
8,329
8,236
9,336
9,496
9,523
8,626
6,256
6,414
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
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



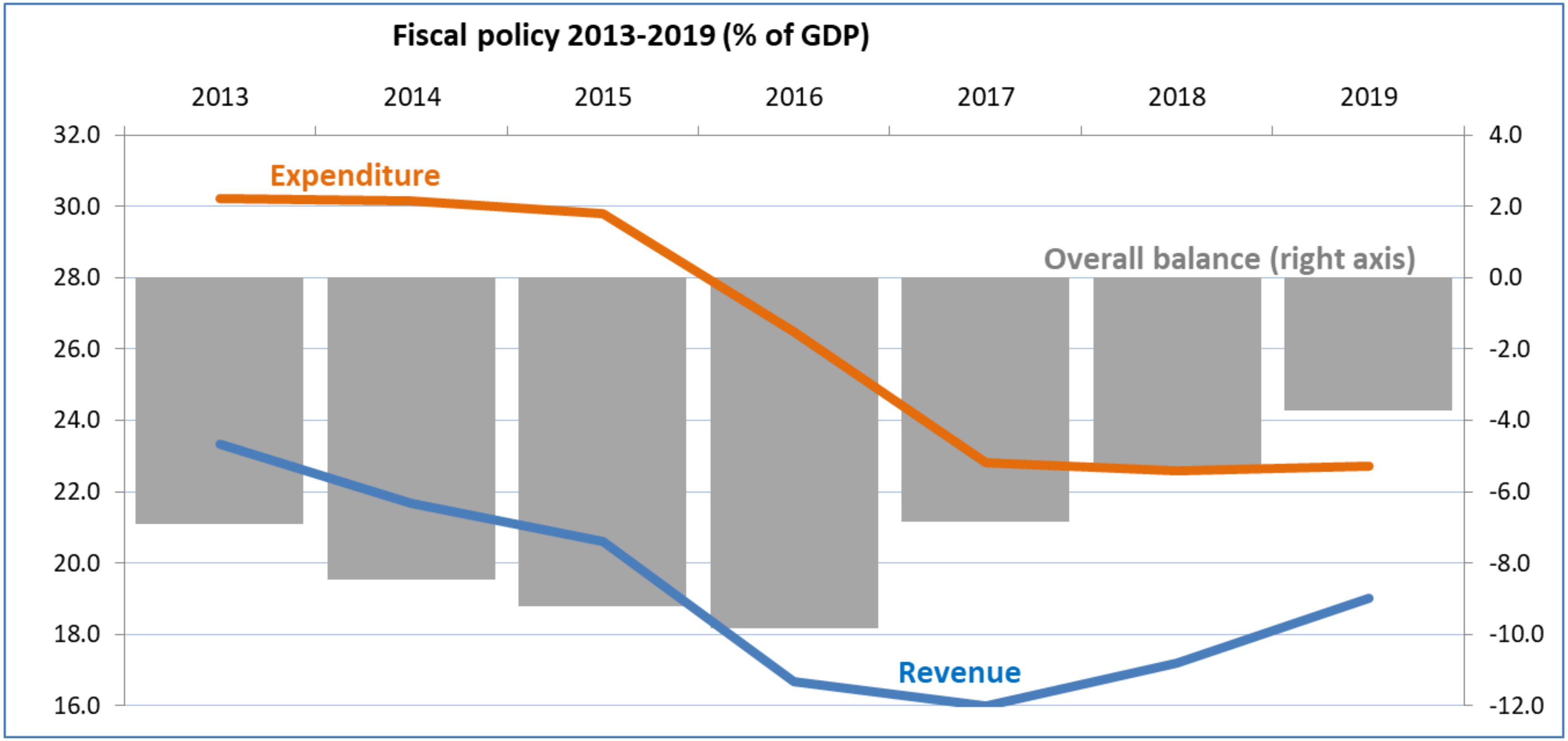
	2016	2017	2018	2019
	(actual)		(projection)	
End of period	52.4	9.2	3.9	3.7
Average	55.6	22.0	6.7	3.2

- 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 developments 2015-18

Central Government operations

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

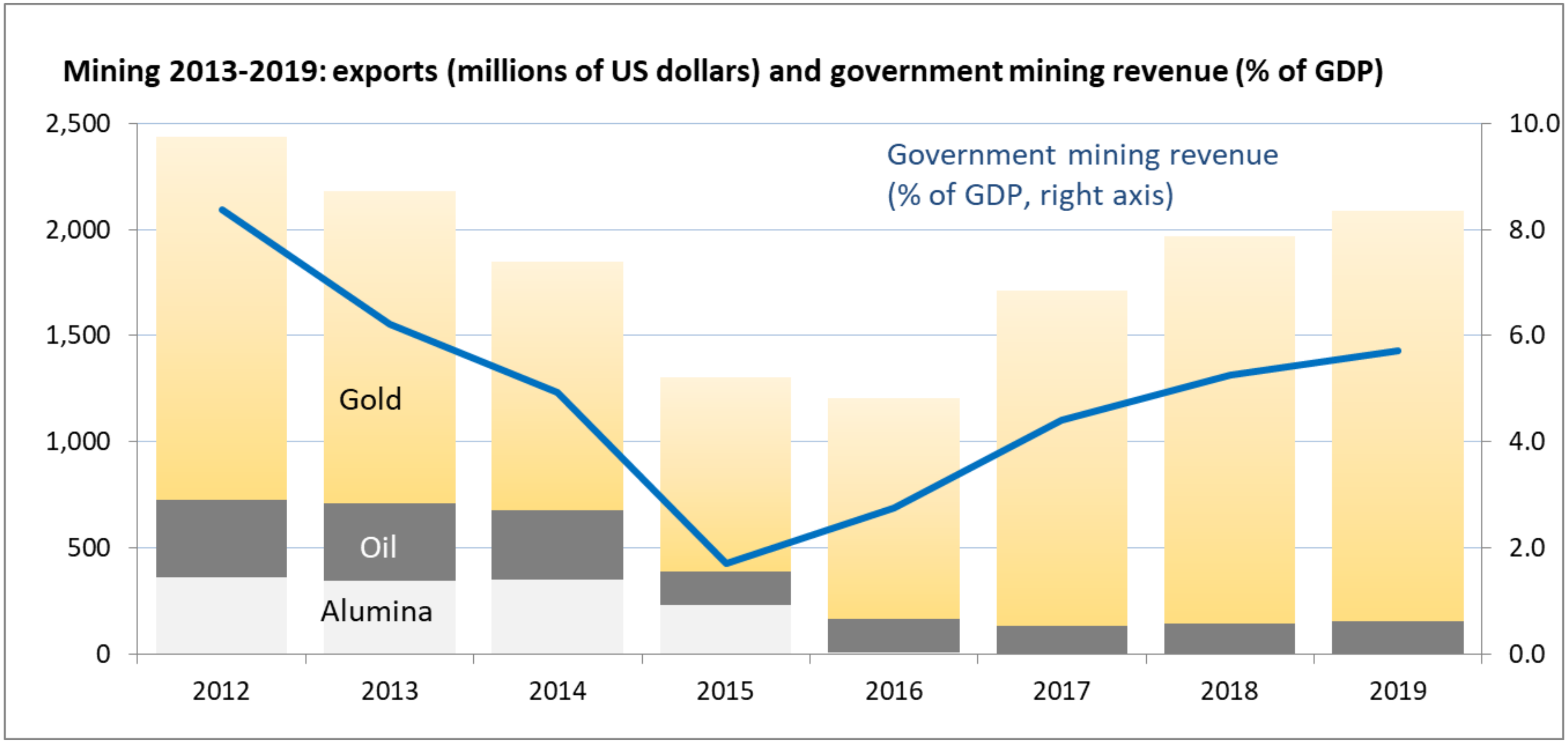
1) On a commitment basis. Corrects for cash payments for domestic arrears.

- 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.

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



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