Fitch Upgrades Suriname's FC IDR to 'B+'; Outlook Revised to Stable Ratings
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Fitch Ratings-New York-29 July 2011: Fitch Ratings has taken the following rating actions on the Issuer Default Ratings (IDRs) and Country Ceiling of Suriname:

--Foreign currency (FC) IDR upgraded to 'B+' from 'B';
--Local currency IDR affirmed at 'B+';
--Country ceiling upgraded to 'B+'.

The Rating Outlook is revised to Stable from Positive.

Suriname's upgrade reflects its comparatively strong external credit metrics, structural improvements in balance of payments dynamics, and positive growth momentum. Moreover, authorities are committed to clearing the outstanding external arrears with the United States, USD32 million (1% of GDP) in overdue principal, interest and penalty payments, thus improving the sovereign's debt repayment record.

Suriname's creditworthiness is also underpinned by its comparatively richer economy in relation to peers as evidenced by high GDP per capita and advanced standards of living. The country's governance indicators surpass the 'B' median in terms of political stability, rule of law and government effectiveness. On the other hand, weaknesses in the macro policy framework that result in high inflation volatility, limited fiscal financing flexibility and high commodity dependence are chief credit constraints for Suriname.

'An increasingly diversified export basket has enhanced the capacity of the economy to generate larger and more resilient current external receipts, thus strengthening the sovereign's external solvency and liquidity indicators,' said Erich Arispe, Director in Fitch's Sovereign Group.

Suriname presently is among the largest net sovereign external creditors among 'B'-rated sovereigns. In addition, external liquidity has strengthened considerably, reaching 937% in 2010, significantly above the 'B' median, thus partly mitigating risks related to commodity dependence and high financial dollarization.

Inflationary pressures have risen significantly in 2011 as a result of higher international commodity prices, a 70% rise in the fuel tax, increased public spending and the devaluation of the official exchange rate in January 2011.

'A tighter fiscal policy as well as phasing out central bank financing to the central government would support bringing inflation expectations under control and improving macroeconomic stability,' added Arispe.

While deficits have increased in recent years (4.1% of GDP in 2010), government indebtedness in gross and net terms - at 26% and 21% of GDP, respectively - as well as interest payments as a share of total revenue are lower than the 'B' medians. Moreover, debt amortizations are manageable, thus further reducing refinancing risks.

Fitch notes, though, that the relatively weak budgetary institutional framework could pose risks to fiscal consolidation over the forecast period.

Greater confidence in the ability of the new government to ensure sustained growth in the context of broad macroeconomic stability would be positive for creditworthiness. Fitch would also view positively reforms designed to strengthen the monetary and fiscal policy framework. Conversely, significant fiscal slippage and policy mismanagement that lead to macroeconomic and financial instability would negatively affect the sovereign's ratings.

Contact:

Primary Analyst
Cesar Arias
Associate Director
+571 326-9999 ext. 1940
Fitch Ratings Colombia
Calle 69 A No. 9-85
Bogota, Colombia

Secondary Analyst
Erich Arispe
Director
+1-212-908-9165

Committee Chairperson
Tony Stringer
Managing Director
+44-20-3530-1219

Media Relations: Cindy Stoller, New York, Tel: +1 212 908 0526, Email: cindy.stoller@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:
--'Sovereign Rating Methodology' (Aug. 13, 2010).

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