International Monetary Fund
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**IMF Executive Board Concludes 2013 Article IV Consultation with Suriname**

On September 30, 2013, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Suriname.[1]

Suriname's macroeconomic performance has strengthened markedly over the past decade. Since 2000, stronger policies and buoyant commodity prices, supported by political stability, have helped improve macroeconomic performance, enabling Suriname to enjoy several recent upgrades from major ratings agencies. At this juncture, however, with gold prices declining after a long upswing, the main challenges are to strengthen institutions and adjust policies to avoid the onset of a boom-bust cycle.

Growth remains robust while inflation has declined considerably. In 2012 Gross Domestic Product (GDP) grew an estimated 4.75 percent; similar to 2011 and among the highest in the region, supported by buoyant commodity prices particularly gold. However, while export volumes for gold grew strongly, they were anemic for the other two main commodities—oil and aluminum. Inflation has dropped sharply, and stood at 2.5 percent in May 2013.

Bank credit growth to the private sector has risen to a robust 17.25 percent (year on year) in May 2013, led by trade and housing construction, with stable lending rates in both domestic and foreign currency. Financial intermediation remains low, however, with private sector credit at 26 percent of GDP in 2012. Commercial banks remain profitable and liquid. Non-performing

[1] 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.

loan (NPL) ratios are somewhat high, but declined from about 8 percent in 2011 to 7.1 percent currently.

However, the fiscal position has weakened substantially. The overall fiscal balance fell by 5 percentage points to a deficit of 4 percent of GDP in 2012. Much of the deterioration was due to a jump in current spending, including on subsidies. Fiscal pressures intensified further in the first quarter of 2013 as a result of wage hikes and a pickup in capital spending. While measures have been taken since March to contain spending, the overall deficit for 2013 is likely to be around 3 percent of GDP. Public debt remains low at 22 percent of the GDP.

The external balance has also declined considerably. The current account surplus declined by about 1.5 percentage points to an estimated 4.25 percent of GDP in 2012. In the first quarter of 2013, the weakening intensified and a current account deficit was recorded, as the usual seasonal decline in receipts was accompanied by increased imports and declining commodity export prices. International reserves dipped moderately but remain adequate at 4.25 months of imports.

**Executive Board Assessment**[2]

Executive Directors welcomed Suriname’s strong growth supported by sound policies and buoyant commodity prices. They noted, however, that the country’s heavy reliance on commodity exports has exposed fiscal and external vulnerabilities. Directors stressed the need to build up buffers, promote fiscal sustainability, strengthen the financial sector, and enhance competitiveness.

Directors welcomed the authorities’ commitment to fiscal consolidation. They recommended targeting a moderate fiscal surplus over the medium term. Adjustment efforts should aim to streamline expenditure on goods and services, moderate public wages, improve the targeting of subsidies, and prioritize capital projects. It will also be important to ensure that the planned social security scheme is fiscally sustainable.

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[2] 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.

Directors commended the authorities' plans to strengthen the fiscal framework. The public financial management law when completed would provide a sound basis for a fiscal anchor and medium-term expenditure ceilings. Directors also lauded efforts to establish a sovereign wealth fund and strengthen customs and tax administration, and recommended intensifying efforts to implement a properly-designed value-added tax. Directors urged caution regarding the authorities' plans to purchase minority stakes in two gold mining ventures financed by a sovereign bond issue.

Directors supported monetary tightening in case fiscal measures prove inadequate to contain demand pressures. They urged the authorities to press ahead with plans to establish open market operations. Directors underscored the importance of prudent macroeconomic policies to support the fixed exchange rate. They encouraged the authorities to remove the remaining multiple currency practices when the opportunity arises.

Directors noted that the financial sector appears relatively sound, but urged vigilance over the rapid growth of credit. They welcomed the progress in overhauling the banking sector regulatory framework and strengthening the Anti Money Laundering /Combating the Financing of Terrorism regime. They looked forward to the authorities' plans to upgrade the insurance sector regulatory framework, establish a credit bureau and a deposit insurance scheme, and reduce state ownership in the banking sector. They recommended continued efforts to reduce dollarization.

Directors underscored the need to boost competitiveness through reinvigorated steps to strengthen the business environment. They also recommended action to improve labor market flexibility.

Directors looked forward to plans to upgrade the statistics law and strengthen reporting requirements to help address data gaps.

**Suriname: Selected Economic Indicators**

| | 2009 | 2010 | 2011 | Est. 2012 | Proj. 2013 | Proj. 2014 |
|---|---|---|---|---|---|---|
| (Annual percentage change, unless otherwise indicated) | | | | | | |
| **Real sector** | | | | | | |
| GDP at 2007 prices | 3.0 | 4.1 | 4.7 | 4.8 | 4.7 | 4.0 |
| GDP at current market prices | 9.7 | 12.7 | 17.3 | 11.6 | 5.3 | 7.5 |
| Consumer prices (end of period) | 1.3 | 10.3 | 15.3 | 4.4 | 3.0 | 4.0 |
| Consumer prices (period average) | 0.0 | 6.9 | 17.7 | 5.0 | 2.8 | 4.7 |
| **Money and credit 1/** | | | | | | |
| Banking system net foreign assets | 11.4 | 3.1 | 19.3 | 17.5 | -7.7 | 5.6 |
| Broad money | 26.6 | 11.2 | 11.7 | 19.6 | 11.5 | 7.7 |
| Private sector credit | 12.2 | 10.9 | 12.0 | 16.7 | 14.2 | 11.4 |
| (In percent of GDP, unless otherwise indicated) | | | | | | |
| **Savings and investment** | | | | | | |
| Private sector balance (savings-investment) | 2.7 | 9.6 | 4.9 | 8.2 | -0.6 | -2.0 |
| Public sector balance | -2.4 | -3.1 | 0.9 | -4.0 | -2.9 | -4.0 |
| Foreign savings | -0.3 | -6.4 | -5.8 | -4.2 | 3.5 | 6.1 |
| **Central government** | | | | | | |
| Revenue and grants | 25.3 | 22.7 | 27.8 | 25.9 | 25.7 | 24.8 |
| Total expenditure | 27.7 | 25.9 | 26.9 | 29.9 | 28.6 | 28.8 |
| *Of which*: noninterest current expenditure | 20.1 | 20.0 | 19.8 | 23.2 | 23.4 | 23.3 |
| Overall balance | -2.4 | -3.1 | 0.9 | -4.0 | -2.9 | -4.0 |
| Net domestic financing | 2.1 | 1.9 | -3.7 | 1.8 | 0.9 | 2.4 |
| Net external financing | 0.3 | 1.2 | 2.8 | 2.1 | 2.0 | 1.6 |
| **Central government debt 2/** | 15.6 | 18.5 | 20.4 | 22.0 | 37.1 | 39.6 |
| Domestic | 8.6 | 10.8 | 9.6 | 10.1 | 11.9 | 14.6 |
| External | 6.9 | 7.7 | 10.8 | 11.8 | 25.2 | 25.0 |
| **External sector** | | | | | | |
| Current account balance | 0.3 | 6.4 | 5.8 | 4.2 | -3.5 | -6.1 |
| Capital and financial account | 1.0 | -6.3 | 0.2 | 5.2 | 0.4 | 6.6 |
| Change in reserves (US$ millions, - increase) | -97 | -22 | -142 | -138 | 155 | -31.1 |
| Gross international reserves (US$ millions) | 763 | 785 | 927 | 1,065 | 910 | 941.1 |
| In months of imports | 5.2 | 4.9 | 5.0 | 5.3 | 4.3 | 4.5 |
| Terms of trade (percent change) | 3.1 | -3.8 | -2.5 | 0.8 | 0.7 | 1.1 |
| Exchange rate (SRD per US$, end of period) | 2.75 | 2.75 | 3.30 | 3.30 | 3.30 | … |

Sources: Suriname authorities; and IMF staff estimates and projections.

1/ Data for 2011 are at a constant exchange rate of SRD 2.75 per US$ 1.

2/ Includes central government and government-guaranteed public debt.