



BUREAU VOOR DE STAATSSCHULD

Suriname Debt Management Office (SDMO)

Quarterly report

2nd Report 2022

An Overview of the Macro-economic Developments November 29, 2022

Introduction

The Suriname Debt Management office (SDMO) has decided to produce a quarterly report this year, titled: **“An Overview of the Macro-economic Developments”**. On a quarterly basis, the SDMO will present the relevant international and economic developments of Suriname. This report describes the developments in 2022 based on available data.

If you have any questions please contact SDMO at email address: info@sdmo.org or telephone: 597 552644 and 597 552645.

Summary

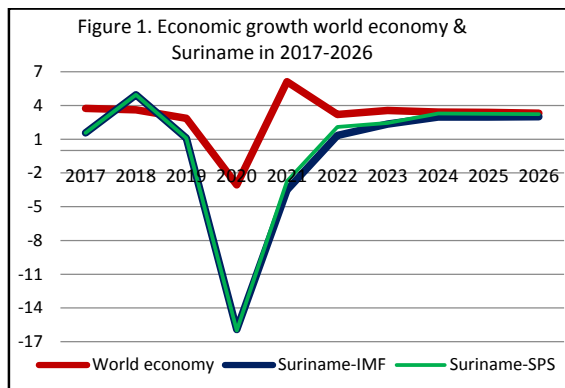
Based on the most recent, updated and available statistics and information, as well as the outlook up to and including mid-November 2022, analysis has been made and can be summarized as follows:

- Due to the slowdown of economic growth and growth expectations, high inflation and deterioration of global financial conditions, many people are concerned that the global economy will soon enter into recession.
- The growth of the Surinamese economy in 2021 compiled by the ABS is -2.7, while the National Planning Office estimated the growth for 2022 at 2.1 percent and projected the growth for 2023 at 2.4 percent. The fast-growing sectors in 2022 and 2023 are mostly the service sectors, with the hospitality sector in particular experiencing a revival after the COVID period.
- The current account of the balance of payments after 9 quarters again shows a deficit at the end of the second quarter of 2022. The deficit can be attributed to a decrease in the surplus on the balance of goods due to a huge increase in imports.
- From May-June there is an increase in the exchange rates of the local currency to foreign currency and the same trend is also seen in the SRD resources in circulation. Government policies resulting in increased expenditures on subsidies in these months, are seen as the cause of the rising money supply, while monetary policy through open market operations has not been able to adequately respond by neutralizing these resources.
- The average borrowing interest rate on SRD credits from the banking sectors has been declining slightly in recent months, while the borrowing debt interest rate remains constant despite high inflation this year. The total of outstanding real credits is decreasing, while the competitive position between the banks is high.
- At the end of August 2022, the surplus on the primary account of the government amounted to SRD 574 million and is approximately 0.8 percent of the estimated GDP for this year. This result is well below the target of 1.7 percent within the IMF Extended Fund Facility program. The financing gap in this period is estimated at approximately 0.2 percent of GDP and was largely financed by foreign resources.
- In the context of the IMF-EFF, the government is currently discussing with the IMF how the program can be adjusted. The intention is that the board approval for the further implementation of the program, based on the evaluation of the second, third and fourth quarters of 2022, will jointly take place in the first quarter of 2023.

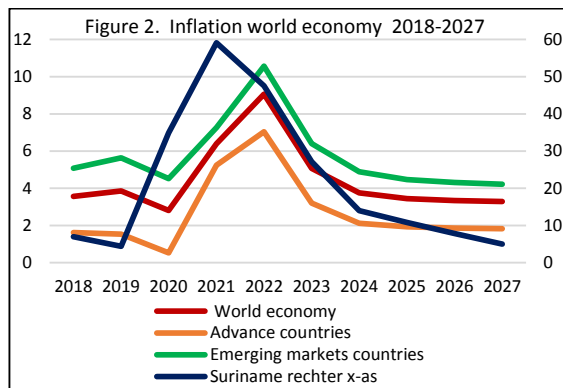
Economic growth and investments

The global economy is facing extreme challenges due to the consequences of the war between Russia and Ukraine, high inflation in the world and a slow down of the economic growth in China. The growth of the world economy in 2022 is still estimated by the IMF at 3.2 percent, while growth in 2023 is currently projected at 2.7 percent; 0.2 percentage point lower than in July of this year (figure 1). This year, about a third of the global economy is expected to experience a contraction in the output, while the three largest economies, namely the USA, the EU and China are having a slowdown in their economic growth¹.

The Chinese economy is going through many lockdown periods this year due to the Zero COVID policy, resulting in a slowdown in economic activities. China's real estate sector, which represents approximately 20 percent of the economy, has also weakened considerably. To improve the situation, Chinese authorities have eased COVID restrictions in some cities. To stimulate the real estate sector, interest rates on loans for the purchase of houses were reduced by approximately 50 percent at the beginning of October. China's economic growth this year is estimated at approximately 3.2 percent after growth of 8.2 percent in 2021. The projected growth for 2023 has been set by the IMF at 4.4 percent.



Source: IMF WEO Oct 2022, SPS



Source: IMF WEO Oct 2022

The war between Russia and Ukraine has not only destroyed many lives and caused much material damage, but also further destabilized the world economy due to high prices of goods and services. There is an energy crisis in Europe, resulting in a sharp increase in the cost of living this year.

The medium-term inflation in the world will peak in 2022. It is estimated at 9.1 percent for the world economy, 7 percent for developed countries and 10.4 percent for emerging economies and developing countries (figure 2). In Suriname, inflation is declining, after peaking at around 60 percent in 2021. Average inflation in 2022 is expected to be around 48 percent.

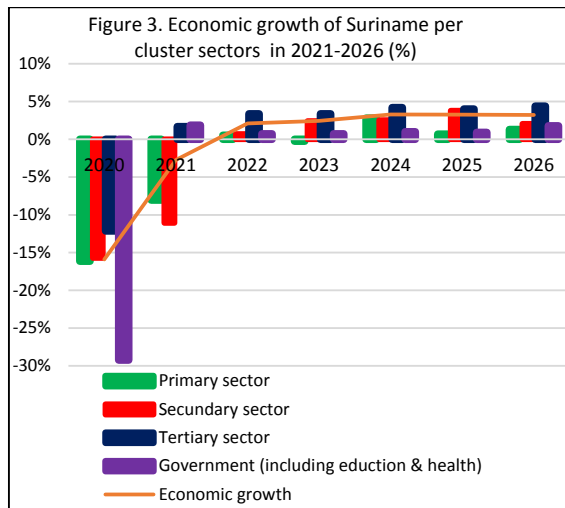
To tackle and stabilize inflation, tight monetary policies are implemented in many countries in order to monitor the broad money supply. Because of this, and due to the strong US-dollar, interest rates are rising around the world. Due to the high international prices for commodities, international trade is declining this year. This has somewhat eased the bottlenecks in the supply chain of goods in the world this year.

Although the IMF has not predicted a medium-term recession, many expect the global economy to enter into a recession (contraction of the economy) in the near future. The reasons are the slowdown in growth in recent years and slowed growth expectations for the future, high inflation and the deterioration of financial conditions of global capital markets. To avoid a recession, policymakers must

¹ The growth for the USA, the EU and China this year is estimated by the IMF at 1.6 percent, 3.1 percent and 3.2 percent respectively.

take measures that affect both the supply and demand sides of the economy. Central banks and other monetary authorities should take measures to stabilize inflation, while fiscal policy should aim at sustainable medium-term debt management policies and create fiscal space to support the hard-hit segments of society. Policies must also be made to address constraints within the energy sector, labor markets and international trade in order to contribute to the supply side of the economy.

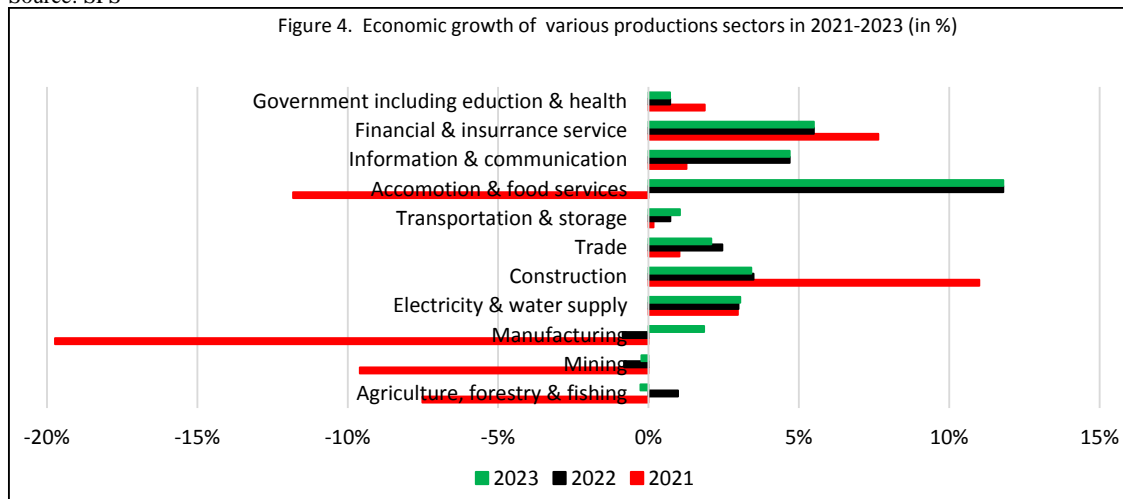
In September 2022, the ABS released the GDP figure and economic growth for 2021. The growth of the economy is set at -2.7 percent for the past year, after the huge contraction of 16 percent in 2020. In figure 1 we see that the growth forecast of the Surinamese economy for 2022 is estimated by the IMF at a lower rate than the National Planning Office (SPS). For example, economic growth for 2022 has been estimated by the SPS and the IMF at 2.1 percent and 1.3 percent respectively, while the growth forecast for 2023 is around 2.3 and 2.4 percent, according to both institutions.



Figures 3 and 4 show that the growth in 2022-2026 is mainly coming from the service (tertiary) sectors. It is expected that from 2023, the secondary production sectors² will pick up. In 2022-2023, according to the National Planning Office, the sectors: accommodation & food services, financial services and the information and technology sector will grow strongly.

The lifting of the lockdown periods and a greater influx of tourists, due to more frequent air traffic in 2022, has mainly benefited the hospitality sector (accommodation & food services). This sector that contracted by 12 percent in 2021 is expected to grow between 10-12 percent in 2022 and 2023.

Source: SPS

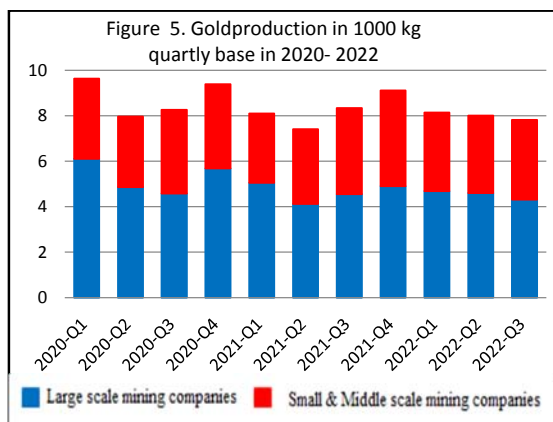


Source: SPS

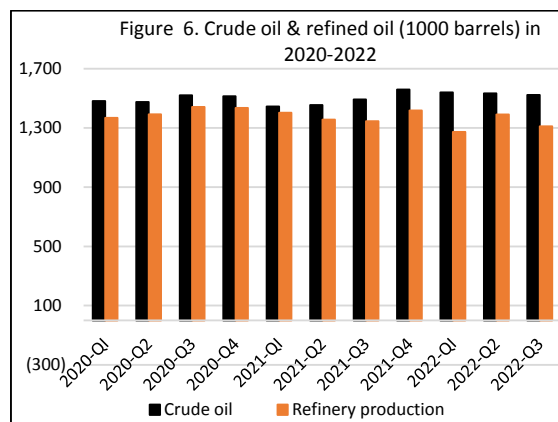
In 2023, the industrial (manufacturing) sector and the agricultural sector are expected to achieve a minimum growth of 1-2 percent.

The mining sector, which contracted significantly by 10 percent in 2021, is still showing a decline in output in 2022 and this is also the expectation for 2023.

² Secondary production sectors include industry and manufacturing, electricity, gas, steam and cooled air, and water supply: sewerage, waste management and sanitation.



Source: CBvS



Source Staatsolie Maatschappij Suriname N.V.

At the end of September 2022, gold production amounted to approximately 23,964 kg. This is 0.5 percent higher than production in the same period of 2021. However, the production of the large mining companies is expected to decrease further this year. In addition to the heavy rainfall in the first half of the year, which led to declining production, Newmont Suriname LLC is facing a depletion of alluvial gold, which requires them to mine deeper in the future. Mining deeper requires greater investment. As a result, the gold production of this multinational is expected to decrease further in 2023. At IAMGold Suriname, namely the operations of Rosebel Gold Mines (RGM) and the Saramacca mine, production is expected to be slightly higher this year than in 2021.

The Canadian company IAMGOLD is currently in the process of offering its 95 percent share in the Rosebel Gold Mines (RGM) operations and 70 percent share in the Saramacca mine to a Chinese mining company Zijin Mining Group Co Ltd. The other shareholders of these operations are the State of Suriname (5 percent RGM operations) and Staatsolie Maatschappij (30 percent Saramacca mine). The Zijin Mining Group Co Ltd. belongs to the top 10 largest mining companies worldwide. Matters still need to be finalized.

The crude oil production is still stable (figure 6). In the first three quarters of 2022, the refinery's production will be approximately 3 percent lower than in the same period in 2021. The low production here is particularly noticeable in the first and third quarters due to maintenance activities at the refinery.

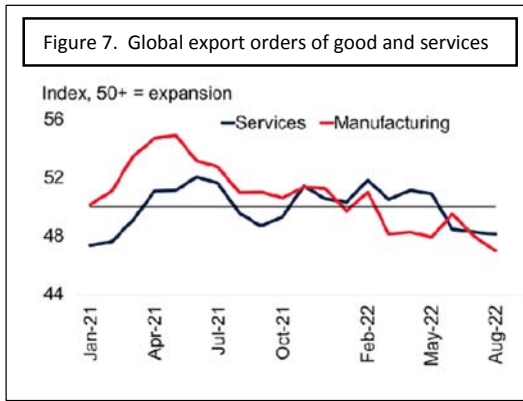
Regarding offshore oil production the FID (Final Investment Decision for Block 58 will not take place by mid-2023, according to the director of Total Energies.

N.V. Staatsolie Maatschappij wants to accept the option to buy 20 percent shares in this oil reserve block and is currently gathering the funds for this investment.

The total investments to achieve production have been estimated at approximately USD 10 billion by the French company Total Energies.

International trade and capital flows

As indicated earlier, the international trade of goods and services is declining in 2022. In figure 7 this is reflected in the decreasing trend of export orders of goods and services in 2022 compared to 2021.

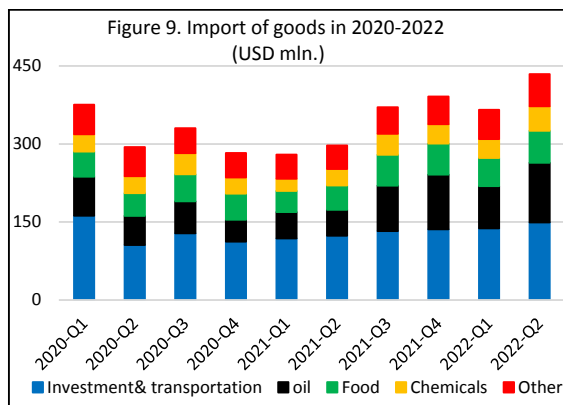


Source: Worldbank Global Monthly Sept 2022

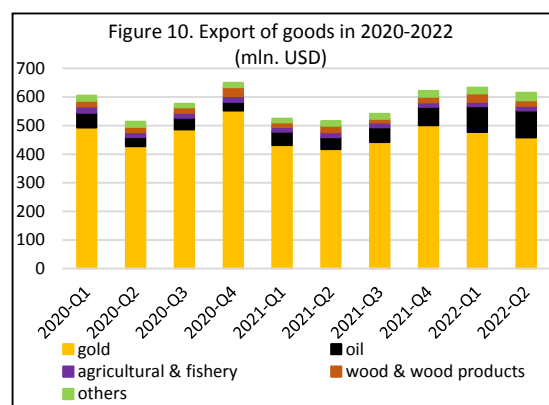


Source: CBvS with calculations by SDMO

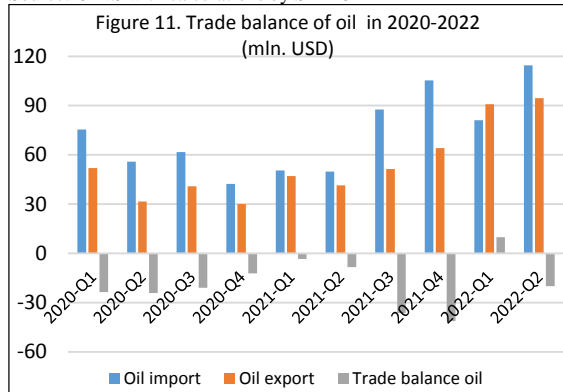
The balance of payments of Suriname shows a positive trade balance in the first half of 2022, with total exports and imports of goods and services amounting to USD 1.3 billion and USD 1.1 billion respectively. Compared to the first half of 2021, exports increased by 21.7 percent, while imports increased by no less than 38 percent. Due to the increasing economic activity this year after the approximately 2-year COVID-19 situation and the increased international prices for goods and services, the import value of goods and services has risen sharply this year.



Source: CBvS with calculations by SDMO



Source: CBvS with calculations by SDMO



Source: CBvS with calculations by SDMO

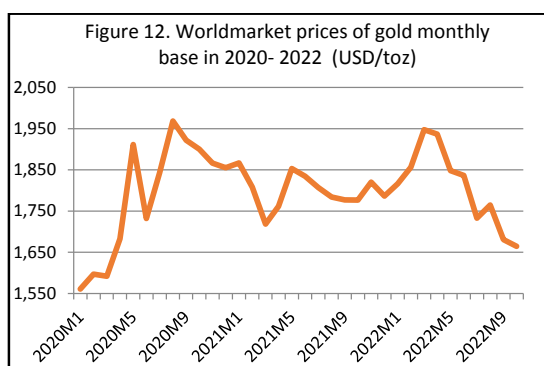
Due to high import inflation, imports were approximately 14.3 percent higher in the second quarter of 2022 than in the first quarter. The import value of oil products experienced the largest increase of approximately 41.2 percent in this quarter (figure 9). Figure 10 shows that the oil trade balance in the period 2020-2022 is structurally negative. There was only in the first quarter of 2022 a trade surplus of USD 10 million, while the average deficit on a quarterly basis during this period amounts to approximately USD 21 million.

The export value of goods was approximately 2.8 percent lower in the second quarter of 2022 than in the first quarter (figure 10). The export value of gold and timber products decreased by USD 19 million and USD 10 million respectively in this quarter.

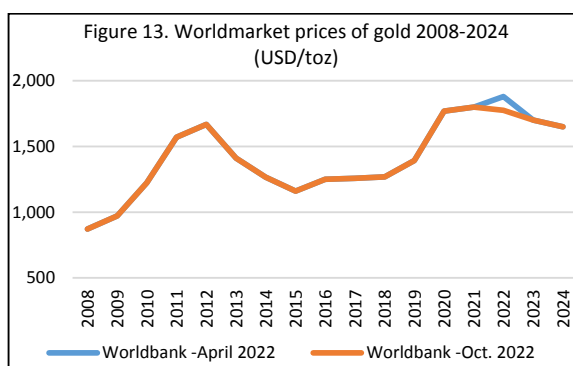
The decreasing export value of wood and wood products is due to lower production because of the heavy rains, resulting in poor and closed roads to the forestry areas in this period.

In the second quarter of 2022, the gold export volume was around 8000 kg, almost at the same level as the first quarter of the year. The falling export value is the result of declining gold prices. While the average gold price was still USD 1,873.3 toz in the first quarter of 2022, it decreased to USD 1,805.9 toz in the second quarter. The gold price continues to show a downward trend (figure 12). The downward trend is the result of the strong US-dollar due to an increase in US interest rates on the Federal Reserve Funds in the recent periods and the inverse correlation between the US-dollar and the gold price³.

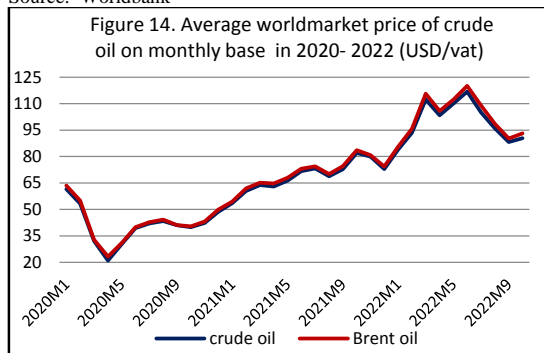
Because of this development, the World Bank has downwards adjusted its estimate of the average gold price for 2022. The estimated average gold price for 2022 has been adjusted from USD 1,880 toz. in April to USD 1,775 toz. in October (figure 13). As of November 14, the average international gold price was approximately USD 1,768.9 toz.



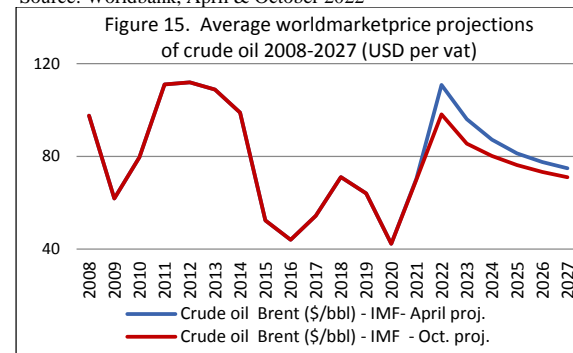
Source: Worldbank



Source: Worldbank, April & October 2022



Source: Worldbank



Source: IMF, WEO April & October 2022

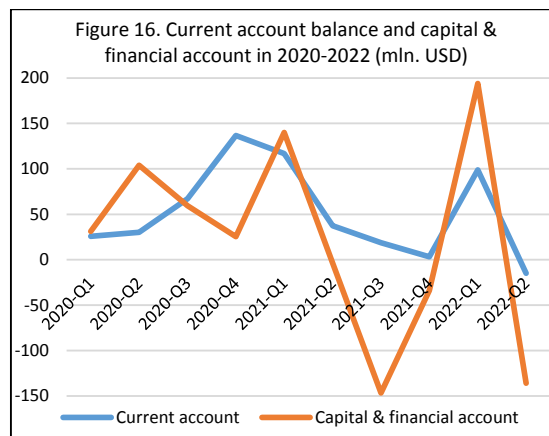
The export value of oil products (gasoline, diesel, fuel oil, asphalt) in the first and second quarter of 2022 amounted to USD 91 million and USD 94 million respectively. Rising oil prices were the cause of the increased oil revenues. Oil prices are very volatile. The average price of crude oil, which was still around USD 70 per barrel in 2021, increased to around USD 103 per barrel in the first half of 2022.

³ There is an inverse relationship between the gold price and the US-dollar. In the period 1900-1971 there was gold standard currency system. Under this system, the value of the US-dollar was tied to a certain amount of physical gold, while other currencies were tied to the US-dollar. This currency system was abandoned in 1971. The US-dollar became a fiat currency (a currency that derives its value from government regulation, not gold) and was used as a reserve currency. Gold was linked to floating exchange rates, making the price sensitive to the value of the US-dollar in addition to supply and demand. When the US dollar rises, the gold price goes down and vice versa.

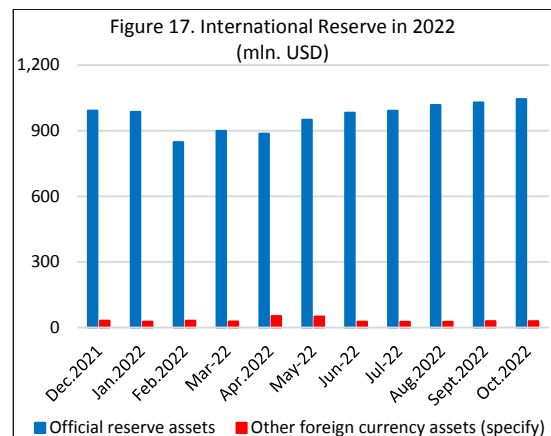
The average monthly price peaked in June at USD 120 per barrel (figure 14). After June, the price was declining to USD 90 per barrel in September.

The fall in the price must be sought in the concern about declining economic growth in the world. In October, there was another rebound in prices due to the announcement of the OPEC-plus countries to cut their production in November. This reduction is expected to be minimal, as most of these countries are already below their target production.

In October 2022 the IMF revised its oil price projections downwards (figure 15). The average price for 2022 is currently estimated at USD 98 per barrel, compared to previous estimates of USD 111 per barrel. Declining growth expectations from China and the rest of the world, in addition to increasing oil storage volumes in the USA, are the main reason for a lower projected oil price in the future.



Source: CBvS



Source: CBvS

After nine quarters, the current account of the balance of payments is again negative and amounted to USD 14.8 million over the second quarter of 2022 (figure 16). This deficit is the result of a decrease of approximately 31 percent in the surplus on the goods account, as a result of the sharp rise of imports this year. In addition, the balance on the service and primary income account are structurally negative⁴. The deficit of the primary income account is also structurally higher in the second and fourth quarter as a result of increased interest payments to foreign creditors in these quarters⁵.

The balance of the capital and financial account also shows a deficit of USD 135.9 million. This deficit should be seen as an inflow of financial resources into the country and is a reflection of the incoming capital flows from abroad, which have the character of a liability (debt).

With regards to Foreign Direct Investment (FDI), there is an inward capital flow of USD 41.3 million. This amount indicates the net increase of the debt position and decreasing claims of the subsidiaries on the parent companies.

With regards to portfolio investments, there is an increased investment position of local banks abroad in relation to an increased debt position of the government in the form of a higher debt on the Oppenheimer bond as a result of the rising arrears on interest payment in the second quarter.

⁴ The balance of goods, services, primary income and secondary income in the second quarter of 2022 was USD 184.3 million, -USD 128.3 million, -USD 102.5 million and USD 64.4 million, respectively. The deficit on the services balance in the second quarter was only 4.4 percent higher than in the first quarter of 2022.

⁵ Because the compilation of the balance of payments is a combination of cash and transaction basis, the rising interest cost (-) in the second and fourth quarters represents the interest cost of the Oppenheimer international capital market bond of the government or Euro bond. Even if this interest cost is not paid, it is included in the primary income account. The counterpart of this increased indebtedness takes place in the financial account as an increased portfolio liability (+). If this interest cost is not paid, the net result of the balance of payments is not affected.

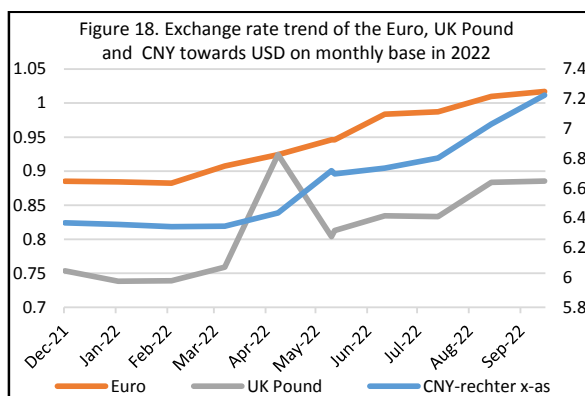
Other financial transactions with other countries include net drawdowns on government debt and a decrease in the claims of local banks with the rest of the world, partly due to the finance of the highly increased imports.

At the end of the first half of the year, the balance of payments showed a positive result of approximately USD 12 million. Due to exchange rate and valuation differences of the Euro, SDR and gold against the US-dollar, the net International Reserve decreased by approximately USD 10 million to USD 982.5 million at the end of June 2022 compared to 2021.

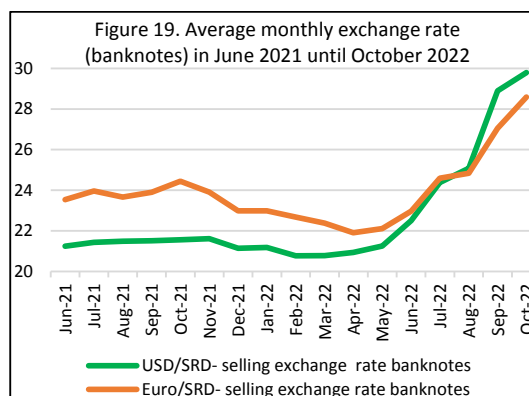
At the end of October 2022, the international reserve amounts to USD 1,045 million. An increase of USD 53 million compared to the end of 2021. The increase is mostly due to inflows of capital from net drawdowns on external government debt (with the IMF and other International Financial Institutions) this year and foreign exchange income from the government (dividend, income tax and royalties) from the mining sector. The International Reserve position of almost USD 1 billion represents the cash reserve resources and work accounts of the local banks, but also the balance of payments support from the IMF program that has been allocated to the CBvS. A minimal part of the total international reserve is available for the monetary authorities to use.

Monetary and the financial sector developments

The US-dollar has continued to strengthen in recent months of the year (figure 18) because of the concerns about global growth, high inflation in the world and rising interest rates. This is also reflected in the exchange rates of the USD and the Euro against the SRD. After July, the exchange rate of the SRD/USD is higher than of the SRD/Euro (figure 19).



Source: IMF



Source: CBvS

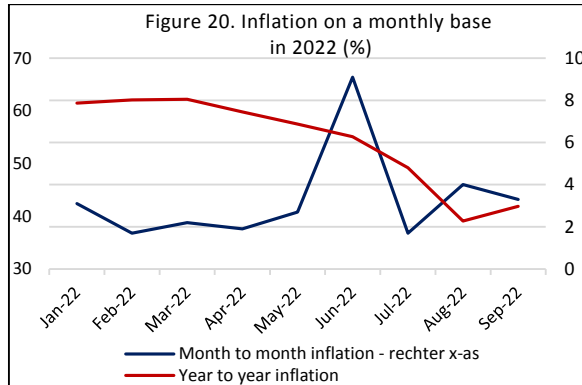
In figure 19 we see that the exchange rates started to rise from May-June 2022 and are still on a strong upward trajectory. This development is also noticeable in the Monetary Base and Broad Money Supply (M0 and M2). M0 and M2 show a minimal increase in May-June, but from July on there is an increasing rise in SRD in circulation (figures 22 and 23).

The rising money supply in recent months mainly relates to government spending, whereby, in addition to the payment of the holiday fees to civil servants in July, the government subsidies rose sharply from June onwards and contributed to money creation. The expenditures on subsidies are largely related to subsidizing the price of fuel, which resulted in the smuggling of fuel to neighboring countries.

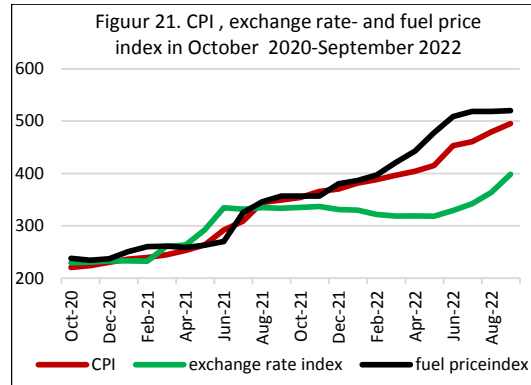
The increasing trends in the money supply, activities related to foreign currency speculation and issues of confidence among economic actors with regard to government policy, have significantly increased the demand for foreign currency. The supply of foreign currency cannot sufficiently meet the demand, so the exchange rate is increasing.

In recent months, the exchange rates of transferable deposits for the USD and Euro have fallen below

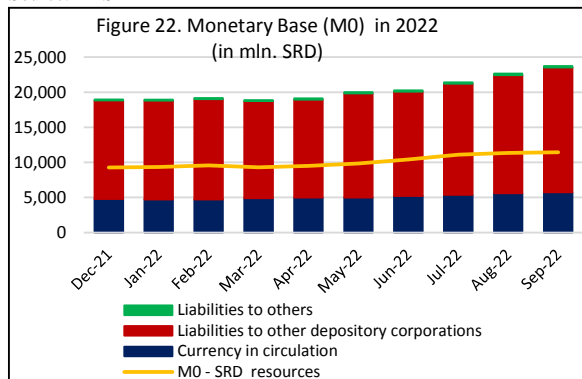
the rates of the bank notes. At the beginning of September, the government's foreign currency mineral revenues collected from the gold companies were offered to the banks to buy. This led to the increase of transferable deposits of foreign currency with the banks. In August the CBvS again started with the transport of foreign currency cash from the banks abroad⁶. As a result, the supply of foreign transferable deposits has increased at the commercial banks and the banks are once again accepting cash foreign currency resources.



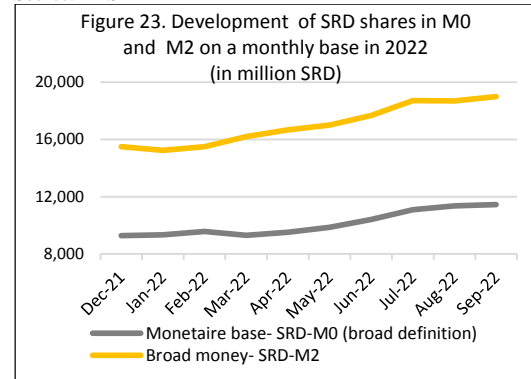
Source: ABS



Source: ABS

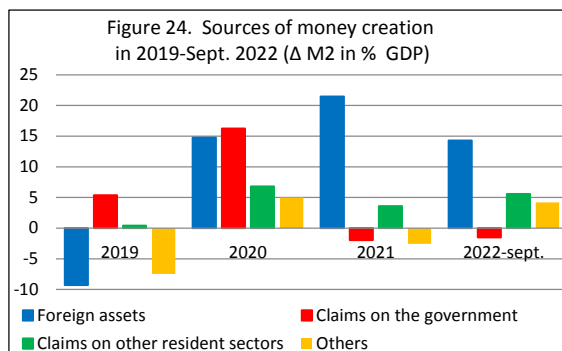


Source: CBvS



Source: CBvS

Lookin af inflation figures, the monthly inflation (figure 20) is much lower after the peak in June due to the increase in electricity tariffs and has been strongly influenced in recent months by the development of the exchange rate and fuel price increases (figure 21). Average inflation for 2022 is currently estimated by the IMF at around 48 percent instead of the previous estimate of 39 percent.



Source: CBvS with calculations by SDMO

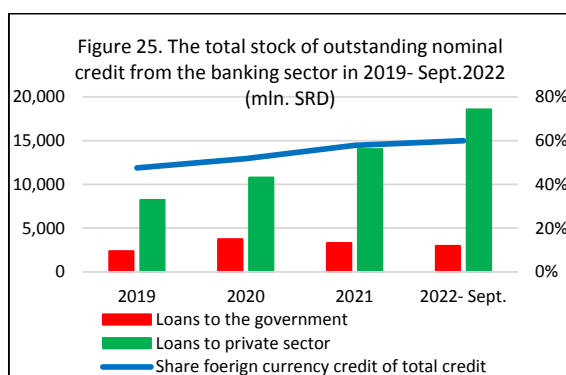
Figure 24 shows that until the third quarter of 2022, money creation largely originated from abroad, which has led to the increase of the international reserve. As far as money creation from credits/loans from the banking sector is concerned, this only relates to credit to the private sector, namely foreign currency loans granted. These loans in local currency have increased due to the high exchange rates in recent months. There was no money creation from credit to the government. On the contrary, the outstanding balance of credit to the government declined.

⁶ In the month of August, the CBvS again started money transports of cash foreign currency resources from the banks to abroad. The CBvS receives the cash USD from the banks and then transfers the received amounts to the accounts of the local banks to their correspondent banks abroad.

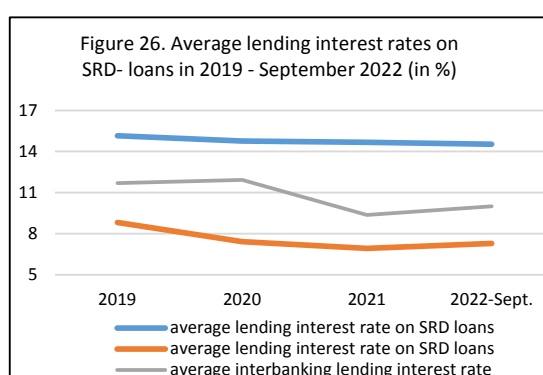
The other sources of money creation this year are largely related to the payment of OMO interest to the banking system.

The total stock of outstanding nominal credit from the banking sector in SRD as of September 2022 was SRD 17.3 billion (figure 25). Relative to the end of 2021, banking credits have grown by 24.4 percent in nominal terms, while growth in real terms has fallen by 7 percent. Due to high inflation, declining confidence in good governance and transparent government policies, investment with credit from local banks is still discouraged and there is high competition between banks to provide services.

The low demand for credit and the decrease in volume has translated into a slight decrease in the average borrowing interest rate on SRD credits, despite high inflation in 2022 (figure 26). The falling trend in average borrowing rates within our banking system stands in contrast with the development of international interest rates such as the US Federal Reserve Fund rate, LIBOR, SOFR and EURIBOR. These rates are actually rising in 2022 due to high inflation and the tight monetary policy being pursued by governments (table 1).



Source: CBvS with editing of SDMO



Source: CBvS

Table 1. Selected average international interest rates in 2019-2022

	2019	2020	2021	2022-nov.
US Libor 6 months	2,32	0,69	0,20	2,62
SOFR 6 months	n.b.	0,59	0,05	0,62
Euribor 6 months	2,32	0,69	0,20	2,62
Fed. Effective Fund rate	2,16	0,37	0,08	1,43

Source: www.global-rates.com, <https://www.newyorkfed.org>, <https://fred.stlouisfed.org>
n.a. = not available

Monetary policy of monitoring the money supply through open market operations (OMO) by the Central Bank of Suriname (CBvS), in order to control the exchange rate and influence inflation, was successful in the second half of 2022 due to increased government spending. This has caused the exchange rates to rise and in November 2022, the exchange rates are still not stable. The policy of OMO is still being implemented, while at the same time it's being evaluated by a committee appointed by the President of the country.

Although the high interest rates earned by the banking sector at OMOs is in general not channeled to banking sector interest rate policies, it can be noted that the average credit rate of term deposits (TD) of 3 months has increased from 12.3 percent in July to 21.9 percent in August. It appears that two banks have adjusted the credit interest rate on this instrument as a result of the interest earned on OMOs.

Public Finance and Government Debt

In the period January-August 2022, the government recorded a financing deficit, including statistical differences, of SRD 126 million. This is equal to approximately -0.2 percent of the estimated GDP for 2022 (figure 30). In this period, the government realized a surplus of SRD 574 million on the primary account⁷. This is approximately 0.8 percent of GDP and well below the norm of 1.7 percent of the IMF Extended Fund Facility (EFF) for this year.

Up to and including August 2022, most of the government's revenue (approx. 53 percent) comes from the mining sector (figure 28). Mining income in the first 8 months of 2022 is approximately 38 percent higher than in the same period of 2021. The increased exchange rate this year in addition to an increased royalty percentage for the gold sector, has resulted in income from the sector which mostly consists of foreign currency resources.

Royalties for small and medium-scale gold companies were increased in January 2022 from 2.75 percent to 4.5 percent. In August, the government approved a temporary increase of this royalty to 5.5 percent for 4 months in order to generate additional income. This increase has yet to be implemented in the sector.

Table 2. Government finances 2021-2022 in mln SRD

In mln. SRD	2021	2022							
		jan.	feb.	mrt.	apr.	mei	jun.	jul.	aug.
Total revenues	16,010	1,355	1,155	1,877	1,423	1,777	2,524	2,160	1,864
Total expenditures	15,119	1,174	1,316	1,836	2,020	1,730	2,029	2,427	1,878
Primary Balance	2,142	231	-79	97	-321	148	655	-182	25
Total account (excl. statistical discrepancies)	891	181	-161	41	-598	47	495	-266	-14
Financing	-1,015	-108	102	47	573	-55	-498	414	-50
Net acquisition, fin. assets	267	-	-	-	-	-	-	-	-
External financing	699	-66	248	468	-68	925	-67	-119	436
Domestic financing	-1,981	-43	-146	-421	640	-980	-432	533	-487
o.w. CBvS	-885	33	-46	-640	896	-781	-395	644	-238
Claims on the government	250	0	0	0	0	0	0	0	0
Liabilities to the government	1,135	-33	46	640	-896	781	395	-644	238
Statistical discrepancies	124	-72	59	-88	25	8	4	-147	64

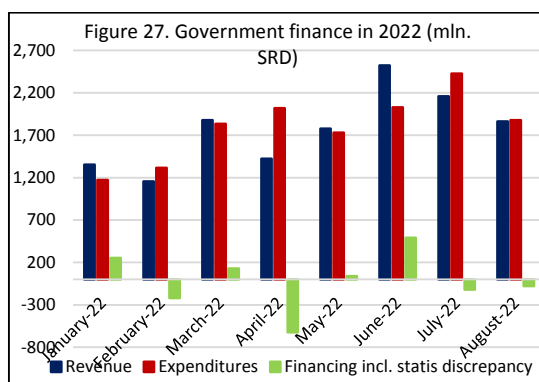
Source: Ministerie van Financiën en Planning, department Economische Aangelegenheden

The increase in revenues from the non-mineral sector in this period was approximately 41 percent. This is due to the increased exchange rate and inflation this year. This mainly concerns indirect taxation in particular import duties, turnover tax, income from timber exports and excise duties.

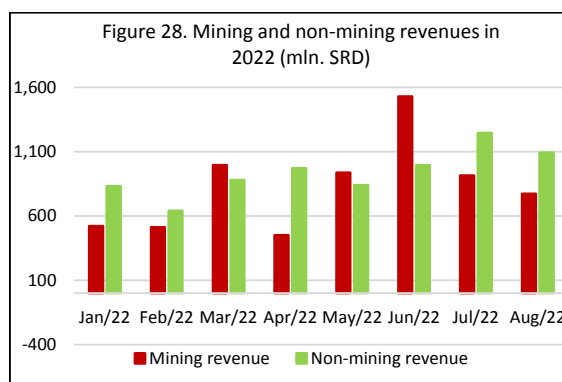
Despite the increase in revenues this year, the actual government revenues are lagging behind expectations as presented in the 2022 budget⁸. The delay of the introduction of VAT tax from July 2022 to January 2023 is mainly the cause of this.

⁷ The primary account of the government deducts from the total government revenue the expenditures excluding interest payments on loans. Drawdowns minus repayments on loans are not viewed as income/expenses, but (on balance) as government financing items.

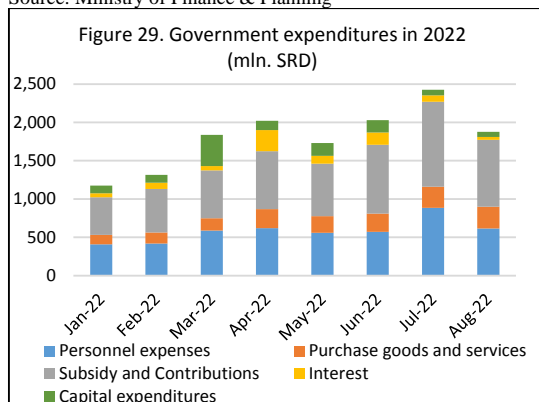
⁸ Government revenues were projected at SRD 24.8 billion in the 2022 Annual Financial Plan. Income in the first 8 months of the year amounted to SRD 14.1 billion. The income up to and including August 2022 represents approximately 57 percent of the budgeted income for 2022.



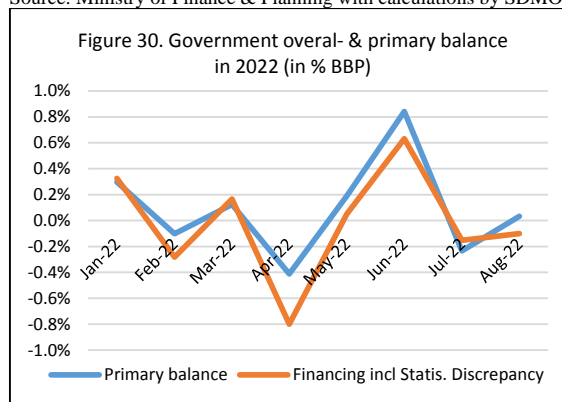
Source: Ministry of Finance & Planning



Source: Ministry of Finance & Planning with calculations by SDMO



Source: Ministerie van Financiën & Planning



Source: Ministerie van Financiën & Planning

Figure 28 shows that the largest government expenditure items are subsidies and contributions (42 percent), followed by personnel expenses (32 percent). Up to and including August, capital expenditures accounted for approximately 8 percent of total expenditures. In the same period, SRD 6 billion and SRD 4.7 billion respectively have been spent on subsidies and personnel expenditure. In March, civil servants were granted a salary adjustment of 17 percent, with retroactive effect from January. As of 1 July, salaries were again increased by 8 percent. With this adjustment, the support allowance and exchange rate compensation of a total of SRD 1,800, retroactive from March, have been incorporated into the remuneration.

The rising trend of subsidies is mainly related to fuel subsidies, settlements with the electric company EBS, contributions to the State Health Fund (SZF), social benefits, support to hospitals and continued salary increases of subsidy-receiving institutions such as the Anton de Kom University of Suriname (Adek), special education and the National Transport Company (NVB). The subsidies increased from SRD 756.4 million in April to a peak of SRD 1.1 billion in July 2022 (figure 29).

Due to higher expenditure relative to income, there were deficits in the months of February, April, July and August (figures 27, 30 and table 2).

The increase in expenditure in April was mainly caused by the payment of interest (SRD 208.2 million) on account of the consolidated government debt to the CBvS, while holiday allowance was paid to civil servants in July. To keep the pump price of fuel affordable for society, a monthly fuel subsidy is provided. The government has made fuel subsidies available from February and this has risen to an amount of SRD 319 million in July. In August there was also a minimal financing gap due to lower revenues in that month due to the failure of the asycuda system at the end of July.

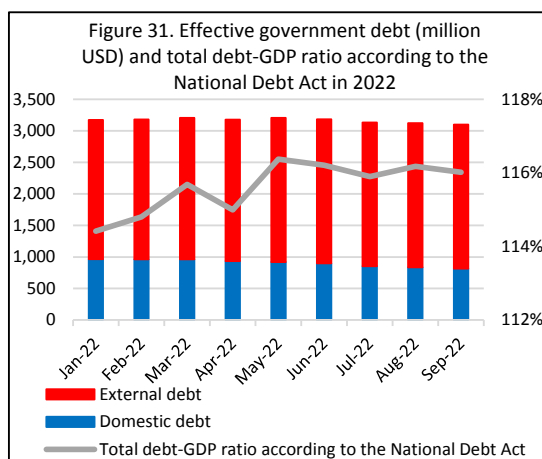
Table 2 shows that the deficits are mostly covered by foreign financing sources, namely drawdowns on multilateral loans, including the second tranche of the IMF that was paid in March for budget support. Only in the months of April and July domestic sources were used to finance the financing deficits of the government, amounting to SRD 640 million and SRD 533 million respectively (table 2). The

domestic funding source in April and July to cover the deficits in both months, relate to government foreign exchange savings. These were sold to the CBvS. The introduction of these SRDs into circulation, contributed to money creation especially in July, which led to more pressure on the exchange rate of the local currency.

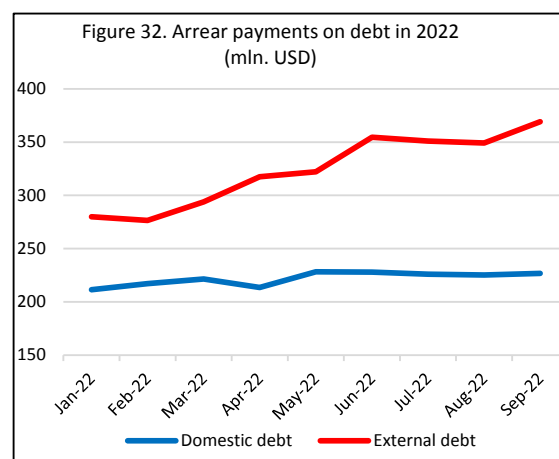
In the context of the IMF Extended Fund Facility (EFF), the government is currently in discussion with the IMF on how the program can be adjusted during the remaining program period 2023-2024. Adjustment of the program is necessary to better respond to the needs of the country, which has also been hit hard by the difficult international developments of increased import inflation. Measures must be taken to assist the community, which will increase expenditure. As a result, there is a need to reset certain targets, including the lowering of the government's primary result, which is set at 1.7 percent of GDP in 2022, at 3.5 percent in 2023 and at 4.5 percent in 2024. The implementation of other measures also requires more time to realize.

The third quarter evaluation of the program at staff level has not yet taken place. It is crucial that the vacancy of Minister of Finance & Planning is filled soon in order to address matters related to the IMF program as soon as possible.

The intention is to have the board approval for the further implementation of the program, based on the evaluation of the second, third and fourth quarters of 2022, to take place jointly in the first quarter of 2023. This will happen after the staff-level review of these quarters has taken place and agreement has been reached between the government and the IMF on how to adjust the program for the remaining two years.



Source: SDMO



Source: SDMO

The effective government debt in USD amounted to USD 3.1 billion at the end of September and shows a fairly stable development in 2022 (figure 31). However, several debt components, in particular the so-called “supplier arrears”, still need to be properly assessed and included in the domestic debt figures. This will increase the debt in the future. The debt-to-GDP ratio according to the national definition at the end of September was 116 percent.

Due to the ongoing restructuring process of the government, bilateral and commercial external creditors that have not yet been restructured, are not paid. Only multilateral debts contracted on concessional terms, are repaid on time. As a result, the arrears on debt are building up.

Arrears are also building up on domestic debts. The largest arrears here are on the debt to the Central Bank of Suriname (CBvS), while the arrears on supplier credits for infrastructure works are the lowest. These debts are paid regularly with an average delay of approximately one month. There are a lot of arrears on Treasury bills. Due to liquidity problems of the government, arrears have also risen in the payments of loans to the domestic banks.

The total arrears on the government debt amounted to USD 596 million at the end of September 2022, of which approximately 62 percent concerns external debt (figure 32). In recent months, policy has been made by the Ministry of Finance & Planning in collaboration with the Suriname Debt Management Office on how the arrears on treasury bills will be settled this year. Treasury bills up to the issuance price of SRD 5 million that have already expired, will be fully settled this year, while on other securities, arrears of interest will be paid and subsequently rolled over. For treasury bills in USD and Euro, some will also be fully settled this year and the rest will be rolled over.

Selected macro-economic indicators

Annual statistics 2016-2023									
Real Sector	2016	2017	2018	2019	2020	2021	2022	2023	Bron
Economic growth (%) *	-4.9	1.6	4.9	1.1	-15.9	-3.5	1.8	2.3	ABS/IMF Est.+proj.
Economic growth (%)	-4.9	1.6	4.9	1.1	-15.9	-2.7	2.1	2.4	ABS/SPS Est.+proj.
GDP nominal market pr. (mil. SRD) *	20,663	26,893	29,822	31,483	38,353	56,240	79,826	99,290	ABS/IMF Est.+proj.
GDP per capita in USD**	5,762	6,156	6,772	6,663	4,787	4,681	4,880	5,037	IMF
National Income per capita in USD	5,432	5,432	6,059	6,367	6,001	4,356			ABS/calcul. SDMO
Inflation rate – average (%)	55.5	22.0	6.9	4.4	34.9	59.1	47.6	27.2	ABS/IMF
Inflation rate – e.o.p. (%)	52.4	9.3	5.4	4.2	60.7	60.7	35.2	22.9	ABS/IMF
Economic growth (%)	10.0	7.0	9.0	8.8	11.1	11.2	10.9	10.6	IMF
Balance of Payments (combination cash and accrual base)- From 2017 the data presented in based on the Balance of Payment Manual 6									
Total export- Goods & Services (mil. USD)	<u>1,625.1</u>	<u>2,143.4</u>	<u>2,235.8</u>	<u>2,286.8</u>	<u>2,446.4</u>	<u>2,300.2</u>			CBvS
• Gold	1,036.7	1,608.4	1,631.6	1,732.2	1,959.5	1,792.0			CBvS
• Alumina	7.1	0	0	0	0	0			CBvS
• Oil	150.3	178.1	206.6	171.0	154.4	204.0			CBvS
• Rice and banana	61.1	50.9	52.6	45.6	43.5	34.5			CBvS
• Wood and wood products	40.0	59.5	69.1	71.4	89.1	72.3			CBvS
• Fish and shrimp	33.0	38.8	41.6	37.5	33.5	31.9			CBvS
• Other goods	110.4	56.1	68.6	68.7	65.1	69.7			CBvS
• Net exports goods under merchenting		-6.9	-5.0	2.8	-1.3	-0.2			CBvS
• Services	186.5	158.3	170.7	157.4	102.6	96.0			CBvS
Total import- Goods & Services (mil. USD)	<u>1,721.1</u>	<u>1,779.9</u>	<u>2,069.8</u>	<u>2,412.7</u>	<u>1,845.1</u>	<u>1,896.1</u>			CBvS
• Services	469.1	569.3	666.9	815.1	562.6	538.0			CBvS
Balance current account (mil. USD)	-160.5	69.2	-118.7	-448.3	259.8	157.4			CBvS
Balance Cap. + Fin. acc. (mil. USD) **	501.9	-112.6	-299.2	-535.2	220.1	-1.8			CBvS
Balance current account (% GDP)	-4.9	2.0	-3.0	-10.7	9.7	5.2			CBvS/calcul. SDMO
Balance Cap. + Fin. acc. (% GDP) **	14.7	-3.2	-7.5	-12.7	8.2	-0.1			CBvS/calcul. SDMO
Statistical discrepancies (% GDP) **	-8.4	-4.5	-0.8	-6.9	-4.6	6.0			CBvS/calcul. SDMO
Total imports (F.O.B. value mil. USD)	<u>1,202.4</u>	<u>1,210.5</u>	<u>1,402.9</u>	<u>1,597.6</u>	<u>1,282.5</u>	<u>1,358.1</u>			CBvS
• Investment & transportation	446.7	485.7	570.6	698.4	507.8	529.2			CBvS
• Oil	232.6	264.6	286.3	235.3	293.3	217.0			CBvS
• Consumption goods	199.7	202.1	219.5	1940	206.2	190.7			CBvS
• Chemical goods	83.9	129.4	131.5	137.3	132.8	120.2			CBvS
• Other goods	203.5	236.2	262.0	208.1	196.5	196.8			CBvS

	2016	2017	2018	2019	2020	2021	2022	2023	Bron
Internationally Reserve (mil. USD)	381.1	424.4	580.7	647.5	585.0	992.2	schat.	proj.	CBvS
World market prices in USD									
Gold USD/troz	1,250.7	1,257.5	1,268.8	1,392.6	1,769.6	1,800.0	1,775.0	1,700.0	Worldbank proj. Oct. 22
Crude oil USD/bbl.	44.1	54.4	71.1	64.0	42.3	70.4	100.0	92.0	Worldbank proj. Oct. 22
Crude oil USD/bbl.	42.8	52.8	68.3	61.4	41.3	69.1	98.2	85.5	IMF proj. Oct.22
Monetary and Financial sector									
Liquidity ratio (M2 in % GDP)	78.4	65.4	64.4	73.6	85.7	84.1			CBvS/calcul. SDMO
Balance of credit by banking sector (mil. SRD)	9,261.9	10,355.7	10,420.0	10,588.3	14,534.9	17,329.6			CBvS/calcul. SDMO
Balance of credit by banking sector to private sector (mil. SRD)	8,137.6	8,164.1	8,094.6	8,218.8	10,787	14,037			CBvS/calcul. SDMO
Selling rate SRD/USD (e.o.p.)	7.5	7.5	7.5	7.5	14.3	21.1			CBvS
Selling rate SRD/USD average	6.3	7.6	7.5	7.5	14.3	18.5			CBvS
Selling rate SRD/Euro (e.o.p.)	7.8	8.9	8.6	8.4	17.6	23.0			CBvS
Selling rate SRD/Euro average	7.0	8.5	8.9	8.4	17.4	21.1			CBvS
Average SRD lending interest rate	14.1	14.3	14.4	15.2	14.8	14.7			CBvS
Interbank SRD interest rate	10.9	17.4	10.1	11.7	11.9	9.4			CBvS
Average USD lending interest rate	9.5	9.1	8.3	8.6	7.9	7.8			CBvS
Average Euro lending interest rate	9.0	8.8	8.5	8.3	8.3	8.2			CBvS
Government Finance and Debt (cash base)									
Overall balance including statistical differences. (% GDP)	-10.6	-8.7	-10.1	-18.6	-9.7	1.8			MvF/calcul. SDMO
Commitment balance including statistical differences. (% GDP)	-10.1	-7.8	-6.8	-16.0	-11.1	2.5			MvF/calcul. SDMO
Primary non-mineral balance in % of non--mineral GDP	-14.8	-18.3	-20.6	-31.0	-19.6	-13.2			MvF/calcul. SDMO
Fiscal impulse (%)	1.5	3.5	2.3	10.4	-11.4	-6.3			MvF/calcul. SDMO
Government. Debt (national def.) (mil. SRD)	14,876.9	18,093.6	18,703.8	22,513.4	46,982.1	49,449.5			SDMO
Effective Government. Debt (internat. def.) (mil. USD)	1,987.6	2,406.1	2,487.2	2,993.8	3,287.8	3,164.1			SDMO
External debt (mil. USD)	1,425.4	1,682.7	1,715.9	1,987.1	2,084.1	2,196.8			SDMO
Domestic debt (mil. USD)	562.1	723.4	771.3	1,006.7	1,203.7	967.3			SDMO
Domestic debt to banking sector (mil. USD)**	145.3	121.4	286.3	348.5	392.6	423.0			SDMO
Government. Debt nat.def. -GDP ratio (%)	72.0	67.3	62.7	71.5	122.5	128.9			SDMO
Disbursements on external debt (mil. USD)	758.8	291.8	186.3	357.7	87.6	102.6			SDMO
Debt service payments (mil. USD)	393.0	212.4	357.4	263.7	152.7	207.1			SDMO
Quarterly statistics 2020-2022									
Balance of Payments (cash base)	2020	2020	2021	2021	2021	2021	2022	2022	Source
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Total export- G+S (mil. USD)	593.22	672.45	546.38	535.95	566.75	650.38	665.55	652.01	CBvS
• Gold	486.30	552.45	431.31	417.56	442.09	501.12	477.19	458.21	CBvS
• Oil	40.81	30.02	47.10	41.47	51.35	64.08	90.84	94.48	CBvS
• Rice and banana	8.09	12.06	8.79	9.37	8.94	7.36	5.93	7.69	CBvS
• Wood and wood products	19.03	30.99	16.06	23.53	13.15	19.53	29.85	19.65	CBvS
• Fish and shrimp	9.22	8.62	7.56	7.70	8.23	8.44	8.47	8.42	CBvS
• Other goods	12.75	16.00	13.97	16.66	17.77	20.58	20.99	26.99	CBvS
• Net export goods under merchanting	-0.33	-0.25	0.05	-0.19	0.34	-0.37	-0.27	2.97	CBvS

	2020	2020	2021	2021	2021	2021	2021	2022	2022	Source			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2					
• Services	17.36	22.56	21.55	19.85	24.89	29.66	32.54	33.61		CBvS			
Total import- G+S (mil. USD)	462.18	402.88	384.31	425.05	517.46	549.58	521.04	595.94		CBvS			
• Services	131.70	120.25	104.57	128.07	146.83	158.46	155.36	161.88		CBvS			
Balance current account (mil. USD)	67.24	136.77	116.75	37.38	18.70	3.31	98.86	-14.85		CBvS			
Balance Cap. + Fin. account (mln. USD)***	59.36	25.47	140.10	-3.86	-146.66	-33.90	193.88	-135.9		CBvS			
Balance Current account (% GDP) **	1.43	5.05	2.84	1.05	0.68	0.12	2.59	-0.40		CBvS/calcul. SDMO			
Balance Cap. + Fin. acc. (% GDP)**	1.26	0.94	3.40	-0.11	-5.34	-1.24	5.08	-3.64		CBvS/calcul. SDMO			
Statistical discrepancies (% GDP)**	0.05	-3.18	-0.27	-0.29	2.75	2.52	0.09	-0.48		CBvS/calcul. SDMO			
Total imports (F.O.B. value mil. USD)	330.48	282.62	279.75	296.98	370.64	391.13	365.68	434.06		CBvS			
• Investment & transportation	128.06	112.16	118.58	123.74	132.22	135.76	31.81	29.65		CBvS			
• Oil	61.71	42.24	50.46	49.80	87.68	105.35	81.07	114.46		CBvS			
• Consumption goods	52.10	50.05	40.73	46.56	59.19	59.74	54.12	61.48		CBvS			
• Chemical goods	40.44	31.34	23.36	31.91	40.51	37.03	36.40	47.10		CBvS			
• Other goods	48.17	46.83	46.61	44.97	51.04	53.25	56.25	61.74		CBvS			
Government Finance and debt (cash base)													
Primary balance (% GDP)	-0.3	1.0	0.5	0.2	0.4	-0.4	0.0	0.8		MvF/calcul. SDMO			
Overall balance including statistical differences. (% GDP)	-0.5	0.5	0.5	-0.6	0.0	-1.0	0.2	0.6		MvF/calcul. SDMO			
Commitment balance including statistical differences. (% GDP)	-0.5	0.3	-0.3	-0.4	-0.6	0.3	0.2	0.7		MvF/calcul. SDMO			
Monthly statistics November 2021 – October 2022													
	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	Mr. 2022	Apr. 2022	May 2022	June2 022	July 2022	Aug. 2022	Sept. 2022	Oct. 2022	Source
Inflation (%)													
Inflation – month to previous month	3.3	1.3	3.1	1.7	2.2	1.9	2.7	9.1	1.7	4.0	3.3		ABS
Inflation – month to. month of previous year	63.4	61.5	62.1	62.2	59.8	57.5	55.1	49.2	39.1	41.9	61.5		ABS
International Reserve in USD													
International Reserve	920.4	992.2	986.1	847.9	899.2	886.3	950.8	982.5	991.3	1,018.3	1,029.3	1,045.0	CBvS
World market prices in USD													
Gold USD/troz	1,820	1,787	1,816	1,856	1,948	1,937	1,849	1,837	1,733	1,765	1,681	1,665	Worldbank
Crude oil USD/bbl.	79.9	72.9	83.9	93.5	112.4	103.4	110.1	116.8	105.1	96.0	88.2	90.3	Worldbank
Liquidity ratio (M2 in % GDP) and balance of credit from the banking sector (mil. SRD)													
Liquidity ratio	82.3	83.4	59.4	59.2	59.7	60.6	61.8	63.9	67.2	69.9	73.4		CBvS/calcul. SDMO
M0 (broad defintion)	18,369	18,967	18,950	19,180	18,881	19,110	20,025	20,280	21,413	22,654	23,723		CBvS
M2	47,541	47,316	47,393	47,270	47,619	48,347	49,351	51,037	53,652	55,804	58,625		CBvS
Balance of total credit	17,476	17,330	16,951	16,918	17,247	17,329	18,011	18,885	19,558	20,534	21,555		CBvS/calcul. SDMO
Balance of credit to government	3,351	3,293	3,324	3,319	3,309	3,108	2,968	2,974	2,980	2,984	2,979		CBvS/calcul. SDMO
Balance of credit to private sector	14,125	14,037	13,626	13,599	13,939	14,221	15,043	15,912	16,578	17,550	18,576		CBvS/calcul. SDMO
CBvS Exchange rates (selling rates banknotes) ****													
SRD/USD (e.o.p.)	21.5	21.6	21.2	20.8	20.8	20.9	21.3	22.5	24.4	25.1	28.9	29.8	CBvS
SRD/USD average	21.5	21.5	21.3	20.8	20.7	20.8	21.1	22.0	23.1	24.6	27.4	29.3	CBvS
SRD/Euro (e.o.p.)	23.9	24.4	23.0	22.7	22.4	21.9	22.1	23.0	24.6	24.8	27.0	28.6	CBvS
SRD/Euro average	23.8	23.9	23.4	22.8	22.4	22.3	21.9	22.5	22.1	24.5	26.4	27.6	CBvS

	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	Mr. 2022	Apr. 2022	May 2022	June2 022	July 2022	Aug. 2022	Sept. 2022	Oct. 2022	Source
Average lending interest rate (%) of the banking sector													
SRD credit	15.1	14.8	14.7	14.7	14.6	14.7	14.7	14.7	14.6	14.6	14.5		CBvS
Interbanking SRD interest rate	19.0	19.0	9.4	9.3	9.3	11.5	11.5	10.0	10.0	10.0	10.0		CBvS
USD credit	7.6	7.8	7.7	7.6	7.6	7.5	7.5	7.5	7.5	7.5	7.7		CBvS
Euro credit	8.1	8.2	8.1	8.0	7.8	7.7	7.6	7.5	7.5	7.6	7.5		CBvS
Government finance (mil. SRD) en debt (mil. USD)													
Tot. Revenues cash base	1,489	1,467	1,355	1,155	1,877	1,423	1,776	2,524	2,160	1,864			MvF
Tot. Expend. cash base	1,308	1,851	1,174	1,316	1,836	2,020	1,730	2,030	2,427	1,878			MvF
Government debt (national def.-mil. SRD)	47,239	66,895	67,274	67,503	68,022	67,615	68,427	68,329	68,147	68,311	68,217		SDMO
Debt to central bank (mil. SRD)	10,073	11,053	11,140	11,177	11,239	11,093	11,177	11,140	11,202	11,263	11,214		SDMO
Domestic debt to banking sector (mil. USD)**	5,200	4,600	4,645	4,568	4,544	4,315	4,170	4,165	4,162	4,149	4,127		SDMO
Effective debt (intern. Def.mil. USD)	3,007	3,165	3,171	3,182	3,206	3,180	3,206	3,185	3,130	3,121	3,100		SDMO
External debt (mil. USD)	2,143	2,197	2,206	2,218	2,243	2,244	2,287	2,286	2,276	2,283	2,283		SDMO
Domestic debt (mil. USD)	857	968	965	964	963	936	920	899	854	837	816		SDMO
Government debt (national def.)-GDP ratio	115	114	114	115	116	115	116	116	116	116	116		SDMO
Disbursements on external debt (mil.USD))	6.3	67.6	0.7	16.8	23.2	0.3	51.9	1.8	3.6	19.7	1.1		SDMO
Tot. Debt service paym. (mln. USD)	7.7	23.0	4.5	7.7	1.6	4.8	13.0	6.3	11.6	2.3	3.3		SDMO

e.o.p. = end of period

ABS- General Bureau of Statistics, IMF- International Monetary Fund, CBvS- Central Bank of Suriname, MvF Ministry of Finance & Planning, BSS- Suriname Debt Management Office

** Calculated GDP ratios (indicators in percentage of GDP) in 2020 and 2021 are based on the nominal GDP projection of the IMF

*** Government domestic debt of the banking sector includes treasury paper and loans.

**** This is the balance of capital transfers and the financial account of the balance of payments

**** The exchange rates in March - June 2021 are the maximum exchange rates set by the CBvS as of March 1, 2021. After June, the exchange rate is flexible and is determined on a daily basis through supply and demand.

***** The government debt to CBvS in September – November 2021 is excluding arrear payments.

Explanation of certain terms:

1. Government overall balance is government income minus expenditure. If the balance is a deficit, then debt needs to be attracted to finance the deficit and thereby will lead to an increase of the government debt.
2. Government Commitment balance is the overall balance minus government arrear payments related to previous financial years.
3. Primary government balance is the overall balance excluding interest payments on government debt. The primary balance indicates the extent to which the current government policy contributes to attracting new debts, without taking into account payments on old debts.
4. To indicate the fiscal impulse for pro-cyclicality, income from the mineral sector is deducted from the primary deficit and the whole are expressed as a percentage of GDP, excluding the mineral sector.
5. The difference between the effective debt (government debt, according to the international definition) and government debt, according to the national definition, is the exchange rate that is used to convert foreign currency debts to SRD. When compiling the government debt, according to the national definition, foreign currency debt must be converted to SRD at the year-end exchange rate of the last published GDP by the ABS. The effective debt calculation, which is based on the international debt definition, uses the exchange rate of the moment to which the debt relates.
6. The effective debt-GDP ratio is calculated with the projected the GDP of the respective year, while the legal national debt-GDP ratio is based on the latest GDP figure from the ABS.