

The background of the cover is a scenic landscape photograph. It shows a calm body of water in the foreground, reflecting the sky. The sky is filled with dramatic, colorful clouds in shades of orange, yellow, and blue, suggesting a sunset or sunrise. In the background, there is a dense line of green trees and forest. A yellow horizontal bar is positioned at the top of the page, with a downward-pointing arrow shape at its center.

**COUNTRY  
ECONOMIC  
REVIEW 2018  
SURINAME**

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## SURINAME ECONOMIC BRIEF 2018

### OVERVIEW

**Suriname is experiencing a recovery led by the mining sector.** Much of this recovery is due to strengthened activity in the gold industry, which is also contributing to dynamism in other sectors, including manufacturing, electricity, gas and water and transportation.

**Inflation and the exchange rate have stabilised from their sharp spikes in 2015,** contributing to increased stability in the macroeconomic environment. Although the pace of fiscal consolidation has slowed, the fiscal deficit is narrowing. Commercial banks' financial soundness indicators are improving but critical vulnerabilities remain.

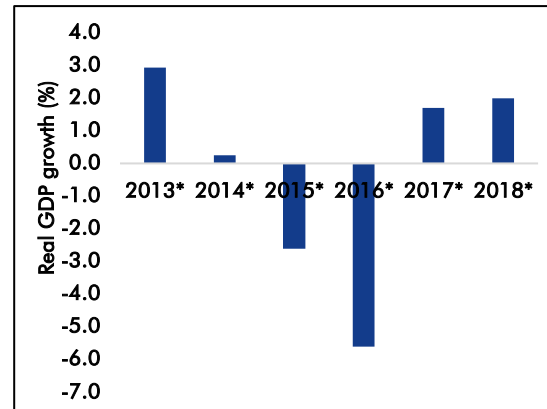
### KEY DEVELOPMENTS IN 2018

**Gross domestic product (GDP) grew by an estimated 2.0% in 2018.** (See Chart 1). This improved performance was led by the extractive sector, as higher commodity prices (crude oil and gold) and favourable prospects for the Suriname-Guyana Basin<sup>1</sup> contributed to increased investment in the sector. Investment activity in the petroleum industry was predominantly in pre-exploration activity, including seismic surveys, evaluation of the data, and bids for offshore acreage. Crude oil production levels at Staatsolie Maatschappij Suriname N.V. (Staatsolie) was maintained at 16,300 barrels per day, with heightened focus on finding new reserves and mapping new production close to existing production fields. Heightened exploration

activity in nearby Guyana is also likely to increase the demand for diesel in Suriname. Production levels at the Newmont/Merian<sup>2</sup> gold mine remained relatively unchanged, but progress was made in improving productivity. This involved the construction of a primary crusher in 2018 to process harder ores that will be recovered as the mine gets deeper.

In the non-mining sector, there was increased activity in manufacturing (mainly gold and food processing) and agriculture – with rice and bananas being the two main agricultural export commodities.

Chart 1: Real GDP Growth



Source: IMF.

**Inflation declined to 6.5% in 2018, as the exchange rate stabilised.** The spike in inflation in the previous two years (peaking at 79.2% in October 2016) had been due mainly to the sharp depreciation of the exchange rate and the higher cost of utilities.

**The unemployment rate declined to an estimated 8.4% in 2018 from 8.9% as at**

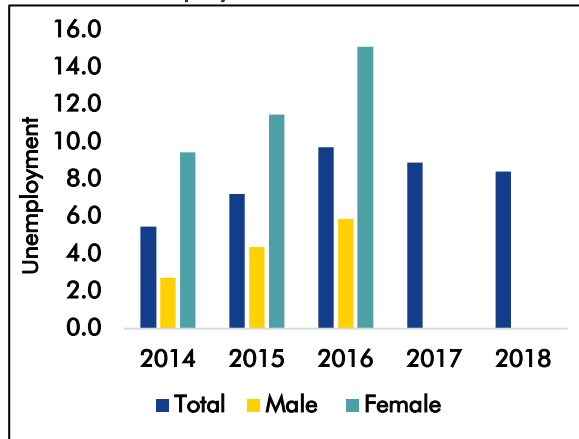
<sup>1</sup> The United States Geological Survey estimates that the Suriname-Guyana Basin has 13.6 billion barrels of crude oil, which makes it the second most prospective, unexplored oil basin in the world.

<sup>2</sup> Based on current gold reserves, Newmont Suriname projects a mine life of approximately 15 years for Merian.



**December 2017.** (see Chart 2). A moderate increase in output growth contributed to the higher demand for labour and a slight rise in wage employment. Notably, there has consistently been a higher rate of unemployment for women than for men in recent years.

**Chart 2: Unemployment**

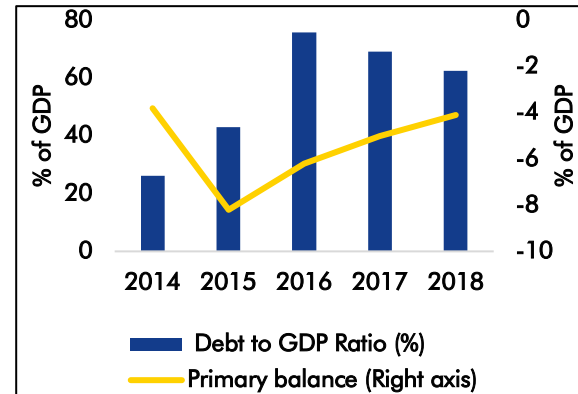


Source: General Bureau of Statistics (GBS) and IMF.

**There remains considerable scope to improve the doing business environment.** In the World Bank's Doing Business Index 2019, Suriname's rank remained unchanged, at 165<sup>th</sup> out of 190 countries. "Starting a Business" was the only one of the 10 areas examined that improved.

**Fiscal deficits are narrowing but pressures remain on the public debt, pointing to the need for stronger fiscal consolidation.** Despite increased mining revenue and efforts to improve tax administration, the fiscal accounts remained in deficit (5.7% of GDP) in 2018, although lower than in previous years. The main pressures on government spending relate to the public wage bill and transfers and subsidies, particularly the subsidy on electricity. Persistent fiscal deficits and exchange rate depreciation in 2016 contributed to the sharp upward trajectory of GOS' external debt. The IMF estimates the debt-to-GDP ratio at 62.5% in 2018, compared with 26.3% in 2014 (see Chart 3).

**Chart 3: Fiscal and Debt Performance**



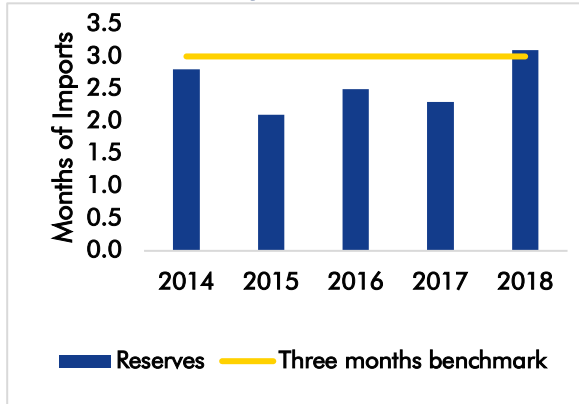
Source: Ministry of Finance and IMF.

**Financial soundness indicators point to an improvement in the banking system, although critical vulnerabilities remain.** The stagnation in the real economy contributed to a near-crisis in 2016. Since then, financial soundness indicators have improved, although performance varies widely across institutions. The average capital ratio rose to 9.1% of risk-weighted assets in June 2018 from 5.5% in 2016. Non-performing loans, at 12% of gross loans in June 2018, are high. The average return on assets (0.5%) is relatively low.

**The Central Bank of Suriname (CBVS) has intensified its monitoring and is making progress on its Anti-Money Laundering/Countering the Financing of Terrorism Framework.** These actions are geared towards ensuring that commercial banks meet macro-prudential requirements, and strengthen their safeguards to ensure continued stability in the macroeconomic and financial system.

**Gross international reserves rose in 2018.** (See Chart 4). International reserves rose to an estimated 3.1 months of import cover as at December 2018, compared with 2.3 months in the previous year. Both Fitch Ratings and Standard and Poor's maintained their credit ratings of B- and B respectively in 2018, but raised their outlooks from negative to stable.

Chart 4: Gross Foreign Reserves



Source: CBVS.

## OUTLOOK

CDB expects real GDP growth of around 2.3% in 2019, but some downside risks remain in the short term. Real GDP is expected to improve as favourable commodity prices, expansion in the lamgold mine, and prospects related to the shared Guyana-Suriname oil basin spur foreign direct investment and gold production levels. Strong economic activity in the mining and quarrying sector will have positive spillover effects into non-mining economic sectors such as manufacturing, electricity, gas and water, and transportation. Ongoing efforts by GOS to revive the agricultural sector should also result in improved economic activity. Planned maintenance operations at Staatsolie in the third quarter of 2019 will negatively impact crude oil production levels and exports, and dampen overall growth prospects.

In the short term, downside risks remain. With general elections due by 2020, pressure on the authorities to ease fiscal austerity measures and delay the implementation of critical reforms could mount. This could have adverse implications for debt levels.

## DATA

The table below summarises the key economic (and social) indicators underpinning this Country Brief. These data are taken from a number of sources, and are the latest available at time of publication. Some are subject to revision.

### Selected Indicators

	2014	2015	2016	2017	2018 <sup>e</sup>
Real GDP Growth (%)	0.3	-2.6	-5.6	1.7	2.0
Average Inflation (%)	6.9	55.5	22.0	7.5	6.5
Unemployment (%)	5.5	7.2	9.7	8.9	8.4
Primary Balance (% of GDP)	-3.8	-8.2	-6.2	-5.0	-4.1
Public Sector Debt (% of GDP)	26.3	43.0	75.8	69.3	62.5

Sources: CBVS, GBS and IMF.

Notes: e – estimate.