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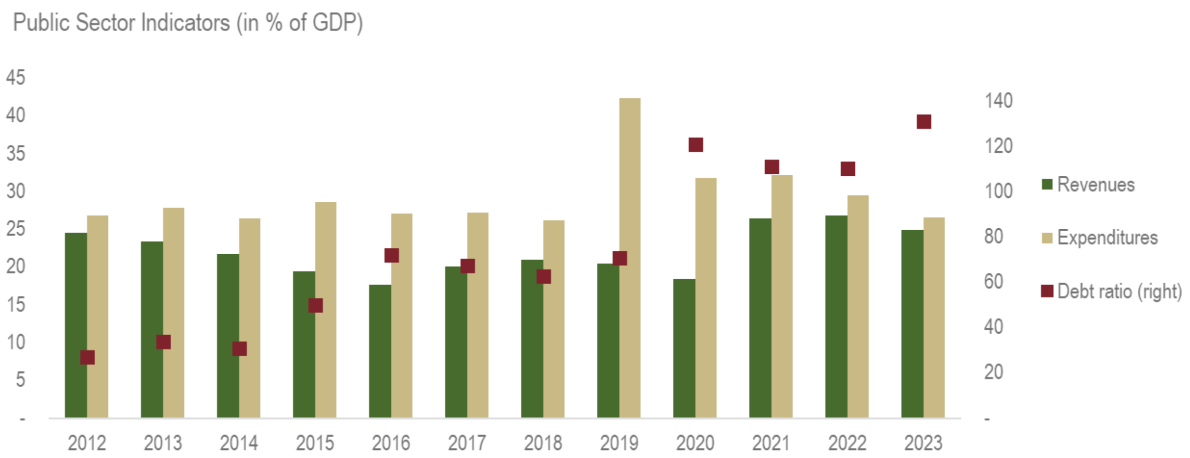
This special edition of the SEOB bulletin presents SEOB's vision for Suriname following the conclusion of the current IMF program. It also provides updates on the program's progress and the main developments related to it. The SEOB is an independent body dedicated to monitoring and advising the government on the implementation of the IMF program and the economic recovery plan. This is achieved by tracking clear performance indicators. Regular updates on statistics and measures related to the IMF program are available on our website: www.seob.sr.

SURINAME AFTER THE CURRENT IMF PROGRAM

The current IMF program will conclude in early 2025. This program has contributed to macroeconomic stability and improved fiscal discipline. However, this progress remains fragile without a follow-up strategy. To maintain the path toward economic stability and growth, a forward-looking follow-up IMF program is essential. Key priorities include strengthening institutions, improving governance, and ensuring responsible fiscal policies. It is important to emphasize that, unlike the current program, a follow-up IMF program would not involve direct measures affecting households. Instead, it should focus on key institutions. Components of the follow-up IMF program should include:

The Need for Fiscal Rules
Fiscal rules can ensure that governments manage their revenues and expenditures responsibly. These rules promote financial and economic stability by curbing public spending and managing national debt. Fiscal discipline supports long-term economic growth while minimizing disruptions. This is especially crucial for resource-rich countries like Suriname, where international oil and gold prices are volatile. Moreover, minimum allocations for education, healthcare, and security should also be integrated into fiscal rules.

SEOB strongly recommends implementing fiscal rules. The anticipated revenues from offshore oil production starting in 2028 further underscore their urgency. Historically, Suriname's public finances have shown significant deficits, with expenditures consistently exceeding revenues between 2012 and 2023, resulting in increased national debt to cover these gaps.



Sources: SDMO and Ministry of Finance & Planning

Enacting and Operationalizing the Savings and Stabilization Fund

The anticipated revenues from oil and gas production underscore the need to operationalize a well-managed Savings and Stabilization Fund. Although established by law in 2017, this fund is yet to be implemented. It aims to manage revenues from the mining sectors, preventing economic instability caused by price fluctuations and supporting government budgets during periods of low global prices. For successful operations, a clear legal framework and transparent governance structure are essential. Drawing lessons from similar funds in countries like Norway, SEOB recommends prioritizing the fund's operationalization.

Strengthening Institutions

SEOB recommends further strengthening key institutions, which are vital for implementing effective government policies. These include:

- **Tax Authority**: Enhance education, facilities, and tax collection methods to boost revenues.
- **Central Bank**: Strengthen monetary policy, financial supervision, payment systems, and oversight of financial institutions.
- **Anton de Kom University**: Improve research capabilities to drive innovation.
- **Customs Authority**: Enhance efficiency in collecting import duties.
- **Statistics Office and Planning Office**: Produce data to guide policymaking and planning.
- **Government Ministries**: Implement government plans with sound governance and expertise.
- **Anti-Money Laundering Commissions**: Combat money laundering, terrorist financing, and illicit fund flows.
- **Environmental Authority**: Promote environmental protection and sustainable resource management.
- **Utility Companies**: Ensure reliable provision of electricity, water, and telecommunications.
- **Audit Institutions**: Strengthen oversight of public expenditures and ensure accountability.

Adopting international best practices and investing in both human capital (training, exchanges, technical assistance) and technological systems (IT infrastructure, software, hardware) are crucial. SEOB acknowledges the financial constraints and recommends prioritizing these efforts strategically.

LONG-TERM VISION

A national long-term vision that is well-known and supported by all societal levels would greatly benefit Suriname. Stable and predictable policies are necessary to maintain economic stability and attract foreign investments. Reforms, particularly a follow-up IMF program, are needed to enhance transparency and trust. Strengthening government institutions and improving governance will further increase Suriname’s ability to implement such programs.

The government should prioritize investing in critical sectors like physical and digital infrastructure, education, and healthcare. Furthermore, efforts should focus on the energy transition and climate change adaptation. It is also essential to address cybersecurity risks and promote digitization—especially in payment systems—to improve efficiency and productivity.

RECENT ECONOMIC DEVELOPMENTS

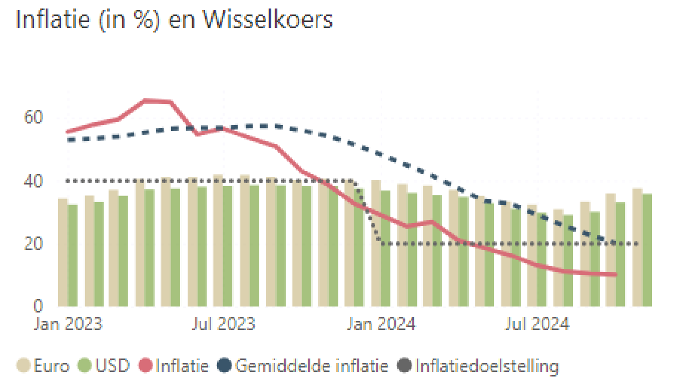
- Foreign currency exchange rates rose sharply in November 2024.
- Year-on-year inflation fell to 10.1% in October 2024, but monthly inflation increased to 0.6% due to rising exchange rates.
- The average inflation rate, measured as the price increase over the past 12 months compared to the preceding 12 months, declined to 20.2%.
- The SRD component of the monetary base (M0) was slightly above the target in September 2024.
- Saving interest rates and spreads are on a declining trend.
- The solvency of the banking sector remained stable with a Capital Adequacy Ratio of 22.9% in August 2024.
- Gross international reserves totaled USD 1.54 billion in October 2024, providing an import coverage of 7.3 months.
- The debt-to-GDP ratio rose to 83.5% in September 2024 due to exchange rate depreciation.
- Suriname and China have made progress in the restructuring of Suriname's debt, while the second phase of debt restructuring with the Paris Club has been completed.
- As of mid-November 2024, according to our calculations, 62.6% of the measures within the IMF program have been completed (Table 1).

Table 1. Status of IMF Program Measures

Policy Area	Completed	In Progress	Other
Monetary and Exchange Rate Policy	62.8%	34.9%	2.3%
Fiscal Policy	64.0%	16.0%	20.0%
Debt	66.7%	33.3%	0.0%
Financial Sector	62.5%	37.5%	0.0%
Governance	55.9%	38.2%	5.9%
Other	75.0%	25.0%	0.0%
Total	62.6%	28.2%	9.2%

Monthly inflation accelerates in September 2024.

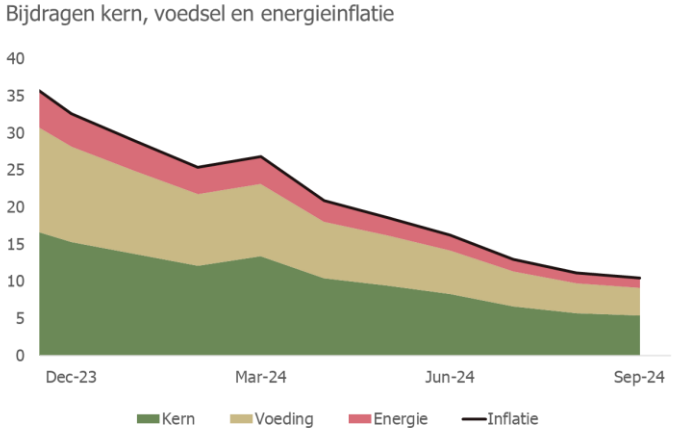
In October, the monthly inflation rate decreased to 0.6%. This inflation was driven by an increase in exchange rates. On an annual basis, inflation fell to 10.1%. Core inflation—which excludes food and energy prices—also declined further. The average 12-month inflation rate dropped from 22.7% to 20.2%. The USD exchange rate increased by 8.5%, while the Euro exchange rate rose by approximately 4.5% against the SRD.



Bronnen: ABS, CBvS.

The local component of the money supply (SRD-M0) grew by 0.5% in September, reaching SRD 18.2 billion. This exceeded the set target.

On an annual basis, net government transactions have been the primary contributor to the strong growth of the SRD-M0 in 2024. This has translated into pressure on exchange rates in recent weeks. The continued growth of the SRD-M0 could lead to inflationary pressure if it is not accompanied by an increase in economic production.



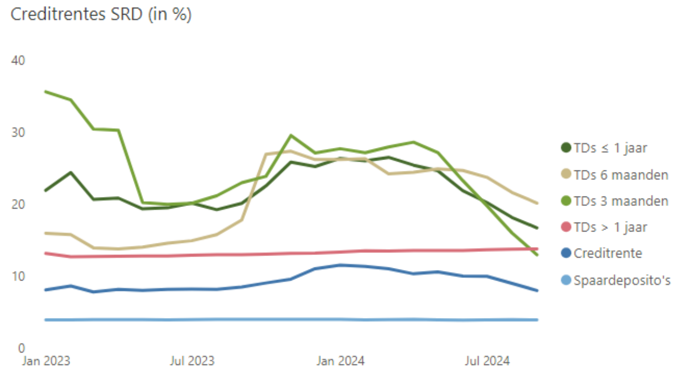
Note: Energy inflation includes the contribution to inflation from the main category of transportation. Food inflation encompasses the contribution from the main category of food and non-alcoholic beverages. Core inflation reflects contributions from other categories. Source: SEOB calculations based on ABS data.

Saving interest rates decline; non-performing loans deteriorate.

In September 2024, average lending rates remained stable at 14.6%, while average savings and saving interest rates decreased from 9.1% to 8.1%. The decline in average investment rates was driven by a drop in short-term rates. This reduction aligns with decreasing inflation and improved economic outlooks. It could stimulate investments, as lower interest rates make borrowing more attractive for businesses and consumers.

Non-performing loans (NPLs) increased in August 2024 compared to the previous month. However, when compared to 2023, this represents an improvement, with the NPL ratio reaching 7.2% in August 2024. The decline in the NPL ratio indicates a healthier banking sector and reduces the risk of financial instability.

Additionally, the solvency ratio increased to 22.9% in August 2024, while the liquidity ratio declined to 53.0%. Profitability in the banking sector in 2024 is significantly lower compared to the previous year. The drop in the liquidity ratio may indicate increased lending activity and a reduction in banks' liquidity buffers.



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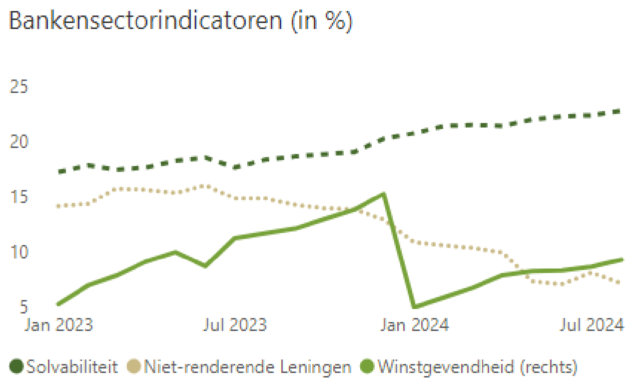


Bron: CBvS.

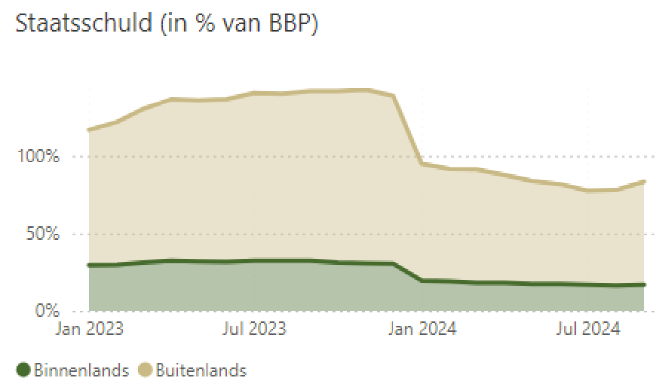
Public debt rises due to depreciation; Restructuring with China progresses.

The debt-to-GDP ratio increased to 83.5% in September 2024, according to the legal definition. Foreign debt, expressed in local currency, rose to SRD 84.4 billion, primarily due to the sharp increase in exchange rates in September. In contrast, domestic debt declined to SRD 21.7 billion due to repayments.

Suriname and China have taken a significant step in restructuring Suriname's debt of over half a billion USD. The first phase was completed with the signing of a Supplementary Finance Agreement, which rescheduled payment arrears up to 2021 and obligations from 2022-2024 over an extended period. This process has been ongoing since 2020.

Additionally, Suriname has completed the second phase of debt restructuring with the Paris Club. Bilateral debts will be repaid over 17 years starting in 2025, with a grace period of 4 years. For debts with government guarantees, the repayment period is 12 years, with a grace period of 5 years. This arrangement improves the outlook for public finances.

The recapitalization of the Central Bank of Suriname (CBvS) will result in an increase in domestic public debt. While a previous revision of the GDP figure led to a downward adjustment of debt ratios, recent exchange rate developments have caused a new rise in the debt-to-GDP ratio.



Bron: SDMO.

OUTLOOK AND RECOMMENDATIONS

- The current IMF program has laid a foundation for economic recovery, but a follow-up program is essential to sustain these results. With clear fiscal rules, strong institutions, improved productivity, and responsible use of oil revenues, Suriname can achieve stability and growth.
- Establishing a Savings and Stabilization Fund with clear guidelines is crucial to responsibly manage oil revenues, ensuring benefits for both current and future generations.
- SEOB is concerned about the rising exchange rate. Imbalanced public finances could exacerbate this issue. Utility subsidies should be further reduced, but with transparency and attention to social safety nets.
- The M0 target was again not met in September 2024. Better coordination between the Ministry of Finance and the Central Bank is needed to achieve this target and avoid excess liquidity.

- SEOB expects a 12-month inflation rate of 15%-17% in 2024, with year-end inflation between 9.5% and 11.5%. Public deficits and higher utility tariffs could negatively impact these forecasts.
- Lending rates have declined in recent months but remain relatively high, potentially hindering investments. SEOB urges the private sector to continue innovating and improving productivity.
- SEOB views the reduction of domestic debt, debt restructuring with China, and the recapitalization of the Central Bank of Suriname (CBvS) as positive developments.
- The social program remains ineffective despite recommendations from various institutions. SEOB stresses focusing on the program's impact rather than just expenditures.
- The economy is growing in 2024, with positive medium-term prospects for the mining sector. SEOB advocates for incentives for local industries, employment, sustainability, and climate action. Education should better align with the needs of the oil and gas industry and other growth sectors.
- SEOB welcomes the new procurement law but emphasizes the need to strengthen the legal framework against corruption. Politicians should be required to publicly disclose their income and assets. Stricter measures against fraud, corruption, and money laundering (AML/CFT) are under development and must be implemented efficiently.
- As of November 2024, 62.6% of the current IMF program has been completed, while 28.2% is ongoing. Not all goals within this program will be achieved, highlighting the need for a follow-up program. The follow-up program should focus on institutional strengthening, good governance, and sustainable fiscal policy, without direct measures affecting households.

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