BULLETIN #22 JUNE 2025

The 22nd SEOB Bulletin provides an overview of recent economic developments in Suriname. SEOB is an independent body established in June 2023, originally tasked with monitoring the IMF program. Following the program's conclusion, SEOB now focuses on monitoring key macroeconomic indicators and advising the government and other major stakeholders. The performance indicators used are based on the IMF program's objectives. Up-to-date statistics are regularly published on our website: www.seob.sr.

Key Developments

- **Exchange Rate:** The SRD continued to weaken in 2025. The USD/SRD rate rose from approximately 35.4 in January to 36.8 in May. The euro also climbed above SRD 41, partly due to a rise in the EUR/USD cross-rate. The depreciation of the SRD is mainly driven by an increase in the money supply, resulting from significant government spending in recent months.
- **Inflation:** Annual inflation fell to 6.0% in May. Month-on-month inflation remains modest. Despite the weak SRD, price pressures are currently under control, offering some recovery in purchasing power.
- **Economic growth:** Growth of the economy remains subdued. Based on production activity, activity at the end of 2024 was just 0.5% higher than the year earlier.
- Public Finances: Government expenditure structurally exceeds revenues, resulting in a persistent budget deficit.
- **Money Supply:** The SRD base money supply (M0) increased significantly since late 2024, mainly due to net government spending. By March 2025, M0 was well above the 2024 levels. This excess liquidity undermines monetary stability and heightens inflation risks.
- **International Reserves:** Reserves remained stable at around USD 1.6 billion. Although there was a slight decline in May, import coverage remained at 7.6 months.
- **Public Debt:** The debt-to-GDP ratio rose to 108.6% in April. The combination of fiscal deficits, exchange rate losses, and interest costs puts pressure on fiscal space.
- **Banking Sector:** The sector has strengthened. Non-performing loans (NPLs) fell to 4.1%, and the capital adequacy ratio remained above 20%. Lending rates, however, remain high, hindering economic activity.

Government Spending and Uncertainty Pressure the Exchange Rate

The value of the Surinamese dollar (SRD) has declined significantly in recent months. In August 2024, the SRD/USD exchange rate stood around 29; by May 2025, it had risen to approximately 37. The euro rate increased to 41.7.

Several factors contributed to the deteriorating exchange rate. A key reason is the government's conversion of foreign currency reserves into SRD to finance fiscal deficits, mainly through disbursements from IMF and other international financial institution loans. This has led to an increase in SRD liquidity, putting pressure on the currency's value. Meanwhile, confidence in fiscal policy—particularly around the elections—remained weak. In the absence of clear stability and debt reduction, many citizens and businesses continue to seek refuge in stronger currencies such as the US dollar and the euro. Export revenues have grown modestly, while the current account posted deficits in the past two quarters. This has made it harder to access foreign currency, further straining the exchange rate.

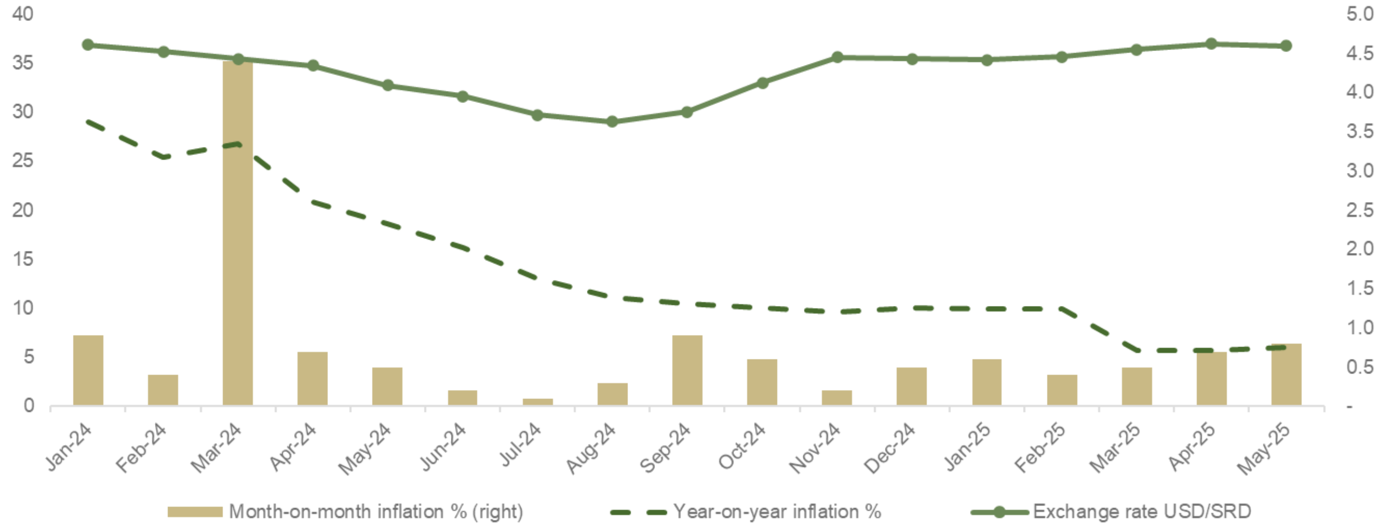
The consequences of the weakening currency are evident in daily life. Imported goods such as food, medicine, and fuel are becoming more expensive, driving up prices and eroding household purchasing power. Investor uncertainty is also rising, which weighs on economic growth. Moreover, foreign debt servicing has become more costly for the government, further straining public finances.

Other economic developments

Inflation and economic growth

In May 2025, annual inflation stood at 6.0% (down from 9.9% in January). The lowest inflation rate in years, namely 5.7%, was reached in April 2025. Monthly price increases in May remained limited to 0.8% (figure 1). At the same time, the SRD depreciated further, reaching SRD 36.8 per USD. This made imported goods more expensive. The slowdown in inflation reflects some relief for households.

Figure 1. Exchange rate and inflation



Sources: ABS, CBvS.

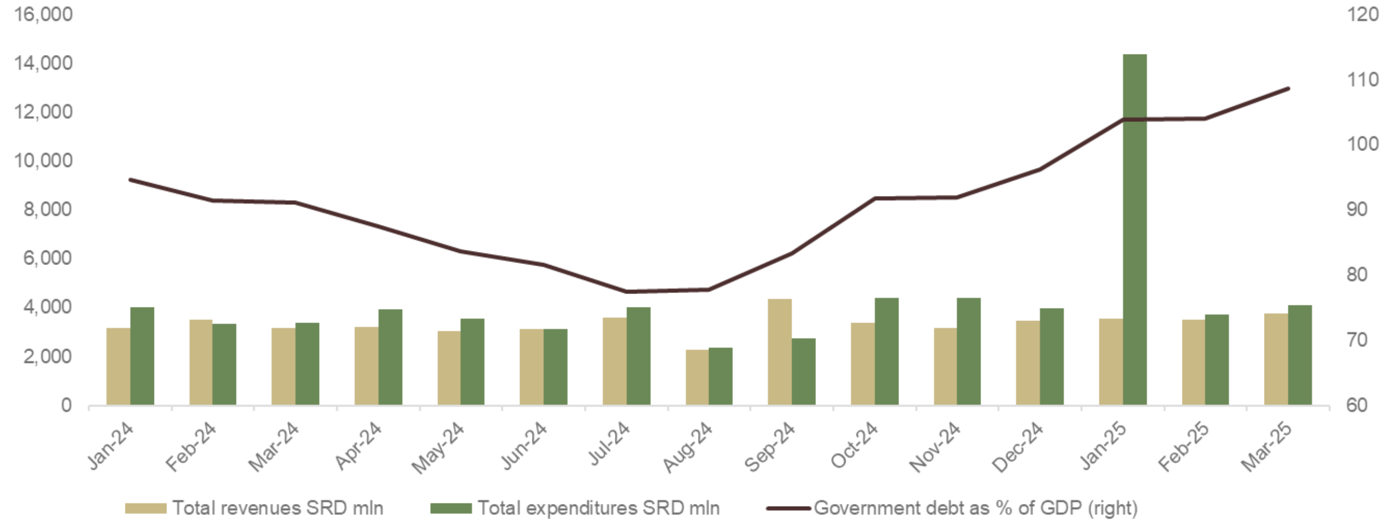
The economy contracted slightly at the beginning of 2024, but moderate growth followed in the second half of the year. According to the CBvS, growth stood at 0.5% by year-end. Due to low growth, job creation and income gains remained limited. Growth was mainly driven by the transport and trade sectors. Lower inflation has encouraged cautious investment by businesses and spending by consumers. However, the recovery remains fragile.

Public finances and debt

Public finances came under significant pressure in the first quarter of 2025. In January, expenditures surged to SRD 14.4 billion, while revenues remained at a level of SRD 3.6 billion—resulting in an exceptional deficit of over SRD 10.8 billion (figure 2). However, the expenditures were mainly due to a capital injection of SRD 9,4 billion for the recapitalization of the CBvS. Expenditures declined sharply in February (SRD 3.7 billion), rising in March to 4.1

billion, while the total balance remained negative (-SRD 193 million and -SRD 373 million). Despite stable and slightly rising revenues in March, the government was unable to fully cover expenditures with regular income.

Figure 2. Developments in public finances



Sources: Ministery of Finance and Planning, SDMO.

The primary balance—revenues minus expenditures excluding interest payments—showed a small surplus of SRD 22 million in February, indicating a temporary improvement in the fiscal sector. However, January posted a deep deficit (-SRD 9.9 billion), and March showed another shortfall (-SRD 36 million). These recurring deficits point to a structural imbalance in fiscal management. The temporary February surplus does not offset the impact of earlier large deficits. The budget remains vulnerable unless expenditures are structurally reduced to sustainable levels.

Public debt rose sharply, mainly due to the depreciation of the SRD and the resulting increase in the foreign debt component. At the end of 2024, debt stood at 96.3% of GDP; by April 2025, it had risen to approximately 108.6%. High debt levels limit fiscal space and increase the interest burden, potentially affecting future generations.

Monetary developments

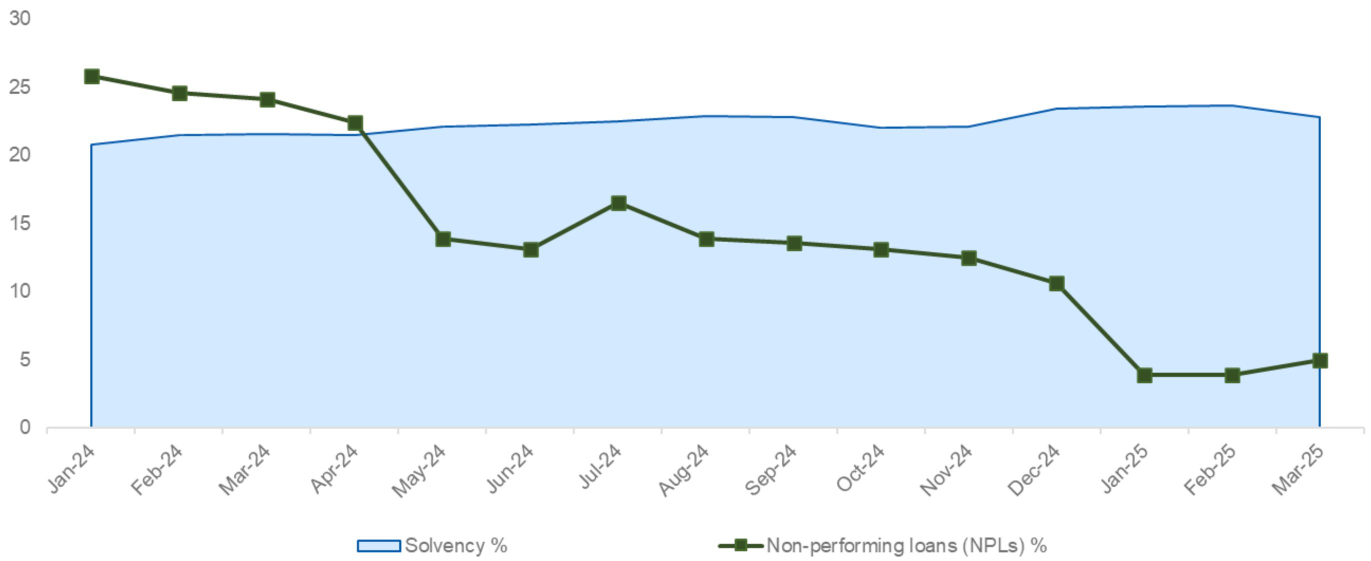
Monetary developments are closely tied to fiscal policy. The base money supply (M0) increased sharply at the end of 2024 and the beginning of 2025, particularly in SRD. This expansion was largely due to net government transactions, including current spending. The increased money supply has affected the exchange rate. The Central Bank of Suriname (CBvS) is attempting to contain money growth through monetary policy tools to preserve the SRD's value and control inflation. Measures include required reserves for commercial banks and open market operations to absorb excess liquidity. The CBvS also conducts foreign exchange auctions to ease pressure on the exchange rate.

In the case of unbalanced fiscal policy or substantial budget deficits, the CBvS will deploy all its monetary instruments to absorb excess liquidity in an effort to contain exchange rate pressures and inflation. However, under such circumstances, the effectiveness of monetary policy is limited, while the societal costs of liquidity absorption—such as through open market operations, foreign exchange auctions, rising inflation, and further erosion of purchasing power—can be significant.

The recent exchange rate spike illustrates how fragile the situation is: without strong coordination between fiscal and monetary authorities, excess liquidity can quickly devalue the SRD. This is critical, as exchange rate depreciation affects, among others, rents, utility tariffs, and imported goods—reigniting inflation.

Despite a slight dip in May, international reserves remained at a healthy level of USD 1.6 billion, providing 7.6 months of import coverage—well above the minimum threshold of 3 months. This gives the CBvS a buffer to absorb external shocks and support the exchange rate.

Figure 3. Banking Sector Indicators



Source: CBvS.

Banking sector

Interest rates continue to decline, especially for savings. The average savings rate dropped to 6.8%, while lending rates remained high at around 14.6%, keeping credit expensive. On the positive side, the banking sector is healthier. The share of non-performing loans (NPLs) fell significantly in 2024—from around 25% early in the year to below 10% by year-end and down to 4.1% in May 2025. The drop in NPLs reflects balance sheet clean-up through asset quality reviews. As the economy stabilizes, households and businesses are better able to service their debt. Banks also maintain strong buffers: the average capital adequacy ratio exceeds 20%, indicating sufficient reserves to absorb potential losses (figure 3).

SEOB recommendations

The Surinamese economy shows signs of recovery: inflation has eased, banks are stronger, and international reserves are adequate. Nonetheless, rising exchange rates and elevated government spending remain key areas of concern. Continued financial discipline is essential to preserve gains and achieve sustainable recovery. SEOB strongly recommends a follow-up IMF program to safeguard previous reforms and strengthen institutions.
SEOB advises:

- Reduce the fiscal deficit through structural spending cuts and improve tax collection to ease pressure on the SRD. The persistent deficits in recent months highlight the budget’s vulnerability.
- Accelerate the independence and strengthening of the tax authority to enhance revenue generation and economic governance.
- Digitalize the tax system and broaden the tax base to better capture informal economic activity, promote fairness, and stabilize public revenues.
- Ensure close coordination between the Ministry of Finance and the CBvS so that fiscal and monetary policies are aligned.
- The implementation of the Procurement Law is necessary to ensure transparency in public contracting.
- Stimulate lending to productive enterprises within the value chain that create jobs and earn foreign exchange. This may include reducing foreign currency reserve requirements and lowering interest rates for export- and production-oriented businesses.
- Promote export growth and economic diversification through targeted reforms and tax incentives, especially in services and tourism.
- Restore confidence through consistent policies and transparent communication on reforms and results. Sustainable recovery requires credible implementation—whether or not within an IMF-supported program.

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http://www.seob.sr
secretary@seob.sr