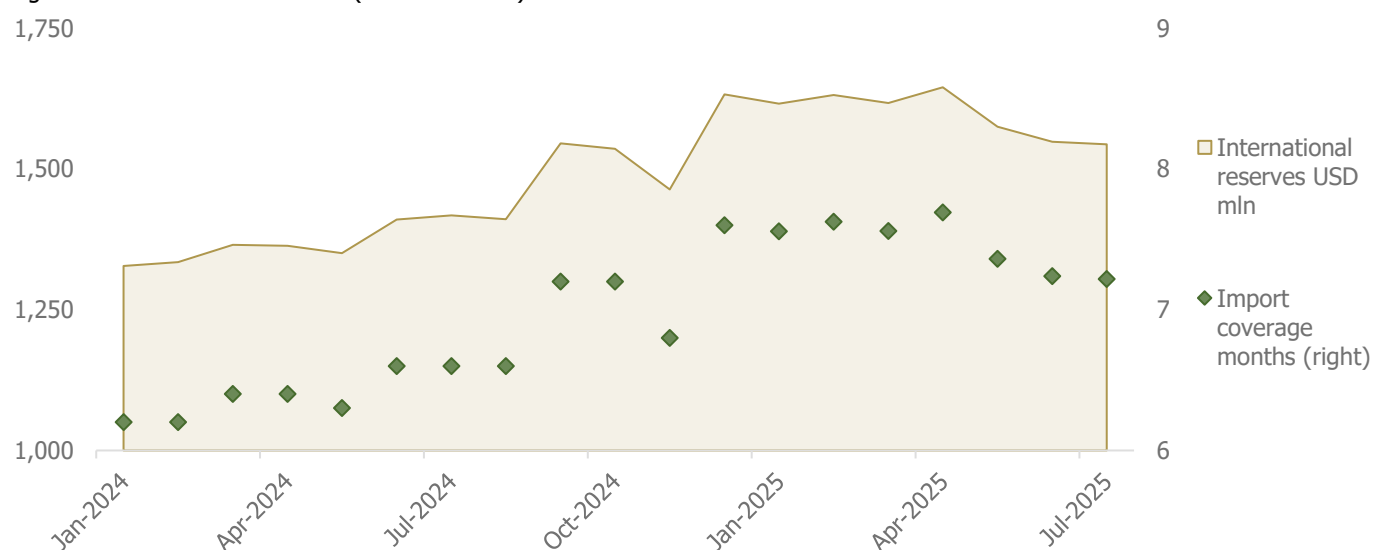


The 24th SEOB bulletin addresses recent economic developments in Suriname. SEOB is an independent institution, established in June 2023 with the primary objective of monitoring the IMF program. Following the conclusion of the program, SEOB now focuses on tracking the main macroeconomic indicators and advising the government and key stakeholders. The performance indicators used are based on the objectives of the IMF program. Up-to-date statistics are regularly published on our website – www.seob.sr.

Key developments

- Inflation rose further in July 2025 to 10%, driven by an increase in money supply and pressure on the exchange rate. The effects of earlier exchange rate increases, and heightened uncertainty continue to fuel price pressures.
- Since late 2024, the Surinamese dollar has shown an upward trend, with the most recent non-cash rate at around SRD 38.4 per USD in July 2025 (~SRD 35 per USD in January 2025).
- The monetary base (M0) grew by 1.1% in July despite liquidity absorption by the Central Bank of Suriname (CBvS). However, broad money supply (M2) rose by 3.3%, which may fuel inflation and exchange rate volatility in the absence of monetary tightening.
- International reserves – including those held by commercial banks – remained stable, covering 7.2 months of imports, well above the three-month benchmark.
- In June, a surplus was recorded on both the primary and overall government balance, mainly due to tax collections. Nevertheless, the fiscal position remains negative on an annual basis for 2025.
- The debt-to-GDP ratio declined slightly but remains well above the legal debt ceiling of 60%. An integrated approach is needed: revenue mobilization, active debt management, and growth promotion.
- Average lending rates stood at 14.5%, while average deposit rates were at 6.5%.
- Solvency remains strong, but non-performing loans (NPLs) increased to 6.6% compared to previous months, indicating deteriorating credit quality and the need for stricter risk management.

Figure I. International Reserves (in USD million.)



Source: CBvS.

Fiscal deficits as driver of inflation and exchange rate pressure

Suriname continues to face macroeconomic challenges, with the government's fiscal deficit playing a central role. While international reserves and some macroeconomic indicators are on the right track, structural challenges persist – notably persistent fiscal deficits, pressure on the exchange rate, rising inflation, and high public debt. Under the IMF program, Suriname committed to ending monetary financing of the fiscal deficit, which was also embedded in the new Central Bank Act. This means that the CBvS may no longer directly create money to finance government expenditures. This measure is an important step toward strengthening macroeconomic policy and restoring confidence in the SRD.

Currently, CBvS instruments (see Bulletin 17) include the reserve requirement ratio, open market operations (OMOs), and targeted foreign exchange interventions. Recently, the CBvS reduced the reserve requirement on foreign currency deposits by 5% to stimulate production. However, without coordinated fiscal policy, these measures remain insufficient to stabilize the economy.

How can fiscal deficits affect the economy?

A fiscal deficit affects the economy through at least four transmission channels:

- 1) Monetary channel: When the deficit is (partly) financed domestically in SRD without a corresponding increase in production, the money supply expands. This fuels demand-driven inflation and undermines the SRD's value. Moreover, fiscal deficits can crowd out private credit on the domestic capital market, constraining investment, and growth.
- 2) Exchange rate channel: Financing gaps place pressure on the balance of payments and increase the risk of capital outflows. This weakens the SRD relative to the USD, making imports more expensive and driving inflation further.
- 3) Expectations: Large and persistent deficits heighten uncertainty for households and firms, leading to higher inflation expectations, price adjustments, and a preference for transactions in foreign currency.
- 4) Long-term effects: Persistent fiscal deficits reduce the scope for productive public investment (healthcare, education, infrastructure) and raise debt levels, thereby constraining long-term growth.

The fiscal deficit continues to place pressure on both the exchange rate and inflation. The government typically finances the deficit through domestic and external borrowing, complemented by tax revenues and proceeds from the extractive sector, primarily gold and oil. As long as deficits persist, structural liquidity pressures will remain. A looser money supply, fueled by the government, increases demand-pull inflation. At the same time, deficits erode confidence in the SRD, prompting households and firms to shift their holdings into foreign currency. This adds pressure on the exchange rate, leading to depreciation of the SRD. Through higher import prices, depreciations, in turn, drive inflation further. This is a particularly serious problem in an import-dependent economy. The result is a vicious cycle: fiscal deficits cause inflation and exchange rate pressures, which in turn raise government expenditure costs and widen the deficit.

In this context, the importance of economic growth and diversification becomes increasingly evident. A broader economic base, built on multiple productive sectors, can strengthen government revenues, and reduce dependence on volatile resource earnings. Diversification may also help lower exchange rate pressures by boosting export potential and reducing import needs. Exports stimulate the real economy and generate foreign exchange, which raises supply and supports the exchange rate. This strengthens the country's external position and contributes to monetary stability. Although the CBvS seeks to manage liquidity through open market operations, the effectiveness of monetary policy ultimately depends on the extent to which fiscal policy is reformed.

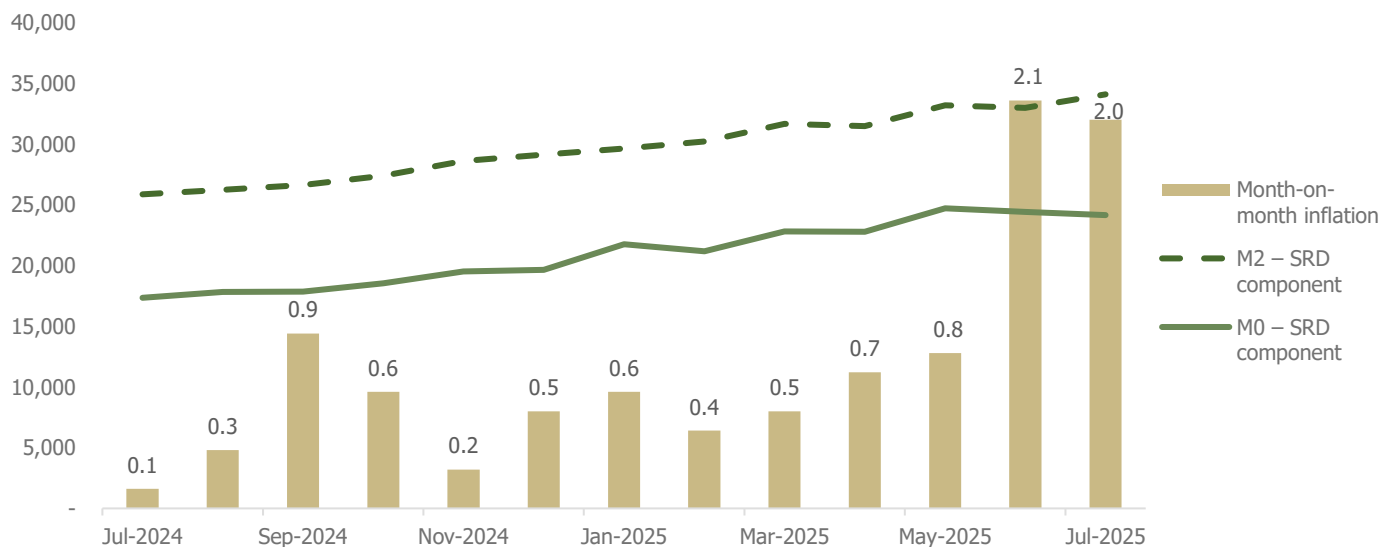
Recent economic developments

Inflation and exchange rate

In 2025, the upward inflation trend clearly continued. After rising to around 8% in June, inflation accelerated by another 2 percentage points in July to reach 10%, once again entering double-digit territory. This development increases pressure on both consumers and businesses and underscores the urgency of targeted measures to safeguard price stability.

The increase is mainly driven by rising money supply, caused by both higher government spending (a delayed effect of election-related expenditures) and credit growth in the private sector. This translates into persistent pressure on the exchange rate, which in turn affects inflation. Although the US dollar has recently shown a slight depreciation, earlier exchange rate hikes continue to feed into prices. Additionally, uncertainty contributes to added pressure on the exchange rate.

Figure 2. Money supply (in SRD million) and monthly inflation (in %)



Sources: ABS and CBvS.

Monetary developments

Growth in the SRD component of the monetary base slowed to 1.1% in July 2025, mainly due to liquidity absorption through open market operations and FX auctions by the Central Bank. SEOB estimates that, absent liquidity absorption, M0 growth would have been around +2%. An important development is the narrowing of the gap between the targeted SRD-M0 level and actual SRD-M0, which declined from 32.3% in May to 18.7% in July. While the gap remains significant, this decline indicates that the Central Bank has brought money supply closer to its target.

In July 2025, the SRD share within broad money supply (M2) increased by around 3.3%. This expansion is largely attributable to higher government spending and increased private sector lending. If this continues without accompanying monetary tightening, it could exacerbate inflationary pressures and volatility in the foreign exchange market, further destabilizing macroeconomic equilibrium.

International reserves

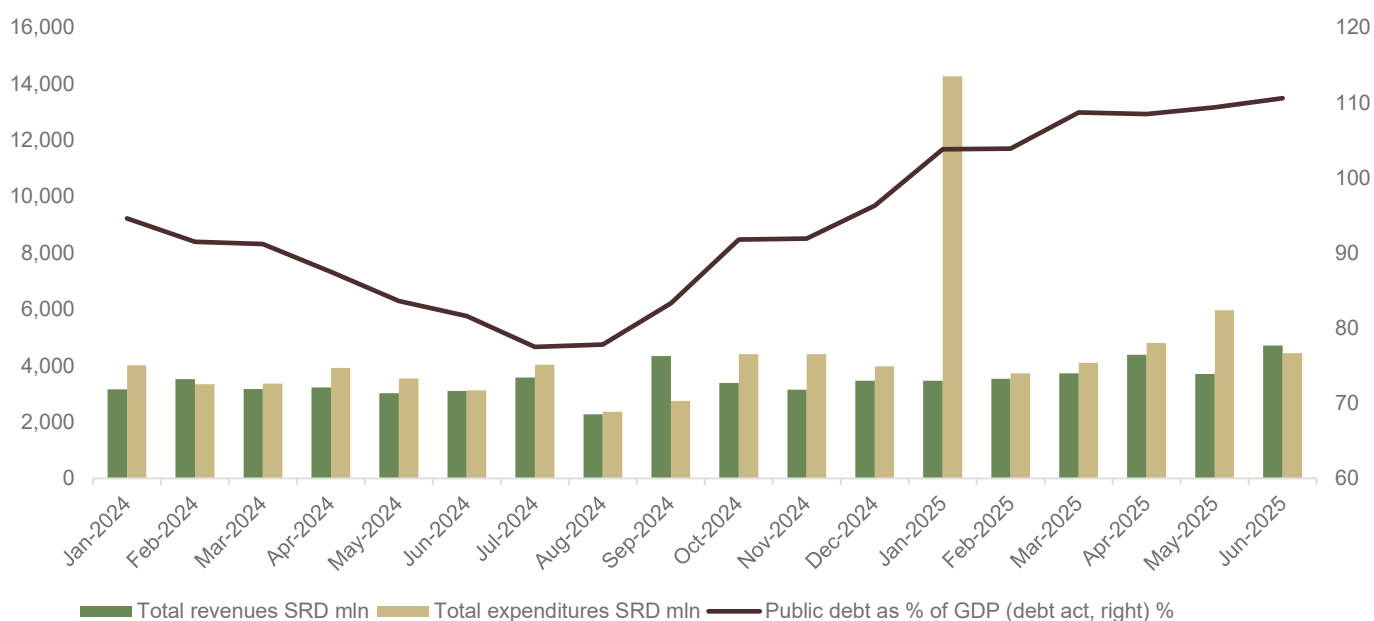
International reserves remain relatively solid, covering approximately 7.2 months of imports in July 2025. The total amount – including reserves held by commercial banks – stood at USD 1.54 billion, keeping the external

position well above the three-month benchmark of import coverage. Compared to June, however, reserves declined slightly by 0.3%. While modest, this decrease highlights the importance of maintaining a robust reserve position, given its role in exchange rate stability, external shock resilience, and confidence in macroeconomic policy.

Public finances

Government accounts showed improvement in June 2025, mainly due to the seasonal effect of income tax collections. Both the primary and overall balances closed the month with surpluses of SRD 580.1 million and SRD 270.3 million, respectively. However, when looking at the period January through June 2025, the structural fiscal position remains negative. These deficits signal an underlying fiscal problem that is not fully offset by incidental monthly improvements. It is therefore crucial, from a policy perspective, to consolidate June's positive trend with structural measures focused on revenue mobilization and expenditure control. Only then can a more stable and resilient fiscal framework be achieved.

Figure 3. Government Revenues (SRD million) and Public Debt under the Legal definition (% of GDP)



Sources: Ministerie van Financiën en Planning; SDMO.

Public debt

In July 2025, public debt as a percentage of GDP declined slightly compared to the previous month. Under the international definition, the debt ratio fell to 84.5%, a decrease of 1.4 percentage points. Under the legal definition, debt declined to 108.9%, a reduction of 1.7 percentage points – based on 2023 GDP. Despite this positive development, public debt remains far above the legally established debt ceiling of 60% of GDP (25% domestic and 35% external debt). If government deficits persist, SEOB expects public debt to remain under pressure in the coming months.

To keep the debt burden manageable over time, an integrated approach is required, including:

- Gradually strengthening government revenues through more effective tax collection. Since this takes time, fiscal pressures will persist in the short term.
- Active debt management, with a focus on optimizing the debt portfolio by extending maturities, lowering interest costs, and improving risk diversification.

- Promoting economic growth through investment in productive sectors and by broadening the economic structure, thereby raising GDP, and reducing the debt ratio.

Banking sector

In July 2025, the banking sector presented a mixed picture. Average lending rates remained high at 14.5%, keeping credit costly. Average deposit rates stood at 6.5%. The solvency ratio rose slightly to 22.5%, well above the internationally accepted threshold of 8%, indicating strong capital positions. However, the increase in non-performing loans (NPLs) to 6.6% compared to previous months is concerning, as it shows borrowers are facing greater difficulties. This combination of costly lending, low deposit rates, and rising credit risks calls for strict risk management and a reconsideration of interest rate policy to safeguard financial stability.

SEOB recommendations

The Surinamese economy remains fragile. While inflation had fallen earlier this year to single digits, it rose again in July 2025. Exchange rate pressures and structural fiscal deficits remain worrisome. SEOB stresses that strengthening institutions is essential to promote macroeconomic stability. SEOB further recommends:

- Strict fiscal discipline is vital to safeguard stability and anchor recovery sustainably.
- To break the cycle of fiscal deficits, inflation, and exchange rate pressure, a coherent strategy is needed that combines fiscal consolidation with structural reforms and targeted economic diversification.
- The government budget should reflect integrated public policy, with ministries linking revenue models to their core mandates.
- To strengthen public finances, SEOB recommends the transparent privatization of non-strategic loss-making state-owned enterprises that require substantial subsidies to the private sector.
- Adoption of the procurement law is necessary to ensure transparency, clear rules, and cost control in public tenders and contracts.
- Strengthening and preserving international reserves requires export growth and investment promotion. Economic diversification beyond mining, with emphasis on the agricultural sector, including fisheries and agro-processing, services, and (eco)tourism, is crucial.
- The government and private sector must jointly develop a production and export growth strategy in the short term to encourage investment and exports.
- Intensified monitoring of inflation and protecting vulnerable groups requires targeted social programs.
- Restructuring domestic and external debt can lower interest costs; active debt management is essential given the high debt ratio.
- Building human capital in key institutions such as the Tax Authority, Customs, and ministries must be ensured independently and sustainably. Enhanced (digital) tax collection and more effective customs duties are needed to reduce deficits. Coordination between fiscal and monetary policy is essential to limit inflationary pressures and stabilize the SRD. Safeguarding central bank independence, in line with the 2022 Central Bank Act, remains a priority.
- Safeguarding financial stability requires prudent credit policies by banks, with emphasis on lending to SMEs and households without weakening buffers. High lending rates currently constrain investment.
- Restoring confidence requires consistent policymaking and clear communication on the socio-economic strategy for the coming years.