

The 14th SEOB bulletin discusses the progress of the IMF program and the main developments related to this program. The SEOB is an independent body, and its main purpose is to monitor and advise the government on the implementation of the IMF-program and economic recovery plan. This is done by looking at clear performance indicators. On our website - www.seob.sr - regular statistics and measures, related to the IMF-program, are conveniently presented.

KEY DEVELOPMENTS

- The foreign exchange rates continued their downward trend in June 2024.
- Year-on-year inflation (hereafter: inflation) further declined in May 2024 to 18.6%, a decrease of 2.3 percentage points from the previous month. The decline in the inflation rate is mainly attributed to the decrease in exchange rates. The average inflation – price increases in the last 12 months compared to the previous 12 months – also decreased to 35.8% in May 2024.
- Economic activity continues to improve, especially in the transportation, construction, and hospitality-related sectors.
- The target for the SRD base money supply (M0) was not met in April 2024 due to net government expenditures. In May 2024, the M0 was below the agreed upper limit.
- Savings and lending rates remain high compared to the previous year but fell marginally in April 2024.
- The gross international reserve (including bank reserves) was USD 1.35 billion in May 2024, with an import coverage of 6.4 months.
- The debt ratio – total public debt as a percentage of GDP – further declined in April 2024 to 126.3%, mainly due to the decline in exchange rates.
- The solvency of the banking sector marginally worsened, but non-performing loans further improved.
- As of mid-July 2024, according to our calculations, 61.6% of the measures within the IMF program were completed (Table 1).

Table 1. Status of IMF Program Measures

Policy Area	Completed	In Progress	Other
Monetary and Exchange Rate Policy	64.3%	33.3%	2.4%
Fiscal Policy	60.6%	16.7%	22.7%
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	61.6%	28.6%	9.7%

Note: "Other" means the measure has been postponed or not yet started, or the status of the measure is unknown. Measures that require immediate attention are reviewed at each IMF review and are also part of policy areas A to F. Source: SEOB calculations with IMF monitoring matrix data.

NATIONAL RISK ASSESSMENT

A national risk assessment (NRA) is a requirement to comply with international standards for Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT). The Caribbean Financial Action Task Force (CFATF) is the regional body that evaluates Suriname's AML/CFT framework. If a country scores too low in this evaluation, it risks being cut off from the rest of the world, endangering international transactions – and thus the import and export of goods and services. Suriname conducted its first NRA in 2019 and 2020, while the second NRA must be completed by the end of August 2024.

Second NRA

The second NRA is being conducted with technical assistance from the expert team of the Kroll AML division. This risk assessment includes four sectoral assessments covering the financial sector, legal entities and legal arrangements, the gaming sector, and the small-scale gold sector. The assessment for the banking sector is complete. The Gaming Board has finalized the last draft with input from Kroll. The Legal Entities Commission has completed the fourth draft report. The results of the sectoral studies will be included in the second NRA, along with updated information and data on ML/TF risks and vulnerabilities for both the public and private sectors.

Mutual Evaluation

In 2023, Suriname underwent a Mutual Evaluation – an assessment of the measures a country takes to address AML/CFT – and received a report with recommendations. Suriname has committed to addressing 30 of the 40 recommendations to close gaps and develop a robust AML/CFT system. This process was successfully initiated with a favorable evaluation of 4 recommendations in November 2022, and 8 additional recommendations are currently being offered to CFATF for review at the next plenary meeting around November 2024. Work is ongoing on the remaining 18 recommendations by various public sector stakeholders, with progress to be reported in March 2025 for final evaluation in November 2025.

Legislation and Technical Assistance

Several laws need to be amended and drafted to support the national AML/CFT framework. It is crucial to get these laws approved by the National Assembly.

Communication with Stakeholders

The AML Project Implementation Unit (AML-PIU) aims to involve all stakeholders in actions to combat money laundering and terrorism financing, with periodic consultation moments.

Successes and Challenges

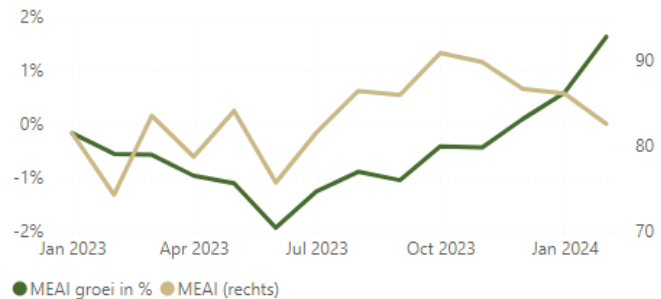
The AML-PIU indicates that one of Suriname's recent successes is the Financial Intelligence Unit (FIU) joining the renowned Egmont Group. This enables FIU Suriname to actively participate on this platform, offering opportunities for information exchange and capacity building through, among other things, training and improving analysis methods. For the public sector, attracting qualified personnel and maintaining structured data sustainably remains challenging. Finally, the AML-PIU emphasizes that timely and adequate legislative processing is crucial to successfully navigate the CFATF procedures.

RECENT ECONOMIC DEVELOPMENTS

ECONOMY CONTINUES TO RECOVER

Economic activity has been moving upward since the beginning of this year. The Centrale Bank van Suriname's (CBvS) monthly economic activity index (MEAI) estimates economic growth of 1.6% in February 2024. This expansion was mainly driven by hospitality-related sectors, particularly restaurants. Air transport also contributed to this growth. The CBvS also sees an improvement in roundwood production. On the other hand, this growth was partially offset by a contraction in the trade sector and a decline in gold production.

Economische Activiteit

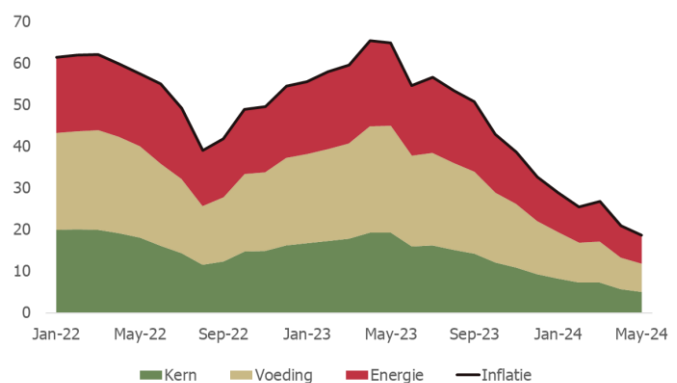


Source: CBvS.

INFLATION FURTHER DECREASES IN MAY 2024

In May 2024, inflation further declined, mainly due to the decrease in foreign exchange rates. Inflation stood at 18.6%, while monthly inflation was 0.5%. Core inflation – inflation excluding food and energy prices – also dwindled further. The drop in exchange rates continues to underpin this decline as well. The average 12-month inflation fell from 39.5% to 35.8%.

Bijdragen Kern, Voedsel en Energieinflatie

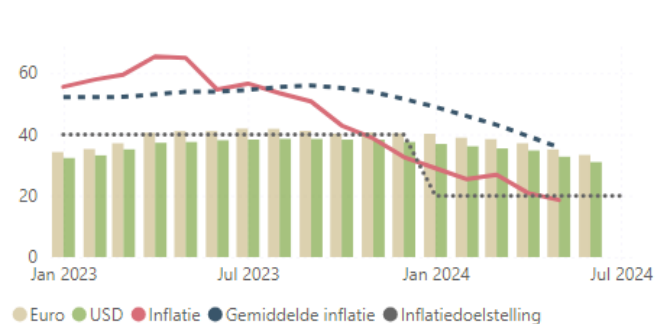


Note: Energy inflation includes the contribution to inflation from the main groups of utility rates and transport. Food inflation includes the contribution from the main group of food and non-alcoholic beverages. Core inflation contains contributions from other main groups. Source: SEOB calculations with data from ABS.

The SRD component of M0 was higher than agreed with the IMF in April 2024 due to net government expenditures. The government must align its expenditures with its revenues to prevent potential spending pressure. The target for this indicator was achieved in May 2024.

While the USD exchange rate fell by over 5.4% in June, the Euro exchange rate fell by approximately 5.1% against the SRD. The continued appreciation in exchange rates can lead to revenue loss for exporters and the government, while the government may benefit from repaying foreign debt.

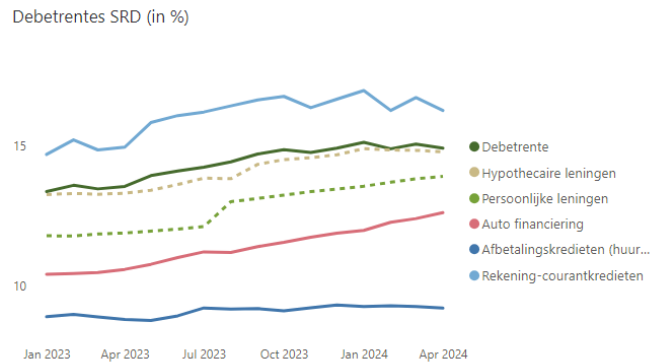
Inflatie (in %) en Wisselkoers



Sources: ABS, CBvS.

INTEREST RATES REMAIN STABLE; NON-PERFORMING LOANS FURTHER IMPROVE

Interest rates remain high but fell slightly in April 2024. The average lending rate fell from 15.1% to 14.9%, while credit rates fell from 11.0% to 10.4%. The SEOB expects that a possible turning point in interest rates has been reached due to falling inflation and improved inflation expectations. Nevertheless, interest rates remain challenging for small and medium-sized enterprises (SMEs), and policymakers should create incentives for strategic production sectors.



Source: CBvS.

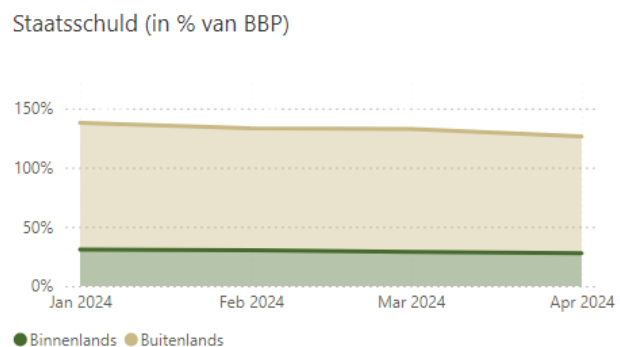
The solvency ratio decreased to 21.3% in April 2024. This may be due to foreign currency assets also moving downward when converted to SRD. Non-performing loans (NPLs) dropped slightly. While the NPL ratio stood at 12.0% in April 2023, it reached 10.4% in April 2024. This is the result of the asset quality review by banks and the improved repayment capacity of borrowers. The liquidity ratio in the banking sector remained stable in April, amounting to 53.4%.



Source: CBvS.

DEVELOPMENTS IN GOVERNMENT DEBT

The debt ratio – the national debt as a percentage of GDP – further declined in April 2024 to 126.3% according to the legal definition. In April, the foreign debt, expressed in local currency, decreased to SRD 88.4 billion. At the same time, the domestic debt further decreased to SRD 24.7 billion due to repayments.



Source: SDMO.

OUTLOOK AND RECOMMENDATIONS

- In this edition, we specifically address the AML/CFT issue. The SEOB is pleased that a second NRA is in the final stage. We emphasize the importance of combating fraud, corruption, and money laundering (AML/CFT) to create a favorable investment climate. A set of laws to further strengthen AML/CFT are in the making while others are in an advanced stage. Based on the “measures requiring immediate attention,” it is also noticeable that the IMF places significant emphasis on addressing AML/CFT.
- The SEOB underscores the importance of implementing CFATF recommendations and advises including members of the private and banking sectors in the National Anti-Money Laundering Commission and AML-PIU, given the necessity of compliance in the private sector, particularly the banking industry. Suriname must continue to make progress, considering successes and challenges, to improve compliance and address the outstanding CFATF recommendations.
- Recently, within the IMF program, there has been a particular emphasis on measures in the areas of "Good Governance" and "Anti-corruption." The SEOB believes that implementing these measures will promote the institutional strengthening of Suriname, especially now that the end of the IMF program is in sight. The SEOB advocates for a subsequent IMF program to strengthen institutions so that the results of the current program are preserved, and the government can sustainably manage its finances after the program’s conclusion.
- Government revenues are significantly lagging, particularly those from the mining sector. The SEOB emphasizes the need to substantially increase state revenues. Strengthening capacity and using modern technologies can contribute to this. Additionally, the VAT collection process must be improved. It is essential to continuously motivate and educate the business sector about VAT legislation and effectively continue the collection process.
- During discussions with stakeholders, the necessity of phasing out subsidies is acknowledged. Reducing subsidies is essential to decrease government expenditures and support the government budget. Stakeholders strive for a cost price substantiated by figures and facts. Therefore, the SEOB advocates for a thorough solution that provides transparency about the data to all parties, ensuring a steady progression in the phase-out process.
- The SEOB closely monitors movements in excess liquidity. In the first months of 2024, the M0 target was structurally missed due to net government expenditures. This target was met in May. Fiscal discipline and good coordination between the Ministry of Finance and the CBvS are essential for a successful Monetary Targeting regime.
- Interest rates are slowly decreasing. At the same time, exchange rate pressure and spending inflation have decreased in recent months. The SEOB welcomes the decrease in interest rates, given the importance of access to capital for SMEs. The SEOB therefore applauds initiatives such as SURGE, the guarantee fund, and the production credit fund.
- Inflation is expected to further decrease in 2024. However, tariff adjustments for utilities will cause cost inflation. The SEOB estimates a 12-month average inflation between 16% and 22% in 2024, while the IMF expects an average inflation of 21.1%.

- The SEOB anticipates economic growth in 2024, although production will not reach pre-Covid levels. It increasingly appears that a positive Final Investment Decision is imminent. If TotalEnergies makes a positive investment decision, the start-up of the offshore oil sector will boost economic growth. The SEOB advocates for incentives for the development of local sectors, focusing on employment and production, with an eye on sustainability and climate change.
- The SEOB emphasizes the importance of a follow-up IMF program to ensure the measures taken in the recent period and further strengthen institutions, to build a sustainable economy and society.
- The SEOB notes that the action point "Review government spending on social protection and publish a time-bound strategic plan to improve the efficiency and effectiveness of social benefits" has been marked as "completed" by the IMF. Unfortunately, the social program is one of the actions within the IMF program that has never been properly established. All analyses indicate that the social program lacks effectiveness.
- The social program, which has not yet taken off effectively, needs to be redesigned to effectively combat poverty and support the truly vulnerable. This viewpoint is also emphasized in the recently issued report by the IDB and the World Bank Group "Poverty Assessment in Suriname." The SEOB has repeatedly emphasized not focusing on the budgetary targets of the social program but on the effectiveness of the social program. In this context, the SEOB also emphasizes that payments under the social program should be processed through banks for transparency.

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

