

The 16th SEOB-bulletin discusses public finances, the progress of the IMF program, and key 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](http://www.seob.sr) - regular statistics and measures, related to the IMF-program, are conveniently presented. This bulletin also highlights the role of the Central Bank of Suriname (CBvS) within the IMF program

## Key developments

- TotalEnergies and partners have made a positive Final Investment Decision (FID) for oil development in Block 58.
- Exchange rates for foreign currencies continued a downward trend in August 2024, with an upward shift observed in September.
- Year-on-year inflation in July 2024 further decreased to 13.0%, a decline of 3.2 percentage points compared to the previous month. This drop in inflation is primarily attributed to the decline in exchange rates.
- The average inflation, measured as the price increases over the past 12 months compared to the previous 12 months, fell to 29.1% in July 2024.
- The economy shows signs of growth, driven by the transport and hospitality-related sectors.
- The SRD component of M0 remained below the IMF-agreed ceiling in July 2024, mainly due to a reduction in open market operations.
- Solvency in the banking sector improved further to 22.3% in June, while interest rates remained largely stable.
- The gross international reserves (including banks' reserves) stood at USD 1.42 billion in July 2024. The import coverage was 6.7 months.
- The debt-to-GDP ratio, or public debt as a percentage of gross domestic product (GDP), further declined to 77.7% in July 2024, driven by debt repayments and the decline in exchange rates. This ratio was adjusted for 2024 due to new GDP figures.

## PROGRESS IMF PROGRAM: 7th REVIEW COMPLETED

The IMF Executive Board approved the 7th review of Suriname under the program, granting a waiver for the non-fulfillment of the target for the primary fiscal balance. As a result, USD 63 million has been made available for Suriname, of which USD 25.8 million is designated for budgetary support. The IMF noted that the economy is showing signs of recovery, but also emphasized the importance of maintaining sound public finances, reducing utility subsidies, strengthening the tax system, and implementing an effective social safety net. These areas will be critical during the eighth review.

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%
<b>Total</b>	<b>61.6%</b>	<b>28.6%</b>	<b>9.7%</b>

*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.*

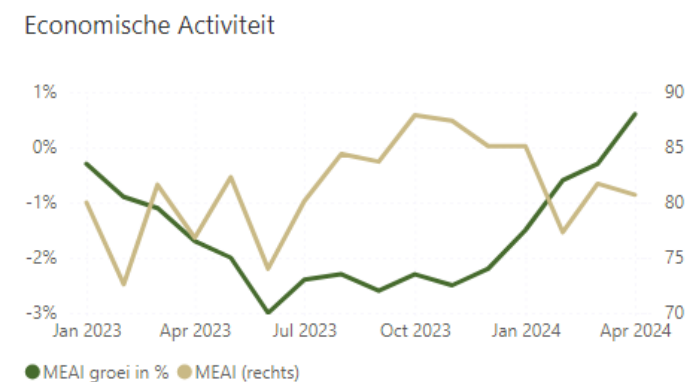
As of mid-September 2024, according to our calculations, 61.6% of the measures under the IMF program have been completed (Table 1), which remains unchanged from the previous month. The IMF has introduced new measures for the 8th review. One of the urgent measures is that the revenue from the recent increase in electricity tariffs, amounting to approximately SRD 500 million, must be transferred to the government. The current measures that still require immediate attention, based on input from the IMF, are as follows:

- A digital platform is being established for banks and exchange offices to facilitate currency trading, with a planned expansion to include gold exporters.
- The audited financial statements for 2022 of the Central Bank of Suriname (CBvS) will be published on their website.
- Special audits are being conducted on the monetary data within the IMF program.
- Quarterly reports on the government budget, starting with the results from June 2023, will be published.
- The tax authority will be strengthened by hiring qualified personnel.
- The Ministry of Finance, SDMO, and the CBvS will sign an agreement outlining their responsibilities for the repayment of domestic debt.
- A pilot project will be launched to assign special accounts to several ministries.
- The budget office will determine quarterly expenditure limits for each ministry and closely monitor these expenses.
- The EAS website will provide quarterly updates on electricity tariff adjustments, electricity costs, and the necessary subsidies.
- A new law will ensure that all public tenders and contracts are centrally published, including the names of the companies involved and the individuals awarding the contracts.
- Revise the anti-corruption legal framework.
- The anti-corruption laws will be revised to require politicians to declare their income and assets, with these declarations being audited and sanctions imposed for non-compliance.

## RECENT ECONOMIC DEVELOPMENTS

### ECONOMIC GROWTH NOT YET CONVINCINGLY BALANCED

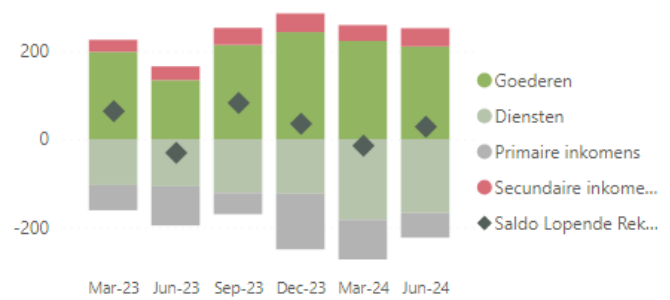
The economy is showing signs of growth. The Central Bank of Suriname's Monthly Economic Activity Index (MEAI) recorded a growth rate of 0.6% in April 2024. This expansion was primarily driven by the hospitality-related sectors, particularly restaurants. Additionally, air transport contributed significantly to this growth. However, the overall growth was partly offset by a decline in the industrial sector, which was impacted by a drop in gold production and a temporary decrease in oil production due to maintenance at the refinery.



Source: CBvS.

The current account of the balance of payments shifted to a surplus of USD 27.7 million in the second quarter, primarily driven by a decline in primary incomes. The financial account also recorded an inflow of USD 4.7 million. After adjusting for statistical discrepancies, this resulted in a net inflow of USD 40.3 million into Suriname. The total export value of goods remained nearly stable compared to the previous quarter, although the oil export value decreased by approximately USD 10 million.

Betalingsbalans (mln USD)



Source: CBvS.

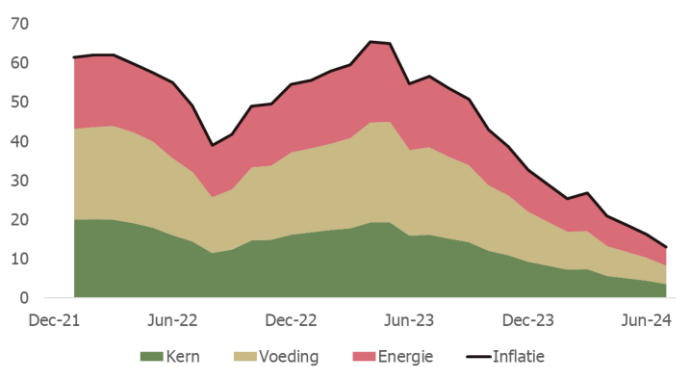
## INFLATION CONTINUES TO DECLINE IN JULY 2024

Inflation continued to decline in July 2024, primarily due to the decrease in foreign exchange rates. Year-on-year inflation stood at 13.0% in July, compared to the previous month, while monthly inflation was 0.1%. Core inflation, which excludes food and energy prices, also showed a further decline. The average 12-month inflation dropped from 32.6% to 29.1%.

The SRD component of the M0 was approximately SRD 340 million below the IMF-agreed ceiling in July 2024. The Central Bank of Suriname (CBvS) indicated that this discrepancy was driven by a reduction in the open market operations (OMO) stock during the same period, as well as an adjustment of the 'Reserve Money Target' for July 2024 to SRD 17.9 billion

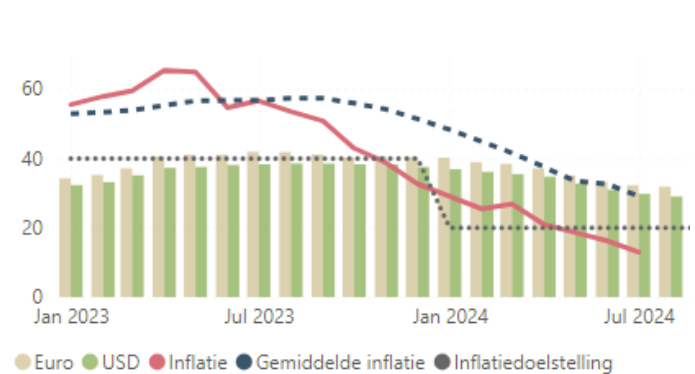
While the USD exchange rate fell by more than 2.5% in August, the Euro exchange rate decreased by approximately 1.4% against the SRD. These continued exchange rate declines may result in revenue losses for exporters and the government. However, the government could benefit from lower costs when repaying foreign debts. Nevertheless, a depreciation in exchange rates was observed in September.

Bijdragen Kern, Voedsel en Energieinflatie



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

Inflatie (in %) en Wisselkoers

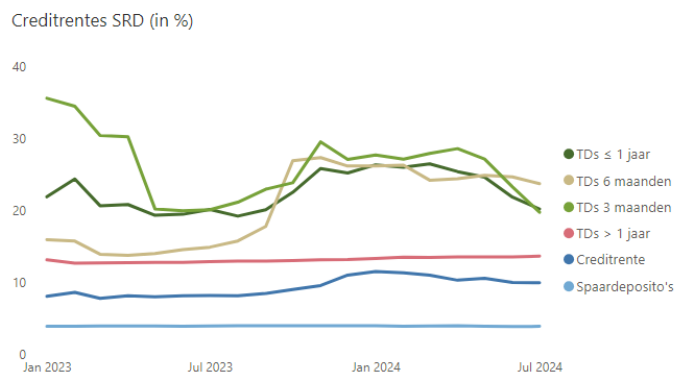


Sources: ABS, CBvS.

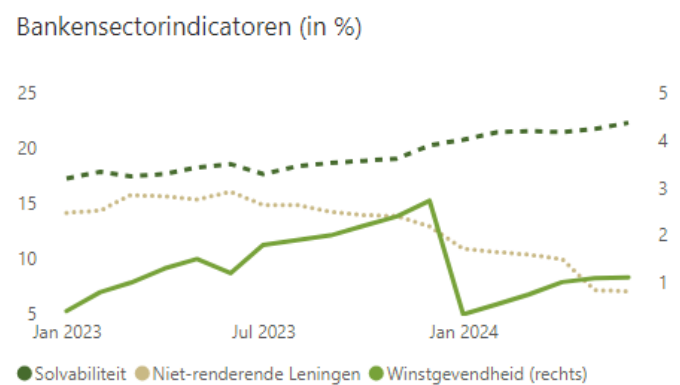
## INTEREST RATES REMAIN STABLE; BANKING SECTOR SOLVENCY IMPROVES

The average lending rate remained stable at 14.7%, while deposit rates declined slightly from 10.1% to 10.0%. The SEOB anticipates a potential turning point in interest rates due to declining inflation and improved economic prospects. However, interest rates remain high for small and medium-sized enterprises (SMEs), prompting recommendations for policymakers to implement stimulus measures targeting strategic production sectors.

Non-performing loans (NPLs) have further decreased. In June 2023, the NPL ratio stood at 16.1%, but by June 2024, it had dropped to 7.1%. This decline is the result of banks conducting asset quality reviews and improved repayment capacities among borrowers. Additionally, the solvency ratio rose to 22.3% in June 2024, while the liquidity ratio increased to 54.2%.



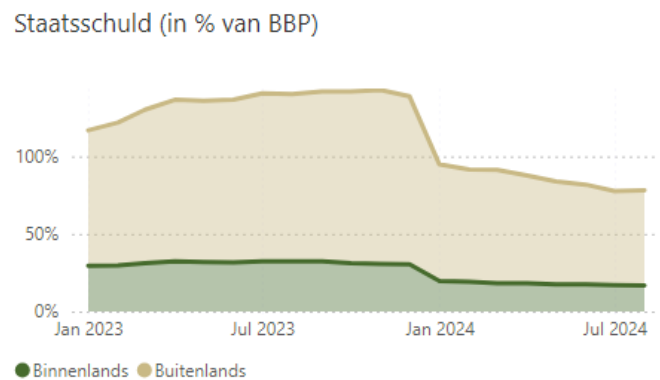
Source: CBvS.



Source: CBvS.

## DEVELOPMENTS IN PUBLIC DEBT

The debt-to-GDP ratio, according to the legal definition, further decreased to 110.3% in July 2024. The external debt, expressed in local currency, fell to SRD 77.1 billion in July. At the same time, domestic debt continued to decline to SRD 21.6 billion due to repayments and exchange rate effects. Domestic debts owed to the Central Bank of Suriname (CBvS) and commercial banks have been restructured and are being repaid. The sharp downward adjustment in debt ratios for 2024 is mainly the result of a revised GDP figure.



Bron: SDMO.

## OUTLOOK AND RECOMMENDATIONS

- The SEOB continues to advocate for a follow-up IMF program to ensure that economic recovery is not reversed. Within this program, the focus should be on strengthening institutions, promoting good governance, and enhancing monetary policy and the financial sector.
- TotalEnergies and partners have made a positive Final Investment Decision (FID) for oil development in Block 58. The SEOB underscores the importance of developing a long-term strategy for oil revenues. Additionally, attention must be given to establishing the Sovereign Wealth Fund. It is crucial that the government does not prematurely increase spending, as oil revenues are not expected until 2028.
- The SEOB anticipates further economic growth in 2024, with positive medium-term growth prospects driven by the mining sectors. Nonetheless, the SEOB advocates for implementing incentives to stimulate the development of local sectors, with a particular focus on employment, production, sustainability, and addressing climate change. It is essential to identify specific sectors that should be prioritized in the coming period. There is also a need to align the education system with the oil sector and other identified potential growth sectors. The IMF emphasized during discussions that governance must be strengthened, and a clear spending plan established in preparation for future oil and gas revenues.
- The SEOB monitors developments in exchange rates, particularly the recent increase in recent weeks. Imbalanced public finances could exacerbate this trend. Reducing subsidies on utility rates remains necessary to create a more rational government expenditure structure. However, this process must be transparent, with full visibility of electricity costs for all stakeholders, to gain public support. Additionally, a strong social safety net is crucial for effectively combating poverty.
- The SEOB highlights the importance of strengthening the tax authority to increase government revenues.
- Although the M0 targets were missed in the first months of 2024 due to net government spending, the target has been met since May. Fiscal discipline and coordination between the Ministry of Finance and the Central Bank of Suriname (CBvS) are crucial in this regard. The SEOB notes the reduction of domestic debt and the recapitalization of the CBvS as positive developments.
- The SEOB expects 12-month inflation in 2024 to range between 14% and 17%, with government deficits and utility rate increases posing risks.
- The legal framework for anti-corruption must be revised. This framework should also include requirements for politicians to publicly disclose their income and assets to ensure transparency for the public.
- With the advancement of the second NRA, strict measures against fraud, corruption, and money laundering (AML/CFT) are being urged. Laws to strengthen AML/CFT are under development, and the IMF highlights the importance of these issues. The SEOB advises the involvement of the private sector and advocates for the continuation of the IMF program to strengthen institutions and financial management.
- According to our calculations, 61.6% of the program has been completed to date. Based on the current pace of progress, it is expected that this percentage will reach around 65% by the 8th review. It is likely that not all policy objectives will be achieved within the current IMF program, further emphasizing the need for a follow-up IMF program to ensure the sustainability of government policies and strengthen the economy.

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