BUREAU VOOR DE STAATSSCHULD

Suriname Debt Management Office (SDMO)

Quarterly report 1st & 2nd quarter of 2022

An Overview of the Macro-economic Developments August 15, 2022

Introduction

The Suriname Debt Management office (SDMO) has decided to produce a quarterly report this year, titled: **"An Overview of the Macro-economic Developments**". On a quarterly basis, the SDMO will present the relevant international and economic developments of Suriname. This report describes the developments in the first seven months of 2022 based on available data.
If you have any questions please contact SDMO at email address: info@sdmo.org or telephone: 597 552644 and 597 552645.

Summary

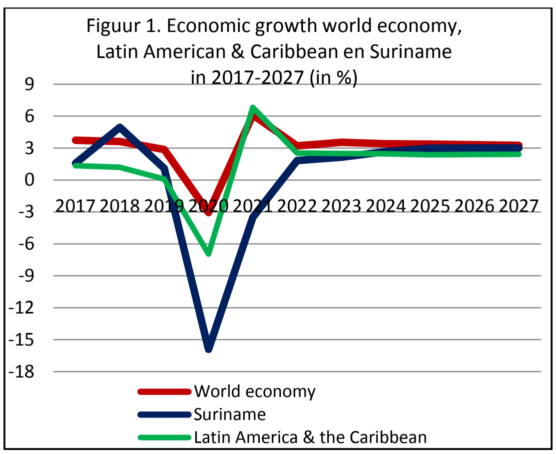
Based on the available updated and corrected statistics, information and outlook until July 2022. The analysis can be summarized as follows:

- The outbreak of the war between Russia and Ukraine in February 2022 has again put enormous pressure on the global economic recovery after the COVID-19 pandemic, which is still not completely resolved.
- World market prices especially of energy products, have increased significantly. For 2022, global inflation is estimated at about 6-7 percent, while economic growth has been revised downwards to 3.2 percent. The growth for the Surinamese economy in 2022 been estimated by the IMF at 1.8 percent.
- In 2021 the international reserve increased by USD 407 million due to the positive result on the balance of payments. The Special Drawing Rights (SDR) of USD 175 million received from the IMF in August, income taxes and the solidarity levy from the gold multinationals and Staatsolie and the SDR 39.4 million received in December under the IMF Extended Fund Facility program, have boosted the International Reserves in 2021. The reserves have decreased significantly by approximately USD 138 million in February 2022, due to the settlement of the currency swap with China by the CBvS.
- Since the introduction of the flexible exchange rate system on 7 June 2021, the exchange rates have been fairly stable. In June 2022 however, there was an upward trend in the exchange rates. The reason for this is the limited amount of transferable deposits of foreign currencies available at the banks to meet the demand.
- The month to month inflation in June 2022 was significantly hight at 9.1 percent. According to ABS, this was mainly due to the adjustment of utility tariffs in that month.
- At the end of 2021, there was a positive result on the government primary and overall balance of respectively SRD 2 billion and SRD 1 billion. Up to May 2022, there was a primary surplus of SRD 107 million, while the financing deficit amounted to SRD 525 million. In June 2022, the government succeeded to restructure some of its bilateral debt within the Paris Club.

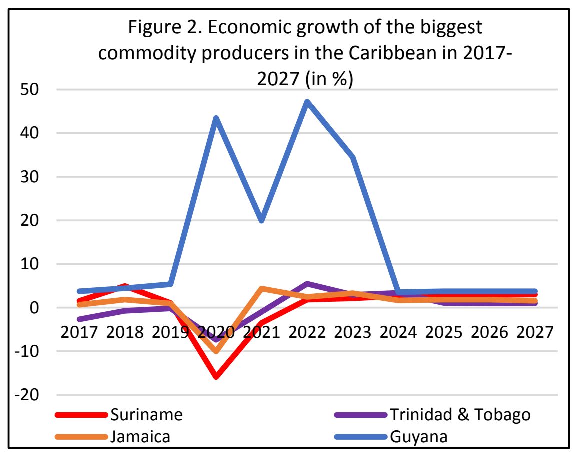
Economic growth and investments

After the growth of the world economy by 6.1 percent in 2021, the short- and medium-term outlook for growth perspectives in the first half of 2022 has deteriorated. The deterioration is related to the war between Russia and Ukraine, which broke out on 24th of February this year after Russia invaded Ukraine. The effects of this war are immediately noticeable in rising world market prices of commodities, namely oil, gas and metals, of which Russia is an important producer. The prices of food products produced by Ukraine such as wheat, corn and oilseeds are also increasing. This impact has raised concerns regarding the energy- and food security worldwide, especially for the poorest households in several countries. Meanwhile a humanitarian crisis has emerged in Ukraine; many citizens have fled the country and many lives have been lost. A lot of capital destruction has also occurred in the country due to the war.

Besides the outbreak of this above-mentioned war and its negative impact worldwide, the COVID pandemic is not yet fully resolved and is still part of our lives. The COVID situation is gradually recovering worldwide. In the first half of 2022, there were still waves of infections in some countries, such as China. There is still an ongoing risk of spreading and the development of other dangerous mutations of the virus of which the current vaccines are not resistant to.
We still have to deal with the disruptions in the global supply chain of goods and services that has exacerbated in certain areas, due to the war. According to the IMF, shortages of goods and services in certain sectors will persist through 2023 and global trade will slow down further in 2022 and 2023.



Source: IMF WEO April 2022



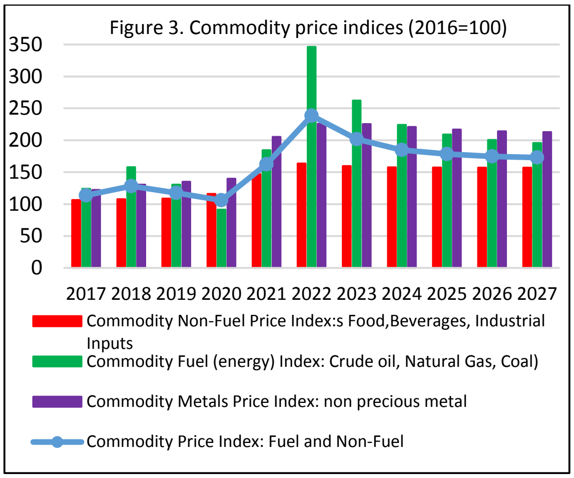
Source: IMF WEO April 2022

In the second quarter of 2022, the production in a number of large economies such as Russia and China decreased dramatically. The decline in production in China is due to lockdown periods as a result of rising COVID-19 cases. Shanghai, the biggest city of China and a major global supply chain hub of goods for example, was in lockdown in the month April. Due to the above developments, global economic growth for 2022 is now estimated by the IMF at 3.2 percent, a decrease of 1.7 percentage points compared to the previous estimate last year.
In the medium term 2023-2027 the global economic growth is projected to an average of 3.4 percent per year (figure 1). Developing countries and emerging market economies, including China and India, continue to grow faster (5.5 percent) than developed countries (1.8 percent).

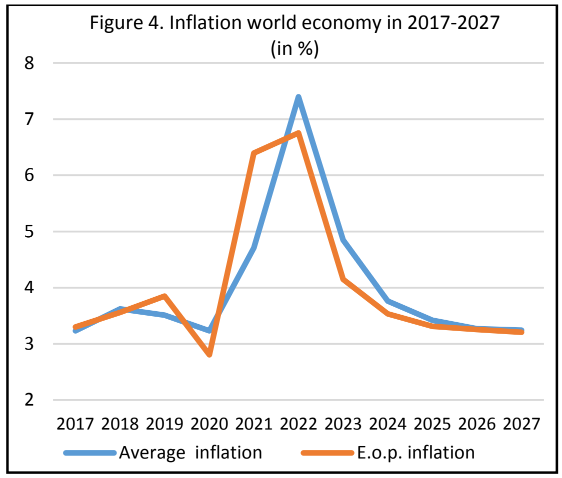
Currently, Suriname economic growth for 2022 is estimated at 1.8 percent. The average medium-term growth projections for the region Latin America & Caribbean and Suriname are respectively 2.4 percent and 2.8 percent. The fastest growing economy in our region is Guyana with its offshore oil production. For 2023-2027, the average growth projection for Guyana is approximately 9.8 percent, while the IMF estimated the growth for 2022 at 47.2 percent (figure 2).

The average medium term 2023-2027 growth projections of the other major commodity producers in the Caribbean, namely Trinidad & Tobago and Jamaica, are currently respectively 1.9 percent and 2.1 percent.

Due to recent turbulence in the world, the international commodity prices are on the rise and are expected to reach a peak in 2022 (figure 3). The prices of energy products are experiencing the largest increase, because of the fact that the largest exporter of petroleum products, Russia, is currently involved in a war situation. It is expected in medium term, that commodity prices will stabilize but at a much higher level than before the outbreak of the COVID pandemic with the disruptions in the supply chains of goods.



Source: IMF WEO April 2022



Source: IMF WEO April 2021

Due to the increase of the international prices, the global end of period (e.o.p.) and average inflation for 2022 are estimated at respectively 7.4 percent and 6.8 percent (figure 4). In 2022 inflation is much higher than expected in most countries. In recent months the USA and the United Kingdom have experienced the highest monthly inflation in 40 years[1]. In the developing and emerging market economies inflation is almost twice as high as in the developed countries. For example, inflation (e.o.p.) for 2022 in developing countries and emerging market economies is estimated at about 8.5 percent, while that for developed countries is estimated at 4.4 percent.

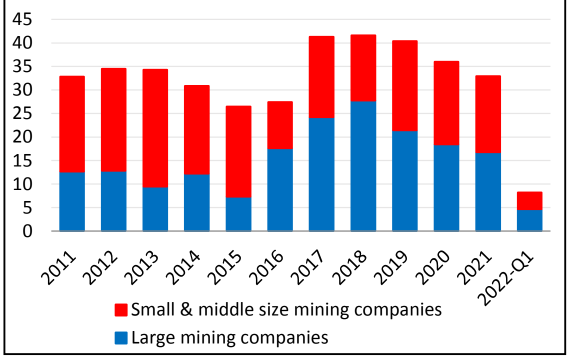
Wages, especially in developing countries, rise less rapidly, leading to a decline in the purchasing power and an increase of poverty. Because of the pressure that the COVID pandemic had on the government budget, many countries cannot sufficiently meet the needs of the population by providing more facilities. Tight monetary policy has to be executed in order to tackle inflation, which has already resulted in rising interest rates and negatively affected investment and economic growth. There is also a tight labor market in many countries.
The current global economic growth outlook as presented by international organizations such as the Bretton Woods Institutes, is subjected to many uncertainties such as the war between Russia and Ukraine and its impact on the world economy.

In Suriname the COVID-19 pandemic appears to be fairly under control by mid-2022. The COVID statistics are no longer published by the Office of Public Health (BOG) and the quarantine rules and the curfew are no longer applied in the country. The authorities are still advising the public to continue to observe the MoHaNa rules. The pandemic and financial economic crisis have caused a recession in two

[1] In June 2022, the CPI index in the USA increased by 9.1percent, meanwhile the United Kingdom experienced an increase of 9.1 percent in May. Inflation in the European zone was 8.6 percent in June. (Source: IMF, WEO, July update).

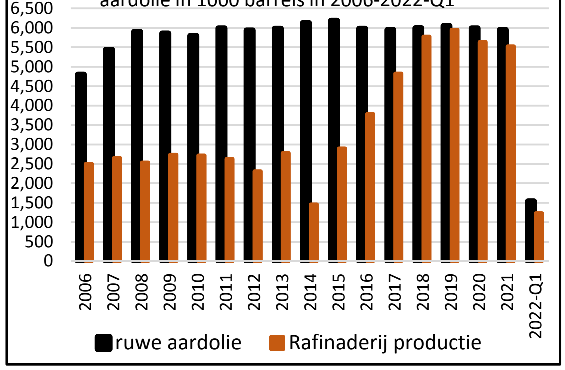
consecutive years. The economy contracted by 15.9 percent in 2020, while the IMF estimates the contraction at 3.5 percent for 2021. Currently the economic growth is estimated at 1.8 percent for 2022.

Figure 5. Gold production in 2011- 2022-Q1 in 1000 kg



Source: CBvS

Figure 6. Crude oil and refinary production aardolie in 1000 barrels in 2006-2022-Q1



Source: Staatsolie Maatschappij Suriname N.V.

The decrease in production is clearly noticeable in the gold sector. Gold statistics from the CBvS indicate that total gold production dropped in two consecutive years at 10.9 percent in 2020 and 8.7 percent in 2021 (figure 5).

In the first quarter of 2022, the gold production of approximately 8,220 kg is slightly higher than the production in the same period of 2021. Although production at large scale mining has decreased by approximately 7.9 percent, the production of small & medium size mining companies has increased by 17.1 percent.
The gold production of small & medium size mining companies was very disappointing in the first quarter of 2021. The reason for this was the COVID-19 pandemic, increasing costs due to the high (market) exchange rates in this period and the loss of income for the gold buying companies due to the 30 percent retention scheme that was implemented in March 2021[2]. The retention scheme of 30 percent is still valid, but because of the flexible exchange rate system, which was introduced in June last year, and a fairly stable exchange rate in the first quarter of 2022, this scheme no longer poses a problem for the companies and production increased in the same period in 2022.
In the first half of 2022 the large mining companies (multinationals) have endured a decline in production, which for a great deal is the result of heavy rainfall that has led to a slowdown in the operations of the companies in the interior.

The production of crude oil and the production of refinary has been fairly stable over the past two years (figure 6). In the first quarter of 2022 crude oil production increased by approximately 6.5 percent, while refinery production decreased by approximately 12 percent, compared to the same period of 2021. The reason for the declining refinery production is a result of maintenance work at the refinery.

The exploration activities of offshore oil are still ongoing. Exploration activities of Total and Apache in Block 58 in June 2022, again indicated a good amount of quality oil wells. These positive developments should lead faster to FID (Final Investment Decision) by the companies, which will also give a clear indication when the first offshore production can take place.

[2] Under the 30 percent retention scheme, exporters were required to deposit 30 percent of their export earnings against the official CBvS exchange rate, which was much lower than the market exchange rate. The collected foreign currency funds from this scheme were used for the import of essential basic needs.

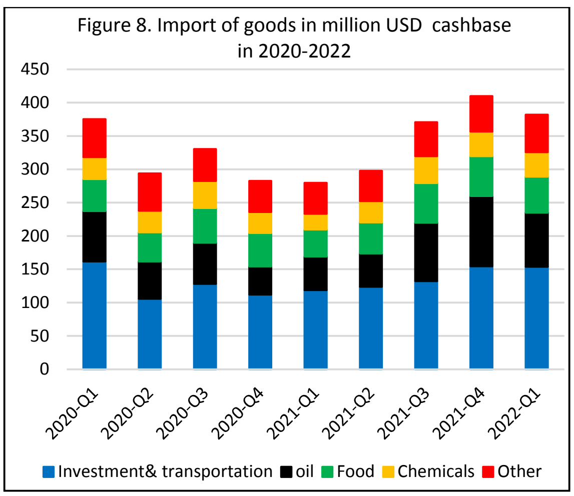
International trade and capital flows

In 2021, total exports and imports of goods and services were respectively USD 2.3 billion to USD 1.9 billion. On quarterly base, both exports and imports show an upward trend in the past year (figure 7). The rising trend in both exports and imports is largely related to the increased value of oil in the past year.

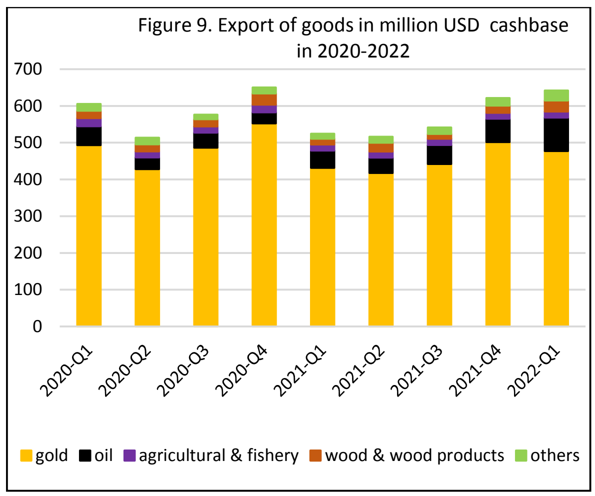
Source: CBvS

The average world market price of crude oil rose by 67.3 percent in 2021 compared to 2020. The reason for this increase is the recovery of the global economy by 6.1 percent, after a contraction of 3.1 percent in 2020 due to the start of the COVID-19 pandemic. The global economy recovered in 2021, despite the fact that the world was still in the grip of the pandemic. In 2021 the export value of crude oil increased by 32.1 percent to USD 204 million, while the export value of the other major products declined.

In the first quarter of 2022, the exports of goods and services increased further towards the fourth quarter of 2021, while the imports marginally decreased by 0.6 percent. The value of imports of goods and services in the first quarter of 2022 is 30.2 percent higher than in the first quarter of 2021.



Source: CBvS



Source: CBvS

Figure 8 indicates that in the first quarter of 2022 the value of all categories of imported goods increased, compared to the same period in 2021. The largest increase of 60.8 percent is still in oil imports. The high world inflation, estimated between 6-7 percent in 2022, has led to the increase of the value of imported goods across the board.

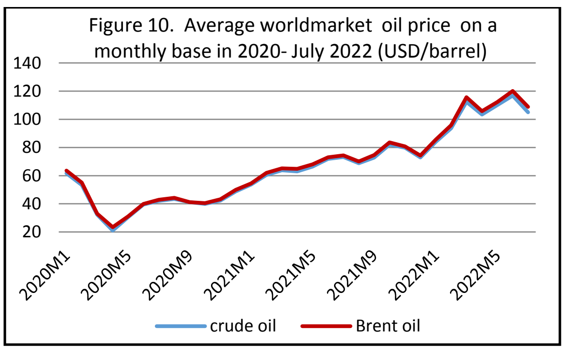
In the first quarter of 2022, the export value of goods rose by 22.3 percent compared to the same period in 2021. The export value of oil was USD 90.9 million and increased by no less than 93 percent compared to 2021, while the export value of gold rose by about 10.6 percent (figure 9).
The exports of timber and timber products also increased significantly by approximately 86 percent, while the export value of agricultural products (rice and bananas) and fish and shrimps remained almost at the same level.

Besides rising international prices, the main reason for the higher export value of wood and wood product exports in 2022 must be sought in the rising local export price. This year the government has increased the

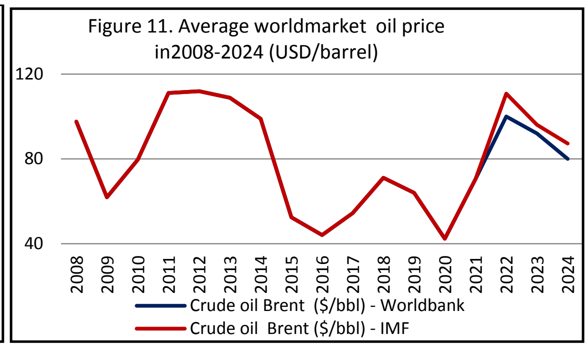
FOB value of roundwood-logs from USD 140 per m3 to USD 180 per m3. It is expected that the FOB value will further increase in December 2022 to USD 200 per m3.

Looking at the developments in the average international prices of our main export products gold and oil, we can indicate the following.

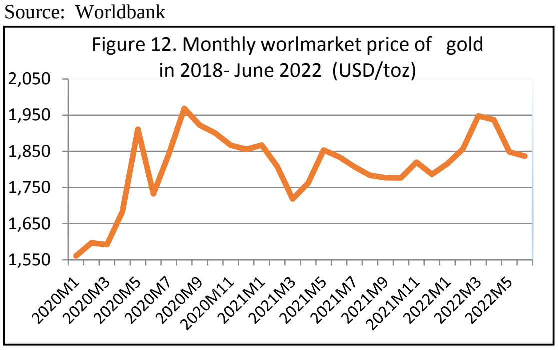
After an increase of approximately 67.3 percent in 2021, the average price of crude oil further rose in the first half of 2022 by approximately 47.7 percent. The average price was approximately USD 70 per barrel in 2021 and USD 103 per barrel in the first half of 2022.
Figure 10 indicates that after the outbreak of the war between Russia and Ukraine, the price has reached a peak in March 2022 at USD 115.6 per barrel. In April the price fell due to a declining demand for oil from China, as a result of reduced economic activity because of the lockdown period in that month. Starting from May, the price is increasing again.
In order to meet demand and drive the oil price downwards, the members of the Petroleum Producing Country (OPEC) have the intention to increase the oil production faster this year than instead of the planned increase in September.
According to projections by the Bretton Woods Institutes (IMF and the World Bank), it is expected that oil prices will decrease next year (figure 11).



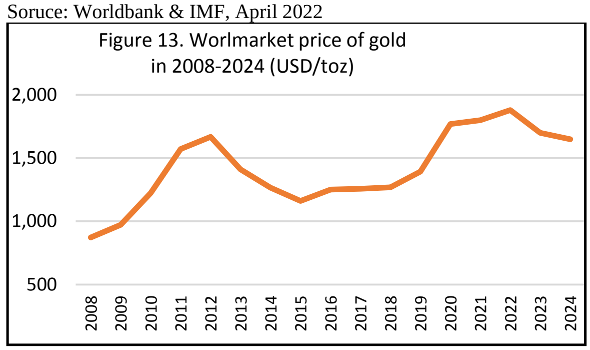
Source: Worldbank



Soruce: Worldbank & IMF, April 2022



Source: Worldbank



Source: Worldbank & IMF, April 2022

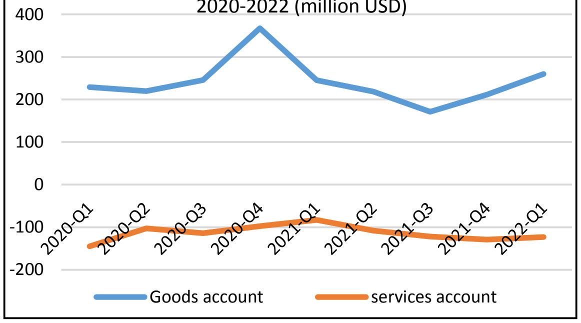
The average gold price rose marginally by 2 percent in 2021 to USD 1,800 toz. Due to the war situation and many uncertainties associated with it, the average gold price increased by 4.1 percent in the first half of 2022 to USD 1,874 toz. The average price reached a peak of USD 1,948 toz in March 2022 (figure 12). After March, the price decreased. According to the World Bank, the average price will further increase to USD 1,880 toz. in 2022 and will decrease in subsequent years (figure 13).

Figures 14 and 15 clearly indicate that on a quarterly base, the balance of the goods and secondary income account in 2020-2022 are positive, while the balance of services and the primary income account are (structurally) negative.
The net income from the secondary income account mostly relates to personal transfers (remittances) on behalf of households. Due to COVID-19, these transfers increased significantly in 2020 and 2021 to USD 124 million and USD 148 million respectively, while transfers in 2017-2019 were averaging USD 98 million. In the first quarter of 2022 these transfers amounted to approximately USD 35 million.

The services account shows that more services are attracted from abroad than are provided to the rest of the world. This is often the case for developing countries. Most services attracted are for the large companies in the mining sector. The exploration activities for offshore oil have not yet been included in the balance of payments and are currently not part of the balance of services[3].

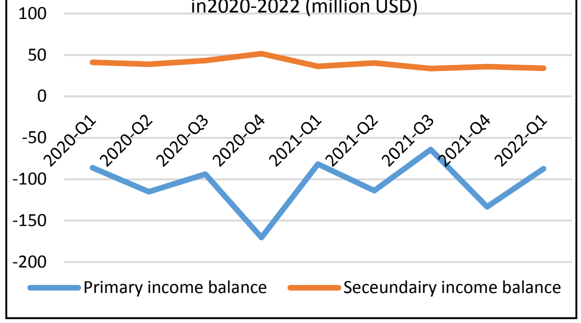
In the primary income account the outflows are structurally higher and mainly relate to the operating results (mostly operating profits which, depending on the destination are further classified in dividend remittances or reinvestments) of the subsidiaries of foreign direct investors i.e. Rosebel Goldmines N.V., Newmont Goldcorp, Suriname, SOL, Kaloti, Heiploeg, RUBIS etc. In addition, the interest payments on the external debt of the government and the private sector (including Staatsolie) also contribute to the outflow of primary income.

Figure 14. Goods and services account of the Balance of Payments on a quaterly base in 2020-2022 (million USD)



Source: CBvS

Figure 15. The primary and secundary account of the Balance of Payments on a quaterly base in2020-2022 (million USD)

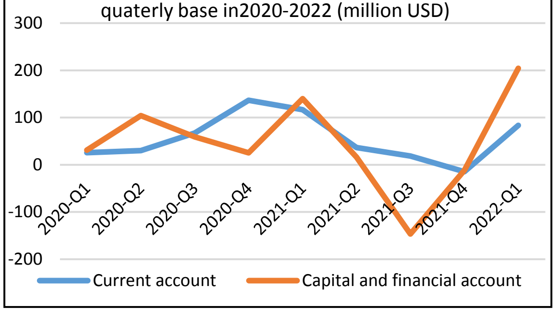


Source: CBvS

The current account balance, which has been positive since last year, was USD 157.4 million at the end of 2021 and USD 83.4 million in the first quarter of 2022 (figure 16).

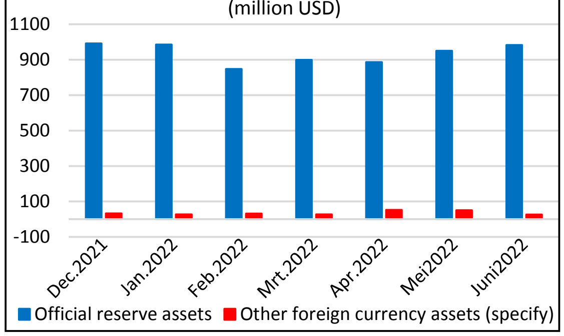
The balance of the capital and financial account at the end of 2021 amounted to – USD 1.8 million and at the end of March 2022 to USD 204.5 million. It should be noted that in the third quarter of 2021, the balance of the capital and financial account was - USD 147 million. According to the Balance of Payments Manual 6, this negative balance is a reflection of incoming capital flow from abroad that has the nature of a debt (liability). In the third quarter the USD 175 million inflows of SDRs mainly contributed to this negative balance.

Figure 16 The current and capital& finanancial account of the Balance of Payments on a quaterly base in2020-2022 (million USD)



Source: CBvS

Figure 17. International Reserve in 2022 (million USD)



Source: CBvS

The positive balance for the first quarter of 2022 is the result of an increase in receivables from abroad and a decrease in liabilities to foreign countries. The increase in receivables mostly relates to FDI, while in

[3] The CBvS is currently examining how this information and development can best be incorporated into the balance of payments.

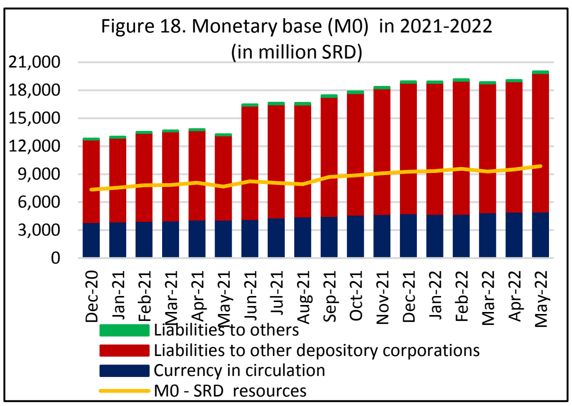
February this year, the CBvS's liability to China decreased significantly because a payment of approximately of USD 155 million was made to China to settle its currency swap[4].
At the end of 2021 and March 2022, the statistical differences were respectively USD 184 million and USD 30 million. This entry, which also influences the result of the balance of payments, is characterized as a closing item of the balance of payment[5].

At the end of 2021 the balance of payments was positive, which led to the increase of the international reserves by USD 402.2 million to USD 922.2 million (figure 17). This increase is mainly the results of Special Drawing Rights (SDR) received from the IMF in August, income taxes and the solidarity levy from the gold multinationals and Staatsolie and the incoming SDRs (39.4 million) in December from the IMF as the first trance under the Extended Fund Facility (EFF) programme.

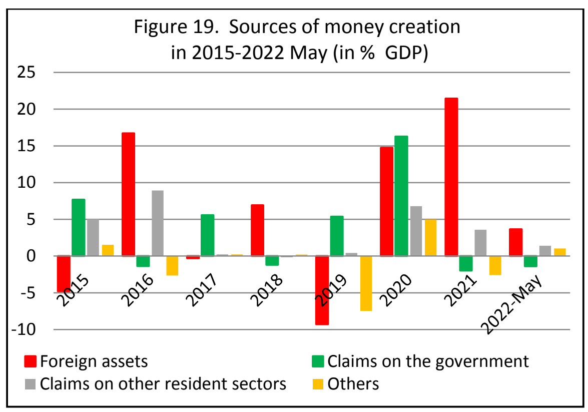
In February 2022 the official international reserve decreased by USD 138.3 million due to the settlement of the currency swap with China. Thereafter, the reserves increased in the following months to USD 982.5 million at the end of July. The increase is mainly the result of capital inflows in April from disbursements on IMF funds (SDR 39.4 million) for the benefit of the government and CBvS, disbursements in May on an IADB loan (USD 50 million) and foreign currency income (dividend and royalties) from the mining sector.

Monetary and the financial sector developments

In 2021 Broad Money Supply (M2) increased by 43.9 percent compared to the end of 2020. This increase is mainly due to the positive result of the balance of payments, which resulted in a rising international reserve. Money creation from claims on other residents and other sources[6], due to significant exchange rate adjustments in June, also contributed to this increase.



Source: CBvS



Source: CBvS with calculations by SDMO

Up to and including May 2022, the Broad Money Supply continued to rise by 4.3 percent, with the sources of money creation being the same as in 2021. In 2021 and 2022, money creation due to loans to the

[4] The currency swap with China was signed on March 18, 2015 between the Central Bank of Suriname (CBvS) and People's Bank of China (PBS) for the provision of Surinamese Dollars (SRD) to PBS in exchange for Chinese Yuan/Renminbi (CNY/RBM)) to the CBvS for a total amount of CNY 1 billion (USD 580 million).
5"The closing entry 'statistical differences' is the result of a number of underlying transactions and can be both positive and negative. Negative statistical differences occur when the current account surplus is insufficiently reflected in the financial account, for example because the increase in reclamations or decrease in liabilities is lower than the current account surplus. Positive differences occur when a current account surplus is exceeded by a higher increase in reclamations or decrease in liabilities in the financial account than the current account surplus. Significant and recurring statistical differences can be indicative of statistical problems that can disrupt the analysis and interpretation of balance of payments sub accounts." Source: CBvS; https://www.cbvs.sr/en/statistics/macroeconomic-statistics/macro-economic-tables/360-external-links/external-sectors-statistics-according-bpm6/1867-technical-note .
[6] The other sources relate to Equity (EV) and other assets/liabilities of money-creating institutions. It appears that the entry of other assets/liabilities of money-creating institutions is negative from December 2020. The negative amounts fluctuated on a monthly base and amounted to SRD 1.5 billion at the end of December 2021. The money creation here is largely related to the increasing liabilities of the CBvS to the banking system and government in SRD value, mostly due to the exchange rate adjustment in this period. As a result, the EV of the CBvS has decreased, as a result of which the social money supply (M2) has increased.

government was negative (figure 19). This implies that in this period no new credits from the banking sector were provided to the government. On the contrary payments were made by the government to the banks. In September 2021 for example, payments were made to various banks of approximately SRD 400 million on the debt to the banking sector, while the syndicate loan to various banks worth SRD 340 million was fully settled in May 2022.

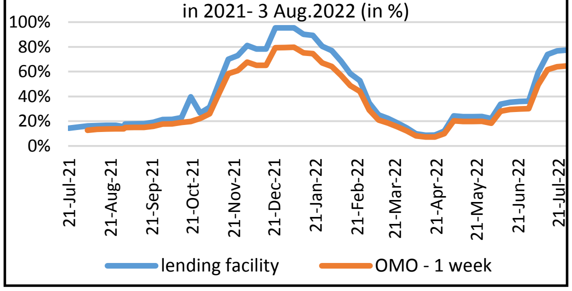
Due to the implementation of a flexible exchange rate system on 7 June 2021, monetary policy is mainly based on monitoring the base money supply to a certain level, which should be in line with other economic indicators. In order to monitor domestic inflation, the Monetary Base (M0)[7], in both the broad and narrow sense, especially the SRD resources in M0, is closely monitored by the CBvS. This policy is referred to as the "Reserve Money Targeting Regime".

In June 2021 the Monetary Base increased by 28.6 percent compared to the end of 2020, due to the exchange rate adjustment (figure 18). M0 is very much influenced by large government spending to the banking sector. For example, M0 rose by 4.9 percent in September 2021 compared to the previous month and by 4.8 percent in May 2022. The increase in September 2021 and May 2022 can be attributed to the large debt payments to the banking system in these months. The total value of M0 at the end of May 2022 was SRD 20 billion, of which the SRD share was 9.9 billion.

The monetary instruments of the CBvS, which are used to influence the Monetary Base are:

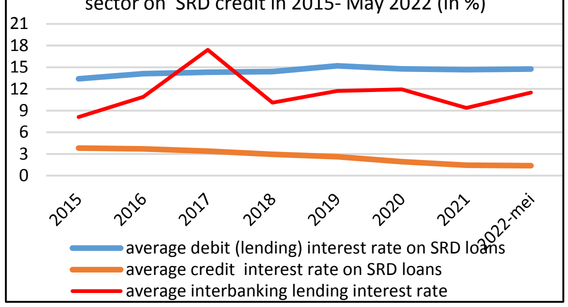
- Open Market Operations (OMO): consists of transactions of Term Deposits (TD) through an auction system to banks.
- Average reserve requirements which, according to the CBvS, concerns the following: "This facility will reduce the banks' need to maintain extra liquidity in their working account with the central bank in order to be able to meet large withdrawals from the public, because they are temporarily able to absorb increased liquidity needs by drawing on part of their cash reserves at the central bank. This enables the central bank to pursue a more effective liquidity management policy. The facility also aims to provide an incentive to help develop the interest rate instrument in Suriname."
- Standing facilities: a one-day interest-free credit facility and the lending facility for banks to take out incidental short-term credit up to five business days against collateral at the central bank. The interest rate for this facility is derived from the allocated OMO interest rate.
- Emergency liquidity assistance for banks as "lender of the last resource" in the event of a lack of liquidities.

Figure 20. Interest rates on 1 week OMO's andlending facility of the CBvS in 2021- 3 Aug.2022 (in %)



Source: CBvS

Figure 21. Average interest rates of banking sector on SRD credit in 2015- May 2022 (in %)



Source: CBvS

The OMO of the CBvS has been operational now for about a year. At the end of 2021, interest rates on TDs were very high (about 80 percent) and in mid-July-early August 2022 (about 65 percent). The high interest rates for this monetary instrument in the above-mentioned periods, can be attributed to the amount of SRDs in circulation that had to be skimmed off by the CBvS in order to reach the set target M0 to manage inflation. When larger amounts of SRDs have to be taken out of circulation and are offered at the auction, the banks

[7] There is a difference between M2 and M0. M0 the base money supply is the total amount of banknotes in circulation and reserves held by banks. M0 forms the basis for money creation by the banking system through lending. M2 the social money supply is much broader and relates to currency and book-entry money of the total public, including holdings with the CBvS, the banking system.

bid at high interest rates. For the time being, the OMOs have no influence on the credit and debit interest rates of the banking system (figure 20). The average debit (lending) interest rate on SRD loans is 14.5 percent in the period 2021 to May 2022, while the credit interest rates are 1.4 percent on the average.

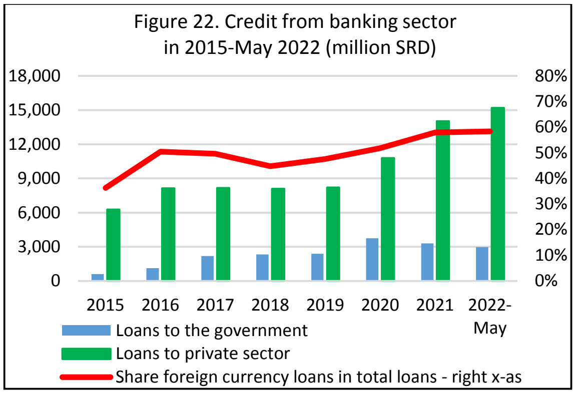


Figure 22. Credit from banking sector in 2015-May 2022 (million SRD)

Source: CBvS with calculations by SDMO

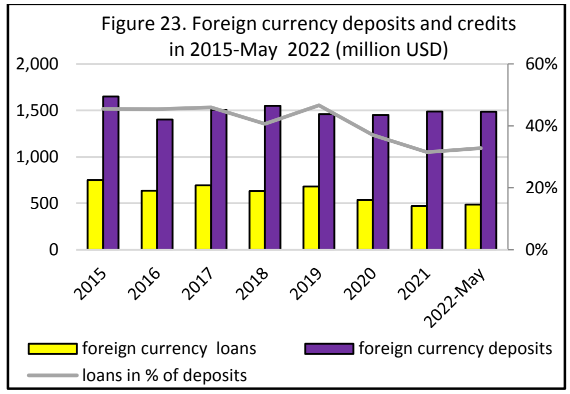


Figure 23. Foreign currency deposits and credits in 2015-May 2022 (million USD)

Source: CBvS with calculations by SDMO

The total stock of outstanding nominal credit from the banking sector at the end of 2021 and May 2022 was respectively SRD 17.3 billion and SRD 18.2 billion. Nominal growth in 2021 was 19.2 percent and 4.8 percent as of May 2022 compared to 2021. The growth relates to credit to the private sector (figure 22). In the same period, the real growth of outstanding credit was -25.8 percent and -6.5 percent respectively. Due to high inflation, declining trust in good governance and transparent government policies and lack of confidence in the economy in general, investment with credit from local banks is discouraged.

Both foreign currency deposits and credit denominated in USD decreased in 2019-2020, while deposits increased slightly in subsequent years (figure 23).

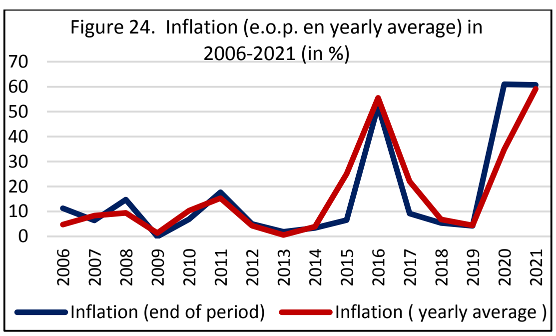


Figure 24. Inflation (e.o.p. en yearly average) in 2006-2021 (in %)

Source: ABS

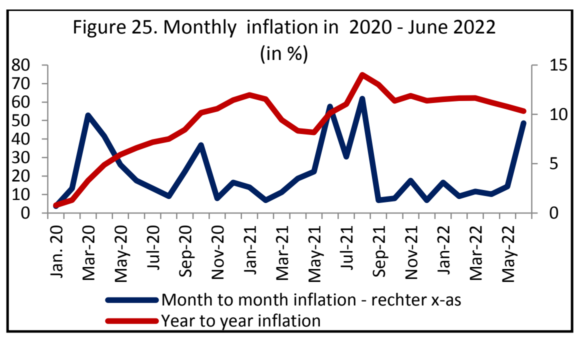


Figure 25. Monthly inflation in 2020 - June 2022 (in %)

Source:ABS

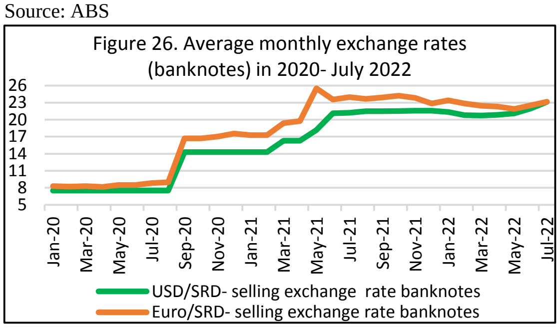


Figure 26. Average monthly exchange rates (banknotes) in 2020- July 2022

Source: CBvS, the average exchange rates in March - May 2021 are based on the maximum rate

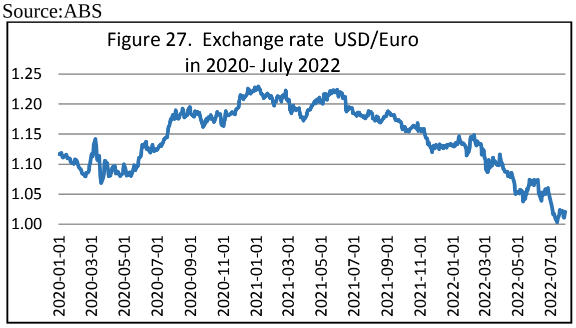


Figure 27. Exchange rate USD/Euro in 2020- July 2022

Source: Federal Reserve of St. Louisiana

The year-end (e.o.p) inflation in two consecutive years 2020-2021 was 61 percent (figure 24). Inflation in 2021 is the result of the significant exchange rate adjustment in May-June, import inflation, flooding in June-July which led to significant price increases of local fruits and vegetables and adjustment of utility tariffs in August. This is reflected in figure 25.

In the first half of 2022 the monthly inflation in June is significant at 9.1 percent (figure 25). Information c.q data from the ABS indicate that inflation in June is mainly due to the adjustment of the electricity rates in that month. In addition, rising fuel prices and exchange rates have also contributed to inflation.

The exchange rates, which have been reasonably stable since the implementation of the flexible exchange rate system, as mentioned before, show a strong upward trend in June 2022. The exchange rates of transferable deposits for the USD and Euro are also somewhat higher than those of bank notes. Foreign currency transferable deposits transactions with strict compliance regulations are preferred above cash transactions. Since the cessation of money transportation in 2017, it's difficult for banks to convert their cash currencies into transferable deposits. Bank notes are therefore stored in safes.
Although there was a positive result on the balance of payments in the first quarter of 2022, the availability of foreign currency transferable deposits at the banks is insufficient to meet the high demand from importers (especially fuel importers). This has been putting an upward pressure on the exchange rates.

Table 1. Average nominal exchange rates of the US-dollar against selected currencies in 2017-July 2022

	2017	2018	2019	2020	2021	2022-July
CNY	6.61	6.92	7.04	6.61	6.39	6.72
EUR	0.85	0.88	0.90	0.84	1.14	0.96
JPY	112.98	112.84	108.76	104.55	113.61	133.38
GBP	0.75	0.78	0.77	0.76	0.74	0.82

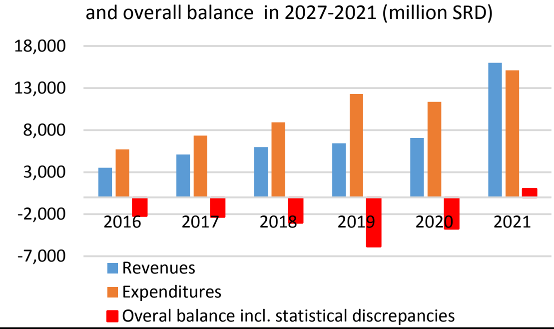
Source: IMF

It should also be noted that the US-dollar in recent month is stronger compared to other currencies. In July 2022 the exchange rate of the USD towards the Euro was 1 on 1 (figure 27). The reason for this is because the US dollar, as the world's major currency, often rises in times of turmoil, as investors consider it relatively safe and stable. The US-dollar has increased in recent months as global inflation and interest rates have risen and concerns about global economic growth have increased.

Public finance and government debt

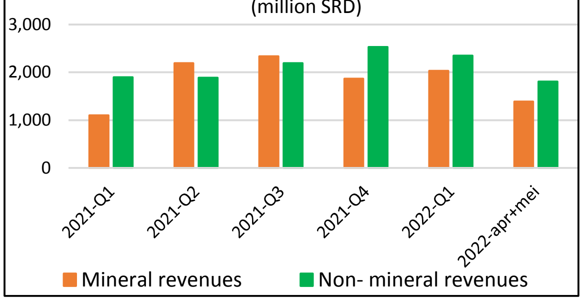
In 2021 the overall balance of the government (including statistical differences) was a surplus of SRD 1 billion, which represents approximately 1.8 percent of the estimated GDP for 2021 (figure 28). The surplus on the government's primary account[8] was SRD 2 billion. This surplus comes after years of significant government deficits.

Figure 28. Government revenues, expenditures and overall balance in 2027-2021 (million SRD)



Source: Ministry of Finance & Planning

Figuur 29. Government revenues from the mineral and non-mineral sectorsin 2021- May 2022 (million SRD)



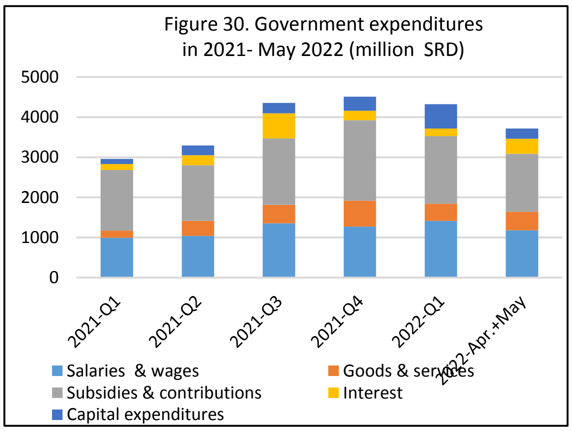
Source: Ministry of Finance & Planning, editing SDMO

Government revenues more than doubled (126 percent) in nominal terms, while growth in real terms was approximately 41 percent compared to 2020. Total revenues amounted to SRD 16 billion (approx. USD 865 million). In the past year there was an increase in revenues from the minerals sector (figure 29). These

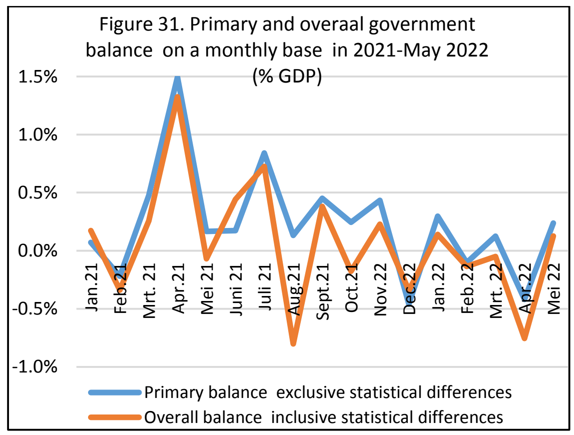
[8] In the government primary account, the expenditure is deducted from total revenues, excluding interest payments on loans. Drawings minus loan repayments are not considered income/expenses, but (on balance) government financing items.

amounted to approximately 47 percent of total government revenues. This was the result of the collection of the solidarity levy (USD 10 million) and advance payments on the income tax by the gold multinationals and Staatsolie. In addition, the solidarity levy, increased sales tax, the collected import duties (as result of a positive exchange rate difference) and the IMF's USD 55 million first tranche in December have also contributed to rising government revenues from the non-mineral resources.

The government expenditures increased in nominal terms by 33 percent in 2021, while in real terms decreased by 17.2 percent. This amounted to SRD 15.1 billion (approx. USD 817 million) in 2021.
Capital expenditures were approximately USD 52 million, while the largest expenditure item of the government in 2021 were subsidies & contributions and wages & salaries respectively approximately USD 355 million and USD 252 million. In the past year government employees with a maximum wage of SRD 12,602 per month received a support allowance of SRD 1000 since June last year, while the support allowance for employees increased from SRD 100 to SRD 800. Most of the subsidies in 2021 went to EBS, health care, increased social benefits, fuel subsidy etc.



Source: Ministry of Finance & Planning

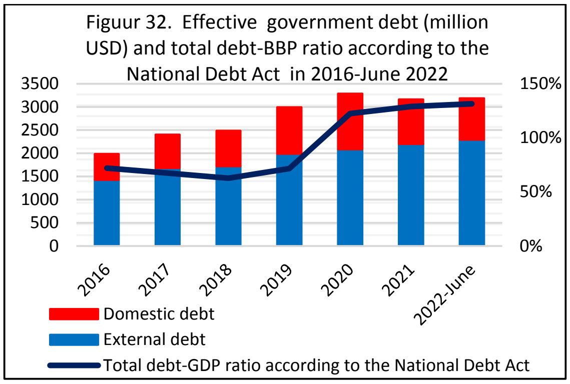


Source: Ministry of Finance & Planning, with calculation by SDMO

Because of a "stand still untill July 2021" on bilateral and commercial external debt, due to the government's debt restructuring process, these debts and some domestic debts were not paid. This is mainly the reason that expenditures were not higher in 2021, which resulted in a surplus on government s.
Figure 31 shows in which months of 2021 and 2022 there was a positive result on the government primary account and the overall balance.

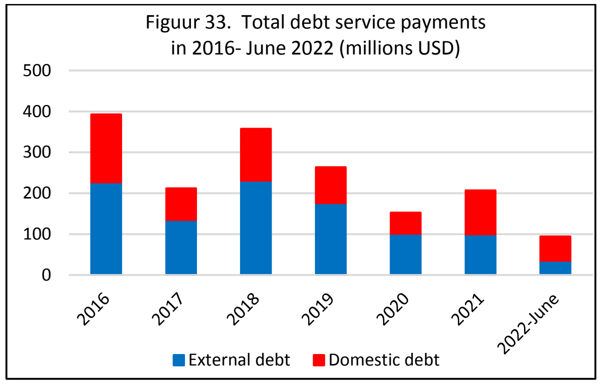
Under the IMF Extended Fund Facility (EFF) the government has a target that needs to be met in 2022, on its primary account, which should be surplus of 1.7 percent of GDP; approximately SRD 1.3 billion. This surplus should enable the government to pay of its debt, especially after restructuring. This means that government expenditures need to be properly matched with revenues.
Until May 2022, government revenues and expenditures were respectively SRD 7.6 billion (approx. USD 350 million) and SRD 8 billion (approx. USD 370 million). In the first 5 months of 2022 there was a primary surplus of SRD 107 million and a financing deficit (including statistical differences) of SRD 525 million.

Although revenues increased by 30 percent in this period compared to May 2021, the expenditures rose faster by 64 percent. The government wage adjustments of 17 percent in March for its employees, fuel price subsidies and catching up on social security benefits transfers to the public in the first half of 2022, contributed to the increase of the expenditures.



Figuur 32. Effective government debt (million USD) and total debt-BBP ratio according to the National Debt Act in 2016-June 2022

Source: SDMO



Figuur 33. Total debt service payments in 2016- June 2022 (millions USD)

Source: SDMO

At the end of 2021, the total effective government debt in USD amounted to USD 3.2 billion and marginally decreased due to rising exchange rates compared to 2020. At the end of June 2022, total debt has not increased. The debt-to-GDP ratio according to the National Debt Act was 132 percent as of June 2022 (figure 32).

Because of the government debt restructuring process, many external bilateral and commercial debts have not been paid off in 2021 and 2022. Many domestic debts to contractors of infrastructure projects had been restructured in 2021, while many arrears to the banking sector had been settled. This is reflected in figure 33. At the end of June 2022, arrears with domestic creditors, especially on treasury bills and on the debt to the CBvS, still have to be settled.
Total debt service payments in 2021 and in the first half of 2022 amounted to approximately USD 107 million and USD 94 million respectively.

The government, together with its advisors from the international financial consultancy firm Lazard Frères and the law firm White & Case LLP, are still busy to restructure the bilateral and commercial external debt. An agreement was reached with the creditors within the Paris Club in June 2022. This concerns a total debt of approximately USD 100 million of official debt to France, Italy, Israel, the Netherlands and Sweden. The restructuring agreement has resulted in a longer repayment period of 18-20 years with a grace period of approximately 8 years. Restructuring negotiations with international bondholders and bilateral creditors China and India are ongoing. This restructuring process, which is an important part of the EFF programme, is closely monitored by the IMF.

Selected macro-economic indicators

Annual statistics 2016-2023									
Real Sector	**2016**	**2017**	**2018**	**2019** .	**2020**	**2021**	**2022** Est.	**2023** proj.	**Source**
Economic growth (%)	-4.9	1.6	4.9	1.1	-15.9	-3.5	1.8	2.1	ABS/IMF Est.+proj.
GDP nominal market pr. (mil. SRD) *	20,663	26,893	29,822	31,483	38,353	56,240	77,811	96,618	ABS/IMF Est.+proj.
GDP per capita in USD**	5,7612	6,157	6,772	6,663	4,787	4,681	4,842.7	4,993.8	IMF
National Income per capita in USD	5,432	5,430	6,059	6,312	6,000				ABS/calcul. SDMO
Inflation rate – average (%)	55.5	22.0	6.9	4.4	34.9	59.1	38.9	22.6	ABS/IMF
Inflation rate – e.o.p. (%)	52.4	9.3	5.4	4.2	60.7	60.6	25.8	17.6	ABS/IMF
Unemployment rate (%)	10.0	7.0	9.0	8.8	11.1	11.2	10.9	10.6	IMF
Balance of Payments (combination casb and accrual base)- **From 2017 the data presented in based on the Balance of Payment Manual 6**									
Total export- Goods & Services (mil. USD)	1,625.1	2,143.4	2,235.8	2,286.8	2,446.4	2,300.2			CBvS
• Gold	1,036.7	1,608.4	1,631.6	1,732.2	1,959.5	1,792.0			CBvS
• Alumina	7.1	0	0	0	0	0			CBvS
• Oil	150.3	178.1	206.6	171.0	154.4	204.0			CBvS
• Rice and banana	61.1	50.9	52.6	45.6	43.5	34.5			CBvS
• Wood and wood products	40	59.5	69.1	71.4	89.1	72.3			CBvS
• Fish and shrimp	33.0	38.8	41.6	37.5	33.5	31.9			CBvS
• Other goods	110.4	56.1	68.6	68.7	65.1	69.7			CBvS
• Net export goods under merchanting		-6.9	-5.0	2.8	-1.3	-0.2			CBvS
• Services	186.5	158.3	170.7	157.4	102.6	96.0			CBvS
Total import- Goods & Services (mil. USD)	1,721.1	1,779.9	2,069.8	2,412.7	1,845.1	1,896.1			CBvS
• Services	469.1	569.3	666.9	815.1	562.6	538.0			CBvS
Balance current account (mil. USD)	-160.5	69.2	-118.7	-448.3	259.8	157.4			CBvS
Balance Cap. + Fin. acc. (mil. USD) **	501.9	-112.6	-299.2	-535.2	220.1	-1.8			CBvS
Of which incoming FDI (mil. USD)	-4.9	2.0	-3.0	-10.7	9.7	5.2			CBvS/calcul. SDMO
Balance Cap. + Fin. acc. (% GDP) **	14.7	-3.2	-7.5	-12.7	8.2	-0.1			CBvS/calcul. SDMO
Statistical discrepancies (% GDP) **	-8.4	-4.5	-0.8	-6.9	-4.6	6.0			CBvS/calcul. SDMO
Total imports (F.O.B. value mil. USD)	1,202.4	1,210.5	1,402.9	1,597.6	1,282.5	1,358.1			CBvS
• Investment & transportation	446.7	485.7	570.6	698.4	507.8	529.2			CBvS
• Oil	232.6	264.6	286.3	235.3	293.3	217.0			
• Consumption goods	199.7	202.1	219.5	194.0	206.2	190.7			CBvS
• Chemical goods	83.9	129.4	131.5	137.3	132.8	120.2			CBvS
• Other goods	203.5	236.2	262.0	208.1	196.5	196.8			CBvS
Internationally Reserve (mil. USD)	381.1	424.4	580.7	647.5	585.0	992.2			CBvS
World market prices in USD									
Gold USD/troz	1,250.7	1,257.5	1,268,8	1,392.6	1,769.6	1,800.0	1,880.0	1,700.0	Worlbank proj. Apr.22
Crude oil USD/bbl.	44.1	54.4	71.1	64.0	42.3	70.4	100.0	92.0	Worlbank proj. Apr.22
Crude oil USD/bbl.	42.8	52.8	68.3	61.4	41.3	69.1	106.8	92.6	IMF proj. Apr.22
Monetary and Financial sector									
Liquidity ratio (M2 in % GDP)	78.4	65.4	64.4	73.6	85.7	84.1			CBvS/calcul. SDMO
Balance of credit by banking sectormln. SRD)	9,261.9	10,355.7	10,420.0	10,588.3	14,534.9	17,329.6			CBvS/calcul. SDMO

	2016	2017	2018	2019	2020	2021	2022 Est.	2023 proj.	Source
Balance of credit by banking sector to private sector (mil. SRD)	8,137.6	8,164.1	8,094.6	8,218.8	10,787	14,037			CBvS/calcul. SDMO
Selling rate SRD/USD (e.o.p.)	7.5	7.5	7.5	7.5	14.3	21.1			CBvS
Selling rate SRD/USD average	6.3	7.6	7.5	7.5	14.3	18.5			CBvS
Selling rate SRD/Euro (e.o.p.)	7.8	8.9	8.6	8.4	17.6	23.0			CBvS
Selling rate SRD/Euro average	7.0	8.5	8.9	8.4	17.4	21.1			CBvS
Average SRD lending interest rate	14.1	14.3	14.4	15.2	14.8	14.7			CBvS
Interbank SRD interest rate	10.9	17.4	10.1	11.7	11.9	9.4			CBvS
Average USD lending interest rate	9.5	9.1	8.3	8.6	7.9	7.8			CBvS
Average Euro lending interest rate	9.0	8.8	8.5	8.3	8.3	8.2			CBvS
Government Finance and Debt (cash base)									
Overall balance including statistical differences. (% GDP)	-10.6	-8.7	-10.1	-18.6	-9.7	1.8			MvF/calcul. SDMO
Commitment balance including statistical differences. (% GDP)	-10.1	-7.8	-6.8	-16.0	-11.1	2.5			MvF/calcul. SDMO
Primary non-mineral balance in % of non--mineral GDP	-14.8	-181.3	-20.6	-31.0	-191.6	-13.2			MvF/calcul. SDMO
Fiscal impulse (%)	1.5	3.5	2.3	10.4	-11.4	-6.3			MvF/calcul. SDMO
Governm. Debt (national def.) (mil. SRD)	14,876.9	18,093.6	18,703.8	22,513.4	46,982.1	49,449.5			SDMO
Effective Governm. Debt (internat. def.) (mil. USD)	1,987.6	2,406.1	2,487.2	2,993.8	3,287.8	3,164.1			SDMO
External debt (mil. USD)	1,425.4	1,682.7	1,715.9	1,987.1	2,084.1	2,196.8			SDMO
Domestic debt (mil. USD)	562.1	723.4	771.3	1006.7	1203.7	967.3			SDMO
Domestic debt to banking sector (mil. USD)**	145.3	121.4	286.3	348.5	392.6	423.0			SDMO
Governm. Debt nat.def. -GDP ratio (%)	72.0	67.3	62.7	71.5	122.5	128.9			SDMO
Disbursements on external debt (mil. USD)	758.8	291.8	186.3	357.7	87.6	102.6			SDMO
Debt service payments (mil. USD)	393.0	212.4	357.4	263.7	152.7	207.1			SDMO

Quarterly statistics 2020-2022

Balance of Payments (cash base)	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	Source
Total export- G+S (mil. USD)	535.4	593.2	674.4	546.4	535.9	566.8	651.1	674.3	CBvS
• Gold	427.9	486.3	552.5	431.3	417.6	442.1	501.1	477.2	CBvS
• Oil	31.6	40.8	30.0	47.1	41.5	51.4	64.1	90.9	CBvS
• Rice and banana	9.8	8.1	13.9	8.8	9.4	8.9	7.4	5.9	CBvS
• Wood and wood products	18.9	19	31	16.1	23.5	13.2	19.6	29.9	CBvS
• Fish and shrimp	7.3	9.2	8.6	7.6	7.7	8.2	8.4	10.8	CBvS
• Other goods	18.3	12.7	16.0	14.0	16.7	17.8	21.3	27.4	CBvS
• Net export goods under merchanting	-0,1	-0,3	-0,2	0,0	-0,2	0,3	-0,4	-0,3	
• Services	21.7	17.4	22.6	21.6	19.8	24.9	29.7	32.5	CBvS
Total import- G+S (mil. USD)	418.5	462.2	402.9	384.3	425.7	517.5	568.5	537.6	CBvS
• Services	124.6	131.7	120.3	104.6	128.1	146.8	158.5	155.6	CBvS
Balance current account (mil. USD)	30.1	67.2	138.2	116.7	36.7	18.6	-14.7	83.4	CBvS
Balance Cap. + Fin. account (mln. USD)***	104.1	59.4	37.1	140.1	16.1	-146.7	-11.4	204.5	CBvS
Balance Current account (% GDP) **	0.6	1.8	5.5	3.1	1.2	0.7	-0.6	2.3	CBvS/calcul. SDMO
Balance Cap. + Fin. acc. (% GDP)**	2.2	1.6	1.5	1.3	1.3	1.2	2.0	1.1	CBvS/calcul. SDMO
Statistical discrepancies (% GDP)**	0.9	0.1	-3.0	-0.3	0.3	2.9	4.2	0.8	CBvS/calcul. SDMO

	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	Source
Total imports (F.O.B. value mil. USD)	293.9	330.5	282.6	279.7	297.6	370.7	410.0	382.0	CBvS
• Investment & transportation	105.7	128.1	112.2	117.3	132.6	142.5	163.1	158.2	CBvS
• Oil	55.8	61.7	42.2	50.5	49.8	87.7	105.4	81.1	CBvS
• Consumption goods	43.8	52.1	50.1	40.7	46.6	59.2	59.7	54.1	CBvS
• Chemical goods	32.6	40.4	31.3	23.4	31.9	40.5	37.0	36.6	CBvS
• Other goods	56.0	48.2	46.8	46.6	45.5	51.1	53.3	56.3	CBvS
Government Finance and debt (cash base)									
Primary balance (% GDP)	-3.8	-1.3	1.4	0.3	2.1	1.4	0.1	0.2	MvF/calcul. SDMO
Overall balance including statistical differences. (% GDP)	-6.8	-1.6	1.1	0,1	1.7	0.3	-0.3	-0.046	MvF/calcul. SDMO
Commitment balance including statistical differences. (% GDP)	-7.0	-1.8	0.3	0.2	1.8	0.6	-0.1	-0.028	MvF/calcul. SDMO

Monthly statistics September 2021 – July 2022

	Sept. 2021	Oct. 2021	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	Mr. 2022	Apr. 2022	May 2022	June 2022	July 2022	Aug. 2022	Source
Inflation (%)													
Inflation – month to previous month	1.3	1.5	3.3	1.3	3.1	1.7	2.2	1.9	2.7	9.1			ABS
Inflation – month to. month of previous year	69.5	60.6	63.4	60.7	61.5	62.1	62.2	59.8	57.5	55.1			ABS
International Reserve (mil. USD)													
International Reserve	885.0	901.0	920.4	992.2	986.1	847.9	899.2	886.3	950.8	982.5			CBvS
World market prices in USD													
Gold USD/troz	1,777	1,777	1,820	1,787	1,816	1,856	1,948	1,937	1,849	1,837	1,733		www.kitco.com
Crude oil USD/bbl.	72.8	82.1	79.9	72.9	83.9	93.5	112.4	103.4	110.1	116.8	105.1		Worldbank
Liquidity ratio (M2 in % GDP) and balance of credit from the banking sector (mil. SRD)													
Liquidity ratio	82.3	83.4	84.5	84.1	60.9	60.8	61.2	62.1	63.4				CBvS/calcul. SDMO
M0 (broad defintion)	17,468	17,876	18,369	18,967	18,950	19,180	18,881	19,110	20,025				CBvS
M2	46,303	46,925	47,541	47,316	47,395	47,272	47,622	48,346	49,354				CBvS
Balance of total credit	17,278	17,523	17,476	17,330	17,280	17,234	17,575	17,633	18,164				CBvS/calcul. SDMO
Balance of credit to government	3,336	3,344	3,351	3,293	3,293	3,287	3,277	3,076	2,968				CBvS/calcul. SDMO
Balance of credit to private sector	13,943	14,179	14,125	14,037	13,987	13,947	14,298	14,556	15,197				CBvS/calcul. SDMO
CBvS Exchange rates (selling rates banknotes) ****													
SRD/USD (e.o.p.)	21.5	21.6	21.6	21.1	21.2	20.8	20.8	20.9	21.3	22.5	24.4		CBvS
SRD/USD average	21.5	21.5	21.6	21.6	21.3	20.8	20.7	20.8	21.1	22.0	23.1		CBvS
SRD/Euro (e.o.p.)	23.9	24.4	23.9	23.0	23.0	22.7	22.4	21.9	22.1	23.0	24.6		CBvS
SRD/Euro average	23.8	23.9	24.0	22.8	23.4	22.8	22.4	22.3	21.9	22.5	23.1		CBvS
Average lending interest rate (%) of the banking sector													
SRD credit	15.1	14.8	14.7	14.7	14.7	14.7	14.6	14.7	14.7				CBvS
Interbanking SRD interest rate	19.0	19.0	9.1	9.4	9.4	9.3	9.3	11.5	11.5				CBvS
USD credit	7.7	7.7	7.6	7.8	7.7	7.6	7.6	7.5	7.5				CBvS
Euro credit	8.2	8.2	8.1	8.2	8.1	8.0	7.8	7.7	7.6				CBvS
Government finance (mil. SRD) en debt (mil. USD)													
Tot.Revenues cash base	1,490	1,444	1,489	1,467	1,355	1,155	1,877	1,423	1,778				MvF
Tot. Expenditures cash base	1,379	1,352	1,308	1,851	1,173	1,315	1,836	2,024	1,694				MvF

	Sept. 2021	Oct. 2021	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	Mr. 2022	Apr. 2022	May 2022	June 2022	July 2022	Aug. 2022	Source
Government debt (national def.-mil. SRD)	49,509	49,590	49,675	49,450	49,773	49,914	50,280	49,873	50,407	50,398			SDMO
Debt to central bank (mil. SRD)	9,823	9,823	9,823	11,053	11,140	11,177	11,239	11,093	11,177	11,140			SDMO
Domestic debt to banking sector (mil. USD)***	3,185	3,186	3,186	3,546	3,598	3,527	3,506	3,267	3,127	3,125			SDMO
Effective debt (intern. Def.mil. USD)	3,271	3,263	3,256	3,164	3,171	3,182	3,206	3,179	3,205	3,188			SDMO
External debt (mil. USD)	2,077	2,070	2,061	2,197	2,205	2,218	2,243	2,244	2,286	2,291			SDMO
Domestic debt (mil. USD)	1,194	1,193	1,195	967	965	963	963	934	918	897			SDMO
Government debt (national def.)-GDP ratio (%)	129	129	130	129	130	130	131	130	131	131			SDMO
Disbursements on external debt (mil.USD))	2.3	3.2	6.3	67.6	0,7	16.8	23.2	0.3	51.9	1.8			SDMO
Tot. Debt service paym. (mln. USD)	36.9	4.7	7.7	88.4	5.4	11.4	8.3	30.1	23.5	15.7			SDMO

e.o.p. = end of period

ABS- General Bureau of Statistics, IMF- International Monetary Fund, CBvS- Central Bank of Suriname, MvFMinistry of Finance & Planning, BSS- Suriname Debt Management Office
** Calculated GDP ratios (indicators in percentage of GDP) in 2020 and 2021 are based on the nominal GDP projection of the IMF
*** Government domestic debt of the banking sector includes treasury paper and loans.
**** This is the balance of capital transfers and the financial account of the balance of payments
**** The exchange rates in March - June 2021 are the maximum exchange rates set by the CBvS as of March 1,2021. After June, the exchange rate is flexible and is determined on a daily basis through supply and demand.
*****The government debt to CBvS in September – November 2021 is excluding arrear payments.

Explanation of certain terms:

1. Government overall balance is government income minus expenditure. If the balance is a deficit, then debt needs to be attracted to finance the deficit and thereby will lead to an increase of the government debt.
2. Government Commitment balance is the overall balance minus government arrear payments related to previous financial years.
3. Primary government balance is the overall balance excluding interest payments on government debt. The primary balance indicates the extent to which the current government policy contributes to attracting new debts, without taking into account payments on old debts.
4. To indicate the fiscal impulse for pro-cyclicality, income from the mineral sector is deducted from the primary deficit and the whole are expressed as a percentage of GDP, excluding the mineral sector.
5. The difference between the effective debt (government debt, according to the international definition) and government debt, according to the national definition, is the exchange rate that is used to convert foreign currency debts to SRD. When compiling the government debt, according to the national definition, foreign currency debt must be converted to SRD at the year-end exchange rate of the last published GDP by the ABS. The effective debt calculation, which is based on the international debt definition, uses the exchange rate of the moment to which the debt relates.
6. The effective debt-GDP ratio is calculated with the projected the GDP of the respective year, while the legal national debt-GDP ratio is based on the latest GDP figure from the ABS.