



Suriname

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First Citizens
 Research & Analytics

COUNTRY		CREDIT RATING		Major Trade Partners	
Real GDP growth (%) 2016	3.50%	S&P Foreign Currency	BB-/Stable	US; T&T;EU;China;Brazil;UAE;Canada;Switzerland	
Next General Election	May-20	S&P Local Currency	BB-/Stable	Gold; Alumina; Oil; Other	
Exchange Rate	4.04	Moody's Foreign Currency	Ba3/Stable	GDP Composition	Agriculture; Industry; Services

managed

RECENT ECONOMIC DEVELOPMENTS

ECONOMIC OUTLOOK

Stable

Moody's had projected growth of 4% in 2015/16 on account of new oil refinery and increased mining investment but the effect of low oil prices on the refinery is yet to be seen. BMI estimates growth of 2.2% in 2015 and 2% in 2016. Suriname is expected to see moderate growth in the medium term given the weak outlook for the mining and oil & gas sectors. BMI notes that the economy has been slowing since its peak in 2011 recording a high of 5.3% followed by an estimated 2.40% in 2014.

INFLATION

Stable

Inflation has trended upwards in 2015, averaging 3.7% for the first nine months of the year before spiking to 20.4% in November. This was due to a 20% devaluation of the currency in November in an effort to reduce pressure on public finances stemming from low commodity revenues and high pre-election spending. The new peg was increased from 3.30 to 4.0 Surinamese dollars per U.S. dollar. Reserves shrank from USD800 million in 2011 to USD370 million in 2015 as the Central bank tried to maintain the original peg.

EXTERNAL ACCOUNT

NEGATIVE

Since 2009, there has been shift in the export basket towards gold, the share of which grew from 35% in 2007 to 50% - 60% in 2014, surpassing the previously dominant alumina sector. Lower mining export prices, an accommodative fiscal stance, and electoral uncertainty have intensified currency depreciation expectations and weakened external buffers. Official reserves fell to 2.6 months of current external payments in 2014 from 4.2 months in 2012 according to Fitch. Monetary authorities have supported the peg to the U.S. dollar through increased reserve requirements, tighter currency allocations for imports and foreign exchange sales to banks and cambios. The current account deficit is forecasted at approximately 9% of GDP in 2015. Suriname is highly exposed to gold which accounts for two-thirds of exports and 13% of fiscal revenues. Fiscal exposure to oil is also high, as it accounts for 29% of revenues. Bloomberg forecasts indicate that gold prices are expected to average USD 1200 in the coming years, just 5% higher than current prices. Oil prices are expected to remain below USD70 in the medium term. The major risk to Suriname's economic stability will be sustained low prices of oil and gold.

FISCAL ACCOUNT

Stable

The overall fiscal deficit is expected to narrow from 4.8% of GDP in FY 2014 to 4.5% of GDP in FY 2015 as new revenue generating measures, subsidy reviews and a reduction in capex costs are implemented. Despite increased government borrowing, public debt remains below the statutory ceilings set out in the State Debt Act (25% of GDP for domestic debt and 35% of GDP for external debt). Government debt fell to 24% of GDP in 2014, after the consolidation of overstated credit facilities with the central bank. However, Fitch's forecasts that the debt burden could rise to 30% of GDP by 2016 on the back of continued primary fiscal deficits and will remain particularly sensitive to devaluation and duration shocks. A shallow domestic capital market limits the government's domestic financing options. Dollarization of Suriname's resident financial system remains high. Nearly half of commercial bank and credit union (other depository corporation) deposits and 30% of claims on residents are denominated in foreign currency. The Central bank has switched to a more flexible 5% +/- 1 target band for the Surinamese dollar which will reduce the pressure on reserves and the need for intervention.

CREDIT RATINGS

Stable

Fitch Ratings affirmed its ratings of "BB-" on Suriname on 24 April, 2015 with a stable credit outlook. The agency's rationale include the country's higher per capita income and governance indicators relative to peers, which puts the economy in a better position to deal with domestic and external shocks. Growth is more resilient and stable and the country has a record of responding with effective tax-raising and cost-containment measures to fiscal shocks. Political stability, respect for long term mining contracts and absence of resource nationalism continue to attract foreign investment into the development of new gold and oil reserves all contribute to the rating affirmation by Fitch.

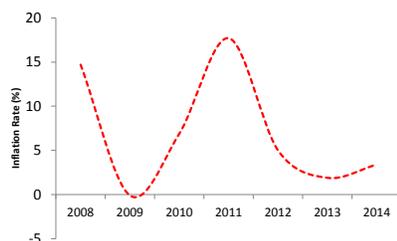
Outlook

In

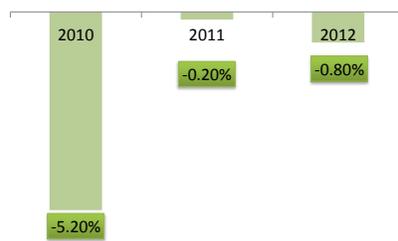
November 2015 Central bank repeated its 2011 strategy when it devalued the Surinamese dollar in an effort to restore economic stability. Depreciation should curb imports, narrowing the current account deficit which is forecast at approximately 9% of GDP in 2015 and increase export competitiveness. The public sector's external service debt ratios remain adequate, but international reserves have fallen by more than 50% since the 2011 devaluation. Reserve liquidity will remain tight until the Merian gold mine commences production (slated for late 2016) and starts to generate export revenue. Positively, the government has implemented several measures to reduce the fiscal imbalance such as phasing out large electricity and water subsidies that totaled 4.3% of GDP last year and curtailing capex in the 2016 budget. It is targeting a 2%-3% of GDP deficit in 2016, which would ease the risk posed by limited domestic financing flexibility. The revised government deficit is estimated at close to 9% of GDP in 2015. In Jan 2016, the government approached several multinational lenders such as the International Monetary Fund, World Bank, Caribbean Development Bank and Inter-American Development Bank for economic support to respond to shock of the depressed commodity prices.

First Citizens Research & Analytics holds a stable view on Suriname but notes significant headwinds due to sustained low commodity prices.

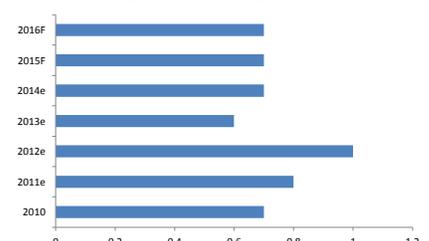
Avg. Inflation Rate 2008-2014 (YoY, %)



Central Government Balance/ GDP



Foreign Reserves ex gold USDbn



Sources: International Monetary Fund, Business Monitor International, Bloomberg

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