SURINAME

NOVEMBER 2023

COUNTRY REPORT

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Atlantic Ocean
Paramaribo
Nieuw
Nickerie
Wageningen
Moengo
Albina
Paranam
Apoera
Brokopondo
SURINAME
French
Guiana
(FR.)
Guyana
Brazil

KEY TAKEAWAYS

MOST LIKELY REGIMES & THEIR PROBABILITIES	
18-MONTH	VHP-led Coalition 75%
FIVE-YEAR	VHP-led Coalition 45%

FORECASTS OF RISK TO INTERNATIONAL BUSINESS				
	TURMOIL	FINANCIAL TRANSFER	DIRECT INVESTMENT	EXPORT MARKET
18-MONTH	Low	C+ (C)	B	B
FIVE-YEAR	Low	B-	B+	B

( ) Indicates change in rating
* Indicates forecast of a new regime

KEY ECONOMIC FORECASTS			
	REAL GDP GROWTH (%)	INFLATION (%)	CURRENT ACCOUNT ($bn)
2018-2022(AVG)	-2.0	31.5	-0.01
2023(F)	2.3	53.3	0.05
2024-2028(F)	3.0	13.4	-0.08

INVESTORS DELIVER GOOD NEWS

The coalition government made up of President Chandrikapersad Santokhi's Progressive Reform Party, the National Party of Suriname, Pertjajah Lujur, and the ethnic Maroon General Liberation and Development Party has continued to encounter strong political and economic headwinds over the past year as it implements unpopular structural reforms required under a three-year, $690 million EFF arrangement with the IMF. Following an eruption of violence in mid-February, the president felt it necessary to publicly deny rumors that Dutch soldiers in Suriname for long-planned training exercises had been deployed by the country's former colonial ruler to prop up his government.

The government received some welcome news in September, when TotalEnergies, the French oil giant, and its partner, US-based APA, both confirmed their intention to begin detailed engineering studies with the aim of making a final investment decision (FID) on a project to develop offshore oil and gas reserves by the end of 2024. The recent developments have revived hopes that Suriname will enjoy an oil-driven economic boom comparable to the one currently under way in neighboring Guyana.

First production is scheduled to commence in 2028, meaning an oil windfall will not arrive before 2032. However, increased confidence that Suriname will benefit from a massive increase in state revenues within a decade has already facilitated the government's efforts to end a debt crisis that saw the country default on $675 million in sovereign bonds amid the COVID-19 crisis in 2020.

Remaining hurdles to Suriname's escape from default include the conclusion of a restructuring of some $540 million of bilateral debt held by China, of which roughly $130 million is currently in arrears. Assuming success on that front, the abatement of the debt crisis and access to IMF financing under the EFF will facilitate the central bank's efforts to stabilize the currency, which is crucial to reducing inflation.

However, even if economic conditions improve enough to dampen discontent, it is debatable whether the governing parties can repair the damage to their popular standing before elections fall due in May 2025. The next elections will take place under revised rules that replace district-based voting, with a system based on proportional representation. The changes, which were approved in October with the unanimous support of the National Assembly, are expected to benefit smaller parties.

The combination of widespread disenchantment with the political establishment and a more level playing field for fringe parties adds up to a high risk that the 2025 elections will produce a highly fragmented legislature, thereby complicating the task of electing a president—who must secure the backing of a two-thirds supermajority in the 51-member National Assembly—and compounding the difficulty of sustaining the support for a simple majority for a full five-year term.

The 2023 target for the primary surplus was halved to 1.7% of GDP with the IMF's approval, freeing up fiscal space to maintain spending on social protection and infrastructure investment. IMF officials are confident that the savings from the elimination of fuel subsidies and the phasing out of electricity subsidies, together with a revenue boost from an expansion of the VAT, will enable the government to hit the 2023 target and achieve primary surpluses equivalent to 3.5% of GDP beginning in 2024.

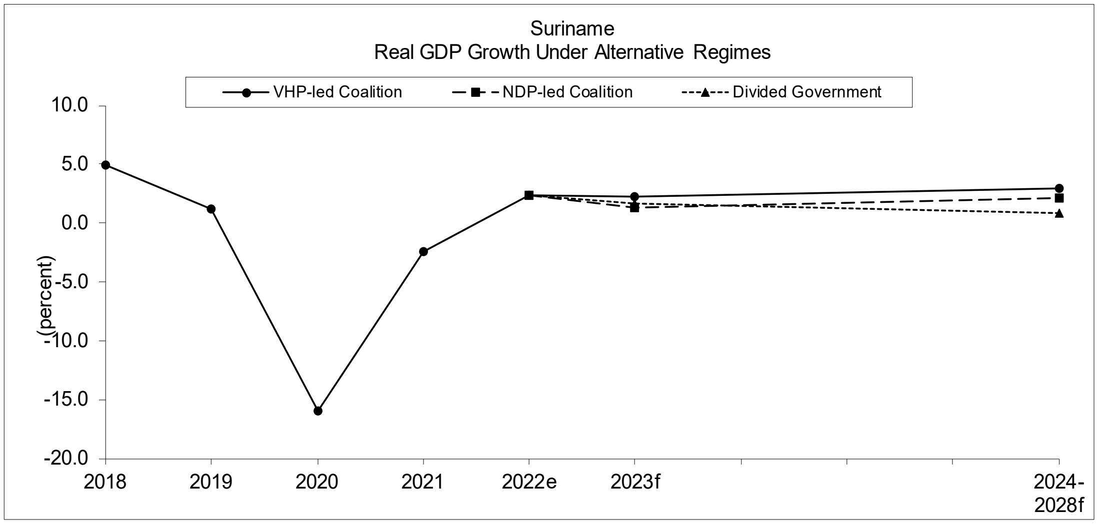
In the near term, the extraction and sale of gold and limited onshore oil resources will continue to be the main drivers of economic expansion, which is forecast to remain near the 2.4% pace set last year in 2023. The positive contribution from oil-related investment will become more pronounced beginning in 2024, but the fiscal discipline and wage restraint demanded by the IMF will have a dampening effect on broader domestic demand that holds real GDP growth to no more than 3% on average in 2024-2025.

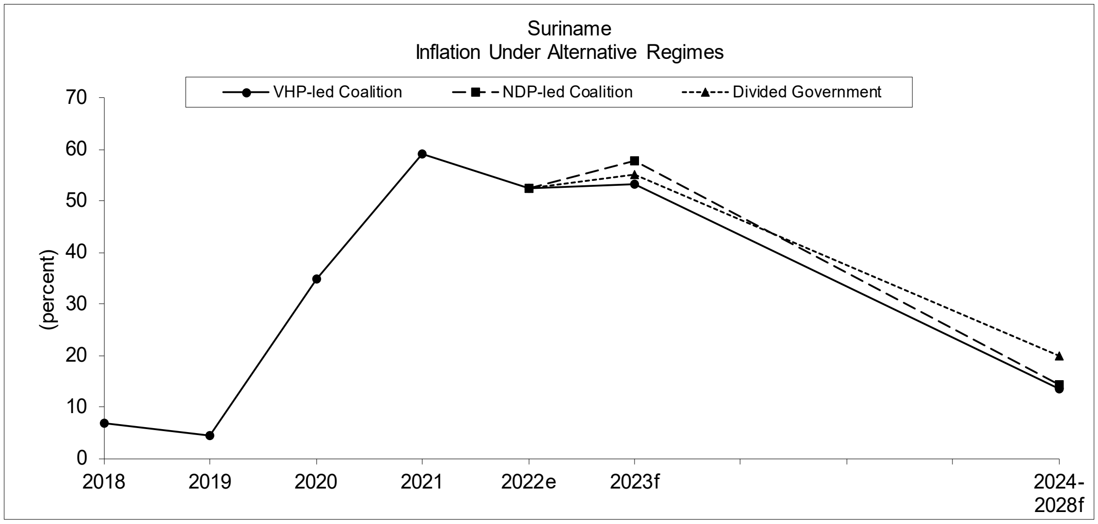
ECONOMIC FORECASTS FOR THE THREE ALTERNATIVE REGIMES									
	VHP-led Coalition			NDP-led Coalition			Divided Government		
	GROWTH (%)	INFLATION (%)	CACC ($bn)	GROWTH (%)	INFLATION (%)	CACC ($bn)	GROWTH (%)	INFLATION (%)	CACC ($bn)
2023	2.3	53.3	0.05	1.3	57.8	-0.01	1.7	55.2	0.03
2024-2028	3.0	13.4	-0.08	2.1	14.3	-0.12	0.8	19.9	-0.07

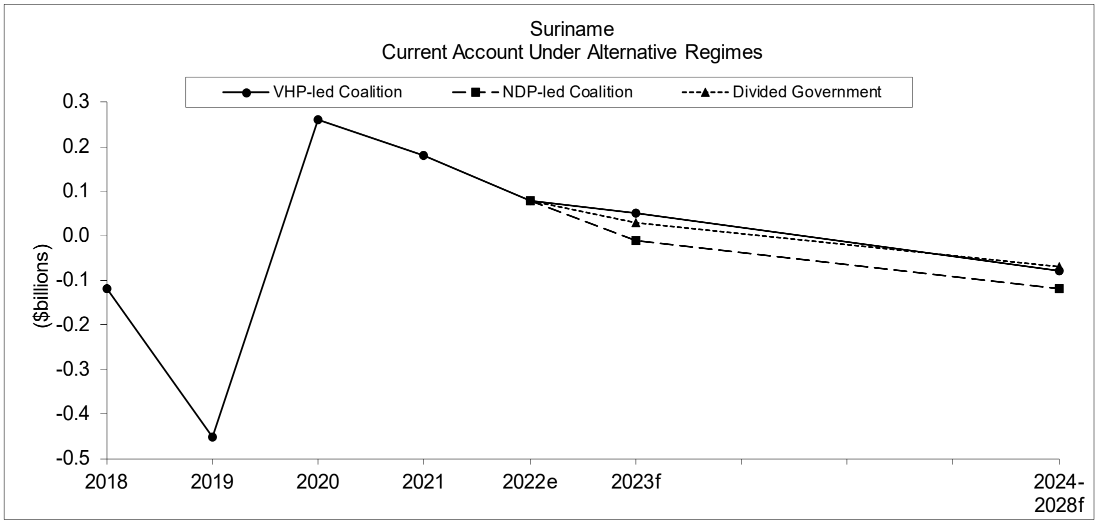
REGIME, BUSINESS & INVESTMENT FORECASTS

SUMMARY OF 18-MONTH FORECAST				
REGIMES & PROBABILITIES		VHP-led Coalition 75%	Divided Government 20%	NDP-led Coalition 5%
RISK FACTORS	**CURRENT**			
Turmoil	Low	Same	SLIGHTLY MORE	MORE
Investment				
Equity	Moderate	Same	Same	Same
Operations	Very High	SLIGHTLY LESS	SLIGHTLY MORE	SLIGHTLY MORE
Taxation	Moderate	Same	Same	Same
Repatriation	Moderate	Same	Same	Same
Exchange	Moderate	Same	SLIGHTLY MORE	SLIGHTLY MORE
Trade				
Tariffs	Moderate	SLIGHTLY LESS	Same	Same
Other Barriers	Moderate	Same	SLIGHTLY MORE	Same
Payment Delays	Moderate	Same	SLIGHTLY MORE	SLIGHTLY MORE
Economic Policy				
Expansion	Very High	LESS	Same	Same
Labor Costs	Moderate	Same	Same	Same
Foreign Debt	High	Same	SLIGHTLY MORE	SLIGHTLY MORE
SUMMARY OF FIVE-YEAR FORECAST				
REGIMES & PROBABILITIES		VHP-led Coalition 45%	NDP-led Coalition 35%	Divided Government 20%
RISK FACTORS	**BASE**			
Turmoil	Low	Same	SLIGHTLY MORE	SLIGHTLY MORE
Restrictions				
Investment	Moderate	SLIGHTLY LESS	Same	Same
Trade	Moderate	SLIGHTLY LESS	Same	Same
Economic Problems				
Domestic	High	SLIGHTLY LESS	SLIGHTLY LESS	Same
International	High	Same	Same	SLIGHTLY MORE

* When present, indicates forecast of a new regime


Suriname
Real GDP Growth Under Alternative Regimes
VHP-led Coalition
NDP-led Coalition
Divided Government
(percent)
10.0
5.0
0.0
-5.0
-10.0
-15.0
-20.0
2018
2019
2020
2021
2022e
2023f
2024-2028f


Suriname
Inflation Under Alternative Regimes
VHP-led Coalition
NDP-led Coalition
Divided Government
(percent)
70
60
50
40
30
20
10
0
2018
2019
2020
2021
2022e
2023f
2024-2028f


Suriname
Current Account Under Alternative Regimes
VHP-led Coalition
NDP-led Coalition
Divided Government
($billions)
0.3
0.2
0.1
0.0
-0.1
-0.2
-0.3
-0.4
-0.5
2018
2019
2020
2021
2022e
2023f
2024-2028f

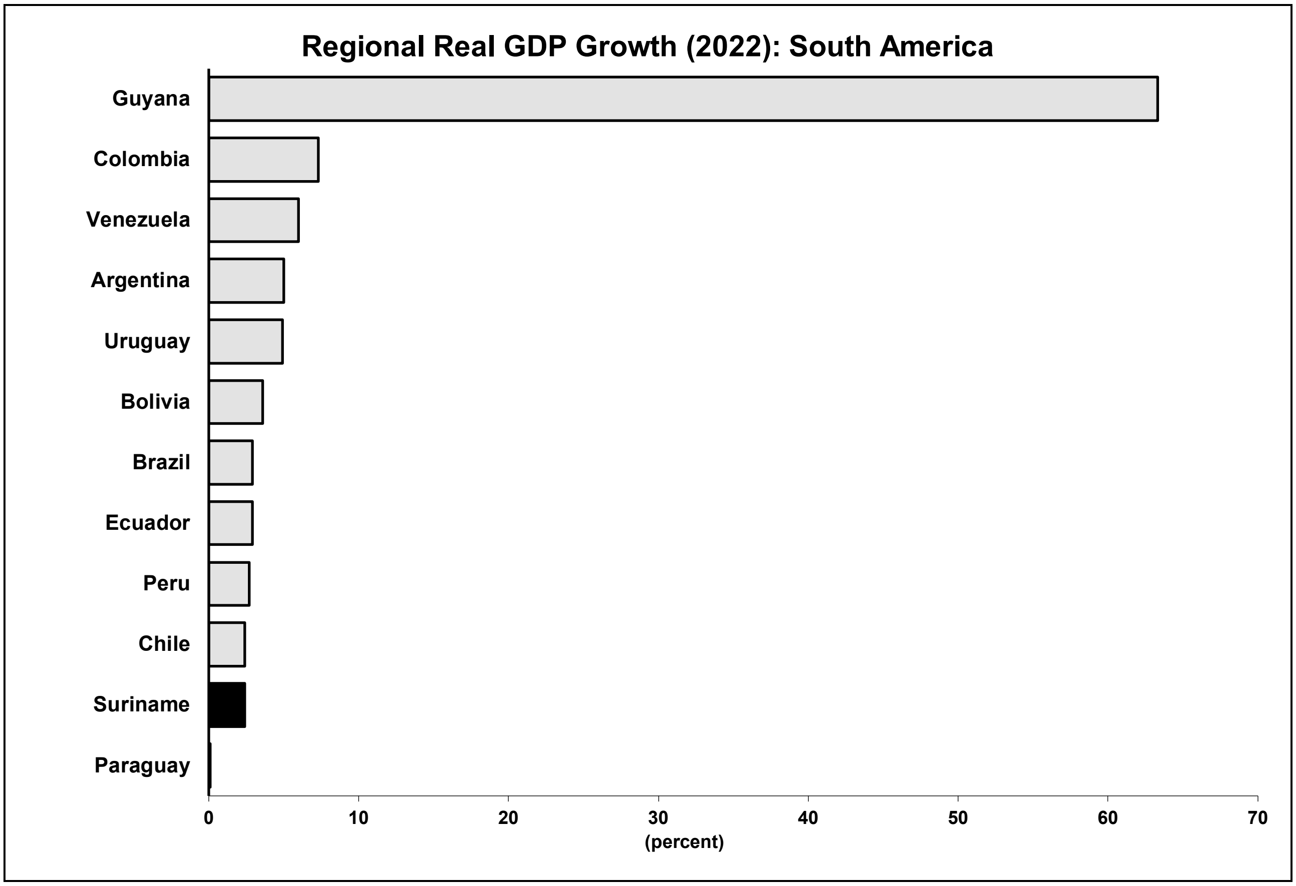
Suriname
Econometric Data

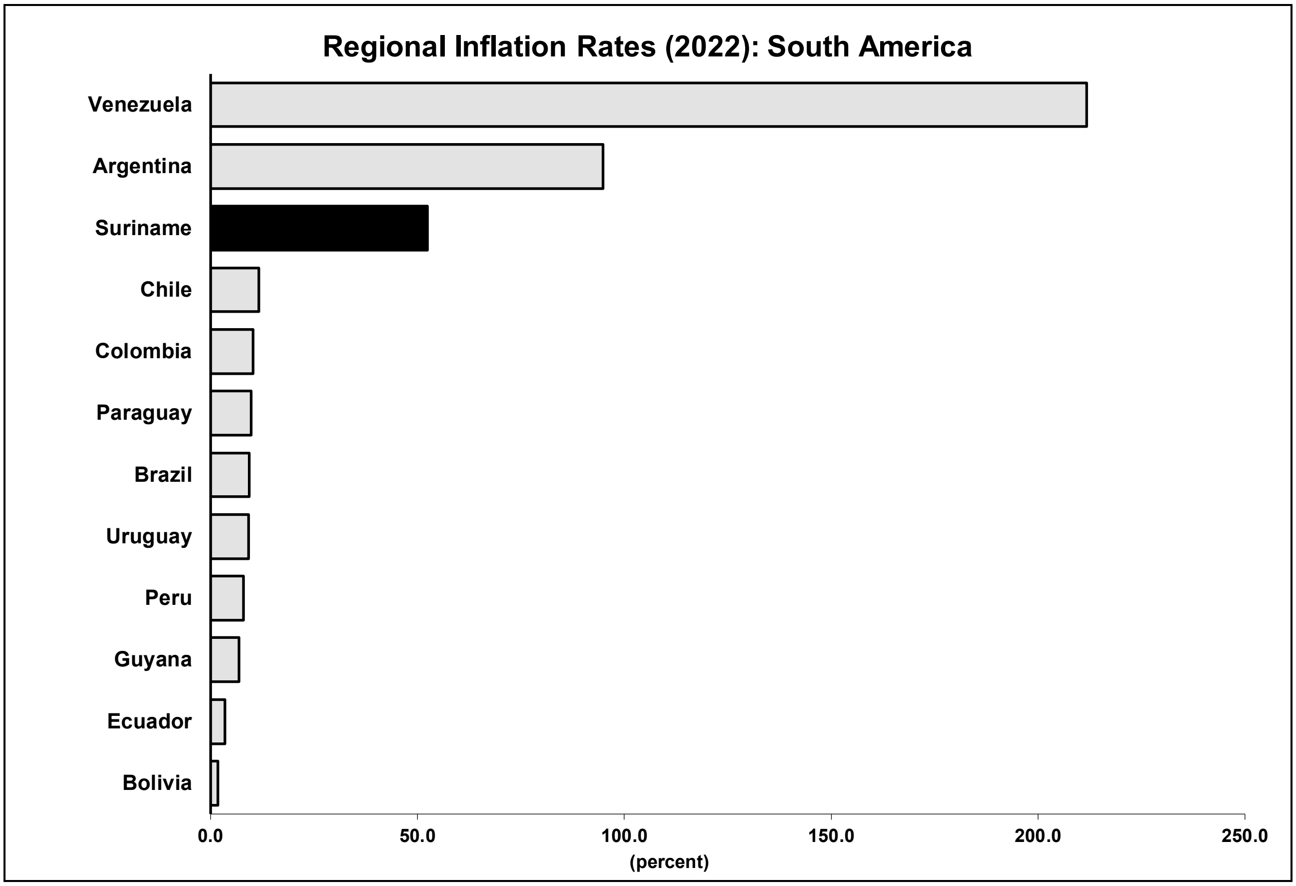
	2013-2017 Average	2018-2022 Average	2013	2014	2015	2016	2017
Domestic Economic Indicators							
GDP (Nominal, $bn)	4.63	3.54	5.50	5.61	5.13	3.32	3.59
Per Capita GDP ($)	8165	5834	10000	10018	9000	5724	6085
Real GDP Growth Rate (%)	-0.7	-2.0	2.9	0.3	-3.4	-4.9	1.6
Inflation Rate (%)	17.9	31.5	1.9	3.4	6.9	55.5	22.0
Capital Investment ($bn)	1.33	0.84	1.47	1.55	1.56	1.07	1.02
Capital Investment/GDP (%)	29.1	23.2	26.7	27.6	30.4	32.2	28.4
Budget Revenues ($bn)	0.99	0.80	1.29	1.26	1.11	0.59	0.72
Budget Revenues/GDP (%)	21.1	22.5	23.5	22.5	21.6	17.8	20.1
Budget Expenditures ($bn)	1.28	1.12	1.48	1.53	1.49	0.90	0.98
Budget Expenditures/GDP (%)	27.5	31.4	26.9	27.3	29.0	27.1	27.3
Budget Balance ($bn)	-0.28	-0.32	-0.19	-0.27	-0.38	-0.31	-0.26
Budget Balance/GDP (%)	-6.4	-9.0	-3.5	-4.8	-7.4	-9.3	-7.2
Money Supply (M1, $bn)	1.27	1.39	1.35	1.43	1.50	1.12	0.94
Change in Real Wages (%)	-0.1	-4.0	1.8	1.9	1.4	-3.4	-2.4
Unemployment Rate (%)	6.6	10.2	6.6	5.5	7.0	7.0	7.0
International Economic Indicators							
Foreign Direct Investment ($bn)	0.20	0.01	0.19	0.16	0.27	0.30	0.10
Forex Reserves ($bn)	0.38	0.63	0.60	0.44	0.22	0.30	0.33
Gross Reserves (ex gold, $bn)	0.47	0.72	0.74	0.58	0.28	0.35	0.38
Gold Reserves ($bn)	0.04	0.08	0.04	0.05	0.05	0.03	0.04
Gross reserves (inc gold, $bn)	0.51	0.80	0.78	0.63	0.33	0.38	0.42
Total Foreign Debt ($bn)	2.51	3.75	1.84	2.09	2.55	2.96	3.13
Total Foreign Debt/GDP (%)	59.4	107.8	33.5	37.3	49.7	89.2	87.2
Debt Service ($bn)	0.08	0.20	0.02	0.03	0.03	0.24	0.09
Debt Service/XGS (%)	4.1	7.8	0.7	1.2	1.5	13.3	3.8
Current Account ($bn)	-0.30	-0.01	-0.20	-0.42	-0.79	-0.16	0.07
Current Account/GDP (%)	-5.9	0.5	-3.6	-7.5	-15.4	-4.8	2.0
Current Account/XGS (%)	-13.8	-0.7	-7.2	-16.6	-39.5	-8.8	3.0
Exports ($bn)	1.93	2.24	2.42	2.15	1.65	1.44	1.99
Imports ($bn)	1.73	1.46	2.17	2.01	2.03	1.25	1.21
Trade Balance ($bn)	0.20	0.78	0.25	0.14	-0.38	0.19	0.78
Exports of Services ($bn)	0.19	0.13	0.18	0.21	0.20	0.19	0.16
Income, credit ($bn)	0.02	0.02	0.03	0.02	0.01	0.02	0.03
Transfers, credit ($bn)	0.15	0.18	0.15	0.15	0.14	0.16	0.16
Exports G&S ($bn)	2.29	2.57	2.78	2.53	2.00	1.81	2.34
Liabilities ($bn)	0.26	0.40	0.14	0.13	0.30	0.38	0.35
Net Reserves ($bn)	0.25	0.40	0.64	0.50	0.03	0.00	0.07
Liquidity (months import cover)	1.5	3.2	3.5	3.0	0.2	0.0	0.7
Currency Exchange Rate	4.747	14.521	3.300	3.300	3.417	6.229	7.487
Currency Change (%)	-13.1	-19.4	0.0	0.0	-3.4	-45.1	-16.8
Social Indicators							
Population (million)	0.57	0.61	0.55	0.56	0.57	0.58	0.59
Population Growth (%)	1.8	1.0	1.9	1.8	1.8	1.8	1.7
Infant Deaths/1000	18	16	19	19	18	18	17
Persons under Age 15 (%)	28	26	29	28	28	28	27
Urban Population (%)	66	66	66	66	66	66	66
Urban Growth (%)	1.7	1.2	2.6	1.6	1.6	1.2	1.4
Literacy % pop.	96	96	96	96	96	96	96
Agricultural Work Force (%)	7	8	7	7	7	8	8
Industry-Commerce Work Force (%)	26	26	26	27	26	24	25
Services Work Force (%)	67	66	67	66	67	68	67
Unionized Work Force (%)	45	45	45	45	45	45	45
Energy - total consumption (10^{15} Btu)	0.04	0.04	0.04	0.05	0.04	0.04	0.04
Energy - consumption/head (10^{9} Btu)	0.07	0.07	0.07	0.09	0.07	0.07	0.07

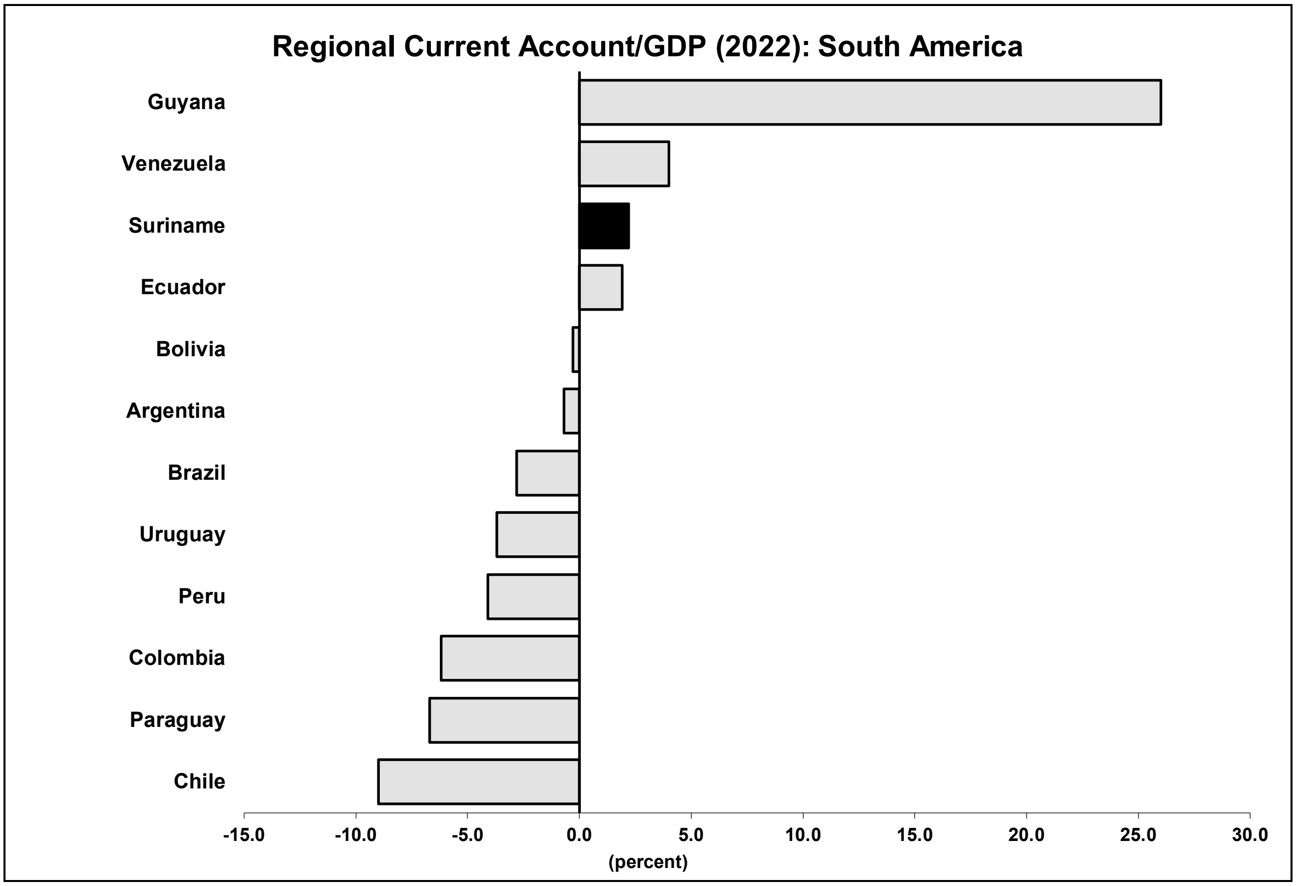
Suriname
Econometric Data

	2013-2017 Average	2018-2022 Average	2018	2019	2020	2021	2022
Domestic Economic Indicators							
GDP (Nominal, $bn)	4.63	3.54	4.00	4.02	2.91	3.08	3.69
Per Capita GDP ($)	8165	5834	6780	6700	4770	4968	5952
Real GDP Growth Rate (%)	-0.7	-2.0	4.9	1.2	-16.0	-2.4	2.4
Inflation Rate (%)	17.9	31.5	6.8	4.4	34.9	59.1	52.4
Capital Investment ($bn)	1.33	0.84	1.13	1.11	0.64	0.56	0.74
Capital Investment/GDP (%)	29.1	23.2	28.3	27.6	22.0	18.2	20.1
Budget Revenues ($bn)	0.99	0.80	0.84	0.81	0.53	0.77	1.03
Budget Revenues/GDP (%)	21.1	22.5	21.0	20.2	18.2	25.0	27.9
Budget Expenditures ($bn)	1.28	1.12	1.05	1.55	0.85	0.99	1.14
Budget Expenditures/GDP (%)	27.5	31.4	26.3	38.6	29.2	32.1	30.9
Budget Balance ($bn)	-0.28	-0.32	-0.21	-0.74	-0.32	-0.22	-0.11
Budget Balance/GDP (%)	-6.4	-9.0	-5.3	-18.4	-11.0	-7.1	-3.0
Money Supply (M1, $bn)	1.27	1.39	1.18	1.31	1.65	1.30	1.53
Change in Real Wages (%)	-0.1	-4.0	-3.8	-1.2	-4.0	-6.7	-4.4
Unemployment Rate (%)	6.6	10.2	9.0	8.8	11.1	11.2	10.9
International Economic Indicators							
Foreign Direct Investment ($bn)	0.20	0.01	0.13	0.08	0.00	-0.13	-0.01
Forex Reserves ($bn)	0.38	0.63	0.48	0.52	0.49	0.73	0.95
Gross Reserves (ex gold, $bn)	0.47	0.72	0.52	0.57	0.49	0.91	1.10
Gold Reserves ($bn)	0.04	0.08	0.06	0.08	0.09	0.09	0.09
Gross reserves (inc gold, $bn)	0.51	0.80	0.58	0.65	0.58	1.00	1.19
Total Foreign Debt ($bn)	2.51	3.75	3.52	3.77	3.64	3.85	3.95
Total Foreign Debt/GDP (%)	59.4	107.8	88.0	93.8	125.1	125.0	107.1
Debt Service ($bn)	0.08	0.20	0.25	0.18	0.15	0.21	0.22
Debt Service/XGS (%)	4.1	7.8	10.2	7.3	5.7	8.3	7.7
Current Account ($bn)	-0.30	-0.01	-0.12	-0.45	0.26	0.18	0.08
Current Account/GDP (%)	-5.9	0.5	-3.0	-11.2	8.9	5.8	2.2
Current Account/XGS (%)	-13.8	-0.7	-4.9	-18.4	9.9	7.2	2.8
Exports ($bn)	1.93	2.24	2.07	2.13	2.34	2.20	2.46
Imports ($bn)	1.73	1.46	1.40	1.60	1.28	1.34	1.70
Trade Balance ($bn)	0.20	0.78	0.67	0.53	1.06	0.86	0.76
Exports of Services ($bn)	0.19	0.13	0.17	0.16	0.10	0.10	0.14
Income, credit ($bn)	0.02	0.02	0.04	0.02	0.01	0.01	0.01
Transfers, credit ($bn)	0.15	0.18	0.16	0.14	0.18	0.20	0.20
Exports G&S ($bn)	2.29	2.57	2.44	2.45	2.63	2.51	2.81
Liabilities ($bn)	0.26	0.40	0.34	0.31	0.32	0.54	0.51
Net Reserves ($bn)	0.25	0.40	0.24	0.34	0.26	0.46	0.68
Liquidity (months import cover)	1.5	3.2	2.1	2.6	2.4	4.1	4.8
Currency Exchange Rate	4.747	14.521	7.463	7.902	13.299	19.706	24.236
Currency Change (%)	-13.1	-19.4	0.3	-5.6	-40.6	-32.5	-18.7
Social Indicators							
Population (million)	0.57	0.61	0.59	0.60	0.61	0.62	0.62
Population Growth (%)	1.8	1.0	0.0	1.7	1.7	1.6	0.0
Infant Deaths/1000	18	16	17	16	15	15	15
Persons under Age 15 (%)	28	26	27	27	26	26	26
Urban Population (%)	66	66	66	66	66	66	66
Urban Growth (%)	1.7	1.2	1.2	1.5	1.7	0.7	0.8
Literacy % pop.	96	96	96	96	96	96	96
Agricultural Work Force (%)	7	8	8	8	8	8	8
Industry-Commerce Work Force (%)	26	26	25	26	26	27	27
Services Work Force (%)	67	66	67	66	66	65	65
Unionized Work Force (%)	45	45	45	45	45	45	45
Energy - total consumption (10^{15} Btu)	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Energy - consumption/head (10^{9} Btu)	0.07	0.07	0.07	0.07	0.07	0.07	0.06

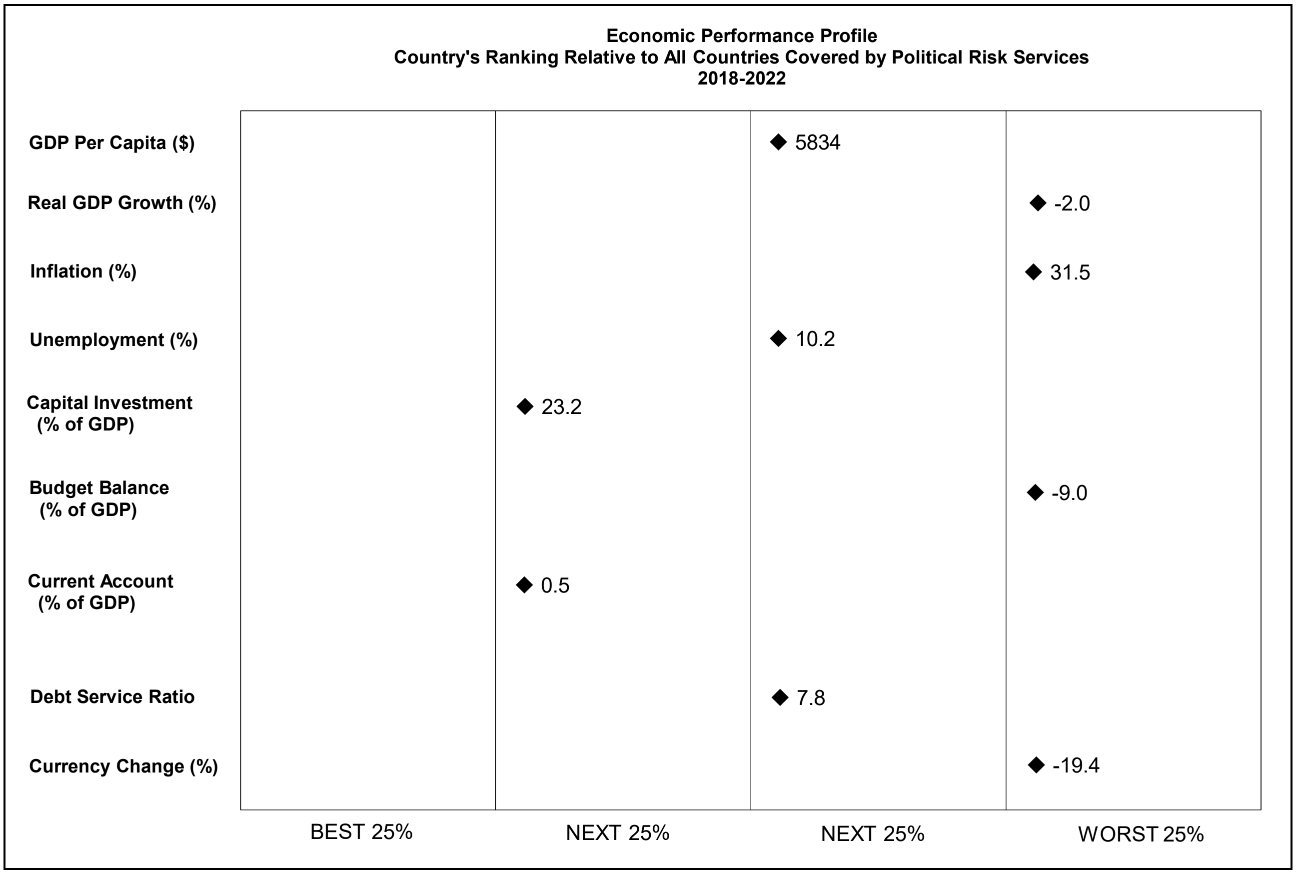
INTRA-REGIONAL COMPARISONS







Regional Current Account/GDP (2022): South America
Guyana
Venezuela
Suriname
Ecuador
Bolivia
Argentina
Brazil
Uruguay
Peru
Colombia
Paraguay
Chile
-15.0
-10.0
-5.0
0.0
5.0
10.0
15.0
20.0
25.0
30.0
(percent)



Economic Performance Profile
Country's Ranking Relative to All Countries Covered by Political Risk Services
2018-2022
GDP Per Capita ($)
5834
Real GDP Growth (%)
-2.0
Inflation (%)
31.5
Unemployment (%)
10.2
Capital Investment (% of GDP)
23.2
Budget Balance (% of GDP)
-9.0
Current Account (% of GDP)
0.5
Debt Service Ratio
7.8
Currency Change (%)
-19.4
BEST 25%
NEXT 25%
NEXT 25%
WORST 25%

GEOPOLITICAL & ECONOMIC ANALYSIS

OIL INVESTORS DELIVER GOOD NEWS FOR BELEAGUERED GOVERNMENT...

The coalition government made up of President Chandrikapersad Santokhi's Progressive Reform Party (VHP), the National Party of Suriname (NPS), Pertjajah Lujur (PL), and the ethnic Maroon General Liberation and Development Party (ABOP) has continued to encounter strong political and economic headwinds over the past year as it implements unpopular structural reforms required under a three-year, $690 million Extended Fund Facility (EFF) arrangement with the IMF. The introduction of a long-delayed value-added tax (VAT) on January 1 and the more recent cuts to spending on subsidies for fuel and electricity have reinforced already high inflation, which has remained above 50% over the past several months after spiking to more than 60% in March and April.

Simmering political tensions boiled over in mid-February, when mass protests against the Santokhi administration's policies and alleged government corruption (including the creation of state jobs for the president's family members) descended into violence. An attack on the National Assembly building resulted in property damage and rioting broke out in other areas of the capital, Paramaribo.

A month later, some businesses and schools remained closed, and the president felt it necessary to publicly deny rumors that Dutch soldiers in Suriname for long-planned training exercises had been deployed by the country's former colonial ruler to prop up his government. Santokhi also denied protesters' accusations that the administration was dragging its feet on a court-ordered revision of the electoral rules with the aim of creating a pretext for delaying the 2025 elections.

The government received some welcome news in September, when TotalEnergies, the French oil giant, and its partner, US-based APA, both confirmed their intention to begin detailed engineering studies with the aim of making a final investment decision (FID) on a project to develop offshore oil and gas reserves by the end of 2024. The FID was initially expected in 2022, but the partners balked at proceeding with the estimated $9 billion venture following disappointing results from drilling operations and the receipt of conflicting data from seismic studies. However, both firms have indicated that they are satisfied that the Sapakara and Krabdagu discoveries in Block 58 contain sufficient reserves to make the investment profitable.

The recent developments have revived hopes that Suriname will enjoy an oil-driven economic boom comparable to the one currently under way in neighboring Guyana, which has seen its per capita GDP more than triple from $6,600 in 2019 to a projected $20,500 in 2023. Under the revised timetable, first production will commence in 2028, but the oil windfall will not arrive until daily production reaches 650,000 barrels per day (bpd) in 2032. However, increased confidence that Suriname will benefit from a massive increase in state revenues within a decade has already facilitated the government's efforts to end a debt crisis that saw the country default on $675 million in sovereign bonds amid the COVID-19 crisis in 2020.

Earlier this month, the government reached an agreement with private creditors to exchange defaulted bonds for a new $650 million bond with an interest rate of 7.95%. The arrangement amounts to a haircut of 25%, but bondholders will also receive “oil warrants” that entitle them to receive a portion of future royalties from crude production in Block 58 until they have fully recovered the forgiven claims. The government reports that creditors accounting for more than $620 million of the defaulted bonds have agreed to the terms.

Remaining hurdles to Suriname’s escape from default include the conclusion of a restructuring of some $540 million of bilateral debt held by China, of which roughly $130 million is currently in arrears. The government is seeking both an extension of the maturity of the debt and a lower interest rate. In June, India agreed to extend repayment on $39 million of debt to up to 20.5 years with a maximum interest rate of 1.2% and officials are hoping they can convince Beijing to accept similar terms and conclude a deal by the end of the year.

...BUT RISK OF INSTABILITY WILL PERSIST

Assuming success on that front, the abatement of the debt crisis and access to IMF financing under the EFF will facilitate the central bank’s efforts to stabilize the currency, which is crucial to reducing inflation. However, even if economic conditions improve enough to dampen discontent, it is debatable whether the governing parties can repair the damage to their popular standing before elections fall due in May 2025.

Nor will discontented voters necessarily shift their support to the main opposition National Democratic Party (NDP), which headed the government under President Desi Bouterse from 2010 to 2020. Bouterse was convicted in 2019 of ordering the murder of 14 opponents of the military regime he headed in the early 1980s, but he remains free while his case works its way through the appeals process. Even if Bouterse somehow manages to avoid imprisonment, the NDP’s record of economic mismanagement and corruption in office is likely to be an obstacle to convincing voters that it deserves to be returned to power.

The next elections will take place under revised rules that replace district-based voting—which the Constitutional Court ruled in August 2022 was not consistent with principle of one person, one vote—with a system based on proportional representation. The changes, which were approved in October with the unanimous support of the National Assembly, are expected to benefit smaller parties.

Under the old format, non-mainstream parties were at a disadvantage unless they joined electoral coalitions, which were banned ahead of the 2020 elections. The combination of widespread disenchantment with the political establishment and a more level playing field for fringe parties adds up to a high risk that the 2025 elections will produce a highly fragmented legislature, thereby complicating the task of electing a president—who must secure the backing of a two-thirds supermajority in the 51-member National Assembly—and compounding the difficulty of sustaining the support for a simple majority for a full five-year term.

DIFFICULT POLICY CHOICES

The IMF has praised the government for pushing ahead with unpopular structural reforms under adverse political conditions and approved the immediate disbursement of $52 million in financing following completion of the third review under the EFF in late September. Fund officials noted positively the recent easing of price pressures but conceded that the limited scope for monetary loosening amid persistent double-digit inflation will negatively impact real growth in the near and medium term.

The 2023 target for the primary surplus was halved to 1.7% of GDP with the IMF's approval during the second review with the aim of freeing up fiscal space to maintain spending on social protection and infrastructure investment. Fund officials have expressed confidence that the savings from the elimination of fuel subsidies and the phasing out of electricity subsidies, together with a revenue boost from an expansion of the value-added tax (VAT), will enable the government to hit the 2023 target and achieve primary surpluses equivalent to 3.5% of GDP beginning in 2024.

The government finally introduced a long-delayed VAT in January, but Finance and Planning Minister Stanley Raghoebarsing revealed in September that the legislation was flawed, as the coverage of the tax fell far short of the target of 60% of consumption and would need to be revised. Raghoebarsing contends that the inflationary impact of extending the base of the VAT will be marginal and that care will be taken to soften the impact on the budgets of vulnerable households. Nevertheless, the proposal has provoked objections from the unions, with teachers threatening a general walkout to force the abandonment of a planned doubling of the VAT on fuel (to the standard rate of 10%), among other increases.

The reform agenda includes other items that are just as unpopular. For example, slashing the public-sector wage bill from 10.5% of GDP in 2020 to just 7% of GDP by 2024 is to be accomplished in part by means of salary caps that imply a very large real decrease in income for civil servants.

VULNERABILITIES REMAIN FOR NOW

Critics of the IMF's handling of the debt crisis claim that the Fund is subsidizing the maintenance of a very favorable climate for hydrocarbons investment at the expense of rising living costs for average Surinamese. However, that investment figures to pay substantial dividends once oil production gains momentum.

The production-sharing agreements (PSAs) offered by the government include a 6.25% royalty rate and a 36% income tax, while allowing for cost recovery up to 80% of quarterly production. Significantly, the terms also provide for the participation of state-owned Staatsolie to a maximum share of 20% of projects.

Direct state income from the coming oil boom is projected to total \$16 billion–\$26 billion (depending on crude prices) over a two-decade period, with the potential for an additional windfall if Staatsolie exercises its participation option. The economy will also benefit from project-related demand for local goods and services.

But policy makers acknowledge that the boom will be comparatively brief. As advanced economies move to reduce their carbon footprint by adopting alternative energy strategies, the value of oil and gas will presumably decline. On that basis, Suriname has only 20–25 years to maximize the wealth potential of its reserves.

That will not pose a long-term problem for Suriname if the government uses the windfall to finance investment in infrastructure and the development of human capital. However, it remains to be seen whether political leaders are up to the task of devising and implementing a strategy that produces a diverse economic foundation capable of sustaining prosperity as global green initiatives gain momentum.

In the near term, the extraction and sale of gold and limited onshore oil resources will continue to be the main drivers of economic expansion, which is forecast to remain near the 2.4% pace set last year in 2023. The positive contribution from oil-related investment will become more pronounced beginning in 2024, but project-related capital imports will put pressure on the external balances, complicating the efforts of monetary authorities to stabilize the currency and rein in inflation. The fiscal discipline and wage restraint demanded by the IMF will have a dampening effect on broader domestic demand that holds real GDP growth to no more than 3% on average in 2024-2025.

In accordance with the demands of the IMF, the CBvS abandoned the fixed exchange rate of the local dollar and allowed the currency to float in mid-2021. The replenishment of foreign currency reserves helped to keep the exchange rate close to SRD21.0 to the US dollar through the early months of 2022, but monetary tightening in the US and the increasingly uncertain near-term outlook for the global economy following the outbreak of war in Europe contributed to a loss of faith in the local currency, which depreciated by 44.7% against the US dollar between May 2022 and July 2023.

The currency slide impeded efforts to contain inflation, which had eased to less than 40% (year-on-year) in mid-2022 but rose steadily over the second half of the year and moved above 60% in March-April 2023. Price pressures have eased slightly in recent months, but inflation remains above 50%, and higher retail prices for fuel and rising electricity costs with the phasing out of subsidies will limit the potential for further improvement in the near term.

The sharply higher cost of imports of fuel and food narrowed the current account surplus to 2.2% of GDP in 2022. The positive impact of lower prices for imports of food and energy will be offset by an increase in capital imports, but a trade surplus and stable inflows of remittances will be sufficient to keep the current account balance out of deficit this year.

INTERNATIONAL COUNTRY RISK GUIDE (ICRG) RATINGS

PRS' Country Reports and Economic Forecasts (CREF) and the International Country Risk Guide (ICRG) have been independently back-tested for accuracy and relevance for over 40 years.

In a landmark 2014 study published in the International Journal of Business Studies* – using data on political risk clams and a unique textual-based database of risk realizations – both CREF and ICRG forecasts were found to have "predictive power for both political risk insurance claims as well as political risk events measured by news coverage."

It is therefore instructive to present the scores from Table 1 of the ICRG for a complimentary look at the composite risk scores – calculated by using a combination of the overall political, financial, and economic risk metrics – for the 141+ countries covered each month. Please contact custserv@prsgroup.com for more information.

TABLE 1
COUNTRY RISK, RANKED BY COMPOSITE RISK RATING
NOVEMBER 2023 VERSUS DECEMBER 2022

RANK IN 11/23	COUNTRY	COMPOSITE RISK RATING 11/23	COMPOSITE RISK RATING 12/22	11/23 VERSUS 12/22	RANK IN 12/22
	Very Low Risk				
1	Norway	86.3	87.0	-0.8	2
2	Switzerland	86.0	87.3	-1.3	1
3	Denmark	85.0	84.8	0.3	6
4	Taiwan	84.8	84.3	0.5	7
5	Singapore	84.3	86.0	-1.8	3
6	Luxembourg	84.0	86.0	-2.0	3
7	Ireland	83.8	82.3	1.5	7
8	Saudi Arabia	82.5	85.5	-3.0	5
9	Brunei	81.5	81.8	-0.3	10
10	Qatar	80.8	80.0	0.8	17
11	Canada	80.5	81.8	-1.3	10
11	Iceland	80.5	80.5	0.0	15

* C Harvey, et al., "Political Risk Spreads," Journal of International Business Studies, (2014), 471-493.

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING NOVEMBER 2023 VERSUS DECEMBER 2022					
RANK IN 11/23	COUNTRY	COMPOSITE RISK RATING 11/23	COMPOSITE RISK RATING 12/22	11/23 VERSUS 12/22	RANK IN 12/22
11	United Arab Emirates	80.5	82.3	-1.8	7
14	Netherlands	80.3	80.5	-0.3	15
15	Kuwait	80.0	81.0	-1.0	13
	Low Risk				
16	Australia	79.5	81.8	-2.3	10
17	Botswana	79.3	77.3	2.0	24
17	Japan	79.3	76.5	2.8	26
19	Sweden	79.0	81.0	-2.0	13
20	New Zealand	78.8	76.0	2.8	28
21	Germany	78.5	79.0	-0.5	18
21	Hong Kong	78.5	74.3	4.3	35
21	Korea, Republic	78.5	78.3	0.3	20
24	Finland	77.5	78.3	-0.8	20
25	Bahamas	76.8	74.3	2.5	35
25	Trinidad & Tobago	76.8	77.5	-0.8	23
27	Austria	76.5	78.3	-1.8	20
27	Costa Rica	76.5	72.3	4.3	47
27	Oman	76.5	78.5	-2.0	19
27	Portugal	76.5	75.3	1.3	32
31	Czech Republic	76.0	76.0	0.0	28
32	Guyana	75.5	75.5	0.0	31
32	Kazakhstan	75.5	76.5	-1.0	26
34	Uzbekistan	74.8	73	2.3	43
35	Belgium	74.5	74.5	0.0	34
36	Italy	74.3	73.3	1.0	41
37	Latvia	74.0	71.8	2.3	51
37	Malaysia	74.0	74.0	0.0	39
37	Slovenia	74.0	73.0	1.0	42

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING NOVEMBER 2023 VERSUS DECEMBER 2022					
RANK IN 11/23	COUNTRY	COMPOSITE RISK RATING 11/23	COMPOSITE RISK RATING 12/22	11/23 VERSUS 12/22	RANK IN 12/22
40	Azerbaijan	73.8	72.5	1.3	43
40	Libya	73.8	70.8	3.0	58
40	Panama	73.8	73.5	0.3	40
40	Uruguay	73.8	75.3	-1.5	32
44	Croatia	73.5	74.3	-0.8	35
44	Israel	73.5	76.0	-2.5	28
44	Malta	73.5	74.3	-0.8	35
44	United Kingdom	73.5	76.8	-3.3	25
48	Jamaica	72.5	72.3	0.3	47
48	Poland	72.5	71.3	1.3	54
48	Spain	72.5	72.5	0.0	43
51	Dominican Republic	72.0	72.3	-0.3	47
52	Chile	71.8	71.5	0.3	52
52	France	71.8	72.5	-0.8	43
52	Philippines	71.8	70.8	1.0	58
55	Brazil	71.5	70.0	1.5	64
55	Vietnam	71.5	71.3	0.3	54
57	India	71.3	70.5	0.8	61
58	Bulgaria	71.0	70.8	0.3	58
58	China, Peoples' Rep.	71.0	69.3	1.8	66
58	Hungary	71.0	71.3	-0.3	54
58	Paraguay	71.0	64.3	6.8	93
58	Thailand	71.0	65.5	5.5	87
63	Guatemala	70.5	71.0	-0.5	57
63	United States	70.5	72.3	-1.8	47
Moderate Risk					
65	Gabon	69.8	66.8	3.0	82
65	Lithuania	69.8	70.5	-0.8	61

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING NOVEMBER 2023 VERSUS DECEMBER 2022					
RANK IN 11/23	COUNTRY	COMPOSITE RISK RATING 11/23	COMPOSITE RISK RATING 12/22	11/23 VERSUS 12/22	RANK IN 12/22
67	Cyprus	69.3	70.0	-0.8	64
68	Bahrain	69.0	68.8	0.3	71
68	Indonesia	69.0	68.3	0.8	75
68	Papua New Guinea	69.0	69.3	-0.3	66
71	Greece	68.8	68.5	0.3	73
72	Congo, Republic	68.5	64.3	4.3	93
72	Iraq	68.5	70.5	-2.0	61
72	Mexico	68.5	68.0	0.5	77
72	Peru	68.5	68.0	0.5	77
72	Slovakia	68.5	68.8	-0.3	71
77	Estonia	68.3	71.5	-3.3	52
77	Namibia	68.3	69.3	-1.0	66
79	Algeria	68.0	69.3	-1.3	66
79	Russia	68.0	66.0	2.0	86
81	Ecuador	67.5	68.5	-1.0	73
81	El Salvador	67.5	63.3	4.3	99
81	Romania	67.5	66.8	0.8	82
84	Armenia	66.8	60.0	6.8	111
84	Gambia	66.8	65.3	1.5	88
84	Honduras	66.8	66.8	0.0	82
84	Morocco	66.8	64.5	2.3	90
88	Mongolia	66.5	64.5	2.0	90
88	South Africa	66.5	67.8	-1.3	79
90	Tanzania	66.3	65.0	1.3	89
91	Serbia	65.8	67.0	-1.3	80
92	Guinea-Bissau	65.3	64.0	1.3	95
93	Zambia	65.0	62.8	2.3	100
94	Albania	64.5	63.8	0.8	98

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING NOVEMBER 2023 VERSUS DECEMBER 2022					
RANK IN 11/23	**COUNTRY**	**COMPOSITE RISK RATING 11/23**	**COMPOSITE RISK RATING 12/22**	**11/23 VERSUS 12/22**	**RANK IN 12/22**
95	Iran	64.3	66.8	-2.5	82
96	Bangladesh	64.0	62.5	1.5	102
96	Bolivia	64.0	67.0	-3.0	80
96	Cote d'Ivoire	64.0	62.3	1.8	104
99	Jordan	63.8	64.5	-0.8	90
99	Nicaragua	63.8	62.8	1.0	100
101	Togo	63.5	62.3	1.3	104
102	Colombia	63.3	64.0	-0.8	95
103	Madagascar	63.0	62.5	0.5	102
104	Suriname	62.5	58.5	4.0	116
105	Moldova	62.3	59.0	3.3	114
106	Cuba	61.8	69.0	-7.3	70
107	Cameroon	61.3	61.0	0.3	107
108	Ukraine	61.0	51.8	9.3	132
109	Ghana	60.5	58.5	2.0	116
110	Angola	60.3	68.3	-8.0	75
111	Mozambique	60.0	54.5	5.5	127
111	Uganda	60.0	59.5	0.5	112
High Risk					
113	Guinea	59.8	57.5	2.3	123
113	Tunisia	59.8	61.0	-1.3	107
115	Liberia	59.5	58.0	1.5	121
115	Sri Lanka	59.5	48.8	10.8	137
117	Belarus	59.3	57.0	2.3	125
118	Mali	58.8	58.8	0.0	115
118	Senegal	58.8	58.3	0.5	120
120	Burkina Faso	58.5	59.5	-1.0	112
121	Myanmar	58.3	56.0	2.3	126

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING NOVEMBER 2023 VERSUS DECEMBER 2022					
RANK IN 11/23	COUNTRY	COMPOSITE RISK RATING 11/23	COMPOSITE RISK RATING 12/22	11/23 VERSUS 12/22	RANK IN 12/22
122	Zimbabwe	58.0	61.5	-3.5	106
123	Argentina	57.5	64.0	-6.5	95
123	Ethiopia	57.5	58.5	-1.0	116
125	Egypt	57.3	57.5	-0.3	123
126	Kenya	57.0	58.5	-1.5	116
127	Haiti	56.8	54.0	2.8	129
127	Sierra Leone	56.8	53.5	3.3	130
129	Congo, Dem. Republic	56.3	60.3	-4.0	109
130	Nigeria	55.8	60.3	-4.5	109
130	Yemen, Republic	55.8	48.3	7.5	138
132	Turkey	55.5	54.3	1.3	128
133	Venezuela	55.0	58.0	-3.0	121
134	Somalia	51.8	52.0	-0.3	131
Very High Risk					
135	Pakistan	49.8	51.3	-1.5	134
136	Korea, D.P.R.	49.3	51.0	-1.8	135
137	Malawi	49.0	51.0	-2.0	135
138	Niger	47.8	51.8	-4.0	132
139	Syria	44.5	44.0	0.5	139
140	Sudan	43.5	43.3	0.3	140
141	Lebanon	34.5	41.3	-6.8	141