S&P Global Ratings

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Research Update:

Republic of Suriname Foreign And Local Currency Ratings Raised To 'CCC+/C' From 'SD'; Outlook Stable

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Overview

- Holders of the Republic of Suriname's two Eurobonds received new debt instruments with a face value of US$660 million, in addition to an oil-linked security, in an exchange for debt that has been in default since the end of 2020.
- This exchange applied to holders of Suriname's notes due 2023 and notes due 2026.
- At the same time, Suriname has reached restructuring agreements with all official creditors, excluding China; commercial creditors that had provided export credit agency-backed loans; and the Central Bank of Suriname; and is finalizing agreements with other commercial domestic and foreign creditors for small amounts of remaining debt.
- We believe these negotiations will conclude the resolution of Suriname's defaulted obligations and are adopting a forward-looking opinion on the sovereign's creditworthiness on its foreign and local currency obligations.
- As a result, S&P Global Ratings raised its long- and short-term foreign and local currency sovereign credit ratings on Suriname to 'CCC+/C' from 'SD' (selective default). At the same time, S&P Global Ratings withdrew its ratings on Suriname's senior unsecured debt.
- The outlook on the long-term sovereign credit ratings is stable.

Rating Action

On Dec. 6, 2023, we raised our long- and short-term foreign and local currency sovereign credit ratings on Suriname to 'CCC+/C' from 'SD' (selective default). At the same time, we withdrew our ratings on Suriname's senior unsecured debt. We also raised our transfer and convertibility assessment to 'CCC+'. The outlook on the long-term ratings is stable.

Outlook

The stable outlook balances the government's commitment to fiscal reform and macroeconomic stabilization with the finalization of the debt restructuring and risks presented by developing institutions and weaknesses in governance, including debt management.

Downside scenario

We could lower our ratings over the next six-12 months if expected financing from multilateral lending institutions failed to materialize, or if other policy or administrative developments raised the likelihood of another default.

Upside scenario

We could raise our ratings over the next year if the government continues to progress on concluding restructuring agreements with its creditors, continues to make progress on its reform targets and meeting the conditions of multilateral lending institutions with which it has agreements, and develops a track record of strengthened debt management, and proactive economic policies that reduce the likelihood of another commercial debt payment default.

Rationale

The 'CCC+' long-term sovereign ratings on Suriname reflect our view that the country is dependent on favorable business, financial, and economic conditions to meet its financial commitments. The ratings also reflect still-high inflation, a difficult socio-political environment, and financial sector vulnerabilities. Suriname's recent restructuring agreements follow missed payments on commercial debt outstanding and subsequent restructuring announcements in 2020 and 2021 (see "Republic Of Suriname Local Currency Rating Lowered To ‘SD’ From ‘CC’; Foreign Currency ‘SD’ Rating Affirmed," published June 3, 2021, on RatingsDirect; "Republic of Suriname US$125 Million Bond Due December 2023 Downgraded to ‘D’ From ‘CC’; Other Ratings Affirmed," Dec. 2, 2020; and "Republic of Suriname Foreign Currency Rating Lowered to ‘SD’; Issue-Level Rating On Bond Due 2026 Lowered to ‘D’," Nov. 6, 2020).

We raised the long-term rating to 'CCC+' following Suriname's foreign currency debt exchange, which addressed the government's commercial U.S. dollar bond debt outstanding. The government received sufficient consent to exchange and/or modify all outstanding aggregate principal amounts of each series of its 2023 and 2026 bonds. The two bonds outstanding had been capitalized at 9.25% and 12.875% and totaled US$912 million. Given this outcome, we believe this exchange will be the final resolution of the 2023 and 2026 bonds. At the same time, we believe that the near-term litigation risk to future debt service posed by creditors is limited.

In addition to some debt cancellation, the new bonds extend the previous maturities to 2033, and have an accrued 7.95% interest rate, with a payable 4.95% interest rate prior to 2026, and the remaining 3% interest capitalized. Suriname will not pay principal on the bonds until January 2027. The US$314.7 million aggregate notional amount of oil-linked securities will pay out only if Suriname receives oil royalties from offshore oil Block 58. After US$100 million of oil royalties are paid to the government, creditors would receive 30% of the yearly oil royalties from Block 58 until bondholders have been compensated for the haircut to which they have consented.

This latest restructuring of the 2023 and 2026 bonds follows an earlier restructuring of the 2023 bonds in the summer of 2020 (see "Republic of Suriname FC Ratings Lowered to ‘SD’; Issue-Level Rating on December 2023 Bond Lowered to ‘D’," July 13, 2020).

We believe the current negotiations will lead to the resolution of the sovereign's defaulted obligations and are adopting a forward-looking opinion about Suriname's creditworthiness on its foreign and local currency debt. In addition to the restructuring agreement that has been reached with foreign-currency commercial bondholders, Suriname has also reached agreements with all official creditors, excluding China; commercial creditors that provided export credit agency-backed loans; and the Central Bank of Suriname. At the same time, Suriname is finalizing agreements with other domestic and foreign commercial creditors, representing small shares of debt outstanding.

We expect the government will continue to make reforms under its economic recovery program and the International Monetary Fund (IMF) program. The IMF approved a 36-month extended fund facility (EFF) program for Suriname on Dec. 22, 2021, and has recently reached a staff-level agreement on the fourth review under the program. The government has also requested an extension of the program until March 2025, and an augmentation of the program, which would raise IMF support to Suriname to about US$650 million. The current government of President Santokhi took office in mid-2020 amid difficult economic circumstances. Under the current program, Suriname is working on, among other reforms, broadening the base of the value-added-tax (VAT); registering all civil servants; halting salary payments to unregistered workers; reducing fuel, electricity, and gas subsidies; strengthening fiscal and monetary institutions, including the central bank; and reforming governance practices.

We believe the government is committed to concluding its debt restructuring and meeting its fiscal targets, despite the difficulty in implementing reforms. Progress under the EFF program went off-track between mid-2022 and 2023 due to delays in implementing a VAT, the introduction of fuel subsidies and higher public sector wages, missed fiscal targets, and high depreciation and inflation. Since then, the government has implemented the VAT and is working to broaden its base, made progress on removing fuel subsidies, and enacted a new Central Bank Act.

In our view, Suriname's debt payment culture is weak, and it will take time to build a stronger track record once the government concludes its restructuring agreements. Suriname has experienced poor public sector management and financial instability in the past. The government has relied heavily on natural resource revenues from gold and oil and failed to develop more stable and sustainable revenues, leaving the country vulnerable to downturns in commodity prices. In addition, the government is working on addressing capacity weaknesses in its debt management office, as well as outdated procedures and failures in the coordination between various government entities that led to missed payments in 2023.

Key Statistics

Table 1

Suriname Selected Indicators

	2017	2018	2019	2020	2021	2022	2023f	2024f	2025f	2026f
Economic indicators (%)										
Nominal GDP (bil. LC)	27	30	32	39	61	86	132	174	207	236
Nominal GDP (bil. $)	4	4	4	4	3	3	3	3	4	4
GDP per capita (000s $)	6.2	6.8	7.1	6.8	5.4	5.6	5.4	5.5	5.8	6.1

Table 1

Suriname Selected Indicators (cont.)

	2017	2018	2019	2020	2021	2022	2023f	2024f	2025f	2026f
Real GDP growth	1.6	4.9	1.2	(16.0)	(2.4)	2.4	2.1	3.0	3.0	3.0
Real GDP per capita growth	0.2	3.8	(0.2)	(17.5)	(3.6)	1.4	1.1	2.0	2.0	2.0
Exports/GDP	59.7	55.9	53.7	58.8	69.1	74.3	76.5	75.3	72.0	68.2
Unemployment rate	7.0	9.0	8.8	11.1	11.2	10.9	10.6	10.3	10.0	9.9
External indicators (%)										
Current account balance/GDP	1.9	(3.0)	(10.5)	6.2	5.3	2.2	1.6	1.1	0.7	0.3
Current account balance/CARs	3.0	(4.9)	(18.3)	9.9	7.0	2.7	1.9	1.4	0.9	0.4
CARs/GDP	64.8	60.9	57.6	63.2	75.4	80.2	82.5	80.7	77.0	72.7
Trade balance/GDP	21.6	16.6	12.5	25.5	26.0	21.6	24.0	22.6	19.6	16.8
Net FDI/GDP	2.7	3.0	(0.2)	0.0	(3.7)	0.1	(0.9)	0.1	0.5	0.9
Net portfolio equity inflow/GDP	(0.7)	(1.5)	2.7	0.8	1.4	(0.6)	0.0	0.0	0.0	0.0
Gross external financing needs/CARs plus usable reserves	96.6	107.3	112.4	97.1	99.6	97.3	100.6	100.0	99.1	102.8
Narrow net external debt/CARs	60.7	58.0	78.1	68.6	60.3	47.7	46.1	37.1	33.2	30.3
Narrow net external debt/CAPs	62.6	55.3	66.0	76.1	64.9	49.1	47.0	37.7	33.6	30.4
Net external liabilities/CARs	128.6	125.8	149.0	131.4	124.7	103.9	104.7	104.3	102.0	100.9
Net external liabilities/CAPs	132.5	120.0	126.0	145.8	134.1	106.8	106.8	105.8	103.0	101.2
Short-term external debt by remaining maturity/CARs	13.9	18.8	17.1	15.4	17.2	22.7	33.0	32.2	32.6	33.0
Usable reserves/CAPs (months)	1.8	1.7	2.1	1.1	1.4	2.9	3.7	3.7	4.0	3.5
Usable reserves (mil. $)	372	502	225	267	656	845	860	942	838	763
Fiscal indicators (general government; %)										
Balance/GDP	(8.3)	(9.9)	(20.2)	(12.0)	(6.4)	(3.1)	(0.9)	(0.4)	(0.2)	(0.1)
Change in net debt/GDP	16.2	(0.3)	12.8	58.7	30.7	33.4	30.5	13.4	4.5	4.3
Primary balance/GDP	(5.3)	(6.6)	(17.3)	(8.3)	(0.5)	1.1	1.8	3.6	3.6	3.6
Revenue/GDP	19.0	20.0	20.3	18.2	26.4	27.8	26.8	26.0	25.4	25.4
Expenditures/GDP	27.3	29.9	40.5	30.2	32.7	30.9	27.7	26.4	25.5	25.5
Interest/revenues	16.0	16.4	14.2	20.0	22.1	15.1	10.0	15.3	14.8	14.7
Debt/GDP	66.9	62.4	70.6	120.1*	111.0	119.5	109.9	96.5	85.7	79.6
Debt/revenues	351.7	311.5	348.0	658.2*	420.9	430.2	409.7	371.6	337.6	313.3
Net debt/GDP	64.1	57.5	66.8	113.3*	103.0	105.7	99.8	88.9	79.2	74.0

Table 1

Suriname Selected Indicators (cont.)

	2017	2018	2019	2020	2021	2022	2023f	2024f	2025f	2026f
Liquid assets/GDP	2.8	4.9	3.8	6.7	8.0	13.8	10.1	7.7	6.4	5.7
Monetary indicators (%)										
CPI growth	9.3	5.4	4.2	60.7	60.7	54.6	53.3	30.9	17.1	11.9
GDP deflator growth	28.1	5.7	5.2	45.2	60.7	39.1	49.4	28.3	15.4	10.4
Exchange rate, year-end (LC/$)	7.46	7.46	7.46	14.15	21.09	31.81	46.34	54.24	57.38	61.05
Banks' claims on resident non-gov't sector growth	0.8	(0.7)	1.4	31.5	18.6	60.7	55.4	33.9	20.1	14.9
Banks' claims on resident non-gov't sector/GDP	30.5	27.3	26.0	28.1	21.2	23.9	24.4	24.7	25.0	25.2
Foreign currency share of claims by banks on residents	46.3	43.3	72.6	89.7	103.8	104.2	104.2	104.2	104.2	104.2
Foreign currency share of residents' bank deposits	39.7	44.0	52.3	42.9	74.4	78.0	78.0	78.0	78.0	78.0
Real effective exchange rate growth	(1.0)	4.1	5.3	7.5	(22.6)	12.1	N/A	N/A	N/A	N/A

*2020 government debt data may differ from that reported by the IMF, given that the data are as reported by the government's SDMO office, which does not include certain supplier arrears, relies on the exchange rate as reported by the Central Bank of Suriname, and did not include debt owed to the Central Bank of Suriname. Sources: Central Bank von Suriname, International Monetary Fund (Economic Indicators), Central Bank von Suriname, Ministry of Finance (External Indicators), Central Bank von Suriname, Ministry of Finance, (Fiscal Indicators), and Central Bank von Suriname, International Monetary Fund (Monetary Indicators). Adjustments: Annual expenditure figures include payment of arrears. Usable reserves do not include the effects of currency swaps. Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. LC--Local currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

Suriname Ratings Score Snapshot

Key rating factors	Score	Explanation
Institutional assessment	6	Weak political institutions result in an uncertain policy environment in periods of stress, resulting in a diminished capacity to maintain timely debt service.
		Debt payment culture is weak, demonstrated by debt restructuring.
Economic assessment	6	Based on GDP per capita as per Selected Indicators in Table 1.
		Weighted average real GDP per capita trend growth over a 10-year period is below sovereigns in the same GDP category.

Table 2

Suriname Ratings Score Snapshot (cont.)

Key rating factors	Score	Explanation
		Concentrated economy with gold mining and related manufacturing estimated to represent more than 20% of GDP.
External assessment	6	Based on narrow net external debt and gross external financing needs as per Selected Indicators in Table 1.
		There is a risk of marked deterioration in the cost of or access to external financing due to financial sector operating in a more difficult environment.
		There is significant volatility in terms of trade.
		The country has constraints on debt issuance due to arrears.
Fiscal assessment: flexibility and performance	6	Based on the change in net general government debt (% of GDP) as per Selected Indicators in Table 1.
		Suriname has a volatile revenue base since mining revenues represented about one third of total revenues.
Fiscal assessment: debt burden	6	Based on net general government debt (% of GDP) and general government interest expenditures (% of general government revenues) as per Selected Indicators in Table 1.
		Over 40% of gross government debt is denominated in foreign currency.
		Nonresidents hold over 60% of government commercial debt.
		More than 20% of banking sector's assets are to the government.
		Banks' assets represent about 95% of GDP and risk in the banking system is rising.
Monetary assessment	6	The exchange rate regime is a managed float.
		The central bank does not have the ability to act as lender of last resort for the financial system.
		Resident foreign currency deposits account for more than 50% of the total.
Indicative rating	b-	As per table 1 of "Sovereign Rating Methodology."
Notches of supplemental adjustments and flexibility	0	We apply the adjustment factor for a cap at 'B+', which is applicable when the institutional assessment is at '6' and the debt is at '5' or '6'.
Final rating		
Foreign currency	CCC+	As per Principles of Credit Ratings, published Feb. 16, 2011 and S&P Global Ratings Definitions, published Jan 5, 2021.
Notches of uplift	0	
Local currency	CCC+	As per Principles of Credit Ratings, published Feb. 16, 2011 and S&P Global Ratings Definitions, published Jan 5, 2021.

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009
-

Related Research

- Sovereign Ratings List, Nov. 15, 2023
- Sovereign Ratings History, Nov. 15, 2023
- Sovereign Ratings Score Snapshot, Nov. 7, 2023
- Sovereign Risk Indicators, Oct. 9, 2023
- Global Sovereign Rating Trends Midyear 2023: Fragile Stability, July 5, 2023
- 2022 Annual Global Sovereign Default And Rating Transition Study, April 28, 2023

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Not Rated Action

	To	From
Suriname		
Senior Unsecured	NR	D

Upgraded

	To	From
Suriname		
Transfer & Convertibility Assessment		
Local Currency	CCC+	CCC

Upgraded; CreditWatch/Outlook Action

	To	From
Suriname		
Sovereign Credit Rating	CCC+/Stable/C	SD/--/SD