

Press release Government of Suriname

State Oil Company debt servicing further stabilizes public finances

Staatsolie, the 100%-government owned petrol company, has successfully acquired a USD 625 million syndicated loan on the international capital markets this past Friday, and immediately rescheduled her debts to the Government. The USD 261.5 million loan provided by the Government in 2016 has been repaid early and the government's share in the Newmont mine of USD 76 million has been taken over.

Having received a total of USD 337.5 million, the government is intent on using the funds for the further stabilization of public finances with positive effects on other sectors of the economy. The financial operations the government contemplates include the reduction of foreign and domestic debt, clearance of arrears from past years, neutralization of the money influx, and expansion of the international reserves base.

Lowering the debt position will reduce the pressure of regular interest and amortization payments. While this eases the fiscal stance, some priority areas can be dealt with more efficiently: payments for fixed costs such as salaries, public services and subsidies, but also payments on the remaining debts, and accelerated payment of arrears from previous years.

In close consultation with the Central Bank of Suriname (CBoS) existing currency swap arrangements with the local commercial banks will be unwound, and for this, treasury paper investments restructured. This process serves multiple goals. The mentioned transfer from Staatsolie is included in the international reserves, thus strengthening this monetary buffer. Part of it will be used in settling the currency swaps with the banks, which – as the banks buy back the foreign currency – will strengthen their external assets.

The SRD funds that the banks will use to purchase the foreign exchange will become available from the repayment of their investments in treasury paper. Treasury bill conversion will be on the basis of need. The government will also initiate a lowering of the interest rate, which is opportune in view of the very sharp decline in inflation, and this will also lower the cost of borrowing for the rest of the economy. With a view of keeping money balances manageable, the operations will be carried out under the supervision of the CBoS.

All in all, the focus is on creating more favorable financial conditions that are especially beneficial for macroeconomic stability and the efficiency of the financial system.

Paramaribo, May 29, 2018