

EBS/83/225

CONFIDENTIAL

October 14, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Suriname - Real Effective Exchange Rate - Information Notice

The attached paper on a change in the real effective exchange rate of the Suriname guilder is circulated for the information of the Executive Directors.

Att: (1)

INTERNATIONAL MONETARY FUND

SURINAME

Real Effective Exchange Rate--Information Notice

Prepared by the Western Hemisphere Department and the
Exchange and Trade Relations Department

(In consultation with other departments)

Approved by E. Wiesner and Manuel Guitian

October 13, 1983

The recent evolution of Suriname's real effective exchange rate, as measured by the standard index developed in connection with the information notice system, is set out in the attached table and chart. Based on this index, as of August 1983 the Suriname guilder had appreciated in real effective terms by more than 10 percent since the last occasion on which the Executive Board had an opportunity to discuss Suriname's exchange rate policy--the 1982 Article IV consultation in August 1982. The appreciation is estimated to have amounted to 10.8 percent.

Since 1971 the Suriname guilder has been pegged to the U.S. dollar at a rate of Sf 1.78876 = US\$1. The appreciation of the U.S. dollar over the last three years has been the major factor behind the substantial increase in Suriname's nominal effective exchange rate. Increases in Suriname's consumer price index have been broadly in line with inflation rates in industrial countries, though recently there appears to have been some acceleration at a time when inflation rates in those countries have tended to slow. From August 1982 to August 1983 Suriname's CPI is estimated to have increased by some 7.7 percent, roughly 1 percentage point more than in the corresponding 1981-1982 period. Most of this increase occurred in May when the price level increased by more than 3 percent.

Suriname's balance of payments has recently deteriorated sharply, with a current account deficit in the first half of 1983 of US\$101 million, nearly double the US\$52 million recorded in the first half of 1982. In light of this deterioration the evolution of the effective exchange rate will be a major issue for discussion during the forthcoming Article IV consultation with Suriname. A staff mission is scheduled to visit Suriname in early November to conduct the consultation discussions.

Table 1. Suriname: Real Effective Exchange Rate and Related Series

(Indexes: 1980 = 100)

	Real Effective Exchange Rate <u>1/2/</u>	Nominal Effective Exchange Rate <u>1/</u>	Relative Consumer Prices (local currency) <u>2/</u>	Exchange Rate (U.S. dollars)	Consumer Price Index (seasonally adjusted)	Consumer Price Index (not season- ally adjusted)
<u>Quarterly</u>						
1978						
I	95.6	102.4	93.3	100.0	72.9	73.0
II	97.2	102.8	94.5	100.0	75.2	75.2
III	95.4	100.4	95.0	100.0	77.3	77.4
IV	94.0	97.7	96.2	100.0	79.7	79.6
1979						
I	95.8	98.0	97.8	100.0	82.7	82.9
II	98.3	99.6	98.8	100.0	85.6	85.5
III	97.7	97.8	99.9	100.0	89.2	89.3
IV	99.7	98.6	101.1	100.0	93.1	92.8
1980						
I	99.8	99.4	100.4	100.0	95.8	96.2
II	100.0	100.1	99.8	100.0	98.5	98.4
III	99.5	98.8	100.7	100.0	102.0	102.1
IV	101.4	102.0	99.4	100.0	103.7	103.3
1981						
I	106.1	107.0	99.1	100.0	106.6	107.1
II	111.4	113.9	97.9	100.0	108.1	108.2
III	115.8	119.8	96.6	100.0	109.7	109.8
IV	111.6	116.3	96.0	100.0	111.8	111.2
1982						
I	115.5	119.8	96.4	100.0	114.6	115.1
II	118.4	122.6	96.5	100.0	117.0	117.3
III	120.9	127.3	94.9	100.0	117.6	117.6
IV	122.5	130.0	94.2	100.0	118.7	118.0
1983						
I	121.0	130.1	93.0	100.0	118.7	119.3
II	127.3	134.2	94.9	100.0	123.2	123.5
<u>Monthly</u>						
1982						
Aug. <u>3/</u>	120.7	127.3	94.8	100.0	117.4	117.4
Sept.	121.1	128.5	94.2	100.0	117.4	117.5
Oct.	122.0	130.2	93.7	100.0	117.6	117.5
Nov.	124.1	131.4	94.5	100.0	119.0	118.3
Dec.	121.3	128.4	94.5	100.0	119.6	118.2
1983						
Jan.	119.2	128.1	93.1	100.0	118.3	119.6
Feb.	121.2	130.2	93.1	100.0	118.8	119.2
March	122.5	131.9	92.9	100.0	119.0	119.0
April	124.4	132.9	93.6	100.0	120.8	120.9
May	127.6	133.5	95.5	100.0	124.1	124.7
June	130.0	136.2	95.4	100.0	124.7	124.8
July	131.2	137.6	95.4	100.0	125.6 <u>4/</u>	...
Aug.	133.8	140.4	95.2	100.0	126.5 <u>4/</u>	...
<u>Percentage change</u>						
Nov. 1982- July 1983	10.8	10.3	0.5	--	7.7	...

1/ Increases mean appreciation.

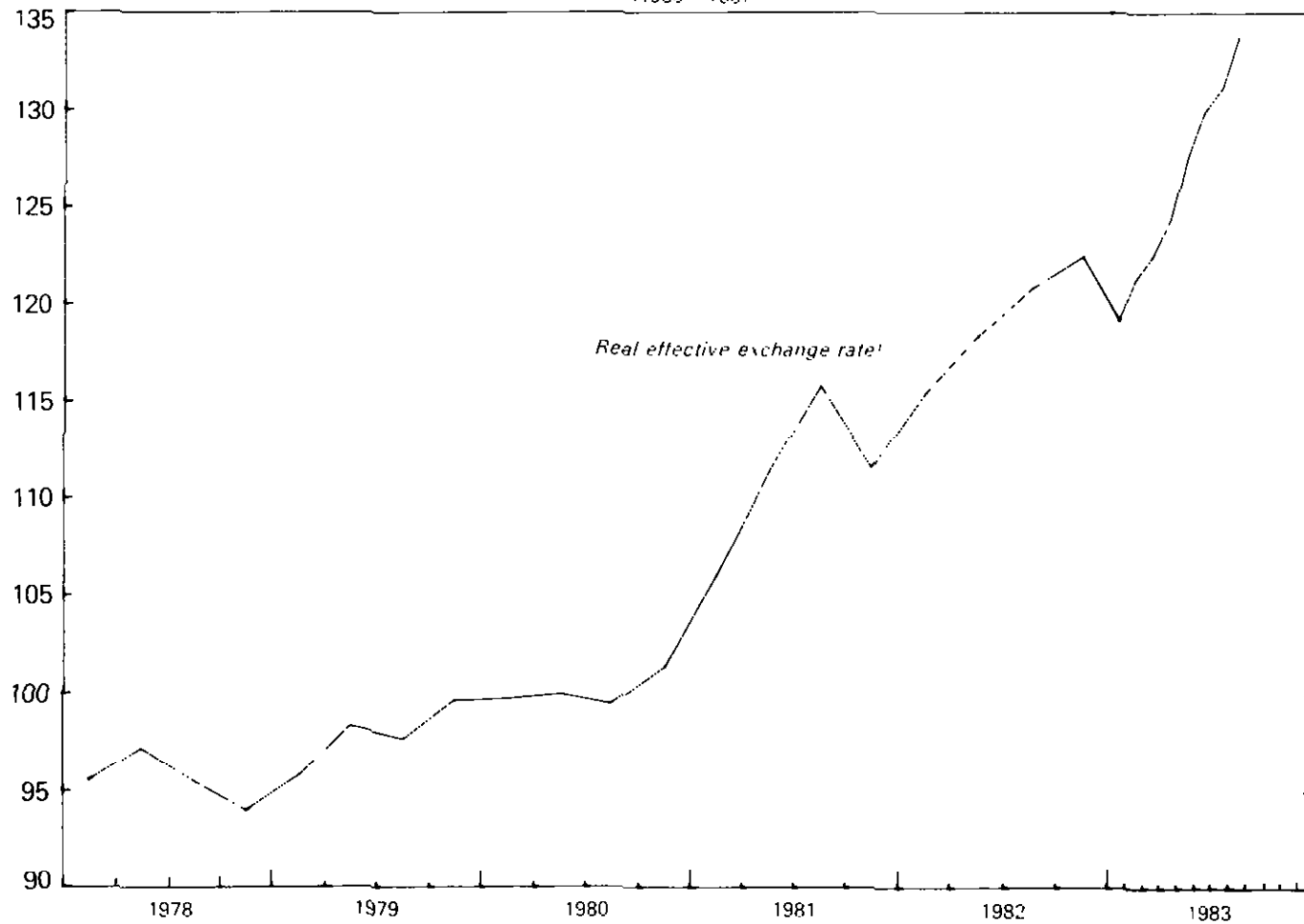
2/ Using seasonally adjusted price indexes.

3/ Date of latest consideration by Executive Board.

4/ Projected on basis of average rate of inflation in the six months ending June 1983.

CHART 1
SURINAME
INFORMATION NOTICE SYSTEM INDEX OF REAL EFFECTIVE
EXCHANGE RATE

(1980 = 100)



¹Trade weighted index of national exchange rates deflated by, seasonally adjusted consumer price, measures real appreciation.