

Suriname

GDP expanded by 4.5% in 2011 on the strength of strong performances in construction and in mining and quarrying. A number of macroeconomic measures were taken in the review period, including the devaluation of the currency to bring it in line with the parallel exchange rate and an increase in taxes that had a strong pass-through effect on consumption prices and helped to slow inflation to an estimated year-end rate of 15.5%. In 2012, inflation is expected to ease and the exchange rate will remain unchanged in view of forecasts for minimal imported inflation. Strong export performance resulted in a current account surplus but the overall fiscal balance remains in deficit. Growth is expected to be 4.5% again in 2012 due to strong foreign direct investment inflows, especially in the mining sector.

At the end of 2011 the fiscal deficit is estimated to be approximately 2.2% of GDP. The gap between revenues and expenditures narrowed owing to restrained public sector spending combined with strong revenues dominated by transfers from the mineral sector, especially oil and gold receipts. The high price for gold will push revenues up to 25.6% of GDP in 2011, while expenditures are expected to be about 27.8% of GDP. Public debt remained sustainable at slightly over 21% of GDP. Suriname began repayment of its long outstanding debt with the United States after intensive negotiations led to a restructuring of the loan. Further repayment of this debt is scheduled for 2012. This outcome led Fitch Ratings to further upgrade Suriname's sovereign debt from single B to B+.

Monetary policy remained prudent and reserve requirements and lending rates in local currency remained unchanged in 2011, at 25% and 11.5%, respectively. Conversely, deposit rates increased from an average of 6.1% in November 2010 to 6.4% in November 2011. Reserve requirements for foreign-currency-denominated loans rose from 33.3% to 40%. These decisions kept net domestic credit at manageable levels in 2011: the nominal amount of credit edged down from 29.8% of GDP in 2010 to 29.3% in 2011, which implies that M2 growth resulting from domestic credit was minimal. In addition to the devaluation of the exchange rate in January 2011, subsequent foreign-exchange interventions

rapidly reduced the pressure on the currency and foreign exchange for imports was made available through commercial banks. These interventions resulted in a stable exchange rate throughout the remainder of the year. The exchange rate fluctuates between SR\$ 3.25 and SR\$ 3.35 to the United States dollar and is expected to remain unchanged in 2012.

GDP grew by 4.5% in 2011, fuelled by strong growth in construction and favourable mineral commodity prices as well as increased capacity in alumina refining and production. Gold prices skyrocketed during the year to historical levels of over US\$ 1,900 per troy ounce. Total mining and quarrying industry production was around 11.9% of GDP, although real growth in this sector remained relatively low at around 3.5%. Construction was up by 14.3% in 2011, driven mainly by a massive expansion in the construction of new housing. The transport, storage and communications sector grew by 7.6% and accounted for 4.6% of GDP. Agriculture, comprised mainly of rice and banana production, showed robust growth of 9% in 2011 and claimed a 4.4% share in GDP.

Inflation climbed in 2011 owing to tax hikes introduced by the government with a view to reducing the fiscal deficit. One such measure was a rise in the duty on fuel purchases from approximately SR\$ 1 to SR\$ 1.5 per litre, and another was an increase in excise taxes in October. The exchange-rate devaluation in January also

had an inflationary impact. All in all, the inflation rate is poised to stand at 15.5% at year-end 2011, substantially higher than the 10.3% rate posted a year earlier. However, year-on-year inflation rates have shown a clear downtrend after peaking at an annualized rate of 22.7% in April 2011, and in October the 12-month rate was 15.8%. Meanwhile, unemployment is expected to decline from 9.2% in 2010 to 8.5% in 2011 thanks to new job creation, especially in construction and mining.

A merchandise trade surplus of US\$ 632.8 million is expected in 2011 as a result of rising commodity prices. The current account surplus for the year is projected at 15.6% of GDP, fuelled largely by rising commodity prices, and the merchandise trade surplus will offset the deficit on the services account. No significant foreign direct investments took place during the year and the capital and financial balance is estimated to be running a significant deficit. The overall balance of payments is positive and contributed to an increase in international reserves, which rose to US\$ 881 million, representing 22.8% of GDP or 6 months of import cover.

SURINAME: MAIN ECONOMIC INDICATORS

	2009	2010	2011 ^a
Annual growth rates			
Gross domestic product	3.5	4.5	4.5
Per capita gross domestic product	2.5	3.5	3.7
Consumer prices	1.3	10.3	15.8 ^b
Money (M1)	24.0
Annual average percentages			
Central government overall balance / GDP	-2.4	-2.8	-2.2
Nominal deposit rate ^c	6.4	6.2	6.3 ^d
Nominal lending rate ^e	11.7	11.6	11.7 ^d
Millions of dollars			
Exports of goods and services	1 691	2 325	2 424
Imports of goods and services	1 581	1 657	1 859
Current account balance	210	653	603
Capital and financial balance ^f	-16	-619	-397
Overall balance	193	34	206

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Preliminary estimates.

^b Twelve-month variation to October 2011.

^c Average deposit rate in local currency.

^d January-October average.

^e Average lending rate in local currency.

^f Includes errors and omissions.