

SURINAME

1. General trends

Economic growth was estimated at 3.4% in 2014, up from 2.9% in 2013. Low inflation over the year resulted in higher real income, which in turn drove domestic consumption. Inflation rose from 0.6% at the end of 2013 to 3.9% at the end of 2014.

The fiscal deficit in 2014 was equivalent to 5.3% of GDP, slightly lower than the 2013 deficit of 5.9%. A reduction in revenues was offset by lower recurrent expenditure. The government's recent expansionary policy has not greatly affected the public debt, which remains relatively low at 33% of GDP.

The effects of falling commodity prices have been felt throughout the economy. Aluminium and gold prices are down by 20% and 25% from 2011, respectively. As a result, Suriname's balance-of-payments position continues to deteriorate. The current account balance fell into deficit at 3.7% of GDP in 2013, and this deficit almost doubled in size to 7.0% of GDP in 2014. Foreign-exchange earnings slumped by more than 50% in 2014 compared with the previous year.

Growth in 2015 is projected to stand at 3.0%, on the basis of increased government consumption and public investment in the run-up to the general elections and a contraction in the mining sector due to soft commodity prices.

2. Economic policy

(a) Fiscal policy

Despite Suriname's expansionary fiscal stance, the fiscal deficit is estimated to have narrowed slightly from 5.9% of GDP in 2013 to 5.3% in 2014. A 5.3% contraction in total revenue was outweighed by a sharper fall in expenditure. However, while all current expenditure categories diminished, capital expenditure expanded by 18%, mainly due to the construction of the Carolina Bridge in the district of Para.

This expansionary fiscal stance continued into the first quarter of 2015. Total expenditure grew by 30% (quarter-on-quarter), while total revenue fell by 7.9%, resulting in a 250% expansion of the fiscal deficit for the corresponding quarter. The largest increase was seen in expenditure on goods and services (160%), perhaps associated with the May general election. Increased spending should result in a larger fiscal deficit and higher debt service payments for the whole year.

In 2015, the Surinamese government plans to purchase the bauxite refining operations of the Suriname Aluminium Company (Suralco) from its parent company, Aluminum Company of America (ALCOA). The gradual fall in aluminium prices over the years and the glut in supply have prompted ALCOA to reduce its smelting and refining capacity worldwide. Its departure this year will end an almost 100-year relationship with Suriname. While the government will gain valuable assets and ensure the

aluminium sector's continued presence in the economy, it is also entering an industry currently characterized by excess capacity and low demand growth. A key asset that the government will acquire is the Suralco power plant, from which the country currently purchases power. This should prove to be a major cost-cutting move, given the recent rise in electricity demand in Suriname and the fact that the country currently spends over US\$ 170 million annually on purchases of electricity from the Suralco plant.

Public debt¹ remains relatively low in Suriname, at 33.1% of GDP in 2014. External debt expanded from 19% in 2013 to 21% in 2014, while domestic debt fell from 15.7% to 12.3% over the same period. While debt levels are still below the debt ceiling, persistent fiscal deficits and government borrowing will put pressure on authorities to keep the debt levels from ballooning. In the first quarter of 2015, new loans were signed amounting to US\$ 85.9 million: US\$ 21.9 million from the Caribbean Development Bank (CDB) for education, US\$ 50 million from Republic Bank of Trinidad and Tobago for budgetary support and US\$ 14 million from the French Development Agency (AFD) for a water supply project.

(b) Monetary policy

Monetary policy was somewhat expansionary in 2014. With no open market instruments, the main monetary policy tool for the Central Bank of Suriname is the reserve requirement for Suriname dollar and foreign-currency deposits. In 2013, the Central Bank raised the reserve requirement ratio for local and foreign currency by 5 percentage points each, to 30% and 50%, respectively. In the second half of 2014, the Central Bank lowered the cash reserve ratio for foreign-currency deposits to 45% due to an easing of import pressure as total imports declined in 2014. The exchange rate has remained steady at S\$ 3.35 to the United States dollar.

The money supply (M1) increased by 4.12% in 2014, and early estimates indicate that M1 decreased by 6.7% between December 2014 and March 2015.

Interest rates were up slightly in 2014: the average lending rate increased from 12.0% in 2013 to 12.5% in 2014, while the average deposit rate rose from 7.2% to 7.4% in 2014. The rates varied slightly in the first quarter of 2015, as the average lending rate fell by 1 percentage point and the average deposit rate went up 1 percentage point by the end of March 2015.

Domestic credit expanded by 26% between 2013 and 2014. Credit to the primary and secondary sectors grew by 17.67%; credit to the mining subsector grew by 29.2%, while the largest change of 38.6% was in credit to the construction subsector. Credit to all other sectors increased by 27.9%; credit to the government subsector shot up by 135%, its largest increase since 2010. Between December 2014 and March 2015, total credit, credit to the primary and secondary sectors and credit to other sectors all expanded by around 3.9%.

(c) Exchange-rate policy

In March 2015, the Central Bank of Suriname arranged a bilateral currency swap with the People's Bank of China, in which it exchanged S\$ 520 million for 1 billion yuan. Transactions between the two countries were previously conducted through third-party currencies, such as the United States

¹ According to the national definition, public debt includes undisbursed commitments and government guarantees.

dollar. The burgeoning trade between China and Suriname prompted this arrangement as a means of cutting transaction costs and supporting the financial stability of the Central Bank of Suriname.

(d) Other policies

The World Bank Group has launched a country partnership strategy for Suriname for 2015-2018. The partnership aims to assist Suriname in its efforts at economic diversification and social inclusiveness through a lending programme of about US\$ 60 million. The main areas of development will be improving the business climate; promoting transparency, benefit sharing and good practices in dealing with the environmental and social impact of the extractive industries; reducing vulnerability to climate-change-related floods; and enhancing data collection and analysis capacity for poverty and gender statistics.

During the second half of 2014, in keeping with its five-year development plan, the government instituted a social insurance system, consisting of three elements: a newly introduced minimum wage, general pensions and basic health insurance. All were approved in September 2014. The local private sector has criticized the timing of the move and suggested that the policies would be easier to bear if they had not been introduced all together.

3. The main variables

(a) The external sector

In 2013, Suriname recorded its first current account deficit in eight years. This deficit was equivalent to 3.7% of GDP, but by 2014 had expanded to 7.0% of GDP. The goods trade balance fell from US\$ 787 million in 2011 to US\$ 133 million in 2014. Declining commodity prices are to blame: aluminium prices have dropped by 20% since 2011, while gold prices have deteriorated steadily since 2012. At US\$ 1,227 per troy ounce in February 2015, gold is down by 5.5% from the same month in 2014 and by 30% from October 2012. For the year 2014, foreign-exchange earnings slumped by an estimated 55%.

The current account deficits over the last two years have eroded international reserves, which decreased from US\$ 1.008 billion or 4.5 months of import cover in 2012 to US\$ 625.1 million or 3.5 months of import cover in 2014. The decline has continued into 2015, with international reserves shrinking to US\$ 493.6 million at the end of March 2015.

Foreign direct investment, while positive from 2011 to 2013, fell to just US\$ 4.2 million in 2014. Iamgold Corporation, the majority owner of the Rosebel Gold Mine, is cutting back its operations and has no new investment planned for 2015 or 2016. Major projects being constructed this year include the Kaloti Suriname Mint House, a gold refinery to be operated as a public-private partnership between the Government of Suriname and Kaloti Precious Metals of Dubai. Another notable project launched in 2014 was the factory opened by Broad Homes Industrial International Co. of China. The Broad Homes factory aims to produce prefabricated houses for domestic consumption and export to the Caribbean Community (CARICOM) and Latin America.

(b) Economic activity

Official estimates from the General Bureau of Statistics of Suriname put growth at 2.9% in 2013. The Planning Office estimates that the economy rebounded in 2014, with growth of 3.4%, led by an expansion in wholesale and retail trade of 5.39%.² While this is an improvement, growth is still lower than the rates of 5% and above registered in the middle of the past decade.

The growth in wholesale and retail trade is due to higher private consumption fuelled by rising real incomes. Other sectors that showed strong growth in 2014 were agriculture (3.6%), transport, storage and communications (4.9%), financial intermediation, real estate, rentals and business (5.3%) and construction (5.8%). The mining sector registered virtually zero growth in 2014, as falling commodity prices constrained the sector's contribution to the economy.

The Economic Commission for Latin America and the Caribbean projects growth of 3.0% for 2015. This is based on continued growth in the strong sectors of 2014, tempered by a contraction in mining. The government's stated areas of focus for 2015 and the coming years are agriculture, forestry, education, tourism and energy, but emphasis will continue to be placed on mining. Other prospects for the future include the construction of a second gold mine, currently being developed jointly by the Surinamese government and Newmont Mining Corporation, an American entity. This new mine should give a fillip to the mining sector once production starts at the end of 2016, but with gold prices currently depressed, the company's future profitability is uncertain.

(c) Prices, wages and employment

Inflation remained low in 2014, as it had since 2012. The year-end inflation rate was 3.9% —up from 0.6% at the end of 2013 as deflationary pressures eased. The increase was mainly due to rebounding consumer demand and wage increases; the categories food and non-alcoholic beverages and recreation, culture and education saw the greatest year-on-year increases: 8.7% and 8.5%, respectively. Deflation of 10.2% was observed in the transportation subsector.

Inflation abated slightly in the first quarter of 2015, measuring 2.7% year-on-year in March 2015. The two categories showing the greatest change in March were clothing and footwear, and recreation, culture and education. Transportation prices continued to fall, with a deflation rate of 12.7%.

The minimum wage was introduced in January 2015, the first stage of a phased increase set to be introduced over the next three years. Labour force data are lagged, and the most recent figures are for 2012; in that year unemployment was 10%, up from 8% in 2010 and 2011. Unemployment is unlikely to have risen by much, if at all, in the years that followed as the economy has continued to grow steadily.

² Construction recorded the highest growth figure, 5.8%, but its contribution to GDP is much lower.

Table 1
SURINAME: MAIN ECONOMIC INDICATORS

	2006	2007	2008	2009	2010	2011	2012	2013	2014 a/
	Annual growth rates b/								
Gross domestic product	11.4	5.1	4.1	3.0	5.2	5.3	3.0	2.9	3.4
Per capita gross domestic product	10.1	4.0	3.1	2.1	4.2	4.3	2.1	2.0	2.5
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	5.2	5.4	-8.9	30.5	2.9	4.3	10.1	-8.9	3.6
Mining and quarrying	9.5	11.7	4.1	-13.3	5.3	11.3	5.3	-2.4	0.1
Manufacturing	1.8	1.9	9.2	-11.5	12.0	7.6	-13.5	1.3	1.6
Electricity, gas and water	8.4	4.5	10.9	-1.3	2.6	13.5	3.4	3.0	2.1
Construction	5.3	3.2	8.3	6.7	-9.6	11.3	11.3	9.1	5.8
Wholesale and retail commerce, restaurants and hotels	13.5	5.9	2.5	17.7	6.3	3.0	5.0	5.4	5.4
Transport, storage and communications	-1.5	3.3	18.8	0.2	3.6	4.3	4.3	7.7	4.9
Financial institutions, insurance, real estate and business services	1.7	10.2	-3.0	2.7	2.7	5.8	8.1	12.4	5.3
Community, social and personal services	3.9	3.5	3.7	-0.1	1.9	-1.7	19.9	3.4	1.5
Balance of payments	Millions of dollars								
Current account balance	221	325	325	111	651	251	164	-198	-386
Goods balance	272	314	337	11	686	788	723	269	183
Exports, f.o.b.	1,175	1,359	1,744	1,402	2,084	2,467	2,695	2,395	2,149
Imports, f.o.b.	903	1,045	1,407	1,391	1,398	1,679	1,972	2,126	1,966
Services trade balance	-33	-65	-123	1	-18	-362	-441	-412	-579
Income balance	-55	-3	20	5	-104	-262	-191	-122	-61
Net current transfers	36	77	91	94	87	87	73	67	71
Capital and financial balance c/	-157	-178	-116	-73	-616	-127	16	47	236
Net foreign direct investment	-163	-247	-231	-93	-248	73	128	138	4
Other capital movements	7	68	115	21	-368	-200	-112	-91	232
Overall balance	64	146	208	39	35	124	180	-151	-150
Variation in reserve assets d/	-64	-146	-208	-39	-35	-124	-180	151	150
Other external-sector indicators	Millions of dollars								
Net resource transfer (millions of dollars)	-211	-181	-96	-68	-720	-389	-175	-75	175
Gross external public debt (millions of dollars)	391	298	319	269	334	463	567	737	808
Prices	Annual percentages								
Variation in consumer prices (December-December)	4.7	8.3	9.4	1.3	10.3	15.3	4.4	0.6	3.9
Variation in nominal exchange rate (annual average)	0.4	0.0	0.0	0.0	0.0	19.0	1.0	0.0	1.8
Nominal deposit rate e/	6.6	6.4	6.3	6.4	6.2	6.4	6.8	7.1	7.4
Nominal lending rate f/	15.6	13.8	12.0	11.7	11.7	11.8	11.7	12.0	12.3
Central government	Percentajes of GDP								
Total revenue	24.1	29.4	24.3	27.7	21.7	24.5	24.3	22.6	20.0
Tax revenue	16.8	18.9	17.4	17.2	15.7	18.5	18.3	17.9	15.3
Total expenditure	24.6	25.0	22.8	26.9	24.6	24.6	26.7	27.0	24.3
Current expenditure	20.4	20.6	18.0	21.2	20.0	19.7	22.3	22.7	19.6
Interest	1.5	1.2	0.6	1.3	0.9	1.0	0.8	1.3	0.8
Capital expenditure	4.2	4.4	4.8	5.7	4.6	4.8	4.4	4.3	4.8
Primary balance	1.1	5.5	2.1	2.1	-2.0	-1.0	-1.8	-4.5	-4.3
Overall balance	1.2	5.7	1.6	-2.1	-2.5	-2.0	-2.7	-5.9	-5.1
Non-financial public sector debt	29.2	23.0	27.8	27.7	27.5	26.8	27.1	34.5	33.1

Table 1 (concluded)

	2006	2007	2008	2009	2010	2011	2012	2013	2014 a/
	Percentages of GDP, end-of-year stocks								
Money and credit	23.1	23.9	24.1	26.6	27.1	24.9	25.6	31.6	35.8
Domestic credit	5.0	1.9	-0.5	1.5	2.4	0.4	0.6	3.7	7.5
To the public sector	17.9	21.7	24.2	24.6	24.2	23.8	24.2	27.1	27.6
To the private sector	0.2	0.3	0.4	0.5	0.5	0.7	0.8	0.8	0.8
Others									
Monetary base	10.6	12.4	14.7	13.9	14.1	12.9	15.3	13.7	11.7
Money (M1)	13.0	14.5	13.9	15.8	16.4	14.4	15.8	15.7	15.0
M2	19.8	22.7	21.7	24.8	25.6	22.9	25.8	26.9	26.4
Foreign-currency deposits	18.5	21.4	22.5	21.6	19.8	22.8	22.6	24.4	24.2

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

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2007 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) indicates an increase in reserve assets.

e/ Average deposit rate published by the central bank.

f/ Average lending rate published by the central bank.

Table 2
SURINAME: MAIN QUARTERLY INDICATORS

	2013				2014				2015	
	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2 a/
Gross international reserves (millions of dollars)	920	845	866	761	769	749	735	619	568	555 b/
Consumer prices (12-month percentage variation)	2.1	2.5	2.4	0.7	2.9	2.8	3.7	4.1	2.4	2.7 c/
Average nominal exchange rate (Suriname dollars per dollar)	3.3	3.3	3.3	3.3	3.3	3.4	3.4	3.4	3.3	3.3
Nominal interest rates (average annualized percentages)										
Deposit rate d/	7.0	7.0	7.2	7.2	7.2	7.4	7.4	7.4	7.5	...
Lending rate e/	12.0	12.0	12.0	12.0	12.2	12.2	12.3	12.4	12.3	12.5 c/
Interbank rate	10.0	6.9	6.8	6.5	6.1	6.0	6.0	5.9	8.4	...
Domestic credit (variation from same quarter of preceding year)	18.4	22.0	23.5	29.7	24.4	20.5	21.9	19.6	19.9	20.6 c/

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

a/ Preliminary figures.

b/ Figures as of May.

c/ Figures as of April.

d/ Average deposit rate published by the central bank.

e/ Average lending rate published by the central bank.