

Suriname

Average growth of the Surinamese economy since 2003 has exceeded 6% per year. The estimate for 2006 is for 6.4% growth, while a 5.3% expansion is forecast for 2007. This significant expansion is due to the favourable international context and robust demand for gold, alumina and petroleum, its three main exports. Political stability has contributed to an increase in foreign investment, while fiscal restraint and monetary expansion have boosted domestic demand. Per capita GDP is expected to exceed US\$ 4,000, more than double the level recorded at the beginning of the decade, helped by the real appreciation of the Suriname dollar (SR\$).¹

President Venetiaan completed the first full year of his third term in 2006, and in August the National Assembly approved the 2006-2011 five-year plan. Several decisive economic policy initiatives, such as the public-sector reform and sectoral development programmes, are being implemented within the framework of projects conducted jointly with the Inter-American Development Bank or bilateral cooperation with the Government of the Netherlands.

According to estimates, a fiscal surplus equivalent to 1.4% of GDP will be recorded in 2006 (compared with a deficit of 1.3% of GDP in 2005), since government revenue outstripped expenditure. Tax contributions by primary product exporters were up thanks to high prices on international markets. The government benefited from the transfer of windfall profits earned by the central bank in past financial years, which had been pending. Receipts from excise taxes on tobacco and non-alcoholic beverages also increased.

Expenditure was much lower than projected. The only item that pushed up expenditure was the compensatory bonus for fuel prices awarded to civil servants since the end of 2005.

The Government has taken advantage of these circumstances to relieve the burden on the public debt. Domestic debt increased nominally owing to higher issues of treasury bonds, among other factors. Practically no new external debt was contracted, however, and the

authorities made efforts to solve the problem of arrears. An agreement was reached with the Italian insurance company *Servizi Assicurativi del Commercio Estero* (SACE) in September 2006 for the forgiveness of the interest and half of the principal of a longstanding loan. This negotiation is expected to pave the way for the solution of other outstanding international loans and improving access to the international capital market. Overall, public debt diminished from almost 40% of GDP to 36%, while external debt declined from 22% to 20%.

There was practically no change in the exchange-rate policy and the rate remained at between SR\$ 2.7 and SR\$ 2.8 to the United States dollar. The monetary authorities adopted a more expansionary policy. The interest rate on treasury bonds and the rate paid for the reserve requirement in local currency fell from 12.5% to 10%. In turn, the reserve requirement was reduced from 30% to 27%. The portion of the reserve requirement that can be met with mortgage loans was raised from 7% to 8%. The maximum value of such mortgage loans increased from SR\$ 70,000 to SR\$ 100,000. As a result, the commercial banks were able to reduce the interest rates and increase the flow of credit to the public.

Growth in output was driven by exports of primary products. Bauxite production was up by 20% following investments in the new mine at Kaaimangrassie. Meanwhile, the Rosebel gold mine processed 31 tons of gold ore, 40% more than in the previous year.

¹ Inflation was close to 10% and the rate of the local currency against the United States dollar remained fixed.

According to projections by the National Planning Office, the most buoyant sectors after mining are construction and transport. The latter has benefited from the progressive liberalization of air transport. According to preliminary estimates, the agricultural sector also expanded. Rice production, an important activity for employment creation, expanded by 22%.

Heavy rains in central and southern regions of the country in May caused several rivers to overflow their banks. Such high water levels had not been seen since 1949. Almost 200 indigenous and Maroon communities in the interior of the country were flooded out. More than 30,000 people (6% of the population) were affected. Since the communities in question are for the most part self-sufficient and scarcely participate in the monetary and formal economy of the country, the disaster did not have any impact on GDP, except in the budding tourism sector. Substantial assistance from abroad was received in the form of emergency food aid and resources for reconstruction work on almost 30 damaged schools.

Prices varied by 5.6% between October 2005 and October 2006. This represented a return to a more stable trend after the rapid inflation in 2005 (15.8%).

Curiously, unemployment rose from 8.4% in 2005 to 11% in 2006. This trend may be attributable to two factors: in the first place, the redefinition of the labour survey, based on the 2004 population census, could mean that the time series is no longer compatible. Second, the floods in the interior of the country may have led inhabitants of self-sufficient communities to seek work in the city in order to earn money for food.

Table 1
SURINAME: MAIN ECONOMIC INDICATORS

	2004	2005	2006 ^a
Annual growth rates			
Gross domestic product	7.7	5.7	6.4
Consumer prices	9.3	15.8	5.6 ^b
Money (M1)	13.4	18.3	13.8 ^c
Annual average percentages			
Central government overall balance/GDP	-0.8	-2.1	...
Nominal deposit rate	8.3	8.0	6.8 ^d
Nominal lending rate	20.4	18.1	15.8 ^d
Millions of dollars			
Exports of goods and services	1 012	1 416	1 820
Imports of goods and services	974	1 541	1 795
Current account	-59	-144	72
Capital and financial account	90	163	-2
Overall balance	32	19	70

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 2006.

^c Year-on-year average variation, January to September.

^d Average from January to September, annualized.

The balance of payments shows a sharp expansion in alumina and gold exports and a considerably lower increase in imports, which resulted in a surplus on the current account for the first time in five years. The figure for the capital account balance corresponds almost exactly to the total of errors and omissions but with the opposite sign. The central bank's net international reserves strengthened and stood at 2.6 months of import cover in September 2006, compared with 1.6 months in September 2005.