

## Suriname

Despite adverse international conditions, the Suriname economy is expected to grow by 2.5% in 2009 owing to strong gold prices and a buoyant oil industry. With lending rates at their lowest for decades, credit continued to expand without causing inflation (-4.5% for September-September). The current account surplus is expected to decline for the first time since 2005, but will remain positive thanks to gold and oil exports. Faced with a crippling decline in historically important bauxite revenue, fiscal authorities are expected to post only a marginal fiscal deficit by years' end. Although the level of production capacity remains uncertain, stable growth is predicted for 2010.

A small fiscal deficit is expected for the end of the year, although half-year data showed a surplus equivalent to 4.2% of GDP. This forecast is based on an estimated drop of 50% in revenue from the bauxite sector (revenue from the two major players BHP-Billiton and Suriname Aluminium Company (Suralco) are expected to fall by 68%). Buoyed up by royalties and taxes from gold and crude oil, revenue should represent approximately 30% of GDP in 2009, while expenditure should reach around 31% of GDP. Wages and salaries pushed up expenditure by 3% to around 16% of GDP as the government began implementing the new salary system for public servants in advance of the 2010 elections.

Suriname reinforced its reputation as a reliable debtor after settling a decades-old debt with Brazil in August 2009. The government's priority now is to pay off its last line of debt with the United States. Total public debt increased marginally, however, from 25.2% to 25.7% of GDP, with domestic debt expanding slightly from 12.5% to 14.6% of GDP and external debt falling to 11.1% of GDP from 12.7% in 2008.

Monetary policy remained loose without leading to inflation. The central bank's policy is geared towards boosting credit availability, attracting foreign direct investment and accumulating reserves to defend the currency. Notwithstanding, lending rates fell only marginally from 12% in December 2008 to 11.5% in September, probably because of increased depreciation expectations, while

deposit rates increased by 0.2% to 6.5%. Credit to the public sector rose to 6% of GDP and private sector credit continued its expansion, soaring to 43% of GDP, up from 36% of GDP in 2008. Year-on-year M1 swelled by 23% to reach 28.3% of GDP in the third quarter.

The quasi-fixed regime maintained the exchange rate at approximately S\$ 2.745 to US\$ 1, although 2009 saw the rate go as high as S\$ 2.79 to US\$ 1 and as low as S\$ 2.70 to US\$ 1. After two unsuccessful attempts at remedying the shortage of United States dollars, which was due to imports as well as personal loans, the central bank widened the trading band for the United States dollar to S\$ 2.71-S\$ 2.85.

Boosted by an expansion in the gold and petroleum industries, GDP is expected to grow by 2.5% in 2009. Rosebel Gold Mines N.V. doubled its output between March and August 2009, and the value of its production for 2009 is expected to be three times as high as that of 2008. Staatsolie, the state oil company, continued refurbishment of its refinery started last year. In response to stronger demand for private housing and ongoing public infrastructure development projects, construction and commercial services continued to expand and accounts for 17% of GDP. Agriculture, which employs a sizable proportion of the workforce, and in particular the banana sector, received investments that should allow it to increase its productivity levels. Conversely, the aluminium sector's potential failure is linked to the drastic drop in

inward foreign investment on which this sector has been highly dependent. If this trend continues, the results will be detrimental as mining and aluminium production are important contributors to GDP and key for export earnings. In 2010, the economy is expected to grow by around 4% on the back of increasing gold production and an expansion of the petroleum sector.

Weaker external prices brought the 12-month inflation rate down to -4.5% in September, a colossal drop from the rate of 18.1% recorded a year earlier. This negative rate is attributable to price decreases for the main items in the consumer price index basket: food and non-alcoholic beverages. Fuel prices also fell in 2009 in tandem with average oil prices. The expectation for 2010 is that inflation will increase with the global economic recovery and will close the year at 3.5%

The current account surplus is expected to reach 13% of GDP at the end of the year compared with 16% in 2008. Oil and gold prices, which had escalated by more than 40% (November-to-November), helped to offset the slump in the aluminium sector. As from June, the merchandise trade surplus worsened slightly, while the services account improved although it remained in deficit. The fall in foreign direct investment inflows, from 8% of GDP in 2008 to 0.2% of GDP in June 2009, weighed heavily upon the bauxite sector. At close of year, the capital and financial account will be in deficit, while

#### SURINAME: MAIN ECONOMIC INDICATORS

	2007	2008	2009 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	5.1	4.3	2.5
Per capita gross domestic product	4.1	3.3	1.5
Consumer prices	8.3	9.4	-5.4 <sup>b</sup>
Money (M1)	25.1	15.7	25.5 <sup>b</sup>
<b>Annual average percentages</b>			
Central government			
overall balance/GDP	7.1	2.3	-1.0
Nominal deposit rate <sup>c</sup>	6.4	6.3	6.5 <sup>d</sup>
Nominal lending rate <sup>c</sup>	13.8	12.2	12.0 <sup>d</sup>
<b>Millions of dollars</b>			
Exports of goods and services	1 604	1 993	1 500
Imports of goods and services	1 354	1 757	1 230
Current account balance	335	344	280
Capital and financial account balance <sup>e</sup>	-158	-292	-9
Overall balance	177	52	271

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

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to September 2008.

<sup>c</sup> Rates published by the International Monetary Fund.

<sup>d</sup> Average from January to July, annualized.

<sup>e</sup> Includes errors and omissions.

the overall balance should remain positive. Strengthened by a special drawing rights allocation in August 2009, net international reserves amounted to seven months of import cover.