SURINAME

The Surinamese economy continues to post positive growth and will grow by 3.9% in 2013 and 4.7% in 2014. Growth in 2013 is fuelled by a strong performance in a number of sectors including mining, despite a 28% decline in gold prices in the first half-year. Government has sought, with private-sector assistance, to build a gold refinery that will increase the value added to Suriname from this industry. This refinery is scheduled to begin operations in late 2014. Both the inflation and the exchange rate have been relatively stable and are not expected to vary significantly in 2014. The government is also in the process of establishing a sovereign wealth fund in recognition of the non-renewable nature of mineral reserves and the volatility of long term commodity prices. In the new budget for 2014, there has been an attempt to lower the fiscal deficit, which expanded to 5.7% of GDP.

The fiscal deficit which was first expected to be 3.9 % of GDP in 2013 was revised upwards in a supplementary budget in September to 5.7%. This jump in the deficit from 3% in 2012 reflected the considerable investment made by the government and other expenditures including wage increases. The new budget for 2014 anticipates a lowering of the deficit to about 4%. A comparison of the second quarter revenue data for 2012 and 2013 shows that wages and salaries increased by 28% and revenues from State enterprises contracted by 20%, which means that the fiscal target may not be met. The debt burden of Suriname remains manageable although rising deficits, if not accompanied by revenue-enhancing measures, will eventually drive it up. Suriname's external debt was 18.5% of GDP and, by September, the domestic debt was 14.7% of GDP. The external and domestic components of the debt burden have edged up from 16.3% and 11.2%, respectively, in January of 2012.

Monetary policy in 2013 was aimed at maintaining price and exchange-rate stability and sustaining confidence in the local currency. The cash reserve requirement which is the main monetary instrument remained unchanged at 25% for local currency deposits and increased from 40% to 45% for foreign-currency deposits, owing to the sharp increase in foreign-currency loans at the beginning of 2013. In terms of money supply, when the first half of 2013 is compared with the same period in 2012, M1 decreased by 3.1% as opposed to a rise of 21% in 2012. During the period August-September 2013, M1 grew by 1.8%. This suggested some dampening in the growth of domestic demand. The exchange rate has been relatively stable at 3.30 Surinamese dollars (Sr$) =US$ 1 and this is likely to continue in 2014-2015.[1] In terms of interest rates on Surinamese dollar deposits, between January and September 2013, the average deposit and lending rates inched up slightly to 12.7% and 7.1% from 11.9 and 6.9%, respectively, and the interest rate spread remained

Suriname: main economic indicators, 2011-2013

	2011	2012	2013 [a]
	Annual growth rate		
Gross domestic product	4.7	4.4	3.9
Per capita gross domestic product	3.7	3.5	3.0
Consumer prices	15.3	4.4	1.2 [b]
Money (M1)	5.3	17.0	13.4 [c]
	Annual average percentage		
Central government			
Overall balance / GDP	-0.1	-2.5	-3.0
Nominal deposit rate	6.4	6.8	7.1 [b]
Nominal lending rate [d]	11.8	11.7	12.0 [b]
	Millions of dollars		
Exports of goods and services	2 668	2 739	2 775
Imports of goods and services	2 242	2 376	2 473
Current account balance	251	241	177
Capital and financial balance [e]	-127	-61	-54
Overall balance	124	180	123

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Estimates.
[b] Figures as of October.
[c] Figures as of September.
[d] Average bank lending rate in local currency.
[e] Includes errors and omissions.

[1] The Central Bank has established a band of Sr$ 3.25-Sr$ 3.35: US$ 1.00 within which all official and commercial transactions are to take place.

the same. This is likely to be maintained for the rest of 2013. With respect to domestic credit, between January and September, overall credit grew by nearly 18%, while credit to the primary and secondary sectors, which include mining and agriculture, swelled by 26.4% (15% of total credit) and credit to other sectors grew at a slower pace: by 16.5%.

The first half-year results show a negative current account balance of US$ 182 million (5.6% of estimated GDP) and reflect increased imports in the first two quarters relative to last year, while exports were about the same for the two periods. This will reduce the trade surplus to about 10% of GDP compared with about 20% in 2012. Foreign direct investment (FDI) soared by 61% in the first half-year relative to 2012. The balance of payments will undoubtedly show some deterioration in 2013 owing mainly to increasing imports. International reserves amounted to US$ 812 million at the end of June 2013, representing 20 weeks' import cover. Reserves fell to US$ 770 million by October, which is an adequate import cover for Suriname.

Growth in 2013 is projected at 3.9% with all sectors making a positive contribution. Construction is expected to record the sharpest growth (14.0%), accounting for 6% of GDP, but of the other sectors, manufacturing, whose share is 23.7% of GDP, will grow by 2.7%; wholesale and retail (19.8% of GDP) will grow by 5.1%; and mining and quarrying, whose share is 10% of GDP, will grow by 1.8%. The forecast for 2014 is for 4.7% growth, with all the sectors contributing positively. However, given the economy's heavy dependence on gold, these estimates are subject to revision if gold prices decline.

The year-on-year inflation rate, which rose as a consequence of the unification of the official exchange rate and the black market premium in 2011, was 4.4% in 2012 and is projected at 2.0% for 2013.This is likely to hold, given the stable domestic conditions including the increased refining of fuel for domestic energy. The unemployment rate for 2012 was 10% and while there are no unemployment figures for 2013, given that growth will continue to be positive, the unemployment rate is not likely to exceed that of 2012.