

Suriname

Growth in Suriname is estimated at 2.2% for 2015, on the basis of increased oil production offsetting the decline in bauxite production and commodity prices. The closure of the Suralco alumina refinery in November will have an impact on the employment situation. Growth in 2016 is projected to be 2.4%, as production from the oil refinery and the opening of the new gold mine in the fourth quarter will give the economy a boost. The effects of falling oil, gold and aluminum prices have been felt in the fiscal and external sectors: the fiscal deficit for 2015 is estimated to have widened to 7.8% of GDP and international reserves have continued to decline, which resulted in a 20.5% year-on-year devaluation of the Surinamese dollar in November 2015.

From January to August 2015, total government revenue fell by 19% compared with the year-earlier period. While there was a small increase in indirect taxes, direct taxes and non-tax revenue fell by 28% and 38%, respectively. Total expenditure, by contrast, was down by just 0.2%. This decrease is attributable solely to a 41% cut in capital expenditure, as all other components of expenditure expanded – the most significant of which was a 12% increase in the wages and salaries component. The fiscal deficit as at August 2015 was already 5% of estimated GDP for 2015; a deficit of 7.8% of GDP is projected for the year. Ahead of fiscal year 2016, the government has introduced some austerity measures, including a drastic reduction in energy and water subsidies and a new tax on vehicle fuels. For the next year, the government has set itself the aim of a fiscal deficit of 2.4% of GDP, to be achieved through major cuts in capital and recurrent expenditure.

Monetary policy has remained restrictive in 2015, aimed at containing inflation and keeping the economy stable. The foreign currency reserve requirement ratios for United States dollars and euros remained fairly constant over the first nine months of 2015, at just over 45% and 31% respectively. The reserve requirement ratio for Surinamese dollars (Sr\$) remained at 30% until October, before being raised to 35% in November 2015. Lending to the private sector grew by 7.2% from December 2014 to September 2015, slightly over the 6% growth measured in 2014. Despite the expansion of credit, monetary aggregates M1 and M2 fell by 6.6% and 0.4%, respectively, from December 2014 to September 2015.

International reserves declined from US\$ 1.008 billion and six months of import cover in 2012 to US\$ 625.1 million at the end of 2014. Reserves have continued to shrink in 2015, and stood at US\$ 370 million in October, equivalent to 2.2 months of import cover. This dramatic fall prompted the central bank to devalue the currency in November, from Sr\$ 3.35 to Sr\$ 4.04 to the United States dollar, an increase of 20.5%.

Suriname's external accounts position has continued to deteriorate as commodity prices fall. Aluminum and gold prices are at their lowest since 2009 and 2010, respectively. Over the first half of 2015 the current account recorded a deficit of 6.5% of full-year GDP. The main culprit was the deteriorating goods balance, which was 2.6% of GDP in deficit over the first six months of 2015, compared with a surplus of 2.6% of GDP in 2014. The goods balance was last in deficit for a full year in 2005. The overall balance posted a deficit of 2.1% of GDP for the first half of 2015, while the financial account balance recorded a surplus of 5.9% of GDP over the same period. Notably, the balance between inward and outward foreign direct investment was negative, with outflows exceeding inflows by US\$ 30.7 million; this figure, however, did not include the investment coming into the Surgold gold mine.

Despite tumbling commodity prices, economic growth in Suriname for 2015 is estimated at 2.2%, up from the 1.8% measured last year. The opening of the State Oil Company's new refinery in the first

half of 2015 was delayed, but its impact on the manufacturing sector in 2015 will be small. The construction sector saw the largest increase (7.8%), as in the previous two years, with continued activity at the new Surgold gold mine and the new oil refinery. The growth prospects for the future are slightly muted, as commodity prices show no sign of rising, and the Suralco alumina refinery was shut down in November. Nevertheless, the new oil refinery will provide a fillip to economic growth and should reduce import demand. In addition, the Surgold mine is due to open in late 2016, but its full effect will not be apparent until 2017. Economic growth is therefore projected to be 2.4% in 2016.

Inflation in Suriname remained relatively low in 2015. The year-on-year change in the consumer price index was 2.3% in January 2015 and rose to 5.2% in June, before falling to 4.3% by September. Among the subsectors with positive price changes, inflation was highest in the food and non-alcoholic beverages subsector, and lowest in the alcoholic beverages and tobacco subsector. The transportation subsector actually showed strong deflation throughout the first nine months of 2015, from -18% in January to -9.1% in September.

The unemployment rate for the two most populous districts in Suriname, Paramaribo and Wanica, edged up from 6.5% in 2013 to 6.9% in 2014. Unemployment is expected to have fallen in the first half of 2015, but is likely to rise over the second half of 2015 and in 2016 as the impact of the economic slowdown and the closure of the Suralco refinery begins to be felt.

Suriname: main economic indicators, 2013-2015

	2013	2014	2015 ^a
	Annual growth rate		
Gross domestic product	2.9	1.8	2.2
Per capita gross domestic product	1.9	0.9	1.3
Consumer prices	0.6	3.9	4.1 ^b
Money (M1)	11.3	5.4	-6.8 ^c
	Annual average percentage		
Central government			
Overall balance / GDP	-5.9	-5.4	-7.8
Nominal deposit rate ^d	7.1	7.4	7.5 ^b
Nominal lending rate ^e	12.0	12.3	12.5 ^b
	Millions of dollars		
Exports of goods and services	2,567	2,351	...
Imports of goods and services	2,709	2,748	...
Current account balance	-198	-386	...
Capital and financial balance ^f	47	236	...
Overall balance	-151	-150	...

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 deposit rates.

e Average bank lending rate in local currency.

f Includes errors and omissions.