Suriname

The Surinamese economy continued to post robust growth thanks to high commodity prices (especially for gold), activities in the oil sector, public investment and increased domestic demand. Economic growth was 3.6% in 2012, with a rate of 4.7% projected for 2013. The inflation rate, which came in at around 20% in 2011 owing to the devaluation of the official exchange rate and a fuel tax hike, was 3.7% in 2012, with a projected rate of 7% in 2013. The fiscal stance remained conservative in 2012, reverting to a surplus after being in deficit in 2011.

In 2012 the government was engaged in establishing a sovereign wealth fund in preparation for the depletion of mining resources and to offset long-term commodity price volatility. Tight monetary policy helped to reduce the spike in inflation that came on the heels of the alignment of the currency with the unofficial market premium. Suriname also strengthened its Bank Supervision Law with the aim of improving monetary management.

The fiscal balance, which had posted a deficit of 3% in 2011, returned a surplus of 0.1% of GDP in 2012. Most revenue categories showed increases in the first half of 2012 over the year-earlier period, with cumulative tax revenue up by 42% and income from State-owned enterprises, mainly oil revenue, by 47%. Public debt remained at sustainable levels with foreign debt standing at 17% of GDP and domestic debt at 10.7% in August 2012. This overall debt burden was slightly smaller than at the end of 2011, when foreign and domestic debt were 17.1% and 11.1%, respectively, of GDP. These ratios were also well below the respective statutory limits of 35% and 25%. In May 2012, the authorities cleared long-standing arrears with the United States, improving the country's economic outlook and leading the rating agencies to upgrade Suriname's sovereign debt rating.

Monetary policy remained neutral following the exchange rate alignment and the subsequent fall in inflation. The exchange rate was relatively stable at 3.30 Surinamese dollars (SDR) to the United States dollar and the official and unofficial rates converged. Average lending rates, too, were stable at between 11.9% and 11.8% in 2012, while deposit rates rose slightly from 6.7% to 6.9% at the end of September. As a result, interest rate spreads remained relatively large. The monetary base grew rapidly in the first half of the year but this expansion slowed in the third quarter. In terms of domestic lending, the bulk of credit (85%) went to trade; transport, storage and communications; services; and housing construction. The share of the mining sector in total lending rose from 3% at the end of 2011 to 6.8% in 2012.

Growth in 2012 was estimated at 3.6%. All sectors contributed positively but the largest contribution came from the hotels and restaurants sector (up by 11.0%), which represents 3.5% of GDP. Of the economy's largest sectors, manufacturing, which represents 23.7% of GDP, grew by 4.9%, wholesale and retail commerce (19.8% of GDP) was up by 4.1%, and mining and quarrying, which contributes 10% of GDP, edged up 1.3%. For 2013, growth is projected at 4.7%, with above-2012 rates expected in agriculture, hunting and forestry (6.1%), fishing (6.1%) and manufacturing (5.9%).

The year-on-year inflation rate, which had spiked in 2011 with the exchange rate unification, was 3.7% in 2012 and is projected to climb to 7.0% in 2013. The drop in 2012 reflected stable domestic prices, especially in domestic energy production. Unemployment figures are not yet available for 2012; nevertheless, given that growth has remained positive, the rate is unlikely to exceed the 8.5% recorded in 2011.

The outlook for the external sector is positive, thanks to the expansion of foreign direct investment and exports. One negative factor will be the lack of bauxite output in the short term due to the time it takes to bring new mines online. The positive current account balance was maintained in 2012, driven largely by the surplus on the goods and transfers balances. The goods balance grew substantially in the first half of 2012 relative to 2011. The balance of payments may deteriorate somewhat in 2013, however, owing to expanding imports to support new public sector investment and to meet the rising domestic demand. Nevertheless, international reserves will continue to accumulate as the country adds to its reserves. Gross reserves were US$ 930 million in 2012, or just over 5 months of import cover.

SURINAME: MAIN ECONOMIC INDICATORS

	2010	2011	2012 [a]
	Annual growth rates		
Gross domestic product	4.5	4.5	3.6
Per capita gross domestic product	3.5	3.6	2.7
Consumer prices	10.3	15.3	3.7 [b]
Money (M1)	16.7	5.3	14.5 [c]
	Annual average percentages		
Central government overall balance / GDP	-5.2	-0.2	-0.8
Nominal deposit rate	6.2	6.4	6.7 [d]
Nominal lending rate [e]	11.7	11.8	11.7 [d]
	Millions of dollars		
Exports of goods and services	2 325	2 668	2 246
Imports of goods and services	1 657	2 242	1 771
Current account balance	653	251	394
Capital and financial balance [f]	-619	-77	-231
Overall balance	34	174	163

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

[a] Estimates.
[b] Twelve-month variation to September 2012.
[c] Year-on-year average variation, January to September.
[d] January-September average.
[e] Average bank lending rate in local currency.
[f] Includes errors and omissions.