Suriname

In 2007 the Surinamese economy has grown by an estimated 5% (5.8% in 2006), led by extractive industries that benefited from high international prices. The fiscal balance posted a surplus of 2% of GDP, 0.8 percentage points less than in 2006. Monetary aggregates expanded rapidly, with M1 recording a growth rate of 33.7% in the year to June (20% in 2006). Coupled with increasing imported food prices, this pushed up the annual inflation figure to an estimated 5.6% from 4.7% in 2006. The external sector exhibited a better performance than in 2006, the current account posted a surplus of 2% of GDP, while the estimated overall balance of payments will record a surplus of 7.2% of GDP (5.6% in 2006). The economy is expected to grow by 5% in 2008.

The fiscal accounts are expected to report a surplus of approximately 2% of GDP (2.8% in 2006). Contributions from mining output expanded, but the tax revenue collected from the major mining and oil players —Rosebel, Suralco, Staatsolie and Billiton— has remained around 4% of GDP since 2005. Fiscal policy has been deliberately tight in order to properly manage the current booming conditions, with revenue expanding more rapidly than spending. During the first half of 2007, total revenue was up 28.7% year on year, while growth of total expenditure was a little below 23%. Direct taxation receipts almost doubled owing to higher contributions of companies in the extractive industry, especially the state-owned oil company Staatsolie and the private bauxite firms.

The issue of a stabilization fund has been raised with the government of Suriname, most notably by the International Monetary Fund (IMF), but the discussion has not yet reached the parliamentary level. Studies are being undertaken to determine the best course of action in establishing a fund.

Although public debt is not at excessive levels by international standards, debt reduction turned out to be an important policy goal for the Surinamese authorities, who have chosen to devote significant portions of fiscal revenue to redeeming government liabilities. At the end of June 2007, public debt reached around 27% of GDP, of which some 60% was external. Over 2007, a booming export sector and an improved fiscal position have encouraged continuous efforts to minimize new debt contracted by the public sector. External debt stood at US$ 340 million in the first half of 2007, a 12.6% drop as compared with the end of 2006, and its first decrease since 2000. Discussions on restructuring and paying off debt are ongoing. At the end of 2007 Suriname was in talks with Brazil and the United States. The Netherlands forgave Surinamese debt for € 68 million (equivalent to US$ 98 million).

The Central Bank and the Ministry of Finance coordinate their economic policy in view of achieving macroeconomic goals. Monetary policy is specifically aimed at targeting inflation, though there is an understanding that such policy must be slack enough to encourage growth. The inflation rate accelerated from 4.7% in 2006 to an estimated 5.6% in 2007. This still compares favourably with price increases of 15.8% posted in 2005.

The main monetary instrument is adjusting the reserve requirements of commercial banks, rather than modifying interest rates. Money supply expanded significantly. During the first semester of 2007, M1, M2 and M3 grew 33.7%, 31.4% and 33% year on year, respectively. Likewise, domestic credit to the private sector expanded by 25.2% during the same period, while domestic credit to the public sector remained stagnant. The deposit rate moved down marginally from 2006 to 6.5% in June 2007, while the lending rate fell from 15.3% to 13.8%. GDP has grown consistently within this monetary policy framework.

Exchange rate policy remained unchanged in 2007, maintaining the de facto fixed nominal exchange rate of SD$ 2.78 to the United States dollar. The Central Bank engages in foreign exchange swaps as a measure to maintain the exchange rate regime.

The economy recorded an estimated growth rate of 5% in 2007, stimulated by further increases in the international prices of gold and bauxite. This represented the eighth consecutive year of real economic expansion, a record by Surinamese standards. The main contributor to GDP growth was the mining sector, which peaked by 18.4% as gold, oil and aluminium production continued to expand. The increased output shows a return on the investments made by mining companies in the earlier part of the decade. The sector is, however, due for a likely sharp slowdown in the near future, and is expected to average just over 1.1% growth in 2008-2010, compared with 15.3% in 2005-2007.

Exports of goods grew as a result of increased production and high commodity prices in 2007, while imports of goods showed a larger fall. The current account surplus, however, decreased to 2% of GDP. The overall balance of payments will record an estimated surplus of 7.2% of GDP in 2007. There have been increases in exports to the CARICOM Single Market and Economy (CSME) countries of goods such as butter, margarine, timber, fish and fish products. In addition, the country has done well in the context of the European Union-Caribbean trade negotiations in that it has outperformed its neighbouring countries in terms of developing a more competitive banana sector. Nonetheless, the eventual removal of quota and tariff limitations, granted by the E.U. to African, Caribbean and Pacific (ACP) countries, may negatively affect the prospects of the Surinamese banana industry.

Export diversification and the establishment of a stabilization fund built up out of mining and oil windfall revenue appear to be the major economic policy challenges in the near future.

SURINAME: MAIN ECONOMIC INDICATORS

	2005	2006	2007 [a]
	Annual growth rates		
Gross domestic product	5.6	5.8	5.0
Per capita gross domestic product	4.9	5.1	4.4
Consumer prices	15.8	4.7	5.6 [b]
Money (M1)	18.3	20.0	33.4 [c]
	Annual average percentages		
National administration overall balance / GDP	-0.6	1.7	2.0
Nominal deposit rate	8.0	6.7	6.5 [d]
Nominal lending rate	18.1	15.7	14.1 [d]
	Millions of dollars		
Exports of goods	1 212	1 174	1 208
Imports of goods	1 189	1 013	945
Current account	-144	115	48
Capital and financial account	168	-21	122
Overall balance	24	94	170

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary estimates.
[b] Yearly estimate.
[c] Twelve-month variation to August 2007.
[d] Average from January to August, annualized.