



## Summary

In early 2011, Suriname's government implemented a number of drastic measures, including a currency devaluation and an increase of the fuel tax. The measures are likely to improve the fiscal position of the government, which declined in the run-up to the 2010 elections. The overall debt burden of the government remains quite low, and the government may soon resolve its arrears with the US. However, inflation increased rapidly in late 2010 and early 2011, thanks to higher public wages, the currency devaluation and tax increases. The Surinam economy remains very dependent on commodities, as gold, alumina and oil account for more than 90% of all goods exported. Furthermore, Suriname's institutions are rather weak. Investment in infrastructure and new mining projects will boost development in the coming years. Economic growth is likely to strengthen this year, unless the global economic sentiment declines strongly.

## Things to watch:

- Prices of gold, alumina and oil, Suriname's main export products.
- Inflation, as prices rose rapidly in early 2011.

Author: **Herwin Loman**  
Country Risk Research  
Economic Research Department  
Rabobank Nederland

Contact details: P.O.Box 17100, 3500 HG Utrecht, The Netherlands  
+31-(0)30-21-31105  
[H.Loman@rn.rabobank.nl](mailto:H.Loman@rn.rabobank.nl)

Suriname				
<b>National facts</b>		<b>Social and governance indicators</b>		
Type of government	Republic	Human Development Index (rank)	rank / total	
Capital	Paramaribo	Ease of doing business (rank)	161 / 183	
Surface area (thousand sq km)	163	Economic freedom index (rank)	129 / 179	
Population (millions)	0.5	Corruption perceptions index (rank)	n.a. / 178	
Main languages	Dutch	Press freedom index (rank)	35 / 178	
Main religions	English	Gini index (income distribution)	52.8%	
	Hindu (27.4%)	Population below \$1 per day (PPP)	n.a.	
	Protestant (25.2%)			
	Roman Catholic (22.8%)	<b>Foreign trade (2010)</b>		
Head of State (president)	Desire Bouterse	<b>Main export partners (%)</b>	<b>Main import partners (%)</b>	
Head of Government	Desire Bouterse	Canada	38	US
Monetary unit	Surinamese Dollars (SRD)	Belgium	12	Netherlands
		US	12	Trin. & Tob.
		UAE	9	China
				9
<b>Economy (2010)</b>		<b>Main export products (%)</b>		
<b>Economic size</b>	<i>bn USD</i>	<i>% world total</i>	<b>2009</b>	
Nominal GDP	4	0.006	Gold	62
Nominal GDP at PPP	5	0.007	Bauxite	23
Export value of goods and services	2	0.000	Crude oil	10
IMF quatum (in mln SDR)	92	1.040		
<b>Economic structure</b>	<i>0</i>	<i>5-year av.</i>	<b>Main import products (%)</b>	
Real GDP growth	4.4	4.4	Capital Equipment	n.a.
Agriculture (% of GDP, 2005)	11	n.a.	Petroleum	n.a.
Industry (% of GDP, 2005)	24	n.a.	Foodstuffs	n.a.
Services (% of GDP, 2005)	65	n.a.	Cotton	n.a.
<b>Standards of living</b>	<i>USD</i>	<i>% world av.</i>	<b>Openness of the economy</b>	
Nominal GDP per head	6975	79	Export value of G&S (% of GDP)	63
Nominal GDP per head at PPP	8880	82	Import value of G&S (% of GDP)	58
			Net FDI (% of GDP)	2

Source: IMF, CIA World Factbook, IHS Global Insight, UN, Heritage Foundation, Transparency International, Reporters Without Borders, World Bank.

**Due to limited availability of reliable data, the tables presented in this evaluation should be interpreted with caution.**

### Economic structure and growth

Suriname's economy has a rather small basis, as gold, alumina and oil account for more than 90% of goods exported. Gold became Suriname's most important export product in 2009. However, the regulation of this sector is weak and the tax income on gold is low, as more than 50% of gold production takes place in the informal sector. After falling strongly in 2009, there was some growth in alumina production in 2010. As existing mines are nearly depleted, investment in new alumina mines is needed. Oil production mainly takes place onshore. Staatsolie, the Surinam state oil company, wants to increase the oil production and refining capacity rapidly in the coming years. The Surinam banking sector is still heavily dollarized. While the dollarization rate of credits went down from 52% to 37% between 2007 and 2010, the dollarization rate of deposits declined only from 55% in 2007 to 50% in 2010. With a per capita income of USD 6,740 in 2010 Suriname is classified as an upper middle income country. Due to an increase in gold and alumina production and more government spending, Suriname's economy grew by 4.4% in 2010. In the coming years growth is likely to accelerate to roughly 5%, thanks to high investment in infrastructure and new mining projects. However, the recent fall in global economic sentiment adds uncertainty. A weaker world economy is likely to result in lower commodity prices, which will depress Suriname's growth rate.

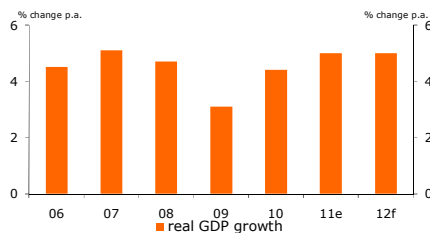
**Political and social situation**

Desire Bouterse became Suriname’s president in August 2010. He leads a coalition which consists of his own Mega Combination and two junior partners. One of these junior partners is the A-Combination of Bouterse’s old adversary Ronnie Brunswijk. The coalition has so far worked relatively smoothly, although finance minister Wonnie Boedhoe, an experienced economist, resigned in June 2011 due to unclarified personal reasons. She has been succeeded by Adeline Wijnerman. Suriname’s population is fragmented into different ethnic groups, but most political parties are not based on the exclusive support of one single ethnic group. Now that Bouterse enjoys presidential immunity, the progress of the trial in which his responsibility in the killing in 1982 of 15 political opponents is to be determined seems to have halted. Relations between the old colonial master Netherlands and Suriname became more difficult when Bouterse came to power, as Bouterse has been convicted in absentia of drug smuggling in the Netherlands. Meanwhile, in financial terms the Chinese government has overtaken the Dutch government as the most important source of bilateral funding. China has offered to invest more than USD 200mln in Suriname’s infrastructure.

**Economic policy**

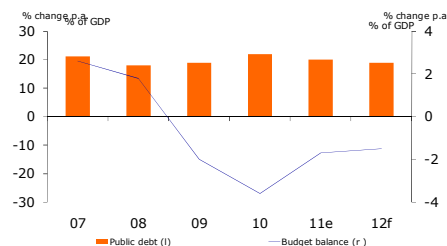
During its rules, the outgoing government managed to achieve greater macroeconomic stability, but it increased public spending in the run-up to the 2010 elections. This increase in spending was largely financed with loans from the central bank and an increase in domestic payment arrears. Furthermore, the old and the new government implemented reforms to the public wage system. As a result, the wage bill of the government increased from 9% of GDP in 2008 to 10.5% of GDP in 2010. In an attempt to control spending, the new government devalued the official exchange rate by 20% (which increases the foreign currency income of the government in local currency terms), thereby bringing the official rate in line with the rate on the parallel market, and increased the taxes on alcohol, tobacco, fuel and basic services. As a result, the budget deficit is likely to fall from 3.6% of GDP in 2010 to 1.7% of GDP in 2011. However, the higher public wage bill and the devaluation and tax increases are resulting in a strong increase of consumer prices, with 12-month inflation increasing from 1.3% at end-2009 to 10.3% at end-2010 and 18.6% in February 2011. The Bouterse administration has stated that it wants to improve the business environment to attract more domestic and foreign investment. Improving the environment would be very much welcome, as Suriname scores very low on the Ease of Doing business indicator of the World Bank. However, such an improvement could be difficult to achieve. Meanwhile, Suriname’s institutions, including the debt management office, are still rather weak.

**Chart 1: Growth performance**



Source: IMF

**Chart 2: Public finances**



Source: IMF

### **Balance of Payments**

In 2010, Suriname benefitted from higher prices for its three main export products: gold, alumina and oil. As the domestic production of alumina went down due to depletion of existing mines, alumina company SURALCO imported alumina from Brazil. Higher export earnings resulted in the current account balance improving from -1.1% of GDP in 2009 to 1% of GDP in 2010. Suriname's inward foreign direct investment primarily goes to the oil and gold sectors and is likely to grow in the coming years. However, Suriname's other private flows have been negative. Suriname managed to increase its gross international reserves from USD 433mln in 2007 to USD 785mln in 2010.

### **External position**

Suriname's foreign reserves stood at 4.4 months of imports at end-2010, which is not very high, but not alarmingly low either. Thanks to substantial repayment and some debt relief, the government has reduced its foreign debt. As the foreign reserves have grown at the same time, the Suriname government has become a net external creditor. In the past years, Suriname cleared all arrears with foreign creditors, except those with the US government. These arrears are estimated to amount to USD 32mln, or 1% of GDP. However, apparently, the government is committed to clear those arrears soon as well.

Suriname							
Selection of economic indicators	2006	2007	2008	2009	2010e	2011f	2012f
<i>Key country risk indicators</i>							
GDP (% real change pa)	4.5	5.1	4.7	3.1	4.4	5.0	5.0
Consumer prices (average % change pa)	11.3	6.4	14.6	-0.1	6.9	17.9	10.4
Current account balance (% of GDP)	11.3	10.7	9.6	-1.1	1.0	0.4	-0.2
Gross international reserves (mln USD)	215	433	666	763	785	966	1069
<i>Economic policy</i>							
Budget balance (% of GDP)	0.9	2.6	1.8	-2.0	-3.6	-1.7	-1.5
Non-mineral balance (% of GDP)	-6.8	-5.8	-7.4	-11.9	-10.8	-10.4	-9.3
Public debt (% of GDP)	n.a.	21	18	19	22	20	19
Consumer prices (average % change pa)	11.3	6.4	14.7	2.0	10.0	12.0	10.4
Exchange rate LCU to USD (average)	2.8	2.8	2.8	2.8	2.8	3.3	3.3
<i>Balance of payments (mln USD)</i>							
Current account balance	181	259	295	-35	36	16	-10
Trade balance	232	336	434	107	355	489	438
Export value of goods	1138	1381	1738	1521	2034	2474	2462
Import value of goods	906	1045	1304	1414	1679	1984	2024
Services balance	-35	-65	-123	-132	-158	-202	-222
Income balance	-91	-106	-104	-250	-365	-322	-326
Transfer balance	36	77	91	94	89	94	97
Net direct investment flows	-163	141	169	62	57	183	253
Net other private flows	n.a.	-158	-174	-261	-171	-163	-230
Net public flows	n.a.	-98	12	92	53	80	71
Change in international reserves	90	169	232	97	22	181	103
<i>External position</i>							
Foreign debt (% of GDP)	n.a.	21	18	18	26	23	22
Gross international reserves (mln USD)	215	433	666	763	785	966	1069
<i>Key ratios for balance of payments, external solvency and external liquidity</i>							
Trade balance (% of GDP)	14.5	13.9	14.1	3.4	9.9	12.2	8.8
Current account balance (% of GDP)	11.3	10.7	9.6	-1.1	1.0	0.4	-0.2
Foreign debt (% of GDP)	n.a.	21	18	18	26	23	22
FX-reserves import cover (months)	2.9	3.8	4.7	5.0	4.4	4.6	5.0
FX-reserves debt service cover (%)	345	470	444	615	666	709	n.a.

Source: IMF, S&amp;P

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