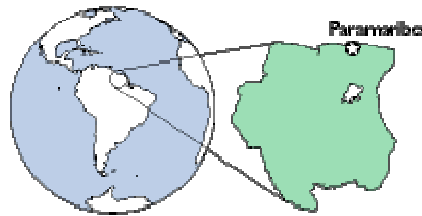


# COUNTRY REVIEW

## Suriname



7 July 2010

**ANALYST: David Atkinson**

**EULER HERMES COUNTRY RISK GRADE: D**

**Country Risk Grades are on a scale of AA, A, BB, B, C, D  
where AA is the lowest and D the highest risk.**

**COUNTRY PROFILE**

Capital city:	Paramibo
GDP:	USD8394 (2008e)
Population:	0.52mn (2008e)
GDP per capita:	USD3058 (2009e)
Currency:	Surinamese dollars (SRD)
Form of state:	Constitutional democracy
Head of government:	President Desi Bouterse
Next elections:	May 2015

**GRADE: D**

There have been democratically elected governments since 1991. The military had an effective dictatorship prior to that, although for much of the time the government was nominally civilian. The New Front Plus coalition government headed by President Venetiaan was re-elected for a third-term in May 2005 elections but, the latest elections in May 2010 brought the return of Desi Bouterse, a former military dictator, convicted of drug-trafficking in absentia in the Netherlands, who put together the necessary two-thirds vote to secure the presidency. It is not clear if this group of parties will hold together when determining policies, though the coalition has the support of 30 of the 50 votes. Bouterse's win is likely to strain relations with the Netherlands, the largest provider of official aid.

The economy is heavily dependent on commodities, which leaves the economy highly vulnerable to cyclical world prices. Alumina, gold (much of it from the informal sector of the economy) and oil account for 55% of GDP, 95% of export earnings and 33% of government revenues. Since the 1970s there have been two periods of hyperinflation (one in the 1990s) and repeated external payment problems. In recent years, however, growth was a strong annual average of just over 5%, including the sharp slowdown in 2009 when growth was 2.5%, as commodity prices, particularly gold and oil, have been generally high, which have also stimulated increased investment and production. In the near-term alumina production is declining but new production capacity of both alumina and gold is scheduled to come on stream in the medium-term. Policymaking which was weak historically, often compounding problems associated with the external shocks to which the economy is vulnerable, has improved in recent years. The government has focused on stabilisation, maintaining primary fiscal surpluses that have contributed to a reduction in the public debt-GDP ratio from 37% in 2005 to an estimated 19% in 2009. Counter-cyclical fiscal expansion is projected to widen the overall fiscal deficit to 3.5% of GDP in 2010 and raise the public debt-GDP ratio to 21%. Inflation fell sharply in 2009 but is expected to accelerate in 2010 to 6.5% at year-end. The banking system has weathered the global financial crisis reasonably well, according to the latest IMF article IV consultation in early 2010, though there has been a rise in NPLs. There is a dual exchange rate system, where the official rate, used for external financing and debt servicing, is pegged to the USD at USD2.745 and the commercial rate, used for all other current account transactions, trades in a narrow band of USD2.78-2.80. External liquidity has also improved noticeably. Monetary policy is geared to maintaining these rates. The current account was in surplus in 2005-08, but returned to deficit in 2009 and could widen to 5.5% of GDP in 2010. FDI inflows, however, more than cover the deficit. FX reserves have also increased and import cover is 3.5-4 months. External debt ratios are low, partly the result of debt relief initiatives.

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