

## Guyana

Although the agricultural sector suffered from adverse weather conditions in the first half of the year, it rebounded in the second semester to help the Guyanese economy post relatively robust growth in 2012. Production of key commodities (one of the country's principal economic activities) is expected to contribute to estimated growth of 3.8%. While the current account deficit is expected to expand reflecting increased imports, this will likely be partially offset by a capital and financial account surplus on the back of robust inflows of foreign direct investment (FDI).

The government is seeking to keep the economy on course with the largest projected budget expenditure in history, with a corresponding fiscal deficit of 4.6% of GDP. Guyana has continued forging ahead with its low carbon development strategy, under which the government will receive funds for major infrastructure projects. The government is also pursuing the improvement of social services by increasing public assistance benefits and old age pensions.

Increased tax receipts and spending delays widened the surplus in the central government's fiscal operations in the first half of 2012 compared to the year-earlier period. In spite of the tariff reduction in 2011, collections from the customs and trade administration increased on the strength of expanding imports. Nevertheless, the fiscal accounts are projected to run a deficit of 4.6% of GDP, as compared to 3.1% in 2011. The government targets a record level of expenditure, forecast to expand by 25.7% over the previous year, while aiming to keep growth robust by implementing major infrastructure projects and improving social systems. The rising fiscal deficit is a matter of concern, as the debt-to-GDP ratio remains high (78.8% at the end of 2011). However, external debt will decrease at the end of 2012 thanks to a debt compensation agreement reached with the Bolivarian Republic of Venezuela, as well as multilateral debt relief initiatives.

The Bank of Guyana continued to focus on price stability and the provision of adequate liquidity to the banking system. At the end of August, both M1 and M2 showed modest expansion compared to year-end

2011, by 2.2% and 5.8%, respectively. At this point in the year, private sector credit was up by 12.3% with respect to the end of 2011, due to strong growth in mining and service sectors. The exchange rate between the Guyana dollar (G\$) and the United States dollar has been stable, albeit with some pressures towards depreciation. The Bank of Guyana sold US\$ 61 million during the first half of the year to ensure exchange-rate stability, as a result of which the currency depreciated only marginally, from G\$ 203.75 to the United States dollar at the end of 2011 to G\$ 204.50 at the end of August 2012.

Following the robust expansion of 5.4% in 2011, growth is expected to be 3.8% in 2012, slightly less than the projection released in the budget in March. Preliminary data showed that first-semester growth was just 2.8%, compared to 5.9% for the same period in 2011. The weaker outturn during the first half of the year was due principally to the impact of unfavourable weather conditions on the agricultural sector. In the first semester sugar output was down by 33.4% and forestry activities by 10.3%, compared to the prior-year period. Conversely, the mining and quarrying sector recorded 16.4% growth, thanks to increases in bauxite and gold production and high international prices. The service sector also showed strong growth, especially in transportation and storage (20.2%) and wholesale and retail commerce (11.6%). In the second half of the year, bauxite production was affected by social unrest which forced some producers to suspend operations for a month. However, the agricultural sector showed a remarkable rebound due to favourable

weather conditions, and sugar production is expected to exceed its 2011 total. Economic growth is expected to pick up to 4.9% in 2013, on the strength of agricultural performance and investments made in large infrastructure projects.

Inflation has remained stable, thanks to the effective management of liquidity levels and the government's interventions to lower taxes on fuel products. The year-on-year inflation rate at the end of the first half of 2012 was relatively low, at 1.9%, despite upward pressures on food and fuel prices. Although a seasonal rise in prices is expected towards the end of the year, the inflation rate is likely to be between 4% and 5% for the year overall.

The value of goods exports increased thanks to high commodity prices; however, this expansion was more than offset by the rise in goods imports during the first half of 2012. Although export earnings from agricultural products are expected to increase in the second half, a further increase in imports, related to infrastructure projects, will widen the current account deficit from 14.2% of GDP in 2011 to 15.6% in 2012. On the other hand, the capital and financial account surplus is expected to rise, thanks to higher FDI inflows targeting the mining and telecommunications industries. The overall balance showed a deficit of US\$ 50.5 million at the end of the first semester, but this is expected to turn into a small surplus of around

#### GUYANA: MAIN ECONOMIC INDICATORS

|  | 2010  | 2011  | 2012 <sup>a</sup>  |
|--|-------|-------|--------------------|
| <b>Annual growth rates</b>                 |       |       |                    |
| Gross domestic product                     | 4.4   | 5.4   | 3.8                |
| Per capita gross domestic product          | 4.2   | 5.2   | 3.6                |
| Consumer prices                            | 4.5   | 3.3   | 1.9 <sup>b</sup>   |
| Money (M1)                                 | 12.9  | 21.9  | 15.9 <sup>c</sup>  |
| <b>Annual average percentages</b>          |       |       |                    |
| Central government                         |       |       |                    |
| overall balance / GDP                      | -2.9  | -3.1  | -4.6               |
| Monetary policy rate                       | 6.4   | 5.4   | 5.4 <sup>d</sup>   |
| Nominal lending rate <sup>e</sup>          | 15.2  | 14.7  | 14.5 <sup>d</sup>  |
| <b>Millions of dollars</b>                 |       |       |                    |
| Exports of goods and services              | 1 133 | 1 426 | 1 232 <sup>f</sup> |
| Imports of goods and services              | 1 763 | 2 205 | 1 939 <sup>f</sup> |
| Current account balance                    | -246  | -373  | -450               |
| Capital and financial balance <sup>g</sup> | 363   | 358   | 469                |
| Overall balance                            | 117   | -15   | 19                 |

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

<sup>a</sup> Estimates.

<sup>b</sup> Twelve-month variation to June 2012.

<sup>c</sup> Year-on-year average variation, January to September.

<sup>d</sup> January-September average.

<sup>e</sup> Local-currency loans at fixed or renegotiable rates, signature loans of up to 89 days.

<sup>f</sup> Does not include services.

<sup>g</sup> Includes errors and omissions.

US\$ 19 million for the year overall, owing to high FDI inflows and an increase in capital flows from bilateral and multilateral agencies. International reserves increased to US\$ 827 million at the end of August 2012 (a cumulative increase of US\$ 29 million for the year), which was equivalent to 5 months of import coverage.