

GUYANA

1. General trends

The Guyanese economy expanded by 3.9% in 2014, down from growth of 5.2% in 2013. Fiscal policy remained expansionary, widening the government deficit, which is expected to increase further in 2015. Government expenditure grew, owing in part to wage increases for government workers.

Monetary policy remains focused on continuing to control inflation, which was low at 1.2% in 2014.

Guyana posted a narrower capital account deficit, a smaller current account surplus and a marginally lower balance-of-payments deficit overall in 2014. The supply of foreign exchange tightened slightly and the country also reduced its levels of both domestic and external debt.

The government has had difficulties in implementing its agenda since the opposition gained control of parliament in 2011. This agenda included regulatory reforms, in particular anti-money-laundering legislation, and progress on infrastructure projects, such as the planned Amaila Falls hydroelectric plant. In May 2015, the opposition coalition won both the general and regional elections. Because the government is now in transition, it is difficult to predict with any certainty what policies it will adopt for 2015.

The economy is projected to grow by 4.5% in 2015, buoyed by a strong performance in agriculture, forestry, fishing and services. Low fuel prices will continue to benefit the economy but weak prices for the country's mining outputs will have an adverse effect.

2. Economic policy

(a) Fiscal policy

Central government revenue was up by 6.7% to 22.9% of GDP in 2014, on the back of higher tax and customs receipts. However, revenue was still 13.4% below the government's optimistic target. In terms of direct tax revenue, corporate income tax and personal income tax yielded increases of 12.4% and 17.8%, respectively, while withholding tax and property tax fell by 11.8%, and 7.1%, respectively. Indirect tax revenue from the Customs and Trade Administration grew by 5.8%, reflecting higher receipts from value added tax, excise taxes and import duties and lower takings from environmental taxes and export duties.

Total expenditure grew by 9.7% to 21.0% of GDP in 2014, owing primarily to higher transfer payments (including education subventions, grants and scholarships, and subsidies and contributions) and wage costs. Employment costs rose by 9.9%, reflecting wage increases for public workers. Pension expenses also rose by 5.8%.

In 2014, the central government deficit widened by 28.7% to stand at US\$ 168.5 million, equivalent to 5.5% of GDP. This was largely due to higher current expenditure and lower capital revenue. However, the deficit of non-financial public enterprises decreased owing to lower current and capital expenditure. The net result was a larger government deficit, which was financed by borrowing from external and domestic sources.

The government is expected to maintain an expansionary fiscal policy. Current revenue and current expenditure will both be higher in 2015, and projected increases in capital expenditure are expected to inflate the central government deficit.

The economy posted a balance-of-payments deficit, in spite of debt forgiveness. Nonetheless, the stock of domestic debt shrank by 20.6%, while the stock of external debt diminished by 2.3%. A total of 83.5% of existing bonded debt is held by commercial banks. Interest charges on domestic debt fell by 11.7% in 2014. The decline in external debt reflects a reduction in credit under the PetroCaribe agreement and lower disbursements from the Inter-American Development Bank. External debt service payments swelled by 10.9% to US\$ 51 million, equivalent to 4.4% of export earnings. Total debt at the end of 2014 was equivalent to 51.2% of GDP.

The government benefited from US\$ 52 million of debt relief under the Heavily Indebted Poor Countries Initiative but expects both domestic debt volume and domestic service payments to increase in 2015.

(b) Monetary policy

Monetary policy remains disciplined and focused on keeping inflation low. Open market operations are still the primary method of controlling the money supply, supplemented by the purchase and sale of foreign currency. The reserve requirement has remained unchanged since 2002 at around 12% of GDP.

The government continues to provide the liquidity needed to satisfy the demand for money, in a context of steady economic growth. In 2014, narrow money (M1) grew by 13.9%, and broad money (M2) by 5.2%. Guyana is largely a cash-based economy and increases in GDP therefore translate readily into stronger demand for currency. Net government purchases of treasury bills amounted to G\$ 20.3 billion (US\$ 98.3 million, or 3.2% of GDP).

Net domestic credit through the banking system expanded by 25.1%. Credit to the private sector was up by 9.1%, compared with the 14.5% growth in 2013; credit increased to all sectors except the agriculture and personal sectors. The services, construction and engineering, real estate mortgage and manufacturing sectors posted record high credit growth rates. Net credit to the central government soared by 69.9%, while net credit to public enterprises declined by 7.5%. Commercial bank interest rates trended downward, while interest rate spreads remained wide.

(c) Exchange-rate policy

Demand for foreign currency increased in 2014, resulting in net sales of the Guyana dollar. In line with recent trends, the Guyana dollar continued to depreciate modestly against the United States dollar (0.12% in 2014), resulting in a rate of G\$ 206.50 to the United States dollar, with an average market spread of 1.7%. Balances in foreign currency accounts increased by 22% to US\$ 2.45 billion. Total

foreign currency transactions increased by 4.6% compared with 2013. In 2015, the exchange rate is expected to hold steady owing to lower oil prices and a resultant decrease in the demand for foreign currency.

(d) Other policies

As a result of conflict between the government and the opposition, several pieces of key legislation were not passed in 2014. The most important of these is the anti-money-laundering and countering the financing of terrorism bill. As the only Caribbean country not to pass this bill, Guyana was blacklisted by the Caribbean Financial Action Task Force (CFATF) and this may inhibit Guyana's integration into international financial markets. This situation may improve with the recent change in government.

3. The main variables

(a) The external sector

The merchandise trade deficit expanded by 22.4% in 2014 owing to a decrease in export receipts, particularly from gold, sugar and bauxite. Nonetheless, the current account deficit decreased by 18% to US\$ 371.2 million, or 12.0% of GDP, owing mainly to lower imports, especially imports of services, and larger inflows of transfers such as remittances, as conditions in the source countries (especially the United States) improved.

The capital and financial account surplus contracted by 33.1% due largely to a decline in disbursements to the non-financial sector and, in particular, lower capital inflows to the non-financial public sector. Most components of the capital and financial accounts worsened, notably flows of portfolio and non-portfolio assets. However, foreign direct investment (FDI) increased by 19.3% to US\$ 255.2 million, or 8.3% of GDP. Most FDI is channelled into the mining, tourism and telecommunications sectors (including business process outsourcing).

Overall, the balance-of-payments deficit shrank marginally from US\$ 119.5 million in 2013 to US\$ 116.4 million (3.8% of GDP) in 2014. This deficit was financed by foreign reserves and through exceptional financing from the Ministry of Finance. The balance-of-payments deficit is projected to shrink further in 2015, owing to lower import costs and increased capital inflows.

Guyana's foreign reserves contracted slightly as demand for foreign currency to finance imports and other payments increased. At the end of 2014, Guyana's international reserves were equivalent to 3.6 months of import cover.

(b) Economic activity

Real GDP grew by 3.9% in 2014, compared with 5.2% in 2013. This continued robust (albeit slower) growth reflected higher output in the sugar, rice, forestry, manufacturing and services sectors.

Receipts from agriculture grew by 7.4%, thanks to favourable weather conditions and improvements in production. Sugar continues to recover after the disappointment caused by years of production problems and industrial unrest; output increased by 18.3% in 2014, although receipts

decreased, reflecting lower prices. As a result of problems in design and construction, the Skeldon sugar factory continues to perform below expectations. Plans to revitalize the sugar industry include improving production capacity, lowering costs, diversifying markets (most sugar is currently exported to other Caribbean countries and to the United Kingdom) and diversifying products (for example, producing alcohol for cleaning).

Rice output reached a new peak, increasing by a dramatic 18.6%, as a result of private sector investment in machinery and equipment, additional land for cultivation, improved seed varieties and more efficient government research and extension services.

Fishing plummeted by 25.0%, owing to piracy and overfishing. The livestock industry showed marginal growth, while the forestry industry grew robustly thanks to favourable weather conditions and stronger demand for wood products.

Receipts from mining, particularly gold and bauxite, declined by 11.5% in 2014 due to lower production and lower commodity prices. However, gold production should increase substantially in 2015 as several major investments in gold mines begin to bear fruit. These investments are expected to have positive spillover benefits in the form of employment, human capital-building, higher demand for support goods and services and technology transfer. Nonetheless, the livelihoods of small- and medium-scale gold miners may be threatened by the fall in gold prices. The diamond industry surged by 56.3% in response to a rise in international diamond prices.

Manufacturing expanded strongly (by 5.5%), owing largely to increased production of alcoholic beverages and pharmaceuticals. The services sector grew by 5.6%, driven by improved performance in construction, transportation and storage, information and communications, financial and insurance and real estate activities. In particular, construction recorded 18.0% growth, fuelled by strong private expenditure on housing and commercial projects, while transportation and storage expanded by 14.4%. Wholesale and retail trade activities diminished by 3.0%.

Although Guyana is not a tourism-based economy, the sector should see a boost from the long-awaited opening of the Marriott Hotel in Georgetown in 2014. In 2015, the Ministry of Tourism, Industry and Commerce was split into the Ministry of Tourism and the Ministry of Business and Investment, reflecting plans to enhance the tourism infrastructure in Guyana in coming years.

Oil reserves, discovered in Guyana's territorial waters in early 2015, may represent a further opportunity for Guyana to boost its GDP and diversify its economy.

Growth in 2015 is projected to be 4.5%, underpinned by broad-based improvements in key sectors of the economy, including sugar, rice, forestry, fishing and services. Continued low fuel costs should also favour development. However, the mining sector in Guyana may continue to suffer if commodity prices remain low.

(c) Prices, wages and employment

The inflation rate stood at 1.2% in 2014, reflecting a moderate rise of 2.1% in the food price index. Total monthly inflation ranged from 0.7% to 1.2%, and trended upward through the year. Inflationary pressures were insignificant owing to weaker commodity prices, stable interest and exchange rates and low inflation expectations, in line with the rates recorded in previous years. In 2015, inflation is projected to rise to 2.0%, again driven by higher food prices.

In the public sector, employment increased by 3.4%, mostly due to a 7.7% increase in employment in core civil services. Public sector wages were increased by 5% for persons earning more than G\$ 50,000 (US\$ 242.13) per month and by 8% for those earning less than this amount. The public sector minimum wage was therefore raised by 8% to US\$ 206.79 per month. No official data are available on overall unemployment, but given the robust economic growth, this indicator may well have decreased.

Table 1
GUYANA: MAIN ECONOMIC INDICATORS

	2006	2007	2008	2009	2010	2011	2012	2013	2014 a/
Annual growth rates b/									
Gross domestic product	5.1	7.0	2.0	3.3	4.4	5.4	4.8	5.2	3.9
Per capita gross domestic product	4.5	6.3	1.3	2.6	3.7	4.8	4.2	4.7	3.4
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	6.5	0.6	-2.9	1.3	2.3	2.7	3.7	2.3	5.9
Mining and quarrying	-21.6	14.7	-0.1	-2.9	-5.4	19.2	14.8	8.0	-11.5
Manufacturing	5.2	3.0	-4.4	4.3	0.3	6.8	2.4	8.0	10.7
Electricity, gas and water	0.0	0.6	9.5	3.6	1.0	2.1	5.7	5.6	2.6
Construction	12.0	7.3	2.2	0.5	10.7	2.8	-11.0	22.6	18.0
Wholesale and retail commerce, restaurants and hotels	10.1	8.7	4.5	9.8	10.9	4.5	6.7	-0.9	-3.0
Transport, storage and communications	10.0	16.3	7.7	1.3	6.9	8.1	12.2	4.8	9.9
Financial institutions, insurance, real estate and business services	8.4	0.1	7.8	8.5	10.2	7.9	11.8	10.1	2.1
Community, social and personal services	3.4	6.6	4.3	4.8	3.3	2.4	2.4	1.6	2.9
Millions of dollars									
Balance of payments									
Current account balance	-181	-112	-192	-231	-155	-372	-367	-426	...
Goods balance	-230	-288	-394	-411	-443	-641	-581	-471	...
Exports, f.o.b.	580	689	789	768	871	1,129	1,415	1,376	...
Imports, f.o.b.	810	978	1,183	1,179	1,314	1,771	1,997	1,847	...
Services trade balance	-98	-100	-111	-102	-96	-136	-229	-336	...
Income balance	-69	-11	-15	-17	13	-9	24	38	...
Net current transfers	216	287	329	300	371	415	419	344	...
Capital and financial balance c/	214	109	250	-71	-41	318	256	475	...
Net foreign direct investment	102	152	168	164	198	247	278	201	...
Other capital movements	112	-43	82	-235	-239	71	-22	274	...
Overall balance	33	-3	59	-302	-196	-55	-111	49	...
Variation in reserve assets d/	-25	-36	-59	265	158	22	80	-84	...
Other financing	-8	39	0	37	37	33	31	34	...
Other external-sector indicators									
Net resource transfer (millions of dollars)	137	137	235	-51	9	341	311	547	...
Gross external public debt (millions of dollars)	1,043	718	834	933	1,043	1,206	1,358	1,246	1,184
Annual percentages									
Prices									
Variation in consumer prices (December-December)	4.2	14.1	6.4	3.6	4.5	3.3	3.4	0.9	1.2
Variation in nominal exchange rate (annual average)	0.2	1.1	0.6	0.2	-0.2	0.2	-0.6	2.9	-0.4
Nominal deposit rate e/	3.3	3.2	3.1	2.8	2.7	2.3	1.8	1.4	1.3
Nominal lending rate f/	14.9	14.1	13.9	14.0	15.2	14.7	14.0	12.1	11.1
Percentajes of GDP									
Central government									
Total revenue	27.4	26.0	25.4	27.2	26.0	25.6	24.7	23.6	22.6
Tax revenue	20.0	21.9	20.2	21.6	21.9	21.2	20.3	20.6	20.5
Total expenditure	34.7	30.1	29.2	30.8	28.9	28.7	29.4	28.0	27.9
Current expenditure	20.4	17.9	20.0	19.5	18.8	19.1	19.7	19.9	20.2
Interest	1.5	1.3	1.7	1.6	1.7	1.5	1.1	1.0	1.0
Capital expenditure	14.3	12.2	9.2	11.4	10.2	9.5	9.7	8.2	7.7
Primary balance	-5.8	-2.8	-2.1	-2.1	-1.2	-1.6	-3.6	-3.4	-4.3
Overall balance	-7.4	-4.1	-3.8	-3.7	-2.9	-3.1	-4.7	-4.4	-5.3
Non-financial public sector debt	97.3	61.2	62.9	67.0	68.0	66.7	63.6	58.1	50.1

Table 1 (concluded)

	2006	2007	2008	2009	2010	2011	2012	2013	2014 a/
Money and credit	Percentages of GDP, end-of-year stocks								
Domestic credit	14.8	12.8	15.3	11.4	12.1	17.8	17.0	20.2	24.3
To the public sector	-3.6	-5.4	-4.7	-8.1	-9.0	-4.9	-7.7	-5.9	-4.1
To the private sector	21.2	20.8	22.8	22.8	24.4	25.6	27.7	30.1	31.7
Others	-2.8	-2.6	-2.8	-3.4	-3.4	-2.9	-3.0	-4.1	-3.3
Monetary base	17.3	15.5	14.9	17.5	20.0	18.7	19.4	18.7	19.8
Money (M1)	16.5	15.4	15.6	16.1	17.6	18.5	19.3	18.8	20.6

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

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2006 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) indicates an increase in reserve assets.

e/ Small savings rate.

f/ Prime lending rate.

Table 2
GUYANA: MAIN QUARTERLY INDICATORS

	2013				2014				2015	
	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2 a/
Gross international reserves (millions of dollars)	820	766	675	713	732	680	631	637	638	613 b/
Consumer prices (12-month percentage variation)	3.1	2.4	2.3	1.1	0.7	0.3	0.3	0.9	-1.0	...
Average nominal exchange rate (Guyana dollars per dollar)	206.3	207.9	209.1	211.2	211.6	206.6	206.6	206.6	206.8	206.8
Nominal interest rates (average annualized percentages)										
Deposit rate c/	1.5	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	...
Lending rate d/	12.5	12.4	12.0	11.7	11.2	11.2	11.2	11.0	10.9	10.9 b/
Monetary policy rates	5.2	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	...
Domestic credit (variation from same quarter of preceding year)	22.1	19.8	30.6	32.4	22.7	18.0	9.7	14.6	12.0	3.7 b/
Non-performing loans as a percentage of total credit	5.7	5.4	5.3	6.0	5.6	6.0	7.8	8.6	9.7	...

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

a/ Preliminary figures.

b/ Figures as of May.

c/ Small savings rate.

d/ Prime lending rate.