

Guyana

As global demand recovered, the economy of Guyana continued to grow in 2010, albeit at a slower pace (2.8%) than the rate projected in the budget (4.4%). Growth is also expected to be positive in 2011, with a real growth rate of around 3%. The main drivers of economic growth in 2010 were the services, manufacturing and agriculture sectors. Fuelled by rising food prices, inflation will nevertheless remain moderate at 4.5%, and the exchange rate will be relatively stable thanks to the net supply of foreign exchange in the system. The current account deficit will widen in 2010 as global energy prices rise, before narrowing in 2011 as exports pick up. The medium-term prospects for Guyana are very good thanks, in part, to the closer ties being forged with Brazil, of which the completion of the Takutu Bridge and the energy project at Amaila Falls are just two examples. In addition, expected transfers under its low-carbon development strategy, which commits Guyana to reducing emissions from deforestation in return for up to US\$ 250 million in compensation over time,¹ will boost foreign exchange inflows.

Guyana has benefited from high revenues, attributable to expanding output. The overall deficit-to-GDP ratio was 4.3% in 2009, with the revised estimates for 2010 being slightly higher at 4.6%. The revenue increase was due to improvements in all categories of revenue including income taxes, taxes on trade and consumption taxes. Revenue is projected to grow from G\$ 94.8 million to G\$ 107.9 million (12.18%) between fiscal years 2008/2009 and 2010/2011. Meanwhile expenditure was projected to increase from G\$ 127.4 million to G\$ 136.8 million (6.8%), with recurrent and capital expenditure expected to grow by 7.5% and 5.6%, respectively, in fiscal year 2010/2011. The debt-to-GDP ratio was 76.1% in 2009, which is quite high, especially given the fact that Guyana was until recently part of the Heavily Indebted Poor Countries (HIPC) Debt Initiative. Despite graduating from this arrangement, Guyana benefits from the Multilateral Debt Relief Initiative (MDRI) and received assistance totalling US\$ 730 million in the first half of 2010. These inflows, in addition to revenue increases, have given Guyana considerable fiscal space despite the recession abroad.

Broad money expanded by 2.3% in 2010. This reflects an 8.4% increase in the banking system's net foreign assets and counteracts a 1.2% decline in net domestic credit. Private-sector credit, composed of loans and advances, grew by 7.1% and this growth resulted from increased lending to agriculture (34.7%), other manufacturing (21.8%), mining and quarrying (18%), and real estate mortgages (10.8%). This expansion may be linked to increased returns in these sectors, since the commercial banks' weighted average lending rate only declined marginally from 12.17% to 12.03% by midyear. The non-bank financial institutions were active in mobilizing resources, which translated into a 6.5% increase in net deposits.

By midyear, foreign-exchange-market transactions grew by 18.4% to reach US\$ 2.401 billion due to increases in foreign trade and capital flows. Bank and non-bank foreign-exchange transactions were up by 10.5%. Bank of Guyana transactions expanded by 25.8% and other

¹ An initial deposit of US\$ 30 million was made to this fund by the Government of Norway in October 2010.

foreign-currency-account transactions were up by 30.0%. The Guyanan dollar maintained its stability vis-à-vis the United States dollar, depreciating only marginally (by 0.25%). The exchange rate is expected to remain relatively stable in 2010 in view of the positive economic performance of the economy and additional foreign exchange inflows from grants and multilateral sources.

Real economic growth for the first half of 2010 was 2.8% and overall growth for the year is projected to remain stable at 2.8% as well. The main drivers of economic growth in 2010 will be the service, manufacturing, and construction sectors, while the agricultural sector experienced some setbacks. In the agricultural sector, rice output is expected to decline by 0.9%, while sugar is projected to grow by 11.2%. Such a sharp increase in sugar output would be a remarkable turnaround in view of the 1.8% decline in sugar production recorded at midyear. Given that agriculture accounts for some 20% of GDP, the performance of sugar will sharply impact overall growth. Livestock, which declined by 14.2% at midyear, is expected to end the year with a 13.2% contraction in output. Manufacturing, largely driven by sugar manufacturing, is expected to grow by 3.5% in 2010. Meanwhile the services sector benefited from increased activity in information and communications (5.7%) and wholesale and retail trade (7.0%) and should exhibit continued growth in 2010. The construction sector recorded a 9.5% expansion to midyear and an improvement of 3% is anticipated for the year as a whole. The mining sector, on the other hand, has continued to struggle owing to faltering demand for bauxite: output declined by 4.1% at midyear and the overall contraction for the year is predicted to be 2.8%.

The Georgetown Urban Consumer Price Index (CPI) experienced a 2.0% rise in the first half of 2010, driven by rising food prices. Average annual inflation will be about 4.5% in 2010 (up from 2.9% in 2009). Inflation will ease marginally in 2011, subsiding, as commodity prices stabilize, to 3.5% at the end of the year.

The current account of the balance of payments showed a deficit of US\$ 219.7 million in 2009 and

GUYANA: MAIN ECONOMIC INDICATORS

	2008	2009	2010 ^a
Annual percentage growth rates			
Gross domestic product	2.0	3.3	2.8
Per capita gross domestic product	2.1	3.5	2.9
Consumer prices	6.4	3.6	3.7 ^b
Money (M1)	12.5	8.7	9.9 ^c
Annual average percentages			
Central government			
overall balance / GDP	-3.8	-3.7	...
Nominal deposit rate ^d	3.1	2.8	2.8 ^e
Nominal lending rate ^f	13.9	14.0	15.2 ^e
Millions of dollars			
Exports of goods and services	1 014	938	446 ^g
Imports of goods and services	1 649	1 441	1 265 ^g
Current account	-321	-220	-256
Capital and financial account ^h	327	454	247
Overall balance	6	234	-9

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

^a Preliminary estimates.

^b Twelve-month variation to March 2010.

^c Twelve-month variation to August 2010.

^d Small savings annualized rate.

^e Average from January to June.

^f Prime rate, annualized.

^g Refers to goods only.

^h Includes errors and omissions.

an increase to US\$ 255.9 million is forecast for 2010. Although merchandise exports are expected to increase, imports will also expand. Net imports, which recorded a deficit of US\$ 1.169 billion in 2009, should reach an estimated US\$ 1.265 billion in 2010. The balance of payments surplus of US\$ 234.4 million in 2009 is expected to give way to a deficit of US\$ 9.3 million in 2010. The capital account recorded a surplus of US\$ 454 million in 2009 and a smaller surplus of US\$ 247 million is anticipated for 2010. Guyana will continue to run relatively large current-account deficits, backed by strong multilateral debt and investment inflows. For example, project grants increased in the first half of 2010 by 7.5% to US\$ 2 billion. The current transfers surplus of US\$ 300 million should increase to US\$ 310 million in 2010 with only a marginal improvement in remittance inflows since incomes in the industrialized countries are still depressed.