

Guyana

The Guyanese economy continued to post robust growth in 2011 despite the continuing difficulties in the major export markets of the United States and Europe. The estimate for 2011 is for overall growth of 4.8%, while the forecast for 2012 is for an expansion of 4%. Policymakers in Guyana are expected to pursue a low-carbon development strategy in light of the victory of the ruling party at the polls in November, despite a much-reduced majority in parliament. Under the agreement with the Government of Norway for the joint implementation of this strategy Guyana will receive some US\$ 30 million in financing in 2012 and up to US\$ 100 million annually through 2020.

In 2011, the fiscal deficit will widen due to higher capital outlays. The budget deficit is anticipated to be 3.5% of GDP in 2011 but may be as high as 6% in 2012 due especially to the investment in the Amaila Falls hydroelectric project. In the first half of 2011, some US\$ 32.2 million in debt relief was received through the Multilateral Debt Relief Initiative, the International Monetary Fund (IMF), the International Development Association and the Inter-American Development Bank (IDB). Debt servicing will be higher in 2011 and the debt-to-GDP ratio will also increase due to borrowing for investment purposes.

The monetary policy pursued by the Bank of Guyana in 2011 continued to focus on stabilizing prices and ensuring sufficient liquidity in the banking system. In the first half of 2011, credit to the private sector continued to expand but at a slower rate relative to the corresponding period in 2010. Central government credit declined while private-sector credit grew by 6.7%. In 2012 there will be moderate growth in credit to the private sector in view of the uncertainty as to whether the ruling party, with a reduced parliamentary majority, will be able to maintain all aspects of its policy agenda. The exchange rate was relatively stable in the first half of 2011 with a marginal devaluation of 0.25 Guyana dollars (G\$) to reach G\$ 203.5 to the United States dollar. The foreign exchange market is expected to remain stable in 2012 since inflows of foreign exchange should be adequate.

GUYANA: MAIN ECONOMIC INDICATORS

	2009	2010	2011 ^a
Annual growth rates			
Gross domestic product	3.3	4.4	4.8
Per capita gross domestic product	3.2	4.2	4.5
Consumer prices	3.6	4.4	6.1 ^b
Money (M1)	8.7	21.8	19.7 ^c
Annual average percentages			
Central government			
overall balance / GDP	-3.7	-2.9	-3.0
Nominal deposit rate ^d	2.8	2.7	2.4 ^e
Nominal lending rate ^f	14.0	15.2	14.8 ^e
Millions of dollars			
Exports of goods and services	938	1 140	1 269
Imports of goods and services	1 441	1 762	2 029
Current account balance	-220	-239	-382
Capital and financial balance ^g	454	356	346
Overall balance	234	117	-36

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

^a Preliminary estimates.

^b Twelve-month variation to June 2011.

^c Twelve-month variation to October 2011.

^d Small savings rate.

^e January-October average.

^f Prime rate.

^g Includes errors and omissions.

In the first half of 2011, the economy posted growth of 5.9%. In the second half, growth was less robust and the overall figure for 2011 will be around 4.8%. Growth of 4% is projected for 2012, driven mainly by buoyant commodity prices and increased production of gold,

bauxite and alumina, along with agricultural crops such as rice and sugar.

Inflation for 2011 will approach the target rate of 4.8%. For the first half of the year, it stood at 3% but should abate in the second half as food price inflation subsides. Employment in the public sector recorded a marginal decline of 0.9%, which reflected a 1.7% downturn in central government accounts. Meanwhile, preliminary estimates for 2011 suggest an increase in private sector employment, especially in the areas of construction and whole sale and retail trade. Employment is likely to pick

up in 2012 with the start-up of a number of public-sector capital projects.

In the first half of the year the current account balance deteriorated by US\$ 19.6 million. For 2011, the current account deficit will increase, reflecting rising prices for imports such as oil and commodities. As a result, reserves will decrease by US\$ 36.1 million to 18% of GDP. In 2012, with the construction of the large hydroelectricity project at Amaila Falls the current account may widen significantly due to higher imports. This project however is likely to bring significant long-term energy savings and spur growth.