

## Guyana

### 1. General trends

Guyana was one of the few countries in the Caribbean to experience robust growth in 2009. Recent estimates suggest that the economy grew by 3.3% in 2009 and 2% in 2008. Fairly robust primary commodity prices in world markets were one of the main reasons for the country's performance. Growth of 4.3% is anticipated for 2010.

Much of the economy relies on buoyant primary commodity prices, as the principal contributors to GDP are rice, sugar, gold, diamonds and bauxite. Illustrating this point, agriculture, forestry and fishing together with mining and quarrying contributed 31.7% of GDP in 2009. The main challenge facing Guyana in 2010 is to improve competitiveness. In addition, concessionary loans and credits from multilateral donors will be used to correct infrastructure weaknesses. Meanwhile, an easing of the international recession will help to boost exports and improve the flow of remittances to Guyana.

Central to Guyana's prospects is its strategy of low-carbon economic development. The key focus areas of the strategy will be investments in low-carbon economic infrastructure, high-potential low-carbon sectors and climate change adaptation. An important part of this approach has been the signing of a memorandum of understanding with Norway to implement the strategy jointly; this is expected to lead to the receipt of US\$ 250 million in performance-based payments by 2015.

### 2. Economic policy

#### (a) Fiscal policy

Guyana's fiscal performance showed no significant improvement in 2009, since the overall deficit as a percentage of GDP was 3.7% in 2008 and 3.8% in 2009.<sup>1</sup> The projection for 2010, premised on expenditure restraint and improved revenue collection, is for the deficit to decline to 3.3%. Tax revenues in 2009 contributed G\$ 89.1 billion,

or 93.9% of current revenue, which was a slight decline on the previous year. Government tax revenue from the self-employed grew by 24%. In addition, revenues from customs and trade taxes increased by 2.8% in 2009. Other revenue increases came from the excise duty on motor vehicles and the restoration of the excise duty on fuel. As expected, depressed domestic demand led to value added tax revenue declining by 3.1%.

<sup>1</sup> These figures assume nominal GDP of G\$ 391.505 billion in 2008 and G\$ 413.114 billion in 2009.

Table 1  
GUYANA: MAIN ECONOMIC INDICATORS

	2001	2002	2003	2004	2005	2006	2007	2008	2009 <sup>a</sup>
<b>Annual growth rates<sup>b</sup></b>									
<b>Gross domestic product</b>	1.6	1.1	-0.6	1.6	-2.0	5.1	7.0	2.0	3.3
<b>Per capita gross domestic product</b>	1.5	0.9	-0.9	1.3	-2.1	5.1	7.0	2.1	3.5
<b>Gross domestic product, by sector</b>									
Agriculture, livestock, hunting, forestry and fishing	-11.4	24.1	-1.7	3.2	-13.7	6.5	0.6	-2.9	1.3
Mining	4.2	-6.9	-8.7	-6.5	-17.8	-21.6	14.7	-0.1	-2.9
Manufacturing <sup>c</sup>	86.7	-45.2	-2.2	0.0	12.0	5.2	3.0	-4.4	4.3
Construction	2.0	-3.9	5.6	4.1	9.4	12.0	7.3	2.2	0.5
Wholesale and retail commerce, restaurants and hotels	0.5	-0.9	-2.6	1.9	15.0	10.1	8.7	4.5	9.8
Transport, storage and communications	5.4	4.5	4.9	3.6	9.4	10.0	16.3	7.7	1.3
Financial institutions, insurance, real estate and business services	-3.5	-0.8	1.6	1.0	6.3	8.4	0.1	7.8	8.5
Community, social and personal services	-2.9	-0.8	1.1	1.2	3.2	3.4	6.6	4.3	4.8
<b>Millions of dollars</b>									
<b>Balance of payments</b>									
Current account balance	-91	-62	-45	-20	-158	-250	-189	-321	-220
Goods balance	-56	-24	-17	-8	-233	-300	-365	-522	-401
Exports, f.o.b.	485	490	508	584	551	585	698	802	768
Imports, f.o.b.	541	514	525	592	784	885	1 063	1 324	1 169
Services trade balance	-20	-24	-15	-47	-53	-98	-100	-113	-102
Income balance	-59	-55	-55	-39	-39	-69	-11	-15	-17
Net current transfers	44	40	43	74	167	216	287	329	300
Capital and financial balance <sup>d</sup>	71	84	59	41	166	293	188	327	454
Net foreign direct investment	56	44	26	30	77	102	110	178	164
Other capital movements	15	41	33	11	89	191	78	149	290
Overall balance	-19	22	14	21	8	43	-1	6	234
Variation in reserve assets <sup>e</sup>	35	-13	-5	-10	-24	-61	-37	-43	-271
Other financing	-16	-9	-9	-11	16	18	39	38	37
<b>Other external-sector indicators</b>									
Net resource transfer	-3	20	-6	-10	143	242	215	350	474
Gross external public debt	1 197	1 247	1 085	1 071	1 215	1 043	718	834	933
<b>Annual percentages</b>									
<b>Prices</b>									
Variation in consumer prices (December-December)	1.5	6.0	...	...	8.2	4.2	14.1	6.4	3.7
Variation in nominal exchange rate (annual average) <sup>g</sup>	2.7	1.8	1.7	2.3	0.8	0.2	1.1	0.6	0.2
Nominal deposit rate <sup>f</sup>	6.7	4.3	3.8	3.4	3.4	3.3	3.2	3.1	2.8
Nominal lending rate <sup>g</sup>	17.3	17.3	16.6	16.6	15.1	14.9	14.1	13.9	14.0
<b>Percentages of GDP</b>									
<b>Central government</b>									
Total revenue <sup>h</sup>	23.2	25.4	23.4	24.8	26.4	27.4	26.0	25.4	27.2
Current revenue	19.5	20.2	19.8	20.7	21.4	21.4	22.8	21.1	23.0
Tax revenue	17.8	18.5	18.1	19.4	20.2	20.1	22.0	20.2	21.6
Capital revenue <sup>i</sup>	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Total expenditure	29.9	28.9	29.1	29.1	34.9	35.6	30.5	29.2	30.8
Current expenditure	22.1	21.8	21.6	20.1	21.6	21.3	18.4	20.0	19.5
Interest	5.5	4.8	3.9	3.1	2.8	2.4	1.8	1.7	1.6
Capital expenditure	7.8	7.1	7.5	9.0	13.4	14.3	12.2	9.2	11.4
Primary balance	-1.2	1.3	-1.9	-1.2	-5.7	-5.8	-2.8	-2.1	-2.1
Overall balance	-6.7	-3.6	-5.7	-4.3	-8.5	-8.2	-4.5	-3.8	-3.7
<b>Percentages of GDP</b>									
<b>Money and credit<sup>j</sup></b>									
Domestic credit	12.2	13.2	11.0	15.0	15.2	14.8	12.8	15.3	11.5
To the public sector	-11.4	-10.0	-5.8	-0.4	-1.2	-3.6	-5.4	-4.7	-8.0
To the private sector	27.2	26.6	21.2	19.4	19.9	21.2	20.8	22.8	22.8
Others	-3.5	-3.4	-4.4	-4.0	-3.6	-2.8	-2.6	-2.8	-3.4
Liquidity (M3)	43.7	44.5	46.3	46.0	47.2	49.2	46.4	47.0	48.9

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

<sup>a</sup> Preliminary figures.

<sup>b</sup> Based on figures in local currency at constant 2006 prices. Up to 2006, based on figures in local currency at constant 1988 prices.

<sup>c</sup> Includes electricity, gas and water.

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

<sup>e</sup> A minus sign (-) denotes an increase in reserves.

<sup>f</sup> Small savings rate.

<sup>g</sup> Weighted average prime rate.

<sup>h</sup> Includes grants.

<sup>i</sup> In 2001 includes grants.

<sup>j</sup> The monetary figures are end-of-year stocks.

On the expenditure side, total spending was G\$ 127.4 billion, 11% up on the 2008 figure, largely because of a 30.7% increase in investment expenditure and a small rise in recurrent expenditure. Interest payments in 2009 totalled G\$ 6.6 billion: G\$ 3.3 billion on external debt and G\$ 3.3 billion on domestic debt. There was also a significant increase in the disbursement of project grants, which grew to G\$ 17.3 billion in 2009, a rise of 4.4% on the 2008 figure.

In 2009, the country's public enterprises had an overall surplus of G\$ 1.8 billion, compared to a deficit of G\$ 2.9 billion in 2008. This turnaround was due to lower current and capital expenditure and a reduction in the fuel component of operating costs.

There is increasing concern about the growth of external debt despite assistance from multilateral institutions. The country's external debt had grown by 12% to US\$ 933 million by the end of 2009 and stood at more than 64% of GDP. Even in the context of benefits from debt reductions as part of the Heavily Indebted Poor Countries (HIPC) Debt Initiative and other initiatives, keeping debt repayments under control will be a challenge.

The stock of domestic debt grew as well, increasing by 16% in 2009 to G\$ 87 billion owing to the issuance of treasury bills. On the other hand, domestic debt service costs decreased by 28.7% in 2009 to G\$ 4.3 billion.

### 3. The main variables

#### (a) Economic activity

The Guyanese economy is largely based on primary products, especially mining and agriculture, and its recent positive economic performance has been due to improved prices for some commodities such as gold. Taken together, agriculture, forestry, fishing and hunting contributed 21.2% of GDP, with mining at 10.5% and construction at 9.7%. Besides these, the manufacturing sector contributed 7% of GDP and transport, storage and communication 14.2%.

Sugar is a major contributor to output (5.9% of GDP) and foreign exchange earnings, and production increased by 3.3% in 2009 to 233,736 tons. It is reported that while the first crop was 19.3% below the output for the same period of 2008, the second crop was a remarkable 22.3% larger owing to favourable weather conditions.

The rice industry achieved production of 359,789 tons in 2009, an expansion of 9.2% and the second-largest

#### (b) Monetary policy

The focus of monetary policy was on maintaining stable prices and exchange rates while facilitating access to credit for the private sector. Private-sector credit increased by 5.7% in 2009, a sharp decline in growth when compared to the 21.8% increase in 2008. The rise was led by agriculture with 29.3%, real estate with 24.4% and other services with 21%.

Where interest rates are concerned, the 91-day treasury bill rate declined by 1 basis point to 4.18% in 2009. On the other hand, the weighted average time deposit rate increased by 6 basis points even as the weighted average lending rate declined by 17 basis points to 12.17%. There was thus a decline of 23 basis points in the spread between the two rates and this may have helped to expand private-sector credit, even though the gap is still large. The easing of monetary policy was the result of a relatively stable exchange rate and lower inflation.

#### (c) Exchange-rate policy

Exchange rates were relatively stable in 2009, with the Guyana dollar appreciating by 0.97% against the United States dollar. There was also a slight decrease in the value of transactions on the foreign exchange market: volumes fell by 2.8% to US\$ 4.7 billion, in line with the drop in transactions on the external current account.

annual crop in the industry's history. The rest of the agricultural sector grew by 1.4%, partly because of campaigns encouraging farmers to grow more food and partly because a bridge was built across the Berbice River, making it easier for them to transport their produce.

In the mining and quarrying sector, low global demand for bauxite and alumina meant that production declined by 29%. Diamond declarations also declined by 14.8% as producers shifted their efforts to the more lucrative gold mining sector. Because of rising gold prices, gold declarations increased by 14.7% and the overall decline in the sector was limited to 2.9%.

The manufacturing sector had mixed results, but overall growth was 4.3%, which was considerably better than the decline of 4.4% in 2008. There was some strong growth in manufacturing subsectors such as aerated beverages, mineral or distilled water and stock feed.

Financial services and other services grew by 10.7% and contributed 3.8% of GDP, while government

services experienced no growth in 2009 but contributed 8.6% of GDP.

The rebased GDP estimates suggest an overall growth rate of 4.4%, with the non-sugar sector expected to grow by 3.4% in 2010. Budget projections anticipate improved performance in all sectors, but sugar is expected to be the top performer with growth of 19.8%, thanks to increased acreages and a stable industrial climate. The rice industry is expected to grow by 4.6% and mining and quarrying by 9.1%.

### **(b) Prices, wages and employment**

The inflation rate was 3.7% in 2009, reflecting subdued economic conditions abroad that moderated inflationary pressures. In addition, the rate of excise tax on fuel products was lowered twice in 2009, helping to dampen price increases. There were small wage increases of 6% across the board for public servants, teachers, members of the armed services and government pensioners, but this will not have raised aggregate demand significantly. Inflation for 2010 has been projected at 4% on the assumption of moderate increases in commodity prices.

Preliminary data suggest that employment growth in the public and private sectors was marginal and that labour unrest increased in 2009. Employment in the public sector increased by 2.1%, while employment in public corporations declined by 0.9%. In addition, the minimum wage for certain private sector workers increased.

### **(c) The external sector**

The current account deficit in 2009 was US\$ 219.7 million or 15.2% of GDP, an improvement on the 22.8% of GDP recorded in 2008. This was largely

due to a contraction in the total value of imports. Merchandise imports, for example, declined by 12% to US\$ 1,169 million, partly owing to lower fuel prices. Meanwhile, merchandise export earnings declined moderately from US\$ 802 million in 2008 to US\$ 768 million in 2009. This was the result of lower prices for major exports.

For example, while the volume of sugar exports increased, the average export price declined because of European price cuts in October 2009. As a result, export earnings for sugar were US\$ 118.9 million, or 10.8% below the 2008 value. Similarly, rice exports increased in 2009 but the average export price declined by 27.3% relative to 2008. As a consequence, export earnings were US\$ 114.1 million, or 3.3% below the 2008 level. Export earnings from bauxite also fell by some 39.3%, while earnings from gold, for which average prices increased, rose by 38.3%.

Net transfers declined by 9.1%, while remittances also fell by 4.3% to US\$ 299.6 million. This was a result of the uncertain economic conditions abroad, especially in the United States, where most Guyanese emigrants reside. The capital and financial account balance strengthened from US\$ 327 million to US\$ 454 million, boosted by inflows of Special Drawing Rights (SDRs) from the IMF and net private investment inflows. Consequently, the overall balance of payments recorded a surplus of US\$ 234.4 million in 2009, or 16.1% of GDP.

As a result of this, the overall external reserve position of the Bank of Guyana improved to US\$ 628 million in 2009. A small deficit of US\$ 11 million was projected for the 2010 balance of payments as a result of higher import costs stemming from rising oil prices, higher worker remittances and lower foreign direct investment flows.