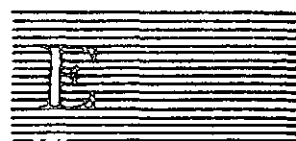


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ECONOMIC SURVEY
OF LATIN AMERICA

1980

GUYANA

OFFPRINT

GUYANA

1. Recent economic trends: Introduction and summary

Very preliminary estimates of the GDP for 1980 show an increase of 2% in real terms. If accurate, this would mean an interruption of four consecutive years of negative growth. At all events, the available indicators point to a clear improvement after the extremely adverse evolution of the economy in the period 1976-1979.

Thus, part-year data reveal a slackening in the rate of inflation, which hovered around nearly 20% in 1978 and 1979 but fell to somewhat less than 16% in the first six months of 1980 (see table 1).

The current value of exports of goods and services increased by 31%, thanks to a partial recovery in the output of several of the main traditional exports, and especially the pronounced rises in the international prices of all of them, with the exception of rice. Consequently, despite a 28% jump in the import price index, the terms of trade improved slightly for the first time since 1975, when the price of sugar, then the country's principal export item, tumbled.

The current value of imports of goods and services rose by almost 37%, which after discounting inflation, represented a 10% increment in the volume of merchandise imports. While the relatively higher rate of expansion of the value of imports compared with that of exports led to a 57% leap in the deficit on merchandise trade, the increased supply of imports was crucial to a turnaround in the economy's very depressed fortunes, since imports account for 90% of global supply. Even so, the volume of imports in 1980 was still 20% below the 1976 level.

On the other hand, notwithstanding the considerable expansion of exports and the injection of foreign exchange under the IMF Extended Fund Facility (EFF), the big increases in the international price of oil meant that the replenishment of depleted inventories of inputs, spare parts and other intermediate materials, virtually all of which are purchased abroad, was possible only at the expense of a further reduction of the meager holdings of gross international reserves and an appreciable increase in the foreign debt.

The recovery of output in the goods-producing sectors in 1980 was facilitated not only by the mitigation of the severe constraint on the domestic availability of imported intermediate goods, but also to a considerable extent by a marked cutback in the number of man-hours lost through strikes. Thus, in contrast with the total of over 324 000 man-hours lost in 1979, only about 68 000 were lost in 1980: the lowest such figure in a decade.

According to partial data on money, wages and salaries in the public sector, it would seem that real wages probably declined in 1980, following substantial reductions in each of the past few years, since wage increases for public employees, who make up the largest part of the labour force, only ranged between 5% and 7%.

Current government outlays on wages and salaries rose by 10%, but overall current expenditures expanded well over 24%, while current income grew 14.5%. Consequently, the deficit on the current account advanced to 37% of current expenditure, compared with 32% in 1979. At the same time, capital spending soared by almost 61%, with the result that the fiscal deficit reached a sum equivalent to 39% of the GDP. This enormous deficit was financed in part by the allocations of foreign exchange to Guyana under the EFF, but mainly from increased borrowing from domestic and foreign banks. Nevertheless, the money supply grew by a mere 2%, owing primarily to the steep drop in gross international reserves.

Under the renegotiated EFF agreement with the IMF, Guyana will receive SDR 300 million over the next three years. This agreement replaces the one originally established in June 1979, which

Table 1

GUYANA: MAIN ECONOMIC INDICATORS

	1975	1976	1977	1978	1979	1980(a)
A. Basic economic indicators						
Gross domestic product at factor cost (millions of current Guyana dollars)	1 098	1 038	1 013	1 126	1 170	1 371
Population (thousands of inhabitants)	787	799	812	824	842	859
Per capita gross domestic product (current of Guyana dollars)	1 395	1 299	1 247	1 366	1 389	1 596
<u>Annual growth rates</u>						
B. Short-run economic indicators						
Gross domestic product	26.2	-5.5	-2.4	11.1	3.9	17.2
Per capita gross domestic product	24.1	-6.9	-4.0	9.5	1.7	14.9
Terms of trade (goods and services)	4.2	-17.1	1.8	-0.7	2.5	4.4
Current value of exports of goods and services	26.9	-20.8	-6.6	13.7	-1.3	31.1
Current value of imports of goods and services	32.4	9.6	-14.7	-9.7	25.6	36.7
Consumer price index						
December - December	5.5	9.2	9.0	20.0	19.4	15.7(b)
Variation between annual averages	6.0	8.7	10.8	19.5	15.6	...
Money	55.4	7.6	28.7	4.9	-3.3	1.9(c)
Current income of government	48.6	20.9	-5.6	2.4	9.0	14.5
Total expenditure of government	69.3	23.0	-21.6	8.1	24.6	34.0
Fiscal deficit/total expenditure of government (d)	19.7	49.6	39.5	42.5	49.7	57.0
<u>Millions of dollars</u>						
C. External sector						
Trade balance (goods and services)	1	-111	-71	-	-84	-132
Balance on current account	-22	-139	-95	-28	-119	-169
Variation in international reserves	50	-92	-5	16	-55	-43

Source: CEPAL, on the basis of official data.

- (a) Preliminary figures.
 (b) June 1980 with respect to June 1979.
 (c) January-September.
 (d) Percentage.

was suspended at the end of that same year when the Government found itself unable to comply with all of the provisions of the accord.

2. Trend in economic activity

(a) Global supply and demand

Led by the 37% rise in the current value of imports of goods and services, global supply rose 25% in money terms in 1980, when imports accounted for fully 90% of global supply against 85% in 1977 (see table 2).

With respect to global demand, domestic demand increased at an appreciably slower pace than exports of goods and services. The growth rates of the major components of domestic demand were approximately uniform, with the exception of public gross fixed investment, which expanded over 25% compared with 17% in the case of private investment.

(b) Growth of the main sectors

(i) *Introduction.* The nominal expansion of the GDP in 1980 was primarily due to the process of recovery of the mining sector, the growth rate of which surpassed 33%.

In addition, agriculture recovered sharply from its exceptionally poor 1979 performance, to expand by 19%. Although the current values of the manufacturing and construction GDP rose by a substantially lower figure, both registered appreciable gains over 1979 (see table 3).

Overall, the goods-producing sectors recorded a 21% increase, against an increment of just 4% in 1979, and they provided fully 60% of the GDP in 1980 (the same percentage as in 1970). This unusually high proportion is accounted for by the large role that mining plays in the economy.

The rate of increase of the service sectors as a whole amounted to 11.5%: three times the previous year's rate, but nevertheless a factor in keeping down the overall rate of growth in 1980.

Table 2

GUYANA: TOTAL SUPPLY AND DEMAND

	Millions of Guyana dollars				Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1980(b)	1977	1980(b)	1978	1979(a)	1980(b)
Global supply	<u>2 069</u>	<u>2 096</u>	<u>2 317</u>	<u>2 893</u>	<u>184.6</u>	<u>189.7</u>	<u>1.3</u>	<u>10.5</u>	<u>24.9</u>
Gross domestic product at market prices	1 121	1 246	1 320	1 530	100.0	100.0	11.1	5.9	15.9
Imports of goods and services	948	850	997	1 363	84.6	89.7	-10.3	17.3	36.7
Global demand	<u>2 069</u>	<u>2 096</u>	<u>2 317</u>	<u>2 893</u>	<u>184.6</u>	<u>189.7</u>	<u>1.3</u>	<u>10.5</u>	<u>24.9</u>
Domestic demand	1 365	1 298	1 529	1 860	121.8	121.6	-4.9	17.8	21.6
Gross domestic investment	290	241	335	415	25.9	27.1	-16.9	39.0	23.9
Public	230	194	275	345	20.5	22.5	-15.6	41.7	25.4
Private	60	47	60	70	5.4	4.6	-21.7	27.7	16.7
Total consumption	1 071	1 057	1 194	1 445	95.5	94.5	-1.3	13.0	21.0
General Government	300	335	355	435	26.8	28.5	11.7	6.0	22.5
Private	771	722	839	1 010	68.5	66.0	-6.4	16.2	20.4
Exports of goods and services	708	798	788	1 033	53.1	67.5	12.7	-1.2	31.1

Source: Statistical Bureau, Ministry of Economic Development, Guyana.

(a) Preliminary figures.

(b) Estimate.

Table 3

GUYANA: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of current Guyana dollars			Percentage breakdown		Growth rates		
	1978	1979(a)	1980(b)	1970	1980(b)	1978	1979(a)	1980(b)
Total gross domestic product	<u>1 126</u>	<u>1 170</u>	<u>1 371</u>	<u>100.0</u>	<u>100.0</u>	<u>11.3</u>	<u>3.9</u>	<u>17.2</u>
Goods	<u>651</u>	<u>676</u>	<u>820</u>	<u>59.8</u>	<u>59.8</u>	<u>13.2</u>	<u>3.8</u>	<u>21.3</u>
Agriculture	264	259	308	19.3	22.5	25.1	-1.9	18.9
Mining and quarrying	171	193	257	20.4	18.7	4.3	12.9	33.2
Manufacturing	141	148	168	12.2	12.2	14.6	5.0	13.5
Construction	75	76	87	7.9	6.3	-2.6	1.3	14.5
Services	<u>475</u>	<u>494</u>	<u>551</u>	<u>40.2</u>	<u>40.2</u>	<u>8.7</u>	<u>4.0</u>	<u>11.5</u>
Transport and communications	60	62	70	5.9	5.1	3.4	3.3	12.9
Distribution	96	106	115	11.5	8.4	4.3	10.4	8.5
Rent, financial and other services	89	92	106	9.6	7.7	3.5	3.3	15.2
Government	230	234	260	13.2	19.0	14.4	1.7	11.1

Source: Statistical Bureau, Ministry of Economic Development, Guyana.

(a) Preliminary figures.

(b) Estimate.

(ii) *Agriculture.* The performance of this sector in 1980 was uneven. The output of sugar cane, which accounts for almost half the value of the agricultural GDP, decreased by close on 15%, following a decline of 6% in 1979 (see table 4). Apart from a shortage of spare parts and other inputs, such factors as adverse weather during planting and harvesting operations, an increase in the incidence of rust and smut disease, and unplanned cane fires led to a substantial reduction in the area harvested.

On the other hand, although the volume of production of the second most important crop, paddy rice, rose by over one-fifth, thanks in part to an increase in the prices paid to farmers, it still remained appreciably below the 1977 output level. The steep drop in rice production in 1977/1978 was in large part a consequence of the shortage of required inputs, and while this situation was alleviated partially in 1980, it still continued to hinder the recuperation of previous output levels.

With the exception of corn, the volume of which decreased by 15%, the production of the principal domestically consumed crops registered modest increases (see table 4).

Table 4

GUYANA: INDICATORS OF AGRICULTURAL PRODUCTION

	Thousands of tons				Growth rate		
	1977	1978	1979(a)	1980(a)	1978	1979(a)	1980(a)
Sugar cane (b)	3.3	4.0	3.8(c)	3.3(c)	22.5	-5.5	-14.6
Rice (milled)	213.4	185.0	138.0	168.0	-13.3	-24.3	21.7
Root crops	24.5	28.2	28.2	29.0	15.1	-	22.8
Plantains	19.5	21.3	21.3	22.0	9.2	-	3.3
Coconuts (d)	25.0	25.0	26.0	29.0	-	4.0	11.5
Citrus fruits	15.4	15.4	10.3	10.7	-	-33.1	3.9
Bananas	5.0	6.5	6.5	6.8	30.0	-	4.6
Corn	3.3	2.1	1.7	1.4	-36.2	-19.9	-15.0
Tomatoes	2.5	2.9	2.7	2.6	14.5	-4.9	3.5
Pineapples	1.9	1.6	1.8	1.9	-14.3	10.1	3.5
Beef	3.1	1.9	1.8	1.6	-40.6	-4.8	-7.7
Figs, sheep, goats	2.4	1.7	1.8	1.4	-26.9	5.3	21.9
Poultry	7.4	10.4	10.6	10.4	40.5	1.8	-1.3

Source: Statistical Bureau, Ministry of Economic Development, Guyana.

(a) Preliminary figures.

(b) Millions of tons.

(c) Estimate.

(d) Millions of units.

Beef output dropped for the fourth consecutive year, sinking to only 42% of the 1976 figure. The production of pigs, sheep and goats fell almost 22%, while that of poultry declined by a little over 1%. Each of these items was plagued in greater or lesser degree by an inadequate supply of feed. The provision of beef was also prejudiced by the lack of adequate transportation between the main breeding locations and primary consumer markets; that of poultry was hampered by a shortfall of hatching eggs; and that of pork was harmed by the over-slaughtering of breeding stock in 1979.

With respect to the fishing subsector, the shrimp catch rose 9% but that of other species fell by an average of 18%, while in the case of forestry, timber production declined by some 10%.

(iii) *Mining and quarrying.* Thanks to pronounced recoveries in alumina and aluminous cement production, the overall level of output in the bauxite industry registered a partial recovery from the very depressed 1979 situation, notwithstanding a further drop in dried bauxite deliveries. In contrast, the mining of gold remained unchanged, while that of diamonds plunged by one-third (see table 5).

(iv) *Manufacturing.* The production of refined sugar fell by 20% in 1980, due to both the decrease in the sugar cane harvest and a reduction in sucrose content. That of flour and stock feeds also decreased, by 10% and 3.5%, respectively. On the other hand, the output of margarine rose by almost 46% as a result of the increased coconut harvest (see table 6).

Table 5

GUYANA: INDICATORS OF MINING PRODUCTION

	Thousands of tons				Growth rate		
	1977	1978	1979	1980(a)	1978	1979	1980(a)
Dried bauxite	1 017	1 174	1 020	1 002	15.4	-13.1	-1.8
Calcined bauxite	720	579	577	614	-20.0	-0.3	6.4
Alumina	260	230	129	211	-11.5	-43.9	63.6
Alumina hydrate	17	10	23	14	-40.6	127.7	-39.1
Aluminous cement (crude bauxite)	-	36	9	51	-	-75.0	466.7
Gold (b)	12	15	11	11	25.0	-26.7	-
Diamonds (c)	17	17	16	10	-	-6.3	-37.5

Source: Statistical Bureau, Ministry of Economic Development, Guyana.

(a) Preliminary figures.

(b) Thousands of ounces.

(c) Thousands of carats.

Table 6

GUYANA: INDICATORS OF MANUFACTURING PRODUCTION

	Thousands of tons				Growth rate		
	1977	1978	1979	1980	1978	1979	1980
Sugar	246	330	303	242	34.1	-8.2	-20.1
Edible oil (b)	1.6	1.4	1.2	...	-9.4	-17.7	...
Margarine	2	1.9	2.0	2.9	-4.7	2.4	45.6
Flour	35	36	40	36	2.9	11.1	-10.0
Molasses (b)	90	117	63(b)	...	30.0	-53.8	...
Stock feeds	37	50	57	55	35.1	14.0	-3.5
Rum (d)	3 249	3 360	3 546	3 997	4.0	4.9	12.7
Cigarettes (e)	558	519	549	567	-7.0	5.8	3.3
Soap	1.9	1.7	1.7	2.1	-13.7	-5.1	30.8
Paints (a)	1.7	1.5	1.2	0.5(f)	-14.3	-18.5	-56.5
Timber (g)	176	169	154	138	-4.0	-8.9	-10.3

Source: Statistical Bureau, Ministry of Economic Development, Guyana.

(a) Millions of litres.

(b) Estimate.

(c) Thousands of proof gallons.

(d) Millions of units.

(e) February - December 1980.

(f) Thousand of cubic metres.

Rum and cigarette production both expanded, the former by 13% and the latter by 3%. The increased rum production was promoted by the penetration of new foreign markets. Soap more than recovered previous levels following two years of declining production, but paint fell sharply, due to a cutback in residential construction demand and the paring back of inventories.

Frequent power cuts and a lack of foreign exchange for the purchase of spare parts and other inputs continued to plague the sector's fortunes. However, the incidence of industrial disputes and strikes declined.

3. The external sector

(a) Merchandise trade

(i) Exports. The current value of exports of goods rose by 34% in 1980, owing principally to the very favourable evolution of the international prices of Guyana's main export commodities (see table 7).

Thus, although the volume exported rose by less than 1%, the current value of bauxite exports increased by more than 36%, and similarly, external sales of sugar climbed 30%, notwithstanding the 6% decline in the volume shipped abroad. In contrast, both the volume and the value of alumina (including alumina hydrate) exports increased markedly, by 54% and 101%, respectively, whereas the 8% growth in the value of rice exports was almost entirely accounted for by the expansion of the volume sold abroad. Overall, the main traditional exports recorded an increase of 36%, and provided 88% of the value of total merchandise exports in 1980, against 91% in 1977.

Among the main traditional exports, rum performed outstandingly well, with a 92% leap in value.

(ii) *Imports.* The value of merchandise imports grew by almost 41% in 1980 and thus finally surpassed the previous record nominal value recorded in 1976. However, the 1980 import volume was still fully one-fifth below the 1976 level — a fact that helps to explain the contraction of economic activity between 1977 and 1979.

Table 7

GUYANA: VALUE AND VOLUME OF SELECTED EXPORT PRODUCTS (a)
(Millions of Guyana dollars and thousands of metric tons)

	1977	1978	1979	1980(b)	Growth rate		
					1978	1979	1980(b)
Total value of exports	653	736	733	983	12.8	-0.5	34.1
Main traditional exports	584	659	635	862	12.8	-3.7	35.8
Bauxite (dried/calcined)							
Value	253	250	274(c)	373	-0.1	9.4	36.2
Volume	1 600	1 601	1 578	1 587	0.1	-1.4	0.6
Alumina and alumina hydrate							
Value	79	78	54	108	-0.7	-31.1	101.1
Volume	267	251	146	225	-6.0	-41.8	54.1
Sugar							
Value	186	235	226	294	26.3	-3.5	29.9
Volume	211	286	268	252	35.5	-6.3	-6.0
Rice							
Value	67	96	81	87	43.6	-15.8	7.7
Volume	67	107	86	92	59.7	-19.6	7.0
Main non-traditional exports	33(c)	43	43	60	22.0	37.0	6.0
Rum							
Value	8(c)	10(c)	13(c)	24	26.3	30.2	92.0
Volume (d)	1 510	1 847	2 103	...	22.3	13.9	...
Molasses							
Value	6(c)	9	13(c)	12	48.3	47.2	-8.4
Volume	89	124	95	...	39.3	-23.4	...
Timber							
Value	9	11	14	16	19.8	31.2	11.9
Volume (e)	36	36	49	...	-	36.1	...
Shrimp							
Value	12	12	18(c)	9	0.8	41.9	-48.9
Volume (f)	684	763	744	...	11.6	-2.5	...
Diamonds							
Value	1	2	2	2(g)	66.5	33.3	-
Volume (h)	10	11	11	...	...	...	...
Other exports	33(c)	34(c)	39	61	4.0	13.8	56.4

Source: Statistical Bureau, Ministry of Economic Development, Guyana.

(a) Data are not directly comparable to tables 9 and 10 because different sources were used.

(b) Preliminary figures.

(c) Revised figures.

(d) Thousands of proof gallons.

(e) Thousands of cubic metres.

(f) Tons.

(g) Estimate.

(h) Thousands of carats.

Disaggregated data on the import bill for 1980 are available through the first five months only (see table 8). During this period external purchases of both intermediate and capital goods jumped by well over 50%. The value of imports of fuels and lubricants alone leaped 135%, due principally to price increases, and absorbed 33% of the import bill. In 1979 the value of imports of fuels and lubricants was equivalent to the exceptional figure of 17.5% of the GDP.

(iii) *The terms of trade and the purchasing power of exports.* In 1980 the terms of trade improved marginally, following four consecutive years of deterioration. This slight betterment, together with a modest 2% increment in export volume, translated into a 7% rise in the purchasing power of exports of goods and services, but even so this was over 3% below the level registered a decade ago and 28% below that of 1975 (see table 9).

Table 8

GUYANA: IMPORTS OF GOODS

	Millions of Guyana dollars									
				January-May		Percentage breakdown		Growth rate		
	1977	1978	1979	1979	1980	1970	1980(a)	1978	1979	1980(b)
Consumer goods	143	131	147	51	50	34.6	12.6	-8.3	12.4	-3.5
Food	(65)	(63)	(63)	(21)	(22)	(11.4)	(5.6)	(-3.7)	(-)	(3.8)
Intermediate goods	411	421	512	168	255	29.0	64.9	2.5	21.5	51.2
Fuels and lubricants	(161)	(170)	(231)	(55)	(129)	...	(32.6)	15.5	(35.9)	(134.5)
Capital goods	227	154	146	56	86	36.3	21.9	-32.2	-5.0	54.3
Miscellaneous	24	5	5	3	2	0.0	0.6	-78.3	-1.9	-15.4
Total of imports goods	604	711	810	278	393	100.0	100.0	-11.6	13.9	41.0

Source: Statistical Bureau, Ministry of Economic Development, Guyana.

(a) January - May.

(b) January - May 1980 with respect to January - May 1979.

Table 9

GUYANA: MAIN FOREIGN TRADE INDICATORS

	1975	1976	1977	1978	1979	1980(a)
<u>Annual growth rates</u>						
Exports of goods						
Value	30.1	-20.5	-7.2	13.9	-1.0	32.3
Volume	3.3	-3.6	-15.2	10.8	-10.2	2.1
Unit value	25.9	-17.5	9.4	2.6	10.3	29.6
Imports of goods						
Value	32.8	8.2	-13.3	-9.5	13.9	41.0
Volume	7.9	6.6	-16.2	-13.6	2.6	10.2
Unit value	23.1	1.5	5.9	4.7	11.0	28.0
Terms of trade	3.6	-19.1	3.2	-2.1	-0.7	2.8
<u>Indexes (1970 = 100)</u>						
Terms of trade	140.1	113.3	117.0	114.5	113.7	116.9
Purchasing power of exports of goods	134.1	104.6	90.9	98.8	90.3	96.6
Purchasing power of exports of goods and services	125.2	97.2	85.0	92.1	84.1	89.1

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) *The services trade and factor payments*

The traditionally enormous deficit on the services trade expanded from US\$ 81 million in 1979 to US\$ 102 in 1980, but registered a moderate decline as a proportion of the value of exports

of goods and services, from 31% to 28%. Payments of profits and interest on foreign capital rose slightly, while private transfers remained at the same negative amount (see table 10).

Table 10

GUYANA: BALANCE OF PAYMENTS
(Millions of US dollars)

	1975	1976	1977	1978	1979	1980(a)
Exports of goods and services	370	293	274	311	307	403
Goods FOB	351	280	259	295	293	387
Services (b)	19	13	15	16	14	16
Transport and insurance	3	2	2	3	...	...
Travel	3	3	3	3	...	...
Imports of goods and services	369	404	345	311	391	535
Goods FOB	306	331	287	259	296	417
Services (b)	63	73	58	52	95	118
Transport and insurance	36	42	36	32	...	...
Travel	5	6	3	3	...	...
<u>Trade balance</u>	<u>1</u>	<u>-111</u>	<u>-71</u>	<u>-</u>	<u>-84</u>	<u>-132</u>
Profits and interest	-19	-24	-21	-22	-29	-31
Profits	-8	-4	-3	-2	...	...
Interests	-11	-20	-18	-20	...	...
Unrequited private transfer payments	-4	-4	-3	-6	-6	-6
<u>Balance on current account</u>	<u>-22</u>	<u>-139</u>	<u>-95</u>	<u>-28</u>	<u>-119</u>	<u>-169</u>
Unrequited official transfer payments	-1	-2	-	-1	...	...
Long-term capital	69	53	68	47	...	...
Direct investment	1	-26	-1	-	...	...
Portfolio investment	4	-1	-2	-	...	...
Other long-term capital	65	80	71	47	...	...
Official sector (c) (d)	37	87	77	45	...	...
Loans received	45	107	96	95	...	180
Amortization payments	-8	-18	-26	-58	...	-48
Commercial banks (d)	-	-	-	-	-	...
Loans received	-	-	-	-	-	...
Amortization payments	-	-	-	-	-	...
Other sectors (d) (e)	28	-6	-5	2	...	...
Loans received	-	-	-	-	...	...
Amortization payments	-	-	-	-	...	...
<u>Basic balance</u>	<u>46</u>	<u>-88</u>	<u>-27</u>	<u>18</u>	<u>...</u>	<u>...</u>
Short-term capital	-4	4	16	2	...	...
Official sector	-	8	12	3	...	...
Commercial banks	-3	1	4	-1	...	...
Other sectors	-1	-5	-	-	...	...
Errors and omissions	8	-6	5	15	64	126
Counterpart items (f)	-	-2	1	-19	...	...
<u>Global balance</u>	<u>50</u>	<u>-92</u>	<u>-5</u>	<u>16</u>	<u>-55</u>	<u>-43</u>
Total variation in reserves (- sign indicates an increase)	-50	92	5	-16	55	43
Monetary gold	-	-	-	-	...	...
Special Drawing Rights	-	-	1	-	-	4
IMF reserve position	-4	6	-	-	-	-
Foreign exchange assets	-38	66	4	-32	41	...
Other assets	-2	-	-	-	...	...
Use made of IMF credit	-6	20	-	16	13	35

Source: 1975-1979: International Monetary Fund, *Balance of Payments Yearbook* (Magnetic tape, March 1981); 1980: CEPAL, on the basis of official data.

- (a) Preliminary figures.
- (b) Services also include other official and private transactions.
- (c) Including general government and Central Bank.
- (d) In addition to loans received and amortization payments made, this entry includes net loans granted and other assets and liabilities.
- (e) Including private and State non-bank enterprises.
- (f) Includes counterpart items in respect of monetization or demonetization of gold, allocation or settlement of Special Drawing Rights, and variations due to revaluation.

(c) *The current account position and its financing*

The outcome of the above trends was an enlargement of the deficit on the current account to US\$ 169 million: 42% higher than the previous year. This deficit was financed partially by loans to the public sector and drawings from the IMF Extended Fund Facility, and partly by depletion of the international reserves, which dropped to less than US\$ 12 million: only enough to cover one week's supply of imports (see table 10).

(d) *External indebtedness*

The unfavourable balance of payments situation, together with the closely associated contraction of domestic economic activity and the maintenance of an ambitious public sector capital expenditure programme over the last five years, has led to a substantial although not inordinate rise in the external debt, servicing of which, as a percentage of total exports, multiplied more than five times between 1975 and 1979. This occurred despite the fact that the average interest rate on the debt remains low, and is due primarily to the fact that exports declined over this period (see table 11).

Table 11

GUYANA: INDICATORS OF EXTERNAL INDEBTEDNESS
(Millions of dollars)

	1975	1976	1977	1978	1979
Public debt and State-guaranteed private debt	291	363	398	427	467
Servicing of external debt	16	33	33	50	91
Amortization payments	6	13	16	33	66
Interests payments	10	20	15	17	25
Servicing of external debt, as a percentage of total exports	4.3	11.3	12.0	16.1	22.5

Source: World Bank, *World Debt Tables*, Volume 11, 31 October 1980.

4. Prices and wages

Part-year data on the evolution of the urban consumer price index show that after the escalation in the rate of price increases in both 1978 and 1979, the rate of inflation in the first six months of 1980 stabilized, notwithstanding the sharp hike in the international price of oil (see table 12).¹

Table 12

GUYANA: EVOLUTION OF THE URBAN CONSUMER PRICE INDEX

	Growth rates				
	1976	1977	1978	1979	1980(a)
All items	9.0	8.3	15.2	17.8	17.1
Food, beverages and tobacco	13.8	8.6	17.2	18.9	14.5
Clothing	5.9	14.4	29.5	30.1	17.5
Housing	0.2	1.7	1.1	7.5	17.1
Miscellaneous	9.2	11.4	18.6	17.0	24.9

Source: Bank of Guyana, *Annual Report*, 1979; *Statistical Bulletin*, November 1980.

(a) January - June 1980 with respect to January - June 1979.

¹It should be noted that the data presented on consumer price changes in table 1 refer to the nation-wide index.

In the first half of 1980 the 17% price inflation was led by a 25% rise in the "miscellaneous" category, the behaviour of which is determined primarily by the prices of imported petroleum and related items, and by government pricing policy with respect to these products. Thus, while the unit price of imports of motor gasoline rose by almost 37%, the internal prices of regular and premium gasoline were permitted to increase by only 19% and 17%, respectively. Likewise, the 28% hike in the domestic price of diesel oil was allowed to reflect only about 50% of the increase in its international price, the difference being absorbed by the central government. On the other hand, the domestic prices of both kerosene and fuel oil were augmented by a larger percentage than that of the increases in their respective international prices, since the domestic price of the first product rose 64% versus 53% for its international price and that of the second one, 58% versus 43%.

The rate of internal price inflation was also dampened by a decline in the rate of increase of food prices, which fell from 19% in 1979 to 14.5% in 1980. In part this reflected a sizeable increase in the output of rice—the principal item in the food budget—and a recently applied government programme establishing a maximum mark-up on basic products at the retail level.

Money wages have not kept pace with the rate of inflation over the past four years, and preliminary indications suggest that real wages suffered an additional decline in 1980. Public sector wage rates other than those in the bauxite and sugar industries were raised by 5%, while employees in bauxite and sugar received 7% increases. In addition, several categories of skilled workers perceived a further 5% rise.

5. Monetary and fiscal policy

The Government's response to the consistent contraction of the economy in the period 1976-1979 has included a wide range of measures designed to curb the deterioration of the external sector without provoking further dislocations in the evolution of domestic productive activity or a severe reduction in the public sector development programme. In 1978 a State Planning Commission was established to guide public sector operations, and for the first time a budget incorporating the activities of the entire public sector was produced. Strict controls were placed on government expenditures; consumer subsidies were reduced and a host of measures to raise current revenues were implemented. Subsequently, the Government arranged a one-year Standby Agreement with the International Monetary Fund, through which it obtained SDR 15 million, and took other measures which included increased taxes and reduced subsidies, raised interest rates, and drastically reduced imports.

In June 1979, a three-year Extended Fund Facility (EFF) agreement was negotiated with IMF, one of the main features of which was a pronounced curtailment of public sector wages. In fact, the 1979 budget froze public sector wages at their 1978 rates. In July 1979, workers in the bauxite industry went on strike over the wage issue and were later joined by other public sector workers, with the result that output in the affected industries—which provide the bulk of Guyana's foreign exchange earnings—fell precipitously. On the other hand, successive increases in the international price of petroleum led to an appreciable rise in government outlays for subsidies. In order to finance the development programme the Government turned to the domestic banking system, and since the level of its borrowing from this source exceeded the ceiling contemplated in the IMF agreement, the EFF was suspended at the end of the year.

In mid-1980 the EFF was renegotiated. Guyana will receive SDR 300 million in quarterly tranches, over a three-year period, contingent on the fulfillment of the targets set forth in the agreement. Through the end of 1980 these targets had been complied with, and the additional injection of foreign exchange permitted the country to ease somewhat the severe supply constraint on crucial imported inputs and the public sector to augment appreciably its capital expenditure programme, despite a large increase in its current account deficit.

(a) *Monetary policy*

In September 1980 the monetary base was a mere 2% greater than in September 1979 (see table 13). In 1979 the money supply had actually dropped by over 3%, and in 1978 it rose less than 5%, so that it was lower in September 1980 than at the end of 1977. Consequently, the liquidity coefficient dropped by approximately one-third in this period, while the real supply of money registered an even greater decline, the principal cause being the steep reduction in international reserves in both 1979 and 1980 (see table 13).

In 1980 domestic credit expanded almost 26%, owing primarily to increased public sector borrowing. On the other hand, savings and time deposits increased by more than a fifth, largely in response to rising interest rates. However, the most important factor of contraction was the 82% leap in "other items", which appears to have been accounted for largely by foreign borrowing.

Table 13

GUYANA: MONETARY BALANCE
(Millions of Guyana dollars)

	Balance at end of				Growth rates		
	1977	1978	1979	1980(a)	1978	1979	1980(b)
Money	<u>287</u>	<u>301</u>	<u>291</u>	<u>269</u>	<u>4.9</u>	<u>-3.3</u>	<u>1.9</u>
Currency outside banks	143	156	148	137	9.1	-5.1	1.5
Demand deposits	144	145	143	132	0.7	-1.4	2.3
Factors of expansion	<u>657</u>	<u>773</u>	<u>877</u>	<u>1 025</u>	<u>17.7</u>	<u>13.5</u>	<u>25.3</u>
Foreign assets (net)	-111	-80	-205	-259	...	...	...
Domestic credit	768	853	1 082	1 284	11.1	26.8	25.6
Government (net)	532	603	741	886	13.3	22.9	33.0
Official entities	123	127	177	210	3.3	39.4	9.4
Private sector	113	121	163	185	7.1	34.7	14.9
Factors of absorption	<u>370</u>	<u>472</u>	<u>586</u>	<u>756</u>	<u>27.6</u>	<u>24.2</u>	<u>36.5</u>
Quasi-money							
(savings and time deposits)	321	370	430	501	15.3	16.2	21.0
Other items (net)	49	102	156	255	108.2	52.9	82.1

Source: International Monetary Fund, *International Financial Statistics*, April 1981.

(a) January-September 1980.

(b) September 1981 with respect to September 1980.

(b) *Fiscal policy*

In 1980 current government income rose by 14.5%, despite a proportionately smaller increment in national income and an increase in personal income taxes allowances, because of several adjustments in the tariff structure of public services, the introduction of a consumption tax on a wide variety of imported goods, and a marked hike in the sales tax on tobacco (see table 14).

Current expenditures shot up by over 24%, but outlays for wages and salaries were held to an increment of 10%, or substantially below the rate of inflation, following a reduction of 2% in the preceding year. However, other current expenditures soared 31%, due in part to the replenishment of depleted inventories but also to increased subsidy payments for the domestic consumption of petroleum, as the scheduled reduction in the rate of subsidization was inferior to the climb in the international price of oil.

The deficit on the current account consequently shot up by 46%, but even so capital expenditures were augmented markedly (for the second consecutive year), primarily by virtue of the sizeable expansion in foreign borrowing.

As a result, the overall fiscal deficit rose by 54% to the equivalent of fully 39% of the GDP.

Table 14

GUYANA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	1977	1978	1979	1980	Growth rate (a)		
					1978	1979	1980
1. <u>Current income</u>	<u>356</u>	<u>364</u>	<u>397</u>	<u>454</u>	<u>2.4</u>	<u>9.0</u>	<u>14.5</u>
Tax revenue	304	314	335	...	3.4	6.4	...
Direct	178	166	172	...	-6.5	3.5	...
Indirect	127	148	163	...	17.1	9.6	...
Other revenue	51	50	62	...	-3.5	25.0	...
2. <u>Current expenditure</u>	<u>417</u>	<u>485</u>	<u>581</u>	<u>723</u>	<u>16.5</u>	<u>19.8</u>	<u>24.4</u>
Wages and salaries	158	182	178	196	15.3	-2.1	10.0
Other current expenditure (b)	259	303	403	527	17.3	32.9	30.7
3. Saving on current account (1-2)	-61	-121	-184	-269	...	...	...
4. <u>Capital expenditure</u>	<u>169</u>	<u>148</u>	<u>207</u>	<u>333</u>	<u>-12.8</u>	<u>40.3</u>	<u>60.9</u>
Real investment	104	89	...	...	-15.0	...	...
Other capital expenditure	65	59	...	...	-9.2	...	...
5. <u>Total expenditure (2+4)</u>	<u>586</u>	<u>635</u>	<u>788</u>	<u>1 056</u>	<u>8.1</u>	<u>24.6</u>	<u>34.0</u>
6. Fiscal deficit (or surplus) (1-5)	-230	-269	-391	-602	17.0	45.4	54.0

Source: Statistical Bureau, Ministry of Economic Development, Guyana.

(a) Calculated on the basis of unrounded data.

(b) Includes amortization on public debt.