

Guyana

The Guyanese economy continues to improve and is on track for its ninth straight year of positive growth in 2014, having expanded by 5.2% in 2013 and by 3.2% in the first six months of 2014. GDP is expected to grow by 4.5% in total for 2014 due to increased government spending and a strong performance in agriculture, manufacturing and construction. The government is projected to run a fiscal deficit of 4.9% of GDP in 2014. External public debt at end-June 2014 was down 1.7% compared to end-June 2013 and stood at 41.2% of GDP. Steps have been taken to diversify the economy and to add value to products produced in Guyana.

The government ran a fiscal deficit of 0.3% of GDP during the first half of 2014. Expenditure was up 27.8% on the same period in 2013, primarily due to increases in purchases of goods and services (chiefly materials, equipment and supplies, electricity charges and other miscellaneous expenses), transfer payments (due to an increase in contributions to local and international organizations and pensions) and employee costs (due to increases in both public-sector employment, especially in core public services, and wages). Revenue rose by 3.6% over the same period due to increases in both direct and indirect tax receipts. However, this deficit is expected to widen to 4.9% of projected GDP by the end of 2014, compared with the 4.4% deficit posted in 2013.

The money supply as measured by M1 grew by 9.8% from September 2013 to September 2014, in large part due to a net redemption of treasury bills in the first half of 2014. The banking reserve rate is set at 12%, as it has been since 2002.

A stable exchange rate is a priority goal of monetary policy in Guyana. The Guyanese dollar has depreciated by 0.12% against the United States dollar to G\$ 206.6 to US\$ 1.00. Foreign exchange reserves held by the public sector have decreased so far in 2014, as they have every quarter since 2009, having been drawn down to US\$ 671 million, or 3.9 months of import cover, to finance the balance-of-payments deficit. However, foreign exchange held by private-sector banks has increased due to a surplus of this in the market.

The current account deficit shrank by 23.7% in the first half of 2014 compared to January-June 2013 due to improvements in the merchandise and services trade balances and to transfer payments. The capital and financial account surplus decreased by 27.5% because of lower net capital transfers and short-term capital inflows and despite increases in private capital inflows. Overall, the balance-of-payments deficit shrank by 36.1% to 3.1% of GDP; the remaining deficit was financed largely by sales of foreign reserves.

Guyana: main economic indicators, 2012-2014

	2012	2013	2014 ^a
Annual growth rate			
Gross domestic product	4.8	5.2	4.5
Per capita gross domestic product	4.2	4.7	4.0
Consumer prices	3.4	0.9	0.3 ^b
Money (M1)	16.1	6.7	9.1 ^c
Annual average percentage			
Central government			
Overall balance / GDP	-4.7	-4.4	-4.9
Nominal deposit rate	1.8	1.4	1.3 ^c
Nominal lending rate ^d	14.0	12.1	11.2 ^c
Millions of dollars			
Exports of goods and services	1,713	1,541	1,384 ^e
Imports of goods and services	2,523	2,348	2,170 ^e
Current account balance	-367	-425	-360
Capital and financial balance ^f	700	199	125
Overall balance	33	-119	-152

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

a/ Estimates.

b/ Figures as of June.

c/ Figures as of October.

d/ Prime lending rate.

e/ Does not include services.

f/ Includes errors and omissions.

Growth prospects for 2014 in most of the key agricultural sectors are good, in part due to favourable international commodity prices and weather conditions. The sugar sector is expected to rebound to 2012 levels in 2014 after a very poor performance in 2013. Record rice yields are expected, in part due to increased activity by small and medium-sized enterprises and investments in drainage and irrigation networks. The primary challenge for rice growers is to find markets for their exports, though a significant amount of rice is sold to the Bolivarian Republic of Venezuela as part of the PetroCaribe arrangement. Forestry output is dramatically up on 2013 so far, due to increased international demand and favourable prices. Fisheries output has declined, while livestock output has increased marginally.

Growth in 2014 will be held back somewhat by a lacklustre performance in the extractive industries, as gold output dropped moderately from record highs in 2013 due to a price decline, which has resulted in lower net gold receipts. Diamond output has also decreased due to lower investment in the sector, and bauxite output due to lower prices.

Tourism arrivals fell in the first half of 2014. Guyana continues to focus on nature tourism and ecotourism; the biggest obstacle to developing the tourist industry is a lack of airline flights to the country from Europe and North America. This should improve following an expansion of the country's primary airport, scheduled to be completed in August 2015. Another boost to tourism is expected from the opening of a Marriott hotel in late 2014.

The manufacturing and construction sectors are expected to post strong growth of 8.1% and 12.0%, respectively, in 2014.

Inflation in the first half of 2014 was very low at -0.4%, owing largely to flat housing prices and slight declines in the prices of food, transport and communication, and furniture. Inflation expectations are also low because inflation was restrained in 2013, at 0.9%. Inflation for the whole of 2014 is projected to be 1%.

Though no official data on unemployment are available, it is likely to decrease in 2014 due to rising economic activity in key sectors, including increased government spending.