

GUYANA

1. General trends

Economic growth in Guyana is estimated to have been 3.3% in 2016, up from 3.2% in 2015. A combination of the largest gold declaration of any calendar year in Guyana's producing history and higher international prices boosted growth and exports while masking poor performances in other traditional commodity sectors such as rice, sugar and timber, as the economy continued to undergo structural changes designed to add value to production in these sectors. Indeed, output of those three commodities declined and agriculture's contribution to growth was -2.0 percentage points. The contribution of services (0.4%) and construction (0.6%) was also weak in 2016. The slowdown in the rest of the economy was reflected in the growth of credit to the private sector, which slowed to 2.1% in 2016 from 6.2% in 2015.

The fiscal deficit widened to 4.5% of GDP in 2016 from 1.4% the previous year on account of greater spending on construction and on social welfare, health and education. Increased tax collection was offset by greater transfer payments and employment costs. Guyana's external current account improved from a deficit of 5.7% of GDP in 2015 to a surplus of 0.4% of GDP in 2016 as a result of the increased gold exports. Inward foreign direct investment decreased by 73.7% in 2016 but is expected to rebound in 2017 as inflows into the oil sector increase.

Inflation returned to positive territory in 2016 following a year of deflation in 2015 because of lower fuel prices. The rise was due to higher food inflation, which in turn stemmed from adverse weather conditions leading to shortfalls in agricultural production.

Growth is estimated at 3.8% for 2017, bolstered by continued expansion in the mining sector in combination with recoveries in agriculture and construction.

2. Economic policy

(a) Fiscal policy

The overall deficit expanded from 1.4% of GDP in 2015 to 4.5% of GDP in 2016. This worsening of the central government financial situation was attributable to an expansion in capital expenditure to 6.6% of GDP (from 4.7% the previous year) combined with an increase in current expenditure to 23.9% of GDP (from 22.5% in 2015). The deficit was financed by net domestic borrowing of 23.862 billion Guyana dollars (G\$) and net external borrowing of G\$ 7.837 billion.

Current expenditure grew by 15.2%, mainly as a result of a 26.2% increase in transfer payments and a 10.5% increase in personal emoluments. Capital expenditure grew 52.1% because of increased construction spending, while outlays on social welfare, health and education also rose. Major infrastructure projects in 2016 included the East Bank and West Demerara Road, the airport modernization project and the Power Utility Upgrade Programme.

Current revenue also increased, thanks to a 6.2% jump in taxes collected by the Guyana Revenue Authority. Revenue from public sector workers rose because of higher wages and salaries, while receipts from the self-employed expanded as a result of stricter compliance measures. Capital revenue was up

because of higher disbursements under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative and in the form of non-project grants.

Guyana's central government debt ratio declined modestly in 2016 to 46.6% of GDP from 48.4% of GDP in 2015. The composition of liabilities changed somewhat, as domestic debt increased to 12.8% of GDP from 12.4% in 2015, while external debt decreased slightly to 33.8% of GDP from 36.0% in 2015. The increase in domestic debt was largely a consequence of greater issuance of treasury bills to sterilize excess liquidity in the financial system. A non-negotiable debenture was also issued to the National Insurance Scheme (NIS) to help offset the loss on its investment in the Colonial Life Insurance Company (CLICO).

Higher redemption of 91-day and 364-day bills, compounded by higher yields, led to an increase of 9.8% in total domestic interest charges in 2016. With regard to external debt, there was growth in loan disbursements by the Export-Import Bank of China and the Caribbean Development Bank for the purposes of project financing during the review period. External debt service payments were down by 45.4% from 2015 and represented 3.7% of export earnings and 6.3% of current revenue, well below the liquidity thresholds of 20.0% and 30.0%, respectively.

In 2017, the overall deficit is expected to expand because of continued growth in both current and capital expenditure. The budget for fiscal year 2017 introduced a number of policy measures, resulting among other things in the restructuring of Guyana's tax system, with value added tax (VAT) being reduced to 14% from its previous level of 16%. Whereas electricity and water were formerly zero-rated, VAT will now be charged at 14% on consumption in excess of certain limits. The income tax threshold was raised and the rate lowered to 28% for persons earning G\$ 180,000 a month or less, while a new rate of 40% was applied to individuals earning more than G\$ 2,160,000 per year. Some of the new tax measures have proved to be unpopular with the private sector. The budget announcement also included an increase in the old age pension.

(b) Monetary policy

Monetary policy in 2016 continued to be focused on price and exchange-rate stability. Guyana's reserve money grew by 14.8% in 2016. This resulted from a 21.2% increase in liabilities to the commercial banks, which in turn was due to a 23.4% increase in deposits, along with a 9.5% rise in currency in circulation. Growth in insurance premiums, pension funds and deposits underpinned an observed 1.1% increase in the financial resources of non-bank financial institutions in 2016.

The M2 aggregate expanded by 5.0%, owing to a 7.7% increase in net domestic credit. The slowing of economic activity was manifested in the growth of credit to the private sector, which decelerated to 2.1% in 2016 from 6.2% in the previous year. There were large declines (of 15.2% and 6.4%, respectively) in lending to the construction and engineering sector and the "other" sector, while credit to the mining sector fell by 14.8% despite the increase in gold production. The contraction of credit to these sectors offset increases of 13.1% in the other services sector, 8.4% in the personal services sector, 4.0% in the real estate mortgage sector and 7.8% in the manufacturing sector. A 38.6% increase in credit to the central government offset a 13.5% increase in deposits in the "other public sector" category, resulting in a swing in the government's position from net depositor to net creditor.

Treasury bill rates generally declined in 2016, with the 91-day rate falling to 1.68% from 1.92% in 2015, while the 364-day rate dropped from 2.38% to 2.13%. The commercial bank saving rate

remained unchanged at 1.26%, while the prime lending rate (simple average) increased from 12.83% in 2015 to 13.0% in 2016.

(c) Exchange-rate policy

The reference exchange rate against the United States currency remained stable at G\$ 206.5 per United States dollar (US\$) in 2016. A net inflow of foreign exchange into the market, fuelled by an improvement in the balance-of-payments position, is expected to allow this exchange rate to remain stable in 2017. Foreign-exchange inflows are expected to provide adequate import cover in addition to buttressing the exchange rate.

(d) Other policies

Guyana made significant strides in strengthening its anti-money laundering (AML)/combating the financing of terrorism (CFT) framework and in closing regulatory and legislative loopholes, with a number of amendments being made to its AML/CFT Act in 2016. With technical assistance from the World Bank, the authorities worked towards upgrading the AML/CFT framework to international standards. Efforts were centred on fully addressing all deficiencies identified by the Financial Action Task Force. During the first half of 2017, the Financial Intelligence Unit spearheaded the completion of the country's first National Risk Assessment and the development of a risk-based assessment Action Plan, which are intended to guide the national anti-money laundering strategy.

However, as a consequence of the derisking being undertaken by many international banks, two Guyanese banks had correspondent banking relationships terminated or restricted.

3. The main variables

(a) The external sector

Guyana's current account moved into a modest surplus of 0.4% of GDP in 2016, after years in deficit. An increase in exports, led by a 65.8% expansion in gold receipts, sharply lowered the merchandise goods deficit from 10.7% of GDP in 2015 to 0.2% in 2016. Besides gold, rum (7.9%), shrimp (22.1%) and other exports (11.0%) also expanded. However, exports of sugar (-6.4%), rice (-19.0%), bauxite (-11.7%) and timber (-7.5%) all fell in 2016 relative to the previous year. The surplus on current transfers fell from 13.12% of GDP in 2015 to 9.73% in 2016, while the income balance fell from a surplus of 0.8% of GDP to a small deficit of 0.1% of GDP.

Net current transfers decreased by 23.1% to US\$ 320.4 million, reflecting higher outflows in the "other current transfers" category. Inflows of current transfers were also lower at US\$ 592.2 million, down from US\$ 610.9 million in 2015. Inflows of workers' remittances decreased by 9.9% or US\$ 28.9 million to US\$ 264.6 million, while receipts from bank accounts abroad increased by 3.6% or US\$ 9.0 million to US\$ 258.4 million. The main sources of outflows were remittances to bank accounts abroad and workers' remittances, which amounted to US\$ 145.4 million and US\$ 109.4 million, respectively. Profits from the two main large-scale gold mining companies, Troy Resources and Guyana Goldfields, were largely repatriated to their respective head offices in Australia and Canada.

The capital and financial accounts moved into deficit in 2016: the capital account deficit was -0.4% of GDP, while the financial account deficit was -0.85%. This was due in part to lower inflows of foreign direct investment, which decreased by 73.7% in nominal terms, declining from 3.8% of GDP in

2015 to 0.9% of GDP in 2016. There was a slowdown in private sector foreign direct investment. Additionally, a few new companies, inclusive of the two large-scale gold mining companies mentioned above, are now at the production phase. Foreign direct investment inflows are expected to rebound in 2017, going mostly to the nascent oil sector.

The overall balance in 2016 was in deficit by 1.6% of GDP, which is less than the 2015 deficit of 3.4% of GDP. Debt forgiveness exceeded the deficit in the overall balance, allowing international reserves to increase to approximately four months of import cover by the end of 2016.

(b) Economic activity

Economic growth in Guyana was 3.3% in 2016, up slightly from 3.2% in 2015, and was driven by a 45.5% expansion in mining and quarrying that offset declines in agriculture, forestry and fishing (production of sugar, rice and timber alike contracted), in the manufacturing sector and in the wholesale and retail industry. This was in stark contrast with 2015, when most industries registered positive growth, with wholesale and retail, bauxite, forestry and fishing being the exceptions. Mining and quarrying contributed a remarkable 5.0 percentage points to economic growth in 2016, offsetting a 2.0 percentage point decline in the agriculture, forestry and fishing sector.

The growth in mining was fuelled by a 9.6% increase in gold prices coupled with a 58.1% increase in gold production from both foreign and domestic companies. The agricultural sector declined for a number of reasons, including poor weather conditions and structural reform measures. Sugar output fell because of an inadequate high-quality cane harvest in the wake of El Niño, rice output because of low international prices and a decline in the area cultivated, also owing to El Niño, and forestry output because of poor market conditions and the downscaling of logging companies. Conversely, the fishing subsector expanded as increased catches of fish and shrimp coincided with higher production of tuna, a species new to the Guyanese market.

Rice and gold production is expected to continue driving growth in 2017. The Ministry of Finance predicts growth of 3.8% in 2017, this being predicated on continued expansion in the mining sector combined with rebounds in the agriculture and construction sectors.

(c) Prices, wages and employment

Employment data are available for the public sector in Guyana but not the private sector. Total public sector employment increased by 3.6% in 2016. A 0.7% drop in the payroll at the Guyana Sugar Corporation (GUYSUCO) resulted in a 0.1% decrease in total employment at public corporations. The decline in sugar industry numbers coincided with a period of industrial unrest at GUYSUCO.

After a year of deflation in 2015, consumer prices rose again in 2016. The year-on-year inflation rate in December 2015 was -1.8%, whereas by December of the following year it had increased to 1.4%. The 12-month cumulative inflation rate fluctuated over the course of 2016, from 0.8% in January to 0.3% in February, 1.0% in June, 0.7% in July and 1.4% in December. This pattern largely reflected changes in the main component of the index, namely food. Cumulative 12-month food price inflation also fluctuated over the year, rising from 3.4% in January 2016 to 4.2% in December 2016. The increase in food prices was mainly a result of shortages due to adverse weather conditions, including El Niño. Housing costs moved down over most of the period, as did another component, transport and communications.

Table 1
GUYANA: MAIN ECONOMIC INDICATORS

	2008	2009	2010	2011	2012	2013	2014	2015	2016 a/
Annual growth rates b/									
Gross domestic product	2.0	3.3	4.4	5.4	4.8	5.2	3.8	3.2	3.3
Per capita gross domestic product	1.6	3.0	4.0	5.1	4.5	4.9	3.5	2.7	2.8
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	-2.9	1.3	2.3	2.7	3.7	2.3	5.6	2.4	-10.4
Mining and quarrying	-0.1	-2.9	-5.4	19.2	14.8	8.0	-11.5	9.0	45.5
Manufacturing	-4.4	4.3	0.3	6.8	2.4	8.0	10.7	5.3	-9.5
Electricity, gas and water	9.5	3.6	1.0	2.1	5.7	5.6	2.6	5.2	4.4
Construction	2.2	0.5	10.7	2.8	-11.0	22.6	18.0	-10.0	6.3
Wholesale and retail commerce, restaurants and hotels	4.5	9.8	10.9	4.5	6.7	-0.9	-3.0	-0.6	-1.8
Transport, storage and communications	7.7	1.3	6.9	8.1	12.2	4.8	9.5	10.3	1.2
Financial institutions, insurance, real estate and business services	7.8	8.5	10.2	7.9	11.8	10.1	1.8	6.5	2.2
Community, social and personal services	4.3	4.8	3.3	2.4	2.4	1.6	2.9	2.8	1.8
Balance of payments									
Millions of dollars									
Current account balance	-321	-231	-246	-372	-367	-456	-385	-144	...
Goods balance	-522	-411	-534	-641	-581	-500	-624	-305	...
Exports, f.o.b.	802	768	885	1129	1415	1375	1167	1170	...
Imports, f.o.b.	1 324	1 179	1 419	1 771	1 997	1 875	1 791	1 475	...
Services trade balance	-113	-102	-96	-136	-229	-338	-245	-280	...
Income balance	-15	-17	13	-9	24	29	27	25	...
Net current transfers	329	300	371	415	419	353	458	417	...
Capital and financial balance c/	239	-71	51	318	256	505	408	169	...
Net foreign direct investment	178	164	198	247	278	201	238	117	...
Other capital movements	61	-235	-147	71	-22	305	170	52	...
Overall balance	-82	-302	-195	-55	-111	49	22	25	...
Variation in reserve assets d/	44	265	158	22	80	-84	-59	-68	...
Other financing	38	37	37	33	31	34	37	43	...
Other external-sector indicators									
Net resource transfer (millions of dollars)	262	-51	101	341	311	568	471	236	...
Gross external public debt (millions of dollars)	834	933	1 043	1 206	1 358	1 246	1 216	1 143	1 162
Prices									
Annual percentages									
Variation in consumer prices (December-December)	6.4	3.6	4.5	3.3	3.4	0.9	1.2	-1.8	1.4
Variation in nominal exchange rate (annual average)	0.6	0.2	-0.2	0.2	-0.6	2.9	-0.4	-0.4	0.1
Nominal deposit rate e/	3.1	2.8	2.7	2.3	1.8	1.4	1.3	1.3	1.3
Nominal lending rate f/	13.9	14.0	15.2	14.7	14.0	12.1	11.1	10.8	10.7
Central government									
Percentajes of GDP									
Total revenue	25.4	27.2	26.0	25.6	24.7	23.6	23.6	25.7	26.0
Tax revenue	20.2	21.6	21.9	21.2	20.3	20.6	21.4	21.8	21.2
Total expenditure	29.2	30.8	28.9	28.7	29.4	28.0	29.1	27.2	30.5
Current expenditure	20.0	19.5	18.8	19.1	19.7	19.9	21.1	22.5	23.9
Interest	1.7	1.6	1.7	1.5	1.1	1.0	1.0	1.0	0.9
Capital expenditure	9.2	11.4	10.2	9.5	9.7	8.2	8.0	4.7	6.6
Primary balance	-2.1	-2.1	-1.2	-1.6	-3.6	-3.4	-4.5	-0.4	-3.5
Overall balance	-3.8	-3.7	-2.9	-3.1	-4.7	-4.4	-5.5	-1.4	-4.5
Non-financial public sector debt	62.9	67.0	68.0	66.7	63.6	58.1	51.8	48.7	47.6

Table 1 (concluded)

	2008	2009	2010	2011	2012	2013	2014	2015	2016 a/
Money and credit	Percentages of GDP, end-of-year stocks								
Domestic credit	15.3	11.4	12.1	17.8	17.0	20.2	24.4	28.2	28.5
To the public sector	-4.7	-8.1	-9.0	-4.9	-7.7	-5.9	-4.1	-1.0	1.0
To the private sector	22.8	22.8	24.4	25.6	27.7	30.1	31.8	32.8	31.3
Others	-2.8	-3.4	-3.4	-2.9	-3.0	-4.1	-3.4	-3.6	-3.9
Monetary base	14.9	17.5	20.0	18.7	19.4	18.7	19.8	21.1	22.7
Money (M1)	15.6	16.1	17.6	18.5	19.3	18.8	20.7	19.9	20.7

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

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2006 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) indicates an increase in reserve assets.

e/ Small savings rate.

f/ Prime lending rate.

Table 2
GUYANA: MAIN QUARTERLY INDICATORS

	2015				2016				2017	
	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2 a/
Gross international reserves (millions of dollars)	638	621	619	597	629	617	615	622	597	590 b/
Consumer prices (12-month percentage variation)	-1.0	-0.2	-1.0	-1.8	0.3	1.0	0.9	1.4	2.5	2.1 c/
Average nominal exchange rate (Guyana dollars per dollar)	206.9	206.9	206.9	207.2	207.2	207.2	207.2	207.2	207.2	207.2
Nominal interest rates (average annualized percentages)										
Deposit rate d/	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.2 c/
Lending rate e/	10.9	10.9	10.7	10.6	10.8	10.8	10.7	10.7	10.6	10.7 c/
Monetary policy rates	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0 c/
Domestic credit (variation from same quarter of preceding year)	12.0	6.9	11.0	15.1	14.0	15.4	10.8	5.9	11.7	10.4 c/
Non-performing loans as a percentage of total credit	9.7	9.5	10.8	11.5	11.7	11.9	13.0	12.9	12.8	...

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

a/ Preliminary figures.

b/ Figures as of May.

c/ Figures as of April.

d/ Small savings rate.

e/ Prime lending rate.