

GUYANA

1. General trends

Guyana started producing crude oil in late 2019, leading the economy to grow by an enormous 43.5% in 2020, despite restrictions on economic activity and declines in energy prices during the coronavirus disease (COVID-19) pandemic. In 2021, although oil production continued and activity restrictions were slowly eased, growth eased somewhat to 18.5%. In late 2021, ExxonMobil built its second floating production, storage and offloading (FPSO) vessel, Liza Unity, to extract crude. The machinery imported for the vessel caused substantially growth in both imports (95%) and foreign direct investment (FDI) (116%). The new vessel will increase the energy sector's total production capacity almost threefold to 340,000 barrels per day in 2022. This increased production, along with higher oil prices, is forecast to drive GDP growth of 52% in 2022. In the non-oil sectors, easing of COVID-19 restrictions in 2021 led to increased business activity and the government's expansionary infrastructure programme fuelled 30% growth in construction.

The fiscal deficit narrowed from 7.9% of GDP in 2020 to 6.8% in 2021. The administration's expansionary fiscal programme includes several infrastructure projects to diversify and invigorate the economy. The government also increased expenditure on social programmes. Monetary policy remained accommodative in 2021 and early 2022, and the exchange rate remained fixed at 208.5 Guyana dollars (G\$) to US\$ 1.

In May and June 2021, Guyana experienced severe flooding in residential and agricultural areas, affecting the output of several sectors, but particularly agriculture. As a result, yields for major crops were lower, pushing up food prices; food inflation jumped to 17% in July 2021 because of the supply shock. Headline inflation remained above 5% over the second half of 2021 and the first few months of 2022, as rising fuel prices, global supply chain issues and the conflict between the Russian Federation and Ukraine drove up prices. In response, the government removed the excise tax from fuels and adjusted taxes on freight costs.

2. Economic policy

a) Fiscal policy

The Government of Guyana maintained an expansionary fiscal policy stance in 2021, to increase the gains from the new oil industry. The 2021 budget featured many infrastructure projects to invigorate and diversify the economy, including a gas-to-shore project, solar farms, new bridges over the Demerara and Corentyne Rivers and highways to improve connectivity within Guyana and with neighbouring countries. The overall fiscal deficit for 2021 is estimated at 6.8% of GDP, down slightly from 7.9% in 2020. Total revenue rebounded by 15.4% in 2021, after falling 6.9% in 2020 owing to pandemic-related restrictions. Tax revenues rose by 16.8%, on the back of increased business activity. Trade taxes and other taxable revenue grew the most, by 30.4% and 35.2% respectively, although they account for just a small share of total revenue. Total expenditure grew by 19.0%, driven by a 13.4% increase in current expenditure. Wages and salaries and transfer payments grew by 8.3% and 9.9% respectively, while expenditure on goods and services increased by 24.6%.

In December 2021, the National Assembly passed the Local Content Act 2021, to increase the proportion of local persons employed in the oil sector and the number of local companies involved in its value chain.

The government has maintained its expansionary fiscal stance in 2022, as the budget for the year features several tax cuts and continued infrastructural spending. Some of the tax measures are meant to assist the energy sector, such as the reduction or removal of excise taxes on imported motor trucks, haulers and pick-ups, along with reduced value added tax on cranes, safety equipment and oil spill response equipment. In addition, the personal income tax threshold was increased from G\$ 65,000 to G\$ 75,000. In response to rising international fuel and shipping prices, the excise tax rate on gasoline and diesel was cut from 20% to 10%, and customs duties, excise tax and value added tax will be calculated on the basis of pre-pandemic freight costs until December 2022. In March 2022, the excise tax on fuel was removed, following further fuel price rises. The government also announced a slate of social expenditure measures, including increasing temporary financial assistance through the Public Assistance programme (17%), as well as old-age pensions (12%), school uniform grants (25%), and cash grants for children attending school (67%).

By the end of 2021, total public debt had decreased to 38.7% of GDP, from 47.4% in 2020. Increases in the domestic and external debt stocks of 36.4% and 5.5%, respectively, were outweighed by a 47.0% rise in nominal GDP. The large increase in domestic debt stock was mainly a result of inclusion in domestic debt of the government's gross overdraft with the Bank of Guyana and the government-guaranteed National Industrial and Commercial Investments Limited bond.

b) Monetary policy and exchange-rate policy

Monetary policy in Guyana was accommodative in 2021. The central bank's discount rate was unchanged at 5.0% and the reserve requirement rate remained at 10.0%, after being lowered in August 2020 as part of COVID-19 financial relief measures.

With respect the monetary aggregates, reserve money grew by 1.0%, partly on account of a 12.4% increase in currency in circulation owing to a higher volume of cash transactions. M2 expanded by 12.9%, as the increase in net foreign assets more than offset the decline in net domestic credit.

Domestic credit shrank by 33.0% in 2021, primarily because of a 102.7% decline, in credit to the public sector. The government became a net depositor in the banking system once again due to the securitization of the central government's overdraft at the Bank of Guyana. Credit to the private sector grew by 10.4%, the largest increase since 2013, mainly owing to expansion in the energy and energy support services sectors, as well as construction, which benefitted from private and public capital projects. Commercial bank investments in private securities declined by 11%.

Guyana's exchange rate remained G\$ 208.5 to US\$ 1 in 2021 and the first three months of 2022. The exchange rate is expected to remain stable in 2022, as the central bank aims to steady prices and balance of payments flows.

d) Other policies

In February 2021, the Government of Guyana began vaccinating its population against COVID-19 using vaccines from several sources, including China, the Russian Federation and the United States. A number of measures instituted in 2020 to slow the spread of the virus were maintained through 2021, including facemask mandates, restricted entry and physical distancing. March 2022 saw a relaxing of these

measures as the numbers of infected and hospitalized waned. The facemask mandate was lifted, and while proof of vaccination is still needed to enter the country, a recent COVID-19 test is no longer required.

The government passed a reform of the Natural Resource Fund in late 2021 that introduced an oversight committee and a board of directors. The reform was meant to improve the governance of the Fund, which manages the windfall earnings from the energy sector and investments to benefit current and future generations.

3. The main variables

a) The external sector

Guyana's current account deficit expanded from 13.2% in 2020 to 20.6% in 2021. This was driven by a 94.5% increase in imports and a 43.7% increase in service debits. The goods balance moved from a surplus of 6.2% of GDP in 2020 to a deficit of 0.2% in 2021, as a 68% increase in exports was outweighed by a 94.5% increase in imports. The main reason for the shift in the trade balance was increased capital goods imports, specifically of machinery for ExxonMobil's second FPSO vessel in the last quarter of 2021, accounting for 37.9% of all imports in 2021. Other categories of imports also increased: consumption good imports by 31.8% and intermediate goods imports by 39.9% (partly owing to higher fuel prices). Total exports grew by 68.2%, driven by a 179.6% expansion in oil exports, with the number of barrels produced 58.7% higher and an average export price up 76.2%. Agricultural exports were down, on account of the heavy rainfall: sugar, rice and timber exports fell by 39.1%, 17.2% and 4.3% respectively. Despite higher prices, the second largest export product, gold, decreased by 12.3% owing to lower volumes. Net payments for factor services increased by 67.2%, while net payments for non-factor services grew by 44.7%.

The capital account surplus grew by 92.8% in 2021, driven mainly by a 115% increase in FDI, which expanded to 55.4% of GDP. This was driven by continued investment in oil and gas, particularly through imports for the FPSO vessel. Guyana also received US\$ 247 million in special drawing rights, equivalent to 3% of GDP. The expansion in the capital account outweighed the increase in the current account, which led to the overall balance expanding by 24.4%. Because of the country's economic growth, the overall balance fell as a percentage of GDP, from 1.9% in 2020 to 1.6% in 2021.

b) Economic activity

Real GDP growth is estimated at 20% for 2021, following expansion of 43.5% in 2020. The oil sector grew by 19.9% and the non-oil sector by 4.6%. Production of crude oil increased by 57% in 2021, to 42.7 million barrels, despite daily production being reduced early in the year to 36,081 barrels because of the failure of a gas processor on ExxonMobil's FPSO vessel. The processor was subsequently repaired, and production had increased to around 130,000 barrels per day by December.

In the non-oil sector, agriculture was significantly affected by the mid-year rains. Excessive flooding caused yields for sugar, rice and all other crops to fall by 35%, 19% and 10% respectively. Mining and quarrying, which includes oil and gas activities, grew by 37%. Bauxite production increased by 6.2% owing to higher grade output, while gold output fell by 15% on account of the floods. Construction grew by 30%, driven by the government's infrastructure projects. The easing of pandemic-related restrictions resulted in a 12% expansion in the services sector, with highest growth in accommodation and food services (53%) and arts, entertainment and recreation (34%).

Growth in 2022 is forecast at 52%. The arrival of ExxonMobil's second FPSO vessel will almost triple Guyana's total oil production capacity to 340,000 barrels per day (the government projects average production of 257,000 barrels per day). In addition, oil exports will benefit from high energy prices stemming from the conflict between the Russian Federation and Ukraine. Increased consumption and public and private investment will also contribute to growth.

c) Prices, wages and employment

Year-on-year inflation in Guyana increased from 2.8% in January 2021 to 7.7% in July, before easing to 5.8% by the end of the year. The rise in prices was partly due to severe flooding that affected agricultural production in May and June, causing a jump in inflation from 2.7% in April to 7.0% in June. Food inflation, which rose to 8.1% in January 2021 from 3.7% the month before, has been above 10% since mid-2021, hitting 17.0% in July 2021, including price rises of 30% for vegetables and 27% for fruit. Prices of all items were also affected by global supply chain issues. The cost of shipping pushed up the price of household appliances by 7.1% and higher energy prices caused the cost of personal transport to increase by 20%. After stabilizing in late 2021, prices have begun rising again in 2022. Headline inflation climbed from 5.8% in January to 7.5% in April and food inflation rose from 11.9% to 13.8% over the same period.

Price rises were offset for public sector workers by a 7.0% salary increase in 2021. The total number of strikes decreased from 98 in 2020 to 64 in 2021, 63 of which were by Guyana Sugar Corporation (GUYSUCO) workers. Public sector employment fell by 0.4% from December 2021 to June 2022, mainly owing to less recruitment by GUYSUCO.

Table 1
GUYANA: MAIN ECONOMIC INDICATORS

	2013	2014	2015	2016	2017	2018	2019	2020	2021 a/
	Annual growth rates b/								
Gross domestic product	3.7	1.7	0.7	3.8	3.7	4.4	5.4	43.5	18.5
Per capita gross domestic product	3.1	1.1	0.2	3.3	3.2	3.9	4.8	42.8	17.9
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	4.1	7.7	3.3	-11.1	12.7	6.6	-0.5	4.1	...
Mining and quarrying	8.4	-14.4	11.5	51.1	-7.3	3.2	10.6	303.7	...
Manufacturing	8.2	5.8	1.0	-16.2	1.5	2.2	14.7	-8.6	...
Electricity, gas and water	0.6	8.3	-2.2	11.4	2.1	3.6	4.8	3.8	17.3
Construction	5.4	-2.0	-5.0	5.7	4.9	2.9	3.1	-6.3	-22.4
Wholesale and retail commerce, restaurants and hotels	-6.4	-1.0	-11.9	2.0	6.4	4.0	5.0	-29.0	...
Transport, storage and communications	5.2	6.1	2.2	1.1	1.3	4.1	4.7	-17.2	...
Financial institutions, insurance, real estate and business services	4.0	2.7	3.0	1.8	1.4	2.4	2.7	0.4	...
Community, social and personal services	3.8	4.2	2.5	4.0	2.8	2.3	4.8	-4.0	...
	Millions of dollars								
Balance of payments									
Current account balance	-456	-385	-177	28	-291	-1 439	-2 824	-652	...
Goods balance	-500	-624	-340	-31	-207	-1 033	-2 473	515	...
Exports, f.o.b.	1 375	1 167	1 151	1 434	1 437	1 377	1 567	2 587	...
Imports, f.o.b.	1 875	1 791	1 492	1 465	1 644	2 410	4 040	2 073	...
Services trade balance	-338	-245	-282	-297	-354	-870	-886	-1 793	...
Income balance	29	27	25	-5	-11	-28	-47	-32	...
Net current transfers	353	458	421	360	282	492	581	658	...
Capital and financial balance c/	337	269	70	-81	221	1 307	2 775	712	...
Net foreign direct investment	214	255	122	6	212	1 232	1 695	1 811	...
Other capital movements	123	14	-52	-87	9	75	1 079	-1 098	...
Overall balance	-119	-116	-108	-53	-70	-132	-49	61	...
Variation in reserve assets d/	74	68	56	-2	12	56	-47	-105	...
Other financing	45	48	52	55	57	77	96	44	...
Other external-sector indicators									
Net resource transfer (millions of dollars)	411	344	146	-30	267	1 355	2 825	725	...
Gross external public debt (millions of dollars)	1 246	1 216	1 143	1 162	1 248	1 322	1 305	1 321	1 393
	Annual percentages								
Prices									
Variation in consumer prices (December-December)	0.9	1.2	-1.8	1.4	1.5	1.6	2.1	0.9	5.7
Variation in nominal exchange rate (annual average)	2.9	-0.4	-0.4	0.1	0.0	0.4	0.1	0.5	...
Nominal deposit rate e/	1.4	1.3	1.3	1.3	1.2	1.1	1.0	0.9	0.9
Nominal lending rate f/	12.1	11.1	10.8	10.7	10.6	10.4	8.9	8.5	8.5
	Percentages of GDP								
Central government									
Total revenue	17.0	17.6	19.1	20.0	21.1	22.9	23.4	20.6	16.0
Tax revenue	14.8	15.9	16.2	16.4	17.5	20.0	20.9	19.1	15.1
Total expenditure	20.1	21.7	20.2	23.4	24.5	25.6	26.2	28.5	22.9
Current expenditure	14.3	15.7	16.7	18.4	18.5	20.1	20.0	21.9	16.7
Interest	0.7	0.7	0.7	0.7	0.8	0.9	0.8	0.7	0.5
Capital expenditure	5.9	6.0	3.5	5.0	6.0	5.5	6.1	6.7	6.2
Primary balance	-2.4	-3.4	-0.3	-2.7	-2.5	-1.8	-2.0	-7.3	-6.4
Overall balance	-3.2	-4.1	-1.1	-3.4	-3.3	-2.7	-2.8	-7.9	-6.8
Non-financial public sector debt	41.6	38.7	36.0	35.7	35.2	35.8	32.6	47.4	38.6

Table 1 (concluded)

	2013	2014	2015	2016	2017	2018	2019	2020	2021 a/
Money and credit	Percentages of GDP, end-of-year stocks								
Domestic credit	14.5	18.2	20.9	21.5	22.4	25.5	27.5	29.6	15.8
To the public sector	-4.2	-3.0	-0.7	0.8	2.9	5.5	7.1	11.1	-0.2
To the private sector	21.6	23.7	24.3	23.7	22.9	23.5	23.5	22.8	20.2
Others	-2.9	-2.5	-2.7	-2.9	-3.4	-3.5	-3.1	-4.4	-4.1
Monetary base	13.4	14.8	15.6	17.1	16.6	18.8	19.4	25.7	20.8
Money (M1)	13.5	15.4	14.7	15.6	16.0	17.6	23.0	26.2	24.1

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

	2020				2021				2022	
	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)	534	520	534	541	547	534	632	664	667	634 b/
Consumer prices (12-month percentage variation)	2.0	2.4	2.3	2.1	1.6	0.5	0.8	1.3	2.4	3.8
Average nominal exchange rate (Guyana dollars per dollar)	208.8	208.7	207.2	207.3	208.8	209.1	209.0	208.9	208.6	208.9
Nominal interest rates (average annualized percentages)										
Deposit rate c/	1.0	1.0	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.9 d/
Lending rate d/	9.2	8.9	8.7	8.6	8.6	8.5	8.4	8.5	8.5	8.6 d/
Monetary policy rates	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Domestic credit (variation from same quarter of preceding year)	14.3	13.2	15.9	17.1	20.2	18.4	11.7	12.0	10.4	9.0 d/

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/ Small savings rate.

d/ Figures as of April.

e/ Prime lending rate.