

## Guyana

The economy of Guyana grew more slowly than expected in the first half of the year owing to a sharp contraction in its main economic sector—agriculture—and to a decline in mining, while construction, services and manufacturing expanded. Growth is therefore likely to reach only around 0.9% in 2009. The current account deficit is expected to narrow, reflecting declining imports due to lower prices of fuels and imported commodities. The urban inflation index stood at 1.3% for the first half of the year and should be no more than 2% at the end of the year. The outlook for 2010, based on the assumption that commodity prices will be favourable and that world demand will strengthen, is for a 3% expansion of the economy and for a rise in inflation in line with increasing fuel prices. In addition, the current account deficit should improve as remittances and exports recover.

The government's overall deficit is expected to narrow from 7.9% of GDP in 2008 to 6.5% in 2009, thanks to increasing revenues and declines in capital expenditure, while the current surplus increased by 50% in the first half of the year compared with the same period in 2008. This was due to an increase in current revenue (15%), attributable to higher collections of major taxes, especially excise duties (up by 54%), and income taxes from businesses and the self-employed, which rose by 4% and 5% respectively. The deficit was financed by domestic loan receipts and external borrowing, thus the stock of public and public-guaranteed debt increased from 103.7% of GDP at the end of 2008 to 115% of GDP at the end of June 2009 despite some debt alleviation under the Heavily Indebted Poor Countries (HIPC) Debt Initiative. At the end of June, the external debt stood at 78% of GDP, while domestic debt stood at 37.2% of GDP.

In 2009 broad money expanded by 2.2% following a 10.4% increase in the banking system's net foreign assets and a 11.4% decline in net domestic credit. Private sector credit growth was flat, although commercial bank interest rates dipped marginally. This slowdown in private sector lending is attributed to slacker demand for external trade financing.

In terms of financial market developments, the Government of Guyana in September received US\$ 15 million from the Caribbean Community (CARICOM) Petroleum

Fund, to enable it to deal with the collapse of the Colonial Life Insurance Company Guyana (CLICO Guyana). The emergency fund was used to pay CLICO Guyana policyholders since the company had been declared insolvent.

Growth in 2009 is likely to be much lower than the earlier projection of 4% presented in the budget in February. The economy grew less than expected in the first half of the year as a result of a 7.2% contraction in the agriculture sector, which accounts for approximately 20% of GDP. Adverse weather conditions and industrial unrest led to a 19.7% slump in sugar production compared with the end of June 2008 and rice production was also weak (down by 6.7%). Mining contracted, reflecting sluggish demand for bauxite and alumina on international markets, while quarrying also diminished. Conversely, services, which contribute significantly to GDP, recorded positive growth, as did construction and manufacturing.

Inflation for the period January-June 2009 stood at 1.3% compared with 5.8% in the corresponding period of 2008. As a result, inflation is expected to be below 2% in 2009. This decline is due to lower food and fuel prices on the world market.

Data for the first half of the year point to a narrowing of the current account deficit from 16.9% of GDP in 2008 to 10% in 2009, reflecting a reduction in the import bill due to lower fuel prices and a softening of domestic demand. Export earnings also fell compared with the same period

in 2008 owing to weaker commodity prices and slower export growth. Workers' remittances, another major source of foreign exchange, dropped by 10 % since June 2008 to stand at 19% of GDP in June 2009. The capital and financial account surplus rose, despite smaller flows of FDI. Overall, the balance of payments posted a surplus and gross reserves expanded to US\$ 405.1 million or 3.6 months' imports of goods and services.

The outlook for 2010 is positive with growth prospects (3%) barring any significant fall in sugar and rice prices. In addition, bauxite exports should rally on the back of stronger global demand and thus contribute to an improvement in the current account balance.

#### GUYANA: MAIN ECONOMIC INDICATORS

	2007	2008	2009 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	5.3	3.1	0.9
Per capita gross domestic product	5.3	3.2	1.0
Consumer prices	14.1	6.4	1.3 <sup>b</sup>
Money (M1)	12.8	12.5	3.2 <sup>c</sup>
<b>Annual average percentages</b>			
Central government			
overall balance/GDP	-7.5	-7.9	-6.5
Nominal deposit rate <sup>d</sup>	3.2	3.1	2.8 <sup>e</sup>
Nominal lending rate <sup>f</sup>	14.1	13.9	14.0 <sup>e</sup>
<b>Millions of dollars</b>			
Exports of goods and services	698	798	650
Imports of goods and services	1 063	1 300	1 000
Current account balance	-189	-299	-195
Capital and financial account balance <sup>g</sup>	188	306	428
Overall balance	-1	7	233

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

<sup>a</sup> Preliminary estimates.

<sup>b</sup> January-June 2009 variation.

<sup>c</sup> Twelve-month variation to September 2008.

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

<sup>e</sup> Average from January to September, annualized.

<sup>f</sup> Prime rate.

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