

GUYANA

1. General trends

Economic activity in Guyana had accelerated ahead of the commencement of commercial oil production in December 2019, with growth estimated at 4.7% in 2019, up from 4.1% in 2018, fuelled by oil and gas sector investments and the buoyant performance of traditional industries, including rice, gold and tourism. Growth is projected to jump to 44.3% in 2020, as commercial oil production is expected to reach the full potential (120,000 barrels per day) of the Liza Phase I project. The schedule has been set back, however, owing to challenges with the gas compressor. In addition, downside risk is high as the return of technical crews to Guyana has been delayed by restrictions to contain the spread of coronavirus disease (COVID-19). Growth in the non-energy sector is also expected to have been negatively impacted by the COVID-19 pandemic, as well as by the political uncertainty related to the regional and general elections held in early March 2020.

Although fiscal revenue increased by 10.9% owing to increases in tax revenues, the central government's fiscal deficit expanded modestly to 3.5% of gross domestic product (GDP) in 2019, up from 3.4% in 2018. Current expenditure rose by 8.3%, reflecting higher staff costs and increases in purchases of goods and services, while capital expenditure increased by 20.4%, largely due to disbursements in housing, power generation and education. The fiscal 2020¹ budget had not been presented as of the end of July when this report was prepared, but total revenue is expected to increase further, driven by revenues from oil production, although the oil revenues will likely be lower than previously estimated owing to the declines in international oil prices. Fiscal expenditure is also expected to expand because of the government's likely inclusion of a fiscal package to tackle the COVID-19 crisis.

The monetary policy stance remained accommodative in 2019, as net redemptions of treasury bills issued for monetary policy purposes amounted to 20.0 billion Guyana dollars (G\$), while the central bank rate and the reserve requirement ratio were unchanged at 5.00% and 12.0%, respectively. Commercial interest rates continued to fall, and year-on-year private sector credit expanded by 8.6% in 2019. Inflation increased from 1.6% in 2018 to 2.1% in 2019, reflecting higher food prices (6.2%). In 2020, overall inflation is expected to be subdued as non-energy sector activity will be weak owing to the restrictions to contain COVID-19, although inflationary pressures are likely to exist for some essential goods and services.

The current account deficit widened from 37.2% of GDP in 2018 to 44.2% in 2019, largely as a result of increases in imports of capital goods and parts and accessories, reflecting investments in the oil and gas sector. The current account deficit is expected to narrow in 2020, as Guyana starts to collect large revenues from oil exports, although this will be partly offset by outflows of profits to foreign oil companies.

2. Economic policy

(a) Fiscal policy

In 2019, the central government's fiscal deficit edged up to 3.5% of GDP in 2019 from 3.4% in 2018. Current expenditure rose by 8.3%, reflecting higher staff costs and increases in purchases of goods

¹ The fiscal year in Guyana is concurrent with the calendar year.

and services, while capital expenditure increased by 20.4%, largely due to disbursements in housing, power generation and education. On the other hand, fiscal revenue increased by 10.9%, owing to increases in income tax from private corporations and individuals, as well as value added tax (VAT) and excise taxes.

The fiscal 2020 budget had not been presented as of 11 June, as Parliament was dissolved on 30 December 2019 to hold the regional and general elections on 2 March 2020. As both the ruling coalition, A Partnership for National Unity (APNU), and the main opposition, the People's Progressive Party/Civic (PPP/C), claimed victory after the elections, a recount was held. The final declaration of the election result was expected to be delivered by 16 June.

In the absence of an approved budget, the government is authorized to spend only one twelfth of the 2019 budget for recurrent expenses each month, as well as rolled over capital projects, but may not sign new capital contracts. Meanwhile, the government announced or implemented a number of relief measures to deal with COVID-19, including the removal of VAT on utility bills, waiver of VAT and duties on medical supplies, extension of the deadline for the filing of tax returns, the distribution of food packages to support the vulnerable population affected by the COVID-19 pandemic and cash transfers for small farmers.

Once the final election result is declared, the government will present the fiscal 2020 budget. Fiscal expenditure is expected to expand from 2019, as the government will likely include a fiscal package to tackle the COVID-19 crisis, as well as delivery on some of the election promises. Total revenue is also expected to increase, driven by the revenues from oil production, although declines in international oil prices will make these lower than previously estimated.

In order to finance the fiscal measures to combat the negative impacts of the COVID-19 pandemic, the government is seeking to tap funding from international sources, such as the United States and India, and agencies, including the World Bank and the International Fund for Agricultural Development (IFAD).

(b) Monetary policy

The Bank of Guyana has maintained an accommodative monetary policy stance since the 2008–2009 global financial crisis. Although the central bank lending rate, the bank rate, has remained at 5.00%, treasury bill rates declined in 2019, following G\$ 20.0 billion net redemptions of treasury bills issued for monetary purposes. For example, the 182-day treasury bill rate decreased from 0.96% in December 2018 to 0.89% in December 2019, and the 364-day treasury bill rate came down from 1.23% to 1.00%. The average small savings rate and the weighted average lending rate also fell, from 1.04% to 0.97% and from 10.02% to 9.18%, respectively. During the first three months of 2020, most interest rates remained unchanged.

Falling interest rates underpinned the surge in net domestic credit, up 17.5% in 2019, as more loans were granted to both the public and private sectors. Private sector credit increased by 8.6% in 2019, driven mainly by higher credit to the other services sector and real estate mortgage loans. Public sector credit expanded significantly, by G\$ 23.7 billion, mainly as a result of a worsening central government net credit position. Owing to the uptick in domestic credit as well as in net foreign assets, the broad measure of money supply, M2, increased by 16.8% in 2019.

The central bank has implemented several financial measures in response to the COVID-19 crisis, including a three-month moratorium before classifying affected loans as non-performing, and has encouraged financial institutions to offer relief such as reduction in interest rates and deferral of loan

payments. During the rest of 2020, the monetary policy stance is expected to remain accommodative, unless unexpected inflationary pressures arise with the commencement of oil production.

(c) Exchange-rate policy

The central bank's exchange rate remained constant at G\$ 208.5 to US\$ 1 over 2019 and the first three months of 2020, although the market exchange rate recorded a small depreciation. Throughout the rest of 2020, the exchange rate is expected to remain stable as the government seeks to stabilize prices.

(d) Other policies

The government established the Natural Resource Fund (NRF), a sovereign wealth fund to manage oil revenues for sustainable development, in January 2019. The management of NRF is to be steered by the principles of good governance, including transparency, accountability and international best practices. In February 2020, the government's first entitlement of crude oil was lifted from the oil production facility of the Liza Phase I project, amounting to over 1 million barrels. The corresponding payment to NRF, in March 2020, was US\$ 54.9 million, and this was followed in April by a further US\$ 4.9 million in royalty payments for the first quarter of 2020.

3. The main variables

(a) The external sector

Despite higher receipts from gold and rice exports, the current account deficit widened from 37.2% of GDP in 2018 to 44.2% of GDP in 2019, as a result of increased imports of capital goods and parts and accessories, following large investments in the oil and gas sector.

The merchandise trade deficit jumped from 26.7% to 35.6% of GDP, reflecting a 25.3% increase in merchandise imports. There was a 128.5% surge in imports of mining machinery, and imports of parts and accessories rose by 34.3%, as a result of large investments in the oil and gas sector. Meanwhile, exports increased by 13.8%, largely due to a 14.3% increase in gold exports and 19.7% growth in rice exports. Higher international gold prices and improved road conditions contributed to the expansion in gold exports, while better agronomic practices and higher-yielding varieties of rice (for example, the Guyana Rice Development Board (GRDB) 15 variety) boosted rice exports.

The net services deficit decreased marginally, when expressed as a GDP ratio, from 22.5% in 2018 of GDP to 21.7% of GDP in 2019, as the non-factor services deficit narrowed. The latter was attributable to lower payments for insurance services, consulting and management services, and advertising and marketing research services, while payments for other business services increased, including oil exploration services. Conversely, the deficit on the factor services account edged up from 0.7% to 1.1% of GDP, as a result of lower investment income.

Net inflows on the capital account increased from 2018 to 2019, thanks to larger inflows of foreign direct investment to the mining and oil sector. As the larger net capital inflows offset the expansion in the current account deficit, the overall balance-of-payments deficit narrowed from 3.4% to 1.2% of GDP. The balance-of-payments deficit was financed by debt reduction resulting from a bilateral debt settlement agreement signed with the Government of Kuwait, contributing to an improvement in international reserves from US\$ 528.4 million at the end of 2018 to US\$ 575.9 million at the end of 2019. However, in terms of

import cover, international reserves decreased from 1.8 to 1.6 months, due to the increases in goods and services imports.

A surplus on the balance of payments is expected in 2020 for the first time since 2012, against a backdrop of a lower current account deficit as petroleum exports boost export receipts. Meanwhile, the capital account is expected to record a lower surplus than in 2019, as a result of the adverse effects of the COVID-19 pandemic.

(b) Economic activity

Guyana's economic growth continued to accelerate, reaching 4.7% in 2019, up from 4.1% in 2018, primarily on the basis of oil and gas sector investments and an uptick in traditional industries such as rice, gold and tourism. Rice production increased by 8.8%, owing to improved agronomic practices and higher-yielding varieties, while gold declaration increased by 4.7% as output of small- and medium-scale miners increased by 23.9% thanks to improved road conditions. Gains in the tourism industry were driven by American Airlines' new non-stop flights from Miami, as Guyana has been working to position itself as an ecotourism destination. The construction industry also experienced growth, resulting from execution of public infrastructure projects, while the services sector, including financial and insurance industries, wholesale and retail trade, real estate, transportation and storage and other services, experienced increased activity driven by higher demand from oil and gas, tourism and construction activities.

Conversely, sugar production decreased by 11.9% in 2019, to below 100,000 tons for the first time since 1926. The decline resulted from a late start of the second crop resulting from the extended rainy season, adverse weather from the last week of November, mechanical failures of factories due to delays in capital investments and increasing industrial unrest. Output of bauxite also contracted by 0.3%, owing to industrial unrest at the Bauxite Company of Guyana in early 2019, despite favourable export market conditions.

Growth is projected to jump to 44.3% in 2020, as commercial oil production commenced in December 2019 and is expected to reach the full potential (120,000 barrels per day) of the Liza Phase I project in 2020. The schedule has been delayed, however, owing to challenges with the gas compressor, which forced ExxonMobil to cut oil production from 80,000 barrels per day to between 25,000 and 30,000 barrels per day in June to avoid flaring large volumes of gas. The company is committed to rectifying the compressor by July, but the downside risk is high as the return of technical crews to Guyana has been delayed by restrictions implemented to contain the spread of COVID-19.

Growth in the non-energy sector is expected to have been negatively impacted by the great uncertainty stemming from the COVID-19 pandemic, as well as the contested regional and general elections in 2020. The government has imposed emergency measures to combat the pandemic, including the closure of the country's airspace to all international arrivals from 18 March 2019, and the closure of non-essential businesses and the enforcement of a nationwide curfew from 3 April.

These emergency measures have been maintained, and on the date this report was prepared international airports remained closed, although the government is preparing for a possible reopening in the last quarter of 2020, and a possible return to normalcy in 2021.

The emergency measures have been severely affecting the tourism sector, the retail and restaurant sector and the construction sector. According to the Private Sector Commission, economic activity in the

tourism sector has come to a halt, while businesses in the retail and restaurant and the construction sectors have seen declines of between 40% and 50%.

In the agricultural sector, sugar production has been negatively affected by the social distancing measures as well as by several protests seeking wage increases. The preliminary result of the first crop production in 2020 stood at 31,740 tons against a target of 46,476 tons, although the shortfall is expected to be mitigated by continued production thanks to good weather. In contrast, rice production was not affected significantly by the COVID-19 pandemic. The yields of the first season approached the record yields produced in 2019, thanks to the improvement of extension services of the Guyana Rice Development Board and the expansion of public agricultural investments. The mining industry has been affected by the COVID-19 pandemic and response measures, as some operations in gold and bauxite subsectors have been suspended owing to the departure of expatriate workers and management from the country, as well as an industrial dispute.

(c) Prices, wages and employment

Inflation ticked up from 1.6% in 2018 to 2.1% in 2019, reflecting higher food inflation as well as lower deflation in footwear and repairs. Food prices rose by 6.2% in 2019, up from 3.1% in 2018, affected by adverse weather conditions and higher prices of imported food items. Footwear and repairs prices continued to decline, but the pace of this decline slowed considerably, from -12.6% to -1.2%. By contrast, lower fuel prices contributed to the disinflation in the housing and the transportation and communication items, which declined by 0.8% and 0.6% respectively. In February 2020, the overall inflation rate declined to 1.4%, as food inflation decreased to 3.7%. Inflation is expected to be subdued for the rest of the year, as non-energy sector activity is set to remain weak owing to the restrictions to contain COVID-19, although some inflationary pressures may exist for certain essential goods and services.

Although employment within core civil services increased by 1.3%, the job cuts at the State-owned Guyana Sugar Corporation contributed to a 0.8% fall in total public sector employment in 2019. In the private sector, jobs were created in the construction, transport, distribution and financial service sectors, thanks to increased infrastructure projects, growing incomes and favourable investment flows. In addition, the oil and gas industry created some local employment for support and technical services.

In the framework of the government's commitment to improve wages and salaries, wage increases for public servants were announced in 2019, ranging from 9% for those earning less than G\$ 100,000 a month to 3% for those with monthly salaries starting at G\$ 1 million. Nevertheless, industrial unrest increased in 2019 as the number of strikes increased to 59 from 44 in 2018, reflecting disputes over wages, working conditions and other matters.

Table 1
GUYANA: MAIN ECONOMIC INDICATORS

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 a/ |
|---|-------------------------------|-------|-------|-------|-------|-------|-------|--------|---------|
| | Annual growth rates b/ | | | | | | | | |
| Gross domestic product | 5.2 | 5.3 | 3.7 | 1.7 | 0.7 | 3.8 | 3.7 | 4.4 | 5.4 |
| Per capita gross domestic product | 4.8 | 4.8 | 3.1 | 1.1 | 0.2 | 3.3 | 3.2 | 3.9 | 4.8 |
| Gross domestic product, by sector | | | | | | | | | |
| Agriculture, livestock, hunting, forestry and fishing | 2.8 | 3.6 | 4.1 | 7.7 | 3.3 | -11.1 | 12.7 | 6.6 | -0.5 |
| Mining and quarrying | 16.4 | 17.5 | 8.4 | -14.4 | 11.5 | 51.1 | -7.3 | 3.2 | 10.6 |
| Manufacturing | 6.6 | 1.2 | 8.2 | 5.8 | 1.0 | -16.2 | 1.5 | 2.2 | 14.7 |
| Electricity, gas and water | 1.8 | 10.7 | 0.6 | 8.3 | -2.2 | 11.4 | 2.1 | 3.6 | 4.8 |
| Construction | 2.8 | -11.0 | 5.4 | -2.0 | -5.0 | 5.7 | 4.9 | 2.9 | 3.1 |
| Wholesale and retail commerce, restaurants and hotels | 4.6 | 6.9 | -6.4 | -1.0 | -11.9 | 2.0 | 6.4 | 4.0 | 5.0 |
| Transport, storage and communications | 8.5 | 12.7 | 5.2 | 6.1 | 2.2 | 1.1 | 1.3 | 4.1 | 4.7 |
| Financial institutions, insurance, real estate and business services | 3.8 | 8.5 | 4.0 | 2.7 | 3.0 | 1.8 | 1.4 | 2.4 | 2.7 |
| Community, social and personal services | 1.8 | 2.9 | 3.8 | 4.2 | 2.5 | 4.0 | 2.8 | 2.3 | 4.8 |
| Balance of payments | Millions of dollars | | | | | | | | |
| Current account balance | -372 | -367 | -456 | -385 | -177 | 28 | -291 | -1 439 | -1 803 |
| Goods balance | -641 | -581 | -500 | -624 | -340 | -31 | -207 | -1 033 | -1 452 |
| Exports, f.o.b. | 1 129 | 1 415 | 1 375 | 1 167 | 1 151 | 1 434 | 1 437 | 1 377 | 1 567 |
| Imports, f.o.b. | 1 771 | 1 997 | 1 875 | 1 791 | 1 492 | 1 465 | 1 644 | 2 410 | 3 019 |
| Services trade balance | -136 | -229 | -338 | -245 | -282 | -297 | -354 | -870 | -886 |
| Income balance | -9 | 24 | 29 | 27 | 25 | -5 | -11 | -28 | -47 |
| Net current transfers | 415 | 419 | 353 | 458 | 421 | 360 | 282 | 492 | 581 |
| Capital and financial balance c/ | 357 | 400 | 337 | 269 | 70 | -81 | 221 | 1 307 | 1 754 |
| Net foreign direct investment | 247 | 294 | 214 | 255 | 122 | 6 | 212 | 1 232 | 1 695 |
| Other capital movements | 110 | 106 | 123 | 14 | -52 | -87 | 9 | 75 | 58 |
| Overall balance | -15 | 33 | -119 | -116 | -108 | -53 | -70 | -132 | -49 |
| Variation in reserve assets d/ | -25 | -76 | 74 | 68 | 56 | -2 | 12 | 56 | -47 |
| Other financing | 40 | 43 | 45 | 48 | 52 | 55 | 57 | 77 | 96 |
| Other external-sector indicators | | | | | | | | | |
| Net resource transfer (millions of dollars) | 388 | 466 | 411 | 344 | 146 | -30 | 267 | 1 355 | 1 804 |
| Gross external public debt (millions of dollars) | 1 206 | 1 359 | 1 246 | 1 216 | 1 143 | 1 162 | 1 248 | 1 322 | 1 306 |
| Prices | Annual percentages | | | | | | | | |
| Variation in consumer prices (December-December) | 3.3 | 3.4 | 0.9 | 1.2 | -1.8 | 1.4 | 1.5 | 1.6 | 2.1 |
| Variation in nominal exchange rate (annual average) | 0.2 | -0.6 | 2.9 | -0.4 | -0.4 | 0.1 | 0.0 | 0.4 | 0.1 |
| Nominal deposit rate e/ | 2.3 | 1.8 | 1.4 | 1.3 | 1.3 | 1.3 | 1.2 | 1.1 | 1.0 |
| Nominal lending rate f/ | 14.7 | 14.0 | 12.1 | 11.1 | 10.8 | 10.7 | 10.6 | 10.4 | 8.9 |
| Central government | Percentages of GDP | | | | | | | | |
| Total revenue | 25.6 | 24.6 | 23.7 | 23.6 | 25.6 | 25.6 | 28.2 | 29.8 | ... |
| Tax revenue | 21.2 | 20.2 | 20.6 | 21.4 | 21.6 | 21.0 | 23.3 | 26.0 | ... |
| Total expenditure | 28.7 | 29.3 | 28.1 | 29.1 | 27.0 | 30.0 | 32.7 | 33.4 | ... |
| Current expenditure | 19.1 | 19.7 | 19.9 | 21.1 | 22.4 | 23.5 | 24.7 | 26.2 | ... |
| Interest | 1.5 | 1.1 | 1.0 | 1.0 | 1.0 | 0.9 | 1.1 | 1.1 | ... |
| Capital expenditure | 9.5 | 9.7 | 8.2 | 8.0 | 4.6 | 6.4 | 8.0 | 7.2 | ... |
| Primary balance | -1.6 | -3.6 | -3.4 | -4.5 | -0.4 | -3.4 | -3.4 | -2.5 | ... |
| Overall balance | -3.1 | -4.7 | -4.4 | -5.5 | -1.4 | -4.4 | -4.5 | -3.6 | ... |
| Non-financial public sector debt | 63.4 | 57.8 | 51.8 | 48.1 | 45.7 | 47.1 | 47.0 | 41.3 | ... |

Table 1 (concluded)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 a/ |
|-----------------------|---|------|------|------|------|------|------|------|---------|
| | Percentages of GDP, end-of-year stocks | | | | | | | | |
| Money and credit | 12.4 | 11.9 | 14.5 | 18.2 | 20.9 | 21.5 | 22.4 | 25.5 | 27.6 |
| Domestic credit | 12.4 | 11.9 | 14.5 | 18.2 | 20.9 | 21.5 | 22.4 | 25.5 | 27.6 |
| To the public sector | -3.5 | -5.4 | -4.2 | -3.0 | -0.7 | 0.8 | 2.9 | 5.5 | 7.3 |
| To the private sector | 17.9 | 19.5 | 21.6 | 23.7 | 24.3 | 23.7 | 22.9 | 23.5 | 23.5 |
| Others | -2.0 | -2.1 | -2.9 | -2.5 | -2.7 | -2.9 | -3.4 | -3.5 | -3.1 |
| Monetary base | 13.1 | 13.6 | 13.4 | 14.8 | 15.6 | 17.1 | 16.6 | 18.8 | 19.4 |
| Money (M1) | 12.9 | 13.5 | 13.5 | 15.4 | 14.7 | 15.6 | 16.0 | 17.6 | 23.3 |

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

| | 2018 | | | | 2019 | | | | 2020 | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------|
| | 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) | 523 | 489 | 452 | 499 | 534 | 520 | 534 | 541 | 547 | 514 b/ |
| Consumer prices (12-month percentage variation) | 0.6 | 1.3 | 1.5 | 1.6 | 2.0 | 2.3 | 2.3 | 2.1 | 1.4 | 0.5 |
| Average nominal exchange rate (Guyana dollars per dollar) | 206.2 | 208.0 | 208.7 | 208.6 | 208.8 | 208.7 | 207.2 | 207.3 | 208.8 | 209.1 b/ |
| Nominal interest rates (average annualized percentages) | | | | | | | | | | |
| Deposit rate d/ | 1.1 | 1.1 | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 d/ |
| Lending rate e/ | 10.5 | 10.4 | 10.4 | 10.3 | 9.2 | 8.9 | 8.7 | 8.6 | 8.6 | 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) | 13.2 | 22.7 | 22.5 | 18.0 | 14.3 | 13.2 | 15.9 | 17.2 | 20.2 | 18.5 |

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.