

Guyana

Economic growth slowed to 0.7% in the first half of 2015, from 3.2% in the first six months of 2014. This can be attributed largely to declines in bauxite and gold output and in construction activity, owing to an appreciable fall in public sector spending. Real output is projected to expand by 2.0% in 2015 (compared with 4.5% in 2014), as increased government spending is expected to have positive spillover effects on the construction sector and the operational efficiency of gold production is improved in the second half of 2015. The central government posted a wider overall surplus thanks to a higher current account surplus and lower capital account deficit. Guyana's debt burden eased during the first half of 2015. GDP growth is expected to rise to 3.4% in 2016 on the back of increased public sector investment and the strong performance of the mining, agriculture, manufacturing and services sectors.

Guyana's fiscal performance improved in the first half of 2015, compared with the same period in 2014, as the central government generated a 230% increase, equivalent to 9.735 billion Guyanese dollars (G\$), in the overall surplus. The current balance surplus expanded by 15.8% year-on-year to stand at G\$ 20.247 billion at the end of June 2015. This expansion was largely attributable to the 5.5% (G\$ 4.110 billion) increase in current revenue, which was driven by higher receipts by the Customs and Trade Administration and Internal Revenue Department. The hike in current revenue more than offset the 2.4% (G\$ 1.352 billion) increase in current expenditure. The capital account deficit contracted by 52.6% as capital expenditure fell by 52.3% (G\$ 6.977 billion).

In order to achieve its priority monetary policy goal of maintaining a stable exchange rate, the Bank of Guyana maintained a somewhat tight stance in the first half of 2015. Monetary policy remained largely focused on price stability, maintaining adequate liquidity in the system and facilitating economic growth. The auctioning of treasury bills in the primary open market continued to be the main instrument of monetary policy. Gross foreign reserves of the Bank of Guyana were down from US\$ 665.6 million at the end of December 2014 to US\$ 626.9 million at the end of June 2015, which was nevertheless equivalent to 4.0 months import cover, owing to lower fuel and food import costs.

Increases in currency in circulation (11.3%) and time deposits (10.6%) fuelled a year-on-year expansion (11%) in the money supply (M1) to G\$ 123.038 billion at the end of June 2015. There was a similar upward trend (4.9%) in broad money in the first half of 2015. Private sector credit (G\$ 205.166 billion) rose by 7.7% year-on-year in the first half of 2015, owing to increased credit to the real estate mortgage, agriculture and construction and engineering sectors.

Both the domestic (13.1%) and external (0.5%) debt stock declined year-on-year at the end of June 2015; with the latter being attributable to smaller drawdowns under the PetroCaribe initiative. Consequently, the total debt stock stood at 50.7% of GDP at end of June 2015, down from 53.6% of GDP at the end of June 2014.

Despite slight fluctuations due to demand and supply pressures, the exchange rate remained unchanged at G\$ 206.50 to the United States dollar in 2015. However, as a consequence of reduced trade, there was a 4.7% contraction in foreign exchange market transactions, which stood at US\$ 3.0 billion at the end of June 2015. The central bank sold an estimated US\$ 0.7 million to the commercial banks in the first half of 2015.

The overall balance-of-payments deficit narrowed from US\$ 93.0 million in June 2014 to US\$ 58.1 million in June 2015. This deficit was financed primarily through a drawdown on the gross foreign

reserves of the Bank of Guyana. The current account deficit contracted by 43.5% year-on-year to US\$ 121.2 million as a result of the decline in the import bill, owing primarily to soft fuel and food prices, and a narrower net services deficit.

As a result of a decline in disbursements to the non-financial public sector, the capital account surplus shrank by 74.5%, from US\$ 80.7 million in the first half of 2014 to US\$ 20.5 million in the same period of 2015. Grant flows under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative decreased by G\$ 508 million; and no grants were forthcoming under the Multilateral Debt Relief Initiative (MDRI) at the end of June 2015.

Guyana currently faces the challenge of maintaining the high levels of economic growth achieved in recent years, in the face of low commodity prices. Economic growth slowed to 0.7% in the first half of 2015, from 3.2% in the first six months of 2014. This can be attributed largely to declines in bauxite and gold output and in construction activity. Real output is projected to be 2.0% for 2015 (down from 4.5% in 2014) as increased government spending in the second half of the year is expected to have a strong positive spillover on construction activity and the agriculture, services and manufacturing sectors continue to perform strongly. Moreover, the government is continuing to take concrete steps to diversify the economy and move up value chains.

With specific reference to real sector activity, output declined in construction (-13.2%), forestry (-24.5%) and mining and quarrying (-17.4%) year-on-year in June 2015, while growth in agriculture slowed from 11.2% to 4.2%. Nevertheless, favourable weather conditions drove up rice production by 15.3% and sugar output by 1.6% in the first half of 2015 relative to the corresponding period in 2014. Furthermore, higher value added in the rice and sugar subsectors, as well increased production of alcoholic beverages, aerated drinks, juices and cereals, resulted in a 7.1% expansion of the manufacturing sector (compared with 11.2% for the first half of 2014). Broad-based expansion across all other services subsectors, offset the poor performance of the construction industry. The services sector grew by 2.5% year-on-year in 2015 and is poised to become a major growth pole for the Guyanese economy.

The rate of price deflation stood at 0.2% in the first half of 2015 (compared with 0.3% at the end of June 2014), owing largely to soft fuel and food prices and subdued domestic demand. Food prices dropped by 1.8%, transport and communications by 2.4%, furniture by 2.8% and education services by 4.7%. Inflation is set to be 0.5% at the end of 2015 as seasonal demand is expected to place upward pressure on the prices of food and semi-durables.

Guyana: main economic indicators, 2013-2015

	2013	2014	2015 ^a
Annual growth rate			
Gross domestic product	5.2	3.8	2.0
Per capita gross domestic product	4.9	3.5	1.6
Consumer prices	0.9	1.2	-0.2 ^b
Money (M1)	6.7	10.1	9.7 ^c
Annual average percentage			
Central government			
Overall balance / GDP	-4.4	-5.5	-3.3
Nominal deposit rate ^d	1.4	1.3	1.3 ^c
Nominal lending rate ^e	12.1	11.1	10.8 ^f
Millions of dollars			
Exports of goods and services	1,541	...	...
Imports of goods and services	2,348	...	...
Current account balance	-426	...	...
Capital and financial balance ^g	475	...	...
Overall balance	49	...	...

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 September.

d Small savings rate.

e Prime lending rate.

f Figures as of October.

g Includes errors and omissions.