Guyana

In 2020, despite the contractionary effect of the coronavirus disease (COVID-19) pandemic on the global economy, Guyana posted the highest growth in the world at 43.5%, owing to the start-up of its oil export industry. In 2021 the country's strong growth will continue, with an expansion of 18.5%. The government has taken advantage of the strong economic growth to launch an expansionary fiscal programme, leading to a projected overall fiscal deficit of 6.5% of GDP. Monetary policy remained accommodative in 2021, while inflation faced upward pressure from environmental factors disrupting the agriculture supply chain in mid-2021. Guyana has not been spared the effects of the pandemic, though it has been less affected than some of its Caribbean neighbours. At the end of November 2021, Guyana ranked respectively eleventh and seventh in cumulative confirmed cases and deaths per million persons in the Caribbean.[1] The government's COVID-19 restrictions were eased at the start of 2021, which allowed for improved domestic economic activity.

Fiscal policy in 2021 was expansionary. The central government's overall deficit in the first six months of 2021 amounted to 0.6% of full-year GDP, an expansion from 0.4% recorded in the prior-year period. The full-year overall deficit is expected to be 6.5% of GDP. The current account for the first half-year recorded a surplus of 1.4% of GDP, while the capital account was in deficit by 2.0% of GDP. The current account benefited from increased revenue collection as business activity recovered following the lockdowns of 2020. The 2021 budget, presented to parliament in February and approved in March, included a number of infrastructural investment projects meant to stimulate and diversify the economy, including a gas-to-shore project, development of solar farms, construction of bridges across the Demerara and Corentyne Rivers and a series of highways to open connectivity throughout the country and to the rest of South America. The government's capital account reflected these initiatives, as capital expenditure in the first six months of the year increased by 82%. Guyana's total public debt stock increased by 12.2% between the end of 2020 and mid-2021, but the expansion in nominal GDP meant that the public debt ratio fell from 47.4% to 39.6% of GDP.

Monetary policy was accommodative in 2021, as the authorities focused on maintaining sufficient liquidity in the banking system and keeping prices stable. The central bank's discount rate remained at 5.0% throughout 2021. Domestic credit shrank by 54.5% from December 2020 to June 2021, driven by the public sector's shift from a net credit position of 11% of GDP at the end of 2020 to a net debit position of 3.9% of GDP by mid-year 2021. Credit to the private sector grew by 3% over the same period; the sectors that experienced the greatest growth were construction and engineering and manufacturing with 22% and 11% growth, respectively. The country's exchange rate remained constant at G$ 208.5 to US$ 1 over 2021.

Guyana's external current account deficit narrowed to 0.5% of full-year GDP in the first half of 2021, compared to 7.2% in the same period of 2020. An expansion in the merchandise trade surplus from 1.3% in the first half of 2020 to 11.1% of GDP in the first half of 2021 offset a marginal widening of the service balance to 17.8% from 14.5%. The expansion in the merchandise trade surplus reflected oil exports; the non-oil trade deficit widened as a result of higher import costs and lower export receipts.

---

[1] Out of the 13 Caribbean English- and Dutch-speaking member States and associate members of the Commission.

Among the non-oil exports, receipts from sugar, rice and “other” exports grew, while receipts from gold, timber and bauxite fell.

Guyana’s GDP is expected to grow by 18.5% in 2021, following a full year of oil production generating growth of 43.5% in 2020. Over the first half of 2021, the oil sector grew by 14.5% while the non-oil sector grew by 4.8%, following the easing of COVID-19 restrictions compared to 2020. From January to June 2021, the oil sector produced 65.4% more barrels than the year-earlier period, despite the failure of a gas compressor limiting production in early 2021. The agriculture sector contracted by 2.4% in the first six months. Despite the reduced restrictions, almost all crop production contracted owing to heavy rains that caused flooding in May and June. The manufacturing and services sectors grew by 13.1% and 9.4%, respectively, while construction expanded by 25.5% on account of increased public and private infrastructure projects. In 2022, Guyana’s economy is expected to expand by 46%. ExxonMobil's second floating production storage and offloading vessel arrived in Guyana in late 2021 and will begin production in early 2022. At its maximum production, Guyana's total oil output capacity will almost triple, from 120,000 barrels per day (bpd) to 340,000 bpd. The additional output, combined with increased consumption demand and public and private infrastructure investment, will contribute to the real GDP growth.

Inflation grew in 2021, on account of higher food and energy prices. The year-on-year change in the consumer price index (CPI) increased from 0.9% in December 2020 to 2.8% in January 2021. After a few months of stability, the CPI rose to 7.0% in June and then 7.7% in the following month. The increase was driven by food inflation, which grew from 8.1% in January 2021 to 17.0% by June, owing in part to severe flooding that damaged crops and impacted the food supply. The transportation and communication index also contributed, as it moved from -1.0% in January 2021 to 3.8% by May on account of increased international oil prices.