# Guyana

There will be an economic transformation in Guyana in 2020, but not to the extent previously expected. Early in the year it was forecast that Guyana would grow by 85% in 2020. However, the domestic and international effects of the coronavirus disease (COVID-19) pandemic have lowered expectations and growth is now projected at 30.9%.

The first case of COVID-19 was recorded on 12 March 2020. While the disease initially spread slowly in the country, it began to accelerate in August and by the end of October there were over 4,000 confirmed cases. The government implemented a number of measures to slow the propagation of the disease. To reduce the number of international visitors, international airports were closed on 18 March and the ferry service with Suriname was halted. To enforce physical distancing, the government suspending sporting events, limited social gatherings including weddings and funerals, and closed gyms, spas, clubs and other non-essential services.

As a result of the government's support and mitigation measures in response to the pandemic, the fiscal balance showed a deficit for the first six months of the year. The slowdown in domestic economic activity caused by the pandemic also led to a fall in employment, slower inflation, and a decline in government revenue. Moreover, implementation of fiscal measures was delayed, as the result of the 2 March election was not declared until 16 June. Because of this, until the new government presented its budget, spending was constrained by domestic laws, leading to sharp drops in current revenue and capital expenditure. In the first six months of 2020, total revenue was 10% lower year-on-year, while total expenditure fell 4.4%. Consequently, the overall balance deteriorated from a surplus of 0.2% of full-year GDP in the first half of 2019 to a deficit of 0.4% for the same period in 2020.

The government announced or implemented a number of relief measures to address COVID-19, including removing value added tax (VAT) from utility bills, waiving VAT and duties on medical supplies, extending deadlines for tax returns, distributing food packages to support the vulnerable population, and transferring cash to small farmers.

The Bank of Guyana's monetary policy stance remained accommodative in 2020. The reserve requirement ratio and discount rate were left unchanged at 12.0% and 5.0%, respectively. Over the first six months of the year net redemption of treasury bills for monetary purposes amounted to 352 million Guyana dollars (G$). In response to the COVID-19 crisis, the central bank has implemented several financial measures, including a three-month moratorium on classifying loans as non-performing, and has encouraged financial institutions to offer relief such as lower interest rates and loan payment deferrals.

The Bank of Guyana's official exchange rate remained steady at G$ 208.5 to US$ 1 over the first six months of 2020. The rate is expected to be maintained throughout the rest of the year, as the authorities seek to keep prices stable.

December 2019 saw the introduction of crude oil to Guyana's export portfolio. This new commodity resulted in the goods trade balance moving from a deficit of US$ 627 million or 12.1% of GDP in the first half of 2019 to a surplus of US$ 143 million or 2.8% of GDP in the same period in 2020. Crude oil contributed US$ 452 million to the total export value. Traditional exports of gold and rice also increased, owing to increases in volume and prices for both commodities. However, exports of sugar, timber, bauxite and other products declined. Imports fell by 20% due to reduced consumption resulting from the various lockdown measures. The current account deficit contracted by 64% (in nominal terms), down from 16.9% of GDP to 6.0%.

The non-oil sector shrank by 4.9% in the first half of 2020, relative to the same period in 2019. The contraction was mainly caused by lower production in services sectors because of lockdown and physical distancing measures. Conversely, the nascent oil sector grew by 45.9%. While oil production was initially projected to increase to 120,000 barrels per day (bpd) in the first half of 2020, this target has not yet been reached. Subdued international oil demand owing to the pandemic led to lower prices. Also, in June, production was reduced to 30,000 bpd due to issues with the Liza Phase I gas compressor. Production increased to 63,000 bpd on average in the third quarter and is expected to average 105,000 bpd in the fourth quarter. Growth is forecast at 31% for full-year 2020 and 8.1% for 2021.

Year-on-year inflation was 0.9% in September 2020. There was deflation in several sectors, as prices fell in clothing (-1.8%), footwear and repairs (-0.9%), housing (-0.7%) and transport and communications (-1.3%). Pulling the inflation rate up were increases in food prices (2.5%) and medical care and health services (4.8%); the latter reflected supply shortages resulting from increased demand for medical care during the pandemic.

The contraction in the services sector led to lower employment in the private sector. Employment in the public sector also fell, by 3.3%, mainly due to a decline of 12.7% in recruitment by the public corporation Guyana Sugar Corporation (GUYSUCO).