

GUYANA

1. General trends

Guyana's GDP expanded by 3.0% in 2015, somewhat down on the growth rates of 3.8% and 5.2% posted in 2014 and 2013, respectively. The main drivers of growth in 2015 were gold production — which picked up during the final quarter with the launch of operations by two large-scale producers, Troy Resources and Guyana Goldfields Inc.—and manufacturing and agriculture (including sugar and rice production and livestock farming). The weaker growth rate was attributable chiefly to lower output in forestry, bauxite mining, fisheries, construction and wholesale and retail trade.

The central government current account surplus swelled to US\$ 68.14 million in 2015, up 18.3% on the 2014 figure, with current revenue and current expenditure increasing by 11% and 10.3% year-on-year, respectively. The overall central government deficit narrowed from US\$ 34.93 million in 2014 to US\$ 9.32 million in 2015.

Overall employment data for Guyana in 2015 were not available; however, public sector employment posted a 2.9% year-on-year increase at the end of 2015, while the government raised the public-sector minimum wage by 17.1%, to US\$ 242 per month.

Inflationary pressures were kept in check by a combination of the transmission effect of low fuel prices, downward pressure on food prices brought to bear by domestic agricultural production, stable interest and exchange rates, and low inflation expectations. Accordingly, deflation of 1.8% was measured at the end of 2015, compared with a 1.2% rise in the Urban Consumer Price Index (CPI) reported at year-end 2014. Prices declined by 0.5% in the first quarter of 2016, driven by the falling cost of food, housing, and transport and communication. Inflation is expected to remain below 2% for 2016 as a whole.

GDP growth of 4.4% is projected for 2016, with economic activity set to accelerate in the mining and services sectors, particularly the subsectors of gold, diamonds, bauxite and construction. Soft fuel prices are expected to continue to favour growth and development.

2. Economic policy

(a) Fiscal policy

In 2015, the overall fiscal deficit shrank to US\$ 9.32 million or 1.4% of GDP; down 73.3% against the 2014 figure of US\$ 34.93 million (5.5% of GDP). This improved fiscal performance was underpinned chiefly by a larger current account surplus (18.3%) and a smaller capital account deficit thanks to a significant reduction in capital expenditure in 2015. The overall deficit was funded by domestic borrowing.

Current revenue surged 11% year-on-year to 161.7 billion Guyanese dollars (G\$), as tax revenues rose by 5.2% (to G\$ 142.9 billion), excise tax receipts climbed by 18.1% (to G\$ 33.3 billion) and total non-tax revenues doubled as statutory agencies commenced the phased transfer of their surplus cash balances to the Consolidated Fund. Total current expenditure increased by 10.3% year-on-year to G\$

147.6 billion at the end of 2015. This was attributable primarily to higher transfer payments and public-sector employment costs.

Public-sector investment dropped to G\$ 30.6 billion, a 39.9% reduction compared with 2014, essentially owing to the late presentation of the 2015 budget and consequent delays in implementing the Public Sector Investment Programme (PSIP). State-owned enterprises generated a combined surplus of G\$ 8.1 billion, as compared with a G\$ 1.5 billion deficit in 2014, thanks to a 9.3% drop in current expenditure that reflected reduced spending by Guyana Power and Light Inc. (GPL) and Guyana Oil Company Limited, and a 9.3% rise in current revenue that was attributable chiefly to higher inflows from the Guyana Sugar Corporation Inc.

The country's debt burden contracted to 47.9% of GDP in 2015, down from 51.1% the previous year. However, domestic debt swelled to US\$ 395.6 million at year-end (a year-on-year increase of 4.2%, equivalent to US\$ 15.77 million). By contrast, a reduction in credit under the PetroCaribe initiative and lower disbursements from the Inter-American Development Bank (IDB) allowed the external public debt to shrink by 6.0% (US\$ 73.37 million) year-on-year during the review period.

The fiscal focus for 2016 is one of continuing prudent debt management and reduction and improving the pace of implementation of the PSIP. Priorities with regard to revenue performance include enhancing administrative efficiency with a view to improving compliance and collection, and increasing the monitoring of tax concessions granted by the Guyana Revenue Authority.

(b) Monetary policy

Guyana's financial stability framework covers financial stability across several agencies, with the central bank playing the key coordination and regulatory role. Open market operations are the primary method of controlling the money supply, supplemented by the purchase and sale of foreign currency. During the review period, monetary policy continued to focus on price and exchange-rate stability, while ensuring adequate levels of liquidity in the system and creating an enabling environment for economic growth.

In 2015 the government increased its stock of domestic bonded debt by 4.2%, in an attempt to sterilize excess liquidity in the banking system. A net total of US\$ 15.9 million in treasury bills was issued in 2015, with the stock of treasury bills up 7.5% year-on-year in the first quarter of 2016.

The monetary aggregates of reserve and broad money (M2) grew by 9.7% percent and 1.5% year-on-year, respectively. The expansion of reserve money reflected an increase in net domestic assets, while that of broad money was largely driven by 19.2% growth in net domestic credit. The slower expansion of broad money in 2015 (down from 5.2% in 2014) reflected contractions in net foreign assets (by 8.5%) and in the category "other items (net)", including commercial banks' undistributed profits (down 40.5%). Contractions in demand deposits (down 5.1%) and cashiers' cheques and acceptances (down 17.5%) led to a 0.7% decline in narrow money (M1) to US\$ 630.96 million, compared with a 13.9% increase in 2014.

Credit to the private sector was up by 6.2% in 2015, while net public-sector deposits fell by 75.3%. Domestic credit rose by 19.2% to G\$ 184.7 billion. Commercial bank interest rates fluctuated slightly in 2015, with the small savings rate remaining flat at 1.26% and the weighted average lending rate edging down 30 basis points against the year-earlier figure, to 10.56%. Commercial banks' efforts to meet domestic demand for affordable credit saw the spread between the weighted average time deposit

rate and the weighted lending rate compressed by 35 basis points to 9.31%. Projected increases in global interest rates are expected to exert upward pressure on domestic interest rates in 2016.

In the first quarter of 2016, broad money increased marginally by G\$ 113 million. Private-sector credit has fallen by 1.3% over the year to date, but increased by 4.9% in year-on-year terms.

(c) Exchange-rate policy

In 2015 total foreign currency transactions decreased by 7.2% to US\$ 6.194 billion (from US\$ 6.672 billion in 2014), with sales and purchases in the amount of US\$ 3.051 billion and US\$ 3.144 billion, respectively. Net purchases totalled US\$ 93 million, compared with net sales of US\$ 39.4 million in 2014. Licensed bank and non-bank dealers in foreign currency, which accounted for 45.9% of total transactions, reported a 5.7% drop in turnover, to US\$ 2.846 billion. The combined transactions of the six bank dealers amounted to US\$ 2.749 billion, down US\$ 47 million (1.7%) compared with 2014.

The weighted mid-rate exchange rate, based on the turnover of the three largest banks, remained unchanged at G\$ 206.50 to the dollar at the end of 2015. The unweighted mid-rate exchange rate depreciated by 0.12% against the 2014 level. The average buying and selling rates of commercial banks' currency dealers decreased slightly during the review period compared with 2014. The exchange rate at the end of the first quarter of 2016 was G\$ 206.50 to the dollar.

3. The main variables

(a) The external sector

Buoyed by a favourable outturn on the current account, Guyana's overall balance-of-payments deficit narrowed by 7.5% to US\$ 107.7 million in 2015. Moreover, the merchandise trade deficit was cut by 51.1% to US\$ 304.9 million, as the value of imports plunged 17.7% against the year-earlier figure, mainly on account of lower oil prices. The current account deficit also declined sharply by 62.6% to US\$ 144.2 million in 2015 (from US\$ 385.2 million in 2014), also chiefly due to the drop in merchandise imports.

Guyana's total export earnings came to US\$ 1.170 billion, broadly similar to the 2014 figure. The main export products, in order of foreign exchange earnings, were gold (US\$ 501.1 million), rice (US\$ 220.8 million), bauxite (US\$ 104.3 million), sugar (US\$ 80.9 million) and timber (US\$ 43.5 million). With the exception of gold, earnings in these industries declined over the review period. However, reduced earnings from these products were offset by the 6.7% increase in the value of gold exports.

Guyana's capital and financial account surplus shrank by 66.0% as a consequence of weaker foreign direct investment and smaller disbursements to the non-financial public sector. The overall deficit was funded through a combination of the gross foreign reserves of the Bank of Guyana and debt forgiveness.

In view of the need to improve both domestic and foreign direct investment, the Government of Guyana has started the process of streamlining the functioning of the Guyana Office for Investment with a view to ensuring that it plays a pivotal role in attracting investment in 2016 and beyond. With the two major gold mining firms coming on stream during the second half of 2015 and gold prices trending upward, the sector's GDP contribution and export earnings are expected to improve further in 2016. However, the economic spillover may be limited. Bauxite prices are also trending upward, so that this

subsector's foreign-exchange earnings are also projected to increase in 2016. Improved implementation of the PSIP in 2016 is expected to spur construction activity and feed into the real sector of the economy.

At the end of the first quarter of 2016, increased exports of gold (109.8%) and bauxite (3.4%) boosted Guyana's export earnings to US\$ 309.3 million (up 29.1% year-on-year). The trade deficit stood at US\$ 5.4 million and the current account surplus at US\$ 48.3 million.

(b) Economic activity

Real GDP grew by 3.0% in 2015. The main contributors to this performance were gold mining, rice and sugar production, livestock farming and manufacturing, as well as the transport and storage subsector. However, output declined in the forestry, bauxite mining and fisheries sectors, as well as in construction and wholesale and retail trade.

More specifically, the rate of agricultural output¹ growth slowed to 2.0% in 2015, down from 7.2% in 2014, although the sugar industry showed signs of a nascent recovery as production rose by 6.9% to 231,145 tonnes, due in part to early efficiency and productivity gains thanks to higher investment in mechanical harvesting and new measures to improve operational efficiency. Notwithstanding the cessation of the rice-for-oil agreement with the Bolivarian Republic of Venezuela under the PetroCaribe initiative during the second half of the year (an agreement that accounted for 43.3% of exports in 2014), rice production increased by 8.3% to 687,784 tonnes in 2015. The government and the Guyana Rice Development Board worked closely with the industry to secure alternative markets to compensate for the loss of these exports. Accordingly, rice exports increased in volume terms by 7.2% year-on-year to 537,334 tonnes in 2015, with exports to the European Union more than doubling (up 129.9%) to 231,187 tonnes. However, the loss of the higher-priced Venezuelan market for half of the year trimmed the value of Guyana's rice exports to US\$ 220.8 million, from US\$ 249.5 million in 2014.

Fisheries output was held back by several factors, including small fleets, overfishing, piracy and the occurrence of Sargassum seaweed in offshore waters, and fell by a further 7.2% in 2015 after a 26.7% contraction in 2014. Year-on-year growth in the livestock farming subsector doubled to 5.8% in 2015, while egg and poultry production was up by 13.8% and 7.9% and that of pork and mutton declined by 34.2% and 26.3%, respectively. Weaker domestic and international demand caused the forestry sector to post negative growth of 16.2% during the review period.

Increased gold declarations from medium- and large-scale miners, which accounted for 91.0% of total declarations, underpinned a 9.0% expansion of the mining sector in 2015, following an 11.5% contraction in 2014. The launch of operations by Guyana Goldfields Inc. and Troy Resources in the second half of 2015 contributed to higher production, while lower fuel input costs and additional efforts to address smuggling also helped boosted total gold declarations by 16.4% to 450,873 ounces in 2015. However, bauxite production declined by 2.4% to 1,526,713 tons.

The manufacturing sector² posted growth of 3.5% in 2015 (down from 5.5% in 2014), driven primarily by increased output in the beverages and liquid pharmaceuticals subsectors.

Services, which account for more than half of GDP, expanded by 2.3% during the review period, compared with 5.5% in 2014, with transport and storage activity up 13.6%. Conversely, construction

¹ Including sugar processing and rice milling.

² Excluding sugar processing and rice milling.

activity was down by 10.0% in 2015, following growth of 18.0% in 2014. Wholesale and retail trade edged down by 0.6%.

(c) Prices, wages and employment

Available statistics on employment in Guyana are limited, with data confined to the public sector. Central government wages were equivalent to 6.8% of GDP at the end of 2015, compared with 6.7% at the end of 2014. Public sector employment was up by 2.9% at year-end 2015, as against a 3.4% increase at year-end 2014, reflecting a 6.6% upturn in employment within core civil services, while employment in public corporations fell by 0.1%. In 2015, the government raised the public-sector minimum wage to US\$ 242 per month, and pensions by 30.0% to US\$ 82.

Inflationary pressures were kept in check by a combination of the transmission effect of low fuel prices, downward pressure on food prices brought to bear by domestic agricultural production, stable interest and exchange rates, and low inflation expectations. The Urban Consumer Price Index (CPI) registered deflation of 1.8% at year-end 2015, compared with a 1.2% increase in prices at the end of 2014. The monthly average inflation rate was -2.0%. The broad-based reduction in the CPI was visible across a range of consumer items including food, furniture, transport and communication, housing, clothing, education, recreation and cultural services, and miscellaneous items. Prices declined by 0.5% in the first quarter of 2016, driven by the falling cost of food, housing, and transport and communication. Inflation is expected to remain below 2% for 2016 as a whole.

Table 1
GUYANA: MAIN ECONOMIC INDICATORS

	2007	2008	2009	2010	2011	2012	2013	2014	2015 a/
	Annual growth rates b/								
Gross domestic product	7.0	2.0	3.3	4.4	5.4	4.8	5.2	3.8	3.0
Per capita gross domestic product	6.7	1.6	3.0	4.0	5.1	4.5	4.9	3.5	2.6
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	0.6	-2.9	1.3	2.3	2.7	3.7	2.3	5.6	1.1
Mining and quarrying	14.7	-0.1	-2.9	-5.4	19.2	14.8	8.0	-11.5	9.0
Manufacturing	3.0	-4.4	4.3	0.3	6.8	2.4	8.0	10.7	5.3
Electricity, gas and water	0.6	9.5	3.6	1.0	2.1	5.7	5.6	2.6	5.2
Construction	7.3	2.2	0.5	10.7	2.8	-11.0	22.6	18.0	-10.0
Wholesale and retail commerce, restaurants and hotels	8.7	4.5	9.8	10.9	4.5	6.7	-0.9	-3.0	-0.6
Transport, storage and communications	16.3	7.7	1.3	6.9	8.1	12.2	4.8	9.5	10.3
Financial institutions, insurance, real estate and business services	0.1	7.8	8.5	10.2	7.9	11.8	10.1	1.8	7.0
Community, social and personal services	6.6	4.3	4.8	3.3	2.4	2.4	1.6	2.9	2.8
Balance of payments	Millions of dollars								
Current account balance	-112	-321	-231	-246	-372	-367	-456	-385	...
Goods balance	-288	-522	-411	-534	-641	-581	-500	-624	...
Exports, f.o.b.	689	802	768	885	1,129	1,415	1,375	1,167	...
Imports, f.o.b.	978	1,324	1,179	1,419	1,771	1,997	1,875	1,791	...
Services trade balance	-100	-113	-102	-96	-136	-229	-338	-245	...
Income balance	-11	-15	-17	13	-9	24	29	27	...
Net current transfers	287	329	300	371	415	419	353	458	...
Capital and financial balance c/	109	239	-71	51	318	256	505	408	...
Net foreign direct investment	152	178	164	198	247	278	201	238	...
Other capital movements	-43	61	-235	-147	71	-22	305	170	...
Overall balance	-3	-82	-302	-195	-55	-111	49	22	...
Variation in reserve assets d/	-36	44	265	158	22	80	-84	-59	...
Other financing	39	38	37	37	33	31	34	37	...
Other external-sector indicators									
Net resource transfer (millions of dollars)	137	262	-51	101	341	311	568	471	...
Gross external public debt (millions of dollars)	718	834	933	1,043	1,206	1,358	1,246	1,216	1,143
Prices	Annual percentages								
Variation in consumer prices (December-December)	14.1	6.4	3.6	4.5	3.3	3.4	0.9	1.2	-1.8
Variation in nominal exchange rate (annual average)	1.1	0.6	0.2	-0.2	0.2	-0.6	2.9	-0.4	-0.4
Nominal deposit rate e/	3.2	3.1	2.8	2.7	2.3	1.8	1.4	1.3	1.3
Nominal lending rate f/	14.1	13.9	14.0	15.2	14.7	14.0	12.1	11.1	10.8
Central government	Percentajes of GDP								
Total revenue	26.0	25.4	27.2	26.0	25.6	24.7	23.6	23.6	26.1
Tax revenue	21.9	20.2	21.6	21.9	21.2	20.3	20.6	21.4	22.1
Total expenditure	30.1	29.2	30.8	28.9	28.7	29.4	28.0	29.1	27.6
Current expenditure	17.9	20.0	19.5	18.8	19.1	19.7	19.9	21.1	22.8
Interest	1.3	1.7	1.6	1.7	1.5	1.1	1.0	1.0	1.0
Capital expenditure	12.2	9.2	11.4	10.2	9.5	9.7	8.2	8.0	4.7
Primary balance	-2.8	-2.1	-2.1	-1.2	-1.6	-3.6	-3.4	-4.5	-0.4
Overall balance	-4.1	-3.8	-3.7	-2.9	-3.1	-4.7	-4.4	-5.5	-1.4
Non-financial public sector debt	61.2	62.9	67.0	68.0	66.7	63.6	58.1	51.1	47.9

Table 1 (concluded)

	2007	2008	2009	2010	2011	2012	2013	2014	2015 a/
Money and credit	Percentages of GDP, end-of-year stocks								
Domestic credit	12.8	15.3	11.4	12.1	17.8	17.0	20.2	24.3	28.2
To the public sector	-5.4	-4.7	-8.1	-9.0	-4.9	-7.7	-5.9	-4.0	-1.0
To the private sector	20.8	22.8	22.8	24.4	25.6	27.7	30.1	31.7	32.8
Others	-2.6	-2.8	-3.4	-3.4	-2.9	-3.0	-4.1	-3.3	-3.6
Monetary base	15.5	14.9	17.5	20.0	18.7	19.4	18.7	19.8	21.1
Money (M1)	15.4	15.6	16.1	17.6	18.5	19.3	18.8	20.6	19.9

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

	2014				2015				2016	
	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)	732	680	631	637	638	621	619	597	629	609 b/
Consumer prices (12-month percentage variation)	1.0	0.3	0.3	1.2	-1.0	-0.2	-1.0	-1.8	0.3	...
Average nominal exchange rate (Guyana dollars per dollar)	211.6	206.6	206.6	206.6	206.9	206.9	206.9	207.2	207.2	207.2
Nominal interest rates (average annualized percentages)										
Deposit rate c/	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3 b/
Lending rate d/	11.2	11.2	11.2	11.0	10.9	10.9	10.7	10.6	10.8	10.8 b/
Monetary policy rates	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0 b/
Domestic credit (variation from same quarter of preceding year)	22.7	18.0	9.7	14.6	12.0	6.9	11.0	15.1	14.0	17.8 b/
Non-performing loans as a percentage of total credit	5.6	6.0	7.8	8.6	9.7	9.5	10.8	11.5	11.7	...

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/ Prime lending rate.