

## Guyana

A confluence of factors, including a weakening of global aggregate demand, flat domestic demand, lower commodity prices and unfavourable weather conditions, impacted negatively on the performance of the Guyanese economy in 2016, with agricultural and manufacturing output both declining. Accordingly, economic growth is projected to slow to 2.6% for the year overall, down from 3.0% in 2015. The mining sector and, to a lesser extent, construction and activities in the other services sectors (tourism, hotels and restaurants) are expected to fuel growth.

The overall fiscal deficit is expected to widen to 33.166 billion Guyana dollars (G\$) in 2016 (from G\$ 9.319 billion in 2015), owing to a lowering of the current account surplus and an accompanying increase in the capital account deficit. Led by a moderate increase in food and fuel prices during the months of May and June 2016, as well as increased consumption spending during the last quarter of 2016 —on the back of a public sector wage hike in October 2016—, inflation is forecast to be 1.3% in 2016.

Increased current and capital expenditures led to a massive 94.1% year-on-year contraction in the overall fiscal surplus (from G\$ 13.960 billion to G\$ 818 million during the first half of 2016, as the government's capital expenditure was less constrained during the first half of 2016, showing an 89.4% increase over the same period in 2015. The East Bank and West Demerara road expansion projects, the Cheddi Jagan International Airport (CJIA) modernization, the power utility upgrade programme, and the maintenance and expansion of the country's e-government network, were major infrastructure projects contributing to the capital expenditure surge.

The current account surplus for January to June stood at G\$ 9.5 billion, owing to a 31.6% increase in current expenditure, fuelled by increased transfer payments and public sector wage costs. Concomitantly, there was a 9.7% rise in current revenue (to G\$ 85.9 billion) relative to the same period in 2015, as tax revenue collections (9.7%), rents and royalties receipts all increased.

Increased tax revenues were driven largely by improved personal income tax collection, as a result of increased wages and salaries to public servants agreed upon in the second half of 2015, and tighter compliance measures targeting the self-employed that were instituted by the Guyana Revenue Authority. In addition, rents and royalties were buoyed by a combination of an expansion in gold production and increased collection efforts during the first six months of 2016.

Domestic public debt remained at a sustainable level as the government continued to adhere to its debt management strategy. Over the first half of June 2016, the country's total public debt increased by 1% relative to the half-year position of the previous year. Guyana's domestic debt stock increased by 11.3% (to G\$ 84.4 billion) as inventories of outstanding 91-day and 182-day treasury bills (T-bills) rose by 12% (to G\$ 8.2 billion).

In contrast, at the end of June 2016, Guyana's external public debt was down by 2.7% relative to end-June 2015, owing to lower disbursements from the Inter-American Development Bank (IDB), the cessation of credit under the PetroCaribe arrangement and the Guyana-Venezuela Rice Trade Agreement in June 2015, and the completion of the Export-Import Bank of China fund E-Government Project. External debt service payments contracted as a consequence of lower principal payments to bilateral creditors.

The Bank of Guyana continued to adopt a conservative approach to monetary policymaking during the first half of 2016, encouraging commercial banks to lend while sterilizing excess liquidity in the system. Matured T-bills were rolled over and 91-day T-bills were moved from the consolidated fund

to the sterilization fund. During the first half of 2016, reserve money expanded by 3.2% as net foreign assets increased. In contrast, broad money contracted (by 0.1%) due to a fall in net domestic credit, as net credit to the public and private sectors declined by 117.0% and 0.6%, respectively. There were significant declines in credit to the distribution, construction, agriculture and mining sectors.

During the first half of 2016, Guyana made significant strides in strengthening its anti-money-laundering framework, and in closing regulatory and legislative gaps. However, as a consequence of the de-risking being undertaken by many international banks, two Guyanese banks had correspondent banking relations terminated or restricted.

Abundant financial sector liquidity and marginal interbank borrowing further stabilized the position of the central bank. The exchange rate is expected to remain at G\$ 206.5 to the United States dollar through to the end of 2016, as commercial banks continue to manage their buying and selling rates and as imports contract, which has had a stabilizing effect on the value of the Guyanese currency.

Year-on-year, the overall balance-of-payments position improved considerably during the first half of 2016, moving from a deficit of US\$ 58.1 million to a surplus of US\$ 12.1 million. Gross international reserves rose from US\$ 594.7 million at end-December 2015 to US\$ 633.3 million at end-June 2016, before falling back slightly to US\$ 610.4 million at end-September 2016. The main driver of the improved current account position was a significantly lower merchandise trade deficit as a result of higher export earnings and a lower import bill. However, the fallback in gross international reserves from June to September hints at a slippage in the overall balance-of-payments position. Thanks to a 29.1% improvement in export earnings and a 10.1% decline in imports, the merchandise trade deficit narrowed by 92.4%. Lower foreign direct investment and disbursements to the non-financial public sector widened the capital account deficit.

Real GDP expanded by 2.0% year-on-year during the first half of 2016, compared to 0.9% at end-June 2015. This gain was driven by increased output in the mining and quarrying sector (65.7%), where there was a 94.3% expansion in gold declarations and a 1.8% increase in bauxite production. However, output contractions were recorded in the rice industry (-26.2%), sugar (-30%), forestry (-16.0%) and manufacturing (-14.1%). Economic activity was down in the construction sector, by 7.5%, and in wholesale and retail trade, by 11.3%, owing to flat domestic demand. Buoyed by activities related to the Golden Jubilee celebrations in May 2016, other services posted 10% growth. However, during the second half of 2016, economic activity in the services sector grew at a slower pace, which dampened the estimated whole year growth outlook to 2.6%.

Mild deflation (-1.8%) in 2015 was followed by moderate inflation (0.9% year-on-year) at end-September 2016, which was influenced by rising food and fuel prices during May and June 2016.

Public sector employment climbed just 0.2%, year-to-date, as at end-June 2016. This lacklustre performance suggests that public sector wage growth may be having a negative effect on employment generation. Employment creation was even weaker in the private sector.

**Guyana: main economic indicators, 2014-2016**

	2014	2015	2016 <sup>a</sup>
<b>Annual growth rate</b>			
Gross domestic product	3.8	3.0	2.6
Per capita gross domestic product	3.5	2.6	2.1
Consumer prices	1.2	-1.8	0.9 <sup>b</sup>
Money (M1)	10.1	7.9	5.5 <sup>c</sup>
<b>Annual average percentage</b>			
Central government			
Overall balance / GDP	-5.5	-1.4	-4.6
Nominal deposit rate <sup>d</sup>	1.3	1.3	10.8 <sup>b</sup>
Nominal lending rate <sup>e</sup>	11.1	10.8	10.8 <sup>b</sup>
<b>Millions of dollars</b>			
Exports of goods and services	1,348	1,313	...
Imports of goods and services	2,217	1,898	...
Current account balance	-385	-144	0
Capital and financial balance <sup>f</sup>	408	169	0
Overall balance	22	25	0

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Estimates.

b/ Figures as of September.

c/ Figures as of August.

d/ Small savings rate.

e/ Prime lending rate.

f/ Includes errors and omissions.