

Guyana

Economic growth in Guyana accelerated to 4.5% in real terms during the first half 2018, outstripping the year-earlier rate of 2.5%. This positive outturn was fuelled by strong domestic demand, as well as by increased output in livestock and other crops, as well as the forestry, bauxite and other mining, construction, wholesale and retail trade and other services sectors, and offset a contraction in the output of sugar and a decline in gold declarations. A high rate of spending under the public sector investment programme (PSIP) in 2018 also drove economic activity, particularly since the government has traditionally been the largest spender in the economy. Guyana's economy is projected to post real GDP growth of 3.4% for 2018 overall, compared to 2.2% in 2017. Marginal increases in food, fuel and housing prices are expected to push overall inflation to 2.0%, which is nevertheless below the 2.4% previously forecasted.

With regard to fiscal operations, the Government of Guyana ran a fiscal surplus of 3.088 billion Guyana dollars (G\$) in the first half of 2018, considerably less than the G\$ 8.259 billion incurred during the same period in 2017. The current account surplus rose to G\$ 16.337 billion, as a result of higher tax receipts and current revenues offsetting current expenditure. The capital account deficit widened in this period, owing to contraction in capital revenue and high capital expenditure. However, through to the end of 2018, flat capital expenditure, coupled with a significant improvement in public sector revenue (by G\$ 1.9 billion) and grants (G\$ 1.2 billion), expected to lead to an improvement in the non-financial public sector deficit, from G\$ 47.0 billion to G\$ 45.3 billion (5.9% of GDP). In this respect, the restructuring of the Guyana Revenue Authority and the institution of a tax amnesty (which ended in September) in 2018, are collectively projected to yield a G\$ 28.3 billion increase in tax revenue relative to 2017.

In 2018 the Government of Guyana continued to focus on managing its borrowings and debt servicing obligations. Consequently, gross central government debt contracted from 47.1% of GDP in 2017 to 44.6% by the end of June 2018, and at the end of 2018 the public debt-to-GDP ratio is projected to be 2.6 percentage points down on end-2017. The total stock of public debt, however, is projected to increase marginally (by 0.8%) to US\$ 1.68 billion, with the external debt stock expanding by US\$ 56.5 million. External debt servicing obligations remained manageable in 2018, at 7.7% of government revenue. Year-on-year in 2018, the stock of domestic debt is forecast to decrease (by 10.1%) to US\$ 386.8 million, owing to a decline in the issuance of Treasury bills.

In the monetary sector, both narrow and broad money are projected to expand in 2018 (by 6.7% and 4.2%, respectively), as demand deposits and currency in circulation, as well as time and savings deposits, all reported increases in 2018. During the first half of the year, reserve or base money expanded by 6.0%, largely owing to an increase in net domestic assets.

Both the nominal deposit and lending rates declined during the first half of 2018 and this is expected to hold through to the end of the year, with domestic credit projected to increase. However, credit to the private sector has been sluggish in recent years, a trend which continued in 2018 with a 0.3 percentage point decline in this lending category in the first half-year. Lending to the mining and quarrying and manufacturing sectors is projected to contract in 2018, by 11.9% and 3.7%, respectively, while credit to the agriculture and services sectors is carded to expand. Credit to households and credit instruments such as credit cards are both projected to increase in 2018, reflecting the improved performance of the economy and rising domestic demand.

Guyana's balance of payments deficit is likely to more than double to US\$ 180.7 million at the end of 2018, largely on account of a significant deterioration of the current account deficit reflecting a widening of the merchandise trade deficit. The country saw lower earnings from merchandise exports during the year, as earnings from gold, rice and sugar exports declined and merchandise imports expanded. However, the capital account is expected to yield an improved surplus, as a result of stronger foreign direct investment inflows.

The unweighted nominal exchange rate for the Guyana dollar depreciated to G\$ 215.78 per US\$ 1 by the end of June 2018, relative to G\$ 210.50 per US\$ 1 at end-June 2017.

In the real sector, there was an uptick in the international price of both sugar and rice in 2018. However, domestic sugar production contracted by a hefty 25.2% in 2018, as a consequence of industry restructuring. However, the recapitalization of three estates now under way is expected to lead to a resurgence of the sector, with a rise in output from the projected 98,000 tons for 2018 to around 145,000 tons by 2021. In contrast, rice production will likely rise marginally in 2018, as the gains from the introduction of higher-yielding varieties begin to materialize.

The price of timber edged up by 1.1%, which provided impetus for the increase seen in domestic output. Overall, buoyed by strong performances in the forestry, livestock and other crops subsectors, growth in the agriculture, fishing and forestry sector is expected to rise to 1.1% in 2018.

Despite a robust outturn (26.3% growth) in the bauxite subsector, output in the extractive industries is projected to contract by 2.3% in 2018. A fall in gold declarations from small- and medium-scale miners will likely outweigh the projected 4.3% uptick in the output of the large mining companies, resulting in a 13.1% contraction in gold output for the year. Poor weather, through its impact on the transport network, hurt the operations of the small and medium-sized mining operations, which accounted for 64% of declarations in 2017.

Increased domestic demand, precipitated by the strong expansion (12%) in construction activity—thanks to faster implementation of the government's public sector investment programme—underpinned an increase in sand and stone output. This, along with strong diamond declarations, is expected to push the output of other mining significantly upward in 2018.

Growth (5.2%) in non-sugar and rice value added will drive a slight uptick in the manufacturing sector in 2018, as output of food items, beverages, building materials and pharmaceuticals is projected to increase.

The services sector has continued its positive growth trajectory in 2018, with wholesale and retail trade and other services (up 6.2% and 15.0%, respectively) being major drivers of this outturn.

Guyana: main economic indicators, 2016-2018

	2016	2017	2018 ^a
	Annual growth rate		
Gross domestic product	3.4	2.2	3.4
Per capita gross domestic product	2.7	1.6	2.8
Consumer prices	1.4	1.5	0.6 ^b
Money (M1)	7.1	9.0	8.5 ^c
	Annual average percentage		
Central government			
Overall balance / GDP	-4.5	-4.6	-5.6
Nominal deposit rate ^d	1.3	1.2	1.1 ^c
Nominal lending rate ^e	10.7	10.6	10.4 ^c
	Millions of dollars		
Exports of goods and services	1 600	1 072	...
Imports of goods and services	1 788	1 090	...
Current account balance	128	75	...
Capital and financial balance ^f	-181	-119	...
Overall balance	-53	-45	...

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

a/ Estimates.

b/ Figures as of March.

c/ Figures as of September.

d/ Small savings rate.

e/ Prime lending rate.

f/ Includes errors and omissions.

Within other services, cultural, sport and conference tourism, as well as the petroleum industry, led an increase in visitor arrivals.

Inflation in Guyana stood at 0.9% at mid-year 2018. However, marginal increases in food, fuel and housing prices are expected to push overall inflation to 2.0% for the year overall, which is nevertheless below the previous forecast of 2.4%.