

Guyana

Economic activity in Guyana continues to accelerate ahead of the oil boom expected in 2020, with growth projected at 4.5% in 2019, up from 4.1% in 2018. The overall fiscal deficit is projected to deteriorate from 3.6% of GDP in 2018 to 4.9% of GDP in 2019, as an increase in expenditure (16.0%) outweighs improved revenue (up 11.3%). The overall balance-of-payments deficit is likely to contract in 2019, on account of an increase in foreign direct investment (FDI) in the energy sector, despite a higher current account deficit. Inflation is expected to rise moderately, to 2.5% in December 2019 from 1.6% a year earlier, on the back of higher food prices. In 2020, the economy is expected to expand substantially, by 85.6%, as commercial oil production will commence in December 2019. Even the non-oil growth rate is expected to reach 4.8%, owing to a spillover effect of oil production on other sectors.

The government is committed to institution-building to improve revenue collection and create new industries and jobs. The revised 2019 budget shows total revenue (including grant receipts) rising by 11.3%, following a 9.9% increase in 2018, thanks to improved tax collection, mainly from the oil and gas sector. Total expenditure is expected to jump by 16.0% in 2019, a significant rise on the 6.1% increase seen in 2018, reflecting the government's initiative to increase workers' income and promote infrastructure developments. The overall fiscal deficit is projected to deteriorate from 3.6% of GDP to 4.9% in 2019, as expenditure rises faster than revenue, but then will improve significantly in 2020 as oil revenue will outweigh spending increases. Part of the oil revenue will be saved under the Natural Resource Fund (NRF) Act 2019, which was signed into law in January in an effort to build capacities to manage and monitor oil revenues. The Act also established a Public Accountability and Oversight Committee to assess management of the Fund and a fiscal transfer rule to govern the flow of resources from the Fund to the government budget.

The monetary policy stance remained accommodative as redemptions of Treasury bills issued for monetary policy purposes amounted to 24.1 billion Guyana dollars (G\$) during the first half of 2019, exceeding issuances of G\$ 8.2 billion, while the central bank rate was unchanged at 5.0% during the first eleven months of 2019. Under the accommodative monetary stance, Treasury bill rates and commercial bank lending rates fell slightly during the first nine months of 2019. The falling interest rates underpinned the increase in net domestic credit, up 19.0% year-on-year in September 2019. Private sector credit increased by 6.7%, supported by an expansion in loans and advances to individuals and businesses. Public sector credit expanded significantly, by G\$ 28.0 billion, mainly as a result of a worsening central government net credit position. Owing to the uptick in domestic credit, along with a 16.9% increase in net foreign assets, the broad measure of money supply, M2, increased by 14.5%.

The official exchange rate at the Bank of Guyana stood at G\$ 208.50 to US\$ 1 in November 2019, steady since May 2018, although the market exchange rate recorded a small depreciation. The exchange rate is expected to remain stable throughout the rest of 2019 as the government seeks to stabilize prices.

Guyana's overall balance-of-payments deficit is likely to narrow slightly, by US\$ 26.1 million, to US\$ 106.1 million in 2019, owing to a higher surplus on the capital account, despite a higher current account deficit. The current account deficit is expected to increase by US\$ 53.0 million to US\$ 1.379 billion, despite a recovery in gold exports, owing to stronger imports as a result of large investments in the oil and gas sector and higher payments for transportation services. Meanwhile the capital and financial account surplus is expected to widen by US\$ 87.0 million to US\$ 1.273 billion, with higher net inflows of FDI in the energy sector.

The Guyanese economy continued to post robust growth ahead of the oil boom expected in 2020, with growth estimated at 4.0% during the first half of 2019. The construction sector made the largest contribution to growth, reflecting an increase in both private investment and government expenditure on construction activities. The mining and quarrying sector continued to recover, as gold mining expanded in response to improved road conditions and favourable international prices. On the other hand, the agriculture, fishing and forestry sector contracted slightly, as a large livestock producer reduced output of broiler meat to run down stocks. As the growth momentum is likely to continue into the second half of 2019, the growth rate is expected to accelerate to 4.5% for the year overall, from 4.1% in 2018. A hefty 85.6% expansion is projected in 2020, following the start of commercial oil production in December 2019. As the Liza Phase 1 development will likely take three months to reach its potential capacity of 120,000 barrels per day (bpd), average oil production is expected to be around 102,000 bpd in 2020. This amounts to over 80% of GDP, assuming the oil price prevailing in 2006 (the base year for the constant-price GDP measure). The non-oil growth rate is expected to reach 4.8% owing to the spillover effects of oil production on other sectors, as well as continued infrastructure development.

Inflation increased from 1.6% in December 2018 to 2.3% in September 2019, reflecting higher food prices (6.9%), especially for meat, fish and eggs, and is expected to rise a little further—to 2.5%—by December as these drivers continue.

Guyana: main economic indicators, 2017-2019

	2017	2018	2019 ^a
	Annual growth rate		
Gross domestic product	2.2	4.1	4.5
Per capita gross domestic product	1.6	3.5	3.9
Consumer prices	1.5	1.6	2.3 ^b
Money (M1)	9.0	8.9	15.0 ^b
	Annual average percentage		
Central government			
Overall balance / GDP	-4.5	-3.6	-4.9
Nominal deposit rate ^c	1.2	1.1	1.0 ^b
Nominal lending rate ^d	10.6	10.4	8.9 ^b
	Millions of dollars		
Exports of goods and services	1 644	1 597	...
Imports of goods and services	2 217	3 038	...
Current account balance	-391	-1 072	...
Capital and financial balance ^e	378	1 016	...
Overall balance	-13	-56	...

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

a/ Estimates.

b/ Figures as of September.

c/ Small savings rate.

d/ Prime lending rate.

e/ Includes errors and omissions.