Guyana

During the first half of 2017, the authorities focused on quickening the pace of spending under the Public Sector Investment Programme (PSIP) and instituting structural reforms geared towards promoting diversification and greening of the Guyanese economy. However, given Guyana's high product specialization, falling commodity prices continued to negatively impact export performance, while lower private sector investment, coupled with adverse weather conditions, led to declining output in key sectors, such as mining, sugar, forestry, and finance and insurance. Nevertheless, the economy is expected to achieve overall growth of 2.9% in 2017, fuelled by increased activity in the manufacturing (primarily rice), construction and other services sectors.

The Guyanese economy is projected to expand by 3.5% in 2018 as structural reforms begin to take hold and thus help to boost economic activity and accelerate the implementation of infrastructure projects. Further, favourable international prices and access to new markets are expected to provide impetus for increased rice production; and the output of the gold and services sector will continue to expand.

The central government generated an overall fiscal surplus of 8.3 billion Guyanese dollars (G$) by mid- 2017, relative to the G$ 0.82 billion surplus in the first half of the previous year. This positive outturn was underpinned by improved revenue collections (up 13.1%) as increases occurred across almost all fiscal categories, particularly in income tax from both private corporations and individuals, as well as withholding, value added and excise taxes. This more than offset a 6.5% expansion in current expenditure owing to increased employment costs and purchases of other goods and services. In this regard, there was a significant reduction in transfer payments, as disbursements to the Guyana Sugar Corporation (GUYSUCO) fell by G$ 2 billion during the review period. Further, a combination of procurement planning and capacity constraints, which led to delays in the implementation of projects under PSIP, meant that only 27.9% of budgeted allocation was spent.

In the monetary sector, low inflationary pressures, coupled with increased domestic credit (9.0%), contributed to a 3.6% expansion in broad money during the first half of 2017 relative to the same period in 2016. Concomitantly, the Bank of Guyana continued to issue treasury bills as its primary mechanism for absorbing liquidity in the system. However, a 15-basis-point fall in the 91-day treasury bill rate from 1.68% to 1.54% may have contributed to dampened demand for these instruments: in particular, holdings by the commercial banks were heavily down.

In small, open, commodity-exporting economies like Guyana, public sector spending is commonly an important driver of economic activity, including in the private sector. Accordingly, the government's slow implementation of locally-funded projects during the first half of the 2017 had distinct knock-on effects.

The expansion (9.0%) in net domestic credit recorded during the first half of 2017 was principally due to an increase in the government's domestic debt, as private sector credit grew by only 1.8% in the period. Indeed, lending to the agriculture, manufacturing and mining and quarrying sectors all declined. Against this backdrop, the significant uptick observed in lending to the services sector (7.0%) suggests that this sector may be an emerging area of comparative advantage. Meanwhile, the expansion in mortgage lending (4.1%), set against declining credit to key productive sectors, indicates ongoing risk adversity in Guyana's commercial banking sector.

Guyana's debt burden remains at sustainable levels and the government has focused on prudent debt management, ensuring, in particular, that debt servicing costs do not escalate. Accordingly, total public debt rose by only 5.5%, year-on-year during the review period, reflecting increases in both external (5.0%) and domestic (6.9%) debt. Expansion in Guyana's external debt stock has been fuelled by higher disbursements from multilateral creditors and by the transfer to the central government of debt owed to Republic Bank Limited of Trinidad and Tobago by Atlantic Hotel Inc. (AHI), the owner of the Guyana Marriott Hotel.

Guyana: main economic indicators, 2014-2017

	2015	2016	2017 [a]
	Annual growth rate		
Gross domestic product	3.2	3.3	2.9
Per capita gross domestic product	2.7	2.8	2.4
Consumer prices	-1.8	1.4	2.5 [b]
Money (M1)	7.9	7.1	9.5 [c]
	Annual average percentage		
Central government			
Overall balance / GDP	-1.4	-4.4	-5.6
Nominal deposit rate [d]	1.3	1.3	1.2 [c]
Nominal lending rate [e]	10.8	10.7	10.6 [c]
	Millions of dollars		
Exports of goods and services	1 313	…	…
Imports of goods and services	1 898	…	…
Current account balance	-144	…	…
Capital and financial balance [f]	169	…	…
Overall balance	25	…	…

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Estimates.
b/ Figures as of August.
c/ Figures as of September.
d/ Small savings rate.
e/ Prime lending rate.
f/ Includes errors and omissions.

In the real sector, growth in agricultural production slowed to 6.4% in the first half of 2017, from 10% in the same period of the previous year, as adverse weather conditions affected output. There was, however, a marked increase (31.6%) in rice production during the review period, as farmers aggressively expanded sown acreage in response to favourable market prices, gains were made in penetrating new markets and the Guyana Rice Development Board progressed in fostering an industry shift towards value added. In fact, the rice industry was the main driver of growth in manufacturing (9.9%) during the period under review. Although cane yields in terms of tons per acre were higher than the previous year, falling global prices and mechanical problems at the Skeldon estate meant that domestic sugar output declined (12.4%) during the first half of 2017.

Falling prices and structural issues, including the absence of lumber certification, have affected investment in the forestry industry, leading to an 18.2% fall in production during the first six months of 2017. In the mining and quarrying sector, changes in the tax structure of the gold industry introduced in 2017 did not crowd out domestic private sector investment as had been feared. However, a marginal (0.5%) decline in production by small and medium-sized producers, along with a contraction in output from the two large multinational companies in the sector, led to an overall decline of 1.7% in gold production in the first six months of 2017.

Inflation stood at 1.1% at the end of June 2017, down from 1.4% at the end of December 2016. Increased prices within several subcategories of food were the main divers of the inflation observed over the review period. There were also marginal price rises in transport and communications (0.4%), housing (0.04%), and education, recreation and culture (3.1%).