

GUYANA

1. General trends

The Guyanese economy is estimated have grown by 2.2% in 2017, down from 3.4% growth in 2016 and much lower than the 3.8% estimated in the budget for the year. The construction sector made the largest contribution to economic growth (1.1 percentage points), while economic expansion was lower than expected in the sugar sector and in mining and quarrying, which was hurt by the impassability of roads to the mining sites in the interior. The sugar sector contracted substantially, as the State-owned sugar firm, GUYSUICO, implemented major structural adjustments in order to reduce government subsidies to the company. The restructuring also contemplates the shedding of around 7,000 workers from the firm's sugar estates.

The central government fiscal deficit was 4.7% of GDP, up slightly from the previous year's deficit of 4.5%. A 12.8% increase in tax revenue offset an 8% decline in non-tax revenue, along with 6.7% and 26% increases in current and capital expenditure, respectively. Despite slow implementation of the public sector investment programme, capital expenditure, over 50% of which occurred in the fourth quarter, was 26% higher in 2017 than in 2016.

The monetary policy stance remained accommodative in 2017, as the central bank rate was unchanged at 5%. Commercial interest rates fell slightly and net domestic sector credit expanded by 9.9%. Inflation was subdued in 2017, falling from 2.3% in January to 1.5% in December.

The current account deficit expanded by 7.7 percentage points to 8.1% in 2017, as an 11% increase in imports outweighed a 0.1% rise in exports. Among the exports, an increase in rice production, stemming from good weather conditions and favourable international prices, offset a major decline in sugar exports.

2. Economic policy

(a) Fiscal policy

The central government overall fiscal deficit expanded to 4.7% of GDP in 2017, from 4.5% in 2016. Current revenue grew by 8.7%, driven by a rise in collections of income taxes (1.4%), import duties (3.5%) and value added and excise taxes (0.4%). Non-tax revenue declined by 7.8%. A point to note is that the central bank, the Bank of Guyana, changed its classification of capital revenue in 2017, to ensure congruence with that of the Ministry of Finance, disaggregating it into domestic (capital revenue) and external (grants) components.

Total central government expenditure expanded by 11.8% in 2017, owing to increases in transfer payments, capital expenditure, employment costs and other goods and services, as well as interest payments. Current expenditure grew by 8.2% as staff costs, which represent 30.0% of this item, rose by 10.0%, making them the main driver of the current spending rise in 2017. The interest component of current expenditure rose by 19.7%, as external interest payments increased by 25.1%. However, interest payments made up just 4.4% of current expenditure.

Capital expenditure expanded by 24.7%, coming after an increase of 52% in 2016. The implementation of the public sector investment programme (PSIP) was slow over the first half of 2017, but accelerated in the second half and over 50% of the government's capital expenditure was recorded in the fourth quarter. In 2017, 58 billion Guyana dollars (G\$) were spent on capital projects, exceeding the previous high of G\$ 56 billion in 2012. There was also a decrease in expenditure and revenue collection from public enterprises, stemming from contraction at the Guyana Sugar Corporation (GUYSUCO) and reduced spending by Guyana Power and Light, Inc.

The total non-financial public sector debt-to-GDP ratio at the end of 2017 was 47.1% of GDP, up slightly from the 47.6% a year earlier. This primarily reflected a rise in external debt, due to higher disbursements from several lenders, including the Export-Import Bank of China, the Inter-American Development Bank (IDB), and the Caribbean Community (CARICOM) Caribbean Development Fund (CDF). The domestic debt stock grew marginally in absolute terms, owing to the issuance of a new 91-day Treasury bill, but fell in GDP terms, from 12.5% in 2016 to 12.1% in 2017. Total debt service as percentage of government revenue stood at 8.0% in 2017.

(b) Monetary policy

Monetary policy remained accommodative in 2017. The Bank of Guyana's bank rate has remained at 5% since 2013 and is not expected to change in 2018. The Bank's 91-day Treasury bill rate declined from 1.68% in January 2017 to 1.54% in February, where it remained until the end of the year and into the first three months of 2018. The commercial bank average small savings rate declined from 1.26% in January 2017 to 1.11% by December and again marginally to 1.10% by March 2018. The commercial weighted average lending rate fell from 10.44% in January 2017 to 10.19% by the end of the year, but then rose slightly to 10.21% by March 2018.

The fall in interest rates during the review period helped spur an increase in domestic borrowing. Net domestic credit expanded by 9.9% in 2017, contributing to 4.6% growth in M2. Currency in circulation grew by 11% and savings deposits increased by 2.1%, while time deposits contracted by 1%. The growth in domestic credit was fuelled by increases in both public and private sector credit, the latter of which grew by 2.3%. Credit to all private sector categories increased, except for manufacturing, construction and engineering, and the catch-all category of other.

(c) Exchange-rate policy

The exchange rate remained constant throughout 2017. However, it depreciated slightly, from G\$ 206.50 to G\$ 208.50 per US\$ 1 in early 2018.

3. The main variables

(a) The external sector

The current account deficit expanded from 0.4% of GDP in 2016 to 8.1% of GDP in 2017. This was driven mainly by an expansion in the merchandise trade deficit, as imports increased by 3.9 percentage points of GDP, while exports fell by 0.7 GDP points. The export performance was marked by a 33.9% decline in sugar exports, stemming from GUYSUCO restructuring, along with declines in exports of gold, timber, molasses and others. Increases were seen in exports of bauxite (11%), rice (11%), shrimp (20.4%) and rum (16.3%). The higher imports were driven by rises of 12% in imports of consumer goods and 15% in intermediate goods, while capital goods imports edged up 1%. In the

intermediate goods category, imports of food declined by a hefty 14%. The major contributors to the increase in imports were the largest components, namely parts and accessories (37%), petroleum (14%) and others (24%).

The net services deficit expanded by 22%, as an improvement in the factor services account offset decreases in the non-factor services and unrequited transfers accounts. The income deficit expanded by 30%, while the transfers surplus declined by 12%.

The capital account swung from a deficit of 0.4% of GDP in 2016 to a surplus of 6.4% of GDP in 2017, as a result of larger inflows of foreign direct investment (FDI), which grew from 5.3% of GDP in 2016 to 6.0% in 2017. FDI inflows are expected to continue rising in the medium term as investment in the energy sector ramps up.

Gross reserves amounted to 3.2 months of import cover at the end of 2017, down from 3.8 months at the end of 2016. The decline in reserves continued in early 2018, to 2.8 months of import cover by March.

(b) Economic activity

Guyana's economic growth is estimated at 2.2% for 2017, based primarily on robust activity in the construction sector and an improved performance in rice production and the service industries. The construction sector improved on its 6.3% growth in 2016, with an expansion of 11.4% in 2017. Driven by increased public investment, the construction sector made the largest contribution to economic growth, with 1.1 percentage points. Rice production, up by 18%, benefited from favourable weather conditions and rising international prices over the year. The wholesale and retail trade sector grew by 8.7% and contributed 1 percentage point to growth in the services sector, emerging as the main driver of increased services activity for 2017. Some of the growth in wholesale and retail trade reportedly stems from commercial activity by the recent influx of Cuban visitors, retailers and wholesalers.

Despite the increase in rice production, the agriculture, hunting, forestry and fishing sector grew by just 0.4% in 2017. While this was a turnaround from the 10.3% contraction in 2016, the expansion was heavily tempered by a 25% decline in sugar production, resulting from structural reforms at GUYSUCO. The largest contraction in the Guyanese economy —by 8.8%— occurred in mining and quarrying, with declines seen in the production of bauxite, diamonds and gold. Gold production increased over the first three quarters of 2017, but declined in the fourth owing to impassable roadways in the mining districts, which hindered production.

Growth is projected to be 3.0% in 2018. Sugar output is expected to continue declining as the industry adjusts. The performance of the forestry sector is expected to improve on that of 2017, on account of new market access in Latin America and increased productivity.

(c) Prices, wages and employment

Inflation remained low throughout 2017, falling from 2.3% in January to 1.5% in December. The main driver of inflation was the food component, which began 2017 at 6.2%, but fell over the year to 2.8% by December. The year-on-year change in the housing component of the urban consumer price index remained below 1% throughout the year, while transportation and communication fluctuated around 1% over the course of 2017. The miscellaneous component of the price index recorded negative year-on-year growth for all but three months in 2017.

In late 2017, the Government of Guyana announced wage increases for approximately 14,000 public servants, ranging from 8% for those earning between G\$ 55,555 and G\$ 99,999 per month to 0.5% for those earning between G\$ 800,000 and G\$ 1,000,000 per month. Wages of over G\$ 1,000,000 were not increased.

The structural reforms at GUYSUCO led to major downsizing among the sugar estates, which left as many as 7,000 workers jobless. There was also retrenchment in the logging industry.

Table 1
GUYANA: MAIN ECONOMIC INDICATORS

	2009	2010	2011	2012	2013	2014	2015	2016	2017 a/
Annual growth rates b/									
Gross domestic product	3.6	4.1	5.2	5.3	5.0	3.9	3.1	3.4	2.2
Per capita gross domestic product	3.7	4.0	4.8	4.7	4.3	3.2	2.4	2.7	1.6
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	2.5	1.0	2.8	3.6	2.4	5.7	2.3	-10.3	0.4
Mining and quarrying	...	...	...	...	...	...	...	...	...
Manufacturing	4.3	0.3	6.8	2.4	7.9	10.7	5.5	-9.5	4.2
Electricity, gas and water	4.0	0.6	2.1	5.7	4.9	3.9	-0.2	10.0	4.5
Construction	0.5	10.7	2.8	-11.0	22.6	18.0	-10.0	6.3	11.4
Wholesale and retail commerce, restaurants and hotels	5.7	9.5	7.9	11.2	1.1	3.8	5.9	-0.6	6.4
Transport, storage and communications	1.3	6.9	8.1	12.2	4.8	9.5	10.6	0.9	3.3
Financial institutions, insurance, real estate and business services	9.7	6.2	7.9	15.6	6.5	1.8	6.5	2.2	-0.9
Community, social and personal services	4.8	3.3	2.4	2.4	1.6	2.9	2.8	1.8	2.1
Balance of payments									
Millions of dollars									
Current account balance	-231	-246	-372	-367	-456	-385	...	...	...
Goods balance	-411	-534	-641	-581	-500	-624	...	...	...
Exports, f.o.b.	768	885	1 129	1 415	1 375	1 167	...	...	...
Imports, f.o.b.	1 179	1 419	1 771	1 997	1 875	1 791	...	...	...
Services trade balance	-102	-96	-136	-229	-338	-245	...	...	...
Income balance	-17	13	-9	24	29	27	...	...	...
Net current transfers	300	371	415	419	353	458	...	...	...
Capital and financial balance c/	-71	51	318	256	505	408	...	...	...
Net foreign direct investment	164	198	247	278	201	238	...	...	...
Other capital movements	-235	-147	71	-22	305	170	...	...	...
Overall balance	-302	-195	-55	-111	49	22	...	...	...
Variation in reserve assets d/	265	158	22	80	-84	-59	...	...	...
Other financing	37	37	33	31	34	37	...	...	...
Other external-sector indicators									
Net resource transfer (millions of dollars)	-51	101	341	311	568	471	...	...	...
Gross external public debt (millions of dollars)	933	1 043	1 206	1 358	1 246	1 216	...	...	...
Prices									
Annual percentages									
Variation in consumer prices (December-December)	3.6	4.5	3.3	3.4	0.9	1.2	-1.8	1.4	1.5
Variation in nominal exchange rate (annual average)	0.2	-0.2	0.2	-0.6	2.9	-0.4	-0.4	0.1	0.0
Nominal deposit rate e/	2.8	2.7	2.3	1.8	1.4	1.3	1.3	1.3	1.2
Nominal lending rate f/	14.0	15.2	14.7	14.0	12.1	11.1	10.8	10.7	10.6
Central government									
Percentajes of GDP									
Total revenue	27.2	26.0	25.6	24.7	23.6	23.6	25.8	26.5	28.4
Tax revenue	21.6	21.9	21.2	20.3	20.6	21.4	21.9	21.7	23.1
Total expenditure	30.8	28.9	28.7	29.4	28.0	29.1	27.3	31.0	33.1
Current expenditure	19.5	18.8	19.1	19.7	19.9	21.1	22.6	24.3	25.2
Interest	1.6	1.7	1.5	1.1	1.0	1.0	1.0	1.0	1.1
Capital expenditure	11.4	10.2	9.5	9.7	8.2	8.0	4.7	6.7	7.9
Primary balance	-2.1	-1.2	-1.6	-3.6	-3.4	-4.5	-0.4	-3.6	-3.6
Overall balance	-3.7	-2.9	-3.1	-4.7	-4.4	-5.5	-1.4	-4.5	-4.7
Non-financial public sector debt	67.0	68.0	66.7	63.6	58.1	51.8	48.7	47.6	47.1

Table 1 (concluded)

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Money and credit	Percentages of GDP, end-of-year stocks								
Domestic credit	11.2	12.0	17.8	16.9	20.2	24.4	28.0	27.5	29.8
To the public sector	-7.9	-8.9	-4.9	-7.7	-5.9	-4.1	-1.0	1.0	3.7
To the private sector	22.5	24.3	25.6	27.6	30.2	31.8	32.5	30.3	30.5
Others	-3.3	-3.4	-2.9	-3.0	-4.1	-3.4	-3.6	-3.8	-4.5
Monetary base	17.2	19.8	18.7	19.4	18.7	19.8	20.9	21.9	22.2
Money (M1)	15.8	17.5	18.5	19.2	18.8	20.6	19.7	20.0	21.4

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

	2016				2017				2018	
	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)	629	617	615	622	597	586	579	572	523	489
Consumer prices (12-month percentage variation)	0.3	1.0	0.9	1.4	2.5	1.5	1.9	1.5	0.6	0.6 c/
Average nominal exchange rate (Guyana dollars per dollar)	207.2	207.2	207.2	207.2	207.2	207.2	207.2	206.9	206.2	208.0
Nominal interest rates (average annualized percentages)										
Deposit rate b/	1.3	1.3	1.3	1.3	1.3	1.2	1.1	1.1	1.1	1.1 c/
Lending rate d/	10.8	10.8	10.7	10.7	10.6	10.6	10.6	10.5	10.5	10.4 c/
Monetary policy rates	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0 c/
Domestic credit (variation from same quarter of preceding year)	14.0	15.4	10.8	5.9	11.7	6.6	7.8	10.9	13.0	21.9 c/
Non-performing loans as a percentage of total credit	11.7	11.9	13.0	12.9	12.8	13.1	13.8	12.2	13.2	...

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

a/ Preliminary figures.

b/ Small savings rate.

c/ Figures as of May.

d/ Prime lending rate.