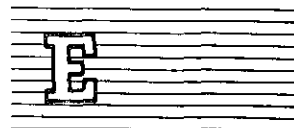


UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL



Distr.
LIMITED
E/CEPAL/L.268/Add.14
November 1982
ORIGINAL: ENGLISH

CEPAL
Economic Commission for Latin America



ECONOMIC SURVEY
OF LATIN AMERICA

1981

GUYANA

This preliminary version of the *Economic Survey of Latin America, 1981* is being distributed in the form of a general introduction, under the symbol E/CEPAL/L.268, and a number of addenda, each containing a study of the economic evolution of a country of the region. These studies will not be published in alphabetical order, but in order of completion.

The final version of the complete *Survey* will be published once the observations regarding this preliminary version have been received.

Notes and explanation of symbols

The following symbols have been used in the tables in this Survey:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amount is nil or negligible.

A blank space in a table means that the item in question is not applicable.

A minus sign (-) indicates a deficit or decrease, unless otherwise indicated.

A full stop (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1969/1970.

Use of a hyphen (-) between years, e.g., 1960-1970, signifies an annual average for the calendar years involved, including the beginning and the end years.

References to "tons" mean metric tons, and to "dollars" United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual growth rates or rates of variation mean cumulative annual rates.

Figures and percentages in tables may not necessarily add up to the corresponding totals, because of rounding.

GUYANA

1. Recent economic trends: Introduction and summary

The Guyana economy continued to deteriorate in 1981. The relative increase in the current value of its gross domestic product (GDP) was attributable to the 18% devaluation made in mid-year, and the economy also suffered from a 22% rate of inflation. Preliminary estimates show that in real terms the GDP fell by around 20%. This followed continuous negative growth since 1976 with the exception of 1980 (when there was a 1% increase in real terms) (see table 1).

Table 1

GUYANA: MAIN ECONOMIC INDICATORS

	1975	1976	1977	1978	1979	1980	1981 ^a
Basic economic indicators							
Gross domestic product at factor cost (millions of Guyana dollars at current prices)	1 098	1 038	1 019	1 136	1 179	1 336	1 350
Population (thousands)	762	771	779	785	788	792	796
Per capita gross domestic product (Guyana dollars at current prices)	1 441	1 346	1 308	1 447	1 496	1 687	1 696
Growth rates							
Short-run economic indicators							
Gross domestic product at current prices	26.2	-5.5	-1.8	11.5	3.8	13.3	1.0
Per capita gross domestic product at current prices	24.1	-6.6	-2.8	10.6	3.4	12.8	0.5
Current value of exports of goods	41.1	-17.3	-6.1	13.4	-1.0	32.8	-11.0
Current value of imports of goods	43.0	14.4	13.3	-11.7	14.1	33.8	11.0
Consumer prices index							
Annual average variation (all Guyana)	7.9	8.7	10.8	19.5	15.6	12.8	22.1
Money	60.6	7.4	28.9	5.7	-4.4	13.7	9.0
Current income of government	48.6	20.9	-11.9	2.8	8.1	13.9	24.0
Total expenditure of government	69.3	23.0	-21.6	3.9	33.6	39.3	14.7
Fiscal deficit/total expenditure of government (percentage)	19.7	49.6	37.4	38.0	49.8	59.0	55.6
Millions of US dollars							
External sector							
Trade balance (goods and services)	0.4	-113	-72	0.1	-49	-84	-159
Balance on current account	-23	-141	-97	-23	-83	-126	-214
Variation in net international reserves (- sign indicates an increase)	-46	91	12	-15	54	37	7
Public external debt	291	363	398	428	468	519	620

Source: CEPAL, on the basis of official data.

^aPreliminary figures.

The physical output of the key foreign exchange earning sectors was far below the projected targets, and this situation was compounded by the prevailing low world prices for sugar and bauxite, unsure markets and high internal costs of production. These factors resulted in the lower

levels of export earnings when compared with 1980. During the year, the country suffered from an acute shortage of hard currency to purchase raw materials and other supplies for local industries, resulting in overseas suppliers insisting that transactions be on a cash basis, thereby effectively shutting off credit to local importers. As a result of its foreign exchange difficulties, a 3-year European Fund Facility (EFF) arrangement was reached with the IMF to grant an increase of 50 million SDR units early in 1981. This grant was conditioned on an increase in local taxes and a reduction in government spending, and the Fund also recommended a devaluation of the currency. This was accordingly devalued by 18% as part of the effort to correct the country's external imbalance, but this action was insufficient to correct the worsening economic situation and a request for a further increase in SDR grants was denied. This led to the Government having to borrow heavily from the domestic banking system, and at the end of 1981 the public debt was an estimated G\$ 3.1 billion,¹ with the net foreign assets of the banking system standing at minus G\$ 483 million.

Real income accruing to the agricultural and mining sectors was estimated to be respectively 21% and 63% lower than in 1980. The agricultural sector was affected by the considerably lower world prices for sugar and the rising cost of producing the commodity. Added to the difficulties in sugar, the rice industry faced an internal problem when local rice farmers refused to harvest the grain because of the low prices being offered for the crop. This situation was checked by year-end, however, preventing a further decline in its real earnings for 1981. In the mining sector, the advent of a world recession, heavy foreign competition for existing markets, substitute materials, lower productivity levels and the soft international markets for aluminium resulted in lower volumes of production and reduced earnings for the sector.

In 1981 it was evident that the economy continued to feel the effects of having to depend on the narrow base of traditional exports supported by a small group of resources which have been showing declining and unstable levels of output over the years. This has had severe effects on the volume and value of exports. There continued to be heavy demand for imported goods, mainly food and fuel. The failure of the key sectors to increase the level of export earnings has led to an acute shortage of foreign exchange, making it impossible for the Government to settle overdue payments on international transactions, resulting in commercial creditors remaining unpaid. However, in addition to the IMF's increase in its SDR allocation, some relief came from the G\$ 170 million foreign exchange support obtained from the Caribbean Aid Council through the Trinidad and Tobago oil facility and a US\$ 23 million medium-term structural adjustment balance-of-payments support scheme with the World Bank. Even so, however, the deficits on merchandise trade and services widened in 1981, with the net position being a continued worsening of the balance-of-payments current account deficit, while the overall balance also recorded a deficit of US\$ 10 million.

The central government financial operations continued to deteriorate in 1981 despite the 24% increase in current revenue, since the increasing current and capital expenditure contributed to the net fiscal deficit of G\$ 700 million. Nevertheless, increases in both current and capital expenditure were considerably slower than in 1980. More than half of the deficit financing came from external sources, with the remainder being realized through the issuing of short-term Treasury bills.

It was expected that as a result of the deteriorating foreign exchange position there would have to be cuts in public expenditure, higher taxes and rising prices, large-scale public sector layoffs, major cuts in essential imports with severe curbs on hard currency outflows and an overall reduction in subsidies. Added to this serious position it may be necessary to devalue again, since the initial devaluation was made against an appreciating US dollar. It is apparent that there is a need to re-assess the economy and think about structural changes, all the more so because of the deterioration in the level of foreign reserves and the increasing unemployment caused by the downturn of activity in the principal sectors.

¹The exchange rate of the Guyana dollar was fixed at US\$ 1.00 = G\$ 3.00 as from June 1981.

2. Trends in economic activity

(a) *Global supply and demand trends*

According to estimates given by the Statistical Bureau, global supply at current prices increased by 14% in 1981 as compared with a 19% increase in the previous year. Imports of goods and services mainly led this increase, since they grew by 23%, while the GDP rose by 6% (see table 2).

Table 2

GUYANA: TOTAL SUPPLY AND DEMAND

	Millions of current Guyana dollars				Percentage breakdown		Growth rates			
	1978	1979	1980	1981 ^a	1977	1981 ^a	1978	1979	1980	1981 ^a
Total supply	2 118	2 333	2 778	3 160	167.0	197.5	2.1	10.2	19.1	13.8
Gross domestic product at market prices	1 268	1 326	1 508	1 600	100.0	100.0	12.7	4.6	13.7	6.1
Imports of goods and services	850	1 007	1 270	1 560	67.0	97.5	-10.4	18.5	26.1	22.8
Total demand	2 118	2 333	2 778	3 160	167.0	197.5	2.1	10.2	19.1	13.8
Domestic demand	1 268	1 463	1 649	1 966	100.0	122.9	-2.5	15.4	12.7	19.2
Gross fixed investment	242	325	404	491	19.1	30.7	-16.6	34.3	24.3	21.5
Public	195	260	334	411	15.4	25.7	-15.2	33.3	28.5	23.1
Private	47	65	70	80	3.7	5.0	-21.7	38.3	7.7	14.3
Change in inventory	18	86	45	60	1.4	3.8	-51.4	377.8	-47.7	33.3
Total consumption	1 008	1 052	1 200	1 415	79.5	88.4	3.6	4.4	14.1	17.9
Public	296	348	436	485	23.3	30.3	2.1	17.6	25.3	11.2
Private	712	704	764	930	56.1	58.1	4.2	-1.1	8.5	21.7
Exports of goods and services	794	797	1 046	1 033	62.6	64.6	12.3	0.4	31.2	-1.2
Net factor income payments	56	73	83	161	4.4	10.1	-16.4	30.4	13.7	94.0

Source: Statistical Bureau, Ministry of Economic Development, Guyana.

^aPreliminary figures.

With respect to global demand, domestic demand increased by 19% as against a 13% increase in 1980. Gross fixed investment rose by about 22%, mainly reflecting the fact that the public sector investment increased very rapidly (23%). Total consumption, whose contribution to the GDP was 88% in 1981, showed an 18% increase, while exports of goods and services decreased by about 1%.

(b) *Growth of the main sectors*

(i) *Introduction.* Total domestic production in 1981, at current prices, rose by 1% over the 1980 level, but since there was a 22% inflation rate and an 18% devaluation, this performance actually reflected the serious continued downturn in economic activity. When consideration is given to the higher prices of factors contributing towards the overall production, economic growth in real terms was estimated to be about -20% in 1981. The 11% decline in the current value of exports of goods and the failure of the traditional foreign exchange earning sectors of the economy—agriculture and mining—to achieve better levels of performance in 1981 contributed towards these disappointing results.

Whereas the current value of output in the agricultural sector declined by 4% in 1981, the decline in real terms was even greater (about 21%). This substantial movement resulted from the decline in earnings from the very important sugar subsector. Earnings accruing to the mining and quarrying sector decreased rapidly in 1981 due to low production, the effects of the current world recession and strong foreign competition for existing markets. The disastrous performance of the sector was evident in lower volumes and values of exports than in previous years. Indeed, the

current value of export earnings fell some 54% from 1980, with the value in real terms decreasing by 63%. As a consequence of these developments, the contributions of the agricultural and mining and quarrying sectors to the total GDP fell considerably, accounting for only 22% and 7% of the current GDP respectively —well below the 1980 levels. Despite the disappointing performance of the leading sectors of the economy, present current value estimates indicate good performances in the manufacturing and service sectors. Government and other service sectors contributed more than 47% of the total current GDP, whilst the manufacturing sector accounted for 12% and the construction share of the GDP was 8%. Activity in other manufacturing sectors (except sugar and rice) resulted in a 45.6% increase in the sector's contribution to GDP at current factor cost (see table 3).

Table 3

GUYANA: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of Guyana dollars				Percentage breakdown		Growth rates		
	1978	1979	1980	1981 ^a	1970	1981 ^a	1979	1980	1981 ^a
Agriculture	256.6	263.5	312.0	300.0	19.3	22.3	2.7	18.4	-3.8
Sugar	122.0	123.0	149.0	120.0	9.2	8.9	0.8	21.1	-19.5
Rice	41.0	34.0	41.0	43.0	2.8	3.2	-17.1	20.6	4.9
Other crops	38.6	42.0	48.0	54.0	...	4.0	8.8	14.3	12.5
Livestock	30.5	37.0	41.5	44.0	...	3.3	21.3	12.2	6.0
Forestry	11.0	12.0	15.5	19.0	...	1.4	9.1	29.2	26.7
Fishing	13.5	15.5	17.0	20.0	...	1.5	14.8	9.7	17.7
Mining and quarrying	178.5	169.5	221.0	101.0	20.4	7.5	-5.0	30.4	-54.3
Bauxite/alumina	165.0	159.0	210.0	85.0	...	6.3	-3.6	32.1	-59.5
Other	13.5	10.5	11.0	16.0	...	1.2	-22.2	4.8	45.4
Manufacturing and processing	137.5	146.0	162.0	201.0	12.2	14.9	6.2	11.0	24.1
Sugar milling	43.0	43.0	49.0	40.0	3.2	3.0	0.0	14.0	-18.4
Rice milling	8.5	6.0	10.0	11.0	0.8	0.8	-29.4	66.7	10.0
Other	86.0	97.0	103.0	150.0	8.2	11.1	12.8	6.2	45.6
Engineering and construction	75.0	85.0	95.0	110.0	7.9	8.1	13.3	11.8	15.8
Distribution	104.0	117.0	115.0	145.0	11.5	10.7	12.5	-1.7	26.1
Transport and communications	65.0	72.0	75.0	90.0	5.9	6.7	10.8	4.2	20.0
Government	230.0	234.0	250.0	276.0	13.2	20.4	1.7	6.8	10.4
Other services	89.0	92.0	106.0	127.0	9.6	9.4	3.4	15.2	19.8
Rent	17.0	17.0	18.0	23.0	...	1.7	0.0	5.9	27.8
Financial services	44.0	45.0	54.0	64.0	...	4.7	2.3	30.0	18.5
Other services	28.0	30.0	34.0	40.0	...	3.0	7.1	13.3	17.6
Total GDP	1 135.6	1 179.0	1 336.0	1 350.0	100.0	100.0	3.8	13.3	1.0

Source: Statistical Bureau, Ministry of Economic Development, Guyana.

^aPreliminary figures.

(ii) *Agriculture*. Current earnings in agriculture, while amounting to over G\$ 300 million in 1981, were about 4% lower than in 1980, since although all other major agricultural subsector showed considerable improvements in earnings during the period under review, the value of output of the sugar subsector declined by 19%. Sugar, however, remained the largest single contributor to overall GDP, accounting for over 22% in 1981. Together, sugar, rice and livestock contributed 69% of agriculture's earnings and 15% of the total GDP at current prices.

The sugar industry's physical output performance improved appreciably during the year in spite of labour shortages, work stoppages, indiscriminate burning of cane, and the lower yielding

varieties of cane presently harvested. The average ratio of tons of cane per ton of sugar was about 14 to 1. Although the actual current value of output is estimated to have declined by about 20% in 1981 because of falling sugar prices, the industry continued to be a major contributor to the national economy, accounting for some 9% of total GDP. Sugar-cane output rose some 26% to 4 128 000 in 1981, the third highest in the last decade (see table 4). This increase in production came as a result of a variety of improvements implemented in the industry, such as more controlled harvesting and planting techniques through improved drainage and tillage and planting programmes. Nevertheless, the increase in production did not result in the anticipated higher earnings because of a number of extraneous factors, such as the lower external prices for the commodity (G\$ 750 per ton), contrasting with the increasing local cost of production (more than G\$ 1 200). This has resulted in a substantial loss of earnings to the industry.

Table 4

GUYANA: INDICATORS OF AGRICULTURAL PRODUCTION

(Tonnes)

	1977	1978	1979 ^a	1980 ^a	1981 ^b	Growth rates			
						1978	1979	1980	1981
Sugar cane ^c	3 301	4 042	3 821 ^b	3 262 ^b	4 128	22.5	-5.5	-14.6	26.5
Rice (milled) ^c	213.4	185	144	169	165	-13.3	-22.2	17.4	-2.4
Root crops ^c	24.5	28.2	28.2	29.0	...	15.1	-	22.8	...
Plantains ^c	19.5	21.3	21.3	22.0	...	9.2	-	3.3	...
Coconuts ^d	25	25	26	29	...	-	4.0	11.5	...
Citrus ^e	15.4	15.4	10.3	10.7	...	-	-33.1	3.9	...
Bananas ^c	5.0	6.5	6.5	6.8	...	0.0	-	4.6	...
Corn ^f	3 268	2 086	1 670	1 419	...	6.2	-19.9	-15.0	...
Tomatoes ^c	2 495	2 856	2 716	2 812	...	14.5	-4.9	3.5	...
Pineapples ^c	1 905	1 632	1 797	1 860	...	-14.3	10.1	3.5	...
Beef ^g	3 130	1 860	1 770	1 633	...	0.6	-4.8	-7.7	...
Pigs, sheep, goats ^c	2 359	1 724	1 815	1 417	...	-26.9	5.3	-21.9	...
Poultry ^c	7 393	10 387	10 571	10 433	...	40.5	1.8	-1.3	...

Source: Statistical Bureau, Ministry of Economic Development, Guyana.

^a Preliminary figures.

^b Estimates.

^c Thousands tons.

^d Millions.

^e Tons.

On the other hand, earnings from rice (paddy) were estimated to have increased by about 5% in 1981 in spite of a 2% drop in physical output. The production of rice during the early part of the year was hampered by the rice farmers' refusal to harvest the commodity for a return which they considered unreasonable. The Government subsequently offered to increase prices to offset incurred production costs, but nevertheless rice production up to the end of the year fell to about 165 000 tons. During the year, the industry was plagued with the problem of a shortage of foreign exchange, making it difficult for farmers to obtain tractors and threshers/harvesters and necessary spares for repairing and maintaining equipment and plant.

In contrast, the performance of the other agricultural subsectors continued to improve, resulting in an increase in their current value of output by about 12% over the 1980 level, so that they accounted for almost 46% of the total agricultural GDP. Earnings of non-traditional export crops, such as root crops, rose 16% in 1981, mainly due to the Government's continued drive towards self-sufficiency in food, with the aim of reducing the high cost of food imports. Indications are that there was a drop in the livestock population and that production of meat, dairy produce

and poultry in 1981 continued to decline due to shortages of animal feed and hatching eggs and the dwindling herds. As regards the forestry subsector, there was a rapid growth of about 27% in its current value GDP in 1981, following the 29% growth reported in 1980. This good performance came as a result of a better transportation system from the interior, and improved sawmills and related techniques. Added to this, more use is being made of wood waste and renewed efforts are being made in charcoal production, while further encouragement is being given to the use of timber in the building industry, especially for housing.

(iii) *Mining and quarrying*. The current value of output in the mining and quarrying sector decreased by 54%, so that it generated only 7% of the GDP in 1981. However, the real value of output was estimated to have declined by more than 63%. This decrease resulted from the reduced output of the bauxite industry due to the weak foreign markets and persistent labour, technical and management problems. Whereas earnings from bauxite and alumina fell considerably, those from other mining and quarrying activities, mainly gold and diamonds, rose appreciably during this period. Nevertheless, the mining sector has failed to achieve the targets set.

Overall production in the bauxite industry fell some 9% in 1981, continuing the unstable pattern of production since 1977; output for 1980 rose only marginally (see table 5). On recent times the low level of demand and low world prices for bauxite products have resulted in relatively lower levels of production. All areas of bauxite production declined substantially with the exception of dried bauxite: calcined bauxite output went down 15%, alumina fell some 19%, the output of cement-grade bauxite fell by 47%, and there was little or no production of alumina hydrate during the year. The persistent shortage of foreign exchange to purchase the much-needed inputs, spare parts and fuel, low prices on the international market, and the soft world market for aluminium have pushed the estimated loss of earnings of the sector into the region of G\$ 192 million. This represents about 15% of the country's import expenditure and a considerable loss of foreign exchange earnings.

Table 5
GUYANA: INDICATORS OF MINING PRODUCTION

	1977	1978	1979	1980	1981 ^a	Growth rates		
						1979	1980	1981
Dried bauxite ^b	893	1 002	1 066	970	969	6.4	-9.0	-0.1
Calcined bauxite ^b	720	579	577	601	513	-0.3	4.2	-14.6
Alumina ^b	260	230	139	211	170	-39.6	51.8	-19.4
Alumina hydrate ^{b,c}	17	10	23	4	-	130.0	-82.6	-
Aluminous cement grade bauxite ^b	-	36	9	51	27	-75.0	466.7	-47.1
Gold ^c	12	15	11	11	19	-26.7	-	72.7
Diamonds ^d	17	17	16	10	9	-5.9	-37.5	-10.0

Source: Statistical Bureau, Ministry of Economic Development, Guyana.

^a Preliminary figures.

^b Thousand tons.

^c Thousand ounces.

^d Thousand carats.

The poor performance over the years has caused a shift in the supply side of the refractory products industry, with Guyana being unable to satisfy the constant market demand for calcined bauxite, a technically preferred material for making heat-resistant bricks and linings for kilns and furnaces. Competitors have made significant inroads into the market, in most cases supplying an inferior ore which has caused many users to adapt their technology to handle this new grade of ore. Added to the new suppliers, the industry is faced with the problems raised by the introduction of alternative refractory materials, one of which is a non-bauxite refractory substitute called 'Andalusite', a South African metal ore. The Guyana bauxite industry has faced problems due to the lower

price offered by its competitors for the traditional refractory ore, and also the lower prices of the substitutes. Though the Guyana ore is the technically preferred material, its share of the world market for calcined bauxite fell from a near-monopoly supply of 85% to below 57% in 1981.

The industry has also suffered from loss of overseas demand for its other bauxite products, due to poor production resulting from technical difficulties and manpower and management problems. The global recession has caused the demand for aluminium to drop sharply, resulting in much reduced demand for primary inputs, while indicators have shown a marked increase in the recycling of aluminium scrap, mainly in the United States. The depressed price for aluminium has so far resulted in the closure of several smelter plants around the world and has caused a general cutback in bauxite production in other producing countries. The situation has now reached the point where 'futures' buyers have decided to cancel orders and pay the monetary penalties thus incurred rather than accept delivery.

Whereas the bauxite industry had a poor year in 1981, the reported production of gold rose by almost 73% to 19 000 ounces. This has resulted from the setting up of the Gold Board, where all gold mined or found must be reported. However, it has been estimated that this figure is only 25% of what was actually extracted during the year. This figure does not necessarily mean that in the past production was low, but rather that it was not reported. It is noteworthy that over G\$ 3 million worth of mining equipment was imported without the necessary release of foreign exchange during 1981. On the other hand, there was a slight drop in the reported production of diamonds.

During 1981 the Government of Guyana continued its exploration for other materials and ores. There have been searches for uranium, molybdenum and other base metals, and prospection is continuing for new deposits of gold, diamonds and semi-precious stones. The country is shortly to receive a loan from the International Development Association (IDA) in order to continue its search for oil deposits. At present, the Home Oil Corporation is continuing its exploratory tests both in the interior and offshore.

(iv) *Manufacturing*. Despite reduced earnings from the sugar subsector, the current value of output from manufacturing and processing rose by 24% and accounted for almost 15% of the GDP in 1981. This resulted mainly from the increase in earnings from milled rice and other manufacturing subsectors. In real terms, however, there was a 7% decline.

Joint earnings from rice and sugar in 1981 fell by more than 14% following the 25% growth the year before, because although the value of output of milled rice rose 10%, that of sugar fell 18%. These two subsectors jointly contributed 25% of the sector's GDP for 1981. Earnings from all other forms of manufacturing rose by 45% compared with 1980. This indicates the greater role being played by the non-traditional manufacturing sectors.

The output of manufactured sugar recovered moderately to a production level of some 306 000 tons in 1981, an increase of 12% over 1980 (see table 6). On the other hand, the physical output of milled rice fell some 2% after showing signs of recovery the year before. The production of rice has been hampered by bad weather and the failure of the rice buying agencies to pay farmers more for the rice paddy, thus making it less profitable to produce the grain. This situation was being examined late in the year.

The current value of output in the other manufacturing subsectors showed an increase of 45% in 1981, despite falling physical production of most manufactured items. The devaluation of the currency had led to a moderate growth in exports, thus pushing up the actual size of the subsector's earnings.

Only soap and cigarettes experienced any growth in production during 1981, with increases of 17% and 6% to 2 279 tons and 602 million cigarettes respectively. The physical output of margarine fell by 17% to 2 370 tons in 1981 after record production of 2 847 tons in 1980. Production of edible oil, for its part, fell by some 1 259 tons in 1981, so that it was about 47% lower than the figure of 2 700 tons in 1980. The output of rum fell slightly after relatively good production in 1980, while the production of stockfeeds and flour continued to decline in 1981. Total output fell as a result of difficulties in obtaining much-needed inputs for the expansion of the

Table 6

GUYANA: INDICATORS OF MANUFACTURING PRODUCTION

	1977	1978	1979	1980	1981 ^a	Growth rates			
						1978	1979	1980	1981
Sugar ^b	246	330	303	274	306	34.1	-8.2	-9.6	11.7
Edible oil ^c	1 555	1 409	1 159	2 700	1 441	-9.4	-17.7	133.0	-46.6
Margarine ^d	2 033	1 937	1 983	2 841	2 370	-4.7	2.4	43.3	-16.6
Flour ^b	35	36	40	36	34	2.9	11.1	-10.0	-5.6
Molasses ^e	90	117	63	-	-	30.0	-53.8	-	-
Stock feeds ^b	37	50	57	53	52	35.1	14.0	-7.0	-1.9
Rum ^f	3 249	3 380	3 546	3 997	3 945	4.0	4.9	12.7	-1.3
Cigarettes ^g	558	519	549	567	602	-7.0	5.8	3.3	6.2
Soap ^d	1 916	1 653	1 569	1 954	2 279	-13.7	-5.1	24.5	16.6
Paints ^c	1 718	1 473	1 200	522 ^h	-	-14.3	-18.5	-56.5	-
Timber ⁱ	176	169	154	140	-	4.0	-8.9	-9.1	-

Source: Statistical Bureau, Ministry of Economic Development, Guyana.

^a Preliminary figures.

^b Thousand tons.

^c Thousand litres.

^d Tons.

^e Millions litres.

^f Thousand gallons.

^g Millions.

^h February-December 1980.

ⁱ Thousand cubic meters.

industrial sector. The lack of these imported resources, coupled with frequent electrical outages and lack of skilled technicians, contributed to the lower-than-expected levels of production. During the year, the country experienced an acute shortage of foreign exchange, making it difficult to pay for imported inputs, and foreign creditors curtailed the extension of credit to Guyanese importers and are now operating on a strictly cash basis. In another area, limited production continued in the textile industry and indicators suggest that there were improvements in the manufacture of gas stoves and refrigerators. An attempt has been made at assembling tractors for the local industry.

(v) *Energy*. This sector has remained the single most important constraint on the long-term development prospects of the country. The high cost of imported fuels and other raw materials have rendered most manufacturing concerns uneconomic and also affected the efficiency of other energy-based industries, such as electricity. The increase in fuel prices has adversely affected the local prices of petroleum products, which have more than doubled since 1977. In addition, the development of the major hydropower project in the Western part of the country and exploration for oil reserves have been disrupted by the unresolved border dispute with Venezuela.

In 1981, the National Energy Unit was established to manage the country's energy resources. This Unit monitors the progress of the energy conservation programme and contributes towards the efficient use of thermal energy. It also oversees petroleum exploration and development of renewable energy resources. During the year, much work was done in compiling an energy audit and studies were completed on conservation methods. Some of the national corporations made an effort to maximize energy efficiency and sought new methods to conserve energy. GUYSUCO is at present using bagasse for fuel and GUYMINE is looking into the use of a special kiln in order to maximize production efficiency. Other conservation methods include the development of biogas as a substitute for kerosene and LPG, and the use of wood waste in the manufacture of clay blocks, rice husks for steam generation, and solar driers for the rice industry.

Evidently, the local price of fuel has fully reflected the increased import cost and has encouraged the Government to look for oil in its own territory, with concessions given out for both inland and offshore explorations (see table 7).

Table 7

GUYANA: VALUE OF IMPORTS OF SELECTED HYDROCARBONS

(Thousands of Guyana dollars)

Commodity	1977	1978	1979	1980	1981 ^a
Crude petroleum	-	-	-	-	-
Natural gas liquids	-	-	-	-	-
Natural gas	-	-	-	-	-
Aviation gasoline	1 650	1 000	1 860	2 129	3 302
Motor gasoline	13 610	13 700	25 500	36 387	44 029
Kerosene	6 670	7 100	13 500	18 358	22 902
Jet fuel	-	-	-	-	-
Diesel oil ^b	44 250	41 800	64 760	114 411	127 898
Liquefied petroleum gas	2 930	3 800	4 050	7 772	9 079
Other Gases ^c	-	-	-	-	-
Bunker 'C' fuel oil	80 310	88 300	84 890	134 887	169 404
Subtotal	149 420	155 700	194 560	313 944	376 614
Total (fuels and lubricants)	160 400	169 900	230 000	331 159	388 758

Source: Energy Unit, Ministry of Energy and Natural Resources, Guyana.

^a Preliminary figures.

^b Includes gas oil.

^c Liquid butane and propane.

During the year there continued to be frequent periods of power failures. This was partly due to the lack of proper maintenance schedules and the continued use of unreliable equipment; evidently, the shortage of adequate foreign exchange affected the purchase of new equipment and other materials needed for the efficient operation of plant and machinery, while fuel was also in short supply.

In addition, the electricity corporation suffered high levels of distribution losses and found it difficult to collect arrears of rates, contributing towards the weakening of its finances for future development (see table 8).

Table 8

GUYANA: ELECTRICITY GENERATION AND CONSUMPTION^{ab}

(Hundreds of thousands of kWh)

	1976	1977	1978	1979	1980
Total electricity generated	91.7	430.7	404.9	407.0	419.1
Total consumed	353.4	386.8	361.6	351.5	365.6
Residential (households)	82.9	86.8	82.0	94.5	95.4
Commercial					
Industrial	260.6	288.7	271.2	245.4	261.1
Other	10.0	11.3	8.4	11.6	9.1
Transmission losses	38.3	43.0	43.3	55.5	53.5

Source: Statistical Bureau, Ministry of Economic Development, Georgetown, Guyana.

^a Data exclude sugar estates and small privated plants.

^b Total electricity generated represents production of Guyana Electric Corporation, Guybau, Bermine and New Amsterdam.

(vi) *Other sectors.* The expansion in the Government's capital expenditure programme, together with the rising level of imports has generated greater demand for basic services. The services sector thus continued its favourable growth, accounting for over 47% of total GDP at current prices in 1981. Preliminary estimates indicate a 20% increase in the contribution of the distributive trades to the GDP in 1981 after a 2% decline in 1980, and increases of 20% and 8% respectively in the transport and financial services sectors. Earnings from rent went up some 28% during 1981. Government investment policy continued to be geared towards the improvement and expansion of both the industrial and agricultural sectors, and it was expected to achieve improved efficiency and self-sufficiency. At the same time, despite the limited resources available and taking into account the inflationary process, these services have had some effect on construction activities, where earnings rose 16%. These rates of increase in terms of current prices must be interpreted, however, against the background of the combined effects of the devaluation of the currency and the ongoing inflation.

3. The external sector

(a) *Merchandise trade*

(i) *Exports.* The current value of exports of goods declined by 11% as against a 33% rise in the previous year. This deceleration was mainly due to heavy reductions in the volume of the traditional items exported (see table 9).

The bauxite industry, which had performed well in 1980, suffered major setbacks in 1981 which resulted in a lower volume and value of exports. The total volume of bauxite and its by-products exported is estimated to have declined considerably in 1981, with its value falling by almost 11%. The decline in demand for alumina and aluminium on the international markets and the introduction of substitute refractory materials contributed to the drop in production and exports of dried and calcined bauxite. The volume of sugar exported was expected to be at about the same level as in 1980, with export earnings rising slightly to G\$ 309 million, but this forecast growth in the value of sugar exports did not materialize, because of the lower volume exported and the declining price of the commodity on the world market. On the other hand, the reverse occurred in respect of rice. Despite lower volumes exported, the export earnings have kept on rising: since 1978 the volume of exports has been on the decline, falling from 107 000 tons in 1978 to 72 000 tons up to November 1981, yet earnings rose from G\$ 97 million to G\$ 110 million in the same 4-year period.

The indicators point to a noteworthy improvement in the volume and value of non-traditional exports. Rum exports were expected to be higher than the 2 802 000 proof gallons exported in 1980 and molasses exports above the 70 000 tons exported in that year. However, the quantity of timber exported was expected to show a marked decline in 1981, after two years of improved performances, due to increased local consumption.

(ii) *Imports.* The value of total imports is estimated to have grown by over 10% in 1981, representing about a 7% increase in real terms. The price of fuel imports weighed heavily in the import bill of the country, accounting for almost 31% of the total. Total payments for raw materials and intermediate goods showed a 26% rise over the 1980 figures, although this rise was somewhat slower than that experienced in the previous year. The value of fuel imports amounted to approximately G\$ 389 million in 1981. At the same time, consumer goods, including food, rose by almost 20%, reversing the trend of 1980, when a decline of 12% compared with 1979 was reported. Although the rate of growth of capital goods imports was only 9%, their share was about 17% of total imports, making them the second biggest category (see table 10).

Preliminary information on trade with CARICOM countries indicates that most of Guyana's imports continue to originate in Trinidad and Tobago. During the period January-June 1981, more than G\$ 218 million was imported and approximately G\$ 30 million exported to Trinidad and Tobago. The trade with Guyana's other CARICOM neighbours continues to remain small in relation to total trade (see table 11).

Table 9

GUYANA: VALUE AND VOLUME OF SELECTED EXPORT PRODUCTS

(Millions of Guyana dollars and thousand tons)

	1978	1979	1980 ^a	1981 ^{ab}	Growth rates		
					1979	1980 ^a	1981 ^{ab}
Total value of exports	750	743	993	972	-1.0	33.6	-2.1
Main traditional exports	659	635	875	847	-3.7	37.9	-3.2
Bauxite (dried/calced):							
Value	250	274	368	428 ^c	9.4	34.3	-10.7 ^c
Volume	1 601	1 578	1 613	1 356	-1.4	0.6	...
Alumina and alumina hydrate							
Value	78	54	111	...	-31.1	107.4	...
Volume	251	146	230	145	-41.8	54.1	...
Sugar							
Value	235	226	308	309	-3.5	36.1	0.3
Volume	286	268	252	244	-6.3	-6.0	...
Rice							
Value	96	81	88	110	-15.8	8.4	25.6
Volume	107	86	81	72	-19.6	7.0	...
Main non-traditional exports	43	60	63	...	37.4	5.9	...
Rum							
Value	10	13	18	...	30.2	44.0	...
Volume ^d	1 847	2 103	2 713	2 802	13.9	29.0	...
Molasses							
Value	9	13	12	...	47.2	-8.4	...
Volume	124	95	55	69	-23.4	42.1	...
Timber							
Value	11	14	16	...	31.2	11.9	...
Volume ^{de}	36	49	59	37	36.1	20.4	...
Shrimp							
Value	12	18	9	...	41.9	-48.9	...
Volume ^f	765	746	...	...	-2.5	...	...
Diamonds							
Value	2	2	2	...	33.3	...	...
Volume ^g	11	11	...	...	...	...	...
Other exports and re-exports	48	49	55	...	1.3	12.8	...

Source: Statistical Bureau, Ministry of Economic Development and data supplied to CEPAL.

^aPreliminary figures.^bVolume figures refer to period January-November.^cIncludes total value for bauxite, alumina and alumina hydrate.^dThousand gallons.^eThousand cubic meters.^fTons.^gThousand carats.

(iii) *Terms of trade and purchasing power of exports.* The terms-of-trade index increased by 3.5%, registering an improvement for the second year running. This was obtained because the export unit value increased by 7.6% while the import unit value rose by only 3.8% in 1981 (see table 12).

The value of exports of goods declined by 11%, mainly because of a 17% decline in volume. The index of the purchasing power of exports of goods registered 80.3 (1970 = 100), as against 96.1 in the previous year. This was the lowest level recorded since 1975, when it hit a peak of 134.

Table 10

GUYANA: IMPORTS OF GOODS

	Millions of Guyana dollars					Growth rates			
	1977	1978	1979	1980 ^a	1981 ^b	1978	1979	1980	1981 ^c
Total goods imported	804.4	711.1	810.1	1 010.0	1 237.0	-11.6	13.9	24.7	22.5
Consumer goods	143.0	131.1	147.3	130.0	156.0	-8.3	12.4	-11.7	20.0
Food	65.0	62.6	62.6	60.1	64.4	-3.7	-	-4.0	7.2
Raw materials and intermediate goods	410.9	421.2	511.8	681.0	860.0	2.5	21.5	33.1	26.3
Capital goods	226.5	153.6	145.9	194.0	212.0	-32.2	-5.0	33.0	9.3
Miscellaneous	24.0	5.2	5.1	5.0	9.0	-78.3	-1.9	-2.0	80.0

Source: Statistical Bureau, Ministry of Economic Development, Guyana.

^aPreliminary figures.

^bPreliminary estimates.

Table 11

GUYANA: TRADE WITH MAJOR CARICOM COUNTRIES

(Millions of Guyana dollars)

	1977	1978	1979	1980	1980	1981 ^a
	Imports (CIF)					
Total	206.4	205.6	266.9	239.3	153.2	226.2
Barbados	3.7	3.5	2.7	1.6	1.1	1.3
Jamaica	16.5	8.7	17.1	10.9	5.4	6.6
Trinidad and Tobago	183.9	189.7	245.3	226.1	146.3	217.7
Others	2.3	3.8	1.8	0.7	0.4	0.6
	Domestic exports					
Total	100.0	113.8	113.1	135.6	57.9	71.2
Barbados	12.4	10.9	10.3	8.9	4.1	4.2
Jamaica	36.8	38.8	44.6	44.5	15.7	28.2
Trinidad and Tobago	52.2	52.2	44.5	62.5	29.5	29.8
Others	11.9	11.9	13.8	19.8	8.6	9.0

Source: Statistical Bureau, Ministry of Economic Planning and Finance, Guyana.

^aPreliminary figures.

(b) *The current account position and its financing*

The current account position showed a further deterioration, with a deficit of more than US\$ 210 million as compared with US\$ 126 million in the previous year. This leap was mainly due to the large trade deficit, since the services account showed a slight decline in its deficit, as in the previous year. To finance the current account deficit official borrowing rose more than four times as compared with the previous year. However, the overall balance of payments registered a deficit of US\$ 10 million as against a deficit of US\$ 43 million in the preceding year (see table 13).

As a consequence of the falling purchasing power of the Guyana currency and the country's increasing external debts, the IMF increased the allocation of SDRs to Guyana by 50 million SDRs to a total of 150 million SDRs. This is about three times the normal drawing rights of Guyana. However, this was to be accompanied by increases in local taxes, a devaluation of the currency by 18% and a reduction in government spending. Nevertheless, economic activity continued to decline, with the public external debt rising to US\$ 620 million at the end of 1981. In October 1981 the IMF refused

Table 12

GUYANA: MAIN FOREIGN TRADE INDICATORS

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 ^a
Growth rates												
Exports of goods, FOB												
Value	4.2	13.1	-1.6	-5.6	99.1	30.1	-20.5	-7.2	14.0	-1.0	32.8	-11.0
Volume	-9.2	4.1	-12.8	-7.1	6.2	3.3	-3.6	-16.3	17.7	-8.3	-1.9	-17.3
Unit value	14.8	8.7	12.9	1.6	87.4	25.9	-17.5	10.8	-3.2	8.0	35.5	7.6
Imports of goods, FOB												
Value	13.6	0.4	7.1	23.7	44.5	32.8	8.2	-13.3	-11.6	13.9	33.8	11.0
Volume	12.9	-3.2	2.5	8.5	2.7	7.9	6.6	-18.2	-15.8	2.6	4.0	6.9
Unit value	0.7	3.7	4.5	14.0	40.7	23.1	1.5	5.9	5.0	11.0	28.6	3.8
Terms of trade (FOB/CIF)	13.7	4.2	8.0	-10.3	33.9	3.6	-19.1	4.5	-7.8	-2.7	7.5	3.5
Indexes (1970 = 100)												
Terms of trade	100.0	104.2	112.6	101.0	135.2	140.1	113.3	118.4	109.2	106.3	114.3	118.3
Purchasing power of exports of goods	100.0	108.4	102.0	85.7	124.4	134.1	104.5	91.0	99.0	88.7	96.1	80.3
Purchasing power of exports of goods and services	100.0	106.8	102.2	87.4	119.1	125.2	97.1	85.6	93.1	83.5	89.6	75.5

Source: CEPAL, on the basis of official data.

^aPreliminary figures.

to grant a further increase in SDRs and this led to a severe shortfall in the availability of foreign exchange to pay debts incurred overseas by local importers, leading the overseas suppliers to discontinue any lines of credit made available to Guyana in the past and to sell goods to the country on a strictly cash basis. Debt payments at the end of 1981 stood at US\$ 104 million - about 60% of estimated revenue and 30% of total exports. The result at the end of 1981 was the Government's inability to meet payments to foreign creditors and to pay debt installments to commercial banks and other creditors.

The large current account gap was not sufficiently covered by the net capital inflow, so that about US\$ 7 million was drawn from the international reserves in 1981.

4. Prices and wages

The level of domestic prices, as measured by the All Items Guyana Price Index for urban areas, was about 22% higher than in 1980. This reflects the price increases of imported goods brought on by the recent devaluation of the Guyana currency. This considerable increase came after a somewhat slower rise in 1980. The categories which showed heavy increases clearly indicate the high cost of imported goods: there was a 36% increase in clothing prices, with food prices rising by about 28% in 1981. During the year there were acute shortages of rice and flour and the absence of these staple items forced up the prices of local substitutes. This position reversed the pattern of 1980, when price rises were held down by the Government's attempts to monitor the mark-up policy on some basic items. Apparently the overall lower levels of local production of basic items, the shortages of foreign credit for imports and the lower prices to farmers for rice have created an unusually short supply of basic commodities, resulting in higher prices. However, a sharp drop in the increase rate of the housing category was observed because of the Government's attempts to provide housing on a self-help basis with the use of local timber and also the relocation of families into the interior (see table 14).

The rising cost of imported fuel continued to be reflected in the level of domestic retail prices of petroleum products, even though the Government received assistance from the Caribbean Aid

Table 13

GUYANA: BALANCE OF PAYMENTS

(Millions of US dollars)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 ^a
Exports of goods and services	146	162	162	156	292	370	293	276	314	311	409	367
Goods FOB	129	146	144	136	270	351	280	259	296	293	389	346
Services ^b	17	16	19	21	22	19	14	16	18	18	20	21
Transport and insurance	3	3	3	3	3	3	2	4	5	6	7	7
Travel	3	3	3	4	4	3	3	3	3	3	4	4
Imports of goods and services	151	152	167	208	280	370	406	347	314	360	494	526
Goods FOB	120	120	129	159	230	306	331	287	254	289	386	429
Services ^b	31	31	38	49	50	64	75	61	60	71	107	97
Transport and insurance	17	16	19	21	29	37	43	37	35	40	53	52
Travel	3	3	5	8	3	5	6	3	5	6	8	8
Trade balance (goods)	9	26	15	-24	40	-46	-51	-27	42	4	2	-83
Commercial balance	-5	11	-5	-52	12	0	-113	-72	0	-49	-84	-159
Profits and interest	-16	-18	-11	-12	-19	-19	-24	-22	-23	-34	-43	-57
Profits	-14	-17	-7	-5	-13	-8	-4	-3	-1	0	0	0
Interest	-2	-1	-4	-7	-6	-12	-20	-19	-23	-34	-43	-57
Unrequited private transfer payments	-1	0	0	-1	-2	-4	-4	-4	0	0	1	2
Balance on current account	-22	-8	-15	-65	-10	-23	-141	-97	-23	-83	-126	-214
Unrequited official transfer payments	0	1	-1	0	-1	-2	-2	0	-7	0	-2	...
Long-term capital	17	16	15	29	43	97	45	41	33	28	80	...
Direct investment	9	-56	2	8	1	1	-26	-2	0	1	1	...
Portfolio investment	0	0	-1	-1	0	4	-1	-1	-2	3	3	...
Other long-term capital	8	72	14	21	42	93	72	44	34	24	77	...
Official sector ^c	8	65	7	10	28	65	78	24	23	20	86	...
Loans received	10	13	8	15	33	51	65	35	42	51	126	...
Amortization payments	-1	-2	-1	-4	-4	-4	-6	-6	-13	-24	-33	...
Commercial banks ^c	0	0	0	0	0	0	0	0	0	0	0	...
Loans received	0	0	0	0	0	0	0	0	0	0	0	...
Amortization payments	0	0	0	0	0	0	0	0	0	0	0	...
Other sectors ^c	0	8	7	11	13	28	-6	21	11	4	-10	...
Loans received	0	3	3	5	13	28	0	37	57	80	52	...
Amortization payments	0	0	0	0	0	0	-6	-11	-38	-80	-62	...
Basic balance	-5	10	-1	-36	32	73	-98	-56	3	-55	-48	...
Short-term capital	0	-3	0	-4	5	-4	-4	35	-8	6	6	...
Official sector	1	-1	-1	0	0	0	0	-2	-2	1	6	...
Commercial banks	1	0	0	-5	4	-3	1	4	4	0	-2	...
Other sectors	-2	-2	0	1	1	0	-5	33	-10	5	2	...
Errors and omissions	3	-5	9	14	9	-19	14	10	21	-8	0	204
Balance on capital account	20	9	23	39	56	73	53	86	39	26	84	204
Global balance ^d	-2	2	8	-26	46	50	-88	-11	16	-57	-43	-10
Total variation in reserves (- sign indicates an increase)	0	-3	-13	28	-48	-46	91	12	-15	54	37	7
Monetary gold	0	0	0	0	0	0	0	0	0	0	0	0
Special Drawing Rights	0	-2	-2	0	0	0	0	1	0	0	4	-1
IMF reserve position	-1	2	-1	1	-2	-4	6	0	0	0	0	0
Foreign exchange assets	1	-5	-8	23	-47	-35	67	3	-35	41	1	8
Other assets	0	0	0	0	-1	-2	-2	7	2	0	0	0
Use made of IMF credit	0	2	-2	5	1	-6	20	1	18	14	33	0

Source: CEPAL, on the basis of official information.

^aPreliminary figures.^bServices also include other official and private transactions.^cIn addition to loans received and amortization payments made, this entry includes net loans granted and other assets and liabilities.^dIncludes counterpart items in respect of monetization or demonetization of gold, allocation or settlement of Special Drawing Rights, and variations due to revaluation.

Table 14

**GUYANA: EVOLUTION OF THE URBAN CONSUMER PRICE INDEX
(ALL GUYANA)**

	Growth rates				
	1977	1978	1979	1980	1981
All items index	8.3	15.2	17.8	14.1	22.2
Food ^a	8.6	17.2	18.9	12.1	27.6
Clothing	14.4	29.5	30.1	16.7	36.1
Housing	1.7	1.1	7.4	12.3	7.5
Miscellaneous	11.4	18.8	17.0	19.6	12.8

Source: Statistical Bureau, Ministry of Economic Development, Guyana.

^aIncludes beverages and tobacco.

Table 15

GUYANA: RETAIL PRICES OF SELECTED PETROLEUM PRODUCTS^a

(Guyana cents per Imperial gallon)

Period	Gasoline		Kerosene	Diesel oil	Fuel	LPG, per 100 lb
	Regular	Premium				
1972	.79	.91	.51	.48	.30	...
1976	2.10	2.21	1.18	1.36	1.10	...
1977	2.50	2.71	1.26	1.56	1.19	...
1978	2.97	3.25	1.26	1.56	1.25	39.85
1979	4.30	4.56	2.28	2.89	1.90	63.00
1980	5.11	5.34	3.75	3.69	3.00	63.00
1981	5.97	6.23	4.51	4.48	3.15	79.32

Source: CEPAL, Energy Unit, Ministry of Energy and Natural Resources, Guyana.

^aPrices represent last price in the year in question.

Council, through the Trinidad Oil Facility, in paying the increased oil prices (see table 15). In effect, the cost per imperial gallon of domestic kerosene rose some 20% in 1981, reflecting the 25% increase in the import cost of this item. Despite the 12% rise in the unit cost of diesel fuel imports, the domestic retail price rose by about 21%, although this was somewhat lower than the price increases over the last two years. The price of fuel oil rose moderately (5%) in 1981 in contrast with the large increases of 58% and 52% in 1980 and 1979 respectively. After two years of controlled prices the cost of LPG to the consumer rose by 29% to G\$ 79.32 per 100 pounds in 1981. The last price increase had been in 1979, when the price rose 58% to G\$ 63 per 100 pounds. The rise of about 21% in the cost of imports of motor gasoline in 1981 did not have the same effect on the internal price of the commodity, since both premium and regular gasoline prices rose by about 17% per gallon.

5. Monetary and fiscal policy

(a) *Monetary developments*

While the total monetary resources placed with the banking system moved up by G\$ 255 million or by some 24% in 1981, the 24% expansion in credit to G\$ 1 812 million was in excess of monetary growth and resulted in the running down of net foreign assets of the banking system by some 22% (see table 16).

Table 16

GUYANA: MONETARY BALANCE

(Millions of Guyana dollars)

	Balance at end of					Growth rates		
	1977	1978	1979	1980	1981 ^a	1979	1980	1981 ^a
Money (M₁)	281	297	284	323	352	-4.4	13.7	9.0
Currency outside banks	143	156	148	167	186	-5.1	12.8	11.4
Demand deposits	138	141	136	156	166	-3.5	14.7	6.4
Factors of expansion	661	795	902	1 076	1 329	13.5	19.3	23.5
Foreign assets (net)	-109	-59	-182	-396	-483	-208.5	-117.6	-22.0
Domestic credit	771	853	1 084	1 461	1 812	27.1	34.8	24.0
Government (net)	534	603	743	1 029	1 163	23.2	38.5	11.9
Official entities	123	127	177	236	386	39.4	33.3	63.6
Private sector	113	123	164	197	263	33.3	20.1	33.5
Factors of absorption	380	501	620	751	977	23.8	21.1	30.1
Quasi-money	322	370	430	527	645	16.2	22.6	22.4
Savings deposits	196	234	263	308	384	12.4	17.1	24.7
Time deposits	126	136	167	219	261	22.8	31.1	19.2
Other items (net) ^b	58	131	190	224	332	45.0	17.9	48.2

Source: Bank of Guyana, Statistical Bulletin, December 1981.

^aPreliminary figures.^bIncludes arrears deposits.

The money supply ($M_1 + M_2$) expanded rapidly in 1981, increasing by about 17.3% over 1980. This growth in the banking system came mainly from placements by the private sector. The contribution of the public sector was expected to be less significant, since most public sector enterprises hold only working balances with the banking system. In June 1978 the Bank of Guyana introduced a policy whereby importers were given the option to hold bank resources in the form of deposits (arrears deposits) for the payment of commercial arrears pending the availability of foreign exchange reserves for the release of such payments. Their amount increased from G\$ 57 million in 1978 to about G\$ 75 million in 1980; no figure is yet available for 1981 but estimates indicate that the level could now be in excess of G\$ 100 million. The huge increase of G\$ 351 million in credit demands outpaced the level of resources placed with the banking system during 1981, and this excess of credit led to the continued decline of the net foreign assets.

The 18% devaluation in June 1981 has had far-reaching implications for the economy. One effect was the rapid rise in the level of interest rates, making it difficult to obtain bank credit; another was to encourage savings. The major element in the growth of the money supply was the continued growth in the amount of quasi-money. The holdings of time and savings deposits rose by G\$ 118 million or over 22% over the 1980 level, the main reason being that higher interest rates are now offered for such deposits. The interest rate on savings deposits rose from 3.5% in 1977 to 10.5% at the end of 1981, whereas the rate on fixed deposits grew from 5.5% in 1972 to 12.5% in 1981.

The growth rate of the money in circulation (M_1) declined during 1981, when it expanded by just over 9%. In 1980 the working balances of currency and demand deposits increased by almost 14%. However, for both years the rate of increase has been considerably slower than that of quasi-money (M_2), evidently due to the widening of the differential between the non-interest-bearing deposits and the quasi-money (M_2) holdings. Within the category of 'narrow' money, the rate of increase of currency was about 11%, whereas the less influential demand deposits grew by 6%. The growth in these deposits indicates an improvement in national financial savings and a preference for holding bank deposits. Total deposits grew by 19% in 1981.

Domestic credit extended by the banking system during 1981 rose by almost 24%, compared with 35% in 1980. The bulk of this credit was extended to the central government and amounted to G\$ 1 163 million or 13% more than in 1980; public corporations and other official bodies took up G\$ 386 million in 1981. The slower rate of growth of private credit due to increased government borrowing from the domestic banking system meant a reduction in the level of investment. Government borrowing from the domestic system, despite efforts to contain this continued dependence on the domestic banking system, has been mainly due to the shortfalls in public finances caused by the drop in net external borrowing below the targeted level.

(b) *Fiscal developments*

Preliminary estimates show a considerable growth of 24% in current income, while the level of current expenditure rose 11%, resulting in a deficit of about G\$ 271 million on the current account, which was somewhat smaller than that experienced in the previous year. The overall deficit, measured before allowing for external borrowing, was G\$ 770 million or about G\$ 110 million more than was anticipated, owing to the 15% increase in total expenditure to about G\$ 1 257 million (see table 17).

Table 17

GUYANA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

(Millions of Guyana dollars)

	1977	1978	1979	1980	1981 ^a	Growth rates			
						1978	1979	1980	1981
1. Current income	355.4	365.4	394.9	449.9	558.1	2.8	8.1	13.9	24.1
Tax revenue	301.1	313.9	334.1	382.9	480.3	4.3	6.4	14.6	25.4
Direct	156.5	161.6	166.4	195.9	216.7	3.3	3.0	17.7	10.6
Indirect	144.6	152.3	167.7	187.0	263.6	5.3	10.1	11.5	41.0
Other revenue	54.3	51.5	60.8	67.0	77.8	-5.2	18.1	10.2	16.1
2. Current expenditure	416.4	474.5	580.1	748.7	828.8	14.0	22.3	29.1	10.7
Wages and salaries	144.6	167.0	174.0	186.9	202.0	15.5	4.2	7.4	8.1
Other ^b	271.8	307.5	406.1	561.8	626.8	13.1	32.1	38.3	11.6
3. Saving on current account (1 - 2)	-61.0	-109.1	-185.2	-298.8	-270.7	-78.9	-69.8	-61.3	9.4
4. Capital expenditure	150.9	114.8	207.0	348.0	428.6	-23.9	80.3	68.1	23.2
5. Total expenditure (2 + 4)	567.3	589.3	787.1	1 096.7	1 257.4	3.9	33.6	39.3	14.7
6. Fiscal deficit surplus (1 - 5)	-211.9	-223.9	-392.2	-646.8	-699.3	-5.7	-75.2	-64.9	-8.1

Source: Bank of Guyana Report, 1980, and data supplied to CEPAL.

^aPreliminary figures.

^bIncludes amortization on public debt.

^cBudget estimates.

The substantial growth in current income was the result of the change in the tax structure reported last year, which gave rise to a 25% rise in tax revenue. At the end of 1981, indications are that there was an increase of G\$ 108 million in current income, derived mainly from higher receipts from income and consumption taxes, which rose 11% and 41% respectively. At the same time non-tax revenue increased some 16% from 1980 as a result of the G\$ 10 million growth in the Bank of Guyana surplus. Current expenditure increased by approximately 11% over the 1980 level, a rise of 8% in personal emoluments and increases in debt charges being the factors responsible for this considerable growth. Expenditure on debt servicing rose 12% in 1981,

representing 67% of current revenue and 38% of total export earnings. Interest payments were about G\$ 65 million and defence spending amounted to G\$ 43 million. The net result of these increases was the continued deterioration of the current account, which showed a deficit of G\$ 271 million in 1981, representing about 20% of the GDP at current prices.

Provisional estimates indicate growth of about 23% in capital expenditure in 1981, despite the need to cut government expenditure. This situation has worsened as a result of the low revenue accruing to the public sector corporations. Since almost 80% of the industries are State-owned, the Government must offer financial support. Income from these corporations was expected to fall from G\$ 263 million in 1980 to minus G\$ 54 million in 1981. This has forced the Government to borrow heavily from the domestic banking system and on the external markets. As a result of this, total expenditure was budgeted to increase by 15% in 1981, leaving a fiscal deficit of G\$ 700 million.

Because of the poor performance of the fiscal sector, the Government had to seek financial help from the IMF and other external sources, causing the external receipts to rise by an estimated G\$ 400 million at the end of 1981. At the same time borrowing from the internal markets was expected to amount to G\$ 294 million, pushing up the public debt to over G\$ 3.1 million. Total capital receipts in 1981 were expected to amount to G\$ 688 million, but the Government was forced to default on overseas payments and is now seeking revised payment arrangements with creditors (see table 18).

Table 18

GUYANA: GOVERNMENT CAPITAL RECEIPTS

(Millions of Guyana dollars)

	1977	1978	1979	1980	1981 ^a
Internal receipts	227.2	190.9	298.5	397.4	293.9
Capital	0.6	1.4	1.5	0.7	1.3
Long-term loans	50.5	68.9	88.7	121.8	120.0
Short-term loans	176.1	120.5	208.3	274.9	172.7
External receipts	63.5	107.2	151.3	217.7	394.0
Grants	2.1	0.7	15.8	12.4	12.0
Long-term loans ^b	61.4	106.5	135.5	205.2	382.0
Short-term loans			2.0	1.5	
Total capital receipts	290.7	298.1	450.8	615.1	687.9

Source: Bank of Guyana Report, 1980.

^aPreliminary figures.

^bIncludes government debt in respect of nationalised debts.