

July 8, 2020

Review of the Guyana Economy 2019

Private Sector Commission of Guyana Limited

Executive Summary

The Guyana economy recorded an estimated real GDP growth for 2019 (using the 2012 rebased series) of 5.4 percent, with the non-oil GDP increasing by 4.3 percent. This growth rate was driven by increased production in gold, rice, other crops and enhanced construction and services activities. Conversely, there were lower production output of sugar, fishing, livestock, forestry and bauxite. Production output for paddy in 2019 reached 1,049,874 metric tonnes, surpassing the 2018 level by 8.8 percent or 84,755 metric tonnes, which resulted in growth of the rice sector by 1 percent for the year ended 2019. Production output for other crops expanded by 0.3 percent, while fishing experienced mixed outcomes.

Sugar production, on the other hand, contracted by 11.8 percent with the Guyana Sugar Corporation Inc. (GuySuCo), falling significantly short of its production target, while the poultry production did not recover significantly to offset the decline at the half-year period which resulted in a decline of 7.8 percent of this sector, and in turn, resulted in a contraction of the livestock subsector of 3.5 percent. The forestry sub-sector, despite recording gains at the half year period of 2019, by the end of the final quarter for 2019 contracted by 3.9 percent.

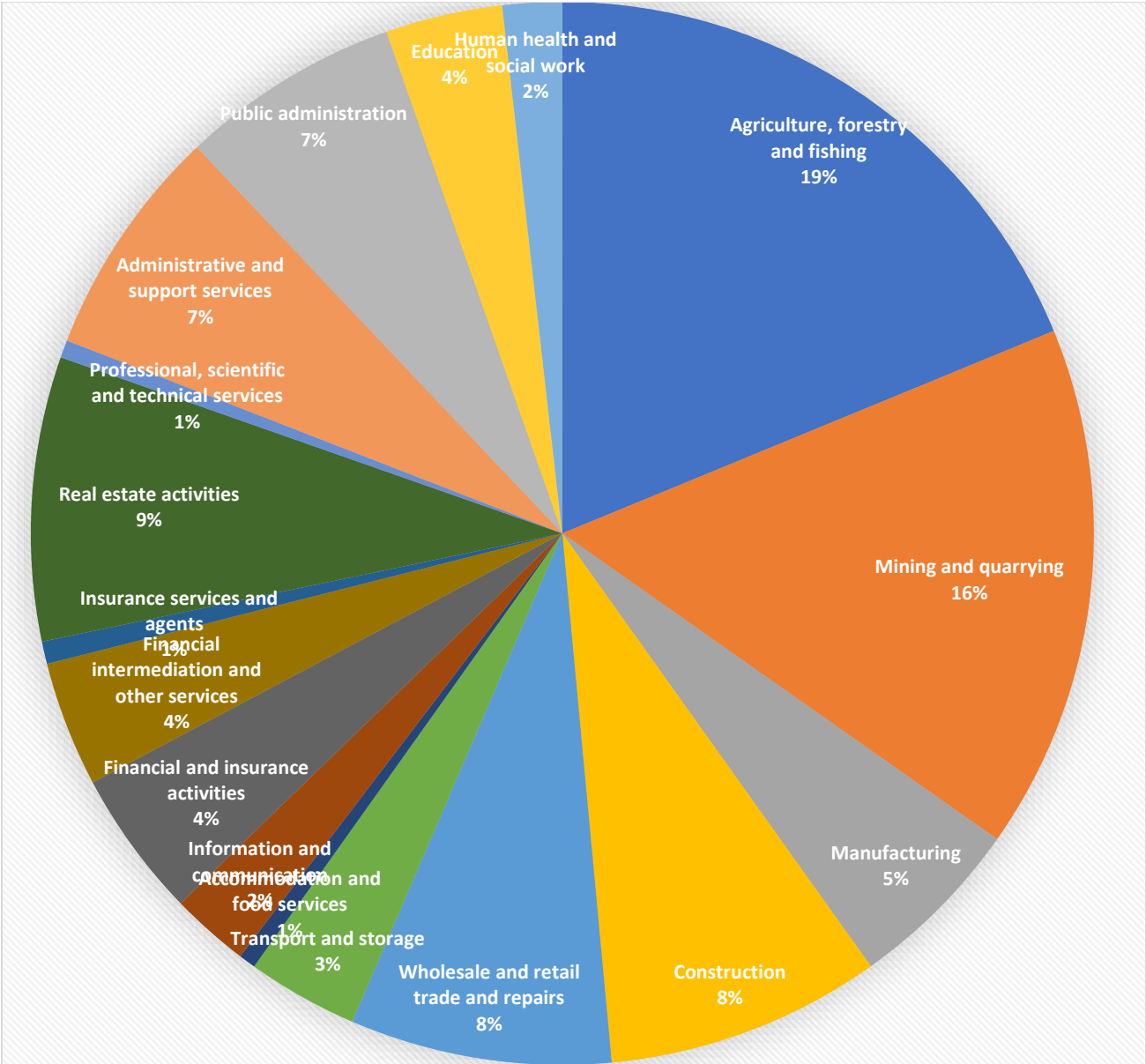
Guyana became an oil producing country in 2019 which contributed to 124.2 percent expansion in the petroleum and gas support services subsector, which, in turn, drove growth of 10.6 percent in the mining and quarrying sector. The Guyana Industrial Minerals Inc., bauxite production for 2019 was sufficient to offset the lower production levels recorded for the two incumbent companies. The gold subsector recorded lower production as a result of operational setbacks experienced by the two large gold mining companies in this sector. On the other hand, small and medium scale miners reported increased declarations by 25 percent which was attributed to higher prices and improved roads and weather conditions.

The manufacturing sector grew by 14.7 percent in 2019 which was bolstered by rice and other manufacturing which expanded by 26.4 percent and 14 percent, respectively. Construction also experienced growth by 3.1 percent, 0.2 percentage points above 2018 achievement. The services sector also recorded growth by 4.2 percent which was driven by wholesale and retail trade and repairs, administrative support services, and transport storage, which grew by 5 percent, 5.8 percent, and 6.9 percent respectively.

The inflation rate increased to 2.1 percent at the end of 2019 on account of higher food prices from less than 2 percent in the previous year, while the exchange rate remained relatively stable at GY\$208.5 / US\$1.

In the Budget 2019 presentation real GDP was forecasted to grow by 4.6 percent, supported by expansions in all major sectors. This projection was revised downwards to 4.5 percent at the half-year period for 2019. However, the Guyana National Bureau of Statistics conducted a rebasing exercise of the GDP to a new base year, 2012. Consequently, the rebasing and revision of the GDP series, the projections for the real GDP as contained in the budget presentation for 2019 cannot be directly compared to those projections.

SECTORIAL CONTRIBUTION OF GDP (2019)

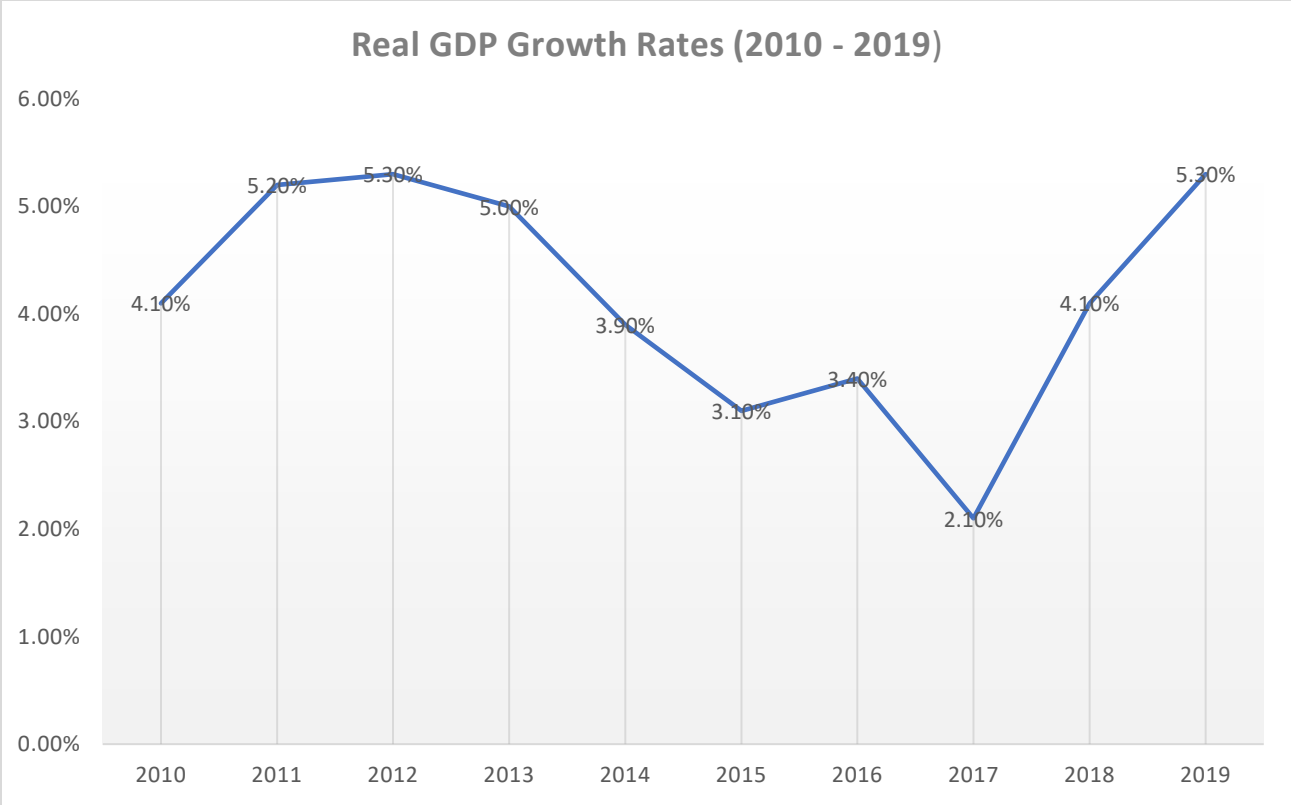


Source: Bureau of Statistics, Guyana.

REAL GDP AT CONSTANT (2012) PRICES (G\$ MILLIONS) 2016 – 2019

	2016	2017	2017 Growth %	2018	2019	2019 Growth %
Agriculture, forestry and fishing	217,221	244,734	12.67	260,963	259,670	(0.50)
Mining and quarrying	157,978	146,388	(7.34)	151,122	167,155	10.61
Manufacturing	48,373	49,105	1.51	50,208	57,568	14.66
Construction	65,793	69,007	4.89	71,021	73,205	3.07
Wholesale and retail trade and repairs	67,410	71,754	6.45	74,509	78,234	5.00
Transport and storage	34,913	35,098	0.53	36,763	39,299	6.90
Accommodation and food services	3,245	3,410	5.06	3,684	3,886	5.48
Information and communication	20,955	21,495	2.58	22,166	22,388	1.00
Financial and insurance activities	44,216	44,823	1.37	46,702	49,114	5.17
Financial intermediation and other services	39,392	39,258	(0.34)	40,990	43,448	6.00
Insurance services and agents	4,824	5,565	15.36	5,711	5,667	(0.79)
Real estate activities	75,220	76,067	1.13	76,976	77,874	1.17
Professional, scientific and technical services	4,155	4,461	7.36	4,683	4,864	3.86
Administrative and support services	57,539	59,360	3.17	60,430	63,949	5.82
Public administration	35,147	36,101	2.71	36,985	38,985	5.41
Education	21,897	22,085	0.86	22,477	22,757	1.25
Human health and social work	10,283	10,846	5.48	11,309	11,943	5.60
Arts, entertainment and recreation	3,175	3,246	2.22	3,365	3,455	2.69
Other service activities	2,925	2,999	2.55	3,135	3,180	1.42
<i>Less FISIM</i>	21,545	20,700	(3.92)	20,370	21,911	7.56
<i>GDP at basic prices</i>	856,567	888,107	3.68	924,238	964,114	4.31
<i>Taxes less subsidies on products</i>	58,176	60,797	4.51	66,807	79,979	19.72
GDP at purchaser prices	914,743	948,904	3.73	991,044	1,044,093	5.35

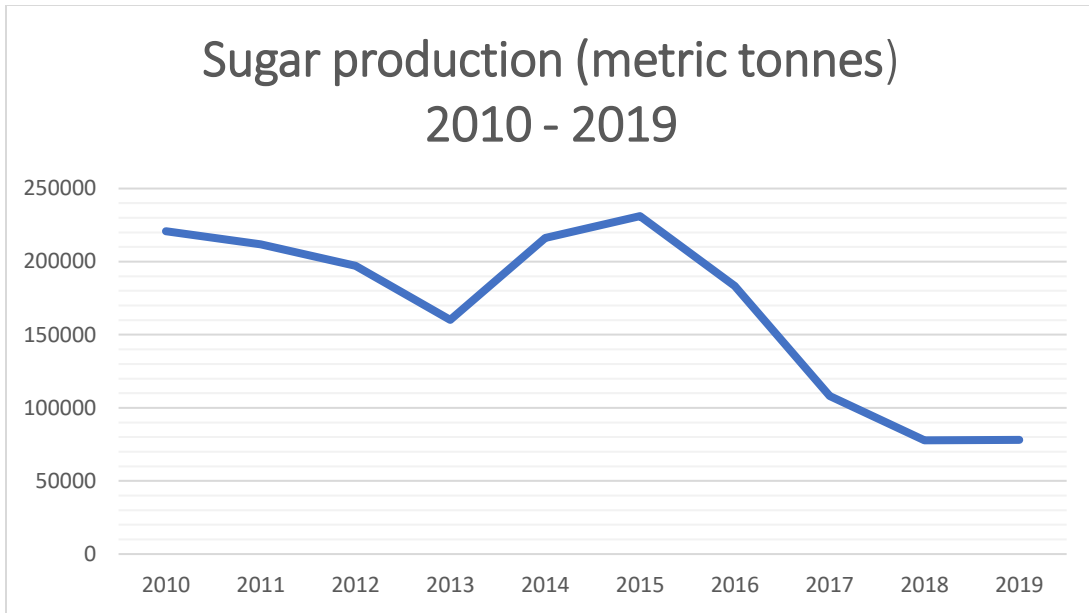
Source: Bureau of Statistics, Guyana



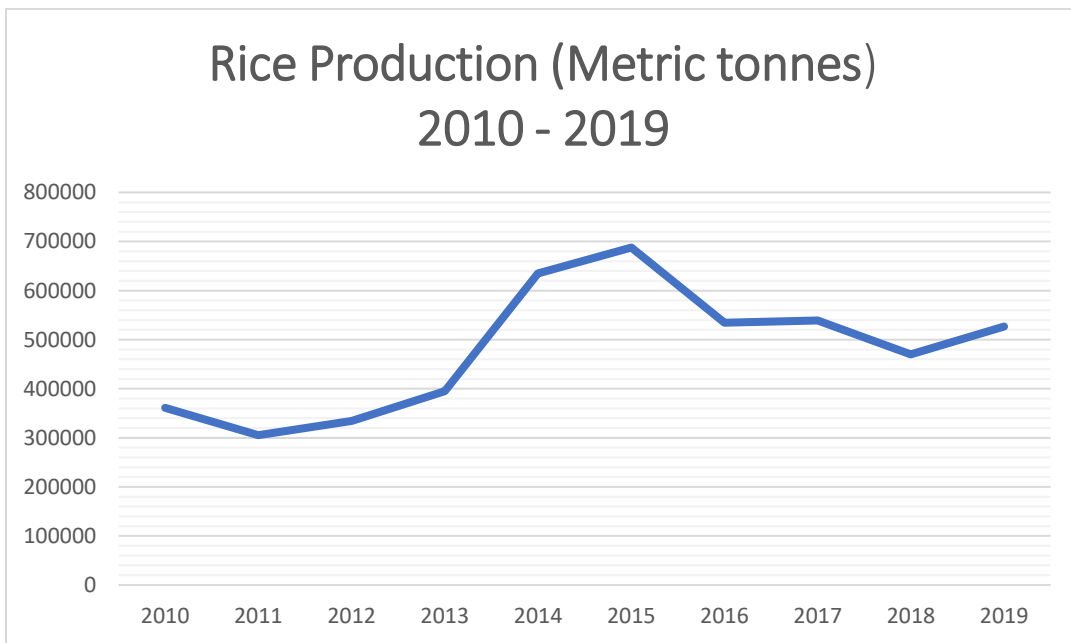
1.1 The Real Sector

1.2 Agriculture, Fishing, and Forestry

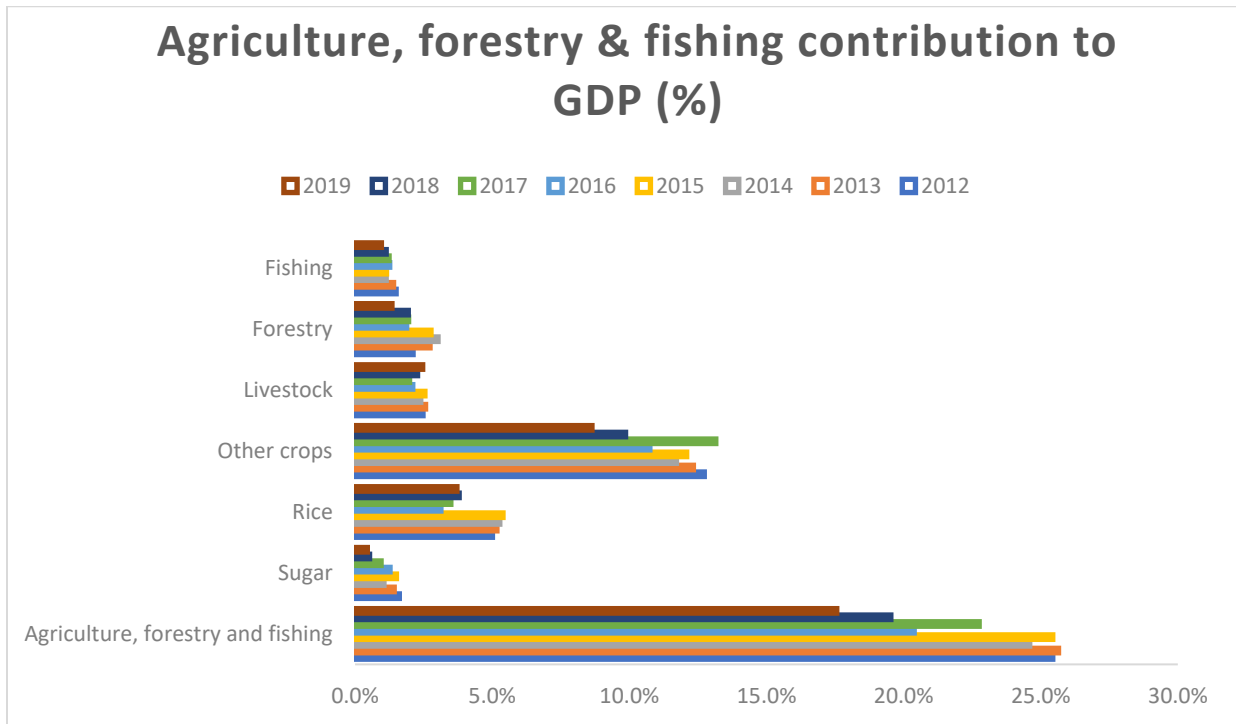
The Agriculture sector experienced lower output of sugar, fishing, livestock and forestry which outweighed the higher production of rice and other crops. Sugar output amounted to 92,232 tonnes, 11.9 percent lower than the corresponding period in 2018 and 86.2 percent of 2019’s revised target. This was attributed to mechanical failures of factories, industrial unrest and a 19.2 percent decline in output in the latter half of 2019. This resulted from 151,000 tonnes of unharvested canes by Albion, Blairmont and Uitvlugt Sugar Estates. Rice production was 682,081 tonnes, 8.8 percent higher than the previous year’s level. This outturn stemmed from improved agronomic practices, better varieties of rice with higher yield per hectare resulting in higher productivity from the 178,628 hectares sown in 2019.



Source: Bank of Guyana Annual Reports.



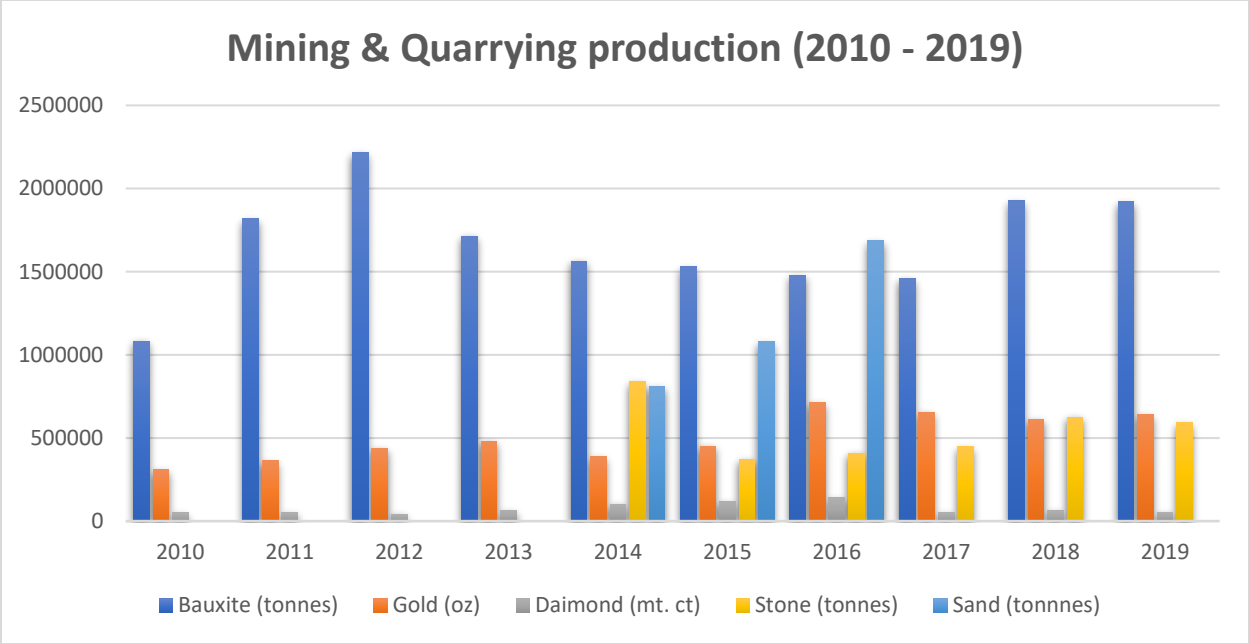
Source: Bank of Guyana Annual Reports



Source: Bureau of Statistics, Guyana.

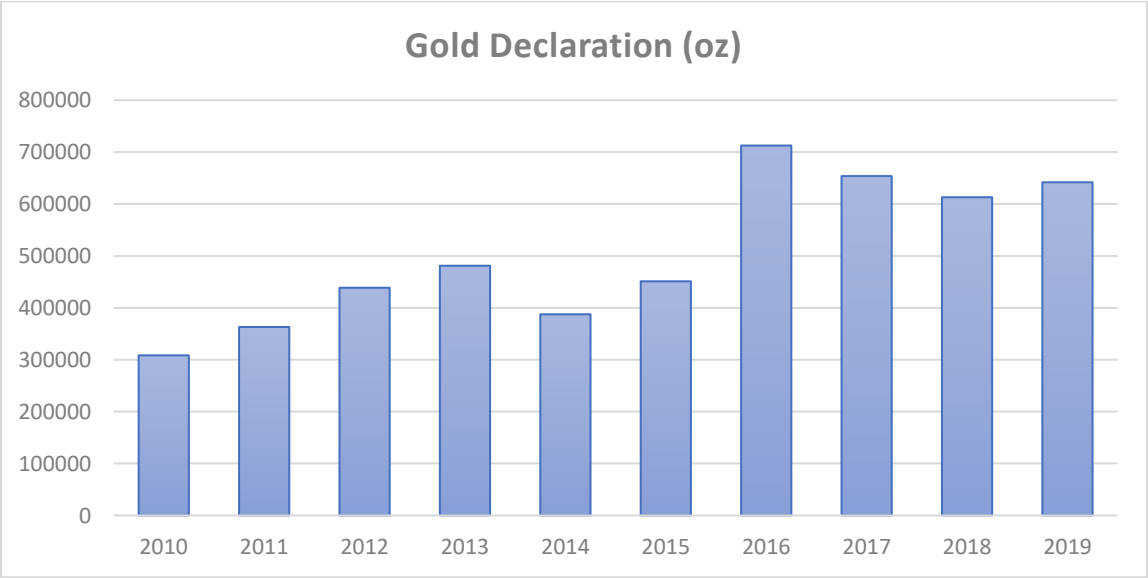
1.3 Mining and Quarrying

The mining and quarrying sector reflected declines in bauxite and other quarrying activities which offset the gains made in the gold industry. Output of bauxite contracted by 0.3 percent to 1,917,747 tonnes and represented 98.5 percent of the revised targeted amount for 2019. This outturn was attributed to Refractory Aggregate Super Calcined Grade Bauxite (RASC) and Metallurgical Grade Bauxite (MAZ) declining by 3.2 percent and 1.0 percent respectively, attributed to industrial actions in early 2019. On the other hand, Chemical Bauxite (CGB) expanded by 0.5 percent as market prices were favourable.

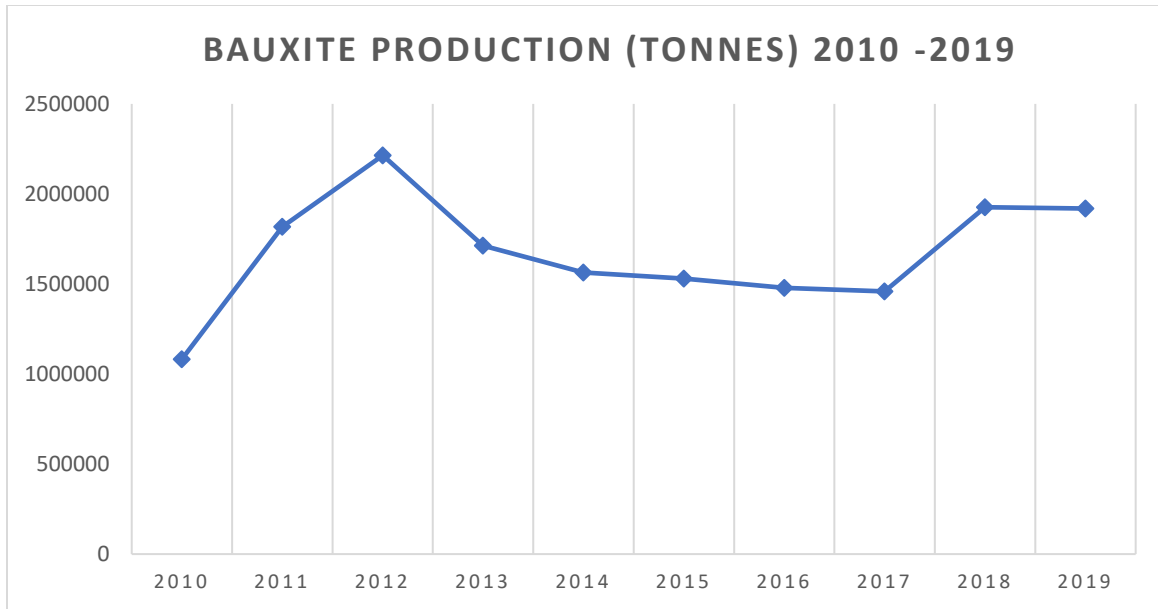


Source: Bank of Guyana Annual Reports

Total Gold declarations increased by 2.9 percent to 308,437 ounces, which was 98.9 percent of the 311,816 ounces targeted for 2010. This outturn was attributed to consistent high levels of mining activities by small and medium scale miners to benefit from the continued increase in gold prices on the world market. Diamond declarations decreased by 65.3 percent to 49,920 mt. ct. as a result of the switch in mining from diamond to gold due to relatively low prices on the world market for diamond.



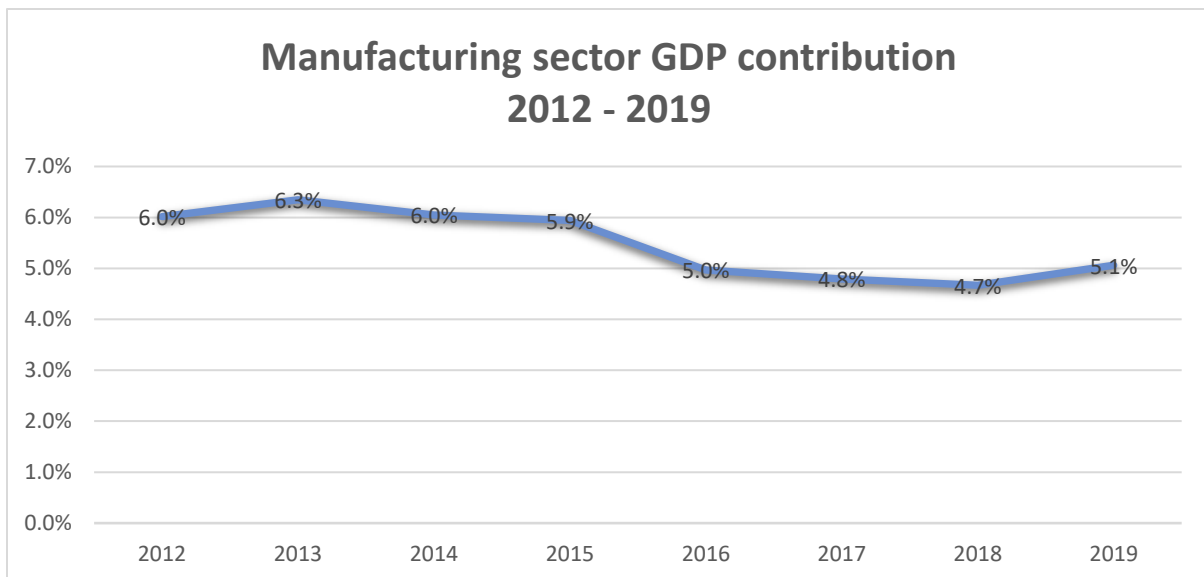
Source: Bank of Guyana Annual Reports



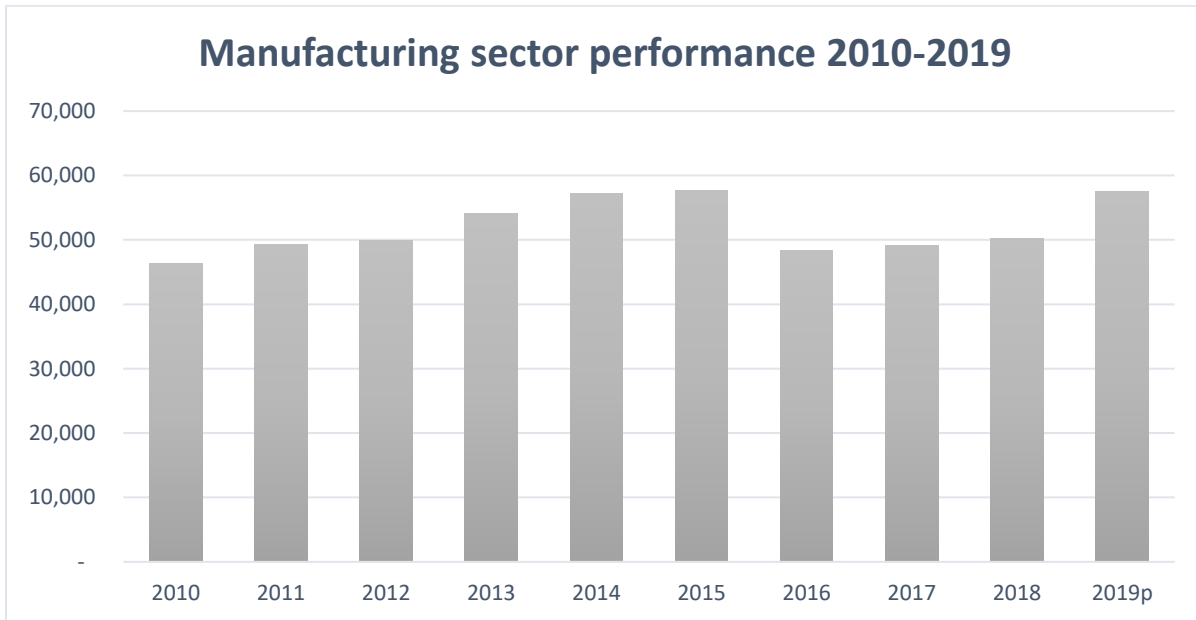
Source: Bank of Guyana Annual Reports

1.4 The Manufacturing Sector

The manufacturing sector recorded growth for 2019 which was driven by milled rice and other manufacturing goods. The growth in other manufacturing output reflected improved production for ice cream, alcoholic beverages and detergents by 11.1 percent, 10.6 percent, and 3.3 percent respectively. On the other hand, production of paints, liquid pharmaceuticals and stockfeed declined by 51.3 percent, 4.0 percent and 1.3 percent, respectively due to weak demand.



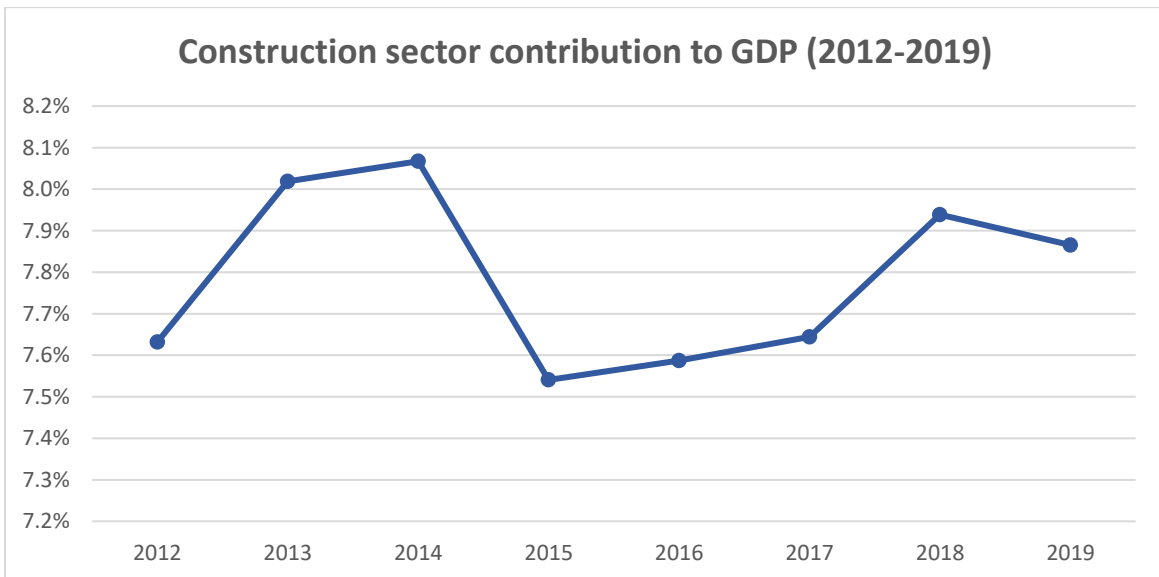
Source: Bureau of Statistics, Guyana



Source: Bureau of Statistics, Guyana

1.5 The Construction Sector

The construction sector recorded growth for 2019 which was driven by public infrastructure projects. The sector has contributed \$73.2 billion to GDP in 2019, an increase from the \$71 billion achieved in the previous year and accounted for 8 percent of GDP in 2019.



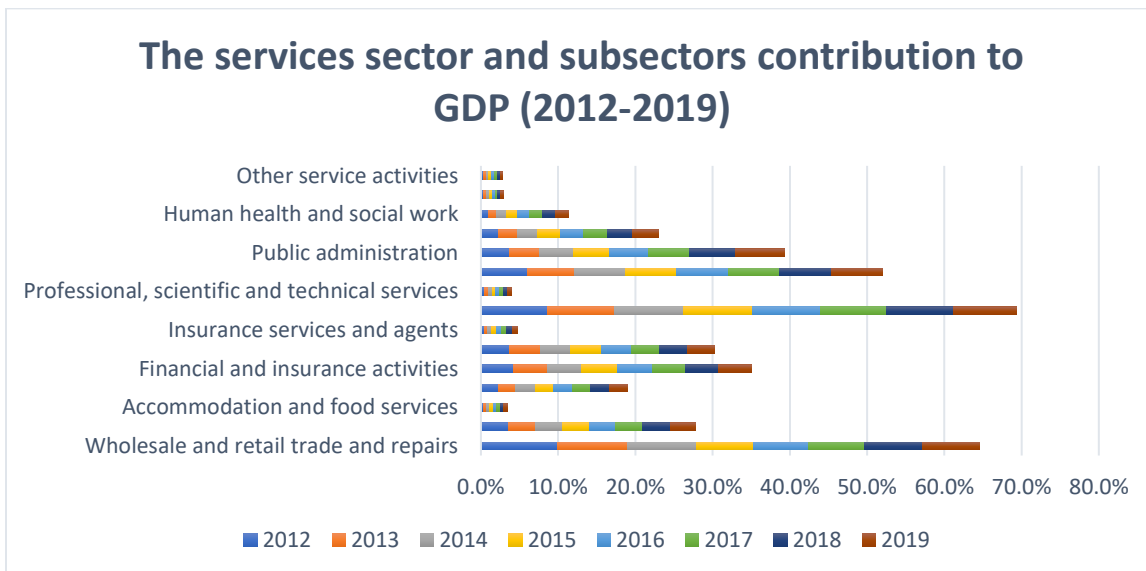
Source: Bureau of Statistics, Guyana.



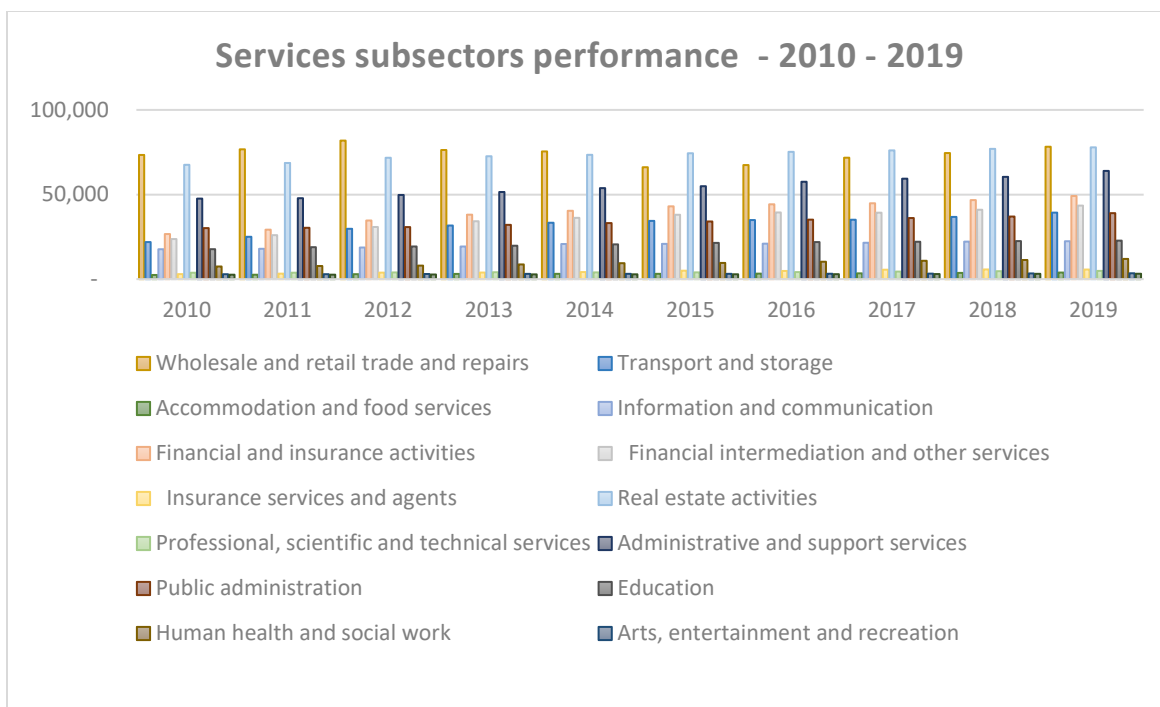
Source: Bureau of Statistics, Guyana.

1.6 The Services Sector

The services sector recorded growth in 2019 which was due to increases in the financial and insurance industries, wholesale and retail trade, real estate, transportation and storage, and other services. The financial and insurance sector experienced higher growth in loans for real estate and construction and engineering activities. The wholesale and retail trade industry recorded growth in imported goods and moderate consumer spending. Real estate activities stemmed from greater short-term rentals for social and cultural events coupled with oil and gas related activities. The storage subsector was bolstered by greater upstream activities for the petroleum industry. Other services activities were driven by tourism, restaurant, entertainment and other personal services.



Source: Bureau of Statistics, Guyana.



Source: Bureau of Statistics, Guyana.

2.0 The External Sector

At the end of 2019 the overall balance of payments registered a deficit of US\$49 million which improved from the corresponding period position of US\$132.2 million in 2018 and the US\$106.1 million projected for 2019. This outturn was attained as a result of a higher-than projected capital account surplus that was sufficient to offset a higher current account deficit. The balance of payment deficit was financed by debt relief of US\$50.7 million and debt forgiveness of US\$45.7 million, while the net foreign assets of the Bank of Guyana increased by US\$47.5 million.

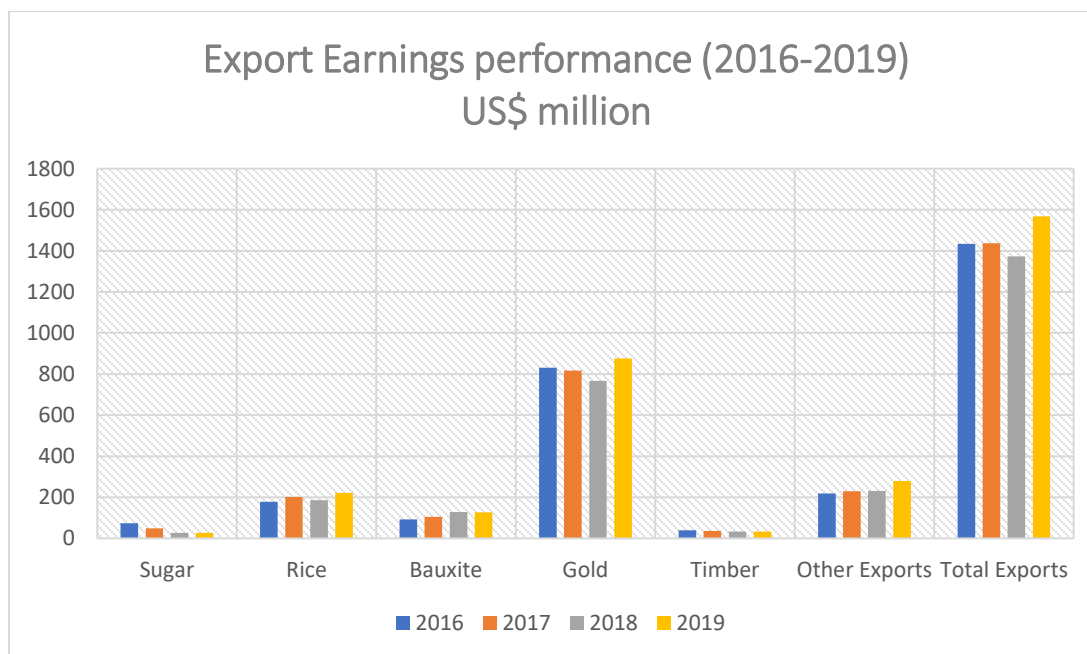
The current account recorded a deficit of US\$1.8 billion at the end of 2019 which represented 25.3 percent higher than the deficit in 2018 and 30.7 percent higher than the deficit forecasted for 2019 at the half-year. The variance resulted from a larger than projected deficit on the merchandise trade account – despite the larger than projected unrequited transfers.

The merchandise trade deficit amounted to US\$1.45 billion in 2019, larger than the deficit of US\$1.03 billion in 2018 although export earnings increased by 13.8 percent or US\$189.9 million in 2019. The widening merchandise deficit is attributed to larger than projected import payments of intermediate and capital goods for the oil and gas sector which offset the higher forecasted export earnings. Export earnings of US\$1.57 billion surpassed the mid-year projection by US\$141.9 million. This was driven by better performance for sugar, rice and paddy, gold and other exports by US\$2.8 million, US\$20.7 million, US\$99.7 million, and US\$29.4 million respectively.

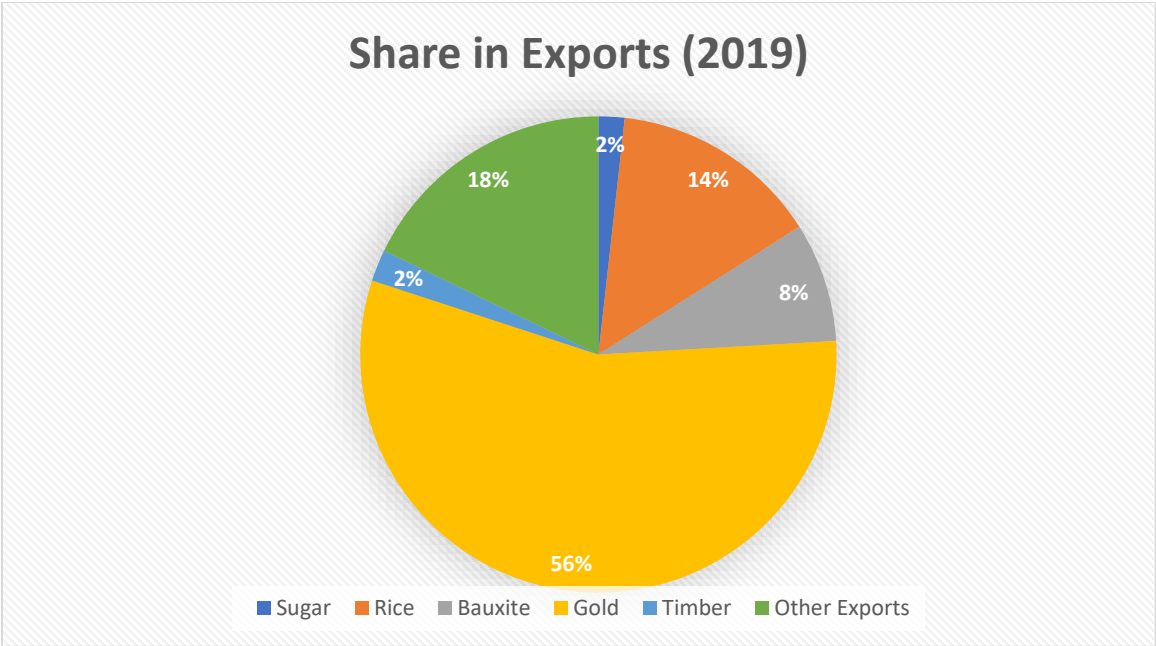
BALANCE OF PAYMENT ACCOUNT (2019) US\$ MILLION

Items	2018	2019	Variance	Variance (%)
Current Account	(1,439)	(1,803)	(364)	25.3
Merchandise trade	(1,033)	(1,452)	(419)	40.5
Services (Net)	(897.4)	(932.2)	(35)	3.88
Transfers	491.7	581.5	90	18.26
Capital Account	1,299	1,767	468	36
Capital transfers	23.5	28.5	5	21
Non-financial public Sector (Net)	82.5	147.9	65	79.27
Private Capital	1,197	1,653	456	38.10
Other	-	-		
Short term capital	(4.8)	(62.3)	(58)	1198
Errors & Omission	8.0	(12.8)	(21)	-260
Overall Balance	(132.2)	(48.9)	83	63

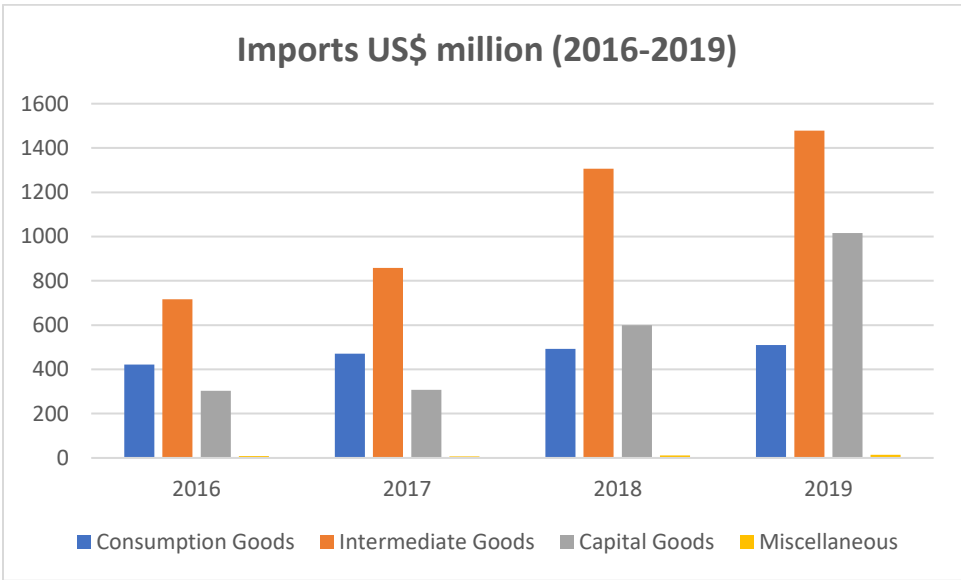
Source: Bank of Guyana Annual Report, 2019



Source: Bank of Guyana Annual Report, 2019



Source: Bank of Guyana Annual Report, 2019.



Source: Bank of Guyana Annual Report, 2019

2.1 Exports of major commodities

Total export increased by 13.8 percent or US\$189.9 million to US\$1.56 billion from US\$1.38 billion in 2018.

Sugar export earnings amounted to US\$27.8 million, 25 percent more than 2018 earnings. This was attributed to a 0.4 percent increase in volume of sugar exported which amounted to 78,071 metric tonnes or 275 metric tonnes more than the level exported in 2018. Average export price for sugar increased by 2.1 percent or US\$355.8 metric tonnes in 2018.

Rice export earnings amounted to US\$222.7 million, 19.7 percent above the 2018 level, which resulted from higher export volume and higher average export price. The volume of rice exported amounted to 526,617, 12 percent or 56,305 metric tonnes more than the 470,312 metric tonnes exported in 2018. The EU's share of rice exports increased to 34.1 percent from 28 percent in 2018. Conversely, CARICOM's share fell to 15.8 percent from 21.9 percent in 2018, and Latin America's share was 48.7 percent compared with 34.6 percent due to the Venezuela market. The U.S market accounted for 1.4 percent of total rice export. The average export price for rice increased by 7 percent or US\$27.3 to US\$423 per metric tonne compared with US\$396 per metric tonne the previous year.

Export earnings for bauxite amounted to US\$127 million, 0.9 percent less than 2018 performance of US\$128.2 million due to a decline in export volume by 1.9 percent or 36,482 metric tonnes from 1,943,367 metric tonnes in 2018 to 1,906,886 metric tonnes in 2019. The average export price increased by 1 percent from US\$65.95 to US\$69.62 per metric tonne in 2019.

Gold exports amounted to US\$876.6 million which increased by US\$109.8 million or 14.3 from 2018 position of US\$766.8 million. This outturn was attributed to higher volume of exports and higher price. Export volume increased by 4.1 percent or 25,175 ounces to 636,410 ounces in 2019. The average price per ounce of gold was higher by 9.8 percent to reach US\$1,377.5 per ounce in 2019 from US\$1,254.5 per ounce in 2018.

Timber exports amounted to US\$33.7 million in 2019 which represents an increase of 1.1 percent from 2018 level on account of higher export price. Receipts from plywood exports decreased by 26.2 percent to US\$1.2 million from US\$1.6 million in 2018, while other timber exports increased by 2.5 percent to US\$32.2 million from US\$31.7 million in 2018.

Export earnings from other exports including re-exports amounted to US\$279.2 million, 18.4 percent above the 2018 level. This outturn was on account of higher receipts for re-exports which increased by US\$54.4 million to US\$68.2 million, largely reflecting the re-exportation of machinery and equipment that were temporarily imported for use in the oil and gas sector. Conversely, exports from fish and shrimps, rum and other spirits declined by US\$21 million and US\$11.7 million respectively.

EXORTS OF MAJOR COMMODITIES (US\$ millions)

Items	2018	2019	% Change
Sugar	27.1	27.8	2.5
Rice	186	223	19.8
Bauxite	128	127	-0.78
Gold	767	877	14.3
Timber	33.3	33.7	1.2
Total	1,141.4	1,415.5	24

Source: Bank of Guyana Annual Report,2019

OTHER EXPORTS (US\$ millions)

Items	2018	2019	% Change
Fish & Shrimp	97.2	76.3	-21.5
Fruits & Vegetables	8.0	6.2	-22.5
Pharmaceuticals	3.0	4.6	53.3
Garments & Clothing	0.3	0.6	50
Wood Products	3.7	2.9	-21
Prepared foods	29.9	27.5	-8.0
Rum & Other spirits	46.6	34.9	-25
Beverages	3.0	10.4	246
Diamond	12.3	11.7	-4.87
Molasses	0.4	0.0	-100
Re-exports	13.8	68.2	394
Others	17.5	35.8	104
Total	235.7	279.2	18.45

Source: Bank of Guyana Annual Report,2019

IMPORTS (US\$ millions)

Items	2018	2019	% Change
Consumption goods	493	510	3.44
Intermediate goods	1306	1479	13.2
Capital goods	600	1015	69
Miscellaneous	10.8	13.7	26.8
Total	2410	3019	25.27

Source: Bank of Guyana Annual Report,2019

3.0 The Monetary Sector

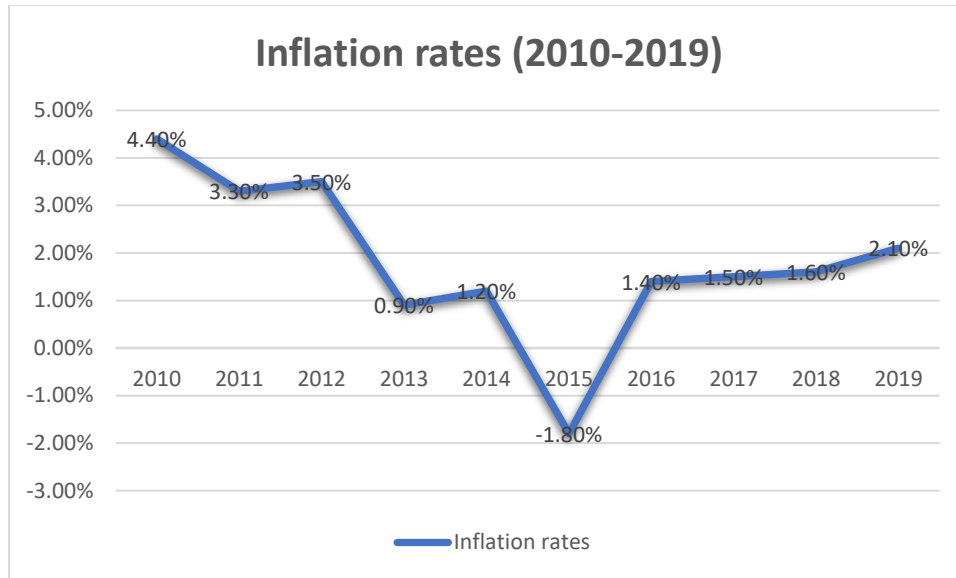
3.1 Inflation

According to the Bank of Guyana, the inflation rate measured by the Urban Consumer Price Index (CPI) was 2.1 percent at the end of December, 2019. The monthly change in the consumer price level ranged between -0.1 in January to a high of 2.4 percent in October, 2019. The outturn was primarily due to higher food prices which increased by 6.2 percent. The cost of food was largely influenced by seasonality, supply shortages and higher prices of imported food items. Prices spiked for vegetables by 22.5 percent as well as meat, fish and eggs by 10.8 percent. Price increases were also recorded in categories of miscellaneous goods and services, education, recreational and cultural services and medical care and health services by 0.5 percent, 0.4 percent, and 0.2 percent respectively. Conversely, there were declines in prices for pulse and pulse products with prices of fruits, milk and milk products declining by 3.9 percent, 1.3 percent and 1.0 percent respectively. The lower price of fuel contributed to the declines experienced in the categories of housing and transportation and communication by 0.8 percent and 0.6 percent respectively.

CONSUMER PRICE INDEX

Commodity	2018	2019
All items	117.1	119.5
Food	138.5	147
Clothing	94	89
Housing	100	99
Footwear & repairs	82.4	81.5
Furniture	90.6	89.9
Transport & communication	120.3	119.5
Medical care & health	129.6	129.9
Education, recreation & cultural services	96	96.4
Miscellaneous goods and services	120.3	120.9

Source: Bank of Guyana Annual report, 2019



Source: Bank of Guyana

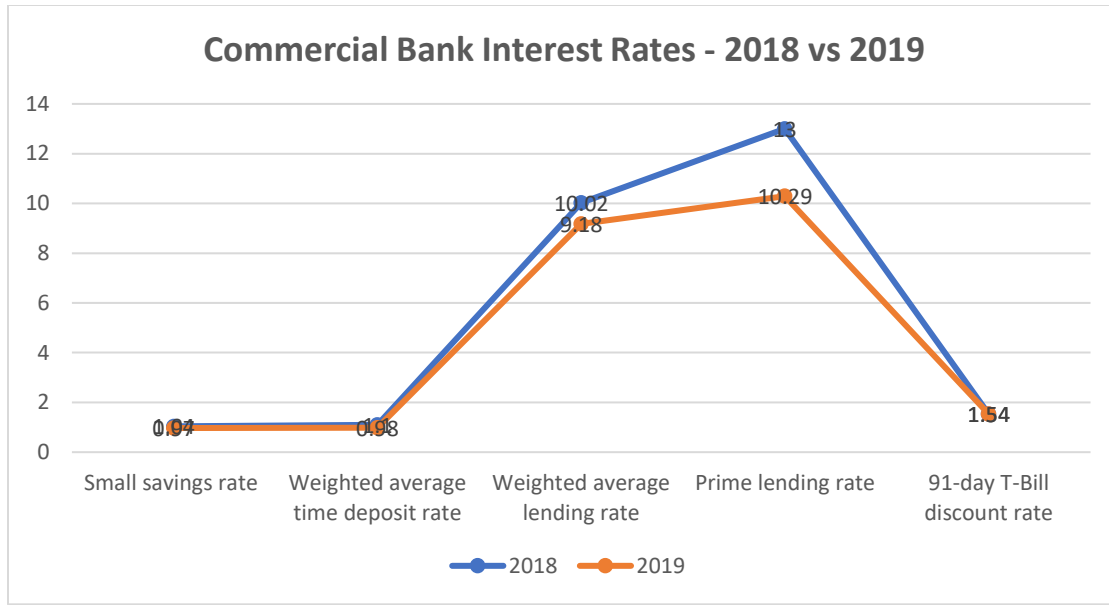
3.2 Interest Rates and spreads

According to the Bank of Guyana, commercial banks interest rates trended downwards for 2019. The weighted average time deposit for the banks declined by 13 basis points to 0.98 percent while the weighted average lending rate fell by 84 basis points to 9.18 percent respectively. The small savings rate was also lower by 7 basis points to 0.97 percent. The prime lending rate was lower as well by 2.71 percentage points to 10.29 percent. The interbank market interest rate ranged between 4 percent and 4.5 percent during the review period.

Commercial Banks Selected Interest Rates

	2018	2019	Change
Small savings rate	1.04	0.97	-0.07
Weighted average time deposit rate	1.10	0.98	-0.12
Weighted average lending rate	10.02	9.18	-0.84
Prime lending rate	13	10.29	-2.71
91-day T-Bill discount rate	1.54	1.54	-

Source: Bank of Guyana Annual Report, 2019



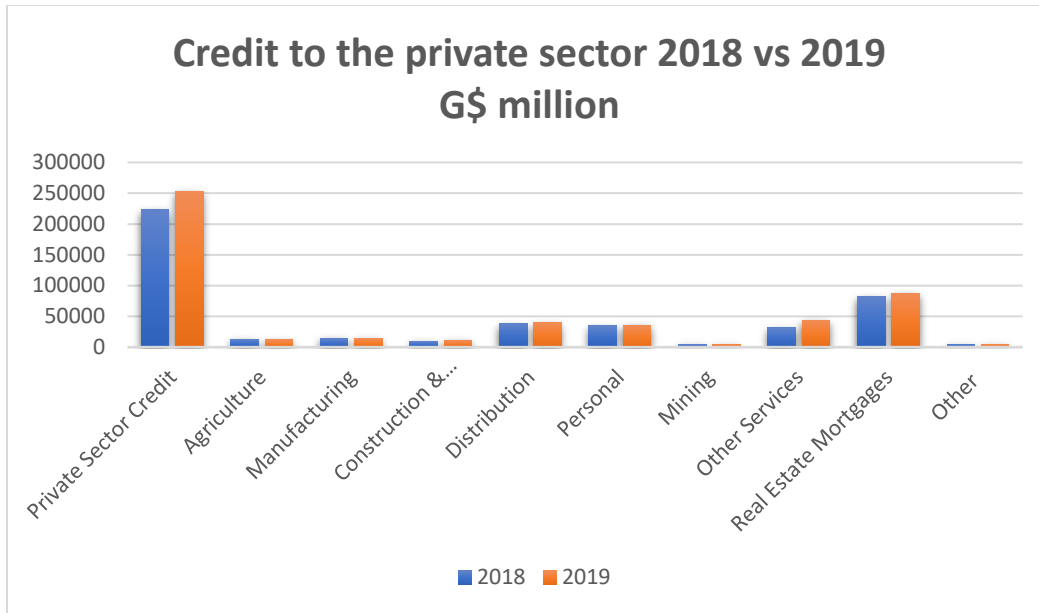
Source: Bank of Guyana Annual Report, 2019

3.3 Exchange Rate

The weighted mid-rate based on the three largest commercial banks turnover, remained at G\$208.5 at the end of 2019. The un-weighted mid-rate using the same method depreciated by 1.01 percent to G\$214.86 compared with G\$212.72 in 2018. The average buying and selling rates at cambios fluctuated during the review period. The commercial bank cambios' average buying and selling rates were G\$213.66 and G\$215.24 from G\$213.31 and G\$215.06 respectively in 2018. The non-bank cambios' average buying and selling rates were G\$213.74 and G\$216.44 from G\$210.67 and G\$213.28 respectively.

3.4 Credit to the Private Sector

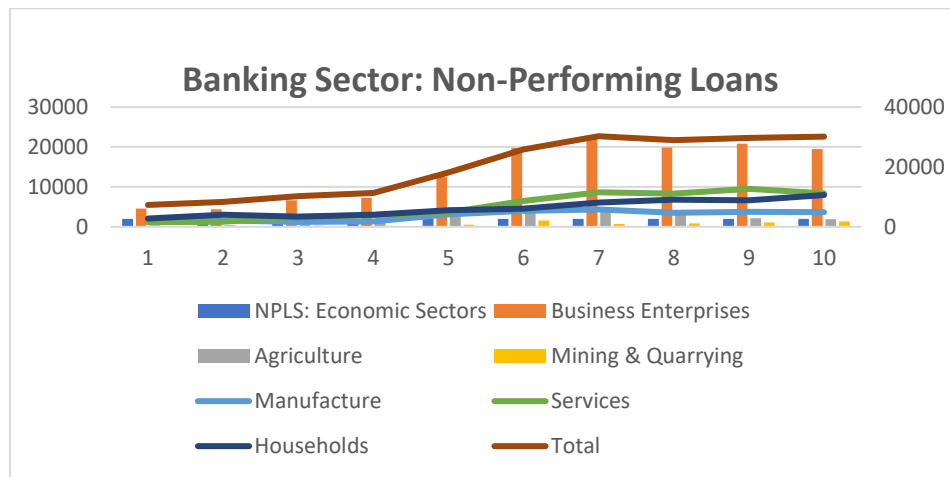
Loans and advances to the private sector grew by 8.6 percent reflecting a mixed allocation of credit to various sectors at the end of 2019. Credit to all sectors increased with the exception of the mining and agriculture sectors. Loans extended to the other services sector was higher by 40.4 percent resulting from higher credit to the transport and communication, entertainment and catering and the other services subsectors. Similarly, lending to the construction and engineering sector and for the mortgage loans were higher by 11.7 percent and 6.9 percent respectively. Credit to the other category of private sector, manufacturing and personal loans sectors rose by 3.7 percent, 2.1 percent and 1.6 percent respectively. Conversely, credit to the mining and agriculture sectors were lower by 13.6 percent and 8.3 percent respectively.



Source: Bank of Guyana Annual Report, 2019

3.5 Non-performing loans in the banking sector

An examination of the total non-performing loans (NPLs) in the banking sector over the last ten years (2010 – 2019) revealed that NPLs have grown from a position of \$7.3 billion in 2010 to reach over \$30 billion at the end of 2019 or by 312%.



Source: Bank of Guyana Reports

By examining the trend over the years, from 2010 – 2013, NPLs increased by just over \$1 billion each year until 2014 through 2019, NPLs grew at an alarming rate of over \$8 billion on two occasions when compared to previous year's performance during this period, thus bringing the total increase for the period under review by over \$22 billion.

The business enterprise sector accounted for \$15 billion of this increase of which the service sector accounted for the highest of \$9.6 billion compared to the other business sectors such as mining and quarrying, manufacturing and agriculture which accounted for \$5.2 billion. Notably, the household sector was also badly affected, accounting for \$7.8 billion increase or 282% from a position of \$2.7 billion in 2010 to \$10.6 billion at the end of 2019.

Non-performing Loans (GYD\$ million)

Economic Sectors	2018	2019	% Change
Business Enterprises	20,875	19,495	-6.6
Agriculture	2,127	1,939	-8.83
Mining & Quarrying	1,075	1,381	28
Manufacture	4,997	4,941	-1.12
Services	12,676	11,234	-11.37
Households	8,862	10,619	19.82
Total	29,737	30,114	1.26

Source: Bank of Guyana Annual Report, 2019

4.0 Fiscal Sector

4.1 Central Government Financial Operation

At the end of 2019 the central government recorded a fiscal deficit - the overall balance after grants of almost \$30 billion, 28.5 percent lower than the \$41.8 billion deficit projected at the time of the 2019 mid-year report. This deficit represented 2.8 percent of GDP, lower than the deficit of 4.9 percent projected at the mid-year.

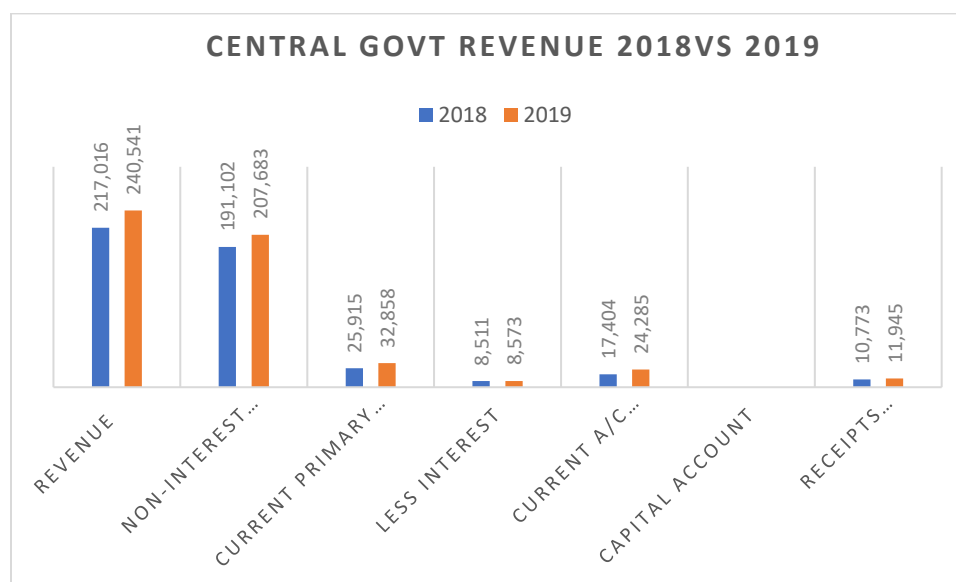
Current tax and non-tax collections for 2019 amounted to \$240.6 billion, 0.9 percent higher than the \$238.4 billion projected at the mid-year. Tax revenue collections exceeded the revised forecast by 1.1 percent, to reach \$226 billion, which represented 94 percent of central government current revenue. This outturn was largely attributed to higher than projected collections in withholding tax, due to significant remittances from the three companies within the petroleum sector. Non-tax revenues totalled \$14.6 billion, or \$224.2 million below the mid-year forecast as a result of lower than expected royalties from Troy Resources Limited and transfers of profits from the Bank of Guyana.

Central Government total expenditure amounted to \$282.5 billion for 2019, 4.4 percent under the mid-year projection, on account of lower expenditure in all sub-categories -non-interest expenditure, interest payments and capital expenditure.

CENTRAL GOVERNMENT FINANCIAL SUMMARY (GYD\$ million)

Items	2018	2019	%Change
CURRENT ACCOUNT			
Revenue	217,016	240,541	10.84
Non-interest expense	191,102	207,683	8.67
Current primary Bal	25,915	32,858	26.7
Less interest	8,511	8,573	0.72
Current a/c balance	17,404	24,285	39.5
CAPITAL ACCOUNT			
Receipts (including grants & debt relief)	10,773	11,945	10.86
Expenditure	55,019	66,262	20.43
Capital a/c balance	(44,246)	(54,318)	22.7
OVERALL BALANCE	(26,842)	(30,033)	11.88
Financing	26,842	30,033	11.88
Net external borrowing			
(+)/ Savings (-)	5,502	10,964	99.27
Net Domestic borrowing			
(+) / Savings (-)	21,340	19,068	-10.6

Source: Bank of Guyana Annual Report, 2019



Source: Bank of Guyana Annual Report, 2019

Public Debt

At the end of 2019, total public debt stood at US\$1.689 billion or 32.7 percent of nominal GDP, while total debt service payment amounted to US\$316.5 million or 27.7 percent of central government revenue.

The total stock of public debt is 5.3 percent lower than Budget 2019 projection of US\$1.782 billion. This is attributed to a US\$50.7 million debt reduction from Kuwait in March 2019, and principal repayments on fiscal T-bills. At the end of 2019, debt-to-GDP ratio was approximately 12 percentage points below the Budget 2019 projection of 44.8 percent.

Total public Debt (US\$ million)

Items	2018	2019	%Change
Total Public Debt Stock	1,708	1,689	-1.1
External public debt	1,322	1,305	-1.28
Domestic public debt	386	383	-0.7
Share of external public debt	77%	77.29%	0.29
Share of domestic public debt	22.6%	22.71%	0.11
Debt-to-GDP ratios			
Total public debt	44.2%	32.65%	11.55
External public debt	34.2%	25.23%	8.97
Domestic public debt	10%	7.41%	-2.59

Source: Ministry of Finance