

GUYANA

1. General trends

In 2020, Guyana's economy entered a period of rapid growth brought on by the introduction of the oil sector. Activity in this new sector, which began production in December 2019, outweighed the negative impact of the coronavirus disease (COVID-19) pandemic and the economy grew by 43.5%. Oil production grew gradually over the year and the target production of 120,000 barrels per day (bpd) was achieved in December. Altogether, 27.2 million barrels of oil were produced in 2020.

The first case of COVID-19 in Guyana was registered on 12 March 2020. Following this diagnosis, the authorities introduced a number of public health measures aimed at preventing or slowing the spread of the disease. Nevertheless, over the period 12 March 2020 to 30 June 2020, Guyana experienced two waves of COVID-19, in which the seven-day rolling average number of daily new cases crossed 50 per million persons. The measures implemented in 2020 and 2021 to curb the spread of the disease have had a significant impact on the domestic economy.

On 2 March 2020 snap general elections were held as a result of a vote of no confidence in the Government in December 2018. The initial results were challenged by the opposition and a recount was completed. After a lengthy impasse with several legal challenges, a new government was sworn in on 2 August 2020. Although the protracted election process hindered public spending, the government fiscal deficit expanded to 7.9% of GDP, up from 2.8% in 2019. Current expenditure increased, reflecting higher spending related to the COVID-19 pandemic, while revenue fell due to reduced non-energy activity.

Monetary policy remained accommodative in 2020: the central bank rate remained unchanged, while the reserve requirement ratio was lowered temporarily to increase liquidity as a relief measure in response to the pandemic. The current account deficit contracted to 11.9% of GDP in 2020 from 54.6% in 2019, as crude oil exports moved the goods balance from a deficit of 47.8% of GDP to surplus of 9.4%. As crude oil exports continue this year, the current account balance is expected to move into surplus for 2021. Economic growth for 2021 is projected at 16%.

2. Economic policy

(a) Fiscal policy

In 2020 the central government's overall fiscal deficit expanded to 7.9% of GDP from 2.8% in 2019. Current expenditure increased by 15.3%, mostly because of expenses related to the pandemic, while capital expenditure rose by 14.9%, reflecting higher disbursements on areas such as power generation, agriculture, health, national security and defence. Conversely, total fiscal revenue decreased by 6.9%. Current revenue fell by 5.5% as COVID-19 restrictions limited business revenue collection, but oil-related activity resulted in an 11.9% increase in income tax revenue. Capital revenue and grants shrank by 36.5%. The deficit was financed by 97% from domestic sources and 3% from foreign sources.

Total public debt increased to 47.4% of GDP, up from 24.2% in 2019. The increase came from a sharp expansion in domestic debt, which grew from 8.9% of GDP in 2019 to 23.2% in 2020. The government's gross overdraft with the Bank of Guyana and a government-guaranteed bond that was meant

to revitalize public sugar company GUYSSUCO were both classified as domestic in 2020, which contributed to the increase. In line with this increase, domestic debt service rose by 44%. In contrast, while the external debt stock increased in absolute terms because of disbursements from the International Development Association, the Inter-American Development Bank and the Export-Import Bank of China (EximBank), it fell as a percentage of GDP to 24.1% from 25.2% in 2019.

The time between the elections and the swearing-in affected government spending, as a new budget could not be put to parliament, which was dissolved on 30 December 2019 ahead of the snap election. Without a new budget, the Government was only authorized to spend one-twelfth of the 2019 budget for recurrent expenses each month as well as rolled over capital projects, but not allowed to sign new capital contracts. Nonetheless, the Government announced or implemented a number of relief measures to deal with COVID-19, including removal of value added tax (VAT) on utility bills, a waiver of VAT and duties on medical supplies, extension of the deadline for filing tax returns, distribution of food packages to support affected persons and cash transfers for small farmers. In September 2020, an emergency budget was passed and in February 2021 the 2021 budget was presented to parliament. The 2021 budget includes a number of infrastructure investment projects to stimulate and diversify the economy, including a gas-to-shore project, development of solar farms, construction of the Demerara and Corentyne Bridges and a series of highways to increase connectivity within the country and with the rest of South America.

(b) Monetary policy

Monetary policy in Guyana was accommodative and focused on price stability in 2020. The central bank's discount rate remained unchanged at 5.0% in 2020, while the reserve requirement ratio was temporarily reduced from 12% to 10.0% from 24 August 2020 until 31 December 2020.

Domestic credit expanded by 13.7%, driven by a 65.7% increase in credit to the public sector. Credit to the private sector, however, grew by just 2.4%. Private credit to the agriculture, manufacturing, construction and engineering, and distribution sectors declined, while credit in the personal, mining, real estate mortgage, other services and other categories all increased. Other services grew by 24.1%, mainly because of increases in loans to the oil and gas and support services sector.

In response to the COVID-19 crisis, the Bank of Guyana implemented several financial measures, including a three-month moratorium on classifying loans as non-performing, and encouraged financial institutions to offer relief such as lower interest rates and deferred loan payment. The Bank's measures were later extended to June 2021.

(c) Exchange-rate policy

The central bank's exchange rate remained constant at 208.5 Guyana dollars (G\$) to US\$ 1 over 2020 and the first three months of 2021. Throughout the rest of 2021, the exchange rate is expected to remain stable as the Government seeks to stabilize prices, but it could rise in the medium term as the increased exports and reserves accumulation drive appreciation.

(d) Other policies

To deal with the threat of COVID-19, the Government of Guyana introduced a number of policies to slow the spread of the disease. To limit movement into the country, the Cheddi Jagan and Eugene Correia international airports were closed from 1 March 2020 to 1 July 2020. The government's public health ordinance included the suspension of private parties, sporting events, large weddings, and other events that

lead to gatherings. Pools, rivers, gyms, bars, restaurants, churches and places of worship were closed. In April 2020, a curfew was imposed throughout Guyana from 6 a.m. to 6 p.m. The intensity of these measures fluctuated over the course of 2020 and 2021, increasing and decreasing with the rate of infection.

Vaccination in Guyana began on 11 February 2021, aided by initial donations from the Governments of Barbados, China and India. Guyana also purchased Sputnik V vaccines from Russia. By 30 June Guyana had administered at least one vaccine dose to 233,000 people, or around 30% of the population.

3. The main variables

(a) The external sector

Guyana's current account deficit contracted by 76.9% in absolute terms in 2020 and shrank from 54.6% of GDP in 2019 to 11.9% in 2020. This contraction was driven by expansion of Guyana's export portfolio through the introduction of crude oil exports. The goods balance moved from a deficit of 47.8% of GDP in 2019 to a surplus of 9.4%. Exports increased by 65.1%, while imports fell by 48.7%. Crude oil exports accounted for 41.1% of all export receipts in 2020, while gold accounted for 37.8% and rice for 9.4%. The value of gold exports increased, despite a 5.7% fall in volume, owing to a rise in international gold prices. Prices for oil were driven up by increased demand for it as a "safe-haven" asset during the uncertainty of the pandemic. The situation for rice exports was reversed, as a higher export volume offset a fall in export prices, leading to a 9.2% increase in export value. Exports of sugar, bauxite and timber all decreased in 2020.

The net services deficit expanded from 17.1% of GDP in 2019 to 32.8% in 2020, on account of an increase in net payments for non-factor services because of expanded oil and gas business service payments. Net factor services declined owing to higher public sector interest receipts and lower payments.

Net inflows on the capital account fell from 53% of GDP in 2019 to 13.2% in 2020, offsetting the contraction in the current account. Foreign direct investment remained steady at around 33% of GDP, while other investment liabilities moved from a surplus of 18.9% of GDP to a deficit of 16.1%. As the capital account inflows balanced the contraction in the current account, the overall balance improved from a deficit of 0.9% of GDP to a surplus of 1.1% of GDP, the first surplus since 2012. Gross international reserves had grown to two months of import cover by the end of 2020.

In 2021 higher export earnings are expected to result in a current account surplus, albeit offset by capital account deficit as a result of an outflow of oil revenue to the Natural Resource Fund, leading to a slightly lower overall balance.

(b) Economic activity

Economic growth in 2020 was estimated at 43.5%, buoyed by a full year of oil production, marking a dramatic leap from the 5.4% of 2019. While Guyana recorded the highest GDP growth rate in the world in 2020, it was still affected by the pandemic; earlier estimates for growth in 2020 were as high as 85%. The non-oil sector contracted by 7.3% due to the government restrictions to combat the spread of COVID-19.

Oil production grew steadily over the first five months of 2020, reaching 80,000 bpd in May. In June, issues with the Liza Phase I gas compressor resulted in production being reduced to 30,000 bpd. The

issues were rectified in the following month and production had increased to the target level of 120,000 bpd by December. Overall, 27.2 million barrels of oil were produced in 2020, at an average of 74,300 bpd. In the rest of the mining and quarrying sector, production fell. Bauxite production fell by 69.6% due to suspension of operations of one of the main operators and lower international demand. Gold production fell by 7.8% because of COVID-19 restrictions, which limited the movement of workers, and a five-month pause in the operation of the major mining companies to facilitate a transfer of ownership.

The agriculture sector grew by 4.1%. An increase in the production of livestock, rice and other crops offset a decrease in sugar, forestry and fishing output. For the most part, the other sectors contracted because of the pandemic. The largest declines were seen in wholesale and retail trade and transport and storage (28.3% and 30.2% respectively). Construction declined by 6.3% due to pause in implementation of public projects stemming from the electoral impasse. Manufacturing also declined by 8.6%. The sectors that benefited from the pandemic were electricity supply because of more persons working from home, water supply because of increased sanitation needs and manufacturing subsectors that produced plastic sinks and health supplies.

Further issues with the gas compressor caused ExxonMobil to reduce production to 30,000 bpd in early April 2021, but production was restored soon after and returned to over 100,000 bpd. Total economic growth for 2021 is projected at 16% while the non-oil sector is forecast to grow by 6.1%.

(c) Prices, wages and employment

Inflation remained low over 2020 and early 2021. The year-on-year change in the consumer price index fluctuated between 1.75% and 1.6% between January and March 2020. It fell to 0.7% in April and continued falling over the next few months. After a nadir of 0.0% in July 2020 the inflation rate increased to 0.9% by December and rose further to 2.8% in February 2021 before dipping slightly to 2.0% in March. The main reason behind the decline was the fall in oil prices brought on by travel restrictions around the world. The price subindices for housing and transport and communication fell relative to the year before for each month in 2020, mainly owing to the fall in energy prices. Prices rose in the food subindex as households stocked up on supplies during the lockdown. In early 2021, the change in the food subindex rose to 8.1% and 7.8% in January and February, respectively. Food prices increased again in June following widespread flooding in mid-May that affected producers.

The public sector minimum wage remained unchanged at G\$ 70,000 per month in 2020. Employment in the public sector showed a decline of 13.7% in 2020, most of which came from core civil services. No official data exists for private sector employment, but according to estimates from the International Labour Organization (ILO), unemployment increased from 13.9% in 2019 to 15.8% in 2020.