

Monday 23rd July 2018 –2:50 pm

Regional

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Economic Alert: IMF Executive Board Concludes 2018 Article IV Consultation with Guyana

- According to the IMF, economic activity is estimated to have fallen to 2.1% in 2017 (3.4% - 2016) due to lower than expected mining output and weak performance in the sugar sector. Despite the decrease, growth became more broad-based with non-mining growth rebounding to 4.1% following a contraction in 2016.
- Inflation remained stable measuring 1.5% at the end of 2017, mostly driven by food items. Core inflation was close to zero.
- The central government's deficit remained stable at around 4.5% of GDP in 2017. Improvements in tax administration contributed to a 1.2 p.p increase in the tax revenue to GDP ratio, which was partly offset by a 0.4 p.p decline in the ratio for non-tax revenue. The deficit is projected to widen to 5.4% and 5.1% of GDP in 2018 and 2019 due to the cost of restructuring the sugar sector and an increase in infrastructure-related capital expenditure.
- Public debt stood at 52.2% of GDP and gross reserve cover at 3.2 months at end-2017.
- Guyana's banking system remains relatively stable. Although banks remain profitable and have adequate capital buffers, non-performing loans (NPLs) remain high at 12.2% of total loans at end-2017, down from 12.9% at end-2016.
- The external balance turned negative due to weaker than expected export growth and higher oil prices. In 2017, the current account recorded a deficit of 6.7% of GDP from a surplus of 0.4% in 2016. The financial account improved due to FDI, particularly in the oil and gas sector, and higher loan disbursements to the public sector. The current account deficit is projected to narrow to 6.1% and 4.3% of GDP in 2018 and 2019, respectively. The deficit will be financed largely by FDI inflows and donor-supported investment.
- Economic growth is projected to be 3.4% in 2018, driven by continued strength in the construction and rice sectors, and a recovery in gold mining.

- The medium term outlook is very favourable with oil production expected to commence in 2020. Additionally, further oil discoveries have significantly improved the medium- and long-term outlook of the country.
- The IMF Executive Directors have endorsed the view that Guyana's macroeconomic outlook remains favorable. While growth slowed down in 2017, it became more broad-based, and is expected to accelerate in the run-up to the start of oil production in 2020. The extractive industries and public investment will be key drivers of economic growth over the medium-term. Reducing the costs of doing business, strengthening private sector confidence, and advancing productivity-enhancing reforms are essential for sustaining growth in the short-term, and for reaping the full benefits of the oil windfall once it materializes.

Key Economic Indicators

	2016	2017	2018	2019
Real GDP (percent change)	3.4%	2.1%	3.4%	4.8%
Total public sector debt as a % of GDP	50.7%	52.2%	57.0%	57.2%
Consumer prices (eop)	1.5%	1.5%	2.2%	3.0%
Current Account Balance (Percent of GDP)	0.4%	-6.7%	-6.1%	-4.3%
Overall balance (after grants)	-4.4%	-4.5%	-5.4%	-5.1%
Import Cover in months of prospective imports of goods and services	3.7	3.2	3.2	3.1

Source: International Monetary Fund (IMF)



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