First Citizens
Research & Analytics

Guyana

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COUNTRY		CREDIT RATING			
Guyana					
Real GDP growth (%) 2016	3.40%	S&P Foreign Currency	Not rated	Major Trade Partners	US; T&T; EU; Canada; Venezuela; China; Suriname; Jamaica
Next General Election	Jul-20	S&P Local Currency	Not rated	Major Exports	Agricultural products; Fuels and Mining products
Exchange Rate (GYD/USD)	200	Moody's Foreign Currency	Not rated	GDP Composition	Services (64%); Agri (22%); Mining (10%); Manu (7%)

RECENT ECONOMIC DEVELOPMENTS

ECONOMIC OUTLOOK — **Positive**

Guyana is estimated to have grown by 3.0% in 2015. The performance of the Guyanese economy was mixed according to data as at 3Q15. Sugar output and rice production increased by 3.4% and 9.5% respectively. The manufacturing sector showed increases in liquid pharmaceuticals (16.8%), tablets (3.7%), alcoholic beverages (8.0%) and non-alcoholic beverages (2.7%) mainly due to increased foreign and domestic demand. In the mining and quarrying sector, bauxite production decreased (-9.3%) and gold declined (-5.5%) due falling international metal prices. Diamond and stone production increased by 51.0% and 5.6% respectively while sand increased by 5.6%. Activities in the services sector expanded from growth in transport & storage, information & communication and financial & insurance sub-sectors but growth in the construction sub-sector contracted as a result of delays in government spending. The economy is projected to grow by 3.4% in 2016 by the IMF.

INFLATION — **Stable**

Inflation was estimated at -0.3% in 2015. According to the Urban Consumer Price Index (CPI) there was a 1.7% decrease in prices as at the end of 3Q15. There were price decreases in food (1.0%), housing (1.8%) and transport & communication (2.9%). The IMF forecasts inflation to remain low and average 0.1% in 2016.

TRADE BALANCE/ BOP — **Stable**

Guyana's current account deficit was estimated at 14.3% in 2015 and is expected to narrow to 13% in 2016 by the BMI. Lower gold prices are expected to be offset by increased output from the country's mines, strong remittance inflows and rising tourist arrivals will contribute to the narrowing. Gold represents 40% of exports and the recent fall in prices resulted in a sharp deterioration in the trade deficit. These lower gold prices are expected to be offset by increased output from the country's mines in 2016 and result in moderate narrowing of the trade deficit. Remittance inflows and tourism are also expected to be boosted due to the positive U.S outlook. The U.S accounts for more than 50% of total remittance flows. As at 3Q15 Bank of Guyana's gross international reserves were equivalent to 4.0 months of import cover.

FISCAL ACCOUNTS — **Stable**

As at 3Q15 the Central Government's overall fiscal position improved to a surplus of USD51.69 million due to a 63.5% decrease in capital expenditure and a 6.7% increase in current revenue which offset the 7.1% increase in current expenditure. Current revenue grew due to higher receipts from the Customs and Trade Administration (7.3%) and the Internal Revenue Department (6.1%). Excise tax and personal income tax increased by 30.9% (USD113.1 million) and 15.5% (USD72.2 million) respectively. Value Added Tax declined by 5.2% to USD128.32 million. Current expenditure increased by 7.1% or USD30.48 million due to higher transfer payments, employment costs. Capital expenditure decreased by 63.5% to USD48.56 million due to the lateness of the Budget to undertake major capital projects.
External debt declined 5.9% to USD1,145 million due to lower disbursements (USD25.5 million in 3Q15 from USD92.7 million in 3Q14) to Venezuela under the PetroCaribe agreement. Domestic debt increased by 0.5% to USD380.63 million as a result of higher issuance of 91-day and 364-day treasury bills which offset the decrease in 182-day treasury bills. External debt service declined by 28.4% to USD87.0 million, due to lower principal payments to creditors while domestic debt service payments increased by 20.3% to USD6.12 million mainly due to higher interest payments on treasury bills (21.1%), debentures (16.8%) due to higher yield. Interest payments for Caricom loans fell by 8.3%. Guyana's external public debt stands at only an estimated 47.5% of GDP - one of the lowest in the region.

OUTLOOK

The economy of Guyana is projected to grow by 3.4% in 2016. Growth is expected to be tempered as commodity prices fall but still average on the higher end in relation to the Caribbean. After a turbulent lead up to elections in May 2015, the political landscape has somewhat stabilized with the election of David Granger's opposition coalition. Positively the country is making progress albeit very slowly from its racially divisive political system as the traditional party lines (ethnic) have begun to break down. Despite depressed commodity prices, the extractive sector is expected to boost growth in 2016, particularly from the gold mining sector where a number of new projects are set to come online such as the Goldfields' Aurora mine which is expected to boost production from 30,000-50,000 ounces in 2015 to 120,000-140,000 ounces in 2016. A boost in hydrocarbon production is also expected in the coming years. Oil conglomerate, Exxon discovered an estimated 700 million barrels of oil offshore Guyana in May 2015, and company officials have indicated their intent to fast track the project in spite of lower oil prices and elevated political tension between Guyana and Venezuela. Further investments are also expected and already government has granted a ten year exploration license to UK based Tullow Oil.

First Citizens Research & Analytics holds a stable view on Guyana but notes that fundamental problems continue to persist such as tensions with Venezuela and Suriname concerning territorial borders, a poor security situation, elevated levels of corruption and weak infrastructure. These problems may dampen investment inflows in the coming years and lead to a deterioration in the country's fiscal accounts.