Guyana

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First Citizens
Research & Analytics

COUNTRY		CREDIT RATING	
Guyana			
Real GDP growth (%) 2016	4.90%	S&P Foreign Currency	Not rated
Next General Election	Jul-20	S&P Local Currency	Not rated
Exchange Rate (GYD/USD)	200	Moody's Foreign Currency	Not rated

Major Trade Partners	US; T&T; EU; Canada; Venezuela; China; Suriname; Jamaica
Major Exports	Agricultural products; Fuels and Mining products
GDP Composition	Services (64%); Agri (22%); Mining (10%); Manu (7%)

RECENT ECONOMIC DEVELOPMENTS

ECONOMIC OUTLOOK **Positive**

The performance of the Guyanese economy was mixed 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 have grown by 3.2% according to the IMF in 2015.

INFLATION **Stable**

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%). Inflation is projected at 1.1% and 2.3% for 2015 and 2016 respectively by the IMF.

TRADE BALANCE/ BOP **Stable**

Export receipts fell by 2.8% to USD813.9 million in 3Q15. This was mainly due to decreases in export of gold (-4.9%), bauxite (-17.2%), sugar (-17.9%), timber (-4.9%) tempered by ‘other exports’ which increased by 16.0%. Merchandise imports declined by 14.4% to USD1,125.2 million due to declines in imports of intermediate goods (-23.9%), capital goods (-3.0%)and consumption goods (-1.2%). As a result, the merchandise trade deficit increased by 34.7% to USD311.3 million (USD476.7 million -3Q14). Remittances decreased by 3.5% (USD10.6 million) to USD296.1million. The capital account registered a lower surplus of USD95.4 million due to lower inflows from bilateral and multilateral agencies which decreased by 68.5%. The overall balance of payments deficit fell by 78.4% to USD78.4 million for 3Q15 (USD134.3 million 3Q14) mainly due to a lower current account deficit which fell by 65.8% to USD119.7 million. This smaller deficit was due to merchandise imports of USD1,125.2 million and net services payments of USD104.6 million. The overall deficit of USD78.4 million was financed by a drawing down of the Bank of Guyana’s gross international reserves, which were equivalent to 4.0 months of import cover at the end of the quarter.

FISCAL ACCOUNTS **Stable**

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%.

OUTLOOK
The economy of Guyana is projected to grow by 4.9% 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 falling commodity prices, Guyana’s mining sector will support growth in the coming years. Gold production is expected to continue growing with the completion of Guyana’s Goldfields’ Aurora mine. The mine 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 develop the resource in spite of lower oil prices and elevated political tension between Guyana and Venezuela.

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.