



END OF YEAR OUTCOME 2017

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COOPERATIVE REPUBLIC OF GUYANA

**ELEVENTH PARLIAMENT
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UNDER THE
CONSTITUTION OF THE
COOPERATIVE REPUBLIC OF GUYANA**

FIRST SESSION 2018

END OF YEAR OUTCOME - 2017

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Minister of Finance

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1. Introduction

1.1 On November 27, 2017, for the second consecutive occasion, the National Budget was presented to Parliament before the start of the fiscal year and one day earlier than the previous year, making it the earliest Budget in over four decades. The Budget for the Financial Year 2018, themed *The Journey to the Good Life Continues*, maintained this administration's priority of delivering a timely budget, in order to support economic management, financial management and effective implementation of Government's policies. By presenting Budget 2018 before the beginning of the fiscal year, Budget Agencies continued to have an improved opportunity to plan and implement their annual budgets, thereby allowing programmes that are critical to our country's development to move forward with greater efficiency.

1.2 As a result of Budget 2018 being laid in Parliament before the end of the calendar year, the 2017 economic and fiscal data presented in the Budget were projections that were based on actual data available at the time the Budget was prepared, and forecasts for the remaining months of 2017. These projections were prepared in a collaborative process by senior and technical staff from the Ministry of Finance, Bureau of Statistics, Bank of Guyana and Guyana Revenue Authority.

1.3 To support full transparency and accountability regarding both fiscal performance and the accuracy of economic forecasting, this Government has committed to presenting Parliament, within the first half of the succeeding year, an End of Year Outcome Statement that captures actual economic and fiscal data for each budget year. The 2017 End of Year Outcome Statement represents an update to the projected data presented in Budget 2018. It explains any notable differences between the projections and actual data, and provides an updated appraisal of economic conditions in 2017, to better guide policy going forward.

1.4 The Statement is compiled using data available in February 2018 and may differ from the forthcoming audit reports of the Central Government and Bank of Guyana.

2. Global Economic Development

2.1 Economic outcomes in 2017 and prospects in 2018 for the global economy have improved since the 2018 Budget Speech. The International Monetary Fund (IMF), in its January World Economic Outlook Update, projected 2017 global growth at 3.7 percent, marginally better than previously estimated in its October publication. This upward revision comes against the backdrop of stronger-than-expected, broad-based growth in the third quarter of 2017, with notable unexpected pickups in Europe and Asia. Additionally, the projection for global output in 2018 was marked up to 3.9 percent, 0.2 percentage points above the level previously reported, suggesting continued momentum in the global economy, and an anticipated boost in economic activity from US tax policy changes.

2.2 Growth for 2017, in the advanced economies, is currently estimated at 2.3 percent, compared with 2.2 percent at the time of the 2018 Budget Speech. This enhanced position was supported by higher-than-projected growth in the third quarter, with data suggesting a continuation of strong momentum in the fourth quarter of 2017, particularly in the euro area, United States and Japan. The expansion within this group of countries was driven by robust global trade, reflecting a pickup in investment and an increase in manufacturing output. The outlook for 2018, similarly, has improved, with a growth forecast of 2.3 percent, compared with 2 percent, as reported previously. This outturn is due to the maintenance of favourable global financial conditions.

2.3 The growth prospects for emerging market and developing economies improved at the end of 2017 to 4.7 percent. The upward revision was due to better-than-expected performances in, for example, Brazil, China and South Africa. The outlook for 2018 on the other hand, remained generally unchanged from the previous projection of 4.9 percent. In addition, since the 2018 Budget Speech, the economies of Latin America and the Caribbean, on average, have expanded at a faster pace. The region is estimated to have grown by 1.3 percent, compared with 1.2 percent, as reported previously. This is on the backdrop of continually improving conditions in the global economy over the last

few years. The improved outlook for 2018, which is now projected to be 0.3 percentage points higher, at 2.2 percent, reflects favourable commodity prices and easier financial conditions, which are expected to support greater vigour in consumption and domestic investment.

2.4 Commodity prices at the end of 2017 and the beginning of 2018 were relatively in line with the levels projected at the time of the 2018 Budget Speech. The world market price of sugar remained unchanged in the fourth quarter of 2017, when compared with the third quarter of 2017, at a price of US\$0.32 per kilogramme. This has declined since, to US\$0.30 per kilogramme at end February 2018. The world market price of rice, in the fourth quarter of 2017, was 0.8 percent lower when compared with the third quarter of 2017, reaching US\$400.7 per metric tonne. However, prices were higher in the first two months of 2018. This was also the case for timber prices, which, at the end of February 2018, were in line with the upward trend projected at Budget 2018. The international price of gold was lower in the fourth quarter in 2017, when compared with the previous quarter. In the first two months of 2018, gold prices rose to US\$1,331 per troy ounce. In spite of this increase, the average price in February 2018 remained below its level at the time of Budget 2018. At US\$2,080 per metric tonne, aluminium prices were higher at the end of 2017. The price of Brent crude oil rebounded at the end of 2017, reaching US\$61.5 per barrel. It continued its upward trend into January, at US\$69.0 before declining to US\$65.4 in February 2018.

2.5 The risks noted in the 2018 Budget Speech—unpredictable commodity prices, climate change and international financial market disruptions—remain relevant since they have the ability to derail the growth projections. As such, despite the improved growth prospects for Latin American and Caribbean countries, the programmes and policies outlined in the 2018 Budget, geared towards building a more resilient and diversified economy, must be effectively implemented, monitored and evaluated by the responsible agencies to ensure the desired outcomes.

3. Domestic Development

A. Real Sector

3.1 The adjusted growth in real gross domestic product (GDP) for 2017 is 2.1 percent, compared to the 2.9 percent growth forecasted at the time of the 2018 Budget. This revision was due largely to significantly weaker-than-anticipated performances in the mining and quarrying and construction sectors as well as sugar and livestock. These were sufficiently large to offset better-than-projected growth in the other agriculture, fishing and forestry, manufacturing and services sectors.

Table 1.
Production of selected commodities, 2017

Item	2017 Budget	2017 Revised	2017 Revised (As at February 2018)
Sugar, tonnes	208,000	152,000	137,307
Rice, tonnes	600,000	602,087	630,104
Bauxite, tonnes	1,726,008	1,417,557	1,459,223
Gold, ounces	694,000	712,706	653,674
Forestry, cubic metres	318,000	297,070	349,900

Source: Bureau of Statistics

3.2 The improvement in the agriculture, fishing and forestry sector, in 2017, was due to significantly better production in the rice and forestry industries, which resulted in the upward revision of growth in each industry by 5.3 percentage points and 16.3 percentage points, respectively, well above projections at the time of the 2018 Budget, as shown in Table 3. The turnaround in the forestry industry was due to a significant increase in logs harvested, in November and December 2017, by small concession holders. Notably the share of small concession holders within the sector grew to a high of 58 percent in 2017. The increases in rice and forestry output were sufficient to offset the contractions in the sugar and livestock industries.

3.3 In the mining and quarrying sector, the decline in bauxite production was lower towards the end of 2017, when compared to the same period in 2016, resulting in an improved position compared to the original projection. However, this outcome was dwarfed by significantly lower declarations in the gold industry and other mining; growth in each industry fell by 8.3 percentage points and 4.9 percentage points, respectively. Gold declarations maintained a steady performance in the first three quarters of 2017, when compared with the same period in 2016. However, gold declarations plummeted in the last quarter of 2017, over the same period of 2016. Among problems experienced by the two foreign-owned companies were lower grade ore and unscheduled maintenance. In the case of small- and medium-scaled miners, the decline was due to multiple factors, including higher fuel prices and deteriorated roads. The decrease in other mining was due to a 62.7 percent lower declaration of diamonds, the lowest level since 2012.

Table 2.
Gold production by industry participants, 2017

Participant	2017	2017
	Production (As in Budget 2018)	Actual Production
Guyana Goldfields	160,637	168,112
Troy Resources Limited	69,458	66,024
Small and medium-sized miners	482,613	419,538

Source: Bureau of Statistics

3.4 The manufacturing sector benefitted from the significant improvement in rice production. This sector grew by 0.4 percentage points above the forecast made in November 2017. However, the growth was limited by a substantial decline in sugar manufacturing. Other manufacturing, which comprises mainly light manufacturing, performed in line with its projection.

3.5 Growth in the construction sector was 2.1 percentage points below the level projected at the time of presentation of the 2018 Budget.

Table 3.
Annual real GDP growth rates by sector, 2017

Item	2017 Budget (As in Budget 2017)	2017 Revised (As in Budget 2018)	2017 Revised (As at February 2018)
Agriculture, Fishing and Forestry	5.0	0.2	0.4
Sugar	13.7	-17.2	-25.2
Rice	11.2	12.6	17.9
Other Crops	4.4	2.4	2.4
Livestock	3.1	4.4	-2.8
Fishing	-4.8	1.0	1.0
Forestry	-2.9	-7.2	9.1
Mining and Quarrying	0.7	-1.9	-8.8
Bauxite	18.1	-2.3	-0.1
Gold	-2.6	0.0	-8.3
Other	9.5	-12.6	-17.6
Manufacturing	4.3	3.6	4.0
Sugar	12.3	-17.2	-25.2
Rice	11.5	12.7	17.3
Other Manufacturing	-0.6	3.1	3.1
Electricity and Water	3.5	4.5	4.5
Construction	1.9	13.5	11.4
Services Industries	3.3	3.1	3.6
Wholesale and Retail Trade	-0.4	3.1	8.7
Transportation and Storage	3.9	3.9	3.9
Information and Communication	5.2	2.3	2.3
Financial and Insurance Activities	6.9	5.8	-2.0
Public Administration	2.5	1.3	1.3
Education	3.0	2.0	2.0
Health and Social Services	2.8	2.5	2.5
Real Estate Activities	4.0	4.0	4.0
Other Service Activities	6.2	3.5	3.5
TOTAL	3.8	2.9	2.1
Non-Sugar Growth Rate (%)	3.6	3.7	3.0

Source: Bureau of Statistics

3.6 The services sector grew by 3.6 percent, in 2017, 0.5 percentage points above the growth projected in November 2017. This was driven largely by a significant upturn in wholesale and retail trade by 5.6 percentage points, a sign of improving consumer confidence. However, financial and insurance activities did not perform as well as expected, with growth in 2017 falling 7.8 percentage points below the 5.8 percent projected at Budget 2018, resulting in an overall contraction in this industry.

B. External Sector

3.7 The overall balance of payments recorded a deficit of US\$69.5 million, in 2017, compared to US\$53.3 million, in 2016. Similarly, the overall balance at the end of 2017 was weaker than the US\$53.1 million projected at the time of the 2018 Budget Speech. This was as a result of the current account deteriorating substantially more than estimated, offsetting the stronger-than-projected balance on the capital account.

3.8 The current account registered a deficit of US\$287.4 million, in 2017, significantly higher than the deficit of US\$12.4 million, in 2016. Also, the balance on the current account, at the end of 2017, was higher than the US\$235.0 million projected at the time of the 2018 Budget Speech. The further weakening was due to the negative balance on the merchandise trade account. Merchandise exports were slightly lower than projected, mainly on account of lower export earnings of gold and other exports in the last two months of the year. On the other hand, imports were slightly more than the US\$1.59 billion projected at the time of the presentation of the 2018 Budget. As a result, the merchandise trade deficit of US\$196.2 million was considerably higher than the projected deficit of US\$147.2 million. Notwithstanding, the deficit on the services account was lower than estimated. The improvement in the factor services account more than offset the weaker balances on both the non-factor services and unrequited transfers accounts.

3.9 The capital account balance improved to a surplus of US\$228.0 million in 2017, up significantly from a deficit of US\$13.2 million in 2016. The position at the end of

2017 was also substantially higher than the level projected at the time of the 2018 Budget Speech, which was projected at a surplus of US\$181.8 million. This stronger position was mainly attributed to larger-than-expected inflows of foreign direct investment in 2017, and positive net outflows of short-term capital. At the end of 2017, foreign direct investment inflows reached US\$212.2 million, above the US\$186.1 million previously estimated. Also, over the same period the net outflows of short term capital increased to US\$1.6 million, above a negative balance of US\$21.0 million.

3.10 The 2017 balance of payments deficit was financed by exceptional financing of US\$1.9 million in debt relief and US\$55.6 million in debt forgiveness, along with a drawdown of US\$12.1 million in net foreign assets of the Bank of Guyana. Additionally, gross reserves of the Bank of Guyana were equal to about 3.1 months of import cover at the end of 2017, slightly above the 3-month minimum benchmark for reserve adequacy.

C. Monetary Sector

3.11 Broad money (M2) grew by 4.6 percent over the 12 months ending in December 2017. This was faster than the 3.6 percent rate of growth projected at the time of the presentation of the 2018 Budget. This expansion was due to a 9.9 percent increase in net domestic credit while other items (net)¹ and net foreign assets declined by 2.4 percent and 1.6 percent, respectively. Currency in circulation increased by 11.1 percent, higher than the 6.6 percent projected for December, 2017. Savings deposits were also higher by 2.1 percent, while time deposits contracted by 1 percent over the 12 months ending in December 2017.

3.12 Net domestic credit of the banking system increased by 9.9 percent. This increase was larger than the 8.1 percent growth rate projected at the time of the presentation of the 2018 Budget. The higher rate of credit growth was due entirely to a larger-than-expected increase in credit to both the public and private sectors. Credit to the private sector grew by 2.3 percent over the 12 months ending in December, above the 2.1

¹Includes commercial banks' undistributed profits.

percent projection. Credit to all the sectors increased except to the manufacturing, construction and engineering and the other category of the private sector.

3.13 Commercial banks remained well-capitalised through the end of 2017. Total liquid assets of commercial banks stood at \$111.9 billion, in December 2017. Treasury Bills accounted for 56.5 percent of total liquid assets, higher than the 54.2 percent previously projected. In addition, banks' excess reserves stood at \$18.5 billion, at the end of December 2017, as reserves exceeded requirements by 42.3 percent. This however, was lower than the \$22.6 billion reported at the time of the 2018 Budget Speech.

E. Prices

3.14 Consumer price inflation was moderate in 2017. The 12-month inflation rate stood at 1.5 percent, as of December 2017, which was 0.5 percentage points lower than the inflation projected at the presentation of the 2018 Budget.

3.15 Interest rates declined throughout much of 2017. In the last four months of the year, the small savings rate remained stable at 1.11 percent. At the end of December 2017, the commercial bank weighted average lending rate was 10.19 percent, 0.05 percentage points below the rate at the end of the previous month. The 182 days Treasury Bill interest rate also fell in the last month of 2017, declining by 0.03 percentage points to reach 1.11 percent. However, the 364 days Treasury Bill rate improved during the last month of the year to finish 2017 at 0.05 percentage points above the 1.15 percent recorded in November, 2017. The 91 days Treasury Bill rate remained stable in December, 2017, at 1.54 percent – the rate recorded for the previous 10 months.

3.16 The official exchange rate between the Guyana dollar and the US dollar remained stable at \$206.5 through December 2017, as projected at the time of the presentation of the 2018 Budget.

D. Fiscal Sector

a. Non-Financial Public Sector

3.17 The non-financial public sector recorded a deficit of \$37.3 billion in 2017, a nominal decline of \$0.8 billion compared to \$38.1 billion presented last November, though still in line with the projected deficit-to-GDP target of 5 percent. The nominal improvement was due to lower-than-projected expenditure, despite lower revenue than at the time of presenting the Budget for 2018. Revenues of the non-financial public sector were \$1.5 billion lower than projected at the time of presentation of the 2018 Budget, largely due to a shortfall of \$8.4 billion in revenues from the public enterprises that erased the growth in revenue of the central government. Current expenditure was \$2.6 billion lower than projected, while capital expenditure was \$570 million above the projection for 2017.

b. Central Government

3.18 The central government recorded a fiscal deficit (after grants) of \$33.4 billion, in 2017, or 4.5 percent of GDP, below the nominal amount of \$34.3 billion, projected at the time of the Budget presentation and in line with the deficit-to-GDP ratio. The smaller-than-projected deficit was due to lower current expenditure coupled with higher-than-projected revenues.

3.19 Tax and non-tax revenue collection, in 2017, was \$194.7 billion or 1 percent, above the 2017 revised revenue collection. Tax revenues rose to \$171.2 billion, in 2017, representing 87.9 percent of total revenue. This increase of \$2.1 billion above the projection presented at Budget 2018 was driven primarily by: 1) \$1.0 billion or 1.4 percent rise in the collection of income taxes; 2) \$0.6 billion or 3.5 percent rise in import duties; and 3) \$0.3 billion or 0.4 percent rise in value-added and excise taxes. Total non-tax revenues were projected at \$23.6 billion; actual non-tax revenues for 2017 were, therefore, closely in line with the projections at the time of Budget 2018. The

Guyana Revenue Authority (GRA) remitted \$49.2 billion, equivalent to 28.8 percent of tax revenue, compared to \$42.3 billion or 27.9 percent in 2016 and \$2.2 billion more than at the time of presenting Budget 2018.

3.20 Total expenditure of the central government amounted to \$240.3 billion, in 2017, \$2.0 billion lower than projected at the time of presenting Budget 2018. Total non-interest recurrent expenditure amounted to \$173.5 billion, in 2017, less than the \$176.1 billion reported, due to lower-than-projected spending on transfer payments and other goods and services. Employment costs totalled \$54.5 billion, in 2017, slightly higher than the projection of \$54.3 billion reported in Budget 2018.

3.21 Central government capital expenditure recorded a 1 percent increase over the projected \$58.1 billion, as a result of better performance on the domestically-financed component of the public sector investment programme (PSIP), which was 10 percent higher than the projection of \$33.1 billion at the time of presenting Budget 2018.

3.22 Interest payments totalled \$8.0 billion, in 2017, slightly lower than \$8.1 billion projected at the presentation of Budget 2018.

b. Public Enterprises

3.23 The overall deficit of the public enterprises was \$13.0 billion, 1 percent lower than projected at the time of the presentation of the 2018 Budget. Revenue collections of the public enterprises were \$7.9 billion below the 2018 Budget projections, principally as a result of the further contraction in the Guyana Sugar Corporation's (GuySuCo) performance. Current expenditures were \$114.6 billion or \$4.7 billion lower than projected. The lower-than-anticipated performance resulted mainly from GuySuCo, where employment costs and expenditures on other goods and services declined by \$1.2 billion and \$3.4 billion, respectively. Capital expenditures of the public enterprises were \$3.4 billion lower than expected, due mainly to reduced spending by Guyana Power and

Light, Inc. (GPL). GuySuCo experienced severe cash flow problems while GPL rescheduled its capital programme for 2018.

E. Debt Management

3.24 As at December 31, 2017, the stock of public debt amounted to US\$1,670.7 million, US\$8.4 million higher than projected at the time of presenting Budget 2018. This marginal increase was primarily due to: 1) higher disbursements from the Export-Import Bank of China, Inter-American Development Bank (IDB) and CARICOM Development Fund (CDF); and 2) delayed debt service payments to the Bolivarian Republic of Venezuela due to sanctions imposed by the US on debt and securities transactions related to that country. As a result, Guyana's international correspondent banks have been unwilling to transfer payments to Venezuela. However, in early 2018, Government opened an account with the Bank of Guyana, into which payments due are being posted. For 2017, the total public debt-to-GDP ratio increased marginally by 0.9 percentage points to 46.1 percent from the projected 2017 figure of 45.2 percent at the time of presentation of the Budget 2018.

3.25 As at December 31, 2017, the external public debt stock stood at US\$1,240.6 million, marginally higher than the projected 2017 amount of US\$1,234.5 million. The share of external public debt accounted for 74.3 percent of the total public debt stock as at December 31, 2017.

3.26 On the domestic side, the domestic public debt stock was US\$430.1 million as at December 31, 2017, marginally higher, by US\$2.3 million, than the projection at Budget 2018. This was primarily due to the issuance of a new 91-day Treasury Bill. The share of domestic public debt accounted for 25.7 percent of the total public debt stock as at December 31, 2017.

3.27 As at December 31, 2017, the total public debt service amounted to US\$71.7 million, which was marginally lower (2.5 percent) than the projected 2017 figure of

US\$73.5 million. External public debt service, for 2017, amounted to US\$60.8 million, US\$1.9 million less than projected at the time of Budget 2018. For 2017, 6.8 percent of total revenue earned went towards servicing the external debt, marginally increasing from 6.7 percent projected at the time of the presentation of the 2018 Budget. Domestic debt service payments, for 2017, which amounted to US\$10.9 million, remained the same as projected.

Table 4.
Total Public Debt Service
(in millions US Dollars)

Item	Projected 2017 as at Budget 2018	Actual 2017	Variation
Total Public Debt Service	73.5	71.7	(1.8)
External Debt Service	62.7	60.8	(1.9)
Principal	41.5	40.2	(1.3)
Interest	21.2	20.6	(0.6)
Domestic Debt Service	10.9	10.9	0.0
Principal	1.4	1.4	0.0
Interest	9.5	9.5	0.0
Debt Service-to-Revenue Ratios			
Total Public Debt Service	7.9%	8.0%	0.1%
External Public Debt Service	6.7%	6.8%	0.1%
Domestic Public Debt Service	1.2%	1.2%	0.0%

Source: Ministry of Finance

Table 5.
Total Public Debt Stock
(in millions US Dollars)

Item	Projected 2017 as at Budget 2018	Actual 2017	Variation
Total Public Debt	1,662.3	1,670.7	8.4
External Public Debt	1,234.5	1,240.6	6.1
Domestic Public Debt	427.8	430.1	2.3
Debt-to-GDP Ratios			
Total Public Debt	45.2%	46.1%	0.9%
External Public Debt	33.6%	34.3%	0.7%
Domestic Public Debt	11.6%	11.9%	0.3%

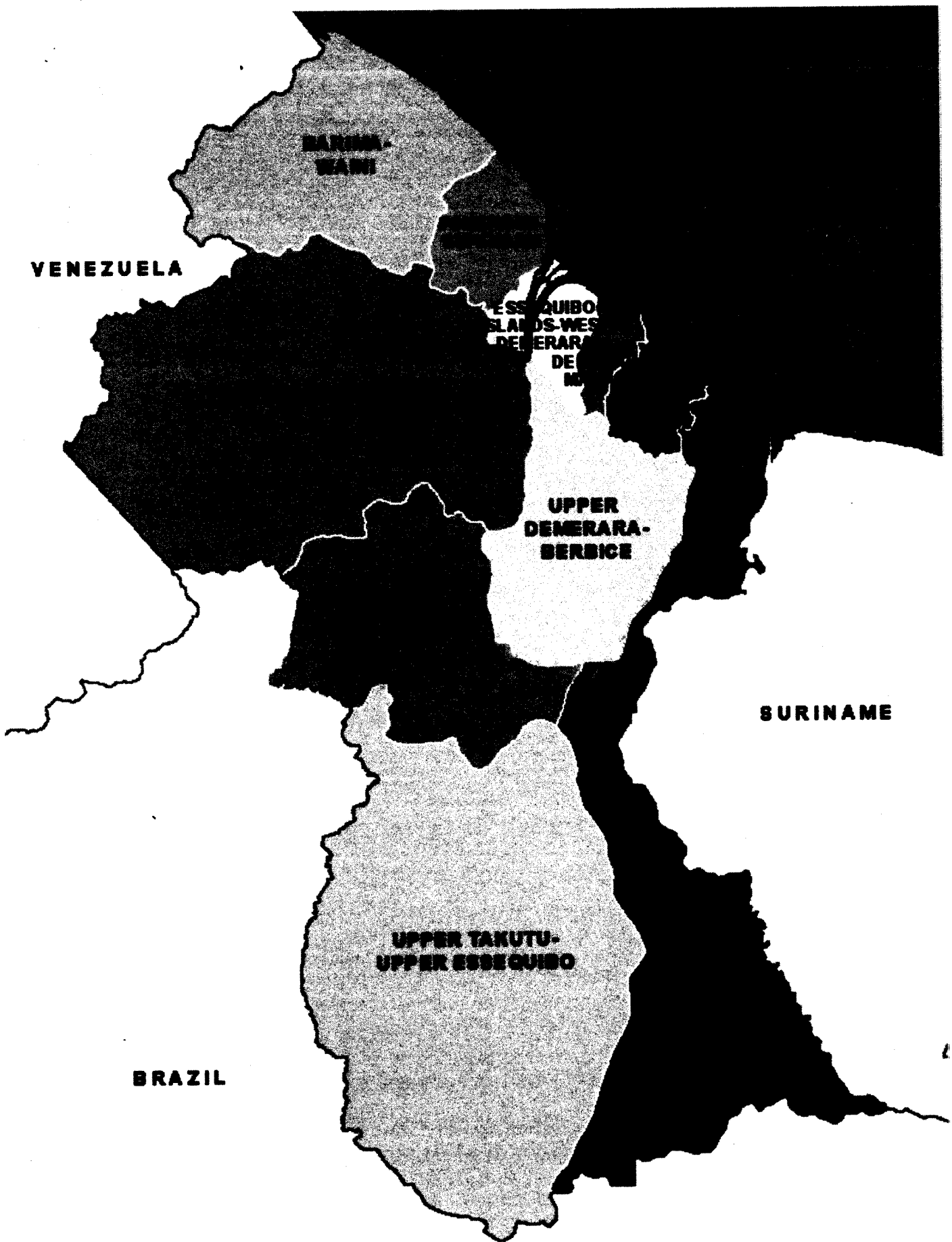
Source: Ministry of Finance

4. Conclusion

4.1 The uneven performance of the economy in 2018 reflected its undiversified nature. Relying heavily on primary output of agricultural and mining sectors, the economy's growth performance, though positive, was not as expected.

4.2 Although real GDP growth came in below projections, the performances of forestry and rice rallied to offset the substantial declines in sugar. Notwithstanding, Guyana still remains vulnerable to shocks and will continue to be so until we achieve further economic diversification. However, there were encouraging signs that the policy measures on the fiscal side, were beginning to work. Revenue collection rose sharply, with a significant increase in arrears' collection. Capital expenditure improved in the second half, after a worrying performance in the first half.

4.3 The Government has taken steps to ensure improved performance in 2018 with targeted budget interventions to catalyse private sector investments. It is also taking further action to ensure greater effectiveness in the implementation and management of its public sector investment programme. Since the 2018 Budget was prepared, the risk of external shocks appears to have declined, although international policy changes could reverse these trends. Government continues to remain vigilant to maintaining sound fiscal and macroeconomic policies, including debt sustainability, as we strengthen the public sector to improve the rate of implementation of public investment projects in 2018.



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