

GUYANA

Table 1	2021
Population, million	0.8
GDP, current US\$ billion	8.1
GDP per capita, current US\$	10259.9
School enrollment, primary (% gross) ^a	97.8
Life expectancy at birth, years ^a	70.0
Total GHG emissions (mtCO ₂ e)	22.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2012); Life expectancy (2020).

Guyana's economy is expanding at an extraordinary rate fueled primarily by the extraction and export of crude oil. Local-content rules will support non-oil economic activity. In parallel, increasing oil and gas revenues will allow financing to address development needs and tackle poverty. Nevertheless, significant risks remain including management of oil wealth to avoid Dutch disease effects and inflationary pressures. Improvements in the quality of public spending are critical. Guyana's development is dependent on mitigating ethnic tensions, strengthening institutions, and upgrading infrastructure.

Key conditions and challenges

Guyana is going through a period of exceptional growth with the development of its oil and gas sector. Real GDP per capita is expected to reach US\$ 26,000 by 2024, more than double 2020 levels, with the share of the oil and gas sector rising to approximately 74 percent of total GDP. Nevertheless, agriculture, gold, bauxite, and timber production remain relevant as they account for a significant share of jobs.

The transformation also implies a significant increase in revenues which, up to 2021, were being saved in a Natural Resource Fund (SWF) outside of the economy. A Natural Resource Fund (NRF) Act, adopted in December 2021, introduced a revised framework for the management and transfers from the SWF. The Act allows transfers to the budget starting in 2022 which should average between 4 to 5 percent of GDP over the medium term.

Guyana's resource wealth contrasts with the overall needs of the population, marked by ethnic and social polarization. Poverty and social exclusion, including limited access to basic services, are particularly severe in Guyana's hinterland and among Amerindians.

As increased fiscal revenues will allow Guyana to boost outlays, there is a need to ensure that spending is efficient and that reforms support private sector growth while also addressing social and infrastructure gaps. In parallel, Guyana will

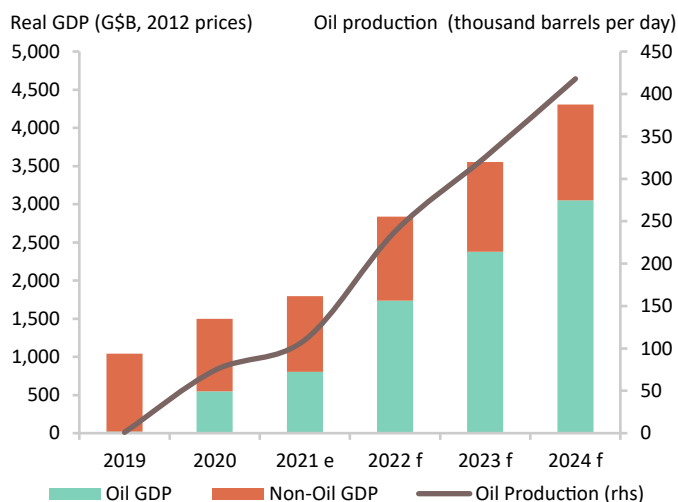
need to manage the risks of large inflows to prevent overheating the economy and Dutch Disease effects. The development of the oil and gas sector also implies the need to implement ambitious domestic measures to achieve net-zero emissions as oil production is expected to cause a steady increase in GHG emissions.

For sustainable pro-poor growth, more efficient and effective public service delivery is essential including in health, education, and digital connectivity. This will also require sound and transparent management of oil revenues to avoid increased polarization and further erosion of already weak institutions. It also requires adjusting the current foreign exchange regime including greater flexibility to respond to shocks and boost competitiveness. Guyana's exchange rate regime remains a *de facto* stabilized arrangement with foreign exchange rate interventions.

Recent developments

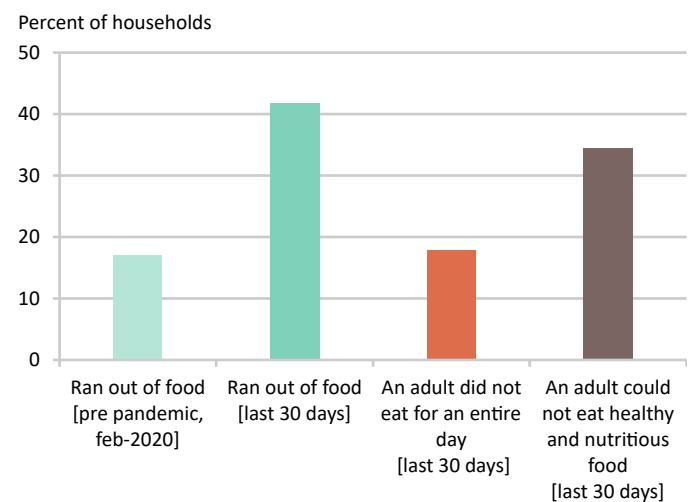
Real GDP expanded by 20 percent in 2021, owing primarily to an expansion of oil production, which averaged about 110,200 barrels per day. The non-oil economy also expanded, rising by 4.7 percent in 2021 reflecting a recovery in construction and services. Agriculture contracted due to the impact of adverse weather conditions during the year. Inflation averaged 6.2 percent in the first half of 2022, reflecting higher food prices which rose by 10.2 percent during the same period.

FIGURE 1 Guyana / Oil production, real oil, and real non-oil GDP, 2019-2024



Source: World Bank staff estimates.
Notes: f=forecast. 2024 values assume full-capacity production in Liza I and II.

FIGURE 2 Guyana / Selected food insecurity indicators in December 2021



Source: World Bank staff estimates based on World Bank and UNDP LAC High Frequency Phone Surveys, Phase II, Wave 2.

Negative impacts from the pandemic on employment and household income persisted in 2021 and are likely to have increased poverty and food insecurity. The World Bank - UNDP High-Frequency Phone Survey conducted in June and December 2021 showed that about 40 percent of households ran out of food due to a lack of money or other resources within the 30 days preceding the survey. Furthermore, almost half of the households had still not recovered their pre-pandemic level of income. Recovery was uneven. While male unemployment was nearing the pre-pandemic level in the third quarter of 2021 (latest data available), the female unemployment rate remained elevated.

The fiscal deficit increased by 0.8 percentage points to 10.1 percent of non-oil GDP in 2021. The widening was primarily driven by increased spending tied to flood relief assistance to farmers and households in response to the floods in 2021, and capital expenditure. Public debt fell to 38.6 percent of overall GDP in 2021 due to increased economic growth.

The current account deficit (CAD) widened to 20.5 percent of GDP in 2021, driven largely by the importation of Guyana's second floating production storage and offloading (FPSO) vessel, Liza Unity, and increased net service payments. The CAD was primarily funded by private inflows, while international reserves increased by 19.1 percent to US\$ 810.8 million (1.7 months of total imports). With the non-repetition of the exceptional import for the mining sector, the current account recorded a surplus for the first half of 2022

despite increased spending on imports of food and fuel.

Outlook

Guyana's economy is expected to remain one of the world's fastest-growing in the medium term (2022-2024), with real GDP expanding at an annual average rate of 34.7 percent. This reflects a more than tripling of oil production capacity to around 418,000 barrels per day by 2024. Non-oil growth will also accelerate aided by new bauxite, sand and stone, and gold mining capacity, as well as a rebound in the agricultural sector following devastating floods in 2021. Inflation will remain elevated as a result of increased government consumption, higher input costs, and supply chain disruptions. This threatens the purchasing power and food security of poor and vulnerable households.

Poverty reduction will depend on the performance of the non-oil economy through job creation, including those linked to public investment projects and local content for the oil sector, as well as the redistribution of resource revenues. The government has been proactive in reducing taxes and increasing transfers to vulnerable businesses and households to mitigate the impact of rising prices.

Increased exports of oil, gold, and bauxite, as well as lower imports, will transform the current account into an annual average surplus of 33.2 percent of GDP over the medium term. In this context,

the international reserves position will gradually improve to average above 2 months of total imports.

The fiscal deficit is expected to narrow to an average of 1 percent of non-oil GDP underpinned by a strong increase in revenues. Increased revenues, largely tied to inflows from the NRF will help offset higher spending on capital infrastructure projects, wages, and transfers. In this context, public debt is expected to fall to 18.2 percent of GDP by 2024.

Guyana's increasing reliance on the extractive sector raises its vulnerability to oil-related shocks. It also faces well-known risks associated with resource-dependent economies, increasing reliance on the state which can affect private sector competitiveness, and an erosion of institutions. Maintenance of an operational SWF is central to mitigating the imbalance between the resource inflow and the economy's absorptive capacity while also limiting waste. Moreover, oil production has environmental consequences that must be carefully considered, and the sector may face additional risks as the world transitions away from fossil fuels. Furthermore, the pandemic resulted in severe disruptions in education with a third of school-aged children not attending school in mid-2021. If resulting learning gaps are not addressed, this can have substantial long-term impacts on welfare. Given Guyana's history of ethnically polarized protests, the possibility of civil unrest challenging the government's authority constitutes another a risk to the economic outlook.

TABLE 2 Guyana / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at purchaser prices (total)^a	5.4	43.5	20.0	57.8	25.2	21.2
Real GDP growth, at factor prices (non-oil)^b	4.3	-7.3	4.7	10.7	6.9	6.8
Agriculture	-0.5	4.1	-9.1	12.1	2.6	2.1
Industry	5.4	-10.5	5.2	8.7	5.8	4.2
Services	6.3	-11.6	13.2	11.0	9.7	10.4
Inflation (Consumer Price Index)	1.4	1.0	4.8	6.5	6.0	5.0
Current Account Balance (% of GDP)^c	-54.6	-15.0	-20.5	42.3	29.6	27.7
Net Foreign Direct Investment Inflow (% of GDP)	32.8	37.7	54.9	-36.9	-23.1	-18.0
Fiscal Balance (% of GDP)^d	-2.8	-9.4	-10.1	-1.4	-1.1	-0.4
Debt (% of GDP)	34.2	47.4	38.6	22.0	20.0	18.2
Primary Balance (% of GDP)^d	-2.0	-8.6	-9.5	-0.8	-0.4	0.2
GHG emissions growth (mtCO₂e)	3.7	7.4	5.0	15.5	10.2	10.1
Energy related GHG emissions (% of total)	13.7	19.2	22.5	31.4	36.6	41.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Total GDP at 2012 prices.

b/ Non-oil GDP at 2012 prices.

c/ BOP definition in current US\$.

d/ Share of non-oil GDP.