

Private Sector Commission

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A Review of the Guyana Economy in 2007

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Preface

Technical Information Bulletin No. 11 – The Guyana Economy in 2007 - continues our series which is aimed at providing our membership and the wider business community with basic data for general awareness and business planning.

Data used in this Bulletin was obtained from the Bureau of Statistics database and from published information of the Ministry of Finance.

We do hope you find this Bulletin useful and would appreciate your comments, suggestions, etc.

Bal Parsaud
Executive Director

Previous Bulletins

Bulletin 1 (Dec 2006) - The Guyana Economy June 2006

Bulletin 2 (Mar 2007) - Highlights of the Guyana National Budget 2007

Bulletin 3 (Mar 2007) - Recent Growth Trends in the Guyana Economy

Bulletin 4 (Apr 2007) – Labour Force and Employment in the Guyana Economy

Bulletin 5 (May 2007) – Employment Structure in Guyana

Bulletin 6 (July 2007) – Measuring Inflation in Guyana

Bulletin 7 (July 2007) – Living Conditions in Guyana

Bulletin 8 (October 2007) – The Jagdeo Initiative

Bulletin 9 (November 2007) – Educational Achievement in the Population of Guyana

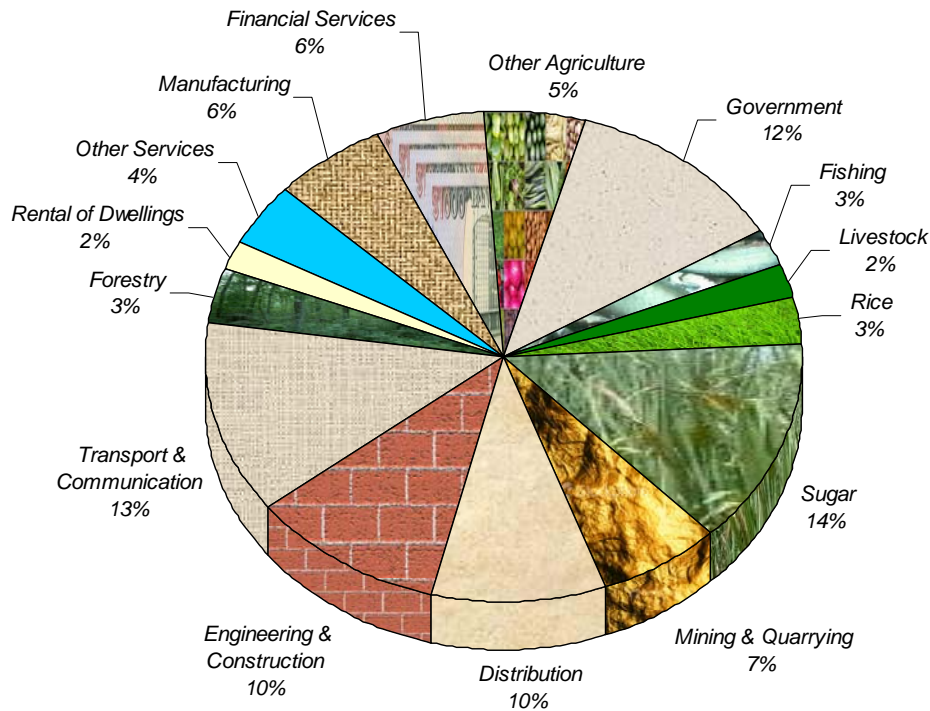
Bulletin 10 (December 2007) – The Guyana Economy as at June 2007

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A Review Of The Guyana Economy In 2007

The Guyana economy grew by 5.4% in 2007, the second consecutive year of high real growth recorded after almost a decade of relatively low or negative growth. This was the first time in ten years that all sectors recorded positive growth and this was achieved in spite of rising fuel costs. The highest growth was recorded in the mining and quarrying sector at 22.5% with both bauxite and gold production up significantly. Other high growth sectors included transport and communication which grew by 13.0% as well as distribution which increased by 8.9%.

Sectoral Contribution to Gross Domestic Product 2007



Sugar

Sugar output moved from 259,588 tonnes in 2006 to 266,482 tonnes in 2007, a mere 2.7% increase and falling short of the 285,000 targeted for the year. Poor weather conditions hampered production in the first part of the year. The sector has not yet recovered from the slump experienced due to flooding in 2005 but production is expected to increase significantly

with the coming on stream this year of the new sugar factory at Skeldon. Sugar production for 2008 is targeted to increase to 290,000 tonnes as more acres are put into cultivation and productivity increases. Sugar contributed 14% to total real GDP in 2007 despite the impact of the initial 5% reduction in the price of exports to the European Union.

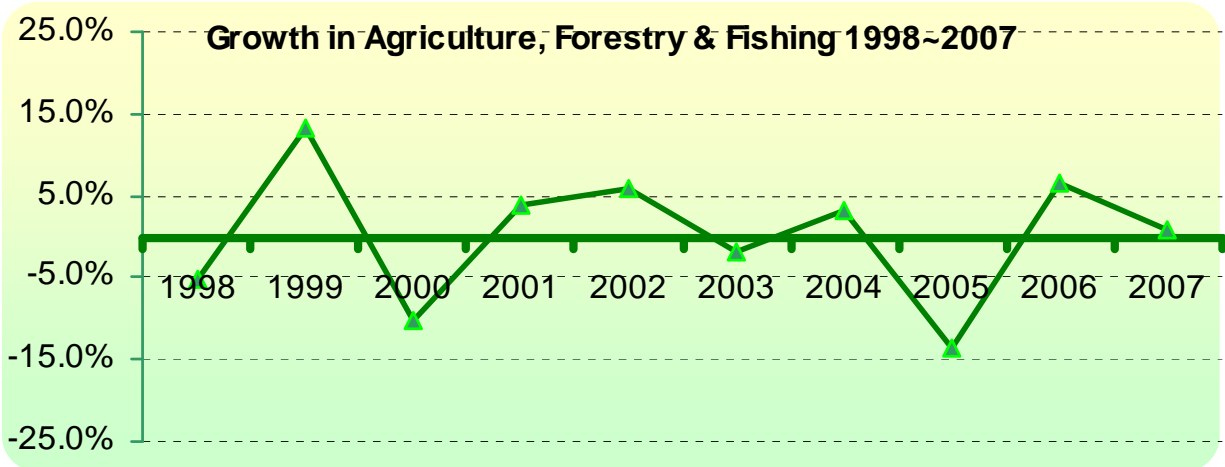
Agriculture, Forestry and Fishing				
		2006	2007	% Change
Sugar	tonne	259,588.0	266,482.0	2.7%
Rice	tonne	307,036.0	298,124.8	-2.9%
Forestry total	Cu M	478,745.9	425,602.5	-11.1%
Total logs	Cu M	393,968.2	330,374.0	-16.1%
Greenheart logs	Cu M	129,459.7	84,610.1	-34.6%
Other logs	Cu M	264,508.6	245,763.9	-7.1%
Sawnwood	Cu M	67,569.5	74,363.6	10.1%
Roundwood	Cu M	17,208.2	20,864.9	21.2%
Charcoal	Cu M	2,429.0	2,490.6	2.5%
Firewood	Cu M	18,116.1	23,729.7	31.0%
Plywood	Cu M	34,874.7	34,444.1	-1.2%
Fish	tonne	25,675.0	27,397.0	6.7%
Shrimp	tonne	18,610.0	36,502.0	96.1%
Prawns	tonne	1,661.0	655.0	-60.6%
Small shrimp	tonne	16,949.0	35,847.0	111.5%
Eggs	000	5,396.4	9,839.3	82.3%
Poultry Meat	tonne	20,691.1	25,111.9	21.4%

Rice

Rice production declined marginally in 2007 moving from 307,036 tonnes in 2006 to 298,124.8 tonnes. The decline occurred primarily in the second half of the year as output for the first half had exceeded expectations. Rice output is targeted at 321,000 tonnes for 2008. The sector's contribution to total real GDP remained at 3% in 2007 but is expected to increase in 2008 as the price of rice increases significantly. The rice sector has benefited from a €11.705m grant which improved drainage and irrigation and provided credit financing for investment. The project which concludes in 2008 saw some G\$1.625bn being loaned to farmers.

Fishing

Fish production was up 6.7% in 2007 reaching 27,397 tonnes. Output of prawns was down by a sharp 60.6% to 655 tonnes as prawn stocks become depleted but output of small shrimp more than doubled reaching 35,847 tonnes. The fishing sector is being boosted as more investment is made in aquaculture. The sector continued to be plagued by piracy and high fuel costs in 2007 but is expected to grow by 3% in 2008. Fishing contributed 3% to total real GDP in 2007.



Forestry

Output of logs in the forestry sector was down 16.1% in 2007 moving from 393,968.2 cubic metres in 2006 to 330,374 cubic metres. Production of greenheart logs declined by 34.6% to 84,610.1 cubic metres and output of other logs moved down 7.1% to 245,763.9 cubic metres. Output of both sawnwood and roundwood increased significantly moving upward by 10.1% and 21.2% respectively. Sawnwood production increased to 74,363.6 cubic metres while roundwood output reached 20,864.9 cubic metres. Production of plywood declined by a marginal 1.2% to 34,444.1 cubic metres. The forestry sector is expected to grow by 3% in 2008 with output increasing in logs and other products but it is generally expected that the impending Forest Act which contains stringent environmental provisions may have a dampening effect on output in the sector. The sector contributed 3% of total real GDP in 2007.

Mining & Quarrying

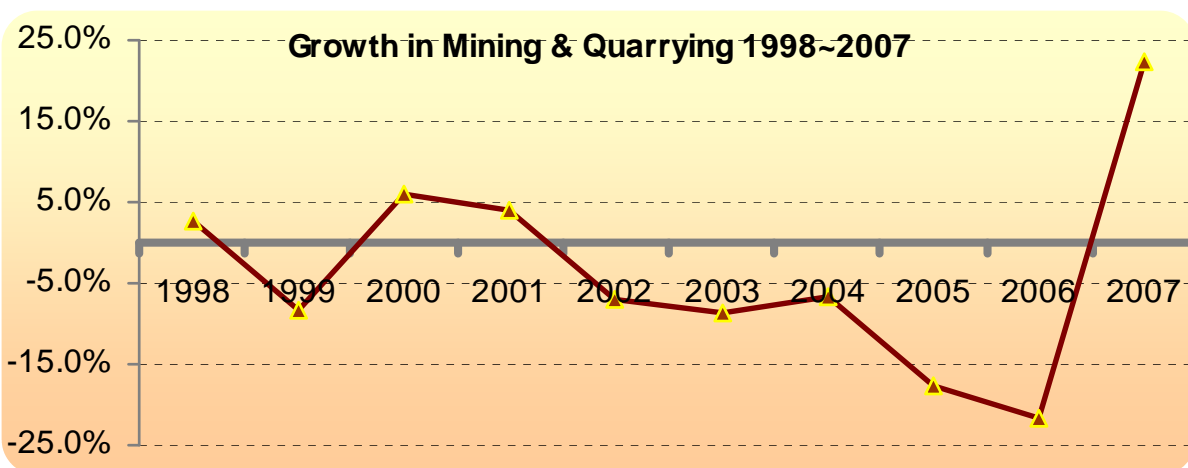
With the exception of diamond production, output in the mining and quarrying sector improved significantly in 2007. Bauxite production went up by 51.7% to 2,242,928 tonnes and is projected to grow to 2,626,000 tonnes in 2008 reflecting increased investment in the sector. Total raw gold declared increased by 15.7% to 238,297 troy ounces far outstripping the targeted 205,000 ounces for the year but is expected to decline to 231,750 troy ounces in 2008. Raw gold output has been influenced by the higher gold prices on the world market in 2007. Diamond production declined by 21% to 268,925 metric carats, well below the 345,000 metric carats targeted for the

Mining and Quarrying				
		2006	2007	% change
Total bauxite	tonne	1,478,670.0	2,242,928.0	51.7%
Total raw gold declared	troy oz	205,942.0	238,297.0	15.7%
Diamonds declared	metric cara	340,544.0	268,925.0	-21.0%
Sand declared	tonne	258,017.8	308,466.4	19.6%
Crushed stone declared	tonne	192,546.1	323,088.0	67.8%

year 2007.

The construction boom impacted on the quarrying sector increasing output of crushed stone by

67.8% to 323,088 tonnes and output of sand by 19.6% to 308,466.4 tonnes. Overall, the sector's contribution to real GDP increased from 6% in 2006 to 7% in 2007.



Manufacturing

The manufacturing sector grew by only a marginal 0.8% in 2007 and again constituted 6% of real GDP. Production of garments increased by a significant 16.4% to 163,416 dozen while output of footwear increased by a phenomenal 223.4% to 30,511 pairs. Stockfeed production was up 16.2% to 46,849.3 tonnes while production of detergents increased by 27% to 906,801.2 kgs. Production of paints grew by only 3.2% to 2,480,971.9 litres but output of putty grew by 461% to 500,543.5 kgs from 89,229.9 kgs in 2006. Output of both paint and putty was reflective of the increased activity in the construction sector.

Manufacturing - Industrial Goods				
		2006	2007	%change
Garments	dozen	140,399.7	163,416.0	16.4%
Footwear	pairs	9,435.0	30,511.0	223.4%
Laundry soap	kg	361,248.7	117,488.7	-67.5%
Stockfeed	tonne	40,319.8	46,849.3	16.2%
Corrugated carton	000 Sq M	3,706.7	4,328.5	16.8%
Neutral alcohol	000 Lpa	4,857.8	4,812.4	-0.9%
Detergent	kg	713,760.5	906,801.2	27.0%
Paints	Litre	2,403,533.7	2,480,971.9	3.2%
Putty	kg	89,229.9	500,543.5	461.0%
White wash	kg	65,927.1	78,178.0	18.6%
Oxygen	litre	37,951,024.0	67,826,565.0	78.7%
Acetylene	litre	10,854,620.0	13,819,573.0	27.3%
Industrial flour	tonne	516.2	600.5	16.3%

Production of beverages generally decreased as local manufacturers faced stiff competition from imports. Production of rum and wine were up 5.7% and 33.6% respectively with wine output increasing to 191,328 cases. Most other beverages showed a downward trend with the

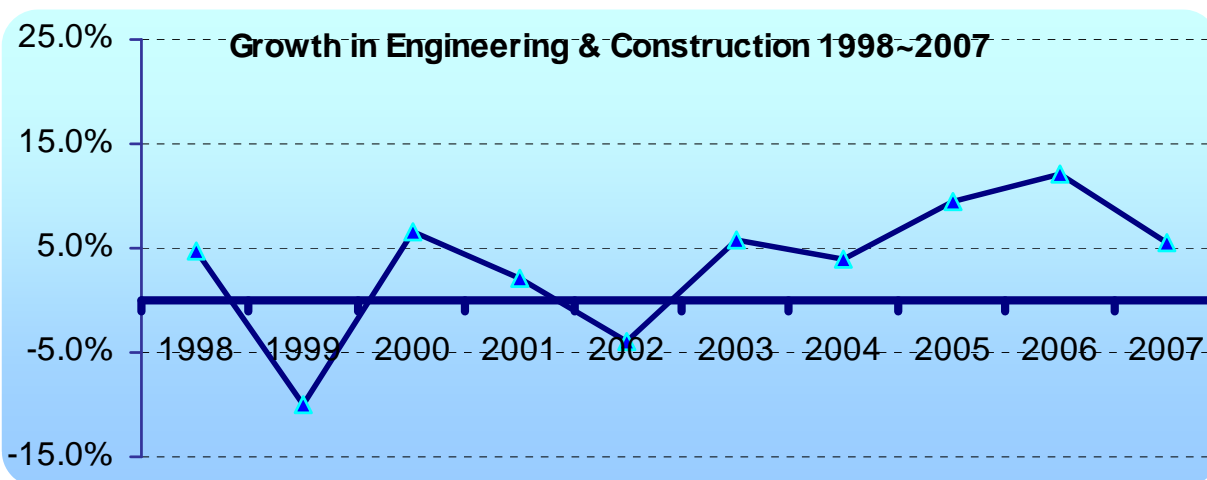
largest decrease being in production of milk stout which declined by 47.6% to 197,100 litres. Total aerated beverages were down 3.2% to 38,310,800 litres. Production of edible items also declined sharply in 2007 with output of snack foods, cereal and biscuits all down by more than 25%. This decline is symptomatic of reduced demand due to competition from imports. The manufacturing sector is expected to grow by 3% in 2008.

Manufacturing - Edible Goods				
		2006	2007	% change
Rum	000 Lpa	11,868.5	12,550.5	5.7%
Beer & milk stout	000 litre	8,974.9	8,736.2	-2.7%
Malta	litre	1,062,659.3	816,766.2	-23.1%
Guinness	000 litre	3,221.2	3,333.9	3.5%
Wine	cases	143,246.0	191,328.0	33.6%
Shandy	cases	63,327.0	60,591.0	-4.3%
Vita malt	cases	55,922.0	49,102.0	-12.2%
Beer & stout	000 litres	12,196.1	12,070.1	-1.0%
Beer	000 litres	8,598.4	8,539.1	-0.7%
Total stout	000 litres	3,597.7	3,531.0	-1.9%
Milk stout	000 litres	376.5	197.1	-47.6%
Guinness stout	000 litres	3,221.2	3,333.9	3.5%
Total aerated	000 litres	39,595.0	38,310.8	-3.2%
Mineral/distilled water	000 litres	12,830.3	12,755.9	-0.6%
Margarine	kg	2,264,625.5	2,310,965.7	2.0%
Butter	kg	9,226.3	7,717.9	-16.3%
Baking Fat/Lard	kg	556,095.0	569,068.3	2.3%
Ghee	kg	69,044.0	131,503.1	90.5%
Ice cream	litres	1,340,238.9	1,259,035.8	-6.1%
Frostee Pop	cases	66,650.0	55,913.0	-16.1%
Snack Foods	kg	49,814.0	31,784.5	-36.2%
Biscuits	000 kg	1,070.5	783.6	-26.8%
Cereal	kg	97,408.9	61,984.8	-36.4%
Flour	tonne	37,401.0	34,191.9	-8.6%
Wheat middling/bran	tonne	10,344.2	8,443.0	-18.4%



Engineering & Construction

The engineering and construction sector grew for a sixth consecutive year growing by 5.6% and maintaining a 10% share in real GDP. The growth in the sector reflects a construction boom as public sector works coincided with increased activity in the housing market and investments in the hospitality sector. The engineering and construction sector is expected to grow by a further 4% in 2008 as growth continues in housing and commercial activities.



Services

The distribution sector once again registered significant growth in 2007, growing by 8.9% and accounting for an increased share of 10% of real GDP, up from 9% in 2006. The distribution sector is projected to grow by 5% in 2008. The transport and communication sector continued to grow in importance to the economy increasing in value by 13% and accounting for 13% of GDP. This reflects increased investment in the telecommunications sub-sector as demand for cellular services grows. The transport and communication is expected to grow by 8% in 2008. Strong growth in the financial services sector was registered again in 2007. The sector grew in value by 6.9% and again accounted for 6% of GDP as new services were offered by the commercial banks. The financial services sector is targeted to grow by 5.5% in 2008. The value of rented dwellings increased by a modest 3.3% compared to a 10% growth in 2006 and moderate 2% growth is projected for 2008.

Foreign Exchange Rates

The Guyana dollar started the year 2007 with a marginal appreciation to G\$200.75 to US\$1 but soon after began a steady and slow decline. By December 2007 the dollar was at G\$203.50 to US\$1, a 1.24% depreciation against the December 2006 value of G\$201 to US\$1. The US dollar continued to depreciate against other world currencies taking the Guyana dollar with it.

Interest Rates

The 91-day Treasury Bill Discount Rate which had reached 4.16% by December 2006 slid gradually back to 3.90% by December 2007. The average commercial banks' prime lending rate increased marginally from 14.54% in 2006 to 14.71% by the end of 2007. The weighted

average commercial bank lending rate fell to 12.40% from 13.12% in December 2006. The small savings rate having held steady at the 2006 level of 3.19% for most of 2007 dropped slightly to 3.15% by December 2007. Mortgage rates at the New Building Society remained constant at the 2006 level of 7.50% for all of 2007. New Building Society deposit rates also held steady remaining at 2.50% since 2004.

Inflation

Prices rose steadily through 2007 causing a 14.0% increase in the price level for the year. Increases were mainly registered in the categories of food and miscellaneous goods and services with food prices rising 20.6% by the end of the year. Miscellaneous goods and services were up 22.7% by December. The imposition of a value-added tax along with rising food prices on the international market impacted on the high inflation rate for 2007. Inflation for 2008 is projected at 6.8%.

Central Government Operations

Central Government revenue climbed steeply to \$80.3bn in 2007, rising 28.6% from \$62.5bn in 2006. Taxes on consumption which rose 58.2% to \$38.3bn were primarily responsible for the surge as VAT revenues outstripped expectations. Income taxes also rose by 9.4% to \$29.3bn as revenue collection improved. Taxes on trade were up 36.9% to \$7.1bn from \$5.2bn in 2006. Total expenditure rose by 3.5% to \$107.6bn from \$104bn in 2006. Expenditure on personal emoluments was up 9.9% to \$22.1bn while expenditure on other goods and services rose by 4.5% to \$20.4bn. Transfers to the private sector rose 3.6% to \$16.1bn. Capital expenditure was up by a marginal 2.6% to \$42.9bn from \$41.8bn in 2006. The overall balance before grants improved significantly to -\$27.3bn, a 34.2% improvement over the 2006 balance of -\$41.5bn. The overall balance after grants was up by 32.6% to -\$16.2bn from -\$24.0bn. External borrowing was the principal source of financing for the deficit.

External Debt

Total external debt declined drastically in 2007 moving from US\$1043.17m in 2006 to US\$718.11m. The decline was primarily due to the forgiveness of multilateral debt which declined to US\$429.02m from US\$778.12m. Bilateral debt increased by US\$24m as obligations to Venezuela increased by some US\$27m.

Balance of Payments

In 2007 the value of exports rose by 16.4% to US\$680.9m but this was outstripped by a 20.1% increase in imports which rose to US\$1,062.5m. A 32.6% increase in private transfers to US\$286.8m helped to cause a slight improvement in the current account balance which rose from -US\$250.3m in 2006 to -US\$231.9m in 2007. An 11.1% decline in the capital account to US\$238.7m from US\$268.6m was recorded. An overall negative balance of -US\$1.4m was significantly below the 2006 balance of US\$42.9m. Debt relief and debt forgiveness were higher in 2007 at US\$7.5m and US\$29.2m respectively. The current account balance is expected to decline to -US\$246.3m in 2008 as higher fuel and commodity prices have an impact but exports are expected to increase to US\$736.8m. Merchandise imports are expected to increase to US\$1,125m while private transfers are projected to decline by 3.3% as the flow of worker remittances slows down.

Central Government Financial Operations			
	Actual 2006	Revised 2007	% Change
Total Revenue	62,450.1	80,293.6	28.6%
Revenue	62,450.1	80,293.6	28.6%
Tax	58,540.2	77,290.2	32.0%
Income taxes	26,771.1	29,291.2	9.4%
Consumption taxes	24,203.8	38,298.2	58.2%
Trade taxes	5,204.4	7,125.0	36.9%
Other	2,360.9	2,575.8	9.1%
Non-tax	3,909.9	3,003.5	-23.2%
Private sector	3,408.9	2,275.6	-33.2%
Public Enterprise & BOG	501.0	727.9	45.3%
Total expenditure	103,990.8	107,614.3	3.5%
Current expenditure	62,184.4	64,721.8	4.1%
Non-interest expenditure	55,108.5	58,527.7	6.2%
Personal emoluments	20,085.0	22,064.2	9.9%
Other goods and services	19,484.3	20,357.4	4.5%
Transfers to the private sector	15,539.2	16,106.1	3.6%
Transfers to the public sector			
Interest	7,075.9	6,194.1	-12.5%
External	4,457.5	3,088.7	-30.7%
Domestic	2,618.4	3,105.4	18.6%
Primary balance	7,341.6	21,765.9	196.5%
Current balance	265.7	15,571.8	5760.7%
Capital Revenue	-	-	
Capital Expenditure	41,806.4	42,892.5	2.6%
Overall balance before grants	(41,540.7)	(27,320.7)	34.2%
Grants	17,524.6	11,136.0	-36.5%
Overall balance after grants	(24,016.1)	(16,184.7)	32.6%
Financing	24,016.1	16,184.7	-32.6%

Balance of Payments			
	Actual 2006	Revised 2007	% change
Current Account	-250.3	(231.9)	7.4%
Merchandise (Net)	(299.8)	(381.7)	-27.3%
Exports (f.o.b.)	585.1	680.9	16.4%
Imports	(885.0)	(1,062.5)	-20.1%
Services (Net)	(166.8)	(137.0)	17.9%
Factor	(69.0)	(37.4)	45.8%
Non Factor (Net)	(97.8)	(99.6)	-1.8%
Transfers	216.3	286.8	32.6%
Official	-	-	
Private	216.3	286.8	32.6%
Capital Account	268.6	238.7	-11.1%
Capital Transfers	315.6	414.1	31.2%
Med. & Long Term Capital (Net)	(42.9)	(80.4)	-87.4%
Short Term Capital	(4.1)	(95.0)	-2217.1%
Errors & Omissions	24.6	(8.2)	-133.3%
Overall Balance	42.9	(1.4)	-103.3%

Real Economic Growth Rates 1998~2007										
Sector	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Agriculture, Forestry & Fishing	-5.3%	13.3%	-10.2%	3.7%	6.0%	-1.7%	3.2%	-13.7%	6.5%	0.7%
Mining and Quarrying	2.7%	-8.4%	5.9%	4.2%	-6.9%	-8.7%	-6.6%	-17.7%	-21.6%	22.5%
Manufacturing	-10.6%	6.7%	-11.7%	0.0%	2.3%	-2.1%	0.0%	12.0%	5.1%	0.8%
Construction	4.7%	-10.0%	6.6%	2.0%	-3.9%	5.7%	4.0%	9.5%	12.0%	5.6%
Distribution	5.3%	-8.0%	5.2%	0.5%	-0.9%	-2.6%	2.0%	15.0%	10.0%	8.9%
Transport & Communication	-3.1%	2.1%	7.1%	5.4%	4.5%	5.0%	3.5%	9.5%	10.0%	13.0%
Financial Services	3.2%	2.0%	3.0%	-5.2%	-1.0%	1.1%	1.0%	6.5%	8.0%	6.9%
Rental of Dwellings	5.7%	-6.5%	5.7%	2.2%	0.0%	2.7%	2.0%	5.5%	10.0%	3.3%
Other Services	3.9%	1.6%	3.7%	3.0%	0.0%	2.8%	1.6%	7.0%	8.0%	4.8%
Government	-0.2%	1.1%	9.9%	-4.6%	-1.0%	0.6%	1.1%	2.0%	2.0%	1.0%
TOTAL	-1.3%	2.6%	-0.7%	1.6%	1.1%	-0.6%	1.6%	-1.9%	5.1%	5.4%
Actual GDP at Constant 1988 Prices (G\$m)	5,289	5,426	5,386	5,474	5,536	5,501	5,587	5,478	5,759	6,068

(Data for this review has been obtained from the Guyana Bureau of Statistics and the Ministry of Finance.)