

REVIEW OF GUYANA BUDGET 2018

Overview

The Minister of Finance, Honourable Winston Jordan, presented the 2018 Budget on 27 November 2017 under the theme *“The Journey to the Good Life Continues”*.

Budget 2018 projects total expenditure of G\$267.1 billion (US\$1.290 billion) while total revenue is estimated at G\$233.7 billion (US\$1.129 billion). The budget deficit for 2018 is estimated at G\$33.4 billion (US\$161 million).

National Economy

Budget 2017 had projected that the economy would have grown by 3.8 percent. However, actual growth for 2017 was forecasted to end at 2.9 percent. Gross domestic product at current prices was forecasted at US\$3.14 billion in 2017 compared to US\$3.05 billion in 2016, while per capita GDP in 2017 was estimated at US\$4,223 compared to US\$4,097 in 2016.

The contributions to gross domestic product of the major sectors, as measured at 2006 prices, are reflected in the table below.

Sectors	% of 2017 GDP	% of 2016 GDP	% of 2015 GDP
Agriculture, Fishing and Forestry	16	17	19
Mining and Quarrying	15	15	11
Manufacturing	7	7	7
Services:			
Wholesale and Retail Trade	12	12	12
Construction	11	10	10
Public Administration	7	7	7
Transportation and Storage	11	11	11
Financial and Insurance Activities	5	5	5
Information and Communication	7	7	7
Other	9	9	11

Source – Budget Speech 2018

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The growth rates in the highlighted sectors, as measured using 2006 prices, are summarized in the table below.

Sectors	Growth Rate 2017	Growth Rate 2016	Growth Rate 2015
Agriculture, Fishing and Forestry	0.2	-10.2	2.4
Mining and Quarrying	-1.9	45.4	9.0
Manufacturing	3.6	-9.2	5.3
Services	4.8	1.6	2.2

Source – Budget Speech 2018

The agriculture, fishing and forestry sector improved marginally in the year reflecting strong performances in the rice, fishing, livestock and other crops sub-sectors, offset by declines in the sugar and forestry industries. Rice production is expected to record an increase of 12.7 percent over 2016 due to improving access to markets and better yields. Sugar is set to record a 17.2 percent reduction in output over 2016. Forestry continues to suffer from the impact of imported woods.

The mining and quarrying sector is set to contract this year even as gold declarations remained stable. Bauxite is expected to decline as a result of the inclement weather and mechanical problems encountered during the year.

The manufacturing sector is expected to grow, as a result of the improved performance of the rice industry. The services industries are also expected to grow primarily due to increased construction, transport and storage activities.

Other Key Indicators

The exchange rate at the end of 2017 remained stable with the Bank of Guyana weighted average US Dollar exchange rate ending at G\$206.50, the same as the previous year end.

Inflation of 2.0 percent was expected in the year compared to 1.3 percent in 2016, while the weighted average lending rate at commercial banks decreased from 10.43 percent to 10.26 percent since December 2016.

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Balance of Payments and Public Debt

The balance of payments is expected to end in a deficit of US\$53.1 million for 2017, compared to a deficit of US\$53.3 million for 2016. The main contributors are highlighted below.

Account	2017 US\$mln	2016 US\$mln	2015 US\$mln
Current Account			
Merchandise			
Gold	843.3	830.7	501.1
Rice	194.4	178.8	220.8
Bauxite	90.7	92.1	104.3
Sugar	46.5	73.4	78.4
Timber	38.6	40.4	43.7
Other Exports	225.7	225.3	203.0
Fuel & Lubricants	(371.8)	(344.3)	(367.4)
Other Imports	(1,214.5)	(1,103.5)	(1,124.2)
Current – Services (Net)	(374.3)	(300.2)	(257.6)
Current – Private Transfers	286.5	320.4	416.5
Total Current Account (Deficit)/Surplus	(235.0)	13.0	(181.5)
Total Capital Account Surplus	181.8	(13.2)	71.4
Errors and Omissions	0	(53.2)	2.3
Overall Balance	(53.1)	(53.3)	(107.7)

Source – Budget Speeches 2018, 2017

Gold and rice continued to represent the major export-earning industries for Guyana in 2017, with growth in both sectors benefitting overall export earnings. A significant decline in sugar earnings is however projected for 2017. Merchandise imports grew by 9.6 percent reflecting increased imports of mining machinery, chemicals, fuel and lubricants, and other non-durable goods.

The capital account position improved significantly from 2016. The improvement was driven mainly by foreign direct investment, particularly towards the oil and gas sector. The overall deficit was funded by debt relief and forgiveness.

Net international reserves at the Bank of Guyana was projected to be US\$616.8 million at the end of 2017 compared to US\$596 million at the prior year end. The gross reserves held represent 3.4 months of import cover.

Total public debt amounted to US\$1.66 billion at the end of 2017, or 45.2 percent of GDP. External debt accounted for US\$1.2 billion of the total amount outstanding.

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Revenue Projections for 2018

Of the total projected revenue for 2018 of G\$234 billion (US\$1.129 billion), G\$202 billion (US\$975 million) is from current sources while G\$32 billion (US\$154 million) is from capital sources.

The major sources of current revenue are summarized in the table below.

Form of Current Revenue	2018 Budget G\$bln	2017 Budget G\$bln	2016 Budget G\$bln
Value-added tax	43.0	45.2	38.9
Corporation tax	40.5	33.6	32.6
Excise tax	38.4	34.4	33.6
Personal income tax	22.9	19.4	20.1
Import duty	17.0	14.4	13.1
Other tax revenue	19.5	15.6	12.1
Transfers from statutory and non-statutory bodies	6.3	10.1	8.7
Rent, royalties and land development schemes	5.6	5.3	4.9
Bank of Guyana profits	3.7	3.5	3.3
Other current revenue	4.8	4.5	6.0
	201.9	186.0	173.3

Source – Budget Speeches 2018, 2017, 2016

Significant fiscal measures announced in Budget 2018 are as follows:

Measures towards the Green Agenda

- Exemption from excise tax of vehicles principally designed to accommodate LPG gas with an engine capacity not exceeding 2000cc and not exceeding four years old from the date of manufacture to the date of importation.
- Exemption from customs duty of machinery and equipment to set-up refilling stations for LPG vehicles.

Measures to increase disposable income

- Extension of the minimum personal allowance of G\$720,000 for each person working for part of a year.
- Permission for a tax-free vacation allowance to private sector employees up to a maximum of one month's base salary.

Measures in support of private sector

- Restriction on the importation of pine wood and pine wood products.
- A supply of logs and rough lumber to the sawmilling industry to be exempt from VAT.

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- A reduction in the tributor's tax from 20 percent to 10 percent.
- Replacement of the current 2 percent royalty regime for gold declarations with a sliding scale percentage approach based on the price of gold.
- Housing units costing up to G\$6.5 million built by, or on behalf of, the CHPA to be exempt from VAT.
- Reduction in the rates of excise tax applicable to vehicles for overland transport used for tourism purposes in Regions Nos. 1, 7, 8 and 9.
- Removal of VAT on vehicles less than 4 years old, which are used to transport more than 21 persons.
- Replacement of excise tax with VAT for vehicles 4 years and older that carry between 22 and 29 passengers.
- Educational services to be exempt from VAT.
- Capital costs and expenses related to day care centres offered by employers to be allowed in full as deductible expenses.

Other tax measures

- A tax amnesty is offered from 01 January 2018 to 30 September 2018. Taxpayers who file and pay all principal taxes on or before 30 June 2018 will have all interest and penalties waived, while those who file and pay all principal taxes between 01 July 2018 and 30 September 2018 will have 50 percent of interest and penalties waived.
- Reduction in the amounts required to be deposited in order to challenge assessments through a board of appeal or a judge in chambers. The required deposit will be one-third of the tax in dispute, if less than G\$20 million; or the lodgement of bond or other acceptable form of guarantee, for disputes over G\$20 million.
- Facilitating the filing of tax returns with draft management accounts, in certain pre-determined circumstances, to be followed by filing of audited financial statements by 31 December of the year the return becomes due.

Capital revenue is projected to be received principally through external loans of G\$21.1 billion (US\$102 million) and external grants of G\$9.2 billion (US\$45 million). Significant funds are expected from external loan arrangements with the Government of the People's Republic of China of G\$9.0 billion (US\$44 million) and the Inter-American Development Bank of G\$6.6 billion (US\$32 million).

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Expenditure Projections for 2018

Budget 2018 projects total expenditure of G\$267 billion (US\$1.290 billion) compared to G\$250 billion (US\$1.208 billion) in 2017. The allocations to capital and current expenditure are shown in the table below.

Expenditure	2018 Budget G\$bln	2017 Budget G\$bln	2016 Budget G\$bln
Current	207	193	178
Capital	60	57	52
	267	250	230

Source – Budget Speeches 2018, 2017, 2016

The table below analyses the allocation of total expenditure across responsible agencies, with comparative allocations from Budgets 2017 and 2016.

Responsible Authority	2018 Budget G\$bln	2017 Budget G\$bln	2016 Budget G\$bln
Ministry of Finance	28	25	27
Ministry of Public Infrastructure	32	35	31
Ministry of Education	20	21	20
Ministry of Agriculture	17	18	18
Ministry of Social Protection	17	17	14
Ministry of Public Security	19	17	15
Ministry of Public Health	23	21	19
Guyana Defence Force	12	12	10
Regional Authorities	38	35	33
Other Authorities	42	33	29
Public Debt	19	16	14
	267	250	230

Source – Budget Speeches 2018, 2017, 2016

Some significant expenditure items announced by the Minister are highlighted below.

- With respect to infrastructural development:
 - Commencement of the Sheriff Street – Mandela Road upgrade
 - Widening of the East Coast Demerara Highway to four lanes
 - Completion of West Coast Demerara Highway

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- Upgrades to major hinterland roadways including Port Kaituma–Matthews Ridge-Baramita corridor, internal roads at Mahdia and the Bartica-Potaro road
 - Feasibility and design of a permanent bridge at Kurupukari
 - Rehabilitation of sea defenses at various points along West Coast Demerara
 - New ferry for the Parika-Mabaruma route
 - Rehabilitation of stelling and sea transport vessels
 - Rehabilitation of airstrips in the hinterland
 - Completion of the CJIA Expansion Project
- With respect to agriculture:
- Development, rehabilitation and maintenance of drainage and irrigation services
 - Stimulation of private-sector growth in agro-processing
 - Investment in non-traditional crops and livestock
 - Development of agriculture in the Intermediate and Rupununi Savannahs
 - Construction of an agricultural centre and reservoir in Lethem
 - Continued support for GuySuco's operations as a Special Purpose Unit pursues the divestment of Skeldon, Rosehall and East Demerara Estates, and also reconfigures operations at remaining estates
- With respect to national security:
- Expansion and rehabilitation of prison infrastructure, including the Mazaruni Prison
 - Equipping the police with additional vehicles
 - Construction, upgrading or rehabilitation of twelve police stations
 - Addition of a Port Georgetown fireboat
 - Fire stations at Onverwagt, Mabaruma and Melanie Damishana
- With respect to education, youth and children:
- Construction and rehabilitation of schools
 - Construction of practical instruction departments/centres in seven communities
 - Expansion of the school feeding programme
 - Increase of 80 percent in the Remote Area Incentive paid to teachers
 - Subvention to the University of Guyana
 - Continuing support of youth programmes such as Youth Innovation Project, Youth Entrepreneurial Skills Training, Sustainable Livelihood and Entrepreneurial Development Programme and the Hinterland Employment and Youth Scheme
 - Completion of the Sophia Drop-in Centre
- With respect to healthcare, utilities and social security:
- Upgrading and equipping of district hospitals
 - Rehabilitation of the obstetric unit in the CC Nicholson Hospital and provision of the obstetric and new born equipment for GPHC

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- Training of five hundred health workers in mental health issues
- Continuing upgrade of the electricity distribution network
- Upgrade of water transmission lines, including in eleven hinterland villages
- Construction of three new water treatment plants
- Old age pension to increase from G\$19,000 to G\$19,500
- Public assistance to increase from G\$7,500 to G\$8,000

Projected Performance of Guyana Economy in 2018

It is projected that the Guyana economy will grow at 3.8 percent in 2018 driven by growth in the following key sectors: mining and quarrying – 5 percent; rice – 2.5 percent; forestry – 8 percent; construction – 15 percent; and services – 3 percent. Bauxite is expected to increase production by 23.3 percent in the year while gold declarations are projected to improve by 3.3 percent. Construction is expected to grow with the expansion in the housing sector and with the improved implementation of the public sector investment program. The agriculture and manufacturing sectors are expected to contract due to the decline of the sugar industry.

The balance of payments deficit is expected to widen to US\$79.7 million in 2018. The merchandise trade deficit is expected to increase as imports grow faster than exports. Higher net inflows of private capital are expected mainly as foreign direct investment towards the petroleum sector.

The inflation target is set at 2.4 percent.

Author's Notes

Budget 2018 was prepared in Guyana Dollars. For purposes of this article, United States Dollar equivalent amounts have been stated by applying an exchange rate of G\$207 to US\$1, and have been rounded to the nearest million in most cases. Figures in tables may not sum to the total due to rounding.

Budget 2018 was presented prior to the end of 2017. Various national indicators highlighted in the budget presentation were therefore not final. At the time of writing of this article, the final national indicators for 2017 have not been published.