

REVIEW OF GUYANA BUDGET 2019

Overview

The Minister of Finance, Honourable Winston Jordan, presented the 2019 Budget on 26 November 2018 under the theme ***“Transforming the Economy, Empowering People, Building Sustainable Communities for the Good Life”***.

Budget 2019 projects total expenditure of G\$300.7 billion (US\$1.446 billion) while total revenue is estimated at G\$270.0 billion (US\$1.298 billion). The budget deficit for 2019 is estimated at G\$30.7 billion (US\$148 million).

National Economy

Budget 2018 had projected that the economy would have grown by 3.8 percent. However, actual growth for 2018 was forecasted to end at 3.4 percent. Gross domestic product at current prices was forecasted at US\$3.109 billion in 2018 compared to US\$3.068 billion in 2017, while per capita GDP in 2018 was estimated at US\$4,121 compared to US\$4,127 in 2017.

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

Sectors	% of 2018 GDP	% of 2017 GDP
Agriculture, Fishing and Forestry	16	16
Mining and Quarrying	13	15
Manufacturing	6	7
Services:		
Wholesale and Retail Trade	13	12
Construction	12	11
Public Administration	7	7
Transportation and Storage	11	11
Financial and Insurance Activities	5	5
Information and Communication	7	7
Other	10	9

Source – Budget Speeches 2019, 2018

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The agriculture, fishing and forestry sector improved marginally in the year reflecting strong performances in the rice, livestock and other crops sub-sectors, and a decline in the sugar industry.

The mining and quarrying sector is set to contract this year despite growth in bauxite production of 26.3 percent. Gold declarations are expected to contract by 13.1 percent largely due to a lower production by small and medium scale producers.

The construction sector is expected to grow by 12 percent, driven by projects in both the public and private sectors.

Other Key Indicators

The Bank of Guyana weighted average US Dollar exchange rate ended 2018 at \$208.50, compared to \$206.50 at the end of the previous period. Inflation of 2.0 percent was expected in the year, compared to 1.5 in 2017.

Balance of Payments and Public Debt

The balance of payments is expected to end in a deficit of US\$180.7 million for 2018, compared to a deficit of US\$69.5 million for 2017. The main contributors are highlighted below.

Account	2018 US\$mIn	2017 US\$mIn
Current Account		
Merchandise		
Gold	763.1	817.5
Rice	196.5	201.0
Bauxite	131.0	104.5
Sugar	24.9	48.5
Timber	43.0	35.8
Other Exports	233.7	230.0
Fuel & Lubricants	(434.8)	(411.4)
Other Imports	(1,257.0)	(1,232.6)
Current – Services (Net)	(453.4)	(372.3)
Current – Private Transfers	289.3	281.7
Total Current Account Deficit	(463.7)	(297.3)
Total Capital Account Surplus	283.0	228.0
Errors and Omissions	0	0.3
Overall Balance	(180.7)	(69.5)

Source – Budget Speeches 2019, 2018

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Gold and rice continued to represent the major export-earning industries for Guyana in 2018, with both sectors reflecting a decline in overall earnings offset somewhat by the improved performance of bauxite. Import payments are expected to grow by 2.9 percent over the prior year due to higher payments for fuel and lubricants. The net services deficit is also expected to expand due to higher payments as compensation to employees.

The capital account position improved significantly from 2017. The improvement was driven mainly by foreign direct investment, particularly towards to the oil and gas sector. The overall deficit was funded by a drawdown on net foreign reserves, debt relief and forgiveness.

Net international reserves at the Bank of Guyana was projected to be US\$477.0 million at the end of 2018 compared to US\$581.0 million at the prior year end.

Total public debt amounted to US\$1.68 billion at the end of 2018 with external debt accounting for US\$1.30 billion of the total outstanding. The debt to GDP ratio is expected to be 44.4 percent.

Revenue Projections for 2019

Of the total projected revenue for 2019 of G\$270 billion (US\$1.298 billion), G\$238 billion (US\$1.146 billion) is from current sources while G\$32 billion (US\$152 million) is from capital sources.

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

Form of Current Revenue	2019 Budget G\$bln	2018 Budget G\$bln
Value-added tax	54.3	43.0
Corporation tax	44.5	40.5
Excise tax	45.2	38.4
Personal income tax	29.2	22.9
Import duty	21.8	17.0
Other tax revenue	28.6	19.5
Transfers from statutory and non-statutory bodies	2.3	6.3
Rent, royalties and land development schemes	5.7	5.6
Bank of Guyana profits	2.1	3.7
Other current revenue	4.6	4.8
	238.3	201.9

Source – Budget Speeches 2019, 2018

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Some of the fiscal measures announced in Budget 2019 are as follows:

- Reduction in the corporation tax rate applicable to non-commercial or manufacturing activity from 27.5% to 25% from year of income 2019.
- Reduction in the property tax rate applicable for the first G\$20 million from 0.75% to 0.5%, with the remainder being taxed at 0.75%.
- Increase in the threshold for capital gains tax from G\$1,000 to G\$500,000. Removal of the 25-year limitation of capital gains tax. Exemption from capital gains of proceeds from the sale of a house which is reinvested within 60 days of the year in which the property is sold.
- Introduction of a wear and tear allowance on any building used for services and warehousing purposes at a rate of 2% on cost. Also, introduction of an initial allowance under the Income Tax In Aid of Industry Act for buildings used for services and warehousing purposes.
- Extension of export allowance to exporters of non-traditional products who are paid in a recognized tradable currency.
- Various changes to the Customs Duties, Excise Taxes and VAT in relation to: shandy and other beverages containing less than 1% alcohol; indigenous wines and other fermented beverages manufactured from local inputs; tobacco products; pesticides and limestone used in the agricultural sector; aircraft engines; concrete blocks used for housing and construction; equipment and chemicals for water treatment and production plants; orthopedic appliances and artificial parts; educational robot kits; boats used in rural and riverain areas.
- Tax credit equivalent to VAT paid on water and electricity for exporters.
- For companies utilizing alternate energy technologies, renewable energy options (such as gasifiers to use biomass) and harnessing renewable energy through wind, solar and water:
 - i. Write-off of capital expense within 2 years
 - ii. Waiver of import duties and VAT on new equipment
- In relation to hybrid and electric vehicles: (a) relief from customs duty for cars with capacity equivalent to 2000cc; (b) exemption of change-over kits from import duty and VAT; (c) waiver of excise tax on all electric motor cycles.
- Increase in the income tax threshold from G\$720,000 (or one-third) to G\$780,000 (or one-third)

Capital revenue is projected to be received principally through external loans of G\$20.5 billion (US\$98.5 million) and external grants of G\$10.2 billion (US\$49.2 million). Significant funds are expected from external loan arrangements with the Government of the People's Republic of China of G\$4.0 billion (US\$19.2 million) and the Inter-American Development Bank of G\$7.4 billion (US\$35.7 million).

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Expenditure Projections for 2019

Budget 2019 projects total expenditure of G\$300 billion (US\$1.446 billion) compared to G\$267 billion (US\$1.290 billion) in 2018. The allocations to capital and current expenditure are shown in the table below.

Expenditure	2019 Budget G\$bln	2018 Budget G\$bln
Current	231	207
Capital	69	60
	300	267

Source – Budget Speeches 2019, 2018

The table below analyses the allocation of total expenditure across responsible agencies, with comparative allocations from Budgets 2019 and 2018.

Responsible Authority	2019 Budget G\$bln	2018 Budget G\$bln
Ministry of Finance	36	28
Ministry of Public Infrastructure	35	32
Ministry of Education	22	20
Ministry of Agriculture	14	17
Ministry of Social Protection	18	17
Ministry of Public Security	22	19
Ministry of Public Health	25	23
Guyana Defence Force	14	12
Regional Authorities	45	38
Other Authorities	51	42
Public Debt	18	19
	300	267

Source – Budget Speeches 2019, 2018

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

- With respect to infrastructural and ICT development:
 - Feasibility studies of road links from Linden to Lethem and a bridge at Kurupukari River
 - Technical assessments of a four lane, high-level, non-retractable bridge across the Demerara River

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- Continued works on the East Coast Demerara Highway
- Upgrading of all coastal Long-Term Evolution (LTE) towers
- Equipping of 20 hinterland communities with ICT hubs, via satellite

- With respect to agriculture:
 - Continued cost-reducing measures and marketing efforts for GuySuCo
 - Introduction of high-yielding, pest-resistant and disease-resistant rice varieties, in association with the Malaysian Agricultural Research and Development Institute
 - Enhancement of the drainage and irrigation structures, including the acquisition of high-powered drainage pumps
 - New abattoir at Onverwagt
 - Modern agricultural research facility at Ebini

- With respect to national security:
 - Construction of a new Georgetown Prison and continued expansion of the Mazaruni Prison Complex
 - Construction of four new divisional Police headquarters in Regions 1, 4, 5 and 8
 - Acquisition of four, fully equipped ambulances for the Fire Service
 - Installation of 100 wireless-enabled security cameras in Georgetown

- With respect to education, youth and children:
 - Construction and rehabilitation of schools at Westminster, St. Roses, Port Kaituma, Wakapoa, Bladen Hall, Chenapau, Mahdia, Diamond/Grove, Bagotville and White Water
 - Subvention to the University of Guyana
 - Distribution of Math and Literacy kits, as well as Robotic kits
 - Expansion of “smart classrooms” to Santa Rosa and Paramakatoi Secondary Schools

- With respect to healthcare, utilities and social security:
 - Two new maternal waiting homes in Moruca and Long Creek
 - Construction of a Kingston bond and upgrading of the Diamond bond
 - New laboratory for the Foods and Drug Analyst Department
 - Completion of the Port Kaituma Hospital Complex
 - Rehabilitation of GPL’s low and medium voltage network
 - Continuation of the hinterland electrification programme
 - Construction of new water wells at Uitvlugt, Diamond, Sheet Anchor, Vergenoegen, Pourderoyen, Westminster, Lusignan, Fyrish and Farm
 - Construction of Cell 2 at the Haags Bosch Sanitary Landfill
 - Construction of core houses for single family households and families living in uninhabitable homes

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Projected Performance of Guyana Economy in 2019

It is projected that the Guyana economy will grow at 4.6 percent in 2019 driven by growth in the following key sectors: mining and quarrying – 3.7 percent; agriculture, fishing and forestry – 3.9 percent; construction – 10.5 percent; and services – 3.7 percent. Bauxite is expected to grow by 8.6 percent in the year while gold declarations are projected to improve by 2.5 percent. The restructuring of GuySuCo and recapitalization of estates are expected to generate an increase in sugar production of 15.6 percent. Construction is expected to grow driven by the public sector investment program.

The balance of payments position is expected to improve to a surplus of US\$15.0 million in 2019 with significant growth in the capital account expected due to foreign direct investment.

The inflation target is set at 2.5 percent.

Author's Notes

Budget 2019 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\$208 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 2019 was presented prior to the end of 2018. Various national indicators highlighted in the budget presentation were therefore not final.