

GUYANA

Population, million	0.8
GDP, current US\$ billion	7.4
GDP per capita, current US\$	9378.7
School enrollment, primary (% gross) ^a	97.8
Life expectancy at birth, years ^a	69.9
Total GHG Emissions (mtCO2e)	22.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2019).

Guyana's economy is expanding at an extraordinary rate, fueled primarily by the expansion of oil output. This is expected to continue over the medium term as more fields are added to production. Increasing oil and gas revenues will allow financing of significant budget outlays to address development needs and tackle poverty. Significant risks remain, including the management of oil wealth, the quality of spending, and Dutch disease effects.

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\$ 23,000 by 2024, more than double 2020 levels, with the share of the oil and gas sector rising to approximately 60 percent of total GDP. Nevertheless, agriculture, gold, bauxite, and timber production remain relevant, especially for the non-oil economy, as together, they account for a significant share of jobs. The transformation also implies a significant increase in revenues which, up to 2021, was being saved in a sovereign wealth fund (SWF) outside of the economy.

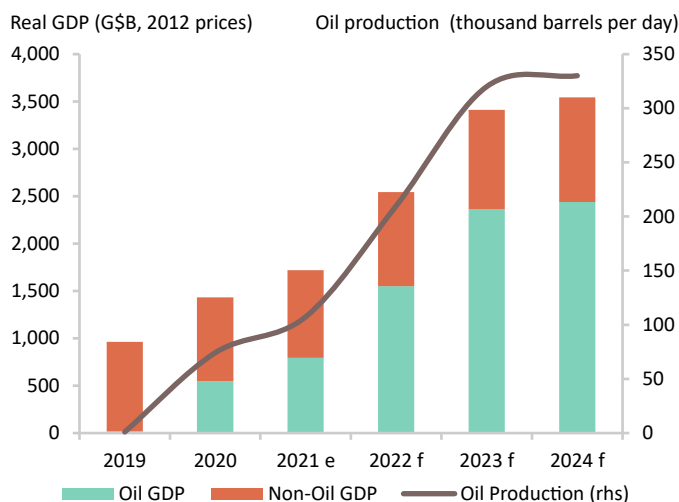
Guyana's resource wealth contrasts with the overall needs of the population, marked by ethnic and social polarization. At 48.4 percent in 2019, Guyana's poverty rate is among the highest in the region, using the upper-middle income poverty line (US\$5.5 per day in 2011 PPP). Between 2006 and 2019, the income of the bottom 40 percent grew slower than the average, resulting in increased income inequality, with the Gini coefficient rising from 0.46 to 0.52. Poverty and social exclusion, including limited access to basic services, are particularly severe in Guyana's hinterland and among Amerindians. Furthermore, early evidence suggests that the pandemic increased poverty and food insecurity amid limited progress in vaccination due

to vaccination hesitancy. At least 54 percent of the population was inoculated with at least one dose of vaccine as of mid-February 2022.

The new Natural Resource Fund (NRF) Act, adopted in December 2021, introduced a revised framework for the management and transfers from the SWF. It also revamped the oversight committee, including the establishment of a Board of Directors, and is largely consistent with the Santiago Principles. The new rule allows transfers to the budget starting 2022, using a simple mathematical formula to calculate withdrawal amounts which should average between 4 to 5 percent of GDP over the medium term. As increased fiscal revenues will allow Guyana to rapidly scale up public expenditures, it is vital to ensure that spending is efficient, and reforms address social and infrastructure gaps. In parallel, Guyana will need to manage the risks of large inflows from oil revenues to prevent overheating the economy and generating Dutch Disease effects.

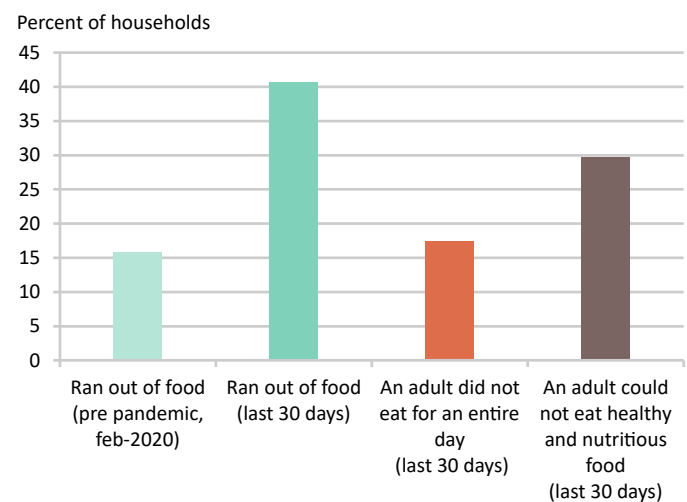
For long-term pro-poor growth, and in line with the country's new national development strategy, more efficient and effective public service delivery is essential. This is particularly the case in areas like health, education, and digital connectivity, which improve human capital. Sound and transparent management of oil revenues will be critical to avoid increased polarization and further erosion of already weak institutions and governance. Reforms to support private sector growth are also critical. COVID-19 remains a key risk for the economy, given the threat to the normalization of business conditions and livelihoods.

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



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

FIGURE 2 Guyana / Selected food insecurity indicators in June 2021



Source: World Bank staff estimates based on World Bank and UNDP LAC High Frequency Phone Surveys, Phase II, Wave 1.

Recent developments

Real GDP is estimated to have increased by 19.9 percent in 2021, owing primarily to an expansion of oil production, which averaged about 107,500 barrels per day as Liza I approached full capacity. The expansion of the oil sector was accompanied by a 4.6 percent growth in the non-oil economy linked to ongoing recovery from the impact of the pandemic, particularly in construction and services. Inflation increased to 4.8 percent in 2021, reflecting higher food prices which rose by 11.6 percent. Guyana's exchange rate regime remains a de facto stabilized arrangement with foreign exchange rate interventions. Negative impacts from the pandemic on employment and household income persisted in 2021 and are likely to have increased poverty. The World Bank – UNDP High-Frequency Phone Survey, conducted in June 2021, suggests considerable increases in food insecurity. 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, 47.3 percent of households have still not recovered their pre-pandemic level of income. This is also reflected in higher unemployment rates. The fiscal deficit increased to 10.4 percent of non-oil GDP in 2021. The widening was primarily driven by flood relief assistance payments to farmers and households and increased capital expenditure outlined by the government's public sector investment program. Public debt fell to 40.7 percent of overall GDP in 2021 due to increased economic growth.

The current account deficit (CAD) widened to 21.2 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, representing 2.1 months of total imports in 2021.

Outlook

Guyana is expected to remain one of the world's fastest-growing economies in the medium term, as new oil fields are developed and production capacity expands to approximately 330,000 barrels per day by 2024. Oil production, and consequently real GDP, is expected to jump in 2022 as Liza II begins operation. Real GDP is expected to more than double by 2023, pushing per capita income to over US\$20,000 at the current nominal exchange rate. Real GDP growth could accelerate further with the commissioning of additional fields in the medium term.

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 expansion of oil and gas production will boost private investment and accelerate the growth of services. Increased gold and bauxite output will also drive export growth. Inflation will remain elevated, reflecting increasing government

consumption, higher input costs, and supply chain disruptions. This threatens the purchasing power and food security of poor and vulnerable households, especially if food prices continue to increase.

Guyana's natural resource boom will lead to a sustained current account surplus in the coming years, improving the country's international reserves position. The war in Ukraine and its impact on fuel prices will also influence Guyana's current account going forward.

Guyana's fiscal deficit is expected to narrow to 4.9 percent of non-oil GDP by 2024. Increased revenues, largely tied to inflows from the NRF will partly offset higher spending on capital infrastructure projects. In this context, public debt is expected to fall to 23.6 percent of GDP by 2024.

Guyana is now highly vulnerable to oil-related shocks, both to price and output. It also faces well-known risks associated with resource-dependent economies, such as a lack of diversification, increasing reliance on the state which can affect private sector competitiveness, and an erosion of institutions. Guyana needs to maintain an operational SWF to mitigate the imbalance between the resource inflow and the economy's absorptive capacity while also limiting waste. Furthermore, 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.

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.

TABLE 2 Guyana / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at purchaser prices (total)^a	5.4	43.5	19.9	47.9	34.3	3.8
Real GDP growth, at factor prices (non-oil)^b	3.1	-6.2	4.6	7.2	5.7	5.4
Agriculture	-0.5	4.1	-9.1	3.6	3.0	3.0
Industry	5.4	-10.5	9.2	14.8	10.3	8.8
Services	4.0	-9.9	11.6	4.0	3.8	4.0
Inflation (Consumer Price Index)	1.4	1.0	4.8	7.3	6.5	6.2
Current Account Balance (% of GDP)^c	-54.6	-15.1	-21.2	45.7	42.6	34.9
Fiscal Balance (% of GDP)^d	-2.8	-9.4	-10.4	-7.0	-5.1	-4.9
Debt (% of GDP)	34.2	47.4	40.7	29.2	25.0	23.6
Primary Balance (% of GDP)^d	-2.0	-8.6	-9.7	-6.2	-4.5	-4.4
GHG emissions growth (mtCO₂e)	1.5	9.0	6.2	6.0	13.7	3.8
Energy related GHG emissions (% of total)	14.1	19.5	22.6	32.5	39.5	40.5

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

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.