

Explosive growth, moderate inflation

Guyana's Minister of Finance explains how to achieve:



Guyana's Minister of Finance Dr Ashni Singh



Guyana has been recording extraordinary rates of real economic growth in recent years, averaging 39 per cent in the four years from 2021.

But, the country's Minister of Finance, Dr Ashni Singh, told the Business Guardian in an exclusive interview last Friday at his office in the capital Georgetown, that the "astronomic" growth has been achieved with a rate of inflation that has averaged below 5 per cent in the 2021 to 2024 period.

In the interview, Singh said ExxonMobil, the US multinational energy giant, discovered oil in Guyana's maritime territory in 2015 and achieved first oil in December 2019, starting with one Floating Production and Storage Offshore vessel (FPSO), producing 120,000 barrels of oil per day (bopd) today.

"Now, five years later, we have three FPSOs producing a total of 650,000 bopd. And later this year, we will bring online our fourth FPSO that will take our production capacity up to about 900,000 bopd. By the end of the decade, we anticipate that we'll be producing about 1.3 million bopd," said Singh, whose official title is senior minister in the Office of the President with responsibility for Finance and the Public Service.

He said the commencement of oil production in Guyana "has catalysed a rate of economic growth that, by any standard, would be considered extraordinary," with the economy achieving real economic growth of 43 per cent in 2024.

"If we were to project outwards to the end of the decade, based on the confirmed resource discoveries and based on the production trajectory, we anticipate that over the decade from 2021 to 2030, we will grow at an average of about 20 per cent," he said.

But Guyana, Singh pointed out, is not only depending on its oil resources to drive its growth. The country's economy was diversified, to a large extent, before it started to produce oil in 2019.

The Government of Guyana has focussed on ensuring that the growth in the country's economy is as broad-based and resilient as possible, said Singh, adding that that means ensuring that there is strong growth in the non-oil economy as well.

"So this is in sectors like agriculture, construction and services. Of course, we have other extractive

industries like gold and bauxite and we've been seeing strong growth there too. Growth in the non-oil sector has averaged about 11 per cent over the last four years or so," said Singh.

He underscored that the current administration's priority is to make sure that strong economic growth continues.

"Obviously at some point in time, it will taper off, but we want to make sure that we use this period to lay the foundation for a more resilient and more diversified long-term economic growth," said the senior minister.

Controlling inflation

Singh said Guyana has faced the same inflationary pressures as economies around the world, but has managed to contain inflation which, in the current global environment, is quite a challenge.

The global inflationary pressures have included commodity price spikes in 2022, which led to disruptions to production chains and to supply chains, with the challenges in shipping routes leading to sharp increases in the cost of sea transportation in 2022 and 2023.

He said Guyana has been able to contain inflation to below 5 per cent in the 2021 to 2024 period, and to 2.9 per cent last year, by a number of very deliberate policies, some of which have come at a fiscal cost.

"We have been able to achieve sub-5 per cent inflation by a number of proactive measures. These have included the elimination of taxes. We've removed excise taxes on refined petroleum products, gasoline and diesel. And what that has done is it has allowed us to insulate domestic consumers from imported inflation," said Singh.

(See page 9). Although Guyana exports a great deal of crude oil, it imports refined petroleum products because it does not have an oil refinery.

Apart from removing taxes on refined petroleum products, the Government of Guyana has also removed VAT on many basic items, such as food items and local construction materials.

From 2021 to 2023 into 2024, the Government of Guyana also provided financial support to both the electricity company and the water company so that customers would not feel the brunt of the pass-through of imported price escalations, Singh said. That meant that electricity and water tariffs were not adjusted upwards.

"And then on the supply side, we've also emphasised ramping up production, particularly of food items. As you know, we have a fairly significant agricultural sector, so we've placed a lot of emphasis on ramping up food production. And what that enabled us to do is at least to provide some kind of a supply-side response to the increased demand for food items," said the minister.

The rapid expansion of the Guyanese economy since 2021 has resulted in "a massive construction boom on the way in Guyana," Singh said, some of which has been driven by public infrastructure.

"So we're building out public infrastructure very aggressively, roads, bridges, schools and hospitals. But there's a rapid expansion in private sector construction as well in particular industrial and commercial construction with companies building ports, warehouses, storage facilities, factories, processing plants, etcetera," he said.

With both the public and private sectors engaged in construction, Guyana has experienced a sharp increase in the demand for construction materials.

"And obviously when you have this kind of rapid escalation in demand for construction material,

you face price pressures,” the finance minister noted.

Supply side intervention

Apart from removing VAT from local construction materials to cushion the price pressure, Singh said, “We’ve also ramped up the productive capacity of domestic construction materials. So, for example, the licensing of new quarries has led to an increase in the production of quarry stone, aggregates and sand for construction.

“So that too was part of our supply-side response to the construction boom, in that we recognised that with rapid expansion in demand, you need to have a supply-side response.

“I wouldn’t say that there have been no price pressures at all. We have had to take policy action to ensure a commensurate supply side response and construction materials and food products would be two good examples,” he said.

Guyana’s minister of finance said the third example of the proactive response of the country’s administration to the country’s explosive growth and resulting construction boom has been in the labour market.

“Because in a rapidly growing economy, obviously there is going to be a rapid expansion in the demand for skilled labour,” said Singh, noting that more than 60,000 jobs have been created in Guyana in the last five years in a country with a population of about 800,000.

While he is sure there has been a significant reduction in the country’s unemployment, Guyana is not at full employment as yet, he said, because of remaining mismatches in the labour market.

By that he means the skills that are demanded are not necessarily the available skills.

Citing one example, Singh said Guyana has experienced huge demand for heavy equipment operators as a result of all the activity in the energy sector, in bauxite and gold mining as well as in construction, Singh said.

“Heavy equipment operators today probably earn three to five times what they were earning five years ago, because there’s so much demand for their skills. So we’re saying, if there are young people out there who are looking for jobs, we are offering this training for free in a wide range of technical and vocational areas for the heavy equipment operators, welders, construction, skilled construction workers and others.

“We’re also investing very heavily in technical and vocational training. We have built a new oil and gas institute, the Guyana Technical Training College, Inc, which we’ve built in partnership with Exxon to produce people for the oil and gas industry. We’re building a new tourism and hospitality institute because of the number of hotels that are being built.

“And we have an aggressive ICT training programme to make sure that every young person acquires that literacy so they can get access to some of these jobs that are now available,” Singh said.