Accelerating Guyana's Growth Momentum

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Outline

- Objective and Motivation
- Guyana’s Growth Story: 1970-2010
- Origins of Recent Growth: 2006-2010
  - “Good luck”?
  - Good Polices?
- Strategies for Accelerating Growth
Objective & Rationale

Objectives:
- to probe the origins of Guyana’s recent growth acceleration: good luck or good policy or both?
- to critically explore strategies to further accelerate growth.

Motivation:
- motivated by the need to expose Guyana’s growth turnaround, with a view to distilling possible policy lessons for other small developing countries in the Caribbean.
Guyana’s Growth Story

Figure 1: Real GDP Growth

- 1970: Start of Socialism
- 1974/75: Oil Price Shocks
- 1982: Economic Collapse
- 1989: Economic Recovery Programme
- 1998 & 2001: Political Unrest
- 2005: Floods
- 2007/2008: Global Economic Crisis

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Guyana’s Growth Story (Cont’d)

Conditions for Acceleration and Declaration Episodes (Page, 2009):

1. The forward four-year moving average growth rate of GDP per capita \([t, t+1, t+2, t+3]\) minus the four-year backward average growth rate \([t, t-1, t-2, t-3]\) must exceed/(be less than) zero.

2. The four-year moving average growth rate of GDP per capita exceeds/ (is less than) the country’s average growth rate.

3. The forward four-year moving average of the level of GDP per capita must exceed/(be below) the backward four-year moving average.

• 2 Episodes of Growth Acceleration:
  1990-1993
  2004-2010
### Improved Macro Fundamentals: 2006-2010

<table>
<thead>
<tr>
<th>Variable</th>
<th>Guyana</th>
<th>Latin America &amp; Caribbean</th>
<th>t-test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per capita GDP growth</td>
<td>4.4</td>
<td>1.6</td>
<td>***</td>
</tr>
<tr>
<td>Savings (% GDP)</td>
<td>15.1</td>
<td>17.1</td>
<td></td>
</tr>
<tr>
<td>Investment (% GDP)</td>
<td>26.0</td>
<td>21.1</td>
<td>*</td>
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<tr>
<td>Private sector investment (% GDP)</td>
<td>13.5</td>
<td>14.9</td>
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<tr>
<td>FDI net flow (% GDP)</td>
<td>7.9</td>
<td>4.7</td>
<td>*</td>
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<tr>
<td>Consumption (% GDP)</td>
<td>101.7</td>
<td>89.1</td>
<td>*</td>
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<tr>
<td>Trade (% GDP)</td>
<td>98.0</td>
<td>79.0</td>
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<tr>
<td>Exports (% GDP)</td>
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<tr>
<td>Imports (% GDP)</td>
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<tr>
<td>GDP deflator (%)</td>
<td>23.1</td>
<td>8.2</td>
<td>*</td>
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<tr>
<td>Government consumption (% GDP)</td>
<td>15.5</td>
<td>12.3</td>
<td>*</td>
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</tbody>
</table>
Origins of Recent Growth: Good Luck?

- Political & social stability
- More benign external shocks
- Favourable weather

Favourable Commodity Prices

- World Agriculture Commodity Prices
- Rice Export Vol (Tonnes)
- Sugar Export Vol (Tonnes)
- Timber Export Vol (Cu.M)

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Origins of Recent Growth Policies & Institutions?

- Enhancement in Governance
- Stronger institutions/Reform Dividends
- Improvement in Macroeconomic Management

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>CPIA economic management cluster average</td>
<td>3.50</td>
<td>3.67</td>
<td>3.67</td>
<td>3.70</td>
<td>3.50</td>
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<td>CPIA public sector management and institutions cluster average</td>
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<td>3.10</td>
<td>3.10</td>
<td>3.10</td>
<td>3.10</td>
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<tr>
<td>CPIA policies for social inclusion/equity cluster average</td>
<td>3.30</td>
<td>3.40</td>
<td>3.40</td>
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<tr>
<td>CPIA structural policies cluster average</td>
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<td>3.50</td>
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<td>3.50</td>
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<tr>
<td>Fiscal deficit (% GDP)</td>
<td>-12.5</td>
<td>-7.37</td>
<td>-4.07</td>
<td>-3.81</td>
<td>-3.70</td>
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<tr>
<td>Current Account deficit (% GDP)</td>
<td>-19.1</td>
<td>-17.1</td>
<td>-10.8</td>
<td>-16.7</td>
<td>-11.3</td>
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<tr>
<td>Inflation, CPI</td>
<td>8.2</td>
<td>14.0</td>
<td>6.4</td>
<td>3.6</td>
<td>4.5</td>
</tr>
</tbody>
</table>

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Origins of Recent Growth (Cont’d)

Reform Dividends:
1. Financial sector
2. Private sector
3. Informal sector
4. Governance
Strategies for Accelerating Growth

1. Transforming Structural production
2. Levying adequate rents on economic activities related to the exploitation of the country’s natural resources; rents should be utilized to develop other key sectors
3. Unlocking binding constraints on private sector development
4. Deepening Diaspora engagement to better serve socioeconomic development needs
5. Developing the infrastructure to better exploit trading Potentials
The End