



REVIEW OF  
**GUYANA BUDGET 2023**

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## **Overview**

The Senior Minister in the Office of the President, Honourable Dr. Ashni Singh, presented the 2023 Budget on 16 January 2023. This is the fourth budget presented by the current PPP / Civic administration led by H.E. Dr. Irfan Ali.

Budget 2023 was presented under theme “Improving Lives Today, Building Prosperity for Tomorrow”. It projects total expenditure of G\$782 billion (US\$3.75 billion) while total revenue is estimated at G\$690 billion (US\$3.31 billion). The budget deficit for 2023 is estimated at G\$92 billion (US\$441 million).

## Performance of National Economy in 2022

Budget 2022 had projected that the national economy would have grown 47.5 percent in 2022, with the non-oil sectors and oil sector expected to grow by 7.7 percent and 96.7 percent, respectively. Actual growth for 2022 was 62.3 percent, with the non-oil sectors growing by 11.5 percent, making Guyana the fastest growing economy in 2022.

### National Output and Inflation

The gross domestic product at current prices was US\$14.371 billion in 2022 compared to US\$7.435 billion in 2021, while per capita GDP in 2022 was estimated at US\$19,253 compared to US\$10,302 in 2021.

The contributions to gross domestic product of the major sectors, as measured at 2012 prices, are shown in the table below.

Sector	% of 2022 GDP	% of 2021 GDP	% of 2020 GDP	% of 2019 GDP
Petroleum	62	45	37	2
Agriculture, Fishing and Forestry	9	14	18	25
Mining and Quarrying	4	7	8	14
Manufacturing	2	3	4	6
Services:				
Real Estate	3	4	5	7
Construction	4	5	5	7
Wholesale and Retail Trade	3	4	4	7
Administrative and Support Services	3	4	4	6
Financial and Insurance Activities	2	3	3	5
Other	8	11	12	21

Source – Budget Speeches 2023, 2022, 2021

The petroleum sector continued to expand during 2022, producing 101.4 million barrels of oil in 2022 compared to 42.7 million barrels in 2021. In 2022, a second FPSO – Liza Unity – commenced production, joining the Liza Destiny in the Stabroek Offshore Block operated by ExxonMobil and jointly held with Hess Corporation and China National Offshore Oil Corporation. Guyana's estimated proven oil reserves stands at over 11 billion oil-equivalent barrels.

The gold sector contracted by 2.5 percent due to challenges faced by small and medium scale producers, with an annual declaration of 486,415 ounces in 2022. The sand extraction and stone production sectors grew by 35.6 percent and 18.6 percent, respectively, reflective of increased construction activity in both the public and private sectors. The construction sector is estimated to have grown by 26.3 percent in 2022.

The agriculture, fishing and forestry sector is estimated to have grown by 11.9 percent in 2022 as most industries recovered from the 2021 floods. Increased production was recorded in the rice, livestock, other crops and forestry sectors while outputs from the sugar and fishing sectors were lower in 2022.

Inflation in 2022 was 7.2 percent, compared to 5.7 percent in 2021.

### Balance of Payments

The balance of payments recorded a surplus of US\$128.3 million in 2022 compared to a surplus of US\$130.2 million for 2021. The main contributors are highlighted below.

Account	2022 US\$mln	2021 US\$mln	2020 US\$mln
<b>Current Account</b>			
Merchandise			
Crude Oil	9,978.9	2,975.5	1,064.1
Gold	829.8	858.4	979.2
Rice	195.6	201.4	243.2
Bauxite	98.9	80.0	73.3
Sugar	17.4	14.7	24.1
Timber	27.1	26.5	27.7
Other and Re-exports	256.5	199.5	178.4
Fuel & Lubricants	(1,268.2)	(822.9)	(493.3)
Other Imports	(2,355.4)	(3,552.8)	(1,756.8)
Current – Services (Net)	(4,532.5)	(3,028.3)	(1,820.9)
Current – Transfers	1,014.2	1,053.2	658.1
<b>Total Current Account Surplus / (Deficit)</b>	<b>4,262.4</b>	<b>(1,995.0)</b>	<b>(822.9)</b>
<b>Total Capital Account (Deficit) / Surplus</b>	<b>(4,120.1)</b>	<b>2,107.5</b>	<b>919.6</b>
<b>Errors and Omissions</b>	<b>(13.9)</b>	<b>17.7</b>	<b>8.0</b>
<b>Overall Balance</b>	<b>128.3</b>	<b>130.2</b>	<b>104.7</b>

Source – Budget Speeches 2023, 2022, 2021

The current account benefitted from increased earnings from crude oil sales in 2022 with production increasing with a second FPSO. Declines in earnings from gold and rice exports were recorded in 2022, offset by increased earnings from bauxite and other exports. Imports of fuel and lubricants increased on account of higher global oil prices. However, other imports of goods declined in 2022 as compared to 2021 when the second FPSO was brought into Guyana. There was a marked increase in the net imports of services growing by 49.7 percent, or US\$1.5 billion, in 2022 over 2021.

The capital account of the balance of payments ended with a deficit of US\$4,120.1 million due to lower foreign direct investment in 2022, as well as the 2021 figures reflecting the investment in the second FPSO.

The balance of payments surplus resulted in an increase in net international reserves at the Bank of Guyana to US\$939.2 million as of 31 December 2022, equivalent to 1.2 months of import cover, compared to US\$810.8 million at the prior year end.

## Public and Guaranteed Debt

Total public and publicly guaranteed debt amounted to US\$3.6 billion at the end of 2022 with external debt and domestic debt amounting to US\$1.6 billion and US\$2.0 billion, respectively, compared to US\$1.4 billion and US\$1.7 billion at the end of 2021. The largest external debt lender is the Inter-American Development Bank with US\$787 million outstanding at the end of 2022. Domestic debt comprises treasury bills of US\$1.1 billion and debentures issued by the Bank of Guyana for US\$935 million to securitise Government overdraft positions coming forward. The debt (including guaranteed debt) to GDP ratio at 2022 year-end was 24.6 percent compared to 38.9 percent at the end of the prior year. The increased GDP in 2022 had a tempering impact on the debt to GDP ratio.

## Natural Resources Fund

The Natural Resources Fund amounted to US\$1.272 billion at the end of 2022, compared to US\$607.6 million at the end of 2021. Inflows to the NRF during 2022 comprised of US\$1.1 billion being Guyana's share of profit oil and US\$155 million from royalties, in addition to interest of US\$17.5 million. An amount of US\$607.6 million was transferred from the NRF during 2022 to the Consolidated Fund.

## Budget Revenue Projections for 2023

Of the total projected revenue for 2023 of G\$690 billion (US\$3.31 billion) in Budget 2023, G\$578 billion (US\$2.775 billion) is from current sources while G\$111 billion (US\$534 million) is from capital sources.

The major sources of current revenue of G\$578 billion are summarized in the table below.

Form of Current Revenue	2023 Budget G\$bln	2022 Budget G\$bln	2021 Budget G\$bln
<b>Tax Revenue:</b>			
- Value-added tax	65.2	56.6	53.6
- Corporation tax	67.8	48.2	38.2
- Excise tax	23.4	46.3	40.1
- Personal income tax	61.2	46.5	37.9
- Import duty	29.4	27.6	21.2
- Withholding tax	54.4	46.3	37.4
- Other tax revenue	18.6	15.3	13.7
<b>Withdrawal from Natural Resource Fund</b>	208.9	126.7	0
<b>Carbon Credit Inflow</b>	31.3	0	0
<b>Other Current Revenue</b>	15.6	18.5	24.0
	578.5	432.0	266.1

Source – Budget Estimates 2023, 2022, 2021

The current revenue for 2023 includes a withdrawal from the Natural Resource Fund of G\$208.9 billion (US\$1 billion). It also reflects Carbon Credit Inflows of G\$31.3 billion (US\$150 million). During 2022, almost 33.5 million carbon credits were issued to Guyana for the period 2016 to 2020 by the Architecture for REDD+ Transactions Environmental Excellence Standard (ART-TREES) Secretariat. Hess Corporation became the first buyer of Guyana’s carbon credits, with a purchase of approximately one third of Guyana’s carbon credits issued by ART-TREES.

Tax revenue is projected to grow as economic activity expands in 2023. No new taxes were introduced in Budget 2023. However, certain fiscal measures were introduced or extended in Budget 2023, some of which are highlighted below.

### **I. Excise tax, Import Duty and VAT**

- a. Continued application of zero percent excise tax on fuel
- b. Continued application of the freight cost adjustment which utilises pre-pandemic freight values in the determination of CIF values for tax and duty purposes, up to 31 December 2023
- c. Removal of VAT on new electric vehicles (not hybrid) of any power rating (new defined as less than four years old)
- d. Reduction of excise tax from 45% to 35% on new motor vehicles below 1500cc (new defined as less than four years old)
- e. Introduction of flat rate of excise tax at G\$800,000 on used motor vehicles below 1500 cc (used defined as four years or older)
- f. Removal of VAT on the sale of residential property

### **II. Income Tax and Corporation Tax**

- a. Increase in monthly income tax threshold from G\$75,000 to G\$85,000
- b. Increase in the capital allowance applicable to electric motor vehicles to 50 percent annually

### **III. Public Assistance and Support:**

- a. Increase in “Because We Care” grants from G\$25,000 to G\$35,000 per child
- b. Increase in Old Age Pension from G\$28,000 to G\$33,000
- c. Increase in Public Assistance from G\$14,000 to G\$16,000
- d. An allocation of G\$5 billion to meet other cost of living interventions to be determined

### **IV. Other**

- a. Increase in low-income mortgage ceiling on loans obtained through the banking system from G\$15 million to G\$20 million

Capital revenue of G\$111 billion is expected to be received principally through external loans of G\$101 billion (US\$487 million) and external grants of G\$10 billion (US\$47 million). The Inter-American Development Bank is expected to provide loans amounting to G\$17.9 billion (US\$86 million). Other significant loans are expected in 2023 from the People’s Republic of China – G\$20.5 billion (US\$98 million) and the United States of America - G\$30 billion (US\$144 million).

## Budget Expenditure Projections for 2023

Budget 2023 projects total expenditure of G\$782 billion (US\$3.750 billion) compared to G\$553 billion (US\$2.652 billion) in 2022. The table below analyses the allocation of total expenditure across responsible agencies, with comparative allocations from 2022 and 2021.

Responsible Authority	2023 Budget G\$bln	2022 Budget G\$bln	2020 Budget G\$bln
Ministry of Public Works	158	96	40
Ministry of Housing and Water	72	17	13
Ministry of Health	67	57	39
Office of Prime Minister (inc. Power Generation)	70	40	13
Ministry of Finance	56	54	45
Ministry of Human Service and Social Security	40	30	30
Ministry of Education	45	33	25
Ministry of Home Affairs	34	28	24
Ministry of Agriculture	33	29	19
Guyana Defence Force	20	18	15
Regional Authorities	68	60	54
Other Authorities	79	59	43
Public Debt	40	32	23
	782	553	383

Source – Budget Estimates 2023, 2022, 2021

Some of the policy and expenditure priorities highlighted in the Budget 2023 Presentation are listed below.

- a. Construction of a 300-megawatt gas power plant and integrated natural gas liquids plant, as part of the Gas to Energy Project which will utilise the estimated 17 trillion standard cubic feet of recoverable natural gas reserves from offshore oil activities. Budget 2023 provides G\$43.3 billion (US\$208 million) for ongoing works on the Project.
- b. Allocation of G\$54.5 billion (US\$261 million) for works in new and existing housing areas, including construction of roads, drains and bridges and installation of utilities, along with an allocation of G\$13.0 billion (US\$62 million) for interventions to improve water quality.
- c. Construction of the New Demerara River Bridge which will be a high-span, four-lane permanent concrete and cable-stayed structure. Budget 2023 provides G\$5 billion (US\$25 million) for ongoing works on the new bridge.

- d. Allocations for the following major transport links:
  - i. Palmyra to Crabwood Creek Highway – G\$27.7 billion (US\$139 million)
  - ii. ECD Railway Embankment Road to Orange Nassau including new Hope Canal bridge – G\$16.6 billion (US\$80 million)
  - iii. East Coast to East Bank Road Link from Ogle to Eccles – G\$10.3 billion (US\$49 million)
  - iv. Linden to Mabura Hill Road - G\$11.9 billion (US\$57 million)
  - v. Soesdyke to Linden Highway Rehabilitation - G\$5.0 billion (US\$24 million)
- e. Commencement of construction of a paediatric and maternal hospital along with six regional hospitals with a budgetary allocation of G\$13.1 billion (US\$63 million)
- f. Improvements to educational infrastructure with a budgetary allocation of G\$12.4 billion (US\$59 million)

### Projected Performance of National Economy in 2023

It is projected that the national economy will grow by 25.1 percent in 2023, with the non-oil sector expected to grow by 7.9 percent.

The petroleum sector is expected to increase production to 374,000 bpd, leading to growth of 35.6 percent in 2023. Key sectors of gold, bauxite and rice are expected to grow in 2023, along with sand and stone sectors in support of ongoing construction activities. In addition to Government’s public sector investment programme, several significant private sector developments of onshore support structures and hotels, are underway.

The balance of payments position is expected to record a surplus of US\$150 million with higher export earnings maintaining the current account in surplus and a lower deficit on the capital account. Crude oil exports are expected to increase by 13.6 percent to US\$11.3 billion. The increased export earnings will be offset by higher import spending, as Guyana’s third FPSO – Prosperity - is expected to arrive in 2023.

Inflation is projected at 3.8 percent, reflecting expectations of continued import price pressure, compared to 7.2 percent in 2022.

#### **Author’s Note**

*Budget Estimates 2023 were prepared in Guyana Dollars. For purposes of this article, United States Dollar equivalent amounts have been determined by applying an exchange rate of G\$208.5 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.*



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