



REVIEW OF GUYANA BUDGET 2022

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OVERVIEW

The Senior Minister in the Office of the President, Honourable Dr. Ashni Singh, presented the 2022 Budget on 26 January 2022. This is the third budget presented by the current PPP / Civic administration led by H.E. Dr. Irfan Ali.

Budget 2022 was presented under theme “Steadfast Against All Challenges, Resolute in Building Our One Guyana”. It projects total expenditure of G\$553 billion (US\$2.652 billion) while total revenue is estimated at G\$488 billion (US\$2.341 billion). The budget deficit for 2022 is estimated at G\$65 billion (US\$311 million).

PERFORMANCE OF NATIONAL ECONOMY IN 2021

Budget 2021 had projected that the national economy would have grown 20.9 percent in 2021, with the non-oil sectors and oil sector expected to grow by 6.1 percent and 46.7 percent, respectively. Actual growth for 2021 was 19.9 percent, with the non-oil sectors growing by 4.6 percent.

National Output

The gross domestic product at current prices was US\$7.373 billion in 2021 compared to US\$4.940 billion in 2020, while per capita GDP in 2021 was estimated at US\$10,212 compared to US\$6,900 in 2020.

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

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

Source – Budget Speech 2022

The petroleum sector continued to expand during 2021, producing 42.7 million barrels of oil in 2021 compared to 27.2 million in 2020. In 2021, there was one FPSO operating offshore Guyana – the Liza Destiny.

The gold sector contracted by 14.8 percent due to challenges faced by both large and small to medium scale producers, while the quarry activity grew by 15.9 percent as public and private construction activity increased.

The agriculture, fishing and forestry sector was severely impacted by floods as Guyana experienced the second highest level of rainfall since 1981 during the first half of 2021. The sector is estimated to have contracted by 9.1 percent in 2021.

Balance of Payments

The balance of payments recorded a surplus of US\$130.2 million in 2021 compared to a surplus of US\$104.7 million for 2020. The main contributors are highlighted below.

Account	2021 US\$mln	2020 US\$mln
Current Account		
Merchandise		
Crude Oil	2,975.5	1,064.1
Gold	858.4	979.2
Rice	201.4	243.2
Bauxite	76.2	73.3

Sugar	14.6	24.1
Timber	26.5	27.7
Other and Re-exports	199.4	178.4
Fuel & Lubricants	(740.3)	(493.3)
Other Imports	(3,552.9)	(1,756.8)
Current – Services (Net)	(2,557.1)	(1,820.9)
Current – Transfers	965.2	658.1
Total Current Account Deficit	(1,533.1)	(822.9)
Total Capital Account Surplus	1,678.5	919.6
Errors and Omissions	(15.2)	8.0
Overall Balance	130.2	104.7

Source – Budget Speech 2022

The current account benefitted from increased earnings from crude oil sales in 2021, which offset declines in most other commodity lines. The current account ended in an increased deficit of US\$1.533 billion due to the importation of Guyana’s second FPSO – Liza Unity, and increased net service payments overseas.

The capital account of the balance of payments ended with a surplus of US\$1.678 billion, increasing from US\$920 million in the prior year, due mainly to increased foreign direct investment.

The balance of payments surplus resulted in an increase in net international reserves at the Bank of Guyana to US\$810.8 million as of 31 December 2021, compared to US\$680.6 million at the prior year end.

Public and Guaranteed Debt

Total public and publicly guaranteed debt amounted to US\$3.1 billion at the end of 2021 with external debt and domestic debt amounting to US\$1.4 billion and US\$1.7 billion, respectively, compared to US\$1.3 billion and US\$1.3 billion at the end of 2020. The increase in the domestic debt in 2021 is partly due to the issue of debentures by the Bank of Guyana for US\$959 million to securitise Government overdraft positions coming forward. The debt (including guaranteed debt) to GDP ratio at 2021 year-end was 38.7 percent.

Natural Resources Fund

The Natural Resources Fund amounted to US\$607 million at the end of 2021, comprising US\$357 from Guyana’s share of profit oil and US\$52 million from royalties in 2021, in addition to the balance of US\$198 million at the end of 2020. There were no withdrawals from the Natural Resources Fund up to the end of 2021.

BUDGET REVENUE PROJECTIONS FOR 2022

Of the total projected revenue for 2022 of G\$488 billion (US\$2.341 billion) in Budget 2022, G\$432 billion (US\$2.072 billion) is from current sources while G\$56 billion (US\$269 million) is from capital sources.

The major sources of current revenue of G\$432 billion are summarized in the table below.

Form of Current Revenue	2022 Budget G\$bln	2021 Budget G\$bln
Value-added tax	56.6	53.6
Corporation tax	48.2	38.2
Excise tax	46.3	40.1
Personal income tax	46.5	37.9
Import duty	27.6	21.2
Withholding tax	46.3	37.4
Other tax revenue	15.3	13.7
Transfers from statutory and non-statutory bodies	3.6	3.4
Rent, royalties and land development schemes	1.7	3.3
Bank of Guyana profits	3.0	2.5
Withdrawal from Natural Resource Fund	126.7	0
Other current revenue	10.2	14.8
	432.0	266.1

Source – Budget Estimates 2022

Some of main fiscal measures announced in Budget 2022 are:

1. Excise Tax, Import Duty and VAT:
 - Reduction of excise tax on gasoline and diesel from 20 percent to 10 percent
 - Extension to 31 December 2022 of the freight cost adjustment which utilises pre-pandemic freight values in the determination of CIF values for tax and duty purposes
 - Removal of excise tax and VAT on new (less than four years old) motor trucks of any tonnage for transport of goods
 - Removal of excise tax on new single cab pickups below 3000 cc
 - Removal of excise tax on new double cab pickups below 2000 cc
 - Reduction of excise tax on new double cab pickups between 2000 and 3000 cc from 110 percent to 75 percent
 - Removal of VAT on cranes, safety equipment, and oil spill response equipment
 - Removal of VAT on new haulers for pulling containers or similar vehicles for pulling
2. Income Tax and Withholding Tax:
 - Increase in monthly income tax threshold from G\$65,000 to G\$75,000

- Removal of two percent (2%) withholding tax on resident contractors
- Recognition of premiums paid for life and medical insurance as a deductible expense for individuals, up to a maximum of the lower of 10 percent of their income or G\$30,000
- Removal of withholding tax on interest income earned by individuals on bank deposits where their interest income does not exceed G\$10,000 per annum

3. Public Assistance and Support:

- Increase in uniform grants from G\$4,000 to G\$5,000 per child
- Increase in “Because We Care” grants from G\$15,000 to G\$25,000 per child
- Increase in Old Age Pension from G\$25,000 to G\$28,000
- Increase in Public Assistance from G\$12,000 to G\$14,000
- Introduction of a Dialysis Support Programme which will finance up to G\$600,000 per annum worth of dialysis treatment for each dialysis patient in Guyana
- An allocation of G\$5 billion to meet the cost of other interventions to be determined

4. Other:

- Removal of stamp duty on retail transactions
- Increase in low-income mortgage ceiling on loans obtained through the banking system from G\$12 million to G\$15 million

Capital revenue of G\$56 billion is expected to be received principally through external loans of G\$45.8 billion (US\$219.7 million) and external grants of G\$10.2 billion (US\$48.9 million). The Inter-American Development Bank is expected to provide project loans and balance of payment support loans amounting to G\$11.2 billion (US\$53.7 million) and G\$15.1 billion (US\$72.4 million), respectively.

BUDGET EXPENDITURE PROJECTIONS FOR 2022

Budget 2022 projects total expenditure of G\$553 billion (US\$2.652 billion) compared to G\$383 million (US\$1.837 billion) in 2021. The table below analyses the allocation of total expenditure across responsible agencies, with comparative allocations from Budget 2021.

Responsible Authority	2022 Budget G\$bln	2021 Budget G\$bln
Ministry of Finance	54	45
Ministry of Public Works	96	40
Ministry of Health	57	39
Ministry of Human Service and Social Security	30	30
Ministry of Education	33	25
Ministry of Home Affairs	28	24
Ministry of Agriculture	29	19

Responsible Authority	2022 Budget G\$bln	2021 Budget G\$bln
Ministry of Housing and Water	17	13
Guyana Defence Force	18	15
Regional Authorities	60	54
Office of Prime Minister (inc. Power Generation)	40	13
Other Authorities	59	43
Public Debt	32	23
	553	383

Source – Budget Estimates 2022

Some of the policy and expenditure priorities highlighted in the Budget 2022 Presentation are as follows.

- Budgetary allocations for following major road links:
 - Corentyne Main Road to Crabwood Creek (G\$8.3 billion)
 - Linden to Mabura Hill Road (G\$6 billion)
 - Soesdyke to Linden Highway (G\$2.6 billion)
 - Ogle to Eccles Linkage (G\$2.3 billion)
 - Sheriff Street to Mandela Road Link (G\$1.1 billion)
 - Grove to Timehri Road Widening (\$2.1 billion)
- Budgetary allocation of G\$21.1 billion towards the construction of a fixed, four lane high span bridge across the Demerara River
- Commencement of “Gas-to-energy” which will entail the construction of a 225KM pipeline to transport natural gas from offshore Guyana to the West Bank of Demerara to a power plant that will generate 300 MW of electricity, along with a NGL plant to meet local demand. Budget 2022 includes G\$20.8 billion towards the “Gas-to-energy” project.
- Commencement of the Amalia Falls Hydropower Project with expected capacity of 165 MW
- Utilisation of US\$85 million received from the Government of Norway towards the Low Carbon Development Strategy, for solar energy, Amerindian land titling, ICT access for the hinterland and sustainable land management projects.
- Budgetary allocation of G\$12.4 billion for a paediatric and maternal hospital, along with upgrades to the West Demerara and Bartica hospitals, and construction of six new regional hospitals.
- Budgetary allocation of G\$6.8 billion towards the national COVID-19 response
- Budgetary allocation of G\$6 billion for investment in field and factory operations at GuySuCo
- Budgetary allocation of G\$5 billion to strengthen flood protection infrastructure

PROJECTED PERFORMANCE OF NATIONAL ECONOMY IN 2022

It is projected that the national economy will grow by 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.

The petroleum sector is expected to benefit from the additional FPSO – Liza Unity, bringing the average rate of production to 257,000 bpd, from 116,900 bpd in 2021. Apart from the continuing petroleum activity, it is projected that the gold, bauxite and other mining industries will recover in 2022. The quarrying and construction industries are expected to continue to benefit from the major infrastructure projects to be executed in the year. All major industries in the agriculture, forestry and fishing sector are expected to grow in 2022 after the devastating impact of the 2021 floods.

The balance of payments position is expected to record a surplus of US\$403.4 million with higher export receipts on all commodities, including crude oil exports projected to increase by 107.7 percent to US\$6 billion. The capital account is expected to record a deficit of US\$2 billion reflecting the operator's share of oil production applied to cost recovery, coupled with a moderation of foreign direct investments.

Inflation is projected at 4.1 percent, reflecting expectations of continued import price pressure, compared to 5.7 percent in 2021.

Author's Note

Budget Estimates 2022 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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