

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 Policies?
- **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.

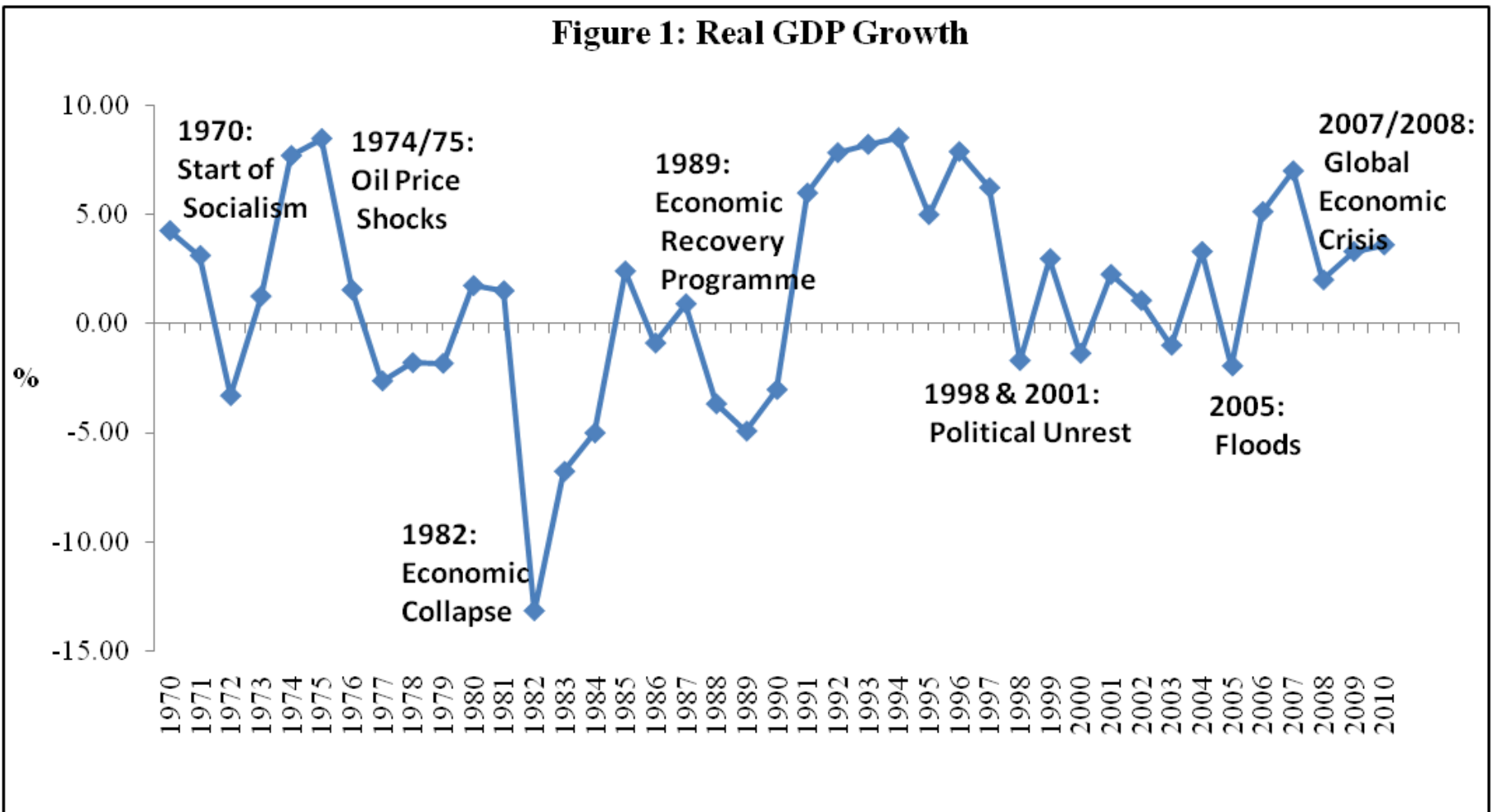
Motivation:

- 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





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



Guyana's Growth Story (Cont'd)

Improved Macro Fundamentals: 2006-2010

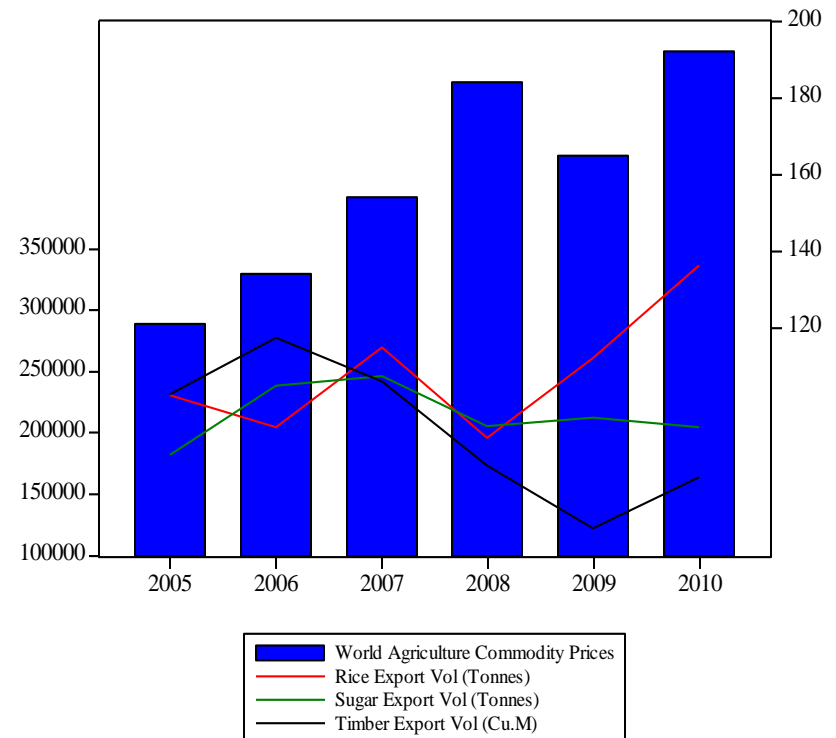
Variable	Guyana	Latin America & Caribbean ¹⁾	t-test
Per capita GDP growth	4.4	1.6	***
Savings (% GDP)	15.1	17.1	
Investment (% GDP)	26.0	21.1	*
Private sector investment (% GDP)	13.5	14.9	
FDI net flow (% GDP)	7.9	4.7	*
Consumption (% GDP)	101.7	89.1	*
Trade (% GDP)	98.0	79.0	*
Exports (% GDP)	37.8	34.3	
Imports (% GDP)	60.0	44.7	*
GDP deflator (%)	23.1	8.2	*
Government consumption (% GDP)	15.5	12.3	*



Origins of Recent Growth: Good Luck?

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

- Favourable Commodity Prices





Origins of Recent Growth Policies & Institutions?

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

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



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