



CALENDAR OF KEY ECONOMIC EVENTS

March 2008

This feature presents a summary of local events of economic interest covered in the Stabroek News and the Guyana Chronicle, with occasional articles from other sources.

Agriculture

The Agriculture Ministry has launched a Grow More Food Campaign. The campaign is part of a US\$20M Agricultural Diversification Programme to stimulate agriculture diversification, ensure sustainability of food supply in face of rising prices. The rising price for food internationally has resulted in unprecedented demand on Guyana to supply food to the Caribbean region. Furthermore, the implementation of the Rural Enterprise and Agriculture Development programme will cost US\$6M and will focus on increasing market opportunities available to small-scale producers.

Rice millers on the Essequibo Coast are fiercely competing among themselves for farmers' paddy. Some millers are even taking their own combines in the backdam to harvest the farmers' paddy and are paying some \$2,700 to \$3,600 for a bag of paddy. The steep increase in the price for paddy was triggered by the sharp increase in demand for rice on the world market.

The General Manager of the Guyana Rice Development Board (GRDB) assured that contrary to reports, the heavy unseasonal rainfall has not significantly affected rice harvesting and production. Rice production this crop is estimated to reach 159,987 tonnes which is enough for local consumption and to meet export quotas. From the 159,987 tonnes projected for this crop, 25,000 tonnes will be used for local consumption, 20,000 tonnes for the feed industry and other 115,000 tonnes for export.

Rice prices have been consistently increasing; the price for paddy per bag last crop was \$2300 compared to \$3,200 starting this crop. This is due to the rise in fertiliser price which was \$4,000 per bag for the last crop, while for this crop it ranges from \$6,500 to \$6,800 per bag.

Rice industry heading towards 'bright days'; more than \$3B is currently being spent to increase the rice industry's competitiveness with focus on enhanced technical assistance, research and extension development and infrastructure. To help rice farmers, millers, processors and exporters utilise the

opportunities which are steadily becoming available in the industry, as the global demand for the staple continue to increase.

More resources have been assigned to continue agriculture development in the Upper Corentyne area. Investments continue to be made to enhance and expand agriculture in various farming communities across the country including Number 52-74 area, Upper Corentyne, Berbice, where approximately \$15M has been earmarked to carry out further improvements to drainage and irrigation (D&I) infrastructure during this year.

Modern Skeldon sugar factory nears completion. The factory is one of the key elements of the Skeldon Sugar Modernization Project (SSMP) which represents an investment of close to US\$200M being made by Government to revitalize the sugar industry in Guyana.

Minister of Agriculture has disclosed that mechanized cane farming is expected to commence by the second quarter of this year, as GUYSUCO steps up efforts to modernize the process. The Skeldon Sugar Modernization Project (SSMP), including the bagasse generating plant, will also come into operation this year, with the factory output increasing by 38.8 per cent. According to him, \$7.6 billion will be spent to complete improvements in the field and the factory.

Non- Traditional Agriculture

Growth in Non-traditional agro-exports significant, the Guyana Marketing Corporation, lead agency for the promotion of the non-traditional agro-sector said for 2007 they have seen exports of fruits and vegetables increase to 2,001 tonnes, from 1,562 tonnes in 2006. The revenue earned for the 7,394 tonnes more of non-traditional produce exported in 2007, he said, was in the vicinity of G\$1.87 billion.

Mining

The Prime Minister said that total investment in the mining sector was estimated at US\$100 million, with in excess of 12,000 small claims and 4,000 medium-scale permits issued. The declared production of gold was 246,100 ounces and diamonds 286,925 carats, all from small and medium-size operations. He said the year 2007 saw an upsurge in prospecting with 26 foreign companies actively exploring for minerals, including IAMGOLD, Aranka Gold, Strata Gold Resources, Sacre Coeur Minerals, Gold Port Resources and BHP Billiton.

Increased Food Prices

Government reduces Excise Tax on diesel to zero percent from 10 % in continued effort to cushion impact of high oil prices. In the case of diesel, it is a key input in the industrial sector and the acquisition cost for diesel and gasoline has been increasing steadily over the last year. This administration has progressively reduced the rate of tax applied to gasoline and diesel. Currently gasoline stands at 17 percent and with this recent move diesel at zero percent. Meanwhile, Government has continued to maintain its policy of zero taxation on kerosene.

Licence waiver, CET removal to assist consumers. Temporary waiver of the licensing requirement to import flour and implementation of the reduction/removal of the Common External Tariff (CET) for certain basic items are expected to provide some assistance to consumers in light of the price increases affecting the entire Caribbean Region.

Global factors to blame for hike in food prices not VAT. The cost for food has risen sharply, this reality which is part of an unfolding global crisis is still not entirely understood and the Value-Added Tax (VAT) is being blamed for the increase in prices.

The reasons given for the rise in food prices are: the efforts to reduce oil insecurity by converting grain into fuel (ethanol) for cars; grain production has been falling short of consumption for several years now and has been covered by drawing down grain stocks and so the carryover stocks have now dropped to 54 days of world consumption, the lowest on record. And as grain prices climb, food scarcity is emerging as exporting countries restrict exports to limit the rise in domestic food prices.

Licenses granted for short-term chicken importation. **The** Minister of Tourism, Industry and Commerce disclosed steps to address the chicken shortage being experienced, as frozen chicken is already on its way into Guyana. The Minister said no chances will be taken, as they want to make sure that chicken is on the market and the prices are relatively stable, so they have intervened to allow bringing in of foreign chicken in the short-term to alleviate the shortage.

Commissioner General of the Guyana Revenue Authority said the GRA is very troubled that one of Guyana's leading bakeries, Bakewell, has increased its breads and tennis rolls by approximately 20 %. The GRA warned of the negative implication of the National Milling Company's announcement that it will retain its 16 % VAT price even though the government has zero-rated flour with effect from March 1, 2008. It fears that this rise in prices will be passed onto consumers.

Guyanese consumers can expect an immediate reduction in the prices of some key imported items from the basket of goods following the removal of the Common External Tariff (CET) in light of escalating food prices throughout the Caribbean. These items include baby formula, cheddar cheese, juices used by infants, green tea and tampons.

The Council of Trade and Economic Development (COTED) at its Twenty-Fourth Special Meeting, agreed to remove the CET on 40 items being imported in the Caribbean Community (CARICOM).

Budget

The Georgetown Mayor and City Council (M&CC) presented a \$1.9B budget to run the capital city this year, with major allocations to the City Engineer's Department and the City Constabulary.

The City Engineer's Department received an allocation of \$538M, the City Constabulary was budgeted for \$360M. Solid waste management was allocated \$307M, while the Public Health Department, the Town Clerk's Department and the City Treasurer's Department was allocated \$190M, \$312M and \$90M respectively. \$152M has been budgeted to upkeep the city's markets.

The Prime Minister stated at the end of the Budget Debate, that while the 2008 budget is perhaps not the best, it is "appropriate."

Budget measures include the previously announced increase in the income tax threshold from \$28,000 to \$35,000. To accommodate this measure and free some 36,000 persons from paying tax, the government has said it is foregoing \$3B in revenue it would have otherwise collected.

Also effective January 1, 2008, old age pension has increased from \$3, 675 to \$6, 000 per month and public assistance has grown from \$2, 470 to \$4, 500 per month.

Infrastructure

Cabinet has given the green light for several contracts valued at some \$345.7M. The Cabinet Secretary disclosed that \$ 32.7M has been awarded for the construction of drainage structures, \$ 115M for the construction of 300

metres rip rap river defences, and \$163.7M to construct four pontoons for the Demerara Harbour Bridge.

The Takutu Bridge is a vital link to integrating countries in the Guiana shield. The Bridge, linking Guyana with its southern neighbour Brazil, is nearing completion, and speculation is rife as to the wealth of tourism opportunities it will bring Region Nine, as it will serve as a main artery for the entire Guiana Shield.

48,000 residents in Regions Two, Three and Five are to benefit from improved water supplies, when the laying of transmission mains is completed under the Water Sector Consolidation Project. The \$500M contract is divided into three lots.

A state-of-the-art water treatment plant was commissioned at Corentyne, as part of a collaborative effort between the Governments of Guyana and Japan. The Number 56 Village Water Treatment Plant at Corriverton, Region Six will allow over 23 villages from No. 51 through 73 to benefit from an improved water supply. It was commissioned by Prime Minister and Japan's Ambassador to Guyana, along with Minister of Housing and Water, and other stakeholders of the water sector.

Miscellaneous

The Inter-American Investment Corporation (IIC) approved a US\$2M loan to Demerara Bank Limited. This transaction should help the borrower start diversifying its sources of funding and also represents the IIC's first such lending to a financial intermediary in Guyana. This is especially important in Guyana, where long term foreign currency financing for such businesses is not available, for financial intermediation to benefit private sector development, financial institutions first need access to longer term sources of funding. Demerara Bank expects that at least ten small

and medium size entities will benefit over the life of the loan.

Guyana will have its first modern cold-storage facility at the main port of entry, the Cheddi Jagan International Airport, Timehri within two weeks following a joint venture among the Governments of Guyana and the United States and the Laparkan Group of Companies.

The Ministry of Culture, Youth and Sport has paid over to the Ministry of Finance the sum of US\$598,000 (approximately \$119.6M) on the \$165.7M the government had taken from the Consolidated Fund to advance Buddy's International Hotel for the purchase of its rooms for Cricket World Cup 2007.

Recommendations from the National Insurance Reform Committee's Report state that over the next five years, the National Insurance Scheme (NIS) should target moving 30 per cent of its assets/ investments into a foreign investment that includes both regional and extra-regional sources. But the phasing of such a move should take into consideration monetary and exchange rate stability, the study cautioned. Its major recommendation is extending the pensionable age from the present 60 years to 65.

The report said that the investment policy for the NIS reserves should be based on prudent principles and the appropriate quantitative restrictions and that it should take into account the concepts of risk management, diversification and dispersion, currency matching, and duration and maturity.

CWC 2007 netted an overall profit of US\$53.9 million, according to the audited report of the ICC Cricket World Cup West Indies 2007 Incorporated (CWC 2007). The profit is believed to be the highest ever recorded in the history of the CWC.

Guyana has not as yet received its audited report from the Auditor General's Office, Minister of Culture, Youth and Sports said when asked when the cost of Guyana hosting six Super Eight matches in the CWC 2007 tournament would be made known. According to the audited report of the CWC 2007, the audited ticket sales amounted to US\$31.4 million, also believed to be the highest recorded in the history of the sporting event. Of the US\$53.9 million, US\$29.3 million was paid out to the Local Organizing Committees (LOCs) on behalf of the Caribbean governments. The WICB will also be sharing 25% of its profit portion, that is, US\$24.6 million, with the territorial cricket boards.

The Minister of Finance at the closing ceremony of the National Economic Survey 2007/2008 training of the enumerators noted the importance of the survey to the rebasing of the national accounts, which will allow for

more accurate measuring of economic activity conducted in Guyana. The survey will also allow for the capture of key economic and social indicators which constitute a critical element of the mandate of the Bureau of Statistics and the Government in measuring economic and social activity. The current base year of the country's national accounts is 1988; the rebasing will be done to base year 2006.

The National Economic Survey 2007/2008 is being executed by the National Accounts Division of the Bureau of Statistics.

***Bureau of Statistics
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