

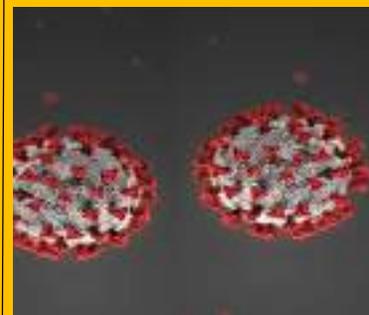
TRADE WATCH MAGAZINE



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Implications of the spread of the
novel Coronavirus (COVID-19) on
Guyana's Trade Flows:
Preliminary Analysis



A NOTE FROM THE PUBLISHER

The outbreak of the novel Coronavirus (COVID-19), first reported in Wuhan, China in December 2019 was declared a pandemic on March 11, 2020. The United Nations Industrial Development Organization (UNIDO)¹ describes the outbreak of the coronavirus as one of the biggest shocks to the global economy in recent decades, encompassing both a demand and supply shock. This has already led to recessionary impacts across the globe. JP Morgan² posit that the pandemic will have pushed the world economy into a 12% contraction over January to March, while Oxford Economics³ predicts a rate of global growth of 0% for 2020, the second weakest rate in almost 50 years. The IMF predicts a contraction of 3%.⁴

Global trade was already slowing down before the coronavirus outbreak. The volume of world trade in goods fell by 0.4% in 2019, its first drop since the global financial crisis of 2008/09. This was largely the result of the progressive build-up of trade barriers since early 2018 (mainly between the United States and China) and its ripple effect on highly interconnected global value chains. Owing to the sharp downward revision of growth for the global economy, it seems increasingly likely that the volume of global trade will contract for a second consecutive year.

The outbreak of the COVID-19 virus will undoubtedly affect Guyana. Guyana is a very open economy, with a trade-to-GDP ratio of approximately 96% (2018). Guyana is therefore heavily reliant on the international market.

To this end, in this Issue of the Trade Watch magazine we have undertaken an analysis of the possible channels through which we can anticipate that the spread of the novel COVID-19 virus will impact Guyana's trade based primarily on global trends. In forthcoming issues, we will report on the actual impacts based on the experiences of Guyanese traders.

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¹ UNIDO. 2020. Coronavirus: the Economic Impact. Viewed at; <https://www.unido.org/stories/coronavirus-economic-impact>

² World Economic Forum. Viewed at; <https://www.weforum.org/agenda/2020/03/take-five-quarter-life-crisis/>

³ OxfordEconomics. Coronavirus Watch. Understand the Economic Impact of the Coronavirus. April 2020. Viewed at; <http://blog.oxfordeconomics.com/coronavirus>

⁴World Economic Outlook on World GDP growth rate. Viewed at: <https://www.imf.org/en/Publications/WEO>

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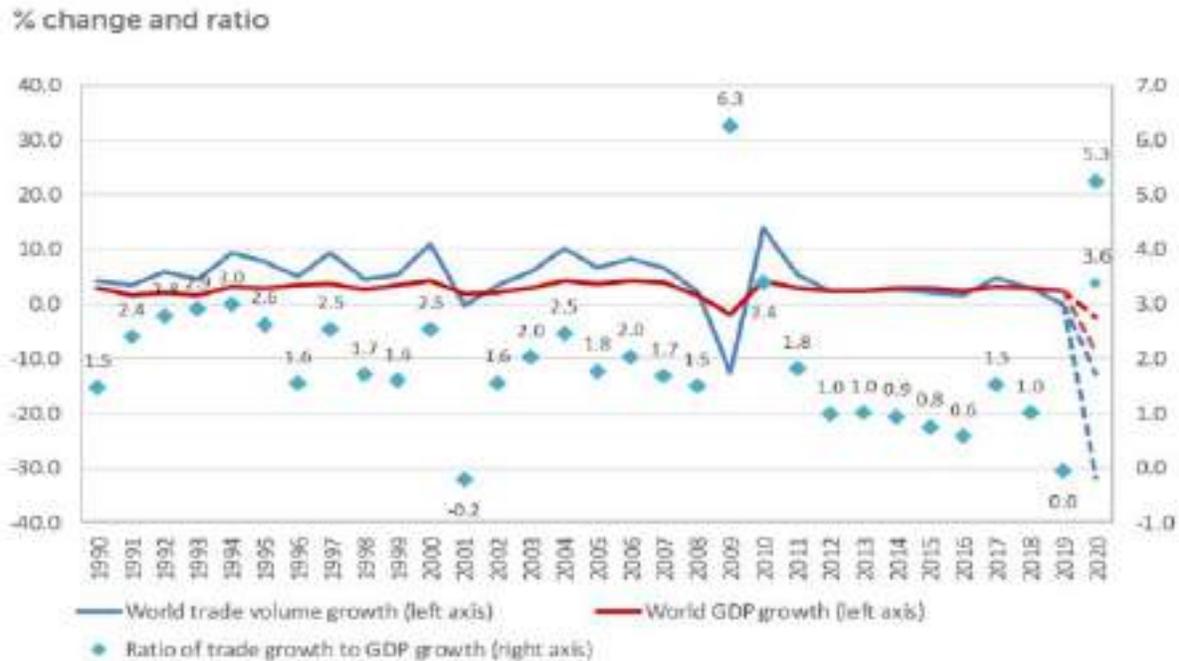
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An advertisement for "Great Tasting CHICKEN". The main image shows a whole roasted chicken on a grill. In the top right corner, there is a circular logo featuring a cartoon character and the text "BOUNTY FARM LTD. GUYANA". Below the chicken, the text reads: "Great Tasting CHICKEN." followed by contact information: "231-8812 | 227-4869 | 227-0335", "bountygt@jff-ltd.com", and "Bounty Farm Ltd, Timehri E.B.D.".

GLOBAL TRADE IMPACTS OF COVID-19

Global GDP and trade have already begun to feel the effects of the spread of the novel COVID-19 virus across the globe. In the figure below, the World Trade Organization divulge that global GDP, world trade volume and the ratio of trade to GDP will all experience negative growth in 2020.



Source: WTO Secretariat for trade and consensus estimates for historical GDP. Projections for GDP based on scenarios simulated with WTO Global Trade Model.

As a highly open economy, Guyana’s trade will be affected by the global spread of the virus, both negatively and positively, with the former effects dominating.

For Guyana, the impacts will be direct through measures adopted locally to restrict interaction; through spillover effects directly from China; and indirectly through contagion effects through China’s impact on other countries with which Guyana trades. The sections that follow summarizes the key channels through which the spread of the virus will affect Guyana’s trade.

1. Disruption to Demand in Key Import Markets

There are three potential demand effects for Guyanese goods.

Firstly, reduced demand for consumer goods. Widespread lockdowns and “social distancing” measures in key import markets to “flatten the curve” will cause negative short-term impacts on consumer spending in those markets. This is because lockdowns are likely to lead to unemployment for some income groups, reduced income for others, and lower discretionary spending. The result is a greater prioritizing of saving over spending and as a consequence, lower demand for consumer goods.

Several of Guyana’s key import markets are projected to experience negative growth rates. This includes the United States which is predicted to contract by 5.9%, the Caribbean and Latin America, projected to contract by 4.6% and the United Kingdom by 6.5%. (See table below).

Table 1: 2020 GDP growth projections (% change)

| Countries | 2020 Growth Rate (projections) |
|--------------------------|--------------------------------|
| United States of America | -5.9 |
| Spain | -8.0 |
| Italy | -9.1 |
| Germany | -7.0 |
| France | -7.2 |
| United Kingdom | -6.5 |
| China | 1.2 |
| LAC | -4.6%* |

Source: <https://www.imf.org/en/Countries/>

*World Bank estimate

Guyana does not have a large manufacturing capacity where consumer goods are concerned. However, food industries such as Beverages and Spirits may be negatively affected due to the closure of restaurants and bars. Based on forecasts by Oxford Economics, Accommodation, Food services and Retail are among the industries in the United States which will experience the largest job losses with a combined total of 12.8 million jobs being lost.

Secondly, a drop in commodity prices and deteriorating terms of trade will have a negative impact on Guyana’s income. Oil prices, which have already been declining (approximately US\$30 per barrel) due to supply shocks, will likely slump further due to demand shocks concomitant with reduced economic activities, particularly in China which accounts for approximately 14% of global demand. This could pose a setback to Guyana’s earnings as a new oil exporter.

In a report released this month on the impact of COVID-19 on the Caribbean region, the Inter-American Development Bank (IDB) said the pandemic coupled with low oil prices and Guyana's elections conflict are expected to have deep implications for the country's revenue outlook and GDP growth estimates for 2020.

According to the IDB, under oil price scenarios varying between US\$20/barrel and US\$35/barrel, the estimated value of oil exports (US\$2.4 billion) could decline by 40% – 60%, leading to terms-of-trade effects affecting the GDP growth estimate. Guyana's expected oil-related revenues (US\$230 million) could decline by 15% – 40%, which would be the main impact on Guyana from the oil price fall-out.

Thirdly, Guyanese suppliers of intermediate goods and raw materials are also likely to experience reduced demand from countries that are experiencing disruptions in manufacturing activities such as the food industry. Among the countries whose manufacturing sector has been affected by the virus, according to IBIS world⁵, are some of Guyana's major import partners including; Canada, Germany and the United States.

The tables below show Guyana's exports to China, Canada, the United Kingdom and the USA. Based on the table, the export sectors most likely to be affected in Guyana are Bauxite, Wood and articles of wood, fish and crustaceans, live animals, beverages and spirits, rice and sugar. In 2018 for instance, Guyana's main export to China was US\$9,588 (000) worth of wood and articles of wood, wood charcoal.

Table 2: Guyana's Exports to China, 2018

| Product Code | Product Line | Value in 2018, US Thousand Dollars |
|---------------------|--|---|
| 'TOTAL | All products | 21,774 |
| '44 | Wood and articles of wood; wood charcoal | 9,588 |
| '26 | Ores, slag and ash | 7,586 |
| '03 | Fish and crustaceans, molluscs and other aquatic invertebrates | 3,903 |
| '01 | Live animals | 487 |
| '95 | Toys, games and sports requisites; parts and accessories thereof | 116 |
| '72 | Iron and steel | 48 |
| '84 | Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof | 31 |
| '76 | Aluminum and articles thereof | 11 |

Source: ITC calculations based on UN COMTRADE statistics.

⁵ IBISWorld. Coronavirus update: Industry Fast Facts. Viewed at: <https://www.ibisworld.com/industry-insider/coronavirus-insights/coronavirus-update-industry-fast-facts/>

Table 3: Guyana's Exports to Canada

| Product Code | Product Line | Value in 2018, US Thousand dollars |
|---------------------|---|---|
| 'TOTAL | All products | 399,412 |
| '71 | Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ... | 384,851 |
| '22 | Beverages, spirits and vinegar | 9,257 |
| '03 | Fish and crustaceans, molluscs and other aquatic invertebrates | 2,841 |
| '26 | Ores, slag and ash | 527 |
| '84 | Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof | 415 |
| '19 | Preparations of cereals, flour, starch or milk; pastry cooks' products | 343 |
| '08 | Edible fruit and nuts; peel of citrus fruit or melons | 214 |
| '07 | Edible vegetables and certain roots and tubers | 201 |
| '09 | Coffee, tea, maté and spices | 148 |
| '90 | Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ... | 148 |

Source: ITC calculations based on UN COMTRADE statistics.

Table 4: Guyana's Export to the United States of America

| Product Code | Product Line | Value in 2018, US Thousand Dollars |
|---------------------|--|---|
| 'TOTAL | All products | 228,480 |
| '71 | Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ... | 70,083 |
| '03 | Fish and crustaceans, molluscs and other aquatic invertebrates | 48,345 |
| '26 | Ores, slag and ash | 35,835 |
| '17 | Sugars and sugar confectionery | 26,331 |
| '88 | Aircraft, spacecraft, and parts thereof | 22,553 |
| '22 | Beverages, spirits and vinegar | 7,933 |
| '44 | Wood and articles of wood; wood charcoal | 7,259 |
| '86 | Railway or tramway locomotives, rolling stock and parts thereof; railway or tramway track fixtures ... | 2,214 |
| '73 | Articles of iron or steel | 1,739 |
| '19 | Preparations of cereals, flour, starch or milk; pastry cooks' products | 1,196 |

Source: ITC calculations based on UN COMTRADE statistics.

Table 5: Guyana's Exports to the United Kingdom

| Product Code | Product Line | Value in 2018, US Thousand Dollars |
|---------------------|--|---|
| 'TOTAL | All products | 46,945 |
| '17 | Sugars and sugar confectionery | 27,970 |
| '22 | Beverages, spirits and vinegar | 14,383 |
| '10 | Cereals | 1,993 |
| '44 | Wood and articles of wood; wood charcoal | 1,505 |
| '26 | Ores, slag and ash | 529 |
| '86 | Railway or tramway locomotives, rolling stock and parts thereof; railway or tramway track fixtures ... | 162 |
| '19 | Preparations of cereals, flour, starch or milk; pastry cooks' products | 73 |
| '33 | Essential oils and resinoids; perfumery, cosmetic or toilet preparations | 58 |
| '30 | Pharmaceutical products | 57 |
| '40 | Rubber and articles thereof | 48 |

Source: ITC calculations based on UN COMTRADE statistics.

2. *Reduction in Supply of Intermediate Inputs*

Production across countries has also become more integrated due to increased trade in parts and components, as firms outsource as a cost-lowering strategy. Therefore, another short-term effect of the spread of the coronavirus is the potential shortage of intermediate goods and raw materials due to supply disruptions in global production and supply chains, first starting with China but expanding as the virus spreads. Oxford Economics⁶ predicts that global industrial production will contract by 2% for 2020. UNCTAD⁷ also predicts that China's supply of intermediate goods will reduce by 2% for 2020. Further, the National Bureau of Statistics of China has revealed that industrial production in China contracted by 13.5% between January and February, 2020. (See figure below).

Approximately 20% of global trade in intermediate inputs for manufacturing originates from China. This can result in imported inflation as reduced supply is likely to lead to price increases, resulting in an increase in the cost of production for Guyanese firms, with other spillover effects on workers and consumers.

This is of far greater concern than the impact on final consumer goods because approximately 78% of Guyana's imports are intermediate consumption goods, that is, goods that are inputs into the production of other goods for domestic consumption and exports. If those intermediate goods are not available or prices are too high because of a shortage in supply, then production in Guyana will suffer with the attendant consequences of job loss and income loss. That is in addition to the physical disruption of local production as a result of the need to lockdown the country to protect people and workers from spreading the virus.

The extent of the impact of reduced supply of intermediate inputs on Guyanese firms however, is dependent on how reliant they are on inputs from China and other countries more hard-hit by the virus. According to Baldwin and Tomiura (2020)⁸ the hardest hit countries (China, USA, Spain, Italy, United Kingdom, Brazil) account for the majority of Global GDP, manufacturing and exports. Some of the countries, including China, the US and Canada are important trading partners of Guyana both as destination markets for final goods and as import markets for intermediate inputs and raw materials. (See table below). Collectively, with the inclusion of CARICOM, they account for over 70 percent of our GDP. The extent to which the global crisis hits those countries will cause the crisis to have an impact on our production (through contagion effects). Experts

⁶ OxfordEconomics. Coronavirus Watch. Understand the Economic Impact of the Coronavirus. April 2020. Viewed at; <http://blog.oxfordeconomics.com/coronavirus>

⁷ UNCTAD. 2020. Global Trade Impact of the Coronavirus (COVID-19) epidemic. Viewed at; <https://unctad.org/en/PublicationsLibrary/ditcinf2020d1.pdf>

⁸ Baldwin, Richard and Eiichi Tomiura. Economics in the time of COVID-19. VOX CEPR Policy Portal. Viewed at; <https://voxeu.org/content/economics-time-covid-19>

suggest that the economic impact (a great decline in GDP) could range from 2.1% in Japan to 9% in the EU. The US can decline as much as 5.9%.

Table 6: Countries around the world with the highest number of cases.

| Countries | Number of Confirmed cases as at, April 21, 2020 |
|--------------------------|---|
| United States of America | 751,273 |
| Spain | 200,210 |
| Italy | 181,228 |
| Germany | 143,457 |
| France | 113,513 |
| United Kingdom | 124,747 |
| China | 84,253 |

Source: World Health Organization

The tables below show Guyana's imports from China, USA, United Kingdom and Canada. The tables confirm that these are key markets for intermediate inputs. In 2018, Guyana's leading imports from China was US\$30,086 (000) worth of electrical machinery and equipment and parts thereof, followed by uS\$26,788 (000) worth of machinery, mechanical appliances, nuclear reactors, boilers; parts thereof.

Table 7: Guyana' Imports from China

| Product code | Product Line | Value in 2018. US Thousand dollars |
|---------------|---|------------------------------------|
| 'TOTAL | All products | 219,933 |
| '85 | Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ... | 30,086 |
| '84 | Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof | 26,788 |
| '87 | Vehicles other than railway or tramway rolling stock, and parts and accessories thereof | 25,550 |
| '39 | Plastics and articles thereof | 13,205 |
| '73 | Articles of iron or steel | 13,147 |
| '93 | Arms and ammunition; parts and accessories thereof | 12,749 |
| '40 | Rubber and articles thereof | 7,935 |
| '94 | Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; ... | 7,026 |
| '89 | Ships, boats and floating structures | 6,125 |
| '72 | Iron and steel | 6,120 |
| '62 | Articles of apparel and clothing accessories, not knitted or crocheted | 5,607 |

Sources: ITC calculations based on UN COMTRADE statistics.

Table 8: Guyana's Imports from United Kingdom

| Product Code | Product Line | Value in 2018, US Thousand Dollars |
|---------------------|---|---|
| 'TOTAL | All products | 35,091 |
| '87 | Vehicles other than railway or tramway rolling stock, and parts and accessories thereof | 10,009 |
| '84 | Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof | 7,941 |
| '85 | Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ... | 3,034 |
| '40 | Rubber and articles thereof | 1129 |
| '30 | Pharmaceutical products | 962 |
| '73 | Articles of iron or steel | 947 |
| '49 | Printed books, newspapers, pictures and other products of the printing industry; manuscripts, ... | 861 |
| '39 | Plastics and articles thereof | 835 |
| '90 | Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ... | 816 |
| '18 | Cocoa and cocoa preparations | 720 |

Sources: ITC calculations based on UN COMTRADE statistics.

Table 9: Guyana's Imports from the United States

| Product Code | Product Line | Value in 2018, US Thousand Dollars |
|---------------------|---|---|
| 'TOTAL | All products | 2,279,541 |
| '89 | Ships, boats and floating structures | 1,525,296 |
| '38 | Miscellaneous chemical products | 139,496 |
| '84 | Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof | 125,321 |
| '88 | Aircraft, spacecraft, and parts thereof | 64,079 |
| '27 | Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ... | 58,365 |
| '85 | Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ... | 49,616 |
| '73 | Articles of iron or steel | 33,931 |
| '10 | Cereals | 23,544 |
| '87 | Vehicles other than railway or tramway rolling stock, and parts and accessories thereof | 21,460 |
| '39 | Plastics and articles thereof | 20,761 |

Sources: ITC calculations based on UN COMTRADE statistics.

Table 10: Guyana's Imports from Canada

| Product Code | Product Line | Value in 2018, US thousand Dollars |
|---------------------|---|---|
| 'TOTAL | All products | 34,160 |
| '84 | Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof | 9,805 |
| '10 | Cereals | 4,793 |
| '85 | Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ... | 2,968 |
| '88 | Aircraft, spacecraft, and parts thereof | 1,766 |
| '73 | Articles of iron or steel | 1,699 |
| '87 | Vehicles other than railway or tramway rolling stock, and parts and accessories thereof | 1,357 |
| '39 | Plastics and articles thereof | 1,191 |
| '48 | Paper and paperboard; articles of paper pulp, of paper or of paperboard | 1,002 |
| '07 | Edible vegetables and certain roots and tubers | 965 |
| '82 | Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal | 887 |

Sources: ITC calculations based on UN COMTRADE statistics.



3. Reduced Access by Guyanese to Key Consumer Goods and Health Supplies

Following the immediate announcement of the virus assuming the status of a global pandemic, and Guyana registering its first death, there was an almost immediate escalation of prices of critical sanitation and health goods by some local retailers and distributors, partially driven by expectations of shortages due to ‘panic’ buying. This perception soon became reality consequent to prohibitions on the exportation of protective medical equipment and supplies such as ventilators, surgical/disposable masks, raw textiles for masks and coveralls and sanitizers, imposed by countries such as India, Indonesia, Thailand, the United States of America and Germany in a bid to hoard goods for domestic supply.

Export restrictions have extended to the food market. In response to ‘panic’ buying by consumers, countries have sought to stockpile food items by restricting exports. Noteworthy are Russia for wheat, Vietnam for Rice and Thailand for eggs. This will lead to higher prices and shortages for countries that rely on exports from these markets. Fortunately, none of these countries are important trading partners of Guyana for those products. However, if the effect is an increase in global prices for grains, as alluded to by the financial times⁹, this may be to the advantage of rice exports from Guyana.

Apart from export restrictions, the increase in domestic demand for key consumer commodities in foreign markets and resulting export pessimism, is also an avenue through which Guyanese will be affected. On the one hand, it may lead to a shortage and higher prices for key food items sourced from foreign markets. For Guyana, potatoes, onions and garlic are key import commodities that form part of the average family’s food basket.

Motor vehicles is also a key import commodity of Guyana which may exhibit price increases. UNCTAD¹⁰ has predicted that automotive will be one of the top three industries that will experience reduced investment. The Institute for Economic Research (IFR) has also pointed to plummeting demand globally in addition to production cuts Germany, a leading auto manufacturer. (See figure).

On the flip side, increased demand in foreign markets may also be to the advantage of Guyanese exporters of products such as rice, sugar, fish and condiments.

⁹ Countries follow consumers in stockpiling food | Financial Times. April 5, 2020. Viewed at <https://www.ft.com/content/5c8cbc60-aec0-4f3d-b0e2-a5e44f0c6f74>

¹⁰ UNCTAD. 2020. Global Trade Impact of the Coronavirus (COVID-19) epidemic. Viewed at; <https://unctad.org/en/PublicationsLibrary/ditcinf2020d1.pdf>

4. *Lower Domestic Production and Increased Unemployment*

In addition to lower access to intermediate inputs, domestic production in Guyana may also be affected by national measures to promote “social distancing”, and potentially from the rise in the number of persons infected. These measures reduce labour supply which will ultimately lead to a contraction of economic activities, *albeit* some domestic producers such as Denmor, are exploring opportunities for the production of face masks to meet local demand.

The International Labour Organisation (ILO)¹¹ predicts that there will be an increase in global unemployment due to decreased labour demand, consequent to government- induced lockdowns. It further predicts that young people and women are more likely to be affected as they are more vulnerable to decreased labour demand. Women’s susceptibility is due to their disproportionate representation in sectors most likely to be affected such as restaurant and recreation services etc. due to lower private spending on non-essential services. For Guyana, this means that any unemployment may be felt more among private sector activities related to tourism and possibly agro-processing where there is reduced import demand.

As Guyana is a supplier of labour to the global market through migratory flows, economic effects abroad will also likely lead to lower opportunities for Guyanese migrants abroad which may affect the flow of remittances to Guyana. The World Bank has already projected that remittances to Latin America and the Caribbean will reduce by about 20% in 2020 due to the economic effects of the spread of COVID-19 in host countries.¹² The projected fall, once materialized, could be seen as the sharpest reduction in recent history with severe impact on vulnerable communities in recipient countries.

¹¹ International Labour Organisation. Social Protection Responses to the COVID-19 Crisis. March 25, 2020. Viewed at; https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/briefingnote/wcms_739587.pdf

¹² World Bank Predicts Sharpest Decline of Remittances in Recent History. April 22, 2020, Viewed at; <https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history>

5. *Disruption of trade in Services*

Several services sectors have already been severely affected by COVID-19 response measures adopted by countries. For instance, travel restrictions, national curfews against non-essential services and the closure of ports have paralyzed the airline industry, and halted tourism services, other industries affected include retail and distribution, cultural and entertainment and sporting services. According to the Organization for Economic Cooperation and Development (OECD), the international tourism economy could contract by between 45 and 70% over 2020-2021, depending on the duration of the crisis and the speed of the sector's recovery.

Tourism will be the hardest hit sector for Guyana, as well as entertainment service providers, particularly musicians.

Some services sector have benefitted from the spread of the pandemic. Noteworthy, the acceleration in digitization has led to increased substitution of other modes of supply for more mode 1 (cross-border supply) activities which means increased opportunities for ICT service providers. The education sector for instance has been forced into virtual classroom placing demand on ICT services providers.¹³ There has also been an increase in online retailing.

¹³ https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/briefingnote/wcms_742025.pdf

6. *Reduced Foreign Direct Investment (FDI)*

The global economy has already experienced capital flight with some countries experiencing a reversal of international investment. For instance, while US\$79bn had flowed into some emerging markets such as China, India, South Africa and Brazil among others, in just two months (January to February) US\$70bn had flowed out of those countries.¹⁴

UNCTAD¹⁵ estimated that global FDI will reduce by 30 to 40% during 2020 to 2021. This is a revised upward estimate from the initial 5 to 15% predicted in early March. The sectors predicted to be hardest hit are energy (-208%), airlines (-116%) and automotive (-47%). The factors that will account for lower investment are risk aversion, disruption to supply chains and lower reinvested earnings due to lower profits in countries most affected.

Guyana has already experienced some reduction in investment in the oil and gas industry due to ExxonMobil reducing capital expenditure for 2020 by 30%, from US\$33 billion to US\$23 billion. This could be compounded where other firms delay planned investment in Guyana.

¹⁴ New York Times. March 24, 2020. In World's Most Vulnerable Countries, the Pandemic Rivals the 2008 Crisis. Viewed at; <https://www.nytimes.com/2020/03/24/business/coronavirus-per-country-pandemic.html>

¹⁵ UNCTAD. 2020. Global Trade Impact of the Coronavirus (COVID-19) epidemic. Viewed at; <https://unctad.org/en/PublicationsLibrary/ditcinf2020d1.pdf>

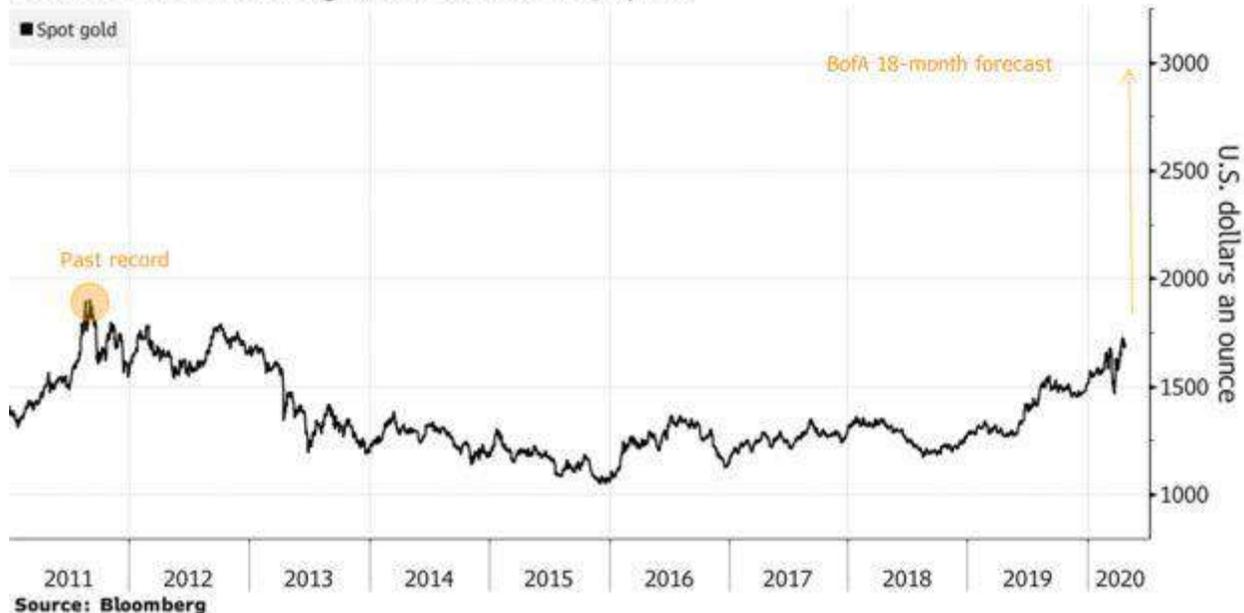
7. Rise in Gold Prices

With the coronavirus spreading rapidly, global financial markets will also be affected by the increased risk aversion and flight-to-liquidity. The financial market stress will invariably affect exchange rates, which could be compounded by fiscal and monetary stimulus packages pursued by countries to shore up economies affected by the coronavirus. However, herein lies an opportunity for Guyana's trade as investors are likely to turn to gold to protect their assets. With a strong demand for gold, demand for Guyana dollars to buy gold will increase. Therefore, the foreign exchange market will have a limited impact on Guyana.

Further, Guyana can potentially see an increase in foreign exchange earnings over the next 18 months. For the last decade gold has been Guyana's leading foreign exchange earner, accounting for just over 50% of export revenues. The price of gold has risen by 12% since January, 2020 and is projected to reach US\$3,000 per ounce over the next 18 months. (See figure below).¹⁶ This price increase could see a further increase in gold foreign earnings which could offset some of the negative impacts that may be caused by unfavorable prices in other export commodities.

Bullish Bet

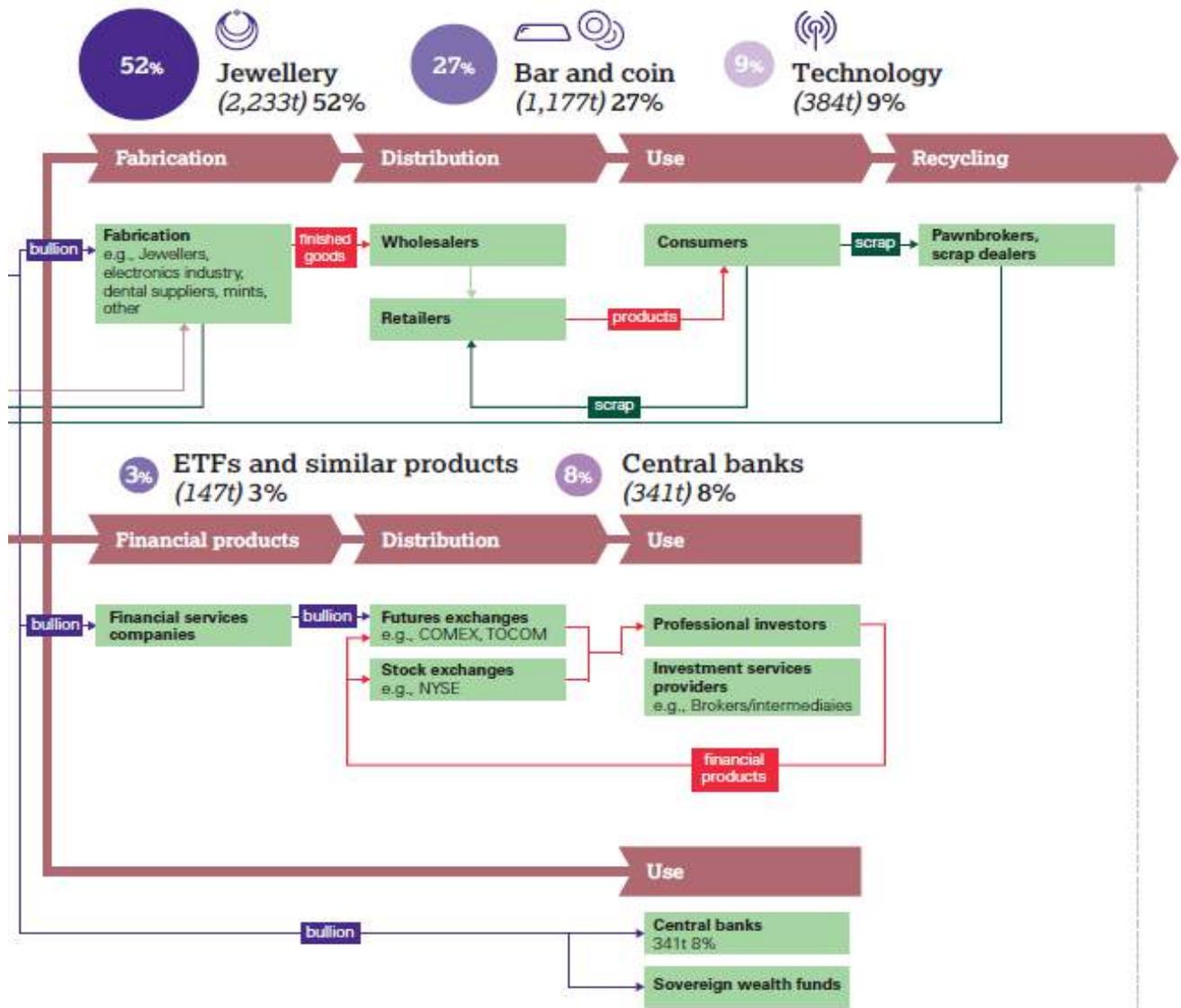
BofA sees chance for gold to hit record \$3,000



Also noteworthy to incentivize value-added in the industry is the fact that over the period 2008 to 2017, 52% of annual global demand for gold has been for jewelry, 27% for bar and coin; 9% for technology; 3% for ETFs and similar products; and 8% by Central banks. (See figure below).

¹⁶ Gold to Reach \$3,000—50% Above Its Record, Bank of America Says. April 21, 2020. Viewed at: <https://www.bloomberg.com/news/articles/2020-04-21/bofa-raises-gold-target-to-3-000-as-fed-can-t-print-gold>

Total annual demand (10-year average, 2008-2017) 4,282 tonnes



Gold market structures and flows

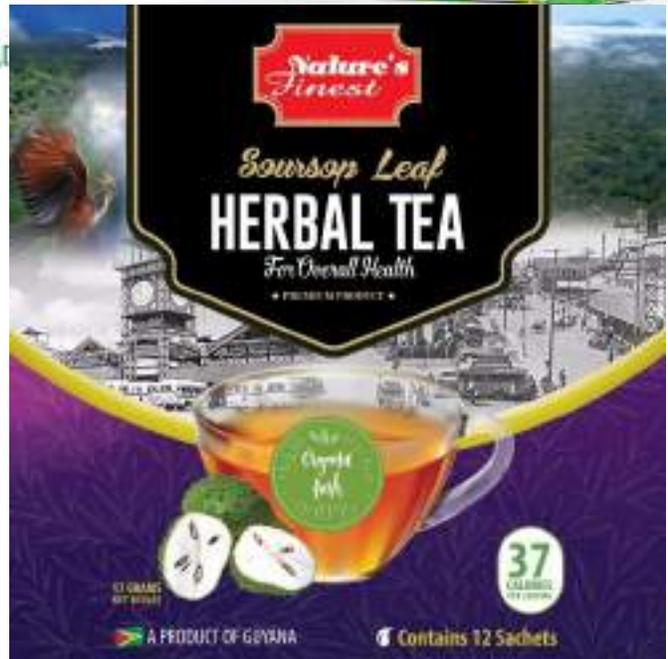
Source: World Gold Council

100%
HERBAL


TRANQUILITEA
DON'T MAKE WAR. MAKE TEA.



TEASAM



Guyanese herbal tea

TRADE POLICY DIRECTIONS FOR GUYANA

The quick and aggressive spread of the coronavirus, along with uncertainty regarding its effective containment, has created similar uncertainty in the economic sphere. This could result in the aforementioned short-term effects being prolonged and worsened. Uncertainty will affect business confidence and willingness to invest, which could also affect the pace and strength of economic recovery. It is therefore important that Guyana takes the necessary policy actions to minimize the social and economic fallout.

Among the menu of policy options, trade policy is important in ensuring the consistent cross-border flow of goods and services that consumers and businesses require to reduce losses, sustain standard of living, and quickly return to pre-outbreak consumption and production trends.

Given Guyana's role in the CARICOM Single Market and Economy and the fact that the effects of the pandemic are being felt throughout the region, in addition to national fiscal and monetary policy measures already being undertaken, Guyana will collaborate with regional partners towards a coordinated trade policy response. In this regard, Guyana will pursue the following policy options:

1. Suspension of the Common External Tariff on key consumer commodities considered an average basket for Guyanese.
2. Suspension of the Common External Tariff on key input and intermediate commodities required by businesses to boost production.
3. Remain engaged in regional dialogues and implement initiatives aimed at increasing food security.

CARICOM SINGLE MARKET AND ECONOMY (CSME): REGIONAL POLICY RESPONSES

The outbreak of the novel Coronavirus (COVID-19), poses a real risk to the CARICOM Region, since the virus can potentially reverse the economic gains achieved by CARICOM member states and adversely impact the lives and livelihood of its citizens.

The economic effects of the pandemic poses a setback to the attainment of the regional integration goal as envisage under the CSME. In particular, the movement of people, whether for leisure or work has been effectively curtailed, the impact of production and employment across the region due to “national and regional lockdowns” could affect the attainment of regional food security as well as, delayed implementation of initiatives to effect the CSME due to a slowdown of the operations of “non-essential” public services.

In an effort to address the effects of the COVID-19 in the region, the 9th Special Emergency Meeting of the Conference of Heads of Government of CARICOM was convened on April 15, 2020. The Meeting which was chaired by the Honorable Mia Mottley, Prime Minister of Barbados with lead responsibility for the CSME, articulated a “*Regional Response to COVID-19*” taking into account the economic analysis of the impact of COVID-19 on regional economies.

The following were among the key decisions agreed to at the meeting:

1. CARICOM to establish a common Public Health Protocol to fight against COVID-19. The proposed document to be developed, will be collaborated effort between the Caribbean Public Health Agency (CARPHA) and the World Health Organization and will be review by the respective Ministers of Public Health and the Chief Medical Officers, prior to approvals of Heads.
2. A establish a common Protocol on Food Security. The Committee on Food Security to commence work immediately since food security is critical to the region’s sustainability. The proposed Protocol will be reviewed by the respective Ministers of Agriculture before adoption by the Heads.
3. To re-establish a common Protocol on Intra-regional Transport for movement among member states. This will include the collaboration among the regional airlines, civil aviation, IMPACS, et al. The Ministers of Transport will review prior to approval by Heads.
4. It was agreed that the Ministers of Finance will meet to deliberate on what concessions to financing can be accessed from the International Financial Institutions particularly the IMF and World Bank and that there be a harmonized approach through the chair of CARICOM on behalf of each member state whether it be for grant support or debt standstill inter alia, to the International Financial Institutional to aid the region in its fight against the COVID-19 taking in to account the region’s pre-existing peculiar challenges.

5. The robustness of the digital economy as well as national and regional security matters to be addressed.

Note: a joint procedure was also proposed with respect to the procurement of goods for China particularly as it relates to medical supplies to aid in the fight of COVID-19.

The Heads of Government are expected to meet within a matter of two weeks to consider and deliberate the harmonized approaches the region will adopt in the fight against the novel coronavirus and to ensure the further sustainability of CARCIOM as the region moves towards a single market and economy.



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