SPHEREX STRATEGIC INTELLIGENCE | MACRO-FINANCIAL POLICY NOTE

# Cooling the Cost-of-Living Pressure

## Guyana's Early Overheating Signals and the Policy Path to Protect Growth

*Consumer behaviour can change where and how households spend. It cannot explain broad-money expansion, fiscal demand, excess liquidity or weak monetary transmission. The policy question is how to cool demand early—without breaking the development trajectory.*

**Joel Bhagwandin** | Director, Financial Advisory & Strategy | SphereX Professional Services Inc.

**CENTRAL THESIS: Guyana is not yet in an uncontested, economy-wide overheating episode. But the same demand-risk channel flagged in the author's Budget 2026 analysis—rising incomes, accumulated savings, excess liquidity and the possibility of a shift from saving into consumption—is now appearing more clearly in the observed MPC and wider macro-financial data. Broad money, fiscal demand, bank liquidity, wage/FX pressures and the erosion of purchasing power now form a sufficiently coherent early-warning set. The appropriate response is a calibrated soft landing: sequence public spending to absorptive capacity, absorb excess liquidity, activate the interest-rate channel and build the financial architecture that converts savings into productive domestic assets.**

| 29.3% | 15.0% | 14.3 pp | 1.53× | 65.2% | 6.2% |
|---|---|---|---|---|---|
| M2 GROWTH<br>2025 | NON-OIL GDP GROWTH<br>nominal proxy, 2025 | MONETARY GAP<br>M2 less non-oil GDP | OBSERVED MPC<br>diagnostic—not structural | G$ VALUE RETAINED<br>Dec-09 to Jun-26 | UNEMPLOYMENT<br>2025 Q4 official |

*Research positioning. This note extends the author's doctoral research programme and the monetary-policy conference paper being prepared for the regional monetary studies conference hosted by the Central Bank of Belize. It should be read alongside SphereX's financial-market white paper and 2026 IMF review note.*

KEY INSIGHTS AND ACTION PRIORITY

## Key insights and immediate call to action

| ◉ SIGNAL | ▲ POLICY RISK | ⚙ ACTION |
|---|---|---|
| SphereX's Budget 2026 warning identified the savings-to-consumption risk before it fully materialized; broad money, excess liquidity, food prices, labour absorption and fiscal demand now show that the signal has strengthened. | Waiting for conclusive overheating proof may raise the adjustment cost. The correct threshold is pre-emptive calibration, not crisis response. | Institutionalize a quarterly macro-financial early-warning dashboard with fiscal sequencing, liquidity absorption, model validation and econometric testing. |

The immediate policy message is not to interrupt Guyana's growth trajectory, but to govern its marginal demand impulse more deliberately. A soft landing requires better sequencing of public investment, stronger market-based liquidity management, deeper savings channels, disciplined statistical upgrades and a standing institutional mechanism that converts early-warning signals into timely calibration.

# Table of contents


| | | |
|---|---|---|
| 01 | **Introduction and background** Why the cost-of-living debate requires a macro-financial frame | Page 3 |
| 02 | **Executive judgement** Early-warning signals and the soft-landing proposition | Page 4 |
| 03 | **Money, demand and household pressure** Monetary gap, labour absorption, MPC and purchasing power | Pages 5–8 |
| 04 | **Liquidity and market transmission** Bank liquidity, T-bill curve, sterilization and market pricing | Pages 9–11 |
| 05 | **Policy programme and institutional response** Fiscal sequencing, rebasing, dashboard and call to action | Pages 12–15 |
| 06 | **Methodology, AI disclosure and references** Evidence discipline, limitations and source base | Page 16 |


ACRONYMS USED IN THIS NOTE

BoG Bank of Guyana | BOS Bureau of Statistics | CPI Consumer Price Index | FX Foreign exchange | GDP Gross Domestic Product | IMF International Monetary Fund | M2 Broad money | MPC Marginal propensity to consume | MPS Marginal propensity to save | NRF Natural Resource Fund | T-bill Treasury bill

THE PROPOSITION

# Executive judgement

**Households are feeling cost-of-living pressure through food and everyday spending, but headline inflation and consumer behaviour do not tell the full story.** Shopping choices, eating-out patterns and retail margins may affect individual budgets; they do not explain the macro-financial signals now visible in Guyana: broad money running ahead of nominal non-oil output, large fiscal demand, excess liquidity, weak rate transmission, a compressed T-bill curve, tighter labour absorption, FX and wage pressures, and the cumulative erosion of purchasing power.

**This note builds on the author's earlier *Guyana's Budget 2026*** *: Fiscal & Investment Outlook (2026–2030)*, which documented a moderate average MPC of 0.61, an MPS of 0.39, declining loan-to-deposit ratios and excess liquidity.

**The warning then was that rising incomes and accumulated savings were not inflationary by themselves, but could become inflationary if households converted those balances into current consumption.** The 2025 observed MPC signal suggests that this behavioral shift is now emerging more clearly in the data.

**The principal divergence between the SphereX assessment and the IMF is therefore not over the existence of overheating risk or the policy instruments required to contain it, but over the diagnostic threshold.** The IMF has stated that clear overheating signals were not yet evident while also identifying overheating as a material downside risk and recommending vigilance over broad-money growth, excess liquidity, interest-rate transmission and further tightening if pressures intensify. SphereX contends that the combined 2025–2026 evidence now warrants moving from prospective risk monitoring to recognition of emerging overheating signals and measured pre-emptive calibration.

**The shift changes the interpretation of household demand.** A structural implied MPC remains the better parameter for multiplier and sensitivity analysis, but the observed MPC is the faster behavioral signal. It shows how quickly households may be converting income gains, transfers and savings balances into current consumption. In a small, import-dependent and capacity-constrained economy, that change can transmit through food prices, non-tradables, wage expectations, import demand, FX settlement pressure and market liquidity before headline indicators become conclusive.

**The policy question is whether the cost-of-living debate should remain framed mainly as household conduct or be treated as an early-warning macro-financial stability issue.** This note reaches the latter conclusion. The evidence does not prove runaway overheating or justify an abrupt hard landing. It is, however, coherent enough to warrant pre-emptive calibration: sequence public investment to absorptive capacity, absorb excess liquidity, rebuild market pricing, deepen savings channels, strengthen data infrastructure and protect vulnerable households without adding generalized demand.

**The central judgement is balanced: cool the impulse, not the ambition.** Guyana should protect high-return supply-enhancing investment while slowing low-readiness demand; use monetary-purpose instruments to absorb liquidity gradually; improve the T-bill curve as a market signal; and institutionalize a standing macro-financial dashboard. This is not austerity. It is disciplined sequencing so national transformation remains productive, less inflationary and more durable.

**SPHEREX JUDGEMENT: The evidence supports "emerging overheating signals," not runaway or conclusive overheating.** That distinction justifies early, measured policy action while rejecting both complacency and an abrupt hard landing. The monetary gap coincides with capital spending, excess liquidity, weak deposit-rate incentives, a thin interbank market, a compressed T-bill curve and household exposure to a higher price level. These channels help explain why households may feel more pressure than the latest annual headline inflation rate suggests.

## A balanced overheating test

| Signal | Evidence | SphereX model-tested assessment |
|---|---|---|
| ◉ **Money-demand gap** | M2 rose 29.3% in 2025 versus 15.0% nominal non-oil GDP growth in the SphereX Monetary Conditions and Inflation Pressure Model—a 14.3 percentage-point gap and 1.95× multiple. | Strong amber-to-red early-warning signal. |
| ▲ **Inflation** | Completed-year 2025 headline inflation was 2.5%; June 2026 headline and food inflation were 4.0% and 5.3%. | Pressure is rising but not yet broad evidence of runaway inflation. |
| ▣ **Output and capacity** | Non-oil growth remained exceptionally strong; labour and skills shortages, wage growth and construction intensity point to binding pockets of capacity. | Overheating can appear first in wages, construction, FX and non-tradables. |
| ◆ **Population and labour** | Population rose from 746,955 in 2012 to 878,674 in 2022; BOS estimated 956,044 by end-2024. Unemployment fell from 12.2% in 2017 Q4 to 6.2% in 2025 Q4. | Demand and labour absorption have accelerated; full employment still requires a wider test. |
| ● **Liquidity and rates** | Excess liquid assets were 48.2% of liquid assets in March 2026; small-savings and T-bill yields remained below inflation. | The system is liquid and the price signal is weak. |
| ⚑ **IMF cross-check** | The 2026 IMF statement was a staff concluding statement, not the full Article IV report. It said available indicators did not show clear overheating, while identifying overheating as a material downside risk. The fuller 2025 Article IV report noted broad-money growth materially exceeding nominal non-oil GDP growth and advised that broad money remain aligned with non-oil GDP—the same benchmark used in this note. | This strengthens the thesis without requiring a claim of IMF inconsistency. The IMF's prescriptions—liquidity management, stronger interest-rate transmission, reduction of excess liquidity where appropriate, deeper financial markets, and further tightening if overheating or imbalances emerge—recognize the same monetary, liquidity and transmission vulnerabilities examined by SphereX. **SphereX's narrower disagreement is that the combined evidence now meets the early-warning threshold for pre-emptive calibration, even if the IMF has not yet characterized the evidence as clear overheating.** |

**The key policy mistake would be to wait for every indicator to flash red.** Oil economies can move quickly from strong demand to inflation, import leakage, FX pressure and real appreciation. The soft-landing objective is to slow the marginal impulse while protecting high-return investments and vulnerable households.

**Guyana's adjustment should be a coordinated programme rather than a single monetary or fiscal gesture.** Fiscal sequencing must reduce the marginal demand impulse without undermining high-return infrastructure. Monetary operations must distinguish fiscal financing from monetary-purpose sterilization. The T-bill curve should be rebuilt gradually so liquidity has a clearer price, while financial-market deepening gives households, firms, pensions and insurers better domestic instruments for holding savings productively.

**The discipline now is timing:** Guyana should not slow transformation; it should govern the speed, sequencing and transmission of that transformation. Acting on the early-warning signals now can preserve the development trajectory while reducing the risk that today's demand strength becomes tomorrow's harder macroeconomic correction.

CONTEXT AND PURPOSE

# Introduction and background

**This macro-financial policy note is written for two audiences at once**: the public, who experience cost-of-living pressure through food, transport, housing and household budgets; and policymakers, who must diagnose the deeper monetary, fiscal, liquidity and market-transmission channels behind those pressures. It should also be read against the Budget 2026 analytical warning advanced by the author a year earlier: the concern was not only the size of the budget, but the risk that rising incomes and accumulated bank savings could become inflationary if households shifted decisively from saving to consumption. At the time, the MPC signal remained closer to 0.6, which suggested restraint; the current observed MPC reading now shows a much faster behavioral adjustment. The purpose is not to argue that Guyana is already in a runaway overheating episode. It is to show that the signals are now sufficiently coherent to warrant early, measured and coordinated action.

**The cost-of-living debate often begins with visible household behaviour**: where people shop, how frequently they eat out, how they substitute between brands, and how retailers set margins. Those behaviors matter, but they are not the whole economy. They do not explain broad-money expansion, excess bank liquidity, a compressed T-bill curve, weak interest-rate transmission, fiscal demand, labour absorption, FX settlement pressure or the cumulative erosion of purchasing power. A serious policy discussion therefore has to move from blame to system diagnosis.

**The note’s central proposition is simple: cool the impulse, not the ambition.** Guyana can protect its growth trajectory while moderating the marginal sources of demand pressure through better public-investment sequencing, deliberate liquidity absorption, improved monetary operations, deeper domestic savings channels, stronger market data and disciplined statistical upgrades. The policy standard should be pre-emption before stress becomes conclusive—not complacency until the adjustment becomes costly.

MONEY, DEMAND AND CAPACITY

# 1. The monetary gap is the clearest early-warning signal

The SphereX Monetary Conditions and Inflation Pressure Model places broad-money growth at 29.3% in 2025 and nominal non-oil GDP growth at 15.0%. This is approximately 1.95 times—not exactly twice—the pace of the domestic non-oil nominal economy. The resulting 14.3 percentage-point gap repeated the model's 2024 reading and follows gaps of 10.3 percentage points in 2023 and 21.1 percentage points during the 2020 contraction.

**The conceptual benchmark matters.** The correct monetary comparison is M2 growth against nominal non-oil GDP, not real growth alone, because the money stock is nominal. The IMF's 2025 Article IV used the same logic: its 2024 vintage reported 25.3% broad-money growth and 17.7% nominal non-oil GDP growth, a 7.6 percentage-point gap, and advised that broad money remain aligned with non-oil GDP. The SphereX model and IMF vintage differ in source timing and non-oil GDP levels; both point in the same direction, although the magnitude is not identical.

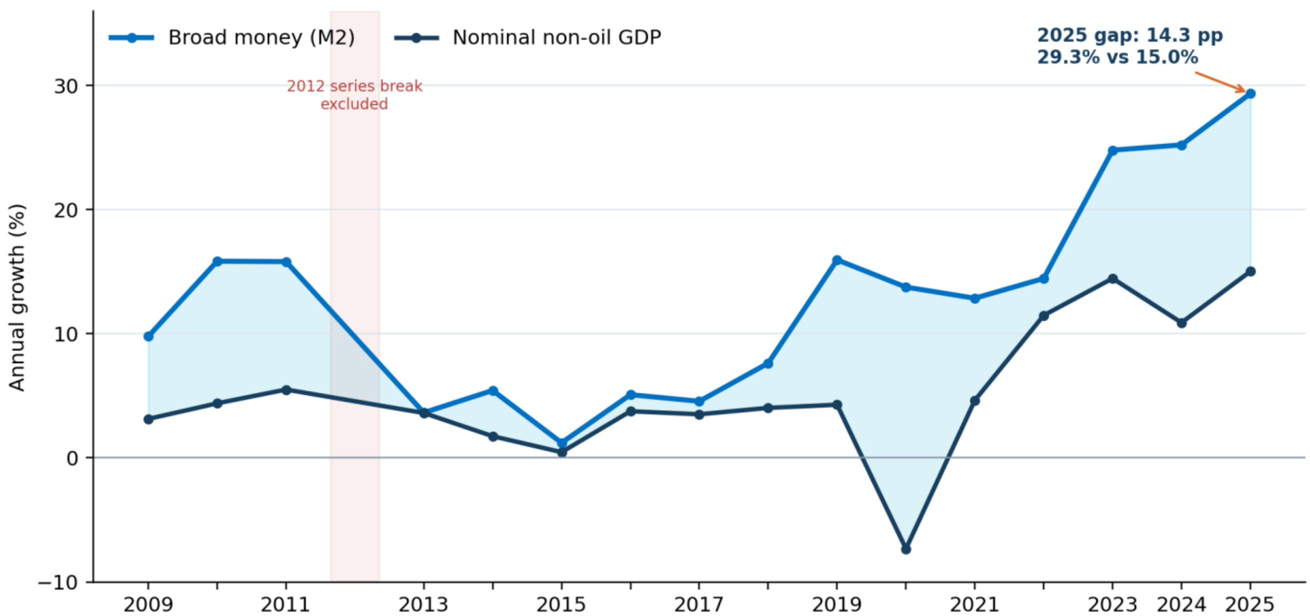


**Figure 1. Broad money has again pulled materially ahead of nominal non-oil GDP**

*Source: SphereX Monetary Conditions and Inflation Pressure Model, Historical Analysis; 2012 excluded because the G$326bn-to-G$830bn non-oil GDP jump is a rebasing/definition break. Growth rates are annual.*

## What the gap does—and does not—prove

- It is not a one-variable proof that M2 causes current inflation. Money demand, financial deepening, imports, FX leakages and velocity can absorb part of the expansion.
- It is a material pressure indicator when combined with fiscal expansion, labour constraints, credit growth, negative real savings returns and weak rate transmission.
- The model's lagged diagnostic is more informative than a contemporaneous mechanical rule: its money-gap coefficient is statistically significant in a small sample, but the model is not a causal structural estimate and should not determine policy by itself.
- The policy implication is forward-looking liquidity management—not an attempt to contract M2 abruptly to match one year's GDP print.

**POLICY IMPLICATION: The monetary gap should trigger active liquidity forecasting and calibrated absorption, not a blunt attempt to force money growth back to one annual GDP reading.**

DEMOGRAPHIC DEMAND AND EMPLOYMENT

# 2. Population growth and labour absorption tighten the capacity test

The preliminary 2022 census counted 878,674 residents, up from 746,955 in 2012—an increase of 131,719 people, or 17.6% over the decade. The Bureau of Statistics subsequently estimated the population at approximately 956,044 by end-2024. If the reported 2022–2024 pace of roughly 3.3% were sustained, the population would cross one million during 2026; that is an extrapolation, not a census finding.

This demographic shift strengthens the overheating thesis through the demand and infrastructure channels. More residents and households raise demand for food, housing, transport, utilities, schools, health services and imports. Where housing supply, logistics, skilled labour and public-service capacity adjust slowly, population growth can intensify rents, construction costs, congestion and non-tradable inflation. At the same time, population growth can expand labour supply and potential output. Its net inflationary effect therefore depends on employment, participation, wages, productivity and the speed at which capital stock expands.

**The labour-market evidence points to much stronger absorption.** Official unemployment was 6.2% in 2025 Q4, down from 12.2% in 2017 Q4 and about 6.8% in 2024 Q4. This is a substantial tightening signal. The 2025 estimate has a 95% confidence interval of 5.2%–7.3%; youth unemployment remained 12.6%, informal employment 45.2% and the youth NEET rate 27.1%. Near-full employment is ultimately a wage, vacancy, hours, participation and skills-mismatch proposition—not a single headline threshold.

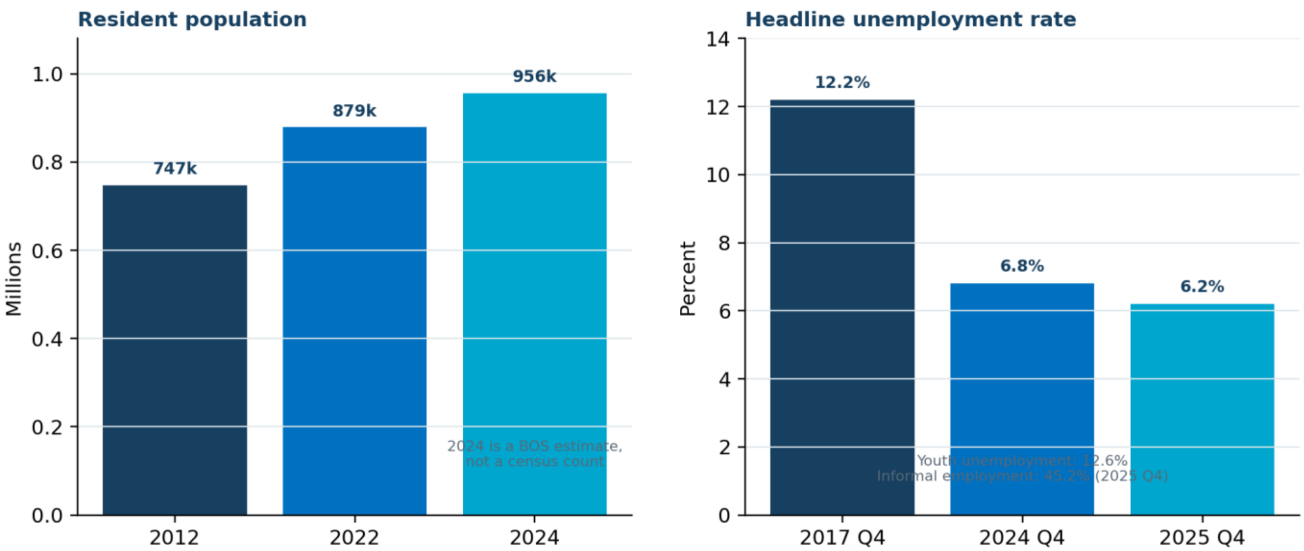


**Figure 2. A larger population is being absorbed by a much tighter labour market**

*Sources: Bureau of Statistics, 2022 Census preliminary report and population estimates; Guyana Labour Force Survey 2017 Q4, 2024 Q4 and 2025 Q4.*

*The 2024 population value is an estimate; the 2024 unemployment rate is rounded.*

**OVERHEATING IMPLICATION: Rapid population growth expands demand; falling unemployment shows that the economy is absorbing labour quickly. Together with wage pressure, skills shortages, strong construction and monetary expansion, these indicators strengthen the case for pre-emptive—not contractionary—policy action.**

HOUSEHOLD TRANSMISSION

# 3. Household demand behaviour and the MPC signal

The model reports a 2025 observed MPC of 1.53, calculated as the annual change in consumption divided by the annual change in matched disposable income. This is not a stable behavioral parameter; it is a near-real-time diagnostic of how quickly household behaviour is changing. A ratio above one indicates strong short-period consumption pressure and may reflect savings drawdowns, borrowing, unmeasured transfers, consumption smoothing or source-vintage differences. Its value lies in the signal: households appear to be converting income and accumulated savings into current consumption faster than the structural model would imply.

This is precisely the risk flagged in the author's Budget 2026 analytical brief and related public commentary. The concern then was not that savings were inherently inflationary, but that a large fiscal programme, rising household income and growing bank balances could become inflationary if consumers shifted decisively from holding those balances to spending them. The earlier MPC signal near 0.6 suggested that the risk had not yet fully materialized. The 2025 observed MPC of 1.53 suggests that the adjustment is now occurring—less as a permanent consumption parameter, and more as a behavioral pressure point visible almost in real time.

For structural analysis, the model instead aggregates saving over years with positive disposable-income changes. That produces an aggregate MPS of 0.278 and an implied structural MPC of 0.722. This is the appropriate parameter for sensitivity work. It also clarifies the policy issue: households have a meaningful propensity to save, but low-yield deposits and a shallow securities market restrict the return and productive allocation of those savings.

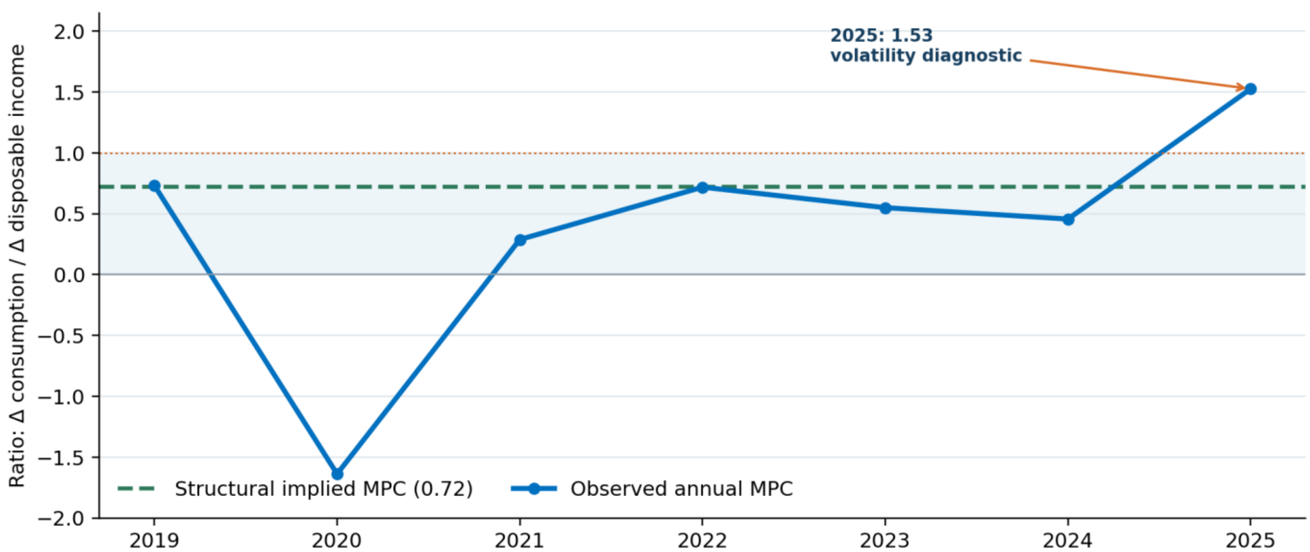


**Figure 3. The 1.53 observed MPC is an annual diagnostic; the structural implied MPC is 0.72**
*Source: SphereX Monetary Conditions and Inflation Pressure Model, Household Demand and Policy Assessment. Observed MPC = ΔC/Δ disposable income; the structural implied MPC is derived from the aggregate saving ratio across positive disposable-income-change years.*

**DEMAND TRANSMISSION: The observed MPC is the real-time behavioral warning signal: it shows how quickly households are shifting from saving to consumption. The structural implied MPC of approximately 0.72 remains the better parameter for multiplier and sensitivity analysis.**

PRICES AND HOUSEHOLD WELFARE

# 4. Moderate inflation can still produce a severe purchasing-power problem

**Inflation is a rate of change; the cost of living is a price level.** By June 2026, the all-items CPI in the SphereX Monetary Conditions and Inflation Pressure Model stood at 153.47 relative to December 2009=100. A basket that cost G$100 in the base period cost approximately G$153.47. The domestic purchasing power of the Guyana dollar had therefore fallen to 65.2% of its 2009 value—a cumulative loss of 34.8%.

Food is the sharper distributional channel. The model's food CPI reached 237.13 by June 2026—137.1% above the 2009 base—while the all-items index was 53.5% above base. Even when headline inflation is contained, food-price persistence can dominate household perceptions because food has a high-budget share among lower- and middle-income households.

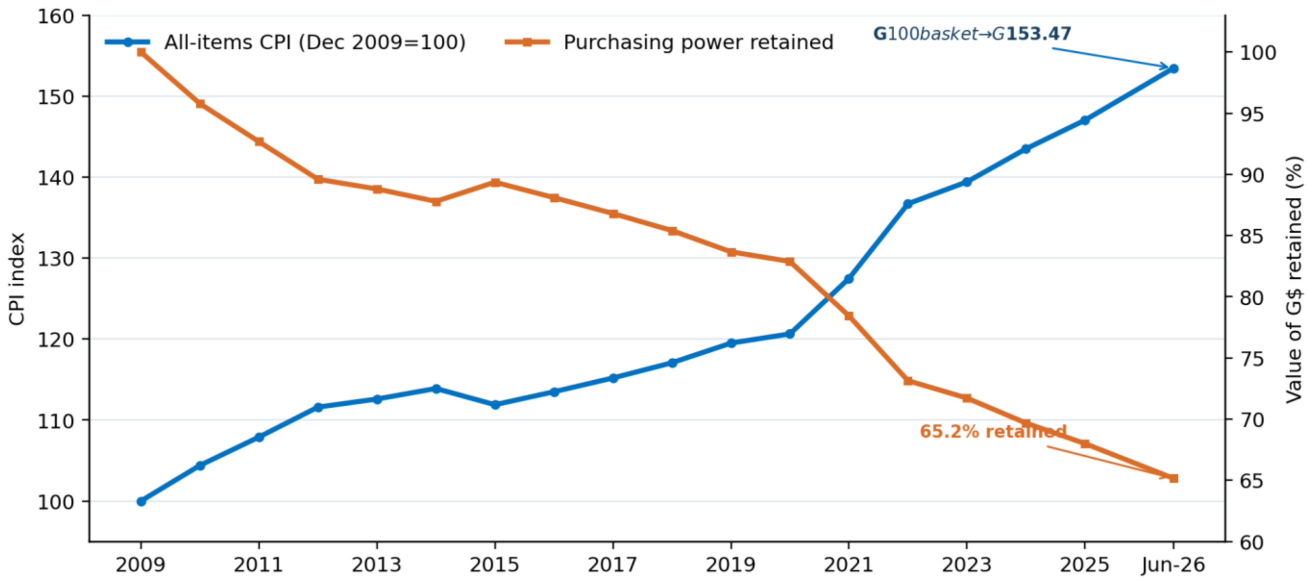


**Figure 4. The price level—not only the latest inflation rate—explains the purchasing-power squeeze**

*Source: SphereX Monetary Model for Inflation, Purchasing Power and Price Dynamics. Latest observation is June 2026; 2009=100.*

## The policy implication

Targeted food-supply measures, competition and market-margin surveillance have a legitimate role. But they must operate alongside macro demand management. Farmers' markets may improve distribution margins; they cannot sterilize bank liquidity or correct an M2/non-oil GDP gap. Broad cash injections and generalized subsidies can temporarily protect households but may also add demand or weaken price signals. The better architecture targets vulnerable groups while addressing supply bottlenecks and moderating the aggregate impulse.

**HOUSEHOLD PROTECTION JUDGEMENT: Cost-of-living relief should protect vulnerable households while avoiding broad injections that worsen demand pressure or weaken market signals.**

LIQUIDITY, ASSETS AND TRANSMISSION

# 5. Banking-system scale has recovered; intermediation remains shallow

Commercial-bank deposits expanded from roughly G$214bn in 2009 to G$1,290.7bn by June 2026, while mortgage-inclusive loans rose from G$91.7bn to G$600.7bn. Yet the latest loan-to-deposit ratio was only 46.5%. More than half of the deposit base was not deployed as loans. Liquid assets reached G$549.7bn by May 2026, including G$401.0bn in Treasury bills, and excess reserves were G$81.7bn in March 2026.

Relative to the non-oil economy, the model's current proxy places deposits near 79.9% of 2025 non-oil GDP, loans near 37.2%, and the deposit-minus-loan balance near 42.7%. Liquid assets equalled 27.2% of non-oil GDP in 2009, 14.7% in 2019 and roughly 34.0% on the current proxy. Gross commercial-bank plus Bank of Guyana assets were approximately 158% of non-oil GDP in 2009, 77% in 2019 and 124% on the current proxy. These gross ratios are diagnostic, not consolidated measures; the current numerator also mixes latest 2026 stocks with a 2025 GDP denominator.

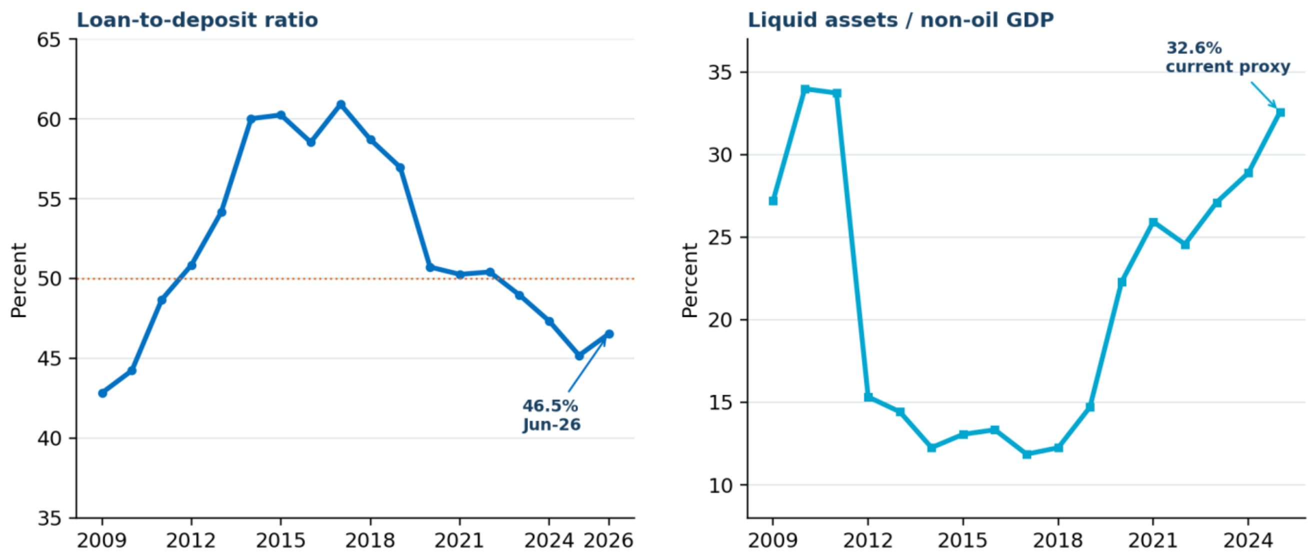


**Figure 5. Liquidity has rebuilt faster than credit intermediation**

*Source: SphereX Monetary Model for Inflation, Bank Balance Sheets and Banking System Scale. The liquid-assets/non-oil GDP endpoint is a current proxy; 2012 remains a denominator break.*

## Why conventional rate policy is weak

**The policy rate can signal the stance, but transmission must be made operational through market instruments.** In a system where banks hold abundant liquidity and have limited need for central-bank funding, the Bank Rate alone cannot carry the burden of monetary control. The interbank market is correspondingly thin: the SphereX model records only two trades in 2025 and none in 2026 Q1. A Bank Rate that has remained at 5.0% since 2013 therefore has limited traction when 91-day bills yield about 1.1%, small savings about 0.81% and excess liquidity remains high.

**TRANSMISSION JUDGEMENT: A credible policy stance requires instruments that move market prices, not only a policy rate that banks do not need to access.**

STERILISATION AND MARKET PRICING

# 6. Reprice liquidity through a deliberate T-bill curve

Treasury bills are market-based debt instruments through which the state finances short-term domestic borrowing and, where explicitly designated for monetary purposes, the central bank conducts open-market liquidity absorption. In Guyana, their dominant function has been fiscal: T-bills have primarily supported domestic debt financing, while their monetary-policy function has been used more sparingly. This institutional reality is central to the present policy argument. The issue is not whether Guyana possesses T-bills, but whether the existing instrument is being used with sufficient monetary-policy purpose, net absorption, tenor structure, auction discipline and transparency to strengthen transmission. The analytical emphasis is therefore on operational classification, net absorption and yield-curve signaling. Monetary-purpose bills generated net issuance of approximately G$13bn in 2009; by contrast, 2025 recorded G$4bn issued and G$4bn redeemed for monetary purposes, leaving no net liquidity absorption, while 2026 Q1 was likewise neutral. Fiscal T-bill issuance can drain or add liquidity incidentally, but it is not monetary sterilization unless the operation is designed, classified and reported as such.

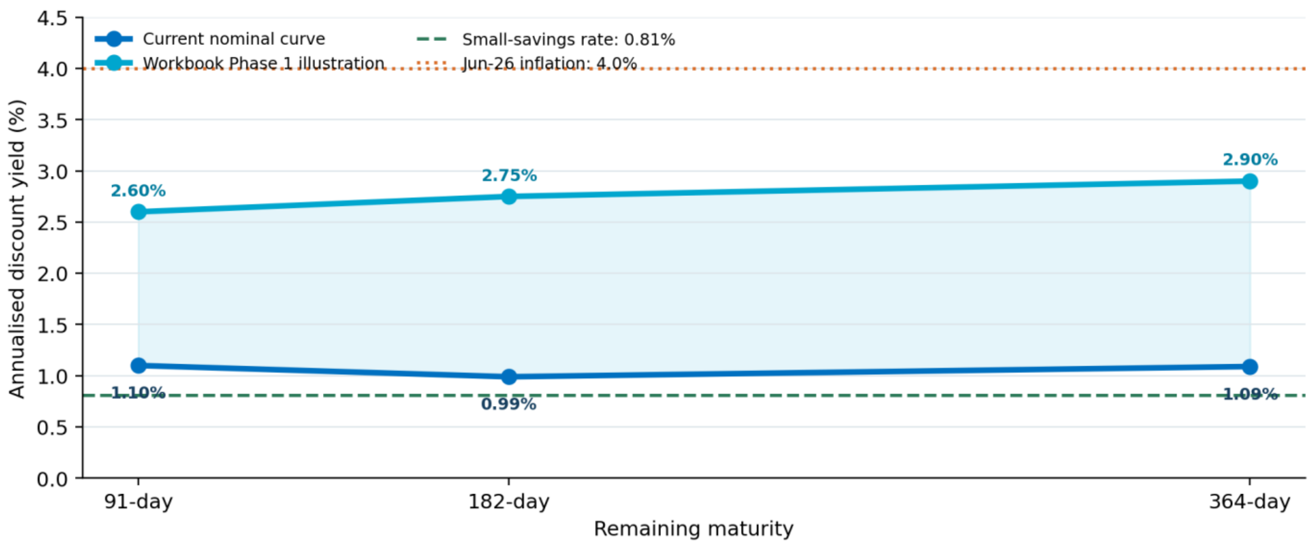


**Figure 6. The current T-bill curve is compressed and almost flat; the workbook's Phase 1 curve is illustrative**

*Source: SphereX Monetary Model for Inflation, Monetary Operations and Financial Conditions. Current yields are June 2026. Illustrative sensitivity scenario — not a policy recommendation. The 2.60%/2.75%/2.90% curve is a model illustration, not an executable recommendation.*

## Yield-curve diagnosis

The current curve—1.10% at 91 days, 0.99% at 182 days and 1.09% at 364 days—is compressed and mildly inverted at the intermediate tenor. The 364-day yield is one basis point below the 91-day yield, so the market provides virtually no term premium for extending maturity from three months to one year. Relative to the 0.81% small-savings rate, the T-bill premium is only 29 basis points at 91 days, 18 basis points at 182 days and 28 basis points at 364 days. That is too narrow to create a powerful reallocation from deposits into tradable government paper, particularly once access, transaction and reinvestment costs are considered.

Against June 2026 headline inflation of 4.0%, the ex-post real yields are approximately −2.90%, −3.01% and −2.91%. The model's illustrative sensitivity scenario—not a policy recommendation—uses a Phase 1 curve of 2.60%, 2.75% and 2.90% to show how a positive 30-basis-point slope from 91 to 364 days could improve the market signal while remaining negative in real terms at the June inflation rate. Its purpose is not to prescribe immediate rates or promise positive real returns; it is to illustrate the restoration of tenor pricing, auction discipline and monetary transmission.

| Tenor | Current yield | Phase 1 illustration Illustrative sensitivity scenario — not a policy recommendation | Real yield* | Phase 1 illustration |
|---|---|---|---|---|
| **91-day** | 1.10% | +29 bp | −2.90% | 2.60% |
| **182-day** | 0.99% | +18 bp | −3.01% | 2.75% |
| **364-day** | 1.09% | +28 bp | −2.91% | 2.90% |

** Ex-post approximation using June 2026 headline inflation of 4.0%; not an expected real yield.*

## A practical operating design

| Lever | Purpose | Near-term action | Guardrail |
|---|---|---|---|
| ⚙ **Reference / operational rate** | Communicate stance and anchor the corridor. | Assess a measured increase only after reviewing forecast inflation, credit, FX and reserve conditions. | Do not treat the SphereX +150bp sensitivity as automatic. |
| ▣ **Monetary-purpose T-bills** | Absorb reserve liquidity and build a tradable curve. | Publish a separate calendar for 91/182/364-day monetary bills; issue in staged net tranches. | Separate fiscal funding from monetary operations. |
| ◇ **Reserve requirements** | Provide a quantity backstop when markets are thin. | Use cautiously and, where possible, remunerate or differentiate to limit intermediation costs. | Avoid abrupt changes that ration productive credit. |
| ◈ **FX operations** | Manage settlement pressure and reserve money under the stabilized regime. | Integrate FX, NRF, fiscal-execution and liquidity forecasts. | Protect reserve adequacy and disclose the operating rationale. |
| ● **Macroprudential tools** | Contain sector-specific credit and property risks. | Monitor household credit, mortgages, construction exposure and real-estate prices. | Do not force the policy rate to solve every sectoral imbalance. |

**The immediate priority is not mechanical tightening; it is the restoration of a credible monetary operating framework.** Fiscal financing and monetary-purpose sterilization must be separated explicitly, benchmark T-bill tenors should be used to absorb liquidity gradually where net monetary absorption is intended, and auction outcomes should strengthen price discovery while remaining gated by reserve conditions, FX pressure, credit pass-through and financial-stability risks.

> **T-BILL CURVE JUDGEMENT: The first objective is to restore tenor pricing and auction discipline; positive real returns may come later as inflation, liquidity and market depth improve.**

**The IMF–SphereX distinction: same risk architecture, different diagnostic threshold.** The IMF has stated that available indicators did not yet show clear overheating while also identifying overheating as a material downside risk and recommending vigilance over broad money, liquidity, interest-rate transmission and monetary tightening if pressures intensify. Its 2025 Article IV analysis noted broad-money growth materially exceeding nominal non-oil GDP growth and advised that broad-money growth remain aligned with non-oil GDP. It also supported continued liquidity management, stronger monetary transmission, reduction of excess liquidity where appropriate, deeper financial markets and further tightening if overheating or imbalances emerge.

**Those prescriptions show that the IMF recognizes the same risk architecture examined by SphereX**: rapid money growth relative to the non-oil economy, excess liquidity, weak rate transmission, shallow financial markets and the need for credible monetary instruments. SphereX's contribution is to integrate newer monetary, household, labour, liquidity, purchasing-power and market evidence and argue that the early-warning threshold has now been reached. The difference is therefore over when the evidence becomes sufficiently material to justify pre-emptive calibration—not over whether the underlying vulnerabilities or policy toolkit exist.

BEYOND BANK DEPOSITS

# 7. Financial-market deepening is part of the anti-overheating architecture

Financial-market modernization is not a switch that stops inflation this quarter. Its value is structural. Guyana's shallow investible universe leaves households, firms, pensions and insurers concentrated in low-yield deposits, Treasury holdings, real estate or offshore assets. That weakens price discovery, limits domestic capital formation and blunts monetary transmission. A deeper market creates instruments through which liquidity can be held at market-based returns, allocated across tenor and risk, and redirected toward productive investment.

This is the central nexus between the SphereX white paper and the 2025–2026 IMF advice. The IMF calls for an activated interest-rate channel, deeper financial markets and greater use of T-bills and reserve requirements. SphereX adds the operating architecture: a sovereign benchmark curve, predictable issuance, primary dealers or market makers, secondary trading, repo, custody and settlement, market data, institutional-investor mobilization, collective investment schemes and issuer readiness.

**STRATEGIC PROPOSITION: Sterilization manages the stock of excess liquidity. Market deepening changes the channels through which national savings are priced, invested and retained. Guyana needs both.**

## Priority sequencing

| Phase | Market layer | Core deliverables | Payoff |
|---|---|---|---|
| 01 **0–12 months** | Sovereign benchmark and money market | Issuance calendar; benchmark 91/182/364-day bills; transparent auction results; monetary/fiscal classification; repo and collateral framework. | Liquidity absorption, policy signaling and price discovery. |
| 02 **6–24 months** | Investor and infrastructure layer | CSD/custody improvements; primary dealers; market data; pension/insurance allocation review; money-market and bond-fund rules; retail government securities. | Broader savings participation and stronger secondary liquidity. |
| 03 **12–36 months** | Issuer and risk-capital layer | Corporate bonds; municipal/infrastructure instruments where governance permits; collective investment vehicles; SME/private-equity pathways; issuer-readiness programme. | Productive domestic capital formation and reduced deposit/offshore concentration. |
| ∞ **Ongoing** | Governance and conduct | Disclosure, investor protection, beneficial ownership, fit-and-proper standards, surveillance, audit quality and tax neutrality. | Confidence, lower risk premia and durable market participation. |

COOLING DEMAND WITHOUT ABANDONING DEVELOPMENT

# 8. The soft landing must begin on the fiscal side

**The fiscal channel is the decisive bridge between overheating diagnostics and practical policy.** If liquidity management proceeds while public investment execution continues to intensify demand faster than domestic capacity can respond, the monetary impulse will be fighting the fiscal impulse. The soft-landing strategy therefore begins with the quality, timing and absorptive-capacity discipline of public spending.

In a resource-rich economy with a stabilized exchange rate and weak interest-rate transmission, fiscal policy carries the heavier stabilization burden. The objective is not an across-the-board spending cut. It is to slow the marginal demand impulse by improving selection, sequencing and execution—while protecting investments that raise supply capacity, productivity and resilience.

## A value-for-money fiscal filter

- **Sequence to absorptive capacity**. Defer or phase projects that compete for the same contractors, engineers, imported inputs and scarce labour. Prioritize projects with completed designs, land, procurement plans and operating budgets.
- **Protect supply-enhancing investment**. Preserve energy, transport bottleneck removal, drainage, logistics, water, digital infrastructure, education and health capacity where appraisal demonstrates high social return.
- **Publish implementation ratios**. Report commitments, cash execution, physical completion, unit costs, change orders and benefit indicators by major programme—not only aggregate capital spending.
- **Institutionalize spending reviews**. Use rolling expenditure reviews, independent project appraisal, gateway approvals and post-completion evaluation. Apply performance-based budgeting to outcomes, not narrative indicators.
- **Target household support**. Shift from generalized price suppression toward targeted, data-based protection for vulnerable groups while strengthening food production, storage, logistics and competition.
- **Save more at the margin**. When oil prices or NRF inflows exceed the medium-term baseline, retain a larger share offshore unless domestic absorption and implementation capacity can support additional spending without instability.

This is not austerity. It is a change in the quality and timing of the fiscal impulse. A project completed later but at lower cost, higher quality and greater domestic capability can produce more development than an accelerated project that imports inflation, overruns and institutional fragility.

**SOFT-LANDING RULE: Protect high-return supply capacity; slow low-readiness demand; target vulnerable households; publish delivery evidence; tighten incrementally as the data require.**

A 2022 BENCHMARK FOR A TRANSFORMED ECONOMY

# 9. GDP rebasing is overdue—and analytically consequential

**A 2022 benchmark is necessary economic infrastructure, not a cosmetic statistical exercise.** Guyana's official constant-price GDP series is still published at 2012 prices. The Bureau of Statistics' 2020 rebasing report notes that national accounts should generally be rebased every five years to reflect changes in relative prices, economic structure, products, classifications and data sources. Oil production began after the current base year and has transformed construction, services, imports, government, finance, employment and relative prices.

## What rebasing may change

| Analytical area | Potential revision | Policy discipline |
|---|---|---|
| Sector weights and real growth | Oil, construction, services, ICT, finance and new activities may receive different weights; deflators and volume growth may change. | Re-estimate potential non-oil output and the output gap from the new back series. |
| GDP ratios | Debt/GDP, assets/GDP, deposits/GDP, fiscal deficits and procurement shares may rise or fall depending on the revised denominator. | Do not assume ratios mechanically improve. Recalculate both current and historical comparators. |
| M2 alignment | A revised nominal non-oil GDP series can alter the estimated money-growth gap and money velocity. | Maintain the IMF benchmark—M2 versus nominal non-oil GDP—using one consistent vintage. |
| Productivity and capacity | Labour productivity, capital intensity and sectoral bottlenecks may be reclassified or revised. | Pair the rebase with labour, household, business and price data; GDP alone cannot identify welfare or overheating. |
| Comparability | A level break can distort growth rates, as the SphereX model's 2012 G$326bn-to-G$830bn jump demonstrates. | Publish linked/back-cast series, detailed metadata and a bridge table from 2012 to 2022 weights. |

## What rebasing will not change

Rebasing does not erase nominal money, bank deposits, excess reserves, the price level or household cash constraints. It can improve the estimated denominator and the map of supply capacity; it cannot, by itself, cool demand. The overheating assessment should therefore be updated after rebasing—but not suspended until rebasing is complete.

The statistical package should combine the 2022 national-accounts rebase with an updated CPI basket, regular household-budget and labour-force surveys, GDP by expenditure, quarterly chained-volume estimates, supply-and-use tables, wage indicators and a residential property-price index. The IMF's 2025 Article IV identified these national-accounts and price-statistics upgrades as an immediate priority.

**DATA INFRASTRUCTURE JUDGEMENT: Better policy requires better denominators: rebasing, updated CPI architecture and regular household and labour data are macro-stability tools, not technical luxuries.**

POLICY PRESCRIPTIONS

# 10. A coordinated soft-landing programme

The policy response must be sequenced across fiscal, monetary, macroprudential, market-development and statistical institutions. No single lever can carry the adjustment, and no credible soft landing can be achieved without aligning the fiscal impulse, the liquidity-management framework, the interest-rate signal, market depth and the statistical base used to judge capacity.

| Horizon | Lead | Action | Trigger / metric | Intended result |
| --- | --- | --- | --- | --- |
| **0–90** | MoF / Cabinet | Apply readiness and absorptive-capacity gates to new capital commitments; publish a protected-priority list and quarterly implementation dashboard. | Readiness, contractor concentration, unit-cost escalation, physical execution. | Reduce marginal fiscal impulse without cancelling productive development. |
| **0–90** | BoG | Publish an integrated liquidity forecast and clearly separate fiscal from monetary-purpose T-bill operations. | M2/non-oil gap, excess reserves, FX sales, market spread, reserve cover. | Improve transparency and operating credibility. |
| **Auction** | BoG / MoF | Begin staged net monetary-purpose bill issuance across benchmark tenors, subject to auction coverage and pass-through. | Excess reserves, bid-cover, stop-out yield, deposit-rate response, credit conditions. | Absorb reserve liquidity and establish a market curve. |
| **Review** | BoG | Assess a measured increase in the operational/reference rate; use the SphereX +150bp scenario as sensitivity testing only. | Forecast inflation, wages, credit, FX pressure, core/non-tradable prices. | Strengthen stance credibility while avoiding over-tightening. |

## A standing overheating dashboard

A macro-financial early-warning dashboard should be embedded within the Bank of Guyana's monetary planning and policy framework, providing a structured basis for monitoring emerging inflationary and financial-stability risks. An independent version can also be maintained by SphereX to support research, policy analysis and advisory work.

**BOTTOM LINE: Cool the impulse, not the ambition. Guyana needs fiscal sequencing, deliberate liquidity absorption, a credible rate signal, stronger institutions and deeper markets—so that growth becomes more productive, less inflationary and more durable.**

CALL TO ACTION

# 11. Convert early-warning signals into an institutional response

**The central message of this brief is deliberately cautionary rather than alarmist**. The evidence does not yet justify a definitive claim that Guyana is in a fully established economy-wide overheating episode. It does, however, justify immediate policy attention because the signals are no longer isolated: broad money has moved materially ahead of nominal non-oil output, the banking system remains highly liquid, fiscal demand is large, labour absorption has tightened, food and price-level pressures are visible, and monetary transmission remains weak.

**The appropriate response is therefore not to wait for conclusive overheating proof**. By the time such proof is uncontested, the adjustment cost may be higher. The authorities should treat the present evidence as a policy dashboard requiring coordinated monitoring, targeted fiscal sequencing, deliberate liquidity absorption, stronger market pricing, improved statistics and accelerated financial-market development.

**ACTION IMPERATIVE: Establish a standing macro-financial early-warning mechanism within the Bank of Guyana's monetary policy architecture, supported by continuous monitoring, model validation, econometric testing, scenario analysis and clearly defined policy-calibration triggers.**

EVIDENCE DISCIPLINE

# Methodological notes and source references

## Model interpretation and limitations

- The SphereX Monetary Conditions and Inflation Pressure Model is an internally developed analytical framework designed to integrate monetary aggregates, non-oil GDP, CPI dynamics, banking-system liquidity, household demand indicators, interest-rate conditions and policy-scenario diagnostics. It is not an official forecast and should be treated as a decision-support model rather than a final econometric finding.
- The principal limitation is that the present analysis requires further empirical and econometric testing before it can support a robust, conclusive position on causality, transmission strength and policy elasticities. The current signals are nevertheless valid as early-warning diagnostics because they are consistent across money, liquidity, fiscal demand, labour absorption, FX pressure and purchasing-power channels.
- The 2025 M2/non-oil GDP comparison uses the SphereX model's integrated Bank of Guyana/Bureau of Statistics vintage. The IMF's 2024 comparator uses a separate IMF vintage; the direction is consistent, the magnitudes differ.
- The 2012 non-oil GDP level break is excluded from growth-gap analysis. Historical ratios spanning the break should not be interpreted as continuous economic changes.
- The current banking-system ratios use mixed latest dates: June 2026 deposits/loans, May 2026 liquid assets/T-bills, March 2026 excess reserves and a 2025 non-oil GDP denominator.
- The 1.53 observed MPC is not the structural MPC. The structural implied MPC of 0.72 derives from an aggregate MPS of 0.278 across positive disposable-income-change years.
- The +150bp rate scenario, 2.60/2.75/2.90 T-bill curve and G$20.4bn sterilization tranche are transparent SphereX illustrative sensitivity scenarios—not policy recommendations. They require forecast, FX/reserve, auction, pass-through, credit and financial-stability gates before any implementation decision.

## AI usage and disclosure

Artificial intelligence tools were used in this analysis as a controlled analytical and editorial support layer, consistent with SphereX's internal AI-use and disclosure rules. AI assistance supported document structuring, language refinement, consistency checks, scenario framing, diagnostic synthesis and review of analytical logic. The underlying data selection, model interpretation, policy judgment, conclusions and final approval remained under human direction and responsibility.

## References

[1] IMF Country Report No. 25/103: Guyana—2025 Article IV Consultation — Official staff report; overheating risks, M2/non-oil alignment, fiscal capacity and data priorities.

[2] IMF: Guyana—Staff Concluding Statement of the 2026 Article IV Mission — Preliminary mission assessment dated 31 July 2026; growth, inflation, overheating assessment and monetary/fiscal recommendations.

[3] Bank of Guyana Annual Report 2025 — Monetary survey, Treasury bills, liquidity management, FX operations and banking-system evidence.

[4] SphereX: Guyana's Budget 2026: Fiscal & Investment Outlook (2026–2030) — Earlier Budget 2026 analytical publication documenting the average MPC of 0.61, MPS of 0.39, monetary/savings behaviour, excess liquidity and the macro-fiscal transformation context.

[5] **SphereX: Preliminary Diagnostic on Financial Market Development and Investment Readiness in Guyana, v6.5** — Integrated framework for capital formation, market architecture and monetary-policy transmission, June 2026.

[6] **SphereX: Guyana's Strong Macro Outcome—and the Financial Architecture Needed to Sustain It** — Macro-financial policy note reviewing the IMF's 2026 assessment, August 2026.

[7] Bureau of Statistics: Guyana System of National Accounts—Revised Series, Base Year 2012 — Official rebasing report and five-year rebasing rationale.

[8] Bureau of Statistics: Constant Growth Rate, Guyana, 2007–2025 — Current official constant-price series at 2012 prices.

[9] Bureau of Statistics: Guyana Population and Housing Census 2022—Preliminary Results — Official resident count of 878,674, up from 746,955 in 2012.

[10] Bureau of Statistics: Guyana Labour Force Survey, 2025 Fourth Quarter — Official unemployment, youth unemployment, informality and NEET indicators.

[11] IDB Data / Bureau of Statistics: Guyana Labour Force Survey, 2017 Fourth Quarter — Baseline unemployment comparator of 12.2%.

SPHEREX PROFESSIONAL SERVICES INC.

# ABOUT SPHEREX

**Finance-led advisory. Applied intelligence. Disciplined execution.**

**SPHEREX MODEL-LED ADVISORY PLATFORM**

Human judgement + data systems + capital discipline

## A frontier-market advisory platform built for capital, strategy, and execution

SphereX integrates finance, policy intelligence, capital-market discipline, enterprise analytics, and AI-enabled workflows to help institutions convert analysis into decisions, decisions into execution, and execution into measurable impact.

### SphereX exists to bridge the gap between technical analysis and bankable, institution-ready execution.

Headquartered in Georgetown, Guyana and founded in 2022, SphereX serves private enterprises, joint ventures, public institutions, development partners, and global investors operating in high-growth frontier markets. Its advisory model is designed for environments where finance, policy, governance, data, and execution capacity must operate as one integrated system.

| 12 | 2022 | AI + FINANCE |
|---|---|---|
| SOLUTION AREAS | FOUNDED | INTEGRATED MODEL |

**Capability Architecture** | Strategy, finance, intelligence, systems, and execution disciplines operating as one advisory stack.

| | | |
|---|---|---|
| 01<br>**Finance & Capital**<br>FP&A, capital structuring, investment readiness, M&A advisory, valuation, and transaction support. | 02<br>**Markets & Policy**<br>Policy briefs, sector intelligence, political economy, governance analysis, and strategic market positioning. | 03<br>**Systems & AI**<br>Enterprise analytics, process redesign, digital enablement, and AI-supported decision workflows. |
| 04<br>**Compliance & Risk**<br>Control design, regulatory discipline, reporting systems, institutional resilience, and risk governance. | 05<br>**Execution Support**<br>Operating models, implementation workplans, stakeholder coordination, and performance benchmarking. | 06<br>**Frontier Strategy**<br>Investor positioning, competitiveness, small-state resilience, and strategic growth advisory. |

**Applied Intelligence Model** | Evidence translated into action through disciplined financial logic and implementation architecture.

| EVIDENCE | ANALYSIS | EXECUTION | RESILIENCE |
|---|---|---|---|
| Data, market signals, institutional context | Financial logic, policy constraints, strategic options | Workplans, governance, systems, cadence | Controls, learning loops, performance discipline |

**PUBLICATION AND ADVISORY CONTACT**
info@spherexgy.com | +592 652-1995 | www.spherexgy.com
165 Waterloo Street, Regus Building, Georgetown, Guyana

**AUTHOR**
**Joel Bhagwandin**
Director | Financial Advisory & Strategy
jbhagwandin@spherexgy.com | LinkedIn

SphereX publications support evidence-led strategy, market intelligence, policy analysis, transaction readiness, and institutional decision-making across Guyana and other frontier-market contexts.