

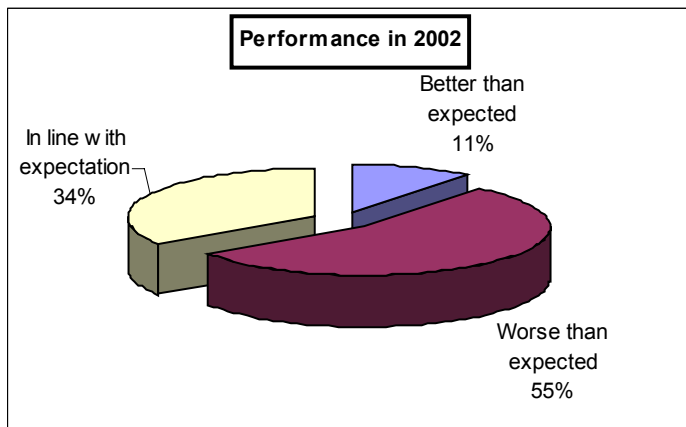
Guyana Business Outlook Survey 2003

Part 2: How They See It

In Part 2, respondents briefly review their performance in 2002, share their views about the environment for doing business and the internal and external issues that most directly affect their businesses.

Performance 2002

Companies were asked to assess their performance for 2002



Respondents in the Survey group comprised companies mainly in the distribution/ retail (26%), manufacturing (21%), banking/finance (15.7%) and agriculture (10.5%) sectors. 55% of respondents (21 companies) reported results worse than expected, 22% more than in the previous year. Only 13 respondents (34%) considered their 2002 performance to be in line with expectations compared with 63% in 2001 while four respondents (11%) reported that their performance was

better than they expected compared with 5% in 2001.

In the 2001 Survey, 83% of respondents had expected their profits to increase while 57% anticipated increases in turnover. 39.5% of those respondents had indicated that they were planning to increase the size of their operations in 2002 while 51.1% were planning to maintain the same level of operation.

Despite the disappointing performances during 2002 some seventeen (17) companies (45% of respondents) are planning to increase the size of their operations in 2003.

Ram and McRae's Comments

Each year, despite their gloomy outlook for the economy as a whole, business persons express optimism about their own companies. The performance of the international economy, the September 11 terrorist attacks in the US late last year, the February 23 jailbreak and ensuing crime surge and increased migration in the latter half of the year all contributed to the dismal performances recorded and to a number of companies folding up or selling out. Many companies however have withstood the ongoing harsh

conditions and must be commended for their courage and determination to continue operating in a rather difficult climate for business.

Core Issues

Crime is the issue most likely to impact companies in 2003

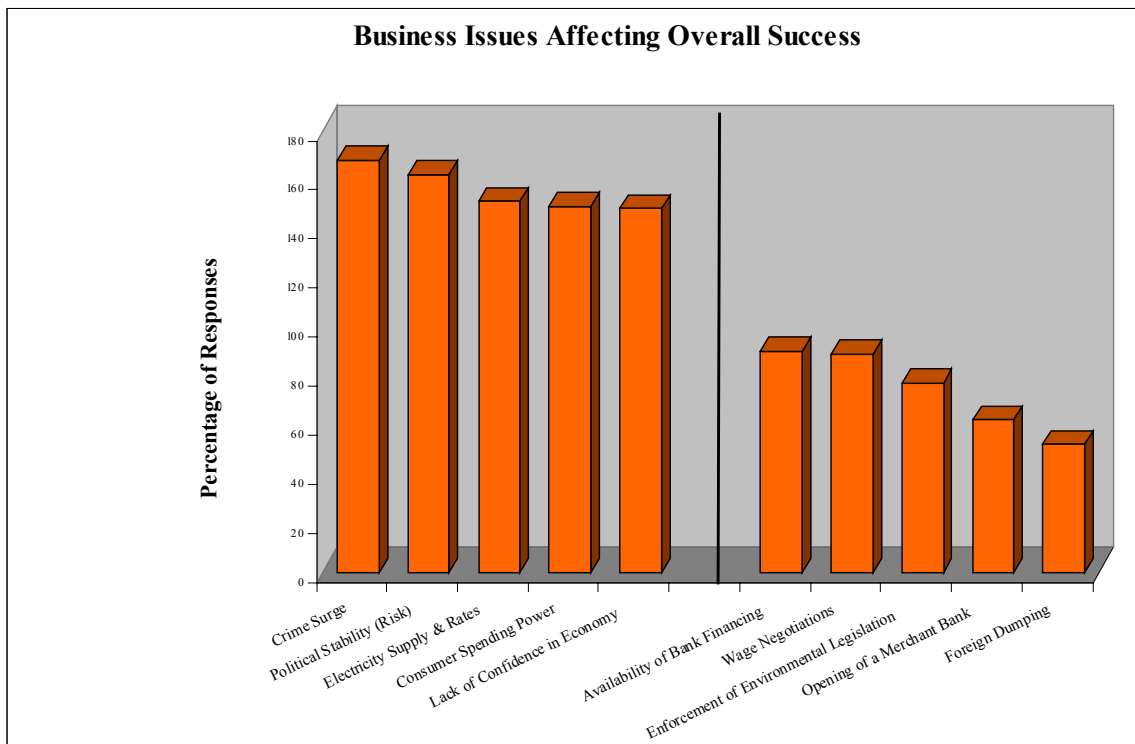
Respondents were asked to rank twenty-nine external factors on their likely impact on the success of their company

The issues considered likely to have the most impact on the success of companies in 2003 based on their weighted average points were identified as:

- ✓ The crime surge - 168 points
- ✓ Political stability (risk) - 162 points
- ✓ Electricity supply & rates - 151 points
- ✓ Consumer spending power - 149 points
- ✓ Lack of confidence in the economy - 148 points

Other issues which are likely to impact on the success of businesses include finding new customers and markets (143 points), the exchange rate (141 points), fuel prices (136 points), dialogue between the President and Leader of the PNC/R (136 points) and interest rates (128 points).

Issues which were considered to have little impact on the success of businesses were foreign dumping and the opening of the Guyana Americas Merchant Bank.



Ram & McRae's Comments

Not surprisingly crime has risen to the top of the list of concerns among businesses. Lack of confidence in the economy which was ranked twelfth among concerns in 2001 is now ranked fifth.

Respondents were asked to rank from eight operating issues those that are most important to their businesses

Security/ crime, electricity supply and improving the quality of products and services offered are the operating issues which are most important to respondents. Except for security/ crime which was not among the factors to be ranked, the key issues of importance remained the same as last year. This year, technology is ranked higher than inventory management which was ranked highly last year. Environmental issues are of the least concern amongst the factors ranked by respondents.

Crime is the most important operating issue

Ram & McRae's Comments

Crime has become the single most important issue facing the local business community generally, threatening both the business as well as personal security. It is also one of the top issues which they would like the Government to address urgently. Eighteen (18) of the companies (47% of the group) have increased expenditure on security of between 6-20%, 8 (21%) have by under 5% while 6 (16%) have increased security costs by between 21-50%.

Respondents were asked to rank from six financial issues, those that are most important to their businesses

On a weighted basis respondents identified access to foreign currency as the most important financial issue (200 points). Other important issues include cash flow management (195 points), the timely flow of information (180 points) and access to capital (170 points). Debt servicing (128 points) and build-ups in receivable/inventory are the two least important financial issues for two years in a row. Access to foreign currency was given more importance than in the 2001 Survey.

Access to foreign currency is the most important financial issue

Ram & McRae's Comments

Cash flow management which was the most important issue in the previous year is now ranked second to access to foreign currency. Within the past few months there has been a hardening of the foreign currency market with negative consequences for the exchange rate. Visitor arrivals as well as inward remittances are believed to have fallen reducing the supply while the increasing number of emigrants as well as uncertainty are causing capital flight.

Respondents were asked to rank from three marketing/sales issues, those that are most important to their businesses

For the second consecutive year, the slowdown in the economy is the most important marketing issue

There was no change in the ranking of marketing/ sales issues from the 2001 Survey. The slowdown in the economy remain the most important issue followed by increased competition and marketing costs.

Respondents were asked to rank from eight human resource issues, those that are most important to their businesses

Measured on a weighted basis, the retention of key personnel and labour cost are the HR issues identified by respondents as most important. Recruitment of key personnel and employee productivity are also considered important HR issues. Of less importance are training, industrial relations and incentive schemes while employee fraud was identified as the least critical issue. Employee productivity which was ranked as the key issue last year was ranked only fourth this year.

Ram and McRae's Comments

In the midst of an exodus of qualified Guyanese in a range of professions and vocations, retention of key personnel has assumed critical importance to business managers. In the exodus there is a costly loss of institutional knowledge and no doubt capital flight. Loss of entrepreneurial talent is increasing as the crime wave threatens the safety and security of individuals. A new dimension is the migration of business owners which is turning human resource management on its head.

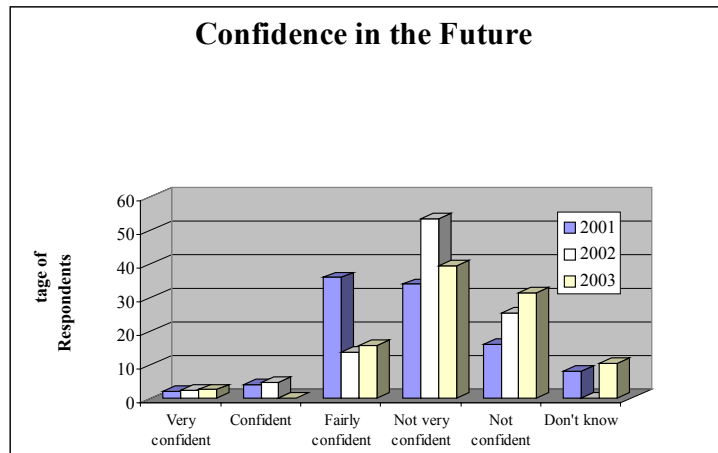
More than half of the respondents are not confident of the economy improving in 2003

Economic Outlook

Respondents were asked how confident they are that the economy would improve in 2003

The views expressed on the confidence of the economy were similar to those expressed in 2001.

15 of the respondents (39.5%) are not very confident of the economy improving while 12 (31.5%) are not confident at all. In 2001 54% were not very confident while 26% were not confident. 18% expressed some level of confidence (6 or 16% of the respondents were fairly confident while one was very confident) that the economy would improve in 2003 compared with 20% in 2001. Four companies had no views.



Twenty (20) respondents or 53% believe that economic conditions would be worse for privately owned businesses in the next twelve months than the past twelve months compared with 44% which believe conditions would be no different and 3% which believe that they would be more favourable.

Ram & McRae's Comments

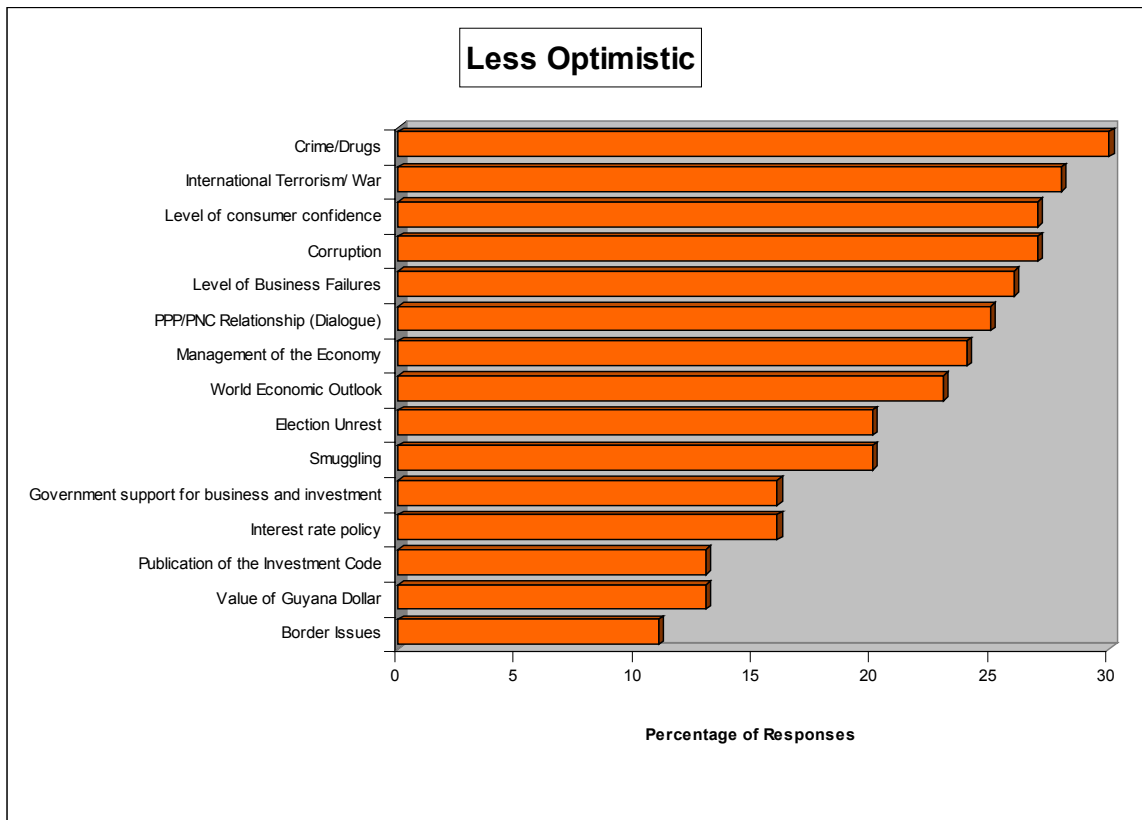
The proportion of respondents who are fairly confident has increased slightly over the number in 2001, but is quite significantly lower than two years ago. The number who are not very confident has decreased from the 2001 Survey but increased from the 2000 Survey. The number of respondents who are not confident has increased in each of the past two years.

From a list of fifteen items, respondents were asked to rate what national or international events, if any, made them more or less optimistic about the economy

Respondents are more pessimistic than optimistic about most issues, in particular crime/drugs (0/30/6)¹ international terrorism/ war (1/28/7), level of consumer confidence (0/27/8), corruption (0/27/9), level of business failures (2/26/6), the PPP/PNC relationship (1/25/8) and management of the economy (2/24/9). The majority of respondents indicated that border issues (4/11/20) and the value of the Guyana dollar (3/13/19) make them neither more or less optimistic about the economy.

In none of 15 issues rated, did respondents collectively express more optimism than pessimism

¹More Optimistic/ Less Optimistic/ Neither more optimistic nor less pessimistic

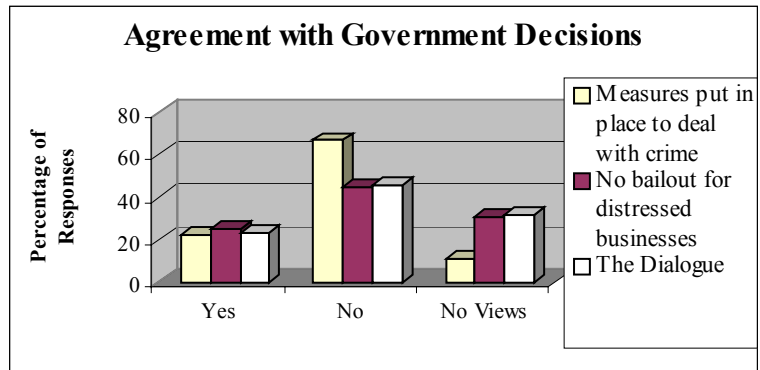


Ram & McRae's Comments

In none of the fifteen issues did respondents express more optimism than pessimism.

Respondents were asked to indicate their agreement with Government decisions made on three key issues- 1) measures put in place to deal with crime 2) No bailout by the Government for distressed businesses 3) Dialogue between President Jagdeo & Mr. Desmond Hoyte, leader of the PNC/R

On the first issue, 24 respondents (67%) did not agree with the government's decisions while 8 (22%) agreed and 4 (11%) had no views. The second issue showed 16 (44%) of the respondents not agreeing with decisions taken, 9 (25%) agreeing and 11 (31%) having no views. Lastly 16 (46%) did not agree with the Government's decision with respect to the stalled Dialogue while 8 (23%) agreed and 11 (31%) had no views



Ram and McRae's Comments

In each of the three issues in which respondents were asked to state their agreement with government action taken the majority of respondents expressed dissatisfaction with the way these matters were handled.

Businesses' Expectations

From a list of fourteen measures, companies were asked to rank five on which they wanted to see the Government take action.

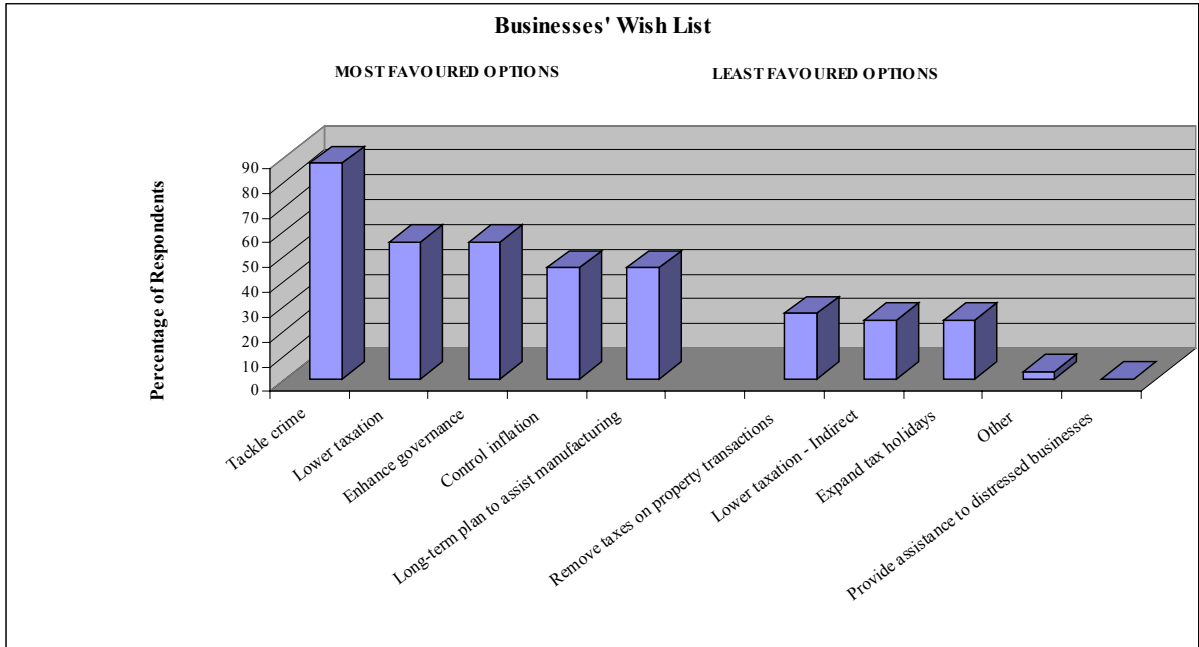
Respondents would most like the Government to implement a plan to tackle crime

The top five issues identified were:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
	%	%	%
Implement formal plan to tackle crime*	86.8	0	0
Lowering direct taxation	55.3	69.8	54
Enhance governance*	55.3	0	0
Controlling inflation	44.7	53.5	44
Long term plan to assist manufacturers	44.7	48.8	32

*These are new measures not included in previous Surveys

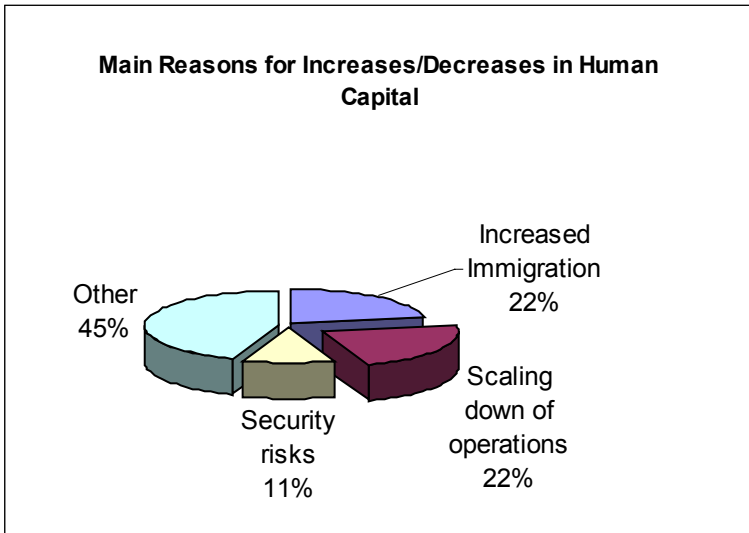
Other important measures, according to the Survey group included providing duty free incentives (39.5%), reducing interest rates (36.8%) and taking steps to lower exchange rates (34.2%). Only nine companies (24%) want to see more tax holidays. The least popular measure which respondents want the Government to take action on is providing financial



assistance/ grants to distressed businesses

Ram & McRae's Comments

In the 2001 Survey reduction of interest rates and exchange rates were ranked highly.



Respondents were asked whether they expected the number of staff they employ to increase, decrease or stay the same over the next twelve months.

Fifteen (39%) of the respondents expect no major change in the size of their workforce while 12 (31.5%) project increases and 9 (23.7%) project decreases. 5% of the survey group had no thoughts

on the matter. Of the 12 companies projecting increases 7 (18%) anticipate increases between 5-20%, 3(7.9%) project increases of less than 5% and 2 (5.3%) project increases of more than 20%. Six companies (15.8%) project decreases between 5-20% while 3 (7.9%) anticipate decreases of less than 5%.

Of the 9 companies expecting reduction in staff levels, the main reasons stated are scaling down of operations (22%) and increased migration (22%) while those expecting increases give the main reason as security risks (11%). Other reasons stated for changes in workforce size include efficiency improvements, expansion into new lines and re-organising and restructuring of operations.

Ram & McRae's Comments

Three companies identified the reduction in their workforce as a strategy to improve organisational efficiency.