

MONTHLY ECONOMIC BULLETIN

April, 2016



Republic of Guyana
Ministry of Finance
49 Main Street
Georgetown
www.finance.gov.gy



The Monthly Economic Bulletin

The Monthly Economic Bulletin (MEB), which is produced by the Economic Policy Analysis Unit (EPAU) of the Office of the Budget, Ministry of Finance provides a monthly update on some of the important developments within Guyana's economy. The sectors covered in the MEB are Real, Fiscal, Monetary and External. The MEB also provides an update on the forecast of key economic variables within Guyana's economy. The MEB is intended to be both informative and accessible not only to staff at the Ministry of Finance but also to staff at other government agencies and the wider public. The MEB can be used for research purposes and is available online at the Ministry of Finance's website at www.finance.gov.gy.

This Edition of the MEB covers data pertaining to March, 2016 for the Real and Fiscal sectors and data for February, 2016 for the External and Monetary sectors. In the International section, the latest information as at April, 2016 is provided.

Table of Contents

The Monthly Economic Bulletin.....	2
Real Sector.....	4
Economic Growth.....	4
Agriculture.....	4
Sugar.....	4
Rice.....	4
Forestry.....	5
Mining and Quarrying.....	5
Bauxite.....	5
Gold.....	5
Services.....	6
Inflation.....	6
Fiscal Sector.....	6
Revenues.....	6
Expenditure.....	7
Monetary and Financial Sectors.....	8
Money Supply.....	8
Domestic Interest Rates.....	8
Private Sector Credit.....	9
External Sector.....	10
Exchange Rate.....	10
Official Reserves.....	11
Imports and Exports.....	11
International Commodity Prices.....	13
International Interest Rates.....	14

Real Sector

Economic Growth

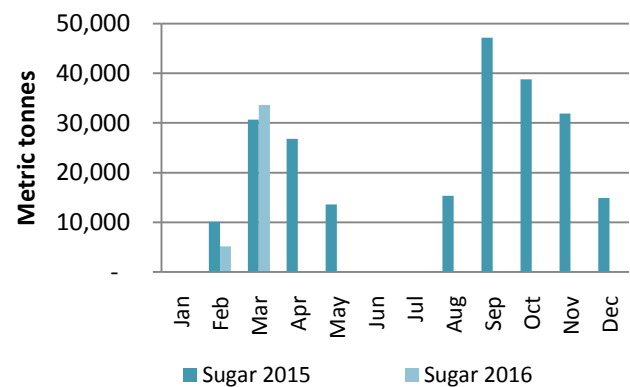
- Projected economic growth for Guyana's economy remains at 4.4 percent in 2016 and is expected to be buoyed primarily by growth in the mining sector along with the construction industry as well as growth in several services sectors. The main driver of growth in the mining sector will be the gold industry as production is expected to increase significantly with Guyana Gold Fields and Troy Resources both expected to reach full capacity during 2016.
- Medium term economic growth is expected to be above 4 percent despite falling commodity prices as a result of expansion in the mining sector and construction industry which will have multiplier impact on many other sectors especially the services sector.

Agriculture

Sugar

- Sugar production for the first quarter of 2016 was recorded at 38,814 tonnes compared to 40,729 tonnes during the first quarter of 2015. The fall in production levels for the first quarter resulted from the El Nino phenomenon which reduced the sucrose content of the sugar cane. Despite this shortfall, production target remains at 242,287 tonnes.

Figure 1. Sugar Production, 2015-2016

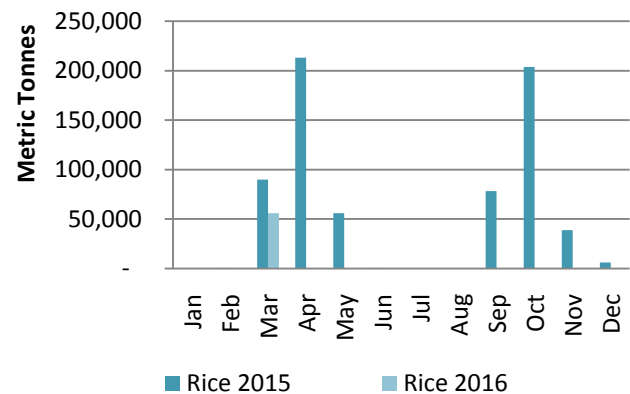


Source: Bureau of Statistics

Rice

- Rice production for the first quarter of 2016 totalled 56,593 tonnes, a decline of 37.3 percent compared to production achieved during the same period in 2015. Only 84 percent of the targeted production for the first crop was sown and similar to sugar, the El Nino phenomenon had a negative impact on the industry.
- Despite this, rice production continues to be targeted at 630,028 tonnes for 2016. The securing of the Mexican market by the Government has sent a positive signal to farmers.

Figure 2. Rice Production, 2015-2016

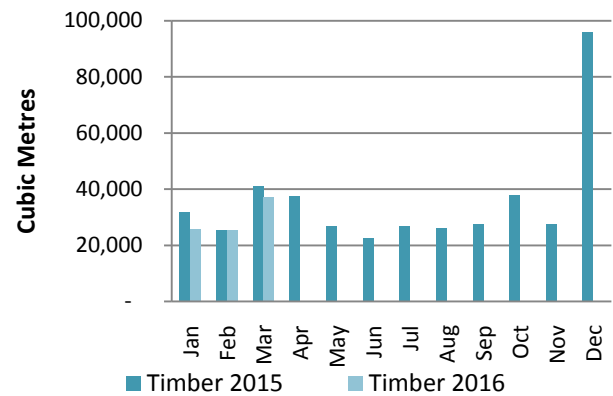


Source: Bureau of Statistics

Forestry

- Forestry production for the first quarter of 2016 totalled 88,253m³, a decline of 5.7 percent compared to the same period in 2015 where 93,619m³ was achieved. Lower production levels for 2016 is attributed to restrictions on the export of timber. The industry is aiming to produce more value added products. Production is expected to increase during the second quarter of this year as the construction industry accelerates activities.

Figure 3. Forestry Production, 2015-2016



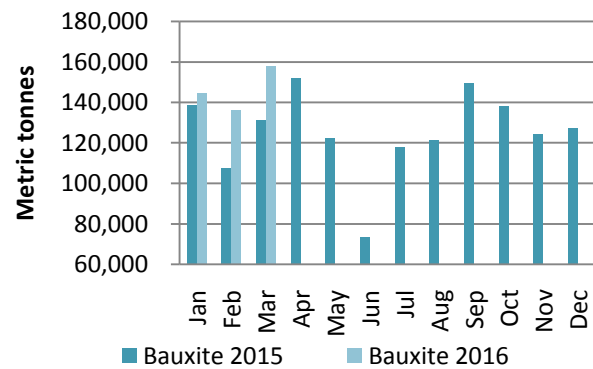
Source: Bureau of Statistics

Mining and Quarrying

Bauxite

- Bauxite production for the first quarter in 2016 reached 438,935 tonnes, an increase of 13.9 percent over production during the same period in 2015. This improved performance at this stage stems from increased productivity and efficiency within the industry. The outlook for 2016 remains positive compared to expectations at the end of 2015.

Figure 4. Bauxite Production, 2015-2016

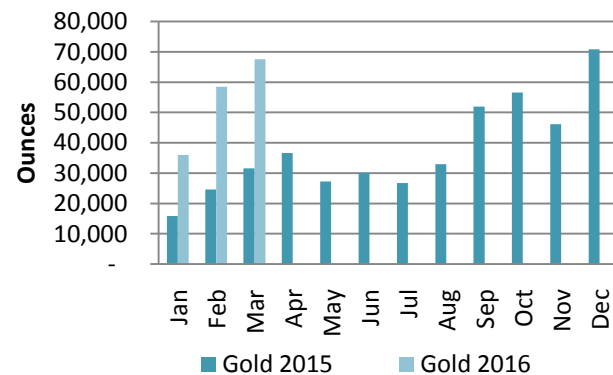


Source: Bureau of Statistics

Gold

- Gold production for the first quarter in 2016 was recorded at 161,941 ounces, 124.8 percent above the total achieved during the same period in 2015. This significant increase in 2016 thus far resulted from production from Guyana Gold Fields Inc. and Troy resources as these two companies are now nearing their full capacity. Additionally, declarations from the small and medium sized miners increased by 37.2 percent, comparing the first quarter of 2016 to the same period in 2015.

Figure 5. Gold Production, 2015-2016



Source: Bureau of Statistics

Services

- The services sector performed credibly in the first quarter of 2016 with the construction industry being the major driver of growth.
- During the first quarter of 2016, the Construction industry grew by 23.5% compared to the same period in 2015. This was mainly due to a rise in implementation of the Public Sector Investment Programmer (PSIP).
- Other noteworthy performances within the services sector came from the finance and

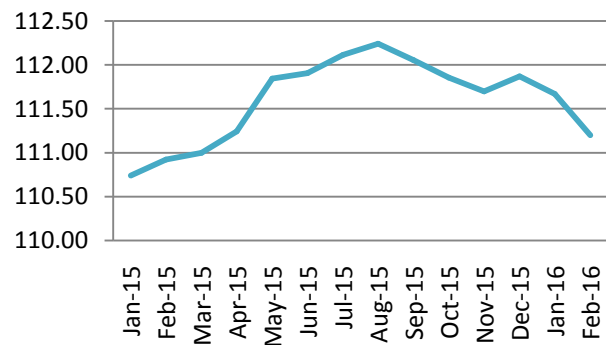
insurance sector, which grew by 5.3 percent in the first quarter of 2016 compared to the same period in 2015. This was mainly due to an increase in loans.

- Within the services sector, the wholesale and retail industry is showing signs of recovery with a growth rate of 1.2 percent achieved within the first quarter of 2016. It should be noted that none of the services sector contracted within the first quarter of 2016.

Inflation

- Prices continued to decrease marginally by 0.42 percent in February, 2016 compared to prices in January, 2016. This resulted in the CPI decreasing to 111.2, compared to 111.7 in January, 2016. This marginal decrease in price was primarily driven by decrease in food as well as transport and communication prices while the prices of most other items remained relatively stable compared to their levels in January, 2016.

Figure 6. Consumer Price Index (CPI), 2015-2016



Source: Bureau of Statistics

Fiscal Sector

Revenues

- Total Central Government current revenues totalled \$34.8 billion in the first quarter of 2016, an increase of 7.3 percent or \$2.4 billion compared to revenue collections during the same period in 2015. This growth was mainly driven by increased non-tax revenues which increased from \$963.3 million during the first quarter of 2015, compared to \$4.7 billion during the first quarter of 2016.

Tax revenues declined by 4.5 percent, reaching \$30 billion in the first quarter of 2016 compared to \$31.5 achieved during the same period in 2015. Declining tax revenues were primarily driven by decreases in both Excise and Value Added Tax (VAT) which fell by 22.4 percent and 9.7 percent respectively, comparing the first quarter in 2016 to the same period in 2015. Excise taxes declined as a result of a reduction in revenues from petroleum

products while VAT revenues reduced because of an increase in zero rated items in 2015 combined with a rise in VAT refunds for 2016.

- On the other hand, company income tax, withholding and personal income taxes increased by 6.6 percent, 29 percent and 3.9 percent, respectively. However, these increases were not enough to prevent an overall decline in VAT and Excise tax.

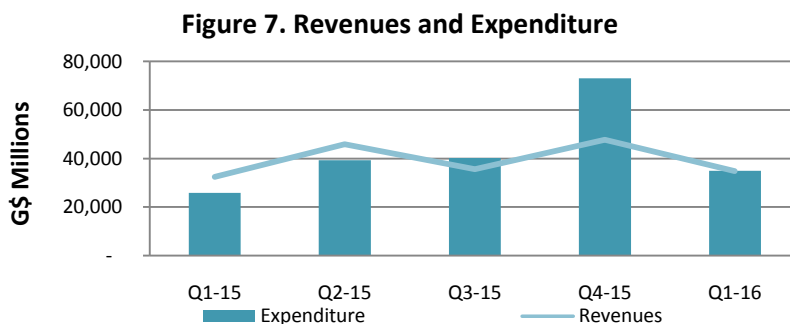
Expenditure

- Total Central Government expenditure, which includes non-interest, capital and interest expenditure, reached \$34.9 billion in the first quarter of 2016 compared to \$25.8 billion during the same period in 2015. This rise in expenditure of 34.3 percent was mainly attributed to an increase in non-interest and capital expenditure.
- Total non-interest expenditure amounted to \$30.7 billion in the first quarter of 2016, compared to the same period during 2015, representing an increase of 38.7 percent. This increase was mainly due to a rise in transfer payments of 139.8 percent. The increase in transfer payments is primarily attributed to the reclassification of the Constitutional Agencies to this category of expenditure as well as increases in old age pension, statutory pensions and gratuity and payments to local and international organisations. Employment cost increased

- The increase in non-tax revenues was mainly due to increased revenues from rents and royalties.

by 3.2 percent due to the increase in wages and salaries awarded to public servants, effective July 2015. However, there was a fall in other goods and services by 11.9 percent mainly due to a decline in materials and supplies.

- Capital expenditure rose by 25.2 percent reaching \$2.6 billion in the first quarter of 2016, compared to \$2.1 billion during the same period in 2015. This increase in expenditure was mainly attributed to the rollover of several projects from 2015 and the early presentation of Budget 2016. Several new projects are expected to commence during the second quarter of the year. This process will have to be sped up if the budgeted total is to be achieved.
- Interest expenditure increased marginally by 1.4 percent or \$22.2 million mainly due to an increase in external interest.



Source: Guyana Revenue Authority and Ministry of Finance

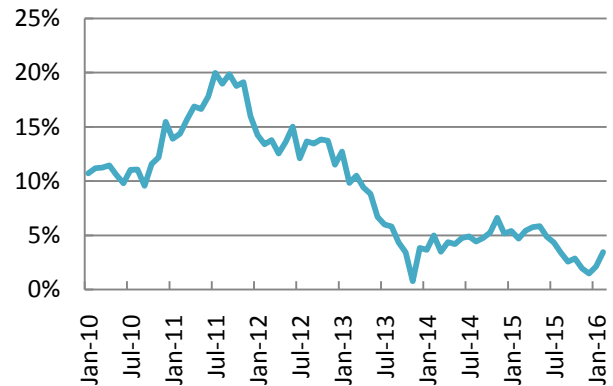
Monetary and Financial Sectors

Money Supply

- Money and quasi-money (M2) increased moderately in February. M2, which includes currency, demand deposits, cashier's checks and bank acceptances, and time and savings deposits, increased 3.4 percent over the 12 months ending in January. This is still slow compared with recent years. The average rate of M2 growth in 2014 was 4.7 percent. Slower money growth is associated with lower inflationary pressures, assuming growth in demand for money remains constant. Money growth that is too slow usually contributes to deflation.
- Currency in circulation increased 6.4 percent over the 12 month period ending in February, while demand deposits, cashier's checks and bank acceptances grew 6.0

percent. Time and savings deposits, which make up a little over 60 percent of money and quasi-money, grew 1.8 percent over the same period.

Figure 8. Month Growth of Money & Quasi-Money



Source: Bank of Guyana

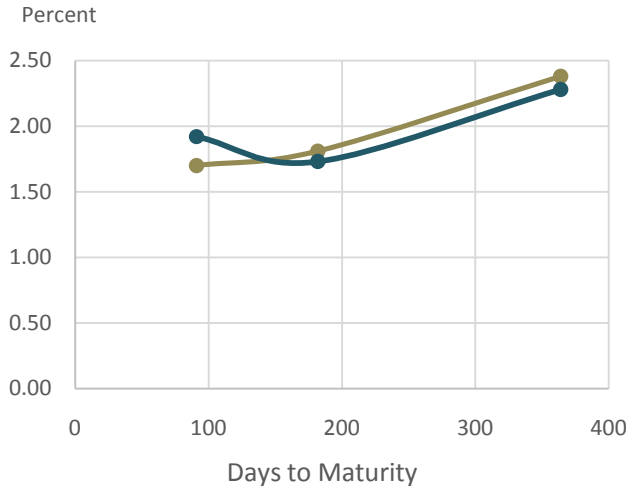
Domestic Interest Rates

- Interest rate movements were mixed in February. Interest rates on 91-day and 182-day Treasury Bills were unchanged, but the interest rate on 364-day Treasury Bills fell 5 basis points to 2.28 percent.
- The commercial bank weighted average lending rate rose about 3 basis points to 10.55 percent in February. The small savings rate for commercial banks remained unchanged at 1.26 percent.

Table 1. Key Interest Rates

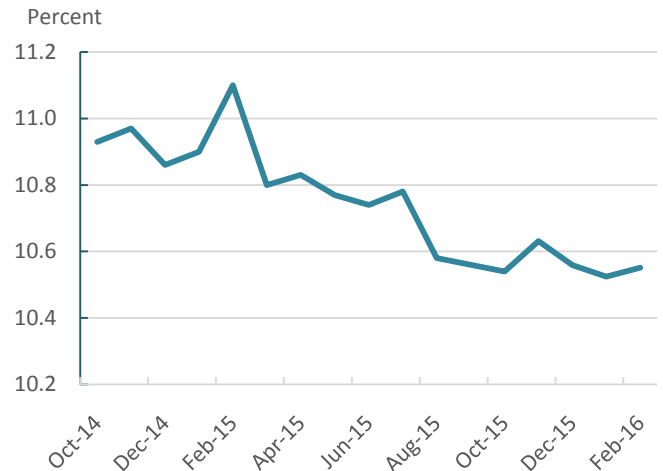
	Current Interest Rate
Bank Rate	5.00%
Treasury Bills	
91 Days	1.92%
182 Days	1.73%
364 Days	2.28%
Commercial Bank Lending Rate	10.55%
Commercial Bank Small Savings Rate	1.26%

Figure 9.1 Yield Curve for Guyana Treasury Bills



Source: Bank of Guyana

Figure 9.2 Commercial Bank Lending Rate



Source: Bank of Guyana

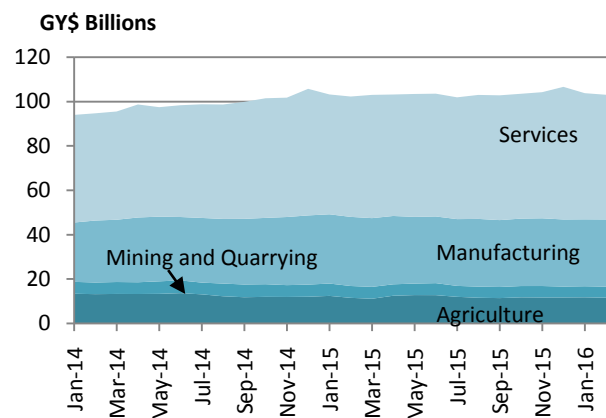
Private Sector Credit

- Domestic loans fell less than 1 percent in February, from \$134.5 billion in January to \$133.4 billion. Compared to February 2015, credit grew 2.7 percent. In comparison, credit grew 8.6 percent in 2014, and 13.2 percent in 2013.
- Lending to private businesses has been weak both in recent months and over the past year. Overall, loans to private businesses fell 0.7 percent in February, and grew only 0.8 percent over the past 12 months. Lending was especially low in the agriculture, mining, and manufacturing sectors. Loans to private businesses in the service sector have been more robust, growing 3.6 percent over the past year.
- Lending to households has been relatively strong. Loans to private households increased 0.7 percent in February, and 14.1 percent over the past 12 months. Loans to private households for housing increased 20.4 percent over the past year. Loans to households for travel and durable goods (other than cars) have also increased

sharply, growing 50.6 percent and 42.4 percent respectively, since February 2015.

- Lending to the general government fell 20.2 percent to \$38.5 billion in February, reversing a large increase in December. Loans to the general government are up more than 500 percent since February 2015.

Figure 10. Private Credit to Private Business, by Sector



Source: Bank of Guyana

Table 2. Loans by Sector, October 2015

	Loans in December, GY\$ Billions	1 Month % Change in Credit	12 Month % Change in Credit
TOTAL CREDIT	133.42	-0.8%	2.7%
Public Sector	2.07	1.2%	-15.7%
<i>General Government</i>	0.04	-20.2%	521.6%
<i>Public Business Enterprises</i>	2.03	1.7%	-17.0%
Financial Institutions	1.02	-35.3%	-24.6%
Private Business Enterprises	102.98	-0.7%	0.8%
<i>Agriculture</i>	11.58	-1.5%	0.6%
<i>Mining and Quarrying</i>	4.98	0.1%	-6.5%
<i>Manufacturing</i>	30.27	0.4%	-2.8%
<i>Services</i>	56.15	-1.2%	3.6%
Households	27.35	0.7%	14.1%

Source: Bank of Guyana

External Sector

Exchange Rate

- The Bank of Guyana has maintained an exchange rate of 206.50 Guyana dollars to one U.S. dollar since March 2014. The rate was unchanged in February.
- While rate at which the Bank of Guyana buys and sells U.S. dollars has remained unchanged, market exchange rates have been rising slowly but steadily since October 2015. Figure 12 shows the Bank of Guyana rate. The gray area represents rates at which the U.S. and Guyana dollars may trade in the market, bounded at the top by the market buy rate (the rate paid to buy U.S. dollars and sell Guyanese dollars), and at the bottom by the market sell rate (the rate paid to sell U.S. dollars for Guyanese dollars).
- In February, the Bank of Guyana sold US\$1.4 million of its reserves to the market. The Bank of Guyana made no foreign currency purchases. The Bank of Guyana has made only minimal foreign currency interventions since early 2014, when the exchange rate between the Guyana dollar and U.S. dollar stabilized.

Figure 11. Bank of Guyana and Market Exchange Rates

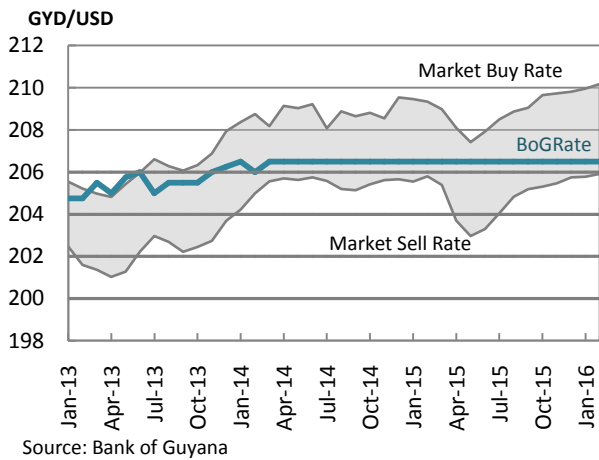
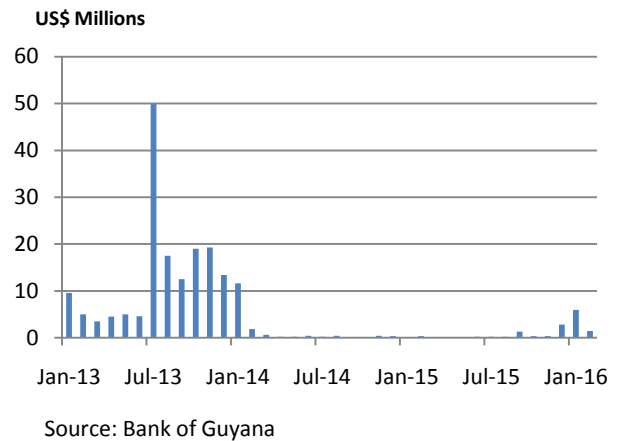


Figure 12. Sales of Foreign Exchange by the Bank of Guyana



Official Reserves

- Foreign reserves held by the Bank of Guyana rose US\$17.4 million in February to US\$642.3 million, following a US\$26.4 million increase in January. Reserve levels were mostly stable in 2015.
- The Ministry of Finance estimates that the Bank of Guyana's foreign reserves are currently equal to about 4 months of imports, above the 3 month minimum generally considered to be a benchmark for reserve adequacy. The Bank of Guyana publishes official estimates of reserves in terms of import cover on a quarterly basis.
- The ratio of reserves to M2 is an alternative measure of reserve adequacy. In January, official foreign reserves were equal to approximately 40 percent of M2, well above the benchmark minimum of 20 percent. Guyana's reserves are well above this benchmark, but only slightly above the import benchmark, because Guyana's imports are large relative to the size of its economy.

Imports and Exports

- Guyana ran a merchandise trade deficit of US\$7.03 million in February. Exports rose faster than imports, but not enough to overtake them. Guyana has fluctuated between a trade surplus and trade deficit in recent months.
- Exports in February rose US\$18.69 million to US\$99.35 million, or 23.2 percent, compared with January. Compared to February 2015, exports are up 21.0 percent.
- Imports rose US\$11.37 million to US\$106.38 million in February, a monthly increase of 12.0 percent. Imports are down 11.0 percent compared with February 2015.
- The increase in exports was almost entirely due to strong performance in the gold sector. Gold exports increased by US\$20.55 million to US\$62.81 million in February, an increase of 48.6 percent. Compared with February 2015, gold exports are up 64.7

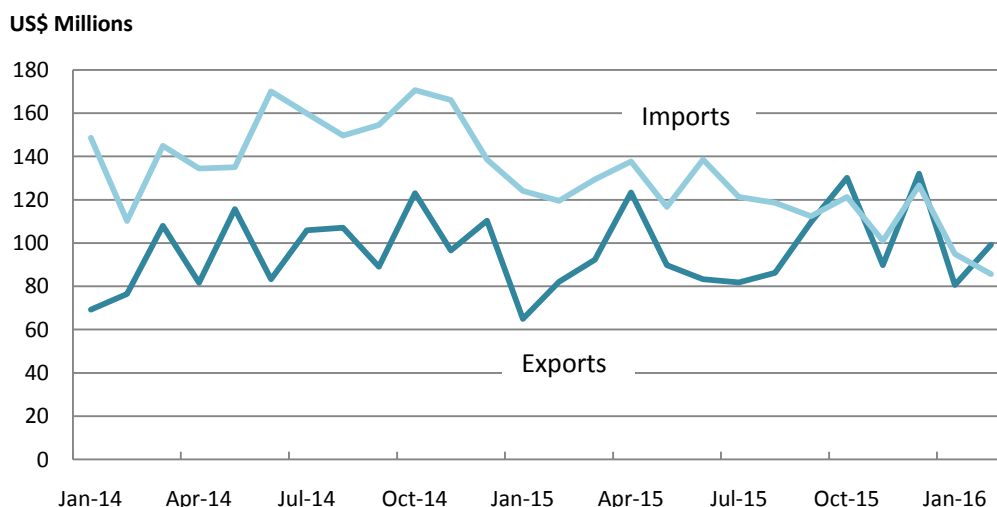
percent. Although gold export volumes rose substantially in February, the total export value of gold was also boosted by a 9.4 percent increase in the average price.

- With the exception of shrimp and fish, which rose 27.5 percent and 65.9 percent, respectively, exports in other categories were weak. Sugar exports in February were 26.9 percent lower than the same month in 2015, while rice exports were 6.4 percent lower.
- Several categories of goods imported increased in February. Consumption goods rose by 18.9 percent, after a large decline in

January while intermediate goods rose by 11.4 percent. Capital goods also increased by 5.4 percent with only imports of mining equipment returning to levels near its recent average.

- Imports of fuel and lubricants, which included in the category of intermediate goods, rose 11.6 percent in February, likely due in part to a small increase in world oil prices. Imports of fuel and lubricants were 26.0 percent below their level in February 2015.

Figure 13. Merchandise Trade



Source: Guyana Bureau of Statistics

International Commodity Prices

- World prices for oil and sugar rose considerably in February. Price for Guyana's other major commodity exports remained largely unchanged. In general, commodity prices have stabilized in recent months. Prices for gold, sugar and timber are now higher than they were one year ago.
- The price of Brent crude oil rose 17.7 percent in March, from US\$33.20 per barrel in February in to US\$39.07 per barrel. The January price, US\$30.80, was the lowest monthly average price of Brent crude oil since December 2003. Despite the large jump in March, the price of Brent crude oil remains 30.0 percent below the price in March 2015.
- A number of factors may account for the rise in oil prices in the past month. Positive economic data in the United States suggest demand for oil will grow in the near future.

At the same time, U.S. producers have cut output due to low prices, while a number of oil producing countries, including Russia, Saudi Arabia, and Venezuela, have been in talks to cut their production.

- The member countries of the Organization of Petroleum Exporting Countries (OPEC), an international organization that acts as a cartel, will meet in Doha on April 17, along with seven non-OPEC oil-producing countries including Russia and Mexico, to consider freezing oil production at January levels. If the countries agree to limit production, it is likely to put upward pressure on oil prices.
- Prices for sugar were also up considerably in March, rising from US\$0.29 per kilogram in February to US\$0.34 per kilogram in March, following news of unfavourable weather conditions in Brazil, the largest producer of sugar in the world.

Table 3. International Commodity Prices, December

Key Commodity Prices, February 2016			
Commodity	Price in US\$	1 Month Price Change	12 Month Price Change
Crude Oil, Brent (per bbl)	\$39.07	17.7%	-30.0%
Gold (per troy oz)	\$1,245.14	3.8%	5.6%
Aluminum (per mt)	\$1,531.01	0.0%	-13.7%
Sugar, world price (per kg)	\$0.34	16.3%	17.3%
Rice, Thai 5% (per mt)	\$384.00	0.0%	-6.3%
Logs, Cameroon (per cubic m)	\$388.89	0.1%	2.6%

Source: World Bank Pink Sheet

International Interest Rates

- The interest rate on U.S. Treasuries fell in March. The secondary market interest rate on 1 year U.S. Treasury Bills fell 6 basis points to 0.61 percent as of April 1st, while the interest rate on 3 month U.S. Treasury Bills fell 10 basis points to 0.23 percent.
- London Interbank Offer Rates (LIBOR) changed little in March. The three month LIBOR was unchanged, while the 1 year LIBOR rose 3 basis points.
- The Federal Reserve Board of Governors met on March 15 and 16. The Board left interest rates unchanged. The language used in the press release was cautious, and published estimates of the future interest rates expected by the Board members indicate that most Board members expect to raise interest rates twice this year. The next Federal Reserve Board meeting is scheduled for April 26-27.

Table 4. Key World Interest Rates

	Interest Rate	As of:	1 Month Change
3 Month US Treasury	0.23%	April 1, 2016	-0.10%
1 Year US Treasury	0.61%	April 1, 2016	-0.06%
3 Month LIBOR	0.63%	April 1, 2016	0.00%
1 Year LIBOR	1.21%	April 1, 2016	0.03%

Source: Federal Reserve Board and global-rates.com