

# MONTHLY ECONOMIC BULLETIN

August 2016



Republic of Guyana  
Ministry of Finance  
49 Main Street  
Georgetown  
[www.finance.gov.gy](http://www.finance.gov.gy)



## The Monthly Economic Bulletin

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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](http://www.finance.gov.gy).

This Edition of the MEB covers data pertaining to July, 2016.

## Table of Contents

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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
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 and Official Reserves.....	10
Imports and Exports.....	11
International Commodity Prices.....	12
International Economic News.....	13
Global Growth.....	13
Global Markets.....	14
International Interest Rates.....	15

## Real Sector

### Economic Growth

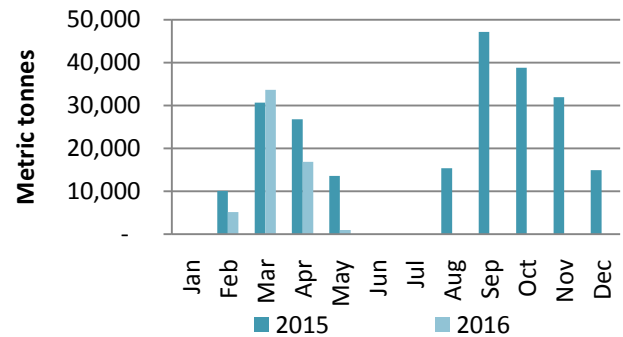
- Economic growth up to July, of this year, continues to be spurred by growth in the mining sector. The main driver of economic growth in the mining sector continues to be gold, with production for small and medium sized miners as well as Guyana Gold Fields and Troy Resources being on target. Production in the bauxite industry has regained momentum, after slowing in April and May, giving rise to cautious optimism the industry will return to positive growth in 2016. As expected, production in the rice and sugar industries, in July, was minimal, since both industries are between crops.

### Agriculture

#### Sugar

- In July, 2016 no sugar was produced. The months of June and July always record zero production for sugar as the harvest of the first crop is usually completed in May. The second crop begins in August.
- The industry is still expected to achieve its revised target of 218,188 tonnes for 2016, despite production falling below expectation for the first crop.

Figure 1. Sugar Production, 2015-2016

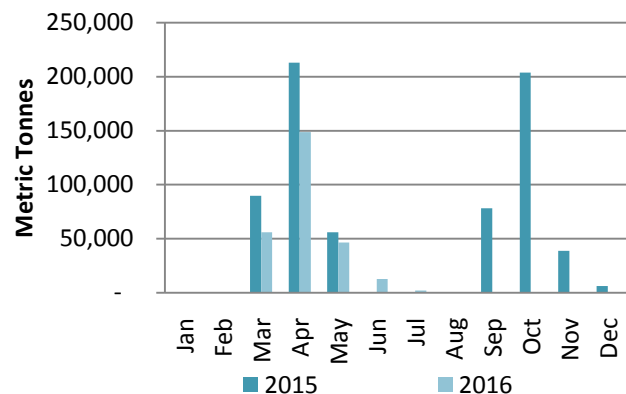


Source: Bureau of Statistics

#### Rice

- Rice production for July, 2016 reached 2,269 tonnes, up from 365 tonnes in July, 2015. The higher July production was largely due to late reaping of some acres which were planted late. This delay in planting contributed to lower harvests in March and April.
- This brings rice production from January to July, 2016 to 266,838 tonnes compared to 360,325 tonnes produced during the same period in 2015. The fall in production for the first crop in 2016 was attributed to the El Niño phenomenon, among other reasons.

Figure 2. Rice Production, 2015-2016

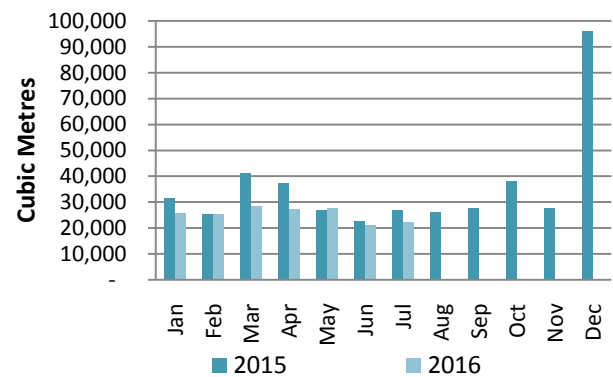


Source: Bureau of Statistics

## Forestry

- Forestry production for July, 2016 amounted to 22,202 cubic metres compared with 26,870 cubic metres in July, 2015. Total production from January to July, 2016 currently stands at 177,708 cubic metres compared to 212,035 cubic metres produced during the same period in 2015. Production levels continue to be low in 2016 as Government reorganises the sector in pursuit of better forestry management and greater value added.

Figure 3. Forestry Production, 2015-2016



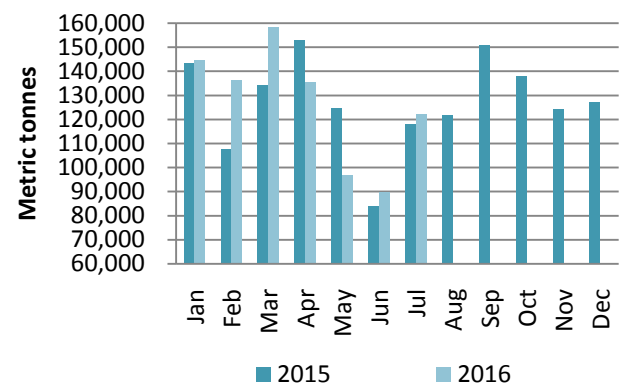
Source: Bureau of Statistics

## Mining and Quarrying

### Bauxite

- Bauxite production for July, 2016 was 122,157 tonnes compared to 117,883 tonnes in July, 2015. This brings bauxite production from January to July, 2016 to 882,847 tonnes compared to 864,707 tonnes produced during the same period in 2015, an increase of 2.1 percent. Except for the months of April and May, bauxite production has been consistently higher in 2016 compared to 2015. This consistency is mainly attributed to improved efficiency.

Figure 4. Bauxite Production, 2015-2016

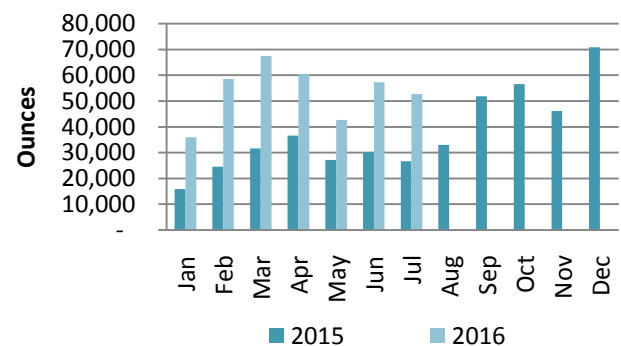


Source: Bureau of Statistics

### Gold

- Gold production for July, 2016 totalled 52,710 ounces compared to 26,654 ounces achieved in July, 2015. This brings gold production to 375,202 ounces so far for 2016, representing an increase of 94.8 percent over the production achieved during the same period in 2015. The strong performance this year continues to be underpinned by increased production by small and medium sized miners, and the two expatriate companies.

Figure 5. Gold Production, 2015-2016

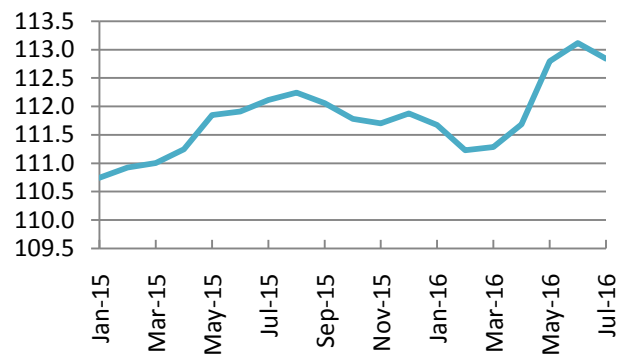


Source: Bureau of Statistics

## Inflation

The urban Consumer Price Index for Georgetown increased by 0.7 percent between July 2015 and July 2016. However, between June and July, 2016 price declined by 0.3 percent. Month on month deflation has been the general trend in 2016, though, inflation was experienced during the months of May and June, 2016 due to recovering oil prices. The main cause of deflation between June and July, 2016 was a reduction in the prices for food, clothing and footwear and repairs.

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



Source: Bureau of Statistics

## Fiscal Sector

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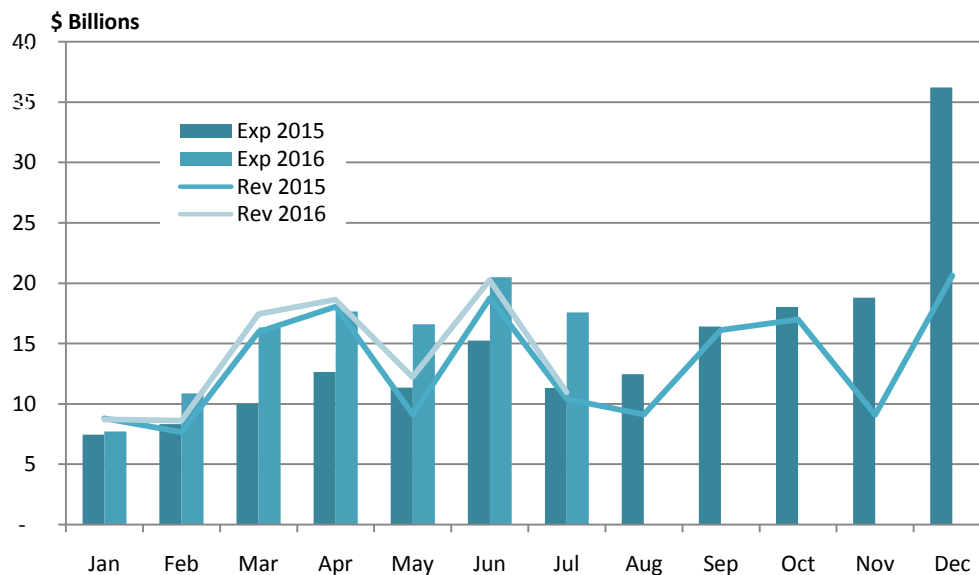
### Revenues

- Central Government current revenues totalled \$96.9 billion at the end of July, 2016, an increase of 9.2 percent or \$8.2 billion compared to revenue collections during January to July, 2015. This growth was driven by increases in both non-tax and tax revenues.
- Tax revenue collections were equal to \$85.0 billion through July, 2016, compared with \$80.8 billion for the same period in 2015, an increase of 5.2 percent. Noteworthy growth occurred for company, withholding and international trade taxes which grew by 19.2 percent, 38 percent and 14.7 percent respectively. These resulted from increased arrears collections and compliance in the case of company taxes; increased gold declarations in the case of withholding taxes and reduced tax exemptions in the case of international trade taxes.
- Value Added Tax (VAT) collections totalled \$20.4 billion through July, 2016, a decrease of 3.4 percent over the same period in 2015. The decline in VAT revenues was mainly due to reduced VAT collections for imports.
- Excise tax collections fell slightly compared with 2015, reaching \$16.9 billion for January to July, 2016 compared to \$17.7 billion achieved during the same period in 2015. Much of the decline continues to be as a result of a large drop in collections on imports of petroleum products.
- Non-tax revenues increased by \$3.1 billion from January to July, 2016 compared to the same period in 2015. This was mainly due to collections of rents and royalties as a result of higher gold production and declarations.

## Expenditure

- Central Government expenditure reached \$107.2 billion at the end of July, 2016 compared to \$76.4 billion expended from January to July in 2015, mainly driven by an increase in non-interest and capital expenditure.
- Non-interest expenditure reached \$84.9 billion at the end of July, 2016, an increase of 30.9 percent over the amount spent during the same period in 2015. This increase continues to be driven by an increase in transfer payments as a result of the addition of the Constitutional Agencies to this category, increases in old age pension, statutory pensions and gratuity and payments to local and international organisations. Personal emoluments also increased by 4.3 percent as a result of the wages increases given to public servants in 2015, while spending on other goods and services rose by 4.9 percent comparing January to July, 2016 to the same period in 2015.
- Capital expenditure rose by 129.4 percent, reaching \$18.6 billion at the end of July, 2016, compared to \$8.1 billion expended during January to July, 2015. Capital spending accelerated from May, 2016 but the pace of implementation of the Public Sector Investment Programme continues to be of concern.

**Figure 7. Current Revenues<sup>1</sup> and Expenditure**



Source: Guyana Revenue Authority and Ministry of Finance

<sup>1</sup> Current Revenues does not include Government Grants

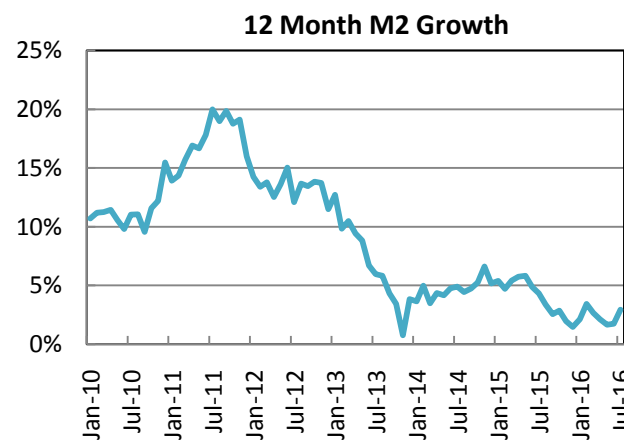
## Monetary and Financial Sectors

### Money Supply

- The growth rate of money and quasi-money (M2) accelerated slightly in July, reflecting growth in both currency in circulation and money in demand deposit accounts. M2, which includes currency, demand deposits, cashier's checks and bank acceptances, and time and savings deposits, increased by 2.9 percent over the 12 months ending in July, up from a growth rate of 1.8 percent over the 12 months ending in June. Money growth remains low relative to its growth rate a few years ago; the average rate of M2 growth in 2014 was 4.7 percent.
- Currency in circulation increased by 10.8 percent over the 12 months ending in July, while demand deposits, cashier's checks and bank acceptances increased by 6.8 percent. Time and savings deposits, which make up a little over 60 percent of money and quasi-money, decreased by 0.7 percent over the same period.

- Guyana's money liquidity ratio, or the ratio of currency to M2, increased in July, rising to 39.4 percent, up from 38.4 percent in June. The increase occurred because currency in circulation grew faster than the money supply as a whole.

**Figure 8. 12 Month Growth of Money & Quasi-Money**



Source: Bank of Guyana

### Domestic Interest Rates

- Domestic interest rates mostly fell in July. The interest rate on 91-day Treasury Bills remained constant at 1.89 percent, but rates on longer term T-Bills declined, with the interest rate on 182-day T-Bills falling 1.8 basis points compared with June, and the interest rate on 364-day T-Bills falling 2.0 basis points over the same period.
- The commercial bank weighted average lending rate fell 3.1 basis points from June to July, while the small savings rate remained at 1.26 percent. The spread between lending and savings rates has narrowed gradually in recent years, as lending rates falls while the savings rate remained constant.

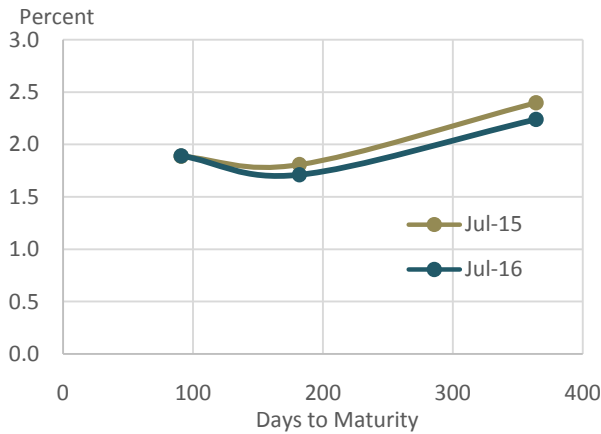
**Table 1. Key Interest Rates**

	Current Interest Rate
Bank Rate	5.00%
Treasury Bills	
91 Days	1.89%
182 Days	1.71%
364 Days	2.24%
Commercial Bank Lending Rate	10.43%
Commercial Bank Small Savings Rate	1.26%

Source: Bank of Guyana

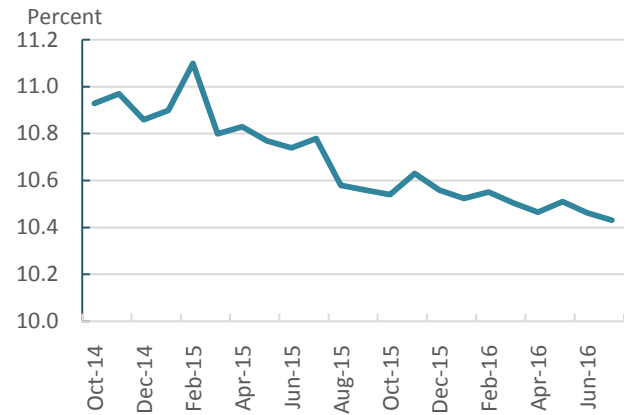


**Figure 9.1 Yield Curve for Guyana Treasury Bills**



Source: Bank of Guyana

**Figure 9.2 Commercial Bank Lending Rate**

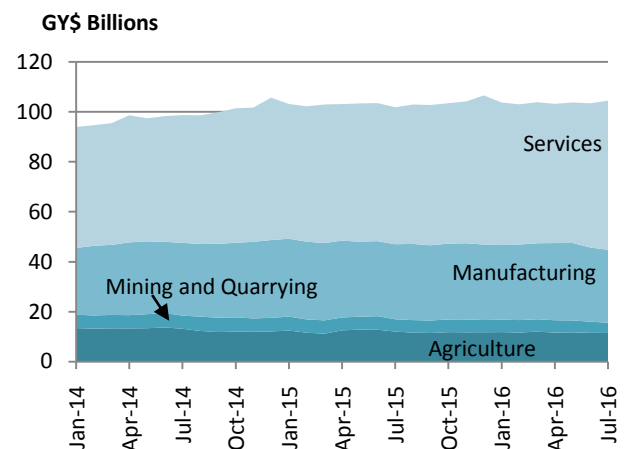


Source: Bank of Guyana

### Private Sector Credit

- Domestic lending excluding real estate mortgages increased in July, rising by 1.0 percent from \$134.2 billion in June to \$135.5 billion in July. Compared with July 2015, credit grew by 4.6 percent. This was the highest 12-month credit growth rate since February 2015.
- Credit to the general government fell slightly from \$96.2 million in June to \$95.1 million in July. Credit to public enterprises fell by a similar percentage.
- Lending to private business enterprises, which accounts for about three-quarters of all lending, increased by 1.0 percent compared with June. Lending in this category is up by 2.6 percent compared with July 2015. Lending to private businesses in the services industry accounted for all of the increase.
- Lending to the services industry increased by 3.4 percent in July compared with June, largely due to strong growth in lending in the “other services” category.
- Lending to households rose by 0.8 percent in July, compared with June, and was 17.2 percent higher than July 2015. Lending to households has grown consistently over the past year, due to strong growth in every category except loans for motor vehicles.

**Figure 10. Private Credit to Private Business, by Sector**



Source: Bank of Guyana

**Table 2. Loans by Sector, July 2015**

	Loans in July, GY\$ Billions	1 Month % Change in Credit	12 Month % Change in Credit
<b>TOTAL CREDIT</b>	<b>135.49</b>	<b>1.0%</b>	<b>4.6%</b>
Public Sector	1.95	-1.1%	-4.3%
<i>General Government</i>	0.10	-1.1%	1410.2%
<i>Public Business Enterprises</i>	1.86	-1.1%	-8.7%
Financial Institutions	0.86	7.9%	-44.7%
Private Business Enterprises	104.43	1.0%	2.6%
<i>Agriculture</i>	11.43	-0.3%	-4.5%
<i>Mining and Quarrying</i>	4.09	-8.3%	-17.1%
<i>Manufacturing</i>	29.21	-1.7%	-2.9%
<i>Services</i>	59.71	3.4%	8.8%
Households	28.24	0.8%	17.2%

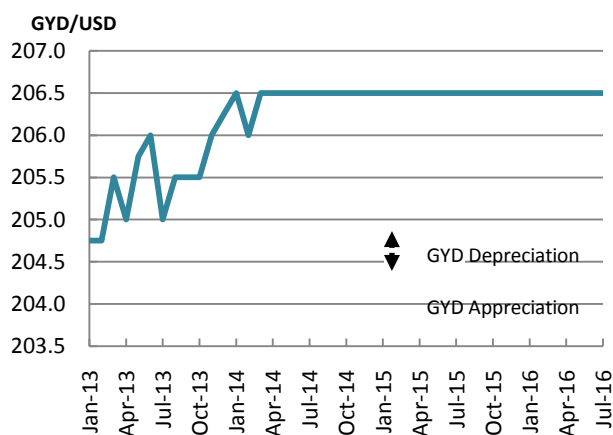
Source: Bank of Guyana

## External Sector

### Exchange Rate and Official Reserves

- The Bank of Guyana has recorded an official exchange rate of 206.50 Guyana dollars to one U.S. dollar since March 2014. The rate was unchanged in July.
- Foreign reserves held by the Bank of Guyana fell by US\$16.0 million in July to US\$618.6 million. Reserve levels have been mostly stable since early 2015. For most of 2016, foreign exchange market interventions by the Bank of Guyana have been minimal, consisting of some small foreign exchange sales.

**Figure 11. Bank of Guyana Exchange Rate**



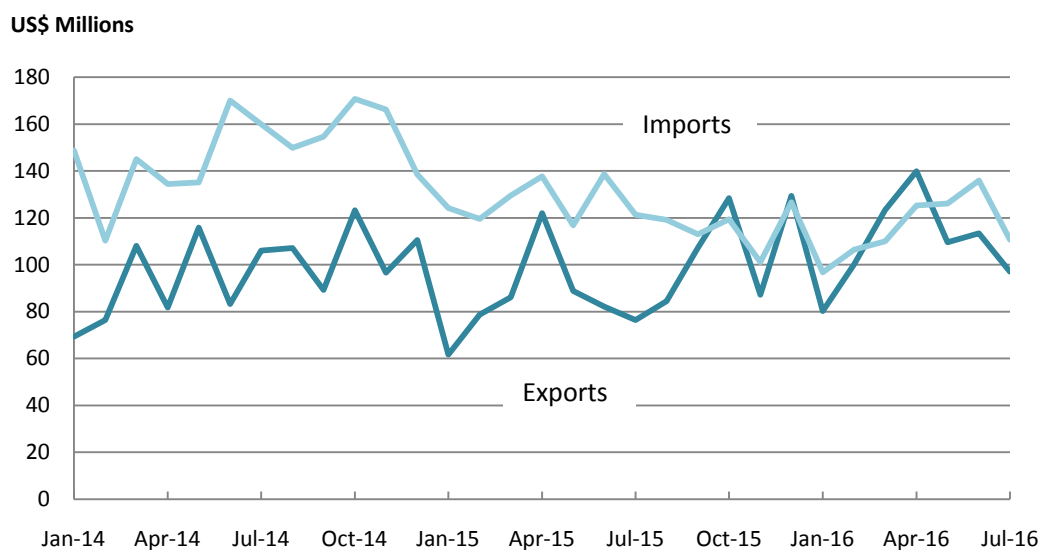
Source: Bank of Guyana

- The Bank of Guyana's foreign reserves are currently equal to over 4 months of imports, above the 3 month minimum generally considered to be a benchmark for reserve adequacy.
- The ratio of reserves to M2, an alternative measure of reserve adequacy, was approximately 38 percent in July, well above the benchmark minimum of 20 percent.

## Imports and Exports

- Guyana ran a merchandise trade deficit of US\$13.7 million in July. The deficit for June was revised downward to US\$22.6 million, following a deficit of US\$16.6 in May.
- Domestic exports fell by US\$16.4 million to US\$96.9 million, a 14.5 percent drop compared to June, but in July 2016 exports were 26.9 percent higher than July 2015 exports.
- Imports fell by US\$25.3 million to US\$110.7 million in July, a monthly decline of 18.6 percent. July 2016 imports were down 8.8 percent compared with July 2015.
- Although exports of gold fell relative to June, they remained 54.7 percent above their level in July 2015. Shrimp and prawn exports also performed relatively well, up by 19.9 percent compared with July 2015. Rum was another bright spot, with bulk exports increasing by 78.4 percent compared with June, and over 400 percent compared with July 2015.
- Exports of timber and sugar were both low compared to their levels in July 2015. Rice and paddy exports were about 33.3 percent above their level in July 2015, likely reflecting the late harvest. Year-to-date exports of rice are about 23.4 percent lower than in 2015.
- Imports fell in July for all three major categories: consumption goods, intermediate goods, and capital goods. Imports in all three categories were also lower compared with their levels in July 2015. Imports of petroleum products fell by 27.1 percent in July, despite the recovery of global oil prices. The only subcategories where imports increased compared with June were food for immediate use, which rose by over 100 percent due to increased imports of wheat, and “other capital goods”, which rose by 38.9 percent.

Figure 13. Merchandise Trade



Source: Guyana Bureau of Statistics

## International Commodity Prices

- Global commodity price movements were mixed in July. Prices for gold, sugar, rice, and aluminium continued to rise, though prices for logs declined. The price of oil, one of Guyana’s key imports, fell markedly.
- World prices for oil fell for the first time in five months in July. The price of Brent crude oil decreased by 7.0 percent from June to July. The price of Brent crude oil remains 19.3 percent below the price in July 2015. Analysts cited a global production glut and high oil and petroleum product stocks as the reason for the price decline, rather than demand-side factors.
- Gold prices increased again in July, after surging in late June following the UK’s Brexit referendum vote. Continuing uncertainty about the global economy may be a factor in the price increase. Low global interest rates, which make U.S. Treasury Bills a less attractive investment compared with gold, may also be helping to support demand for the precious metal.
- Sugar prices rose again in July, by 0.8 percent, after increasing 14.1 percent in June. The global price of sugar is now 52.8 percent higher than it was 12 months ago. The Food and Agriculture Association (FAO) reports that appreciation of the Brazilian real is pushing up sugar prices. A strong real makes sugar from Brazil more expensive on the international market.

**Table 3. International Commodity Prices, July**

Key Commodity Prices, July 2016			
Commodity	Price in US\$	1 Month Price Change	12 Month Price Change
Crude Oil, Brent (per bbl)	\$45.07	-7.0%	-19.3%
Gold (per troy oz)	\$1,336.65	4.7%	18.5%
Aluminum (per mt)	\$1,629.05	2.2%	-0.6%
Sugar, world price (per kg)	\$0.43	0.8%	52.8%
Rice, Thai 5% (per mt)	\$442.00	0.2%	12.8%
Logs, Cameroon (per cubic m)	\$387.35	-1.5%	0.6%

Source: World Bank Pink Sheet

## International Economic News

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### Global Growth

- The International Monetary Fund released its July World Economic Outlook forecasts of economic growth. Growth rates for 2016 were revised downwards for a number of countries and regions, reflecting a more pessimistic outlook and higher risks to global growth as a result of the UK's decision to leave the European Union, despite better-than-expected economic activity in many economies in the first half of 2016.
- Projected global growth for 2016 was revised downward by 0.1 percentage point to 3.1 percent. This reflected lower projected growth in advanced economies, as there was no revision to projected growth for emerging markets and developing economies.
- The UK's projected growth had the largest downward revision. Projected growth for 2016 was revised downward by 0.2 percentage points, and projected growth for 2017 was revised downward by nearly a full percentage point.
- Projected 2016 growth for the United States was also revised downward by 0.2 percentage points. Although the impact of Brexit on the United States is projected to be muted, first-quarter GDP growth was lower than expected.

World Economic Outlook Real GDP Growth			
	<u>2015</u>	<u>2016</u> <u>Projection</u>	<u>2016 Revision</u> <u>Since April</u> <u>Outlook</u>
World	3.1	3.1	-0.1
Advanced Economies	1.9	1.8	-0.1
United States	2.4	2.2	-0.2
Canada	1.1	1.4	-0.1
United Kingdom	2.2	1.7	-0.2
Euro Area	1.7	1.6	0.1
Emerging/Developing Economies	4.0	4.1	0.0
Guyana*	3.0	3.4	NA
LAC	0	-0.4	0.1

Source: IMF \*No updated projection for Guyana was published in the July Update

## Global Markets

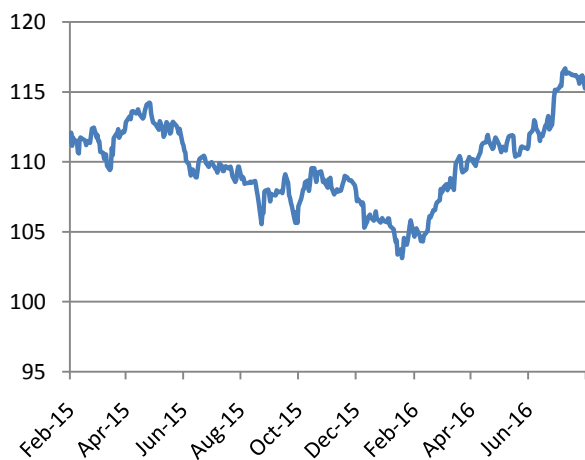
- Major world stock markets had positive performances in July, following volatility and losses in some markets at the end of June as a result of the UK’s Brexit referendum. The UK’s FTSE 100 rebounded by 1.8 percent in July, while Germany’s DAX ended the month up 5.7 percent.
- Major Asian stock market indexes remain below their levels a year ago. As of August 1, 2016, the Shanghai Stock Exchange (SSE) Composite Index, which captures stocks listed on China’s Shanghai Stock Exchange, was 18.5 percent below its level a year ago. Japan’s Nikkei index was 19.0 percent below its level on the same date in 2015.
- Prices for developing country sovereign bonds remained high through the month of July, but fell slightly from their spike at the end of June, indicating that interest rates remain low. Sovereign bonds appear to be continuing to benefit from a “flight to safety” in the wake of the Brexit vote, as well as optimism that Brexit will not have large negative effects on emerging markets.
- Volatility in global stock markets spiked immediately after the Brexit vote in late June, but quickly reverted to lower levels. Volatility remained low through the month of July. On July 20, the CBOE Volatility Index, or VIX, fell to 11.2, the lowest level yet in 2016.

**Table 4. Global Markets Summary, May 1, 2016**

As of:	August 01, 2016	Level	1 Month Change	12 Month Change
S&P 500	United States	2171	3.23%	3.47%
FTSE	United Kingdom	6694	1.77%	0.08%
DAX	Germany	10331	5.67%	-9.73%
Shanghai Composite	China	2953	0.71%	-18.48%
Nikkei	Japan	16636	6.08%	-19.04%

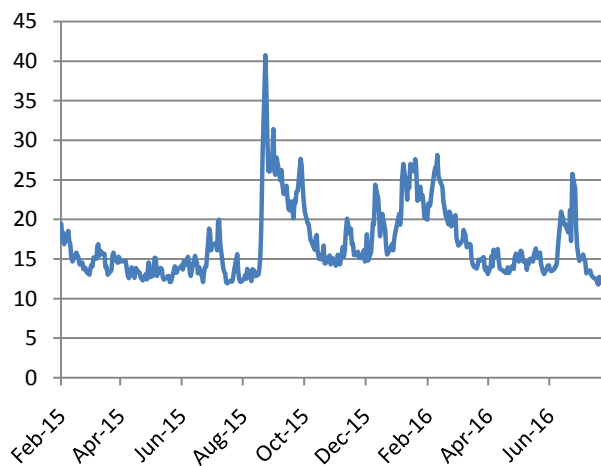
Source: Yahoo Finance

**Figure 2. JP Morgan Emerging Market Bond Index**



Source: Yahoo Finance

**Figure 3. VIX Volatility Index**



Source: Yahoo Finance

## International Interest Rates

- The interest rates on U.S. Treasuries rebounded slightly in July, after falling in June. The secondary market interest rate on 1 year U.S. Treasury Bills rose by 5 basis points to 0.49 percent, while the interest rate on 3 month U.S. Treasury Bills rose by 2 basis points to 0.29 percent.
- London Interbank Offer Rates (LIBOR) also rose in July, with the 3-month rate increasing by 11 basis points, and the 1-year rate increasing by 21 basis points.
- The recent rise in interest rates may reflect calming markets in the aftermath of the UK Brexit vote, and an improving U.S. labour market. A strengthening job market could lead the U.S. Federal Reserve to increase its policy interest rates later this year. Despite the recent increase in interest rates, major central banks are currently keeping their monetary policy loose, so interest rates remain at relatively low levels. For instance, on July 27, the Federal Reserve announced it would keep its policy interest rates unchanged.

**Table 5. Key World Interest Rates**

	Interest Rate	As of:	1 Month Change
3 Month US Treasury	0.29%	August 1, 2016	0.02%
1 Year US Treasury	0.49%	August 1, 2016	0.05%
3 Month LIBOR	0.76%	August 1, 2016	0.11%
1 Year LIBOR	1.43%	August 1, 2016	0.21%

Source: Federal Reserve Board and [global-rates.com](http://global-rates.com)