

# MONTHLY ECONOMIC BULLETIN

DECEMBER 2015



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), Ministry of Finance (MOF) 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).

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## Real Sector

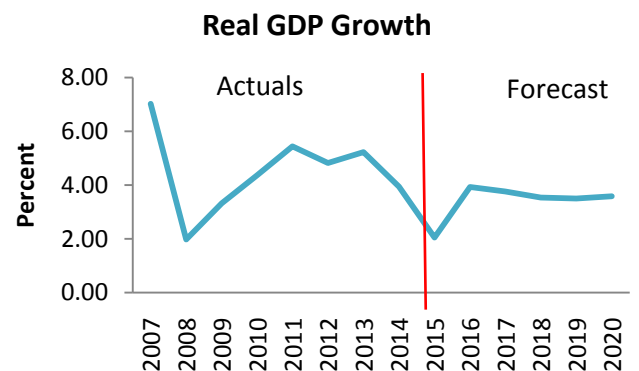
### Overall Growth

- The revised economic growth for 2015 indicates that Guyana's economy will grow by 2.2%, down from its budgeted value of 3.4%. The forecast has been revised downwards due to significant decline in the fishing, construction and forestry industries of 15%, 10% and 16.2%, respectively.
- This reduction in growth is due mainly due to low consumer and business confidence combined with delays in the commencement of work for many government infrastructural projects. Additionally, the fishing industry continues to face difficulties of over-fishing, lower harvests and piracy.
- Growth in the sugar, rice and livestock industries as well as the manufacturing sector could not compensate for the

declines in the fishing, forestry and construction industries.

- Over the medium term economic growth is expected to average around 3.7%.

Figure 1. Real GDP Growth, Actual and Forecast



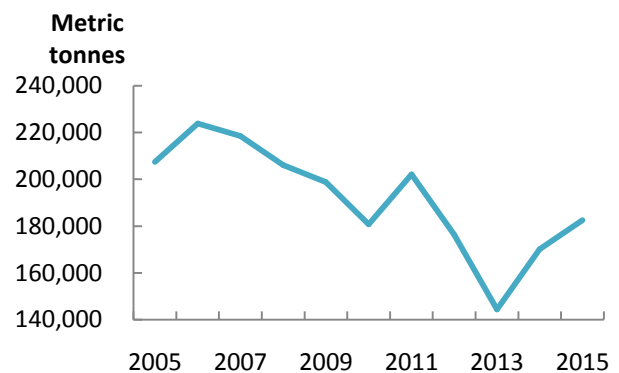
Source: Bureau of Statistics and Ministry of Finance

### Agriculture

#### Sugar

- Despite challenges, the sugar industry rebounded in 2015 with production totaling 182,486 tonnes from January to October, 2015. This represents an increase of 7.3% over last year's production for the same period.
- Production growth was due to improved productivity and efficiency in the industry which led to the closure of one of its factory.
- The revised forecast for sugar for 2015 is 232,443 tonnes with 245,000 tonnes forecasted for 2016.

Figure 2. Sugar Production, January to October

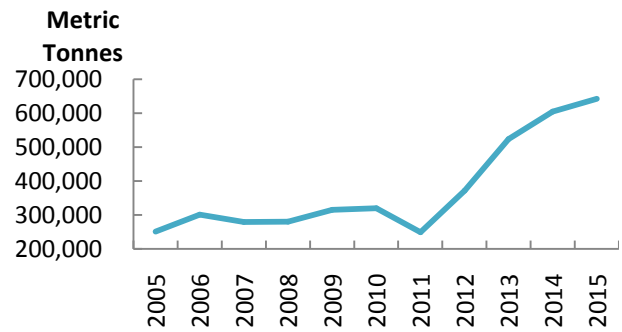


Source: Bureau of Statistics

### Rice

- The rice industry continues to produce at record levels with production reaching 642,763 tonnes for 2015 thus far, compared to 635,238 from January to October in 2014, representing an increase of 6.4%.
- Production for rice is forecasted to be lower in 2016 due to uncertainty about export markets as the Petro-Caribe deal has not been renewed. Once these uncertainties are removed, production in the industry could surge again.

Figure 3. Rice Production, January to October

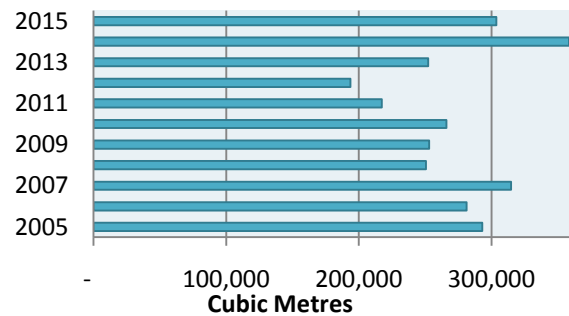


Source: Bureau of Statistics

### Forestry

- Forestry production declined by 15.3% up to the third quarter in 2015, totalling 303,583 m<sup>3</sup> at the end of September, 2015 compared to 358,361 m<sup>3</sup> in the same period in 2014.
- The declining construction industry has had a negative impact on this industry. Additionally, low prices have caused many small loggers to defer their harvesting.

Figure 4. Forestry Production, January to October

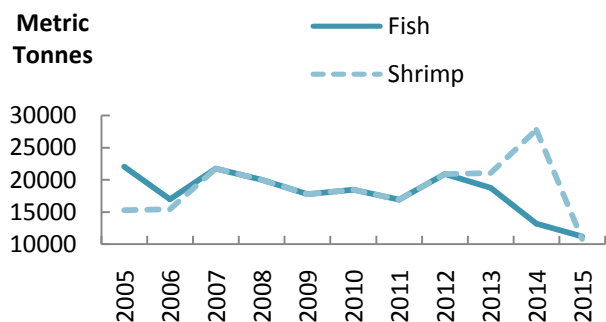


Source: Bureau of Statistics

### Fisheries

- Fish and shrimp production declined by 14.8% and 61.1% respectively when comparing January to September total in 2015 to 2014.
- The fisheries industry was expected to grow faster in the second half of 2015. However, the industry continues to face issues in relation to piracy and overfishing.

Figure 5. Fish and Shrimp Production, January to September



Source: Bureau of Statistics

## Mining

### Bauxite

- Production for the Bauxite industry totaled 1,251,381 tonnes from January to October, 2015 compared to 1,563,563 tonnes in the same period in 2014. This represents a decline of 7.2 %.
- The Bauxite industry faced several challenges in 2015 including falling commodity price. Bosai closed one of its processing plants in order to increase productivity. However, these productivity gains have not be realised thus far.

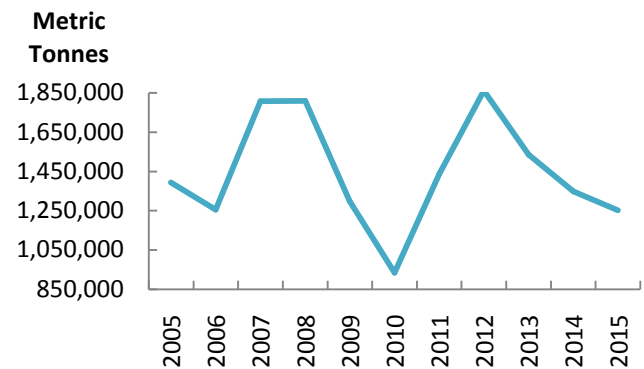
### Gold

- Gold production totaled 334,118.2 ounces from January to October, 2015, an increase of 4.4% over last year's total for the same period.
- Increased gold declaration occurred as a result of two new entrants into the market namely Guyana Gold Fields and Troy Inc.
- Despite falling international prices for Gold, the sector is forecasted to continue to grow in 2016 due to increase production from the two new entrants into the industry.

## Services

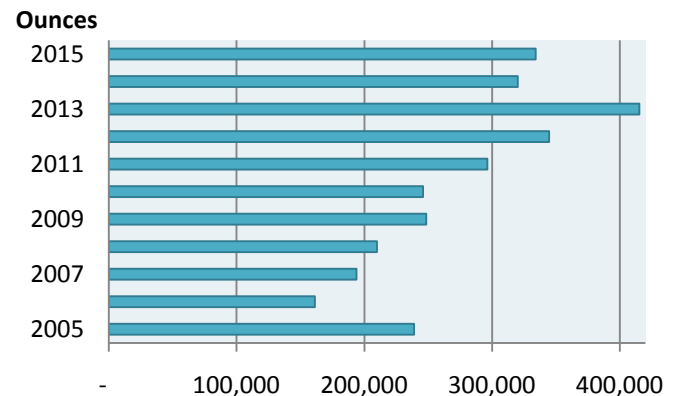
- The Construction industry, as indicated earlier is expected to decline by 10% due to reduction in both private and public construction. This is reflected in reduction in imports of building materials, the forestry industry and the Public Sector Investment Project (PSIP).

Figure 6. Bauxite Production, January to October



Source: Bureau of Statistics

Figure 7. Gold Production, January to October



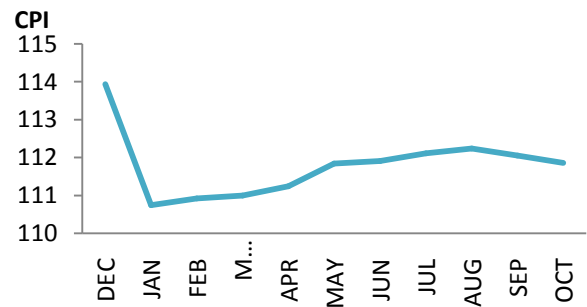
Source: Bureau of Statistics

- The Financial Industry along with the Information and Communication industry will see continued growth due to increased credit in the former and increased advertisements and promotions in the latter.
- Despite major decline in the construction industry, the services sector is expected to have positive growth in 2015.

## Inflation

- For 2015, prices remained low with the Consumer Price Index (CPI) reducing from 113.9 in December, 2014 to 111.8 in October, 2015, reflecting deflation of 1.8%. Falling prices for 2015 are mainly due to falling international price for oil which has resulted in low food and housing prices. The removal of Value Added Taxes (VAT) by the government in September has also aided in reducing food prices.

Figure 8. Consumer Price Index



Source: Bureau of Statistics

## Fiscal Sector

### Revenues

- Total revenues increased by 6.7 percent reaching \$113.9 Billion from January to September, 2015 compared to \$106.7 Billion in the same period in 2014. The main drivers of this growth were personal income taxes and VAT and Excise Taxes which increased by 15.5 percent and 8.9 percent respectively. Both property and

capital gains taxes also showed significant increases.

- However, negative growth rates were recorded for environmental, withholding and estate duty taxes of 30.3, 8.7 and 14.7 percent respectively.
- Non-tax revenues increased by 15.7 percent with private sector tax collection doubling.

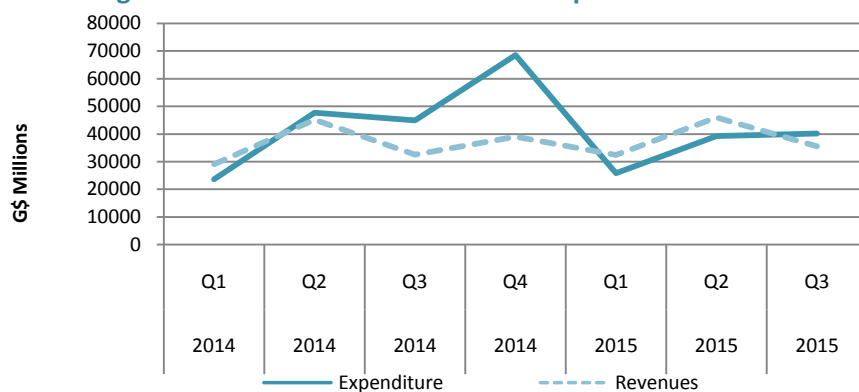
### Expenditures

- Total Expenditure reached \$105.3 Billion from January to September, 2015 compared to \$116.3 Billion in the same period last year. This represents a decline of 9.5 percent.

The main driver of this decline was a reduction in capital expenditure by 63.5 percent as a result of a reduction in the Public Sector Investment Projects (PSIP). Due to the late passing of the Budget, as a result of Elections, many projects were delayed and this resulted in a reduction in the PSIP.

- However, current expenditure increased by 7.2 percent when comparing January to September totals in 2015 to 2014. This resulted from increased expenditure for personal emoluments, other goods and services and transfers of 8.6, 1.8 and 11.6 percent respectively.
- As at the third quarter, Guyana recorded a surplus of \$8.6 Billion compared to a deficit of \$9.6 Billion in the same period in 2014.

**Figure 9. Government Revenues and Expenditure**



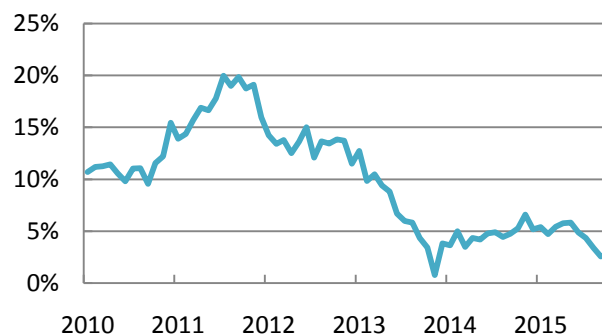
Source: Guyana Revenue Authority and MoF

## Monetary and Financial Sector

### Money Supply

- Money and quasi-money (M2) continued to grow slowly in October. M2, which includes currency, demand deposits, cashier's checks and bank acceptances, and time and savings deposits, increased 2.7 percent over the 12 months ending in October. Slower money growth is associated with lower inflationary pressures, assuming growth in demand for money remains constant.
- Currency in circulation increased 6.2 percent over the 12 months ending in October. Time and savings deposits, which make up about 62 percent of money and quasi-money, grew only 0.9 percent over the same period.

**Figure 10 Month Growth of Money & Quasi-Money**



Source: Bank of Guyana

### Domestic Interest Rates

- Interest rates remained mostly unchanged in October. The interest rate on 90 day Treasury Bills edged up from 1.90 percent in September to 1.92 percent in October, while 364 day Treasury Bill rates rose from 2.28 percent to 2.35 percent. The interest rate on 182 day Treasury Bills has been unchanged at 1.81 percent since October 2014.
- Commercial bank lending rates fell slightly, from a weighted average of 10.56 in September to 10.54 in October, continuing a long-term trend of falling lending rates.

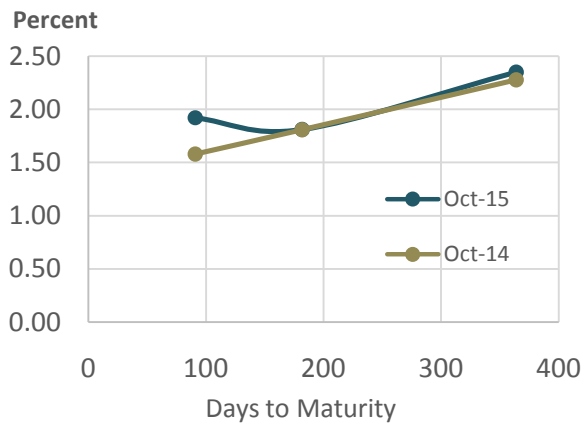


**Table 1. Key Interest Rates**

	<b>Current Interest Rate</b>
Bank Rate	5.00%
Treasury Bills	
91 Days	1.92%
182 Days	1.81%
364 Days	2.35%
Commercial Bank Lending Rate	10.54%
Commercial Bank Small Savings Rate	1.26%

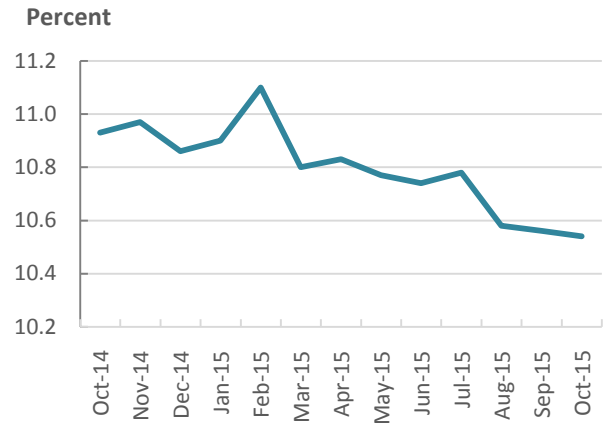
Source: Bank of Guyana

**Figure 11.1 Yield Curve for Guyana Treasury Bills**



Source: Bank of Guyana

**Figure 11.2 Commercial Bank Lending Rates**



Source: Bank of Guyana

### Private Sector Credit

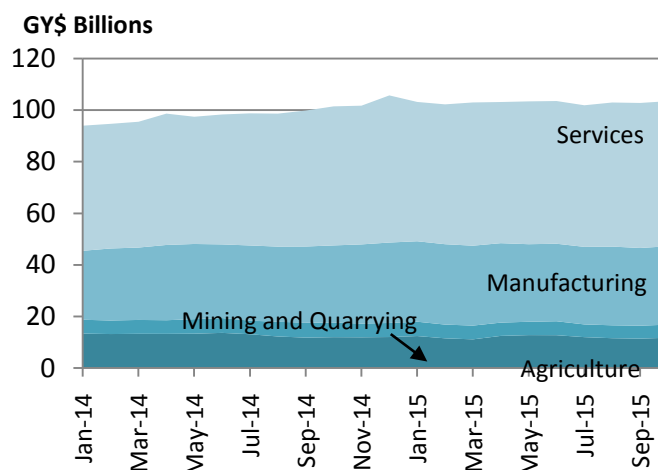
- Domestic loans grew to GY\$ 132.8 billion in October, a 1.2 percent increase over loans in September. Credit growth over the past year has been modest, growing only 2.6 percent since October 2014. In comparison, credit grew 8.6 percent in 2014, and 13.2 percent in 2013.
- The slowdown in credit growth over the past year reflects slower growth in lending to private sector enterprises. Lending to mining and agriculture has been especially weak. Credit to private mining and quarrying enterprises was 10.9 percent lower in October 2015 compared to October 2014.

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

	Loans in October, GY\$ Billions	1 Month % Change in Credit	12 Month % Change in Credit
<b>TOTAL CREDIT</b>	<b>132.8</b>	<b>1.2%</b>	<b>2.6%</b>
Public Sector	2.26	122.8%	-16.0%
<i>General Government</i>	0.03	484.1%	177.0%
<i>Public Business Enterprises</i>	2.23	21.6%	-16.7%
Financial Institutions	1.77	2.8%	131.8%
Private Business Enterprises	103.42	0.7%	2.0%
<i>Agriculture</i>	11.73	3.0%	-1.8%
<i>Mining and Quarrying</i>	5.08	1.4%	-10.9%
<i>Manufacturing</i>	30.38	0.9%	1.7%
<i>Services</i>	56.23	0.0%	4.3%
Households	25.3	1.6%	3.4%

Source: Bank of Guyana

**Figure 12 Private Credit to Private Business, by Sector**



Source: Bank of Guyana

## Banking Sector

- Banks remained well-capitalized in the third quarter, with the capital-to-asset ratio rising to 13.5, up from 13.2 in the second quarter. This is well above the 8 percent capital adequacy ratio set by the Bank of Guyana and recommended by the Bank for International Settlements. Tier 1 capital, which is more stable than Tier 2 capital, makes up the majority of bank capital.
- Bank lending is becoming more diversified. The top 20 borrowers' share of total loans was 16.8 percent in the third quarter, down from 17.2 percent a year ago.
- However, non-performing loans are on the rise. Non-performing loans made up 10.8 percent of total loans in the third quarter, up from 7.8 percent a year ago.

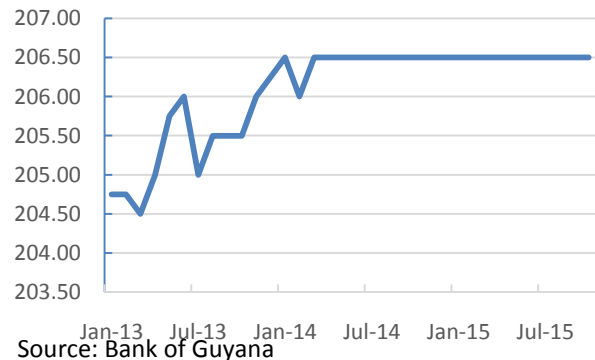
## External Sector

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### Exchange Rate

- The Bank of Guyana has maintained an exchange rate of 206.5 Guyana dollars to one U.S. dollar since March 2014.

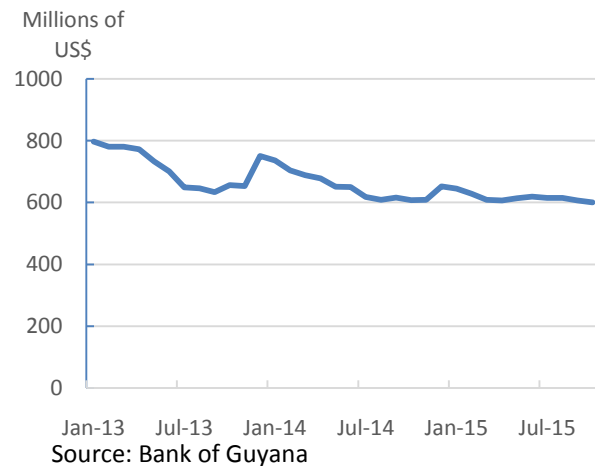
**Figure 13. Bank of Guyana Exchange Rate, GYD/USD**



### Official Reserves

- Foreign reserves held by the Bank of Guyana fell by US\$6.6 million to US\$600.6 million in October. Reserves have been stable for the past year, but have declined slightly from 2013.
- Although reserve levels are stable, reserve adequacy is likely to decline as the economy expands. In October, reserves were equal to about five months of imports. Although the adequate amount of reserves depends on a number of economic risk factors, developing countries should generally have reserves equal to at least three months of imports.

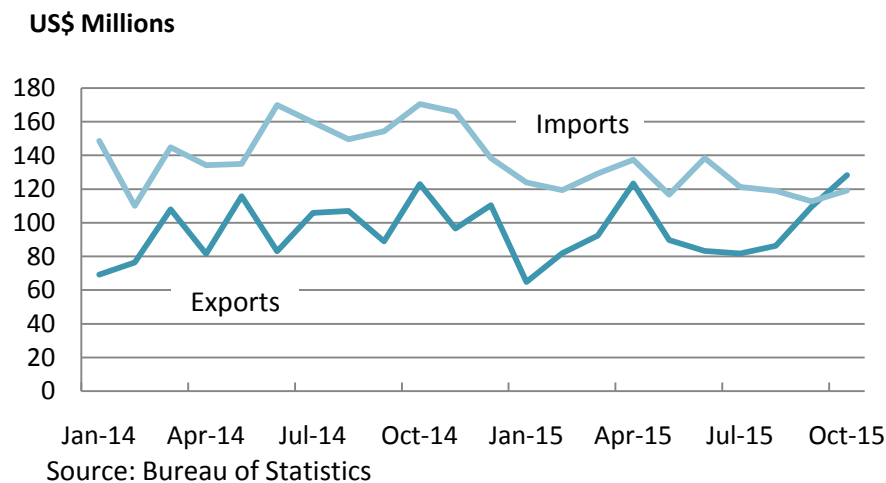
**Figure 14. Bank of Guyana Foreign Reserves**



## Imports and Exports

- Preliminary merchandise trade statistics indicate Guyana ran a merchandise trade surplus of US\$ 9 million in October. Non-seasonally adjusted export growth outpaced import growth, due largely to strong growth in agricultural exports. Imports remain low compared to 2014.
- Compared to one year ago, exports have increased 4.24 percent, and imports have fallen 30.10 percent due to reducing fuel prices.
- Sugar exports were strong in both September and October. Over US\$9 million in sugar was exported under the EU Protocol program both months. In October, an additional US\$2.9 million was exported to the United States.
- Rice exports increased by 10.8 percent from September to October.
- The value of gold exports grew 18.4 percent from September to October. Most of the increase was due to increased export volume.

Figure 95. Merchandise Trade



## International Commodity Prices

- Key international commodity prices continued to fall in November. Sugar was an exception, with the world price increasing about 3 percent from October. However, sugar prices are still down about 11 percent compared to November 2014.
- Commodity prices are expected to make only a very modest comeback in 2016, according to the World Bank Commodity Price Outlook from October 2015. El Nino is expected to have a negative impact on agricultural production in some Latin American countries, but international prices are unlikely to be affected seriously.

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

	Monthly Average	1 Month Change	1 Year Change
Gold, US\$/oz	1086	-3.17%	-7.57%
Aluminum, US\$/mt	1468	-6.30%	-28.60%
Brent Crude oil, US\$/bbl	44.4	-7.69%	-43.37%
Sugar, US\$/kg	0.32	3.23%	-11.11%
Rice Thai 5%, US\$/mt	368	-1.34%	-11.96%

Sources: World Bank Pink Sheet

### International Interest Rates

- Key international interest rates crept up during November. The secondary market interest rate on 3 month U.S. Treasury Bills rose from a near-zero 0.06 percent annual rate in early November to 0.21 percent on December 3.
- The Federal Reserve, which sets U.S. monetary policy, kept interest rates unchanged in its last meeting, held October 27 and 28. The next meeting will be December 15 and 16. Many economists believe that the Federal Reserve will raise interest rates in coming months if the U.S. economy continues to perform well.

**Table 4. Key World Interest Rates**

	Interest Rate	As of:	1 month change
3 Month U.S. Treasury	0.21	December 3, 2015	0.15
1 Year U.S. Treasury	0.54	December 3, 2015	0.18
3 Month LIBOR	0.42	December 2, 2015	0.26
1 Year LIBOR	0.97	December 2, 2015	0.10

Sources: Federal Reserve & Bankrate.com