

MONTHLY ECONOMIC BULLETIN

December, 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 November, 2016.

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Real Sector

Economic Growth

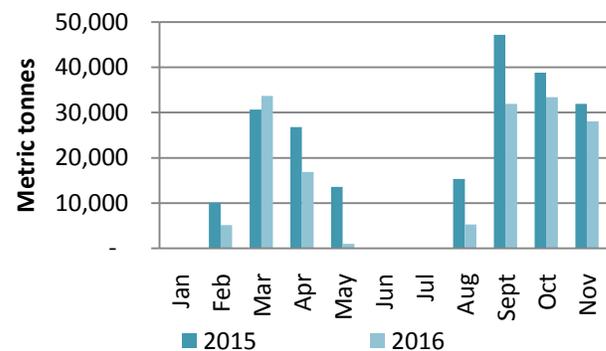
- Economic growth up to November, of this year, continues to be spurred by growth in the mining sector. However, while strong performances continued in the gold, diamond and quarrying industries, the agricultural sector continued to underperformed. The El Niño phenomenon was partly to be blamed for the dismal performance in the rice and sugar industries during the first half of the year. However, late planting in both industries hampered production for the second crop, and hence production for the second half of the year. In the case of sugar, union strikes during the fourth quarter of the year also affected production adversely. Further, the forestry industry continues to perform poorly as a result of a halt in the awarding of concessions. While this has resulted in lower than expected growth in the forestry sector, these measures are important as the Government aims to reform the industry so as to benefit the nation over the medium-to-long term.

Agriculture

Sugar

- In November, 2016, 28,085 tonnes of sugar was produced, bringing the year to date total to 155,307 tonnes compared to 214,402 tonnes produced from January to November, 2015. The significant reduction in sugar production for 2016 is attributed to the El Niño phenomenon, earlier in the year, combined with late planting for the second crop. Strikes during the fourth quarter of the year also significantly affected production levels.

Figure 1. Sugar Production, 2015-2016

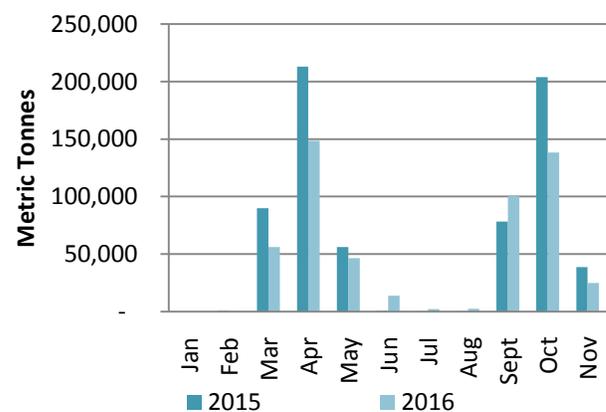


Source: Bureau of Statistics

Rice

Rice production for November, 2016 reached 25,146 tonnes, down from 38,754 tonnes in November, 2015. This brings rice production from January to November, 2016 to 534,433 tonnes compared to 681,517 tonnes produced during the same period in 2015. Despite increased production in September, production to date remains below the level achieved in 2015, as a result of the first crop being negatively affected by the El Niño phenomenon combined with late sowing for the second crop.

Figure 2. Rice Production, 2015-2016

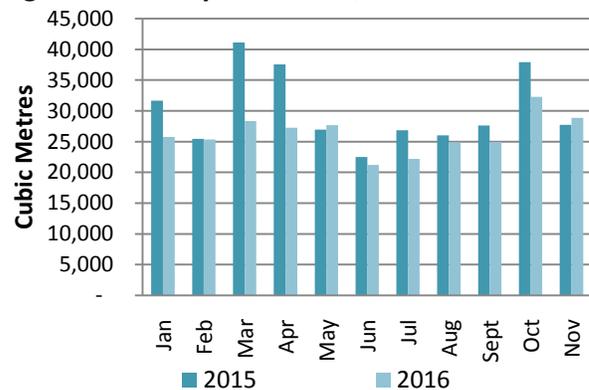


Source: Bureau of Statistics

Forestry

- Forestry production for November 2016 amounted to 28,871 cubic metres compared with 27,742 cubic metres in November, 2015. Total production from January to November, 2016 currently stands at 288,690 cubic metres compared to 331,325 cubic metres produced during the same period in 2015. Low production levels for 2016 continue to result from the Government reorganising the sector in pursuit of better forestry management and greater value added. In addition, the downsizing of Barama during the fourth quarter had a negative impact on production.

Figure 3. Forestry Production, 2015-2016



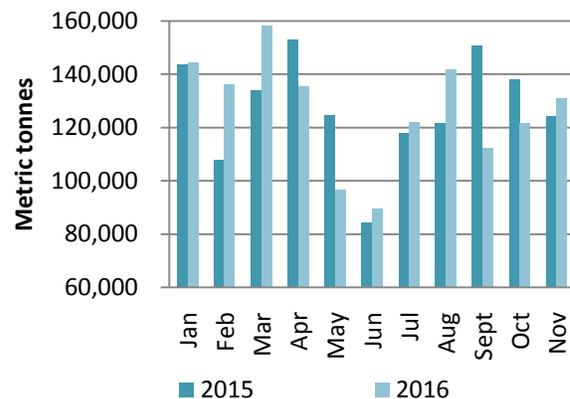
Source: Bureau of Statistics

Mining and Quarrying

Bauxite

- Bauxite production for November, 2016 was 130,803 tonnes compared to 124,282 tonnes in November, 2015. This brings bauxite production from January to November, 2016 to 1,389,446 tonnes compared to 1,399,185 tonnes produced during the same period in 2015. Performance within the Bauxite industry, has been credible, during the first quarter of the year. However, production levels began to fall from the second quarter of the year and continued into the third and fourth quarters due to faulty equipment at one of the bauxite companies.

Figure 4. Bauxite Production, 2015-2016



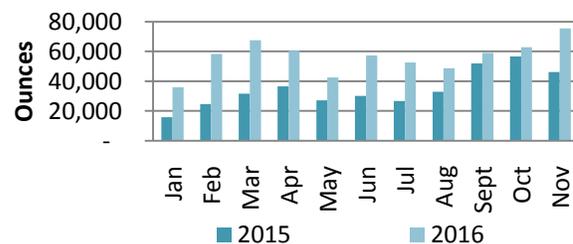
Source: Bureau of Statistics

Gold

- Gold production for November, 2016 totalled 75,425 ounces compared to 46,106 ounces achieved in November, 2015. This brings gold production to 621,167 ounces so far for 2016, representing an increase of 63.4 percent over the production achieved during the same period in 2015. The strong performance this year continues to be underpinned by increased production by

the small and medium sized miners, and the two expatriate companies

Figure 5. Gold Production, 2015-2016

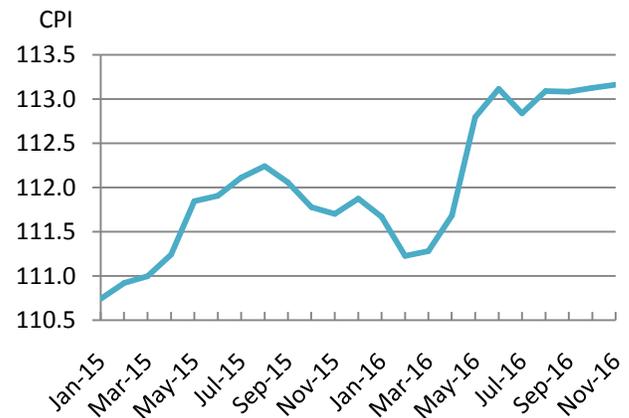


Source: Bureau of Statistics

Inflation

- The Urban Consumer Price Index for Georgetown increased by 1.2 percent between December, 2015 and November, 2016. Prices between October and November, 2016 remained stable with marginal increase in the prices for food and housing.
- The major driver behind the inflation rate of 1.2 percent for 2016 has been rising food prices; especially fruits, vegetables, pulse and pulse products and spices.

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



Source: Bureau of Statistics

Fiscal Sector

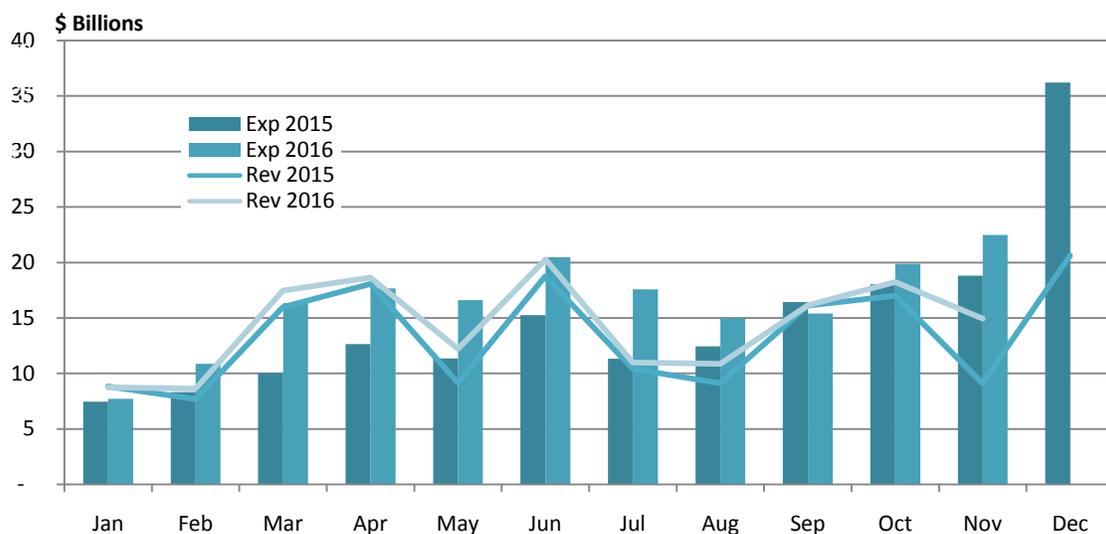
Revenues

- Central Government current revenues totalled \$157.1 billion at the end of November, 2016, an increase of 11.3 percent or \$16 billion compared to revenue collections during January to November, 2015. This growth continues to be driven by increases in both non-tax and tax revenues.
- Tax revenue collections amounted to \$133.9 billion through November, 2016, compared with \$123.9 billion for the same period in 2015, an increase of 8.1 percent. Noteworthy growth continued for company, withholding and international trade taxes which grew by 14.6 percent, 27.3 percent and 20.8 percent, respectively, as well as personal income tax which grew by 12.9 percent. Among the factors that contributed to this improvement are 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 \$33.1 billion through November, 2016, an increase of 2.3 percent over the same period in 2015. Up to half year, VAT revenues were declining, due to reduced VAT collections for imports. However, during the third and fourth quarters, revenues in this category increased, which resulted in a rise in VAT revenues.
- Excise tax collections fell by 5 percent compared with 2015, reaching \$27.6 billion for January to November, 2016 compared to \$29.0 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 \$3.2 billion from January to November, 2016 compared to the same period in 2015. This continued to be driven by collections of rents and royalties as a result of higher gold production and declarations.

Expenditure

- Central Government expenditure reached \$180.0 billion at the end of November, 2016 compared to \$142.1 billion expended from January to November in 2015, mainly driven by an increase in non-interest and capital expenditure.
- Non-interest expenditure reached \$141.3 billion at the end of November, 2016, an increase of 19.9 percent over the amount spent during the same period in 2015. This increase continues to be driven by increased payments to local and international organisations, the addition of Constitutional Agencies to this category as well as increases in old age pension, statutory pensions and gratuity. Employment cost increased by 12.4 percent while spending on other goods and services increased by 12.1 percent comparing January to November, 2016 to the same period in 2015.
- Capital expenditure rose by 76.4 percent, reaching \$32.5 billion at the end of November, 2016, compared to \$18.4 billion expended during January to November, 2015. Despite this large increase, capital spending continues to remain below its budgeted target due to the slow pace of implementation of the Public Sector Investment Programme.

Figure 7. Current Revenues¹ and Expenditure



Source: Guyana Revenue Authority and Ministry of Finance

¹ Current Revenues does not include Government Grants

Monetary and Financial Sectors

Money Supply

- The supply of money and quasi-money (M2) continued to grow moderately in November. M2, which includes currency, demand deposits, cashier's checks and bank acceptances, and time and savings deposits, increased by 4.7 percent over the 12 months ending in November, up from a growth rate of 3.4 percent over the 12 months ending in October. The money growth rate remains consistent with low inflationary pressure.
- M2 growth was largely driven by fast growth in demand deposits, cashier's checks and bank acceptances with an increase of 15.1 percent over the 12 months ending in November, up from a growth rate of 5.5 percent over the 12 months ending in October. Currency in circulation increased by 9.1 percent over the 12 months ending in November while time and savings deposits, which make up a

little over 60 percent of money and quasi-money, increased by only 0.5 percent over the same period.

- Guyana's money liquidity ratio, or the ratio of currency to M2, was roughly unchanged in November at 40 percent.

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



Source: Bank of Guyana

Domestic Interest Rates

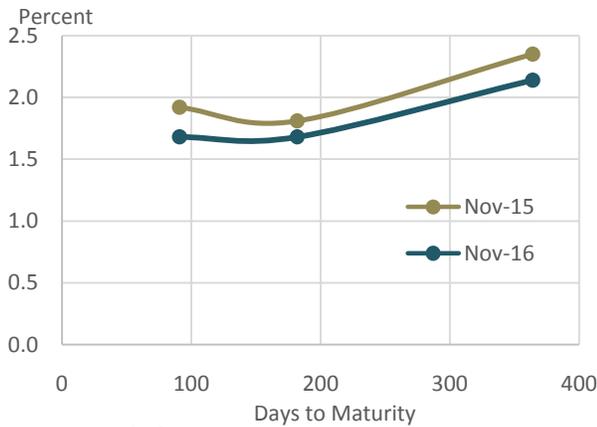
- Interest rates mostly fell in November. The interest rate on 182-day Treasury Bills remained unchanged at 1.68 percent while the interest rate on 91-day and 364-day bills fell. The 364-day bills fell two basis point from 2.16 percent and the 91-day bills fell from 1.85 to 1.68 in November.
- The commercial bank weighted average lending rate fell one basis point from 10.43 percent to 10.42 percent in November, while the small savings rate remained at 1.26 percent.

Table 1. Key Interest Rates

	Current Interest Rate
Bank Rate	5.00%
Treasury Bills	
91 Days	1.68%
182 Days	1.68%
364 Days	2.14%
Commercial Bank Lending Rate	10.42%
Commercial Bank Small Savings Rate	1.26%

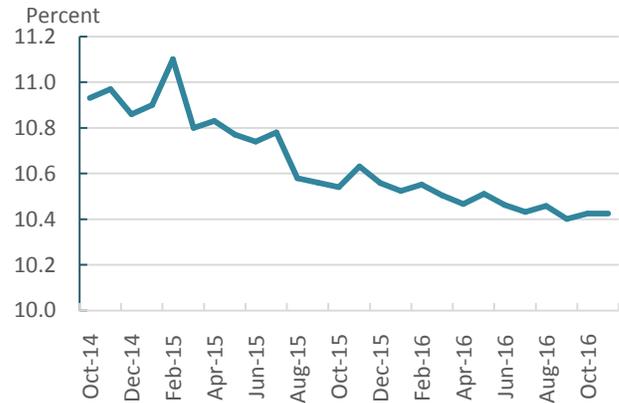
Source: Bank of Guyana

Figure 9.1 Yield Curve for Guyana Treasury Bills



Source: Bank of Guyana

Figure 9.2 Commercial Bank Average Lending Rate



Source: Bank of Guyana

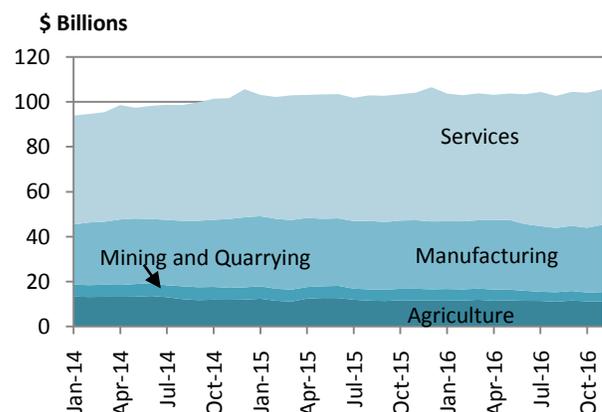
Private Sector Credit

- Domestic private sector lending excluding real estate mortgages grew moderately in November, rising by 1.9 percent to \$137.5 billion in November from \$134.9 billion in October. Compared with November 2015, credit grew by 2.3 percent. This is in line with the relatively modest annual rate of credit growth that has been observed since early 2015.
- Credit to the general government decreased to \$137.0 million in November from \$161.8 million in October. Credit to public enterprises fell slightly by 1.1 percent, moving from \$1.904 billion in October to \$1.883 billion in November.
- Lending to private business enterprises, which accounts for about three-quarters of all lending, grew by 1.5 percent in November. Lending in this category has grown only by 1.5 percent since November 2015. Compared with a year ago, lending to private businesses is down in every sector except the services sector with a growth rate of 6.2 percent.
- Within the manufacturing sector, lending to the beverages, food and tobacco industry

saw an uptick in November, rising 23.9 percent compared with October.

- Lending to households grew 3.2 percent at the end of November compared with October and 8.0 percent higher than November 2015. Lending to households for educational purposes remained especially strong, at 46.9 percent above its level a year ago. Compared with a year ago, lending to households is up in every category except loans for motor cars, which have declined by 3.7 percent.

Figure 10. Private Credit to Private Business, by Sector



Source: Bank of Guyana

Table 2. Loans by Sector, November 2016

	Loans in November, \$ Billions	1 Month % Change in Credit	12 Month % Change in Credit
TOTAL CREDIT	137.47	1.9%	2.3%
Public Sector	2.02	-2.2%	-10.5%
<i>General Government</i>	0.14	-15.3%	2565.7%
<i>Public Business Enterprises</i>	1.88	-1.1%	-16.4%
Financial Institutions	1.15	13.0%	-20.6%
Private Business Enterprises	105.66	1.5%	1.5%
<i>Agriculture</i>	11.31	0.4%	-3.1%
<i>Mining and Quarrying</i>	4.04	3.0%	-21.8%
<i>Manufacturing</i>	29.98	4.0%	-1.7%
<i>Services</i>	60.33	0.4%	6.2%
Households	28.64	3.2%	8.0%

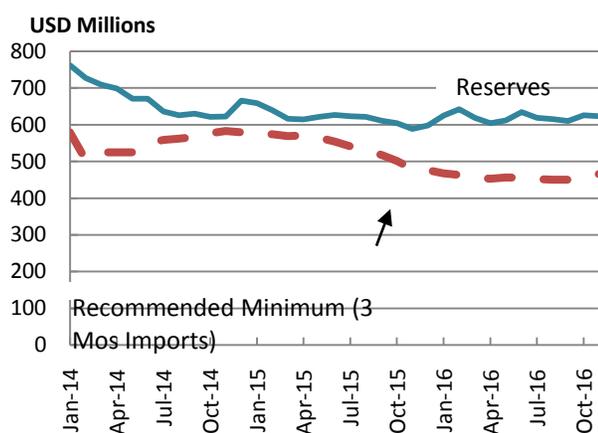
Source: Bank of Guyana

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 November.

Figure 11. Bank of Guyana Foreign Reserves



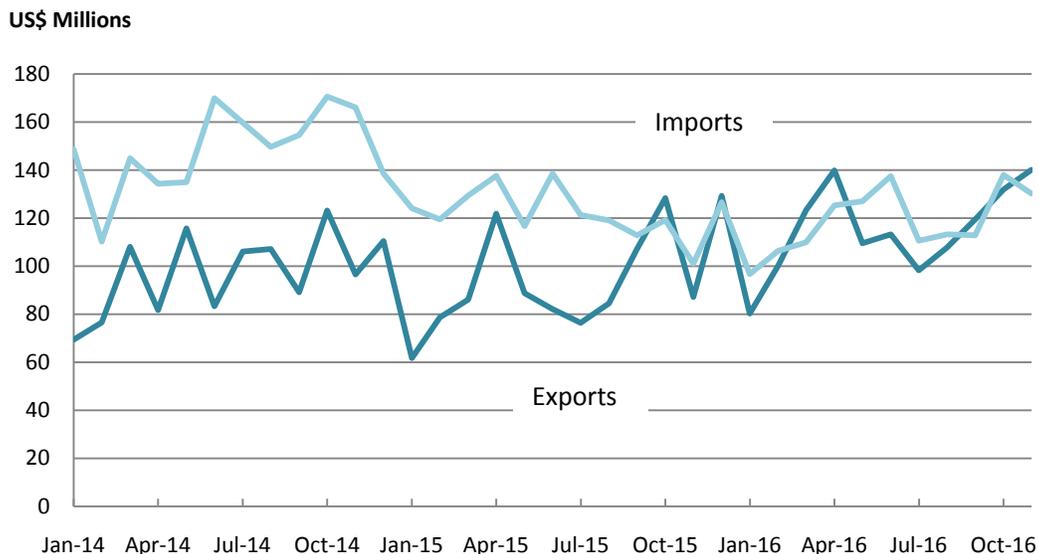
Source: Bank of Guyana

- Foreign reserves held by the Bank of Guyana fell by US\$2.3 million in November to US\$623.5 million. Reserve levels have been mostly stable since early 2015. For 2016, foreign exchange market interventions by the Bank of Guyana have been minimal.
- The Bank of Guyana's foreign reserves were equal to about 4 months of imports, above the 3 month minimum generally considered to be a benchmark for reserve adequacy. If imports continue to trend upward, reserves will also need to increase to maintain the same level of adequacy.
- The ratio of reserves to M2, an alternative measure of reserve adequacy, was approximately 38 percent November, well above the benchmark minimum of 20 percent.

Imports and Exports

- Guyana ran a merchandise trade surplus of US\$9.9 million in November. Since September 2015, Guyana's merchandise trade has been roughly in balance, with nearly equal imports and exports.
- Domestic exports rose by US\$8.2 million to US\$140.2 million, a 6.2 percent increase compared with October. November 2016 exports were 60.9 percent higher than November 2015 exports.
- Imports fell by US\$7.8 million to US\$130.3 million in November. November 2016 imports were 28.8 percent higher than imports in November 2015.
- Gold exports were particularly strong in November, increasing by US\$18.1 million compared to October, to US\$86.6 million. The increase was largely due to a US\$13.8 million increase in exports by small and medium sized miners. The jump in exports might have been spurred by a proposal to pay miners three percent less than the world gold price, in order to increase funding for the Guyana Gold Board. The prospect of lower prices may have led miners to rush to sell their gold before the contemplated price change.
- Shrimp and prawn exports rebounded in November, following a temporary moratorium on harvesting that is enacted each year to allow shrimp stocks to regenerate. Shrimp exports have been generally strong in 2016, rising by 12.2 percent year-to-date.
- The drop in imports in November was due to a 13.2 percent decline in imports of intermediate goods, compared with October, and a 10.6 percent decline in imports of capital goods.

Figure 12. Merchandise Trade



Source: Guyana Bureau of Statistics

International Commodity Prices

- Global prices for Guyana's major traded commodities largely fell in November, with the exception of aluminium, whose price increased by 4.3 percent. The price of aluminium is now 18.3 percent above its level a year ago. Some analysts have speculated that new weight restrictions on Chinese roads are delaying aluminium deliveries in that country, putting upward pressure on international prices. If this is the case, some of the upward pressure on prices is likely to ease as the supply chain issues in China are addressed.
- The average price of Brent crude oil fell in November, as OPEC reported an increase in production, and doubts remained about OPEC's ability to reach a final agreement regarding production quotas. However, oil prices spiked at the end of the month after OPEC announced a provisional agreement had been reached. Provided that oil-producing countries adhere to the agreement, it is likely that oil prices will be higher in coming months. The average oil price in November 2016 was 4.5 percent higher than the average oil price in the same month a year ago.
- The average free market global price for sugar dropped sharply in October, after six consecutive months of increases. The drop in prices likely reflected in part a weakening of the Brazilian currency, which stimulated higher sugar exports from that country. The November 2016 price remained 39.1 percent higher than the average price in November 2015.
- The international gold price declined by 2.2 percent in November, following a 4.5 percent decline in October. Gold prices remain 14.0 percent above their level a year ago. However, downward pressure on gold prices may continue if international interest rates increase in coming months.

Table 3. International Commodity Prices, November

Key Commodity Prices, November 2016			
Commodity	Price in US\$	1 Month Price Change	12 Month Price Change
Crude Oil, Brent (per bbl)	\$46.44	-6.6%	4.5%
Gold (per troy oz)	\$1,238.35	-2.2%	14.0%
Aluminum (per mt)	\$1,737.11	4.3%	18.3%
Sugar, world price (per kg)	\$0.45	-8.9%	39.1%
Rice, Thai 5% (per mt)	\$365.00	-1.1%	-0.8%
Logs, Cameroon (per cubic m)	\$378.32	-2.0%	0.7%

Source: World Bank Pink Sheet

International Economic News

Global Growth

- The U.S. presidential election was held on November 8, 2016. Following the announcement of winner Donald Trump, world stock markets appeared optimistic, but the market for emerging market assets appeared to react unfavourably. It was reported that there were significant capital outflows from emerging markets following the election. The World Bank reported that emerging market and developing economy currencies collectively depreciated by about 2 percent between the election and early December. President-elect Trump's inconsistent policy platform and unpredictable communications style may result in increased investor uncertainty regarding future U.S. economic policy and diplomacy. This increased uncertainty could be reflected in higher risk aversion and higher interest rates for developing and emerging market bonds.
- The U.S. core consumer price index (the index for all items except food and energy) increased by 2.1 percent over the 12 months ended in November. Historically, inflation in Guyana has tracked inflation in the United States, so rising U.S. inflation may put upward pressure on prices in Guyana, partly due to rising prices for U.S. imports. Higher U.S. inflation also increases the likelihood that the Federal Reserve will increase its policy interest rates in coming months.
- Brazil's economy continued to contract in 2016 Q3, with GDP falling 3.3 at a seasonally adjusted annual rate compared to Q2, reflecting weak exports and investment. Forecasts of stronger growth in Latin America and the Caribbean in 2017 rely in part on the assumption of improved performance in Brazil next year.

International Interest Rates

- Major international interest rates jumped in November. The secondary market interest rates on 1 year and 3 month U.S. Treasury Bills increased by 15 basis points and 24 basis points, respectively. The 3 month and 1 year London Interbank Offer Rates (LIBOR) increased by 6 and 7 basis points, respectively.
- Rising interest rates may reflect increasing expectations that the United States Federal Reserve Board will increase policy interest rates in December, rising inflation expectations, and increased risk averse due to political uncertainty in the United States following the election of Donald Trump for President.

Table 4. Key World Interest Rates

	Interest Rate	As of:	1 Month Change
3 Month US Treasury	0.48%	December 1, 2016	0.15%
1 Year US Treasury	0.82%	December 1, 2016	0.24%
3 Month LIBOR	0.94%	December 1, 2016	0.06%
1 Year LIBOR	1.64%	December 1, 2016	0.07%

Source: Federal Reserve Board and global-rates.com

Global Markets

- Major world stock market indices' performance was mostly positive in November, with exception of the UK FTSE, which fell 2.4 percent.
- Prices for developing country sovereign bonds, as reflected in the JP Morgan Emerging Market Bond Index, dropped markedly following the results from the U.S. presidential election. The dive in bond prices suggests investors see economic growth in developing countries such as Mexico as more uncertain.
- Volatility in global stock markets spiked in the days before the U.S. election, but returned to normal levels for the remainder of the month.

Table 5. Global Markets Summary, December 1, 2016

As of:		December 01, 2016		
		Level	1 Month Change	12 Month Change
S&P 500	United States	2191	3.76%	4.21%
FTSE	United Kingdom	6753	-2.37%	5.58%
DAX	Germany	10534	0.07%	-6.46%
Shanghai Composite	China	3273	4.83%	-5.29%
Nikkei	Japan	18513	6.14%	-7.49%

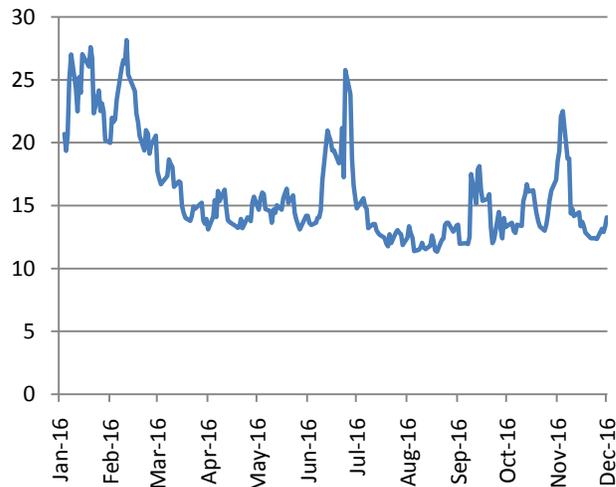
Source: Yahoo Finance

Figure 13. JP Morgan Emerging Market Bond Index



Source: Yahoo Finance

Figure 14. VIX Volatility Index



Source: Yahoo Finance