

MONTHLY ECONOMIC BULLETIN

February, 2016

Covering January to December data for the local sectors and most up-to-date figures for the international section.



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), 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.

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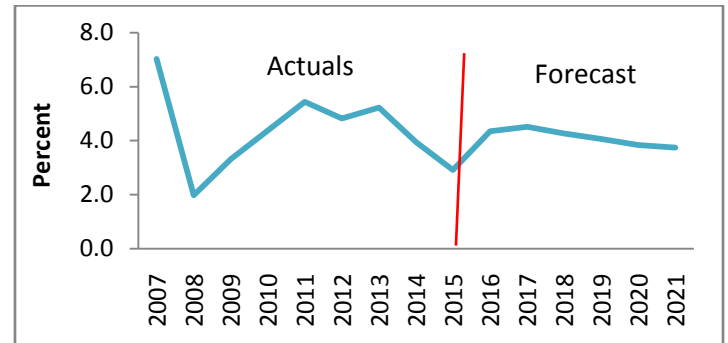
Real Sector

Overall Growth

- In 2015, Guyana's economy grew by 3 percent, 0.4 percentage points lower than the budgeted economic growth. This lower than projected growth was attributed to declining growth in the forestry, construction, bauxite and fishing sectors.
- Positive growth rates were observed for the sugar, rice and livestock industries as well as the manufacturing sector.
- Medium term economic growth has been revised upwards to 4.1%, as business and consumer confidence is gradually being restored. The major drivers of medium

term growth are expected to be the gold and construction industries.

Figure 1. Real GDP Growth, Actual and Forecast



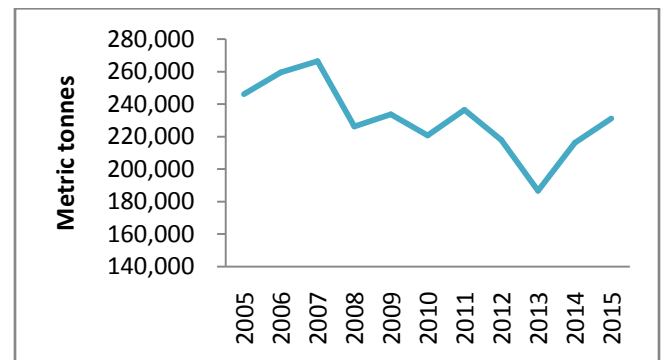
Source: Bureau of Statistics and Ministry of Finance

Agriculture

Sugar

- Sugar production totaled 16,743 tonnes for December 2016, an increase of 6.9 percent over last year's total for the same month. Sugar production for 2015 amounted to 231,145 tonnes compared to 216,186 tonnes in 2014.
- Production growth for 2015 was underpinned by improved productivity and efficiency in the industry as the Government aims to restore viability of the industry.

Figure 2. Sugar Production, January to December



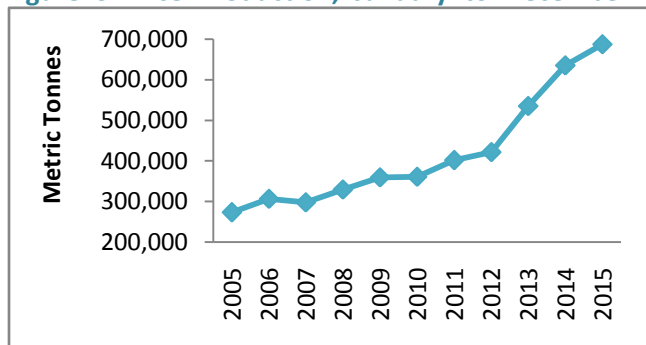
Source: Bureau of Statistics

Rice

- Rice production in December is generally low. However, for December 2015, rice production totaled 6,267 tonnes, more than double the amount collected for December 2014. This resulted in rice production totalling 687,784 tonnes for 2015, 8.3 percent above its 2014 level.

- Despite unprecedented levels of production for 2015, production in the industry is expected to decline in 2016 due to the El Nino phenomenon combined with uncertainty about export markets.

Figure 3. Rice Production, January to December

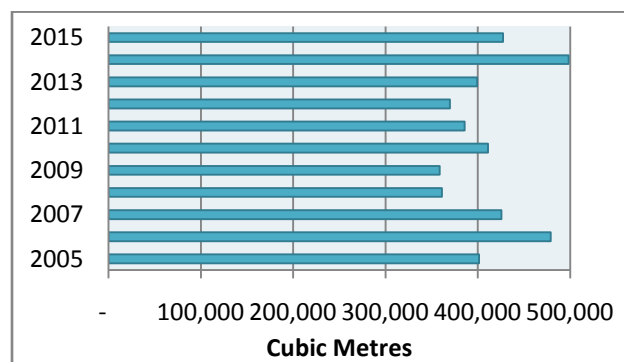


Source: Bureau of Statistics

Forestry

- Forestry production for December 2015 totalled 96,026.4m³, an increase of 61.2 percent over the December 2014 level. Despite this significant increase in December, forestry production for 2015 amounted to 427,351m³, a reduction of 14.2 percent over the level achieved in 2014.
- The significant decline in the forestry industry in 2015 was due to the declining construction industry combined with low international prices.

Figure 4. Forestry Production, January to December

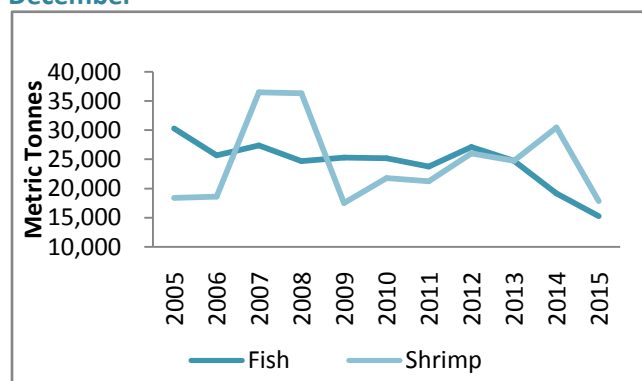


Source: Bureau of Statistics

Fisheries

- Fish and shrimp production for December 2015 totalled 1,341 and 2,107 tonnes, respectively. This represents a decrease of 25 percent for fish production compared to its December 2014 level and an increase of 34.5 percent for shrimp production, compared to its December 2014 level.
- Both fish and shrimp production declined by 20.6 and 41.5 percent, respectively for 2015 compared to the levels achieved in 2014. Declining production in this sector continues as a result of overfishing, piracy and low productivity.

Figure 5. Fish and Shrimp Production, January to December

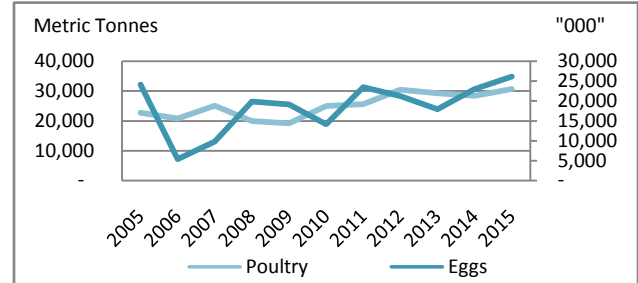


Source: Bureau of Statistics

Livestock

- Egg production for December 2015 totalled 1,222,000 while poultry production totalled 2,356.8 tonnes. This resulted in production increasing by 13.8 and 7.9 for eggs and poultry, respectively, compared to the levels achieved in 2014.

Figure 6. Eggs and Poultry Production, January to December



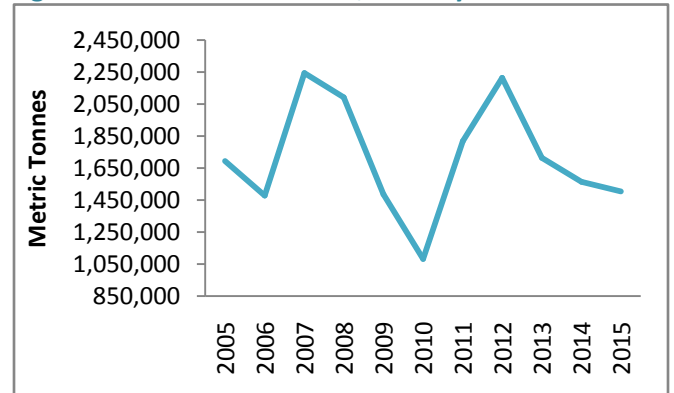
Source: Bureau of Statistics

Mining

Bauxite

- Bauxite production for December 2015 increase by 12.3 percent, compared to its December 2014 level. Despite this, production for 2015 amounted to 1,503,191 tonnes, a reduction of 3.9 percent, compared to the level achieved in 2014.
- Production in the bauxite industry has increased since August 2015, compared to its previous year values. Nevertheless, it was insufficient to increase overall production in 2015.
- The industry is expected to improve in 2016 as productivity gains from the closure of a processing plant is expected to be realised.

Figure 7. Bauxite Production, January to December

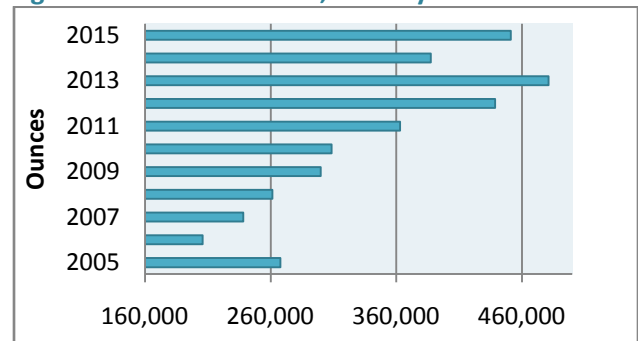


Source: Bureau of Statistics

Gold

- Gold production totaled 70,834 ounces in December 2015, a significant increase over its December 2014 level of 38,021 ounces.
- Gold production for 2015 amounted to 451,058, an increase of 16.4 percent over the production recorded in 2014, for the same period. Investment by Guyana Gold Fields and Troy Inc remain lucrative, despite falling world market prices for gold.

Figure 8. Gold Production, January to December



Source: Bureau of Statistics

Services

- The majority of the industries within the services sector performed creditable in 2015, except for the wholesale and Retail Trade and the Construction Industry.
- The Construction industry decline by 10 percent, as a result of a significant decline in the Public Sector Investment Project (PSIP) combined with a reduction in the imports of building materials, while the Wholesale and Retail Trade industry

declined marginally due to low business and consumer confidence.

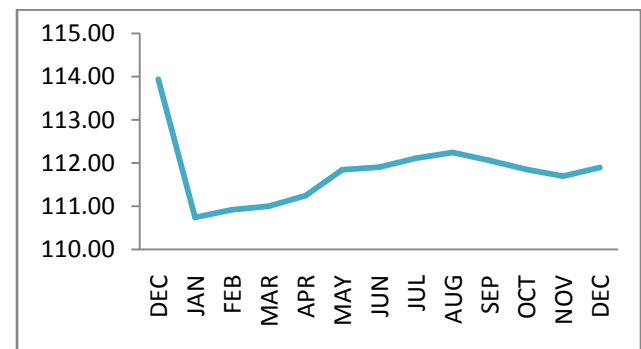
- Significant growth was observed for the Information and Communication sector along with the Finance and Insurance sectors.

Inflation

- Prices increased marginally by 0.18 percent in December 2015 compared to prices in November. This resulted in the CPI increasing to 111.9, compared to 111.7 in November 2015. This marginal increase in price was primarily driven by increases in food prices.
- For 2015, a deflation of 1.8 percent was observed with the CPI falling from 113.9 in December 2014 to 111.9 in December, 2015. Falling prices in 2015 were driven by falling international commodity price for oil which has resulted in falling food, transport

and housing prices. These items are all heavily weighted in the CPI.

Figure 9. Consumer Price Index (CPI)



Source: Bureau of Statistics

Fiscal Sector

Revenues

- Total Government revenues for December was \$21.6 billion, more than double the amount received in November. As a result, at the end of 2015, total revenues amounted to \$162.7 billion, \$17 billion more than the 2014 level.
- The main drivers of tax revenue growth continued to be Internal Revenue and Excise taxes. Growth for Internal Revenue

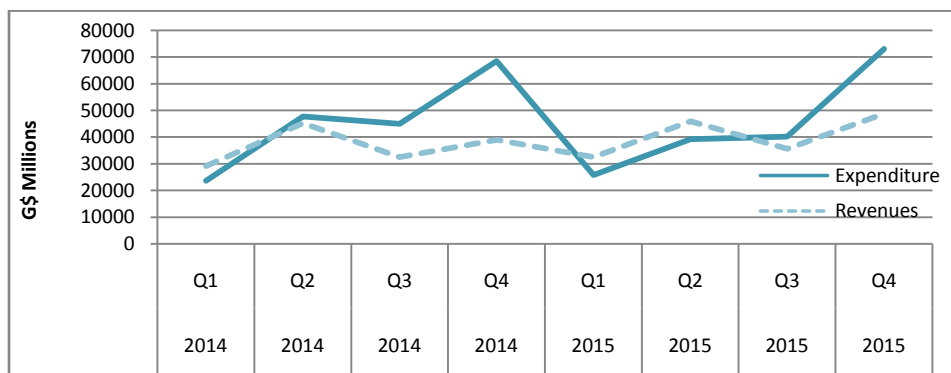
was mainly driven by growth in Company and personal income taxes.

- Negative growth rates were observed for value added taxes along with environmental and withholding taxes.
- Non-tax revenues increased by \$10 billion, mainly driven by increases in revenues transferred from Government agencies to the Consolidate Fund.

Expenditure

- Total expenditure, which includes current and capital, amounted to \$45.9 billion in December 2015. Total expenditure for 2015 amounted to \$178.3 billion, 3.5 percent below its 2014 level.
- Non-interest expenditure totaled \$23.3 billion in December 2015, which resulted in total non-interest expenditure amounting to \$141.2 billion at the end of 2015. The increase in non-interest expenditure for 2015 was driven by increases in transfer payments and other goods and services which increased by 15.4 and 7.1 percent, respectively. Personal emoluments increased by 5.3 percent, comparing the 2015 to 2014 levels.
- Capital expenditure amounted to \$30.7 billion at the end of 2015, significantly lower than its 2014 level. This fall is attributed to delays in the implementation of several projects. The PSIP is expected to grow significantly in 2016 as a result of many "roll over" projects as well as the commencement of several new projects.
- Government's overall deficit was recorded at 1.4 percent of GDP, compared to 5.5 percent in 2014, due to low capital expenditure.

Figure 10. Government Revenues and Expenditure

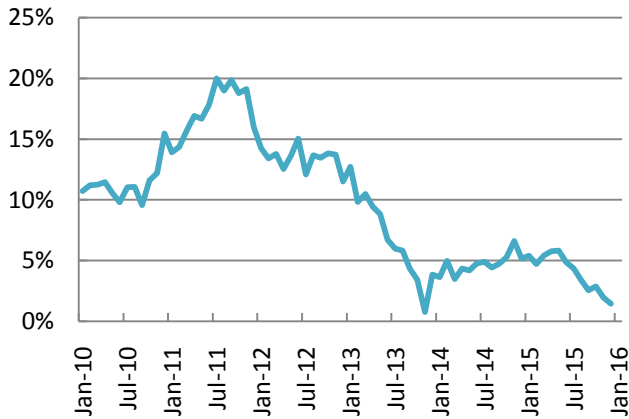


Monetary and Financial Sector

Money Supply

- Money and quasi-money (M2) continued to grow slowly in December. M2, which includes currency, demand deposits, cashier's checks and bank acceptances, and time and savings deposits, increased 1.5 percent over the 12 months ending in December, compared with an average of 4.7 percent in 2014. Slower money growth is associated with lower inflationary pressures, assuming growth in demand for money remains constant.
- Currency in circulation increased 4.6 percent over the 12 months ending in October, while demand deposits, cashier's checks and bank acceptances fell 7.1 percent. Time and savings deposits, which make up a little over 60 percent of money and quasi-money, grew about 2.9 percent over the same period.

Figure 11. Month Growth of Money & Quasi-Money (M2)



Source: Bank of Guyana

Domestic Interest Rates

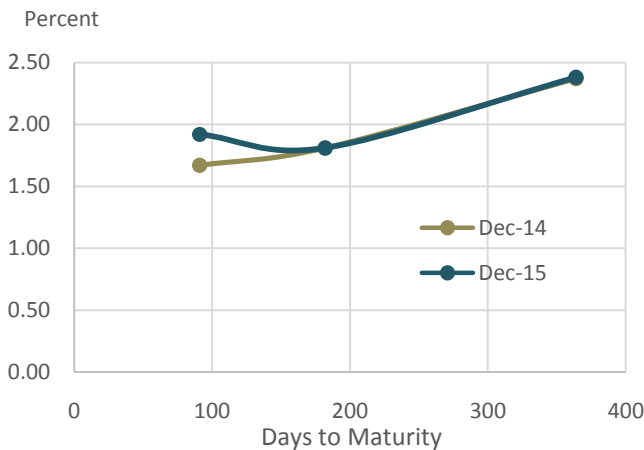
- Interest rates moved very little in December. The interest rate on 394 day Treasury Bills edged up from 2.35 percent to 2.38 percent, while Treasury bills of other maturities remained unchanged.
- The commercial bank weighted average lending rate and the small savings rate for commercial banks were unchanged from November to December.

Table 1. Key Interest Rates

	Interest Rate
Bank Rate	5.00%
Treasury Bills	
91 Days	1.92%
182 Days	1.81%
364 Days	2.38%
Commercial Bank Lending Rate	10.63%
Commercial Bank Small Savings Rate	1.26%

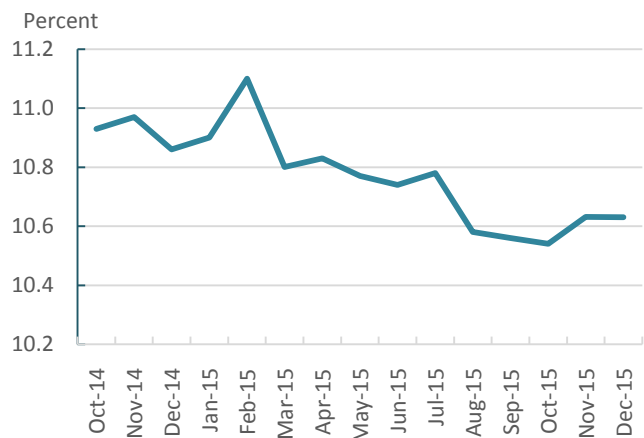
Source: Bank of Guyana

Figure 12.1 Yield Curve for Guyana Treasury Bills



Source: Bank of Guyana

Figure 12.2 Commercial Bank Lending Rates



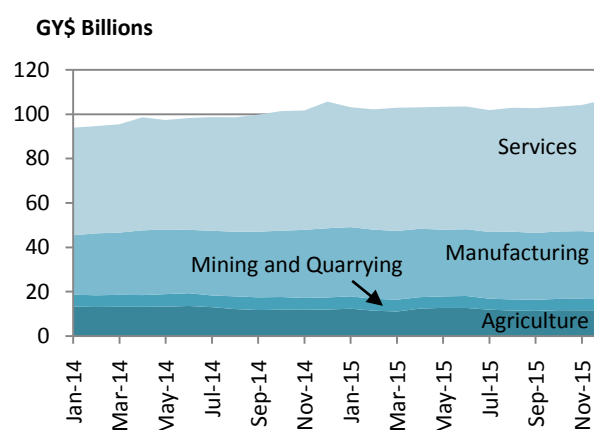
Source: Bank of Guyana

Private Sector Credit

- Domestic loans grew to GY\$ 137.6 billion in December, a 2.4 percent increase over loans in November. Compared to December 2014, credit grew also grew 2.4 percent, a relatively low rate for annual growth. In comparison, credit grew 8.6 percent in 2014, and 13.2 percent in 2013.
- Monthly growth was particularly strong for lending to the services sector, which increased 5.2 percent from November to December. This reflects a seasonal increase in lending to this sector; there was a similar bump in December 2014.
- The slowdown in private sector credit growth over the past year largely reflects slower growth in lending to private sector enterprises in the areas of agriculture, mining and quarrying, and manufacturing, all of which saw credit contract over the past 12 months. Credit to the services sector, however, grew 4.8 percent.
- Lending to households remained strong in December, increasing 11.0 percent compared to December 2014, with loans for home improvements rising 8.7 percent.

- Lending to the general government also increased substantially in December. While an increase in lending to the government is normal at the end of the year, the increase in December 2015 was larger than usual, with private credit to the general government more than doubling compared with December 2014.

Figure 13. Private Credit to Private Business, by Sector



Source: Bank of Guyana

Table 2. Loans by Sector, October 2015

	Loans in	1 Month %	12 Month %
TOTAL CREDIT	137.6	2.4%	2.4%
Public Sector	2.00	88.6%	-18.1%
<i>General Government</i>	0.04	761.7%	114.0%
<i>Public Business Enterprises</i>	1.95	-13.2%	-19.2%
Financial Institutions	1.50	3.7%	7.0%
Private Business Enterprises	106.54	2.3%	0.8%
<i>Agriculture</i>	11.69	0.1%	-2.7%
<i>Mining and Quarrying</i>	4.89	-5.2%	-10.3%
<i>Manufacturing</i>	30.22	-0.9%	-3.0%
<i>Services</i>	59.73	5.2%	4.8%
Households	26.5	4.0%	11.0%

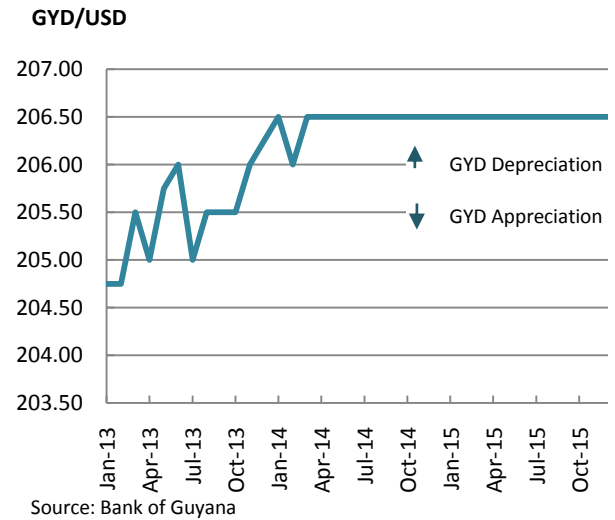
Source: Bank of Guyana

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 December.

Figure 14. Bank of Guyana Exchange Rate



Official Reserves

- Foreign reserves held by the Bank of Guyana rose US\$ 9.9 million in December to US\$ 598.5 million. Reserve levels have been mostly stable over the past year.
 - The Ministry of Finance estimates that the Bank of Guyana's foreign reserves are currently equal to about 3.8 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.
- Their estimate for the fourth quarter of 2015 is not yet released.
- The ratio of reserves to M2 is an alternative measure of reserve adequacy. In December, official foreign reserves were equal to 37 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

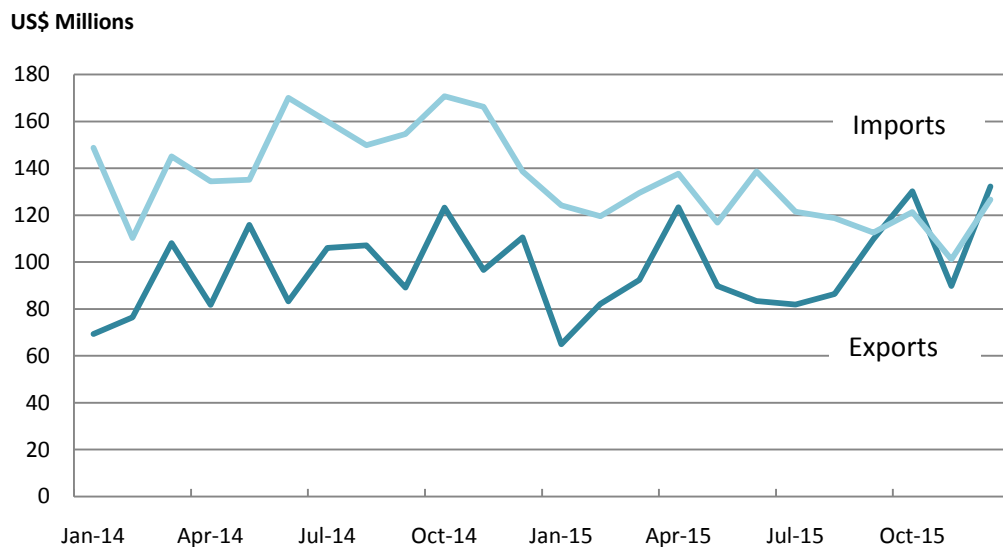
- In December, Guyana ran a trade surplus of US\$ 5.58 million, after running of deficit of US\$ 11.18 million in November, as exports increased more than imports. It was the second monthly trade surplus in 2015. In October, Guyana ran a surplus of US\$ 8.95 million.
- Exports in December 2015 were up 19.86 percent compared with exports in December 2014. Imports fell 8.61 percent over the same period.

The monthly growth in exports largely reflected large increases in sugar and gold exports. Sugar exports jumped from US\$ 5.87 million in November to US\$ 17.49 million in December. Sugar exports increased to the European Union, United

States, and Caricom. Gold exports increased from US\$ 35.9 million in November to US\$ 75.03 million in December. Exports by the Guyana Gold Board for about half of the increase; the Guyana Gold Board had no reported gold exports in November.

- Rice exports fell 28 percent, to US\$ 14.42 million in December, after a strong month in November.
- Imports rose in almost all categories. After a low month in November, imports of fuel and lubricants rebounded to near their October level, rising 25.3 percent from US\$ 21.95 in November to US\$ 27.51 in December.

Figure 75. Merchandise Trade



Source: Guyana Bureau of Statistics

International Commodity Prices

- Commodity price movements were mixed in January. Brent crude oil prices continued to fall, declining 18.3 percent from US\$ 37.72 per barrel to US\$ 30.80 per barrel. It was the lowest monthly average price of Brent crude oil since December 2003. The price of Brent crude oil has fallen 35.9 percent since January 2015.
- Aluminium prices fell 1.1 percent in January, after rising marginally in December. The January price of aluminium, US\$ 1,481.10 per metric tonne, is 18.4 percent below the price a year ago.
- Gold prices rose slightly in January, increasing 2.8 percent from US\$ 1,068.25 per troy ounce to US\$ 1,097.91 per troy ounce.
- The world price of sugar fell 4.0 percent in January, while the price of rice rose slightly.
- The World Bank released its Commodity Price Outlook Update on January 26, 2016. As expected, forecasts for many commodity prices were revised down for 2016, reflecting negative economic news from China, among other factors. Of the 46 commodity prices examined in the Outlook, forecasts for 35 commodities were revised down.
 - The forecast for the price of crude oil in 2016 was lowered from US\$ 51 per barrel in the October Commodity Price Outlook to US\$ 37 in the January update.
 - The price of gold is expected to fall slightly to \$US 1075 during 2016, reflecting higher interest rates in the United States, which incentivize investment in interest-bearing securities rather than in gold.
 - Aluminium prices are expected to rise slightly in 2016, but the increase will be limited by reduced demand in China.
 - Prices for rice are projected to fall only slightly in 2016, as El Nino dampens production in many regions. Sugar prices are projected to rise, from an average world price of US\$ 0.30 per kilogram in 2015 to an average world price of US\$ 0.35 per kilogram in 2016.

Table 3. International Commodity Prices, December

Key Commodity Prices, January 2016			
Commodity	Price in US\$	1 Month Price Change	12 Month Price Change
Crude Oil, Brent (per bbl)	\$30.80	-18.3%	-35.9%
Gold (per troy oz)	\$1,097.91	2.8%	-12.2%
Aluminum (per mt)	\$1,481.10	-1.1%	-18.4%
Sugar, world price (per kg)	\$0.31	-4.0%	-8.4%
Rice, Thai 5% (per mt)	\$369.00	1.7%	-12.1%
Logs, Cameroon (per cubic m)	\$380.21	-0.1%	-6.7%

Source: World Bank Pink Sheet

International Interest Rates

- Interest rate movements were mixed in January. The secondary market interest rate on 3 month U.S. Treasury Bills rose 12 basis points to 0.32 percent, reflecting the December decision of the Federal Reserve Board to raise the target for the federal funds rate (its key policy interest rate) from a range of 0 to 0.25 percent to a range of 0.25 to 0.50 percent. It was the first time the Federal Reserve has raised interest rates since 2006. Meanwhile, the interest rate on 1 year U.S. Treasury Bills fell, from 0.62 percent in early January to 0.50 percent in early February.
- London Interbank Offer Rates (LIBOR) were largely unchanged in January. The three month LIBOR did not change at all, while the 1 year LIBOR fell one basis point.
- On February 10 and 11, U.S. Federal Reserve Chair Janet Yellen testified before

the United States Congress to deliver the Federal Reserve's report to Congress. Her testimony indicated that the Federal Reserve would be cautious in raising interest rates in 2016, in light of slowing global growth and increased financial market volatility.

Table 4. Key World Interest Rates

	Interest Rate	As of:	1 Month Change
3 Month US Treasury	0.32%	February 8, 2016	0.12%
1 Year US Treasury	0.50%	February 8, 2016	-0.12%
3 Month LIBOR	0.62%	February 3, 2016	0.00%
1 Year LIBOR	1.14%	February 3, 2016	-0.01%

Source: Federal Reserve Board and Bankrate.com