

MONTHLY ECONOMIC BULLETIN

February, 2017



Republic of Guyana
Ministry of Finance
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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 January, 2017.

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Real Sector

Economic Growth

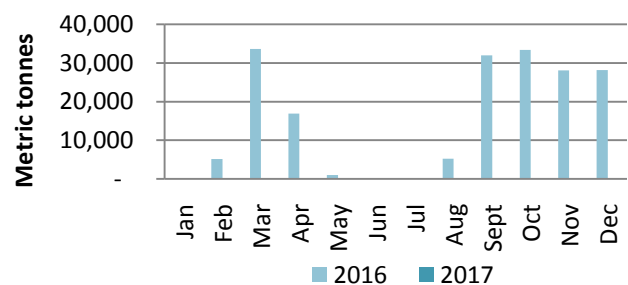
- Economic growth for 2017 is targeted at 3.8 percent and is expected to be driven by growth in the mining and quarrying and services sectors. Growth in the services sector is expected to be underpinned by strong performances in the construction, electricity and water, transportation and financial industries. Growth in the mining and quarrying sectors is expected to be driven by continued growth in the gold industry as production for both Guyana Gold Fields and Troy Resources is expected to rise; along with expected increased declarations from the small and medium sized miners due to favourable global prices. The agricultural sector is expected to show improvements in 2017 with strong growth expected for the rice and fishing industries.

Agriculture

Sugar

- No sugar production was recorded for January, 2017. This is expected as production is not generated until February of each year. Sugar production was targeted at 208,000 tonnes for 2017. However, due to ongoing issues at the Skeldon factory, the forecast will be revised.

Figure 1. Sugar Production, 2016-2017

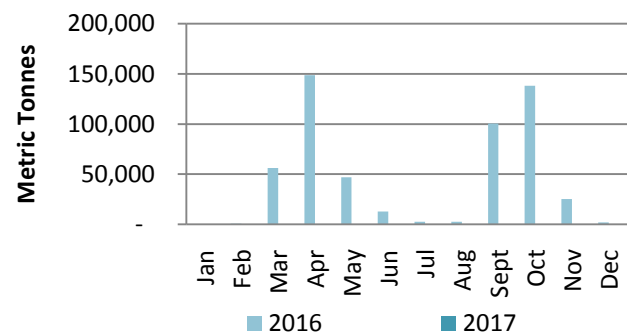


Source: Bureau of Statistics

Rice

- Similar to sugar, no production was recorded for rice for January, 2017. Sowing continued during January and is expected to continue into February. Rice production is targeted at 590,000 tonnes, provided that conditions remain favourable and new markets are found.

Figure 2. Rice Production, 2016-2017

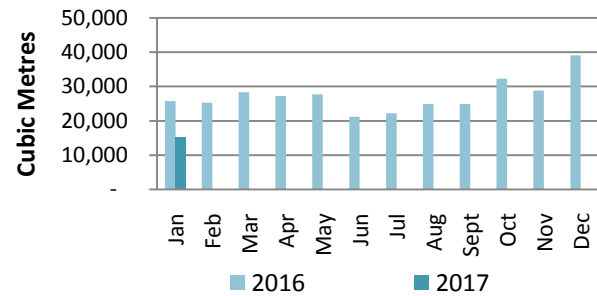


Source: Bureau of Statistics

Forestry

- Forestry production for January, 2017 amounted to 17,174 cubic metres compared with 25,733 cubic metres in January, 2016. Lower production is expected for this industry as reorganising of the industry by Government continues. Production for 2017 is targeted at 297,070 cubic metres. Despite, the industry expected to continue to decline in 2017, over the medium term, growth within the industry will rebound as more value added products are added.

Figure 3. Forestry Production, 2016-2017



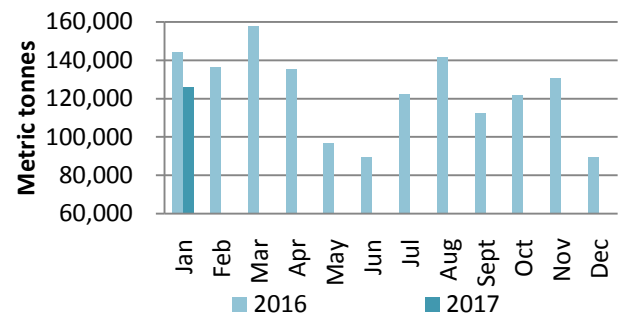
Source: Bureau of Statistics

Mining and Quarrying

Bauxite

- Bauxite production for January, 2017 was 125,835 tonnes compared to 144,524 tonnes in January, 2016 mainly due to lower demand. The Bauxite industry is targeted to grow by almost two (2) percent in 2017, with growth expected to be underpinned by rising global prices along with stronger demand during the year.

Figure 4. Bauxite Production, 2016-2017

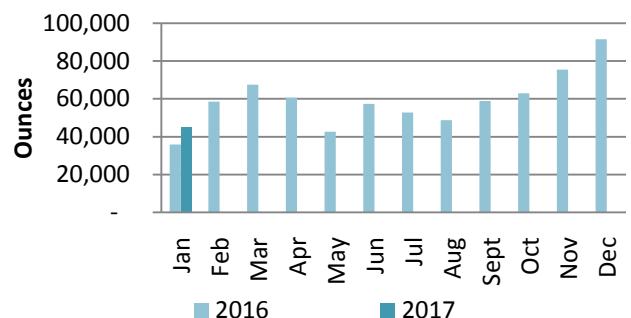


Source: Bureau of Statistics

Gold

- Gold production for January, 2017 was recorded at 44,959 ounces, 25.1 percent above the total achieved in January, 2016. This increase continues to be underpinned by strong performance by Guyana Gold Fields Inc. and Troy resources along with greater declarations from the small and medium sized miners. This industry is expected to continue to experience positive growth in 2017.

Figure 5. Gold Production, 2016-2017



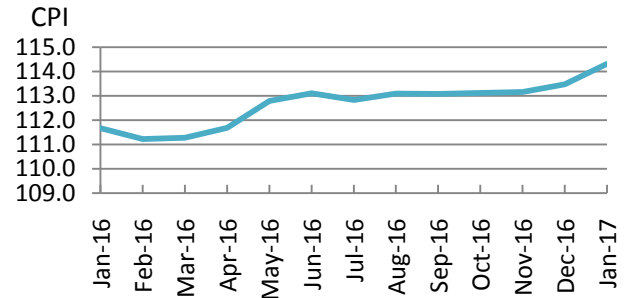
Source: Bureau of Statistics

Inflation

- The Urban Consumer Price Index for Georgetown increased by 2.4 percent between January, 2016 and January, 2017. The major driver behind this inflation rate has been rising food prices; especially fruits, vegetables, pulse and pulse products and spices as well as increased prices for medical care and transport and communication.
- Prices between December, 2016 and January, 2017 increased by 0.7 percent, mainly driven by increased food,

transportation and communication and clothing prices. Inflation is targeted at over two percent for 2017.

Figure 6. Consumer Price Index (CPI), 2016-2017



Source: Bureau of Statistics

Fiscal Sector

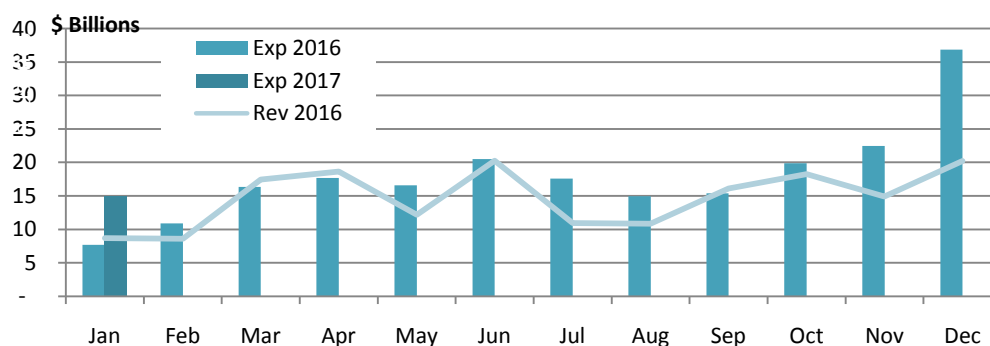
Revenues

- Central Government current revenues totalled \$12.4 billion in January, 2017, an increase of 42.3 percent compared to revenue collections in January, 2016. This growth was primarily driven by an expansion in tax revenues due to higher arrears collection and greater compliance; especially among the self employed.
- Tax revenue collections amounted to \$11.9 billion in January, 2017 compared with \$8.5 billion achieved January, 2016 an expansion of 39.9 percent. Higher revenues were mainly attributed to greater revenues for company, withholding, excise, international trade and personal income which rose by 236.3, 82, 82.2, 33.8 and 21.8 percent, respectively.
- The expansion in company taxes was attributed towards significant arrears payment made by several companies along with late advance payments by companies for revenues related to 2016. On the other hand, the higher revenues for withholding taxes were attributed towards a significant payment made in January, 2017 on remittances sent overseas. An increase in the number of self employed persons making payments in January, 2017, combined with arrears payment, led to growth in personal income taxes while trade taxes increased as a result of growth in the value of goods imported.
- Excise tax collections showed a substantial growth of 82.2 percent reaching \$2.3 billion in January, 2017 compared to \$1.3 billion in January, 2016, driven by greater revenues from petroleum products.
- Value Added Tax (VAT) collections totalled \$3.7 billion in January, 2017, an increase of 12.3 percent over 2016. Similar to trade taxes, this expansion was mainly attributed to growth in the value of imports.
- Non-tax revenues amounted to \$487.5 million in January, 2017 compared to \$201.5 in January, 2016 due to continued growth in the collections of rents and royalties.

Expenditure

- Central Government expenditure amounted to \$15 billion in January, 2017, compared to \$7.7 billion expended in January, 2016, mainly driven by growth in non-interest and capital expenditure, due to the early passage of Budget 2017. In January, 2016 expenditure was subdued as agencies were only allowed to spend up to a twelfth (1/12) of their current budget. However, for January, 2017 agencies were able to spend their entire current budget allocations.
- Non-interest expenditure amounted to \$12.6 billion in January, 2017, compared to \$7.2 billion in January, 2016. This expansion was driven by growth in all major categories including employment cost, Other goods and services and transfers.
- In January, 2017, \$3.9 billion was expended towards employment cost, an expansion of \$585.8 million or 17.4 percent, when compared to the same period in 2016. This growth catered for new recruits as well as the annualization of 2016's salary increases.
- \$1.5 billion was expended under other goods and services, a growth of \$845.6 million or 129.3 percent over January, 2016. This expansion was attributed to the early passage of Budget 2017 which facilitated an early commencement of the work programme in subcategories such as maintenance, purchase of materials and supplies and also early payment for utility services.
- \$7.2 billion was spent on transfer payments for January, 2017, an increase of \$4 billion or 127.5 percent compared to January, 2016. This expansion in transfer expenditure was mainly due to \$3 billion subsidy given to GuYSuCo to cater for operational expenses.
- Capital expenditure was recorded at \$903.8 million for January, 2017 compared to zero in January, 2016. In January, 2017, monies were expended on the Multi-year projects under Hinterland Roads in regions 1, 2 and 7; Urban Roads and Drainage in areas such as Sophia, Plaisance, Kitty, Amelia's Ward and Richmond Hill as well as roads in regions 4 and 5; the West Demerara Highway and other community enhancement initiatives under the Project Development and Assistance Programme. Outstanding payments were made to contractors for works done on the Durban Park Development.

Figure 7. Current Revenues¹ and Expenditure



Source: Guyana Revenue Authority and Ministry of Finance

¹ Current Revenues does not include Grants. Expenditure includes projected debt service payments; actual debt service payment is available on a quarterly basis.

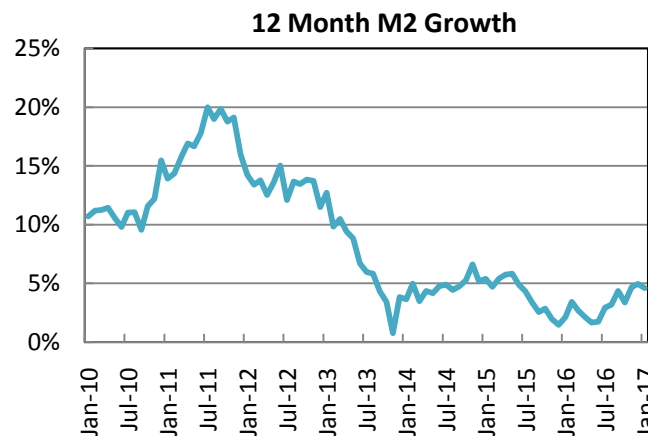
Monetary and Financial Sectors

Money Supply

- The supply of money and quasi-money (M2) continued to grow moderately in January. M2, which includes currency, demand deposits, cashier's cheques and bank acceptances, and time and savings deposits, increased by 4.6 percent over the 12 months ending in January. The money growth rate remains consistent with low inflationary pressure.
- M2 growth was largely driven by fast growth in demand deposits, cashier's cheques and bank acceptances with an increase of 17.5 percent over the 12 months ending in January. Currency in circulation increased by 9.0 percent over the 12 months ending in January, while time and savings deposits declined by 0.3 percent for this period.

- Guyana's money liquidity ratio, or the ratio of currency to M2, increased over the 12 months rising by 2.9 percentage points to approximately 40.8 percent.

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



Source: Bank of Guyana

Domestic Interest Rates

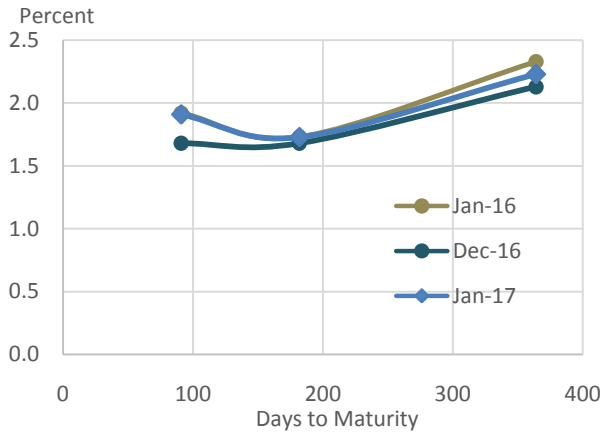
- Interest rates rose notably in January, particularly for Treasury Bills. The interest rates on 91-day, 182-day, and 365-day Treasury Bills rose by 23, 5 and 1 basis points, respectively, compared with December. Higher interest rates may reflect a perception of higher risk of the Guyanese dollar depreciating.
- The commercial bank weighted average lending rate rose by one basis point to 10.44 percent in January, while the small savings rate remained at 1.26 percent, compared to December, 2016.

Table 1. Key Interest Rates

	Current Interest Rate
Bank Rate	5.00%
Treasury Bills	
91 Days	1.91%
182 Days	1.73%
364 Days	2.23%
Commercial Bank Lending Rate	10.44%
Commercial Bank Small Savings Rate	1.26%

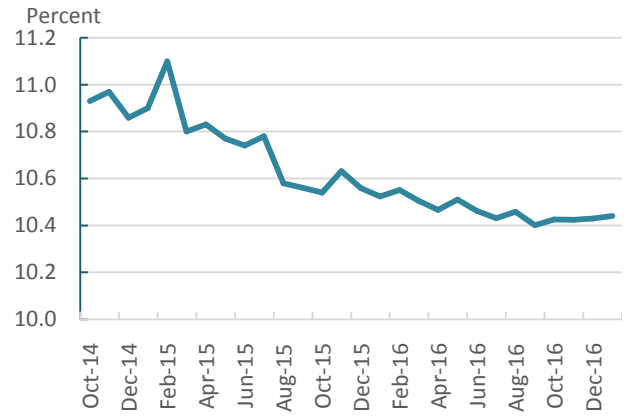
Source: Bank of Guyana

Figure 9.1 Yield Curve for Guyana Treasury Bills



Source: Bank of Guyana

Figure 9.2 Commercial Bank Average Lending Rate

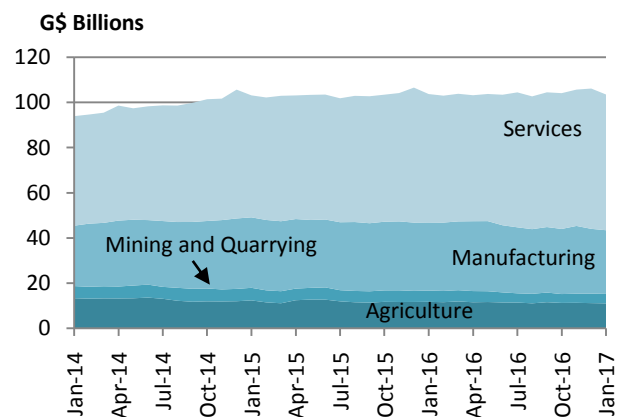


Source: Bank of Guyana

Private Sector Credit

- Domestic private sector lending excluding real estate mortgages grew marginally by 0.9 percent comparing January, 2017 to January, 2016. This marginal growth reflects an expansion in credit to the services sub-sector.
- Credit to the general government was recorded at \$113.3 million in January, 2017 compared to \$48.3 million in January, 2016.
- Lending to private business enterprises, which accounts for about three-quarters of all lending, was 0.2 percent lower in January 2017 than it was in January 2016. Compared with a year ago, lending to private businesses is down in every sector except the services sector, which had a growth rate of 5.7 percent.
- The subsectors with high credit growth include beverage, food and tobacco manufacturing (13.0 percent); education services (11.9 percent); and other services (38.5 percent).
- Lending to households grew by 8.2 percent, comparing January, 2017 to 2016. This expansion was mainly driven by an increase in credit to the housing industry, as well as credit for durable goods (except motor vehicles), education, travel and other purposes.

Figure 10. Private Credit to Private Business, by Sector



Source: Bank of Guyana

Table 2. Loans by Sector, January 2017

	Loans in January, G\$ Billions	1 Month % Change in Credit	12 Month % Change in Credit
TOTAL CREDIT	135.73	-1.9%	0.9%
Public Sector	1.62	17.0%	-20.6%
<i>General Government</i>	0.11	-30.1%	134.6%
<i>Public Business Enterprises</i>	1.51	23.2%	-24.4%
Financial Institutions	1.22	-2.7%	-22.7%
Private Business Enterprises	103.50	-2.5%	-0.2%
<i>Agriculture</i>	11.06	-1.0%	-5.9%
<i>Mining and Quarrying</i>	4.42	5.8%	-11.4%
<i>Manufacturing</i>	27.96	-2.6%	-7.2%
<i>Services</i>	60.07	-3.2%	5.7%
Households	29.38	-0.8%	8.2%

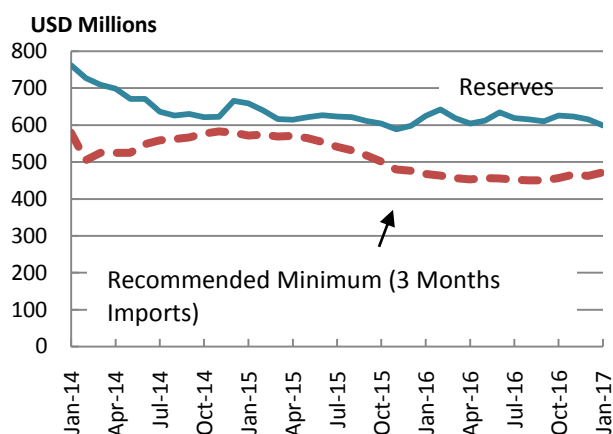
Source: Bank of Guyana

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 January.

Figure 11. Bank of Guyana Foreign Reserves



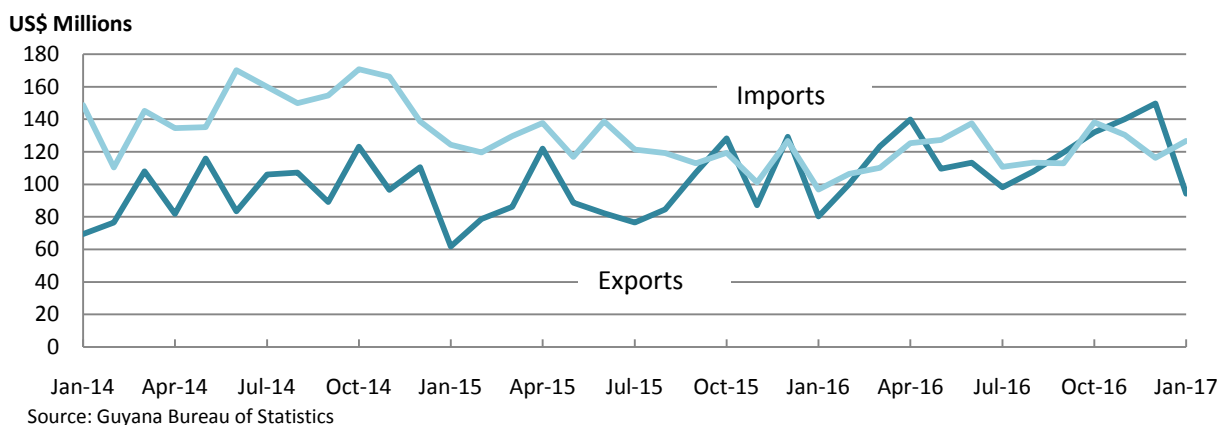
Source: Bank of Guyana

- Foreign reserves held by the Bank of Guyana fell by US\$16.8 million to US\$598.9 million in January, following a US\$7.8 million decline in December. The size of the January decline was not historically unusual, nevertheless, it may reflect tightening conditions in the foreign exchange market.
- The Bank of Guyana's foreign reserves were equal to about 3.8 months of imports, in line with 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 36 percent in January, well above the benchmark minimum of 20 percent.

Imports and Exports

- Guyana ran a merchandise trade deficit of US\$30.8 million in January, 2017. This represents a greater deficit of US\$14.3 million or 87.4 percent relative to January 2016. In 2016, a deficit of US\$ 16.5 million was recorded.
- Domestic exports increased by US\$15.5 million to US\$95.7 million in January 2017, a 19.3 percent increase compared to January 2016. Total domestic exports in January 2016 were US\$80.3 million.
- Imports also rose in January 2017, relative to January 2016, total imports increased by US\$29.9 million or 30.9 percent to US\$126.6 million. In January 2016 total imports were US\$96.7 million.
- Gold exports in January 2017 increased by US\$9.9 million or 23.5 percent to US\$52.2 relative to January 2016. In January 2016, gold exports valued US\$42.3 million. This increase was mainly attributed to an increase in exportation by all of the dealers except Troy Resources. The company did not export in January 2017. Among the dealers with increased exports, Guyana Gold Board accounted for the largest increase of US\$6.7 million or 48.0 percent.
- Also practically strong in January 2017, compared to January 2016 were shrimp and prawns, fish and by product, and bottled rum and spirit exports. Shrimp and prawns exports grew by 112.0 percent, where as fish and by product, and bottled rum and spirit grew by 133.3 and 112.8 percent respectively.
- In January 2017, bauxite and timber had decreases of 27.8 and 35.9 percent respectively relative to January 2016. Bauxite exports decreased by US\$3.0 million to US\$7.9 million, whereas timber exports decreased by US\$0.9 million to US\$ 1.6 million.
- All three categories of imports increased in January 2017 relative to January 2016. In fact, consumption, intermediate and capital imports increased by 32.2, 38.1 and 15.2 percent respectively, with intermediate imports recording the greatest increase. Within this category, parts and accessories had the highest growth of 89.7 percent, where as for capital goods imported, industrial machinery increased by 126.7 percent in January 2017 relative to January 2016.

Figure 12. Merchandise Trade



International Commodity Prices

- Global prices for Guyana's major traded commodities saw modest increases in January. Compared to January 2016, prices rose for all the commodities except logs, which had a decline of 2.3 percent.
- In January, crude oil was priced at US\$54.89 per barrel. The increase of 1.5 percent was as a result of OPEC oil production being decreased by 1 million barrels per day, the amount, however, fell short of the agreed-upon cut by a third. Also, non-OPEC producers who agreed to limit their production will do so more slowly, complying at the end of the first of 2017.
- The free market global price for sugar rose in January to US\$0.45 after declines in November and December. Compared to December, there was an increase of 10.0 percent. The rise in prices is an indication of tightening supply-and demand conditions. In 2016, output was below the 5-year average, and consumption was above the 5-average.
- The international gold price rose by 3.0 percent in January. This increase is partly explained by the weakened US dollar, which may be a response to President Trump's recent rhetoric that the dollar is "too strong."

Table 3. International Commodity Prices, January

Key Commodity Prices, January 2017			
Commodity	Price in US\$	1 Month Price Change	12 Month Price Change
Crude Oil, Brent (per bbl)	\$54.89	1.5%	78.2%
Gold (per troy oz)	\$1,192.10	3.0%	8.6%
Aluminum (per mt)	\$1,791.24	3.7%	20.9%
Sugar, world price (per kg)	\$0.45	10.0%	44.7%
Rice, Thai 5% (per mt)	\$377.00	1.1%	2.2%
Logs, Cameroon (per cubic m)	\$371.60	0.6%	-2.3%

Source: World Bank Pink Sheet

International Economic News

Global Development

- The IMF released its January World Economic Outlook. In 2017 and 2018, economic activities are projected to pick up in emerging markets and developing economies. Growth prospects on the contrary, have marginally worsened, where financial conditions have generally tightened.
- For advanced economies, the outlook has improved for 2017-2018, indicating somewhat stronger activity in the second half of 2016 as well as a projected fiscal stimulus in the United States.
- Due to expected policy stimulus, China's near-term prospects were revised up, but down for India, Brazil and Mexico.
- Headline inflation rates have recovered in advanced economies with the bottoming out of commodity prices, but core inflation rates have remained broadly unchanged and generally below inflation targets.
- Additionally, inflation ticked up in China as capacity cuts and higher commodity prices have pushed producer price inflation to positive territory after more than four years of deflation.
- 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.

International Interest Rates

- U.S. Treasury Bill interest rates jumped in January. The secondary market interest rates on 1 year and 3 month U.S. Treasury Bills increased by 23 basis points and 18 basis points, respectively. U.S. Treasury yields rose as a result of investors being encouraged by upbeat bank earnings and positive U.S. economic data.
- The 3 month and 1 year London Interbank Offer Rates (LIBOR) decreased by 40 and 34 basis points, respectively.
- The increase in U.S. Treasury interest rates reflected the Federal Reserve Board's decision to raise its policy interest rate as a result of President Trump's pro-growth and inflationary promises of lower taxes, increased infrastructure spending, on-shoring jobs and challenges to the status quo of global trade.

Table 4. Key World Interest Rates

	Interest Rate	As of:	1 Month Change
3 Month US Treasury	0.51%	February 1, 2017	0.18%
1 Year US Treasury	0.83%	February 1, 2017	0.23%
3 Month LIBOR	1.03%	February 1, 2017	-0.40%
1 Year LIBOR	1.72%	February 1, 2017	-0.34%

Source: Federal Reserve Board and global-rates.com

Global Markets

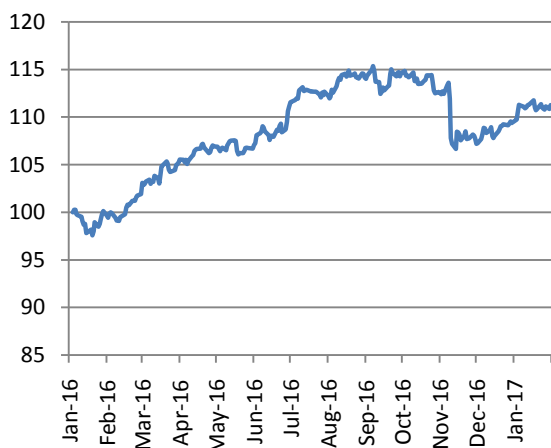
- World stock market indices' performance were mostly positive in January. The exception was Japan's Nikkei 225, which fell 3.45 percent. Also, major market indexes were above their levels a year ago.
- Prices for developing country sovereign bonds, as reflected in the JP Morgan Emerging Market Bond Index, rose slightly in January. This marginal increase in bond prices suggests investors still see economic growth in developing countries such as Mexico as more uncertain.
- Volatility in global stock markets declined in January. The CBOE Volatility Index, or VIX was at 11.99 on January 31st, 2017, down from 14.04 at the end of December, 2016.

Table 5. Global Markets Summary, January 06, 2017

As of:		February 03, 2017		
		Level	1 Month Change	12 Month Change
S&P 500	United States	2297	1.75%	20.12%
FTSE	United Kingdom	7188	0.14%	23.15%
DAX	Germany	11651	0.58%	23.49%
Shanghai Composite	China	3140	0.14%	14.64%
Nikkei	Japan	18918	-3.45%	10.05%

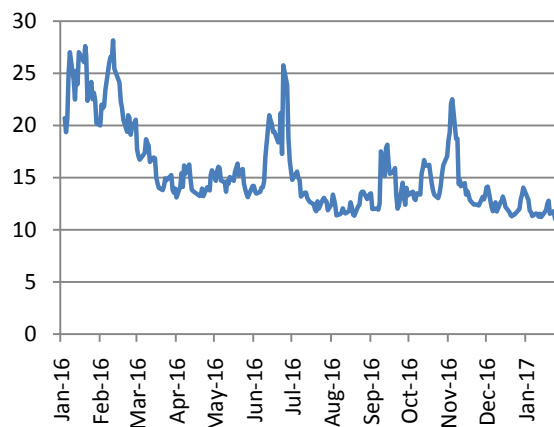
Source: Yahoo Finance

Figure 13. JP Morgan Emerging Market Bond Index



Source: Yahoo Finance

Figure 14. VIX Volatility Index



Source: Yahoo Finance