

# MONTHLY ECONOMIC BULLETIN

January, 2016

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



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## The Monthly Economic Bulletin

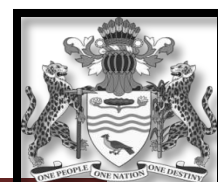
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The Monthly Economic Bulletin (MEB), which is produced by the Economic Policy Analysis Unit (EPAU), Ministry of Finance (MOF) provides a monthly update on some of the important developments within Guyana's economy. The sectors covered in the MEB are 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).

## Table of Contents

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The Monthly Economic Bulletin .....	2
Real Sector .....	4
Overall Growth.....	4
Agriculture .....	4
Sugar .....	4
Rice.....	5
Forestry.....	5
Fisheries .....	5
Livestock.....	6
Mining .....	6
Bauxite .....	6
Gold.....	6
Services .....	7
Inflation.....	7
Fiscal Sector .....	7
Revenues.....	7
Expenditures .....	8
Monetary and Financial Sector .....	8
Money Supply .....	8
Domestic Interest Rates.....	9
Private Sector Credit .....	9
External Sector .....	10
Exchange Rate.....	10
Official Reserves.....	11
Imports and Exports.....	11
International Commodity Prices .....	12
International Interest Rates .....	13



## Real Sector

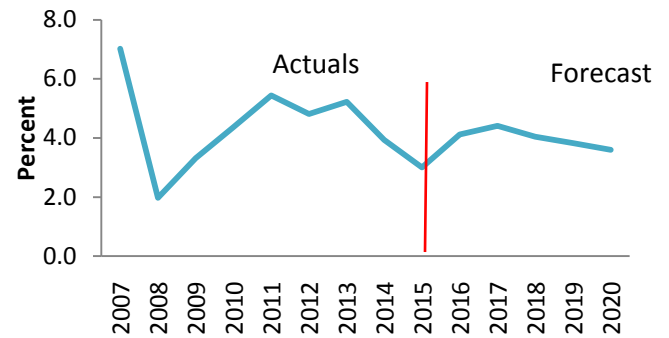
### Overall Growth

- The revised economic growth for 2015 indicates that Guyana's economy was unable to achieve its budgeted grow rate of 3.4%. Instead, at the end of 2015, preliminary figures reveal that economic growth was 3.0%. This lower than projected growth was attributed to declining growth in the forestry, construction, bauxite and fishing sectors.
- As indicated in the previous Bulletin, this reduction in growth was mainly due to low consumer and business confidence combined with delays in the commencement of work for many government infrastructural projects.
- Growth in the sugar, rice and livestock industries as well as the manufacturing sector could not compensate for the decline

in the bauxite, fishing, forestry and construction industries.

- Medium term economic growth has been revised upwards to 3.9% with the major drivers of growth being gold and construction.

Figure 1. Real GDP Growth, Actual and Forecast



Source: Bureau of Statistics and Ministry of Finance

### Agriculture

#### Sugar

- The Sugar industry continued to show significant progress with production totaling 214,402 tonnes from January to November, 2015. This represents an increase of 6.9% over last year's production for the same period.
- Production growth continued to be underpinned by improved productivity and efficiency in the industry.
- The revised forecast for sugar for 2015 is 231,145 tonnes with the target for 2016 being revised upwards to 242,287 tonnes.

Figure 2. Sugar Production, January to November



Source: Bureau of Statistics

### Rice

- Despite the loss of the Venezuelan market earlier in the year, the rice industry continues to produce at unprecedented levels with production reaching 681,517 tonnes at the end of November, 2015. This represents an increase of 7.8% over last year's production for the same period, i.e., January to November. In fact, total production up to the end of October, 2015 had already surpassed the total production level for 2015.
- Nevertheless, production for rice for 2016 is still forecasted to be lower due to uncertainty about export markets.

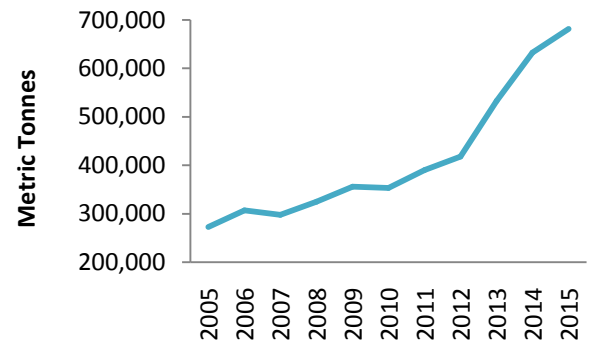
### Forestry

- Forestry production declined by 24.5% totalling 331,325m<sup>3</sup> at the end of November, 2015 compared to 438,687m<sup>3</sup> in the same period in 2014.
- The declining construction industry combined with low prices continue to have a significant impact on this sector.

### Fisheries

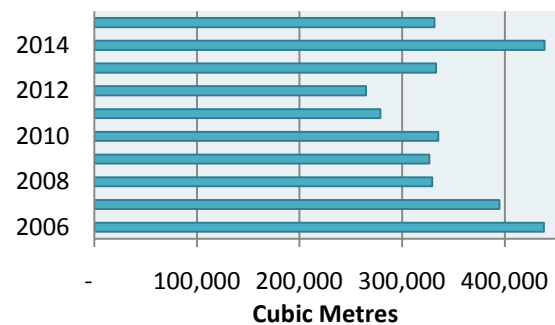
- Fish and shrimp production declined by 20.1% and 45.6% respectively when comparing January to November totals in 2015 to 2014.
- The fisheries sector was expected to perform better in 2015, especially in the latter half. However, the industry continues to face issues of overfishing, piracy and low productivity.

Figure 3. Rice Production, January to November



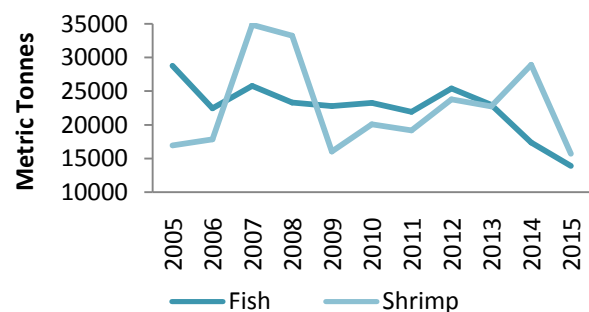
Source: Bureau of Statistics

Figure 4. Forestry Production, January to November



Source: Bureau of Statistics

Figure 5. Fish and Shrimp Production, January to November

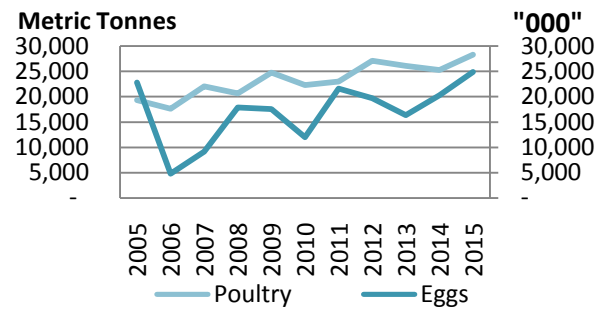


Source: Bureau of Statistics

## Livestock

- Poultry meat and egg production increased by 12.0 and 22.7 percent, respectively, when comparing their January to November totals in 2015 to the same period in 2014 due to continued increased demand and productivity.

Figure 6. Eggs and Poultry Production, January to November



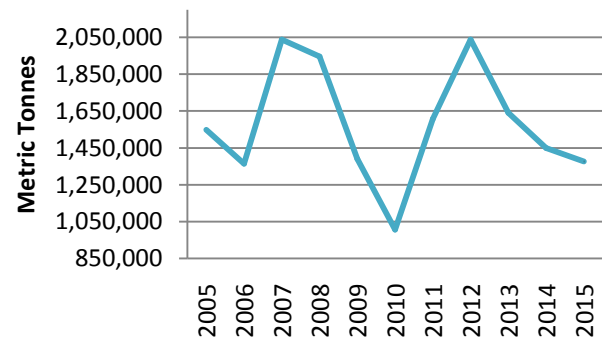
Source: Bureau of Statistics

## Mining

### Bauxite

- Production for the Bauxite industry totaled 1,375,909 tonnes from January to November, 2015 compared to 1,450,174 tonnes in the same period in 2014. This represents a decline of 5.1 %.
- Despite declining production in the Bauxite industry, production has been increasing since August, 2015 compared to their previous year values. Due to this late increase in production, overall production for the year has declined. Nevertheless 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 November

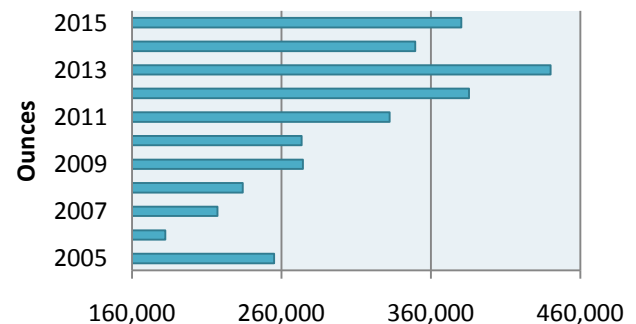


Source: Bureau of Statistics

### Gold

- Gold production totaled 380,225 ounces from January to November, 2015, an increase of 8.8% over last year's total for the same period.
- Despite continued falling gold prices, this sector continues to grow as result of production from Gold Fields and Troy Inc. Due to investment by these two companies, gold production is expected to show continued growth in the future.

Figure 8. Gold Production, January to November



Source: Bureau of Statistics



## Services

- The Construction industry is still expected to decline due to continued decline in the Public Sector Investment Project (PSIP) combined with a reduction in the imports of building materials.
- Significant growth is expected for the transport and storage sector along with the

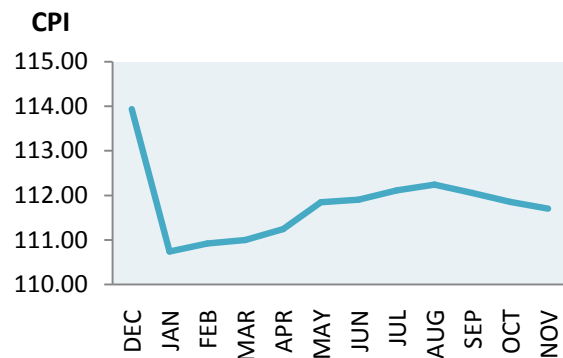
information and communication and electricity and water sectors.

- Growth in the finance industry has been revised downwards due to slow credit growth in 2015.

## Inflation

- Prices continued its downward trend in November with the CPI reducing from 111.8, at the end of October, to 111.7 at the end of November, 2015. This represents a deflation of 1.9% compared to December, 2014. 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

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### Revenues

- Total Central Government's revenues increased to \$140.0 billion at the end of November, 2015, only \$5.7 billion below last year's total revenues. As such, revenues are on target to surpass last year's total. However, as budgeted economic growth has been revised downwards, revenues for 2015 are also expected to be lower than their budgeted values.
- The main drivers of tax revenue growth were Internal Revenue and Excise taxes.

Growth for Internal Revenue was mainly driven by growth in Company taxes.

- Negative growth rates were observed for value added taxes along with environmental and withholding taxes.
- Non-tax revenues continue to grow significantly with tax revenues in this category expected to at least double in 2015.

## Expenditure

- Total Central Government's non-interest expenditure reached \$117.8 billion at the end of November, 2015. This represents a 12.3% increase over last year's total for the same period. Non-interest expenditure includes employment costs, goods and services and transfer payments.
- The increase in non-interest expenditure was driven by increases in transfer payments and employment costs which increased by 22.0 and 8.9 percent, respectively, comparing January to November totals in 2015 to the same period

in 2014. Other goods and services increased by 4.0 comparing the same periods.

- The PSIP reached \$18.4 billion at the end of November, 2015. This was significantly lower than last year's total for the same period. This fall was 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.

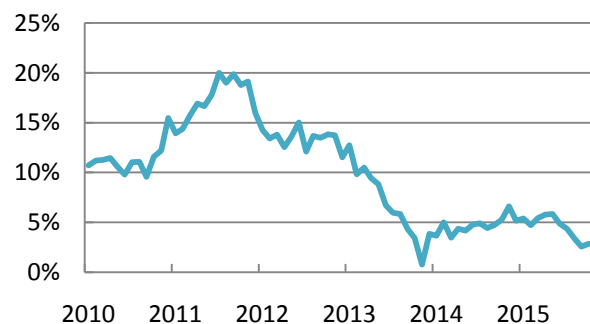
## Monetary and Financial Sector

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### 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. 12 Month Growth of Money & Quasi-Money



Source: Bank of Guyana



## Domestic Interest Rates

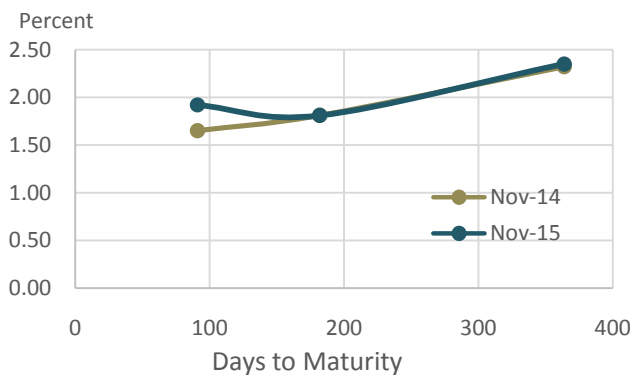
- Interest rates moved very little in November. Interest rates on Treasury bills of all maturities remained unchanged.
- The commercial bank weighted average lending rate rose slightly from 10.54 percent in October to 10.63 in November. The small savings rate for commercial banks was unchanged from October to November at 1.26 percent.

**Table 1. Key Interest Rates**

	Interest Rate
Bank Rate	5.00%
Treasury Bills	
91 Days	1.92%
182 Days	1.81%
364 Days	2.35%
Commercial Bank Lending Rate	10.63%
Commercial Bank Small Savings Rate	1.26%

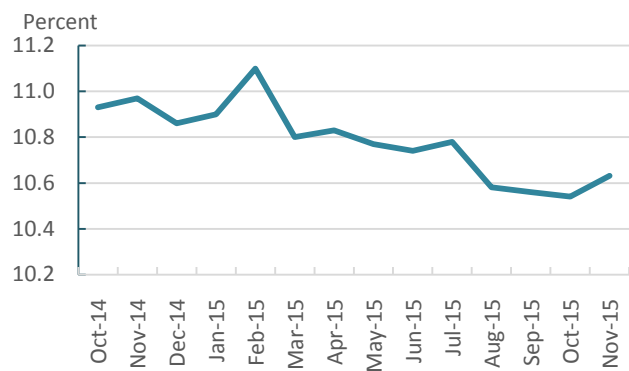
Source: Bank of Guyana

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



Source: Bank of Guyana

**Figure 11.2 Commercial Bank Lending Rates**



Source: Bank of Guyana

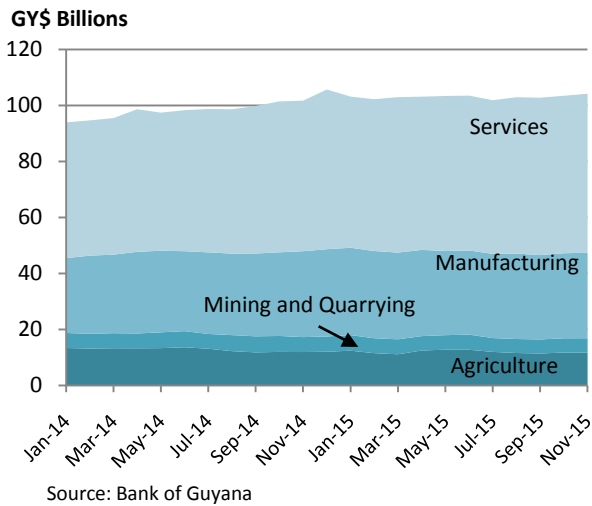
## Private Sector Credit

- Domestic loans grew to GY\$ 134.4 billion in November, a 1.2 percent increase over loans in October. Compared to November 2014, credit grew 3.5 percent, a historically low rate for annual growth. In comparison, credit grew 8.6 percent in 2014, and 13.2 percent in 2013.
- The slowdown in 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 5.6 percent.

- Lending to households remained strong in November, increasing 7.4 percent compared to November 2014, largely due to an 18.5 percent in home mortgage lending.

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



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

	Loans in October, GY\$ Billions	1 Month % Change	12 Month % Change
<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 Gov</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%

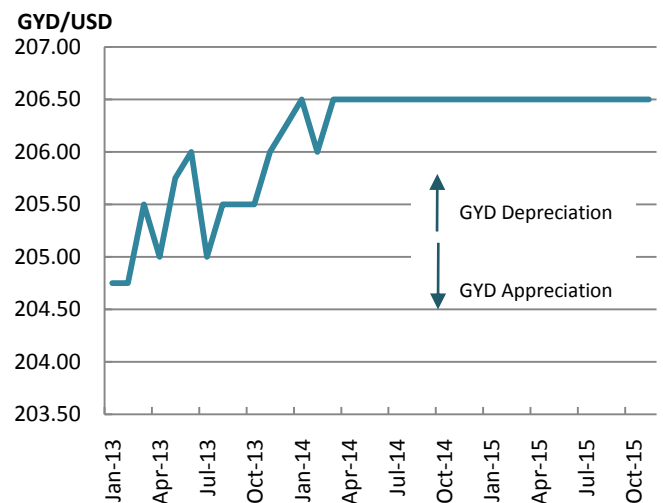
Source: Bank of Guyana

## 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 November.

**Figure 13. Bank of Guyana Exchange Rate**



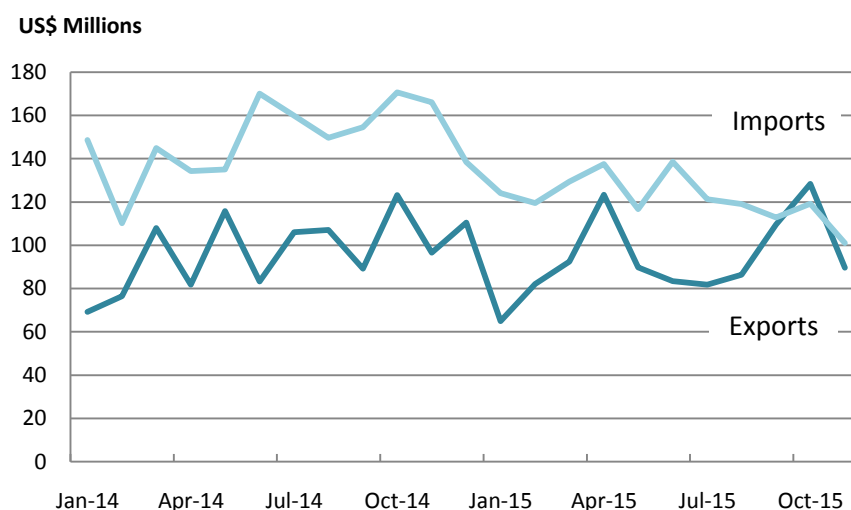
## Official Reserves

- Foreign reserves held by the Bank of Guyana fell by US\$ 15.8 million in November to US\$ 588.6 million. Reserve levels have been mostly stable over the past year.
- There are many ways to assess reserve adequacy. One common rule of thumb says that a country should have reserves equal to at least three months of imports. In November, official reserves were equal to 4.8 months of merchandise imports, using average merchandise imports for the last 12 months. While services import data are not available at this time, historically services imports have been equal to 25 to 30 percent of merchandise imports. Using this approximation, the Ministry of Finance estimates that November reserves were equal to approximately 3.7 months of total imports, using average imports for the past twelve months.
- Although the dollar value of reserves at the Bank of Guyana have declined slightly in the past few months, Guyana's imports have fallen as well, so reserves have risen in terms of import cover. The Ministry of Finance estimates that reserves were equal to approximately 3.2 months of total imports in November 2014. The Bank of Guyana publishes official estimates of reserves in terms of import cover on a quarterly basis.
- The three months of import cover rule does not take into account many factors that influence reserve adequacy, such as the amount of foreign currency-denominated debt service the country has, and many countries hold reserves far in excess of the 3-month rule. It may be prudent for the Bank of Guyana to increase its reserve holdings, especially if imports begin to rebound.

## Imports and Exports

- After running a trade surplus of US\$ 9.024 million in October, Guyana reverted to a trade deficit of US\$ 14.223 million in November, as exports fell more than imports.
- Exports in November 2015 were 10.1 percent lower than exports in November 2016. Imports fell 39.1 percent over the same period.
- The monthly decline in exports largely reflected a drop off in sugar exports, which fell 59 percent from US\$ 14.2 million in October to US\$ 5.9 million in November, and a drop off in gold exports, which fell 48 percent, from US\$ 69.2 million to US\$ 35.9 million.
- Other sectors had better export performance in November. Rice exports rose 18 percent, from US\$ 17.0 million in October to US\$ 20.1 million. Bauxite exports also rebounded, rising 21 percent from US\$ 6.4 million to US\$ 7.7 million. Exports of shrimps and prawns rose 79 percent in November, from US\$ 1.9 million to US\$ 3.4 million.
- Imports fell in all major categories, including consumption goods, intermediate goods, and capital goods. Imports of fuel and lubricants continued to decline, falling 20 percent from US\$ 27.4 in October to US\$ 22.0 in November.

Figure 75. Merchandise Trade



Source: Guyana Bureau of Statistics

### International Commodity Prices

- Commodity prices were mostly stable in December, with the exception of crude oil. Brent crude oil prices continued to fall in December, declining 15.1 percent from US\$ 44.40 per barrel to US\$ 37.72 per barrel. Aluminium prices inched up 2 percent, while sugar prices increased a marginal 0.6 percent compared to November. Commodity prices remain well below their levels a year ago.
- Commodity prices are expected to make only a very modest comeback in 2016, according to the World Bank Commodity Price Outlook from October 2015. Weak economic data from China in the last few weeks is likely to further dampen expectations of commodity prices. The next World Bank Commodity Price Outlook will be released in mid-January.

Table 3. International Commodity Prices, December

Key Commodity Prices			
Commodity	Price in US\$	1 Month Price Change	12 Month Price Change
Crude Oil, Brent (per bbl)	\$37.72	-15.1%	-39.5%
Gold (per troy oz)	\$1,068.25	-1.7%	-11.0%
Aluminium (per mt)	\$1,497.20	2.0%	-21.6%
Sugar, world price (per kg)	\$0.32	0.6%	-4.5%
Rice, Thai 5% (per mt)	\$363.00	-1.4%	-13.2%
Logs, Cameroon (per cubic m)	\$380.56	1.2%	-11.7%

Source: World Bank Pink Sheet

## International Interest Rates

- Most international interest rates rose in December. The secondary market interest rate on 3 month U.S. Treasury bills was approximately unchanged at 0.2 percent, but the interest rate on 1 year U.S. Treasury bills rose 0.10 percentage points since early December. Three month and 1 year London Interbank Offer Rates both rose 0.13 percentage points.
- In December, the United States Federal Reserve Board, which sets U.S. monetary policy, raised 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. The decision reflected the Federal Reserve's belief that labour markets in the

United States improved considerably in 2015, and its confidence that U.S. inflation will rise to 2 percent in the medium term.

**Table 4. Key World Interest Rates**

	Interest Rate	As of:	1 Month Change
3 Month US Treasury	0.20%	January 7, 2016	-0.01pp
1 Year US Treasury	0.64%	January 7, 2016	0.10pp
3 Month LIBOR	0.62%	January 6, 2016	0.13pp
1 Year LIBOR	1.15%	January 6, 2016	0.13pp

Source: Federal Reserve Board and Bankrate.com