

MONTHLY ECONOMIC BULLETIN

January, 2017



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 December, 2016.

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Real Sector

Economic Growth

- In 2016, Guyana's economy grew by 3.3 percent, mainly driven by growth in the mining and quarrying sector of 45.3 percent. However, while strong performance occurred for gold, diamond and quarrying industries, the agricultural sector contracted by 10.4 percent. 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 also hampered production for the second half of the year. In addition, union strikes during the fourth quarter of the year adversely affected production in the sugar industry. Further, the forestry industry performed poorly, as a result of a halt in the awarding of concessions and sluggish global demand for timber products, which resulted in the contraction of operations of two companies. The Government aims to reform the industry so as to benefit the nation over the medium-to-long term. Economic growth is projected at 3.8 percent for 2017.

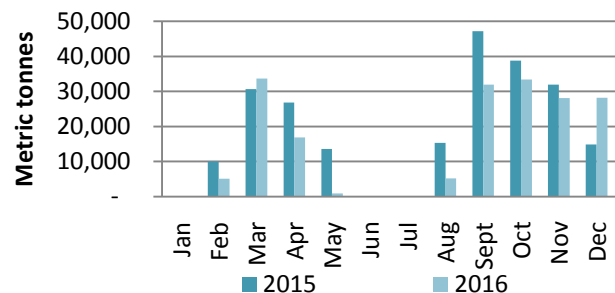
Agriculture

Sugar

- In December, 2016, 28,184 tonnes of sugar was produced, which resulted in an end of year total of 183,491 tonnes for 2016 compared to 229,318 tonnes produced during 2015. Sugar production for 2016 was 20 percent lower than 2015, due to the El Niño phenomenon, which severely affected production of the first crop, combined with late planting and strikes during the second half of the year. Sugar production, though budgeted to increase in 2017, may decline due to reduced crop from the Skeldon estate.

This will result in a contraction in the industry, once again.

• **Figure 1. Sugar Production, 2015-2016**



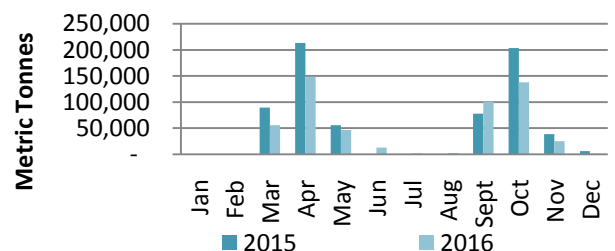
Source: Bureau of Statistics

Rice

Rice production for December, 2016 reached 1,582 tonnes, down from 6,267 tonnes in December, 2015. This resulted in production for 2016 totalling 534,766 tonnes compared to 687,784 tonnes produced in 2015, a reduction of 22.2 percent. Similar to sugar, rice production for 2016 was lower than 2015 due to the El Niño phenomenon combined with late sowing for the second crop. The rice industry is expected to rebound in 2017

with production forecasted at 590,000 tonnes.

Figure 2. Rice Production, 2015-2016

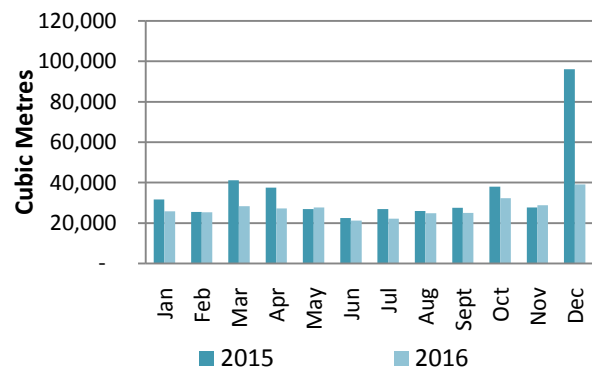


Source: Bureau of Statistics

Forestry

- Forestry production for December 2016 amounted to 39,091 cubic metres compared with 96,026 cubic metres in December, 2015. This resulted in production reaching 327,781 cubic metres, in 2016, compared to 427,351 cubic metres in 2015. Lower production for 2016 resulted 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

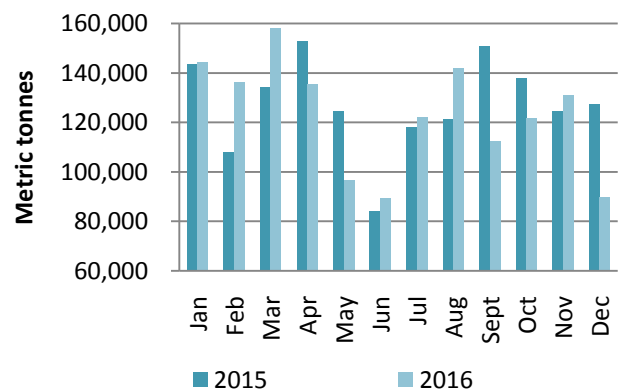
Mining and Quarrying

Bauxite

- Bauxite production for December, 2016 was 89,644 tonnes compared to 127,282 tonnes in December, 2015. As such, production for 2016 amounted to 1,479,090 tonnes compared to 1,526,467 tonnes produced in 2015, a reduction of 3.1 percent. Performance within the bauxite industry was credible in the first quarter of 2016. However, production levels began to fall from the second quarter of the year and continued into the third and fourth quarters due to plant failure at one of the companies, an issue which was expected to be resolved promptly but prolonged for a greater period.

- This industry is expected to experience positive growth in 2017.

Figure 4. Bauxite Production, 2015-2016



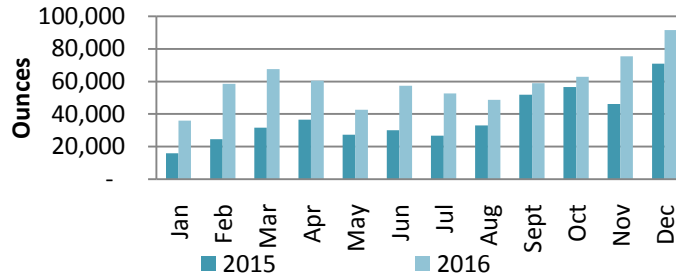
Source: Bureau of Statistics

Gold

- Gold production for December, 2016 totalled 91,540 ounces compared to 70,834 ounces achieved in December, 2015. This resulted in production reaching 712,706 ounces in 2016, representing an increase of 58 percent

over 2015. The strong performance in the gold industry during 2016 was underpinned by increased production by the small and medium sized miners, and the two expatriate companies. Continued growth is expected in the industry in 2017.

Figure 5. Gold Production, 2015-2016



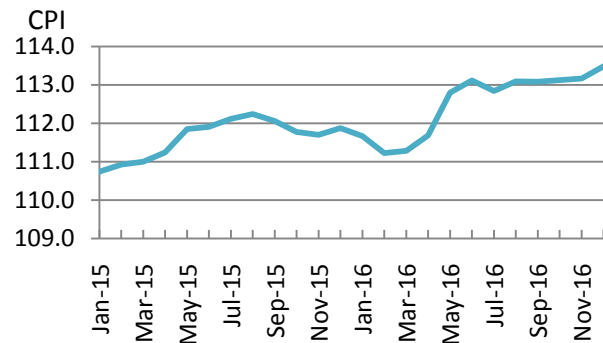
Source: Bureau of Statistics

Inflation

- The Urban Consumer Price Index for Georgetown increased by 1.4 percent between December, 2015 and December, 2016. Prices between November and December, 2016 increased by 0.3 percent, mainly driven by increased food and clothing price.
- The major driver behind the inflation rate of 1.4 percent for 2016 has been rising food prices, especially fruits, vegetables, pulse and pulse products and spices. Prices for clothing and footwear and

repairs declined by 3.1 and 2.4 percent, respectively.

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



Source: Bureau of Statistics

Fiscal Sector

Revenues

- Central Government current revenues totalled \$177.3 billion in 2016, an increase of 10.3 percent or \$16.6 billion compared to revenue collections in 2015. This growth was driven by increases in both non-tax and tax revenues.
- Tax revenue collections amounted to \$151.7 billion in 2016, compared with \$142.9 billion in 2015, an increase of 6.2 percent. This growth was mainly attributed to increased taxes for company, withholding and international trade which grew by 7.1 percent, 27.3 percent and 20.5 percent, respectively, as well as personal

income tax, which grew by 14.2 percent. Among the factors that contributed to these improvements 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 \$36.4 billion in 2016, an increase of 2.7 percent over 2015. Up to half year, VAT revenues were declining, due to reduced VAT collections for imports. However, during the third and fourth quarters,

revenue in this category increased, which resulted in a rise in VAT revenues.

- Excise tax collections fell by 6.7 percent compared with 2015, reaching \$31.1 billion compared to \$33.3 billion achieved in 2015. Much of the decline was as a result

of a large drop in collections on imports of petroleum products.

- Non-tax revenues amounted to \$25.5 billion in 2016, an increase of 35.6 percent. This growth was driven by higher collections of rents and royalties as a result of higher gold production and declarations.

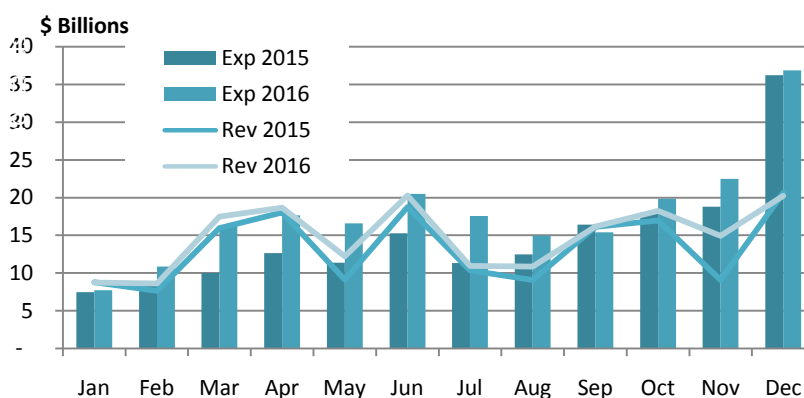
Expenditure

- Central Government expenditure reached \$216.8 billion in 2016, compared to \$178.3 billion expended in 2015, mainly driven by an increase in non-interest and capital expenditure.
- Non-interest expenditure reached \$163.4 billion at the end of 2016, an increase of 15.8 percent over the amount spent in 2015. This increase was 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 10.5 percent and spending on other goods and services increased by 8.4 percent in 2016 compared to 2015.

- Capital expenditure increased by 15.4 percent from November to December, 2016. Consequently, capital expenditure reached \$46.6 billion in 2016 compared to \$30.7 billion expended in 2015, an increase of 46.6 percent. Nevertheless, capital expenditure was below its budgeted target of \$52.2 billion. For 2017 capital expenditure is projected at \$56.8 billion.

Figure 7. Current Revenues¹ and Expenditure



Source: Guyana Revenue Authority and Ministry of Finance

¹ Current Revenues does not include Grants

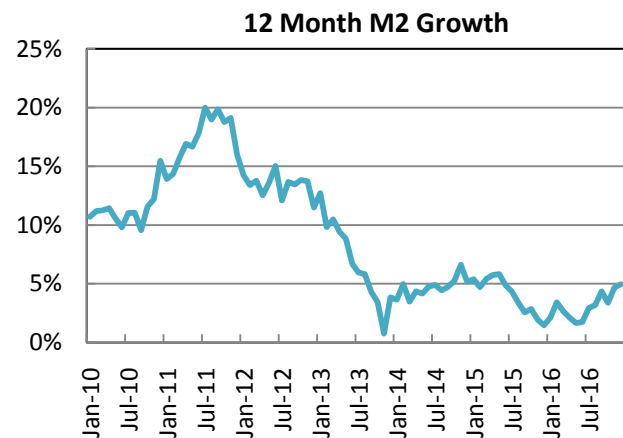
Monetary and Financial Sectors

Money Supply

- The growth rate of money and quasi-money (M2) continued its upward trend in December. M2, which includes currency, demand deposits, cashier's checks and bank acceptances, and time and savings deposits, increased by 5.0 percent over the 12 months ending in December, up from a growth rate of 4.7 percent over the 12 months ending in November. The money growth rate remains consistent with low inflationary pressure.
- The uptick in 12-month M2 growth was driven by higher growth in time and savings deposits, and higher growth in currency in circulation, compared with November.
- Currency in circulation increased by 9.9 percent in December compared with November, reflecting a seasonal increase normally seen around the December holiday period. This resulted in an increase

in the money liquidity ratio in December to 41 percent, from 40 percent in November. Because this increase was driven by seasonal factors, it is likely to be temporary.

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



Source: Bank of Guyana

Domestic Interest Rates

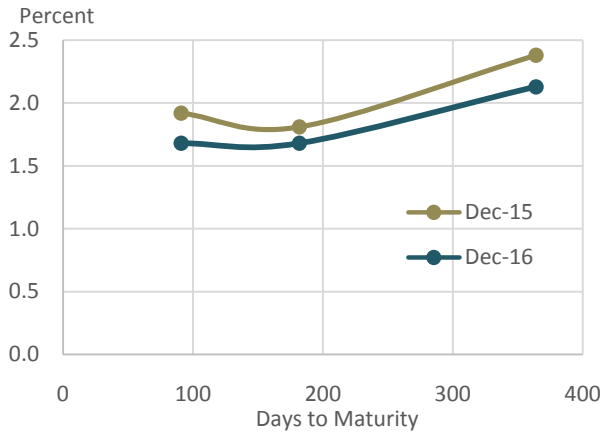
- Interest rates were largely unchanged in December. There was no movement in the interest rate on 91-day or 182-day Treasury Bills. The interest rate on 364-day bills fell by one basis point from 2.14 percent in November to 2.13 percent in December.
- The commercial bank weighted average lending rate rebounded by one basis point from 10.42 percent in November, to return to its October level of 10.43 percent. The small savings rate remained unchanged 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	2.13%
Commercial Bank Lending Rate	10.43%
Commercial Bank Small Savings Rate	1.26%

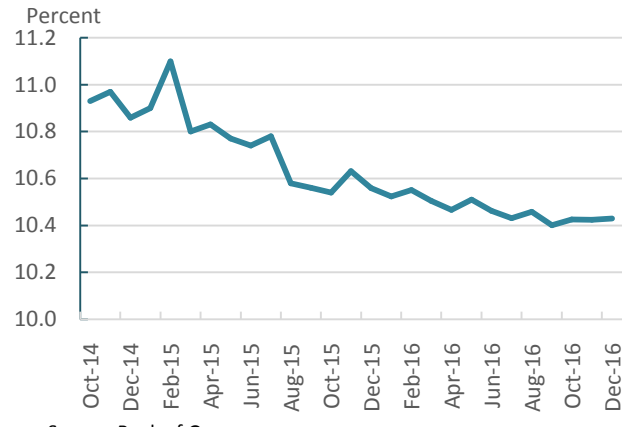
Source: Bank of Guyana

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

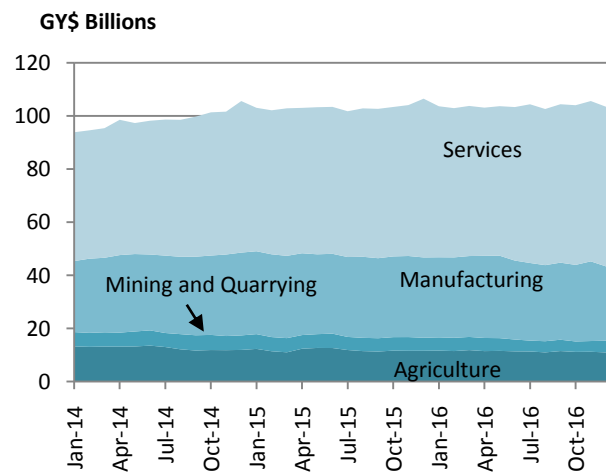
Private Sector Credit

- Domestic private sector lending, excluding real estate mortgages fell to \$134.1 billion in December, a decrease of 1.5 percent compared with December 2015. It was the first 12 month decrease in credit since January 2010.
- Lending was lacklustre to all major subcategories in December. Lending to the public sector, private businesses, and financial institutions fell compared with December 2015. Lending to households grew over the period, but at a diminished rate.
- Lending to private business enterprises, which accounts for about three-quarters of all lending, fell by 2.9 percent compared with December 2015. The services sector was the only sector to see growth, with credit increasing by 0.6 percent.
- The 7.5 percent contraction in the manufacturing sector was partly due to a 17.7 percent decline in credit to the construction industry, and a 29.7 percent decline in credit to the timber industry. Banks have reportedly suffered from non-performing loans to the construction industry recently, which may be

contributing to the present reluctance to lend in this area.

- Lending to households grew 6.5 percent over the 12 months ending in December. This is about half the rate of credit growth to households as recently as September. Lending growth cooled notably compared to recent months for loans to households for all purposes.

Figure 10. Private Credit to Private Business, by Sector



Source: Bank of Guyana

Table 2. Loans by Sector, December 2016

	Loans in July, GY\$ Billions	1 Month % Change in Credit	12 Month % Change in Credit
TOTAL CREDIT	135.52	-1.4%	-1.5%
Public Sector	1.39	-31.3%	-30.6%
<i>General Government</i>	0.16	18.2%	265.7%
<i>Public Business Enterprises</i>	1.23	-34.9%	-37.3%
Financial Institutions	1.25	8.7%	-16.7%
Private Business Enterprises	103.50	-2.0%	-2.9%
<i>Agriculture</i>	11.06	-2.3%	-5.4%
<i>Mining and Quarrying</i>	4.42	9.3%	-9.8%
<i>Manufacturing</i>	27.96	-6.7%	-7.5%
<i>Services</i>	60.07	-0.4%	0.6%
Households	29.38	2.6%	6.5%

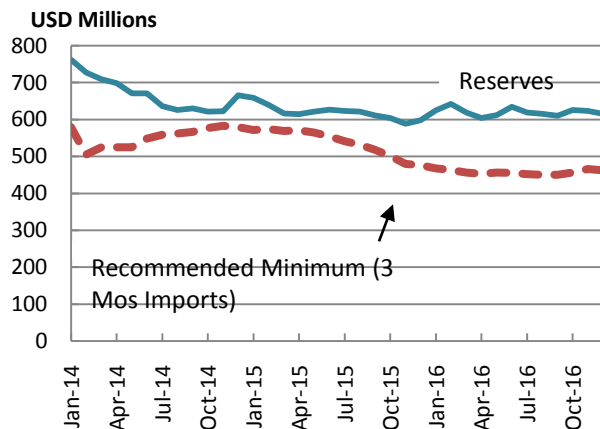
Source: Bank of Guyana

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 December.
- Foreign reserves held by the Bank of Guyana fell by US\$7.8 million in December to US\$615.7 million. Reserve levels have been mostly stable since early 2015. For 2016, foreign exchange market interventions by the Bank of Guyana have been minimal.

Figure 11. Bank of Guyana Foreign Reserves



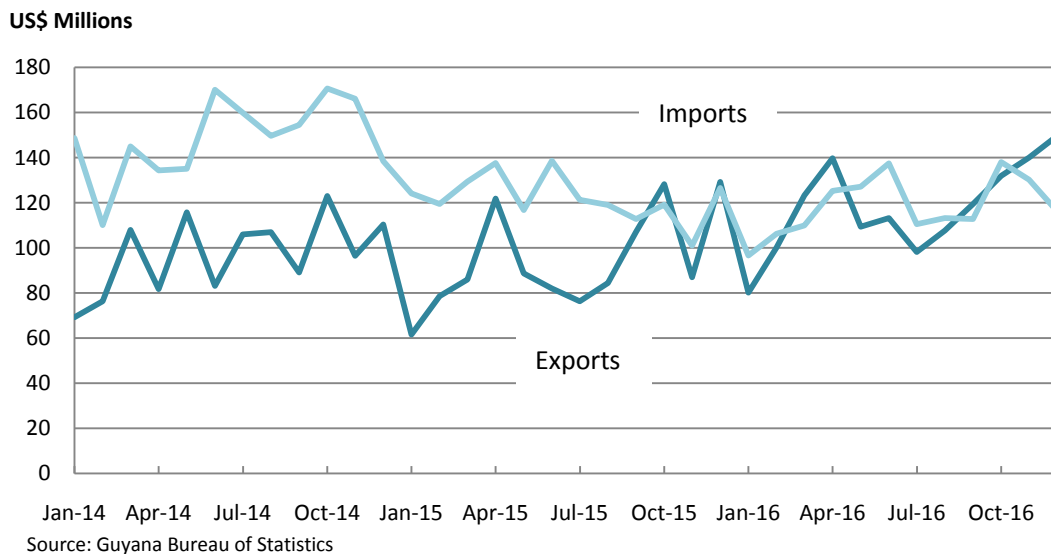
Source: Bank of Guyana

- The Bank of Guyana's foreign reserves were equal to about 4 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 November, well above the benchmark minimum of 20 percent.

Imports and Exports

- Guyana ran a merchandise trade surplus of US\$33.5 million in December. This represents an increase of US\$30.8 million or 1135.8 percent over the December 2015 surplus of US\$2.7 million.
- Domestic exports rose by US\$9.6 million to US\$149.7 million, a 6.8 percent increase compared with November. December 2016 exports were 15.8 percent higher than December 2015 exports.
- Imports fell by US\$14.0 million to US\$116.2 million in December. December 2016 imports were 8.2 percent lower than imports in December 2015.
- Gold exports remained strong in December, increasing by US\$13.2 million compared to November, to US\$99.8 million. The increase was largely due to a US\$9.8 million increase in exports by Guyana Gold Board. December 2016 exports were 33.0 percent higher than December 2015 exports.
- Shrimp and prawn also did creditably in December, growing by 6.7 percent compared to November. December 2016 exports increased by 84.1 percent over December 2015.
- The drop in imports in December was due to a 17.8 percent decline in imports of capital goods, compared with November. Agricultural and Mining machinery saw the greatest declines, with decreases of 43.0 and 55.4 percent respectively.

Figure 12. Merchandise Trade



International Commodity Prices

- Global prices for Guyana's major traded commodities largely fell in December, with the exception of rice and oil, whose prices increased by 2.2 and 16.4 percent respectively.
- In December, crude oil was priced at US\$54.07 per barrel. This higher price came as a result of agreed, reduced output from OPEC and non-OPEC countries, and strong demand in the fourth quarter from Europe.
- The free market global price for sugar dropped in December to US\$0.41, a decrease of 8.6 percent compared to November. The drop in prices likely reflected in part a weakening of the Brazilian currency, which stimulated higher sugar exports from that country. The December 2016 price remained 26.31 percent higher than the average price in December 2015.
- The international gold price declined by 6.5 percent in December, following a 2.2 percent decline in November. Gold prices remained at 7.6 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, December

Key Commodity Prices, December 2016			
Commodity	Price in US\$	1 Month Price Change	12 Month Price Change
Crude Oil, Brent (per bbl)	\$54.07	16.4%	43.3%
Gold (per troy oz)	\$1,157.36	-6.5%	7.6%
Aluminum (per mt)	\$1,727.74	-0.5%	15.4%
Sugar, world price (per kg)	\$0.41	-8.6%	26.3%
Rice, Thai 5% (per mt)	\$373.00	2.2%	2.8%
Logs, Cameroon (per cubic m)	\$369.25	-2.4%	-3.0%

Source: World Bank Pink Sheet

International Economic News

Global Development

- Global output growth was estimated at about 3 percent (at annualized rate) for the third quarter of 2016, broadly unchanged relative to the first two quarters of the year. The activities in the U.S rebounded strongly after a weak first half of 2016 as the economy approach full employment.
- In other advanced economies, notably in the Euro area, output remained below potential. Third quarter preliminary growth figures for Spain and the United Kingdom however, were somewhat stronger than previously forecasted due to stronger-than-expected domestic demand following the aftermath of the Brexit vote.
- Headline inflation rates have remained recovered in advanced economies with the bottoming out of commodity prices, but core inflation rates have remained broadly unchanged and generally below inflation targets.
- 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.

International Interest Rates

- Major international interest rates jumped in December. The secondary market interest rates on 1 year and 3 month U.S. Treasury Bills increased by 31 basis points and 20 basis points, respectively. The 3 month and 1 year London Interbank Offer Rates (LIBOR) increased by 6 and 5 basis points, respectively.
- The increase in U.S. Treasury interest rates reflected the Federal Reserve Board's decision to raise its policy interest rate, the federal funds rate, to a range of 0.5 to 0.75 percent. The discount rate, a second policy rate, was also increased by 0.25 percentage points.

Table 4. Key World Interest Rates

	Interest Rate	As of:	1 Month Change
3 Month US Treasury	0.53%	January 3, 2017	0.20%
1 Year US Treasury	0.89%	January 3, 2017	0.31%
3 Month LIBOR	1.00%	January 3, 2017	0.06%
1 Year LIBOR	1.69%	January 3, 2017	0.05%

Source: Federal Reserve Board and global-rates.com

Global Markets

- World stock market performance was mostly positive in December, with the exception of markets in China.
- Prices for developing country sovereign bonds, as reflected in the JP Morgan Emerging Market Bond Index, rose slightly in December. This marginal increase 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 in November, but returned to normal levels in December.

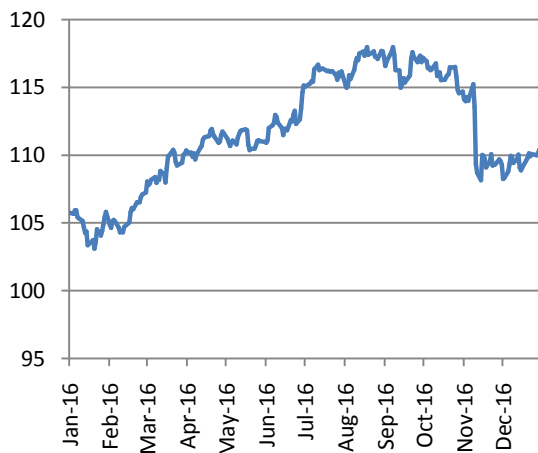
Table 5. Global Markets Summary, January 06, 2017

As of: January 06, 2017

		Level	1 Month Change	12 Month Change
S&P 500	United States	2277	2.93%	14.41%
FTSE	United Kingdom	7178	6.29%	18.19%
DAX	Germany	11599	7.64%	13.56%
Shanghai Composite	China	3154	-1.42%	-6.17%
Nikkei	Japan	19454	5.96%	6.94%

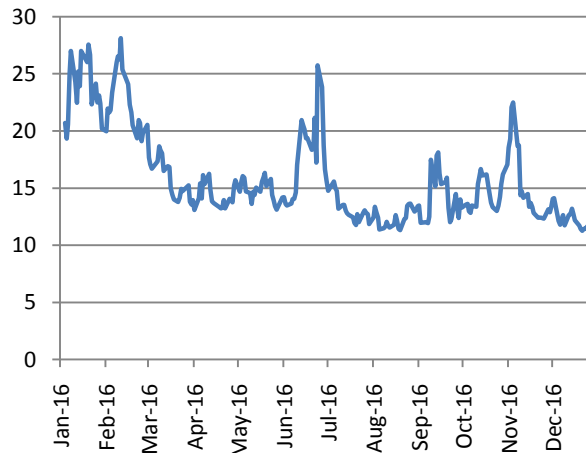
Source: Yahoo Finance

Figure 13. JP Morgan Emerging Market Bond Index



Source: Yahoo Finance

Figure 14. VIX Volatility Index



Source: Yahoo Finance