

# MONTHLY ECONOMIC BULLETIN

June 2016



Republic of Guyana  
Ministry of Finance  
49 Main Street  
Georgetown  
[www.finance.gov.gy](http://www.finance.gov.gy)



## The Monthly Economic Bulletin

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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](http://www.finance.gov.gy).

This Edition of the MEB covers data pertaining to May, 2016 for the Real, Fiscal, External and Monetary sectors. In the International section, the latest information as at June, 2016 is provided.

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## Real Sector

### Economic Growth

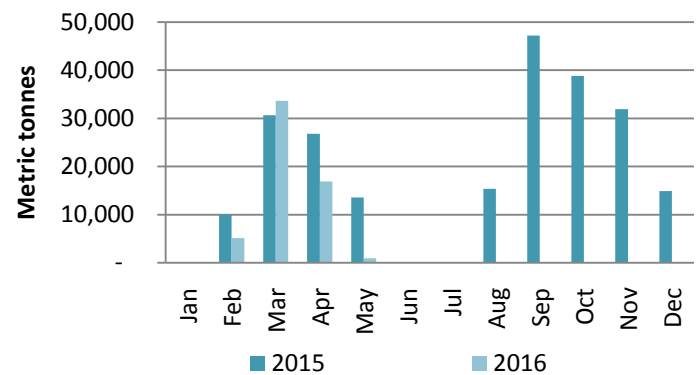
- Economic growth during January to May continues to be buoyed by good performance in the mining and construction sectors. Gold production continues to surpass expected levels as a result of increased production from local miners as well as the two expatriate companies. Despite, delays in the construction sector, especially as it relates to public construction, the sector is growing at a higher rate relative to 2015. The multiplier impact of the mining and construction sectors is expected to have significant spill over effects on the services sector.

### Agriculture

#### Sugar

- Sugar production for May, 2016 was 958 tonnes compared to 13,592 tonnes produced in May, 2015. Production for the first crop totalled 56,645 tonnes compared to 81,147 tonnes in 2015, a reduction of 43.3 percent. The fall in production for the first crop resulted from the El Niño weather phenomenon, which reduced the sucrose content of the sugar cane.

Figure 1. Sugar Production, 2015-2016

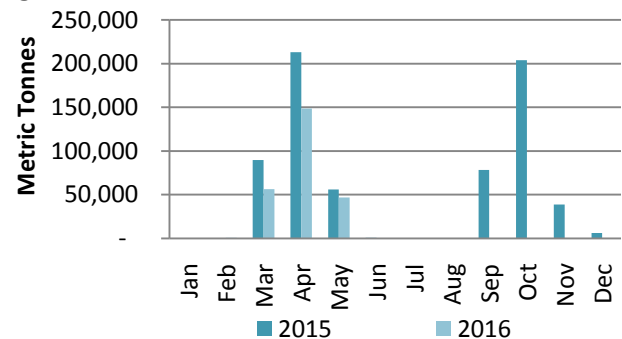


Source: Bureau of Statistics

#### Rice

- Rice production for May, 2016 reached 46,628 tonnes, a decline of 16.8 percent when compared to production achieved in May, 2015. This brings rice production from January to May, 2016 to 251,836 tonnes compared to 359,342 tonnes in 2015. Again, the El Niño weather phenomenon was the major contributor towards low production for the first crop.

Figure 2. Rice Production, 2015-2016

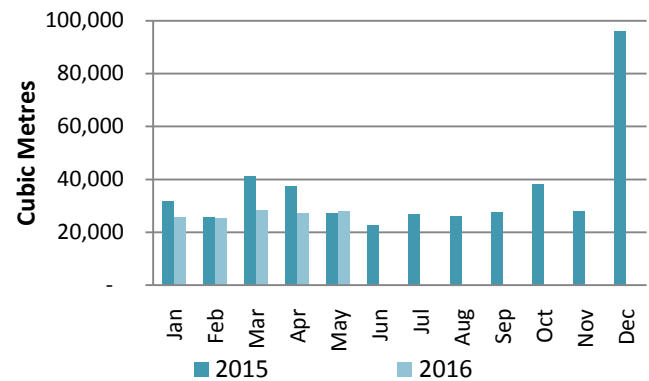


Source: Bureau of Statistics

## Forestry

- Forestry production for May, 2016 amounted to 27,684.9m<sup>3</sup> compared to 26,938.1m<sup>3</sup> in May, 2015. However, production from January to May, 2016 is 17.4 percent below 2015's. The government is re-organising the subsector with the aim of promoting more value added products.

Figure 3. Forestry Production, 2015-2016



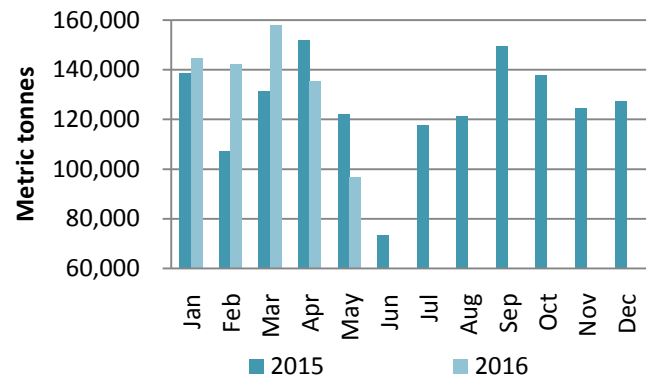
Source: Bureau of Statistics

## Mining and Quarrying

### Bauxite

- Bauxite production for May, 2016 was 96,772 tonnes compared to 122,237 tonnes in May, 2015. This brings production from January to May, 2016 to 671,131 tonnes compared to 651,337 tonnes during the same period in 2015. Increased production for 2016 continues to be underpinned by increased efficiency and productivity within the industry, despite low global prices.

Figure 4. Bauxite Production, 2015-2016

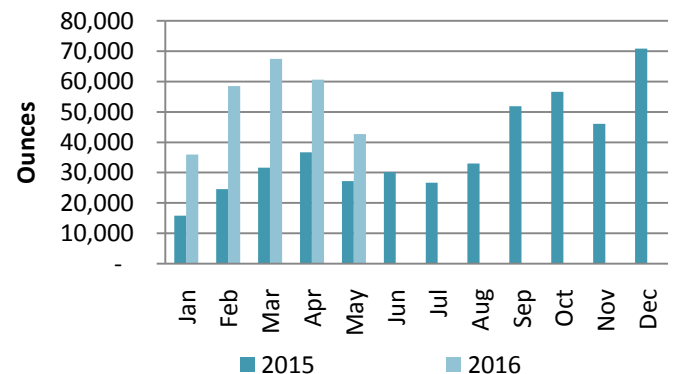


Source: Bureau of Statistics

### Gold

- Gold production for May, 2016 totalled 42,664 ounces compared to 27,214 ounces in May, 2015. This brings gold production for January to May, 2016 to 265,164 ounces, or 95.1 percent more than that achieved during the same period in 2015. The primary reason for the increase continues to be increased production by small and medium sized miners and the two expatriate companies.

Figure 5. Gold Production, 2015-2016

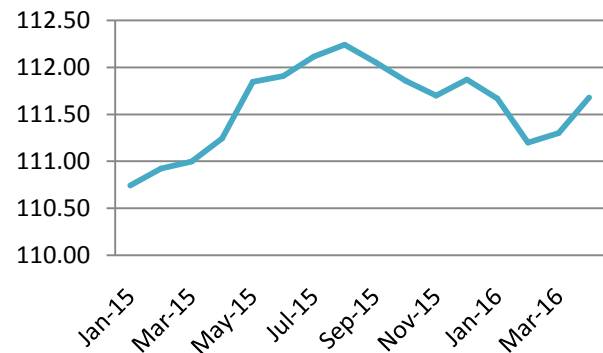


Source: Bureau of Statistics

## Inflation

- Prices increased marginally by 0.04 percent in April, 2016 compared to prices in March, 2016. This resulted in the CPI increasing to 111.68 in April 2016, from 111.28 in March 2016. This marginal increase in price was primarily driven by growth in food prices while the prices of other items such as clothing, transport and communication and housing declined marginally compared to their levels in March, 2016.

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



Source: Bureau of Statistics

## Fiscal Sector

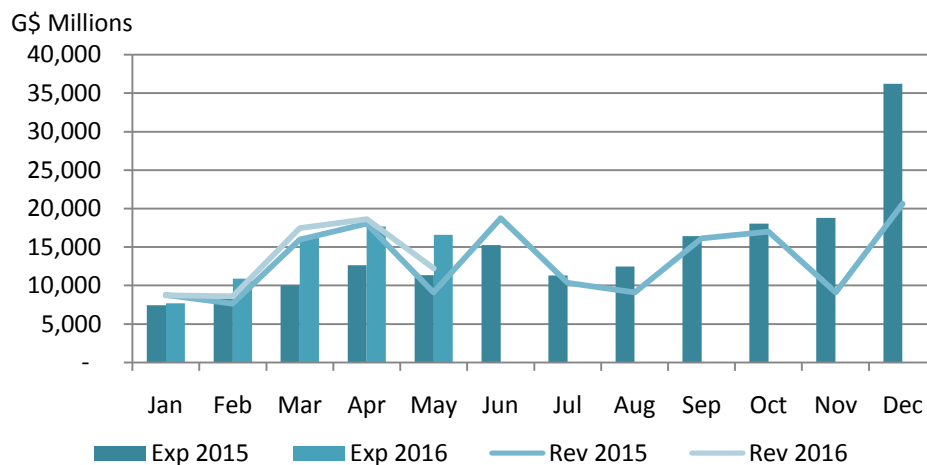
### Revenues

- Central Government current revenues totalled \$65.7 billion at the end of May, 2016, an increase of 10.2 percent or \$6.1 billion, compared to revenue collections during January to May, 2015. This growth was driven by increased non-tax and tax revenues. Increased spending during the Jubilee activities combined with efficiency measures implemented by the Government, including tightening up at ports, new focus on the regions and a clampdown on illegal activities has resulted in increased tax revenues for 2016.
- Tax revenues grew by 18.3 percent or \$1.6 billion in May, 2016 compared to May, 2015. As a result, tax revenues increased by 6.9 percent or \$3.8 billion comparing January to May, 2016 to the same period in 2015. Noteworthy growth was recorded for company, withholding, personal and international trade taxes, which increased by 22.8, 33.5, 10.8 and 19.8 percent respectively, comparing January to May, 2016 to the same period in 2015.
- However, VAT revenues from January to May 2016, declined by 6.1 percent compared to the same period in 2015. This continues to reflect a weakening of the VAT caused by, for example, a rise in VAT refunds for 2016. Additionally, excise taxes showed a decline of 17.8 percent in May 2016, compared to May 2015, due to a fall in excise duties on petroleum products. As a result, excise taxes from January to May, 2016, declined marginally by 0.6 percent compared to the same period in 2015.
- The growth in non-tax revenues of \$4.7 billion, comparing January to May, 2016 to the same period in 2015, resulted from growth in the collection of rent and royalties mainly driven by increased gold production and declarations along with growth in miscellaneous items.

## Expenditure

- Central Government expenditure reached \$69.1 billion at the end of May, 2016 compared to \$49.8 billion expended from January to May in 2015.
- Non-interest expenditure reached \$58.3 billion at the end of May, 2016, an increase of 38.2 percent over the same period in 2015. This increase was mainly due to a rise in transfer payments of 132.1 percent. The increase in transfer payments continues to be attributed to the addition of the Constitutional Agencies to this category as well as increases in old age pension, statutory pensions and gratuity and payments to local and international organisations. Employment cost increased by 4.1 percent, due to the increase in wages and salaries given to public servants in the second half of 2015. However, there was a fall in other goods and services by 8.2 percent, mainly in the purchase of materials and supplies.
- Capital expenditure reached \$3.9 billion in May, 2016. From January to May, 2016 expenditure increased by 60.2 percent compared to the same period in 2015. This growth continues to be attributed to the rollover of several projects from 2015. The pace of implementation of new projects continues to be of concern to the government, who is taking corrective action.

**Figure 7. Current Revenues and Expenditure**



Source: Guyana Revenue Authority and Ministry of Finance

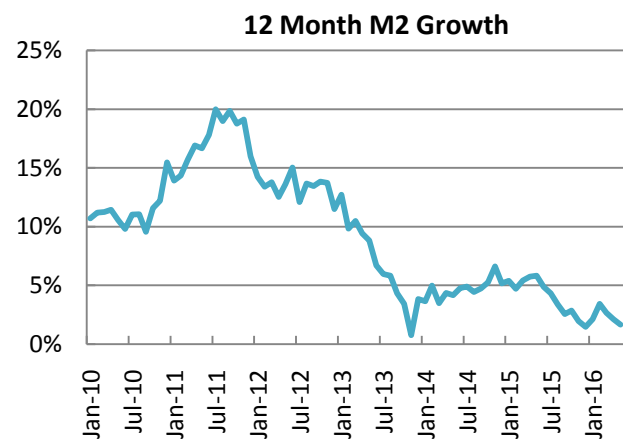
## Monetary and Financial Sectors

### Money Supply

- Money and quasi-money (M2) continued to grow in May. M2, which includes currency, demand deposits, cashier's checks and bank acceptances, and time and savings deposits, increased by 1.7 percent over the 12 months ending in May. The average rate of M2 growth in 2014 was 4.7 percent. Slower money growth is associated with lower inflationary pressures, assuming growth in demand for money remains constant.
- Currency in circulation increased by 7.2 percent over the 12 months ending in May, while demand deposits, cashier's checks and bank acceptances grew by 1.7 percent. Time and savings deposits, which make up a little over 60 percent of money and quasi-money, contracted by 0.2 percent over the same period.
- Guyana's money liquidity ratio, or the ratio of currency to M2, continued to trend upward in May, as currency in circulation grew more quickly than time and savings

deposits. A lower liquidity ratio is often seen as an indicator of increased financial development and financial services diversity. A rising liquidity ratio may suggest that Guyana could benefit from greater access to diverse financial savings products.

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



Source: Bank of Guyana

### Domestic Interest Rates

- In May, interest rates fell on the shortest-term Treasury Bills, 91-day Bills, while interest rates on 182-day and 364-day Bills rose. Interest rates on 182-day Bills have been lower than rates on 91-day Bills since early 2015, indicating an inverted yield curve.
- The commercial bank weighted average lending rate rose 4.5 basis points, while the small savings rate for commercial banks remained unchanged at 1.26 percent.

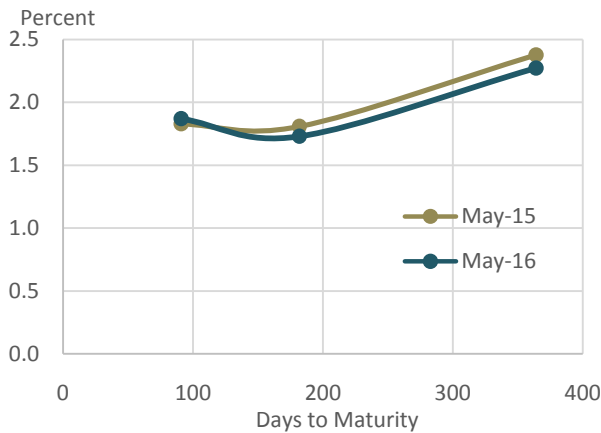
**Table 1. Key Interest Rates**

	Current Interest Rate
Bank Rate	5.00%
Treasury Bills	
91 Days	1.87%
182 Days	1.73%
364 Days	2.27%
Commercial Bank Lending Rate	10.51%
Commercial Bank Small Savings Rate	1.26%

Source: Bank of Guyana

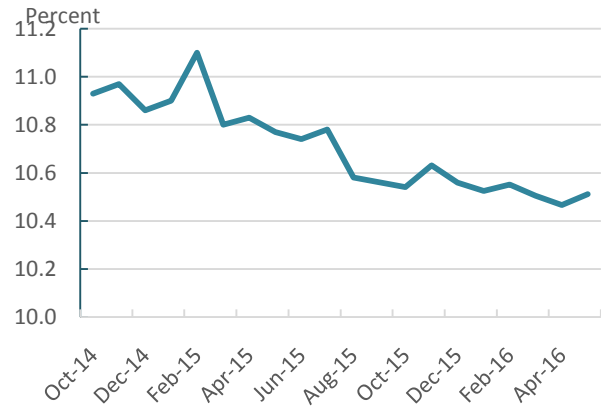


**Figure 9.1 Yield Curve for Guyana Treasury Bills**



Source: Bank of Guyana

**Figure 9.2 Commercial Bank Lending Rate**

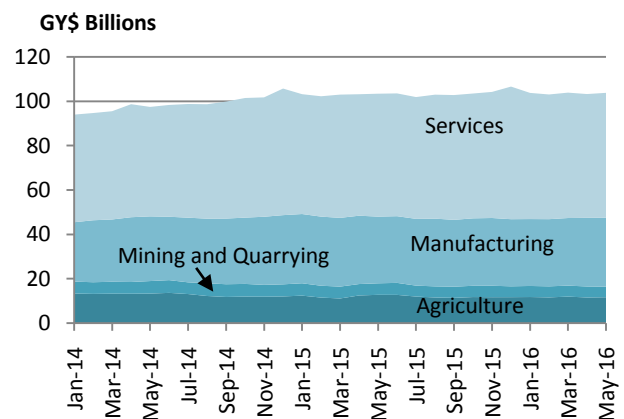


Source: Bank of Guyana

### Private Sector Credit

- Domestic lending rose by 1.0 percent in May, increasing from \$133.2 billion in April to \$134.5 billion in May. Compared with May 2015, credit grew 2.8 percent.
- Lending to the general government, which accounts for a very small share of total private credit, fell to \$27.0 million in May, from \$42.3 million in April.
- Lending to financial institutions fell by 15.9 percent in May. Loans to financial institutions have declined markedly in the past half year, and lending in this sector is now 42.3 percent lower than it was in May 2015. Decreases in private sector lending to financial institutions do not necessarily mean that they will face a shortage of funds, because financial institutions can also borrow from the Bank of Guyana.
- Lending to private business enterprises increased for all major sectors in May, except mining and quarrying. Loan growth was particularly strong in the shrimp and fishing subsector.
- Lending to households remains strong. Loans in this sector rose by 1.9 percent in May, with a 6.0 percent increase in loans for travel, which may have been buoyed by travel related to the Jubilee celebrations. Loans to households have risen 18.6 percent since May 2015.

**Figure 10. Private Credit to Private Business, by Sector**



Source: Bank of Guyana

**Table 2. Loans by Sector, May 2016**

	Loans in May, GY\$ Billions	1 Month % Change in Credit	12 Month % Change in Credit
<b>TOTAL CREDIT</b>	<b>134.49</b>	<b>1.0%</b>	<b>2.8%</b>
Public Sector	1.94	25.0%	-22.3%
<i>General Government</i>	0.03	-36.2%	1398.6%
<i>Public Business Enterprises</i>	1.91	26.7%	-23.3%
Financial Institutions	0.82	-15.9%	-42.3%
Private Business Enterprises	103.72	0.5%	0.4%
<i>Agriculture</i>	11.65	0.9%	-8.6%
<i>Mining and Quarrying</i>	4.78	-3.5%	-7.8%
<i>Manufacturing</i>	31.03	0.3%	3.3%
<i>Services</i>	56.26	0.9%	1.6%
Households	28.01	1.9%	18.6%

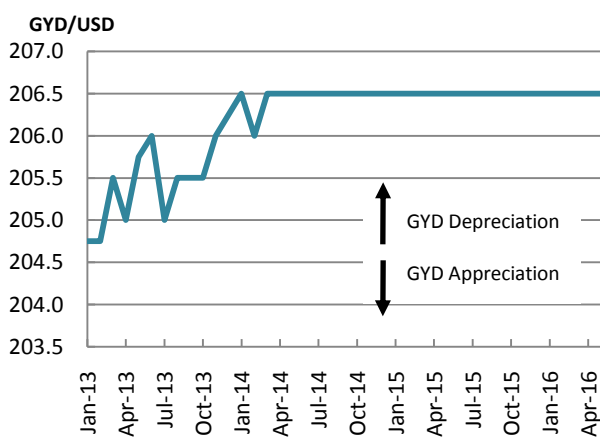
Source: Bank of Guyana

## External Sector

### Exchange Rate and Official Reserves

- 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 May.
- Foreign reserves held by the Bank of Guyana rose by US\$ 7.7 million in May to US\$612.4 million. Reserve levels have been mostly stable since early 2015.

**Figure 11. Bank of Guyana Exchange Rate**



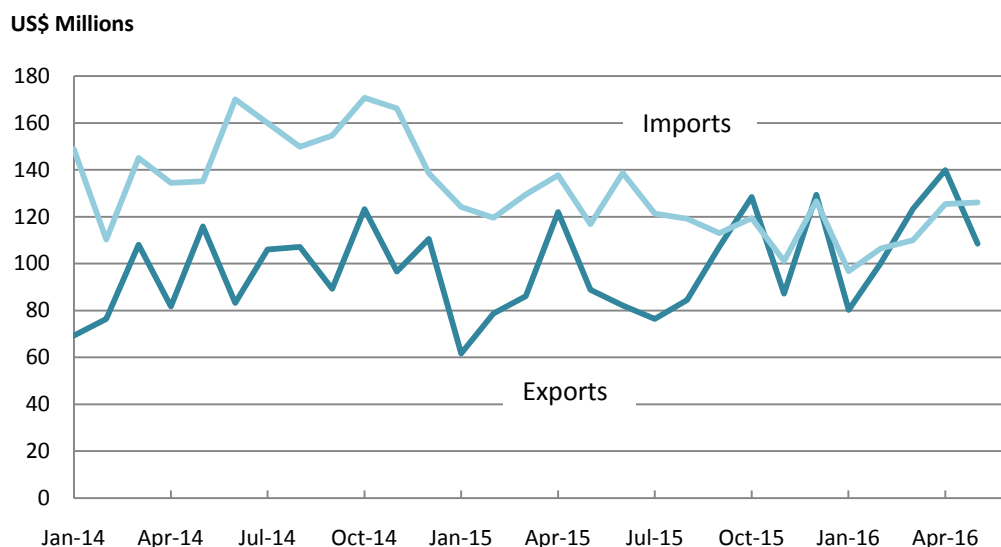
Source: Bank of Guyana

- The Ministry of Finance estimates that the Bank of Guyana's foreign reserves are currently equal to about 4 months of imports, above 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 38 percent in April, well above the benchmark minimum of 20 percent.

## Imports and Exports

- Guyana ran a merchandise trade deficit of US\$ 17.65 million in May, following a surplus of US\$ 14.43 in April.
- Exports in May fell by US\$ 31.33 million to US\$108.45 million, or 22.4 percent, compared to April. Compared to May 2015, exports are up 22.2 percent.
- Imports rose by US\$ 0.75 million to US\$126.10 million in May, a monthly increase of 0.6 percent. Imports are up 8.0 percent compared with May 2015. It was the first time imports have risen compared with the same month a year ago since April 2015.
- Exports were weak across many categories in May. Sugar exports were roughly equal to sugar exports in May 2015, but rice exports in May were 40.3 percent lower than rice exports in the same month last year. The first rice crop for 2016 had low production, as farmers reduced the area planted in response to poor weather caused by El Nino during planting season.
- Gold exports fell by 18.1 percent compared to April, but were twice as high as gold exports in May 2015. Exports of bauxite, diamonds, and fish and shrimp all fell in May.
- The slight increase in imports was driven by imports of capital goods, which rose 15.0 percent in May, due to increases in imports of every category of machinery. Imports of capital goods were 20.7 percent higher than they were in May 2015 while imports of consumer goods fell in May. Imports of fuel and lubricants increased by 3.5 percent compared with April, but remain down 28.7 percent compared with May 2015.

Figure 13. Merchandise Trade



Source: Guyana Bureau of Statistics

## International Commodity Prices

- Global commodity prices continued to trend upward in May, with large price increases for both sugar and oil. Prices for gold, sugar, rice and timber are now higher than they were a year ago.
- The global free market price for sugar rose 11.7 percent in May, pushing prices 27.5 percent higher than they were a year ago. The surge in prices has been attributed to lower-than-expected production in major sugar producing countries such as India.
- Rice prices also rose in May, but it is unclear whether the increase will be permanent. The jump was likely caused by a temporary rush to import basmati and aromatic varieties into Iran before it bans rice imports to protect its local industry.
- World prices for oil continued to increase in May. The price of Brent crude oil rose 11.6 percent in May, following an 8.1 percent in April and a 17.7 percent increase in March. However, the May price of US\$ 47.13 per barrel is still 27.0 percent lower than the price of oil in May 2015.
- The international price of gold rose by 1.5 percent in May. The price of gold is now 5.2 percent higher than it was in May 2016. However, the price of aluminium fell by 1.3 percent in May, and is 14.0 percent below its level in May 2015.

**Table 3. International Commodity Prices, May**

Key Commodity Prices, May 2016			
Commodity	Price in US\$	1 Month Price Change	12 Month Price Change
Crude Oil, Brent (per bbl)	\$47.13	11.6%	-27.0%
Gold (per troy oz)	\$1,260.95	1.5%	5.2%
Aluminum (per mt)	\$1,550.63	-1.3%	-14.0%
Sugar, world price (per kg)	\$0.38	11.7%	27.5%
Rice, Thai 5% (per mt)	\$433.00	9.6%	13.6%
Logs, Cameroon (per cubic m)	\$395.82	-0.2%	1.3%

Source: World Bank Pink Sheet

## International Economic News

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### Global Growth

- On Thursday, June 23<sup>rd</sup> the United Kingdom voted to exit the European Union. The vote has resulted in a great deal of uncertainty about the United Kingdom's economic and political future; the actual exit may take years to negotiate. Following the announcement of the results, the British pound fell sharply, at one point reaching its lowest value vis-a-vis the U.S. dollar since 1985. Global stock markets also plummeted. However, the price of gold increased. Gold is often seen by investors as a "safe haven", so its price often rises during periods of financial market turmoil, as investors sell riskier assets and buy gold.
- As a result of its Article IV Consultation for the United States, the IMF is reducing its forecast for economic growth for the world's largest economy from 2.4 percent in 2016 to 2.2 percent. While the IMF's World Economic Outlook has not been revised yet, the lower growth rate for the United States, which represents about a quarter of global GDP, may mean a downward revision for overall world growth.
- The economic crisis in Venezuela is now being called the worst in its history. International news sources report that citizens are regularly going without food, and inflation has reached several hundred percent. Venezuela and Trinidad & Tobago reached an agreement at the end of May to create a US\$50 billion fund in Venezuela to purchase essential foods such as chicken, rice, and bean from Trinidad & Tobago.

**Table 4. IMF World Economic Outlook April 2016**

World Economic Outlook Real GDP Growth, Percent			
	<u>2015</u>	<u>2016</u> <u>Projection</u>	<u>2016 Revision</u> <u>Since January</u> <u>Outlook</u>
World	3.1	3.2	-0.2
Advanced Economies	1.9	1.9	-0.2
United States	2.4	2.4	-0.2
Canada	1.2	1.5	-0.2
United Kingdom	2.2	1.9	-0.3
Euro Area	1.6	1.5	-0.2
Emerging Market and Developing Economies	4	4.1	-0.2
Guyana	3	3.4	NA
LAC	-0.1	-0.5	-0.2

Source: IMF

## Global Markets

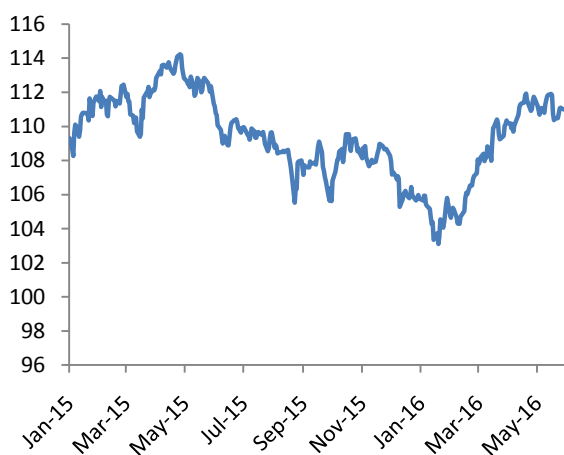
- Major world stock market indexes rose modestly in May. The exception was China’s Shanghai Composite, which fell 2.5 percent.
- Major stock market indexes remain below their levels a year ago. The Shanghai Stock Exchange (SSE) Composite Index, which captures stocks listed on China’s Shanghai Stock Exchange, was 39.6 percent lower compared with a year ago. However, the U.S. S&P 500 is now less than a percent below its level on June 1, 2015.
- Prices for developing country sovereign bonds were mostly unchanged in May, after rising earlier in the year. Higher bond prices are equivalent to lower interest rates. Low interest rates on developed country debt may be helping to keep interest rates for developing countries low. Higher bond prices could also be an indication of improved expectations for developing countries’ future finances.
- Volatility in global stock markets, which declined notably in the first quarter of 2016, has remained low and stable since March. The CBOE Volatility Index, or VIX, was at 14.2 on June 1, 2016, down from 27.0 at the beginning of January.

**Table 5. Global Markets Summary, May 1, 2016**

As of:	June 01, 2016		1 Month Change	12 Month Change
		Level		
S&P 500	United States	2097	0.75%	-0.70%
FTSE	United Kingdom	6231	0.73%	-10.39%
DAX	Germany	10263	1.38%	-10.26%
Shanghai Composite	China	2917	-2.54%	-39.60%
Nikkei	Japan	16565	2.59%	-19.47%

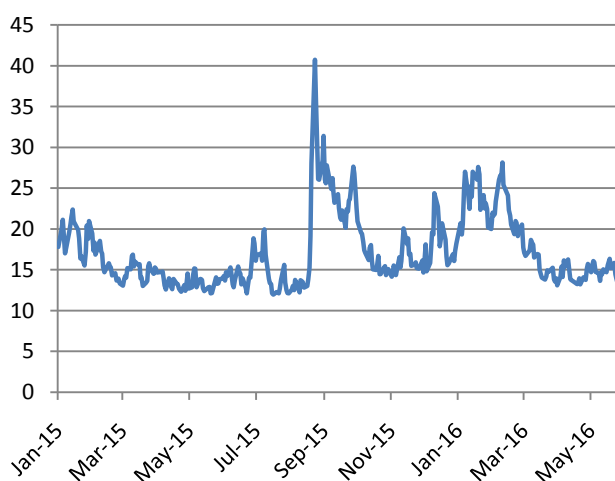
Source: Yahoo Finance

**Figure 14. JP Morgan Emerging Market Bond Index**



Source: Yahoo Finance

**Figure 15. VIX Volatility Index**



Source: Yahoo Finance

### International Interest Rates

- The interest rate on U.S. Treasuries rose slightly in May. The secondary market interest rate on 1 year U.S. Treasury Bills rose 14 basis points to 0.68 percent as of June 1, while the interest rate on 3 month U.S. Treasury Bills rose 8 basis points to 0.30 percent.
- London Interbank Offer Rates (LIBOR) also edged up in May. The 3 month LIBOR rose 5 basis points to 0.68 percent, while the 1 year LIBOR rose 10 basis points to 1.33 percent.
- The Federal Reserve Board of Governors decided to leave interest rates unchanged at its June 14-15 meeting, a policy it views as accommodative. Although the U.S. economy has shown signs of growth, the job market has not been recovering as quickly as expected, and inflation remains well below the Federal Reserve Board’s 2 percent target.
- Global monetary policy remains accommodative. On June 2, the European Central Bank announced it was leaving interest rates unchanged, after lowering them in March. At its June 15 meeting, the Bank of England decided to maintain its policy interest rate, the Bank Rate, at 0.5 percent. The Bank of England has held the Bank Rate at this level since 2009.

**Table 6. Key World Interest Rates**

	Interest Rate	As of:	1 Month Change
3 Month US Treasury	0.30%	June 1, 2016	0.08%
1 Year US Treasury	0.68%	June 1, 2016	0.14%
3 Month LIBOR	0.68%	June 1, 2016	0.05%
1 Year LIBOR	1.33%	June 1, 2016	0.10%

Source: Federal Reserve Board and global-rates.com