

# MONTHLY ECONOMIC BULLETIN

March, 2016

**Covering** January 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).

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## Real Sector

### Economic Growth

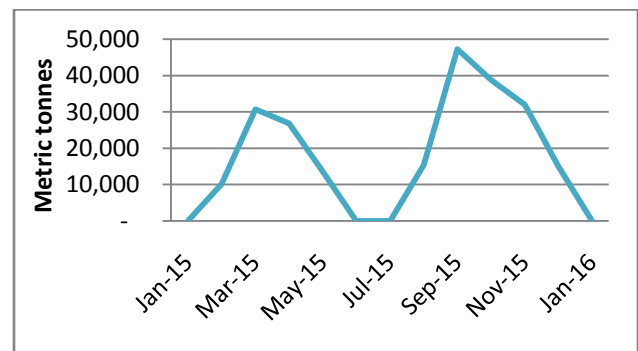
- Projected economic growth for Guyana's economy remains at 4.4 percent in 2016 and is expected to be buoyed primarily by growth in the gold and construction industries, as well as growth in several services sectors. Economic growth in 2016 will be further enhanced by an increase in foreign direct investment. The rice and sugar industries are expected to contract in 2016.
- Medium term economic growth is expected to be above 4 percent despite falling commodity prices, as a result of expansion in the gold and construction industries which will have multiplier impact on many other sectors especially the services sector.

### Agriculture

#### Sugar

- No sugar production was recorded in January, 2016. This is expected as production is not generated until February of each year. The outlook for sugar remains positive as production is still expected at 242,287 tonnes for 2016.
- Production growth for 2016 is expected to be underpinned by continued improved productivity and efficiency at GuySuCo.

Figure 1. Sugar Production, 2015-2016

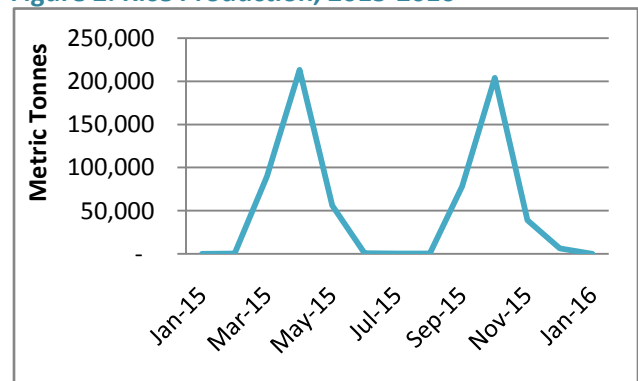


Source: Bureau of Statistics

#### Rice

- Rice production for January, 2016 totalled 134 tonnes. Production for this month is usually zero, as reaping for rice does not start until March.
- Rice production is targeted at 630,028 tonnes for 2016 and this target is expected to be realised once rice farmers and millers are able to secure new markets.

Figure 2. Rice Production, 2015-2016

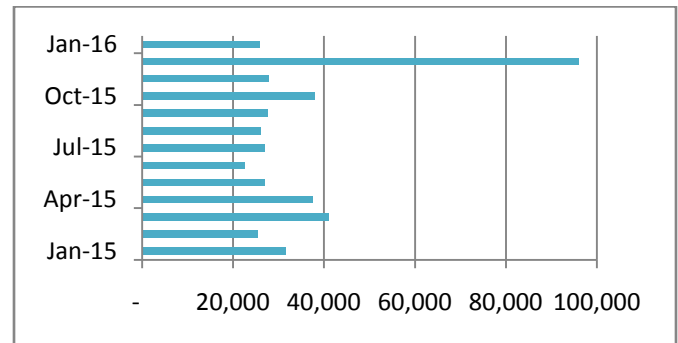


Source: Bureau of Statistics

## Forestry

- Forestry production for January, 2016 totalled 25,733m<sup>3</sup>, a decline of 18.6 percent compared to January, 2015 when 31,638m<sup>3</sup> was achieved. Low production levels for January, 2016 resulted from Government's temporary ban on timber exports.
- Production for 2016 will be revised upwards from the 392,469 m<sup>3</sup> projected for this year.

Figure 3. Forestry Production, 2015-2016



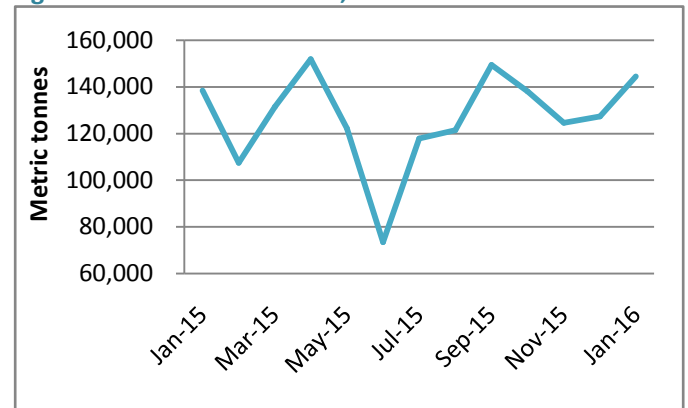
Source: Bureau of Statistics

## Mining and Quarrying

### Bauxite

- Bauxite production for January, 2016 reached 144,524 tonnes, an increase of 4.4 percent over January's 2015 production of 138,461 tonnes. This increase in production was mainly due to increased efficiency and productivity within the industry.
- Production for 2016 has been revised upward due to continued productivity gains from the closure of the processing plant in 2015.

Figure 4. Bauxite Production, 2015-2016



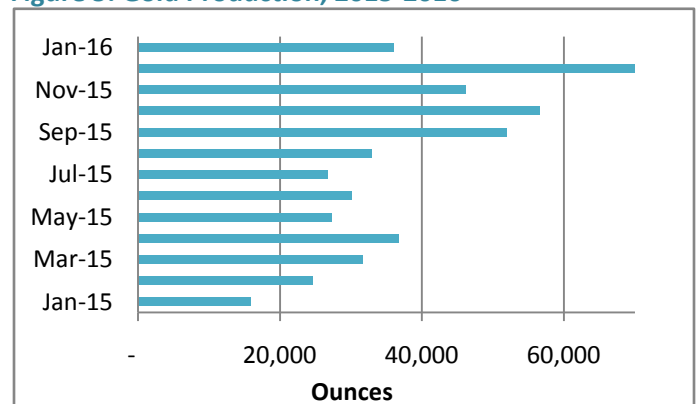
Source: Bureau of Statistics

### Gold

- Gold production for January, 2016 was recorded at 35,947 ounces, 127.1 percent above the total achieved in January, 2015.
- This significant increase in 2016 over production recorded during the same period in 2015 resulted from production from Guyana Gold Fields Inc. and Troy resources. These two gold companies were not operational until the end of 2015 but are due to reach full capacity during 2016. Additionally, declarations from local miners have increased due to anti-smuggling measures which have been instituted by the Government.
- Production has been further aided by the increase in international prices for Gold. In

January, 2016 the price for gold reached US\$1,100 compared to US\$1,070 in December, 2015. Increased price for gold has been a positive signal especially for small and medium size miners.

Figure 5. Gold Production, 2015-2016



Source: Bureau of Statistics

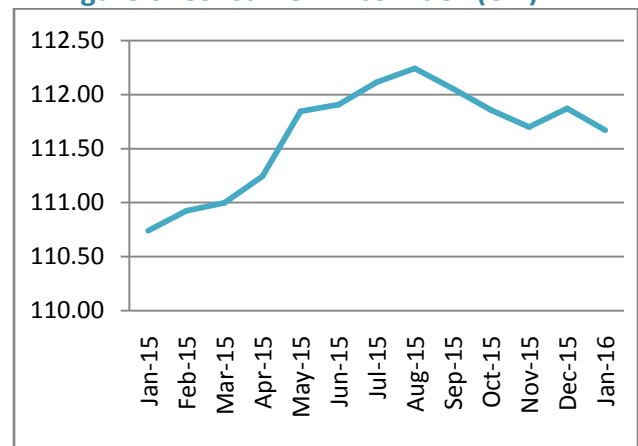
## Services

- Growth projection for the services sector remains at 4 percent for 2016, primarily driven by increased construction activities.
- Construction is expected to grow considerably in 2016 due to the rollover of several projects as well as new projects that are expected to come in both the private and public sector. The construction industry is expected to show the greatest growth in the services sector for 2016.
- Growth in the wholesale and retail industry is also expected to recover as business and consumer confidence is gradually restored. Positive growth is expected for all industries within the services sector.

## Inflation

- Prices decreased marginally by 0.18 percent in January, 2016 compared to prices in December, 2015. This resulted in the CPI decreasing to 111.7, compared to 111.9 in December 2015. This marginal decrease in price was primarily driven by decrease in food prices while the prices of most other items remained relatively stable compared to their levels in December, 2015.

Figure 6. Consumer Price Index (CPI)



Source: Bureau of Statistics

## Fiscal Sector

### Revenues

- Central Government current revenues totalled \$8.7 billion in January, 2016, a marginal decline of 0.7 percent compared to revenue collections in January, 2015. This was mainly driven by a decline in non-tax revenues.  
Tax revenues increased marginally by 0.3 percent, reaching \$8.54 billion primarily driven by increases in internal revenue taxes that was as a result of increases in Pay as You Earn (PAYE) and self employed taxes, by \$223.8 million and \$27.9 million respectively, comparing January 2016 to the January 2015. Net property tax also increase by \$13.6 million.
- Both withholding and corporation tax declined, comparing January 2016 to January 2015.
- The decline in non-tax revenues was due to reduced revenues from a few government ministries.



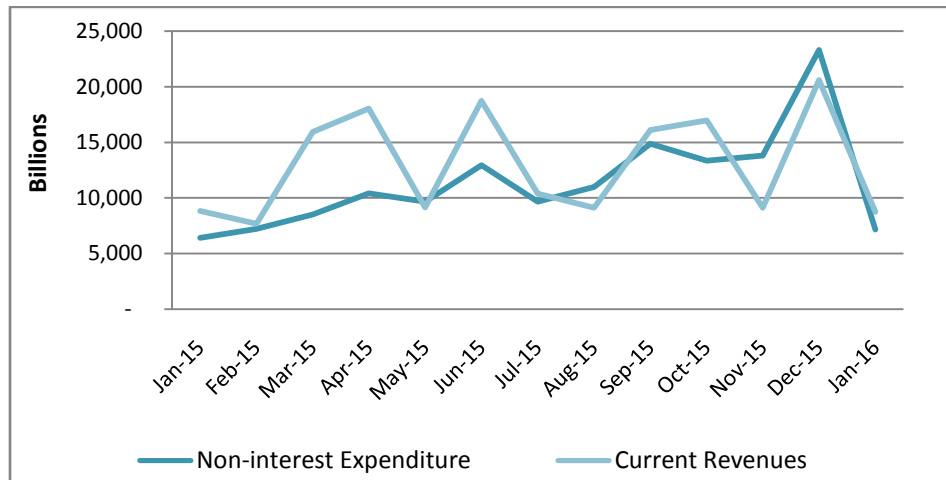
## Expenditure

- Total non-interest expenditure reached \$7.2 billion in January, 2016, an increase of 11.7 percent over the level achieved during the same period in 2015. The lowest levels of expenditure is usually recorded in January as historically the Budget is usually passed in March.
- The rise in non-interest expenditure is mainly attributed to a rise in transfer payments of 77.5 percent, comparing January 2016 to January 2015. The increase

in transfer payments is primarily 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 also increased by 6 percent due to the increase in wages and salaries given to public servants in 2015.

**Figure 7. Current Revenues and Non-Interest Expenditure**



Source: Guyana Revenue Authority and Ministry of Finance

## Monetary and Financial Sector

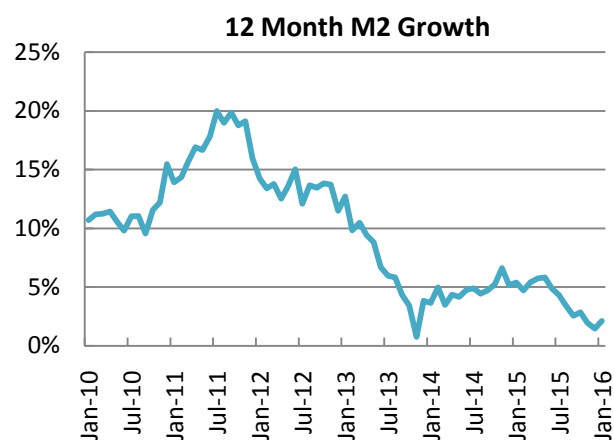
### Money Supply

- Money and quasi-money (M2) increased slightly in January. M2, which includes currency, demand deposits, cashier's cheques and bank acceptances, and time and savings deposits, rose by 2.1 percent over the 12 months ending in January, 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 5.3 percent over the 12 months ending in January, while demand deposits, cashier's checks and bank acceptances grew at a meagre 0.6 percent. Time and savings deposits, which make up a little over 60 percent of money and quasi-money, grew about 1.5 percent over the same period.

### Domestic Interest Rates

- Interest rate movements were mixed in January. Interest rates on Treasury Bills were unchanged, except for the rate on 182 day Treasuries, which fell 8 basis points to 1.73 percent.
- The commercial bank weighted average lending rate rose 46 basis points to 11.02 percent in January. The small savings rate for commercial banks was unchanged at 1.26 percent.

Figure 8. Month Growth of Money & Quasi-Money (M2)



Source: Bank of Guyana

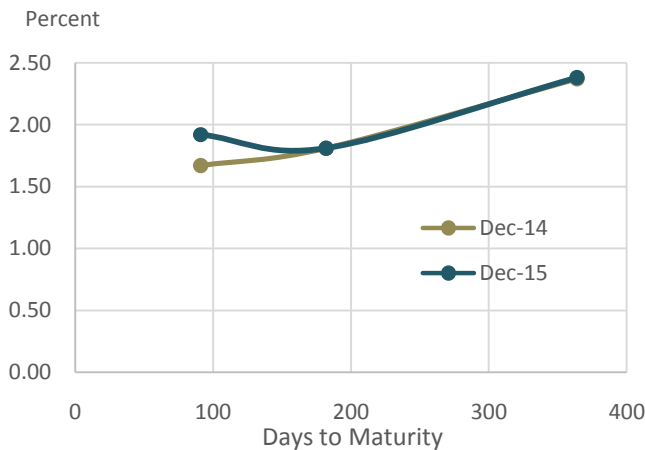
Table 1. Key Interest Rates

	Interest Rate
Bank Rate	5.00%
Treasury Bills	
91 Days	1.92%
182 Days	1.73%
364 Days	2.33%
Commercial Bank Lending Rate	11.02%
Commercial Bank Small Savings Rate	1.26%

Source: Bank of Guyana

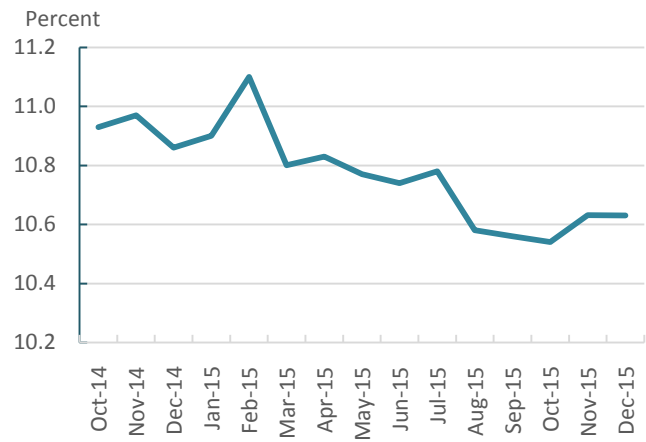


**Figure 9.1 Yield Curve for Guyana Treasury Bills**



Source: Bank of Guyana

**Figure 9.2 Commercial Bank Lending Rate**



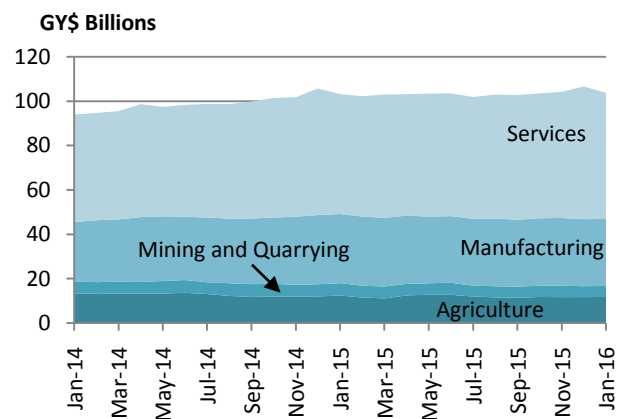
Source: Bank of Guyana

### Private Sector Credit

- Domestic loans fell to \$134.5 billion in January, down from \$137.6 billion in December, a 2.3 percent decrease. Compared to January 2015, credit grew 2.5 percent.
- Loans to private businesses in the services sector fell 4.9 percent in January. This reflects a seasonal pattern of increased lending to the sector in December, and a return to lower levels of lending in January. A similar temporary bump occurred in December 2014. Generally, lending to the services sector has been robust, increasing 5.3 percent since January 2015.
- While loans to private business in agriculture and mining increased modestly in January, lending to these sectors has been tepid over the past year. Within agriculture, lending to the sugar industry has fallen 20.3 percent since January 2014. Lending in the manufacturing sector fell compared to December, and to the year before. The 12-month decline is largely due to a 19.4 percent decrease in lending to private businesses engaged in rice milling.

- Lending to households fell 1.6 percent in January, but remained 12.1 percent above the level of lending in January 2015.
- Lending to the general government increased 9.0 percent to \$48.3 billion in January, representing more-than 2000 percent increase since last year.

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



Source: Bank of Guyana

Table 2. Loans by Sector, October 2015

	Loans in December, GY\$ Billions	1 Month % Change in Credit	12 Month % Change in Credit
<b>TOTAL CREDIT</b>	<b>134.5</b>	<b>-2.3%</b>	<b>2.5%</b>
Public Sector	2.05	102.3%	-18.5%
<i>General Government</i>	0.05	9.0%	2442.1%
<i>Public Business Enterprises</i>	2.00	2.2%	-20.4%
Financial Institutions	1.58	4.8%	13.0%
Private Business Enterprises	103.70	-2.7%	0.6%
<i>Agriculture</i>	11.75	0.5%	-5.2%
<i>Mining and Quarrying</i>	4.98	1.8%	-10.4%
<i>Manufacturing</i>	30.14	-0.3%	-3.4%
<i>Services</i>	56.83	-4.9%	5.3%
Households	27.2	-1.6%	12.1%

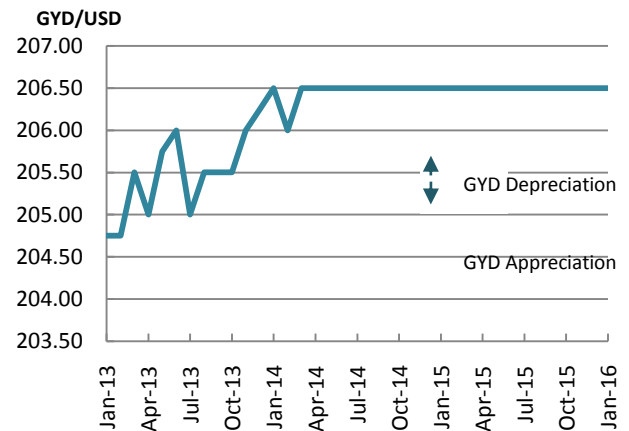
Source: Bank of Guyana

## 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 January.

Figure 11. Bank of Guyana Exchange Rate



Source: Bank of Guyana

## Official Reserves

- Foreign reserves held by the Bank of Guyana rose US\$ 24.6 million in January to US\$ 624.9 million, following a US\$ 9.86 million increase in December. Reserve levels were mostly stable in 2015.
- 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 Bank of Guyana

publishes official estimates of reserves in terms of import cover on a quarterly basis.

- An alternative measure of reserve adequacy is the ratio of reserves to M2. In January, official foreign reserves were equal to 39 percent of M2, well above the benchmark minimum of 20 percent. Guyana's reserves are well above this benchmark as well as the import benchmark.

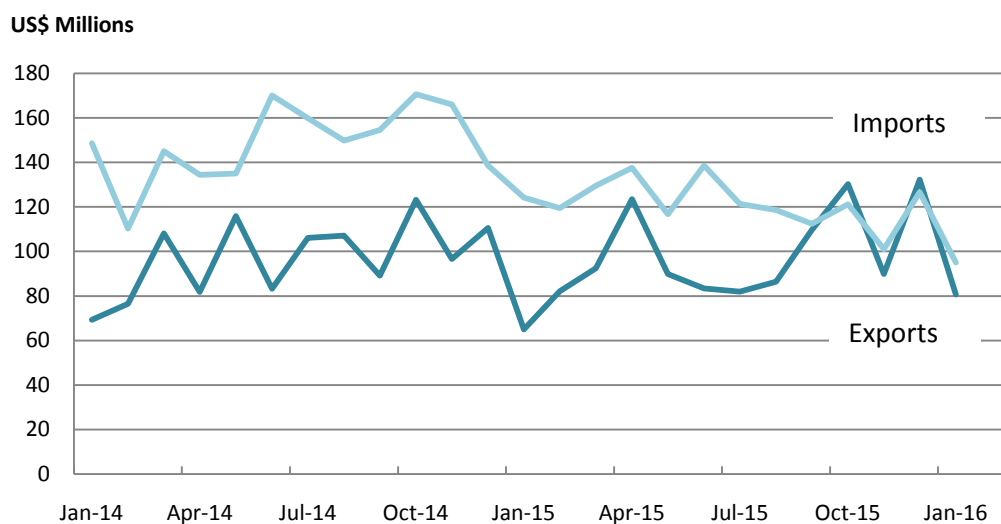
## Imports and Exports

- Guyana returned to a merchandise trade deficit of US\$15.37 million in January, following a trade surplus of US\$2.71 million in December. Exports fell by a larger margin than imports.
- Exports in January 2016 fell 39.0 percent compared with December 2015 to US\$80.66 million. However, it is common for exports to fall in January in Guyana; exports were low in January 2015 and January 2014. Compared to January 2015, exports are up 24.1 percent.
- Imports fell 25.1 percent in January, to US\$95.01 million. Compared to January 2015, imports are down 23.5 percent.
- Exports decreased in most major sectors, including sugar (-95.3 percent), rice (-25.0 percent), and gold (-43.7 percent). There were exceptions, including bauxite exports,

which increased 25.0 percent to US\$10.89 million. Exports of shrimp and prawns also grew, increasing by 60.4 percent to US\$4.36 million.

- Imports fell across a broad set of categories in January. Imports of consumption goods fell 34.2 percent, with lower imports in all sub-categories. Imports of intermediate goods fell by 29.6 percent. The only subcategory of intermediate good where imports increased was textiles and fabrics, which increased by 60.5 percent. Imports of fuel and lubricants, the largest subcategory of intermediate goods, fell 32.7 percent to US\$ 18.52 million. Imports of capital goods rose 3.4 percent in January, due to increased imports of agricultural and mining machinery.

Figure 12. Merchandise Trade



Source: Guyana Bureau of Statistics

## International Update

### International Commodity Prices

- Commodity prices mostly increased in February. The price of Brent crude oil rose 7.8 percent compared to January, from US\$30.80 per barrel to US\$33.20 per barrel. The price in January was the lowest monthly average price of Brent crude oil since December 2003. The monthly increase in oil prices did little to make up for the fall in prices over the last year. The price of Brent crude oil remains 42.7 percent below the price in February 2015.
- Aluminium prices rose 3.4 percent in February. The February price of aluminium, US\$1,531.26 per metric tonne, is 15.8 percent below the price a year ago.
- Gold prices rose 9.3 percent in February, following an increase of 2.8 percent in January. The average price of gold in February was US\$1,199.50 per troy ounce, just 2.2 percent below the price in February 2015.
- Of Guyana's major commodity exports, sugar was the one commodity whose global price fell in February. Sugar prices fell 5.5 percent, to an average of US\$0.29 per kilogram. The price of rice rose 4.1 percent in February, to US\$384.00 per metric tonne.
- Economists Rabah Arezki and Maurice Obstfeld recently published an analysis predicting that oil prices will remain low for years to come. While some of the factors that they believe will keep oil prices down also affect commodity prices in general, such as decreased demand in emerging markets, others are specific to the oil sector. In particular, new technologies for exploiting shale oil are likely to keep costs low. Because shale oil finds can be developed quickly, these technologies may also reduce volatility in oil prices, by allowing the oil industry to respond to gaps between supply and demand more quickly.

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

<b>Key Commodity Prices, February 2016</b>			
Commodity	Price in US\$	1 Month Price Change	12 Month Price Change
Crude Oil, Brent (per bbl)	\$33.20	7.8%	-42.7%
Gold (per troy oz)	\$1,199.50	9.3%	-2.2%
Aluminum (per mt)	\$1,531.26	3.4%	-15.8%
Sugar, world price (per kg)	\$0.29	-5.5%	-9.0%
Rice, Thai 5% (per mt)	\$384.00	4.1%	-8.6%
Logs, Cameroon (per cubic m)	\$388.43	2.2%	-2.3%

Source: World Bank Pink Sheet

### International Interest Rates

- One year U.S. Treasury Bill interest rates were volatile in February, while other key interest rates showed little movement. The secondary market interest rate on 1 year U.S. Treasury Bills rose 21 basis points to 0.67 percent on March 1<sup>st</sup>. The movement reflects a rebound from a dip in the interest rate in late January, rather than an upward trend. Meanwhile, the interest rate on 3 month U.S. Treasury Bills fell slightly, from 0.34 percent on February 1st to 0.33 percent on March 1.
- London Interbank Offer Rates (LIBOR) changed little in February. The three month LIBOR rose one basis point to 0.63 percent on March 1, while the 1 year LIBOR rose four basis points.
- In statements at the Economic Club of New York, Janet Yellen reiterated the U.S.

Federal Reserve Board's intention to raise interest rates slowly, in light of a risky global economic environment. The next Federal Reserve Board meeting is scheduled for April 26-27.

**Table 4. Key World Interest Rates**

	Interest Rate	As of:	1 Month Change
3 Month US Treasury	0.33%	March 1, 2016	-0.02%
1 Year US Treasury	0.67%	March 1, 2016	0.21%
3 Month LIBOR	0.63%	March 1, 2016	0.01%
1 Year LIBOR	1.18%	March 1, 2016	0.04%

Source: Federal Reserve Board and global-rates.com