

MONTHLY ECONOMIC BULLETIN

May 2016



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 April, 2016 for the Real, Fiscal, External and Monetary sectors. In the International section, the latest information as at May, 2016 is provided.

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Real Sector

Economic Growth

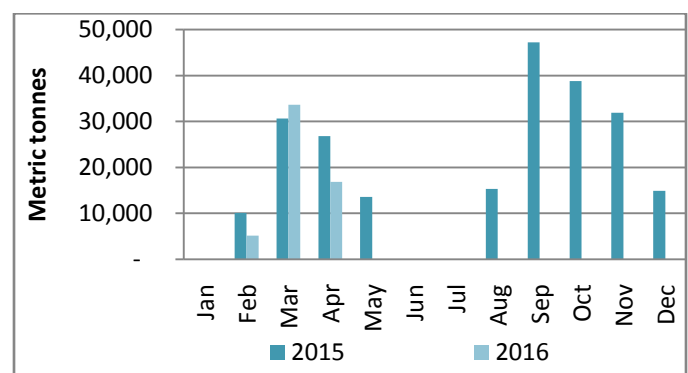
- The economy continues to perform creditably in 2016 with economic growth being spurred by growth in the mining and construction with spill off effects into the services sectors. As expected, the main driver of economic growth in the mining sector is gold, with production for small and medium size miners as well as Guyana Gold Fields and Troy Resources continuing to increase. The bauxite industry has surpassed expectations in 2016, changing the outlook for this industry from zero growth towards a positive growth rate. Significant multiplier effects are expected from growth in the construction industry.

Agriculture

Sugar

- Sugar production for April, 2016 was recorded at 16,873 tonnes compared to 26,826 tonnes during April, 2015. Production for January to April, 2016 totalled 55,687 tonnes compared to 67,555 tonnes achieved during the same period in 2015, representing a reduction of 17.6 percent.
- The fall in production for the first crop resulted principally from the El Nino Phenomenon which reduced the sucrose content of the sugar cane. In spite of this setback, GuySuCo is still projecting to meet its overall target for 2016 of 242,287 tonnes.

Figure 1. Sugar Production, 2015-2016



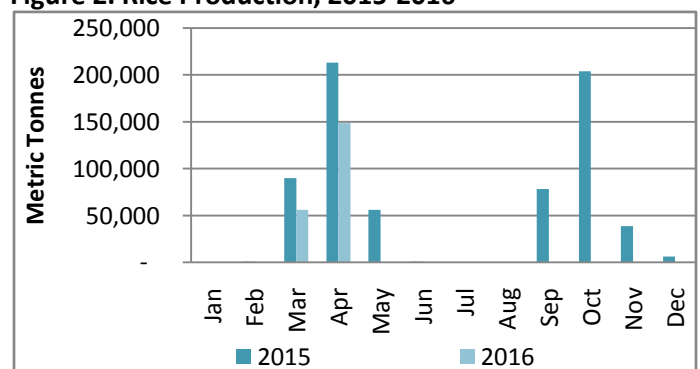
Source: Bureau of Statistics

Rice

- Rice production for April, 2016 reached 148,615 tonnes, a decline of 30.2 percent compared to production achieved in April, 2015. This brings rice production from January to April, 2016 to 205,208 tonnes compared to 303,314 tonnes produced during the same period in 2015. The fall in production for the first crop in 2016 was attributed to the El Nino phenomenon combined with continued uncertainty about new markets. The large shortfall in the first crop is expected to be recouped in the second crop in order to reach the

production target for 2016 of 630,028 tonnes.

Figure 2. Rice Production, 2015-2016

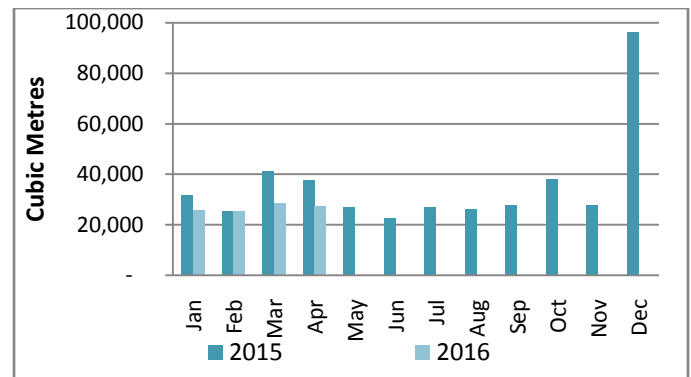


Source: Bureau of Statistics

Forestry

- Forestry production for April, 2016 amounted to 27,253.4m³ compared to 37,548m³ in April, 2015. Lower production levels in 2016 continue to result from restrictions on the export of timber as the government aims to promote more value added products within the sector. Total production from January to April, 2016 currently stands at 106,639.3m³ compared to 135,935.2m³ produced during the same period in 2015.

Figure 3. Forestry Production, 2015-2016



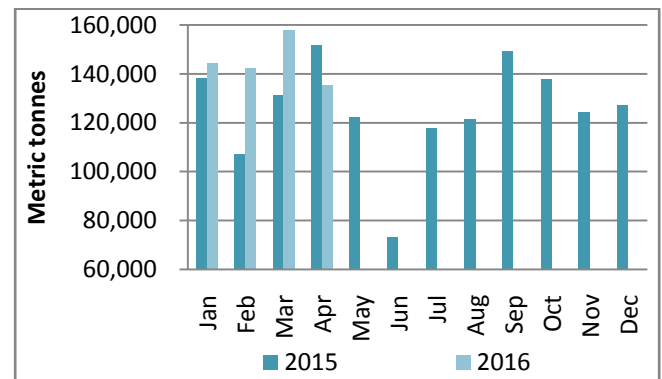
Source: Bureau of Statistics

Mining and Quarrying

Bauxite

- Bauxite production for April, 2016 was 135,431 tonnes compared to 151,838 in April, 2015. This brings Bauxite production from January to April, 2016 to 580,366 tonnes compared to 529,100 tonnes during the same period in 2015. Increase production for 2016 is mainly attributed to increased efficiency and productivity within the industry despite low prices.

Figure 4. Bauxite Production, 2015-2016

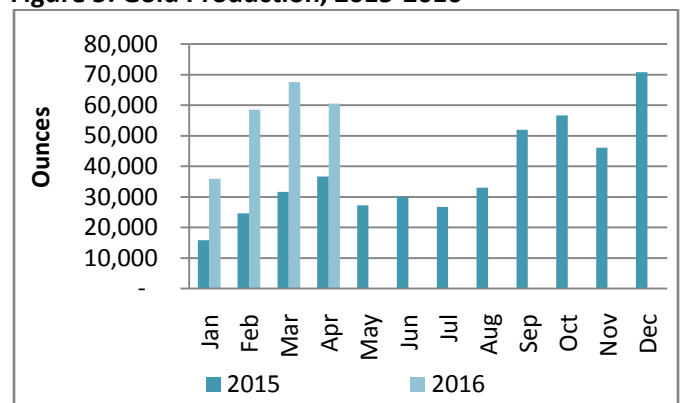


Source: Bureau of Statistics

Gold

- Gold production for April, 2016 totalled 60,558.8 ounces compared to 36,629.1 ounces achieved in April, 2015. This brings gold production to 222,500 ounces for 2016, representing an increase of 104.8 percent over the production achieved during the same period in 2015. The primary reason for the increase is increased production by small and medium size miners as well as the two expatriate companies.

Figure 5. Gold Production, 2015-2016

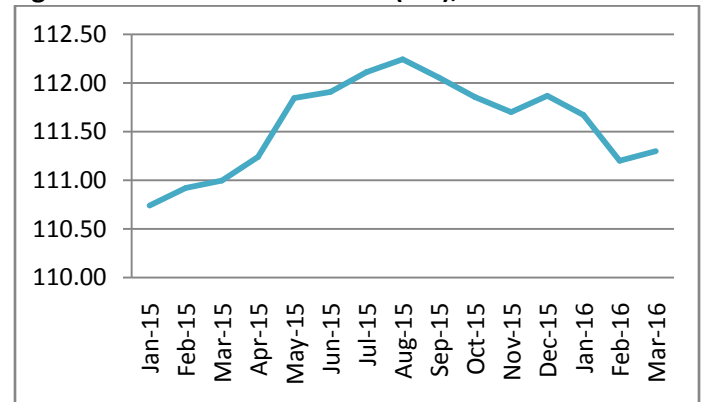


Source: Bureau of Statistics

Inflation

Prices increased marginally by 0.09 percent in March, 2016 compared to prices in February, 2016. This resulted in the CPI increasing to 111.3 in March 2016, from 111.2 in February 2016. This marginal increase in price was primarily driven by growth in food as well as transport and communication prices while the prices of other items remained stable or declined marginally compared to their levels in February, 2016.

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



Source: Bureau of Statistic

Fiscal Sector

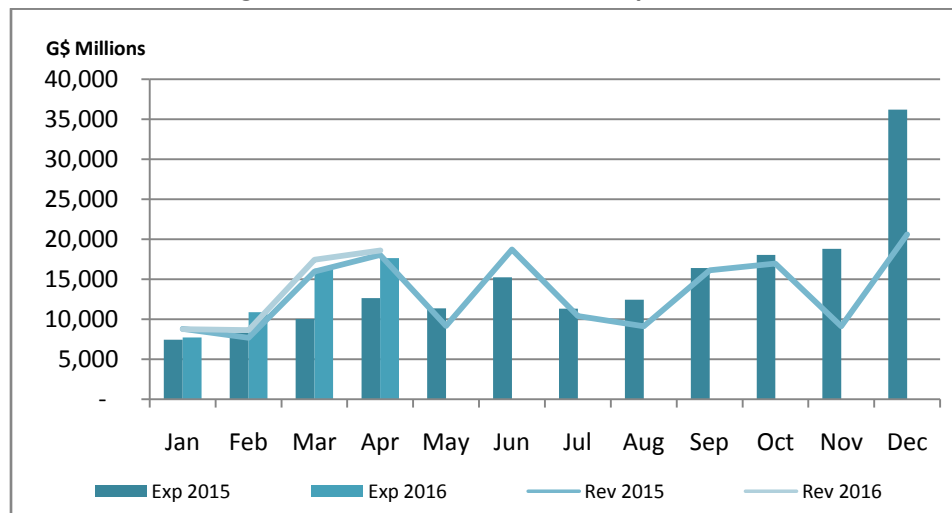
Revenues

- Central Government current revenues totalled \$53.4 billion at the end of April, 2016, an increase of 5.9 percent or \$3 billion compared to revenue collections during January to April, 2015. This growth was mainly driven by increased non-tax revenues as well as tax revenues. The latter increased as a result of a payment of \$100 million by DDL, increasing spending during Jubilee activities and efficiency measures implemented by the Government including tightening up at ports, new focus on the regions and a clampdown on illegal activities.
- Tax revenues increased significantly in April, 2016 compared to April, 2015 which resulted in these revenues increasing by 4.6 percent or \$2.1 billion comparing January to April, 2016 to the same period in 2015. Noteworthy growth occurred for company, withholding, personal, excise and international trade taxes which increased by 11.9, 18, 8.6, 5.3 and 11.1 percent respectively.
- However, VAT revenues continued to decline in April, 2016 compared to the levels achieved in 2015. From January to April, 2016 these revenues showed a decline of 6.3 percent compared to the levels achieved during the same period in 2015. This continues to result from an increase in zero rated items added to the basket during 2015 combined with a rise in VAT refunds for 2016.
- The growth in non-tax revenues of \$4.2 billion resulted from growth in the collection of rent and royalties mainly driven by increased gold production and declarations.

Expenditure

- Central Government expenditure reached \$52.6 billion at the end of April, 2016 compared to \$38.5 billion expended from January to April in 2015.
- Non-interest expenditure reached \$46.1 billion at the end of April, 2016, an increase of 41.8 percent over the amount spent during the same period in 2015. This increase was mainly due to a rise in transfer payments of 138 percent. 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 increased by 3.4 percent due to the increase in wages and salaries given to public servants in 2015. However, there was a fall in other goods and services by 4.6 percent mainly due to a decline in materials and supplies.
- Capital expenditure rose by 11.7 percent reaching \$4.3 billion at the end of April, 2016, compared to \$3.9 billion expended during January to April, 2015. This growth in capital expenditure was mainly attributed to the rollover of several projects from 2015. Despite, the growth in capital expenditure, the pace of implementation continue to be of concern. Project Managers and Permanent Secretaries will be pushed to correct this during the ensuing months.

Figure 7. Current Revenues and Expenditure



Source: Guyana revenue Authority and Ministry of Finance

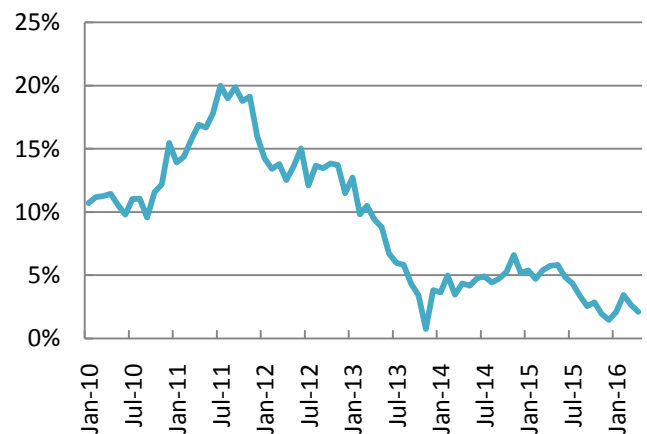
Monetary and Financial Sectors

Money Supply

- Money and quasi-money (M2) continued to grow slowly in April. M2, which includes currency, demand deposits, cashier’s checks and bank acceptances, and time and savings deposits, increased by 2.1 percent over the 12 month ending in April. 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 6.7 percent over the 12 months ending in April, while demand deposits, cashier’s checks and bank acceptances grew by 0.7 percent. Time and savings deposits, which make up a little over 60 percent of money and quasi-money, grew by 1.0 percent over the same period.
- Guyana’s money liquidity ratio, or the ratio of currency to M2, has been trending upward in recent years, as currency in circulation has grown 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 more options and availability in banking and financial services.

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



Source: Bank of Guyana

Domestic Interest Rates

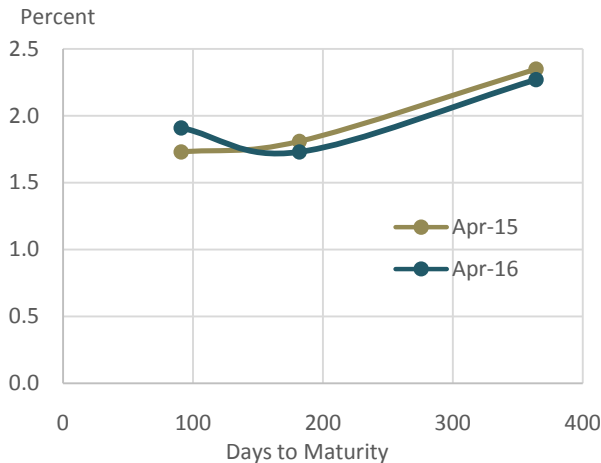
- Interest rate movements were mixed in April. The interest rates on 91-day and 182-day Treasury Bills were unchanged compared with a month ago. The interest rate on 364-day Treasury Bills rose 3.6 basis points.
- The commercial bank weighted average lending rate fell 3.8 basis points, while the small 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	1.91%
182 Days	1.73%
364 Days	2.27%
Commercial Bank Lending Rate	10.47%
Commercial Bank Small Savings Rate	1.26%

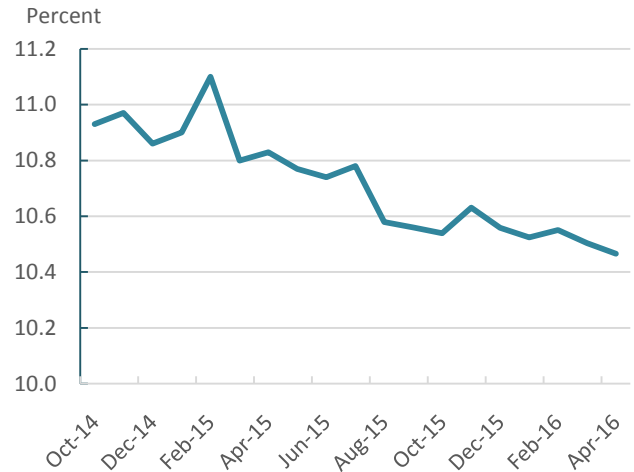
Source: Bank of Guyana

Figure 9.1 Yield Curve for Guyana Treasury Bills



Source: Bank of Guyana

Figure 9.2 Commercial Bank Lending Rate



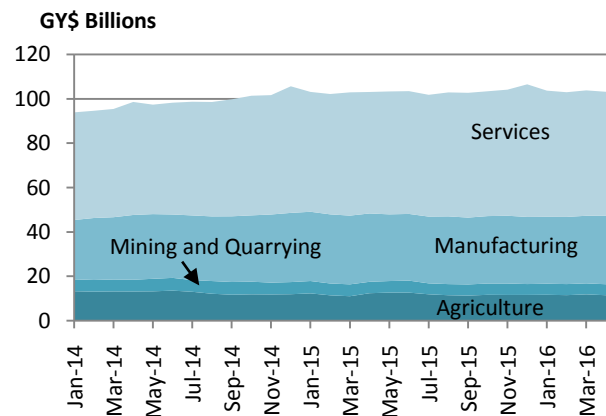
Source: Bank of Guyana

Private Sector Credit

- Domestic lending fell slightly in April, declining by 0.3 percent from \$133.5 billion in March to \$133.2 billion in April. Compared with April 2015, credit grew 1.8 percent compared with credit 8.6 percent in 2014, and 13.2 percent in 2013.
- Private credit fell in the categories of lending to public and private business enterprises in April. Lending to private business enterprises, which accounts for about three-quarters of all lending, was slightly above where it was in April 2015. Lending to private business in the agricultural sector has been down 3.7 percent compared with April last year.
- Lending to the general government, which accounts for a very small share of total private credit, rose to \$42.3 million in April, up from \$1.2 million in March.
- After falling sharply in recent months, lending to financial institutions rebounded somewhat in April.

- Lending to households rose by 1.6 percent in April, and is 16.3 percent higher than April 2015. Lending to households has grown consistently over the past year, due to strong growth in loans for housing, travel, and durable goods other than cars.

Figure 10. Private Credit to Private Business, by Sector



Source: Bank of Guyana

Table 2. Loans by Sector, October 2015

	Loans in March, \$ Billions	1 Month % Change in Credit	12 Month % Change in Credit
TOTAL CREDIT	133.17	-0.3%	1.8%
Public Sector	1.55	-18.8%	-42.2%
<i>General Government</i>	0.04	3430.8%	-78.3%
<i>Public Business Enterprises</i>	1.51	-21.0%	-39.4%
Financial Institutions	0.97	19.9%	-30.1%
Private Business Enterprises	103.17	-0.6%	0.1%
<i>Agriculture</i>	11.55	-3.2%	-7.3%
<i>Mining and Quarrying</i>	4.95	0.0%	-3.7%
<i>Manufacturing</i>	30.92	1.6%	0.4%
<i>Services</i>	55.75	-1.3%	1.9%
Households	27.47	1.6%	16.3%

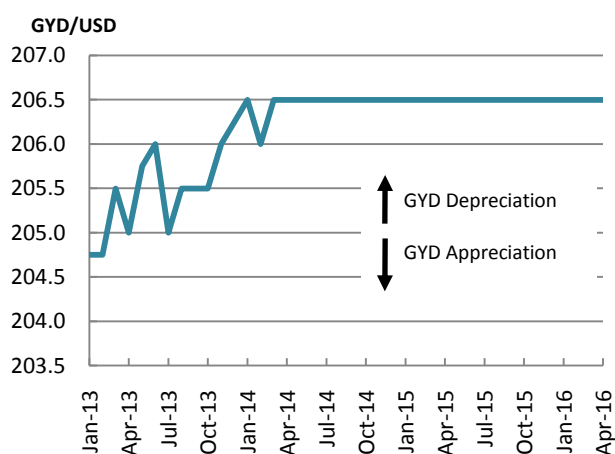
Source: Bank of Guyana

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 April.

Figure 11. Bank of Guyana Exchange Rate



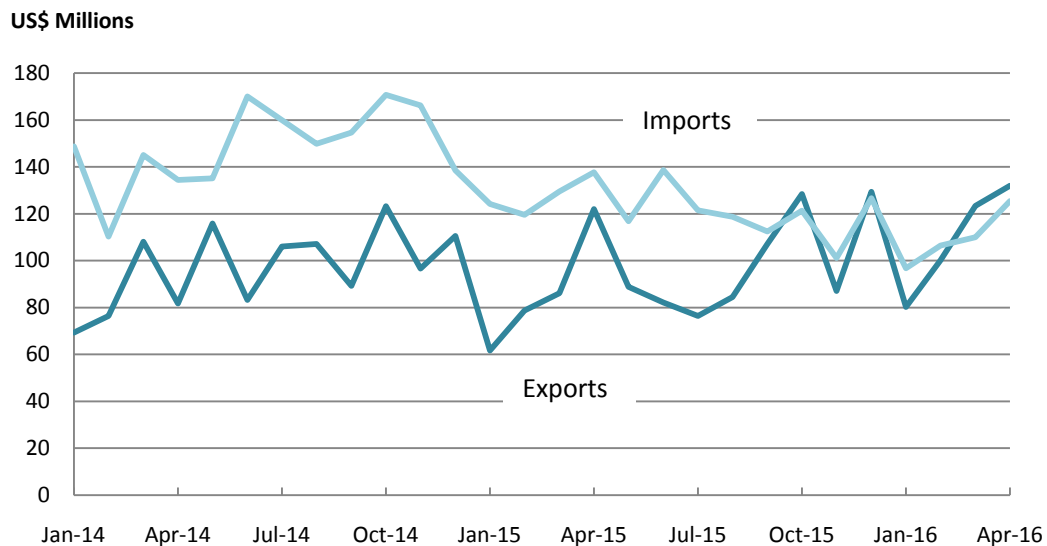
Source: Bank of Guyana

- Foreign reserves held by the Bank of Guyana fell by US\$14.4 million in April to US\$604.6 million. Reserve levels have been mostly stable since early 2015.
- 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 37 percent in April, well above the benchmark minimum of 20 percent.

Imports and Exports

- Guyana ran a merchandise trade surplus of US\$6.55 million in April, following surplus of US\$13.30 in March.
- Exports in April rose by US\$8.60 million to US\$131.90 million, representing a 7.0 percent increase compared to March. April 2016 exports were 8.2 percent higher than April 2015 exports.
- Imports rose US\$15.35 million to US\$1125.35 million in April, a monthly increase of 14.0 percent. April 2016 imports were down 8.9 percent compared with April 2015.
- Exports of shrimp and prawns in April were especially strong. Total exports were valued at US\$7.19 million, up 143.6 percent compared to March, and 6.0 percent more than April 2015.
- Gold exports remained strong, although they fell slightly in April, declining from US\$80.72 million in March to US\$77.89 million. Gold exports increased by 74.9 percent compared with April 2015.
- Imports rose markedly in April, driven by large increases in imports of consumer goods and fuel and lubricants. Imports of consumer goods rose by 26.9 percent compared with March, although they remain 17.2 percent below levels in April 2015. Imports of fuel and lubricants rose by 40.5 percent compared with March but were 13.8 percent below their level in April 2015.

Figure 13. Merchandise Trade



Source: Guyana Bureau of Statistics

International Commodity Prices

- Global commodity prices continued to stabilize in April, with prices for Guyana’s key commodities either increasing or falling only slightly. Prices for gold, sugar, and timber are now higher than they were a year ago.
- World prices for oil continued to increase in April. The price of Brent crude oil rose 8.1 percent in April, following a 17.7 percent increase in March. Oil prices remain historically low, however. The January price, US\$ 30.80, was the lowest monthly average price of Brent crude oil since December 2003. The price of Brent crude oil remains 28.9 percent below the price in April 2015.
- The increase in the price of oil over the past couple of months has coincided with supply disruptions in Nigeria and Iraq, and a decline in U.S. shale oil production. In light of these developments, the oil glut is likely to recede in coming months. A proposed production freeze by OPEC and some major non-OPEC producers, which could have pushed oil prices further, failed to pass at a meeting in mid-April.
- After rising in March, sugar prices fell slightly in April, but remain 16.4 percent higher than they were a year ago. The price of gold also fell by a marginal 0.2 percent, but like sugar, remains above its level in April 2015.

Table 3. International Commodity Prices, December

Key Commodity Prices, April 2016			
Commodity	Price in US\$	1 Month Price Change	12 Month Price Change
Crude Oil, Brent (per bbl)	\$42.25	8.1%	-28.9%
Gold (per troy oz)	\$1,242.26	-0.2%	3.6%
Aluminum (per mt)	\$1,571.23	2.6%	-13.6%
Sugar, world price (per kg)	\$0.34	-1.4%	16.4%
Rice, Thai 5% (per mt)	\$395.00	2.9%	-1.0%
Logs, Cameroon (per cubic m)	\$396.73	2.0%	5.0%

Source: World Bank Pink Sheet

International Economic News

Global Growth

- Estimates of GDP growth in the United States for the first quarter of 2016 were revised up to 0.8 percent, from an initially-reported 0.5 percent. The growth rate is still lower than it was for the last three quarters.
- Economic growth also slowed in the United Kingdom in the first quarter of 2016. There, GDP grew 0.4 percent, down from 0.6 percent in the fourth quarter of 2015.
- On June 23rd, the United Kingdom will vote on whether to exit the European Union. At their meeting in Japan, the G7 countries, comprising the United States, the United Kingdom, Canada, Germany, France, Italy, and Japan, issued a statement warning that a vote for the United Kingdom to leave the European Union would pose “a serious threat to global growth” by reversing the trend of increased global trade and investment.
- Venezuela remains mired in economic crisis. Low oil prices have resulted in a sharp drop in foreign exchange earnings, and the country has been unable to sustain its imports. This has led to widespread food shortages, and there have been reports of frequent looting.

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
LAC	-0.1	-0.5	-0.2

Source: IMF

Global Markets

- Major world stock market indexes mostly fell over the month ending mid-May. The exception was Japan’s Nikkei 225, which rose 2.4 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 34 percent lower as of mid-May compared with a year ago.
- Prices for developing country sovereign bonds have risen over the past three months. Higher bond prices are equivalent to lower interest rates. Low, and in some cases negative, 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’ economic performance.

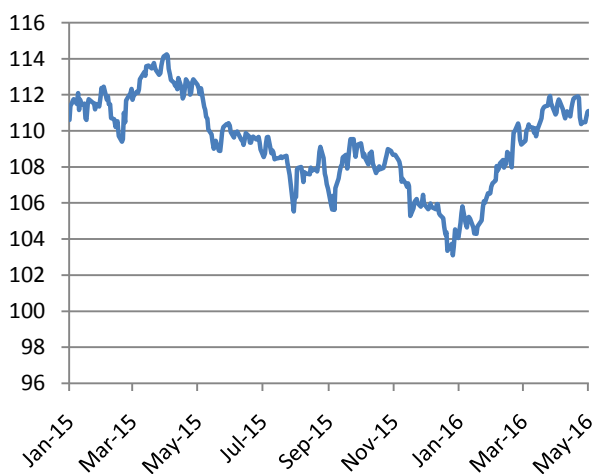
- Volatility in global stock markets has declined since the beginning of the year. The CBOE Volatility Index, or VIX, was at 13.4 on May 26, 2016, down from 27.0 at the beginning of January.

Table 5. Global Markets Summary, May 1, 2016

As of:		May 16, 2016		
		Level	1 Month Change	12 Month Change
S&P 500	United States	2047	-2.28%	-3.88%
FTSE	United Kingdom	6139	-3.38%	-11.92%
DAX	Germany	9953	-1.65%	-14.16%
SSE	China	2827	-6.81%	-34.00%
Nikkei	Japan	16666	2.40%	-16.21%

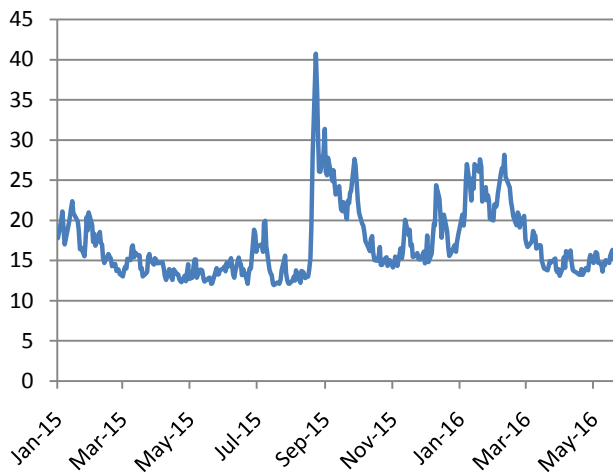
Source: Yahoo Finance

Figure 2. JP Morgan Emerging Market Bond Index



Source: Yahoo Finance

Figure 3. VIX Volatility Index



Source: Yahoo Finance

International Interest Rates

- The interest rate on U.S. Treasuries fell slightly over the month ended in mid-May. The secondary market interest rate on 1 year U.S. Treasury Bills rose 3 basis points to 0.54 percent as of May 16, while the interest rate on 3 month U.S. Treasury Bills rose 6 basis points to 0.28 percent.
- London Interbank Offer Rates (LIBOR) changed little over the month ended on May 16.
- The Federal Reserve Board of Governors decided to leave interest rates unchanged at its April 26-27 meeting. Although it noted that labour markets have been strengthening, the Federal Reserve Board cited inflation below its 2 percent long-run target as a reason for keeping interest rates low. The Federal Reserve Board will next meet June 14-15, at which point it will also release a summary of its projections for the U.S. economy.
- Global monetary policy remains accommodative. On April 21, the European Central Bank announced it was leaving interest rates unchanged, after lowering them in March. At its May 12 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	0.28%	May 16, 2016	0.06%
1 Year US Treasury	0.54%	May 16, 2016	0.03%
3 Month LIBOR	0.63%	May 16, 2016	-0.01%
1 Year LIBOR	1.23%	May 16, 2016	0.01%

Source: Federal Reserve Board and global-rates.com