

MONTHLY ECONOMIC BULLETIN

November, 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 October, 2016.

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Real Sector

Economic Growth

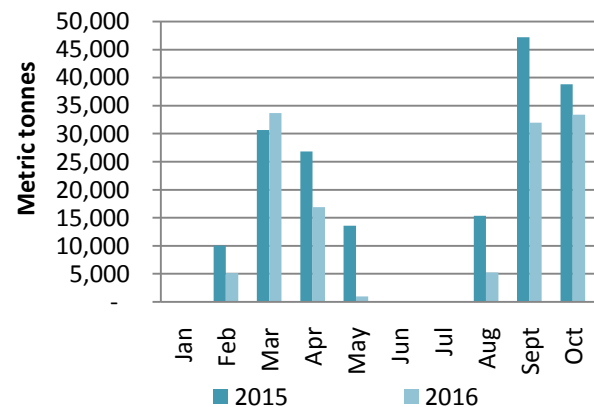
- Economic growth up to October, of this year, continues to be underpinned by gold production and rising prices for Guyana's commodity exports. Low production in the agricultural sector, particularly in sugar and rice, continues to be a drag on the economy. Forestry production also remains well below its levels a year ago; credit to this sector has also been very weak, consistent with stagnation in this industry. Data on exports suggest that some smaller sectors, including bottled alcoholic beverages, may be showing better performance. These trends underscore the importance of developing industries beyond Guyana's traditional commodity exports.

Agriculture

Sugar

- In October, 2016, 33,399 tonnes of sugar was produced, bringing the year to date total to 127,222 tonnes compared to 182,486 tonnes produced from January to October, 2015, a decrease of 30.3 percent. The significant reduction in sugar production for 2016 is attributed to the El Niño phenomenon, earlier in the year, combined with late planting for the second crop.

Figure 1. Sugar Production, 2015-2016

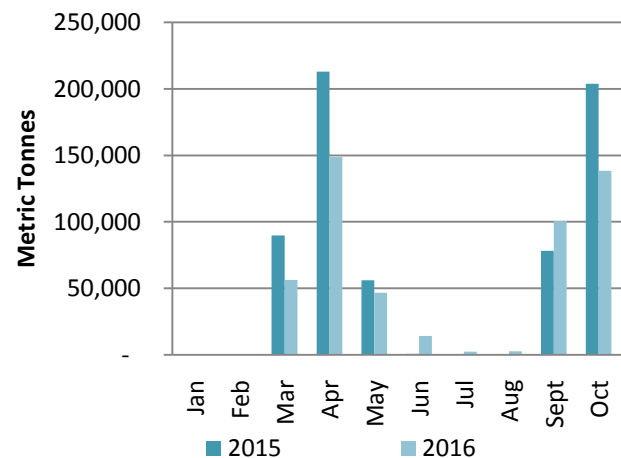


Source: Bureau of Statistics

Rice

- Rice production for October, 2016 reached 138,201 tonnes, down from 203,751 tonnes in October, 2015.
- This brings rice production from January to October, 2016 to 509,287 tonnes compared to 642,763 tonnes produced during the same period in 2015. The first crop in 2016 was negatively affected by the El Niño phenomenon. Low production in the second crop is due to lower-than-expected sowing. From May to July 2016, the total area sown for rice crops was 10,000 hectares below budget.

Figure 2. Rice Production, 2015-2016

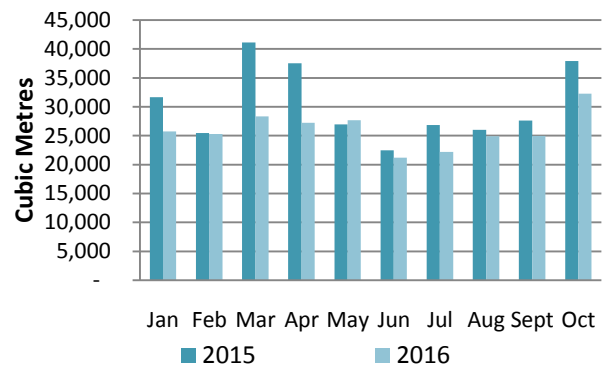


Source: Bureau of Statistics

Forestry

- Forestry production for October 2016 amounted to 32,272 cubic metres compared with 37,940 cubic metres in October, 2015. Total production from January to October, 2016 currently stands at 261,112 metres compared to 303,583 cubic metres produced during the same period in 2015. Low production levels for 2016 continue to result from the Government reorganising the sector in pursuit of better forestry management and greater value added.

Figure 3. Forestry Production, 2015-2016



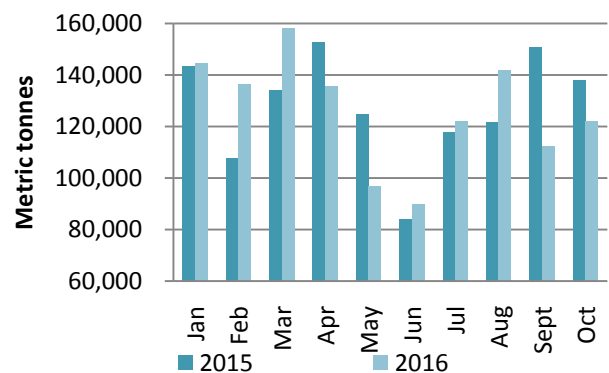
Source: Bureau of Statistics

Mining and Quarrying

Bauxite

- Bauxite production for October, 2016 was 121,805 tonnes, compared with 137,594 tonnes in October, 2015. This brings bauxite production from January to October, 2016 to 1,258,643 tonnes compared to 1,274,903 tonnes produced during the same period in 2015. Production lagged during the second and third quarters as a result of faulty equipment at one of the companies, but this issue has been resolved and production over the next two months is expected to increase notably.

Figure 4. Bauxite Production, 2015-2016

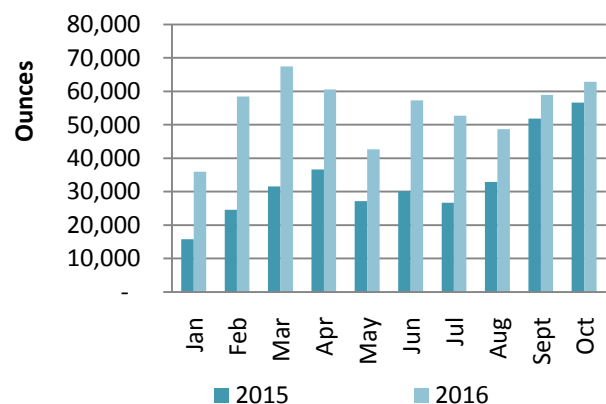


Source: Bureau of Statistics

Gold

- Gold production for October, 2016 totalled 62,867 ounces compared to 56,617 ounces achieved in October, 2015. This brings gold production to 545,741 ounces so far for 2016, representing an increase of 63.3 percent over the production achieved during the same period in 2015. The strong performance this year continues to be underpinned by increased production by the small and medium sized miners, and the two expatriate companies.

Figure 5. Gold Production, 2015-2016

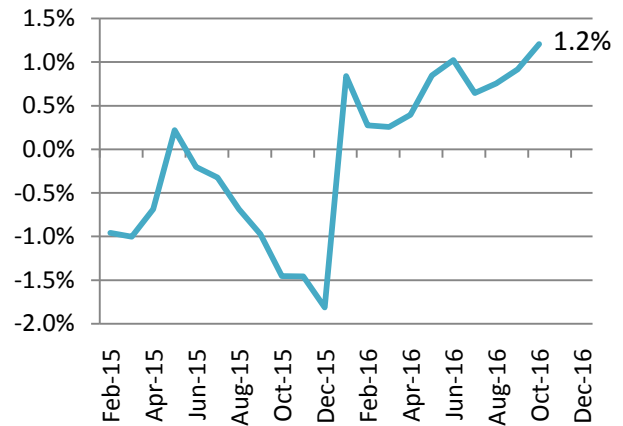


Source: Bureau of Statistics

Inflation

- The Urban Consumer Price Index for Georgetown increased by 1.2 percent between October 2015 and October 2016. The inflation rate remains below the target rate of 2 percent for 2016.
- The major driver behind the inflation rate has been food prices, which increased 4.0 percent over the 12 months ended in October. Food prices spiked in May 2016 and have remained elevated. The increase has been especially pronounced for vegetable prices, which are 22.9 percent above their level in October last year.

Figure 6. CPI Inflation, 2015-2016



Fiscal Sector

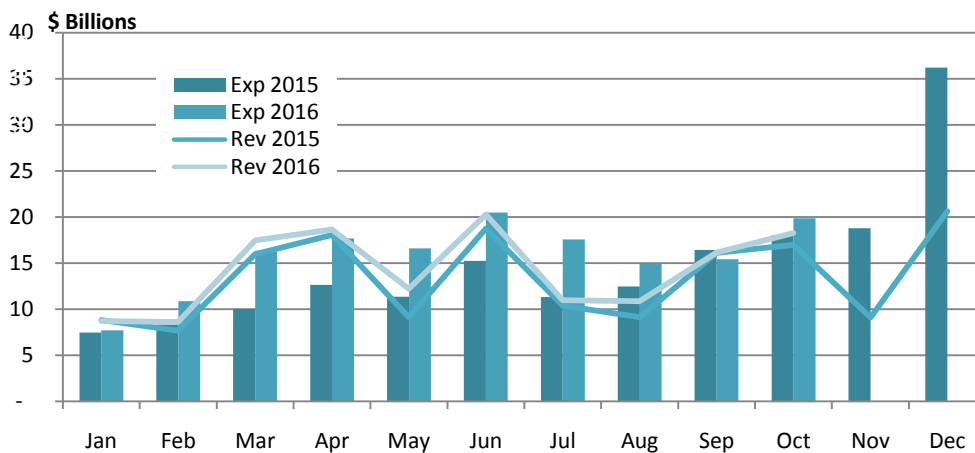
Revenues

- Central Government current revenues totalled \$142.1 billion at the end of October, 2016, an increase of 8.5 percent or \$11.2 billion compared to revenue collections during January to October, 2015. This growth continues to be driven by increases in both non-tax and tax revenues.
- Tax revenue collections amounted to \$120.4 billion through October, 2016, compared with \$115.1 billion for the same period in 2015, an increase of 4.6 percent. Noteworthy growth continued for company, withholding and international trade taxes which grew by 15.1 percent, 24.7 percent and 16.9 percent, respectively. Among the factors that contributed to this improvement 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 \$29.5 billion through October, 2016, a decrease of 1.2 percent over the same period in 2015. Despite general improvements during the third quarter of 2016, VAT revenues showed a general decline, in 2016, due to reduced VAT collections for imports.
- Excise tax collections continued to decline, falling by 11.3 percent compared with 2015, reaching \$23.3 billion for January to October, 2016 compared to \$26.3 billion achieved during the same period in 2015. Much of the decline continues to be as a result of a large drop in the collection of excise tax on petroleum products.
- Non-tax revenues increased by \$3.5 billion from January to October, 2016 compared to the same period in 2015. This increase continued to be driven by collections of rents and royalties, as a result of higher gold production and declarations.

Expenditure

- Central Government expenditure reached \$157.5 billion at the end of October, 2016 compared to \$123.3 billion expended from January to October in 2015, mainly driven by an increase in non-interest and capital expenditure.
- Non-interest current expenditure reached \$125.6 billion at the end of October, 2016, an increase of 20.7 percent over the amount spent during the same period in 2015. This increase continues to be driven by higher 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. Personal emoluments increased by 11.8 percent while spending on other goods and services increased by 11.9 percent comparing January to October, 2016 to the same period in 2015.
- Capital expenditure rose by 86.8 percent, reaching \$26.3 billion at the end of October, 2016, compared to \$14.1 billion expended during January to October, 2015. Despite this large increase, capital spending continues to remain below its budgeted target due to the slow pace of implementation of the Public Sector Investment Programme.

Figure 7. Current Revenues¹ and Expenditure



Source: Guyana Revenue Authority and Ministry of Finance

¹ Current Revenues does not include Government Grants

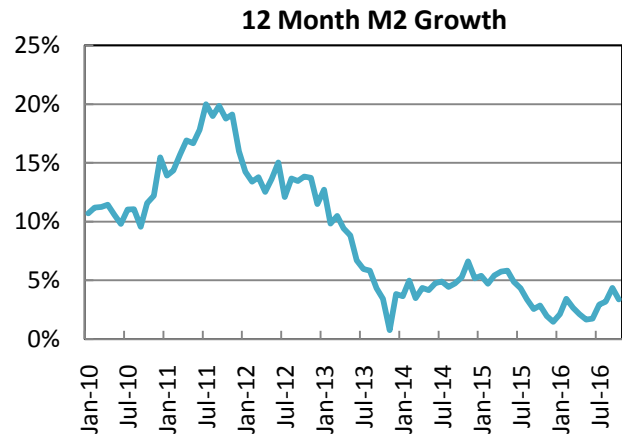
Monetary and Financial Sectors

Money Supply

- The supply of money and quasi-money (M2) continued to grow moderately in October. M2, which includes currency, demand deposits, cashier's checks and bank acceptances, and time and savings deposits, increased by 3.4 percent over the 12 months ending in October, down from a growth rate of 4.4 percent over the 12 months ending in September. The money growth rate remains consistent with low inflationary pressure.
- M2 growth was largely driven by fast growth of currency in circulation. Currency in circulation increased by 11.4 percent over the 12 months ending in October, while demand deposits, cashier's checks and bank acceptances increased by 5.5 percent. Time and savings deposits, which make up a little over 60 percent of money and quasi-money, increased by only 0.2 percent over the same period.

- Guyana's money liquidity ratio, or the ratio of currency to M2, was roughly unchanged in October, at 39.6 percent.

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



Source: Bank of Guyana

Domestic Interest Rates

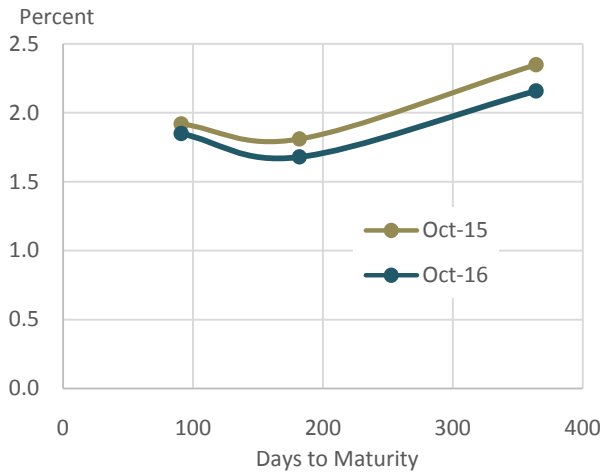
- Interest rate movements were mixed in October. The interest rate on 91-day and 182-day Treasury Bills remained roughly unchanged at 1.85 percent and 1.68 percent, respectively. The interest rate on 364-day bills fell one basis point from 2.17 percent in September.
- The commercial bank weighted average lending rate rose from 10.40 percent in September to 10.43 percent in October, while the small savings rate remained at 1.26 percent.

Table 1. Key Interest Rates

	Current Interest Rate
Bank Rate	5.00%
Treasury Bills	
91 Days	1.85%
182 Days	1.68%
364 Days	2.16%
Commercial Bank Lending Rate	10.43%
Commercial Bank Small Savings Rate	1.26%

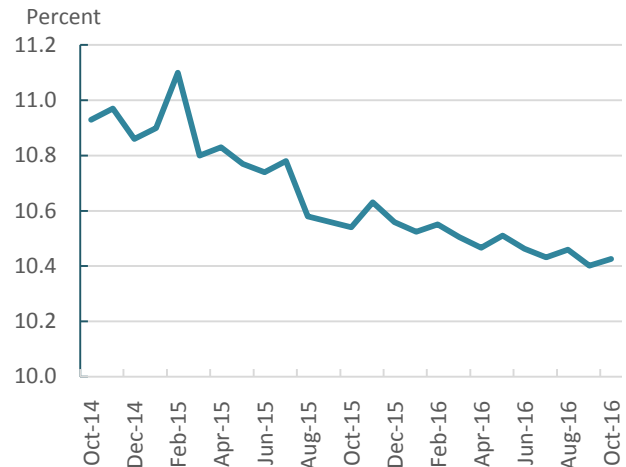
Source: Bank of Guyana

Figure 9.1 Yield Curve for Guyana Treasury Bills



Source: Bank of Guyana

Figure 9.2 Commercial Bank Lending Rate



Source: Bank of Guyana

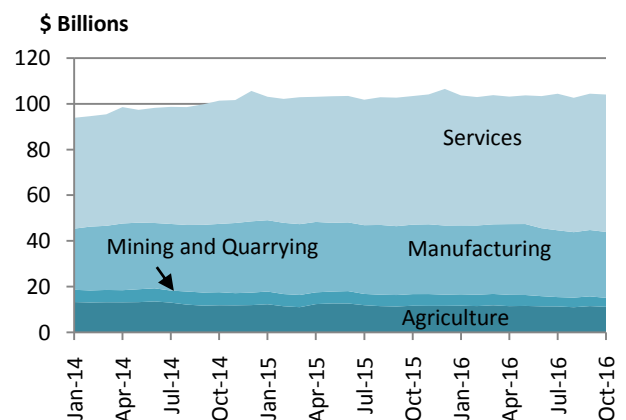
Private Sector Credit

- Domestic private sector lending, excluding real estate mortgages, shrank slightly in October, falling by 0.4 percent to \$134.9 billion in September 2016 from \$135.5 billion in September 2015. Compared with October 2015, credit grew by 1.6 percent. This is in line with the relatively modest annual rate of credit growth that has been observed since early 2015.
- Credit to the general government increased to \$161.8 million in October from \$158.9 million in September. Credit to public enterprises was roughly unchanged at \$1.9 billion.
- Lending to private business enterprises, which accounts for about three-quarters of all lending, fell by 0.4 percent in October. Lending in this category has grown only 0.6 percent since October 2015. Compared with a year ago, lending to private businesses is down in every sector except the services sector.
- Within the manufacturing sector, lending to the timber and sawmilling industry has been a point of weakness. Credit to this

industry has fallen 27.8 percent compared with October 2015.

- Lending to households fell 0.8 percent compared with October, but remained 9.6 percent higher than October 2015. Lending to households for educational purposes remained especially strong. Compared with a year ago, lending to households is up in every category except loans for motor cars, which have declined by 4.2 percent.

Figure 10. Private Credit to Private Business, by Sector



Source: Bank of Guyana

Table 2. Loans by Sector, October 2016

	Loans in October, \$ Billions	1 Month % Change in Credit	12 Month % Change in Credit
TOTAL CREDIT	134.93	-0.4%	1.6%
Public Sector	2.07	-0.1%	-8.7%
<i>General Government</i>	0.16	1.8%	502.1%
<i>Public Business Enterprises</i>	1.90	-0.2%	-14.8%
Financial Institutions	1.02	2.0%	-42.4%
Private Business Enterprises	104.09	-0.4%	0.6%
<i>Agriculture</i>	11.26	-2.7%	-4.0%
<i>Mining and Quarrying</i>	3.92	-8.0%	-22.8%
<i>Manufacturing</i>	28.82	-0.6%	-5.1%
<i>Services</i>	60.08	0.8%	6.9%
Households	27.76	-0.8%	9.6%

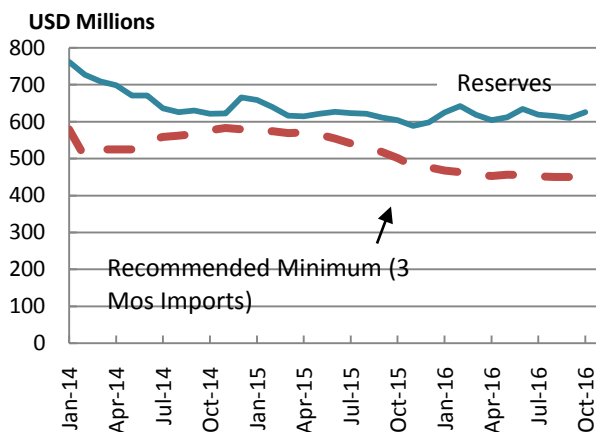
Source: Bank of Guyana

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 October.
- Foreign reserves held by the Bank of Guyana increased by US\$15.4 million in October to US\$625.8 million. Reserve levels have been mostly stable since early 2015. For most of 2016, foreign exchange market interventions by the Bank of Guyana have been minimal.

Figure 11. Bank of Guyana Foreign Reserves



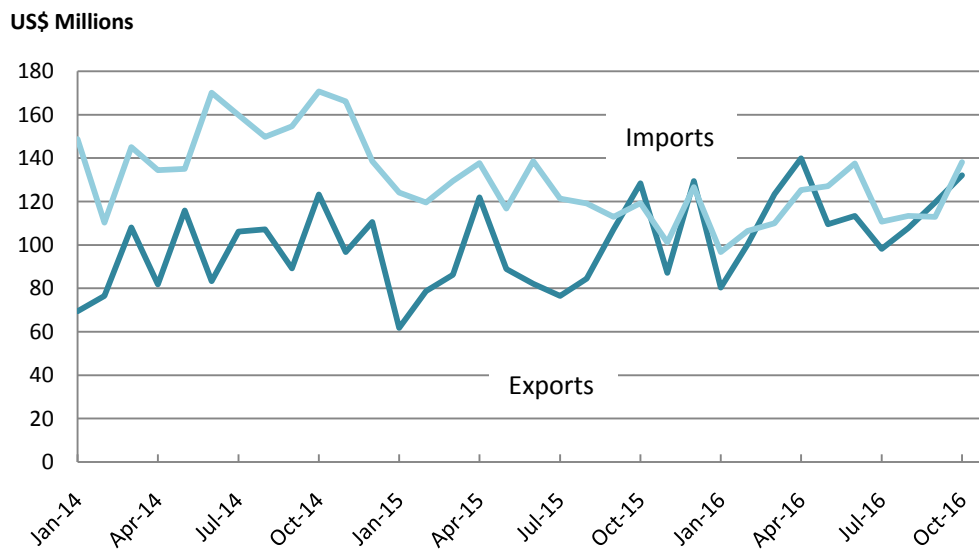
Source: Bank of Guyana

- The Bank of Guyana's foreign reserves are currently equal to over 4 months of imports, above the 3 month minimum generally considered to be a benchmark for reserve adequacy. Because imports have trended downward over the past year, the dollar value of reserves needed to meet this recommended minimum has declined.
- The ratio of reserves to M2, an alternative measure of reserve adequacy, was approximately 38 percent in October, well above the benchmark minimum of 20 percent.

Imports and Exports

- Guyana ran a merchandise trade deficit in October of US\$6.1 million following surplus of US\$6.6 million in September.
- Domestic exports rose by US\$12.4 million to US\$132.0 million, a 10.4 percent increase compared with September. October 2016 exports were 2.8 percent higher than October 2015 exports.
- Imports in October grew by US\$25.2 million, increasing from US\$112.9 million in September to US\$138.0 million in October. Also, October 2016 imports grew 15.7 percent compared with October 2015.
- Exports of fish and its by-products increased by US\$0.7 million, a 28.1 percent increase compared with September. Additionally, October 2016 fish exports were 16.0 percent greater than in October 2015.
- Exports of bottled rum and spirit have been strong throughout 2016. Exports in this category were up by 157.2 percent in October 2016 compared to October 2015.
- Exports of sugar and rice saw improvements in October 2016, while timber experienced a decline. Compared to October 2015, sugar exports increased by 8.5 percent and rice by 28.6 percent. Timber, conversely, decreased by 31.3 percent.
- The monthly growth in imports was due to a 34.6 percent and 36.5 percent increase in intermediate and capital goods, respectively, compared with September. The main drivers under the intermediate goods category were imports of food for immediate use and chemicals, which increased by 108.4 and 147.1 percent, respectively. The growth in the capital goods category was driven by transport machinery increasing by 93.4 percent and mining machinery increasing by 67.5, compared to September.

Figure 12. Merchandise Trade



Source: Guyana Bureau of Statistics

International Commodity Prices

- Global commodity price movements for Guyana's major traded commodities were mixed in October, with international benchmark prices for oil, aluminium and sugar increasing, but prices for gold, rice and timber falling.
- The average price of Brent crude oil increased by 7.7 percent from September to October, following OPEC's September 28 agreement to cut production. Over the month of October, oil prices trended down, likely reflecting OPEC's failure to reach agreement regarding specific quotas for each of its member countries. The price of Brent crude oil is now about 3.3 percent above its price a year ago.
- The free market global price for sugar continued to increase in October, rising 3.2 percent, as sugar production in some regions of Brazil and India was below expectations. The October 2016 price was 59.7 percent higher than the price in October 2015.
- The international gold price declined by 4.5 percent in October. This is consistent with the uptick in international interest rates that also occurred that month. Higher interest rates tend to put downward pressure on gold prices, as higher-yielding U.S. Treasuries become more attractive relative to investing in gold, which carries little risk but pays no interest. Compared to October 2015, gold prices remain up 9.3 percent.

Table 3. International Commodity Prices, October

Key Commodity Prices, October 2016			
Commodity	Price in US\$	1 Month Price Change	12 Month Price Change
Crude Oil, Brent (per bbl)	\$49.73	7.7%	3.3%
Gold (per troy oz)	\$1,266.55	-4.5%	9.3%
Aluminum (per mt)	\$1,665.90	4.6%	9.9%
Sugar, world price (per kg)	\$0.49	3.2%	59.7%
Rice, Thai 5% (per mt)	\$369.00	-3.9%	-1.1%
Logs, Cameroon (per cubic m)	\$386.02	-1.6%	-1.9%

Source: World Bank Pink Sheet

International Economic News

Global Developments

- The annual meetings of the IMF and World Bank Group took place from October 7 to 9. Concerns about slow global growth, as well as the lack of inclusive growth, were major topics. Many participants were of the view that fiscal stimulus should play a larger role in spurring growth, particularly in countries with ample fiscal space. <http://www.cfr.org/economics/global-economics-monthly-november-2016/p38447>
- Venezuela reached an agreement with bond holders to swap US\$2.8 billion in securities maturing in the next year for US\$3.4 billion in new bonds maturing in 2020. The swap will allow Venezuela to avoid defaulting on its debt for the time being, but adds nearly \$US1 billion to its debt payments over the next five years. <https://www.ft.com/content/e5298570-9a96-11e6-8f9b-70e3cabccfae>
- The IMF released its October World Economic Outlook. Global growth is expected to pick up slightly in 2017 led by stronger economic performance in North America and developing economies. The Latin American and Caribbean Region is expected to see a return to growth, following negative growth in several

economies in 2016, including Brazil, Trinidad and Tobago, Suriname, and Venezuela. The estimate for Guyana is more optimistic than the 2017 Budget estimate, as it was published before the national estimate was released. [what is this?]

Table 4. Key World Economic Growth Rates

World Economic Outlook Real GDP Growth			
	2015	2016 Projection	2017 Projection
World	3.2	3.1	3.4
Advanced Economies	2.1	1.6	1.8
United States	2.6	1.6	2.2
Canada	1.1	1.2	1.9
United Kingdom	2.2	1.8	1.1
Euro Area	2.0	1.7	1.5
Emerging and Developing Economies	4.0	4.2	4.6
Guyana	3.2	4.0	4.1
LAC	0.0	-0.6	1.6

Source: IMF WEO OCTOBER,2016

International Interest Rates

- Major international interest rates rose in October. The secondary market interest rates on 1 year and 3 month U.S. Treasury Bills rose by 7 basis points and 2 basis points, respectively. The 3 month and 1 year London Interbank Offer Rates (LIBOR) both increased 2 basis points compared with September.
- Rising interest rates may reflect increasing expectations that the United States Federal Reserve Board will increase policy interest rates in December, in response to improving economic data in the United States and rising core inflation. A U.S. rate increase would result in upward pressure on global interest rates.

Table 5. Key World Interest Rates

	Interest Rate	As of:	1 Month Change
3 Month US Treasury	0.35%	November 1, 2016	0.02%
1 Year US Treasury	0.65%	November 1, 2016	0.07%
3 Month LIBOR	0.88%	November 1, 2016	0.02%
1 Year LIBOR	1.58%	November 1, 2016	0.02%

Source: Federal Reserve Board and global-rates.com

Global Markets

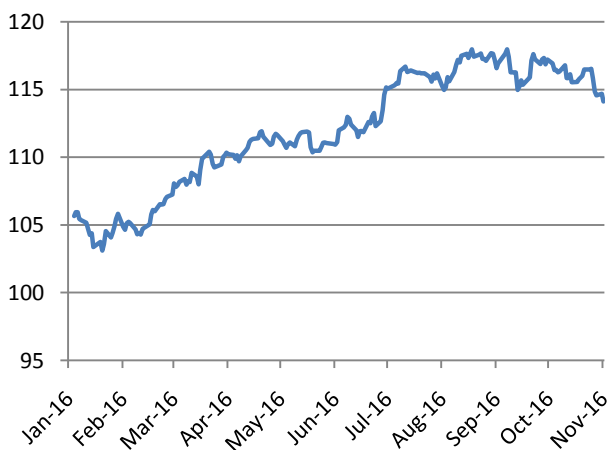
- World stock market performance was mixed in October. Markets in the United States and Europe declined, while major indices for markets in Asia showed gains.
- Prices for developing country sovereign bonds, as reflected in the JP Morgan Emerging Market Bond Index, remained high in October. High bond prices indicate that borrowing costs for developing country governments remain relatively low.
- Volatility in global stock markets increased slightly at the end of October, likely reflecting uncertainty ahead of the United States presidential election.

Table 6. Global Markets Summary, November 1, 2016

As of:		November 01, 2016		
		Level	1 Month Change	12 Month Change
S&P 500	United States	2112	-2.29%	0.36%
FTSE	United Kingdom	6917	-0.95%	8.73%
DAX	Germany	10526	-0.88%	-3.88%
Shanghai Composite	China	3122	2.09%	-6.09%
Nikkei	Japan	17442	5.08%	-6.64%

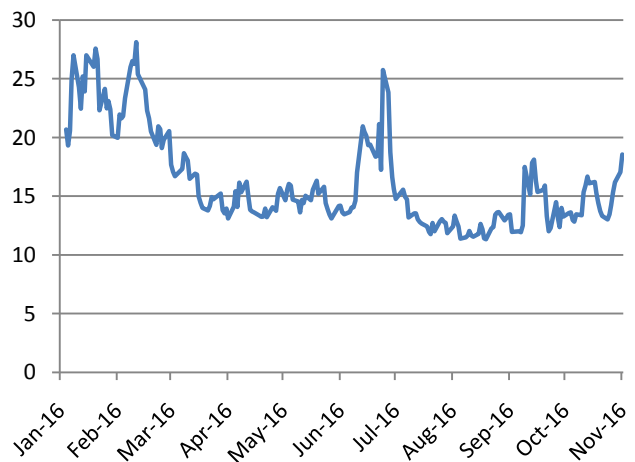
Source: Yahoo Finance

Figure 13. JP Morgan Emerging Market Bond Index



Source: Yahoo Finance

Figure 14. VIX Volatility Index



Source: Yahoo Finance