

# MONTHLY ECONOMIC BULLETIN

October, 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 September, 2016.

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## Real Sector

### Economic Growth

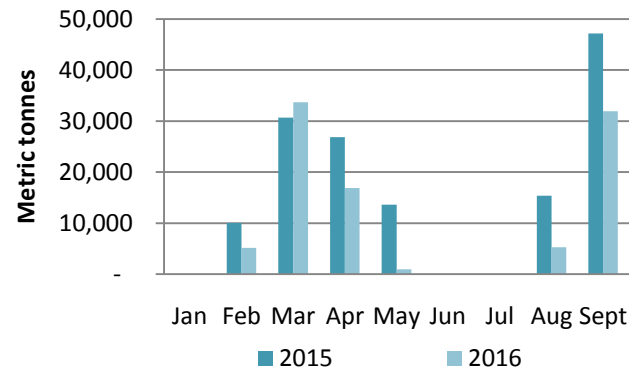
- Economic growth up to September, of this year, continues to be spurred by growth in the mining sector. However, while strong performance have occurred in the gold, diamond and quarrying industries, the agricultural sector has underperformed. The El Niño phenomenon was partly to be blamed for the dismal performance in the rice and sugar industries, however, late planting in both industries has hampered production for the second crop combined with union strikes in the sugar industry. Further, the forestry industry continues to perform poorly as a result of a halt in the awarding of concessions. While this has resulted in lower than expected growth in the forestry sector, these measures are important as the Government aims to reform the industry so as to benefit the nation over the medium-to-long term.

### Agriculture

#### Sugar

- In September, 2016, 31,939 tonnes of sugar was produced, bringing the year to date total to 93,823 tonnes compared to 143,686 tonnes produced from January to September, 2015. 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. Sugar production for 2016 is now targeted at 188,000 tonnes, as a result of these on-going challenges.

Figure 1. Sugar Production, 2015-2016



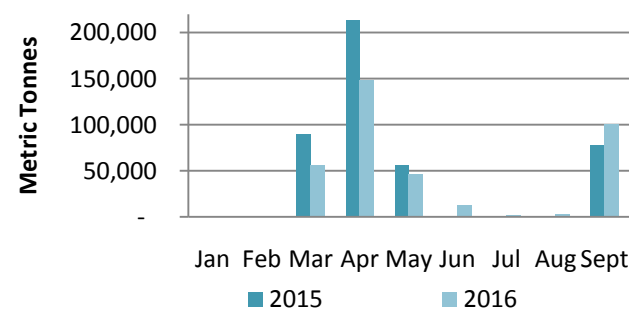
Source: Bureau of Statistics

#### Rice

- Rice production for September, 2016 reached 100,499 tonnes, up from 78,285 tonnes in September, 2015. Higher production levels over the last three months, continue to result from late reaping.
- This brings rice production from January to September, 2016 to 369,837 tonnes compared to 439,012 tonnes produced during the same period in 2015. Despite increased production over the last three months, production to date remains below the level achieved in 2015, as a result of

the first crop being negatively affected by the El Niño phenomenon.

Figure 2. Rice Production, 2015-2016

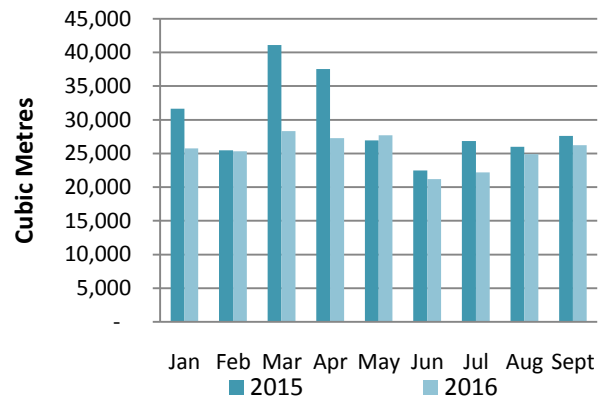


Source: Bureau of Statistics

## Forestry

- Forestry production for September 2016 amounted to 26,243 cubic metres compared with 27,598 cubic metres in September, 2015. Total production from January to September, 2016 currently stands at 228,839 cubic metres compared to 265,643 cubic metres produced during the same period in 2015. Low production levels for 2016 continues to result from the Government reorganising the sector in pursuit of better forestry management and greater value added. Production levels are expected to regain momentum in 2017.

Figure 3. Forestry Production, 2015-2016



Source: Bureau of Statistics

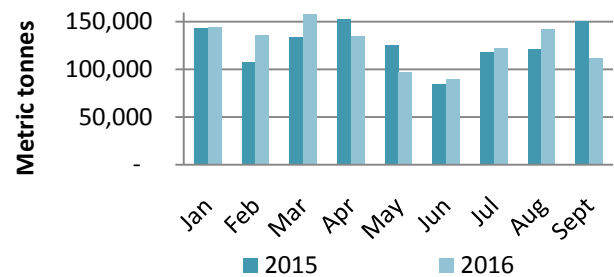
## Mining and Quarrying

### Bauxite

- Bauxite production for September, 2016 was 112,228 tonnes compared to 150,773 tonnes in September, 2015. This brings bauxite production from January to September, 2016 to 1,136,839 tonnes compared to 1,139,949 tonnes produced during the same period in 2015. Performance within the Bauxite industry, especially in the first quarter, has been credible due to improved efficiency. However, production fell during the second and third quarters as a result of faulty equipment at one of the companies.

This issue has been resolved and production for the fourth quarter is expected to increase significantly.

Figure 4. Bauxite Production, 2015-2016



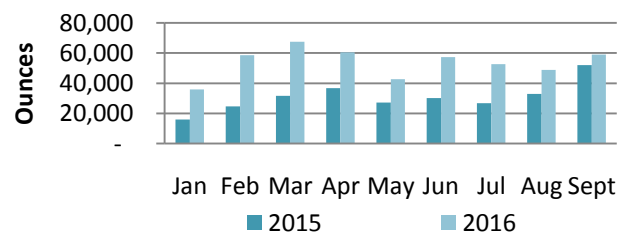
Source: Bureau of Statistics

### Gold

- Gold production for September, 2016 totalled 58,949 ounces compared to 51,905 ounces achieved in September, 2015. This brings gold production to 482,875 ounces so far for 2016, representing an increase of 74 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



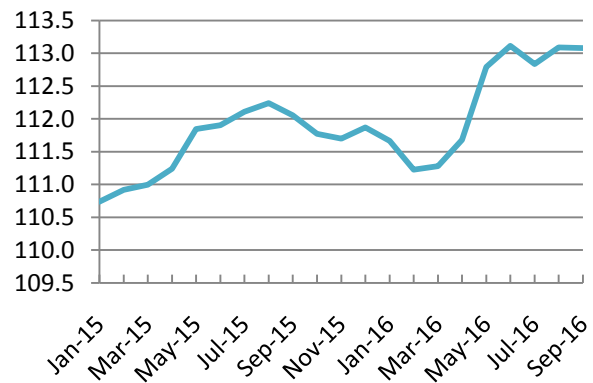
Source: Bureau of Statistics



## Inflation

- The Urban Consumer Price Index for Georgetown increased by 1.1 percent between December, 2015 and September, 2016. Prices between August and September, 2016 remained stable as marginal declines in the prices for food, clothing and footwear and repairs were cancelled out with marginal increases in the prices of furniture, medical supplies and transport and communication.
- The major driver behind the inflation rate of 1.1 percent for 2016 has been rising food prices; especially fruits, vegetables and spices.

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



Source: Bureau of Statistics

## Fiscal Sector

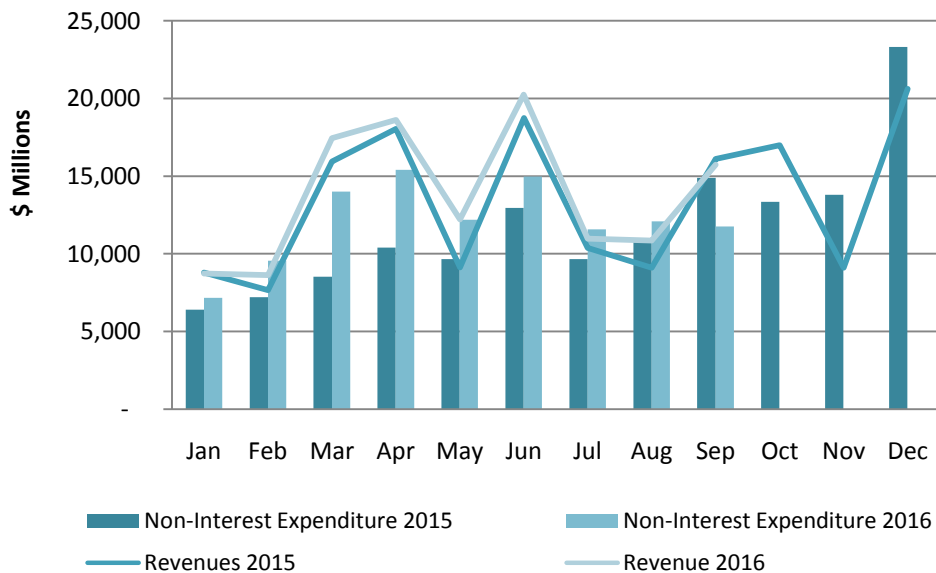
### Revenues

- Central Government current revenues totalled \$123.5 billion at the end of September, 2016, an increase of 8.4 percent or \$9.6 billion compared to revenue collections during January to September, 2015. This growth continues to be driven by increases in both non-tax and tax revenues.
- Tax revenue collections amounted to \$110.9 billion through September, 2016, compared with \$105.0 billion for the same period in 2015, an increase of 5.6 percent. Noteworthy growth continues for company, withholding and international trade taxes which grew by 15.8 percent, 34.4 percent and 17.4 percent, respectively. These continued to result from 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 \$26.7 billion through September, 2016, a marginal increase of 0.4 percent over the same period in 2015. Up to half year, VAT revenues were declining, due to reduced VAT collections for imports. However, during the third quarter, revenues in this category increased, which resulted in a rise in VAT revenues.
- Excise tax collections fell by 8.6 percent compared with 2015, reaching \$21.4 billion for January to September, 2016 compared to \$23.4 billion achieved during the same period in 2015. Much of the decline continues to be as a result of a large drop in collections on imports of petroleum products.
- Non-tax revenues increased by \$3.7 billion from January to September, 2016 compared to the same period in 2015. This continued to be driven by collections of rents and royalties as a result of higher gold production and declarations.

## Expenditure

- Central Government expenditure reached \$134.6 billion at the end of September, 2016 compared to \$105.3 billion expended from January to September in 2015, mainly driven by an increase in non-interest and capital expenditure.
- Non-interest expenditure reached \$108.7 billion at the end of September, 2016, an increase of 19.9 percent over the amount spent during the same period in 2015. This increase continues to be driven by increase 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 3.4 percent while spending on other goods and services increased by 7.9 percent comparing January to September, 2016 to the same period in 2015.
- Capital expenditure rose by 137.5 percent, reaching \$23.9 billion at the end of September, 2016, compared to \$10.0 billion expended during January to September, 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 Revenues<sup>1</sup> and Expenditure**



<sup>1</sup> Current Revenues does not include Government Grants

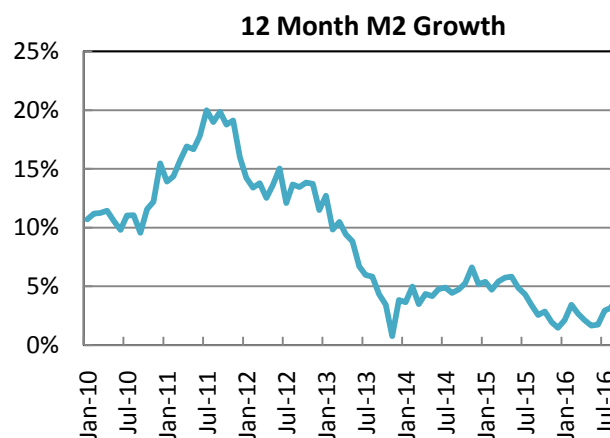
## Monetary and Financial Sectors

### Money Supply

- The growth rate of money and quasi-money (M2) continued to accelerate in September. M2, which includes currency, demand deposits, cashier's checks and bank acceptances, and time and savings deposits, increased by 4.4 percent over the 12 months ending in September, up from a growth rate of 3.2 percent over the 12 months ending in August. The money growth rate is coming into line with its average rate in recent years; the average rate of M2 growth in 2014 was 4.7 percent.
- The increase in M2 growth reflected faster growth of currency in circulation and demand deposits. Currency in circulation increased by 12.7 percent over the 12 months ending in August, while demand deposits, cashier's checks and bank acceptances increased by 5.7 percent. Time and savings deposits, which make up a little over 60 percent of money and quasi-money, increased by 1.3 percent over the same period.

- Guyana's money liquidity ratio, or the ratio of currency to M2, was roughly unchanged in August, at 39.1 percent.

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



Source: Bank of Guyana

### Domestic Interest Rates

- Interest rates on domestic Treasury Bills mostly fell in September. The interest rate on 91-day Treasury Bills remained roughly unchanged at 1.89 percent. The interest rate on 182-day Bills fell from 1.71 percent in August to 1.68 percent in September, while the rate on 364-day bills fell from 2.20 percent to 2.17 percent over the same period.
- The commercial bank weighted average lending rate fell about 6 basis points from 10.46 percent in August, while the small savings rate remained at 1.26 percent.

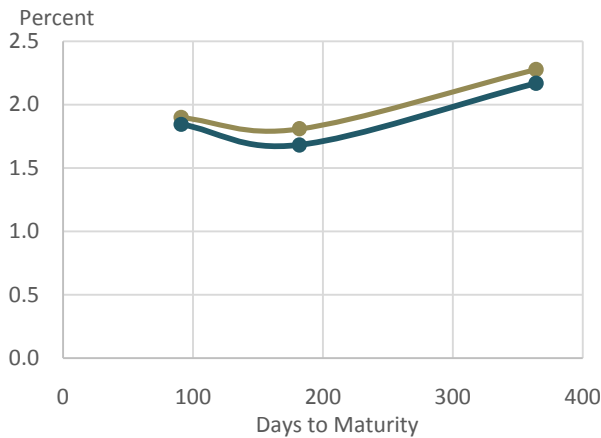
**Table 1. Key Interest Rates**

	Current Interest Rate
Bank Rate	5.00%
Treasury Bills	
91 Days	1.85%
182 Days	1.68%
364 Days	2.17%
Commercial Bank Lending Rate	10.40%
Commercial Bank Small Savings Rate	1.26%

Source: Bank of Guyana

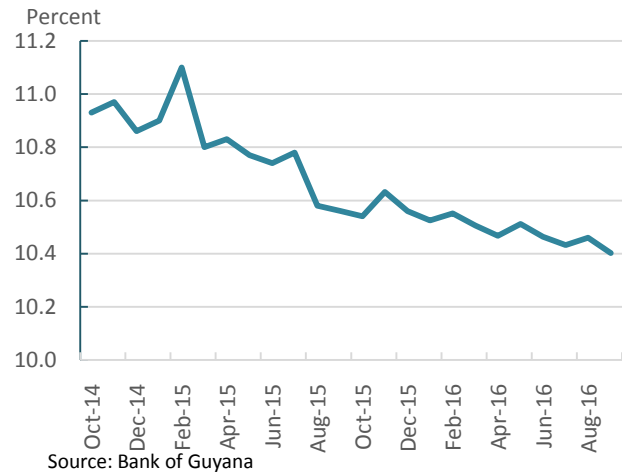


**Figure 9.1 Yield Curve for Guyana Treasury Bills**



Source: Bank of Guyana

**Figure 9.2 Commercial Bank Lending Rate**

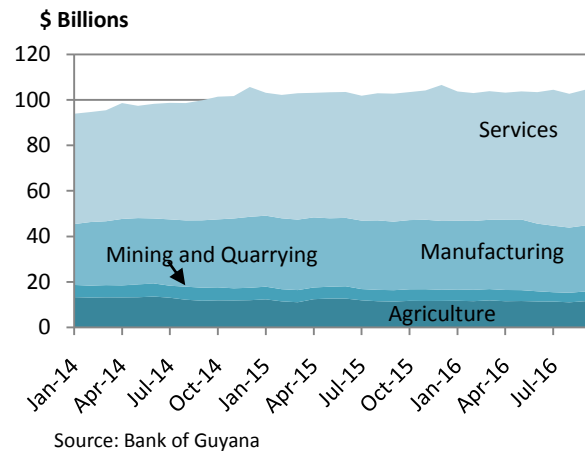


Source: Bank of Guyana

### Private Sector Credit

- Domestic private sector lending excluding real estate mortgages expanded in September, growing by 1.3 percent to \$135.5 billion in September from \$133.9 billion in August. Compared with September 2015, credit grew by 3.3 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 \$158.9 million in September from \$145.7 million in August. Credit to public enterprises increased to \$1.9 billion from \$1.7 billion over the same period.
- Lending to private business enterprises, which accounts for about three-quarters of all lending, increased by 1.7 percent in August, recovering from a similar-sized decline in September. Lending in this category is now up by about 1.7 percent compared with September 2015. Lending to private businesses is down in the mining and manufacturing sector compared with the previous year, but up in the agriculture and services industries.
- Lending to households fell 0.8 percent compared with August, but remained 12.3 percent higher than September 2015. Lending to households for educational purposes remained especially strong. Lending in this category may be higher this year due to increases in tuition costs, or students taking private loans in order to repay government student loans.

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



Source: Bank of Guyana

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

	Loans in September, \$ Billions	1 Month % Change in Credit	12 Month % Change in Credit
<b>TOTAL CREDIT</b>	<b>135.51</b>	<b>1.3%</b>	<b>3.3%</b>
Public Sector	2.07	12.7%	12.2%
<i>General Government</i>	0.16	9.1%	3355.4%
<i>Public Business Enterprises</i>	1.91	13.0%	3.9%
Financial Institutions	1.00	-1.2%	-41.9%
Private Business Enterprises	104.46	1.7%	1.7%
<i>Agriculture</i>	11.58	4.5%	1.6%
<i>Mining and Quarrying</i>	4.26	1.2%	-14.9%
<i>Manufacturing</i>	29.00	1.3%	-3.7%
<i>Services</i>	59.61	1.5%	6.1%
Households	27.99	-0.8%	12.3%

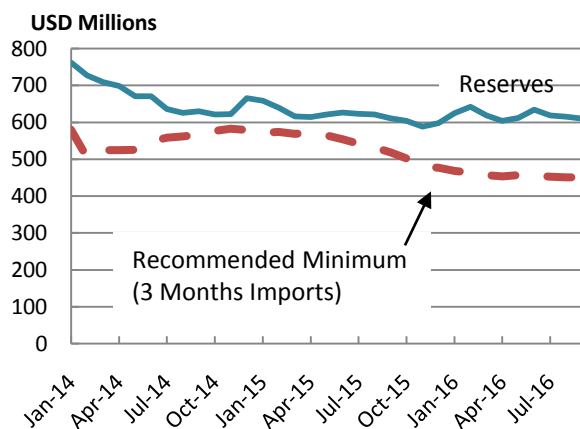
Source: Bank of Guyana

## 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 September.

**Figure 11. Bank of Guyana Foreign Reserves**



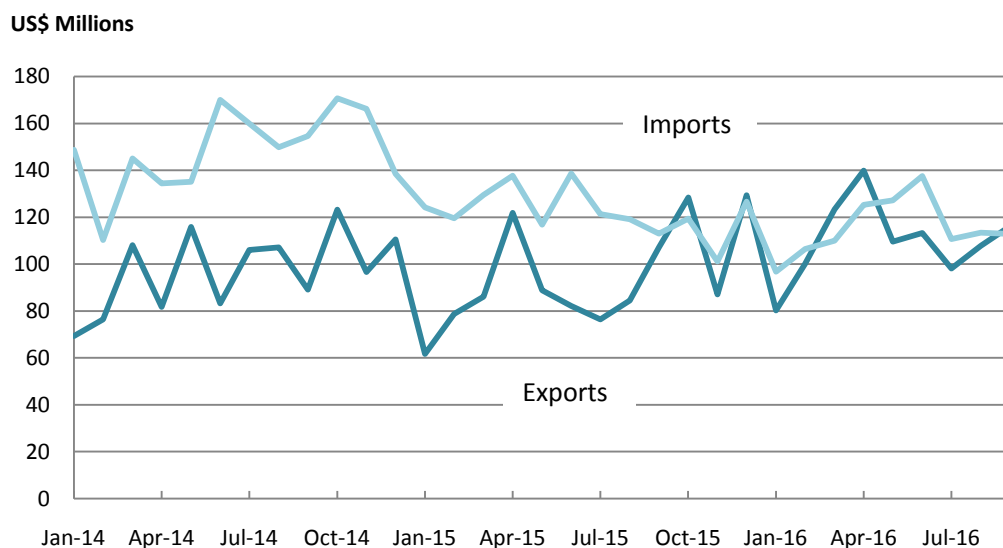
Source: Bank of Guyana

- Foreign reserves held by the Bank of Guyana fell by US\$4.7 million in September to US\$610.4 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.
- 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 37 percent in August, well above the benchmark minimum of 20 percent.

## Imports and Exports

- Guyana ran a merchandise trade surplus of US\$3.2 million in September, following a deficit of US\$5.6 million in August. It was the first monthly merchandise trade surplus since April 2016.
- Domestic exports rose by US\$8.4 million to US\$116.1 million, a 7.8 percent increase compared with August. September 2016 exports were 8.4 percent higher than September 2015 exports.
- Imports fell by US\$0.4 million to US\$112.9 million in September. September 2016 imports roughly equal to imports in September 2015.
- Gold exports remained strong in September, increasing to US\$71.6 million, a 22.6 percent increase compared with September 2015. Exports of fish and shrimp were also higher than they were in the same month last year, as were exports of bulk rum, bulk alcohol, and bottled rum and spirits. Exports of bottled rum and spirits reached US\$4.8 million in September.
- Exports of sugar, rice and timber fared less well in September. Compared to September 2015, exports of sugar were down 26.9 percent, exports of rice were down 19.2 percent, and exports of timber were down 86.9 percent.
- The drop in imports in September was mostly due to a 7.8 percent decline in imports of intermediate goods, compared with August, reflecting lower imports in every subcategory of intermediate good. Imports of fuel and lubricant declined by 4.0 percent. Compared with September 2015, intermediate goods imports were down by 3.2 percent. Imports of consumption goods rose by 11.2 percent compared with August, while imports of capital goods rose by 1.0 percent.

Figure 12. Merchandise Trade



Source: Guyana Bureau of Statistics

## International Commodity Prices

- Global commodity price movements were mixed in September. Prices for sugar rose, while prices for rice, gold and aluminium fell. Prices for timber and crude oil were roughly unchanged.
- The price of Brent crude oil increased by 0.1 percent from August to September. In its September meeting, OPEC reached a preliminary agreement to cut oil production, the first such agreement since 2008. However, the final success of the deal will depend on the group agreeing on exact quotas for each producer country. The price of Brent crude oil is now about 2.2 percent below the price in September 2015.
- The free market global price for sugar increased by 7.0 percent in September. The September 2016 price was 81.2 percent higher than the price in September 2015. Adverse weather negatively affecting the Brazilian sugar harvest may have been one factor in the September increase in prices.
- Gold prices declined slightly in September, although prices remain well above their level a year ago. Positive economic data in the United States may have increased expectations that the U.S. Federal Reserve will increase interest rates in December. Higher interest rates tend to put downward pressure on gold prices, as investors have more to gain by selling gold and buying higher-yielding U.S. Treasuries.

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

Key Commodity Prices, August 2016			
Commodity	Price in US\$	1 Month Price Change	12 Month Price Change
Crude Oil, Brent (per bbl)	\$46.19	0.1%	-2.2%
Gold (per troy oz)	\$1,326.61	-1.0%	17.9%
Aluminum (per mt)	\$1,592.36	-2.9%	0.2%
Sugar, world price (per kg)	\$0.47	7.0%	81.5%
Rice, Thai 5% (per mt)	\$384.00	-7.5%	7.6%
Logs, Cameroon (per cubic m)	\$392.42	0.0%	-0.2%

Source: World Bank Pink Sheet

## International Economic News

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### Global Growth

- United States core inflation, which excludes often-volatile food and energy prices, reached 2.3 percent for the 12 months ending in August, above market expectations. Inflation in Guyana often tracks inflation in the United States, so higher U.S. inflation may indicate that inflationary pressure in Guyana may increase in the future. In other U.S. news, employment data released over the month of September generally came in as, or better than, expected.
- A number of countries released final Q2 GDP data in September. In most cases, the data were in line with earlier estimates. Second quarter year-on-year GDP growth for the United Kingdom was revised up slightly from 2.1 percent to 2.3 percent.
- Trinidad and Tobago failed to meet the September 30 deadline to pass FATCA legislation set by the United States, as the government and opposition continued to battle over the bill. The United States granted the country an extension until February 2017 to comply with FATCA. Failure to comply with FATCA could also result in more international banks severing their constituent banking relationships with local Trinidadian banks. This “de-risking” is growing trend affecting the Caribbean Region, which jeopardizes access to services like international money transfers.

### International Interest Rates

- Major international interest rate movements were mixed in September. The secondary market interest rates on 1 year and 3 month U.S. Treasury Bills declined slightly. The 3 month London Interbank Offer Rate (LIBOR) increased compared with August, while the 1 year LIBOR rate fell marginally.
- The U.S. Federal Reserve kept interest rates unchanged in September. However, improving economic data in the United States and rising core inflation will likely weigh on the Federal Reserve’s decision whether to raise policy interest rates in December. A U.S. rate increase would result in upward pressure on global interest rates.

**Table 4. Key World Interest Rates**

	Interest Rate	As of:	1 Month Change
3 Month US Treasury	0.28%	September 30, 2016	-0.05%
1 Year US Treasury	0.57%	September 30, 2016	-0.01%
3 Month LIBOR	0.86%	October 3, 2016	0.02%
1 Year LIBOR	1.56%	October 3, 2016	-0.01%

Source: Federal Reserve Board and global-rates.com

## Global Markets

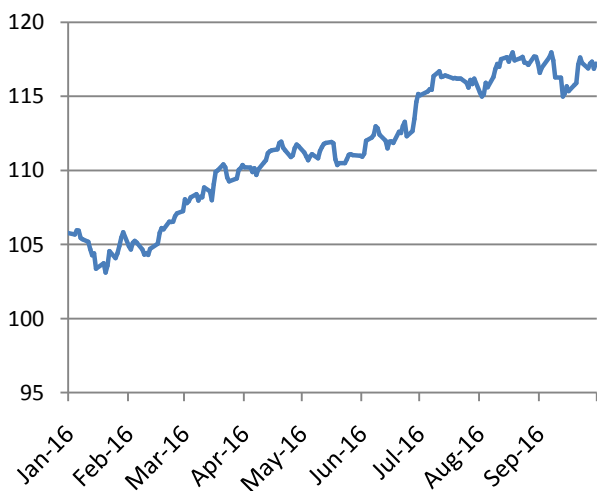
- World stock market performance was mixed in September, with markets in the United States and Europe showing strong gains, but markets in Asia showing losses.
- Prices for developing country sovereign bonds, as reflected in the JP Morgan Emerging Market Bond Index, remained high in September. High bond prices indicate that borrowing costs for developing country governments remain relatively low.
- Volatility in global stock markets increased briefly in early September, ahead of the Federal Reserve’s September meeting. Volatility decreased after rates were left unchanged.

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

As of:	September 30, 2016			
	Level	1 Month Change	12 Month Change	
S&P 500	United States	2168	-0.36%	12.93%
FTSE	United Kingdom	6919	2.57%	14.15%
DAX	Germany	10511	-1.38%	8.80%
Shanghai Composite	China	3005	-2.28%	-1.57%
Nikkei	Japan	16450	-1.65%	-5.40%

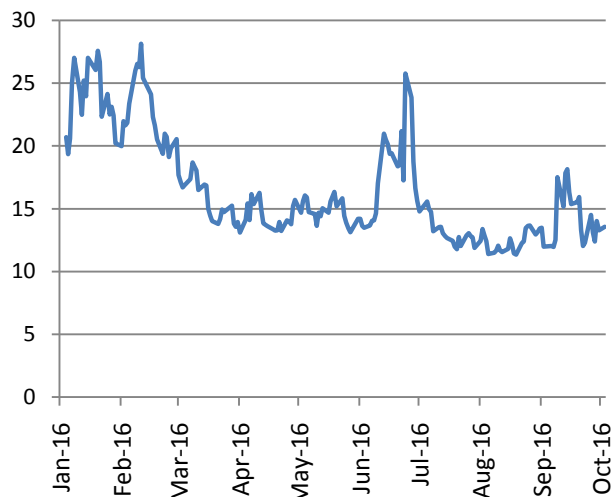
Source: Yahoo Finance

**Figure 13. JP Morgan Emerging Market Bond Index**



Source: Yahoo Finance

**Figure 14. VIX Volatility Index**



Source: Yahoo Finance