

MONTHLY ECONOMIC BULLETIN

September, 2016



Republic of Guyana
Ministry of Finance
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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 August, 2016.

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Real Sector

Economic Growth

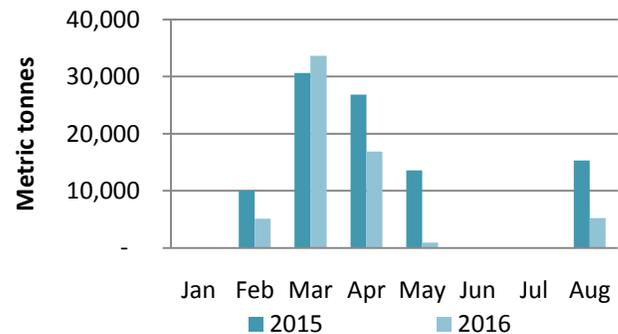
- Economic growth up to August, of this year, continues to be spurred by growth in the mining sector. The main driver of economic growth in the mining sector continues to be gold, with production for small and medium sized miners as well as Guyana Gold Fields and Troy Resources being on target. Strong performance continues in the bauxite industry, which has regained momentum, after slowing in April and May. However, uncertainty still surrounds production for the second crop for both rice and sugar, with the latter already being affected by late sowing.

Agriculture

Sugar

- In August, 2016, 5,239 tonnes of sugar was produced, bringing the year to date total to 61,884 tonnes compared to 96,491 tonnes produced from January to August, 2015. In addition to the first crop being lower than expected, planting for the second crop started late which has resulted in a significant decline of 65.9 percent, when comparing production for August, 2016 to that for 2015. Due to late sowing, by several estates, the 2016 target for sugar of 218,188, may have to be revised downwards.

Figure 1. Sugar Production, 2015-2016

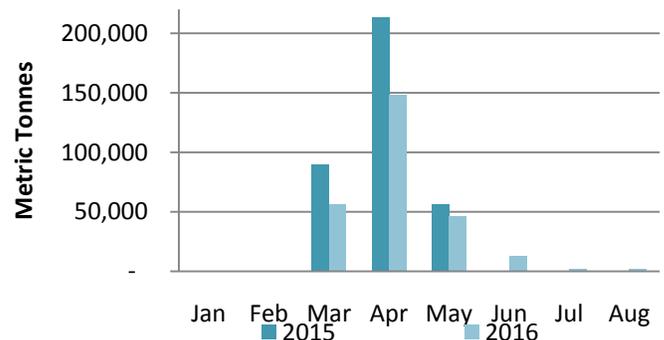


Source: Bureau of Statistics

Rice

- Rice production for August, 2016 reached 2,500 tonnes, up from 402 tonnes in August, 2015. Higher production levels over the last three months, continue to result from late reaping.
- This brings rice production from January to August, 2016 to 269,338 tonnes compared to 360,727 tonnes produced during the same period in 2015. August brings to a closure production of the first crop which was badly affected by the El Niño phenomenon.

Figure 2. Rice Production, 2015-2016

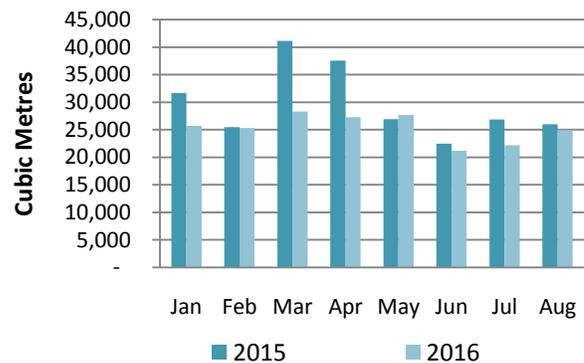


Source: Bureau of Statistics

Forestry

- Forestry production for August 2016 amounted to 24,889 cubic metres compared with 26,010 cubic metres in August, 2015. Total production from January to August, 2016 currently stands at 202,596 cubic metres compared to 238,045 cubic metres produced during the same period in 2015. Low production levels for 2016 has resulted 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



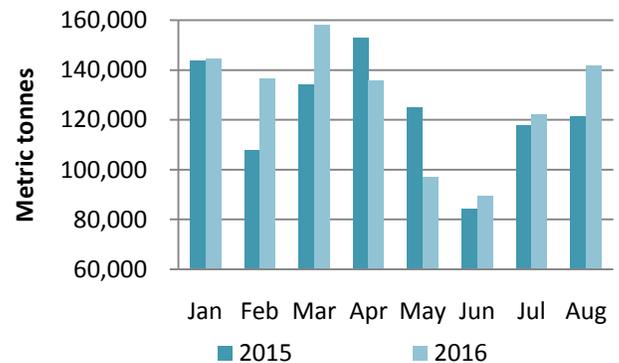
Source: Bureau of Statistics

Mining and Quarrying

Bauxite

- Bauxite production for August, 2016 was 141,705 tonnes compared to 121,469 tonnes in August, 2015. This brings bauxite production from January to August, 2016 to 1,024,551 tonnes compared to 986,176 tonnes produced during the same period in 2015, an increase of 3.9 percent. Except for the months of April and May, bauxite production has been consistently higher in 2016 compared to 2015. This consistency is mainly attributed to improved efficiency.

Figure 4. Bauxite Production, 2015-2016



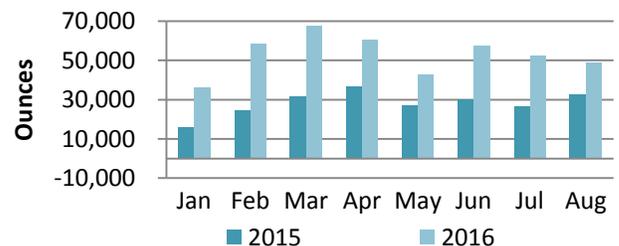
Source: Bureau of Statistics

Gold

- Gold production for August, 2016 totalled 48,724 ounces compared to 32,999 ounces achieved in August, 2015. This brings gold production to 423,926 ounces so far for 2016, representing an increase of 87.9 percent over the production achieved during the same period in 2015. The strong performance this year continues to be underpinned by increased production

by small and medium sized miners, and the two expatriate companies.

Figure 5. Gold Production, 2015-2016

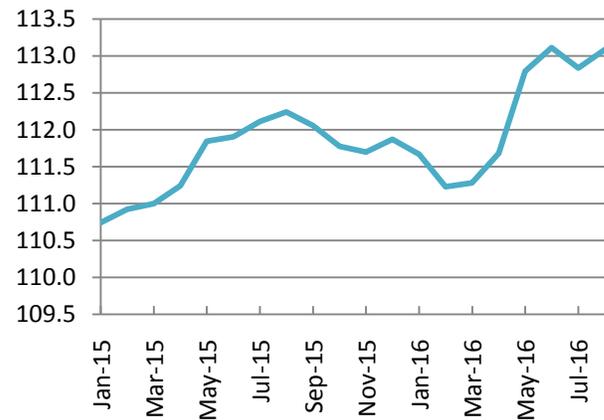


Source: Bureau of Statistics

Inflation

- The Urban Consumer Price Index for Georgetown increased by 0.76 percent between August 2015 and August 2016. Prices between July and August, 2016 increased by 0.22 percent as a result of increased prices for food, clothing and footwear and repairs. Increased prices for pulse, vegetables and spices were the main drivers of the increase in food price while significant increase in the price for clothing materials drove the price of clothing upwards.

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



Source: Bureau of Statistics

Fiscal Sector

Revenues

- Central Government current revenues totalled \$107.7 billion at the end of August, 2016, an increase of 10.1 percent or \$9.9 billion compared to revenue collections during January to August, 2015. This growth was driven by increases in both non-tax and tax revenues.
- Tax revenue collections amounted to \$95.3 billion through August, 2016, compared with \$89.7 billion for the same period in 2015, an increase of 6.2 percent. Noteworthy growth continues for company, withholding and international trade taxes which grew by 21.1 percent, 37.1 percent and 16 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 \$23.7 billion through August, 2016, a

decrease of 1.3 percent over the same period in 2015. Despite declining VAT revenues throughout 2016, due to reduced VAT collections for imports, revenues in August, 2016, were higher compared to the same month in 2015 .

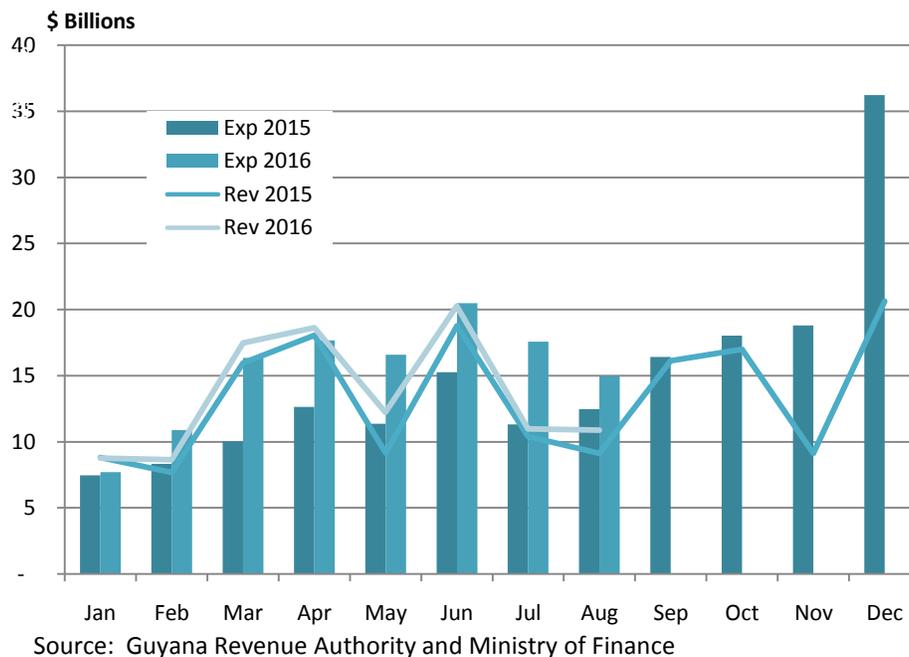
- Excise tax collections fell by 6.5 percent compared with 2015, reaching \$18.9 billion for January to August, 2016 compared to \$20.2 billion achieved during the same period in 2015. Much of the decline continues to be as a result of a large drop in collections on imports of petroleum products.

Non-tax revenues increased by \$3.0 billion from January to August, 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 \$122.2 billion at the end of August, 2016 compared to \$88.8 billion expended from January to August in 2015, mainly driven by an increase in non-interest and capital expenditure.
- Non-interest expenditure reached \$96.9 billion at the end of August, 2016, an increase of 27.9 percent over the amount spent during the same period in 2015. This increase has been 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 5.0 percent as a result of the wages increases given to public servants in 2015, while spending on other goods and services increased marginally by 1.7 percent comparing January to August, 2016 to the same period in 2015.
- Capital expenditure rose by 130.7 percent, reaching \$20.9 billion at the end of August, 2016, compared to \$9.0 billion expended during January to August, 2015. Despite this large increase, capital spending remains below its budgeted target due to the slow pace of implementation of the Public Sector Investment Programme.

Figure 7. Current Revenues¹ and Expenditure



¹ 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 August. M2, which includes currency, demand deposits, cashier's checks and bank acceptances, and time and savings deposits, increased by 3.2 percent over the 12 months ending in August, up from a growth rate of 2.9 percent over the 12 months ending in July. Money growth remains low relative to its growth rate a few years ago; the average rate of M2 growth in 2014 was 4.7 percent.
- Currency in circulation increased by 10.0 percent over the 12 months ending in August, 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 0.4 percent over the same period.

- Guyana's money liquidity ratio, or the ratio of currency to M2, was roughly unchanged in August, at 39.3 percent.

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



Source: Bank of Guyana

Domestic Interest Rates

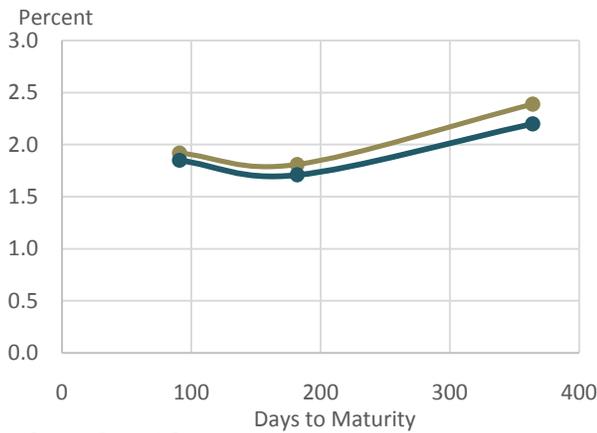
- Interest rates on domestic Treasury Bills mostly fell in August. The interest rate on 91-day Treasury Bills decreased to 1.85 percent from 1.89 percent in July. The interest rate on 182-day Bills was unchanged, while the rate on 364-day bills fell from 2.24 percent to 2.20 percent over the same period.
- The commercial bank weighted average lending rate rose slightly, increasing 2.75 basis points from 10.43 percent in July, while the small savings rate remained at 1.26 percent. The spread between lending and savings rates has narrowed gradually in recent years, as lending rates have trended downward while the savings rate remained constant.

Table 1. Key Interest Rates

	Current Interest Rate
Bank Rate	5.00%
Treasury Bills	
91 Days	1.85%
182 Days	1.71%
364 Days	2.20%
Commercial Bank Lending Rate	10.46%
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



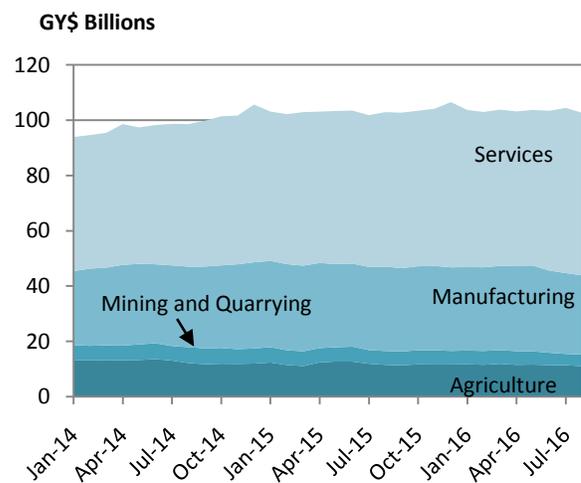
Source: Bank of Guyana

Private Sector Credit

- Domestic private sector lending excluding real estate mortgages contracted in August, falling by 1.2 percent from \$135.5 billion in July to \$133.9 billion in August. Compared with August 2015, credit grew by 1.3 percent. This represents a relatively tepid annual rate of credit growth, especially in contrast to the strong year-on-year growth rate of 4.6 percent seen in July.
- Credit to the general government increased slightly to \$96.2 million in August from \$95.1 million in June, while credit to public enterprises increased by a similar percentage.
- Lending to private business enterprises, which accounts for about three-quarters of all lending, fell by 1.7 percent compared with July. Lending in this category is down by 0.2 percent compared with August 2015. Lending to private businesses is down in every sector except the services industry.
- Lending to households was roughly unchanged in August compared with July, and was 12.5 percent higher than July 2015. Growth in lending to households for

educational purposes has been especially strong. Credit in this category is up 29.8 percent compared with July, and 65.7 percent compared with August 2015. 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, July 2015

	Loans in July, GY\$ Billions	1 Month % Change in Credit	12 Month % Change in Credit
TOTAL CREDIT	133.85	-1.2%	1.3%
Public Sector	1.97	1.1%	-22.3%
<i>General Government</i>	0.10	1.1%	7297.2%
<i>Public Business Enterprises</i>	1.88	1.1%	-26.0%
Financial Institutions	1.01	17.0%	-38.9%
Private Business Enterprises	102.67	-1.7%	-0.2%
<i>Agriculture</i>	11.07	-3.1%	-4.1%
<i>Mining and Quarrying</i>	4.21	3.0%	-15.9%
<i>Manufacturing</i>	28.62	-2.0%	-6.2%
<i>Services</i>	58.76	-1.6%	5.2%
Households	28.20	-0.1%	12.5%

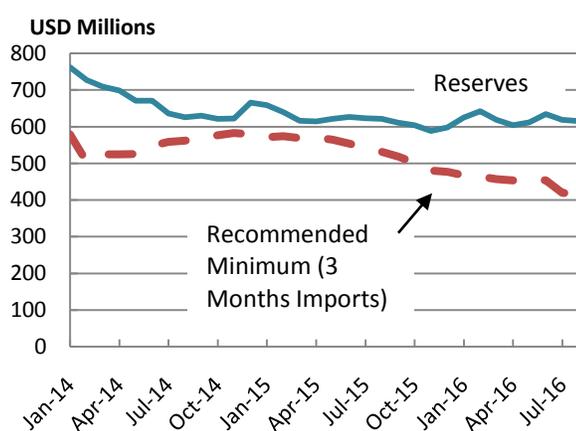
Source: Bank of Guyana

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 August.

Figure 11. Bank of Guyana Foreign Reserves



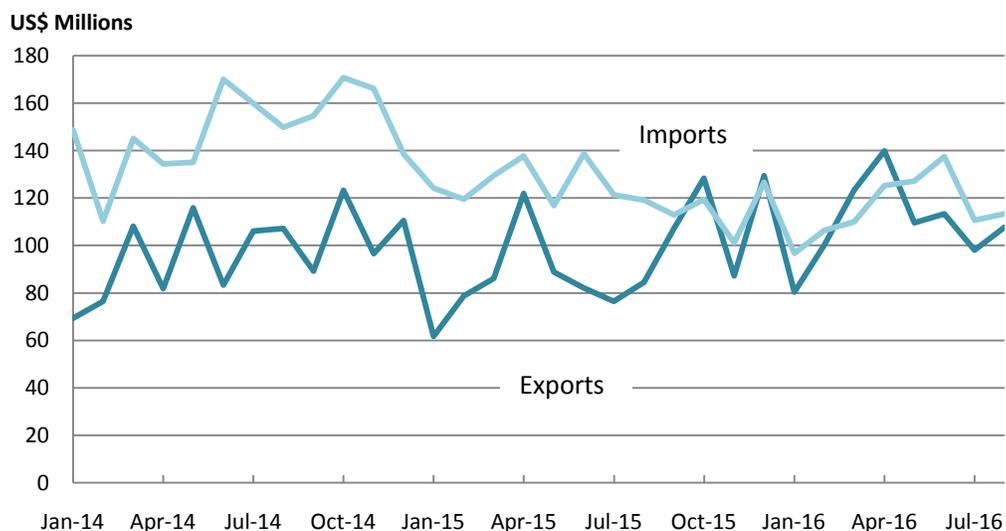
Source: Bank of Guyana

- Foreign reserves held by the Bank of Guyana fell by US\$3.6 million in August to US\$615.1 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 38 percent in August, well above the benchmark minimum of 20 percent.

Imports and Exports

- Guyana ran a merchandise trade deficit of US\$5.6 million in August, following a deficit of US\$12.6 million in July.
- Domestic exports rose by US\$9.6 million to US\$107.7 million, a 9.8 percent increase compared to July. August 2016 exports were 27.5 percent higher than August 2015 exports.
- Imports rose by US\$2.6 million to US\$113.3 million in August, a monthly increase of 2.4 percent. August 2016 imports were down 4.9 percent compared with August 2015.
- Gold exports remained strong in August, increasing to US\$62.1 million, an increase of 20.7 percent compared with July and 51.3 percent compared with August 2015. Diamond exports were also exceptionally strong in August, tripling compared with July. Shrimp and fish exports performed well compared with August 2015, despite falling compared with July 2016. Similarly, rice exports were up by 2.3 percent compared with August 2015, but fell by 24.0 percent from July.
- Exports of timber and sugar were again low compared to their levels a year ago. Sugar exports were 83.9 percent lower than in August 2015, while timber exports were 18.4 percent lower.
- Imports of consumption goods and intermediate goods were strong in August, with imports up in many categories compare with both July and August 2015. Imports of fuel and lubricants rose by 21.7 percent in August compared with July, reflecting higher global oil prices. Weaker currencies in trading partners like Trinidad and Tobago may also be buoying imports by making them cheaper. Capital goods imports were down compared with both July and August 2016, although imports of mining equipment were very strong relative to August 2015.

Figure 13. Merchandise Trade



Source: Guyana Bureau of Statistics

International Commodity Prices

- Global commodity prices for Guyana’s major exports were mostly up in August. Prices for gold, sugar, logs and aluminium continued to rise, though prices for rice declined. The price of oil, one of Guyana’s key imports, rose slightly.
- After falling for the first time in five months in July, global oil prices resumed their climb in August. The price of Brent crude oil increased by 2.4 percent from July to August. Industry analysts have suggested that the increase may be due to speculation that OPEC would cut supply in its September meeting. The price of Brent crude oil is now only 1.8 percent below the price in August 2015.
- Gold prices remained steady in August. Expectations regarding the U.S. Federal Reserve’s interest rate policy are likely to be a key determinant of gold prices for the remainder of 2016.
- The price of Thai 5% rice, an international benchmark price for rice, fell by 6.1 percent in August, as Iran banned the import of Basmati rice, increasing the supply available globally. The price of rice remains 11.3 percent above its level in August 2015.
- In August, world sugar prices reached their highest monthly average since October 2012. The world market price for sugar is now 75.0 percent higher than it was a year ago. The increase in sugar prices in recent months have been attributed to concerns about production levels in Brazil, as well as the increasing cost of Brazilian sugar due to the strengthening of Brazil’s currency.

Table 3. International Commodity Prices, August

Key Commodity Prices, August 2016			
Commodity	Price in US\$	1 Month Price Change	12 Month Price Change
Crude Oil, Brent (per bbl)	\$46.14	2.4%	-1.8%
Gold (per troy oz)	\$1,340.17	0.3%	19.9%
Aluminum (per mt)	\$1,641.38	0.8%	6.0%
Sugar, world price (per kg)	\$0.44	2.7%	75.0%
Rice, Thai 5% (per mt)	\$415.00	-6.1%	11.3%
Logs, Cameroon (per cubic m)	\$392.32	1.3%	0.6%

Source: World Bank Pink Sheet

International Economic News

Global Growth

- The United States continues to see steady jobs growth. The number of jobs added in the U.S. economy was well over expectations in July, though somewhat under expectations in August.
- Japan announced a US\$276 billion spending package, aimed at stimulating the country's slow-growing economy.
- Trinidad and Tobago's central bank is reportedly continuing its policy to depreciate the country's currency over the next several quarters. The policy is intended to address the country's large external deficit and falling foreign exchange reserves. The oil-exporting country has seen its terms of trade deteriorate due to low oil prices over the past year. The devalued currency is likely to make Trinidad and Tobago's non-oil exports, including manufactured goods such as drinks and processed foods, more competitive in the Caribbean region.
- Venezuela's economic crisis continues, putting the country at high risk of debt default. Venezuela is trying to conclude a debt swap agreement with its state oil company to enable it to pay off bonds coming due in late 2016.

International Interest Rates

- Major international interest rates rose slightly in August. The secondary market interest rate on 1 year U.S. Treasury Bills rose by 9 basis points to 0.58 percent, while the interest rate on 3 month U.S. Treasury Bills edged up by 4 basis points to 0.33 percent.
- London Interbank Offer Rates (LIBOR) also rose in August, with the 3-month rate increasing by 8 basis points, and the 1-year rate increasing by 13 basis points.
- Improving economic data in the United States may be feeding into increased expectations that the Federal Reserve will raise interest rates before the end of the year, resulting in upward pressure on global interest rates.

Table 4. Key World Interest Rates

	Interest Rate	As of:	1 Month Change
3 Month US Treasury	0.33%	September 1, 2016	0.04%
1 Year US Treasury	0.58%	September 1, 2016	0.09%
3 Month LIBOR	0.84%	September 1, 2016	0.08%
1 Year LIBOR	1.57%	September 1, 2016	0.13%

Source: Federal Reserve Board and global-rates.com

Global Markets

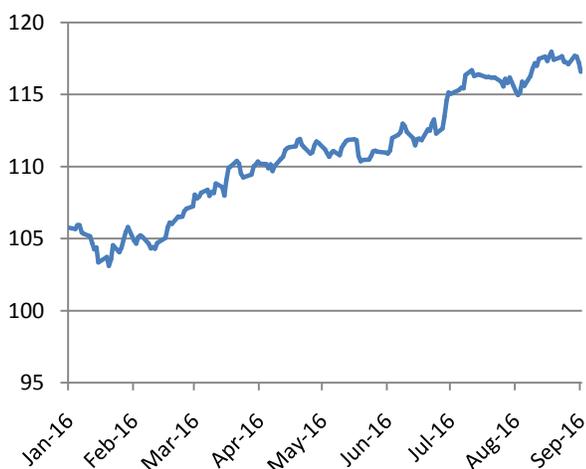
- World stock markets were stable and generally showed modest gains in August.
- Prices for developing country sovereign bonds, as reflected in the JP Morgan Emerging Market Bond Index, reached their highest levels in 2016 in the month of August. High bond prices indicate that borrowing costs for developing country governments remain relatively low.
- Volatility in global stock markets remained low in August, as indicated by the VIX Volatility Index. Volatility spiked immediately after the Brexit vote in late June, but quickly reverted to lower levels.

Table 5. Global Markets Summary, May 1, 2016

As of:		September 01, 2016		
		Level	1 Month Change	12 Month Change
S&P 500	United States	2171	0.00%	13.43%
FTSE	United Kingdom	6746	0.78%	11.35%
DAX	Germany	10534	1.97%	5.18%
Shanghai Composite	China	3063	3.72%	-3.26%
Nikkei	Japan	16927	1.75%	-6.82%

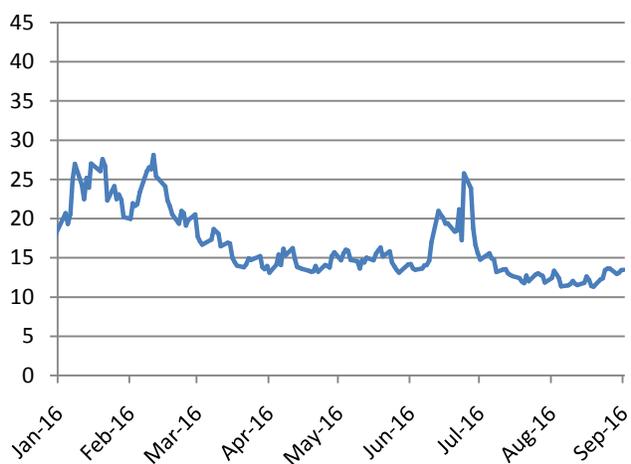
Source: Yahoo Finance

Figure 14. JP Morgan Emerging Market Bond Index



Source: Yahoo Finance

Figure 15. VIX Volatility Index



Source: Yahoo Finance