

# Private Sector Commission

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*The Guyana Economy as at June 2008*

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## **Preface**

Technical Information Bulletin No. 12 – The Guyana Economy as at June 2008 continues the series which is aimed at providing our membership and the wider business community with basic data for general awareness and business planning.

Data used in this Bulletin was obtained from the Bureau of Statistics and from published information of the Ministry of Finance.

Within the Secretariat, it was primarily the effort of Senior Technical Officer, Elizabeth Alleyne.

We do hope you find this Bulletin useful and would appreciate your comments and suggestions.

Lakeram Singh  
Executive Director

## **Previous Bulletins**

***Bulletin 1 (Dec 2006) - The Guyana Economy June 2006***

***Bulletin 2 (Mar 2007) - Highlights of the Guyana National Budget 2007***

***Bulletin 3 (Mar 2007) - Recent Growth Trends in the Guyana Economy***

***Bulletin 4 (Apr 2007) – Labour Force and Employment in the Guyana Economy***

***Bulletin 5 (May 2007) – Employment Structure in Guyana***

***Bulletin 6 (July 2007) – Measuring Inflation in Guyana***

***Bulletin 7 (July 2007) – Living Conditions in Guyana***

***Bulletin 8 (October 2007) – The Jagdeo Initiative***

***Bulletin 9 (November 2007) – Educational Achievement in the Population of Guyana***

***Bulletin 10 (December 2007) – The Guyana Economy as at June 2007***

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# **The Guyana Economy as at June 2008**

## *Selected Indicators*

The real growth rate of the economy slowed in the first half of 2008. Real growth reached 3.8% compared with 5.8% in the first half of 2007.

### **Fiscal Position**

The fiscal position weakened significantly as at June 2008 compared with the first half of 2007. Current revenue increased only marginally by 5.01% to \$42.5bn from \$40.5bn for the same period last year while current expenditure was up 22.4% to \$34.2bn from \$27.9bn in June 2007.

Taxes on income soared by 10.05% to reach \$17bn while taxes on consumption declined by 4.95% to \$17.8bn.

Capital expenditure declined by 6.9% to \$12.5bn from \$13.4bn in the first half of 2007. The overall balance before grants tumbled to -\$4.19bn from -\$908mn in the same period last year.

### **Balance of Payments**

The overall balance of payments position improved significantly to a surplus of US\$47.6mn from a deficit of US\$12.3mn in June of 2007. This was achieved despite a worsening of the current account balance which reached a deficit of US\$163.6mn compared to a deficit of US\$84.7mn in the first half of last year.

The current account deficit was occasioned by a sharp 29.16% increase in imports to US\$643.3mn while the value of exports increased by 22.04% to reach US\$381mn. Steep increases in the price of imported fuel and food products primarily contributed to the higher current account deficit.

With the exception of timber and re-exports, most major commodities showed increases as at June 2008 with bauxite export receipts rising by 57.41% to reach US\$68mn.

Gold receipts were up 46.51% to US\$100.8mn. This was occasioned by both increased volumes and higher prices.

Sugar exports increased by a marginal 3.03% to reach US\$57.8mn while rice receipts rose by 30.83% to US\$50.5mn. Rice receipts were impacted by higher prices as well as increased volumes.

Timber export receipts were down 8.08% reaching US\$23.9mn. This was due to lower volumes exported as the industry was plagued by sanctions for violation of regulations.

The capital balance increased by 177.18% to US\$184.6mn partly on account of a rise in private capital which rose 65.97% to US\$126.8 as well as an improvement in the contribution of the non-financial public sector which increased to US\$41.6mn from – US\$351.3mn in the same period last year.

## **External Debt**

The country's stock of external debt rose by 17.47% to reach US\$773.77mn as at June 2008. This was due to increases in both multilateral and bilateral debt.

Multilateral debt rose by 16.76% to reach US\$447.53mn with the stock of debt from the IADB increasing by 37.87% to US\$163.77mn.

Bilateral debt also rose by a significant 20.14% to reach US\$304.54mn. This was occasioned by an increase in debt to Non-Paris Club creditors.

## **Monetary Indicators**

### **Interest Rates**

The prime lending rate remained constant at 14.54% for the period to June 2008 and the average 91-day Treasury Bill Rate also remained stable at 3.94%.

The small savings rate declined marginally to 3.08% from 3.19% in June of 2007. The Weighted Average Lending rate also declined, moving from 12.72% in June of 2007 to 12.15% in June of 2008.

### **Domestic Credit**

Net domestic credit fell sharply in the first half of 2008 declining by 26.46% to reach \$32.96bn by June 2008. Net credit to the public sector accounted for most of the decline while net credit to the private sector increased sharply.

Total credit to the private sector rose by 15.86% to reach \$77.54bn. The increased willingness of the commercial banks to lend for such purposes as agriculture and rice milling was evident as credit to these sectors rose 16.2% and 12.8% respectively. The highest increase in credit to the private sector was for mining and quarrying where credit rose by 63.65% to \$1.6bn.

## **Consumer Prices**

Consumer prices for June 2008 were up 7.44% compared with June 2007. The sharpest increase was in food prices which were up 14.72% for the review period. Prices for clothing and furniture showed a marginal decline while most other categories showed slight increases.

## **Production**

### **Sugar**

Production of sugar was up by a marginal 2.31% reaching 103,280 tonnes for the first half of 2008. This was due to industrial action which plagued the industry and curtailed production as well as adverse weather conditions.

### **Rice**

Rice production also increased by only a marginal 2.13% to 172,497 tonnes from 168,902 tonnes in the first half of 2007. Production is slated to increase for the second half of 2008.

### **Fishing**

Output of fish for the first half of 2008 was down by 7.02% to 11,704 tonnes as the industry continued to be plagued by high fuel prices and the threat of piracy. Shrimp production, however, was up by 44.47% to 12,978 tonnes.

### **Poultry**

Production of poultry declined by 8.09% to reach 11,756 tonnes for the first half of 2008 down from 12,790 tonnes for the period to June 2007.

### **Forestry**

Output for the forestry sector was once again mixed. Output of logs, sawnwood, firewood and plywood was down sharply while output of roundwood and charcoal increased significantly.

Production of logs dropped by 25.01% to 119,739 cubic metres while production of sawnwood declined by 22.36% to 28,380 cubic metres. Firewood production dropped by 19.54% to 9,160 cubic metres while production of plywood declined by 66.99% to 7,275 cubic metres.

Output of roundwood rose by 21.76% to 9,726 cubic metres while production of charcoal rose by 53.11% to 1,269 cubic metres.

### **Bauxite**

Bauxite production was up by a significant 22.95% to reach 1,164,735 tonnes for the first half of 2008. This reflected increased investment in the sector.

## **Gold**

Gold production was up by 11.96% for the review period reaching 120,510 ounces. Output in the sector had reached 107,638 ounces for the first half of 2007. The increased output reflects increased investment in the sector in response to higher world market prices.

## **Diamonds**

Diamond production declined for the second consecutive year moving downwards by 51.59% to reach 82,468 metric carats for the first half of 2008. High fuel prices impacted on the industry while some operators also shifted production into gold and some mines produced a lower yield.

## **Sand and Stone**

Output of sand and stone increased significantly in response to a boom in construction works. Production of sand was up 32.85% to 250,216 tonnes while output of stone moved by 27.71% to reach 199,437 tonnes.

## **Manufacturing**

The manufacturing sector declined again for the second consecutive year as high fuel prices impacted. Output in the sector was down by 3.0% for the first half of 2008, a marginal improvement over the same period in 2007 when the sector declined by 10.2%.

## **Distribution**

The distribution sector again expanded, growing by 11% for the first half of 2008. The sector had grown by 10.7% for the first half of 2007.

## **Transport and Communication**

The transportation and communication sector grew at a slower rate in the first half of 2008, increasing by 4.5% as compared to 10% for the same period last year.

## **Engineering and Construction**

The engineering and construction sector grew by 4.6% in the first half of 2008 as compared to a rate of 6.6% for the comparative period last year.

## **Financial**

The financial sector grew by 8.5% for the review period, an acceleration from the 6.2% for the same period last year. This reflects increasing investments in the sector and the offering of new products by the banks.

<b>Central Government Finances</b>			
<b>G\$ Million</b>			
	<b>Jan - June 2007</b>	<b>Jan - June 2008</b>	<b>% Change</b>
<b>Total Revenue</b>	<b>40,451.3</b>	<b>42,508.3</b>	<b>5.09%</b>
<b>Revenue</b>	<b>40,451.3</b>	<b>42,479.3</b>	<b>5.01%</b>
Tax	38,806.7	39,900.3	2.82%
Income Taxes	15,418.9	16,968.4	10.05%
Consumption Taxes	18,683.5	17,759.2	-4.95%
Trade Taxes	3,082.1	3,298.2	7.01%
Other	1,622.2	1,874.5	15.55%
Non-tax	1,644.6	2,579.0	56.82%
Private Sector	945.6	1,475.2	56.01%
Public Enterprise & BOG	699.0	1,103.8	57.91%
<b>Total Expenditure</b>	<b>41,359.2</b>	<b>46,698.4</b>	
<b>Current Expenditure</b>	<b>27,909.4</b>	<b>34,173.1</b>	<b>22.44%</b>
Non-Interest Expenditure	24,461.6	30,992.7	26.70%
Personal Emoluments	9,958.8	11,008.3	10.54%
Other goods and services	7,200.0	11,141.1	54.74%
Transfers to the Private Sector	7,302.8	8,843.3	21.09%
Transfers to the Public Sector	-	-	
Interest	3,447.8	3,180.4	-7.76%
External	1,629.9	1,589.9	-2.45%
Domestic	1,817.9	1,590.5	-12.51%
<b>Primary Balance</b>	<b>15,989.6</b>	<b>11,486.6</b>	<b>-28.16%</b>
<b>Current Balance</b>	<b>12,541.8</b>	<b>8,306.2</b>	<b>-33.77%</b>
<b>Capital Revenue</b>	<b>-</b>	<b>29.0</b>	
<b>Capital Expenditure</b>	<b>13,449.8</b>	<b>12,525.3</b>	<b>-6.87%</b>
<b>Overall Balance before Grants</b>	<b>(908.0)</b>	<b>(4,190.1)</b>	<b>-361.46%</b>
<b>Grants</b>			
HIPC relief	1,923.1	1,464.2	-23.86%
Original			
Enhanced	526.6	293.9	-44.19%
CMCF	257.0	257.0	0.00%
MDRI	1,139.5	913.4	-19.84%
Other	2,414.9	8,697.4	260.16%
Projects	2,414.9	2,289.6	-5.19%
Non-projects	-	6,407.8	
<b>Overall Balance after Grants</b>	<b>3,430.0</b>	<b>5,971.5</b>	<b>74.10%</b>
<b>Financing</b>	<b>(3,430.0)</b>	<b>(5,971.5)</b>	<b>-74.10%</b>
Net External Borrowing	5,841.2	5,156.7	-11.72%
Disbursements of Loans	4,846.4	11,764.7	142.75%
Debt Repayments	1,422.3	1,338.1	-5.92%
Rescheduling	762.1	479.2	-37.12%
Guysuco - Escrow A/C	1,655.0	-	
Overseas Deposit	-	(5,749.1)	
Net Domestic Borrowing	(9,271.2)	(11,128.1)	-20.03%

Source: Ministry of Finance



Balance of Payments		
US\$MN		
	Jan - June 2007	Jan - June 2008
<b>Current Account</b>	<b>(84.7)</b>	(163.6)
Merchandise Trade	(181.1)	(261.3)
Exports (f.o.b.)	312.2	381.0
<i>Bauxite</i>	43.2	68.0
<i>Sugar</i>	56.1	57.8
<i>Rice</i>	38.6	50.5
<i>Gold</i>	68.8	100.8
<i>Timber</i>	26.0	23.9
<i>Other</i>	72.3	75.4
<i>Re-Exports</i>	7.1	4.6
Imports (c.i.f.)	(497.3)	(642.3)
<i>Fuel &amp; Lubricants</i>	(131.3)	(203.5)
<i>Other</i>	(366.0)	(438.7)
Services (Net)	(31.1)	(48.0)
Transfers	131.5	145.6
<b>Capital Account</b>	<b>66.6</b>	184.6
Capital Transfers	388.7	21.7
Non-financial Public Sector	(351.3)	41.6
Private Capital	76.4	126.8
Other	0.0	0.0
Short-term capital	(47.2)	(5.6)
<b>Errors and Omissions</b>	<b>5.8</b>	(26.6)
<b>Overall Balance</b>	<b>(12.3)</b>	47.6

Source: Bank of Guyana

<b>External Debt Stock</b>			
<b>US\$ Million</b>			
	<b>June 2007</b>	<b>June 2008</b>	<b>% Change</b>
<b>Total External Debt</b>	<b>658.71</b>	<b>773.77</b>	<b>17.47%</b>
<b>Multilateral</b>	<b>383.30</b>	<b>447.53</b>	<b>16.76%</b>
IBRD	0.00	0.00	
IDA	9.59	10.28	7.19%
IADB	118.79	163.77	37.87%
CDB	116.09	127.32	9.67%
CMCF	31.10	31.10	0.00%
IMF	56.17	60.54	7.78%
Others	51.56	54.52	5.74%
<b>Bilateral</b>	<b>253.48</b>	<b>304.54</b>	<b>20.14%</b>
Paris Club Creditors	59.56	58.51	-1.76%
Non-Paris Club Creditors	193.92	246.03	26.87%
<b>Private Creditors</b>	<b>21.93</b>	<b>21.70</b>	<b>-1.05%</b>
Suppliers	13.38	13.41	0.22%
Financial Markets/Bonds	8.55	8.29	-3.04%

Source: Ministry of Finance

<b>Commercial banks</b>			
<b>Interest Rates</b>			
<b>Percent per annum</b>			
	<b>June 2007</b>	<b>June 2008</b>	<b>% Change</b>
Small Savings Rate	3.19	3.08	<b>-3.45%</b>
Weighted Average Lending Rate	12.72	12.15	<b>-4.48%</b>
Prime Lending Rate	14.54	14.54	<b>0.00%</b>
Average 91-day Treasury Bill Rate	3.94	3.94	<b>0.00%</b>

Source: Bank of Guyana

<b>Consumer Price Index</b>			
<b>January 1994 = 100</b>			
	<b>June 2007</b>	<b>June 2008</b>	<b>% Change</b>
All Items	246.1	264.4	<b>7.44%</b>
Food	243.2	279	<b>14.72%</b>
Clothing	86.3	85.1	<b>-1.39%</b>
Footwear & Repairs	71.1	72.8	<b>2.39%</b>
Housing	282.5	288.2	<b>2.02%</b>
Furniture	163.2	161.4	<b>-1.10%</b>
Transport & Communication	312.6	319.2	<b>2.11%</b>
Medical & Personal Care	281.9	292.4	<b>3.72%</b>
Education, Recreation & Cultural Servi	269.5	273.4	<b>1.45%</b>
Miscellaneous Goods & Services	209.3	214.5	<b>2.48%</b>

Source: Bureau of Statistics

<b>Monetary Survey</b>			
	<b>G\$Million</b>		
	<b>June 2007</b>	<b>June 2008</b>	<b>% Change</b>
<b>Total Money &amp; Quasi Money</b>	<b>148,635.4</b>	<b>174,210.3</b>	<b>17.21%</b>
<b>Money</b>	<b>44,591.1</b>	<b>55,302.8</b>	<b>24.02%</b>
Currency	23,714.5	28,916.7	<b>21.94%</b>
Demand Deposits	20,876.6	26,386.2	<b>26.39%</b>
<b>Quasi Money</b>	<b>104,044.3</b>	<b>118,907.5</b>	<b>14.29%</b>
Time Deposits	14,890.8	16,872.3	<b>13.31%</b>
Savings Deposits	89,153.5	102,035.2	<b>14.45%</b>
<b>Domestic Credit (Net)</b>	<b>44,811.9</b>	<b>32,955.4</b>	<b>-26.46%</b>
Public Sector (Net)	(13,585.8)	(33,909.6)	<b>-149.60%</b>
Central Government (Net)	7,170.0	(1,708.9)	<b>-123.83%</b>
Public Enterprises (Net)	(8,584.8)	(10,433.2)	<b>-21.53%</b>
Other Public Sector (Net)	(12,171.0)	(21,767.5)	<b>-78.85%</b>
Private Sector	66,925.8	77,537.3	<b>15.86%</b>
Agriculture	3,027.8	3,518.3	<b>16.20%</b>
Other Manufacturing & Process.	8,859.0	8,450.5	<b>-4.61%</b>
Rice Milling	1,517.7	1,711.9	<b>12.80%</b>
Distribution	9,686.3	11,681.5	<b>20.60%</b>
Personal	14,097.8	17,610.4	<b>24.92%</b>
Mining & Quarrying	958.3	1,568.3	<b>63.65%</b>
Other Services	6,725.1	7,620.1	<b>13.31%</b>
Real Estate Mortgage Loans	14,682.1	18,585.8	<b>26.59%</b>
Other	7,371.9	6,790.3	<b>-7.89%</b>
Financial Institutions	(8,528.1)	(10,672.2)	<b>-25.14%</b>
<b>Foreign Assets (Net)</b>	<b>65,430.0</b>	<b>97,967.1</b>	<b>49.73%</b>
Assets	95,636.1	128,196.5	<b>34.05%</b>
Liabilities	(30,206.1)	(30,229.4)	<b>-0.08%</b>
<b>Other Items (Net)</b>	<b>38,393.5</b>	<b>43,287.9</b>	<b>12.75%</b>

Source: Ministry of Finance

<b>Selected Production Indicators</b>			
<b>Agriculture, Fishing and Forestry</b>			
	<b>Jan - June 2007</b>	<b>Jan - June 2008</b>	<b>% Change</b>
<b>Commodity</b>			
Sugar (tonnes)	100,952	103,280	<b>2.31%</b>
Rice (tonnes)	168,902	172,497	<b>2.13%</b>
Fish (tonnes)	12,588	11,704	<b>-7.02%</b>
Shrimp (tonnes)	8,983	12,978	<b>44.47%</b>
Poultry (tonnes)	12,790	11,756	<b>-8.09%</b>
Eggs ('000)	3,402	7,318	<b>115.11%</b>
Logs (cub. mt)	159,675	119,739	<b>-25.01%</b>
Sawnwood (cub. mt)	36,555	28,380	<b>-22.36%</b>
Roundwood (cub. mt)	7,988	9,726	<b>21.76%</b>
Charcoal (cub. Mt)	829	1,269	<b>53.11%</b>
Firewood (cub. Mt)	11,384	9,160	<b>-19.54%</b>
Plywood (cub. Mt)	22,036	7,275	<b>-66.99%</b>

Source: Bureau of Statistics

<b>Selected Production Indicators</b>			
<b>Mining, Quarrying and Manufacturing</b>			
	<b>Jan - June 2007</b>	<b>Jan - June 2008</b>	<b>% Change</b>
<b>Commodity</b>			
Bauxite (tonnes)	947,340	1,164,735	<b>22.95%</b>
Gold (ounces)	107,638	120,510	<b>11.96%</b>
Diamonds (mt. ct.)	170,357	82,468	<b>-51.59%</b>
Sand (tonnes)	188,345	250,216	<b>32.85%</b>
Crushed stone (tonnes)	156,159	199,437	<b>27.71%</b>
Paints ('000 lit)	1,062	1,035	<b>-2.49%</b>
Garments ('000 doz)	59	60	<b>2.32%</b>
Footwear (pairs)	30,511	25,806	<b>-15.42%</b>
Electricity ('000 MWH)	274	276	<b>0.56%</b>

Source: Bureau of Statistics

<b>GDP Growth Rates</b>		
	<b>Jan- June 2007</b>	<b>Jan- June 2008</b>
Sugar	11.7	2.3
Rice	19.5	2.1
Livestock	12.7	9.6
Other Crops	8.3	9.5
Fishing	-20.3	0.0
Forestry	-5.0	-23.0
Mining & Quarrying	20.5	15.2
Manufacturing	-10.2	-3.0
Distribution	10.7	11.0
Transportation & Communication	10.0	4.5
Engineering & Construction	6.6	4.6
Rent of Dwellings	3.5	3.0
Financial	6.2	8.5
Other	5.3	8.4
Government	0.0	0.0
<b>TOTAL</b>	<b>5.8</b>	<b>3.8</b>

Source: Ministry of Finance

