SUMMARY

Positive real gross domestic product (GDP) growth of 0.8 percent was recorded in the Guyanese economy during the first half of 2004 after remaining relatively flat for the corresponding period in 2003. The strengthening of economic activity was underpinned by higher output of gold and agricultural and forestry products, which compensated for the decline in real value added in the rice sector and some major services industries. The output performance of the various sectors was the main determinant of the growth in income.

Inflation, as measured by the urban consumer price index, was 3.6 percent compared with 3.7 percent in the corresponding period last year. This decline mainly reflects slower growth in prices for fuel and transport and communication services as well as prudent fiscal and monetary policies. The index of food prices registered a sharp increase and reflected in part, the lag in higher transport costs that resulted from increased fuel costs last year.

The performance of the balance of payments improved as the overall deficit contracted to US$10.6 million from US$19.6 million one year ago, mainly on account of the significant reduction in the deficit on the current account as revenue across the major export categories increased, driven mainly by higher receipts from rice and gold in particular. The capital account balance also strengthened, bolstered by lower short-term capital outflows, reduced debt service, and debt relief accruing under the Heavily Indebted Poor Countries (HIPC) initiatives. The overall deficit was financed from the reserves of the Bank of Guyana.

The overall transactions volume in the foreign exchange market was lower, although total turnover in the cambio market registered a marked increase in the volume of foreign currency traded. While the cambio market recorded a net supply of foreign currency, demand pressures within the review period resulted in a 2.4 percent depreciation in the Guyana dollar vis-a-vis the United States currency. The overall balance of approved foreign currency accounts, which increased in total as at end-June 2004, registered an increase from the end-June 2003. The spread between the purchases and sales rates in the cambio market declined and reflected the slight swing in the volume and nature of foreign exchange transactions.

The overall financial operations of the non-financial public sector, computed on a cash basis, improved during the first half of 2004. This reflected higher central government revenue inflows from both the Inland Revenue Department and the Customs & Trade Administration, along with a strengthening of the operations of the non-financial public enterprises (NFPEs), influenced by improvement in the operations of the Guyana Sugar Corporation (GUYSUCO), the Linden Mining Enterprise (LINMINE) and AROAIMA.

The stock of government's domestic bonded debt rose while its external public and publicly guaranteed debt declined as at end-June 2004. The increase in domestic debt reflected the issuance of treasury bills consistent with the Bank's monetary policy stance. Nevertheless, domestic interest charges decreased as a result of lower discount rates on the volume of maturing treasury bills. The decrease in external debt was due mainly to the delivery of debt relief under the Heavily Indebted Poor Countries (HIPC) initiatives. External debt service declined and reflected the new debt service schedule subsequent to Guyana reaching its completion point under the Enhanced HIPC Initiative in December

2003. The Paris Club creditors on January 14, 2004 formally delivered their share of debt relief under the enhanced framework for HIPC Initiative. This amounted to US$95 million in net present value terms.

Monetary policy continued to pursue its objective of price stability within a floating exchange rate regime while maintaining an environment conducive to efficient private sector investment via prudent management of excess liquidity in the financial system. Broad money grew marginally while private sector credit declined on account of cautious lending by commercial banks. Interest rates remained relatively stable over the review period. The non-bank financial institutions continued to mobilize resources in the financial sector. ”

1. PRODUCTION, EMPLOYMENT, EARNINGS AND INFLATION

Real output growth rebounded during the first half of 2004 to reach 0.8 percent after remaining relatively flat for the first half of last year. The recovery was stimulated by improved performance of the agriculture and forestry sectors and higher levels of gold output. In contrast, negative contributions were recorded for the rice sector and some of the major services industries. Inflation was subdued at 3.6 percent, reflecting the decrease in the price of some of the major commodities in the context of rising oil price.

PRODUCTION

Agriculture and Forestry

Declining growth was recorded in the agricultural and forestry sectors during the review period. The sector continues to be dominated by the sugar industry, which was adversely affected by lower yields. In contrast, fish and poultry output was higher at 2.6 percent and 32.6 percent respectively.

Sugar

Sugar output amounted to 127,612 tonnes, 0.3 percent below the previous year's level. The outturn was attributed to the inclement weather condition that resulted in lower yield of cane per ton of sugar.

In response to the lower production levels, sugar export reduced to 118,068 tonnes at end-June 2004 from 136,789 tonnes for the corresponding period in 2003. By the same token, domestic sales contracted from 11,667 tonnes at end-June 2003 to 11,333 at the end of June 2004.

Rice

Rice output amounted to 176,311 tonnes, 1.8 percent below the June 2003 level, and was influenced mainly by heavy rainfall that caused a delay in land preparation and shortened harvesting period during the first crop.

Rice supplied to the market exceeded the level of production due to the inventory at the beginning of the year. Export volume rose by 67.6 percent over the corresponding period in 2003 to reach 134,757 tonnes, with the bulk being shipped to the EU and CARICOM markets.

Table 1

Selected Production Indicators

Agriculture & Forestry

January - June

Commodity	2002	2003	2004
Sugar (Tonnes)	128,699	127,961	127,612
Rice (Tonnes)	161,751	179,569	176,311
Poultry (Tonnes)	7,596	8,873	11,764
Eggs ('000)	9,690	3,068	12,356
Forestry (cu.m)	287,207	269,710	337,516

Fishing and Livestock

Total output from the fishing sector contracted during the review period, primarily because the rise in the output of fish was insufficient to offset the decline in the other products.

Fish and prawns catch rose by 19.4 percent and 14.7 percent respectively relative to the corresponding period last year. Small shrimps on the other hand recorded a significant decline of 31.3 percent.

The livestock sector recorded improved performance due to the growth in poultry output to reach 11,764 tonnes. In like manner, output of eggs increased from 3.1 million in 2003 to 12.3 million at end-June 2004. Higher production reflected the impact of additional large-scale producers in the industry and the higher domestic demand for the product.

Forestry

Forestry output amounted to 337,516 cubic metres, 25 percent higher than the corresponding period last year.

The growth was due mainly to a rise in the production of roundwood, which increased by 69,074 metres or 54.5 percent to reach 195,806 metres.

Output of greenheart logs was 32,452 cubic metres 0.4 percent higher while other log species declined by 1.8 percent or 1,729.9 cubic metres to reach 92,962 cubic metres. Sawn timber production recorded a marginal increase of 2 percent reflecting the slower increase in market demand for the product for construction purposes. Plywood production increased by 15.5 percent to 28,154 cubic metres.

Mining

The decline in value added in the mining and quarrying sector was underpinned by unfavorable performance of the diamond and bauxite industries. In contrast, gold declaration from OMAI and the Guyana Gold Board was significantly higher than the levels recorded in 2003.

Table 2

Selected Production Indicators
Mining and Quarrying

		January - June	
Commodity	**2002**	**2003**	**2004**
Bauxite (tonnes)	745,350	886,905	721,717
RASC	24,071	31,551	66,641
CGB	61,232	93,021	44,906
MAZ	660,047	759,068	610,170
Other	-	3,265	-
Gold (ounces)	221,512	177,875	199,190
Diamond (mc)	113,969	205,621	198,128

Bauxite

Total bauxite was 721,717 tonnes, 18.6 percent lower than the corresponding level in 2003. All the categories of bauxite recorded lower output except for Refractory Grade Bauxite (RASC) which increased from 31,551 tonnes at end-June 2003 to 66,641 tonnes at end-June 2004. Output of Metal Grade Bauxite (MAZ) and Chemical Grade Bauxite (CGB) declined by 19.6 percent and 51.7 percent respectively to 610,170 tonnes and 44,906 tonnes respectively.

Gold and Diamond

Gold declaration at the end of June 2004 amounted to 199,190 ounces, 11.9 percent higher than the corresponding 2003 level, and stemmed from improved performance of OMAI Gold Mines Limited (OGML) and local miners. OMAI's output amounted to 145,227 ounces, 5.6 percent above last year's level and reflects higher yield ore from the mines. By the same token, declaration by small and medium scale miners edged up by 33.7 percent or 13,602 ounces to reach 53,963 ounces.

In contrast, the performance of the diamond industry deteriorated with declarations of 198,128 metric carats compared with 205,621 metric carats for the corresponding period in 2003.

Manufacturing

Growth in value added in the manufacturing sector, excluding sugar and paddy processing grew at a slower rate, with most of the major industries recording lower output. Among the most notable developments were the significant decline in garment, alcoholic beverages and electricity supply. Output of garment and alcoholic beverages declined by 55.8 and 16.7 percent respectively, reflecting reduced demand for the products on the local and international markets. In like manner, electricity supply reduced by 13 percent or 38 MWH to reach 206 MWH, reflecting the cost of production associated with higher fuel price.

Services

slower growth was recorded in the services sector during the review period. Significant decline was recorded in the financial, transport & communication and the engineering & construction services sub-sectors. Growth in the financial sector remained unchanged in 2004 after recording a 2.3 percent increase in 2003. Value added in the transport & communications services sector recorded a 2 percent increase in 2004 compared with a 5 percent increase in 2003. Output growth in the engineering & construction sector also contracted from 3.5 percent in 2003 to 0.5 percent in 2004.

Table 3

Selected Production Indicators

Manufacturing

	January - June		
Consumer Non-Durables	**2002**	**2003**	**2004**
Alcoholic Beverages (‘000 Litres)	12,669	9,572	7,969
Malta (‘000 litres)	725	547	533
Non Alcoholic Beverages (‘000 cases)	1,963	1,873	2,040
Liquid Pharmaceutical (‘000 litres)	184	117	111
Consumer Semi-Durables			
Garments (‘000 dozens)	198	204	90
Intermediate			
Electricity (MWH)	257	237	206
Paints (‘000 litres)	834	808	770

EMPLOYMENT, EARNINGS & INFLATION

Employment

Developments in the labor market were mixed during the review period, with the number of work stoppages rising to 107 in 2004 from 74 in the previous year. This industrial action affected mainly the sugar industry and witnessed a rise in the number of man-day and wages lost. The number of man-day lost rose from 17,754 in 2003 to 49,000 at end-June 2004, while wages lost increased from G$27.3 million at end-June 2003 to G$72.7 million in 2004.

Employment in the public sector recorded a decline during the review period. However, all of the major corporations excluding GUYSUCO recorded higher employment levels. The decline in GUYSUCO’s labor force is in response to management’s effort to reduce expenditure on wages and salaries in order to reduce overall cost.

Income

Nominal income growth reflected in part, the output performances of the various economic sectors. Consequently, earnings in most of the sectors remained unchanged due to the slowdown in economic activity during the review period.

Disposable income to public sector employees was slightly higher with the 5 percent salary increase awarded to all public servants in December 2003, and the increase in the tax threshold. Interest paid to holders of government securities and bank deposits continued to rise, but at a slower rate.

Table 4

Consumer Price Index

January 1994 = 100

	Jun. 2003	**Dec. 2003**	**Jun. 2004**
All Items	182.1	184.3	190.9
Food	173.8	175.8	183.8
Clothing	75.2	75.2	75.2
Housing	212.9	213.3	220.0
Furniture	133.1	133.5	140.7
Transport & Communication	237.2	246.8	252.9
Medical & Personal Care	189.7	194.7	200.5

Inflation

The Georgetown Urban Consumer Price Index (CPI) grew by 3.6 percent compared with the 3.8 percent for the same period last year. Annual inflation as measured by the twelve-month change in the CPI contracted to 4.8 percent compared with the 5.7 percent recorded in 2003. The inflation outturn reflected slower pace of the increase in fuel cost as well as higher prices for food, furniture and medical and personal care. The rate of increase in the price of fuel is reflected in the index of housing and transport & communication, which recorded significant decline in 2004 relative to the same period in 2003. ”

2. BALANCE OF PAYMENT DEVELOPMENTS

The overall balance of payments deficit contracted to US$10.6 million from US$19.6 million one year ago. This outturn was driven by an improvement in both the current and capital accounts. Higher levels of exports and net inflows to the private sector attributed to the outturn in the current account, while the improvement in the capital account was due to lower debt service payments. The overall deficit was financed from the reserves of the Bank of Guyana and by debt relief under the HIPC initiatives.

CURRENT ACCOUNT

The current account deficit narrowed to US$20.6 million from US$65.7 million one year earlier. This was due in large measure to an improvement in the merchandise trade deficit coupled with higher volume of transfers. The deficit on the service account reduced to US$40.2 million from US$45.5 million in 2004.

Merchandise Trade

The merchandise trade deficit contracted to US$22.7 million from US$54.5 million at end-June 2003, reflecting higher rate of increase in export receipts relative to the payment for imports. Significant increases in value were recorded for rice, gold and other non-traditional exports, while increased expenditure on imports was attributed to higher cost of fuel and intermediate parts and accessories.

Exports

Total exports edged up by 18.1 percent from US$231.1 million at end-June 2003 to US$272.8 million in 2004. The higher value of exports principally reflected earnings from the rice, gold and non-traditional sub-sectors. Receipts from sugar and bauxite recorded significant decline relative to that of the previous year.

Sugar

Sugar export earnings amounted to US$53.8 million or 3.3 percent above the 2003 value, primarily reflecting increases in export price relative to June 2003. Export volume shrank to 118,068 tonnes from 136,789 tonnes in 2003, because of the difficulty experienced in acquiring ships to transport the produce to the EU market.

Sugar exported to the EU under the Sugar Protocol of the Lome Convention was 68.9 percent of total sugar export compared with 64.6 percent in 2003. Exports to the EU under the Special Preferential Agreement (SPA) and CARICOM amounted to 5.3 percent and 21.3 percent respectively compared with 6.4 percent and 17.4 percent respectively for the corresponding period in 2003.

Table 5

Balance of Payments
(US$ Million)

	Jan. - Jun.	
	2003	**2004**
CURRENT ACCOUNT	**-65.7**	**-20.6**
Merchandise Trade	-54.5	-22.7
Services (Net)	-45.5	-40.2
Transfers	34.2	42.2
CAPITAL ACCOUNT	**27.6**	**49.2**
Capital Transfers	21.6	32.2
Non-financial Public Sector	3.9	13.8
Private Capital	24.0	24.2
Other	-11.5	-17.7
Short term Capital	-10.4	-3.3
ERRORS & OMISSIONS	**18.5**	**-39.2**
OVERALL BALANCE	**-19.6**	**-10.6**

The preferential EU market price increased to US$536.7 per tonne from US$485 per tonne due to the appreciation of the Euro against the US dollar. The average export price increased by 19.7 percent to US$455.6 per tonne on account of higher volume and price of exports to the regional markets.

Rice

Rice export earnings amounted to US$29.5 million, 60.8 percent above the level in 2003, and stemmed from higher volume exported to all the major markets. The expansion in exports was facilitated by the industry's stockpile as production for the first half of the year was contained.

Rice export volume amounted to 134,757.6 tonnes, 67.6 percent above the level in 2003. The average export price was US$219 per tonne or 4.1 percent lower than that for the same period in 2003. Regarding the destination of exports, the EU and CARICOM markets accounted for 43.1 percent and 27.3 percent respectively of total exports compared with 62.8 percent and 26.3 percent respectively for the corresponding period in 2003.

Gold

Receipts from gold exports amounted to US$75.2 million, 31.2 percent above the value recorded for the same period in 2003, reflecting higher volume. Export volume increased to 191,129.2 ounces from 167,254.3 ounces on account of higher volumes from the Guyana Gold Board and OMAI Gold Mines Limited (OGML). OGML's contribution to the volume of total gold exports reduced to 72 percent from 79.1 percent in 2003. In contrast, Guyana Gold Board accounted for 28 percent from 21 percent in the previous year.

The average export price per ounce increased to US$393.5 from US$342.8 owing to the peak in the world market price during the first quarter of 2004.

Bauxite

Bauxite export earnings amounted to US$20.5 million, 4.2 percent above the value for the same period in 2003, reflecting higher prices as the volume consistently declined. Export volume declined to 697,911 tonnes from 824,915 tonnes, while the average export price increased by 23.2 percent to US$29.3 per tonne. The main types of bauxite exported were Metallurgical Grade bauxite (MAZ) and Calcined Grade bauxite (RASC) which amounted to 579,122 tonnes and 68,290 tonnes respectively compared with 697,538 tonnes and 30,517 tonnes respectively for the same period in 2003.

Table 6

Other Exports
January-June
US$ Million

Commodities	**2003**	**2004**
Garments & Clothing	7.9	2.8
Fish & Shrimp	29.4	31.2
Rum & Other Spirits	4.1	2.3
Fruits & Vegetables	1.2	2.1
Prepared Foods	2.5	2.8
Wood Products	0.3	0.4
Pharmaceuticals	0.8	0.8
Diamonds	13.6	20.0
Molasses	1.2	1.8
Re-Exports	4.9	5.8
Others	3.8	3.4
Total	**69.9**	**73.5**

Timber

The expansion in the volume of timber exports resulted in a 42.2 percent rise in export earnings from this source to reach US$20.3 million or 47.2 percent above the previous year's level. Plywood exports from the Barama Company Limited amounted to US$7.5 million, representing a 37.3 percent increase over the comparable period's total. In like manner, other timber exports were higher at US$12.9 million compared with US$8.4 million in 2003.

Other Exports

The value of all "other exports" (non-traditional exports including re- exports) was US$73.5 million, 5.2 percent above the value for the same period last year. Diamonds, fish and shrimps were the category that recorded the most significant increases. The value of diamond exports increased by US$6.4 million to US$20 million, while that of fish and shrimp rose to US$31.2 million from US$29.4 million one year earlier. Exports of garments and clothing contracted to US$2.8 million from US$7.9 million in 2003. Rum and other spirits moved in the same direction and recorded a 44.8 percent decline from US$4.1 million in 2003 to US$2.3 million in 2004.

Table 7

Exports of Major Commodities			
		Jan. - Jun.	
Product	**Unit**	**2003**	**2004**
Sugar	Tonnes	136,789.0	118,068.0
	US$Mn	52.1	53.8
Rice	Tonnes	80,408.4	134,757.6
	US$Mn	18.4	29.5
Bauxite	Tonnes	824,915.0	697,911.0
	US$Mn	19.6	20.5
Gold	Ounces	167,254.3	191,129.2
	US$Mn	57.3	75.2
Timber	Cu. Metres	68,834.0	91,058.9
	US$Mn	13.8	20.3

Imports

The value of merchandise imports amounted to US$295.5 million, 3.5 percent above the value recorded for the corresponding period in 2003. This outturn was influenced mainly by the rise in the two major categories of imports - intermediate and capital goods. Intermediate goods imports grew by 7.1 percent to US$162.2 million, due in part to a 22.6 percent increase in the cost of parts and accessories. The cost of fuel and lubricants also recorded a 15.9 percent or US$11.4 million increase to US$83.4 million.

Capital goods imports recorded a 3.4 percent decline to US$65 million, mainly on account of a decline in all of the categories of capital goods except for industrial machinery which increased by more than 300 folds. Consumption goods imports rose by 1.7 percent to US$67.5 million, reflecting mainly increases in the sub-categories of motor cars, other semi-durable and other durable sub-items.

Table 8

Imports January - June US$Million		
Items	**2003**	**2004**
Consumption Goods		
Food-Final Consumption	23.3	23.1
Beverages & Tobacco	5.3	4.3
Other Non-Durables	16.3	15.8
Clothing & Footwear	5.5	3.1
Other Semi-Durables	3.3	4.0
Motor Cars	5.4	7.4
Other Durables	7.1	9.8
Sub-total	***66.3***	***67.5***
Intermediate Goods		
Fuel & Lubricants	72.0	83.4
Food-Intermediate use	10.0	9.7
Chemicals	13.6	12.6
Textiles & Clothing	3.5	4.1
Parts & Accessories	14.2	17.4
Other Intermediate Goods	38.2	35.1
Sub-total	***151.4***	***162.2***
Capital Goods		
Agricultural Machinery	15.3	10.0
Industrial Machinery	3.3	15.9
Transport Machinery	16.5	8.9
Mining Machinery	2.0	0.9
Building Material	15.2	16.0
Other Goods	15.0	13.2
Sub-total	***67.3***	***65.0***
Miscellaneous	**0.4**	**0.7**
Total Imports	**285.5**	**295.5**

Services and Unrequited Transfers

Although Guyana remains a net importer of services, the deficit on this account contracted from US$45.5 million in 2003 to US$40.2 million in 2004. This outturn reflected higher receipts of non-factor services, particularly on royalties and licensing fees and communication services which was partially offset by the large deficit on freight and merchandise insurance.

Payment for freight and merchandise insurance totaled US$33 million compared with US$31.4 million in 2003. Inflows from royalties and licensing fees and communication services amounted to US$15 million and US$24.6 million respectively compared with US$14.3 million and US$23.4 million respectively for 2003.

Net factor payments increased to US$31.7 million from US$29 million in 2003, reflecting lower receipts on investments in foreign treasury bills and other foreign government securities. Interest on public sector debt reduced to US$5.5 million from US$14.9 million one year earlier on account of interest relief granted to the government under the HIPC initiative.

Net current transfers amounted to US$42.2 million and were influenced primarily by net inflows to the private sector of US$92.3 million compared with US$71.5 million in 2003. The increase stemmed mainly from workers remittances and other unrequited transfers which amounted to US$74.3 million and US$9.1 million respectively compared with US$61.1 million and US$3.1 million respectively in 2003. Workers remittances also represented the main form of current outflows at US$27.5 million followed by remittances to bank accounts abroad which amounted to US$18.9 million.

CAPITAL ACCOUNT

The capital account recorded a net inflow of US$49.2 million, 78.3 percent higher than the corresponding 2003 level. Some of the factors that contributed to this favorable outturn were higher loan disbursements, lower debt service and a decline in the accumulation of foreign assets by the commercial banks in Guyana.

Central government and the non-financial public enterprises benefitted from higher net inflows during the first half of 2004 that stemmed from higher bilateral and multilateral disbursements coupled with lower debt service payments. Disbursements from multilateral and bilateral sources rose to US$20 million from US$17.3 million in 2003. Amortization payments were lower at US$6.2 million from US$13.4 million in 2003.

Net private sector long-term capital inflows remained relatively stable at US$24.2 million from US$24 million in 2003. Net short-term private capital outflows contracted to US$3.3 million from US$10.4 million at end-June 2003.

OVERALL BALANCE AND FINANCING

The overall balance of payments deficit contracted from US$19.6 million in 2003 to US$10.6 million at the end of June 2004, on account of an improvement in the current and capital accounts. The deficit was financed mainly from the reserves of the Bank of Guyana and by debt relief under the HIPC initiatives. Gross international reserves at the Bank declined to US$246.5 million, equivalent to 3.39 months of imports on goods and services compared with reserves to the value of US$262.4 million or 3.79 months of imports in 2003.

Disbursements
US$ Million

	January - June	
	2003	**2004**
IDA	3.1	3.2
CDB	1.7	2.8
IFAD	0.6	0.7
IDB	12.0	13.1
EID	0.0	0.0
Total	**17.3**	**20.0**

"

3. FOREIGN EXCHANGE MARKET DEVELOPMENTS

The cambio market's performance was mixed during the first half of 2004 with demand pressure rising towards the end of the first quarter but weakening by the end of the second quarter. The rising demand for foreign exchange towards the end of the first quarter was influenced by rising oil prices which had an impact on domestic prices. This was reflected in a 2.4 percent depreciation of the Guyana dollar against the US dollar. The volume of foreign currency transactions decreased by 11.8 percent at end-June 2004.

FOREIGN EXCHANGE RATES AND VOLUMES

The Guyana dollar vis-a-vis the United States (US) dollar, depreciated by 2.4 percent during the first half of 2004 due largely to the impact of higher oil prices. Total recorded foreign exchange transactions of the cambios and Bank of Guyana was US$856.1 million, a decline of 11.8 percent below the US$970.8 million recorded for the corresponding period last year.

The Exchange Rate

The Guyana dollar depreciated by 2.4 percent against the US dollar during the first half of the year. The weighted mid-rate, which stood at G$194.74 per US at end-December 2003 depreciated by 2.4 percent to G$199.43 at end-June 2004. The Bank's transactions exchange rate, an unweighted average of the three largest dealers in the market, also mirrored the movements in the market, starting the year at G$194.25 per US dollar on January 2 and closing at G$198.75 per US dollar on June 30, 2004.

The reported cambio market spread between purchases and sales exchange rates, expressed as a percent of the weighted mid rate, an indicator of dealers' cost recovery, margins and expectations about the short run changes in the future exchange rate, decreased from 2.5 percent at the beginning of the year to 1.3 percent by end-June 2004.

The spread between the purchases and sales exchange rates for both bank and non-bank cambios reflected the trend of the overall market. The bank cambios' spread decreased from 3.3 percent of the weighted mid-rate at end-December 2003 to 1 percent at end-June 2004, while the non-bank cambios' spread declined from 1.8 percent of the weighted mid-rate to 1.6 percent at end-June 2004, reflecting an ease in demand in the market.

The spreads between the bank and non-bank purchases and sales rates, which reflect the status of competition in the market and changes in different components of demand, widened during the first half of 2004. The absolute difference between the two types of dealers' purchase rates moved from negative G$5.1 at end-December 2003 to G$2.2 at end-June 2004, while the difference in the sales rates moved from negative G$2.3 to G$1.1 for the same period. This pattern of growth reflected, in part, the shift in demand to the bank cambios currency segment of the market.

Overall Market Volumes

The volume of all foreign currency transactions which amounted to US$856.1 million for the first half of the year was 11.8 percent lower than that recorded for the same period in 2003. Total cambio transactions' volume which amounted to US$598.4 million was 23.4 percent higher than the US$485.1 million recorded for the same period in 2003. During the review period, commercial banks accounted for 92.4 percent of the cambio market volume, thus maintaining their market dominance.

Purchases and sales remained almost equal during the review period. At end-June, total cambio purchases stood at US$300.7 million while total sales were US$297.8 million, resulting in US$2.9 million in net purchases (excess supply) over the review period.

The total number of foreign currency accounts approved by the Bank (including exporters' retention accounts) stood at seven hundred and one (701) or 3.4

percent higher than for the corresponding period of last year. Six (6) new accounts were opened during the review period. The value of debits and credits through these accounts at end-June 2004 amounted to US$31 million and US$31.8 million respectively. The balances outstanding on these accounts at end-June totaled US$37.4 million.

The market continued to be dominated by US dollar denominated transactions. During the review period, these transactions accounted for 92.3 percent of the cambio market turnover, lower than the 94.8 percent recorded for the same period last year. At end-June, the Pound Sterling accounted for 3.6 percent from 2.8 percent for the corresponding period in 2003, while the Canadian dollar's share marginally increased to 2 percent. The Euro's share was 0.7 percent.

CARICOM Currencies

The value of CARICOM currencies traded in the cambio market at end-June 2004 was the equivalent of US$8.1 million, compared with US$5.3 million in the corresponding period in 2003. Approximately 96.4 per cent represented transactions involving Barbados and Eastern Caribbean currencies.

The exchange rates of Bahamas, Barbados, Belize and Eastern Caribbean Countries remained unchanged while the floating exchange regime countries of Jamaica and Trinidad and Tobago continued to maintain relatively stable exchange rates. ”

4. PUBLIC FINANCE

The overall financial operations of the public sector, computed on a cash basis, improved during the first half of 2004. This reflected mainly higher central government revenue inflows along with a strengthening of the operations of the non-financial public enterprises (NFPEs).

CENTRAL GOVERNMENT

The central government's overall balance improved to an overall surplus of G$4,427.1 million from a deficit of G$1,160.7 million at end-June 2003. This outturn was due primarily to stronger revenue inflows in the current account along with a reduction in the deficit of the capital account.

Current Account

The current account surplus rose to G$6,461.9 million from G$1,125.2 million one year ago, and mainly reflected a rebound in revenue growth coupled with a decline in both non-interest expenditure and interest charges.

Revenue

Total current revenue (excluding the reimbursable rice levy) increased by 19.1 percent or G$4,197.4 million to G$26,146.2 million and represented 54.6 percent of the annual budgeted amount. This reflected higher collections of both the Internal Revenue Department and Customs & Trade Administration.

The Internal Revenue Department's receipts increased by 17.9 percent or G$2,003.7 million to G$13,207.8 million, and represented 50.5 percent and 55.1 percent of the total current revenue and the year's target respectively. This performance was attributed mainly to a 32.6 percent or G$1,325.8 million rise in collections from companies (including self-employed and corporations), to G$5,398.2 million. Revenue from income tax on other sources also increased by 7.6 percent or G$362.7 million to G$5,109.3 million. However, net property taxes declined by 4.9 percent to G$630.2 million.

The Customs & Trade Administration's collection increased by 37.5 percent or G$3,094.2 million to G$11,341.3 million. This accounted for 43.4 percent of total current revenue and 55.3 percent of the amount budgeted for the year. The outturn resulted mainly from an increase of 45.5 percent or G$2,989.8 million in consumption tax receipts to G$9,560.9 million, due mainly to a 51.1 percent or G$2,498.1 million increase in receipts from the consumption tax on imports.

Table 9

Central Government Finances (G$ Million)

	January - June		
	2002	**2003**	**2004**
CURRENT ACCOUNT			
Revenue	22,647.4	21,948.8	26,146.2
Expenditure	16,725.9	18,035.6	17,573.2
Current Primary Bal.	5,921.4	3,913.2	8,573.0
Interest	3,733.7	2,788.0	2,111.1
Current Balance	2,187.7	1,125.2	6,461.9
CAPITAL ACCOUNT			
Receipts	1,802.7	3,887.0	4,100.9
Expenditure	6,638.2	6,172.9	6,135.7
OVERALL BALANCE	(2,647.8)	(1,160.7)	4,427.1
FINANCING	2,647.8	1,160.7	(4,427.1)
Net External Borrowing	2,322.1	2,109.4	2,188.2
Net Domestic Borrowing	1,174.6	7,009.5	(1,044.6)
Net Divestment Proceeds	0.0	2,000.0	0.0
Other Financing	(848.9)	(9,958.2)	(5,570.7)

Expenditure

Total current expenditure amounted to G$19,684.3 million, a decrease of 5.5 percent or G$1,139.2 million from G$20,823.5 million one year earlier. This represented 41 percent of the budgeted amount for the year and was attributed mainly to a decline in interest costs along with a 53.3 percent or G$759.4 million decline in transfers to LINMINE, which amounted to G$664.5 million. This comprised G$307.3 million for community power and G$357.2 million as payments for the purchase of fuel oil. However, materials, equipment & supplies costs, along with electricity charges, rose by 34.3 percent and 17.6 percent respectively or G$186.2 million and G$150.9 million to G$728.5 million and G$1,007.6 million respectively. Employment costs also increased by 5.6 percent or G$432.8 million to G$8,137.8 million, and reflected the increase in salaries paid to public servants in the last quarter of 2003, the recruitment of judicial staff and promotions within the Guyana Police Force.

Interest expenditure decreased by 24.3 percent to G$2,111.1 million from G$2,788 million. External interest expenditure declined by 39.6 percent or G$540.9 million to G$823 million and reflected the revised debt service schedule subsequent to Guyana reaching its completion point under the E-HIPC initiative in December 2003. Domestic interest charges contracted by 9.6 percent or G$136 million to G$1,287.7 million, mainly on account of lower interest charges on the stock of treasury bills redeemed.

Capital Account

The capital account deficit contracted by 11 percent or G$251.1 million to G$2,034.8 million during the review period. This was partly due to a decline in development expenditures, but also reflected an increase in capital receipts.

Capital revenue increased by 5.5 percent or G$213.9 million to G$4,100.9 million, due mainly to the 4.9 percent or G$152.3 million increase in HIPC relief receipts to G$3,257.1 million.

Capital expenditure decreased by 0.6 percent or G$37.2 million to G$6,135.7 million. This decline was due mainly to a scarcity of technical staff along with insufficient raw materials on some projects.

Overall Balance and Financing

The overall balance registered a surplus of G$4,427.1 million compared with the deficit of G$1,160.7 million one year ago.

Net external financing was G$2,188.2 million as disbursements amounted to G$3,937.1 million. Principal payments increased by 7.7 percent or G$174.3 million to G$2,439.9 million. Rescheduled debt totaled G$691 million.

Net domestic financing declined by G$1,044.6 million in contrast to the G$7,009.5 million borrowed in the first half of 2003. Net borrowing from the banking system decreased by G$2,813.5 million to G$4,449.4 million, while nonbank financing (in the form of treasury bills and other securities) declined by G$5,494 million.

NON-FINANCIAL PUBLIC ENTERPRISES

The cash performance of the non-financial public enterprises (NFPEs), including the National Insurance Scheme (NIS), along with the Guyana Power & Light Incorporated (GPL) which was reclsssified as a public company in May 2003, improved to a deficit of G$126.2 million from the deficit of G$2,731.5 million registered one year ago. This was due mainly to an improvement in the operations of GUYSUCO, AROIAMA and LINMINE. When GPL was excluded, the overall deficit increased to G$483 million.

Current Account

The cash balance of the NFPEs including GPL, improved to a surplus of G$861.3 million compared with a deficit of G$1,510.8 million in the first half of 2003, and reflected the generally strong revenue growth of the public enterprises. Current expenditure, including GPL, increased by 15.5 percent to G$32,083.2 million. When GPL was excluded, current expenditure decreased by 1.2 percent. Transfers to central government grew by 19.1 percent or G$90.8 million to G$565.7 million. When GPL was excluded, the cash surplus reduced to G$447.8 million.

Receipts

The current cash receipts of the NFPEs, including GPL, increased by 25.3 percent or G$6,758.1 million to G$33,510.2 million.

Table 10

Summary of Public Enterprises Finances
G$Million

	January - June		
	2002	**2003***	**2004***
Current Revenue	21,112.6	25,049.2	33,510.2
Current Expenditure	21,321.8	26,633.5	32,083.2
Oper. Sur.(+)/Def.(-)	(209.3)	(1,584.3)	1,427.0
Transf. to Cent. Govt	330.4	474.9	565.7
Cash Sur.(+)/Def.(-)	(539.7)	(2,059.2)	861.3
Capital Expenditure	969.4	1,220.7	987.5
Overall Cash Sur.(+)/Def(-)	(1,509.0)	(3,279.9)	(126.2)
Financing	1,509.0	3,279.9	126.2
Ext. Borrowing (net)	1,210.4	2,816.6	1,495.2
Domestic Fin. (net)	298.6	463.3	(1,369.0)

* Includes GPL

When GPL was excluded, current cash receipts increased by 7.4 percent or G$1,835.9 million to G$26,693.9 million. This outturn reflected mainly higher receipts from both export and local sales of 26.1 percent and 39.2 percent or G$2,695.3 million and G$2,184.2 million respectively to G$13,026.1 million and G$7,752.3 million, respectively.

The growth in export receipts, which accounted for 48.8 percent of total current revenue, excluding GPL, reflected mainly the G$1,067.2 million increase in export sales of LINMINE to G$1,761.5 million. Export revenue growth from bauxite operations in Berbice also contributed to the current export performance.

The increase in local sales was due mainly to the 101.4 percent or G$1,654.6 million growth in revenues from GUYOIL to G$3,285.6 million. Local sales by GUYSUCO also increased by 20.5 percent or G$166 million to G$975 million while NIS's receipts (in the form of contributions) increased by 11.3 percent or G$324 million to G$3,202.6 million. Local sales by Guyana National Shipping Corporation (GNSC) increased by 22.3 percent or G$29.4 million to G$161.3 million.

Receipts from debtors declined by 35.6 percent or G$2,176.3 million to G$3,939.9 million while other receipts declined by G$867.2 million to G$1,975.7 million.

NIS's total receipts decreased by 7.3 percent to G$3,392.6 million and was due to a 75.7 percent or G$591.7 million decline in other income, which included investment income. Receipts in the form of contributions, however, increased by 11.3 percent to G$3,202.6 million due ,in part, to an increase in the contribution rate for both employed and self-employed workers, effective April 2004. Investment income declined, and resulted from reduced rates offered on fixed deposit and lower rates on local treasury bills.

Expenditure

Total current expenditure of the NFPEs, including GPL, increased by 15.5 percent or G$4,295.2 million to G$32,083.2 million.

When GPL was excluded, total current expenditure declined by 1.2 percent or G$301.1 million to G$25,705.3 million. Payments to creditors increased by 53.8 percent or G$2,123 million to G$6,069.7 million, while materials & supply costs contracted by 13 percent or G$902.6 million to G$6,036.6 million. Employment costs also declined by 13.3 percent or G$1,139.9 million to G$7,419.1 million, mainly on account of the G$977 million reduction in spending on this category by GUYSUCO. GUYSUCO's lower employment costs was due to the non-payment of the annual production incentive which is currently under review, as well as, lower weekly incentives paid in the first half of 2004. Employment costs for AROIAMA increased by 44.5 percent or G$168.6 million to G$547.2 million. Repairs & maintenance and other costs contracted by 29.7 percent and 3.1 percent respectively or G$212 million and G$180.1 million to G$501.7 million and G$5,629.9 million respectively. However, interest costs increased by G$10.6 million to G$48.2 million.

Total current expenditure by NIS grew by 7.8 percent or G$205.9 million to G$2,839.3 million. This was attributed mainly to an increase of G$194.2 million in payments to pensioners which reflected the 5 percent increase in pension benefits, effective January 01, 2004.

Capital Account

Capital expenditure of the NFPEs, including GPL, decreased by 19.1 percent or G$233.2 million to G$987.5 million, mainly on account of lower capital outlays by GUYSUCO during the review period.

Capital expenditure of the NFPEs, excluding GPL, decreased by 22.1 percent or G$264.5 million to G$930.8 million.

Overall Balance and Financing

The overall deficit of the NFPEs, including GPL, reduced by G$2,605.3 million to G$126.2 million from G$2,731.5 million at end-June 2003. This outturn was due in a large part to the 51.1 percent or G$1,586 million decline in GUYSUCO's deficit to G$1,519 million.

The overall deficit was financed by borrowing from external sources amounting to G$1,495.2 million as net domestic resources increased by G$1,369 million. This increase reflected a G$335.7 million rise in banking system resources, a G$6,376.1 million decrease in treasury bill holdings and an increase in holdings of other domestic resources of G$7,412.5 million.

When GPL was excluded, the deficit increased to G$483 million at end-June 2004. ”

5. PUBLIC DEBT

The stock of government's domestic bonded debt increased by 1.6 percent while its external public and publicly guaranteed debt declined by 18.1 percent. The former reflected the issuance of treasury bills consistent with the Bank's monetary policy stance while the decrease in external debt was due mainly to the delivery of debt relief under the Heavily Indebted Poor Countries (HIPC) Initiatives. Domestic interest charges decreased as a result of lower interest costs on the volume of treasury bills redeemed while the decline in external debt service reflected the new debt service schedule subsequent to Guyana reaching its completion point under the Enhanced HIPC initiative in December 2003. The Paris Club creditors on January 14, 2004 formally delivered their share of debt relief under the enhanced framework for HIPC Initiative.

Stock of Domestic Debt

The outstanding stock of government domestic bonded debt, which consisted of treasury bills, debentures and defence bonds, totaled G$63,707 million, an increase of 1.6 percent at end-June 2004 and 2.9 percent above the end-December 2003 balance. The increase from one year earlier was mainly due to the issuance of treasury bills consistent with the Bank's monetary policy objectives. The stock of defence bonds declined by 3.3 percent or G$0.1 million to G$3.4 million while the stock of debentures remained unchanged at G$11,817 million.

Table 11

Central Government Bonded Debt by Holders
G$ Million

	Jun. 2003	Dec. 2003	Jun. 2004
Total Bonded Debt	62,693	61,923	63,707
Treasury Bills	50,873	50,103	51,887
91-day	3,561	3,711	6,062
182-day	11,256	9,855	8,645
364-day	36,056	36,536	37,181
Debentures	11,817	11,817	11,817
Defense Bonds	4	4	3

The total outstanding stock of treasury bills increased by 2 percent from its end-June 2003 level and 3.6 percent during the first half of the year to G$51,887 million. The maturity structure of the outstanding stock of treasury bills changed from one year earlier, with the share of 91-day and 364-day bills increasing by 4.7 percentage points and 0.8 percentage points respectively, to 11.7 percent and 71.7 percent respectively, and the share of 182-day bills contracting by 5.5 percentage points to 16.7 percent.

The stock of 91-day and 364-day bills increased by 70.3 percent and 3.1 percent respectively, to G$6,062 million and G$37,181 million respectively, while that of the 182-day bills declined by 23.2 percent to G$8,645 million.

The commercial banks retained the largest share of outstanding stock of treasury bills with 63.7 percent, compared with the 50.8 percent one year earlier. The public sector's share, of which the NIS was the only shareholder, reduced to 7.9 percent from 23.9 percent twelve months earlier. The share of the other financial intermediaries increased to 23.9 percent at end-June 2004 from 21.9 percent one year ago.

Treasury bills issued during the first six months of 2004 increased by 3 percent to G$35,715 million. Issues of the 182-day bills fell by 23.2 percent to G$8,645 million, while issues of the 91-day and 364-day maturities increased by 45.2 percent and 3.8 percent to G$9,624 million and G$17,447 million respectively. There was no issues of debentures during the review period.

Redemptions of treasury bills during the first half of 2004 increased by 0.7 percent to G$33,931 million. Redemptions of the 182-day and 364-day issues contracted by 3.3 percent and 3.9 percent to G$9,855 million and G$16,802 million respectively, while that of the 91-day maturity increased by 20.4 percent to G$7,273 million. No debentures were redeemed during the review period.

Domestic Debt Servicing

Gross domestic interest paid at end-June 2004 totaled G$1,288 million, 9.6 percent or G$136 million less than that paid one year earlier. This was primarily due to lower interest charges on the stock of treasury bills and debentures, and reflected the lower benchmark treasury bill rate. Interest paid on the 91-day bills increased by 15.3 percent or G$8 million to G$62 million while that on the 182-day bills contracted by 19.1 percent or G$39 million to G$164 million. Interest paid on the 364-day maturity also reduced by 32.3 percent or G$357 million to G$749 million.

Table 12

Domestic Debt Servicing
G$ Million

	Jun. 2003	Dec. 2003	Jun. 2004
Total Bonded Debt	1,424	2,932	1,288
Treasury Bills	1,362	2,522	975
91-day	54	134	62
182-day	202	403	164
364-day	1,107	1,984	749
Debentures	61	411	313

However, the G$252 million increase in debenture interest costs to G$313 million reflected the payment on the stock of debentures issued to the National Bank of Industry & Commerce Limited in March 2003.

Stock of External Debt

The stock of outstanding public and publicly guaranteed external debt contracted by 18.1 percent or US$225.5 million to US$1,020.5 million from US$1,246 million at end-June 2003. This decline reflected mainly the debt relief received under the HIPC initiatives.

Table 13

Structure of External Public Debt
(US$ Million)

	Jun. 2003	Dec. 2003	Jun. 2004
Multilateral	854.0	916.8	911.0
Bilateral	336.6	120.0	87.0
Suppliers' Credit	14.9	14.3	13.4
Financial Mkt/Bonds	40.4	41.0	9.2
Total	1,246.0	1,092.0	1,020.5

Guyana reached its completion point under the enhanced framework of the Heavily Indebted Poor Countries (HIPC) Initiative in December 2003. The Paris Club creditors on January 14,2004 formally delivered their share of debt relief under this initiative, cancelling US$95 million in net present value terms of Guyana's stock of debt. Most creditors bilaterally committed to grant Guyana additional debt relief so that Guyana's debt obligations to the Paris Club will be further reduced by US$33 million in net present value terms.

Obligations to the multilateral creditors, which accounted for 89.3 percent of outstanding debt, increased by 6.7 percent or US$56.9 million to US$911 million, and reflected the utilization of external resources along with domestic finance to implement capital projects. Indebtedness to the Inter-American Development Bank, the largest multilateral creditor increased by 9.3 percent or US$35 million to US$412.2 million from one year earlier. Obligations to the Caribbean Development Bank also increased by 14.5 percent or US$9.3 million to US$73.1 million. However, indebtedness to the CARICOM Multilateral Clearing Facility and the International Monetary Fund declined by US$8 million and US$5.4 million to US$39.9 million and US$84.9 million respectively.

Table 14

External Debt Service Payments US$Million			
January - June 2004			
	Principal	**Interest**	**Total**
Total	12.4	6.0	18.5
Bank of Guyana	5.8	1.5	7.3
Central Gov't	6.2	4.4	10.6
Parastatals	0.5	0.1	0.6
January - June 2003			
Total	16.8	8.9	25.7
Bank of Guyana	7.9	1.7	9.6
Central Gov't	8.4	7.1	15.5
Parastatals	0.5	0.1	0.6

Total bilateral obligations, which represented 8.5 percent of total external debt at end-June 2004, contracted by 74.2 percent or US$249.6 million to US$87 million, mainly reflecting the delivery of relief by the Paris Club creditors under the Enhanced HIPC initiative.

Obligations to Trinidad & Tobago, Guyana's largest bilateral creditor, declined by 70.2 percent or US$123.8 million to US$52.6 million from US$176.4 million at end-June 2003. This represented 60.5 percent and 5.2 percent of bilateral and total external debt respectively.

External Debt Servicing

Debt service payments during the first half of 2004 declined by 28.1 percent or US$7.2 million to US$18.5 million, reflecting the new debt service schedule under the Enhanced HIPC Initiative. The debt service ratio declined to 6.8 percent from 11.1 percent one year ago.

Principal and interest payments totaled US$12.4 million and US$6 million respectively. Central government debt service declined by 31.7 percent or US$4.9 million to US$10.6 million, while the Bank of Guyana remitted US$7.3 million in debt service, US$2.4 million less than that paid in the comparable period. Payments to multilateral creditors totaled US$16.1 million or 86.9 percent of total debt service, while bilateral creditors received US$1.8 million. Debt service to the International Monetary Fund amounted to US$2.2 million, while payments to the Inter-American Development Bank totaled US$4.5 million. The IDA and OPEC received US$1.4 million and US$1 million respectively.

Total HIPC debt relief received during the first half of 2004 increased by 54.4 percent or US$10.5 million to US$29.7 million. Relief under the O-HIPC initiative totaled US$10.3 million, 11.4 percent or US$1.3 million less than the comparable period last year. However, relief under the E-HIPC initiative increased by US$11.8 million to US$19.4 million. ‘

6. MONEY AND BANKING

Monetary policy primary focus continued to converge on the management of excess liquidity to foster a relatively stable price level, promote the efficient expansion of private sector credit and a responsive exchange rate. During the review period broad money grew marginally by 0.3 percent while private sector credit declined by 3.1 percent on account of cautious lending by commercial banks. Interest rates remained relatively stable over the analytical period. Some interest rates spreads contracted as lending rates reduced faster than deposit rates. The nonbank financial institutions continued to mobilize resources in the financial sector.

MONETARY DEVELOPMENTS

Money Supply

Broad money (M2), comprising currency in circulation and private sector deposits, grew by 0.3 percent to G$106,615 million. This was lower than the 1.5 percent recorded during the corresponding period last year. The growth reflected a deceleration in quasi-money growth and a contraction in narrow money.

Quasi-money, comprising interest-earning savings and time deposits of the private sector, registered a 1.6 percent growth during the review period, which was lower than the 4.1 percent growth recorded for the corresponding period in 2003. This outturn resulted primarily from a 7.2 percent or G$4,078 million expansion in savings deposits since time deposits decreased by 15.3 percent or G$2,841 million. Consequently, savings deposits share of quasi-money expanded by 2 percentage points to 57 percent during the review period.

Narrow money (M1), consisting of currency in circulation, private sector demand deposits and cashiers' cheques and acceptances, decreased by 2.9 percent to G$29,912 million, below the end-December 2003 level. This outturn reflected a decline in currency in circulation by 10.2 percent or G$1,820 million to G$16,068 million while demand deposits including cashiers' cheques and acceptances rose by 7.3 percent or G$940 million to G$13,844 million.

Table 15

Monetary Survey
(G$ Million)

	Jun. 2003	Dec. 2003	Jun. 2004
Narrow Money	24,908	30,793	29,912
Quasi Money	74,754	75,466	76,703
Money Supply	**99,662**	**106,259**	**106,615**
Net Dom. Credit	23,823	25,199	27,899
Public Sect. (Net)	(14,973)	(13,317)	(8,755)
Private Sect. Credit	**47,969**	**48,594**	**47,102**
Agriculture	3,471	3,539	3,553
Manufacturing	5,906	6,525	5,709
Rice Milling	3,912	3,558	3,268
Distribution	8,764	9,317	8,169
Personal	8,275	9,131	7,451
Mining & Quarrying	717	706	656
Other Services	5,383	5,746	5,667
Transp. & Com.	993	956	1,264
Ent. & Catering	1,436	1,795	1,642
Prof. Services	575	574	578
Other	2,379	2,421	2,183
Mortage Loans	3,320	3,632	6,064
Other	8,221	6,440	6,565
Financial Institutions	(9,172)	(10,078)	(10,448)
Net Foreign Assets	33,150	38,080	37,528
Other Items (Net)	42,688	42,980	41,188

Reserve Money

Reserve money amounted to G$34,577 million, 13.8 percent or G$5,528 million below end-December 2003 level. This compared with a 6.8 percent or G$2,474 million decline in the corresponding period in 2003.

The overall decrease reflected a 16.7 percent and 10.2 percent contraction in the reserve deposits of the commercial banks and currency in circulation respectively. This outturn was as a consequence of a 6.1 percent and 26.6 percent decline in the net foreign assets and net domestic assets respectively. The decrease in the net domestic assets revealed higher net deposits by central government. The reduction in net foreign assets reflects an 8.1 percent or G$2,241.1 million decline in foreign liabilities as well as a 7.1 percent or G$43,760.6 million in foreign assets.

Commercial Banks Deposits
The total deposits of the commercial banks grew during the review period. The public, private and nonbank financial institutions sectors contributed to the collective increase in total deposits.

Table 16

Reserve Money
(G$ Million)

	Jun. 2003	Dec. 2003	Jun. 2004
Net Foreign Assets	23,393	25,011	23,492
Net Domestic Assets	10,477	15,094	11,085
Credit to Pub. Sect.	(38,784)	(35,540)	(38,295)
Liabilities to:			
Commercial Banks	19,592	22,217	18,510
Currencies	1,161	1,886	1,475
Deposits	18,370	20,269	16,973
EPDS	62	62	62
Currency in cir.	14,278	17,888	16,068
Reserve Money	33,870	40,105	34,578

Deposits
Total deposits of residents, inclusive of the private and public sectors and the nonbank financial institutions, recorded higher growth than for the previous comparable period. Residents' deposits rose by 4.7 percent or G$5,054.5 million to G$113,738.9 million, compared with a 3.2 percent or G$3,203.6 million increase during the first half of 2003.

Private sector deposits, which accounted for 79.1 percent of total deposits by residents at the end of June 2004, grew by 3.6 percent or G$3,119.5 million slightly higher than the 3.7 percent growth registered for the corresponding period in 2003. Business enterprises and individual customers' deposits grew by 3.9 percent and 3.5 percent respectively. This compared with increases of 3.3 percent and 3.8 percent for the comparable period last year. Business enterprises' share of total deposits was 21.4 percent while households' share was 78.6 percent at end-June 2004.

The deposits of the public sector expanded by 15.7 percent or G$1,712.6 million to G$12,621.5 million during the review period. This was a reversal of the 5.1 percent or G$521.2 million decrease for the similar period in 2003. This resulted from a 13.8 percent or G$1,169.8 million increase of general government deposits, while public non-financial enterprises also increased by 22.6 percent or G$542.9 million.

The deposits of the nonbank financial institutions grew by 2 percent or G$222.3 million to G$11,156.1 million compared with an increase of 7.5 percent or G$692.6 million for the comparable period during the first half of 2003.

Investments
Commercial banks during the review period continued to hold relatively high level of investment in securities and private sector loans and advances. At end-June 2004, banks' investments amounted to G$80,883.5 million or 58 percent of total assets compared with G$77,441 million or 60 percent of total assets end-June 2003. Investments were higher by 4.8 percent or G$1,870 million compared with a 2 percent or G$1,563.6 million decline for the corresponding period in 2003. The higher level of investments resulted from larger holdings of government securities reflecting bankers' need to hold relatively risk free instruments in their portfolios. At end-June 2004, investments in government of Guyana treasury bills grew by 31.4 percent or G$7,639.8 million to

G$31,968.7 million while private sector loans and advances declined by 8.7 percent or G$3,923.2 million.

Net Domestic Credit

Total net domestic credit, comprising private sector credit and net borrowing from the banking system by public sector and nonbank financial institutions, grew by 10.7 percent or G$2,700 million to G$27,899 million at the end of June 2004. This compared with a decline of 15.3 percent or G$4,318 million at end-June 2003. This outturn resulted mainly from the higher credit to central government and public enterprises. However, net deposits of the financial institutions increased by 3.7 percent or G$369.4 million and gross credit to the private sector decreased.

Credit to the Private Sector

Credit to the private sector continued to decline during the review period. At end-June 2004 private sector credit decreased by 3.1 percent or G$1,492 million compared with 18.2 percent or G$10,696 million reduction at the end of June 2003. This outturn reflected the cautious lending policies of the commercial banks and dampened demand for credit by the public. Private sector credit was 44.2 percent of M2 compared with 48.1 percent at end-June 2003.

The reduction in credit was largest in the personal, distribution and manufacturing sectors at end-June 2004. Personal sector credit contracted by 18.4 percent or G$1,680 million. Loans to the distribution sector fell by 12.3 percent or G$1,149 million and credit to the manufacturing sector also declined by 12.5 percent or G$816 million during the review period. Credit to the rice milling and mining sectors decreased by 8.2 percent and 7.1 percent respectively. Other services' credit contracted by 1.4 percent or G$78 million compared with a 17.2 percent or G$1,117 million reduction in the previous half-year. The real estate mortgage loans sector, which was the largest recipient of private sector credit, recorded an increase of 66.9 percent or G$2,431 million at end-June 2004. Loans to the agriculture sector grew by 0.4 percent over the review period in contrast to a decrease of 49.4 percent in June 2003. Apart from loans, the other category of credit, which is largely made up of purchases of local securities by commercial banks, rose by 2 percent compared with an expansion of 4.8 percent for the same period last year.

Credit to the Public Sector

The public sector continued to be a net depositor of funds with the banking system but at a lower level during the review period. At end-June 2004, the net deposits of the public sector (deposits net of loans, advances, treasury bills and debentures) decreased by 34.3 percent or G$4,561 million to G$8,755.2 million while those of public enterprises reduced by 52.9 percent or G$837 million. Net deposits of the rest of the public sector, which includes the local government, the National Insurance Scheme, pension funds and other special funds, increased by 4.2 percent or G$1,792 million over the analytical period.

Net Foreign Assets

The net foreign assets of the banking system decreased by 3.7 percent or US$7 million to US$188.8 million at end-June 2004. The net foreign assets of the commercial banks improved to US$70.6 million at end-June 2004, a 5 percent or US$3 million increase over the end-December 2003 level.

Liquidity

The level of liquidity in the banking system remained high over the review period which was evidenced by the level of liquid assets of the commercial banks. Total liquid assets of the commercial banks amounted to G$42,866 million or 7.2 percent above the end of 2003. The banks' excess liquid assets amounted to G$18,401 million or 75.2 percent above the required amount. The high level of excess liquid assets reflected the banks' preference for short-term assets comprising mainly of government of Guyana treasury bills. Treasury bills accounted for 76.7 percent of total liquid assets compared with 71.7 percent at end-June 2003.

The required reserves of the banks which amounted to G$14,057 million, was 4 percent higher than end-2003 level, reflecting the increase in savings deposit liabilities over the analytical period. Reserves in excess of the minimum requirement averaged G$2,461 million and were 17.4 percent of the average required reserves for the review period.

Table 17

Commercial Banks Interest Rates and Spreads		Jun. 2003	Dec. 2003	Jun. 2004
		Percent per annm		
1. Small Savings Rate		3.96	3.46	3.42
2. Weighted Average Time Deposit Rate		3.66	3.24	3.21
3. Weighted Average Lending Rate		16.22	15.58	14.85
4. Prime Lending Rate		14.88	14.88	15.54
5. Average 91-day Treasury Bill Rate		2.99	3.40	3.52
Spreads				
	A (3-1)	12.26	12.12	11.43
	B (4-1)	10.92	11.42	11.12
	C (5-1)	-0.97	-0.06	0.10
	D (3-2)	12.56	12.34	11.64
	E (4-2)	11.22	11.64	11.33

Interest Rates

Commercial banks' interest rates trended downwards during the review period. However, the 91-day treasury bill rate, the benchmark for the interest rate structure, increased by 12 basis points from 3.40 percent at end-December 2003 to 3.52 percent at end-June 2004, reflecting market demand conditions.

The small savings rate decline by 4 basis points below the end-December 2003 level to 3.42 percent at end-June 2004. The weighted average lending rate declined by 73 basis points compared with 61 basis points for the corresponding period in 2003.

The Commercial banks' interest rates spreads contracted as the lending rates adjusted faster than the deposits rates. The intermediation spread between the savings rate and the weighted average lending rate declined by 69 basis points over the review period. The spreads between the prime lending rate and the small savings rate decreased to 11.12 percent from 11.42 percent at the end of 2003.

The spreads between the weighted average lending rate and the weighted average time deposit rate decreased to 11.64 percent from 12.34 percent at the end of December 2003.

NON-BANK FINANCIAL INSTITUTIONS

The total resources of the non-bank financial institutions (NBFIs), comprising the New Building society (NBS), trust companies, insurance companies, finance companies and pension schemes, amounted to G$88,429 million, 12.3 percent or G$9,692.6 million above the end-December 2003 level. Consequently, NBFIs' share of total assets in the financial sector rose to 38.8 percent from 35.7 percent for the corresponding period in 2003.

The additional resources mobilized were derived mainly from a 68.6 percent or G$6,873.1 million expansion in life insurance premia, a 6 percent or G$1,207.2 million increase in share deposits and 16.4 percent or G$945.3 million increase in other deposits. There was also a 2.9 percent or G$411.2 million increase in pension funds.

The resources mobilized by the NBFIs were transformed into greater claims on the public sector, the banking sector and the non-resident sector. Claims on the non-resident sector increased by 43.6 percent or G$6,303.4 million to G$20,747 million due largely to the operations of the life insurance companies. In addition, claims on the domestic banking system grew by 14.5 percent or G$1,310.8 million to G$10,362 million. Claims on the public sector in the form of government treasury bills increased by 5.9 percent or G$668 million to G$11,954 million, while claims on the private sector declined by 2.6 percent or G$925.8 million to G$34,065 million.

Table 18

NON-BANK FINANCIAL INSTITUTIONS Selected Sources & Uses of Funds (G$ Million)	Jun 2003	Dec 2003	Jun 2004
Sources of Funds:	**72,354**	**78,737**	**88,429**
Deposits	24,417	26,013	28,165
Share Deposits	19,702	20,258	21,464
Other Deposits	4,715	5,755	6,701
Foreign Liabilities	6,602	6,827	6,789
Premium	7,369	10,019	16,892
Pension Funds	14,010	14,104	14,515
Other Liabilities	19,957	21,774	22,068
Uses of Funds:	**72,354**	**78,737**	**88,429**
Claims on:			
Public Sector	10,684	11,286	11,954
Private Sector	30,825	34,990	34,065
Banking System	9,883	9,051	10,362
Non-Residents	12,468	14,444	20,747
Other Assets	8,495	8,966	11,301

The New Building Society

Total resources of the New Building Society grew by 6.3 percent or G$1,489.3 million to G$25,080.8 million and accounted for 28.4 percent of the total resources of the NBFIs. The growth was attributable mainly to a 6 percent or G$1,206.4 million growth in share deposits, which accounted for 85.6 percent of total resources. Other liabilities grew by 8.9 percent or G$250.7 million to G$3,062.8 million.

Resources mobilized by NBS were used largely to extend mortgage loans, invest in local and foreign securities and increase fixed and real assets. Investment in government securities, in the form of treasury bills, rose by 12.3 percent or G$1,172.4 million to G$10,730.3 million and accounted for 42.8 percent of the total investments by the society. Mortgage loans to the private sector grew by 5 percent or G$547.7 million to G$11,416.5 million. As a result, the share of mortgage loans in total assets increased to 45.5 percent from 44.8 percent for the corresponding period last year. Investments in foreign debentures expanded by 3.6 percent or G$26.3 million to G$748.2 million accounting for 3 percent of total assets. Deposits with the banking sector which represented 4.9 percent of the NBS investment, declined by 27.2 percent or G$458.9 million to G$1,227.4 million.

Trust Companies

The combined resources of the trust companies including the activities of Globe Trust & Investment Limited, Trust Company Guyana Limited and Hand-In-Hand Trust Corporation incorporated, grew by 11.2 percent or G$878.3 million to G$8,704 million. This was due to a 17.4 percent or G$913.1 million increase in deposits, which was offset by a 3.3 percent or G$83.9 million decline in other liabilities. Consequently, trust companies' share of NBFIs resources increased to 9.8 percent from 9.3 percent one year ago.

Investments in the banking sector were higher by 58.3 percent or G$849.6 million and claims on the foreign sector increased by 195.2 percent or G$323 million to G$488.5 million. Claims on the private sector decreased by 34.4 percent or G$1,950.4 million to G$3,714.1 million. Mortgage loans and other loans and advances accounted for 60.2 percent and 34.4 percent of this sector credit respectively. Investment in the government treasury bills declined by 91.4 percent or G$100.4 million to G$9.3 million. Other assets grew by 410.3 percent or G$1,756.5 million to G$2,184.6 million as a result of additional fixed assets.

Finance Companies

The total resources of the finance companies, consisting of one stock broker (Beharry Stock Brokers Limited), one finance company (Laparkan Financial Services Limited), one investment company (Secure International Finance Company Incorporated) and one merchant bank (Guyana Americas Merchant Bank Incorporated), increased by 4.4 percent or G$284.8 million to G$6,726.7 million. This resulted from a 6.5 percent or G$263.6 million increase in other liabilities, which derived mainly from a 8.8 percent or G$276 million increase in retain earnings and a 1.4 percent or G$21.2 million increase in locally funded loans.

They were shifts in the distribution of resources within the group's asset portfolio. Other assets, inclusive of fixed assets and other real estate, expanded by 150.2 percent or G$431.7 million to G$719.2 million. Claims on the foreign sector were higher by 2.6 percent or G$22.6 million to G$876.4 million and constituted 13 percent of the group's claims. While claims on the private sector, which accounted for 74.2 percent of total assets declined by 2.1 percent or G$105.2 million compared with 3.6 percent growth recorded for the same period last year. Of total claims on the private sector, holdings of shared was G$4,806 million or 96.2 percent. Claims on the banking sector declined by 31.5 percent or G$64.4 million to G$140 million.

Pension Schemes

The collective resources of the pension schemes grew by 3.6 percent or G$543.4 million to G$15,565.4 million compared with the 6 percent or G$842.5 million growth recorded at end-June 2003. This was due to a 2.9 percent increase in pension funds contributions, which amounted to G$14,515 million and accounted for 93.3 percent of total resources of pension funds. Pension schemes' share of total NBFIs resources declined to 17.6 percent from 20.5 percent for the corresponding period last year.

Claims on the non-resident sector and the banking sector increased significantly while the private sector and public sector declined. Claims on the banking sector rose by 10.5 percent or G$452.6 million while those on the non-resident sector increased by 18.5 percent or G$424.2 million to G$2,721 million. Claims on the public sector dropped by 25 percent or G$404 million to reach G$1,213.9 million on account of a decline in investment in government treasury bills. The private sector claims were lower by 0.9 percent or G$49.8 million.

Domestic Insurance Companies

The total resources of the domestic insurance companies, life and non-life segments, expanded by 25.1 percent or G$6,496.7 million to G$32,352 million, representing 36.6 percent of the total resources of NBFIs compared with 29.7 percent one year ago. The outturn was attributed to growth in resources of both the life and non-life components. The life component grew by 42.4 percent or G$6,244.5 million to G$20,963.6 million and accounted for 64.8 percent of the industry's resources at end-June 2004. The non-life component's contribution increased by 2.2 percent or G$252 million to G$11,388.4 million.

Insurance premia, which grew by 68.6 percent or G$6,873.1 million to G$16,892 million, continued to be the main source of insurance funding. The non-resident component amounted to G$4,487.1 million and accounted for 26 percent and 81.4 percent of the life insurance fund and life insurance foreign liabilities respectively. The local life premia components increased by 93.6 percent or G$6,177 million to G$12,773.2 million. The non-life component of domestic insurance, consisting mainly of motor, fire and general insurance, grew by 20.3 percent or G$696.1 million to G$4,118.6 million.

Resources mobilized were used principally to increase claims on the non-resident, the private sector and the banking system. Claims on the non-resident sector expanded by 52.9 percent or G$5,507.3 million to G$15,913 million. Foreign deposits, foreign securities and foreign loans and advances represented 75 percent, 10.1 percent and 8.7 percent of the sector's foreign assets respectively. Deposits with foreign banks grew by 96.5 percent or G$5,847.3 million to G$11,905.5 million and foreign securities increased by 3 percent or G$46.7 million to G$1,618.3 million. Total private sector investment, in the form of securities and loans and advances to residents, increased by 8.4 percent or G$631.7 million to G$8,147 million. Loans and advances constituted 66.3 percent of total private sector investment. Claims on the banking system rose by 37.9 percent or G$531.8 million to reach G$1,934.4 million.

Interest Rates

The interest rates of the NBFIs continued to be competitive and relatively stable during the first half of 2004.

The interest rate offered by the deposit-taking trust companies on residential and commercial mortgages ended the period at 14 percent and 16 percent respectively. The average mortgage rate offered by the New Building Society for ordinary loans declined from 9.95 percent to 8.95 percent while low-income loans moved from 8 percent to 7 percent during the review period. The weighted average lending rate offered by the commercial banks was higher at 16.72 percent compared with the 16.64 percent at end-June 2003. ”

The World Economy

Real growth in the world economy continued to be strong during the first half of 2004. The outturn spurred from the upsurge in Asia and the USA, the increase in global trade and subdued inflation among most industrialized countries. Notwithstanding this upswing in economic activity, oil prices continued to increase partly due to buoyant demand, the depreciation of the US dollar and the ongoing geopolitical uncertainty in the Middle East. Conditions in the financial markets of most economies remained resilient, as the monetary policy pursued by these economies facilitated economic growth by maintaining relatively low interest rates.

OUTPUT, INFLATION & EMPLOYMENT

Industrial Countries

Output

Economic growth in these economies surpassed the level in 2003, with the momentum being particularly strong in the United States of America.

Real GDP growth in the USA for the first half of 2004 grew by 3.3 percent, reflecting strong domestic demand and stemmed mainly from industrial production which increased by 5.9 percent and simulative fiscal and monetary policy. During the second quarter industrial production continued to increase and capacity utilization edged up to 77.8 percent.

The Canadian economy rebounded in 2004, after a contraction in 2003. This performance reflected robust consumption and accelerated investment spending. Real GDP growth during the first quarter of 2004 was 4.4 percent, above the 3.1 percent recorded for the same period in 2003.

In the United Kingdom, the economy grew by 0.9 percent in the second quarter of 2004 from 0.7 percent in the first quarter. The growth was driven mainly by domestic demand which increased by 0.9 percent and reflected strong income growth and stable labor market conditions coupled with buoyant household borrowing and an active housing market.

In the Euro area, real GDP slowed to 0.6 percent in March, underpinned by strong private consumption and buoyant exports from outside the region. On the other hand, growth in Japan edged up to 1.5 percent in the first quarter of 2004 and was spurred by a rise in private spending on capital goods that compensated for the decline in real wages and exports.

Inflation

Despite the rising commodity prices inflation was contained in most of the developed countries, reflecting continued excess capacity and weak labor market.

Annual CPI inflation in the USA increased from 2.1 percent in June 2003 to 3.3 percent in June 2004 and reflected higher energy and food prices. Consequently, core inflation, which excludes food and energy, reached 1.9 percent at the end of June 2004 from 1.7 percent in 2003.

In Canada, CPI inflation declined from 2.6 percent at the end of June 2003 to 2.5 percent at end-June 2004. High oil prices and unusually tight conditions in North American gasoline market were the main contributors to this outturn.

Annual HICP inflation in the United Kingdom stood at 1.6 percent in June, well below the 2 percent target based on the harmonized EU inflation index while the developments with oil price created upward pressure on consumer prices in the Euro area and caused the inflation rate to move to 2.4 percent in June 2004 from 2 percent one year ago. Core inflation, which excludes unprocessed foods and fuel was 2.2 percent at end-June 2004.

The Japanese economy continued to experience negative growth in its price level with a negative 0.5 percent inflation rate recorded for May 2004 compared with negative 0.2 percent for the same period in 2003.

Employment

Unemployment in most of the industrialized countries remained relatively high. The jobless rate in the United States and Canada was 5.6 percent and 7.3 percent respectively at the end of June 2004 compared with 6.3 percent and 7.7 percent respectively at the end of June 2003. In the United Kingdom, the unemployment rate moved from 5 percent at the end of June 2003 to reach 4.7 percent in 2004, while in Japan the rate moved from 5.3 percent in June 2003 to 4.6 percent at the end of June 2004.

In the Euro area, the unemployment rate was 9 percent at end-June 2004, a slight increase above the 8.9 percent recorded for the same period in 2003.

Developing Countries

Output

Although the recovery in some of these economies continued to lag, most of the developing countries participated in the general global upswing with strong support from the rise in commodity prices.

The expansion in real output was most significant among the Asian economies and the weakest performance was recorded in the Western Hemisphere region, where political tension and a decline in investment confidence negatively affected investment spending in economies like Argentina, Brazil and Venezuela.

In Argentina, real GDP snapped back about 10.7 percent in the first quarter of 2004, after a significant decline in 2003 and a cumulative output decline from 1998 to mid-2002. The recovery was attributed to a highly competitive exchange rate and strong export prices.

The Venezuelan economy on the other hand resurged with positive growth after years of economic devastation and political conflicts. Real GDP in nominal and real terms continued to be high.

Recovery in the Brazilian economy was lagged in view of the increasing inflationary pressures that stemmed from higher oil prices. Industrial production however, continued to expand reaching 6 percent in March and April 2004.

Economic activities in Mexico steamed ahead as growth in the US economy remained buoyant, creating a demand for exports and the construction sector bloomed.

India also enjoyed a substantial increase in economic growth that stemmed from good weather and a favorable outcome in the agricultural sector.

In Australia, growth was also reasonably well sustained due to robust consumer demand and higher income that was associated with rising prices of commodity exports.

The countries of the African region were generally resilient to the global slowdown, aided by strengthened macroeconomic stability and debt relief under the HIPC initiatives. Growth in these economies was also complemented by a surge in oil production in Angola, Chad and Equatorial Guinea and its recovery from natural disasters.

Inflation

Inflation remained relatively stable in all of the developing countries, despite the rise in oil and non-oil commodities. In Australia, the rate declined from 2.7 percent in June 2003 to 2.5 percent in June 2004. In the Western Hemisphere region, the rate of change recorded for most of these countries was favorable. In Argentina, an economy in which prices are most volatile, the rate of inflation recorded was 4.9 percent in June, while in Brazil the level was 6.6 percent at the end of June. In Venezuela and Mexico, the change in the level of prices remained relatively stable during the year at 23.1 percent and 4.2 percent respectively, while the change in consumer price in India was 3 percent at the end of June 2004.

Employment

The rate of unemployment in most of these countries remained relatively high during the review period, with Australia recording a moderate decline from 6.1 percent in June 2003 to reach 5.6 percent for the same period in 2004.

Countries in Transition

Output

During the first six months of 2004, economic activities accelerated further in these economies, with the rise in the global demand for ICT-related products and strong domestic demand.

Buoyant growth in Asia, particularly China underpinned by rapid increases in investment and exports provided the necessary support to activities in countries within and outside of the region.

Real GDP growth in China during the first quarter of 2004 reached 9.8 percent, exceeding the government's target of 7 percent for the year.

The Russian economy recorded a historic 8 percent growth for the first quarter of 2004, in the context of high oil prices, strong investment and private consumption. In the Czech Republic economic performance remained positive, with real GDP growth of 3.1 percent in the first quarter of 2004, stemming from expansion in construction and industrial output and a surge in exports. While in Hungary, GDP growth was 4.2 percent in March, supported mainly by strong investment in the economy.

Inflation

CPI inflation in China rose to a historic 5 percent in June 2004 from 0.3 percent in 2003, the highest in seven years in the Chinese economy. In like manner, annual HICP inflation in the Czech Republic and Hungary increased from 0.3 percent and 4.3 percent respectively in June 2003 to reach 2.9 percent and 7.5 percent respectively in June 2004. In Russia, the trend was reversed with the change in consumer prices decreasing from 14 percent in 2003 to a mere 10 percent in June 2004.

Employment

Despite the decline in the rate of unemployment in these economies, the level still remained high. A notable development was in the Czech Republic and Hungary, where the unemployment rate moved from 8.4 percent and 5.9 percent respectively at the end of May 2003 to reach 8 percent and 5.7 percent respectively at the end of May 2004.

Caribbean Economies

The Caribbean economies remained vulnerable to events in the USA, with their strong reliance on foreign exchange earnings from tourism. In this context, the regional performance was still affected by the turbulence in the United States of America and the subsequent drop in international air transportation. Consequently, the agriculture and tourism driven economies registered slim growth due to some recovery in these sectors.

Inflation

Inflation was higher in most Caribbean states due mainly to increased fuel and food prices.

Monetary and Exchange Rate Developments

An expansionary monetary policy was pursued in the major advanced economies, in an effort to stimulate economic growth. In the USA, Canada and the UK, interest rates were significantly lower than the Euro Area. In the USA, the targeted Federal Fund rate was stable at 1 percent until June 2004 when the rate was increased by 25 basis points to 1.25 percent. Japan maintained a stable interest rate during the review period, while the European Central Bank minimum bid rate remained unchanged at 2 percent. Deposit and lending rates were also unchanged and stood at 3 percent and 1 percent respectively.

In China, Thailand and Hong Kong, interest rates remained stable over the review period. In the African states however, although interest rates remained relatively stable, there was still need for some concern about Zimbabwe and Angola whose rates still remained significantly high.

On the external front, the most notable development was the decline in the United States dollar, which stemmed from concerns over the sustainability of the United States current account deficit. At end-June 2004, the US dollar weakened against the Euro, moving from US$1.16 per Euro at end-June 2003 to US$1.21 per Euro at end-June 2004.

For the Canadian dollar, after rising to a historic 78.85 cents per United States dollar in January 2004, the currency stabilized at 76.50 cents per US dollar in June 2004. The trend was the same for all of the major currencies.

PRIMARY COMMODITY PRICES

Consistent with the economic recovery in the global economy, commodity prices recovered in the first half of 2004, after experiencing significant declines in 2003. High prices stemmed from both oil and non-oil products, with Brent Crude oil stabilizing at US$36.65 per barrel on June 1, 2004 after sharp increases earlier in the year. The high price of fuel reflects mainly the depreciation of the United States dollar, geopolitical uncertainty in the Middle East and a rise in the demand for oil and non-oil products by China and the United States. The price of gold increased to US$393.75 per ounce during the first half of 2004 from US$343.50 per ounce at end-June 2003, and reflected mainly shifting attitudes in the world economy over the volatility of other asset prices. The price of rice and sugar reflected mixed performance during the review period. The average price of sugar peaked at US$455.6 per metric tonne compared with US$380.7 per metric tonne in June 2003. Conversely, the average price of rice on the world market recorded a decline from US$228.3 per metric tonne at end-June 2003 to US$219 per metric tonne in 2004.

Outlook for the World Economy

For the remainder of 2004, the upswing in the world economy is expected to continue, although at a slower pace. The growth is expected to stem from high real output, increase in global trade and stronger investments in most economies. High inflation is anticipated in most economies due to the high price of oil and non-oil commodities. On the downside there is need for concern about the measures put in place to cool down the overheating Chinese economy and the uncertainty regarding the sustainability of the upswing in India, since apart from the USA, these economies are the key elements of global economic growth. ”