

MONTHLY ECONOMIC REVIEW

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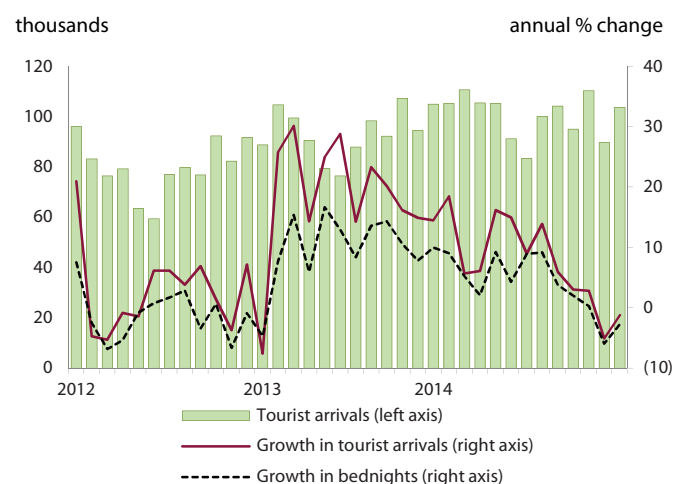
Outlook for 2015

According to revised estimates of the National Bureau of Statistics, real GDP¹ growth is projected to accelerate to 10.5% in 2015, up from 8.5% in 2014, driven mainly by the strong growth of the tourism and construction sectors. This growth in economic activity is also expected to be spurred by the government budgeted expenditure of MVR22.8 billion. The fiscal deficit for the year is estimated at 3.0% of GDP. Meanwhile, the latest balance of payments forecasts estimate the current account deficit to narrow down to US\$214.7 million (6% of GDP) in 2015 from US\$290.0 million (10% of GDP) in 2014.

Tourism

During December 2014, total tourist arrivals reached 103,744 reflecting a marginal decline of 1% compared to a year ago although a 16% increase was recorded compared to the previous month. The annual decline in arrivals was largely due to the decline in arrivals from Asia and Europe. In December 2014, total bednights fell by 3% in annual terms while the average duration of stay also fell to 6.0 days. As a result, the occupancy rate of the industry declined from 76% in December 2013 to 74% in December 2014.

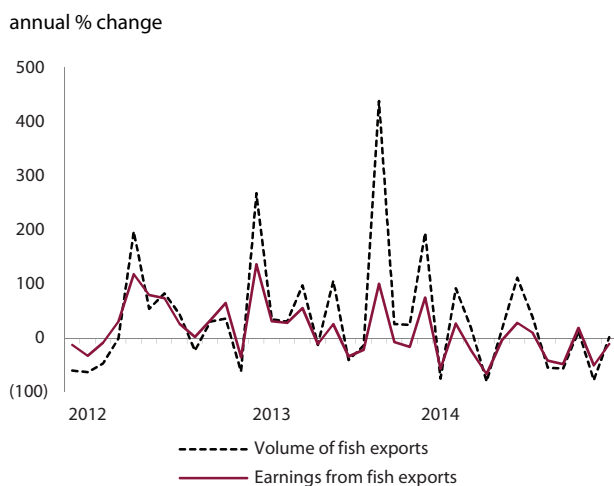
Key Tourism Indicators



Source: Ministry of Tourism

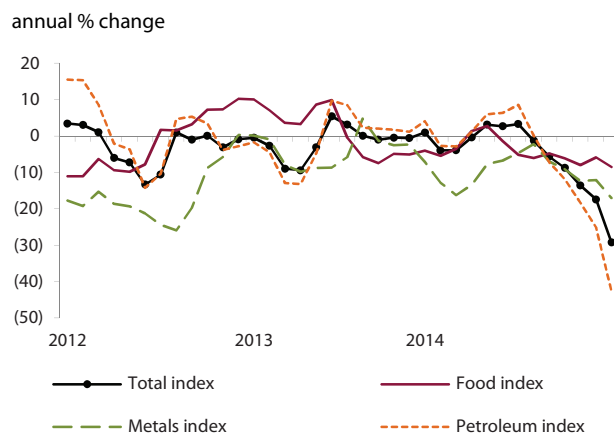
¹ GDP growth rates are based on market prices.

Fish Exports



Source: Maldives Customs Service

IMF Commodity Price Index



Source: International Monetary Fund

Fisheries

Fish purchases in November² 2014 declined to 4,003.4 metric tonnes registering an annual decline of 50%. However, compared to the previous month, fish purchases rose by 14%.

In November 2014, the volume of fish exports rose by 1% compared to the corresponding month of 2013, while the earnings on fish exports declined by 11%. The growth in volume of fish exports can be attributed to the increase in volume of frozen yellowfin tuna exports. As for the decline in fish export earnings, this was mainly due to the fall in export earnings from frozen skipjack tuna.

Global Prices

The International Monetary Fund (IMF) commodity price index fell in both monthly and annual terms in December 2014, by 12% and 29%, respectively. The annual decline was mainly due to the fall in petroleum, metal and food prices while the monthly decline was largely contributed by falling petroleum prices.

The price of crude oil³ fell by 21% in monthly terms and by 43% in annual terms and stood at US\$60.6 per barrel at the end of December 2014. This is the lowest recorded since May 2009.

² Data for December 2014 was not available at the time of publication of this review.

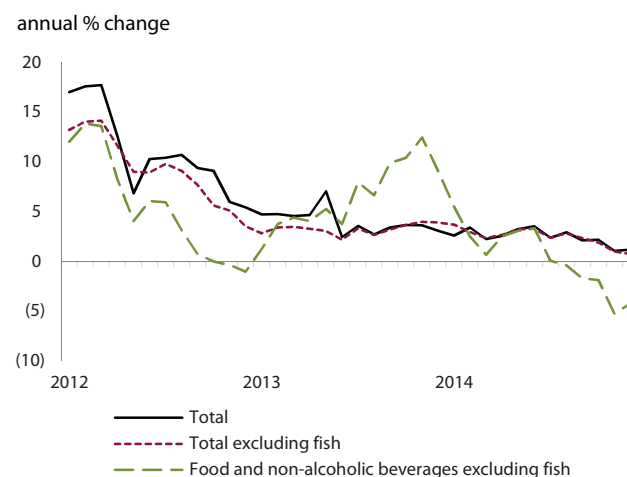
³ Monthly average of Brent, Dubai Fateh and West Texas Intermediate.

Inflation

The rate of inflation (measured by the annual percentage change in the consumer price index for Male') edged up to 1.2% in December 2014 from 1.1% in November 2014. This acceleration compared to the preceding month was mainly due to an increase in growth rate of fish prices and cost of maintenance and repair of dwellings, and healthcare services.

The monthly change in the rate of inflation remained relatively unchanged during December 2014. This was mainly due to the fall in cost of furnishing and household equipment and transport, which offset the increase in fish prices during the month.

Consumer Price Index – Male'

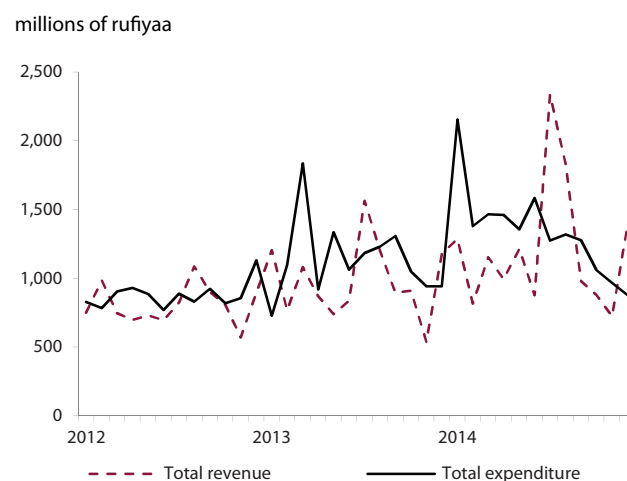


Source: National Bureau of Statistics

Public Finance

According to the monthly government revenue and expenditure data for December 2014⁴, total revenue (excluding grants) rose by 17% in annual terms and amounted to MVR1.4 billion during the month. Meanwhile, total expenditure (excluding net lending and amortisation) fell by 7% and amounted to MVR0.9 billion in December 2014. The increase in total revenue during December 2014 was largely due to a 32% growth in tax revenue (mainly contributed by the increase in T-GST receipts) despite a 7% decline in non-tax revenue during the review period. Meanwhile, the decline in expenditure was entirely due to a fall in recurrent expenditure.

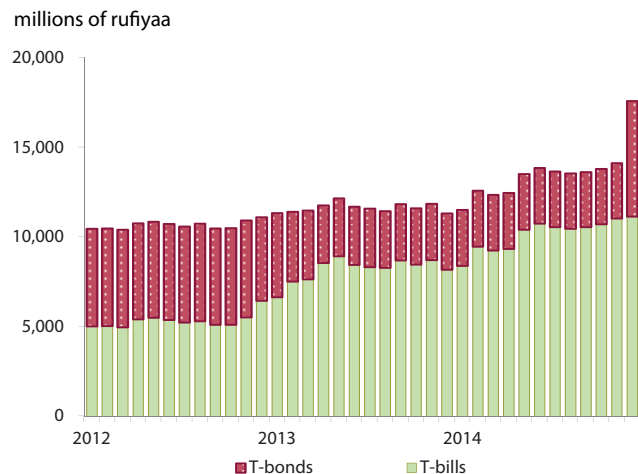
Government Revenue and Expenditure



Source: Ministry of Finance and Treasury

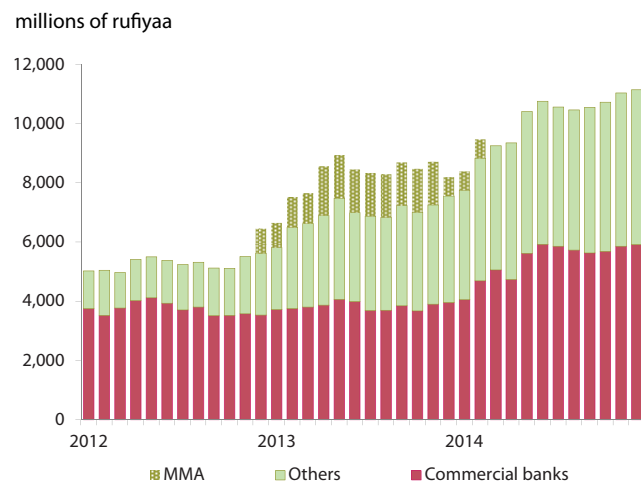
⁴ Monthly income and expenditure data are subject to change and may vary from month to month as system data are updated regularly.

T-bills and T-bonds



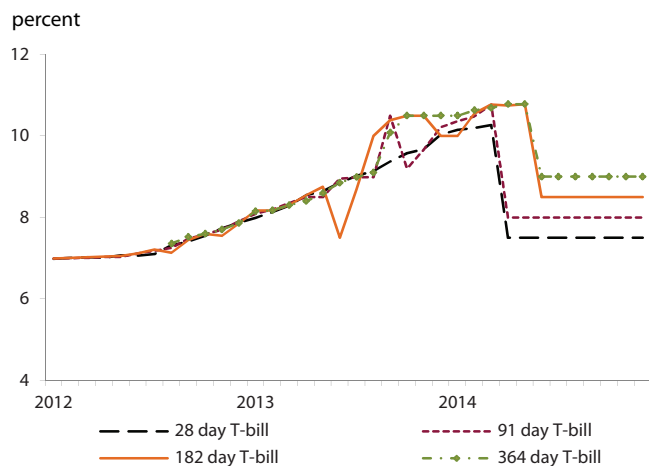
Source: Maldives Monetary Authority

T-bills by Holder



Source: Maldives Monetary Authority

Interest Rates of T-bills



Source: Maldives Monetary Authority

Government Securities

The total outstanding stock of government securities, which includes Treasury bills (T-bills) and Treasury bonds (T-bonds), rose by 25% in monthly terms and by 55% in annual terms, totalling MVR17.6 billion at the end of December 2014.

The outstanding stock of T-bills increased by 36% in annual terms and totalled MVR11.1 billion at the end of December 2014. In monthly terms, T-bills showed an increase of 1%.

As for the outstanding amount of T-bonds, it increased significantly in both monthly and annual terms and reached MVR6.4 billion compared to MVR3.1 billion recorded in November 2014. This reflected the conversion of short term loans extended to the government by the MMA to T-bonds during the review month.

Interest Rates of T-bills

A tap system was introduced in issuing T-bills of all maturities during the first half of 2014. Hence, during December 2014, the weighted average interest rate on 28, 91, 182 and 364 day T-bills remained unchanged when compared to the previous month at 7.50%, 8.00%, 8.50% and 9.00%, respectively. As for the annual changes, the rates on 28 and 91 day T-bills fell by 253 and 221 basis points (bps) respectively, while rates on 182 and 364 day T-bills fell by 150 bps each.

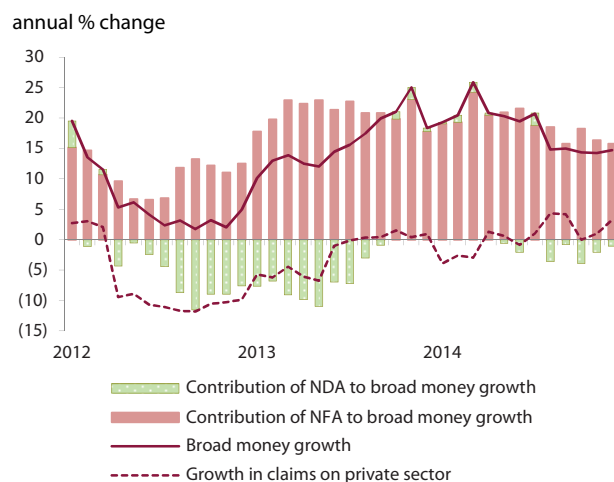
Broad Money

The annual growth in broad money (M2) accelerated to 15% at the end of December 2014 and registered MVR27.2 billion compared to a 14% growth recorded in the previous month. This is attributed to the lower rate of decrease in net domestic assets (NDA) of the banking system (due to an increase in net credit to the government), which offset the slight deceleration in net foreign assets (NFA). Meanwhile credit to private sector, which accounts for the major share of domestic assets, registered an annual increase of 3% compared to a year ago while it remained largely unchanged compared to the previous month.

Monetary Base

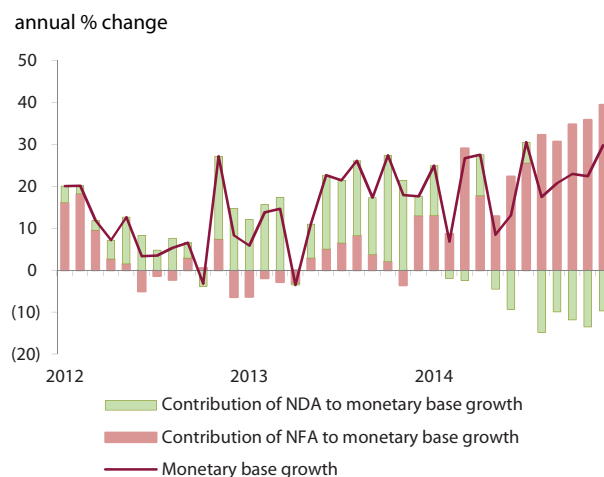
The annual growth rate of the monetary base (M0) accelerated to 30% at the end of December 2014 from 22% at the end of November 2014 and registered MVR12.5 billion at the end of the review month. This was contributed by a 72% growth in NFA of the MMA, while the rate of decline in NDA slowed down to 21% during the review month compared to a 27% decline recorded in November 2014.

Determinants of Broad Money



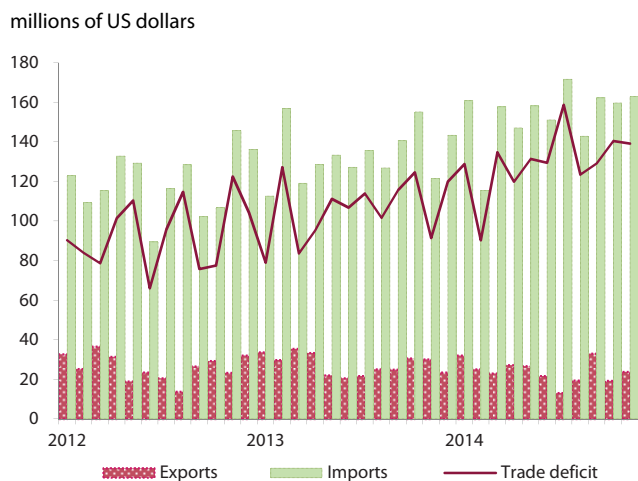
Source: Maldives Monetary Authority

Determinants of Monetary Base



Source: Maldives Monetary Authority

Imports and Exports



Source: Maldives Customs Service, Maldives Airports Company Limited, Gan International Airport

Monetary Operations

The two main instruments used by the MMA in its monetary operations include the Overnight Deposit Facility (ODF) and the Open Market Operations (OMOs). The use of MMA's ODF by commercial banks averaged MVR1.6 billion in December 2014, which showed a growth of MVR12.9 million in monthly terms and a growth of MVR1.2 billion in annual terms. The large annual growth in ODF placements mainly reflects the diversion of funds by the commercial banks to ODF due to the temporary suspension of OMOs since May 2014.

Merchandise Trade Balance

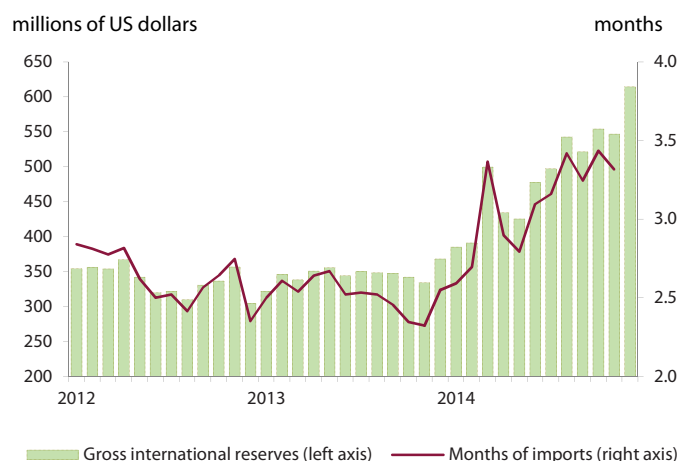
During November⁵ 2014, the merchandise trade deficit widened by 42% when compared to the same period of 2013. This was largely driven by a 34% increase in imports which offset an 11% rise in exports. The growth in imports was mainly due to the increase in import of transport equipment, while the growth in exports can be attributed to the rise in re-exports.

⁵ Data for December 2014 was not available at the time of publication of this review.

Gross International Reserves

Gross international reserves rose by 12% in monthly terms and stood at US\$614.7 million at the end of December 2014. Compared to a year ago, gross reserves recorded a growth of 67%, reflecting the increase in foreign currency inward transfers by commercial banks during the period. As for reserves in terms of months of imports, while it declined in monthly terms, an increase was recorded in annual terms and stood at 3.3 months at the end of November 2014 compared to 2.3 months recorded at the end of November 2013.

Gross International Reserves



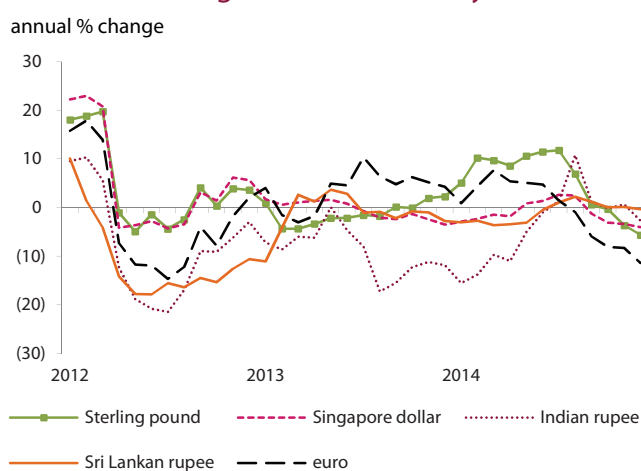
Source: Maldives Monetary Authority; Maldives Customs Service

Exchange Rate

The Maldives maintains a fixed exchange rate regime, where the Maldivian rufiyaa is pegged to the US dollar within a horizontal band of 20% on either side of a central parity of MVR12.85 per US dollar.

During December 2014, the bilateral exchange rates of the rufiyaa appreciated in both monthly and annual terms against the Singapore dollar, Indian rupee, sterling pound and the euro. The rufiyaa remained unchanged against the Sri Lankan rupee during the review period.

Bilateral Exchange Rates of the Rufiyaa



Source: Bank of Maldives Plc

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