

Monthly Economic Review

November 2014, Volume 8, Issue 11



Outlook for 2015

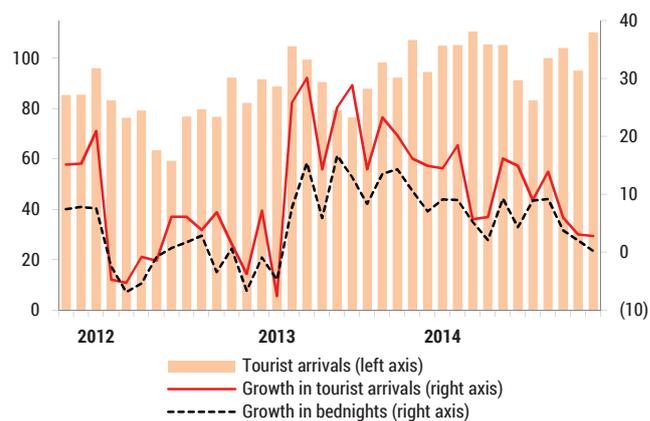
According to revised estimates of the National Bureau of Statistics, real GDP¹ growth is projected to accelerate to 10.5% in 2015, up from 8.5% in 2014, driven mainly by the strong growth of the tourism and construction sectors. As per revised fiscal data for 2014, the fiscal deficit is now estimated at 3.4% of GDP compared with an initial budget forecast of 3.3% 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 October 2014, total tourist arrivals reached 110,331, reflecting a growth of 3% compared to a year ago and 16% compared to the previous month. The annual increase in arrivals was largely contributed by the increase in arrivals from Asia and Europe. In October 2014, total bednights rose marginally in annual terms while the average duration of stay decreased slightly and stood at 6.0 days. Meanwhile, the occupancy rate of the industry remained unchanged at 81% in October 2014 compared to the same period last year.

Key tourism indicators

thousands



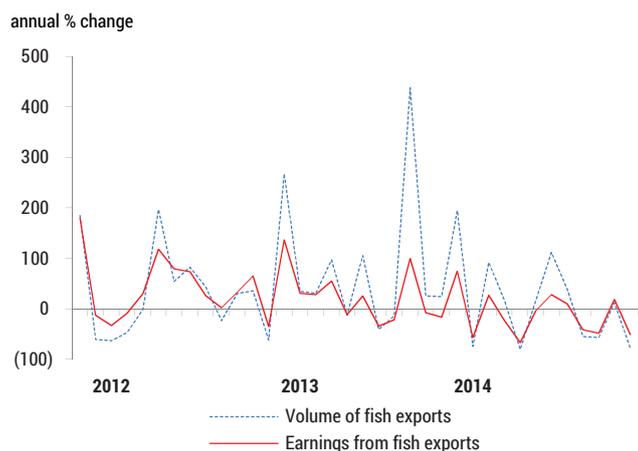
Source: Ministry of Tourism

¹ GDP growth rates are based on market prices.

This report provides an update of developments in key economic sectors in October 2014, based on the latest available data as at 27 November 2014.

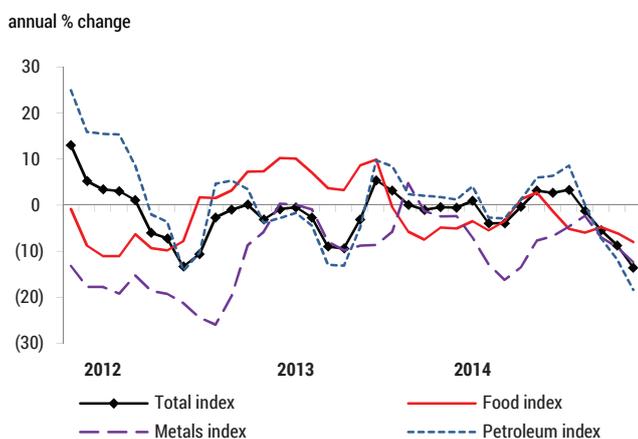
For more detailed information regarding the data, please refer to the Monthly Statistics published on our website. Additionally, please refer to the "Notes and explanatory notes for publications" for further clarification.

Fish exports



Source: Maldives Customs Service

IMF commodity price index



Source: International Monetary Fund

Fisheries

Fish purchases in October 2014 declined to 3,502.1 metric tonnes registering an annual decline of 57%. Compared to the previous month fish purchases declined by 13%.

In October 2014, both the volume and earnings from fish exports fell compared to the corresponding month of 2013. As such, the volume of fish exports fell by 77%, while the earnings on fish exports decreased by 51% during this period. The fall in the volume and earnings of fish exports was largely contributed by the decline in export of frozen skipjack tuna.

Global Prices

The International Monetary Fund (IMF) commodity price index fell in both monthly and annual terms in October 2014, by 6% and 14%, respectively. The monthly and annual decline in commodity prices was attributed to the decline in petroleum, metal and food prices.

The price of crude oil² fell by 10% in monthly terms and by 18% in annual terms and stood at US\$86.1 per barrel at the end of October 2014, the lowest recorded since November 2010.

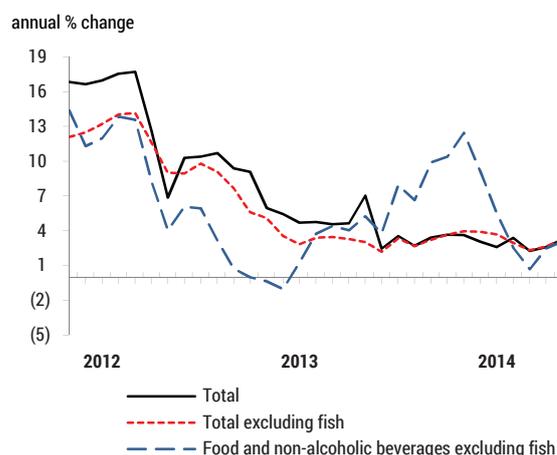
² Monthly average of Brent, Dubai Fateh and West Texas Intermediate.

Inflation

The rate of inflation (measured by the annual percentage change in the consumer price index for Male') accelerated slightly to 2.2% in October 2014 from 2.1% in September 2014. The increase in inflation compared to the preceding month was largely contributed by the faster growth in fish prices and prices charged for pharmaceutical products.

The rate of inflation increased marginally in monthly terms during October 2014. This was mainly due to the growth in fish prices.

Consumer price index – Male'

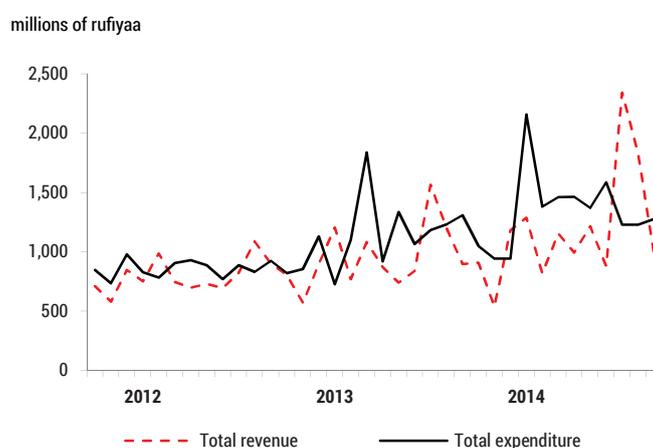


Source: National Bureau of Statistics

Public Finance

According to the monthly government revenue and expenditure data for September 2014³, total revenue (excluding grants) rose by 9% in annual terms and amounted to MVR1.0 billion during the month. Meanwhile, total expenditure (excluding net lending and amortisation) fell by 2% and amounted to MVR1.3 billion in September 2014. The increase in total revenue during September 2014 was largely due to the 13% growth in tax revenue. However, non-tax revenues also grew by 25% during the review period. Meanwhile, the decline in expenditure was mainly due to the 3% fall in recurrent expenditure.

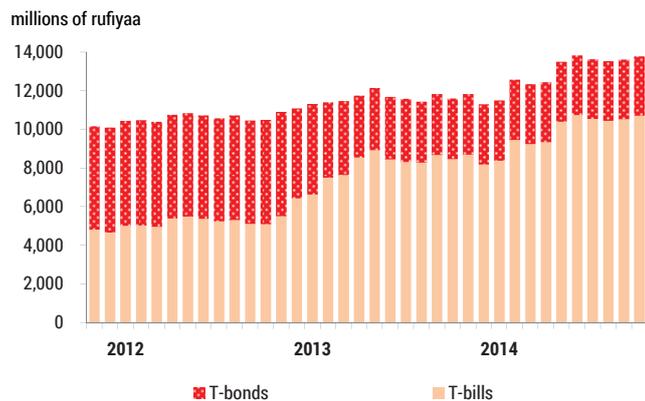
Government revenue and expenditure



Source: Ministry of Finance and Treasury

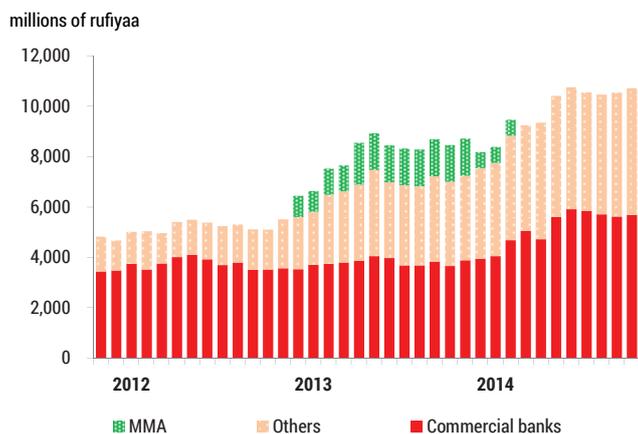
³ Monthly income and expenditure data are subject to change and may vary from month to month as system data are updated regularly. Hence, data for September 2014, reported in this issue of Monthly Economic Review (MER), differs from the data published in the MER of October 2014 since current numbers are based on data available as of 27 November 2014.

T-bills and T-bonds



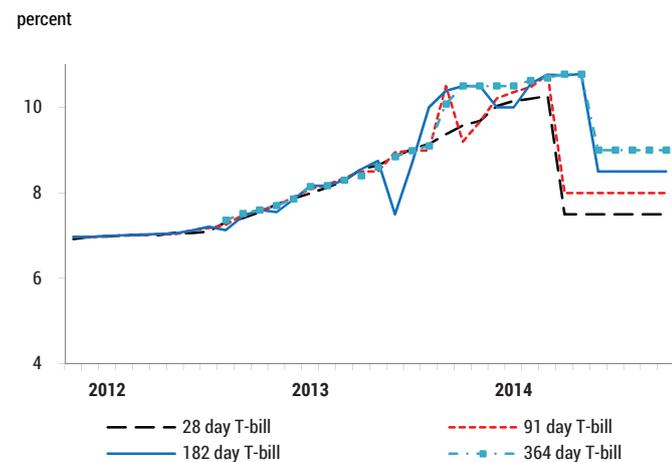
Source: Maldives Monetary Authority

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 1% in monthly terms and by 19% in annual terms, totalling MVR13.8 billion at the end of October 2014.

The outstanding stock of T-bills held by both the commercial banks and non-banks increased by 53% in annual terms and totalled MVR10.7 billion at the end of October 2014. In monthly terms, T-bills showed an increase of 2%.

As for the outstanding amount of T-bonds, it remained largely unchanged compared to the previous month, while it recorded an annual decline of 2% during the review period.

Interest Rates of T-bills

A tap system was introduced in issuing T-bills of all maturities during the first half of the year 2014. Hence, during October 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, 91, 182 and 364 day T-bills fell by 208, 120, 200 and 150 basis points, respectively.

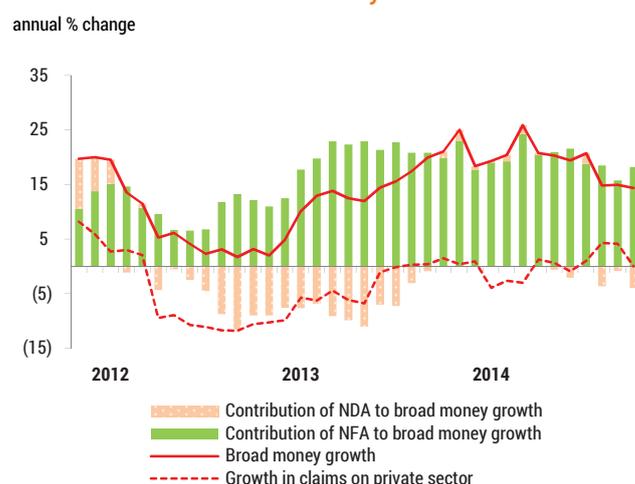
Broad Money

The annual broad money (M2) growth decelerated to 14% at the end of October 2014 from 15% at the end of September 2014 and registered MVR26.6 billion at the end of the review month. The deceleration in M2 growth was mainly contributed by the increase in retained earnings of the commercial banks which had a dampening effect on net domestic assets (NDA) of the banking system and also due to the slowdown in net foreign assets (NFA) growth. Meanwhile, the further decline in NDA during the review month also reflected the sluggish growth in private sector credit and the slowdown in net claims on central government growth. During October 2014, credit to the private sector, which accounts for the major share of domestic assets, remained largely unchanged in annual terms while it declined by less than 2% compared to the previous month.

Monetary Base

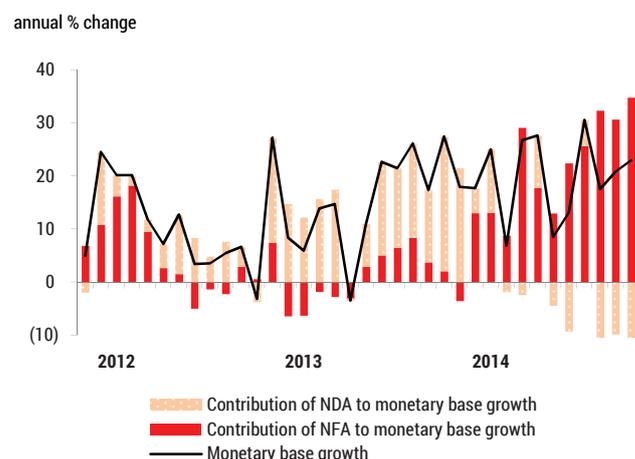
The annual growth rate of the monetary base (M0) accelerated to 23% at the end of October 2014 from 21% at the end of September 2014 and registered MVR11.4 billion at the end of the month. This was entirely contributed by the substantial increase in NFA of the MMA, as NDA declined.

Determinants of broad money



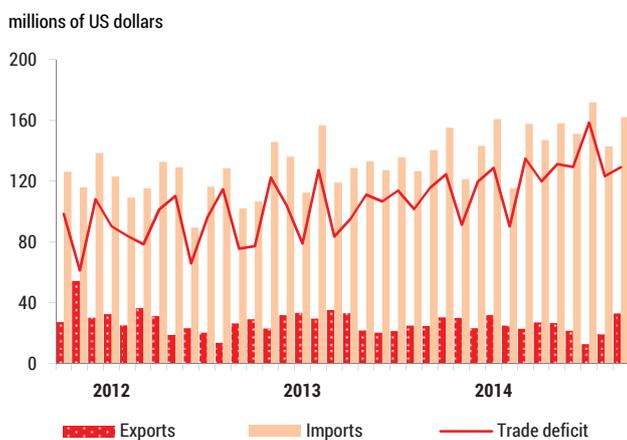
Source: Maldives Monetary Authority

Determinants of monetary base



Source: Maldives Monetary Authority

Imports and exports



Source: Maldives Customs Service

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 MVR1.5 billion in October 2014, which showed a growth of MVR115.2 million in monthly terms and a growth of MVR0.8 billion in annual terms. The large annual growth in ODF placements largely reflects the diversion of funds by the commercial banks to the ODF due to the temporary suspension of OMOs since 30 April 2014.

Merchandise Trade Balance

During September 2014 the merchandise trade deficit widened by 12%, when compared to the same period of 2013. This was due to the 15% increase in imports which offset the 33% growth in exports. The growth in imports was mainly contributed by the increase in import of construction related items and electrical and electronic machinery.

Gross International Reserves

Gross international reserves grew by 6% in monthly terms and stood at US\$554.1 million at the end of October 2014. Compared to a year ago, gross reserves recorded a growth of 62%, reflecting the increase in foreign currency deposits of commercial banks at MMA during the period. As for reserves in terms of months of imports, it stood at 3.4 months during October 2014 compared to 2.3 months recorded during the same month the previous year.

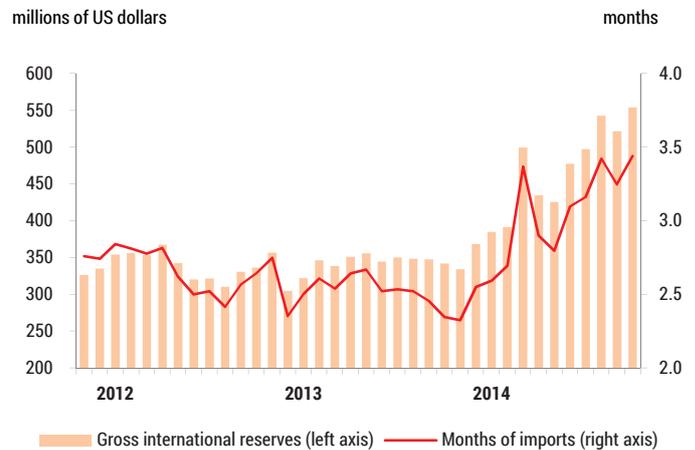
Exchange Rate

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 October 2014, the bilateral exchange rates of the rufiyaa appreciated in annual terms against the Singapore dollar and the euro, while it remained largely unchanged against the Indian rupee, the Sri Lankan rupee and the sterling pound.

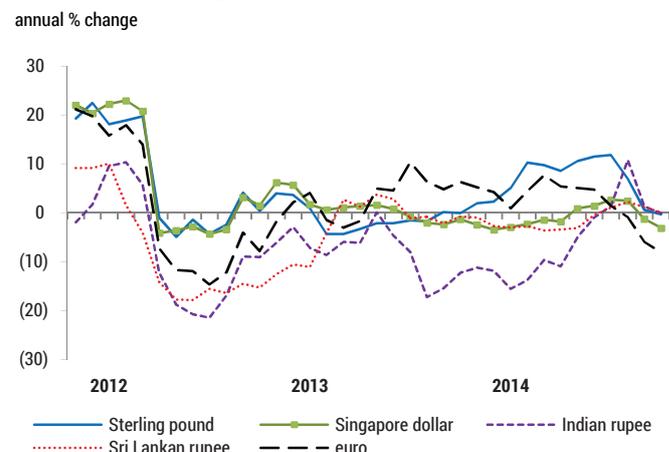
In monthly terms, the rufiyaa appreciated against the sterling pound and the euro, while it remained largely unchanged against the Singapore dollar, the Indian rupee and the Sri Lankan rupee.

Gross international reserves



Source: Maldives Monetary Authority; Maldives Customs Service

Bilateral exchange rates of the rufiyaa



Source: Bank of Maldives Plc

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