

Monthly Economic Review

October 2014, Volume 8, Issue 10



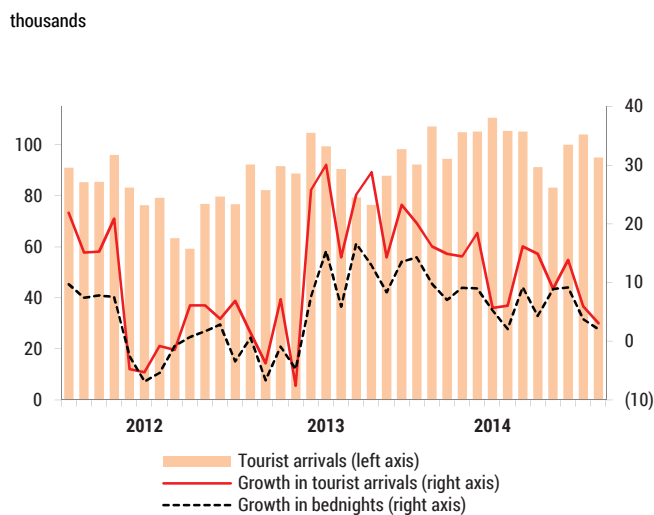
Outlook for 2014

According to the latest estimates from the National Bureau of Statistics, real GDP growth is expected to accelerate to 4.5% in 2014, driven mainly by the tourism sector. This growth in economic activity is also expected to be spurred by the government budgeted expenditure of MVR16.4 billion. The budget deficit for the year is projected to be 3.2% of GDP. Meanwhile, in line with the expansion in output, the latest balance of payments forecasts estimate the current account deficit to widen to US\$269.9 million, which is 10% of GDP in 2014.

Tourism

During September 2014, total tourist arrivals reached 95,114, reflecting a growth of 3% compared to a year ago. However, compared to the previous month arrivals declined by 9%. The annual increase in arrivals was largely contributed by the increase in arrivals from Asia which offset the decline in arrivals from Europe. In September 2014, total bednights rose by 2% in annual terms while the average duration of stay remained unchanged at 5.7 days. Meanwhile, the occupancy rate of the industry fell marginally to 67% in September 2014 from 68% in the same period last year.

Key tourism indicators

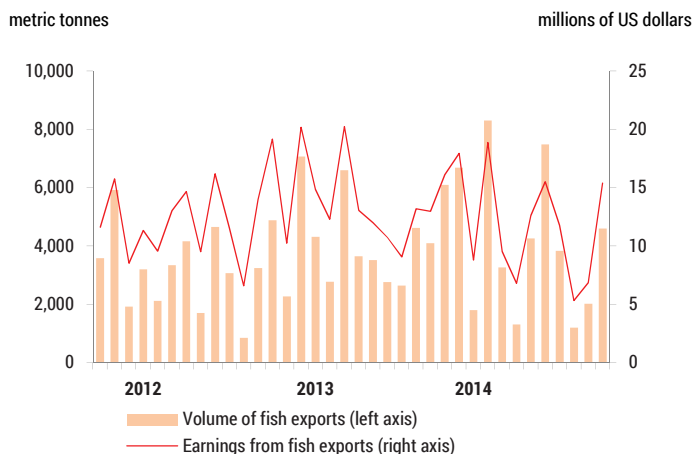


Source: Ministry of Tourism

This report provides an update of developments in key economic sectors in September 2014, based on the latest available data as at 30 October 2014.

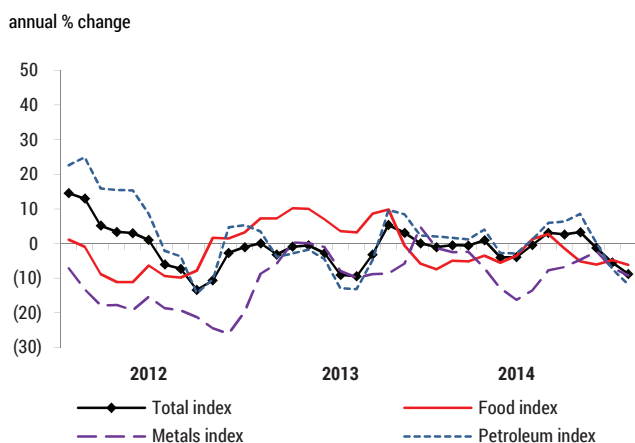
For more detailed information regarding the data, please refer to the Monthly Statistics published on our website. Additionally, please refer to the "Notes and explanatory notes for publications" for further clarification.

Fish exports



Source: Maldives Customs Service

IMF commodity price index



Source: International Monetary Fund

Fisheries

Fish purchases in September 2014 recorded an increase of 64% and 44% in monthly terms and annual terms, respectively, and stood at 4,027.3 metric tonnes. This was contributed by an increase in the purchase of yellowfin tuna.

In September 2014, both the volume and earnings from fish export rose compared to the corresponding month of 2013. As such, the volume of fish exports increased by 12%, while the earnings on fish exports rose by 19% during this period. The increase in the volume and earnings of fish exports was largely contributed by the rise in export of fresh, chilled or frozen yellowfin tuna.

Global Prices

The International Monetary Fund (IMF) commodity price index fell in both monthly and annual terms in September 2014, by 4% and 9%, respectively. The monthly and annual decline in commodity prices was attributed to the decline in petroleum, metal and food prices.

The price of crude oil¹ fell by 4% in monthly terms and by 12% in annual terms and stood at US\$95.9 per barrel at the end of September 2014.

¹ 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') decelerated to 2.1% in September 2014 from 2.9% in August 2014 and 3.4% a year ago. The decline in inflation compared to last month was largely contributed by the fall in food prices and the moderation in the growth in prices charged for health services.

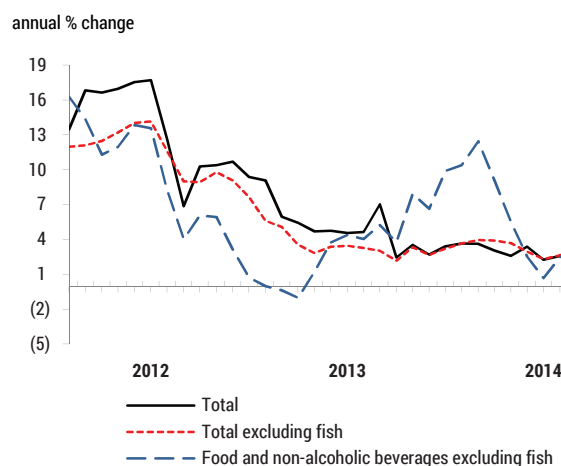
On monthly terms, the rate of inflation fell marginally in September 2014, largely due to the decline in prices charged for furnishing and household equipment.

Public Finance

According to the monthly government revenue and expenditure data for September 2014², total revenue (excluding grants) rose by 1% in annual terms and amounted to MVR0.9 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 25% growth in non-tax revenue. During this period tax revenue increased only marginally. Meanwhile, the decline in expenditure was mainly due to the 3% fall in recurrent expenditure.

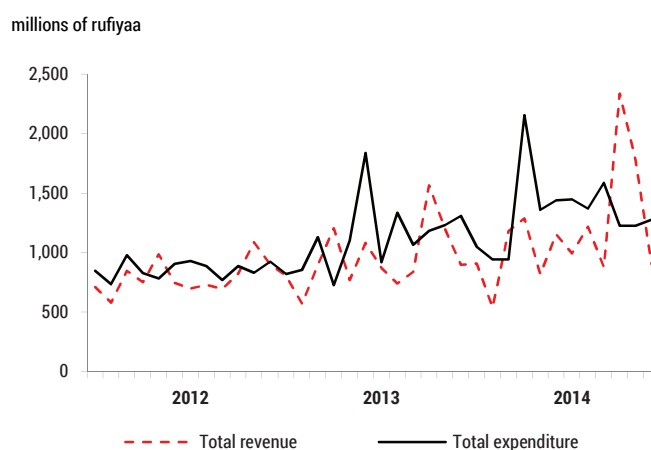
² Monthly income and expenditure data are subject to change and may vary from month to month as system data will be updated regularly.

Consumer price index – Male'



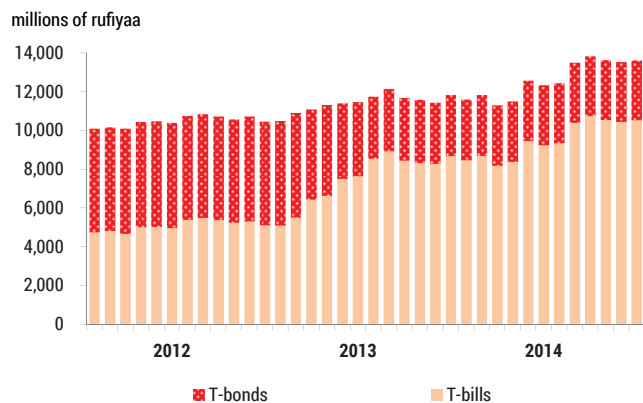
Source: National Bureau of Statistics

Government revenue and expenditure



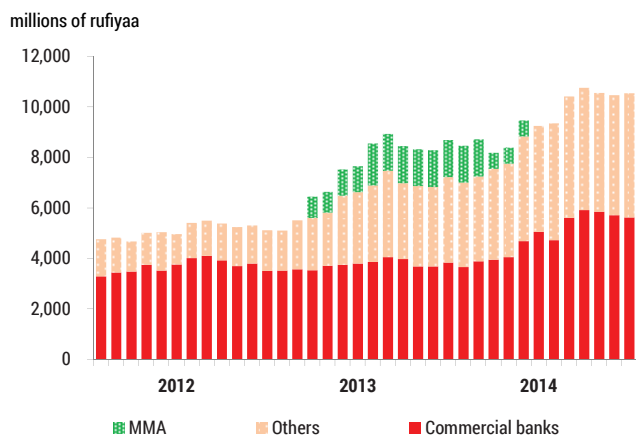
Source: Ministry of Finance and Treasury

T-bills and T-bonds



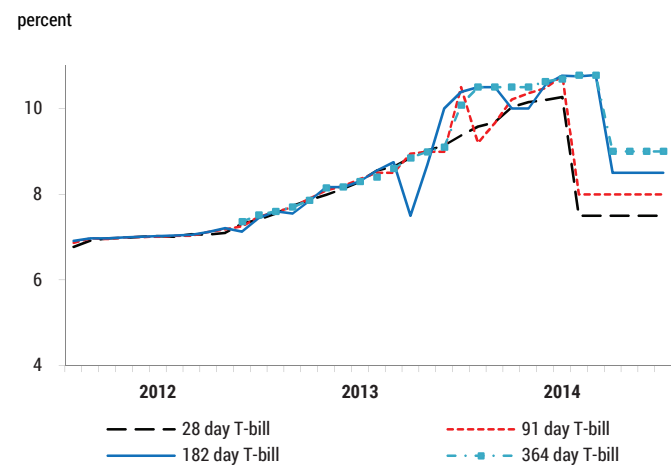
Source: Maldives Monetary Authority

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 15% in annual terms, totalling MVR13.6 billion at the end of September 2014. The growth in government securities was contributed by the increase in the amount of T-bills issued by the government to manage its cash flow requirements.

With regard to the holders of T-bills, the outstanding stock of T-bills held by both the commercial banks and non-banks increased in annual terms and totalled MVR10.6 billion at the end of September 2014. However, when compared to the previous month, T-bills held by commercial banks registered a decline.

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 September 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 187, 250, 189 and 108 basis points, respectively.

Broad Money

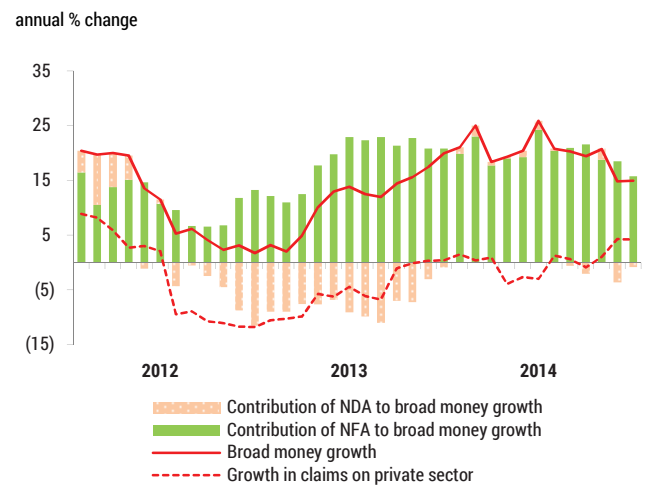
The annual broad money (M2) growth remained unchanged at 15% in September 2014 and registered MVR26.0 billion. The annual growth in M2 was driven by the increase in net foreign assets (NFA) of the MMA and commercial banks. As for the NDA of the banking system, it declined during the period largely due to the increase in shares and other equity of commercial banks. On monthly terms, M2 rose marginally, owing to the 4% increase in net domestic assets (NDA) which offset the 4% decline in the NFA of the banking system.

Meanwhile, credit to the private sector, which accounts for the major share of NDA, increased by 4% in annual terms while it declined by less than 1% compared to the previous month.

Monetary Base

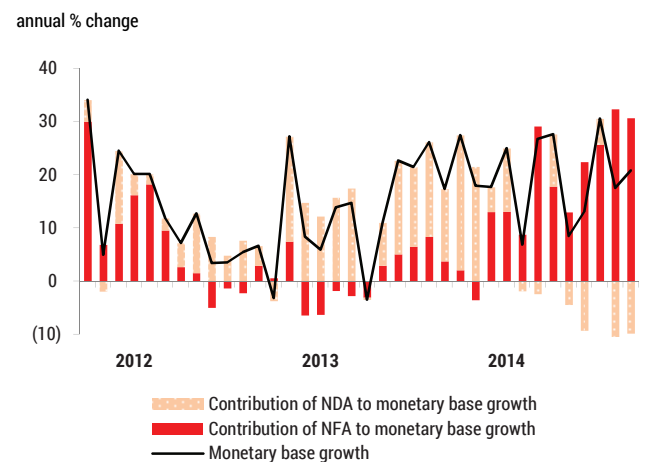
The annual growth rate of the monetary base (M0) accelerated to 21% at the end of September 2014 from 17% in September 2013 and registered MVR10.7 billion. This was mainly contributed by the substantial increase in NFA of the MMA.

Determinants of broad money



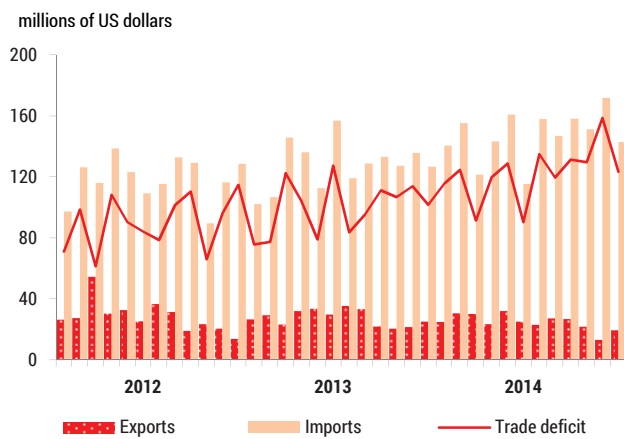
Source: Maldives Monetary Authority

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 MVR1.4 billion in September 2014, which showed a growth of 9% in monthly terms and a growth of 269% in annual terms. The 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 August 2014 the merchandise trade deficit widened by 21%, when compared to the same period of 2013. This was due to the 13% increase in imports and the 22% decline in exports. The growth in imports was mainly contributed by the increase in import of petroleum products.

Gross International Reserves

Gross international reserves fell by 4% in monthly terms and declined to US\$521.8 million at the end of September 2014. However, compared to a year ago, gross reserves recorded a growth of 50%, reflecting the temporary increase in foreign currency transfers by the commercial banks during the period. As for reserves in terms of months of imports, it registered a growth in annual terms and stood at 3.2 months during the review month.

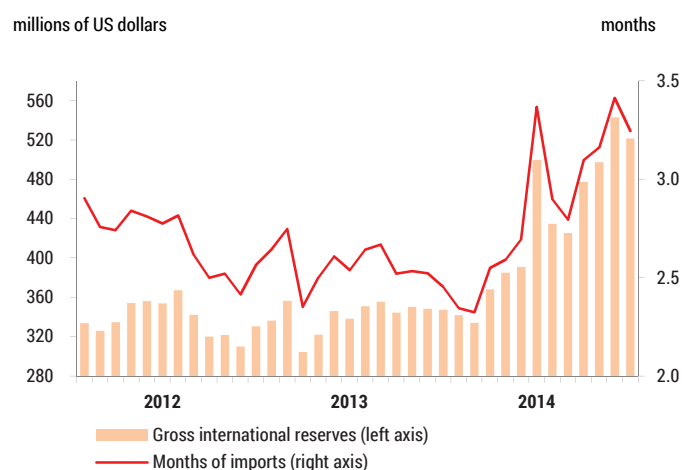
Exchange Rate

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

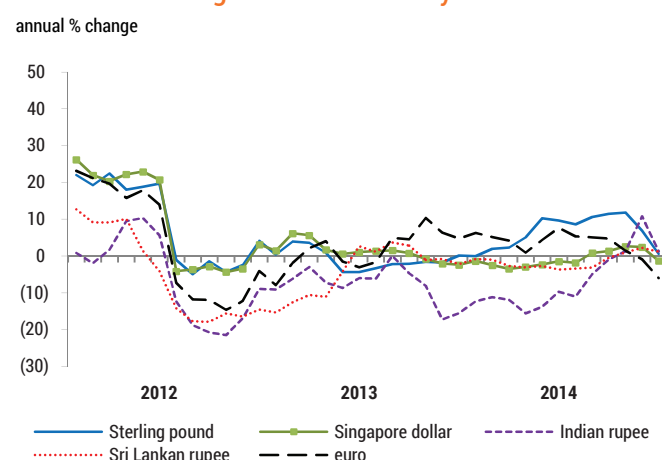
In monthly terms, the rufiyaa appreciated against the euro, the Singapore dollar, the Indian rupee and the sterling pound, while it remained unchanged against the Sri Lankan rupee.

Gross international reserves



Source: Maldives Monetary Authority; Maldives Customs Service

Bilateral exchange rates of the rufiyaa



Source: Bank of Maldives Plc

MALDIVES MONETARY AUTHORITY

Boduthakurufaanu Magu

Male' - 20182

Republic of Maldives

Tel: (960) 3312343

Fax: (960) 3323862

Email: mail@mma.gov.mv

Website: www.mma.gov.mv