MACROECONOMIC DEVELOPMENTS IN 2013

MALDIVES
MONETARY
AUTHORITY

This report covers developments in the domestic economy during 2013 and presents an overview of events in the global economy during the year. The report also includes an outlook for 2014. All analyses are based on information relating to the year 2013, received from relevant government authorities, financial sector agencies, public enterprises and other private sector sources. All data is as of 5 May 2014. The views expressed in this report, however, are those of this Authority and do not necessarily represent those of the source of data. We thank all those who have contributed to the publication of this report including the provision of the information contained herein.

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Abbreviations & Acronyms

bps	basis points
BPT	Business Profit Tax
c.i.f	cost, insurance and freight
CPI	Consumer Price Index
EU	European Union
f.o.b	free on board
GDP	gross domestic product
GST	Goods and Services Tax
IMF	International Monetary Fund
IPR	indicative policy rate
M0	reserve money
M2	broad money
MMA	Maldives Monetary Authority
NDA	net domestic assets
NFA	net foreign assets
NPL	non-performing loan
ODF	Overnight Deposit Facility
OFI	other financial institution
OMO	open market operations
PNFC	public non-financial corporations
reverse repo	reverse repurchase
T-bill	treasury bill
T-GST	Tourism Goods and Services Tax
UAE	United Arab Emirates
UK	United Kingdom
US	United States
WAIR	weighted average interest rate

International Economic Developments

Output

Global output continues to expand at a gradual pace reflecting the changing growth patterns across regions. According to the International Monetary Fund (IMF) *World Economic Outlook, April 2014*, the global economy is estimated to have grown by 3.0% in 2013 with the advanced economies providing the major impetus to global growth. As such, growth picked up in the most advanced economies, particularly in the second half of the year, whereas the pace of growth moderated in major emerging market economies (Table 1). According to estimates, real gross domestic product (GDP) growth in the advanced economies is estimated at 1.3% in 2013 driven by accommodative policies, increased consumer demand, favourable financial market conditions and improved confidence. On the other hand, growth in the emerging and developing economies decelerated to 4.7% in 2013 owing to weaker domestic demand, tighter financial market conditions, policy and political uncertainty.

Looking at developments in major world economies, real GDP growth in the United States (US) decelerated to 1.9% reflecting the decline in government spending and a deceleration of exports and personal consumption expenditure. Meanwhile, despite the annual decline in output during the year, the euro area witnessed positive quarterly growth rates beginning the second quarter of 2013 with major economies in the bloc—Germany, France and Italy—recording positive growth in the last quarter of 2013. In Japan, growth accelerated to 1.5% in 2013, though it was slower than expected, mainly due to government stimulus policies being ineffective to boost exports and consumer spending. In the United Kingdom (UK), where activity remained strong during the last quarters of the year, growth strengthened to 1.8% in 2013, which is the fastest growth rate recorded since the onset global financial crisis in 2007.

Looking at the emerging and developing economies, the Chinese economy registered a growth rate of 7.7% in 2013, matching the growth rate recorded in 2012. Growth was led by an acceleration in investment, although policymakers have highlighted the need to move away from the investment-led growth model to one supported by domestic consumption. As for India, growth is estimated to have decelerated to 4.4% in 2013 from 4.7% in 2012. This represents a downward revision from the 5.0% projected initially for 2013 owing to contractions in key manufacturing and mining sectors.

Table 1: International Economic Indicators, 2009–2013
(output as measured by the annual percentage change in real GDP)

	2009	2010	2011	2012	2013
World output	**-0.4**	**5.2**	**3.9**	**3.2**	**3.0**
Advanced economies	-3.4	3.0	1.7	1.4	1.3
US	-2.8	2.5	1.8	2.8	1.9
Euro area	-4.4	2.0	1.6	-0.7	-0.5
Germany	-5.1	3.9	3.4	0.9	0.5
France	-3.1	1.7	2.0	0.0	0.3
Italy	-5.5	1.7	0.5	-2.4	-1.9
UK	-5.2	1.7	1.1	0.3	1.8
Japan	-5.5	4.7	-0.5	1.4	1.5
Emerging and developing economies	3.1	7.5	6.3	5.1	4.7
China	9.2	10.4	9.3	7.7	7.7
India	8.5	10.3	6.6	4.7	4.4
Global inflation	**2.5**	**3.6**	**4.9**	**3.9**	**3.6**
Advanced economies	0.1	1.5	2.7	2.0	1.4
Emerging and developing economies	5.4	5.9	7.3	6.0	5.8

Source: IMF World Economic Outlook Database, April 2014

Commodity Prices

Global commodity prices[1] fell by 2% during the year 2013 after a decline of 3% in 2012. Price declines were observed in metal and crude oil prices, while prices of food increased in 2013 compared to 2012 (Figure 1). The growth in commodity prices has been held back by weaker growth recovery, especially in the euro area and subdued growth in other major economies.

Crude oil prices declined by 1% in 2013 compared to an increase of 1% in 2012. The average price of crude oil in the international market[2] stood at US$104.1 per barrel in 2013 compared to US$105.0 per barrel last year. Crude oil prices declined during the first half of the year and rose in the latter half of 2013. The decline in prices was due to stronger demand coinciding with a fall in the Organisation for Petroleum Exporting Countries' production, while the increase in prices was due to conflicts in the Middle East which affected supply.

Prices of metals declined by 4% in 2013 compared with a decline of 17% in 2012. Metal prices declined in the early part of 2013 due to the slowdown in global demand, especially due to reduced demand from the Chinese market. The price declines were also contributed by the expansion of cheaper production methods and excess supply resulting from increased production capacity.

Food prices increased slightly by 1% in 2013 after a decline of 2% in 2012. Prices increased in the first half of 2013 due to

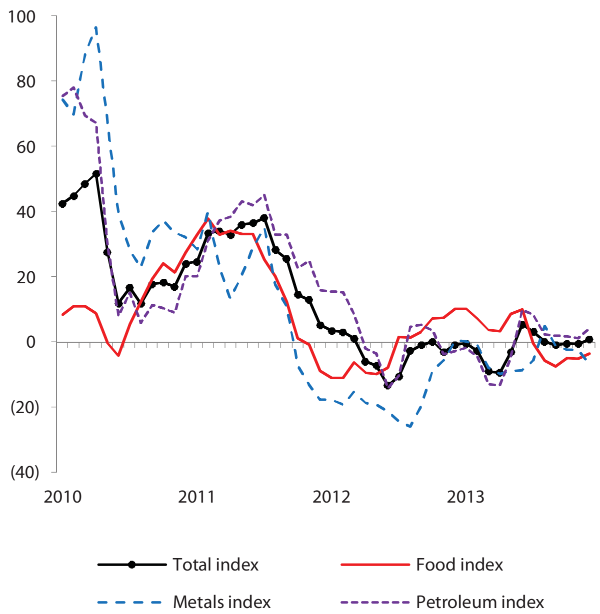
1 Source: IMF Commodity Price Index.

2 Average of Brent, Dubai Fateh and West Texas Intermediate.

weather-related supply disruptions, though it declined in the third quarter of 2013 on improved supply from Canada and Australia, before picking up again in the last quarter due to strong seasonal demand, especially from China. In 2013, prices increased most notably in vegetable oil and protein meals, meat and sea food.

Figure 1: Global Commodity Prices, 2010–2013

(annual percentage change in IMF Commodity Price Index)



Source: International Monetary Fund

Inflation

Global inflation[3] remained low in 2013 reflecting stable commodity prices and the existence of a sizable amount of spare capacity in the major economies. In 2013, global inflation decelerated to 3.6% after registering 3.9% in 2012.

In the advanced economies, price pressures remained modest with the rate of inflation moderating to 1.4% in 2013. In the US, the annual Consumer Price Index (CPI) inflation fell to 1.5% in 2013 mainly due to strong declines in the energy, food and medical care services components of the CPI. As for the euro area, price pressures remained subdued with the rate of inflation falling to 1.3% in 2013 from 2.5% in 2012. Declining energy prices was the main drag on inflation while the high level of slack in the economy also contributed to the weaker inflation. Meanwhile, the Japanese economy which has been struggling with deflation in recent years saw the price level increasing to 0.4% in 2013 from zero inflation in 2012. In the UK, the rate of inflation moderated to 2.6% in 2013 driven by slower rise in energy prices and lower contribution from food and education prices towards the end of the year.

3 Source: IMF World Economic Outlook Database, April 2014.

With regard to the emerging and developing economies, the rate of inflation decreased to 5.8% from 6.0% in 2012. Among which, the rate of inflation in China decelerated marginally to 2.6% in 2013 from 2.7% in 2012. Meanwhile, in India, inflation fell from 10.2% in 2012 to 9.5% in 2013 on account of moderation in food prices.

Exchange Rates

The US dollar depreciated against some of the currencies of its trading partners, including the euro, Sterling pound and the Chinese yuan in 2013. The dollar depreciated against the euro by 4%, reflecting the recovery of the euro area economy as it comes out of the recession triggered by the debt crisis. Strong growth from the UK also led to a boost in demand for UK denominated assets towards the end of the year, resulting in the appreciation of the pound against the dollar. Meanwhile, the US dollar depreciated against the Chinese yuan by 3% in 2013, underlined by the relatively high interest rates, robust economic growth and trade activity. In addition to this, a buoyant housing market and favourable capital controls also contributed the depreciation of the US dollar against the yuan.

On the other hand, the Japanese yen lost significant ground against the US dollar as Japanese authorities launched a stimulus strategy to push the economy out of years of deflation and a pro-growth strategy which encouraged a weaker yen to bolster exports.

Domestic Economic Developments

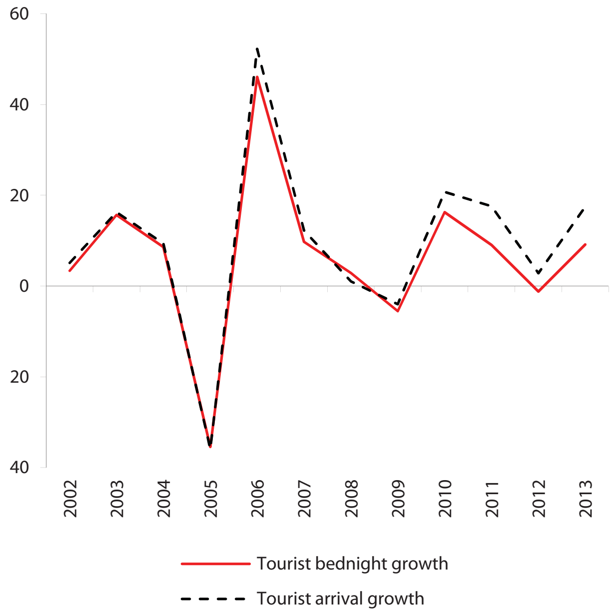
Production and Prices

Tourism

The year 2013 was a landmark year for Maldivian tourism as the industry crossed the one million mark in tourist arrivals during the year. Tourist arrivals grew by a significant 17% on an annual basis to reach 1.1 million during 2013, driven by the robust growth of the Chinese market which offset the weaker growth of the traditional European markets. The strong growth in arrivals during 2013 largely reflects the recovery of the industry from the slowdown witnessed in 2012. Reflecting the marginal decline in average stay from 6.7 days in 2012 to 6.3 days in 2013, tourist bednights grew by 9%, slightly lower than the arrivals growth. The downward trend in average stay that has been observed in the past five years (as shown in the deviation between tourist arrival growth and bednight growth in Figure 2) is owing to a shift in the composition of tourists coming from short-haul markets, such as China. Meanwhile, total tourist receipts remained buoyant and grew by 19% to reach an estimated US$2.2 billion during 2013.

Figure 2: Tourist Arrivals and Bednight Growth, 2002–2013

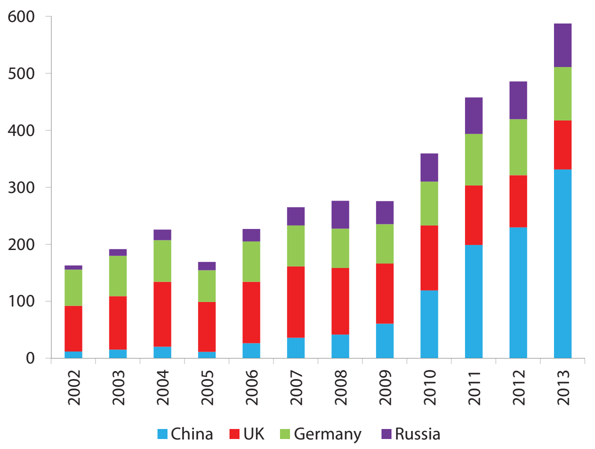
(annual percentage change)



Source: Ministry of Tourism

With regard to the operational capacity of tourist accommodation facilities, the total number of resorts in operation increased from 99 resorts in 2012 to 103 in 2013, with the average operational bed capacity of resorts rising by 3% to 22,452 in 2013. The rapid growth of guest houses (which provides low cost accommodation to visitors coming to the country) continued in 2013 as well, with the number of guest houses in operation increasing to 80 in 2013 from 39 in the previous year. As a result, the operational bed capacity of guest houses increased by an impressive 91% to 1,115 in 2013 from 584 in 2012. Reflecting these developments, the total operational bed capacity of the tourism sector increased by 4% to 26,101 in 2013. Meanwhile, the occupancy rate of the sector rose by 4 percentage points to 74% in 2013, with the resorts observing an 81% occupancy rate, rising by 5 percentage points from the year before.

Figure 3: Tourist Arrivals by Major Markets, 2002–2013
(thousands)



Source: Ministry of Tourism

Looking at the market composition, Europe retained their position as the market leader, although there was a steep decline in their market share as it fell from 54% in 2012 to 47% in 2013. Meanwhile, the Asian market continued to expand and its share increased from 38% in 2012 to 45% in 2013, reinforced by strong arrivals from the Chinese market. Arrivals from the Americas, Middle East, Africa and Oceania altogether accounted for a market share of 8% in 2013.

Although the market share of Europe declined steeply in the review year, the number of arrivals increased marginally by 2% in 2013 compared to a decline of 4% in 2012. The sluggish growth rates have been underlined by the slow recovery of Europe as they emerge from the eurozone crisis. Arrivals from Germany, being the top source market from Europe, declined by 5% in 2013, and their share of arrivals from Europe fell by one percentage point to 18%. UK, which holds the second largest share of the European market, also saw their share decrease to 16%, while observing an annual 6% decline in tourist arrivals in 2013. The Russian market became the third largest market from Europe, with its share increasing to 15%. Arrivals from the country reflected a robust increase in tourist arrivals of 15% compared to 2012. Other major markets such as Italy and France continue to be weak, with arrivals declining by 8% and 4%, respectively, in 2013.

With regard to the Asian market, it grew strongly in 2013 registering a 38% increase up from 10% in 2012. As seen in Figure 3, this growth was boosted by the considerable increase in tourist arrivals from China which rose by a significant 45% in 2013 (an annual increase of 16% in 2012). Tourist arrivals from China, as at the end of 2013, constituted 66% of arrivals from Asia and 29% of total arrivals. Looking at other major markets in Asia, both India and Korea posted strong growth rates in 2013 of 27% and 20%, respectively. Meanwhile, tourist arrivals from Japan grew at a modest rate of 8% in 2013.

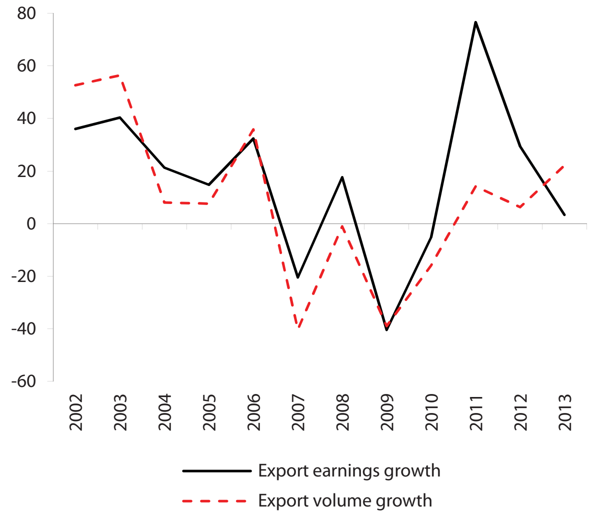
Fisheries

The performance of the fisheries sector improved in 2013 as reflected by the recovery of fish catch and higher exports. According to statistics from the Ministry of Fisheries and Agriculture, total fish catch[4] is estimated to have increased by 17% to 104,152.1 metric tonnes in 2013 after registering an average decline of 3% in the last five years. Meanwhile, fish purchases made by collector vessels from local fishermen also increased in 2013, by 22%, and amounted to 60,229.0 metric tonnes. This is the highest quantity of fish purchases recorded since 2008.

Reflecting these developments, both the volume and earnings on fish exports increased during the year (Figure 4). As such, the volume of fish exports totalled 49,590.2 metric tonnes in 2013 increasing by 22% from 2012 while earnings on such exports increased by 3%. The increase in the volume of exports was largely due to the 26% increase in the quantity of fresh, chilled or frozen tuna exported while the 14% increase in canned or pouched fish exports also contributed to the growth in exports during the period.

Figure 4: Growth of Volume and Earnings of Fish Exports, 2002–2013

(annual percentage change)



Source: Maldives Customs Service

4 Data on fish catch and purchases for 2013 is based on preliminary estimated figures.

TRENDS IN THE INTERNATIONAL TUNA MARKET

Developments in the international tuna market in the early part of 2013 was characterised by moderate demand, low supplies and rising prices. The increase in prices was mainly due to the disappointing supply figures from the Pacific which pushed tuna prices up. However, improved catch from the Indian Ocean slightly eased the pressure on prices[1] in the first quarter. Prices rose in the second and third quarters as well, with the closing of the fishing season in the Atlantic and Pacific, hence hampering supplies and putting pressure on prices.

Looking at major markets, the US, which is the largest canned tuna importing nation in the world, saw its canned tuna imports fall to the lowest in seven years in 2013. From January to November 2013, total imports of canned tuna fish were at 21.9 million cartons, a decline of 7% compared to 2012. This decline has been partly attributed to the uncertain economic conditions in the US and also due to other supply side issues which include high retail costs and quality control measures.

As for Europe, in the first half of the year, the volume of canned tuna imports into the European Union (EU) posted a positive growth of 14% while earnings on such imports increased by 32% when compared to the same period of 2012. With improved demand from major markets, exports from Thailand, which is a key exporter of canned fish to Europe, maintained a positive growth trend in the first half of 2013. Looking at other major markets in Asia, prices of locally produced canned tuna in Japan increased by 9% in 2013. This has been attributed to the increased production costs and the weaker yen. Meanwhile, the value of imported canned tuna also increased by 18% in annual terms during the period January to June, despite a fall in the volume of canned fish imported during this period.

1 Source: Data relating to international trends in the tuna markets has been taken from Globefish, a body of the Food and Agricultural Organisation, United Nations.

Construction

Although the construction sector was initially projected to grow by 5.6% during 2013, the performance of the sector was much weaker than expected. As such, the output of the construction sector is estimated to have declined by 2.9% in 2013 compared to 2012. This is the second consecutive year of contraction experienced by the sector, as it is followed by a decline of 1.2% in 2012 as well. The decline in construction activity was largely due to severe shortages in the supply of construction aggregates and also due to the scaling back of public sector infrastructure projects.

The shortage in the supply of cement and aggregates—the materials, which are largely (around 60% on average) imported from India under a special quota provided by the Indian government—caused significant disruptions to major construction projects and led to an increase in prices of these materials and cost overruns. Although this prompted importers to seek alternative markets such as Sri Lanka, United Arab Emirates (UAE) and Malaysia for these commodities, most of the major construction projects were held up during the first half of 2013. The pressure on the supply of construction materials started to ease in the third quarter of the year, which led to a gradual pick up in construction activity. However, construction- related imports (which consists of wood, metal, cement and aggregates) still declined by 3% in 2013 compared to the previous year.

Despite the overall decline in construction activity, commercial bank credit to the construction sector rose by 10% in 2013 and totalled MVR1.3 billion during the year. This increase was driven by the 12% increase in loan advances to residential projects during the year, which reflects the introduction of new housing finance schemes by Bank of Maldives plc and Housing Development Finance Corporation. Meanwhile, credit lent for commercial projects (7% of total credit to the construction sector) declined by 40% in 2013. In addition, with eighteen new resorts expected to open in the next three years, credit to the development of new resorts also increased by 6% during the year.

Wholesale and Retail Trade

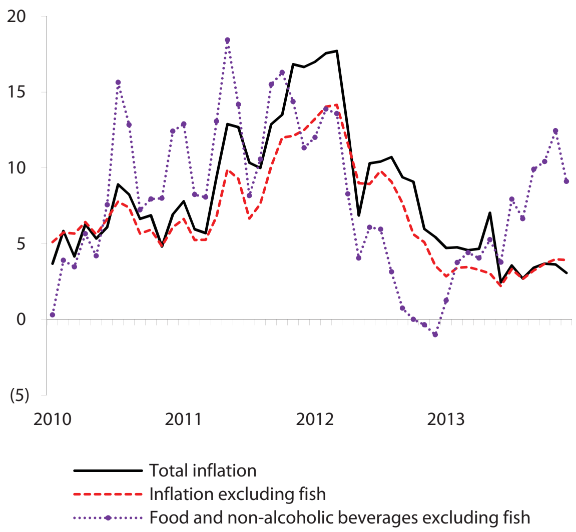
Activity in the wholesale and retail trade sector continued to expand during 2013, although the rate of growth moderated from 6.7% in 2012 to 5.7% in 2013. The slowdown in the wholesale and retail sector can partly be attributed to the decline in construction activity during the year. Among the main indicators used to assess the performance of the sector, commercial bank credit to the wholesale and retail trade sector increased significantly by 15% in 2013 to MVR2.5 billion, compared with a growth of 1% in the previous year. Meanwhile, private sector imports (excluding tourism) increased by 6% during the year, supported by the growth in economic activity.

Inflation

The rate of inflation continued to remain relatively low and stable throughout 2013 (Figure 5). This is in contrast to that observed during 2011 and 2012, when inflation[5]

5 The inflation rates discussed here, unless otherwise specified, are year-on-year inflation rates which are defined as changes in prices during a period compared to the corresponding period in the previous year for Male'.

Figure 5: Inflation (Male'), 2010–2013



Source: Department of National Planning

remained high and volatile due to surging domestic fish prices; global food, energy and commodity prices; and the pass-through effect of the depreciation of the rufiyaa in April 2011 and the introduction of goods and service tax (GST) in the same year.

Looking at developments in 2013, the rate of inflation, as measured by the annual percentage change in CPI for Male', fell significantly from 10.9% in 2012 to 4.0% in 2013.[6] The slowdown in inflation during 2013 was influenced by both domestic and external factors. On the domestic front, a significant deceleration in the growth of fish prices (the item with the largest contribution to inflation from among food and non-alcoholic beverages) was the main drag on lowering inflation during 2013. The annual growth in fish prices remained on a downward trend for the whole of 2013 except for a one-off hike in the month of May. On the external front, the dampening of inflationary pressure was largely contributed by subdued global energy prices since mid-2012.

Most of the developments in domestic inflation during 2013 were influenced by food, and especially fish prices. The growth in the price of food and non-alcoholic beverages remained relatively high during the year, which for the first six months was due to rapidly increasing fish prices. However, the growth in fish prices moderated in the last half of 2013, though the dampening effect of this on overall food and non-alcoholic beverages was offset by rising vegetable prices reflecting price hikes in India. Therefore, the interplay between these two

6 The annual inflation rate for Maldives (including atolls) in 2013 was 3.8%.

factors prevented major changes in food and non-alcoholic beverage inflation. However, the low volatility of total inflation during the year can almost entirely be attributed to the relatively steady fish prices, which is usually the most volatile of all prices in the CPI basket.

Housing, water, electricity, gas and other fuels, which has the largest weight (33%) in the CPI basket, heavily influenced total inflation during 2013. Inflation for this category slightly decelerated and stood at 3.7% at the end of the year, mostly due to a slowdown in the rise of electricity prices and rentals paid by tenants. After rising slowly during the first quarter of the year, prices of furnishing, household equipment and routine maintenance went on a downward trajectory for the rest of the year. In addition, the rise of prices at hotels, cafés and restaurants slowed during the last four months of the year, again contributing to the general trend observed in total inflation.

The rate of increase in the price of transport services accelerated slowly but consistently over the year. However, the prices of communication services and that of miscellaneous goods (which mostly consists of personal care items) consistently fell, albeit marginally, throughout 2013. Finally, the prices charged by the health sector, which experienced a rapid deflation in 2012, rose at an increasingly moderate pace over the year as the effects of the introduction of Aasandha (the free universal healthcare scheme), dissipated during the year. The inflationary pressure in the health sector was almost entirely a consequence of increases in the prices charged for outpatient services.

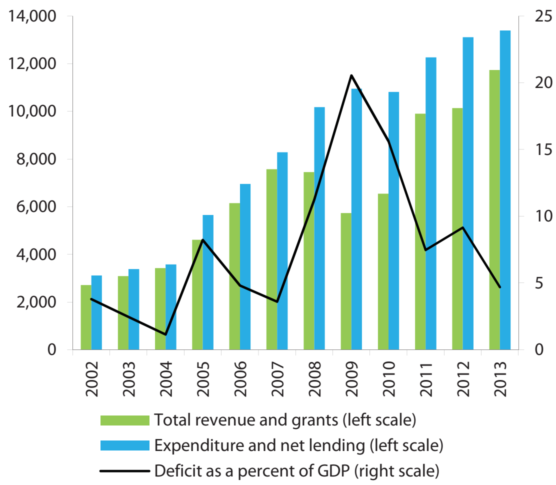
Public Finance

Fiscal performance for 2013 was weaker than anticipated owing to slippages in both revenue and expenditure. According to the latest revised estimates made by the Ministry of Finance and Treasury in December 2013, the fiscal deficit for 2013 is estimated at 4.7% of GDP (9.2% of GDP in 2012), exceeding the budgeted target of 3.6% for the year.

In 2013, revenue collection by the government remained robust with total revenue (excluding grants) reaching MVR11.5 billion (33% of GDP), driven by higher-than-expected receipts from tax revenues which offset the shortfall in non-tax revenue (Figure 6). Nonetheless, total revenue fell short of the target owing to delays in the implementation of the planned new revenue measures as envisaged under the budget. Meanwhile, total expenditure (excluding net lending) grew marginally, by 2%, and rose to 38% of GDP in 2013, though this was 4% below the target owing to the significant decline in capital spending

Figure 6: Government Revenue and Expenditure, 2002–2013

(millions of rufiyaa)



Source: Ministry of Finance and Treasury

In 2013, the financing requirement of the government was met almost entirely through domestic sources: mainly through the issuance of Treasury bills (T-bills) to the domestic market and monetisation. Meanwhile, reflecting the sustained high budget deficit experienced over the past years, the total debt of the government reached 78% of GDP by the end of 2013, with domestic debt accounting for 58% of total public and publicly-guaranteed debt.

Revenue

Total revenue increased by 18% in 2013, although it registered a shortfall of MVR521.1 million (4% of the budgeted value) compared to the target. The shortfall in revenue mainly reflects delays in implementing the planned new revenue measures such as increasing the rate of the tourism goods and services tax (T-GST) from 8% to 15% and the leasing of fourteen new islands for the development of tourist resorts.

Tax revenue, the largest component of total revenue in 2013 (accounting for 75%), grew by 26% in 2013 to reach MVR8.6 billion, mostly fuelled by sizable increases in T-GST and business profit tax (BPT) receipts (Table 2). Revenue from T-GST, which made up 28% of total tax revenue, increased by 54%

Table 2: Government Revenue, 2011–2013
(millions of rufiyaa)

	Actual			Budgeted	Percent of budget realised
	2011	2012	2013	2013	
Total revenue and grants	**9,904.6**	**10,138.1**	**11,735.8**	**12,608.9**	**93%**
Total revenue	9,172.1	9,771.4	11,527.5	12,048.6	96%
Current revenue	8,637.7	9,723.4	11,419.4	12,041.4	95%
Tax revenue	4,893.0	6,880.1	8,643.5	8,511.0	102%
Business profit tax	34.9	1,401.3	1,732.7	1,593.6	109%
GST (General)	243.0	1,005.7	1,169.7	1,029.0	114%
GST (Tourism sector)	665.3	1,553.6	2,390.7	2,847.9	84%
Import duty	2,586.5	1,369.0	1,620.4	1,642.3	99%
Tourism tax	750.8	804.7	882.8	433.8	204%
Non-tax revenue	3,744.7	2,843.3	2,776.0	3,530.4	79%
Resort lease rent	1,152.2	1,031.2	1,117.1	1,755.5	64%
Capital revenue (sale of assets)	534.5	48.1	108.0	7.1	1515%
Grants	732.4	366.7	208.3	560.4	37%

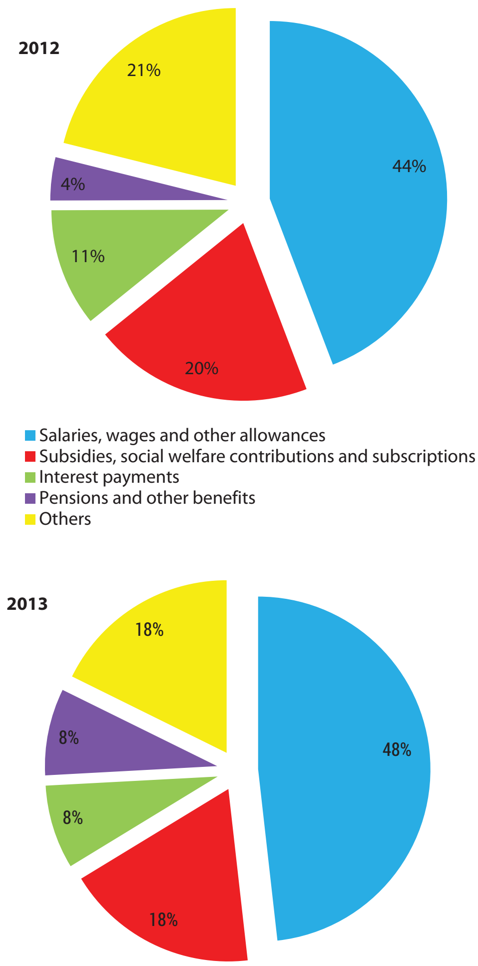
Source: Ministry of Finance and Treasury

compared to 2012 largely reflecting the increase in the rate of T-GST from 6% in 2012 to 8% in 2013. Nonetheless, revenue from T-GST was lower than expected as the legislative changes that were required to increase the T-GST rate further to 15% as anticipated in the budget, was not approved by the parliament. Meanwhile, revenue from general GST, which stood at MVR1.2 billion, also rose by 16% in 2013. Although these receipts were 14% higher than the budgeted amount, MVR200.0 million expected as GST from the telecommunication sector went unrealised.[7] This indicates that the GST receipts grew much more robustly than the target due to the revival in economic activities in 2013, especially sectors relating to tourism. Receipts from BPT, which totalled MVR1.7 billion, saw an increase of 24% and was 9% more than the target reflecting the full year collection as opposed to six months' collection in 2012. Finally, revenue from import duty, which declined in 2012 after a number of goods were made duty-free, started edging upwards again, increasing by 18% in 2013 compared to the previous year. The increase in revenue from import duty stems from the consistent annual growth of imports.

Non-tax revenue, which accounted for 24% of total revenue, declined marginally to MVR2.8 billion in 2013 (21% less than the target), mainly due to significantly lower-than-expected receipts from resort lease rent. Resort lease rent (40% of non-tax revenue) increased by 8% to MVR1.1 billion compared to the target growth of 70% as the

7 GST on the telecommunication sector, which was previously not applicable as per the GST Act, was proposed as a new revenue measure for 2013. However, the required amendment to the GST Act was not passed by the parliament, and thus the revenue did not materialise as expected. This was proposed as a revenue measure in the budget for the year 2012 as well, but the same reason hindered the realisation of the tax receipts then too.

Figure 7: Composition of Current Expenditure, 2012–2013



Source: Ministry of Finance and Treasury

government was unable to lease out the new islands for resort development as planned, while difficulties were also faced in obtaining the lump-sum resort acquisition cost.[8] Meanwhile, profit transfers from state-owned enterprises, the second major component of non-tax revenue (accounting for 26%), were greater than expected, increasing by 14% to record MVR724.8 million. This was contributed by higher-than-expected profit transfers from Dhiraagu plc, Maldives Ports Limited and the State Trading Organisation plc.

Expenditure

Total government expenditure (excluding net lending) increased by 2% to MVR13.5 billion,[9] though it was 4% lower than the target. The slow growth in expenditure was driven by significantly lower-than-projected capital expenditure, which offset sizable overruns in current expenditure. Meanwhile, although the government repaid some of the unpaid bills from previous years, a further build-up of arrears took place in 2013 as well and if these are considered total expenditure for 2013 will be much higher than estimated.

Current expenditure contributed 84% to total government expenditure in 2013, and increased by 10% (over MVR1.0 billion) during the year to MVR11.4 billion. This was 11% in excess of the budgeted value for

8 In April 2013, the government announced a bid submission for seven of the fourteen islands proposed to be leased out as resorts. Bids were received for only five of these islands and were awarded to the highest bidder for each. In September 2013, the government revoked the lease for four of the islands, as the parties did not pay the resort acquisition cost within the required period. There were no further announcements during the year regarding the remaining seven islands that were proposed to be leased out.

9 Total government expenditure plus net lending in 2013 amounts to MVR13,393.7 million.

current expenditure for 2013. As usual, the largest share (48%) of current expenditure went to salaries, wages and other allowances, reflecting the bulky public sector (Figure 7). Subsidies and social welfare contributions (which include the government's contribution to the universal health insurance scheme, Aasandha) constituted 18% of current expenditure in 2013, while 13% went to administrative and operational purposes. The growth in current expenditure in 2013 stemmed mostly from a rise in salaries, wages and other allowances during the period. In particular, this segment increased by 20%, from MVR4.6 billion in 2012 to MVR5.5 billion in 2013, mainly due to the transfer of employees in the health corporations to the civil service sector. As a consequence, pensions and other benefits also increased significantly in 2013 compared to the previous year. Interest payments, which contributed 8% to current expenditure and stood at MVR893.6 million, declined by 19% in 2013 compared to the previous year. This reflects large debt repayments made between December 2012 and February 2013 which led to a decrease in the amount of interest payments that fell due in 2013. As such, interest payments were 15% less than the budgeted amount for the year.

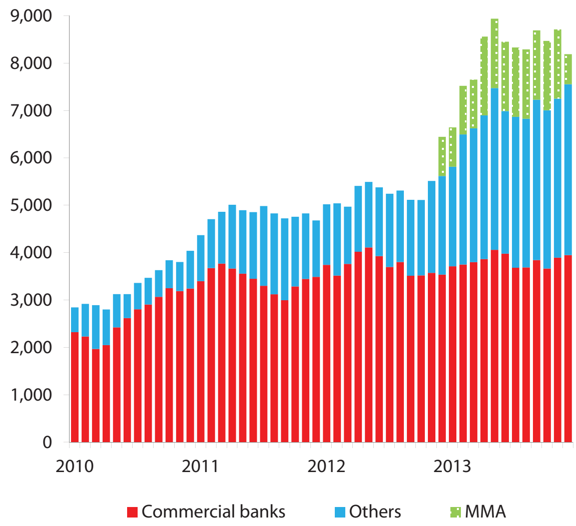
As for capital expenditure, it declined by 26%, from MVR2.9 billion in 2012 to MVR2.1 billion in 2013. This component of expenditure includes spending on public sector infrastructure projects, investment in capital equipment and capital outlays. Nearly half of this expenditure went to spending on residential and other building projects; road and harbour projects; sewerage and water systems; electrification projects; and other infrastructure projects.

Financing

As the government was unable obtain sufficient funds through external sources as budgeted, it had to rely almost entirely on domestic sources to meet the financing requirement for the year.

As in the past couple of years, the issuance of T-bills to the domestic market remained as an important source of financing for the government in 2013 as well. However, reflecting the tight cash flow situation of the government and due to difficulties in raising finance through the domestic market, considerable recourse was also made to monetisation during the year (Table 3). As a result, net credit to the government by the

Figure 8: T-bills by Holder, 2010–2013
(millions of rufiyaa)



Source: Maldives Monetary Authority

Table 3: Claims on Central Government, 2009–2013
(millions of rufiyaa)

	Outstanding at the end of							
	2009	2010	2011	2012	2013	2011	2012	2013
							net issue[1/]	
Government securities	**7,669.8**	**9,221.9**	**10,123.2**	**11,115.3**	**11,330.9**	**901.3**	**992.2**	**215.5**
T-bonds	4,822.3	5,179.4	5,438.7	4,664.7	3,136.6	259.3	(773.9)	(1,528.2)
MMA	4,182.3	3,894.4	3,894.2	3,892.1	3,136.6	(0.2)	(2.2)	(755.5)
Commercial banks	640.0	1,285.0	1,544.4	772.7	-	259.5	(771.7)	(772.7)
T-bills	2,847.5	4,042.5	4,684.5	6,450.6	8,194.3	642.0	1,766.1	1,743.7
MMA	-	-	-	829.6	634.0	-	829.6	(195.6)
Commercial banks	2,531.0	3,247.0	3,492.0	3,539.2	3,952.1	245.0	47.2	412.9
Non-banks	316.5	795.5	1,192.5	2,081.8	3,608.2	397.0	889.3	1,526.4
SOEs	316.5	661.0	629.0	413.7	1,345.7	(32.0)	(215.3)	932.0
Others	-	134.5	563.5	1,668.1	2,262.5	429.0	1,104.6	594.4
							flow	
Loans and advances	**230.3**	**2,667.9**	**2,659.7**	**3,336.9**	**5,575.9**	**(8.2)**	**677.2**	**2,239.0**
MMA	30.7	27.1	25.9	334.2	2,498.9	(1.2)	308.3	2,164.6
Commercial banks	199.6	156.0	180.6	440.9	537.8	24.5	260.3	96.9
Other financial institutions	-	2,484.9	2,453.2	2,561.8	2,539.2	(31.6)	108.5	(22.5)

[1/] Net issue refers to the issued amount less maturity, and is also the difference between the outstanding value between any two period.
Source: Maldives Monetary Authority

MMA increased from MVR4.7 billion at the end of 2012 to MVR6.0 billion at the end of 2013. In addition, the government also relied on a further build-up of arrears to meet its financing requirements for the year. The financing pressures faced by the government were also reflected in the weighted average interest rates (WAIR) on T-bills of all maturities, which increased significantly over the year.

With regard to developments in the T-bills, the total outstanding stock of T-bills grew by 27% (MVR1.7 billion) in 2013 to reach MVR8.2 billion at the end of 2013 (Figure 8). A large part of this increase was attributable to the increase in investments by other financial corporations and public non-financial corporations, which can be seen from the increase in their share of holdings (as a percent of total outstanding T-bills) from 28% at the end of 2012 to 44% at the end of 2013. Meanwhile, although T-bill investment by commercial banks witnessed an annual growth of 12% to MVR4.0 billion at the end of 2013, its share as a percent of total holdings has fallen from an average of 77% in the last five years to 48% by the end of 2013.

The sustained high budget deficits experienced over the years have also led to a huge build-up of public debt. As such, total public and publicly guaranteed debt increased to MVR27.7 billion (78% of GDP) at the end of 2013 of which 58% is attributed to domestic debt.

Monetary Policy and Monetary Developments

The main objective of monetary policy is to achieve price stability and preserve a sustainable level of foreign exchange reserves. Under the present monetary policy framework, the reserve money target is used as the operational target for MMA monetary operations, while the exchange rate remains as the main anchor for price stability.

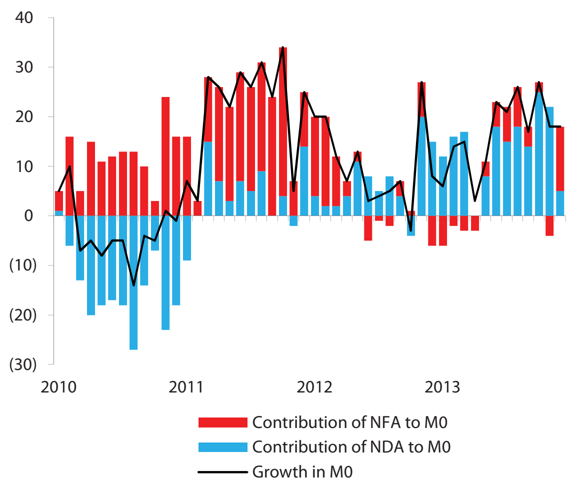
In April 2013, the MMA introduced certain changes to the monetary policy framework with the aim of increasing the effectiveness of monetary policy and developing the interbank market in the country. These changes include the narrowing of the interest rate corridor by increasing the interest rate on the Overnight Deposit Facility (ODF) from 0.25% to 3.00% and reducing the rate on Overnight Lombard Facility from 16.00% to 12.00%. In addition, the indicative policy rate (IPR) was redefined and is used as an indicative rate for open market operations (OMO), instead of its initial usage as a cut-off rate.

As for the monetary aggregates, the growth of both broad money (M2) and reserve money (M0) accelerated at the end of 2013 in comparison with 2012. As for M0, the most significant contributor to its increase during the review period was the growth in net foreign assets (NFA) of the MMA. Similarly the growth in M2 was almost entirely contributed by the increase in NFA of the banking system, as net domestic assets (NDA) rose slightly during the review period.

Reserve Money

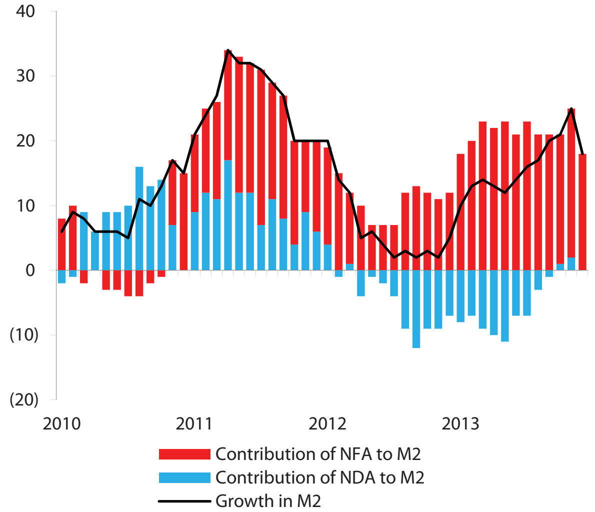
By the end of 2013, M0 was recorded at MVR9.6 billion which is an increase of 18% compared to 2012. As mentioned earlier, this was due to the increase in the NFA of the MMA (Figure 9). This was fuelled by the increase in foreign currency revenue of the government, coupled with the growth in foreign currency deposit base of the commercial banks. Both these factors were due to the robust growth in the tourism sector during 2013 compared with the preceding year. Additionally, the government foreign currency revenue was also boosted by the increase in the T-GST rate from 6% to 8% at the beginning of the year.

Figure 9: Sources of Reserve Money, 2010–2013
(annual percentage change)



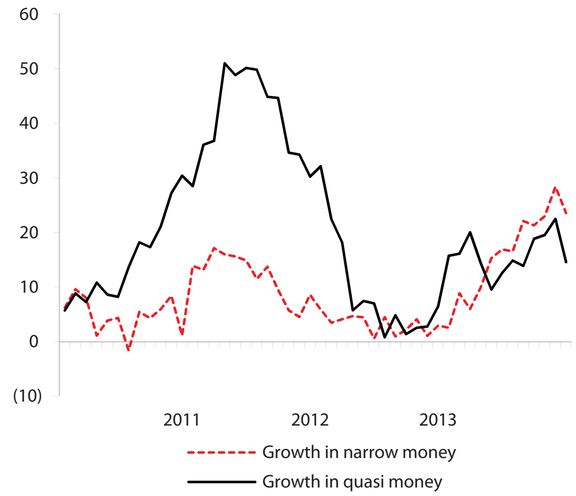
Source: Maldives Monetary Authority

Figure 10: Sources of Broad Money, 2010–2013
(annual percentage change)



Source: Maldives Monetary Authority

Figure 11: Narrow Money and Quasi Money, 2010–2013
(annual percentage change)



Source: Maldives Monetary Authority

With regard to the components of M0, the commercial banks' deposit balances at the MMA (accounting for 66% of M0) grew by 12% during the review year. In addition, currency in circulation which accounts for 34% of M0, registered a significant increase of 31% during 2013.

During the year, the MMA continued its monetary operations using the monetary instruments, OMO and ODF, to manage the liquidity in the banking system. The average liquidity absorbed in 2013 was much higher than the previous year, largely due to the increase in investment in reverse repurchase agreements (reverse repos).

Broad Money

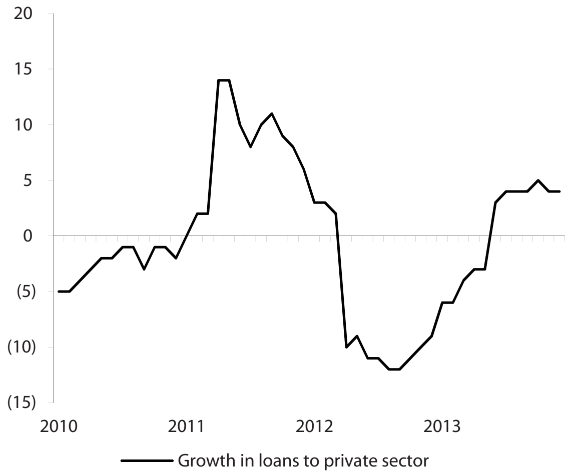
With regard to the developments in M2, it rose by 18% and reached MVR23.7 billion at the end of 2013 compared to the previous year (Figure 10). This increase was due to the significant growth in both narrow money (which accounts for 44% of M2) and quasi money (which accounts for 56% of M2) by 24% and 15%, respectively (Figure 11). Accordingly, the increase in narrow money was due to the rise in local currency demand deposits, while growth in quasi money can be attributed to the increase in foreign currency demand deposits.

As for the counterparts of M2, the growth was almost entirely caused by the growth in NFA of the banking system, especially the NFA of the commercial banks. As such, the NFA of commercial banks rose substantially by more than two-fold and reached US$218.7 million, resulting from the accumulation of foreign currency assets (US$297.6 million) by the commercial banks and the repayment of their overseas borrowings.

Net Claims on Central Government

At the end of December 2013, growth in net claims on central government (NCG) accelerated to 14% from 12% in 2012 and registered MVR8.7 billion. This growth came from increased investments in government securities and overdraft facilities by the MMA and the commercial banks, which reflects the growing financial needs of the government. This can be observed from the outstanding amount in government T-bills, which rose by 27% at the end of the year 2013, of which approximately 50% consisted of T-bills held by commercial banks. Additionally, during the same period, net claims on the government by the MMA also rose by 27% and reached MVR6.0 billion.

Figure 12: Loans to Private Sector, 2010–2013
(annual percentage change)



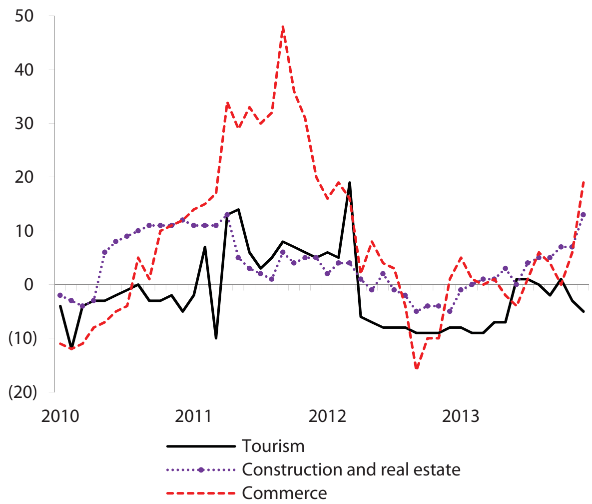
Source: Maldives Monetary Authority

Loans to Private Sector

As evident from Figure 12, the annual growth in credit to the private sector by the commercial banks which had been on a declining trend since April 2012, registered a turnaround in June 2013 and increased by 5% at the end of December 2013, reflecting the improvement in the economic conditions. At the end of 2013, the outstanding amount of loans extended to the private sector stood at MVR15.1 billion compared to MVR14.4 billion at the end of 2012.

Credit to the tourism sector, which accounts for more than 50% of total private sector loans, fell by 4% during 2013 compared to 2012. However, this decline was offset by the growth in credit to construction, real estate and commerce sectors which rose by 10%, 18% and 19%, respectively (Figure 13). Meanwhile, credit to the agricultural, fisheries and manufacturing sectors registered declines during the review year.

Figure 13: Loans and Advances to Private Sector by Industries, 2010–2013
(annual percentage change)



Source: Maldives Monetary Authority

Interest Rates

During 2013, the reverse repo rates remained at 7.00% at the end of December 2013, reflecting the IPR of 7.00% which remained unchanged since 29 May 2011. As for the WAIR on T-bills, it rose for all maturities by more than 200 basis points (bps) compared to the previous year (Table 4). This largely reflects the increased demand for funds by the government in order to finance its widening budget deficit.

The average lending rates on national currency denominated loans to public non-financial corporations (PNFCs) and private sector rose by 207 bps and 92 bps respectively; these rates reached 11.02% for PNFCs and 11.43% for the private sector. Meanwhile, foreign currency loans fell by 9 bps and 10 bps, respectively, for PNFCs and private sector companies.

As for the WAIR on deposits, the most significant changes were observed for national currency and foreign currency time deposits (with maturity between two and three years). As such, rates on national currency time deposits increased by 20 bps while the rates for the foreign currency time deposits fell by 65 bps.

Table 4: Interest rates, 2010–2013
(weighted average interest rates per annum; as a percentage; end of period)

	2010	2011	2012	2013
Interest rates on securities				
Reverse repo (1 week)	4.46	6.96	7.00	7.00
28 day T-bill	4.51	6.97	7.87	10.03
91 day T-bill	5.35	6.96	7.90	10.21
182 day T-bill	5.50	6.97	7.85	10.00
364 day T-bill[1/]	NA	NA	7.86	10.50
Interest rates on loans and advances				
PNFCs				
National currency	8.75	8.71	8.95	11.02
Foreign currency	10.01	9.73	9.33	9.24
Private sector				
National currency	10.45	10.17	10.51	11.43
Foreign currency	8.28	8.42	8.68	8.58
Interest rates on deposits				
Demand deposits				
National currency	2.21	2.22	2.24	2.23
Foreign currency	1.70	1.74	1.59	1.56
Saving deposits				
National currency	2.25	2.25	2.25	2.25
Foreign currency	2.36	2.22	2.22	2.28
Time deposits (2 to 3 years)				
National currency	3.75	4.10	3.80	4.00
Foreign currency	4.93	5.00	4.49	3.84

[1/] 364 day T-bill was introduced in August 2012
Source: Maldives Monetary Authority

Financial Sector

The financial sector[10] of the Maldives comprises of the banking sector and other financial institutions (OFIs). The banking sector consists of seven commercial banks which includes two locally incorporated banks and four branches of foreign banks and one subsidiary of a foreign bank. All commercial banks and OFIs are licensed and regulated by the MMA, while securities market intermediaries, including brokers, dealers, investment advisers, stock exchange, central depositories and the pension industry, are licensed and regulated by the Capital Market Development Authority.

Banking Sector

Total deposits of the banking sector grew by 17% in 2013, an increase of MVR3.3 billion compared to the year before, largely on account of corporate foreign currency demand deposits. Banks' appetite for lending has not improved much largely due to asset quality problems, resulting in placing their funds in less risky investments. The industry's asset growth is mainly seen in balances held at other banks or branches abroad and investments in T-bills. As such, bank balances and investments in T-bills and reverse repos grew by 75% and 37% respectively, amounting to a total increase of MVR3.1 billion. Lending grew slightly by 4% or MVR647.6 million during 2013.

The increased investment in low risk, more liquid assets has resulted in improved liquidity positions for the banking sector.

In the recent past, the main area of concern in the banking sector has been credit risk as indicated by the high level of poor quality loans. Few large recoveries earlier in 2013 led to improvements in non-performing loans (NPLs) during the past year by 17% or MVR580.7 million; however, NPLs still remain as a concern with a ratio of 17% as of December 2013. This risk, however, is mitigated to a large extent by an increased level of loan loss provisions made by banks as evidenced by the specific provision to NPL ratio of 90% as of December 2013. The large recoveries have boosted profits, with pre-tax profits growing by 74%, an increase of MVR744.9 million in 2013 compared to 2012. With the growth in earnings, the capital strength of the sector has improved, increasing the capacity to absorb risk.

Other Financial Institutions

The OFIs in Maldives include a finance leasing company, a specialised housing finance institution, a pension administration office, insurance companies, insurance brokers and agents, money transfer companies and securities market intermediaries.

Insurance Industry

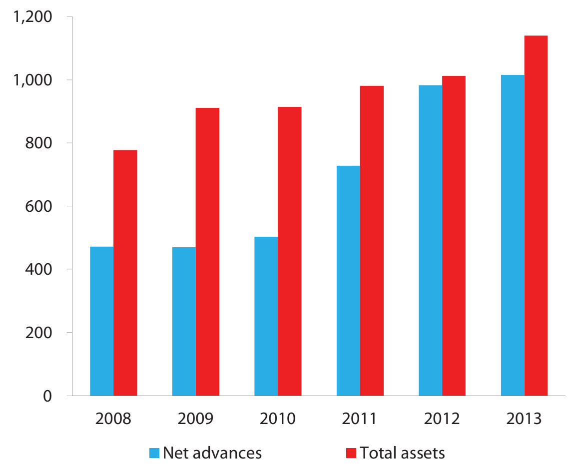
The insurance industry represents a significant financial subsector, presently consisting of three insurance companies, namely, Allied Insurance Company of the Maldives Pvt Ltd, Ceylinco Insurance Company Pvt Ltd and Amana Takaful (Maldives) Plc. The combined assets of these companies represent around 1% of the total financial sector assets in 2013. During

10 The figures included in this section are unaudited figures.

the year, gross written premium of general insurance grew annually by 8% to MVR422.4 million in 2013 while gross claims for the period increased by 68% to record MVR212.1 million. Insurance penetration of the country was registered at 1%, while insurance density was around US$63.6 for the reporting period. Meanwhile, the profitability of the industry decreased by 2% to MVR82.9 million in 2013.

Figure 14: Net Advances and Total Assets of Finance Companies, 2008–2013

(millions of rufiyaa)



Source: Maldives Monetary Authority

Finance Companies

The total assets of finance companies have been consistently increasing for the past four years (Figure 14). In comparison with the year before, total assets increased by 13% during 2013. This is likely to have contributed to the rise in net advances, which increased by 3% from MVR983.5 million in 2012 to MVR1.0 billion in 2013. On the other hand, provisions have decreased by 25% from MVR75.4 million in 2012 to MVR56.9 million in the year 2013.

Money Transfer Companies

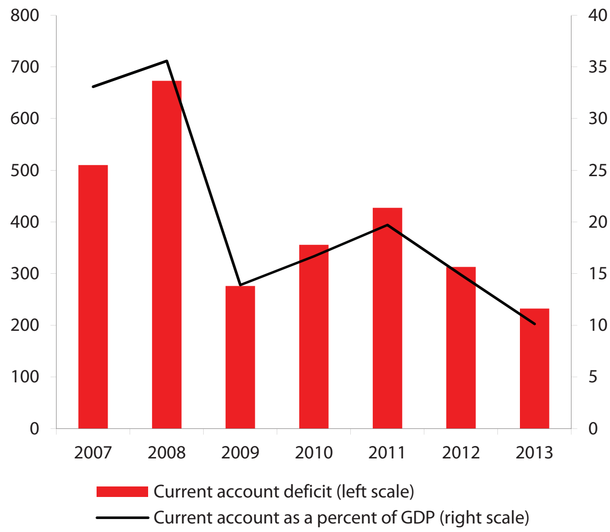
The growth of money transfer companies in Maldives is largely driven by the increasing population of expatriate workers. As such, the country's outward remittance has consistently been greater than inward remittance. Thus, total outward remittances amounted to US$87.2 million while inward remittance amounted to US$5.8 million during 2013.

External Sector

Current Account

The current account deficit, being one of the most important indicators of the country's external position, improved further in 2013, largely due to the robust growth in the services surplus. According to estimates made by the MMA in April 2014, the current account recorded US$232.4 million in 2013, equivalent to 10% of GDP (Figure 15). The increase in the surplus of the services account was a result of the higher income generated by the tourism sector during the year. This improvement however, was largely offset by the worsening of the trade deficit stemming from the continued increase in imports (Figure 16).

Figure 15: Current Account Deficit, 2007–2013
(millions of US dollars)

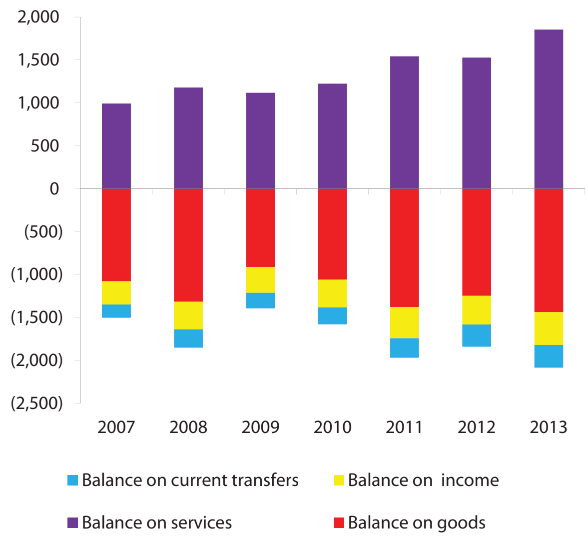


Source: Maldives Monetary Authority

Merchandise Trade Balance

The estimated merchandise trade deficit increased by 15% in 2013, recording US$1.4 billion. The worsening of the trade deficit reflects the faster growth in imports compared to the growth of exports during the year (Figure 17). The increase in imports by 14% can be attributed to the growth in overall economic activity in the country in 2013, particularly tourism.

Figure 16: Composition of Current Account, 2007–2013
(millions of US dollars)

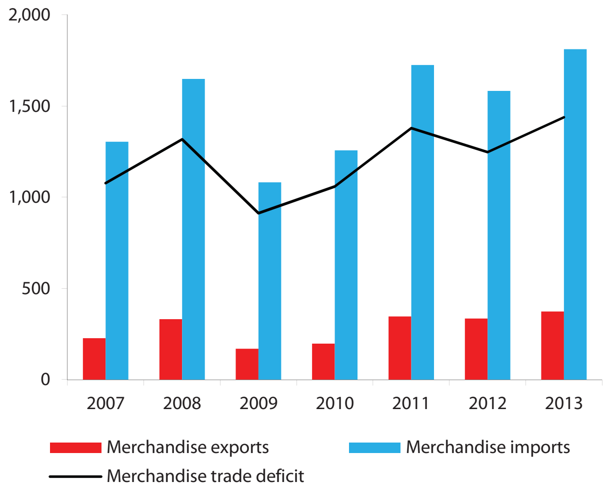


Source: Maldives Monetary Authority

Merchandise Exports

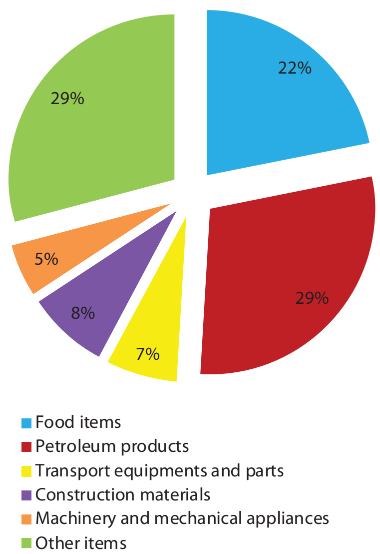
Merchandise exports, which are divided into domestic exports and re-exports, grew favourably during the year, due to the growth of both these components. Domestic exports as a share of total exports declined slightly to 45%, while re-exports accounted for 55%. Domestic exports, which almost

Figure 17: Merchandise Trade Deficit, 2007–2013
(millions of US dollars)



Source: Maldives Monetary Authority

Figure 18: Composition of Imports, 2013



Source: Maldives Customs Service

entirely comprise of fish exports, rose by 3% following the improvement in local fish catch. Meanwhile, the growth in re-exports (by 19%) reflected the increase in tourist arrivals and partly, the higher price of oil in domestic market. Of the total re-exports, the major chunk (70%) constituted jet-fuel sold to aircrafts at Ibrahim Nasir International Airport.

Domestic exports, which totalled US$166.5 million, registered a favourable growth in 2013. Among this, fish exports accounted for US$161.3 million, increasing by 3%. This largely reflects the increase in the volume of exported fish (a 22% increase in 2013 compared to 2012). The composition of fish exports were largely dominated by fresh, chilled or frozen tuna, accounting for 83% of total fish exports. Canned or pouched tuna contributed 10% while processed fish (which mostly includes dried fish) accounted for a further 5%. The bulk of fish exports during the year constituted of exports of yellowfin tuna. However, the improvement in fish exports in 2013 was largely due to the increase in exports of fresh, chilled or frozen skipjack tuna, which rose by 18% compared to 2012. Meanwhile, earnings from canned or pouched tuna increased moderately whereas earnings from dried fish declined during the year.

Merchandise Imports

Concurrent to the growth of economic activity in 2013, merchandise imports[11] increased during the review year. Such imports grew by 12% (US$179.1 million), amounting to US$1.7 billion. This increase was observed across all major categories of imports, especially,

11 Valued on cost, insurance and freight (c.i.f) basis

food, and can be attributed to the level of higher demand from the domestic economy coupled with a slight increase in global food prices during the year. Delving into the composition of imports by sector, the share of the imports by the private sector increased to 70% of total imports (72% in 2012) whereas the public sector accounted for the remaining 30% (28% in 2012). Private sector imports can be further broken down into imports made directly by the tourism sector (27%) and private sector imports excluding the tourism sector (73%). Likewise, public sector imports can be categorised into imports made by public enterprises (95%) and imports by the government (5%).

Looking at the composition of imports, more than half of all imports constituted the imports of petroleum products (29%) and food items (22%) (Figure 18). The import of petroleum products increased marginally compared to the previous year while that of food items rose significantly by 19% (US$60.0 million) during the year. This was largely due to the increase in the imports of meat products and the increase in prices of vegetables in the major trade partner countries. The share of imports of construction materials (which includes the imports of wood, metal, cement and aggregates), while accounting for 8% of total imports, noted a slight decline during the year, particularly due to lower imports of base metals. This was owing to the weakening of the construction industry during the year. Meanwhile, the imports of transport equipment (contributing 7% of total imports) increased considerably, reflecting the purchase of two aircrafts during the year.

Direction of Trade

As with previous years, the majority of Maldivian exports continued to be directed towards Asia and Europe. However, exports to Asia increased significantly while exports to Europe declined during 2013. As such, the share of exports to Asian countries increased to 57% (50% in 2012) while the share for European countries declined to 38% (45% in 2012). The increase in exports to Asia was directed towards Thailand, which accounted for more than half of the exports to Asia. Exports to Iran also increased during the year, accounting for 11% of exports to Asia. Other main export markets included France, Germany, and UK which accounted for 36%, 16% and 14% of exports to Europe.

The direction of trade of imports did not change significantly during 2013. Similar to the previous year, the bulk of goods were imported from Asia (81%). In particular, 28% and 16% of all items were imported from the UAE and Singapore, respectively. The large amount of imports from UAE largely reflects the import of petroleum from the nation, while imports from Singapore reflect import of petroleum as well as food, electronic and mechanical appliances. Meanwhile, imports from Europe remained low at 11%.

Services

The balance on services usually records a surplus in the Maldives due to substantial inflows of foreign currency from the tourism sector. During 2013, the estimated services surplus increased substantially from US$1.5 billion in 2012, to US$1.9 billion. This is an increase of 21%, reflecting the growth in tourist bednights during the review year.

As such, foreign currency inflows into the country from the tourism sector increased by 19% and amounted to US$2.2 billion in 2013. However, the robust growth in services receipts was partly offset by the increase in Maldivians' expenditure on services abroad. Among this, expenditure on travelling abroad increased by 16% (US$26.9 million) while transport payments increased by 14% (US$22.7 million).

Income

The income account of the balance of payments is usually negative in Maldives. In 2013, the estimated deficit on the income account increased slightly, from US$334.4 million in 2012 to US$382.2 million. This was mainly due to a rise in estimated reinvested earnings and estimated profit remittances out of the country.

Current Transfers

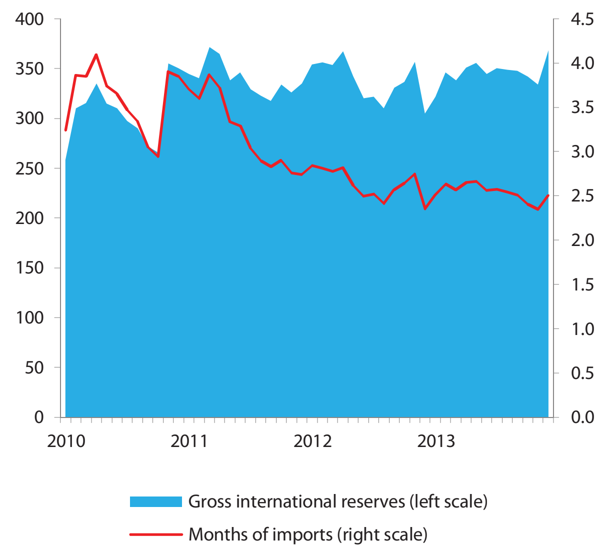
The balance on current transfers is usually negative in the case of Maldives due to a significant amount of remittances that the large expatriate labour force in the country remits to their home countries.

During 2013, the estimated deficit on current transfers widened to US$265.2 million, increasing marginally by 3% from the previous year. This was largely on account of an increase in the estimated workers' remittances. Such remittances rose by 2% during the year to reach US$264.9 million. As for the inflow of current transfers, it increased slightly to US$23.5 million. This was owing to a marginal increase in official grants received by the government.

Gross International Reserves

Gross international reserves, which mainly consist of the foreign currency assets held by the MMA, amounted to US$368.3 million at the end of 2013. This reflects an increase of 21% compared to the end of 2012, mainly due to the accumulation of foreign currency by commercial banks. The significant improvement in the level of reserves led to a marginal increase in reserves as measured by months of imports as well (Figure 19). Despite the fast growth of imports into the country, reserves in months of imports rose to 2.5 months at the end of 2013, compared to 2.4 months a year ago.

Figure 19: Gross International Reserves, 2010–2013
(millions of US dollars)



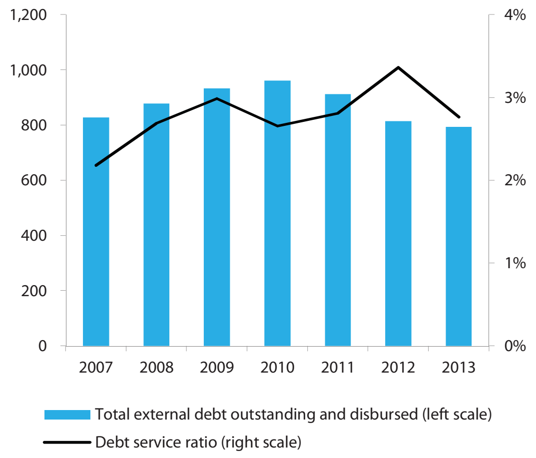
Source: Maldives Customs Service; Maldives Monetary Authority

External Debt

The information on external debt statistics is limited to public and publicly-guaranteed foreign borrowings of the government and the foreign liabilities of commercial banks. According to the latest available external debt statistics, the official external debt stood at US$793.6 million (35% of GDP) at the end of 2013. This reflects an improvement of 3% from 2012, in which external debt stood at US$815.4 million (39% of GDP). This improvement came about mostly due to the repayment of some foreign borrowings by commercial banks.

Figure 20: Public External Debt, 2007–2013

(millions of US dollars)



Source: Ministry of Finance and Treasury; Maldives Monetary Authority

Public and publicly-guaranteed external debt increased from US$722.3 million to US$748.8 million in 2013, equivalent to 33% of GDP. On the other hand, external liabilities of commercial banks continued to decline, having decreased gradually over the past few years. As such, foreign borrowings of commercial banks declined to US$44.8 million at the end of 2013 compared to US$93.1 million in 2012.

Looking at the composition of public and publicly-guaranteed external debt, the bulk of such debt constituted of loans obtained from multilateral and bilateral sources. Multilateral loans amounted to US$324.6 million (43% of public external debt) whereas bilateral loans accrued to US$216.7 million (29% of public external debt) at the end of the review year.

Following the gradual decline in public and publicly-guaranteed external debt, the cost of debt servicing also decreased during 2013 (Figure 20). The amount spent on debt servicing by the government (including principal and interest payment) stood at US$66.8 million, a decrease of 16% from 2012. Similarly, the debt service ratio of public external debt[12] decreased to 2.4% in 2013, from 3.4% in 2012.

Exchange Rates

With effect from 11 April 2011, the Maldivian rufiyaa was allowed to fluctuate within a horizontal band of 20% on either side of a central parity of MVR12.85 per US dollar. With the introduction of the exchange rate band, the exchange rate of the rufiyaa per US

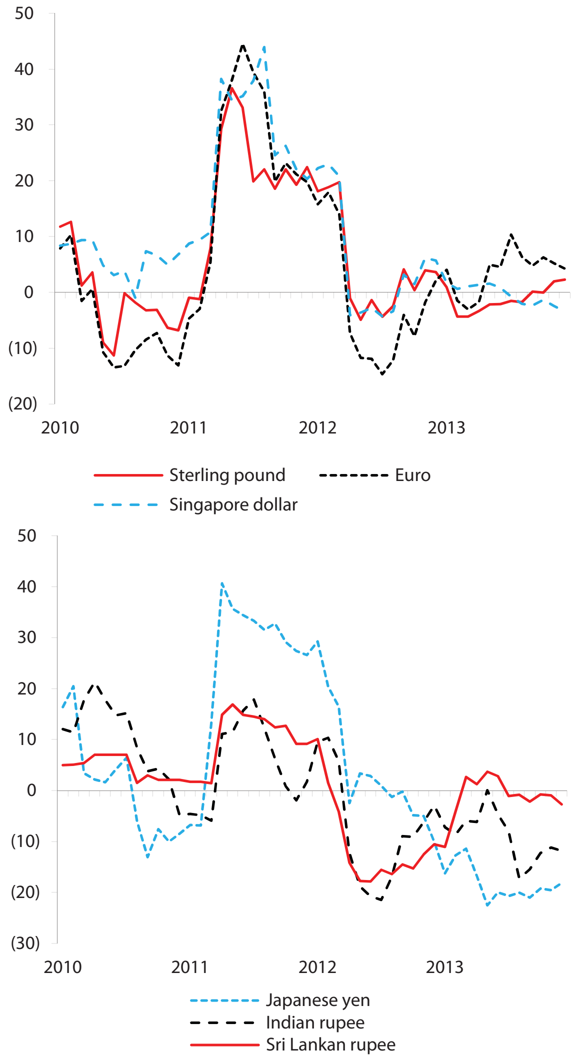
12 This is expressed as the cost of debt servicing (including principal and interest payments) as a percentage of exports of goods and services.

dollar moved towards the upper limit of the band, owing to persistent foreign exchange pressures in the economy. At the end of 2013, the reference rate of the rufiyaa per US dollar stood at MVR15.41, remaining more or less unchanged during the year. The exchange rate of the rufiyaa at the end of 2012 stood at MVR15.37.

With regard to the bilateral exchange rates, the rufiyaa appreciated against currencies of most of the major trading partners during 2013, mirroring the strengthening of the dollar against these currencies (Figure 21). As such, the dollar appreciated most significantly against the Japanese yen and the Indian rupee. The weakening of the yen during the year reflects the aggressive quantitative easing program undertaken by the Bank of Japan to stimulate the Japanese economy. Meanwhile, similar to other emerging market currencies, the depreciation of the Indian rupee against the dollar in 2013 was largely due to liquidity withdrawals by foreign investors over fears about the possible tapering of US bond purchases. On the other hand, the dollar depreciated against the euro mainly due to concerns over the growth of the US economy, especially after the government's partial shutdown.

Due to the fixed exchange rate maintained between the rufiyaa and the dollar, the movements of the latter were reflected in the rufiyaa as well. During 2013, the rufiyaa appreciated against the Japanese yen (by 18%); the Indian rupee (by 9%); and minimally against the Singapore dollar, Sri Lankan rupee and the sterling pound.

Figure 21: Exchange Rate Movements of Foreign Currencies, 2010–2013
(annual percentage change)



Source: Bank of Maldives plc

Outlook for the Maldivian Economy in 2014

According to projections made by the Department of National Planning in October 2013,[13] domestic economic activity is expected to gain strength with growth projected to increase by 0.8 percentage points to 4.5% in 2014. Growth will be driven by the continued expansion of tourism activity which is to be mainly supported by the robust growth of Chinese tourists. In 2014, growth is also expected to benefit from the recovery of construction sector which registered declines in the past two years. Activity in the construction sector is expected to recover due to the easing of material shortages and the continued expansion of residential construction projects amid improved bank credit to the sector. Meanwhile, transport and communication sectors are expected to expand in tandem with better prospects for the tourism sector while primary fishing activity is projected to slightly decline in the year.

Inflation is expected to remain moderate in 2014 as well. This largely reflects the weaker outlook for global commodity prices, which is expected to offset the upward impact of one-off factors such as the introduction of GST on communication services and reversal of import duty for certain goods during the year.

As for the 2014 government budget, the fiscal deficit is projected to decline to 3.2% in 2014 from 4.7% in 2013. The reduction in fiscal deficit is planned to be achieved through enhanced revenue collection mainly from tourism-related tax revenues and the collection of concession fee from the extension of resort lease periods. Spending is projected to increase largely driven by increased capital expenditure partly to be offset by expenditure savings from the rationalisation of subsidies and transfers payments. Despite this positive outlook, there is a considerable amount of uncertainty surrounding the 2014 budget. Overruns in current expenditure will most likely lead to financing difficulties for the government or further crowding out of the private sector. Any setback to fiscal consolidation either due to slippages in revenue or current expenditure will undermine medium-term debt sustainability and will have adverse implications for exchange rate and prices.

The trade deficit is projected to widen in 2014 as the increase in imports continues to outpace the increase in exports. Import growth is expected to accelerate in line with the projected increase in economic activity from tourism, construction and government sectors. Meanwhile, exports are expected to

13 Assumptions underlying the projections for GDP used in this outlook are based on actual data up to August 2013.

decrease owing to the projected decline in fish catch and decline in global tuna prices. Given that the improved receipts from tourism is insufficient to offset the increase in imports, interest payments and remittance outflows, the current account deficit is projected to widen by 16% to US$269.9 million in 2014. Meanwhile, gross international reserves are projected to improve in 2014 mainly due to inflows from the planned new revenue measures stemming from the tourism sector. In line with this improvement, reserves in terms of months of imports, are also projected to increase slightly.

Appendix

Real Sector

Public Finance

Monetary Sector

External Sector

Table 1: Gross Domestic Product, 2009–2013
(millions of rufiyaa; 2003 constant prices)

	2009	2010	2011	2012	2013[1/]
Gross domestic product	17,853.0	19,113.2	20,351.0	20,621.8	21,387.6
Agriculture and mining	336.9	350.6	361.2	363.2	368.4
Fisheries	344.3	324.6	321.0	318.8	325.4
Construction	1,302.8	1,423.9	1,694.3	1,673.6	1,625.3
Wholesale and retail trade	765.4	770.0	850.1	907.0	958.5
Tourism	4,608.1	5,335.4	5,824.6	5,820.2	6,139.3
Transport	1,539.8	1,800.9	1,926.9	1,893.9	1,990.0
Communication	1,769.9	1,803.1	1,954.2	2,045.3	2,200.0
Real estate	1,517.0	1,568.3	1,596.9	1,617.8	1,676.4
Government administration	2,251.8	2,290.0	2,279.0	2,345.1	2,413.9
(annual percentage change)					
Gross domestic product	(3.6)	7.1	6.5	1.3	3.7
Agriculture and mining	(2.3)	4.1	3.0	0.5	1.4
Fisheries	(2.6)	(5.7)	(1.1)	(0.7)	2.1
Construction	(37.3)	9.3	19.0	(1.2)	(2.9)
Wholesale and retail trade	(11.3)	0.6	10.4	6.7	5.7
Tourism	(5.4)	15.8	9.2	(0.1)	5.5
Transport	1.2	17.0	7.0	(1.7)	5.1
Communication	22.3	1.9	8.4	4.7	7.6
Real estate	(0.1)	3.4	1.8	1.3	3.6
Government administration	10.0	1.7	(0.5)	2.9	2.9
Memorandum items:					
Real GDP (2003 constant basic prices, in millions of US dollars)	1,394.8	1,493.2	1,589.9	1,611.1	1,670.9
Nominal GDP (current market prices, in millions of rufiyaa)	25,403.4	27,316.5	31,583.7	32,469.4	35,341.0
Nominal GDP (current market prices, in millions of US dollars)	1,984.6	2,134.1	2,167.7	2,105.7	2,291.9
Real GDP per capita (2003 constant basic prices, in rufiyaa)	46,395.3	48,562.7	50,081.4	49,099.7	49,222.9
Real GDP per capita (2003 constant basic prices, in US dollars)	3,624.6	3,794.0	3,912.6	3,835.9	3,845.5
Total mid-year population[2/]	384,801	393,578	406,359	419,998	434,505

[1/] GDP series was revised in October 2013. Figures for 2012 are estimates and 2013 are revised projections.
[2/] Mid-year population figures includes local and expatriate population. Expatriate population is projected for the subsequent years using the past five year growth rate of foreign population.

Source: Department of National Planning

Table 2: Tourism Indicators, 2009–2013

	2009	2010	2011	2012	2013
Tourist arrivals	655,852	791,917	931,333	958,027	1,125,202
Europe	462,192	505,421	537,757	517,809	527,274
Germany	*69,085*	*77,108*	*90,517*	*98,351*	*93,598*
United Kingdom	*105,950*	*114,158*	*104,508*	*91,776*	*85,869*
Russia	*40,014*	*49,111*	*63,936*	*66,378*	*76,479*
Asia	155,538	239,882	334,692	367,680	505,753
China	*60,666*	*118,961*	*198,655*	*229,551*	*331,719*
India	*15,850*	*25,756*	*30,978*	*31,721*	*38,014*
Japan	*36,641*	*38,791*	*35,782*	*36,438*	*39,463*
Korea	*16,135*	*24,808*	*25,285*	*23,933*	*30,306*
Tourist bednights[1/] ('000)	5,147.0	5,986.3	6,529.1	6,450.9	7,041.3
Average stay (days)	7.9	7.6	7.0	6.7	6.3
Operational capacity (beds in operation)	20,136.8	23,648.8	24,493.3	25,062.0	26,101.1
Bednight capacity ('000)	7,351.7	8,631.8	8,393.3	9,173.2	9,527.7
Occupancy rate	70.2	69.5	73.1	70.4	74.0
GST on tourism [2/] (millions of rufiyaa)	na	na	665.3	1,553.6	2,390.7
Number of resorts by lease holders (year-end)	97	97	101	105	-
Local	73	73	74	73	-
Foreign	8	10	12	13	-
Joint Venture	16	14	15	19	-
Number of resorts by operators (year-end)	97	97	101	105	-
Local	42	43	47	50	-
Foreign	35	36	37	35	-
Joint Venture	20	18	17	20	-

[1/] Data for 2009 refers to only resorts and hotels. Data from 2010 onwards include guesthouses and safaris.
[2/] Data obtained from Ministry of Finance and Treasury.

Source: Ministry of Tourism; Maldives Monetary Authority; Ministry of Finance and Treasury; Statistical Yearbook of Maldives 2011, 2012

Table 3: Fish Production and Volume of Fish Exports, 2009–2013
(quantity in thousands of metric tonnes)

	2009	2010	2011	2012	2013
Fish catch [1/]	116.7	122.2	120.8	120.0	140.2
Fish purchases [1/]	31.8	35.3	40.3	49.5	60.2
Voume of fish exports	39.8	33.5	38.2	40.6	49.6
Fresh, chilled or frozen tuna	30.7	25.2	31.9	35.4	44.7
o/w Skipjack tuna	*19.1*	*16.4*	*18.5*	*17.9*	*23.3*
Yellowfin tuna	*11.2*	*8.7*	*13.2*	*17.4*	*21.1*
Fresh, chilled or frozen fish (excluding tuna)	0.5	0.6	0.8	0.9	0.7
Canned or pouched	1.8	1.4	1.5	2.1	2.4
Processed fish, nes	6.8	6.3	4.1	2.2	1.9

[1/] Figures for 2013 are estimates.

Source: Ministry of Fisheries and Agriculture; Maldives Customs Service

Table 4: Consumer Price Index (Male'), 2009–2013
(June 2012 = 100)

	weight	2009	2010	2011	2012	2013
Food and non-alcoholic beverages	23.8	64.7	69.6	83.4	98.2	105.5
Food [1/]	*21.6*	-	-	-	*58.9*	*105.9*
Fish	*7.6*	*33.4*	*36.0*	*57.4*	*94.4*	*103.8*
Tobacco and arecanut	1.3	50.7	50.5	64.3	101.1	98.2
Clothing and footwear	3.3	70.4	72.5	81.9	98.2	99.7
Housing, water, electricity, gas and other fuel	33.3	87.1	93.8	96.5	100.0	104.0
Furnishing, household equipment & maintenance	7.4	75.9	80.4	83.8	98.5	96.5
Health	3.3	117.6	123.1	136.1	102.8	110.6
Transport	5.0	78.0	80.6	91.6	99.9	102.4
Communication	4.9	100.2	100.4	100.6	99.9	98.0
Recreation and culture	3.9	94.6	100.0	97.9	99.1	99.2
Education	3.1	66.2	72.5	85.8	100.0	102.1
Restaurants and hotels	4.1	68.0	70.2	81.1	103.9	117.3
Miscellaneous goods and services	6.6	76.9	80.7	86.7	100.7	98.8
Total index (Male')	**100.0**	**75.9**	**80.6**	**89.7**	**99.4**	**103.4**
Total index, excluding fish	-	*79.5*	*84.3*	*91.7*	*100.1*	*103.4*
Food and non-alcoholic beverages excluding fish	-	*78.4*	*84.2*	*94.8*	*99.8*	*106.3*
Inflation (year-on-year percentage change of the CPI)						
Food and non-alcoholic beverages	23.8	0.5	7.5	19.9	17.7	7.5
Food	*21.6*	-	-	-	-	*79.6*
Fish	*7.6*	*(10.7)*	*7.7*	*59.3*	*64.6*	*10.0*
Tobacco and arecanut	1.3	(1.8)	(0.3)	27.2	57.3	(2.9)
Clothing and footwear	3.3	3.2	3.0	12.9	20.0	1.5
Housing, water, electricity, gas and other fuel	33.3	7.8	7.6	2.9	3.6	3.9
Furnishing, household equipment & maintenance	7.4	10.9	6.0	4.2	17.6	(2.0)
Health	3.3	2.3	4.7	10.6	(24.5)	7.6
Transport	5.0	1.0	3.3	13.7	9.0	2.5
Communication	4.9	(0.7)	0.2	0.2	(0.7)	(1.9)
Recreation and culture	3.9	5.0	5.7	(2.1)	1.3	0.1
Education	3.1	35.1	9.4	18.3	16.6	2.2
Restaurants and hotels	4.1	2.6	3.2	15.6	28.1	12.9
Miscellaneous goods and services	6.6	7.1	4.9	7.4	16.1	(1.9)
Total index (Male')	**100.0**	**4.5**	**6.1**	**11.3**	**10.9**	**4.0**
Total index, excluding fish	-	*5.5*	*6.1*	*8.7*	*9.2*	*3.2*
Food and non-alcoholic beverages excluding fish	-	*2.9*	*7.4*	*12.6*	*5.3*	*6.6*

[1/] The CPI for "Food" is only available from June 2012 onwards.
Note: Annual data refers to the twelve-month moving average.

Source: Department of National Planning

Table 5: Summary of Government Finance, 2009–2013 [1/]
(millions of rufiyaa)

	2009	2010	2011	2012	2013[2/]
Total revenue and grants	**5,734.8**	**6,546.9**	**9,904.6**	**10,138.1**	**11,735.8**
Total revenue	5,313.3	6,392.4	9,172.1	9,771.4	11,527.5
Current revenue	5,299.4	6,343.0	8,637.7	9,723.4	11,419.4
Capital revenue	13.9	49.4	534.5	48.1	108.0
Grants	421.5	154.5	732.4	366.7	208.3
Expenditure and net lending	**10,953.4**	**10,815.1**	**12,264.7**	**13,110.0**	**13,393.7**
Total expenditure	11,104.3	10,996.4	12,663.7	13,200.2	13,512.0
Current expenditure	8,764.9	8,428.1	9,075.7	10,316.5	11,379.8
Capital expenditure	2,339.3	2,568.3	3,588.0	2,883.7	2,132.2
Net lending	(150.8)	(181.3)	(399.0)	(90.2)	(118.2)
Overall balance	**(5,218.6)**	**(4,268.1)**	**(2,360.2)**	**(2,971.9)**	**(1,658.0)**
Overall balance excluding grants	(5,640.1)	(4,422.7)	(3,092.6)	(3,338.6)	(1,866.2)
Current balance	(3,465.5)	(2,085.0)	(438.1)	(593.1)	39.7
Financing	**5,218.6**	**4,268.1**	**2,360.2**	**2,971.9**	**1,658.0**
Foreign financing	1,006.2	1,228.3	968.0	772.2	1,424.6
Domestic financing	4,212.4	3,039.8	1,392.1	2,199.7	233.3
(as a percentage of GDP)					
Total revenue	21	23	29	30	33
Current revenue	21	23	27	30	32
Capital revenue	0	0	2	0	0
Grants	2	1	2	1	1
Total expenditure	44	40	40	41	38
Current expenditure	35	31	29	32	32
Capital expenditure	9	9	11	9	6
Net lending	(1)	(1)	(1)	(0)	(0)
Overall balance	(21)	(16)	(7)	(9)	(5)
Memorandum items:					
Nominal GDP	25,403.4	27,316.5	31,583.7	32,469.4	35,341.0

[1/] Format is based on the IMF Government Finance Statistics Manual (GFSM 1986).
[2/] Figures for 2013 are revised estimates.

Source: Ministry of Finance and Treasury

Table 6: Government Revenue and Grants, 2009–2013 [1/]
(millions of rufiyaa)

	2009	2010	2011	2012	2013 [2/]
Total revenue and grants	**5,734.8**	**6,546.9**	**9,904.6**	**10,138.1**	**11,735.8**
Total revenue	5,313.3	6,392.4	9,172.1	9,771.4	11,527.5
Current revenue	5,299.4	6,343.0	8,637.7	9,723.4	11,419.4
Tax revenue	**2,732.0**	**2,931.0**	**4,893.0**	**6,880.1**	**8,643.5**
o/w Import duty	1,848.8	2,055.8	2,586.5	1,369.0	1,620.4
Tourism tax	531.4	597.3	750.8	804.7	882.8
Bank profit tax	245.7	203.3	229.9	313.2	349.4
Goods and Services Tax	-	-	243.0	1,005.7	1,169.7
Tourism Goods and Services Tax	-	-	665.3	1,553.6	2,390.7
Business Profit Tax	-	-	34.9	1,401.3	1,732.7
Nontax revenue	**2,567.4**	**3,412.0**	**3,744.7**	**2,843.3**	**2,776.0**
o/w Net sales to public enterprises	676.8	1,080.3	973.7	633.3	724.8
o/w State Trading Organisation plc	137.9	106.9	-	-	55.2
Dhivehi Rajjeege Gulhun plc	192.0	505.7	487.1	254.5	295.1
Maldives Monetary Authority	146.7	304.9	132.6	205.3	155.0
Maldives Industrial Fisheries Corporation	-	-	-	-	10.4
Island Aviation Services Limited	8.8	3.4	2.7	9.0	12.0
Maldives Ports Limited	60.0	36.2	40.0	39.4	60.0
Bank of Maldives plc	24.7	-	-	-	25.4
Maldives Airports Company Ltd	65.5	62.8	244.3	-	-
Housing Development Corporation	-	-	-	11.1	22.0
Maldives Water & Sewerage Company	16.3	41.8	52.8	95.2	61.9
Housing Development Finance Corporation plc	-	-	14.3	18.9	7.8
Thilafushi Corporation Limited	-	-	-	-	10.0
Kooddoo Fisheries Pvt Ltd	-	-	-	-	10.0
Royalties, land & resort rent	1,041.2	1,264.1	1,311.9	1,110.0	1,197.4
o/w Resort lease rent	898.4	1,106.3	1,152.2	1,031.2	1,117.1
Capital revenue (sale of assets)	13.9	49.4	534.5	48.1	108.0
Grants	421.5	154.5	732.4	366.7	208.3
(as a percentage of GDP)					
Tax revenue	11	11	15	21	24
Import duty	7	8	8	4	5
Tourism Goods and Services Tax	-	-	2	5	7
Business Profit Tax	-	-	0	4	5
Goods and Services Tax	-	-	1	3	3
Nontax revenue	10	12	12	9	8
Net sales to public enterprises	3	4	3	2	2
Resort lease rent	4	4	4	3	3

[1/] Format is based on the IMF Government Finance Statistics Manual (GFSM 1986).
[2/] Figures for 2013 are revised estimates.

Source: Ministry of Finance and Treasury

Table 7: Government Expenditure and Net Lending, 2009–2013 [1/]

(millions of rufiyaa)

	2009	2010	2011	2012	2013[2/]
Total expenditure and net lending	**10,953.4**	**10,815.1**	**12,264.7**	**13,110.0**	**13,393.7**
Total expenditure	11,104.3	10,996.4	12,663.7	13,200.2	13,512.0
Current expenditure	**8,764.9**	**8,428.1**	**9,075.7**	**10,316.5**	**11,379.8**
Expenditure on goods and services	7,725.4	7,113.5	7,352.3	8,519.2	8,810.3
Salaries and wages	2,944.8	2,486.5	2,596.3	2,722.7	3,159.2
Other allowances	1,797.9	1,691.9	1,684.7	1,836.5	2,326.8
Transportation, communication and utilities	883.9	864.9	990.8	1,035.3	1,011.2
Social welfare contributions	1,178.8	1,360.7	1,005.6	1,595.3	1,092.4
Others	920.0	709.5	1,075.0	1,329.4	1,220.8
Interest payments	617.9	675.8	725.8	1,107.1	893.6
Subsidies and transfers	421.6	638.8	997.7	690.2	1,675.8
Food, medicine and other	326.7	389.5	748.9	442.1	942.5
Pensions	94.9	249.3	248.8	248.1	733.3
Capital expenditure and net lending	**2,188.5**	**2,387.0**	**3,189.0**	**2,793.5**	**2,014.0**
Development expenditure	2,339.3	2,568.3	3,588.0	2,883.7	2,132.2
Foreign loan-financed	738.4	1,256.3	1,327.6	1,131.6	1,258.0
Others [3/]	1,600.9	1,311.9	2,260.4	1,752.1	874.2
Net lending	(150.8)	(181.3)	(399.0)	(90.2)	(118.2)
(as a percentage of GDP)					
Current expenditure	35	31	29	32	32
Salaries and wages	12	9	8	8	9
Social welfare contributions	5	5	3	5	3
Subsidies and transfers	2	2	3	2	5
Development expenditure	9	9	11	9	6

[1/] Format is based on the IMF Government Finance Statistics Manual (GFSM 1986).
[2/] Figures for 2013 are revised estimates.
[3/] This includes development expenditure financed from domestic sources and foreign grants.

Source: Ministry of Finance and Treasury

Table 8: Claims on Government by Ownership, 2009–2013

(millions of rufiyaa)

	2009	2010	2011	2012	2013
Claims on central government	**7,900.2**	**11,889.8**	**12,782.9**	**14,452.2**	**16,906.7**
Treasury bills	2,847.5	4,042.5	4,684.5	6,450.6	8,194.3
MMA	-	-	-	829.6	634.0
Commercial banks	2,531.0	3,247.0	3,492.0	3,539.2	3,952.1
Others[1/]	316.5	795.5	1,192.5	2,081.8	3,608.2
Treasury bonds	4,822.3	5,179.4	5,438.7	4,664.7	3,136.6
Loans and advances	230.3	2,667.9	2,659.7	3,336.9	5,575.9

[1/] Includes other financial corporations, public non-financial corporations and private sector parties.

Source: Maldives Monetary Authority

Table 9: Financial Corporations Survey, 2009–2013
(millions of rufiyaa)

	2009	2010	2011	2012	2013
Net foreign assets	**(1,437.9)**	**510.5**	**2,627.7**	**5,085.7**	**8,572.1**
Central bank	3,071.7	4,067.6	4,725.5	4,241.0	5,308.2
Other depository corporations	(4,410.4)	(3,382.0)	(1,852.5)	1,017.3	3,370.7
Other financial corporations	(99.2)	(175.2)	(245.3)	(172.6)	(106.8)
Net domestic assets	**15,372.7**	**18,364.5**	**20,252.4**	**19,414.7**	**20,563.3**
Domestic claims	21,511.1	25,468.7	28,646.8	28,639.8	31,329.4
Net claims on central government	3,961.6	8,164.0	9,734.5	11,429.3	13,316.9
Claims on other sectors	17,549.4	17,304.7	18,912.3	17,210.5	18,012.6
Other items (net)	(6,138.3)	(7,104.1)	(8,394.4)	(9,225.1)	(10,766.2)
Currency outside financial corporations	1,539.0	1,570.0	1,857.5	2,115.8	2,800.8
Deposit	12,177.6	14,479.9	17,451.3	18,004.2	21,017.6
Insurance technical reserves	218.3	2,825.1	3,571.4	4,380.4	5,317.1

Source: Maldives Monetary Authority

Table 10: Depository Corporations Survey, 2009–2013
(millions of rufiyaa)

	2009	2010	2011	2012	2013
Net foreign assets	**(1,338.7)**	**685.6**	**2,873.0**	**5,258.3**	**8,678.9**
Central bank	3,071.7	4,067.6	4,725.5	4,241.0	5,308.2
Other depository corporations	(4,410.4)	(3,382.0)	(1,852.5)	1,017.3	3,370.7
Net domestic assets	**15,193.9**	**15,198.4**	**16,189.2**	**14,743.3**	**14,996.9**
Domestic claims	21,187.4	22,181.2	24,688.4	23,893.6	25,594.9
Net claims on central government	4,062.7	5,380.7	6,830.9	7,649.6	8,698.3
Claims on other sectors	17,124.7	16,800.5	17,857.5	16,244.0	16,901.5
o/w Claims on private sector	15,553.8	15,191.0	16,090.5	14,505.4	15,216.0
Other items (net)	(5,993.5)	(6,982.8)	(8,499.2)	(9,150.2)	(10,598.0)
Broad money	**13,855.3**	**15,884.0**	**19,062.2**	**20,001.6**	**23,675.8**
Narrow money	7,456.6	7,538.7	8,192.4	8,428.3	10,415.4
Quasi money	6,398.7	8,345.2	10,869.9	11,573.3	13,260.4
(annual percentage change)					
Net foreign assets	(23)	(151)	319	83	65
Central bank	2	32	16	(10)	25
Other depository corporations	(7)	(23)	(45)	(155)	231
Domestic claims	14	5	11	(3)	7
Net claims on central government	353	32	27	12	14
Claims on other sectors	(3)	(2)	6	(9)	4
Broad money	14	15	20	5	18
Narrow money	22	1	9	3	24
Quasi money	6	30	30	6	15
Memorandum items:					
Dollarisation ratio	41.3	47.1	49.5	49.2	50.2

Source: Maldives Monetary Authority

Table 11: Central Bank Survey, 2009–2013

(millions of rufiyaa)

	2009	2010	2011	2012	2013
Net foreign assets	**3,071.7**	**4,067.6**	**4,725.5**	**4,241.0**	**5,308.2**
Claims on non-residents	3,349.5	4,491.2	5,169.6	4,689.6	5,684.9
Liabilities to non-residents	(277.8)	(423.6)	(444.1)	(448.6)	(376.7)
Net domestic assets	**3,072.2**	**1,996.7**	**2,825.8**	**3,940.9**	**4,320.5**
Domestic claims	3,424.1	2,730.9	3,532.0	4,692.4	5,969.1
Net claims on central government	3,419.2	2,725.0	3,527.4	4,685.5	5,962.1
o/w Claims on central government	4,213.0	3,921.5	3,920.2	5,005.9	6,259.2
Claims on other sectors	4.8	5.9	4.7	6.9	7.1
Other items (net)	(351.8)	(734.3)	(706.2)	(751.6)	(1,648.6)
Monetary base	**6,143.9**	**6,064.3**	**7,551.3**	**8,181.9**	**9,628.7**
Currency in circulation	1,799.7	1,871.1	2,196.7	2,475.5	3,252.4
Liabilities to other depository corporations	4,308.5	4,182.6	5,294.2	5,705.7	6,374.7
Liabilities to other sectors	35.7	10.5	60.4	0.6	1.6
(annual percentage change)					
Net foreign assets	2	32	16	(10)	25
Claims on non-residents	8	34	15	(9)	21
Liabilities to non-residents	313	52	5	1	(16)
Net claims on central government	29	(20)	29	33	27
Monetary base	14	(1)	25	8	18
Currency in circulation	2	4	17	13	31
Liabilities to other depository corporations	19	(3)	27	8	12

Source: Maldives Monetary Authority

Table 12: Other Depository Corporations Survey, 2009–2013
(millions of rufiyaa)

	2009	2010	2011	2012	2013
Net foreign assets	**(4,410.4)**	**(3,382.0)**	**(1,852.5)**	**1,017.3**	**3,370.7**
Claims on non-residents	888.4	1,034.1	1,755.6	2,684.8	4,585.4
Liabilities to non-residents	(5,298.8)	(4,416.2)	(3,608.1)	(1,667.6)	(1,214.7)
Net domestic assets	**16,688.6**	**17,684.4**	**18,996.7**	**16,866.9**	**37,370.9**
Domestic claims	22,402.0	24,429.9	26,852.8	25,452.6	27,436.3
Claims on central bank	4,638.6	4,979.6	5,696.4	6,251.4	7,810.5
Net claims on central government	643.5	2,655.7	3,303.5	2,964.0	2,731.2
o/w Claims on central government	3,351.7	4,665.4	5,192.3	4,735.5	4,475.0
Claims on other sectors	17,119.9	16,794.5	17,852.8	16,237.2	16,894.5
Claims on other financial corporations	172.0	144.5	98.8	161.0	109.2
Claims on public non-financial corporations	1,398.9	1,465.0	1,668.1	1,577.6	1,576.3
Claims on private sector	15,549.0	15,185.0	16,085.9	14,498.6	15,208.9
Other items (net)	(5,713.4)	(6,745.5)	(7,856.0)	(8,585.6)	9,934.6
Transferable, other deposits and securities other than shares included in broad money	12,278.2	14,302.4	17,144.2	17,884.2	20,872.4
	(annual percentage change)				
Net foreign assets	(7)	(23)	(45)	(155)	231
Claims on non-residents	19	16	70	53	71
Liabilities to non-residents	(4)	(17)	(18)	(54)	(27)
Net claims on central government	137	313	24	(10)	(8)
Claims to other sectors	(3)	(2)	6	(9)	4
Claims on other financial corporations	76	(16)	(32)	63	(32)
Claims on public non-financial corporations	2	5	14	(5)	(0)
Claims on private sector	(4)	(2)	6	(10)	5

Source: Maldives Monetary Authority

Table 13: Assets and Liabilities of MMA, 2009–2013
(millions of rufiyaa)

	2009	2010	2011	2012	2013
Assets	**7,987.4**	**8,962.5**	**9,551.2**	**10,199.9**	**12,448.5**
Foreign assets	3,349.5	4,491.3	5,169.6	4,689.6	5,684.9
Claims on central government	4,213.0	3,921.5	3,920.2	5,005.9	6,259.2
Claims on other sectors	4.8	5.9	4.7	6.9	7.1
Other assets	205.5	275.6	158.3	189.4	191.1
Non-financial assets	214.4	268.2	298.4	308.1	306.2
Liabilities	**7,987.4**	**8,962.5**	**9,551.2**	**10,199.9**	**12,448.5**
Currency in circulation	1,799.7	1,871.1	2,196.7	2,475.5	3,252.4
Claims to central government	793.8	1,196.5	392.8	320.4	297.1
Claims to other depository corporations	4,308.5	4,182.6	5,294.2	5,705.7	6,374.7
Claims to other sectors	35.7	20.6	70.5	10.6	11.6
Other liabilities to other depository corporations	15.7	496.7	85.3	197.4	997.9
Foreign liabilities	277.8	423.6	444.1	448.6	376.7
Other liabilities	323.4	421.6	315.5	413.1	478.7
Shares and other equity	432.7	349.8	752.1	628.6	659.4
(annual percentage change)					
Foregin assets	8.4	34.1	15.1	(9.3)	21.2
Claims on central government	25.2	(6.9)	(0.0)	27.7	25.0
Currency in circulation	2.1	4.0	17.4	12.7	31.4
Claims to central government	9.6	50.7	(67.2)	(18.4)	(7.3)

Source: Maldives Monetary Authority

Table 14: Assets and Liabilities of Other Depository Corporations, 2009–2013
(millions of rufiyaa)

	2009	2010	2011	2012	2013
Assets	**26,388.4**	**27,885.2**	**31,318.0**	**30,947.4**	**35,169.5**
Foreign assets	888.4	1,034.1	1,755.6	2,684.8	4,585.4
Cash	258.3	300.1	339.1	358.7	450.5
Deposits with central bank	4,370.2	4,587.5	5,357.3	5,892.6	6,457.8
Securities other than shares	3,152.1	4,509.4	5,011.8	4,294.6	3,937.2
Loans and advances	17,323.1	17,036.2	18,027.0	16,663.7	18,320.1
Shares and other equity	6.4	6.4	6.4	14.3	14.3
Other assets	101.8	59.3	420.7	534.3	843.9
Non-financial assets	288.0	352.3	400.1	504.3	560.3
Liabilities	**26,388.4**	**27,885.2**	**31,318.0**	**30,947.4**	**35,169.5**
Foreign liabilities	5,298.8	4,416.2	3,608.1	1,667.6	1,214.7
Deposits	12,278.2	14,302.4	17,144.2	17,884.2	20,872.4
Central government liabilities	2,708.2	2,009.7	1,888.8	1,771.5	1,738.8
Other liabilities	1,853.4	2,395.5	3,768.1	3,890.6	4,129.9
Shares and other equity	4,249.8	4,761.5	4,908.8	5,733.6	7,208.8

Source: Maldives Monetary Authority

Table 15: Private Sector Loans and Advances by Other Depository Corporations, 2009–2013
(millions of rufiyaa)

	2009	2010	2011	2012	2013
Total loans and advances	**15,403.6**	**15,094.2**	**15,970.3**	**14,403.2**	**15,111.7**
Agriculture	31.3	28.7	25.0	15.9	10.3
Fishing	960.5	896.0	772.3	551.9	546.6
Manufacturing	532.0	493.1	492.0	324.1	316.5
Construction	1,264.0	1,119.7	1,187.4	1,205.8	1,327.2
Real estate	357.8	691.2	721.1	605.2	713.0
Tourism	9,148.9	8,698.3	9,170.3	8,326.8	8,007.6
Commerce	1,587.9	1,774.3	2,131.1	2,144.3	2,545.2
Transport and communication	814.5	677.7	614.0	480.0	520.0
Electricity, gas, water and sanitary services	3.8	7.7	241.0	0.7	11.4
Other loans and advances, nes	702.9	707.5	616.0	748.4	1,113.9
(as a percentage of total; end of period)					
Fishing	6.2	5.9	4.8	3.8	3.6
Construction	8.2	7.4	7.4	8.4	8.8
Tourism	59.4	57.6	57.4	57.8	53.0
Commerce	10.3	11.8	13.3	14.9	16.8
Transport and communication	5.3	4.5	3.8	3.3	3.4
(annual percentage change)					
Total loans and advances	(4.5)	(2.0)	5.8	(9.8)	4.9
Fishing	(11.8)	(6.7)	(13.8)	(28.5)	(1.0)
Construction	(7.7)	(11.4)	6.0	1.6	10.1
Tourism	(1.8)	(4.9)	5.4	(9.2)	(3.8)
Commerce	(13.6)	11.7	20.1	0.6	18.7
Transport and communication	3.5	(16.8)	(9.4)	(21.8)	8.3

Source: Maldives Monetary Authority

Table 16: Interest Rates, 2009–2013

(weighted average interest rates per annum; as a percentage; end of period)

	2009	2010	2011	2012	2013
Maldives Monetary Authority					
Open Market Operations					
Reverse Repo [1/]	4.68	4.46	6.96	7.00	7.00
MMA Standing Facilities					
Overnight Deposit Facility [2/]	-	1.50	0.25	0.25	3.00
Overnight Lombard Facility[3/]	-	16.00	16.00	16.00	12.00
Government					
Treasury bills [4/]					
28 days	5.97	4.51	6.97	7.87	10.03
91 days	6.13	5.35	6.96	7.90	10.21
182 days	-	5.50	6.97	7.85	10.00
364 days	-	-	-	7.86	10.50
Commercial banks					
Deposits					
Transferable deposits					
National currency	-	2.21	2.22	2.24	2.23
Foreign currency	-	1.70	1.74	1.59	1.56
Savings deposits					
National currency	-	2.25	2.25	2.25	2.25
Foreign currency	-	2.36	2.22	2.22	2.28
Time deposits (2 to 3 year)					
National currency	-	3.75	4.10	3.80	4.00
Foreign currency	-	4.93	5.00	4.49	3.84
Loans and advances					
Public non-financial corporations					
National currency	-	8.75	8.71	8.95	11.02
Foreign currency	-	10.01	9.73	9.33	9.24
Private sector					
National currency	-	10.45	10.17	10.51	11.43
Foreign currency	-	8.28	8.42	8.68	8.58
Other financial institutions					
Share prices					
MASIX index (period average)	232.67	197.46	157.44	150.70	129.81
MASIX index (end of month)	229.57	211.17	157.44	149.74	114.60

[1/] Reverse repo (7 days) was introduced on 27 August 2009.
[2/] Overnight Deposit Facility was introduced on 23 March 2010.
[3/] Overnight Lombard Facility was reinstated on 9 May 2010.
[4/] Treasury bills were issued on 11 September 2006. Since 27 December 2009, treasury bills were issued on auction and the rate represents the weighted average interest rates accepted by the government.

Source: Maldives Monetary Authority

Table 17: Balance of Payments (Extract), 2009–2013 [1/]
(millions of US dollars)

	2009	2010	2011	2012	2013
Current Account	**(276.0)**	**(355.9)**	**(427.4)**	**(313.1)**	**(232.4)**
Balance on goods	(912.7)	(1,059.4)	(1,378.8)	(1,247.7)	(1,438.6)
Goods: credit	169.0	197.5	346.4	335.4	373.3
Goods: debit	(1,081.7)	(1,256.9)	(1,725.1)	(1,583.1)	(1,811.9)
Balance on services	1,117.3	1,224.1	1,542.0	1,527.4	1,853.6
Services: credit	1,511.1	1,666.7	2,035.1	2,029.2	2,392.9
o/w Travel	1,442.2	1,569.7	1,867.9	1,877.2	2,233.7
Services: debit	(393.8)	(442.5)	(493.0)	(501.8)	(539.3)
Balance on income	(300.4)	(323.3)	(363.9)	(334.4)	(382.2)
Balance on current transfers	(180.3)	(197.3)	(226.8)	(258.4)	(265.2)
Memorandum items:					
Exports of goods and services	1,680.1	1,864.2	2,381.4	2,364.5	2,766.2
Current account as a percent of GDP	(13.9)	(16.7)	(19.7)	(14.9)	(10.1)
Reserves (millions of US dollars)	261.0	350.2	334.9	304.5	368.3

[1/] The financial account of the balance of payments will be published by the MMA in October 2014, with a new methodology.

Source: Maldives Monetary Authority

Table 18: Composition of Imports (c.i.f), 2009–2013
(millions of US dollars)

	2009	2010	2011	2012	2013
Total imports	**962.5**	**1,090.9**	**1,465.3**	**1,554.3**	**1,733.4**
Private imports	687.6	779.8	1,010.9	1,113.2	1,210.6
Private (excluding tourism)	504.7	568.1	739.2	835.4	886.8
Tourism	182.9	211.6	271.7	277.8	323.8
Total public imports	274.9	311.1	454.4	441.1	522.8
Public enterprises	246.7	263.9	347.0	403.0	495.9
Government	28.3	47.2	107.4	38.2	26.9
Total imports	**962.5**	**1,090.9**	**1,465.3**	**1,554.3**	**1,733.4**
Food items	206.3	236.0	296.9	318.9	378.9
Furniture, fixtures and fittings	37.6	36.3	50.8	47.6	64.9
Electronic and electrical appliances	33.8	37.3	39.3	36.2	45.6
Petroleum products	198.6	250.6	366.4	488.3	503.2
o/w Diesel (marine gas oil)	153.2	198.9	289.3	330.7	297.0
Transport equipments and parts	65.7	68.7	110.5	74.5	120.5
Wood, metal, cement and aggregates	96.9	111.2	140.6	140.1	136.4
Machinery and mechanical appliances and parts	61.2	64.3	81.4	80.3	89.8
Electrical and electronic machinery and equipments and parts	59.8	66.3	96.8	55.0	72.7
Other items	202.7	220.2	282.6	313.4	321.5

Source: Maldives Customs Service

Table 19: Composition of Exports (f.o.b), 2009–2013
(millions of US dollars)

	2009	2010	2011	2012	2013
Merchandise exports	**169.0**	**197.5**	**346.4**	**314.4**	**329.7**
Domestic exports	76.4	73.9	127.4	161.6	166.5
Fish exports	72.0	68.3	120.6	156.1	161.3
Fresh, chilled or frozen tuna	50.7	46.9	96.3	128.3	133.3
o/w Skipjack	17.5	18.4	31.5	39.4	46.3
Yellowfin tuna	32.8	28.2	64.5	88.2	85.6
Fresh, chilled or frozen fish (excluding tuna)	2.2	2.5	4.0	4.4	3.2
Canned or pouched	6.5	5.8	9.2	13.8	16.5
Processed fish, nes	12.6	13.1	11.1	9.6	8.3
Fish products, sea food, marine product nes and live fish	1.7	2.0	2.4	1.9	1.8
Garments and other exports	2.7	3.6	4.4	3.6	3.4
Re-exports	92.7	123.6	219.0	173.8	206.8

Source: Maldives Customs Service; Maldives Airports Company Limited

Table 20: Direction of Trade of Imports, 2009–2013
(millions of US dollars)

	2009	2010	2011	2012	2013
Total imports	**962.5**	**1,090.9**	**1,465.3**	**1,554.3**	**1,733.4**
Asia	730.1	822.9	1,189.3	1,287.8	1,408.5
o/w China	25.5	31.5	74.0	68.5	81.5
Malaysia	63.1	77.8	79.7	85.4	85.2
Singapore	206.1	195.5	316.3	282.1	281.0
Thailand	48.3	57.3	61.7	74.4	86.0
Europe	102.1	106.5	148.2	124.3	192.9
o/w France	15.3	11.4	11.6	15.9	34.2
Germany	18.9	20.1	25.7	28.6	30.0
Italy	10.8	14.5	24.0	15.6	24.4
North America	88.5	97.0	68.7	83.8	57.3
o/w USA	24.2	27.8	30.5	45.6	30.2
Oceania	32.9	42.7	40.3	39.0	45.2
o/w Australia	26.5	30.3	32.2	31.3	32.4
South America	3.5	6.4	10.5	12.0	20.3
Africa	5.5	15.4	8.4	7.4	9.2

Source: Maldives Customs Service

Table 21: Direction of Trade of Exports, 2009–2013
(millions of US dollars)

	2009	2010	2011	2012	2013
Domestic exports	**76.4**	**73.9**	**127.4**	**161.6**	**166.5**
Asia	41.0	46.8	67.3	81.3	94.6
o/w Japan	3.0	1.3	3.8	3.3	5.1
Thailand	15.8	22.1	33.5	44.3	61.7
Europe	32.8	26.2	58.6	73.4	63.2
o/w France	8.6	8.0	21.1	26.7	22.5
Germany	2.6	2.1	3.3	5.5	10.0
Italy	9.8	6.9	12.7	12.4	8.2
UK	7.6	7.0	9.3	12.0	9.1
North America	0.6	0.5	1.2	6.1	8.1
Oceania	-	0.0	0.1	0.9	0.6
South America	-	-	-	-	0.0
Africa	1.9	0.4	0.2	0.0	0.0

Source: Maldives Customs Service

Table 22: External Debt, 2009–2013
(millions of US dollars)

	2009	2010	2011	2012	2013
Total external debt outstanding and disbursed	**933.7**	**961.7**	**913.4**	**815.4**	**793.6**
Public and publicly-guaranteed (medium and long term)	533.3	625.7	689.3	722.3	748.8
Multilateral	290.5	315.3	316.6	331.4	324.6
Bilateral	146.2	179.3	218.4	231.7	216.7
Financial markets	38.8	-	-	-	-
Commercial	-	52.8	61.4	83.0	134.8
Suppliers credit	57.8	71.0	88.2	76.1	72.8
Pipeline	-	-	-	-	-
Guaranteed debt	-	7.4	4.5	-	-
Depository institutions [1/]	400.4	336.0	224.1	93.1	44.8
Head offices or branches	353.6	316.1	219.0	90.5	43.0
Other depository institutions	46.8	19.8	5.1	2.6	1.8
Public and publicly-guaranteed (medium and long term)					
Disbursements	110.7	141.8	137.1	111.1	76.3
Debt service	50.2	49.5	66.9	79.5	66.8
Amortisation	39.7	41.5	57.9	69.5	57.5
Interest payments	10.5	8.0	9.0	10.0	9.3
(as a percentage of GDP)					
Total external debt outstanding and disbursed	47	45	42	39	35
Public and publicly-guaranteed debt	27	29	32	34	33
Commercial banks' debt	20	16	10	4	2
Debt service ratio [2/] (public and publicly-guaranteed)	3.0	2.7	2.8	3.4	2.4
Memorandum items:					
Nominal GDP (millions of US dollars)	1,984.6	2,134.1	2,167.7	2,105.7	2,291.9
Exchange rate [3/]	12.80	12.80	15.41	15.42	15.42
Exports of goods and services (millions of US dollars)	1,680.1	1,864.2	2,381.4	2,364.5	2,766.2

[1/] Foreign borrowings.
[2/] This is calculated as debt service as a percentage of exports of goods and services.
[3/] Exchange rate applied as per the Ministry of Finance and Treasury.

Source: Ministry of Finance and Treasury; Maldives Monetary Authority

Table 23: Exchange Rates, 2009–2013
(rufiyaa per foreign currency, end of period mid-rate)

	2009	2010	2011	2012	2013
US dollar [1/]	12.8000	12.8000	15.4100	15.3700	15.4100
Japanese yen	0.1713	0.1568	0.1985	0.1785	0.1462
Singapore dollar	9.1807	9.8057	11.8028	12.4758	12.0466
Indian rupee	0.3005	0.2861	0.2910	0.2825	0.2491
Sri Lankan rupee	0.1213	0.1239	0.1352	0.1209	0.1176
Sterling pound	20.8479	19.4329	23.7940	24.6595	25.2298
Euro	18.9506	16.4776	19.7321	20.1550	21.0160

[1/] The US dollar rate refers to the reference rate of the MMA whereas all other currency rates refer to the mid-rate of the buying and selling rates of the Bank of Maldives .

Source: Maldives Monetary Authority; Bank of Maldives plc

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