

MONTHLY ECONOMIC REVIEW

February 2015

Volume 9 Issue 2



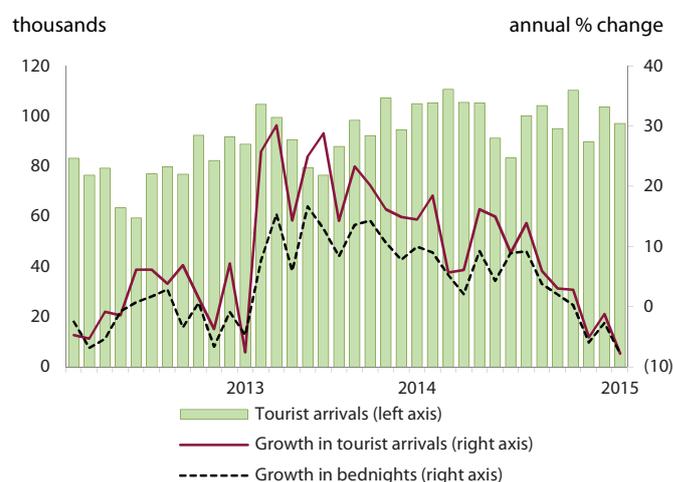
Outlook for 2015

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

Tourism

During January 2015, total tourist arrivals reached 97,073 reflecting a monthly decline of 6% and an annual decline of 8%. The annual decline in arrivals was largely due to the fall in tourist arrivals from China. In January 2015, total bednights fell by 8% in annual terms, while the average duration of stay remained unchanged at 6.5 days. Reflecting the fall in bednights, the occupancy rate of the industry also declined to 74% in January 2015 compared to the 82% recorded in January 2015.

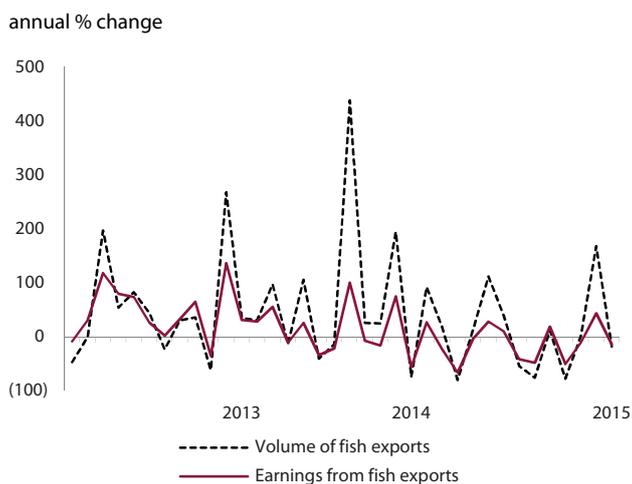
Key Tourism Indicators



Source: Ministry of Tourism

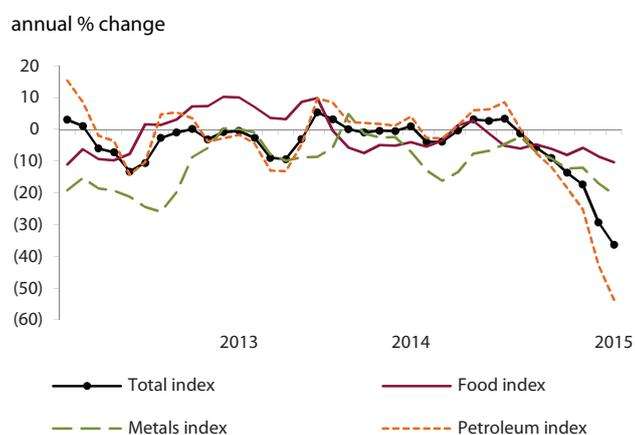
¹ GDP growth rates are based on market prices.

Fish Exports



Source: Maldives Customs Service

IMF Commodity Price Index



Source: International Monetary Fund

Fisheries

In January 2015, the volume of fish exports declined by 18% in annual terms due to the decline in export of both frozen skipjack tuna and yellowfin tuna exports. Similarly, earnings on fish exports also declined by 14% during the review month, which can be attributed to the fall in frozen tuna exports.

Global Prices

In January 2015, the International Monetary Fund (IMF) commodity price index fell by 12% and 36% in both monthly and annual terms respectively, mainly due to the fall in petroleum prices. Meanwhile, global prices of metal and food also observed price declines during the period.

The price of crude oil² fell by 22% in monthly terms and by 54% in annual terms and stood at US\$47.5 per barrel at the end of January 2015. This is the lowest recorded since March 2009.

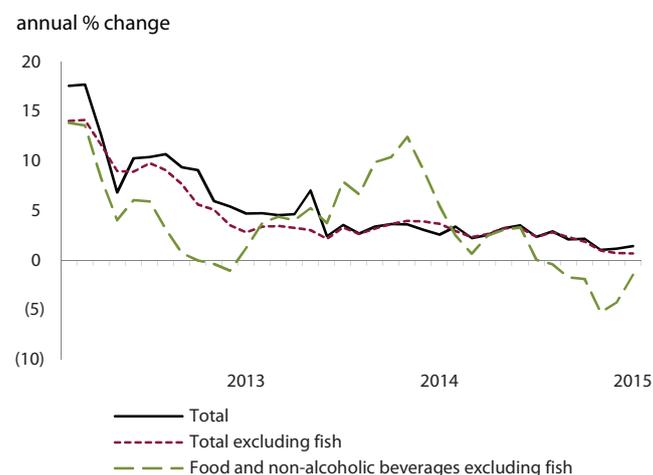
² Monthly average of Brent, Dubai Fateh and West Texas Intermediate.

Inflation

The rate of inflation (measured by the annual percentage change in the consumer price index for Male') edged up to 1.4% in January 2015 from 1.2% in December 2014. This acceleration compared to the preceding month was mainly due to an increase in growth rate of food, especially fish prices.

The monthly change in the rate of inflation remained largely unchanged during January 2015. This was mainly due to the fall in fish prices, which offset the increase in cost of furnishing and household equipment and also the increase of fees charged in the education sector.

Consumer Price Index – Male'

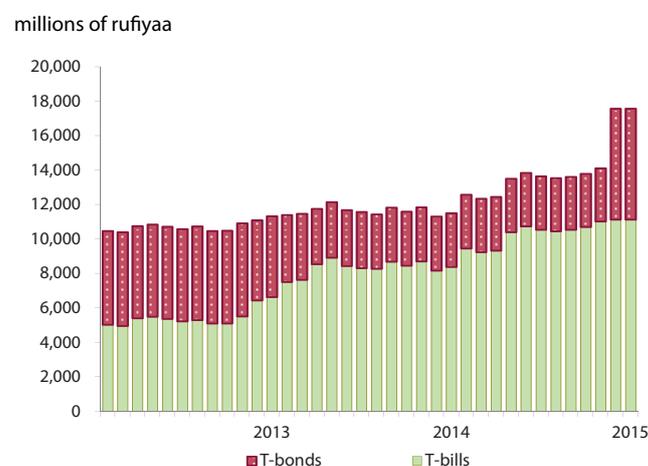


Source: National Bureau of Statistics

Public Finance

According to the monthly government revenue and expenditure data for December 2014³, total revenue (excluding grants) rose by 17% in annual terms and amounted to MVR1.4 billion during the month. Meanwhile, total expenditure (excluding net lending and amortisation) fell by 7% and amounted to MVR0.9 billion in December 2014. The increase in total revenue during December 2014 was largely due to a 32% growth in tax revenue (mainly contributed by the increase in T-GST receipts) despite a 7% decline in non-tax revenue during the review period. Meanwhile, the decline in expenditure was entirely due to a fall in recurrent expenditure.

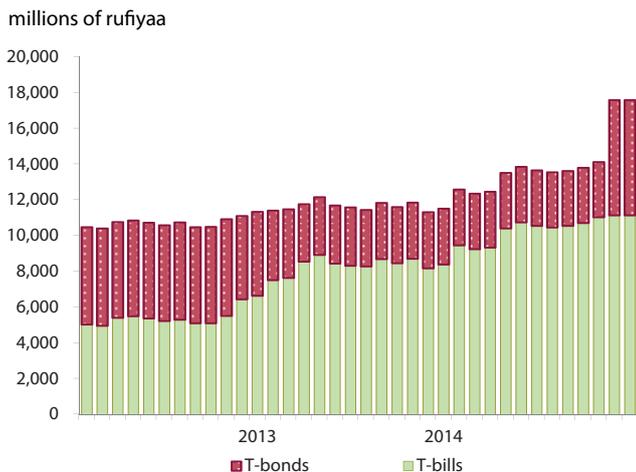
Government Revenue and Expenditure



Source: Ministry of Finance and Treasury

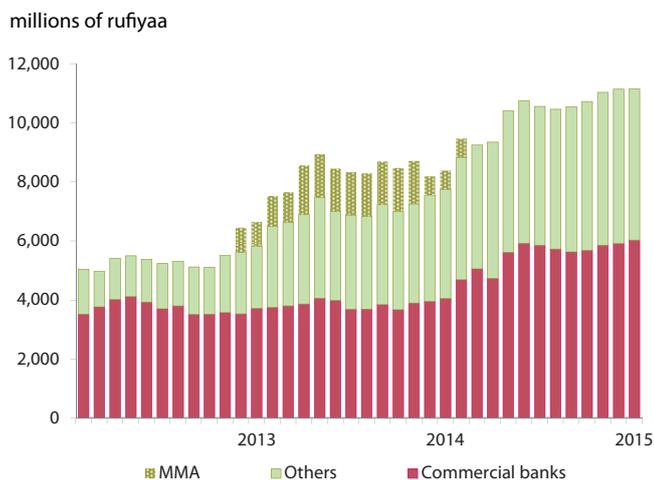
³ Monthly income and expenditure data are subject to change and may vary from month to month as system data are updated regularly.

T-bills and T-bonds



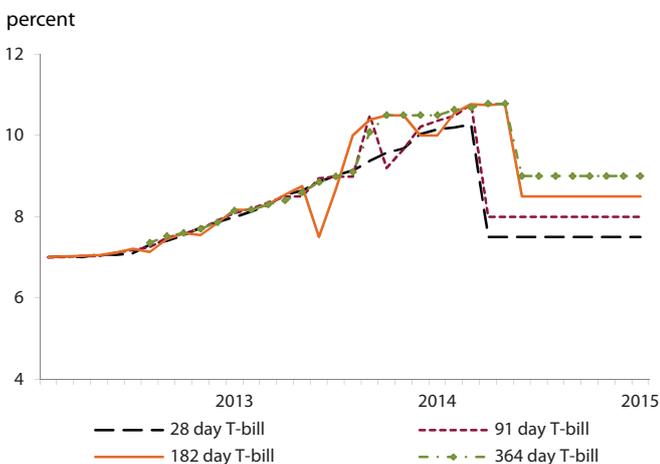
Source: Maldives Monetary Authority

T-bills by Holder



Source: Maldives Monetary Authority

Interest Rates of T-bills



Source: Maldives Monetary Authority

Government Securities

The total outstanding stock of government securities, which includes Treasury bills (T-bills) and Treasury bonds (T-bonds), rose by 53% in annual terms and reached MVR17.6 billion at the end of January 2015. However, in monthly terms it registered a marginal increase.

The outstanding stock of T-bills increased by 33% in annual terms and totalled MVR11.2 billion at the end of January 2015. In monthly terms, T-bills showed a marginal increase of less than 1%.

As for the outstanding amount of T-bonds, it largely remained unchanged in monthly terms while it recorded a significant annual increase and reached MVR6.4 billion at the end of the review month compared to MVR3.1 billion recorded in January 2014. The annual increase in T-bonds reflects the conversion of a short term loan extended to the government by the MMA to T-bonds.

Interest Rates of T-bills

A tap system was introduced in issuing T-bills of all maturities during the first half of 2014. Hence, during January 2015, the weighted average interest rate on 28, 91, 182 and 364 day T-bills remained unchanged when compared to the previous month at 7.50%, 8.00%, 8.50% and 9.00%, respectively. As for the annual changes, the rates on 28 and 91 day T-bills fell by 265 and 236 basis points (bps) respectively, while rates on 182 and 364 day T-bills fell by 150 bps each.

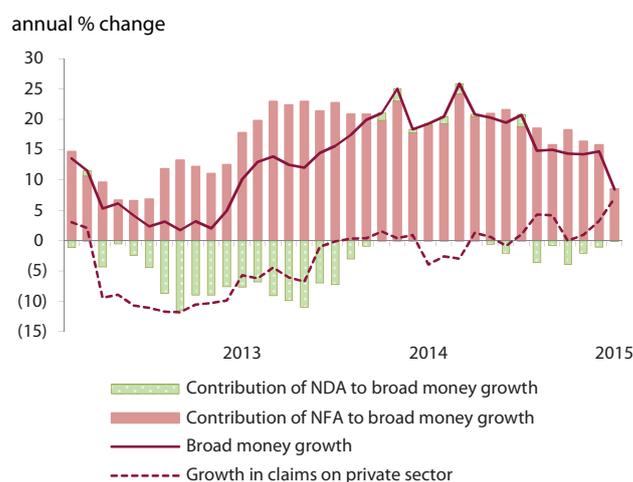
Broad Money

The annual growth in broad money (M2) decelerated to 8% at the end of January 2015 and registered MVR28.0 billion compared to a 15% growth recorded in the previous month. This is entirely attributed to the lower rate of growth in net foreign assets (NFA) of the banking system, as net domestic assets (NDA) remained largely unchanged. The deceleration in NFA growth was mainly due to the slowdown in the rapid asset accumulation by the commercial banks which was observed during the same period the previous year. Meanwhile credit to private sector, which accounts for the major share of domestic assets, registered an annual increase of 7% compared to a year ago while it rose by 1% compared to the previous month.

Monetary Base

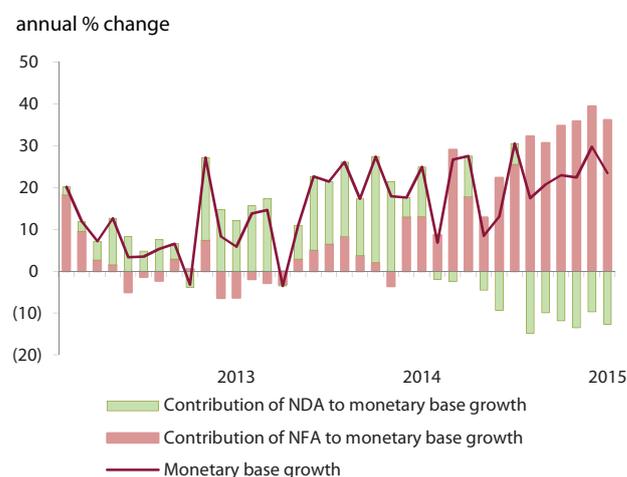
The annual growth rate of the monetary base (M0) decelerated to 24% at the end of January 2015 from 30% at the end of December 2014 and registered MVR12.4 billion at the end of the review month. This was contributed by a slower annual growth in NFA of the MMA, coupled with a further decline in NDA. The decline in NDA resulted from the increase in government deposits at the MMA during January 2015.

Determinants of Broad Money



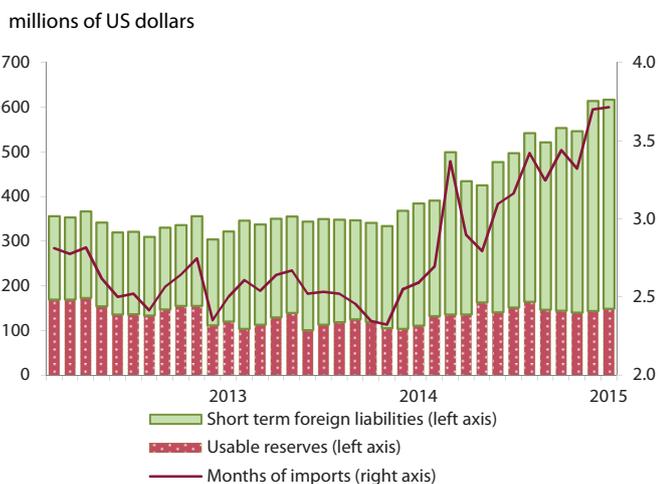
Source: Maldives Monetary Authority

Determinants of Monetary Base



Source: Maldives Monetary Authority

Imports and Exports



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

Monetary Operations

The two main instruments used by the MMA in its monetary operations include the Overnight Deposit Facility (ODF) and the Open Market Operations (OMOs). The use of MMA's ODF by commercial banks averaged MVR2.0 billion in January 2015, which showed a growth of MVR475.8 million in monthly terms and a growth of MVR1.8 billion in annual terms. The large annual growth in ODF placements mainly reflects the diversion of funds by the commercial banks to ODF due to the temporary suspension of OMOs since May 2014.

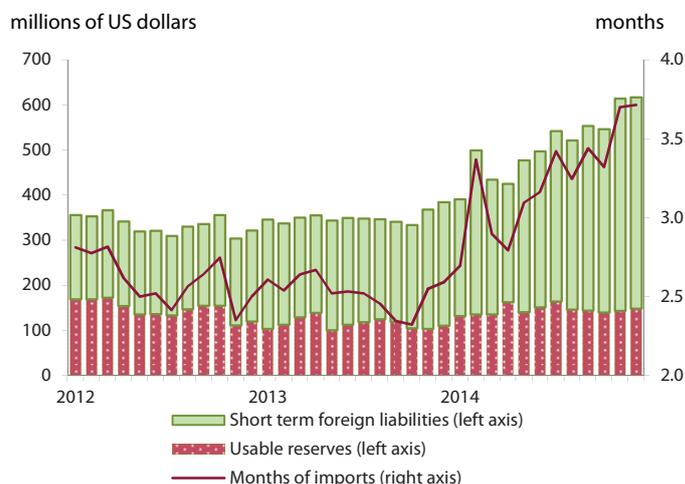
Imports and Exports

During January 2015, imports registered a marginal annual increase of 1%, while domestic exports declined by 11%. The annual growth in imports was due to the significant increase in import of transport equipment, which offset the 70% decline in import of petroleum products.

Gross International Reserves

At the end of January 2015, gross international reserves stood at US\$617.5 million, out of which usable reserves⁴ amounted to US\$149.1 million. Usable reserves underwent a monthly growth of 4% and an annual increase of 35% during the review month. This growth in usable reserves can be attributed to an increase in foreign currency revenue receipts by the government. As for gross reserves in terms of months of imports, it increased in both monthly and annual terms and stood at 3.7 months at the end of January 2015.

Gross International Reserves



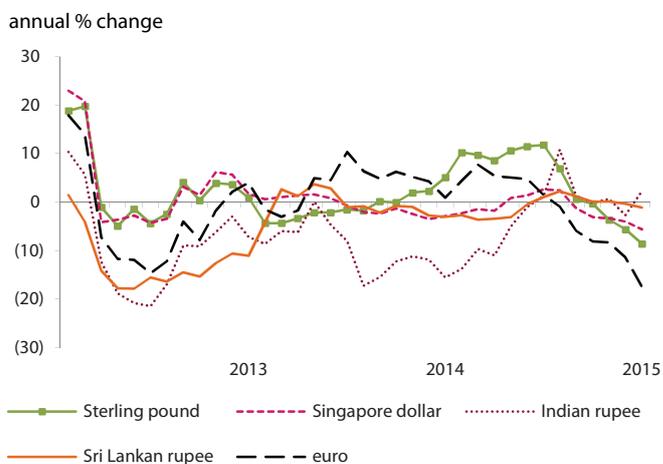
Source: Maldives Monetary Authority; Maldives Customs Service

Exchange Rate

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

During January 2015, the bilateral exchange rates of the rufiyaa appreciated in both monthly and annual terms against the Singapore dollar, sterling pound, Sri Lankan rupee and the euro while the rufiyaa depreciated against the Indian rupee.

Bilateral Exchange Rates of the Rufiyaa



Source: Bank of Maldives Plc

⁴ Usable Reserves = Gross international reserves – Short term foreign liabilities. This shows the amount of funds that are readily available for use by the MMA in the foreign exchange market.

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