

Quarterly Economic Bulletin

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This Bulletin is compiled by the Monetary Policy and Research Division (MPRD) of the Maldives Monetary Authority. It covers developments in the domestic and international economy during the fourth quarter of 2015. The analyses are based on information provided by relevant government authorities, commercial banks operating in the country, public enterprises and other private sector sources, as at 30 January 2016. Where actual data is not readily available, estimates have been made by MPRD based on available information. The timely receipt of data is therefore crucial to the compilation of this publication and the analyses contained herein.

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Abbreviations

bps	basis points
BRIC	Brazil, Russia, India and China
c.i.f.	cost, insurance, freight
CPI	consumer price index
f.o.b.	free on board
GDP	gross domestic product
GIR	gross international reserves
IMF	International Monetary Fund
M0	reserve money
M2	broad money
MMA	Maldives Monetary Authority
MRR	minimum reserve requirement
NCG	net claims to government
NDA	net domestic assets
NFA	net foreign assets
NPL	non-performing loan
ODF	Overnight Deposit Facility
OFC	other financial corporation
OMO	open market operations
OPEC	Organisation of the Petroleum Exporting Countries
QBS	Quarterly Business Survey
T-bill	Treasury bill
T-bond	Treasury bond
T-GST	tourism goods and services tax
UAE	United Arab Emirates
UK	United Kingdom
US	United States



Recent Economic Developments

International Economic Developments

Output

According to the *World Economic Outlook Update* published by the International Monetary Fund (IMF) in January 2016, global growth for 2015 was estimated at 3.1%, unchanged from the estimates made in October 2015 and 0.3 percentage points lower than 2014. Growth in the advanced economies remained sluggish in 2015 while output in emerging markets and developing economies declined for the fifth straight year. The slowdown in global growth during 2015 stems from the ongoing slowdown in the Chinese economy combined with the slowdown in international commodity prices which has adversely affected countries dependent on commodity exports.

Looking at the advanced economies, the United States (US) recorded an annualised growth rate of 0.7% in Q4-2015, down from a growth rate of 2.0% in Q3-2015. The deceleration in growth reflects a slowdown in exports following the appreciation of the US dollar. Meanwhile, consumer expenditure which is the main driver of the economy also decelerated to an annualised growth rate of 2.2% in Q4-2015 from 3.0% in Q3-2015. While consumer expenditure eased, personal savings as a percentage of disposable income increased from 5.2% in Q3-2015 to 5.4% in Q4-2015.

The euro area economy slowed down by 0.1 percentage points to record an annualised growth rate of 1.1% in Q4-2015. The slowdown in the euro area was underlined by weak industrial production which eased to an annual growth of 1% in Q4-2015 compared with 2%

in Q3-2015. Germany, the largest economy in the euro area also observed a 1% contraction in industrial production in Q4-2015 although output growth was stable at an annualised growth rate of 1.1% in Q4-2015, same as in Q3-2015. The drag on output in the German economy reflects weakening external trade as a result of the slowdown in the Chinese economy and continued political tensions between the European Union and Russia. Looking at other major economies in the region, growth in the Italian and French economy slowed down in Q4-2015.

The Japanese economy contracted by 1.4% in Q4-2015, reversing the rebound in the annualised growth rate of 1.3% in Q3-2015. The slump in the Japanese economy was underlined by the decline in consumer expenditure, which was hampered by weak wage growth. Furthermore, exports also declined at an annualised pace of 3.4% in Q4-2015, reflecting the weakness in key economies such as China. The United Kingdom (UK) economy grew at an annualised rate of 2.0% in Q4-2015, higher than the 1.8% observed in Q3-2015. Growth during the quarter was driven by the services sector which offset the decline in output in the construction and industrial sectors.

Looking at emerging markets and developing economies, the Chinese economy slowed to its lowest level since the global recession in 2009, recording an annual growth rate of 6.8% in Q4-2015, easing marginally from 6.9% in Q3-2015. The slowdown in activity during the quarter was due to weak output from the manufacturing sector, excess housing and factory capacity coupled with weak domestic and external demand. The Russian economy, which declined on average by 3.2% in the first three quarters of 2015, remained weak in Q4-2015 as indicated by the Purchasing Managers Index. Production data for Q4-2015 contracted at the sharpest pace since May 2009 while new orders also declined, reflecting weak demand conditions especially

from foreign markets. The steep downturn in the economy mirrors the sanctions on trade from the international community coupled with the decline in international oil prices.

In India, output growth decelerated slightly to 7.3% in Q4-2015 from 7.7% in Q3-2015. Despite the slowdown, India stood as the fastest growing economy for the second consecutive quarter among the BRICS (Brazil, Russia, India, China and South Africa) countries. India, a net-importer of oil has benefited from increased savings from falling oil prices which has helped to drive growth in the economy through increased spending by both the private and public sector. During the quarter, growth was boosted by improved performance from the manufacturing, services and financial sector.

Inflation

In Q4-2015, global inflation remained stable at 2.5%, unchanged from Q3-2015. The moderation in inflation reflects the impact of declining commodity prices, most notably in crude oil prices.

Looking at inflation trends in the advanced economies, consumer price inflation in the US accelerated to 0.5% in Q4-2015 from 0.1% in Q3-2015. The hike in the rate of inflation during the review quarter was mainly driven by the increase in prices of transportation services. The rate of inflation has remained largely subdued throughout 2015, benefiting from the decline in commodity prices.

In the euro area, the rate of inflation as measured by the annual change in the Harmonised Index of Consumer Prices (HICP) remained stable at 0.1% in Q4-2015, unchanged from Q3-2015. This is much lower than the European Central Bank's target inflation rate of 2% despite accommodative monetary policies such as negative interest rates and large scale asset

purchases. The sluggish rate of inflation reflects the continued decline in oil prices while the slow growth in employment and wage levels in the region has put further downward pressure on prices.

Looking at the Japanese economy, the rate of inflation accelerated to 0.3% in Q4-2015, up slightly from 0.2% Q3-2015. This was mainly due to increases in prices of food and household goods. In UK, after recording stagnant prices for Q2-2015 and Q3-2015, the rate of inflation picked up slightly to 0.1% in Q4-2015. The uptick in prices was mainly driven by the increase in transportation costs, particularly airfares during the review quarter.

As for emerging and developing economies, the rate of inflation decelerated significantly in China to 1.4% in Q4-2015 from 1.8% in Q3-2015. The easing of inflation reflects the slowdown in the Chinese economy as manufacturing prices continue to fall. In India, inflation surged to 5.3% in Q4-2015 from 3.9% in Q3-2015, as prices increased consecutively from August to December 2015. The main increase in prices was recorded in food products, notably vegetables and pulses.

Commodity Prices

The IMF commodity price index declined by 33% in Q4-2015 on annual terms, reflecting the steep decline in crude oil prices and prices of other major commodity groups such as food and metal. Compared with the previous quarter, the IMF commodity price index fell by 10%.

Crude oil prices declined to an average of US\$42.2 per barrel¹ in Q4-2015 compared with US\$74.5 per barrel in Q4-2014, reflecting an annual decline of 43%. Looking at quarterly trends, crude oil prices declined by 14% in Q4-

¹ Quarterly average of Brent, West Texas Intermediate, and the Dubai Fateh.

2015, from an average of US\$48.8 per barrel in Q3-2015. The steep decline in oil prices during Q4-2015 (and throughout 2015) reflects the strategy of the Organisation of the Petroleum Exporting Countries (OPEC), especially Saudi Arabia, to maintain their production levels despite the increase in supply from non-OPEC countries such as the US. Additionally, subdued aggregate demand and the decision to lift the ban on American oil exports provided further downward pressure on prices.

Looking at other major commodities, global food prices declined by 6% in Q4-2015 compared with the previous quarter and by 16% compared with the same period last year. According to statistics from the Food and Agriculture Organisation, price declines were observed in all food indices which include meat, dairy, cereals, vegetable oils and sugar. The decline in food prices during the review period has been attributed to falling oil prices and abundant supplies globally.

In Q4-2015, global metal prices declined by 28% on annual terms which was its seventeenth consecutive decline starting from Q4-2011. Compared with Q3-2015 metal prices registered a decline of 8% in Q4-2015. The decline in metal prices during Q4-2015 reflected the availability of ample supply in the market coupled with slowing demand from China for metal commodities.

Domestic Economic Developments

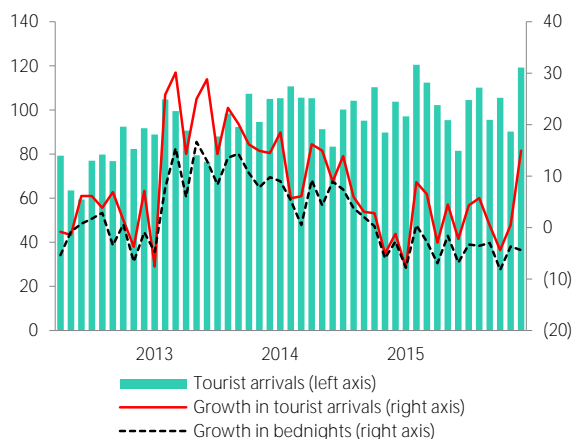
Production and Prices

Following a slowdown in Q2-2015, real GDP growth rebounded in Q3-2015 driven by robust growth in the construction sector output which offset a further weakening of tourism output during the period. As for the review quarter, indicators including those which were gathered through the MMA's Quarterly Business Survey (QBS) suggest that economic activity was held steady in general during Q4-2015 with mixed conditions across sectors.

In the tourism sector, the annual growth in total tourist arrivals remained steady at 4% in Q4-2015, reaching 314,971 during the quarter. This was driven by the pick-up in arrivals from the traditional European source markets which offset the decline in arrivals from China (Figure 1). Tourist bednights continued its declining trend and fell by 6% in Q4-2015 owing to the decline in average stay of tourists. Meanwhile, despite December marking the onset of the tourism peak season, the occupancy rate of the industry fell from 74% in Q4-2014 to 67% in the review quarter. This partly reflected booking cancellations following the declaration of the state of emergency on 4 November 2015 which had an adverse impact on tourism receipts during the quarter. In Q4-2015, receipts from the tourism sector declined by 12% annually to USD633.8 million. As for bed capacity, with the opening of three additional resorts during December, the average operational bed capacity of the tourism industry in Q4-2015 rose by 4% when compared with Q4-2014 and reached 28,010 beds.

As for developments in major tourism markets, the European region, which accounted for

Figure 1: Tourist Arrival and Bednight Growth, 2012–2015 (thousands, annual percentage change)



Source: Ministry of Tourism

49% of total arrivals in Q4-2015, picked up significantly from an annual growth of 1% in Q3-2015 to 9% in Q4-2015. Arrivals from Europe was led by Germany, which posted a 9% growth, followed by the UK and Italy which registered growth rates of 10% and 28%, respectively. The Russian market, which was the fourth main market from Europe, continued to plummet, although the pace of decline moderated in Q4-2015. Arrivals from Asia and the Pacific, which is the second largest market generator to the Maldives, declined in Q4-2015 owing to the weak performance of the Chinese market, which offset the growth in other source markets in the region, such as India and Thailand. China, the single largest source market to the Maldives (21% of total arrivals), continued to remain weak and declined by a significant 13% in the review quarter.

With regard to the developments in other key production sectors of the economy, the pace of activity in the construction sector strengthened in Q4-2015 as indicated by the respondents to the QBS carried out for Q4-2015 and also by other indicators, such as construction-related imports and bank credit to the sector. According to the QBS, the majority of the respondents from the construction sector indicated that both the level of the construction activity and orders received

increased in Q4-2015 when compared with the previous quarter. Indicators such as the import of construction-related items² (wood, metal, cement and aggregates) and commercial bank credit to the construction sector continued to depict strong annual growth rates in Q4-2015 as well. In Q4-2015, activity in the wholesale and retail trade also remained buoyant as indicated by the growth in bank credit to commerce. Looking at the fisheries sector, developments in its key indicators, namely fish purchases and exports, were mixed in the review quarter. Fish purchases made by collector vessels rose annually by 33% to 10,381 metric tonnes in Oct-Nov 2015³ whereas the volume of fish exports registered an annual decline of 10% in the same period. Similar to exports, earnings on fish exports also followed suit although the rate of decline was lower at 2%. The decline in fish exports was mainly on account of a decline in both the volume and earnings on frozen yellowfin tuna exports.

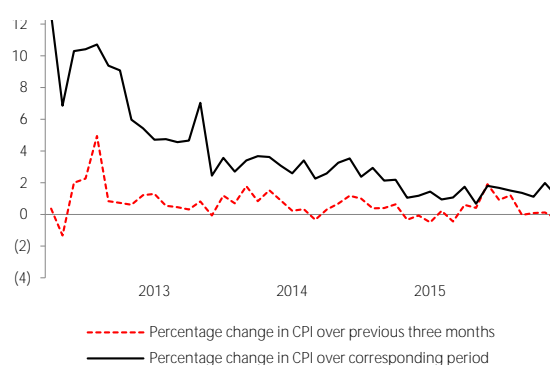
Inflation

The rate of inflation (as measured by the annual percentage change in the Consumer Price Index (CPI) for Male') eased slightly from an average of 1.5% in Q3-2015 to 1.4% in Q4-2015 (Figure 2). Inflation excluding the volatile fish prices was slightly higher at 1.5% in Q4-2015, indicating that prices in other major categories grew at a faster pace when compared with fish prices. In Q4-2015 fish prices registered an increase of 0.4% while other food prices accelerated from 1.7% in Q3-2015 to 2.2% in the review quarter. The increase in other food prices was driven by the increase in prices of certain fruits and vegetables, namely cabbages, dried fruits and vegetables.

Looking at other major developments in inflation during Q4-2015, prices charged for furniture

and furnishings declined by 0.6% on average after posting a growth of 5.1% in Q3-2015. This was attributed to year-end sales witnessed during the last quarter of every year. Prices of materials used for the maintenance and repair of households also declined in Q4-2015 while housing rent slowed down during the period. Meanwhile, prices in the health category also decelerated during Q4-2015 owing to the slowdown in prices of pharmaceutical products.

Figure 2: Inflation (Male'), 2012–2015
(percentage change, June 2012 = 100)



Source: National Bureau of Statistics

Public Finance

According to data available from the Ministry of Finance and Treasury as at 30 January 2016, total government revenue (excluding grants) increased by MVR489.7 million to MVR3.5 billion in Q4-2015 compared with Q4-2014. This was mainly driven by the MVR366.3 million increase in non-tax revenue to MVR1.1 billion, which accounted for 31% of total revenue during the review quarter. The growth in non-tax revenue was due to higher revenue collection from resort lease period extension fee (MVR319.7 million) during the quarter. Tax revenue, which accounted for 69% of total revenue rose by MVR124.6 million to MVR2.4 billion in Q4-2015, driven by increased receipts from both the

² Data relating to trade for December 2015 was not available at the time of publication.

³ Data relating to fish purchases and fish exports for December 2015 was not available at the time of publication.

tourism goods and services tax (T-GST) and the general goods and services tax. The growth in T-GST (MVR121.8 million) reflected the revision of T-GST rate from 8% to 12% in 2015 while the strong growth in general GST (MVR108.9 million) reflected the increase in number of taxpayers.

Total expenditure (excluding debt amortisation) rose by MVR1.8 billion to MVR5.0 billion during Q4-2015 when compared with Q4-2014. This followed from increases in both recurrent and capital expenditure which accounted for 77% and 23% of total expenditure during the quarter, respectively. In Q4-2015, recurrent expenditure increased by MVR1.1 billion to MVR3.9 billion when compared with the corresponding period of the previous year. Capital expenditure increased by MVR639.6 million when compared with Q4-2014 and reached 1.4 billion in Q4-2015. This was owing to a rise in spending on the public sector investment program, of which the largest increases came from expenditure on buildings for non-living purpose, and water and sanitation systems.

Looking at the domestic financing data for Q4-2015, the total outstanding of domestic claims on government—which includes Treasury bills (T-bills), Treasury bonds (T-bonds) and; loans and advances to the government—increased to MVR23.1 billion at the end of December 2015 from MVR22.6 billion at the end of September 2015, reflecting a net borrowing of MVR540.1 million during the period. However, the net borrowing from the domestic sector for the review period slightly declined when compared with the net borrowing of MVR667.6 million in the corresponding period of 2014.

With regard to the domestic sources of financing, the government relied entirely on government securities. At the end of December 2015, the total outstanding stock of government

securities increased to MVR20.0 billion from MVR19.5 billion at the end of September 2015, reflecting a net issuance of MVR501.1 million during the period. It is worth noting that the large net issuance of MVR4.0 billion during the corresponding quarter of 2014 was due to restructuring of the outstanding debt of the government held by the MMA to a long-term T-bond on 30 December 2014. Hence, loans and advances to the government showed a noticeable decline in the corresponding quarter of 2014, although it remained largely unchanged at the end of the review period and the preceding quarter.

In terms of the composition of government securities, the total outstanding stock of T-Bills and T-Bonds at the end of December 2015 stood at MVR12.6 billion and MVR7.4 billion, respectively. The net issuance of T-bills amounted to MVR58.8 million during Q4-2015, a decline from 345.8 million in Q3-2015 and MVR 592.8 million in Q4-2014. This marked decline during Q4-2015 mostly reflected the conversion of T-bills held by the pension fund to T-bonds in Q4-2015. Thus, the net issuance of T-bonds rose to MVR442.3 million during Q4-2015 (Table1).

Table 1: Claims on Central Government, 2014–2015
(in millions of rufiyaa)

	2014	2015		2014		2015		
	Q4	Q3	Q4	Q3	Q4	Q2	Q3	Q4
	Net Issue ^{1/}			Outstanding Stock				
Government securities	3,950.0	916.9	501.1	13,636.9	17,586.9	18,583.7	19,500.5	20,001.6
T-bonds	3,357.2	571.0	442.3	3,083.3	6,440.5	6,406.3	6,977.3	7,419.6
MMA	3,357.2	(16.6)	(16.7)	3,083.3	6,440.5	6,406.3	6,389.7	6,373.0
Commercial banks	0.0	115.7	0.0	0.0	0.0	0.0	115.7	115.7
OFCs	0.0	472.0	459.0	0.0	0.0	0.0	472.0	931.0
T-bills and islamic instruments	592.8	345.8	58.8	10,553.6	11,146.4	12,177.4	12,523.2	12,582.0
MMA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	277.1	820.6	141.7	5,631.4	5,908.5	6,913.6	7,734.2	7,875.9
Non-banks	315.7	(474.8)	(82.9)	4,922.2	5,237.9	5,263.8	4,789.0	4,706.1
SOEs ^{2/}	33.8	(310.3)	118.6	1,309.5	1,343.3	963.0	652.7	771.3
OFCs ^{3/}	375.0	13.3	(171.8)	3,051.5	3,426.5	3,749.3	3,762.6	3,590.8
Others	(93.1)	0.7	(29.7)	561.2	468.1	373.0	373.7	344.0
	Flow							
Loans and advances	(3,282.4)	23.7	39.0	6,339.9	3,057.5	3,034.5	3,058.2	3,097.2
MMA	(3,328.2)	0.0	0.0	3,328.2	0.0	0.0	0.0	0.0
Commercial banks	(8.8)	(8.8)	(6.7)	134.9	126.1	78.7	69.8	63.1
OFCs	54.6	32.6	45.7	2,876.7	2,931.4	2,955.8	2,988.3	3,034.0
	Change							
Total domestic claims on government	667.6	940.6	540.1	19,976.7	20,644.3	21,618.1	22,558.7	23,098.8

Source: Maldives Monetary Authority

^{1/}Other financial corporations

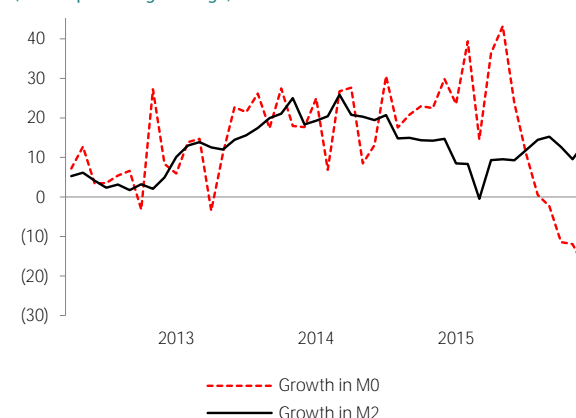
^{2/}State-owned enterprises

^{3/}Other financial corporations

Money and Banking

With regard to developments in monetary aggregates, reserve money (M0) continued to decline in annual terms and fell by 18% at the end of December 2015 after recording a decline of 2% at the end of September 2015 (Figure 3). The main contributor to this decline was the fall in net foreign assets (NFA) of the MMA, which fell by 10% at the end of Q4-2015 largely due to a decline in foreign currency reserve balances held at MMA. As for the net domestic assets (NDA) of the MMA, it registered an annual decline of 40% due to an increase in liquidity absorption by the MMA. Accordingly, the average liquidity absorbed via monetary operations averaged MVR3.0 billion in Q4-2015 which is an increase of MVR1.4 billion when compared with Q4-2014. The total liquidity absorbed entirely reflects the placement of funds in the Overnight Deposit Facility (ODF) by the commercial banks as open market operations (OMO) remained suspended throughout the year 2015.

Figure 3: Changes in Reserve Money and Broad Money, 2012–2015
(annual percentage change)



Source: Maldives Monetary Authority

At the end of December 2015, the annual growth rate of broad money (M2) decelerated to 14% and stood at MVR30.9 billion after registering a growth of 15% at the end of September 2015. On the components side, the main contributor to the slow-down in the M2 growth was the deceleration in quasi money growth, largely stemming from a slower expansion in the foreign currency deposit base of the banking system.

Looking at the counterparts of M2, the slower M2 growth was entirely driven by a 3% decline in NFA of the banking system which offset a 27% growth in NDA of the banking system. The decline in NFA was solely due to the fall in NFA of the MMA, as NFA of the commercial banks registered a growth at the end of December 2015. Meanwhile, the increase in NDA of the banking system was driven by an increase in net credit to the central government (NCG) and credit to the private sector.

The annual growth rate of NCG of the banking system accelerated to 23% in the review period from 18% at the end of September 2015 to reach MVR11.4 billion. This largely reflected a 33% annual increase in commercial banks' investment in T-bills. Furthermore, a decline in government deposits at MMA also contributed to the acceleration in NDA of the banking system to some extent.

As for the annual growth rate of credit to the private sector by the commercial banks, it also accelerated significantly from 3% at the end of September 2015 to 13% at the end of December 2015. This was largely driven by an increase in credit extended to tourism, commerce and construction sectors. It is noteworthy that credit to the tourism sector (which accounted for 40% of the total private sector credit) registered a 4% growth at the end of the review quarter, after posting negative annual growth rates in all the preceding

quarters of 2015. With regard to credit extended to the tourism sector, credit for new resort development and renovation continued to decline although credit lent for working capital further improved during the review quarter.

With regard to interest rate developments, the rates on T-bills of all maturities were once again lowered in November 2015. T-bills rates were first reduced in 2014 following the change to a tap system in issuing T-bills during the year. As a result of the revision to T-bills rates, the weighted average interest rates on 28-, 91-, 182- and 364-day T-bills registered annual declines of 400, 413, 427 and 440 basis points (bps) and stood at 3.50%, 3.87%, 4.23% and 4.60%, respectively at the end of Q4-2015.

As for the rates on loans and advances to the private sector, loans denominated in national currency registered an annual decline of 56 bps, while rates on foreign currency loans rose by 38 bps in the review quarter.

Banking Sector Performance

At the end of December 2015, banking sector deposits registered an annual growth of 12% and amounted to MVR29.9 billion. Fuelled by the growth in the deposit base, net assets of the banking sector also rose by 11% to reach MVR41.1 billion at the end of December 2015.

In terms of gross assets, 43% of gross assets consisted of loans, which registered a significant annual growth of 8% at the end of Q4-2015, while investments in debt securities which accounted for 19% of gross assets, rose by 42%.

The loan portfolio of the banking sector remained concentrated in the tourism sector which accounted for 36% of the loans, followed by the commerce and the construction sector.

With regard to asset quality, the ratio of Non-Performing Loans (NPLs) to total loans at the end of the quarter decreased to 14% when compared with the 15% recorded in Q3-2015 and the 17% recorded a year ago. This was due to a 9% annual decline in the absolute value of NPLs and also due to a significant increase in the loan portfolio. The credit risk has been moderated to a large extent by the high level of loan loss provisions that fully cover the NPLs.

The banking sector remained well capitalised, with capital ratios well above the minimum requirements. The total risk-weighted capital ratio of the sector at the end of Q4-2015 stood high at 37%, largely contributed by the share of liquid, low risk assets in the portfolio.

As for the profitability of the sector, the pre-tax profits earned by the banks amounted to MVR 1.9 billion at the end of Q4-2015, which was a 10% decline when compared with Q4-2014, mainly due to an increase in loan loss provisions made during the year. It is important to note that profits in 2014 were magnified due to relatively high loan recoveries.

External Trade

Merchandise Trade Balance

The merchandise trade deficit⁴ narrowed by 4% on annual terms and totalled US\$257.4 million in Oct-Nov 2015. This was largely driven by a significant decline in the value of merchandise imports (f.o.b) and to some extent by a fall in total exports (f.o.b) during the review period. Merchandise imports declined by 9% (US\$28.5 million) in annual terms and amounted to US\$293.3 million in Oct-Nov 2015 mainly due to falling global oil prices. Meanwhile, total exports fell by 32% (US\$16.6 million) in Oct-Nov 2015 due to the steep decline

in re-exports while domestic exports also declined marginally.

With regard to composition of exports, re-exports which mainly comprises jet fuel sold to international aircrafts at the Ibrahim Nasir International Airport, declined to US\$11.5 million in Oct-Nov 2015 from US\$27.3 million in the corresponding period last year. As a result, the share of re-exports in total exports fell markedly from 52% in Oct-Nov 2014 to 32% during Oct-Nov 2015. The annual decline in re-exports reflects the impact of lower global oil prices. As for domestic exports, it declined marginally by 3% on annual terms and totalled US\$24.5 million during Oct-Nov 2015, mainly due to the steep decrease in earnings from frozen yellowfin tuna exports which offset the increase in export earnings of frozen skipjack tuna and fresh or chilled yellow fin tuna. Despite a decline in international skipjack tuna prices, export earnings on frozen skipjack tuna exports increased by 20% in Oct-Nov 2015 and amounted to US\$4.6 million, driven by an increase in the volume of frozen skipjack tuna exports. Export earnings from fresh or chilled yellowfin tuna, which accounted for 56% of all fish export earnings in Oct-Nov 2015, increased by 12% and totalled US\$13.0 million owing to better export prices. Meanwhile, export of canned or pouched tuna declined by 30% in Oct-Nov 2015 when compared with the same period in 2014 while volume of canned tuna exports also declined by 23% during the same period.

Looking at the composition of imports (c.i.f), the 8% annual decline in total imports during Oct-Nov came from the decline in import value of petroleum products which accounted for 12% of all imports during the period. Petroleum products registered a sharp annual decline of US\$32.1 million (46%) in Oct-Nov 2015 and totalled

⁴ Merchandise trade in this report refers to the import and export of goods only.

US\$38.0 million (Figure 4). This was owing to the continued decline in oil prices in the international markets. The main subgroup within the petroleum products is diesel (marine gas oil) which declined by US\$18.8 million (39%) in the review period. Food imports, the category with the highest value of imports and accounting for 21% of all imports, decreased marginally by 5% and amounted to US\$68.2 million during Oct-Nov 2015. As for construction related imports such as wood, metal, cement and aggregates (accounting for 13% of imports), such imports increased by 47% in Oct-Nov 2015, reflecting the robust growth of the construction sector witnessed during the year.

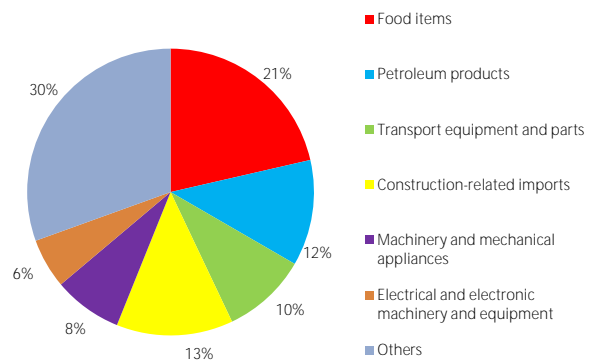
Direction of Trade

The two major destinations of Maldivian exports during Oct-Nov 2015 were Asia and Europe which accounted for 43% and 41% of total exports, respectively. A significant proportion of exports to Asia were in the form of frozen tuna to Thailand. Exports to Thailand accounted for 52% of all exports within Asia, while other major export destinations in the region include Sri Lanka (31%) and India (5%). Exports to Sri Lanka were mainly in the form of fresh or chilled yellowfin tuna and dried skip jack tuna. Within the European region, France and Germany were the leading export markets for Maldives in Q4-2015 (accounting for 10% and 8% of total exports to the region, respectively). Exports to Europe were mainly in the form of fresh or chilled yellow fin tuna which accounted for 75% of all exports to the region, followed by canned or pouched tuna at 22%.

Looking at the direction of imports, the majority of imports to the Maldives during Q4-2015 came from Asia (81% of all imports) followed by Europe (12% of all imports). Among the major importing countries from Asia, the highest share was from Singapore and the United Arab Emirates (UAE), which accounted for 18% of all imports each,

followed by India at 12%. The main categories of imports from Singapore include machinery and mechanical appliances; and petroleum products while from UAE it was petroleum products and food products.

Figure 4: Composition of Imports, Oct - Nov 2015 (percent of total)



Source: Maldives Customs Service

Gross International Reserves

Gross International Reserves⁵ (GIR) registered US\$564.0 million at the end of December 2015. This was a decline of 8% (US\$50.7 million) compared with the end of December 2014 and a decline of 10% when compared with the end of September 2015 (Figure 5). The annual decline in GIR has been due to the decline in commercial banks' reserves held at MMA, mainly reflecting the increased net-outward transfers by the banking system and foreign currency lending to the private sector. Of the GIR, usable reserves⁶ amounted to US\$193.7 million at the end of December 2015, which was a 35% decline compared with the end of December 2014. The growth in usable reserves was mainly attributable to the annual increase in foreign currency revenue receipts during Q4-2015.

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 dollar moved towards the upper limit of the band, owing to the persistent foreign exchange pressure in the economy.

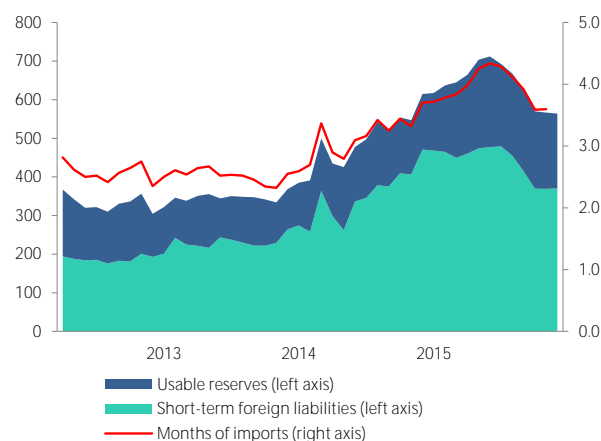
Mirroring the movements of the US dollar at the end of December 2015, the bilateral exchange rates of the Maldivian rufiyaa appreciated in annual terms against the Indian rupee and the pound sterling each by 5%, the Sri Lankan rupee by 9%, the Singapore dollar by 7% and the euro by 10% while depreciating against the Japanese yen by 1%.

⁵ GIR comprises of foreign currency deposits of the MMA and the government, commercial bank's US dollar reserve accounts and Maldives' reserve position in the IMF.

⁶ Usable reserves = gross international reserves minus short-term foreign liabilities. This shows the amount of funds readily available for use by the MMA in the foreign exchange market.

When compared with September 2015, the rufiyaa appreciated against the Indian rupee by 1%, the Sri Lankan rupee by 2%, the pound sterling by 2% and against the euro by 3%. During this period, the rufiyaa depreciated against the Singapore dollar by 1% while it remained unchanged against the Japanese yen.

Figure 5: Gross International Reserves and Months of Imports, 2012–2015
(millions of US dollars, months)



Source: Maldives Customs Service, Maldives Monetary Authority



Statistical Appendix

Table of Selected Economic Indicators, 2012–2015

(annual percentage change over the corresponding period, unless stated otherwise)

	2012	2013	2014	2014				2015				
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Real Sector												
Tourist arrivals	3	17	7	10	14	7	(1)	3	(0)	4	4	
Tourist bednights	(1)	9	3	5	7	4	(3)	(3)	(5)	(3)	(6)	
Operational capacity	2	4	3	5	2	4	1	3	3	1	4	
Occupancy rate (%)	70	74	74	84	69	70	74	79	63	67	67	
Average stay (days)	6.7	6.3	6.0	6.3	6.0	5.8	6.0	6.0	5.7	5.4	5.5	
Fish purchases ^{1/}	23	22	(16)	(15)	30	(24)	(39)	8	(36)	(28)	n.a.	
Prices^{2/}												
Total (Male)	10.9	4.0	2.4	2.8	3.1	2.5	1.5	1.2	1.4	1.5	1.4	
Total excluding fish	9.2	3.2	2.4	3.0	3.1	2.5	1.2	1.2	1.6	1.8	1.5	
Food and non-alcoholic beverages excluding fish	5.3	6.6	0.3	2.9	3.0	(0.7)	(3.8)	0.5	0.8	1.8	2.2	
Government Securities (millions of rufiyaa)												
Government securities outstanding	11,025.1	11,330.9	17,586.9	12,371.1	13,861.3	13,636.9	17,586.9	18,011.3	18,583.7	19,500.5	20,001.6	
T-bonds	4,574.5	3,136.6	6,440.5	3,118.5	3,100.7	3,083.3	6,440.5	6,423.2	6,406.3	6,977.3	7,419.6	
T-bills	6,450.6	8,194.3	11,146.4	9,252.6	10,760.6	10,553.6	11,146.4	11,588.1	12,177.4	12,523.2	12,582.0	
MMA	829.6	634.0	-	-	-	-	-	-	-	-	-	
Commercial banks	3,539.2	3,952.1	5,908.5	5,064.3	5,923.2	5,631.4	5,908.5	6,414.5	6,913.6	7,734.2	7,875.9	
Others	2,081.8	3,608.2	5,237.9	4,188.3	4,837.4	4,922.2	5,237.9	5,173.6	5,263.8	4,789.0	4,706.1	
Money and Banking												
Broad money	5	18	15	26	19	15	15	(0)	9	15	14	
Net foreign assets	83	68	42	66	65	46	42	1	21	17	(3)	
Net domestic assets	(9)	1	(2)	3	(3)	(1)	(2)	(2)	(0)	14	27	
Net claims on central government	12	13	7	20	12	6	7	5	6	18	23	
Claims on other sectors	(9)	0	2	0	0	6	2	(1)	(0)	3	12	
o/w Private sector	(10)	1	3	(3)	(1)	4	3	2	1	3	13	
Reserve money	8	18	30	27	13	21	30	15	24	(2)	(18)	
Market operations ^{3/}												
Open market operations ^{4/}	9	110	52	106	-	-	-	-	-	-	-	
Overnight Deposit Facility	(18)	27	227	39	243	367	217	579	84	82	93	

^{1/}The fish purchases data for 2015 is available up to November 2015.

^{2/}The inflation rate for the year refers to the period average values, whereas inflation for the quarter represents the annual percentage change in the three-month-average of the CPI for the respective period.

^{3/}Monetary operations figures represent the average investment.

^{4/}Open market operations were suspended from May 2014 onwards.

Table of Selected Economic Indicators, 2012–2015
(annual percentage change over the corresponding period, unless stated otherwise)

	2012	2013	2014	2014				2015			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Oct-Nov ^{5/}
External Trade											
Merchandise exports (f.o.b.)	(9)	5	(9)	(19)	(0)	(9)	(6)	(10)	(16)	(19)	(32)
Domestic exports	27	3	(13)	(25)	10	(20)	(13)	12	(8)	11	(3)
o/w Fish exports	29	3	(14)	(26)	11	(22)	(15)	10	(9)	9	(2)
Re-exports	(30)	8	(5)	(12)	(10)	4	1	(27)	(26)	(43)	(58)
Merchandise imports (c.i.f.)	6	12	15	11	17	17	14	5	(10)	(9)	(8)
o/w Food	7	19	8	12	12	(2)	9	3	(1)	1	(5)
Petroleum	33	3	14	29	16	11	(4)	(50)	(47)	(58)	(46)
Construction-related imports	(0)	(3)	24	33	17	40	11	25	56	43	47
Merchandise trade balance (deficit) ^{6/}	11	13	22	22	22	24	19	8	(10)	(9)	(4)
Direction of Trade of Imports of Goods (as a percentage of total)											
o/w Singapore	18	16	18	18	20	17	16	15	19	19	18
India	10	9	9	8	9	9	9	10	13	12	12
Sri Lanka	6	6	7	7	7	7	6	6	7	8	7
UAE	30	28	24	33	24	23	15	16	18	15	18
Thailand	5	5	4	4	5	5	5	4	5	5	4
Direction of Trade of Exports of Goods (as a percentage of total)											
o/w Thailand	27	37	32	33	41	20	31	26	26	23	22
Sri Lanka	7	6	6	4	4	9	8	10	12	13	13
France	17	13	14	13	14	20	12	10	12	9	10
Germany	3	6	7	8	6	7	6	6	8	6	8
External Reserves											
Gross international reserves (millions of US dollars)	304.5	368.3	614.7	499.9	477.6	521.8	614.7	644.9	712.2	627.2	566.7
Months of imports	2.4	2.5	3.7	3.4	3.1	3.2	3.7	3.8	4.3	3.9	3.6

Source: Ministry of Tourism, Ministry of Fisheries and Agriculture, National Bureau of Statistics, Maldives Monetary Authority, Maldives Customs Service, Maldives Airports Company Limited, Gan International Airport, Maldives Monetary Authority.

^{5/}Trade data for December 2015 was not available at the time of publication.

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