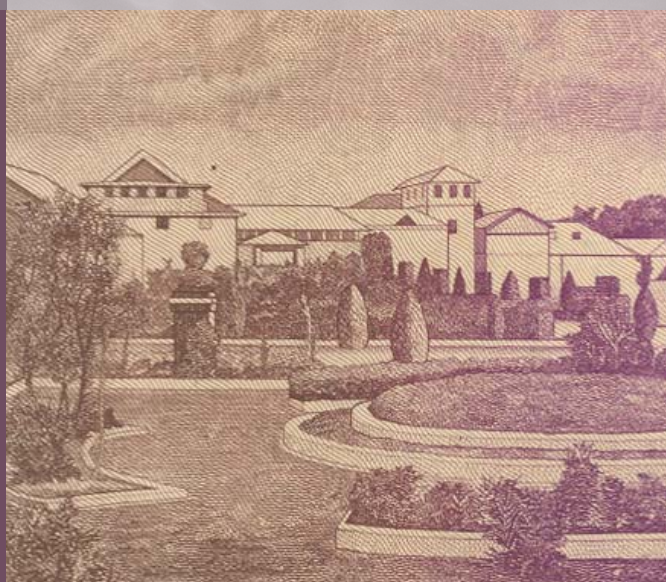


QUARTERLY ECONOMIC BULLETIN

SEPTEMBER 2012

Issue no. 3 Volume XVIII



Quarterly Economic Review

International Economic Developments
Domestic Economic Developments

Research Articles **NEW**

The Effective Exchange Rates of Rufiyaa
An Analysis of Outbound Travel of Maldivians

Statistical Tables



Maldives Monetary Authority

This Bulletin is compiled by the Monetary Policy and Research Division (MPRD) of the Maldives Monetary Authority (MMA). It covers developments in the domestic and international economy during the third quarter of 2012. 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 27 November 2012. 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 analysis contained herein.

We thank all those who have contributed to the information contained in this Bulletin and welcome constructive feedback from readers.

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ABBREVIATIONS

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
BOP	Balance of Payments
BPT	Business Profit Tax
BRER	Bilateral Real Exchange Rate
CPI	Consumer Price Index
GDP	Gross Domestic Product
GST	Goods and Services Tax
IFS	International Financial Statistics
IMF	International Monetary Fund
M0	reserve money
M2	broad money
MMA	Maldives Monetary Authority
MTA	Maldivians Travelling Abroad
NCG	net credit to the government
NDA	net domestic assets
NEER	Nominal Effective Exchange Rate
NER	Nominal Exchange Rate
NFA	net foreign assets

NPLs	non-performing loans
ODF	Overnight Deposits Facility
OECD	Organisation for Economic Co-operation and Development
OMO	Open Market Operations
REER	Real Effective Exchange Rate
RER	Real Exchange Rate
Reverse Repurchase	Reverse Repo
RWA	risk weighted assets
SOEs	state-owned enterprises
T-bills	Treasury bills
UK	United Kingdom
US	United States
WAIR	weighted average interest rate
UAE	United Arab Emirates



QUARTERLY ECONOMIC REVIEW

INTERNATIONAL ECONOMIC DEVELOPMENTS

1. OUTPUT

Global economic growth remained weak in Q3-2012 as well, mired by the escalation of the crisis in the euro area. In most advanced economies, fiscal consolidation and a weaker financial system continued to be the main drag on output while in major emerging economies both domestic and external factors pulled down growth.

In the United States (US), output grew by a slightly higher rate of 2.3%¹ compared with a 2.1% growth in Q2-2012 reflecting increased government spending, an improved housing sector and stronger consumer spending. In the euro area, economic activity remained weak following a real Gross Domestic Product (GDP) contraction of 0.4% in Q2-2012 as growth was weighed down by balance sheet adjustment and high unemployment. In the United Kingdom (UK), estimates for the third quarter GDP statistics showed that activity growth was slightly better compared to Q2-2012, largely owing to temporary

factors such as the Olympics which provided a boost to service sector growth. Accordingly, real GDP rose by 0.1% in Q3-2012 after a contraction of 0.5% in Q2-2012 despite underlying weaknesses in the economy as pointed by other economic indicators. The Japanese economy shrank in Q3-2012 by 0.9%, reflecting slowing global demand. Exports declined sharply during Q3-2012 while, private consumption and capital expenditures also registered declines.

In line with expectations, the Chinese economy slowed down for the seventh consecutive quarter and registered a 2.2% growth in Q3-2012, although improved exports and a faster growth in industrial production could indicate a bottoming out of the deceleration in growth. In India, growth has remained sluggish since the third quarter of 2011 owing to both external and home-induced factors. However, the unveiling of several policy measures by the government in early September 2012, which includes more liberalised foreign direct investment policies

¹ Output data is obtained from Organisation for Economic Co-operation and Development (OECD)'s database.

and reduced fuel subsidies, have improved prospects for the medium-term.

2. INFLATION

Global inflation continued to ease and registered 3.4% in the Q3-2012 reflecting slower global demand and subdued global commodity prices. In the advanced economies, inflation further declined to 1.7% from 1.8% in Q2-2012 due to slow growth in activity. In the US, consumer price inflation slowed to 1.7% in Q3-2012 while in the euro area underlying price pressures remained moderate with annual consumer price inflation remaining the same as in Q2-2012, at 2.5% in Q3-2012. In Japan, CPI inflation fell to negative territory in Q3-2012 and declined by 0.4% following a rate of 0.2% in Q2-2012.

In China, the inflation rate slowed to 1.9% in Q3-2012 owing to slack demand, although inflationary pressure is expected to pick up in the coming months with the expected rebound in activity. In India, consumer price inflation eased to 9.8% from 10.1% in Q2-2012 whilst in Singapore, CPI inflation moderated to 4.2% from 5.3% in Q2-2012 helped by weak external inflation.

3. COMMODITY PRICES

Global commodity prices picked up during Q3-2012 driven by a sharp rise in global food prices and an increase in global oil prices. The

monthly percentage change in International Monetary Fund (IMF) commodity price index averaged 3.3% during Jul-Sep 2012 compared with a negative 5.5% in Apr-Jun 2012.

The fall in price of crude oil (average of Brent and West Texas Intermediate) which began in April 2012 saw a sharp reversal in July 2012 with prices increasing from US\$95.3 per barrel in July to US\$103.7 per barrel in September 2012. The spike in global oil prices reflects geopolitical tensions in the Middle East. However, oil prices are expected to remain subdued in the coming months due to the slowing global demand and increased production by Organisation of the Petroleum Exporting Countries.

Meanwhile, global non-oil commodity prices also strengthened during Q3-2012 driven by a rebound in global food prices. After a sharp decline in Q2-2012, global food prices registered a turnaround in Q3-2012 as food prices increased quarterly by 10% reflecting weather-related supply disruptions.

4. EXCHANGE RATE

During Q3-2012 the nominal trade weighted exchange rate of the US dollar depreciated against most major currencies against the backdrop of weaker than expected US employment and other economic data and expectations of further monetary easing. Moreover, an improvement in sentiment towards the sovereign debt crisis in the euro area also contributed to the depreciation of US dollar during the quarter. This led to a reversal of the euro's depreciation against the US dollar that was observed in Q2-2012.

As such, between Q2-2012 to Q3-2012, the US dollar depreciated by 3% against the euro, 4% against the sterling pound and by 2% against the Japanese yen. The US dollar also depreciated by less than 1% against the Chinese yuan but remained strong against the Indian rupee. The decline in rupee against the US dollar during most of Q3-2012 was owed to external factors such as the European debt crisis which increased the demand for US dollars.

DOMESTIC ECONOMIC DEVELOPMENTS

1. OVERVIEW

Despite a pick-up in **tourism sector** activity as pointed out by the major indicators of the sector, activity in other main sectors of the economy remained sluggish in the third quarter of 2012. Tourist arrivals recovered in Q3-2012 after registering a slowdown in Q2-2012 reflecting the usual seasonal dip and higher arrivals from China, while other indicators of the sector such as capacity utilisation also showed improvements during the quarter. Meanwhile, activities in the **fisheries sector** remained subdued in Q3-2012 as indicated by the deterioration in fish exports. Developments in the **construction sector** also showed mixed results during Q3-2012. Leading indicators of the construction sector such as construction related imports grew while bank credit to the sector continued to be low. Indicators for the **distribution sector** pointed towards a slowdown in Q3-2012 with both private sector imports (excluding tourism) and commercial bank credit lent to wholesale and retail trade registering declines.

As for **price developments**, the rate of inflation, measured by the annual percentage change in the 3-month average of CPI for Male' decelerated to 11.9% in Q3-2012 from 12.2% in Q2-2012 and 11.1% in Q3-2011. Food prices remained as the main contributor to inflation with fish prices being the main driver of food inflation during the quarter.

With regard to **fiscal developments**, the budget deficit of the government improved from Q2-2012 to Q3-2012 as the expansion in government expenditure was more than offset by the substantial increase in revenue. As such, the fiscal deficit declined to MVR16.6 million in Q3-2012 from MVR677.0 million in Q2-2012. However, on an annual basis, the budget deficit worsened by MVR311.2 million owing to lower revenue and higher expenditure.

As regards the **monetary developments**, in Q3-2012 both reserve money (M0) and broad money (M2) registered declines when

compared to Q2-2012. The declining trend in M0 was wholly due to the contraction in net domestic assets (NDA) of the Maldives Monetary Authority (MMA) while the dip in M2 reflects the substantial decline in NDA of the banking system.

As regards the developments in the **external sector**, despite a fall in imports the merchandise trade balance worsened marginally in Q3-2012 compared to both Q2-2012 and Q3-2011 owing to the deterioration in exports. Meanwhile, gross international reserves rose to US\$330.7 million at the end of Q3-2012 from US\$320.1 million in Q2-2012. Reserves in terms of months of imports, slightly improved to 2.6 at the end of Q3-2012 from 2.5 months in Q2-2012.

2. PRODUCTION AND PRICES

2.1 Tourism

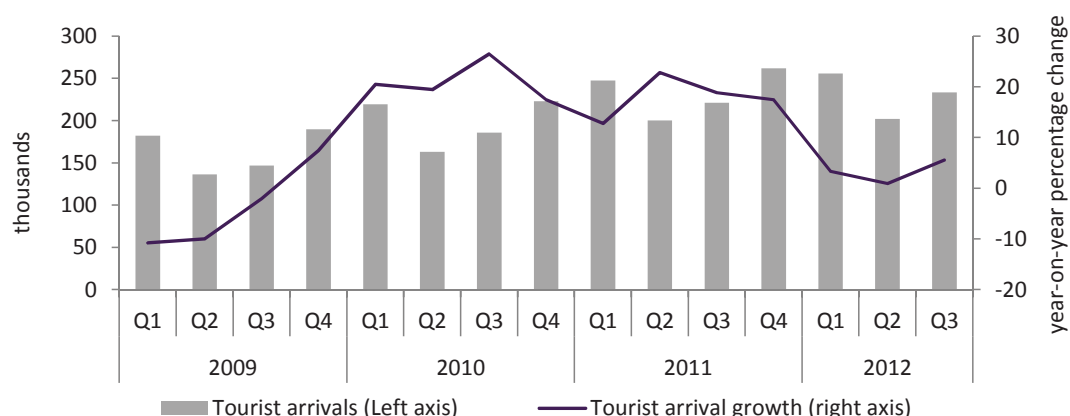
Tourist arrivals picked up in Q3-2012, after witnessing a slowdown in Q2-2012 reflecting the usual seasonal pattern coupled with the slowdown in the eurozone. Tourist arrivals into the country totalled 233.5 thousand during the quarter, recording a quarterly growth of 15%. In annual terms, tourist arrivals increased by 6% in Q3-2012 (Figure 1). As has been the case in the past few quarters, growth in tourist arrivals was almost entirely buttressed by the increase in Chinese arrivals. Although tourists from the European region usually bounce back in the third quarter, such arrivals remained low in the review quarter due to the continued economic downturn in the region.

As regards the market composition, for the first time, the Asian region became the leading source market of tourist arrivals into

the Maldives, accounting for 48% of the total market share. This was solely attributed to the remarkable performance of the Chinese market which accounted for 33% of total tourist arrivals in Q3-2012. Interestingly, the Chinese market reached another quarterly record of 78.0 thousand during the review quarter (Figure 2). This showed a substantial increase of 75% in quarterly terms and an annual growth of 18%. Meanwhile, other main Asian markets such as Japan also grew in quarterly terms although declined in annual terms, while tourists from India recorded a quarterly decline whereas such arrivals increased annually.

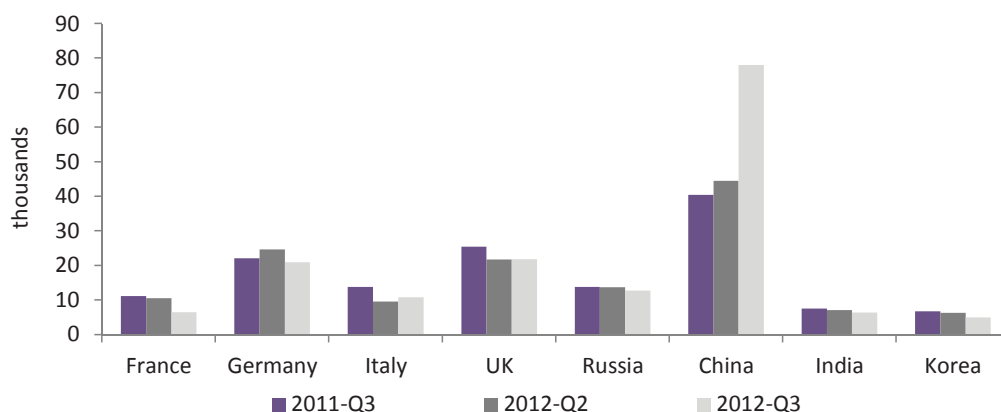
The European market, which had dominated the tourist market up until the review quarter, lost its leading place, with its share falling to 44%. With the weak performance of major European economies owing to the euro area crisis, growth in tourist arrivals from the region has also remained sluggish for the past three years. More specifically, arrivals from the UK, the leading source country from the region, remained flat from Q2-2012 while it fell by 14% compared to Q3-2011. Meanwhile, Italian arrivals, although showed a quarterly growth, remained lower compared

Figure 1: Tourist Arrivals and Tourist Arrival Growth, 2009 - 2012



Source: Ministry of Tourism, Arts and Culture

Figure 2: Quarterly and Annual Comparison of Tourist Arrivals by Country



Source: Ministry of Tourism, Arts and Culture

in annual terms. Tourists from Germany, although one of the least affected countries from the crisis, decreased quarterly, however increased compared on an annual basis.

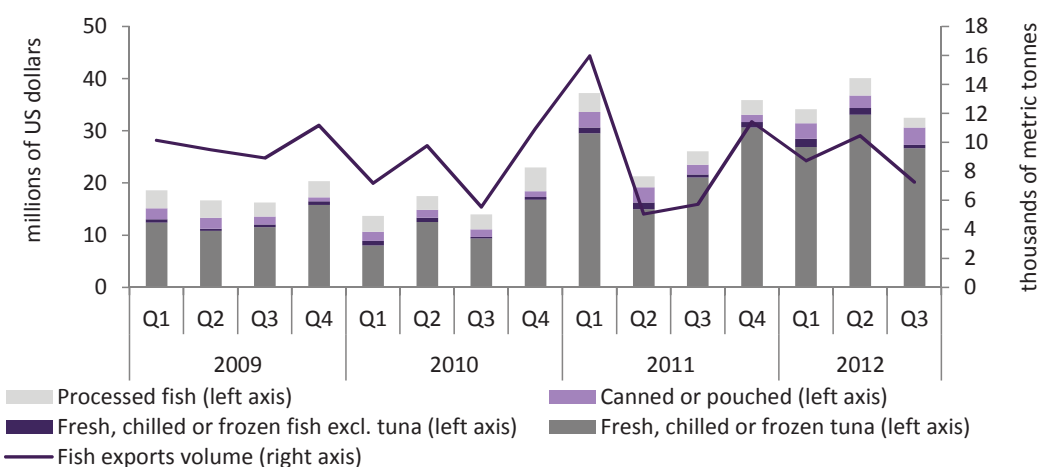
In analysing the other major indicators of the sector, tourist bednights grew less than the growth in tourist arrivals owing to the decline in the average duration of tourist stay, which fell to 6.4 days in Q3-2012 from 6.9 days in Q2-2012. Meanwhile, in annual terms tourist bednights recorded a minimal increase as the average stay was lower compared to Q3-2011 as well. As for capacity utilisation of the industry, the occupancy rate rose to 64% in

Q3-2012 from 62% in Q2-2012 given the pickup in arrivals together with the increase in operational bed capacity during the quarter.

2.2 Fisheries

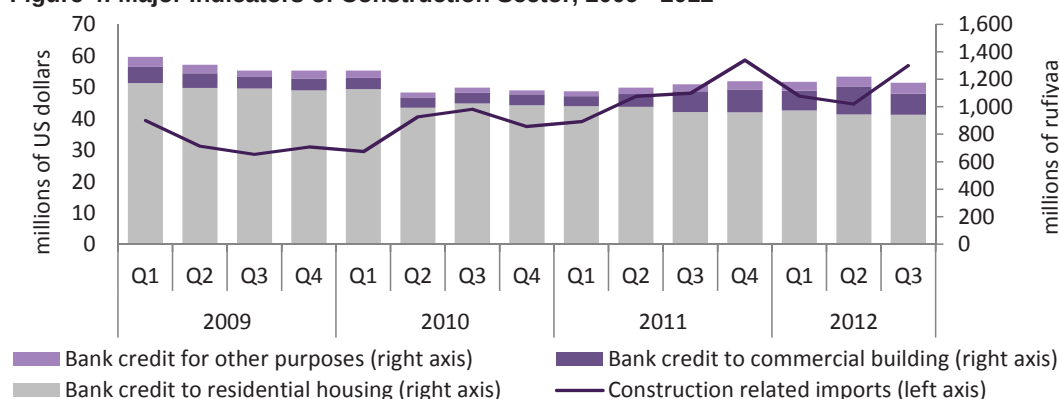
Following a favourable growth in Q2-2012, the fisheries sector performed poorly in quarterly terms during Q3-2012 as depicted by the slowdown in the export activities of the sector. Both the volume and earnings on fish exports declined compared to Q2-2012. The volume of fish exports, which totalled

Figure 3: Fish Export Volume and Export Earnings, 2009 - 2012



Source: Maldives Customs Service

Figure 4: Major Indicators of Construction Sector, 2009 - 2012



Source: Maldives Customs Service; Maldives Monetary Authority

7.3 thousand metric tonnes, plunged by 31% from Q2-2012. This decline was mainly owing to a fall in exports of fresh, chilled or frozen tuna, which constitutes for the bulk of the fish exports. Earnings on fish exports dwindled by 19% in the review quarter to record US\$32.5 million (Figure 3).

Despite the quarterly decline, the fisheries sector performed better than a year ago. Both the volume and earnings on fish exports grew annually, recording increases of 27% and 25%, respectively.

2.3 Construction

Similar to Q2-2012, the developments in the construction sector depicted mixed results during Q3-2012. The construction related imports grew, while bank credit to the sector, the second leading indicator of the industry, continued to remain low. Construction related imports, which comprises wood, cement, metal and aggregates, rose to US\$56.8 million (Figure 4). This was an increase of 27% and 18% in both quarterly and annual terms, respectively.

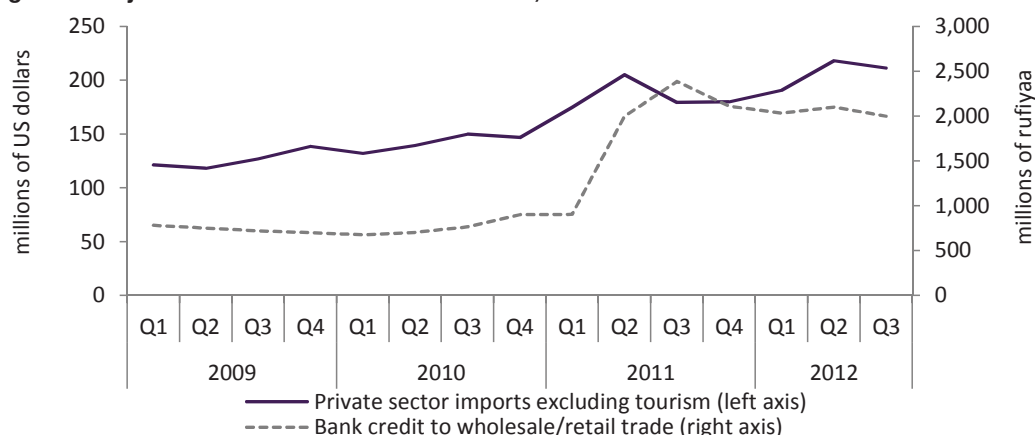
As for the bank credit lent, loans given to the construction sector as a whole totalled MVR1,176.6 million at the end of Q3-2012. This represented a quarterly decline of 4% and just a slight increase of 1% in annual terms. As for the credit lent to different activities within the sector, loans to residential housing declined slightly. Meanwhile, bank loans to construction of commercial housing, which has shown a noticeable growth during the recent quarters, declined by 24% in quarterly terms while compared in annual terms, such credit grew by only 2% while having more than doubled in Q2-2012.

2.4 Distribution

The leading indicators of the distribution sector pointed toward a slowdown in the activities of the sector during Q3-2012. As such, private sector imports (excluding tourism)² totalled US\$211.3 million, a decline of 3% from Q2-2012 (Figure 5).

² Sectoral breakdowns are based on Customs records, which are in turn based on declarations by the importer. For example, if tourist resorts obtain supplies domestically from other private sector sources or from public enterprises, the import of these items would have been classified in the Customs records as goods imported by the original sources. As such, the sectoral analysis will not strictly reflect the total imports consumed by each of these sectors

Figure 5: Major Indicators of Distribution Sector, 2009 - 2012



Source: Maldives Customs Service; Maldives Monetary Authority

However, private sector imports stood 18% higher compared to Q3-2011. With respect to commercial bank credit lent to wholesale and retail trade, such loans totalled MVR2,000.4 million in Q3-2012. This was a decline of 5% and 16% in both quarterly and annual terms, respectively.

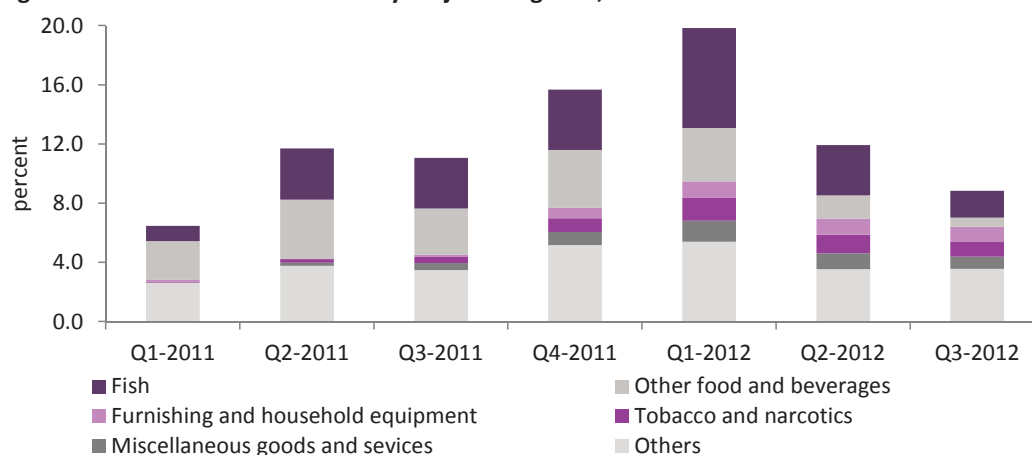
2.5 Inflation

The rate of inflation, measured by the annual percentage change in the 3-month average of CPI for Male' decelerated to 11.9% in Q3-

2012 from 12.2% in Q2-2012 and 11.1% in Q3-2011. Other measures of inflation such as inflation excluding volatile fish prices stood slightly lower at 9.4% although inflation excluding food prices stood at 11.3% during the review quarter.

Similar to Q2-2012, food prices remained as the largest contributor to inflation, contributing 4.6 percentage points to overall inflation during Q3-2012 (Figure 6). This was largely due to fish prices, which went up by 39.2% in the review quarter. Although growth in fish prices has decelerated compared to the first two quarters of the year, it continues to

Figure 6: Contribution to Inflation by Major Categories, 2011 - 2012



Source: Department of National Planning

remain high. Meanwhile, increase in other food items stemmed from the increase in price of bread and cereals, meat, milk and dairy products and certain types of fruits and vegetables.

Other categories that contributed to increase in inflation during the quarter include housing and utilities, which rose by 4.9% contributed by increase in rent, electricity and regular maintenance expenses. Meanwhile, price increase in furniture and household equipment largely reflected the impact of the 3.5% Goods and Service Tax (GST) introduced in October 2011, which was later raised to 6% in January 2012. Meanwhile, the 57.3% price increase in tobacco and narcotics reflected the impact of higher import duties levied on tobacco products beginning December 2011.

3. PUBLIC FINANCE

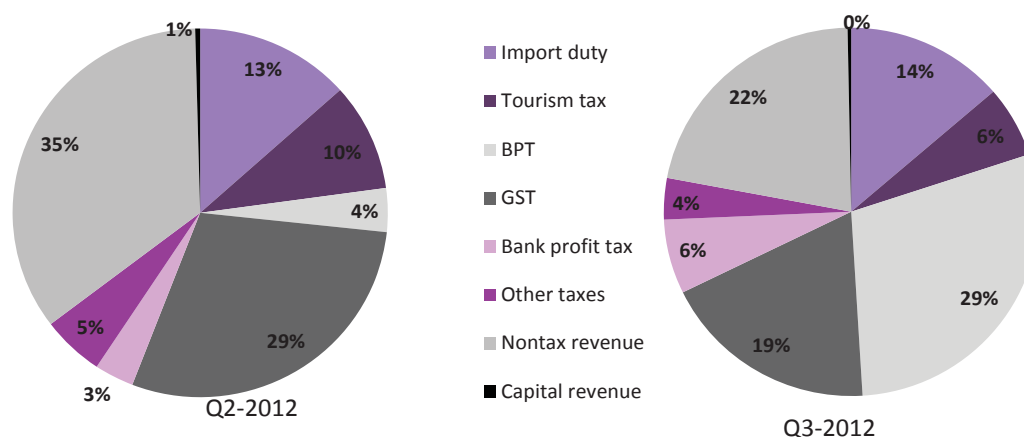
The budget deficit of the government improved from Q2-2012 to Q3-2012. Despite an increase in government expenditure, a larger increase in revenue contributed to the easing of the fiscal deficit to MVR16.6 million in Q3-2012 from MVR677.0 million in Q2-2012. However, on an annual basis, owing to a fall in revenue and a rise in expenditure, the budget deficit worsened by MVR311.2 million.

During the quarter, revenue increased by 32% to reach MVR2,812.4 million in Q3-2012.

to a fall in GST receipts from the tourism sector in its low season, to stand at MVR527.4 million (Figure 7).

Non-tax revenues, which comprise broadly of net sales to public enterprises, land and resort rent as well as other administrative fees collected by the government, decreased substantially during Q3-2012. It totalled MVR611.1 million for the quarter, falling by 18%. Among this, resort lease rent and transfers from State-Owned Enterprises (SOEs), which altogether constituted about two-thirds of non-tax revenue, fell considerably. Resort lease rent fell by MVR52.3 million (18%) whereas transfers from SOEs dropped by MVR72.4 million. The latter was observed due to more

Figure 7: Composition of Revenue, Q2-2012 - Q3-2012



Source: Ministry of Finance and Treasury

This was wholly as a result of an increase in tax revenues, mainly as the second semiannual payment of the Business Profit Tax (BPT) fell in July 2012³. BPT thus expanded more than nine-fold and amounted to MVR818.4 million, accounting for 29% of the total revenue. Meanwhile, revenue from GST declined for the second consecutive quarter; it contracted by 15% during Q3-2012, owing

number of public companies making dividend payments in the second quarter as opposed to the third quarter of 2012. Thus, as seen from Figure 7, the composition of revenue changed considerably between the two quarters.

Total expenditure of the government totalled MVR2,829.0 million in Q3-2012, increasing marginally by 1% (MVR27.9 million) from the previous quarter. Recurrent expenditure, which accounted for 82% of total expenditure,

³ Maldives Inland Revenue Authority extended the period of payment for BPT until mid-September.

recorded some marked changes during the quarter – salaries and wages given out to the public sector rose by MVR62.7 million while allowances increased by MVR103.1 million. The latter is attributed to the Ramazan allowance that had been paid to the public sector during July and August. In addition, interest payments made out to other sectors of the government increased by MVR63.3 million as well. Nonetheless, these increases were offset by a large decrease in grants and subsidies (of MVR204.5 million). These mainly came about due to decreases in grants, contributions and subsidies given to private parties.

On an annual basis, capital expenditure decreased due to a reduction in debt amortisation whereas recurrent expenditure registered growth due to salaries, wages and allowances. As a result, only a marginal increase of 3% of total expenditure from Q3-2011 was observed.

4. MONETARY SECTOR

4.1 Monetary Policy

During Q3-2012, the monetary policy framework and the monetary policy instruments remained the same. The ultimate objective continues to be price stability, which is attained by achieving the operational target and intermediate target. As such, reserve money (M0) is used as the operational target while the exchange rate is used as the intermediate target.

The monetary policy instruments used during the Q3-2012 were Minimum Reserve Requirements, Open Market Operations (OMO), and MMA standing facilities, which are Overnight Deposit Facility (ODF) and Overnight Lombard Facility.

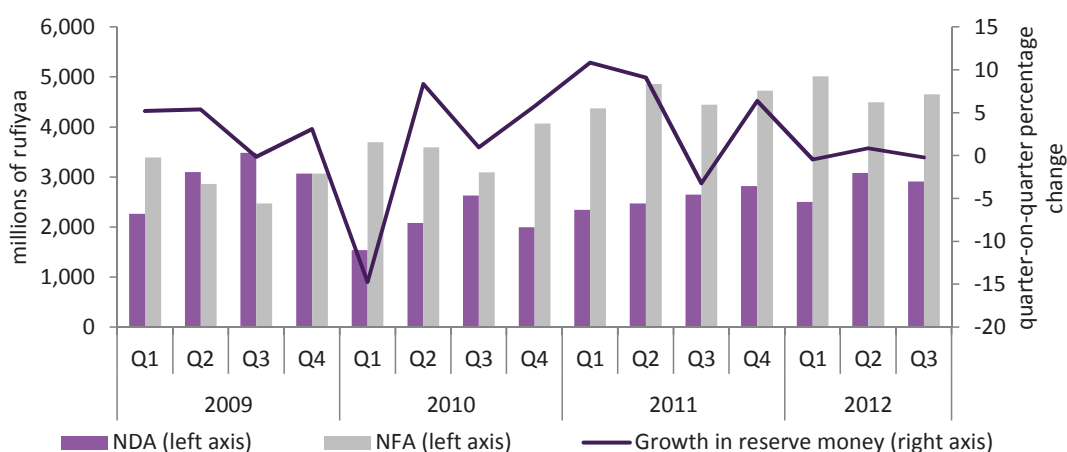
4.2 Monetary Developments

In Q3-2012 both M0 and M2 recorded declines when compared to Q2-2012. The decline in M0 was entirely due to a contraction in net domestic assets (NDA) of the MMA. Likewise, the dip in M2 reflected a substantial decline in NDA of the banking system. In annual terms, however, both M0 and M2 increased.

4.3 Reserve Money (M0)

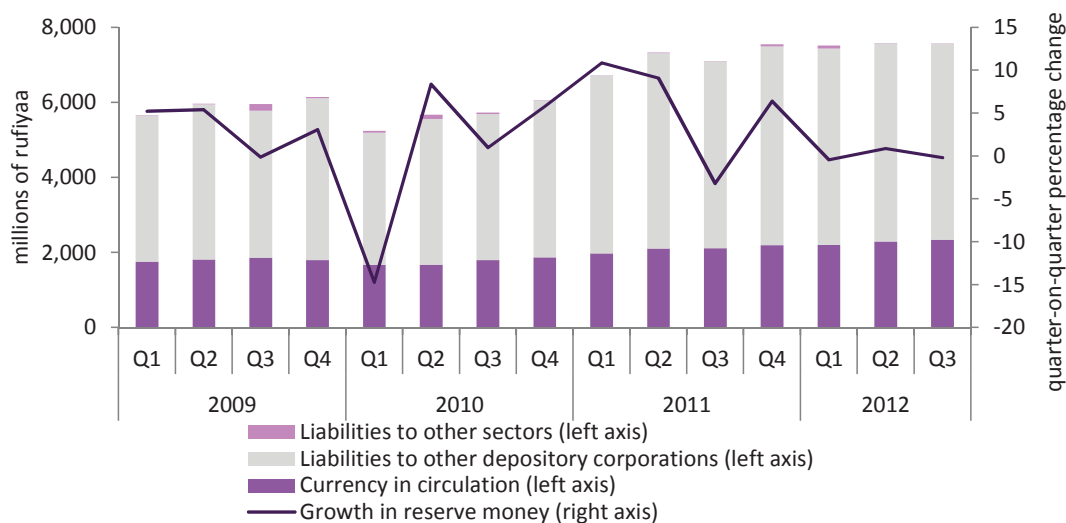
On a quarterly basis, M0 which stood at MVR7,568.8 million at the end of Q3-2012 fell slightly by less than 1%, after registering a marginal increment of about 1% in Q2-2012 (Figure 8). In annual terms, M0 grew by 7% in Q3-2012 after a growth of 3% in Q2-2012. As mentioned earlier, the quarterly dip in M0 was solely due to the fall in NDA of the MMA, as the net foreign assets (NFA) of the MMA increased during the same period.

Figure 8: Sources of Reserve Money, 2009 - 2012



Source : Maldives Monetary Authority

Figure 9: Components of Reserve Money, 2009 - 2012



Source : Maldives Monetary Authority

On the asset side of M0, NFA of the MMA increased by MVR157.9 million in Q3-2012. In quarterly terms, this is an increase of 4%, a stark contrast to the decline of 10% in Q2-2012. The quarterly increase for the review quarter largely reflects the disbursement of the second tranche of Asian Development Bank (ADB) loan of US\$16.5 million (MVR253.3 million) extended to the government under the Economic Recovery Program. As a result, with the sale of US dollar receipts by government, foreign assets of the MMA increased together with government deposits at the MMA. This also contributed to the decline in NDA of the MMA during the review quarter.

Meanwhile, other domestic liabilities of the MMA also recorded a significant increase during the same period. As such the changes in other domestic liabilities, the increase was brought about by the accumulation of profit in Q3-2012⁴. However, the investments by commercial banks in monetary operations (which are a significant component in other

domestic liabilities) declined at the end of Q3-2012 when compared with Q2-2012. The total investment in monetary operations (OMO and ODF) declined from MVR323.0 million in Q2-2012 to MVR249.0 million in Q3-2012. On average, liquidity absorbed by the monetary instruments declined from MVR547.6 million in Q2-2012 to MVR449.1 million in Q3-2012. (Refer to section on monetary operations for more details).

Based on these developments in the domestic asset side of the MMA, NDA declined by MVR172.5 million during Q3-2012. In terms of quarterly growth rates, NDA declined by 6% in Q3-2012, in contrast to a growth of 23% in Q2-2012.

In analysing the components of M0, liabilities to commercial banks (which mainly comprises of deposits of commercial banks held with MMA) that constitute 69% of M0 declined by MVR49.9 million in Q3-2012. This quarterly decline in liabilities to commercial banks reflected the decline in the overall deposits of the banking system. However, currency in

⁴ Such profits accumulated during the year would be eventually transferred to the government as dividend transfers

circulation which accounts for 31% of reserve money, increased by MVR42.5 million which in turn helped to partially offset the fall in liabilities to commercial banks (Figure 9).

Monetary Operations

At the end of Q3-2012, the average liquidity absorbed via monetary operations fell from MVR547.6 million in Q2-2012 to MVR449.1 million in Q3-2012. As shown in Table 1, commercial banks' average amount of investment in reverse repurchases (reverse repos) declined from MVR268.5 million in Q2-2012 to MVR185.6 million in Q3-2012. In terms of quarterly growth, the average investment in reverse repos in Q2-2012 and Q3-2012 declined by 16% and 31%, respectively. One reason for this was the suspension of OMO between February and August 2012, mostly at the end of months. During this period, OMO was suspended eight times and this was largely to facilitate the government with Treasury bill (T-bill) auctions. However, there was no change in the Weighted Average Interest Rate (WAIR) of reverse repos. As such, WAIR pertaining to the reverse repos remained fixed at the ceiling rate of 7% for the second consecutive quarter.

With regard to the investment in ODF, the average investment by the commercial banks shrank by 6% on a quarterly basis in Q3-

2012, after a quarterly increment of 10% in Q2-2012. During the review quarter, the remuneration rate awarded for the funds parked in ODF remained unchanged at 0.25% per annum.

4.4 Broad Money (M2)

In Q3-2012, the money supply of the banking system, also referred to as broad money, stood at MVR18,868.6 million with a quarterly decline of 4% compared with a 1% decline in Q2-2012 (Figure 10). In annual terms, M2 registered a growth although the pace of growth decelerated from 4% in Q2-2012 to 2% in Q3-2012.

On the component side of M2, the quarterly decrease in broad money can be attributed to the contraction in both quasi money and narrow money. As such, quasi money which accounts for 56% of the broad money declined by 5% in Q3-2012 compared to a growth of less than 1% in Q2-2012 and 2% in Q1-2012 (Figure 10). Further analysis shows that the quarterly developments in quasi money mainly reflects the 20% decline in saving deposits denominated in local currency and the 5% fall in foreign currency transferable deposits.

Table 1: Average Investment in Reverse Repos and ODF, 2010 - 2012

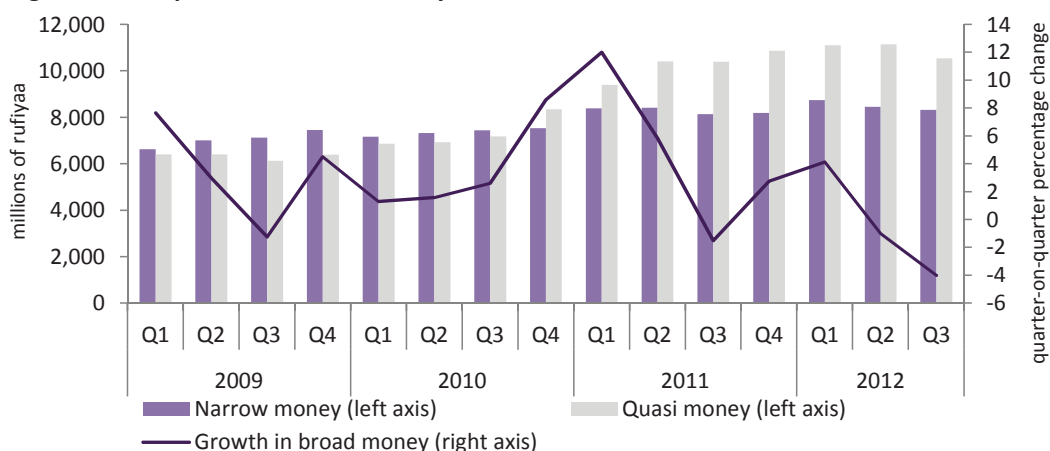
(in millions of rufiyaa; end of period)

	2010				2011				2012		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Average investment in reverse repos	281.2	382.8	173.6	106.7	136.0	228.5	301.8	400.5	320.4	268.5	185.6
WAIR (%)	5.01	4.77	4.50	4.59	4.52	4.94	5.96	6.88	6.99	7.00	7.00
Quarterly changes (%)	5172	36	-55	-39	28	68	32	33	-20	-16	-31
Avg. Investment in ODF	389.3	419.3	309.5	413.8	481.1	266.3	320	258.1	253.6	279.1	263.4
Quarterly changes (%)		8	-26	34	16	-45	20	-19	-2	10	-6
Average liquidity absorbed	670.5	802.0	483.2	520.5	617.1	494.7	621.8	658.6	573.9	547.6	449.1

^{1/} ODF was introduced in March 2010.

Source: Maldives Monetary Authority

Figure 10: Components of Broad Money, 2009 - 2012



Source: Maldives Monetary Authority

With regard to the quarterly changes in narrow money, it registered declines of 2% and 3% in Q3-2012 and Q2-2012, respectively. The quarterly dip recorded in Q3-2012 was wholly due to a 2% fall (MVR162.5 million) in the local currency transferable deposits.

contraction in NDA by MVR1,246.6 million, owing to the fall in claims on public non-financial corporations as well as net claims on central government and the decline in private sector loans. However, the expansion in NFA by MVR508.0 million helped to partially offset the significant fall in NDA.

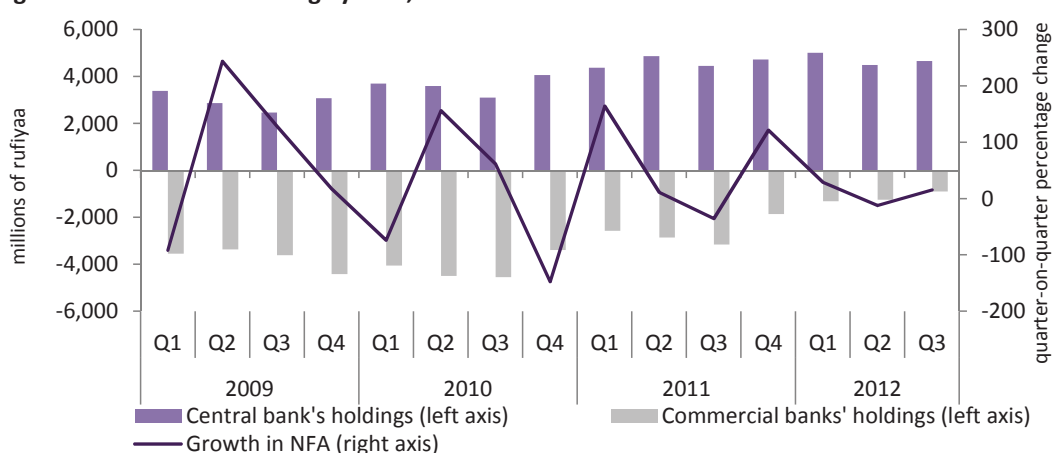
4.5 Determinants of Money Supply

The quarterly decline in M2 from the asset side resulted entirely from the significant

Net Foreign Assets

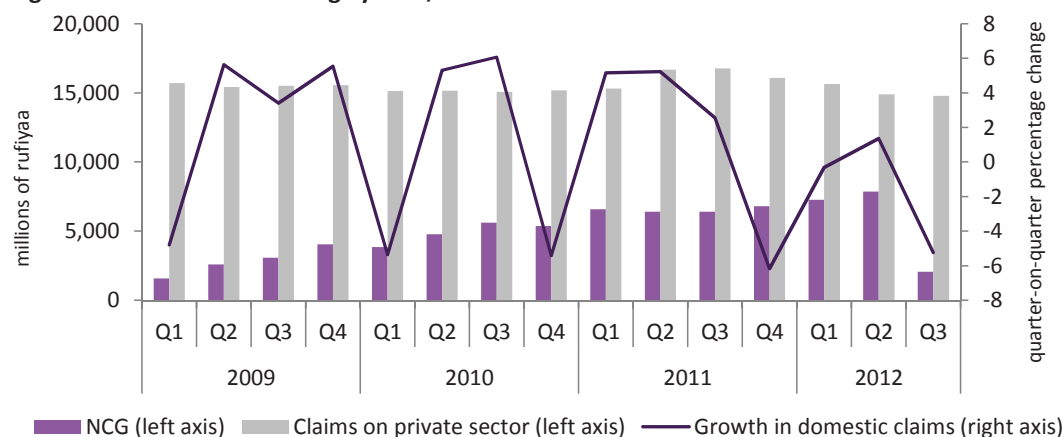
NFA amounted to MVR3,759.2 million (US\$244.0 million) at the end of Q3-2012, with a quarterly increase in NFA by 16% (US\$33.0 million). On a quarterly basis,

Figure 11: NFA of the Banking System, 2009 - 2012



Source: Maldives Monetary Authority

Figure 12: NDA of the Banking System, 2009 - 2012



Source: Maldives Monetary Authority

this expansion in NFA during Q3-2012 is significant as growth rate in NFA was a negative 12% in Q2-2012 (Figure 11).

The expansion in NFA stemmed from the increase in the MMA's net foreign assets as well as the decline in net foreign liability position (liabilities being greater than assets) of commercial banks. As such, the MMA holdings saw a quarterly increment of 4% in Q3-2012 in contrast to the negative growth of 10% in Q2-2012. The increase in the MMA holdings was mainly due to the receipt of the second tranche of ADB loan (US\$16.5 million) facilitated to the government and partly due to the increase in tax revenues from the tourism sector.

Meanwhile, the net foreign liability position of commercial banks decreased by MVR350.1 million (US\$22.7 million) due to the accumulation of foreign assets by MVR502.4 million (US\$32.6 million). Concurrently, commercial banks have slightly increased their borrowings from abroad by MVR152.3 million (US\$9.9 million) during the same period.

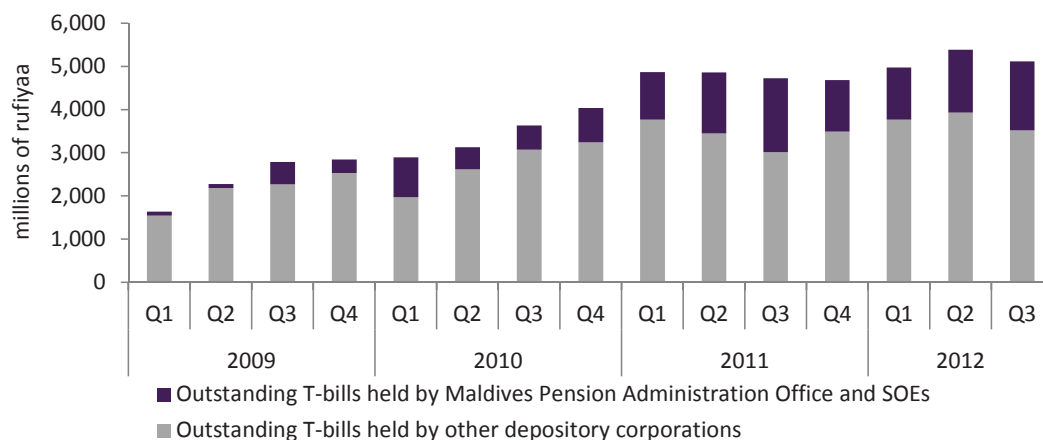
Domestic Claims

The total domestic claims of the banking sector was MVR 23,892.5 million at the end of Q3-2012 and showed a quarterly decline of 4% in comparison to the 1% fall recorded in Q2-2012 (Figure 12). This decline was largely brought about by the significant decrease in net claims on central government (NCG) with the narrowing of the fiscal deficit in the review quarter. Growth in NCG dropped to negative 4% during the review quarter from a positive growth of 8% in Q2-2012. Additionally, during this quarter, claims on public non-financial corporations (registering a significant decline of 28% as opposed to the 1% growth recorded in the previous quarter) added greatly to the drop in NDA. Moreover, the 1% (MVR 91.3 million) decline in commercial banks loans and advances to private sector (which accounts for more than 60% of total domestic credit) have also contributed to the contraction in domestic claims.

Net Claims on Central Government

As for changes in NCG, its annual growth rate decelerated to 17% by 5 percentage

Figure 13: Outstanding T-bills, 2009 - 2012



Source: Maldives Monetary Authority

points during Q3-2012 compared to Q2-2012. Quarterly changes for both claims on central government and liabilities to central government declined during this period. However, a greater decline (MVR 431.1 million) was observed for claims on central government.

A further study on T-bills reveals that its outstanding amount declined on a quarterly basis, by 5% from MVR5,384.5 million in Q2-2012 to MVR5,118.9 million in Q3-2012. As seen in Figure 13, this decline is mainly due to the reduction of T-bills held by commercial banks. The reason for the fall in NCG can thus be explained by the reduction in banks' investment in T-bills. A decline of 9% (MVR434.4 million) in total outstanding T-bills was observed during the review period when compared to Q4-2011.

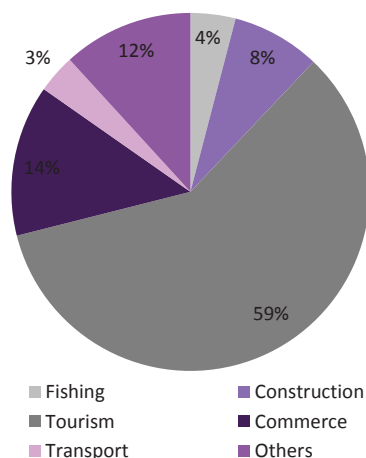
Claims on Other Sectors

During Q3-2012, commercial banks' credit to the private sector decreased by 12% in annual terms while a decline of 11% was observed in Q2-2012. This reflects the tight global financial markets and a deterioration in asset quality of the domestic banking

system. In addition, a decline in claims on public non-financial corporations was also observed during Q3-2012. This decline can be attributed to the repayment of loans by SOEs to the commercial banks during the review quarter.

With regard to the sectoral distribution of loans to the key sectors of the economy, credit extended to tourism sector (which accounts for the largest proportion of outstanding private sector loans), grew by less than 1% during

Figure 14: Loans and Advances to Key Sectors, Q3-2012



Source: Maldives Monetary Authority

Q3-2012, in contrast to the significant dip of 8% recorded during Q2-2012. Furthermore, fisheries sector recorded a positive credit growth during Q3-2012 as opposed to the negative growth of 12% observed during Q2-2012. In contrast, some of the major sectors, such as construction, commerce, transport and communication recorded significant declines in credit growth ranging from 3% to 13% (Figure 14).

4.6 Interest Rates

With no change in the MMA's policy indicative rate, the reverse repo rates remains fixed at 7% as it has been for the past two consecutive quarters. However, T-bills' rates showed slight increases in Q3-2012 when compared to Q2-2012. As shown in Table 2, T-bills' rates for the three maturity periods, 28 days, 91 days and 182 days rose slightly at the end of Q3-2012 to 7.41%, 7.48% and 7.45%, respectively. In August 2012, T-bills for the maturity period of 364 days were introduced and the initial interest rate was 7.34%. However, the rate had risen by 18 basis points to 7.52% by the end of Q3-2012. These upward trends in T-bill's rates indicate the increasing government financing needs and decreasing availability of loanable funds.

Interest rates on loans and advances to both public non-financial corporations and to the private sector increased on an annual basis. As for quarterly changes, interest rates for loans denominated in both local currency and foreign currency for public non-financial corporations rose by 209 basis points and 4 basis points, respectively in Q3-2012 (Table 3). As for the private sector, interest rates on loans denominated in local currency rose by 4 basis points while rates on those denominated in foreign currency fell by 7 basis points.

As for the deposit rates, weighted average rates for transferable deposits and saving deposits denominated in foreign currency showed slight increases of 4 basis points and 3 basis points respectively in Q3-2012 relative to Q2-2012. On the contrary, weighted average rates of time deposits (with a maturity of 2-3 years) denominated in national currency declined by 32 basis points during the same quarter. As shown in Table 4, annual rates for national currency transferable deposits, foreign currency savings deposits and foreign currency time deposits (with a maturity of 2-3 years) rose by 4, 2 and 15 basis points respectively in the review quarter compared to Q3-2011. However, the annual rates for foreign currency transferable deposits fell by 1 basis point while rate for national currency time deposits fell by 29 basis points in Q3-2012 compared to Q3-2011.

Table 2: Reverse repo rates and T-bill rates
(in percent; end of period)

	2011	2012		
	Q3	Q1	Q2	Q3
Reverse repo rates (1 Week)	6.45	7.00	7.00	7.00
28 day T-bill	6.41	7.02	7.06	7.41
90 day T-bill	6.37	7.01	7.12	7.48
182 day T-bill	6.43	7.02	7.12	7.45
364 day T-bill ^{1/}	-	-	-	7.52

^{1/} 364 day T-bill was introduced in August 2012

Source: Maldives Monetary Authority

Table 3: Interest Rates on Loans and Advances, 2011 - 2012*(in percent; end of period)*

	2011				2012		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Public non-financial corporations							
Weighted avg. national currency	8.74	8.74	8.73	8.71	6.48	6.68	8.77
Weighted avg. foreign currency	10.04	9.98	9.56	9.73	9.89	9.89	9.93
Private sector							
Weighted avg. national currency	10.13	10.14	10.17	10.17	10.26	10.51	10.55
Weighted avg. foreign currency	8.30	8.18	8.22	8.42	8.69	8.73	8.66

*Source: Maldives Monetary Authority***Table 4: Interest Rate on Deposits, 2011 - 2012***(in percent; end of period)*

	2011				2012		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Transferable deposits							
Weighted avg. national currency	2.18	2.21	2.20	2.22	2.19	2.24	2.24
Weighted avg. foreign currency	1.77	1.70	1.70	1.74	1.70	1.65	1.69
Saving deposits							
Weighted avg. national currency	2.25	2.25	2.25	2.25	2.25	2.25	2.25
Weighted avg. foreign currency	2.32	2.23	2.22	2.22	2.25	2.21	2.24
Time deposits (2 to 3 years)							
Weighted avg. national currency	3.81	3.62	4.08	4.10	4.10	4.12	3.79
Weighted avg. foreign currency	4.94	4.93	4.85	5.00	5.00	5.00	5.00

Source: Maldives Monetary Authority

5. FINANCIAL SECTOR

5.1 Banking Sector

As observed by the major indicators, the banking sector continues to have high levels of non-performing loans (NPLs) and a corresponding need for higher loan loss reserves. The increase in loan loss provisioning, sluggish lending activities and the decline in the investment in risk free assets resulted in a decline in total assets of the banks during Q3-2012. To comply with the prudential regulatory limits, the capital adequacy was maintained around the same level with the banks' retained funds. The banks' liquidity was adequate in local currency although some banks had concerns over the level of foreign currency liquidity.

Assets and Liabilities

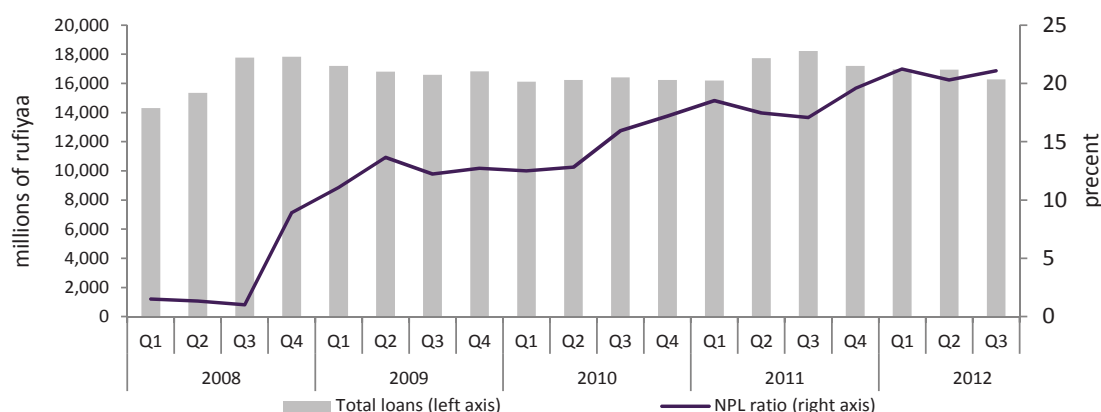
The total assets of the banking sector, which amounted to MVR27,492.1 million at the end of Q3-2012, declined by 2% in quarterly

terms due to a decline in T-bill investment and by 7% in annual terms due to a fall in net loans (gross loans net of provisions). During the quarter net loans declined by 5% compared to Q2-2012 and 19% compared to Q3-2011. This reduction, both in assets and loans, reflects the increase in loan loss provisioning and writing-off of some large NPLs during the review quarter. The lending activities of the banks remained stagnant as the banks were more cautious in granting new loans due to the increasing NPLs. Similarly, investment in risk free assets such as T-bills, declined by 35% during the quarter compared to Q2-2012 while it declined by 20% from a year ago. With regard to the liabilities of the banks, total deposits amounted to MVR18,164.6 million at the end of September 2012 and declined by 4% in quarterly terms while it increased by 1% in annual terms. This annual increase was due to the increase in foreign currency deposits during the quarter.

Non-performing Loans

The NPLs, which have been on an increasing trend since Q3-2008 (Figure 16) accounted for about 21% of the loan portfolio and totalled MVR3,433.0 million at the end of Q3-2012. Although there was a small decline

Figure 15: Non-performing Loans, 2008 - 2012



Source: Commercial Banks

of less than 1% in the level of NPLs due to the write-offs during the quarter, it increased by 10% compared to a year ago. This annual increase in NPLs was partly related to the poor performance of over-leveraged borrowers and the better recognition of poor quality assets.

Profitability

The net income before tax totalled MVR635.5 million for Q3-2012, which is an increase of 74% compared to Q2-2012. Despite the high NPLs and correspondingly high provisions, the net interest income rose by 50% during the quarter as a result of the increase in T-bills' interest rates. Similarly, the provisions for loan losses increased by 30% during the quarter compared to Q2-2012, as a result of the high provisioning being made with the better recognition of the NPLs or poor quality assets.

Capital Levels

The capital ratios for the sector were satisfactory (Figure 17) as the ratios appear well above the minimum requirements set by the MMA. Equity Capital/Total Assets,

Tier 1 Capital⁵/Risk Weighted Assets (RWA) and Total Capital/RWA were 17%, 31% and 36%, respectively. Despite the banks' high provisioning requirement, the capital adequacy was maintained as most banks had retained their capital funds without distributing to shareholders or remitting to home countries in order to comply with the prudential regulatory limits.

Liquidity

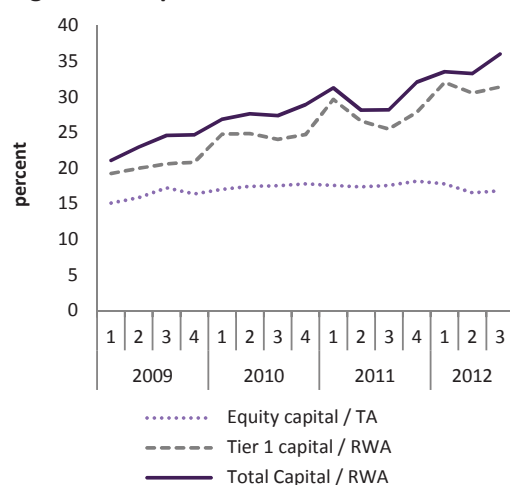
The total liquidity in the banking sector remained adequate in Q3-2012 and the basic liquidity ratio (liquid assets as a percentage of deposits plus borrowed funds) of the sector was at 33% at the end of the review quarter. This was mainly due to the holdings of short-term securities such as T-bills and the decline in lending activities. With regard to the foreign currency liquidity (mainly in US dollars), the overall liquidity ratio for the sector stood at 17% at the end of the review quarter.

5.2 Non-Bank Financial Sector

Finance Companies

The total assets of the finance companies amounted to MVR1,002.4 million at the end of September 2012 and declined slightly by 1% when compared to Q2-2012. This reduction was attributed to the quarterly

Figure 16: Capital Ratios, 2009 - 2012



Source: Commercial Banks

⁵ Tier 1 (core) capital – includes permanent shareholders' equity plus disclosed reserves plus minority interests in the equity of consolidated subsidiaries, less goodwill and other intangible assets, loan loss provisions and all other asset revaluation reserves, future income tax benefits, losses carried forward, and encumbered assets. The Tier 1 RBC ratio is calculated by dividing Tier 1 capital by total risk-weighted assets.

decline in loans and advances (89% of the total assets) of the companies. Similarly, total assets declined by 4% when compared to Q3-2011.

Money Remittance Companies

There are a total of six money remittance companies in the country. The outward remittances from the economy are relatively high due to the large expatriate workforce in the country. However, the outward remittances declined by 10% when compared to Q2-2012 and totalled US\$66.7 million during the year. On the contrary, inward remittances to the economy are considerably low relative to the outward remittances. However, the inward remittances increased by 49% when compared to Q2-2012 and totalled US\$2.1 million at the end of September 2012.

5.3 Capital Market Developments

Market capitalisation in the first two quarters of 2012 remained stable at MVR8,552.5 million. However, during Q3-2012, this figure dropped by 13% to MVR7,462.6 million. A significant decline in the volume of shares traded was also observed during this period. The number of shares traded fell from 13,003 in Q2-2012 to 706 in Q3-2012. On the other hand, the Weighted Average Trading Price, showed a fivefold increase from MVR20 in Q2-2012 to MVR99 in the review quarter.

6. EXTERNAL SECTOR

6.1 Merchandise Trade

The merchandise trade balance worsened marginally in Q3-2012 compared to both Q2-2012 and Q3-2011. As depicted in Figure 18, the trade balance recorded a deficit of US\$286.1 million during Q3-2012, worsening by 3% from a deficit of US\$278.4 million in Q2-2012. This resulted from a deterioration in merchandise exports by 17% during the quarter, despite imports decreasing as well, although only by a minimal 1%. In absolute numbers, exports declined to US\$61.4 million during Q3-2012 whereas imports recorded US\$347.5 million.

When compared to the same period a year ago, the trade balance worsened by 7% owing to a substantial fall in re-exports. In addition, imports also edged up on an annual basis.

Merchandise exports decreased largely due to a fall in re-exports by 12% during the quarter. In addition to this, a decline in domestic

exports was also observed. Re-exports, which mainly constitute of fuel sold to foreign carriers at Maldivian ports, account for roughly half of total exports.

Imports⁶ decreased during the quarter, largely due to reductions in imports by the private sector (excluding tourism)⁷ and the public sector (excluding government) which collectively accounted for almost 80% of total imports. This decrease was only partly offset by increases in imports by the tourism sector and to a lesser extent by government imports.

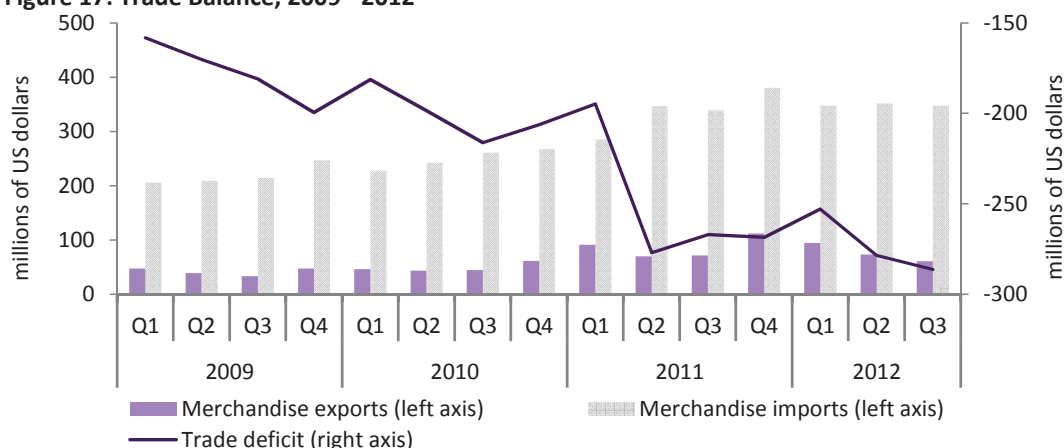
6.2 Composition of Exports and Imports

With regard to export composition during the quarter (Figure 19), domestic exports fell as a result of a decrease in exports of tuna. This was specifically observed in the exports of fresh, chilled or frozen skipjack tuna and yellowfin tuna. While exports of processed

⁶ Imports here refer to the f.o.b (free on board) value, as this is the case when imports are being discussed in the context of the merchandise trade balance. However, when composition and direction of imports are discussed, it refers to the c.i.f (cost, insurance, freight) value.

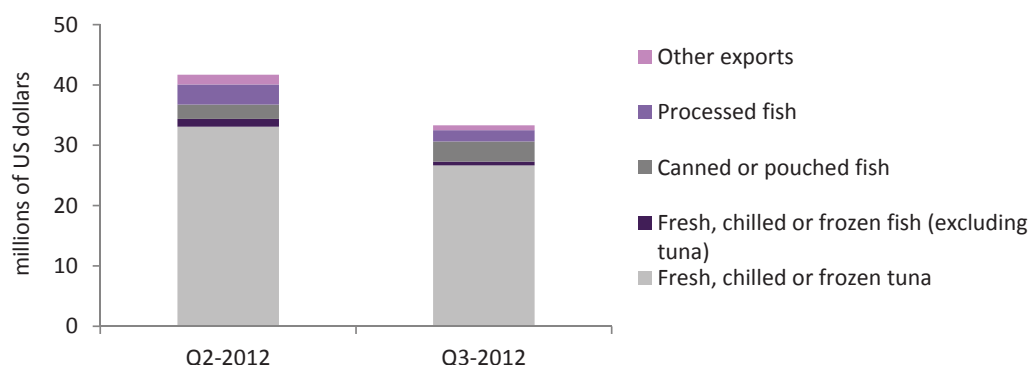
⁷ Please refer to footnote 1 in section 2.4

Figure 17: Trade Balance, 2009 - 2012



Source: Maldives Customs Service

**Figure 18: Composition of Domestic Exports (i.e. merchandise exports excluding re-exports)
Q2-2012 - Q3-2012**



Source: Maldives Customs Service

tuna also declined, canned or pouched fish was the only category which registered an increase in exports.

Furthermore, as mentioned earlier, re-exports declined considerably as well. Thus, an overall decline of exports of US\$12.3 million was observed during the quarter.

The predominant categories of imports continue to be food and petroleum products, which accounted for 20% and 29% of total imports, respectively, during Q3-2012. Although imports of food did not change significantly during the quarter, imports of petroleum products fell by 10%. This is attributed to a reduction of petrol, aviation

gas and diesel imports, of which the latter constitutes 68% of petroleum products.

Further, imports of wood, cement, metal and aggregates, which altogether make up more than a tenth of total imports, increased by 21%. These factors led to an overall increase in imports by the much smaller amount of 1%.

6.3 Direction of Trade

During Q3-2012, export destinations shifted notably. As can be seen from Table 5, overall exports to Asia declined by 39%. This can

Table 5: Direction of Trade (Exports), Q2-2012 - Q3-2012

(in millions of US dollars)

	Q2-2012	Q3-2012	Change	Change (%)
Asia	22.0	13.3	(8.7)	-39%
ASEAN	14.7	4.9	(9.8)	-66%
o.w Thailand	14.4	4.8	(9.6)	-67%
SAARC	4.5	2.7	(1.8)	-40%
Middle East	0.7	3.9	3.2	491%
o.w Iran	0.4	3.8	3.4	805%
Europe	18.0	18.8	0.8	4%
Total exports f.o.b (in millions of US dollars)	41.7	33.3	(8.4)	-20%

Source: Maldives Customs Service

Table 6: Direction of Trade (Imports), Q2-2012 - Q3-2012*(as a percentage of total)*

	Q2-2012	Q3-2012
Asia	83%	83%
ASEAN (excl. Singapore)	14%	11%
o.w Singapore	16%	21%
SAARC	15%	17%
UAE	32%	26%
Other Asia	5%	7%
Europe	7%	8%
Total Imports c.i.f (in millions of US dollars)	381.9	376.4

Source: Maldives Customs Service

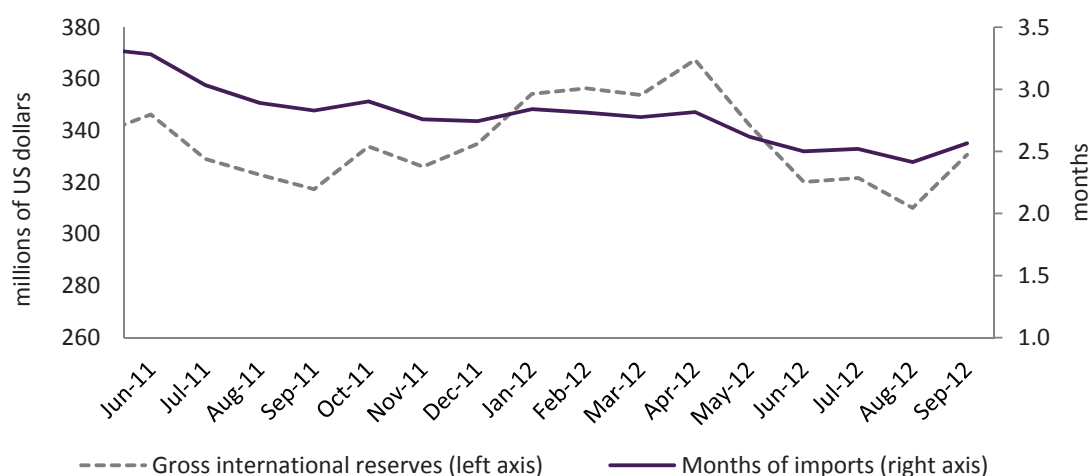
be attributed to a large decline in exports to the Association of Southeast Asian Nations (ASEAN) region (by 66%), which occurred due to a sizeable reduction in exports of fresh, chilled or frozen tuna (both skipjack and yellowfin) to Thailand. However, this decline in exports to Thailand was partly offset by an increase in exports of skipjack tuna to Iran.

Meanwhile, exports to Europe, which constituted 56% of domestic exports, increased by 4% due to the growing exports to UK and Ireland.

With regard to imports, the direction of trade did not change significantly during the quarter (Table 6). Over 80% of total imports

continue to be from Asia. Among these, the major source countries of imports remain as United Arab Emirates (UAE) and Singapore which together constituted 47% of total imports (47% in Q2-2012).

The main imports from UAE were petroleum products – 68% of petroleum products were imported from UAE. It is interesting to note that in Q3-2012 a marked increase in imports of petroleum products from Singapore has been observed, with the share of such imports from the country rising from only 7% to 23% in Q3-2012. Other main products imported from Singapore were food items, machinery and mechanical appliances as well as electronic and electrical appliances.

Figure 19: Gross International Reserves, 2011 - 2012*Source: Maldives Monetary Authority*

6.4 Gross International Reserves

Gross international reserves were recorded at US\$330.7 million at the end of Q3-2012 (Figure 20). This is an increase of 3% from June 2012, which stood at US\$320.1 million. On an annual basis, international reserves increased by 4%.

Meanwhile, reserves in terms of months of imports, which is a measure of how many months of imports can be financed by the existing reserve position at the end of the month, stood at 2.6 at the end of Q3-2012. As seen from Figure 20, this is higher than the 2.5 months in Q2-2012, but lower compared to 2.8 months of imports in Q3-2011. This annual decline is a result of higher average imports in 2012 as compared to 2011.

However, on an annual basis, the rufiyaa appreciated against several trading currencies. In this respect, it appreciated against the yen by less than 1%, the Indian rupee by 9%, the Sri Lankan rupee by 14% and the euro by 4% compared to Q3-2011. Meanwhile, it depreciated against the Singapore dollar by 3% and the Sterling pound by 4%.

6.5 Exchange rate

Although the rufiyaa is fixed against the US dollar within a horizontal band, it is allowed to fluctuate in value against all other trading currencies. Thus, bilateral exchange rates reflect the relative strength of one currency against another, being calculated as the amount of one currency that can be bought with another.

During the quarter, the rufiyaa depreciated against all the major trading currencies, in comparison to Q2-2012. It depreciated against the Japanese yen by 2%, the Singapore dollar by 4%, the Indian rupee by 8%; it depreciated against the Sri Lankan rupee, Sterling pound and the euro by 3%. This directly reflects the weakening of the US dollar during the past year against these currencies.



RESEARCH ARTICLES

THE EFFECTIVE EXCHANGE RATES OF RUFIIYAA

*by: Azeema Adam**

Introduction

Effective exchange rates are important indicators for macroeconomic analysis of a country. These rates show the relative strength of a country's currency relative to a basket of currencies of its major trading partners. The nominal effective exchange rates (NEER) measures the weighted averages of bilateral nominal exchange rates (NER). The real effective exchange rates (REER) are expressed as NEER adjusted for price differentials or inflation between the home country and its major trading partners.

Real effective exchanges rates are most commonly used as an indicator of price or cost competitiveness. In this regard, a depreciation of the REER indicates an increase in competitiveness of the home country relative to its trading partner, and conversely, an appreciation is regarded as a loss in competitiveness for home country producers of goods and services. However, given that competitiveness encompasses different dimensions of productivity and market performance in interaction with one other, REER may not always be an appropriate measure of competitiveness. REER measures can also be used to evaluate the degree of exchange rate misalignment of the domestic

currency¹ or to test the Balassa-Samuelson effect.² The NEER can be used to estimate the effect of NER changes on domestic prices, which is known as the exchange rate pass-through.

This article³ summarizes the conceptual and methodological aspects of constructing effective exchange rates and presents alternative indices of both NEER and REER for the Maldives. The developments and trends in these indices from January 1990 to March 2012 are also briefly discussed.

Methodology

There are several measures of NEER and REER and various ways in which to construct

* The author is from the Monetary Policy and Research Division of the Maldives Monetary Authority.

1 To find the degree of exchange rate misalignment, the medium to long-run equilibrium REER (ERER) has to be computed. The difference between the REER and its ERER is the exchange rate misalignment.

2 The Balassa-Samuelson effect refers to the increase in productivity in the tradable sector relative to non-tradable sector, leading to a rise in the relative price of non-tradables and pushing up the real exchange rate of the country (Appleyard, Field, & Cobb, 2010).

3 This article draws on a more in-depth research paper of this author on the construction of effective exchange rates for the Maldives, prepared as part of her Doctoral thesis and will soon be available in MMA Working Paper Series.

them. The construction of these indices begins with a measurement of the NER and the real exchange rates (RER). The NER is normally quoted in domestic currency terms, as the units of home currency per unit of foreign currency. The RER is the nominal exchange of the home country adjusted for the price level between the home country and the foreign country. Defined this way, an increase in the NER/RER reflects a depreciation of the home currency and a decrease is appreciation of the home currency in nominal terms.

The methodology used for constructing the effective exchange rates for the Maldives is drawn from Hinkle & Nsengiyumva, (1999), because their methodology has shown to be appropriate for developing countries with data limitations, as is the case for the Maldives. The following equations are used to calculate the NEER and REER for the Maldives.

NEER is expressed as:

$$NEER_{dc} = \prod_{i=1}^m NER_{dc_i}^{\omega_{id}} \quad (1)$$

where NER_{dc} is the index of units of domestic currency per one unit of foreign

currency and ω_{id} is the trade weight assigned to the i^{th} country (where $i = 1, \dots, m$). The REER can be expressed as:

$$REER_{dc} = \prod_{i=1}^m BRER_{dc_i}^{\omega_{id}} \quad (2)$$

where $REER_{dc}$ is the REER for domestic currency; m is the number of trading

partners of the home country and $BRER_{dc_i}^{\omega_{id}}$ is the bilateral RER with i^{th} country. The

$BRER_{dc_i}^{\omega_{id}}$ can be expressed as:

$$BRER_{dc} = NER_{dc} * \frac{P_{Gf}}{P_{Gd}} \quad (3)$$

where $BRER_{dc}$ is the bilateral RER between the domestic currency and a foreign currency;

P_{Gf} is the general price index of the foreign

country; and P_{Gd} is the general price index of the domestic country.

As regards the averaging process that is used to calculate the weighted average exchange rate indices, geometric averaging is used due to its many advantages.

In many developing countries, the official exchange rate may not be the only exchange rate used in the country. In countries where there are parallel markets for foreign exchange, the official and unofficial rates might diverge significantly. This would alter the outcomes for RER calculations, depending on the NER used. If a country does not have a significant parallel market, the use of the official exchange rate is suitable. Otherwise, the exchange rate prevailing in the parallel market may be the representative exchange rate of the country, and using the official exchange rate to calculate RER would not produce reliable estimates (Edwards, 1988). However, the problem with parallel market exchange rates is that they are not always available, especially in a consistent manner.

In the Maldives, parallel markets have occasionally emerged in the past, typically following periods of foreign exchange shortages.

However, no data exists on the parallel market exchange rates or the volume of transactions using parallel market rates. Therefore, the official NER is used.

Based on the trade patterns of the Maldives, trade weights based on exports of goods, imports of goods and tourism inflows are computed for the country. For each of these categories, separate weights are calculated for each trading partner, allowing them to be used to construct effective exchange rates based on each type of trade. In addition, aggregations of these weights are computed to derive overall trade weights. Constant or fixed weights are the simplest to both derive and use in the construction of effective exchange rates. Fixed weights assume that the relative shares of trading partners remain constant over the period. However, this assumption rarely holds, especially over long periods, during which time the shares of a country's trading partners may change substantially. Therefore, weighting schemes that allow trade weights to change from period to period are used in this paper, as they produce a more representative index of effective exchange rates (Richter & Svavarsson, 2006).

In the Maldives, the importance of the main trading partners has shifted significantly over the years, which makes moving weights more suitable. Therefore, time-varying weights by assigning three-year averages for each three-year period and chaining the indices as suggested by Ellis (2001) are used to construct a consistent time-series index of effective exchange rates. The justification for using three-year average weights instead of the more common annual weights is to smooth out the potentially abnormal movements in year-to-year variations in trade.

In the Maldives there is a significant difference in the importance of trading partners for imports, exports and tourism. In this respect, effective exchange rates are constructed based on imports weights, exports weights, tourism weights and aggregate trade weights, separately. The aggregate trade weights are simply the relative shares of imports, exports and tourism in the total trade in goods and services. The following equations are used to compute the four sets of trade weights.

Import weights:

$$w_i^M = \frac{m_i}{M} \quad (4)$$

Export weights:

$$w_i^X = \frac{x_i}{X} \quad (5)$$

Tourism weights:

$$w_i^T = \frac{t_i}{T} \quad (6)$$

Aggregate trade weights:

$$w_i^{TW} = \frac{M}{M + X + TR} w_i^m + \frac{X}{M + X + TR} w_i^x + \frac{TR}{M + X + TR} w_i^t \quad (7)$$

where w_i^M, w_i^X, w_i^T and w_i^{TW} denote the trade weights for the i^{th} country based on imports, exports, tourism receipts and aggregate trade in goods and services, respectively. The vari-

ables m_i and x_i represent the value of imports

and exports of the i^{th} country and t_i represents the tourist arrivals from the i^{th} country. The variables M and X are the total value of imports and exports of the Maldives, T is the

total number of tourists from all the countries and TR is the total tourism receipts.⁴

The trade shares are calculated for the major trading partners in each category using Equations 4 to 7 for 17 countries. These countries account for about 80% of trade in goods and services for the Maldives. For each year, the trade weights are calculated as the average of that year and the preceding two years. For example, the trade weights used to calculate the effective exchange rates for 2011 is the three-year average of the period 2009–2011. For any current year, the past three-year average is used. The use of different weights for different periods requires the indices to be chain-linked to make a consistent time series. Therefore, the calculated indices are chain-linked each time to the old series.

Since the computations of the different trade weights result in a large amount of data, only the countries included in each category are shown in Table 1.

The calculation of weights for different periods allowed the countries included in each period to be based on the significance of that country during that period. Although the inclusion threshold was determined initially at 1%, inclusion of some countries in the basket was delayed until trade share became more significant. This is to limit excessive variation in the basket of currencies over the period. It is also important to note that Australia and UAE are not included in the currency basket due to the unavailability of required data.⁵ The exclusion of Australia is not significant, as the

Table 1: Countries Included in Trade Weights, by Category

	Imports (M)	Exports (X)	Tourism (T)	Aggregate Trade Weights (TW)
Austria			x	x
China	x		x	x
France	x	x	x	x
Germany	x	x	x	x
India	x		x	x
Italy		x	x	x
Japan		x	x	x
Malaysia	x			x
Russia			x	x
Singapore	x	x		x
South Korea			x	x
Sri Lanka	x	x		x
Switzerland			x	x
Thailand	x	x		x
UK	x	x	x	x
US	x	x	x	x
Euro Area			x	x
Total ^{1/}	10	9	13	17

1/ This excludes Austria, France, Germany and Italy, as their shares are individually allocated.

Source: Constructed from data obtained from Maldives Monetary

country has a trade share of only 2%. However, UAE is the second largest source of imports, accounting for 18% of imports during the period 2005–2010. Further, UAE has held a 10% share in imports since the mid-1990s. Despite this, the necessary exclusion of UAE is not viewed as a problem for the calculation of effective exchange rates. This is because the weight of UAE was allocated to the United States, based on two factors. Firstly, both the Maldives and UAE have their exchange rates pegged to the US dollar. Secondly, UAE is a major transshipment hub, which means that most of its exports are re-exports. Most of the re-exports are priced in US dollars and the bilateral exchange rates may not have much influence on the price of re-exports.

As mentioned earlier, the trade shares of currencies included in the currency basket

⁴ To calculate the tourism shares by country, tourist arrivals data are used because tourism receipts by country are not available. However, when calculating the tourism share in total trade in goods and services, total tourism receipts are used. Since, in Equation 3.8, the trade weight is calculated using trade shares, use of different units is not an issue.

⁵ CPI data for Australia is available only on a quarterly basis, while this study uses monthly data. As regards the UAE, monthly CPI data are available only for 2008, 2009 and 2010.

account for an average of 80% of trade in goods and services. While this is a good representation of the overall trade, the issue of how to treat the remaining 20% needed to be addressed. One option was to normalise the weights of all the countries based on their trade shares for the total, to sum up to 100%. Another option was to allocate the share to another currency or currencies that might play a more important role than their actual trade share shows. This was the case for the US dollar. While the actual trade of the Maldives with the United States is relatively small, a large majority of trade transactions are carried out in US dollars, as it is a major vehicle currency throughout the world, especially in the Asia region. While this does not preclude the importance of other currencies in influencing the effective exchange rate indices, this justifies a higher weight allocation to the US dollar than its trade share warrants. Consequently, the share of currencies not included in the imports and exports currency baskets were allocated to the US dollar.

In the case of tourism shares, a slightly different approach is used. Given that a number of countries not included in the tourism currency basket are Euro area countries, these shares were allocated on this basis to the euro. The remaining was allocated to the US dollar. However, the weights shown for the euro area in Table 1 do not include the four Euro countries already included in the basket, namely Austria, France, Germany and Italy. This is to identify their individual affect. The additional allocation of trade shares to the US means that the highest individual trade weight is on the US dollar, at about 25% in the aggregated trade weights. While this percentage is lower for exports and tourism weights, a share of over 40% on average is assigned to the US in imports-based weights.

The price or cost indices typically used in calculating REERs are CPIs, unit labour costs, producer price indices (PPIs, also known as wholesale price indices, WPIs), GDP deflators or export and import unit values. Each of these indices has its own advantages and disadvantages. Of all the indices, CPI is the most frequently used price index, as it is more readily available than the other indices, especially for developing countries. The main criticism of CPI is that it includes the price of non-tradable items, which may bias the degree of competitiveness measured by the RER (Laf-rance, Osakwe, & St-Amant, 1998).

In the Maldives, only the CPI and GDP deflators are available. The GDP deflators are only available annually, whereas CPI data are available on a monthly basis. Recently, the Maldives have also begun to publish PPI, but this is available only from 2001 on a quarterly basis. As only CPI data can be used on a monthly basis, this study uses CPI as the price index to construct the monthly RER index.

Computation of Real and Nominal Effective Exchange Rates

To calculate the bilateral RERs and the effective exchange rates, the nominal official exchange rate of the rufiyaa per US dollar and the cross rates of US dollar against the currencies of the Maldives's major trading partners are used. The data used in the construction of the indices are from different sources. The trade data was mainly collected from the Maldives Monetary Authority (2009, 2011). The NER and CPI data were extracted from the IMF's International Finance Statistics (IFS) database. The CPI data for China was obtained from the OECD's Statistics website

(OECD), as only the percentage change in CPI was available on the IFS database. For the European countries, Euro conversion rates were used to convert the national currency exchange rates to Euro equivalents prior to the adoption of Euro. As the trade share of other European countries not included in the currency basket was allocated to the Euro, the exchange rate and CPI for the Euro area was required. Since this was not available for the period prior to 1998, German data was used as a reference for the period. For all the data series, both the monthly and annual data were collected for the period 1990–2010.

Using Equation 1 for NEER and Equation 2 for BRER which is then used to calculate REER using Equation 3 exchange rate indices are constructed for the Maldives. The reference year for the indices is 2000=100. Since the trade weights used in the construction of indices are time varying, the index numbers for different periods were chained-linked.

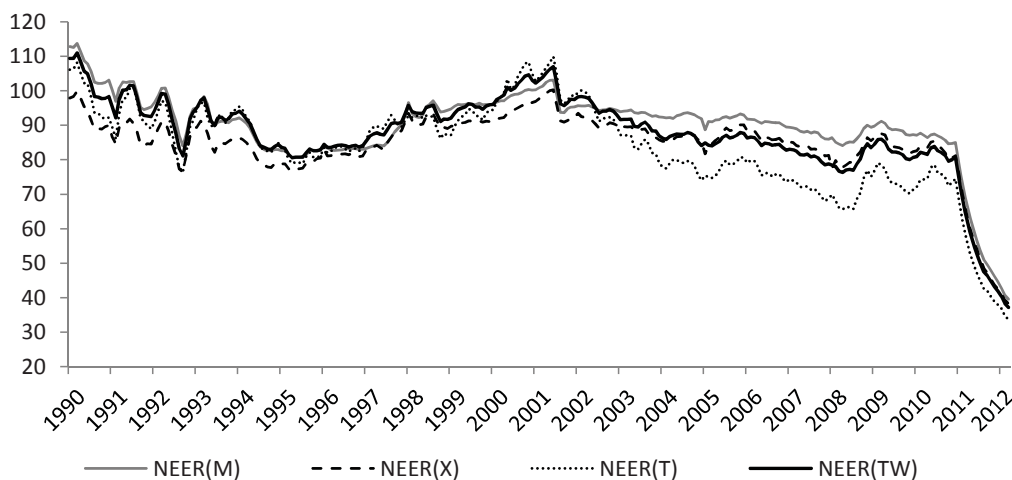
The NEER and REER using import weights (M), export weights (X), tourism weights (T) and aggregate trade weights (TW) are calculated for the Maldives, both on a monthly basis and on an annual basis, for the period 1990–2012 (end of March). The movements in these indices are briefly discussed below.

Developments in Real and Nominal Effective Exchange Rates

The four measures of NEER are shown in Figure 1, and it is seen that all the four NEER measures have approximately the same trends. However, the magnitude of change differs across the indices, especially between the tourism-weighted NEER and the import-weighted NEER (NEER(T) and NEER(M)). The movements in NEER mainly reflect

Figure 1: Measures of NEER, 1990–2012

Index (2000 = 100)



*Note: An increase in the index reflects an appreciation and a decrease in the index reflects a depreciation of the rufiyaa.**

* The exchange rate indices calculated are measured in domestic currency terms (units of domestic currency per foreign currency). When measured this way, an increase in the index indicates depreciation and a decrease indicates an appreciation. However, the charts and tables on exchange rate indices included in this study show exchange rate measured in foreign currency terms (units of foreign currency per domestic currency), unless otherwise indicated. This is for ease of interpretation, especially visually, as an increase in the index represents an appreciation and a decrease represents depreciation.

Figure 2: Real Effective Exchange Rates, Aggregate Trade-Weighted, 1990-2012*Index (2000 = 100)*

the movements of US dollar against the main trading partners of the Maldives as the exchange rate of the country is pegged to the US dollar. The large depreciation of NEER in 2011 is the result of the change in exchange rate regime in April 2011⁶ which led to a rapid depreciation of the Maldivian rufiyaa by 20% in the following months.

The movements in aggregate trade-weighted REER index are shown in Figure 2. The developments in the REER can be divided into five phases. The first phase is the early 1990s, during which the REER (TW) was relatively volatile due to the macroeconomic imbalances facing the country. As part of the economic stabilisation program that was implemented, the rufiyaa was pegged to the US dollar in 1994. The second phase is from 1994 to the 2001 devaluation of the rufiyaa against the US dollar. This was a period of a steady appreciation of the REER (TW).

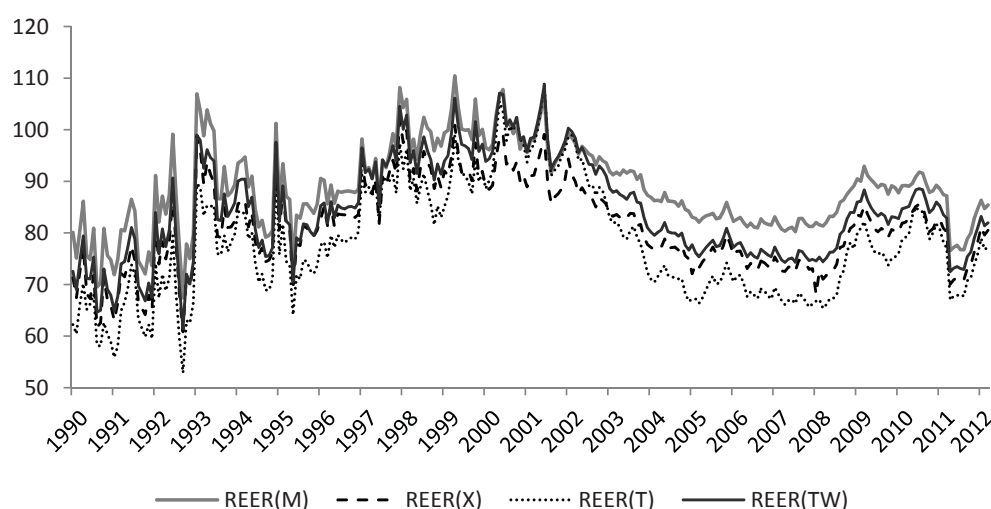
The third phase is the period following the July 2001 devaluation of the rufiyaa until mid-2007. During this period, the REER

(TW) depreciated significantly, tracking the weakening of the US dollar in the international market. The fourth phase is the period from 2007 to early 2011, up to the change in exchange rate regime in April 2011. During this period the REER (TW) appreciated, owing to the higher rates of inflation in the Maldives and the relative strength of the US dollar against major currencies. In the last phase, the REER depreciated sharply following the depreciation of the NEER with the change in exchange rate regime in April 2011. Since then REER has shown to be moderately appreciating due to the high relative prices in the Maldives.

As seen in Figure 3, the four REERs computed—REER(M), REER(X), REER(T) and REER(TW)—follow the same patterns, but the magnitude of change in the indices differs. Since the import-weighted REER has a higher share of US dollar than the other three indices, the scale of depreciation and appreciation over the period is relatively low, compared to other indices.

The average rates of depreciations and appreciations for different periods during 1990–2011 for the four different REER

⁶ The exchange rate regime was changed in April 2011 from a conventional peg to the US dollar to a peg within a horizontal band of 20 per cent around a central parity of MVR12.8 per US dollar.

Figure 3: Comparison of Different Measures of REER, 1990–2012*Index (2000 = 100)*

indices are shown in Table 2. As also evident from Figure 3, the level of appreciation and depreciation for the four indices are significantly different from one another. The tourism-weighted index experienced the largest appreciations and depreciations compared to other indices. During the period 2001–2007, the REER(T) depreciated by 39%, increasing the relative competitiveness of the Maldives exports. This means that both exports of goods and tourism services in the Maldives were relatively cheaper for foreign importers or tourists during this period. While this gain in competitiveness in the export of goods appears obvious, it is less clear how much competitiveness would be gained by the tourism sector from the REER depreciation. This is because the REER depreciation makes the imports into the country relatively more

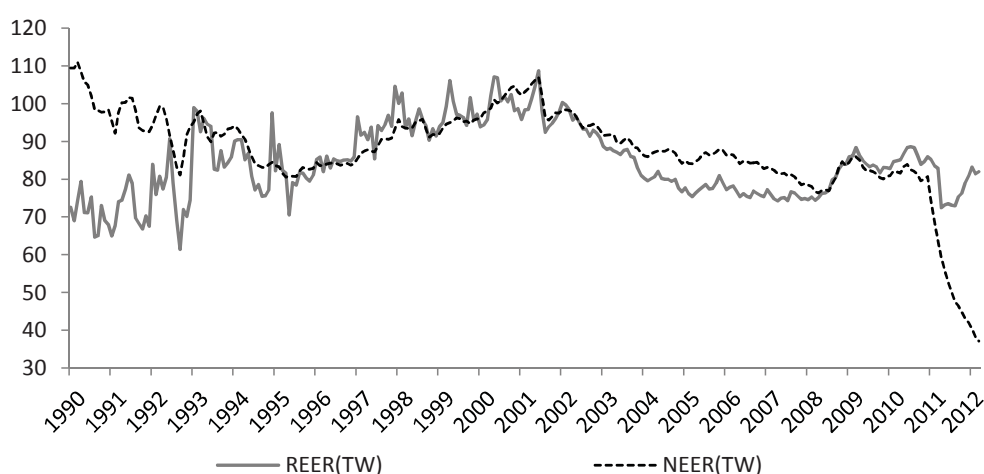
expensive, which would increase the costs in the tourism sector given the heavy reliance of the sector on imports. Moreover, the usefulness of REER as a competitiveness indicator for the tourism sector is unclear. Apart from the previously mentioned impact of imports, a large proportion of employees in the tourism sector are foreign workers and their wages are set and settled in US dollars. Therefore, the relative costs of the tourism sector due to an exchange rate change may not have the same impact as goods exports. The negative values for 2011 shows the effect of nominal depreciation of rufiyaa against the US dollar due to the exchange rate regime change in April 2011.

Figure 4 compares the aggregate trade-weighted NEER and REER. This shows that

Table 2: REER Appreciations and Depreciations

	1990-1995	1995-2001	2001-2007	2007-2010	2011
REER (M)	4.2	24.7	(23.8)	9.8	(5.1)
REER (X)	9.0	23.1	(26.3)	12.6	(4.9)
REER (T)	15.5	47.8	(39.1)	23.4	(7.1)
REER (TW)	9.0	34.0	(31.1)	14.8	(5.9)

Note: a positive (negative) figure indicates an appreciation (depreciation).

Figure 4: REER and NEER, Trade-weighted, 1990–2012*Index (2000 = 100)*

in the pre-exchange rate peg period, NEER depreciated significantly, while the REER appreciated. The appreciation of the REER was the result of the high rates of inflation experienced during that period.

Conclusion

This article presented a methodological framework for constructing the REER and NEER for the Maldives. Although the NEER of the Maldives is fixed against the US dollar, the NEERs against other major trading partners and the REERs always fluctuate. Therefore, it is important to construct these indices for the Maldives, both for use in monitoring their development and for future exchange rate analysis.

The construction of effective exchange rate involves several issues. One important issue is the choice of trade weights. The countries that were included in the trade weights accounted for almost 80% of the trade, and individually accounted for 1% or more of the Maldives trade. Given the significant difference in trading partners in relation to imports, exports

and tourism, weights were calculated for each sector separately and then as an aggregate to represent total trade in goods and services. Another issue is the choice of price index. In REER construction CPI data is used, as this is the only data series available at the required frequency, for the required length of time.

Eight indices were calculated for the Maldives for the period 1990–2010, on both a monthly and annual basis. The effective exchange rate indices were relatively stable in the Maldives, although there had been periods of large exchange rate appreciations and periods of depreciations that were more moderate. All the indices constructed using the different trade weights showed similar trends, although the magnitudes of those changes differed.

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AN ANALYSIS OF OUTBOUND TRAVEL OF MALDIVIANS

*by: Idham Hussain and Mohamed Amdhan**

Introduction

A large number of Maldivians travel out of the country every year. The purpose of travel ranges from seeking medical services, education and training, business and official trips or holidaying. Many Maldivians travel abroad for dual purposes, most commonly holidays would include medical check-ups and treatments. The expenditure on these outbound travels is captured in the travel payments component of the balance of payments (BOP) and is one of the largest components of the services payments of the Maldives BOP. As it is not possible to obtain the exact expenditure of outbound travel, estimates have to be made based on spending patterns of Maldivians while abroad based on surveys. Hence, as part of work carried out to improve the coverage of BOP statistics as well as to improve the estimates made for travel payments, the Maldives Monetary Authority (MMA) conducted a survey¹ on “Maldivians Travelling Abroad (MTA)” during the last two weeks of December 2011. The objective of the survey was to investigate the patterns of Maldivians travelling in terms of travel destinations, pur-

pose of visit and also to examine the pattern of their spending.

This article discusses the outbound travel of Maldivians in the light of the MTA survey results. The first section analyses the recent trends and developments in outbound travel by Maldivians. The second section discusses the main outbound travel destinations of Maldivian residents, reasons for travelling abroad and expenditure patterns based on the MTA Survey.

Maldivian Outbound Travel Market

Maldivians travelling abroad has increased steadily, especially in recent years. The trend is driven by the rapid economic growth in the past couple of decades and the associated increase in general levels of income of the Maldivians. As in other developing countries with improved income and easier access to foreign countries people tend to travel abroad more, and Maldives is no exception. Data from the Department of Immigration and Emigration of the Maldives shows that the outbound travel has increased more than five folds at an annual average rate of 9% from 1993 to 2011, with absolute numbers

* The authors are from the Statistics Division of the Maldives Monetary Authority. The authors would like to thank Azeema Adam for comments on the article.

¹ This survey was conducted by the Statistics Division of the Maldives Monetary Authority and the survey team included Abdul Majid, Mansoor Zubair, Mohamed Amdhan, Mohamed Sofwaan Hassan, Aishath Shahuru, Mariyam Jailam Mujthaba, Ibrahim Lameer Abdul Baree, Ahmed Nazeeh Mohamed, Ahmed Munawar, Hassan Fahmy and Aminath Seema.

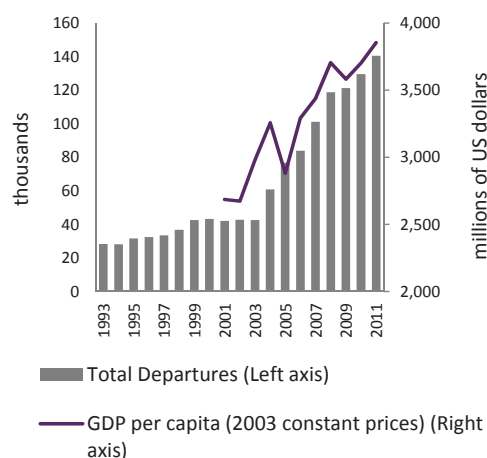
increasing from about 28,354 thousand international trips in 1993 to 140,594 thousand in 2011.

The data shows a rapid growth in outbound travel by Maldivians since 2003, with a sharp increase in 2004 (see Figure 1). Maldivians travelling abroad has increased by an annual growth rate of 14% during the period 2003-2011, and during this period GDP per capita of the country increased by an annual rate of 3 percent from US\$2,979.2 in 2003 to US\$3,855.0 in 2011. The higher income levels in the country coupled with availability of holiday packages and cheap air fare deals, especially to neighbouring countries, may have contributed to the rapid growth in Maldivians travelling abroad in recent years.

The number of total overseas trips by Maldivians as a proportion of population is quite high in the Maldives, and it has increased from 28% in 2006 to 43% in 2011.²

India and Sri Lanka tend to be the most popular destinations for Maldivians. According to the Ministry of Tourism of India and the Sri Lankan Tourism Development Authority, total Maldivian visitors to India and Sri Lanka on average has increased by 9 percent and 11 percent respectively from 2006 to 2011. As such Maldivians tourists to India increased from 37,652 in 2006 to 54,118³ by the end of 2011 while Maldivian tourists to Sri Lanka increased from 24,831 to 44,018 during the same period. Total Maldivian tourists to both these countries together comprise of 70% of the total outbound travel. The short proximity of Sri Lanka and India to the Maldives, and availability of relatively cheaper and more frequent flights makes it easier for Maldivians to travel to these countries. According to

Figure 1: Maldivian Departures, 1993 - 2011



Source: Department of Immigration and Emigration; Department of National Planning

the information from the Civil Aviation Authority flight movements to both India and Sri Lanka has also increased steadily in recent years. Movements of Indian Airlines increased from 820 flights in 2006 to 1404 flights in 2011. Meanwhile, movements of Sri Lankan Airlines increased from 2184 flights in 2006 to 3642 flights. In addition, Maldivian Airline, the national airline of the Maldives also commenced its international flights to Trivandrum-India and Colombo-Sri Lanka in 2008 but the Colombo route was discontinued later in 2010. Further, the relatively lower costs for accommodation, living and other services in Sri Lanka and India compared to other countries, such as Singapore and Thailand, are additional reasons for the high proportion of Maldivian travelers to these countries.

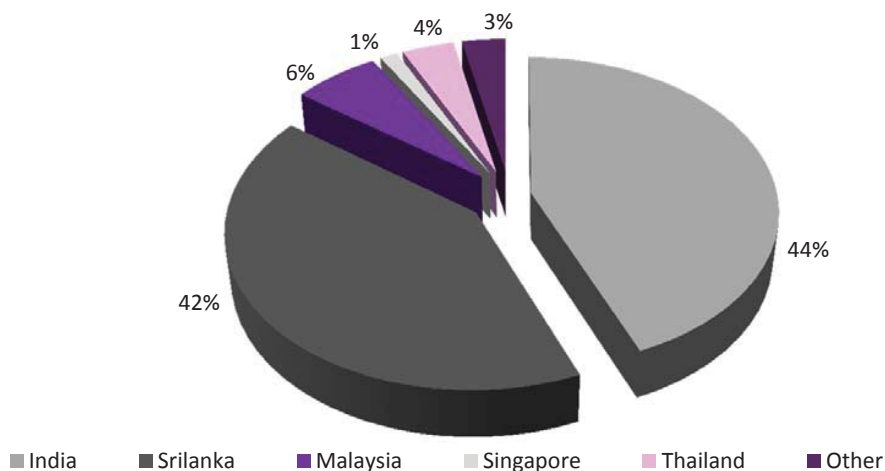
Maldivians Travelling Abroad Survey

The MMA conducted the MTA survey as part of the work to improve the estimates made for travel payments, the biggest component of services payments of the Maldives BOP.

² Mid-year population projections – Statistical Year Book 2011/ Department of National Planning.

³ Preliminary data for 2011.

Figure 2: Popular Destinations for Maldivians



Source: Maldivians Travelling Abroad Survey, December 2011

The objective of the survey was to investigate the outbound travel patterns of Maldivians in terms of travel destinations, purpose of visit and expenditure.

The MTA survey was carried out during the peak season from 16 to 29 December 2011, for a period of two weeks at the arrival hall of Ibrahim Nasir International Airport. According to the information provided by the Department of Immigration and Emigration, 8,776 Maldivian passengers arrived from abroad during the two week survey period.

The sample concentrated on the carriers with the highest number of Maldivian passengers. Although participation in the survey was voluntary, the aim was to cover information from the highest possible number of Maldivians who were returning from abroad. During the survey about 83% of the Maldivians who returned from abroad were interviewed. The survey was conducted using a questionnaire, and the questions were asked face-to-face. The interviewers questioned the Maldivian passengers after immigration clearance, while they waited to reclaim their luggage.

Table 1: Purpose and Destination of Maldivians Travelling Abroad

Country	Medical	Vacation	Education & Training	Business & Official	Other Purposes	Total
India	1127	134	44	9	48	1362
Sri Lanka	738	376	51	60	67	1292
Malaysia	11	101	62	10	16	200
Singapore	25	6	5	3	2	41
Thailand	59	27	2	29	4	121
Other countries	19	14	36	17	15	101
Total	1979	658	200	128	152	3117

Source: Maldivians Travelling Abroad Survey, December 2011

Destination of Travel

According to the survey results, the five most popular destinations for the Maldivians are India, Sri Lanka, Malaysia, Thailand and Singapore (Figure 2 and Table 1). As observed in the Maldivian outbound travel market analysis, the MTA survey data also revealed that the most popular destination with the largest number of visitor arrivals was India, with 1362 visitors or 44% of the total respondents. This is followed by Sri Lanka with 1292 outbound travellers or 42% of the respondents. Maldivian visitors to Malaysia and Thailand represented 6% and 4%, respectively.

Analysis by Purpose of Travel

Table 1 shows the destinations and purposes for travelling abroad based on the data collected from the survey. The major reasons for travelling abroad have been reported as medical, vacation or education. They are discussed below in more detail. Other than these, some travelers identified their purpose of travel as “Business and Official” and also as “Other purposes”. However, due to limitations in the data on expenditure patterns in these two categories, they are not discussed in this article.

Medical and Healthcare

As envisaged the survey results confirms that a larger proportion of outbound travel is for medical purposes. As shown in Table 1, 63% of the total Maldivians traveled for medical purposes.

The most popular destination for medical purposes among Maldivians is India with 1127

visitors (57% of total) followed by 738 (37%) visitors to Sri Lanka and 59 (3%) visitors to Thailand. Only 1% of Maldivians travelled to Singapore and Malaysia for medical purposes.

Vacation

The survey results reveal that, of the respondents who travelled for vacation, 57% went to Sri Lanka. This is followed by India, accounting for 20%, and Malaysia with 15%. The popularity of Malaysia as a holiday destination may be due to the growing Maldivian student population in Malaysia, with their families visiting them.

The average duration of Maldivians travelling on vacation is 17 days. This was highest for India with 21 days while the lowest was for Sri Lanka with 14 days. Meanwhile on average Maldivian vacationers spend about 18 days in Malaysia, 22 days in Singapore and 15 days in Thailand.

Education and Training

The most popular destination for education and training was Malaysia which represented about 31% of the 200 students interviewed. This was followed by Sri Lanka (26%) and India (22%). There were a very few locals who returned home from Singapore and Thailand who stated that their purpose of travel was for education and training, and these numbers were too low to make the sample representative. These participants probably represented the government sponsored personnel who went for short term training to these countries.

Table 2: Destination & Expenditure of Maldivians Travelling Abroad For Medical Purposes

Country	No. of people	Duration of stay per person	Average expenditure per person per trip (in US dollars)		
			Per day	Air fare	Expenditure Abroad
India	1127	19	57	350	753
Sri Lanka	738	14	75	196	709
Malaysia	11	17	144	649	1297
Singapore	25	7	290	701	1717
Thailand	59	12	152	616	925
Other countries	19	15	28	492	409
Total^{1/}	1979	17	69	317	762

^{1/} Weighted Average (weight being number of people)

Source: Maldivians Travelling Abroad Survey, December 2011

Expenditure of Maldivians Travelling Abroad

In 2011, it is estimated that the Maldivians spent a total of US\$209 million on travels abroad. This is an increase of US\$149 million or a rise of more than three folds compared to 2005.⁴ According to the survey results total expenditure per person per trip was highest for education purposes with US\$2420 while the second highest was for vacation purposes with US\$834. About US\$762 per person per trip was spent on medical and healthcare trips. These expenses are discussed below in more detail.

Medical and Healthcare Expenses

With regard to travel expenditure, Maldivians travelling for medical purposes spent on average US\$57 per day in India while they spent US\$75 per day in Sri Lanka, according to the survey results. Therefore, on average, a Maldivian would spend about US\$753 per medical trip in India and US\$705 per medical trip in Sri Lanka. The reason why these amounts are low may be because they were able to arrange free accommodation, food or transport through friends and family. The survey participants confirmed that they receive such benefits from the migrant Maldivians living in these two countries.

Table 3: Destination & Expenditure of Maldivians Travelling Abroad For Vacation

Country	No. of people	Duration of stay per person	Average expenditure per person per trip (in US dollars)		
			Per day	Air fare	Expenditure Abroad
India	134	21	50	348	958
Sri Lanka	376	14	115	186	655
Malaysia	101	18	69	551	883
Singapore	6	22	619	742	2950
Thailand	27	15	86	588	600
Other countries	14	20	2	1026	63
Total^{1/}	658	17	100	317	834

^{1/} Weighted Average (weight being number of people)

Source: Maldivians Travelling Abroad Survey, December 2011

⁴ BOP Statistics – Maldives Monetary Authority

Table 4: Destination & Expenditure of Maldivians Travelling Abroad For Education & Training

Country	No. of people	Duration of stay per person	Average expenditure per person per trip (in US dollars)		
			Per day	Air fare	Expenditure Abroad
India	44	482	29	385	1558
Sri Lanka	51	250	111	258	1971
Malaysia	62	290	43	527	3539
Singapore	5	203	-	795	-
Thailand	2	19	-	548	-
Other countries	36	208	50	1278	2467
Total^{1/}	200	303	58	551	2420

^{1/} Weighted Average (weight being number of people)

Source: Maldivians Travelling Abroad Survey, December 2011

The survey results show that the Southeast Asian countries are more expensive and this may be the main reason why Maldivians did not prefer to travel to these countries for medical and healthcare purposes. In this regard, on average a Maldivian travelling for medical purposes spends about US\$290 per day in Singapore, US\$152 per day in Thailand and US\$144 per day in Malaysia. On this basis, the average expenditure per trip stands at US\$1,717 for Singapore, US\$1,297 for Malaysia and US\$925 for Thailand.

To compare, a Maldivian travelling for medical purposes spends about US\$70 per day in India or Sri Lanka while their counterpart spends close to US\$200 per day in a South East Asian country.

The average duration of stay for Maldivians who travelled for medical purposes was 19 days for India and 14 days for Sri Lanka. Of the Maldivians who travelled to Malaysia and Thailand for medical purposes the average duration of stay of was 17 and 14 days, respectively while for Singapore it was 7 days on average. The average duration of stay is almost the same for each of these destinations except for Singapore and it appears that the duration of stay is influenced by the cost of stay rather

than the condition for which medical attention was being sought.

Vacation Purpose Expenses

The survey results revealed that Maldivian vacationers spent US\$100 per day on average while on vacation. With an average stay of 17 days abroad, the total expenditure for a vacation trip is estimated at US\$843. As regards, expenditure in individual countries,, the survey results showed that the Maldivians spent about US\$50 per day in India and US\$115 per day in Sri Lanka. The expenditure for Malaysia was US\$69 per day while such expenses for Thailand was US\$86. Some travelers who returned from Singapore revealed that their expenditure averaged around US\$619 per day. Meanwhile the average expenditure per trip was US\$958 for India and US\$655 for Sri Lanka. Maldivian vacationers spent the highest amount per trip in Singapore reaching almost US\$3000.

Education and Training Expenses

Detailed information regarding educational fees and total expenditure were very difficult to obtain because most of the respondents were unable to recall such expenses. This may be due to the fact that most of the students usually go on scholarship programs or the parent administers the expenses relating to university/college fees and charges, and as a result, the students may not be aware of the exact amount of costs for their education.

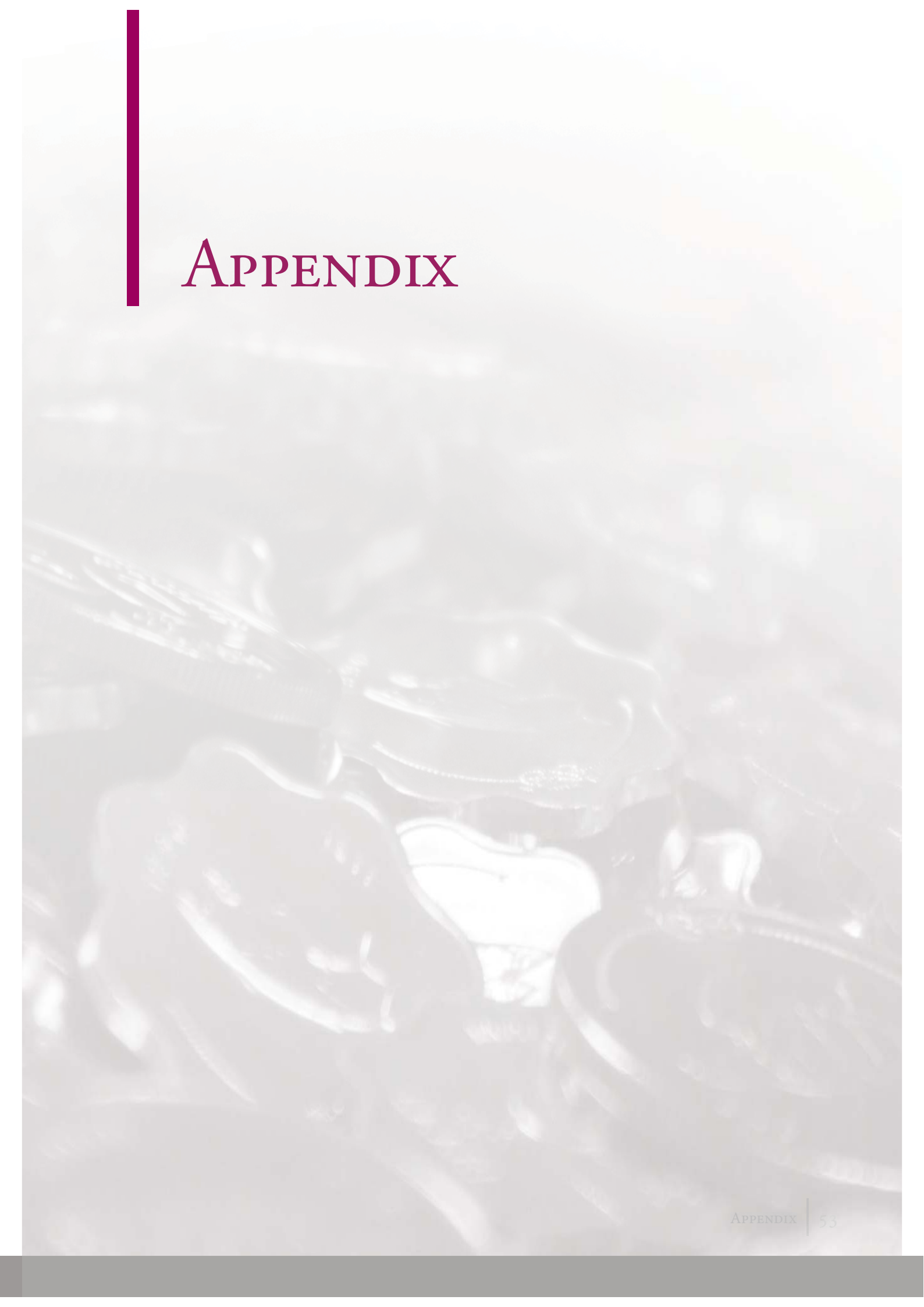
Conclusion

Maldives outbound travel analysis shows that the Maldivians traveling abroad have increased steadily, especially in recent years. The two most popular destinations for Maldivians were India and Sri Lanka. Maldivians also frequently visit Malaysia, Thailand and Singapore. The major reasons to travel abroad have been reported as medical, vacation or education. The survey results suggest that the most popular destination for medical purposes is India followed by Sri Lanka. The third most popular destination for medical purposes is Thailand. While Sri Lanka is a popular destination for vacations, Malaysia appears to be the most popular for education. Businessmen seem to have more business related work in Sri Lanka and Thailand than in India or Malaysia.

It is important to highlight that there were a number of unforeseen obstacles that affected the data collection process during the survey period. Firstly, the sample for the survey was chosen based on a convenience sampling method which may reduce the randomness in the selection process. This may limit, to some extent, the relationship or representativeness of the sample with the population. Sec-

ondly, the survey period was targeted for the school holiday period i.e. the most popular season for Maldivians to travel abroad which however may not coincide with the semester breaks and holidays of Maldivian students living abroad, limiting the representativeness of the student population in the survey. Lastly, many students were not able to recall sufficient information regarding tuition fees and monthly expenses. Therefore, such information is likely to be very much undervalued in the survey findings.

A further evaluation of the spending patterns of “Business and Official” and “Other purposes” categories is necessary to understand the expenditure patterns for those respondents who claimed to have travelled for reasons other than medical, vacation or education.



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Table 1: Tourism Statistics, 2009 - 2012

	2009	2010	2011	2011				2012		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
Tourist arrivals	655,852	791,917	931,333	247,617	200,350	221,205	262,161	255,867	202,201	233,540
Europe	462,192	505,421	537,757	168,328	113,327	106,281	149,821	167,032	107,475	102,167
Germany	69,085	77,108	90,516	21,888	22,132	17,908	28,588	26,355	24,663	20,932
Italy	89,292	89,596	83,089	36,471	13,822	13,939	18,857	26,939	9,582	10,827
United Kingdom	105,950	114,158	104,508	27,733	25,493	25,546	25,736	24,395	21,750	21,842
Asia	155,538	239,882	334,692	67,245	73,230	98,675	95,542	73,693	77,148	111,736
China	60,666	118,961	198,655	40,094	40,464	66,110	51,987	46,662	44,486	77,969
India	15,850	25,756	30,978	6,894	7,581	6,142	10,361	6,179	7,138	6,406
Korea	16,135	24,808	25,285	3,558	6,763	4,148	10,816	4,329	6,325	5,007
Tourist bednights ('000) ^{1/}	5,147.0	5,986.3	6,529.1	1,851.7	1,436.7	1,477.8	1,762.9	1,839.9	1,404.0	1,484.4
Average stay (days)	7.9	7.6	7.0	7.5	7.1	6.7	6.7	7.2	6.9	6.4
Operational capacity (beds in operation)	20,136.8	23,648.8	24,490.3	24,532.7	24,753.7	24,262.0	24,424.7	24,568.0	24,901.7	25,304.0
Bednight capacity ('000)	7,351.7	8,631.8	8,938.2	2,207.6	2,252.5	2,232.1	2,247.2	2,236.0	2,266.1	2,327.7
Capacity utilisation (in percent)	70.2	69.5	73.1	84.0	63.7	66.2	78.5	82.4	61.9	63.7
(Twelve month percentage change)										
Tourist arrivals	-4.0	20.7	17.6	12.8	22.8	18.9	17.4	3.3	0.9	5.6
Tourist bednights ('000)	-5.5	16.3	9.1	8.1	12.8	7.7	8.3	-0.6	-2.3	0.4
Bed capacity (resorts and hotels)	5.5	17.4	3.6	4.8	3.7	2.8	3.0	0.1	0.6	4.3
Bednight capacity ('000)	5.3	17.4	3.5	4.8	3.7	2.8	3.0	1.3	0.6	4.3

1/ These include bed capacity in resorts, hotels and safari yachts.

Source: Ministry of Tourism, Arts and Culture

Table 2: Consumer Price Inflation - Male', 2009 - 2012 ^{1/}
 (Index 2004 = 100)

	weights	2009	2010	2011	2011				2012		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3
Food and non-alcoholic beverages	13.4	0.8	14.3	23.9	11.6	23.7	19.6	24.2	31.8	13.7	12.8
Fish	2.4	-20.2	27.8	102.0	23.1	66.7	58.6	83.8	132.0	40.3	39.2
Other food	9.9	4.7	13.3	10.3	10.5	15.7	11.0	13.1	12.0	5.4	4.3
Non-alcoholic beverages	1.1	4.3	2.3	23.3	1.5	10.5	15.3	23.6	26.0	14.1	10.4
Tobacco and narcotics	0.9	-1.4	2.1	112.7	3.7	15.8	27.1	62.0	102.1	72.1	57.3
Clothing and footwear	2.4	5.8	-0.2	24.9	0.8	9.8	15.0	26.1	27.4	24.0	22.7
Housing, water, electricity, gas and other fuels	12.3	9.6	4.5	2.1	4.1	4.0	1.6	2.0	2.5	2.5	4.9
Furnishing, household equipment and routine maintenance	2.9	10.5	4.9	13.2	2.7	-0.7	2.6	12.2	19.3	23.9	21.1
Health	2.8	2.4	5.2	16.1	4.7	10.6	10.9	15.9	15.4	9.1	10.6
Transport	2.9	-0.3	3.1	22.9	4.1	13.1	15.6	22.0	20.0	9.5	7.1
Communication	3.8	-0.3	0.0	-0.5	0.0	0.7	0.8	-0.5	-0.4	-1.0	-1.1
Recreation and culture	2.1	9.8	1.9	-1.4	1.9	-2.9	-6.0	-1.4	-1.2	3.1	6.7
Education	1.5	42.4	5.1	16.9	22.9	16.9	16.9	16.9	16.6	16.6	16.6
Hotels, cafes and restaurants	0.8	1.5	2.1	37.8	1.4	10.6	16.2	34.0	41.0	28.2	21.9
Miscellaneous goods and services	3.0	7.1	2.6	17.9	0.3	3.7	8.9	16.6	27.1	19.7	15.1
Religion	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Male'	48.9	5.4	6.9	16.7	6.5	11.7	11.1	15.7	19.8	12.2	11.9
Total Index excluding fish		6.8	6.1	12.5	5.7	8.7	8.1	12.2	13.8	9.8	9.4
Total Index excluding food		7.7	3.5	13.0	4.1	6.1	6.8	11.5	14.1	11.4	11.3

^{1/} The inflation rate for a specific year represents the annual percentage change in the CPI for December whereas the inflation rate for a specific quarter represents the annual percentage change in the 3 month average of the CPI for the respective period.

Source: Department of National Planning

Table 3: Depository Corporations Survey, 2009 - 2012 ^{1/}
(In millions of rufiyaa; end of period)

	2009	2010	2011	2011				2012		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net foreign assets ^{2/}	(1,338.7)	685.6	2,873.0	1,809.7	2,012.6	1,298.1	2,873.0	3,710.7	3,251.2	3,759.2
Central bank	3,071.7	4,067.6	4,725.5	4,373.8	4,863.0	4,447.8	4,725.5	5,016.7	4,498.2	4,656.1
Claims on non-residents	3,349.5	4,491.3	5,169.6	4,765.3	5,333.1	4,893.8	5,169.6	5,460.2	4,941.4	5,103.5
Liabilities to non-residents	(277.8)	(423.6)	(444.1)	(391.6)	(470.1)	(446.0)	(444.1)	(443.5)	(443.2)	(447.4)
Other depository corporations	(4,410.4)	(3,382.0)	(1,852.5)	(2,564.1)	(2,850.4)	(3,149.6)	(1,852.5)	(1,306.0)	(1,247.0)	(896.9)
Claims on non-residents	888.4	1,034.1	1,755.6	1,583.7	2,035.7	1,720.6	1,755.6	2,091.4	1,579.2	2,081.6
Liabilities to non-residents	(5,298.8)	(4,416.2)	(3,608.1)	(4,147.8)	(4,886.1)	(4,870.2)	(3,608.1)	(3,397.4)	(2,826.2)	(2,978.5)
Domestic claims	21,187.4	22,181.2	24,662.3	23,404.3	24,599.6	25,210.1	24,662.3	24,998.2	24,851.0	23,892.5
Net claims on central government	4,062.7	5,380.7	6,811.4	6,602.7	6,427.9	6,415.4	6,811.4	7,286.9	7,880.6	7,528.0
Claims on central government	7,564.7	8,586.9	9,102.6	9,027.8	8,988.4	8,659.0	9,102.6	9,339.4	9,806.3	9,375.1
Liabilities to central government	(3,502.0)	(3,206.2)	(2,291.2)	(2,425.2)	(2,560.5)	(2,243.5)	(2,291.2)	(2,052.5)	(1,925.6)	(1,847.2)
Claims on other sectors	17,124.7	16,800.5	17,850.9	16,801.6	18,171.6	18,794.6	17,850.9	17,711.3	16,970.4	16,364.5
Claims on other financial corporations	172.0	144.5	98.8	150.1	184.5	178.4	98.8	52.3	48.9	97.0
Claims on public non-financial corporations	1,398.9	1,465.0	1,668.1	1,324.0	1,310.9	1,840.9	1,668.1	2,014.2	2,030.4	1,467.7
Claims on private sector	15,553.8	15,191.0	16,084.0	15,327.5	16,676.2	16,775.3	16,084.0	15,644.9	14,891.0	14,799.7
Broad money	13,855.3	15,884.0	19,056.8	17,790.9	18,828.7	18,545.5	19,056.8	19,845.3	19,607.2	18,868.6
Narrow money	7,456.6	7,538.7	8,186.9	8,396.4	8,414.9	8,145.7	8,186.9	8,742.7	8,461.6	8,325.1
Currency outside depository corporations	1,541.4	1,571.0	1,857.6	1,700.1	1,800.4	1,814.4	1,857.6	1,845.9	1,926.9	1,952.9
Transferable deposits	5,915.2	5,967.7	6,329.4	6,696.3	6,614.5	6,331.3	6,329.4	6,896.8	6,534.7	6,372.2
Quasi money	6,398.7	8,345.2	10,869.9	9,394.5	10,413.8	10,399.8	10,869.9	11,102.6	11,145.6	10,543.4
In national currency	681.5	856.3	1,443.3	1,265.0	1,533.3	1,600.2	1,443.3	1,548.2	1,872.1	1,491.8
In foreign currency	5,717.1	7,489.0	9,426.6	8,129.5	8,880.5	8,799.6	9,426.6	9,554.4	9,273.5	9,051.6
Securities other than shares included in broad money	-	-	-	-	-	-	-	-	-	-
Deposits excluded from broad money	218.5	302.6	336.9	285.6	336.3	405.1	336.9	303.5	299.9	275.2
Securities other than shares excluded from broad money	-	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Shares and other equity	4,682.5	5,111.3	6,349.1	5,407.3	6,092.7	6,010.4	6,349.1	6,445.9	5,694.0	6,063.7
Other items (net)	1,092.5	1,568.9	1,792.6	1,730.1	1,354.3	1,547.2	1,792.6	2,114.0	2,501.1	2,444.1
<i>(Twelve month percentage change)</i>										
Net foreign assets	(22.7)	(151.2)	319.0	(620.8)	(326.0)	(190.2)	319.0	105.0	61.5	189.6
Central bank	1.6	32.4	16.2	18.3	35.3	43.6	16.2	14.7	(7.5)	4.7
Other depository corporations	(7.2)	(23.3)	(45.2)	(36.6)	(36.5)	(30.6)	(45.2)	(49.1)	(56.3)	(71.5)
Domestic claims	14.0	4.7	11.2	15.1	15.0	12.5	11.2	6.8	1.0	(5.2)
Net claims on central government	353.3	32.4	26.6	70.9	34.0	14.2	26.6	10.4	22.6	17.3
Claims on other sectors	(3.2)	(1.9)	6.3	2.0	9.6	12.0	6.3	5.4	(6.6)	(12.9)
Claims on private sector	(4.1)	(2.3)	5.9	1.2	9.9	11.2	5.9	2.1	(10.7)	(11.8)
Broad money	14.4	14.6	20.0	26.8	32.1	26.8	20.0	11.5	4.1	1.7
Narrow money	22.3	1.1	8.6	17.2	14.9	9.5	8.6	4.1	0.6	2.2
Currency outside depository corporations	2.1	1.9	18.2	17.4	28.4	19.6	18.2	8.6	7.0	7.6
Quasi money	6.4	30.4	30.3	36.8	50.2	44.7	30.3	18.2	7.0	1.4
Memorandum items:										
Dollarization ratio ^{3/}	41.3	47.1	49.5	45.7	47.2	47.4	49.5	48.1	47.3	48.0

1/ New format is based on IMF Monetary and Financial Statistics Manual 2000 (MFSM 2000).

2/ From July 2007 to Oct 2010, net foreign assets represent a net liability position (due to the net liability position of commercial banks).

3/ Foreign currency deposits (including foreign currency deposits of commercial banks and MMA, excluding government and non-residence deposits) are in percent of broad money.

NOTES:

1/"Claims on" represent all claims including loans and advances to and holdings of securities, shares and other equity issued by the respective sector.

2/"Claims on" represent all liabilities issued by the banking system to the respective sector.

Source: Maldives Monetary Authority

Table 4: Central Bank Survey, 2009 - 2012 ^{1/}
(In millions of rufiyaa: end of period)

	2009	2010	2011	2011				2012		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net foreign assets	3,071.7	4,067.6	4,725.5	4,373.8	4,863.0	4,447.8	4,725.5	5,016.7	4,498.2	4,656.1
Claims on non-residents	3,349.5	4,491.3	5,169.6	4,765.3	5,333.1	4,893.8	5,169.6	5,460.2	4,941.4	5,103.5
Liabilities to non-residents	-277.8	-423.6	-444.1	-391.6	-470.1	-446.0	-444.1	-443.5	-443.2	-447.4
Claims on other depository corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net claims on central government	3,419.2	2,725.0	3,527.4	3,289.4	3,414.8	3,613.1	3,527.4	3,524.0	3,658.6	3,616.7
Claims on central government	4,213.0	3,921.5	3,920.2	3,833.4	3,842.2	3,934.1	3,920.2	3,894.2	3,901.5	3,887.7
Liabilities to central government	-793.8	-1,196.5	-392.8	-544.0	-427.4	-321.0	-392.8	-370.3	-242.9	-271.1
Claims on other sectors	4.8	5.9	4.7	4.7	4.3	4.8	4.7	5.4	5.1	4.9
Claims on other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on public non-financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on private sector	4.8	5.9	4.7	4.7	4.3	4.8	4.7	5.4	5.1	4.9
Monetary base	6,143.9	6,064.3	7,551.3	6,722.4	7,334.4	7,098.8	7,551.3	7,518.7	7,583.4	7,568.8
Currency in circulation	1,799.7	1,871.1	2,196.7	1,977.8	2,108.0	2,117.3	2,196.7	2,204.0	2,296.0	2,338.5
Liabilities to other depository corporations	4,308.5	4,182.6	5,294.2	4,732.5	5,209.3	4,976.0	5,294.2	5,235.1	5,279.5	5,229.7
Liabilities to other sectors	35.7	10.5	60.4	12.1	17.1	5.5	60.4	79.7	7.8	0.6
Other liabilities to other depository corporations	15.7	496.7	85.3	620.2	390.3	594.3	85.3	493.3	328.3	254.5
Deposits and securities other than shares excluded from monetary base	0.1	10.1	10.1	10.1	10.1	10.1	10.1	10.0	10.0	10.0
Deposits included in broad money	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities other than shares included in broad money	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits excluded from broad money	0.1	10.1	10.1	10.1	10.1	10.1	10.1	10.0	10.0	10.0
Securities other than shares excluded from broad money	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and other equity	432.7	349.8	752.1	388.0	680.0	591.0	752.1	735.9	462.4	599.4
Other items (net)	-96.6	-122.2	-141.3	-72.8	-132.7	-228.6	-141.3	-212.0	-222.2	-155.0
<i>(Twelve month percentage change)</i>										
Net foreign assets	1.6	32.4	16.2	18.3	35.3	43.6	16.2	14.7	-7.5	4.7
Claims on non-residents	8.4	34.1	15.1	17.9	34.1	40.3	15.1	14.6	-7.3	4.3
Liabilities to non-residents	313.1	52.5	4.8	13.2	23.2	14.4	4.8	13.3	-5.7	0.3
Net claims on central government	29.5	-20.3	29.4	7.0	11.0	19.6	29.4	7.1	7.1	0.1
Claims on central government	25.2	-6.9	0.0	-8.0	-6.7	1.3	0.0	1.6	1.5	-1.2
Monetary base	14.1	-1.3	24.5	28.3	29.2	23.8	24.5	11.8	3.4	6.6
Currency in circulation	2.1	4.0	17.4	18.9	26.0	18.0	17.4	11.4	8.9	10.4
Liabilities to other depository corporations	19.4	-2.9	26.6	34.1	33.9	27.7	26.6	10.6	1.3	5.1

1/ New format is based on IMF Monetary and Financial Statistics Manual 2000 (MFSM 2000).

NOTES:

1/"Claims on" represent all claims including loans and advances to and holdings of securities, shares and other equity issued by the respective sector.

2/"Claims to" represent all liabilities issued by the central bank to the respective sector

Source: Maldives Monetary Authority

Table 5: Other Depository Corporations Survey, 2009 - 2012 ^{1/}
(In millions of rufiyaa; end of period)

	2009	2010	2011	2011				2012		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net foreign assets	-4,410.4	-3,382.0	-1,852.5	-2,564.1	-2,850.4	-3,149.6	-1,852.5	-1,306.0	-1,247.0	-896.9
Claims on non-residents	888.4	1,034.1	1,755.6	1,583.7	2,035.7	1,720.6	1,755.6	2,091.4	1,579.2	2,081.6
Liabilities to non-residents	-5,298.8	-4,416.2	-3,608.1	-4,147.8	-4,886.1	-4,870.2	-3,608.1	-3,397.4	-2,826.2	-2,978.5
Claims on central bank	4,638.6	4,979.6	5,696.4	5,646.1	5,894.2	5,859.1	5,696.4	6,109.0	5,930.6	5,893.0
Currency	258.3	300.1	339.1	277.6	307.6	302.9	339.1	358.1	369.1	385.6
Deposits	4,370.2	4,587.5	5,357.3	5,192.3	5,201.5	5,556.3	5,357.3	5,750.9	5,451.4	5,344.2
Securities other than shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other claims	10.0	92.0	0.0	176.1	385.1	0.0	0.0	0.0	110.1	163.2
Net claims on central government	643.5	2,655.7	3,284.1	3,313.3	3,013.1	2,802.4	3,284.1	3,762.9	4,222.0	3,911.3
Claims on central government	3,351.7	4,665.4	5,182.5	5,194.5	5,146.2	4,724.9	5,182.5	5,445.1	5,904.7	5,487.4
Liabilities to central government	-2,708.2	-2,009.7	-1,898.4	-1,881.2	-2,133.1	-1,922.5	-1,898.4	-1,682.2	-1,682.7	-1,576.1
Claims on other sectors	17,119.9	16,794.5	17,846.2	16,796.9	18,167.3	18,789.8	17,846.2	17,705.9	16,965.2	16,359.6
Claims on other financial corporations	172.0	144.5	98.8	150.1	184.5	178.4	98.8	52.3	48.9	97.0
Claims on public non-financial corporations	1,398.9	1,465.0	1,668.1	1,324.0	1,310.9	1,840.9	1,668.1	2,014.2	2,030.4	1,467.7
Claims on private sector	15,549.0	15,185.0	16,079.3	15,322.8	16,671.9	16,770.5	16,079.3	15,639.5	14,885.9	14,794.8
Liabilities to central bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transferable deposits included in broad money	9,923.0	10,942.5	13,105.7	12,275.3	12,558.6	12,352.1	13,105.7	14,014.3	13,524.4	12,969.2
Other deposits included in broad money	2,355.2	3,359.9	4,033.1	3,808.0	4,459.2	4,437.4	4,033.1	3,945.3	4,257.4	3,978.1
Securities other than shares included in broad money	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits excluded from broad money	218.5	292.6	326.8	275.5	326.2	395.0	326.8	293.5	289.9	265.2
Securities other than shares excluded from broad money	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and other equity	4,249.8	4,761.5	5,597.0	5,019.3	5,412.8	5,419.4	5,597.0	5,710.0	5,231.6	5,464.4
Other items (net)	1,245.1	1,691.4	1,911.7	1,814.0	1,467.5	1,697.8	1,911.7	2,308.6	2,567.6	2,590.2
<i>(Twelve month percentage change)</i>										
Net foreign assets	-7.2	-23.3	-45.2	-36.6	-36.5	-30.6	-45.2	-49.1	-56.3	-71.5
Claims on nonresidents	19.3	16.4	69.8	29.6	204.9	121.2	69.8	32.1	-22.4	21.0
Liabilities to nonresidents	-3.6	-16.7	-18.3	-21.2	-5.2	-8.4	-18.3	-18.1	-42.2	-38.8
Claims on central bank	20.5	7.4	14.4	11.7	18.2	32.3	14.4	8.2	0.6	0.6
Currency	2.5	16.2	13.0	29.1	13.6	8.9	13.0	29.0	20.0	27.3
Deposits	21.5	5.0	16.8	31.9	16.7	38.0	16.8	10.8	4.8	-3.8
Claims on central government	319.4	39.2	11.1	51.9	25.9	4.5	11.1	4.8	14.7	16.1
Liabilities to central government	6.5	-25.8	-5.5	-28.5	-9.8	0.0	-5.5	-10.6	-21.1	-18.0
Claims to other sectors	-3.2	-1.9	6.3	2.0	9.6	12.0	6.3	5.4	-6.6	-12.9
Claims on other financial corporations	75.9	-16.0	-31.6	18.5	40.2	37.6	-31.6	-65.2	-73.5	-45.6
Claims on public non-financial corporations	1.6	4.7	13.9	9.9	2.3	16.9	13.9	52.1	54.9	-20.3
Claims on private sector	-4.1	-2.3	5.9	1.2	9.9	11.2	5.9	2.1	-10.7	-11.8

1/ New format is based on IMF Monetary and Financial Statistics Manual 2000 (MFSM 2000).

NOTES:

1/ "Claims on" represent all claims including loans and advances to and holdings of securities, shares and other equity issued by the respective sector.

2/ "Claims to" represent all liabilities issued by ODCs to the respective sector.

Source: Maldives Monetary Authority

Table 6: Other Depository Corporations Private Sector Loans and Advances by Economic Group, 2009 - 2012 ^{1/}

(In millions of rufiyaa; end of period)

	2009	2010	2011	2011				2012		
				Mar	Jun	Sep	Dec	Mar	Jun	Sep
Total ^{2/}	15,403.6	15,094.2	15,963.7	15,248.9	16,579.0	16,675.0	15,963.7	15,542.8	14,786.0	14,700.7
Agriculture	31.3	28.7	25.0	27.6	27.1	25.8	25.0	24.7	23.9	23.2
Fishing	960.5	896.0	772.3	871.2	936.2	876.9	772.3	672.0	594.2	596.3
Manufacturing	532.0	493.1	492.0	804.2	518.5	507.4	492.0	331.5	323.9	318.4
Construction	1,264.0	1,119.7	1,187.4	1,114.6	1,139.4	1,163.6	1,187.4	1,182.3	1,220.4	1,176.6
Residential/housing	1,121.0	1,011.3	961.5	1,004.6	1,000.2	962.7	961.5	973.3	944.9	942.9
Commercial building	84.7	80.0	165.8	73.7	93.8	150.2	165.8	145.1	203.4	153.6
Other	58.3	28.4	60.0	36.3	45.4	50.6	60.0	63.9	72.1	80.2
Real estate	357.8	691.2	721.1	676.8	694.6	748.8	721.1	678.2	649.0	632.5
Residential/housing	291.4	218.2	109.3	212.1	224.3	107.1	109.3	105.8	102.3	121.3
Commercial building	66.4	335.6	481.3	337.5	346.8	494.7	481.3	454.7	445.0	425.2
Other	0.0	137.4	130.5	127.3	123.4	147.0	130.5	117.7	101.7	86.1
Tourism	9,148.9	8,698.3	9,170.3	7,899.4	9,373.3	9,483.5	9,170.3	9,387.1	8,646.6	8,671.3
New resort development	4,790.9	4,986.8	6,040.2	5,109.3	5,717.0	6,201.8	6,040.2	5,999.1	5,416.5	5,927.6
Renovation of resorts	1,388.1	898.5	784.2	835.0	911.4	833.6	784.2	962.3	771.0	571.9
Yacht safari buildings	733.9	830.3	186.4	116.4	274.6	183.9	186.4	187.3	230.5	176.7
Working capital	2,235.9	1,982.7	2,159.5	1,838.6	2,470.3	2,264.3	2,159.5	2,238.4	2,228.5	1,995.2
Commerce	1,587.9	1,774.3	2,131.1	1,766.3	2,022.3	2,408.0	2,131.1	2,045.6	2,112.2	2,011.5
Wholesale and retail	701.5	902.2	2,112.7	904.9	1,999.4	2,385.2	2,112.7	2,034.0	2,100.9	2,000.4
Restaurants and cafes	886.4	872.1	18.4	861.4	22.9	22.7	18.4	11.6	11.3	11.0
Transport and communication	814.5	677.7	614.0	1,071.5	673.5	683.2	614.0	535.6	589.6	512.1
Transport	774.9	644.6	585.6	1,040.2	643.4	654.2	585.6	508.5	563.5	487.2
Communication	39.6	33.1	28.4	31.3	30.1	29.0	28.4	27.1	26.0	24.9
Electricity, gas, water and sanitary services	3.8	7.7	241.0	3.7	4.3	242.3	241.0	0.8	1.8	3.6
Other loans and advances not adequately described	702.9	707.5	609.5	1,013.5	1,189.9	535.6	609.5	685.0	624.4	755.0
(In per cent of total; end of period)										
Fishing	6.2	5.9	4.8	5.7	5.6	5.3	4.8	4.3	4.0	4.1
Construction	8.2	7.4	7.4	7.3	6.9	7.0	7.4	7.6	8.3	8.0
Tourism	59.4	57.6	57.4	51.8	56.5	56.9	57.4	60.4	58.5	59.0
Commerce	10.3	11.8	13.3	11.6	12.2	14.4	13.3	13.2	14.3	13.7
Transport and Communication	5.3	4.5	3.8	7.0	4.1	4.1	3.8	3.4	4.0	3.5
(Twelve month percentage change)										
Total	-4.5	-2.0	5.8	1.8	10.1	11.4	5.8	1.9	-10.8	-11.8
Fishing	-11.8	-6.7	-13.8	-7.8	0.7	-2.0	-13.8	-22.9	-36.5	-32.0
Construction	-7.7	-11.4	6.0	-11.8	3.2	2.1	6.0	6.1	7.1	1.1
Tourism	-1.8	-4.9	5.4	-9.7	5.8	7.9	5.4	18.8	-7.8	-8.6
Commerce	-13.6	11.7	20.1	16.6	33.3	48.4	20.1	15.8	4.4	-16.5
Transport and Communication	3.5	-16.8	-9.4	38.8	-9.3	-4.0	-9.4	-50.0	-12.5	-25.0

1/ New format is based on IMF Monetary and Financial Statistics Manual 2000 (MFSM 2000).

2/ Includes total loans and advances to private sector excluding accrued interest receivable and accounts receivable

Source: Maldives Monetary Authority

Table 7: Composition of Exports, 2009 - 2012*(In millions of US dollars)*

	2009	2010	2011	2011				2012		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
Merchandise exports (f.o.b)	169.0	197.5	346.4	91.5	70.2	72.1	112.6	95.0	73.7	61.4
Domestic exports	76.4	73.9	127.4	39.2	23.0	27.7	37.6	35.7	41.7	33.3
Total marine exports	73.7	70.3	122.9	37.8	21.9	26.7	36.5	34.8	40.8	32.8
Fish exports	72.0	68.3	120.6	37.3	21.3	26.1	35.9	34.2	40.1	32.5
Fresh, chilled or frozen tuna	50.7	46.9	96.3	29.5	15.0	21.1	30.7	26.9	33.1	26.7
<i>Skipjack</i>	17.5	18.4	31.5	13.6	3.4	3.3	11.2	5.5	8.7	5.7
<i>Yellowfin tuna</i>	32.8	28.2	64.5	16.0	11.6	17.6	19.4	21.3	24.2	20.9
<i>Other Tuna</i>	0.4	0.3	0.4	0.0	0.0	0.2	0.1	0.1	0.2	0.1
Fresh, chilled or frozen fish	2.2	2.5	4.0	1.1	1.3	0.6	1.0	1.6	1.3	0.6
Canned or pouched	6.5	5.8	9.2	3.0	3.0	1.9	1.4	3.0	2.4	3.3
Processed fish, nes	12.6	13.1	11.1	3.7	2.1	2.5	2.8	2.7	3.3	1.9
o/w Processed tuna, nes	12.0	12.5	10.3	3.4	1.9	2.3	2.6	2.4	3.0	1.6
Fish Products	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sea Food	0.3	0.6	1.0	0.3	0.3	0.2	0.2	0.2	0.2	0.1
Marine products, nes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Live fish	1.3	1.4	1.3	0.3	0.3	0.3	0.4	0.4	0.4	0.2
Other exports	2.7	3.6	4.4	1.4	1.0	1.0	1.0	1.0	0.9	0.5
Re- exports	92.7	123.6	219.0	52.3	47.3	44.4	75.0	59.2	32.0	28.1

Source: Maldives Customs Service

Table 8: Composition of Imports, 2009 - 2012*(In millions of US dollars)*

	2009	2010	2011	2011				2012		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total imports c.i.f.	962.5	1,090.9	1,465.3	311.8	374.3	366.5	412.7	375.6	381.9	376.4
Private imports	687.6	779.8	1,010.9	236.0	266.1	245.6	263.2	254.3	276.7	282.3
Private (excluding tourism)	504.7	568.1	739.2	174.8	205.1	179.3	180.0	190.0	218.7	211.5
Tourism	182.9	211.6	271.7	61.2	61.0	66.3	83.1	64.2	58.0	70.8
Total public imports	274.9	311.1	454.4	75.8	108.2	120.9	149.6	121.3	105.2	94.1
Public enterprises	246.7	263.9	347.0	68.9	85.9	87.2	104.9	106.4	99.8	86.7
Government	28.3	47.2	107.4	6.9	22.3	33.6	44.7	14.9	5.5	7.5
Total imports c.i.f.	962.5	1,090.9	1,465.3	311.8	374.3	366.5	412.7	375.6	381.9	376.4
Food Items	206.3	236.0	296.9	63.6	74.6	81.9	76.8	78.2	76.1	76.5
Price administered staples	28.3	28.1	23.5	2.4	6.6	8.7	5.9	4.8	5.1	5.9
Vegetables, rootcrops and spices	28.3	33.2	47.8	10.4	12.6	12.6	12.3	12.9	11.4	11.8
Fruit, nuts and seeds	23.2	26.7	32.4	7.9	7.6	8.3	8.5	8.8	9.0	9.7
Meat, fish and seafood	29.4	38.5	54.8	11.1	11.4	15.4	16.9	15.4	12.5	13.5
Dairy and egg	27.4	32.4	41.6	9.1	9.6	14.2	8.7	10.0	10.4	12.4
Beverages and confectionaries	46.1	50.9	61.1	14.4	17.0	13.9	15.9	16.1	16.6	13.5
Other food items	23.6	26.2	35.9	8.5	9.8	8.9	8.8	10.1	11.1	9.7
Furniture, fixtures and fittings	37.6	36.3	50.8	10.9	10.6	12.6	16.8	11.1	11.9	10.2
Electronic and electrical appliances	33.8	37.3	39.3	8.7	10.2	10.8	9.6	8.0	9.4	10.1
Petroleum products	198.6	250.6	366.4	93.4	91.3	81.8	99.9	117.3	122.7	110.3
Petrol	19.0	24.3	33.4	9.0	9.2	7.0	8.3	10.8	9.2	8.2
Diesel (Marine gas oil)	153.2	198.9	289.3	72.4	73.5	66.2	77.2	90.3	78.7	74.9
Aviation gas	14.0	11.9	25.2	7.3	4.4	4.7	8.8	13.4	27.9	23.5
Other petroleum products	12.5	15.5	18.4	4.7	4.3	3.9	5.6	2.8	7.0	3.7
Transport equipment and parts	65.7	68.7	110.5	16.7	48.6	24.9	20.4	24.3	16.9	15.7
Wood, metal, cement and aggregates	96.9	111.2	140.6	29.0	35.3	38.4	37.8	34.4	33.2	40.2
Machinery and mechanical appliances and parts, nes	61.2	64.3	81.4	16.3	19.5	24.4	21.3	17.1	20.3	20.9
Electrical and electronic machinery and equipment and parts, nes	59.8	66.3	96.8	13.9	17.6	27.2	38.1	11.0	13.3	14.8
Other Items	202.7	220.2	282.6	59.4	66.7	64.5	92.1	74.2	78.0	77.7

Source: Maldives Customs Service

Table 9: Exchange Rates, 2009 - 2012*(Rufiyaa per foreign currency; end of period mid rate)*

		U.S. dollar ^{1/}	Japanese yen	Singapore dollar	Indian rupee	Sri Lankan rupee	Sterling pound	Euro	SDR
2009	Q1	12.8000	0.1360	8.3184	0.2589	0.1159	18.5195	17.0007	19.1369
	Q2	12.8000	0.1354	8.8378	0.2585	0.1141	20.4967	17.2718	19.8685
	Q3	12.8000	0.1732	9.0290	0.2914	0.1203	20.6650	18.7034	20.2799
	Q4	12.8000	0.1713	9.1807	0.3005	0.1213	20.8479	18.9506	20.0664
2010	Q1	12.8000	0.1406	9.0982	0.3048	0.1221	18.7504	16.7437	19.4335
	Q2	12.8000	0.1410	9.1118	0.2966	0.1221	18.1840	14.9497	18.9299
	Q3	12.8000	0.1506	9.6955	0.3025	0.1239	20.0025	17.1221	19.9192
	Q4	12.8000	0.1568	9.8057	0.2861	0.1239	19.4329	16.4776	19.7124
2011	Q1	12.8000	0.1593	10.0783	0.2869	0.1239	20.2316	17.6542	20.2944
	Q2 ^{2/}	15.2100	0.1895	12.3136	0.3432	0.1402	24.2029	21.6083	24.3428
	Q3	15.2100	0.1999	12.0766	0.3214	0.1392	23.7197	20.5231	23.7522
	Q4	15.2100	0.1985	11.8028	0.2910	0.1352	23.7940	19.7321	23.3515
2012	Q1	15.2100	0.1855	12.1731	0.3032	0.1188	24.2292	20.1246	23.5617
	Q2	15.2100	0.1949	11.9727	0.2720	0.1152	23.8707	19.0398	23.0819
	Q3	15.2100	0.1995	12.4618	0.2926	0.1190	24.6983	19.6961	23.4567

1/ Refers to the MMA daily reference exchange rate, which is the mid point of the weighted average buying and selling rates of all commercial banks. All other rates (except US dollar) refers to the exchange rate from Bank of Maldives plc.

2/ In April 2011, the exchange rate regime was changed from a fixed rate regime to a band of 20 per cent around a central parity of MVR12.85 per US dollar

Source: Maldives Monetary Authority; Bank of Maldives; International Monetary Fund



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