

ANNUAL REPORT



2006



MALDIVES MONETARY AUTHORITY

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ANNUAL REPORT

2006

LETTER OF TRANSMITTAL

MALDIVES MONETARY AUTHORITY

Malé, Republic of Maldives

Dear Sir,

In accordance with Article 35 (2) of Maldives Monetary Authority Act (1981), I have the honour to submit the Annual Report of the Maldives Monetary Authority for 2006, which includes a copy of the Financial Statements for the year ended 31st December 2006, audited by the Government Auditors.

Yours sincerely,



Qasim Ibrahim
Governor

H.E. Maumoon Abdul Gayoom,
President of the Republic of Maldives,
Office of the President,
Malé.

CONTENTS

Letter of Transmittal	3
List of Acronyms	6
An Overview of the Maldives Monetary Authority.....	7
Organisational Chart of the Maldives Monetary Authority.....	9
Board of Directors and Senior Officials.....	10
Preface	11
Economic Review.....	13
I. Domestic Economic Review	15
1. Overview	15
2. Production, Prices and Employment	17
2.1 Tourism	17
2.2 Fisheries.....	18
2.3 Construction	20
2.4 Agriculture	20
2.5 Distribution.....	21
2.6 Employment	21
2.7 Inflation	22
3. Public Finance.....	23
4. Financial Sector	24
4.1 Structure of Financial Sector	24
4.2 Monetary Policy and Monetary Developments.....	25
4.2.1 Monetary Aggregates	25
4.2.2 The Monetary Base.....	26
4.2.3 Counterparts of Monetary Growths	26
4.3 Operations of the Commercial Banks	27
4.4 Non-Bank Financial Activities	28
4.5 Capital Market	28
5. Balance of Payments	29
5.1 Current Account	29
5.2 Merchandise Trade.....	29
5.3 Services, Income and Current Transfers.....	31
5.4 Capital and Financial Accounts.....	31
5.5 Overall Balance of Payments and International Reserves	32
6. Exchange Rate and Interest Rate Developments	32
7. External Debt.....	33

II. International Economic Review	34
Administration and Operations.....	39
Board Meetings.....	41
Key Operational Developments.....	41
Human Resource Management and Development.....	42
Technical Assistance	47
Financial Statements.....	49
Audit Report.....	51
Income Statement.....	52
Balance Sheet.....	53
Notes to the Financial Statements.....	55
Appendices.....	57
Appendix 1 Statistical Tables	59
Appendix 2 Commercial Banks Operating in the Maldives	78
Monetary Measures and Prudential Regulations.....	78

Charts

Chart 1 GDP by Major Sectors, 2002 - 2006	15
Chart 2 Tourist Bednights, 2002 - 2006.	17
Chart 3 Tourist Arrivals by Nationality, 2002 - 2006	18
Chart 4 Fish Landings and Exports, 2002 - 2006.....	19
Chart 5 Expatriate Employment by Industry, 2006.....	21
Chart 6 Inflation, 2002 - 2006.....	22
Chart 7 Government Revenue and Grants, 2002 - 2006.....	23
Chart 8 Government Expenditure, 2002 - 2006.....	24
Chart 9 Monetary Indicators, 2002 - 2006.....	25
Chart 10 Domestic Credit, 2002 - 2006	26
Chart 11 Net Foreign Assets, 2002 - 2006	27
Chart 12 Credit by Major Economic Sectors, 2006	27
Chart 13 Deposits by Type, 2002 - 2006.....	27
Chart 14 Weighted Average Trade Price, 2006.	28
Chart 15 International Trade, 2002 - 2006	29
Chart 16 Composition of Imports, 2002 - 2006.....	30
Chart 17 Balance of Payments as a Percentage of GDP, 2002 - 2006	32
Chart 18 Change in Rufiyaa Exchange Rate against Major Foreign Currencies 1999 - 2006.....	32
Chart 19 External Debt, 2002 - 2006	33
Chart 20 Crude Oil Spot Prices, 2002 - 2006	35

Text Tables

Table 1 Key Economic Indicators, 2003 - 2006.....	16
Table 2 Fish Landings and Exports, 2003 - 2006.....	19
Table 3 Summary of Government Finance, 2003 - 2006	23
Table 4 Monetary Aggregates, 2005 - 2006.....	26
Table 5 Monetary Base, 2005 - 2006	26
Table 6 International Economic Indicators, 2003 - 2006	34

List of Acronyms

ASEAN	Association of South East Asian Nations
B.M.L	Bank of Maldives Plc
C.I.F	Cost, Insurance and Freight
CD	Certificate of Deposit
CFTC	Commonwealth Fund for Technical Assistance
CPI	Consumer Price Index
DOD	Debt Outstanding and Disbursed
EEZ	Exclusive Economic Zone
ERSD	Economic Research and Statistics Division
F.O.B	Free On Board
GDP	Gross Domestic Product
HBL	Habib Bank Limited
HDFC	Housing Development Finance Corporation Ltd.
HSBC	Hong Kong and Shanghai Banking Corporation Limited
IMF	International Monetary Fund
LIBOR	London Interbank Overnight Rate
M0	Monetary Base
M1	Narrow Money Supply
M2	Broad Money Supply (Total Liquidity)
MFLC	Maldives Finance Leasing Company Pvt. Ltd.
MIFCO	Maldives Industrial Fisheries Company Ltd.
MMA	Maldives Monetary Authority
MOFAMR	Ministry of Fisheries, Agriculture and Marine Resources
MOFT	Ministry of Finance and Treasury
MOTCA	Ministry of Tourism and Civil Aviation
MPND	Ministry of Planning and National Development
MRR	Minimum Reserve Requirement
MT	Metric Tonne
MTCC	Maldives Transport and Contracting Company Ltd.
MTDC	Maldives Tourism Development Corporation
NEER	Nominal Effective Exchange Rate
NFA	Net Foreign Assets
OPEC	Organization of the Petroleum Exporting Countries
PLC	Public Limited Company
PNFE	Public Non-Financial Enterprises
REER	Real Effective Exchange Rate
Rf	Rufiyaa
SBI	State Bank of India
SAARC	South Asian Association for Regional Cooperation
SDR	Special Drawing Rights
STF	Securities Trading Floor
SOEs	State Owned Enterprises
STO	State Trading Organisation Plc.
UNWTO	United Nations World Tourism Organization
TDS	Total Debt Service
T-bills	Treasury Bills
WATP	Weighted Trade Average Index
XGS	Exports of Goods and Services

An Overview of Maldives Monetary Authority

The Maldives Monetary Authority (MMA) was set up on 1st July 1981 under the MMA Act of 1981. The statutory purposes of the Authority under the Act includes, to issue currency and regulate the availability and international value of the Maldivian rufiyaa; to provide advisory services to the Government on banking and monetary matters; to supervise and regulate banking so as to promote a sound financial structure; and to promote in the country and outside the country the stability of Maldivian currency, and foster financial conditions conducive to the orderly and balanced economic development of the Maldives.

Board of Directors

The highest policymaking body of the MMA is the Board of Directors who are responsible for the policies and affairs of the Authority. The Board consists of the Minister of Finance & Treasury as ex-officio Governor and Minister of State for Finance & Treasury as ex-officio Vice Governor, three members from amongst heads of Government Offices and two members representing the private sector appointed by the President of the Republic.

Organisation

The Maldives Monetary Authority is structured in four Divisions: the Operations Division, the Economic Research and Statistics Division, the Financial Sector Division and the General Division.

1. *Operations Division*

This division consist of four main sub divisions. They are the Foreign Exchange Section, Banking Section, Currency Section, and the Accounts Section. The Foreign Exchange Section is responsible for the conduct of the MMA's foreign exchange operations including the buying and selling of foreign exchange on behalf of the MMA and in managing the foreign exchange reserves of the Maldives. The Banking Section deals in maintaining the accounts of the Government offices and commercial banks, and more importantly acts as the main clearinghouse for the commercial banks operating in the Maldives. With regards to the Currency Section, they are responsible for printing and minting of currency notes and coins of Maldives (Ruffiya and Laari), issuing commemorative coins on special occasions, maintaining the records of currency in circulation and in stock and releasing new notes and coins into circulation. The Accounts Section maintains the general account and prepares the management and financial accounts of the MMA.

2. *Economic Research and Statistics Division (ERSD)*

The ERSD consist of three sections: Statistics Section, the Research Section and Publication Section. The Statistics Section gathers economic and financial data from relevant sources within the MMA and outside, and maintains a database of such information. The Research Section undertakes research and analysis broadly on the areas of production, prices and labour force, money and banking, government budget and the balance of payments. The Publication Section co-ordinates and is responsible for undertaking the publication of MMA including the Annual Report, Quarterly Economic Bulletin and the Monthly Statistics, and in addition, operates as the focal point for the Maldives' interactions with the International Monetary Fund.

3. Financial Sector Division

The Financial Sector Division at the end of the year had three main sub divisions: they are Public Debt Section, Non-Bank Financial Institutions Supervision Section, and Credit and Bank Supervision Section. The Public Debt Section, when it becomes operational, would be responsible for securitising, monitoring and managing government debt. The Non-Bank Financial Institutions Supervision Section is responsible for licensing, regulating and supervising insurance companies, leasing companies and other non-bank financial institutions to ensure their smooth functioning. The duties of the Credit and Bank Supervision Section include issuing licenses for commercial banks to operate in the Maldives, monitoring activities of commercial banks to ensure their compliance to the rules and regulations of the MMA, and assessing the financial performance of commercial banks.

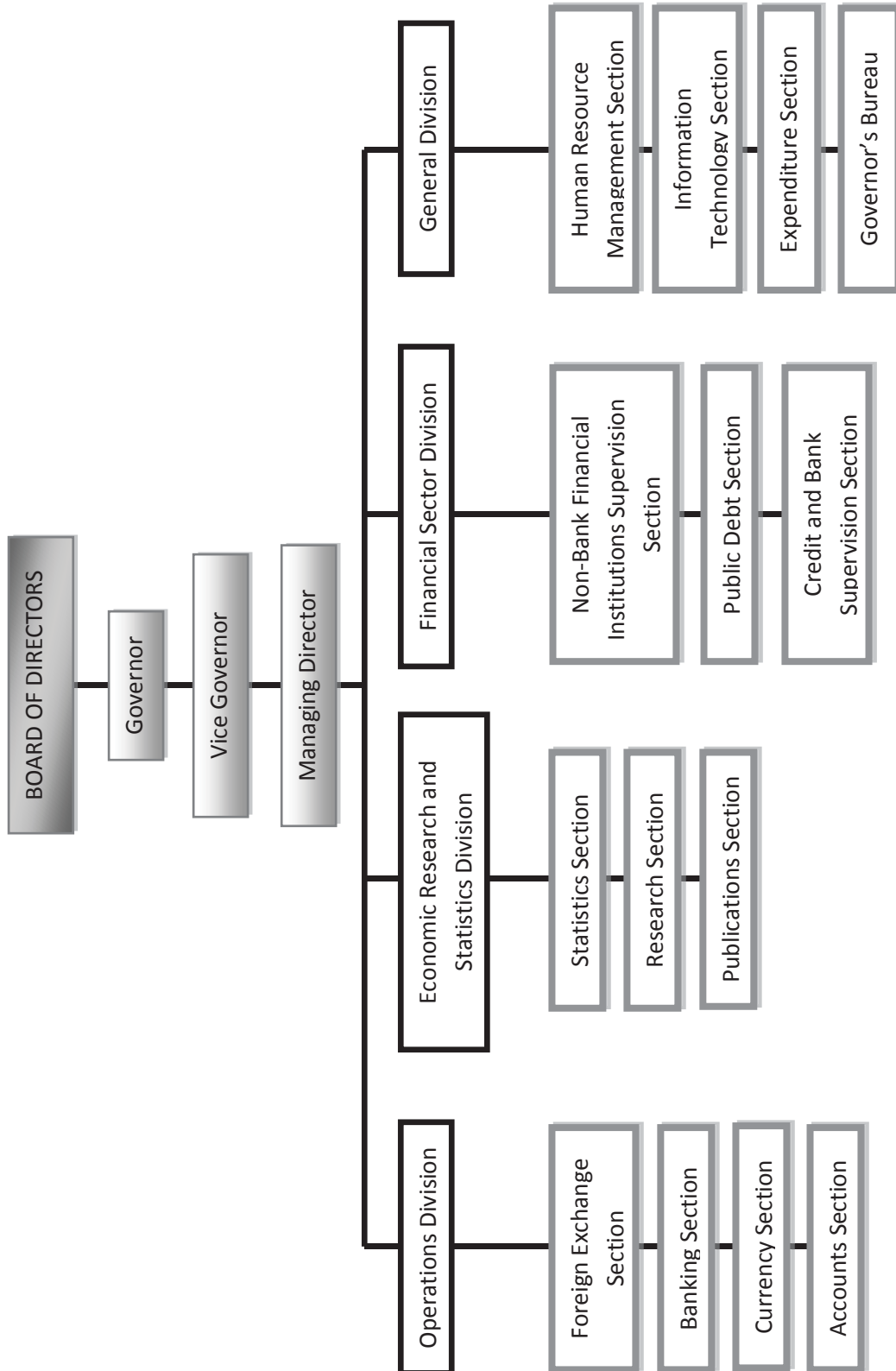
4. General Division

The General Division deals with administrative matters of the MMA, including human resource issues, public relations and finance issues. The Division consists of the Vice Governor's Bureau, the Information Technology Section, the Expenditure Section and the Human Resources Management Section. The newly developed, Staff of the Governor's Bureau is responsible for providing administrative support to the ex-officio Governor and the Board of Directors. The Information Technology (IT) Section is responsible for the management of the computer network and databases and other IT needs of the Authority. The Expenditure Section deals with the MMA budget, finance, and all aspects of general maintenance of assets and premises. The Human Resources Management Section deals with matters relating to employment (including recruitment, internal and external training); official meetings; conferences; travel; and the preparation of the Annual Report in Dhivehi.

Publications & Library

With a view to highlighting the major issues relating to the development of the country and the affairs of the organisation, the MMA regularly publishes this Annual Report, and a Quarterly Economic Bulletin, which covers the macroeconomic developments during the quarter. The MMA has a small library, which contains a collection of reports and statistical publications including those of international organisations such as the International Monetary Fund, periodicals, annual reports of foreign central banks, foreign and local newspapers, and books related to economics, finance and development.

Organisational Chart as at 31st December 2006



Directors and Senior Officials as at 31st December 2006

Board of Directors

Hon. Qasim Ibrahim	Governor, Minister of Finance and Treasury
Hon. Abdulla Jihad	Vice Governor, Minister of State for Finance & Treasury
Hon. Mohamed Jaleel	Minister of Economic Development and Trade
Hon. Mahmood Shaugee	Minister of Tourism and Civil Aviation
Hon. Abdulla Kamaaluddeen	Minister of Fisheries, Agriculture & Marine Resources
Mr. Mohamed Umar Manik	Chairman, Universal Enterprises Pte. Ltd. (Private Sector member)
Mr. Mohamed Solih.....	Chairman, DAMAS Company Pvt. Ltd. (Private Sector member)

Board Secretary

Ms. Khadeeja Hassan.....	Managing Director of MMA
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Senior Officials

Hon. Qasim Ibrahim	Governor
Hon. Abdulla Jihad	Vice Governor
Ms. Khadeeja Hassan.....	Managing Director
Mr. Abdul Ghafoor Abdul Latheef.....	Deputy Managing Director
Mr. Ibrahim Naeem.....	Deputy Managing Director
Ms. Aishath Zahira	Deputy Managing Director
Ms. Azeema Adam	Deputy Managing Director

Preface

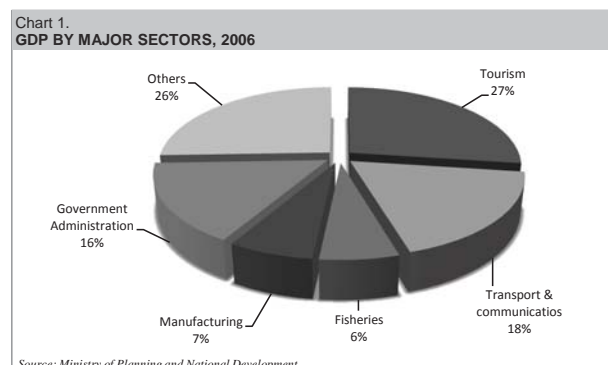
This report covers developments in the domestic economy during 2006, and presents the financial statements of the MMA as required by the MMA Act (1981). In addition, it presents an overview of events in the global economy during the year. All analyses are based on information relating to the year 2006, received from relevant government authorities, financial sector agencies, public enterprises and other private sector sources, as at 31st August 2007. The section on international developments is based on information obtained from publications of the International Monetary Fund (IMF), and other international sources. The views expressed in this Report, however, are those of this Authority and do not necessarily represent those of the source of data. We thank all those who have contributed to the publication of this report including the provision of the information contained herein.

Economic Review

I. Domestic Economic Review

1. Overview

The Maldivian economy which contracted severely in 2005 following the December 2004 tsunami, bounced back strongly in 2006. After a contraction of 4.6 percent in 2005 the real economic growth accelerated to a record level in 2006, registering a growth of 19 percent. This unprecedented growth was driven by the tourism sector along with the booming construction sector.



Tourism sector, which accounted for about one third of GDP, recovered to pre-tsunami levels by the end of 2006. The value added to GDP by the sector grew markedly, by 42 percent during the year compared to the negative growth of 33 percent in 2005. This was driven by the 52 percent growth in the total number of tourists who visited the country in 2006, which totalled 601.9 thousand during the year. Similarly, tourist bednights grew by 46 percent during the year. As most of the resorts that were damaged

by the tsunami became operational during 2006 and an additional new resort became operational during the year, there was an increase of 2,229 beds operated by the industry. Notwithstanding the increased capacity of the industry, the average annual capacity utilisation rate rose from 64 percent in 2005 to 82 percent in 2006 reflecting the improvement in tourist bednights.

The fisheries sector remains a key industry to the country's economy both in terms of employment and exports, and contributed about 6 percent to the GDP in 2006. However, given the extraordinary growth in the sector in 2005, the value added to the sector showed a decline of 1 percent in 2006. The high growth in 2005 was largely due to the significant increase of 17 percent in coastal fish catch during the year. In 2006, while the level of fish landings was reasonably good, it was 1 percent lower than the year before. In absolute terms, this was only a decline of 1.9 thousand metric tonnes in 2006 compared to 2005. Nevertheless, on the exports side, on the strength of higher international fish prices, earnings grew substantially during the year with frozen tuna being the major type of fish exported from the Maldives.

The construction sector continues to remain robust in 2006 owing to the increase in developmental activities by both the tourism sector as well as in tsunami reconstruction activities. As a result, the value added to the sector rose by 21 percent during the year. Moreover, the sector's contribution to the GDP has increased to 5.3 percent during 2006 from an average of 3.9 percent in 2000-2005. The distribution sector's performance (which includes wholesale and retail trade) is influenced by the developments in the major sectors of the economy such as the tourism, construction and fisheries sectors, and with the positive developments in the economy, especially in the tourism and construction, the sector's performance remained strong during the year.

The domestic price movements for Male' measured in terms of the consumer price index (CPI), edged up to record 2.7 percent at the end of 2006 compared to 1.3 percent in 2005. The increase in food prices, housing rent and health care fees contributed to the rise in the rate of inflation.

Comprehensive data on the labour force is severely limited to the nation wide Census held once in every 5 years. Annual and monthly employment statistics are only available for government and expatriate sectors. According to the 2006 Census, the total employment in the country stood at 110,231, a 28 percent increase from the 2000 census. However, during this period the unemployment rate in the country has increased significantly from 2 percent to 14 percent, as around 41,766

Table 1.
KEY ECONOMIC INDICATORS, 2003 - 2006

	2003	2004	2005	2006
Gross Domestic Product				
GDP (1995 constant prices) Rf mn ^{1/}	7589.87	8312.28	7927.51	9440.68
Consumer Price Inflation (moving average) ^{2/}				
National	-	-	-	3.46
Male ^{3/}	-1.26	-1.69	1.30	2.74
Atolls	-	-	-	4.15
Tourism				
Tourist arrivals ('000)	563.59	616.72	395.32	601.92
Tourist bed nights ('000)	4704.59	5110.59	3300.03	4822.10
Capacity utilization (%)	77.23	83.94	64.46	81.66
Fish Production				
Landings('000 MTs) excl. EEZ	152.25	156.03	182.94	180.98
Total fish exports ('000 MTs) ^{4/}	69.78	75.40	82.12	111.36
Total fish exports (US\$ mn) ^{4/}	69.12	84.37	96.62	128.83
Government Finance (Rf mn) ^{4/}				
Total revenue and grants	3087.90	3424.70	4612.90	7298.70
Expenditure and net lending	3388.20	3582.60	5657.60	8144.40
Overall balance (+/-)	-300.30	-157.90	-1044.70	-845.70
Money and Banking (Rf mn) ^{5/}				
Net foreign assets	2646.53	3362.24	1787.73	1031.59
Domestic credit	3216.78	4246.03	6911.35	9509.11
Claims on private sector	2250.84	3547.77	5480.48	8191.65
Total Liquidity	4507.47	5983.70	6684.96	8063.32
Change in net claims on Government	-227.93	-419.31	496.69	-207.99
Balance of Payments ^{6/}				
Current Account	-31.30	-122.33	-269.75	-369.21
Balance on goods	-262.29	-383.83	-493.84	-590.10
Goods: credit	151.99	180.97	161.64	225.25
Goods: debit	-414.29	-564.80	-655.48	-815.34
Overall balance	26.46	44.15	-17.28	45.11
Gross International Reserves (US\$ mn) ^{7/}				
Gross international reserves in months of imports (c.i.f.)	4.09	3.80	3.02	3.01
Exchange Rate				
Rufiyaa / Euro (End of Period)	15.48	16.97	15.17	16.75
Rufiyaa / US\$ (End of Period)	12.80	12.80	12.80	12.80

1/ Revised on April 2007.

2/ CPI - National and Atolls data not available prior to June 2004. CPI has been rebased on April 2007 (June 2004 = 100).

3/ Excluding live fish.

4/ Figures for 2006 are provisional estimates.

5/ Series have been revised on 20th May 2007.

6/ Figures for 2006 data are estimates revised on April 2007.

7/ Foreign Assets of MMA

Source: MPND, MOTCA, MOFAMR, MOFT, Maldives Customs Service & MMA.

people entered the labour market. The high unemployment rate reflects structural issues in the labour market rather than a lack of job opportunities. This is evident from the robust economic growth that the country has experienced in 2006 and the boost in construction activities which had led to a large influx of expatriate workers into the country – an annual increase of 20 percent in 2006. At the end of 2006, total public sector employment stood at 33,997, slightly lower than the level recorded in 2005. However, employees in the government service sector increased by 8 percent compared to 2005.

On the fiscal front, the budget deficit narrowed from 11 percent of GDP in 2005 to 7 percent of GDP in 2006. Total revenue and grants grew by 58 percent during the year, with total revenue increasing by 38 percent. The rise in revenue reflected favourable economic conditions in the country as well as the lump sum advance lease payments received from the newly released resorts in 2006. On the expenditure side, total expenditure grew by 42 percent in 2006 following a 53 percent growth in 2005. According to the provisional estimates of 2006, the budget deficit was largely financed by foreign loans and a little over a quarter financed by domestic borrowing.

With regard to monetary sector, total domestic credit of the banking system continued to grow significantly in 2006. However, the rate of growth has decelerated from 63 percent in 2005

to 38 percent during 2006. This deceleration was largely on account of the improvement in net credit to the government, as credit extended to the private sector increased by 49 percent during the year. With the favourable developments in the economy, the net foreign assets (NFA) of the MMA registered an improvement of 25 percent in 2006 in contrast to the 12 percent decline in 2005. However, with the continued expansion in foreign liabilities of commercial banks the NFA of the banking system declined significantly in 2006. The total liquidity in the banking system accelerated from 12 percent in 2005 to 21 percent in 2006.

With the rapid boost in heavily import dependent sectors such as tourism and construction sectors, the trade deficit widened significantly in 2006, leading to a further deterioration of the current account deficit. This was in spite of the improvements in merchandise exports and net services receipts. The increase in net service inflows reflected the sharp increase in the tourism receipts with the recovery of the tourism industry after the tsunami. Meanwhile, the transfers account registered a surplus for the second consecutive year owing to the tsunami related grant inflows, although the growth rate has decelerated compared to 2005. Financial account surplus grew during the year 2006 owing to the increase in private capital inflows for the new investments in the tourism sector development. Similarly official flows also rose considerably during the year, as loan disbursements increased to finance several public sector projects. Consequently, the overall balance of payments turned positive in 2006 and gross international reserves increased. Hence, international reserves in terms of import cover remained at 3.0 months at the end of December 2006 in spite of the large increase in import payments

during the year.

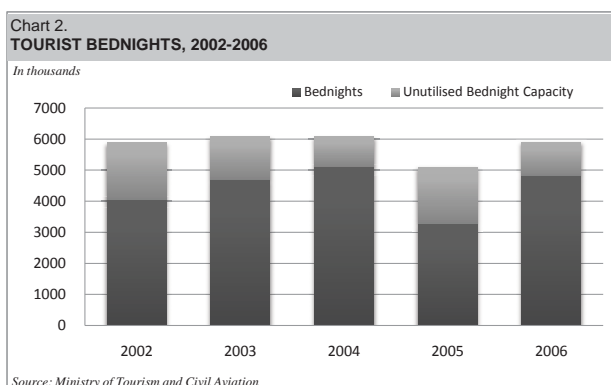
As regards the exchange rate, Maldives continued to maintain a pegged exchange rate regime and the dollar peg continues to be an appropriate exchange rate arrangement in the Maldives by providing a simple and transparent nominal anchor. The rufiyaa has been pegged to the US dollar since July 2001 at a buying rate Rf12.75 and a selling rate of Rf12.85. As regards the movements of rufiyaa against other major foreign currencies, rufiyaa has depreciated against most these currencies during 2006, reflecting the weakening of the US dollar during the year.

Statistics on external debt are limited to data on public external debt (medium to long-term government and government guaranteed borrowings) and private debt (foreign liabilities of the banking sector). Total external debt stock (disbursed and outstanding) stood at US\$574.3 million in 2006, with public external debt constituting 63 percent and the rest comprising of foreign liabilities of commercial banks. Multilateral and bilateral concessional debt constituted 72 percent of the public external debt portfolio while the remaining 28 percent comprised of suppliers' credits and commercial loans. Meanwhile, the foreign liabilities of commercial banks registered a significant increase of US\$125.1 million at the end of 2006. Disbursements of public external debt during the year increased to US\$61.8 million from US\$42.5 million in 2005, while amortisation recorded US\$23.3 million in 2006 with interest payments increasing slightly by US\$1.1 million to record US\$7.9 million. Therefore, total debt service totalled US\$31.2 million at the end of the year, equivalent to around 5 percent of Maldives' exports of goods and services.

2. Production, Prices and Employment

2.1 Tourism

Tourism, the leading sector of the economy contributing to 92 percent of foreign exchange earnings, 30 percent of government revenue and 29 percent of national output, rebounded strongly following the slump of the 2004 tsunami. The value added to the sector increased by a substantial 42 percent in 2006 after contracting by 33 percent in the previous year. This was underpinned by the rapid upturn in tourist arrivals and the re-opening of most resorts damaged by the tsunami which boosted tourism related revenues and receipts. The quick recovery of the sector reflects the vigorous marketing and promotional campaign initiated by both the private sector and the government to restore visitor confidence and boost arrivals from the main tourist source markets as well as from emerging markets. For example during 2006, government expenditure on the tourism sector expanded by 86 percent, of which 91 percent was on account of the Rf44.7 million increase in the tourism promotion budget which totalled Rf85.5 million at the end of the year.



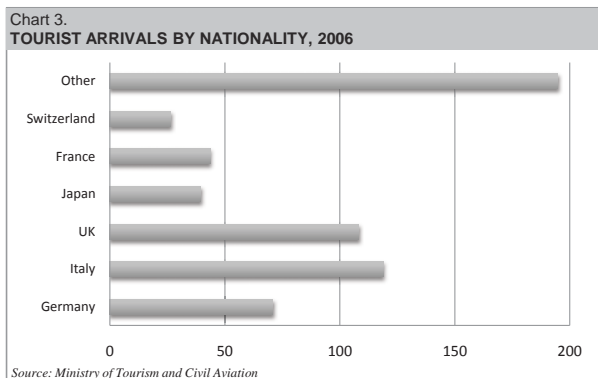
Hence, supported by an aggressive marketing and promotional campaign carried out throughout the year tourist arrivals reached a remarkable 601.9 thousand at the end of 2006 which is an increase of 52 percent compared to the negative growth 36 percent in 2005. Moreover, tourist arrivals were only 2 percent lower than the pre tsunami total of 616.7 thousand. In parallel, though not by the same magnitude, total bednights registered an improvement of 46 percent compared to 2005 (to record 4,822.1 thousand) but was lower by 6 percent

compared to 2004 due to the fall in average duration of a tourist visit from 8.3 days in the past two years to 8.0 days in 2006. The fall in average stay can partly be attributable to the increased share of Asian arrivals during the year as the length of stay of a typical Asian tourist is 3-5 days compared with

1-3 weeks by a typical European tourist.

With the re-opening of most resorts damaged by the tsunami (out of the 21 resorts that were closed down 18 resorts were re-opened by the end of 2006) and the opening up of an additional new resort, the total number of registered resorts in the country stood at 88 at the end of December 2006. The registered bed capacity of the industry¹ totalled 17,802 beds at the end of the year. During the year 2006, 16,175 beds were operational on average, with an increase of 2,229 beds from the previous year. However, the number of operational beds in resort/hotels was still (446 beds) less than the pre tsunami levels. Meanwhile, the average capacity utilisation rate after falling to an all time low of 64 percent during 2005 rose to 82 percent in 2006.

On the investment side, 30 new islands² (5,506 beds) were leased by the government for resort development during the year with an additional 5 islands planned to be leased out in 2007, which will increase the capacity of the industry to curb the excess demand currently faced by the industry, especially during the peak season of the industry. The mismatch in the industry is evident from the 3 percent capacity growth seen during the past five years as opposed to the 8 percent growth in arrivals. The expansion of the industry — which is also aimed at spreading tourism to the whole country — is expected to add 11,532 beds to the industry over the next 2-5 years, providing a mix of both up-market and middle-market resorts.



With respect to market composition, as in the previous years, Europe continued to lead the market. However, its share fell slightly from an average of 78 percent in the past five years to 76 percent in 2006, as the fast growing Asian market increased its share from an average of 18 percent to 19 percent in 2006. In terms of growth rates, European arrivals registered an increase of 49 percent in 2006. Of the major European source markets Italy once again topped the market (26 percent) after losing its share to UK in 2005 and registered an annual growth

rate of 70 percent, while arrivals from UK (24 percent of European arrivals) registered a growth of 24 percent. Arrivals from Germany—accounting for 15 percent of European arrivals—strengthened by 27 percent compared to 2005 while arrivals from smaller markets such as France (10 percent) and Switzerland (6 percent) registered growth rates of 102 percent and 36 percent, respectively.

Growth performance of Asian source markets remained vibrant during 2006 and with the exception of Japan—the leading Asian market (34 percent)—all markets portrayed increases over pre tsunami levels. Nonetheless, on annual terms Japanese arrivals registered a substantial growth of 70 percent while promising markets such as China and Korea registered two fold increases in their market share and accounted for 23 percent and 14 percent of Asian market respectively, as arrivals from both these countries more than doubled from the previous year.

2.2 Fisheries

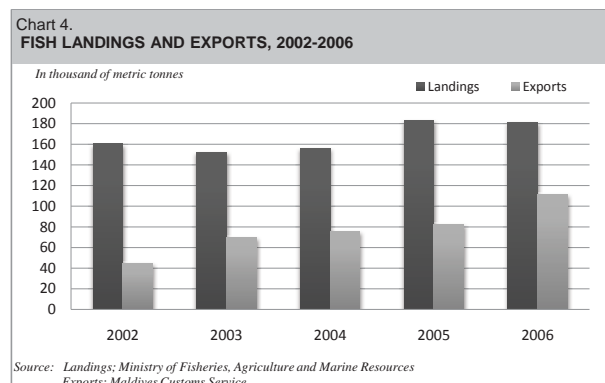
Fisheries sector continues to play an important role in the domestic economy with fish exports comprising 95 percent of domestic exports in 2006. The sector is also a key source of employment and livelihood especially to a vast number of the country's population living in the outlying atolls. While

1/ Industry bed capacity includes resorts, hotels and marinas and at the end of 2006 there were 88 resorts, 9 hotels and 1 marina registered in the country.

2/ This is in addition to the 11 islands (16, 00 beds) leased in 2004 and the two city hotels (330 beds) that was awarded for development in Fuvahmulaku and Seenu Atoll Hankedu in 2005.

the fisheries sector contributed to about 6.3 of GDP in 2006, around 11 percent of the country's population is directly engaged in fishing, according to Population and Housing Census of 2006.

Following an exceptionally good fishing year in 2005 the value added to the sector declined by around 1 percent in 2006 partly due to base effects but also on account of poor fish catch levels



recorded during the second half of the year due to seasonal changes³. Accordingly, total landings (excluding EEZ) during the first six months of the year (January-June 2006) indicated a growth of 20 percent compared to the same period of 2005 while a similar analysis for the period July-December showed a decline of 20 percent resulting in a 1 percent decline for the whole year. In absolute terms this is an annual decline of 1.9 metric tonnes from 182.9 thousand metric tonnes in the previous year to 181.0 thousand metric tonnes in 2006. Around 90 percent of the total catch accounted for tuna

varieties, of which skipjack accounted for 77 percent and yellow fin 11 percent, while reef fish accounted for 9 percent of the total catch.

Fish landings have been highest in the southern most atolls comprising of Gaafu Alifu, Gaafu Dhaalu, Seenu and Laamu atolls and accounting for 37 percent of fish landings, followed by the northern most atolls, especially Haa Alifu, Haa Dhaalu, Shaviyani, Raa and Lhaviyani atolls accounting for 31 percent of fish landings. Higher landings in these regions may be due to the greater number of larger vessels (>100 ft) operating in the region coupled with better fish handling facilities such as the availability of ice. Generally, the number of fishing vessels operating in these regions is fewer compared to the rest of the country but the size of fishing vessels are much larger with greater capacity. Further, some of these vessels are equipped with modern sophisticated technology such as fish tracking devices, and onboard facilities to preserve fish on ice and hence relatively fewer fishing trips are made by these vessels, which increase the number of fish catch per unit of effort.

Despite the decline in landings both collection and exports of tuna remained strong during the year largely on account of increasing competition from private companies operating in the zones as they are now able to compete directly with state owned fishing company Maldives Industrial Fisheries

Table 2.
FISH LANDINGS AND EXPORTS, 2003 - 2006
In thousands of metric tonnes

	2003	2004	2005	2006
Coastal Catch	152.2	156.0	182.9	181.0
Skipjack	108.3	109.7	132.0	138.5
Yellow fin	19.9	22.6	21.7	19.9
Other tuna	7.5	6.5	8.3	5.7
Reef and bottom fish	16.5	17.2	20.9	16.9
Fish Exports	69.8	75.4	82.1	111.4
Frozen/Chilled (including reef fish)	53.2	58.5	65.1	96.6
Canned	7.1	7.2	7.3	4.7
Dried	6.8	7.0	7.1	7.2
Salted (tuna and reef fish)	2.7	2.7	2.7	2.9

Source: Ministry of Fisheries, Agriculture and Marine Resources/ Maldives Customs Service

Company Ltd (MIFCO)⁴. In addition, increasing number of investments made by processing companies in expanding their collection, freezing and cold storage capacity have contributed significantly to this increase. As such, during the past two years collection by the companies have increased 79 percent, in tandem with the increase in freezing and cold storage capacity of 224 percent and 92 percent, respectively.

MIFCO continues to be the leading commercial buyer of tuna accounting for 71 percent of total

3/ According to MoFAMR the general decline in fish catch was due to a natural phenomenon observed since July 2006 caused by a complex set of biological factors and is considered temporary as fish is being found further out. However rising fuel prices have made it unfeasible for the larger vessels to travel long distances in search of fish.

4/ Previously MIFCO was given exclusive rights to operate in Zone 2 and 4, however as new per regulations effective Jan 2005 Zone 2 was opened up for the two licensed companies operating in Zone 1 while the two licensed companies operating in Zone 3 was allowed to operate in Zone 4 as well.

collection as some of the licensed companies have not yet become fully operational. Compared to 2005, tuna purchases made by MIFCO increased by 28 percent and totalled 69.5 thousand metric tonnes, while purchases made by the four licensed companies operating in the zones, declined by 4 percent. However, exports by all the companies grew strongly in 2006, with an annual increase of 42 percent in MIFCO exports and a 41 percent growth in exports of the other four private sector companies.

Fish exports (excluding live fish) which have maintained a steady growth since 2001 increased robustly during the year. On annual terms, fish exports (excluding live fish) rose by 36 percent to register 111.4 metric tonnes at the end of the year, while value of such exports increased by 33 percent. In absolute terms, this is an increase of US\$32.2 million - from US\$96.6 million at end-2005 to US\$128.8 million at the end of 2006. *(For a more detailed analysis on composition of fish exports please refer to the External Sector)*

2.3 Construction

Construction activities continued to be strong fuelled by the housing sector boom in Male', public sector infrastructure projects, ongoing tsunami reconstruction activities and massive expansion in tourism sector investment. The sector registered a 21 percent growth in 2006 following a growth of 15 percent in the previous year. Nonetheless, the sector faces substantial capacity constraints and the output of the sector is expected to be potential.

The construction sector is highly dependent on imports and expatriate workers, and these are some of the leading indicators of the development of the sector. Construction related imports accounted for 13 percent of imports into the country and grew by 5 percent in 2006, following a substantial growth of 35 percent in the previous year. As regards the number of expatriate workers engaged in the construction sector, they increased by 30 percent during the year. Moreover, according to statistics from the Ministry of Construction and Public Infrastructure the total number of buildings authorised for construction also increased during the year from 513 in the previous year to 593 in 2006.

Finance for construction activities comes from various sources. Housing development is mainly financed by the commercial banks in the country and such finance registered an annual increase of 69 percent in 2006. As regards the tourism sector, financing comes both from local commercial banks and external sources. Total credit extended to the tourism sector by commercial banks, which is largely towards resort construction and refurbishment, has experienced significantly high growth rates in the past three years, registering a growth of 41 percent in 2006. Public sector infrastructure projects and tsunami related construction activities are mainly financed from grant assistance and concessional loans from donor agencies. However, some of the public sector projects have also been financed from private supplier's credit and through borrowings from international financial market.

2.4 Agriculture

Due to the subsistence nature of agriculture in the country agricultural activities may not be captured accurately, and hence under represented in the country's national accounts, which has remained at 2.5 percent of GDP over the past five years. Nonetheless, agriculture remains important to the economy as it provides a source of income and employment especially to women living in island communities—63 percent of total agricultural sector employment is women living in outer islands. Agricultural production in the country has often been constrained by scarce arable land, the dispersed nature of islands—high and increasing transportation costs—and the size of market with respect to achieving scale economies. Moreover, lack of technical know-how and labour shortages especially skilled labour in performing agriculture on a commercial scale are also some of the problems

that have been identified in development of the sector. Nevertheless, potential for commercial cultivation is now being recognized due to growing domestic demand especially from tourism sector for fresh vegetables and fruits. For example during 2006 tourism sector imported Rf38.6 million worth of fruits and vegetables ranging from bananas, watermelons, mangoes, chillies, pumpkins, tomatoes, cucumbers and papayas most of which are some of the cash crops grown in the country.

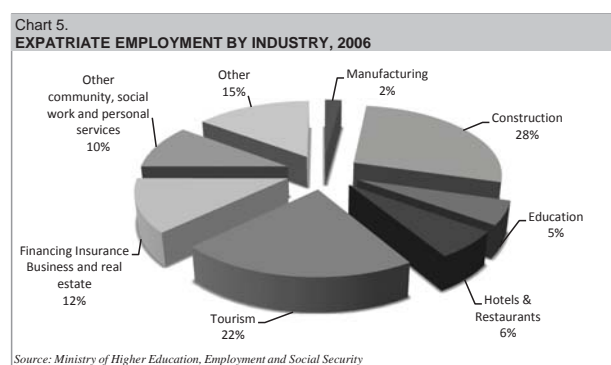
The 2004 tsunami caused severe damages to the sector (estimated at US\$11 million) including loss of farming equipment, damages to arable soil and agricultural infrastructure, and the recovery from this is expected to be long lasting. The sector grew by just 0.3 percent in 2006 following a decline of 0.5 percent in 2005. The supply of agricultural products to the Male' market fell in 2006 and the total income received from these products which totalled Rf87.3 million during the year was 18 percent lower than the previous year. Meanwhile with the sectors' rehabilitation activities in progress, credit extended to the sector increased from about Rf14.0 million in 2005 to reach Rf17.2 million at the end of 2006.

2.5 Distribution

The distribution sector constituting mainly of wholesale and retail trade has close linkages to key sectors of the economy, namely tourism and construction, and plays a vital role in the domestic economy. Driven by the strong economy during the year the sector performed robustly as value added to the sector rose by 6.3 percent compared to an average growth of 3.2 percent in the past five years. Leading indicators of the sector include private imports (excluding tourism related imports)⁵ and commercial bank credit to the sector. Of this private imports (excluding tourism related imports) expanded by a substantial 24 percent compared to the previous year and totalled US\$423.4 million at the end of the year. Meanwhile credit extended to the sector by the commercial banks registered a significant growth of 64 percent or Rf648.0 million and reached Rf1,655.4 million at the end of 2006.

2.6 Employment

According to Population and Housing Census of 2006 the total labour force of the country is reported to be 128,836, an increase of 46 percent compared to Census 2000 while the labour force partici-



ipation rate increased from 55 percent to 63 percent. However during the period the rate of unemployment increased significantly from just 2 percent six years ago to 14 percent in 2006 mostly due to the increase in voluntary unemployment⁶. The main reason for the high level of voluntary unemployment is due to majority of the unemployed being reluctant to take employment in low or unskilled jobs, despite the lack of qualification and skills for skilled jobs.

Whilst there has been some improvement recently in the availability of local skilled workers owing to the increasing number of graduates entering the labour force each year, there still appears to be a considerable lack of adequate skilled workers in the economy as labour shortages can be found in various technical and professional occupations. Hence in spite of the increase in the labour force and the increase in the number of school leav-

5/ Sectoral breakdowns are made on the basis of Customs records, which are in turn based on declarations by the importer. Therefore, for example, if tourist resorts obtain supplies domestically from other private sector sources or from public enterprises, the imports of these items would have been classified in 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

6/ Voluntary unemployment accounts for 76 percent of the total unemployment with majority of the unemployed in the age group 15-29 years.

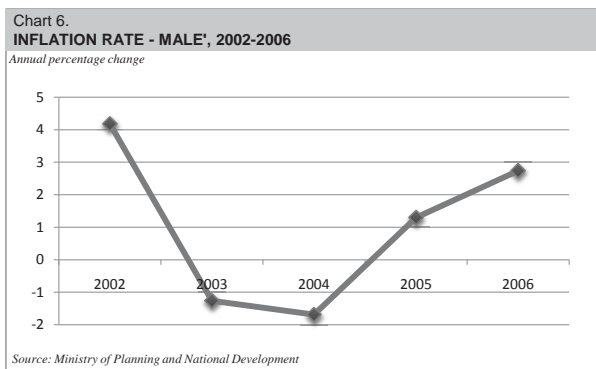
ers and graduates, the country is unable to meet the growing demand for both skilled and unskilled workers which has led to a huge increase in the expatriate labour force—mostly engaged in elementary occupations—especially, since there is an abundant supply of cheap unskilled labour available in neighbouring countries like India, Bangladesh and Sri Lanka.

Driven mainly by buoyant construction activities throughout the country the expatriate labour force expanded substantially by 20 percent or by 8,062 workers during 2006 and reached 49,144 workers at the end of the year. The bulk of expatriate workers were engaged in construction (27 percent), tourism (22 percent) and business related activities (12 percent). Of the annual increase, 46 percent was on account of the increase in expatriates in the construction sector while other community, social work and personal services; business activities; and tourism accounted for 21, 12 and 11 percent, of the annual increase, respectively. The large expatriate workforce is a drain on the foreign exchange earnings of the country, as transfers made by them is estimated to be substantial, amounting to 9 percent of GDP and US\$83.2 million in 2006.

Government being the single largest employer in the economy— accounting for about 24 percent of total employment—employed 33,997 workers⁷ in 2006 which is a slight decline of 0.1 percent over 2005 mainly due to the 49 percent (2,709 workers) decline in temporary employees. However during the year the number of permanent workers in the government increased by 9 percent or by 2,673 and totalled 31,157 at the end of 2006. Of the total public sector employment, the majority of workers were employed as service providers (45 percent) followed by 29 percent in education sector and 15 percent in the health sector.

2.7 Inflation

Due to the small size and openness of the Maldivian economy and the country's excessive reliance on imported goods domestic price movements are largely influenced by international price developments. Although inflation remained subdued, the average annual consumer price inflation⁸ (as measured by the changes in the 12 month moving



average of Consumer Price Index or CPI) which registered 1.3 percent at the end of 2005 rose to 2.7 percent at the end of 2006 mainly influenced by higher prices of food, housing rent and health care.

Food prices—which is also the most heavily weighted component in the CPI basket—was the largest contributor to CPI during 2006 and grew by 4.0 percent as prices of most imported food items such as fruits, vegetables, egg, meat

and dairy products rose reflecting higher global food prices. This is expected to be due to adverse weather conditions in major producing countries and higher global demand led by the expansion of regional economies namely China and India

In 2006 housing, water, electricity, gas and other fuels group became the second largest contributor to CPI followed by health care prices which registered a substantial increase of 12.2 percent as hospitals raised the charges of various health care services including doctor's consultation fees and fees of various tests and other outpatient services. In the housing group, prices rose mainly on account hous-

7/ This includes government posts in state owned enterprises.

8/ Given that all major financial transactions takes place in Male', CPI Male'—which is given a weight of 48.90 in the national CPI — has been taken as the measure of inflation as this will largely reflect the overall consumer price situation in the country.

ing rent which registered a marked increase of 4.9 percent owing to strong housing demand in Male'.

Meanwhile compared to the previous year the impact of transport prices on total CPI was a bit modest and grew by a notable 4.9 percent though less than 2005 mainly due to base effects and the easing of international oil prices since August 2006. Transport prices rose reflecting higher oil prices and were mainly driven by domestic air fare (5.9 percent growth) and the rise in retail prices of domestic petroleum products which increased the cost of petrol (25.8 percent) and domestic sea fare (12.0 percent).

On the other hand falling telecommunication tariffs with the increased competition in the mobile phone service sector⁹ led the communication index down to 7.7 percent which dampened the overall CPI growth by 0.3 points.

3. Public Finance

The fiscal deficit, according to provisional estimates, narrowed from 11 percent in 2005 to 7 percent of GDP in 2006, underpinned by the favourable developments in government revenue. This reflects

Table 3.
SUMMARY OF GOVERNMENT FINANCE, 2003 - 2006
Annual percentage change

	2003	2004	2005	2006 <i>Prv.Est.</i>
Total revenue and grants	13.7	10.9	34.7	58.2
Total revenue	14.8	13.1	13.0	37.4
Tax	16.2	29.8	4.6	38.3
Nontax	12.2	0.9	20.6	37.3
Grants ^{1/}	-6.7	-41.0	1,031.1	154.1
Expenditure and net lending	8.7	5.7	57.9	44.0
Current expenditure	11.2	18.9	66.5	41.8
Capital expenditure	17.6	-17.8	14.2	44.1
Net lending ^{2/}	799.5	20.0	-40.1	-39.9
Overall deficit	-25.4	-47.4	561.6	-19.0
Foreign financing	12.6	-3.7	-41.8	164.7
Domestic financing	-496.3	106.7	-429.4	-72.4

1/ Includes grants-in-kind and cash but excludes direct expenditure by donors.

2/ Comprises development expenditure financed from domestic sources and by foreign grants.

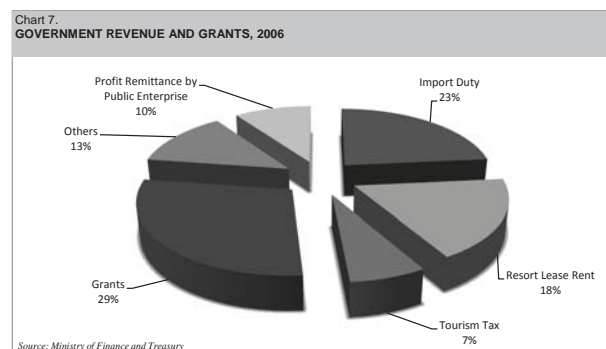
Source: Ministry of Finance and Treasury

the strong growth in the economy during 2006, especially in the tourism and constructions sectors, in addition to the lump sum advance lease payments received from the newly leased resorts during the year, which provided a massive boost to the government revenue.

During 2006, total revenue (including grants) increased to Rf7,298.7 million from Rf4,612.9 million in 2005. This reflects a growth of 58 percent and of which half of the growth came from the increase in grant assistance from donor countries following the tsunami disaster.

Total tax revenue increased from Rf1,722.8 million in 2005 to Rf2,382.8 million in 2006, registering a growth of 38 percent during the period. Import duty receipts, the largest contributor to tax revenue (72 percent of the tax revenue) increased from Rf1,245.7 million in 2005 to Rf1,712.9 million in 2006 - a growth of 38 percent. The second largest contributor to tax revenue is tourism tax (21 percent of total) and such revenue increased from Rf345.0 million in 2005 to Rf506.6 million in 2006 reflecting the recovery in the tourism industry after the 2004 tsunami. In terms of growth, this reflected an increase of 47 percent compared to a decline 16 percent in 2005. Meanwhile, receipts from non-tax revenue increased from Rf2,030.5 million in 2005 to Rf2,788.8 million in 2006, accelerating from 21 percent growth in 2005 to 37 percent growth in the review year. This was mainly due to the lump sum advance lease payments (48

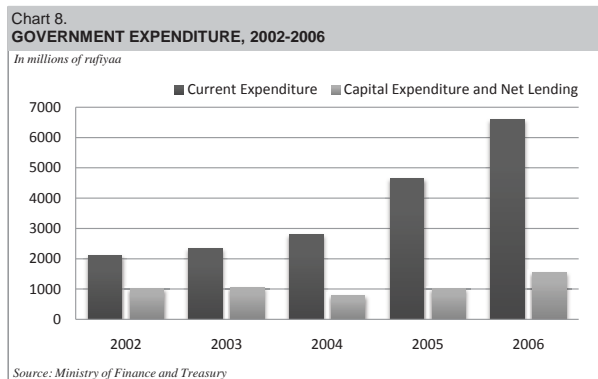
tax revenue) increased from Rf1,245.7 million in 2005 to Rf1,712.9 million in 2006 - a growth of 38 percent. The second largest contributor to tax revenue is tourism tax (21 percent of total) and such



^{9/} In 2005 Wataniya Telecom Maldives Pvt Ltd was issued license as the second Mobile Phone Operator in the country bringing in competition to the sector which resulted in various promotions and major price reductions of telecommunication services provided across the country.

percent of non tax revenue) received from the new resorts that were released during 2006 and also due to the increase in profit transfers (26 percent) from public enterprises. During 2006, resort lease rent increased by Rf761.4 million while profit transfers grew by Rf103.5 million. The increase in profit transfers were mainly on account of the rise in the transfers from MMA, Dhiraagu, Maldives Inflight Catering Services and Maldives Airports Company Limited in relation to 2005.

Total expenditure and net lending increased by 44 percent to a record figure of Rf8,144.4 million in 2006, with 57 percent of total expenditure and net lending being spent on social services, 30 percent on public services and 11 percent on economic services. Spending on social services registered



an increase of Rf1,670.0 million during 2006 with Rf1,445.7 million spent on community programmes, while expenditure on public and economic services grew by Rf466.8 million and Rf249.7 million, respectively. Current expenditure (accounting for 81 percent of total expenditure and net lending) increased from Rf4,643.3 million in 2005 to Rf6,584.0 million in 2006 recording a 42 percent growth in 2006 following a 67 percent growth in 2005. Of current expenditure, salaries and wages accounted for 18 percent and increased by Rf204.6 million in

2006. Interest payments, after increasing by Rf16.3 million in the 2005, grew by Rf53.3 million during the year. Meanwhile, growth in capital expenditure also accelerated from 14 percent growth in the previous year to 44 percent growth in 2006. In absolute terms, such expenditure grew from Rf1,132.1 million in 2005 to Rf1,631.2 million in 2006.

The fiscal deficit of Rf845.7 million in 2006, was largely financed from foreign sources and a little over a quarter financed by domestic borrowing. This was in contrast to 2005, where 78 percent of the deficit was financed through borrowings from MMA.

4. Financial Sector

4.1 Structure of the financial sector

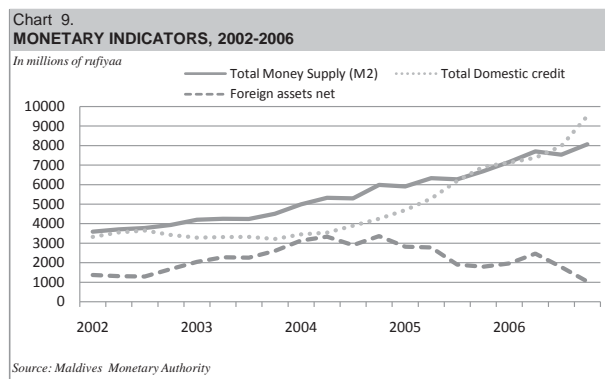
The financial sector of Maldives consists of the Maldives Monetary Authority (MMA), five commercial banks and several non-bank financial institutions. Although the activities of non-bank financial institutions have been rapidly growing in recent year, commercial banks continue to dominate the financial sector. The MMA, established in 1981, undertakes the role of a central bank with the principal functions of issuing currency, licensing, supervising and regulating commercial bank operations. It also undertakes banking activities on behalf of the Government, provides domestic financing for Government operations and manages the country's international reserves and the exchange rate.

Bank of Maldives Plc. (BML), State Bank of India (SBI), Bank of Ceylon (BOC), Habib Bank (HBL) and Hong Kong and Shanghai Banking Corporation (HSBC) are the five commercial banks operating in the Maldives. Other than BML, all the other banks are foreign banks. BML is the only domestic bank and it is jointly owned by the government (51 percent), general public (25 percent), Government Employees' Provident Fund (9 percent), State Trading Organisation Plc. (STO), Maldives Transport and Contracting Company Plc (MTCC) and Island Communities (5 percent each). By the end of 2006, BML has opened 20 branches with seven branches located in Male' atoll and the remaining branches in highly populated islands throughout the country. With the objective of providing banking services to the highly dispersed population BML operates five mobile banking units and carries out development banking activities whereby credit is extended to private sector for various income generating activities.

Non-banking institutions consists of Housing Development Finance Corporation (HDFC), Maldives Finance Leasing Company (MFLC), two general insurance companies; namely Allied Insurance Company and Ceylon Insurance Company, four insurance agents, two insurance brokers and several micro-finance schemes carried out by government departments and donor agencies.

4.2 Monetary Policy and Monetary Developments

During the year 2006, monetary policy was aimed at achieving price stability and maintaining exchange rate stability, which would foster balanced and sustainable economic growth. In order to



achieve these objectives MMA maintains an exchange rate peg with the US dollar as an intermediate target and is gradually moving towards market-based instruments of monetary policy by replacing direct instruments that have been in place. The main instruments used to achieve these targets are Minimum Reserve Requirement (MRR), MMA Certificates of Deposits (CDs) replaced with Treasury Bills (T-bills) in September 2006, re-purchasing or Repo Facility replaced with Lombard facility and Rediscount facilities.

On 1st June 2006 MMA lowered the MRR from 30 percent to 25 percent, to facilitate the commercial banks to lower their cost of funding and dampen the upward pressure on interest rates. In order to move towards market financing of government deficit, MMA started issuing T-Bills in September 2006 on behalf of the government, replacing the MMA CDs. The T-bills which were open to commercial banks and public enterprises offered two maturities: one month with 5 percent interest rate and three months with 5.25 percent interest rate. At the same time the Lombard facility or short term liquidity to commercial banks was replaced with Re-purchase facilities with effect from 23 November 2006 at 12 percent interest rate. With effect from the same date a new facility called Re-discount facilities was introduced with the intention of providing a secondary market for T-bills, as well as to encourage investing in T-bills.

Developments in the monetary aggregates were robust during 2006. The economy achieved a remarkable recovery from the downturn of the 2004 tsunami. Throughout the year, economic activities were buoyant and hence demand was high for credit from the private sector as well as the public sector. However, net credit to government from MMA decreased at a remarkable rate. This decline largely reflected the introduction of T-bills during the later half of the year, which provided a more market based means of financing the government deficit. The credit extended to private sector by the commercial banks reached a record high level at the end of the year. Such expansion of credit increased the foreign liabilities of commercial banks significantly as they borrowed funds from their head office to lend in the domestic market, which led to a deterioration of the net foreign assets of commercial banks during the year.

4.2.1 Monetary Aggregates

With regards to total liquidity of banking system, broad money or M2 accelerated by 21 percent following a 12 percent improvement at the end of 2005. This was largely attributed to the high growth of quasi money which comprised 54 percent of M2. The favourable growth of quasi money reflected the expansion of demand deposit denominated in foreign currency as the country enjoyed an exceptionally good tourism season. Narrow money or M1 followed a similar growth as in 2005 with a 22 percent growth. The increase in narrow money mirrors the strong growth in the domestic economy

Table 4.
MONETARY AGGREGATES, 2005 - 2006
Year-on-year percentage change

	2005	2006			
		Mar	Jun	Sep	Dec
Net foreign assets	-46.8	-30.4	-11.1	-7.0	-42.3
Domestic assets (net)	86.8	68.3	47.5	32.1	43.6
Domestic credit	62.8	52.1	39.8	28.9	37.6
Claims on Govt (net)	108.9	53.7	53.3	-33.7	-21.8
Claims on public enterprises	97.5	69.4	2.5	-5.3	19.8
Claims on private sector	54.5	50.7	40.5	43.8	49.5
Other items (net)	24.0	21.0	24.0	21.4	23.0
Total liquidity (M2)	11.7	21.2	21.7	20.2	20.6
Money supply (M1)	22.5	25.7	24.0	20.8	22.2
o/w Currency outside banks	15.8	12.3	17.8	15.0	20.9
Quasi money	4.1	17.5	19.8	19.6	19.3
o/w. Foreign currency deposits	2.9	17.2	16.3	18.6	17.2

Source: Maldives Monetary Authority

growth in the previous year. Time and savings deposits grew by 19 percent whilst foreign currency deposits grew by 9 percent at the end of 2006.

4.2.2 Monetary Base

Table 5.
MONETARY BASE, 2005 - 2006
In millions of rufiyaa

	2005	2006			
		Mar	Jun	Sep	Dec
Currency in issue	947.2	975.9	1,049.2	1,094.4	1,160.7
Bank deposits with MMA	1,867.3	2,140.4	2,087.0	2,003.6	2,209.8
PNFEs deposits with MMA	68.5	79.1	94.3	67.0	53.0
MONETARY BASE (M0)	2,882.9	3,195.4	3,230.4	3,165.1	3,423.6
Maldives Monetary Authority Assets	4,222.4	4,889.1	5,329.8	5,329.2	4,810.5
Foreign assets	2,394.9	2,550.3	2,734.4	3,115.2	2,972.8
Claims on Government	1,617.7	2,113.4	2,377.1	1,987.1	1,604.3
Other assets	209.8	225.4	218.2	226.9	233.4
<i>Less</i>					
Remaining liabilities	1,339.5	1,693.7	2,099.4	2,164.1	1,387.0
Foreign liabilities	91.4	91.4	91.4	91.4	91.4
Government deposits	174.4	509.7	544.6	733.4	504.4
Capital accounts	349.4	201.4	254.1	306.6	180.3
MMA certificates of deposits	313.5	517.4	852.9	671.9	0.0
Other liabilities	410.8	373.7	356.3	360.7	611.0

Source: Maldives Monetary Authority

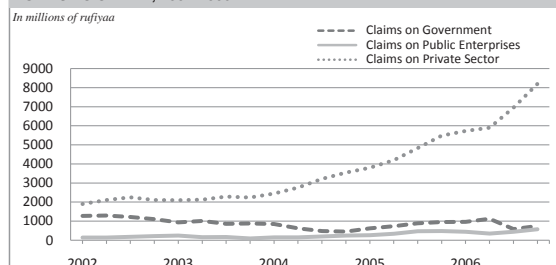
4.2.3 Counterparts of Monetary Growth

NFA of the banking system continued to fall in 2006, registering a decline of 42 percent at the end of the year. The decline is mainly due to the deterioration in NFA of the commercial banks as a result of large increase in foreign liabilities (143 percent) coupled with a slow growth (by 44 percent) in foreign assets. The expansion in foreign liabilities largely reflects the progressive borrowings made by the foreign banks operating in the Maldives from their head offices to facilitate more lending for the domestic economy. However, during 2006 the NFA of MMA accelerated by 25 percent after following a 12 percent decline in 2005. This growth is due to the 24 percent improvement of foreign assets compared to the 8 percent decrease in 2005.

Total credit to the domestic economy expanded at a record level due to the heightening of economic activities in the country during 2006. Total domestic credit increased from Rf6,911.4 million in 2005 to Rf9,509.1 million at the end of December 2006, registering a growth of 38 percent, after a 63 percent growth in the previous year. The strong growth in domestic credit was mainly attributed to the rapid growth in credit extended to private sector which grew by 49 percent. Such credit was mainly

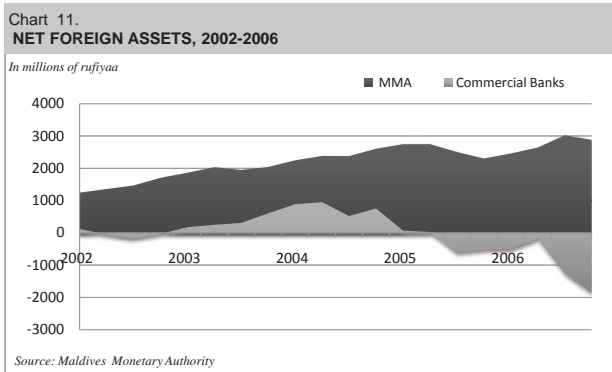
led by the unprecedented growth in the tourism sector. Of the components of M1, demand deposit registered a 25 percent increase and currency in circulation a 21 percent growth. Quasi money (comprising mainly time and savings deposits and foreign currency deposits) grew by 19 percent following just a 4 percent

Chart 10.
DOMESTIC CREDIT, 2002-2006
In millions of rufiyaa



Source: Maldives Monetary Authority

The monetary base (M0) registered a significant growth of 19 percent after a 5 percent growth in 2005. The growth is mainly attributed to the rapid growth of bank deposits with MMA (comprising 65 percent of M0) which picked up by 18 percent after a slow growth of 3 percent in 2005. This reflects the expansion in the deposit base of the commercial banks given the boost in economic conditions in the country. Furthermore, currency in circulation increased by 21 percent, an acceleration from the 16 percent registered in the previous year.

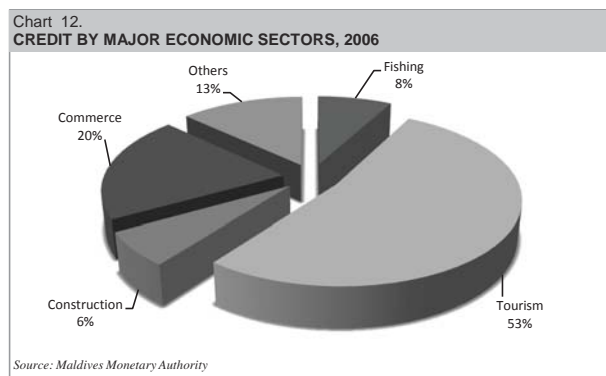


directed towards the tourism and commerce sectors. Meanwhile, credit extended to public enterprises, accounting for 6 percent of total domestic credit, slowed down to a growth of 20 percent from a growth of 97 percent during 2005. Given the improved fiscal conditions and more market financing of the deficit, credit extended to the government declined significantly by 22 percent compared to the increase of 109 percent in 2005.

4.3 Operations of the Commercial Banks

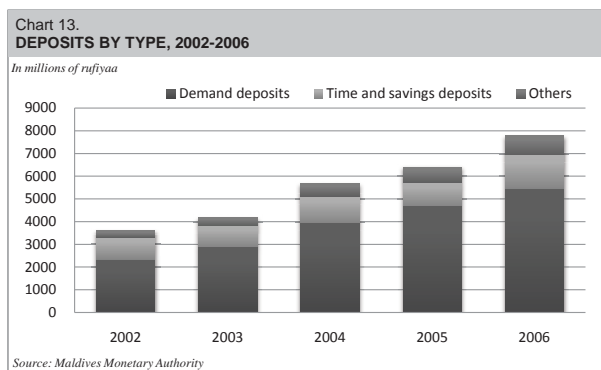
The consolidated balance sheets of the five commercial banks operating in the country showed a 41 percent improvement in total assets and liabilities in 2006 following a 27 percent growth in the previous year. Reserves, comprising of 19 percent of the total assets, totalled Rf2433.7 million at the end of 2006 and registered a growth of 12 percent. Commercial banks' investment in securities declined by 74 percent on account of the cease in MMA CDs with the introduction of T-bills, as the funds moved to T-bills which are classified as claims on government. At the same time, balances with MMA (includes Minimum Reserve Requirement and Excess Reserves) which accounts for 93 percent of total reserves, increased by 26 percent after registering a 3 percent growth in 2005.

After a significant decline in 2005, foreign assets grew by 44 percent to reach Rf871.2million at the end of December 2006, still lower than the level recorded in 2004. As regards the claims on the government, it has increased rapidly in 2006 owing to the purchase of T-bills by commercial banks with its introduction in September. At the same time, private sector credit (64 percent of the total assets) totalled Rf8,191.6 million, registering an increase of 49 percent.



As in the past years, credit extended by the commercial banks to the private sector was mostly concentrated on tourism sector and commerce sector, together accounting for 73 percent of the total credit portfolio. Tourism sector holds over 50 percent of the commercial banks loan portfolio, and the credit to the sector increased by 41 percent during 2006. Likewise, credit to commerce accounting for 20 percent increased by 64 percent, while construction sector accounting for 6 percent

increased by 78 percent. Credit extended to the fisheries sector accounted for 8 percent of the total credit and registered an 81 percent growth in 2006 with the increasing investment opportunities in the sector.



With regard to the liabilities of commercial banks, about 61 percent of the liabilities comprise of deposits. Such deposits totalled Rf7,785.9 million at the end of 2006 – an increase of 22 percent from the previous year. Of the total deposits, foreign currency deposits comprise of 55 percent and registered a significant growth of 16 percent in 2006 after a growth of 5 percent in 2005. This reflects the robust performance of the tourism sector – the

main source of foreign exchange earnings. At the same time, local currency deposits also expanded by 29 percent after a 24 percent growth in 2005. In terms of deposits by type, demand deposits continue to hold the bulk of the total deposits with 70 percent, whilst time and saving deposits accounted for 19 percent. Demand deposits grew by 16 percent, a slight deceleration from the 19 percent growth in 2005. On the other hand, time deposits increased by 43 percent after a 12 percent decline in the previous year.

4.4 Non-Bank Financial Activities

Non-banking financial institutions in the country comprises of insurance companies, insurance brokers and agents, a leasing company, a housing finance institution and financial auxiliary involved in the transfer of money.

In the year 2006, insurance sector consisted of two general insurance companies, namely Allied Insurance Company of the Maldives Plc. Ltd. and a branch of Sri Lanka Insurance Corporation. The high demand for insurance attracted several regional insurance brokers and agents into the country, such as Ceylinco Insurance Company, Eagle Insurance and Amana Thakaful Pvt. of Sri Lanka.

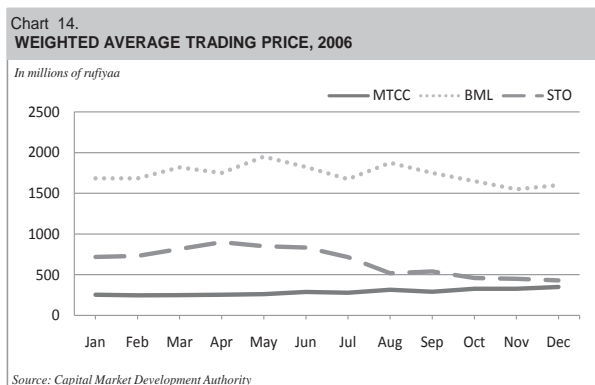
The MFLC continued to cater for the high credit demand in the economy by providing medium term finance. At the end of 2006, the total outstanding leases totalled Rf226.9 million, which is 62 percent higher than at the end of the previous year. The majority of the leasing finance is held by the transportation sector with 51 percent, followed by fisheries with 43 percent, and tourism and construction sector each with 2 percent.

The HDFC formed with the objective of providing the much needed long-term finance for the development of residential and commercial housing market started its operations in March 2004. HDFC finances up to 80 percent of the funds required for a project. At the end of 2006, the company had an outstanding loan portfolio of Rf197.7 million, which is a 15 percent increase from the previous year.

4.5 Capital Market

Capital market activities in the country are progressing with good prospects for the future. During 2006, there were 4 companies listed on the Securities Trading Floor (STF), namely Maldives Transport and Contracting Company Plc. (MTCC), BML, STO and HDFC. However, HDFC which was listed on 21 February 2006 have not issued any shares yet.

During the year 2006, the trading turnover was Rf1.5 million, which was 47 percent lower than the previous year. Of this, BML accounted for 45 percent of the trading turnover, closely followed by STO with 43 percent, whilst MTCC accounted for 12 percent. The average daily trading turnover totalled Rf5,948 during the year, a massive fall of 47 percent from a year ago. This slowdown may be attributable to the initial share issuance of the newly established company, Maldives Tourism Development Corporation (MTDC), as investors began diverting their investments to shares of this company.



Consequently, the total volume of shares traded during the year lowered to 1,952 shares during 2006 as against 3,722 shares in the previous year, depicting an annual decline of 48 percent. Of the total shares traded, 934 shares or 48 percent were shares of STO, 638 shares or 33 percent were MTCC's and the remaining 380 shares or 19 percent were BML's.

In terms of weighted average traded price (WATP), both MTCC and BML showed improvements, with WATP of BML increasing from Rf1,417 in 2005 to Rf1,732 in 2006. Similarly, MTCC's WATP increased from Rf253 to Rf267 during the period. In contrast, market capitalisation declined sharply by 31 per cent in 2006, due to the 44 per cent decline in market capitalisation by STO, who holds 63 per cent of the total. In contrast, market capitalisation by BML and MTCC increased by 3 per cent and 40 per cent, respectively.

5. Balance of Payments

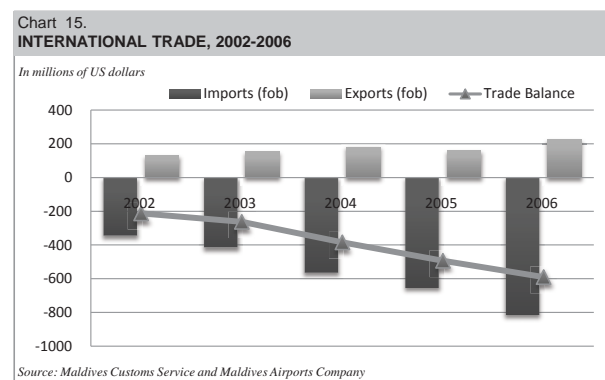
5.1 Current Account

The current account deficit deteriorated further by 37 per cent during 2006, with the deficit amounting to US\$369.2 million (40 per cent of GDP). The deterioration in the current account deficit reflects the sharp increase in the merchandise trade deficit, despite the significant surpluses registered in the service account and the transfers account during the year.

5.2 Merchandise Trade

The merchandise trade balance deteriorated drastically during 2006 to record a trade deficit of US\$590.1 million compared to US\$493.8 million in 2005. Although exports grew rapidly, imports also surged mainly to due the strong economy supported by the boost in both tourism and the construction industry, both highly import dependent sectors. The higher international oil prices also inflated the value of imports during the year.

Total merchandise exports rose from US\$161.6 million in 2005 to US\$225.2 million in 2006, reflecting an overall growth of around 39 per cent. Of the total, domestic exports (60 per cent of total exports) registered US\$135.1 million during 2006 to record a 31 per cent increase compared to a 15 per cent decline in 2005. The decline in 2005 was mainly due to the cease of garment exports after the expiration of the Multi Fibre Agreement at the end of 2004. Consequently, marine exports dominated domestic exports (99 per cent) and such export earnings increased by 31 per cent during the year. Of



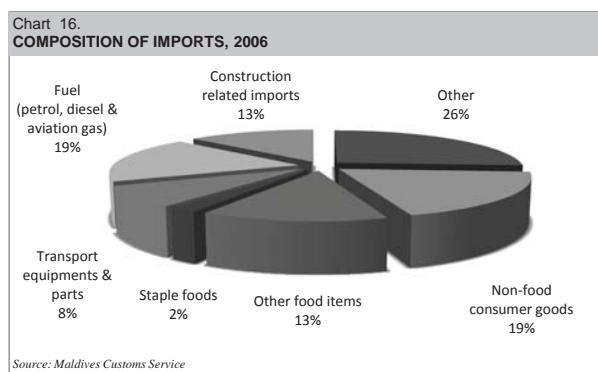
the marine exports, fish export earnings (excluding live fish) accounted for 97 per cent and increased by 33 per cent (US\$32.2 million) to record US\$128.8 million, with the volume of fish exports rising by 29.2 thousand metric tonnes, an increase of 36 per cent.

In terms of composition, fresh, chilled or frozen tuna constituted 78 per cent; while canned fish constituted 9 per cent and dried fish constituted 10 per cent of the total fish exports. A significant rise was witnessed in both earnings and volume of frozen tuna with earnings increasing by 52 per cent totalling US\$100.9 million and the volume increasing by 49 per cent. This indicated a unit price increase of 2 per cent, with the average price edging up from US\$1,029.5 in 2005 to US\$1,049.1 in 2006. In contrast, canned fish earnings declined by 25 per cent in 2006 to register US\$11.4 million, with the quantity exported also falling by 35 per cent. This decline was partly due to the closing of the MIFCO fishery canary for renovation for about a month during 2006. Nevertheless, the unit value of canned fish exports witnessed a significant increase of around 15 per cent in 2006. Meanwhile, earnings from dried fish registered a value of US\$12.7 million in 2006, which indicated a rise of 10 per cent while the volume increased by just 2 per cent; equivalent to an increase of 0.1 thousand metric tonnes. This indicated an increase of unit value of over 8 per cent compared to 2005.

With the tourism industry booming and on account of the sharp increase in energy prices during 2006, re-exports also increased significantly by 55 percent following the large increase in the value of jet-fuel re-exports during the year. Jet-fuel constituted 90 percent of re-exports and its earnings increased by 65 percent while other re-exports remained more or less the same as in 2005.

Total merchandise imports (c.i.f.) stood at US\$926.5 million in 2006 registering a growth of 24 percent compared to a 16 percent increase in 2005. During 2006, imports from all sectors of the economy increased significantly, of which more than 46 percent of goods were imported by the private sector (excluding tourism). Such imports increased by 24 percent to register US\$423.4 million during the year. The increase was mainly due to the large increase in food items, diesel and transport equipment and parts. Tourism related imports constituted 21 percent of total imports in value terms, and also increased by 21 percent totalling US\$194.1 million during the year. Public sector imports meanwhile registered a growth of 27 percent totalling US\$309.0 million. Of the public sector imports, the value of imports by public enterprise (27 percent of total imports) increased by 30 percent to register US\$247.0 million. A key contributor to this growth was the increase in expenditure on petroleum products, in particular, diesel, while consumer goods and intermediate and capital goods also contributed to a lesser extent. Meanwhile, imports by the Government (7 percent of total imports) increased by 17 percent to register US\$62.0 million during the year, largely on account of higher consumer and intermediate and capital imports.

In terms of composition of total imports, imports of consumer goods grew by 28 percent and represented 34 percent of total imports. Food items constituted the highest proportion of import expenditure on consumer goods, registering 44 percent, with imports of staples (rice, wheat flour and sugar) accounting for 14 percent of food items. Petroleum products comprised 20 percent of total imports and increased significantly by 57 percent in 2006. Diesel (marine gas oil) comprised 80 percent of the petroleum products and the growth of 60 percent on diesel imports, reflects both the high international prices and the growing demand for transportation. Meanwhile, intermediate and capital goods comprised 46 percent of total imports, with construction related goods and transport equipments and parts representing 28 percent and 18 percent, respectively, of intermediate and capital goods.



With regard to the direction of trade, the majority of the country's exports go to Asian countries (68 percent), followed by EU (25 percent). From the Asian countries Thailand accounts for the largest share of exports accounting for 26 percent of total exports and 38 percent of Asian exports with mostly frozen tuna exported. Exports to Sri Lanka accounts for 13 percent of total exports and this constitute mainly of dried fish. Japan takes up about 15 percent of exports, mainly fresh, chilled or frozen tuna.

Patterns in the direction of imports were similar to that in 2005, with Asian countries receiving over 61 percent of total imports. The SAARC region represented 16 percent of total imports while the Middle East accounted for 22 percent and Europe constituted 9 percent of total imports. In terms of bilateral countries, imports from Singapore accounted for 24 percent followed by UAE accounting for 21 percent, India 9 percent and Sri Lanka, 6 percent.

5.3 Services, Income and Transfers

The services account of the balance of payments registered a 102 percent growth from 2005 on account of the robust performance in the tourism sector during the year and the associated impact on travel receipts. As a result, a surplus of US\$240.1 million was recorded in the services account in 2006 as opposed to a surplus of US\$118.8 million in 2005. On the receipts side, income from travel, which usually accounts for around 91 percent of total service receipts, recorded US\$433.7 million during the year, reflecting a growth of around 51 percent. This was in contrast to the 39 percent decline witnessed in 2005. Moreover, receipts from transportation (accounted for around 6 percent of total receipts) registered an increase of US\$4.0 million or 18 percent growth, largely attributed to the increase in service charges due to surge in the flight movements as a result of the robust tourism sector.

On the payments side, travel payments and passenger service payments increased in line with the increased travel abroad by residents. Payments on account of freight and insurance grew on account of the high level of imports during the year. Reflecting these factors, total service payments increased by 14 percent during the year recording US\$233.4 million.

Meanwhile, income flows increased by US\$4.2 million or 38 percent during the year compared to 2005. This was due to the increase in interest income of MMA. Payments in the income account also increased during the year by US\$14.5 million or 35 percent. This surge was mainly on account of the rise in investment income, in particular profit remittances from commercial banks and tourism sector, and reinvested earnings. As a result the deficit in the net income account deteriorated further by US\$10.3 million in 2006.

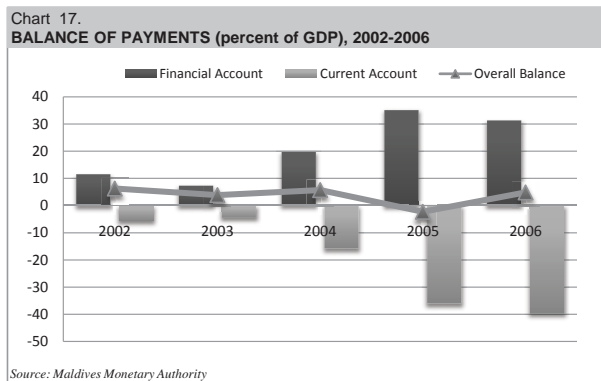
The surplus in current transfers account declined from US\$136.2 million in 2005 to US\$22.2 million in 2006. The fall in 2006 was partly on account of the deceleration in the grant aid received in 2006 which stood at US\$105.3 million compared to US\$205.7 million in 2005. However, it should be noted that grants received before 2005 was on a declining trend and was recorded at US\$7.6 million in 2004 before the Asian tsunami of 2004. In addition, transfers receipts for 2005 also include US\$70.7 million received as insurance claims for the tsunami damaged resorts. In terms of bilateral grants during 2006, Japan continued to be the largest donor, accounting for 24 percent of the total bilateral grants and 12 percent of the total grants received by the country. UNDP contributed to 20 percent of the multilateral grants and 10 percent of the total grants. Meanwhile, outflows increased significantly with the increase in the number of expatriates in to the country in 2006. As such, remittances out of the country by such workers increased from US\$69.5 million in 2005 to US\$83.2 million in 2006.

5.4 Capital and the Financial Accounts

The financial account comprises of direct investment, portfolio investment and other investment. Currently, there is no data available on portfolio investment and direct investment covers only reinvested earnings which are estimates based on tourism bednight growth rates and hence, this may not reflect the actual number.

During 2006, financial account witnessed an inflow of US\$387.2 million rising from US\$262.9 million in 2005 reflecting an annual increase of 47 percent. This increase was on account of a huge net surplus of US\$276.6 million related to financial flows from other investment. The largest contributor under other investments flows related to financial assets is private inflows which increased by 72 percent to record a US\$223.6 million in 2006 compared to US\$130.0 million in 2005. This increase largely reflected the developments in the tourism industry.

On the liabilities side of other investment, which mostly captures loans of government and commercial banks also grew during the year largely reflecting the increase in commercial bank liabilities.



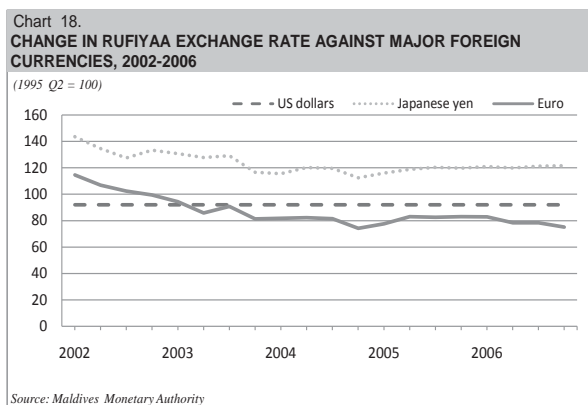
Such liabilities grew significantly from US\$67.2 million in 2005 to US\$125.2 million during 2006 as they borrowed from their head offices abroad to cater for the high demand for credit especially from the tourism and construction sectors. Meanwhile, net official capital inflows also increased during 2006 by 113 percent as official loan disbursements rose by 47 percent to register US\$61.8 million during the year despite the fall in repayment by 3 percent to record US\$23.3 million.

5.5 Overall balance of payments and International Reserves

Although the current account deteriorated sharply during 2006 compared to 2005, positive inflows in the financial account resulted in a surplus of US\$45.1 million in the overall balance of payments in 2006 compared to an outflow of US\$17.3 million in 2005. This resulted in strengthening of the foreign reserve position of the country with official reserve accumulation during the year amounting to US\$45.1 million. This increased the stock of gross international reserves to US\$232.2 million at the end of 2006 compared to US\$187.1 million in 2005; enabling to maintain reserves in months of imports position at 2005 level at 3.0 month even with the higher imports witnessed during 2006.

6. Exchange Rate and Interest Rate Developments

The rufiyaa which has been pegged to the US dollar has remained unchanged against the US dollar at Rf12.8, since the 9 percent devaluation in July 2001. During 2006 the rufiyaa depreciated significantly against major currencies. Reflecting the movements of other currencies against the US dollar in the international market the rufiyaa depreciated mostly against the euro and the Sterling pound by 10 percent and 12 percent, respectively, followed by 8 percent against the Singapore dollar. The rufiyaa also depreciated by 2 percent against the Indian rupee. However, Maldivian rufiyaa appreciated against the Sri Lankan rupee by 5 percent and 2 percent against the Japanese yen.



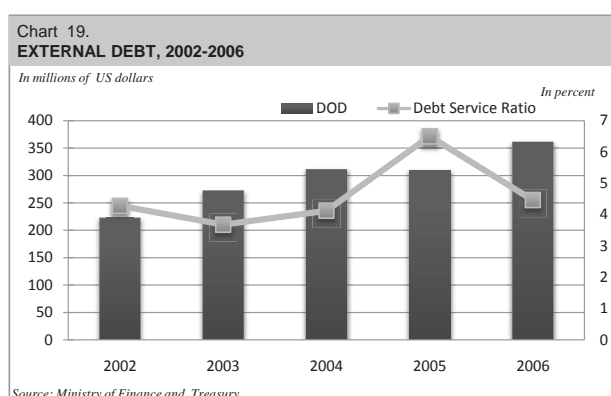
The interest rates on deposits denominated in both rufiyaa and dollars remained unchanged throughout the year. Hence, rufiyaa denominated saving deposits rates ranged between 2.25-3.00 percent during 2006, whilst dollar denominated saving deposit rates remained at 1.50-3.00 percent. At the same time the rufiyaa lending rates remained at 8.00-13.00 percent during the year and the dollar lending rates at 7.50-13.00 percent. However, interest on special notice deposit to be withdrawn in 30 days or more increased to 5.0 percent from 3.0 percent in 2005.

As regards the lending rates, the rates on rufiyaa denominated lending remained unchanged at 8.50-13.00, while the rates on dollar denominated lending remained at 7.5-13.00 percent during the year under review.

7. External Debt

There is no data on the external private debt stock outside the banking system. As a result, external debt statistics comprise of medium and long-term government and government guaranteed debt and the external debt of the banking system.

The total recorded debt stock of the country at the end of 2006 stood at US\$574.3 million with public sector medium and long-term debt outstanding and disbursed totalling at US\$361.8 million, indicating a growth of US\$51.9 million or 17 percent compared to 2005. Meanwhile foreign debt of commercial banks recorded a growth US\$125.2 million compared to US\$67.2 million in 2005 mainly



reflecting the increased borrowings from their head offices to support the credit demand for tourism and construction industries during the year. As a result, the total debt stock of the country increased by 45 percent compared to 2005.

Public sector external debt currently consists of loans received from bilateral and multilateral sources largely on concessional terms and loans taken from financial markets as well as of suppliers' credits. Multilateral loans comprised

63 percent of medium and long-term public debt while loans from bilateral sources accounted for 11 percent during 2006 and increased by US\$45.1 million and US\$1.6 million respectively. Borrowings from financial markets constituted 5 percent and rose by US\$6.0 million while suppliers credit (21 percent) declined by US\$0.8 million.

Disbursements during 2006 increased by 45 percent from US\$42.5 million in 2005 to US\$61.8 million, of which around 45 percent was extended to post tsunami reconstruction and recovery activities and 16 percent to trade financing loan. Of total disbursements, multilateral lenders accounted for 64 percent during the year with 50 percent being from the European Investment Bank, 27 percent from the Islamic Development Bank, 13 percent by Asian Development Bank and 9 percent by the World Bank Group's International Development Association. Bilateral lenders constituted 7 percent of total disbursements with majority of the funds disbursed by the Kuwait Fund. Of private creditors, financial markets accounted for 14 percent, while suppliers' credits accounted for the remaining 15 percent.

Amortisation, meanwhile, totalled US\$23.3 million during the year, with the largest portion of repayments being on account of loans taken for housing and urban development and for airport development. Interest payments on public sector external debt stood at US\$7.9 million in 2006, and as a result, total debt service totalled US\$31.2 million, which is equivalent to around 5 percent of exports of goods and non-factor services.

II. International Economic Review

The *global economy* expanded robustly during 2006 supported by strong growth in major world economies, despite a slight moderation in growth during the latter part of the year especially in the United States. According to the IMF World Economic Outlook, April 2007, global output expanded by 5.4 percent —the highest rate witnessed in the past few decades— compared to a growth of 4.9 percent in 2005. In the advanced economies, output grew by 3.1 percent while other emerging markets and developing countries recorded a higher rate of growth at 7.9 percent. Among the advanced economies, the United States economy grew slightly higher by 3.3 percent, notwithstanding the significant downturn in the housing market, as consumption demand remained resilient due to declining oil prices since August and higher household income owing to continued employment growth. The euro area experienced robust economic expansion as real GDP growth accelerated from 1.4 percent in 2005 to 2.6 percent in 2006 driven by strong business confidence and improved labour market conditions. Similarly, the Japanese economy expanded from 1.9 percent in 2005 to 2.2 percent in 2006. In the emerging markets and developing countries, the expansion was mainly led by China and India. In China, real GDP growth accelerated to 10.7 percent following a growth of 10.4 percent in 2005, underpinned by soaring investment spending and export growth. Similarly in India growth remained high as in the previous year at 9.2 percent. Meanwhile, favourable financial conditions and high commodity prices boosted growth in other economies in the region.

Table 6.
INTERNATIONAL ECONOMIC INDICATORS, 2003 - 2006

	2003	2004	2005	2006
World output (<i>annual percentage change</i>)	4.1	5.3	4.9	5.1
Advanced economies	1.9	3.2	2.6	3.1
Developing countries	6.7	7.7	7.4	7.3
World trade volume (<i>annual percentage change</i>)				
Goods and services	5.3	10.6	7.4	8.9
Exports: Advanced economies	3.3	8.8	5.5	8.0
Other emerging market and Developing countries	10.8	14.6	11.8	10.7
Median Inflation Rate				
Advanced economies	2.1	1.9	2.1	2.3
Other emerging market and Developing countries	4.2	4.4	5.6	5.5
Interest rate				
Prime rate	4.1	4.3	6.2	8.0
LIBOR	1.2	1.8	3.8	5.0
Exchange rate (<i>end of period</i>)				
US dollar / SDR	1.5	1.6	1.4	1.5
Japanese yen / SDR	159.2	161.7	168.6	179.0
Euro / SDR	1.2	1.1	1.2	1.1

Source: IMF, IFS Mar 2007 & World Economic Outlook - Sep 2006.

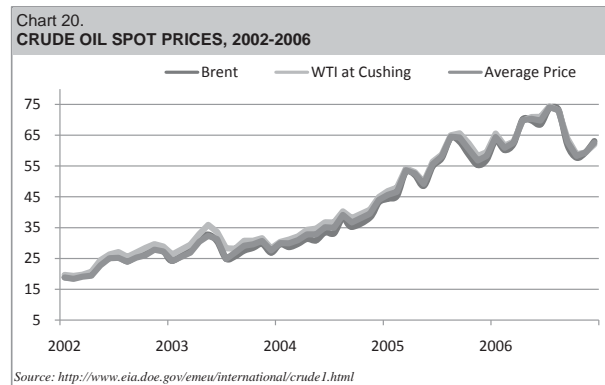
With the strong global output in 2006 the *unemployment rate* declined in most of the countries across all regions. In the advanced economies the unemployment rate fell from 6.0 percent to 5.5 percent while it declined from 4.0 percent to 3.7 percent in newly industrialised Asian countries. In the United States owing to robust economic growth the rate of unemployment lowered from 5.1 percent to 4.6 percent while in the euro area unemployment rate declined from 8.6 percent to 7.7 percent. In Japan, reflecting the more buoyant economic conditions during the year, the unemployment rate fell from 4.4 percent to 4.1 percent. Similarly in most of the Asian and African countries, unemployment rate declined substantially as these countries experienced significant improvements in their economic indicators during recent years.

During 2006 the *global inflation* moderated with the tightening of monetary policy by several central banks coupled with the decline in oil prices since August. This was in contrast to fears

of inflationary pressures during the first half of the year which arose from the rising oil prices and the strong growth in global output. In the advanced economies annual consumer price inflation remained at 2.3 percent although core inflation registered a slight improvement from 2.1 percent to 2.2 percent. In the United States, overall consumer price inflation trended downwards in the later half of the year due to the fall in energy prices although core inflation was slightly higher than 2005 partly reflecting the high level of resource utilisation during the year. In the Euro area average annual consumer price inflation remained unchanged at 2.2 percent as in 2005 although prices stood at elevated levels until August, partly reflecting the increases in energy prices and also the rise in administered prices and indirect taxes. In Japan after a period of deflation, change in average annual consumer prices turned positive though it remained subdued mainly due to downward wage pressures. In the

emerging markets, despite the robust economic growth, inflationary pressures were contained by monetary policy tightening and falling oil prices after the summer although in China prices firmed up towards the end of the year.

As regards *world commodity markets*, the IMF commodity price index (which includes both fuel and non fuel price indices) increased by 22 percent with the largest price increase from the metal price index (57 percent). Meanwhile the fuel price index rose by 19 percent compared to a 39 percent



growth in 2005. Oil prices rose rapidly during the first half of 2006 and reached a record high level of US\$76 per barrel in August 2006, reflecting higher oil demand by non-OECD countries, especially from China and supply disruptions caused by geopolitical tensions in the Middle East—particularly, Lebanon-Israel conflict and the nuclear standoff between Iran and the U.S.—and other supply side factors. After registering sharp increases during the first seven months of the year oil prices, however, began to decline significantly since August and reached as low

as US\$55 per barrel during October-December owing to a milder hurricane season, easing of geopolitical tensions in the Middle East and a slow down in global oil demand. The Organisation of the Petroleum Exporting Countries (OPEC) reacted to the drop in oil prices by announcing in October to cut supply by 1.2 million barrel per day from November followed by a further announcement in December to reduce supply by 0.2 million barrels per day from February 2007. Despite the above production cuts prices remained low for the year as a whole supported mainly by the onset of a warm winter weather in the northern hemisphere which reduced the oil demand for heating.

The *IMF nonfuel commodity price index* rose by 28 percent during the year and reached a record high at the end of 2006, owing to the surge in metal prices and the sharp rise in the food price index which registered a significant growth of 10 percent compared to just 2 percent growth in the previous year. Metal prices soared reflecting high and sustained demand from emerging Asian economies especially from China; supply disruptions caused by low inventory levels and limited output growth. Further, higher energy prices and other costs of production have added to these price pressures. Higher food prices were driven by the surge in agricultural prices particularly prices of corn, wheat and edible oils which recorded double digit growth rates during the year after registering declines in the previous year. This was mainly due to the increasing demand for biofuels such as ethanol (especially from the U.S) and biodiesel which uses corn and edible oils as feedstock and hence increasing the prices of these commodities. Reduced yield and inventory levels owing to adverse weather conditions in major producing regions especially towards the end of the year also contributed to the price increase of these commodities.

In the *international tuna market*, the prices of skipjack tuna remained relatively volatile in 2006 compared to the previous years. According to the Forum Fisheries Agency's Annual Review for 2006, the Bangkok skipjack tuna (for 4-7.5lb) prices increased significantly in the first quarter rising from US\$750-770 per metric tonne in mid January to US\$1030-1080 per metric tonne in mid February, due to high demand, before falling to below US\$1000 per metric tonne at the beginning of March. This was due to the Thai fish processors who reached an agreement not to purchase skipjack tuna at a price higher than US\$1000 per metric tonne. Following that, the prices continued to decline throughout March, falling from US\$900-960 per metric tonne at the beginning of March to as low as \$850-870 per metric tonne at the end of the quarter. During the remaining months the prices fluctuated, but remained at an average of US\$840-1000 per metric tonne and by the end of the year it ranged between US\$970-980 per metric tonne. The Bangkok prices for yellow fin tuna (for 20lbs) showed an upward trend at the beginning of the year rising from US\$1180-1200 per metric tonne in

early January to reach US\$1600-1650 per metric tonne in mid August. After remaining steady until mid November, the prices fell to US\$1550-1600 per metric tonne by late November and at the end of 2006, it stood at US\$1500-1550 per metric tonne. According to Globefish's Tuna Market Report for February 2007, most of the tuna importing countries in Europe expanded their purchases in 2006, despite the 14 percent increase in price of canned tuna which stood at US\$24.00 per carton at the end of September 2006. This was mainly due to shortages in raw material supply and higher price. UK continues to remain as the largest canned tuna importer in the EU region and imported 132.0 thousand metric tonnes during 2006. The top supplier to UK was Seychelles followed by Mauritius while Maldives remained as the sixth largest exporter of canned fish to UK.

The *world tourism industry* enjoyed another outstanding year backed by the sustained global economic performance achieved over the past several years, notwithstanding the downside risks (terrorism, health scares due to aviation flu, rising oil price etc.) faced by the industry in the early parts of the year. According to UNWTO World Tourism Barometer, international arrivals reached an all time record level of 842 million at the end of 2006. Although total arrivals increased by 36 million in absolute terms the pace of growth rate was slightly lower in 2006 at 4.5 percent compared to 5.4 percent recorded in 2005. Of the increase, 19 million (4 percent) were from Europe as a large number of tourists visited Germany for FIFA World Cup 2006 and 12 million (8 percent) from Asia and the Pacific. As in the previous year the highest growth rate was recorded from Africa which maintained growth at 8 percent while Asia and the Pacific also performed remarkably, maintaining its 2005 growth level at around 7 percent. This was due to the recovery of Thailand and Maldives from the setback of December 2004 tsunami coupled with the outstanding performance of emerging destinations in the region. Meanwhile, despite the geopolitical tensions in the region (such as Israeli-Lebanon crisis), Middle East reported a growth of 3.9 percent while only 2 percent growth was recorded for America, mainly due to sluggish growth from North American countries such as Canada and Mexico. In terms of arrivals, the world's top tourism destination for 2006 was Germany, followed by Spain and USA. During the year, the continued threat from volatility of aviation fuel price resulting in fuel surcharges by airlines was compensated by aggressive competition that drove real-prices down which attracted more travellers. Moreover, 2006 saw a rise of low cost airline travel increasing the frequency of travel and shorter stays while opening up new destinations for the travel industry.

The *international financial markets* remained highly volatile during the first half of the year as several middle eastern stock markets fell and exchange rates of Iceland and New Zealand —both countries with high current account deficits—depreciated sharply during the early months of 2006. Also monetary policy tightening to contain inflationary pressures during the early part of the year resulted in major corrections of equity valuations and the exchange rates of emerging markets' currencies. Nonetheless, global financial markets remained more optimistic and buoyant in the later half of the year with strong global economic growth and easing of inflationary pressures.

Net private capital flows to emerging markets and developing countries declined slightly during the year though it remained high and recorded US\$255.8 billion at the end of 2006. The bulk of the flows were captured by emerging economies in Europe and Asia and such funds to Central and Eastern European countries which accounts for the highest share (47 percent) totalled US\$121.1 billion registering a growth rate of 3 percent in 2006. As in the previous year The Commonwealth of Independent States —accounting for 26 percent of the total— registered the strongest growth and attracted US\$65.7 billion which is an increase of 75 percent compared against 2005. Meanwhile capital flows to developing Asia witnessed a 23 percent fall and recorded US\$53.9 billion at the end of the year.

In the *foreign exchange market*, the US dollar weakened against other major currencies particularly the euro and pound sterling, as interest rate differential moved against the dollar with the slowdown in the U.S. economy. Moreover, market participants also focused concern on the high and persistent U.S. current account deficit as crude oil prices surged in the first half of the year. As such, the dollar depreciated by 5 percent against the SDR, while pound sterling and the Euro appreciated by 6 per-

cent and 8 percent against the SDR. However, the Japanese yen, Chinese renminbi and currencies of Middle Eastern oil exporters depreciated against the SDR, whilst the exchange rates of other major Asian currencies especially those countries with large current account surpluses appreciated against the SDR.

Sources:

IMF World Economic Outlook –April 2007

IMF World Economic Outlook –September 2006

<http://www.globefish.org>

<http://ifs.apdi.net/imf>

<http://www.world-tourism.org>

<http://www.ffa.int>



Administration and Operations

Administration and Operations

Board Meetings

During the year ending 31 December 2006, MMA's Board of Directors held 7 meetings at which 12 resolutions were passed. Following resolutions were implemented during the years:

1. Measures to control 'Ways and Means' loans of MMA to the government
2. Changing the minimum reserves of the commercial banks held with MMA
3. Rediscounting Certificate of Deposits and introduction of a repurchase facility
4. Dealing with requests of three parties to open commercial banks in the Maldives
5. Re-printing Rf500 notes
6. Measures to control 'Ways and Means' loans of MMA to the government
7. Granting a short-term loan of Rf50 million to the Ministry of Finance & Treasury
8. Re-printing Rf500 notes
9. Re-printing Rf10 and Rf20 notes
10. Re-printing Rf100 notes
11. Granting a temporary license to International Medical Group to provide health insurance to government staff
12. Approval of MMA's Annual Accounts and Annual Report for the fiscal year 2005.

Key Operational Developments

MMA Act

The MMA Act was revised, based on two phases. Under phase 1, issues related to the MMA management and the Board of Directors were revised and proposed to the Majlis in October 2005, but was sent back for further revisions. The revised bill was proposed to the Majlis for the second time in March 2006.

Development of Banking Sector

Bank of Maldives plc. opened five new branches in various regions of the Maldives during 2006. They are:

Eydhafushi Branch opened in B. Eydhafushi on 11th May 2006.

Mahibadhoo Branch opened in AA. Mahibadhoo on 4th September 2006.

Rasdhoob Branch was opened in ADh. Rasdhoob on 4th September 2006.

Kudahuvadhoo Branch was opened in Dh. Kudahuvadhoo on 7th September 2006.

Manadhoo Branch was opened in N. Manadhoo on 9th September 2006.

The first draft of the Banking Act was completed in 2005, with assistance from the IMF. In 2006, the Banking Act was sent to the relevant agencies for their comments.

Printing and Minting of Notes and Coins

In 2006, Rf500 notes were printed with extra security features. In addition, 50 laari and 25 laari coins were minted during the year.

Capital Market

During 2006 the Capital Market Authority started to function independently from MMA. Hence, Capital Market function was removed from MMA on 26th January 2006.

Human Resource Management and Development

At the end of 2006, MMA had a workforce of eighty nine employees. Eight staff were newly employed by MMA during the year, while three staff were re-employed after the completion of their respective degree courses.

Employment, Promotions & Transfers

Senior Officials

Ms. Aishath Zahira, Deputy Managing Director, Operations Division was re-employed after her first pension.

Ms. Azeema Adam, Manager, Statistics Section, was promoted to the post of Deputy Managing Director of the Economic Research & Statistics Division

General Division

Human Resource Management Section

Ms. Nuha Nizam was employed as an Executive Officer. She later left MMA to pursue other employment opportunities.

Expenditure Section

Mr. Ismail Hameed was transferred and employed at MMA as an Executive Officer.

Governor's Bureau

Ms. Aishath Haifa was re-employed and promoted to the post of Deputy Counsel upon her return to MMA after completing a Bachelor of Law degree program at the Kemayan Advanced Tertiary College/ Malaysia

Operations Division

Banking Section

Ms. Shafeeqa Hussain was re-employed as an Officer after her first pension.

Mr. Ismail Ibrahim was employed as an Officer.

Accounts Section

Ms. Fathimath Jauza was re-employed as Deputy Manager after her first pension.

Ms. Aminath Ivan was transferred and employed at MMA as an Officer.

Foreign Exchange Section

Ms. Mariyam Hussain Didi, was re-employed as Manager upon her return to MMA after completing Master of Applied Finance degree program at University of Wollongong/ Australia.

Mr. Hussain Yareesh, was employed as an Officer.

Mr. Ahmed Muneef Mohamed, was employed as an Officer.

Ms. Aminath Hauzan Nasir, Officer, left MMA to pursue higher studies.

Financial Sector Division

Credit and Bank Supervision Section

Mr. Ibrahim Imjad Jaleel, Officer, left MMA to pursue higher studies.

Non-Bank Financial Institutions Supervision Section

Mr. Ibrahim Naeem Ismail, Manager, was transferred to the Ministry of Foreign Affairs.

Ms. Aishath Abdul Qadir, Officer, left MMA to pursue higher studies.

Public Debt Section

Ms. Fathimath Niha was re-employed and promoted to the post of Executive Officer upon her return to MMA after completing Bachelor of Commerce (Accounting & Finance) degree program at the Metropolitan College/ Malaysia

Economic Research & Statistics Division

Research Section

Ms. Shafeenaz Abdul Sattar, Manager, left MMA.

Ms. Mariyam Gasim was employed as an Officer.

Ms. Aminath Sajny was transferred and employed at MMA as an Officer.

Statistics Section

Mr. Abdul Majid, Officer, left for higher studies sponsored by MMA HRD Program.

Mr. Ahmed Saruvash Adam, Officer, left MMA to pursue higher studies.

Staff Training

Short-term Training

Ms. Nazima Fahmee, Officer, Banking Section, attended the 37th International Central Banking Course, held at the State Bank of Pakistan, Islamabad, Pakistan from 20 March to 29 April 2006.

Deputy Counsels Ms. Sheeza Ahmed, and Mr. Abdulla Ashraf, Governors Bureau, attended the Seminar on Designing Effective Legal Frameworks for Problem Banks and Resolving Banking Crises held at IMF Singapore Regional Training Institute from 14 to 18 August 2006.

Ms. Mariyam Rashfa, Executive Officer, Publications Section, attended the Course on Macroeconomic Management and Financial Sector Issues held at the IMF Singapore Regional Training Institute from 31 July to 11 August 2006.

Ms. Aishath Nadhiya, Deputy Manager, Foreign Exchange Section, attended the ACI Australia Forex Dealing Simulation Course held in Colombo, Sri Lanka on 21 January 2006.

Ms. Hawwa Latheef, Officer, Foreign Exchange Section, attended the Customer Credit Transfer and Cash Management (Swift Training) held in Mumbai, India from 22 to 23 August 2006.

Mr. Ahmed Munawwar, Deputy Manager, Research Section, attended the Course on Issues in Exchange Rate Policies held at the IMF Singapore Regional Training Institute from 11 to 15 September 2006.

Mr. Shawn Rasheed, Manager, Information Technology Section, attended the Course on Managing Swift Alliance Excess, held in Mumbai, India from 9 to 10 November 2006.

Ms. Aishath Haifa, Deputy Counsel, Governors' Bureau, attended the Workshop on Anti-money Laundering and Combating the Financing of Terrorism, held at the IMF Singapore Regional Training Institute from 4 to 8 December 2006.

Ms. Azeema Adam, Deputy Managing Director, Economic Research & Statistics Division, undertook the course on Financial Programming and Policies through Distance Learning conducted by the IMF Institute. The residential segment was completed at the IMF Institute at Washington DC, USA from 27 November to 8 December 2006.

Long-term Training

Ms. Fathimath Niha, Executive Officer, Public Debt Section, completed a Bachelor of Commerce (Accounting & Finance) degree program at the Metropolitan College, Malaysia. The course was completed in July 2006 and was sponsored by MMA HRD Program.

Ms. Mariyam Hussain Didi, Manager, Foreign Exchange Section, completed a Master of Applied Finance (Banking) degree program at the University of Wollongong, Australia. The course was completed in July 2006 and was sponsored by MMA HRD Program.

Mr. Abdul Majid, Officer, Statistics Section, commenced a three-year Bachelor of Arts (Mathematics with Statistics & Economics) degree course at the University of South Pacific, Fiji. The course started in February 2006 and is sponsored by MMA HRD Program.

Internship Training

Ms. Hawwa Ibrahim, Deputy Manager of Public Debt Section underwent Internship Training on Internal Audit at Ernst & Young, Male', from 27 March to 31 May 2006.

Mr. Mohamed Siraj Muneer, Officer of Foreign Exchange Section underwent Internship Training on Internal Auditing at Ernst & Young, Male', from 20 June to 20 July 2006.

International Conferences, Meetings & Seminars Attended by MMA Staff

Mr. Gasim Ibrahim, Governor for IMF (MMA Governor and Minister of Finance & Treasury), Mr. Abdulla Jihad, Alternate Governor for World Bank, (Vice Governor of MMA and Minister of State for Finance & Treasury), Ms. Khadeeja Hassan (Managing Director & Alternate Governor for IMF) attended the 61st Annual Meeting of the Board of Governors of IMF and World Bank held at Singapore from 19 to 20 September 2006. Mr. Ibrahim Naeem (Deputy Managing Director, FSD, MMA), Mr. Rilwan Shareef (Deputy Minister of Ministry of Finance & Treasury) and Mr. Mohamed Naseem (Executive Director of Ministry of Finance & Treasury) attended as advisors.

Mr. Abdulla Jihad (Vice Governor of MMA and Minister of State for Finance & Treasury), Ms. Khadeeja Hassan (Managing Director) and Mr. Ibrahim Naeem (Deputy Managing Director, FSD) attended the SAARCFINANCE Seminar on 'Current Oil Prices Shock and Its Implications on South Asian Economies' organised and conducted by the Central Bank of Sri Lanka, held at Colombo, Sri Lanka from 20-21 January 2006.

Ms. Aishath Zahira, Deputy Managing Director, Operations Division attended the International Seminar on Payment Systems conducted at the Reserve Bank of India in Chennai, India from 23-27 January 2006.

Ms. Khadeeja Hassan, Managing Director, attended the SAARCFINANCE Governors Symposium on Micro credit organised by Bangladesh Bank in Dhaka, Bangladesh from 15-16 February 2006.

Ms. Idham Hussain, Manager, Publications Section attended the Workshop on Debt Sustainability Framework for Low Income Countries organised by the World Bank in Colombo, Sri Lanka from 28-29 March 2006.

Mr. Abdulla Ashraf, Deputy Counsel, Governors' Bureau, attended the Conference on Safeguarding Charities from Possible Abuse in Criminal Activities organised by the Department of Justice, Criminal Division/ USA at Colombo, Sri Lanka from 4-6 April 2006.

Mr. Abdulla Ashraf, Deputy Counsel, Governors' Bureau, attended the 9th A.P.G. Annual Meeting organised by the Asia Pacific Group on Money Laundering held in Manilla, Philippines from 3-7 July 2006.

Ms. Azeema Adam, Manager, Statistics Division attended the First STI Meeting on Training organised by the IMF Singapore Regional Training Institute held in Singapore from 27-28 April 2006.

Mr. Abdul Ghafoor Abdul Latheef, Deputy Managing Director, General Division attended the 6th SAARCFINANCE Coordinators Meeting organised by Bangladesh Bank in Bangladesh on 5 July 2006.

Ms. Mariyam Shifa, Manager, Credit & Bank Supervision Section attended the Seminar on Preparedness Within the Financial Sector on Avian Influenza Pandemic organised by IMF in Mumbai, India on 24 July 2006.

Ms. Lubna Abdul Qadir, Deputy Manager, Human Resource Management Section, attended the Seminar on 'Human Resource Management in SAARC Central Banks' organised by the Nepal Rastra Bank in Kathmandu, Nepal from 21-23 August 2006.

Mr. Ibrahim Naeem, Deputy Managing Director, Financial Sector Division, attended the Technical Meeting to Discuss about setting up a Credit Bureau in the Maldives, organised by IFC, in Colombo, Sri Lanka on 9 November 2006.

Mr. Ibrahim Naeem, Deputy Managing Director, Financial Sector Division, attended the Regional Seminar on Group-Wide Supervision, Cross-Border Challenges and Market Conduct for Supervisors in Asia organised by the Financial Stability Institute, Insurance Regulatory and Development Authority held at Mumbai, India from 13-15 September 2006.

Seminars, Courses and Training held in the Maldives attended by MMA Staff

A course titled "One-Day Anti-Counterfeiting Training Course" was held on August 26, 2006, conducted by Mr. Steve McGregor from DelaRue, at SHE Building. Staff from MMA and the Maldives Police Services attended the course.

A seminar on "Mobile Phone Banking and Payments System" was held on November 28, 2006 which was organised by MMA with assistance from The Consultative Group to Assist the Poor (CGAP), a World Bank affiliated organization. Commercial banks, various government agencies, and private companies took part in this seminar.

Awareness programmes were held on 12-13 March, 18 May and 14 June 2006 by the MMA to make the public more aware of the Maldivian currency in circulation. The sessions were attended by commercial bank's employees and members of the public. In these sessions, information was also given on how to identify counterfeit notes.

Mr. Abdul Ghafoor Abdul Latheef, Deputy Managing Director/ General Division, attended the Information Session on Organization Review conducted by the Public Service Division of The President's

Office held at the Nasandhura Palace Hotel from 27-28 June 2006.

Ms. Mariyam Rashfa, Executive Officer, Publications Section and Ms. Fathimath Shirani, Officer, Human Resource Management Section, attended the Training Workshop on Developing Research Skills and The Use of Web Based Resources held at the Faculty of Engineering & Technology from 12-16 February 2006.

Mr. Ahmed Asif, Executive Officer, Information Technology Section, attended the Training Program on IT Project Management held at Dharubaaruge from 20-22 February 2006.

The following staff attended the Training Program on Microsoft Excess organised by MMA and conducted by the Modern Academy for Professional Studies from 19 February to 15 April 2006.

Ms. Aishath Abdul Qadir, Officer/ Non-Bank Financial Institutions Supervision Section

Mr. Mohamed Amdhan, Officer/ Research Section

Mr. Mansoor Zubair, Executive Officer/ Credit & Bank Supervision Section

Ms. Idham Hussain, Manager/ Publications Section

Ms. Hawwa Ibrahim, Deputy Manager/ Public Debt Section

Ms. Aishath Rayaheen Shareef, Officer/ Credit & Bank Supervision Section

Ms. Aishath Jumna, Officer/ Human Resource Management Section

Ms. Mariyam Najeela, Deputy Manager/ Credit & Bank Supervision Section

Ms. Ibthishan Shareef, Officer/ Statistics Section

Ms. Fathimath Jauza, Deputy Manager/ Accounts Section

Ms. Fathimath Zuhaira, Officer/ Research Section

Ms. Lubna Abdul Qadir, Deputy Manager/ Human Resource Management Section

Ms. Aishath Nadiya, Deputy Manager/ Foreign Exchange Section

Ms. Aminath Hema, Executive Officer/ Foreign Exchange Section

Ms. Khadeeja Muflaha, Executive Officer/ Foreign Exchange Section

Ms. Hawwa Latheef, Officer/ Foreign Exchange Section

Mr. Ahmed Munawwar, Deputy Manager/ Research Section

Ms. Aminath Shaheeda, Officer/ Accounts Section

Ms. Mariyam Rashfa, Executive Officer/ Publications Section

Ms. Aminath Leena, Officer/ Credit & Bank Supervision Section

Ms. Fathimath Shirani, Officer/ Human Resource Management Section

Mr. Mohamed Thoufeeq, Manager/ Banking Section

Ms. Zeeshan Abdul Raheem, Executive Officer/ Accounts Section

Mr. Moosa Jameel, Officer/ Expenditure Section

Mr. Mohamed Siraj Muneer, Officer/ Foreign Exchange Section

Mr. Abdulla Khalid, Officer/ Banking Section

Ms. Aminath Hema, Executive Officer, Foreign Exchange Section and Ms. Zeeshan Abdul Raheem, Executive Officer, Accounts Section attended the Training Program on Motivating Staff held at the Faculty of Management and Computing from 5-9 November 2006.

The following staff attended the Training on Preparing Dhivehi Documents held at the Faculty of Management and Computing from 26-30 November 2006.

o Ms. Aminath Sheela, Officer, Foreign Exchange Section

o Ms. Nazima Fahmee, Officer, Banking Section

o Ms. Aminath Shaheeda, Officer, Accounts Section

o Ms. Fathimath Waheeda, Officer, Human Resource Management Section

o Ms. Zulfa Abdul Rahman, Officer, Governors' Bureau

Technical Assistance

IMF Advisor

Mr. Ferdie Van De Walle, IMF advisor for monetary and exchange rate management visited the Maldives from 02 - 27 April 2006. On this visit, he carried out studies on foreign exchange currency regulations and the introduction of rediscount and repurchase facilities. In addition to this, he reviewed the MRR and also gave recommendations to improve the quality of the Quarterly Economic Bulletin.

On his second visit, from 28 May -22 June, 2006, Mr. Van De Walle assisted the IMF mission on monetary operations, financial market development, and banking issues. In addition, he reviewed liquidity forecasting and worked on the implementation of rediscount and repurchase facilities. He also advised on restructuring the Economic Research and Statistics Division.

On his third visit on 29 October - 23 November, 2006, Mr. Van De Walle reviewed liquidity forecasting and MRR. He identified topics and presented an agenda for the study on links between various monetary policy instruments. In addition, rediscount and repurchase facilities were introduced.

Advisors on Commercial Bank Supervision

Mr. Richard Walter Nun, IMF advisor for commercial bank supervision visited Maldives from late February till end of April 2006. During this visit he worked on (i) revising of reporting forms from the banks (ii) finalising the proposed banking act and the proposed regulations with the senior management of MMA and (iii) helped the staff with HBL on-site report.

Mr. John Vaught, IMF advisor on commercial bank supervision visited Maldives from 28 May to 29 June 2006. During this visit Mr. Vaught made an (i) assessment of future TA needs (ii) helped the staff with finalising of SBI and HBL on-site report and (iii) revised the reporting forms.

Mr. Vaught visited Maldives for a second time from 3 September - 3 October 2006. During this visit he worked on finalising the new reporting forms and preparing instructions for the forms.

On his third visit from 5 November - 5 December 2006, Mr. Vaught worked on completing all the revisions and changes to the whole set of new reporting forms.

Advisor on Public Debt Management

Mr. Darryl King, IMF advisor for Public Debt Management, visited the Maldives from 8 April - 6 May 2006, to observe the market conditions to move to a more market based mechanism to finance the government deficit.

On his second visit from 20 August - 20 September 2006, Mr. King worked on the introduction of treasury bills.

On his third visit from 5-26 November 2006, Mr. King worked on implementing MMA repurchase and rediscount facilities.

Advisor on Book Keeping System

Mr. Fulvio Carbonaro, an IMF advisor visited Maldives from 29 May - 08 June 2006 to develop and install a book keeping system for T-bills at the MMA.

Database Consultant (Commonwealth Fund for Technical Corporations – CFTC)

Mr. Jerry Henzel, a consultant from the Commonwealth Fund for Technical Assistance visited Maldives from 19 May 2005 - 18 August 2006. He worked on establishing a statistical database in the Economic Research and Statistics Division.

Missions

A mission from the Monetary and Financial Systems Department of the IMF visited Maldives from 28 May - 06 June 2006. The mission held discussions with government officials on monetary operations, financial market development, and banking issues.

Mr. Tchakarov Ivan, an Economist from the Asia Pacific Department of the IMF visited the Maldives on a staff visit from 06 - 08 November 2006, to coordinate on fiscal framework macroeconomic outlook.



Financial Statements



Audit Office

Male',
Republic of Maldives.

16 July 2007

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF MALDIVES MONETARY AUTHORITY

Introduction

I have audited the income statement and the accompanying balance sheet of Maldives Monetary Authority as of 31 December 2006, and the related notes to the accounts which form part of the financial statements.

Respective Responsibilities of Management and Auditors

The Management of Maldives Monetary Authority is responsible for preparing and presenting the Financial Statements. My responsibility is to express an opinion on the truth and fairness of the presentation of the financial statements based on our audit, and the regularity of the financial transactions included in them.

Basis of Opinion

The audit was conducted in accordance with the International Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatements. Our audit includes examining, on a test basis, gathering evidence supporting the amounts and disclosures in the financial statements. Our audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements presentations.

Opinion

In my opinion, the financial statements present fairly in all material respects, the financial position of the Maldives Monetary Authority as of December 31, 2006, and the results of its operations for the year then ended, and comply with the Maldives Monetary Authority Act, Article 35 of 1981.

Ismail Fathy
Auditor General

Page

51

MALDIVES MONETARY AUTHORITY
INCOME STATEMENT
 FOR THE YEAR ENDED 31ST DECEMBER 2006

	2006		2005	
	Rf	Rf	Rf	Rf
INCOME				
Commission Received	6,187,513.43		5,771,513.26	
Interest Received	248,114,748.16		163,687,836.29	
Other Income	7,574,530.90	261,876,792.49	5,589,876.81	175,049,226.36
EXPENSES				
Administrative Expenses	12,893,319.32		13,324,776.63	
Security Printing and Minting	13,374,549.90		8,346,407.60	
Depreciation of Property	547,448.10		418,243.63	
Interest & Charges Paid	22,844,484.16		22,795,623.40	
Discount on CDs	24,249,059.94	73,908,861.42	23,663,035.62	68,548,086.88
PROFIT FROM OPERATIONS		187,967,931.07		106,501,139.48
Decrease in Provision for Doubtful Debt		-		94,538,579.66
Transferred to Retained Profit		18,800,000.00		10,700,000.00
Dividends Payable to Government		169,167,931.07		190,339,719.14
GENERAL RESERVE				
Balance at beginning of year		8,000,000.00		8,000,000.00
Transferred from Operations		-		-
Balance at end of year		8,000,000.00		8,000,000.00

MALDIVES MONETARY AUTHORITY

BALANCE SHEET AS AT 31 DECEMBER 2006

ASSETS	2006		2005	
	Rf	Rf	Rf	Rf
EXTERNAL ASSETS				
Gold, Silver etc.	13,640,412.55		11,238,608.93	
Foreign Currency held in Male': Cash	4,734,590.87		1,979,196.14	
Foreign Currency held abroad on Deposit	2,920,964,286.39		2,348,174,798.17	
Holdings of Special Drawing Rights (IMF)	6,405,020.30	2,945,744,310.11	5,840,280.94	2,367,232,884.18
FIXED ASSETS		33,666,223.30		20,617,487.75
CLAIMS ON GOVERNMENT				
Government Debt	120,000,000.00		120,000,000.00	
Loans to Government	68,901,368.12		25,121,368.08	
Government Guaranteed Securities	31,036,959.00	219,938,327.12	31,036,959.00	176,158,327.08
SUBSCRIPTION TO INT'L AGENCIES		234,441,851.89		234,441,851.89
OTHER ASSETS				
Ways and Means Advance	1,350,721,229.39		1,381,000,000.00	
Others	26,025,083.06	1,376,746,312.45	44,586,388.47	1,425,586,388.47
		4,810,537,024.87		4,224,036,939.37

MALDIVES MONETARY AUTHORITY
BALANCE SHEET AS AT 31 DECEMBER 2006

LIABILITIES	2006		2005	
	Rf	Rf	Rf	Rf
CURRENCY IN CIRCULATION		1,160,714,237.23		947,190,698.64
MMA CDs IN CIRCULATION		-		313,513,070.78
DEMAND LIABILITIES				
Deposits by Government and Government Agencies	557,364,049.99		242,853,748.67	
Deposits by Commercial Banks	2,133,653,634.19		1,791,070,536.91	
Deposits by International Agencies	214,124,585.07	2,905,142,269.25	220,453,424.03	2,254,377,709.61
OTHER LIABILITIES				
Commercial Banks Assigned Capital	76,183,751.02		76,183,751.02	
Allocation of Special Drawing Rights - IMF	5,407,423.44		5,155,127.28	
Loans from Foreign Institutions	79,586,803.31		79,586,803.31	
Others	408,658,384.96	569,836,362.73	393,856,374.84	554,782,056.45
CAPITAL AND RESERVES				
Capital: Authorised Rf 4,000,000(issued & fully paid)	1,000,000.00		1,000,000.00	
General Reserve	8,000,000.00		8,000,000.00	
Foreign Asset Revaluation Reserve	60,744,155.66		58,873,403.89	
Retained Profit	105,100,000.00	174,844,155.66	86,300,000.00	154,173,403.89
		4,810,537,024.87		4,224,036,939.37

MALDIVES MONETARY AUTHORITYNotes to the Financial Statements31 December 2006**ACCOUNTING POLICIES**

The Maldives Monetary Authority (the Authority) was established under the Maldives Monetary Authority Act 1981 (the Act). The accounts have been prepared under the historic cost convention. A summary of the most important accounting policies, which have been applied consistently, are set out below.

Basis of Accounts

These financial statements are prepared in accordance with the historic cost convention.

External Assets

External Assets shown under this heading are those assets defined by Article 21(2) of the Act.

Gold and Silver Bullion

Gold and silver bullion is stated at cost.

Fixed Assets

Fixed Assets are stated at purchase cost less accumulated depreciation. Depreciation is based on the straight line method over the expected useful life of the asset. The annual depreciation rates used for this purpose are:

Buildings	2.5 %
Furniture and Fittings	20 %
Machinery and Equipment	20 %
Computers	33.3 %

Translation of Foreign Currency

These financial statements are expressed in Rufiyaa. Assets and liabilities in foreign currency are translated at the rate of exchange ruling at the end of the month in which the transaction took place. All exchange gains and losses, both realised and unrealised, are taken to the Revaluation Reserve in accordance with Article 28(2) of the Act and are not included in the computation of the annual profits or losses of the Authority. Out of the balance in the Revaluation Reserve one fifth has been transferred to the Government in accordance with Article 28(4) of the Act.



Appendices

Appendix I

Statistical Tables

Table 1	Gross Domestic Product (1995 constant prices), 2002 - 2006	60
Table 2	Monetary Survey, 2002 - 2006.....	61
Table 3	Money Supply, 2002 - 2006	62
Table 4	Assets and Liabilities of the Maldives Monetary Authority, 2002 - 2006.....	62
Table 5	Assets and Liabilities of the Commercial Banks, 2002 - 2006.....	63
Table 6	Commercial Banks Deposits Distributed by Type, 2002 - 2006.....	64
Table 7	Commercial Banks Deposits Distributed by Owners, 2002 - 2006	65
Table 8	Commercial Banks Interest Rates, 2002 - 2006	65
Table 9	Commercial Banks Loans and Advances by Major Economic Groups, 2002 - 2006.....	66
Table 10	Commercial Banks Loans and Advances by Major Groups of Borrowers and Types, 2002 - 2006.....	67
Table 11	Commercial Banks Loans and Advances by Securities Pledged, 2002 - 2006	67
Table 12	Tourism Indicators, 2002 - 2006	68
Table 13	Fish Production and Exports, 2002 - 2006	69
Table 14	Summary of Central Government Finance, 2002 - 2006.....	70
Table 15	Government Revenue, 2002 - 2006	71
Table 16	Government Expenditure, 2002 - 2006.....	72
Table 17	Functional Classification of Government Expenditure, 2002 - 2006.....	72
Table 18	Functional Classification of Government Current Expenditure, 2002 - 2006.....	73
Table 19	Functional Classification of Government Capital Expenditure, 2002 - 2006.....	73
Table 20	Balance of Payments, 2002 - 2006	74
Table 21	Composition of Exports (f.o.b.), 2002 - 2006	75
Table 22	Composition of Imports (c.i.f.), 2002 - 2006	76
Table 23	Summary of External Public and Publicly Guaranteed Debt, 2002 - 2006.....	77
Table 24	Exchange Rates, 2002 - 2006.....	77

Appendix II

Commercial Banks Operating in Maldives.....	78
Monetary Measures and Prudential Regulations in Effect during 2006	78

Table 1.

Gross Domestic Product by Sectoral Origin, 2002 - 2006*(In millions of rufiyaa at constant 1995 prices)*

	2002	2003	2004	2005 <i>Est. April-07</i>	2006 <i>Est. April-07</i>
Gross domestic product	6,992.8	7,589.9	8,312.3	7,927.5	9,440.7
Primary sector	724.8	738.0	760.5	849.1	846.5
Agriculture	188.6	196.3	204.6	203.6	204.3
Fisheries	494.7	498.0	508.1	596.0	590.1
Coral and sand mining	41.5	43.7	47.7	49.5	52.1
Secondary sector	1,091.7	1,182.6	1,335.1	1,375.4	1,523.3
Manufacturing	615.1	642.6	660.1	594.7	638.0
Electricity and water supply	247.6	275.0	312.8	363.4	382.5
Construction	229.0	264.9	362.2	417.3	502.8
Tertiary sector	5,448.8	5,969.2	6,549.1	6,011.0	7,443.6
Wholesale and retail trade	295.6	308.3	326.2	336.0	357.1
Tourism (Resorts, etc)	2,162.6	2,482.5	2,688.8	1,798.5	2,559.7
Transport and communications	998.0	1,078.8	1,262.5	1,456.5	1,730.7
Financial services	235.1	251.1	269.5	262.0	299.1
Real Estate	530.7	550.0	571.4	574.6	594.1
Business services	201.0	211.1	222.5	222.4	240.7
Government Administration	883.9	943.3	1,061.8	1,212.7	1,510.5
Education, health and social services	141.9	144.2	146.4	148.5	151.7
Financial Services Indirectly Measured (FISIM)	-272.5	-299.9	-332.4	-308.0	-372.7
	<i>(annual percentage change)</i>				
Gross domestic product	6.5	8.5	9.5	-4.6	19.1
Primary sector	15.9	1.8	3.0	11.7	-0.3
Agriculture	4.0	4.1	4.3	-0.5	0.3
Fisheries	22.9	0.7	2.0	17.3	-1.0
Coral and sand mining	-0.4	5.3	9.2	3.8	5.1
Secondary sector	10.4	8.3	12.9	3.0	10.8
Manufacturing	15.5	4.5	2.7	-9.9	7.3
Electricity and water supply	9.4	11.1	13.7	16.2	5.3
Construction	-0.6	15.7	36.7	15.2	20.5
Tertiary sector	4.7	9.6	9.7	-8.2	23.8
Wholesale and retail trade	2.3	4.3	5.8	3.0	6.3
Tourism (Resorts, etc)	3.3	14.8	8.3	-33.1	42.3
Transport and communications	6.8	8.1	17.0	15.4	18.8
Financial services	6.7	6.8	7.3	-2.8	14.2
Real Estate	4.6	3.6	3.9	0.6	3.4
Business services	6.7	5.0	5.4	-0.1	8.2
Government Administration	6.1	6.7	12.6	14.2	24.6
Education, health and social services	1.7	1.6	1.5	1.5	2.1
Financial Services Indirectly Measured (FISIM)	6.7	10.1	10.8	-7.3	21.0
Memorandum items:					
GDP at 1995 constant basic prices (US\$ mn)	594	645	706	674	802
GDP per capita at 1995 constant prices (Rf)	24,925	26,625	28,715	26,988	31,469
GDP per capita at 1995 constant basic prices (US\$)	2,118	2,262	2,440	2,293	2,674
GDP at current market prices (Rf mn)	8,201	8,863	9,939	9,597	11,866
GDP at current market prices (US\$ mn)	641	692	777	750	927
GDP per capita at current market prices (Rf)	29,232	31,092	34,335	32,670	39,554
GDP per capita at current market prices (US\$)	2,284	2,429	2,682	2,552	3,090
Population	280,549	285,066	289,480	293,746	300,000

Source: Ministry of Planning and National Development

Table 2.

Monetary Survey, 2002 - 2006*(In millions of rufiyaa; end of period)*

	2002	2003	2004	2005	2006			
					Mar	Jun	Sep	Dec
Net foreign assets	1,675.8	2,646.5	3,362.2	1,787.7	1,962.2	2,467.7	1,770.5	1,031.6
Monetary Authorities (net) ^{1/}	1,704.1	2,041.2	2,605.1	2,303.5	2,458.9	2,643.0	3,023.8	2,881.4
Foreign assets	1,714.3	2,051.4	2,616.1	2,394.9	2,550.3	2,734.4	3,115.2	2,972.8
Foreign liabilities	-10.2	-10.2	-11.0	-91.4	-91.4	-91.4	-91.4	-91.4
Commercial banks (net) ^{1/}	-28.3	605.3	757.1	-515.8	-496.7	-175.3	-1,253.2	-1,849.8
Foreign assets ^{1/}	431.7	817.9	1,015.7	603.3	655.7	1,051.6	843.3	871.2
Foreign liabilities	-460.0	-212.6	-258.6	-1,119.1	-1,152.4	-1,226.9	-2,096.5	-2,721.0
Domestic assets (net)	2,260.3	1,860.9	2,621.5	4,897.2	5,189.4	5,233.3	5,760.7	7,031.7
Domestic credit ^{2/}	3,421.7	3,216.8	4,246.0	6,911.4	7,128.5	7,374.7	7,974.2	9,509.1
Public sector	1,314.5	965.9	698.3	1,430.9	1,399.3	1,473.7	1,033.4	1,317.5
Central govt. (net)	1,103.5	875.6	456.3	953.0	962.4	1,125.4	589.3	745.0
Gross claims on govt ^{3/}	1,704.3	1,542.8	1,312.7	1,630.5	2,126.2	2,389.9	2,062.3	1,934.7
Govt. deposits	-600.8	-667.3	-856.5	-677.6	-1,163.8	-1,264.6	-1,473.0	-1,189.7
Public enterprises	211.0	90.4	242.0	477.9	436.9	348.3	444.1	572.5
Private sector ^{4/}	2,107.2	2,250.8	3,547.8	5,480.5	5,729.2	5,901.0	6,940.8	8,191.7
Other items (net) ^{5/}	1,161.5	1,355.8	1,624.6	2,014.1	1,939.1	2,141.4	2,213.5	2,477.4
Broad money	3,936.0	4,507.5	5,983.7	6,685.0	7,151.6	7,700.9	7,531.2	8,063.3
Narrow money	1,856.3	2,069.1	2,476.9	3,033.3	3,321.5	3,656.3	3,655.9	3,707.2
Currency in circulation	569.9	624.9	762.5	883.2	910.3	973.4	1,000.3	1,067.8
Public ent. deposits (Rf)	33.5	45.4	51.9	44.3	38.7	62.8	42.2	14.7
Demand deposits	1,253.0	1,398.8	1,662.5	2,105.8	2,372.5	2,620.2	2,613.4	2,624.7
Quasi money	2,079.7	2,438.4	3,506.8	3,651.7	3,830.1	4,044.6	3,875.4	4,356.1
					<i>(Twelve month percentage change)</i>			
Net foreign assets	42.9	57.9	27.0	-46.8	-30.4	-11.1	-7.0	-42.3
Monetary Authorities (net)	43.1	19.8	27.6	-11.6	-10.5	-3.8	20.6	25.1
Commercial banks (net)	55.1	-2,236.5	25.1	-168.1	-792.2	-727.4	108.1	258.7
Domestic credit	11.9	-6.0	32.0	62.8	52.1	39.8	28.9	37.6
Public sector	6.8	-26.5	-27.7	104.9	58.3	37.2	-23.9	-7.9
Central govt. (net)	5.4	-20.7	-47.9	108.9	53.7	53.3	-33.7	-21.8
Private sector	15.3	6.8	57.6	54.5	50.7	40.5	43.8	49.5
Broad money	19.5	14.5	32.8	11.7	21.2	21.7	20.2	20.6
Narrow money	14.3	11.5	19.7	22.5	25.7	24.0	20.8	22.2
Currency in circulation	0.6	9.7	22.0	15.8	12.3	17.8	15.0	20.9
Memorandum items:								
Foreign currency deposits	1,870.8	2,320.3	3,344.3	3,441.2	3,614.4	3,717.0	3,649.0	4,031.9
Dollarization ratio ^{6/}	47.5	51.5	55.9	51.5	50.5	48.3	48.5	50.0

1/ Series have been revised on 20th May 2007 to include deposits of nonresidents with commercial banks.

2/ Series have been revised on 20th May 2007 to reflect changes in claims on government and private sector.

3/ Series have been revised on 20th May 2007 to include investment in Treasury bills by commercial banks as claims on government

4/ Series have been revised on 20th May 2007 to include investments in shares and equity (of private sector) by commercial banks as claims on private sector.

5/ Series have been revised on 20th May 2007 to exclude; deposits of nonresidents with commercial banks, and investments in shares and equity (of private sector) and Treasury bills by commercial banks.

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

Source: Maldives Monetary Authority

Table 3.

Money Supply, 2002 - 2006
(In millions of rufiyaa; end of period)

	2002	2003	2004	2005	2006			
					Mar	Jun	Sep	Dec
Currency issued	682.8	757.8	940.7	1,017.8	1,044.6	1,084.1	1,151.2	1,262.3
Currency held by MMA	58.5	80.7	112.7	70.6	68.7	34.9	56.8	101.6
Currency held with commercial banks	54.5	52.2	65.5	63.9	65.6	75.8	94.1	92.9
Currency in circulation ^{1/}	569.9	624.9	762.5	883.2	910.3	973.4	1,000.3	1,067.8
Demand deposits (Rufiyaa only) ^{2/}	1,253.0	1,398.8	1,662.5	2,105.8	2,372.5	2,620.2	2,613.4	2,624.7
Money supply	1,856.3	2,069.1	2,476.9	3,033.3	3,321.5	3,656.3	3,655.9	3,707.2

1/ Excludes currency held by both MMA and commercial banks. The figure in the MMA audited balance sheet excludes only currency held in MMA.

2/ Excludes inter-bank and government deposits.

Source: Maldives Monetary Authority

Table 4.

Assets and Liabilities of the Maldives Monetary Authority, 2002 - 2006
(In millions of rufiyaa; end of period)

	2002	2003	2004	2005	2006			
					Mar	Jun	Sep	Dec
Total assets	3,475.0	3,609.0	3,940.8	4,222.4	4,889.1	5,329.8	5,329.2	4,810.5
Foreign assets	1,714.3	2,051.4	2,616.1	2,394.9	2,550.3	2,734.4	3,115.2	2,972.8
Claims on government	1,704.3	1,517.2	1,291.4	1,617.7	2,113.4	2,377.1	1,987.1	1,604.3
Claims on PNFE	1.5	1.5	1.5	0.0	0.0	0.0	0.0	0.0
Claims on commercial banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	55.0	38.9	31.8	209.8	225.4	218.2	226.9	233.4
Total liabilities	3,475.0	3,609.0	3,940.8	4,222.4	4,889.1	5,329.8	5,329.2	4,810.5
Reserve money	2,193.6	2,145.4	2,743.3	2,882.9	3,195.4	3,230.4	3,165.1	3,423.6
Currency outside banks	569.9	624.9	762.5	883.2	910.3	973.4	1,000.3	1,067.8
Currency with commercial banks	54.5	52.2	65.5	63.9	65.6	75.8	94.1	92.9
Public ent. deposits (Rf)	48.4	55.4	99.3	68.5	79.1	94.3	67.0	53.0
Local currency	33.5	45.4	51.9	44.3	38.7	62.8	42.2	14.7
Foreign currency	14.9	10.0	47.4	24.2	40.3	31.5	24.9	38.3
Banks' deposits	1,520.9	1,412.9	1,816.0	1,867.3	2,140.4	2,087.0	2,003.6	2,209.8
Foreign liabilities	10.2	10.2	11.0	91.4	91.4	91.4	91.4	91.4
Government deposits	341.0	375.0	431.6	174.4	509.7	544.6	733.4	504.4
Capital accounts	89.1	183.5	194.2	349.4	201.4	254.1	306.6	180.3
MMA certificates of deposit (CD's) ^{1/}	554.4	684.1	376.4	313.5	517.4	852.9	671.9	0.0
Other liabilities	286.8	210.9	184.3	410.8	373.7	356.3	360.7	611.0
	<i>(Twelve month percentage change)</i>							
Reserve money	19.2	-2.2	27.9	5.1	8.0	15.8	10.4	18.8
Currency outside banks	0.6	9.7	22.0	15.8	12.3	17.8	15.0	20.9
Banks' deposits	28.4	-7.1	28.5	2.8	6.0	13.7	5.3	18.3
Government deposits	8.1	10.0	15.1	-59.6	51.5	-2.6	122.7	189.2
MMA certificates of deposits	71.6	23.4	-45.0	-16.7	-20.6	16.1	20.9	-

1/ All the CD's issued matured on 2nd Oct, 2006. These were replaced with the issue of Treasury bills on 11th Sep, 2006.

Source: Maldives Monetary Authority.

Table 5.

Assets and Liabilities of the Commercial Banks, 2002 - 2006*(In millions of rufiyaa; end of period)*

	2002	2003	2004	2005	2006			
					Mar	Jun	Sep	Dec
Total assets	4,965.9	5,359.2	7,129.3	9,045.5	9,815.5	10,614.7	11,407.9	12,724.6
Reserves ^{1/}	2,067.4	2,013.3	2,075.1	2,173.3	2,620.3	2,930.0	2,642.3	2,433.7
Cash	54.5	52.2	65.5	63.9	65.6	75.8	94.1	92.9
Balance with MMA ^{2/}	1,451.6	1,394.4	1,751.2	1,802.1	2,098.4	2,020.8	1,937.5	2,262.1
Investment in securities ^{1/}	561.4	566.8	258.4	307.2	456.3	833.4	610.6	78.7
Foreign assets ^{3/}	431.7	817.9	1,015.7	603.3	655.7	1,051.6	843.3	871.2
Claims on public sector	209.5	114.5	261.8	490.7	449.7	361.1	519.3	902.9
Government ^{4/}	0.0	25.6	21.3	12.8	12.8	12.8	75.3	330.4
Public enterprises	209.5	88.9	240.5	477.9	436.9	348.3	444.1	572.5
Claims on private sector ^{5/}	2,107.2	2,250.8	3,547.8	5,480.5	5,729.2	5,901.0	6,940.8	8,191.6
Unclassified assets	150.0	162.6	228.9	297.7	360.5	371.0	462.3	325.2
Total liabilities	4,965.9	5,359.2	7,129.3	9,045.5	9,815.5	10,614.7	11,407.9	12,724.6
Demand deposits	2,343.3	2,893.7	3,947.1	4,694.0	4,975.7	5,320.6	5,159.3	5,453.1
Local currency	1,253.0	1,398.8	1,662.5	2,105.8	2,372.5	2,620.2	2,613.4	2,624.7
Foreign currency	1,090.4	1,494.9	2,284.6	2,588.2	2,603.2	2,700.4	2,545.9	2,828.4
Time and savings deposits	974.5	933.5	1,174.8	1,039.3	1,186.6	1,312.7	1,304.6	1,489.4
Local currency	208.9	118.1	162.5	210.5	215.7	327.7	226.4	324.2
Foreign currency	765.6	815.4	1,012.3	828.8	970.9	985.0	1,078.2	1,165.2
Foreign liabilities	460.0	212.6	258.6	1,119.1	1,152.4	1,226.9	2,096.5	2,721.0
Banks abroad	442.3	134.1	123.0	957.7	978.2	1,063.3	1,918.8	2,563.0
Nonresident's deposits	17.8	78.4	135.6	161.3	174.2	163.7	177.7	158.0
Government deposits	259.8	292.3	424.9	503.2	654.1	720.0	739.5	685.4
Capital account	646.5	685.6	875.5	1,098.5	1,230.1	1,371.2	1,545.5	1,656.9
Credit from MMA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	281.7	341.6	448.5	591.5	616.7	663.4	562.5	718.8
Memorandum items:								
Total deposits	3,595.4	4,197.9	5,682.4	6,397.7	6,990.5	7,516.9	7,381.1	7,785.9
Local currency	1,697.3	1,771.1	2,163.1	2,687.7	3,091.2	3,496.5	3,404.2	3,465.4
Foreign currency	1,898.1	2,426.8	3,519.3	3,710.1	3,899.3	4,020.4	3,977.0	4,320.5

1/ Series have been revised on 20th May 2007- to exclude deposits with nonresidents of some commercial banks, to exclude investments made in shares and equity with private sector of some commercial banks and since September 2006 to exclude investments in Treasury bills by commercial banks.

2/ This includes required reserves and excess reserves held in MMA.

3/ Series have been revised on 20th May 2007 – to include deposits with nonresidents of some commercial banks.

4/ Series have been revised on 20th May 2007 – to include investments in Treasury bills by commercial banks since September 2006.

5/ Series have been revised on 20th May 2007 – to include investments made in shares and equity with private sector of some commercial banks.

Source: Maldives Monetary Authority

Table 6.

Commercial Banks' Deposits Distributed by Type, 2002 - 2006^{1/}*(In millions of rufiyaa; end of period)*

	2002	2003	2004	2005	2006			
					Mar	Jun	Sep	Dec
1. Current deposits								
Amount	1,143.4	1,478.7	2,164.4	2,605.5	3,001.2	3,271.5	3,043.4	3,030.1
No. of Accounts	20,204	23,718	32,446	29,435	30,454	31,862	33,469	35,292
2. Call deposits								
Amount	30.4	0.4	-	-	-	-	-	-
No. of Accounts	4	4	-	-	-	-	-	-
3. Other deposit accounts								
Amount	11.1	4.9	5.0	6.2	10.4	13.0	7.3	66.8
No. of Accounts	39	41	27	64	70	69	68	67
4. Savings deposits								
Amount	1,278.0	1,572.2	2,079.6	2,452.4	2,526.4	2,670.2	2,762.2	2,926.6
No. of Accounts	101,784	115,136	135,782	159,231	164,235	170,111	176,340	181,648
5. Fixed (or term) deposits								
Amount	1,132.4	1,141.7	1,446.1	1,346.4	1,465.3	1,576.2	1,568.2	1,762.4
No. of Accounts	1,142	1,142	1,454	1,314	1,359	1,325	1,398	1,469
(a) Upto 3 months								
Amount	392.8	347.9	393.3	391.9	736.5	775.1	820.2	1,014.8
No. of Accounts	250	168	296	297	471	469	508	608
(b) Over 3 months to 6 months								
Amount	134.1	159.6	330.6	290.0	184.3	216.4	201.1	230.1
No. of Accounts	182	216	254	265	125	123	139	135
(c) Over 6 months to 1 year								
Amount	566.6	509.8	583.8	580.2	523.0	563.7	520.2	494.9
No. of Accounts	664	696	787	660	722	690	701	680
(d) Over 1 year to 2 years								
Amount	32.7	92.2	128.4	74.0	14.1	13.3	16.3	12.9
No. of Accounts	25	40	93	71	21	22	25	25
(e) Over 2 years to 3 years								
Amount	0.3	25.9	7.8	7.8	5.3	5.6	1.9	1.2
No. of Accounts	6	7	9	6	7	11	12	9
(f) Over 3 years to 5 years								
Amount	5.8	6.3	2.2	2.5	2.2	2.1	8.6	8.5
No. of Accounts	13	15	15	14	12	9	12	11
(g) Over 5 years								
Amount	0.1	-	-	0.0	0.0	0.0	0.0	0.0
No. of Accounts	2	-	-	1	1	1	1	1
Total								
Amount	3,595.4	4,197.9	5,695.1	6,410.5	7,003.3	7,531.0	7,381.2	7,785.9
No. of Accounts	123,173	140,041	169,709	190,044	196,118	203,367	211,275	218,476

1/ Excludes interbank deposits.

Source: Maldives Monetary Authority

Table 7.

Commercial Banks' Deposits Distributed by Owners, 2002 - 2006^{1/}*(In millions of rufiyaa; end of period)*

	2002	2003	2004	2005	2006			
					Mar	Jun	Sep	Dec
A - Foreign constituents	59.7	78.4	135.6	150.4	174.1	163.6	177.7	157.9
1- Official	6.3	5.4	5.3	6.6	7.1	5.5	7.4	6.4
2- Business	11.0	12.4	32.9	23.7	34.9	24.9	19.0	17.8
3- Personal	42.4	60.6	97.4	120.1	132.1	133.2	151.2	133.8
B - Domestic constituents	3,535.7	4,119.4	5,559.6	6,247.3	6,816.4	7,353.3	7,203.5	7,628.0
I - Government	913.5	887.3	1,144.1	1,099.8	1,379.5	1,629.3	1,388.8	1,314.4
1- Government	256.4	292.3	424.9	503.1	654.1	720.0	739.5	685.4
2- Public enterprises	653.7	592.5	715.9	593.7	721.4	902.5	642.8	621.8
3- Atolls	3.4	2.6	3.3	2.9	4.1	6.8	6.5	7.3
II - Business	977.6	1,291.5	2,031.8	2,383.9	2,398.7	2,493.4	2,526.3	2,745.4
III- Trust Funds and Nonprofit Organisations	42.1	50.0	46.4	81.6	94.2	132.1	120.1	133.7
IV - Personal (Individuals)	1,602.4	1,890.7	2,337.2	2,682.1	2,944.0	3,098.5	3,168.3	3,434.4
Total	3,595.4	4,197.9	5,695.2	6,397.7	6,990.5	7,516.9	7,381.2	7,785.9

1/ Excludes interbank deposits.

Source: Maldives Monetary Authority

Table 8.

Commercial Banks' Interest Rates, 2002 - 2006*(In percent per annum)*

	2002	2003	2004	2005	2006			
					Mar	Jun	Sep	Dec
MALDIVES MONETARY AUTHORITY								
MMA Repurchase Facility Rate (end of period) ^{1/}	-	-	-	-	-	-	-	12.0
Treasury Bills ^{2/}								
28 days	-	-	-	-	-	-	5.0	5.0
91 days	-	-	-	-	-	-	5.25	5.25
COMMERCIAL BANKS								
Deposits (Rf and US\$)								
Special notice deposits ^{3/}	5.0	5.0	2.5-3.0	2.5-3.0	2.5-3.0	2.5-5.0	2.5-5.0	2.5-5.0
Savings deposits	2.5-5.5	2.0-5.0	1.5-3.0	1.5-3.0	1.5-3.0	1.5-3.0	1.5-3.0	1.5-3.0
Time deposits								
Up to 6 months	2.5-7.5	2.0-7.5	1.5-6.5	1.5-6.5	1.5-6.5	1.5-6.5	1.5-6.5	1.5-6.5
Over 6 months to 1 year	3.5-7.5	3.0-7.5	2.5-6.5	2.5-6.5	2.5-6.5	2.5-6.5	2.5-6.5	2.5-6.5
Over 1 year to 3 years	5.5-7.5	3.5-7.5	2.875-6.5	2.875-6.5	2.875-6.5	2.875-6.5	2.875-6.5	2.875-6.5
Over 3 years to 5 years	5.5-7.5	3.5-7.5	3.0-6.5	3.0-6.5	3.0-6.5	3.0-6.5	3.0-6.5	3.0-6.5
Over 5 years	5.5-7.5	3.5-7.5	3.0-6.5	3.0-6.5	3.0-6.5	3.0-6.5	3.0-6.5	3.0-6.5
Loans								
Private sector								
Domestic currency	9 - 14	9 - 14	8-13	8-13	8-13	8-13	8-13	8-13
Foreign currency	8.5 - 15	7.5-14	7.75-13	7.5-13	7.5-13	7.5-13	7.5-13	7.5-13
Public sector	8.5 - 15	7.5 - 14	7.75-13	7.5-13	7.5-13	7.5-13	7.5-13	7.5-13

1/ MMA Repurchase Facility was introduced on 23rd Nov 2006 replacing the Lombard facility

2/ Treasury bills were issued on 11th Sep, 2006 replacing CDs.

3/ Withdrawable at a minimum notice of 30 days.

Source: Maldives Monetary Authority

Table 9.

Commercial Banks Loans and Advances by Major Economic Groups, 2002 - 2006^{1/}*(In millions of rufiyaa; end of period)*

	2002	2003	2004	2005	2006				
					Mar	Jun	Sep	Dec	
Total	2,085.0	2,228.7	3,525.6	5,458.4	5,720.1	5,894.2	6,934.0	8,184.8	
Fishing	115.3	150.8	222.3	354.6	396.1	470.5	578.1	641.3	
Tourism	1,160.0	1,248.4	2,053.0	3,048.1	3,223.6	3,224.6	3,744.0	4,297.9	
Hotels and restaurant	88.1	140.9	230.8	324.1	342.7	373.4	425.1	386.3	
Development of tourism	1,071.9	1,107.5	1,822.2	2,724.0	2,880.9	2,851.2	3,318.8	3,911.6	
Agriculture	10.5	10.5	11.6	14.0	14.3	14.4	16.8	17.2	
Construction	136.1	169.1	238.6	295.8	313.7	369.6	419.6	525.9	
Housing	117.8	143.4	215.6	260.1	273.7	320.7	366.7	439.4	
Others	18.3	25.6	23.0	35.7	40.0	48.9	52.9	86.5	
Manufacturing	14.6	39.9	48.2	87.4	113.4	116.6	139.0	140.0	
Commerce 2/	529.4	489.2	730.9	1,007.3	972.8	1,001.1	1,252.9	1,655.4	
Electricity, gas water and sanitary services	0.7	2.5	2.5	1.9	1.7	1.6	4.2	1.2	
Transport, storage and communication	37.0	31.1	88.9	234.6	257.9	261.9	313.9	367.3	
Services	48.9	63.1	78.1	152.0	158.5	173.7	185.9	177.8	
Professional and community	35.6	41.3	55.0	65.5	69.0	77.9	79.6	76.7	
Personal non-business, loans to individual	13.3	21.8	23.2	86.5	89.5	95.8	106.3	101.1	
Employees, and activities not adequately described	32.6	24.0	51.4	262.7	268.2	260.3	279.6	360.9	
				<i>(percentage contribution)</i>					
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Fishing	5.5	6.8	6.3	6.5	6.9	8.0	8.3	7.8	
Tourism	55.6	56.0	58.2	55.8	56.4	54.7	54.0	52.5	
Hotels and restaurant	4.2	6.3	6.5	5.9	6.0	6.3	6.1	4.7	
Development of tourism	51.4	49.7	51.7	49.9	50.4	48.4	47.9	47.8	
Agriculture	0.5	0.5	0.3	0.3	0.2	0.2	0.2	0.2	
Construction	6.5	7.6	6.8	5.4	5.5	6.3	6.1	6.4	
Housing	5.7	6.4	6.1	4.8	4.8	5.4	5.3	5.4	
Others	0.9	1.2	0.7	0.7	0.7	0.8	0.8	1.1	
Manufacturing	0.7	1.8	1.4	1.6	2.0	2.0	2.0	1.7	
Commerce 2/	25.4	21.9	20.7	18.5	17.0	17.0	18.1	20.2	
Electricity, gas water and sanitary services	0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.0	
Transport, storage and communication	1.8	1.4	2.5	4.3	4.5	4.4	4.5	4.5	
Services	2.3	2.8	2.2	2.8	2.8	2.9	2.7	2.2	
Professional and community	1.7	1.9	1.6	1.2	1.2	1.3	1.1	0.9	
Personal non-business, loans to individual	0.6	1.0	0.7	1.6	1.6	1.6	1.5	1.2	
Employees, and activities not adequately described	1.6	1.1	1.5	4.8	4.7	4.4	4.0	4.4	

1/ Includes total loans and advances to private sector excluding private sector bills purchased and discounted.

2/ Includes wholesale and retail trade, import and export trade.

Source: Maldives Monetary Authority

Table 10.

Commercial Banks Loans and Advances by Major Groups of Borrowers and Types, 2002 - 2006^{1/}*(In millions of rufiyaa; end of period)*

	2002	2003	2004	2005	2006			
					Mar	Jun	Sep	Dec
A - Foreign constituents	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0
B - Domestic constituents	2,294.6	2,343.2	3,787.4	5,949.0	6,156.8	6,240.0	7,371.2	8,750.5
I - Government	209.5	114.5	261.8	490.7	434.4	345.8	437.3	565.7
1 - Government	0.0	25.6	21.3	12.8	12.8	12.8	8.5	8.5
2 - Public enterprises	209.5	88.9	240.5	477.9	421.6	333.0	428.8	557.2
3 - Atolls	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
II - Business	1,646.8	1,727.7	2,776.4	4,126.0	4,277.0	4,290.8	4,967.7	6,058.1
III - Personal (Individuals)	438.2	501.0	749.2	1,332.3	1,445.3	1,603.4	1,966.2	2,126.7
Total	2,294.6	2,343.2	3,787.4	5,949.1	6,156.8	6,240.0	7,371.3	8,750.6

1/ Excludes interbank advances.

Source: Maldives Monetary Authority

Table 11.

Commercial Banks Loans and Advances by Securities Pledged, 2002 - 2006^{1/}*(In millions of rufiyaa; end of period)*

	2002	2003	2004	2005	2006			
					Mar	Jun	Sep	Dec
1- Merchandise	0.7	0.7	0.6	0.6	0.6	0.6	1.4	1.3
(i) Food items	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
(ii) Raw materials	0.5	0.5	0.5	0.0	0.0	0.0	0.0	0.0
(iii) Finished manufactured goods	0.2	0.1	0.1	0.6	0.6	0.6	1.3	1.3
2- Machinery and other fixed assets	150.7	171.1	377.1	653.4	697.7	704.4	792.9	858.5
3- Real estate	901.4	1,029.6	1,487.7	1,986.5	1,990.7	1,909.4	2,195.9	2,768.1
(i) Housing	337.3	412.8	504.3	611.3	610.9	653.1	786.8	946.9
(ii) Commercial building	564.1	616.8	983.5	1,375.1	1,379.8	1,256.3	1,409.1	1,821.2
4- Financial obligations	70.0	72.3	122.6	142.9	136.2	142.9	144.0	130.5
5- Gold bullion, gold & silver ornaments, precious metals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6- Stock securities	16.8	9.9	23.1	62.5	64.4	63.3	78.6	208.2
(i) Government and other trustee securities	8.3	9.9	21.9	60.5	61.4	59.9	63.8	200.9
(ii) Shares & debentures of joint stock companies.	8.5	0.0	1.3	2.0	3.0	3.4	14.8	7.3
7- Others	1,155.1	1,059.6	1,776.3	3,103.3	3,267.3	3,419.5	4,158.5	4,784.0
(i) Other secured advances	908.9	811.0	1,144.0	1,839.2	1,939.4	2,069.1	2,718.5	3,426.5
(ii) Advances secured by guarantee	133.0	93.9	258.1	506.8	465.4	371.0	321.8	249.2
(iii) Unsecured advances	113.2	154.7	374.1	757.3	862.5	979.4	1,118.2	1,108.3
Total	2,294.6	2,343.2	3,787.4	5,949.1	6,156.8	6,240.0	7,371.3	8,750.6

1/ Excludes interbank advances.

Source: Maldives Monetary Authority

Table 12.

Tourism Indicators, 2002 - 2006

	2002	2003	2004	2005	2006
Total arrivals	513,852	594,082	650,929	440,161	654,723
Of which: Tourists	484,680	563,593	616,716	395,320	601,923
Tourist bed nights ('000) ^{1/}	4,066	4,705	5,111	3,300	4,822
Average stay (days)	8.4	8.4	8.3	8.3	8.0
Bed capacity /beds in operation (Resorts&Hotels)	16,131	16,692	16,621	13,946	16,175
Total tourist expenditure (US\$ millions) ^{2/}	337.1	401.6	470.9	286.6	433.7
Tourist expenditure per arrival (US\$)	695.5	712.5	763.5	725.1	720.5
Tourist expenditure per night (US\$)	82.9	85.4	92.1	86.9	89.9
Bed-night capacity ('000)	5,887	6,092	6,083	5,093	5,904
Capacity utilization (in percent)	69.0	77.2	83.9	64.5	81.7
Number of resorts by lease holders (end-year)	87	87	87	87	89
Local	67	69	68	68	68
Foreign	10	7	5	6	7
Joint Venture	9	10	11	13	14
Other	1	1	3	-	-
Number of resorts by operators (end-year)	87	87	87	87	89
Local	46	50	49	44	42
Foreign	32	24	25	27	30
Joint Venture	9	13	13	16	17
Other	0	0	0	-	-
Resort bed capacity by lease holders (end-year)	16,400	16,444	16,858	17,280	17,802
Local	12,842	13,058	13,282	13,758	13,796
Foreign	1,384	840	548	716	922
Joint Venture	1,870	2,242	2,412	2,806	3,084
Other	304	304	616	-	-
Resort bed capacity by operators (end-year)	16,400	16,444	16,858	17,280	17,802
Local	9,606	9,822	10,344	9,892	9,442
Foreign	5,072	3,956	3,774	4,176	4,924
Joint Venture	1,722	2,666	2,740	3,212	3,436
Other	-	-	-	-	-

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

2/ These are estimates made by MMA for tourist expenditure for travel component of the balance of payments statistics

Source: Ministry of Tourism and Civil Aviation, Maldives Monetary Authority

Table 13.

Fish Production and Exports, 2002 - 2006*(In thousands of metric tonnes)*

	2002	2003	2004	2005	2006
Fish Catch	163.4	155.4	158.6	185.9	184.2
Coastal Catch	160.2	152.2	156.0	182.9	181.0
Skipjack	115.3	108.3	109.7	132.0	138.5
Yellow fin	21.7	19.9	22.6	21.7	19.9
Other tuna	7.2	7.5	6.5	8.3	5.7
Reef and bottom fish	16.0	16.5	17.2	20.9	16.9
EEZ	3.1	3.2	2.5	3.0	3.2
Fish Exports (excluding live tropical fish)	44.6	69.8	75.4	82.1	111.4
Fresh, Chilled or Frozen Tuna	31.2	52.4	58.0	64.7	96.2
Frozen/Chilled reef fish	0.6	0.8	0.5	0.4	0.4
Canned Tuna	5.7	7.1	7.2	7.3	4.7
Dried Fish	5.8	6.8	7.0	7.1	7.2
Salted Fish	1.2	2.7	2.7	2.7	2.9
MIFCO Production	62.6	60.6	56.6	69.4	85.6
Canned tuna	6.6	5.8	7.2	8.1	7.4
Fishmeal	2.6	1.9	2.5	2.9	2.9
Frozen tuna	51.4	50.6	42.8	54.2	69.5
Maldives fish	0.0	0.0	-	-	-
Fresh/ chilled fish	1.4	0.8	2.6	2.5	2.8
Other	0.7	1.6	1.5	1.6	3.1
Memorandum items:					
Number of fishermen	14,355	14,891	14,826	13,836	14,184
Average no.of vessels engaged per month in fishing (excluding EEZ)	1,276	1,287	1,205	1,071	1,003

Source: Ministry of Fisheries, Agriculture and Marine Resources; Statistical Yearbook of Maldives 2006;

Maldives Customs Service

Table 14.

Summary of Central Government Finance, 2002 - 2006*(In millions of rufiyaa)*

	2002	2003	2004	2005	2006 <i>(Prv. Est.)</i>
Total revenue and grants	2,714.9	3,087.9	3,424.7	4,612.9	7,298.7
Current revenue	2,577.9	2,936.8	3,331.1	3,753.3	5,171.6
Capital revenue	4.5	27.5	20.7	35.0	31.7
Grants	132.5	123.6	72.9	824.6	2,095.4
Expenditure and net lending	3,117.3	3,388.2	3,582.6	5,657.6	8,144.4
Current expenditure	2,109.4	2,345.7	2,788.1	4,643.3	6,584.0
Capital expenditure	1,026.1	1,206.2	991.0	1,132.1	1,631.2
Net lending	-18.2	-163.7	-196.5	-117.8	-70.8
Overall balance	-402.4	-300.3	-157.9	-1,044.7	-845.7
Overall balance excluding grants	-534.9	-423.9	-230.8	-1,869.3	-2,941.1
Current balance	468.5	591.1	543.0	-890.0	-1,412.4
Financing	402.4	300.3	157.9	1,044.7	845.7
Foreign financing	372.4	419.2	403.7	235.0	622.0
Domestic financing	30.0	-118.9	-245.8	809.7	223.7
Total debt (end of period)	3,856.9	4,087.6	4,282.8	5,052.1	6,002.8
Of which: Foreign	2,203.7	2,622.9	3,026.6	3,261.6	3,883.6

Source: Ministry of Finance and Treasury

Table 15.

Government Revenue, 2002 - 2006*(In millions of rufiyaa)*

	2002	2003	2004	2005	2006 <i>(Prv. Est.)</i>
Total revenue and grants	2,714.9	3,087.9	3,424.7	4,612.9	7,298.7
Total revenue	2,582.4	2,964.3	3,351.8	3,788.3	5,203.3
Current revenue	2,577.9	2,936.8	3,331.1	3,753.3	5,171.6
Tax revenue	1,091.7	1,268.7	1,647.2	1,722.8	2,382.8
Import duty	692.1	817.1	1,135.9	1,245.7	1,712.9
Tourism Tax	305.2	359.8	409.5	345.0	506.6
Bank profit tax	50.9	46.2	48.6	65.7	91.4
Other ^{1/}	43.5	45.6	53.2	66.4	71.9
Nontax revenue	1,486.2	1,668.1	1,683.9	2,030.5	2,788.8
 Entrepreneurial & property income	1,180.9	1,320.4	1,271.5	1,369.2	2,290.7
Net Sales to Public Enterprises	422.6	570.6	554.7	608.6	712.1
State Trading Organisation	109.2	122.7	114.4	72.8	57.2
State Electric Company	15.0	15.0	15.0	0.0	0.0
Dhivehi Rajjееge Gulhun Ptd.	106.2	185.9	165.6	247.9	280.8
Maldives Posts Limited	6.9	8.4	8.5	6.8	3.6
Maldives Monetary Authority	39.2	31.2	10.0	23.6	165.9
Maldives Industrial Fisheries Corporation	0.0	0.0	0.9	1.4	2.7
Island Aviation Services Limited	4.5	8.5	16.3	2.1	11.3
Building Construction and Mechanical Workshop	0.3	0.3	0.2	0.0	1.3
Maldives Transport & Contracting Co.	3.3	3.3	3.5	3.3	3.9
Maldives Ports Authority	15.9	15.0	24.5	37.5	50.0
Bank of Maldives	5.3	5.3	5.6	5.9	6.2
Maldives Airports Company Ltd	72.5	125.5	143.8	171.0	62.3
Hulhumale Development Corporation	0.0	0.0	0.0	0.0	6.6
Printing section	4.6	0.0	0.0	0.0	0.0
Government hotels	1.5	1.5	2.4	3.2	3.0
Maldives Inflight Catering Services	14.3	16.3	19.5	0.0	19.5
Maldives Water & Swerage Company	23.9	31.7	24.5	33.1	37.8
Royalties, land & resort rent	665.8	649.8	645.5	674.9	1,504.0
Resort lease rent	577.9	539.9	512.0	566.8	1,328.2
Land rent	23.1	35.8	35.3	32.8	80.0
Royalties	64.8	74.1	98.2	75.3	95.8
Interest	92.5	100.0	71.3	85.7	74.6
Administrative fees & charges	224.7	245.5	291.2	319.0	374.0
Permit fee	48.2	56.5	73.4	87.1	84.6
Administrative fees	72.0	75.3	87.8	89.9	140.8
Building rent	20.6	22.7	27.3	32.1	28.2
Non-industrial sales	83.9	91.0	102.7	109.9	120.4
Fine & Forfeits	24.6	18.2	35.6	25.5	37.0
Other	56.0	84.0	85.6	316.8	87.1
Capital revenue (sale of assets)	4.5	27.5	20.7	35.0	31.7
Grants ^{2/}	132.5	123.6	72.9	824.6	2,095.4

1/ Includes license fees, company registration fees, revenue stamps and motor vehicle taxes.

2/ Includes grants-in-kind and cash but excludes direct expenditure by donors.

Source: Ministry of Finance and Treasury

Table 16.

Government Expenditure, 2002 - 2006*(In millions of rufiyaa)*

	2002	2003	2004	2005	2006
					<i>(Prv. Est.)</i>
Total expenditure and net lending	3,117.3	3,388.2	3,582.6	5,657.6	8,144.4
Current expenditure	2,109.4	2,345.7	2,788.1	4,643.3	6,584.0
Expenditure on goods and services	1,939.8	2,174.7	2,600.8	4,260.9	6,271.1
Salaries and wages	533.9	564.1	718.7	974.3	1,179.2
Other	1,405.9	1,610.6	1,882.1	3,286.6	5,091.9
Interest payments	136.5	135.2	138.6	154.9	208.2
Subsidies	33.1	35.8	48.7	227.5	104.7
Capital expenditure	1,026.1	1,206.2	991.0	1,132.1	1,631.2
Net lending^{1/}	-18.2	-163.7	-196.5	-117.8	-70.8
Domestic	-18.4	-163.7	-196.5	-118.6	-70.8
Abroad	0.2	0.0	0.0	0.8	0.0

1/ Net lending is not included in the regular budget.

Source: Ministry of Finance and Treasury

Table 17.

Functional Classification of Government Expenditure, 2002 - 2006*(In millions of rufiyaa)*

	2002	2003	2004	2005	2006
					<i>(Prv. Est.)</i>
Total expenditure	3,135.5	3,551.9	3,779.1	5,775.4	8,215.2
Public services	1,029.6	1,204.9	1,317.7	1,958.6	2,425.4
General administration	610.3	650.9	687.1	1,105.8	1,491.0
Defence	-	-	-	416.3	432.0
Public order and internal security	396.3	532.1	598.0	391.9	442.1
Environmental Protection	23.0	21.9	32.6	44.6	60.3
Social services	1,532.8	1,667.6	1,759.1	2,983.6	4,653.6
Education	636.8	723.6	755.1	849.6	1,122.1
Health	316.8	363.3	427.3	526.6	657.5
Social Security and Welfare	99.1	141.3	176.2	495.5	316.4
Community programs	480.1	439.4	400.5	1,111.9	2,557.6
Economic services	436.6	544.2	563.7	678.3	928.0
Fisheries & agriculture	17.9	26.2	25.2	61.7	103.3
Transportation	306.3	430.1	376.6	438.2	388.8
Post and telecommunication	8.1	17.2	48.4	107.6	86.6
Tourism	35.9	34.9	56.3	57.4	106.7
Trade and industry	5.0	5.8	44.1	6.1	177.9
Electricity	63.4	30.0	13.1	7.3	64.7
Interest on public debt	136.5	135.2	138.6	154.9	208.2

Source: Ministry of Finance and Treasury

Table 18.

Functional Classification of Government Current Expenditure, 2002 - 2006*(In millions of rufiyaa)*

	2002	2003	2004	2005	2006 <i>(Prv. Est.)</i>
Current expenditure	2,109.4	2,345.7	2,788.1	4,643.3	6,584.0
General public services	824.1	934.6	1,096.2	1,608.9	1,873.9
General administration	449.1	468.7	573.0	896.6	1,054.6
Defence	-	-	-	365.3	387.4
Public order and internal security	355.2	445.5	498.3	309.2	373.7
Environmental Protection	19.8	20.4	24.9	37.8	58.2
Social services	1,037.4	1,157.1	1,411.8	2,710.9	4,244.7
Education	524.4	561.7	671.4	766.5	1,030.7
Health	270.3	289.3	362.9	441.9	596.8
Social security and welfare	94.9	136.9	174.1	495.0	315.8
Community programs	147.8	169.2	203.4	1,007.5	2,301.4
Economic services	111.4	118.8	141.5	168.6	257.2
Fisheries & agriculture	10.8	12.6	14.4	17.3	31.6
Transportation	54.7	58.1	56.8	74.8	91.5
Post and telecommunication	5.8	8.1	9.9	13.8	18.9
Tourism	35.5	34.5	55.6	56.9	106.5
Trade and industry	4.6	5.5	4.8	5.8	8.7
Interest on public debt	136.5	135.2	138.6	154.9	208.2

Source: Ministry of Finance and Treasury

Table 19.

Functional Classification of Government Capital Expenditure, 2002 - 2006*(In millions of rufiyaa)*

	2002	2003	2004	2005	2006 <i>(Prv. Est.)</i>
Capital expenditure	1,026.1	1,206.2	991.0	1,132.1	1,631.2
Public services	205.5	270.3	221.5	349.7	551.5
General administration	161.2	182.2	114.1	209.2	436.4
Defence	-	-	-	51.0	44.6
Public order & internal security	41.1	86.6	99.7	82.7	68.4
Environmental Protection	3.2	1.5	7.7	6.8	2.1
Social services	495.4	510.5	347.3	272.7	408.9
Education	112.4	161.9	83.7	83.1	91.4
Health	46.5	74.0	64.4	84.7	60.7
Welfare services	4.2	4.4	2.1	0.5	0.6
Community programs	332.3	270.2	197.1	104.4	256.2
Economic services	325.2	425.4	422.2	509.7	670.8
Fisheries & Agriculture	7.1	13.6	10.8	44.4	71.7
Transportation	251.6	372.0	319.8	363.4	297.3
Post and telecommunication	2.3	9.1	38.5	93.8	67.7
Tourism	0.4	0.4	0.7	0.5	0.2
Trade and industry	0.4	0.3	39.3	0.3	169.2
Electricity	63.4	30.0	13.1	7.3	64.7

Source: Ministry of Finance and Treasury

Table 20.

Summary of Balance of Payments, 2002 - 2006*(In millions of U.S. dollars)*

	2002	2003	2004	2005	2006 <i>est.</i> <i>31-May-07</i>
A. Current Account	-35.7	-31.3	-122.3	-269.7	-369.2
Balance on goods	-212.4	-262.3	-383.8	-493.8	-590.1
Goods: credit	132.3	152.0	181.0	161.6	225.2
Domestic exports f.o.b.	90.4	112.5	122.4	103.5	135.1
Other	41.9	39.5	58.6	58.1	90.2
Goods: debit	-344.7	-414.3	-564.8	-655.5	-815.3
Imports f.o.b.	-344.7	-414.3	-564.8	-655.5	-815.3
Balance on services	251.7	311.7	350.2	118.8	240.0
Services: credit	362.9	431.9	507.7	322.9	473.1
Travel	337.1	401.6	470.9	286.6	433.7
Services: debit	-111.1	-120.3	-157.4	-204.1	-233.1
Balance on income	-35.4	-38.4	-35.2	-31.0	-41.3
Income: credit	5.6	6.2	9.8	10.9	15.0
Income: debit	-41.1	-44.6	-44.9	-41.8	-56.3
Balance on current transfers	-39.6	-42.3	-53.6	136.2	22.2
Current transfers: credit ^{1/}	10.6	12.7	7.6	205.7	105.3
Current transfers: debit	-50.2	-54.9	-61.1	-69.5	-83.2
B. Capital Account	0.0	0.0	0.0	0.0	0.0
C. Financial Account	73.9	50.7	153.2	263.3	290.5
Direct Investment (net)	12.4	13.5	14.7	9.5	13.9
Direct investment in Maldives	12.4	13.5	14.7	9.5	13.9
Portfolio Investment (net)	0.0	0.0	0.0	0.0	0.0
Other Investment (net)	61.5	37.2	138.5	253.8	276.6
Other investment assets	27.1	26.6	109.9	162.2	113.0
Banks	-6.8	-30.2	-15.5	32.2	-20.9
Other sectors	33.9	56.8	125.3	130.0	133.9
Other investment liabilities	34.4	10.6	28.6	91.6	163.7
Monetary authorities	0.0	0.0	0.1	6.3	0.0
General government	26.8	29.9	25.0	18.1	38.5
o/w Loans	26.8	29.9	25.0	18.1	38.5
Disbursements	43.5	46.6	46.5	42.0	61.8
Amortizations	-16.7	-16.7	-21.6	-23.9	-23.3
Banks	7.6	-19.3	3.6	67.2	125.2
Other sectors	0.0	0.0	0.0	0.0	0.0
D. Net Errors and Omissions (sum of A, B, C & E)	2.0	7.0	13.3	-17.0	123.8
Overall balance (A+B+C+D)	40.2	26.5	44.2	-23.5	45.1
E. Reserves and Related Items	-40.2	-26.5	-44.2	23.5	-45.1
Reserve assets	-40.2	-26.5	-44.2	17.3	-45.1
Borrowing from IMF	0.0	0.0	0.0	6.2	0.0
Memorandum Items					
Goods and Services	39.3	49.4	-33.6	-375.0	-350.1
Exports of Goods & Services (XGS)	495.2	583.9	688.6	484.5	698.4
Current Account as a % of GDP	-5.6	-4.5	-15.8	-36.0	-39.8

1/ 2005 includes US\$152 million as grants and US\$ 70.6 million as insurance claims received for resorts that were damaged by the tsunami.

Source: Maldives Monetary Authority

Table 21.

Composition of Exports (f.o.b.), 2002 - 2006*(In millions of US dollars)*

	2002	2003	2004	2005	2006
Merchandise exports	132.4	152.0	181.0	161.6	225.2
Domestic exports	90.4	112.5	122.4	103.5	135.1
Total marine exports	55.8	76.2	89.9	101.8	133.1
Fish and fish products	52.7	72.8	87.5	100.0	132.1
Fish exports (excluding live fish)	49.2	69.1	84.4	96.6	128.8
Fresh, chilled or frozen tuna	27.5	41.8	56.0	66.6	100.9
Skipjack	14.9	20.4	25.9	33.6	59.3
Yellowfin tuna	10.7	17.1	24.6	26.5	35.9
Frozen reef fish	1.7	2.2	1.4	1.2	1.3
Canned fish	10.0	12.1	13.4	15.2	11.4
Dried fish	9.0	10.9	11.6	11.6	12.7
Salted fish	0.4	1.3	1.3	1.5	1.7
Salted reef fish	0.6	0.8	0.7	0.5	0.7
Live fish	1.8	1.7	1.4	1.3	1.5
Fish products	1.8	1.9	1.7	2.1	1.8
Other marine products	3.0	3.4	2.4	1.8	1.0
Garments ^{1/}	34.5	36.0	31.8	0.6	0.0
Other	0.1	0.4	0.6	1.1	2.0
Re-exports	42.1	39.5	58.6	58.1	90.2

1/ With the expiration of the Multi-Fibre Agreement in December 2004, no garment exports were made after January 2005

Source: Maldives Customs Service

Table 22.

Composition of Imports (c.i.f.), 2002 - 2006*(In millions of US dollars)*

	2002	2003	2004	2005	2006
Total imports c.i.f.	391.7	470.8	641.8	744.9	926.5
Private imports	283.6	345.1	474.2	502.4	617.5
Private (excluding tourism)	223.3	264.2	318.9	341.5	423.4
Tourism	60.3	80.9	155.3	160.9	194.1
Total public imports	108.1	125.7	167.6	242.5	309.0
Public enterprises	90.3	97.4	136.1	189.3	247.0
Government	17.8	28.3	31.5	53.2	62.0
Total imports c.i.f.	391.7	470.8	641.8	744.9	926.5
Consumer goods	172.4	190.5	239.8	247.7	317.7
Food Items	83.8	93.6	111.4	109.8	141.2
Rice	4.5	4.2	6.3	6.7	7.5
Wheat flour	3.1	4.2	4.5	5.6	5.7
Sugar	2.9	2.7	3.5	4.3	6.1
Beverages	10.9	11.9	13.7	11.8	15.8
Other food items	62.5	70.7	83.5	81.4	106.0
Tobacco	5.1	5.3	6.3	6.4	7.2
Pharmaceuticals	3.9	4.2	5.0	6.0	6.9
Other consumer goods	79.6	87.3	117.1	125.4	162.4
Petroleum products	50.8	55.2	90.4	115.3	181.4
Petrol	3.7	3.8	8.1	10.7	15.8
Diesel (Marine gas oil)	39.7	43.7	70.0	90.6	145.2
Aviation gas	2.4	2.8	4.7	5.7	9.0
Other petroleum product (Lubricating oil, Kerosene)	4.9	4.9	7.5	8.3	11.5
Intermediate and capital goods	168.5	225.1	311.6	381.8	427.4
Construction	41.8	50.0	86.0	115.7	121.2
Cement & Cement products	4.9	5.2	7.2	9.2	13.6
Wood for construction purposes	9.9	14.7	29.9	37.0	44.4
Base metal & articles of base metal for construction purposes	9.9	13.6	22.7	33.2	31.8
Other construction related	17.0	16.5	26.2	36.3	31.4
Paper	1.6	1.8	2.1	2.0	2.4
Medical / Surgical supplies	1.5	2.1	2.8	3.5	5.7
Computer equipments and supplies	4.8	6.8	8.5	12.8	13.7
Machinery & mechanical appliances	5.8	7.6	11.1	18.2	18.9
Textiles	30.2	32.9	35.4	6.1	7.3
Chemicals & chemical products	2.8	3.3	4.3	4.7	6.5
Transport equipments and parts	26.5	50.4	46.9	50.4	76.1
Other Intermediate and Capital goods	53.5	70.1	114.5	168.3	175.4

Source: Maldives Customs Service

Table 23.

Summary of External Public and Publicly Guaranteed Debt, 2002 - 2006*(In millions of US dollars)*

	2002	2003	2004	2005	2006
Total external debt outstanding & disbursed	259.0	289.5	331.8	397.3	574.3
Debt outstanding, disbursed (DOD)	223.1	272.9	311.6	309.9	361.8
Disbursements ^{1/}	43.5	46.6	46.5	42.5	61.8
Amortisation ^{2/}	16.7	16.7	21.6	23.9	23.3
Net flows ^{3/}	26.8	29.9	25.0	18.6	38.5
Interest payments (INT) ^{4/}	4.4	4.8	6.8	7.6	7.9
Total debt service (TDS) ^{5/}	21.2	21.5	28.4	31.5	31.2
Net transfers ^{6/}	22.3	25.1	18.1	11.0	30.6
Selected ratios					
DOD/GDP	34.8	39.4	40.1	41.3	39.0
INT/XGS	0.9	0.8	1.0	1.6	1.1
TDS/XGS	4.3	3.7	4.1	6.5	4.5
Memorandum Item:					
Exports of goods & non-factor services (XGS)	495.2	583.9	688.6	484.5	698.4

1/ Disbursements of loans during the year.

2/ Repayments of loans (principal only) during the year.

3/ Disbursements less principal repayments.

4/ Interest on loans.

5/ Sum of principal repayments and interest.

6/ Disbursements less total debt service.

Source: Ministry of Finance and Treasury

Table 24.

Exchange Rates, 2002 - 2006*(In rufiyaa per foreign currency; end of period mid rate)*

	2002	2003	2004	2005	2006			
					Mar	Jun	Sep	Dec
U.S. dollar	12.8000	12.8000	12.8000	12.8000	12.8000	12.8000	12.8000	12.8000
Japanese yen	0.1018	0.1164	0.1207	0.1134	0.1122	0.1132	0.1119	0.1116
Singapore dollar	7.1140	7.3452	7.6358	7.6634	7.8882	8.0366	8.0728	8.3020
Indian rupee	0.2601	0.2753	0.2861	0.2880	0.2942	0.2823	0.2841	0.2940
Sri Lanka rupee	0.1297	0.1298	0.1201	0.1295	0.1287	0.1273	0.1290	0.1227
Great Britain Pound	19.7971	21.9020	24.2576	22.4039	22.0321	23.4698	23.8601	25.0656
Euro	12.6607	15.4782	16.9684	15.1736	15.1936	16.0708	16.0762	16.7464

Source: Maldives Monetary Authority

Appendix II

Commercial Banks Operating in Maldives

Bank	Date Established
State Bank of India	4 February 1974
Habib bank Limited	11 April 1976
Bank of Ceylon	7 May 1981
Bank of Maldives Plc	11 November 1982
Hong Kong and Shanghai Banking Corporation Ltd	11 March 2002

Monetary Measures and Prudential Regulations in effect during 2006

Interest Rates

Banks are required to inform the changes in interest rates to the Credit and Bank Supervision Section of the MMA before the close of business on the date on which such new rates become effective. Banks are also required to display interest rates in a prominent location in the public hall of the bank.

With effect from 24 June 1995, commercial banks are free to determine the annual rates of interest chargeable on loans and advances and the annual interest payable on deposits denominated in US dollars.

With effect from 24 June 1995, banks are permitted to set the interest rates chargeable on loans and advances denominated in rufiyaa provided that the rate does not exceed 20% per annum.

With effect from 15 August 2001, banks are free to determine interest rates on rufiyaa deposits.

Minimum Reserve Requirement (MRR)

With effect from 1 June 2006, the Minimum Reserve Requirement (MRR) for commercial banks was reduced from 30 percent to 25 percent of the average rufiyaa and foreign currency demand and time liabilities, excluding inter bank liabilities and L/C margin deposits. Balances of the minimum reserve deposits in excess of 15 percent bear an interest rate of 2.5 percent per annum. The reserve requirement for rufiyaa has to be met in the form of rufiyaa deposits, while for foreign currency, US dollar deposits are required.

Treasury Bills

With effect from 10 September 2006, MMA started issuing Treasury Bills (T-bills) as issuing and paying agent for the Government, whereby Commercial banks operating in the Maldives and public enterprises may purchase such T-bills with a maturity period of 28 and 91 days, with an interest rate of 5 percent and 5.25 percent respectively. The T-bills are denominated in Rufiyaa, sold at a discount to par and carry no coupon. With the introduction of the T-bills, the CDs have been temporary halted.

Repurchase Facility

With effect from 23 November 2006, MMA introduced a Repurchase Facility (Repo) to replace the "Lombard Facility" to provide short-term rufiyaa liquidity to commercial banks operating in the Maldives that are unable to access funds on the inter-bank market. Repos are available for terms of one to seven days and the Repo rate is set at a margin above the one month T-bill rate so as to provide sufficient incentive for banks to look first to the interbank market before seeking recourse to the MMA for funds.

Rediscount Facility

With effect from 23 November 2006, MMA introduced Rediscount Facility to develop the secondary market in T-bills and such will provide a facility to repurchase T-bills from all eligible holders of T-bills. It is hoped that over time, market participants will establish an active presence in the T-bill market, thus reducing the need for this facility with the MMA and eventually allowing for its removal. The discount rate is set at a margin above the Treasury bill rate so as to provide sufficient incentive for banks to look first to the interbank market before seeking recourse to the MMA for funds.

Foreign Exchange

With effect from 1 July 1985 all commercial banks operating in the Maldives are required to adhere to the foreign currency buying and selling rates published by the MMA.

With effect from 12 October 1985, all taxes, rents and related fines due from foreigners (excluding expatriates serving the Government who are paid in rufiyaa), tourist hotels and guesthouses, are required to be paid in foreign currencies accepted by the MMA.

With effect from 19 July 2000, the MMA discontinued the foreign exchange purchases and sales services of the Post Office Exchange. Commercial banks were requested to provide foreign exchange purchases and sales service (including the purchase and/ or collection of miscellaneous foreign currency notes and other instruments) and cater to the public demand in a cooperative and sustainable manner.

In pursuing a more market based system for foreign exchange transactions in the Maldives, effective from 2nd October 2005, the MMA discontinued publishing the exchange rates for foreign currencies except for the US Dollar. This was then replaced by a system in which all commercial banks in Male' were required to publish their own exchange rates for the US dollar, effective from this date.

Prudential Requirements

With effect from 20 September 1986, all commercial banks operating in the Maldives are required to include in their loan agreements, the provision that re-payments are to be made in the currency in which a loan is disbursed.

With effect from 25 April 1996, banks are required to follow the MMA's classification criteria in accordance with a uniform credit risk grading system or loan asset classification matrix and charge a loan loss provision against all classified loans and advances as per regulations established by the MMA.

With effect from 31 December 1996, banks are required to obtain MMA's approval on all payments and profit repatriation to their head offices overseas.

With effect from 3 December 1996, banks are required to use a standard format of financial statements outlined by the MMA, and to exhibit the annual financial statements in a conspicuous place within the place of business of the bank.

With effect from 23 March 1997, the Reserve Account and the Clearing Account of commercial banks with the MMA have been consolidated and the computation of the MRR has been changed to a weekly average basis.

With effect from 30 April 1997, banks are required to report their net foreign currency position to MMA on a daily basis.

With effect from 1 January 1998 all commercial banks are required to maintain a minimum level of paid-up capital that is not less than rufiyaa 30 million. Branches of foreign banks operating in Maldives will meet a similar minimum capital requirement through the assignment or allocation of equity capital into their Maldives operations from the home country office. Half of the minimum required capital has to be deposited with MMA as “capital deposit” bearing interest at 1.5 percent per annum. In addition, all commercial banks have to maintain, at all times, a capital adequacy ratio not less than 8 percent of risk-weighted assets.

With effect from 29 October 1997 banks are requested to submit a report on the classification of loans and advances on a quarterly basis.

With effect from January 1998, all banks are required to complete the form “Computation of Risk Weighted Assets” and submit it to the MMA on a quarterly basis.

With effect from 10 December 2000, banks are required to submit details of foreign currency sales on a daily (next day) basis.

With effect from 20 December 2000, banks are required to submit their credit position on a daily basis.

With effect from 1 January 2001, banks are required to seek MMA’s approval to appoint new CEO/ GM for their banks.

With effect from 5 July 2001, banks are required to submit on a daily basis their total outstanding loans and advances and on a weekly basis, the breakdown loan portfolio by major economic groups. They are also required to submit their interest rates, commissions and fees on a weekly basis.

With effect from 7th March 2006, all banks and institutions involved in money transfer activities were required to (1) Formulate and adopt written policies and procedures against money laundering and combating the financing of terrorism, (2) Provide adequate training to the staff for effective prevention, detection and control of possible money laundering activities, and combating the financing of terrorism, (3) Install proper recordkeeping systems for accurate identification of all customers wishing to open accounts or make transactions whether directly or through proxy and the sources of their funds, and identifying unusual and Suspicious Transactions, (4) Maintain customer information systematically for future reference should the need arise, (5) Appoint a “Compliance Officer”, who shall be responsible for monitoring and ensuring compliance with the policies and procedures in respect of MMA guidelines, and (6) Report to this Authority, all Suspicious Transactions that indicate possible money laundering or attempts to conceal the true identity of customers or ownership of assets.

Taxation

Pursuant to Law 9/85 of 27 June 1985, all commercial banks operating in the Maldives are required to pay a profit tax of 25 percent.

