Quarterly Economic Bulletin

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MALDIVES MONETARY AUTHORITY

This bulletin is compiled by the Research Division (RD) of the Maldives Monetary Authority (MMA). It covers developments in the domestic and international economy during the fourth quarter of 2017. The analyses are based on information provided by relevant government authorities, commercial banks operating in the country, public enterprises and other private sector sources, as at 19 February 2018. Where actual data is not readily available, estimates have been made by RD based on available information. The timely receipt of data is therefore crucial to the compilation of this publication and the analyses contained herein.

Contents

Abbreviations

bps	basis points
c.i.f.	cost, insurance, freight
CPI	consumer price index
f.o.b.	free on board
GDP	gross domestic product
GIR	gross international reserves
GST	goods and services tax
HICP	Harmonised Index of Consumer Prices
IMF	International Monetary Fund
MACL	Maldives Airports Company Limited
MMA	Maldives Monetary Authority
MRR	minimum reserve requirement
NCG	net claims on central government
NDA	net domestic assets
NFA	net foreign assets
NPL	non-performing loan
ODF	Overnight Deposit Facility
OPEC	Organisation of Petroleum Exporting Countries
PCE	personal consumption expenditure
PMI	Purchasing Managers Index
UAE	United Arab Emirates
UK	United Kingdom
US	United States

Recent Economic Developments

International Economic Developments

Output

Following the cyclical recovery that began in the second half of 2016, global growth continues to firm up and outperformed expectations for the year 2017, with the output estimated to have grown by 3.7%. This upward revision is broadly based on advanced economies; and key emerging markets and developing economies. While growth is bolstered by strong pickups in global trade, investments have soared up in advanced economies and manufacturing output has improved in emerging markets and developing economies.

Looking at the advanced economies, the United States (US) economy slowed down to 2.6% in Q4-2017, after recording 3.2% at the end of Q3-2017. Growth stemmed from personal consumption expenditure (PCE)—the main driver of the economy—which remains buoyant due to tightening in labour market as unemployment rate is low and projected to further decline. Meanwhile, an increase in inventory investment as well as higher government spending stemming from the reconstruction efforts after Hurricane Harvey also contributed considerably to real GDP growth. However, these positive developments were slightly offset by an increase in imports, which contributed negatively.

Based on preliminary GDP data for the euro area, growth momentum in the region continued to gain steam and recorded an annualised growth of 2.7% in Q4-2017, albeit decelerating slightly from the previous quarter. Growth continued to be underpinned by strong domestic consumption and labour market improvements. Unemployment rate in the region marked the lowest since January 2009. This is further evidenced by the Economic Sentiment Indicator (ESI), as an upward trend persisted in both consumer and business confidence indicators. Looking at the main economies in the region, Germany maintained its strong underlying pace of growth on the back of strong labour market conditions and robust industrial activity. Growth in France was driven by the increase in exports and business investment. Similarly, economic activity in Italy benefited from higher exports and buoyant domestic demand, albeit growth decelerated slightly when compared with the previous months. Meanwhile, domestic demand continued to support growth in Spain together with a positive contribution from external demand.

In Japan, economic growth expanded for the eighth consecutive quarter and posted an annualised growth rate of 0.5% during the quarter—the longest growth streak since the 1980's boom. However, the pace of growth decelerated slightly when compared with the preceding quarters. Growth was driven by a strong rebound in private consumption which accounts for roughly 56% of GDP, together with an increase in capital expenditures by the private sector. On the other hand, a turnaround in imports contributed negatively during the quarter although an increase in exports was observed.

Meanwhile, the United Kingdom (UK) economy recorded a modest growth of 1.5% during the quarter, decelerating from 1.7% in the preceding quarter. Services sector which accounts for 80% of GDP, continued to be the main driving force behind the growth. Growth in the sector was spurred by a strong performance of the business services and finance sector. However, growth in the quarter slowed because of a further weakening in the construction sector.

Looking at the emerging markets and developing economies, the Chinese economy outperformed expectation and maintained a steady pace of growth in Q4-2017, recording a growth rate of 6.8% for the second consecutive quarter. Growth was benefitted by the continued buoyancy in services sector which accounts for almost half of the GDP. Meanwhile, strong services sector also helped to boost domestic demand against the background of the rebalancing efforts. Moreover, recovery in external demand on the back of a robust global economy also contributed to the growth during the quarter.

After maintaining a remarkable growth in the earlier part of the year, Russian economy slowed down in Q4-2017 as manufacturing output dropped due to temporary factors. For instance, crude oil extraction decreased due to the base effect of the production cut agreement and natural gas production fell in November 2017 in the wake of an unusual warm weather. Nevertheless, growth continued to be driven by strong consumption, supported by growing real wages. Moreover, increased external demand stemming from improved global trade has also aided to maintain a positive GDP growth in the economy during the period.

In India, activity remained muted at the beginning of the review quarter primarily due to sluggish demand owing to the pass through effect of GST (introduced in July). However, economic growth accelerated towards the end of the year as domestic demand picked up. This was indicated by the improved Purchasing Managers Index (PMI) for both manufacturing and services sector.

Inflation

Global inflation further strengthened in Q4-2017, amid an improvement in the global growth outlook. Similar to the preceding quarter, headline inflation in most of the advanced economies accelerated, despite core inflation continuing to be timid and remaining below the central banks' target. However, both core and headline inflation across key emerging markets and developing economies picked up slightly, largely reflecting the strong recovery in global energy prices.

Looking at the price developments in the advanced economies, inflation in the US accelerated slightly to 2.1% during the quarter from 2.0% in the preceding quarter, primarily on the back of higher global energy prices. Thereby, a large increase was observed in the price of gasoline during the quarter. In addition, the rise in price of shelter, medical care and food prices also contributed to the inflation growth during the quarter.

In the euro area, the rate of inflation as measured by the annual change in the Harmonised Index of Consumer Prices (HICP) remained below the European Central Bank's target and stood at 1.4%, maintaining the same rate as the previous quarter. Inflation in the region continued to be driven by the increase in prices for energy-related items such as transport fuels, while price of dairy products also observed a hike during the period. However, this was partially offset by a decline in prices of telecommunication.

In Japan, inflation rate has remained at the same level of 0.6% for the second consecutive quarter. The moderate increase in inflation resulted from a rise in prices for energy-related items such as fuel, gas and utilities, together with an increase in prices of medical care. Meanwhile, prices of food items remained relatively low over the period. It is also noteworthy that inflation remains far below the Bank of Japan's target rate although a positive inflation was observed throughout the year.

The annual rate of inflation in the UK increased further to 3.0% during the quarter, strongly reflecting the hike in global oil prices coupled with the rise in import prices following the past depreciation of the pound sterling. Although inflation rose broadly across all major categories, a sharp increase was concentrated in the prices of transport; and food and non-alcoholic beverages.

Looking at the emerging markets and developing economies, the rate of inflation in China rose to 1.8% in Q4-2017 from 1.6% recorded in Q3-2017. The growth in inflation mainly stemmed from medical care, despite a sluggish growth in prices of food and tobacco. The slow growth in food prices was largely attributed to weaker vegetables and meat prices throughout the year.

In India, inflation further accelerated in Q4-2017, fuelled by a rise in both energy and non-energy prices. While growth in general commodity prices can be attributed to the base effect of the fall in prices due to demonetisation, prices of oil-related items increased against the background of global oil price rally. Moreover, rising housing prices triggered from a policy revision also contributed to the price growth during the period.

Meanwhile, Inflation in Russia followed its downward trend to record 2.6% in Q4-2017, which is well below the target set by the Central Bank of Russia for the year. The slowdown in inflation was mainly driven by softer food prices because of a bumper crop. Similar to the preceding quarter, lower non-food prices due to a stronger ruble in the global market also contributed to the slowdown in prices.

Commodity Prices

According to the World Bank commodity price index, global commodity prices observed a substantial increase in both annual and quarterly terms during Q4-2017, largely due to the increase in energy prices stemming from higher oil prices. Non-energy prices contributed to the price growth moderately during the period as a considerable rise in metal prices was largely offset by a fall in food prices.

Prices of crude oil recorded an average of US$58.7 per barrel[1] in Q4-2017, representing an annual growth of 20%. Similar to the preceding quarter, crude oil prices increased because of supply side factors as well as better-than-expected global demand. On the supply side, the Organisation of Petroleum Export Countries (OPEC) and some non-OPEC producers agreed to extend oil production cuts until the end of 2018, while geopolitical tensions in the Middle East continued to disrupt global oil supply. Furthermore, the supply shortages partly reflected the closure of the pipeline system in the North Sea for repairs. On the demand side, crude oil prices were pushed up by better-than-expected global demand from China, together with a fall in inventories because of increased refining activity in the US.

Looking at major commodities in the non-energy group, global food prices as measured by the World Bank food price index decreased by 1% in annual terms during Q4-2017. Major declines in food prices were observed for sugar and oils. In contrast, prices of grains such as rice and wheat increased during the period. As for industrial inputs, metal prices continued to surge and recorded an annual growth of 20% during the quarter. The upsurge in metal prices reflected strong demand for metal commodities, particularly in China. Meanwhile, supply bottlenecks caused due to introduction of environmental regulation in China also contributed to the rise in metal prices.

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

Domestic Economic Developments

Real Economy

Tourism

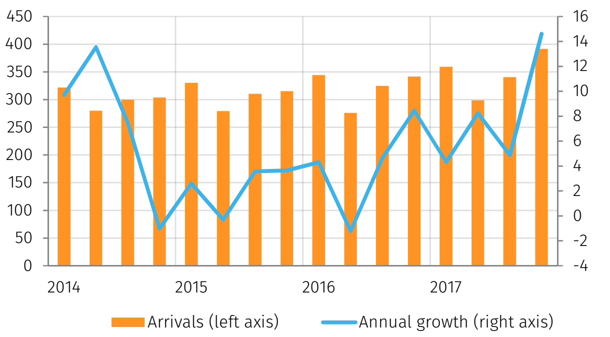
Activity in the tourism sector continued to strengthen and gained further momentum towards the end of 2017. Accordingly, the number of tourist arrivals showed a marked growth of 15% in annual terms and totalled 391,533 in Q4-2017. In quarterly terms, the number of arrivals showed the same pace of growth, signifying the seasonal patterns (Figure 1). The growth in arrivals was mainly driven by a substantial increase in arrivals from Europe, followed by the Asia and Pacific region and the Americas.

Looking at other key indicators of the tourism sector, resort bednights recorded a significant growth of 21% in annual terms, reflecting the increase in the number of tourist arrivals coupled with a slight increase in the average duration of stay which recorded 6.2 days in Q4-2017, up from 6.0 days in Q4-2016 (Figure 2). Mirroring these positive developments, total tourism receipts for the quarter is estimated to have increased by 25% in annual terms to US$819.4 million.

As for the supply side, the operational bed capacity of resorts increased by 11% in annual terms and averaged 28,580 beds during the quarter, contributed by the opening of 9 new resorts during

Figure 1: Quarterly Inbound Tourist Arrivals , 2014–2017

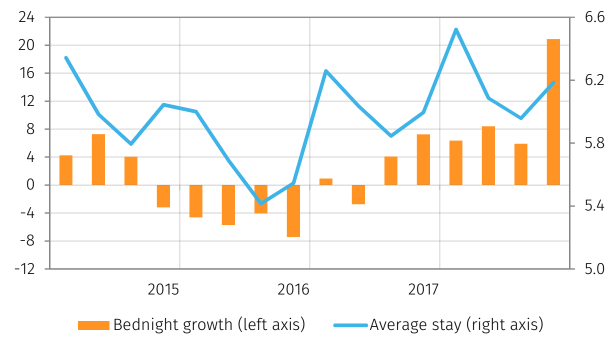
(thousands, annual percentage change)



Source: Ministry of Tourism

Figure 2: Quarterly Bednight Growth of Resorts and Average Stay, 2014–2017

(annual percentage change, days)



Source: Ministry of Tourism

the year. Despite the increase in the operational bed capacity, the average occupancy rate of resorts increased to 79% in Q4-2017 when compared with 73% recorded in the corresponding quarter of 2016.

As for developments in major tourist markets, Europe—accounting for 50% of the total arrivals during the quarter—registered a significant growth of 17% in annual terms. The increase in arrivals from Europe was led by Russia, Italy, Germany and the UK which grew by 32%, 31%, 13% and 11%, respectively, in annual terms. Other European markets that showed marked growth include France, Austria and Sweden, which registered an annual growth of 10%, 25% and 32%, respectively. Arrivals from the Asia-Pacific region—the second largest source market—grew by 12% in annual terms and accounted for 42% of the total arrivals during the period. The growth in the region was contributed by a considerable increase in arrivals from China, Thailand and India. Arrivals from other countries in the region such as Korea and Australia also posted a higher growth during the quarter.

Fisheries

Turning to the developments in the fisheries sector, after a weak performance in the preceding quarter, the primary fishing activity depicted signs of improvement during Q4-2017 as indicated by the 4% growth in fish purchases by fish processing companies, when compared with the same period of 2016. Fish purchases recorded 22,877 metric tonnes during Q4-2017, which was driven by a significant increase in skipjack tuna purchases coupled with a marginal increase in yellowfin tuna purchases.

On the export front, the available data[2] on fish exports indicated a weakening of activity during the quarter as the volume of fish exports registered an annual decline of 8% during the period Oct-Nov 2017 when compared with the corresponding period of 2016. This was largely due to a significant decline in the volume of frozen yellowfin tuna exports coupled with a slight fall in dried tuna and fresh or chilled skipjack tuna exports. The decline in the volume of exports was partly offset by an increase in frozen skipjack tuna and canned or pouched tuna exports.

Construction

Construction sector is expected to have maintained its continuous robust growth in Q4-2017, as indicated by the increase in both bank credit to the sector and construction-related imports–key indicators to measure the performance of the sector. Commercial bank credit to the construction sector rose by 22% in annual terms during Q4-2017, largely owing to increases in loans for residential housing, construction of guest houses and new resort development. In addition, construction-related imports posted an annual growth of 21% during the period Oct-Nov 2017 when compared with the same period of 2016. The strong

2 Trade data for December 2017 was not available at the time of compilation of the report.

performance of the sector is mainly attributed to the ongoing infrastructure projects.

Wholesale and Retail Trade

Activity in the wholesale and retail trade sector showed positive developments during Q4-2017 as indicated by bank credit to the sector and private sector imports – key indicators of the sector. Bank credit to the wholesale and retail trade sector recorded a marginal increase during the quarter when compared with the corresponding quarter of 2016. As for private sector imports for the period Oct-Nov 2017, it registered an annual growth of 2%.

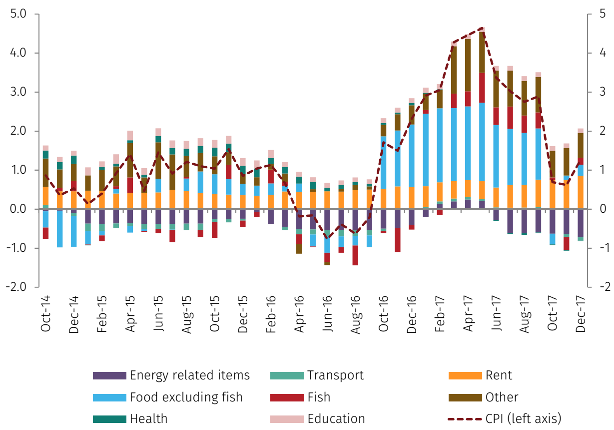
Inflation

The rate of inflation (as measured by the annual change in consumer price index [CPI] at the national level) slowed markedly and recorded 0.9% during Q4-2017, down from 2.9% in Q3-2017. The drop in the inflation rate was mainly caused by a significant fall in electricity prices, which partially offset the growth in price of cigarettes and housing rentals. Meanwhile, food prices which accounts for a large share in the CPI basket, made only a small positive contribution to the overall inflation rate during the quarter (Figure 3), mainly because of the base effect from food subsidy has fully dissipated.

Electricity prices registered a further decline and remained at negative 18.3% during the quarter. This decline was the result of a downward revision of import duties charged on petrol and

Figure 3: Contribution of Sub-Categories to CPI Inflation, 2014-2017

(annual percentage change, percentage point contribution)



Source: National Bureau of Statistics

diesel during June 2017, which led to the removal of fuel surcharge on electricity by the service providers—State Electric Company Limited and Fenaka Corporation Limited. However, the fall in electricity prices was partly offset by the continued increase in the rental prices of housing. Moreover, the base effects from the upward revision of import duties on cigarettes continued into the quarter and recorded an inflation rate of 41.7%. However, the base effects have started to dissipate gradually, which is evident from the slight deceleration in the price of cigarettes during the quarter.

Looking at the sub-components of food prices, fruits and vegetables showed a marked increase in prices during the period, mainly reflecting the acceleration in prices of fresh citrus fruits, dried fruits, root crops, cabbages and potatoes. However, this was dampened by the decrease in the prices of staple food items which reflects the dissipation of the base effects of food subsidy removal in October 2016. A decline in fish prices – the most volatile and heavily weighted item in the food category –also curbed the food prices. In addition, prices of eggs and oils posted a slight increase while the price of bread and meat decreased during the period.

Looking at other categories, a marked deceleration was observed for the prices of furnishing and household equipment. This largely reflected a decline in the prices of major household appliances, coupled with a deceleration in price of goods and services for household maintenance.

Meanwhile, prices in the transport category also showed a decline because of a fall in prices of motor cycles and airline tickets, which fully offset the hike in prices of fuels and lubricants. Furthermore, marginal decline in prices for recreation and cultural services category contributed to the lower inflation rate during the quarter, while prices in communication sector posted a slight growth in prices.

Public Finance

Total government revenue (excluding grants) increased by MVR490.1 million and totalled MVR4.5 billion during Q4-2017[3] (Figure 4) when compared with the corresponding period of 2016, driven by increases in both tax and non-tax revenues. Tax revenue, which accounted for 70% of the total revenue during the quarter, registered an annual increase of MVR271.5 million and amounted MVR3.2 billion. The significant increase in tourism goods and services tax (T-GST), reflecting the buoyant growth of the tourism sector, was the main contributor to this growth. As such, revenue from T-GST rose by MVR129.5 million while revenue from general goods and services tax (G-GST) grew by MVR45.9 million during the quarter. Looking at other main sources of tax revenues, revenue from import duties and airport service charge also recorded a solid growth, while business profit tax revenue fell during the period.

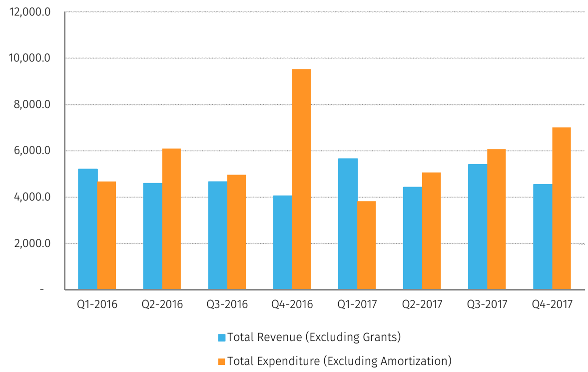
3 According to the latest data available from the Ministry of Finance and Treasury as at 19 February 2018.

As for non-tax revenue, which accounted for 30% of the total revenue, it increased by MVR214.8 million in annual terms and summed MVR1.3 billion during Q4-2017. This was mostly due to an upward base effect of receipts from airport development fee, which was introduced in May 2017. In addition, a growth in dividends from state-owned enterprises also contributed to the increase in non-tax revenue during the quarter. Meanwhile, the increase in such revenue was offset to some extent by a decline in the revenue from land acquisition and conversion fees, reflecting the base effect of the large amount of arrears recorded in November 2016.

Total expenditure (excluding debt amortisation) declined by MVR2.5 billion in annual terms during the Q4-2017 and amounted to MVR7.0 billion. The annual decline in total expenditure reflected a significant fall in capital expenditure coupled with a considerable decrease in current expenditure. Current expenditures fell by MVR696.8 million, largely due to a decline in expenditure on Aasandha, which fell by MVR334.0 million during the period. This was followed by a decrease in expenditure on trainings. Furthermore, salaries and wages—the largest component of the current expenditure—posted a slight decline during the period. As for the decline in capital expenditure, this was largely the result of a decline in spending on the Public Sector Investment Program, which fell by MVR1.5 billion.

Figure 4: Government Revenue and Expenditure, 2016-2017

(millions of rufiyaa)



Source: Ministry of Finance and Treasury

Domestic Financing

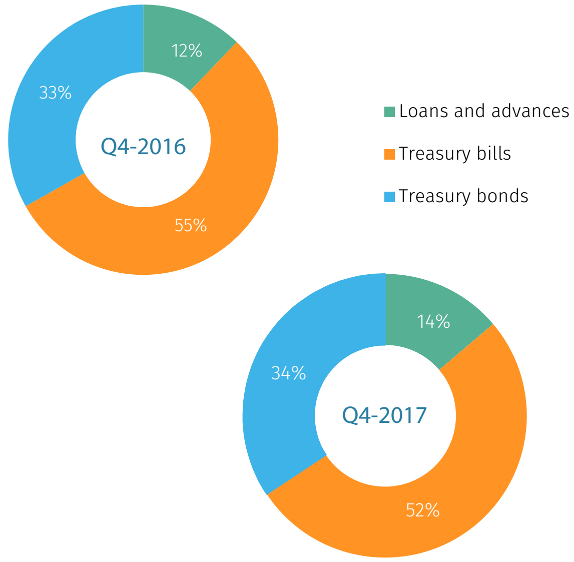
Looking at the domestic financing data for Q4-2017, the total outstanding stock of claims on government[4]—which includes treasury bills; treasury bonds and; loans and advances to the government—stood at MVR27.2 billion at the end of December 2017, an increase when compared with MVR25.5 billion at the end of September 2017. This depicted a net borrowing of MVR1.7 billion in Q4-2017 when compared with a net borrowing of MVR1.4 billion in Q4-2016.

With regard to the sources of domestic financing, government securities (treasury bills and treasury bonds) remained as the primary source of borrowing during the quarter (Figure 5). The total stock of outstanding government securities amounted to MVR23.4 billion at the end of December 2017, representing a net issuance of MVR1.6 billion. This was entirely due to a net issuance of treasury bills during the quarter as treasury bonds recorded a marginal net repayment during the period (Figure 6). As for the loans and advances to the government, it amounted to MVR3.8 billion at the end of the quarter. This also reflected a net issuance of MVR41.4 million during the quarter.

Delving into the composition of government securities during the quarter, treasury bills accounted for the largest share (60%) followed by treasury bonds (40%). At the end of the quarter, the outstanding stock of treasury bills amounted to MVR14.1 billion while treasury bonds stood

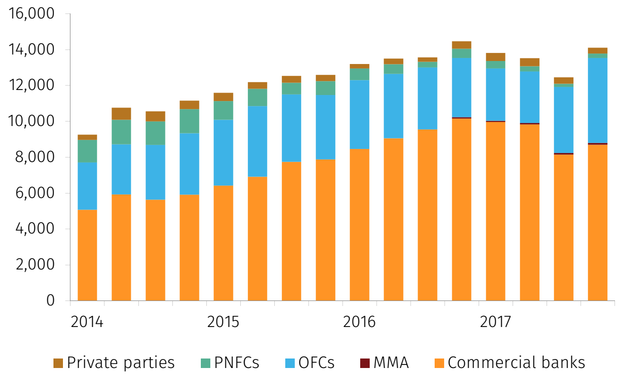
4 Domestic financing includes domestic debt of the government excluding publicly guaranteed debt.

Figure 5: Composition of Domestic Claims on Government, 2016-2017



Source: Maldives Monetary Authority

Figure 6: Treasury Bills by Holder, 2014-2017
(millions of rufiyaa)



Source: Maldives Monetary Authority

at MVR9.3 billion. Moreover, commercial banks remained as the largest investor in treasury bills followed by the pension fund.

Money and Banking

Looking at the developments in monetary aggregates, reserve money recorded an annual growth of 19% and stood at MVR10.7 billion at the end of Q4-2017 (Figure 7). In comparison, reserve money declined marginally during the preceding quarter. The expansion was largely due to the growth in net foreign assets (NFA) of the MMA, which grew by 64% in annual terms during the period. This mainly reflected an increase in foreign currency deposits held abroad by the MMA. Meanwhile, the decline in MMA's foreign liabilities (a 77% annual decline) also contributed to the growth in NFA during the period. This reflected the base effects from the maturity of a foreign currency swap arrangement with the Reserve Bank of India during the year.

Meanwhile, the decline in the net domestic assets (NDA) of the MMA slowed down the growth rate of reserve money during the period. The fall in NDA (a 44% annual decline) mainly stemmed from the increase in government deposits held at the MMA. Moreover, claims on public non-financial corporations declined in Q4-2017. This reflected repayments received by the MMA for a foreign currency corporate bond issued by the Maldives Airports Company Ltd (MACL).

With regard to the monetary operations of the MMA, the daily average liquidity absorbed through commercial banks' investments in the overnight deposit facility (ODF) stood at MVR3.4 billion in Q4-2017. This depicted an annual increase of 13% (MVR398.9 million) compared with the corresponding quarter of 2016.

Broad money (money supply) recorded an annual increase of 5% in Q4-2017 and totalled MVR32.0 billion. This followed an annual decline of 6% in broad money at the end of the preceding quarter. With regard to its components, both the increase in local and foreign currency demand deposits and the increase in currency in circulation contributed towards the increase in money supply during the period.

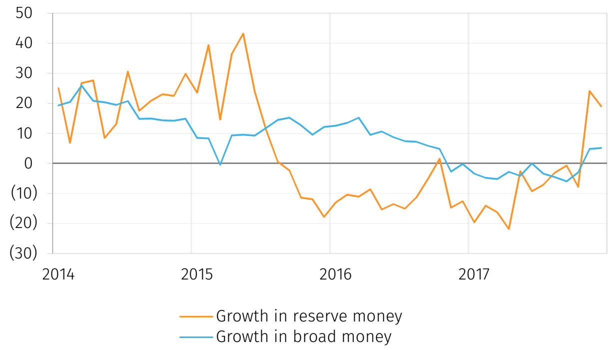
Turning to the counterparts of broad money, the annual expansion in broad money is solely attributed to the increase in NFA of the banking system (a 31% annual increase) during the period. The increase in NFA of the banking system mainly reflected the increase in the MMA's foreign currency deposits held abroad, whereas commercial banks' deposits held abroad declined during the period. Despite the increase in loans to private sector by commercial banks, the NDA of the banking system contracted in Q4-2017, primarily owing to a decline in net claims on central government (NCG). As such, NCG declined by 13% in annual terms and stood at MVR11.6 billion at the end of the quarter, when compared with the 15% annual contraction in the preceding quarter. The decline in NCG mainly reflects the fall in commercial banks' investments in government securities during the period.

With respect to loans to private sector, it registered an annual growth of 14% at the end of the quarter, which was higher than the annual growth recorded in the previous quarter. Both local and foreign currency denominated loans registered an annual increase of 25% and 6%, respectively, at the end of the quarter. Private sector credit growth was mainly driven by loans to real estate sector, which more than doubled (by MVR1.0 billion) in annual terms at the end of Q4-2017. This primarily reflected loans for residential and housing purposes. Moreover, loans to the tourism sector also increased by MVR871.2 million in annual terms, on account of the increase in lending to guest house development and working capital purposes. Meanwhile, personal loans grew significantly by MVR1.0 billion in annual terms, reflecting the increase in credit card and consumer durable loans.

Looking at the weighted average interest rates on loans and advances to the private sector, the rates on local currency loans declined by 21 basis points (bps) at the end of the quarter compared with September 2017, while it declined by 80 bps when compared with December 2016. Meanwhile, the rates on foreign currency loans fell by 12 bps at the end of Q4-2017 when compared with the previous quarter, while it also decreased by 2 bps in annual terms.

Figure 7: Changes in Reserve Money and Broad Money, 2014-2017

(annual percentage change)



Source: Maldives Monetary Authority

Banking Sector Performance

The banking sector remained strong during the quarter, with key prudential indicators standing well above the regulatory minimum requirements. During the year pre-tax profits earned by the banks amounted to MVR2.3 billion, registering a decline of 17% in annual terms. This decline was mainly due to increased loan loss provisions during the year, amounting to MVR260.6 million. Despite the decline in the profits, the profitability ratios remained high, as indicated by the return on average equity of 15% during the period.

The capital adequacy of the banking sector remained solid, with total capital to risk-weighted assets at 45% against the minimum requirement of 12%. This was on account of the significant portion of low risk assets in the portfolio. Leverage capital, as measured by equity to gross assets, stood at 20% compared with the minimum requirement of 5%. Liquidity remained high with liquid assets as a percentage of total deposits and borrowings at 62%, against 67% a year ago.

At the end of December 2017, banking sector deposits stood at MVR31.2 billion, representing a growth of 8% (MVR2.4 billion) in quarterly terms and 4% (MVR1.2 billion) in annual terms. The increase in deposits is attributed to the growth in tourism over the year, especially during Q4-2017.

As at the end of Q4-2017, loans made up 48% of the asset portfolio, and registered a strong growth of 15% (MVR3.1 billion) in annual terms to reach MVR23.5 billion. Investments in treasury bills made up 17% of assets and amounted to MVR8.4 billion as at December 2017.

As regards asset quality, the absolute value of non-performing loans (NPLs) increased by 15% compared with the previous year. However, NPLs as a percentage of total loans remained at 11%, at the end of the year, the same as a year ago, owing to the significant growth in total loans during the period. Banks have made loan loss provisions that cover 89% of the NPL portfolio.

External Trade

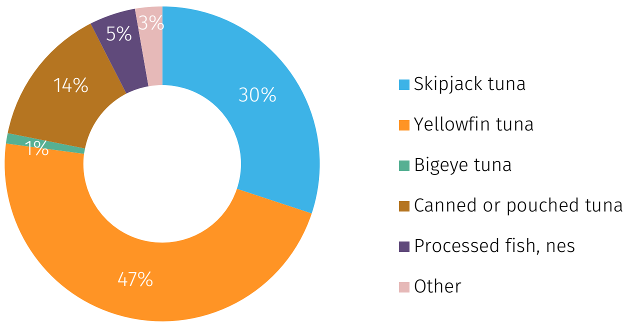
During the period Oct-Nov 2017[5], the total merchandise exports—comprising domestic exports and re-exports—grew by 16% (US$7.3 million) in annual terms and totalled US$53.7 million. This was mainly due to a growth in domestic exports and re-exports, which rose by 13% (US$3.9 million) and 20% (US$3.3 million), respectively, during the period. The annual growth in domestic exports was almost entirely due to a rise in fish exports, while the annual increase in re-exports was driven by a growth in jet fuel sold to international aircrafts, reflecting the growth in global oil prices.

The annual growth in fish exports was largely due to the increase in earnings from frozen skipjack tuna; canned or pouched tuna; and fresh or chilled yellowfin tuna exports (Figure 8). Earnings from

5 Trade data for December 2017 was not available at the time of compilation of the report.

frozen skipjack tuna exports, which accounted for 30% of total fish exports during the period, grew by 35% when compared with the corresponding period of 2016. This reflected a growth in the volume of such exports during the period. Earnings from fresh or chilled yellowfin tuna (38% of total fish exports) also grew by 10% during the period, reflecting higher yellowfin tuna prices in the international market. Meanwhile, earnings from canned or pouched tuna (14% of total fish exports) recorded an almost twofold increase due to the growth in the volume of exports (Figure 9).

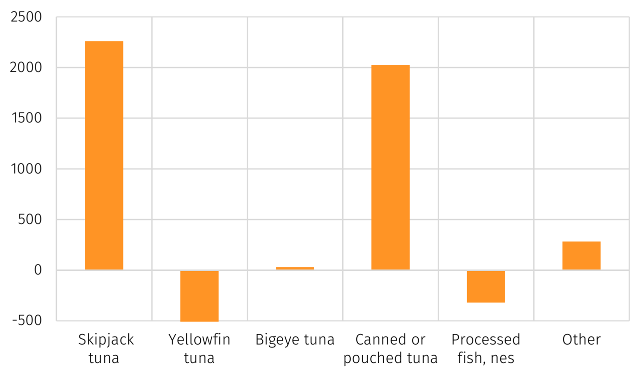
Figure 8: Composition of Fish Exports Earnings, Q3-2017



Source: Maldives Customs Service

Figure 9: Annual Changes in the Value of Fish Exports, Q3-2017

(thousands of US dollars)



Source: Maldives Customs Service

Total merchandise imports (cif) recorded an annual growth of 9% (US$31.3 million) during the period Oct-Nov 2017 when compared with the corresponding period of 2016. The increase in merchandise imports during the period stemmed mainly from petroleum products, particularly diesel (marine gas oil) and aviation gas, reflecting the upsurge in global oil prices. Additionally, a significant increase was recorded for imports of construction-related items which reflects the on-going large public infrastructure projects as well the vibrant growth of the construction sector as a whole. Food items, which accounted for 20% of total important, also increased during the period (Figure 10).

Direction of Trade

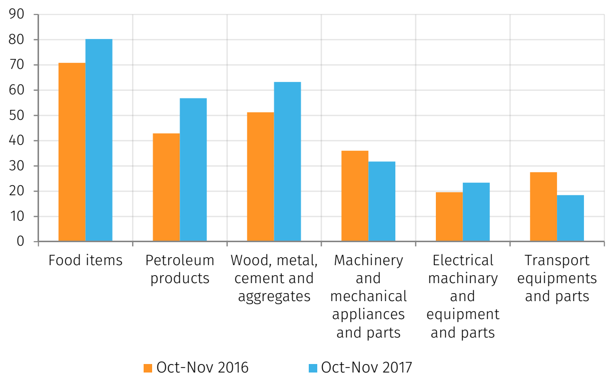
The Asia and Europe remained as the main export destinations, accounting for 49% and 39% of total exports, respectively, during the period Oct-Nov

2017. In annual terms, exports to Asia observed a marginal fall of 4%, while exports to Europe improved by 39%. The fall in exports to Asia was mainly due to a significant decline in exports to Sri Lanka and Thailand—major Asian markets accounting for 11% and 70% of total export to Asia, respectively. The decline in exports to Sri Lanka was mainly due to a significant decline in earnings from export of processed tuna, while exports of fresh or chilled yellowfin tuna also observed a marked drop. As for Thailand, export earnings from frozen yellowfin tuna fell significantly, which more than offset the growth in earnings from frozen skipjack tuna exports. However, this was partly offset by a notable increase in exports to new markets such as China and Vietnam, with the bulk of exports being frozen yellowfin tuna and, fresh or chilled yellowfin tuna, respectively. As for Europe, the growth in exports was largely due to the increase in exports to the UK (27% of exports to Europe) and France (24%). The growth in exports to the UK, accounting for 11% of the total exports during the period, was attributed to a surge in canned or pouched tuna exports, followed by an increase in fresh or chilled yellowfin tuna exports. Meanwhile, increase in export of processed tuna and frozen yellowfin tuna contributed to the growth of export to the French market. In addition, exports to the United States also registered a significant increase due to a sizable increase in export of fresh or chilled yellowfin tuna and canned or pouched tuna.

As for the direction of imports during the period Oct-Nov 2017, Asia continued to dominate as the

Figure 10: Composition of Imports, 2016-2017

(millions of US dollars)



Source: Maldives Customs Service

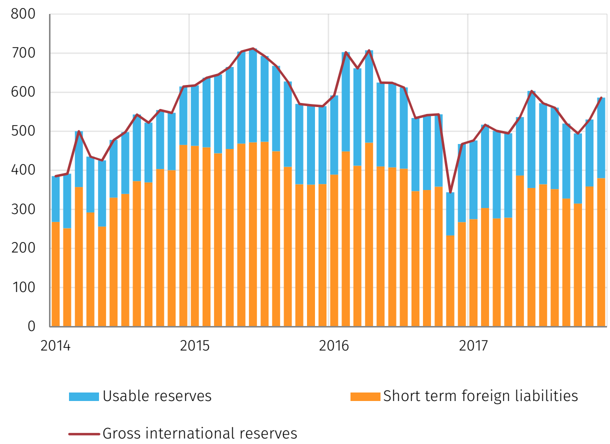
main import market (82% of the total imports), followed by Europe (11%). Within the Asia region, the United Arab Emirates (UAE) remained as the main source of imports to the Maldives (24% of imports from the region), followed by Singapore (17%), India (16%) and China (12%). Petroleum products continued to be the major import item from UAE, while imports of food items; wood, metal, cement and aggregates; and electrical and electronic machinery from the country also registered an annual growth during the period. The marked increase in imports from Singapore during the period was mainly due to the hike in import of petroleum products; construction related items; and machinery and mechanical appliances. As for India, imports of food items; electrical machinery and equipment; and pharmaceuticals accounted for the largest share. In addition, construction related items were the major source of imports from China during the period, followed by machinery and mechanical appliances.

Gross International Reserves

The Gross International Reserve (GIR[6]) stood at US$586.1 million at the end of Q4-2017, an annual growth of 25% when compared with the corresponding quarter of 2016 (Figure 11). Meanwhile, the GIR grew by 13% when compared with Q3-2017. As the GIR mainly includes the commercial banks' foreign currency deposits held at the MMA (minimum reserve requirement [MRR]

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

Figure 11: Gross International Reserves, 2014-2017
(millions of US dollars)



Source: Maldives Monetary Authority

and excess reserves), the growth in GIR reflected a rise in such deposits at the MMA. Meanwhile, the usable reserves[7] component of the GIR amounted to US$206.4 million at the end of December 2017, registering a growth of 3% and 8% in annual and quarterly terms, respectively. Both the annual and quarterly increase in usable reserves was due to an increase in foreign currency receipts during the quarter.

Exchange Rates

At the end of Q4-2017, the MMA reference rate of the rufiyaa per US dollar stood at MVR15.41, representing a marginal depreciation in annual terms.

Mirroring the movements of the US dollar against the major trading partners of the Maldives at the end of December 2017, the bilateral exchange rates of the rufiyaa depreciated in annual terms against the euro by 13%; the Singapore dollar and the pound sterling by 9%; and the Chinese yuan and the Indian rupee by 6%. Meanwhile, the rufiyaa remained relatively unchanged against the Sri Lankan rupee during this period.

When compared with September 2017, the rufiyaa depreciated against the Chinese yuan, the euro, the Indian rupee and the Singapore dollar by 2%, while it remained largely unchanged against the pound sterling and Sri Lanka rupee.

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7 Usable Reserves = GIR – Short-term foreign liabilities. This shows the amount of funds that are readily available for use by the MMA in the foreign exchange market.

Statistical Appendix

Table of Selected Economic Indicators, 2014 - 2017

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

	2014	2015	2016	2016Q1	2016Q2	2016Q3	2016Q4	2017Q1	2017Q2	2017Q3	2017Q4
Real Sector											
Tourist arrivals	7	2	4	4	(1)	5	8	4	8	5	15
Bednights of resorts	3	(5)	2	1	(3)	4	7	6	8	6	21
Operational capacity of resorts	2	2	5	2	4	5	10	11	14	15	11
Occupancy rate of resorts (%)	82	76	74	84	66	73	73	81	63	68	79
Average stay (days)	6.0	5.7	6.0	6.3	6.0	5.8	6.0	6.5	6.1	6.0	6.2
Fish purchases	(20)	(10)	19	(15)	18	14	55	83	53	74	4
Prices[1/]											
Total (Republic)	2.1	1.0	0.5	0.9	(0.4)	(0.4)	1.8	3.4	4.2	2.9	0.9
Total excluding fish	2.2	1.1	0.7	0.9	(0.2)	(0.2)	2.3	3.6	7.5	2.6	1.0
Food and non-alcoholic beverages excluding fish	0.4	0.9	1.5	1.1	(1.0)	(1.4)	7.3	9.6	9.6	7.2	0.5
Government Securities (millions of rufiyaa)											
Government securities outstanding	17,586.9	20,001.6	23,230.3	20,599.0	21,398.5	21,843.5	23,230.3	23,231.7	22,930.6	21,785.6	23,414.2
Treasury bonds	6,440.5	7,419.6	8,774.6	7,414.4	7,903.2	8,284.9	8,774.6	9,429.2	9,413.2	9,336.3	9,320.9
Treasury bills	11,146.4	12,582.0	14,455.7	13,184.7	13,495.3	13,558.6	14,455.7	13,802.5	13,517.4	12,449.3	14,093.4
MMA	-	-	74.4	-	-	-	74.4	74.4	77.2	93.8	93.8
Commercial banks	5,908.5	7,875.9	10,154.9	8,451.8	9,047.6	9,542.9	10,154.9	9,955.6	9,825.7	8,138.7	8,694.4
Others	5,237.9	4,706.1	4,226.4	4,732.9	4,447.7	4,015.7	4,226.4	3,772.5	3,614.5	4,216.8	5,305.1
Money and Banking											
Broad money	15	12	0	15	9	6	0	(5)	(0)	(6)	5
Net foreign assets	42	(2)	(36)	2	(16)	(12)	(36)	(41)	(11)	(26)	31
Net domestic assets	(1)	24	24	28	34	20	24	22	7	6	(4)
Net claims on central government	6	24	18	29	27	28	18	11	(8)	(15)	(13)
Claims on other sectors	2	12	21	16	20	12	21	22	21	21	10
o/w Private sector	3	12	11	16	20	15	11	12	12	13	15
Reserve money	30	(18)	(13)	(11)	(14)	(5)	(13)	(16)	(9)	(1)	19
Market operations[2/]											
Open market operations[3/]	(50)	-	-	-	-	-	-	-	-	-	
Overnight Deposit Facility	227	121	29	70	46	16	0	(4)	(21)	(2)	13

1/ The inflation rate for the year refers to the period average values, whereas inflation for the quarter represents the annual percentage change in the three-month-average.

2/ Monetary operations figures represent the average investment.

3/ Open market operations were suspended from May 2014 onwards.

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

Table of Selected Economic Indicators, 2014 - 2017

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

	2014	2015	2016	2016Q1	2016Q2	2016Q3	2016Q4	2017Q1	2017Q2	2017Q3	2017Q4[4/]
External Trade											
Merchandise exports (f.o.b.)	(9)	(20)	7	(23)	(16)	(29)	115	59	60	61	16
Domestic exports	(13)	(0)	(3)	(12)	1	(29)	27	50	34	58	13
o/w Fish exports	(14)	(1)	(2)	(11)	3	(29)	29	51	34	60	13
Re-exports	(5)	(39)	22	(37)	(41)	(30)	289	76	126	65	20
Merchandise imports (c.i.f.)	15	(5)	12	(2)	28	6	18	18	6	15	9
o/w Food	8	(0)	6	7	7	2	7	7	3	11	13
Petroleum	14	(50)	(13)	(41)	(13)	(13)	29	45	42	14	33
Construction-related imports	26	48	20	30	25	9	18	19	20	33	21
Direction of Trade of Imports of Goods (as a percentage of total)											
o/w Singapore	18	17	14	15	15	15	13	12	13	11	14
India	9	12	13	13	13	13	12	12	13	12	13
Sri Lanka	7	7	6	7	6	6	6	8	6	6	7
UAE	24	17	16	15	14	15	19	18	19	18	20
Thailand	4	5	5	5	5	5	4	4	5	5	5
Direction of Trade of Exports of Goods (as a percentage of domestic)											
o/w Thailand	32	25	34	27	33	32	43	53	57	39	34
Sri Lanka	6	12	10	12	10	9	9	4	3	5	5
France	14	10	9	9	10	9	8	6	7	7	9
Germany	7	7	9	10	9	6	8	6	7	10	7
External Reserves											
Gross international reserves (millions of US dollars)	614.7	564.0	467.1	661.4	623.9	541.4	467.1	501.2	603.4	519.4	586.1

4/ Data relating to trade was only available upto November 2017 at the time of compilation of report

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

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