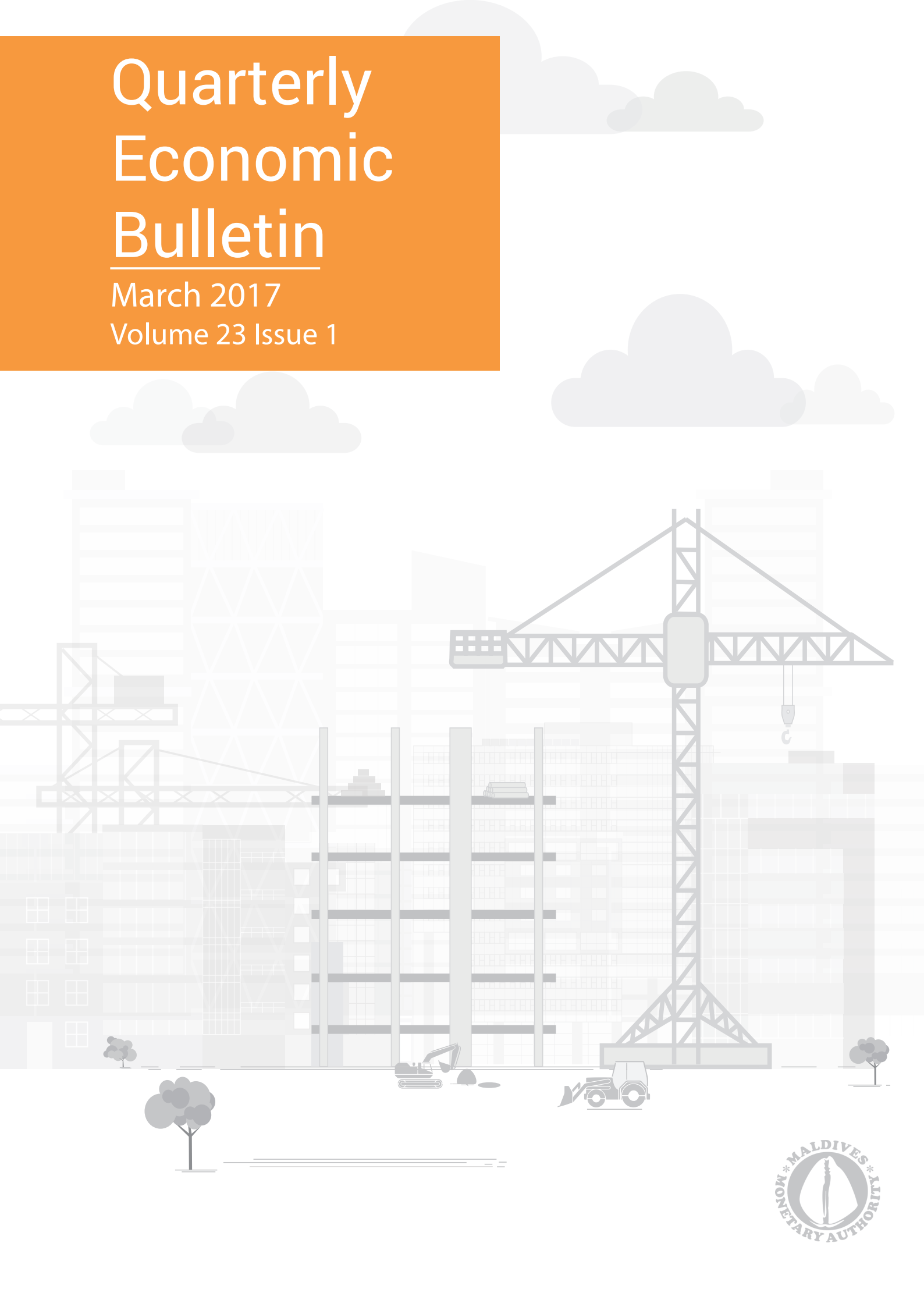


Quarterly Economic Bulletin

March 2017

Volume 23 Issue 1



This bulletin is compiled by the Monetary Policy and Research Division (MPRD) of the Maldives Monetary Authority (MMA). It covers developments in the domestic and international economy during the first 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 6 June 2017. Where actual data is not readily available, estimates have been made by MPRD based on available information. The timely receipt of data is therefore crucial to the compilation of this publication and the analyses contained herein.

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Abbreviations

bps	basis points
c.i.f.	cost, insurance, freight
CPI	consumer price index
f.o.b.	free on board
GDP	gross domestic product
GIR	gross international reserves
IMF	International Monetary Fund
M0	reserve money
M2	broad money
MACL	Maldives Airports Company Ltd
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 the Petroleum Exporting Countries
UAE	United Arab Emirates
UK	United Kingdom
US	United States



Recent Economic Developments

International Economic Developments

Output

According to the World Economic Outlook published by the International Monetary Fund (IMF) in April 2017, global growth for 2017 is estimated at 3.5%, an upward revision from 3.4% estimated in January 2017. The upward revision to global growth projection largely resulted from the continued recovery in international trade coupled with improved financial conditions. Growth of the advanced economies improved on the back of continued cyclical recovery while economic performance across emerging markets and developing economies remained mixed.

Looking at the advanced economies, activity in the United States (US) economy recorded a growth rate of 1.2% in Q1-2017, a drop from 2.1% in the preceding quarter. The significant deceleration in growth reflects lower private inventory investments coupled with softer consumer demand—the main driver of the economy. The sluggish consumer demand in the US came from a downturn in personal consumption expenditure, amid an exceptionally warm weather which had reduced energy consumption. In contrast, the US fiscal easing remains in place and consumer confidence continued to be robust while unemployment rate

is well below the threshold level of the Federal Reserve.

In the euro area, growth remained solid on the back of its continued cyclical recovery and recorded an annualised growth rate of 1.7% after registering 1.8% in Q4-2016. Growth was largely driven by strengthening domestic demand and lower unemployment levels in the region. Looking at the main economies in the region, growth in the region was largely boosted by growth in Germany and Spain—with annualised growth rates of 1.7% and 3.0%, respectively. Germany picked up pace during the quarter, supported by buoyant domestic consumption and strong construction sector, while Spain continued to grow against the background of improved labour market conditions. However, growth in France was hindered by political instability and posted a slow growth of 0.8% in Q1-2017.

The Japanese economy grew remarkably in Q1-2017 and stood at 2.2%, up from 1.4% recorded in the preceding quarter. Growth was almost entirely driven by a recovery in consumption, particularly household consumption which rose by 1.4% in annual terms. Further, growth in net exports also impacted positively to the growth.

Meanwhile, in the United Kingdom (UK), annual growth had decelerated to 2.0% during the quarter, after following a robust growth during the past two quarters. The slowdown was concentrated in the consumer-facing sectors, largely reflecting the

impact of the pound sterling's past depreciation on household income and spending.

Looking at emerging market and developing economies, the Chinese economy performed better-than-expected and expanded by 6.9% in Q1-2017. This reflected the resilient domestic consumption and robust growth in the services sector as the economy continues its rebalancing transition. Furthermore, the government continued the policy support which has led to credit growth and investment in infrastructure projects such as real estate development.

The Russian economy continued its recovery in Q1-2017 mirroring the firming of global oil prices. Further, financial conditions improved in the economy, which had led to improved confidence in both investment and consumption during the quarter. While the real wage growth and improvements in labour market conditions contributed to the upturn in domestic consumption, better performance of Russian ruble in the global market had aided to the uptick in investments in the economy.

The Purchasing Managers Index for India pointed to improved economic conditions during Q1-2017 as indicated by increased new orders in both manufacturing and service sectors which resulted from higher demand. The economy has also been showing a rebound after the negative impact of demonetisation which resulted in temporary cash shortages and payment disruptions in the economy.

Inflation

Global inflation has been increasing and reached 3% during Q1-2017, primarily reflecting the rebound in commodity prices, particularly energy prices. While the uptrend has been stronger for advanced economies, inflation started to pick up more recently in the emerging markets and developing economies due to the downward pressure from the earlier exchange rate depreciations. Inflation in this group is, however, expected to gain strength as the effect of exchange rate fades away.

Delving into price developments in advanced economies, consumer price inflation in the US accelerated to 2.5% when compared with the preceding quarter, mostly stemmed from higher energy prices at the start of the quarter. Energy prices went up in January due to increased gasoline prices, however, it declined towards the end of the quarter. The growth in prices also reflected higher prices for food, rent, and airline fares during the period.

In the euro area, the rate of inflation as measured by the Harmonized Index of Consumer Prices pushed up to 1.8% during the quarter. Looking at the individual components, prices of energy, transport, and vegetables recorded a marked growth during the quarter. However, the price growth was lower than expected in the transport sector, mainly due to the timing of Easter holiday which fell in April this year instead of March last year.

The annual rate of inflation in the UK rose above the Bank of England's target rate and stood at 2.2% in Q1-2017. Rising food prices and energy prices coupled with the recent depreciation in the pound sterling put upward pressure on inflation. However, this was partly offset by the lower transport cost, particularly a decline in air fares as a result of the Easter holiday timing.

In Japan, the annual rate of inflation picked up to 0.3% during Q1-2017 after a prolonged period of subdued inflation. This was mainly due to higher energy prices combined with the recent weakening in the yen which lifted prices during the quarter. In addition, higher food prices contributed significantly to price growth.

Looking at the emerging markets and developing economies, the annual rate of inflation in China stood at 1.4% during the quarter, a slight deceleration from the previous quarter, reflecting a decline in food prices during the quarter. Further, inflation rate in March 2017 remained lower than expected due to declines in food and tourism prices in the wake of spring festival. However, prices of non-food items, including coal products and non-metallic building materials rose during the quarter.

In India, overall inflation increased to 3.5%, in annual terms, during the quarter although it hit a record low level in January due to the recent demonetization shock together with the decline in prices of vegetables and pulses. Prices of food and fuel picked up markedly during the latter part of the

quarter. In contrary, inflation in Russia decelerated significantly in annual terms and stood at 4.6%, partly due to the appreciation of ruble during the quarter. In addition, the increased supply resulted from a bumper harvest had pushed down prices of fruits and vegetables during the period.

Commodity Prices

The IMF commodity price index showed an average increase of 35% and 6% in annual and quarterly terms, respectively, during the quarter. This largely reflected a substantial increase in prices of major commodity groups including crude oil, metal, and food prices.

The surge in crude oil prices in the latter part of 2016, following the agreement by the Organisation of the Petroleum Exporting Countries (OPEC) and some non-OPEC producers to cut production, continued into 2017. Prices of crude oil increased to an average of US\$53.0 per barrel compared with US\$49.1 per barrel in the previous quarter, which is an annual increase of 62%. However, oil prices showed a declining trend towards the end of the quarter mainly due to increased concerns over commitments to the OPEC and non-OPEC cuts. In addition, an increase in supply due to robust recovery in the US shale oil activity combined with larger-than-expected US oil inventories contributed to the decline. Furthermore, the natural gas price index increased at the turn of the year on the expectation of strong winter demand. Nonetheless, prices of natural gas remained subdued towards the

end of the quarter due to lower demand resulted from a mild winter this year.

Metal prices also rallied during the quarter and increased by 35% and 11% in annual and quarterly terms, respectively, driven by strong demand and supply constraints. On the demand side, the surge in metal prices largely stemmed from higher metal consumption in China. Real estate investment in China has been expanding significantly, supported by the continued fiscal support to the construction sector by the Chinese government. Further, the projected infrastructure spending by the US government also provided boost to metal prices. On the supply side, labor strikes in some metal producing countries as well as declining investment in, and closure of high-polluting mining operations have also pushed up prices of metal during the quarter.

As for the developments in food prices, global food prices measured by the IMF food price index, increased by 10% in annual terms during the quarter. Major categories of agriculture including cereal, wheat, maize, sugar and meat witnessed increase in prices during the period. The shortfalls of maize and wheat output in the US, coupled with higher international demand were reflected in the price growth. According to the Food and Agricultural Organization of the United Nation, prices of cereals increased significantly during the first two months of 2017 although it firmed up towards the end of the quarter.

Domestic Economic Developments

Real Economy

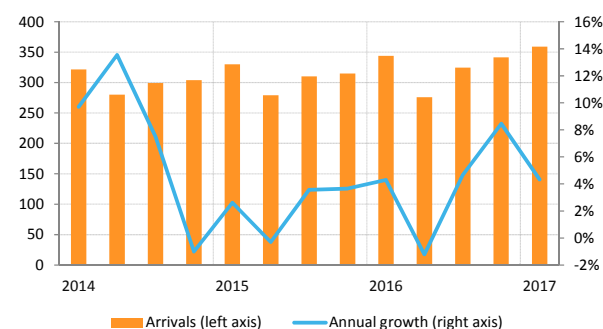
Tourism

The performance of the tourism sector showed mixed developments during the first quarter of the year despite it coinciding with the peak season of the industry. On the positive front, tourist arrivals grew by 4% in annual terms, the same rate registered in Q1-2016, and totalled 395,053 during the quarter (Figure 1). Tourist arrivals also increased by 5% in quarterly terms, reflecting the usual seasonal pattern. The annual growth in arrivals was largely due to the significant increase in arrivals from Europe which offset the slight decline in arrivals from the Asia and the Pacific region. Higher arrivals from Italy and Russia during the quarter largely contributed to the growth in arrivals from Europe. On the other hand, the decline in arrivals from the Asia and the Pacific was mainly due to the sizable decline in arrivals from the single largest market—China—which offset the considerable growth in arrivals from India and South East Asian countries during the quarter.

As for other indicators of the tourism industry, bednights registered a growth of 8% in annual terms during Q1-2017, lower than the growth rates recorded during the past two quarters as well as

Figure 1: Quarterly Inbound Tourist Arrivals, 2014–2017

(thousands, percentage change)



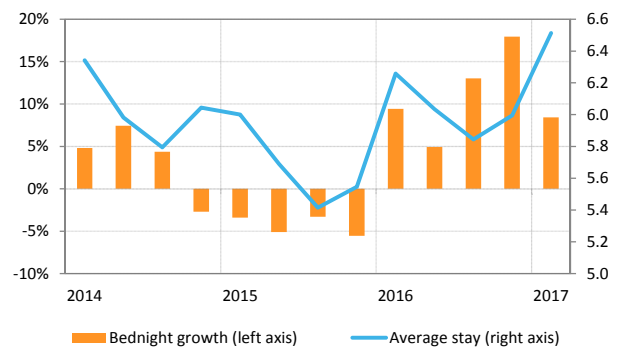
Source: Ministry of Tourism

the corresponding quarter of last year (Figure 2). However, the average duration of stay increased to 6.5 days in Q1-2017, up from 6.3 days in Q1-2016.

On the supply side, the registered number of resorts increased to 128 resorts at the end of Q1-2017 in comparison to 116 resorts at the end of Q1-2016. With the opening of new resorts, the operational bed capacity of the industry grew by 13% in annual terms during the review quarter. Partly reflecting this, the occupancy rate of resorts declined to 81% in Q1-2017, a decline of 3 percentage points in annual terms.

Looking at arrivals by source markets, Europe remained as the leading market during the quarter with a market share of 54% of total arrivals, up from 52% in the corresponding quarter of 2016. The top markets from Europe were; Italy (accounting for 17% of arrivals from the region), followed by UK (15%), Germany (14%), Russia (9%) and France (9%). Arrivals from Italy, Russia and France increased while arrivals from the UK and Germany decreased in annual terms. Meanwhile, arrivals from the Asia and Pacific region had a market share of 38% in Q1-2017, down from 40% in Q1-2016. Similar to previous years, China remained as the main market from the region (54%) and accounted for 20% of total tourist arrivals during the quarter. Other main markets from the region included India and Japan.

Figure 2: Quarterly Bednight Growth and Average Stay, 2014–2017
(percentage change, days)



Source: Ministry of Tourism

Fisheries

Activity in the fisheries sector remained strong during Q1-2017 when compared with the corresponding quarter of 2016. Fish purchases made by local fish processing companies increased by 16% in annual terms and summed 13.5 thousand metric tonnes during the quarter- the fourth consecutive quarter of positive growth. This was driven by a significant increase in skipjack tuna purchases as well as a considerable increase in yellowfin tuna purchases during the quarter. On the export front, developments in fish exports also remained buoyant during the period, registering increases in both earnings and volume of fish exports. Earnings from fish exports increased by 51% in annual terms, mainly due to higher earnings from frozen skipjack tuna and frozen yellowfin tuna. Similarly, the volume of fish exports also increased due to a rise in such export volumes.

Construction

In line with the current boom in the construction sector, the sector continued to perform robustly in Q1-2017 as indicated by 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 grew by 31% in annual terms during the quarter, largely on the back of increases in loans for residential housing, new resort development and renovation of resorts. In addition, credit for

real estate commercial building and guesthouses increased significantly in annual terms during the quarter. Construction-related imports grew by 19% in annual terms during the quarter, mainly attributed by the ongoing infrastructure projects.

Wholesale and Retail Trade

Activity in the wholesale and retail trade sector were also robust during Q1-2017 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 increased by 12% during the quarter when compared with the corresponding period of 2016. As for private sector imports, it increased by 34% in annual terms during the quarter.

Inflation

The rate of inflation (as measured by the annual change in consumer price index (CPI) at the national level) accelerated significantly to 3.4% during Q1-2017 from 1.8% in the previous quarter. This was largely driven by an increase in global commodity prices, coupled with domestic food prices, housing rentals, cigarette prices and prices of energy-related items (Figure 3).

Food prices, which accounted for 26% of the CPI basket, rose by 7.6% in Q1-2017. The hike in such prices mainly stemmed from a surge in prices of staple food items—rice, flour and sugar—due to the cut down in government subsidy on these essential

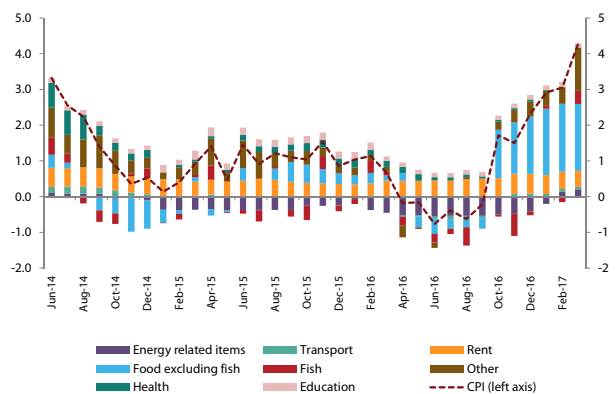
food items in October 2016¹. Furthermore, pick up in volatile fish prices (which make up 33% of the food category) also contributed to the higher rate of inflation, registering 1.3% in Q1-2017 following three consecutive quarters of negative price growth. The increase in fish prices was mainly due to an increase in prices of fresh, chilled or frozen fish.

An increase in rental prices of housing (which accounts for 12% of the CPI basket) also contributed significantly to the increase in inflation during Q1-2017. Furthermore, electricity prices edged upwards during the review quarter following the upward revision of fuel surcharges in the latter part of Q4-2016. However, cooking gas prices continued to decline as a result of the base effect of a reduction in such prices during 2016. Further, an increase in cigarette prices also pushed up the total inflation rate during the review quarter. This was due to an upward revision of import duties on cigarettes which came into effect in March 2017.

Looking at the developments in other components of the CPI, prices in the furnishing, and household equipment category rose by 3.6% in Q1-2017. This was due to a growth in prices of major household appliances. Price growth in this category was also driven up by an increase in prices charged for domestic services. Similarly, prices in the transport category also rose during the quarter as a result of an increase in ferry fares. Further, an increase in fees charged for secondary education,

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

(annual percentage change, percentage point contribution)



Source: National Bureau of Statistics

1 Once the base effect of the policy change wears off from October 2017, year-on-year inflation should return to pre-policy change levels, holding all else constant.

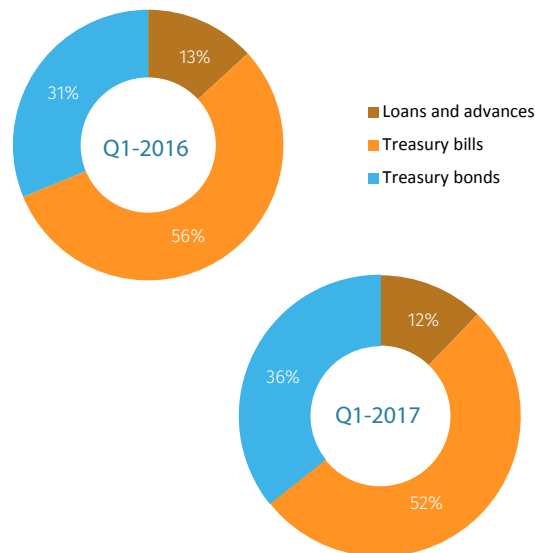
prices charged at cafés and price of information processing equipment also placed upward pressure on inflation in Q1-2017. However, a decline in prices charged for mobile phones slightly negated the impact on overall inflation during the quarter.

Public Finance²

With regard to the latest data on domestic financing, the total stock of domestic claims³ – which includes treasury bills, treasury bonds and loans and advances to the government – increased marginally to MVR26.5 billion at the end of March 2017 from MVR26.4 billion at the end of December 2016. This reflected a net borrowing of MVR9.2 million when compared with a net borrowing of MVR611.4 million at the end of March 2016.

Looking at the sources of domestic financing, government securities remained the primary source of domestic borrowing and the outstanding stock of government securities reached MVR23.2 billion at the end of March 2017. The outstanding stock of government securities, however, grew marginally during the quarter due to a net repayment of treasury bills, which offset the net issuance of treasury bonds. Treasury bonds recorded a net issuance of MVR654.7 million, and reached MVR9.4 billion at the end of Q1-2017. Meanwhile, total loans and advances to the government stood at MVR3.2 billion at the end of Q1-2017, which was only a slight increase from a year ago.

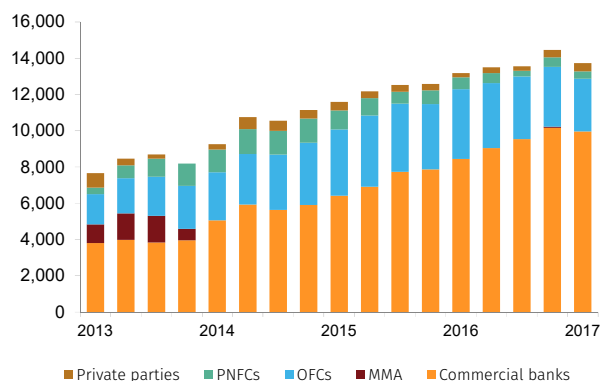
Figure 4: Composition of Domestic Claims on Government, 2016-2017



Source: Maldives Monetary Authority

Figure 5: Treasury Bills by Holder, 2013-2017

(millions of rufiyaa)



Source: Maldives Monetary Authority

² The total revenue and expenditure data for Q1-2017 was not available at the time of compilation of report.

³ Excluding publicly guaranteed debt and external financing.

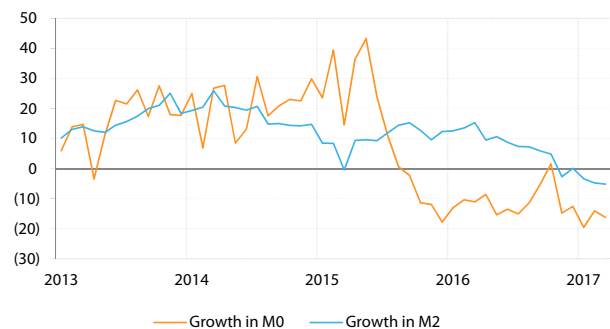
As for the composition of government securities, although treasury bills remained the largest portion of the outstanding government securities (Figure 4) it recorded a net repayment of MVR653.2 million at the end of Q1-2017 (Figure 5). The outstanding stock of treasury bills amounted to MVR13.8 billion at the end of the quarter. Conversely, the marginal growth in the outstanding government securities stemmed from the net issuance of treasury bonds. This reflected the conversion of part of the treasury bills held by the pension fund to treasury bonds.

Money and Banking

As for the developments in monetary aggregates, reserve money (M0) continued to decline in annual terms, with the pace of decline accelerating from 13% at the end of Q4-2016 to 16% at the end of Q1-2017 (Figure 6). Reserve money stood at MVR9.3 billion at the end of March 2017. The annual contraction in M0 was entirely due to the decline in the net foreign assets (NFA) of the MMA. However, the decline in the NFA of the MMA was partially offset by the growth in the net domestic assets (NDA) of the MMA during the review quarter.

The NFA of the MMA recorded an annual decline of 41%, largely due to a switch of a foreign asset of the MMA to a domestic asset. This reflected MMA's investment in a foreign currency bond issued by the Maldives Airports Company Ltd. (MACL) in November 2016. The marked growth in foreign liabilities of the MMA also contributed to the decline in the NFA, which resulted from the foreign

Figure 6: Changes in Reserve Money and Broad Money, 2013-2016
(annual percentage change)



Source: Maldives Monetary Authority

currency swap agreement between the MMA and the Reserve Bank of India. Conversely, the NDA of the MMA recorded a significant growth at the end of Q1-2017, partially offsetting the fall in NFA. While the MMA's investment in the MACL Bond was the driver of NDA growth, an annual decline in overnight deposit facility (ODF) placements also contributed to the significantly higher NDA growth during the quarter.

With regard to the total liquidity absorbed by the MMA's monetary operations via the MMA's ODF, an annual decline was recorded during Q1-2017. Commercial banks' placements of funds in the ODF averaged MVR3.5 billion during the quarter, depicting a fall of MVR136.7 million compared with Q1-2016.

Broad money (M2) recorded a 5% annual decline at the end of Q1-2017, and amounted to MVR30.9 billion compared to a slight increase at the end of Q4-2016. On the components side, the annual decline in M2 was contributed by the fall in both quasi money and narrow money. The main contributor to the sharp decline in quasi money was the fall in foreign currency demand deposits while the decline in narrow money was mainly due to a decline in local currency demand deposits.

Delving into the counterparts of M2, the annual decline in broad money was primarily contributed by the decline in the NFA of the MMA. The decline in the NFA of commercial banks also contributed to the fall in M2. This mainly reflected the decline in

commercial banks' investments in foreign currency demand deposits overseas. The decline in the NFA was also due to the increase in foreign currency borrowings from head offices of commercial banks. However, the decline in the NFA of the banking system was offset to some extent by a 22% annual increase in the NDA. This was largely contributed by the growth in the NDA of the MMA. The growth of commercial banks' net claims on central government and claims on the private sector also contributed to the NDA growth of the banking system during Q1-2017.

As for the various components of NDA, net claims on central government (NCG) of the banking system rose by 11% in annual terms and stood at MVR13.0 billion at the end of March 2017. This was a deceleration when compared with a growth of 18% at the end of December 2016. The deceleration of NCG growth reflected the slowdown in growth of commercial banks' investment in government securities.

With regard to credit to the private sector by commercial banks (aggregate for both local currency and foreign currency loans), an annual growth of 12% was registered for Q1-2017, a slight acceleration compared with the previous quarter. While local currency denominated loans registered an annual growth of 25%, foreign currency loans grew by 2% during the review quarter. The growth in private sector credit was mainly due to credit extended to construction sector, which remained high with a growth of 36% (MVR952.2

million) during the quarter. The increase in credit to construction sector primarily reflected the residential housing boom. Meanwhile, the growth in private sector credit was also contributed by credit extended to the tourism sector (accounted for the largest portion, 39% of total private sector credit), particularly for new resort development and renovation of resorts.

Looking at other sectors of the economy, credit extended to real estate development grew by 22% during Q1-2017, with an annual increase of MVR150.5 million, largely fuelled by the growth in commercial building. As for credit extended to wholesale and retail trade; and transport, increases of MVR341.2 million and MVR220.3 million were registered at the end of Q1-2017, respectively.

As for interest rates on loans and advances to the private sector, rates on local currency loans declined by 1 bps at the end of March 2017 when compared with December 2016, while it declined by 32 bps when compared with March 2016. Rates on foreign currency loans recorded a decline of 4 bps when compared with December 2016, while it increased by 10 bps when compared to the corresponding quarter a year ago.

Banking Sector Performance

The overall performance of the banking sector remained strong during Q1-2017 as depicted by the key indicators. The aggregate net assets registered a growth of 2% (MVR1.0 billion) on a quarterly basis, mainly due to a growth in the deposit base by

2% (or MVR0.7 billion). Deposit base grew by 13% when compared with the corresponding quarter of last year.

The composition of assets remained relatively unchanged compared with the end of Q4-2017. Net loans accounted for the majority (42% of net assets) and registered an increase of 3% to reach MVR18.8 billion at the end of the quarter. Investments in T-bills represented 22% of gross asset, showing a significant growth of 19% in annual terms.

As regards asset quality, the absolute value of non-performing loans (NPLs) decreased by 2% (MVR0.4 billion) in annual terms; however it increased slightly by 4% when compared with the previous quarter. The NPL ratio remained the same as the previous quarter at 11%, down slightly from 12% a year ago. Adequate provisioning has been done by the banks, fully covering the NPL portfolio. Lending continues to be concentrated in the tourism sector, making up 35% of the total loans, followed by commerce and construction, each at 17%.

The capital adequacy of the banking sector remained strong, with the total risk-based capital ratio at 41%, due to the large share of low risk assets in the banks' portfolio. Total liquidity also remained high, with liquid assets at 67% of total deposits and borrowed funds.

The pre-tax profits earned by the banks amounted to MVR0.6 billion, which has decreased by 26% compared with the same period of the previous

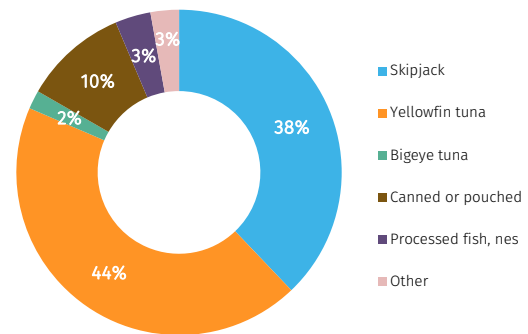
year. However, this difference is on account of extraordinary profits reported in the previous year due to large loan recoveries during the first quarter of 2016. The profitability ratios were high, as indicated by an annualized return on average equity of 15%.

External Trade

Merchandise exports—comprising domestic exports and re-exports—increased by US\$29.4 million annually and totalled US\$85.6 million in Q1-2017. The major contributor to the increase in exports was the significant rise in domestic exports, although re-exports also increased during the quarter. Total domestic exports rose by US\$18.0 million while re-exports registered an annual growth of US\$11.4 million during the quarter. The increase in re-exports was largely due to a growth in the re-export of oil, especially jet-fuel sold to aircrafts at international airports.

Meanwhile, the increase in domestic exports was entirely due to a growth in fish exports (Figure 7). Fish exports grew by 51% (US\$17.6 million) in annual terms, largely driven by a significant increase in both frozen skipjack tuna and frozen yellowfin tuna exports (Figure 8). This can be attributed to an increase in the volume of such exports in the review period. However, the growth in fish export earnings was slightly hampered by the decline in earnings from fresh or chilled yellowfin tuna exports as result of lower export volume.

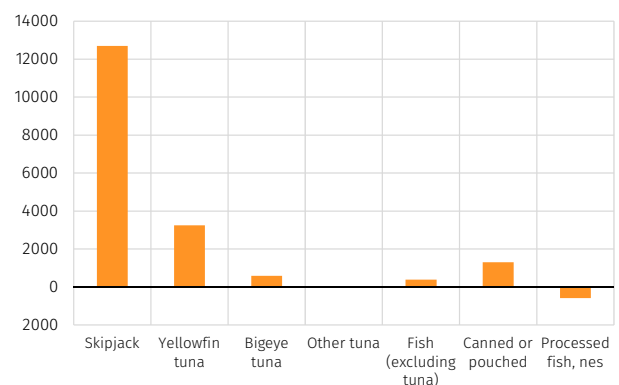
Figure 7: Composition of Fish Exports Earnings, Q1-2017



Source: Maldives Customs Service

Figure 8: Annual Changes in the Value of Fish Exports, Q1-2017

(thousands of US dollars)



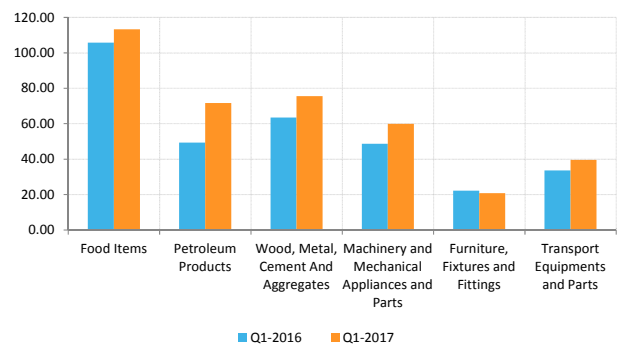
Source: Maldives Customs Service

The expenditure on imports increased by 18% (US\$86.9 million) in annual terms and totalled US\$569.9 million in Q1-2017. This was mainly contributed by an increase in the import value of petroleum products, which reflected the surge in global oil prices during the period. Furthermore, with the expansion of the construction sector activity, import expenditure on construction sector-related imports (wood, metal, cement and aggregates and other construction-related items) and machinery and mechanical appliances posted a significant growth during the quarter (Figure 9).

Direction of Trade

The Asian market remained the main destination of Maldivian exports, representing 65% of domestic exports, followed by Europe with a share of 29%. The value of exports to Asia rose significantly in annual terms during Q1-2017, almost entirely due to an increase in exports to Thailand—the single largest Asian market for Maldivian exports. Such export items mainly included frozen skipjack tuna and frozen yellowfin tuna. Meanwhile, exports to Europe rose only marginally in Q1-2017. The value of exports to some major European export destinations declined in the review period, which included Germany, France, Italy, Netherlands and Switzerland. The main export item to these countries is fresh or chilled yellowfin tuna. However, the value of exports to the UK and Ireland increased, offsetting the declines recorded for the aforementioned European countries. These countries were the main markets for canned or pouched tuna.

Figure 9: Composition of Imports, 2016-2017
(millions of US dollars)



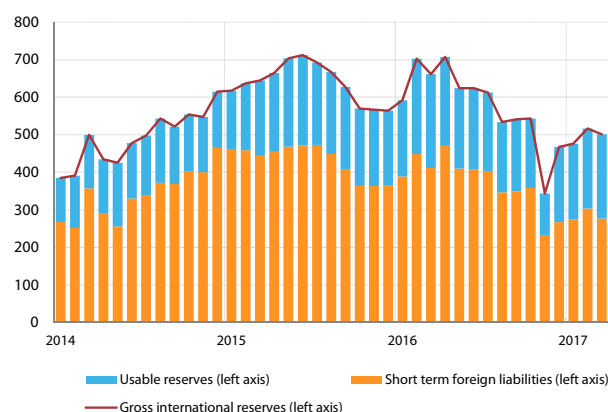
Source: Maldives Customs Service

As for the direction of imports, Asia continued to be the largest import market with a share of 81%, followed by Europe with 12%. From Asia, the United Arab Emirates (UAE) and China were the main sources of imports to the Maldives, followed by Singapore and India. Imports from the UAE—which mainly includes petroleum products—increased in annual terms during the quarter, reflecting the hike in global oil prices. Similarly, imports from China also increased as a result of higher import of construction related items; machinery and mechanical appliances; and electrical and electronic machinery and appliances. However, imports from Singapore declined due to a decline in import of petroleum products; machinery and mechanical appliances; and electronic and electrical machinery and equipment from this country.

Gross International Reserves

The Gross International Reserve (GIR⁴) declined by 24% in annual terms and stood at US\$501.2 million at the end of Q1-2017. The usable reserves component of the GIR amounted to US\$224.7 million in the same period, registering an annual decline of 10% (Figure 10). As the GIR mainly includes the commercial bank’s foreign currency deposits held at the MMA (minimum reserve requirement [MRR] and excess reserves), the decline in GIR reflected a fall in such deposits at the MMA. Similarly, usable reserves also declined as a result of the investment by the MMA in a corporate

Figure 10: Gross International Reserves, 2014-2017
(millions of US dollars)



Source: Maldives Monetary Authority

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

bond issued by the MACL in Q4-2016. However, the US dollar currency swap facility between the MMA and Reserve Bank of India helped to partly offset the drawdown in the usable reserves. In addition, increased foreign currency sales to the market to ease foreign exchange pressure in the market contributed to the annual decline in usable reserves.

On the contrary, the GIR and usable reserves increased by 7% and 12%, respectively, when compared with December 2016. The increase in GIR reflected a growth in commercial banks foreign currency deposits held at the MMA, while the growth in usable reserves can be attributed to an increase in foreign currency receipts during the quarter.

Exchange Rates

With effect from 11 April 2011, the Maldivian rufiyaa was allowed to fluctuate within a horizontal band of 20% on either side of a central parity of MVR12.85 per US dollar. With the introduction of the exchange rate band, the exchange rate of the rufiyaa per US dollar moved towards the upper limit of the band, owing to the persistent foreign exchange pressure in the economy.

Mirroring the movement of the US dollar against the major trading partners of the Maldives at the end of March 2017, the bilateral exchange rates of the rufiyaa appreciated in annual terms against the pound sterling by 13%, the Chinese yuan and the euro by 5%, the Singapore dollar and the Sri

Lankan rupee by 3%. However, rufiyaa depreciated by 2% against the Japanese yen and by 3% against the Indian rupee.

When compared with December 2016, the rufiyaa appreciated against the Sri Lankan rupee by 2%, while it depreciated against most major currencies; the Japanese yen by 6%, the euro by 3%, the Singapore dollar and the Indian rupee by 5%, the pound sterling and the Chinese yuan by 1%.



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
Real Sector								
Tourist arrivals	7	2	4	4	(1)	5	8	4
Tourist bednights	3	(4)	11	9	5	13	18	8
Operational capacity	3	3	22	17	20	24	27	13
Occupancy rate (%) ^{1/}	82	76	74	84	66	73	73	81
Average stay (days)	6.0	5.7	6.0	6.3	6.0	5.8	6.0	6.5
Fish purchases	(20)	(10)	19	(14)	18	13	55	16
Prices^{2/}								
Total (Republic)	2.1	1.0	0.5	0.9	(0.4)	(0.4)	1.8	3.4
Total excluding fish	2.2	1.1	0.7	0.9	(0.2)	(0.2)	2.3	3.6
Food and non-alcoholic beverages excluding fish	0.3	0.9	1.5	1.1	(1.0)	(1.4)	7.3	9.6
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
T-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
T-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
MMA	-	-	74.4	-	-	-	74.4	74.4
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
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
Money and Banking								
Broad money	15	12	0	15	9	6	0	(5)
Net foreign assets	42	(2)	(37)	2	(16)	(12)	(37)	(41)
Net domestic assets	(2)	24	24	28	34	20	24	22
Net claims on central government	7	23	18	29	27	28	18	11
Claims on other sectors	2	11	21	16	20	12	21	22
o/w Private sector	3	11	11	16	20	15	11	12
Reserve money	30	(18)	(13)	(11)	(14)	(5)	(13)	(16)
Market operations^{3/}								
Open market operations ^{4/}	52	-	-	-	-	-	-	-
Overnight Deposit Facility	227	121	29	70	46	16	0	(4)

^{1/} Occupancy rates of resorts.

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

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

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

Table of Selected Economic Indicators, 2014 - 2017

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

	2014	2015	2016	2016Q1	2016Q2	2016Q3	2016Q4	2017Q1
External Trade								
Merchandise exports (f.o.b.)	(9)	(20)	7	(23)	(16)	(29)	115	52
Domestic exports	(13)	(0)	(3)	(12)	1	(29)	27	50
o/w Fish exports	(14)	(1)	(2)	(11)	3	(29)	29	51
Re-exports	(5)	(39)	22	(37)	(41)	(30)	289	56
Merchandise imports (c.i.f.)	15	(5)	12	(2)	28	6	18	18
o/w Food	8	(0)	6	7	7	2	7	7
Petroleum	14	(50)	(13)	(41)	(13)	(13)	29	45
Construction-related imports	26	48	20	30	25	9	18	19
Direction of Trade of Imports of Goods (as a percentage of total)								
o/w Singapore	18	17	14	15	15	15	13	12
India	9	12	13	13	13	13	12	12
Sri Lanka	7	7	6	7	6	6	6	8
UAE	24	17	16	15	14	15	19	18
Thailand	4	5	5	5	5	5	4	4
Direction of Trade of Exports of Goods (as a percentage of total)								
o/w Thailand	32	25	34	27	33	32	43	53
Sri Lanka	6	12	10	12	10	9	9	4
France	14	10	9	9	10	9	8	6
Germany	7	7	9	10	9	6	8	6
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

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.

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