

# MONTHLY ECONOMIC REVIEW

February 2018

Volume 12, Issue 2



## Outlook for 2018

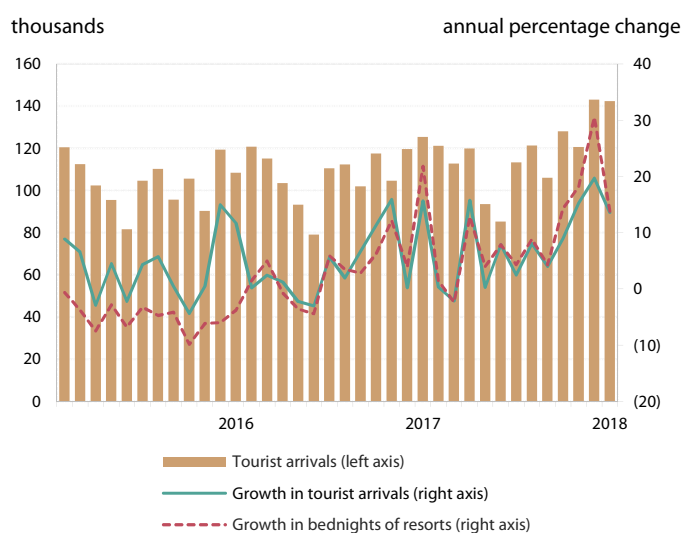
Following a robust growth<sup>1</sup> of 6.9% in 2017, the Maldivian economy is estimated to maintain a solid growth of 6.0% in 2018. While the strong domestic demand, underpinned by the continued buoyancy in the construction sector, is projected to provide further stimulus for economic growth, the favourable condition in the tourism sector is also expected to firm up in 2018.

The fiscal deficit<sup>2</sup> is projected to increase to 3% of GDP in 2018 from a revised 2% of GDP in 2017. Meanwhile, according to the balance of payments forecasts of October 2017, the current account deficit is projected to contract further to 18% of GDP in 2018 from an estimated 22% of GDP in 2017 as major infrastructure spending starts to wind down.

## Tourism

During January 2018, total tourist arrivals increased by 14% in annual terms and totalled 142,351. The annual growth in tourist arrivals was largely on account of an increase in arrivals from the European market, followed by an increase in arrivals from the Middle East and the Asia and Pacific region. The growth in arrivals from the European market was due to a rise in arrivals from Russia, Italy and France. Meanwhile, the growth in the Middle Eastern region stemmed entirely from a significant increase in arrivals from Saudi Arabia. In addition, the Asia and Pacific region observed a growth in tourist arrivals during the period. This was owing to increases in arrivals from India, Thailand and Korea, despite a significant decline in arrivals from China. During the month, total bednights of the resorts recorded a

### Key Tourism Indicators



Source: Ministry of Tourism

1 Real GDP growth rate based on market prices. These estimates were made in October 2017.

2 According to the 2018 national budget approved by the parliament.

## Fish Exports

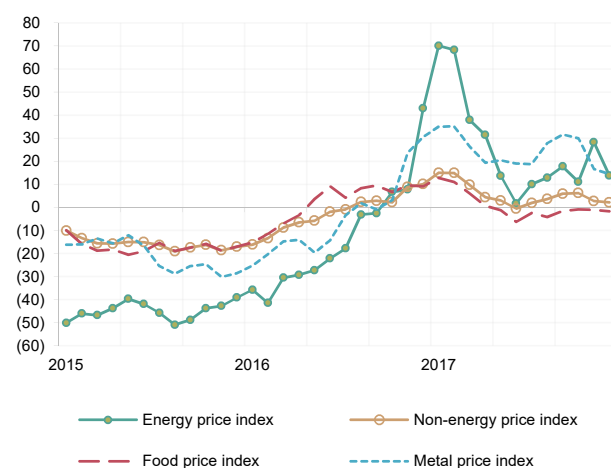
annual percentage change



Source: Maldives Customs Service

## World Bank Commodity Price Index

annual percentage change



Source: World Bank

significant growth of 14% in annual terms and the average duration of stay remained at 6.5 days in January 2018, similar to the corresponding period of 2017. Reflecting these developments, the occupancy rate increased marginally from 84% in January 2017 to 85% in January 2018, despite the annual increase in operational bed capacity of resorts by 12%.

## Fisheries

In December 2017<sup>3</sup>, fish purchases made by fish processing companies totalled 7,930.8 metric tons, registering an annual growth of 11%, while it recorded a decline of 7% in monthly terms.

During November 2017<sup>4</sup>, the volume of fish exports registered an increase of 54% and 21% in annual and monthly terms, respectively. This increase was largely observed in exports of frozen skipjack tuna, which rose significantly in both annual and monthly terms.

## Global Prices

During January 2018, the World Bank commodity price data indicated an increase in energy prices, both in annual and monthly terms by 23% and 9%, respectively. As such, price of crude oil<sup>5</sup> stood at US\$66.2 per barrel at the end of January 2018, recording a growth of 24% and 8% in annual and monthly terms, respectively.

As for non-energy prices, a marginal growth of 3% was registered, both in annual and monthly

<sup>3</sup> Fish purchases data was available only up to December 2017 at the time of compilation of this report.

<sup>4</sup> Trade data relating to fisheries sector was available only up to November 2017 at the time of compilation of this report.

<sup>5</sup> Monthly average of Brent, Dubai Fateh and West Texas Intermediate.

terms. The annual increase in non-energy prices was owing to a significant hike in metal prices, despite the decline in food prices. In monthly terms, both metal and food prices registered an increase.

## Inflation

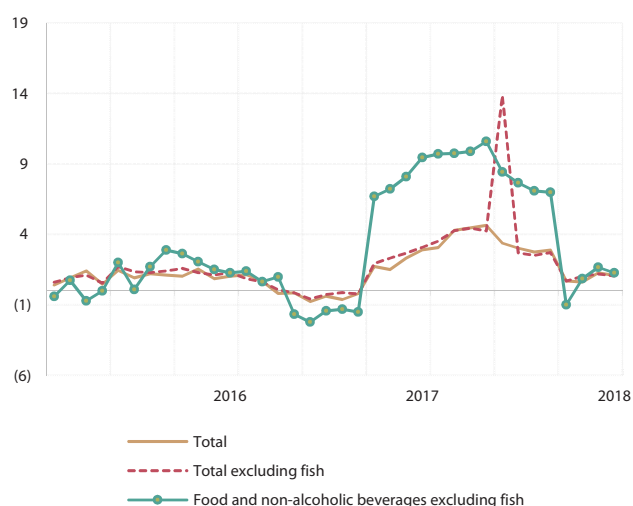
The rate of inflation (measured by the annual percentage change in the Consumer Price Index [CPI]) decelerated to 1.1% at the end of January 2018, after registering 1.3% at the end of December 2017. This was mainly due to a significant decline in electricity prices, followed by a decrease in staple food items. However, housing rentals and price of cigarettes increased over the period. Further, food prices also observed an increase, mainly due to a growth in price of vegetables. As for the monthly percentage change during the CPI, it registered 0.3% in the review month. This was due to an increase in fish prices during the month, coupled with increases in price of vegetables and housing rentals.

## Public Finance

According to monthly government revenue and expenditure data<sup>6</sup>, total revenue (excluding grants) during December 2017 amounted to MVR1.9 billion, which was an annual increase of MVR296.3 million. Meanwhile, total expenditure (excluding amortisation) decreased by MVR152.9 million in annual terms and totalled MVR3.6 billion in December 2017. The increase in total revenue stemmed entirely from a significant rise in non-tax revenue, largely due to an increase in fees and

## Consumer Price Index

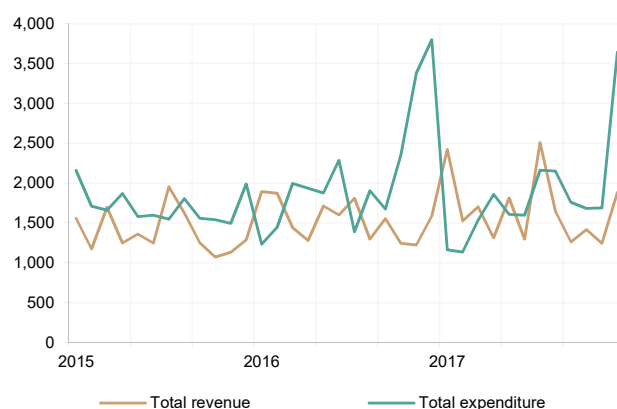
annual percentage change



Source: National Bureau of Statistics

## Government Revenue and Expenditure

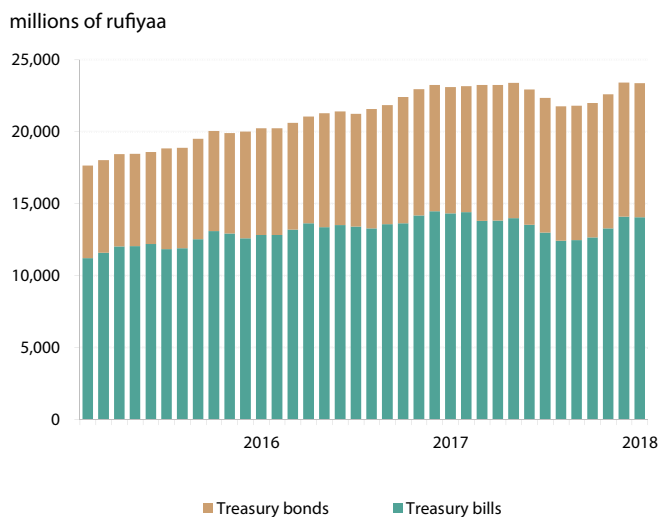
millions of rufiyaa



Source: Ministry of Finance and Treasury

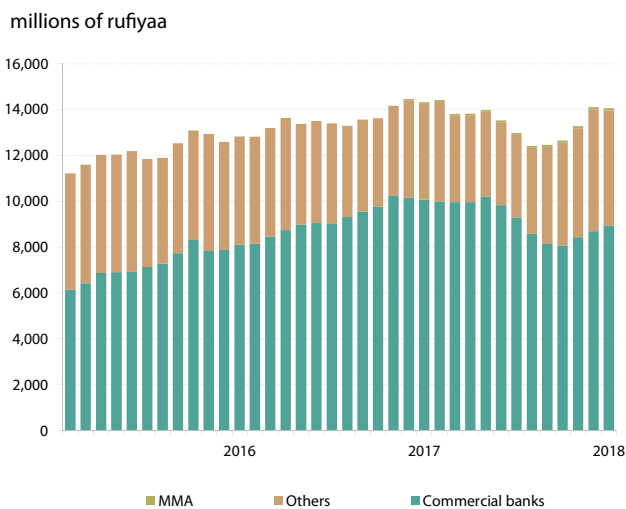
<sup>6</sup> Data relating to public finance sector was available only up to December 2017 at the time of compilation of this report. Monthly income and expenditure data are subject to change and may vary from month-to-month as public accounting system data are updated regularly.

## Treasury Bills and Treasury Bonds



Source: Maldives Monetary Authority

## Treasury Bills by Holder



Source: Maldives Monetary Authority

charges, coupled with the increase in resort rent and profit transfer from state-owned enterprises (SOEs). On the other hand, tax revenues observed a marginal decline, mainly on account of an annual decrease in revenue from withholding tax and tourism goods and services tax. However, this decline was partly offset by the annual growth in revenue from general goods and services tax. As for the fall in expenditure, this was entirely due to a fall in current expenditure during the period, largely owing to the decline in expenditure on Aasandha during this period. Capital expenditure posted an increase during the period, mainly on account of a significant growth in spending on the Public Sector Investment Program projects.

## Government Securities

The total outstanding stock of government securities, which includes treasury bills and treasury bonds, totalled MVR23.4 billion at the end of January 2018, registering a growth of 1% in annual terms while it remained largely unchanged in monthly terms.

The slight annual growth in the outstanding stock of government securities reflected the growth in the outstanding stock of treasury bonds which was partly offset by a fall in outstanding stock of treasury bills. As such, the outstanding treasury bonds rose by MVR549.2 million while the outstanding treasury bills fell by MVR268.0 million during the period. The growth in treasury bonds largely reflected the increase in investments by other financial corporations due to the conversion of part of the treasury bills to treasury bonds during this period.

In monthly terms, the outstanding stock of treasury bills declined by MVR44.0 million while treasury bonds fell by MVR4.1 million.

## Broad Money

Broad money totalled MVR33.0 billion at the end of January 2018 and registered an annual growth of 9%. The growth was mainly contributed by the increase in net foreign assets (NFA) of the banking system due to an increase the MMA's foreign currency reserves held abroad together with a decline in the MMA's foreign liabilities. However, the decline in net domestic assets (NDA) of the banking system contributed slightly to offset the growth in broad money. This was mainly due to a decline in the NDA of the MMA, despite the growth in domestic assets of commercial banks due to increase in credit extended to private sector.

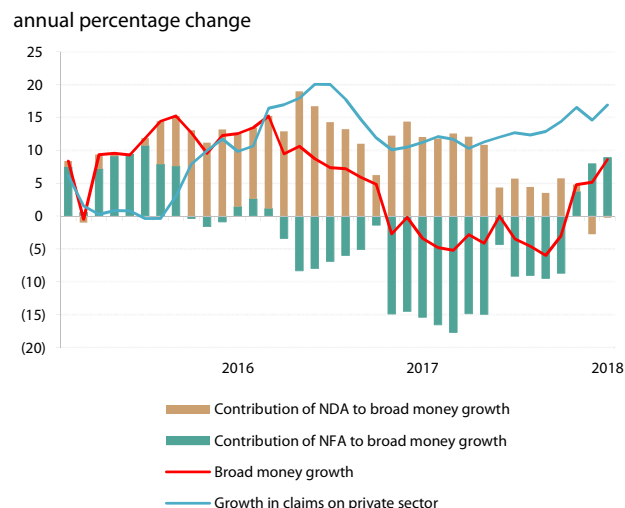
## Monetary Base

The monetary base increased by 22% in annual terms, and stood at MVR10.6 billion at the end of January 2018. This is an acceleration in the pace of growth compared with the 19% increase recorded at the end of December 2017. The growth in reserve money was largely driven by an increase in the MMA's foreign currency reserves held abroad. However, the increase in NFA was partly offset by a decrease in the NDA of the MMA, owing to an increase in government deposits at the MMA.

## Monetary Operations

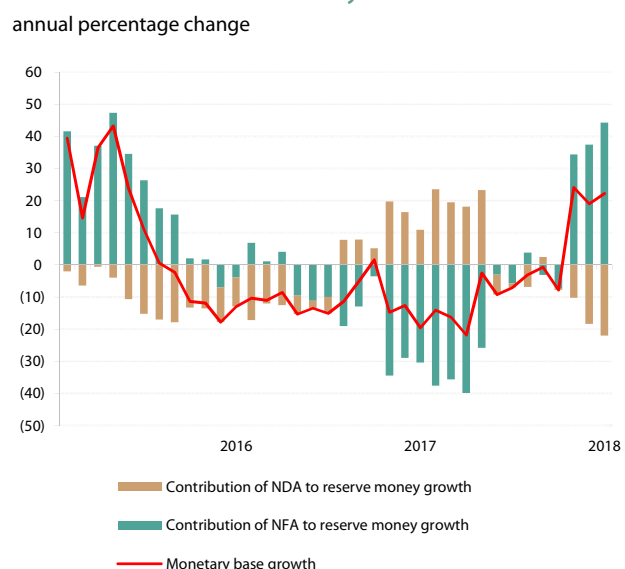
The main instruments available to the MMA to absorb excess liquidity in the banking system are the overnight deposit facility (ODF), open market operations (OMO) and foreign exchange swap facility. Currently, excess liquidity in the banking system is absorbed by the commercial banks' continuous placement of these funds in the ODF. During January

### Determinants of Broad Money



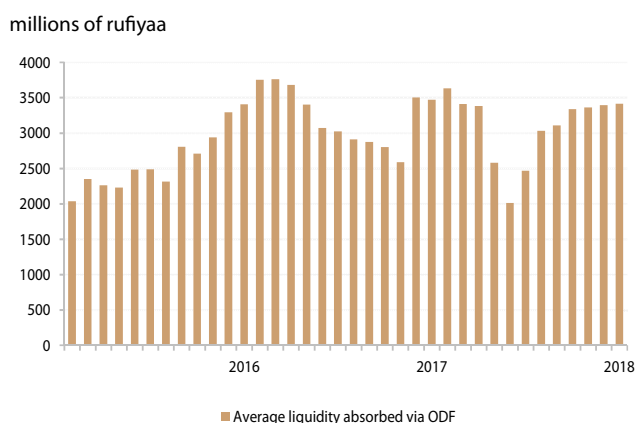
Source: Maldives Monetary Authority

### Determinants of Monetary Base



Source: Maldives Monetary Authority

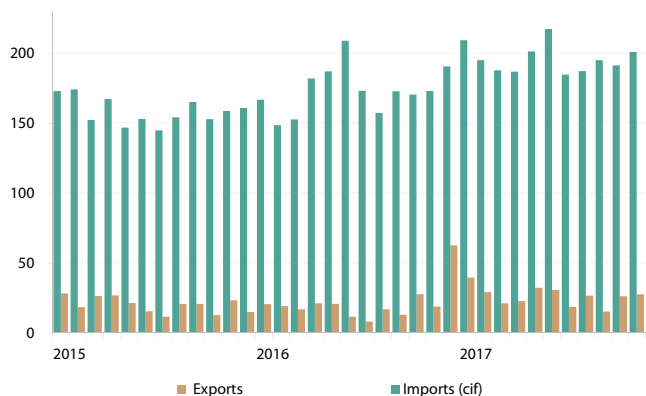
### Monetary Operations



Source: Maldives Monetary Authority

## Imports and Exports

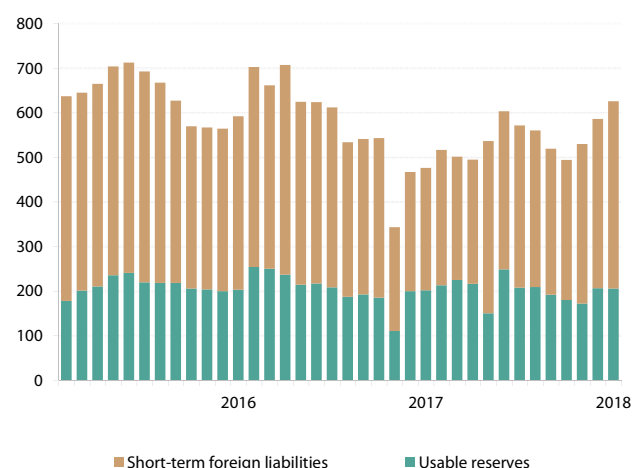
millions of US dollars



Source: Maldives Customs Service

## Gross International Reserves

millions of US dollars



Source: Maldives Monetary Authority

2018, the total liquidity absorbed on a daily basis averaged MVR3.4 billion, which was a growth of MVR22.4 million in monthly terms, although a decline of MVR56.9 million was recorded in annual terms.

## Imports and Exports

During November 2017, total merchandise exports increased by 47% (US\$8.7 million) in annual terms and the expenditure on imports increased by 2% (US\$3.4 million). The growth in exports was due to a 64% increase in domestic exports and a 20% increase in re-exports. The increase in domestic exports largely stemmed from the growth in earnings from frozen skipjack tuna, fresh or chilled yellowfin tuna and canned or pouched tuna exports. The annual growth of import expenditure largely reflected the increase in import of petroleum products; mainly diesel and aviation gas. In addition, increases in import of electrical and electronic equipments as well as food items contributed to the annual growth in total imports. In contrast, import of machinery and mechanical appliances declined over the period.

## Gross International Reserves

Gross international reserves (GIR) stood at US\$625.9 million at the end of January 2018, registering a growth of 31% and 7% in annual and monthly terms, respectively. Usable reserves<sup>8</sup> amounted to US\$205.6 million at the end of January 2018, representing an annual growth of 2%, while it remained largely unchanged in monthly terms.

<sup>7</sup> Data relating to trade was available only upto November 2017 at the time of compilation of this report.

<sup>8</sup> Usable Reserves = GIR – Short-term foreign currency liabilities. This shows the amount of funds that are readily available for use by the MMA in the foreign exchange market.



MALDIVES MONETARY AUTHORITY

Boduthakurufaanu Magu

Male' - 20182

Republic of Maldives

Tel: (960) 330 8679

Fax: (960) 332 3862

Email: [mail@mma.gov.mv](mailto:mail@mma.gov.mv)

Website: [www.mma.gov.mv](http://www.mma.gov.mv)