

# Producer Price Index (PPI) - Maldives

Base period =2007 | Price reference = October 2012

**JUNE 2015**

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## KEY FIGURES

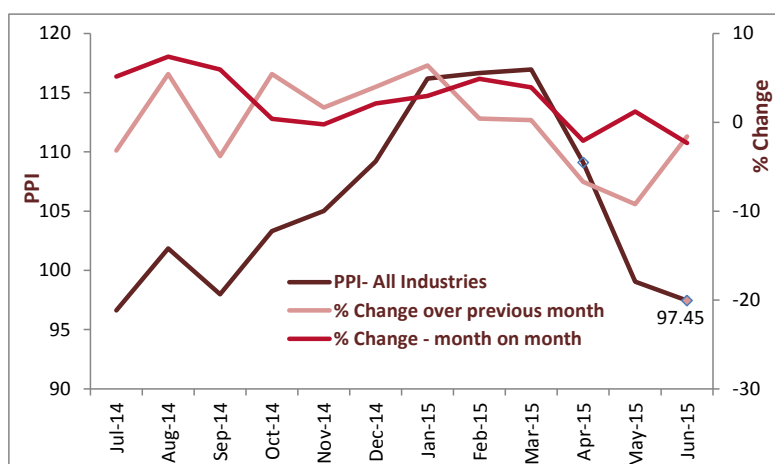
### PPI and Month on month Percentage Change

	PPI -All Industries		% Change
	2014	2015	2015/2014
Apr	111.41	109.10	-2.07
May	97.87	99.05	1.20
Jun	99.79	97.45	-2.34

### Monthly PPI and Percentage Change

	PPI- All Industries	% Change over previous month	% Change - month on month
Jul-14	96.61	-3.18	5.13
Aug-14	101.85	5.42	7.39
Sep-14	97.98	-3.80	5.93
Oct-14	103.30	5.44	0.37
Nov-14	105.01	1.66	-0.23
Dec-14	109.20	3.99	2.11
Jan-15	116.19	6.40	2.96
Feb-15	116.66	0.41	4.87
Mar-15	116.95	0.25	3.94
Apr-15	109.10	-6.71	-2.07
May-15	99.05	-9.22	1.20
Jun-15	97.45	-1.61	-2.34

F1: Monthly PPI and Percentage Change



## KEY POINTS — All Industries' PPI

Producer Price index increased in April 2015 while May and June prices decreased when compared to price reference (October 2012). When comparisons were made on the same period of previous year, prices of April and June 2015 dropped by 2.07% and 2.34% respectively. However May 2015 prices rose by 1.20%. When Producer Price Index comparisons were made to the previous month, prices showed a decline throughout the quarter 2 of 2015. The highest decline was seen in May (-9.22%).

During January to April prices were higher than the reference month of October 2012. March 2015 exhibited the highest price index (116.95) in the series followed by February (116.66) and January (116.19).

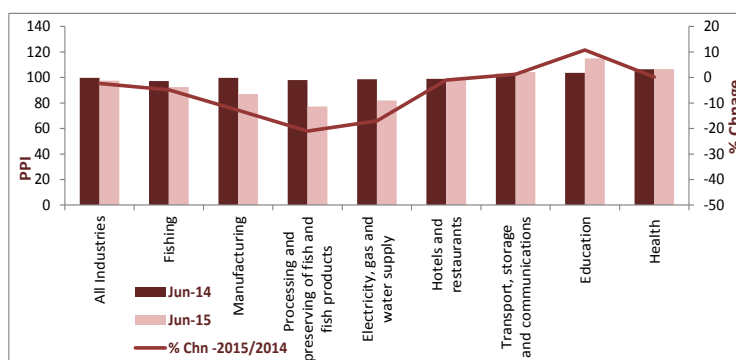
## OVERVIEW OF MOVEMENTS— June 2015 / June 2014

The most prominent price change was seen in Processed Fish industry where the prices fell by 21.04% which gets reflected in its broader group—Manufacturing Industry (-12.85%). Electricity, Gas and Water Supply industry prices also dropped by 16.98%.

The highest price increase was seen in Education sector (+10.79).

Hotels and Restaurant industry prices decreased by 1.00% while fishing industry prices dropped by 4.87%. Transport & Communication and Health industries showed a marginal increase of 1.28% and 0.20% respectively.

F2: PPI and Percentage change –June 2015



# 1. Hotels and Restaurants Industry

## OVERVIEW OF HOTELS AND RESTAURANTS INDUSTRY MOVEMENTS

*PPI and Percentage change (month on month)*

Quarter 2, 2015 prices of Hotels and restaurants' industry have decreased month after month compared to the reference month. April and May prices went down by 10.23% and 15.28% when compared to previous month. Similarly June prices also showed a decline (-2.84%) though not as eminent as the previous months.

When comparisons were made with the same period of previous year April and June prices showed a decline of 1.85% and 1.00% respectively, while May prices went up by 4.39%.

Hotels and Restaurants industry prices also shows the trend as the overall PPI.

	All Industries		Hotels & Restaurants			Tourist Arrivals ('000s)	Tourist Bednight ('000s)
	PPI	% Chn Month on month	PPI	% Chn Month on month	% Change over previous month		
Jul-14	96.61	5.13	95.88	13.40	-3.10	100.19	566.48
Aug-14	101.85	7.39	103.77	15.47	8.23	104.19	629.99
Sep-14	97.98	5.93	98.43	13.58	-5.14	95.11	540.35
Oct-14	103.30	0.37	105.98	1.56	7.67	110.33	664.60
Nov-14	105.01	-0.23	111.16	3.17	4.89	89.78	552.68
Dec-14	109.20	2.11	116.00	5.38	4.35	103.74	617.70
Jan-15	116.19	2.96	129.35	6.90	11.51	97.07	630.84
Feb-15	116.66	4.87	132.96	9.49	2.79	120.43	682.42
Mar-15	116.95	3.94	132.57	9.55	-0.29	112.43	656.25
Apr-15	109.10	-2.07	119.01	-1.85	-10.23	102.24	602.84
May-15	99.05	1.20	100.82	4.39	-15.28	95.39	556.79
Jun-15	97.45	-2.34	97.96	-1.00	-2.84	81.51	434.71

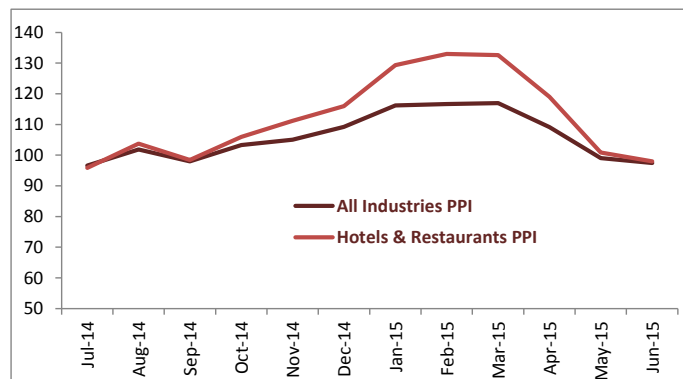
Hotels and Restaurant industry's prices are demand driven and hence Q1 and Q4 prices are higher than Q2 and Q3.

## COMPARISON WITH PPI—ALL INDUSTRIES

*F3: PPI - Hotels and Restaurants*

Hotels and Restaurants sector accounts for about 56% of PPI weights, which therefore is the most dominant sector and plays a major role in the movements of the overall index.

The figure 3 shows the correlation between overall PPI and Hotels and Restaurants sector PPI. Both series shows that prices are highest during January to March and declines from April and starts picking up from October.



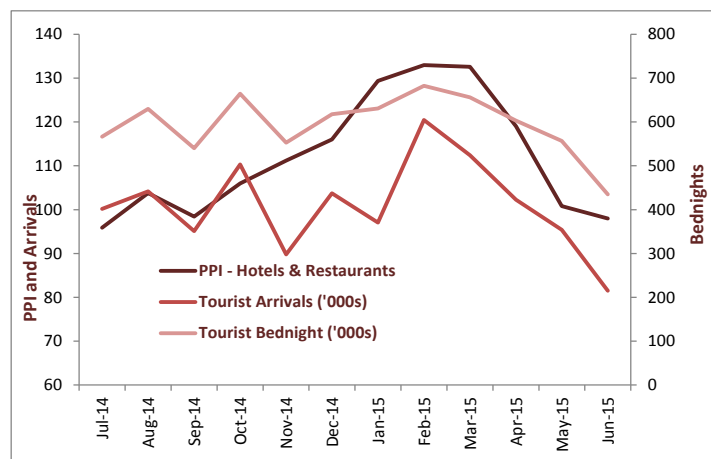
## COMPARISON WITH KEY SECTORIAL INDICATORS

*F4: PPI - Hotels and Restaurants, Tourist Arrivals and Bed-nights*

PPI of Hotels and Restaurants sector and both indicators, arrivals and bed-nights exhibits a similar trend. Quarter 2, 2015 numbers of arrivals and bed-nights also descended from April to June.

Tourist arrivals as well as tourist bed-nights peaked in February. Tourist arrival stood at 120,427 and bed-nights at 682,419 in February 2015.

In 2015 the highest PPI of Hotel and Restaurant sector was seen in February (132.96)



## 2. Fishing and

### Processing and Preserving of Fish and Fish Products Industries

#### OVERVIEW AND INDUSTRY MOVEMENTS

First time since December 2013, fishing prices were higher in May 2015 (100.56) than the price reference (October 2012).

Fishing prices of April and June showed a decline of 5.14% and 4.87% when compared the corresponding month of 2014. However May 2015 prices showed 1.53% increase in prices compared to May 2014.

Processed fish prices of all three months of quarter 2 were lower than the corresponding month of 2014. Of which June prices showed a significant decrease of 21.04%. When comparisons were made with the previous month May 2015 prices went up by 13.71% due the increase of fishing price which also went up by 13.74% in the same period.

Processed fish prices remained lower than price reference (October 2012) since October 2013.

2.1: PPI—Fishing and Processed Fish

	PPI		Chn - month on mon	
	Fishing	Processed fish	Fishing	Processed fish
Jul-14	93.06	80.14	-15.69	-26.60
Aug-14	90.66	82.58	-12.57	-21.36
Sep-14	92.62	78.71	-18.30	-25.72
Oct-14	97.50	90.66	-0.26	-4.38
Nov-14	88.75	82.52	-13.29	-13.11
Dec-14	95.11	85.53	5.11	-11.77
Jan-15	96.39	85.19	6.52	-0.28
Feb-15	99.69	86.60	11.95	14.23
Mar-15	93.31	78.76	2.74	-2.95
Apr-15	88.41	71.82	-5.14	-2.57
May-15	100.56	81.67	1.53	-3.46
Jun-15	92.55	77.34	-4.87	-21.04

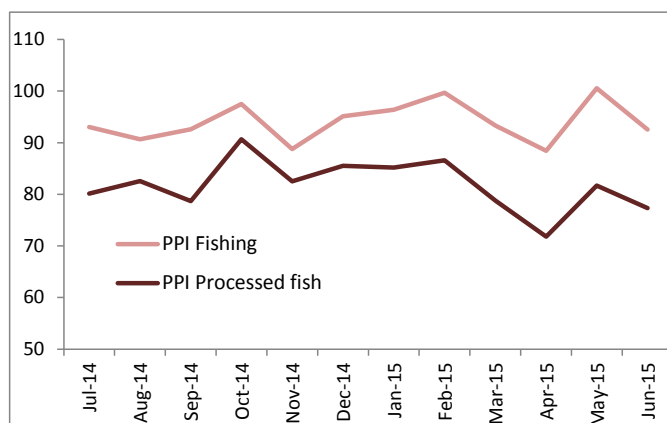
**Note:**

As for Fishing Industry, prices of both skipjack tuna and yellow-fin tuna (YFT) are included. However skipjack prices variations are minimal in contrast to YFT which is volatile. And due to market structure YFT price movements dominates the fishing industry of PPI.

Similar to Fishing industry, YFT products leads the Processing and preservation of fishing industry also due to market structure.

Fish prices depend on landings while fish exports market depends on international fish prices. Hence these two sectors do not adhere a direct correlation.

F5: PPI—Fishing and Processed Fish



## 3. Transport and Communications

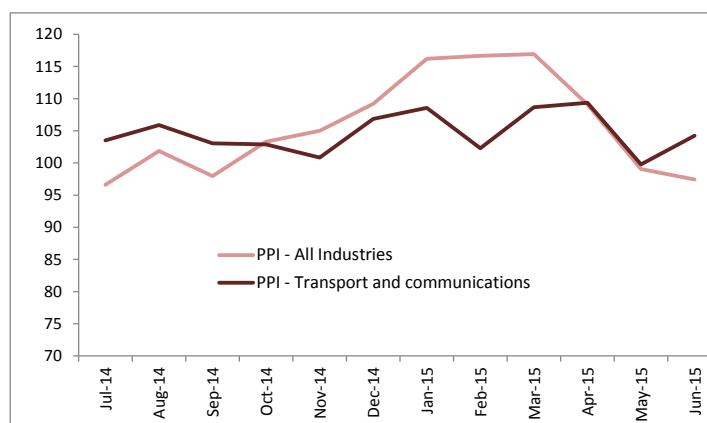
In quarter 2, Transport and communication prices were higher than price reference (October 2012) in both April (109.35) and June (104.24). This is an increase of 2.38% and 1.28% when compared to the same period of 2014.

However May 2015 prices decreased by 5.45% compared to May 2014.

**Note:**

For telecommunications sector average revenue is used as an indicator of price movements.

F6: PPI — Transport and Communication



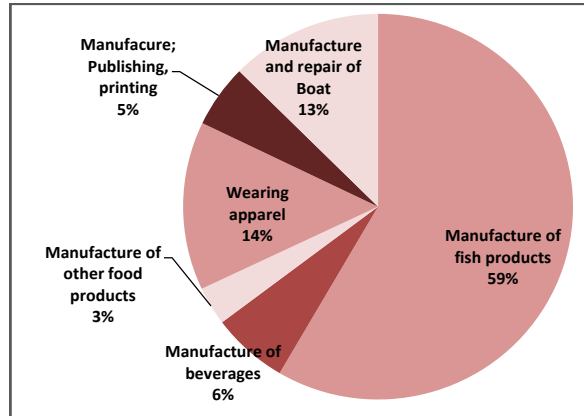
## 4. Manufacturing

**F7: Manufacturing Sector's weight structure**

Manufacturing industry shares 12% in the overall PPI.

Within the manufacturing sector, Processed or preserved fish products shares 59%

Hence Manufacturing sector is dominated by the movements of Manufacture of processed or preserved fish products .



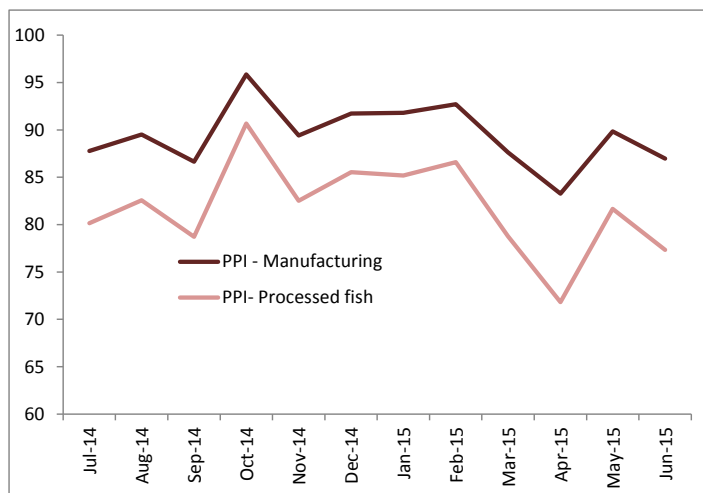
### OVERVIEW OF MANUFACTURING INDUSTRY MOVEMENTS

PPIs of manufacturing continued to remain lower than price reference in quarter 2 of 2015. Similar to Processed Fish PPI, lowest PPI of Manufacturing industry for 2015 was in April. (83.27)

When comparisons were made with the same month of previous year, quarter 2 prices showed a decline of which June showed the largest decline of 12.85%. April and May prices also declined by 0.05% and 1.46% respectively.

However when comparisons were made with the previous month manufacturing prices of May went up by 7.89% due to the increase in processed fish prices which increased by 13.7%.

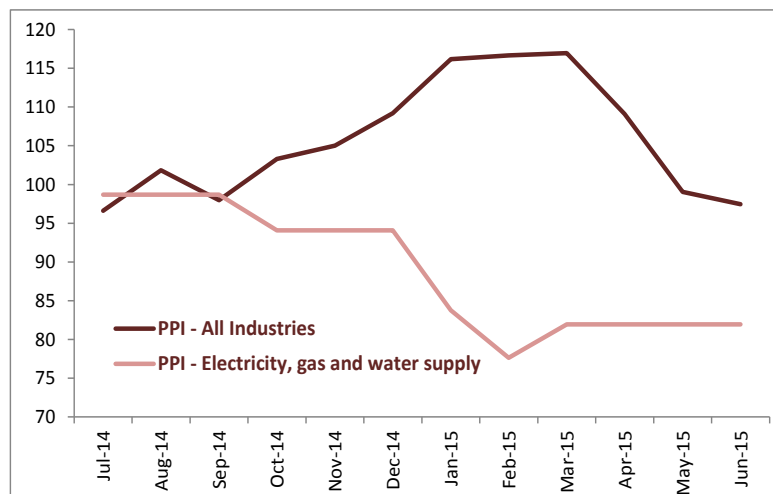
**F8: PPI - Manufacturing**



## 5. Electricity, Gas and Water Supply

**F9: PPI – Electricity, gas and water supply**

Quarter 2 PPIs of 'electricity, gas and water supply' industry remained constant through out the quarter ( 81.93) where prices declined by 16.98% when compared with the same period of 2014. This was primarily due to the decline in fuel surcharge.

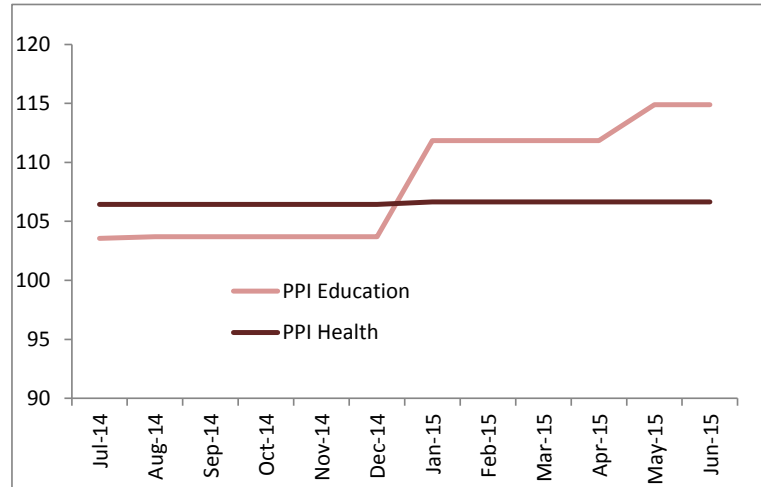


## 6. Education and Health

**F10: PPI - Education and Health**

Health sector index continued to remain constant during quarter 2, 2015 at 106.66. however it is an increase of 0.20% when compared to the same period of 2014. Health sector prices have remained constant since January 2015.

Education sector prices of May 2015 increased by 2.74% compared to April 2015.



## PPI Rebased to 2007

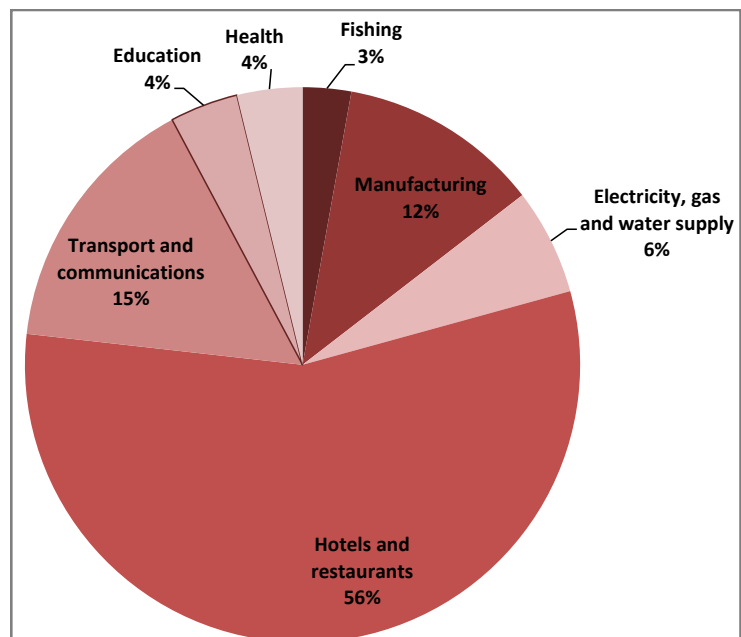
Producer price index (PPI) has been rebased to 2007 with price referenced to October 2012. The industry weights were drawn from the Maldives Supply and Use table (SUT) 2007 which was compiled under the ADB project 'RETA 6482 Supply and Use table for selected DMCs'. In SUT 2007, the data for the domestic production in the supply table as well as intermediate consumption in the use table were predominantly taken from the Economic Survey 2007 (ES).

The index is compiled from 554 transactions among 280 products from a sample of 83 establishments.

**F11: Weight structure**

Tourism is the main industry in the economy, contributing a third to its GDP. This sector accounts for about 56% of PPI weights, which therefore is the most influential sector and plays a major role in the movements of the overall index. Hence, it is crucial to comprehend the pricing strategies of the sector and how it feeds into the overall inflation.

Other prime sectors include transport and telecommunications sector and manufacturing sector with a weight of 15% and 12% respectively



## What is Producer Price Index

The Producer Price Index (PPI) measures the average change over time in the prices received by domestic producers of goods and services.

The PPI provides a weighted average of price change in a group of products between one time period and another. The average price change over time cannot be directly observed and must be estimated by measuring actual prices at different points in time. Price index numbers are compiled from the collected price observations through time. PPI is an index designed to measure the average change in the price of goods and services either as they leave the place of production or as they enter the production process.

PPI with detailed industry data will serve as a leading indicator of price change in the economy. The PPI enables business owners to make a comparison of trends in their own business with those of the industry group. It can be used as an escalator to index long-term contracts for goods and services. In this case, the PPI can be used to adjust the value of the monetary amounts stipulated in the goods and services based on the increase or decrease in the level of a specific index. Additionally PPI could be used as an important tool during the design and formulation of policies and analysis of inflation by the Maldives Monetary Authority and other governmental ministries

Price instability inherently introduces ambiguity into economic analysis and decision making, so the main use of PPI relate to efforts to reduce the uncertainty. PPI is used as a short-term indicator of inflationary trends in a wide spectrum of countries. It is also used in current cost accounting, indexation in legal contracts and as a national accounts deflator. Furthermore, it is used by researchers as well as the business community as an analytical tool to understand the situation of business.

The PPI does not represent prices at the consumer level - this is left to the Consumer Price Index (CPI). CPI is compiled on a monthly basis by National Bureau of Statistics (NBS) and released every month. Like the CPI, the PPI uses a benchmark year in which a basket of goods was measured, and every year after it is compared to the base year, which has a value of 100. For the PPI, that year is 2007.

Non-responding sample establishments are estimated by imputing the price changes at the establishment level or industry level. Revisions to the estimates are done upon receipts of actual reports from late respondents.

The current PPI produced by NBS is not without limitations. Those inbuilt in the system mainly arising from lack of adequate and clear information of the economic structure and players in the country, which determines the weight of the Index system and the sample frame. The limitations are stated in more detail in the methodology paper available on the website. To overcome these limitations, there is a need enhance the list of establishments in sample.

Producer' price indices are constructed from data collected through quarterly surveys of selected establishments. The establishment and product selection procedures and index calculation methods are available in the website [www.planning.gov.mv](http://www.planning.gov.mv).

## Measurement of changes in the price index

**Change over previous quarter (monthly)** compares the index of the month with that of the preceding month. Such comparisons measure the change in the average prices between two consecutive months. They serve as useful short-term indicators of the price movements in the non seasonal industries.

**Change over previous quarter (Quarterly)** compares the index of the quarter with that of the preceding quarter. Such comparisons measure the change in the average prices between two consecutive quarters. They serve as useful short-term indicators of the price movements.

**Change over same month of previous year (month on month)** compares the index of the month with same month of previous year. The measure gives how an industry is growing over 12 months. It reduces the seasonality effects in the indices, especially that in the tourism industry.

## Notes

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### FORTHCOMING ISSUES

**Issue (monthly)**

September 2015  
December 2015

**Release date**

31 December 2015  
31 March 2015

### ROUNDING

Any discrepancies between totals and sum of components in this publication are due to rounding.

### ABBREVIATIONS

NBS	National Bureau of Statistics
PPI	Producer Price Index
IMF	International Monetary Fund
SUT	Supply and Use Table
ADB	Asian Development Bank
RETA	Regional Technical Assistance
CPI	Consumer Price Index

### ACKNOWLEDGEMENT

The release of the new PPI was made possible through the generous support of the government of Japan which financed the technical assistance provided by the International Monetary Fund (IMF). Consultant from IMF, Mr Brian E. Graf guided in the formulation and compilation of the index.

Industry Weights were developed by late Ms Zumloth Mohamed and Mr Ali Abdul Raheem. The entire process of data validation, compilation and updating has been done in close collaboration with all the data providing establishments. The initiation process was carried out by Ms Sajida Ahmed and Ms Hana Mansoor with the assistance of Ms. Aishath Laila, Ms. Maimoona Moosa and Ms Mariyam Mirfath. Establishment, product and transaction level weights were developed by Ms Sajida Ahmed. Data collection, verification and compilation has been carried out by Ms Sajida Ahmed and Ms Hana Mansoor with assistance from Ms. Hawwa Wifsha. The support provided by Mr. Paul Armknecht, IMF consultant and the developer of PIPS software, for the processing related issues is also duly recognized. Analysis and report writing together with methodology paper was formulated by Ms. Hana Mansoor. Additionally the indirect support rendered by all staff of 'Prices and Economics statistics unit' and National accounts unit are appreciable. Entire process from design to output was carried out with invaluable assistance from Ms Mariyam Niyaf.

Overall guidance and support throughout the development process was provided by Ms. Aishath Laila and senior management of statistics division Ms Aishath Shahuda and Ms Mariyam Niyaf. All their valuable services are gratefully acknowledged.

The quarterly Producer price Index is compiled by Ms Hana Mansoor under the supervision of Ms Aishath Shahuda.

<b>Producer Price Index</b> Base period =2007   Price reference = October 2012														
	Oct-12	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
<b>All industries</b>	100	99.79	96.61	101.85	97.98	103.30	105.01	109.20	116.19	116.66	116.95	109.10	99.05	97.45
Fishing	100	97.28	93.06	90.66	92.62	97.50	88.75	95.11	96.39	99.69	93.31	88.41	100.56	92.55
Manufacturing	100	99.79	87.77	89.50	86.65	95.85	89.40	91.74	91.81	92.71	87.61	83.27	89.84	86.97
Processing and preserving of fish and fish products	100	97.95	80.14	82.58	78.71	90.66	82.52	85.53	85.19	86.60	78.76	71.82	81.67	77.34
Electricity, gas and water supply	100	98.68	98.68	98.68	98.68	94.09	94.09	94.09	83.76	77.61	81.93	81.93	81.93	81.93
Hotels and restaurants	100	98.94	95.88	103.77	98.43	105.98	111.16	116.00	129.35	132.96	132.57	119.01	100.82	97.96
Transport and communications	100	102.93	103.52	105.89	103.06	102.89	100.83	106.84	108.58	102.31	108.67	109.35	99.78	104.24
Education	100	103.71	103.56	103.71	103.71	103.71	103.71	103.71	111.84	111.84	111.84	111.84	114.90	114.90
Health	100	106.44	106.44	106.44	106.44	106.44	106.44	106.44	106.66	106.66	106.66	106.66	106.66	106.66
<b>PPI - Percentage Change over previous month.</b>														
	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	
<b>All Industries</b>	1.96	-3.18	5.42	-3.80	5.44	1.66	3.99	6.40	0.41	0.25	-6.71	-9.22	-1.61	
Fishing	-1.78	-4.34	-2.57	2.16	5.27	-8.98	7.16	1.35	3.43	-6.41	-5.25	13.74	-7.97	
Manufacturing	9.46	-12.05	1.97	-3.18	10.62	-6.73	2.61	0.08	0.98	-5.50	-4.96	7.89	-3.19	
Processing and preserving of fish & fish products	15.78	-18.18	3.04	-4.69	15.18	-8.98	3.65	-0.40	1.65	-9.05	-8.81	13.71	-5.30	
Electricity, gas and water supply	0.00	0.00	0.00	0.00	-4.65	0.00	0.00	-10.98	-7.34	5.56	0.00	0.00	0.00	
Hotels and restaurants	2.45	-3.10	8.23	-5.14	7.67	4.89	4.35	11.51	2.79	-0.29	-10.23	-15.28	-2.84	
Transport and communications	-2.47	0.58	2.29	-2.67	-0.17	-1.99	5.95	1.63	-5.77	6.22	0.63	-8.75	4.47	
Education	0.15	-0.15	0.15	0.00	0.00	0.00	0.00	7.84	0.00	0.00	0.00	2.74	0.00	
Health	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.00	
<b>PPI - Percentage Change-month on month</b>														
	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	
<b>All Industries</b>	3.44	5.13	7.39	5.93	0.37	-0.23	2.11	2.96	4.87	3.94	-2.07	1.20	-2.34	
Fishing	-13.65	-15.69	-12.57	-18.30	-0.26	-13.29	5.11	6.52	11.95	2.74	-5.14	1.53	-4.87	
Manufacturing	-7.33	-16.62	-12.96	-16.19	-1.51	-8.23	-6.99	0.27	8.82	-1.31	-0.05	-1.46	-12.85	
Processing and preserving of fish and fish products	-13.22	-26.60	-21.36	-25.72	-4.38	-13.11	-11.77	-0.28	14.23	-2.95	-2.57	-3.46	-21.04	
Electricity, gas and water supply	0.02	-0.30	-0.30	-0.30	-4.98	-4.98	-4.98	-15.12	-21.35	-16.98	-16.98	-16.98	-16.98	
Hotels and restaurants	6.31	13.40	15.47	13.58	1.56	3.17	5.38	6.90	9.49	9.55	-1.85	4.39	-1.00	
Transport and communications	5.03	-2.71	0.51	1.87	-0.94	-3.93	-1.73	-2.67	-2.76	-2.64	2.38	-5.45	1.28	
Education	1.75	1.60	1.75	1.75	1.75	1.75	1.75	10.39	10.72	10.72	7.79	10.95	10.79	
Health	2.43	2.04	2.04	2.04	1.06	1.06	1.06	-0.37	0.20	0.20	0.20	0.20	0.20	
<i>Source: National Bureau of Statistics</i>														