

Producer Price Index (PPI) - Maldives

Base period =2007 | Price reference = October 2012

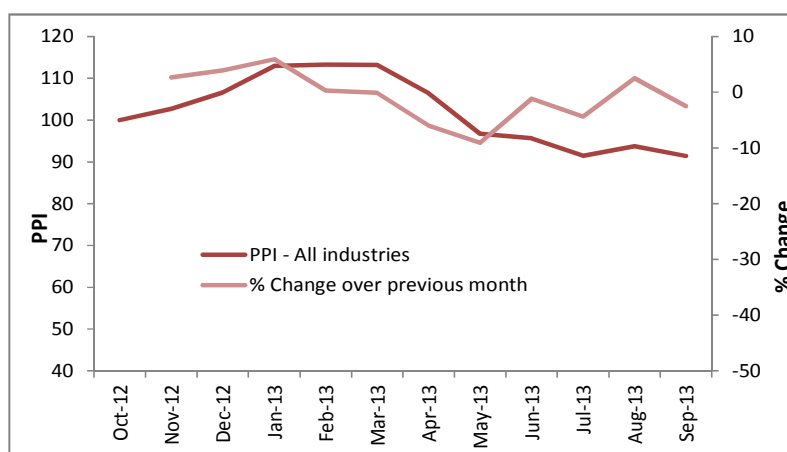
September 2013

TIME OF RELEASE: MON 16 December 2013

KEY FIGURES

Producer Price indices and Percentage change over previous month

	All Industries	% Change
Oct-12	100.00	
Nov-12	102.66	2.66
Dec-12	106.63	3.87
Jan-13	112.93	5.90
Feb-13	113.30	0.33
Mar-13	113.18	-0.11
Apr-13	106.42	-5.97
May-13	96.74	-9.09
Jun-13	95.64	-1.14
Jul-13	91.44	-4.40
Aug-13	93.72	2.50
Sep-13	91.38	-2.50



KEY POINTS

THE ALL INDUSTRIES' PPI

The Producer Price Index for all Industries fell 2.50% in September 2013, compared to the rise of 2.50% in August 2013 when comparisons were made to the previous month

Through out the period October 2012 to September 2013, PPI have increased till April 2013 when compared to October 2012, while PPI went down since May 2013.

The highest PPI was recorded in February 2013 (113.30) while the highest positive price change was seen in January 2013 (+5.90).

The lowest PPI was in September 2013 (91.38) and the largest negative price change was recorded in May 2013 (-9.09)

Month on month comparisons when made on the linked series, September 2013 prices increased by 5.5%

PPI Oct 2011– Sep 2013 and Percentage change- month on month

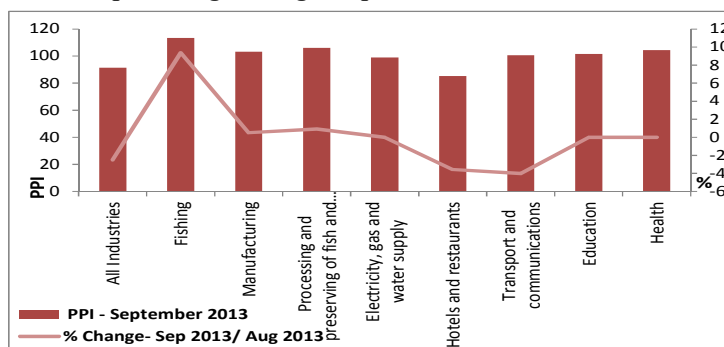
Period	PPI	Period	PPI (linked series)	% Change month on month
Oct-12	100.00	Oct-11	96.50	3.6
Nov-12	102.66	Nov-11	96.50	6.4
Dec-12	106.63	Dec-11	96.50	10.5
Jan-13	112.93	Jan-12	109.04	3.6
Feb-13	113.30	Feb-12	109.04	3.9
Mar-13	113.18	Mar-12	109.04	3.8
Apr-13	106.42	Apr-12	92.25	15.4
May-13	96.74	May-12	92.25	4.9
Jun-13	95.64	Jun-12	92.25	3.7
Jul-13	91.44	Jul-12	86.61	5.6
Aug-13	93.72	Aug-12	86.61	8.2
Sep-13	91.38	Sep-12	86.61	5.5

OVERVIEW OF MOVEMENTS

The most significant price decline in September were from Transport and Communication sector (-4.02%) and Hotels and Restaurants sector (-3.56%).

The most significant price increase recorded in September 2013 were from fishing industry (+9.37%)

PPI and percentage change -September 2013



Hotels and Restaurants Industry

OVERVIEW OF HOTELS AND RESTAURANTS INDUSTRY MOVEMENTS

Identical to overall PPI, highest PPI for Hotels and Restaurants industry was recorded in February 2013 (121.55) while the highest positive price change was seen in January 2013 (+9.74).

The lowest PPI for Hotels and Restaurants industry was in July 2013 (84.00) and the largest negative price change was recorded in May 2013 (-14.45).

Since Hotels and Restaurant industry exhibits seasonality of high demand in both 4th quarter and 1st quarter and since the industry is demand driven, it is reflected in the PPI for the sector as well.

PPIs of Hotels and Restaurants industry is high in Q4 and Q1 and low in Q2 and Q3.

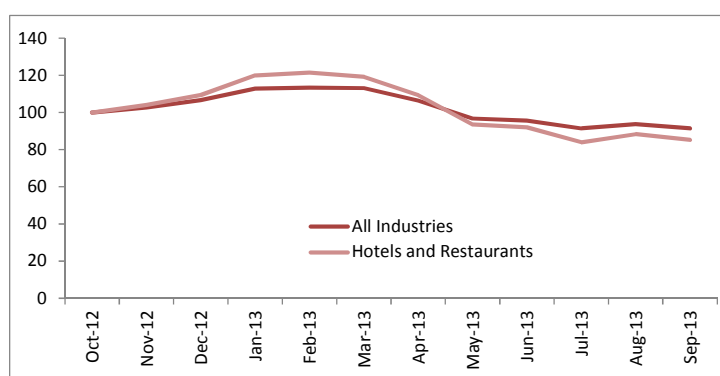
	All Industries	% Change	Hotels and Restaurants	% Change
Oct-12	100.00		100.00	
Nov-12	102.66	2.66	104.08	4.08
Dec-12	106.63	3.87	109.34	5.05
Jan-13	112.93	5.90	119.99	9.74
Feb-13	113.30	0.33	121.55	1.30
Mar-13	113.18	-0.11	119.18	-1.95
Apr-13	106.42	-5.97	109.31	-8.29
May-13	96.74	-9.09	93.51	-14.45
Jun-13	95.64	-1.14	92.03	-1.58
Jul-13	91.44	-4.40	84.00	-8.72
Aug-13	93.72	2.50	88.34	5.16
Sep-13	91.38	-2.50	85.19	-3.56

COMPARISON WITH ALL INDUSTRIES PPI

Hotels and Restaurants 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.

The figure (right) shows the close correlation between overall PPI and Hotels and Restaurants sector PPI.

Producer Price Index—Hotels and Restaurants



COMPARISON WITH KEY SECTORIAL INDICATORS

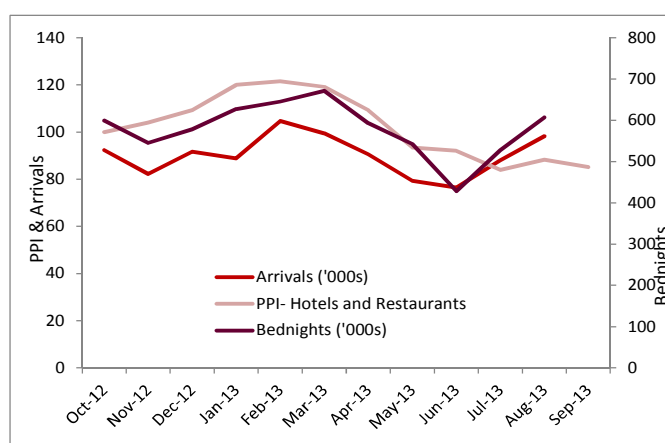
PPI of Hotels and Restaurants sector and both indicators, arrivals and bednights exhibits a similar trend.

While recorded arrivals went down in November 2012 and January 2013, PPI went up as rates remained high as it was peak season.

Although arrivals and bednights increased in July and August PPI were low as its considered a low season. However August PPI is higher than July and September as the rates were higher since it is the end of summer holidays for Europe.

Both PPI and Arrivals were highest on February 2013 the month, which corresponded with Chinese new year.

PPI-Hotels and Restaurants, Arrivals and Bednights



Fishing and Processing and Preserving of Fish and Fish Products Industries

OVERVIEW AND INDUSTRY MOVEMENTS

Throughout the given period both Fishing and Processed fish industries' prices have increased compared to price reference- October 2012.

Highest PPI for Fishing industry was recorded in May 2013 (116.01) while the highest positive price change was seen in September 2013 (+9.37).

Similarly highest PPI for Processed fish industry was in May 2013 (115.38) while the highest positive price change was seen in March 2013 (+8.98).

Note:

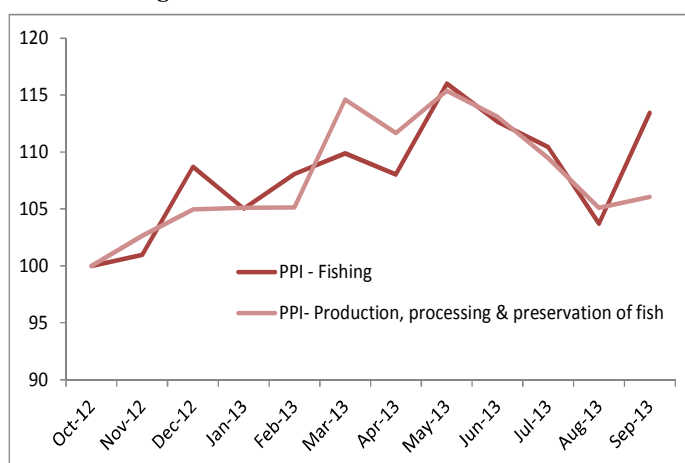
As for Fishing Industry, prices of both skipjack tuna and yellow-fin tuna (YFT) are included. However skipjack prices variations are minimal in contrast to YFT which is volatile. And due to market structure YFT price movements dominates the fishing industry of PPI.

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 correlation

	PPI - Fishing	% Change	PPI- Production, processing & preservation of fish	% Change
Oct-12	100.00		100.00	
Nov-12	100.99	0.99	102.65	2.65
Dec-12	108.69	7.62	104.96	2.25
Jan-13	105.02	-3.37	105.10	0.13
Feb-13	108.06	2.90	105.15	0.05
Mar-13	109.88	1.68	114.59	8.98
Apr-13	108.03	-1.68	111.68	-2.54
May-13	116.01	7.38	115.38	3.31
Jun-13	112.66	-2.88	113.10	-1.97
Jul-13	110.42	-1.99	109.45	-3.23
Aug-13	103.71	-6.07	105.10	-3.98
Sep-13	113.44	9.37	106.06	0.92

PPI—Fishing and Processed Fish



Transport and Communications

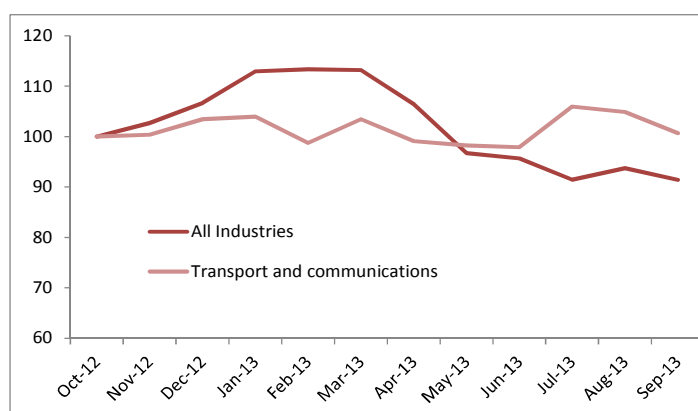
Highest PPI for Transport and communications industry was recorded in July 2013 (105.95) together with highest positive price change (+8.24) which resulted from air transport and telecommunication prices.

The lowest PPI for this sector was in June 2013 (97.88) and the largest negative price change was recorded in February 2013 (-5.00).

Note:

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

Producer Price Index—Transport and Communication



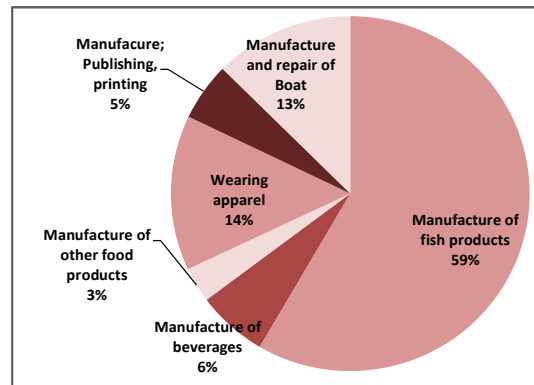
Manufacturing

Manufacturing industry shares 12% in the overall PPI.

Within the manufacturing sector Manufacture of processed or preserved fish products shares 59%

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

Manufacturing Sector's weight structure



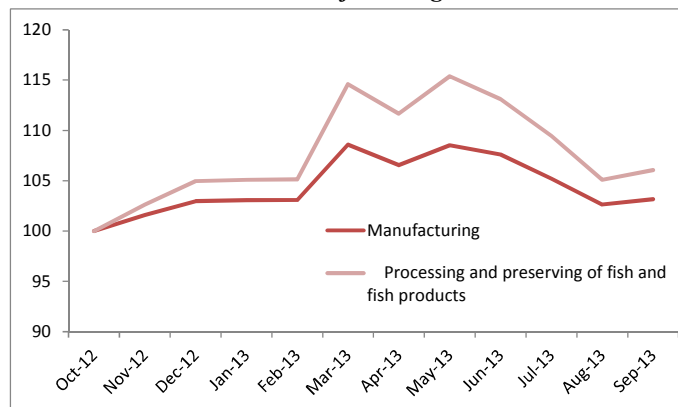
OVERVIEW OF MANUFACTURING INDUSTRY MOVEMENTS

Highest PPI for Manufacturing industry was recorded in March 2013 (108.59) together with the highest positive price change (+5.34).

Throughout the period the prices have increased compared to the price reference–October 2012.

The different ups and downs of PPI of manufacturing sector resulted due to Manufacture of processed or preserved fish products .

Producer Price Index - Manufacturing



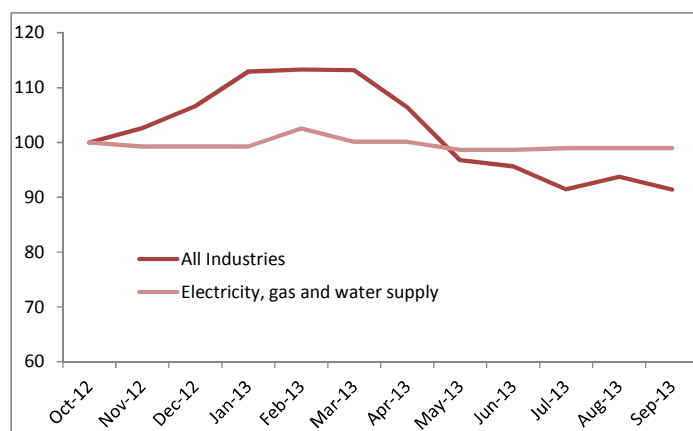
Electricity, Gas and Water Supply

Electricity, gas and water supply industry prices varied very little throughout the period..

The 3.29% increase in February 2013 compared to January 2013 resulted due to electricity prices.

The lowest PPI recorded was in May and June 2013 (98.66) and the largest negative price change was recorded in March 2013 (-2.35).

Producer Price Index –Electricity, gas and water supply



Education and Health

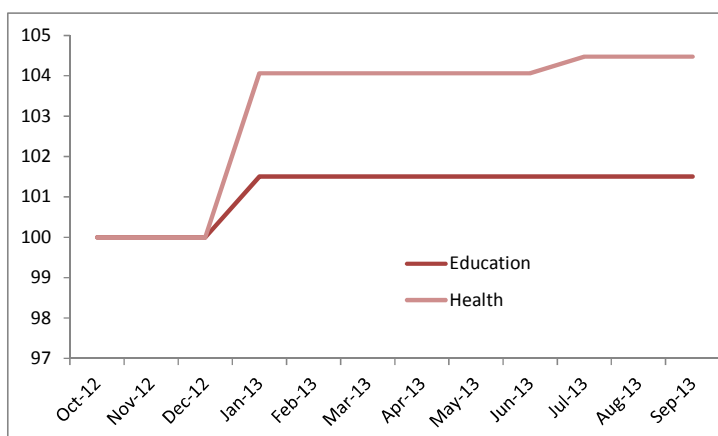
Education sector prices are usually revised at the start of the year.

Education sector prices went up by 1.50% in January and remained constant throughout the period.

Health sector prices went up by 4.06% in January when the health insurance scheme-Aasandha was introduced.

July 2013 health sector prices went up marginally but 0.39% due to laboratory tests.

Producer Price Index—Education and Health



PPI Rebased to 2007

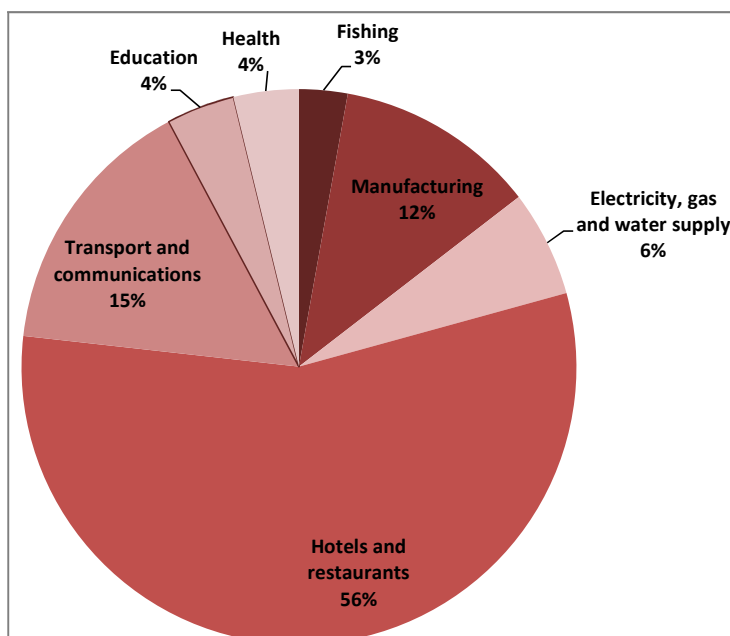
Producer price index (PPI) has been rebased to 2007 with price referenced to October 2012. The industry weights were drawn from the Maldives Supply and Use table (SUT) 2007 which was compiled under the ADB project 'RETA 6482 Supply and Use table for selected DMCs'. In SUT 2007, the data for the domestic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

This is the initial publication from the new series. The index is compiled from 661 transactions among 280 products from a sample of 93 establishments.

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 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. The PPI 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 DNP 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 2001.

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 DNP 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.

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

FORTHCOMING ISSUES

Issue (monthly)	Release date
December 2013	31 March 2014
March 2014	30 June 2014

ROUNDING

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

ABBREVIATIONS

DNP	Department of National Planning
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 process was provided by Ms. Aishath Laila and senior management of statistics division Ms Aishath Shahauda and Ms Mariyam Niyaf. All their valuable services are gratefully acknowledged.

Producer Price Index - Base period =2007

Description	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
PPI - All industries	100.00	102.66	106.63	112.93	113.30	113.18	106.42	96.74	95.64	91.44	93.72	91.38
Fishing	100.00	100.99	108.69	105.02	108.06	109.88	108.03	116.01	112.66	110.42	103.71	113.44
Manufacturing	100.00	101.60	102.98	103.06	103.08	108.59	106.54	108.53	107.61	105.20	102.64	103.17
Processing and preserving of fish and fish products	100.00	102.65	104.96	105.10	105.15	114.59	111.68	115.38	113.10	109.45	105.10	106.06
Electricity, gas and water supply	100.00	99.27	99.27	99.27	102.54	100.12	100.12	98.66	98.66	98.98	98.98	98.98
Hotels and restaurants	100.00	104.08	109.34	119.99	121.55	119.18	109.31	93.51	92.03	84.00	88.34	85.19
Transport and communications	100.00	100.34	103.42	103.94	98.75	103.42	99.08	98.23	97.88	105.95	104.87	100.65
Education	100.00	100.00	100.00	101.50	101.50	101.50	101.50	101.50	101.50	101.50	101.50	101.50
Health	100.00	100.00	100.00	104.06	104.06	104.06	104.06	104.06	104.06	104.47	104.47	104.47

Percentage Change over previous month

Description	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
All Industries	2.66	3.87	5.90	0.33	-0.11	-5.97	-9.09	-1.14	-4.40	2.50	-2.50	-2.50
Fishing	0.99	7.62	-3.37	2.90	1.68	-1.68	7.38	-2.88	-1.99	-6.07	9.37	9.37
Manufacturing	1.60	1.36	0.08	0.02	5.34	-1.88	1.86	-0.85	-2.23	-2.44	0.51	0.51
Processing and preserving of fish and fish products	2.65	2.25	0.13	0.05	8.98	-2.54	3.31	-1.97	-3.23	-3.98	0.92	0.92
Electricity, gas and water supply	-0.73	0.00	0.00	3.29	-2.35	0.00	-1.46	0.00	0.32	0.00	0.00	0.00
Hotels and restaurants	4.08	5.05	9.74	1.30	-1.95	-8.29	-14.45	-1.58	-8.72	5.16	-3.56	-3.56
Transport and communications	0.34	3.07	0.50	-5.00	4.73	-4.20	-0.85	-0.36	8.24	-1.02	-4.02	-4.02
Education	0.00	0.00	1.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Health	0.00	0.00	4.06	0.00	0.00	0.00	0.00	0.00	0.39	0.00	0.00	0.00