

Producer Price Index (PPI) - Maldives

Base period =2007 | Price reference = October 2012

March 2014

TIME OF RELEASE: MONDAY, 30 JUNE 2014

KEY FIGURES

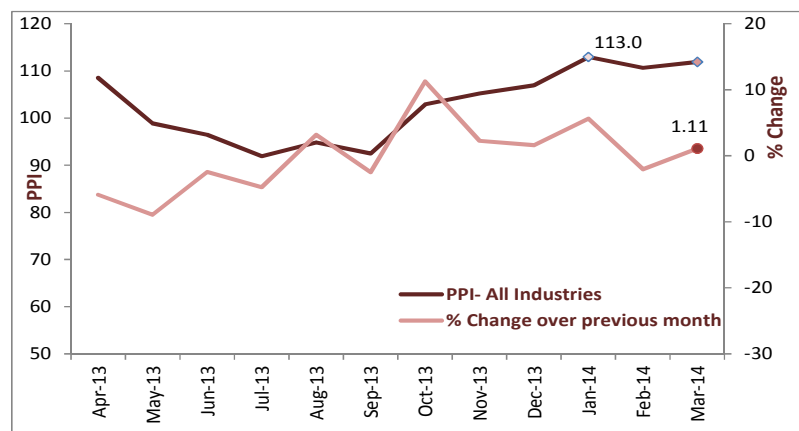
PPI and Percentage changes -month on month

	PPI -All Industries		% Change
	2013	2014	2013/2014
Jan	115.1	113.0	-1.87
Feb	115.5	110.7	-4.21
Mar	115.4	111.9	-3.01

Note: whole series have been revised as new establishments provided data and revisions were made to previous data

PPI and Percentage change over previous month

	PPI- All Industries	% Change over previous month	% Change - month on month
Apr-13	108.6	-5.92	
May-13	98.9	-8.91	
Jun-13	96.5	-2.44	
Jul-13	91.9	-4.74	
Aug-13	94.8	3.20	
Sep-13	92.5	-2.48	
Oct-13	102.9	11.27	2.92
Nov-13	105.3	2.27	2.54
Dec-13	106.9	1.61	0.30
Jan-14	113.0	5.64	-1.87
Feb-14	110.7	-2.05	-4.21
Mar-14	111.9	1.11	-3.01



KEY POINTS — All Industries' PPI

Producer Price index has gone up in Q1-2014 when compared to price reference. However when comparisons were made on the same period of previous year, prices of January 2014 have gone down by 1.87% and February and March prices dropped by 4.21% .and 3.01% respectively.

Producer Price Index for all Industries increased by 1.11% in March 2014, compared to the fall of 2.05% in February 2014 when comparisons were made to the previous month. January prices rose by 5.64% compared to December 2014.

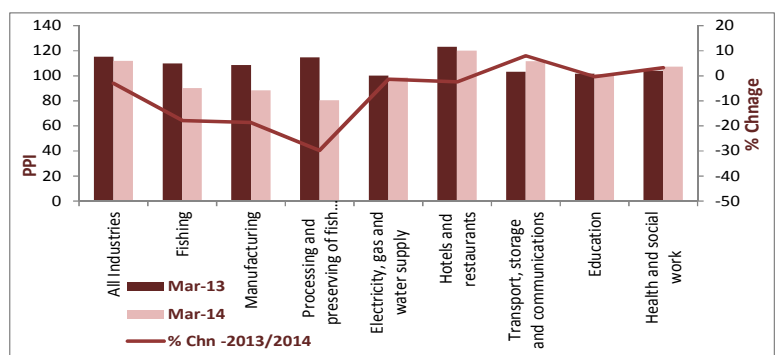
In 2014, January showed the highest price index (113.0) in the series followed by March (111.9).

OVERVIEW OF MOVEMENTS— March 2014 / March 2013

The most prominent price change was seen in Processed fish industry where the prices fell by 29.76% when compared with 2013; followed by Manufacturing and fishing industry , where the prices fell by 18.66% and 17.82% respectively.

Transport and Communication industry together with Health industry showed the most prominent price increase of 7.98% and 3.22% respectively.

PPI and Percentage change –March 2014



1. Hotels and Restaurants Industry

OVERVIEW OF HOTELS AND RESTAURANTS INDUSTRY MOVEMENTS

1.1: PPI and month on month Percentage change

	PPI-Hotels & Restaurants		% Change 2013/2014
	2013	2014	
Jan	123.9	121.2	-2.15
Feb	125.5	120.5	-3.99
Mar	123.1	120.0	-2.47

Quarter 1, 2014 prices of Hotels and restaurants' industry were higher than the price reference (October 2012). When same periods were compared between 2014 and 2013, January prices fell by 2.15% while February and March also showed a decline of 3.99% and 2.47% respectively.

When compared with previous month January prices increased by 10.14%. However both February and March prices showed a decline.

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

1.2: PPI and month on month Percentage change

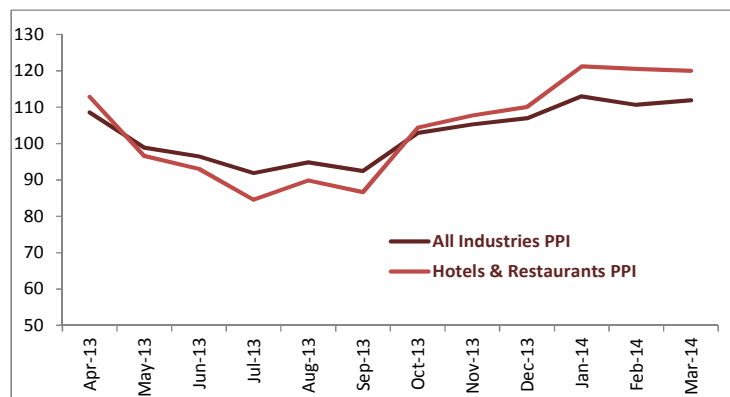
	All Industries		Hotels & Restaurants	
	PPI	% Chn Month on month	PPI	% Chn Month on month
Apr-13	108.6		112.9	
May-13	98.9		96.6	
Jun-13	96.5		93.1	
Jul-13	91.9		84.5	
Aug-13	94.8		89.9	
Sep-13	92.5		86.7	
Oct-13	102.9	2.92	104.4	4.36
Nov-13	105.3	2.54	107.7	3.53
Dec-13	106.9	0.30	110.1	0.67
Jan-14	113.0	-1.87	121.2	-2.15
Feb-14	110.7	-4.21	120.5	-3.99
Mar-14	111.9	-3.01	120.0	-2.47

COMPARISON WITH PPI—ALL INDUSTRIES

PPI - Hotels and Restaurants

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 correlation between overall PPI and Hotels and Restaurants sector PPI. Both series shows that prices are highest during January to March and deteriorates from April and starts picking up from September.



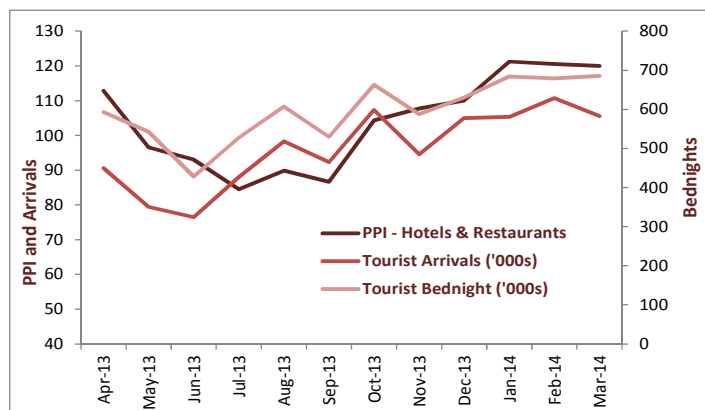
COMPARISON WITH KEY SECTORIAL INDICATORS

PPI of Hotels and Restaurants sector and both indicators, arrivals and bed-nights exhibits a similar trend.

While PPI was lowest in July 2013 (84.5), both recorded arrivals (76,493) and bed-nights (428,230) were lowest in June 2013 where both periods fall in the low season of the industry.

Recorded PPI, arrivals and bednights were high in quarter 1 as it is the high season. Within Quarter 1, PPI was highest in January (121.2) while arrivals were highest in February (110,705 tourists) and bed-nights were highest in March (685,333).

PPI - Hotels and Restaurants, Arrivals and Bednights



2. Fishing and Processing and Preserving of Fish and Fish Products Industries

OVERVIEW AND INDUSTRY MOVEMENTS

Throughout the Quarter 1 of 2014 fishing prices were lower than the price reference- October 2012. Lowest Fishing prices were recorded in February (88.5) when compared with October 2012.

Fishing prices of quarter 1 showed a decline when compared the same period of 2013. January prices decreased by 13.84% while February and March prices plunged by 18.07% and 17.82%.

Processed fish prices also showed significant decrease in prices during the first quarter when compared to the same month of 2013. January prices dropped by 18.91% while February and March prices fell by 28.75% and 29.76% respectively.

Processed fish prices were lower between October 2013 to March 2014 when compared to price reference- October 2012. Lowest PPI for Processed fish industry was in February (75.3).

2.1: PPI—Fishing and Processed Fish

	PPI		% Chn - month on month	
	Fishing	Processed fish	Fishing	Processed fish
Apr-13	108.0	111.2		
May-13	116.0	114.7		
Jun-13	112.7	112.9		
Jul-13	110.4	109.2		
Aug-13	103.7	105.0		
Sep-13	113.4	106.0		
Oct-13	97.8	94.8	-2.24	-5.19
Nov-13	102.3	95.0	1.34	-7.48
Dec-13	90.5	96.9	-16.74	-7.83
Jan-14	90.5	85.4	-13.84	-18.91
Feb-14	88.5	75.3	-18.07	-28.75
Mar-14	90.3	80.5	-17.82	-29.76

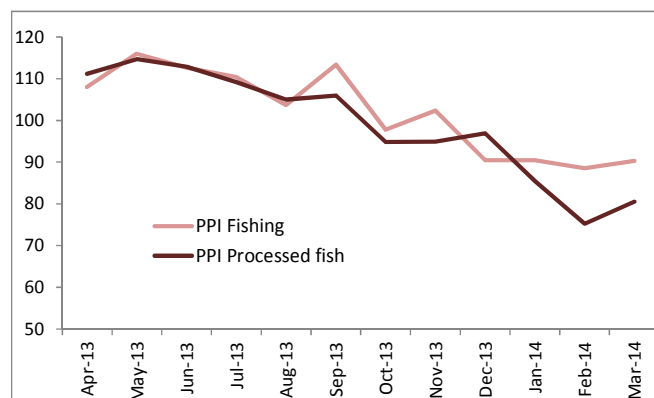
Note:

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.

PPI—Fishing and Processed Fish



3. Transport and Communications

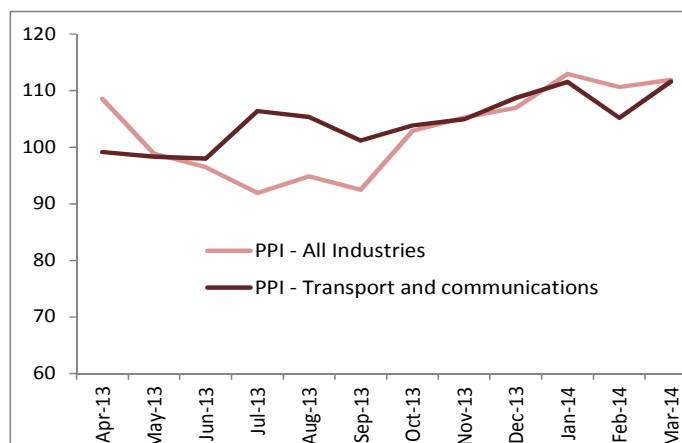
In general quarter 1 prices were higher compared to price reference (October 2012).

When comparisons were made with the same month of 2013 Transport and Telecommunication prices showed 7.39% increase in January and 6.53% and 7.98% increase in February and March respectively.

Note:

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

PPI — Transport and Communication



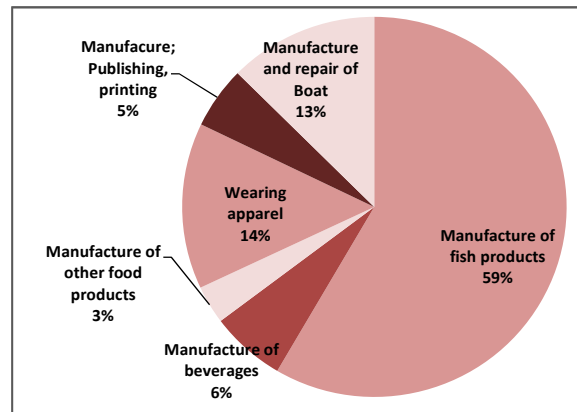
4. Manufacturing

Manufacturing Sector's weight structure

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 .



OVERVIEW OF MANUFACTURING INDUSTRY MOVEMENTS

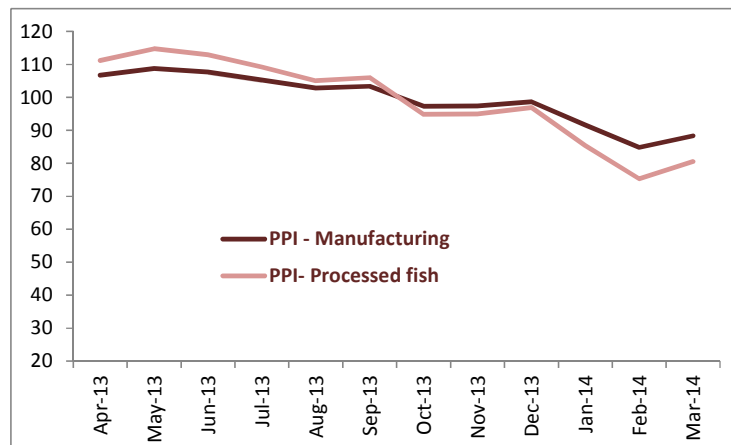
PPIs of manufacturing continued to fall in 2014 where prices remained lower than price reference. The lowest PPI was recorded in February (84.84).

When comparisons were made with the same month of previous year manufacturing industry index showed 11.29% decrease in January 2014. Additionally both February and March prices also dropped significantly by 17.96% and 18.66% respectively.

Manufacturing industry prices of March increased by 4.16% when compared to February.

Highest PPI for Manufacturing industry was recorded in May 2013 (108.74)

PPI - Manufacturing

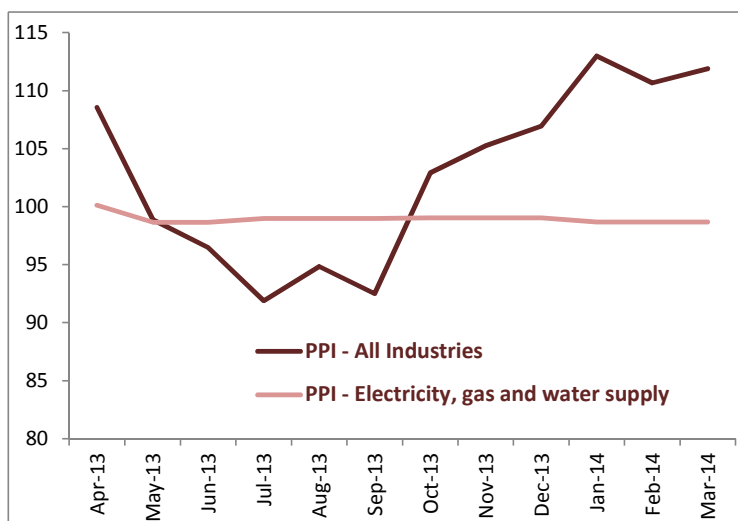


5. Electricity, Gas and Water Supply

PPI – Electricity, gas and water supply

While quarter 1 prices of 'electricity, gas and water supply' industry were lower than the price reference, the prices remained constant throughout the period.

January 2014 prices were 0.59% lower than January 2013. Furthermore, both February and March prices showed a decrease of 3.76% and 1.44% respectively when compared to the same period of previous year.



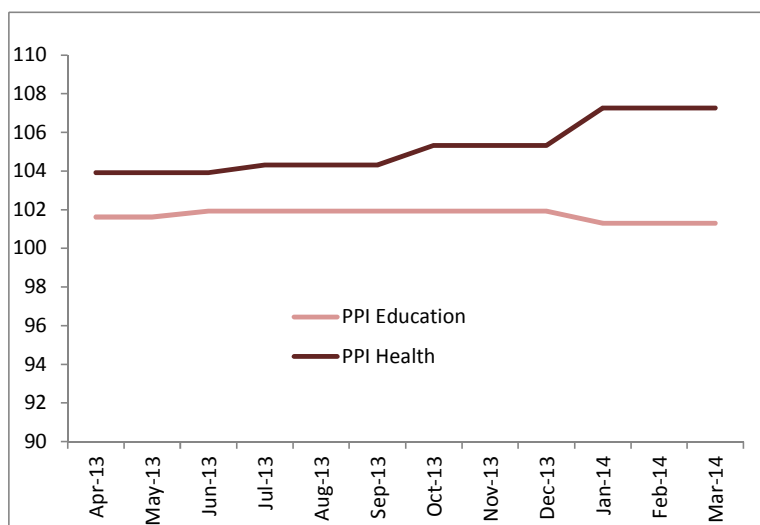
6. Education and Health

Both Education and Health sector index were constant during quarter 1, 2014. Education sector prices are usually revised at the start of the year.

Education sector prices went down by 0.60% in January 2014 when compared to December 2013. When compared with the same month of 2013 Quarter 1 prices fell by 0.31% in 2014.

Health sector prices went up in January by 1.84% when compared with December 2013 and remained constant through out the quarter 1. When comparisons were made to the same month of previous year health prices have increased by 3.22% throughout quarter 1.

PPI - Education and Health



PPI Rebased to 2007

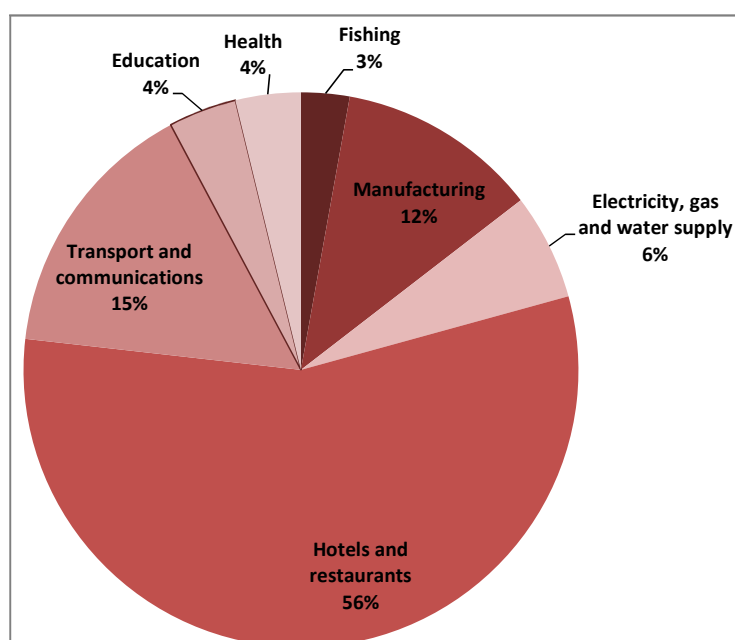
Producer price index (PPI) has been rebased to 2007 with price referenced to October 2012. The industry weights were drawn from the Maldives Supply and Use table (SUT) 2007 which was compiled under the ADB project 'RETA 6482 Supply and Use table for selected DMCs'. In SUT 2007, the data for the domestic 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.

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

Weight structure



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 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 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)

June 2014
September 2014

Release date

30 September 2014
31 December 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 Zumlath 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 | Price reference = October 2012

	Oct-12	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
All Industries	100	108.55	98.88	96.47	91.90	94.84	92.49	102.92	105.25	106.95	112.98	110.67	111.91
Fishing	100	108.03	116.01	112.66	110.38	103.69	113.37	97.76	102.35	90.49	90.49	88.54	90.30
Manufacturing	100	106.71	108.74	107.68	105.26	102.82	103.39	97.33	97.42	98.63	91.56	84.84	88.37
Processing and preserving of fish and fish products	100	111.178	114.72	112.87	109.18	105.01	105.96	94.81	94.97	96.94	85.43	75.28	80.55
Electricity, gas and water supply	100	100.12	98.66	98.66	98.98	98.98	98.98	99.03	99.03	99.03	98.68	98.68	98.68
Hotels and restaurants	100	112.883	96.57	93.07	84.548	89.866	86.662	104.357	107.749	110.071	121.233	120.505	120.02
Transport and communications	100	99.18	98.35	98.00	106.41	105.35	101.17	103.86	104.96	108.72	111.55	105.21	111.62
Education	100	101.63	101.63	101.92	101.92	101.92	101.92	101.92	101.92	101.92	101.31	101.31	101.31
Health	100	103.92	103.92	103.92	104.31	104.31	104.31	105.33	105.33	105.33	107.27	107.27	107.27

PPI - Percentage Change over previous month.

	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
All Industries	-5.92	-8.91	-2.44	-4.74	3.20	-2.48	11.27	2.27	1.61	5.64	-2.05	1.11
Fishing	-1.68	7.38	-2.88	-2.03	-6.06	9.33	-13.77	4.69	-11.59	0.00	-2.16	1.99
Manufacturing	-1.78	1.91	-0.98	-2.24	-2.32	0.55	-5.86	0.10	1.25	-7.17	-7.34	4.16
Processing and preserving of fish & fish products	-3.05	3.18	-1.61	-3.27	-3.82	0.91	-10.52	0.16	2.08	-11.87	-11.87	6.99
Electricity, gas and water supply	0.00	-1.46	0.00	0.32	0.00	0.00	0.05	0.00	0.00	-0.35	0.00	0.00
Hotels and restaurants	-8.27	-14.45	-3.63	-9.15	6.29	-3.57	20.42	3.25	2.15	10.14	-0.60	-0.40
Transport and communications	-4.05	-0.84	-0.35	8.59	-1.00	-3.96	2.65	1.06	3.58	2.61	-5.68	6.09
Education	0.00	0.00	0.29	0.00	0.00	0.00	0.00	0.00	0.00	-0.60	0.00	0.00
Health	0.00	0.00	0.00	0.38	0.00	0.00	0.97	0.00	0.00	1.84	0.00	0.00

PPI - Percentage Change-month on month

	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
All Industries	2.92	2.54	0.30	-1.87	-4.21	-3.01	-2.24	1.34	-16.74	-13.84	-18.07	-17.82
Fishing	-2.67	-4.10	-4.32	-11.29	-17.96	-18.66	-5.19	-7.48	-7.83	-18.91	-28.75	-29.76
Manufacturing	-0.97	-0.24	-0.24	-0.59	-3.76	-1.44	4.36	3.53	0.67	-2.15	-3.99	-2.47
Processing and preserving of fish and fish products	3.86	4.61	5.17	7.39	6.53	7.98	1.92	1.92	1.92	-0.31	-0.31	-0.31
Electricity, gas and water supply	5.33	5.33	5.33	3.22	3.22	3.22	5.33	5.33	5.33	3.22	3.22	3.22
Hotels and restaurants												
Transport and communications												
Education												
Health												

Source: Department of National Planning