

Keynote Presentation

Maldives Finance Forum

April 30, 2018



Macroeconomic Overview - Maldives

- Strong performance of the tourism sector.
 - Tourist arrivals growth (Dec 2017 – Mar 2018): 18%
 - Bednights growth (Dec 2017 – Mar 2018): 19%
- Low inflation with some policy induced volatility.
 - CPI inflation for 2017: 2.8%
 - Expected CPI inflation for 2018: 0.5%
- Current account deficit widened in recent years, but is expected to narrow in the medium term.
 - Current account deficit as a % of GDP in 2017: 21%
 - Expected current account deficit as a % of GDP for 2018: 20%

Macroeconomic Overview - Maldives (II)

- Net outflows from foreign exchange reserves persist, but reserve levels remain stable due to short term reserve management activities and large inflows from public debt issuances.
 - Projected GIR level at the end of 2018: US\$728 million
- GDP estimated to growth at around 6% in 2018.

Macroeconomic Overview - Global

	GDP growth		Consumer prices		Current account balances	
	2017	2018*	2017	2018*	2017	2018*
Advanced economies	2.3%	2.5%	1.7%	2.0%	0.8%	0.7%
Emerging Markets and Developing Economies	4.8%	4.9%	-	-	-0.1%	-0.1%
Emerging and Developing Asia	6.5%	6.5%	2.4%	3.3%	0.9%	0.6%
<i>China</i>	6.9%	6.6%	1.6%	2.5%	1.4%	1.2%
<i>India</i>	6.7%	7.4%	3.6%	5.0%	-2.0%	-2.3%

* Projections for 2018.

Source: World Economic Outlook, April 2018; IMF

Global Economy and Fund Management

- 3 professionally administered funds in the Maldives:
 - The official foreign exchange reserves
 - Sovereign Development Fund of the government
 - Pension fund
- Diversification and investment abroad is important.
 - Can help ride out business cycle downturns and ensure the capacity to repay our obligations in foreign currency.
- Monitoring and analyzing economic and market conditions abroad is essential.

Streamlining Fund Management Practices (I)

- Current fund management practices work well, but there is always room for improvement.
- Identifying globally accepted standards and customizing them to our context is most straightforward.
- The gold standard for fund management:
 - Generally Accepted Principles and Practices for Sovereign Wealth Funds, or simply, the Santiago Principles.
- Santiago Principles emphasize the need for transparency, clearly identified and disclosed objectives.
 - Comprehensive set of 24 principles and practices.

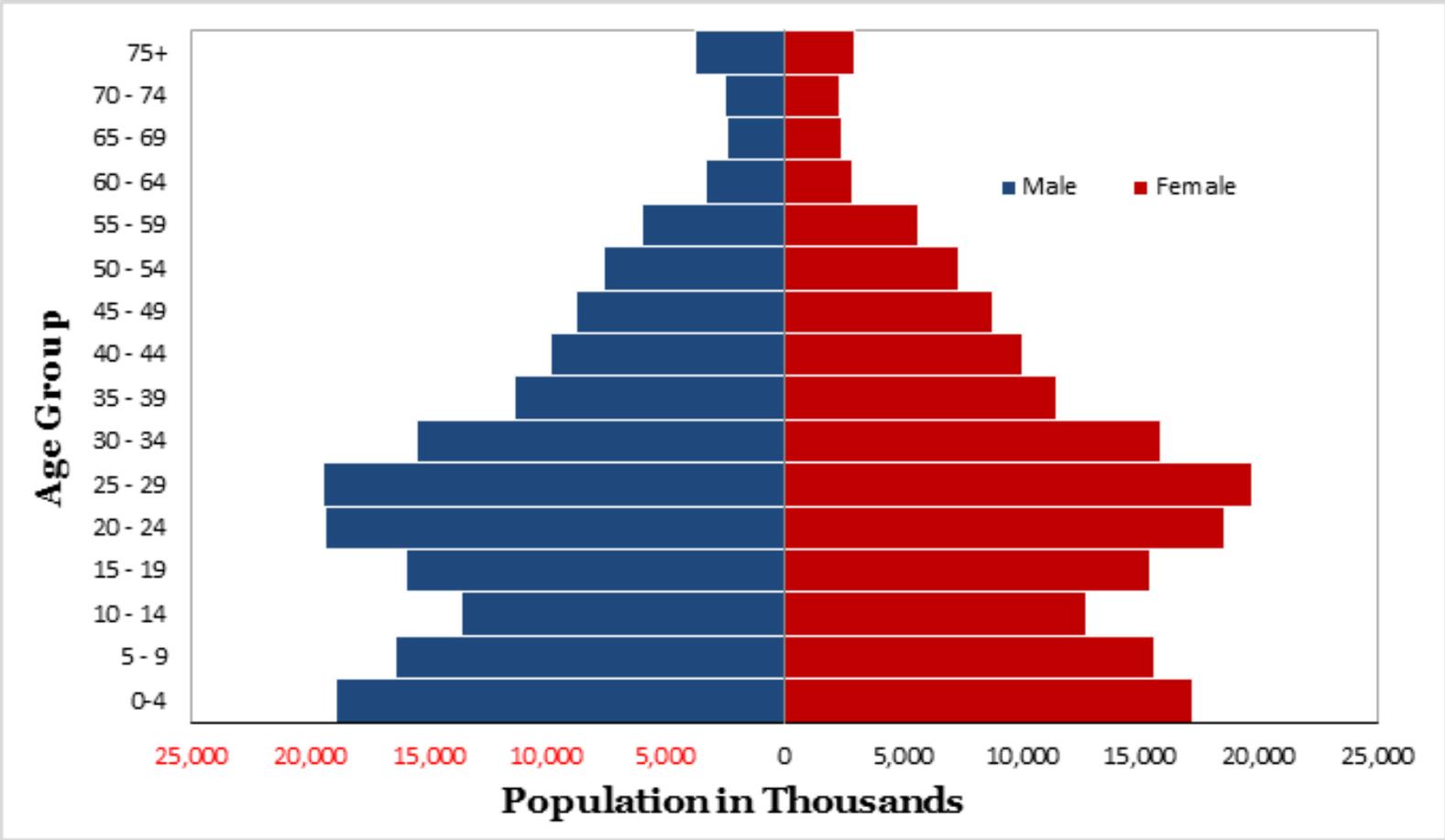
Streamlining Fund Management Practices (II)

- All aspects of the Santiago Principles subject to domestic laws and regulations.
 - Potential to take this as a guideline and come up with practices that best suit our needs and context.
- Importance of having a globally accepted standard as a reference point:
 - Minimum standards will be required to create and maintain credibility and trust in our fund management activities, especially among the global community.

The Retirement Pension Scheme

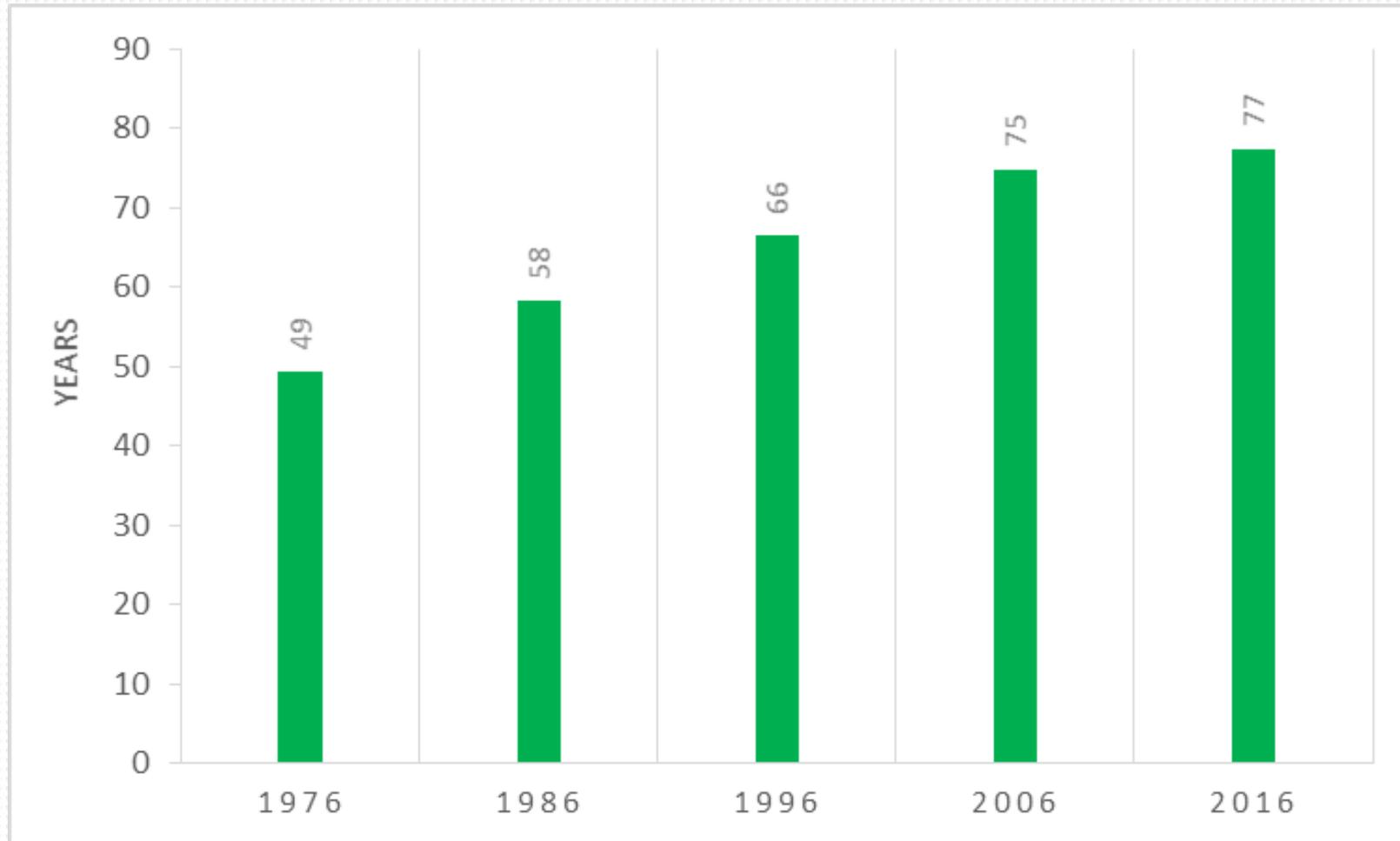
- Essential mechanism to ensure a basic income for all retirees without the state bearing the entire burden.
- Current stock value of the pension fund: **MVR10.6 billion**
- Monthly average contribution per active contributor: **MVR654**
- Average value of retirement savings per member: **MVR77,058**

Population Pyramid of Maldives - 2014



A progressively ageing population, with large numbers reaching retirement age in 35 to 40 years.

Life Expectancy at Birth for Maldives



An ageing population which is expected to live increasingly longer.

Huge achievement, but there are issues to be resolved as well.

Pension Payouts in the Future

- The average Maldivian is expected to live **12** years beyond retirement.
- Savings of **MVR77,000** at retirement equates to just over **MVR500** per month during post-retirement years.
- Take into account inflation, and the future value of the payouts are lower still.
- Bulk of the burden still on the government, and is expected to increase exponentially over the coming years with an ageing population.
- Forceful recourse to debt to sustain welfare payouts?
- Reap demographic dividends of a large youth population now to mitigate this.

Financing for Development

- Right mix between alternative sources of financing is important.
 - Exclusive reliance on debt could be problematic in the medium to long term.
 - Foreign currency debt brings the additional issues of the foreign currency requirement upon repayment, and revaluation risk.
- Sovereign Development Fund: a good initiative to mitigate the risk, but the underlying issue of rising debt level unresolved.

Possible Debt Trap?

- Need to be mindful about the level of public sector debt.
- How did other countries get into debt traps?
 - How did they escape?
- Achieving sustainable growth is essential:
 - Enhancing productivity of the work force.
 - Switch to equity financing?

Thank you