

# QUARTERLY BUSINESS SURVEY

FIRST QUARTER 2017  
VOLUME 5 ISSUE 1



## About the survey

The Quarterly Business Survey is conducted by the MMA with the aim of obtaining a quick assessment of current business trends and expected future economic activity.

The respondents of the business survey are senior managers or top management of businesses who has an overall view of the business situation. The questions cover the views of the senior management (for the past quarter and expectation for the next quarter) on the direction of change in various business variables such as sales, output, prices, exports, capacity utilisation and employment which are useful for analysing and predicting economic activity. The qualitative response for these questions takes the form of either increase, decrease or no change.

The business survey for Q1-2017 was conducted from 28th March 2017 to 10th April 2017. Survey forms were sent out to 146 large enterprises in the construction; tourism and; wholesale and retail trade sectors. The survey sample is based on information provided by the Maldives Inland Revenue Authority. A total of 96 enterprises responded during the survey period which represents an overall response rate of 65%.

The accounting concept, net balance approach, has been used in converting qualitative responses to quantitative numbers. All responses are weighted based on their relative size within their respective sector. Net balances measure the difference between the percentage of respondents who gave positive responses and the percentage of respondents who gave negative responses.

Care should be taken when interpreting the results of individual sectors as constraints in sample selection limit the representativeness of certain industries within each sector.

The MMA would like to thank all the parties who contributed to the survey, especially the survey respondents.

## Summary of survey results

According to the Quarterly Business Survey carried out for the first quarter of 2017, most of the businesses in the tourism and; wholesale and retail trade sector reported an increase in the level of business activity in Q1-2017 compared with Q4-2016, as indicated by positive net balances. However, most of the businesses in the construction sector reported no change in business activity during the quarter. Looking ahead, businesses in construction and; wholesale and retail trade sector anticipate an increase in business activity in Q2-2017 compared with Q1-2017 while the tourism sector anticipates a decline.

With regard to the current level of employment, the majority of businesses in all the surveyed sectors reported no change in Q1-2017 over Q4-2016. Meanwhile, most of the businesses in the tourism and; wholesale and retail trade sector expect no change in the level of employment in Q2-2017 compared with Q1-2017 while most of the respondents in the construction sector anticipate an increase.

As for business costs, most of respondents in the construction and; wholesale and retail trade sector indicated no change in both labour and input costs in Q1-2017 compared with Q4-2016. However, businesses in the tourism sector reported an increase in such business costs during the quarter. Looking ahead, businesses surveyed across all three sectors anticipate labour costs to increase in Q2-2017 compared with Q1-2017. As for other input costs, most businesses in the wholesale and retail trade sector anticipate no change in Q2-2017 over Q1-2017 while majority of respondents from the construction and tourism sector anticipate an increase in such costs.

With regard to prices charged, most of the businesses in the construction and; wholesale and retail trade sector reported no change in prices charged in Q1-2017 compared with Q4-2016 while majority of the businesses from the tourism sector reported an increase. As for expected prices for Q2-2017, most of the businesses in the construction sector anticipate an increase in selling prices while tourism sector expects a decline. Most of the businesses in the wholesale and retail trade sector on the other hand, anticipate no change in selling prices during Q2-2017.

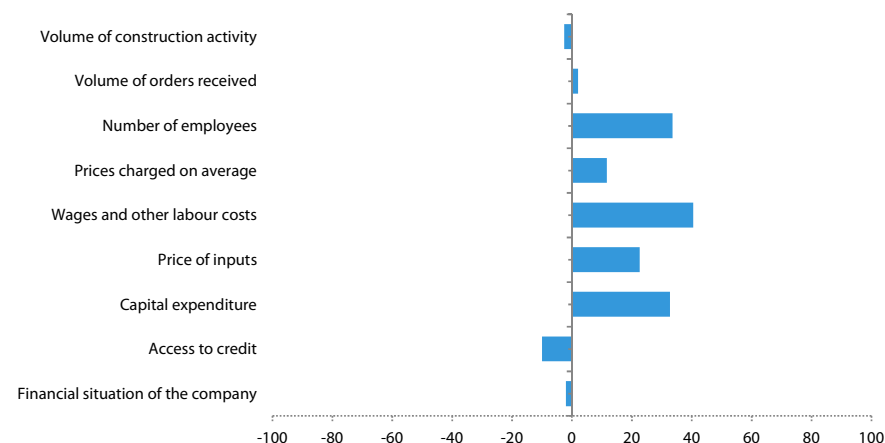
## Summary of responses by sector

### Construction sector

#### Current situation

In the construction sector, 67% of the respondents indicated no change in the volume of construction activity while 18% of the respondents reported a decrease in Q1-2017 compared with Q4-2016 and represented a net balance of -3%. Looking at the orders received, the majority of the respondents stated no change in the volume of orders received while 17% of the respondents reported an increase during the period (net balance of 2%). Reflecting this, most of the respondents indicated no change in employment in Q1-2017 compared with Q4-2016, with a net balance of 34%. With regard to business costs, 40% and 23% of respondents reported an increase in labour costs and input prices in Q1-2017 compared with Q4-2016, respectively, while the majority of businesses indicated no change. Reflecting this, 88% of the businesses reported no change in the prices charged by them during the period (12% reported an increase). As for the financial situation of the company, 37% of businesses noted that it worsened while 35% of businesses reported an improvement in Q1-2017 compared with the previous quarter (Figure 1). While 57% of the businesses reported no change in access to credit, 26% of survey participants indicated that access to credit had tightened in Q1-2017 compared with Q4-2016 (net balance of -10%).

Figure 1: Changes in business indicators in Q1-2017 compared with Q4-2016



\* Changes in business indicators are shown as net balances. This is the difference between the percentage of business units choosing positive answers (increase/better/ease) and that choosing negative answers (decrease/worse/tight).

\*\* Detailed survey responses are provided in Table 1 of appendix.

### Expectations for the next quarter

Looking ahead, most of the businesses in the construction sector expect the volume of construction activity and the volume of incoming orders to increase in Q2-2017 when compared with Q1-2017, as indicated by the positive net balances (Figure 2). Reflecting the positive outlook for activity levels, 75% of businesses expect an increase in their employment in Q2-2017 over Q1-2017 while the remaining businesses anticipate no change. Looking at prices charged, 54% of businesses foresee an increase in Q2-2017 while 35% of businesses expect to see no change in prices during the same period. As for business costs, most of the businesses anticipate an increase in both labour and other input costs in Q2-2017 compared with Q1-2017, representing net balances of 78% and 52%, respectively. As for investment plans, 86% of businesses plan to increase their capital expenditure while the remaining businesses expect no change. Forty-five percent of businesses expect their financial situation to improve in Q2-2017, while 40% expect it to worsen. Meanwhile, 26% of respondents anticipate access to credit to further tighten in Q2-2017 compared with Q1-2017 (net balance of -8%).

### Factors limiting business growth

As per the survey respondents, the most significant factors that limit business growth in the construction sector are the cost of raw materials and delays in payments by clients. Additional factors noted by the respondents include access to bank credit and; shortage of materials and skilled labour (Figure 3).

Figure 2: Expectations on changes in business indicators in Q2-2017 compared with Q1-2017

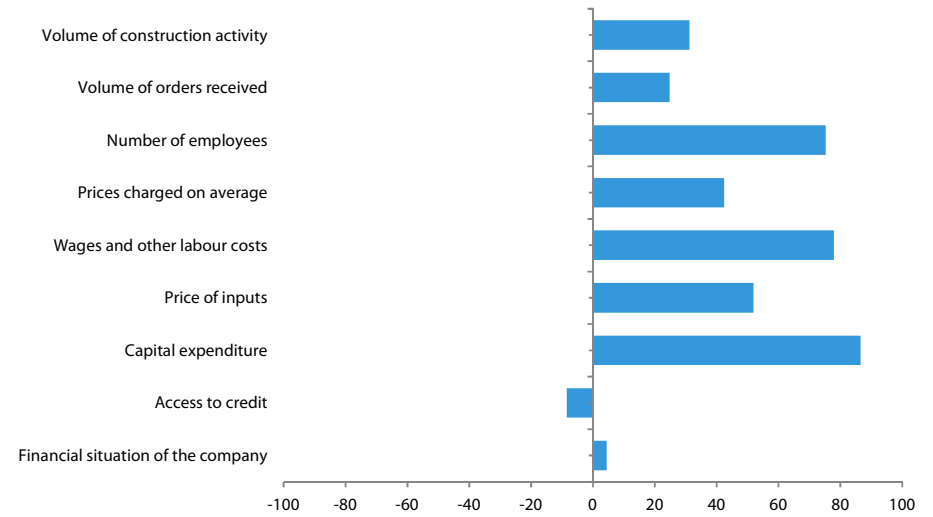
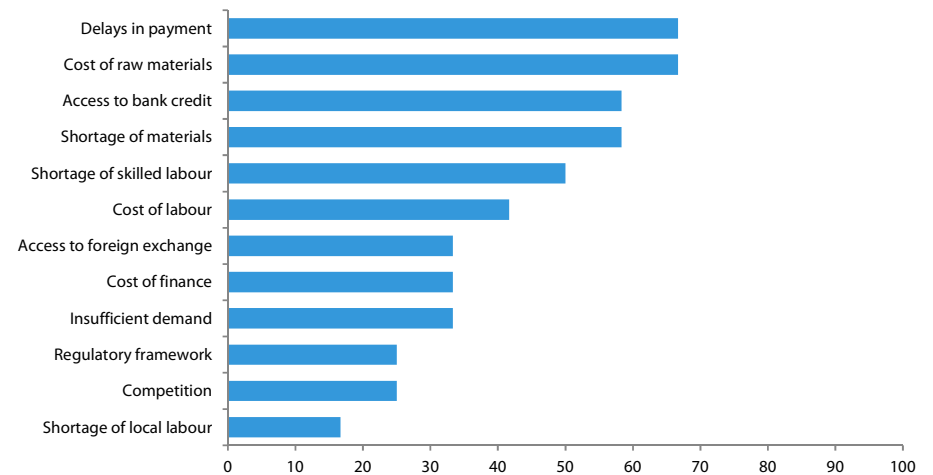


Figure 3: Significant factors limiting business activities in Q1-2017



## Tourism sector

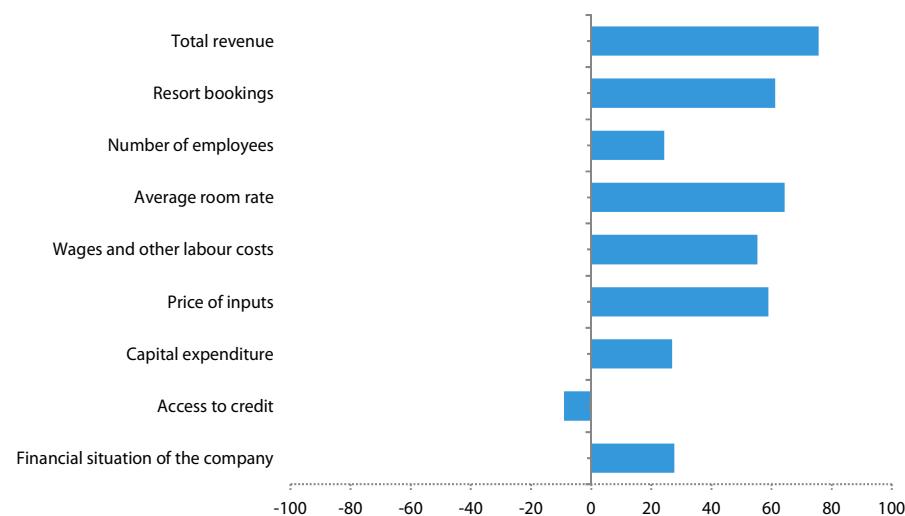
### Current situation

Reflecting the peak season for the tourism industry, most respondents from the tourist resorts indicated an increase in total revenue and resort bookings in Q1-2017 compared with the previous quarter—net balances of 76% and 61%, respectively (Figure 4). Looking at average room rates, 81% of respondents reported an increase in Q1-2017 compared with Q4-2016. Regarding employment numbers during the period, 53% of respondents stated that it remained the same while 36% reported an increase. With regard to business costs, 60% and 62% of businesses reported an increase in labour-related costs and input prices, respectively. During the quarter, 54% of businesses indicated no change in their financial situation while 37% reported an improvement. Eighty percent of respondents also reported no change in access to credit in Q1-2017 over Q4-2016, while 14% noted that it tightened (net balance of -9%).

### Expectations for the next quarter

Looking ahead, with the peak season of the tourism sector coming to an end in Q2-2017, most of the businesses in the tourism sector expect total revenue and resort bookings and average room rates to decrease in Q2-2017 compared with Q1-2017, as indicated by negative net balances (Figure 5). Majority of respondents expect no change in the number of employees on the payroll during Q2-2017 while 27% anticipate a decline. As for the average room rates, 61% of the respondents foresee a decline in Q2-2017. Looking at business costs, 66% and 63% of the businesses anticipate an increase in labour costs and other input prices in Q2-2017 compared with Q1-2017. With regard to future

Figure 4: Changes in business indicators in Q1-2017 compared with Q4-2016



\* Changes in business indicators are shown as net balances. This is the difference between the percentage of business units choosing positive answers (increase/better/ease) and that choosing negative answers (decrease/worse/tight).

\*\* Detailed survey responses are provided in Table 1 of appendix.

investment, 49% of the respondents plan to increase their capital expenditure in Q2-2017 compared with Q1-2017 (net balance of 43%). Fifty-one percent of respondents expect their financial situation to remain the same in Q2-2017 compared with Q1-2017, while 34% of respondents anticipate an improvement. As for access to credit, 80% of businesses expect no change in access to credit in Q2-2017 over Q1-2017, while 14% of the participants anticipate it to further tighten (net balance of -9%).

### *Factors limiting business growth*

In analysing the factors that limit growth opportunities for businesses in the tourism sector, the most significant factor highlighted by the businesses was competition within the sector. Additionally, insufficient demand, cost of labour, and shortage of skilled labour were also reported as some of the constraints (Figure 6).

Figure 5: Expectations on changes in business indicators in Q2-2017 compared with Q1-2017

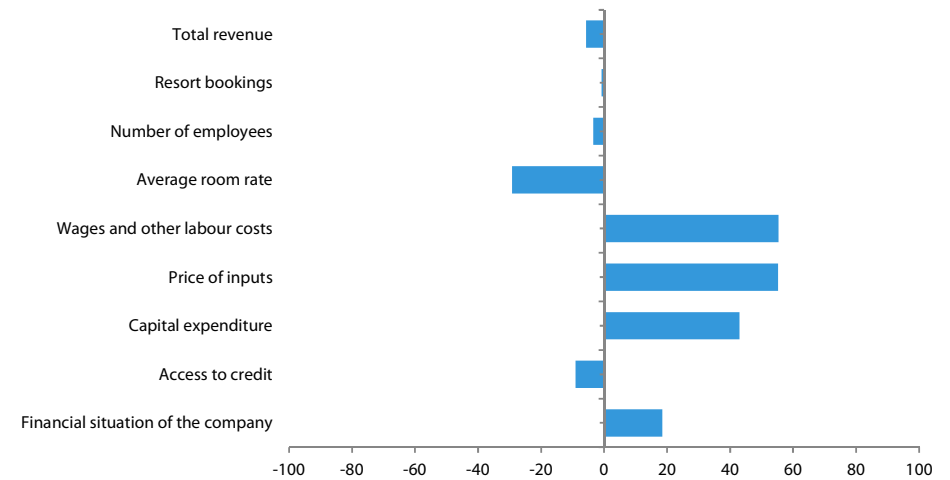
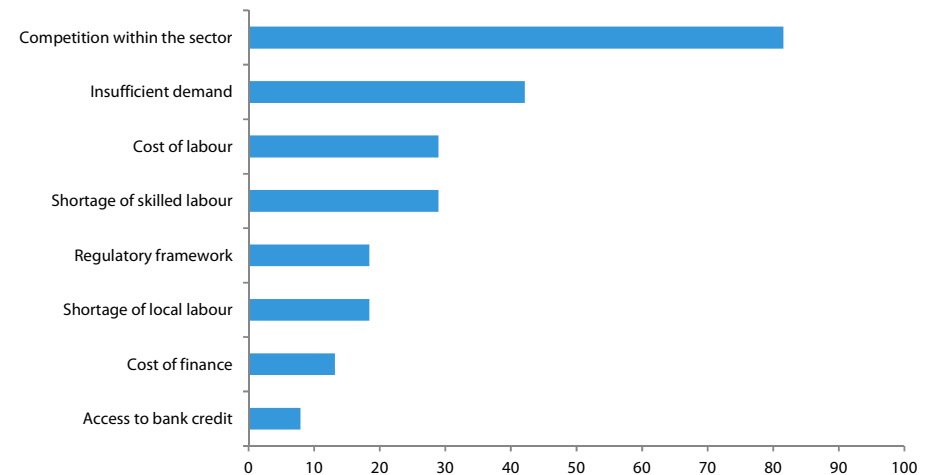


Figure 6: Significant factors limiting business activities in Q1-2017



## Wholesale and retail trade sector

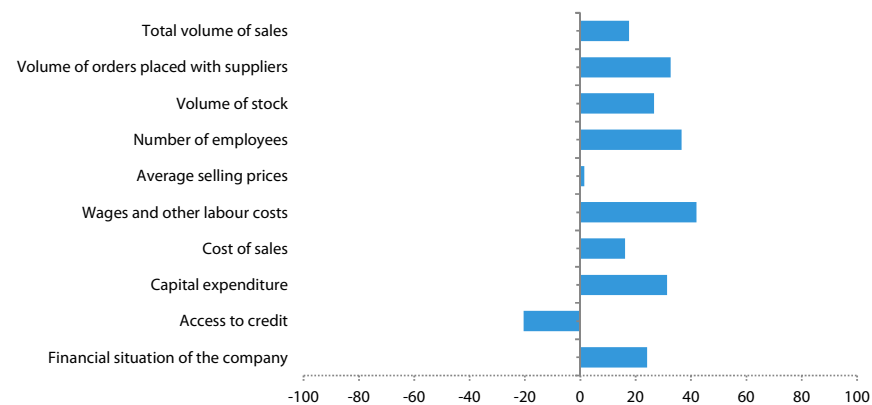
### Current situation

The wholesale and retail trade sector improved further in Q1-2017 when compared with Q4-2016 as shown by the key indicators. According to 48% of respondents in the sector, the total volume of sales increased in Q1-2017 compared with the previous quarter and represented a net balance of 18%. Looking at the volume of orders placed with suppliers, 51% of businesses reported an increase in Q1-2017 over Q4-2016 (net balance of 33%). As for employment numbers, 63% of businesses indicated no change in hiring while the remaining businesses reported an increase in Q1-2017 (Figure 7). Looking at prices charged, 52% of businesses reported no change in their selling prices in Q1-2017 over the previous quarter while 25% reported an increase. As for business costs, most businesses indicated no change in both labour costs and cost of sales in Q1-2017 compared with Q4-2016 (net balances of 42% and 16%, respectively). Meanwhile, 66% of businesses reported that the financial situation remained unchanged in Q1-2017 compared with Q4-2016 while 29% stated an increase. Thirty-one percent of businesses indicated that access to credit tightened in Q1-2017 compared with the preceding quarter (net balance of -20%).

### Expectations for the next quarter

Looking ahead, most of the businesses in the wholesale and retail trade sector expect the volume of sales and volume of orders placed with supplier to increase in Q2-2017 compared with Q1-2017, recording net balances of 36% and 28%, respectively (Figure 8). Fifty-two percent of businesses also expect no change employment in Q2-2017 while the 46% anticipate an increase in hiring. As for selling prices, 52% of respondents expect it to remain the same

Figure 7: Changes in business indicators in Q1-2017 compared with Q4-2016



\* Changes in business indicators are shown as net balances. This is the difference between the percentage of business units choosing positive answers (increase/better/ease) and that choosing negative answers (decrease/worse/tight).

\*\* Detailed survey responses are provided in Table 1 of appendix.



while 35% of the businesses expect it to increase. Looking at business costs, more businesses anticipate an increase in their labour costs in Q2-2017 than those anticipating a decrease. However, majority of respondents expect no change in cost of sales for Q2-2017. Regarding future investment plans, 65% of businesses anticipate no change in their capital expenditure in Q2-2017 compared with Q1-2017 while the remaining businesses expect an increase. Meanwhile, 56% of businesses foresee their financial situation to remain the same Q2-2017 over Q1-2017 while 37% expect an improvement (net balance of 30%). As for the outlook for access to credit, 34% of businesses expect further tightening while 58% anticipate no change in Q2-2017 compared with Q1-2017.

### *Factors limiting business growth*

Businesses in the wholesale and retail trade highlighted insufficient access to foreign exchange as the most significant factor limiting their business growth. In addition, competition within the sector, rent and shortage of skilled labour were also highlighted as significant factors limiting business growth (Figure 9).

Figure 8: Expectations on changes in business indicators in Q2-2017 compared with Q1-2017

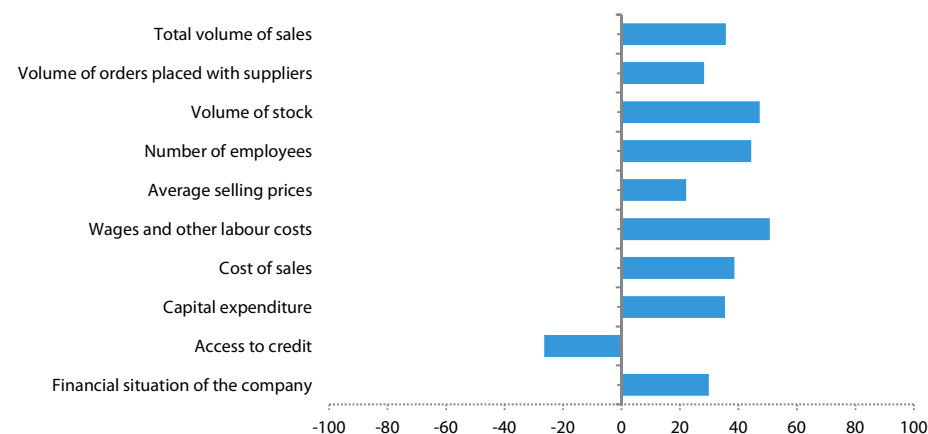
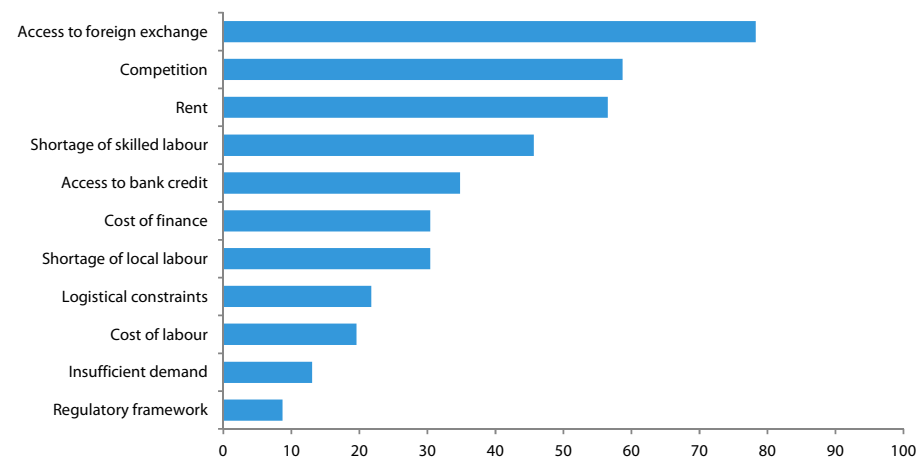


Figure 9: Significant factors limiting business activities in Q1-2017



## Appendix

**Table 1: Views on the direction of change in business indicators by sector**

	Assessment of Q1-2017 compared with Q4-2016				Expectations for Q2-2017 compared with Q1-2017			
	Percentage of enterprises choosing			Net balance	Percentage of enterprises choosing			Net balance
	Increase/ Better/Ease	No change	Decrease/ Worse/Tight		Increase/ Better/Ease	No change	Decrease/ Worse/Tight	
<b>Construction sector</b>								
Volume of construction activity	15	67	18	-3	59	14	28	31
Volume of orders received	17	69	14	2	49	26	25	25
Number of employees	35	64	1	34	75	25	0	75
Prices charged on average	12	88	0	12	54	35	11	42
Wages and other labour costs	40	60	0	40	78	22	0	78
Price of inputs	23	77	0	23	63	26	11	52
Capital expenditure	33	67	0	33	86	14	0	86
Access to credit	16	57	26	-10	18	56	26	-8
Financial situation of the company	35	27	37	-2	45	15	40	4
Overall business situation	23	25	52	-29	36	14	51	-15
<b>Tourism sector (resorts)</b>								
Total revenue	88	1	12	76	41	12	47	-6
Resort bookings	77	7	16	61	30	39	31	-1
Number of employees	36	53	11	24	24	49	27	-3
Average room rate	81	2	17	64	32	7	61	-29
Wages and other labour costs	60	36	4	55	66	24	10	55
Price of inputs	62	34	3	59	63	30	7	55
Capital expenditure	36	55	9	27	49	45	6	43
Access to credit	5	80	14	-9	5	80	14	-9
Financial situation of the company	37	54	9	28	34	51	15	18
Overall business situation	65	29	6	59	35	31	34	1

\*Percentages may not total 100 due to rounding.

\*Net balance is the difference between the percentage of business units choosing positive answers (increase/better/ease) and that choosing negative answers (decrease/worse/tight).

	Assessment of Q1-2017 compared with Q4-2016				Expectations for Q2-2017 compared with Q1-2017			
	Percentage of enterprises choosing			Net balance	Percentage of enterprises choosing			Net balance
	Increase/ Better/Ease	No change	Decrease/ Worse/Tight		Increase/ Better/Ease	No change	Decrease/ Worse/Tight	
<b>Wholesale and retail trade sector</b>								
Total volume of sales	48	21	31	18	61	14	25	36
Volume of orders placed with suppliers	51	31	18	33	50	29	21	28
Volume of stock	47	32	20	27	59	30	11	47
Number of employees	37	63	0	37	46	52	2	44
Average selling price	25	52	23	1	35	52	13	22
Wages and other labour costs	45	51	3	42	53	45	2	51
Cost of sales	32	52	16	16	44	51	5	39
Capital expenditure	33	65	2	31	35	65	0	35
Access to credit	10	59	31	-20	8	58	34	-26
Financial situation of the company	29	66	5	24	37	56	7	30
Overall business situation	41	44	14	27	48	44	8	40

Prepared by:  
Economic Research and Analysis Section, Maldives Monetary Authority  
Tel: (960) 332-8028 Fax: (960) 331-7604 Email: surveys@mma.gov.mv Website: www.mma.gov.mv



Boduthakurufaanu Magu  
Male' - 20182  
Republic of Maldives  
Tel: (960) 3312343  
Fax: (960) 3323862  
Email: [mail@mma.gov.mv](mailto:mail@mma.gov.mv)  
Website: [www.mma.gov.mv](http://www.mma.gov.mv)