

ECONOMIC UPDATE

APRIL 2020

VOLUME 2 ISSUE 4



About the Economic Update

Economic Update is a new monthly publication produced by the Research Division of MMA presenting a quick overview of current developments in the Maldivian economy. It also includes a chart pack of global economic and financial indicators. The Economic Update will be posted on MMA's website at the end of each month.

Domestic Economic Developments

Real Economy

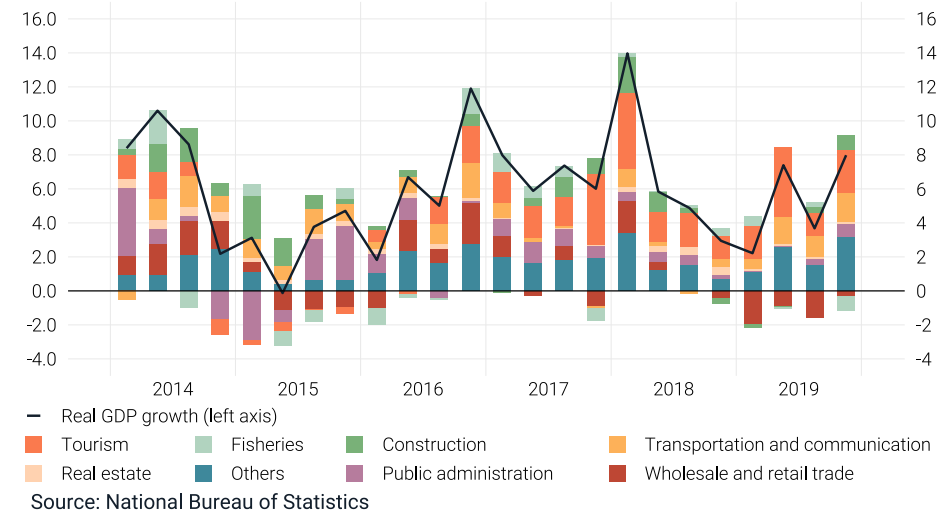
Gross Domestic Product

- According to the latest available Quarterly National Accounts data released by the National Bureau of Statistics, preliminary estimates of real GDP for Q4-2019 indicated that growth accelerated to 8.0% in annual terms, from the revised growth rate of 3.7% for Q3-2019 (previously at 4.6%).
 - The acceleration in growth in Q4-2019 mainly stemmed from the buoyant growth in tourism sector, reflecting its peak season. In addition, activity in the transport and communication sector remained strong, while activity in the construction sector also picked up.
 - Meanwhile, activity in the wholesale and retail trade observed an improvement and edged closer to positive territory during the quarter.

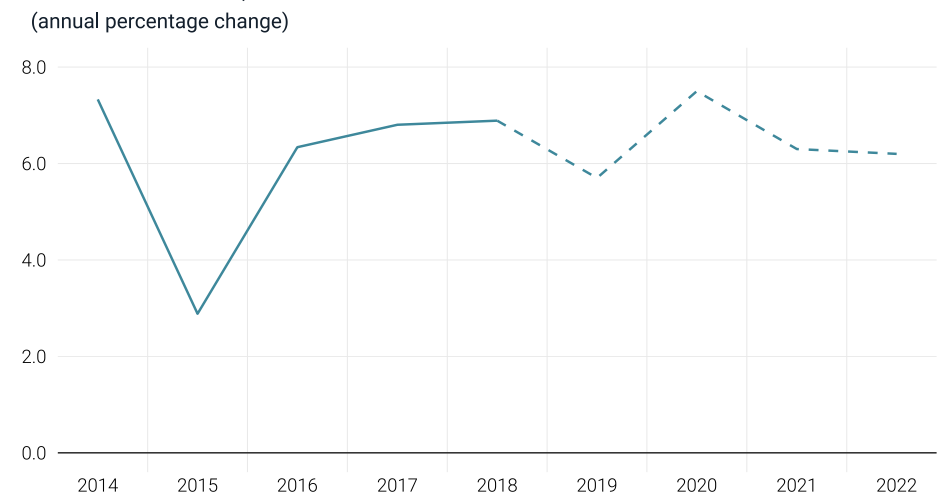
Annual GDP Growth Forecast

- Real GDP growth is now projected to decline significantly in 2020 due to the severe impact of COVID-19 pandemic on tourist arrivals amid strict measures taken by governments across the world to contain the spread of COVID-19. In 2020, tourist arrivals is expected to fall sharply, with negative spillover effects on all major sectors of the economy such as transport and communication; construction and; wholesale and retail trade.

Contribution to Real GDP Growth by Economic Sectors, 2014 - 2019
(annual percentage change, percentage point contribution)



Real GDP Growth, 2014 - 2022
(annual percentage change)



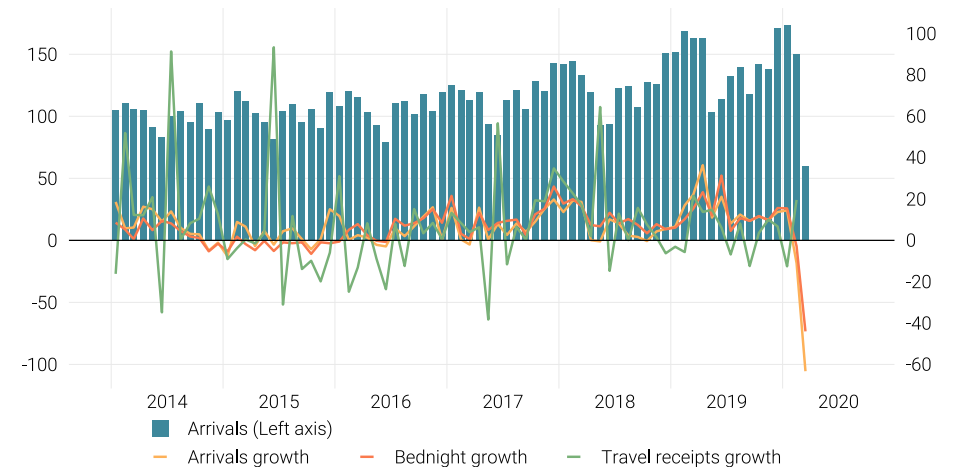
Source: National Bureau of Statistics, Maldives Monetary Authority, Ministry of Finance
Note: The dashed lines represent forecasts.

Tourism

- In March 2020, tourist arrivals registered an annual decline of 63%, while bednights fell by 44%.
 - The decline in tourist arrivals were broad-based, reflecting both the worldwide decline in travel due to COVID-19 global pandemic, and the government-imposed travel restrictions with the temporary closure of the international border, as a measure to combat the spread of the disease.
- During the review period, the operational bed capacity of the tourism industry increased by 13%, while the occupancy rate fell to 36% in March 2020 from 72% in March 2019.
- Overall, for the period of January to March 2020, total tourist arrivals decreased by 21% in annual terms, while total bednights of the industry observed a decline of 11%.

Tourism, 2014 - 2020

(thousands, annual percentage change)

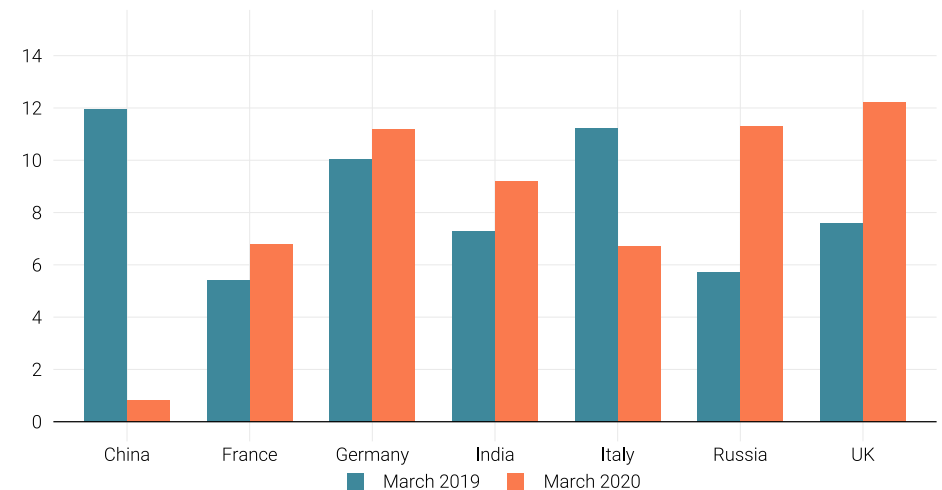


Source: Ministry of Tourism

Note: Tourism receipts available up to February 2020.

Shares of Key Inbound Markets

(percent)

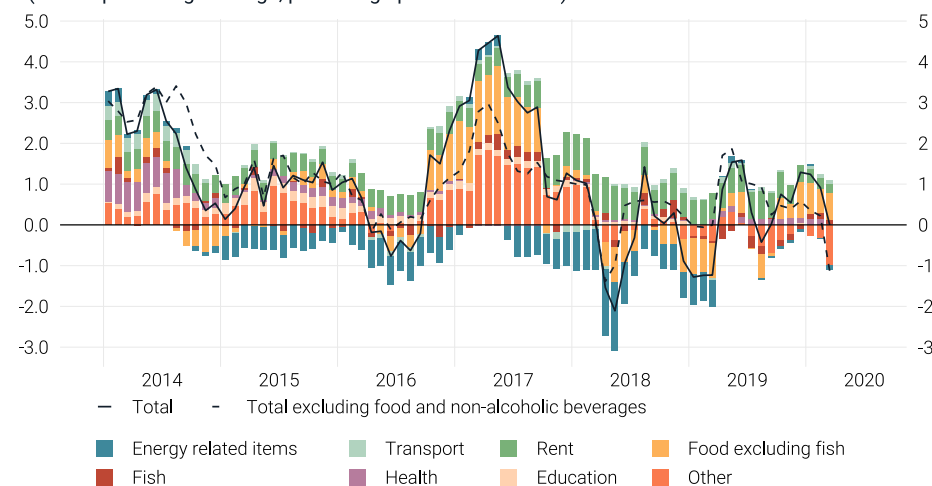


Source: Ministry of Tourism

Inflation

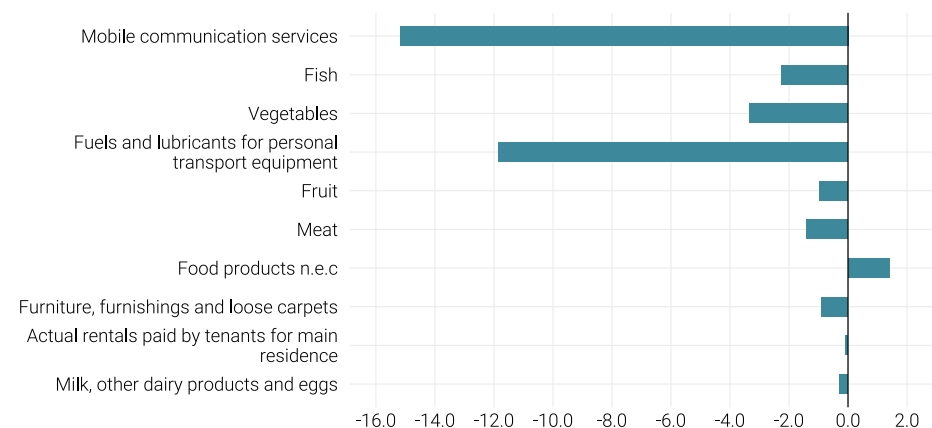
- The rate of inflation, as measured by the annual percentage change in the national CPI, decelerated to 0.002% in March 2020, after recording 0.9% in February 2020.
 - From the major categories of CPI, the largest contributors to the annual rate of inflation during April 2020 were vegetables (0.6 percentage points); rent (0.2 percentage points); restaurants and cafés (0.2 percentage points); and information and communication services (-0.9 percentage points).
- The monthly percentage change in the national CPI declined to -1.1%, after remaining largely unchanged in February 2020.
 - The largest contribution to the monthly rate of inflation came from information and communication services (-0.8 percentage points); fish (-0.1 percentage point); vegetables (-0.1 percentage point); and fuel (-0.1 percentage point).

Contribution of Major Categories to CPI Inflation (National), 2014 - 2020
(annual percentage change, percentage point contribution)



Source: National Bureau of Statistics

Monthly Changes of Subcategories of CPI Inflation (National), March 2020
(monthly percentage change)



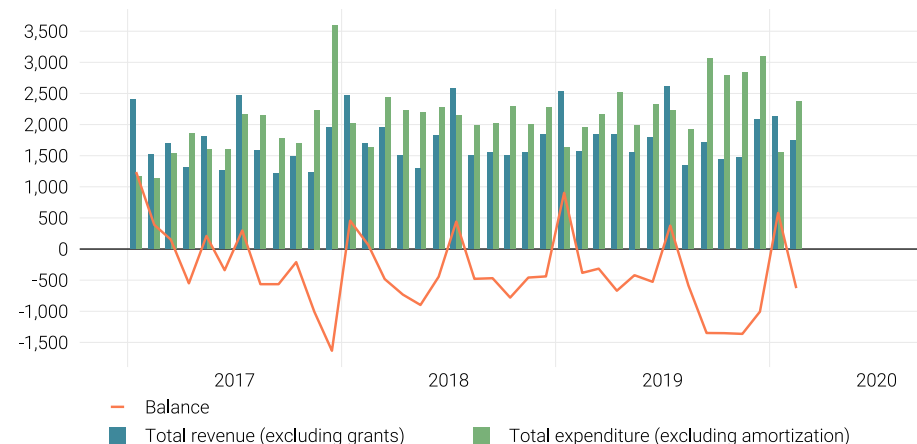
Source: National Bureau of Statistics
Note: Ordered by the size of the contribution.

Public Finance

- Total government revenue (excluding grants) observed a decline of MVR485.9 million (or 26%) in March 2020 when compared with March 2019.
 - This was owing to fall in both non-tax and tax revenue. As such, non-tax revenue declined by MVR279.5 million, while tax revenue decreased by MVR209.5 million.
- Total expenditure (excluding amortisation) increased by MVR126.8 million (or 6%) in March 2020 when compared with March 2019.
 - The increase in expenditure stemmed from increase in recurrent expenditure which rose by MVR415.3 million, although capital expenditure declined by MVR288.5 million.
- According to latest available data, the stock of government debt (excluding government guaranteed debt) amounted to MVR55.8 billion in Q1-2020, a 3% increase from Q4-2019. Similarly, government debt as a percentage of GDP increased to 86% during Q1-2020.
 - During this period, the increase in government debt was driven by domestic debt.

Government Revenue and Expenditure, 2017 - 2020

(millions of rufiyaa)

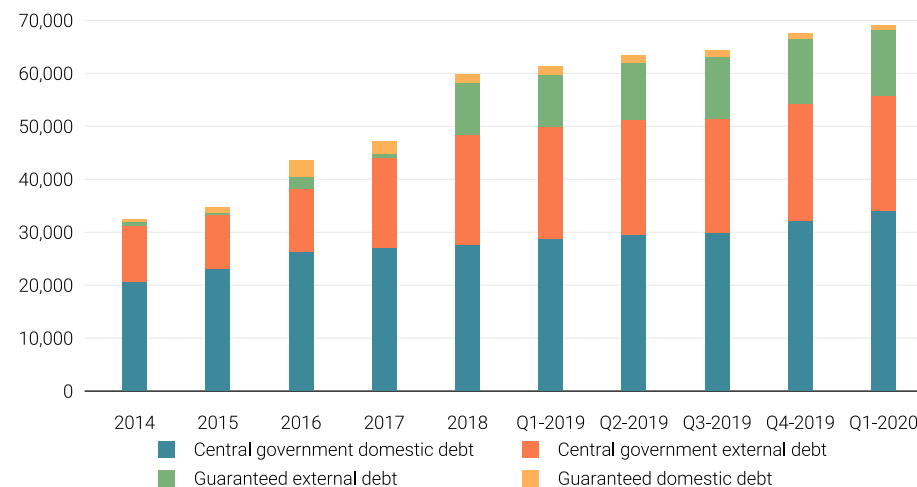


Source: Ministry of Finance

Note: Figures do not accord with the methodology of IMF's GFS Manual 1986.

Total Outstanding Stock of Public Debt, 2014 - 2020

(millions of rufiyaa)



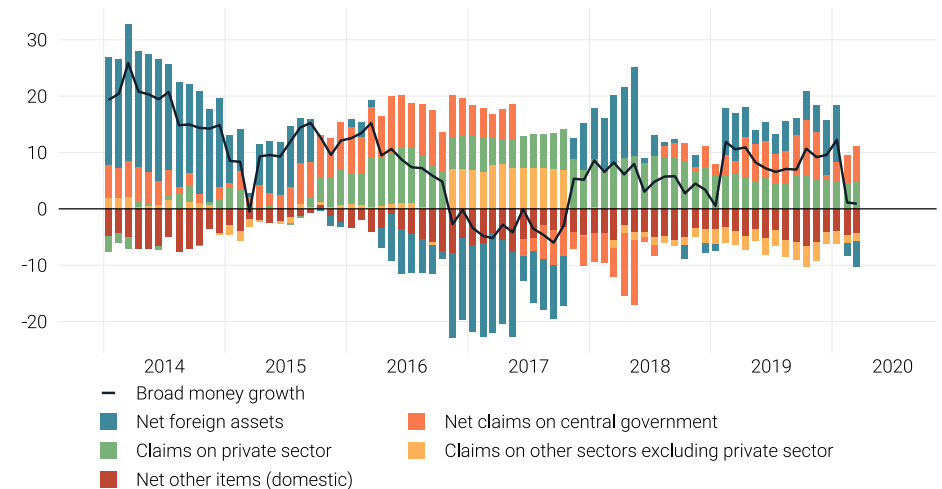
Source: Ministry of Finance

Monetary Developments

Broad Money

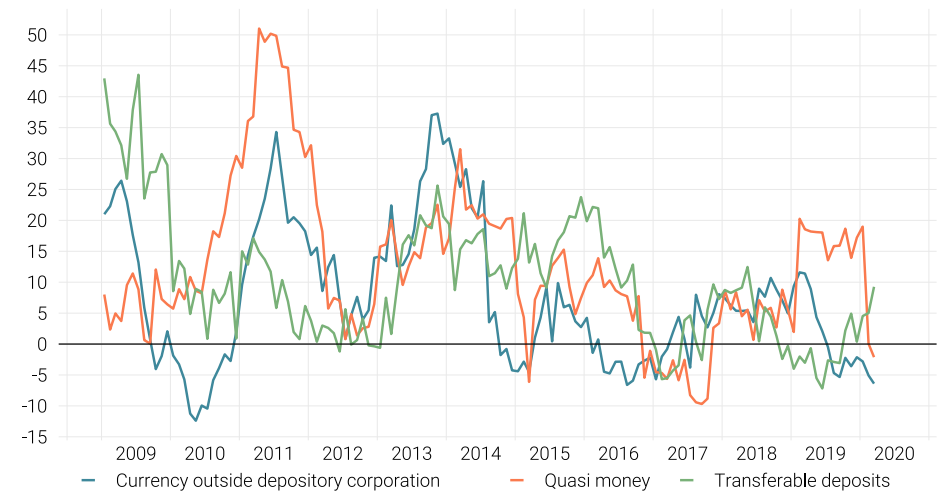
- Broad Money (M2) growth stood at 1% in annual terms at the end of March 2020, remaining largely unchanged from the previous month.
- On the components side, the muted growth in broad money primarily mirrored a decline in quasi money, which mainly reflected the decrease in transferable deposits denominated in foreign currency. In contrast, narrow money growth accelerated over the period.
- As for the sources, this was due to a significant decline in net foreign assets despite net domestic assets posting a sizeable growth owing to the increase in government securities and private sector credit.

Contribution to Broad Money, 2014 - 2020
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Components of Broad Money, 2009 - 2020
(annual percentage change)



Source: Maldives Monetary Authority

Reserve Money

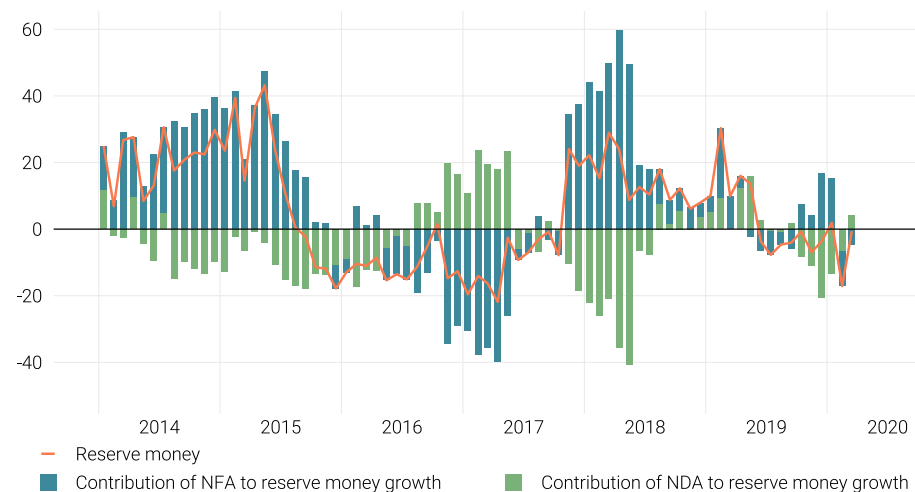
- Reserve money (M0) registered a decline of 1% in March 2020 in annual terms. However, this was an improvement from the 17% decline recorded at the end of February 2020.
 - The decrease in reserve money stemmed from a decline in net foreign assets which offset the increase in net domestic assets of the MMA.
 - Net foreign assets declined owing to a reduction in foreign assets mainly due to a decline in demand deposits held abroad, while the growth in net domestic assets of the MMA stemmed mainly from a decline in ODF investments by commercial banks.

Credit to Private Sector

- Credit to the private sector by commercial banks posted an annual growth of 8% at the end of March 2020.
 - With regard to the composition of credit to private sector, similar to the previous month, credit growth was observed for all main sectors, namely construction, real estate, tourism, commerce; and transport and communication sector. Further, credit extended as personal loans observed the largest increase over the period.
 - Credit extended as personal loans observed an annual growth of 38% during March 2020, driven by growth in credit in the form of credit cards and consumer durables during the period.

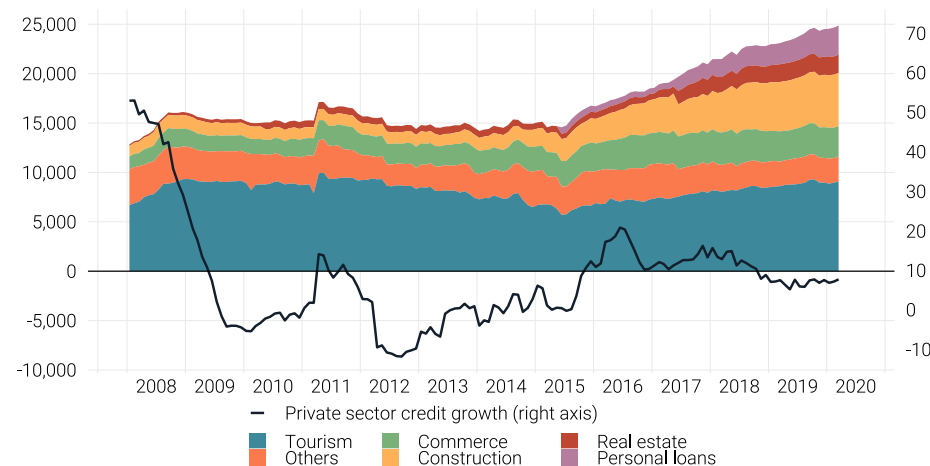
Sources of Reserve Money, 2014 - 2020

(annual percentage change, contribution percent)



Private Sector Credit, 2008 - 2020

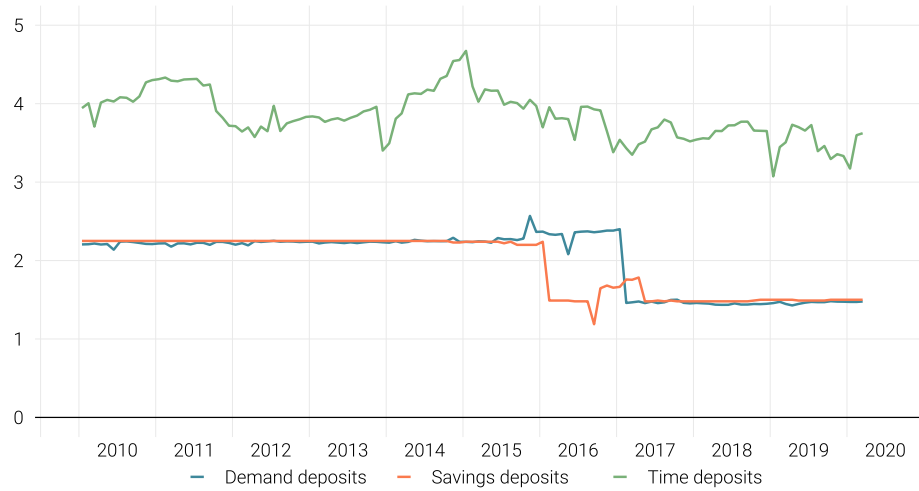
(millions of rufiyaa, annual percentage change)



Interest rates

Interest Rate on National Currency Deposits, 2010 - 2020

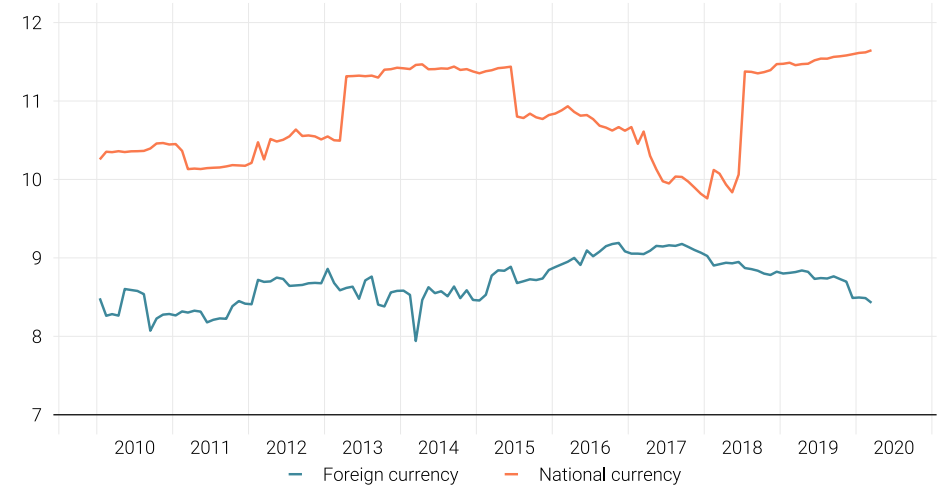
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Private Sector Loans and Advances, 2010 - 2020

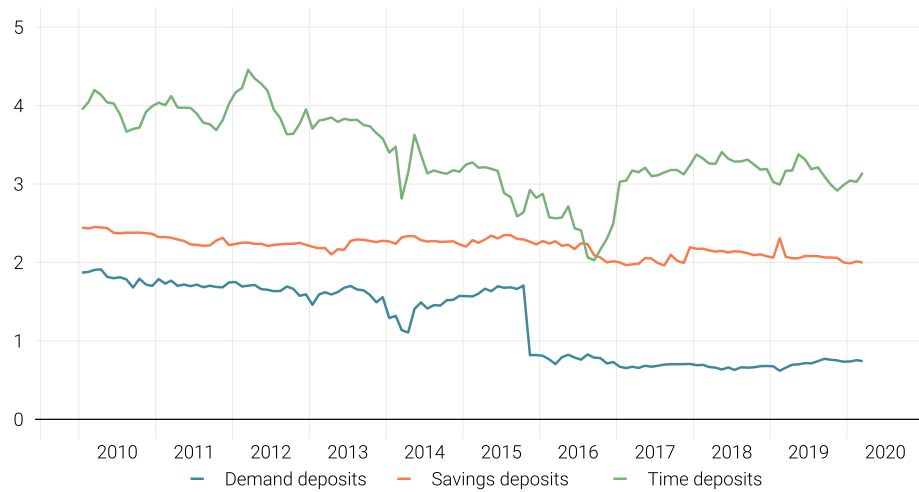
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2010 - 2020

(weighted average)



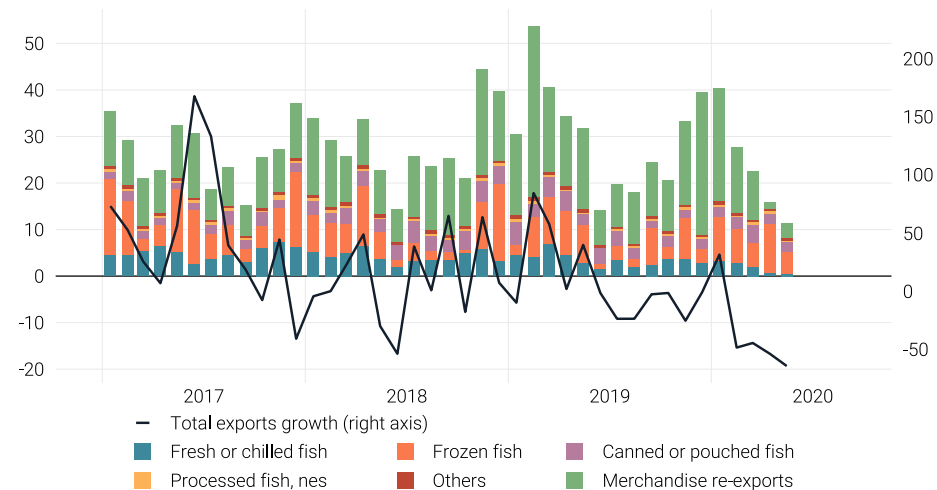
Source: Maldives Monetary Authority

External Trade

- Total exports (f.o.b) observed an annual decline of 44% in March 2020, while total imports (c.i.f) also observed an annual decline of 19% during the period.
 - The fall in total exports stemmed from the decrease in both re-exports and domestic exports. The decrease in domestic exports was mainly driven by the decline in export earnings from fresh or chilled yellowfin tuna and frozen skipjack tuna, together with fall in export earnings from frozen yellowfin tuna and canned or pouched tuna exports.
 - As for the decline in total imports, decreases were mainly observed in imports of transport equipments and parts; petroleum products; electrical and electronic machinery and equipments; and furniture, fixtures and fittings. However, an increase was observed in imports of medical and surgical supplies.
- Overall, during January to March 2020, total exports recorded a 28% decline while total imports decreased by 6% when compared with the corresponding period of 2019.

Total Exports, 2017 - 2020

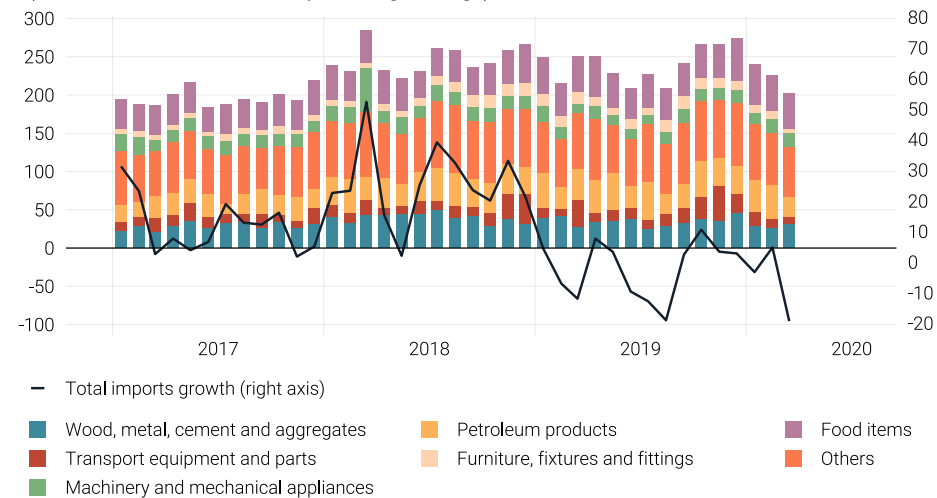
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

Total Imports, 2017 - 2020

(millions of US dollars, annual percentage change)



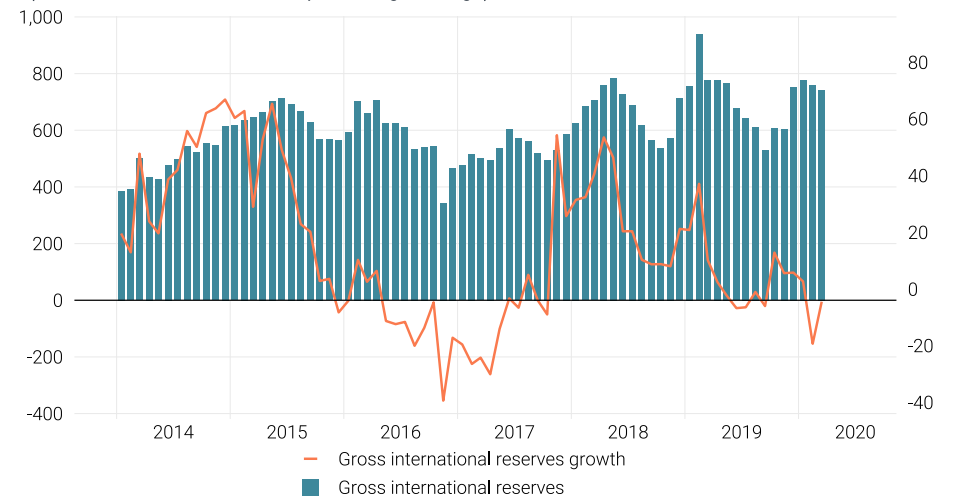
Source: Maldives Customs Service

Gross International Reserves

- Gross international reserves decreased to US\$741.4 million at the end of March 2020 from US\$757.4 million at the end of February 2020.
 - This was a decline of 4% and 2%, when compared with March 2019 and February 2020, respectively.

Gross International Reserves, 2014 - 2020

(millions of US dollars, annual percentage change)

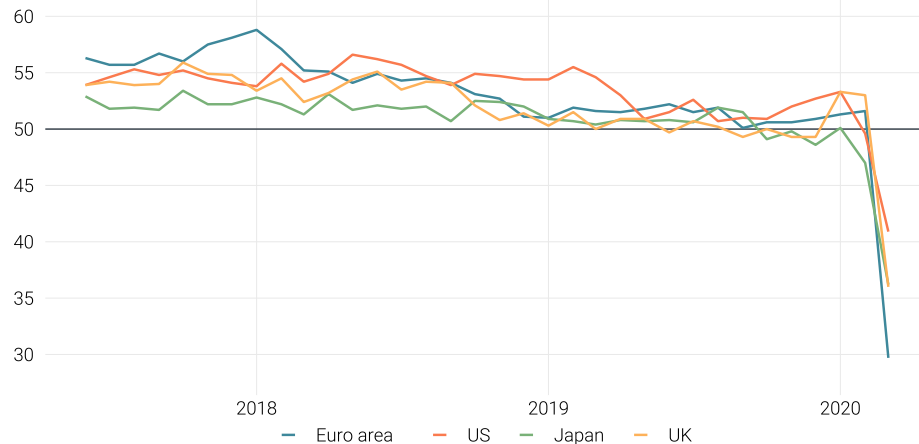


Source: Maldives Monetary Authority

International Economic Developments

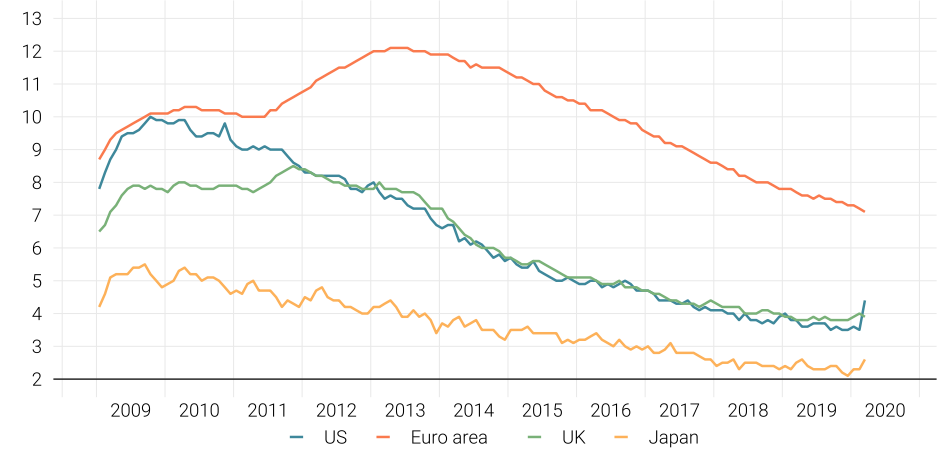
Global Output

Purchasing Manager's Index in the Advanced Economies, 2017 - 2020
(index points)



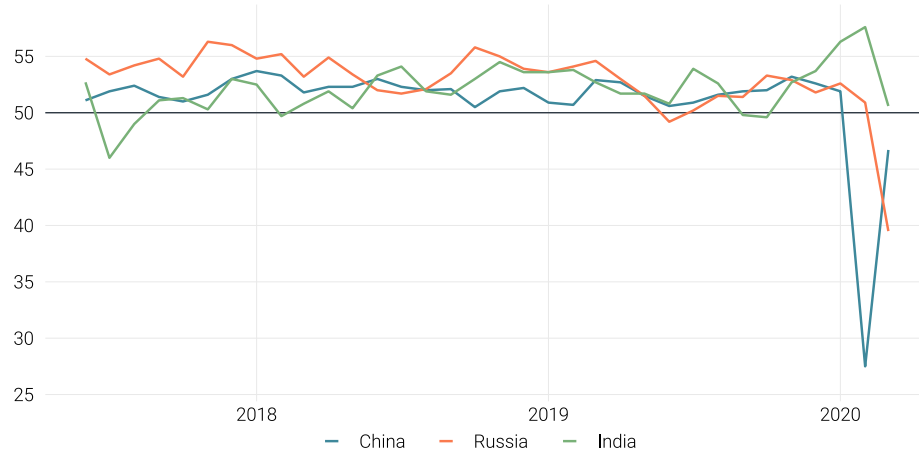
Source: Bloomberg Database

Unemployment in the Advanced Economies, 2009 - 2020
(percent)



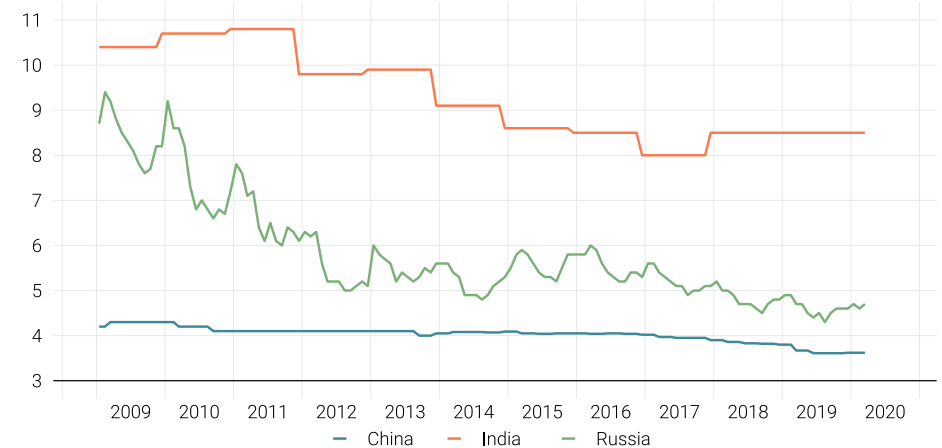
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2017 - 2020
(index points)



Source: Bloomberg Database

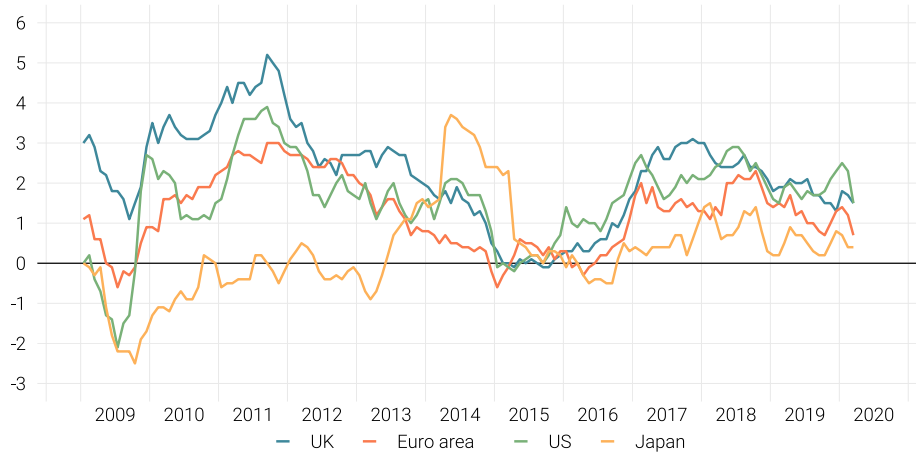
Unemployment in the Emerging Economies, 2009 - 2020
(percent)



Source: Bloomberg Database

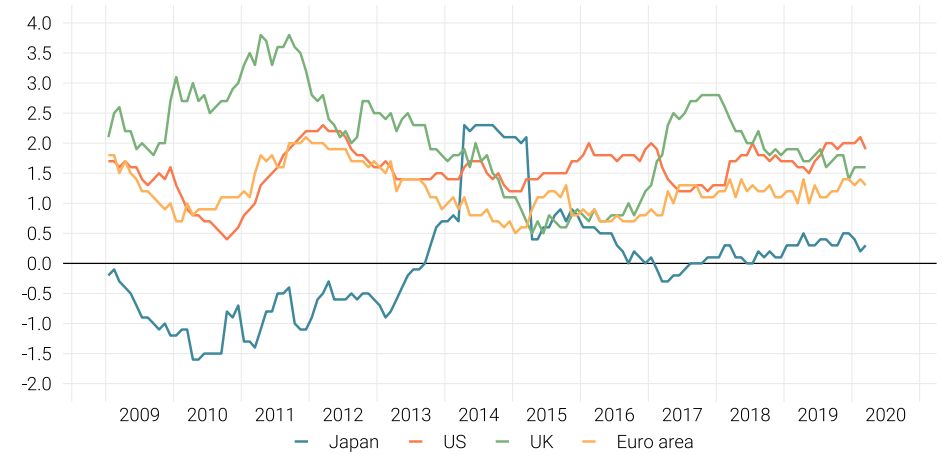
Global Inflation

Inflation in the Advanced Economies, 2009 - 2020
(percent)



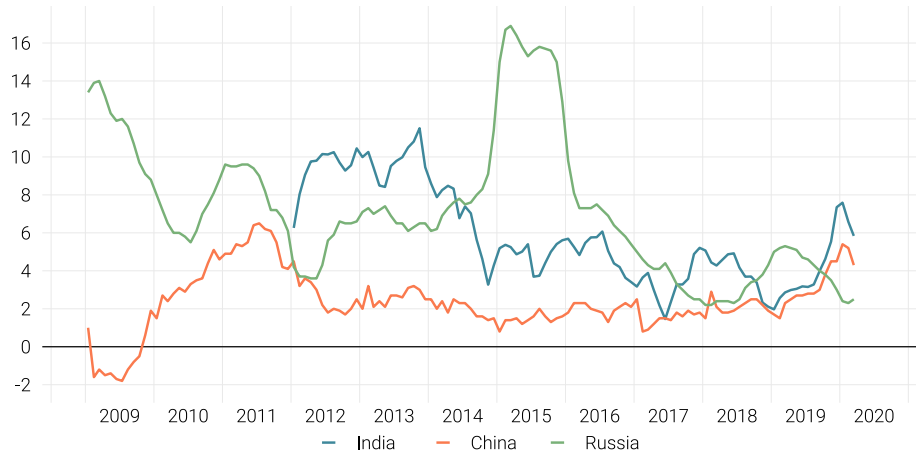
Source: Bloomberg Database

Core Inflation in the Advanced Economies, 2009 - 2020
(percent)



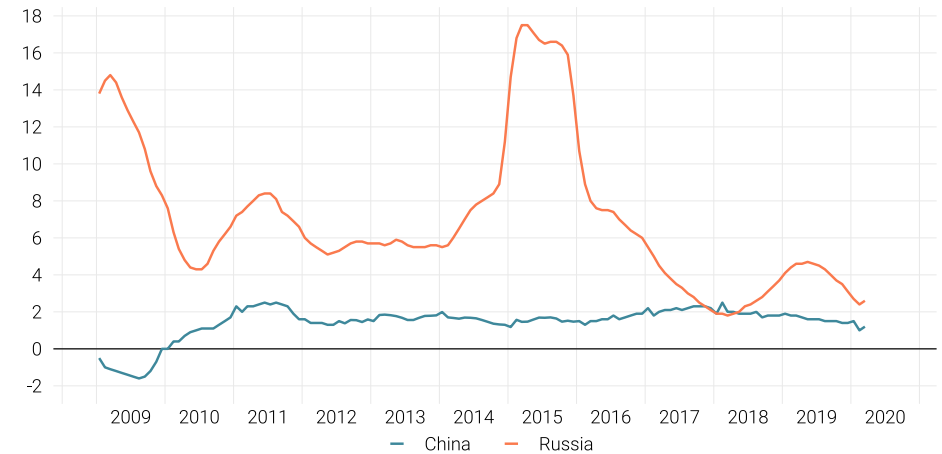
Source: Bloomberg Database

Inflation in the Emerging Economies, 2009 - 2020
(percent)



Source: Bloomberg Database

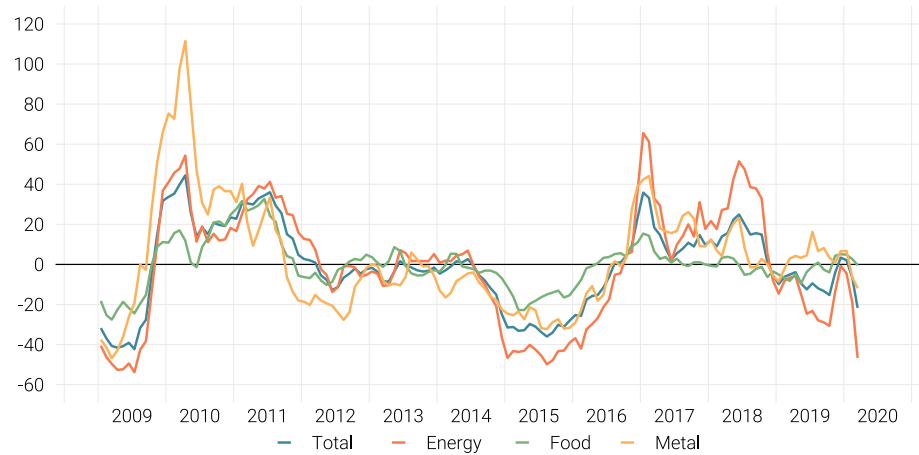
Core Inflation in the Emerging Economies, 2009 - 2020
(percent)



Source: Bloomberg Database

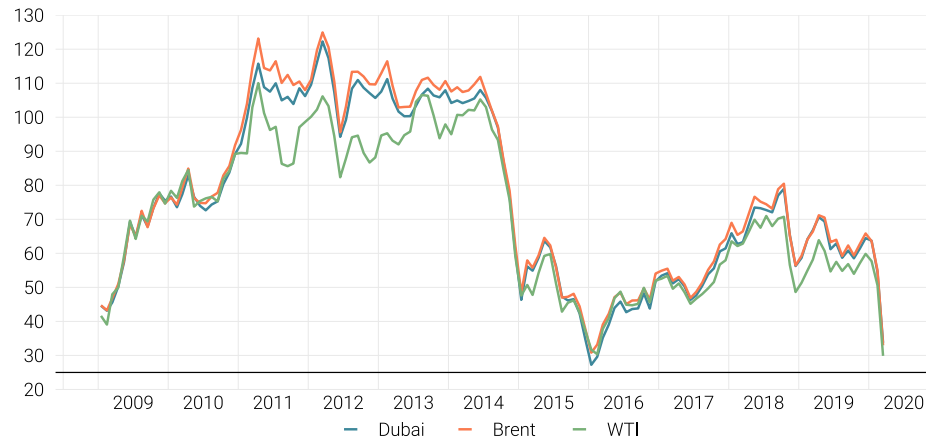
Commodity Prices

Commodity prices, 2009 - 2020
(annual percentage change)



Source: IMF

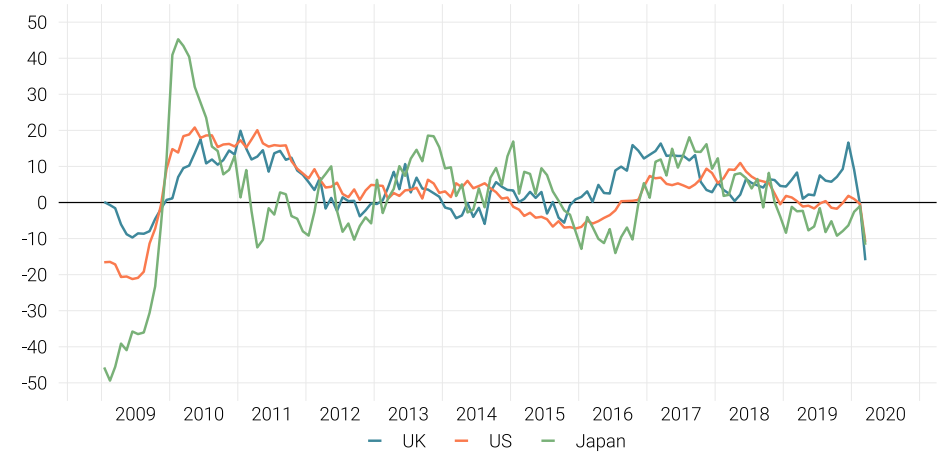
Oil prices, 2009 - 2020
(dollars per barrel)



Source: Bloomberg Database

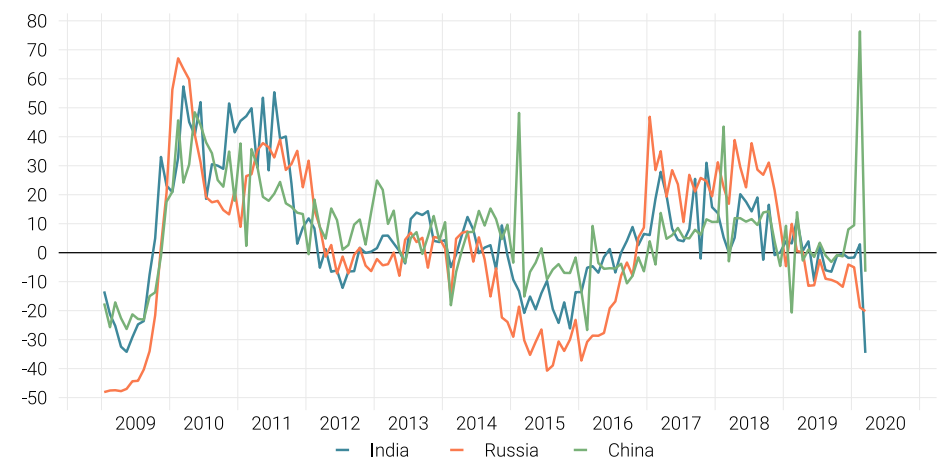
Global Trade

Exports in the Advanced Economies, 2009 - 2020
(annual percentage change)



Source: Bloomberg Database

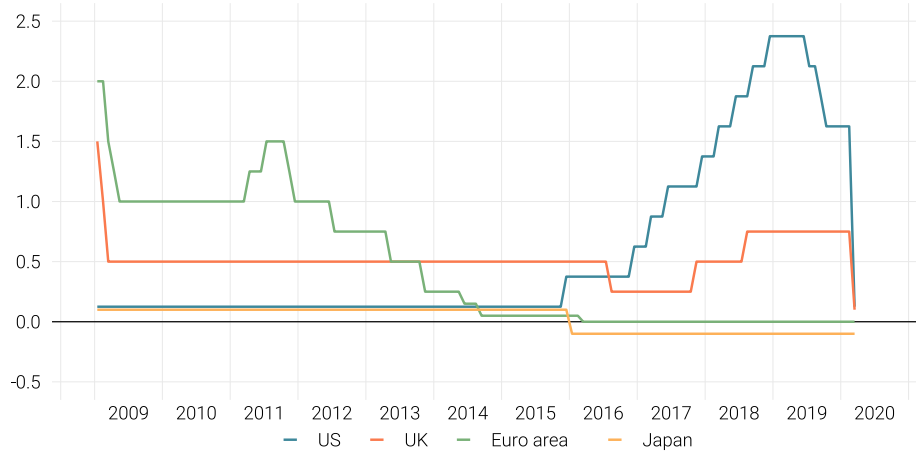
Exports in the Emerging Economies, 2009 - 2020
(annual percentage change)



Source: Bloomberg Database

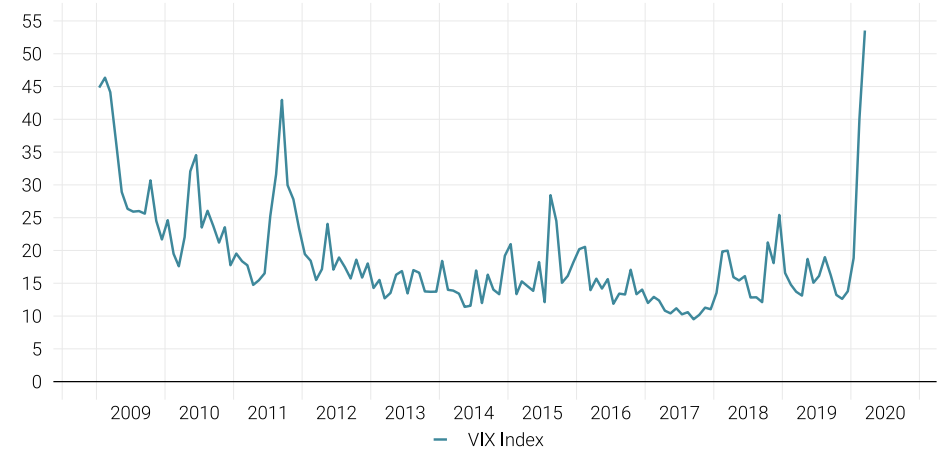
Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2009 - 2020
(percent)



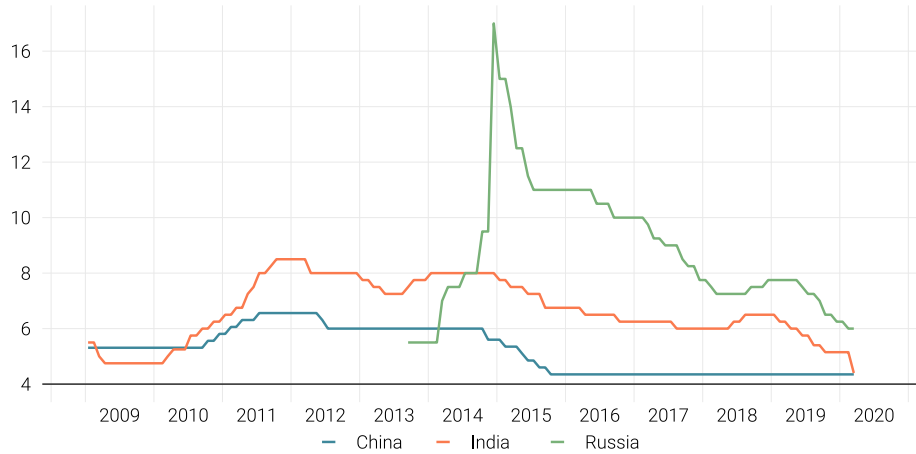
Source: Bloomberg Database

Volatility Index, 2009 - 2020
(percent)



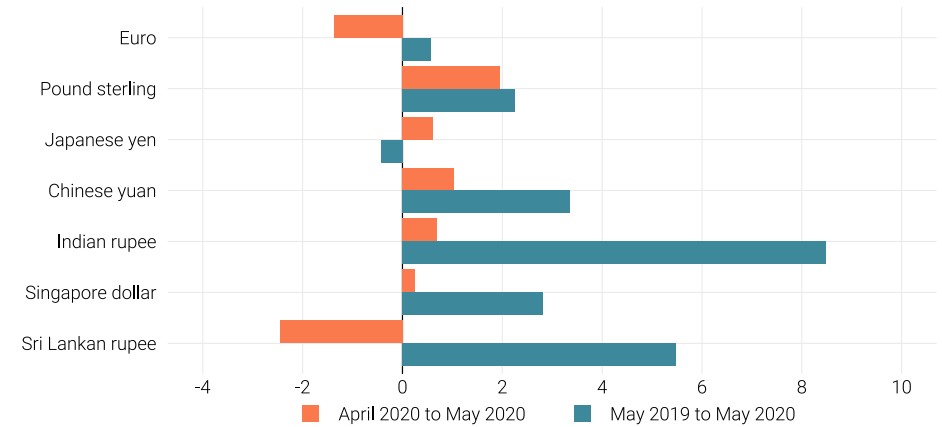
Source: Bloomberg Database

Monthly Policy Rates in the Emerging Economies, 2009 - 2020
(percent)



Source: Bloomberg Database

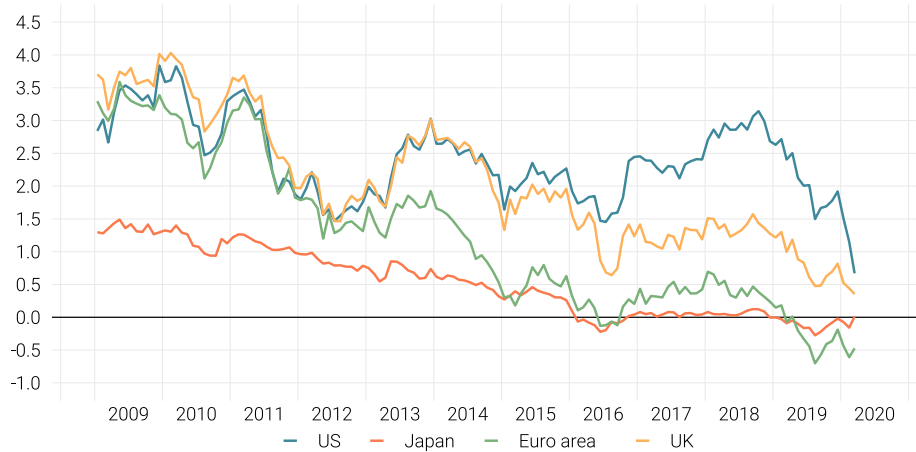
Exchange Rate of US Dollar against Currencies of Major Trading Partners, May 2020
(percentage change)



Source: Bloomberg Database

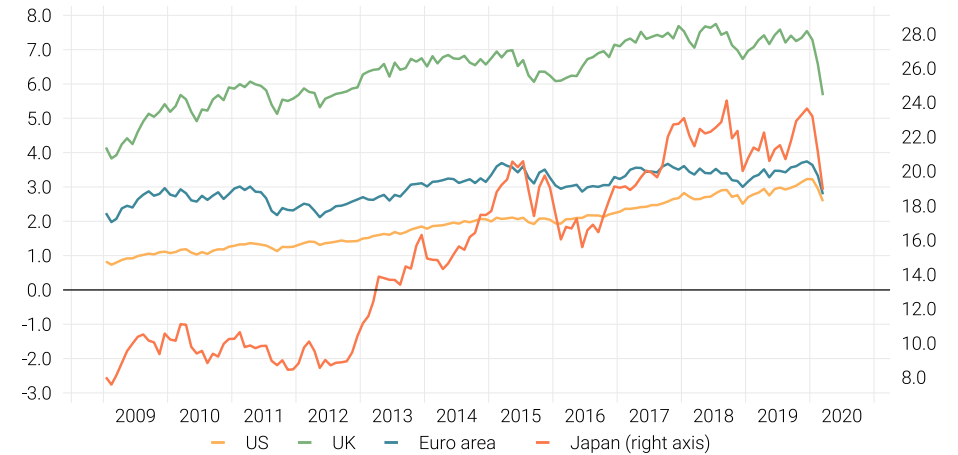
Global Financial Markets

Sovereign Bond Yield in the Advanced Economies, 2009 - 2020
(percent)



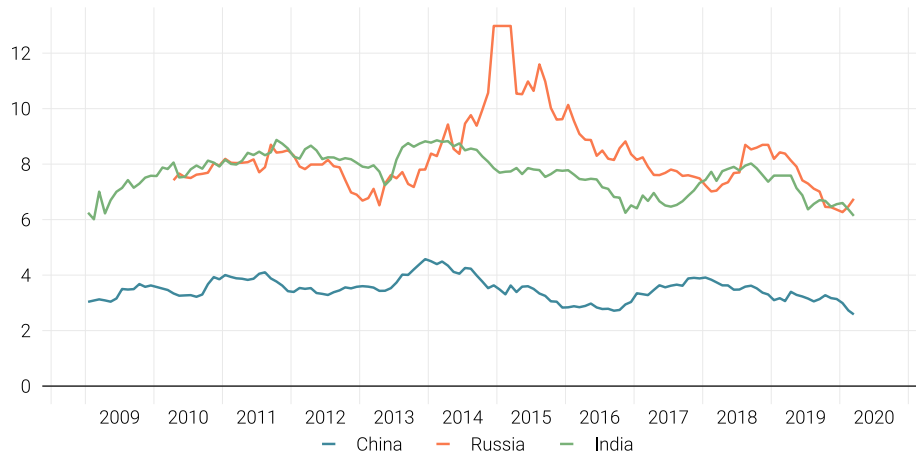
Source: Bloomberg Database

Share Price Index in the Advanced Economies, 2009 - 2020
(price index, in thousands)



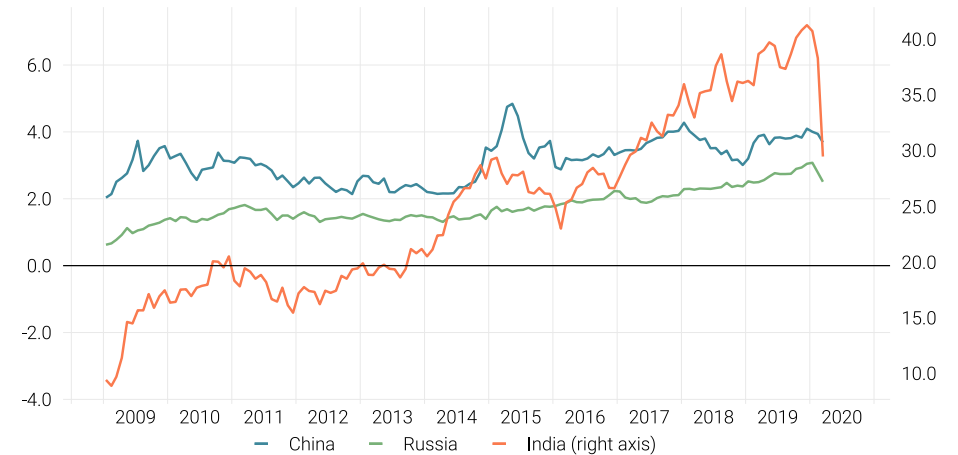
Source: Bloomberg Database

Sovereign Bond Yield in the Emerging Economies, 2009 - 2020
(percent)



Source: Bloomberg Database

Share Price Index in the Emerging Economies, 2009 - 2020
(price index, in thousands)



Source: Bloomberg Database



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