

MALDIVES MONETARY AUTHORITY

ECONOMIC UPDATE

JULY 2023

VOLUME 5 ISSUE 7



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About the Economic Update

Economic Update is a 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. This Economic Update is based on the latest available data as at 31 July 2023.

Domestic Economic Developments

Real Economy

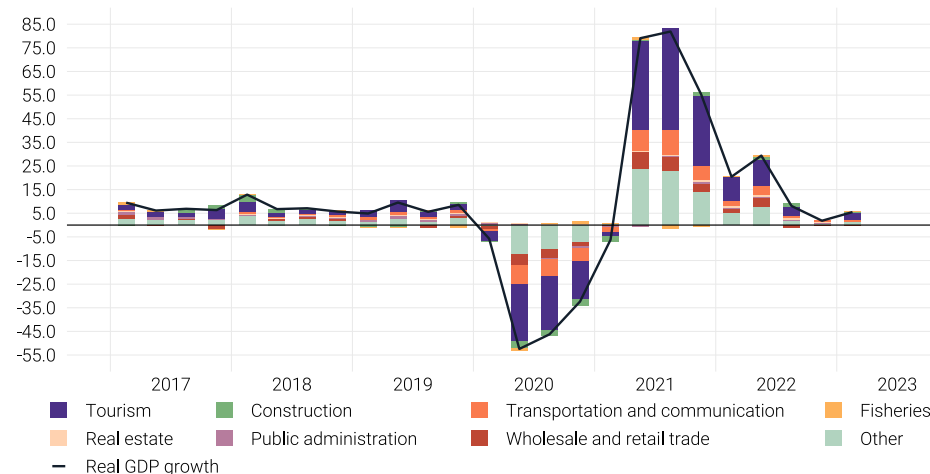
Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts (QNA) for Q1-2023 released by the Maldives Bureau of Statistics (MBS), real GDP grew by 5.5% in Q1-2023, compared to the corresponding quarter of 2022, an acceleration from the growth of 1.8% in Q4-2022. Further, annual real GDP for Q1-2023 was 12.3% higher than the pre-pandemic levels of Q1-2019.
 - The annual growth in real GDP during Q1-2023 was mainly driven by the robust performance of the tourism sector and positive contribution to related sectors. During the quarter, notable growths were observed in sectors such as transport and communication, construction, public administration, and fisheries sector. In contrast, negative contributions were observed in wholesale and retail trade sector as well as real estate sector.

Annual GDP Growth Forecast

- According to revised forecasts published in April 2023¹, real GDP is projected to grow by 9.4% in 2023. According to second estimates of real GDP released by the Maldives Bureau of Statistics in June 2023, the annual real GDP is estimated at 13.9% in 2022—1.6 percentage points higher than the initial estimate of October 2022—after recording a significant growth of 41.7% in 2021, owing to the strong growth led by the robust recovery of tourism sector and other related sectors.

Contribution to Real GDP Growth by Economic Sectors, 2017 - 2023
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

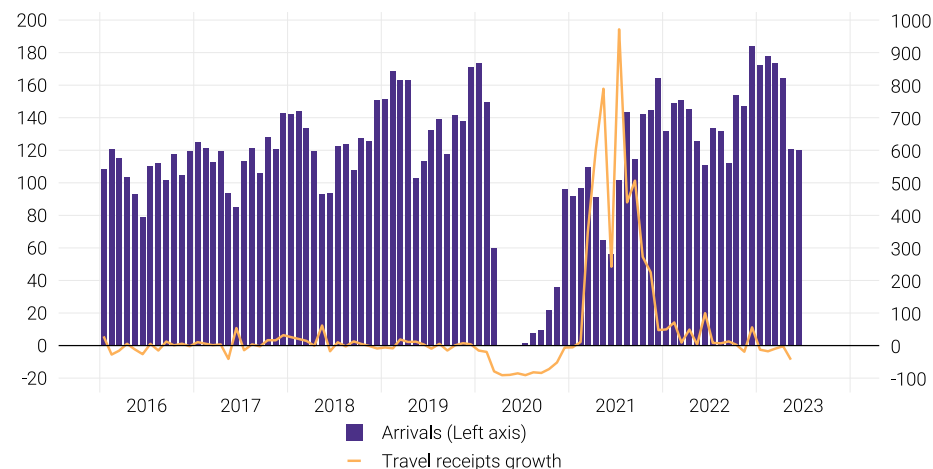
¹According to the growth forecast scenarios estimated jointly by the MMA and the Ministry of Finance.

Tourism

- In June 2023, tourist arrivals increased by 9% when compared with June 2022, whereas bednights fell by 1%. In total, tourist arrivals stood at 120,363 during the month and exceeded pre-pandemic levels of June 2019 by 6%. Similarly, bednights surpassed pre-pandemic levels and registered a growth of 8% during the same period.
 - The annual increase in tourist arrivals largely reflected the robust arrivals from key source markets of Europe and Asia. During the month, the highest number of tourist arrivals were recorded from China, India, Russia, the United Kingdom and Germany.
- The operational bed capacity of the tourism industry observed an increase of 3,369 beds when compared with June 2022, while the occupancy rate dropped to 42% in June 2023, from 45% recorded in June 2022.
- Overall, for the period January to June 2023, total tourist arrivals increased by 14% in annual terms, while bednights rose by 10%. Similarly, compared to the pre-pandemic levels of 2019, tourist arrivals recorded a growth of 144%, while bednights registered a growth of 143%. During the period, the average stay observed a moderate decline to 7.6 days, from 8.1 days in the corresponding period of 2022.

Tourism, 2016 - 2023

(thousands, annual percentage change)

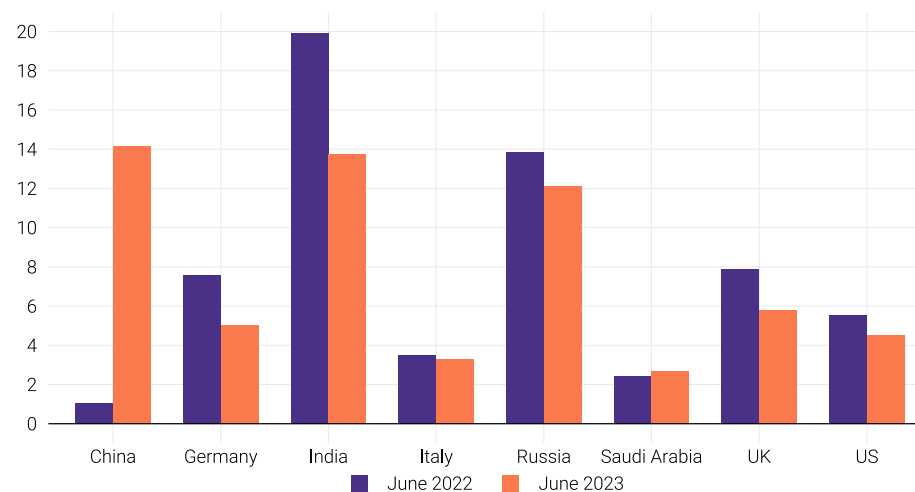


Source: Ministry of Tourism

Note: Tourism receipts available up to May 2023.

Shares of Key Inbound Markets

(percent)

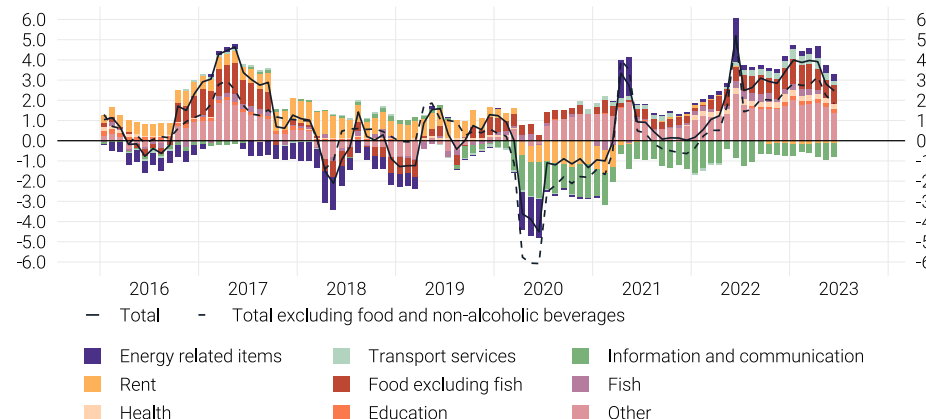


Source: Ministry of Tourism

Inflation

- The rate of inflation, as measured by the annual percentage change in the national CPI, moderated to 2.5% in June 2023, from 2.8% in May 2023.
 - The largest contribution to the annual rate of inflation during June 2023 came from restaurants and cafés (0.43 percentage points); electricity (0.40 percentage points); fruits (0.34 percentage points); dairy products (0.23 percentage points); personal care appliances, articles and products (0.23 percentage points); passenger transport by air (0.23 percentage points); other outpatient care services (0.16 percentage points); cereals and cereal products (0.15 percentage points); mobile communication services (-0.62 percentage points); mobile telephone equipment (-0.11 percentage points); and meat (-0.09 percentage points).
- The monthly percentage change in the national CPI picked up to 0.1% in June 2023, following a decline of 0.4% in May 2023.
 - The largest contribution to the monthly rate of inflation came from fish (0.11 percentage points); vegetables (0.05 percentage points); major household appliances (0.03 percentage points); passenger transport by air (0.03 percentage points); dairy products (0.02 percentage points); electricity (0.01 percentage points); personal care appliances, articles and products (0.01 percentage points); fruits (-0.06 percentage points); mobile communication services (-0.06 percentage points); and, furniture, furnishings and loose carpets (-0.04 percentage points).

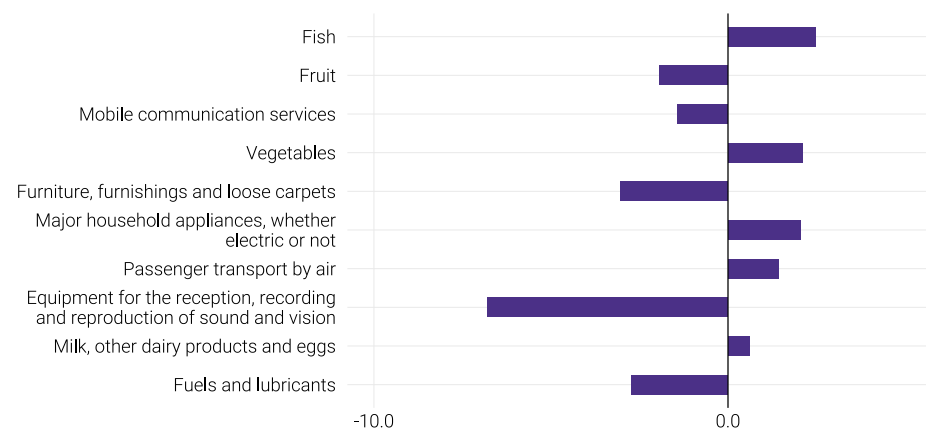
Contribution of Major Categories to CPI Inflation (National), 2016 - 2023
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

Note: Main categories in other are furnishing, personal care, restaurant and accommodation services, tobacco and narcotics, and water supply.

Monthly Changes of Subcategories of CPI Inflation (National), June 2023
(monthly percentage change)



Source: Maldives Bureau of Statistics

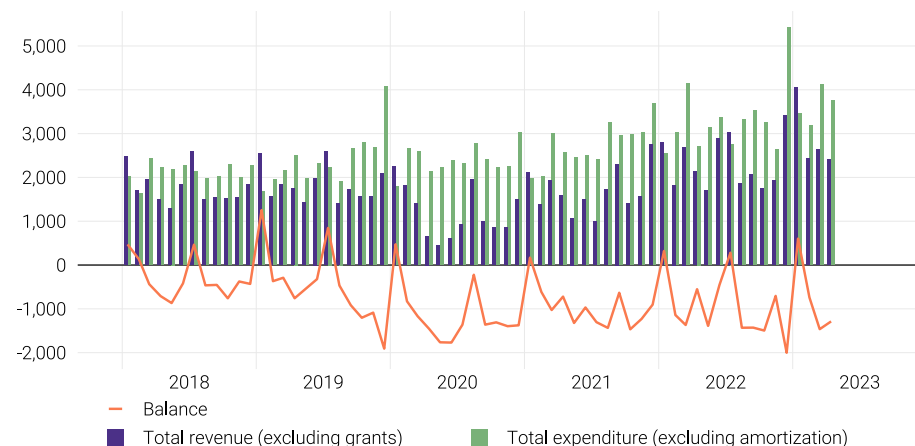
Note: Ordered by the size of the contribution.

Public Finance

- Total revenue (excluding grants) observed an increase of MVR266.9 million (or 12%) in April 2023 when compared with April 2022, mostly driven by the growth in tax revenue. As such, tax revenue rose by MVR251.8 million, while non-tax revenue rose by MVR15.3 million.
- Total expenditure (excluding amortisation) rose by MVR1.0 billion (or 38%) in April 2023 when compared with April 2022, owing to the growth in both recurrent expenditure, which increased by MVR630.0 million, as well as capital expenditure, which increased by MVR403.2 million.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR91.5 billion at the end of Q4-2022, a 4% increase from Q3-2022. Meanwhile, total government debt as a percentage of GDP rose to 96% at the end of Q4-2022 from 92% in Q3-2022.
 - During this period, the increase in government debt was primarily driven by domestic debt.

Government Revenue and Expenditure, 2018 - 2023

(millions of rufiyaa)

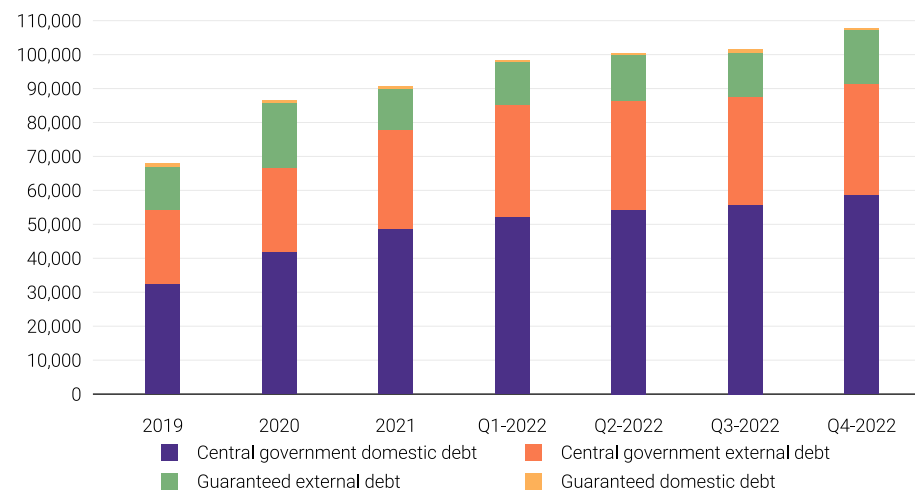


Source: Ministry of Finance

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

Total Outstanding Stock of Public Debt, 2019 - 2022

(millions of rufiyaa)



Source: Ministry of Finance

Monetary Developments

Reserve Money

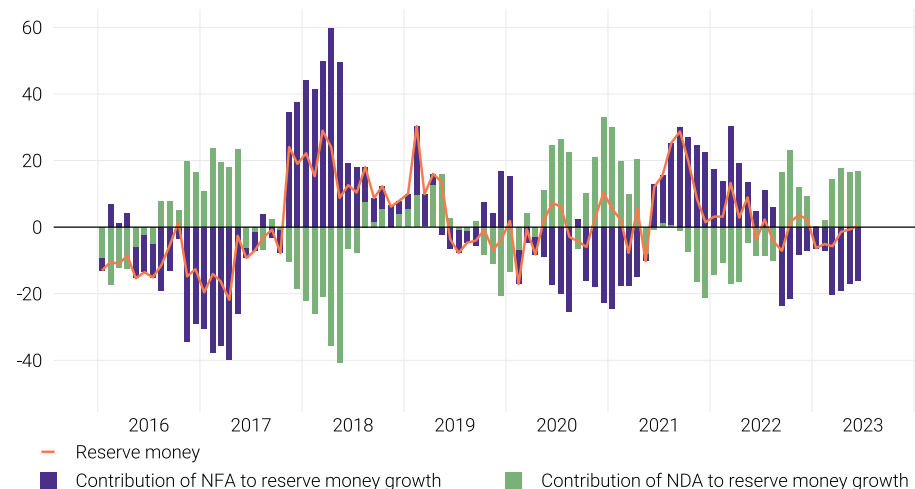
- Reserve money (M0) remained broadly unchanged at the end of June 2023, following a decline of 1% at the end of May 2023. This largely reflected an annual decline in net foreign assets which offset the growth in net domestic assets.
 - The decline in net foreign assets mainly represented the increase in foreign liabilities, which reflected the swap obtained from the Reserve Bank of India (RBI) in December 2022, together with the decline in foreign asset accumulation during the period. Meanwhile, net domestic assets increased, primarily owing to the increase in net claims on central government, despite the increase in overnight deposit facility (ODF) placements by the commercial banks.

Broad Money

- Annual broad money (M2) growth registered a decline of 1% at the end of June 2023 after recording a growth of 6% at the end of May 2023.
 - On the components side, the annual decline in broad money was primarily driven by the fall in quasi money, mainly reflecting a substantial decrease in transferable deposits denominated in foreign currency despite the increment in time and savings deposits denominated in both local and foreign currency. Conversely, narrow money increased during the period, owing to the increase in both transferable deposits and currency outside depository corporations.
 - As for the sources, the annual decline in broad money was solely driven by the fall in net foreign assets, mainly owing to the significant decline in foreign asset accumulation, coupled with an increase in foreign liabilities during the period. Meanwhile, net domestic assets increased, largely owing to the growth in net claims on central government by the commercial banks and the MMA, while growth in credit to the private sector and public non-financial corporations also increased during June 2023.

Sources of Reserve Money, 2016 - 2023

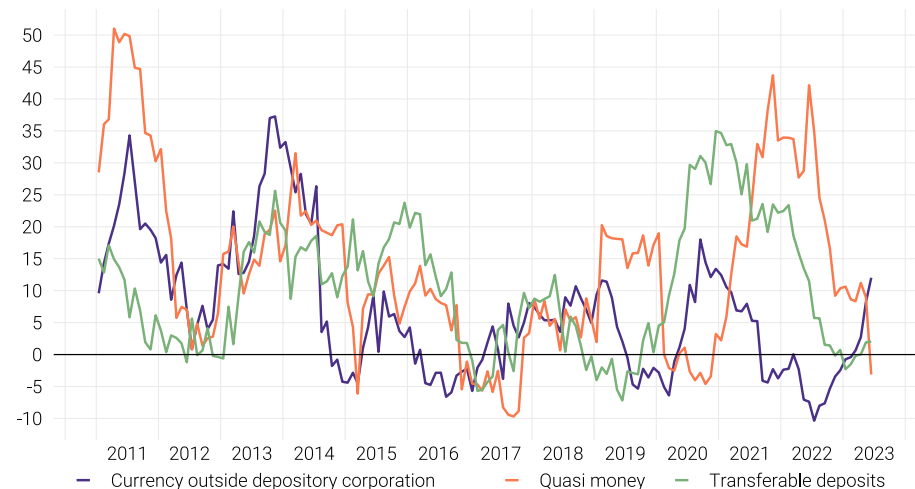
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Components of Broad Money, 2011 - 2023

(annual percentage change)



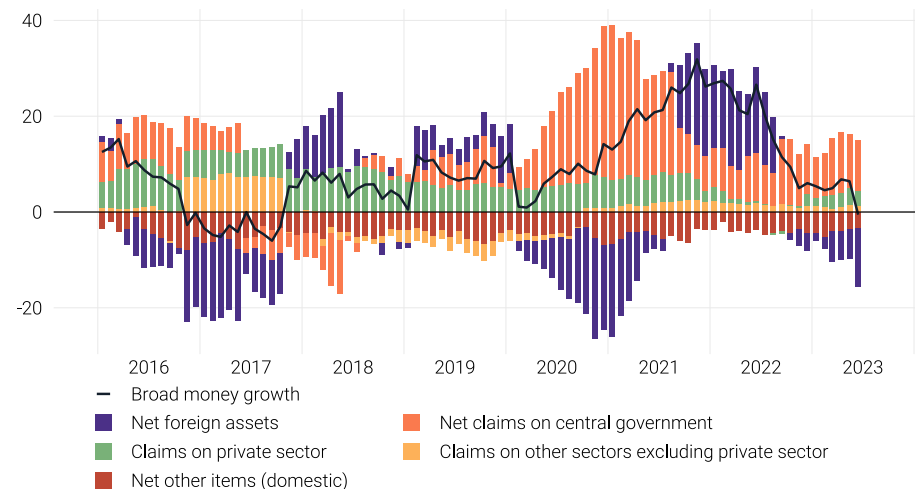
Source: Maldives Monetary Authority

Credit to Private Sector

- The annual growth rate of credit to the private sector by the commercial banks remained broadly unchanged at 7% by the end of June 2023.
 - As for credit growth by major sectors, credit to all major sectors (namely tourism, personal loans, real estate, and commerce), except for the construction sector, continued to expand in June 2023, whereby tourism sector registered the highest growth during the month. The tourism sector registered an annual increment of 11% and accounts for the largest share of bank credit.
 - The annual growth in credit to the tourism sector was driven by a marked increase in credit lent in the form of working capital, followed by an increase in new resort development. However, credit lent for renovation of resorts declined during the month.

Contribution to Broad Money, 2016 - 2023

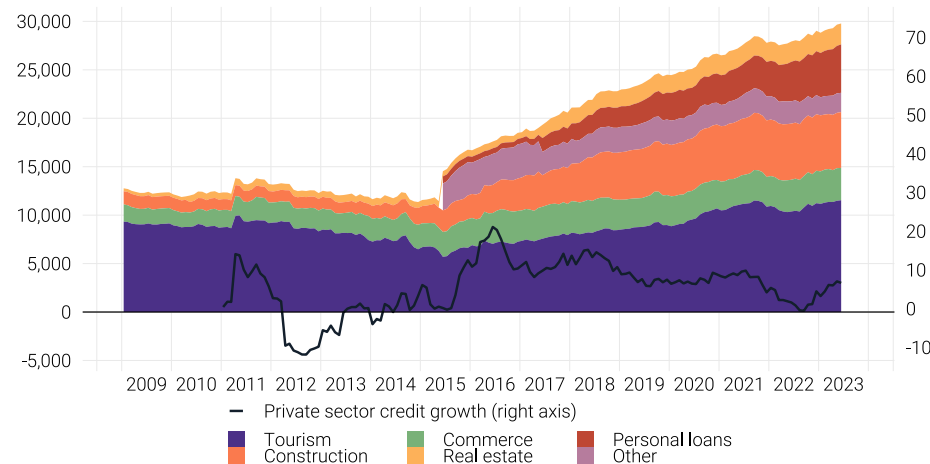
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Private Sector Credit, 2009 - 2023

(millions of rufiyaa, annual percentage change)



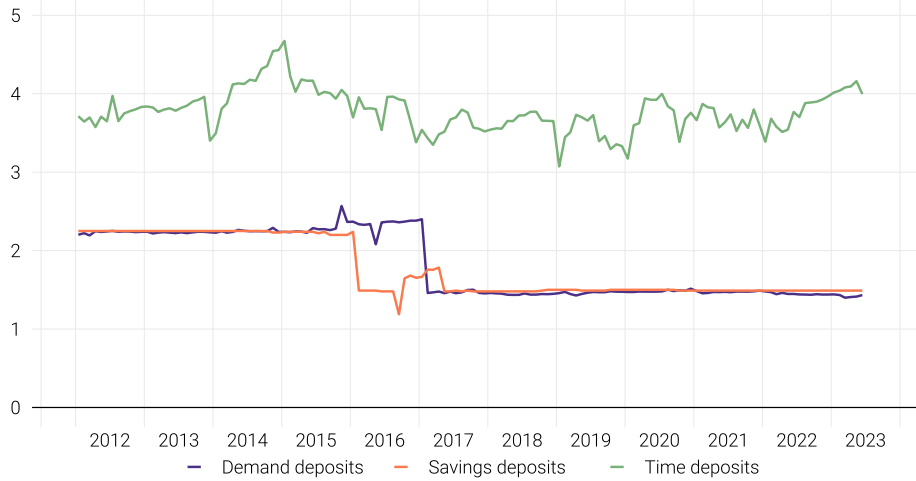
Source: Maldives Monetary Authority

Note: Personal loans were not classified as a separate category prior to June 2015.

Interest rates

Interest Rate on National Currency Deposits, 2012 - 2023

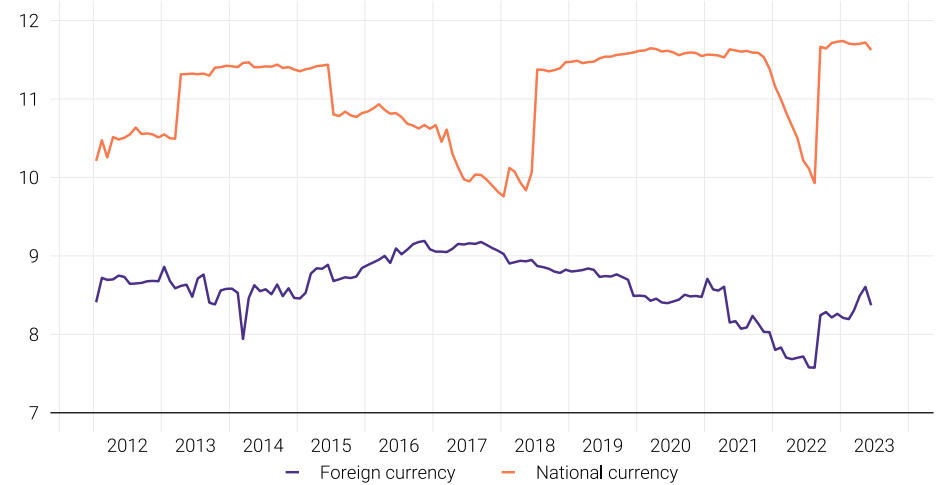
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Private Sector Loans and Advances, 2012 - 2023

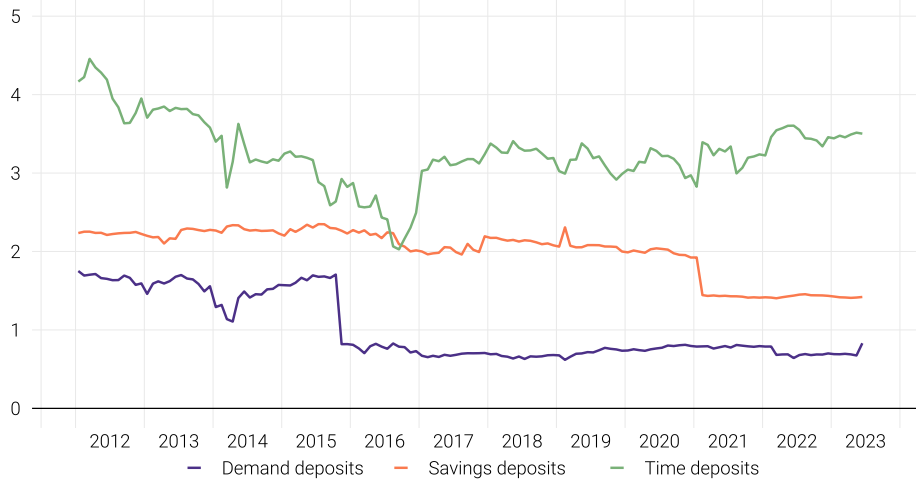
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2012 - 2023

(weighted average)



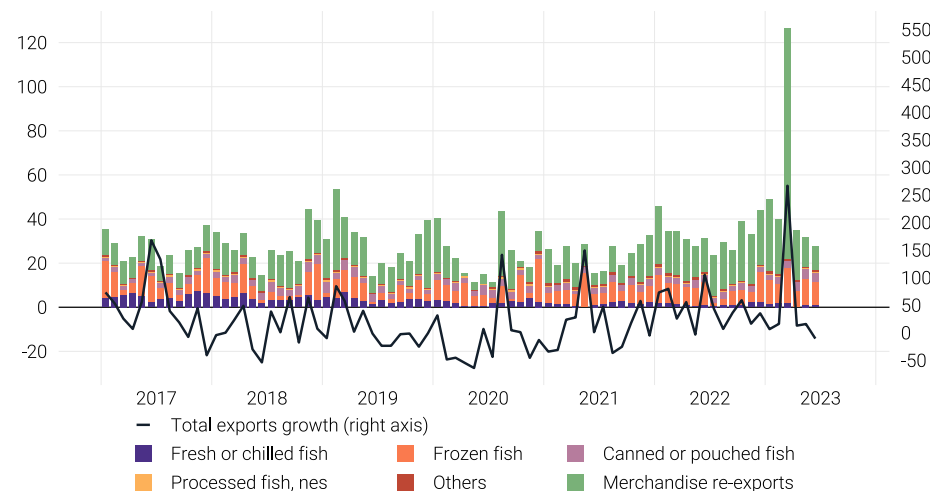
Source: Maldives Monetary Authority

External Trade

- Total exports (f.o.b) and imports (c.i.f) both decreased by 11% and 24%, respectively, during June 2023 when compared with June 2022.
 - The annual decline in total exports stemmed primarily from a drop in re-exports, which reflected lower re-exports of jet fuel. However, despite a decline in earnings from both frozen skipjack tuna and fresh or chilled yellowfin tuna exports, domestic exports increased during the period, largely owing to an increase in earnings from canned or pouched tuna exports, together with frozen yellowfin tuna exports.
 - The annual decline in import expenditure stemmed largely from the fall in import expenditure across all major categories, with sizeable decreases observed in petroleum products, machinery and mechanical appliances and parts, electrical and electronic machinery, equipments and parts and food items.
- Overall for the period of January to June 2023, total exports increased by 52% whereas imports decreased by 3%, when compared with the corresponding period of 2022.

Total Exports, 2017 - 2023

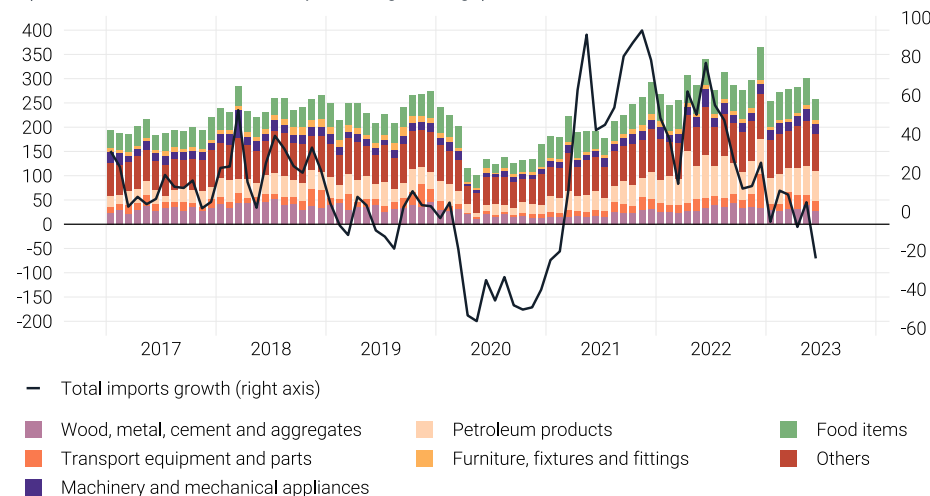
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

Total Imports, 2017 - 2023

(millions of US dollars, annual percentage change)



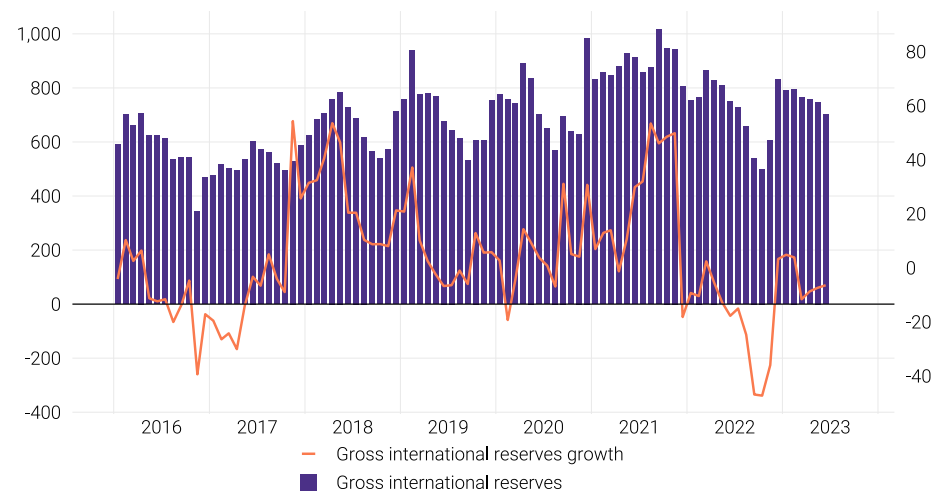
Source: Maldives Customs Service

Gross International Reserves

- Gross international reserves² (official reserve assets) marginally dropped to US\$702.2 million at the end of June 2023, from US\$748.2 million at the end of May 2023. Similarly, this depicts a decline from US\$750.4 million recorded at the end of June 2022.
 - In terms of growth rates, a decline of 6% was registered when compared with both May 2023 and June 2022.

Gross International Reserves, 2016 - 2023

(millions of US dollars, annual percentage change)



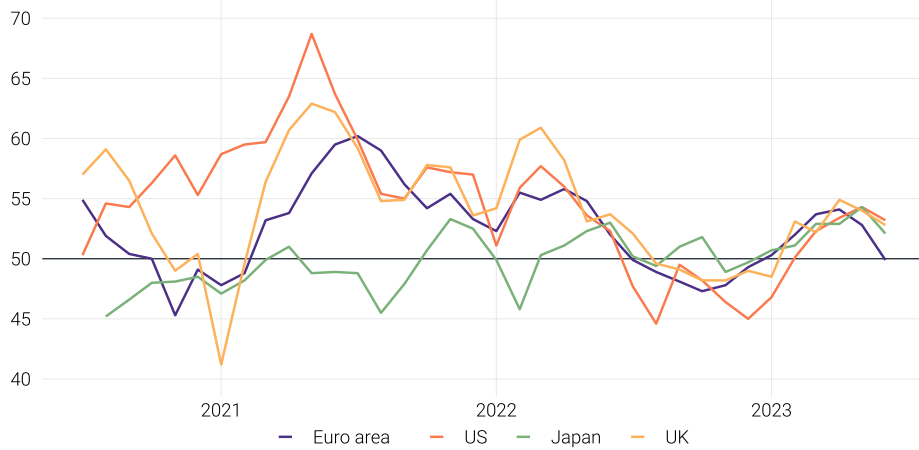
Source: Maldives Monetary Authority

²Comprises foreign currency deposits of the MMA and the government, commercial banks' US dollar reserve accounts and Maldives' reserve position at the IMF.

International Economic Developments

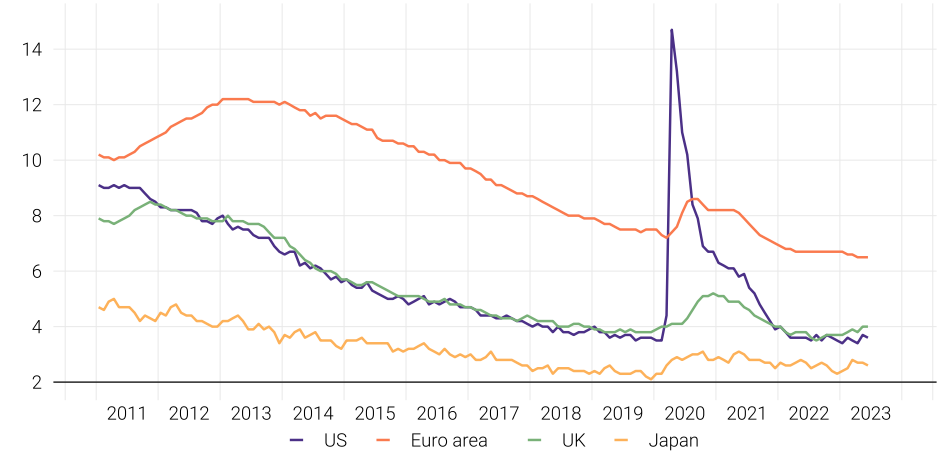
Global Output

Purchasing Manager's Index in the Advanced Economies, 2020 - 2023
(index points)



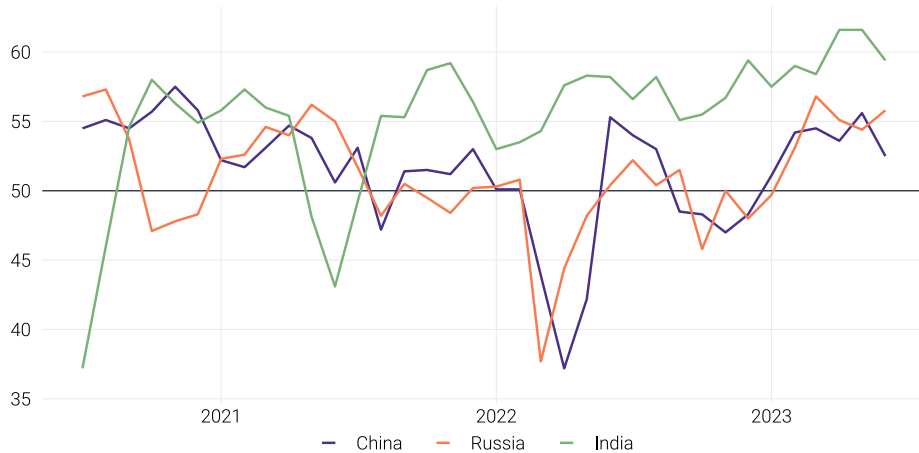
Source: Bloomberg Database

Unemployment in the Advanced Economies, 2011 - 2023
(percent)



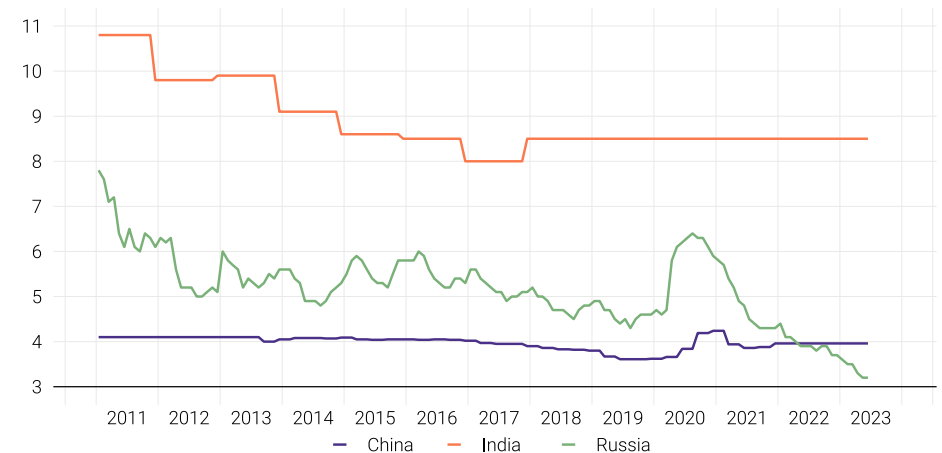
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2020 - 2023
(index points)



Source: Bloomberg Database

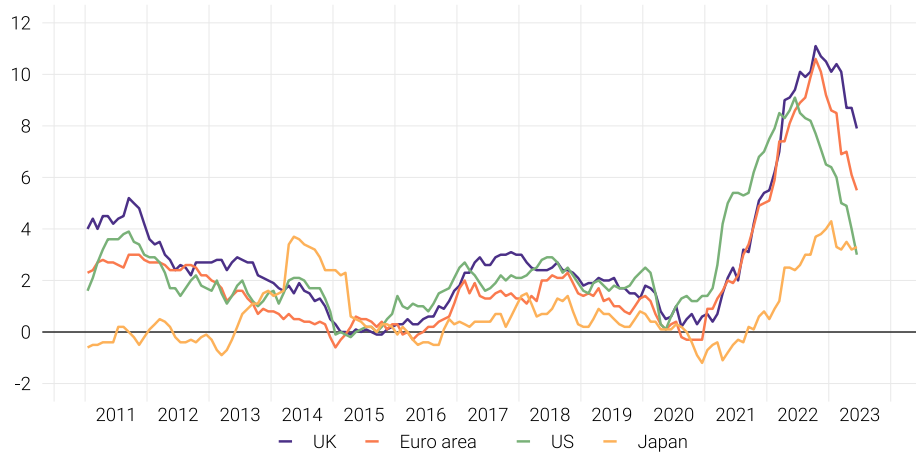
Unemployment in the Emerging Economies, 2011 - 2023
(percent)



Source: Bloomberg Database

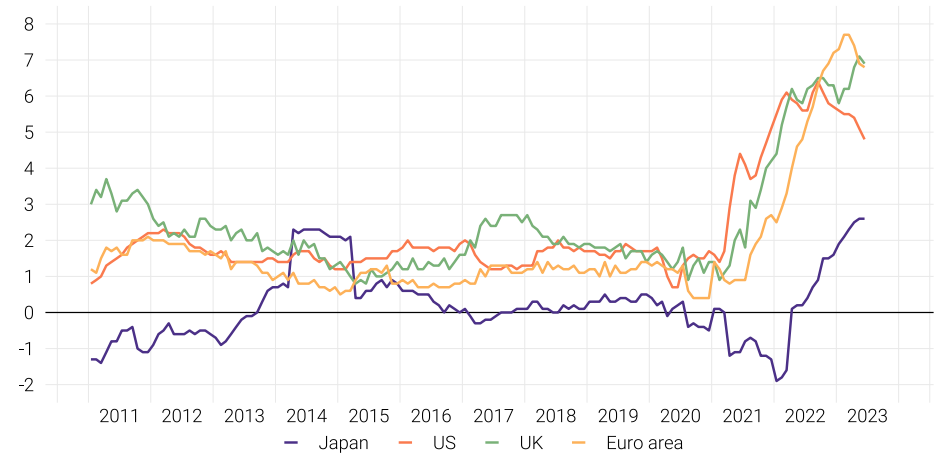
Global Inflation

Inflation in the Advanced Economies, 2011 - 2023
(percent)



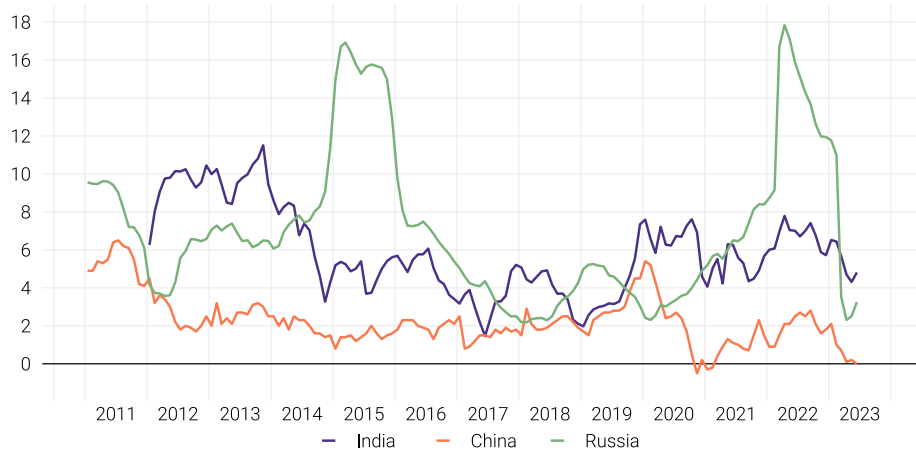
Source: Bloomberg Database

Core Inflation in the Advanced Economies, 2011 - 2023
(percent)



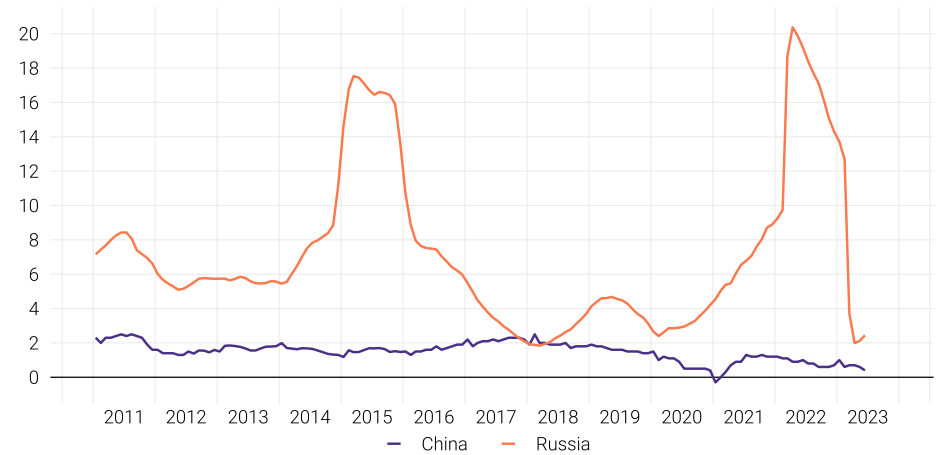
Source: Bloomberg Database

Inflation in the Emerging Economies, 2011 - 2023
(percent)



Source: Bloomberg Database

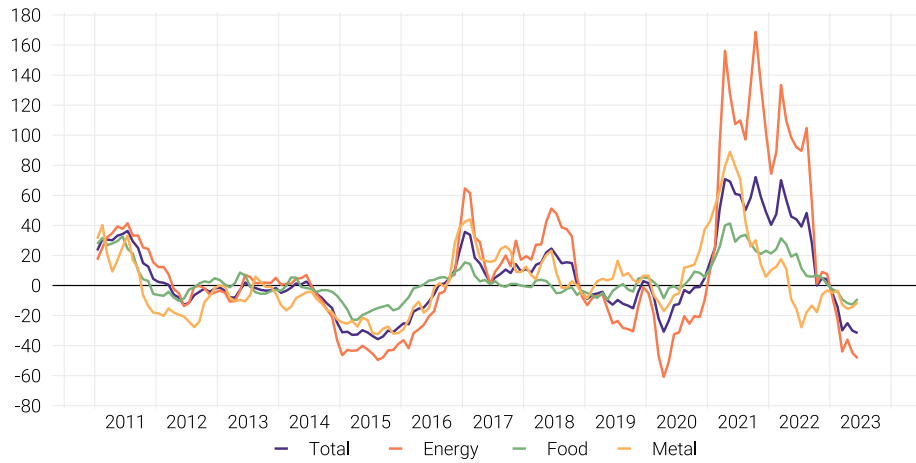
Core Inflation in the Emerging Economies, 2011 - 2023
(percent)



Source: Bloomberg Database

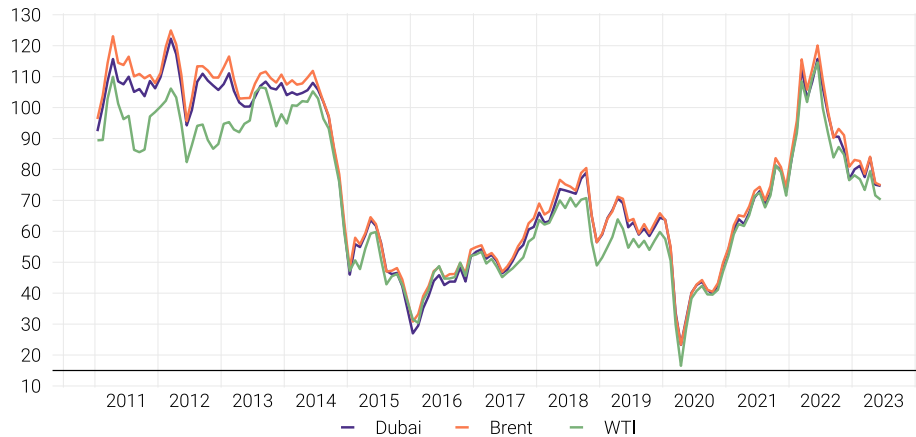
Commodity Prices

Commodity prices, 2011 - 2023
(annual percentage change)



Source: IMF

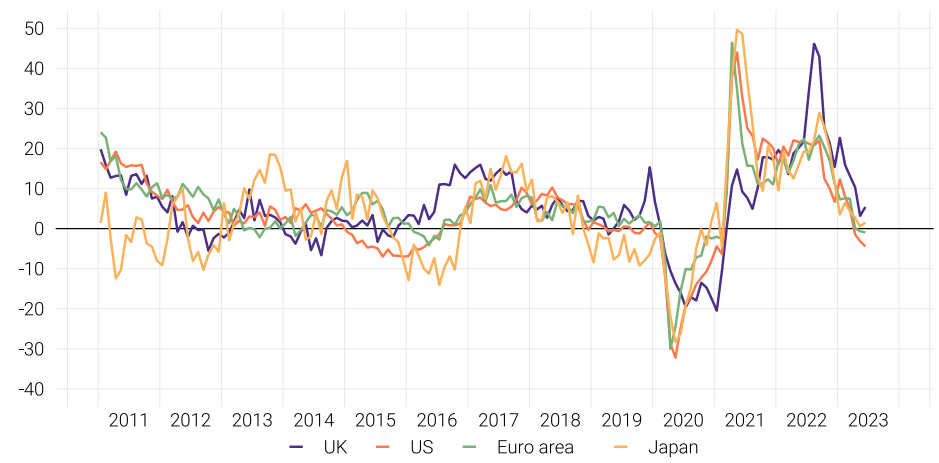
Oil prices, 2011 - 2023
(dollars per barrel)



Source: Bloomberg Database

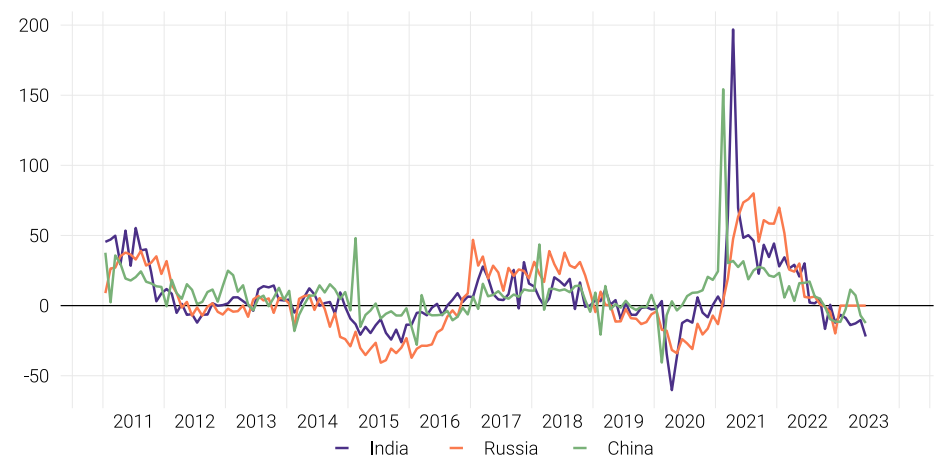
Global Trade

Exports in the Advanced Economies, 2011 - 2023
(annual percentage change)



Source: Bloomberg Database

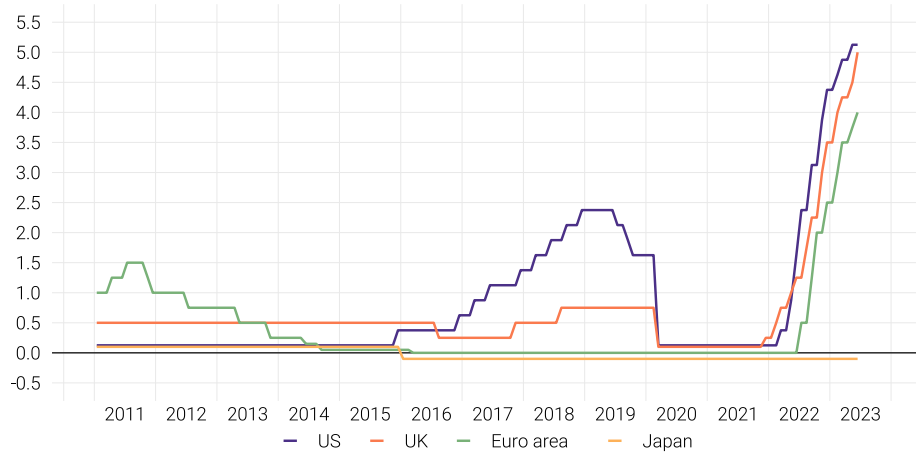
Exports in the Emerging Economies, 2011 - 2023
(annual percentage change)



Source: Bloomberg Database

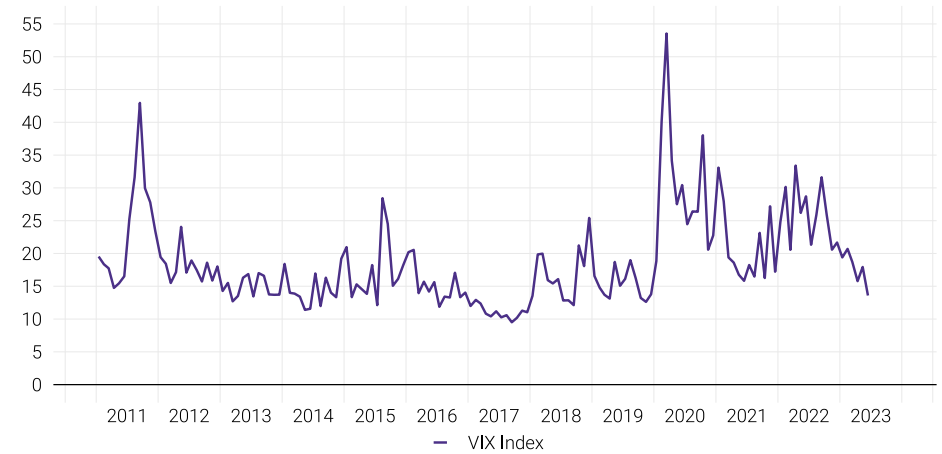
Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2011 - 2023
(percent)



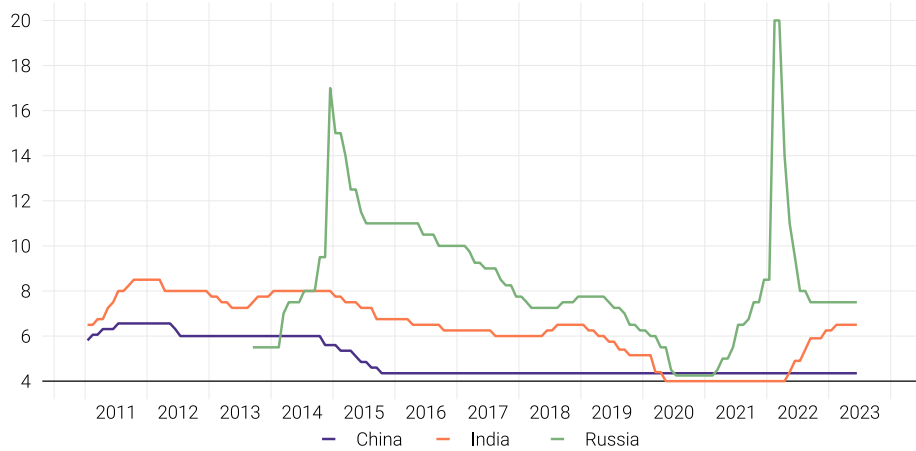
Source: Bloomberg Database

Volatility Index, 2011 - 2023
(percent)



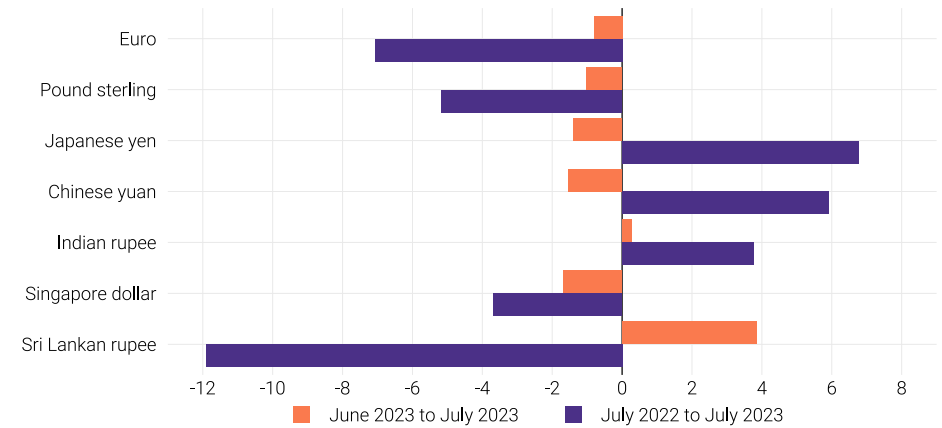
Source: Bloomberg Database

Monthly Policy Rates in the Emerging Economies, 2011 - 2023
(percent)



Source: Bloomberg Database

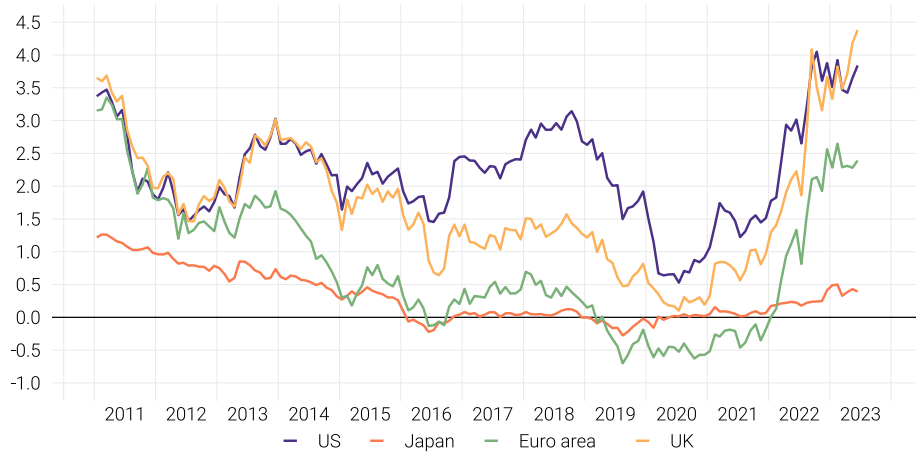
Exchange Rate of US Dollar against Currencies of Major Trading Partners, July 2023
(percentage change)



Source: Bloomberg Database

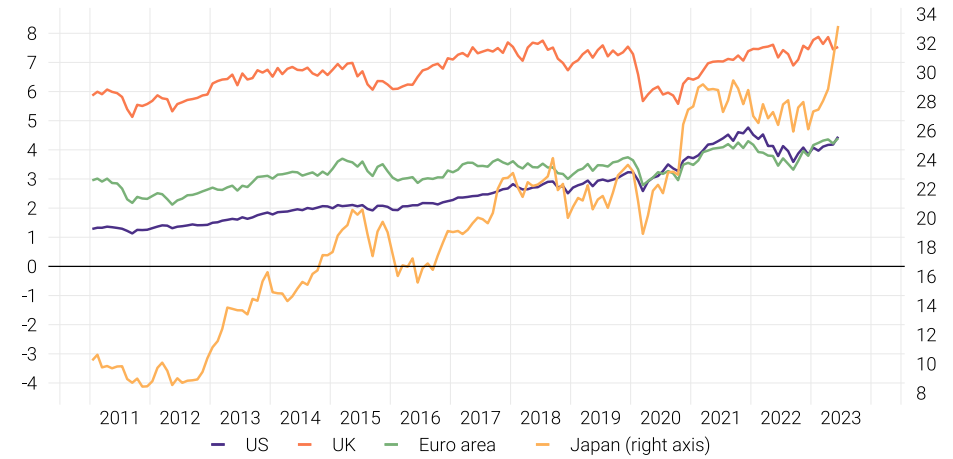
Global Financial Markets

Sovereign Bond Yield in the Advanced Economies, 2011 - 2023
(percent)



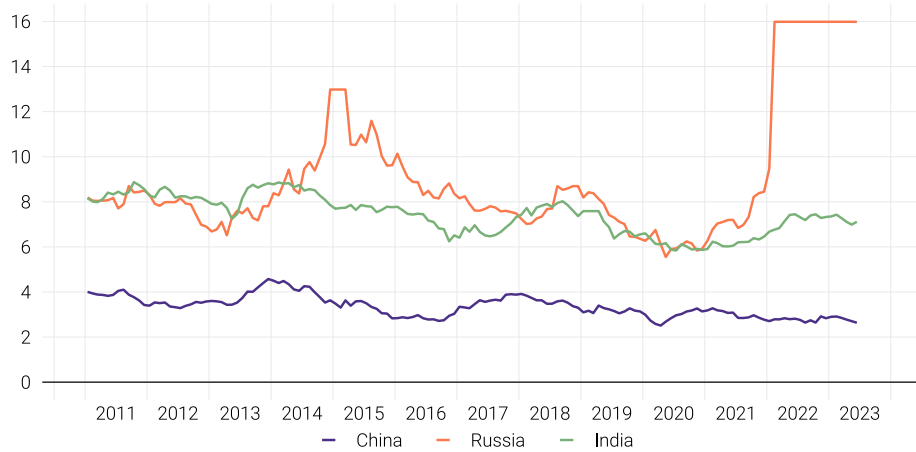
Source: Bloomberg Database

Share Price Index in the Advanced Economies, 2011 - 2023
(price index, in thousands)



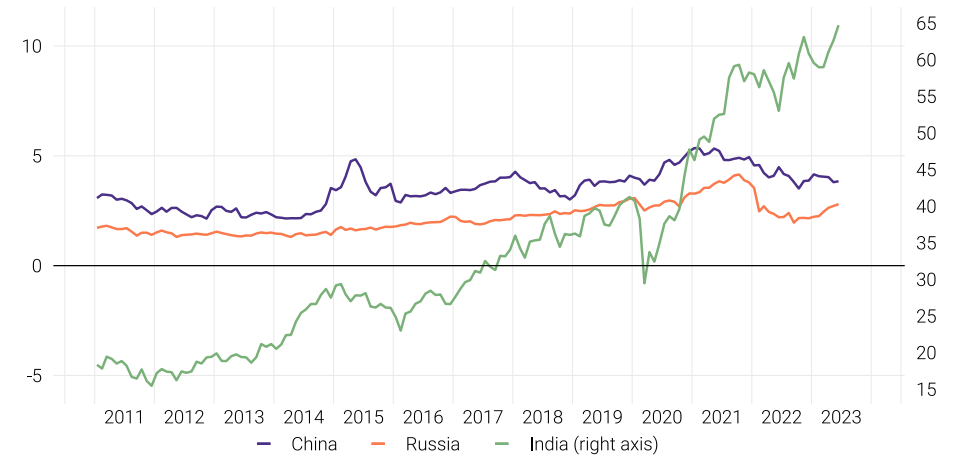
Source: Bloomberg Database

Sovereign Bond Yield in the Emerging Economies, 2011 - 2023
(percent)



Source: Bloomberg Database

Share Price Index in the Emerging Economies, 2011 - 2023
(price index, in thousands)



Source: Bloomberg Database



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