MALDIVES MONETARY AUTHORITY

ECONOMIC UPDATE

MARCH 2021

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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. This Economic Update is based on the latest available data as at 30 March 2021.

Domestic Economic Developments

Real Economy

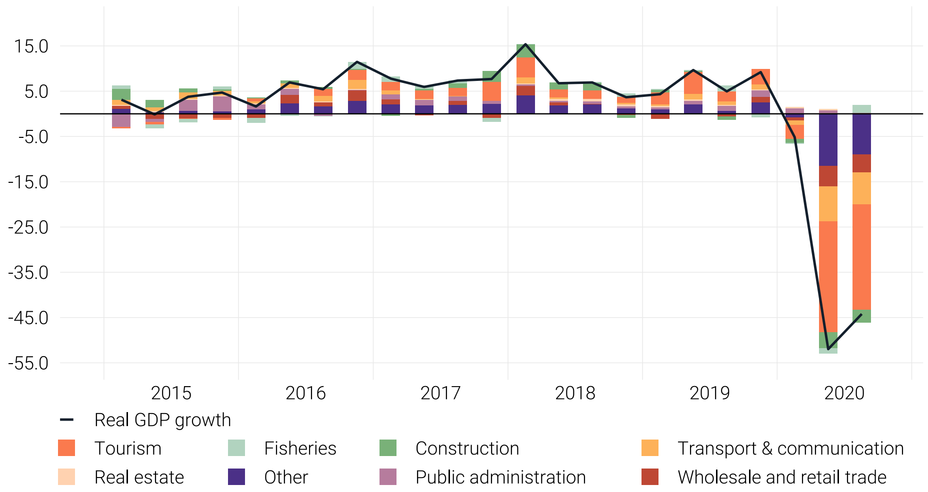
Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts for Q3-2020 released by the National Bureau of Statistics, real GDP declined by 44.2% in Q3-2020, when compared with the same quarter a year ago. This was a notable moderation when compared with the revised growth rate of -52.0% for Q2-2020 (previously at -51.6%).
  - Compared to the preceding quarter, this moderation during Q3-2020 mirrored the opening of the country's borders and the easing of lockdown measures in the Greater Male' Region. However, real GDP observed a marked decline in annual terms, reflecting the adverse effects of the spread of the COVID-19 pandemic on the domestic economy as a whole. As such, negative contributions were observed in the main sectors of the economy including transport and communication; wholesale and retail trade; construction; and the tourism sector.
  - On the upside, activity in the fisheries sector; human health and social work activities; education and financial services picked up over the review quarter.

Annual GDP Growth Forecast

- Real GDP is estimated to have declined severely by 29.3% in 2020 according to the moderate case growth forecast scenario[1], underpinned by a sharp decline in tourism sector and related sectors such as wholesale and retail trade; construction and real estate; as well as transport and communication. Going forward, real GDP is projected to grow by 13.5% in 2021.

Contribution to Real GDP Growth by Economic Sectors, 2015 - 2020
(annual percentage change, percentage point contribution)



Source: National Bureau of Statistics

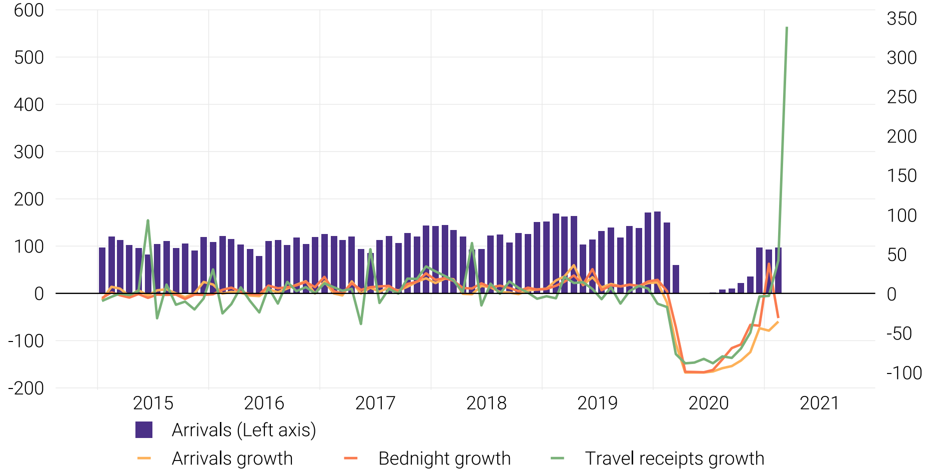
[1]Prepared jointly with Ministry of Finance in October 2020.

Tourism

- In February 2021, both tourist arrivals and bednights declined annually, by 35% (-47% in January 2021) and 29% (-28% in January 2021), respectively.
  - Although the total tourist arrivals continued to register declines in annual terms, arrivals have been steadily improving since the borders reopened in July 2020. During February 2021, the largest number of tourist arrivals were recorded from India, followed by Russia and the Ukraine.
- The operational bed capacity of the tourism industry decreased by 11% when compared with February 2020 (-13% in January 2021), while the occupancy rate fell to 57% in February 2021 (60% in January 2021), from 69% in February 2020.
- Overall, for the period of January to February 2021, the total tourist arrivals decreased by 42% in annual terms (a growth of 1% in 2020), while total bednights of the industry observed a decline of 28% (a growth of 7% in 2020). During this period, the average stay increased to 8.2 days, from 6.7 days in the corresponding period of 2020.

Tourism, 2015 - 2021

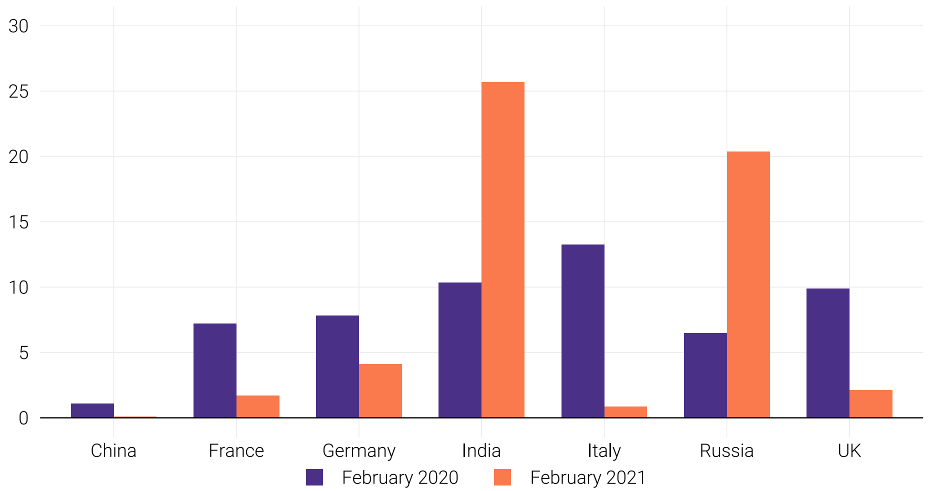
(thousands, annual percentage change)



Source: Ministry of Tourism
Note: Tourism receipts available up to March 2021.

Shares of Key Inbound Markets

(percent)

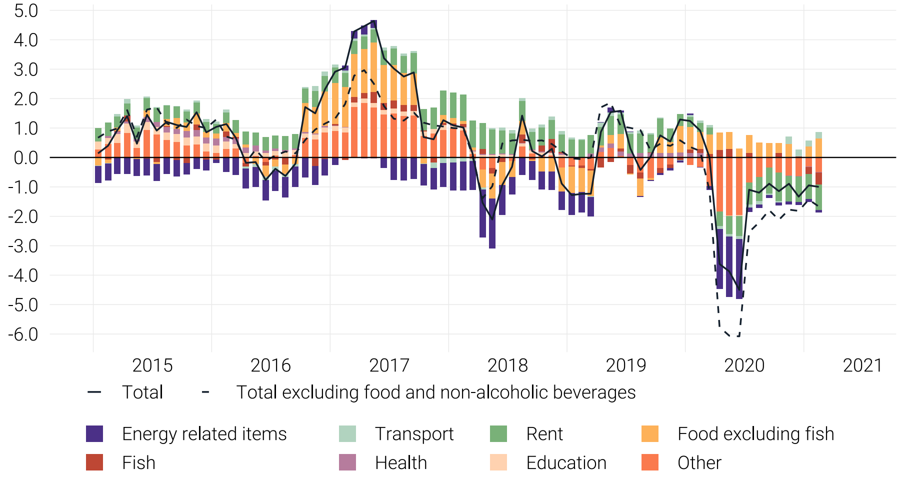


Source: Ministry of Tourism

Inflation

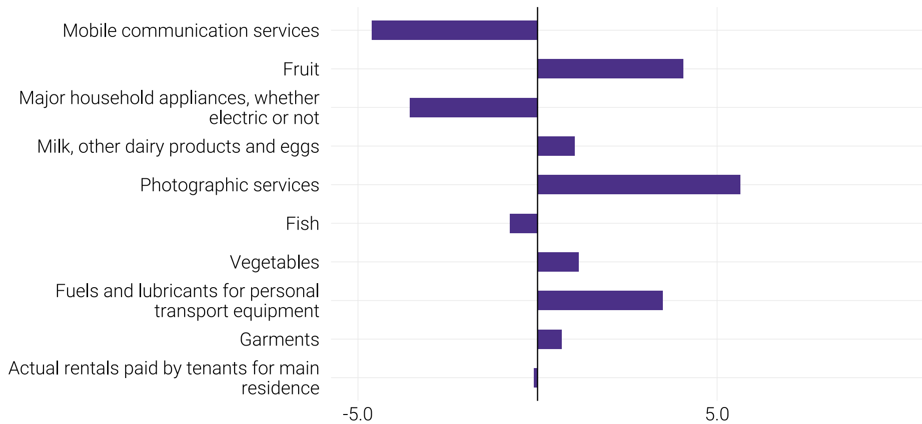
- The rate of inflation, as measured by the annual percentage change in the national CPI, further decreased to -1.0% in February 2021 from -0.9% in January 2021, mainly driven by the fall in cost of information and communication services; housing rent, as well as fish prices. The decline in prices of information and communication services; and housing and rent reflects the reduction in telecommunication prices and temporary relief given on rent due to COVID-19, respectively. Meanwhile, the increase in price of tobacco (following the ratification of the 17th amendment to Import Export Act in July 2020 imposing additional duties on specific tobacco products) and certain fruits and dairy products continued to exert upward pressure on inflation.
    - From the major categories of the CPI, the largest contributors to the annual rate of inflation during February 2021 were tobacco (0.5 percentage points), fruits (0.2 percentage point), dairy products (0.2 percentage point), transport (0.1 percentage point), fish (-0.4 percentage point), housing rent (-0.9 percentage points); and information and communication services (-1.2 percentage points).
- The monthly percentage change in the national CPI decreased to -0.05% in February 2021 from 0.25% in January 2021.
    - The largest contribution to the monthly rate of inflation came from fruits (0.08 percentage points), dairy products (0.04 percentage points), photographic services (0.03 percentage points), vegetables (0.03 percentage point), transport (0.02 percentage points), housing rent (-0.01 percentage points) fish (-0.03 percentage points), household appliances (-0.05 percentage points) and information and communication services (-0.21 percentage points).

Contribution of Major Categories to CPI Inflation (National), 2015 - 2021
(annual percentage change, percentage point contribution)



Source: National Bureau of Statistics

Monthly Changes of Subcategories of CPI Inflation (National), February 2021
(monthly percentage change)

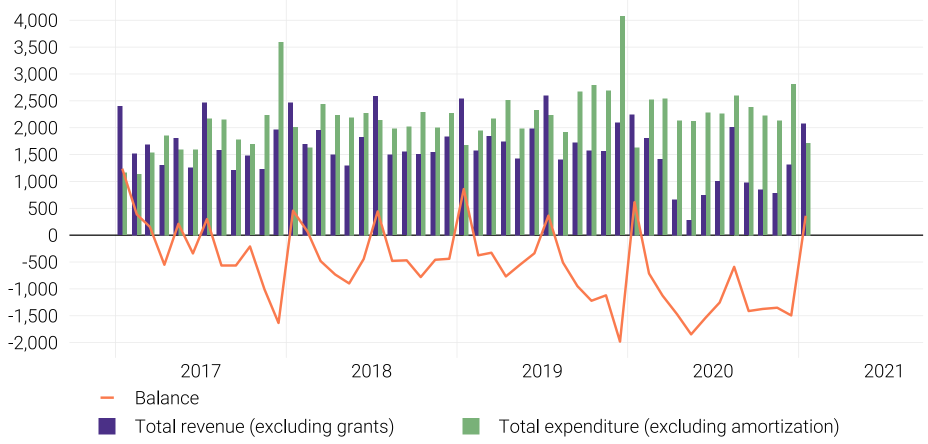


Source: National Bureau of Statistics
Note: Ordered by the size of the contribution.

Public Finance

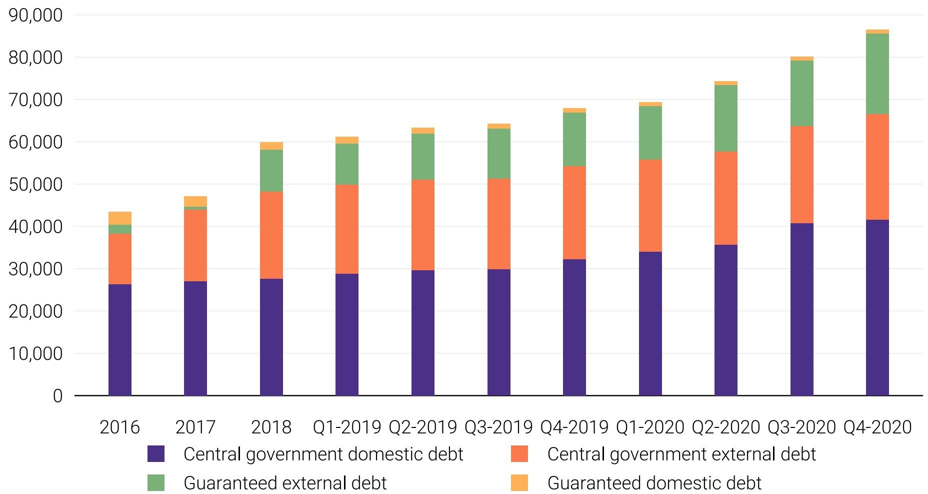
- Total revenue (excluding grants) observed a decline of MVR169.2 million (or 8%) in January 2021 when compared with January 2020. This was due to a decrease in both non-tax and tax revenue. As such, non-tax revenue decreased by MVR120.9 million, while tax revenue decreased by MVR50.9 million.
- Total expenditure (excluding amortisation) increased by MVR83.3 million (or 5%) in January 2021 when compared with January 2020. The increase in expenditure stemmed from a substantial rise in capital expenditure, which posted an increase of MVR146.7 million, despite recurrent expenditure posting a decline of MVR63.4 million.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR66.6 billion at the end of Q4-2020, a 4% increase from Q3-2020. Similarly, total government debt as a percentage of GDP increased to 115% at the end of Q4-2020.
  - During this period, the increase in government debt was primarily driven by external debt.

Government Revenue and Expenditure, 2017 - 2021
(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, 2016 - 2020
(millions of rufiyaa)



Source: Ministry of Finance

Monetary Developments

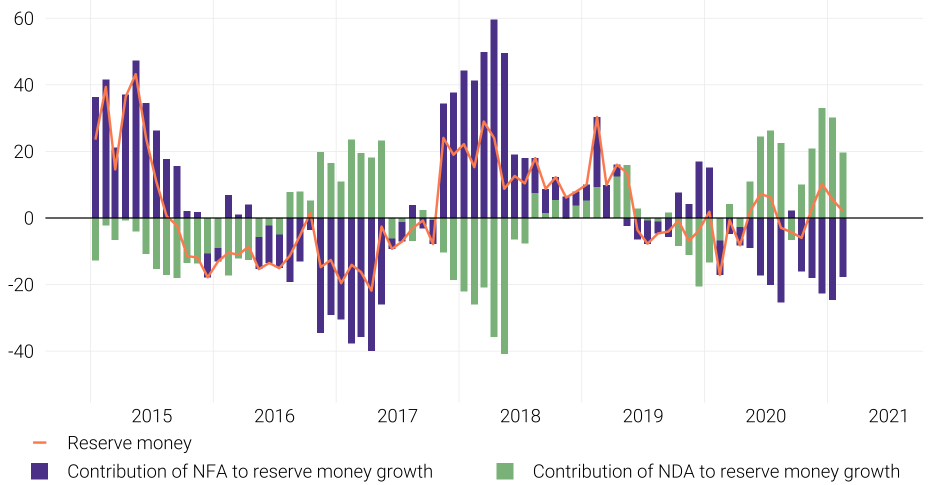
Reserve Money

- Annual reserve money (M0) growth further decelerated to 2% at the end of February 2021, after recording a growth of 6% at the end of January 2021. The deceleration of reserve money growth stemmed mainly from a significant fall in net foreign assets of the MMA, despite net domestic assets of the MMA registering an increase.
    - Net foreign assets declined mainly owing to a surge in foreign liabilities, reflecting the base effect of an increase in such liabilities in December 2020, despite an increase in foreign asset accumulation. Meanwhile, net domestic assets increased, mainly due to an increase in net claims on the central government, which offset the rise in ODF placements by commercial banks.

Broad Money

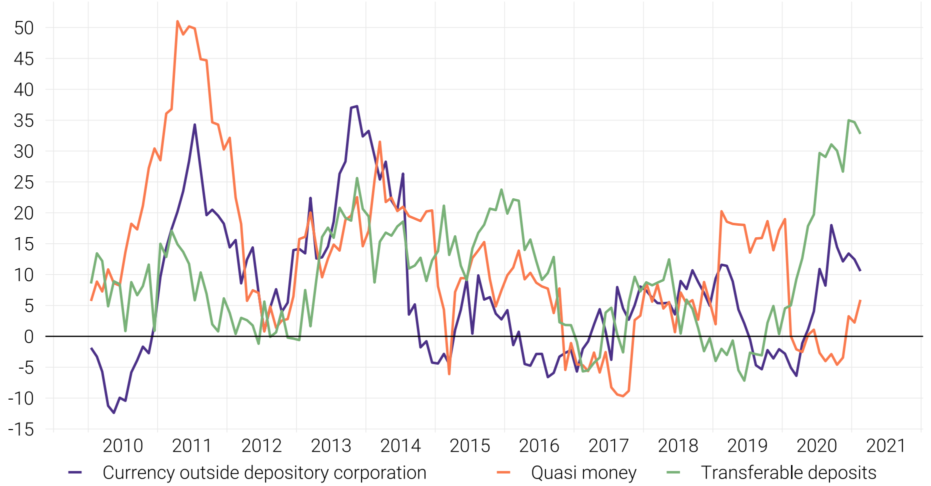
- Annual broad money (M2) growth increased to 15% at the end of February 2021, after registering 13% during January 2021. On the components side, the annual growth in broad money was primarily driven by an increase in narrow money, which mainly reflected an increase in transferable deposits. Meanwhile, quasi money also observed an increase owing to a substantial increase in time and saving deposits denominated in local currency and a slight increase in transferable deposits and savings deposits denominated in foreign currency, despite the decline in time deposits denominated in foreign currency.
    - As for the sources, the annual broad money growth was driven solely by the increase in net domestic assets of the banking system, which stemmed from the substantial rise in net claims on the central government by commercial banks and the MMA. In addition, private sector credit growth also contributed significantly towards the growth in broad money, followed by an increase in claims on public non-financial corporations. In contrast, net foreign assets posted a decline, largely owing to a surge in foreign liabilities of both the commercial banks and the MMA, which offset the rise in foreign assets of the banking system.

Sources of Reserve Money, 2015 - 2021
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Components of Broad Money, 2010 - 2021
(annual percentage change)



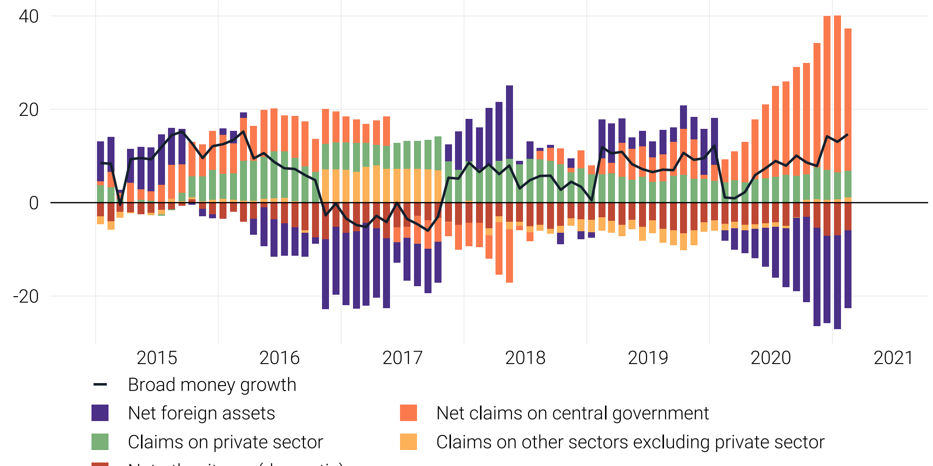
Source: Maldives Monetary Authority

Credit to Private Sector

- The annual growth of credit to the private sector by commercial banks decreased to 8% at the end of February 2021, down from 9% in January 2021. Meanwhile, the monthly growth in credit to the private sector turned positive, recording a marginal growth of 0.2% in February 2021.
  - With regard to the composition of credit to the private sector, similar to the previous month, annual credit growth was observed for most major sectors, namely tourism, construction and real estate, except for transport and communication and commerce. Likewise, credit extended as personal loans observed a significant increase over the period.
  - Credit extended to tourism sector observed the largest increase over the period, registering an annual growth of 17% during February 2021, mainly driven by the significant growth in credit in the form of working capital, followed by credit lent for new resort development and renovation of resorts.

Contribution to Broad Money, 2015 - 2021

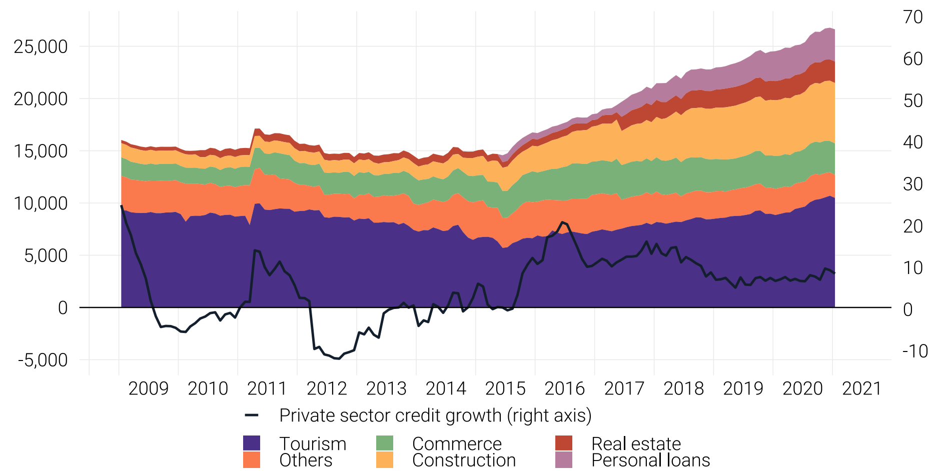
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Private Sector Credit, 2009 - 2021

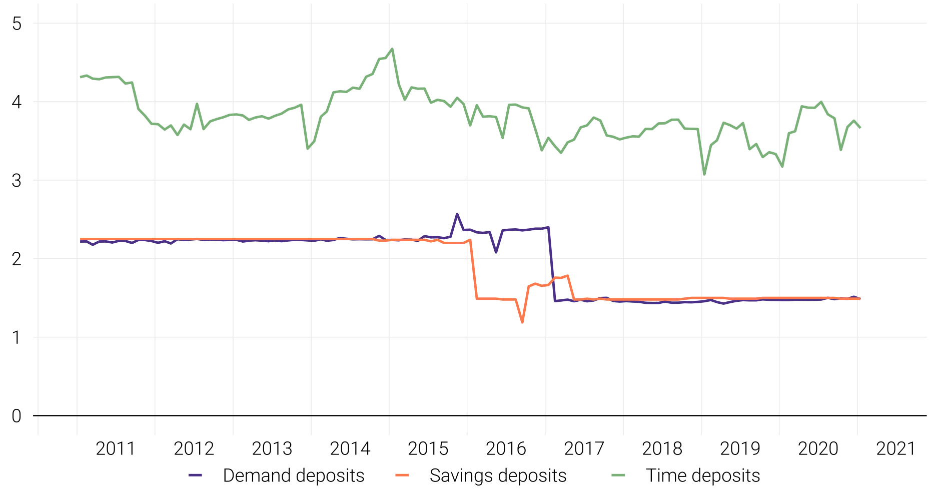
(millions of rufiyaa, annual percentage change)



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

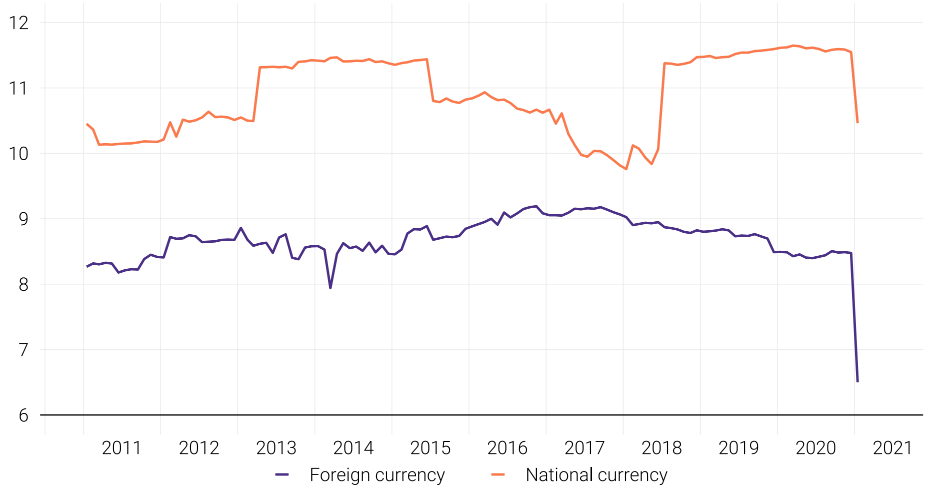
Interest rates

Interest Rate on National Currency Deposits, 2011 - 2021
(weighted average)



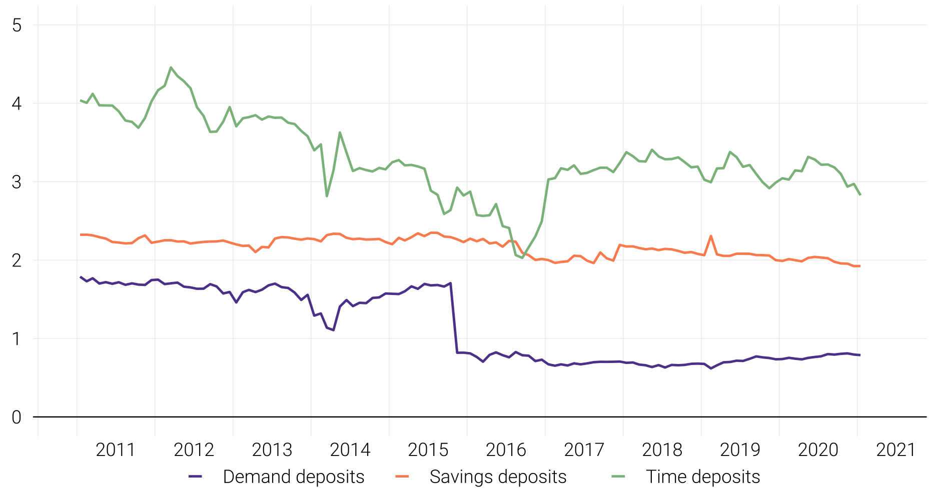
Source: Maldives Monetary Authority

Interest Rate on Private Sector Loans and Advances, 2011 - 2021
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2011 - 2021
(weighted average)

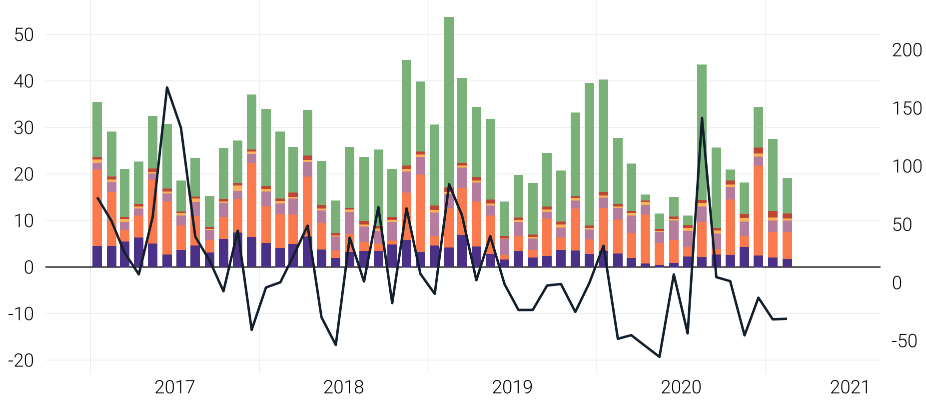


Source: Maldives Monetary Authority

External Trade

- Total exports (f.o.b) declined significantly by 51% in February 2021 (-32% in January 2021) when compared with February 2020, while total imports (c.i.f) observed an annual decline of 20% (-24% in January 2021) during the period. In monthly terms, total exports decreased significantly by 50%, while total imports declined marginally by 1%.
  - The annual decline in total exports stemmed mainly from the decrease in re-exports, followed by a decline in domestic exports during the period. The decline in domestic exports was primarily due to the sizeable decrease in export earnings from frozen skipjack tuna, fresh or chilled yellowfin tuna and canned or pouched tuna, despite the increase in frozen yellowfin tuna and dried tuna export earnings.
  - As for the annual decline in total imports, the most significant decreases were observed in the imports of petroleum products; construction-related items; electronic and electrical appliances and machinery and mechanical appliances, although the decline was broad-based across all major import categories. In contrast, import of medical and surgical supplies and electrical and electronic machinery and equipments and parts observed a growth during the review month.
- Overall, during the period January to February 2021, total exports recorded a 40% decline, while total imports decreased by 22% when compared with the corresponding period of 2020.

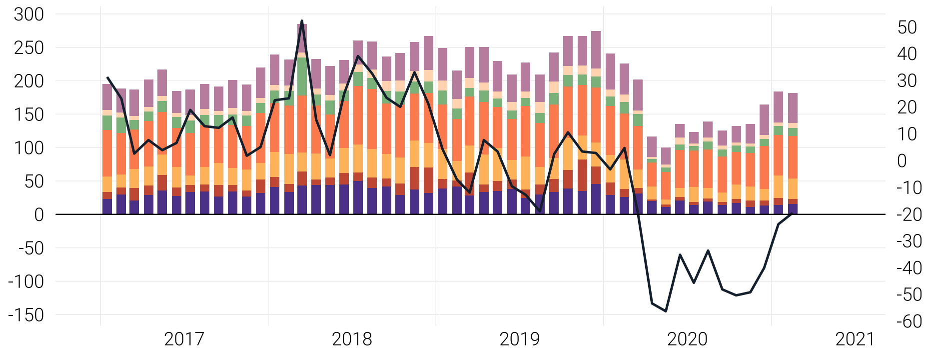
Total Exports, 2017 - 2021
(millions of US dollars, annual percentage change)



Total exports growth (right axis)
Fresh or chilled fish
Frozen fish
Canned or pouched fish
Processed fish, nes
Others
Merchandise re-exports

Source: Maldives Customs Service

Total Imports, 2017 - 2021
(millions of US dollars, annual percentage change)



Total imports growth (right axis)
Wood, metal, cement and aggregates
Petroleum products
Food items
Transport equipment and parts
Furniture, fixtures and fittings
Others
Machinery and mechanical appliances

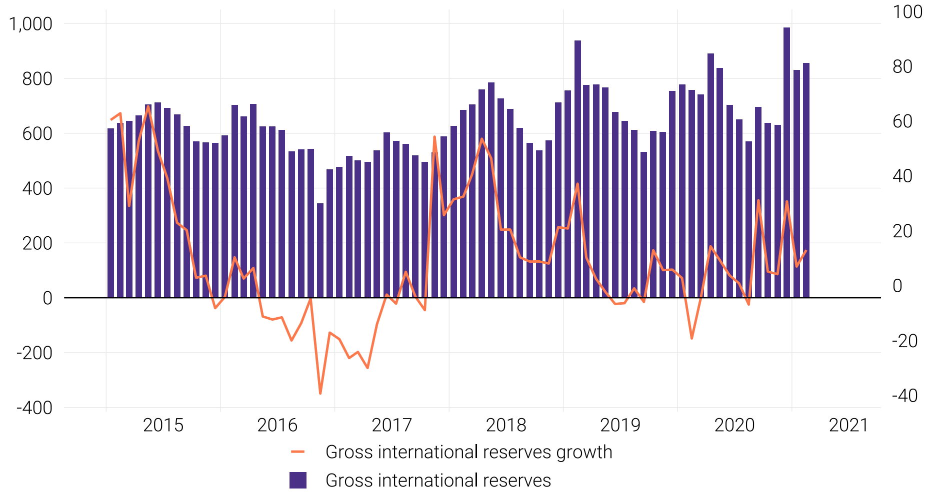
Source: Maldives Customs Service

Gross International Reserves

- Gross international reserves[2] (official reserve assets) increased to US$855.7 million at the end of February 2021 from US$830.7 million at the end of January 2021. Similarly, this was an increase compared to the US$757.5 million at the end of February 2020.
  - In terms of growth rates, this was an increase of 13% when compared with February 2020, while a 3% growth was registered when compared with January 2021.

Gross International Reserves, 2015 - 2021

(millions of US dollars, annual percentage change)



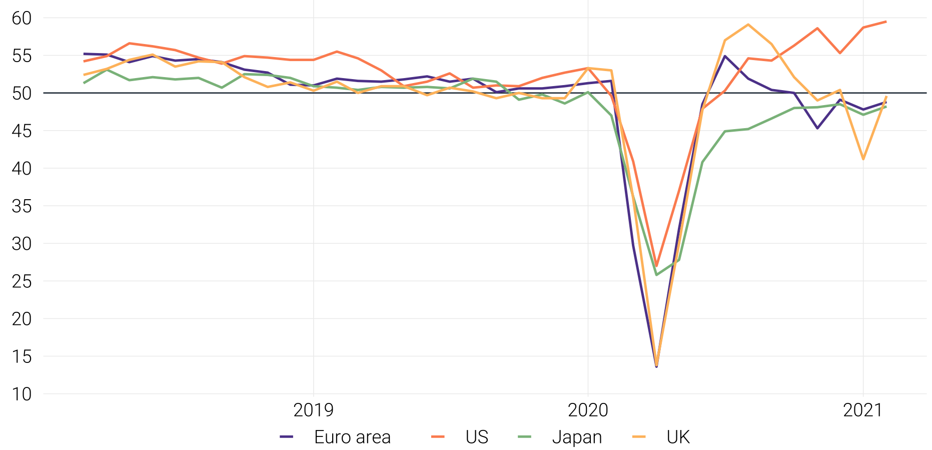
Source: Maldives Monetary Authority

[2]Comprises 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

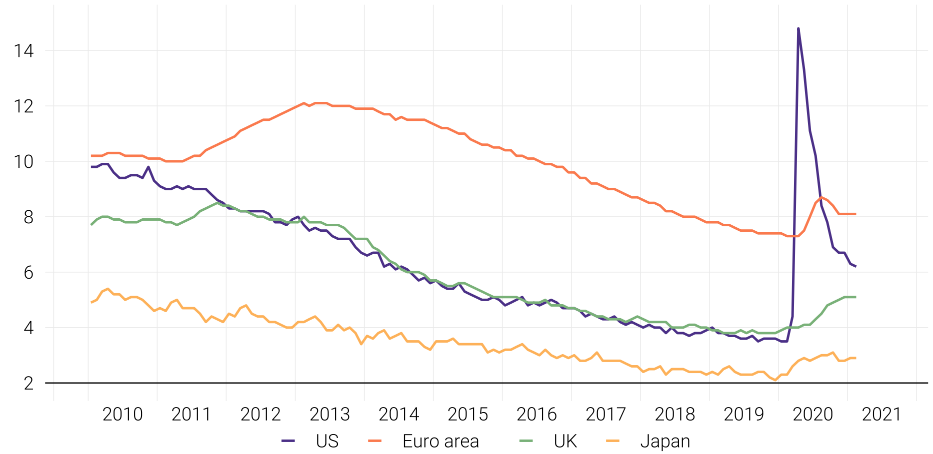
Global Output

Purchasing Manager's Index in the Advanced Economies, 2018 - 2021
(index points)



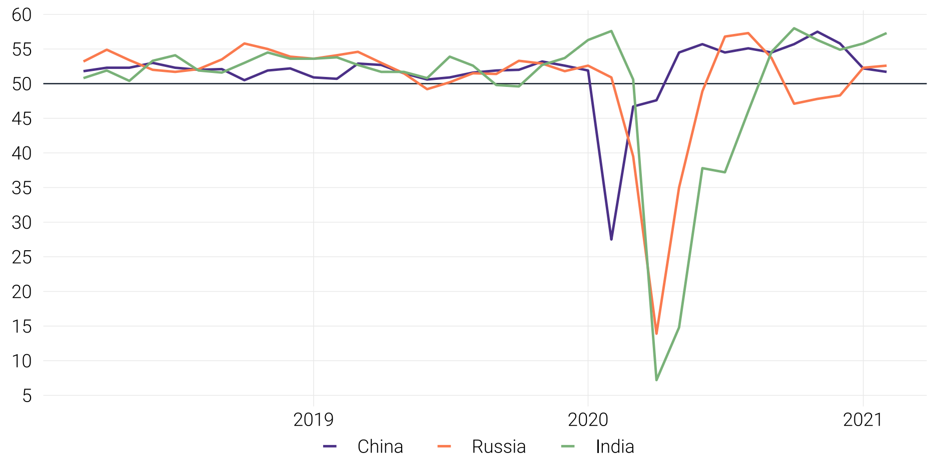
Source: Bloomberg Database

Unemployment in the Advanced Economies, 2010 - 2021
(percent)



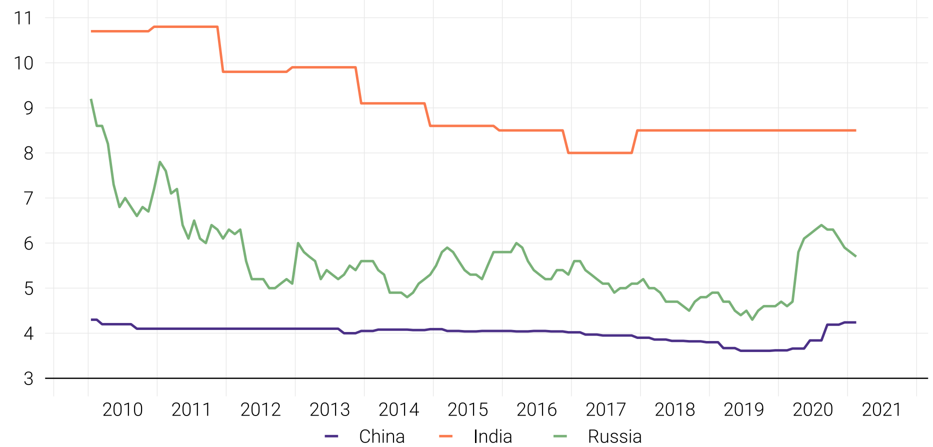
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2018 - 2021
(index points)



Source: Bloomberg Database

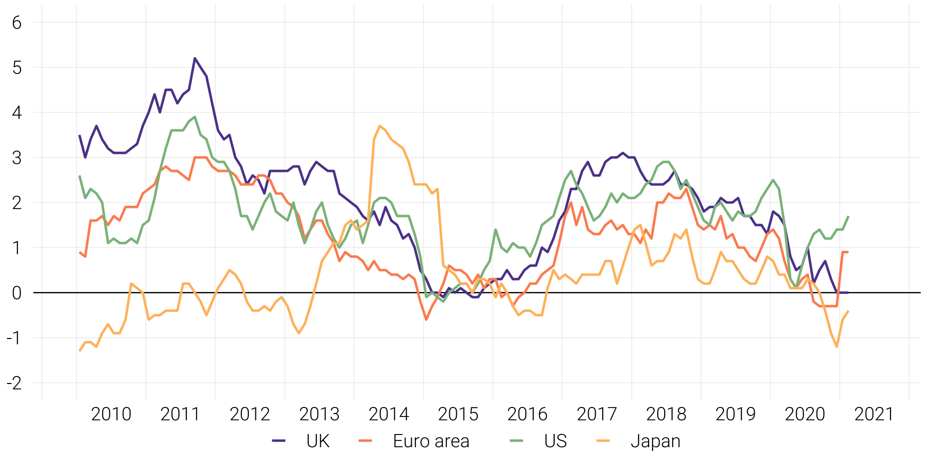
Unemployment in the Emerging Economies, 2010 - 2021
(percent)



Source: Bloomberg Database

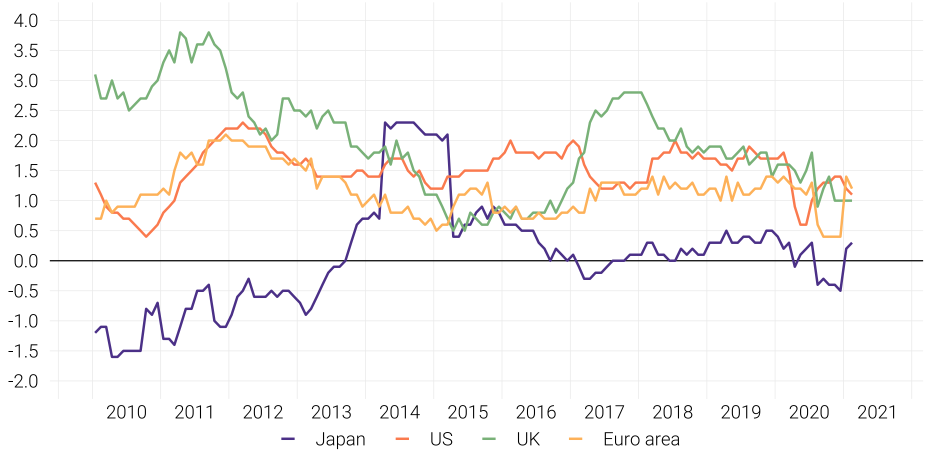
Global Inflation

Inflation in the Advanced Economies, 2010 - 2021
(percent)



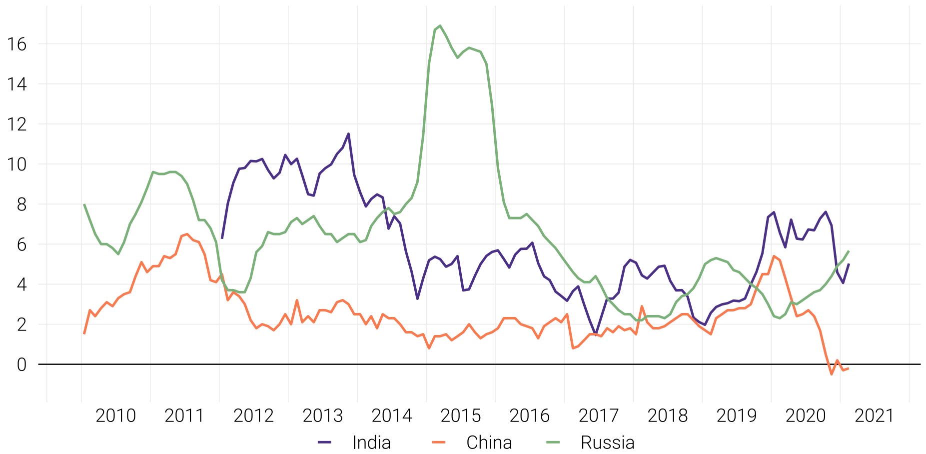
Source: Bloomberg Database

Core Inflation in the Advanced Economies, 2010 - 2021
(percent)



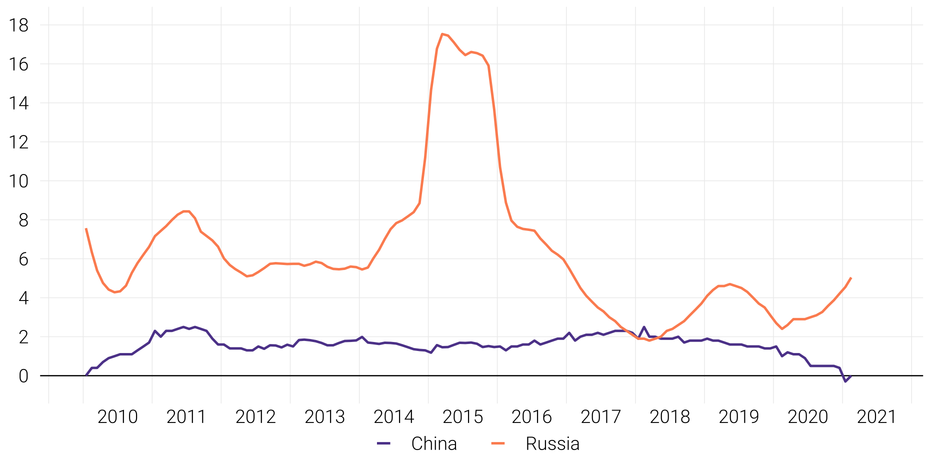
Source: Bloomberg Database

Inflation in the Emerging Economies, 2010 - 2021
(percent)



Source: Bloomberg Database

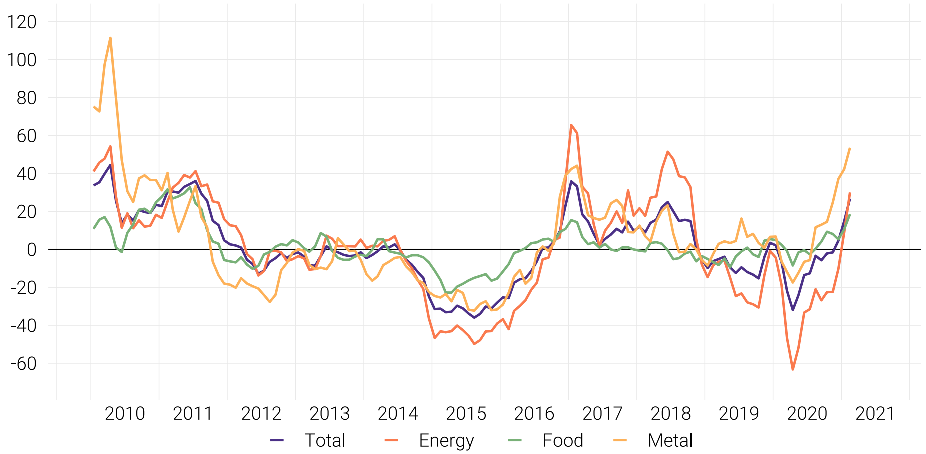
Core Inflation in the Emerging Economies, 2010 - 2021
(percent)



Source: Bloomberg Database

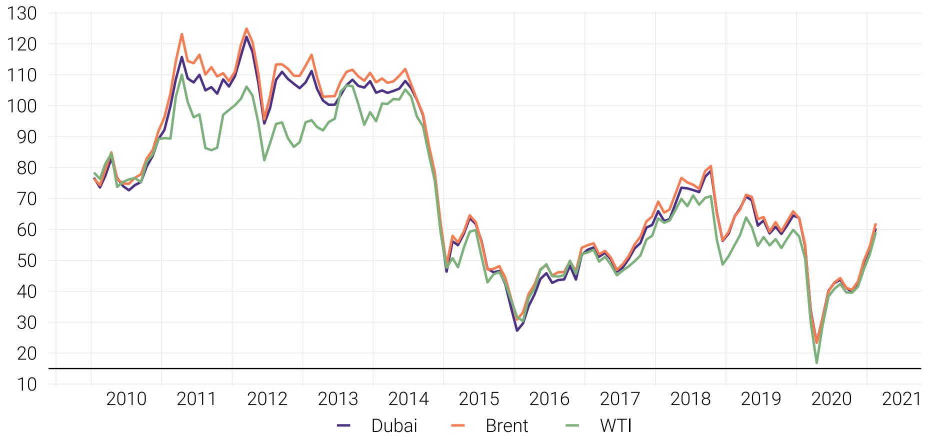
Commodity Prices

Commodity prices, 2010 - 2021
(annual percentage change)



Source: IMF

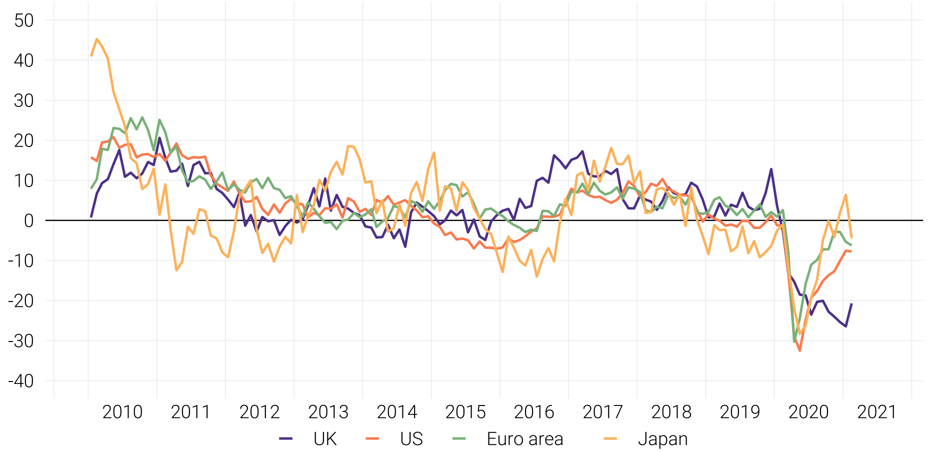
Oil prices, 2010 - 2021
(dollars per barrel)



Source: Bloomberg Database

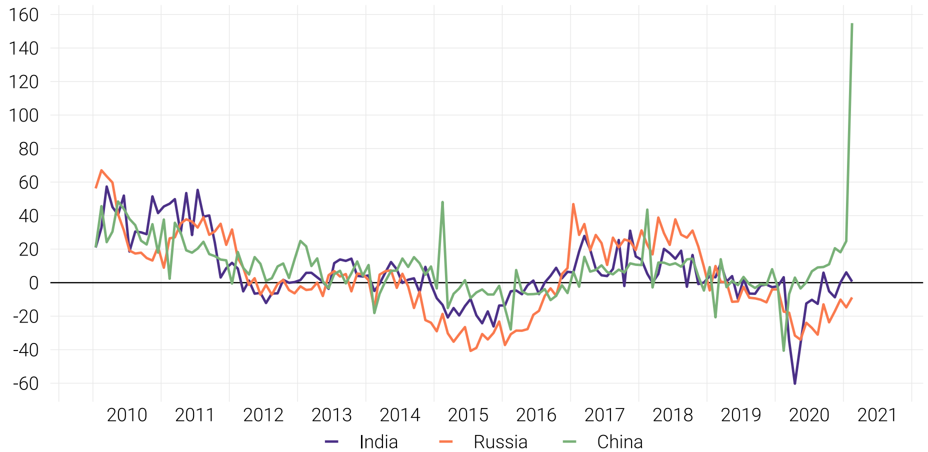
Global Trade

Exports in the Advanced Economies, 2010 - 2021
(annual percentage change)



Source: Bloomberg Database

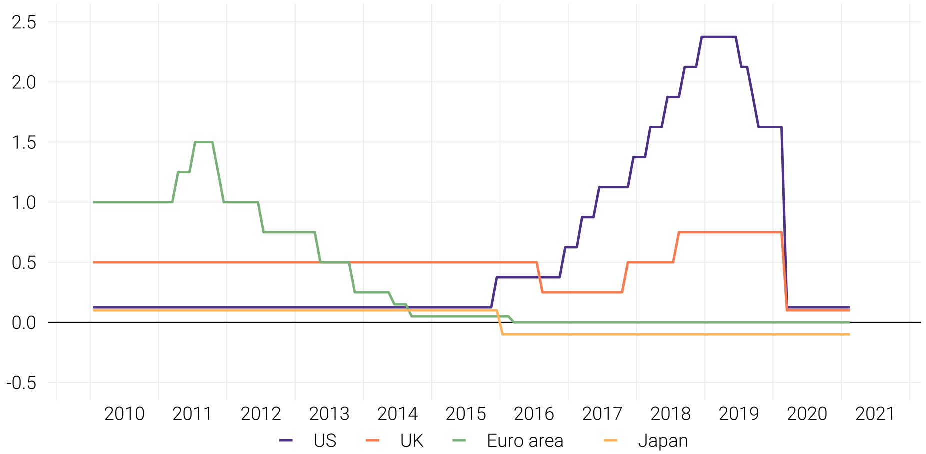
Exports in the Emerging Economies, 2010 - 2021
(annual percentage change)



Source: Bloomberg Database

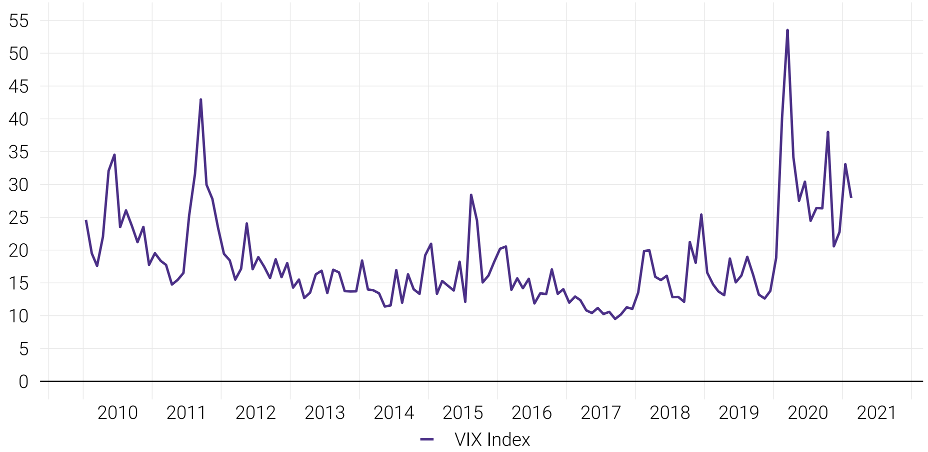
Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2010 - 2021
(percent)



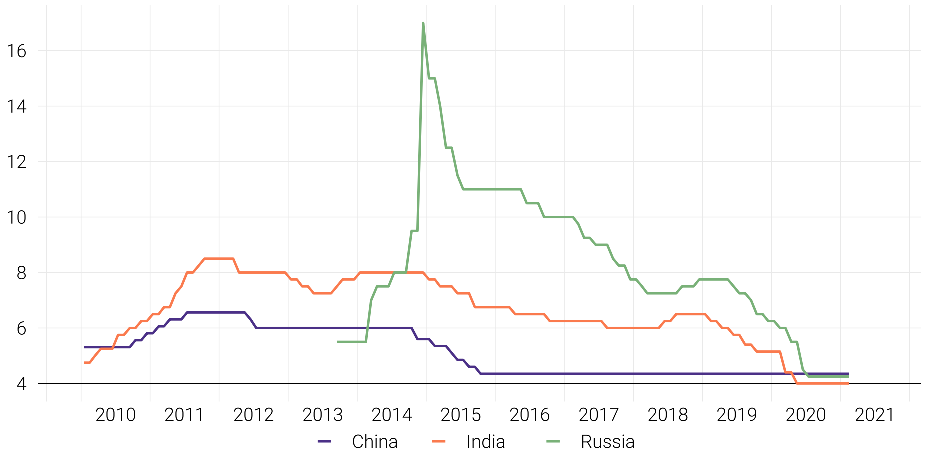
Source: Bloomberg Database

Volatility Index, 2010 - 2021
(percent)



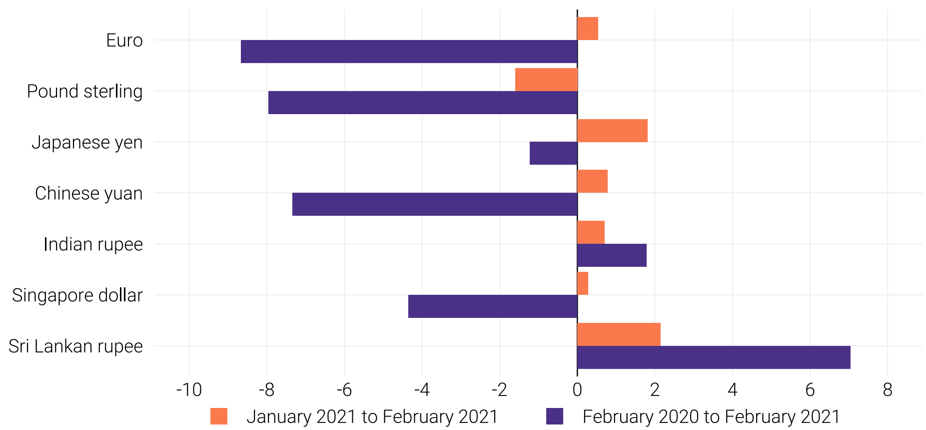
Source: Bloomberg Database

Monthly Policy Rates in the Emerging Economies, 2010 - 2021
(percent)



Source: Bloomberg Database

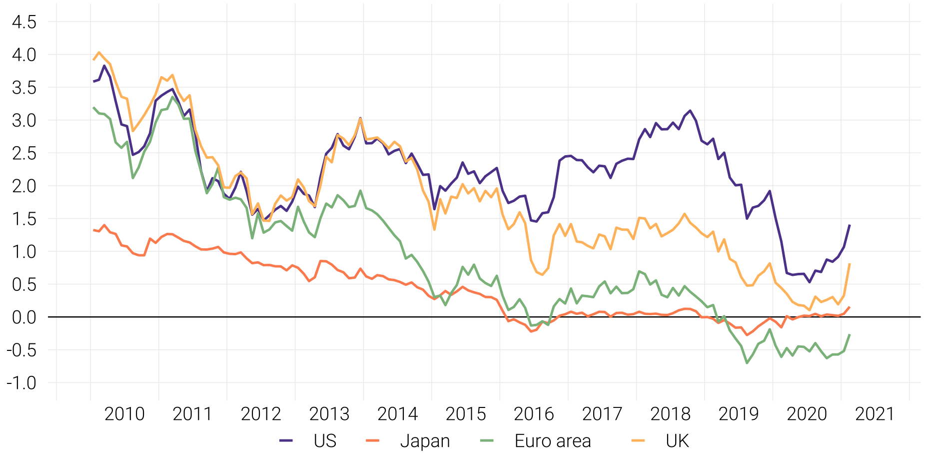
Exchange Rate of US Dollar against Currencies of Major Trading Partners, February 2021
(percentage change)



Source: Bloomberg Database

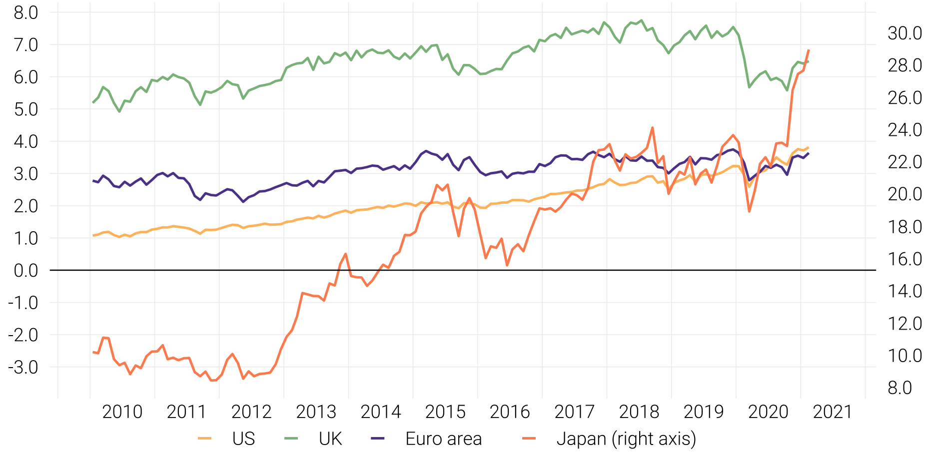
Global Financial Markets

Sovereign Bond Yield in the Advanced Economies, 2010 - 2021
(percent)



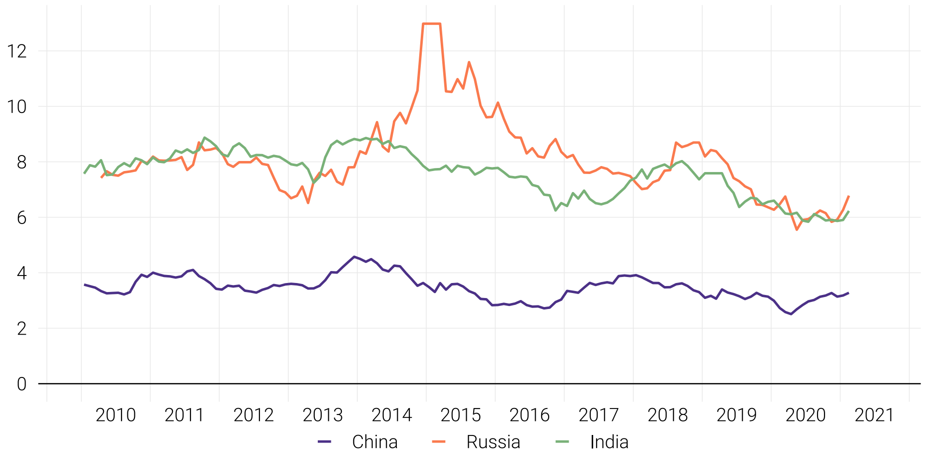
Source: Bloomberg Database

Share Price Index in the Advanced Economies, 2010 - 2021
(price index, in thousands)



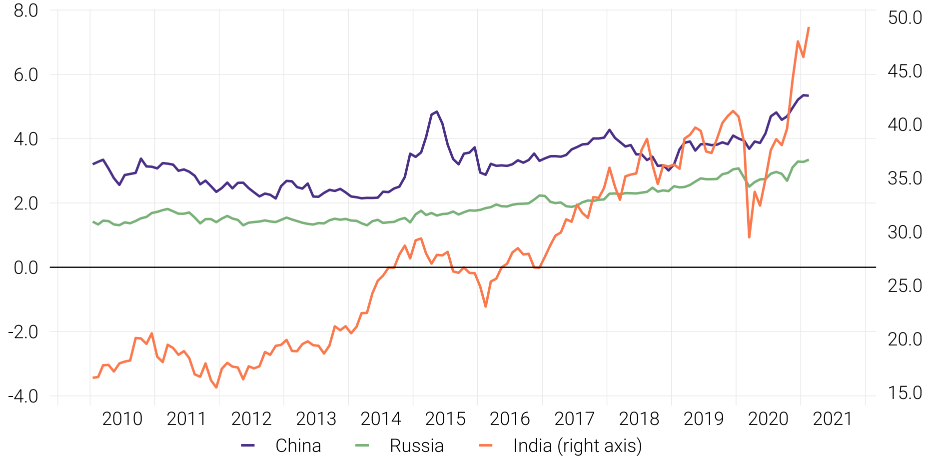
Source: Bloomberg Database

Sovereign Bond Yield in the Emerging Economies, 2010 - 2021
(percent)



Source: Bloomberg Database

Share Price Index in the Emerging Economies, 2010 - 2021
(price index, in thousands)



Source: Bloomberg Database

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