

MALDIVES MONETARY AUTHORITY

ECONOMIC UPDATE

JANUARY 2021

VOLUME 3 ISSUE 1



mma.gov.mv

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 28 January 2021.

Domestic Economic Developments

Real Economy

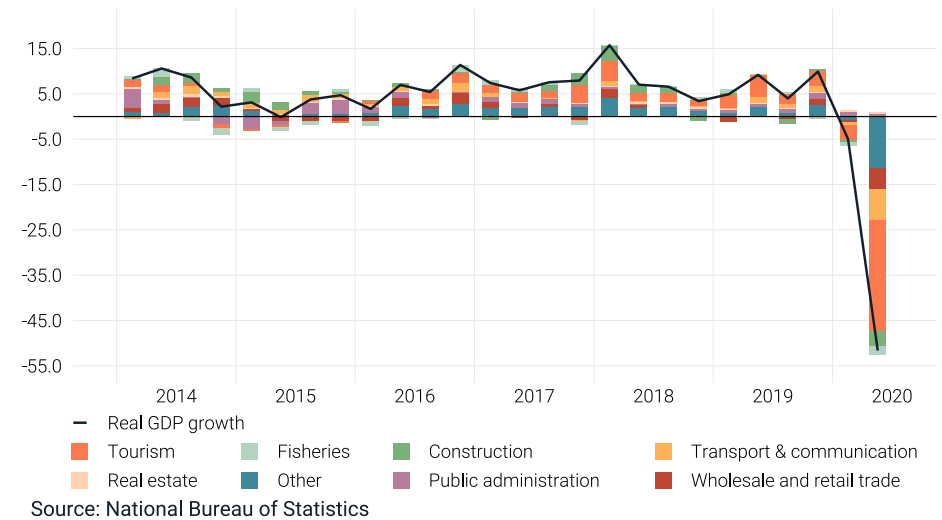
Gross Domestic Product

- According to the advance estimate of the Quarterly National Accounts for Q2-2020 released by the National Bureau of Statistics, real GDP declined significantly by 51.6% in Q2-2020, when compared with the same quarter a year ago. This was a deeper plunge when compared with the revised growth rate of -5.0% for Q1-2020 (previously at -5.9%).
 - The marked decline in growth during Q2-2020 reflected the adverse effects of spread of the COVID-19 pandemic on the domestic economy. Particularly, the government imposed a full lockdown in the Greater Male' area for a large part of the quarter, while the international border remained temporarily closed from 27 March 2020. As such, negative contributions were observed in the main sectors of the economy including tourism; transport and communication; wholesale and retail trade; and construction sector.
 - On the upside, activity in public administration; and human health and social work activities picked up over the review quarter.

Annual GDP Growth Forecast

- Real GDP is projected to decline severely by 29.3% in 2020 according to the moderate case growth forecast scenario¹, 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, 2014 - 2020
(annual percentage change, percentage point contribution)



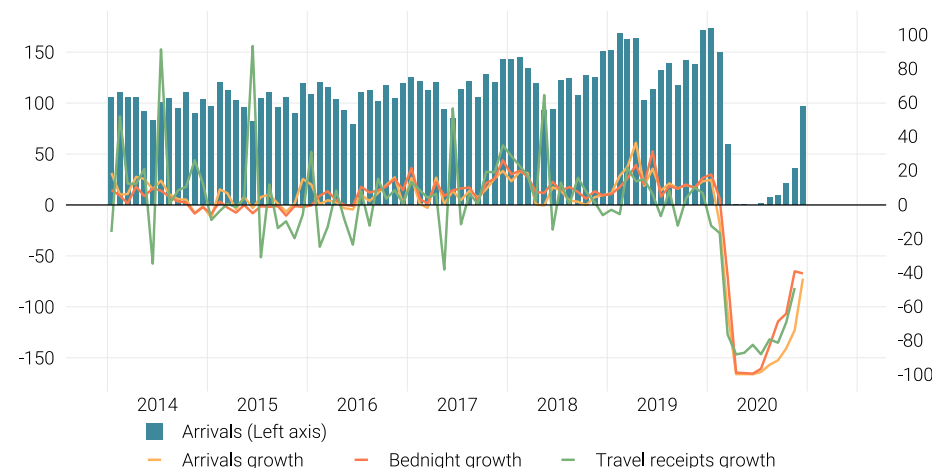
¹Prepared jointly with Ministry of Finance in October 2020.

Tourism

- In December 2020, both tourist arrivals and bednights declined annually, by 44% (74% in November 2020) and 41% (69% percent in November 2020) respectively.
 - Although the total tourist arrivals continue to register declines in annual terms, the numbers have been improving since the border reopened in July 2020. During December 2020, the largest number of tourist arrivals were recorded from India, followed by Russia and the United Kingdom.
- The operational bed capacity of the tourism industry decreased by 15% when compared with December 2019 (25% for January to November 2020), while the occupancy rate fell to 48% in December 2020 (25% in November 2020), from 68% in December 2019.
- Overall, for the period January to December 2020, total tourist arrivals decreased by 67% in annual terms (70% in November 2020), while total bednights of the industry recorded a 63% decline (65% in November 2020). During this period, average stay stood at 18.5 days compared to 6.3 days in the corresponding period of 2019.

Tourism, 2014 - 2020

(thousands, annual percentage change)

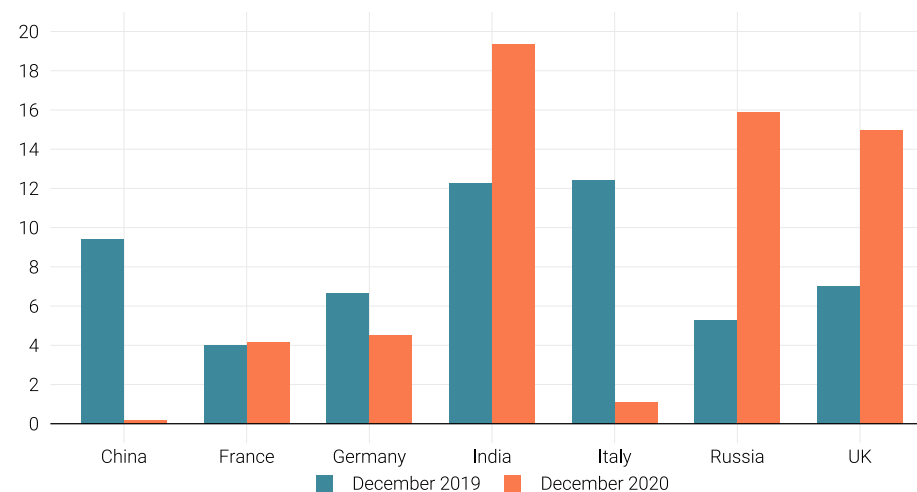


Source: Ministry of Tourism

Note: Tourism receipts available up to November 2020.

Shares of Key Inbound Markets

(percent)



Source: Ministry of Tourism

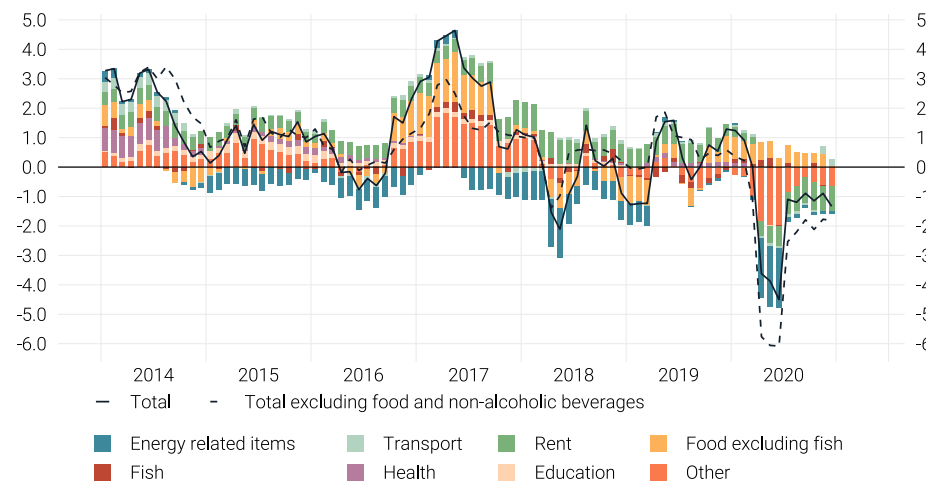
Inflation

- The rate of inflation, as measured by the annual percentage change in the national CPI, continued to remain negative and further declined to -1.3% in December 2020 from -0.9% in November 2020, mainly reflecting the fall in the cost of information and communication services; and housing rent, following the reduction in telecommunication prices and temporary relief given on rent due to COVID-19, respectively. Further, the prices continued to decrease for certain vegetables. Meanwhile, the upward pressure on annual inflation continued to be exerted by the increase in price of tobacco products and passenger transport services. The largest increase was observed in the price of tobacco, following the ratification of the 17th amendment to Import Export Act in July 2020 imposing additional duties on specific tobacco products.

- From the major categories of the CPI, the largest contributors to the annual rate of inflation during December 2020 were tobacco (0.5 percentage points), transport (0.1 percentage point), dairy products (0.1 percentage point), fruits (0.1 percentage point), vegetables (-0.4 percentage point), housing rent (-0.8 percentage points); and information and communication services (-1.2 percentage points).

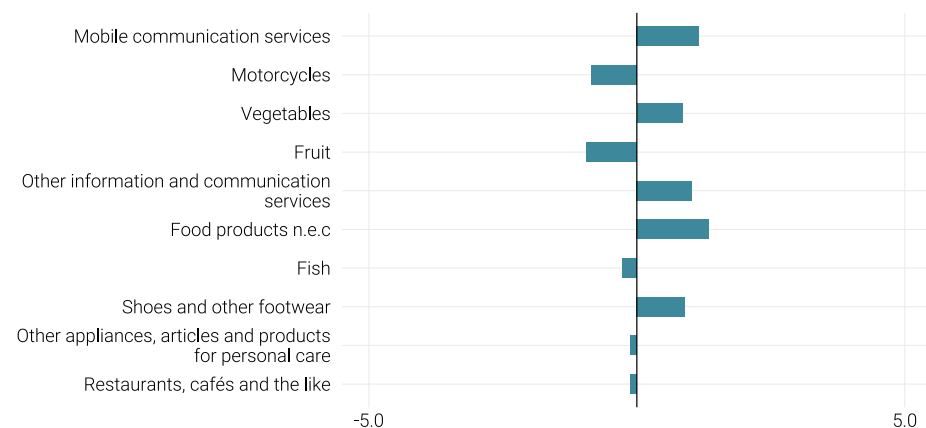
- The monthly percentage change in the national CPI decreased to 0.03% in December 2020 from 0.12% in November 2020.
 - The largest contribution to the monthly rate of inflation came from information and communication services (0.06 percentage points), vegetables (0.02 percentage points), fish (-0.01 percentage point), fruit (-0.02 percentage points) and transport (-0.03 percentage points).

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), December 2020
(monthly percentage change)



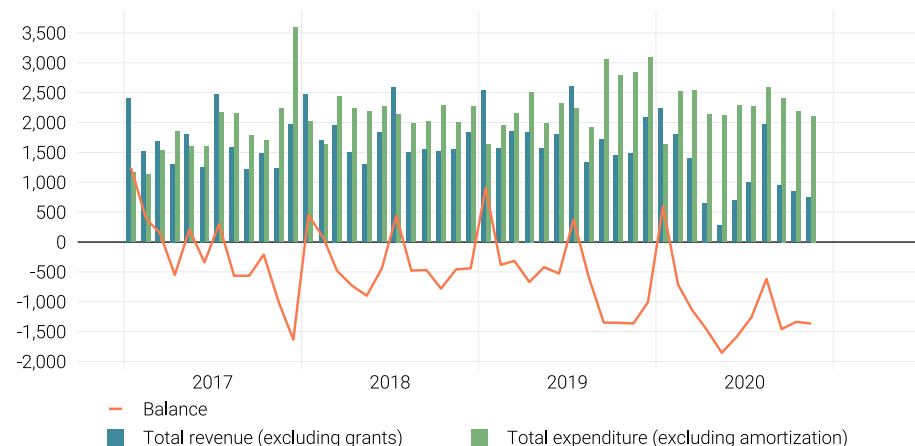
Source: National Bureau of Statistics
Note: Ordered by the size of the contribution.

Public Finance

- Government revenue (excluding grants) observed a decline of MVR732.4 million (or 50%) in November 2020 when compared with November 2019. This was due to a decrease in both tax and non-tax revenue. As such, tax revenue decreased by MVR479.3 million, while non-tax revenue decreased by MVR255.7 million.
- Total expenditure (excluding amortisation) decreased by MVR731.0 million (or 26%) in November 2020 when compared with November 2019. The fall in expenditure stemmed from a substantial decline in capital expenditure, which posted a decrease of MVR593.1 million, followed by a decline in recurrent expenditure of MVR137.9 million.
- Overall, during the period January to November 2020, total revenue recorded a 36% decline, while total expenditure decreased by 2% when compared with the corresponding period of 2019.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR63.6 billion at the end of Q3-2020, a 10% increase from Q2-2020. Similarly, total government debt as a percentage of GDP increased to 110% at the end of Q3-2020.
 - During this period, the increase in government debt was primarily driven by domestic debt.

Government Revenue and Expenditure, 2017 - 2020

(millions of rufiyaa)

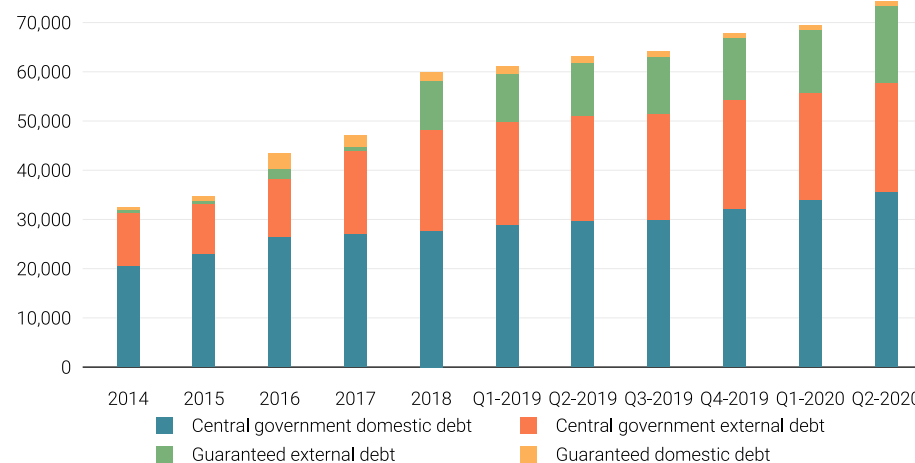


Source: Ministry of Finance

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

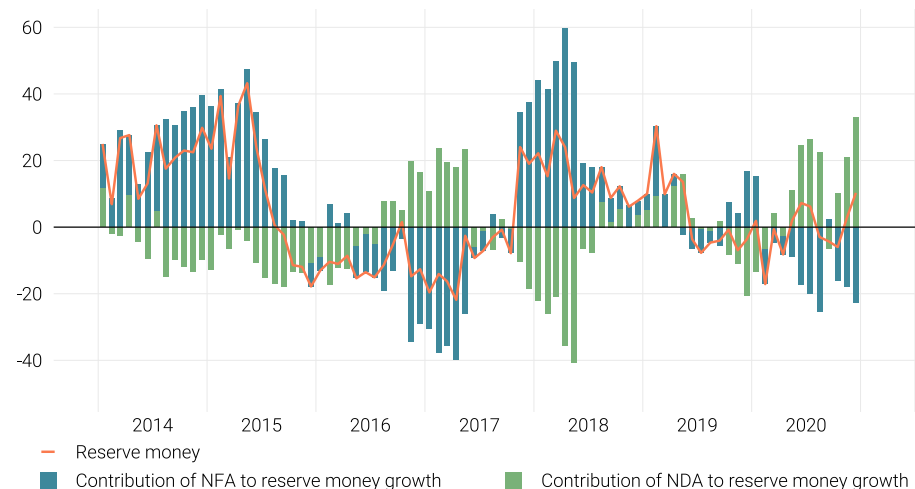
Monetary Developments

Reserve Money

- Annual reserve money (M0) growth accelerated to 10% at the end of December 2020, after recording a growth of 3% at the end of November 2020. The annual growth in reserve money stemmed from a significant increase in net domestic assets of the MMA, which offset the fall in net foreign assets.
 - Net foreign assets declined mainly owing to a surge in foreign liabilities, reflecting a base effect following the increase in such liabilities in April 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.

Sources of Reserve Money, 2014 - 2020

(annual percentage change, contribution percent)



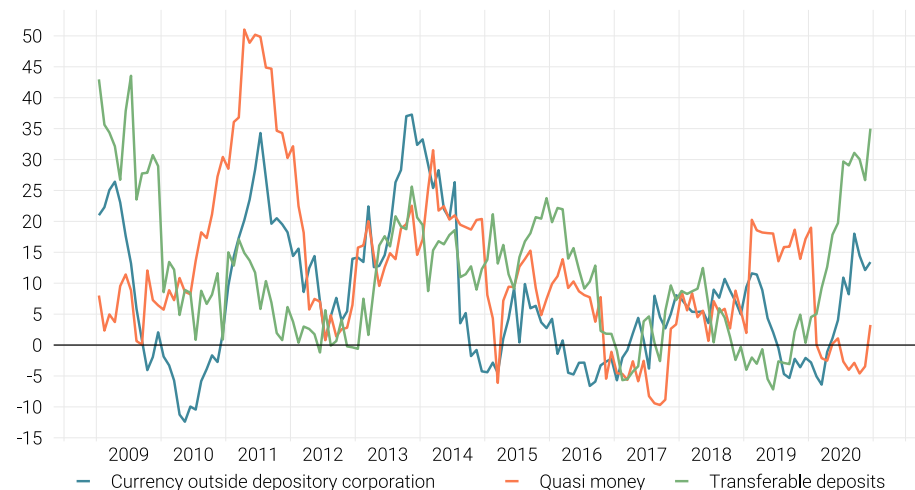
Source: Maldives Monetary Authority

Broad Money

- Annual broad money (M2) growth increased to 14% at the end of December 2020, after registering 8% during the previous month. 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, together with a marginal increase in foreign currency transferable deposits and saving deposits, despite the fall in time deposits denominated in foreign currency.
 - As for the sources, the annual broad money growth was driven by the increase in net domestic assets of the banking system, which stemmed from the significant rise in net claims on the central government by commercial banks and the MMA, as well as the increase in private sector credit. In contrast, net foreign assets posted a decline, largely owing to a surge in foreign liabilities of both the MMA and commercial banks which offset the increase in foreign assets of the MMA during the period.

Components of Broad Money, 2009 - 2020

(annual percentage change)



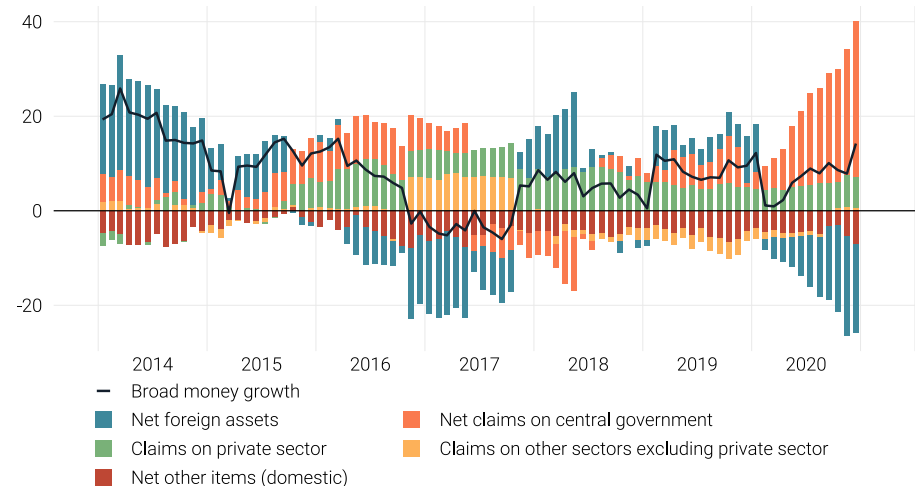
Source: Maldives Monetary Authority

Credit to Private Sector

- The annual growth of credit to the private sector by commercial banks decelerated to 9% at the end of December 2020, after recording 10% at the end November 2020. Meanwhile, the monthly growth in credit to the private sector marginally increased, recording 0.3% in December 2020.
- With regard to the composition of credit to the private sector, similar to the previous month, annual credit growth was observed in most of the main 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 19% during December 2020, 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, 2014 - 2020

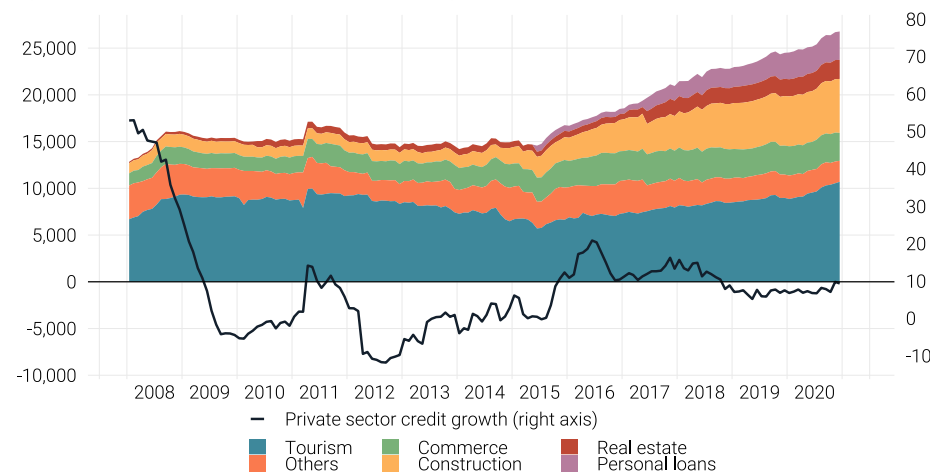
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Private Sector Credit, 2008 - 2020

(millions of rufiyaa, annual percentage change)



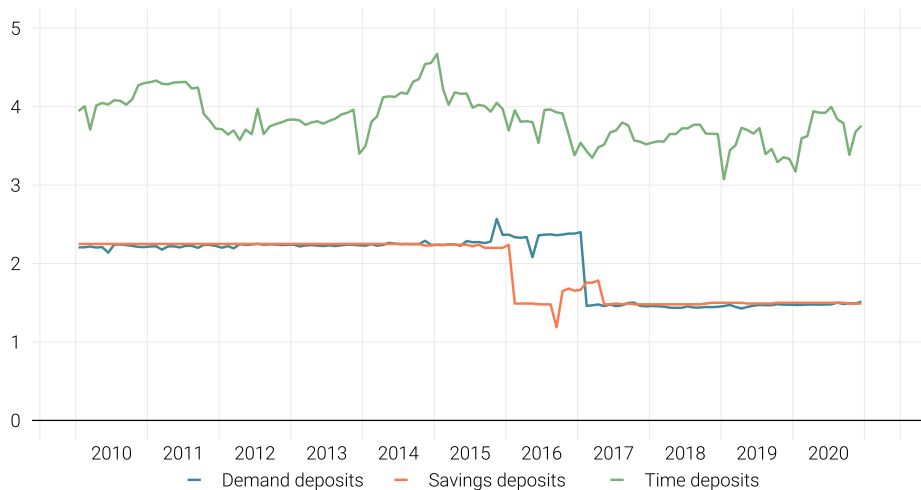
Source: Maldives Monetary Authority

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

Interest rates

Interest Rate on National Currency Deposits, 2010 - 2020

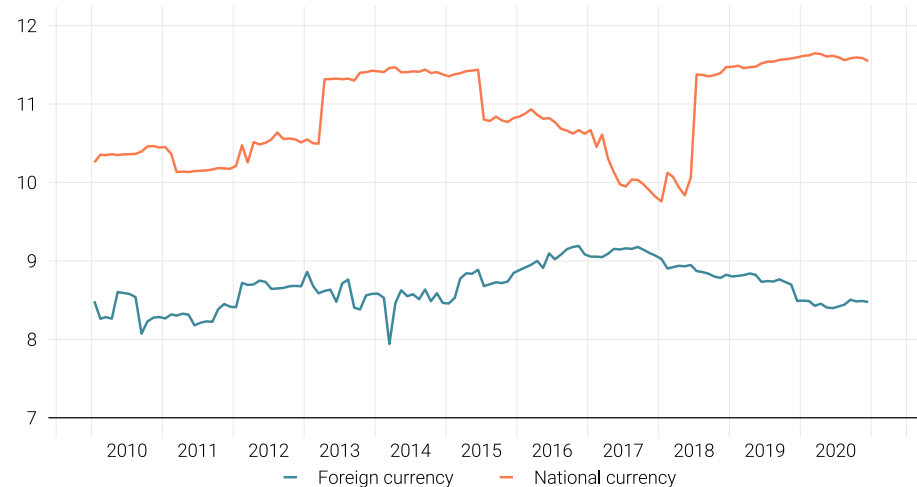
(weighted average)



Source: Maldives Monetary Authority

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

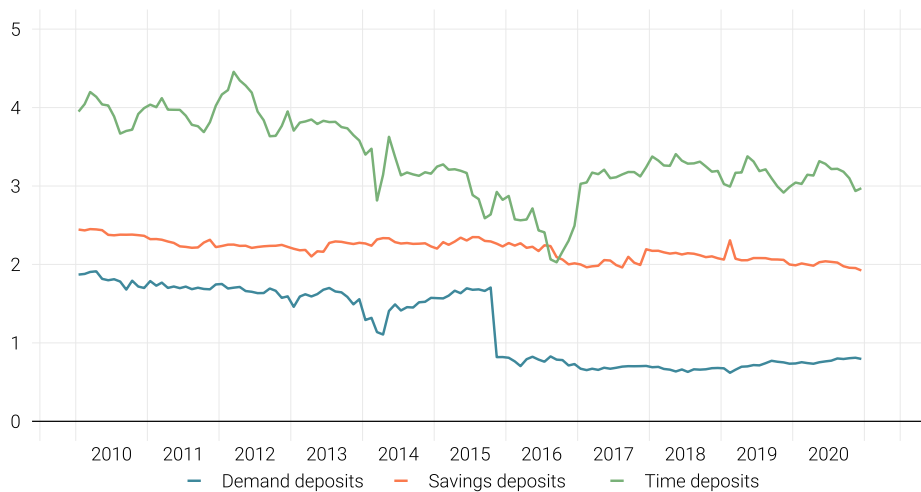
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2010 - 2020

(weighted average)

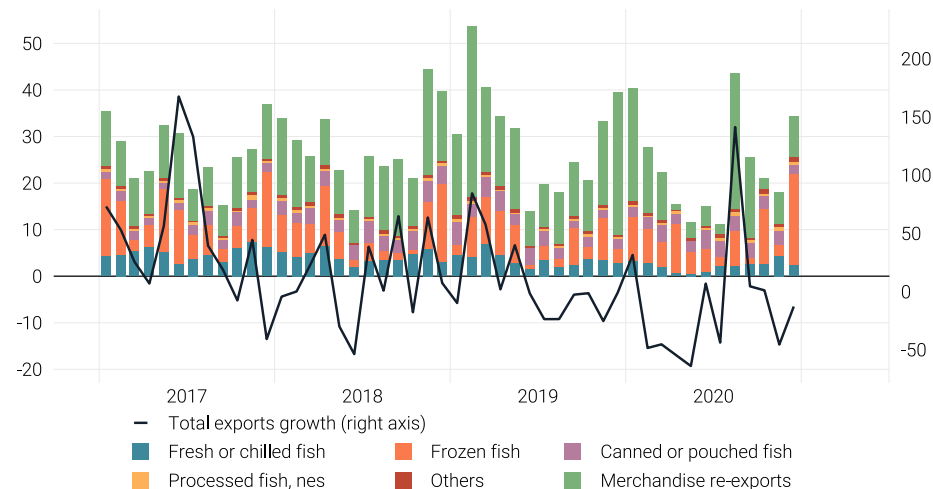


Source: Maldives Monetary Authority

External Trade

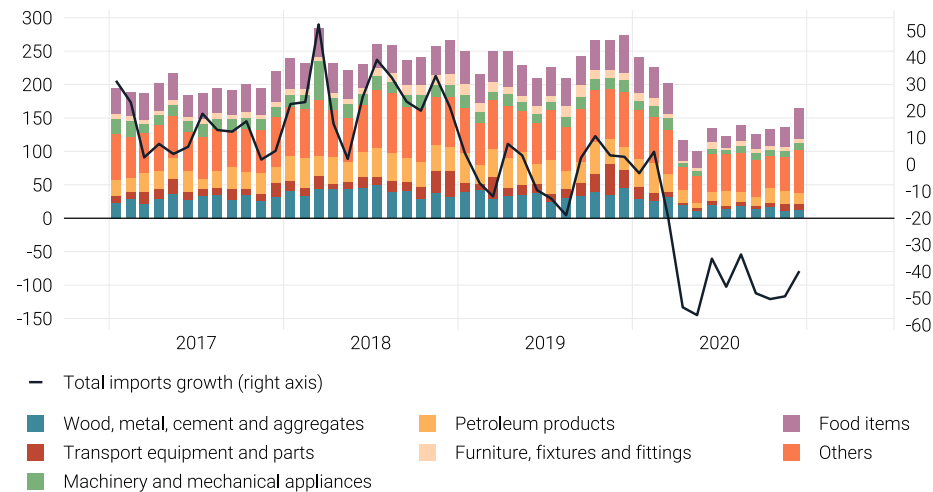
- Total exports (f.o.b) declined by 13% in December 2020 (45% in November 2020) when compared with December 2019, while total imports (c.i.f) observed an annual decline of 40% (49% in November 2020) during the period. In monthly terms, total exports increased significantly by 90%, while total imports increased by a sizable 22%.
 - The annual decline in total exports stemmed mainly from the decrease in re-exports, while domestic exports more than doubled during the period. The growth in domestic exports was primarily due to the sizeable increase in export earnings from frozen skipjack tuna, followed by frozen yellowfin tuna and processed fish, despite the fall in fresh or chilled yellowfin tuna and canned or pouched tuna export earnings.
 - As for the annual decline in total imports, the most significant decreases were observed in the imports of construction-related items; petroleum products; transport equipment and parts; and food items, although the decline was broad-based across all major import categories. In contrast, import of medical and surgical supplies observed a growth during the review month.
- Overall, during the period January to December 2020, total exports recorded a 21% decline (22% for January to November 2020), while total imports decreased by 36% (36% in November 2020) 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)

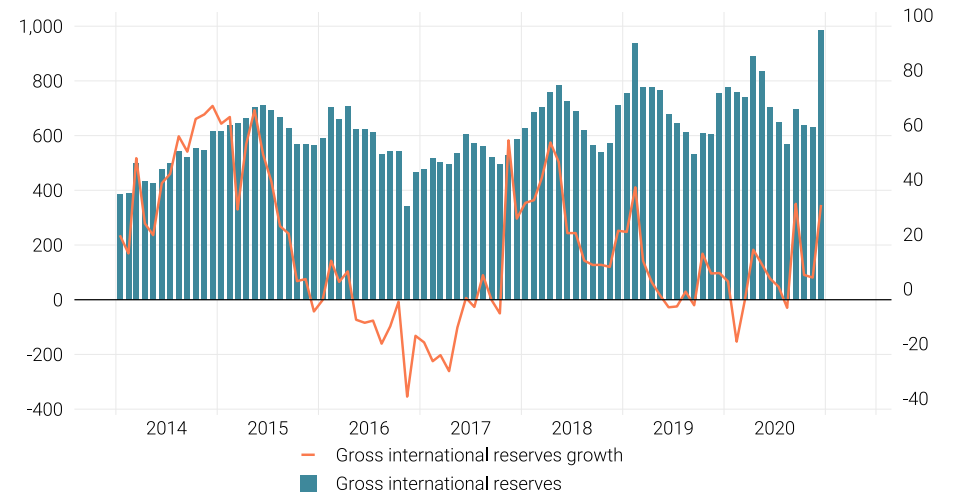


Source: Maldives Customs Service

Gross International Reserves

- Gross international reserves² (official reserve assets) increased to US\$984.8 million at the end of December 2020 from USD\$629.9 million at the end of November 2020 and US\$753.5 million at the end of December 2019.
 - This was an increase of 31% when compared with December 2019. Similarly, a growth of 56% was registered when compared with November 2020.

Gross International Reserves, 2014 - 2020
(millions of US dollars, annual percentage change)



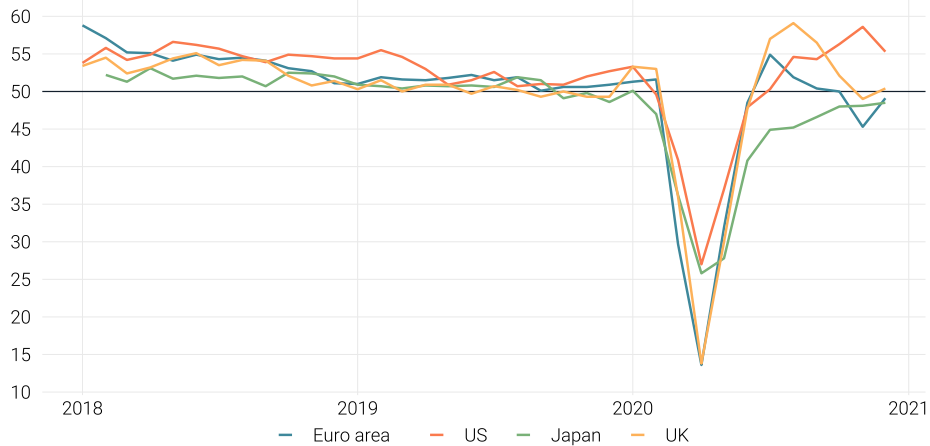
Source: Maldives Monetary Authority

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

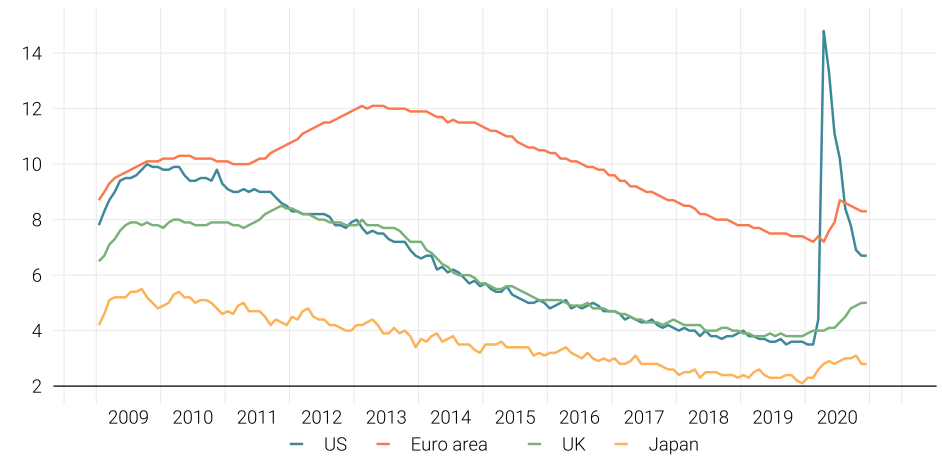
Global Output

Purchasing Manager's Index in the Advanced Economies, 2018 - 2020
(index points)



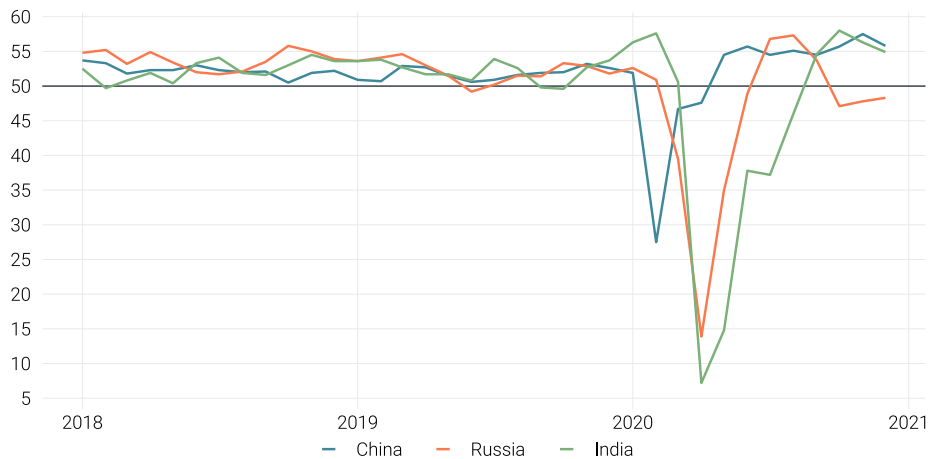
Source: Bloomberg Database

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



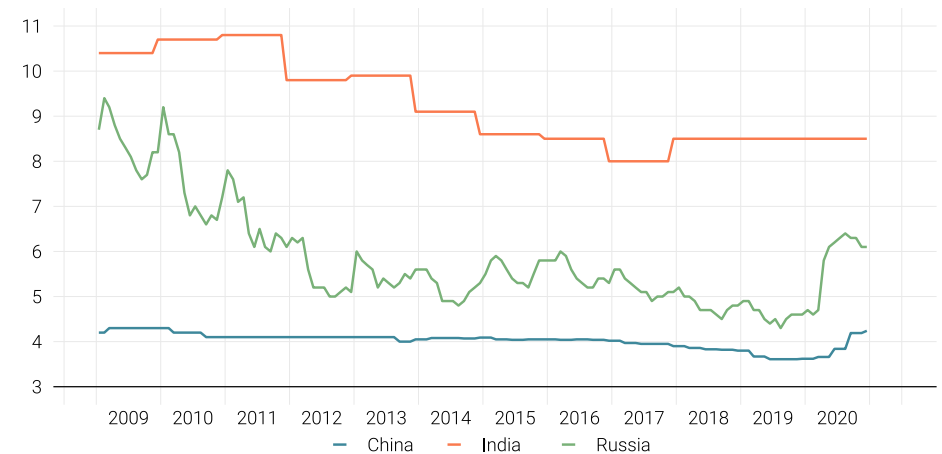
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2018 - 2020
(index points)



Source: Bloomberg Database

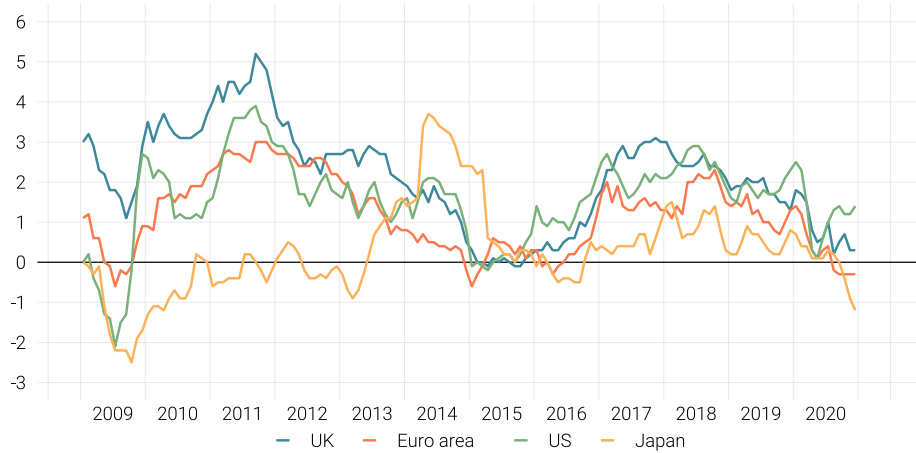
Unemployment in the Emerging Economies, 2009 - 2020
(percent)



Source: Bloomberg Database

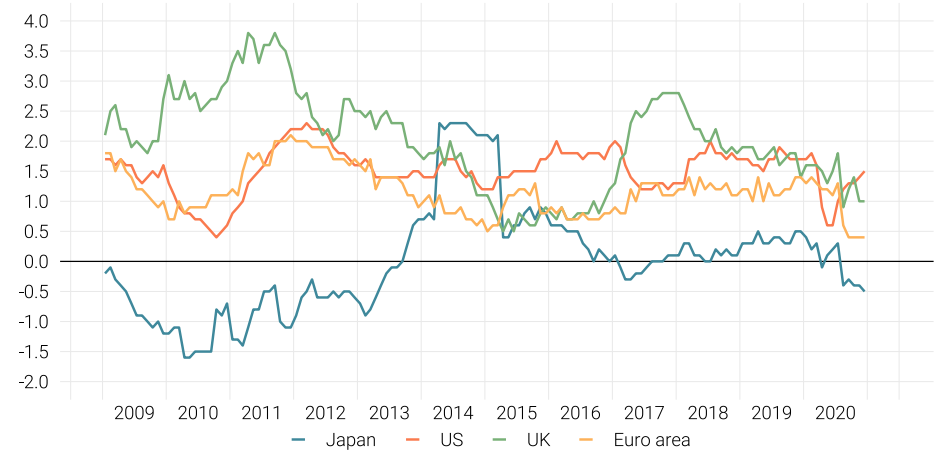
Global Inflation

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



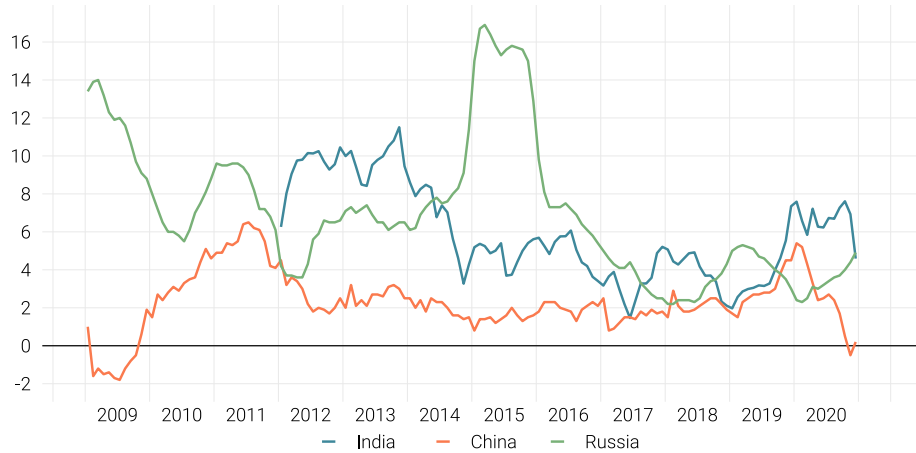
Source: Bloomberg Database

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



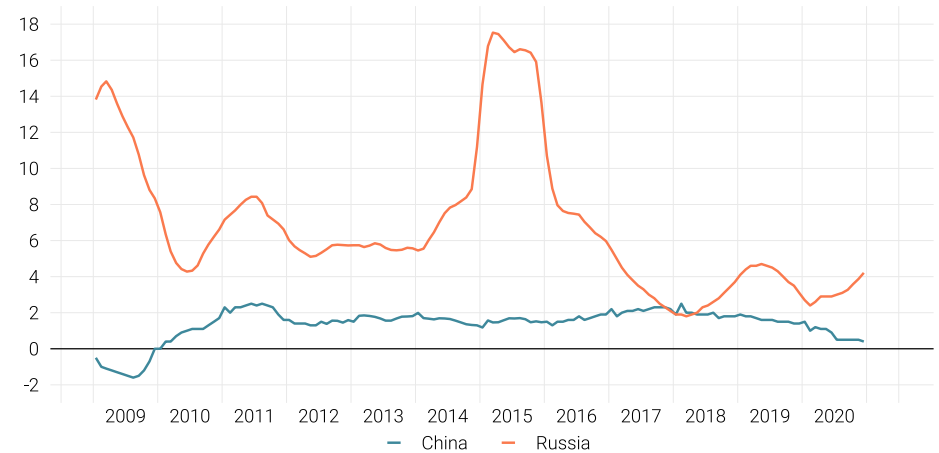
Source: Bloomberg Database

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



Source: Bloomberg Database

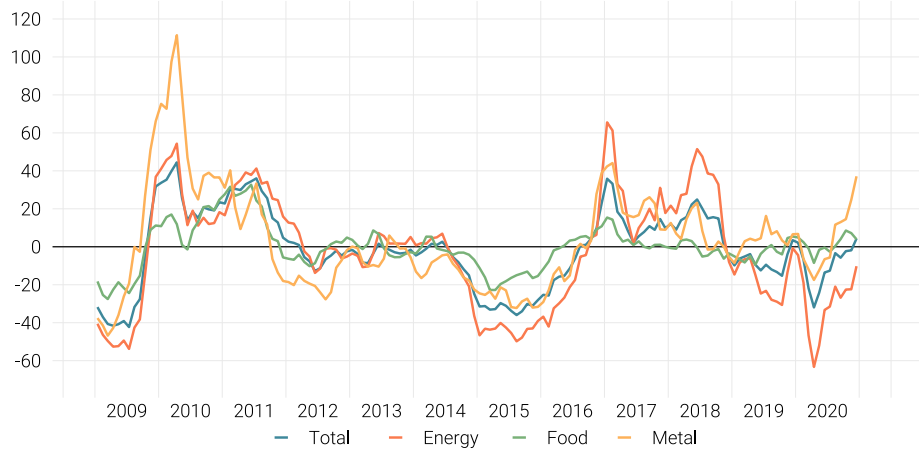
Core Inflation in the Emerging Economies, 2009 - 2020
(percent)



Source: Bloomberg Database

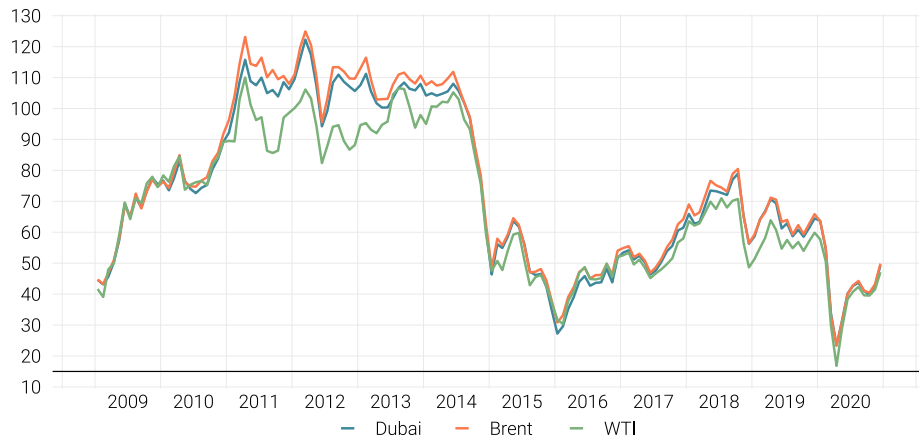
Commodity Prices

Commodity prices, 2009 - 2020
(annual percentage change)



Source: IMF

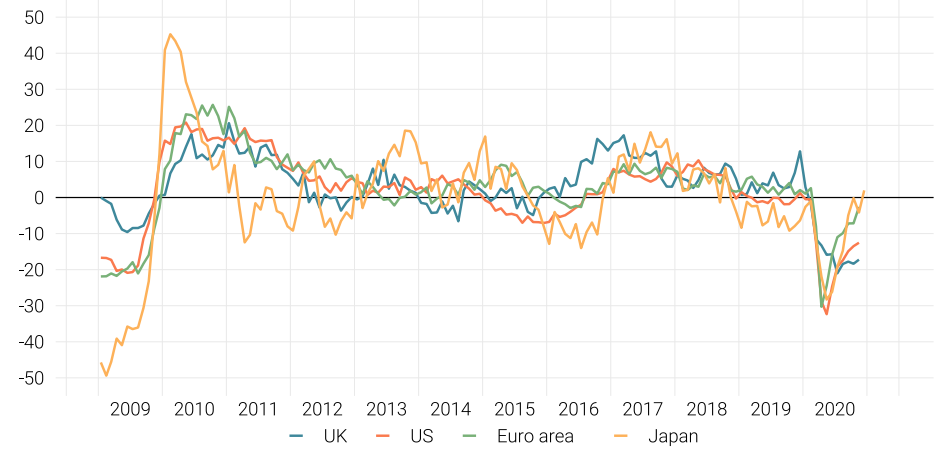
Oil prices, 2009 - 2020
(dollars per barrel)



Source: Bloomberg Database

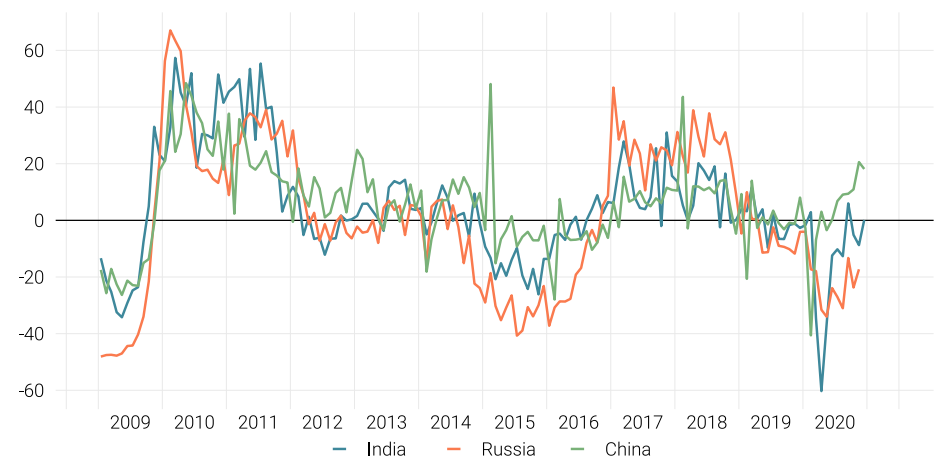
Global Trade

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



Source: Bloomberg Database

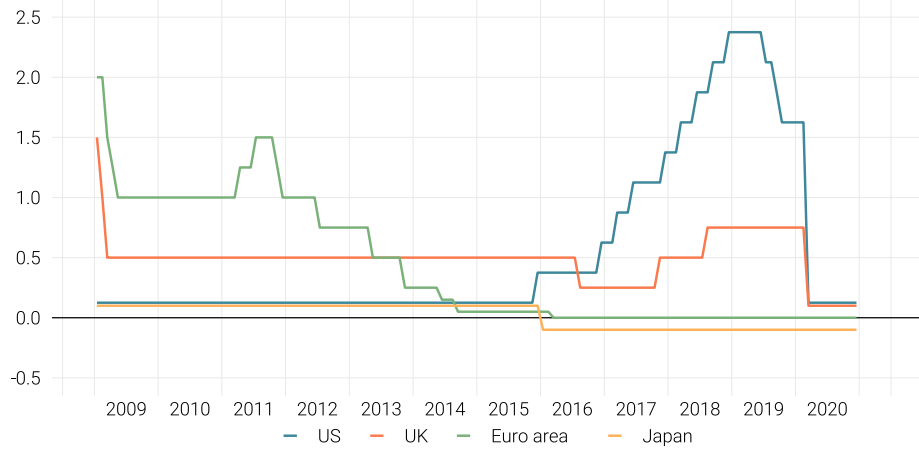
Exports in the Emerging Economies, 2009 - 2020
(annual percentage change)



Source: Bloomberg Database

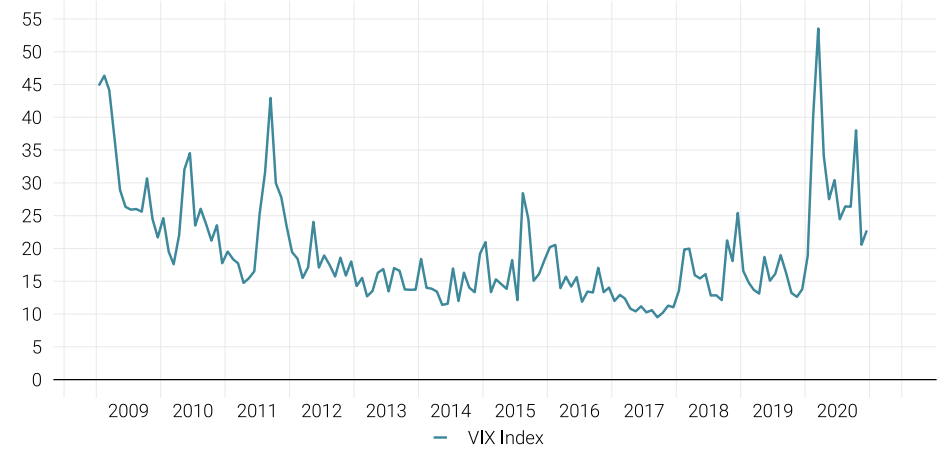
Global Financial Markets

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



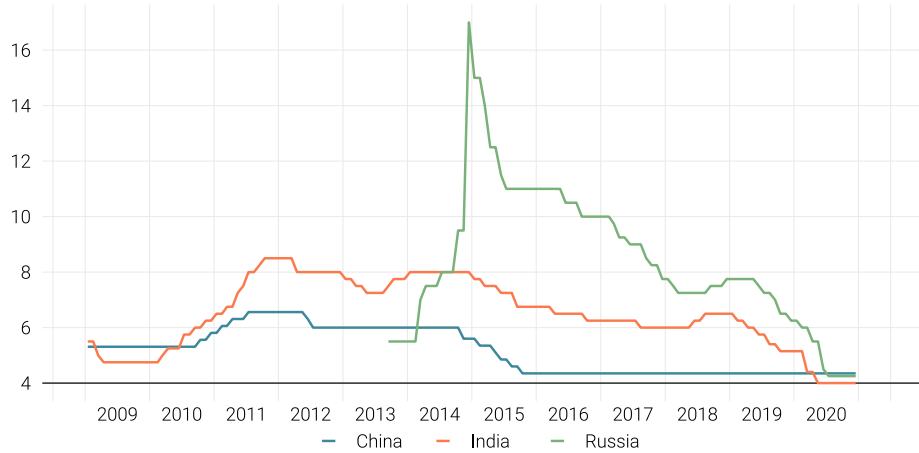
Source: Bloomberg Database

Volatility Index, 2009 - 2020
(percent)



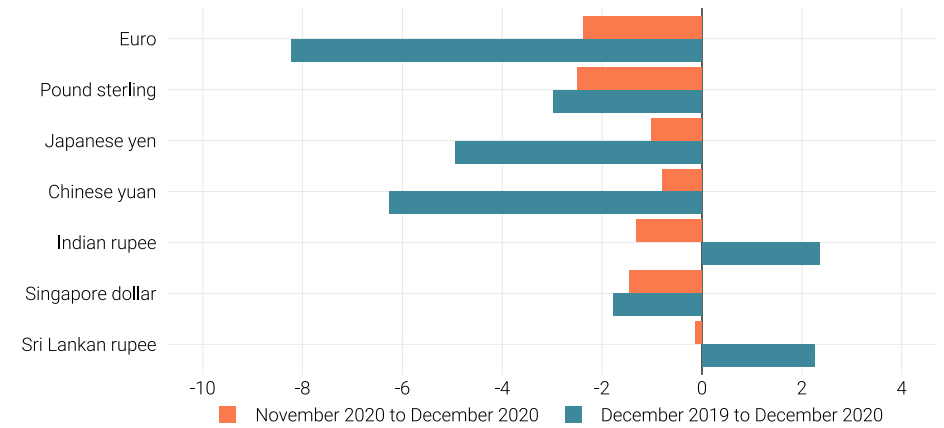
Source: Bloomberg Database

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



Source: Bloomberg Database

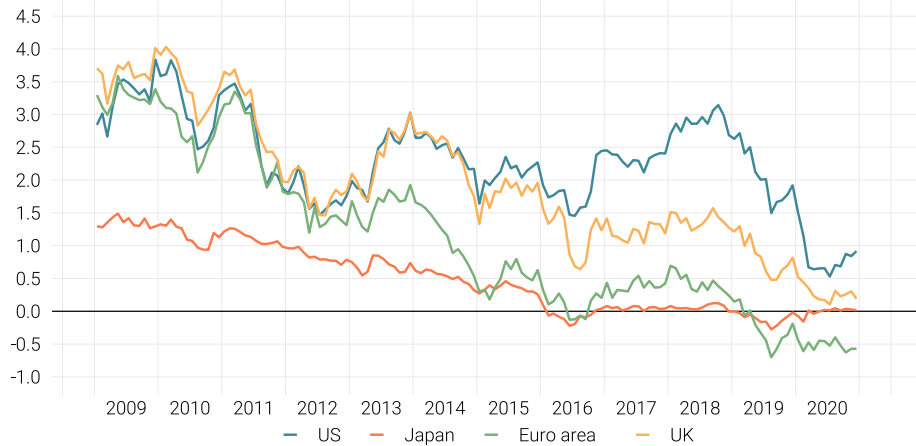
Exchange Rate of US Dollar against Currencies of Major Trading Partners, December 2020
(percentage change)



Source: Bloomberg Database

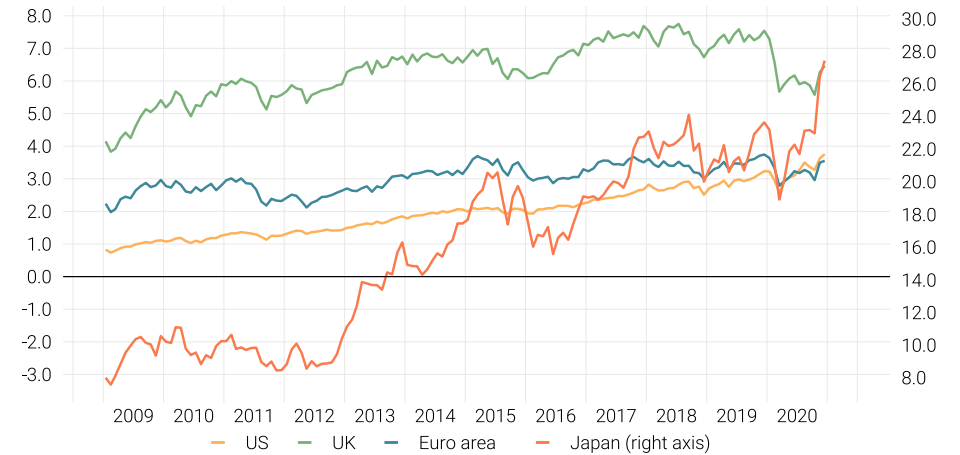
Global Financial Markets

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



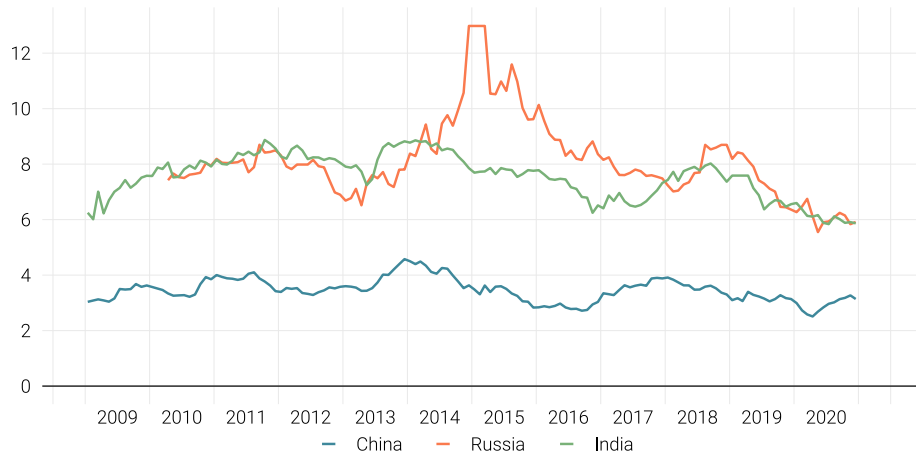
Source: Bloomberg Database

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



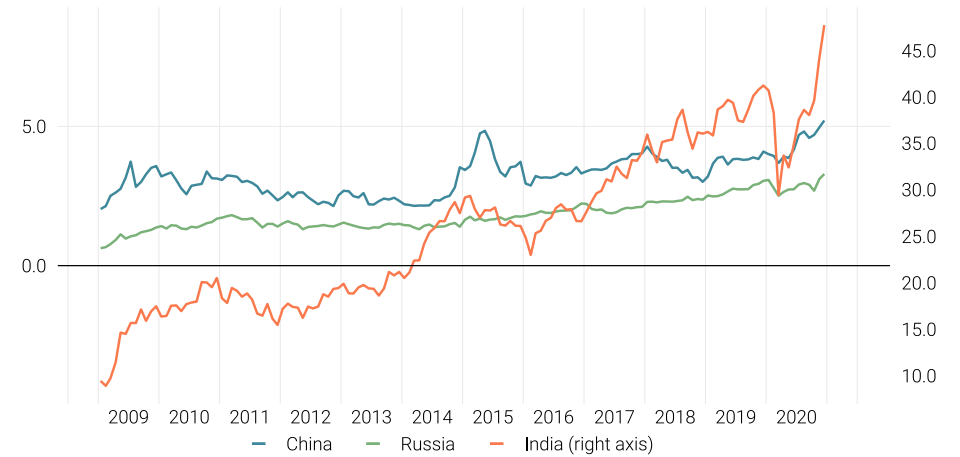
Source: Bloomberg Database

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



Boduthakurufaanu Magu

Male' - 20182

Republic of Maldives

Tel: (960) 3312343

Fax: (960) 3323862

Email: mail@mma.gov.mv

Website: www.mma.gov.mv