

MALDIVES MONETARY AUTHORITY

ECONOMIC UPDATE

MAY 2022

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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 May 2022.

Domestic Economic Developments

Real Economy

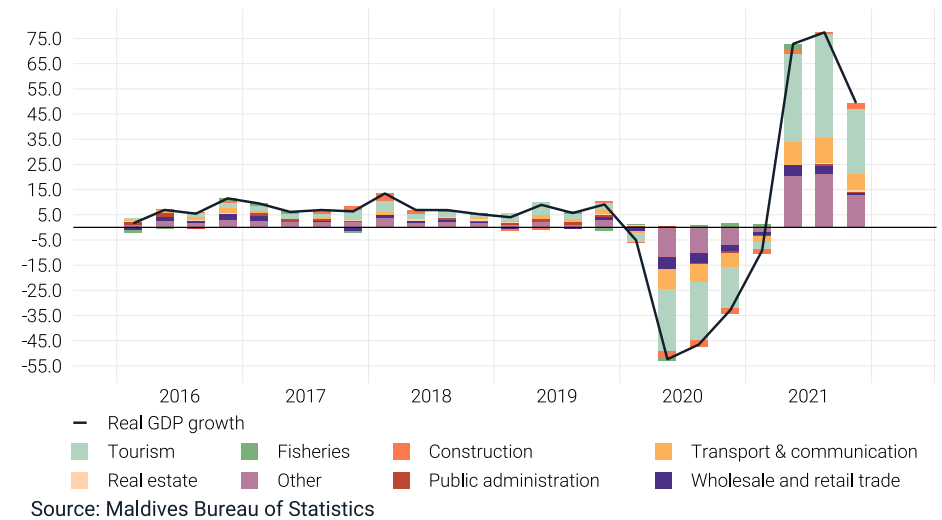
Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts for Q4-2021 released by the Maldives Bureau of Statistics (MBS), real GDP grew by 49.4% in Q4-2021, compared to the corresponding quarter of 2020, following a growth of 77.4% in Q3-2021. Further, annual real GDP growth was 0.4% higher than the pre-pandemic levels of Q4-2019.
 - The strong rebound in annual real GDP growth during Q4-2021, was mainly driven by the robust recovery of the tourism sector, largely mirroring the base effect of the gradual pickup in tourist arrivals, since the re-opening of international borders in July 2020. In addition, positive contributions were observed in other major sectors of the economy such as transportation and communication, construction, and wholesale and retail trade. Similarly, when compared with the preceding quarter, real GDP observed a marked increase, amid the commencement of the peak season of the tourism sector during the quarter.

Annual GDP Growth Forecast

- According to preliminary estimates, based on the latest Quarterly National Accounts released by the MBS in April 2022, annual real GDP grew by 37.0% in 2021, after a significant decline of 33.5% in 2020 due to the sharp contraction in tourism sector and other major sectors, owing to the impact of the COVID-19 pandemic. Going forward, based on forecasts made in October 2021¹, real GDP is projected to grow by 12.0% in 2022.

Contribution to Real GDP Growth by Economic Sectors, 2016 - 2021
(annual percentage change, percentage point contribution)



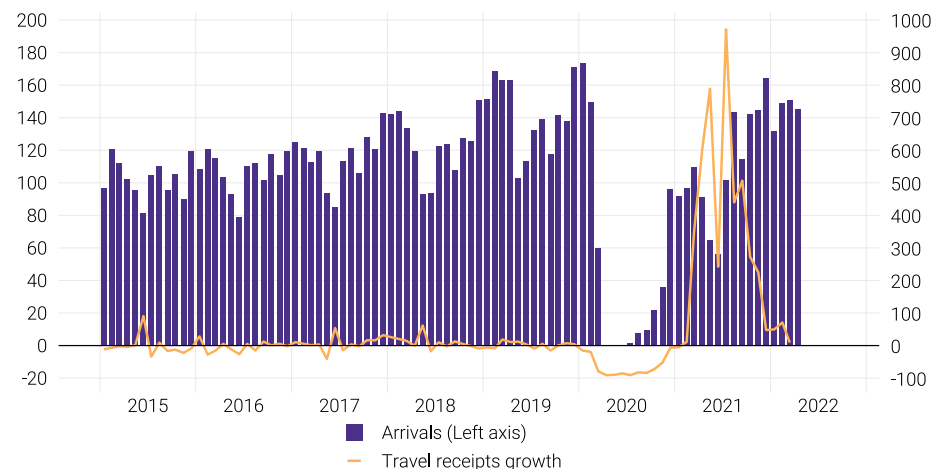
¹According to the growth forecast scenarios estimated by the MMA and the Ministry of Finance.

Tourism

- In April 2022, both tourist arrivals and bednights increased significantly (by 59% and 30%, respectively) when compared with April 2021. However, tourist arrivals remain below pre-pandemic levels of April 2019. Total tourist arrivals, which totalled 145,280 in April 2022, registered a decline of 11% when compared with April 2019, while bednights declined by 1% during the same period.
 - The annual increase in tourist arrivals mainly reflected the surge in arrivals from India and the main source markets of Europe. During the month, the highest number of tourist arrivals were recorded from the United Kingdom, India, Germany, Italy and the United States. Arrivals from Russia, which was the second largest source market in the last two years, declined by 73% compared to February 2022, and its market share fell from the first position to the seventh position in the review month, reflecting the war in Ukraine.
- The operational bed capacity of the tourism industry observed an increase of 6,581 beds when compared with April 2021, while the occupancy rate rose to 59% in April 2022, from 52% in April 2021.
- Overall, for the period of January to April 2022, total tourist arrivals increased by 48% in annual terms while bednights increased by 37%. Compared to pre-pandemic levels of 2019, tourist arrivals recorded a decline of 11%, although bed nights registered a growth of 10%. In April 2022, the average stay declined to 8.4 days, from 9.0 days in the corresponding period of 2021.

Tourism, 2015 - 2022

(thousands, annual percentage change)

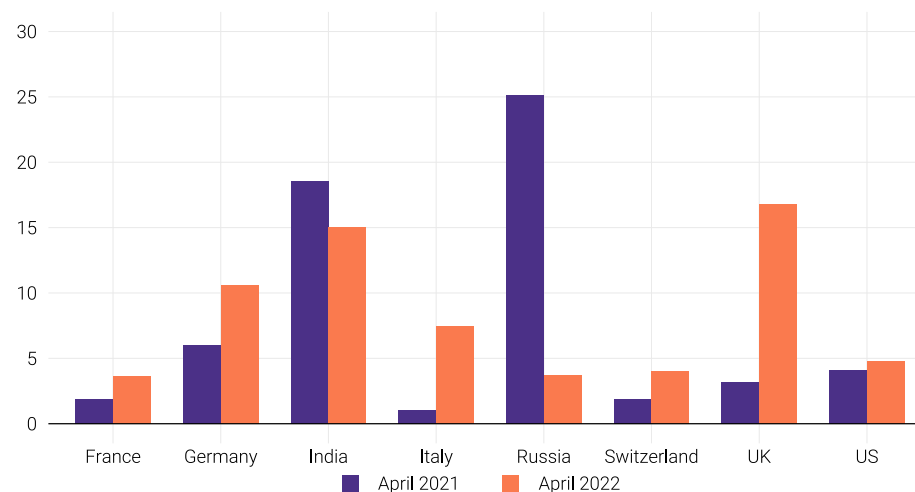


Source: Ministry of Tourism

Note: Tourism receipts available up to March 2022.

Shares of Key Inbound Markets

(percent)

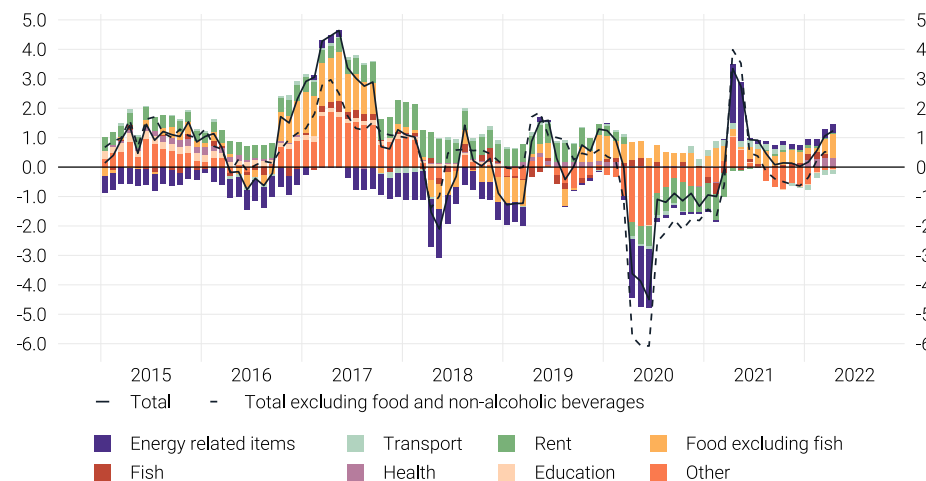


Source: Ministry of Tourism

Inflation

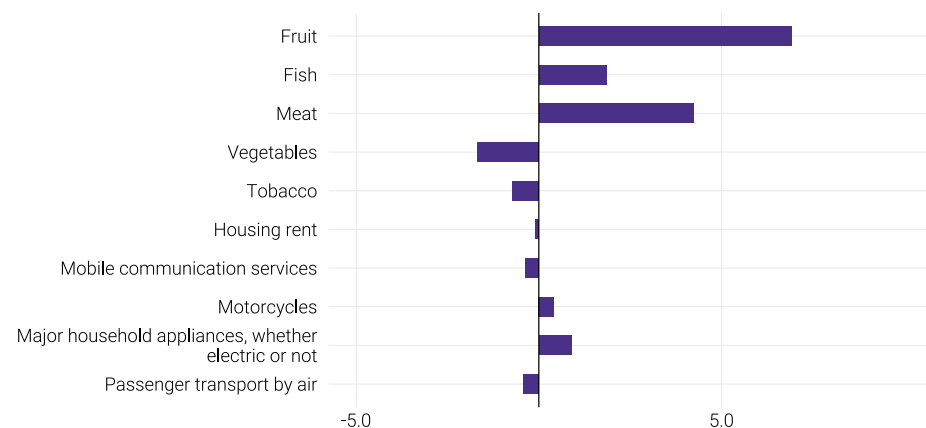
- The rate of inflation, as measured by the annual percentage change in the national CPI, edged up to 1.2% in April 2022, from 1.1% in March 2022.
 - From the major categories of the CPI, the largest contributors to the annual rate of inflation during April 2022 were petrol for personal transport equipment (0.3 percentage points); fruits (0.3 percentage points); medicines (0.2 percentage points); restaurants and cafés (0.2 percentage points); meat (0.2 percentage points); vegetables (0.1 percentage points); mobile communication services (-0.7 percentage points); and passenger transport by air (-0.2 percentage points).
- The monthly percentage change in the national CPI slightly decelerated to 0.27% in April 2022, from 0.29% in March 2022.
 - The largest contribution to the monthly rate of inflation came from fruits (0.15 percentage points); fish (0.08 percentage points); meat (0.05 percentage points); motorcycles (0.01 percentage points); vegetables (-0.04 percentage points); tobacco (-0.01 percentage points) and housing rent (-0.01 percentage points).

Contribution of Major Categories to CPI Inflation (National), 2015 - 2022
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

Monthly Changes of Subcategories of CPI Inflation (National), April 2022
(monthly percentage change)



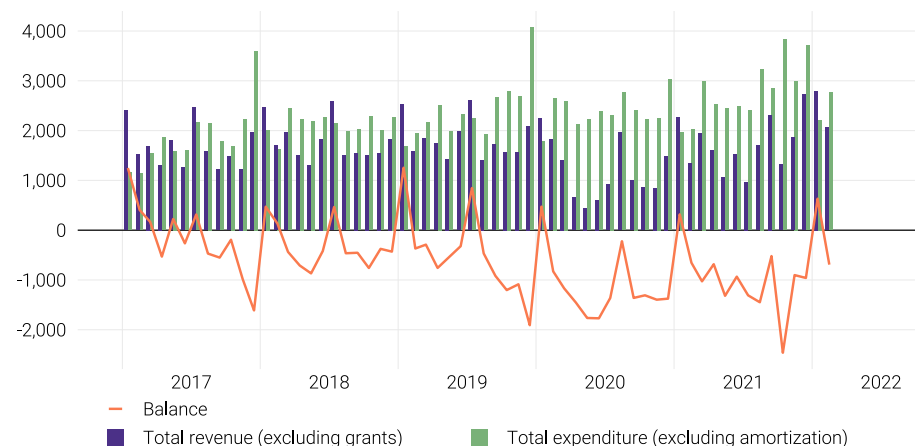
Source: Maldives Bureau of Statistics
Note: Ordered by the size of the contribution.

Public Finance

- According to the latest available data, total revenue (excluding grants) observed an increase of MVR705.5 million (or 52%) in February 2022 when compared with February 2021, mainly driven by a growth in tax revenue, followed closely by a growth in non-tax revenue. As such, tax revenue rose by MVR376.0 million, while non-tax revenue increased by MVR328.1 million.
- Total expenditure (excluding amortisation) rose by MVR738.5 million (or 36%) in February 2022 when compared with February 2021, mainly due to an increase in recurrent expenditure, which posted an increment of MVR554.7 million, while capital expenditure increased by MVR183.9 million.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR84.8 billion at the end of Q1-2022, a 6% increase from Q4-2021. Meanwhile, total government debt as a percentage of GDP fell to 97% at the end of Q1-2022 from 104% in Q4-2021.
 - During this period, the increase in government debt was primarily driven by domestic debt.

Government Revenue and Expenditure, 2017 - 2022

(millions of rufiyaa)

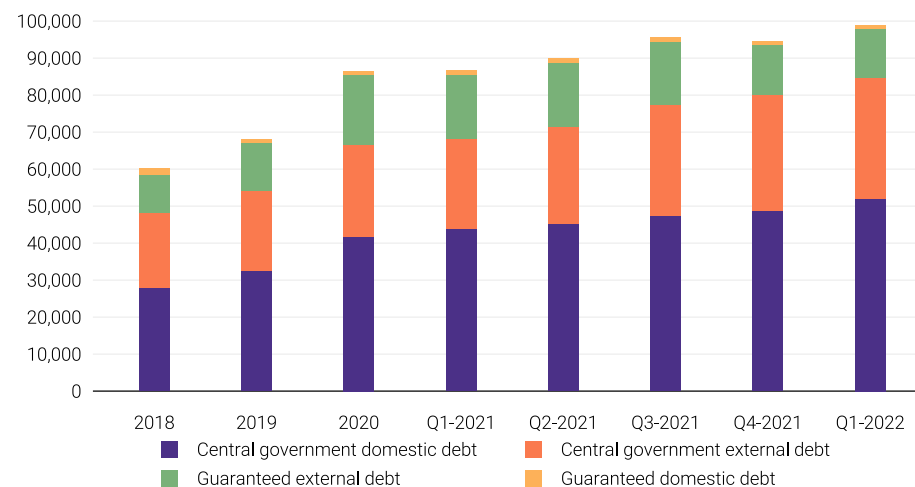


Source: Ministry of Finance

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

Total Outstanding Stock of Public Debt, 2018 - 2022

(millions of rufiyaa)



Source: Ministry of Finance

Monetary Developments

Reserve Money

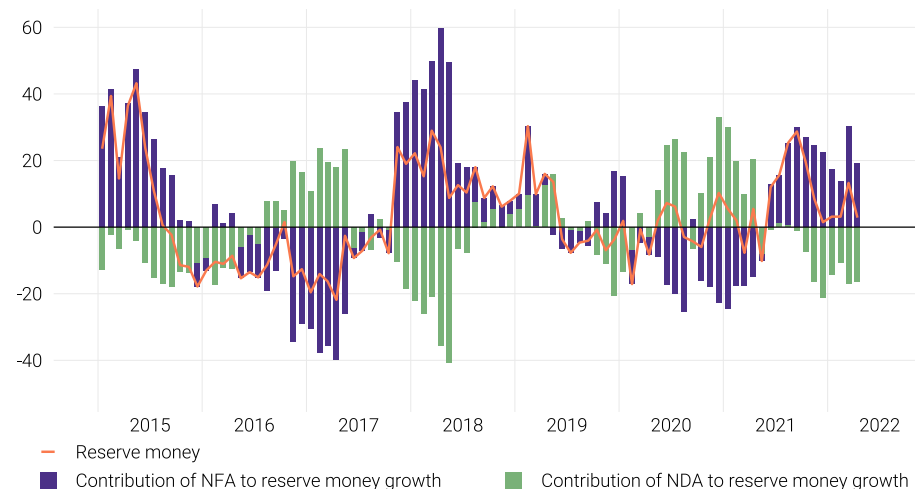
- Annual reserve money (M0) growth declined to 3% at the end of April 2022, from 13% at the end of March 2022, mainly owing to a slowdown in growth in net foreign assets of the MMA, followed by a decline in net domestic assets as well.
 - Despite the decline in foreign asset accumulation, net foreign assets registered a growth owing to the significant decline in foreign liabilities, largely reflecting the base effect of the repayment of the swap with the Reserve Bank of India (RBI). Meanwhile, net domestic assets declined mainly due to the increase in overnight deposit facility (ODF) placements by the commercial banks, as well as due to the fall in claims on commercial banks and net claims on central government.

Broad Money

- Annual broad money (M2) growth decelerated to 21% at the end of April 2022 from 26% in March 2022.
 - On the components side, the annual growth in broad money was primarily driven by an increase in quasi money, mainly owing to a substantial growth in transferable deposits denominated in foreign currency, together with both time and savings deposits denominated in local currency and foreign currency. Meanwhile, narrow money also observed a notable increase, owing to a substantial increase in transferable deposits in local currency.
 - As for the sources, the annual broad money growth was mainly driven by the significant rise in net foreign assets, mainly owing to the increase in foreign assets of the banking system, together with the decline in foreign liabilities of the banking system. Similarly, net domestic assets also increased, due to the rise in net claims on the central government by the commercial banks, while the growth in credit to public nonfinancial corporations and private sector also contributed notably.

Sources of Reserve Money, 2015 - 2022

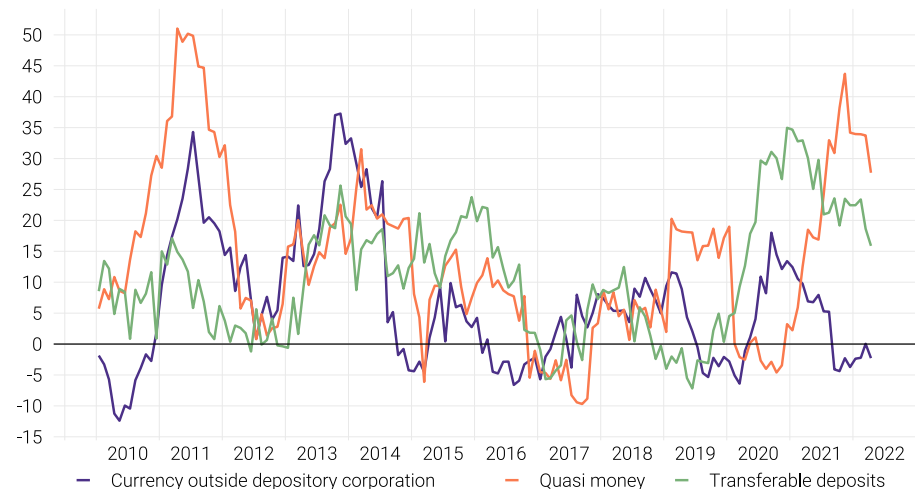
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Components of Broad Money, 2010 - 2022

(annual percentage change)



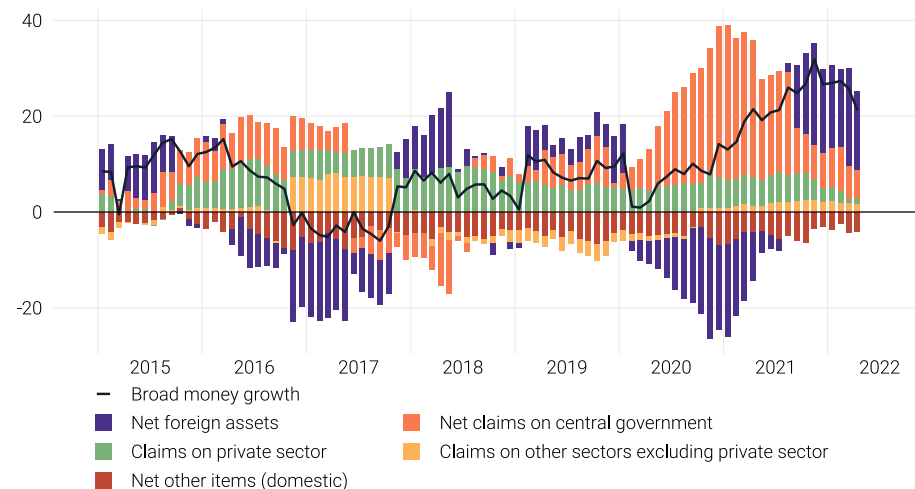
Source: Maldives Monetary Authority

Credit to Private Sector

- The annual growth rate of credit to the private sector by the commercial banks remained unchanged at 2% at the end of April 2022.
 - As for the composition of credit to the private sector, while credit extended to the tourism sector registered an annual decline of 5% in April 2022, growth rates were observed in credit extended to other major sectors (construction, personal loans, commerce and real estate), with credit extended as personal loans having observed the largest increase.
 - The annual decline in credit to the tourism sector was mainly driven by a marked decline in credit lent for new resort development and renovation of resorts, despite the increase in credit lent in the form of working capital.

Contribution to Broad Money, 2015 - 2022

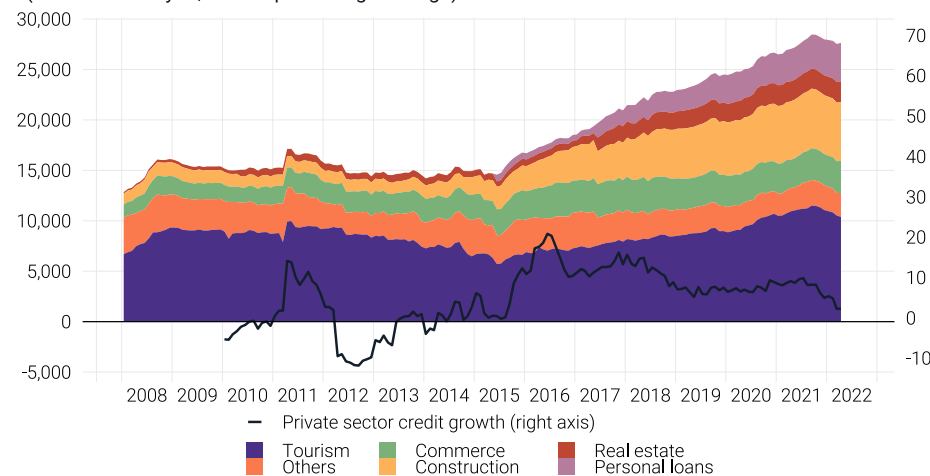
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Private Sector Credit, 2008 - 2022

(millions of rufiyaa, annual percentage change)



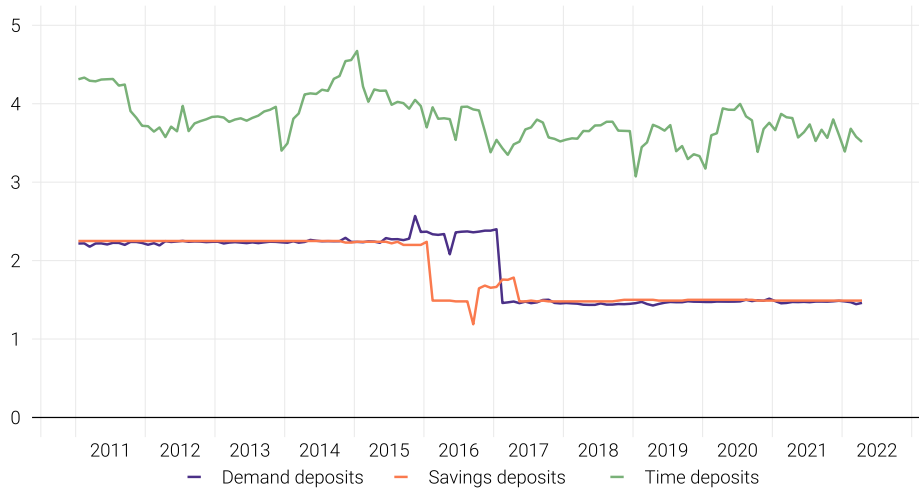
Source: Maldives Monetary Authority

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

Interest rates

Interest Rate on National Currency Deposits, 2011 - 2022

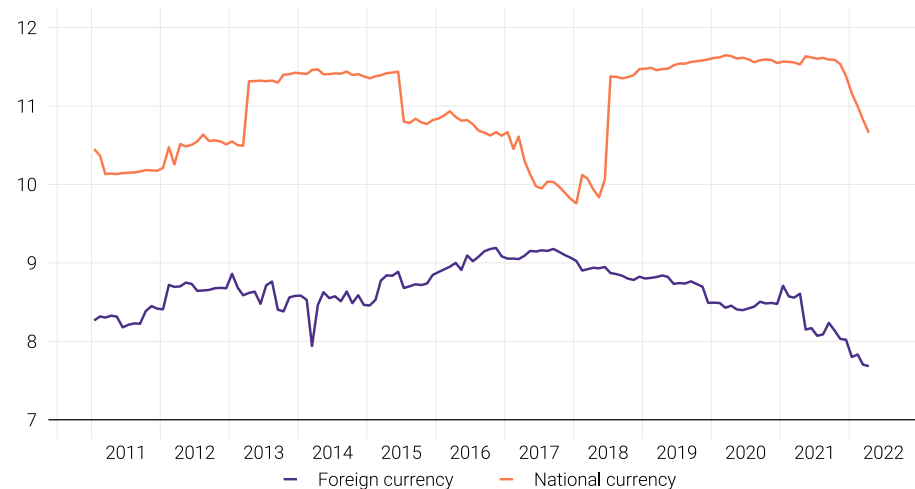
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Private Sector Loans and Advances, 2011 - 2022

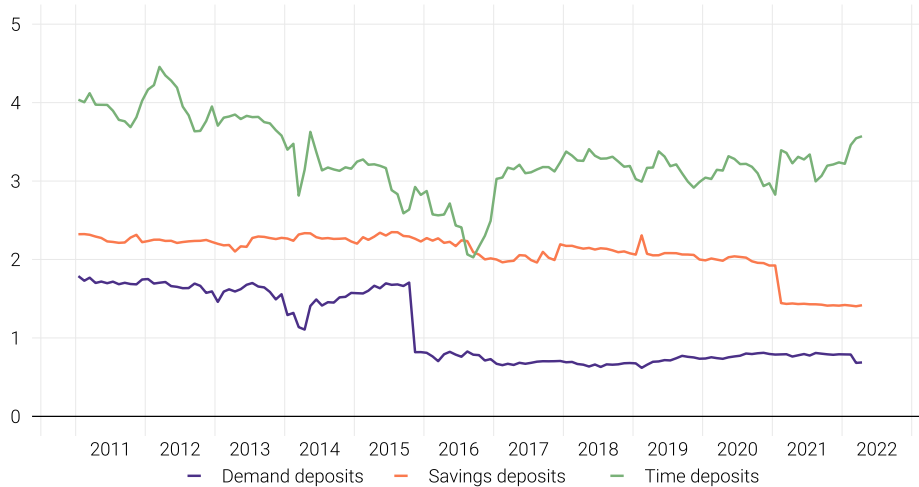
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2011 - 2022

(weighted average)



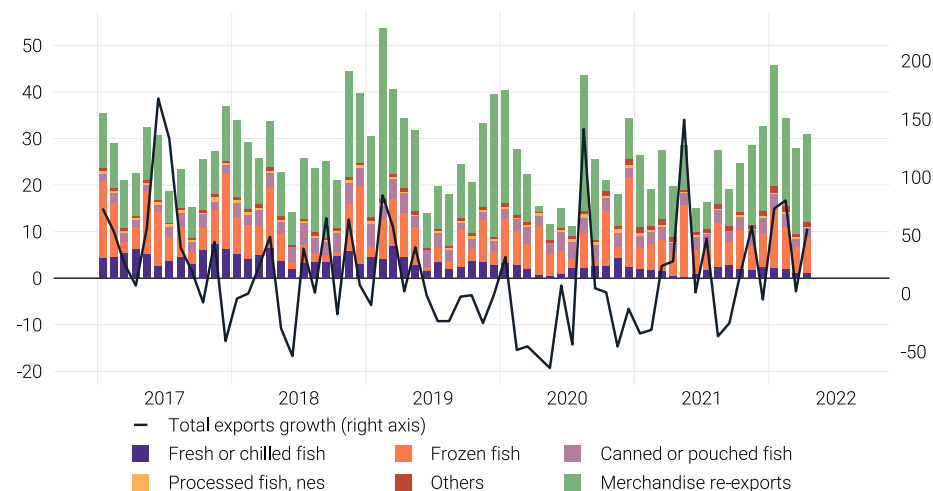
Source: Maldives Monetary Authority

External Trade

- Total exports (f.o.b) increased significantly by 56% in April 2022 when compared with April 2021, while total imports (c.i.f) increased by 63% during the same period. In monthly terms, both total exports and total imports increased by 10% and 70% in April 2022, respectively.
 - The annual increase in total exports stemmed mainly from the growth in re-exports, together with increase in domestic exports. The increase in re-exports was primarily due to re-exports of jet fuel. Meanwhile, domestic exports increased mainly owing to the increase in earnings from frozen yellowfin tuna, along with the increase in export earnings from fresh or chilled yellowfin tuna and frozen skipjack tuna.
 - As for the annual increase in total imports, the most significant increase was observed in the imports of petroleum products. Further, increases were observed in import of construction-related imports, electrical and electronic machinery and equipments and parts, transport equipments and parts, machinery and mechanical appliances and parts and food items.
- Overall, for the period of January to April 2022, total exports increased by 50% when compared with the corresponding period of 2021, while total imports increased by 30%.

Total Exports, 2017 - 2022

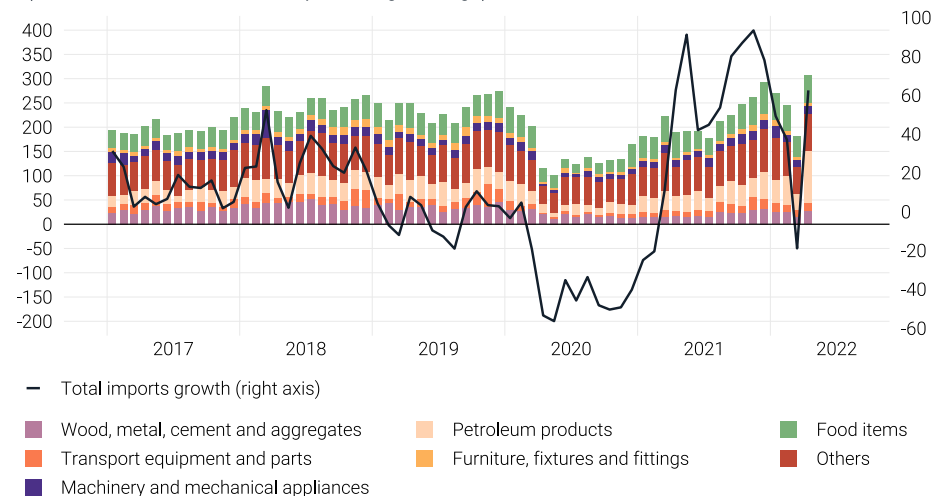
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

Total Imports, 2017 - 2022

(millions of US dollars, annual percentage change)



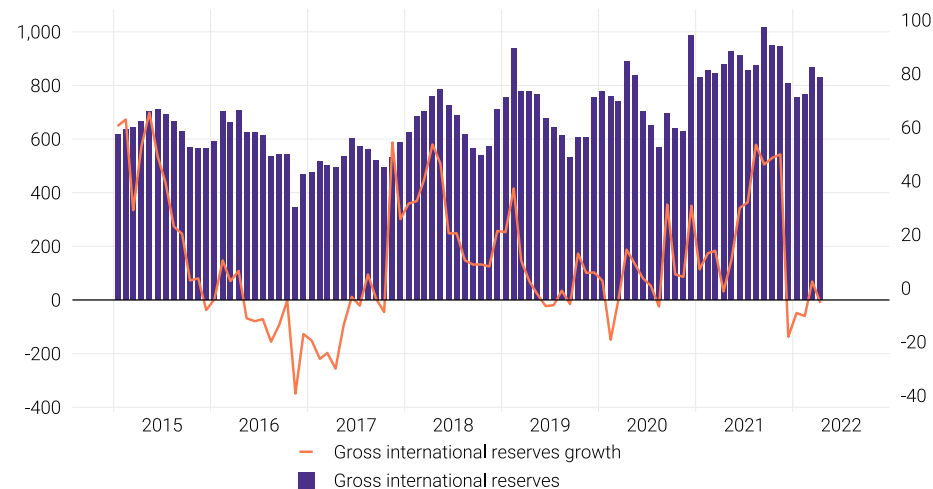
Source: Maldives Customs Service

Gross International Reserves

- Gross international reserves² (official reserve assets) declined to US\$829.0 million at the end of April 2022, from US\$865.2 million at the end of March 2022. Similarly, this was a decline from the US\$878.0 million recorded at the end of April 2021.
- In terms of growth rates, gross international reserves recorded a 4% decline when compared with March 2022, while a decline of 6% was registered when compared with April 2021.

Gross International Reserves, 2015 - 2022

(millions of US dollars, annual percentage change)



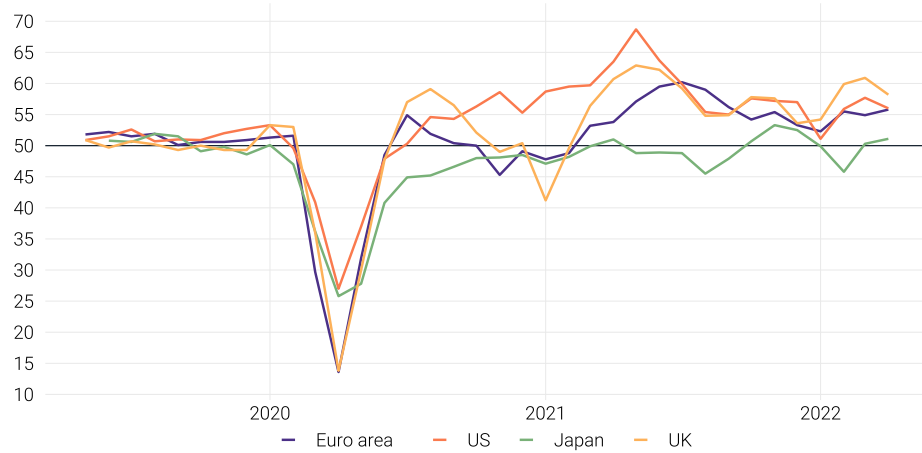
Source: Maldives Monetary Authority

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

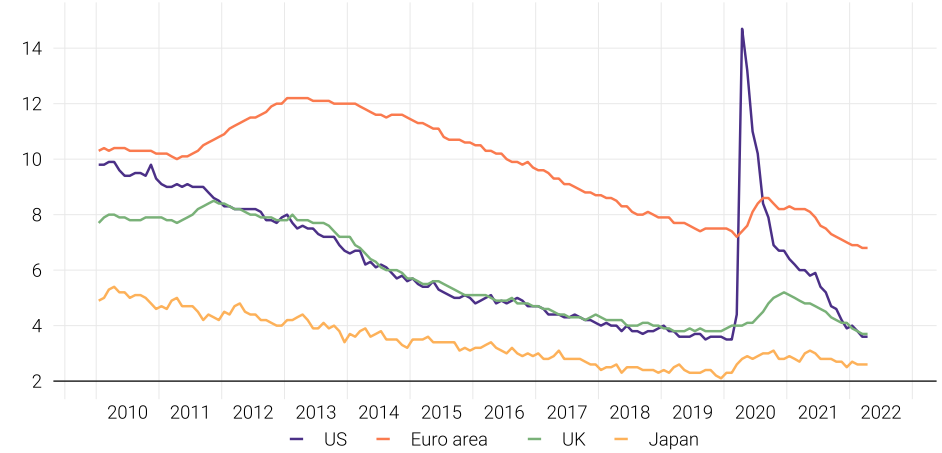
Global Output

Purchasing Manager's Index in the Advanced Economies, 2019 - 2022
(index points)



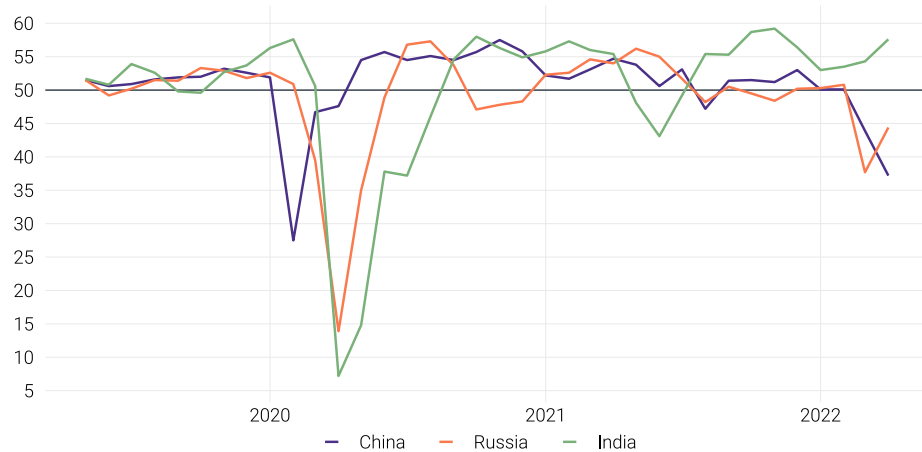
Source: Bloomberg Database

Unemployment in the Advanced Economies, 2010 - 2022
(percent)



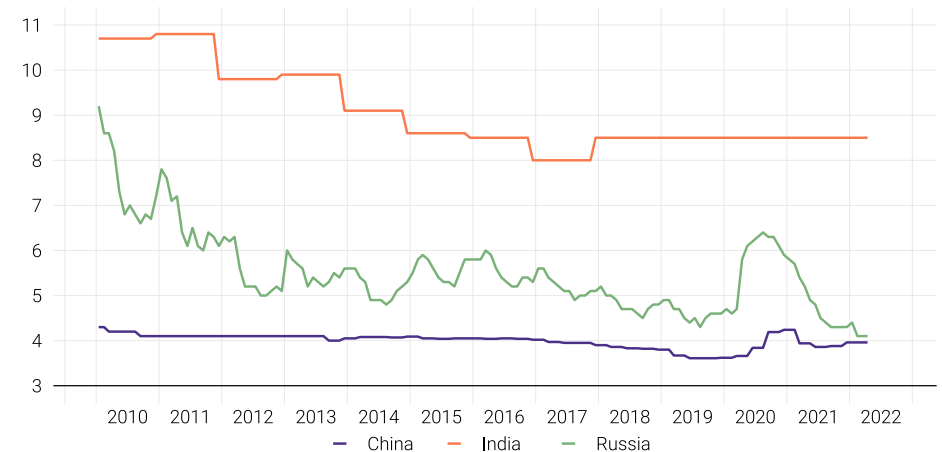
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2019 - 2022
(index points)



Source: Bloomberg Database

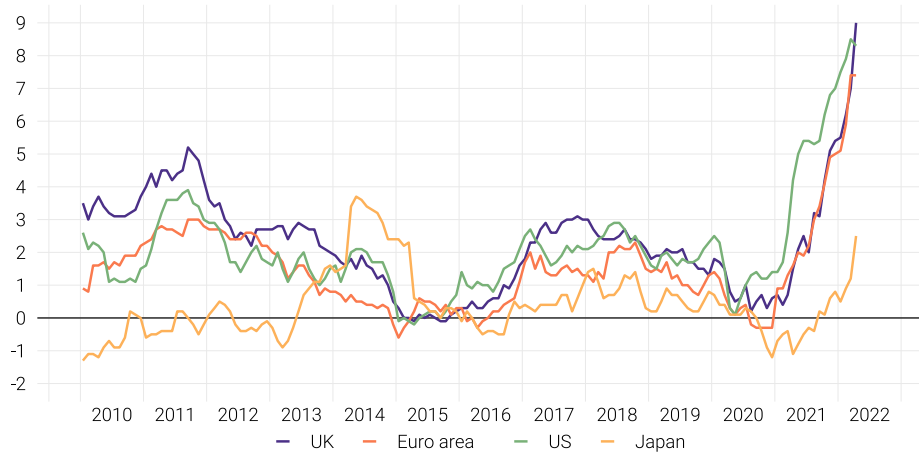
Unemployment in the Emerging Economies, 2010 - 2022
(percent)



Source: Bloomberg Database

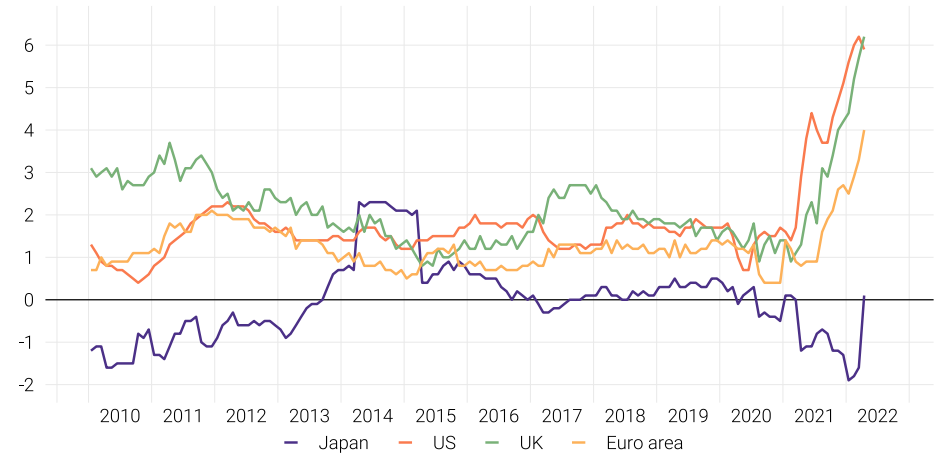
Global Inflation

Inflation in the Advanced Economies, 2010 - 2022
(percent)



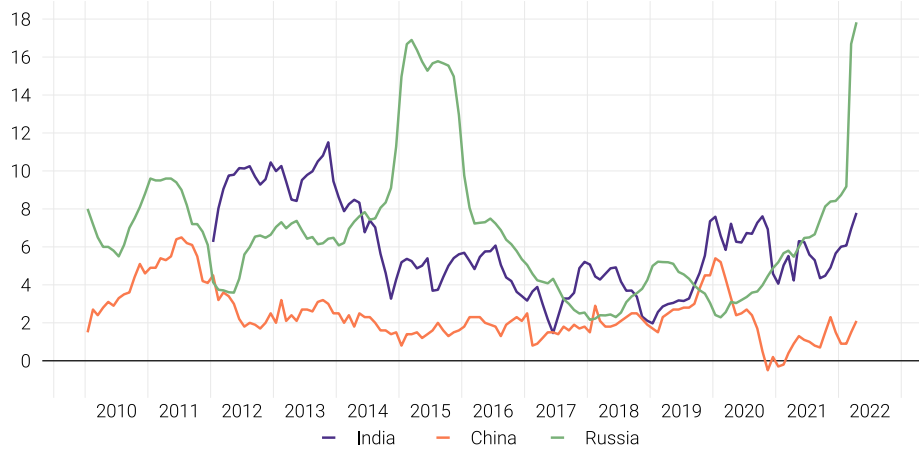
Source: Bloomberg Database

Core Inflation in the Advanced Economies, 2010 - 2022
(percent)



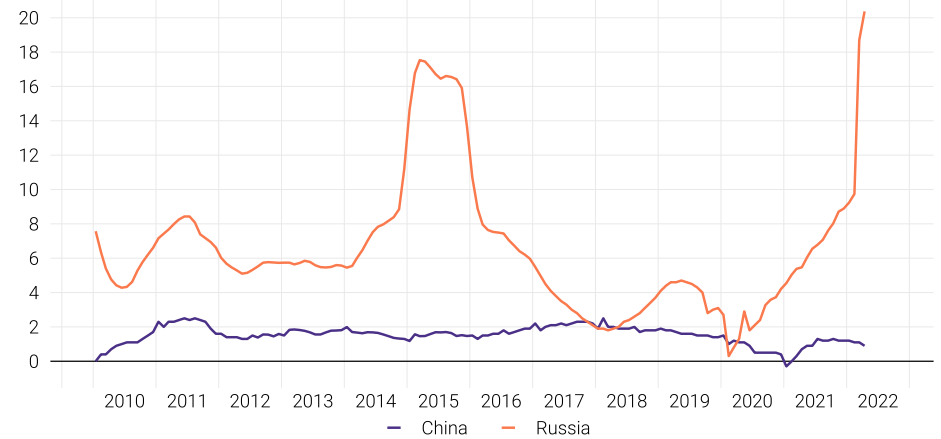
Source: Bloomberg Database

Inflation in the Emerging Economies, 2010 - 2022
(percent)



Source: Bloomberg Database

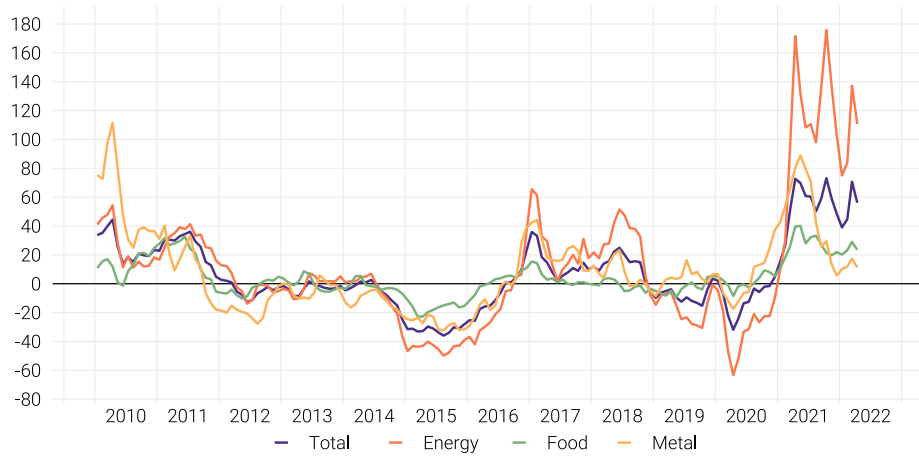
Core Inflation in the Emerging Economies, 2010 - 2022
(percent)



Source: Bloomberg Database

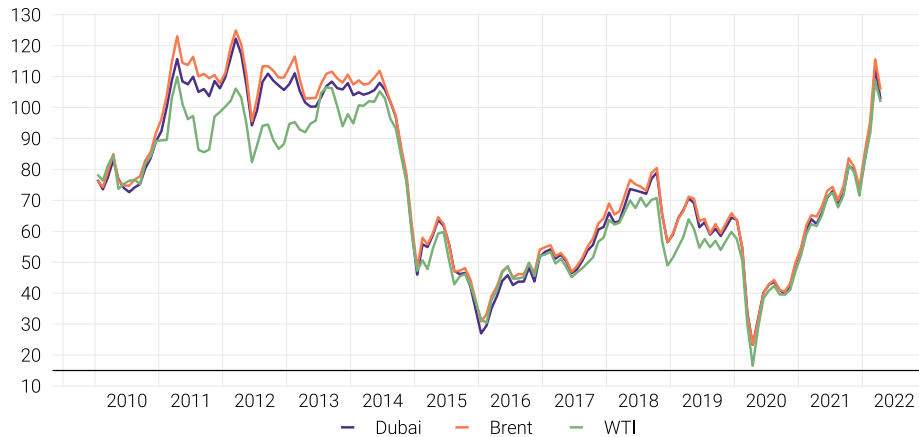
Commodity Prices

Commodity prices, 2010 - 2022
(annual percentage change)



Source: IMF

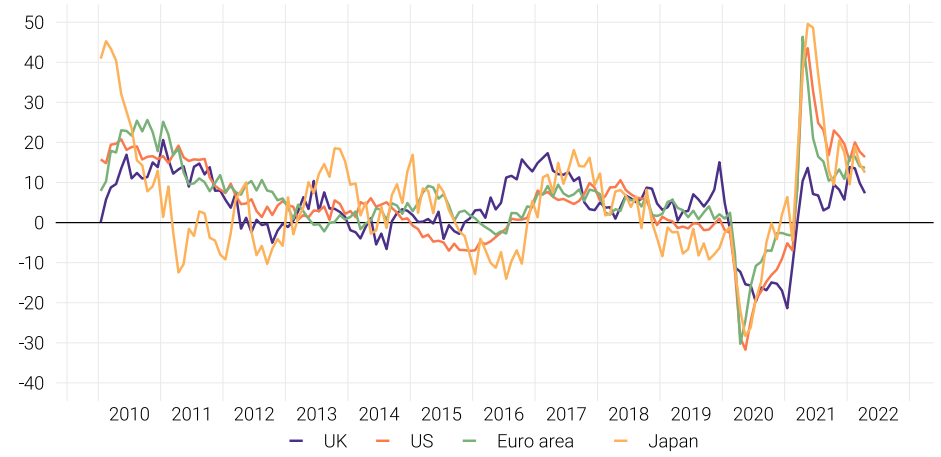
Oil prices, 2010 - 2022
(dollars per barrel)



Source: Bloomberg Database

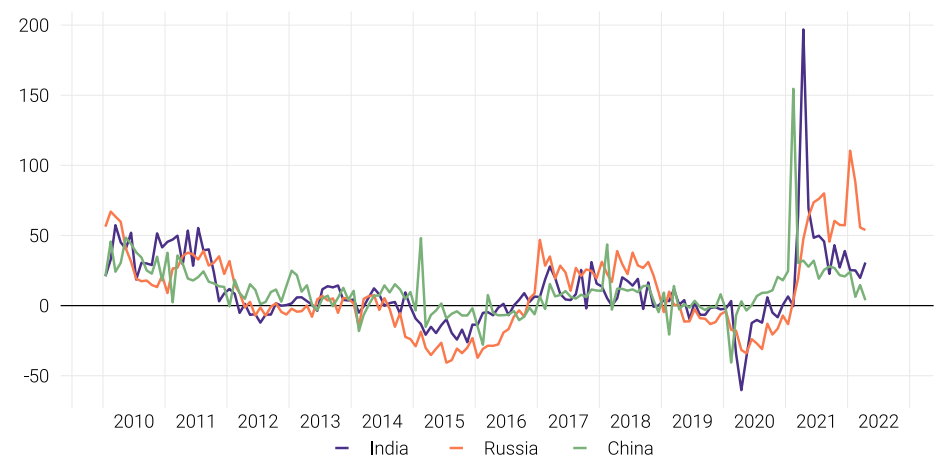
Global Trade

Exports in the Advanced Economies, 2010 - 2022
(annual percentage change)



Source: Bloomberg Database

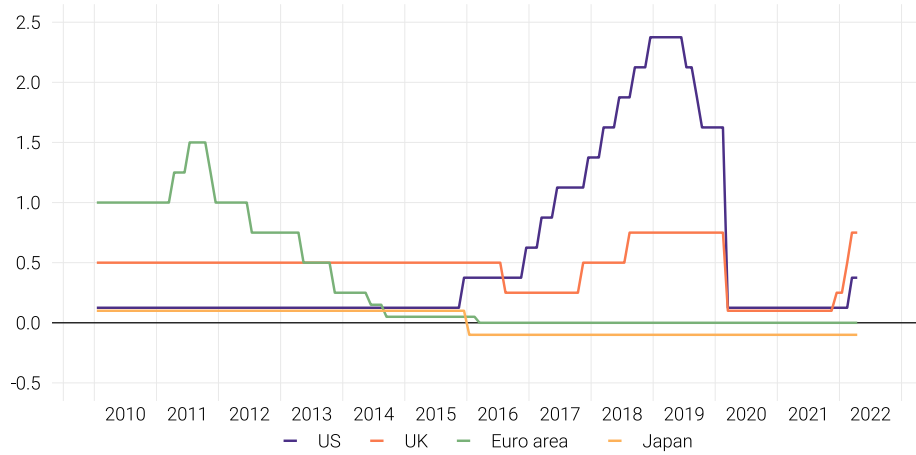
Exports in the Emerging Economies, 2010 - 2022
(annual percentage change)



Source: Bloomberg Database

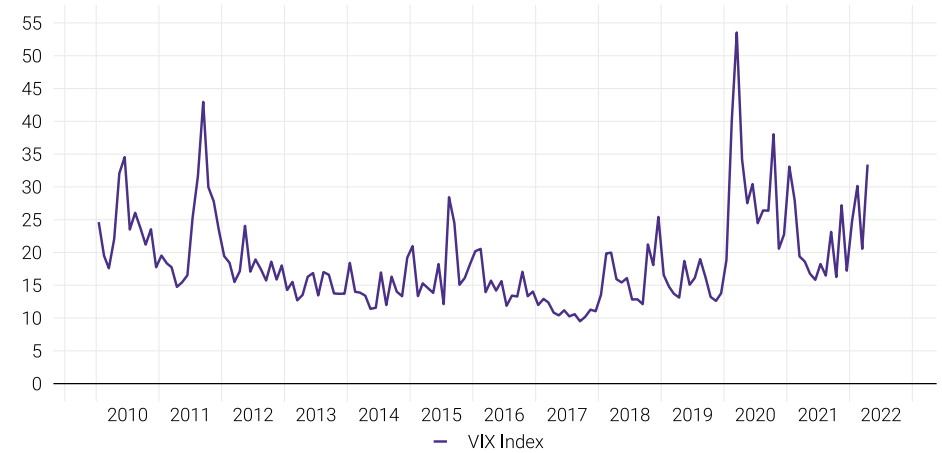
Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2010 - 2022
(percent)



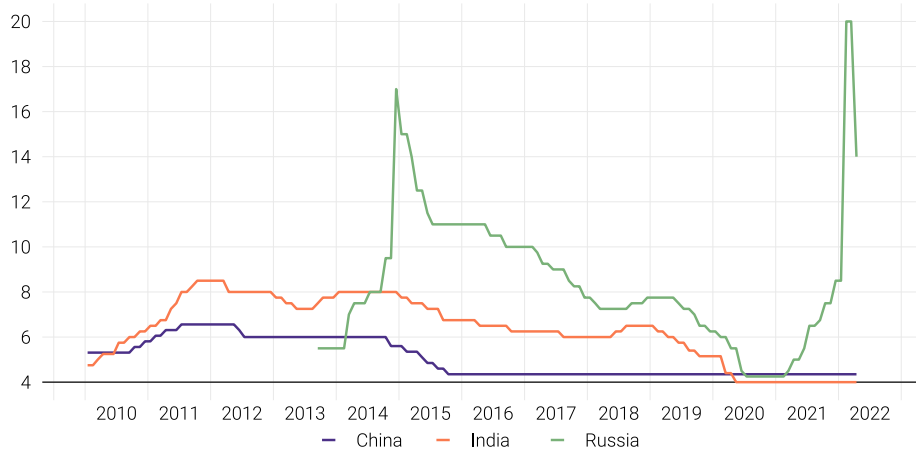
Source: Bloomberg Database

Volatility Index, 2010 - 2022
(percent)



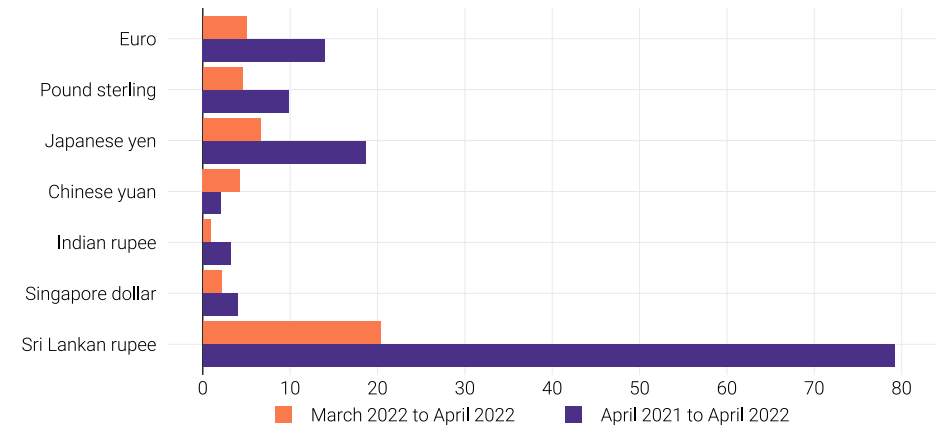
Source: Bloomberg Database

Monthly Policy Rates in the Emerging Economies, 2010 - 2022
(percent)



Source: Bloomberg Database

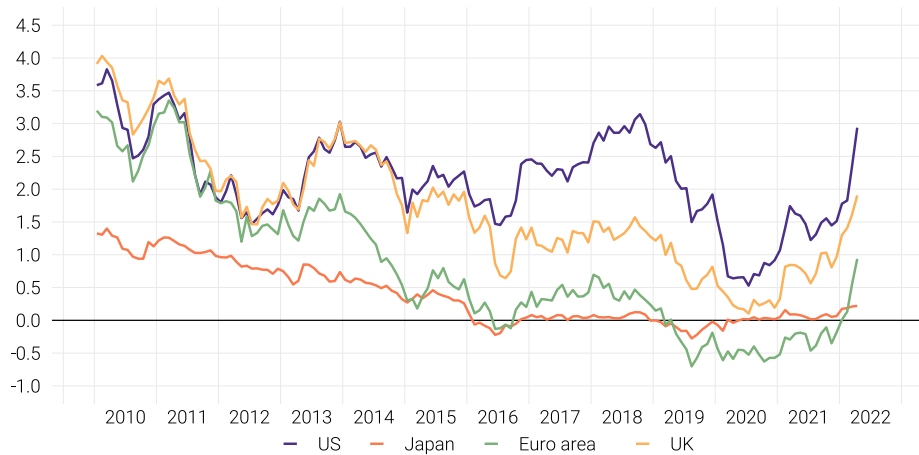
Exchange Rate of US Dollar against Currencies of Major Trading Partners, April 2022
(percentage change)



Source: Bloomberg Database

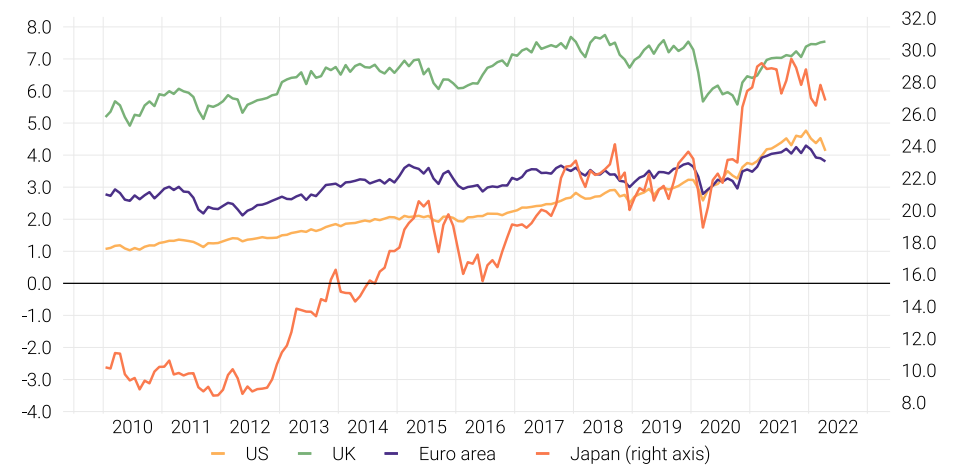
Global Financial Markets

Sovereign Bond Yield in the Advanced Economies, 2010 - 2022
(percent)



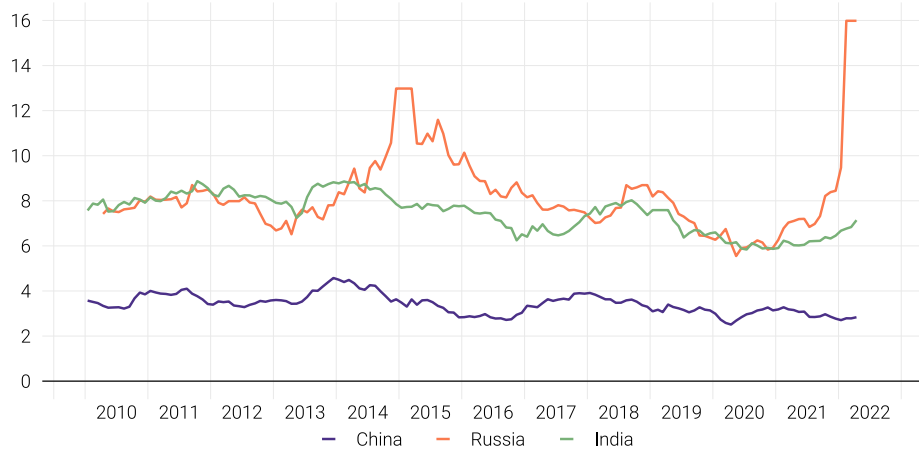
Source: Bloomberg Database

Share Price Index in the Advanced Economies, 2010 - 2022
(price index, in thousands)



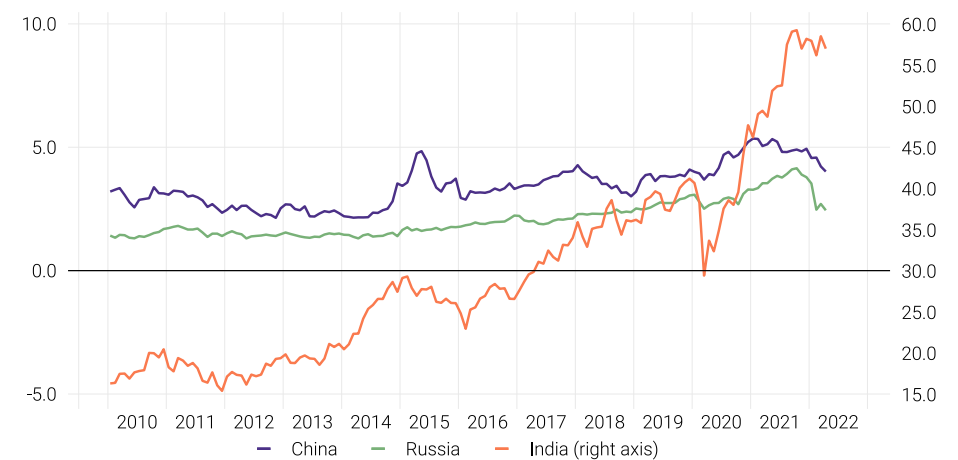
Source: Bloomberg Database

Sovereign Bond Yield in the Emerging Economies, 2010 - 2022
(percent)



Source: Bloomberg Database

Share Price Index in the Emerging Economies, 2010 - 2022
(price index, in thousands)



Source: Bloomberg Database



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