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This bulletin is compiled by the Research Division (RD) of the Maldives Monetary Authority (MMA). It covers developments in the domestic and international economy during the fourth quarter of 2022. The analyses are based on information provided by relevant government authorities, commercial banks operating in the country, public enterprises and other private sector sources, as at 08 February 2023. Where actual data is not readily available, estimates have been made by RD based on available information. The timely receipt of data is therefore crucial to the compilation of this publication and the analyses contained herein.

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Abbreviations

BPT	business profit tax
CPI	consumer price index
FAO	Food and Agriculture Organization
GDP	gross domestic product
G-GST	general goods and services tax
GIR	gross international reserves
GWP	Gross Written Premium
HICP	Harmonised Index of Consumer Prices
IMF	International Monetary Fund
MBS	Maldives Bureau of Statistics
MIFCO	Maldives Industrial Fisheries Company
MMA	Maldives Monetary Authority
NCG	net claims on central government
NDA	net domestic assets
NFA	net foreign assets
NPL	non-performing loan
ODF	overnight deposit facility
PMI	purchasing managers' index
ROA	return on assets
ROE	return on equity
QNA	quarterly national accounts
RBI	Reserve Bank of India
SOE	state-owned enterprise
STO	State Trading Organization
T-GST	tourism goods and services tax
UNWTO	United Nations World Tourism Organization
UAE	United Arab Emirates
UK	United Kingdom
US	United States
WEO	World Economic Outlook



RECENT ECONOMIC DEVELOPMENTS

Macroeconomic Outlook

Despite the turbulent headwinds facing the global economy such as the Russia-Ukraine conflict, and the resurgence of COVID-19 in China, global economic activity performed surprisingly strong in the latter half of 2022. Accordingly, the IMF World Economic Outlook (WEO) Update January 2023 projects global GDP growth rate to be at 3.4% in 2022 which is 0.2 percentage points higher than estimates made in October 2022. With the presence of several downside risks namely the tight financial conditions resulting from swift actions from central banks to combat global inflation, negative spillovers from the Russia-Ukraine conflict, and deteriorating health conditions in China further exacerbating supply chain constraints, the global economy is anticipated to decelerate and register a growth rate of 2.9% in 2023.

Turning to the domestic economy, the growth momentum of the Maldivian economy continued its upward trajectory in 2022 amid the onset of the peak tourism season in the last quarter of 2022. With robust performances registered by all sectors of the economy during the year, the latest projections of October 2022¹, estimate domestic GDP growth to be at 12.3% in 2022 and reach pre-pandemic levels of output by the end of 2022.

Additionally, incoming high frequency data on tourist arrivals indicate a significant uptick in the performance of the tourism industry in the first two months of 2023 compared to 2022. As of 5th February 2023, the total tourist arrivals have eclipsed 2022 figures during the same period by approximately 50,000. With the resumption of

scheduled air travel between Maldives and China from February 2023 onwards, the Chinese market is predicted to rebound substantially, contributing significantly to the domestic economy's strong growth in 2023. Given that the latest forecasts do not incorporate any significant increase in Chinese travel to the Maldives in 2023, the recent developments in the tourism industry could result in economic activity outperforming the current real GDP growth projections of 7.6% for 2023.

The domestic inflation rate accelerated from 0.5% in 2021 to 2.3% in 2022, due to the persistence inflationary pressures emanating from higher global commodity prices such as rising global oil and food prices together with the dissipation of base effects² during 2022. Risks to inflation remain tilted towards the upside with sustained supply disruptions due to geopolitical tensions and better-than-expected rebound in China's growth potentially exerting upward pressure on commodity prices and thus the domestic price level. Apart from the external factors, government policy changes such as the hike in the General Goods and Services Tax (G-GST) rates from 6% to 8% and the transition to a more targeted fuel and electricity subsidy policy during the year, is expected to significantly hike inflation with the latest estimates indicating a 5.4% inflation for 2023.

Although the balance of the risks to the domestic economic outlook remain tilted to the downside, the adverse risks appear to have moderated since Quarterly Economic Bulletin (QEB) of Q3-2022. The expected deceleration of

¹ According to the growth forecast scenarios estimated in October 2022 jointly by the MMA and the Ministry of Finance.

² Dissipation of base effects refer to the various policy changes brought in 2021 that results in a temporary effect on headline inflation for one year which is no longer contributing to headline inflation. These policy changes include, electricity discounts provided in June 2021, and the reduction in broadband and mobile internet prices following government's pledge to make these services more affordable to consumers.

advanced and emerging market economies has been diminished with stronger lift from pent-up demand originating from private consumption and investment in these economies, while the commencement of regular flights between China and Maldives is predicted to significantly boost tourism sector's performance in 2023. However,

resurgence of variants of COVID-19, further shocks to energy markets stemming from global tensions, potentially widespread private and public debt distress emanating from emerging market economies, along with tighter financial conditions are potential downside risk factors that could hinder the progress of the domestic economy.

Overview

Domestic economic recovery is estimated to have gained further momentum during Q4-2022, supported by the robust performance of the tourism sector following the commencement of the sector's peak season. As indicated by the available high frequency indicators and business survey results, activity in other major sectors such as transport and communication, wholesale and retail trade, and construction is estimated to have expanded during the review quarter.

The rate of inflation (as measured by the annual percentage change in the national Consumer Price Index [CPI]) increased to 3.1% in Q4-2022 from 2.7% in Q3-2022, according to the rebased CPI data released by the Maldives Bureau of Statistics in February 2023. The pickup in domestic inflation during the quarter was mainly driven by higher inflation for services such as the cost of education services, outpatient care services and transport services which was to an extent offset by a smaller decline in information and communication services and housing rent.

Turning to fiscal developments, total government revenue (excluding grants) recorded an annual increase during Q3-2022³, owing to the marked rise in both tax and non-tax revenue on the back of the strong performance of the tourism sector which fuelled domestic economic activity. Meanwhile, total expenditure (excluding debt amortisation) also observed an increase during the review quarter, driven entirely by the marked increase in recurrent expenditure, which more than offset the decline in capital expenditure. The growth in recurrent expenditure stemmed from the substantial rise in administrative and operational expenses, which was driven by the increase in expenditure on grants, contributions

and subsidies. The decline in capital expenditure reflected the fall in expenditure on development projects and investment outlays, which entirely offset the growth in spending on infrastructure assets and lendings.

As for monetary developments, annual broad money growth decelerated further to 6% at the end of December 2022, mirroring the marked decline in net foreign assets (NFA), despite the acceleration in the growth of net domestic assets (NDA) of the banking system. The decline in NFA reflected the fall in foreign currency demand deposits held abroad by commercial banks, and an increase in the foreign liabilities of the MMA owing to the foreign currency swap obtained from the Reserve Bank of India (RBI). The growth in NDA stemmed from the rise in net credit to the government (NCG) by both the MMA and the commercial banks, as well as the expansion in bank credit to the private sector and public non-financial corporations during the quarter.

With regard to the external sector, total merchandise exports registered an annual increase during the review quarter, driven by a sizeable growth in merchandise re-export, together with a moderate increase in domestic exports. The rise in merchandise re-exports mirrored the increase in jet fuel re-exports, while the increase in domestic exports stemmed from notable growth in export earnings from frozen skipjack tuna. Meanwhile, merchandise imports recorded a marked increase, owing largely to increases in import expenditure on transport equipment, construction-related items, as well as electrical and electronic machinery and equipment.

³ Data for Q4-2022 was not available at the time of compilation of this report.

International Economic Developments

Global Output

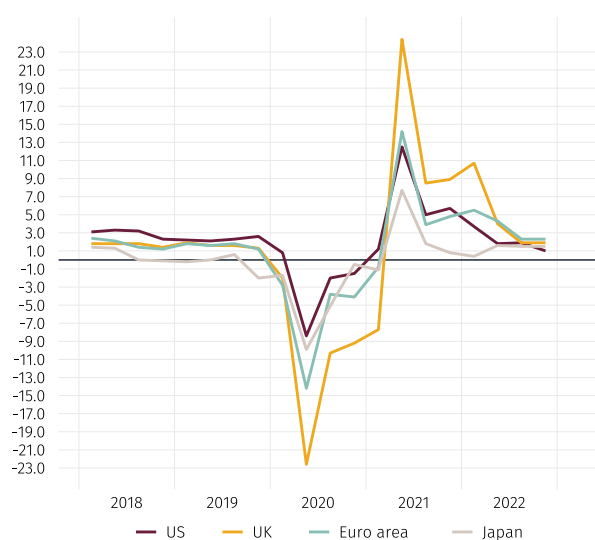
The global economy experienced varied growth outcomes in Q4-2022, with diverging trends across both advanced and emerging markets and developing economies. Although economic activity in some countries outperformed forecasts, surging global commodity prices and the conflict in Ukraine hampered economic performance in others. As such, growth in most of the advanced economies outperformed expectations, whereas some major emerging markets and developing economies observed decelerations during the quarter.

Looking at the advanced economies, the United States (US) economy recorded an annual growth of 1.0% in Q4-2022, following a growth of 1.9% in the preceding quarter (Figure 1). This was a slight deceleration, mirroring the downturn in exports, fixed investment, state and local government spending as well as personal consumption expenditure (PCE). Despite the slowdown in GDP growth, PCE remained the main driver of economic activity, boosting growth in the US economy, along with increase in private inventory investment, government spending and non-residential fixed investment.

As per the Eurostat flash estimates, the euro area recorded a growth of 1.9% in Q4-2022, a further deceleration from the 2.3% recorded in the previous quarter. Despite surging inflation rates across the globe inhibiting production and consumption expenditure in the euro area economies, businesses adapted to the circumstances faster than anticipated, boosting economic growth in the area. The euro area exhibited unexpected resiliency amid concerns of recession in the region, with energy

Figure 1: Real GDP Growth in the Advanced Economies, 2018 - 2022

(annual percentage change)



Source: Bloomberg Database

prices easing in the last quarter of 2022. Among major euro zone countries, economic growth in Germany contracted, driven by a downturn in private consumption. Similarly, Italy also recorded a negative growth rate during the fourth quarter as the decline in domestic demand heavily outweighed positive contributions from foreign trade. Conversely, trade flow contributed positively to economic growth in France, while the Spanish economy also expanded as public spending offset the decline in private consumption.

The Japanese growth momentum is anticipated to rebound in Q4-2022, following the growth deceleration to 1.5% in Q3-2022. However, the Purchasing Managers Index (PMI) for December 2022 edged down from the previous month, as the Japanese economy continued to be at risk

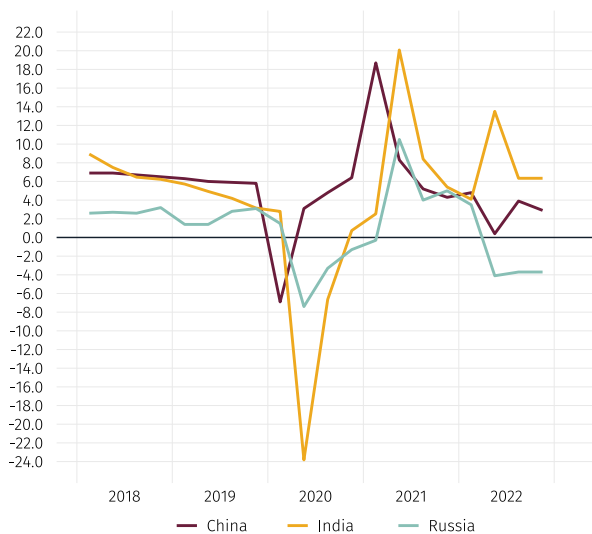
due to weakened domestic as well as external demand. Meanwhile, the growth momentum in the United Kingdom (UK) remained muted in Q4-2022, following a growth of 1.9% in the preceding quarter. However, the monthly index of economic performance for November 2022 recorded a growth, primarily driven by food and beverage service activities, reflecting the commencement of the FIFA World Cup during the month.

As for emerging markets and developing economies, China's economy decelerated significantly to 2.9% in Q4-2022, following a growth of 3.9% in the preceding quarter (Figure 2). This was primarily due to the uncertainties surrounding the evolution of pandemic in the country—sharp increase in COVID-19 cases during the quarter as well as the slump in the property market.

The growth momentum in India has been retracting since the previous quarter and stood at 6.3% in Q3-2022. The trends in the high-frequency indicators of the economy suggest further deceleration in economic activity during the Q4-2022. Despite this, the composite PMI indicated improvements in both the services and manufacturing sector, although it remained subdued, amid concerns of a global recession, persistent geopolitical conflicts and tightened financial conditions worldwide.

The Russian economy is expected to decelerate further by the end of 2022, after recording a growth of 3.7% in Q3-2022. In this regard, the composite PMI also moderated, implying a decline in business activity during the quarter. The Russian economy is vulnerable to further decline in economic activity due to labour shortages, subdued external demand and technological limitations in the country. However, activity in some sectors such as agriculture and consumer services improved amid shifts to new supply chains.

Figure 2: Real GDP growth in the Emerging Economies, 2018 - 2022
(annual percentage change)



Source: Bloomberg Database

Global Inflation

Global inflation surged to a multi-decade-high, on the back of pandemic led supply chain bottlenecks as well as the ongoing war in Ukraine which led to elevated global food and energy prices. As such, headline inflation in majority of the selected advanced economies accelerated in Q4-2022. Conversely, in some major emerging and developing economies, inflation moderated in Q4-2022, despite remaining elevated.

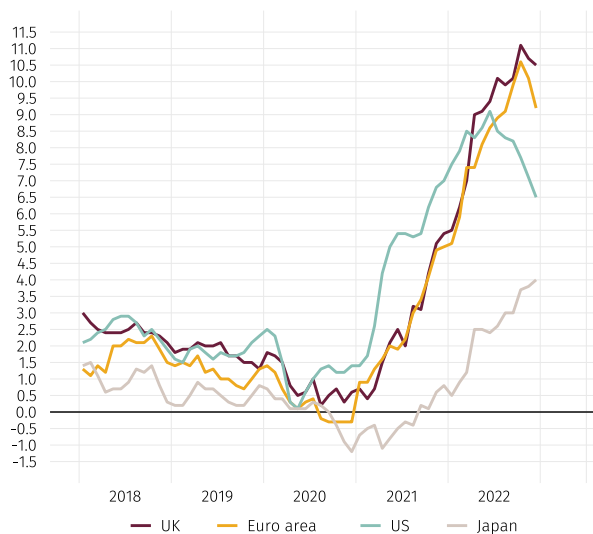
Looking at the price developments in the advanced economies, the rate of inflation in the US remained elevated, despite decelerating to 7.1% in Q4-2022, from 8.3% in Q3-2022 (Figure 3). The moderation of inflation in the US was mainly due to decline in gasoline prices, while upward inflationary pressure during the quarter stemmed primarily from the rise in food prices. In the euro area, the rate of inflation, as measured by the annual change in the Harmonised Index of Consumer Prices (HICP) rose to 10.0%—the highest ever recorded—in Q4-2022, from 9.3% in the previous quarter.

Surging global prices—particularly energy prices and its pass-through to domestic goods—fuelled by the unstable geopolitical situation, remained the main drivers of inflation in the euro area. In addition to this, higher food and beverage prices also significantly contributed to rising prices in the region.

As for Japan, inflation rate further accelerated to 3.8% in Q4-2022—a 40-year high—from 2.7% in the preceding quarter. This was driven by increasing prices for a wide range of commodities, from fried chicken and smartphones to air conditioners as well as rising utility bills. Moreover, amid rising import costs, businesses continued passing on higher costs to households. Meanwhile, the rate of inflation in the UK accelerated to 10.8% in Q4-2022 (the highest rate of inflation recorded since the second quarter of 1992), after registering 10.0% in the previous quarter. The largest upward contribution stemmed from housing, water, electricity and gas category, as well as transport category, reflecting high global energy prices. Moreover, food and beverage prices also reached a 45-year high, as surging food prices worldwide passed through to domestic prices.

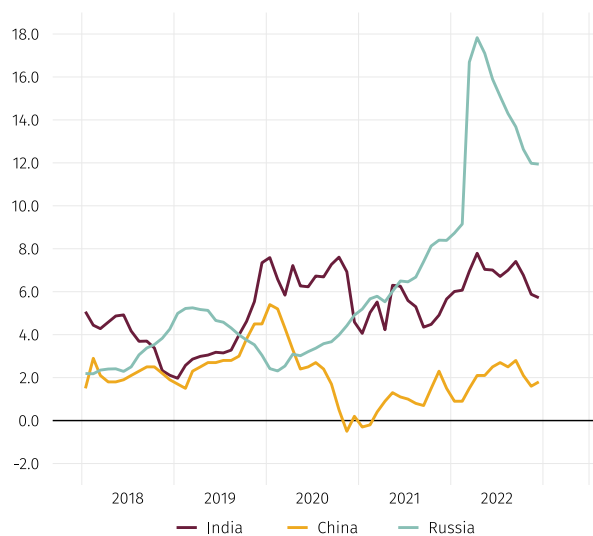
Turning to the emerging markets and developing economies, the rate of inflation in China decelerated to 1.8% during the review quarter, from 2.7% recorded in Q3-2022 (Figure 4). The moderation in inflation dynamics in the country reflected softened domestic demand owing to ongoing COVID-19 restrictions as well as the property market predicament in the country. In India, the rate of inflation moderated slightly to 5.7% in Q4-2022, from 6.0% in Q3-2022. This deceleration was mainly due to easing of retail prices and the growth in domestic winter harvest amid cooling global oil prices. Meanwhile, upward price pressures were predominantly driven by perishable food prices such as vegetables, alongside fuel and light prices, clothing and footwear prices as well as

Figure 3: Inflation Rate in the Advanced Economies, 2018 - 2022 (percent)



Source: Bloomberg Database

Figure 4: Inflation Rate in the Emerging Economies, 2018 - 2022 (percent)



Source: Bloomberg Database

housing prices. As for Russia, the rate of inflation decelerated to 11.9% in Q4-2022, from 13.7% in Q3-2022, primarily mirroring the fall in growth of food prices (excluding fruits and vegetables). This was mainly owing to supply chain shifts coupled with subdued external demand due to export prohibitions on several domestic goods.

Commodity Prices

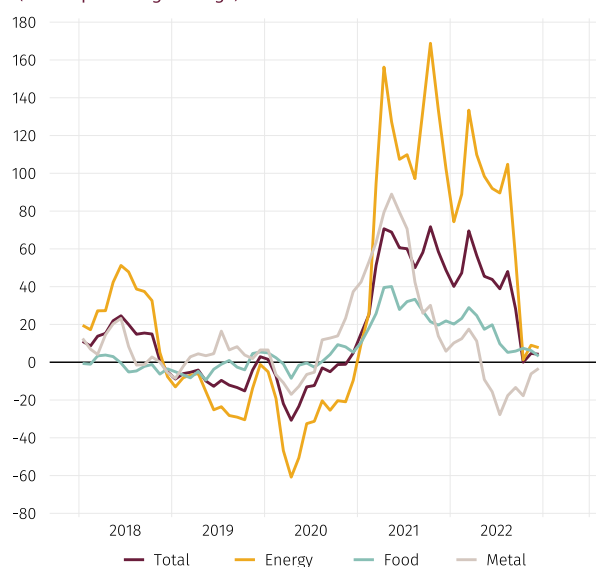
The IMF price index for all commodities rose by 3% in annual terms in Q4-2022, although a decline of 16% was observed when compared with Q3-2022 (Figure 5). The quarterly decline reflected the shifts in post-pandemic global demand, the war in Ukraine, sluggish economic growth, and the possibility of a worldwide recession. During the quarter, the energy price index observed a significant increase in annual terms while recording a notable decline in quarterly terms. However, the non-energy price index remained broadly unchanged in both annual and quarterly terms.

The price of crude oil⁴ averaged US\$85.3 per barrel during Q4-2022, representing an increase of 9% in annual terms, while this depicts a decline of 12% relative to the previous quarter. This decline can be attributed to fears surrounding the anticipated worldwide economic slump and tightened financial conditions. Meanwhile, supply-side issues continued to raise gas prices, leading to substitution away from natural gas. With potential oil supplies from Iran and higher oil output from the US, the rising demand balances out the adverse concerns from a slowing global growth momentum. Furthermore, increases in oil usage is expected as China eases pandemic restrictions. On the supply side, the reduction in output targets by OPEC+ members, partially rippled through to global oil prices in October. Additionally, oil markets were constrained further as a result of Russia's limited exports, together with the halt of the release of strategic reserve stocks by several nations.

Turning to major commodities in the non-energy index, the base metal index for Q4-2022 remained unchanged in quarterly terms. However, the base metal index decreased annually by 9%, owing to weaker worldwide demand, attributed to supply chain disruptions, ongoing pandemic restrictions in China, and potential global

Figure 5: Commodity Prices, 2018 - 2022

(annual percentage change)



Source: IMF

recession. As for global food prices, the IMF food price index recorded an annual increase of 4%, while a decline of 1% was recorded when compared with the preceding quarter. Similarly, the Food and Agriculture Organization (FAO) food price index remained relatively unchanged in annual terms, although a decline of 3% was observed in quarterly terms. The spikes in food commodity prices which emerged in early 2022 has largely subsided due to concerns of a global recession and surging interest rates.

Global Financial Markets

The global financial conditions have tightened significantly in 2022, due to increased geopolitical and economic turmoil—such as the war in Ukraine, soaring inflationary pressures and volatile markets. As a result, policymakers in both the advanced and emerging markets and developing economies continued to tighten monetary policy measures, with significant variations among countries.

⁴ Quarterly average of Brent, West Texas Intermediate and Dubai Fateh.

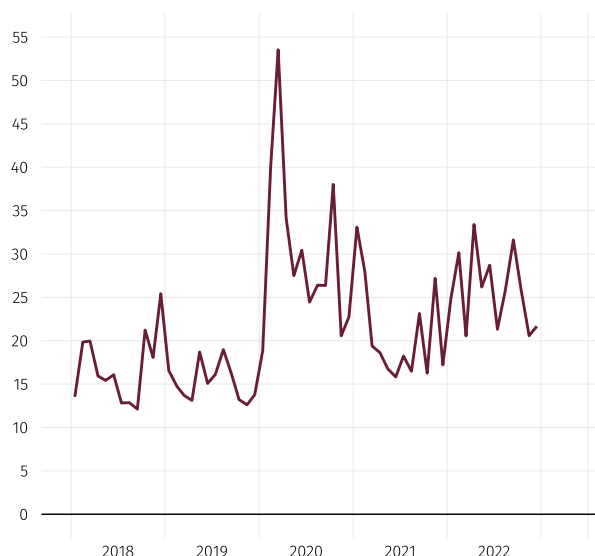
In Q4-2022, share prices on average observed declines in both the advanced, and emerging markets and developing economies, when compared with the corresponding quarter. Meanwhile, the implied volatility of the US stock market registered a decline during the review quarter (Figure 6). However, the yield-to-maturity on longer term sovereign bonds increased in both the country groups, when compared with the previous quarter. Similarly, the sovereign bond yields of the selected economies in both the country groups accelerated relative to Q4-2021—with the exception of China—reflecting the effects of the monetary policy decisions on the bond markets.

During the quarter, the majority of the economies continued with tightened monetary policy measures to combat rising inflationary pressures. In this regard, the European Central Bank raised the three key interest rates by a total of 200 basis points between September and December 2022, marking four consecutive policy rate hikes during the year. Similarly, the Federal Reserve and the Bank of England both raised their respective key bank interest rates by 0.5 percentage points in December, with the aim of reigning in surging inflationary pressures. Meanwhile, in the emerging markets and developing economies, the RBI increased the policy rate by 35 basis points in December to meet the central bank’s inflation target. Conversely, policy rates in China remained unchanged for the fourth consecutive month—assisting with the reduction of the interest rate gap between China and the US, and stabilising expectations in the foreign exchange market. Similarly, the Central Bank of Russian Federation maintained the key rate at 7.50% per annum, amid subdued consumer demand and unchanged inflation expectations.

In the foreign exchange market, the overall performance of the US dollar against the currencies of the Maldives’ major trading partners, remained strong during Q4-2022 relative to Q4-2021, although it weakened when compared with

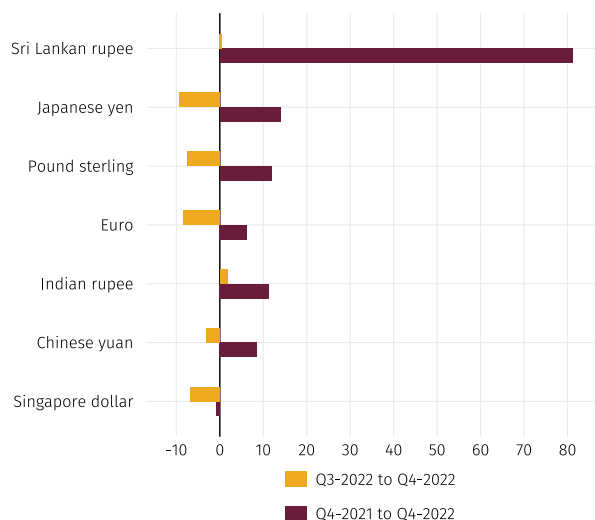
Q3-2022 (Figure 7). In this regard, the US dollar strengthened against all the currencies, except for the Singapore dollar, at the end of Q4-2022 when compared with Q4-2021. However, in quarterly terms, the US dollar weakened against all trading partner currencies, except for the Indian rupee and the Sri Lankan rupee. The Sri Lankan rupee recorded a substantial depreciation, reflecting the deteriorating political and economic situation in the country.

Figure 6: Volatility Index, 2018 - 2022 (percent)



Source: Bloomberg Database

Figure 7: Exchange Rates, Q4-2022 (percentage change)



Source: Bloomberg Database
 Note: Percentage changes have been calculated using spot rates at the end of each quarter.

Economic Developments in the Maldives

Real Economy

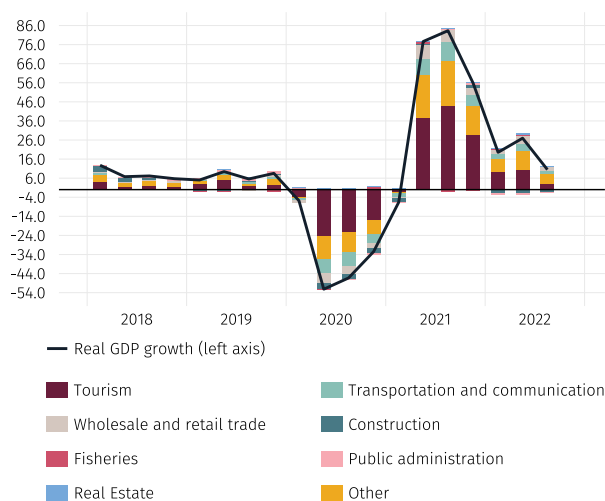
Gross Domestic Product

With the commencement of the tourism peak season, the recovery of the domestic economy is estimated to have further strengthened during the last quarter of 2022. As such, most of the available high frequency indicators and business survey results suggest that all major sectors have expanded during the quarter. The growth of the tourism sector during the review quarter primarily reflected the surge in arrivals from major source markets amid the start of the high season, as evidenced by the growth in tourist arrivals and bednights of the sector.

According to the latest Quarterly National Accounts (QNA)⁵ estimates released by the Maldives Bureau of Statistics (MBS) on 29 December 2022, real GDP registered an annual growth of 10.5% in Q3-2022⁶, after registering a growth of 27.0% in Q2-2022 (Figure 8). Similarly, when compared to the pre-pandemic levels of Q3-2019, real GDP registered a growth of 8.7% during the quarter.

In Q3-2022, real GDP growth was mainly contributed by the tourism sector (3.0 percentage points); followed by transportation and communication sector (2.1 percentage points) and wholesale and retail trade sector (1.9 percentage points)—sectors which are closely linked to the developments in the tourism sector. Other notable positive contributions to growth were made by

Figure 8: Contribution to Real GDP Growth by Economic Sectors, 2018 - 2022
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

the human, health, and social work activities sectors (1.1 percentage points), education sector (0.5 percentage points) and real estate sector (0.4 percentage points). Further, entertainment, recreation, and other services sector (0.4 percentage points) and professional, scientific, and technical activities sector (0.4 percentage points) also registered growths, with output significantly exceeding the pre-pandemic levels of Q3-2019.

Meanwhile, the construction sector and public administration sector is estimated to have declined, as indicated by the fall in gross value

⁵ Latest QNA data available at the time of compilation of this report was for Q3-2022. Advance estimates data are released with a four-month lag.

⁶ As QNA data for Q3-2022 used in this analysis is based on advance estimates, the data is subject to change in the upcoming revisions.

added by both the sectors, which fell by 27.1% (-1.2 percentage points) and 5.5% (-0.5 percentage points), respectively.

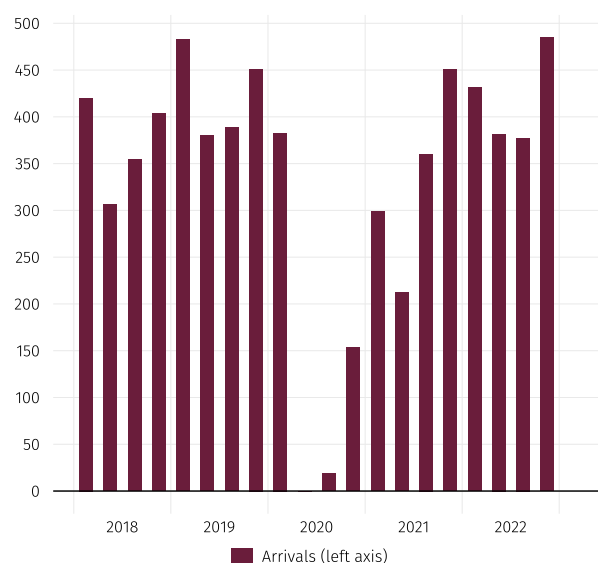
Tourism

Against the backdrop of a strong growth performance in Q4-2022 amid the peak season of the tourism sector, tourist arrivals totalled 1,675,303 during the year, surpassing the government’s annual target arrivals of 1.6 million for 2022, although total arrivals continued to remain 2% below pre-pandemic levels of 2019. The robust arrival numbers were supported by the surge in arrivals from European source markets—mainly owing to the pent-up demand from traditional source markets—as well as the Korean market, despite the ongoing challenges posed by geopolitical and economic uncertainties and China’s zero-COVID-19 policy which has been weighing on the full recovery of tourism sector.

During the review quarter, tourist arrivals totalled 484,674 and rose by 7% when compared with the corresponding period of 2021, as well as by 7% when compared with the pre-pandemic levels of Q4-2019 (Figure 9). As for the tourist bednights, a marginal growth was observed during the quarter in annual terms, reflecting the decline in the average stay to 7.7 days in Q4-2022, from 8.2 days in Q4-2021. Meanwhile, bednights rose by 15% when compared with pre-pandemic levels (Q4-2019) (Figure 10).

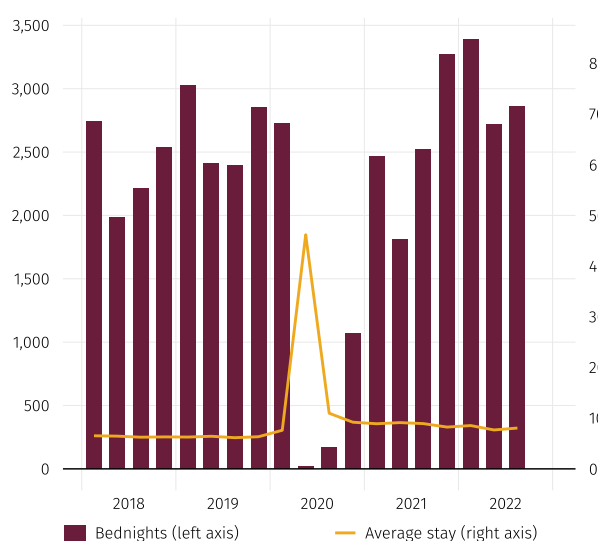
In terms of market composition, Europe remained as the main source region, accounting for a sizeable 59% of tourist arrivals, while the market share of Asia rose slightly to 28% driven by the increase in Korean arrivals (Figure 11). During Q4-2022, India was the single largest source market, accounting for 15%, followed by Russia (12%), the United Kingdom (UK) (10%), Germany (8%), and Italy (6%). In this regard, growths were observed in arrivals from Russia (14%), the UK (8%) and Italy

Figure 9: Inbound Tourist Arrivals, 2018 - 2022 (thousands)



Source: Ministry of Tourism

Figure 10: Bednights and Average Stay, 2018 - 2022 (thousands, days)



Source: Ministry of Tourism

(50%), while arrivals from Germany registered a decline (-7%) during the quarter when compared to Q4-2021.

According to international flight movements data⁷, the number of flight movements registered a growth of 5% when compared with Q4-2021 and a growth of 15% when compared with Q4-2019. However, average seat occupancy was lower in the

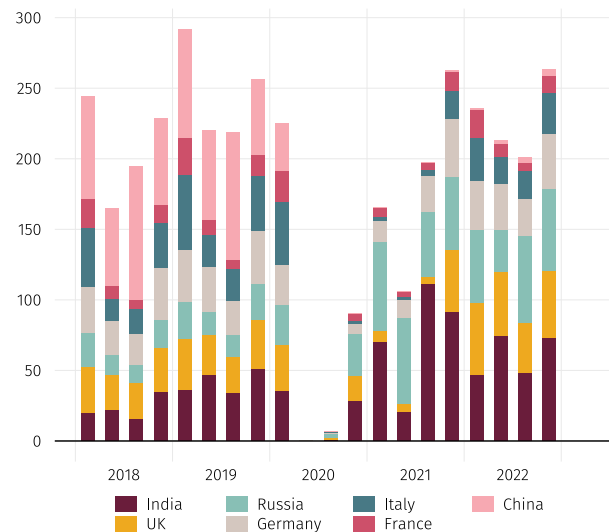
⁷ International flight movements data include all international scheduled and non-scheduled charters.

review quarter relative to same quarter of 2019. The increase in flight movements mainly reflected the increase in the frequency of flight movements by major carriers such as FlyDubai, Singapore Airlines, and the resumption of airlines such as Azur Air, Austrian Air, Air France and British Airways, as well as the commencement of operations by new airlines such as Kuwait Airways and Wizz Air during the quarter.

On the supply front, the average number of resorts in operation rose to 167 resorts during Q4-2022 when compared with 160 resorts during Q4-2021. The operational bed capacity of the industry rose by 14% in Q4-2022 when compared with the corresponding quarter of 2021. Of the total operational bed capacity, resorts accounted for 69% of beds, followed by guesthouses (24%). As for the occupancy rate of the industry, it fell to 60% in Q4-2022, from 68% a year ago. Similarly, the average occupancy rate of resorts declined to 72% from 80% in Q4-2021.

As for developments in the global tourism, international tourist arrivals depicted a stronger-than-expected recovery during the last quarter of 2022. According to the United Nations World Tourism Organization (UNWTO), international tourist arrivals increased by 62% when compared with the corresponding period of 2021, but remained 28% below the pre-pandemic levels of 2019. The robust recovery was supported by strong pent-up demand, higher confidence levels, and the continued removal of restrictions in several destinations. However, the recovery remains uneven across countries and regions, with Asia and the Pacific region posting the largest decline in arrivals over the same period of 2019 (-62%). Meanwhile, the Middle East region recorded the smallest decline in growth of arrivals (-1%), while the European region remain 15% below

Figure 11: Arrivals from Major Inbound Markets, 2018 - 2022 (thousands)



Source: Ministry of Tourism

the pre-pandemic levels. Based on the UNWTO's estimates, despite the economic, health and geopolitical challenges, arrivals are expected to reach between 80% to 95% of pre-pandemic levels during 2023, supported by lifting of COVID-19 related travel restrictions in China, while taking into consideration the potential impact of the evolution of the Russia-Ukraine war.

Construction

Activity in the construction sector remained moderate during Q4-2022 as indicated by the Maldives Monetary Authority's (MMA) Quarterly Business Survey (QBS) and construction-related imports. In Q3-2022, the gross value added by the sector⁸ registered a decline of 27.1% in annual terms and remained 55.2% lower than the pre-pandemic levels of Q3-2019.

While the import of construction-related items registered an annual increase of 17%, the commercial bank credit⁹ to the construction sector¹⁰ remained broadly unchanged at the end of Q4-2022.

⁸ The QNA data for Q3-2022 used in this analysis are based on first estimates, hence the data is subject to change in the upcoming revisions.

⁹ Although a substantial portion of the financing for public infrastructure projects, resort development and social housing development is sourced externally, commercial bank credit to the construction sector remains an important indicator to gauge the performance of the sector.

¹⁰ Construction sector-related loans include loans for new resort development, resort renovation and construction of guesthouses (classified as tourism sector loans), as well as loans to the real estate sector. Hence, this figure will be different from the loans to the construction sector reported under Monetary Developments.

This was mainly owing to the declines observed in credit lent for construction of residential or housing projects¹¹, new resort development, guest houses, property development projects as well as credit extended for renovation of resorts, which offset the increase in credit lent for real estate residential or housing projects, other construction projects and real estate of commercial buildings.

According to the MMA's QBS for Q4-2022, the volume of construction activity index continued to expand, albeit at a slower pace. As such, the volume of construction activity decreased 25 points to 29, while the volume of orders received index gained 6 points to register 41 during the quarter.

Fisheries

According to the available high frequency indicators, activity in the fisheries sector observed mixed developments during the last quarter of 2022, similar to the preceding quarter of the year. For instance, despite the annual decline in fish purchases made by fish processing companies, the volume of fish exports increased during Q4-2022. As for the gross value added by the fisheries sector in Q3-2022, the sector registered a marginal decline (-0.2%) and fell short of pre-pandemic levels of Q3-2019 by 7.3%.

In Q4-2022, fish purchases totalled 24,114.8 metric tonnes, observing a decline of 14% when compared with Q4-2021. This was primarily owing to the 15% decline in purchases of skipjack tuna, followed by a 6% decline in purchases of yellowfin tuna. As for local purchase prices¹² during the review quarter, the average purchase price of skipjack tuna¹³ rose marginally from MVR14.0 per kilogram to MVR15.0 per kilogram, while that of iced skipjack tuna rose from MVR16.0 per kilogram to MVR17.0 per kilogram, in annual terms. However,

the average purchase price of yellowfin tuna by local companies declined to MVR62.8 per kilogram in Q4-2022, from MVR87.4 per kilogram in Q4-2021.

As for the volume of fish exports, it increased by 2% (511.8 metric tonnes) in Q4-2022 when compared with Q4-2021 and totalled 25,571.2 metric tonnes. The growth in the volume of fish exports primarily reflected the increase in frozen skipjack tuna exports, which rose by 25% (3,363.8 metric tonnes) during the quarter. Meanwhile, declines were observed for exports of fresh or chilled yellowfin tuna (1,405.6 metric tonnes) and canned or pouched tuna (831.1 metric tonnes) during the quarter.

Wholesale and Retail Trade

In Q4-2022, activity in wholesale and retail trade sector is estimated to have expanded, as indicated by the private sector imports and bank credit to the sector. As for the gross value added by the sector in Q3-2022, activity in the wholesale and retail trade sector accelerated, as indicated by the 25.5% growth in the gross value added by the sector and a growth of 16.3% when compared with pre-pandemic levels of Q3-2019.

In Q4-2022, private sector imports (excluding imports by the tourism sector) rose by 15% in annual terms, while the commercial bank credit to the sector increased by 10% during the review quarter. According to the MMA's QBS for Q4-2022, activity in the wholesale and retail trade sector notably expanded as indicated by the sales index and the volume of orders index. The sales index turned positive and surged 98 points to 69 during Q4-2022. In tandem, the volume of orders placed with suppliers also rose 11 points to reach 66.

¹¹ Credit lent for construction of residential or housing projects refers to credit provided for construction or refurbishment of residential or housing properties and which is or will be used by the owner (borrower) or rented for housing purposes. In contrast, credit lent for real estate residential or housing projects includes loans secured whereby the proceeds are used for purchase of the property and construction or refurbishment improvements which are used for residential

¹² Based on prices collected by the Ministry of Fisheries, Marine Resources and Agriculture.

¹³ In September 2020, the state-owned enterprise MIFCO abandoned the fixed rate of fish purchases.

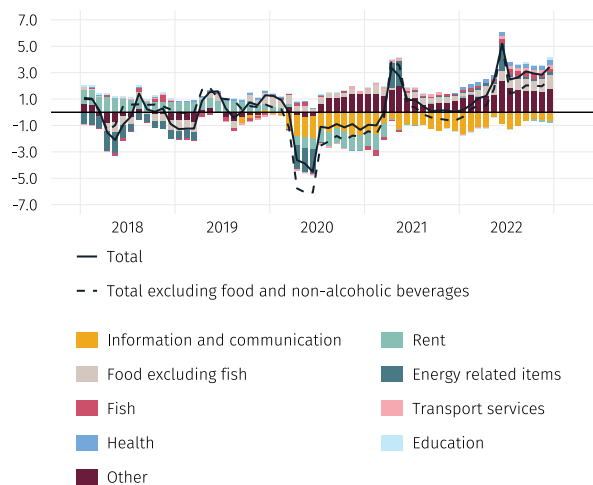
Inflation

The rate of inflation (as measured by the annual percentage change in the national Consumer Price Index [CPI]) increased to 3.1% in Q4-2022 from 2.7% in Q3-2022, according to the rebased CPI data released by the Maldives Bureau of Statistics in February 2023, with the base period being changed from August 2019 to November 2022. The pickup in domestic inflation during the quarter was mainly attributable to higher inflation for certain services such as the cost of education services, outpatient care services and transport services which was to an extent was offset by a smaller decline in information and communication services and the fall in housing rent. In Q4-2022, price pressures in the domestic economy remained strong reflecting lagged effect of the passthrough of elevated energy prices and other imported input costs as well as wage increases.

As for developments in major categories of the CPI, the food and non-alcoholic beverages category—which carries the second highest weight in the CPI basket at 23.5%—was the main upward contributor to inflation (1.4 percentage points)¹⁴, although it registered a smaller increase in Q4-2022 (Figure 12). Food inflation eased from 6.3% during Q3-2022 to 6.1% during the review quarter reflecting the decline in price of certain vegetables and smaller increase prices of fish and meat, despite higher inflation in other major food categories such as fruits (7.9%), dairy products (6.6%), cereals and cereal products (3.8%) and oils and fats (28.9%).

In Q4-2022, prices of services across several major CPI categories accelerated and contributed significantly to inflation. Health inflation accelerated to 5.6% in Q4-2022 from 4.4% in Q3-2022, predominantly due to the increase in price of

Figure 12: Contribution of Sub-Categories to CPI Inflation (National), 2018 - 2022
(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.

outpatient care services, reflecting higher doctor's consultation fees from private hospitals. Similarly, education services inflation rose significantly to 2.6% from 0.9% in Q3-2022, mainly reflecting the increase in fees charged by schools. This follows from the increase in salaries of teachers in government schools in Q2-2022. Meanwhile, the pace of increase in passenger transport services rose to 8.6% from 7.3%, driven by the larger increase in price of domestic airfare and taxi fare, which partially offset the decline in price of international airfare.

As for the energy-related items in the CPI¹⁵, the price of petrol continued to remain elevated, although the pace of increase in petrol prices decelerated to 44.2% from 52.8% in Q3-2022, reflecting the impact of the downward adjustment of administered price of petrol by the State Trading Organization (STO)¹⁶ in Q3-2022 due to the fall in global oil prices. The domestic price of petrol was lower on average during Q4-2022 at MVR15.97 per litre when compared with MVR16.16 per litre

¹⁴ Due to the rebasing of the CPI, the share of food and non-alcoholic beverages category in the CPI basket rose to 23.5% in the new series from 22.0% in the old series

¹⁵ Energy-related items include the price charged on electricity, gas and other fuels, and price of fuels and lubricants for personal transport equipment.

¹⁶ Domestic petrol prices reflect markets prices with a lag even though they are administered by STO.

during Q3-2022¹⁷. During the quarter the increase in electricity inflation picked up to 0.2% due to the increase in cost of electricity bills reflecting increased electricity consumption as tariff rates remained unchanged.

Information and communication category was the main downward contributor to inflation during Q4-2022 (-0.6 percentage points), although the pace of decline in prices of information and communication moderated, as the cost information and communication services fell at a slower pace during the quarter (from 11.3% in Q3-2022 to 7.1% in Q4-2022). This reflected promotional offers

provided by telecommunication companies during Q4-2022 as well as the dissipation of base effect of the government policy-related reductions in internet prices implemented in October 2021. Meanwhile, housing rent (accounting for 16.8% of the CPI) registered a marginal decline of 0.7% in Q4-2022, the first such decline since Q3-2021, dampening the overall inflation by 0.1 percentage points. The decline in housing rent during Q4-2022 primarily reflected the decline in two-bedroom and three-bedroom apartments during October 2022.

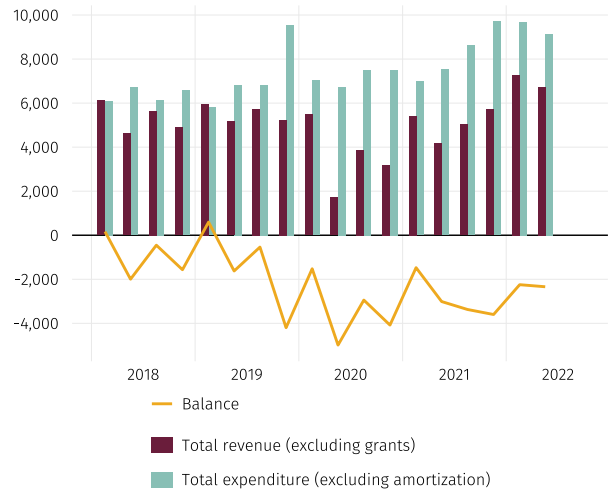
¹⁷ This is based on the retail price of Fuel Supply Maldives (FSM), a subsidiary of STO—the largest importer of petroleum products in the Maldives.

Public Finance¹⁸

Total government revenue (excluding grants) increased by MVR1.9 billion during Q3-2022¹⁹ when compared with Q3-2021 and totalled MVR6.9 billion at the end of the quarter (Figure 13). This was owing to a significant increase in tax revenue, together with a growth in non-tax revenue, reflecting the upturn in economic activity on the back of a robust tourism sector. In this regard, tax revenue, which accounted for 70% of the total revenue over the period, registered a marked increase of MVR1.2 billion in annual terms.

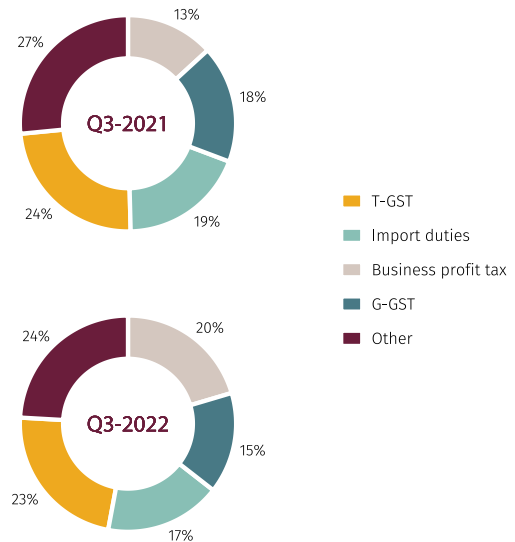
The increase in tax revenue during the quarter was spread across all major revenue sources, with revenue from business and property tax observing the largest increase over the quarter. Within this category, business profit tax (BPT) accounted for the largest increase recording a growth of MVR509.7 million, mainly reflecting the receipt of the first interim payment together with the collection of past dues in Q3-2022. Secondly, the tourism goods and services tax (T-GST), the main single source of revenue for the government, observed a growth of MVR242.7 million, owing to the robust performance of the tourism sector during the quarter (Figure 14). This was followed by sizeable growths in other major revenue sources including import duties and general goods and services tax (G-GST), mirroring the increase in domestic economic activity with higher demand and higher imports. Further, the growth in G-GST revenue reflected higher collections from the wholesale and retail trade sector, and the construction sector. Meanwhile, the positive developments in the tourism sector was also evident in the collection of airport service charge and green tax.

Figure 13: Government Revenue and Expenditure, 2018 - 2022 (millions of rufiyaa)



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

Figure 14: Composition of Tax Revenue, 2021 - 2022



Source: Ministry of Finance

¹⁸ Government revenue and expenditure data as of 8 February 2023. These figures might vary due to ongoing data reconciliation.

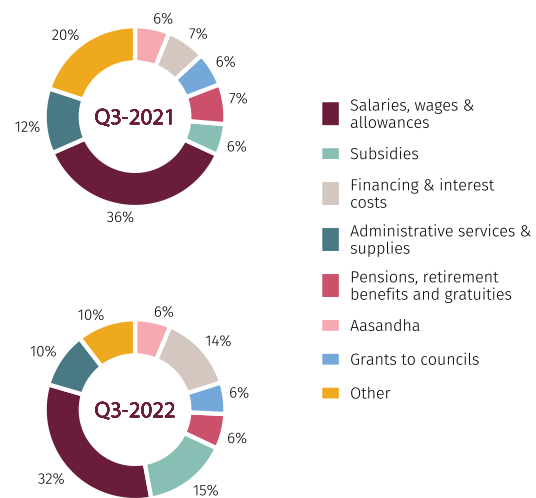
¹⁹ Data for Q4-2022 was not available at the time of compilation of this report.

Non-tax revenue, which comprised 30% of the total revenue, observed an increase of MVR693.9 million in annual terms and totalled MVR2.0 billion at the end of Q3-2022. The growth in non-tax revenue was largely driven by the collection of fees and charges. Delving into this category, an increment of MVR653.5 million was observed in other fees and charges, while airport development fee observed a growth of MVR86.7 million, largely due to increased international departures and partly reflecting the amendment to the Airport Taxes and Fees Act which became effective from January 2022 onward. This was followed by a notable growth in interest and profits, and dividends from state-owned enterprises (SOEs), which grew by MVR110.0 million and MVR74.1 million, respectively. In contrast, a sizeable decline was observed in rent from resorts, largely reflecting a higher base effect owing to the collection of deferred rental payments in Q3-2021.

Total expenditure (excluding debt amortisation) recorded an increase of MVR819.7 million in annual terms and totalled MVR9.4 billion during Q3-2022. This stemmed entirely from a sizeable increase in recurrent expenditure, which posted an annual growth of MVR1.3 billion and more than offset the marked decline in capital expenditure. The increase in recurrent expenditure was driven by a substantial increase in administrative and operational expenses, largely due to increased spending on grants, contributions and subsidies. Within this category, a significant proportion of expenditure stemmed from subsidies, which grew by MVR752.8 million, while expenditure on the national health insurance scheme, Aasandha, posted a growth of MVR98.6 million (Figure 15). The substantial rise in expenditure on subsidies can be partly attributed to higher global oil and food prices, amid delays in the implementation of the policies envisioned to reduce such expenditure. Further, a significant growth was observed in financing and interest costs, stemming from higher debt which led to increased costs on

debt servicing. Meanwhile, capital expenditure observed a decline of MVR520.7 million, largely owing to a fall in development projects and investment outlays, despite a growth in spending on infrastructure assets and lendings. The increase in infrastructure assets primarily mirrored the rise in spending on land and buildings, which grew by MVR201.8 million.

Figure 15: Composition of Recurrent Expenditure, 2021 - 2022



Source: Ministry of Finance

Monetary Developments

Broad Money

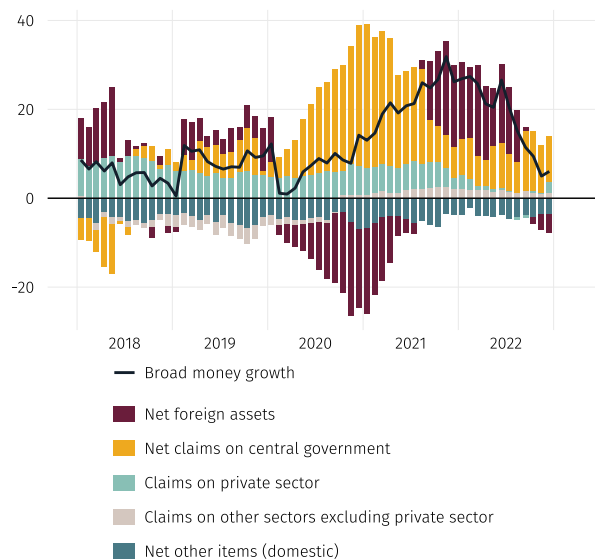
The annual growth rate of broad money (M2 or money supply) decelerated further to 6% at the end of December 2022, after recording 11% at the end of September 2022 (Figure 16). On the components side, this reflected a significant slowdown in the transferable deposit base (demand deposits), together with a slowdown in other deposits (savings and time deposits) of the banking system. Further, currency outside depository corporations posted a decline over the review period.

Demand deposits—which accounted for 73% of the money supply during the review period—grew by 4%; a sizeable deceleration from the 12% growth recorded at the end of September 2022. This mirrored a sizeable slowdown in such deposits denominated in foreign currency, together with local currency.

Other deposits—which accounted for 22% of money supply—posted a growth of 14% at the end of December 2022, after registering a growth of 17% at the end of September 2022. This largely reflected a deceleration in time deposits denominated in local currency despite a growth in such deposits denominated in foreign currency. Meanwhile, savings deposits denominated in both local and foreign currency expanded in annual terms in December 2022. In contrast, currency outside depository corporations—which accounted for 6% of money supply—observed a decline of 2% at the end of December 2022, after recording a decline of 8% at the end of September 2022.

On the sources side, the deceleration in broad money growth was driven by a decline in net foreign assets (NFA), despite an expansion in net domestic assets (NDA) of the banking system. The growth in NFA which turned negative at the beginning of the quarter, fell by 16% at the end of December 2022, after recording a growth of 4% at

Figure 16: Contribution to Broad Money, 2018 - 2022
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

the end of September 2022. This decline stemmed from a fall in NFA of both the commercial banks and the MMA. The fall in NFA of the commercial banks mirrored a decrease in foreign assets stemming from the decline in foreign currency demand deposits held abroad. Meanwhile, the fall in NFA of the MMA was due to the marked increase in foreign liabilities reflecting the foreign currency swap obtained from the RBI in December 2022, entirely offsetting the increase in foreign asset accumulation.

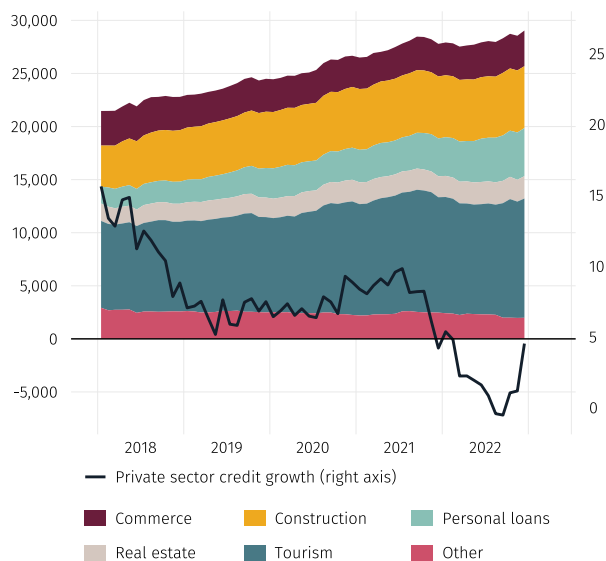
The growth rate of NDA accelerated to 14% at the end of December 2022, from 13% recorded at the end September 2022. The annual growth in NDA was primarily driven by the increase in NDA of the commercial banks together with NDA of the MMA. The increase in NDA of the commercial banks was mainly driven by the increase in NCG, which grew by MVR3.4 billion, primarily reflecting the annual expansion in government securities. In addition, commercial banks' credit to the private sector and public non-financial corporations contributed to this increase, recording growths of

MVR1.2 billion and MVR420.1 million, respectively. It is also worth noting that this was a turnaround in credit to the private sector in the review quarter owing to higher new disbursements, after slowing down in the last three consecutive quarters. Meanwhile, the increase in NDA of the MMA mainly stemmed from an increase in net claims on central government (NCG) by the MMA which also outpaced the increase in overnight deposit facility (ODF) placements by commercial banks and offset the decline in claims on commercial banks by the MMA.

Credit to Private Sector

Credit to the private sector recorded an annual growth of 5% (MVR1.3 billion) and stood at MVR29.0 billion at the end of Q4-2022 (Figure 17). During this period, credit extended to tourism, construction, personal loans, and commerce accounted for the highest shares of credit over the period. Credit extended to the tourism sector (which accounted for 39% of total private sector credit) registered an annual growth of 3% in the review period, after recording a 6% annual decline in September 2022. This was owing to a significant growth in credit extended as working capital, which offset the declines in credit extended for renovation of resorts, guest houses, and new resort development. Meanwhile, credit extended to the construction sector observed a marginal decrease as the fall in credit lent for construction of residential or housing projects entirely offset the growth in credit lent for other construction projects. In contrast, credit extended as personal loans expanded significantly and observed the largest increase over the period, recording an annual growth of 27%, reflecting the rise in credit extended as credit cards and for consumer durables. Likewise, credit extended to the commerce sector observed an increase, stemming from the rise in credit for wholesale and retail businesses.

Figure 17: Private Sector Credit, 2018 - 2022
(millions of rufiyaa, annual percentage change)

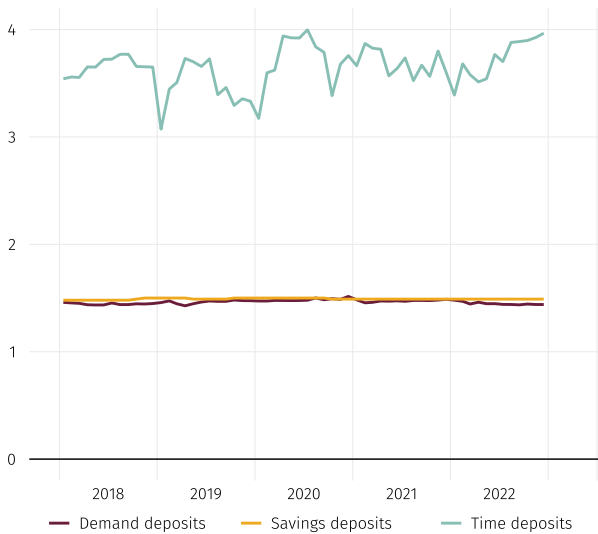


Source: Maldives Monetary Authority

Interest Rates

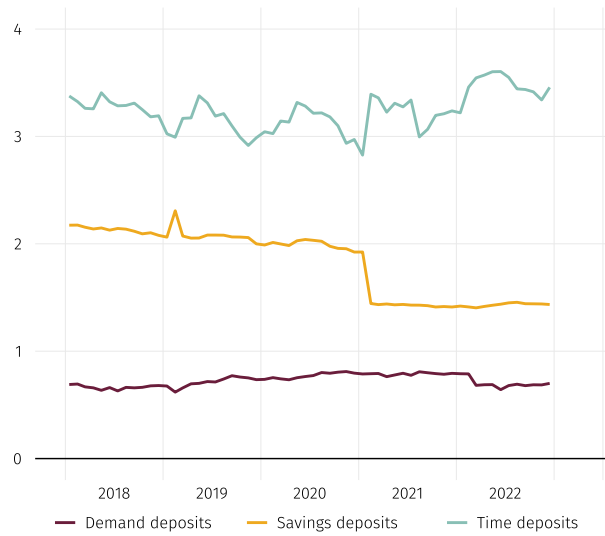
As for interest rates, the rate on both local and foreign currency denominated demand deposits observed a decrease at the end of December 2022. Meanwhile, the rate on local currency savings deposits remained broadly unchanged, although the rate on foreign currency savings deposits observed a slight increase in the review period. Similarly, the interest rate on both local and foreign currency denominated time deposits (maturity of six months to one year) posted an increase over the period (Figure 18 and 19). With regard to the interest rates on loans to the private sector, the interest rate on both local and foreign currency denominated private sector loans observed an increase during the period (Figure 20).

Figure 18: Interest Rate on National Currency Deposits, 2018 - 2022 (weighted average)



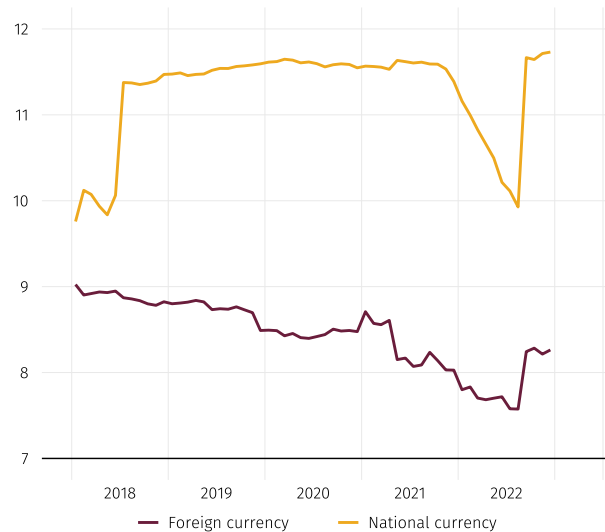
Source: Maldives Monetary Authority

Figure 19: Interest Rate on Foreign Currency Deposits, 2018 - 2022 (weighted average)



Source: Maldives Monetary Authority

Figure 20: Interest Rate on Private Sector Loans and Advances, 2018 - 2022 (weighted average)



Source: Maldives Monetary Authority

Financial Sector

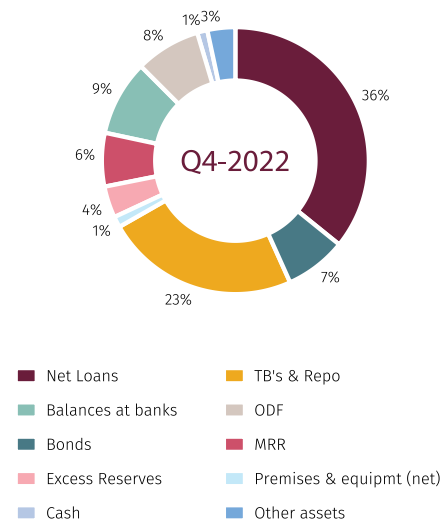
Banking Sector

The banking sector remained robust as of the end of final quarter of the year, with growth in aggregate profits as well as the asset base. The capital adequacy ratios of all the banks remained strong and above the minimum regulatory requirements, with the aggregate ratio of total capital to risk-weighted assets at 51% due to the substantial proportion of assets in low-risk assets, while the leverage capital ratio measured by Tier 1 capital to assets, stood at 18%. The minimum requirements for the ratios are 12% and 5%, respectively.

Annual pre-tax profits amounted to MVR4.2 billion, a growth of 2% year-on-year, which is a deceleration from the growth rate in 2021. The increase in profits was primarily driven by the growth in Net Interest Income (NII). Despite the increase in profits, the ratios of return on assets (ROA) and return on equity (ROE) declined to 3.9% and 17.1%, respectively, compared to ratios of 4.4% and 19.5% a year ago. The comparative decreases in the ratios was on account of the inflated profits in 2021 from the recovery of a few large loans that had been written-off.

The asset base increased by 7% on a quarterly basis, primarily driven by the increased deposit base²⁰ of the banks, which grew by MVR3.4 billion to reach MVR55.7 billion at the end of 2022. Total deposits grew by 7% in quarterly terms, and 6% in annual terms; driven by the increased tourism sector revenue during the Q4-2022, with 68% of the quarterly growth in deposits stemmed from foreign currency deposits. A foreign borrowing amounting to MVR1.5 billion by one bank, mainly for investment purposes, also contributed to the growth in assets during the quarter.

Figure 21: Net Asset Composition of Banking Industry, Q4-2022



Source: Maldives Monetary Authority

Liquidity position of banking sector remained adequate with 46% of assets held as liquid assets. Such assets consisted mostly of investments in T-bills which accounted for 23% of the asset portfolio. Balances at banks comprised 9%, while balances in the ODF and excess reserves at MMA represented 8% and 4% of the asset portfolio, respectively (Figure 21).

As regards lending by the banks, at the end of Q4-2022, gross loans stood at MVR33.1 billion, a growth of 2% on a quarterly, and 6% on an annual basis. Absolute value of non-performing loans (NPL) recorded a quarterly decline of 2% and an annual decline of 7%, owing to loan write-offs made during the quarter. Consequently, at the end of 2022, the NPL ratio remained unchanged from the previous quarter, at 6%. The impact to capital from the NPLs is mitigated by loan-loss provisions that cover of 119% of the NPL value.

²⁰ This includes deposits in the banking sector. Deposits reported under monetary developments includes deposits included in the broad money, which are deposits of private sector, other financial corporations, public nonfinancial corporations and the state and local government.

Finance Companies

Financing Companies continued to perform well and recorded total assets of MVR4.2 billion at the end of Q4-2022—a quarterly increase of 5% and an annual increase of 12%. The annual growth is mostly attributed to the capital injection made by a state-owned financial institution during the year in the amount of MVR186.7 million.

The total capital to risk-weighted assets ratio and leverage capital ratio remained strong at 56% and 46% respectively, demonstrating adequate capital strength for risk absorption.

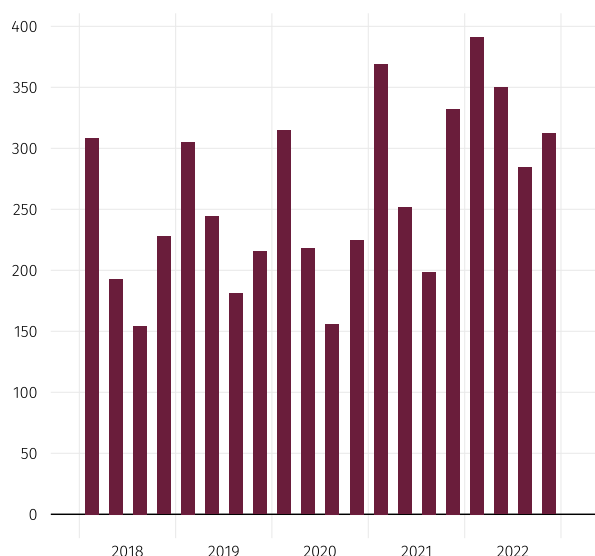
At the end of the quarter, gross loans amounted to MVR3.2 billion, an increase by 4% or MVR106.3 million on a quarterly basis, and a 16% or MVR432.5 million increase on an annual basis. Absolute NPLs increased by MVR35.0 million at the end of the quarter, while the NPL ratio was maintained at 11%. Specific loan-loss provisions covered 37% of NPLs at the end of the quarter.

Financing Companies reported annual net profits before taxes of MVR139.2 million, a decline of 5% compared to the same period in 2021. This decline was due to increases in provisions for loan losses and non-interest expenses during the quarter. Nevertheless, the profitability ratios, ROA and ROE, showed improvements from 3.6% and 7.9%, to 3.9% and 8.1% respectively, compared with the previous year.

Insurance Industry

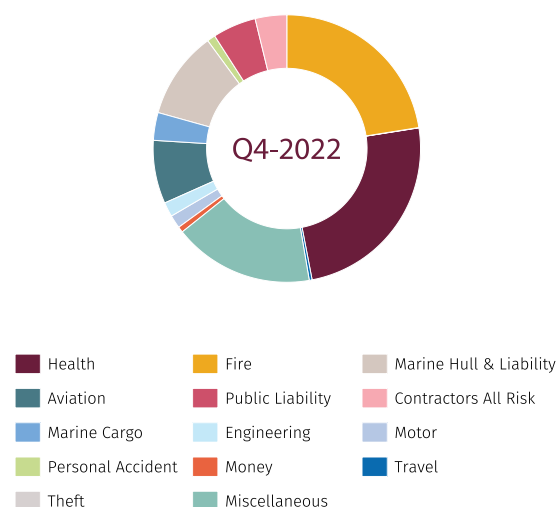
The performance and prudential indicators of general insurance companies demonstrated considerable resilience at the end of 2022. Gross written premium (GWP) of the general insurance industry during Q4-2022 amounted to MVR312.3 million; while the GWP for the year was MVR1.3 billion, a 16% growth compared to the previous year (Figure 22). Health insurance, fire insurance, and marine insurance represented 24%, 22%, and 14% of the quarterly GWP, respectively (Figure 23). The

Figure 22: Gross Written Premium, 2018 - 2022 (millions of rufiyaa)



Source: Maldives Monetary Authority

Figure 23: Premium Contributions by the Classes of Insurance, Q4-2022



Source: Maldives Monetary Authority

ratio of Net Written Premium (NWP) to annualized equity of 76%, and the ratio of equity to assets of 30% indicate that the insurance companies continued to be well-capitalized with respect to the business they underwrite and retain.

The total assets of the insurance companies stood at MVR2.5 billion at the end of 2022, a 3% year-on-year reduction primarily attributable to a decrease in the reinsurance recoverables. Investments, which accounted for 26% of the asset portfolio, amounted to MVR621.3 million at the end of the year. A significant majority of the investment portfolio was in debt securities, accounting for 55% of the overall investments, while fixed deposits constituted 21% of the total investments (Figure 24).

The gross claims of insurance companies in the fourth quarter of 2022 demonstrated a noticeable upswing compared to the same period in 2021, as the gross claims increased from MVR119.5 million to MVR188.6 million. The annual gross claims for the general insurance sector in 2022 totalled MVR681.4 million, which reflected a considerable increase in comparison to the previous year's MVR521.4 million. Moreover, the net incurred claims, which represent the claims incurred by the local insurance companies after reinsurance adjustments, increased significantly by 66%, primarily due to a substantial rise in claims in the health class which is almost entirely retained by the insurance companies.

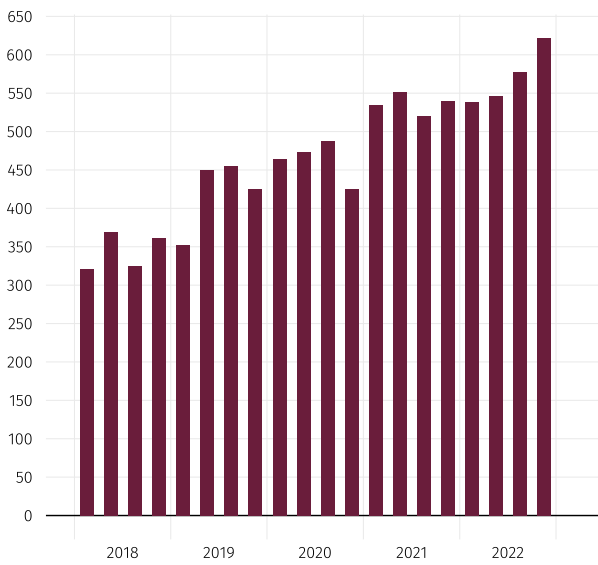
The retention ratio for the quarter increased substantially, rising to 42% as compared to 34% for the corresponding period of the previous year (Figure 25). The increase is primarily attributed to the significant rise in GWP for the health class, which has nearly 100% retention. The GWP for the health class in Q4-2022 increased by MVR12.6 million in comparison to the same period in 2021.

The net loss ratio for 2022 (net incurred claims to net earned premium), a key measure of underwriting profitability, increased to 60% from

49% in 2021, in line with the substantial increase in net claims (Figure 26). Consequently, the profit after tax for 2022 (unaudited) decreased to MVR91.6 million, a decrease of 11% compared to the audited numbers of the previous year. The profits before tax amounted to MVR123.8 million (Figure 27). The key profitability ratios, ROA and ROE stood at 4% and 13%, respectively.

Figure 24: Investments, 2018 - 2022

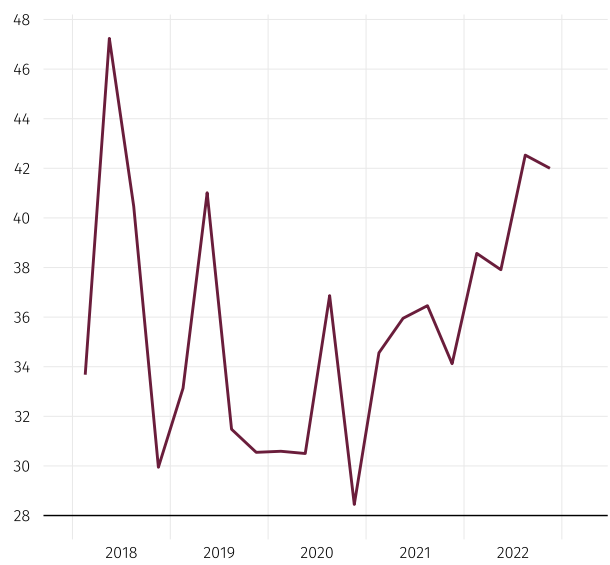
(millions of rufiyaa)



Source: Maldives Monetary Authority

Figure 25: Retention Ratio, 2018 - 2022

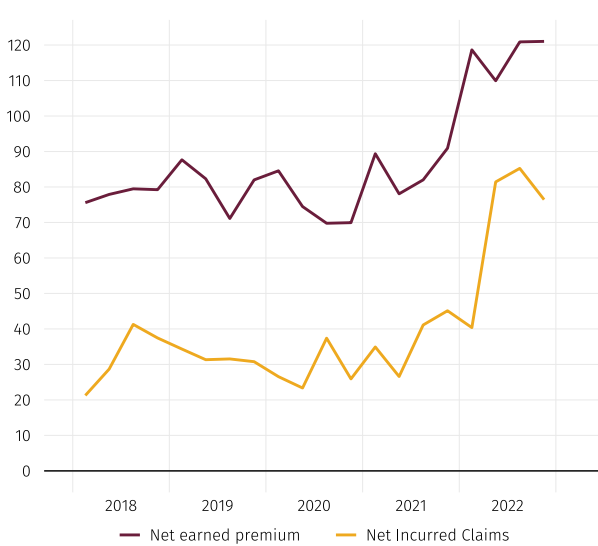
(percent)



Source: Maldives Monetary Authority

Figure 26: Net Earned Premium vs Net Incurred Claims, 2018 - 2022

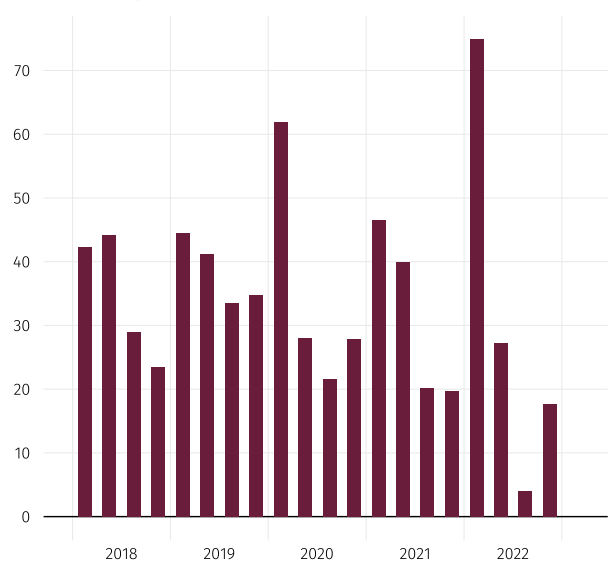
(millions of rufiyaa)



Source: Maldives Monetary Authority

Figure 27: Pre-tax Profit, 2018 - 2022

(millions of rufiyaa)



Source: Maldives Monetary Authority

External Trade

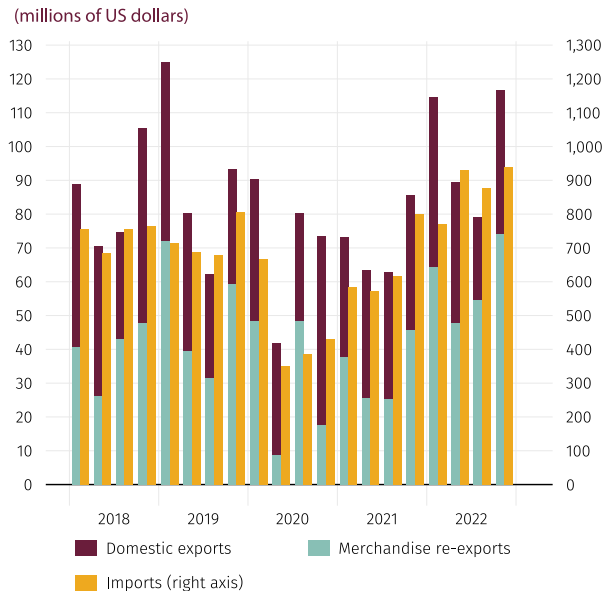
Merchandise Exports

Total merchandise exports registered an annual increase of 36% (US\$30.8 million) in Q4-2022 and totalled US\$116.5 million. This was mainly driven by the significant increase in merchandise re-exports, while domestic exports also rose during the quarter (Figure 28). As such, merchandise re-exports surged by 62% (US\$28.5 million) to total US\$74.1 million in Q4-2022. This reflected a substantial increase in both the price and volume of aviation gas re-exports during the review quarter, driven by the upswing in international flight movements following the commencement of the tourism sector’s peak season.

Domestic exports—which mainly comprise fish and fish products—increased by 6% (US\$2.3 million) during Q4-2022 and totalled US\$42.4 million. This was mainly due to the notable rise in export earnings of frozen skipjack tuna, which increased by 25% (US\$4.7 million) (Figure 29). The significant rise in export earnings of frozen skipjack tuna was due to the increase in the volume of such exports. Meanwhile, exports of canned or pouched tuna declined during the quarter, registering a fall of 18% (US\$1.6 million), reflecting decrease in the volume of such exports. In addition, export earnings from frozen yellowfin tuna also registered a notable decline of 20% (US\$0.5 million) during the review quarter. Moreover, exports of fresh or chilled yellowfin tuna decreased during the quarter, observing a fall of 5% (US\$0.3 million). Furthermore, export earnings from processed dried tuna also fell during the quarter, declining by 29% (US\$0.2 million).

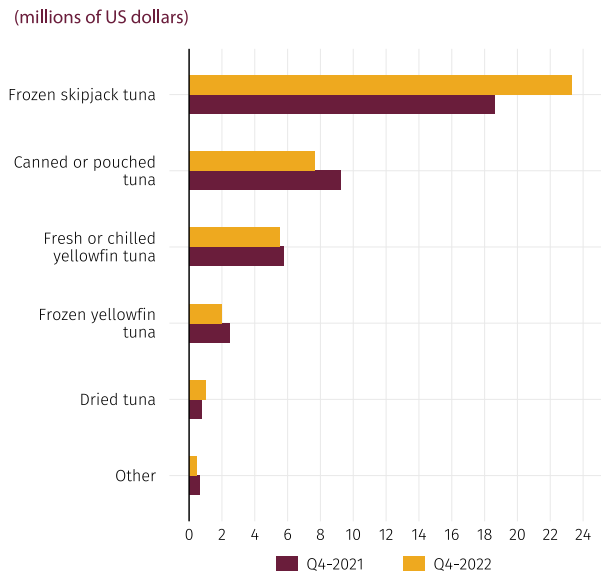
As for the direction of trade of exports, Asia was the major continental export destination during the quarter, accounting for 63% of domestic exports in Q4-2022—an increase from the 56% recorded in the corresponding quarter of 2021. Thailand remained as the dominant Asian export

Figure 28: Total Trade Summary, 2018 - 2022



Source: Maldives Custom Service

Figure 29: Composition of Fish Export Earnings, 2021 - 2022



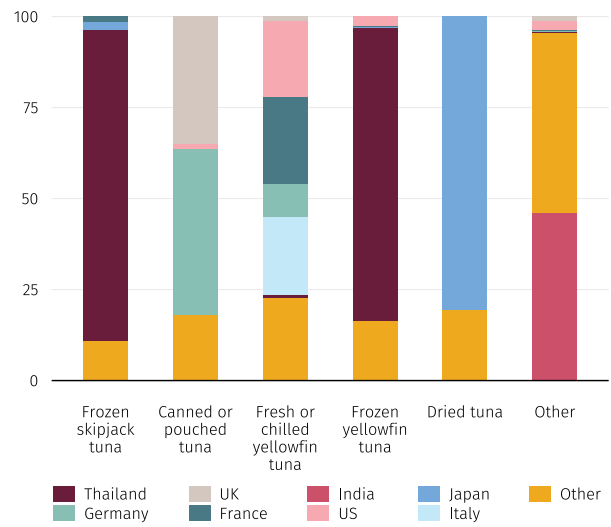
Source: Maldives Customs Service

market, accounting for 51% of total domestic exports in Q4-2022—an increase from 44% in Q4-2021. Meanwhile, the market shares of both India and Japan, each accounting for 3% of total domestic exports during the review quarter, remained relatively unchanged. Meanwhile, Europe emerged as the second largest continental export destination with a market share of 29% in Q4-2022—a marked decline from 36% observed in Q4-2021 (Figure 30). Accordingly, demand from the majority of the European export markets declined during the review quarter. Germany—the second largest export destination—accounted for 9% of the total domestic exports in Q4-2022, which was a marked decline from 16% recorded in Q4-2021. Other notable export destinations include the UK (7%) and France (4%).

Merchandise Imports

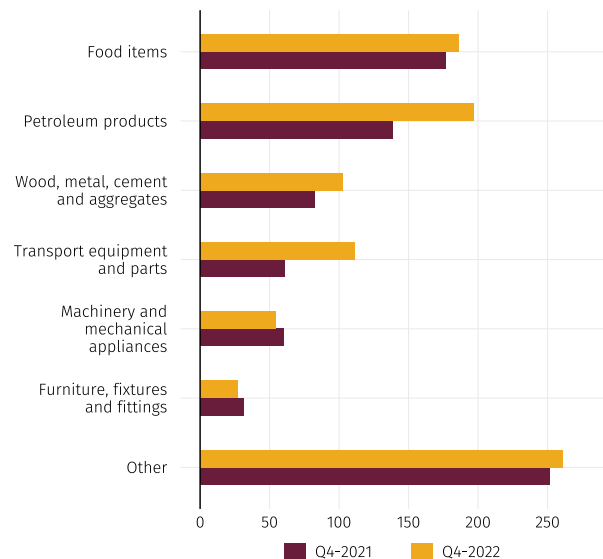
Total merchandise imports (c.i.f) recorded an annual increase of 17% (US\$137.7 million) during Q4-2022 and totalled US\$938.5 million as import demand continued to surpass the pre-pandemic levels (Figure 31). The main contributors to the annual increase in imports were petroleum products, which significantly increased by 42% (US\$58.1 million)—driven by higher global oil prices—followed by transport equipment which observed an increase of 82% (US\$50.0 million). In addition, expenditure on construction-related items, and electrical and electronic machinery and equipments increased by 17% (US\$19.5 million) and 47% (US\$18.3 million), respectively, during the quarter. Meanwhile, notable declines in expenditure were observed for medical and surgical supplies, machinery and mechanical appliances and parts, and furniture, fixtures and fittings during the review quarter.

Figure 30: Direction of Trade by Domestic Export Categories, Q4-2022 (percent)



Source: Maldives Customs Service

Figure 31: Composition of Imports, 2021 - 2022 (millions of US dollars)



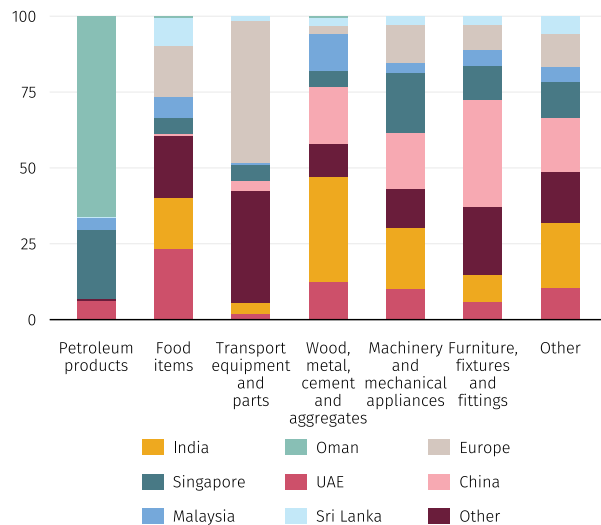
Source: Maldives Customs Service

With regard to the direction of trade of imports, Asia remained as the largest continental source of imports, accounting for 79% of total merchandise imports in Q4-2022—a decrease from 81% recorded in Q4-2021 (Figure 32). This was followed by Europe, which accounted for 13% of the total merchandise imports during the review quarter, an increase from 11% recorded in Q4-2021. During Q4-2022, India accounted for the largest share of imports, accounting for 15% of total merchandise imports, an increase from 12% share in Q4-2021. This was followed by Oman accounting for 14%, an increase from 12% recorded in the corresponding quarter of 2021. Meanwhile, Singapore accounted for 12%, a rise from 10% registered in Q4-2021, followed by United Arab Emirates (UAE) accounting for 11% during the review quarter, a fall from 13% in the corresponding quarter of 2021. Similarly, China accounted for 10% of total merchandise imports during the review quarter, decline from 13% recorded in Q4-2021.

Gross International Reserves

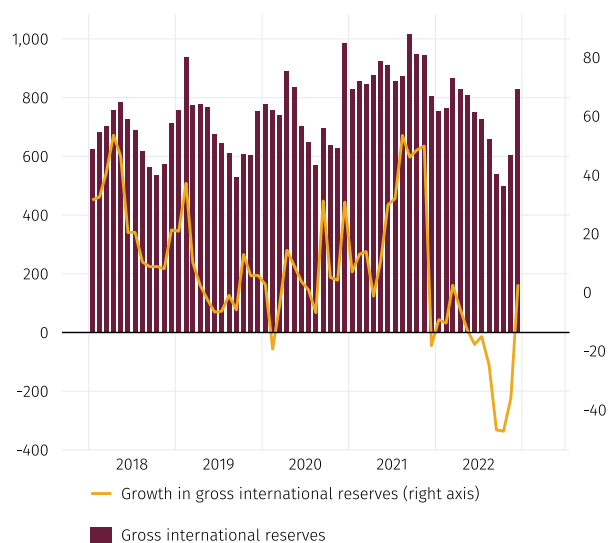
Gross international reserves (GIR)²¹ increased to US\$827.7 million at the end of Q4-2022, registering an annual increase of 3% (US\$21.9 million) when compared with the corresponding quarter of 2021. Similarly, when compared with the preceding quarter, GIR registered a significant growth of 53% (US\$287.4 million) (Figure 33). The annual increase in GIR was due to the US\$163.3 million increase in short-term foreign liabilities, driven primarily by the US\$100 million foreign currency swap facility availed from the RBI coupled with the increase in foreign currency inflows received by the government during the review quarter.

Figure 32: Direction of Trade by Import Categories, Q4-2022 (percent)



Source: Maldives Customs Service

Figure 33: Gross International Reserves, 2018 - 2022 (millions of US dollars, annual percentage change)



Source: Maldives Monetary Authority

²¹ Also called official reserve assets, comprise of foreign currency deposits of the MMA and government, commercial banks' US dollar reserve and the Maldives' reserve position at the IMF.

STATISTICAL APPENDIX

Table of Selected Economic Indicators, 2019 - 2022

(annual percentage change over the corresponding period, unless stated otherwise)

	2019	2020	2021	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Real Sector											
Tourist arrivals	15	-67	138	-22	385,316	1,797	194	45	80	5	7
Bednights of resorts	12	-63	156	-3	10,340	1,282	190	33	51	15	-3
Operational capacity of resorts	14	-36	69	-5	740	138	26	13	8	9	8
Occupancy rate of resorts (%)	74	29	65	70	48	62	80	82	66	65	72
Average stay (days)	6.3	18.5	8.8	8.9	9.1	8.9	8.2	8.5	7.7	8.1	7.7
Fish purchases	3	-2	11	14	45	-17	18	-2	3	-19	-14
Prices ¹											
Total (Republic)	0.2	-1.4	0.6	-0.7	2.3	0.5	0.1	0.6	3.0	2.7	3.1
Total excluding fish	0.5	-1.6	0.6	-0.4	2.4	0.5	0	0.4	3.1	2.4	2.9
Food and non-alcoholic beverages excluding fish	0	2.8	2.4	3.0	1.5	2.7	2.3	1.6	4.0	5.6	6
Government Securities (millions of rufiyaa)											
Government securities outstanding	28,591.2	37,566.1	44,000.8	39,312.1	40,360.8	42,704.5	44,000.8	47,430.8	49,609.0	50,318.6	53,138.5
Treasury bonds	9,626.4	13,478.6	13,589.9	13,598.8	13,605.1	13,574.9	13,589.9	16,029.1	15,996.4	15,929.9	17,535.2
Treasury bills	18,964.7	24,087.5	30,411.0	25,713.3	26,755.7	29,129.5	30,411.0	31,401.7	33,612.5	34,388.7	35,603.3
MMA	103.6	91.3	97.4	73.9	60.7	97.4	97.4	78.0	71.2	87.9	87.9
Commercial bank	11,954.4	14,350.1	18,381.7	15,356.7	16,013.0	17,083.1	18,381.7	19,460.5	20,477.8	20,412.2	20,668.7
Others	6,906.8	9,646.2	11,931.9	10,282.8	10,682.0	11,949.0	11,931.9	11,863.1	13,063.6	13,888.7	14,846.6

Source:

Ministry of Tourism; Ministry of Fisheries, Marine resources and Agriculture; Ministry of Finance; Maldives Bureau of Statistics; Maldives Customs Service, Maldives Airports Company Limited; Gan International Airport; Maldives Monetary Authority

¹ The inflation rate for the year refers to the period average values, whereas inflation for the quarter represents the annual percentage change in the three-month-average.

	2019	2020	2021	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Money and banking											
Broad money	10	14	26	19	21	25	26	26	27	11	6
Net foreign assets	33	-49	114	-40	-12	110	114	113	98	4	-16
Net domestic assets	0	50	9	52	32	13	9	7	11	13	14
Net claims on central government	2	86	12	76	41	16	12	12	17	25	20
Claims on other sectors	4	10	6	10	10	10	6	4	3	1	6
o/w Private sector	7	10	4	9	9	8	4	2	1	-1	4
Reserve money	-4	10	1	-8	12	29	1	13	-4	-7	2
Monetary operations¹											
Open market operations²	0	0	0	0	0	0	0	0	0	0	0
Overnight Deposit Facility	-26	34	44	132	60	10	26	41	37	37	20
External trade											
Merchandise exports (f.o.b.)	6	-21	0	-19	51	-21	17	57	41	25	36
Domestic exports	-13	3	-7	-16	14	18	-28	43	10	-35	6
o/w Fish exports	-14	3	-10	-21	11	16	-29	46	8	-38	6
Re-exports	29	-39	9	-22	196	-48	158	70	87	117	62
Merchandise imports (c.i.f.)	-2	-36	40	-13	63	59	86	32	63	42	17
o/w Food	10	-30	51	0	77	91	81	16	27	33	5
o/w Petroleum	3	-43	72	-9	152	110	137	56	160	90	42
o/w Construction-related imports	-17	-41	6	-44	9	31	62	55	57	71	17

Source:

Ministry of Tourism; Ministry of Fisheries, Marine resources and Agriculture; Ministry of Finance; Maldives Bureau of Statistics; Maldives Customs Service, Maldives Airports Company Limited; Gan International Airport; Maldives Monetary Authority

¹ Monetary operations figures represent the average investment.

² Open market operations were suspended May 2014 onwards.

	2019	2020	2021	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Direction of Trade of Imports of Goods (as a percentage of total)											
o/w Singapore	12	11	10	11	10	10	10	9	7	8	12
o/w India	10	13	12	12	13	13	12	13	13	15	15
o/w Oman	1	8	13	13	15	13	12	16	22	20	14
o/w UAE	19	12	13	13	13	12	13	15	11	11	11
o/w Europe	12	10	11	10	12	10	11	9	9	8	13
Direction of Trade of Exports of Goods (as a percentage of domestic)											
o/w Thailand	36	44	46	35	61	45	44	52	60	24	51
o/w India	2	2	4	6	3	4	3	5	4	4	3
o/w UK	7	7	7	6	6	8	7	9	7	13	7
o/w France	9	8	4	5	2	4	5	3	3	5	4
o/w Germany	12	10	11	11	8	11	16	6	8	18	9
External Reserves											
Official reserve assets (millions of US dollars)	753.5	984.9	805.8	844.7	912.4	1,016.7	805.8	865.2	750.4	540.3	827.7

Source:

Ministry of Tourism; Ministry of Fisheries, Marine resources and Agriculture; Ministry of Finance; Maldives Bureau of Statistics; Maldives Customs Service, Maldives Airports Company Limited; Gan International Airport; Maldives Monetary Authority

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