

MALDIVES MONETARY AUTHORITY

ECONOMIC UPDATE

MAY 2024

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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 28 May 2024.

Domestic Economic Developments

Real Economy

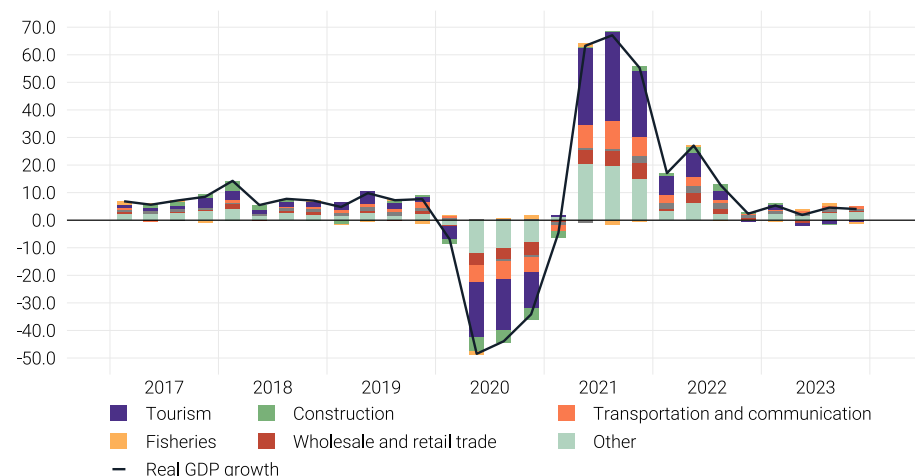
Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts (QNA) for Q4-2023 released by the Maldives Bureau of Statistics (MBS), real GDP grew by 4.0% in Q4-2023 compared to the corresponding quarter of 2022, which is a slight deceleration from the growth of 4.6% in Q3-2023.
 - The annual growth in real GDP during Q4-2023 was mainly driven by the robust performance of the transportation and communication sector. During the quarter, notable growths were observed in sectors such as financial services, wholesale and retail trade, real estate, and human health and social work activities. In contrast, negative contributions were observed from the fisheries sector as well as the tourism sector.

Annual GDP Growth Forecast

- According to the revised forecasts published in October 2023¹, real GDP is projected to grow by 5.5% in 2024. However, growth for 2024 is now expected to be lower-than-projected, owing to the lower-than-estimated growth in 2023 and expected moderation in construction, transportation, and communication sectors. As per the estimates of real GDP released by the Maldives Bureau of Statistics in April 2024, following a significant growth of 13.9% in 2022, the annual real GDP growth for 2023 is estimated at 4.0%—4.7 percentage points lower than the forecast of October 2023. The lower-than-projected economic growth was mainly on account of the slower-than-expected outturn in the construction sector, together with the contraction of the tourism sector—owing to the decline in resort bednights. In 2023, real GDP growth was led primarily by the expansion of the transportation and communication sector, which offset the decline in the tourism sector, and the wholesale and retail trade sector.

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



Source: Maldives Bureau of Statistics

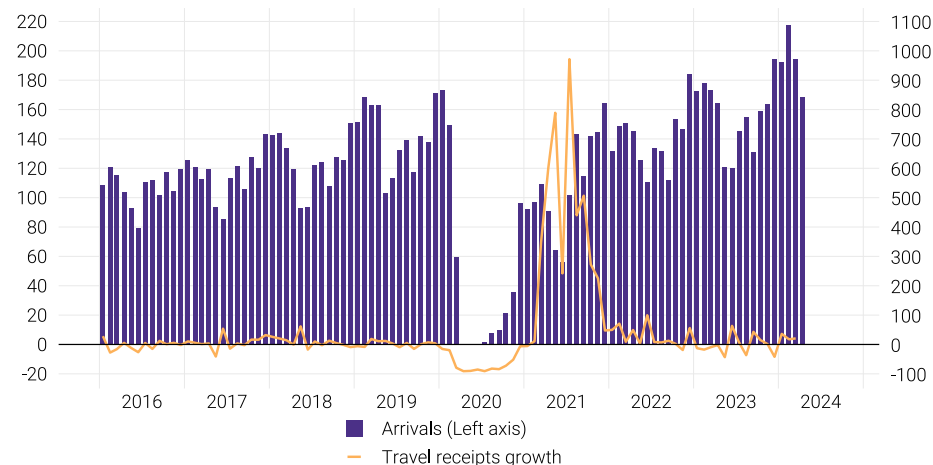
¹According to the growth forecast scenarios estimated jointly by the MMA and the Ministry of Finance.

Tourism

- In April 2024, total tourist arrivals stood at 168,366, registering a slight increase of 2% when compared with April 2023. Meanwhile, total tourist bednights declined by 1% during the month in annual terms, driven by the decline in guesthouse bednights offsetting the increase in resort bednights. During the month, total resort bednights increased by 2%, while total guesthouse bednights declined by 17%.
 - The annual increase in tourist arrivals largely reflected robust arrivals from some of the main source markets of Europe as well as China. During the month, the highest number of tourist arrivals were recorded from the United Kingdom, China, Russia, Germany and Italy.
- The operational bed capacity of the tourism industry observed an increase of 1,537 beds when compared with April 2023, while the occupancy rate declined to 62% in April 2024, from 64% in April 2023.
- Overall, for the period January to April 2024, total tourist arrivals increased by 12% in annual terms, while total bednights rose by 8%. During the period, the average stay observed a slight decline to 7.8 days, from 7.9 days in the corresponding period of 2023.

Tourism, 2016 - 2024

(thousands, annual percentage change)

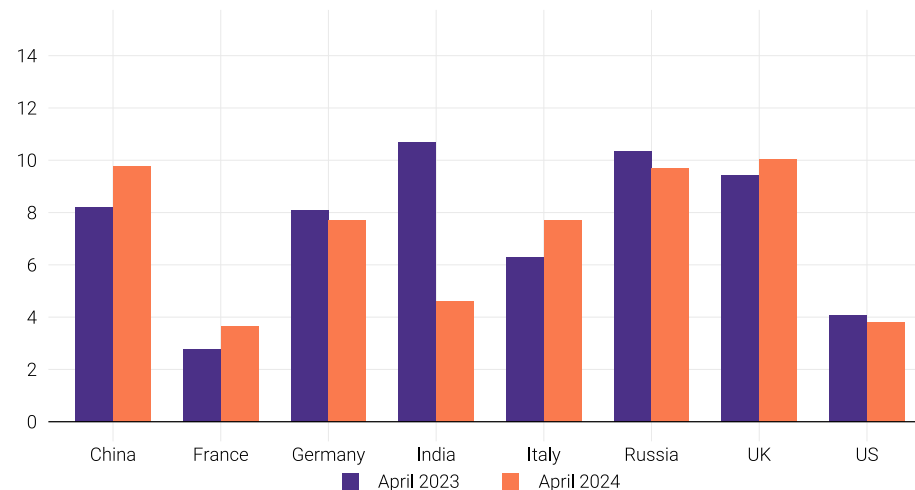


Source: Ministry of Tourism

Note: Tourism receipts available up to March 2024.

Shares of Key Inbound Markets

(percent)

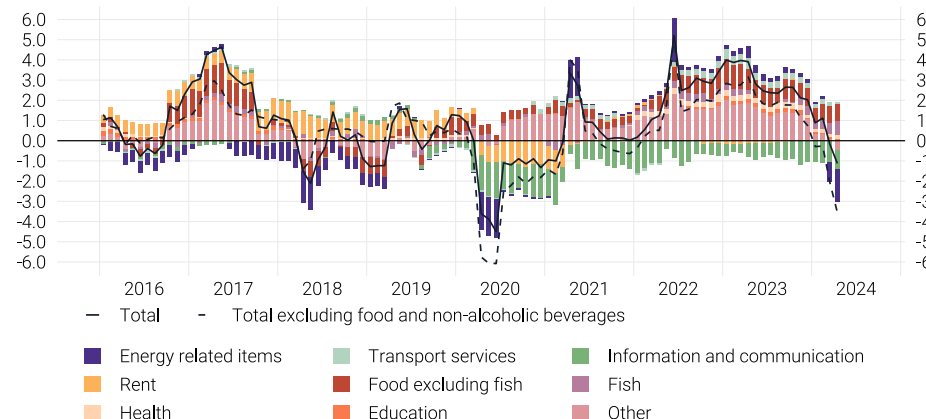


Source: Ministry of Tourism

Inflation

- The rate of inflation, as measured by the annual percentage change in the national CPI, further fell to -1.1% in April 2024 from -0.2% in March 2024.
 - The largest contribution to the annual rate of inflation during April 2024 came from electricity (-1.61 percentage points); mobile communication services (-0.92 percentage points); water supply (-0.58 percentage points); other food products (0.08 percentage points); dairy products (0.08 percentage points); personal care appliances, articles and products (0.09 percentage points); fruits (0.15 percentage points); passenger transport by sea (0.17 percentage points); vegetables (0.36 percentage points) and fish (0.67 percentage points).
- The monthly percentage change in the national CPI also fell further to -0.8% in April 2024 from -0.9% in March 2024.
 - The largest contribution to the monthly rate of inflation came from electricity (-0.39 percentage points); water supply (-0.38 percentage points); vegetables (-0.05 percentage points); mobile communication services (-0.05 percentage points); passenger transport by air (-0.04 percentage points); major household appliances, whether electric or not (-0.03 percentage points); motorcycles (0.01 percentage points); meat (0.02 percentage points); fruits (0.02 percentage points) and fish (0.07 percentage points).

Contribution of Major Categories to CPI Inflation (National), 2016 - 2024
(annual percentage change, percentage point contribution)

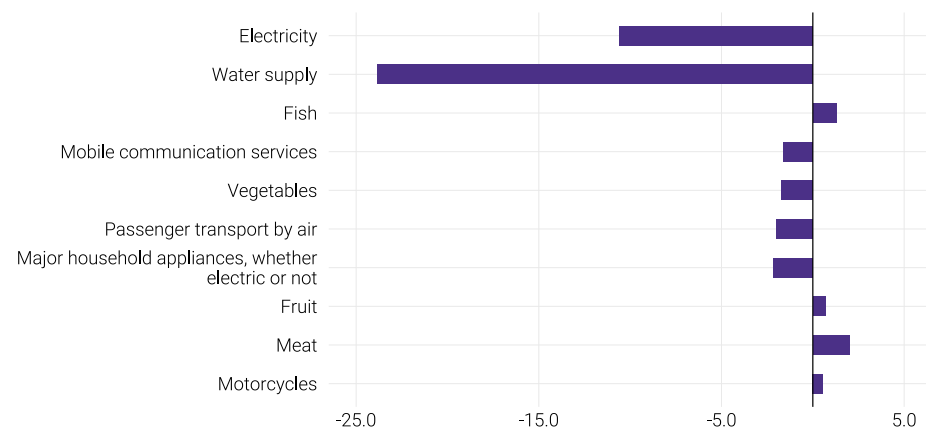


Source: Maldives Bureau of Statistics

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

Monthly Changes of Subcategories of CPI Inflation (National), April 2024

(monthly percentage change)



Source: Maldives Bureau of Statistics

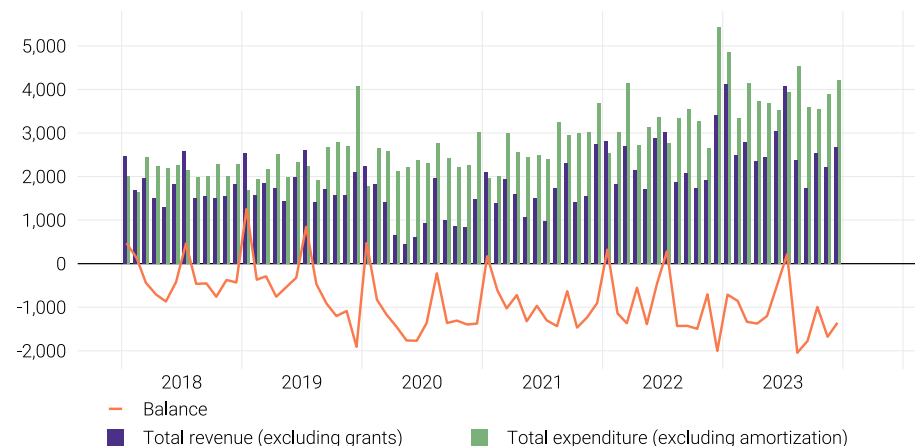
Note: Ordered by the size of the contribution.

Public Finance

- Total revenue (excluding grants) observed a decline of MVR575.9 million (or 17%) in December 2023 when compared with December 2022, owing to the decline in non-tax revenue, despite the increase in tax revenue. As such, non-tax revenue fell by MVR1.0 billion, whereas tax revenue increased by MVR298.1 million.
- Total expenditure (excluding amortisation) decreased by MVR1.2 billion (or 22%) in December 2023 when compared with December 2022, mainly owing to the decline in capital expenditure, which fell by MVR1.5 billion. Meanwhile, recurrent expenditure increased by MVR277.9 million in December 2023, when compared with December 2022.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR112.2 billion at the end of Q1-2024, a 1% increase from Q4-2023. Meanwhile, total government debt as a percentage of GDP declined to 98% at the end of Q1-2024, from 103% in Q4-2023.
 - During this period, the increase in government debt was primarily driven by domestic debt.

Government Revenue and Expenditure, 2018 - 2023

(millions of rufiyaa)

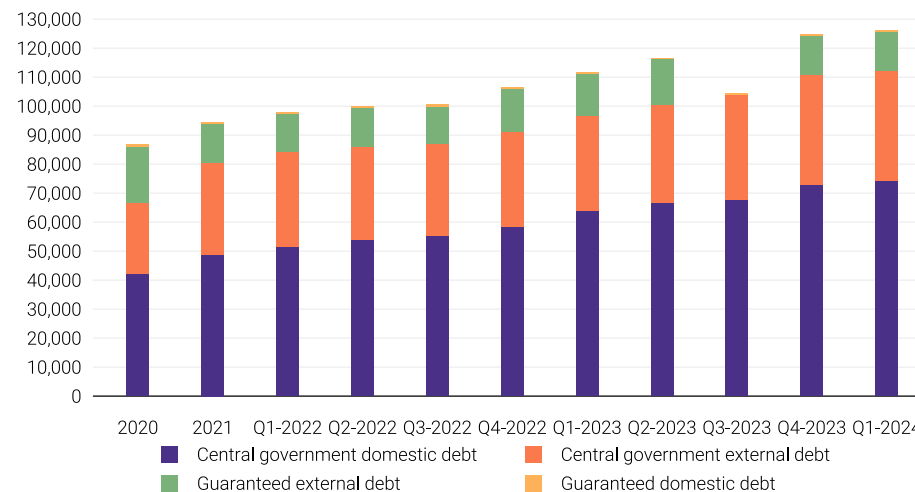


Source: Ministry of Finance

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

Total Outstanding Stock of Public Debt, 2020 - 2024

(millions of rufiyaa)



Source: Ministry of Finance

Monetary Developments

Reserve Money

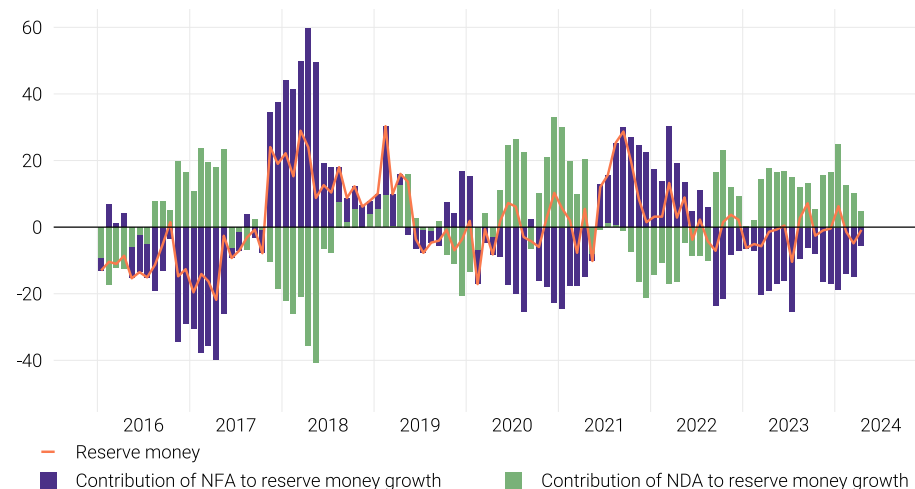
- Reserve money (M0) declined by 1% at the end of April 2024, after declining by 5% at the end of March 2024. This mainly reflected the annual decline in net foreign assets, which offset the increase in net domestic assets during the period.
 - The decline in net foreign assets was primarily due to the substantial decrease in foreign asset accumulation during the period, despite the decline in foreign liabilities, which largely reflected the repayment of the swap facility in December 2023, availed from the Reserve Bank of India (RBI) in December 2022. Meanwhile, net domestic assets increased, mainly reflecting the increase in net claims on central government.

Broad Money

- Annual broad money (M2) growth decelerated to 1% at the end of April 2024, from 3% at the end of March 2024.
 - On the components side, the annual increase in broad money primarily reflected the increase in time and savings deposits denominated in both foreign and local currency, which largely offset the decline in the transferable deposits. Meanwhile, currency outside depository corporations also increased during the month.
 - As for the sources, the annual growth in broad money was solely driven by net domestic assets, largely owing to the growth in claims on the private sector together with public non-financial corporations. This was followed by the increase in net claims on the central government by the commercial banks and the MMA and during April 2024. Meanwhile, net foreign assets declined, mainly owing to the decline in foreign asset accumulation, despite the decline in foreign liabilities during the period.

Sources of Reserve Money, 2016 - 2024

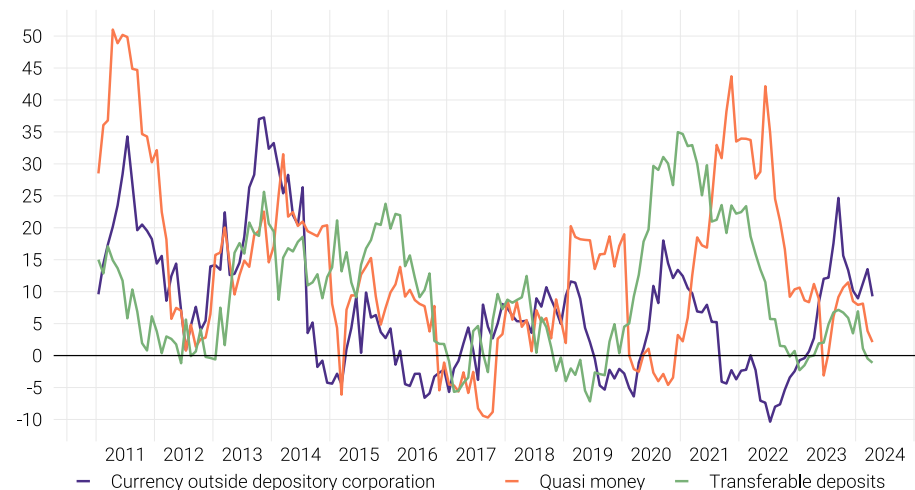
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Components of Broad Money, 2011 - 2024

(annual percentage change)



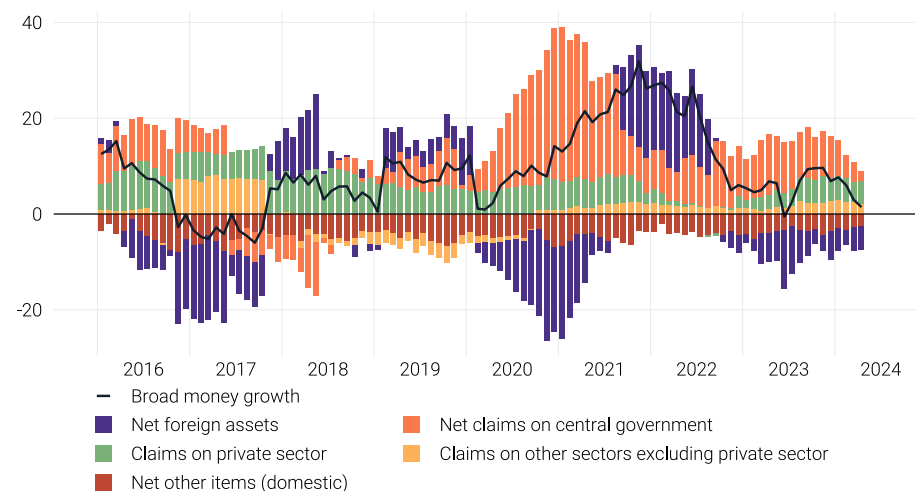
Source: Maldives Monetary Authority

Credit to Private Sector

- The annual growth rate of credit to the private sector by the commercial banks accelerated to 10% at the end of April 2024, from 8% at the end of March 2024.
 - As such, credit to all major sectors (namely tourism, construction, personal loans, commerce, and real estate) continued to expand in April 2024, whereby personal loans registered the highest growth during the month, with an annual increase of 27%. Meanwhile, the tourism sector continued to account for the largest share of bank credit and registered an annual growth of 1%.
 - The annual growth in credit for personal loans was driven by the increase in credit lent in the form of credit cards and consumer durables, despite the minor decline in educational loans. As for the tourism sector, the annual growth in credit to the sector was largely driven by an increase in credit lent for renovation of resorts, which offset the decreases in credit extended for working capital and new resort development.

Contribution to Broad Money, 2016 - 2024

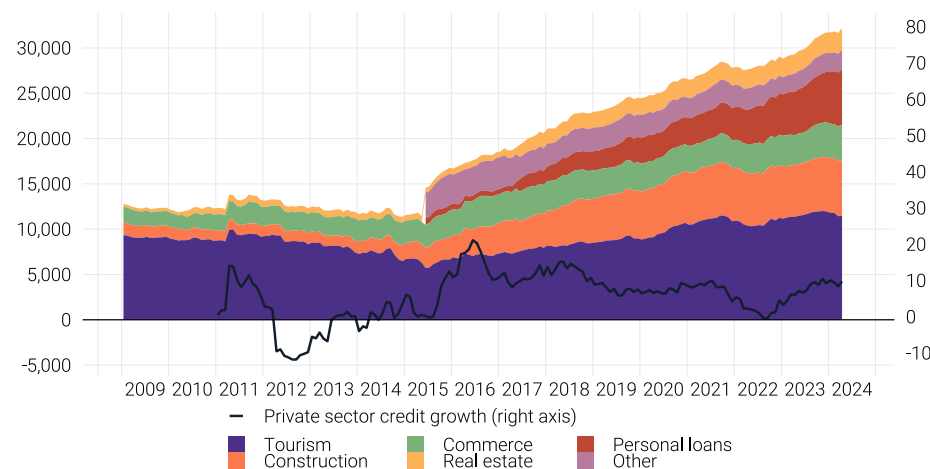
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Private Sector Credit, 2009 - 2024

(millions of rufiyaa, annual percentage change)



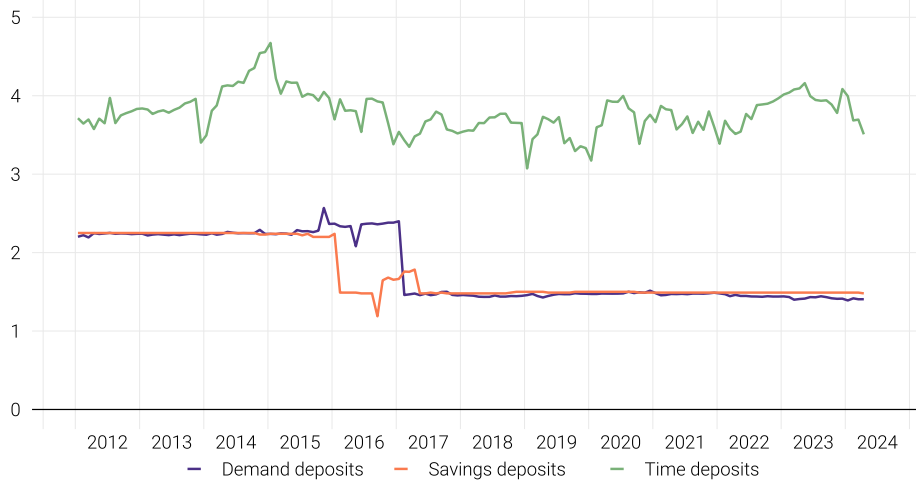
Source: Maldives Monetary Authority

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

Interest rates

Interest Rate on National Currency Deposits, 2012 - 2024

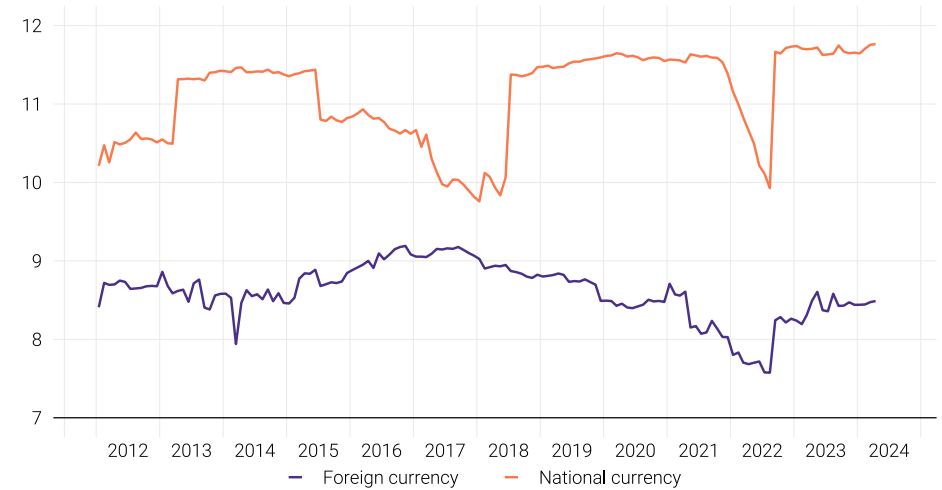
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Private Sector Loans and Advances, 2012 - 2024

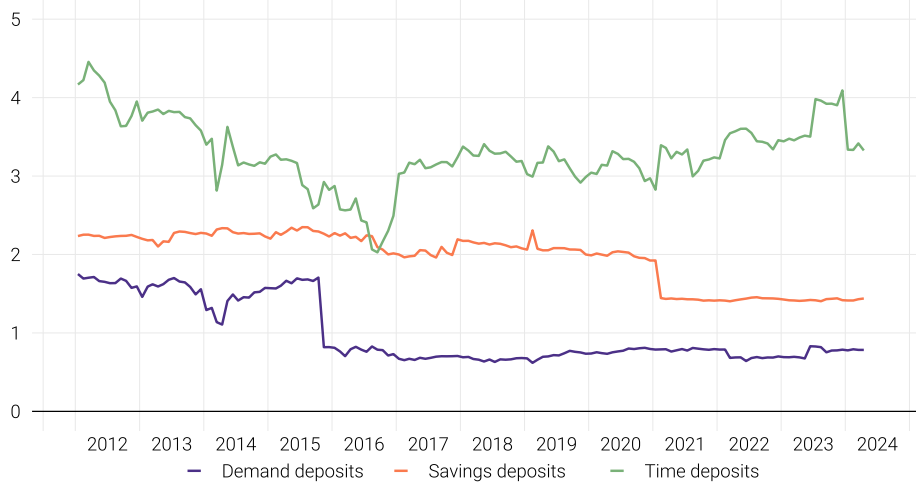
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2012 - 2024

(weighted average)



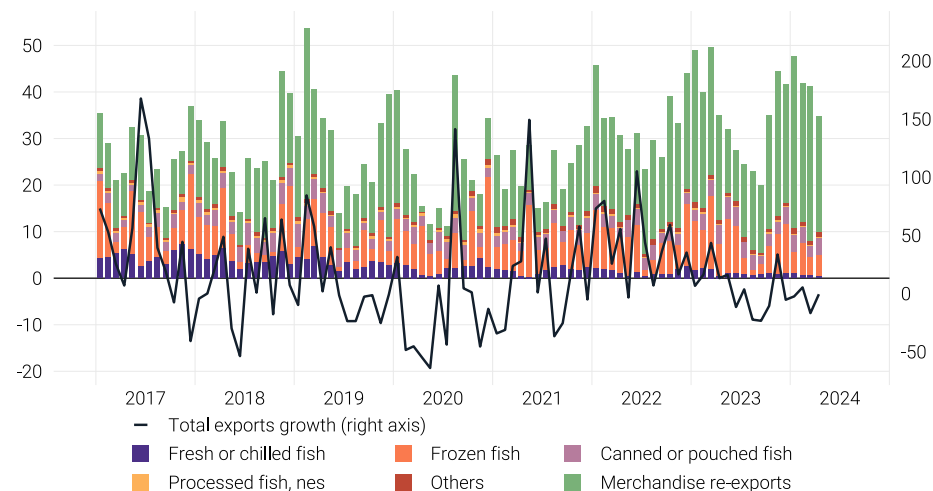
Source: Maldives Monetary Authority

External Trade

- Total exports (f.o.b) decreased by 1% in April 2024, when compared with April 2023, while total imports (c.i.f) rose by 6% during the same period.
 - The annual decline in total exports stemmed from the decline in domestic exports, largely owing to lower earnings from frozen skipjack tuna exports, together with canned or pouched tuna exports. In contrast, re-exports increased during the period, which primarily reflected higher earnings from re-exports of jet fuel.
 - The annual increase in import expenditure stemmed mainly from the increase in import expenditure on electrical and electronic machinery equipment and parts, petroleum products, and medical and surgical supplies. In contrast, decreases were observed in import expenditure on transport equipment and parts, and construction-related items.
- Overall, for the period January to April 2024, total exports declined by 4%, whereas total imports increased by 10%, when compared with the corresponding period of 2023.

Total Exports, 2017 - 2024

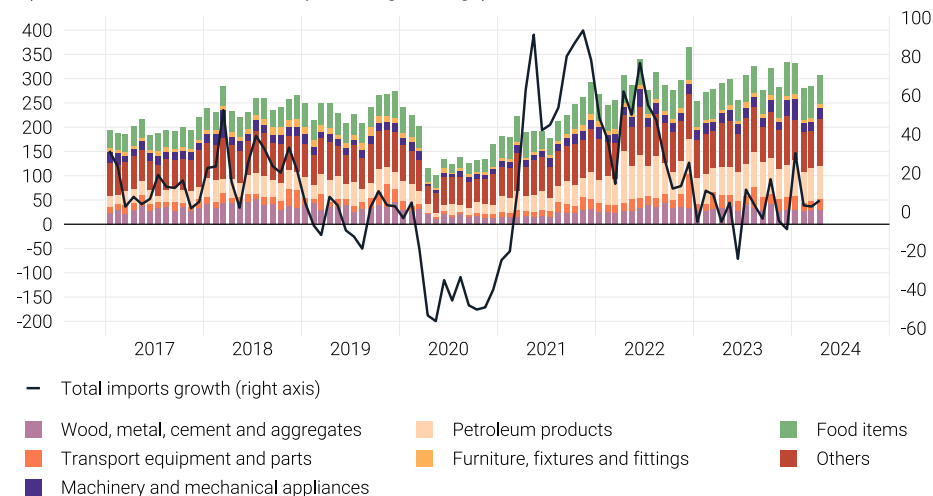
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

Total Imports, 2017 - 2024

(millions of US dollars, annual percentage change)



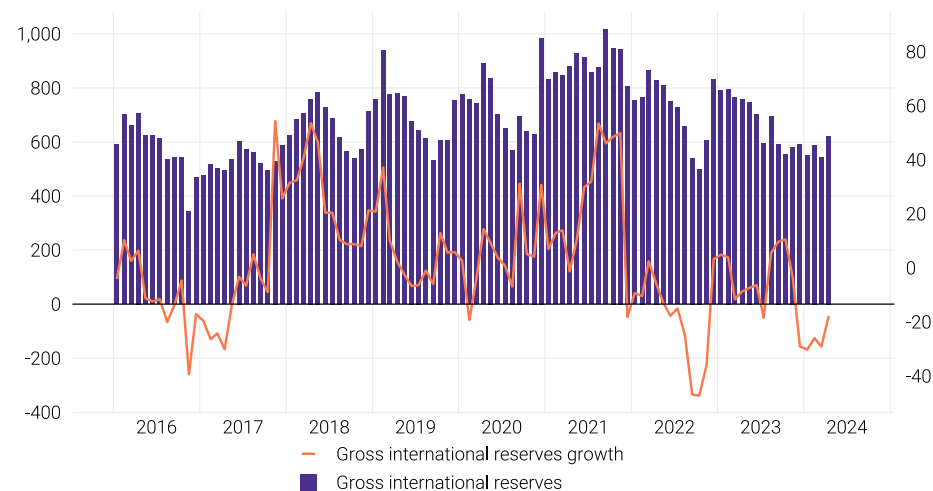
Source: Maldives Customs Service

Gross International Reserves

- Gross international reserves² (official reserve assets) increased to US\$622.1 million at the end of April 2024, from US\$541.8 million at the end of March 2024. This also was a decline of US\$134.7 million from the US\$756.8 million recorded at the end of April 2023.
- In terms of growth rates, an increase of 15% was registered when compared with March 2024, and a decline of 18% when compared with April 2023.

Gross International Reserves, 2016 - 2024

(millions of US dollars, annual percentage change)



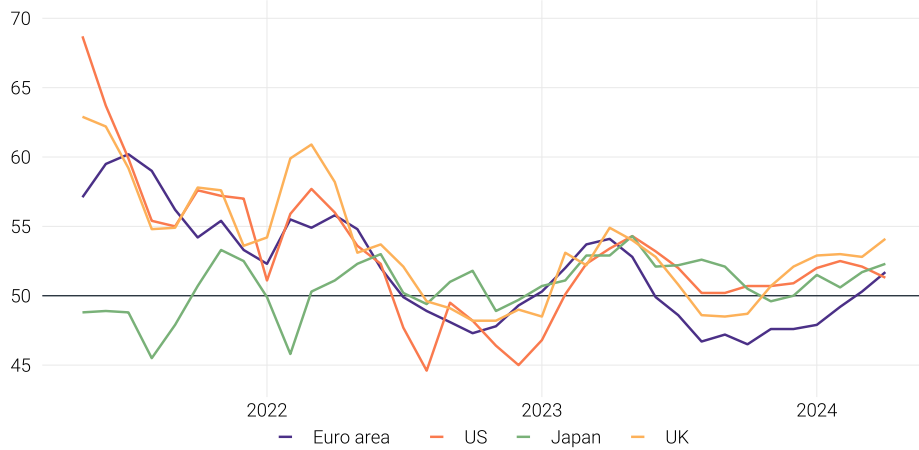
Source: Maldives Monetary Authority

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

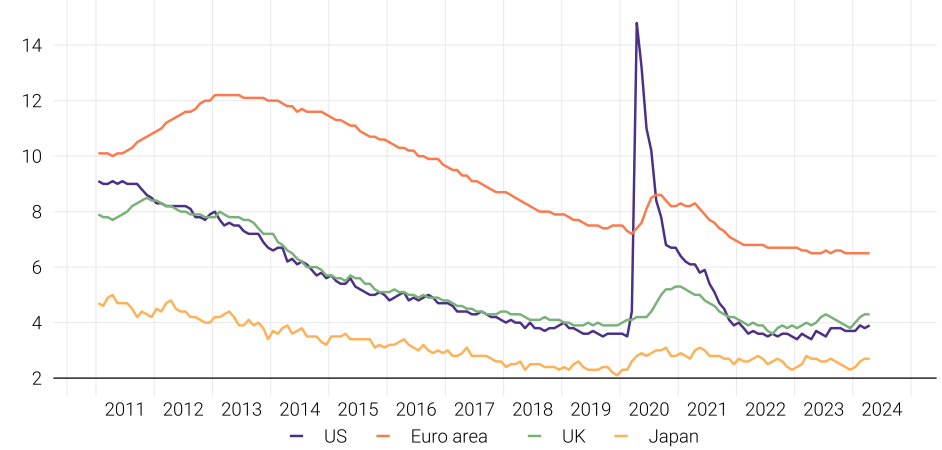
Global Output

Purchasing Manager's Index in the Advanced Economies, 2021 - 2024
(index points)



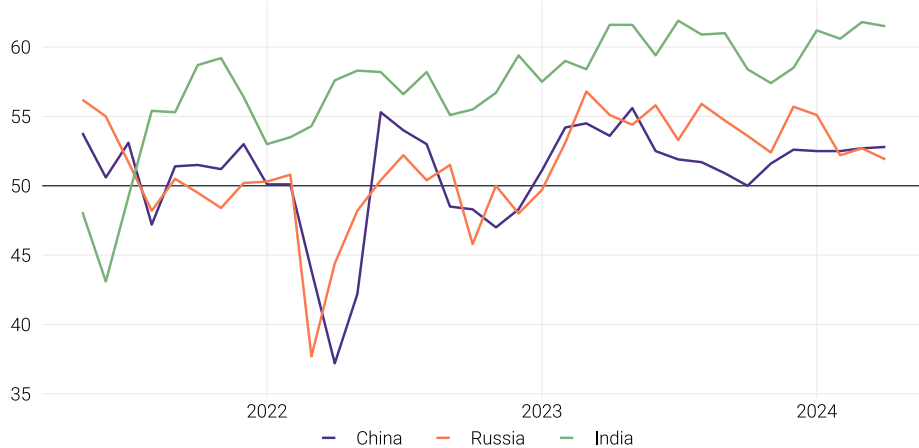
Source: Bloomberg Database

Unemployment in the Advanced Economies, 2011 - 2024
(percent)



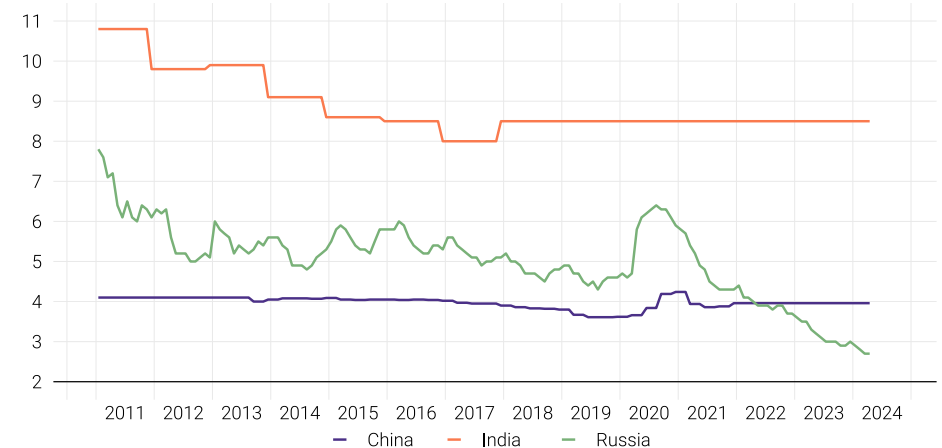
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2021 - 2024
(index points)



Source: Bloomberg Database

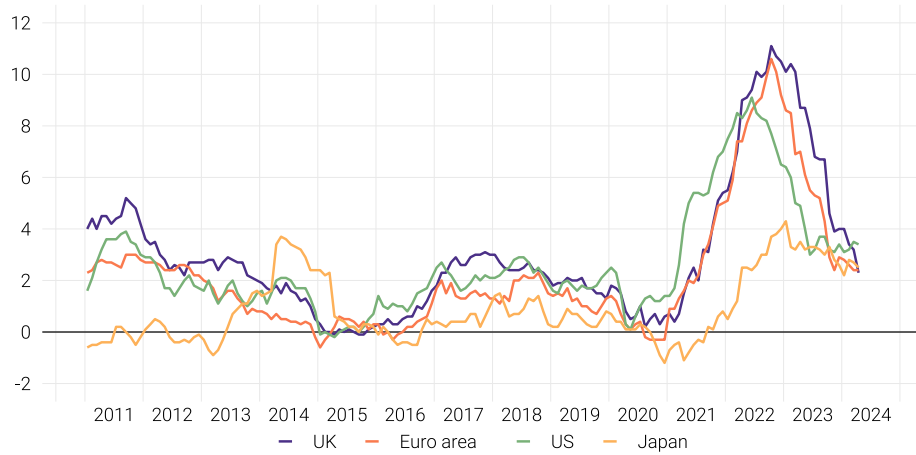
Unemployment in the Emerging Economies, 2011 - 2024
(percent)



Source: Bloomberg Database

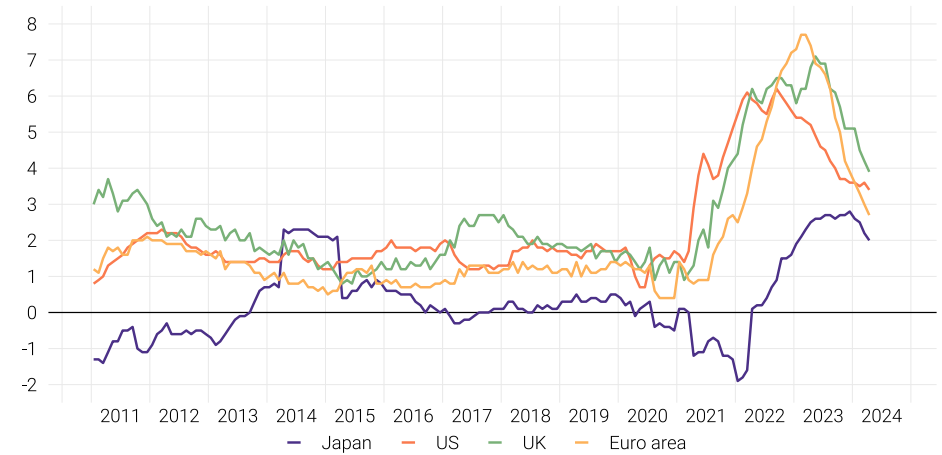
Global Inflation

Inflation in the Advanced Economies, 2011 - 2024
(percent)



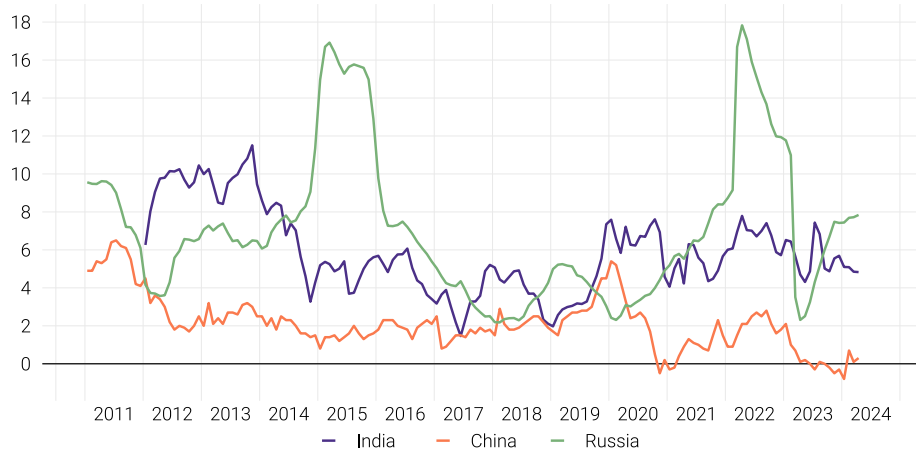
Source: Bloomberg Database

Core Inflation in the Advanced Economies, 2011 - 2024
(percent)



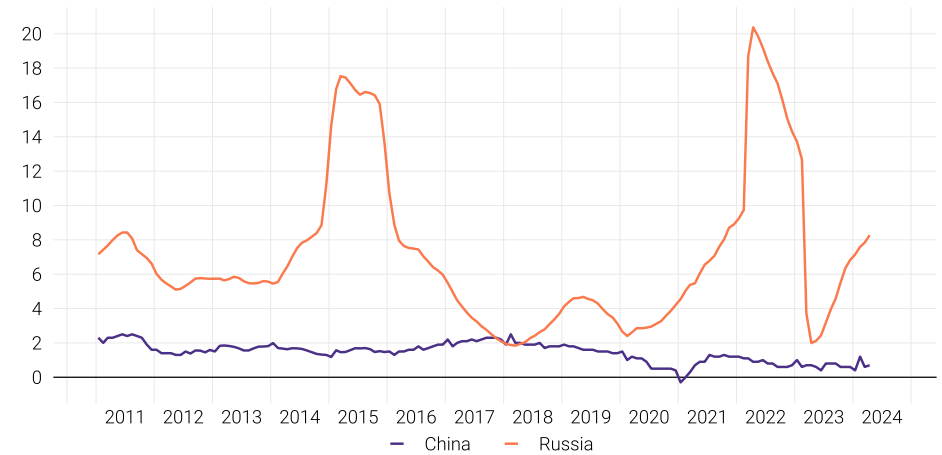
Source: Bloomberg Database

Inflation in the Emerging Economies, 2011 - 2024
(percent)



Source: Bloomberg Database

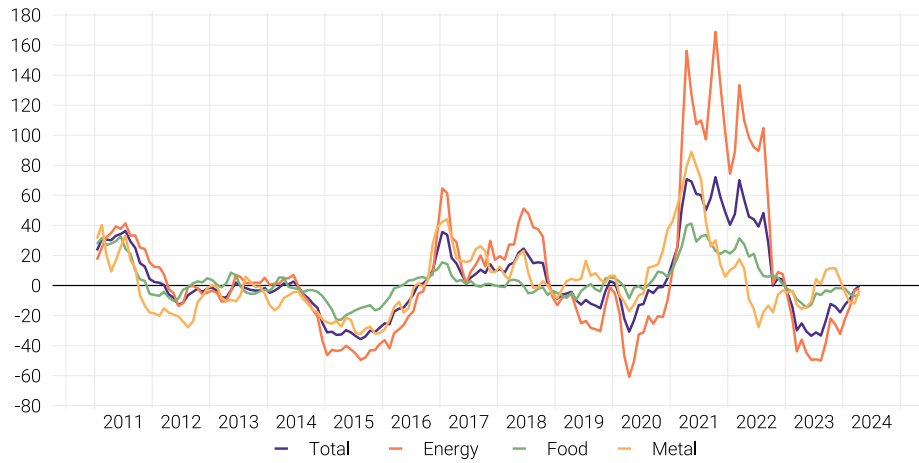
Core Inflation in the Emerging Economies, 2011 - 2024
(percent)



Source: Bloomberg Database

Commodity Prices

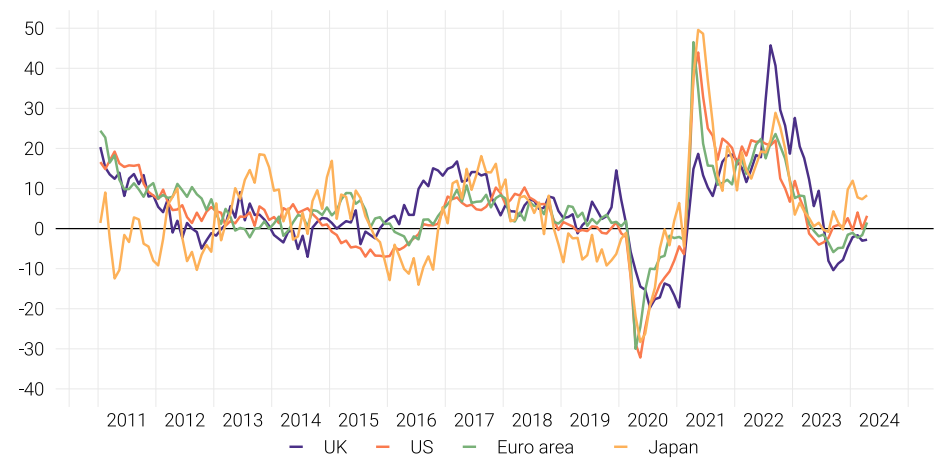
Commodity prices, 2011 - 2024
(annual percentage change)



Source: IMF

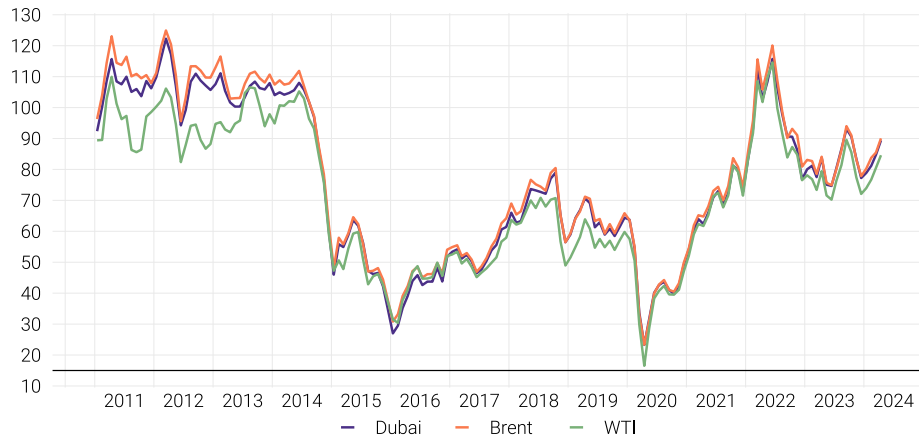
Global Trade

Exports in the Advanced Economies, 2011 - 2024
(annual percentage change)



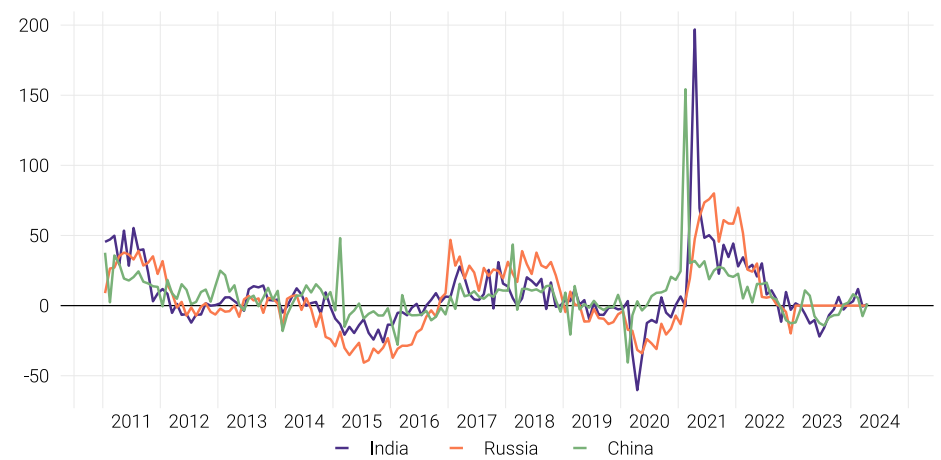
Source: Bloomberg Database

Oil prices, 2011 - 2024
(dollars per barrel)



Source: Bloomberg Database

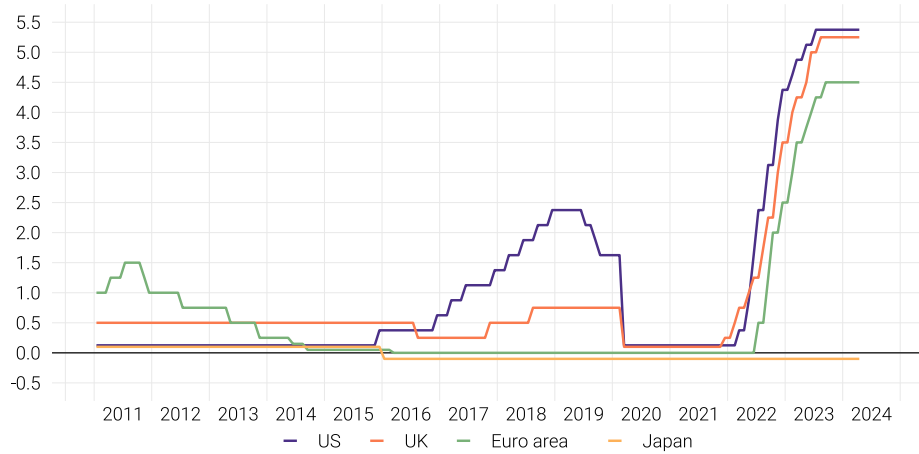
Exports in the Emerging Economies, 2011 - 2024
(annual percentage change)



Source: Bloomberg Database

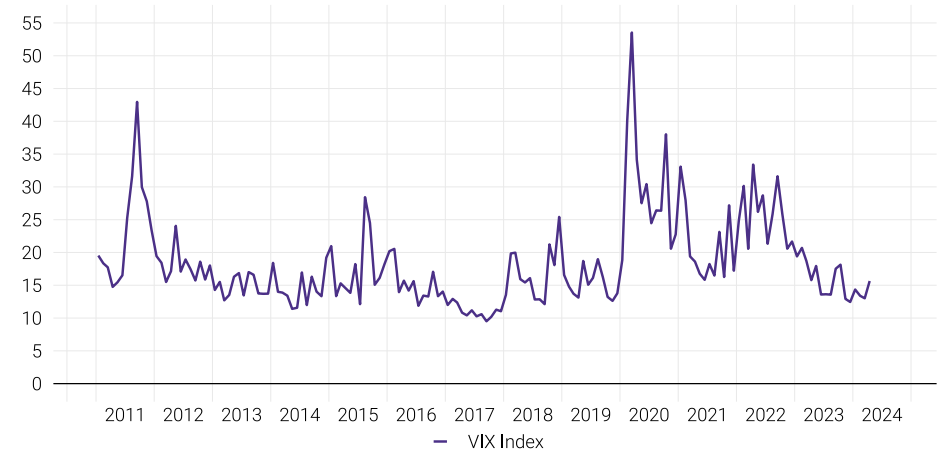
Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2011 - 2024
(percent)



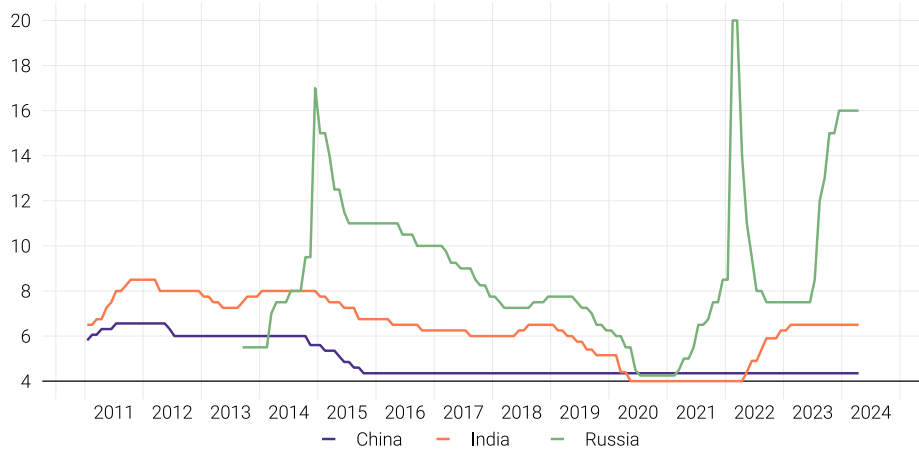
Source: Bloomberg Database

Volatility Index, 2011 - 2024
(percent)



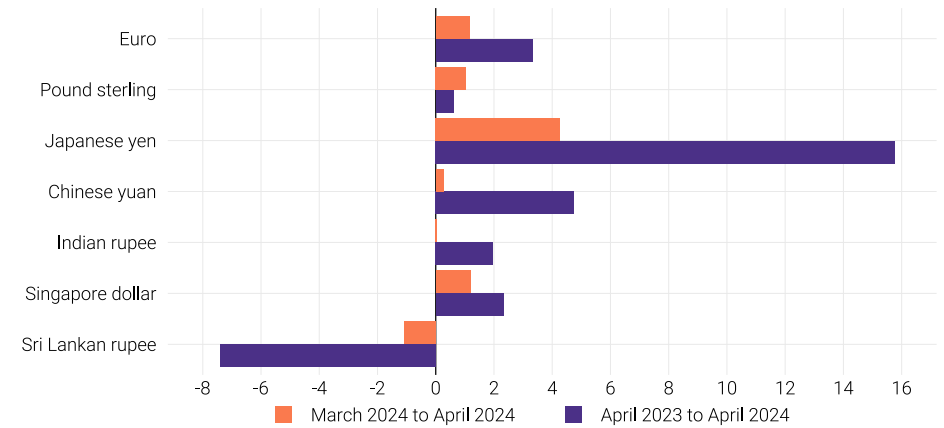
Source: Bloomberg Database

Monthly Policy Rates in the Emerging Economies, 2011 - 2024
(percent)



Source: Bloomberg Database

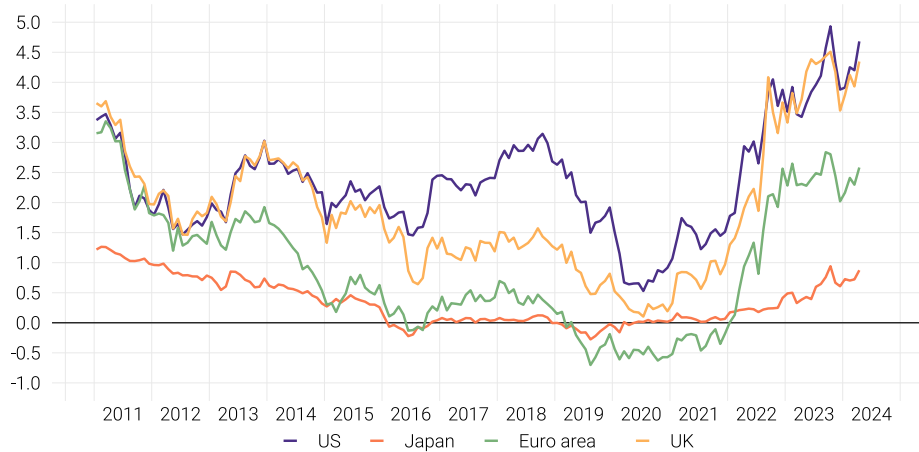
Exchange Rate of US Dollar against Currencies of Major Trading Partners, April 2024
(percentage change)



Source: Bloomberg Database

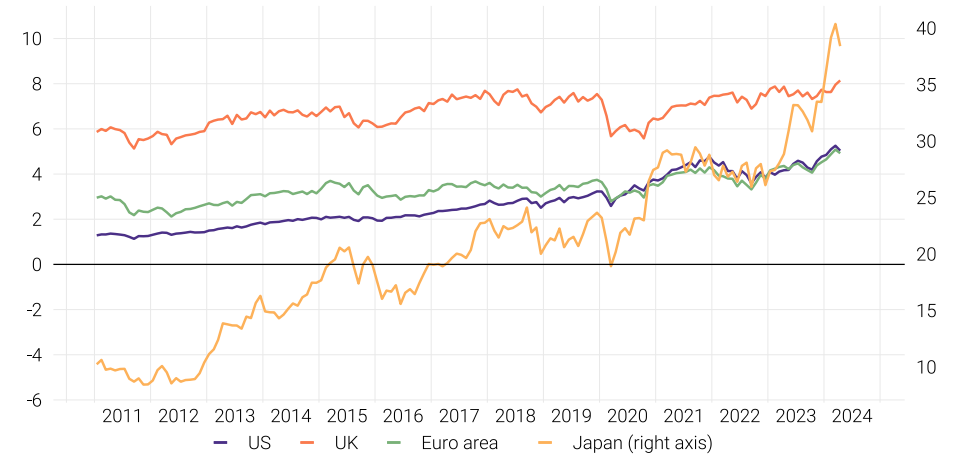
Global Financial Markets

Sovereign Bond Yield in the Advanced Economies, 2011 - 2024
(percent)



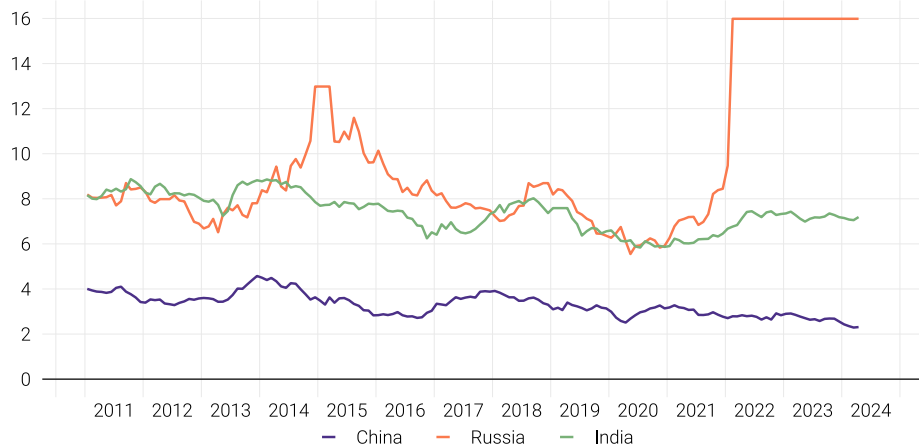
Source: Bloomberg Database

Share Price Index in the Advanced Economies, 2011 - 2024
(price index, in thousands)



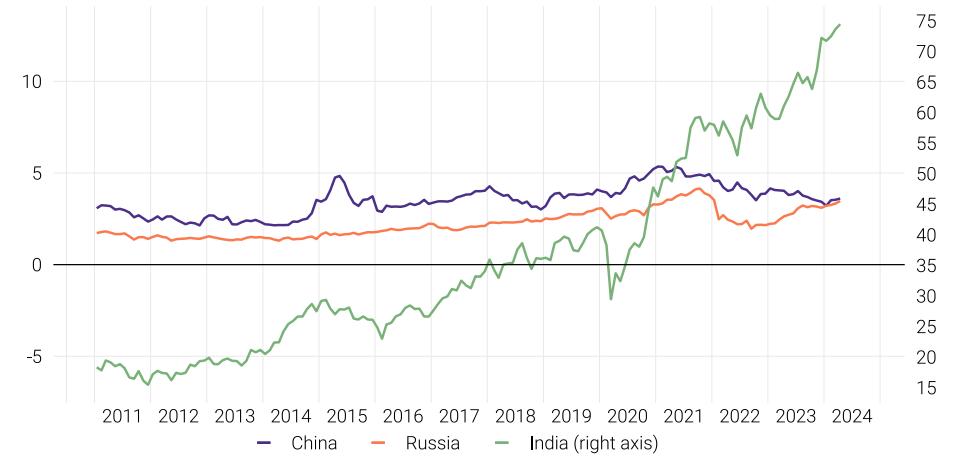
Source: Bloomberg Database

Sovereign Bond Yield in the Emerging Economies, 2011 - 2024
(percent)



Source: Bloomberg Database

Share Price Index in the Emerging Economies, 2011 - 2024
(price index, in thousands)



Source: Bloomberg Database



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