

MALDIVES MONETARY AUTHORITY

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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 second 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 09 August 2022. 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
FSM	Fuel Supply Maldives
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	personal consumption expenditure
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
UK	United Kingdom
US	United States
WEO	World Economic Outlook



# **RECENT ECONOMIC DEVELOPMENTS**

# Macroeconomic Outlook

With global output contracting in Q2-2022, the recovery of the global economy is expected to slow down further in 2022. According to the International Monetary Fund's (IMF) World Economic Outlook (WEO) July 2022, the global gross domestic product (GDP) is now forecasted to grow by 3.2% in 2022—0.4 percentage point lower than estimates made in WEO April 2022—after registering a growth of 6.1% in 2021. The downward revision for 2022 is a result of continued economic shocks impacting several economies ranging from significant increases in inflation worldwide which has triggered more aggressive monetary policies implemented by the US Federal Reserve and other central banks leading to tighter financial conditions globally, continued lockdowns in China exacerbating supply chain disruptions, and the uncertainty and negative spill-overs emanating from the Russia-Ukraine conflict.

Despite the gloomy outlook for the global economy, the Maldivian economy is expected to grow strongly in 2022. Although the impact of the Russia-Ukraine war was realised during March-May 2022, with arrivals from Russia recording a 65% annual decline during this period compared to the same period in 2021 (due to the suspension of airlines operating direct flights between Maldives and Russia), with the resumption of services by the Aeroflot in mid-May 2022, the Russian market has recovered substantially. Additionally, with higher-than-expected arrivals from India during the year, the GDP of the Maldivian economy is expected to outperform the forecasted GDP growth for 2022 computed in October 2021. According to the revised forecast in May 2022<sup>1</sup>, after registering a growth of 37.0% in 2021, the domestic economy is anticipated to grow by 13.0% in 2022 which is 1.0 percentage points higher than the estimate in October 2021.

The risks to the domestic economic outlook are tilted more towards the downside. The elevated risks include the escalation of the war in Ukraine which may inhibit the arrivals from Russia through various sanctions imposed on Russia; tighter global financial conditions impeding the tourist arrivals from developed and emerging market economies—in particular, the slowdown of the tourists originating from European countries and India, and the emergence of more infectious COVID-19 variants and re-introduction of travel restrictions. With continued rises in prices globally and the potential for inflation to hike further owing to shocks to energy and food prices, materialization of the downside risks will result in a further decline in the recovery anticipated for the domestic economy. However, potential relaxation of border controls implemented by East Asian markets, in particular, the reopening of Chinese borders, coupled with a better-than-anticipated surge of tourist arrivals from traditional Western Europe Source markets and India are potential upside risk factors which may result in the domestic economy registering higher GDP growth compared to baseline estimates.

The domestic rate of inflation increased from 0.6% in Q1-2022 to 2.9% in Q2-2022. The main reason for the rise in inflation is the dissipation of the base effects related to the price reduction measures implemented by the government due to the COVID-19 pandemic which resulted in inflation recording at 5.2% in June 2022. Other factors contributing to the significant inflation include, increases in petrol prices and its spill-over effects on prices related to transport services, as well as hikes in food prices. With global oil prices and commodity prices anticipated to surge further due to the obstructions to supply side chains resulting from ongoing Russia-Ukraine conflict and lockdown

<sup>1</sup> According to the growth forecast scenarios estimated in May 2022 jointly by the MMA and the Ministry of Finance.

in China, the inflation rate is expected to remain high in 2022. In addition, with the government aiming to increase the GST rates from 6% to 8% in 2023, coupled with continued inflationary pressures arising from global commodity prices, domestic inflation is expected to substantially increase in 2023.

# Overview

The recovery of the Maldivian economy is estimated to have continued albeit at a slower pace during the second quarter of 2022. As such, most of the available high frequency indicators and business survey results suggests that all major sectors expanded in annual terms during the quarter. However, with the conclusion of the peak season of the tourism sector a slowdown was observed in the tourism sector in quarterly terms. Nevertheless, major sectors including transportation and communication, wholesale and retail trade, and construction is estimated to have continued its recovery in Q2-2022.

With regard to developments in domestic prices, the rate of inflation, as measured by the annual percentage change in the National Consumer Price Index (CPI), soared to 2.9% in Q2-2022 from 0.6% in Q1-2022. The increase in inflation during the review quarter mainly reflected higher prices in all of the major food categories, energy-related items, health, water supply and services of restaurants and cafés, amid the increase in global food and energy prices, which offset the decline in prices for information and communication services.

As for fiscal developments, total government revenue (excluding grants) registered an annual increase during the review quarter, on account of a significant increase in tax revenue, together with an increase in non-tax revenue. This reflected an upturn in economic activity fuelled by the growth in tourism sector. Meanwhile, total expenditure (excluding debt amortisation) also grew during Q2-2022. This was owing to a significant rise in recurrent expenditure, together with an increase in capital expenditure. The increase in recurrent expenditure was driven by a substantial growth in administrative and operational expenses, while growth in capital expenditure largely stemmed from expenditure on infrastructure assets.

With regard to monetary developments, annual broad money growth slightly accelerated to 27% at the end of June 2022, owing to a significant expansion in net domestic assets (NDA), which was largely dissipated by a slowdown in net foreign assets (NFA) of the banking system. Nonetheless, the increase in NFA reflected both a growth in foreign assets and a fall in foreign liabilities. The growth in NDA was led by commercial banks' investments in government securities and the expansion in bank credit to the public non-financial corporations as well as the private sector, despite a negative contribution from the increase in overnight deposit facility (ODF) placements by commercial banks.

With regard to the external sector, total merchandise exports observed an increase driven by a significant increase in merchandise re-exports together with an increase in domestic exports during the quarter. This primarily reflected an increase in jet fuel re-exports, while the increase in domestic exports largely mirrored high earnings from frozen skipjack tuna exports. Meanwhile, merchandise imports observed a sizeable increase with all major import categories recording growths, surpassing the pre-pandemic levels of imports.

# International Economic Developments

## Global Output

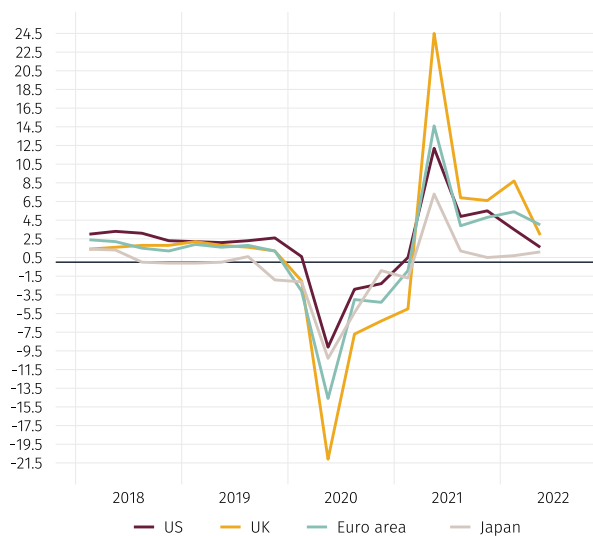
The global economy is estimated to have decelerated further in Q2-2022, primarily due to the war in Ukraine. Although a significant divergent pattern persists in the recovery of both advanced; and emerging markets and developing economies, most countries in both country groups observed a slowdown with few exceptions. According to International Monetary Fund, 'World Economic Outlook (WEO) April 2022', after registering a growth of 6.1% in 2021, global growth is estimated to decelerate to 3.6% in 2022, a downward revision of 0.8 percentage points from estimates made in January.

Looking at the advanced economies, the US economy observed a further slowdown and registered a growth of 1.6% in Q2-2022, after recording 3.5% in Q1-2022 (Figure 1). This was a broad-based deceleration, and contractions were observed across major contributors including private inventory investment, and personal consumption expenditure (PCE). Nevertheless, PCE was the main driver of the economy as household spending on services increased, despite the decrease in consumer spending on goods during the review quarter.

As per the Eurostat flash estimates, the euro area recorded a growth of 4.0%, a deceleration from 5.4% recorded in the previous quarter, with the war in Ukraine primarily dragging down the economy due to its ensuing repercussions. As such, the war has amplified supply chain disruptions with the inflation also soaring up. In this regard, the economic performance of Germany slowed down primarily owing to the impact of the war while,

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

(annual percentage change)



Source: Bloomberg Database

economic growth in France slightly decelerated as a fall in household consumption expenditure was curbed by the robustness in foreign trade. Meanwhile, growth in Italy decelerated from previous quarter with net exports contributing negatively to the growth. Conversely, the latest available data for the Spanish economy pointed towards an expansion supported by the gradual easing of containment measures.

Contrary to the performance of other major economies, the Japanese economy is estimated to have accelerated at 1.1% in Q2-2022, up from 0.7% recorded in Q1-2022. The pickup in the growth can be primarily attributed to the recovery of domestic economy, with private consumption strengthening with the waning of COVID-19 impact. Meanwhile, the economy continues to be supported by robust

external demand, despite being surrounded by external uncertainties stemming from an unfavourable external environment.

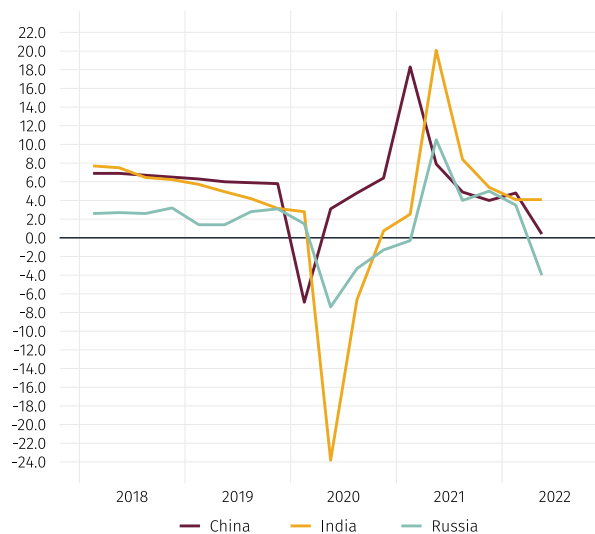
The growth momentum in the United Kingdom (UK) decelerated sharply in Q2-2022 and registered a growth of 2.9% in the review quarter, down from 8.7% observed in the preceding quarter. This was primarily due to a huge decline in industries related to the services sector, the main driver of the economy. As such, a huge downturn was observed in health and social work activities, while high cost of living and inflation weighs on the economy.

Looking at the emerging markets and developing economies, China's economic growth contracted and fell markedly to 0.4% in Q2-2022 from 4.8% in the previous quarter (Figure 2). This was largely due to stringent containment measures undertaken against the spread of COVID-19 which resulted in lower consumer activity and supply disruptions, amid a new wave of cases beginning from March 2022. As such a broad-based slowdown was observed as activity stalled in all major sectors.

Despite the growth momentum picking up in India with the relaxation of pandemic-related restrictions, the economy looks to have moderated in the review quarter after the growth decelerated to 4.1% in Q1-2022. This can be largely attributed to headwinds from Russia-Ukraine conflict. Further, high-frequency data for the economy, namely, the composite purchasing manager's index (PMI) indicators for both services and manufacturing sectors observed a deceleration towards the end of the quarter.

Despite reaching above the pre-pandemic levels at end of 2021, the Russian economy contracted in Q2-2022 owing to both demand and supply constraints. In this regard, consumer demand, which is the main driver of growth, remains subdued while business activity continues to be hindered by production and logistic difficulties. This was on the back of a challenging external

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



Source: Bloomberg Database

environment which has hampered external trade, resulting in huge imbalances in imports and exports.

## Global Inflation

On the back of the pandemic led supply chain disruptions and soaring energy prices, the rate of inflation remained elevated across the economies. In this regard, inflation in all of the selected advanced economies observed considerable increase in the price level. Similarly, the headline rate of inflation remained on the higher end for the majority of the selected emerging market and developing economies during the quarter.

Looking at the price developments in the advanced economies, the rate of inflation in the US further accelerated to 8.6% in Q2-2022, the highest rate since the fourth quarter of 1981 and above the 8.0% registered in Q1-2022 (Figure 3). This mainly reflected a broad-based advance in prices of all goods and services. As such, higher gasoline prices and housing rent contributed the most to rise in the price level of the economy, reflecting soaring energy prices and supply constraints in the housing market, respectively.

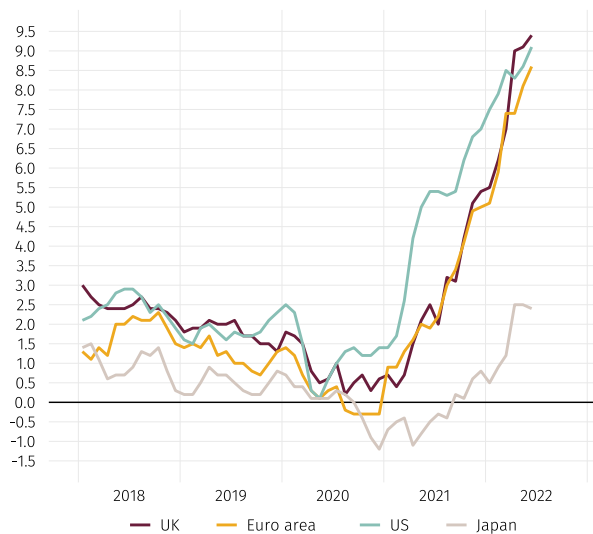
In the euro area, the rate of inflation as measured by the annual change in the Harmonised Index of Consumer Prices (HICP) edged up to 8.0%—the highest recorded—in Q2-2022 from 6.1% in the previous quarter. The acceleration mainly stemmed from the prices pressures due to the war in Ukraine which reflected the increase in energy prices and its pass-through to related items such as utilities and transportation costs. In addition, food and beverage prices remained elevated during the quarter.

In Japan, the rate of inflation accelerated to 2.4% in the review quarter, registering above the Bank of Japan’s target rate of 2.0% and higher than the 0.9% recorded in the preceding quarter. This mainly reflected the rise in energy and food prices due to higher global commodity prices. Meanwhile, the effect of reduced cost of information and communication (mobile fees and plans) services continued to partially dampen inflationary pressures during the quarter.

The rate of inflation in the UK increased to 9.2% in Q2-2022 (the highest rate of inflation recorded since the second quarter of 1991), after registering 6.2% in the previous quarter. The largest upward contributions stemmed from housing and transport category, reflecting the impact of increased energy prices on both the categories. Meanwhile, increased usage of second-hand cars, also contributed to the rise in the cost of transportation.

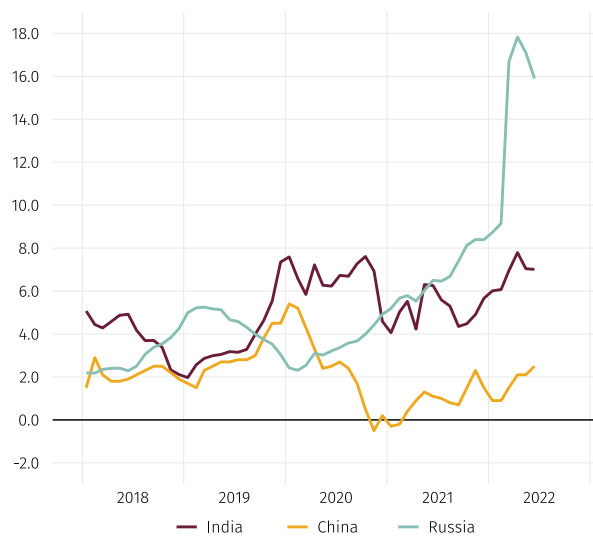
Turning to the emerging market and developing economies, the rate of inflation in China rose to 2.3% in the review quarter from 1.2% recorded in Q2-2021 (Figure 4). The acceleration mainly reflected the increase in price of pork – a staple meat in the country, owing to increased consumer demand. Similarly, gasoline price, prices of fresh fruit and aviation tickets also increased. Meanwhile prices declined for steel, cement and related industries due to the recent domestic outbreaks.

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

In India, the rate of inflation increased to 6.5% in Q2-2022, from 5.4% in Q1-2022. This mainly reflected the increase in price due to higher edible oils. The food prices also remained elevated owing to supply chain issues and higher crude oil prices. Further, prices increased for pan, tobacco and intoxicants, clothing and footwear, housing, and fuel and light.

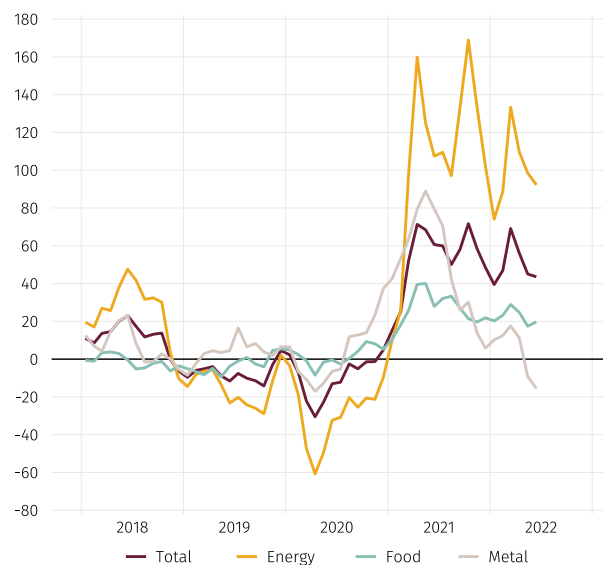
The rate of inflation in Russia continued to increase steadily and climbed up to 16.9% in Q2-2022, from 11.6% in Q1-2022. The acceleration mainly reflected growth in food prices excluding fruits and vegetables. Further price increased for air travel and communications, as well as utility and medical services. However, consumer prices decreased on average by the end of the quarter, owing to adjustment of demand and prices after the hike in prices in March as well as appreciation of ruble.

## Commodity Prices

The IMF price index for all commodities increased by 48% and 8% in annual and quarterly terms, respectively, observing a slight moderation when compared with Q1-2022 (Figure 5). During the quarter, the prices of energy and food surged largely reflecting supply shortages and bottlenecks amid continued growth in demand following the gradual relaxation of COVID-19 restrictions in most parts of the world. However, metal prices declined owing to weaker demand for base metals. Reflecting these developments, energy price index observed large gains in both annual and quarterly terms, while the non-energy price index witnessed a modest growth when compared to Q1-2022 and Q2-2022.

The price of crude oil averaged<sup>2</sup> US\$110.1 per barrel during Q2-2022, representing an increase of 64% and 14% in annual and quarterly terms, respectively. During the quarter, oil prices surged to the highest since a decade ago, mainly due to the excess demand amidst limited supply. However, prices were under pressure at the beginning of the quarter due to the slowdown in demand from China alongside an increase in the volume of unsold oil cargoes during the period. Despite this, the robust growth of crude oil prices in Q2-2022 was underpinned by the strong crude demand and the increased demand for transportation

Figure 5: Commodity Prices, 2018 - 2022  
(annual percentage change)



Source: IMF

fuels ahead of the summer season. Meanwhile, on the supply front, shortages in the global oil supply since the Russian invasion of Ukraine in the preceding quarter continued which reflected the planned and unplanned supply outages in Eastern Europe and other oil producing countries. These developments added further support to the prices which were already being driven by higher demand fundamentals during the review quarter.

Turning to major commodities in the non-energy index, the base metal index fell by 5% and 3% in annual and quarterly terms, respectively. This reflected softer demand from China due to the ongoing lockdowns, and overall weaker global manufacturing activity due to rising energy costs. However, supply chain disruptions and geopolitical tensions somewhat curbed the decline in prices during the quarter. Looking at the global food prices, the IMF food price index grew by 20% and 6% in annual and quarterly terms, respectively. Similarly, the Food and Agriculture Organization (FAO) food price index registered an annual growth of 25% and a quarterly growth of 8% in Q2-2022. The increase in prices were more pronounced for

<sup>2</sup> Quarterly average of Brent, West Texas Intermediate and Dubai Fateh.

commodities produced by Russia and Ukraine, as these countries are large exporters of certain food commodities such as grains and sunflower oil. This was on top of the supply chain disruptions and stronger-than-expected rebound in demand.

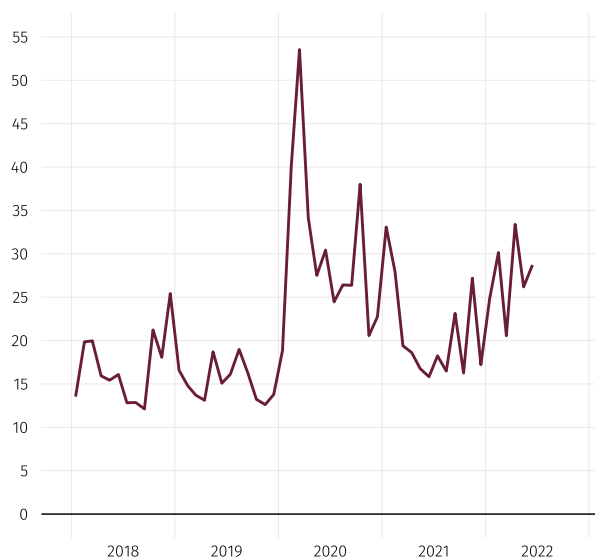
## Global Financial Markets

The global financial conditions were marked by volatile developments affiliated to inflation expectations and successive tightening of the monetary policy measures by various central banks. In Q2-2022, the share prices edged higher on average in most of the economies when compared to a year ago, while share prices observed decreases in both the country groups when compared to the preceding quarter. As such, the implied volatility of the US stock market registered a slight increase in Q2-2022 (Figure 6). However, the yield-to-maturity on longer term sovereign bonds accelerated in all of the selected economies in both the country groups when compared to Q2-2021 and Q1-2022, reflecting the impact of the monetary policy announcements on the bond market. During the quarter, most of the economies adopted monetary policy tightening measures to curb the soaring inflationary situation. In this regard, the Federal Reserve raised the policy rate twice in Q2-2022, by 50 basis points and 75 basis points, respectively. Similarly, Bank of England increased the policy rate by a total of 50 basis points during the quarter. Meanwhile, in the emerging markets and developing economies, the Reserve Bank of India also raised the policy rates during the quarter, reflecting the price pressures in the economy. However, the Bank of Russia lowered the interest rate by a total of 450 basis points due to the deceleration in prices and recovery of the ruble. This followed the immediate policy rate hikes in Q1-2022 due to Russia's invasion of Ukraine.

In the foreign exchange market, the overall performance of the US dollar against the currencies of the Maldives' major trading partners was strong when compared with Q2-2022 and Q1-2022 (Figure

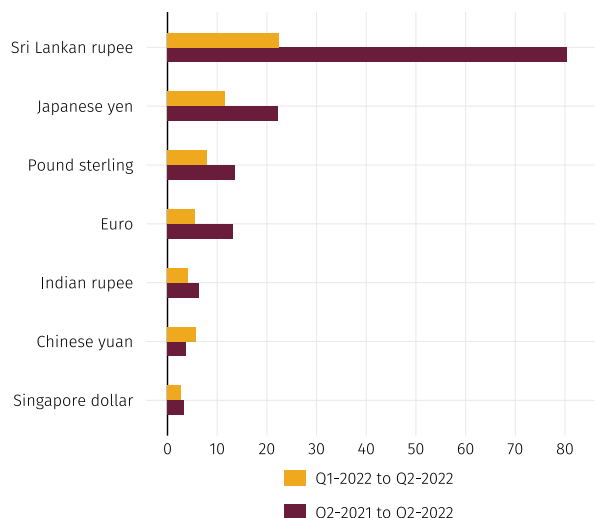
7). The US dollar strengthened against all the currencies at the end of Q2-2022 when compared to a year ago, with a high depreciation witnessed for Sri Lankan rupee due to the domestic economic conditions. Meanwhile, in quarterly terms, the US dollar strengthened against all the currencies, reflecting the demand for the safe haven currency amid rising inflationary pressures and worsened economic conditions.

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



Source: Bloomberg Database

Figure 7: Exchange Rates, Q2-2022 (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

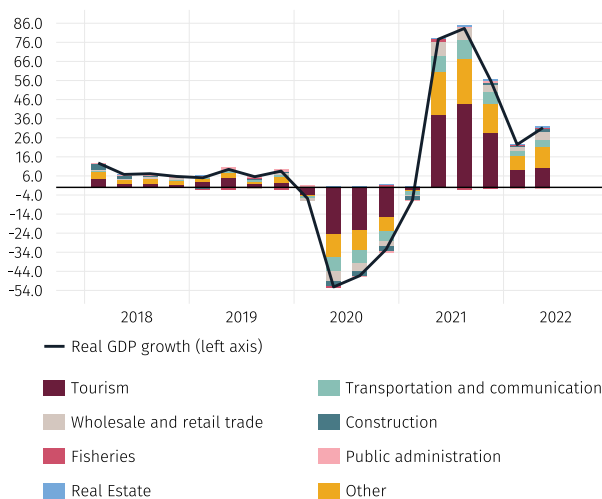
The recovery of the Maldivian economy is estimated to have continued albeit at a slower pace during the second quarter of 2022. As such, most of the available high frequency indicators and business survey results suggest that all major sectors expanded in annual terms during the quarter. The slower pace of growth during the review quarter primarily reflected the decline in arrivals due to the start of the tourism off-peak season, as evidenced by the results of the Quarterly Business Survey Q2-2022, which indicated negative indices for resort bookings and total revenue.

According to the latest Quarterly National Accounts (QNA)<sup>3</sup> estimates released by the Maldives Bureau of Statistics (MBS) on 30 June 2022, real GDP registered an annual growth of 19.3% in Q1-2022<sup>4</sup>, after a strong growth of 49.6% in Q4-2021 (Figure 8). Meanwhile, real GDP exceeded by 3% when compared with the pre-pandemic levels of Q1-2019.

In Q1-2022, real GDP growth was mainly contributed by the tourism sector (8.9 percentage points); followed by transportation and communication sector (2.6 percentage points), a sector which is closely linked to developments in the tourism sector. Notable positive contributions to growth were also made by the human, health and social work sectors (2.4 percentage points), construction sector (1.0 percentage points) and

Figure 8: Contribution to Real GDP Growth by Economic Sectors, 2018 - 2022

(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

real estate (0.8 percentage points). However, construction activity is estimated to have moderated compared to the previous quarter, as the sector continues to be severely affected by labour shortages, supply chain disruptions and high input prices. Further, public administration sector (0.5 percentage points) and the financial services sector (0.5 percentage points) grew with output exceeding pre-pandemic levels in Q1-2019, reflecting the increase in public administration and defence as well as both banking and insurance services.

<sup>3</sup> Latest QNA data available at the time of compilation of this report was for Q1-2022. Advance estimates data are released with a four-month lag.

<sup>4</sup> As QNA data for Q1-2022 used in this analysis is based on advance estimates, the data is subject to change in the upcoming revisions.

Meanwhile, the gross value added of the wholesale and retail trade sector is estimated to have declined by 11.9% (-0.7 percentage points). Further, the gross value added of the fisheries sector registered a 3.9% decline in growth during Q1-2022 (-0.2 percentage point).

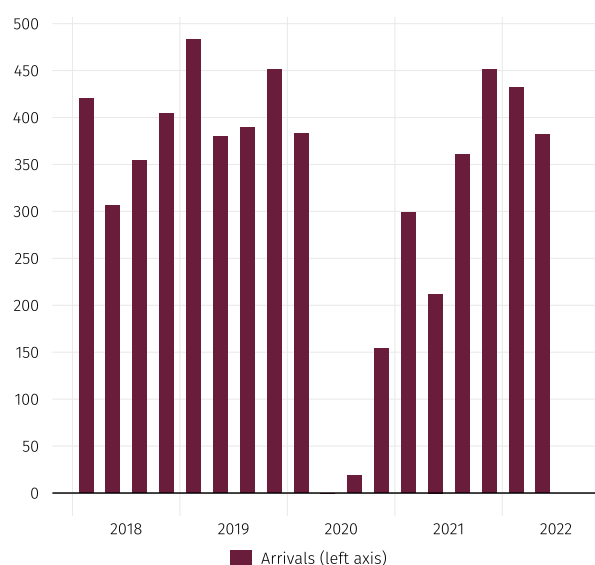
## Tourism

The tourism peak season ended with a significant drop in arrivals from both the Russian market and Ukraine market due to the ongoing Russia-Ukraine war, which resulted in new challenges to the recovery of tourism sector. Both the Russian and Ukraine market, which previously accounted for 12% and 2% of arrivals in the first quarter of 2022, respectively, fell to 8% and 0% in Q2-2022, respectively.

During the quarter, with the resumption of operations of Aeroflot—Russia’s flag carrier and largest airline and increase in the frequency of flights<sup>5</sup>—daily average arrivals from Russia rose to an average of 511 arrivals per day in June 2022 from an average of 284 per day in March 2022. However, daily average arrivals from Russia still remain below average arrivals of 736 arrivals prior to the war (i.e. from 1 January 2022 to 24 February 2022), while arrivals from Ukraine still remains comparatively low. Despite these developments, with the increase in arrivals from European destinations, owing to stronger than expected demand from traditional source markets of Europe, the tourism sector continued to recover. As such, tourist arrivals increased by 80% in Q2-2022 compared to the same period of 2021, totalling 381,691 arrivals and increased by 1% compared to pre-pandemic levels of Q2-2019. However, tourist arrivals were down by 12% compared to Q1-2022 (Figure 9).

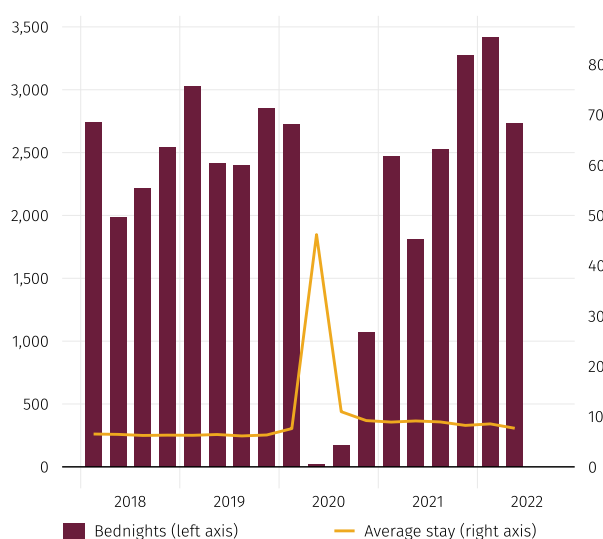
During the quarter, tourist bednights increased by 49%, despite the fall in average stay from 9.1 days in Q2-2021 to 7.7 days in Q2-2022. Similarly, bednights increased by 12% compared to pre-pandemic levels of Q2-2019 (Figure 10).

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

In terms of market composition, Europe remained as the main source region, accounting for a sizeable 54% of tourist arrivals, while the market share of Asia rose to 31% owing mostly due to Indian arrivals—after registering 16% of total tourist arrivals during the previous quarter (Figure 11). During Q2-2022, India was the largest source market, accounting for 19%, followed by the UK (12%), Germany (9%) Russia (8%), and the United States (8%).

<sup>5</sup> Aeroflot increased frequency of flights from three times a week to six times a week in June 2022.

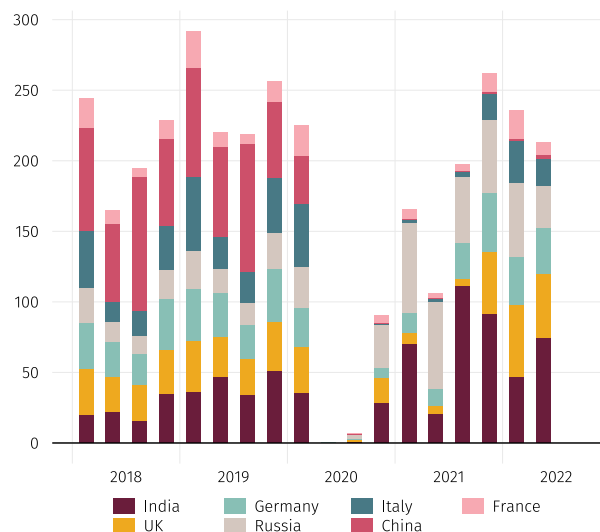
States (US) (5%). In this regard, increases were observed for arrivals from India, UK, Germany and US, whilst arrivals from Russia declined in annual terms. As such, Russian arrivals declined by 52% when compared with Q2-2021.

According to international flight movements data, the number of flight movements rose by 48% when compared with Q2-2021 and by 9% compared to Q2-2019. This mainly reflected the frequency in flight movements by low-cost airlines such as Indigo and Go Air and from major carriers such as Emirates, Qatar Airways and Sri Lankan Airlines. Meanwhile, Aeroflot, Russia's flag carrier which suspended its operation during the first quarter, resumed its operation in May 2022, which resulted in an increase in Aeroflot's flight movements to increase to a total of 24 in June 2022, from 16 in May 2022. However, flight movements are still lower compared to January 2022 and February 2022.

On the supply side, the number of resorts in operation on average increased to 164 resorts during Q2-2022 from 163 resorts during Q1-2022 and 154 resorts recorded in Q2-2021. The operational bed capacity of the industry rose by 17% in Q2-2022 compared to Q2-2021 and by 4% compared to previous quarter. Of the total operational bed capacity, resorts accounted for 70% of beds, followed by guesthouses (22%). In Q2-2022, the occupancy rate of the industry rose to 53% up from 41% in Q2-2021. Meanwhile, the average occupancy rate of resorts rose to 65% up from 48% in Q2-2021, but down from 81% recorded in Q1-2022.

As for developments in global tourism, international tourist arrivals recorded a strong rebound in the first five months of 2022, owing to stronger than expected demand and reached almost half of arrivals (46%) of pre-pandemic levels of 2019. According to United Nations World Tourism Organization (UNWTO) international arrivals declined by 54% for the period January – May 2022 when compared to the same period in 2019.

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



Source: Ministry of Tourism

However, the recovery remained uneven across countries and regions with Asia and the Pacific region posting the largest drop in arrivals over the same period of 2019 (-90%), while the European region recorded the smallest decline (-36%). The war in Ukraine, high inflation and interest rates as well as pessimistic economic outlook continues to pose a risk to recovery in global tourism.

## Construction

Activity in the construction sector continued to expand as indicated by the Maldives Monetary Authority's (MMA) Quarterly Business Survey for Q2-2022 and construction-related imports. In Q1-2022, the gross valued added of the sector registered a positive growth rate of 22.3% but remained 24.7 percent lower than pre-pandemic levels of Q1-2019.

According to high frequency indicators, construction sector is estimated to have expanded in Q2-2022 supported by the increase in construction activity, despite supply shortages of certain construction materials which led to increased prices. While the import of construction-related items rose significantly, by increasing 58%

year-on-year, the commercial bank credit<sup>6</sup> to the construction sector<sup>7</sup> declined by 6% at the end of Q2-2022. This was mainly due to the decline in credit extended for new resort development, followed by renovation of resorts and construction of residential or housing projects. However, increases were observed for credit extended for construction of property development projects, real estate of commercial buildings and residential or housing projects.

According to the MMA's Quarterly Business Survey for Q2-2022, activity in the construction sector expanded during the quarter. The volume of construction activity index increased by 1 point to register 47 in Q2-2022—49% of businesses reported an increase in the volume of construction activity relative to Q1-2021, while the same percentage of businesses reported no change and 2% reported a decrease. Meanwhile, the volume of orders received index rose by 23 points to 46 during the quarter.

## Fisheries

Following a decline in the gross value of added of the fisheries sector by 3.9% during Q1-2022, activity in the fisheries sector is estimated to have showed mixed developments during the second quarter, as indicated by available high frequency indicators. In Q2-2022, fish purchases made by processing companies increased in annual terms, although the volume of fish exports declined.

In Q2-2022, fish purchases totalled 17,878.0 metric tonnes, observing an increase of 10% in Q2-2022, owing to the 12% increase in purchase of skipjack tuna and marginal increase in yellowfin

tuna purchases. The increase in fish purchases was mainly due to the abolishment of controls set by Maldives Industrial Fisheries Company (MIFCO)<sup>8</sup> amid the better-than-anticipated seasonal increase in fish catch from the Southern Region during the quarter. As for local purchase prices in the quarter, the average purchase price of skipjack tuna<sup>9</sup> and iced skipjack tuna marginally rose from MVR14.0 per kilogram to MVR15.0 per kilogram and MVR16.0 per kilogram to MVR17.0 per kilogram, respectively, in annual terms. Meanwhile, the average purchase price of yellowfin tuna by local companies increased to MVR90.8 per kilogram in Q2-2022 from MVR89.6 per kilogram in Q2-2021.

The volume of fish exports declined by 7% (1,448.0 metric tonnes) in Q2-2022 when compared with Q2-2021 and totalled 19,811.5 metric tonnes. The fall in the volume of fish exports primarily reflected the decline in the export of frozen skipjack tuna (1,854.9 metric tonnes). This was followed by both the decline in the export of frozen yellowfin tuna (8,45.6 metric tonnes) and export of canned or pouched tuna (100.1 metric tonnes).

## Wholesale and Retail Trade

In Q1-2022, activity in the wholesale and retail trade sector is estimated to have declined by 11.9%, as suggested by the gross value added of the sector and remained 37.6% below pre-pandemic levels (Q1-2019). As for Q2-2022, the wholesale and retail trade activity were estimated to have expanded, as suggested by the private sector imports and bank credit to the sector, as well as business survey results.

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> During April 2022 with the increase in fish catch, MIFCO set limits on fish purchases. It was estimated that a total of 63 fishing vessels totalling 900 tonnes fish catch was available for fish purchases. However, due to the limited storage capacity, MIFCO announced that they will be able to purchase five tonnes of fish per vessel.

<sup>9</sup> In September 2020, the state-owned enterprise MIFCO abandoned the fixed rate of fish purchases.

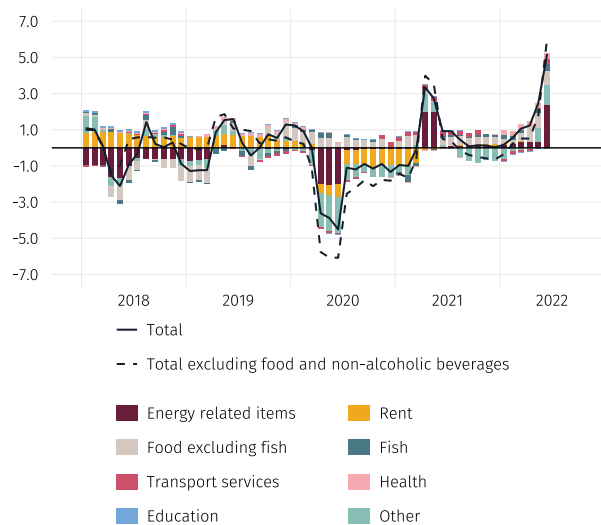
In Q2-2022, private sector imports (excluding imports by the tourism sector) increased by 42% in annual terms, while the commercial bank credit to the sector rose by 11% during the quarter. According to the MMA's Quarterly Business Survey for Q2-2022, activity in the wholesale and retail trade sector continued to expand as indicated by the sales index and the volume of orders index, although the pace of expansion was reported to have slowed down. The sales index remained positive at 48 despite declining by 21 points. Similarly, the volume of orders declined by 34 points to 55 during the quarter.

## Inflation

The rate of inflation (as measured by the annual percentage change in the national CPI) accelerated to 2.9% in Q2-2022 from 0.6% in Q1-2022. The increase in inflation in Q2-2022 mainly reflected higher prices in all major food categories, energy-related items, health, water supply and services of restaurants and cafés, which offset the decline in prices for information and communication services (Figure 12). The increased cost of domestic food and energy-related items is mainly owing to the higher global food and energy prices, driven by existing supply constraints and additional negative spill-over effects from the Russia-Ukraine war.

Food and non-alcoholic beverages including fish, which carries the second highest weight in the CPI basket, contributed the most to the upward pressure on inflation in Q2-2022 (1.1 percentage points), registering an increase of 4.5% in overall prices. This was mainly owing to increased price of meats, fruits and fish, all of which contributed to the upward pressure on inflation (0.2 percentage points each) during the quarter. As such, price

Figure 12: Contribution of Sub-Categories to CPI Inflation (National), 2018 - 2022  
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

of meats, fruits and fish rose by 22.1%, 10.6% and 3.9%, respectively. Similarly, prices for dairy products, oils and fats, and bread and cereals also increased during the quarter. The increase in food inflation mainly reflects the increased global food prices owing to war-driven disruptions in food production and trade.

The energy sub-category<sup>10</sup> was a major contributor to inflation during Q2-2022. This was driven by both an increase in cost of electricity and increased prices of petrol. During the quarter, cost of electricity rose by 15.4% (0.6 percentage points), which reflected the base effect of subsidy provided by the government in June 2021, as a relief measure to households, following the tightening of movement restrictions by the government in May 2021 due to the surge in COVID-19 caused by the Delta variant. Meanwhile, price of petrol increased by 67.9% (0.4 percentage points), owing to the upward adjustment of the administered price of petrol by State Trading Organization (STO)<sup>11</sup> from MVR14.60 per litre in March 2022<sup>12</sup> to MVR16.55

<sup>10</sup> Energy-related items include the price charged on electricity, gas and other fuels, and price of fuels and lubricants for personal transport equipment.

<sup>11</sup> Domestic petrol prices reflect markets prices with a lag even though they are administered by STO.

<sup>12</sup> This is based on the retail price of Fuel Supply Maldives (FSM), a subsidiary of STO, the largest importer of oil in the Maldives. Revisions brought to price charged on fuel are also reflected in the changes to the price of electricity.

per litre in June 2022, reflecting the surge in global oil prices. Global crude oil prices<sup>13</sup> further rose to US\$110.1 per barrel on average at the end of Q2-2022 from US\$96.6 per barrel at the end of Q1-2022, primarily owing to tight global supply conditions amid the war in Ukraine.

Further, the health category also registered a growth of 4.4% (0.3 percentage points), mainly owing to the increase in price of medicines by 9.8%, which led to upward inflationary pressures in the second quarter of the year.

Additionally, the cost of water supply also increased during the quarter, owing to base effects of discounts provided by the government during June 2021, following the tightening of pandemic control measures in May 2021. The cost of water supply rose by 11.1% (0.2 percentage points) during the quarter. Similarly, cost of services of restaurants and cafés increased by 3.3% (0.2 percentage points) during Q2-2022.

Meanwhile, the decline in information and communication category was the main contributor to the downward pressure on inflation in Q2-2022 (-0.6 percentage points). The cost of information and communication services fell by 8.7% during the quarter due to the reduction in the unit price of mobile services used by consumers in October 2021. This mainly reflected the pledge made by the government to make broadband and mobile internet more affordable to consumers. Further, the reduction in internet access provision and net storage services also contributed to the decline in cost of information and communication services.

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<sup>13</sup> Quarterly average of Brent, West Texas Intermediate and Dubai Fateh.

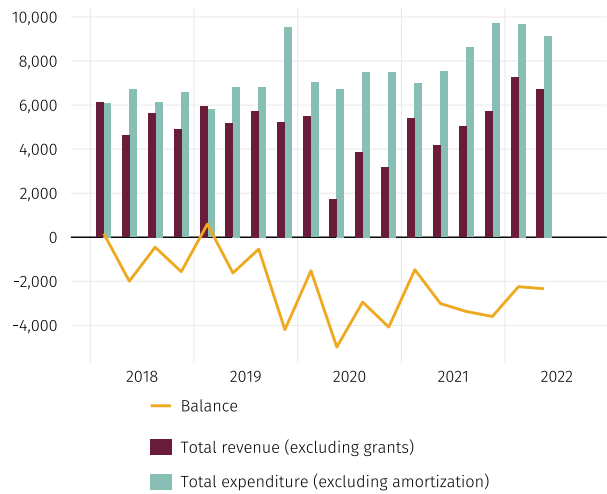
# Public Finance<sup>14</sup>

Total government revenue (excluding grants) increased by MVR2.5 billion during Q2-2022 when compared with Q2-2021 and totalled MVR6.7 billion at the end of the quarter (Figure 13). This was on account of a significant increase in tax revenue, together with a growth in non-tax revenue, reflecting the upturn in economic activity fuelled by the growth in tourism sector. In this regard, tax revenue, which accounted for 73% of the total revenue over the period, registered a marked increase of MVR1.9 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 MVR523.0 million, mainly reflecting the base effect of the extensions given on the deadline of these taxes in Q2-2021. This was followed by sizeable growths in other major revenue sources including the tourism goods and services tax (T-GST), general goods and services tax (G-GST) and import duties. In this regard, T-GST—the main single source of revenue for the government increased by MVR384.0 million, owing to the robust performance of the tourism sector during the quarter (Figure 14). Further, the positive spill-over effects from the tourism sector were carried into the domestic economy as seen by significant growths in the collection of G-GST and import duties, mirroring the increase in domestic economic activity with higher demand and higher imports. In addition, the positive momentum in the tourism sector was further witnessed in the collection of airport service charge and green tax.

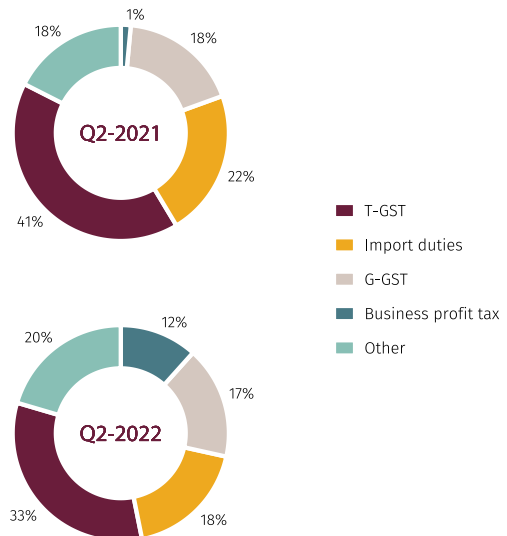
Non-tax revenue, which comprised 27% of the total revenue, observed an increase of MVR581.7 million in annual terms and totalled

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

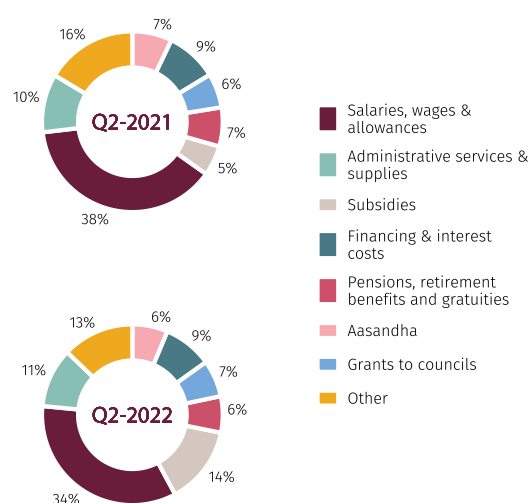
<sup>14</sup> Government revenue and expenditure data as of 9 August 2022. These figures might vary due to ongoing data reconciliation.

MVR1.8 billion at the end of Q2-2022. The growth in non-tax revenue was largely driven by the collection of fees and charges. Delving into this category, an increment of MVR227.9 million was observed in other fees and charges while airport development fee observed a growth of MVR127.5 million. It is noteworthy that an amendment was implemented in the collection of airport development fee and airport service charge effective from January 2022, which partly contributed to this increment. This was followed by a sizeable growth in land acquisition and conversion fee. However, a decline was observed in rent from resorts, largely reflecting a higher base effect, owing to the collection of deferred rental payments<sup>15</sup> in Q2-2021. Meanwhile, receipt from state-owned enterprises (SOE) dividends also showed a significant growth over the review quarter.

Total expenditure (excluding debt amortisation) recorded an increase of MVR1.0 billion in annual terms and totalled MVR8.5 billion during Q2-2022. This stemmed largely from a significant increase in recurrent expenditure which posted an annual growth of MVR730.1 million, together with an increase in capital expenditure. The increase in recurrent expenditure was driven by a substantial increase in administrative and operational expenses, almost entirely due to increased spending on grants, contributions and subsidies. Within this category, a significant proportion on expenditure stemmed from subsidies, which grew by MVR614.2 million, while grants to councils also recorded a notable growth (Figure 15). The substantial rise in expenditure on subsidies can be partly attributed to rising global oil and food prices, which has led to an additional burden on the government budget, amid delays in implementation of the policies envisioned to reduce such expenditure. Meanwhile, capital expenditure

observed an increase of MVR290.1 million, largely owing to higher expenditure on infrastructure assets together with an increase in development projects and investment outlays, despite a decline in spending on capital equipments and lendings. The increase in infrastructure assets primarily mirrored the rise in spending wharves, ports, and airports, and expenditure on land and buildings, which grew by MVR196.4 million and MVR162.6 million, respectively.

Figure 15: Composition of Recurrent Expenditure, 2021 - 2022



Source: Ministry of Finance

<sup>15</sup> The government allowed a year-long deferment on tourism land rent as well as those on agricultural islands, as part of the fiscal measures in response to COVID-19 in 2020.

# Monetary Developments

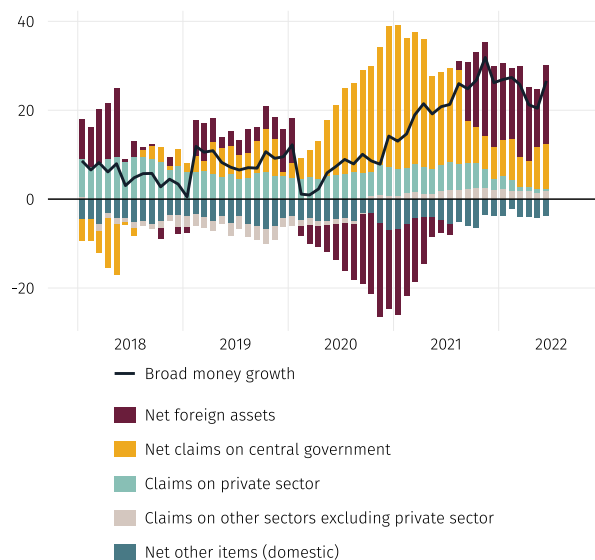
## Broad Money

The annual growth rate of broad money (M2 or money supply) slightly accelerated to 27% at the end of June 2022, after recording 26% at the end of March 2022 (Figure 16). On the components side, this reflected a significant increase in the transferable deposit base (demand deposits), while a growth was also observed in other deposits (savings and time deposits) of the banking system. Meanwhile, currency outside depository corporations posted a decline over the review period.

Demand deposits—which accounted for 75% of the money supply during the period—rose by 31%; an acceleration from the 29% growth recorded at the end of March 2022. The growth in demand deposits during the period stemmed from a sizeable increase in such deposits denominated in foreign currency, together with local currency. The increase in foreign currency denominated demand deposits stemmed largely from a significant increase in deposits by private non-financial corporations combined with private individuals and public non-financial corporations, while the increase in local currency denominated demand deposits stemmed mainly from public non-financial corporations.

Other deposits—which accounted for 19% of money supply—observed a deceleration, recording 22% at the end of June 2022, after registering 24% at the end of March 2022. This deceleration reflected a slowdown in savings deposits denominated in both local and foreign currency as well as a decline in time deposits denominated in foreign currency. Meanwhile, the growth in other deposits largely stemmed from a substantial rise in time deposits denominated in local currency. Further, currency outside depository corporations—which accounted for 5% of money supply—observed a decline of 7% at the end of June 2022, after remaining broadly unchanged at the end of March 2022.

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



Source: Maldives Monetary Authority

On the sources side, the acceleration in broad money growth reflected a significant expansion in net domestic assets (NDA), which was largely offset by a slowdown in net foreign assets (NFA) of the banking system. Nevertheless, NFA grew by 98% at the end of June 2022, after recording a growth of 114% at the end of March 2022. The annual increase in NFA of the banking system was driven by the rise in NFA of commercial banks as well as the MMA. The rise in NFA of the commercial banks was on the account of an increase in foreign assets stemming from the rise in foreign currency deposits held abroad. The growth in NFA of the MMA can be attributed to a significant drop in foreign liabilities due to the base effect of the repayment of the swap with the Reserve Bank of India (RBI) in December 2021, which offset the significant decline in foreign asset accumulation of the MMA.

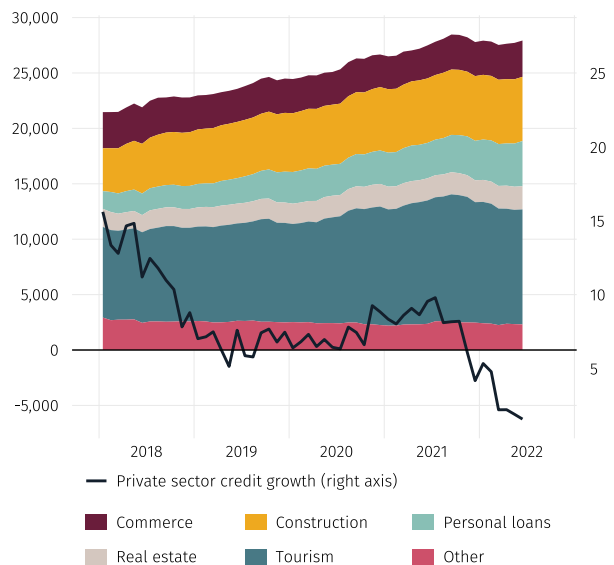
Looking at the developments in NDA, growth accelerated to 11% at the end of June 2022, after recording 7% at the end of March 2022. The annual

growth in NDA was solely on account of an increase in NDA of the commercial banks, which offset the decline in NDA of the MMA. The increase in NDA of the commercial banks was mainly driven by the increase in net claims on central government (NCG) which grew by MVR3.3 billion, primarily reflecting the annual expansion in government securities. In addition, commercial banks' credit to the public non-financial corporations and private sector also contributed to this increase, recording growths of MVR840.3 million and MVR279.0 million, respectively. Credit to private sector observed a significant slowdown for the third consecutive quarter, largely reflecting the conclusion of debt moratoriums extended by commercial banks. However, it is noteworthy that new disbursements increased in annual terms. Meanwhile, the fall in NDA of the MMA mainly stemmed from an increase in overnight deposit facility (ODF) placements by commercial banks, despite an increase in NCG by the MMA.

## Credit to Private Sector

Credit to the private sector recorded a growth when compared with the previous quarter and stood at MVR27.9 billion at the end of Q2-2022 (Figure 17). However, the annual growth rate remained broadly unchanged at 2% (MVR439.7 million) in June 2022 from the preceding quarter. 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 37% of total private sector credit) registered an annual decline of 7% in the review period, decreasing further from the 2% annual decline recorded in March 2022. This was owing to sizeable declines in credit extended for new resort development and renovation of resorts, despite the continued growth in credit extended as working capital as such loans disbursed to the sector continued to grow since the COVID-19 pandemic outbreak in the Maldives. Meanwhile, credit extended to the

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



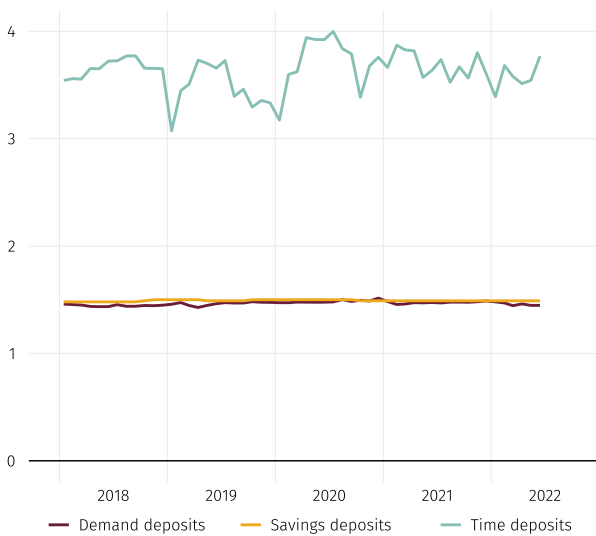
Source: Maldives Monetary Authority

construction sector observed a marginal decrease as the fall in credit lent to residential housing offset the growths in other categories within the sector. In contrast, credit extended as personal loans expanded significantly and observed the largest increase over the period, recording a growth of 28% reflecting the rise in credit extended as credit cards and consumer durables. Likewise, credit extended to the commerce sector observed an increase, stemming from the rise in credit for wholesale and retail businesses.

## Interest Rates

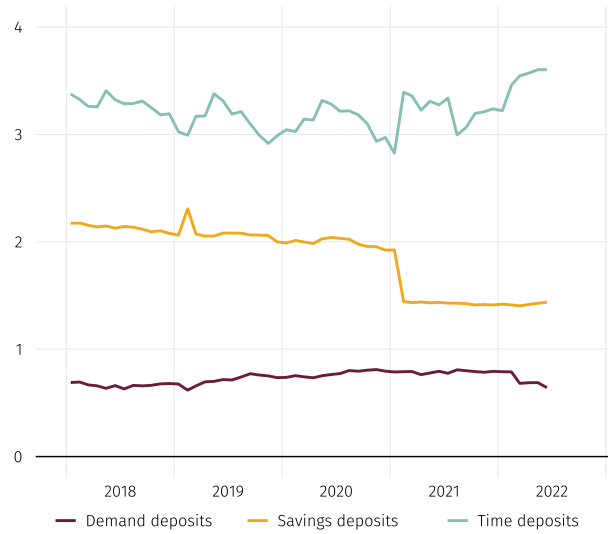
As for interest rates, the rate on both local and foreign currency denominated demand deposits observed a decrease at the end of June 2022. Meanwhile, the rate on both local and foreign currency savings deposits remained broadly unchanged in the review period. Further, the interest rate on local currency denominated time deposits (maturity of six months to one year) posted an increase, while the rate on such deposits denominated in foreign currency also observed 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 a decline during the period (Figure 20).

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



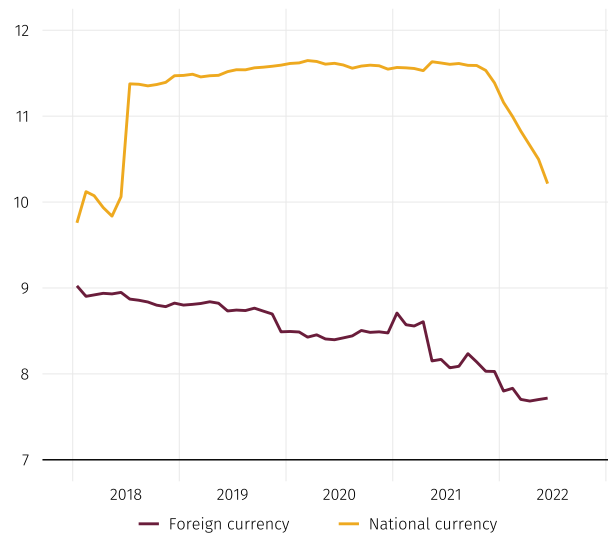
Source: Maldives Monetary Authority

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

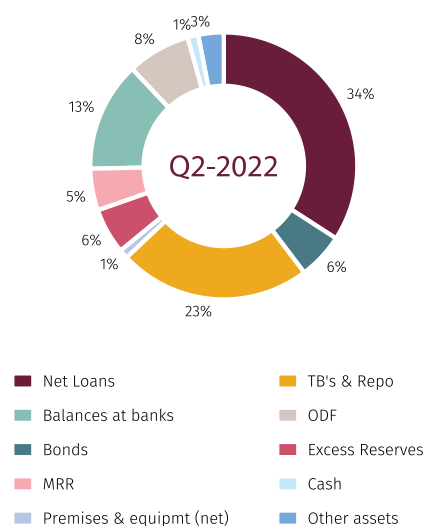
The performance of the banking sector during Q2-2022 improved in terms of assets growth, capital strength and earnings ratios compared to a year ago. The total capital to risk-weighted assets ratio stood at 48% on account of a substantial proportion of assets being low-risk; while the leverage capital ratio measured by tier 1 capital to total assets, stood at 18%. These capital adequacy ratios of all the banks remained strong and well above the minimum requirements of 12% and 5%, respectively.

At the end of Q2-2022, year-to-date annual pre-tax profits were MVR2.2 billion, a growth of 32% compared to a year ago mainly on account of reversal of provisions made for loans with higher credit-risk due to COVID-19 in the past two years. In addition, significant improvements were noted in both net interest income and net non-interest income as well. Consequently, both return on assets (ROA) and return of equity (ROE) on an annualized basis improved from a year ago; to 4.1% and 18.8% from 3.7% and 16.3%, respectively.

Gross loans increased by 2% in quarterly terms to reach MVR31.8 billion. Meanwhile, the absolute value of non-performing loans (NPLs) declined by 3% on a quarterly basis, and 20% annually, due to the write-off of a few NPLs. The annual reduction in absolute NPLs is reflected in the NPL ratio, which declined from 8% to 6%. Specific loan loss provisions covered 128% of NPLs as of the end of the quarter.

The total deposit base stood at MVR58.0 billion at the end of Q2-2022—a growth of 3% in quarterly terms—while the increase was significant at 27% in annual terms. Liquidity position remained strong with 69% of assets held as liquid assets as at the end of Q2-2022 (Figure 21). Such assets consisted mostly of short-term investments in T-bills, amounting to 23% of the asset portfolio;

Figure 21: Net Asset Composition of Banking Industry, Q2-2022



Source: Maldives Monetary Authority

while balances at banks accounted for 13%; and balances in the ODF and excess reserves at the MMA represented 8% and 6% of asset portfolio, respectively.

## Finance Companies

Non-bank financial institutions continued to perform well and recorded total assets of MVR3.9 billion at the end of Q2-2022, a quarterly increase of 2% and an annual increase of 14%. The annual growth was mainly due to a capital injection by a state-owned financial institution during the year, amounting to MVR273.0 million, which was utilized to lend to the SME sector.

Capital strength remained robust with total capital to risk-weighted assets at 55%, indicating adequate capital strength for absorbing risks. Furthermore, the leverage capital ratio measured by equity-to-assets stood strong at 48%.

Gross loans amounted to MVR3.0 billion at the end of Q2-2022, an increase of 15% in annual

terms. Loan portfolio growth was noted in tourism, personal loans and fisheries sectors. NPLs declined by MVR72.6 million during the second quarter, as a result of which the NPL ratio declined from 12% to 9%. Specific provisions coverage of NPLs increased from 30% at the end of Q1-2022 to 39% in Q2-2022.

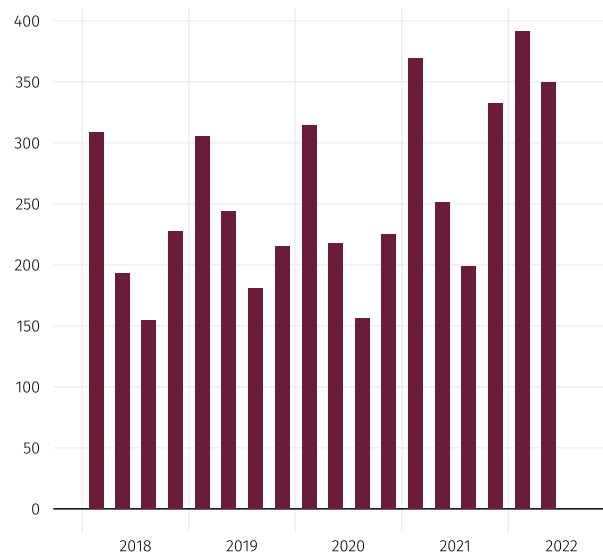
At the end of Q2-2022, other financial institutions recorded pre-tax profits of MVR52.0 million, a 20% decline compared with the same period of 2021, on account of significant increases in provisions for loan losses and non-interest expenses during the quarter. Consequently, the profitability ratios; annualized average ROA and ROE, declined slightly from 3.1% and 7.0%, to 2.1% and 4.4%, respectively, compared with the same period a year ago.

## Insurance Industry

The Q2-2022 figures for the insurance industry show accelerating recovery from the downturn caused by the pandemic. The total assets of insurance companies amounted to MVR2.4 billion in Q2-2022, which was an increase of 13% compared to the corresponding quarter of 2021. Total equity increased by 11% on annual terms, and the substantial increase in Gross Written Premium (GWP) and insurance claims compared to a year ago indicate that the insurance industry is continuing to expand. Insurance companies remained well-capitalized in relation to the businesses they write and retain, as shown by the net premium to average equity ratio of 71%.

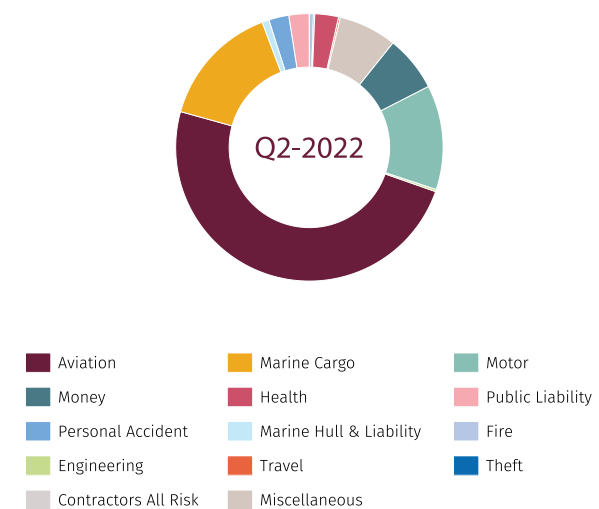
The GWP decreased by 11% compared to Q1-2022 to reach MVR349.7 million in Q2-2022, which was an increase of 39% when compared to Q2-2021 (Figure 22). Similar trend of decrease in premiums in the first and second quarter of every year has been observed in the insurance industry in prior periods as well. The largest contributors to GWP were fire, health, and marine hull classes,

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



Source: Maldives Monetary Authority

Figure 23: Premium Contributions by the Classes of Insurance, Q2-2022



Source: Maldives Monetary Authority

which collectively contributed to 65% of the GWP, with shares of 31%, 26%, and 8%, respectively (Figure 23).

Total investments of the industry stood at MVR546.3 million at the end of Q2-2022, accounting for 23% of the asset portfolio (Figure 24). Insurers invested more than half of their portfolio in debt securities which accounted for 60% of the total investments, while fixed deposits accounted for 20%.

The retention ratio for the quarter increased slightly to 38% from 36% in the corresponding period of 2021 (Figure 25). This is attributable to the minor increases in retention of insurance classes such as marine cargo, health and contractors all risk. While fire and aviation insurance classes rely heavily on reinsurance, most of the premiums generated from classes such as health and motor are retained by the insurance companies (Figure 26).

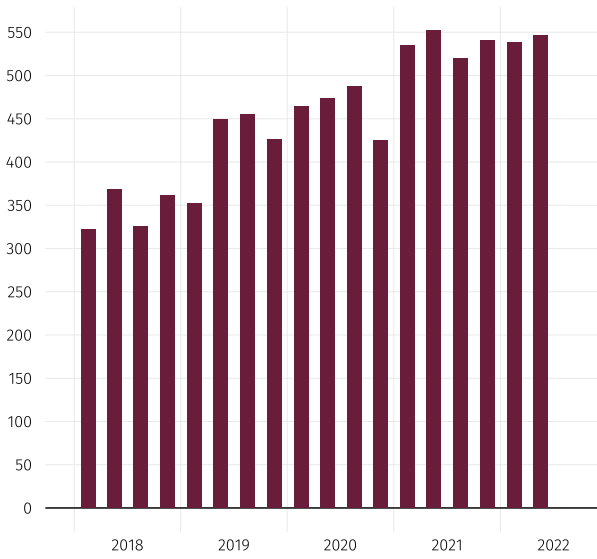
Insurance companies reported significantly higher amounts in gross claims in Q2-2022 compared to Q2-2021; MVR195.3 million against MVR101.5 million, driven by increases in claims of marine hull and health classes of insurance. The weather conditions in Q2-2022 were the primary cause of the noticeably higher number of claims for the hull class.

The significant increase in claims during the review quarter led to a sharp decline in quarterly pre-tax profits, which decreased by 32% compared to Q2-2021 and by 64% compared to Q1-2022 (Figure 27). However, the profitability ratios averaged over the past four quarters remained strong, with a ROE of 21% and ROA of 6%. Despite the decrease in quarterly profits, the annual year-to-date profits from January to June 2022 was significantly higher than the same period in the previous year, at MVR102.1 million compared to MVR86.5 million, on account of higher profitability during Q1-2022.

The net loss ratio, which indicates the portion of the premium that is incurred to pay claims, rose to 74% for Q2-2022 from 34% in Q2-

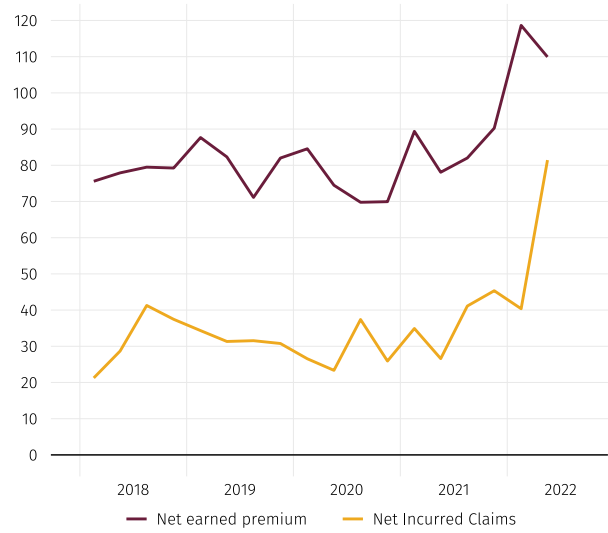
2021 due to the increased claims. However, on a year-to-date basis, the decrease was less marked; at 41% against 37% a year ago. The combined ratio, measuring the expenses related to claims and operations as a percentage of earned premium, amounted to 77% on a year-to-date basis, while it was at 62% a year ago. Despite the decrease, the ratios indicate a healthy profitability of the general insurance companies.

Figure 24: Investments, 2018 - 2022  
(millions of rufiyaa)



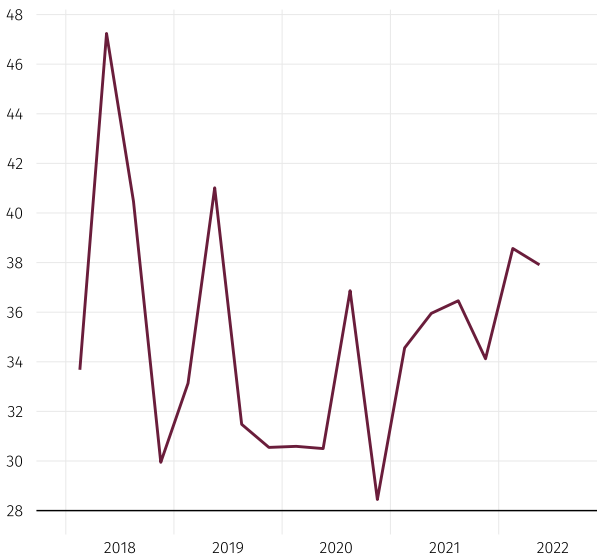
Source: Maldives Monetary Authority

Figure 26: Net Earned Premium vs Net Incurred Claims, 2018 - 2022  
(millions of rufiyaa)



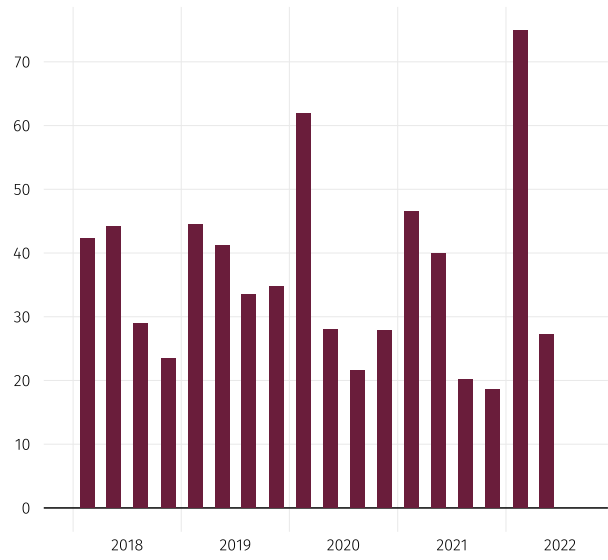
Source: Maldives Monetary Authority

Figure 25: Retention Ratio, 2018 - 2022  
(percent)



Source: Maldives Monetary Authority

Figure 27: Pre-tax Profit, 2018 - 2022  
(millions of rufiyaa)



Source: Maldives Monetary Authority

# External Trade

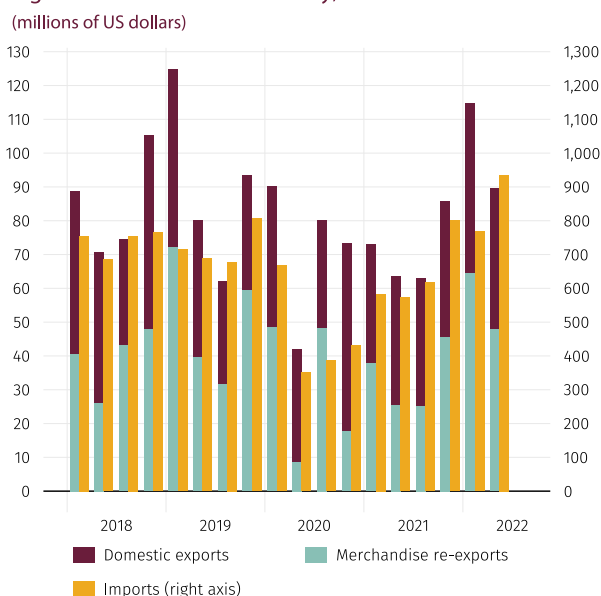
## Merchandise Exports

Total merchandise exports registered an annual increase of 41% (US\$26.0 million) in Q2-2022 and totalled US\$89.5 million. This was mainly driven by the significant increase in merchandise re-exports followed by an increase observed in domestic exports during the quarter (Figure 28). As such, merchandise re-exports rose by 87% (US\$22.3 million) to total US\$47.8 million in Q2-2022. The significant increase in re-exports during the review quarter mirrored the increase in re-exports of jet fuel during quarter compared to the corresponding quarter of 2021.

Domestic exports—which mainly comprise fish and fish products—increased by 10% (US\$3.7 million) during Q2-2022 and totalled US\$41.8 million. This was mainly due to the increase in frozen yellowfin tuna exports which rose by 48% (US\$ 2.0 million) and totalled US\$6.1 million during the review quarter, although a slight decline in volume of such exports were observed in Q2-2022 (Figure 29). Additionally, the exports earnings from canned or pouched tuna increased by 25% (US\$1.8 million), owing to the increase in export volumes during the quarter. Meanwhile, exports earnings from frozen skipjack tuna declined by 8% (US\$1.8 million) during the quarter, owing to the fall in export volume of such tuna. As for the skipjack prices in the Bangkok frozen market, it declined throughout the quarter and averaged at MVR26.7 per kilogram in Q2-2022. Similarly, exports earnings from dried tuna also fell during the quarter, declining by 62% (US\$0.5 million).

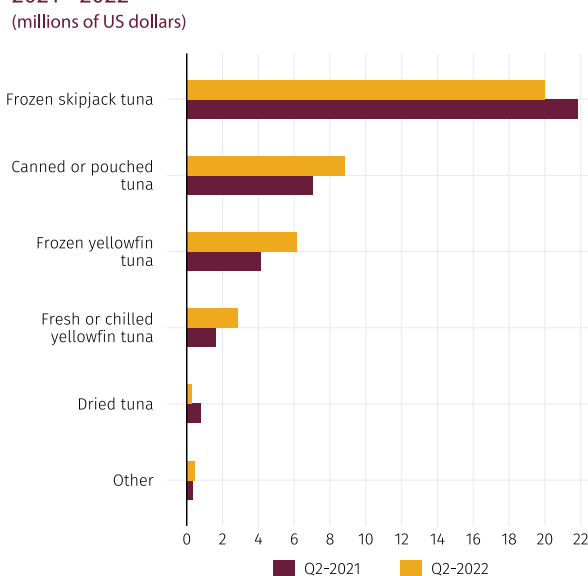
As for the direction of trade of exports, Asia was the major continental export destination during the quarter, accounting for 69% of domestic exports in Q2-2022—a decline from 75% in Q2-2021 (Figure 30). Meanwhile, Europe was the second largest continental export destination with a market share of 29% in Q2-2022, an increase from 21% recorded

Figure 28: Total Trade Summary, 2018 - 2022



Source: Maldives Custom Service

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



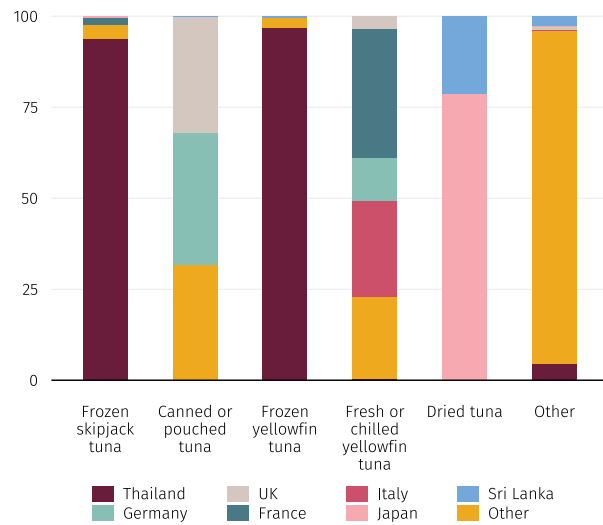
Source: Maldives Customs Service

in the corresponding quarter of 2021. During the review quarter, export demand declined for most of the Asian markets such as Japan, Thailand and Sri Lanka. Regardless, Thailand remained as the dominant export market, accounting for 60% of total domestic exports in Q2-2021—decline from 61% in Q2-2021. Conversely, demand for most of the European export markets increased during the review quarter. Germany—the second largest export destination—accounted for 8% of the total domestic exports in Q2-2022, which remained relatively unchanged during the quarter. Other notable export destinations include the UK (7%), India (4%) and France (3%), all of which observed increases in terms of market share during the review quarter.

## Merchandise Imports

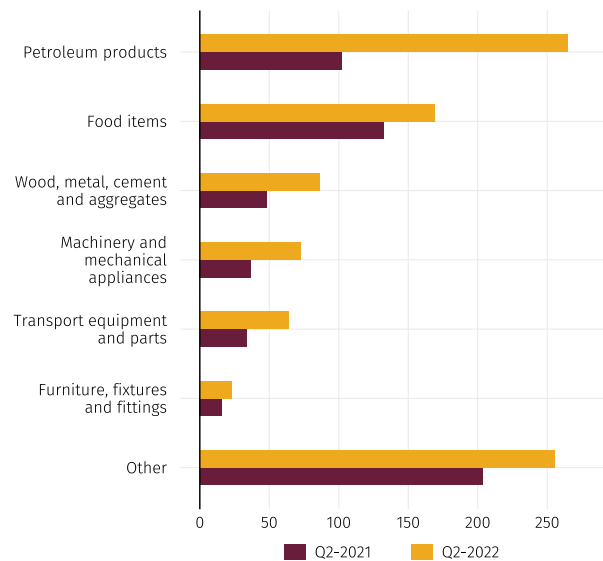
Total merchandise imports (c.i.f) recorded an annual significant increase of 64% (US\$363.7 million) during Q2-2022 and totalled US\$935.7 million, surpassing the pre-pandemic levels of imports observed in Q2-2019. Accordingly, an increase in import expenditure was observed in all the major import categories (Figure 31). The main contributors to the annual increase of merchandise imports were petroleum products, which significantly increased by 160% (US\$162.9 million), followed by construction-related items and food items; which observed increases of 58% (US\$43.4 million) and 28% (US\$36.6 million), respectively. In addition, imports of machinery and mechanical appliances and parts increased by 98% (US\$35.9 million), while expenditure on transport equipment and parts also rose by 89% (US\$30.0 million) in tandem. Further, notable increases were registered for import expenditure linked to electrical and electronic machinery and equipments and parts, which increased by 92% (US\$27.2 million); and plastics and articles of plastic, which rose by 60% (US\$7.8 million).

Figure 30: Direction of Trade by Domestic Export Categories, Q2-2022 (percent)



Source: Maldives Customs Service

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



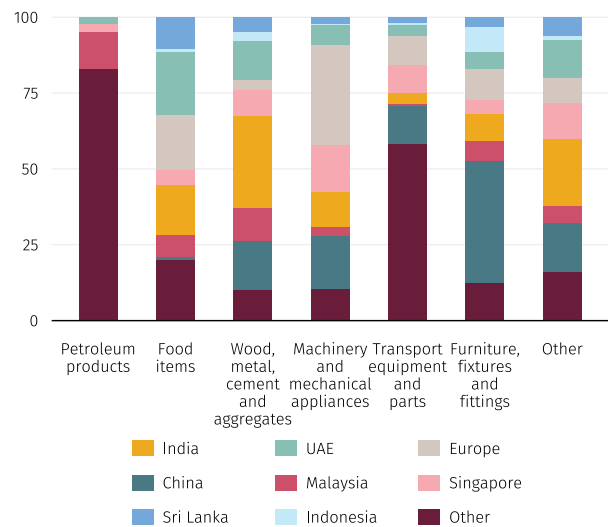
Source: Maldives Customs Service

With regard to the direction of trade of imports, Asia remained as the largest continental source of imports, accounting for 83% of total merchandise imports in Q2-2022—a rise from 81% in Q2-2021 (Figure 32). This was followed by Europe, which accounted for 9% of the total merchandise imports during the review quarter, down from 12% in Q2-2021. During Q2-2022, Oman accounted for the largest share of imports, accounting for 23% of total merchandise imports, an increase from 15% share in Q2-2021. This has been a continuation of the trend observed from Q1-2020 onwards, where petroleum products imports from Oman have been notably increasing. This was followed by India accounting for 13%, relatively unchanged during the review quarter. Meanwhile, China accounted for 9%, a decline from 11% recorded in Q2-2021, followed by Malaysia accounting for 8% during the review quarter, an increase from 4% in the corresponding quarter of 2021. Additionally, Singapore accounted for 7% of total merchandise imports during the quarter, down from 10% in Q2-2021.

## Gross International Reserves

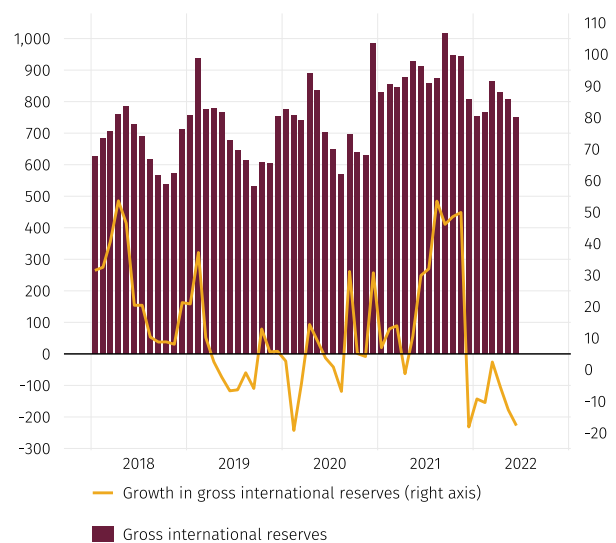
Gross international reserves (GIR)<sup>16</sup> decreased to US\$750.4 million at the end of Q2-2022, registering a decline of 18% (US\$161.9 million) when compared with the corresponding quarter of 2021. Similarly, when compared with the preceding quarter, GIR registered a decline of 13% (US\$114.7 million) (Figure 33). The annual decline in GIR was solely due to the decline in short-term foreign liabilities by 35% (by US\$227.3 million).

Figure 32: Direction of Trade by Import Categories, Q2-2022 (percent)



Source: Maldives Customs Service

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



Source: Maldives Monetary Authority

<sup>16</sup> 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
<b>Real Sector</b>									
Tourist arrivals	15	-67	138	-22	385,316	1,797	194	45	80
Bednights of resorts	12	-63	156	-3	10,340	1,282	190	31	49
Operational capacity of resorts	14	-36	69	-5	740	138	26	13	8
Occupancy rate of resorts (%)	74	29	65	70	48	62	80	81	65
Average stay (days)	6.3	18.5	8.8	8.9	9.1	8.9	8.2	8.5	7.7
Fish purchases	3	-2	4	15	35	-21	0	-4	10
<b>Prices <sup>1</sup></b>									
Total (Republic)	0.2	-1.4	0.6	-0.7	2.3	0.5	0.1	0.6	3.0
Total excluding fish	0.5	-1.6	0.6	-0.4	2.4	0.5	0	0.4	3.1
Food and non-alcoholic beverages excluding fish	0	2.8	2.4	3.0	1.5	2.7	2.3	1.6	4.0
<b>Government Securities (millions of rufiyaa)</b>									
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
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
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
MMA	103.6	91.3	97.4	73.9	60.7	97.4	97.4	78.0	71.2
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
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

### 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

<sup>1</sup> 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
<b>Money and banking</b>									
Broad money	10	14	27	19	21	25	27	26	27
Net foreign assets	33	-49	112	-40	-12	110	112	114	98
Net domestic assets	0	50	10	52	32	13	10	7	11
Net claims on central government	2	86	11	76	41	16	11	12	17
Claims on other sectors	4	10	7	10	10	10	7	4	3
o/w Private sector	7	10	4	9	9	8	4	2	1
Reserve money	-4	10	1	-8	12	29	1	13	-4
Monetary operations <sup>1</sup>									
Open market operations <sup>2</sup>	0	0	0	0	0	0	0	0	0
Overnight Deposit Facility	-26	34	44	132	60	10	26	41	37
<b>External trade</b>									
Merchandise exports (f.o.b.)	6	-21	0	-19	51	-21	17	57	41
Domestic exports	-13	3	-7	-16	14	18	-28	43	10
o/w Fish exports	-14	3	-10	-21	11	16	-29	46	8
Re-exports	29	-39	9	-22	196	-48	158	70	87
Merchandise imports (c.i.f.)	-2	-36	40	-13	63	59	86	32	64
o/w Food	10	-30	51	0	77	91	81	16	28
o/w Petroleum	3	-43	72	-9	152	110	137	55	160
o/w Construction-related imports	-17	-41	6	-44	9	31	62	55	58

**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

<sup>1</sup> Monetary operations figures represent the average investment.

<sup>2</sup> Open market operations were suspended May 2014 onwards.

	2019	2020	2021	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2
<b>Direction of Trade of Imports of Goods (as a percentage of total)</b>									
o/w Singapore	12	11	10	11	10	10	10	9	7
o/w India	10	13	12	12	13	13	12	13	13
o/w Sri Lanka	6	6	6	6	5	6	5	5	4
o/w UAE	19	12	13	13	13	12	13	15	10
o/w Thailand	4	3	3	3	3	3	3	3	3
<b>Direction of Trade of Exports of Goods (as a percentage of domestic)</b>									
o/w Thailand	36	44	46	35	61	45	44	52	60
o/w Sri Lanka	3	3	2	2	1	2	1	1	0
o/w France	9	8	4	5	2	4	5	3	3
o/w Germany	12	10	11	11	8	11	16	6	8
<b>External Reserves</b>									
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

**Source:**

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

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