

Maldives

Economic Update 2019

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I. The Economy in 2018

“...GDP growth slowed to 6.7% in 2018 from 6.9% in 2017 as tourism value added expanded by only 6.8%, 3.5 percentage points lower than 2017....”

Gross domestic product (GDP) growth marginally rose to 6.9% in 2018 from 6.8% in 2017 given robust construction activities, tourism, and supporting services. (Figure 1).

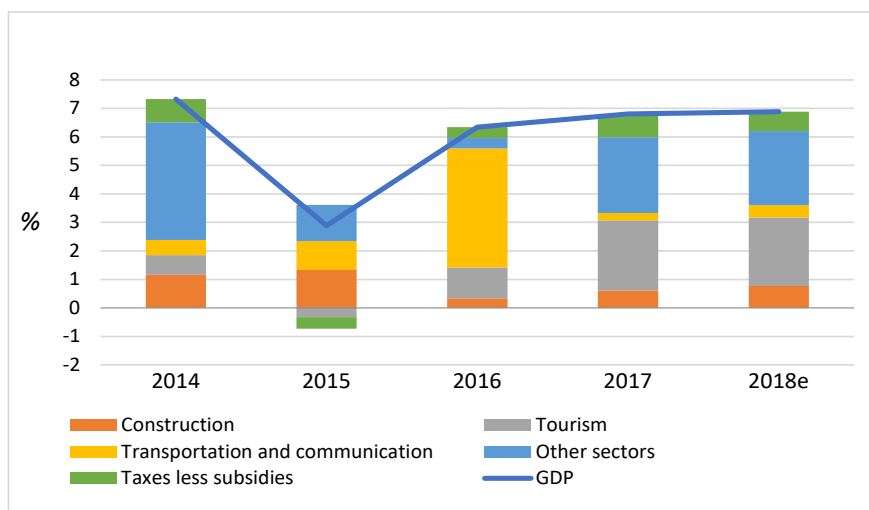
Tourism value added expanded by only 9.7%, 0.6 percentage points lower than in 2017. Growth in tourist arrivals eased from 8.0% in 2017 to 6.8% in 2018, reaching almost 1.5 million given fewer scheduled flights from Asian markets. Despite slower growth in tourist arrivals, travel receipts grew by 10.4% as the average stay lengthened to 6.4 days. Moreover, growth in collections of goods and services taxes on tourists accelerated to 11.4%, reflecting strong growth in income not only for the government but also for resorts.

Growth in value added by construction rose from 10.2% in 2017 to 13.9% in 2018, underpinned by credit growth and rising demand from infrastructure projects both public and private. The Public Sector Investment Program (PSIP) increased its spending by 20.5% compared to 2017. Similarly, strong growth continued in bank loans to the private sector for construction and real estate, albeit slowing from 34.1% in 2017 to 22.1% as the government offered competing loans with more favorable terms. Notably, growth in imports of construction materials markedly accelerated from 24.2% in 2017 to 35.6% in 2018.

Fish exports contracted by 10.0% on weak demand and lower global prices for skipjack and yellowfin tuna, the main export species. Growth remained strong in other sectors such as financial services, transportation and communication, and wholesale and retail trade.

Average inflation fell from 2.8% to only -0.1% in 2018. This reflected government efforts starting in the second quarter (Q) of 2017 to reduce food prices, which had ballooned earlier after subsidies on staples were removed.

Figure 1: Supply-side Contributions to Growth

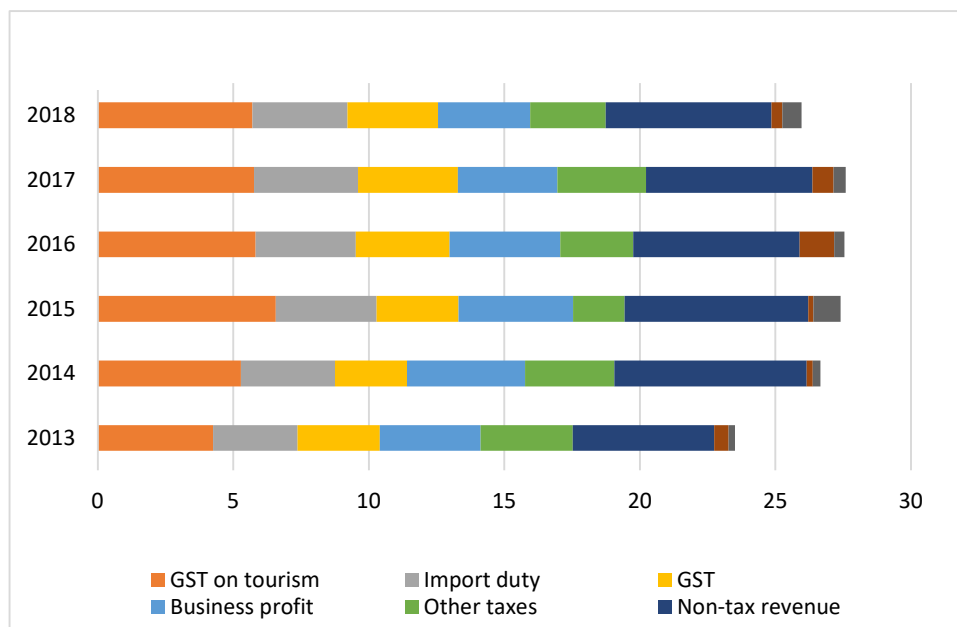


e = estimate, GDP = gross domestic product.

Source: Maldives Monetary Authority, October 2019 Monthly Statistics, Malé.

With inflationary pressure low, the Maldives Monetary Authority has maintained the accommodative policy in force since it lowered the indicative monetary policy rate in 2014 and again in 2015. In 2018, credit to the private sector increased by 8.8%, mainly through large loans for tourism, construction, and real estate.

Figure 2: Major Sources of Revenues and Grants as Percentage of Gross Domestic Product

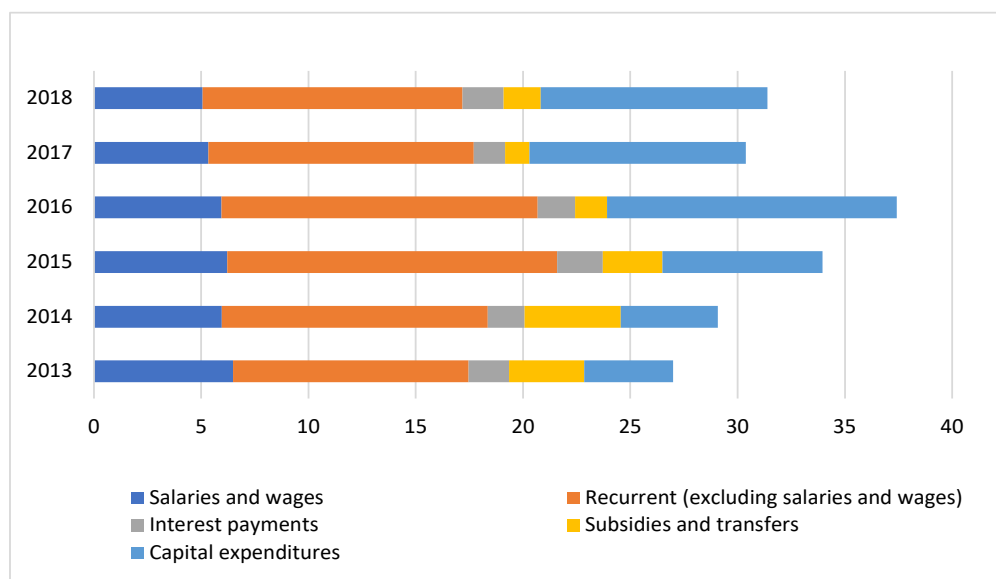


GST = goods and services tax.

Source: Maldives Monetary Authority, October 2019 Monthly Statistics, Malé.

Fiscal policy for 2018 turned expansive with the reacceleration of PSIP which raised capital expenditure by almost 16.0%, and with a new pay structure for civil servants that swelled recurrent spending by 14.4%. Total expenditure thus rose from 30.9% of GDP in 2017 to 31.5%. Total revenue and grants rose by 5.3% to equal 26.0% of GDP, though this reflected a weaker tax performance than in 2017 as collections of goods and services tax slowed and capital revenue declined. Accordingly, the estimated budget deficit climbed from 3.1% of GDP in 2017 to 5.5% in 2018 (Figures 2 and 3).

Figure 3: Expenditures as Percentage of Gross Domestic Product



Source: Maldives Monetary Authority, October 2019 Monthly Statistics, Malé.

From Rf17.5 billion (\$1.2 billion) in 2017, government external debt, including Rf10.5 billion (\$681.8 million) in state loan guarantees, nearly doubled to Rf30.8 billion (\$2.0 billion) or equivalent to 37.6% of GDP in 2018. State-owned enterprises' use of guarantees was the main factor pushing debt higher. The government external debt as a percentage of GDP is 13.6% higher than in 2017, mainly due to the private placement in May 2018 of a \$100 million sovereign bond with a 5-year maturity and a 5.5% coupon, and a \$130 million increase in commercial buyers' credits.

Government domestic debt, including domestic guaranteed debt, marginally fell by 0.6% in 2018 to Rf29.4 billion (\$1.9 billion) and became a smaller percentage of GDP at 35.8%, down by 4.7 percentage points from 2017. At the end of 2018, total public debt including state guarantees was estimated at Rf60.2 billion (\$3.9 billion), rising sharply to the equivalent of 73.4% of GDP from 64.5% by the end of 2017.

Revised estimates indicate a 27.1% increase in the merchandise trade deficit and an almost 12% rise in foreign workers' outbound remittances, which pushed the 2018 current account deficit from 21.7% of GDP to 26.1% in 2017—despite higher receipts from the tourism industry. Imports rose by 24.2% on increased demand for construction goods, machinery, and electrical equipment, while exports rose by only 6.6%, with fuel reexports offsetting the drop in fish exports. The current account deficit was amply financed by large net financial inflows of direct and portfolio investment, including the \$100 million government bond placement, and a marked increase in inflows in other investment liabilities that was facilitated by state guarantees (see Box 1 for additional discussion on current account deficit).

A \$100 million currency swap facility between the Maldives Monetary Authority and the Reserve Bank of India helped gross international reserves climb from \$587.3 million in 2017 to \$712.0 million. Usable reserves—gross international reserves less commercial banks' foreign currency deposits—amounted to \$281.4 million to cover for only about 1 month of imports.

Box 1: Current Account Deficit of Maldives

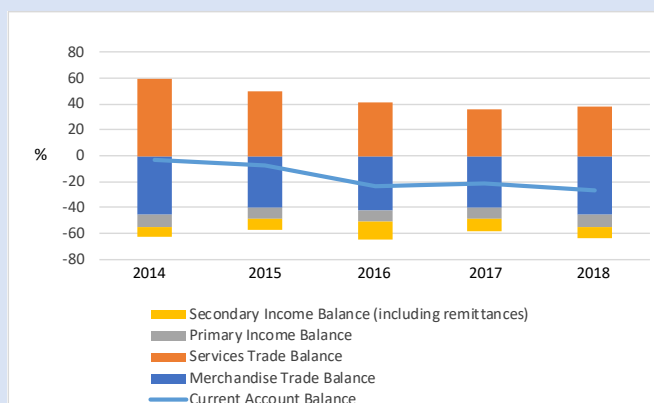
What you need to know? The country's current account deficit (CAD) has been on the rise since 2015 with the highest in 2018, which is equivalent to a quarter of GDP. Financing inflows and external borrowings have been financing the deficit but not on easing pressure in foreign exchange reserves as it continued to remain weak from 2014–2018.

The CAD sharply deteriorated to 23.5% of gross domestic product (GDP) (i.e., \$1.03 billion) in 2016 from only 7.4% of GDP in 2015 (\$301.7 million). The increase was due to construction-related imports linked to the government's mega infrastructure projects, moderate tourism receipts, higher remittance outflows, and a substantial one-off court ordered settlement (i.e., \$270 million) paid to an Indian infrastructure firm, GMR, in November 2016^a. In 2017, the CAD as a percentage of GDP slightly narrowed but remained high at 21.7% of GDP (\$1.0 billion) given improvements in tourism receipts that boosted the service balance. However, the 27.1% increase in the merchandise trade deficit and the 12% rise in foreign workers' outbound remittances in 2018 once again pushed the 2018 current account deficit to 26.1% of GDP (\$1.4 billion) despite higher receipts from the tourism industry (Box Figure 1).

How CAD is being financed? The current account deficit is heavily financed by large net financial inflows of direct and portfolio investments (foreign direct investments average more than 9% of GDP from 2014–2018), and external borrowings, including the \$250 million sovereign bond issued in 2017 and an additional \$100 million government bond private placement in 2018 (Box Figure 2).

Overall Foreign Reserves Balance. A net financing gap was recorded in 2015 (1.2% of GDP) and 2016 (2.2% of GDP) with financial inflows not sufficient to cover the large CAD particularly in 2016 (see earlier discussion). Overall balance recovered in 2017 and 2018 following the issuance of international sovereign bonds and increased external borrowings, including currency swaps between the Maldives Monetary Authority and the Reserve Bank of India. This also boosted the level of foreign exchange reserves although still thin—with usable reserves averaging 1.1 months of import cover from 2014 to 2018.

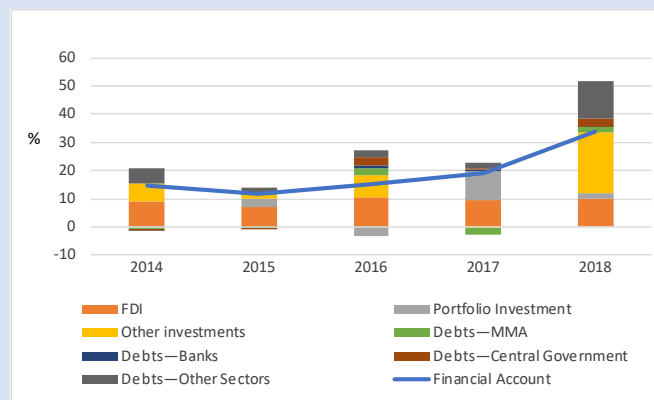
Box Figure 1: Current Account Balance as Share of GDP (%)



GDP = gross domestic product.

Source: Maldives Monetary Authority. October 2019 Monthly Statistics. Malé.

Box Figure 2: Financial Account Balance as Share of GDP (%)



FDI = foreign direct investment, GDP = gross domestic product, MMA = Maldives Monetary Authority.

Source: Maldives Monetary Authority. October 2019 Monthly Statistics. Malé.

^a This was in connection to the termination of a 25-year contract between GMR and the government on the operation and management of Velana International Airport (previously known as Ibrahim Nasir International Airport).

II. Midyear Economic Review

“Tourist arrivals rebounded during the first half of 2019...construction subsector key indicators suggest some slow down in sector activity.”

A. Real Sector

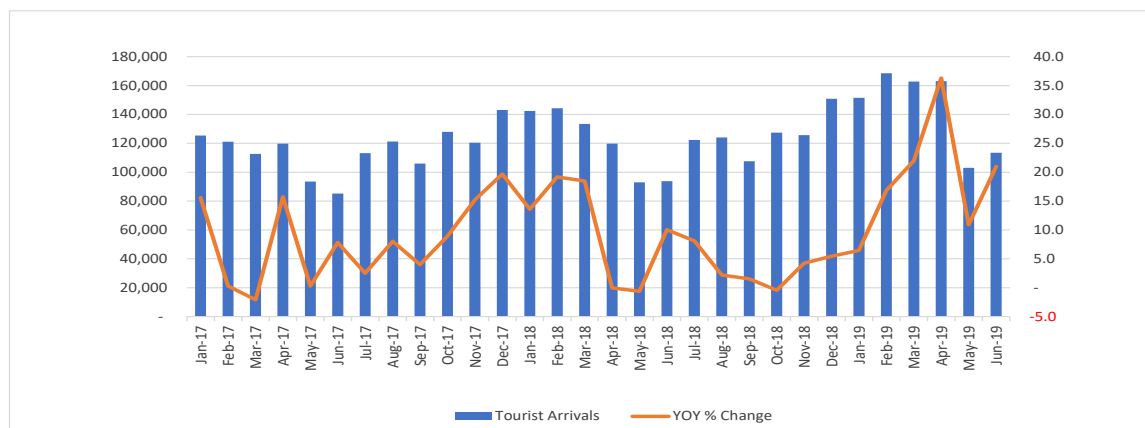
1. Tourism

After slowing in 2018, tourist arrivals rebounded during the first half of 2019. Tourist arrivals grew by 18.7% from 10.5% in the same period in 2018 given the substantial recovery of the Asian market (Figure 4). Asians, which accounted for 37.9% of the total arrivals and 40.7% of growth in total arrivals, rose by 20.4% in first half of 2019 from 1.4% in first half of 2018 owing to increased guests from the India and the People’s Republic of China (PRC). Year-on-year growth in tourist arrivals from the PRC, the largest single-source market (16.3% of total arrivals and 9.4% of growth in total arrivals) in the first half of 2019, significantly improved to 10.1% from –10.0% in the first half of 2018, a first since 2016. During the same period, year-on-year growth of tourist arrivals from India leaped by almost 100.0% from 9.5% as more Indian airlines offering cheaper fares started flying to Maldives. Meanwhile, year-on-year growth of tourist arrivals from Europe, which accounted for 50.3% of the total and 45.2% of the growth in total arrivals, rose marginally from 16.3% to 16.5% given an increase in South European guests (Figures 5 and 6).

Tourist arrivals to the Maldives continue to be driven by strong demand from the main source markets, along with the increased air connectivity, reflecting the commencement of flights from new airlines and increased flight movements from major long-haul carriers in Asia, Europe and the Middle East. From January 2019 to June 2019, international flight movements to Maldives expanded by a record 18.2% to 7,024 from 5,944 in 2018.

On the supply side, total operational bed capacity in the first half of 2019 expanded by 10.9% to 45,772 from 41,290 a year earlier. On balance, tourism earnings, measured by bed-nights occupancy, expanded by 14.7% in the first half 2019 to 5,420,000 from 4,724,000 in 2018.

Figure 4: Inbound Tourist Arrivals (January 2017–June 2019)



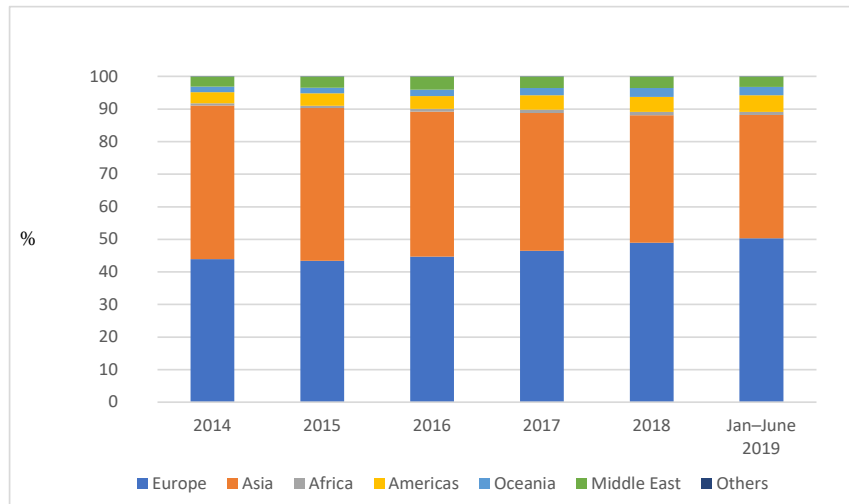
YOY = year-on-year.

Source: Maldives Monetary Authority, October 2019 Monthly Statistics, Malé.

2. Construction

In the construction subsector, key indicators for the first half of 2019 suggest some slowdown in activity. Growth of commercial bank loans to construction and real estate eased to 13.7% in the first half of 2019 compared to 30.7% in the first half of 2018. Similarly, growth of imports of construction goods substantially slumped to -13.2% in the first six months of 2019 from 50.7% in the same period in 2018. This mainly reflected the government's programmed cutback in investment spending and the anticipated winding down of public mega infrastructure projects, some of which were completed in 2018.

Figure 5: Shares of Main Tourist Source Markets to Total Inbound Arrivals

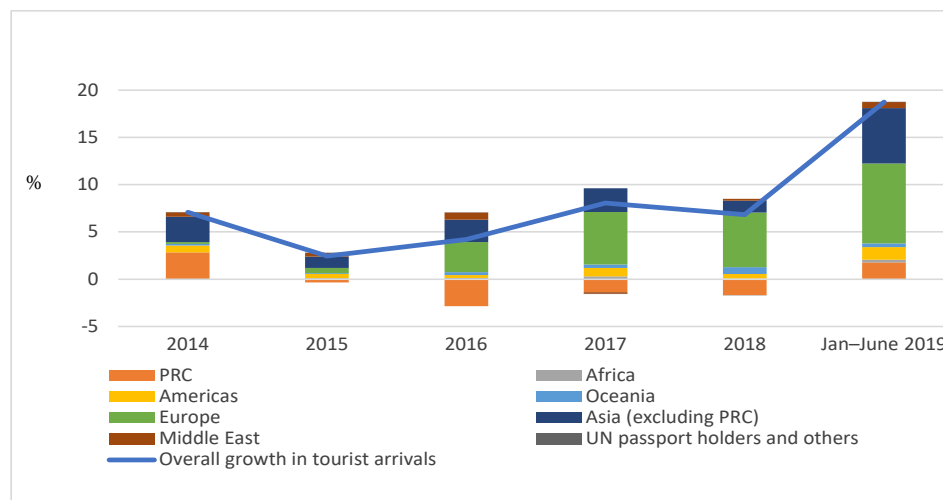


Source: Maldives Monetary Authority, October 2019 Monthly Statistics, Malé.

3. Fisheries

Growth in fisheries slightly improved from January–June 2019 with the growth in the total value of fish exports recovered to 0.3% from -13.3% in the year earlier period owing to increased canned or pouched fish product exports. Meanwhile, volume of domestic and international fish purchases expanded by 11.0% in the first six months of 2019 from -1.4% in the corresponding period of previous year as demand for yellow fin tuna rose.

Figure 6: Contribution of Tourist Source Markets to Growth in Tourist Arrivals



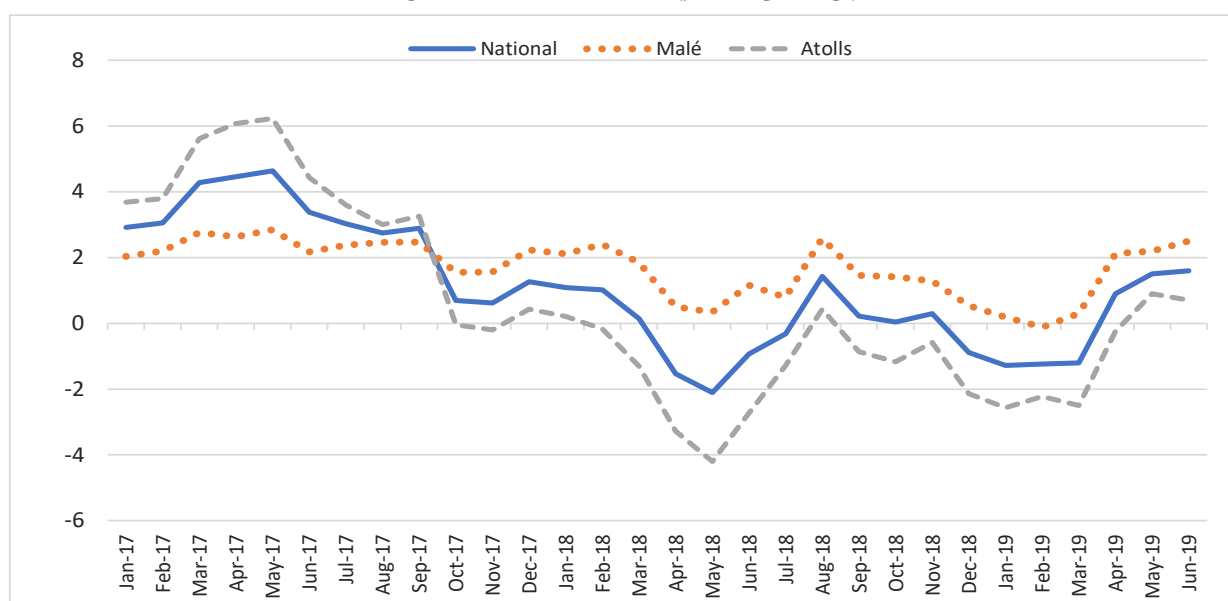
PRC = People's Republic of China, UN = United Nations.

Source: Maldives Monetary Authority, October 2019 Monthly Statistics, Malé.

B. Inflation

The rate of inflation remained muted during the first half of 2019 and averaged 0.04%. This mainly reflected a number of policy changes in 2018 and early 2019 which significantly brought down prices of food, electricity, and transport. Specifically, the government reduced the electricity tariff in the atolls and reversed its policy on the removal of blanket subsidy on staple food in April 2018. As part of the Maldives president's election pledges, domestic travel fares were lowered by 20%–25% starting in January 2019 and prices of staple food (i.e., rice, flour and sugar) were harmonized across the country to the lower urban prices in April 2019. Overall prices however rose in June 2019 with inflation at 1.6% as housing rents increased and food prices, particularly fish, edged up (Figure 7).

Figure 7: Consumer Price Index (percentage change)



Source: Maldives Monetary Authority, October 2019 Monthly Statistics, Malé.

C. Fiscal Sector

1. Public Finance

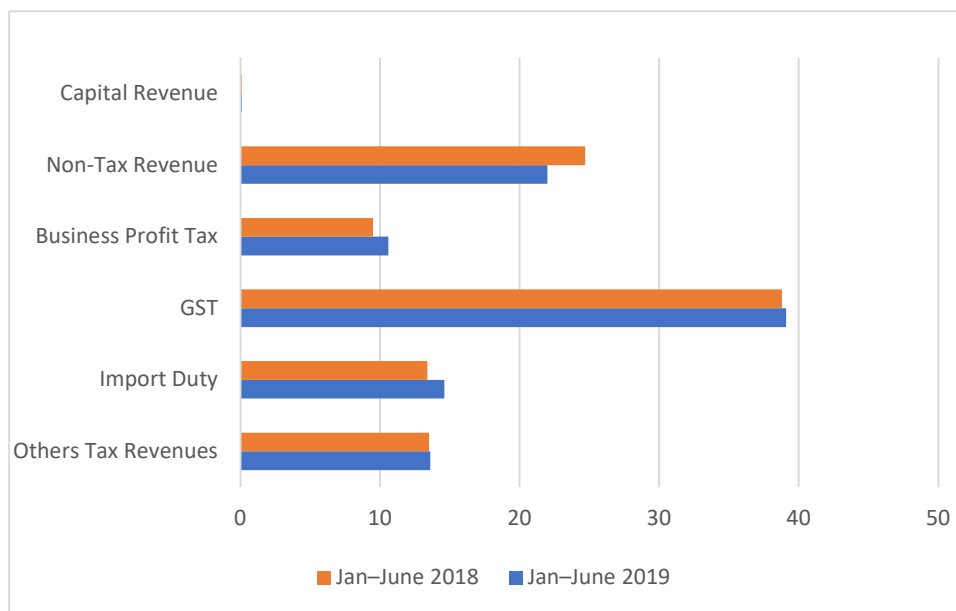
Total government revenue (including grants) from January to June 2019 reached Rf11.5 billion or a Rf584.5-million increase from the corresponding period last year with increased tax revenues and grants. Tax collections, which accounted for 78.0% of the total revenue, totaled Rf7.3 billion, up from Rf8.7 billion in the same period in 2018, with higher collection of goods and services tax, import duties, and business profit tax. Meanwhile, non-tax revenues marginally fell to Rf2.4 billion in the first half of 2019 from Rf2.7 billion in the first half of 2018, given a substantial decline in state-owned enterprises' dividends and property income.

Total expenditures (excluding debt amortization) dropped to Rf11.8 billion during the first half of 2019 as compared to the same period in 2018 given a substantial decline in capital expenditure. Capital expenses fell mainly from significantly lower spending on Public Sector Investment Program—from Rf3.7 billion to Rf1.5 billion. Conversely, current expenditures grew by Rf735.4 million from January to June 2019 and totaled Rf9.1 billion, driven by the increased payment on salaries and wages, which accounts for 25.0% of current expenditures (Figures 8 and 9).

2. Fiscal Balance

Given lower expenditure and higher revenues, the government deficit narrowed to Rf221.4 million during the first half of 2019 from Rf1.8 billion in the same period last year, or an 88.0% reduction in fiscal gap.

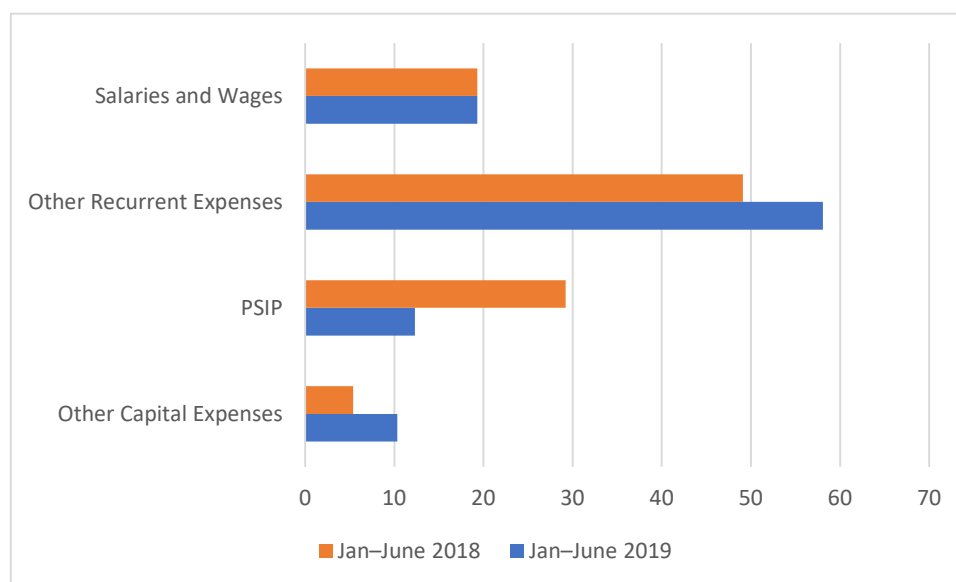
Figure 8: Share of Revenue Sources to Total Revenues (Jan–June 2018 vs. Jan–June 2019, %)



GST = goods and services tax.

Source: Maldives Monetary Authority, October 2019 Monthly Statistics, Malé.

Figure 9: Share of Expenditure Sources to Total Expenditures (Jan–June 2018 vs. Jan–June 2019, %)



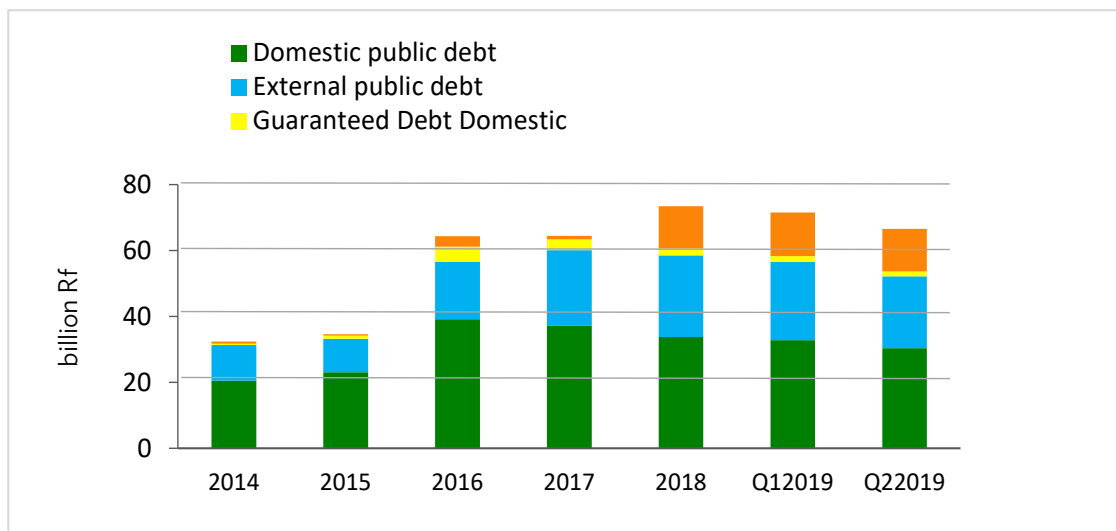
PSIP = Public Sector Investment Program.

Source: Maldives Monetary Authority, October 2019 Monthly Statistics, Malé.

3. Public Debt

The total outstanding stock of public debt (including guarantees) increased to Rf65.0 billion (\$4.2 billion) at the end of Q2-2019 from Rf60.2 billion (\$3.9 billion) at the end of 2018, largely due to high disbursements of guaranteed loans. Domestic borrowing, which accounts for 47.9% of public debt, climbed to Rf31.1 billion (\$2.02 billion) in the second quarter or Rf1.7 billion (\$110 million) higher than end of 2018 primarily from the issuance of \$100-million treasury bills to the State Bank of India (Malé branch). Similarly, external debt rose to Rf33.9 billion (\$2.2 billion) at the end of Q22019 from Rf30.8 billion (\$2.0 billion) at the end of 2018 owing to disbursements made for the Velana International Airport Development Project (Figure 10).

Figure 10: Total Outstanding Stock of Public Debt (including guarantees, 2014--Q2 2019)



Source: Ministry of Finance. 2019. Disbursed Outstanding Debt of Public and Publicly Guaranteed Debt as of 30 June 2019. Malé.

D. Finance Sector

1. Broad Money

The annual growth rate of broad money (M2 or money supply) rose to 7.2% by the end of June 2019 from 3.0% as of end-June 2018. The increase was largely contributed by the growth in demand deposits of the banking system—which accounted for more than 70.0% of the broad money as at end-June 2019. Demand deposits grew from the increase in demand deposits for local and foreign-denominated currency by the private sector and public nonfinancial corporations.

2. Credit to Private Sector

Commercial bank credit to the private sector expanded by 7.6% as at end-June 2019 and amounted to Rf23.7 billion. However, this is lower when compared to the 11.2% growth observed as of end-June 2018, owing largely to slower growth in loans to tourism and construction. By the end of June 2019, growth of loans to the tourism sector eased to 7.4% from 8.3% in the same period in 2018, while growth of credit to construction was at 13.1% from 38.0% in end June 2018. Meanwhile, growth of commerce loans contracted by 9.3% as at end-June 2019 period from -0.9% as at end-June 2018 stemming from the fall in credit for the wholesale and retail market and loans extended to restaurants and cafes. Tourism continued to dominate total private loans at 37.3%, followed by construction (21.5%), and commerce (12.7%).

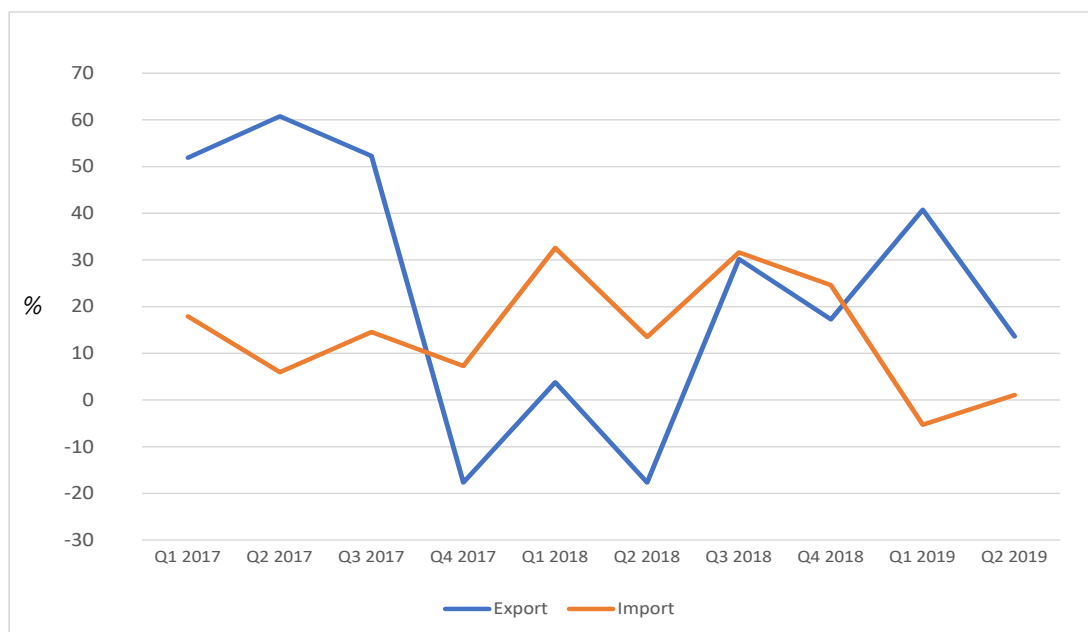
E. External Sector

1. Merchandise Trade

Total merchandise exports from January to June 2019 jumped by 28.7% (\$45.8-million increase), year-on-year, amounted to \$205.2 million driven by slight recovery of fish exports and the rise in fuel reexports. Growth in exports of fisheries, garments, and other commodities rebounded to 0.8% during the first 6 months of 2019 (vs. -12.1% in same period a year earlier), as fish exports growth marginally improved, year-on-year, by 0.3%. Jet fuel reexports to international carriers grew by a considerable 67.6%, year-on-year.

The value of total merchandise imports from January to June 2019 was \$1.4 billion, a decline of 2.3% compared to the corresponding period in 2018. The drop was largely due to a decline in imports of machinery and mechanical parts and construction-related materials (Figure 11).

Figure 11: Year-on-Year Percentage Change in the Value of Total Exports and Imports (Q1 2017–Q2 2019)



Q = quarter.

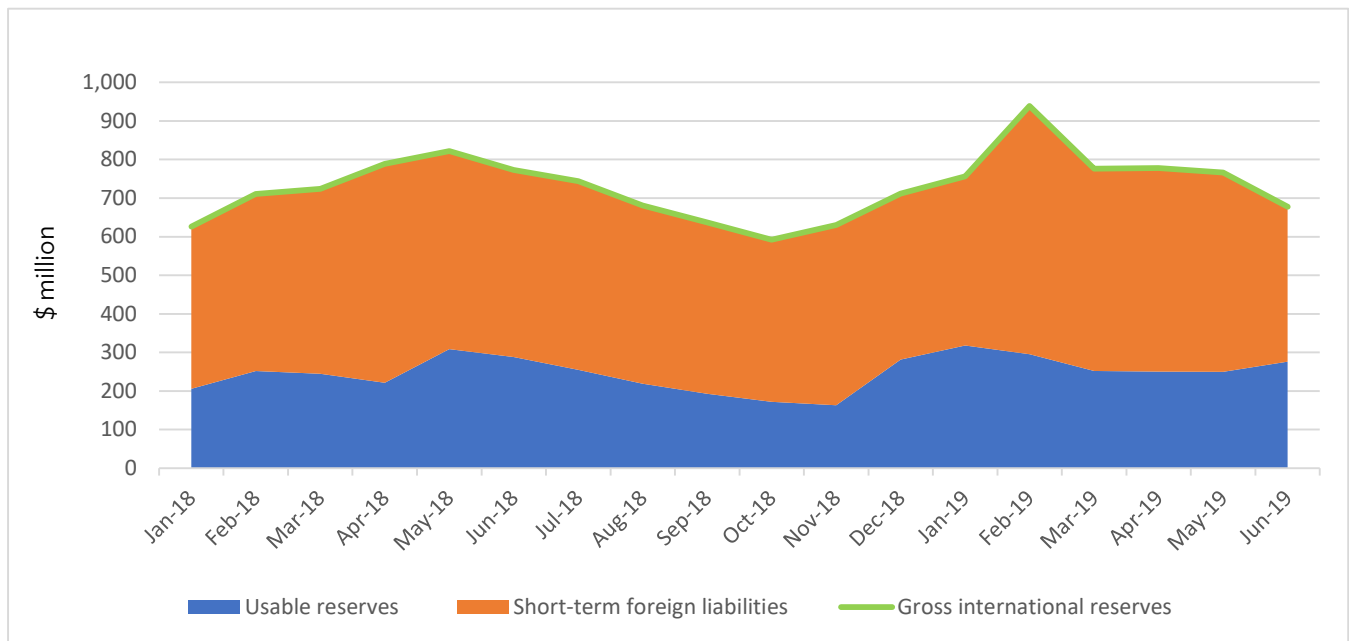
Source: Maldives Monetary Authority, October 2019 Monthly Statistics, Malé.

Given the significant fall in imports and rise in exports, trade deficit narrowed by 6.1% during the first half of 2019 or an equivalent of \$1.202 billion from \$1.280 billion in the first half of 2018.

2. International Reserves

Gross international reserves (GIR) stood at \$677.4 million as of end-June 2019 or a 4.9% decline compared to \$712 million as of end-2018. The drop in GIR was mainly driven by a decrease in commercial banks' foreign currency deposits held at the Maldives Monetary Authority. Meanwhile usable reserves—GIR less commercial banks' short-term foreign currency deposits—amounted to \$276.0 million as of end-June 2019, which provided for a little over a month of import cover (Figure 12).

Figure 12: Gross International Reserves (\$ million)



Source: Maldives Monetary Authority, October 2019 Monthly Statistics, Malé.

III.

2019–2020

Economic Outlook

“Tourism and construction will continue to underpin growth in 2019 and 2020.”

“GDP is projected to moderate to 6.5% in 2019 and further to 6.3% in 2020.”

Tourism and construction will continue to underpin growth in 2019 and 2020. Tourism industry performed strongly in the first half of 2019 and is expected to remain until 2020 given the new government’s aggressive approach to developing tourist arrival targets to 2.5 million by 2023. This includes an augmented promotional budget of \$10 million for 2019 to fund intensified marketing campaigns to further enhance Maldives exposure in foreign markets, developing tourist destinations on each atoll, and prioritizing the development of guesthouses. Political stability after the parliamentary election in April 2019 will also give a boost to tourism and related sectors. Similarly, the commencement of and/or the increase in flights from India, Italy, and the Middle East, as well as the opening of 20 new resorts this year will contribute to the tourism sector growth.

Slowing of construction activities was noted in the first half 2019, but the sector is expected to pickup during the latter part of 2019 and in 2020 as the new government targets to start new capital projects throughout the country. The PSIP allocation in the approved budget for 2019 is 2.0% lower than a year ago but the budget targets larger PSIP financing in succeeding years. The government, in May 2019, formed a 100% state-owned company, Maldives Fund Management Corporation Limited, to work towards attracting financing from international markets and to increase private sector investments in the country

Fisheries will get much-needed policy attention intended to increase output and earnings by developing fish products with high value added for premium markets and expanding the capacity of Maldives Industrial Fisheries Company, a state-owned processor and exporter of fish products. In March 2019, the government asked the European Union (EU) to consider granting duty-free access to fishery products in the region. Initial talks reported that the EU delegation gave assurance on working to reduce the 24% tariff presently levied to fish exports. In a move to expand its international market for fish exports, the government continues to hold discussions with other countries. Preliminary meetings were held with the United States (US) trade representative in February 2019 and the Russian government in June 2019. To help minimize post-harvest losses of fish and ensure delivery of good quality fish to companies, the government announced in June 2019 that two 25-metric-ton ice plants are to be built in two islands with large fishing communities. The project will be funded by a grant from India. The government also intends to explore the potential of mariculture, aquaculture, and reef fishing.

Despite good domestic prospects, signs of a global economic slowdown in the next 2 years, especially in Maldives’ main tourist markets in Europe and the PRC, will weigh on tourism and the economy. GDP growth is projected at 6.5% in 2019 and further to 6.3% in 2020 (Table 1).

Forecasts of subdued global prices for oil and food should keep average inflation low. Also holding down price pressures will be government policies to contain the prices of basic commodities and several newly announced policies, notably lower airfares and electricity prices and harmonizing staple food prices across the country starting in April 2019. On balance, inflation is forecast at 0.2% in 2019, rising to 1.0% in 2020 (Table 1).

Table 1: Projections for Selected Economic Indicators (2019 and 2020)

Indicator	2019	2020
GDP growth (%)	6.5	6.3
Inflation (average, %)	0.2	1.0
Current account balance (% of GDP)	-18.0	-19.0

GDP = gross domestic product.

Sources: ADB, 2019, Asian Development Outlook 2019 Update: Fostering Growth and Inclusion in Asia's Cities, Manila, and ADO revised projections.

The high trade deficit will continue to shrink especially for 2019 as large imports required to supply construction ease on the projected marginal cut in and completion of major infrastructure program, and as investments to lift fishing capacity enable fish exports to recover. Sustained growth in tourism will maintain the service surplus. On balance, the current account deficit is expected to narrow to 18.0% of GDP in 2019 before widening again slightly to 19.0% in 2020 as capital expenditure picks up (Table 1).

The main downside risk to the outlook is a much sharper fall in global growth than expected. Such a shock, as in the past, would markedly weaken tourism earnings and raise issues of fiscal and public debt sustainability given the country's very low buffer of usable foreign exchange reserves.

IV. Feature Stories

- *Trade Challenges in Maldives*
- *Guesthouse Development and the Changing Landscape of the Tourism Industry in Maldives*
- *Fisheries Sector Development in Maldives*
- *State-Owned Enterprises in Maldives*

1. Introduction

International trade has grown dramatically over time. The total value of world exports has leaped more than 3,000 more than it was in the late 1940s to reach almost \$20.0 billion in 2018 (Figure 13). This quantum jump is not surprising. For one, global trade has not only facilitated the exchange of goods and services between countries but has been shown to likewise contribute to higher economic growth and poverty reduction (e.g., Dollar and Kraay 2004). Studies have confirmed that trade raises overall economic welfare. It opens opportunities for additional industries as new demands are created which can expand markets and create more jobs. Recent developments in economic thought however postulate that opening up to trade is not sufficient to reap its prospective benefits (Perera, Siriwardana, and Mounter 2017). Trade's potential to spur economic development and lower poverty can only be optimized if countries will adopt trade facilitation measures or putting in place policies and economic infrastructure that are accommodative enough to ease movement of goods and services across borders and within the supply chain. In Maldives, the trade environment remains challenging but government has been making tremendous efforts to address this and make trading across borders more efficient and transparent.¹

A. Trade Challenges in Maldives

Maldives is relatively an open economy to international trade. Trade activity is diverse and export and import activities are not concentrated in very few markets (i.e., 2016 Hirschman Herfindahl index: 0.13)². However, Maldives trade processes are still constrained by a number of procedural and organizational bottlenecks which substantially hamper the efficient flow of trade transactions.

The rapid increase in container throughputs in the country's main seaport, for instance, results in longer than usual cargo dwell time and this could mean inefficiencies and losses for cargo with perishable items. In 2014, the number of combined import and export containers was only 67,377 twenty foot equivalent units (TEUs) but this almost doubled in 2018 and reached 124,043 TEUs.³ Further slowing the clearance process are the inadequate facilities and equipment (e.g., cargo scanners) for the examination and clearance of goods at the port and the manual submission of trade documents (e.g., permits and certificates) to regulatory agencies, some of which are even redundant or duplicative. The different modes of payment for fees being collected by

¹ This paper is guided by UNECE Trade Facilitation Implementation Guide and therefore covers only merchandise trade.

² Hirschman Herfindahl index (2016) is a measure of the dispersion of trade value across an exporter's partners. A country with trade (export or import) that is concentrated in a very few markets will have an index value close to 1. Similarly, a country with a perfectly diversified portfolio will have an index close to zero.

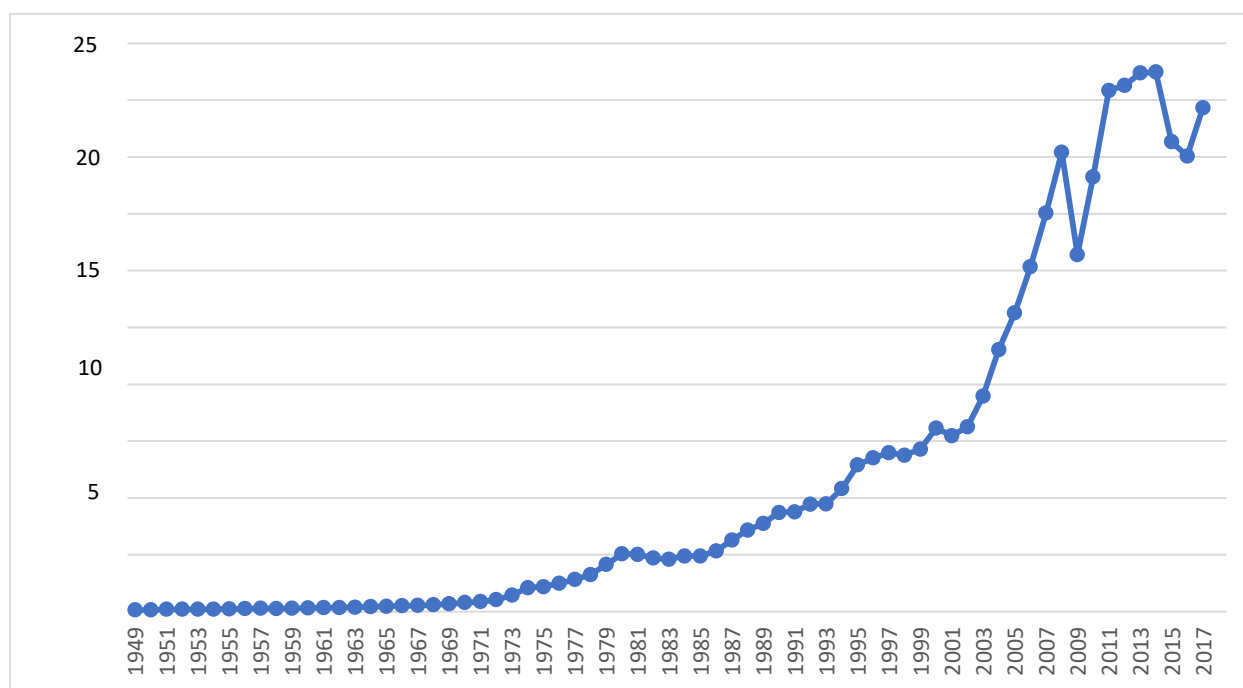
³ Maldives Ports Limited. Unpublished. Malé Commercial Harbour Statistics 2014–2018.

multiple regulators (e.g., manual, pre-payment and online payments using debit cards, etc.) are likewise burdensome and confusing to traders and the additional fees paid to third parties involved in the supply chain.

With all the issues in the trade process, it would help if there is a customer hotline to attend to client's needs 24/7. However, even this is a problem in some regulatory agencies. Lack of regulation to monitor several agents who are engaged in cargo operations is also a cause for concern.

Given these challenges, it is not surprising that Maldives' rank deteriorates in the 2020 World Bank Doing Business Report in terms of trading across borders to 157 from 155 in 2019. The country however fared slightly better than the South Asia average in terms of border and documentary compliance in the number of hours to export and documentary compliance for hours to import (Table 2). Similarly, in the 2018 Organisation for Economic Co-operation and Development (OECD) trade facilitation indicators (TFIs), Maldives' score of 0.70 was below the scores of India (1.25), Sri Lanka (0.99), and Bangladesh (0.78), but was marginally better than those of Nepal (0.69) and Bhutan (0.59). As per the OECD TFIs, simplifying and harmonizing documents, automating and streamlining border procedures, and improving internal border agency cooperation are still areas needing action. Meanwhile, the overall logistics performance index score of Maldives slightly improved in 2018 to 2.67 from 2.51 in 2016, but still lags behind the region's top performer, India (3.18), as the quality and competence of Maldives' logistics services remain low.⁴

Figure 13: World Exports (\$, million)



Source: UN Comtrade, International Trade Statistics Database. <https://comtrade.un.org/> (accessed 8 November 2019).

1. Addressing the Challenges to Trade

Since 2010, the government, with the help of development partners, has adopted several initiatives to improve its doing-business environment particularly its international trade processes.

⁴ ADB. 2018. SASEC National Single Window Project- Sector Assessment (Summary): Industry and Trade. Manila.

Table 2: Maldives and South Asia Performance — Trading Across Borders

Indicator	Maldives	South Asia
Trading across borders (rank)	157.0	109.0
Overall distance to frontier score for trading across borders (DTF)	55.9	65.3
Time to export: Border compliance (hours)	42.0	53.4
Cost to export: Border compliance (\$)	596.0	310.6
Time to export: Documentary compliance (hours)	48.0	73.7
Cost to export: Documentary compliance (\$)	300.0	157.9
Time to import: Border compliance (hours)	100.0	85.7
Cost to import: Border compliance (\$)	981.0	472.9
Time to import: Documentary compliance (hours)	61.0	93.7
Cost to import: Documentary compliance (\$)	180.0	261.7

DTF = distance to frontier.

Source: World Bank 2020 Doing Business Report.

Establishing a National Trade Facilitation Committee

Through a presidential decree issued in September 2015, a National Trade Facilitation Committee (NTFC) was established to remove trade barriers and create a facilitative trade environment in the country. The committee, was reestablished in August 2019 with wider participation from key stakeholders, especially from the private sector such as Maldives' Business Council and Bar Council. The committee is chaired by the Minister of Economic Development. The NTFC, chaired by the Minister of Economic Development, is active and involved in key decisions related to trade facilitation such as implementing measures defined by World Trade Organization's (WTO) Trade Facilitation Agreement (TFA) and Framework Agreement on Facilitation of Cross-border Paperless Trade. The committee also oversees the implementation of the country's national single window (NSW) project (see discussion on the project).

Easing and simplifying trade process

The Maldives Customs Service (MCS) plays a crucial role in improving and easing the trade process. Given the government's lowering of the duty rate of 43% of tariff lines in 2012, the role of MCS basically shifted from being a top contributor to government tax revenues to implementer of trade facilitation and post clearance audit-based controls. Some of the noteworthy initiatives include the introduction of an express channel for air- and seaborne cargo, implementation of WTO Valuation Agreement, simplification of valuation and documentation process, automation of declaration process through customs portal, electronic submission of cargo declaration and introduction of online payment. Recently, MCS also introduced an online platform to process refund from lower duties or duty exemption as a result of change in harmonized system (HS) code.⁵ Traders can file applications online and the refund will be deposited back to their accounts. This essentially eliminates the manual submission of documents and substantially speeds up the process.

Introducing National Single Window and related reforms

With assistance from ADB, Maldives is in the process of establishing an NSW platform. The NSW allows parties involved in trade and transport to lodge standardized information and documents at a single-entry point to fulfill all import- and export-related statutory requirements. The NSW will provide an efficient environment for streamlined international trade procedures between private sector stakeholders and border control agencies.

⁵ HS code is an international nomenclature for the classification of products.

Once operational, the NSW is expected to generate \$17 million annual savings for both the government and the private sector through lower transaction costs. The establishment of the NSW is in line with the operational priorities for trade facilitation under the South Asia Subregional Economic Cooperation program, which Maldives joined in 2014.

As part of the NSW project, the Export Import Act was also amended to repeal import license and eliminate a separate revenue stamp payment. Today, the process is more streamlined with revenue stamp fee already incorporated in the processing charge that MCS collects. In addition, the Ministry of Economic Development, the leading agency for the NSW, is proposing to introduce a unique identification system for all traders which they can use in their transaction with any cross-border regulatory agencies. This is expected to hasten and simplify the process of applying for trade permits.

The NSW project loan and grant agreements between ADB and the Government of Maldives amounting to \$10 million was signed on 17 June 2019. The government will also provide \$1.9 million financing. The NSW is expected to be completed by 2023.

Easing port congestion

For years, the government has been considering the idea of relocating the main seaport from the capital city Malé to a nearby island (i.e., Gulhifalhu or Thilafushi) that has enough space to accommodate bigger warehouses. Preparatory works are ongoing, but issues of interisland connectivity and the overall economic feasibility of the project are still being sorted out. Recently, the government had awarded a consultancy work on building a port on Gulhifalhu island under a joint venture Maritime and Transport Business Solutions from The Netherlands, and NIRAS from Denmark.

Other planned measures to improve trade process

In the future, the government targets to lower other trade barriers, reduce cost of transactions, and implement international standards on trade that could help spur economic development. The government is working with relevant agencies to comply with the Revised Kyoto convention, WTO TFA, and the Framework Agreement on Facilitation of Cross-border Paperless Trade. Other than these, the government is likewise working with ADB in drafting the necessary regulations to facilitate trade-related reforms such as electronic transaction and data protection bills

2. Way Forward

International trade process in Maldives has improved a lot than it was in 2010. The country's performance, though in several trade facilitation indicators, suggests that much still needs to be done. Maldives' ratification of WTO TFA on 1 October 2019 is a major step forward but the bigger task of full implementation. This is particularly important since per OECD estimates, WTO TFA full implementation can result in reduced trade costs by as much as 14.6% in upper middle-income countries such as Maldives. The country should also consider investing in high-level technology. Initial efforts to incorporate block chain solutions into trade procedures as part of planned NSW and the planned e-payment gateway for the central bank are welcome developments. These will not only contribute to efficient trade process but will also guarantee a more transparent and secure transactions. The government, however, must ensure that the required legal and regulatory infrastructures are present to support such initiative.

B. Guesthouse Development and the Changing Landscape of the Tourism Industry in Maldives

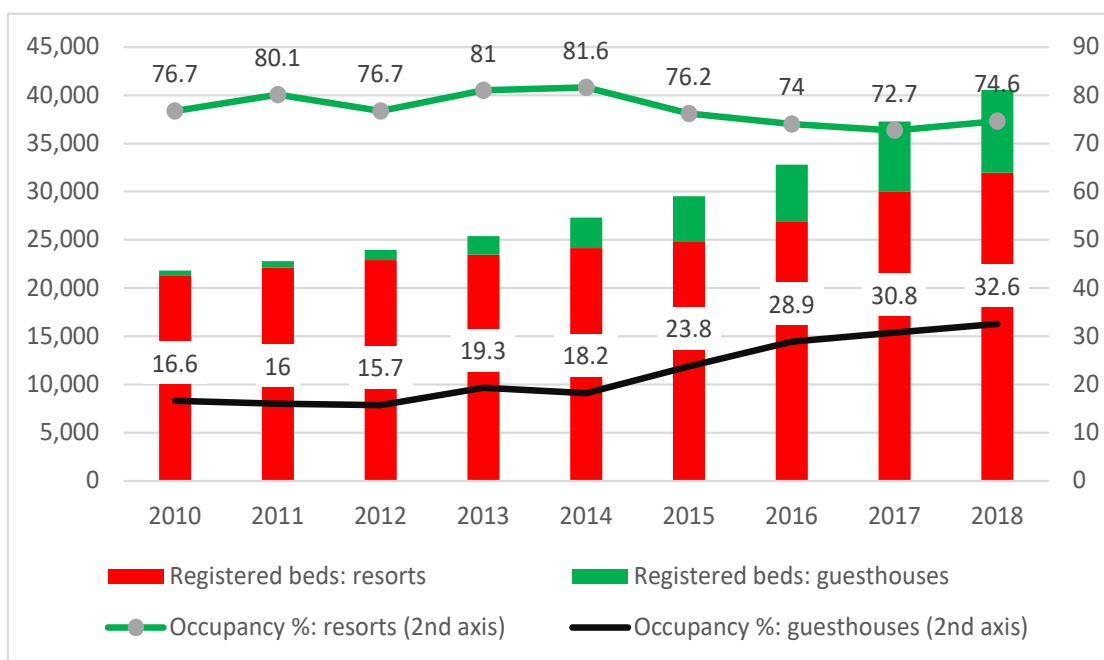
1. Introduction

The tourism industry in Maldives began with one tourist resort in the early 1970s, Kurumba Maldives in Vihamanaafushi. Since then, the industry has grown rapidly and has become the most important sector of the economy. By the end of 2018, a total of 813 accommodation establishments are in operation with a total operating bed capacity of 43,770 while tourist arrivals reached approximately 1.5 million. While Maldives had been known as an exclusive resort island destination since tourism was first introduced into the country, with tourists being accommodated in separate resort islands designated for them, the government in December 2009, approved opening of guesthouses in locally inhabited islands to diversify the market and provide greater benefit of the tourism sector to local islands.

2. Recent Trends in the Tourism Industry

The success of the Maldivian tourism industry largely depends on its unique tourism concept “one resort, one island” and currently, there are 142 such islands in different parts of the country that built exclusive tourist resorts. The brand “Maldives” has evolved and the broad profile of visitors has changed over the past decades. The biggest change was seen with the introduction of the guesthouses in local islands. Though the country is branded as a high-end luxury tourist market, the guesthouse segment now provides a more cost-effective option for tourists to visit the country.

Figure 14: Registered Beds and Occupancy Rates in Resorts and Guesthouses

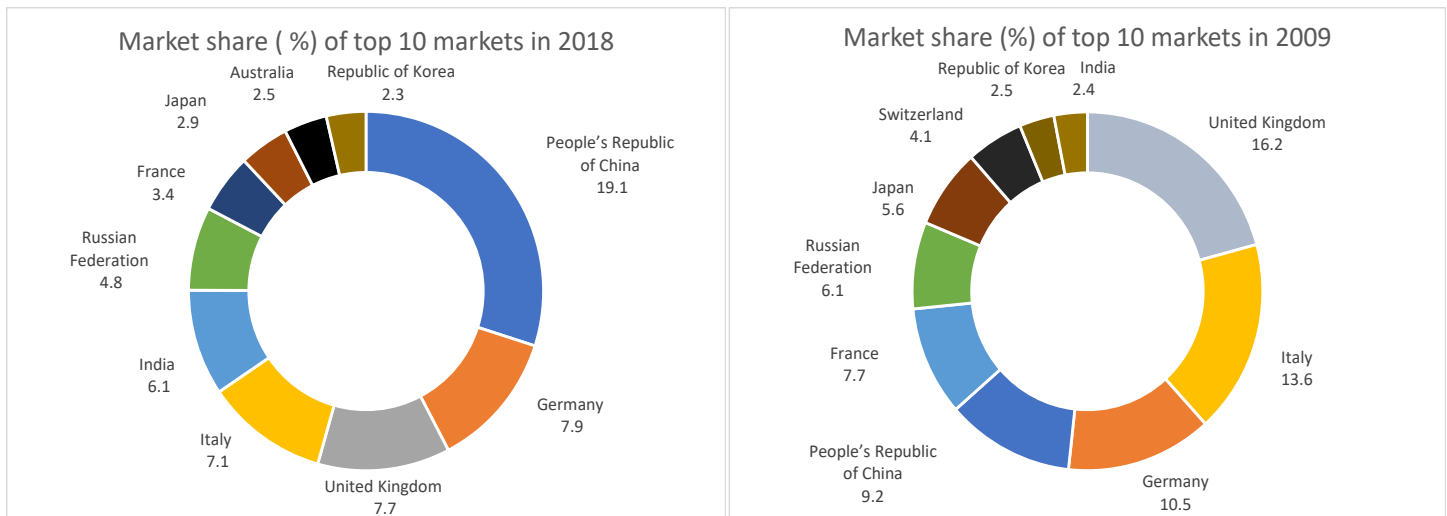


Source: Ministry of Tourism, Tourism Statistics. <https://www.tourism.gov.mv/statistics/> (accessed 18 November 2019).

There are four main types of accommodation options available in the country for visitors, namely, tourist resorts, hotels, safari vessels, and guesthouses. By the end of 2009, there were 22 guesthouses with bed capacity of 462. This number reached 521 guesthouses with bed capacity of 8,563 (approx. 20% of bed capacity in the industry) by the end of 2018. Most guesthouses are located in islands not too far from the capital, Malé. According to the Ministry of Tourism, 47% of guesthouses and 60% of registered beds are in Kaafu Atoll while Alifu Alifu Atoll and Alifu Dhaalu Atoll share 10.6% and 7.7% registered beds, respectively. Guesthouse tourism

is least concentrated in Shaviyani Atoll with just one registered guesthouse with eight beds while Meemu Atoll and Raa Atoll have second least registered beds, with 22 in each. Hulhumalé and Maafushi have the highest numbers of registered beds, jointly contributing 33% of registered beds. In the guesthouse segment, registered bed capacity has increased significantly and opened up new economic opportunities in local islands (Figure 14).

Figure 15: Market Share of the Top Ten Tourist Markets in Maldives (2009 and 2018, by %)



Source: Ministry of Tourism, Tourism Statistics. <https://www.tourism.gov.mv/statistics/> (accessed 18 November 2019).

Tourist arrivals have increased from 655,852 in 2009 to 1,484,272 in 2018. While this growth cannot be attributed solely to the introduction of guesthouses, the availability of cheaper accommodations certainly play a factor in the increase in number of tourists as it makes Maldives more affordable especially for budget-conscious markets. However, the top 10 tourist source markets have not changed much in the last 9 years. A notable change is Switzerland, which was one of the top 10 source markets in 2009, is no longer on this list in 2018, while Australia became a new addition in 2018. In terms of market share, the PRC with 19.1% share leads in 2018, but in 2009 this position was held by the United Kingdom with a 16.2% market contribution. Another notable change is how India has moved up on the list, from 10th in 2009 with a market share of 2.4%, to 5th in 2018 as its contribution rose to 6.1% (Figure 15).

More than 14% decline in the overall market share of top 10 source markets between 2009 and 2018 suggests that tourism in Maldives has diversified and successfully enticed guests from other countries. More affordable room rates of guesthouses coupled with the commencement of regular flights to Maldives from international budget airlines also helped attract tourists from new markets that boosted overall guest arrivals from 2009–2018.

3. Growing Contribution to the Economy

As guesthouses and overall tourism industry expanded, so is its increasing importance to the economy. Tourism earnings and receipts accounted for 25% of total government revenue in 2009 and a further 34% in 2018. The sector's contribution to GDP has slightly declined from 25.2% in 2009 to 24.4% in 2018 but has remained the single largest driver of economic growth. Tourism is also the biggest employment generator in the country, providing jobs to more than one-fifth of the 205,570 employed residents in the country based on the 2014 Census.

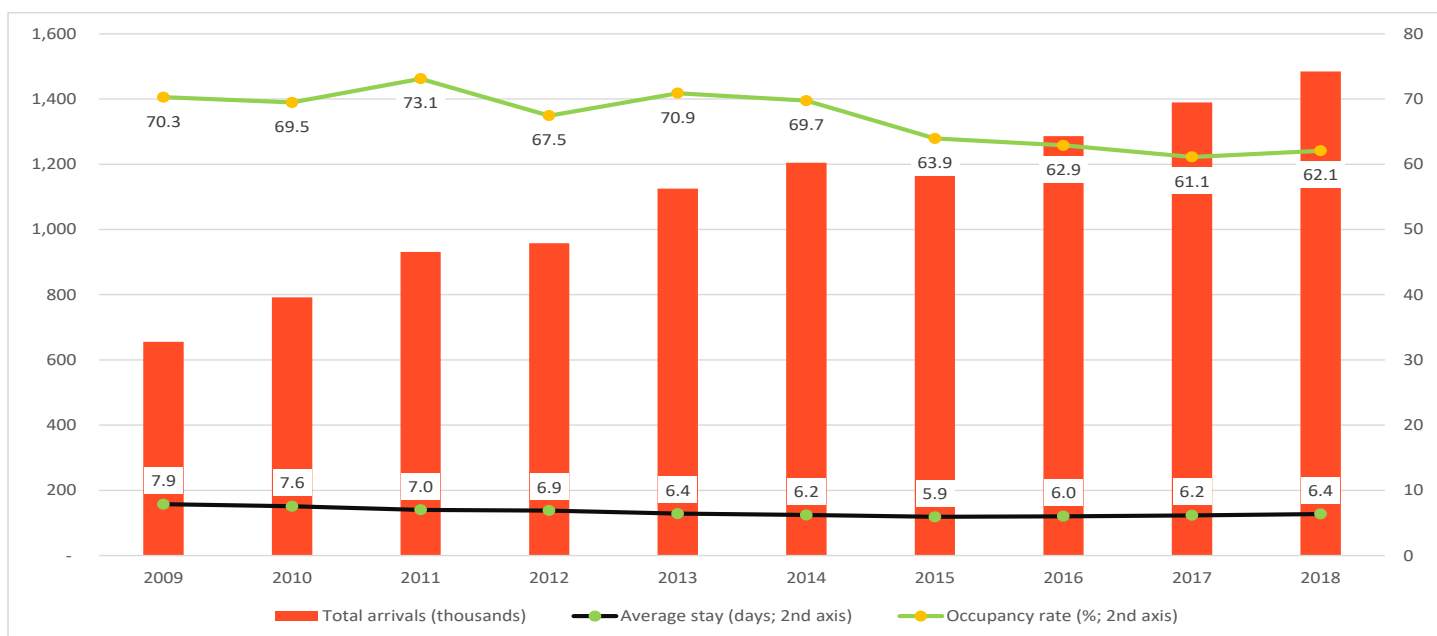
4. Main Challenges

Maldives tourism industry has been a success story in many ways, and the introduction of guesthouse tourism has provided new opportunities and economic activities in outer islands. However, many challenges exist. The average occupancy rate and the average duration of stay have declined from 2009 to 2018, despite tourist arrivals reaching a record high in 2018 (Figure 16). The main reasons for this decline are the change in tourist profiles and the rapid increase in bed capacity (Figure 14), both in resorts and guesthouses while occupancy rate has been very low for guesthouses. Promotional activities have not been able to create the demand to fully meet the increased capacity. It has been particularly challenging for guesthouses to maintain high occupancy rates throughout the year, especially the ones which operate further from Malé, due to higher domestic airfare that guests are required to pay.

The limited capacity of the main airport, Velana International Airport, is also an obstacle for future growth. With the current facilities, the airport would not be able to meet the demand of new airlines.

Further, the overall stability and security in the country and region is critical for the success of the tourism industry in Maldives. Events such as the recent political instability in the country, and the terrorist attack in neighboring Sri Lanka may have a longer-term negative impact on the tourism industry.

Figure 16: Tourist Arrivals, Occupancy Rates, and Average Stay (2009–2018)



Source: Ministry of Tourism, Tourism Statistics. <https://www.tourism.gov.mv/statistics/> (accessed 18 November 2019).

5. Way Forward

The new government plans to attract 2.5 million visitors by 2023, roughly 1 million more than in 2018. With the right marketing, there is potential for the sector to grow, especially its guesthouse segment. The government in particular has increased its tourism promotion budget from \$3 million in 2018 to \$10 million in 2019. It also intends to promote each atoll as a tourist destination market, prioritizing the development of guesthouses. Further, the government plans to formulate the fifth tourism master plan this year with a focus on more inclusive expansion of the sector.

Similarly, the development of the Velana International Airport and other infrastructure such as domestic airports are critical for the growth of the industry. The government has already started expansion of the airport, with the new runway almost completed, and the terminal building project, which had been stalled is expected to restart in 2019. The government has also pledged to build additional domestic airports and upgrade the existing international airports in the north and south of the country. Direct international flights to these hubs, with a reduction in domestic airfares for tourists, will promote tourism in outer atolls, and is vital for the success of the guesthouse segment.

C. Fisheries Sector Development in Maldives

In light of Maldives' circumstance of being a small island development state, its fisheries sector has been one of its most important industry.⁶ Despite the recent decline in the sector's nominal contribution to national growth, the government, in its strategic direction, has emphasized the significance of fisheries to the economy and society. This report gives an overview of circumstances of the fisheries sector in Maldives and the way forward on how to develop the sector.

1. Overview of the Fisheries Sector

The fisheries sector has been an important and special industry in Maldives, being a small island nation, is highly dependent on its unique natural environment. Before Maldives became one of the most popular tourist destinations, the fisheries industry was the backbone of economic growth for the Maldivian economy in the 1970s. With the rise of tourism, the sector's contribution to GDP declined from 22% in 1978 to 3.9% in 2014. Still, the fisheries sector has a huge contribution to the economy from exports and employment. The sector generates more than 95% of its revenue through the export of fresh and processed fish products, particularly tuna. The main export markets include the EU, North America, Sri Lanka, and Thailand. The fisheries sector also functions as a major source of employment, with more than 17,000 fishermen in 2017, almost 10% of employment in the state, and more than 25% of total population is associated with the sector in some way.

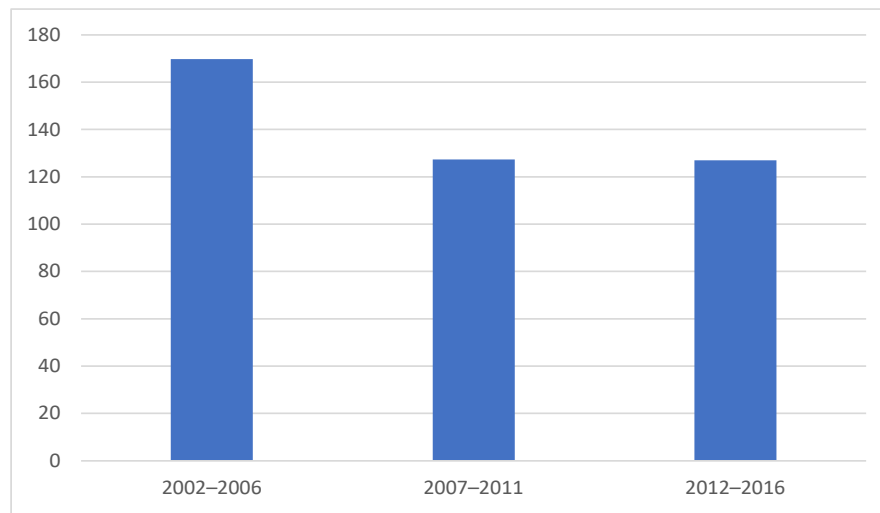
2. Emerging Challenges in 2000s

Since 2000s, Maldives' fisheries sector has faced challenges of decline in total fish catch and low productivity of the sector. From a 169,000 metric ton (MT), 5-year average in 2002–2006, fish catch declined to a 127,000 MT, 5-year average for the period 2012–2016 (Figure 17). Low productivity of the sector mainly comes from diminished market price of fishery catch due to (i) the declining trend of international fish market price, and (ii) the disadvantaged price negotiation due to poor quality caused by inappropriate quality control, which comes partly from insufficient skillset of quality management by fishermen but mainly from inadequate ice supply capacity in the atoll. Shortage of ice generally ruins freshness of fishery catch and sometimes even causes excessive loss of fish dumped into oceans. Poor quality control also affects market price of traditional processed fish products (called valhommas). The government recognizes the lack of value-added fish product as another issue, and envisages to develop value-added product and takes advantage of island resorts as potential market to sell them. The sector's growth rate has declined from an average of 7.8% (1998–2002), to an average of 1.5% (2012–2016) (Figure 18).⁷

⁶ Maldives is an island nation consisting of 1,192 small coral islands grouped into 26 coral atolls in the Indian Ocean.

⁷ National Bureau of Statistics, Republic of Maldives. GDP Tables. http://statisticsmaldives.gov.mv/nbs/wp-content/uploads/2017/11/FinalTables_1995-2016.xlsx (accessed 6 November 2019).

Figure 17: Five-Year Average Fish Catch ('000 metric tons)

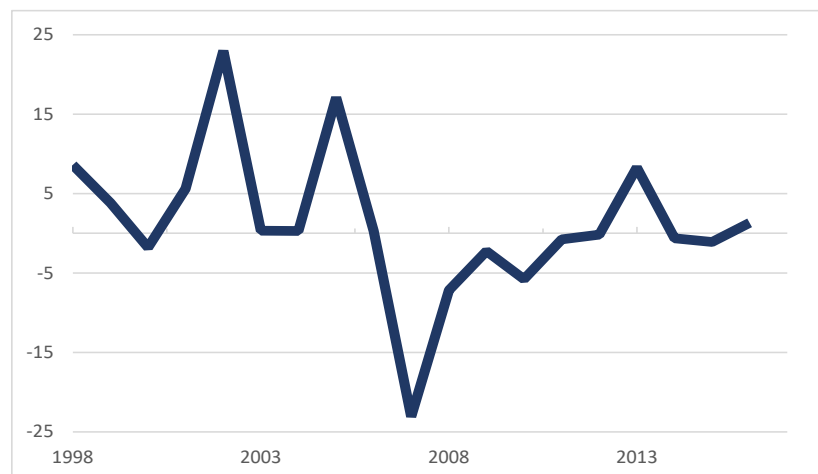


Source: National Bureau of Statistics.

3. Government Policy and Interventions by Donors

It has been a top priority of the government to sustain the growth of fisheries sector. In the last 10 years, the government conducted a lot of industrial policies for the sector including developing infrastructures for increased production of ice, established the cannery industry, and strengthened cold-storage facility, and gaining Marine Stewardship Council Certification for pole and line fishing, which allows greater and improved market access to the sector. The current administration, which was established in November 2018, included seven pledges supporting the fisheries sector in its 100-day action list: (i) slash import duty on diesel for fishing boats, (ii) regulate issuance of permits for foreign fishing vessels, (iii) make bank loans and credit schemes accessible to fishermen, (iv) provide soft loans to fishermen for the installation of freezing systems on fishing boats, (v) make the constructed ice plants operational to provide ice to fishermen, (vi) introduce diamondback squid fishing for Maldives, and (vii) amend the Fisheries Act to support modernization of the sector.⁸ The development of the fisheries sector is recognized as essential for the government strategy to promote decentralization from Greater Malé region to atolls. Sound development of the sector contributes to the improvement of the livelihood of people in islands in atolls.

Figure 18: Growth of Fisheries Sector in Maldives (%)



Source: National Bureau of Statistics.

⁸ 100 Day Pledges – Blue Economy.

Over the last 10 years, bilateral and multilateral development partners have implemented interventions to spur growth of the fisheries sector resonating with the requests by the government.

MASPLAN (JICA). Japan International Cooperation Agency (JICA) provided technical assistance for the government to formulate a 10-Year Master Plan for the fisheries sector from 2012–2018. The project prepared a Fisheries Sector Roadmap, named Sustainable Fisheries Development Plan of the Important Subsectors in Maldives 2016–2025—Goals, Objectives, and Projects (SFDPIS). The MASPLAN identified fisheries policy measures and projects aimed to promote sustainable and efficient use of fisheries resources. The SFDPIS was initially expected to be officially adopted as Fisheries Sector Development Plan, but there has been a delay due to the restructuring of the Ministry of Fisheries, Marine Resources and Agriculture. Currently, the government is under finalizing SFDPIS as a subsector action plan with support by the Food and Agriculture Organization.

The Mariculture Enterprise Development Project (MEDeP) (IFAD). International Fund for Agricultural Development (IFAD) approved a grant financing of \$2.5 million in 2012 for the strengthening of the institutional capacity of the government and developing the mariculture value chain. Experiencing difficulties in drawing private sectors investment, the project was redesigned to prioritize sea cucumber production through a grow-out model with island producers with loan provision. The project is extended from March 2019 to September 2019.

The Sustainable Fisheries Resources Development Project (World Bank). The World Bank approved a grant of \$18 million in 2017 for strengthening of the institutional capacity for marine fisheries management and support to mariculture and diversification of fisheries. The implementation is scheduled for 7 years until 2023. The project was designed with two phases, arranging the second phase to start on the basis of the timely disbursement of the first phase.

Dhiffushi Solar Ice Project. ADB conducted a prototype project which provided integrated solution of sustainable energy generation by solar panels and operation of ice making facility to Dhiffushi island, a small island of around 1,000 population and 35 kilometers away from the capital island, coordinating with Global Sustainable Electricity Partnership and Kansai Electric Power Corporation. The installed system was handed over and is operated and maintained by the local community with strong engagement by the local women committee, and revenue generated by sales of ice to fishermen is used for community development activities and operation and maintenance cost of ice plant.

4. Way Forward

With assistance from ADB, the government is currently formulating a new 5-year national development plan. ADB will then prepare the new country partnership strategy (CPS) based on the national development plan. Aligned with the direction of the forthcoming development plan and CPS and in light of the critical demand for support for sustainable development of Maldives fisheries sector, ADB is expected to assess possible areas of investment in the fisheries sector, implementing selected priority areas proposed in the SFDIPS.

One of the recent planned interventions is to provide a solar ice solution to the atolls to address the challenge of shortage of icemaking capacity. The project will install icemaking plant in selected islands in the atoll and, as pilot-tested in Dhiffushi Solar Ice Project, integrate them with solar panels installed under Preparing Outer Islands for Sustainable Energy Development. The project is expected to solve ice supply shortage in the region and empower the local fishermen community. Aside from the support, there remain challenges which need to be addressed. For example, appropriate marine resource management and governance of exclusive economic zones are essential for sustainable development of the sector. In September 2019, Maldives ratified the Fisheries Bill which aims to promote the sector by addressing the key challenges. The sector is spotlighted as a top key policy area of the government and has engagements with bilateral and multilateral development agencies.

D. State-Owned Enterprises in Maldives

State-owned enterprises (SOEs) in Maldives are an important part of the Maldivian economy and most large enterprises in the country are in the public sector. SOEs refer to public enterprises, commercial statutory authorities, government commercial companies, and public trading bodies that are majority-owned by the state. Even before independence, a state-owned Athireemaafannu Trading Agency was set up in 1964 to import staple foodstuff and ensure national food security, which then became the State Trading Organization with a revenue of more than 13% of Maldives' GDP in 2018. Maldives' SOEs operate in most of the key sectors with dominant positions and provide essential goods and services.

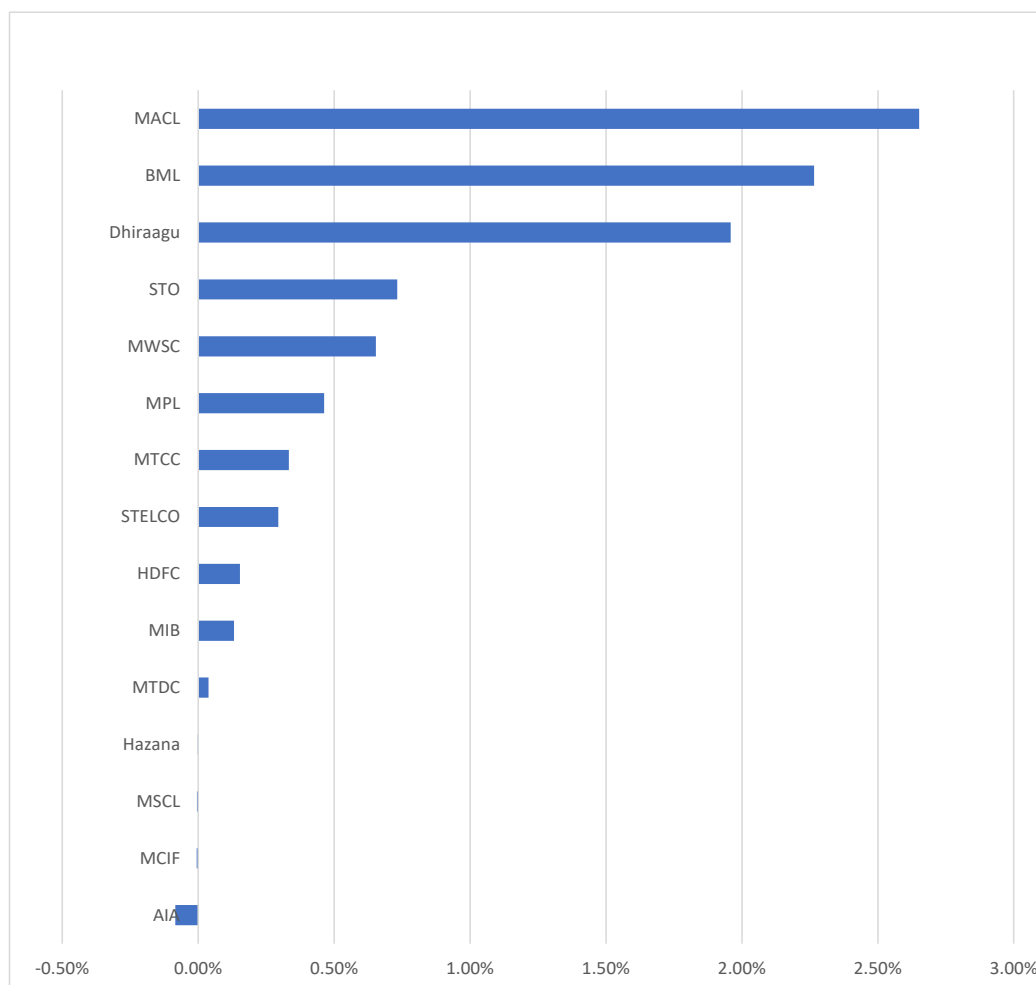
There are 34 SOEs in Maldives. Five SOEs are publicly listed in the Maldives Stock Exchange (MSE), accounting for 64.5% of total market capitalization and 11.7% of GDP. Debt issued by Housing Development Finance Corporation is also listed in the MSE, bringing the total number of publicly listed companies to six.

An important indicator for the value SOEs create to the economy is their contribution to the economy as measured by the sum of operating profits and wages and salaries as a percentage of GDP. The contribution to GDP of the 23 SOEs (with available data) amounts to 11.2% in 2017 while in 2018, 15 SOEs contributed to 9.6% to GDP (Figure 19).⁹

For the year 2017, the total contribution of the six publicly listed companies is about 5.9% with the largest contribution from BML (2.3%), Dhiraagu (2.1%), and STO (0.9%). The unlisted companies contributed 5.4% of the GDP in 2017 with highest contribution from MACL (2.7%).

⁹ The number of SOEs covered each year vary due to data availability and new SOEs being formed or some SOEs being closed down. Number of SOEs covered are: 18 in 2014, 18 in 2015, 23 in 2016, 23 in 2017 and 15 in 2018.

Figure 19: Contribution to GDP of Individual SOEs in Maldives in 2018 (listed companies)



GDP = gross domestic product, SOE = state-owned companies.
Source: ADB calculations.

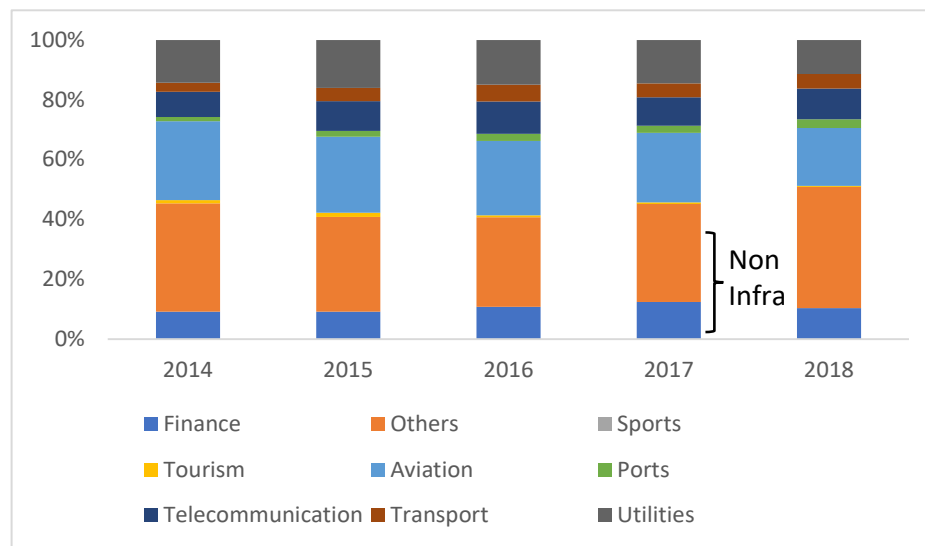
In 2017, the total revenue generated by 23 SOEs (with available data) was Rf27.8 billion (38.1% of GDP).¹⁰ The bulk of the revenue, 55.7% of the total, is generated by the publicly listed companies. In 2018, the revenue by 15 SOEs (with available data) was 32.7% of GDP (Rf26.8 billion). At the end of 2017, the total assets of 23 SOEs were 106.9% of GDP, while the total assets of the six publicly listed SOEs were 52.1% of GDP, less than the asset share of unlisted SOEs at 54.8% of GDP. In 2017, the total dividend paid by SOEs was Rf804 million, about 4% of total government revenue.

SOEs in Maldives are involved in broadly two types of activities: (i) delivery of core public infrastructure services—airports, power, sanitation, seaports, telecommunication, and water; and (ii) a range of non-infrastructure sectors engaging in commercially oriented undertakings, such as transport services, banking, housing, tourism and others (including retail and wholesale, food processing, agriculture, oil and gas).

In terms of revenue in 2017, the category of ‘Others—commercially oriented undertakings, essentially by the State Trading Organization alone, is the largest, accounting for 32.7% of the total, followed by aviation (23.3%) and utilities (14.5%). Infrastructure SOEs generated marginally more revenues (54.3% of the total) than non-infrastructure SOEs (Figure 20).

¹⁰ Ministry of Finance, Maldives. 2018. Annual reports of State-Owned Enterprises. Malé.

Figure 20: Composition of Maldives' State-Owned Enterprises in Terms of Revenue

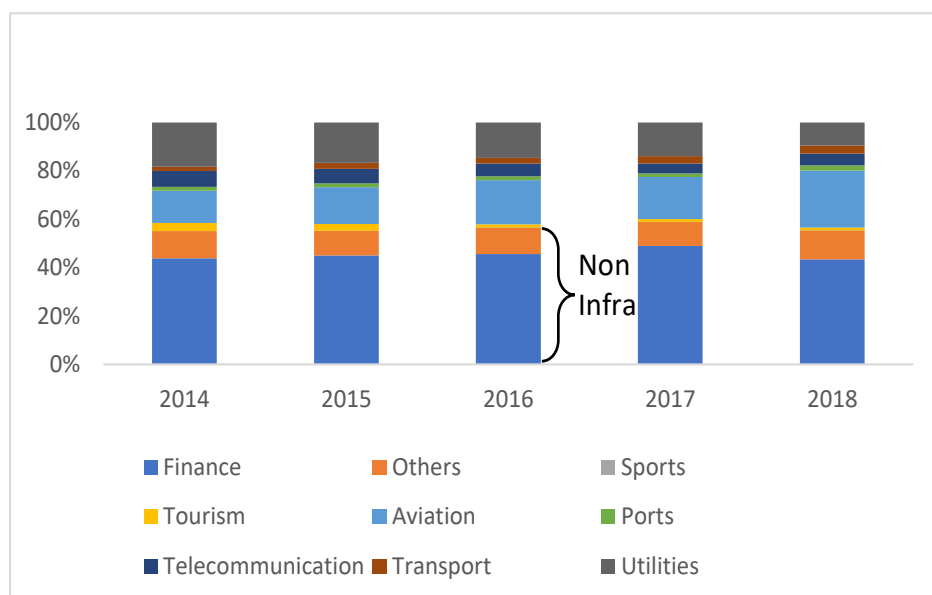


Sources: Quarterly review reports and ADB calculations.

However, in terms of total assets, the finance sector SOEs dominated in 2017 with a share of 49.0% (43.5% in 2018). The Bank of Maldives is the largest bank in the country. The share of financial SOEs have increased over time while that of utilities has decreased over time (Figure 21). Overall non-infrastructure SOEs accounted for 60.1% and 56.6% of SOEs' total assets at the end of 2017 and 2018, respectively.

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Figure 21. Composition of Maldives' State-Owned Enterprises in Terms of Total Assets



Sources: Quarterly review reports and ADB calculations.

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APPENDIX

Maldives' Key Economic Indicators

Indicator (based on calendar year)	2016	2017	2018e
GDPa (millions current \$)	4,364.5	4,725.9	5,317.4
GDP per capita (current \$)	9,238.4	9,613.4	10,384.7
GDP per capita, PPP (current international dollars)	14,055.94	14,668.69	15,312.3
GDP growth ^a (%)	6.3	6.8	6.9
Revenue ^b (% of GDP)	27.6	27.8	26.0
Fiscal balance (% of GDP)	-10.0	-3.1	-5.5
Inflation (annual average, %)	0.5	2.8	-0.1
Unemployment Rate (%)	6.1	...	...
Merchandise trade balance (% of GDP)	-42.8	-43.2	-49.3
Current account balance (% of GDP)	-23.5	-21.7	-26.1
Remittances (% of GDP)	-8.6	-9.7	-10.1
Inward FDI (% of GDP)	10.5	9.7	10.1
Merchandise export growth (%, including fuel reexports)	6.8	24.3	6.6
Merchandise import growth (%)	12.1	11.1	25.4
Total external debt (% of GDP) ^c	20.6	24.0	37.6
External debt service (% of exports and services) ^c	2.6	2.7	3.1
Gross international reserves (in months of imports)	2.6	3.0	2.9
End of period exchange rate (rufiyaa/US dollar)	15.35	15.41	15.41

... = data not available, e = estimate, FDI = foreign direct investment, GDP = gross domestic product, PPP = purchasing power parity.

a Data for 2018 refers to revised estimates of National Bureau of Statistics as of October 2019 and may differ from Ministry of Finance's number which is based on Budget 2019's projections.

b Refers to central government and includes grants.

c Total external debt as % of GDP includes guarantees and is based on Maldives Ministry of Finance. Debt Statistics (accessed 18 November 2019); As per 2017 IMF Debt Sustainability Analysis, 2017 total external debt as % of GDP, however, is estimated at 38.9%. External debt service (% of exports & services) is based on October 2019 Monthly Statistics of the Maldives Monetary Authority and excludes guarantees. Sources: Maldives Monetary Authority. October 2019 Monthly Statistics. Malé; National Bureau of Statistics. 2018. Household Income and Expenditure Survey (HIES) Analytical Report III: Employment 2016. Malé; World Bank. World Development Indicators <https://data.worldbank.org/country/maldives> (accessed 18 November 2019).