

MALDIVES MONETARY AUTHORITY

# ECONOMIC UPDATE

FEBRUARY 2023

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## **About the Economic Update**

Economic Update is a monthly publication produced by the Research Division of MMA presenting a quick overview of current developments in the Maldivian economy. It also includes a chart pack of global economic and financial indicators. The Economic Update will be posted on MMA's website at the end of each month. This Economic Update is based on the latest available data as at 28 February 2023.

# Domestic Economic Developments

## Real Economy

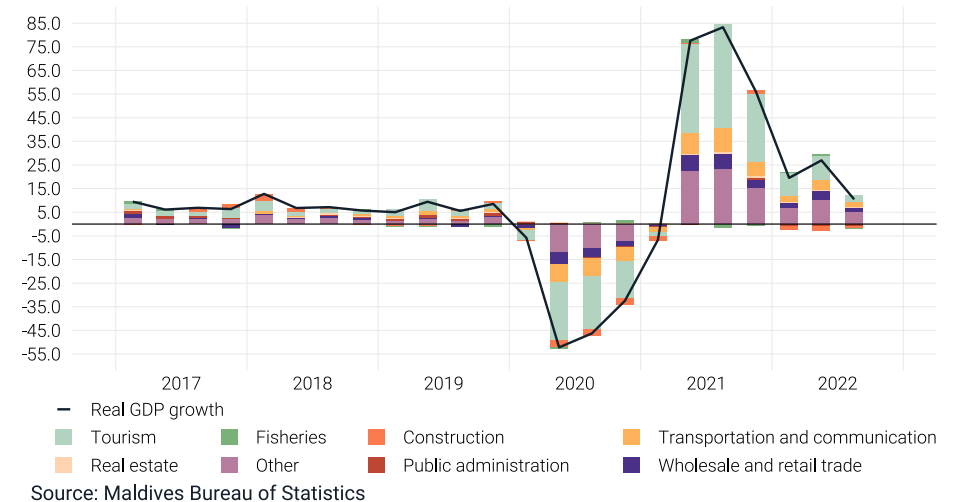
### Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts (QNA) for Q3-2022 released by the Maldives Bureau of Statistics (MBS), real GDP grew by 10.5% in Q3-2022, compared to the corresponding quarter of 2021, after recording a growth of 27.0% in Q2-2022. Further, annual real GDP for Q3-2022 was 8.7% higher than the pre-pandemic levels of Q3-2019.
  - The upturn in annual real GDP growth during Q3-2022 was mainly driven by the robust performance of the tourism sector and its positive contribution to related sectors. In this regard, notable growths were observed in other sectors of the economy, such as transportation and communication, wholesale and retail trade, and human health and social work activities. In contrast, negative contributions were observed in construction and public administration sector during the quarter.

### Annual GDP Growth Forecast

- According to revised forecasts published in October 2022<sup>1</sup>, real GDP is projected to grow by 12.3% in 2022 and 7.6% in 2023. Meanwhile, based on the revised QNA estimates released by the MBS in October 2022, the annual real GDP grew by 41.7% in 2021, after a significant decline of 33.5% in 2020 due to the sharp contraction in tourism sector and other major sectors, owing to the impact of the COVID-19 pandemic.

Contribution to Real GDP Growth by Economic Sectors, 2017 - 2022  
(annual percentage change, percentage point contribution)



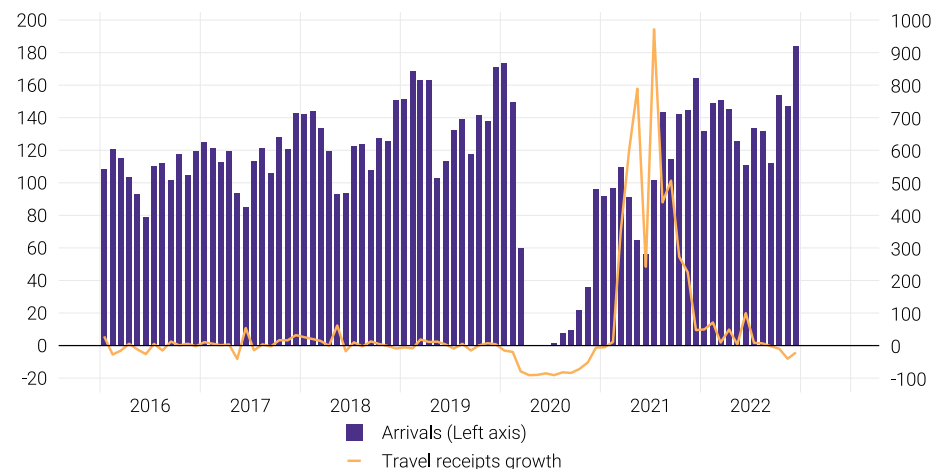
<sup>1</sup>According to the growth forecast scenarios estimated jointly by the MMA and the Ministry of Finance.

## Tourism

- In December 2022, tourist arrivals increased by 12% when compared with December 2021, although bednights registered a decline of 2%. In total, tourist arrivals stood at 184,051 during the month and exceeded pre-pandemic levels of December 2019 by 7%. Similarly, bednights surpassed pre-pandemic levels and registered a 10% increase during the same period.
  - The annual increase in tourist arrivals largely reflected the robust arrivals from India and key source markets of Europe. During the month, the highest number of tourist arrivals were recorded from India, Russia, United Kingdom, Italy and Germany.
- The operational bed capacity of the tourism industry observed an increase of 6,585 beds when compared with December 2021, while the occupancy rate dropped to 62% in December 2022, from 71% in December 2021.
- Overall, for the year 2022, total tourist arrivals increased by 27% in annual terms, while bednights rose by 22%. However, when compared with the pre-pandemic levels of 2019, tourist arrivals recorded a decline of 2%, while bednights registered a growth of 15%. During the period, the average stay declined to 7.8 days in 2022 from 8.4 days in 2021.

### Tourism, 2016 - 2022

(thousands, annual percentage change)

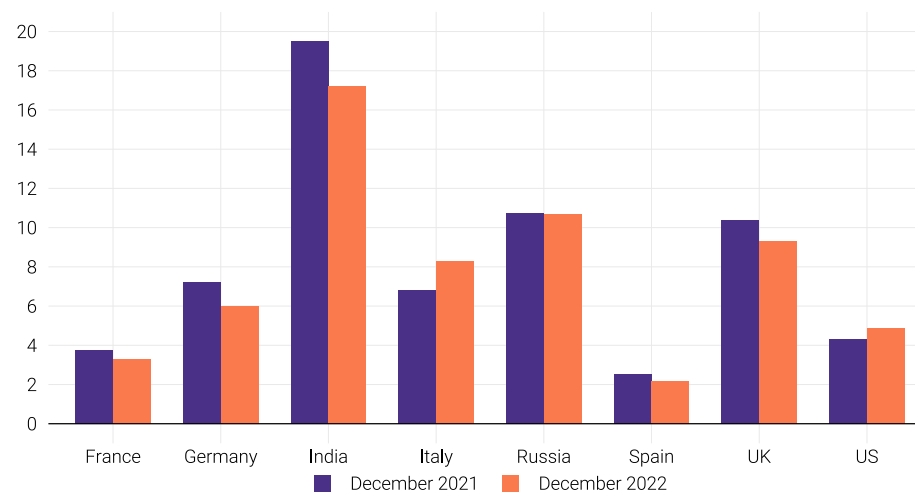


Source: Ministry of Tourism

Note: Tourism receipts available up to December 2022.

### Shares of Key Inbound Markets

(percent)

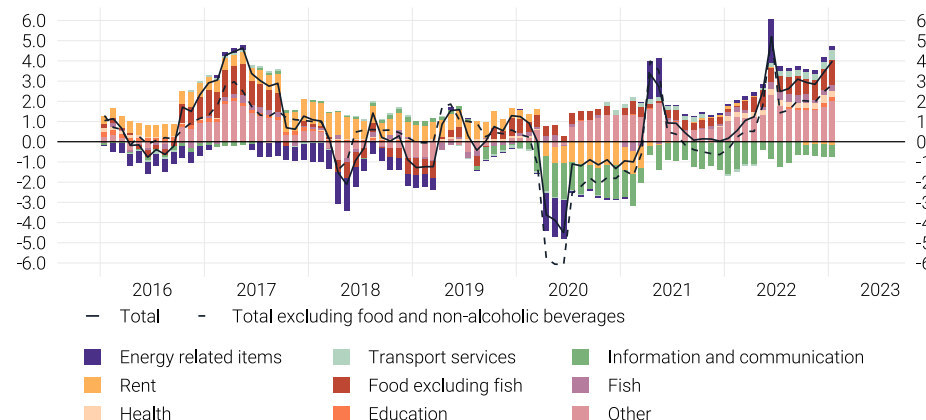


Source: Ministry of Tourism

# Inflation

- The rate of inflation, as measured by the annual percentage change in the national CPI, accelerated to 4.0% in January 2023, from 3.4% in December 2022.
  - The largest contribution to the annual rate of inflation during January 2023 came from fruits (0.5 percentage points); fish (0.3 percentage points); restaurants and cafés (0.3 percentage points); passenger transport by air (0.3 percentage points); dairy products (0.3 percentage points); personal care appliances, articles and products (0.2 percentage points); mobile communication services (-0.6 percentage points); vegetables (-0.2 percentage points) and housing rent (-0.2 percentage points).
- The monthly percentage change in the national CPI accelerated to 0.96% in January 2023, from 0.49% in December 2022.
  - The largest contribution to the monthly rate of inflation came from restaurants and cafés (0.25 percentage points); tobacco (0.08 percentage points); fish (0.07 percentage points); personal care appliances, articles and products (0.07 percentage points); dairy products (0.05 percentage points); mobile communication services (-0.04 percentage points); electricity (-0.01 percentage points); vegetables (-0.01 percentage points); and mobile transport equipment (-0.01 percentage points).

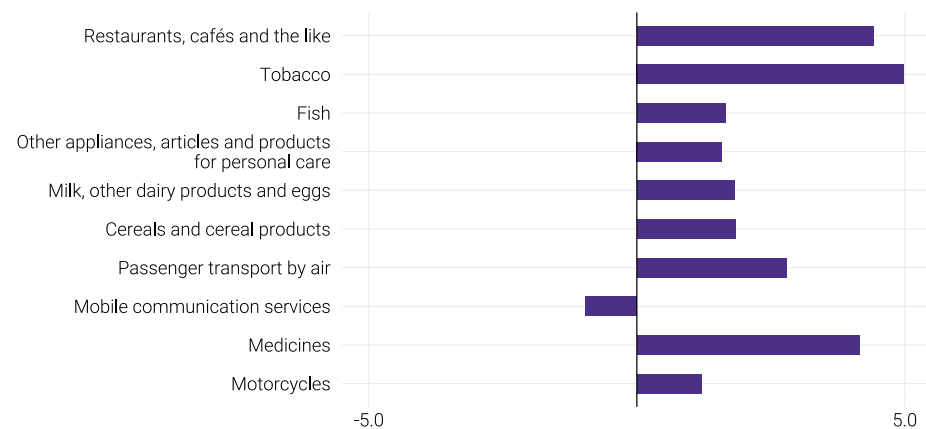
Contribution of Major Categories to CPI Inflation (National), 2016 - 2023  
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

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

Monthly Changes of Subcategories of CPI Inflation (National), January 2023  
(monthly percentage change)



Source: Maldives Bureau of Statistics

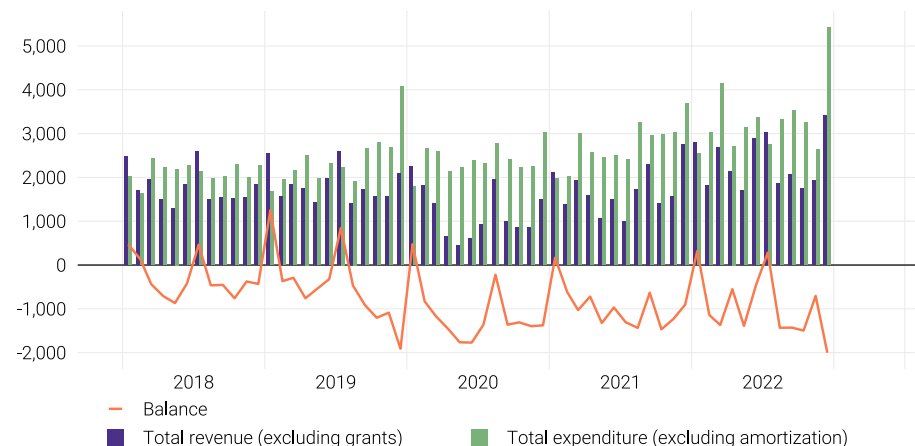
Note: Ordered by the size of the contribution.

# Public Finance

- Total revenue (excluding grants) observed an increase of MVR655.5 million (or 24%) in December 2022 when compared with December 2021, primarily driven by the growth in non-tax revenue. As such, non-tax revenue rose by MVR689.7 million, while tax revenue marginally fell by MVR35.6 million.
- Total expenditure (excluding amortisation) significantly increased by MVR1.7 billion (or 47%) in December 2022 when compared with December 2021, predominantly owing to the significant increase in capital expenditure, which rose by around MVR1.7 billion, while recurrent expenditure increased marginally by MVR85.3 million.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR87.3 billion at the end of Q3-2022, a 1% increase from Q2-2022. Meanwhile, total government debt as a percentage of GDP rose to 92% at the end of Q3-2022 from 91% in Q2-2022.
  - During this period, the increase in government debt was primarily driven by domestic debt.

## Government Revenue and Expenditure, 2018 - 2022

(millions of rufiyaa)

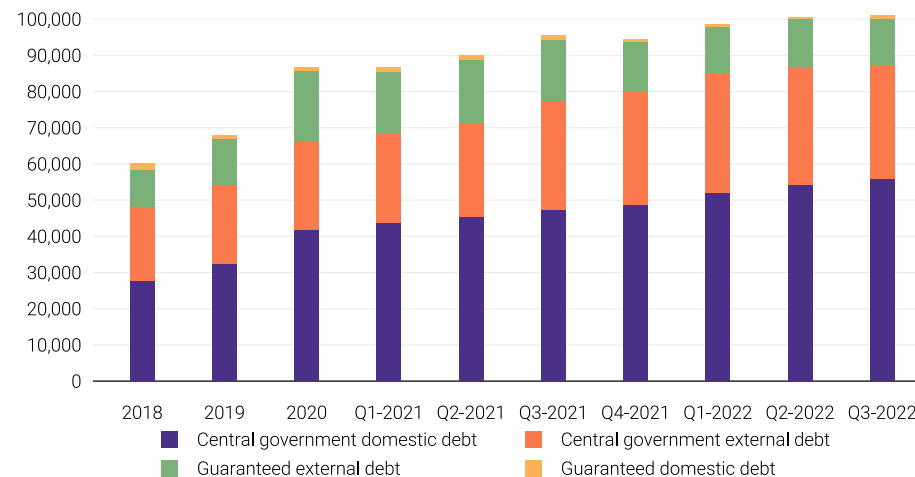


Source: Ministry of Finance

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

## Total Outstanding Stock of Public Debt, 2018 - 2022

(millions of rufiyaa)



Source: Ministry of Finance

# Monetary Developments

## Reserve Money

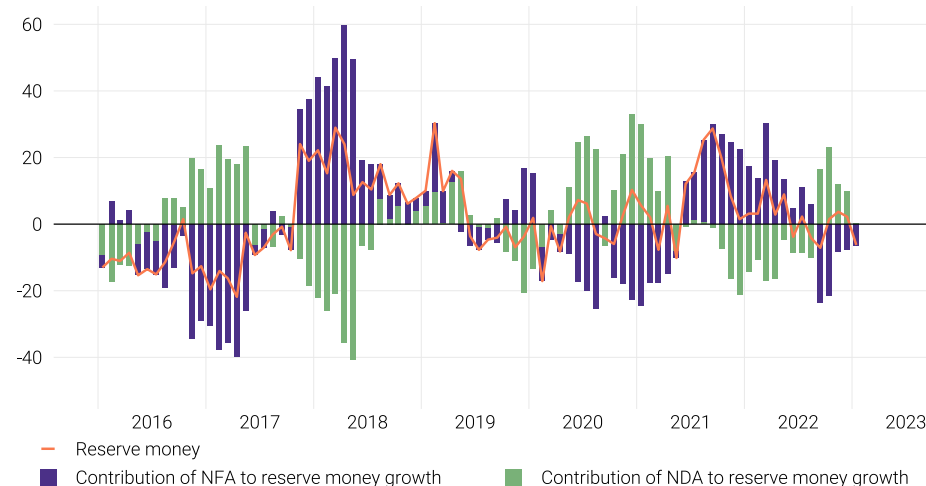
- Reserve money (M0) observed a decline of 6% at the end of January 2023, after registering a growth of 2% at the end of December 2022. The decline in reserve money growth stemmed mainly from a significant slowdown in the growth rate of net domestic assets, followed by a fall in net foreign assets during the period.
  - The slowdown in growth of net domestic assets mainly reflected the deceleration in growth rate of net claims on central government together with an increase in overnight deposit facility (ODF) placements by the commercial banks. Meanwhile, net foreign assets declined mainly owing to the marked increase in foreign liabilities, which reflected the swap obtained from the Reserve Bank of India (RBI) in December 2022, despite the marginal increase in foreign asset accumulation.

## Broad Money

- Annual broad money (M2) growth decelerated to 5% at the end of January 2023, from 6% in December 2022.
  - On the components side, the annual growth in broad money was primarily driven by an increase in quasi money, mainly reflecting a substantial growth in transferable deposits denominated in foreign currency, followed by an increment in time deposits denominated in both local and foreign currency. Meanwhile, narrow money marginally declined during January 2023.
  - As for the sources, the deceleration in annual broad money growth was solely driven by the net domestic assets, largely owing to the deceleration in the growth rate of net claims on the central government by the MMA and commercial banks, while growth in credit to the private sector also slowed down. Meanwhile, the decline in net foreign assets slowed down in January 2023, mainly owing to the increase in foreign asset accumulation, despite the increase in foreign liabilities during the period.

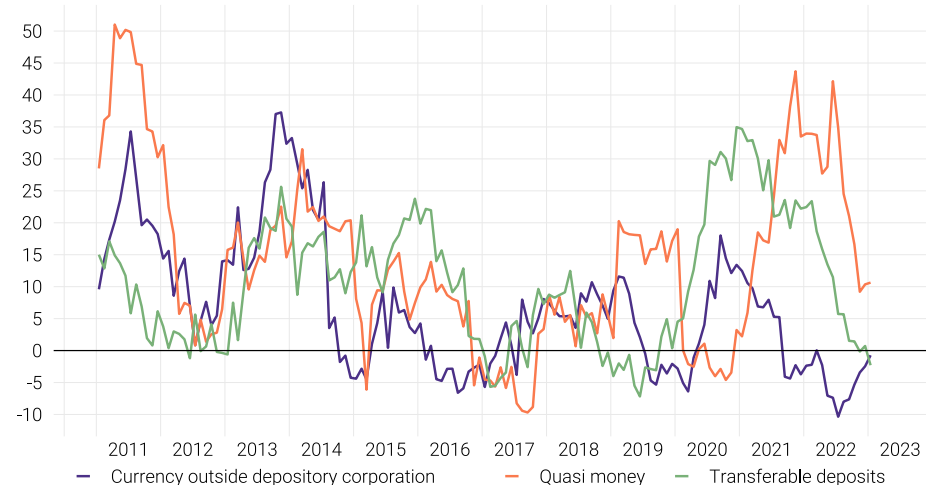
Sources of Reserve Money, 2016 - 2023

(annual percentage change, contribution percent)



Components of Broad Money, 2011 - 2023

(annual percentage change)

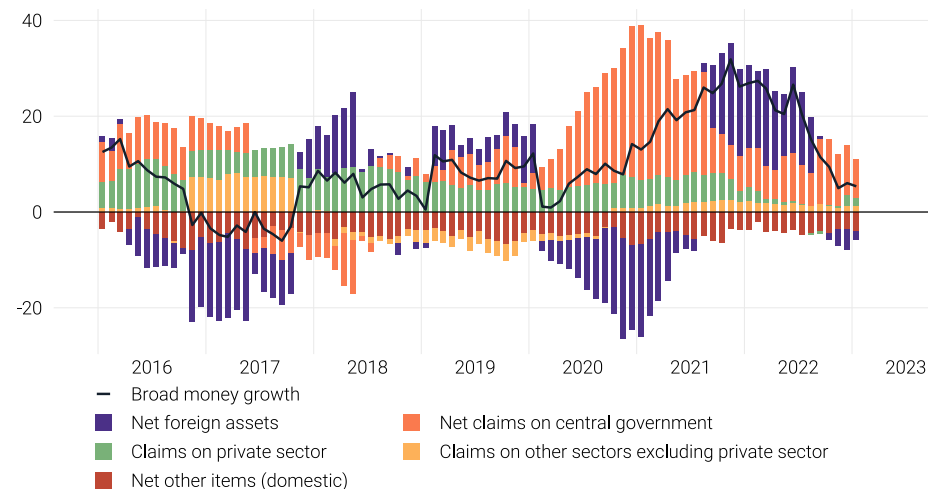


## Credit to Private Sector

- The annual growth rate of credit to the private sector by the commercial banks decelerated to 3% at the end of January 2023, from 5% at the end of December 2022.
- As for credit growth by major sectors, credit to all major sectors, except for the construction sector, continued to expand in January 2023, whereby personal loans registered the highest growth during the month. Similarly, credit extended to the tourism sector, which accounts for the highest share of bank credit, registered an annual increment of 2% during the month.
- The annual growth in credit to the tourism sector was driven by a marked increase in credit lent in the form of working capital, despite the decline in credit lent for new resort development and credit lent for renovation of resorts.

### Contribution to Broad Money, 2016 - 2023

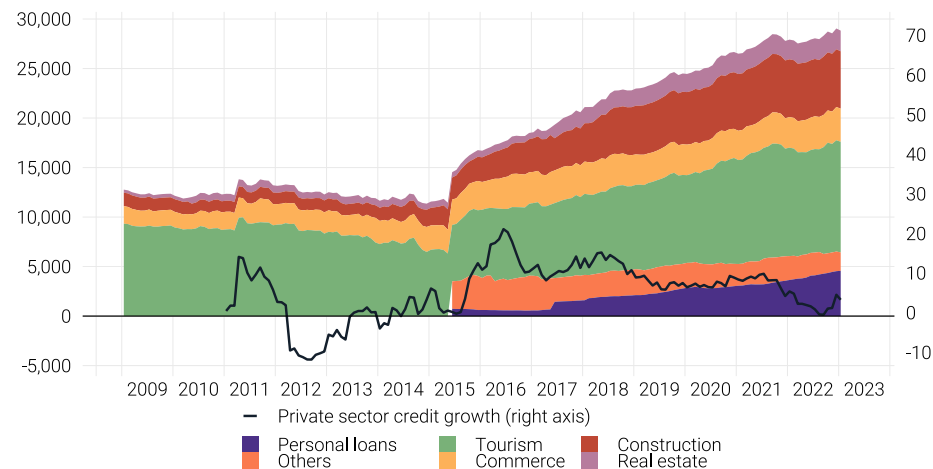
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

### Private Sector Credit, 2009 - 2023

(millions of rufiyaa, annual percentage change)



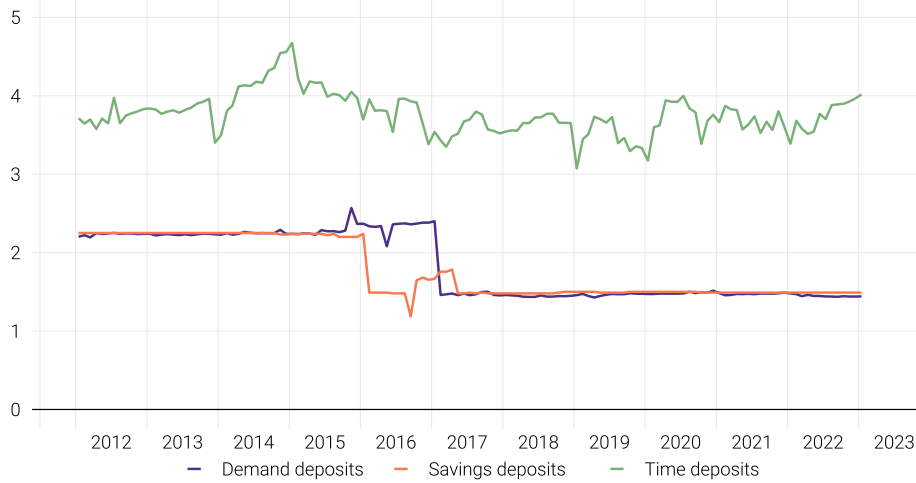
Source: Maldives Monetary Authority

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

## Interest rates

### Interest Rate on National Currency Deposits, 2012 - 2023

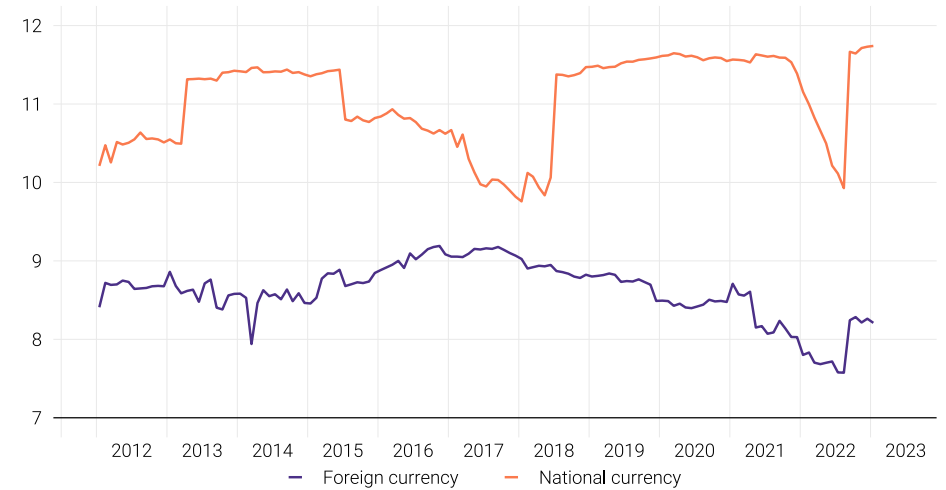
(weighted average)



Source: Maldives Monetary Authority

### Interest Rate on Private Sector Loans and Advances, 2012 - 2023

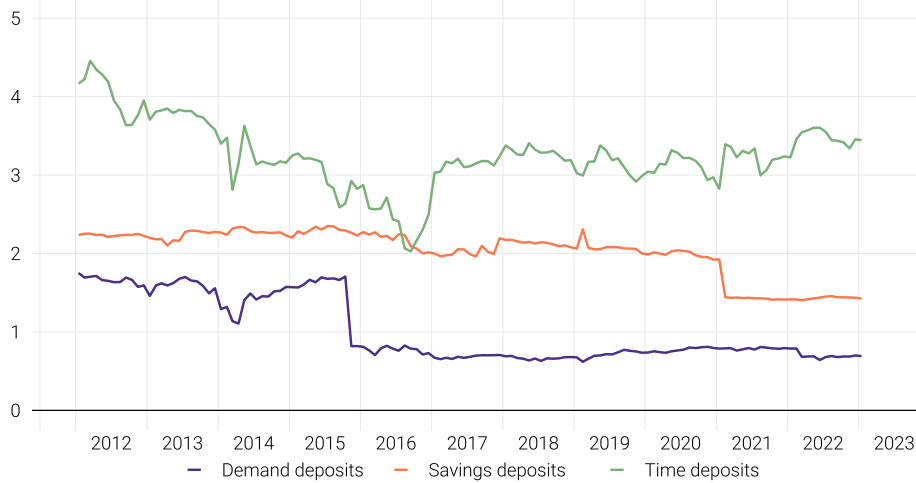
(weighted average)



Source: Maldives Monetary Authority

### Interest Rate on Foreign Currency Deposits, 2012 - 2023

(weighted average)



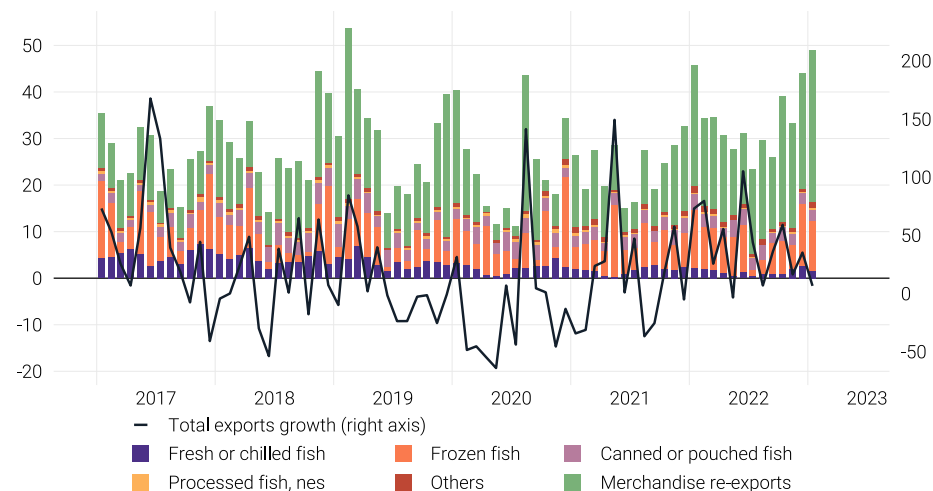
Source: Maldives Monetary Authority

# External Trade

- Total exports (f.o.b) increased by 7% in January 2023 when compared with January 2022, while total imports (c.i.f) fell by 5% during the same period. In monthly terms, total exports rose by 11%, while total imports declined by 30% when compared to December 2022.
- The annual growth in total exports stemmed primarily from an increment in re-exports which mainly reflected higher re-exports of jet fuel. Meanwhile, the domestic exports declined, largely owing to a fall in earnings from frozen yellowfin tuna exports, followed by frozen skipjack tuna exports, canned or pouched tuna exports and fresh or chilled yellowfin tuna exports.
- The annual decline in import expenditure stemmed mainly from machinery and mechanical appliances and parts, transport equipment and parts, and furniture, fixtures and fittings. Meanwhile, import expenditure on petroleum products, construction-related items, and electronic and electrical appliances observed increases during the month.

## Total Exports, 2017 - 2023

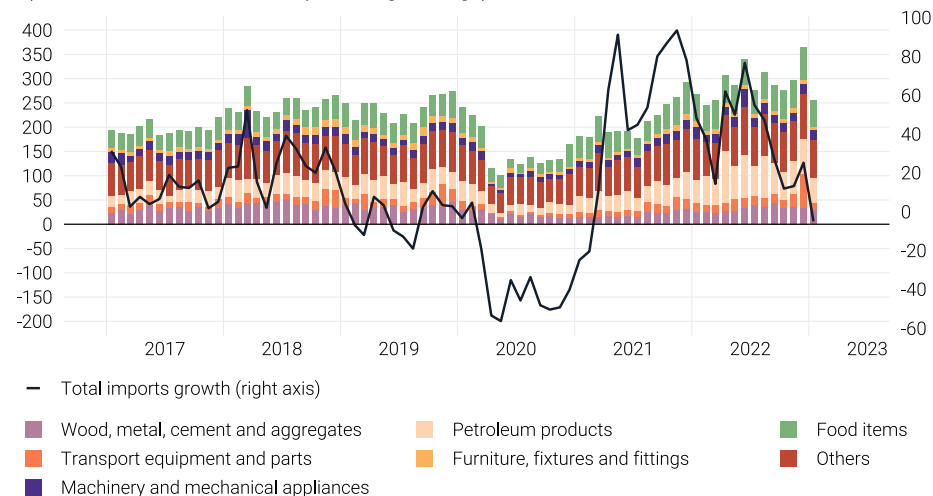
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

## Total Imports, 2017 - 2023

(millions of US dollars, annual percentage change)



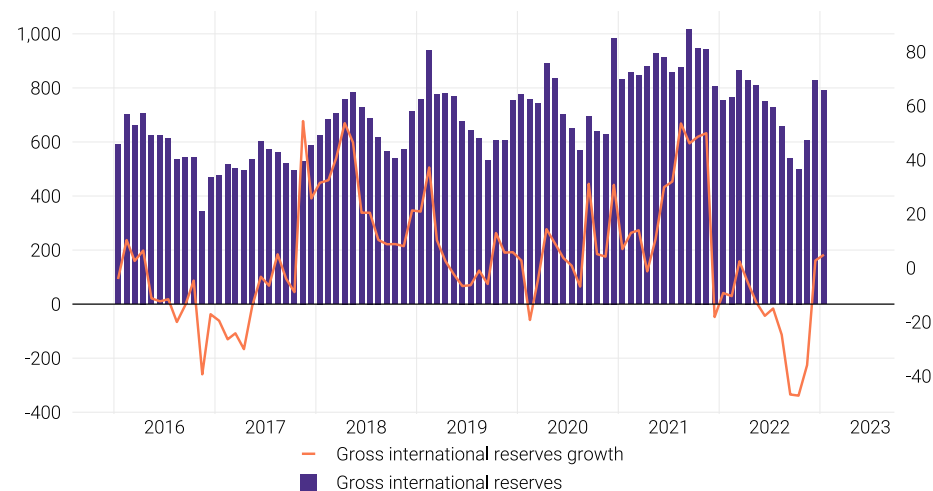
Source: Maldives Customs Service

## Gross International Reserves

- Gross international reserves<sup>2</sup> (official reserve assets) declined to US\$790.0 million at the end of January 2023, from US\$827.7 million at the end of December 2022. However, this records an increase from US\$753.4 million recorded at the end of January 2022.
  - In terms of growth rates, this depicts a decline of 5% compared with December 2022, and a growth of 5% compared with January 2022.

### Gross International Reserves, 2016 - 2023

(millions of US dollars, annual percentage change)



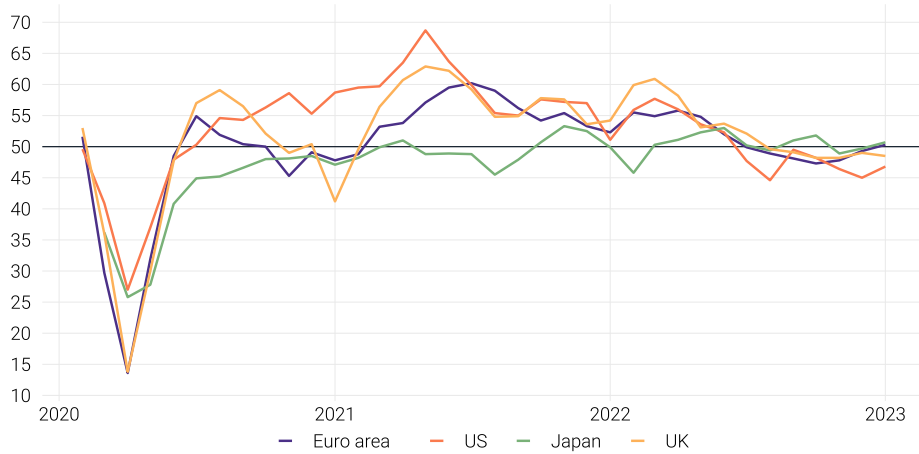
Source: Maldives Monetary Authority

<sup>2</sup>Comprises foreign currency deposits of the MMA and the government, commercial banks' US dollar reserve accounts and Maldives' reserve position at the IMF.

# International Economic Developments

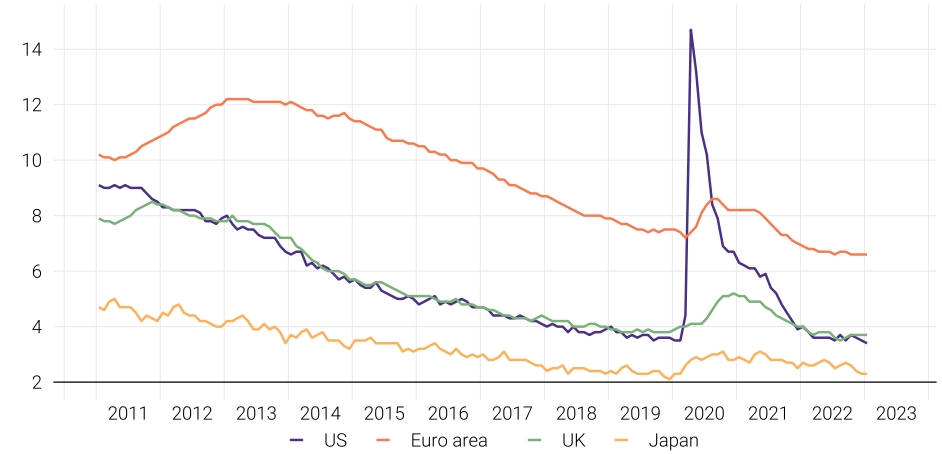
## Global Output

Purchasing Manager's Index in the Advanced Economies, 2020 - 2023  
(index points)



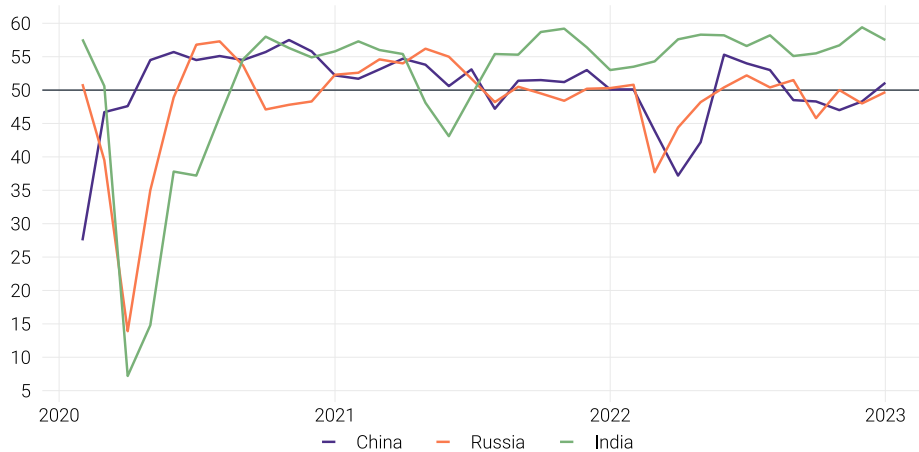
Source: Bloomberg Database

Unemployment in the Advanced Economies, 2011 - 2023  
(percent)



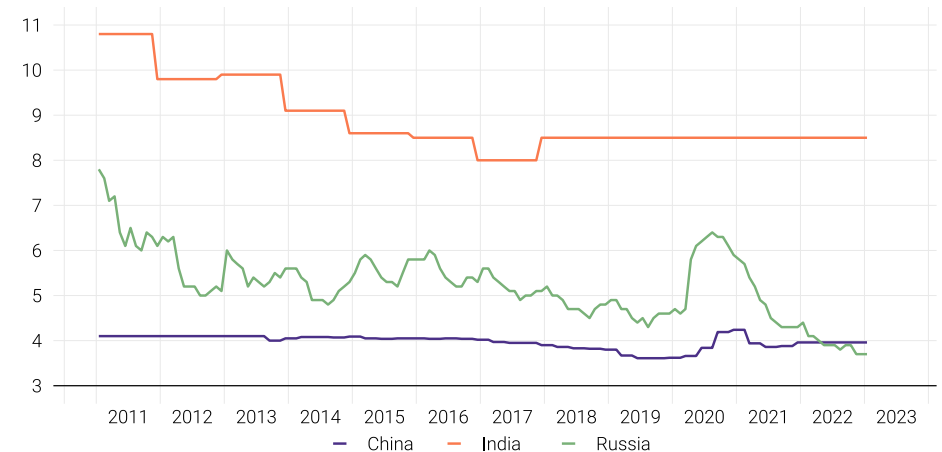
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2020 - 2023  
(index points)



Source: Bloomberg Database

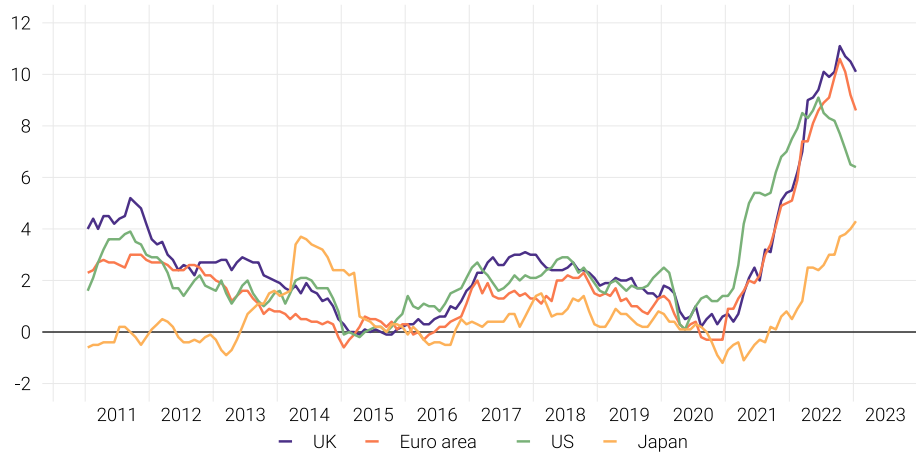
Unemployment in the Emerging Economies, 2011 - 2023  
(percent)



Source: Bloomberg Database

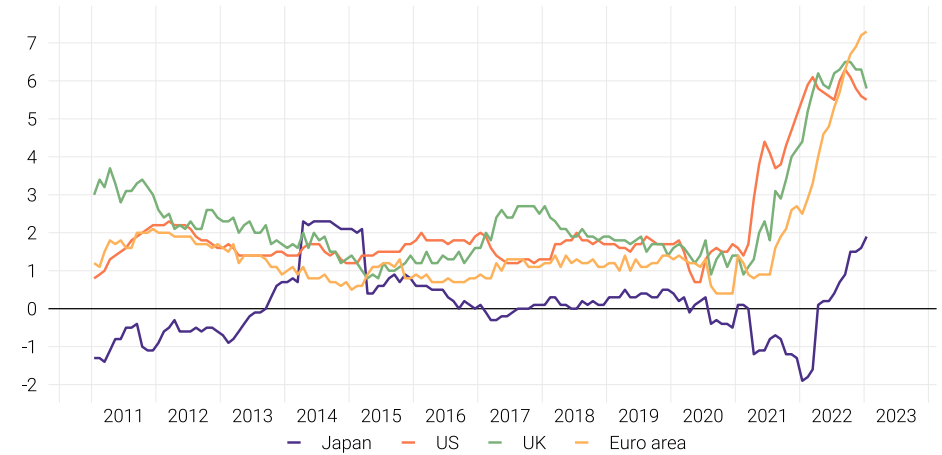
# Global Inflation

**Inflation in the Advanced Economies, 2011 - 2023**  
(percent)



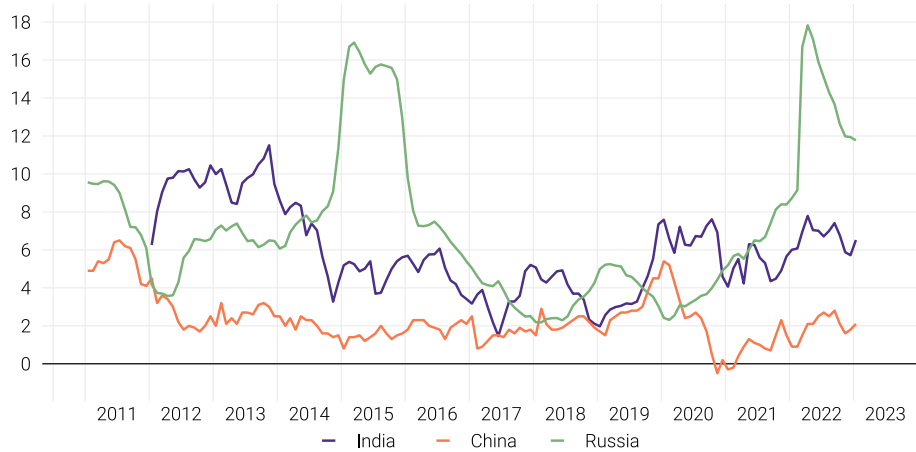
Source: Bloomberg Database

**Core Inflation in the Advanced Economies, 2011 - 2023**  
(percent)



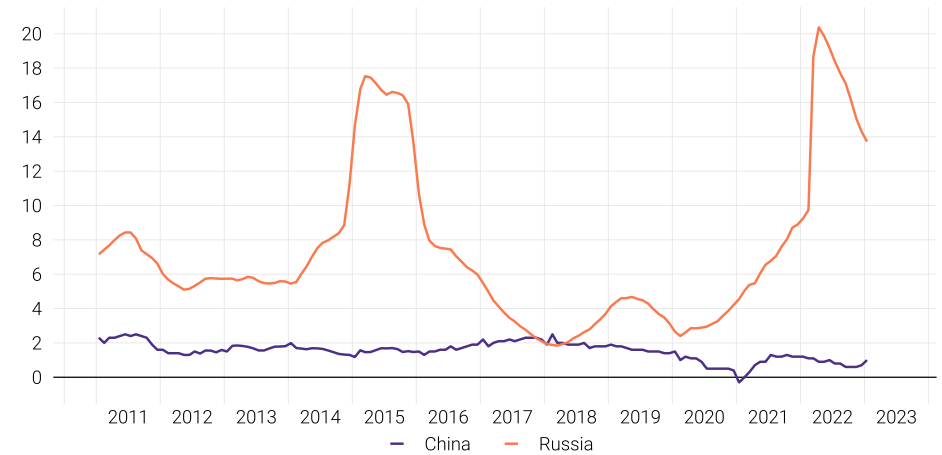
Source: Bloomberg Database

**Inflation in the Emerging Economies, 2011 - 2023**  
(percent)



Source: Bloomberg Database

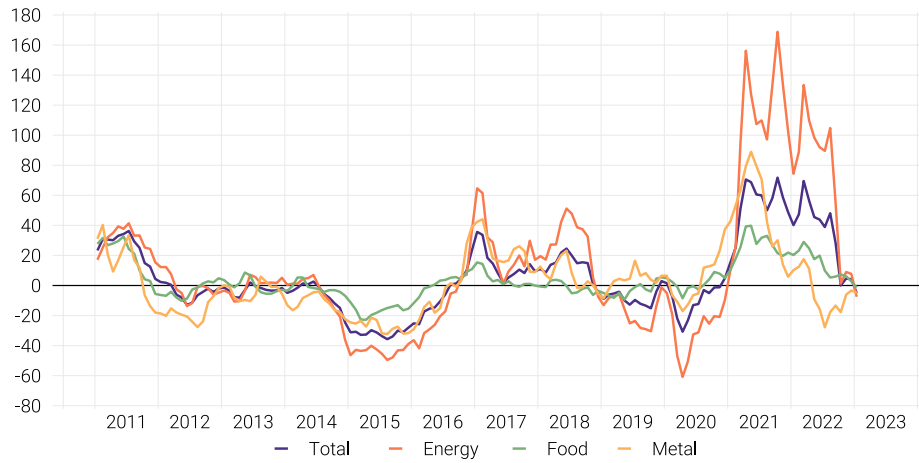
**Core Inflation in the Emerging Economies, 2011 - 2023**  
(percent)



Source: Bloomberg Database

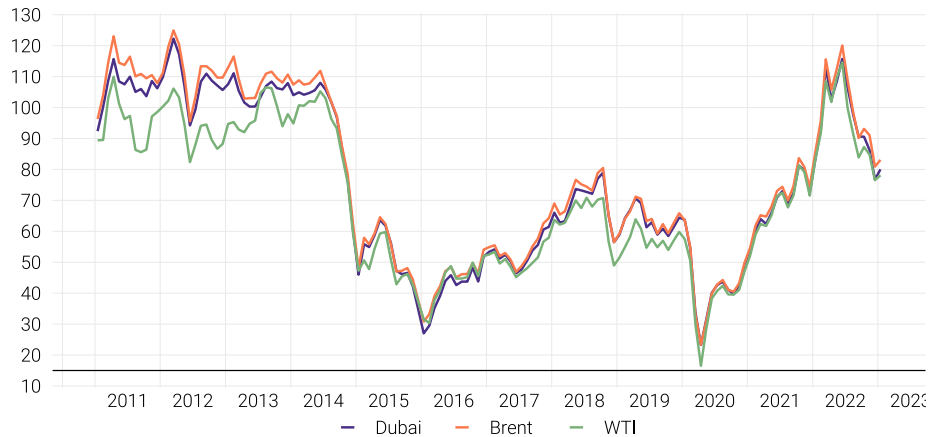
# Commodity Prices

Commodity prices, 2011 - 2023  
(annual percentage change)



Source: IMF

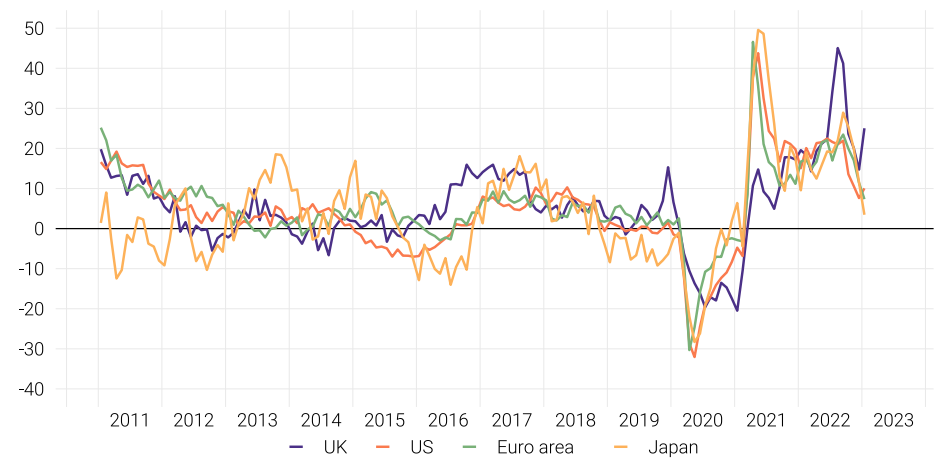
Oil prices, 2011 - 2023  
(dollars per barrel)



Source: Bloomberg Database

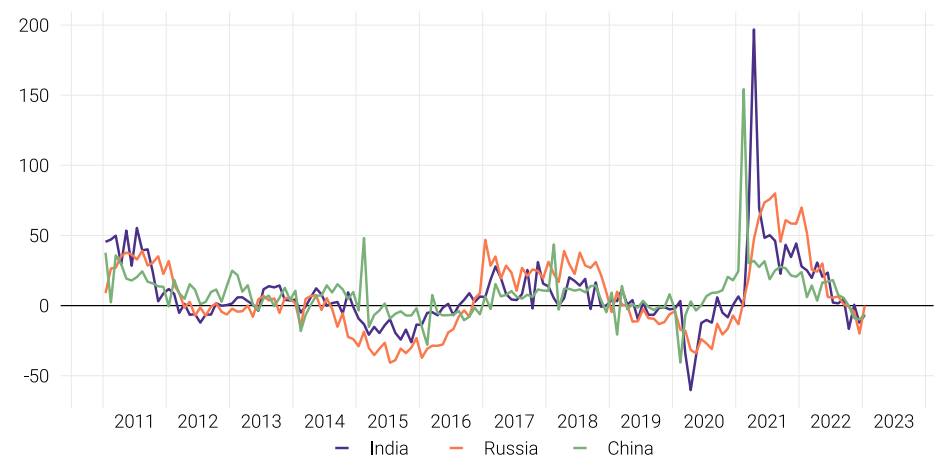
# Global Trade

Exports in the Advanced Economies, 2011 - 2023  
(annual percentage change)



Source: Bloomberg Database

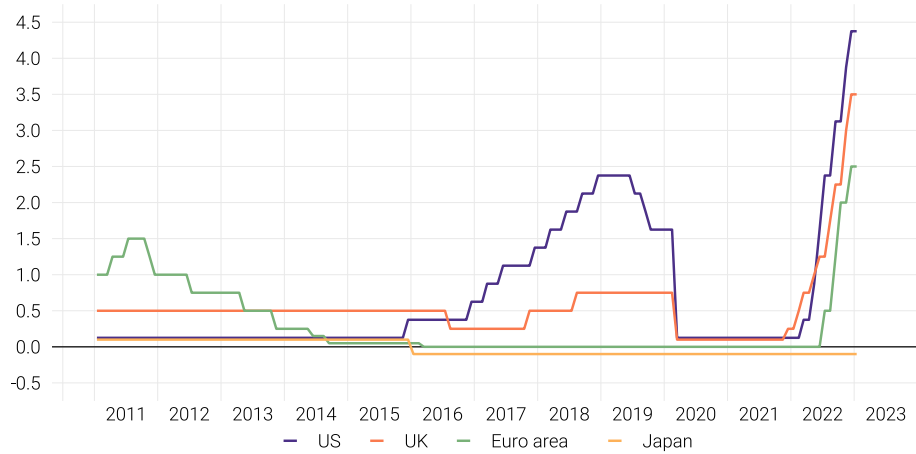
Exports in the Emerging Economies, 2011 - 2023  
(annual percentage change)



Source: Bloomberg Database

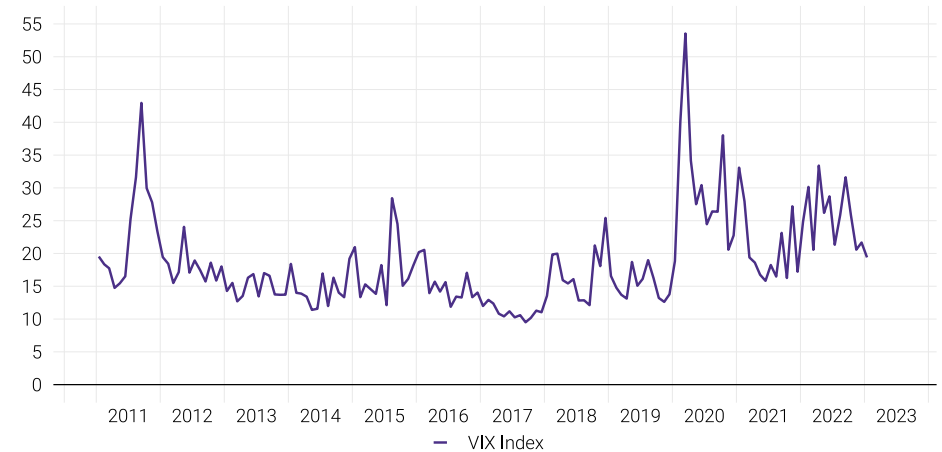
# Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2011 - 2023  
(percent)



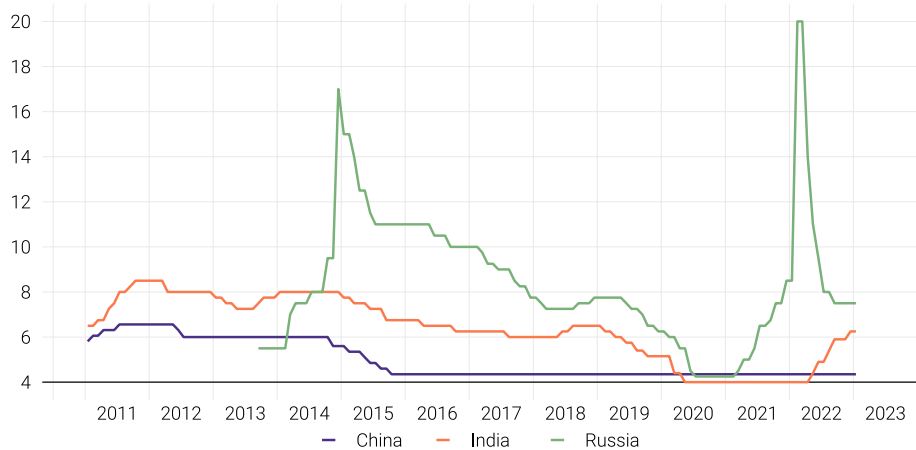
Source: Bloomberg Database

Volatility Index, 2011 - 2023  
(percent)



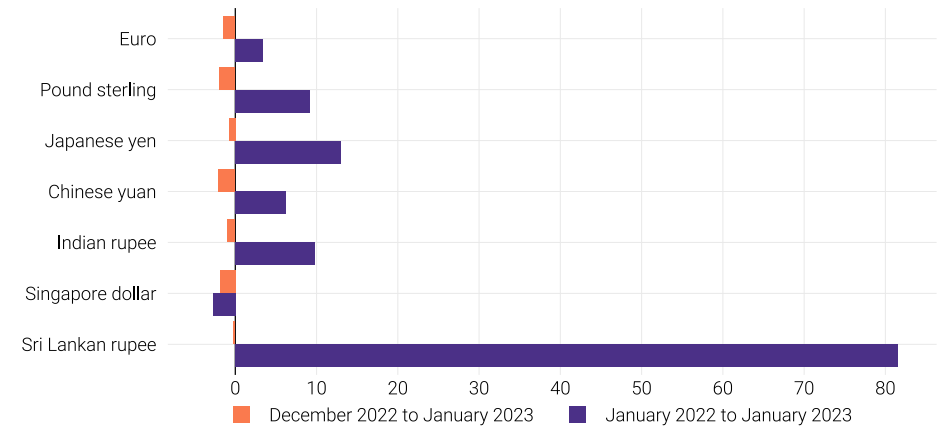
Source: Bloomberg Database

Monthly Policy Rates in the Emerging Economies, 2011 - 2023  
(percent)



Source: Bloomberg Database

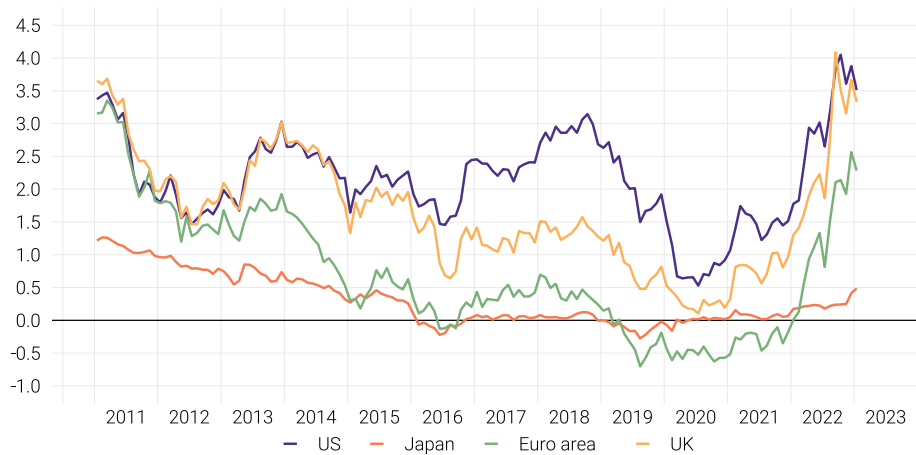
Exchange Rate of US Dollar against Currencies of Major Trading Partners, January 2023  
(percentage change)



Source: Bloomberg Database

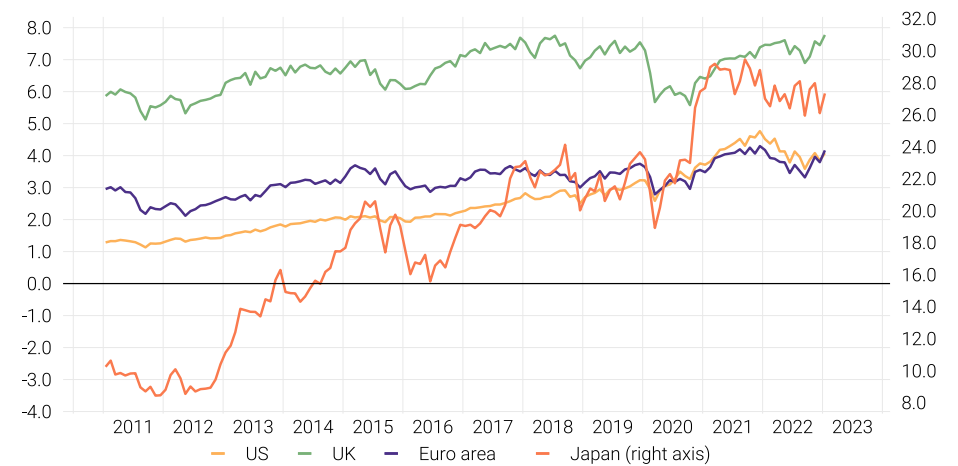
# Global Financial Markets

Sovereign Bond Yield in the Advanced Economies, 2011 - 2023  
(percent)



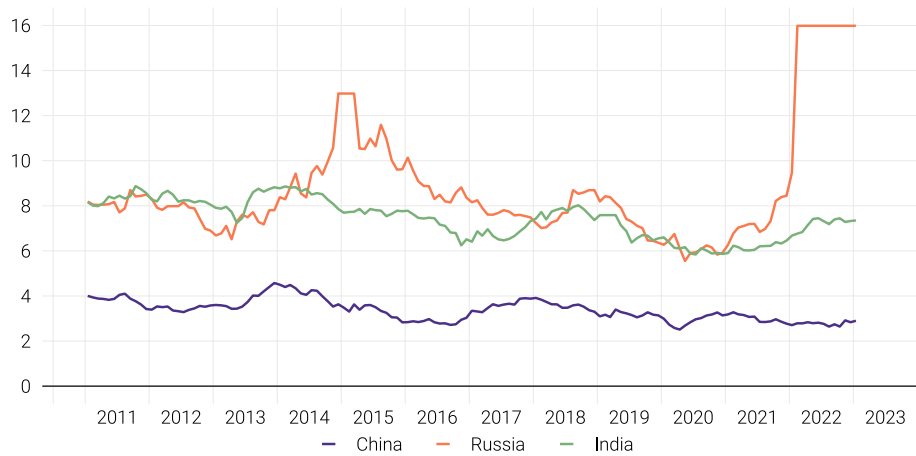
Source: Bloomberg Database

Share Price Index in the Advanced Economies, 2011 - 2023  
(price index, in thousands)



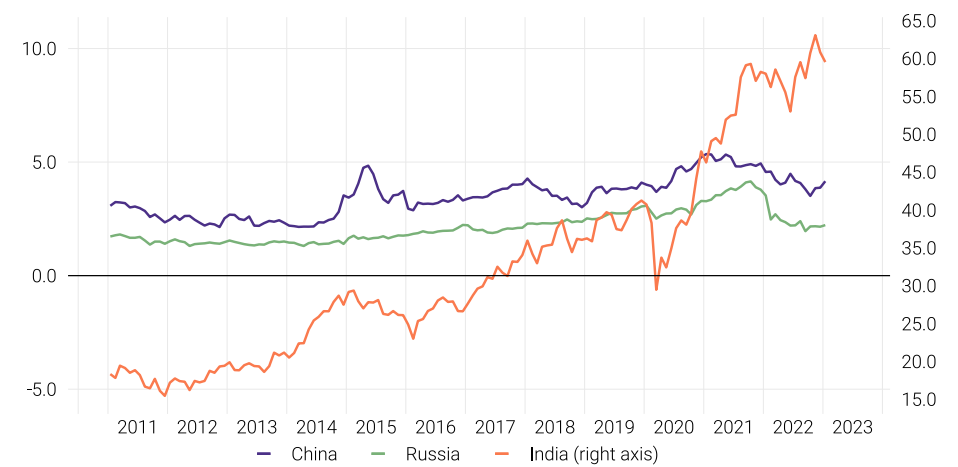
Source: Bloomberg Database

Sovereign Bond Yield in the Emerging Economies, 2011 - 2023  
(percent)



Source: Bloomberg Database

Share Price Index in the Emerging Economies, 2011 - 2023  
(price index, in thousands)



Source: Bloomberg Database



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