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This bulletin is compiled by the Research Division (RD) of the Maldives Monetary Authority (MMA). It covers developments in the domestic and international economy during the fourth quarter of 2021. 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 6 February 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.

Contents

Abbreviations

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

RECENT ECONOMIC DEVELOPMENTS

Macroeconomic Outlook

Global economy continues to be on a recovery path, although growth outlook for 2022 has been revised downwards due to the surge in COVID-19 infections towards the end of 2021 following the emergence of the new Omicron variant, and persistent supply chain disruptions. According to the IMF World Economic Outlook (WEO) January 2022 update, after rebounding to 5.9% in 2021, global GDP growth is estimated to moderate to 4.4% in 2022, which is 0.5 percentage point lower than the forecasts of October 2021. The downward revision mainly reflects downgrades to growth projections for the United States (US) and Chinese economy.

Although the impact of the Omicron variant is expected to abate in Q2-2022, there is considerable uncertainty about the future path of the pandemic. As such, the outlook for the global economy continues to be surrounded by a high level of uncertainty related to the pandemic with the balance of risks tilting towards the downside. Key downside risks include low rates of vaccination in developing economies, which may give rise to new, more transmissible and dangerous variants of COVID-19 that could evade vaccine efficacy and tightening of monetary policy by the Federal Reserve, in the face of high inflation, which could tighten financial conditions for emerging markets and developing economies. High inflation rates, especially in advanced economies, have been driven by rising energy prices amid ongoing supply disruptions and escalating geopolitical tensions in major energy producing countries.

Despite the emergence of the Omicron variant, growth momentum of the Maldivian economy further picked up in Q4-2021, reflecting the strong rebound of the tourism sector amid the onset of the peak tourism season. Incoming high frequency data on tourism suggests a slight moderation in activity in the first two month of 2022, slightly reflecting the adverse impact of the Omicron variant and rising tensions between Russia and Ukraine. According to the revised forecasts of October 2021[1], after declining by 33.5% in 2020, the Maldivian economy is estimated to grow in the range of 28.1% and 38.5% in 2021, with the most likely growth rate as 31.6%, largely reflecting low base effects. Meanwhile, real GDP is projected to grow by 12.0% in 2022.

Overall, risks surrounding the domestic economic outlook are more towards the downside. Major downside risks include tightening of international travel restrictions due to new variants of concern, as well as loosening of border restrictions in competitor destinations. Meanwhile, escalating tensions between Russia and Ukraine is likely to have an adverse impact on tourist arrivals, given that Russia has remained as the second largest source of tourists to the Maldives in the last two years. As for upside risks, faster-than-expected vaccination rates globally, including roll-out of booster doses, and a potential opening of the Chinese market in later half of 2022 could boost growth through the revival of tourist arrivals from the major traditional source markets.

Against the backdrop of a substantial pick up in global inflation in 2021, driven by supply side bottlenecks and rising global oil and food prices, the rate of inflation in Maldives is expected to accelerate in 2022, after recording 0.5% in 2021. In addition to external drivers of inflation, key factors explaining the developments in inflation include the dissipation of base effects and strengthening of domestic demand. Risks to inflation remain on the upside, in particular those related to uncertainty in global energy markets due to rising geopolitical tensions and persistent supply disruptions.

[1] According to the growth forecast scenarios estimated in October 2021 jointly by the MMA and the Ministry of Finance.

Overview

Domestic economic recovery is estimated to have gained further strength in Q4-2021, underpinned by the strong performance of the tourism sector as indicated by a substantial increase in tourist arrivals, despite the re-introduction of travel restrictions by governments across the world due to the emergence of the Omicron COVID-19 variant. Available high frequency indicators for Q4-2021 also point to a strengthening of activity in transportation and communication, and wholesale and retail trade sectors. Meanwhile, the recovery of construction and real estate activity is estimated to have also contributed positively to GDP growth in Q4-2021 as well, while activity in the fisheries sector appeared to have further weakened. The continued strengthening of domestic economic recovery reflects the easing of COVID-19 related containment measures and low infection rates mainly due to high vaccination rates.

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), decreased to 0.1% in Q4-2021 from 0.5% in Q3-2021. The decrease in inflation was primarily contributed by a further reduction in prices for information and communication services, which more than offset the increase in prices of certain components such as food, energy and housing rent. Higher price increases during the quarter reflected high global food and energy prices, low base effects related COVID-19 policy measures and strengthening of domestic demand.

As for fiscal developments, total government revenue (excluding grants) registered an annual increase during Q3-2021[2], on account of a significant increase in both non-tax revenue and tax revenue, reflecting lower base effects in Q3-2020. Meanwhile, total expenditure (excluding debt amortisation) observed an increase during Q3-2021, driven by a significant increase in recurrent expenditure, combined with an increase in capital expenditure. The increase in recurrent expenditure was driven by a substantial increase in administrative and operational expenses, while growth in capital expenditure largely stemmed from expenditure on infrastructure assets, and development projects and investment outlays.

With regard to monetary developments, annual broad money growth accelerated to 27% at the end of December 2021. This was driven by a significant increase in foreign assets, which stemmed from the rise in foreign currency deposits as well as a significant decline in foreign liabilities due to the repayment of the swap with the Reserve Bank of India (RBI). The increase in broad money growth was also contributed by commercial banks' investments in government securities and the expansion in bank credit to the private sector as well as public non-financial corporations.

With regard to the external sector, despite a decline in domestic exports, total merchandise exports registered an increase in Q4-2021 driven by a significant expansion in merchandise re-exports. The decline in domestic exports reflected lower earnings from both frozen and fresh or chilled tuna exports. In Q4-2021, merchandise imports grew substantially with most major import categories recording increases, largely reflecting the strong recovery of economic activity.

[2] Data for Q4-2021 was not available at the time of compilation of this report.

International Economic Developments

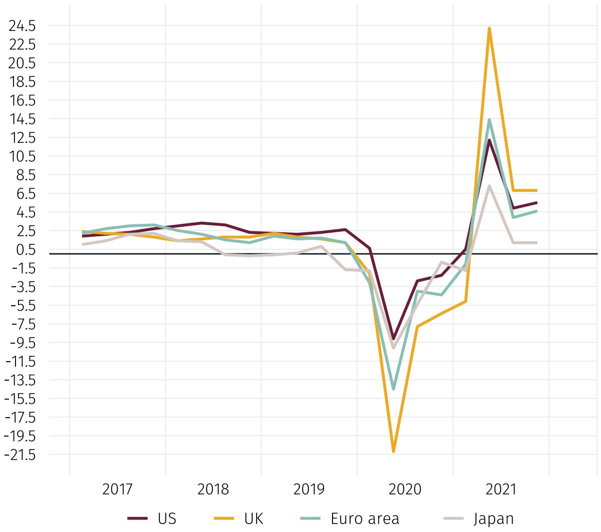
Global Output

The global economy continued on the recovery path, although divergent patterns were witnessed across the economies due to the Omicron wave, the related movement restrictions and global supply chain bottlenecks. Mirroring these developments, mainly idiosyncratic, the growth rates of both advanced; and emerging market and developing economies remained mostly on the upside in Q4-2021. As such, the global economy is expected to grow by 5.9%[3] in 2021 as per the October 2021 estimates.

Looking at the advanced economies, the US economy registered a growth of 5.5% in Q4-2021, after 4.9% growth in Q3-2021 (Figure 1). The acceleration mainly reflected the increase in personal consumption expenditure, notably household spending on services and non-durable goods which was fuelled by the fiscal stimulus provided by the government. With the revival of demand, imports increased, partly curbing the improvement in economic growth during the period.

As per the Eurostat flash estimates, the euro area recorded a growth of 4.6%, after recording 3.9% in the previous quarter, despite the rise of COVID-19 infection and the consequent restrictions. This improvement in the growth partly reflects the positive impact of the fiscal and monetary policy decisions on consumption and investment, while global trade recovery aided major exporting economies in the region. However, the economic performance of Germany moderated and registered

Figure 1: Real GDP Growth in the Advanced Economies, 2017 - 2021
(annual percentage change)



Source: Bloomberg Database

the lowest growth among the main economies of the region owing to the impact of the fourth wave of COVID-19 and the subsequent restrictions. Meanwhile, economic growth in France expanded on the back of robust consumer spending and remained above the pre-crisis level (Q4-2019). Similarly, the Spanish economy remained resilient and registered a further increase in economic growth during the quarter. Meanwhile, the third largest economy in the region, Italy, registered the most significant growth, mainly reflecting the robustness of the domestic demand.

After slowing to 1.2% in Q3-2021, the Japanese growth momentum is expected to rebound in Q4-2021 as the negative effects of

[3] International Monetary Fund, 'World Economic Outlook (WEO) October 2021'.

COVID-19 outbreaks begin to fade. Economic activity continues to be supported by robust external demand and the economic measures introduced by the government. In this regard, the Purchasing Manager's Index (PMI) figures for Q4-2021, rose above the no-change line, indicating expansion in business activity.

Meanwhile, the growth momentum in the United Kingdom (UK) remained muted in Q4-2021, although the monthly index of economic growth for November 2021 reached above the pre-pandemic levels. While this follows a growth of 6.8% in Q3-2021, services sector continued to be the main driver of activity, supported by improvements in the labour market during the review quarter.

Looking at the emerging market and developing economies, China's economic growth slowed to 4.0% Q4-2021 from 4.9% in the previous quarter. The economic growth was undermined by the power shortage and property crisis along with the emergence of the Omicron variant and the subsequent supply chain disruptions (Figure 2). Meanwhile, the steady increase in industrial productions partially offset the impact of declining retail sales during the quarter.

The growth momentum in India has been easing since the previous quarter and stood at 8.4% in Q3-2021. High frequency data for the economy signal moderation in economic activity during the review quarter. Meanwhile, the composite PMI suggest improvements in sentiment in both services and manufacturing sectors, although it remains subdued due to elevated prices and new waves of COVID-19 outbreak.

The Russian economy is expected to reach above the pre-pandemic levels by end of 2021, after registering a growth of 4.3% in Q3-2021. Consumer spending continues to be the main driver of growth, while higher commodity prices also aided growth during the quarter. However, the moderation in the composite PMI suggest weakness in business activity during the quarter.

Figure 2: Real GDP growth in the Emerging Economies, 2017 - 2021
(annual percentage change)

Source: Bloomberg Database

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 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 accelerated to 6.7% in Q4-2021, the highest rate since the second quarter of 1982 and higher than 5.3% registered in the previous quarter (Figure 3). This increase in the rate of inflation mainly reflected higher demand amidst supply constraints for most of the commodities. As such, the services (housing rent) and energy prices continued to be the main contributors to the rise in the price level of the economy.

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 4.6% in Q4-2021 from 2.8% in Q3-2021. This was mainly on the back of soaring energy prices and its pass-through to related items including transportation and utilities. In addition, supply chain disruptions continued to exert upward pressure on prices of major goods and services.

In Japan, the rate of inflation turned positive and stood at 0.5% in the review quarter, from -0.2% in the preceding quarter, mainly owing to the rise in energy prices. In addition, positive contributions from private transportation as well as expenses for culture and recreation added upward pressure on the price level. However, the downward pressures from temporary factors such as the reduction in mobile phone charges continued to curtail inflationary pressures during the quarter.

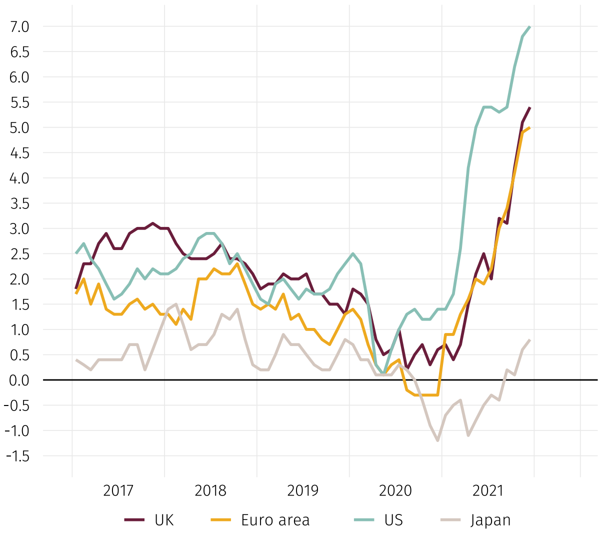
The rate of inflation in the UK increased to 4.4% in Q4-2021 (the highest rate of inflation recorded since the second quarter of 1992), after registering 2.7% in the previous quarter. The largest upward contributions stemmed from transport and housing category, reflecting the hike in energy prices and rental costs. Meanwhile, costs of the recreational and cultural services remained subdued, adding disinflationary pressure to the price level during the quarter.

Turning to the emerging market and developing economies, the rate of inflation in China edged up to 1.8% in the review quarter from 0.8% recorded in Q3-2021 (Figure 4). The acceleration mainly reflected the effects of bad weather and the energy crunch in the country. In this regard, food prices observed the highest upward trend owing to the increase in fresh vegetable prices, despite the decline in aquatic product prices. Additionally, the transportation costs also registered increases during the quarter.

In India, the rate of inflation slightly moderated to 5.0% in Q4-2021, from 5.1% in Q3-2021. This mainly reflected the reduction in excise duty of petrol and diesel introduced by the Union government and the reduction in the value-added tax (VAT) introduced in more than 20 Indian states. However, prices of major items remained elevated, owing to input price pressures and supply-side disruptions during the quarter.

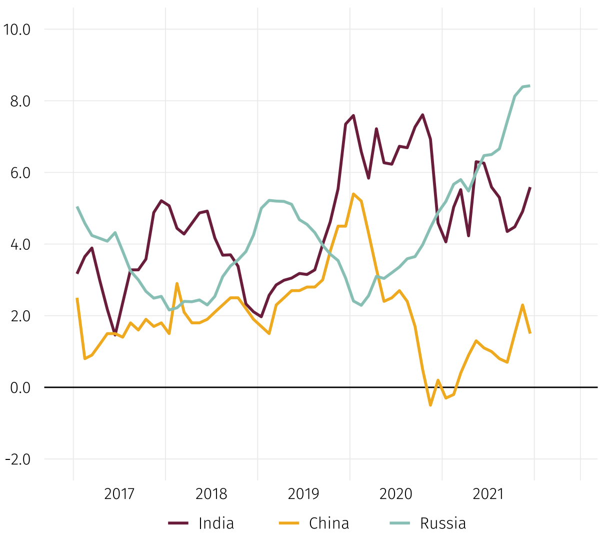
The rate of inflation in Russia continued to rise steadily and stood at 8.3% in Q4-2021, up from 6.9% in Q3-2021. The acceleration mainly reflected

Figure 3: Inflation Rate in the Advanced Economies, 2017 - 2021
(percent)



Source: Bloomberg Database

Figure 4: Inflation Rate in the Emerging Economies, 2017 - 2021
(percent)



Source: Bloomberg Database

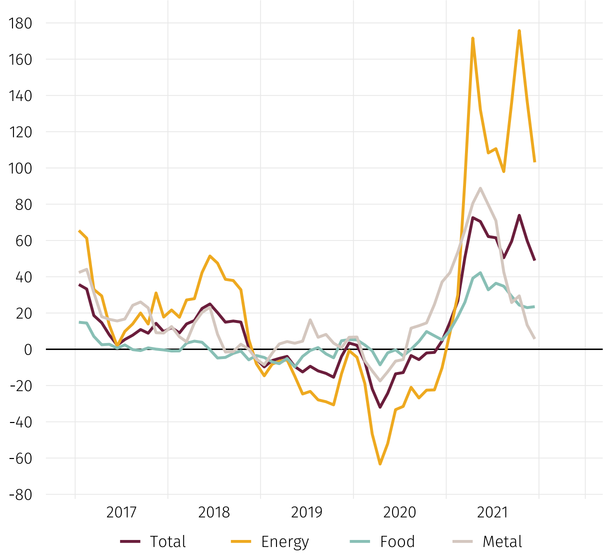
broad-based price increases across all goods and services. As such, food inflation marked the highest upturn, primarily due to increased raw material prices and unfavourable supply conditions for both crops and livestock. Meanwhile, price of services registered the smallest growth during the quarter.

Commodity Prices

The IMF price index for all commodities increased by 60% and 12% in annual and quarterly terms, respectively, whilst the increases accelerated when compared with Q3-2021 (Figure 5). During the quarter, the prices of energy, food and other commodities surged due to supply shortages and bottlenecks arising from the re-imposition of COVID-19 restrictions as well as climate conditions. In this regard, energy price index observed remarkable gains in both annual and quarterly terms, mirroring the increase in prices of major energy commodities. While the non-energy index continued to rise on the back of global manufacturing expansion and supply chain disruptions when compared with Q4-2020, the non-energy prices registered a moderation when compared with the previous quarter.

The price of crude oil averaged US$78.3 per barrel during Q4-2021, representing an increase of 79% and 9% in annual and quarterly terms, respectively. During the quarter, oil prices were mainly supported by more balanced supply over demand fundamentals, which reflected positive market sentiments. As such, the higher demand for oil during the winter season in the major oil consuming countries and the continuous recovery in global oil demand continued to support oil prices in Q4-2021. However, the uptick in prices were partially curbed by the softening demand due to the quick spread of the Omicron variant and the consequent impact on international travel and transportation. On the supply front, the lower crude oil stocks amid strong demand continued to support prices. The temporary supply outages which

Figure 5: Commodity Prices, 2017 - 2021
(annual percentage change)



Source: IMF

made crude oil unavailable in the short term also supported prices, while the slow-paced increase in production by the participants of the Declaration of Cooperation (DoC) further aided prices. However, prices were under pressure for a brief period due to the supply and demand mismatch, amidst the slowdown in demand witnessed in Q4-2021.

Turning to major commodities in the non-energy index, the base metal index rose by 16% in annual terms, while declining by 12% when compared with the previous quarter. The annual increase reflected the improved global manufacturing activity whereas the quarterly decline represented the effect of relaxation of the ongoing energy restrictions in China and the effect of a strong US dollar on overall prices. With regard to global food prices, the IMF food price index grew by 24% and 1% in annual and quarterly terms, respectively. Similarly, the Food and Agriculture Organization (FAO) food price index registered an annual increase of 28% and a quarterly increase of 5% in Q4-2021, primarily reflecting the impact of supply chain disruptions and higher transportation costs on food production.

Global Trade

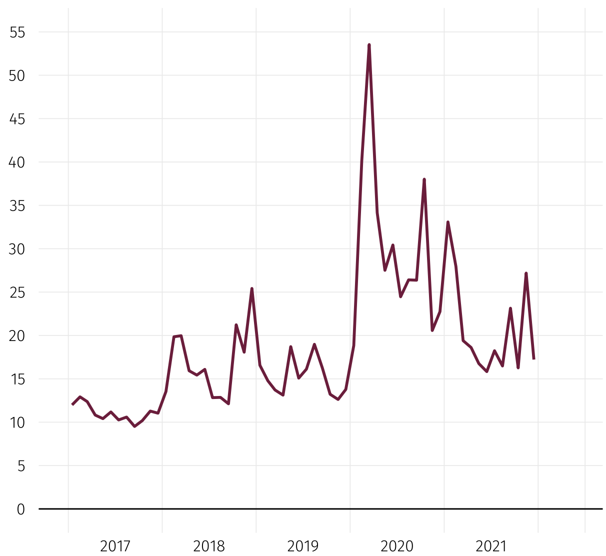
Despite the re-imposition of COVID-19 restrictions and the ensuing supply chain issues, the global trade performed robustly in the third quarter of 2021. During Q3-2021, the value of global merchandise trade grew by 24% when compared to a year ago, primarily due to the increase in the price of primary commodities such as fuel and food. In this regard, both merchandise exports and imports increased by 24% and 25%, respectively, with similar regional trends. Meanwhile, global services trade increased second time in a row, with services trade remaining 5% below pre-pandemic levels (Q3-2019). In Q3-2021, global service trade was bolstered by digitally deliverable services and transport, mainly owing to surging shipping costs. Meanwhile, based on the latest data available for Q4-2021, the merchandise exports and imports are expected increase both in annual and quarterly terms.

Mirroring these developments and the global economic recovery, the global merchandise trade is expected to grow by 10.8% in 2021 as per the World Trade Organization (WTO) estimates. Meanwhile, the International Monetary Fund (IMF) predicts the global trade volume of goods and services to record an increase of 9.3% in 2021. Going forward, while global trade recovery is expected to play a key role in the economic recovery, global supply chain disruptions and the emergence of the Omicron variant is expected to negatively affect the trade developments.

Global Financial Markets

The global financial conditions remained largely accommodative in Q4-2021, although some tightening due to the emergence of the new COVID-19 variant was observed in both advanced; and emerging market and developing economies in Q4-2021. The share prices observed increases on average in both the groups while the implied volatility of the US stock market registered a slight increase amid the spread of new variants of the COVID-19 virus (Figure 6). Meanwhile, the yield-to-maturity on longer term sovereign bonds accelerated in all of the selected economies, except for Chinese sovereign bonds when compared to a year ago, reflecting monetary policy loosening and more stable inflationary pressures. However, the sovereign bond yields of the selected economies in both the country groups observed increases when compared with the previous quarter. In line with these developments and domestic economic developments, the monetary policy stances in both the country groups remained broadly accommodative in Q4-2021. As such, majority of the central banks opted out of policy rate changes. However, the Bank of Russia increased the policy rate twice by a total of 175 basis points on account of persistent inflationary pressures, while the Bank of England increased the policy rate by 15 basis points during the quarter.

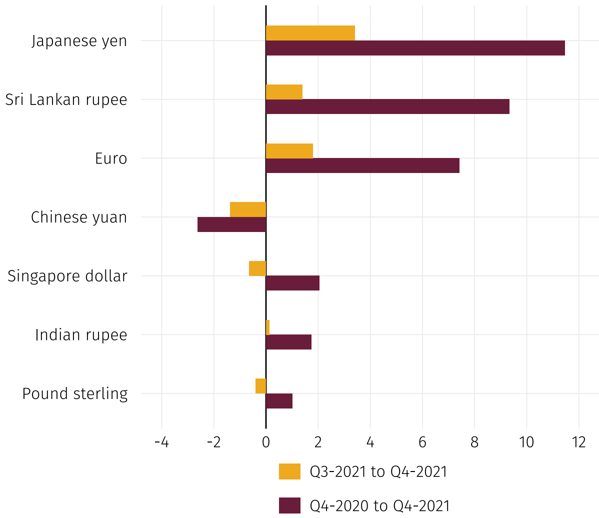
Figure 6: Volatility Index, 2017 - 2021
(percent)



Source: Bloomberg Database

In the foreign exchange market, the overall performance of the US dollar against the currencies of the Maldives' major trading partners was mostly strong when with Q4-2020 and Q3-2021 (Figure 7). The US dollar strengthened against all the currencies except Chinese yuan at the end of Q4-2021 when compared with Q4-2020. However, in quarterly terms, the US dollar weakened against the Chinese yuan, Singapore dollar and pound sterling, while the currency strengthened against the rest of the currencies.

Figure 7: Exchange Rates, Q4-2021
(percentage change)



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

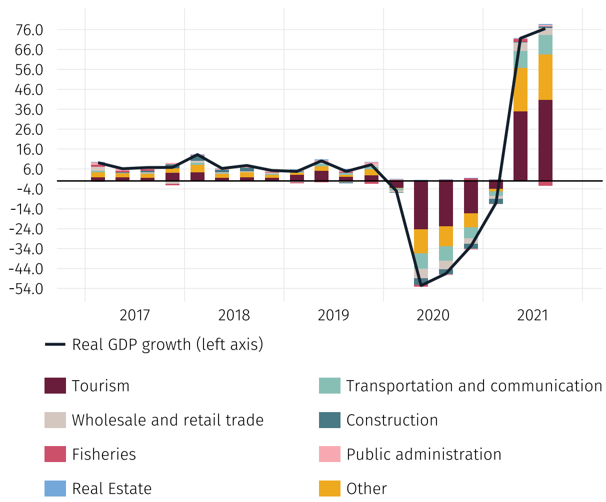
Economic Developments in the Maldives

Real Economy

Gross Domestic Product

The Maldivian economy continued to recover strongly in Q3-2021 and real GDP growth is estimated to have strengthened further in Q4-2021, despite the re-introduction of travel restrictions by governments across the world due to the Omicron variant of COVID-19. Available high frequency indicators and business survey results for Q4-2021 suggest that growth momentum strengthened during the quarter, driven by the significant expansion in tourism activity with positive spill-over effects on other major sectors, such as transportation and communication and wholesale and retail sector. Additionally, the recovery of construction and real estate activity is also expected to have contributed positively to growth in Q4-2021. The continued strengthening of economic activity has been enabled by the easing of COVID-19 related containment measures and low infection rates[4] largely owing to high vaccination rates[5] both domestically (as of 29 December 2021, 68% of the eligible population of Maldives have been fully vaccinated) and globally.

Figure 8: Contribution to Real GDP Growth by Economic Sectors, 2017 - 2021
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

According to the latest Quarterly National Accounts (QNA)[6] estimates released by the Maldives Bureau of Statistics (MBS) on 2 January 2022, real GDP registered a strong annual growth of 76.5% in Q3-2021[7], after rebounding by a significant 71.6% in Q2-2021 (Figure 8). Nonetheless, GDP remained 6% below pre-pandemic level of Q3-2019.

[4] On 1 October 2021, the total number of daily new cases stood at 57, with the total number of cases at 84,866 (1,548 active cases), reaching 219 daily new cases on 3 November 2021 – the highest number of cases recorded on a single day during the quarter. By the end of the quarter, the total number of daily new cases stood at 160, with a total of 95,700 cases (2,298 active cases) registered on 31 December 2021.

[5] In October 2021, Maldives began administering COVID-19 booster doses for people aged above 60 and those who are immunocompromised.

[6] QNA data was available up until Q3-2021 at the time of this publication. Advance estimates data are released with a four-month lag.

[7] As QNA data for Q3-2021 used in this analysis is based on advance estimates, the data is subject to change in the upcoming revisions.

In Q3-2021, real GDP growth was mainly contributed by the strong recovery of tourism sector (40.7 percentage points); followed by a significant contribution from transportation and communication sector (10.0 percentage points), which is closely linked to developments in the tourism sector.

Notable positive contributions to growth were also made by the wholesale and retail trade (3.3 percentage points) and entertainment, recreation and other services sectors (3.8 percentage points). After being severely affected by COVID-19 containment measures, the entertainment, recreation and other services sectors rebounded strongly in Q2-2021 and grew further in Q3-2021 with output reaching pre-pandemic levels in Q3-2021, following the relaxation of public health restrictions imposed by the government.

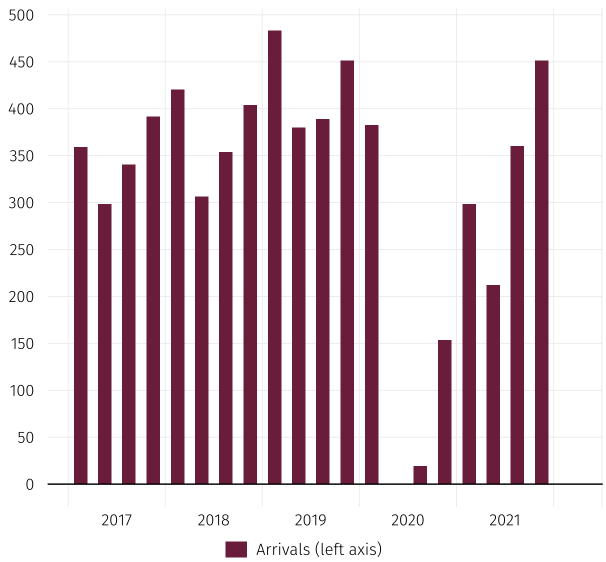
The construction sector continued to recover with growth turning positive in Q2-2021, followed by a further increase in construction output in Q3-2021. Despite the increase in the pace of expansion in Q3-2021, the recovery of the construction sector remains slow as output remains 33% lower than pre-pandemic levels in Q3-2019.

The gross value added of the fisheries sector, which registered four consecutive quarters of strong growth, declined significantly in Q3-2021, dragging down real GDP growth by 2.3 percentage points.

Tourism

The ongoing recovery of the tourism sector gained further momentum in Q4-2021 amid the commencement of the peak tourism season, despite travel restrictions imposed by governments in early December due to the highly transmissible Omicron variant. In Q4-2021 tourist arrivals rose threefold compared to the same period of 2020 (from 153,684 to 451,075) and almost reached pre-pandemic levels of Q4-2019 (Figure 9), although arrivals were slightly lower than expectations due to travel restrictions associated with the Omicron variant. The strong growth in tourist arrivals in Q4-2021 largely reflected base effect of the slow recovery of the sector in Q4-2020 following the re-opening of borders in July 2020. Contributed by the strong results in Q4-2021, total tourist arrivals reached 1,321,937 (78% of levels in 2019) in 2021, surpassing the government's annual target arrivals of 1.3 million tourists for the year, with Maldives being among best performing destinations during the year.

Figure 9: Inbound Tourist Arrivals, 2017 - 2021
(thousands, annual percentage change)



Source: Ministry of Tourism

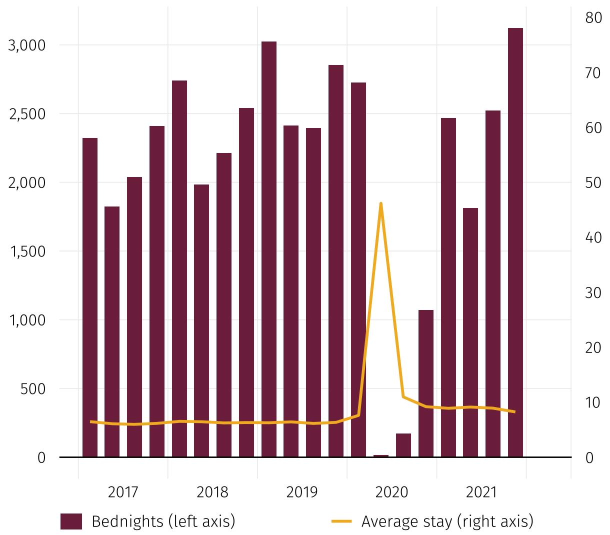
In Q4-2021, tourist bednights increased by 191%, despite the drop in average stay from 9.2 days in Q4-2020 to 8.2 days in Q4-2021. Similarly, bednights increased by 9% compared to the same period of the pre-pandemic year (2019) (Figure 10).

In terms of market composition, Europe remained as the main source region, accounting for a sizeable 61% of tourist arrivals, while the market share of Asia declined to 25%—after registering 34% of total tourist arrivals during the previous quarter (Figure 11). During Q4-2021, India was largest source country, accounting for 20%, followed by Russia (11%), the United Kingdom (10%), Germany (9%) and the United States (5%).

According to the international flight movements data, the number of flight movements increased significantly by 154% when compared with Q4-2020 and by 16% compared to Q4-2019. This mainly reflected the frequency of flights by major carriers (such as Go Air, Indigo, SriLankan Airlines, British Airways and Turkish Airlines), the resumption of operations by airlines (AirAsia Thailand, Air Astana, Azur Air Ukraine, British Airways, GullivAir, Iberia Airlines, Neos Airlines, Ukraine Airlines and Uzbekistan Airways, which include seasonal charter airlines) as well as the commencement of operations by new airlines (LOT Polish Airlines, Nordwind Airlines, MIAT Mongolian Airlines and US-Bangla Airlines).

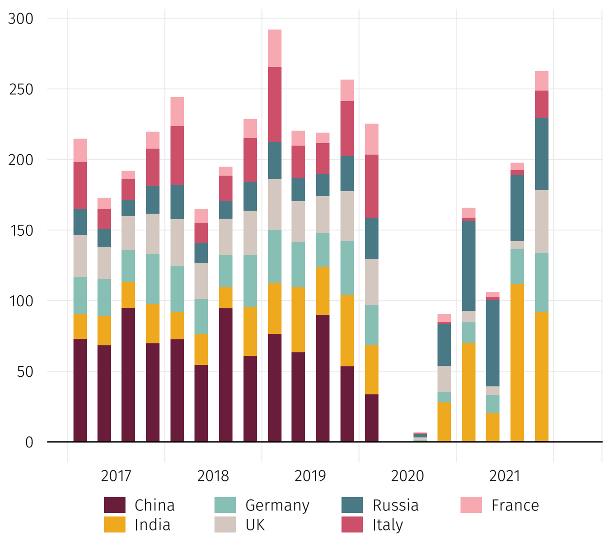
On the supply side, the number of resorts in operation increased to 161 resorts at the end of Q4-2021 from 156 resorts at the end of Q3-2021 and 140 resorts at the end of Q4-2020. The operational bed capacity of the industry rose by 40% in Q4-2021 compared to Q4-2020 and by 5% compared to previous quarter. Of the total operational bed capacity, resorts accounted for 72% of beds, followed by guesthouses (20%). In Q4-2021 the occupancy rate of the industry rose to 65%, up from 30% in Q4-2020. Meanwhile, the average occupancy rate of resorts rose to 79%, from the 34% in Q4-2020 and 62% in Q3-2021.

Figure 10: Bednights and Average Stay, 2017 - 2021
(thousands, days)



Source: Ministry of Tourism

Figure 11: Arrivals from Major Inbound Markets, 2017 - 2021
(thousands)



Source: Ministry of Tourism

As for developments in global tourism, international tourist arrivals continued to recover but remained significantly below pre-pandemic levels. According to United Nations World Tourism Organization (UNWTO) international arrivals declined by 62% in Q4-2021 when compared to the same period in 2019 but increased by 132.6% compared to Q4-2020. However, the recovery remained uneven across countries and regions with Asia and the Pacific region (-92.2%) posting the largest drop in arrivals over the same period of 2019, while Europe (-45.9%) recording the smallest decline. Further, UNWTO reported that the recovery has been faster in countries with higher vaccination rates and was also contributed by the gradual relaxation of travel restrictions for vaccinated travellers which boosted consumer confidence.

Construction

Construction sector continued to recover, although at a significantly slower pace, as the output of the sector continued to be severely affected by labour shortages, supply chain disruptions and high input prices. In Q3-2021, the gross valued added of the sector remained 33 percent lower than pre pandemic levels of Q3-2019, although the sector registered positive annual growth rates in the past two quarters.

According to high frequency indicators, construction activity is estimated to have grown moderately in Q4-2021 supported by public infrastructure projects and private residential and property development projects. Import of construction-related items increased significantly by 62% year-on-year, while commercial bank credit to the construction sector[8] marginally declined by 1% at the end of Q4-2021[9]. This was mainly due to the decline in credit extended to renovation of resorts, together with other real estate projects, and construction of commercial buildings. However, notable increases were observed for credit extended to construction of residential or housing projects and property development projects during the quarter.

According to the MMA's Quarterly Business Survey for Q4-2021, on balance, activity in the construction sector weakened during the quarter. The volume of construction activity index turned negative and decreased by 14 points to -6 points in Q4-2021—twenty-two percent of businesses reported an increase in the volume of construction activity relative to Q3-2021, while 28 percent of businesses reported a decrease (50 percent of businesses reported no change). Meanwhile, the volume of orders received index plunged 22 points but continued to remain positive at 2 in Q4-2021.

Fisheries

Following a 34% annual decline in the gross value added of the fisheries sector in Q3-2021, activity in the fisheries sector is estimated to have further weakened during Q4-2021 as indicated by available high frequency indicators. In the fourth quarter of 2021, fish purchases made by processing companies increased only marginally compared to Q4-2020 while the volume of fish exports declined by 24%.

In Q4-2021, fish purchases totalled 23,874.4 metric tonnes, observing a marginal increase in annual terms. The marginal increase in fish purchases in the review quarter has been driven by the 18% increase in purchase of skipjack tuna which offset the 39% decline in yellowfin tuna purchases[10]. During the quarter, the local purchase price of skipjack tuna and iced skipjack tuna remained stable (at MVR14.0 per kilogram and MVR16.0 per kilogram, respectively). However, the average purchase price of yellowfin tuna by local companies increased to MVR87.4 per kilogram during Q4-2021 from MVR47.3 per kilogram during Q4-2020 as yellowfin supplies fell.

The volume of fish exports declined by 24% (6,540.8 metric tonnes) in Q4-2021 when compared with Q4-2020 and totalled 20,685.4 metric tonnes. The fall in the volume of fish exports primarily reflected the decrease in the export of frozen skipjack tuna (-31%) and frozen yellowfin tuna (-46%), despite increases in fresh or chilled yellowfin tuna (41%) and canned or pouched tuna (41%).

[8] 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.

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

[10] In September 2020, the state-owned enterprise Maldives Industrial Fisheries Company (MIFCO) abandoned the fixed rate of fish purchases.

Wholesale and Retail Trade

Activity in the wholesale and retail trade sector grew strongly in the past two quarters but the gross value added of the sector in Q3-2021 was still 29% lower than its level in Q3-2019. Supported by the strong growth of the tourism sector and the overall increase in domestic demand, wholesale and retail trade activity is estimated to have expanded further in Q4-2021, as suggested by private sector imports and bank credit to the sector, as well as business survey results.

In Q4-2021, private sector imports (excluding imports by the tourism sector) increased by 73% in annual terms, while the commercial bank credit to the sector increased by 5% during the quarter. According to the MMA's Quarterly Business Survey for Q4-2021, activity in the wholesale and retail trade sector further strengthened as indicated by the sales index and the volume of orders index, which increased 8 points and 17 points, respectively. Both these indices remained strong in Q4-2021, at 82.

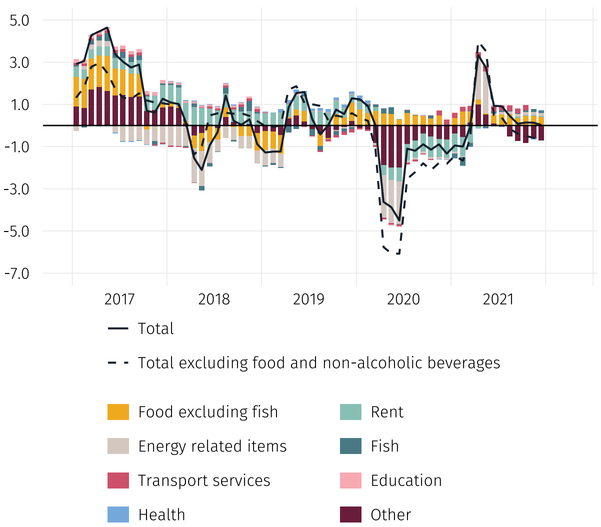
Inflation

The rate of inflation (as measured by the annual percentage change in the national CPI) decreased to 0.1% in Q4-2021 from 0.5% in Q3-2021, as price pressures declined in most categories of the CPI. The decrease in inflation during Q4-2021 was mainly contributed by the decline in prices of information and communication services and also reflected the dissipation of base effects related to the hike in import duty on cigarettes, which more than offset the increase in prices of certain sub-categories of the CPI, in particular food, housing rent and energy[11] (Figure 12). Upward pressure on inflation during the quarter largely reflected high global food and energy prices, low base effects related to COVID-19 policy measure and strengthening of domestic demand.

Declining prices for information and communication, was the main driver of inflation dynamics in Q4-2021 (-1.0 percentage points). The cost of information and communication services fell by 14.1% in Q4-2021 due to the reduction in unit price of mobile services used by consumers in October 2021. This reflected the pledge made by the government to make broadband and mobile internet more affordable to the consumers.

Higher increases in the prices for food and non-alcoholic beverages, which has the second highest weight in CPI basket, contributed significantly to upward pressure on inflation in Q4-2021 (0.5 percentage points). Food inflation edged up further in Q4-2021, registering an overall increase of 2.4%. Food inflation rose mainly on account of the increase in prices of fruits, vegetables, dairy products and fish, oils and fat and reflected higher import prices due to foreign exchange shortages and rise in global prices.

Figure 12: Contribution of Sub-Categories to CPI Inflation (National), 2017 - 2021
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

[11] Energy related items includes price charged on electricity, gas and other fuels, and price of fuels and lubricants for personal transport equipments.

Housing rent, which has recorded negative growth rates since Q2-2020, rose by 0.5%, contributing 0.1 percentage point to inflation in Q4-2021. This was largely due to the gradual rise in housing rent, reflecting low base effects related to temporary relief given to housing rent during the onset of the COVID-19 crisis.

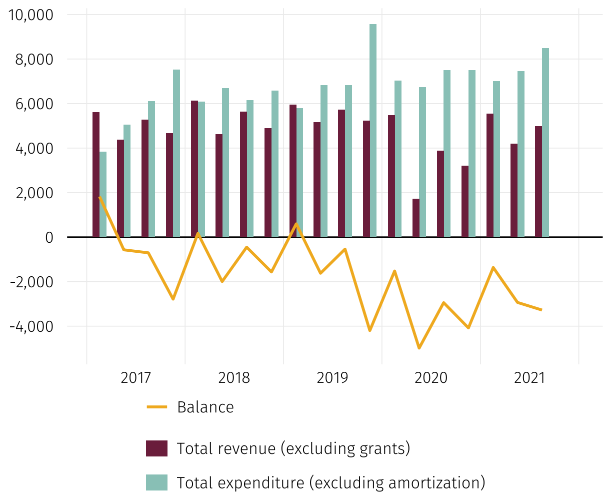
The energy sub-category has been another major contributor to inflationary pressures in Q4-2021 and contributed 0.15 percentage points to inflation. This was driven by a 32% increase in the price of petrol, owing to the upward adjustment of the administered price of petrol by State Trading Organization (STO) from MVR10.8 per litre in July 2021[12] to MVR11.2 per litre in October 2021, reflecting the surge in global oil prices. Global crude oil prices, which surpassed pre-pandemic levels, rose to 78.5 per barrel at the end of Q4-2021 from 71.7 per barrel at the end of Q3-2021, as a result of tight global supply amid a rebound in demand.

Public Finance[13]

Total government revenue (excluding grants) increased by MVR1.1 billion during Q3-2021[14] when compared with Q3-2020 and totalled MVR5.0 billion at the end of the quarter (Figure 13). This was on account of a significant increase in both non-tax revenue and tax revenue, reflecting a lower base effect in the corresponding quarter of 2020. In this regard, tax revenues, which accounted for 74% of the total revenue over the period, registered an annual increase of MVR445.8 million.

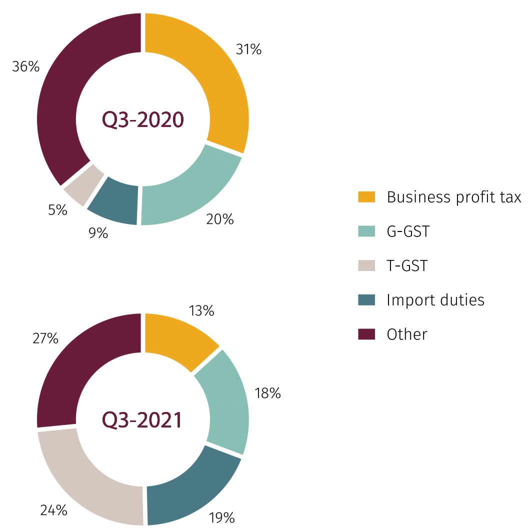
The increase in tax revenue during the quarter was witnessed across all major revenue sources except for business and property tax. Moreover, receipts from general goods and services tax (G-GST) also observed a marginal decline, due to a higher base effect of increased collections in Q3-2020, mirroring the extensions given on deadlines

Figure 13: Government Revenue and Expenditure, 2017 - 2021
(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, 2017 - 2021



Source: Ministry of Finance

following the pandemic. With regard to sources of tax revenue, the largest increase stemmed from a significant rise in the tourism goods and services tax (T-GST)—the main single source of revenue for the government—which observed a growth of MVR724.6 million (Figure 14). The positive momentum in the tourism sector was

[12] This is based on 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.

[13] Government revenue and expenditure data as of 6 February 2022. These figures might vary due to ongoing data reconciliation.

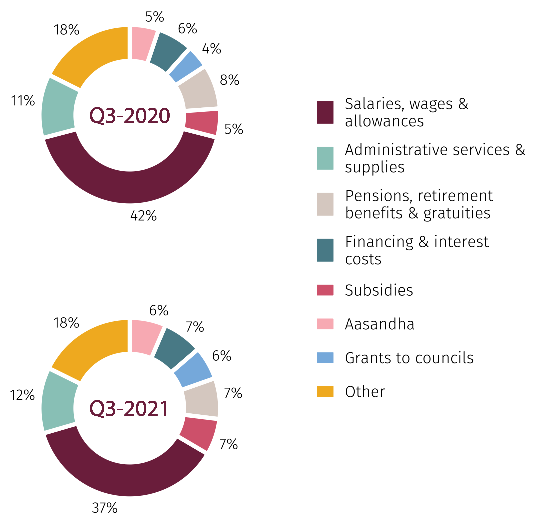
[14] Data for Q4-2021 was not available at the time of compilation of this report.

further reflected in the collection of green tax and airport service charge. Import duties observed an annual increase of MVR415.0 million, reflecting the increase in volume of imports, as domestic demand showed signs of recovery. However, a significant decline was observed in the collection of business and property tax, stemming from sizeable decreases in both other business and property tax, and business profit tax (BPT), despite an increment in receipts from withholding tax.

Non-tax revenue, which comprised 26% of the total revenue, observed an increase of MVR624.0 million in annual terms and totalled MVR1.3 billion at the end of Q3-2021. The largest increase within this category stemmed from the collection of rent from resorts, which observed a marked increase of MVR535.0 million when compared with Q3-2020. It is noteworthy that part of the rental deferments[15] that were granted by the government in the previous year following the pandemic fell into the review quarter, which led to the increment in rent. In addition, an increase was observed in airport development fee, reflecting a higher number of foreign departures from the international airports, which also reflected in the increment in airport service charge[16]. Similarly, revenue from registration and license fees, and receipts from dividends from state-owned enterprises (SOE) showed significant growths, while revenue from interest and profits, and resident permits posted declines over the review quarter.

Total expenditure (excluding debt amortisation) recorded an increase of MVR990.1 million in annual terms and totalled MVR8.5 billion during Q3-2021. This stemmed largely from a significant increase in recurrent expenditure which posted an annual growth of MVR751.6 million, together with an increase in capital expenditure. The increase in recurrent expenditure was driven by a substantial increase in administrative and operational expenses, largely due to increased spending on grants, contributions and subsidies. Within this category, a significant proportion stemmed from other grants and contributions. Further, grants to councils[17] increased notably while sizeable increases were also observed in subsidies and Aasandha (Figure 15). Meanwhile, capital expenditure observed an increase of MVR238.5 million, largely stemming from expenditure on infrastructure assets as well as development projects and investment outlays, despite a significant decline in lendings. This decline partly reflected the higher base effect of lending stemming from the COVID-19 Recovery Loan Scheme in 2020. The increase in infrastructure assets primarily mirrored the rise in spending on other infrastructure assets, and expenditure on roads, bridges and airports, which grew by MVR344.2 million and MVR247.4 million, respectively.

Figure 15: Composition of Recurrent Expenditure, 2017 - 2021



Source: Ministry of Finance

[15] 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.

[16] Airport Service Charge and Airport Development Fee are revenues that are collected simultaneously.

[17] Block grants to councils is a new policy initiative of the government outlined in the national budget to promote decentralisation.

Money and Banking

Broad Money

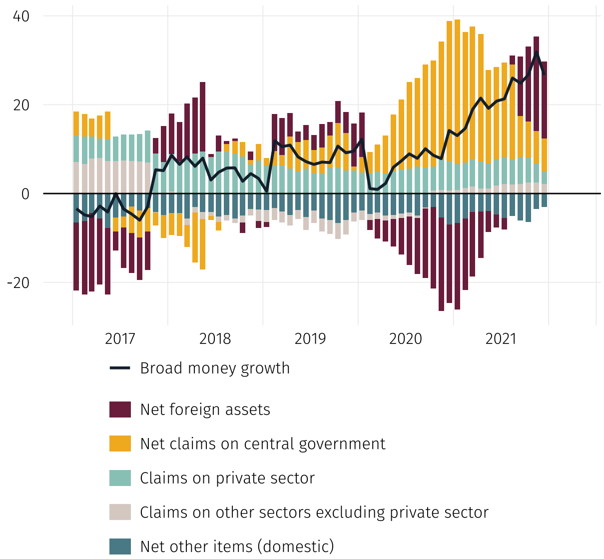
TThe annual growth rate of broad money (M2 or money supply) accelerated to 27% at the end of December 2021, after recording 25% at the end of September 2021 (Figure 16). On the components side, this was mainly due to a significant increase in the transferable deposit base (demand deposits), together with other deposits (savings and time deposits) of the banking system. In contrast, currency outside depository corporations observed a decrease over the review period.

Demand deposits—which accounted for 74% of the money supply during the period—rose by 29%; an acceleration from 27% recorded at the end of September 2021. The growth in demand deposits during the period stemmed from a sizeable increase in such deposits denominated in both foreign as well as local currency. The increase in foreign currency denominated demand deposits stemmed largely from an increase in deposits by private non-financial corporations as well as private individuals, while the increase in local currency denominated demand deposits stemmed mainly from private non-financial corporations, private individuals, and public non-financial corporations.

Other deposits—which accounted for 20% of money supply—observed a significant increase, recording 30% at the end of December 2021, broadly unchanged from the growth recorded at the end of September 2021. This growth mainly reflected a substantial rise in time deposits denominated in local currency, while time deposits denominated in foreign currency as well as savings deposits denominated in both local and foreign currency also increased. Meanwhile, currency outside depository corporations—which accounted for 6% of money supply—declined by 4%, unchanged from the decline rate recorded at the end of September 2021.

Figure 16: Contribution to Broad Money, 2017 - 2021

(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

On the sources side, the acceleration in broad money growth largely reflected a sizeable increase in net foreign assets (NFA), while net domestic assets (NDA) of the banking system also posted a significant growth. As such, NFA grew by 109% at the end of December 2021, after recording a growth of 110% at the end of September 2021. The 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. On the other hand, the upturn in NFA of the MMA can be attributed to a significant drop in foreign liabilities due to the repayment of the swap with the Reserve Bank of India (RBI) in December 2021, despite a decline in foreign assets of the MMA.

Looking at the developments in NDA, an annual expansion of 11% was observed in December 2021, a slight deceleration from 13% recorded in September 2021. The 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 MVR3.5 billion, primarily reflecting the annual expansion in government securities. In addition, commercial banks' credit to the private sector and public non-financial corporations also contributed to this increase, recording growths of MVR1.2 billion and MVR907.0 million, respectively. However, it is noteworthy that credit to private sector observed a deceleration when compared with September 2021. Meanwhile, the fall in NDA of the MMA stemmed from an increase in overnight deposit facility (ODF) placements by commercial banks, followed by a decrease in domestic claims of the MMA. The decrease in domestic claims of the MMA was largely driven by the fall in claims on commercial banks.

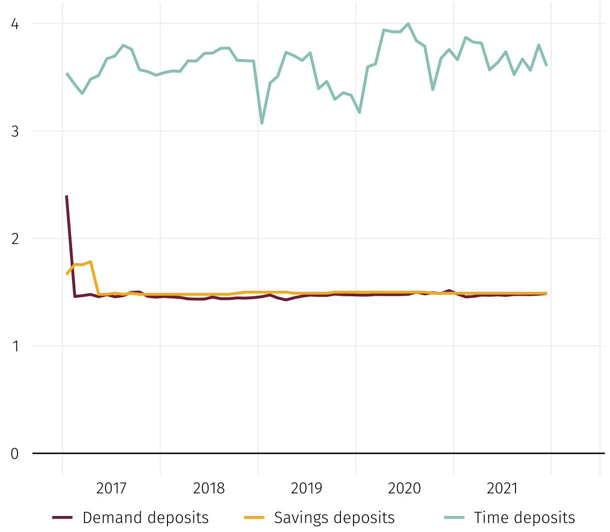
Credit to Private Sector

Credit to the private sector observed a slowdown when compared with the previous quarter and stood at MVR28.0 billion at the end of Q4-2021. Similarly, the annual growth rate decelerated to 5% (MVR1.3 billion) in December 2021 from 8% in September 2021. 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 40% of total private sector credit) registered an annual growth of 3% in the review period, a notable deceleration from 12% recorded in September 2021. This was owing to a sizeable decline in credit extended for renovation of resorts together with new resort development, despite the continued growth in credit extended as working capital as such loans disbursed to the sector continued to expand following the COVID-19 pandemic outbreak in the Maldives. Similarly, credit extended to the construction sector rose by 2%, primarily driven by the growth in credit lent for the construction of residential housing as well as property development. Meanwhile, credit extended as personal loans expanded significantly and observed the largest increase, recording a growth of 18% 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, despite a decline in credit lent to restaurants and cafés.

Interest Rates

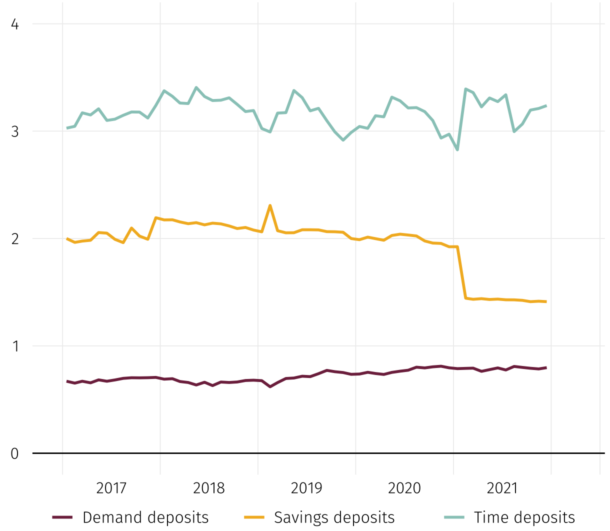
As for interest rates, the rate on local currency demand deposits observed a slight decrease, while the rate on foreign currency demand deposits remained broadly unchanged at the end of December 2021. Similarly, the rate on local currency savings deposits remained broadly unchanged while, the rate on foreign currency savings deposits observed a decrease. Meanwhile, the interest rate on local currency denominated time deposits (maturity of six months to one year) observed a decrease, although the rate on such deposits denominated in foreign currency posted an increase over the period (Figure 17 and 18). 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 decrease during the period (Figure 19).

Figure 17: Interest Rate on National Currency Deposits, 2017 - 2021
(weighted average)



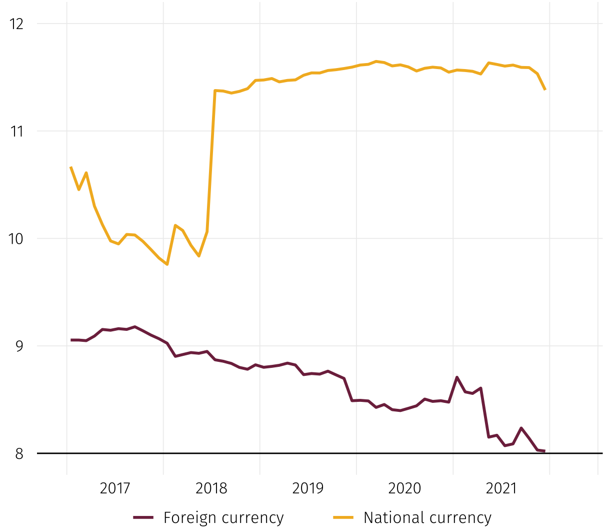
Source: Maldives Monetary Authority

Figure 18: Interest Rate on Foreign Currency Deposits, 2017 - 2021
(weighted average)



Source: Maldives Monetary Authority

Figure 19: Interest Rate on Private Sector Loans and Advances, 2017 - 2021
(weighted average)



Source: Maldives Monetary Authority

Financial Sector

Banking Sector

The performance of the banking sector during Q4-2021 has seen improvements compared to a year ago, with growth in assets and profitability. The total capital to risk-weighted assets ratio stood at 47% due to a significant portion of low-risk assets in the asset portfolio and the leverage capital ratio measured by equity (Tier 1 Capital) to assets, being at 16%. The capital adequacy ratios remained strong and well above the minimum requirements of 12% and 5% respectively.

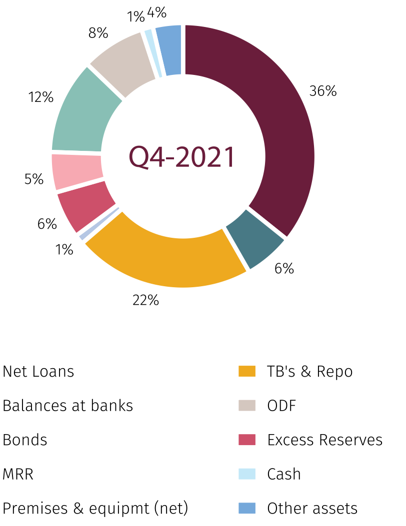
At the end of Q4-2021, pre-tax profits were at MVR4.4 billion, which is a significant growth of 197% compared to last year. The ease of the COVID-19 pandemic restrictions and the surge in tourism sector performance and other commercial activities relative to 2020 played a vital role in the increase in profitability of the banking sector. While increases in both net interest income and net non-interest income have impacted profitability, the increase was mainly driven by a significant reduction in loan-loss provisions during the year for loans that had previously been in moratorium, rescheduled, or otherwise deemed a credit risk; as well as the increase in net non-interest income from the large recovery of a long-overdue loan. With improvement in earnings, the earnings ratios showed notable improvements. Return on assets (ROA) increased to 5% from 2% and return on equity (ROE) increased to 21% from 8% in annual terms.

Liquidity position remained strong during Q4-2021, with 49% of assets held as liquid assets (Figure 20). Such assets consisted mostly of short-term investments in debt securities, which accounted for 22% of the asset portfolio; followed by balances at banks comprising 12%; and balances in the ODF and excess reserves at MMA representing 8% and 6% respectively.

Absolute non- performing loans (NPLs) reduced significantly by 12% during Q4-2021 and compared to Q4-2020, mainly due to write-off of few NPLs. The annual reduction in absolute NPL is reflected in the NPL ratio as the ratio declined from 8% to 7% year-on-year. However, the ratio remained unchanged compared with the previous quarter. The specific provisions covered 127% of NPLs as of the end of the quarter. Gross loans stood at MVR31.5 billion, which is a 1% decline during the quarter and an increase of 8% compared to Q4-2020.

At the end of Q4-2021, total deposits were valued at MVR52.6 billion, which is an annual growth of 28% (MVR11.3 billion), and a quarterly growth of 12% (MVR5.7 billion). Compared to the end of Q4-2020, foreign currency deposits grew by 26% and local currency deposits grew by 29% in Q4-2021.

Figure 20: Net Asset Composition of Banking Industry, Q4-2021



Source: Maldives Monetary Authority

Finance Companies

Non-bank financial sector continued to perform well and recorded total assets of MVR3.7 billion at the end of Q4-2021, a quarterly increase of 8% and an annual increase of 20%. The annual growth is mainly due to a capital injection by a state-owned financial institution during the year, amounting to MVR337.5 million, which was utilised to lend to the SME sector.

Capital strength remained strong 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 44%.

Gross loans amounted to MVR2.8 billion at the end of Q4-2021, an increase by MVR135.9 million or 5% compared to the previous quarter, and MVR304.8 million or 12% on annual terms.

Loan portfolio growth was noted in all sectors this quarter with significant growth noted in transport and communication, manufacturing and commerce sectors. Signs of deteriorating loan quality was noted with the increase in NPL ratio from 3% to 12% annually. Absolute NPLs increased by MVR132.5 million at the end of the quarter, and by four times compared to a year ago. Specific provisions coverage of NPLs reduced from 22% at the end of Q3-2021 to 16% in Q4-2021.

At the end of Q4-2021, other financial institutions recorded net profits before tax of MVR133.2 million, a 2% decline compared with the same period of 2020, on account of increases in provision for loan losses and non-interest expenses during the quarter. Similarly, the profitability ratios; average ROA and average ROE, declined slightly from 3.7% and 9.3%, to 3.2% and 6.9% respectively, when compared with the year-to-date profitability ratios recorded at the end of Q4-2020.

Money Remittance Companies

There were two licensed money remittance companies providing remittance services during the quarter.

Total outward remittances through remittance businesses totalled US$9.1 million in Q4-2021, a 16% decrease in quarterly terms. Annual outward remittances totalled US$51.9 million, a substantial decrease of 44% or US$41.0 million compared to 2020. This can be attributed to the relative ease of physical movement of money across the border with the absence of travel restrictions that were in place for the majority of the previous year.

Share of outward remittances conducted by foreigners amounted to 42% for Q4-2021, compared to 67% in Q4-2020. The majority of outward remittances in Q4-2021 were made for family maintenance and savings (71%). Bangladesh remained the most popular outward remittance destination, representing 30% of total outward remittances, followed by India (14%), Egypt (8%) and Philippines (7%).

Inward remittances received through remittance businesses amounted to MVR13.3 million in Q4-2021, a decrease of 29% on a quarterly basis. Total inward remittances for the year totalled MVR60.5 million, reflecting a 45% increase from MVR41.7 million received during the previous year.

In Q4-2021, 17% of the inward remittances originated from United Arab Emirates, followed by Saudi Arabia (7%) and United Kingdom (6%). During the quarter, 58% of inward remittances went toward family maintenance and savings, with 35% for personal gifts and donations.

Insurance Industry

Following the increase in economic activity after the slowdown from the COVID-19 pandemic, the general insurance industry recorded strong annual growth during 2021 with a significant increase in both the Gross Written Premium (GWP) and total assets. Compared to 2020, total GWP increased by 21% to reach MVR1.1 billion while total assets increased by 6% to reach MVR2.1 billion, and total equity rose by 9%. Insurance companies remained well-capitalized in relation to the risks they are exposed to, as shown by the net premium to average equity ratio of 59%.

GWP for Q4-2021 was MVR320.3 million, an increase of 42.3% compared to the Q4-2020. Net Written Premiums during Q4-2021 totalled MVR99.8 million. The premium income from insurance classes such as Fire, Health and Contractors All Risk increased significantly in Q4-2021 compared to Q4-2020. These three classes together contributed to 55% of the GWP, with a share of 30%, 20% and 5% of the GWP, respectively (Figure 21).

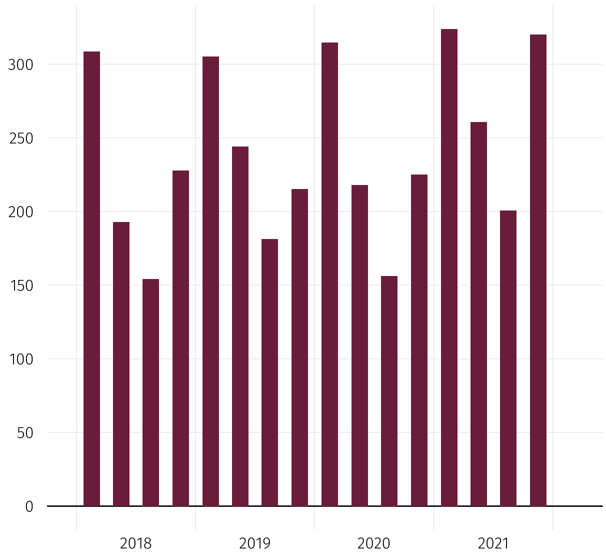
Insurance companies paid out a higher amount in claims in Q4-2021 than in Q4-2020; MVR119.5 million in Q4-2021 against MVR81.8 million in Q4-2020. This increase in claims was mainly from Fire insurance class which experienced a surge of 241% for Q4-2021 compared to Q4-2020. Similarly, net claims (gross claims after deduction of the portion borne by the reinsurers) also increased from MVR30.9 million in Q4-2020 to MVR34.1 million in Q4-2021 (Figure 22).

The retention ratio for Q4-2021 stood at 31% of the GWP, higher than the corresponding period of 2020 at 28% (Figure 23). This is mainly on account of the increase in health policies during the quarter, which are fully retained. While Fire, Aviation, and Marine insurance classes depend heavily on reinsurance, most of the premium generated from classes such as motor and health are retained by the companies. Insurance companies retained 100% of premiums of Health insurance, 94% of premiums of Motor insurance, 14% of the premium from Marine Cargo class and 6% from Fire Insurance during Q4-2021 (Figure 24).

Total investments of the industry stood at MVR540.0 million at the end of December 2021 (Figure 25). Debt Securities accounted for 58% of the total investments of insurance companies, with 35% of the total invested in treasury bills and 23% in bonds. Fixed deposits contributed to 26% of total investments.

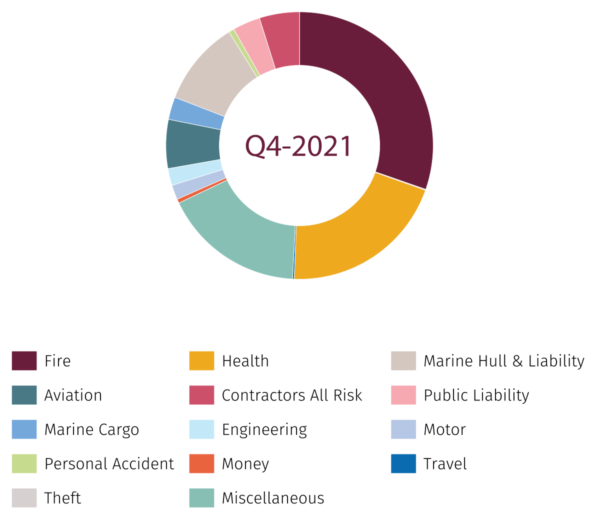
Insurance industry received MVR34.5 million as reinsurance commission during Q4-2021. Profit before tax declined to MVR13.1 million during Q4-2021; a decline of 53% compared to Q4-2020. Total profit for the year 2021 was MVR113.8 million; a drop by 14% compared to the total profit of 2020 (Figure 26). The decline in profitability for the year was mainly on account of the substantial increase in claims by 70%. Despite this, overall, the companies performed well, as indicated by the profitability ratios averaged over the past four quarters; with a ROE of 18%, and ROA of 6%.

Figure 21: Gross Written Premium, 2018 - 2021
(millions of rufiyaa)



Source: Maldives Monetary Authority

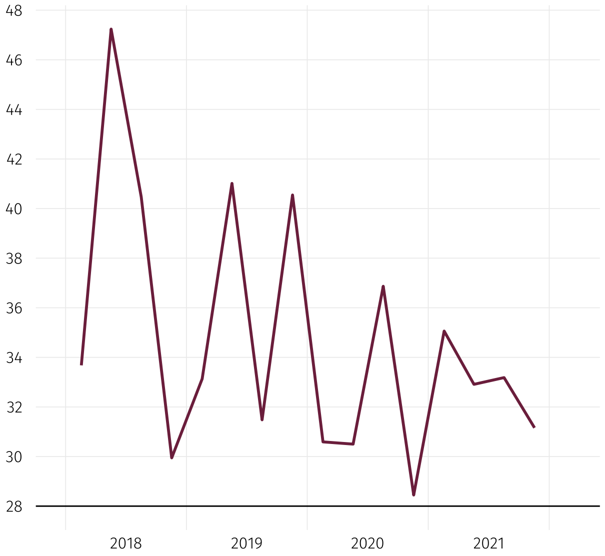
Figure 22: Premium Contributions by the Classes of Insurance, Q4-2021



Source: Maldives Monetary Authority

Figure 23: Retention Ratio, 2018 - 2021

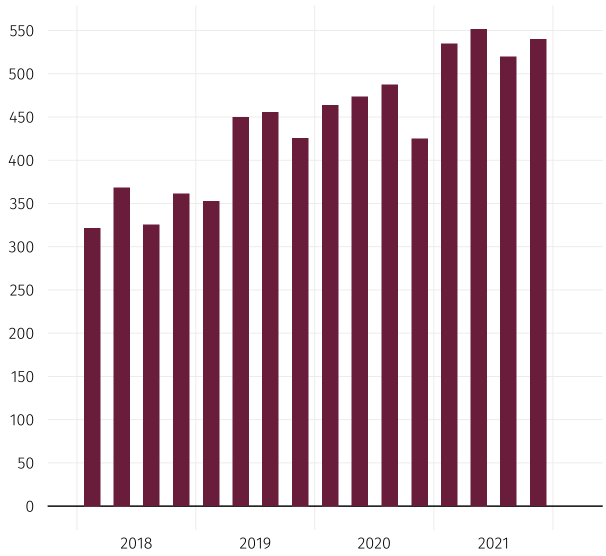
(percent)



Source: Maldives Monetary Authority

Figure 25: Investments, 2018 - 2021

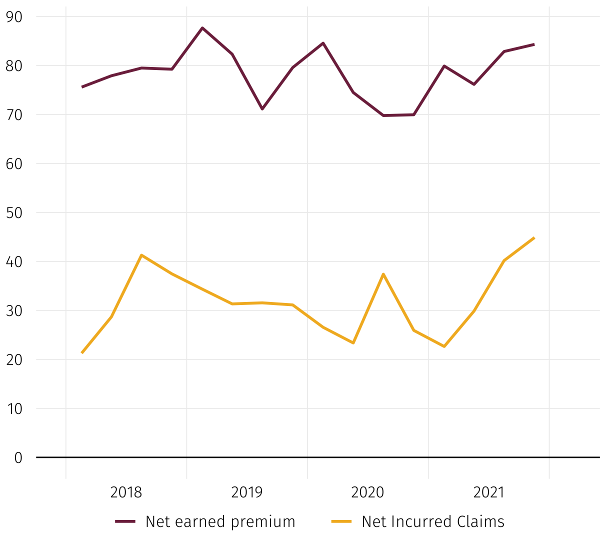
(millions of rufiyaa)



Source: Maldives Monetary Authority

Figure 24: Net Earned Premium vs Net Incurred Claims, 2018 - 2021

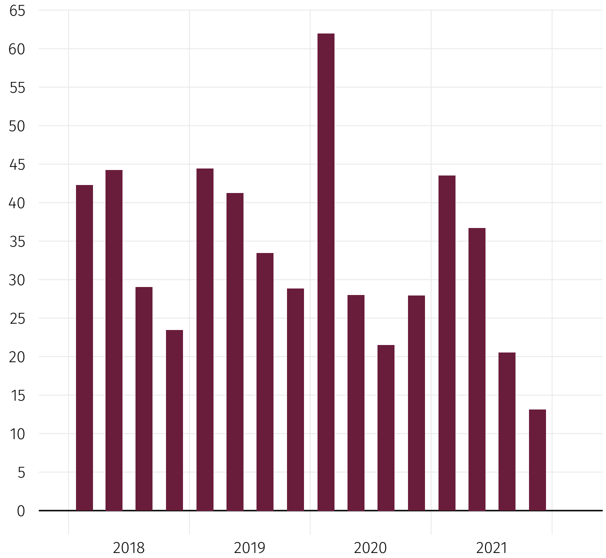
(millions of rufiyaa)



Source: Maldives Monetary Authority

Figure 26: Pre-tax Profit, 2018 - 2021

(millions of rufiyaa)



Source: Maldives Monetary Authority

External Trade

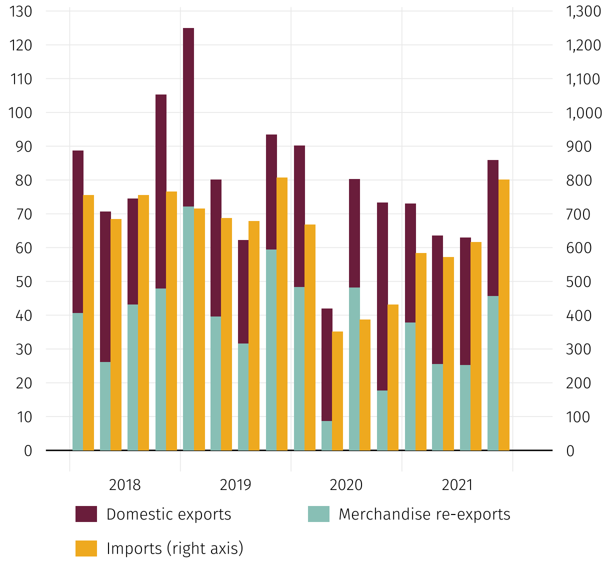
Merchandise Exports

Total merchandise exports registered an annual increase of 17% (US$12.4 million) in Q4-2021 and totalled US$85.8 million. This was mainly driven by the significant increase in merchandise re-exports, despite the decline in domestic exports during the quarter (Figure 27). As such, merchandise re-exports rose by 158% (US$28.0 million) to US$45.7 million in Q4-2021. The significant increase in re-exports during the review quarter was driven by re-exports of jet fuel, largely reflecting the substantial pick-up in tourism activity in the quarter.

Domestic exports—which mainly comprise fish and fish products—fell by 28% (US$15.5 million) during Q4-2021 and totalled US$40.2 million. This was mainly due to the decline in export earnings from frozen skipjack tuna, reflecting lower demand despite higher prices in international market, as well as due to lower export earnings from both frozen yellowfin tuna and fresh or chilled yellowfin tuna (Figure 28). Meanwhile, exports earnings from canned or pouched tuna increased by 20% (US$1.5 million) reflecting continued strong demand for such exports.

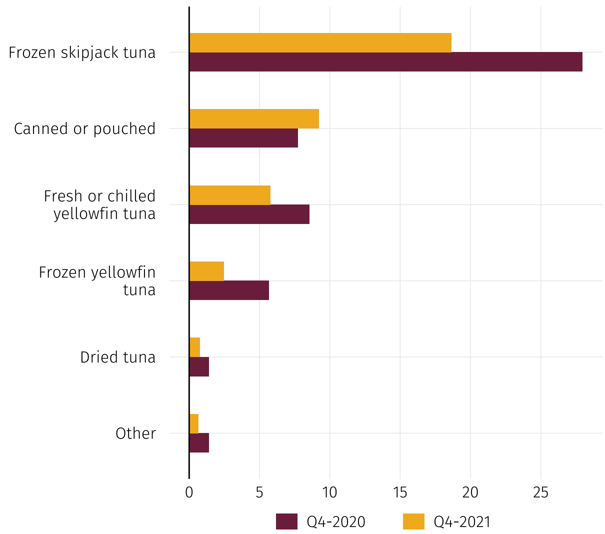
As for the direction of trade of exports, Asia was the major continental export destination during the quarter, accounting for 56% of domestic exports in Q4-2021—a marked decline from the 66% in Q4-2020 (Figure 29). Meanwhile, Europe was the second largest continental export destination

Figure 27: Total Trade Summary, 2018 - 2021
(millions of US dollars)



Source: Maldives Custom Service

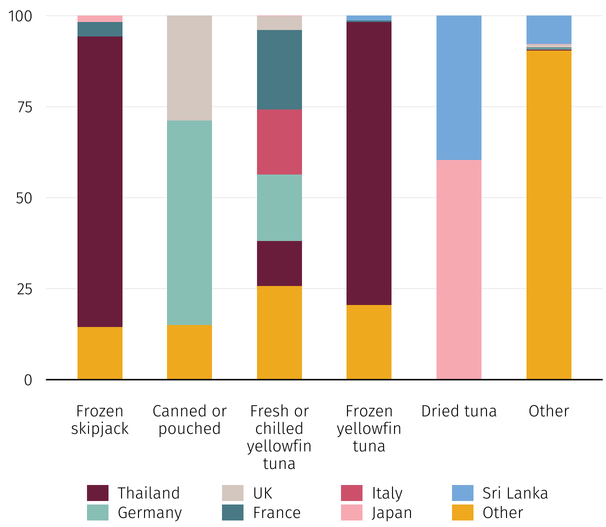
Figure 28: Composition of Fish Export Earnings, 2020 - 2021
(millions of US dollars)



Source: Maldives Customs Service

with a share of 36% in Q4-2021, up from 26% in the corresponding quarter of 2020. During the review quarter, export demand declined for most of the major Asian markets, while demand for most of the European export markets increased. Meanwhile, Thailand remained the dominant export market, accounting for 44% of total domestic exports in Q4-2021—a noteworthy decline from 55% in Q4-2020. Germany—the second largest export destination—accounted for 16% of the total domestic exports in Q4-2021, a marked increase from 6% registered in the corresponding quarter of 2020. Other notable export destinations include the UK, France and India, which observed declines in terms of share of total exports during the review quarter; except for the UK, which increased in terms of share of total exports.

Figure 29: Direction of Trade by Domestic Export Categories, Q4-2021
(percent)

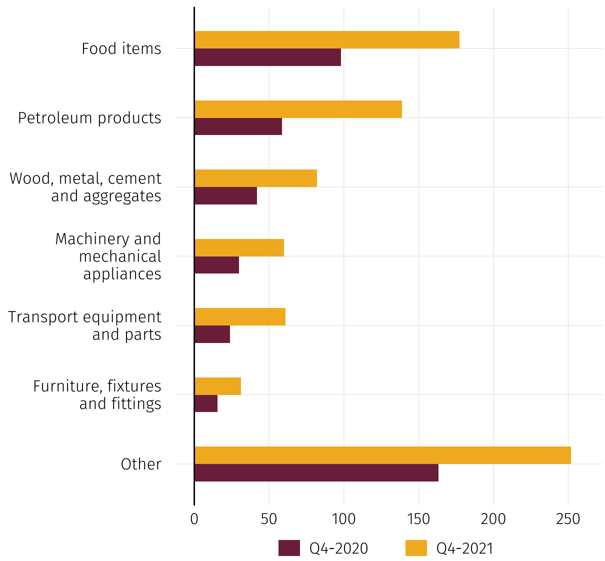


Source: Maldives Customs Service

Merchandise Imports

Total merchandise imports (c.i.f) recorded a significant annual increase of 86% (US$370.4 million) during Q4-2021 and totalled US$801.8 million, reflecting the strong rebound in import demand following a sharp decline in 2020. During the quarter, all major import categories recorded increases (Figure 30). The main contributors to the annual increase of merchandise imports were petroleum products, which increased significantly by 137% (US$80.2 million), followed by food items; and construction-related items; which observed increases of 81% (US$79.1 million) and 62% (US$43.7 million), respectively. Additionally, import expenditure on transport equipment and parts increased by 154% (US$36.9 million), while machinery and mechanical appliances and parts imports more than doubled (US$29.9 million).

Figure 30: Composition of Imports, 2020 - 2021
(millions of US dollars)



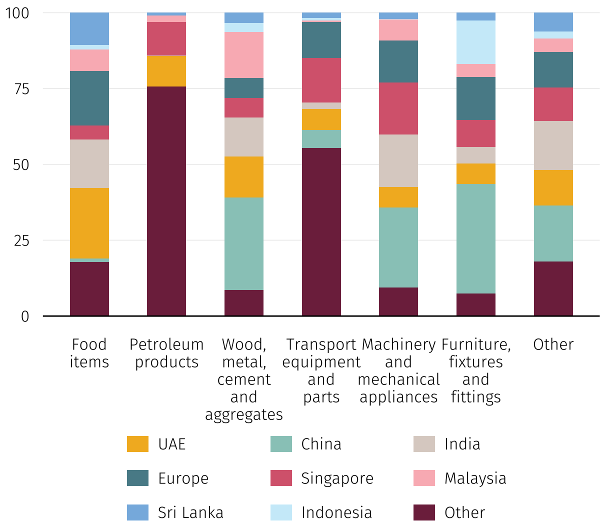
Source: Maldives Customs Service

With regard to the direction of trade of imports, Asia remained as the largest continental source of imports, accounting for 81% of total merchandise imports in Q4-2021 (Figure 31), followed by Europe, which accounted for 11%. During Q4-2021 the United Arab Emirates (UAE) remained as the single largest source market for imports, accounting for 13% of total merchandise imports. This was followed closely by China (13%), India (12%), and Singapore (10%). Further, Malaysia accounted for 6% of total merchandise imports in Q4-2021.

Gross International Reserves

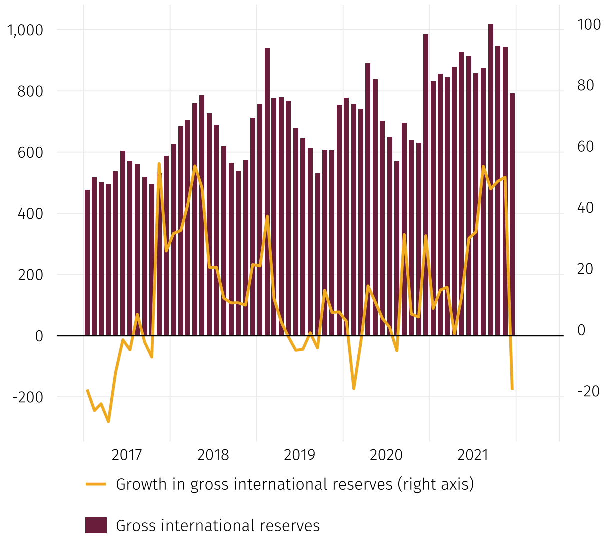
Gross international reserves (GIR)[18] decreased to US$791.2 million at the end of Q4-2021, registering a decline of 20% when compared with the corresponding quarter of 2020. Similarly, when compared with Q3-2021, GIR registered a decline of 22% (Figure 32). Both the annual and quarterly decrease in GIR mainly reflected the fall in short-term liabilities due to the repayment of the swap with the RBI in December 2021.

Figure 31: Direction of Trade by Import Categories, Q4-2021
(percent)



Source: Maldives Customs Service

Figure 32: Gross International Reserves, 2017 - 2021
(millions of US dollars, annual percentage change)



Source: Maldives Monetary Authority

[18] 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, 2018 - 2021

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

	2018	2019	2020	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
Real Sector											
Tourist arrivals	7	15	-67	-21	-100	-95	-66	-22	385,316	1,797	194
Bednights of resorts	9	12	-63	-9	-99	-93	-61	-3	10,340	1,282	187
Operational capacity of resorts	6	14	-36	16	-87	-55	-16	-5	740	138	26
Occupancy rate of resorts (%)	75	74	29	68	4	10	34	70	48	62	79
Average stay (days)	6.4	6.3	18.5	7.6	46.2	11.0	9.2	8.9	9.1	8.9	8.2
Fish purchases	3	3	-2	-14	-38	43	12	15	35	-21	0
Prices [1]											
Total (Republic)	-0.1	0.2	-1.4	0.7	-4.0	-1.1	-1.1	-0.7	2.3	0.5	0.1
Total excluding fish	-0.3	0.5	-1.6	0.6	-4.4	-1.2	-1.2	-0.4	2.4	0.5	0
Food and non-alcoholic beverages excluding fish	-2.2	0	2.8	4.0	2.5	2.9	1.7	3.0	1.5	2.7	2.3
Government Securities (millions of rufiyaa)											
Government securities outstanding	24,262.0	28,591.2	37,566.1	30,283.8	31,427.9	36,431.8	37,566.1	39,312.1	40,360.8	42,704.5	44,000.8
Treasury bonds	9,248.4	9,626.4	13,478.6	9,649.5	9,622.0	13,488.7	13,478.6	13,598.8	13,605.1	13,574.9	13,589.9
Treasury bills	15,013.6	18,964.7	24,087.5	20,634.3	21,805.9	22,943.1	24,087.5	25,713.3	26,755.7	29,129.5	30,411.0
MMA	90.3	103.6	91.3	102.8	103.1	96.9	91.3	73.9	60.7	97.4	97.4
Commercial bank	9,605.5	11,954.4	14,350.1	12,245.1	12,663.7	13,593.7	14,350.1	15,356.7	16,013.0	17,083.1	18,381.7
Others	5,317.8	6,906.8	9,646.2	8,286.5	9,039.2	9,252.5	9,646.2	10,282.8	10,682.0	11,949.0	11,931.9

Source:

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

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

	2018	2019	2020	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
Money and banking											
Broad money	3	10	14	1	7	10	14	19	21	25	27
Net foreign assets	-5	33	-49	-11	-24	-54	-49	-40	-12	110	109
Net domestic assets	7	0	50	9	24	36	50	52	32	13	11
Net claims on central government	10	2	86	19	42	55	86	76	41	16	12
Claims on other sectors	6	4	10	5	6	7	10	10	10	10	7
o/w Private sector	11	7	10	8	8	8	10	9	9	8	4
Reserve money	8	-4	10	-1	7	-4	10	-8	12	29	1
Monetary operations[1]											
Open market operations[2]	0	0	0	0	0	0	0	0	0	0	0
Overnight Deposit Facility	2	-26	34	-19	25	74	51	132	60	10	26
External trade											
Merchandise exports (f.o.b.)	7	6	-21	-28	-48	29	-21	-19	51	-21	17
Domestic exports	-9	-13	3	-21	-18	4	64	-16	14	18	-28
o/w Fish exports	-10	-14	3	-20	-16	4	63	-21	11	16	-29
Re-exports	32	29	-39	-33	-78	53	-70	-22	196	-48	158
Merchandise imports (c.i.f.)	25	-2	-36	-7	-49	-43	-47	-13	63	59	86
o/w Food	7	10	-30	6	-46	-51	-32	0	77	91	81
o/w Petroleum	44	3	-43	-3	-67	-51	-51	-9	152	110	137
o/w Construction-related imports	34	-17	-41	-16	-53	-43	-53	-44	9	31	62

Source:

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

[1] Monetary operations figures repesent the average investment.

[2] Open market operations were suspended May 2014 onwards.

	2018	2019	2020	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
Direction of Trade of Imports of Goods (as a percentage of total)											
o/w Singapore	12	12	11	10	11	12	11	11	10	10	10
o/w India	10	10	13	12	15	14	13	12	13	13	12
o/w Sri Lanka	6	6	6	6	6	6	7	6	5	6	5
o/w UAE	18	19	12	15	12	8	13	13	13	12	13
o/w Thailand	4	4	3	4	3	3	3	3	3	3	3
Direction of Trade of Exports of Goods (as a percentage of domestic)											
o/w Thailand	36	36	44	45	46	19	55	35	61	45	44
o/w Sri Lanka	3	3	3	2	2	6	2	2	1	2	1
o/w France	7	9	8	9	6	11	7	5	2	4	5
o/w Germany	13	12	10	10	12	13	6	11	8	11	16
External Reserves											
Official reserve assets (millions of US dollars)	712.2	753.5	984.9	741.6	702.5	696.1	984.9	844.7	912.4	1,016.7	791.2

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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