

MALDIVES MONETARY AUTHORITY

# ECONOMIC UPDATE

APRIL 2021

VOLUME 3 ISSUE 4



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## **About the Economic Update**

Economic Update is a new 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 April 2021.

# Domestic Economic Developments

## Real Economy

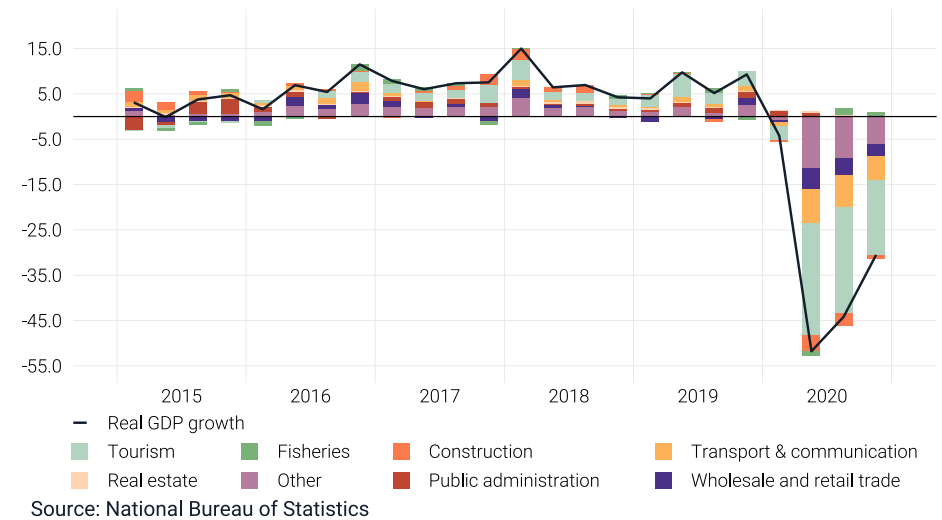
### Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts for Q4-2020 released by the National Bureau of Statistics, real GDP declined by 30.5% in Q4-2020, when compared with the corresponding quarter a year ago. This was a notable moderation when compared with -44.2% for Q3-2020.
  - The moderation in the quarterly GDP growth during Q4-2020 reflected the commencement of the peak season of the tourism sector, together with the easing of lockdown measures in the Greater Male' Region. However, real GDP observed a marked decline in annual terms, reflecting the adverse effects of the spread of the COVID-19 pandemic on the domestic economy as a whole. As such, negative contributions were observed in the main sectors of the economy including transport and communication; wholesale and retail trade; tourism; and the construction sector.
  - On the upside, activity in the fisheries sector; education; financial services and human health and social work activities picked up over the review quarter.

### Annual GDP Growth Forecast

- Real GDP is estimated to have declined severely by 32.0% in 2020 according to the first estimate of annual real GDP growth published by the National Bureau of Statistics, underpinned by a sharp decline in tourism sector and related sectors such as wholesale and retail trade, construction and real estate, as well as transport and communication. Going forward, real GDP is projected to grow in the range 13.5% and 18.3% in 2021, according to forecasts made in October 2020.

Contribution to Real GDP Growth by Economic Sectors, 2015 - 2020  
(annual percentage change, percentage point contribution)

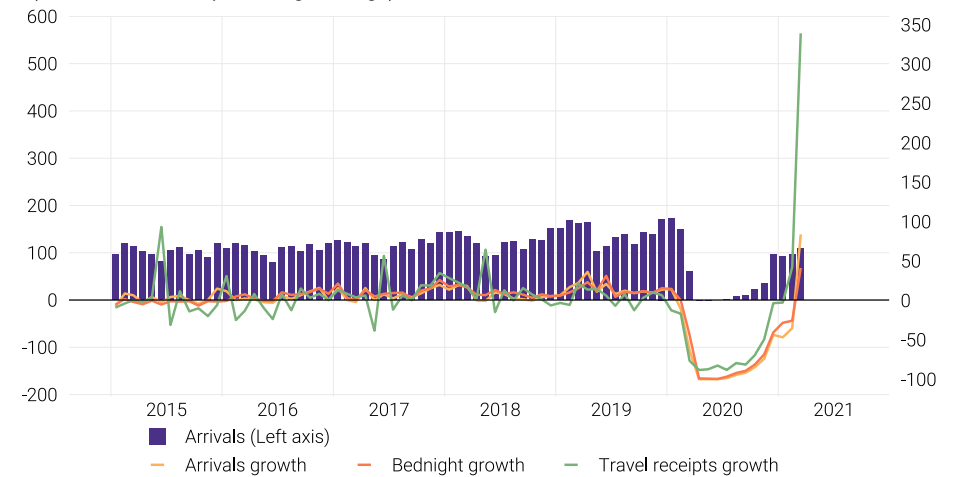


## Tourism

- In March 2021, both tourist arrivals and bednights increased annually, by 84% (-35% in February 2021) and 41% (-26% in February 2021), respectively.
  - The annual increase in tourist arrivals reflected the peak season of the sector, as well as the base effect of the significant decline in arrivals in March 2020, following the travel restrictions and border closures implemented to curb the spread of the pandemic. During March 2021, the largest number of tourist arrivals were recorded from India, followed by Russia and Germany.
- The operational bed capacity of the tourism industry decreased by 9% when compared with March 2020 (-11% in February 2021), while the occupancy rate increased to 55% in March 2021 (60% in February 2021), from 36% in March 2020.
- Overall, for the period January to March 2021, the total tourist arrivals decreased by 22% in annual terms (-21% in 2020), while total bednights of the industry observed a decline of 13% (-10% in 2020). During this period, the average stay increased to 8.9 days, from 7.6 days in the corresponding period of 2020.

### Tourism, 2015 - 2021

(thousands, annual percentage change)

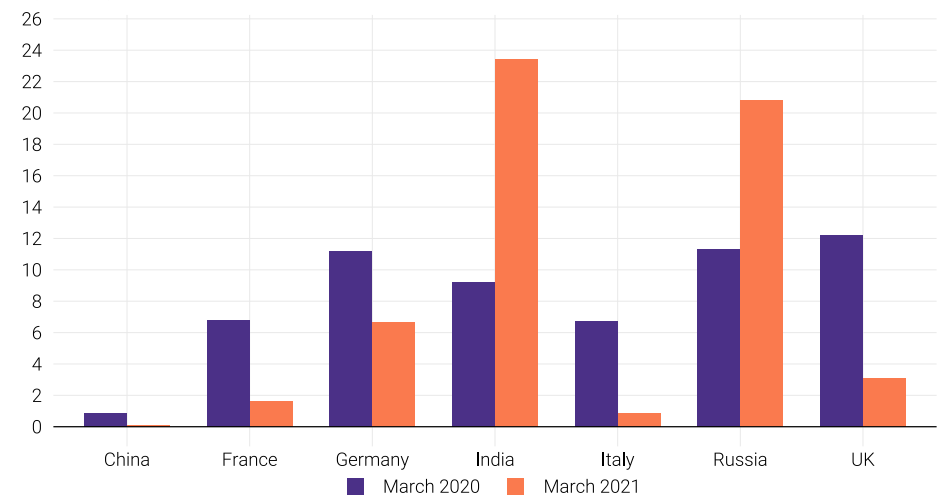


Source: Ministry of Tourism

Note: Tourism receipts available up to March 2021.

### Shares of Key Inbound Markets

(percent)

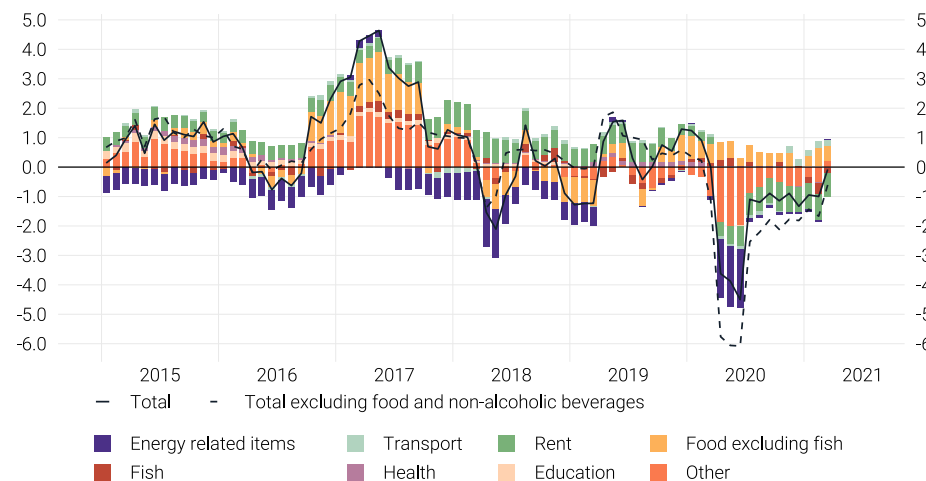


Source: Ministry of Tourism

# Inflation

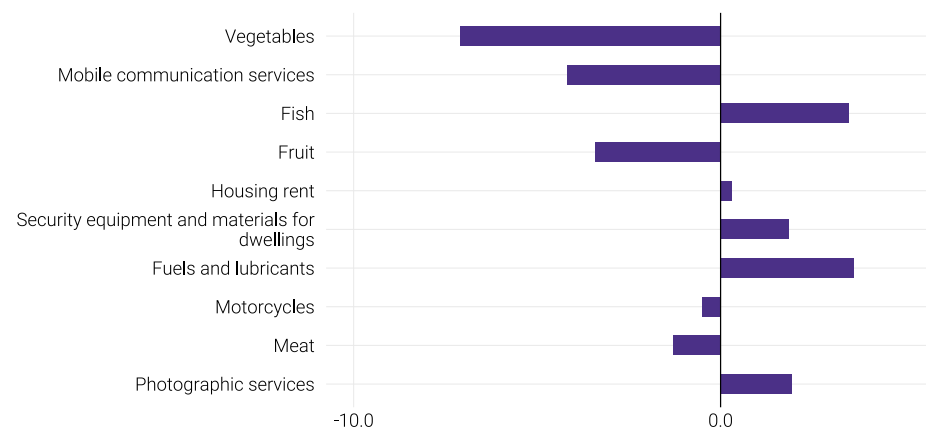
- The rate of inflation, as measured by the annual percentage change in the national CPI, edged up to -0.1% in March 2021 from -1.0% in February 2021, mainly reflecting the increase in price of tobacco (following the ratification of the 17th amendment to Import Export Act in July 2020 imposing additional duties on specific tobacco products), together with the increase in the cost of international air transport, and prices of dairy products and certain fruits. Meanwhile, the decline in the cost of housing rent; information and communication services, as well as fish prices continued to exert downward pressure on inflation. The decline in housing rent and price of information and communication services reflected the temporary relief given on rent due to COVID-19 and reduction in telecommunication prices, respectively.
  - From the major categories of the CPI, the largest contributors to the annual rate of inflation during March 2021 were tobacco (0.6 percentage points); transport (0.2 percentage point); dairy products (0.2 percentage point); fruits (0.1 percentage point); fish (-0.2 percentage point); information and communication services (-0.5 percentage points); and housing rent (-0.8 percentage points).
- The monthly percentage change in the national CPI decreased to -0.20% in March 2021 from 0.05% in February 2021.
  - The largest contribution to the monthly rate of inflation came from fish (0.14 percentage points), housing rent (0.04 percentage points); petrol (0.02 percentage points); photographic services (0.01 percentage points); dairy products (0.01 percentage points); meat (-0.01 percentage points); fruit (-0.07 percentage points); information and communication services (-0.18 percentage points) and vegetables (-0.18 percentage points).

Contribution of Major Categories to CPI Inflation (National), 2015 - 2021  
(annual percentage change, percentage point contribution)



Source: National Bureau of Statistics

Monthly Changes of Subcategories of CPI Inflation (National), March 2021  
(monthly percentage change)



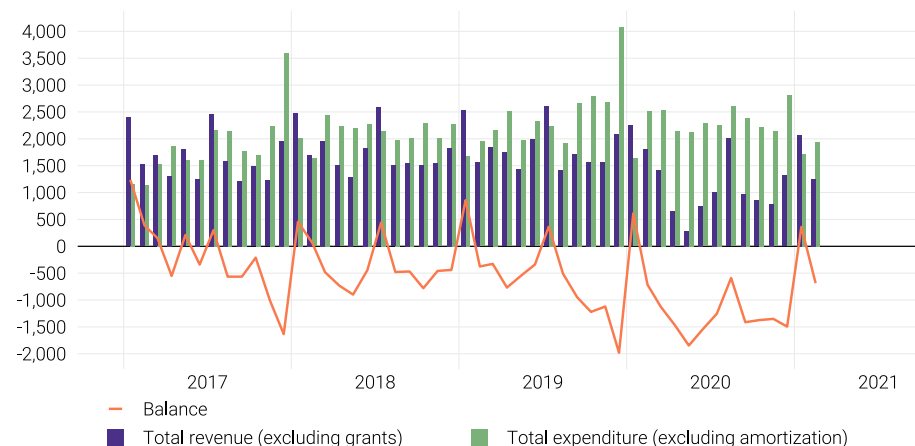
Source: National Bureau of Statistics  
Note: Ordered by the size of the contribution.

# Public Finance

- Total revenue (excluding grants) observed a decline of MVR557.8 million (or 31%) in February 2021 when compared with February 2020. This was due to a decrease in both tax and non-tax revenue. As such, tax revenue decreased by MVR437.9 million, while non-tax revenue decreased by MVR121.3 million.
- Total expenditure (excluding amortisation) decreased by MVR585.9 million (or 23%) in February 2021 when compared with February 2020. The decline in expenditure stemmed from a substantial decline in capital expenditure, which posted a decrease of MVR502.9 million, while recurrent expenditure posted a decline of MVR83.0 million.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR66.6 billion at the end of Q4-2020, a 4% increase from Q3-2020. Similarly, total government debt as a percentage of GDP increased to 115% at the end of Q4-2020.
  - During this period, the increase in government debt was primarily driven by external debt.

## Government Revenue and Expenditure, 2017 - 2021

(millions of rufiyaa)

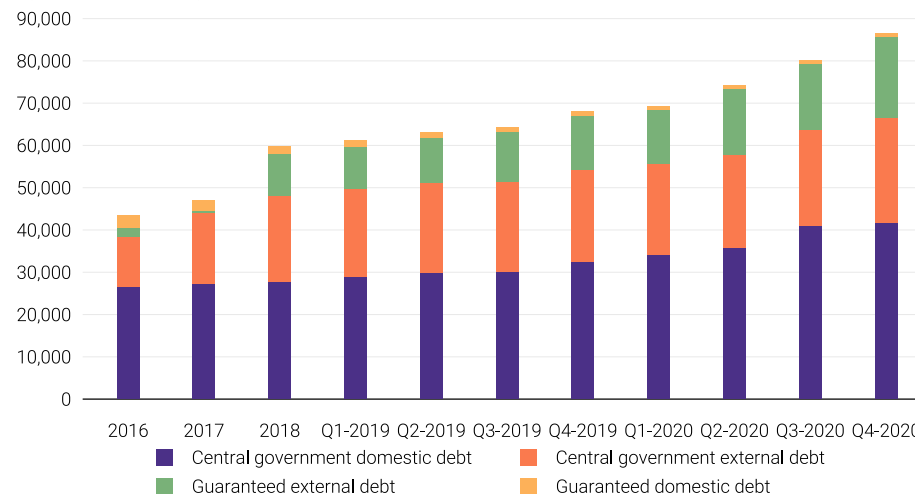


Source: Ministry of Finance

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

## Total Outstanding Stock of Public Debt, 2016 - 2020

(millions of rufiyaa)



Source: Ministry of Finance

# Monetary Developments

## Reserve Money

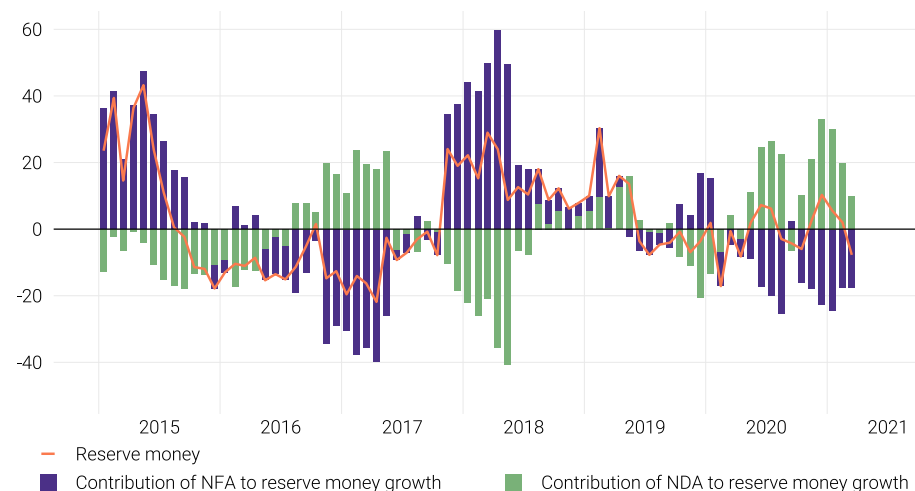
- Annual reserve money (M0) growth further decelerated and turned negative to -8% in March 2021, after recording a growth of 2% in February 2021. The decline in reserve money growth stemmed mainly from a significant fall in net foreign assets of the MMA, despite the net domestic assets of the MMA registering an increase.
  - Net foreign assets declined mainly owing to a surge in foreign liabilities, reflecting the base effect of an increase in such liabilities in December 2020, despite an increase in foreign asset accumulation. Meanwhile, net domestic assets increased, mainly due to an increase in net claims on the central government, which offset the rise in the ODF placements by commercial banks.

## Broad Money

- Annual broad money (M2) growth increased to 19% in March 2021, after registering 15% during February 2021. On the components side, the annual growth in broad money was primarily driven by an increase in narrow money, which mainly reflected an increase in transferable deposits. Meanwhile, quasi money also observed an increase owing to a substantial increase in time deposits denominated in local currency and transferable deposits denominated in foreign currency, together with an increase in savings deposits denominated in local currency, despite the decline in both time and savings deposits denominated in foreign currency.
  - As for the sources, the annual broad money growth was driven solely by the increase in net domestic assets of the banking system, which mainly stemmed from the substantial rise in net claims on the central government by commercial banks and the MMA. In addition, growth in credit to private sector and public non-financial corporations contributed towards the growth in broad money. In contrast, net foreign assets posted a decline, largely owing to base effects of a surge in foreign liabilities of both the commercial banks and the MMA, which offset the rise in foreign assets of the banking system.

Sources of Reserve Money, 2015 - 2021

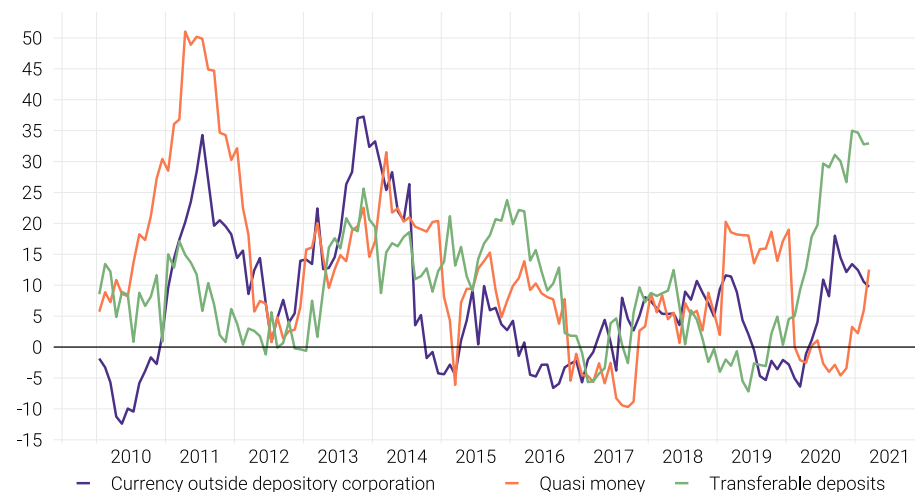
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Components of Broad Money, 2010 - 2021

(annual percentage change)



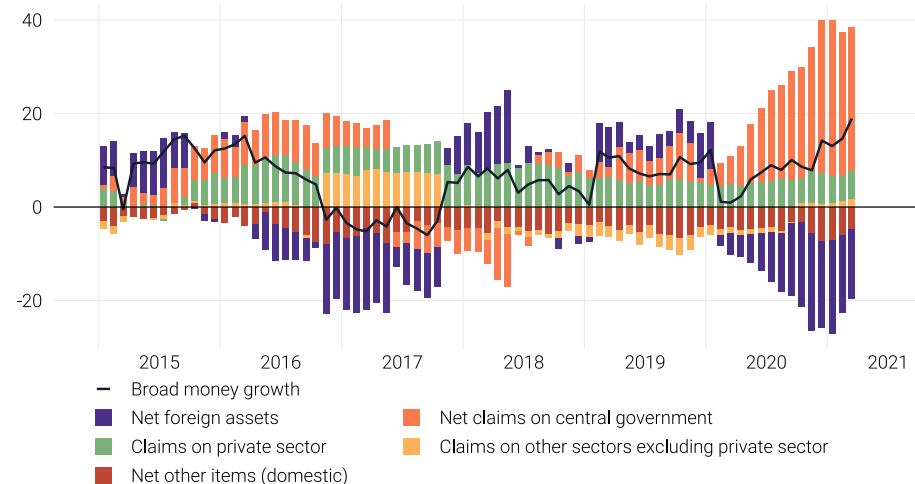
Source: Maldives Monetary Authority

## Credit to Private Sector

- The annual growth of credit to the private sector by commercial banks increased to 9% at the end of March 2021, from 8% in February 2021. Meanwhile, the monthly growth in credit to the private sector increased to 1% in March 2021.
- With regard to the composition of credit to the private sector, similar to the previous month, annual credit growth was observed for most major sectors, namely tourism, construction and real estate, except for transport and communication and commerce. Likewise, credit extended as personal loans observed a significant increase over the period.
- Credit extended to tourism sector observed the largest increase over the period, registering an annual growth of 18% during March 2021, mainly driven by the significant growth in credit in the form of working capital, followed by credit lent for new resort development and renovation of resorts.

## Contribution to Broad Money, 2015 - 2021

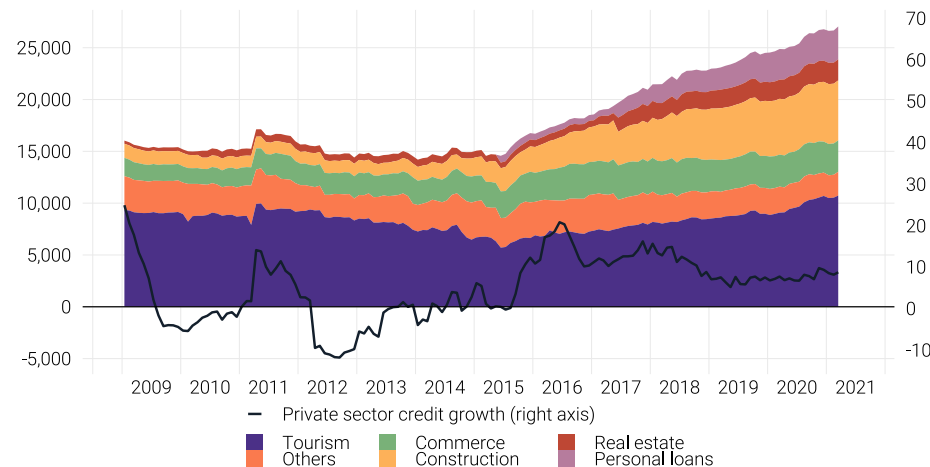
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

## Private Sector Credit, 2009 - 2021

(millions of rufiyaa, annual percentage change)



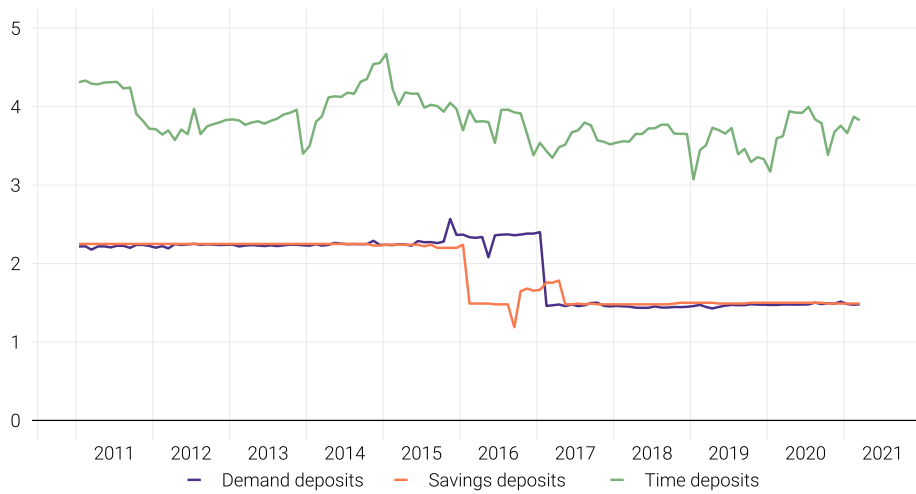
Source: Maldives Monetary Authority

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

# Interest rates

## Interest Rate on National Currency Deposits, 2011 - 2021

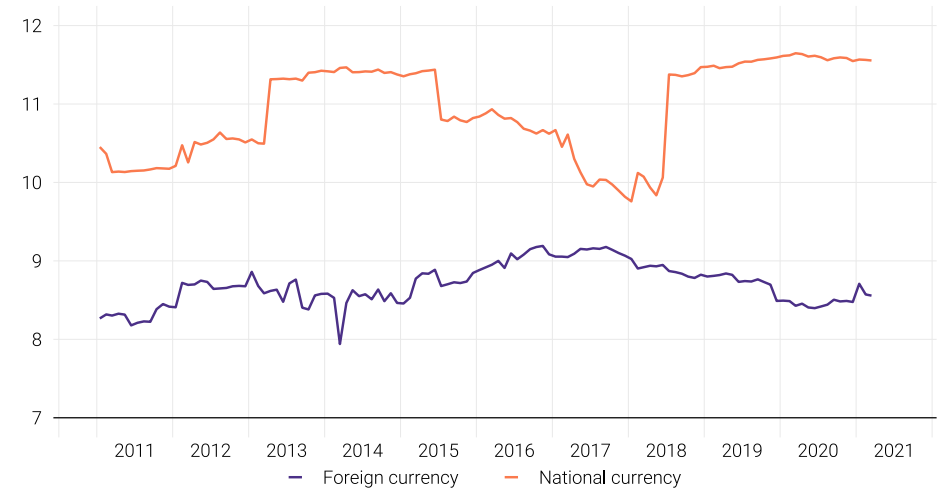
(weighted average)



Source: Maldives Monetary Authority

## Interest Rate on Private Sector Loans and Advances, 2011 - 2021

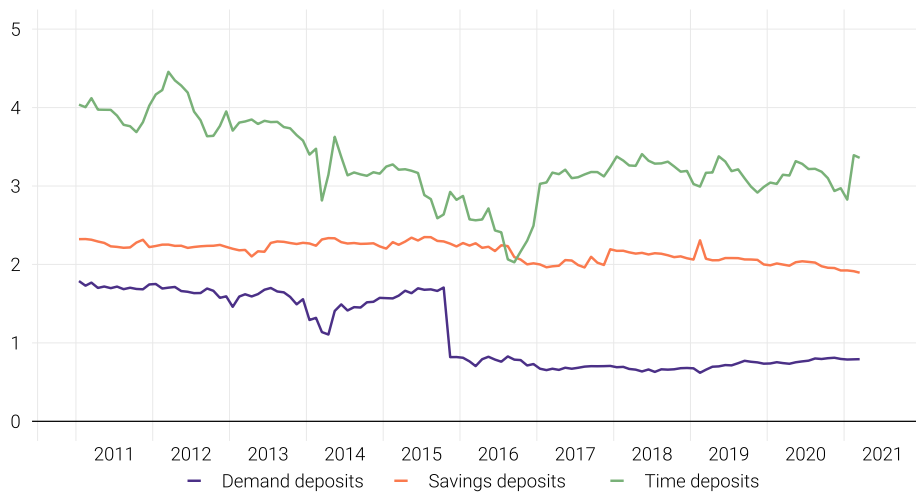
(weighted average)



Source: Maldives Monetary Authority

## Interest Rate on Foreign Currency Deposits, 2011 - 2021

(weighted average)



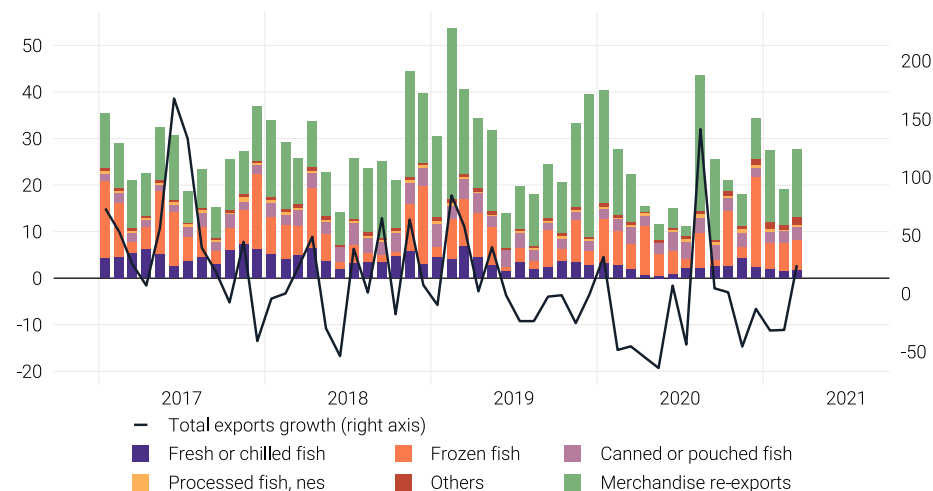
Source: Maldives Monetary Authority

# External Trade

- Total exports (f.o.b) declined significantly by 17% in March 2021 (-31% in February 2021) when compared with March 2020, while total imports (c.i.f) observed an annual increase of 12% (-20% in February 2021) during the period. In monthly terms, total exports decreased by 3%, while total imports increased significantly by 25%.
  - The annual decline in total exports stemmed mainly from the decrease in re-exports, which offset an increase in domestic exports during the period. The increase in domestic exports was primarily due to a sizeable increase in export earnings from frozen skipjack tuna, despite a decline in export earnings of canned or pouched tuna and both frozen and fresh or chilled yellowfin tuna. In addition, other exports observed a significant increase, owing to the increase in exports of recyclable waste.
  - As for the annual increase in total imports, the most significant increases were observed in the imports of petroleum products; food items; transport equipment and parts; electrical and electronic machinery and equipments and pharmaceuticals. In contrast, import of construction-related items; and machinery and mechanical appliances and electronic and electrical appliances observed a decline during the review month.
- Overall, during the period January to March 2021, total exports recorded a 28% decline (-45% in 2020), while total imports decreased by 12% (-7% in 2020) when compared with the corresponding period of 2020.

Total Exports, 2017 - 2021

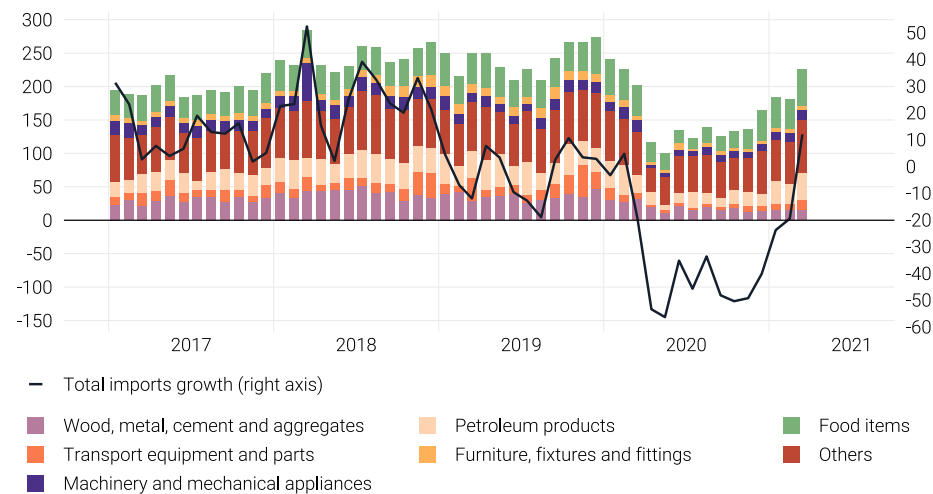
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

Total Imports, 2017 - 2021

(millions of US dollars, annual percentage change)

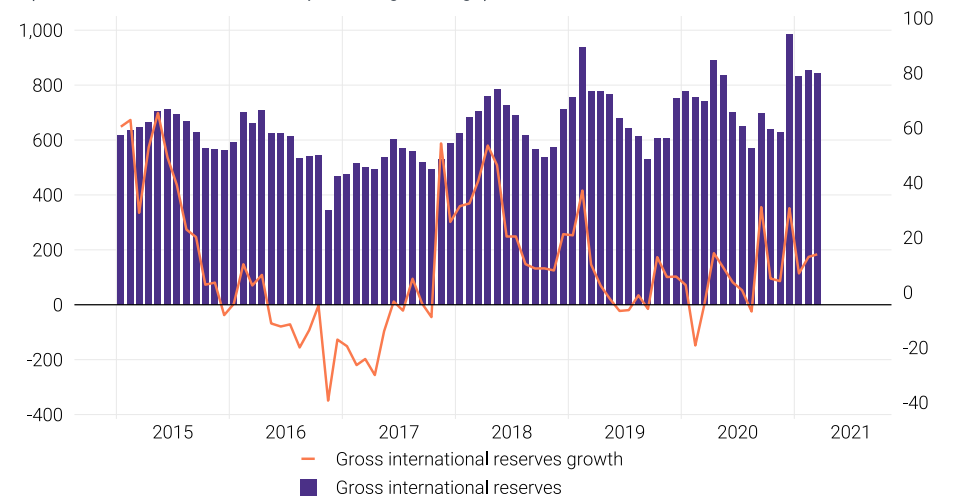


Source: Maldives Customs Service

## Gross International Reserves

- Gross international reserves<sup>1</sup> (official reserve assets) decreased to US\$844.7 million at the end of March 2021 from US\$855.7 million at the end of February 2021. However, this was an increase compared to the US\$741.6 million at the end of March 2020.
  - In terms of growth rates, this was an increase of 14% when compared with March 2020, while a decline of 1% in growth was registered when compared with February 2021.

Gross International Reserves, 2015 - 2021  
(millions of US dollars, annual percentage change)



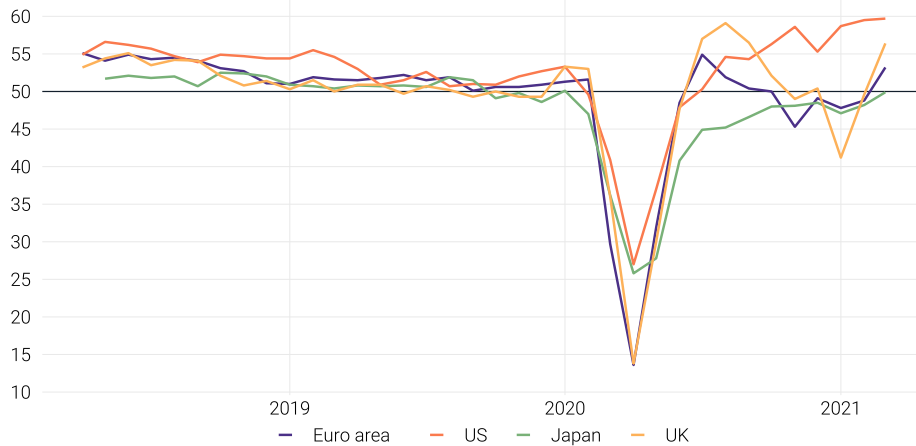
Source: Maldives Monetary Authority

<sup>1</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

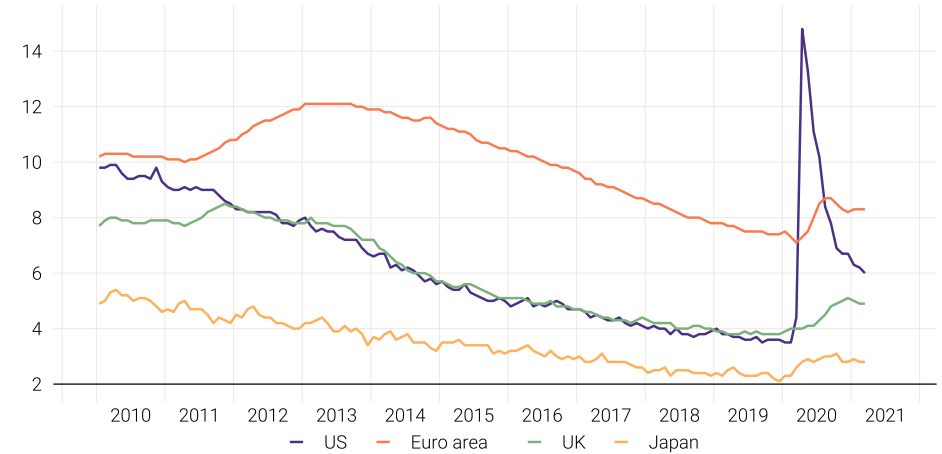
## Global Output

Purchasing Manager's Index in the Advanced Economies, 2018 - 2021  
(index points)



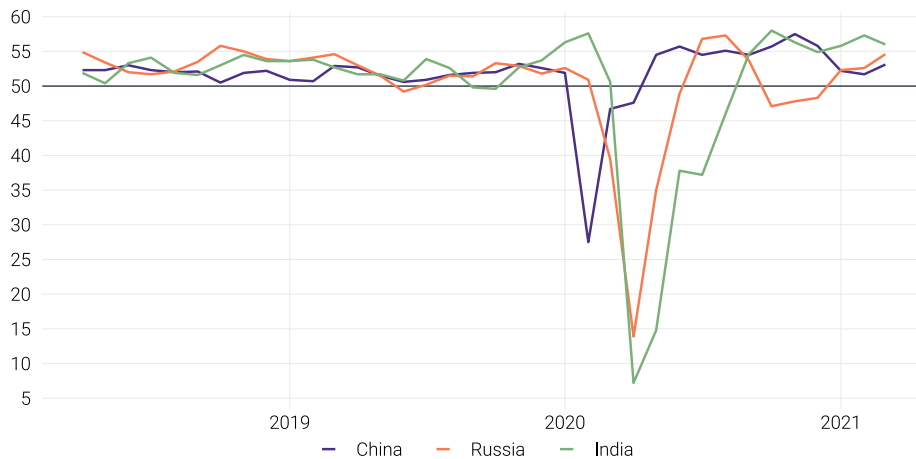
Source: Bloomberg Database

Unemployment in the Advanced Economies, 2010 - 2021  
(percent)



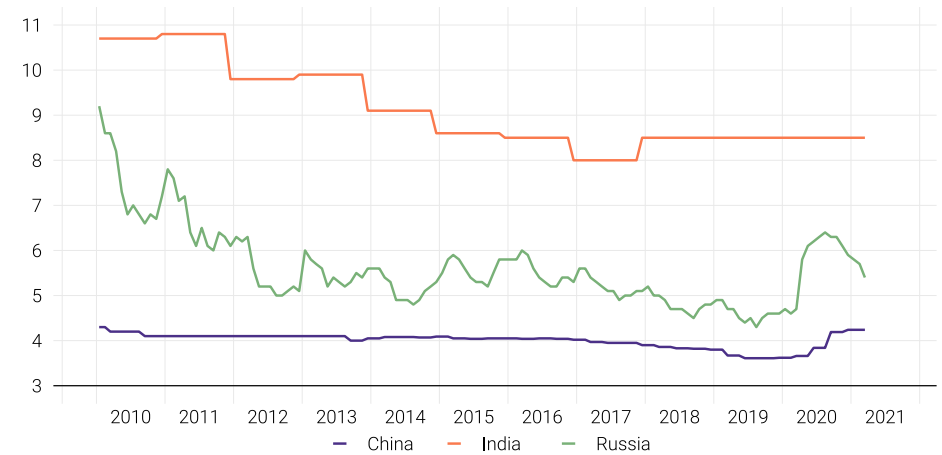
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2018 - 2021  
(index points)



Source: Bloomberg Database

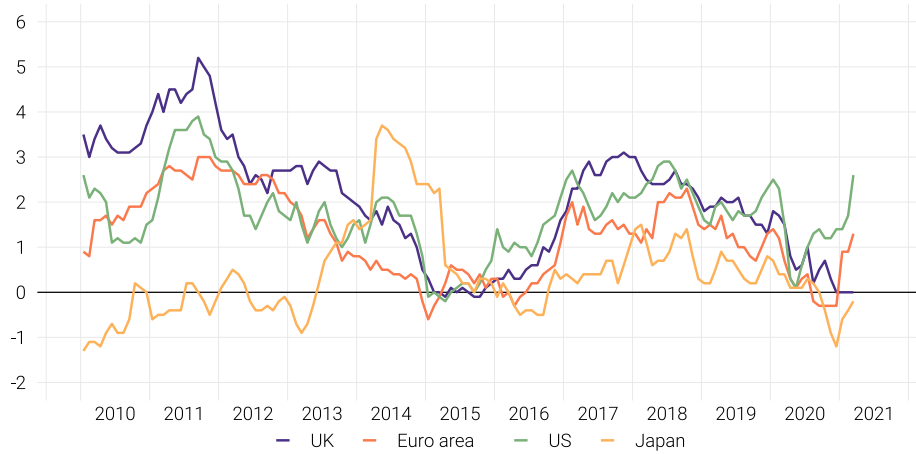
Unemployment in the Emerging Economies, 2010 - 2021  
(percent)



Source: Bloomberg Database

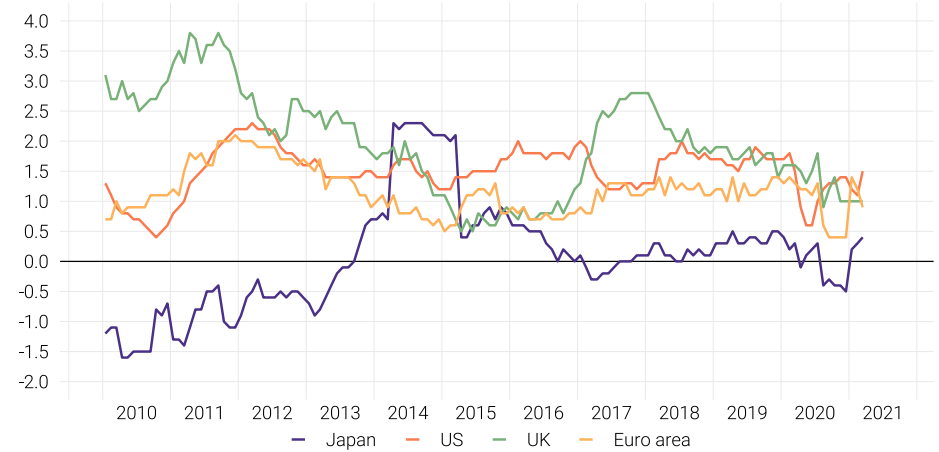
# Global Inflation

**Inflation in the Advanced Economies, 2010 - 2021**  
(percent)



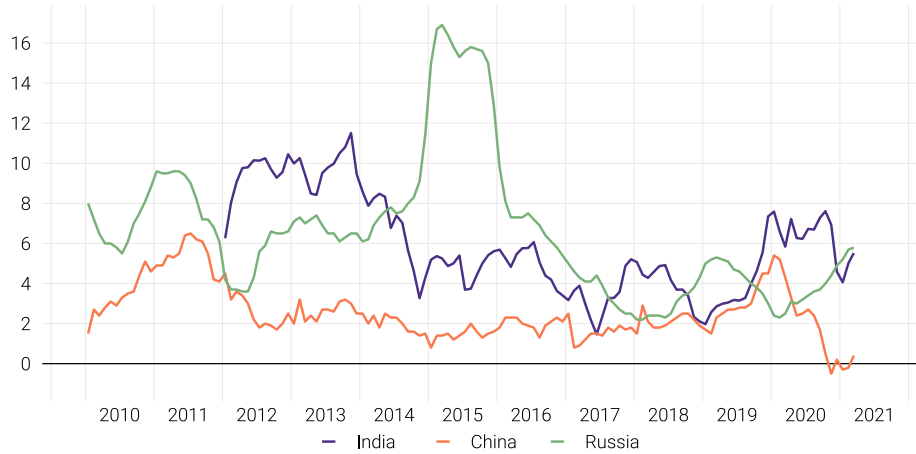
Source: Bloomberg Database

**Core Inflation in the Advanced Economies, 2010 - 2021**  
(percent)



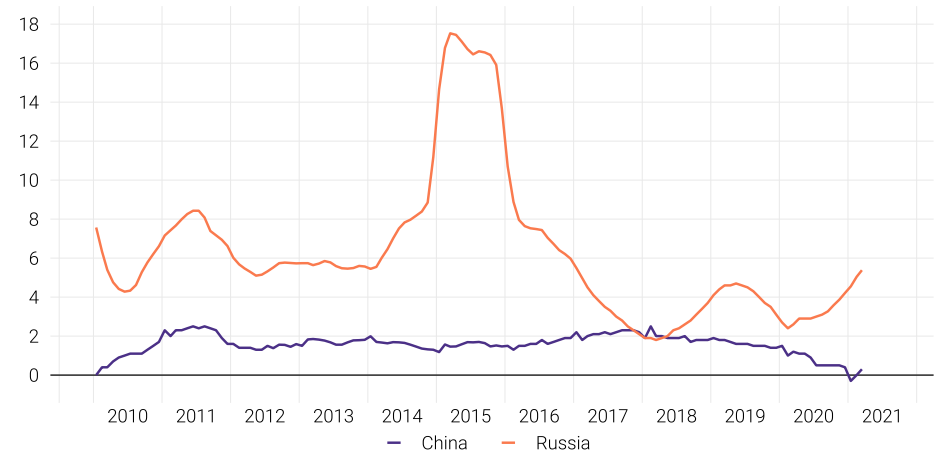
Source: Bloomberg Database

**Inflation in the Emerging Economies, 2010 - 2021**  
(percent)



Source: Bloomberg Database

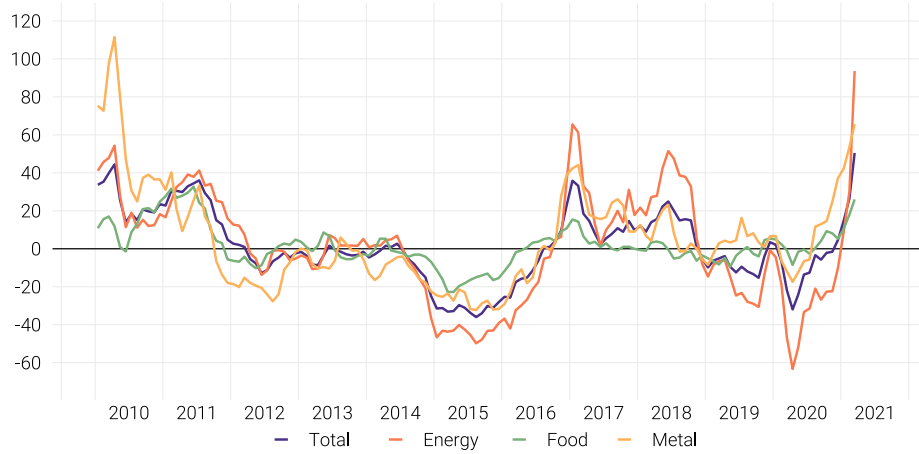
**Core Inflation in the Emerging Economies, 2010 - 2021**  
(percent)



Source: Bloomberg Database

# Commodity Prices

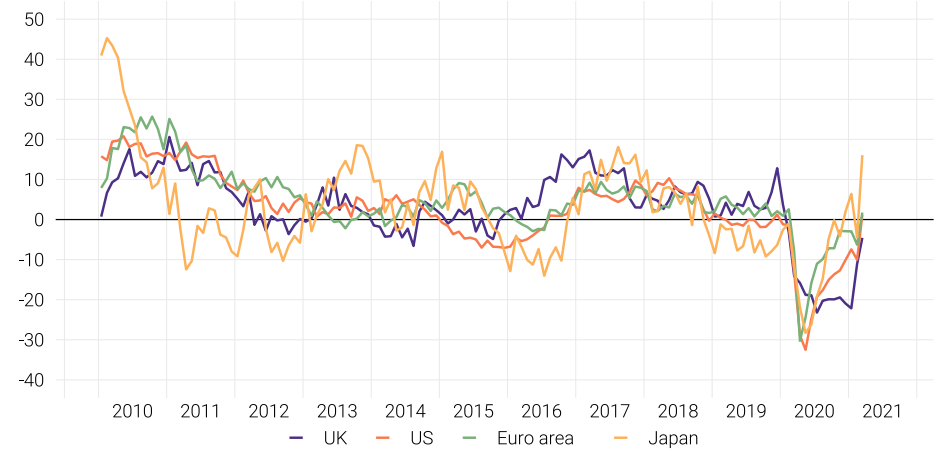
Commodity prices, 2010 - 2021  
(annual percentage change)



Source: IMF

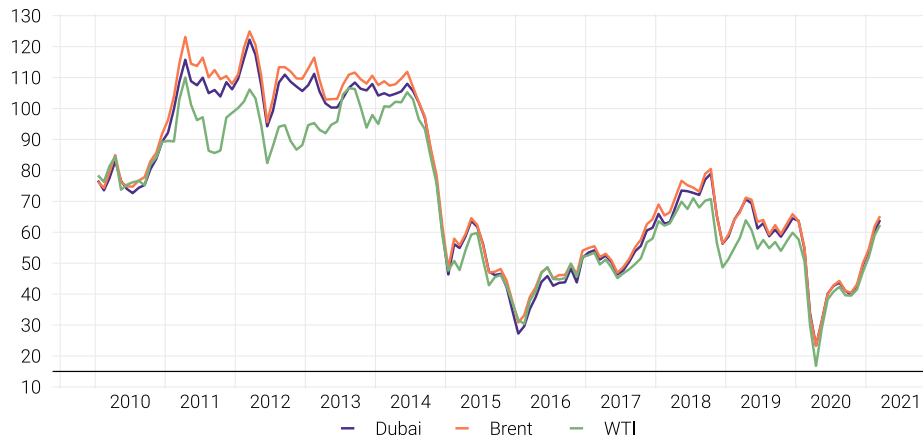
# Global Trade

Exports in the Advanced Economies, 2010 - 2021  
(annual percentage change)



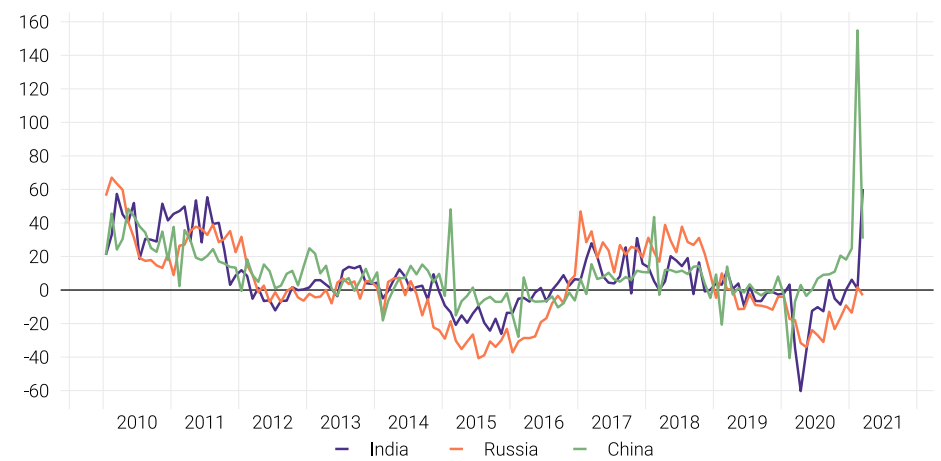
Source: Bloomberg Database

Oil prices, 2010 - 2021  
(dollars per barrel)



Source: Bloomberg Database

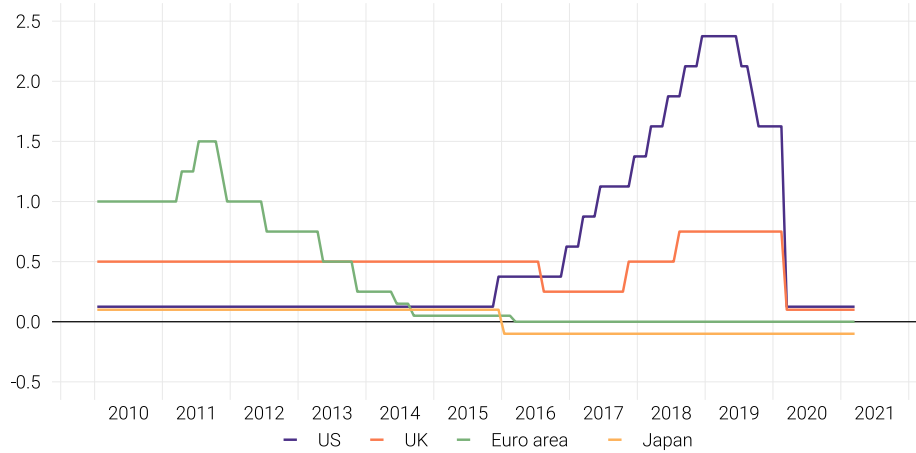
Exports in the Emerging Economies, 2010 - 2021  
(annual percentage change)



Source: Bloomberg Database

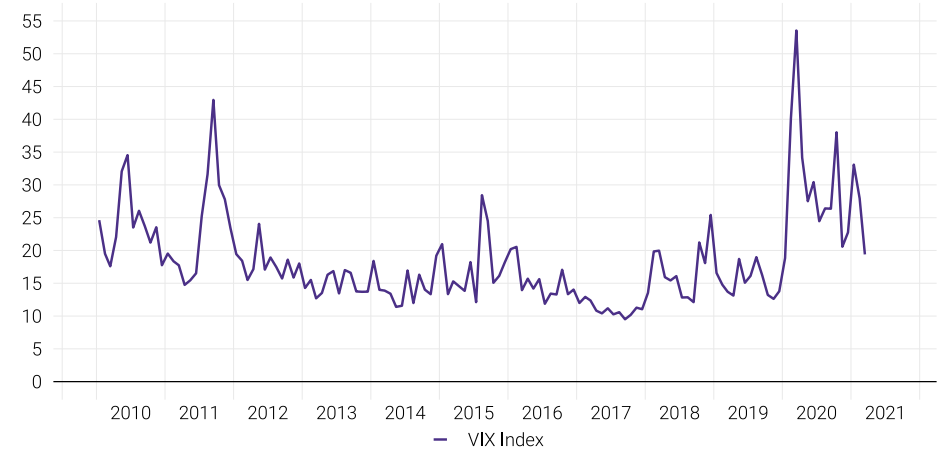
# Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2010 - 2021  
(percent)



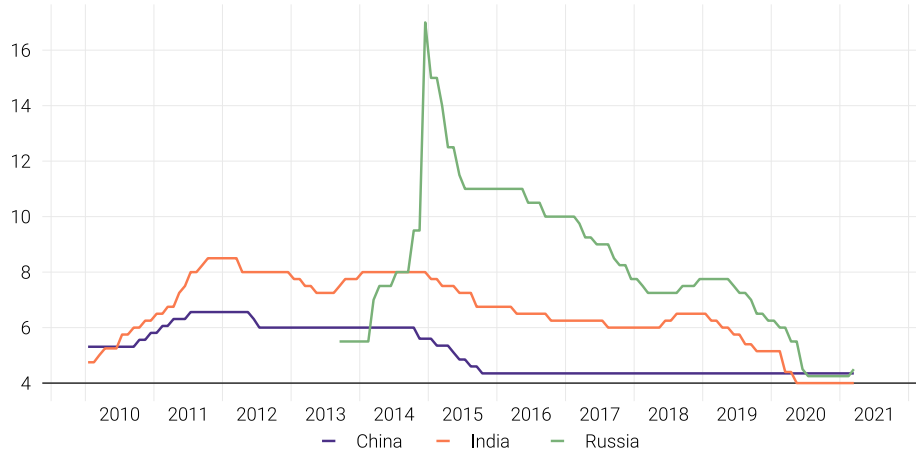
Source: Bloomberg Database

Volatility Index, 2010 - 2021  
(percent)



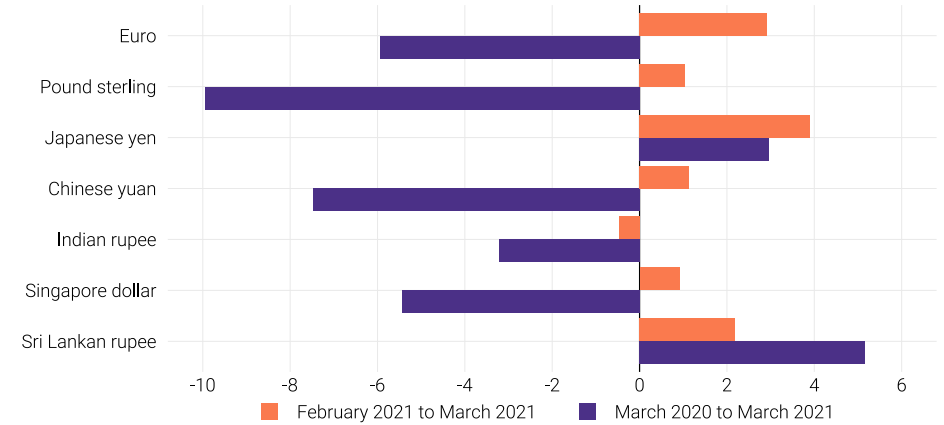
Source: Bloomberg Database

Monthly Policy Rates in the Emerging Economies, 2010 - 2021  
(percent)



Source: Bloomberg Database

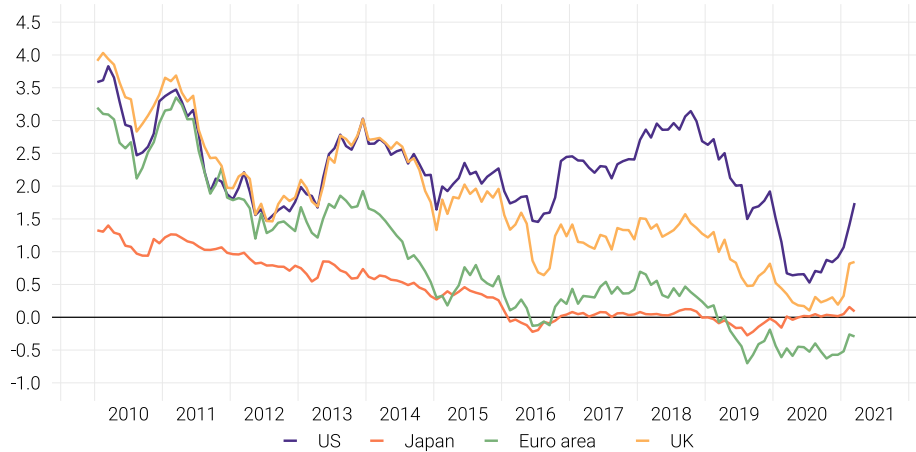
Exchange Rate of US Dollar against Currencies of Major Trading Partners, March 2021  
(percentage change)



Source: Bloomberg Database

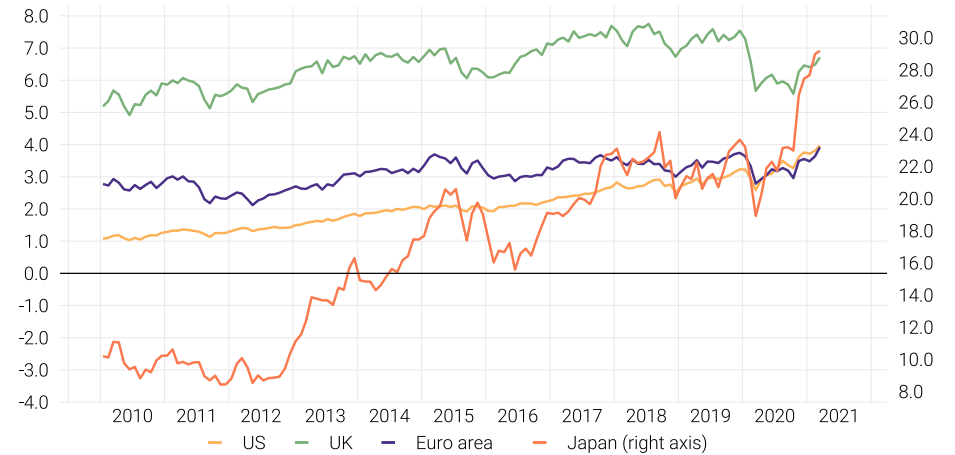
# Global Financial Markets

Sovereign Bond Yield in the Advanced Economies, 2010 - 2021  
(percent)



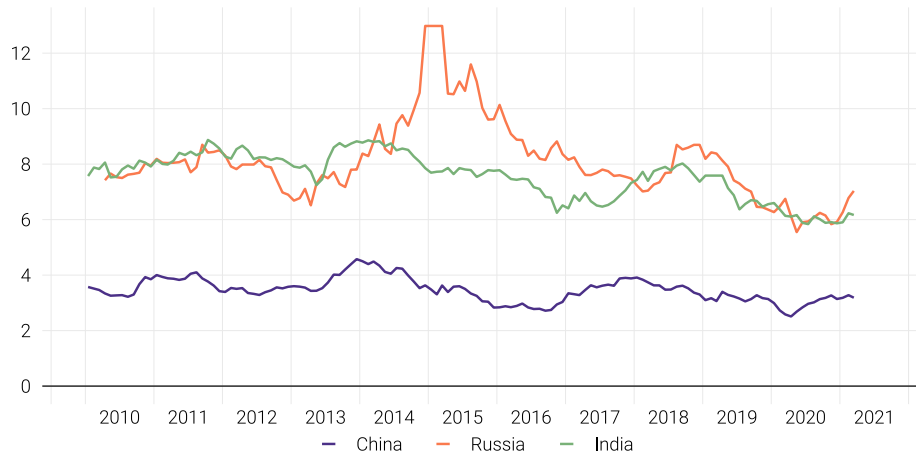
Source: Bloomberg Database

Share Price Index in the Advanced Economies, 2010 - 2021  
(price index, in thousands)



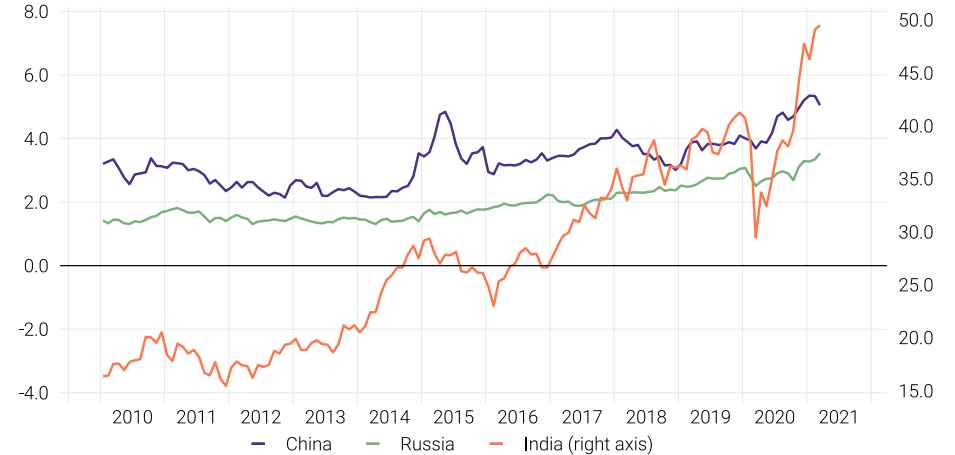
Source: Bloomberg Database

Sovereign Bond Yield in the Emerging Economies, 2010 - 2021  
(percent)



Source: Bloomberg Database

Share Price Index in the Emerging Economies, 2010 - 2021  
(price index, in thousands)



Source: Bloomberg Database



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