MALDIVES MONETARY AUTHORITY

ECONOMIC UPDATE

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About the Economic Update

Economic Update is a monthly publication produced by the Research Division of MMA presenting a quick overview of current developments in the Maldivian economy. It also includes a chart pack of global economic and financial indicators. The Economic Update will be posted on MMA's website at the end of each month. This Economic Update is based on the latest available data as at 27 February 2024.

Domestic Economic Developments

Real Economy

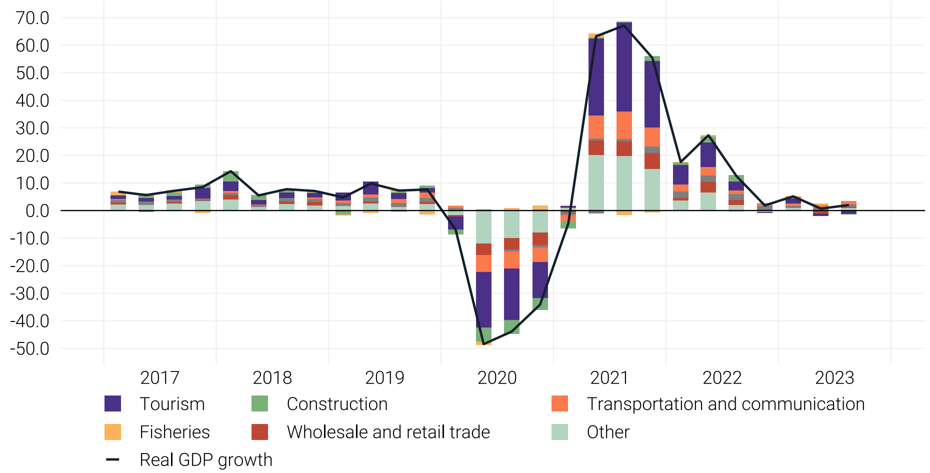
Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts (QNA) for Q3-2023 released by the Maldives Bureau of Statistics (MBS), real GDP grew by 2.0% in Q3-2023 compared to the corresponding quarter of 2022, which is an acceleration from the moderate growth of 0.7% in Q2-2023.
  - The upturn in annual real GDP growth during Q3-2023 was mainly driven by the positive contributions from sectors such as transportation and communication, financial services, public administration, human health and social work activities, electricity and water, real estate and wholesale and retail trade, despite negative contributions from key economic sectors such as tourism and construction.

Annual GDP Growth Forecast

- According to revised forecasts published in October 2023[1], real GDP is projected to grow by 8.7% in 2023. However, real GDP growth estimates would likely be lower than anticipated, due to the weaker-than-expected performance of resort bednights, particularly over the last two quarters of the year, coupled with the slower-than-expected growth of the construction sector. For 2024, real GDP growth projections are at 5.5%. As per the estimates of real GDP released by the Maldives Bureau of Statistics in August 2023, following a significant growth of 37.7% in 2021, the annual real GDP growth for 2022 is estimated at 13.9%—1.6 percentage points higher than the initial estimate of October 2022—led by the robust recovery of tourism sector and other related sectors.

Contribution to Real GDP Growth by Economic Sectors, 2017 - 2023
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

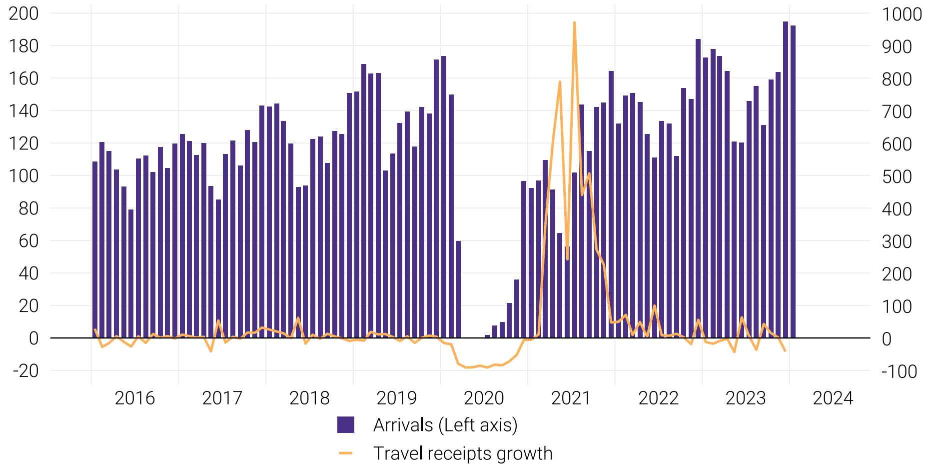
[1]According to the growth forecast scenarios estimated jointly by the MMA and the Ministry of Finance.

Tourism

- In January 2024, total tourist arrivals stood at 192,385, registering an increase of 12% when compared with January 2023, while bednights also increased by 2%.
  - The annual increase in tourist arrivals largely reflected robust arrivals from China as well as the main source markets of Europe. During the month, the highest number of tourist arrivals were recorded from Russia, China, Italy, United Kingdom, and India.
- The operational bed capacity of the tourism industry observed an increase of 1,538 beds when compared with January 2023, while the occupancy rate remained broadly unchanged at 72% in January 2024 when compared with January 2023.
- Overall, for the year 2023, total tourist arrivals increased by 12% in annual terms, while bednights rose by 5%. During January 2024, the average stay observed a decline to 7.9 days, from 8.1 days in the corresponding month of 2023.

Tourism, 2016 - 2024

(thousands, annual percentage change)



Source: Ministry of Tourism

Note: Tourism receipts available up to December 2023.

Shares of Key Inbound Markets

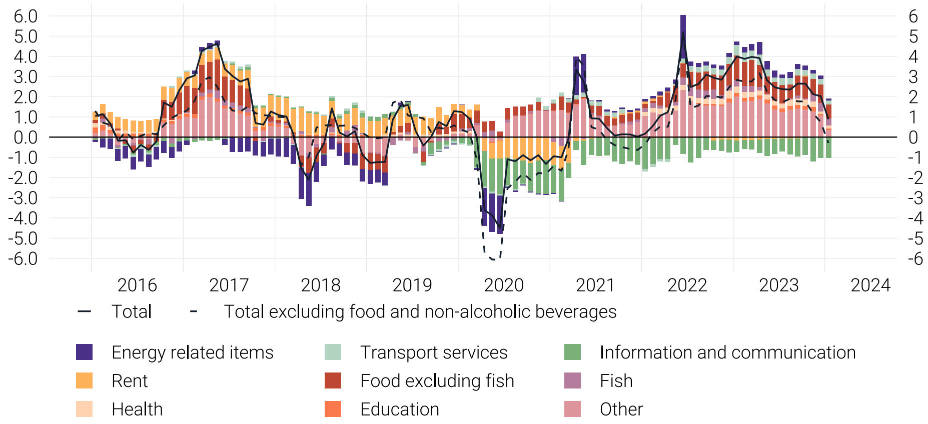
(percent)

Source: Ministry of Tourism

Inflation

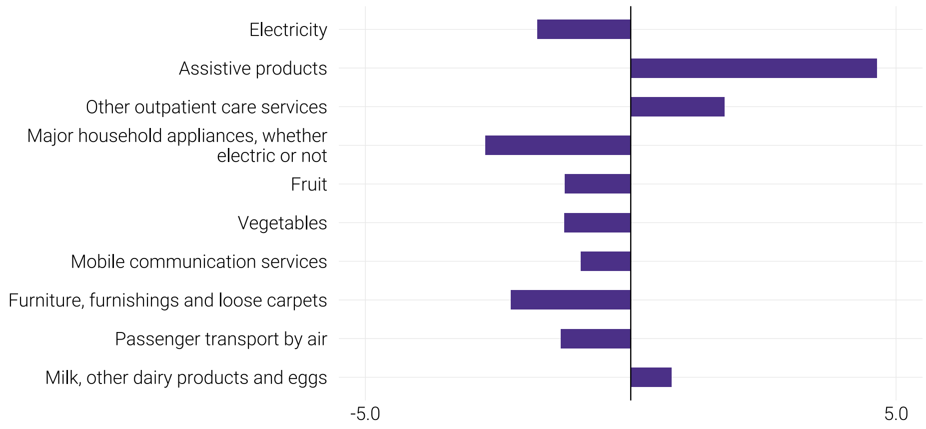
- The rate of inflation, as measured by the annual percentage change in the national CPI, moderated to 0.9% in January 2024, from 2.0% in December 2023.
  - The largest contribution to the annual rate of inflation during January 2024 came from vegetables (0.47 percentage points); fish (0.33 percentage points); passenger transport by sea (0.17 percentage points); electricity (0.16 percentage points); dairy products (0.15 percentage points); personal care appliances, articles and products (0.15 percentage points); restaurants and cafés (0.13 percentage points); other food products (0.12 percentage points); fruits (-0.11 percentage points); and mobile communication services (-0.91 percentage points).
- The monthly percentage change in the national CPI declined by 0.2% in January 2024, following a growth of 0.4% in December 2023.
  - The largest contribution to the monthly rate of inflation came from assistive products (0.05 percentage points); other outpatient care services (0.04 percentage points); dairy products (0.02 percentage points); passenger transport by air (-0.02 percentage points); furniture, furnishings and loose carpets (-0.03 percentage points); mobile communication services (-0.03 percentage points); vegetables (-0.04 percentage points); fruits (-0.04 percentage points); major household appliances (-0.04 percentage points) and electricity (-0.08 percentage points).

Contribution of Major Categories to CPI Inflation (National), 2016 - 2024
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics
Note: Main categories in other are furnishing, personal care, restuarant and accomodation services, tobacco and narcotics, and water supply.

Monthly Changes of Subcategories of CPI Inflation (National), January 2024
(monthly percentage change)



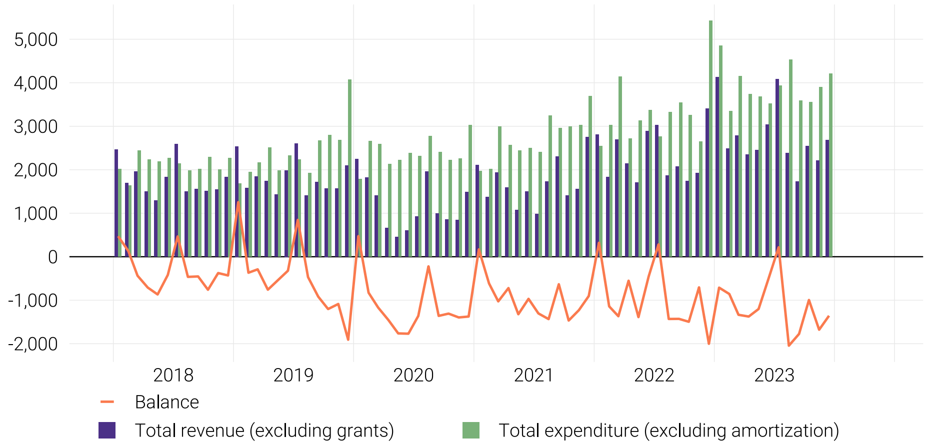
Source: Maldives Bureau of Statistics
Note: Ordered by the size of the contribution.

Public Finance

- Total revenue (excluding grants) observed a decline of MVR575.9 million (or 17%) in December 2023 when compared with December 2022, owing to the decline in non-tax revenue, despite the increase in tax revenue. As such, non-tax revenue fell by MVR1.0 billion, whereas tax revenue increased by MVR298.1 million.
- Total expenditure (excluding amortisation) decreased by MVR1.2 billion (or 22%) in December 2023 when compared with December 2022, mainly owing to the decline in capital expenditure, which fell by MVR1.5 billion. Meanwhile, recurrent expenditure increased by MVR277.9 million in December 2023, when compared with December 2022.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR110.2 billion at the end of Q4-2023, a 6% increase from Q3-2023. Meanwhile, total government debt as a percentage of GDP rose to 103% at the end of Q4-2023, from 97% in Q3-2023.
    - During this period, the increase in government debt was primarily driven by domestic debt.

Government Revenue and Expenditure, 2018 - 2023

(millions of rufiyaa)

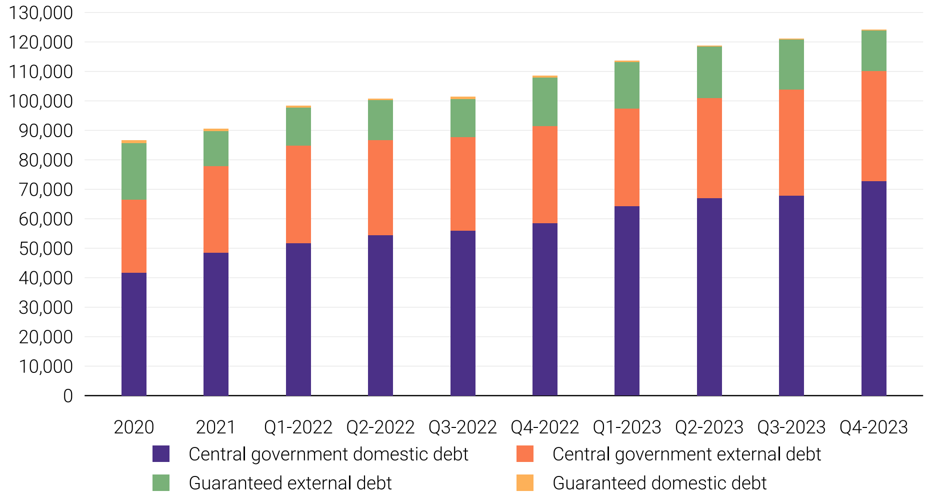


Source: Ministry of Finance

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

Total Outstanding Stock of Public Debt, 2020 - 2023

(millions of rufiyaa)



Source: Ministry of Finance

Monetary Developments

Reserve Money

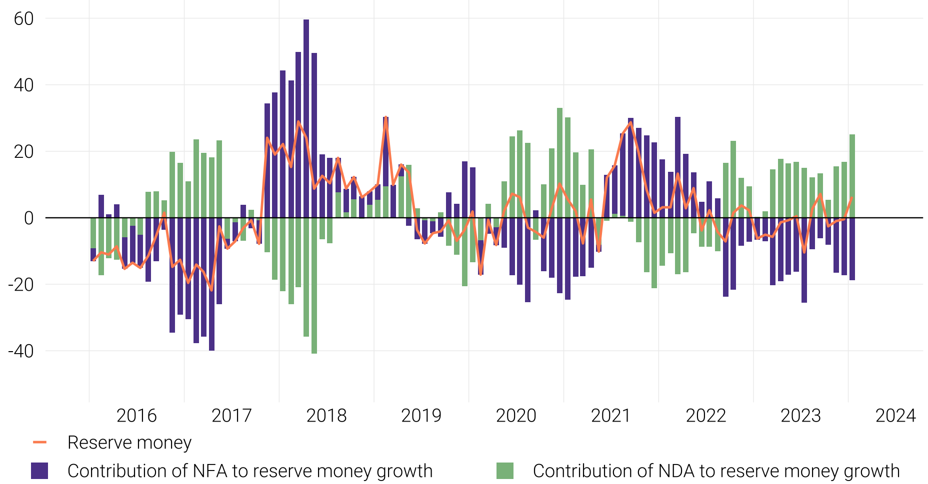
- Reserve money (M0) growth accelerated to 6% at the end of January 2024, after remaining broadly unchanged at the end of December 2023. This mainly reflected the annual increase in net domestic assets offsetting the decline in net foreign assets during the period.
  - Net domestic assets increased, mainly reflecting the increase in net claims on central government, despite the increase in overnight deposit facility (ODF) placements by the commercial banks. Meanwhile, the decline in net foreign assets was primarily due to the substantial decrease in foreign asset accumulation during the period, despite the decline in foreign liabilities, which largely reflected the repayment of the swap facility availed from the RBI in December 2023.

Broad Money

- Annual broad money (M2) growth accelerated to 8% at the end of January 2024, from 7% at the end of December 2023.
  - On the components side, the annual increase in broad money primarily reflected the increase in time and savings deposits denominated in both local and foreign currency, coupled with an increase in transferable deposits base. Similarly, currency outside depository corporations also increased during the month.
  - As for the sources, the annual growth in broad money was solely driven by net domestic assets, largely owing to the growth in claims on other sectors, which reflects the increase in credit to the private sector and public non-financial corporations. This was closely followed by the increase in net claims on the central government by the MMA and the commercial banks during January 2024. Meanwhile, net foreign assets declined, mainly owing to the decline in foreign asset accumulation, despite the decline in foreign liabilities during the period.

Sources of Reserve Money, 2016 - 2024

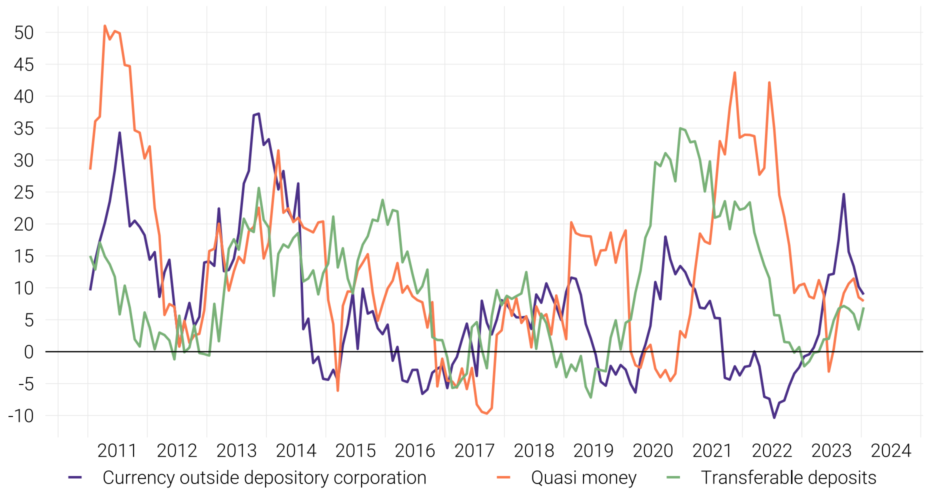
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Components of Broad Money, 2011 - 2024

(annual percentage change)



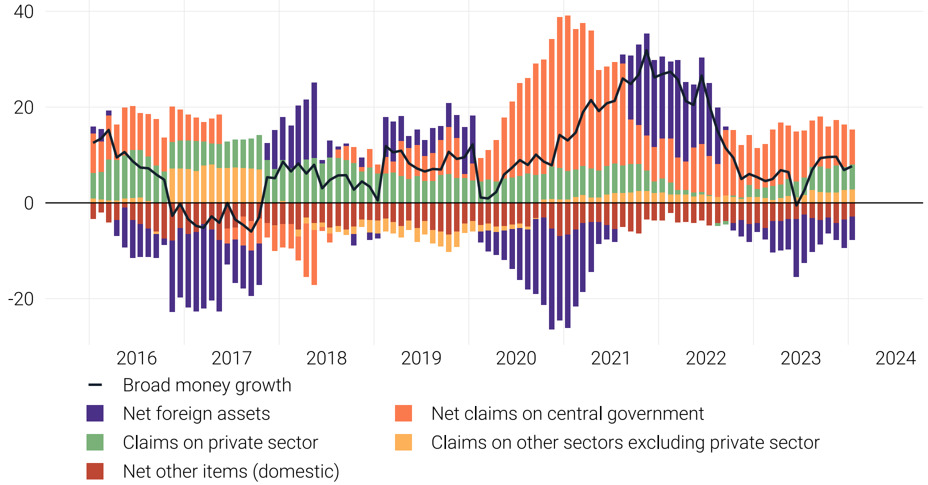
Source: Maldives Monetary Authority

Credit to Private Sector

- The annual growth rate of credit to the private sector by the commercial banks slightly accelerated to 10% at the end of January 2024.
  - As such, credit to all major sectors (namely tourism, construction, personal loans, commerce, and real estate) continued to expand in January 2024, whereby personal loans registered the highest growth during the month, with an annual increase of 24%. Meanwhile, the tourism sector accounted for the largest share of bank credit and registered an annual growth of 6%.
  - The annual growth in credit for personal loans was driven by the increase in credit lent in the form of credit cards and consumer durables, despite the minor decline in educational loans. As for the tourism sector, the annual growth in credit to the sector was driven by a marked increase in credit lent in the form of new resort development, followed by increases in credit lent for working capital, renovation of resorts and yacht safari building.

Contribution to Broad Money, 2016 - 2024

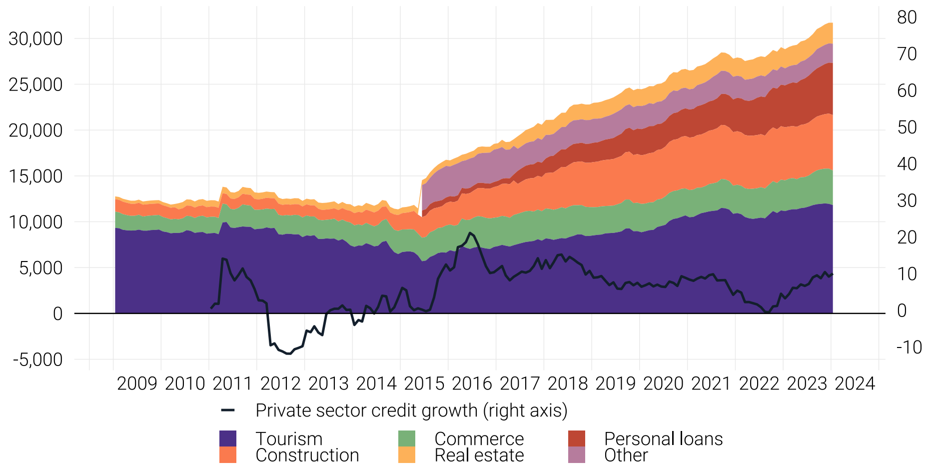
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Private Sector Credit, 2009 - 2024

(millions of rufiyaa, annual percentage change)

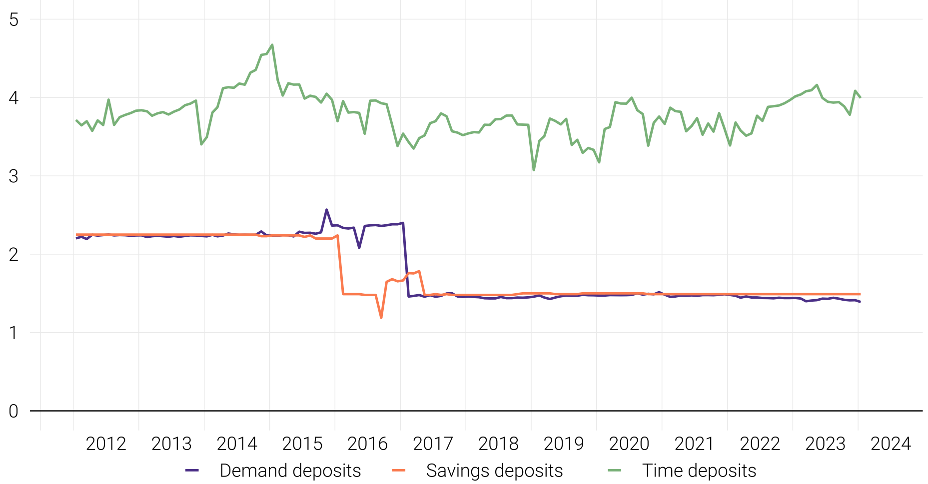


Source: Maldives Monetary Authority

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

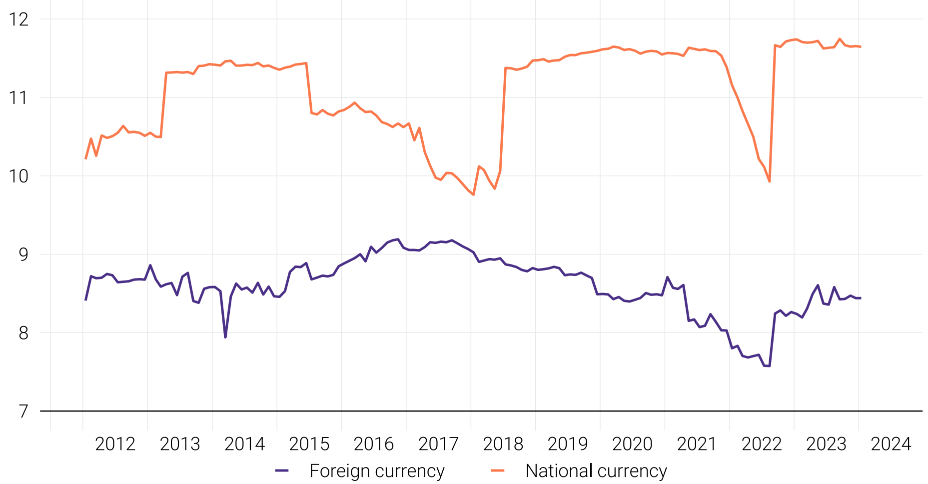
Interest rates

Interest Rate on National Currency Deposits, 2012 - 2024
(weighted average)



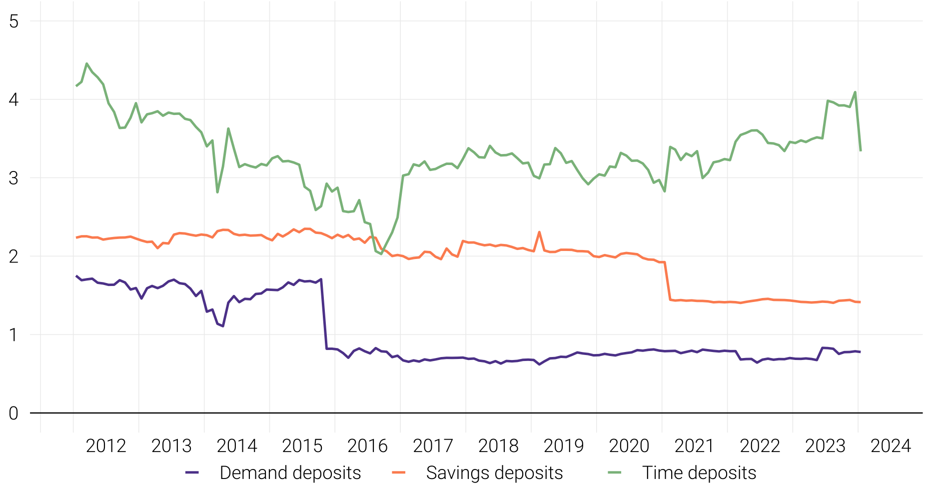
Source: Maldives Monetary Authority

Interest Rate on Private Sector Loans and Advances, 2012 - 2024
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2012 - 2024
(weighted average)



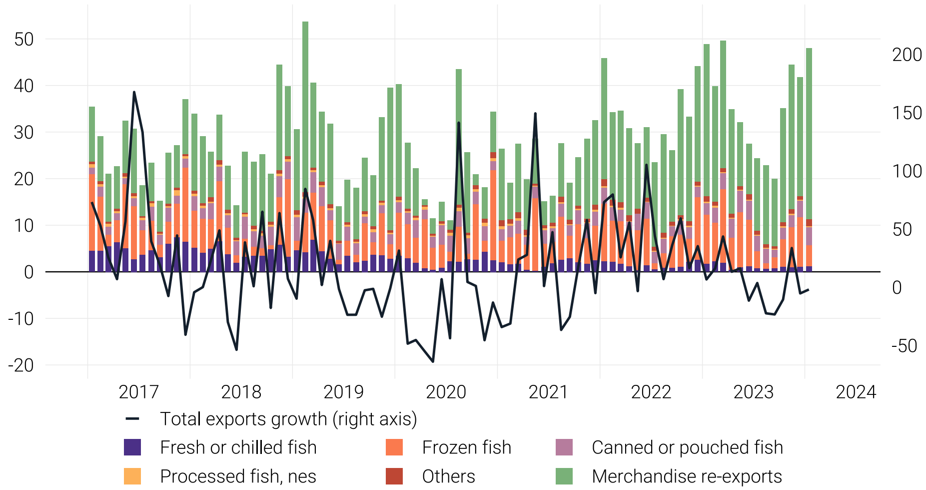
Source: Maldives Monetary Authority

External Trade

- Total exports (f.o.b) and total imports (c.i.f) both decreased by 5% and 6% respectively, during December 2023 when compared with December 2022.
  - The annual decline in total exports stemmed primarily from the decline in domestic exports, largely owing to lower earnings from frozen skipjack tuna exports, together with fresh or chilled yellowfin tuna exports. In contrast, re-exports increased during the period, which reflected higher re-exports of jet fuel.
  - The annual decline in import expenditure stemmed mainly from the decrease in import expenditure on transport equipment, petroleum products, construction-related items and furniture, fixtures and fittings. In contrast, increases were observed in import expenditure on machinery and mechanical appliances and electronic and electrical appliances.
- Overall, for the period of January to December 2023, total exports increased by 10%, while total imports slightly declined by 1%, when compared with the corresponding period of 2022.

Total Exports, 2017 - 2024

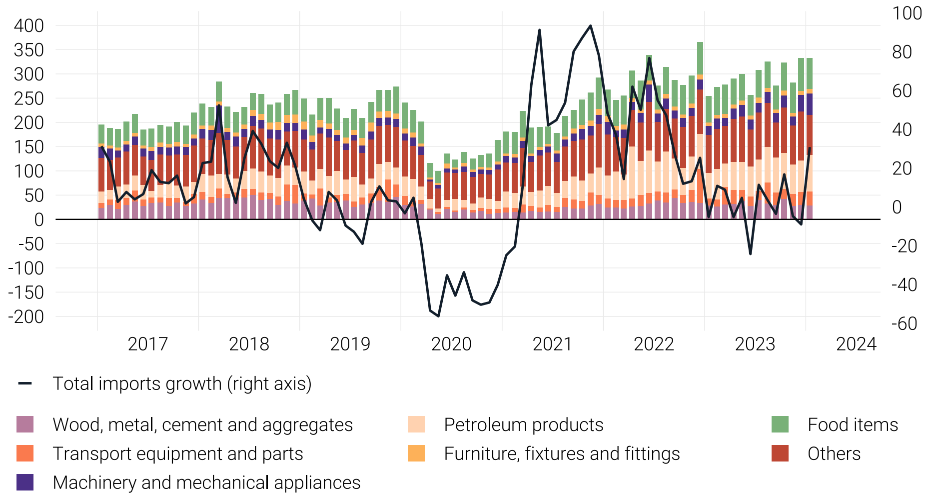
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

Total Imports, 2017 - 2024

(millions of US dollars, annual percentage change)



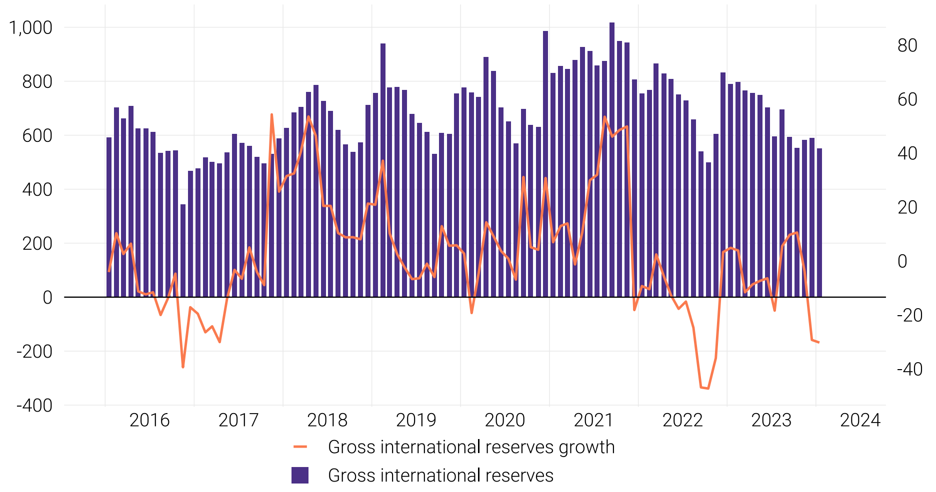
Source: Maldives Customs Service

Gross International Reserves

- Gross international reserves[2] (official reserve assets) decreased to US$551.1 million at the end of January 2024, from US$588.6 million at the end of December 2023. Conversely, this depicted a decline of US$238.9 million from the US$790.0 million recorded at the end of January 2023.
  - In terms of growth rates, a slight decrease of 6% was registered when compared with December 2023, and a decline of 30% when compared with January 2023.

Gross International Reserves, 2016 - 2024

(millions of US dollars, annual percentage change)



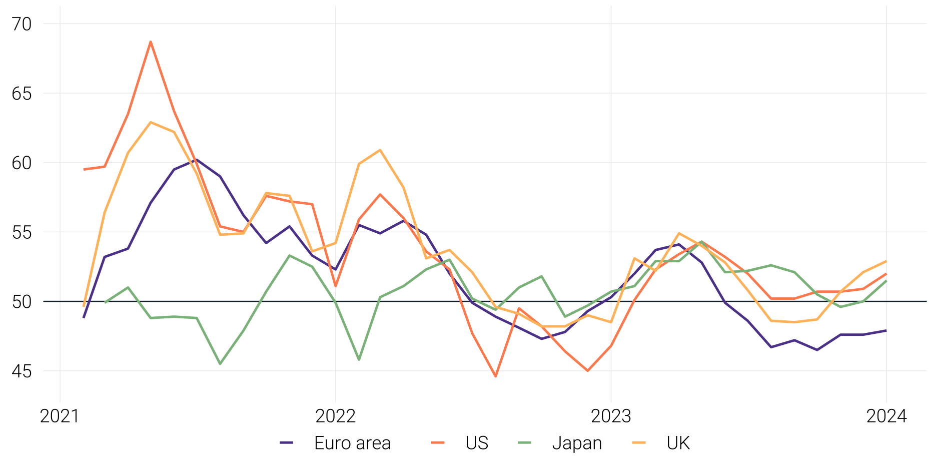
Source: Maldives Monetary Authority

[2] 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

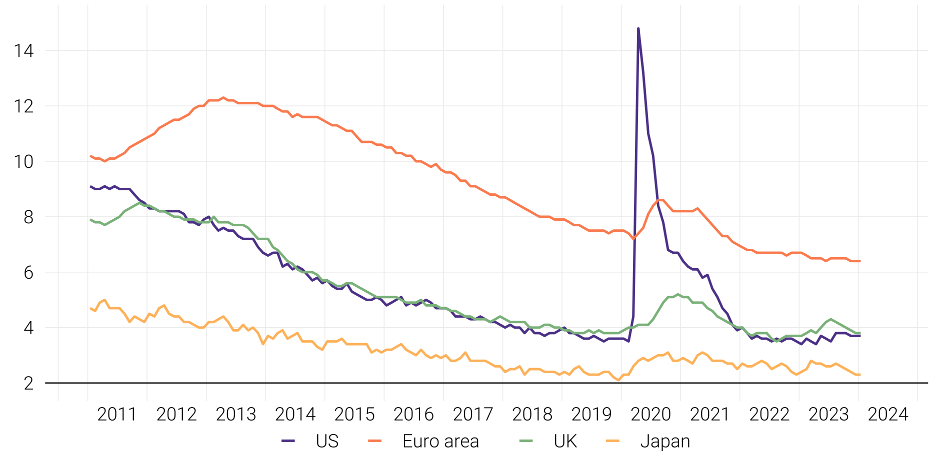
Global Output

Purchasing Manager's Index in the Advanced Economies, 2021 - 2024
(index points)



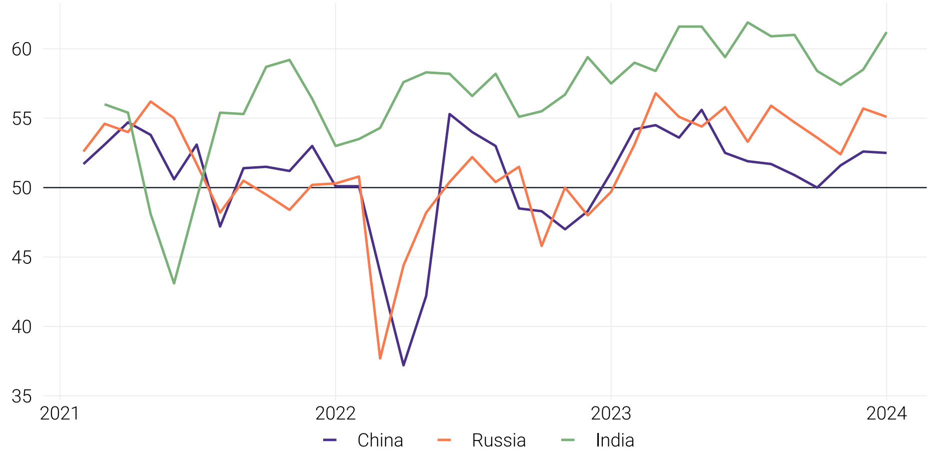
Source: Bloomberg Database

Unemployment in the Advanced Economies, 2011 - 2024
(percent)



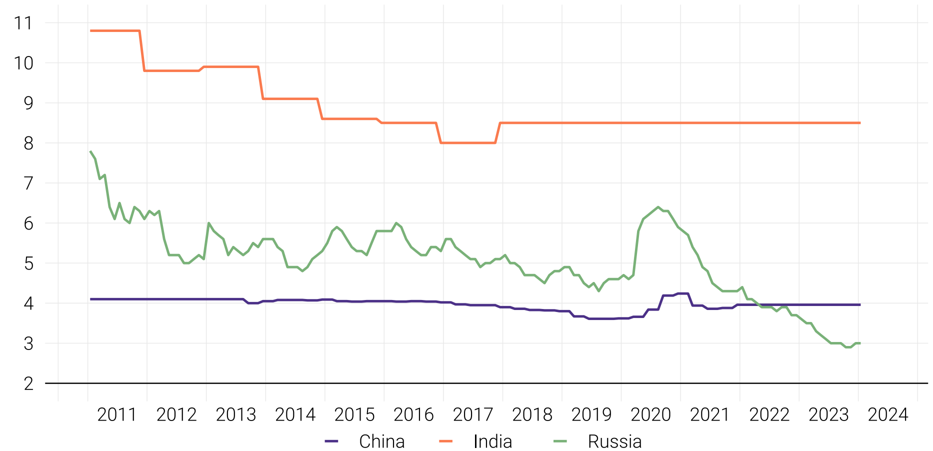
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2021 - 2024
(index points)



Source: Bloomberg Database

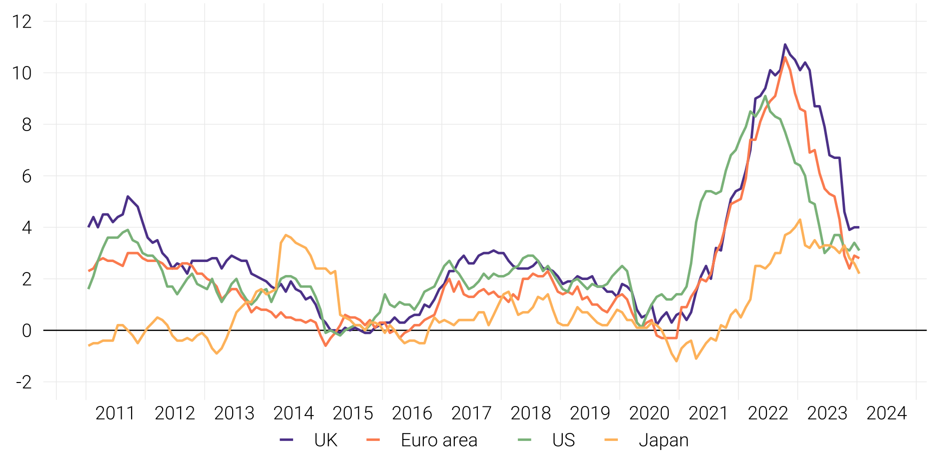
Unemployment in the Emerging Economies, 2011 - 2024
(percent)



Source: Bloomberg Database

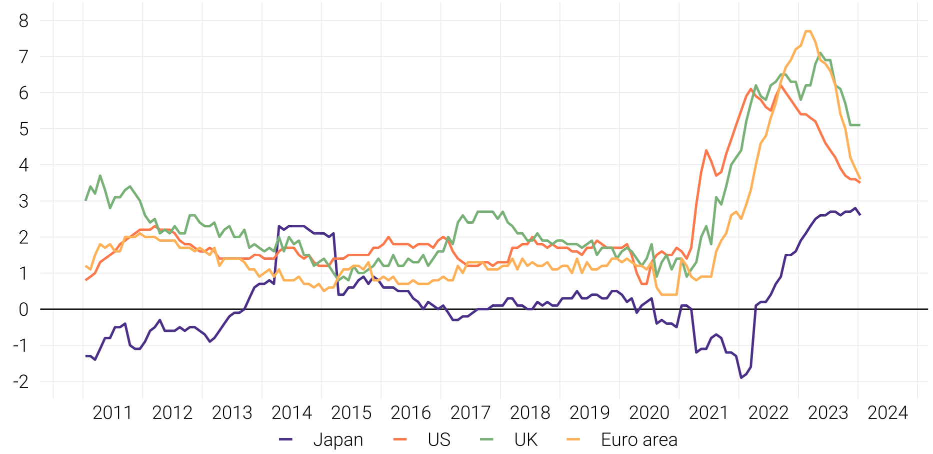
Global Inflation

Inflation in the Advanced Economies, 2011 - 2024
(percent)



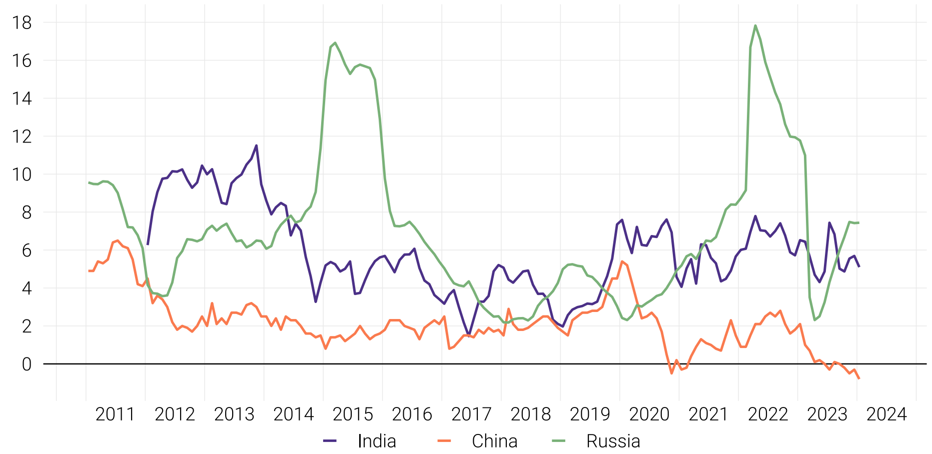
Source: Bloomberg Database

Core Inflation in the Advanced Economies, 2011 - 2024
(percent)



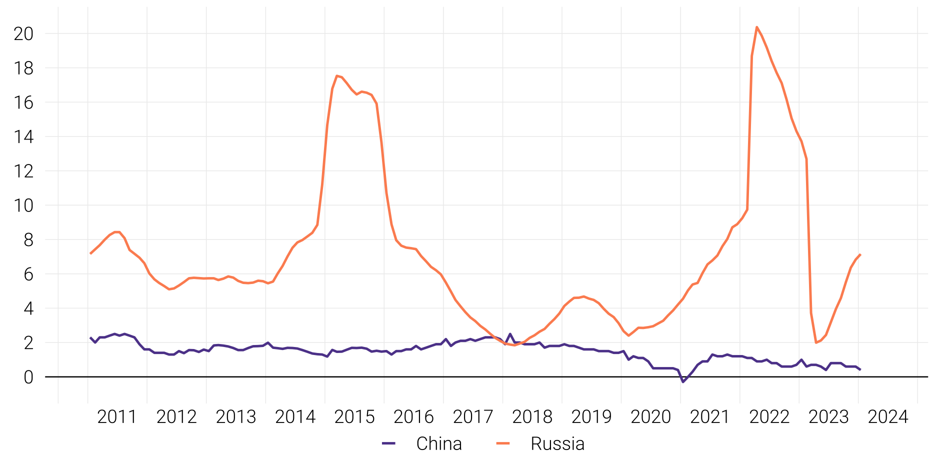
Source: Bloomberg Database

Inflation in the Emerging Economies, 2011 - 2024
(percent)



Source: Bloomberg Database

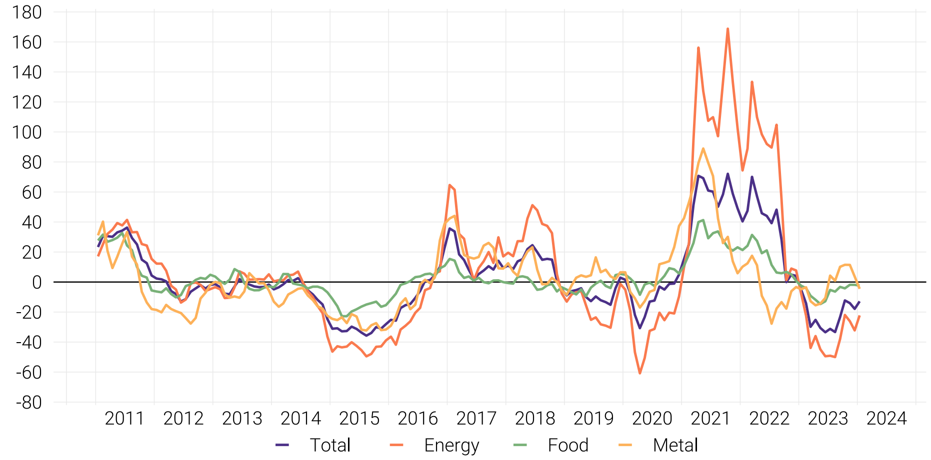
Core Inflation in the Emerging Economies, 2011 - 2024
(percent)



Source: Bloomberg Database

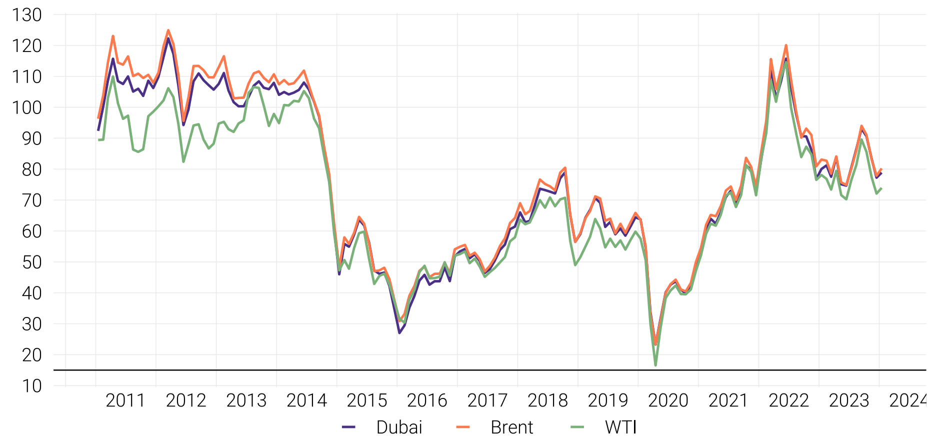
Commodity Prices

Commodity prices, 2011 - 2024
(annual percentage change)



Source: IMF

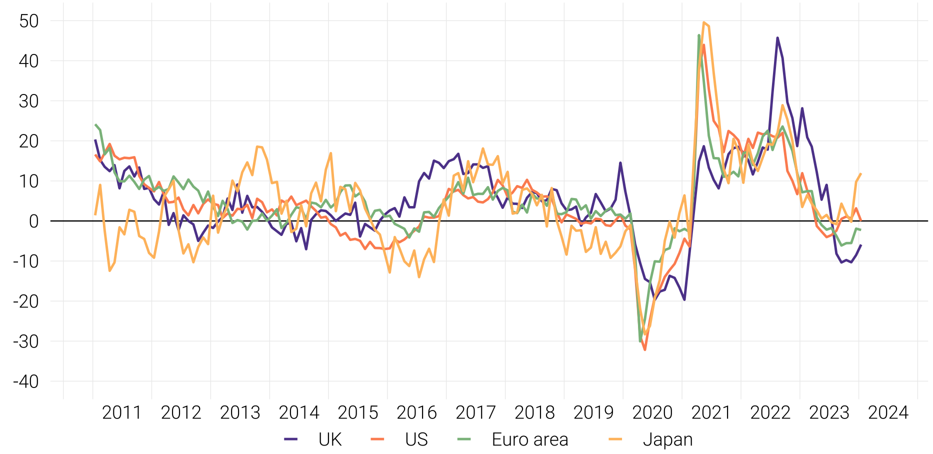
Oil prices, 2011 - 2024
(dollars per barrel)



Source: Bloomberg Database

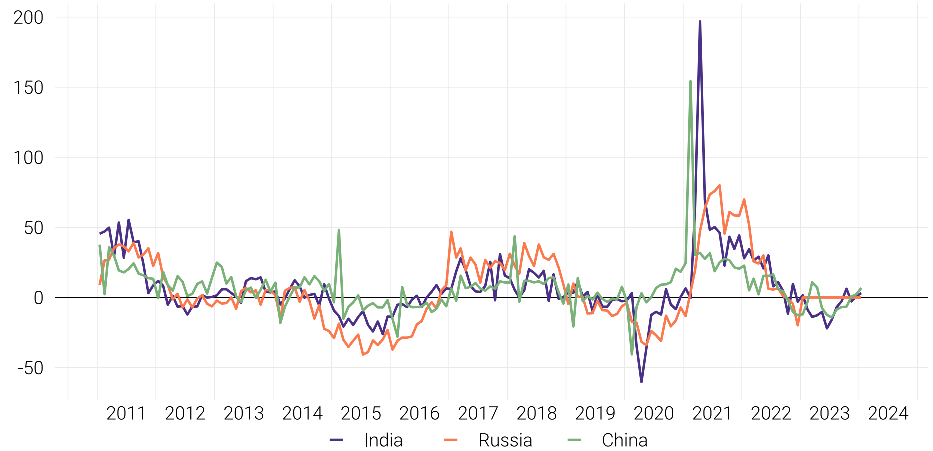
Global Trade

Exports in the Advanced Economies, 2011 - 2024
(annual percentage change)



Source: Bloomberg Database

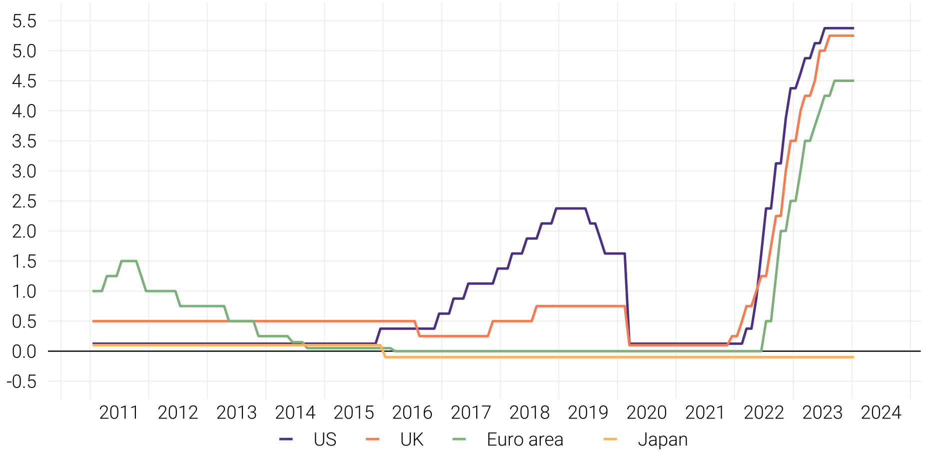
Exports in the Emerging Economies, 2011 - 2024
(annual percentage change)



Source: Bloomberg Database

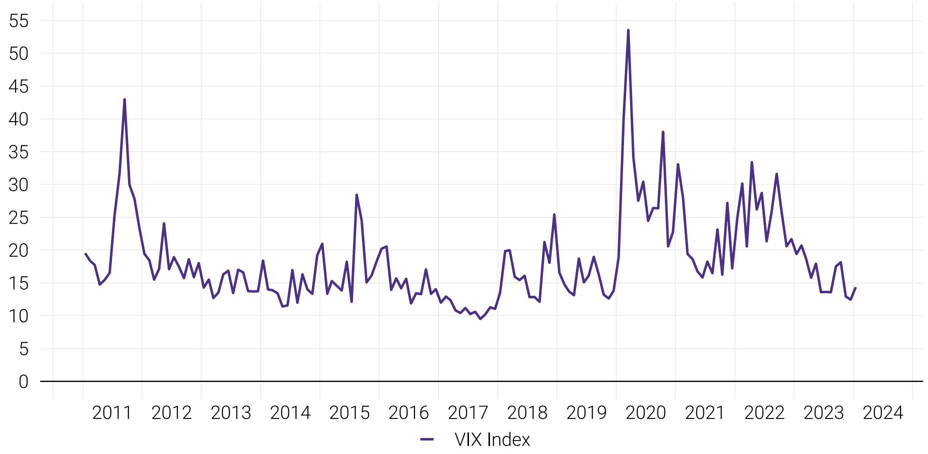
Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2011 - 2024
(percent)



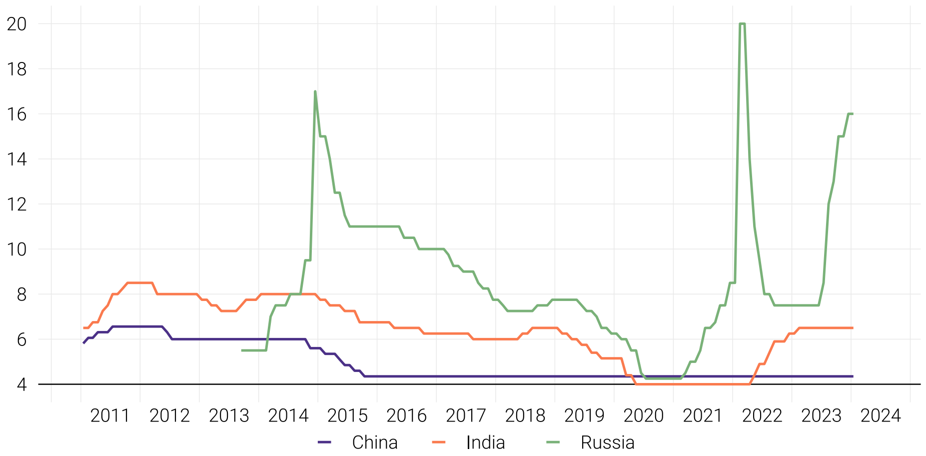
Source: Bloomberg Database

Volatility Index, 2011 - 2024
(percent)



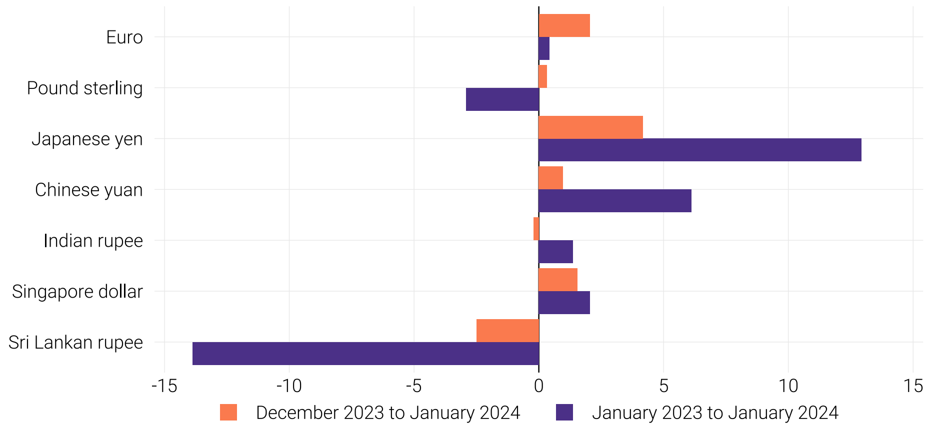
Source: Bloomberg Database

Monthly Policy Rates in the Emerging Economies, 2011 - 2024
(percent)



Source: Bloomberg Database

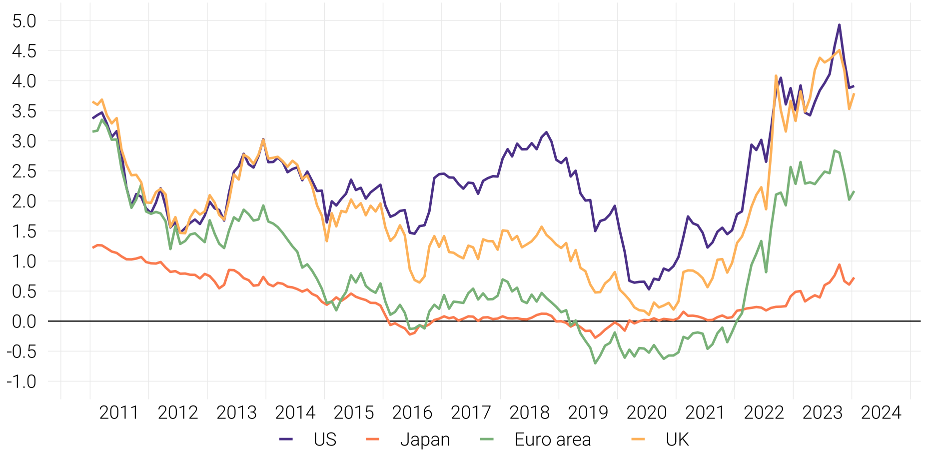
Exchange Rate of US Dollar against Currencies of Major Trading Partners, January 2024
(percentage change)



Source: Bloomberg Database

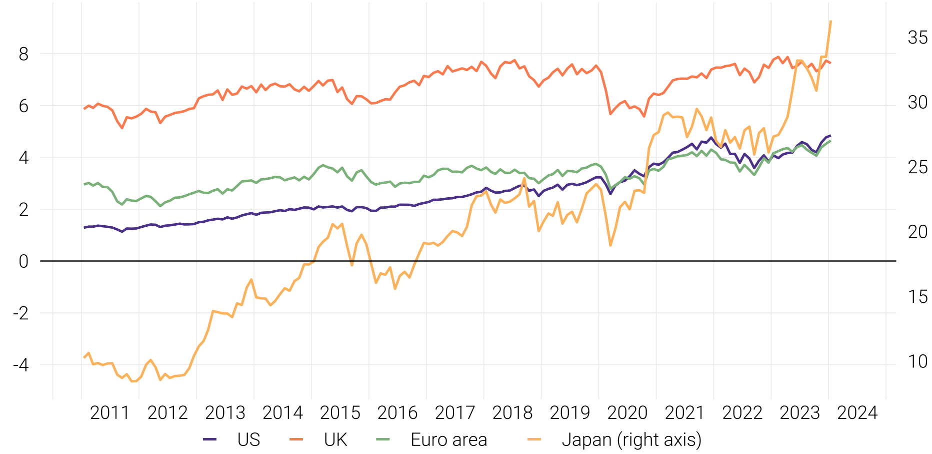
Global Financial Markets

Sovereign Bond Yield in the Advanced Economies, 2011 - 2024
(percent)



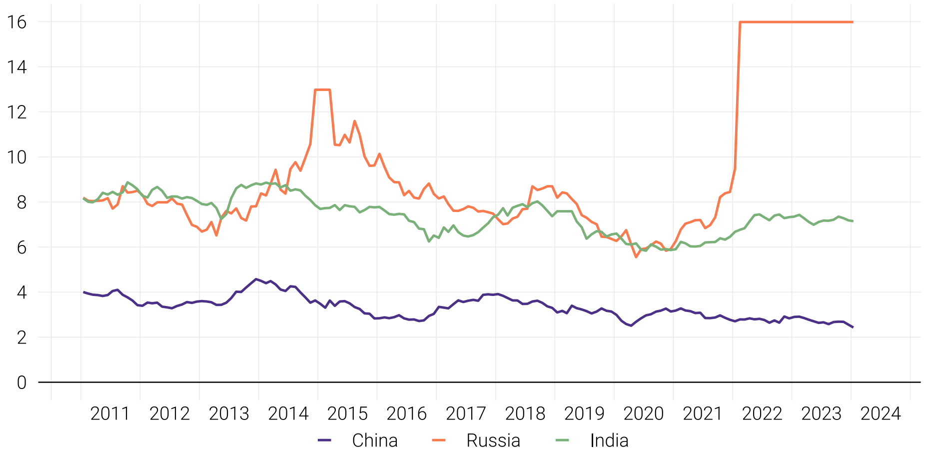
Source: Bloomberg Database

Share Price Index in the Advanced Economies, 2011 - 2024
(price index, in thousands)



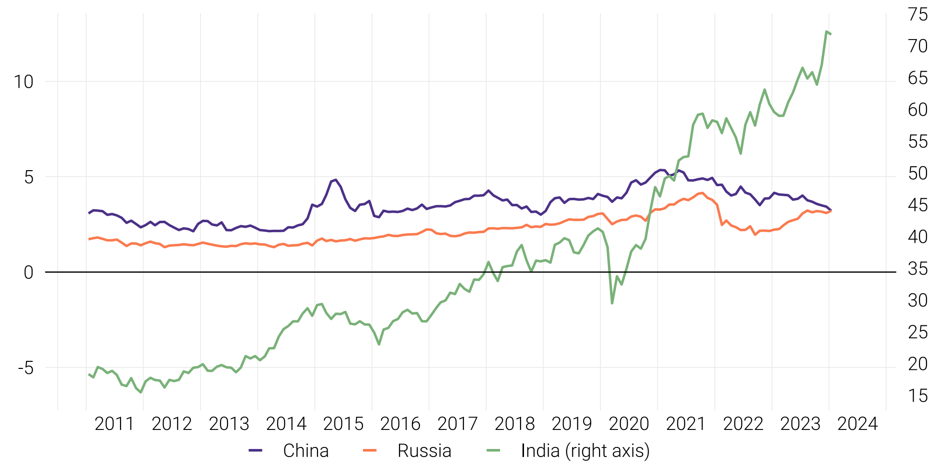
Source: Bloomberg Database

Sovereign Bond Yield in the Emerging Economies, 2011 - 2024
(percent)



Source: Bloomberg Database

Share Price Index in the Emerging Economies, 2011 - 2024
(price index, in thousands)



Source: Bloomberg Database

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