

MALDIVES MONETARY AUTHORITY

# ECONOMIC UPDATE

APRIL 2023

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## **About the Economic Update**

Economic Update is a monthly publication produced by the Research Division of MMA presenting a quick overview of current developments in the Maldivian economy. It also includes a chart pack of global economic and financial indicators. The Economic Update will be posted on MMA's website at the end of each month. This Economic Update is based on the latest available data as at 30 April 2023.

# Domestic Economic Developments

## Real Economy

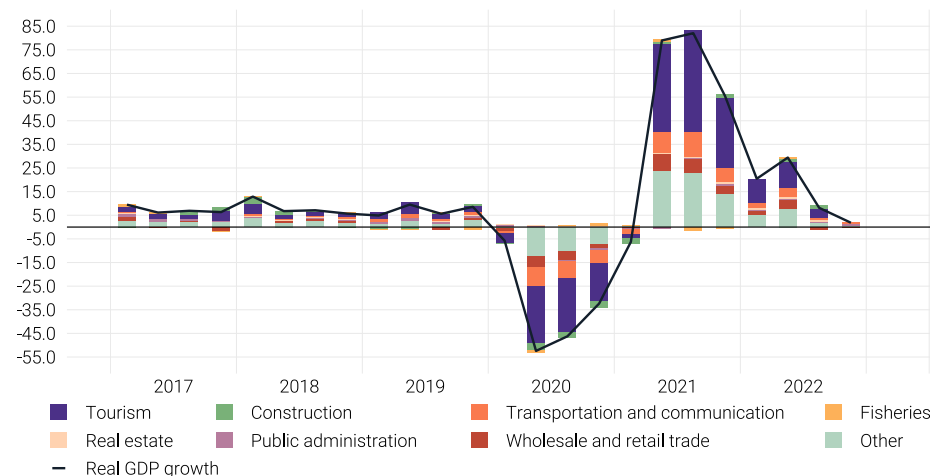
### Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts (QNA) for Q4-2022 released by the Maldives Bureau of Statistics (MBS), real GDP grew by 1.8% in Q4-2022, compared to the corresponding quarter of 2021, after recording a growth of 8.1% in Q3-2022. Further, annual real GDP for Q4-2022 was 7.1% higher than the pre-pandemic levels of Q4-2019.
  - While the real GDP remained buoyant on the back of a strong tourism sector, the annual growth in real GDP during Q4-2022 was mainly driven by the robust performance of the transportation and communication sector. Similarly, notable growths were observed in sectors such as public administration, real estate, education, electricity and water supply, and financial services. In contrast, negative contributions were observed in entertainment, recreation and other services sector, wholesale and retail trade sector as well as human health and social works sector.

### Annual GDP Growth Forecast

- According to revised forecasts published in October 2022<sup>1</sup>, real GDP is projected to grow by 7.6% in 2023. As for the first estimates of real GDP released by the Maldives Bureau of Statistics in April 2023, the annual real GDP is estimated at 13.9% in 2022—1.6 percentage points higher than the initial estimate of October 2022—after recording a significant growth of 41.7% in 2021, owing to the strong growth led by the robust recovery of tourism sector and other related sectors.

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



Source: Maldives Bureau of Statistics

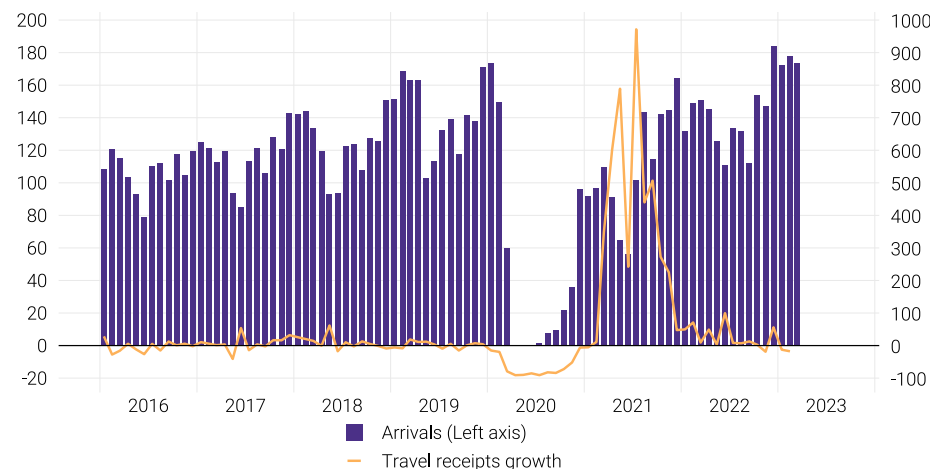
<sup>1</sup>According to the growth forecast scenarios estimated jointly by the MMA and the Ministry of Finance.

## Tourism

- In March 2023, tourist arrivals grew by 15% when compared with March 2022, while bednights also rose by 10%. In total, tourist arrivals stood at 173,514 during the month and exceeded pre-pandemic levels of March 2019 by 7%. Similarly, bednights surpassed pre-pandemic levels and registered a 24% growth during the same period.
  - The annual increase in tourist arrivals largely reflected the robust arrivals from key source markets of Europe and India. During the month, the highest number of tourist arrivals were recorded from Russia, India, United Kingdom, Germany, and Italy. It is noteworthy that China has re-entered the top ten source markets from January 2023 onwards.
- The operational bed capacity of the tourism industry observed an increase of 5,815 beds when compared with March 2022, while the occupancy rate remained broadly unchanged at 67% in March 2023.
- Overall, for the period January to March 2023, total tourist arrivals increased by 21% in annual terms, while bednights rose by 15%. Similarly, compared to the pre-pandemic levels of 2019, tourist arrivals recorded a growth of 8%, while bednights registered a growth of 29%. During the period, the average stay observed a moderate decline to 8.0 days, from 8.5 days in the corresponding period of 2022.

### Tourism, 2016 - 2023

(thousands, annual percentage change)

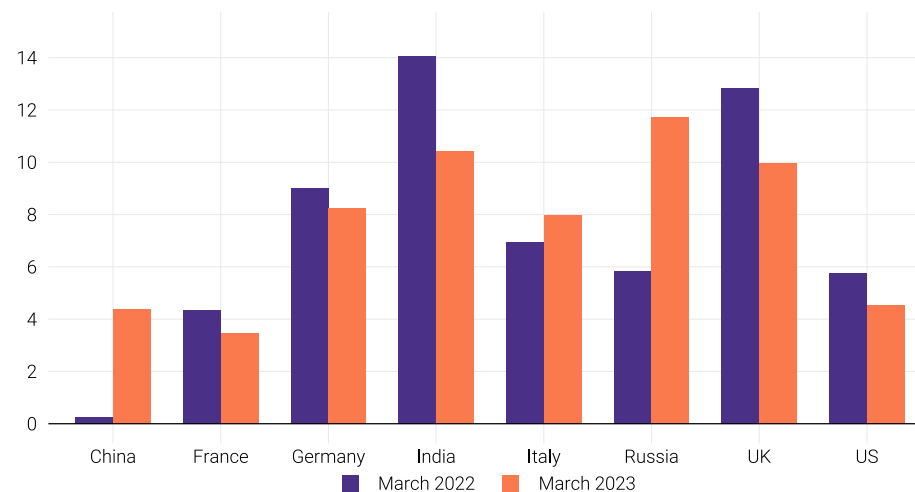


Source: Ministry of Tourism

Note: Tourism receipts available up to February 2023.

### Shares of Key Inbound Markets

(percent)

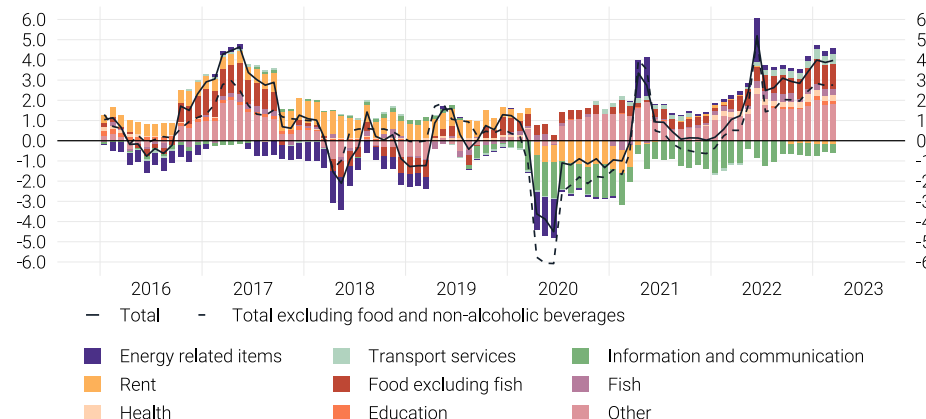


Source: Ministry of Tourism

# Inflation

- The rate of inflation, as measured by the annual percentage change in the national CPI, edged up to 4.0% in March 2023, from 3.9% in February 2023.
  - The largest contribution to the annual rate of inflation during March 2023 came from fruits (0.49 percentage points); restaurants and cafés (0.44 percentage points); fish (0.31 percentage points); dairy products (0.26 percentage points); passenger transport by air (0.26 percentage points); electricity (0.26 percentage points); mobile communication services (-0.53 percentage points); vegetables (-0.18 percentage points); and housing rent (-0.13 percentage points).
- The monthly percentage change in the national CPI also accelerated to 0.4% in March 2023, from 0.2% in February 2023.
  - The largest contribution to the monthly rate of inflation came from fruits (0.15 percentage points); electricity (0.14 percentage points); fish (0.06 percentage points); personal care appliances, articles, and products (0.03 percentage points); passenger transport by air (0.02 percentage points); other food products (0.02 percentage points); mobile telephone equipment (-0.04 percentage points); vegetables (-0.01 percentage points); and mobile communication services (-0.01 percentage points).

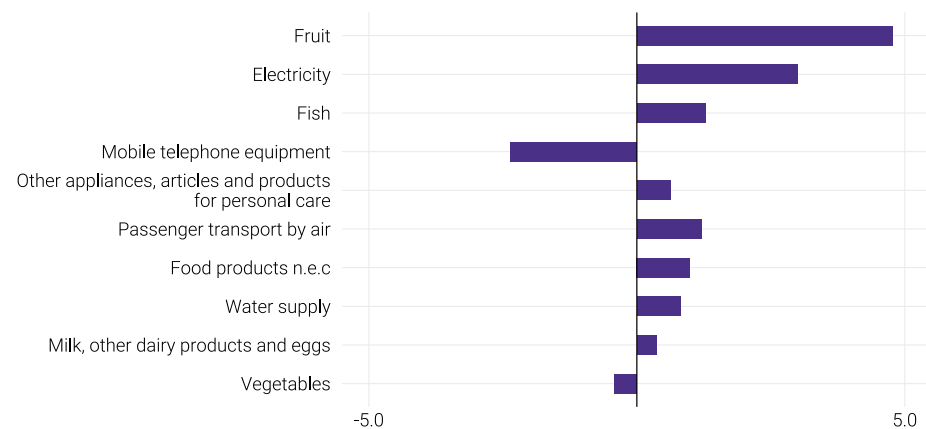
Contribution of Major Categories to CPI Inflation (National), 2016 - 2023  
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

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

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



Source: Maldives Bureau of Statistics

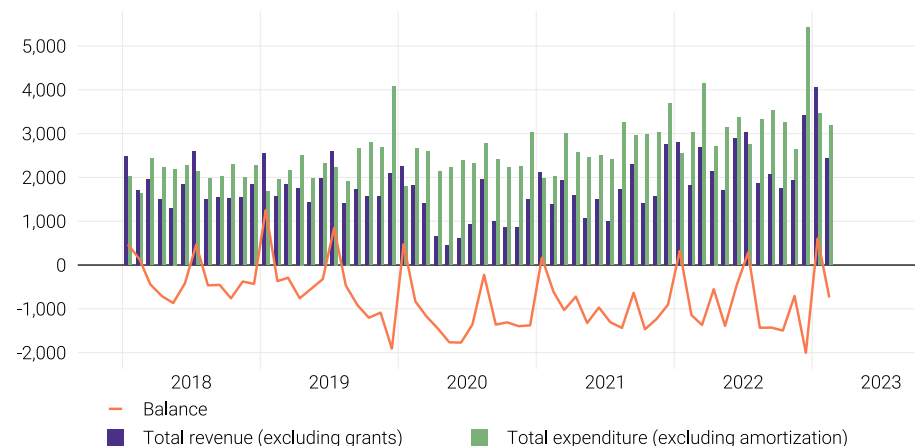
Note: Ordered by the size of the contribution.

# Public Finance

- Total revenue (excluding grants) observed an increase of MVR605.6 million (or 33%) in February 2023 when compared with February 2022, mostly driven by the growth in non-tax revenue. As such, non-tax revenue rose by MVR345.8 million, while tax revenue rose by MVR260.8 million.
- Total expenditure (excluding amortisation) rose by MVR152.7 million (or 5%) in February 2023 when compared with February 2022, owing to the growth in recurrent expenditure, which increased by MVR194.6 million, while capital expenditure declined by MVR41.9 million.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR91.5 billion at the end of Q4-2022, a 4% increase from Q3-2022. Meanwhile, total government debt as a percentage of GDP rose to 96% at the end of Q4-2022 from 92% in Q3-2022.
  - During this period, the increase in government debt was primarily driven by domestic debt.

## Government Revenue and Expenditure, 2018 - 2023

(millions of rufiyaa)

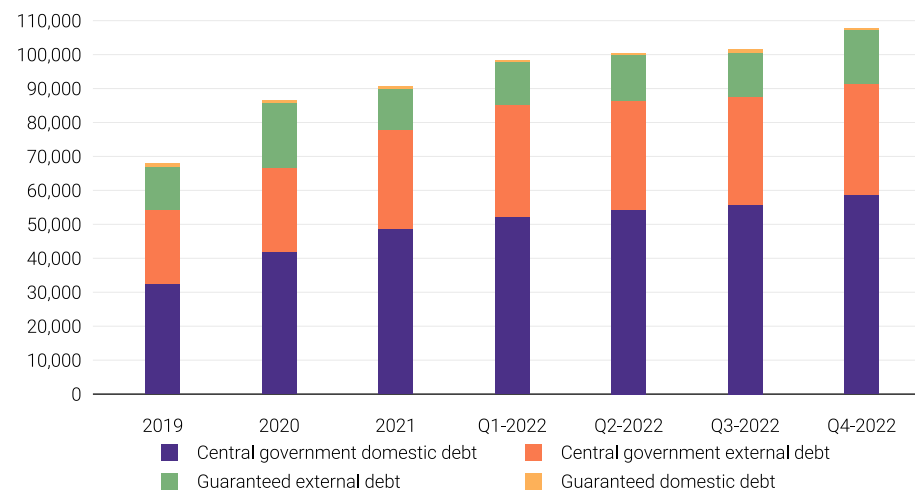


Source: Ministry of Finance

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

## Total Outstanding Stock of Public Debt, 2019 - 2022

(millions of rufiyaa)



Source: Ministry of Finance

# Monetary Developments

## Reserve Money

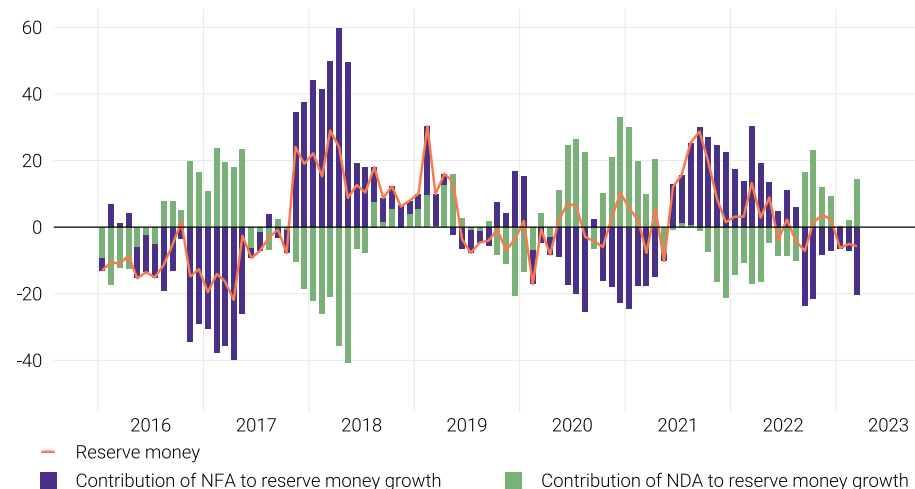
- Reserve money (M0) further declined by 6% at the end of March 2023, after registering a decline of 5% at the end of February 2023. The annual decline in reserve money stemmed mainly from a significant decline in net foreign assets, despite the marked growth in net domestic assets during the period.
  - Net foreign assets declined mainly owing to the fall in foreign asset accumulation, together with the increase in foreign liabilities during the period, which reflected the swap obtained from the Reserve Bank of India (RBI) in December 2022. Meanwhile, the growth in net domestic assets primarily reflected the increase in net claims on central government, despite the increase in overnight deposit facility (ODF) placements by the commercial banks.

## Broad Money

- Annual broad money (M2) growth remained broadly unchanged at 5% at the end of March 2023.
  - On the components side, the annual growth in broad money was primarily driven by an increase in quasi money, mainly reflecting a substantial growth in transferable deposits denominated in foreign currency, followed by an increment in time deposits denominated in both local and foreign currency. Meanwhile, narrow money growth remained broadly unchanged during March 2023.
  - As for the sources, the annual growth in broad money was solely driven by the net domestic assets, largely owing to the growth in net claims on the central government by the commercial banks and the MMA, while growth in credit to the private sector also increased during March 2023. Meanwhile, net foreign assets declined, mainly owing to the increase in foreign liabilities, together with a decline in foreign asset accumulation during the period.

Sources of Reserve Money, 2016 - 2023

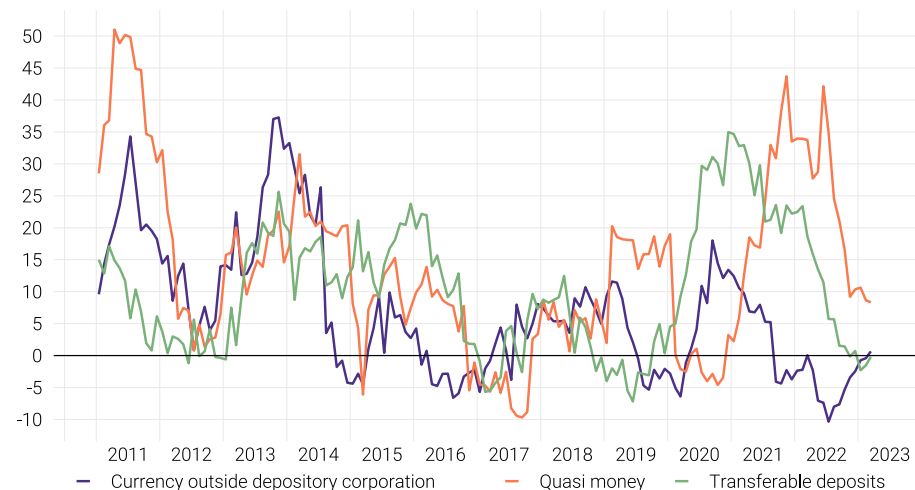
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Components of Broad Money, 2011 - 2023

(annual percentage change)



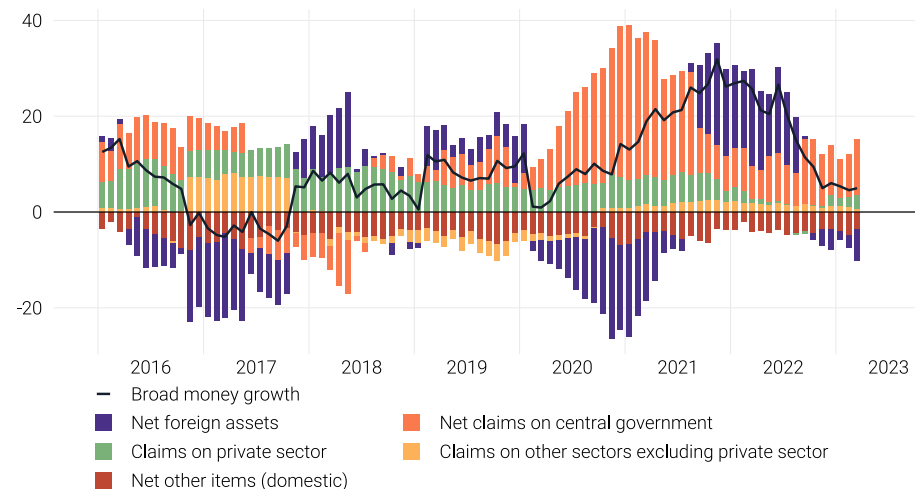
Source: Maldives Monetary Authority

## Credit to Private Sector

- The annual growth rate of credit to the private sector by the commercial banks rose to 6% at the end of March 2023, from 4% at the end of February 2023.
  - As for credit growth by major sectors, credit to all major sectors (namely personal loans, tourism, commerce, and real estate), except for the construction sector, continued to expand in March 2023, whereby personal loans registered the highest growth during the month. Similarly, credit extended to the tourism sector, which accounts for the highest share of bank credit, registered an annual increment of 8% during the month.
  - The annual growth in credit to the tourism sector was driven by a marked increase in credit lent in the form of working capital, despite the decline in credit lent for new resort development and renovation of resorts.

### Contribution to Broad Money, 2016 - 2023

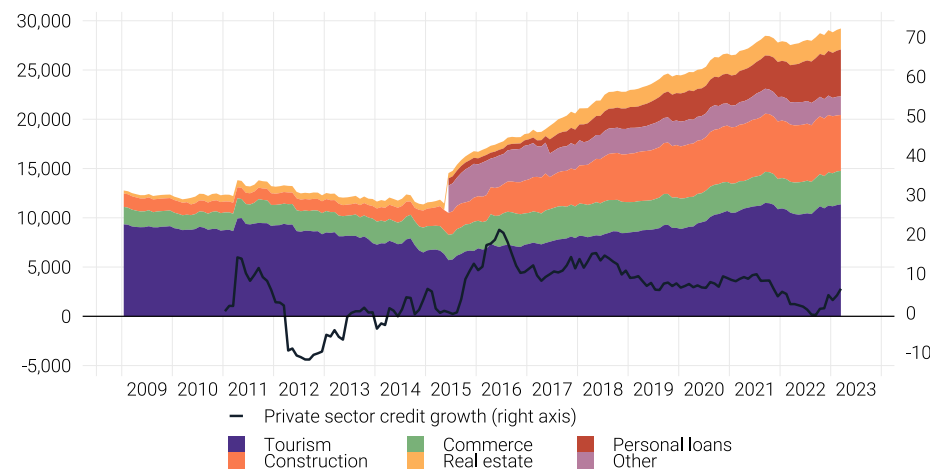
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

### Private Sector Credit, 2009 - 2023

(millions of rufiyaa, annual percentage change)



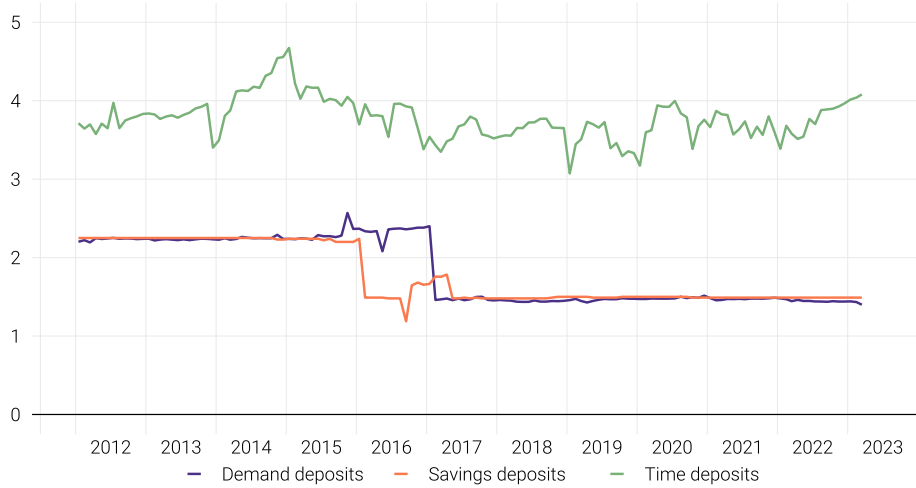
Source: Maldives Monetary Authority

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

# Interest rates

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

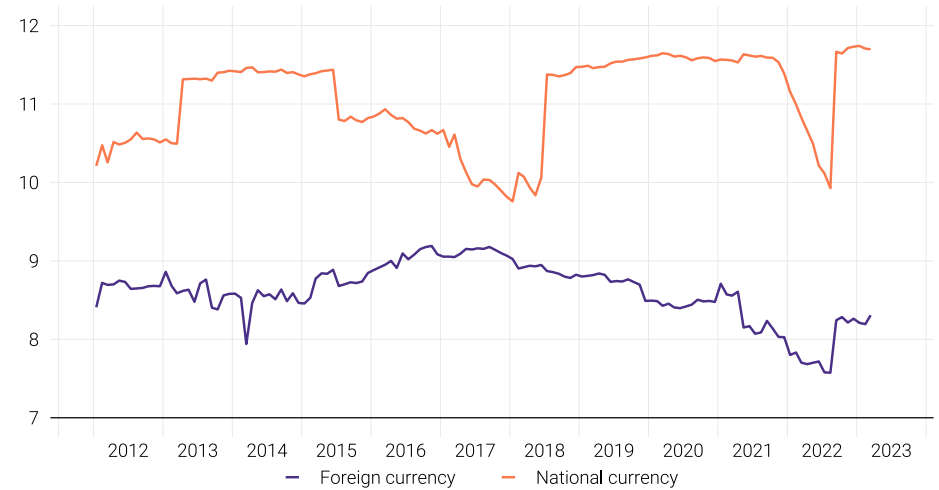
(weighted average)



Source: Maldives Monetary Authority

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

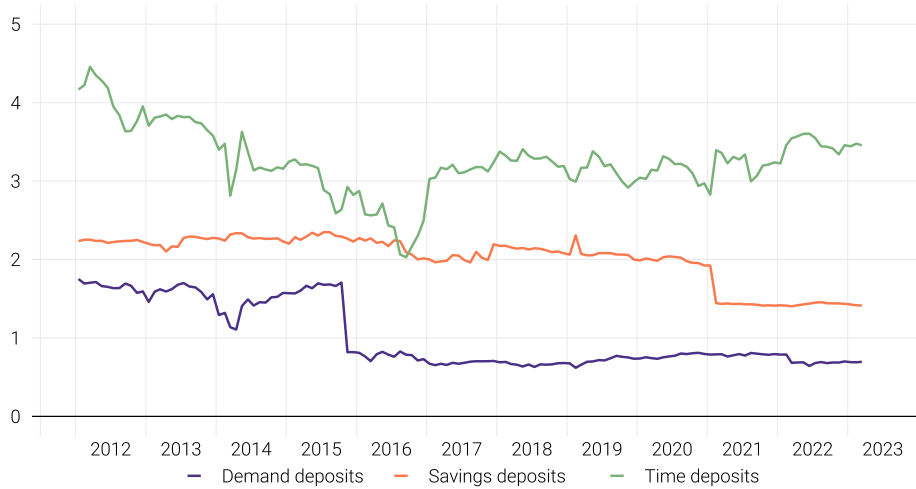
(weighted average)



Source: Maldives Monetary Authority

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

(weighted average)



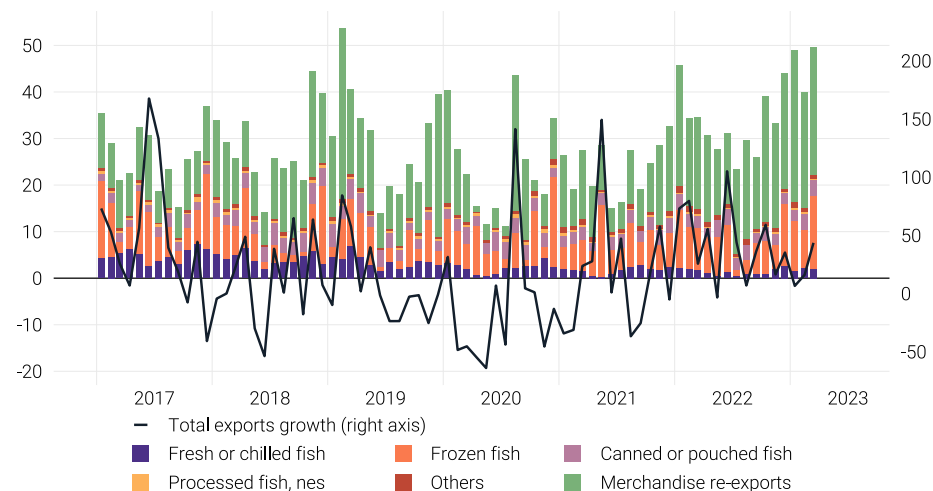
Source: Maldives Monetary Authority

# External Trade

- Total exports (f.o.b) increased significantly by 44% during March 2023 when compared with March 2022, while total imports (c.i.f) rose by 10% during the same period.
  - The annual growth in total exports stemmed primarily from an increment in re-exports, which reflected higher re-exports of jet fuel. Similarly, domestic exports also increased during the period, largely owing to an increase in earnings from frozen skipjack tuna exports, together with canned or pouched tuna exports, and fresh or chilled yellowfin tuna exports.
  - The annual growth in import expenditure stemmed mainly from an increase in transport equipment, construction-related items, electrical and electronic machinery and equipment, and food items. In contrast, declines were observed in import expenditure on electronic and electric appliances, petroleum products, and furniture, fixtures, and fittings.
- Overall for the period of January to March 2023, both total exports and imports increased, by 21% and 5%, respectively, when compared with the corresponding period of 2022.

## Total Exports, 2017 - 2023

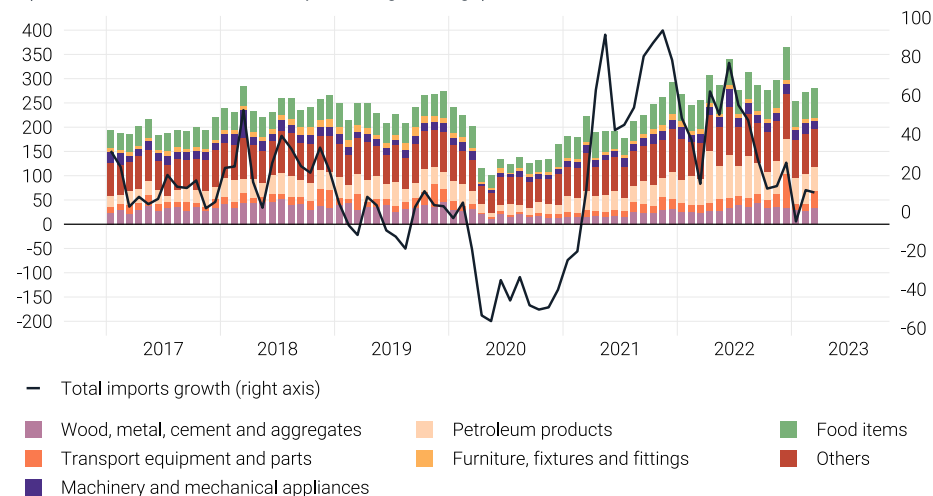
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

## Total Imports, 2017 - 2023

(millions of US dollars, annual percentage change)



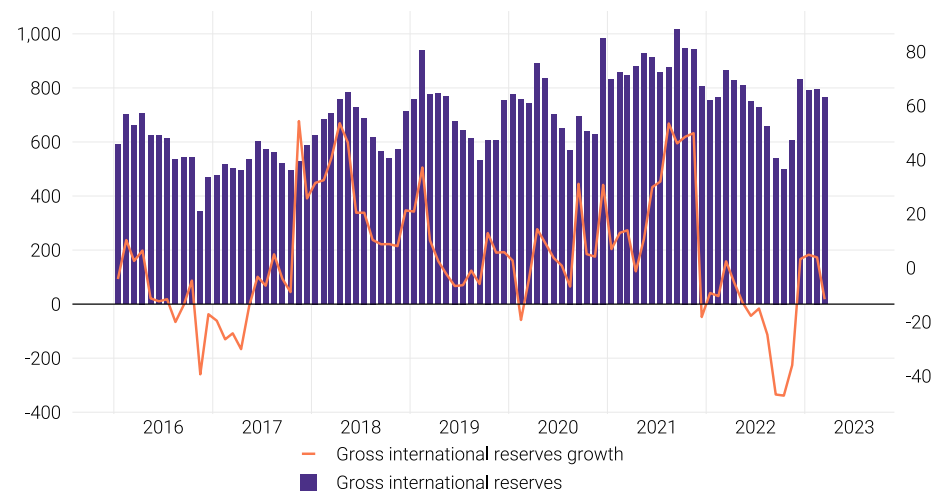
Source: Maldives Customs Service

## Gross International Reserves

- Gross international reserves<sup>2</sup> (official reserve assets) marginally fell to US\$764.6 million at the end of March 2023, from US\$795.8 million at the end of February 2023. Similarly, this depicts a decline from US\$865.2 million recorded at the end of March 2022.
- In terms of growth rates, a decline of 4% was registered when compared with February 2023, and a decline of 12% compared with March 2022.

### Gross International Reserves, 2016 - 2023

(millions of US dollars, annual percentage change)



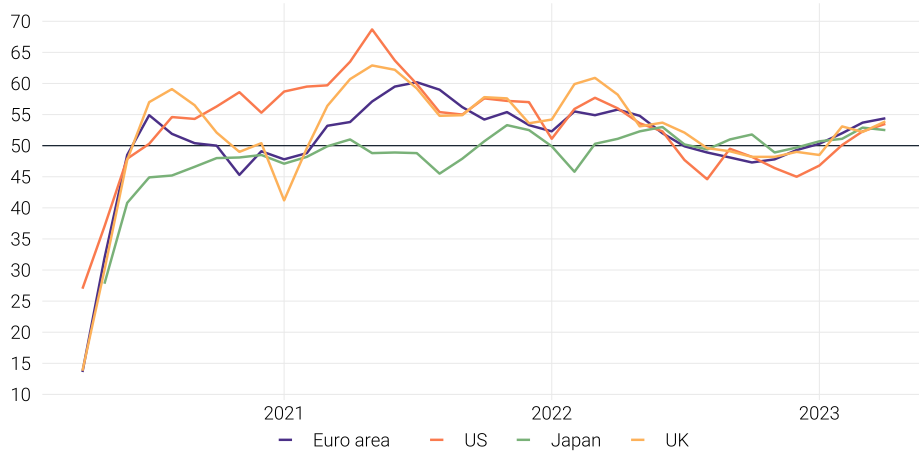
Source: Maldives Monetary Authority

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

# International Economic Developments

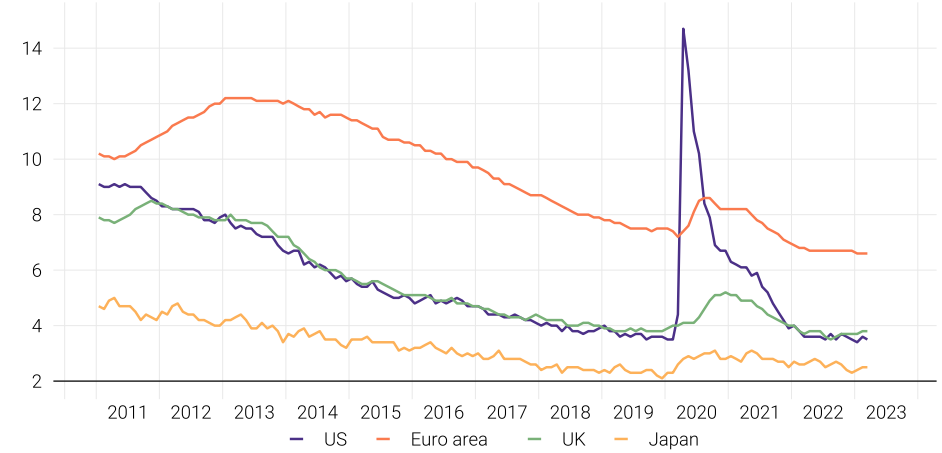
## Global Output

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



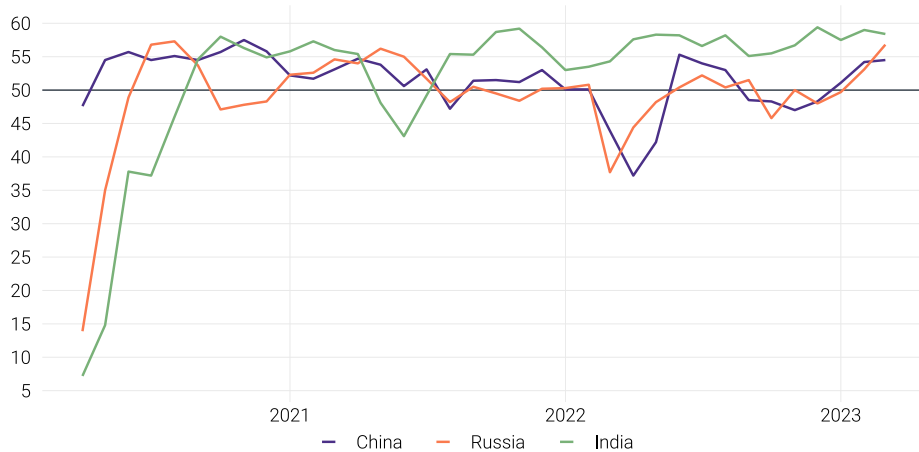
Source: Bloomberg Database

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



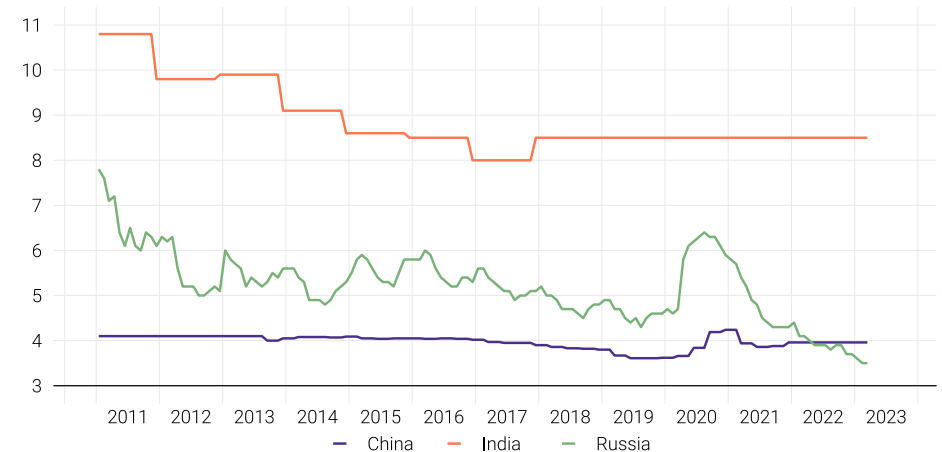
Source: Bloomberg Database

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



Source: Bloomberg Database

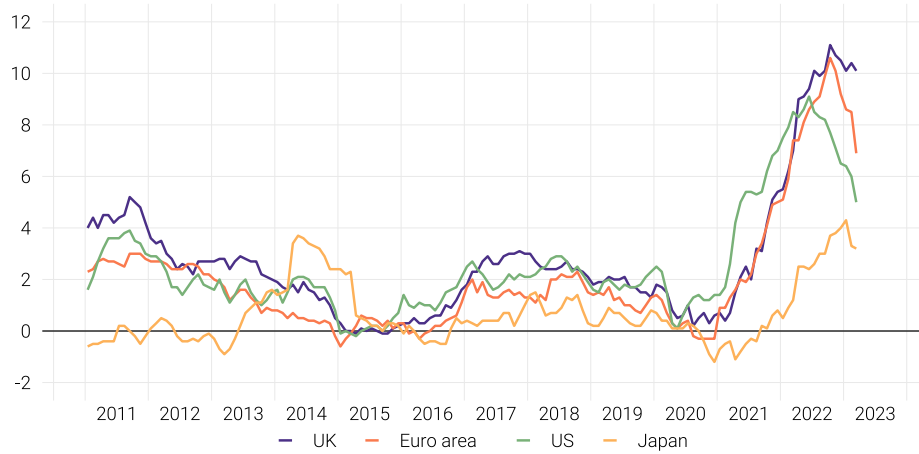
Unemployment in the Emerging Economies, 2011 - 2023  
(percent)



Source: Bloomberg Database

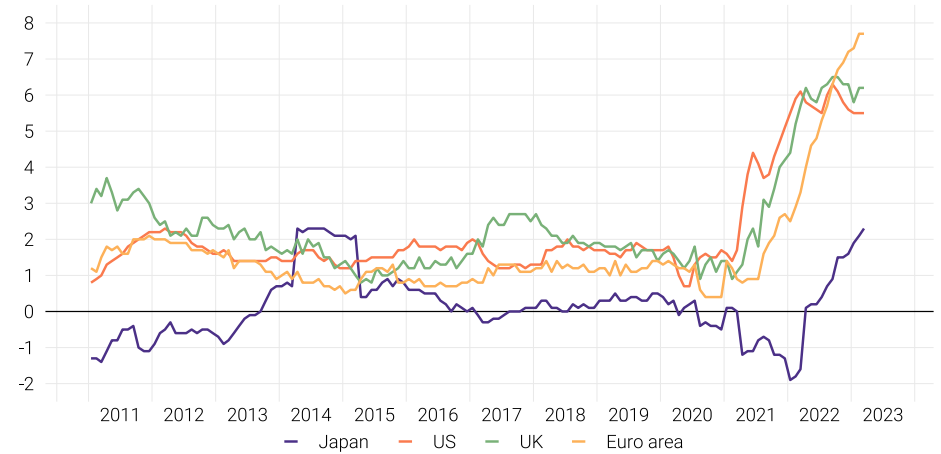
# Global Inflation

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



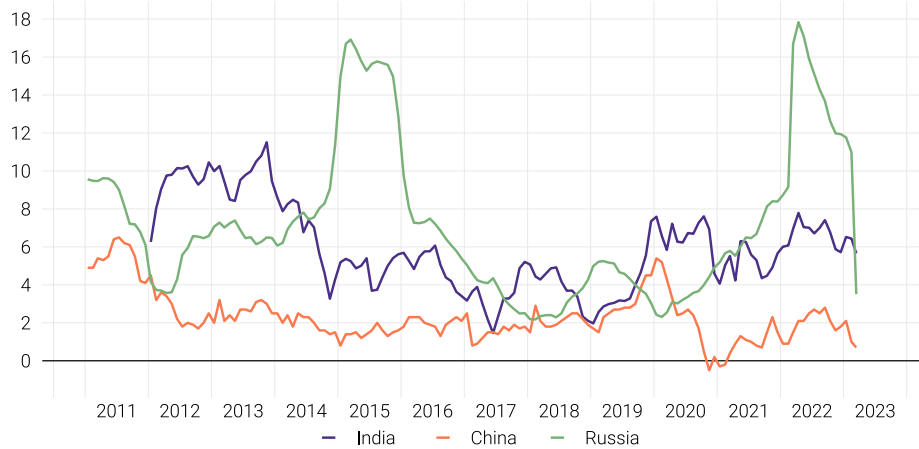
Source: Bloomberg Database

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



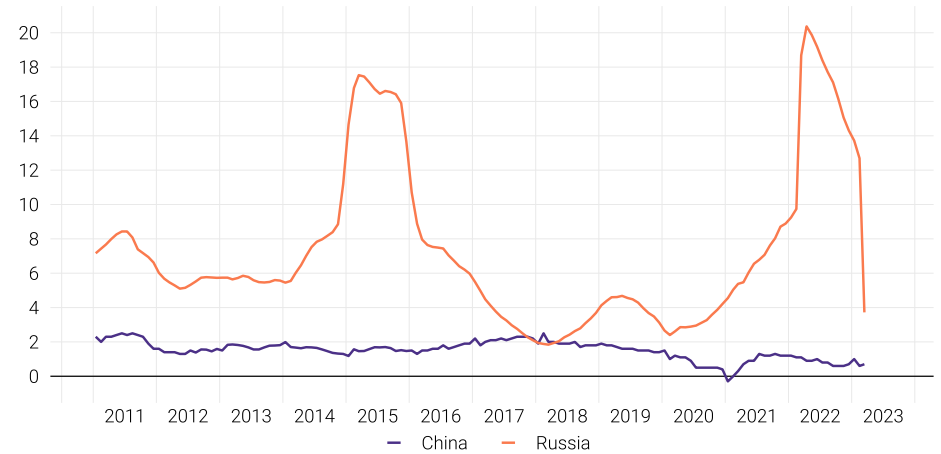
Source: Bloomberg Database

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



Source: Bloomberg Database

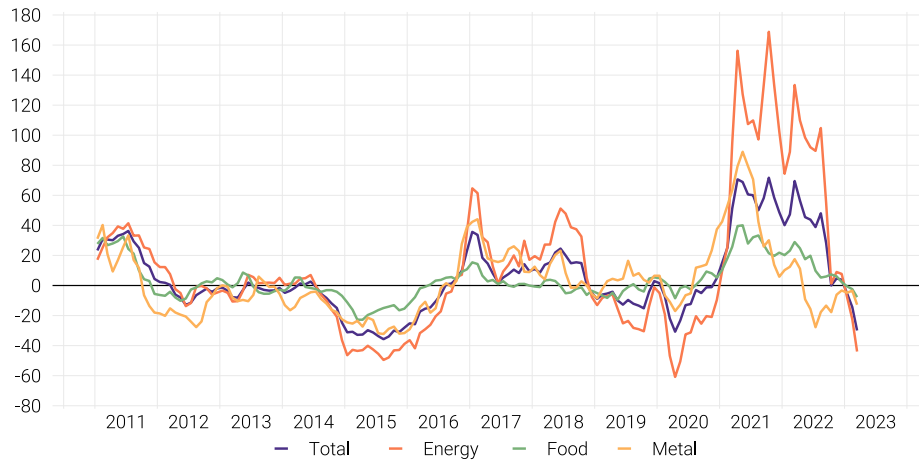
**Core Inflation in the Emerging Economies, 2011 - 2023**  
(percent)



Source: Bloomberg Database

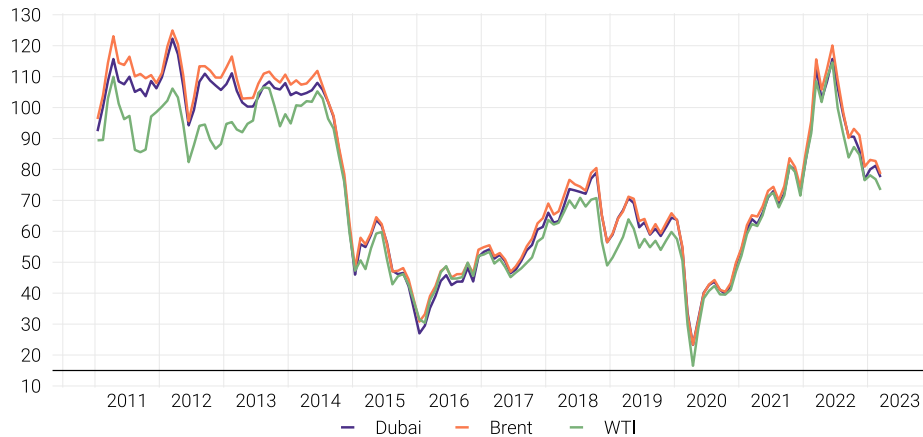
# Commodity Prices

Commodity prices, 2011 - 2023  
(annual percentage change)



Source: IMF

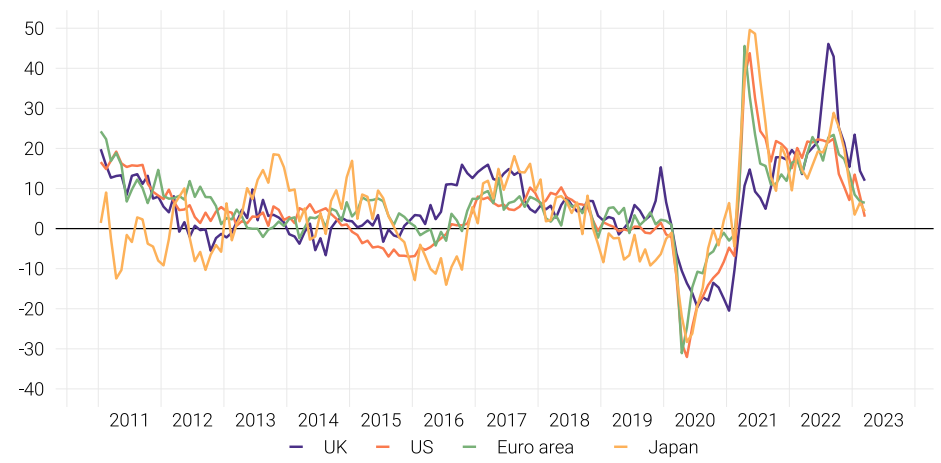
Oil prices, 2011 - 2023  
(dollars per barrel)



Source: Bloomberg Database

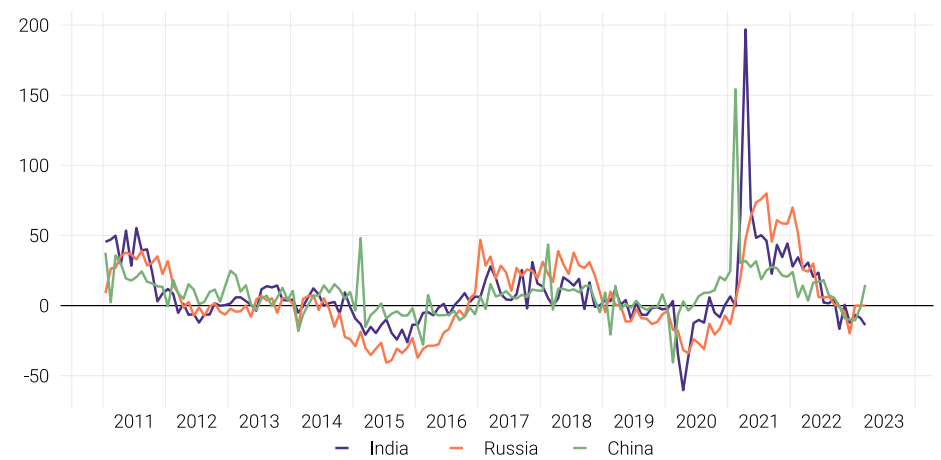
# Global Trade

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



Source: Bloomberg Database

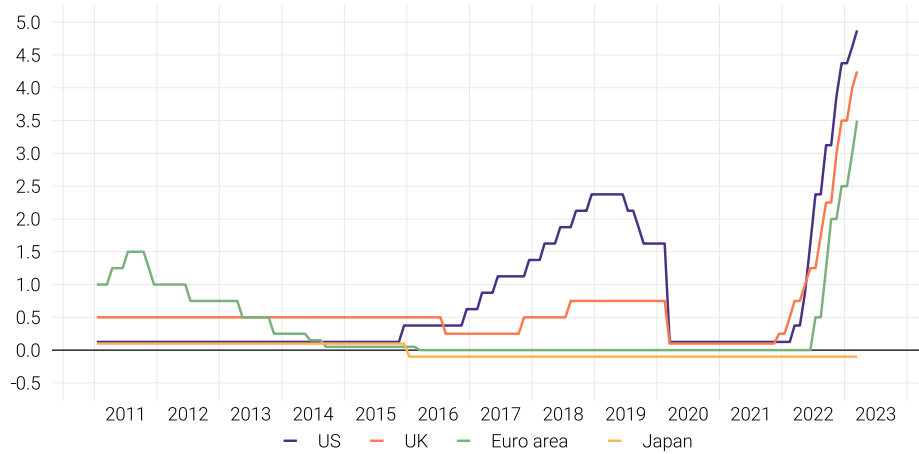
Exports in the Emerging Economies, 2011 - 2023  
(annual percentage change)



Source: Bloomberg Database

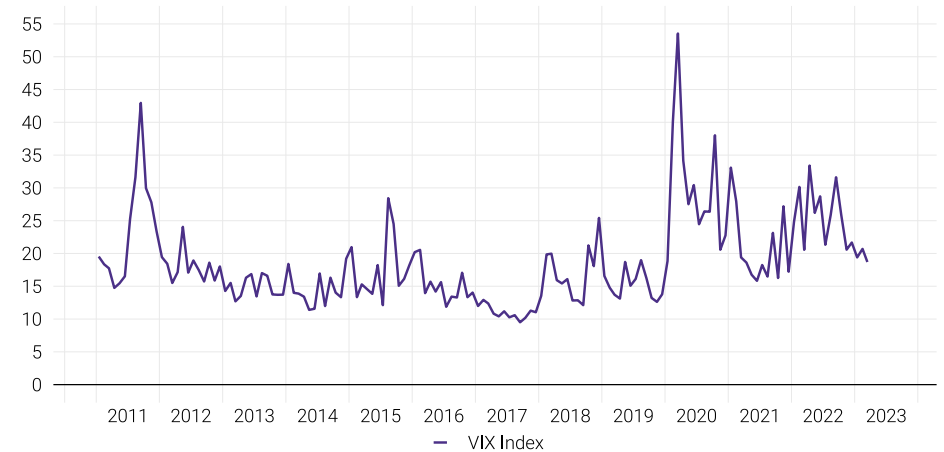
# Global Financial Markets

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



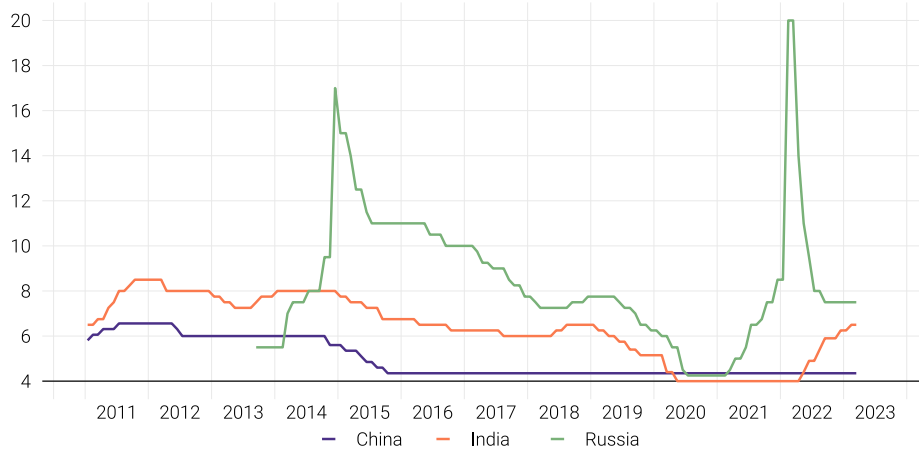
Source: Bloomberg Database

Volatility Index, 2011 - 2023  
(percent)



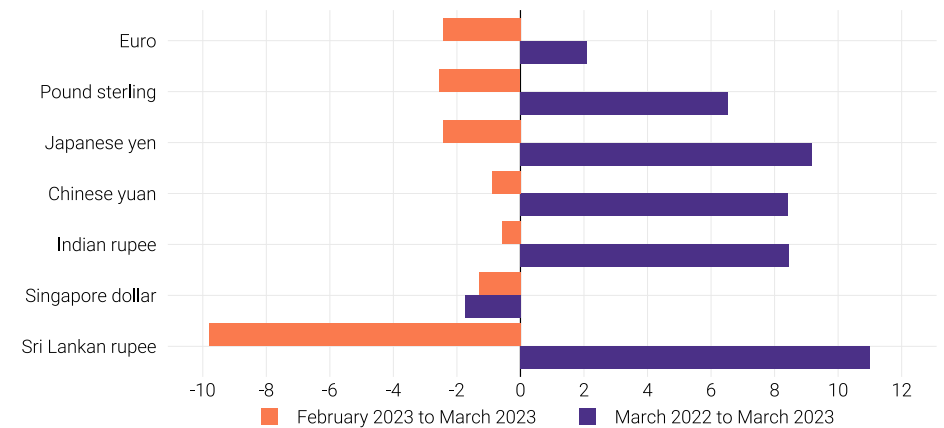
Source: Bloomberg Database

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



Source: Bloomberg Database

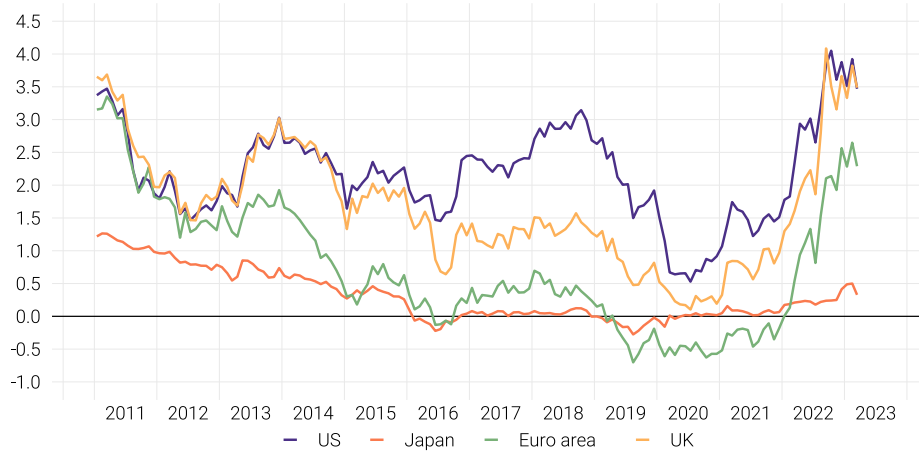
Exchange Rate of US Dollar against Currencies of Major Trading Partners, March 2023  
(percentage change)



Source: Bloomberg Database

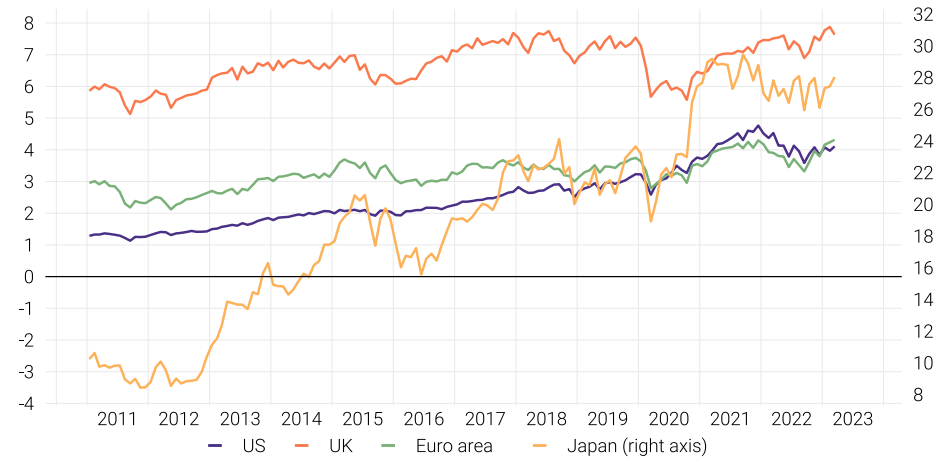
# Global Financial Markets

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



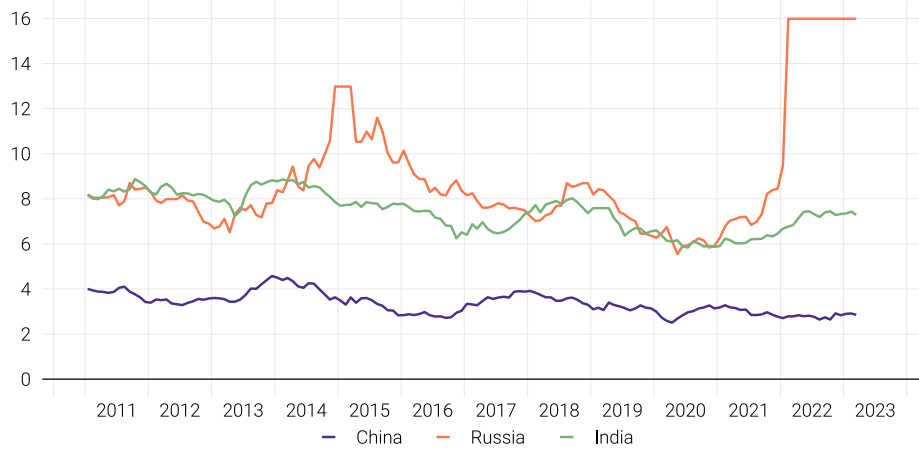
Source: Bloomberg Database

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



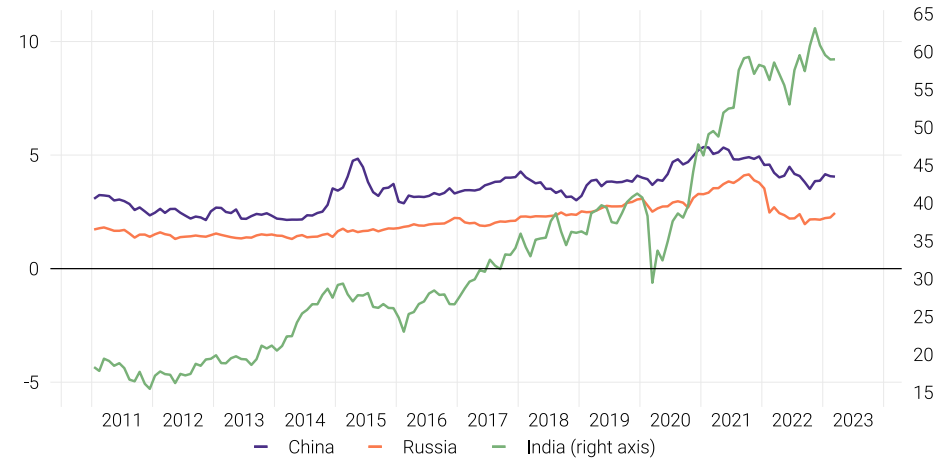
Source: Bloomberg Database

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



Source: Bloomberg Database

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



Source: Bloomberg Database



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