

MALDIVES MONETARY AUTHORITY

# ECONOMIC UPDATE

OCTOBER 2023

VOLUME 5 ISSUE 10



[mma.gov.mv](http://mma.gov.mv)

## **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 31 October 2023.

# Domestic Economic Developments

## Real Economy

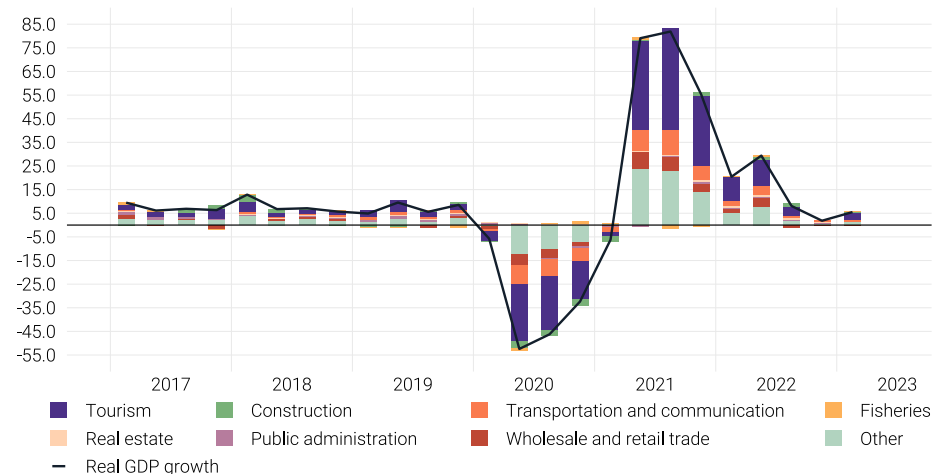
### Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts (QNA) for Q1-2023 released by the Maldives Bureau of Statistics (MBS), real GDP grew by 5.5% in Q1-2023, compared to the corresponding quarter of 2022, an acceleration from the growth of 1.8% in Q4-2022. Further, annual real GDP for Q1-2023 was 12.3% higher than the pre-pandemic levels of Q1-2019.
  - The annual growth in real GDP during Q1-2023 was mainly driven by the robust performance of the tourism sector and positive contribution to related sectors. During the quarter, notable growths were observed in sectors such as transport and communication, construction, public administration, and fisheries sector. In contrast, negative contributions were observed in wholesale and retail trade sector as well as real estate sector.

### Annual GDP Growth Forecast

- According to revised forecasts published in April 2023<sup>1</sup>, real GDP is projected to grow by 9.4% in 2023. According to second estimates of real GDP released by the Maldives Bureau of Statistics in June 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 - 2023  
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

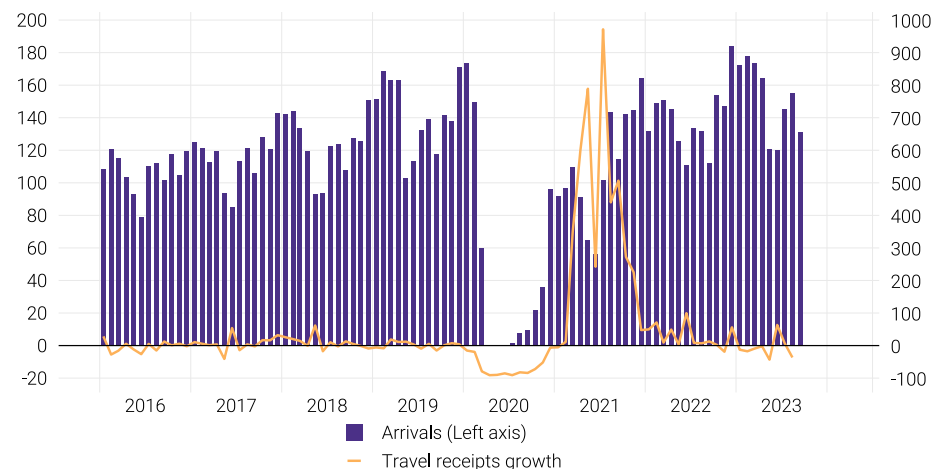
<sup>1</sup>According to the growth forecast scenarios estimated jointly by the MMA and the Ministry of Finance.

## Tourism

- In September 2023, total tourist arrivals stood at 130,967, registering an increase of 17% when compared with September 2022, while bednights also increased by 8%.
  - The annual increase in tourist arrivals largely reflected the robust arrivals from China. During the month, the highest number of tourist arrivals were recorded from China, India, Russia, Germany and the United Kingdom.
- The operational bed capacity of the tourism industry observed an increase of 4,104 beds when compared with September 2022, while the occupancy rate rose slightly to 46% in September 2023, from 45% in September 2022.
- Overall, for the period January to September 2023, total tourist arrivals increased by 14% in annual terms, while bednights rose by 8%. During the period, the average stay observed a decline to 7.6 days, from 8.1 days in the corresponding period of 2022.

### Tourism, 2016 - 2023

(thousands, annual percentage change)

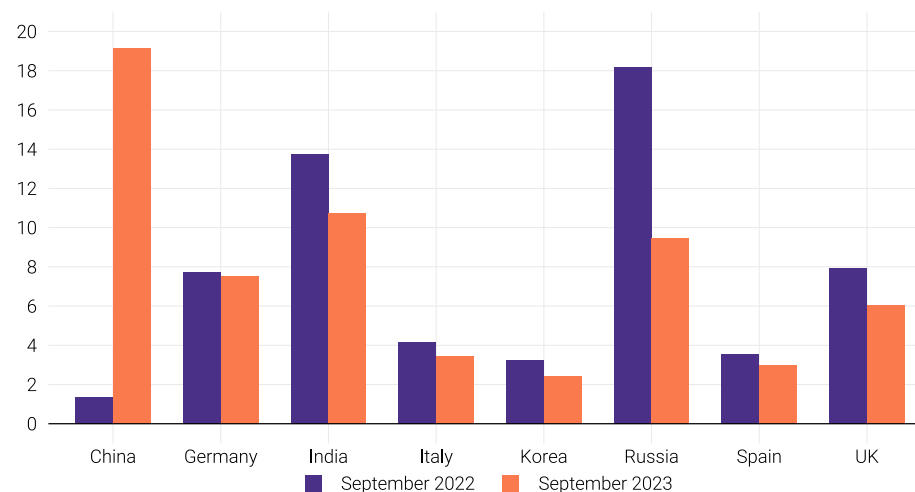


Source: Ministry of Tourism

Note: Tourism receipts available up to August 2023.

### Shares of Key Inbound Markets

(percent)

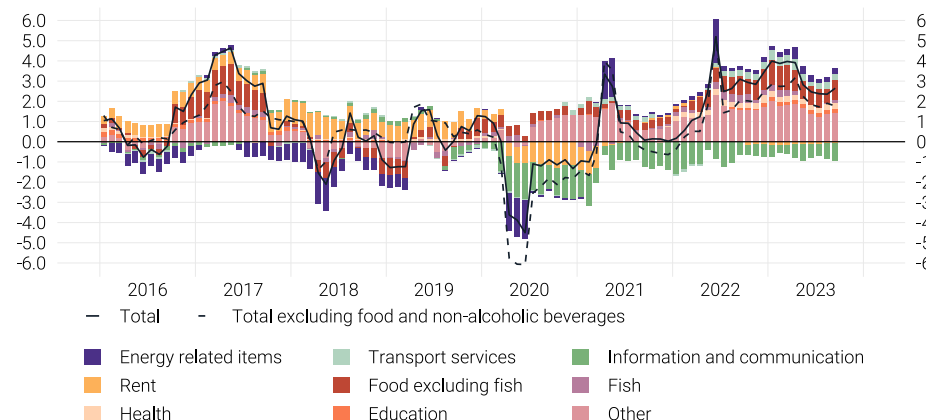


Source: Ministry of Tourism

# Inflation

- The rate of inflation, as measured by the annual percentage change in the national CPI, increased to 2.6% in September 2023, from 2.4% in August 2023.
  - The largest contribution to the annual rate of inflation during September 2023 came from restaurants and cafés (0.41 percentage points); fruits (0.34 percentage points); electricity (0.28 percentage points); personal care appliances, articles and products (0.24 percentage points); dairy products (0.23 percentage points); outpatient care services (0.20 percentage points); other food products (0.19 percentage points); passenger transport by sea (0.17 percentage points); meat (-0.14 percentage points); and mobile communication services (-0.80 percentage points).
- The monthly percentage change in the national CPI picked up to 0.4% in September 2023, from 0.2% in August 2023.
  - The largest contribution to the monthly rate of inflation came from fruits (0.24 percentage points); fish (0.11 percentage points); vegetables (0.06 percentage points); security equipment and maintenance and repair materials (0.04 percentage points); passenger transport by air (0.03 percentage points); other food products (0.03 percentage points); restaurants and cafés (0.03 percentage points); furniture, furnishings and loose carpets (-0.02 percentage points); electricity (-0.03 percentage points); and mobile communication services (-0.09 percentage points).

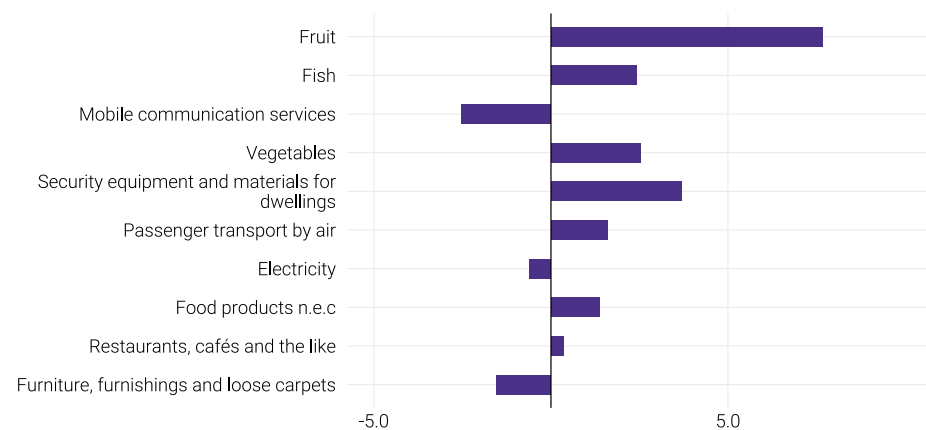
Contribution of Major Categories to CPI Inflation (National), 2016 - 2023  
(annual percentage change, percentage point contribution)



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), September 2023  
(monthly percentage change)



Source: Maldives Bureau of Statistics

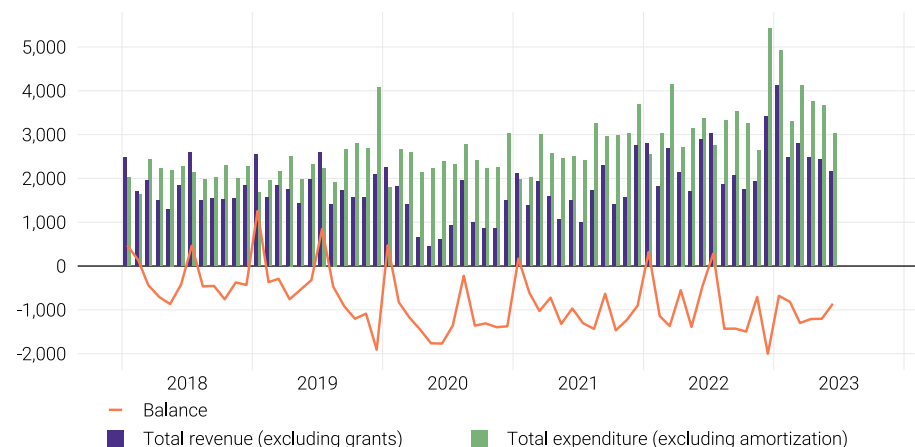
Note: Ordered by the size of the contribution.

# Public Finance

- Total revenue (excluding grants) observed a decline of MVR728.1 million (or 25%) in June 2023 when compared with June 2022, mostly driven by the decline in tax revenue. As such, tax revenue decreased by MVR461.6 million, while non-tax revenue also decreased by MVR264.3 million.
- Total expenditure (excluding amortisation) declined by MVR337.2 million (or 10%) in June 2023 when compared with June 2022, owing to the decline in capital expenditure, which decreased by MVR348.8 million. Meanwhile, recurrent expenditure increased by 11.7 million in June 2023, when compared with June 2022.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR100.9 billion at the end of Q2-2023, a 4% increase from Q1-2023. Meanwhile, total government debt as a percentage of GDP rose to 94% at the end of Q2-2023, from 91% in Q1-2022.
  - During this period, the increase in government debt was primarily driven by domestic debt.

## Government Revenue and Expenditure, 2018 - 2023

(millions of rufiyaa)

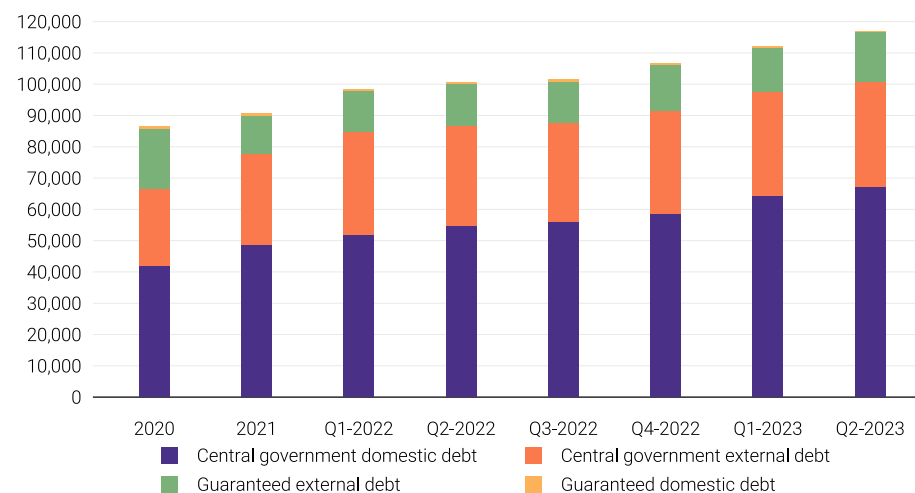


Source: Ministry of Finance

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

## Total Outstanding Stock of Public Debt, 2020 - 2023

(millions of rufiyaa)



Source: Ministry of Finance

# Monetary Developments

## Reserve Money

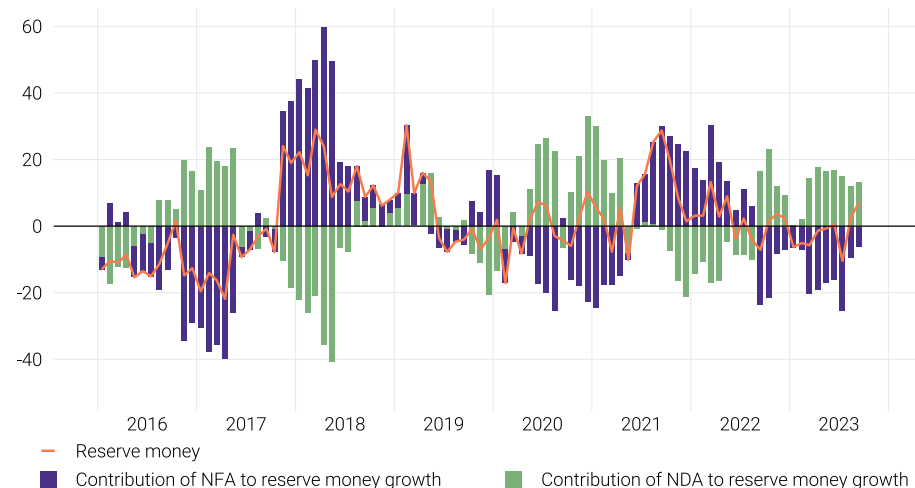
- Reserve money (M0) increased significantly by 7% at the end of September 2023, after increasing by 3% at the end of August 2023. This mainly reflected the growth in net domestic assets offsetting the decline in net foreign assets during the period.
  - The growth in net domestic assets mainly represented the increase in net claims on central government, despite the increase in overnight deposit facility (ODF) placements by the commercial banks. Meanwhile, net foreign assets declined, primarily owing to the increase in foreign liabilities, which reflected the swap obtained from the Reserve Bank of India (RBI) in December 2022, despite the increase in foreign asset accumulation during the period.

## Broad Money

- Annual broad money (M2) growth accelerated to 10% at the end of September 2023, from the 7% growth recorded at the end of August 2023.
  - On the components side, the annual increase in broad money was primarily driven by the increase in quasi money, mainly reflecting the increment in time and savings deposits denominated in both local and foreign currency, coupled with a minor increment in transferable deposits denominated in foreign currency. Meanwhile, narrow money also increased, owing to an increase in both transferable deposits and currency outside depository corporations.
  - As for the sources, the annual growth in broad money was solely driven by net domestic assets, largely owing to the growth in net claims on the central government by commercial banks and the MMA, while growth in credit to the private sector and public non-financial corporations also increased during September 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

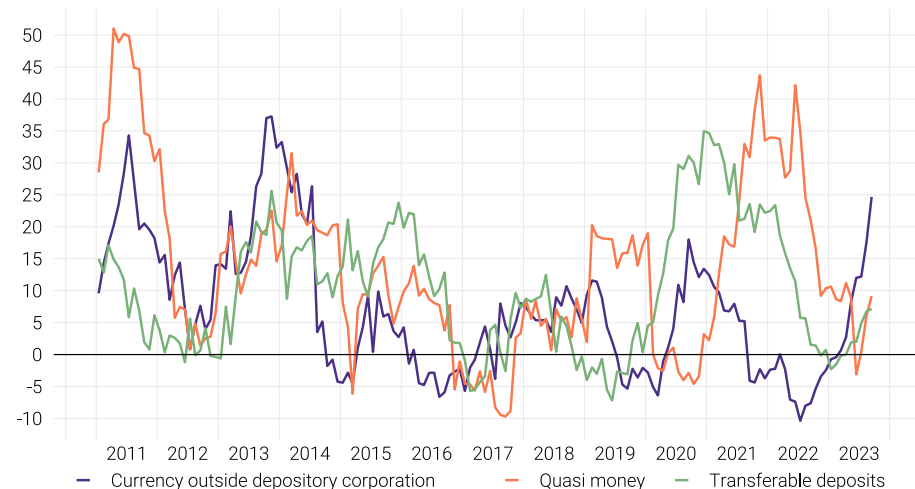
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Components of Broad Money, 2011 - 2023

(annual percentage change)



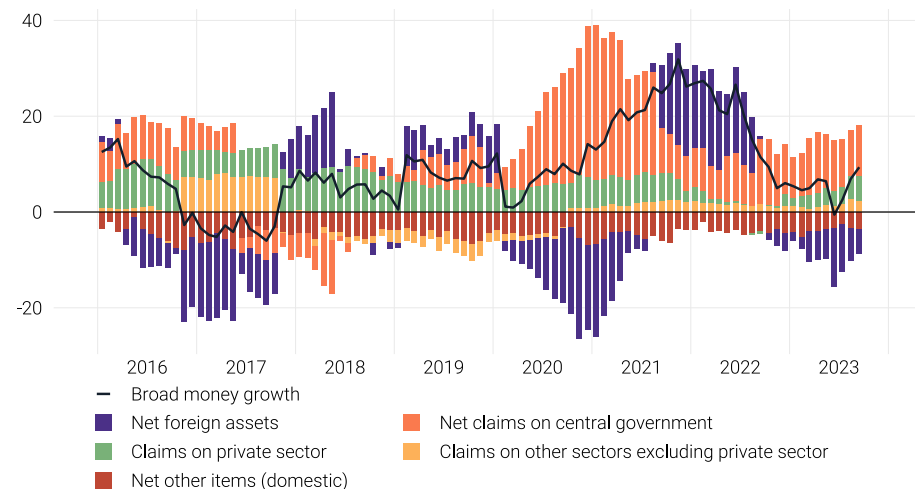
Source: Maldives Monetary Authority

## Credit to Private Sector

- The annual growth rate of credit to the private sector by the commercial banks increased to 10% by the end of September 2023.
  - As for credit growth by major sectors, credit to all major sectors (namely tourism, personal loans, commerce and real estate), except for the construction sector, continued to expand in September 2023, whereby tourism sector registered the highest growth during the month. The tourism sector registered an annual increment of 10% and accounted for the largest share of bank credit.
  - The annual growth in credit to the tourism sector was driven by a marked increase in credit lent in the form of working capital, followed by an increase in credit lent for new resort developments, renovation of resorts and yacht safari building.

## Contribution to Broad Money, 2016 - 2023

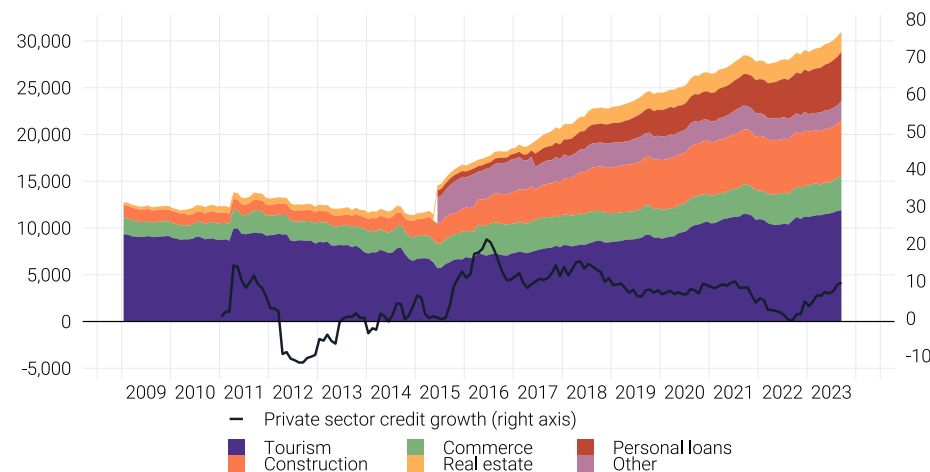
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

## Private Sector Credit, 2009 - 2023

(millions of rufiyaa, annual percentage change)



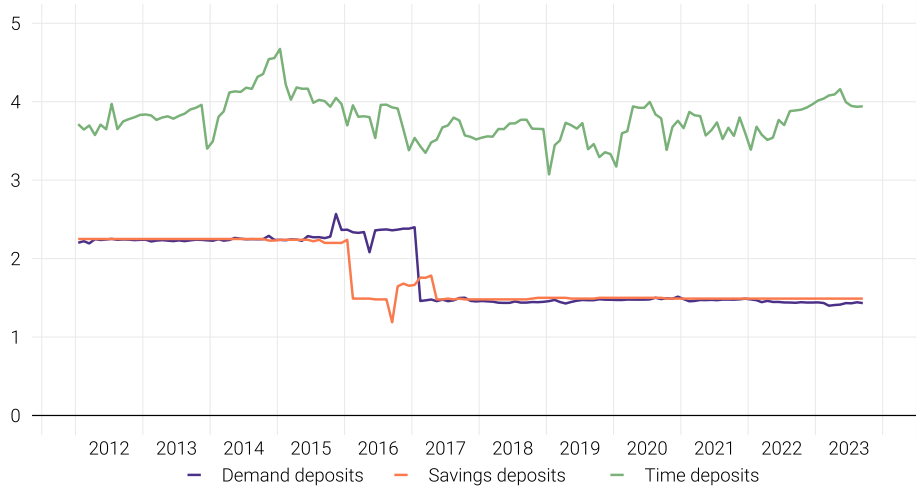
Source: Maldives Monetary Authority

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

## Interest rates

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

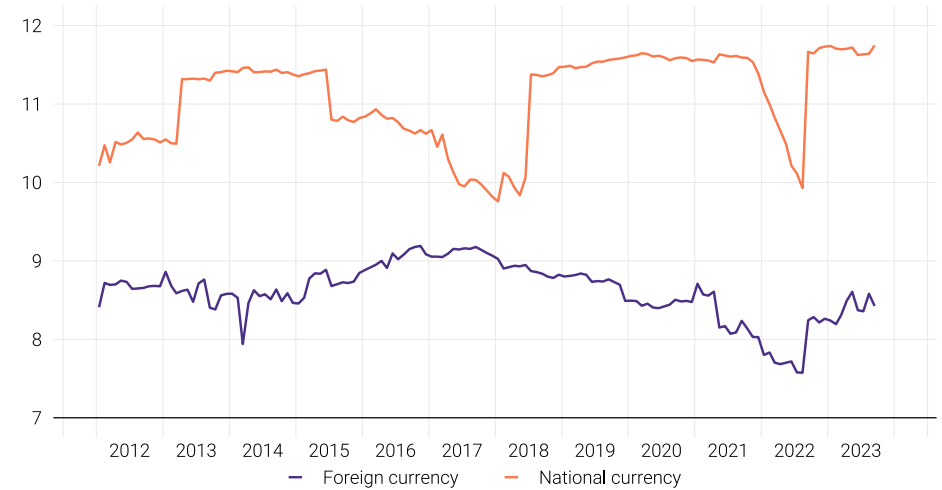
(weighted average)



Source: Maldives Monetary Authority

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

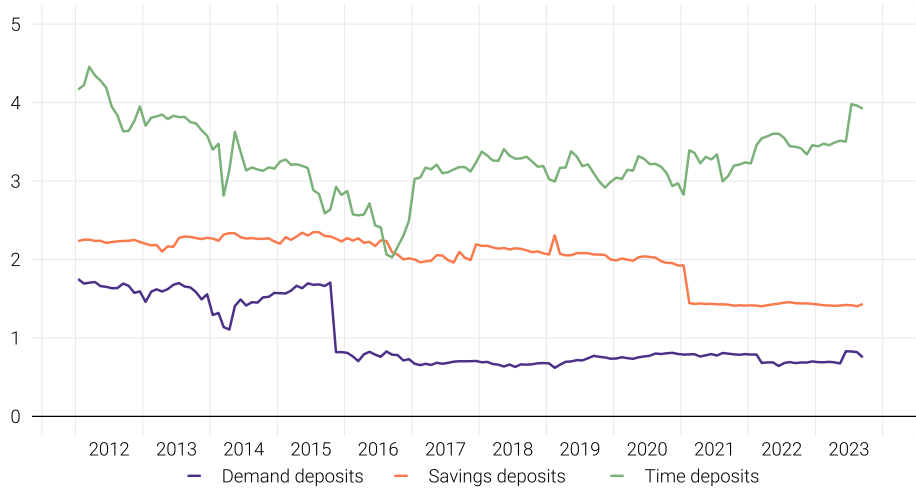
(weighted average)



Source: Maldives Monetary Authority

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

(weighted average)



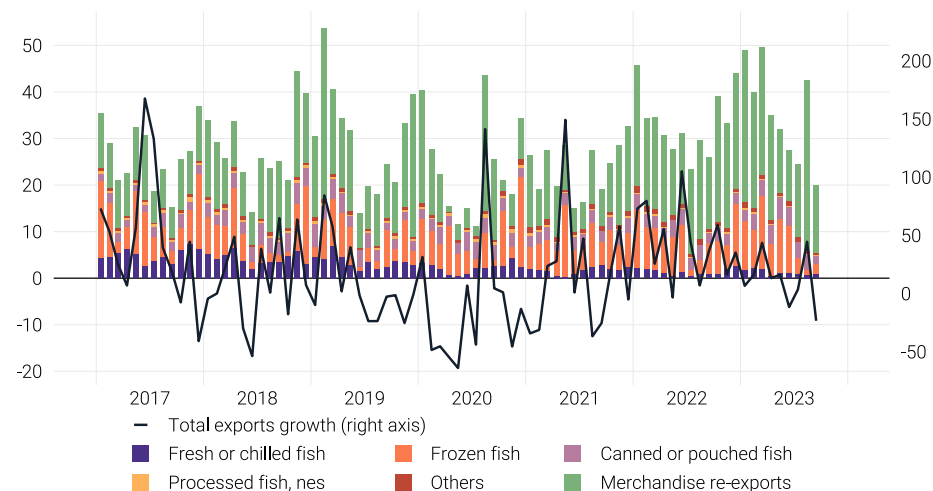
Source: Maldives Monetary Authority

# External Trade

- Total exports (f.o.b) decreased significantly by 23% during September 2023 when compared with September 2022, while total imports (c.i.f) declined by 4% during the same period.
  - The annual decrease in total exports stemmed primarily from the decline in re-exports, which reflected lower re-exports of jet fuel. Similarly, domestic exports also decreased during the period, largely owing to a decline in earnings from frozen skipjack tuna exports, together with canned or pouched tuna exports.
  - The annual decline in import expenditure stemmed mainly from a decrease in import expenditure on construction-related items, electrical and electronic machinery and equipment and food items. In contrast, increases were observed in import expenditure on petroleum products, transport equipment, and machinery and mechanical appliances.
- Overall, for the period of January to September 2023, total exports increased by 13%, while total imports fell by 1%, when compared with the corresponding period of 2022.

## Total Exports, 2017 - 2023

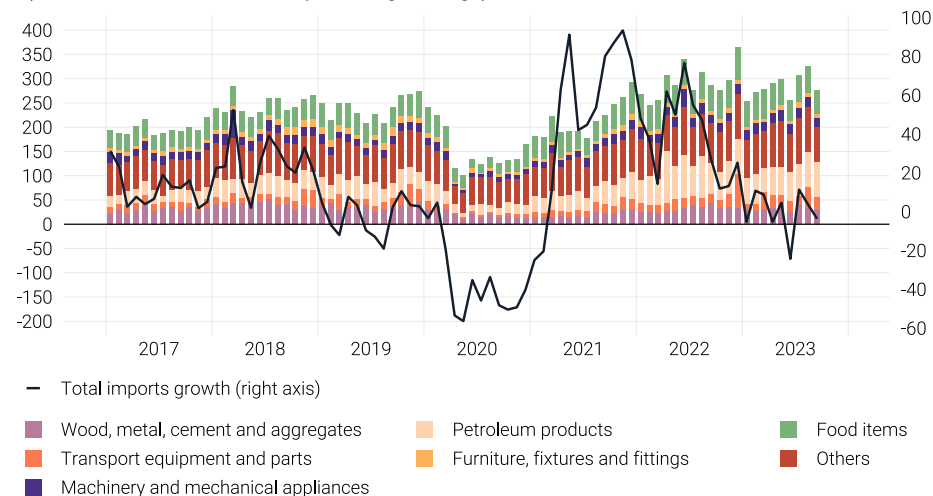
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

## Total Imports, 2017 - 2023

(millions of US dollars, annual percentage change)



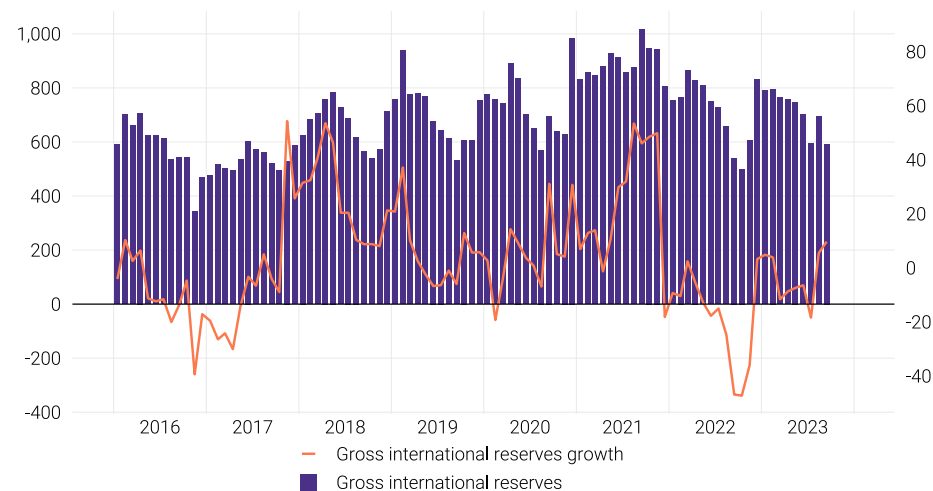
Source: Maldives Customs Service

## Gross International Reserves

- Gross international reserves<sup>2</sup> (official reserve assets) significantly declined to US\$592.7 million at the end of September 2023, from US\$694.2 million at the end of August 2023. This also depicts an increase of US\$52.5 million from the US\$540.3 million recorded at the end of September 2022.
- In terms of growth rates, a notable decline of 15% was registered when compared with August 2023, and an increase of 10% when compared with September 2022.

### Gross International Reserves, 2016 - 2023

(millions of US dollars, annual percentage change)



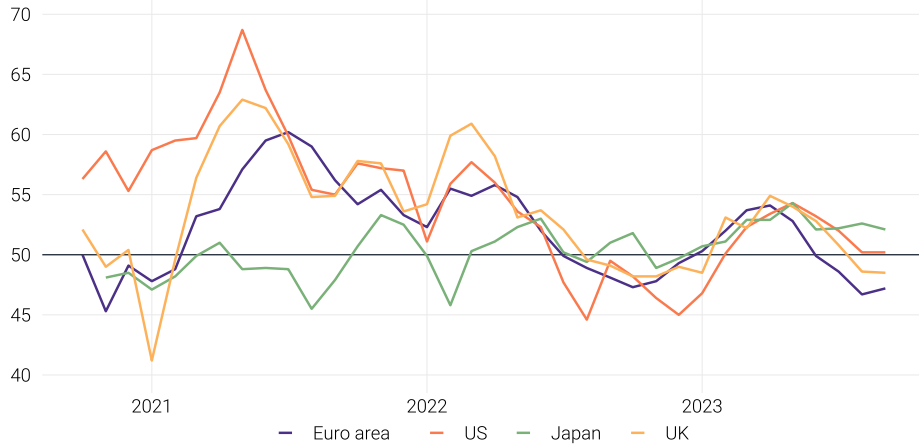
Source: Maldives Monetary Authority

<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

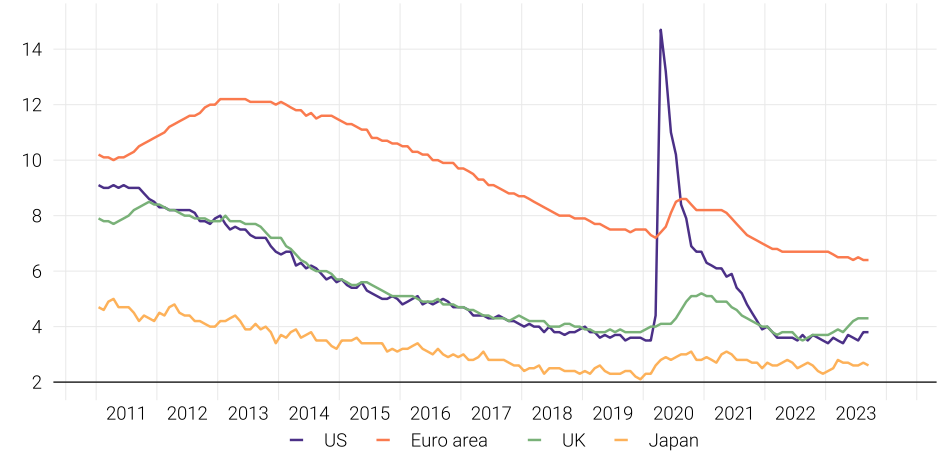
## Global Output

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



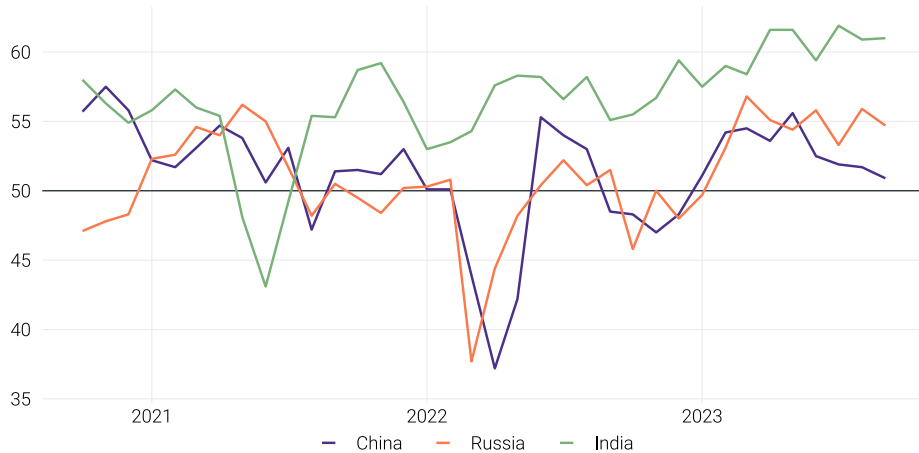
Source: Bloomberg Database

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



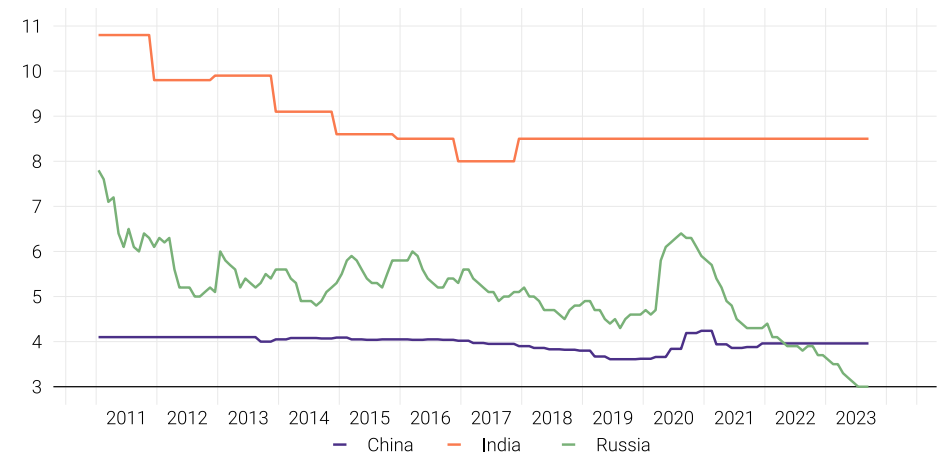
Source: Bloomberg Database

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



Source: Bloomberg Database

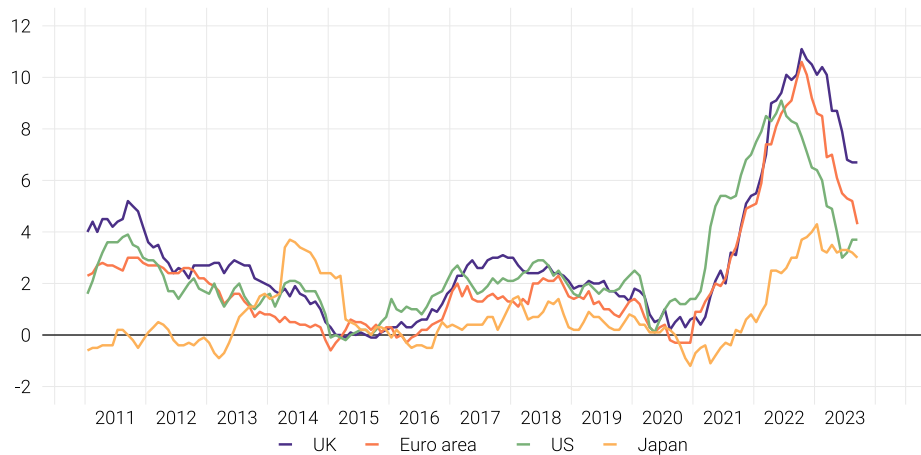
Unemployment in the Emerging Economies, 2011 - 2023  
(percent)



Source: Bloomberg Database

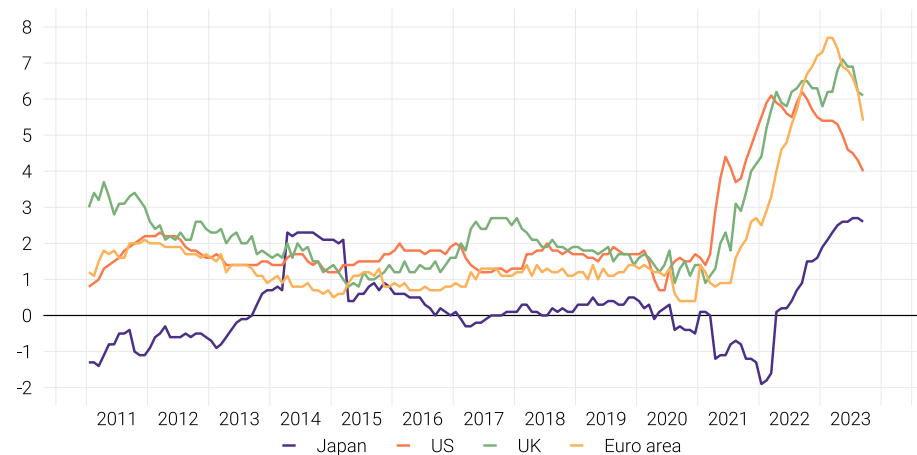
# Global Inflation

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



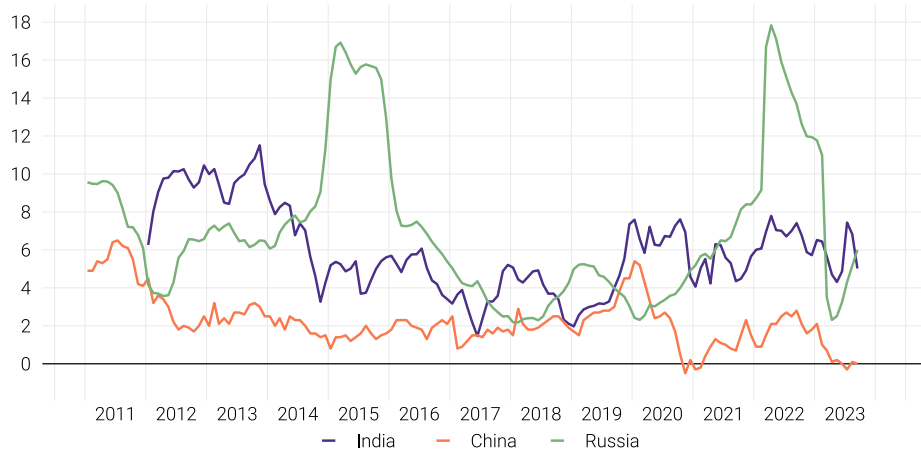
Source: Bloomberg Database

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



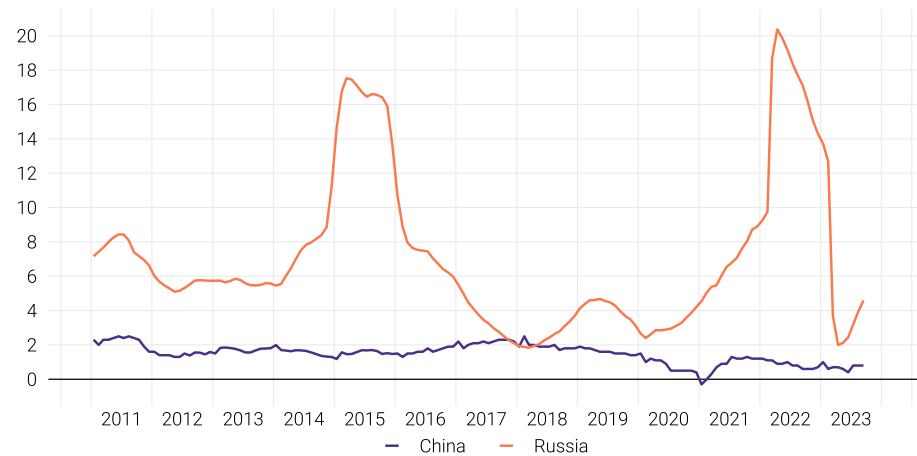
Source: Bloomberg Database

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



Source: Bloomberg Database

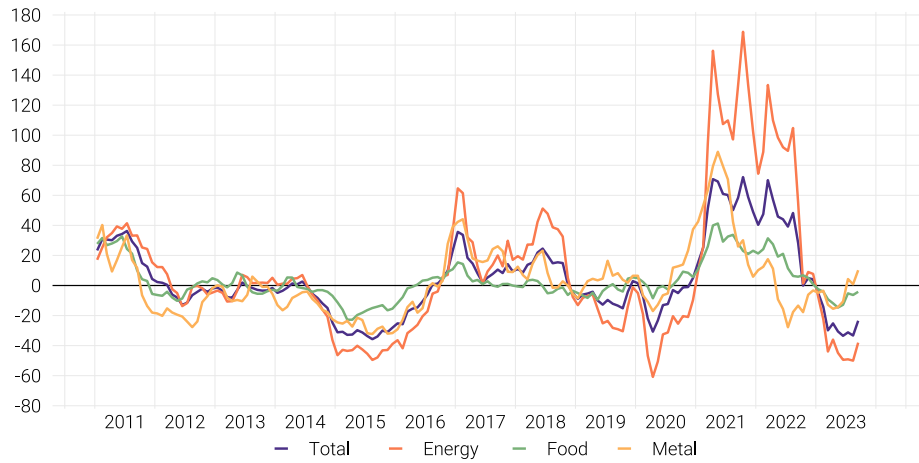
**Core Inflation in the Emerging Economies, 2011 - 2023**  
(percent)



Source: Bloomberg Database

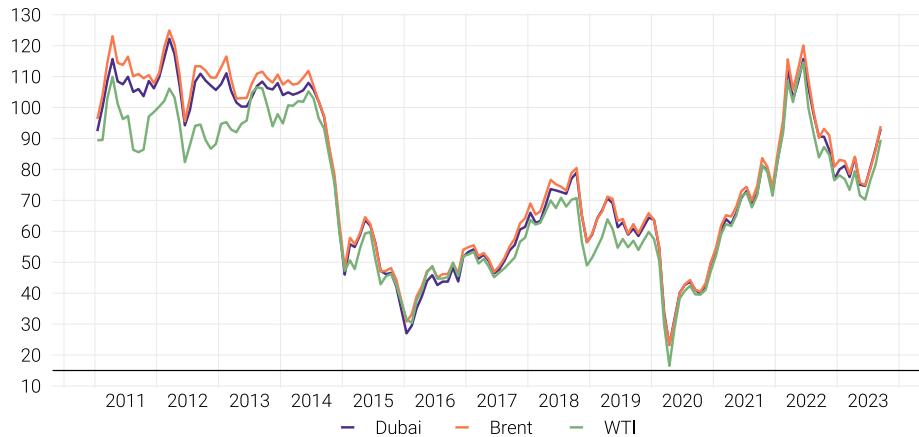
# Commodity Prices

Commodity prices, 2011 - 2023  
(annual percentage change)



Source: IMF

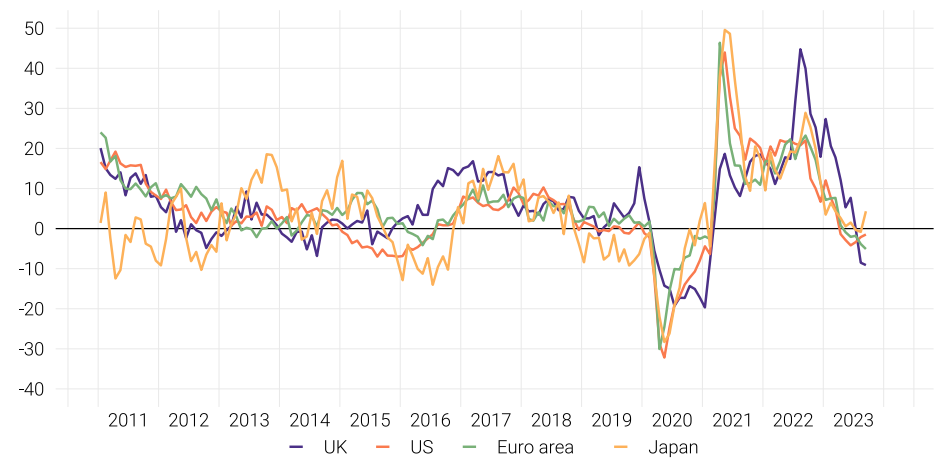
Oil prices, 2011 - 2023  
(dollars per barrel)



Source: Bloomberg Database

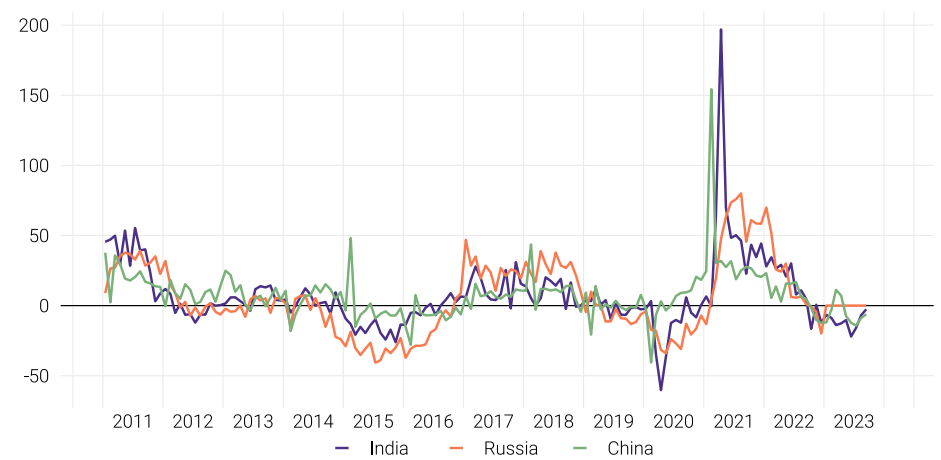
# Global Trade

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



Source: Bloomberg Database

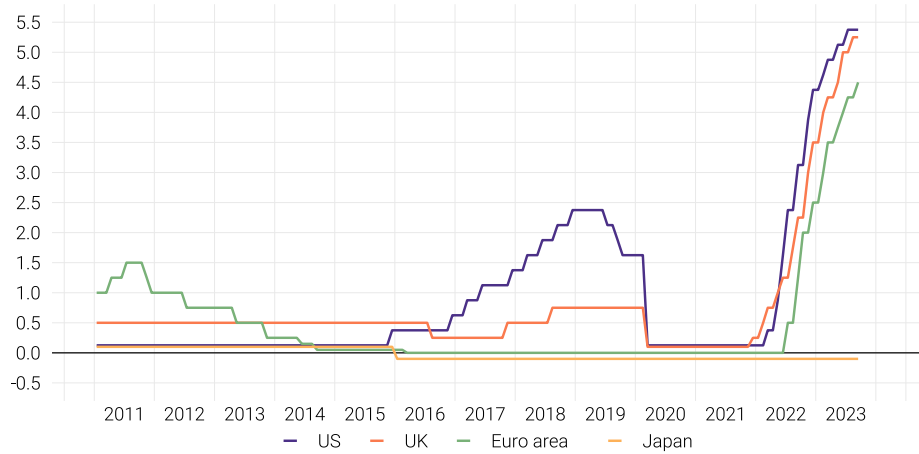
Exports in the Emerging Economies, 2011 - 2023  
(annual percentage change)



Source: Bloomberg Database

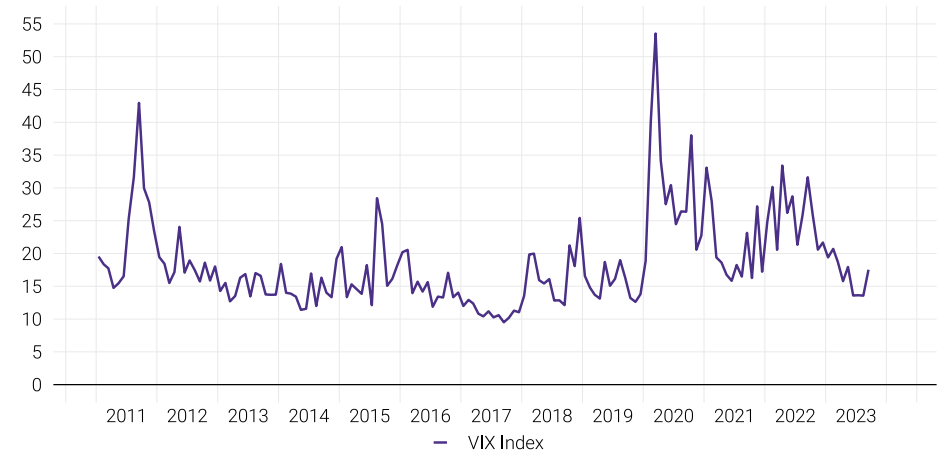
# Global Financial Markets

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



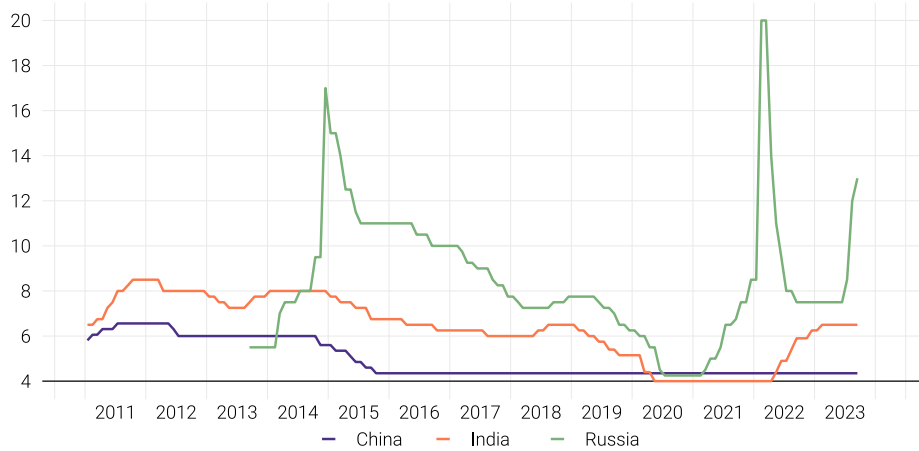
Source: Bloomberg Database

Volatility Index, 2011 - 2023  
(percent)



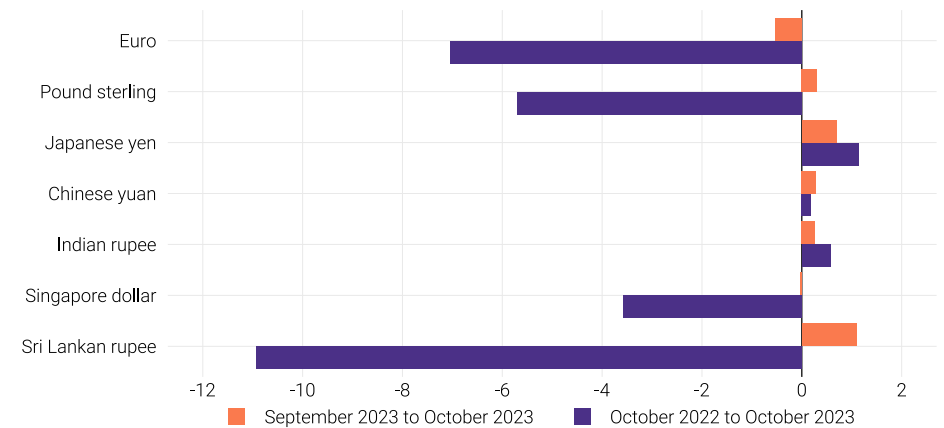
Source: Bloomberg Database

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



Source: Bloomberg Database

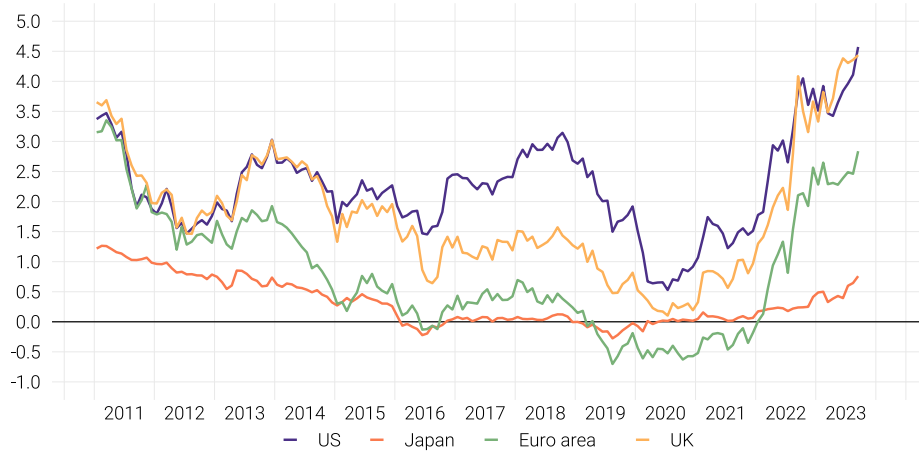
Exchange Rate of US Dollar against Currencies of Major Trading Partners, October 2023  
(percentage change)



Source: Bloomberg Database

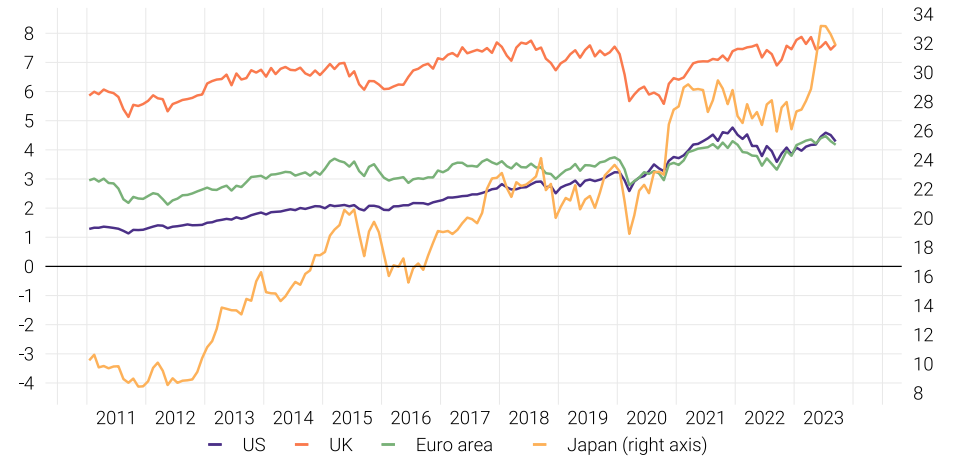
# Global Financial Markets

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



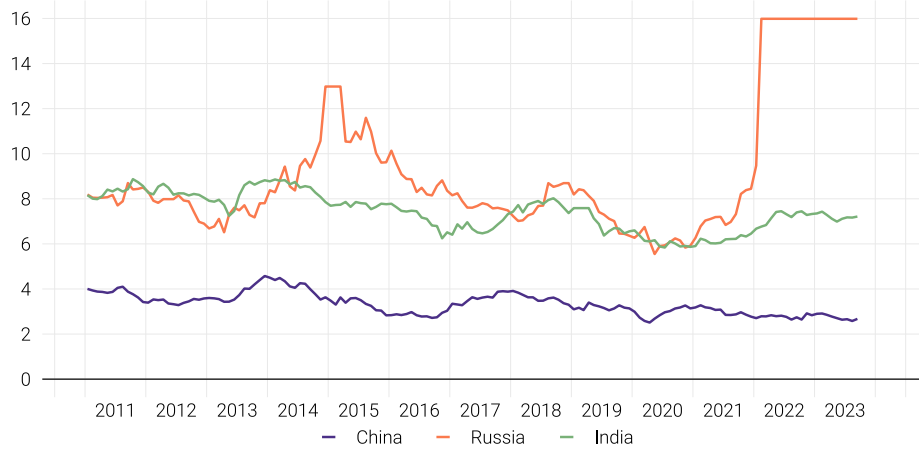
Source: Bloomberg Database

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



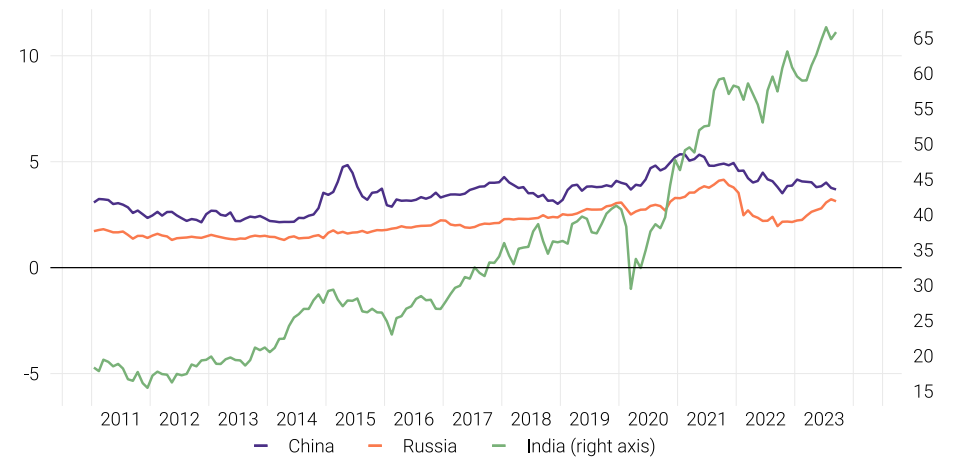
Source: Bloomberg Database

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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