

MALDIVES MONETARY AUTHORITY

ECONOMIC UPDATE

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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 29 September 2021.

Domestic Economic Developments

Real Economy

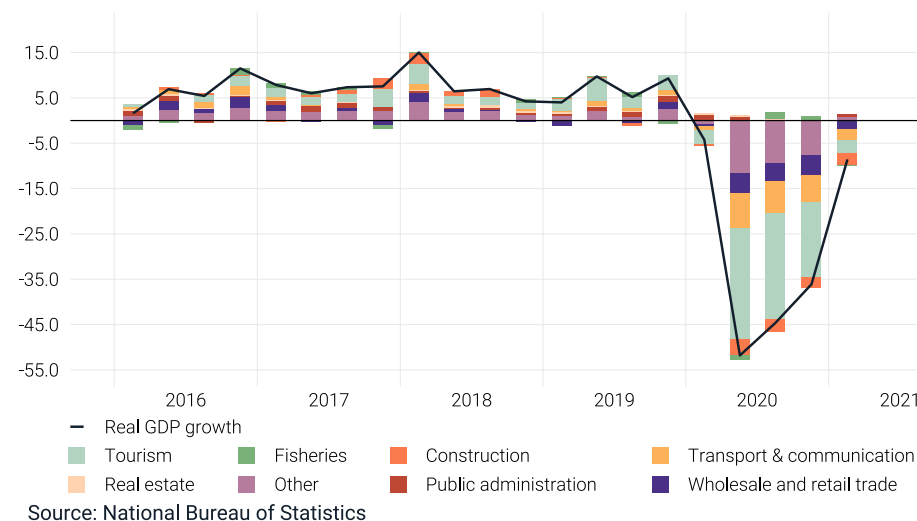
Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts for Q1-2021 released by the Maldives Bureau of Statistics, real GDP declined by 8.6% in Q1-2021, when compared with the corresponding quarter a year ago. This was a notable moderation when compared with -36.1% for Q4-2020.
 - The moderation in the quarterly GDP growth during Q1-2021 reflected the commencement of the peak season of the tourism sector, while movement restrictions remained eased in the Greater Male' Region at the beginning of the quarter. 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 tourism; construction; transport and communication; and wholesale and retail trade sector.
 - On the upside, activity in the human health and social work activities; financial services and public administration picked up over the review quarter.

Annual GDP Growth Forecast

- Real GDP is estimated to have declined severely by 33.6% in 2020 according to the second estimate of annual real GDP growth published by the Maldives 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, according to forecasts published in July 2021¹, real GDP is projected to grow in the range 17.7% and 30.4% in 2021, with the most likely growth rate as 22.7%.

Contribution to Real GDP Growth by Economic Sectors, 2016 - 2021
(annual percentage change, percentage point contribution)



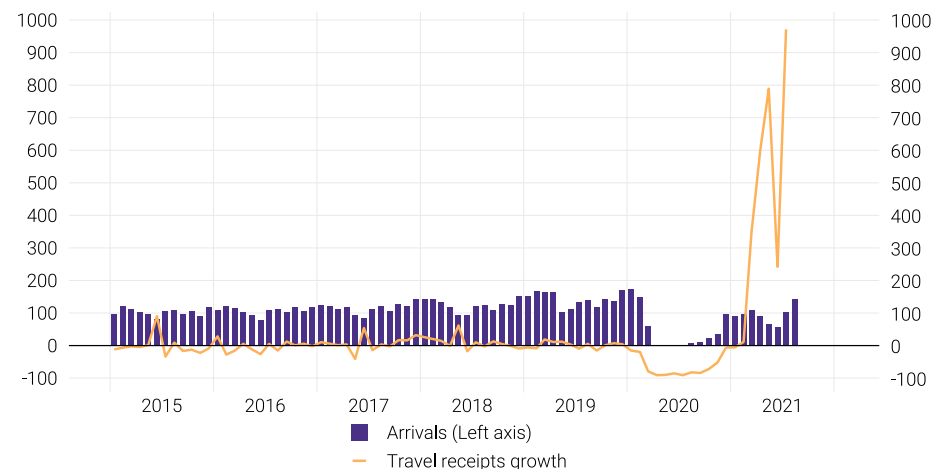
¹According to the growth forecast scenarios estimated jointly by the MMA and the Ministry of Finance.

Tourism

- In August 2021, both tourist arrivals and bednights surged (by 1,781% and 1,266%, respectively) compared with August 2020 with arrivals reaching a record level of 143,599, which is 3% more than the pre-pandemic levels (compared to August 2019). Compared with August 2019, bednights registered a growth of 7%.
 - The annual increase in tourist arrivals reflected the base effect of the slow pickup in tourist arrivals in August 2020, immediately after post border reopening, as well as a surge in arrivals from India, following the lifting of a ban on arrivals from India in July 2021. During the month, the largest number of tourist arrivals were recorded from India, followed by Russia, Germany and Spain.
- The operational bed capacity of the tourism industry observed a 31,139 increase in beds when compared with August 2020 (38,931 increase in July 2021), and the occupancy rate increased to 62% in August 2021 (49% in July 2021), from 12% in August 2020.
- Overall, for the period of January to August 2021, total tourist arrivals increased by 93% in annual terms (-65% in 2020), while total bednights of the industry observed an increase of 108% (-60% in 2020). During this period, the average stay decreased to 9.1 days, from 23.1 days in the corresponding period of 2020.

Tourism, 2015 - 2021

(thousands, annual percentage change)

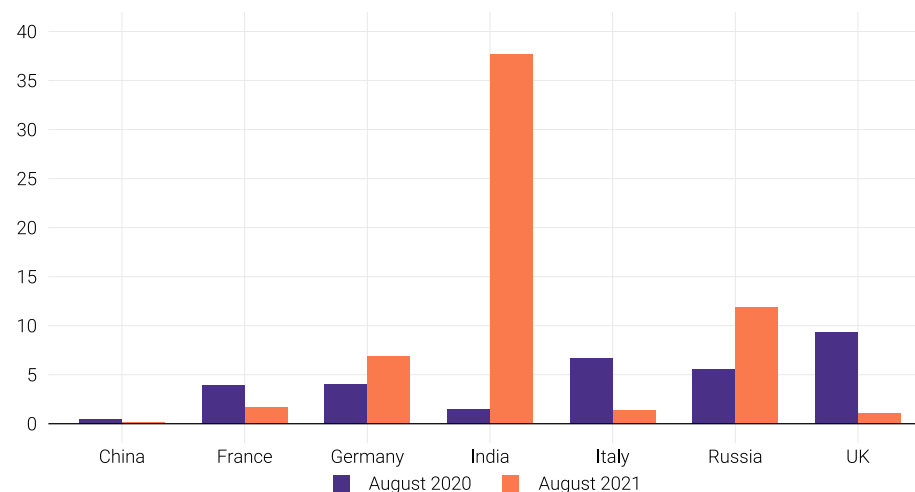


Source: Ministry of Tourism

Note: Tourism receipts available up to July 2021.

Shares of Key Inbound Markets

(percent)

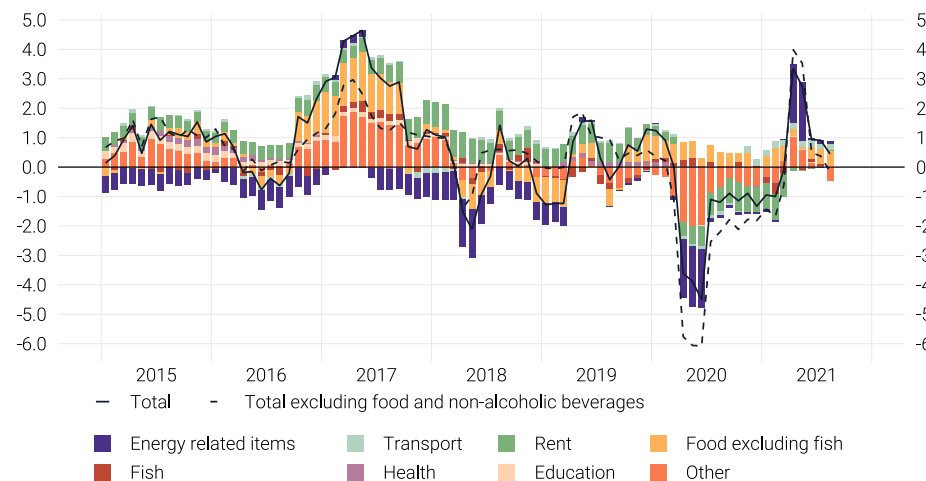


Source: Ministry of Tourism

Inflation

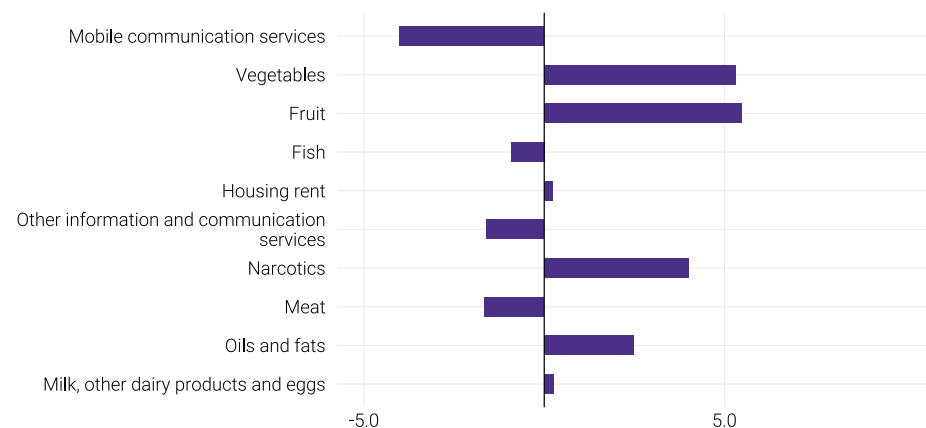
- The rate of inflation, as measured by the annual percentage change in the national CPI, decelerated to 0.4% in August 2021, from 0.9% in July 2021.
- From the major categories of the CPI, the largest contributors to the annual rate of inflation during July 2021 were dairy products (0.2 percentage points); passenger transport by air (0.2 percentage points); petrol for personal transport equipment (0.1 percentage points); vegetables (0.1 percentage points); mobile communication services (-0.6 percentage points); meat (-0.1 percentage points); purchase of motorcycles (-0.1 percentage points); and major household appliances (-0.1 percentage points).
- The monthly percentage change in the national CPI decelerated to 0.1% in August 2021, from 2.8% in July 2021.
- The largest contribution to the monthly rate of inflation came from vegetables (0.12 percentage points); fruits (0.11 percentage points); housing rent (0.03 percentage points); narcotics (0.02 percentage points); mobile communication services (-0.16 percentage points); fish (-0.04 percentage points); other information and communication services (-0.02 percentage points); and meat (-0.02 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), August 2021
(monthly percentage change)



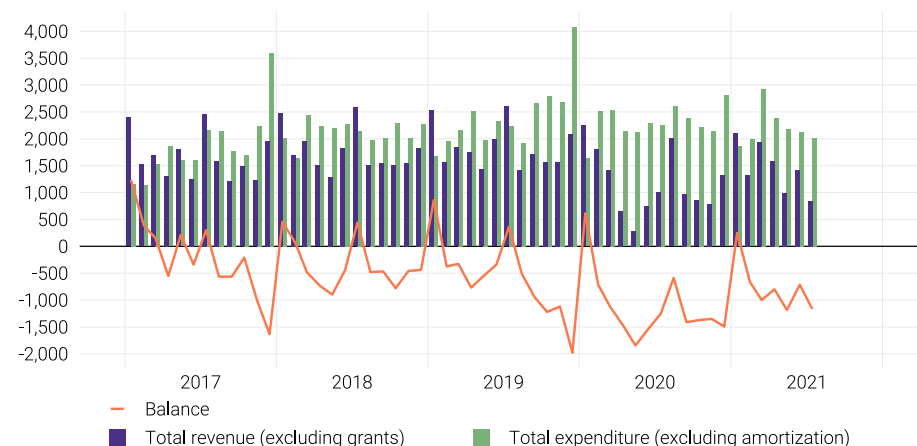
Source: National Bureau of Statistics
Note: Ordered by the size of the contribution.

Public Finance

- Total revenue (excluding grants) observed a decline of MVR161.4 million (or 16%) in July 2021 when compared with July 2020, mainly driven by a significant decrease in non-tax revenue. As such, non-tax revenue fell by MVR120.4 million, while tax revenue observed a decrease MVR42.7 million.
- Total expenditure (excluding amortisation) declined by MVR249.7 million (or 11%) in July 2021 when compared with July 2020. The decline in expenditure stemmed from a fall in capital expenditure, which posted a decrease of MVR310.9 million, while recurrent expenditure posted an increase of MVR61.2 million.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR68.3 billion at the end of Q1-2021, a 3% increase from Q4-2020. However, total government debt as a percentage of GDP² decreased to 95% at the end of Q1-2021 from 116% in Q4-2020.
 - During this period, the increase in government debt was primarily driven by domestic debt.

Government Revenue and Expenditure, 2017 - 2021

(millions of rufiyaa)

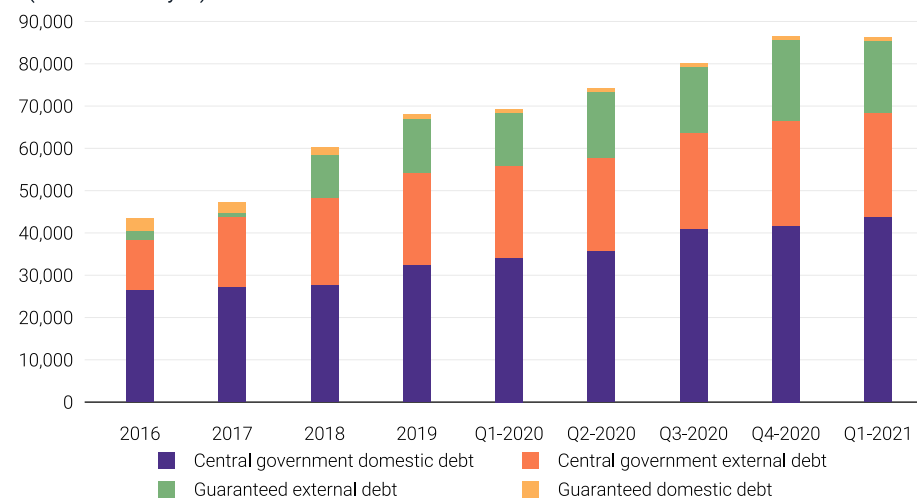


Source: Ministry of Finance

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

Total Outstanding Stock of Public Debt, 2016 - 2021

(millions of rufiyaa)



Source: Ministry of Finance

²Based on the moderate case scenario for GDP, prepared jointly with Ministry of Finance in July 2021.

Monetary Developments

Reserve Money

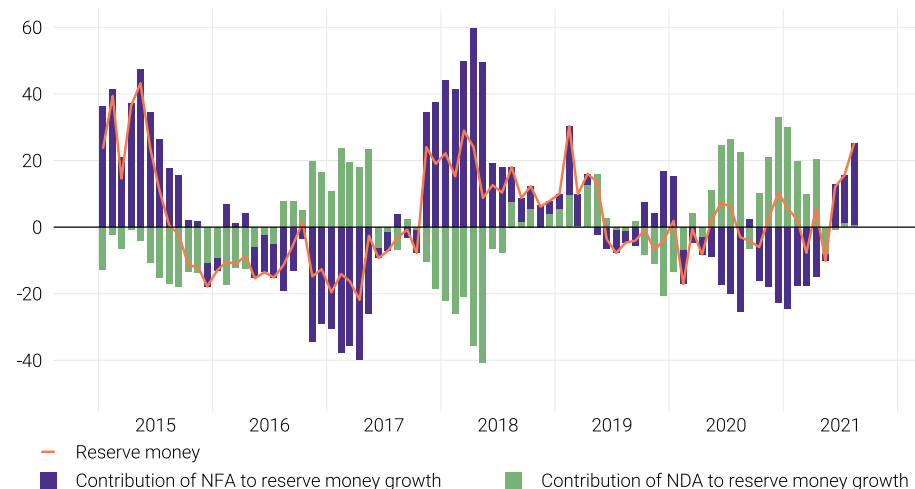
- Annual reserve money (M0) growth accelerated to 25% at the end of August 2021, after recording 16% at the end of July 2021. The increase in reserve money growth stemmed mainly from an increase in net foreign assets of the MMA, followed by a marginal increase in net domestic assets of the MMA.
 - Net foreign assets increased mainly due to the significant increase in foreign asset accumulation, despite an increase in foreign liabilities, reflecting the base effect of an increase in such liabilities in December 2020. Meanwhile, net domestic assets increased owing to an increase in net claims in central government, together with an increase in claims on the commercial banks. However, the increase in net domestic assets was partially offset by the increase in Overnight Deposit Facility (ODF) placements by the commercial banks.

Broad Money

- Annual broad money (M2) growth increased to 26% at the end of August 2021, from 21% at the end of July 2021.
 - On the components side, the annual growth in broad money was primarily driven by an increase in quasi money, owing to a substantial increase in transferable deposits denominated in foreign currency and time deposits denominated in local currency, followed by an increase in savings deposits denominated in both local currency and foreign currency. However, a decline was observed in time deposits denominated in foreign currency. Meanwhile, narrow money also observed a notable increase, owing to a substantial increase in transferable deposits.
 - As for the sources, the annual broad money growth was mainly driven by the significant rise in net claims on the central government by the commercial banks, while the growth in credit to private sector also contributed notably. Similarly, net foreign assets also increased, owing to the rise in foreign assets of the banking system, which offset base effects of a surge in foreign liabilities of both the commercial banks and the MMA.

Sources of Reserve Money, 2015 - 2021

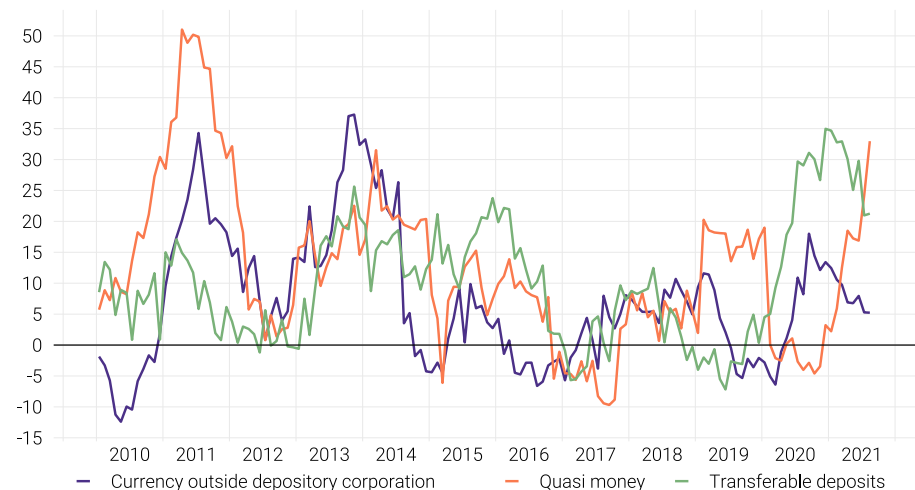
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Components of Broad Money, 2010 - 2021

(annual percentage change)



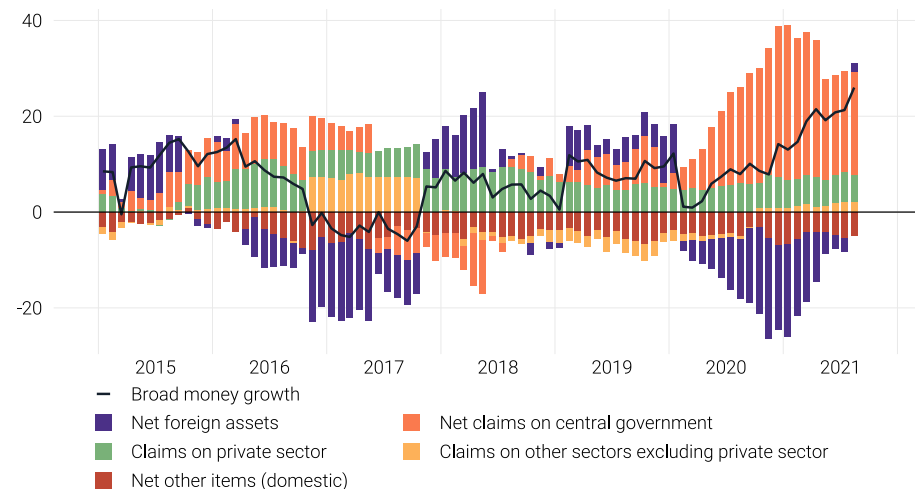
Source: Maldives Monetary Authority

Credit to Private Sector

- The annual growth of credit to the private sector by the commercial banks decelerated to 8% at the end of August 2021 from 9% at the end of July 2021. Meanwhile, the monthly growth in credit to the private sector declined marginally to 1.0% at the end of August 2021.
- With regard to the composition of credit to the private sector (year-on-year), similar to the previous month, growth rates were observed for most major sectors, namely tourism, construction, transport and communication and real estate, except for 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 11% during August 2021, mainly driven by the marked growth in credit in the form of working capital, followed by credit lent for renovation of resorts and new resort development.

Contribution to Broad Money, 2015 - 2021

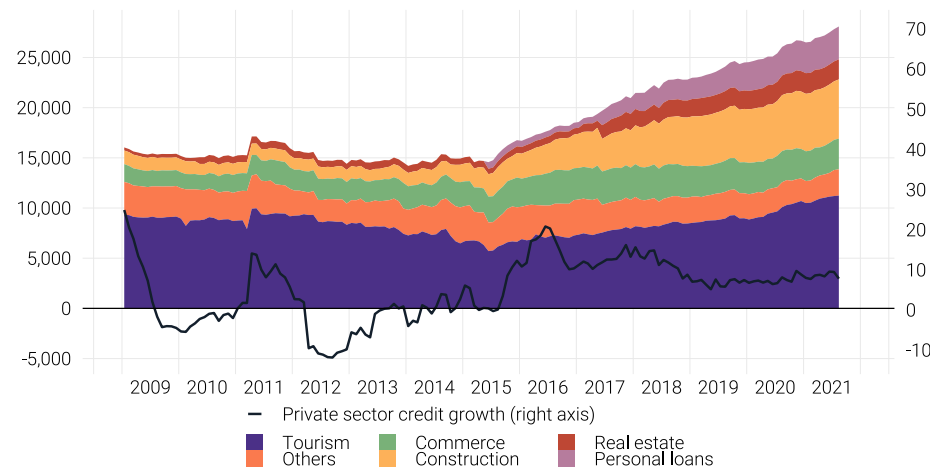
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Private Sector Credit, 2009 - 2021

(millions of rufiyaa, annual percentage change)



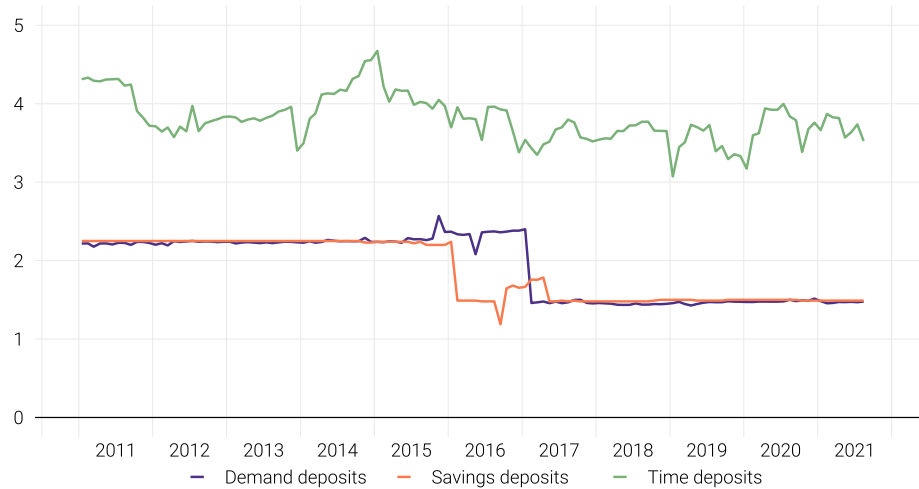
Source: Maldives Monetary Authority

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

Interest rates

Interest Rate on National Currency Deposits, 2011 - 2021

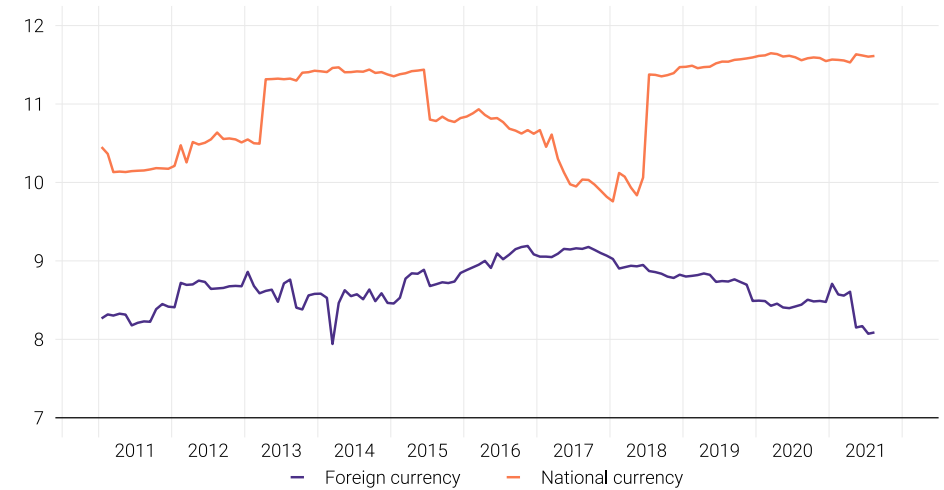
(weighted average)



Source: Maldives Monetary Authority

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

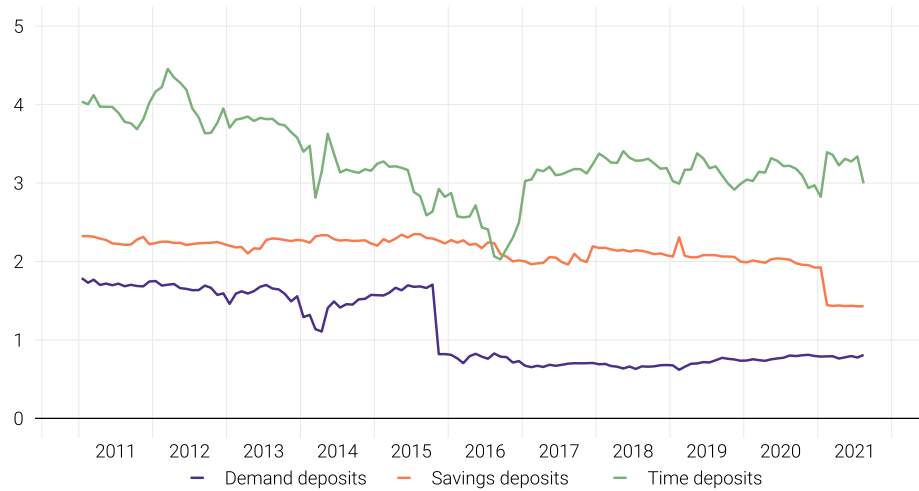
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2011 - 2021

(weighted average)



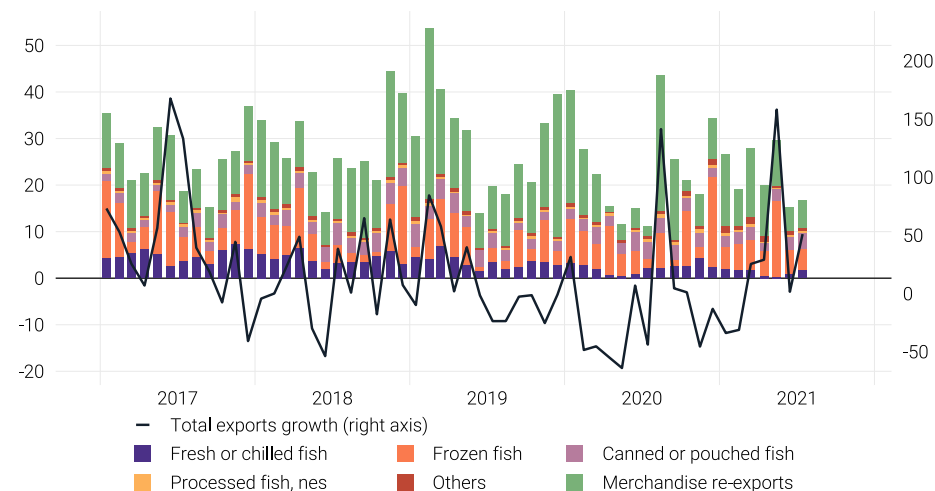
Source: Maldives Monetary Authority

External Trade

- According to latest available data, total exports (f.o.b) increased by 51% in July 2021 (2% in June 2021) when compared with July 2020, while total imports (c.i.f) observed an annual increase of 45% in July 2021 (43% in June 2021) when compared with July 2020. In monthly terms, total exports increased by 10% in July 2021, while total imports fell by 7% in July 2021.
 - The annual increase in total exports stemmed mainly from the increase in re-exports, followed by a growth in domestic exports as well. The growth in domestic exports was primarily due to a sizeable increase in export earnings from frozen skipjack tuna, followed by an increase in export earnings from other frozen tuna, despite a fall in export earnings from frozen yellowfin tuna and fresh or chilled yellowfin tuna.
 - As for the annual increase in total imports, the most significant increases were observed in the imports of food items; machinery and mechanical appliances; transport equipment and parts; and petroleum products. In contrast, chemical and chemical products; plastics and articles of plastic and computer equipments and supplies observed declines in July 2021.
- Overall, during the period January to July 2021, total exports recorded an 8% growth when compared with the corresponding period of 2020. Meanwhile, total imports increased by 18% during the period January to July 2021, when compared with the corresponding period of 2020.

Total Exports, 2017 - 2021

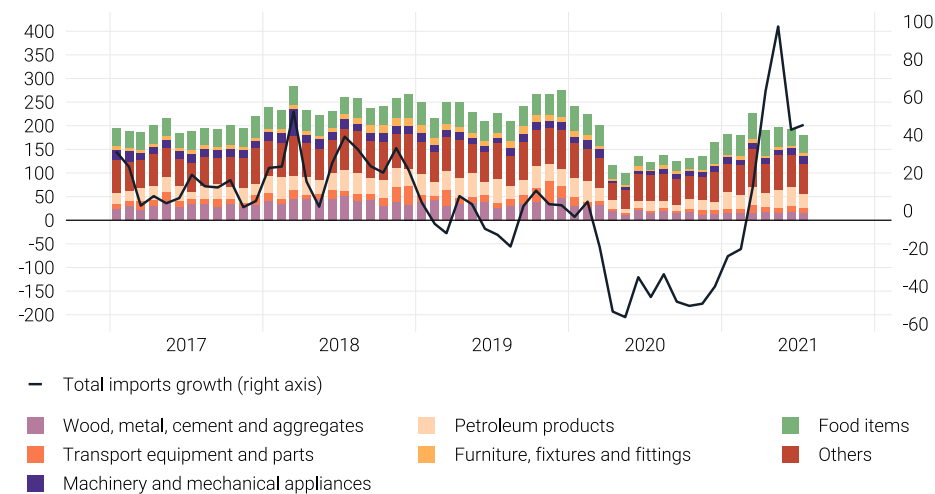
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

Total Imports, 2017 - 2021

(millions of US dollars, annual percentage change)



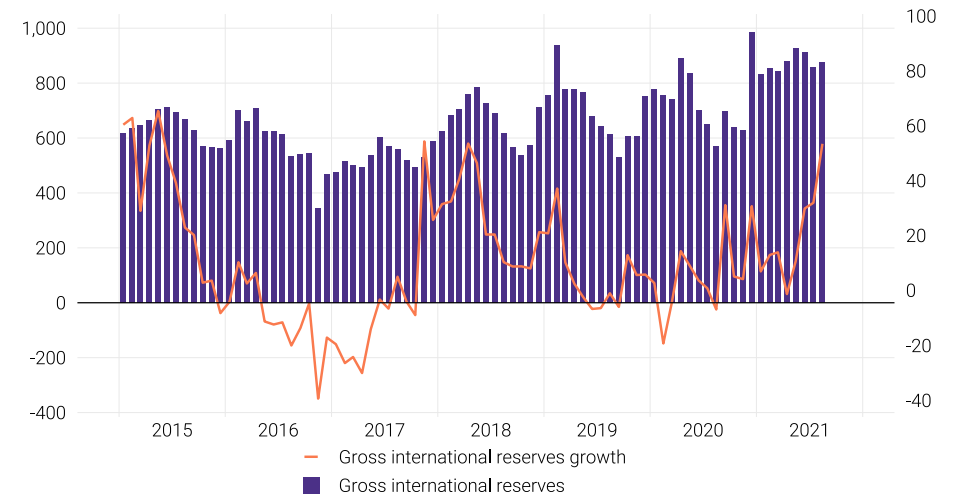
Source: Maldives Customs Service

Gross International Reserves

- Gross international reserves³ (official reserve assets) increased to US\$874.3 million at the end of August 2021, from US\$857.1 million at the end of July 2021. Similarly, this was an increase compared to the US\$569.8 million at the end of August 2020.
 - In terms of growth rates, this was an increase of 53% when compared with August 2020, while a growth of 2% was registered when compared with July 2021.

Gross International Reserves, 2015 - 2021

(millions of US dollars, annual percentage change)



Source: Maldives Monetary Authority

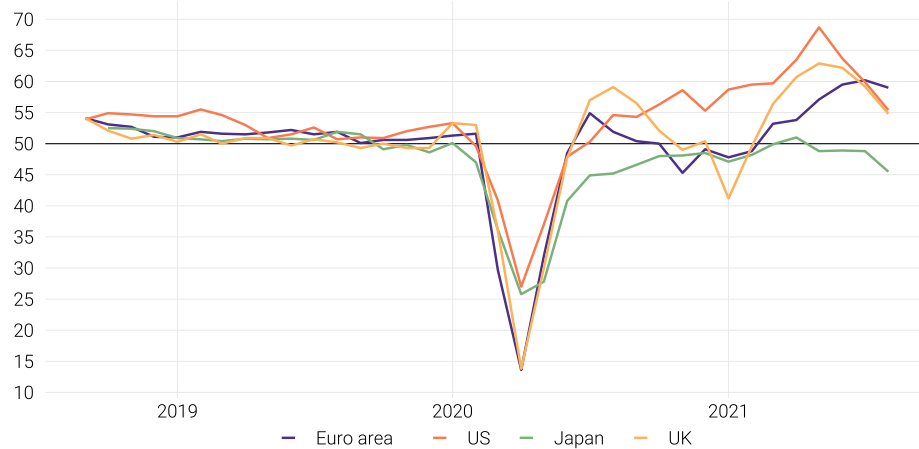
³Comprises foreign currency deposits of the MMA and the government, commercial banks' US dollar reserve accounts and Maldives' reserve position at the IMF.

International Economic Developments

Global Output

Purchasing Manager's Index in the Advanced Economies, 2018 - 2021

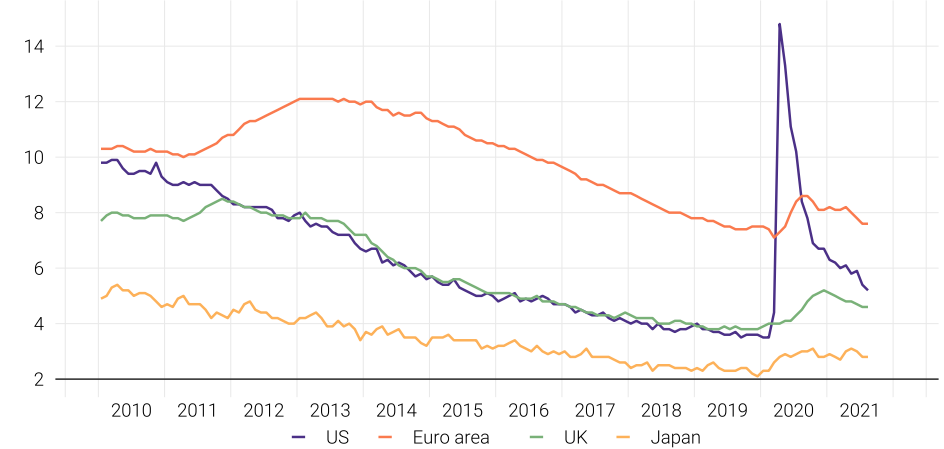
(index points)



Source: Bloomberg Database

Unemployment in the Advanced Economies, 2010 - 2021

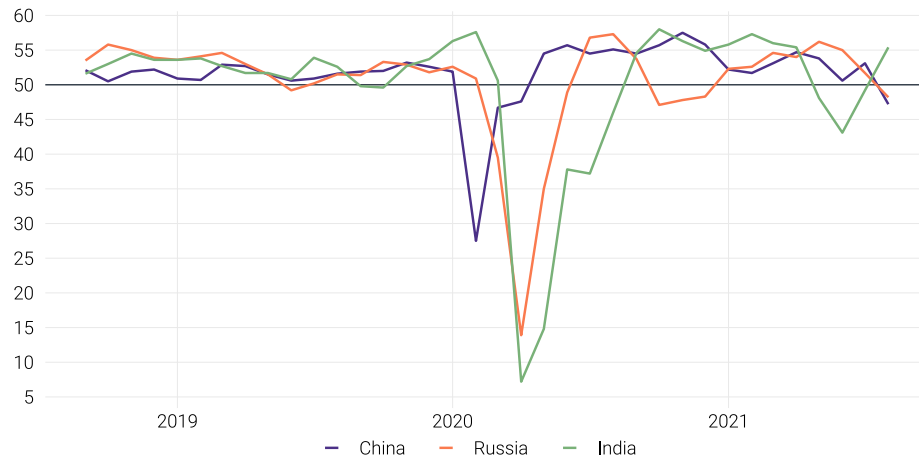
(percent)



Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2018 - 2021

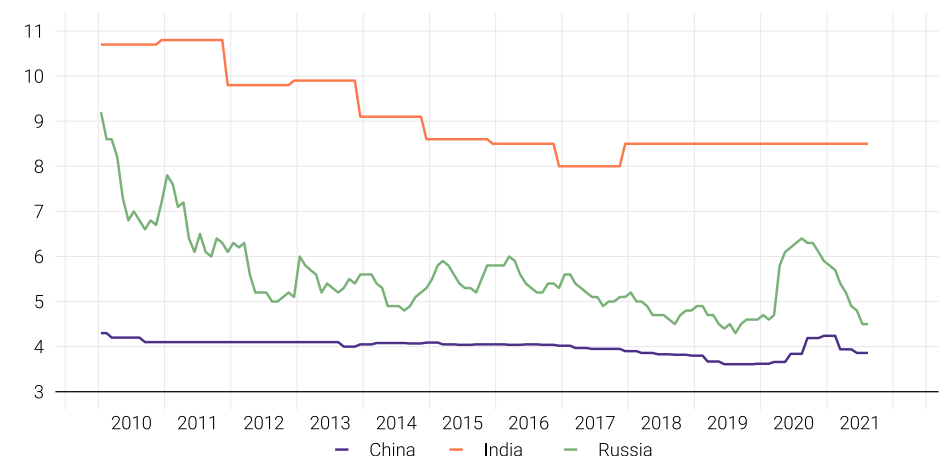
(index points)



Source: Bloomberg Database

Unemployment in the Emerging Economies, 2010 - 2021

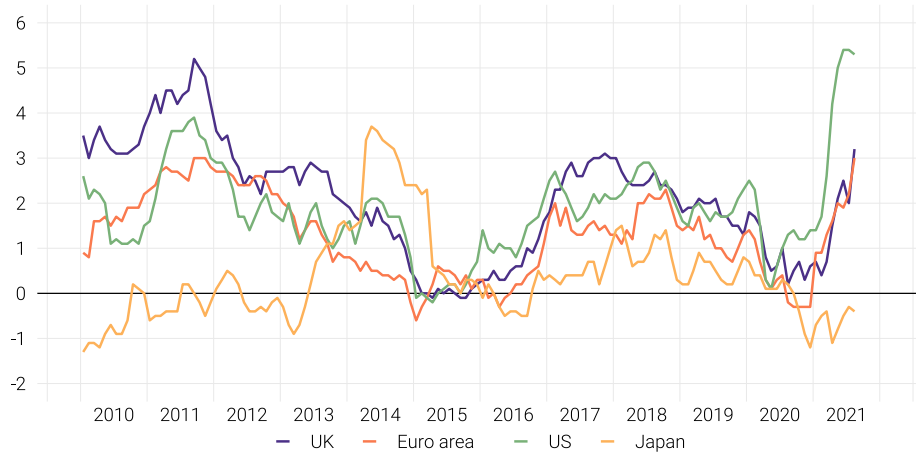
(percent)



Source: Bloomberg Database

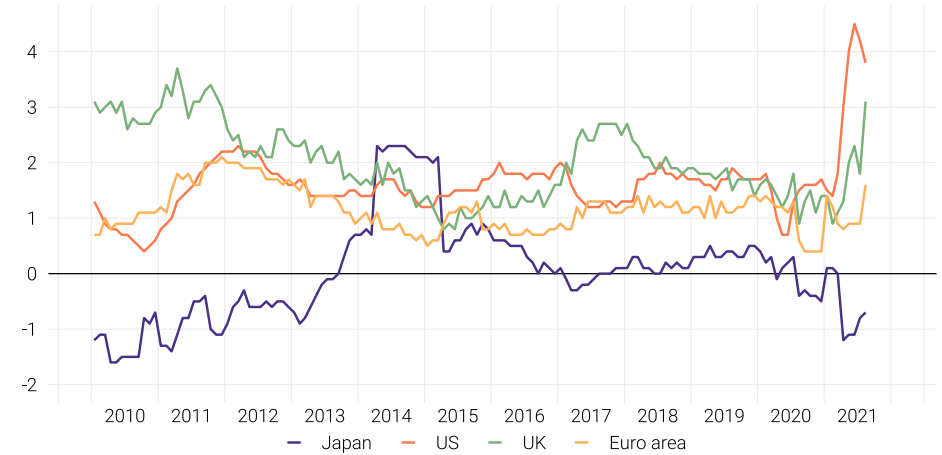
Global Inflation

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



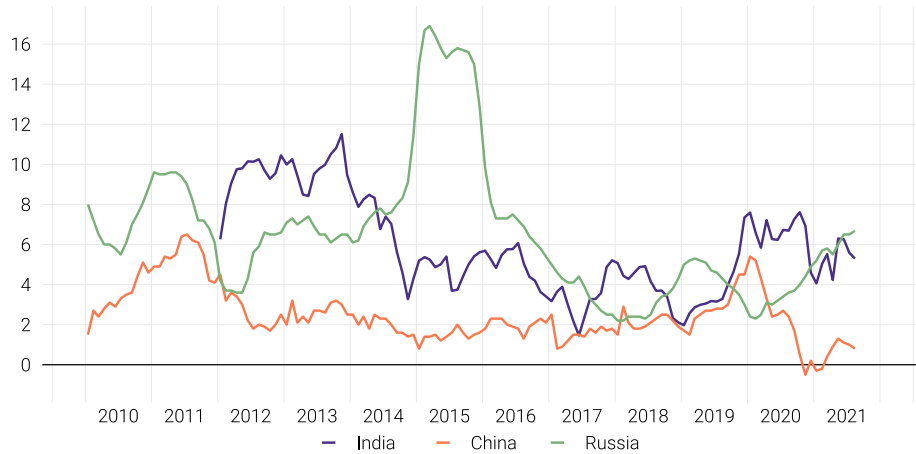
Source: Bloomberg Database

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



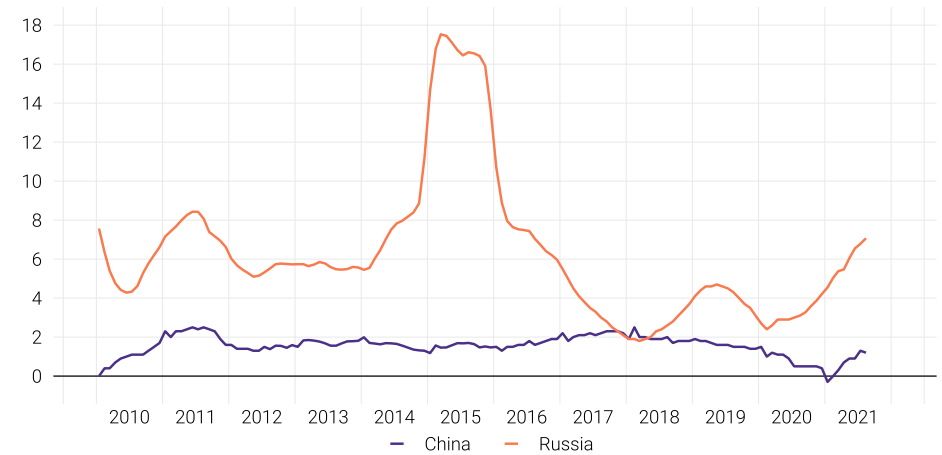
Source: Bloomberg Database

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



Source: Bloomberg Database

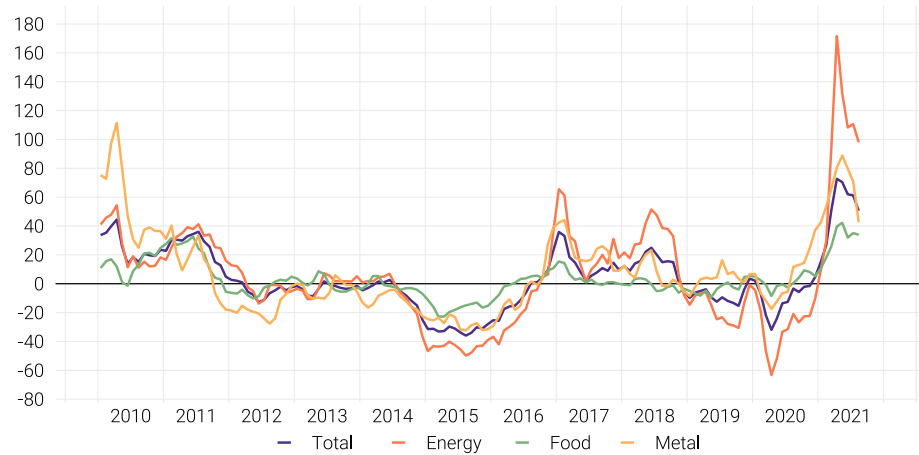
Core Inflation in the Emerging Economies, 2010 - 2021
(percent)



Source: Bloomberg Database

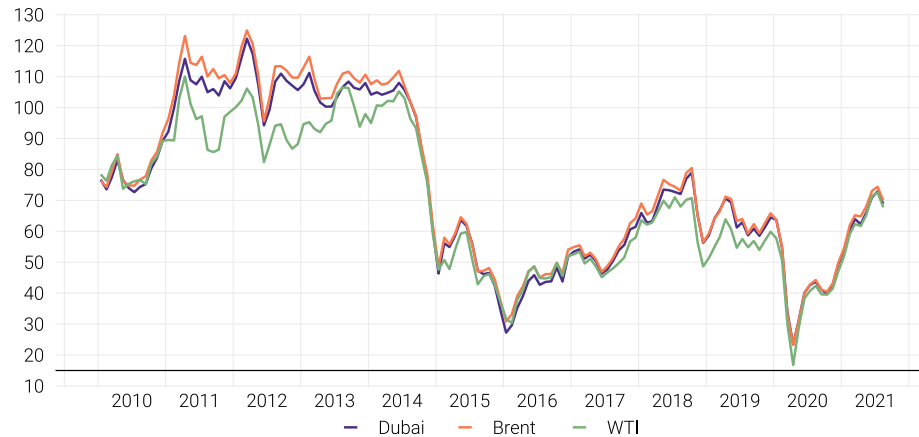
Commodity Prices

Commodity prices, 2010 - 2021
(annual percentage change)



Source: IMF

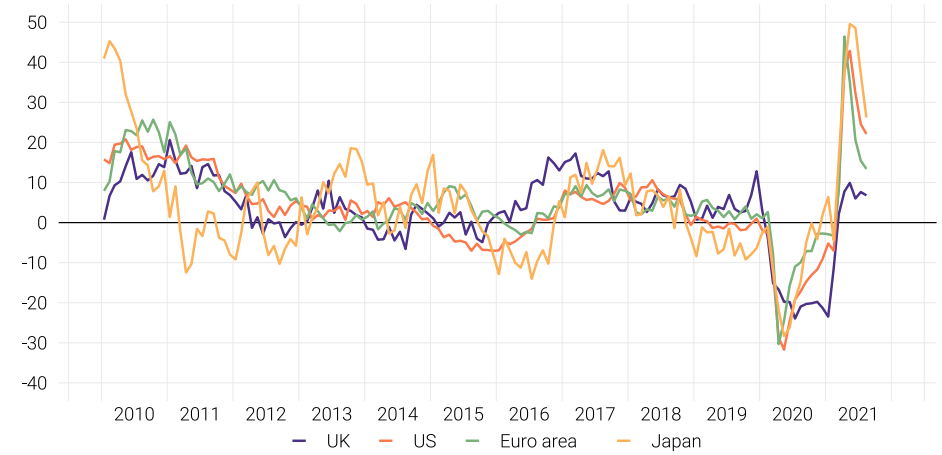
Oil prices, 2010 - 2021
(dollars per barrel)



Source: Bloomberg Database

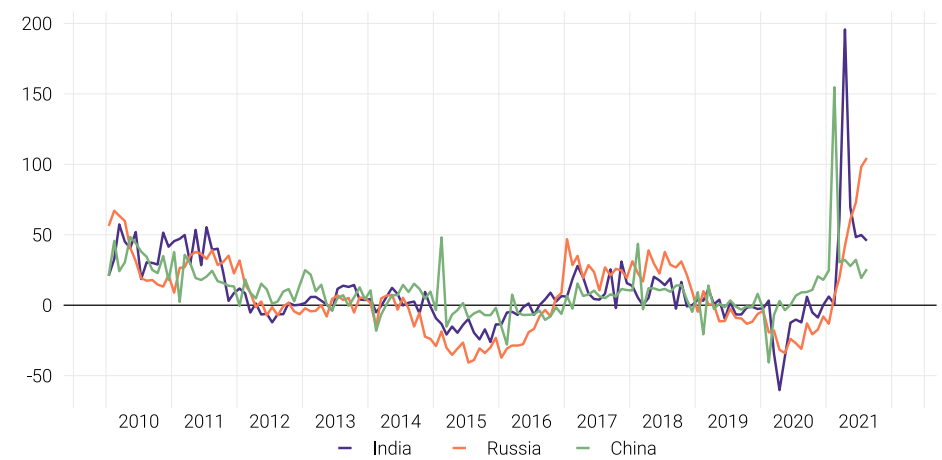
Global Trade

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



Source: Bloomberg Database

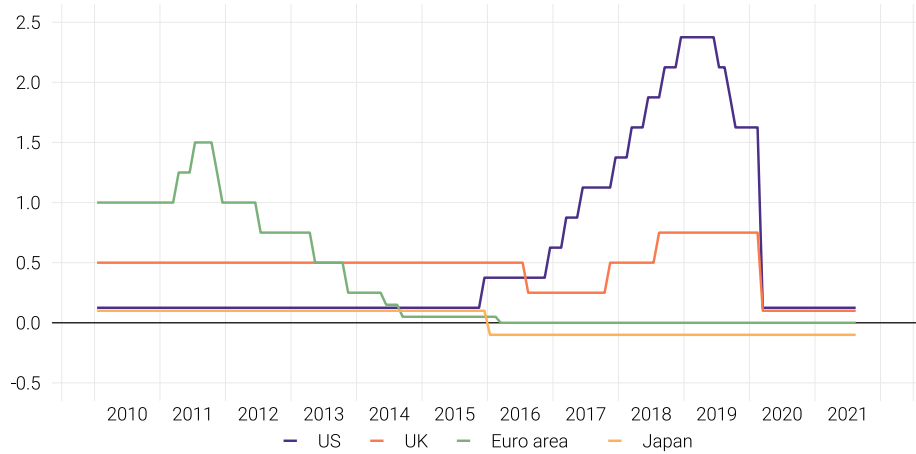
Exports in the Emerging Economies, 2010 - 2021
(annual percentage change)



Source: Bloomberg Database

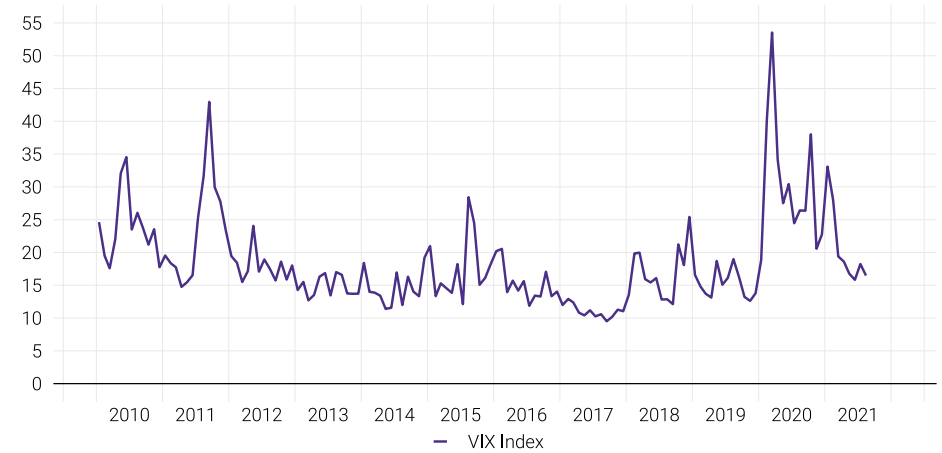
Global Financial Markets

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



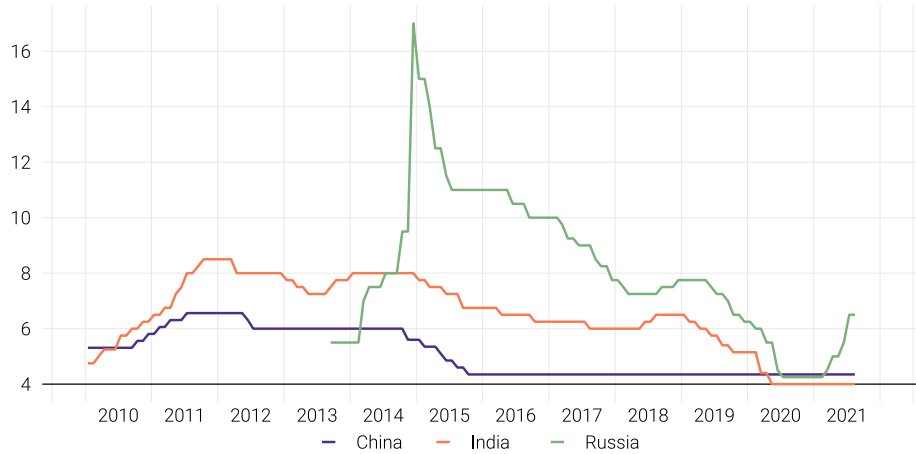
Source: Bloomberg Database

Volatility Index, 2010 - 2021
(percent)



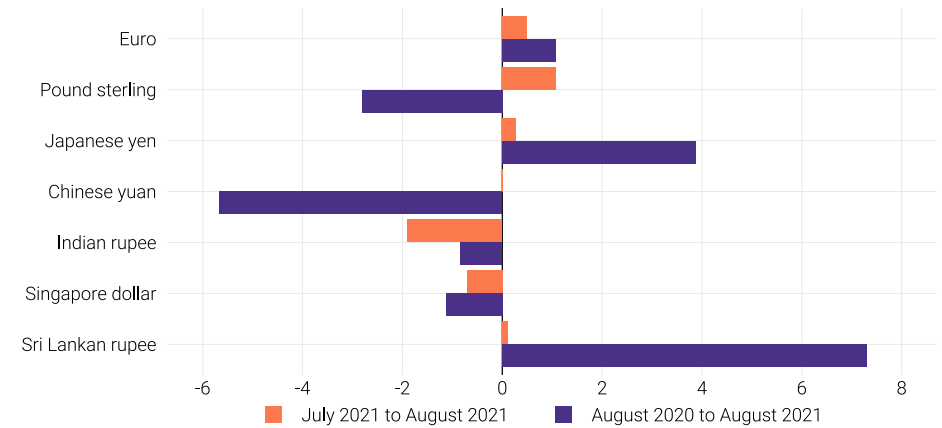
Source: Bloomberg Database

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



Source: Bloomberg Database

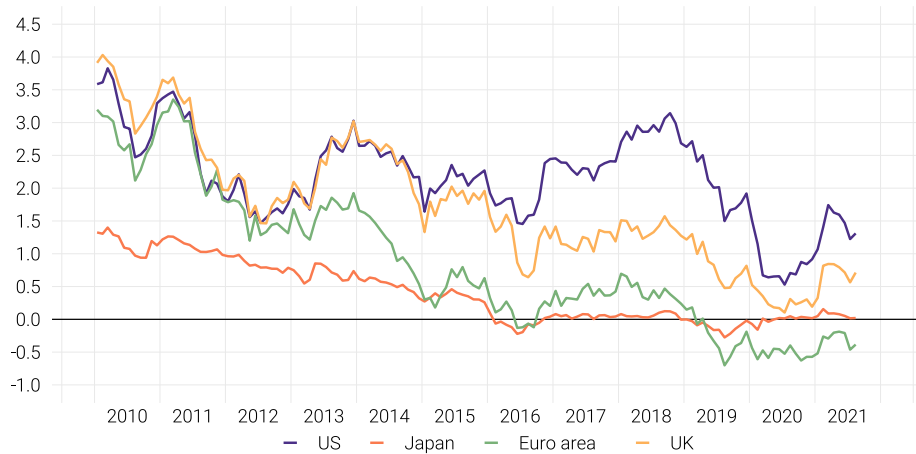
Exchange Rate of US Dollar against Currencies of Major Trading Partners, August 2021
(percentage change)



Source: Bloomberg Database

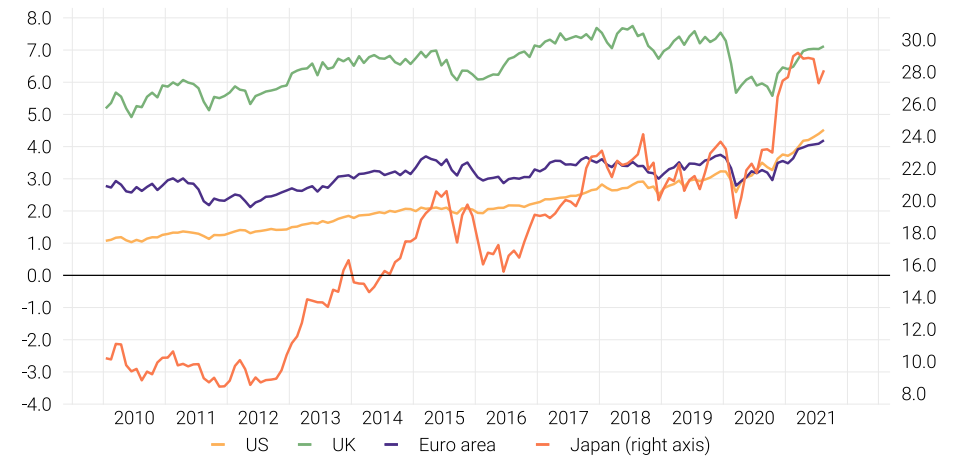
Global Financial Markets

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



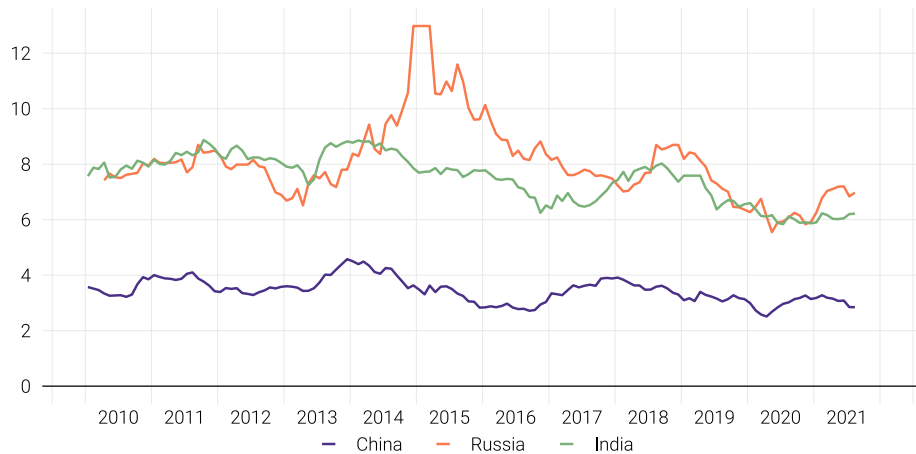
Source: Bloomberg Database

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



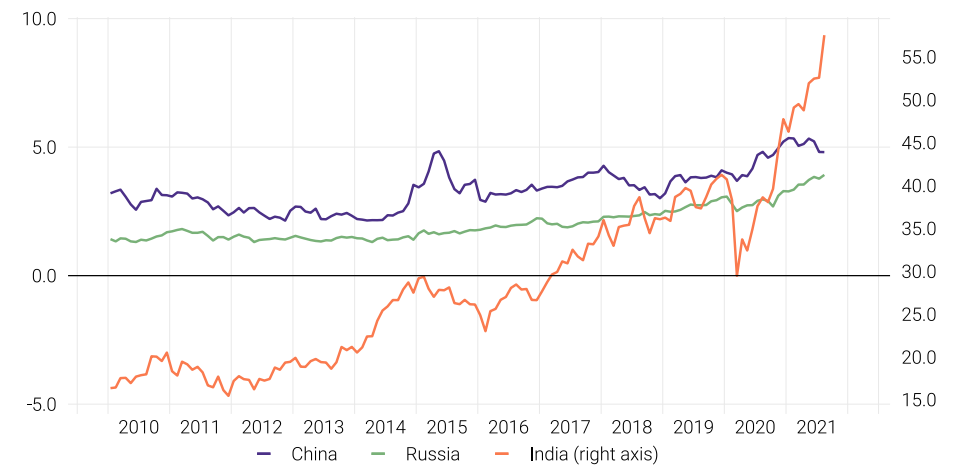
Source: Bloomberg Database

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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