ECONOMIC UPDATE

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MALDIVES MONETARY AUTHORITY

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.

Domestic Economic Developments

Real Economy

Gross Domestic Product

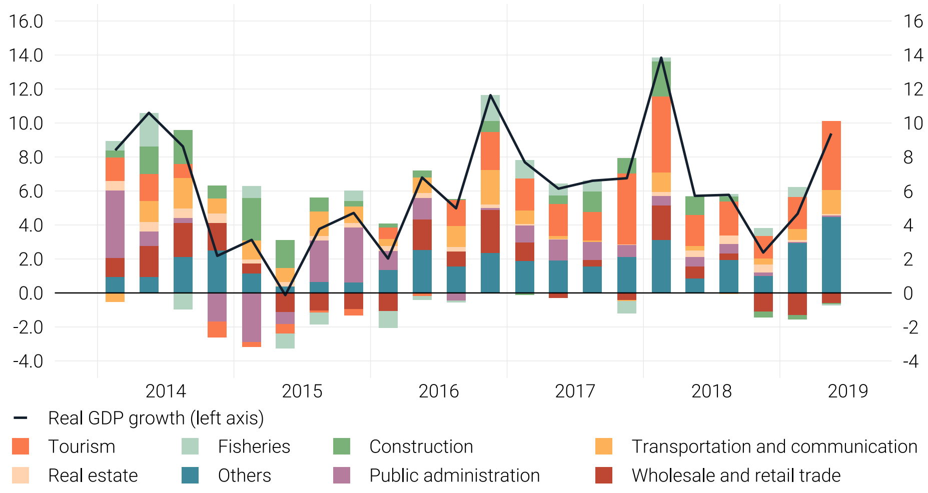
- According to preliminary quarterly GDP estimates for Q2-2019, by the National Bureau of Statistics, real GDP accelerated by 9.4% in annual terms in Q2-2019, an upturn from the revised growth rate of 4.7% for Q1-2019 (previously at 3.1%).
  - The acceleration in growth in Q2-2019 was mainly due to the strong growth of the tourism sector as well as transport and communication sectors (which include air transportation services, travel agencies, support services and warehousing, and support activities for transportation) which also reflected the resilient performance of the tourism sector.
- However, other major sectors such as construction and; wholesale and retail trade contributed negatively to growth during the quarter.

Annual GDP Growth Forecast

- Based on revised estimates of October 2019 made by the MMA and the Ministry of Finance, annual real GDP growth is projected to moderate to 5.7% in 2019, down from 6.8% projected in October 2018. However, real GDP growth is expected to accelerate to 7.5% in 2020.
  - The moderation in growth in 2019 stems mainly from the construction sector slowdown, which reflects the completion of several large-scale infrastructure projects of the government in 2018 and also delayed commencement of new public sector infrastructure projects budgeted for 2019. In 2019, growth is anticipated to be driven by tourism and related sectors such as transport, communication and wholesale and retail trade.
  - The acceleration of growth in 2020 is projected on the back of strong tourism sector performance as well as a pickup in construction sector growth due higher expenditure on public sector investment projects budgeted for the year by the government.

Contribution to Real GDP Growth by Economic Sectors, 2014 - 2019

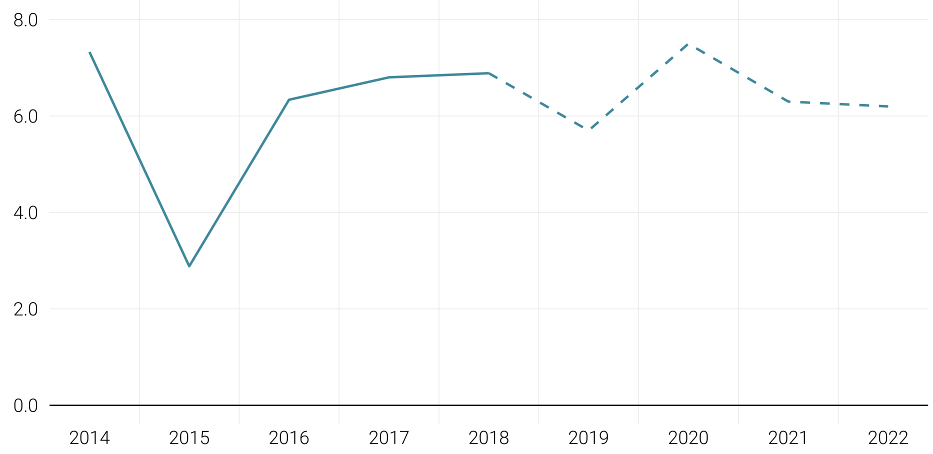
(annual percentage change, percentage point contribution)



Source: National Bureau of Statistics

Real GDP Growth, 2014 - 2022

(annual percentage change)



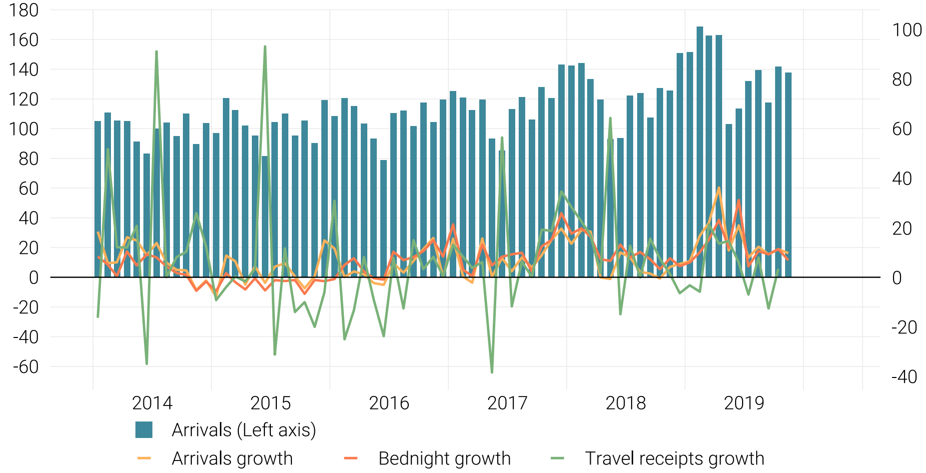
Source: National Bureau of Statistics, Maldives Monetary Authority, Ministry of Finance
Note: The dashed lines represent forecasts.

Tourism

- In November 2019, the annual growth rate of tourist arrivals registered 10%, while bednights grew by 7%.
  - Similar to the previous month, the annual growth in tourist arrivals largely reflected the boost in arrivals from the emerging source market of India, while arrivals from Europe, particularly Italy and UK, also contributed to the growth.
- During the review period, the operational bed capacity of the tourism industry increased by 15%, while the occupancy rate declined to 58% in November 2019 from 63% in November 2018.
- For the period January to November 2019, total tourist arrivals increased by 15% in annual terms, while the total bednights of the industry observed an increase of 12%.

Tourism, 2014 - 2019

(thousands, annual percentage change)

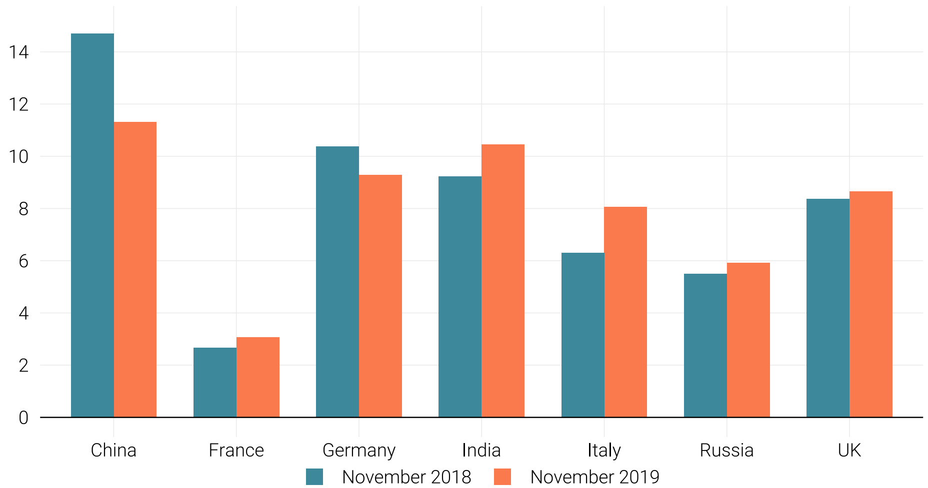


Source: Ministry of Tourism

Note: Tourism receipts available up to October 2019.

Shares of Key Inbound Markets

(percent)

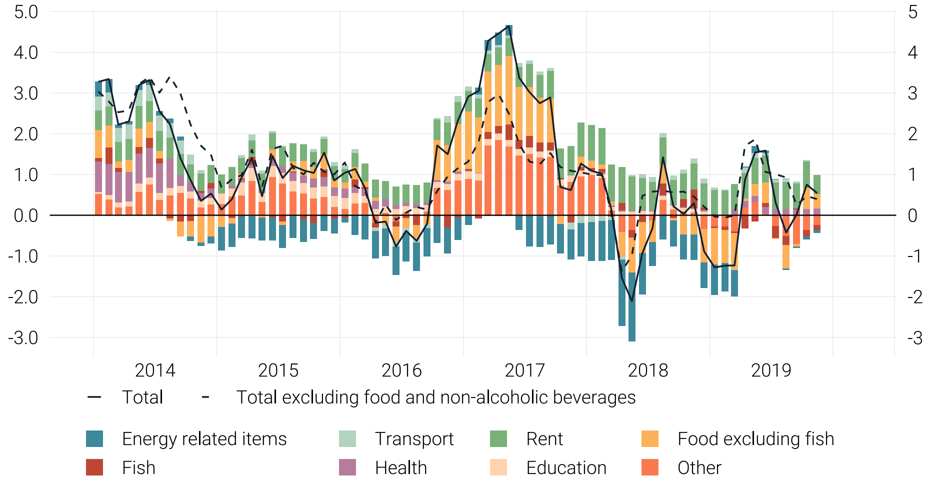


Source: Ministry of Tourism

Inflation

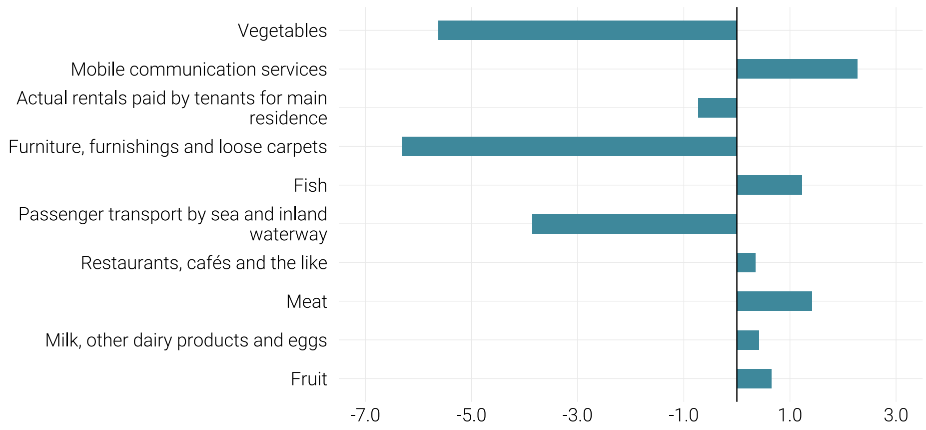
- After recording 0.8% in October 2019, the rate of inflation as measured by the annual percentarge change in the national CPI, decelerated to 0.5% in November 2019.
    - From the major categories of CPI, the largest contributors to the annual rate of inflation during November 2019 were rent (0.5 percentage points), vegetables (0.5 percentage points), domestic passenger air transport (-0.3 percentage points), and information and communication (-0.1 percentage points).
- The monthly percentage change in the national CPI declined to -0.1% in November 2019, from 0.3% in October 2019.
    - The largest contribution to the monthly rate of inflation came from vegetables (-0.1 percentage points); rent (-0.1 percentage points); furniture, furnishings and loose carpets (-0.1 percentage points); mobile communication services (0.1 percentage points); and fish (0.1 percentage points) categories.

Contribution of Major Categories to CPI Inflation (National), 2014 - 2019
(annual percentage change, percentage point contribution)



Source: National Bureau of Statistics

Monthly Changes of Subcategories of CPI Inflation (National), November 2019
(monthly percentage change)

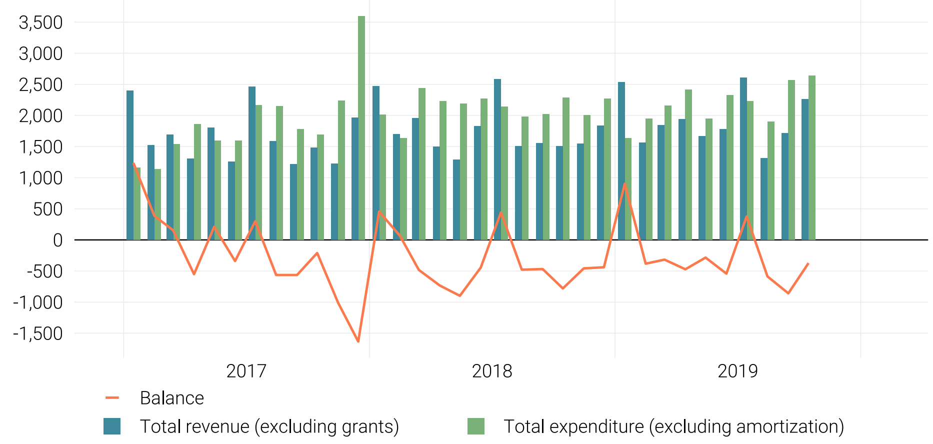


Source: National Bureau of Statistics
Note: Ordered by the size of the contribution.

Public Finance

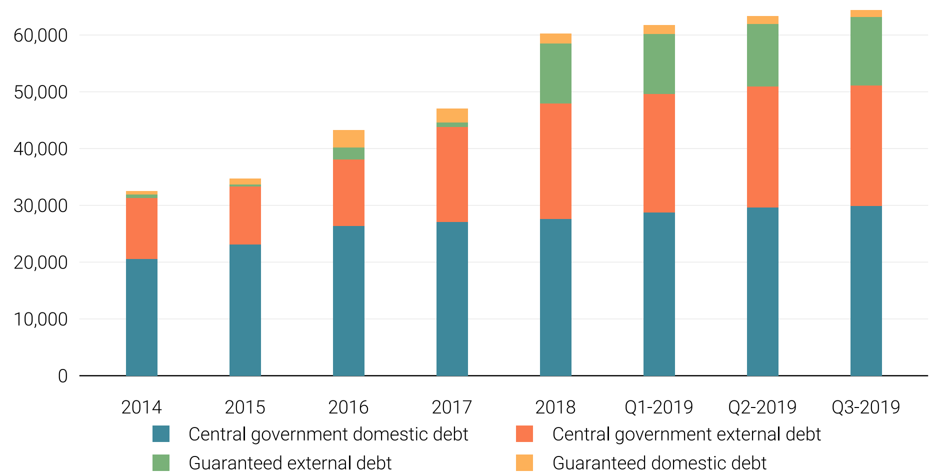
- Total government revenue (excluding grants) observed an increase of MVR756.1 million (50%) in October 2019 when compared with October 2018.
  - This was entirely due to the marked increase in non-tax revenue, which grew by MVR836.1 million during October 2019 when compared with the corresponding month of 2018. This growth was offset to an extent by the MVR77.3 million decline in tax revenue over the period.
- Total expenditure (excluding amortisation) increased by MVR348.7 million (15%) in October 2019 when compared with October 2018.
  - The rise in expenditure was contributed by increases in both recurrent and capital expenditure, which grew by MVR189.8 million and MVR158.9 million, respectively.
- At the end of Q3-2019, the stock of government debt (excluding government guaranteed debt) amounted to MVR51.2 billion, a modest increase from Q2-2019. Meanwhile, government debt as a percentage of GDP increased to 58% during Q3-2019.
  - The increase was primarily due to growth in domestic debt.

Government Revenue and Expenditure, 2017 - 2019
(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, 2014 - 2019
(millions of rufiyaa)



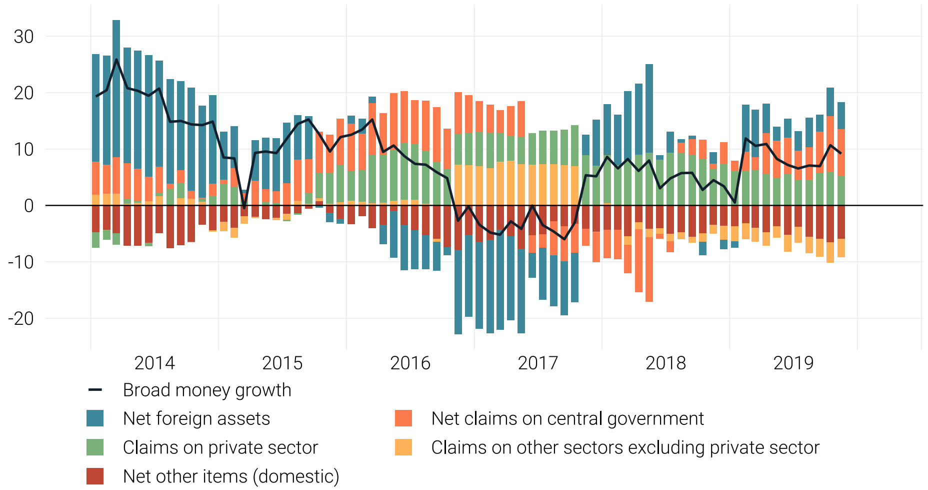
Source: Ministry of Finance

Monetary Developments

Broad Money

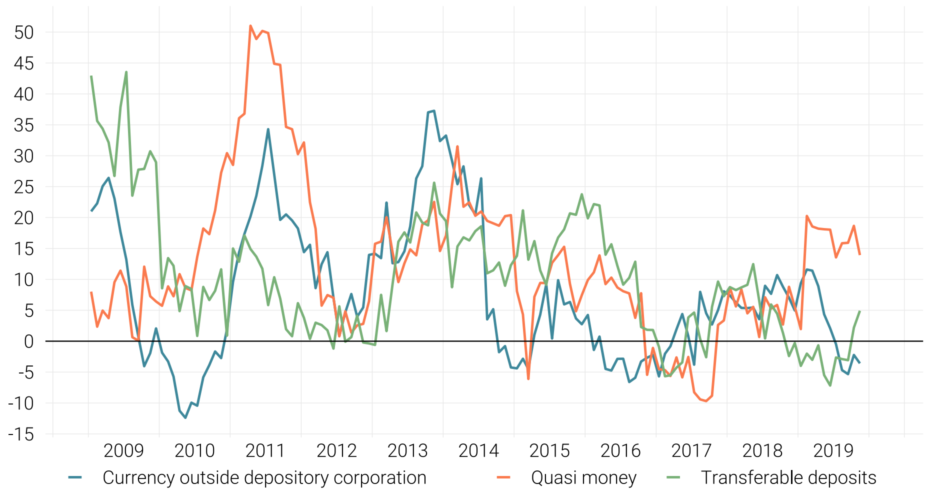
- Broad Money (M2) growth decelerated to 9% in annual terms at the end of November 2019, after registering 11% during the previous month.
  - On the components side, the acceleration in broad money growth was primarily due to an increase in quasi money, which reflected the increase in both transferable and other deposits denominated in foreign currency. Meanwhile, narrow money also recorded a growth over the period.
  - As for the sources of broad money growth, both net domestic assets and net foreign assets contributed to the growth during the review period.

Contribution to Broad Money, 2014 - 2019
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Components of Broad Money, 2009 - 2019
(annual percentage change)



Source: Maldives Monetary Authority

Reserve Money

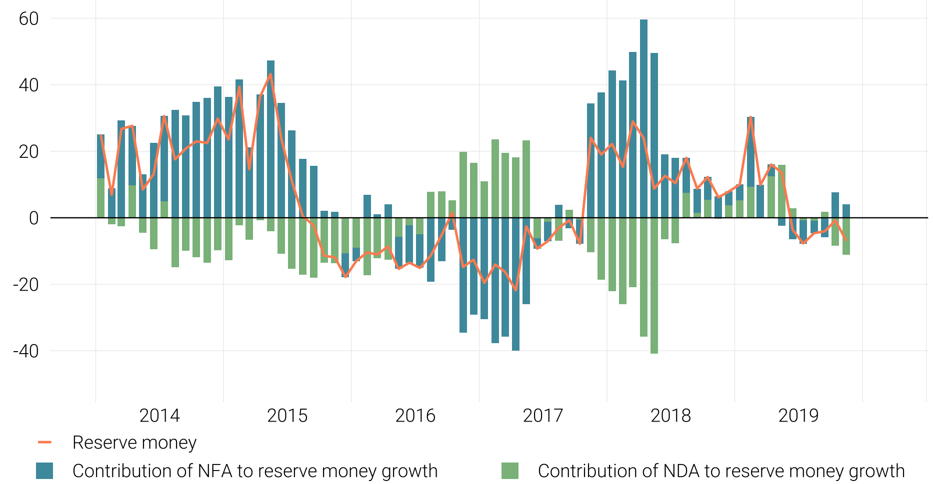
- Annual reserve money (M0) growth continues to remain negative since June 2019, and fell to -7% in November 2019 from -1% during October 2019.
  - The annual decline in reserve money was largely contributed by the 43% fall in net domestic assets of the MMA stemming from the decline in claims on public nonfinancial corporations.
  - Conversely, net foreign assets of the MMA observed a positive annual growth of 5% during November 2019.

Credit to Private Sector

- Credit to the private sector by commercial banks posted an annual growth of 7% at the end of November 2019 when compared to the corresponding period of 2018.
  - With regard to the composition of credit to private sector, similar to October 2019, credit growth increased for all main sectors, namely tourism, construction, real estate, and communication; except for transport and commerce sectors. Further, credit extended as personal loans observed the largest increase over the period.
  - Credit growth to the commerce sector observed an annual decline during November 2019 as well, owing to the declines in credit lent to restaurants and cafés; and wholesale and retail trade.

Sources of Reserve Money, 2014 - 2019

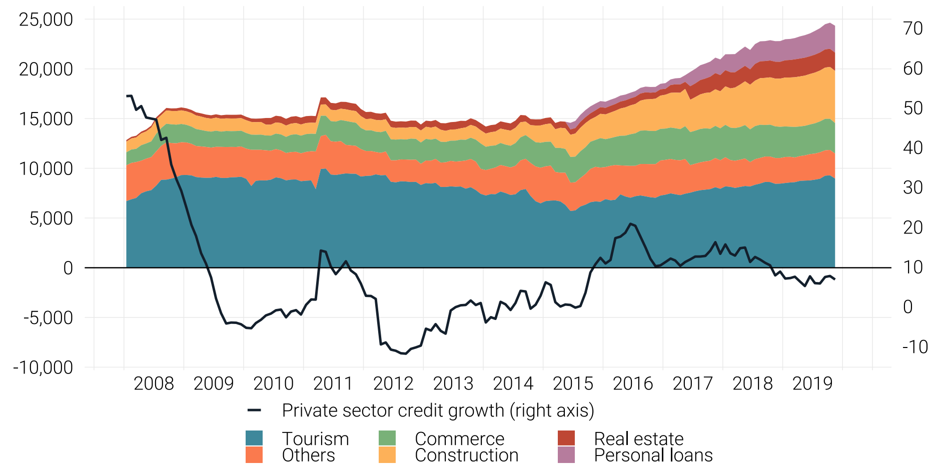
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Private Sector Credit, 2008 - 2019

(millions of rufiyaa, annual percentage change)

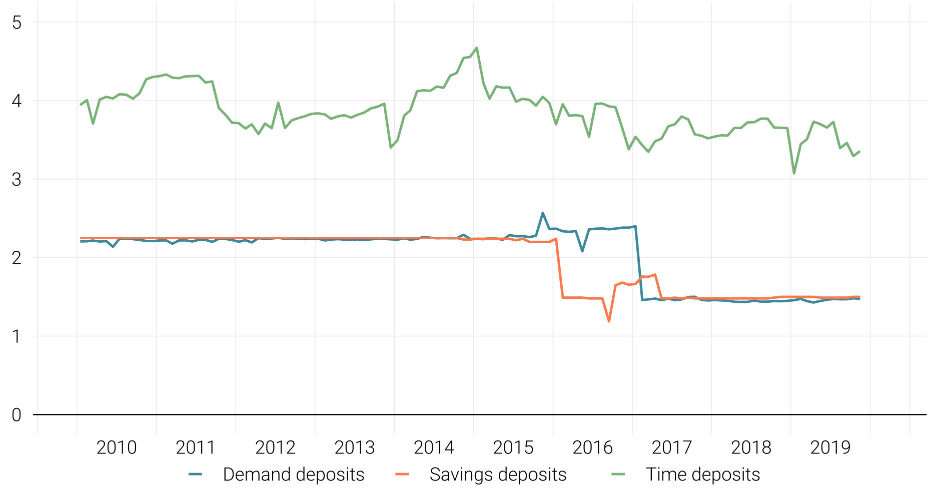


Source: Maldives Monetary Authority

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

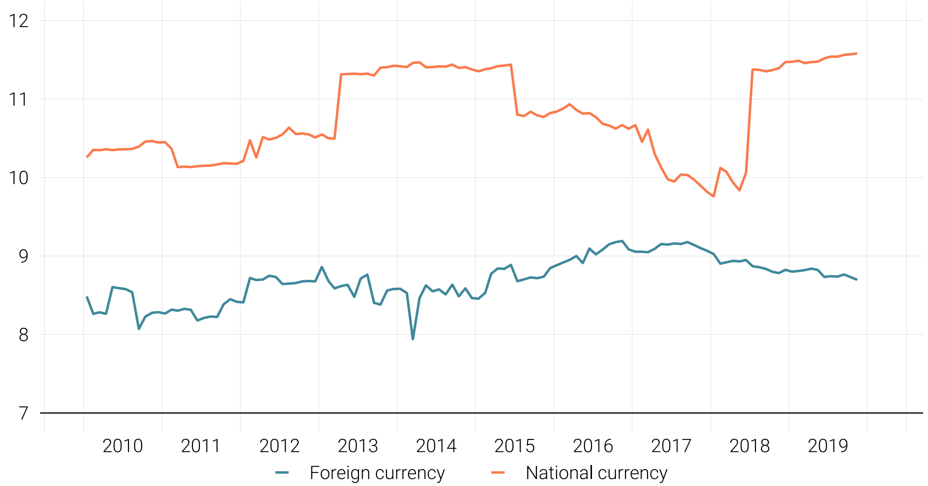
Interest rates

Interest Rate on National Currency Deposits, 2010 - 2019
(weighted average)



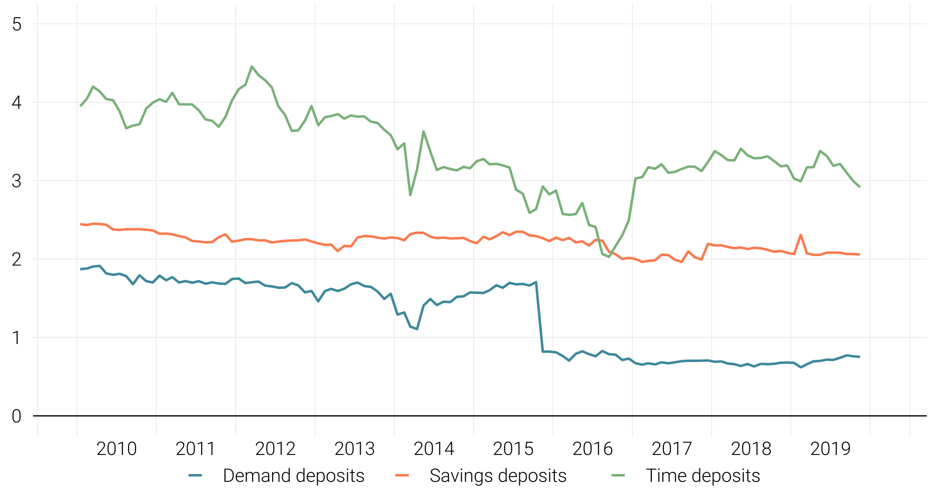
Source: Maldives Monetary Authority

Interest Rate on Private Sector Loans and Advances, 2010 - 2019
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2010 - 2019
(weighted average)



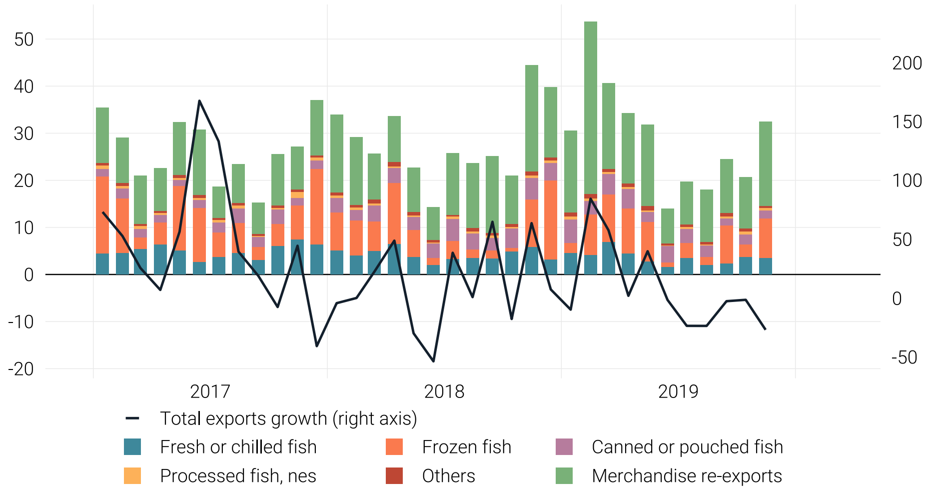
Source: Maldives Monetary Authority

External Trade

- In November 2019, total exports (f.o.b) observed a 27% annual decline, while total imports (c.i.f) observed a 3% growth.
  - The fall in total exports was mainly owing to decline in domestic exports and also re-exports. The decrease in domestic exports was mainly due to a marked fall in export earnings from frozen skipjack tuna as well as fresh or chilled yellowfin tuna exports. Additionally, earnings from canned or pouched tuna exports also registered a decline.
  - The growth in total imports was mainly due to the sizable increase in imports of transport equipments and parts; electrical and electronic machinery and equipments; as well as electronic and electrical appliances.
- Overall, during January to November 2019, total exports recorded a 7% growth while total imports decreased by 3% when compared with the corresponding period of 2018.

Total Exports, 2017 - 2019

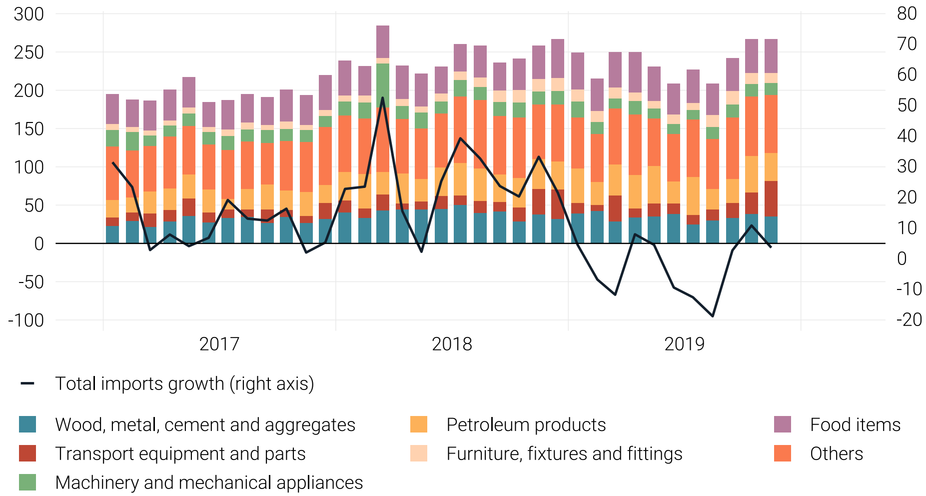
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

Total Imports, 2017 - 2019

(millions of US dollars, annual percentage change)

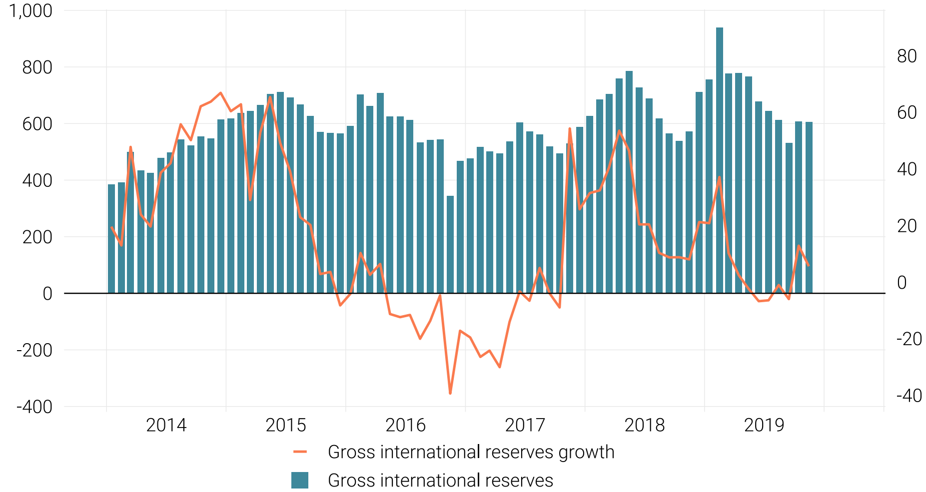


Source: Maldives Customs Service

Gross International Reserves

- Gross international reserves amounted to US$604.7 million at the end of November 2019.
  - This was a marginal decline when compared with October 2019 and an increase of 6% when compared with November 2018.

Gross International Reserves, 2014 - 2019
(millions of US dollars, annual percentage change)

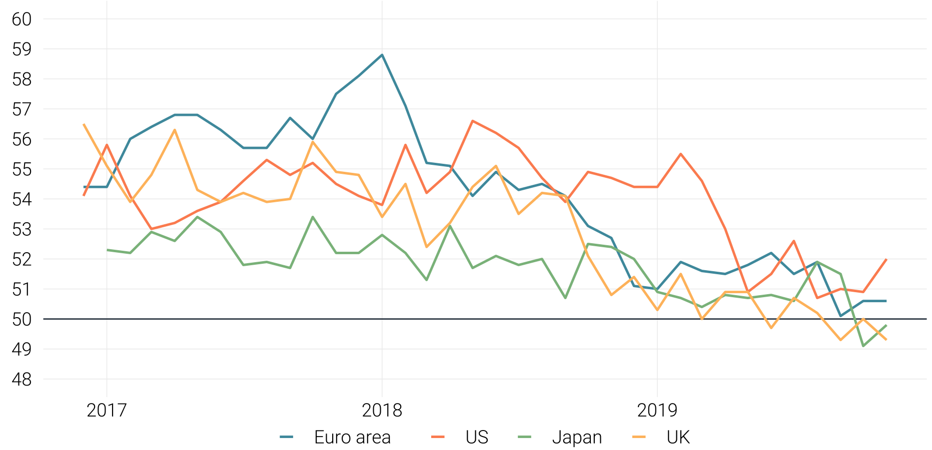


Source: Maldives Monetary Authority

International Economic Developments

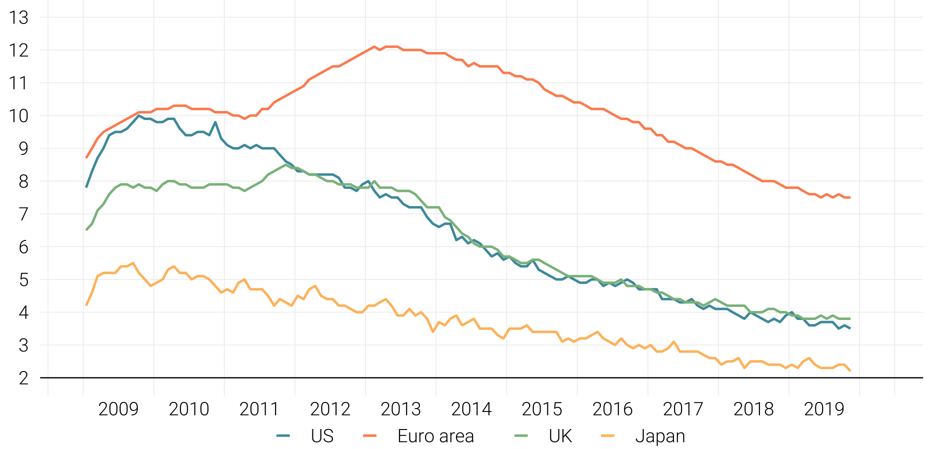
Global Output

Purchasing Manager's Index in the Advanced Economies, 2016 - 2019
(index points)



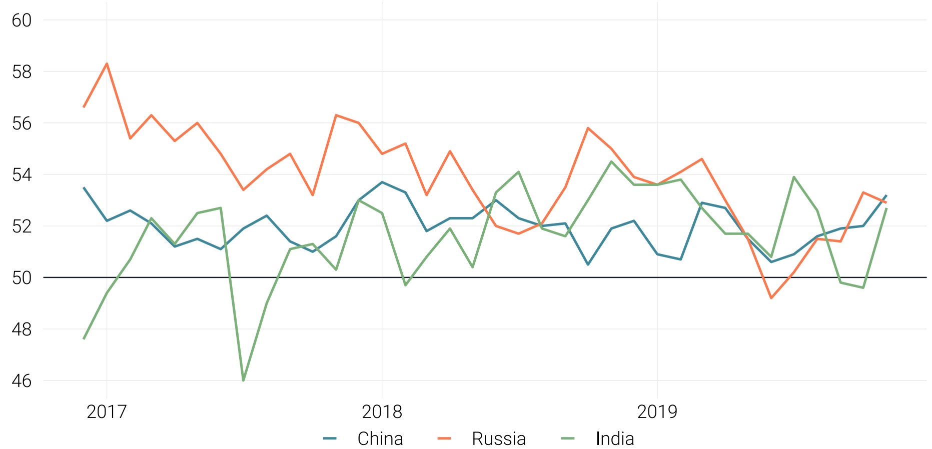
Source: Bloomberg Database

Unemployment in the Advanced Economies, 2009 - 2019
(percent)



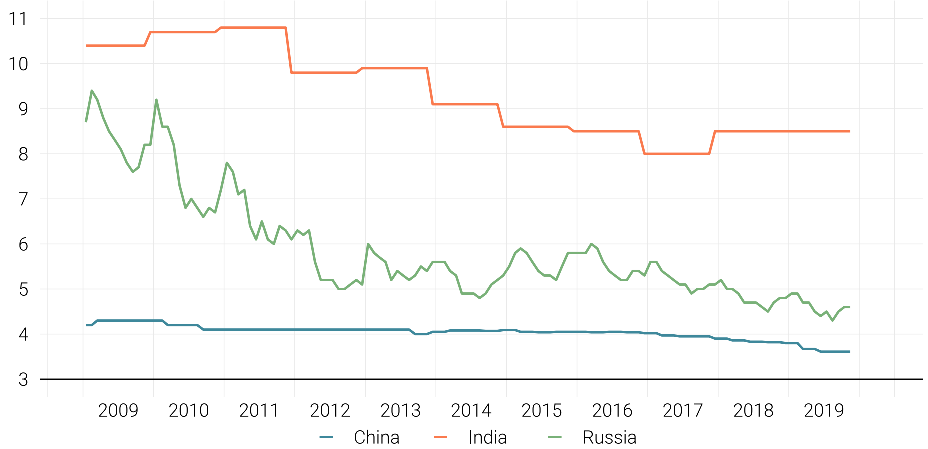
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2016 - 2019
(index points)



Source: Bloomberg Database

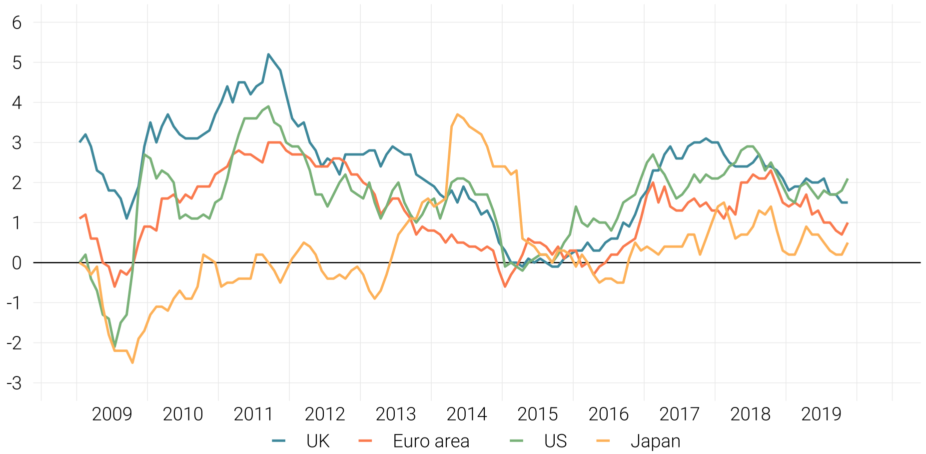
Unemployment in the Emerging Economies, 2009 - 2019
(percent)



Source: Bloomberg Database

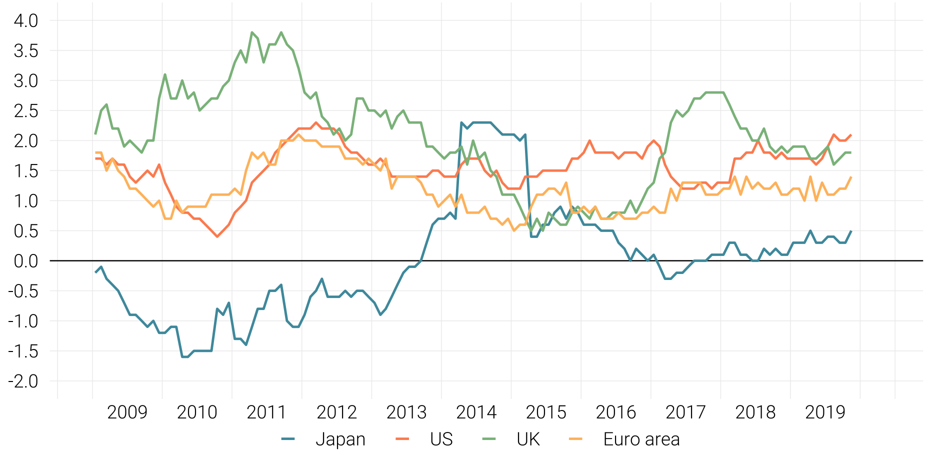
Global Inflation

Inflation in the Advanced Economies, 2009 - 2019
(percent)



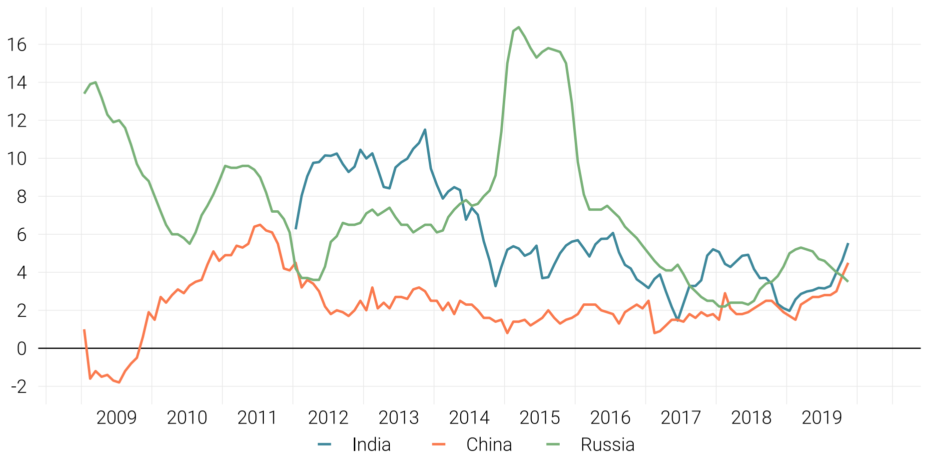
Source: Bloomberg Database

Core Inflation in the Advanced Economies, 2009 - 2019
(percent)



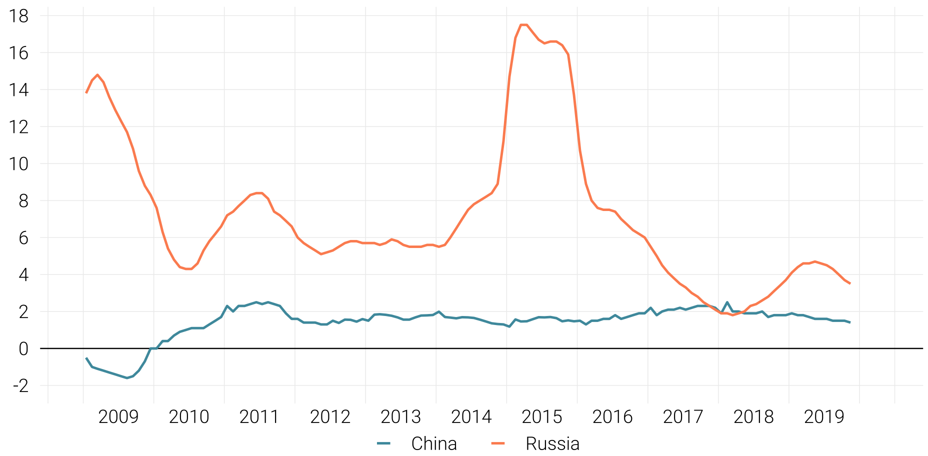
Source: Bloomberg Database

Inflation in the Emerging Economies, 2009 - 2019
(percent)



Source: Bloomberg Database

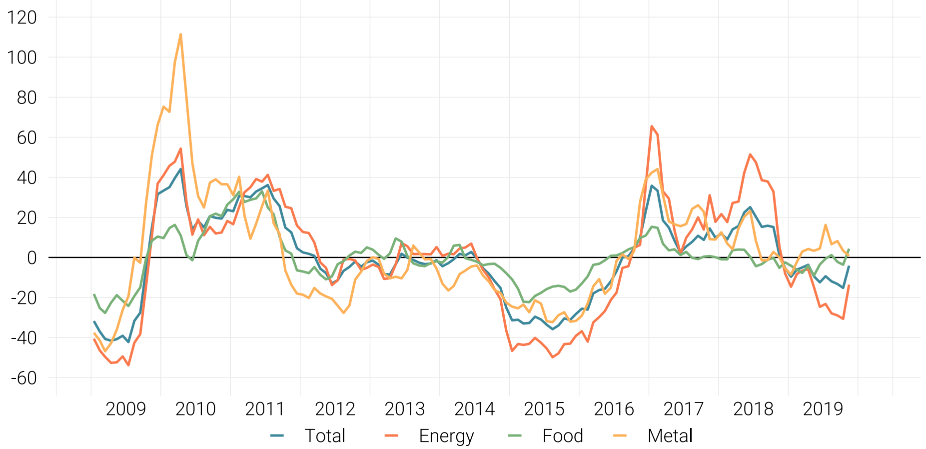
Core Inflation in the Emerging Economies, 2009 - 2019
(percent)



Source: Bloomberg Database

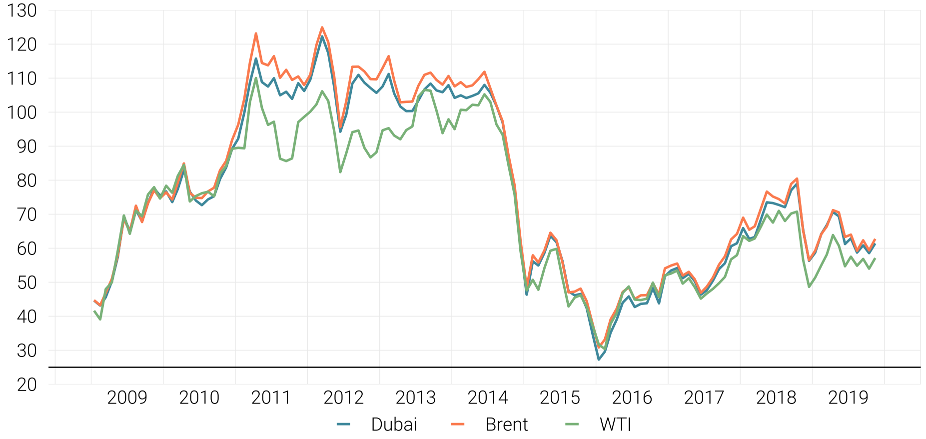
Commodity Prices

Commodity prices, 2009 - 2019
(annual percentage change)



Source: IMF

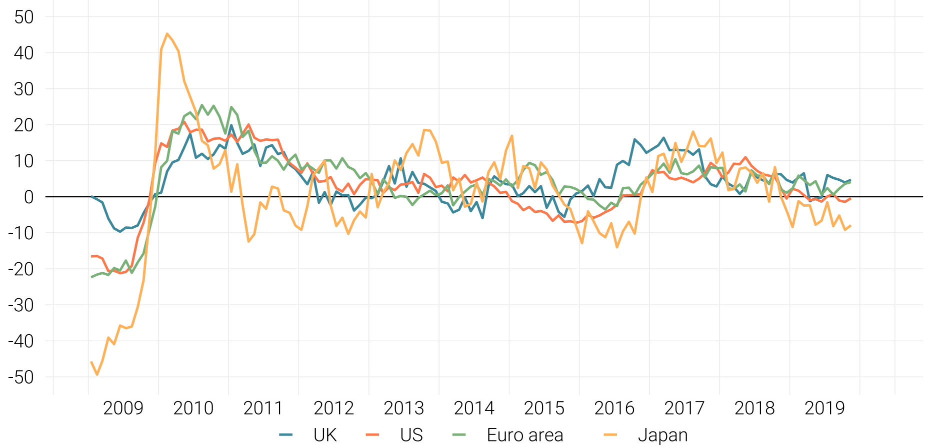
Oil prices, 2009 - 2019
(dollars per barrel)



Source: Bloomberg Database

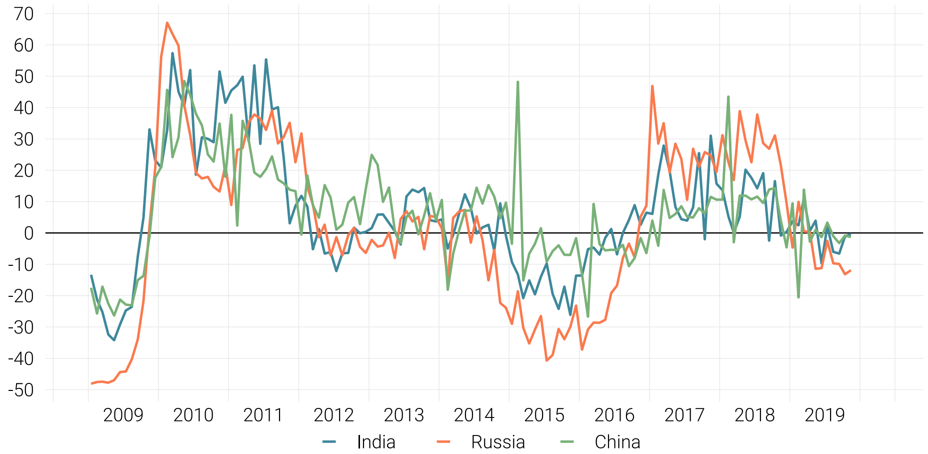
Global Trade

Exports in the Advanced Economies, 2009 - 2019
(annual percentage change)



Source: Bloomberg Database

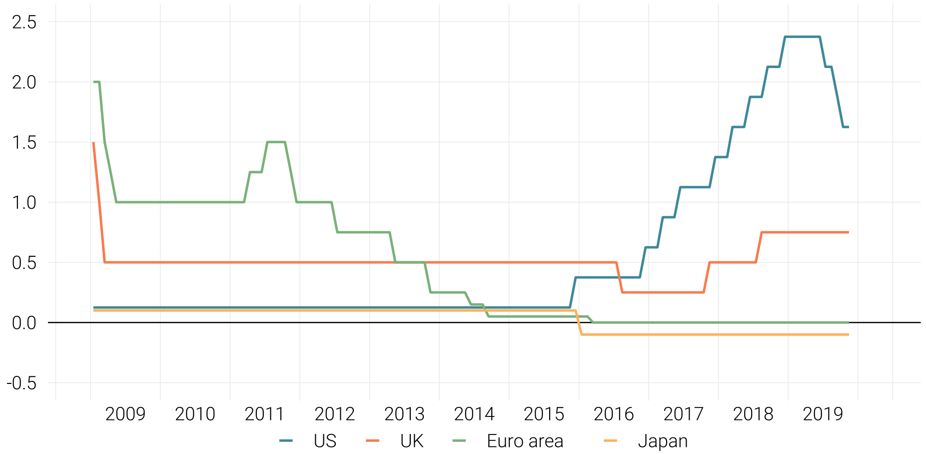
Exports in the Emerging Economies, 2009 - 2019
(annual percentage change)



Source: Bloomberg Database

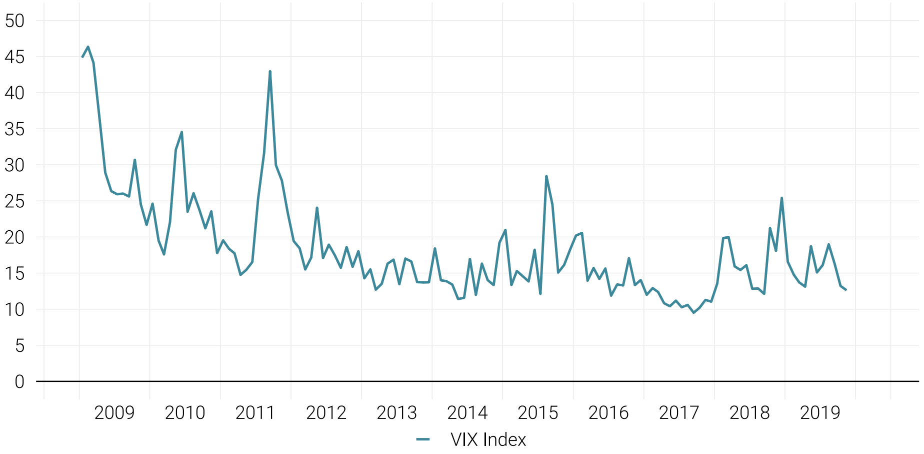
Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2009 - 2019
(percent)



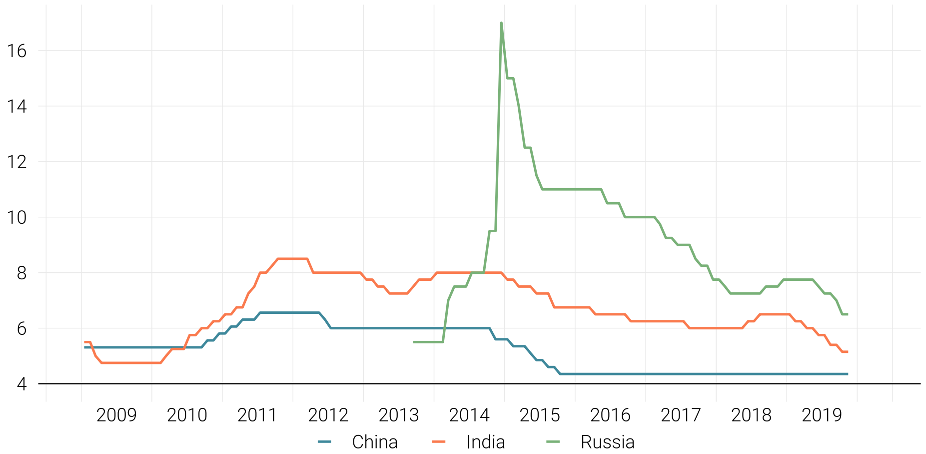
Source: Bloomberg Database

Volatility Index, 2009 - 2019
(percent)



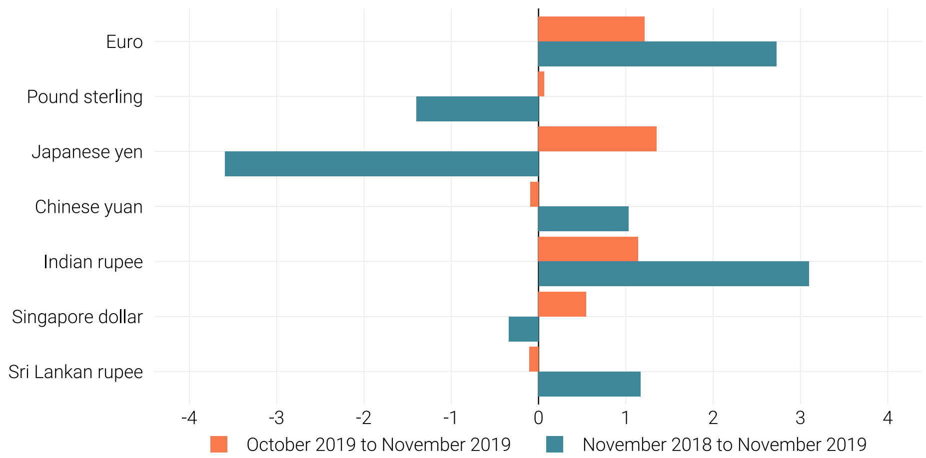
Source: Bloomberg Database

Monthly Policy Rates in the Emerging Economies, 2009 - 2019
(percent)



Source: Bloomberg Database

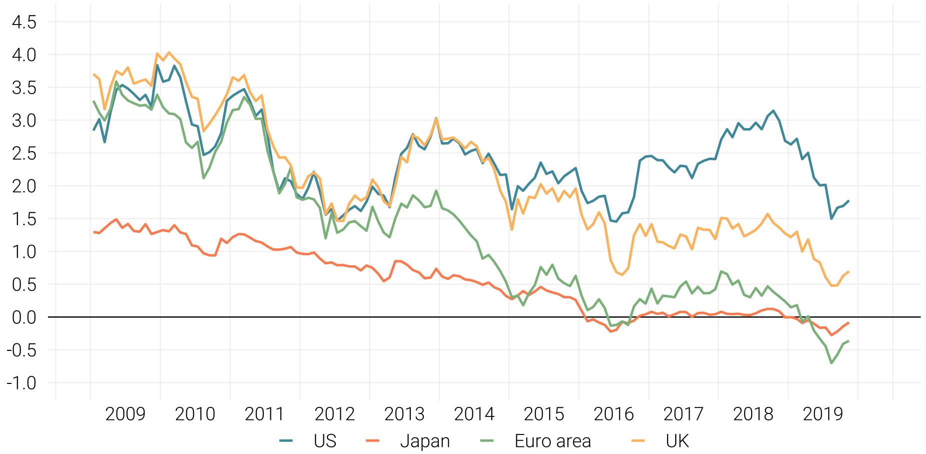
Exchange Rates, November 2019
(percentage change)



Source: Bloomberg Database

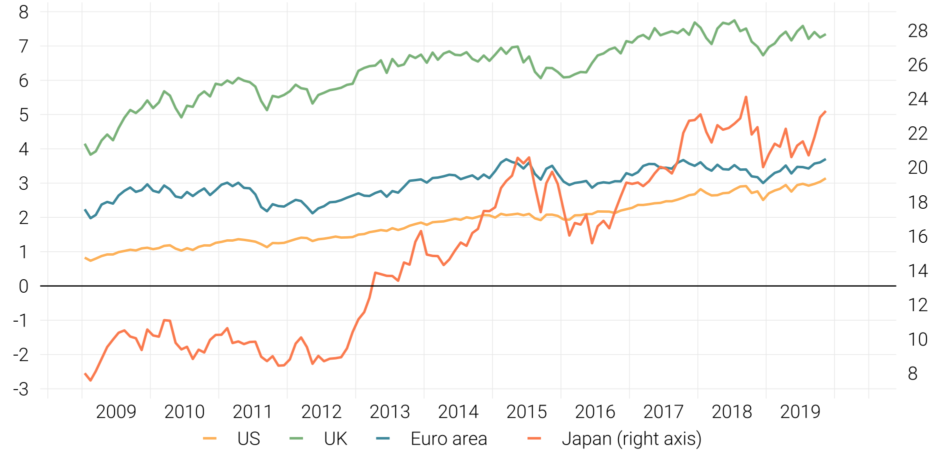
Global Financial Markets

Sovereign Bond Yield in the Advanced Economies, 2009 - 2019
(percent)



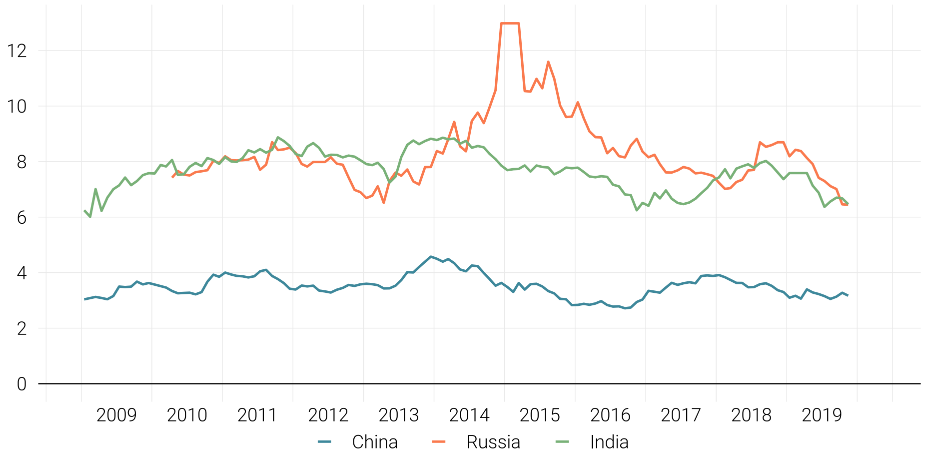
Source: Bloomberg Database

Share Price Index in the Advanced Economies, 2009 - 2019
(price index, in thousands)



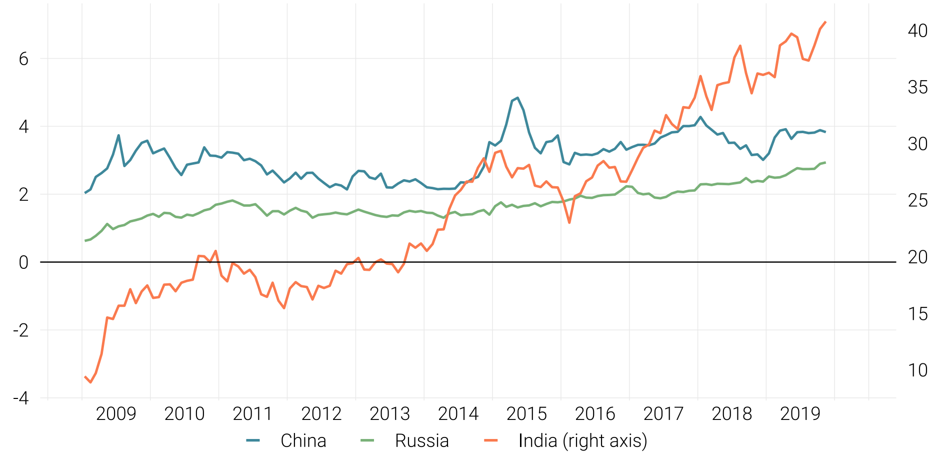
Source: Bloomberg Database

Sovereign Bond Yield in the Emerging Economies, 2009 - 2019
(percent)



Source: Bloomberg Database

Share Price Index in the Emerging Economies, 2009 - 2019
(price index, in thousands)



Source: Bloomberg Database

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