

MALDIVES MONETARY AUTHORITY

# ECONOMIC UPDATE

SEPTEMBER 2022

VOLUME 4 ISSUE 9



[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 29 September 2022.

# Domestic Economic Developments

## Real Economy

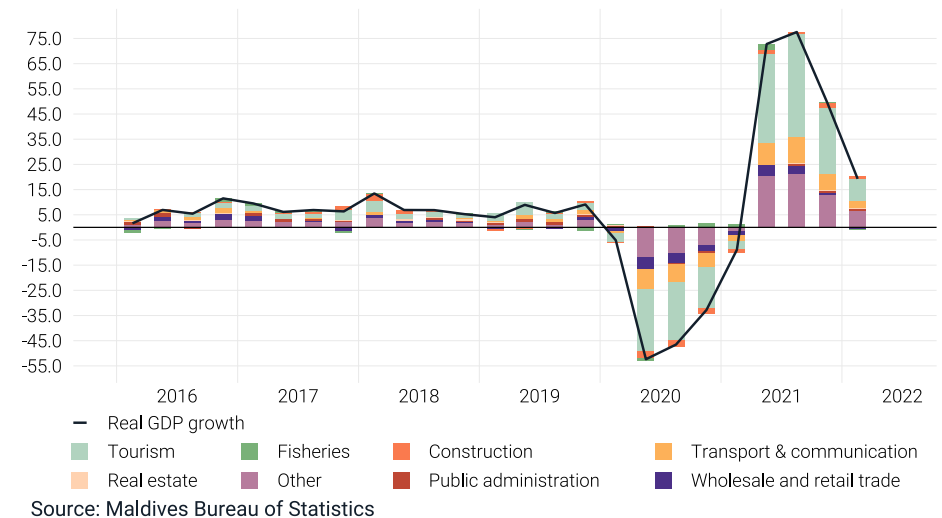
### Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts for Q1-2022 released by the Maldives Bureau of Statistics (MBS), real GDP grew by 19.3% in Q1-2022, compared to the corresponding quarter of 2021, after recording a growth of 49.6% in Q4-2021. Further, annual real GDP for Q1-2022 was 3.1% higher than the pre-pandemic levels of Q1-2019.
- The upturn in annual real GDP growth during Q1-2022, was mainly driven by the robust performance of the tourism sector, largely mirroring the base effect of the gradual pickup in tourist arrivals, since the re-opening of international borders in July 2020. In addition, positive contributions were observed in other sectors of the economy such as transportation and communication, human health and social work activities, and construction which offset the negative contribution from wholesale and retail trade sector. Similarly, when compared with the preceding quarter, real GDP observed a steady increase, amid the continuation of the peak season of the tourism sector during the quarter.

### Annual GDP Growth Forecast

- According to the second estimates, based on the latest Quarterly National Accounts released by the MBS in June 2022, annual real GDP grew by 37.1% in 2021, after a significant decline of 33.5% in 2020 due to the sharp contraction in tourism sector and other major sectors, owing to the impact of the COVID-19 pandemic. Going forward, based on forecasts made in October 2021<sup>1</sup>, real GDP is projected to grow by 12.0% in 2022.

Contribution to Real GDP Growth by Economic Sectors, 2016 - 2022  
(annual percentage change, percentage point contribution)



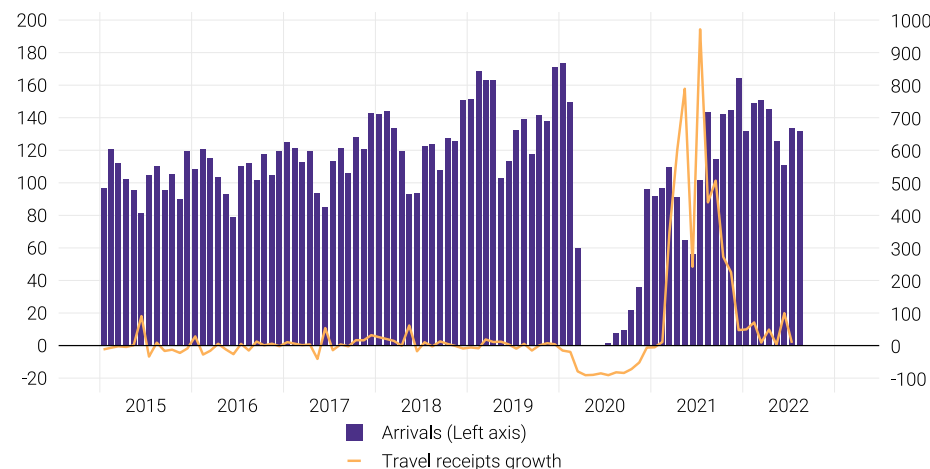
<sup>1</sup>According to the growth forecast scenarios estimated jointly by the MMA and the Ministry of Finance.

## Tourism

- In August 2022, while bednights increased (by 6%), tourist arrivals declined (by 8%) when compared with August 2021. Similarly, when compared with the pre-pandemic levels of August 2019, bednights rose by 18%, while tourist arrivals declined by 5%. In total, 131,862 tourist arrivals were recorded during August 2022.
  - Total tourist arrivals mainly reflected the robustness in arrivals from the main source markets of Europe and India. As such, the highest number of tourist arrivals were recorded from Russia, India, the United Kingdom, Italy and Germany during the month. The Russian market remained as the top source market and recorded a monthly increase of 11% in arrivals. Similarly, the arrivals from Russia exceeded pre-war levels, increasing by 9%.
- The operational bed capacity of the tourism industry observed an increase of 7,831 beds when compared with August 2021, while the occupancy rate dropped to 59% in August 2022, from 65% in August 2021.
- Overall, for the period of January to August 2022, total tourist arrivals increased by 43% in annual terms while bednights rose by 36%. However, compared to pre-pandemic levels of 2019, tourist arrivals recorded a decline of 5%, although bednights registered a growth of 15%. During the period, the average stay declined to 8.2 days, from 9.1 days in the corresponding period of 2021.

### Tourism, 2015 - 2022

(thousands, annual percentage change)

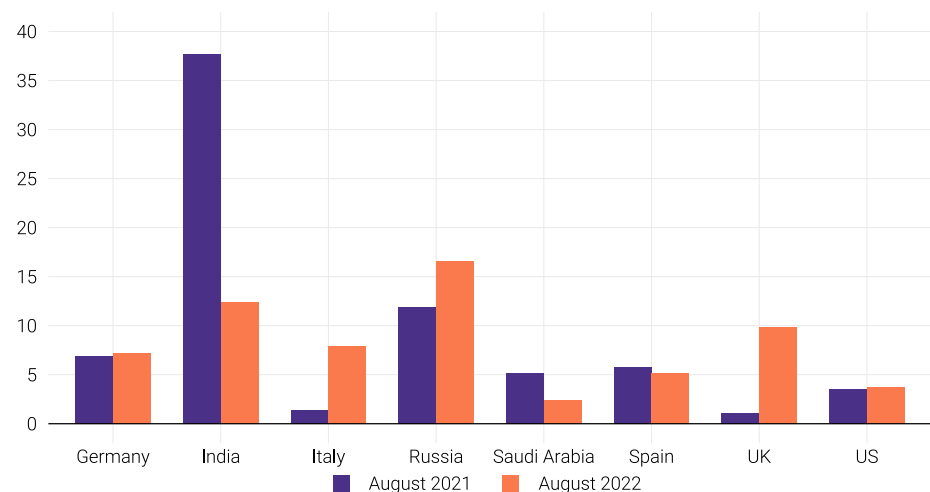


Source: Ministry of Tourism

Note: Tourism receipts available up to July 2022.

### Shares of Key Inbound Markets

(percent)

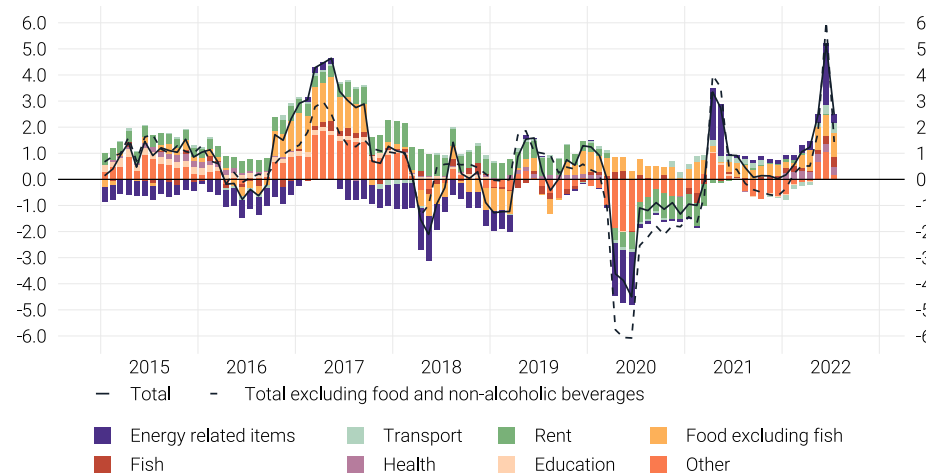


Source: Ministry of Tourism

# Inflation

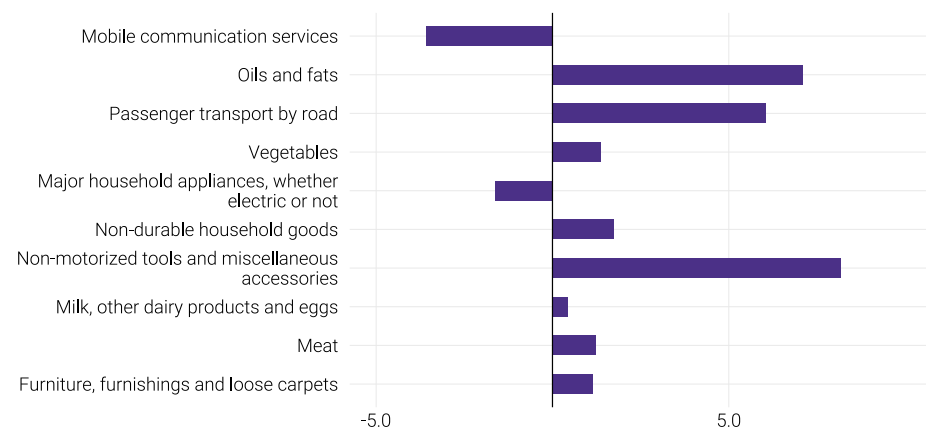
- The rate of inflation, as measured by the annual percentage change in the national CPI, decelerated to 2.5% in July 2022, from 5.2% in June 2022.
  - The largest contributors to the annual rate of inflation during July 2022 came from fish (0.4 percentage points); petrol for personal transport equipment (0.4 percentage points); meat (0.3 percentage points); medicines (0.2 percentage points); passenger transport by air (0.2 percentage points); oils and fats (0.2 percentage points); mobile communication services (-0.9 percentage points) and vegetables (-0.1 percentage points).
- The monthly percentage change in the national CPI decelerated to 0.15% in July 2022, from 0.45% in June 2022.
  - The largest contribution to the monthly rate of inflation came from oils and fats (0.06 percentage points); passenger transport by road (0.04 percentage points); vegetables (0.03 percentage points); non-durable household goods (0.02 percentage points); mobile communication services (-0.11 percentage points); major household appliances (-0.02 percentage points) and narcotics (-0.01 percentage points).

Contribution of Major Categories to CPI Inflation (National), 2015 - 2022  
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

Monthly Changes of Subcategories of CPI Inflation (National), July 2022  
(monthly percentage change)



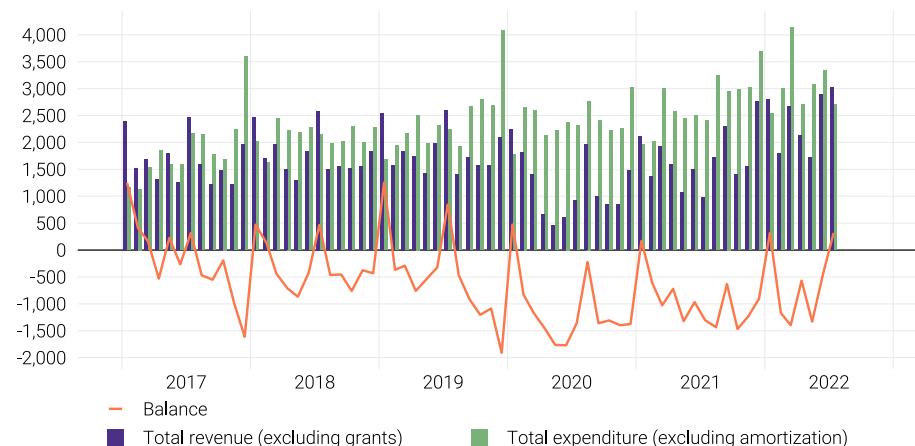
Source: Maldives Bureau of Statistics  
Note: Ordered by the size of the contribution.

# Public Finance

- According to the latest available data, total revenue (excluding grants) observed an increase of MVR2.0 billion (or 207%) in July 2022 when compared with July 2021, mainly driven by the growth in tax revenue. As such, tax revenue rose by MVR1.6 billion, while non-tax revenue increased by MVR467.1 million.
- Total expenditure (excluding amortisation) increased by MVR303.6 million (or 13%) in July 2022 when compared with July 2021, owing to growth in recurrent expenditure, which rose by MVR313.0 million, while capital expenditure fell by MVR9.4 million.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR84.8 billion at the end of Q1-2022, a 6% increase from Q4-2021. Meanwhile, total government debt as a percentage of GDP fell to 97% at the end of Q1-2022 from 104% in Q4-2021.
  - During this period, the increase in government debt was primarily driven by domestic debt.

## Government Revenue and Expenditure, 2017 - 2022

(millions of rufiyaa)

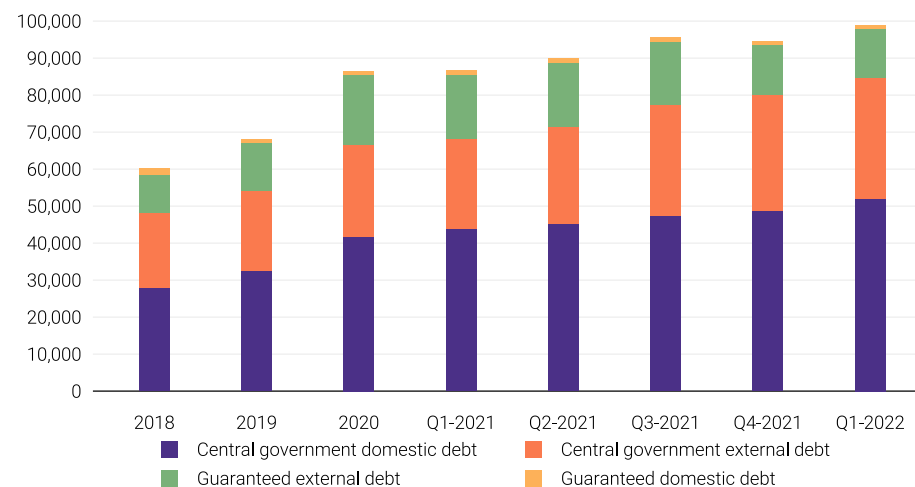


Source: Ministry of Finance

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

## Total Outstanding Stock of Public Debt, 2018 - 2022

(millions of rufiyaa)



Source: Ministry of Finance

# Monetary Developments

## Reserve Money

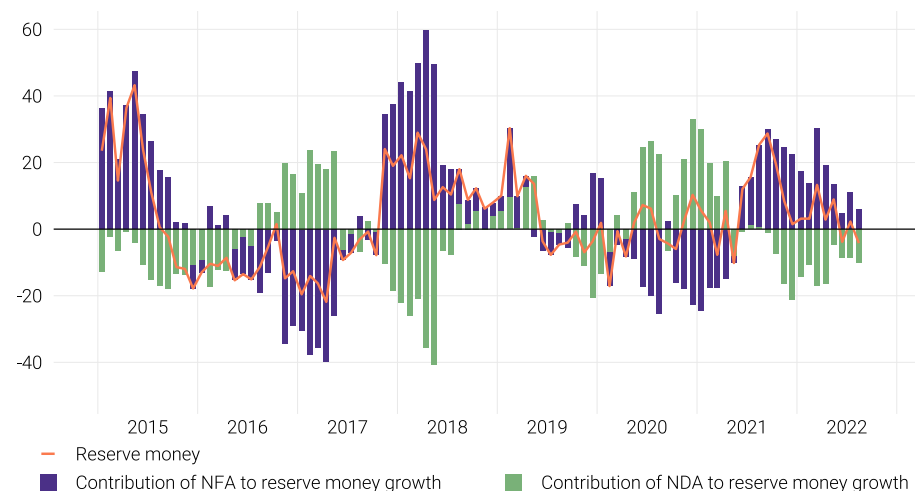
- Reserve money (M0) observed an annual decline of 4% at the end of August 2022, after registering an increase of 2% at the end of July 2022, owing to the decline in net domestic assets, despite the increase in net foreign assets during the period.
  - Net domestic assets declined mainly due to the increase in overnight deposit facility (ODF) placements by the commercial banks, followed by the fall in claims on commercial banks, despite the significant increase in net claims on central government. Meanwhile, net foreign assets registered a growth owing to the significant decline in foreign liabilities, largely reflecting the base effect of the repayment of the foreign exchange swap with the Reserve Bank of India (RBI), despite a significant decline in foreign asset accumulation.

## Broad Money

- Annual broad money (M2) growth decelerated to 15% at the end of August 2022 from 20% in July 2022.
  - On the components side, the annual growth in broad money was primarily driven by an increase in quasi money, mainly owing to a substantial growth in transferable deposits denominated in foreign currency, followed by a moderate increment in time deposits denominated in local currency. In addition, savings deposits denominated in both local currency and foreign currency observed a marginal growth during the review period. Meanwhile, narrow money also observed an increase, owing to a moderate increase in transferable deposits in local currency.
  - As for the sources, the annual broad money growth was mainly driven by the significant rise in net foreign assets, mainly owing to the decline in foreign liabilities of the banking system. Similarly, net domestic assets also increased, largely due to the rise in net claims on the central government by the commercial banks and MMA, while the growth in credit to public nonfinancial corporations also contributed to the growth.

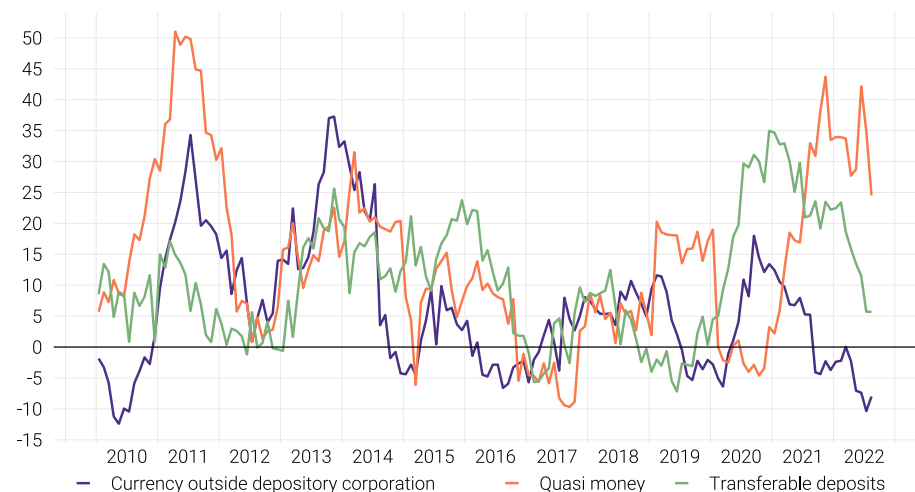
Sources of Reserve Money, 2015 - 2022

(annual percentage change, contribution percent)



Components of Broad Money, 2010 - 2022

(annual percentage change)

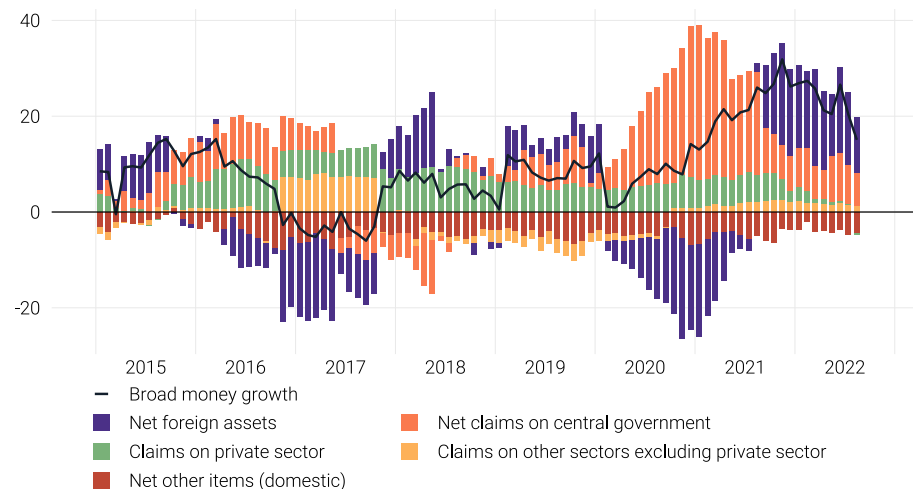


## Credit to Private Sector

- The annual growth rate of credit to the private sector by the commercial banks decelerated to 0.4% at the end of August 2022 from 1% at the end of July 2022.
  - As for the composition of credit to the private sector, growth rates were observed in credit extended to personal loans, commerce and real estate, with credit extended as personal loans having observed the largest increase. Meanwhile, credit extended to the tourism sector, which accounts for the highest share of bank credit, registered an annual decline of 8%, while credit to the construction sector observed a decline of 2%.
  - The annual decline in credit to the tourism sector was mainly driven by a marked decline in credit lent for new resort development as well as renovation of resorts, despite the increase in credit lent in the form of working capital.

### Contribution to Broad Money, 2015 - 2022

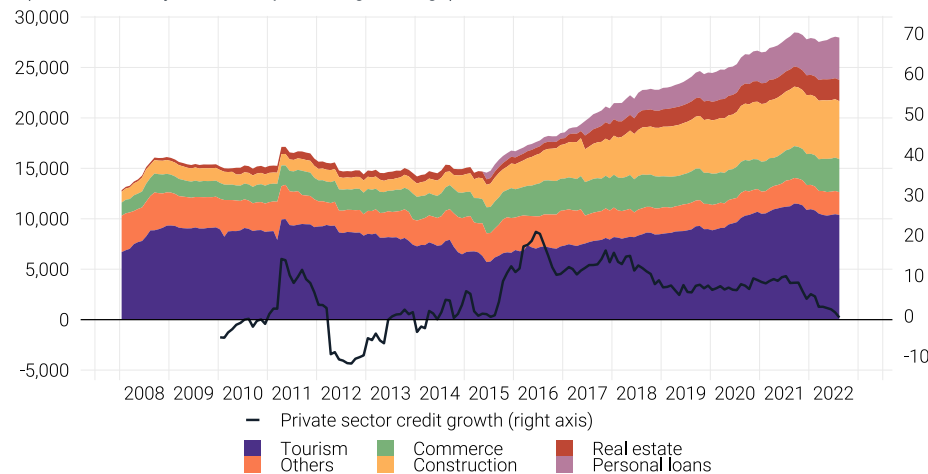
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

### Private Sector Credit, 2008 - 2022

(millions of rufiyaa, annual percentage change)



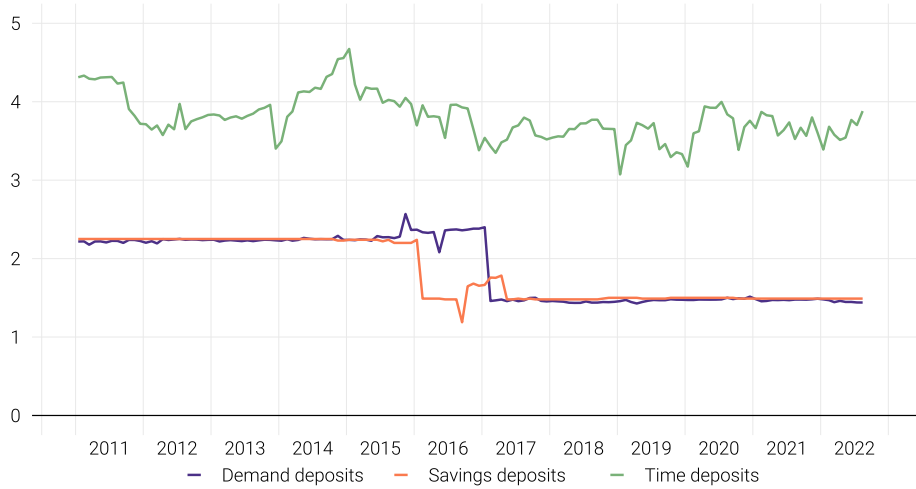
Source: Maldives Monetary Authority

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

# Interest rates

## Interest Rate on National Currency Deposits, 2011 - 2022

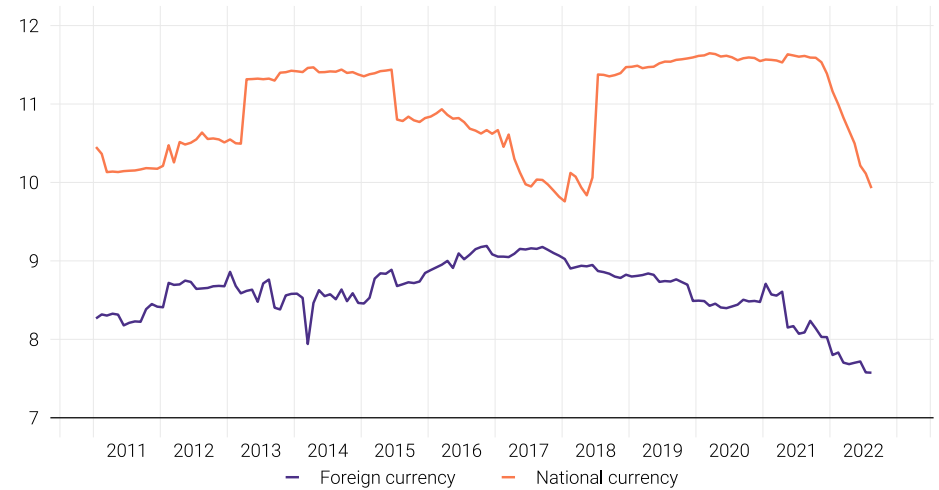
(weighted average)



Source: Maldives Monetary Authority

## Interest Rate on Private Sector Loans and Advances, 2011 - 2022

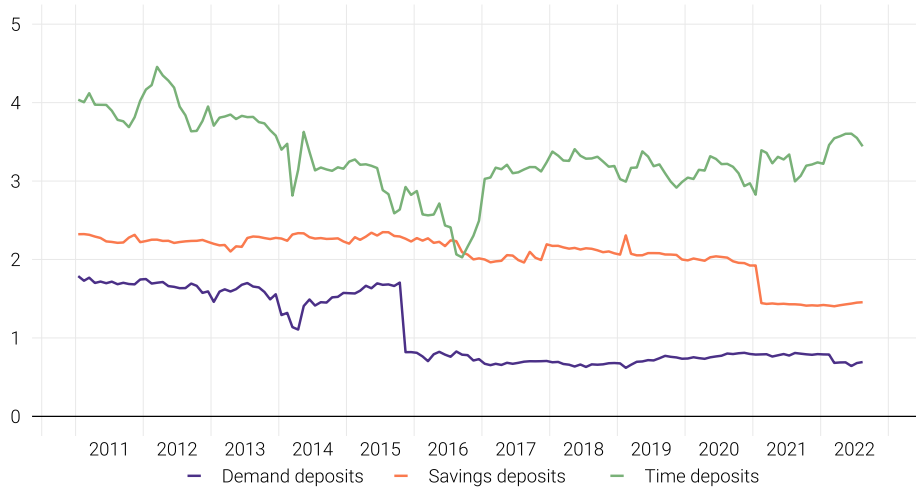
(weighted average)



Source: Maldives Monetary Authority

## Interest Rate on Foreign Currency Deposits, 2011 - 2022

(weighted average)

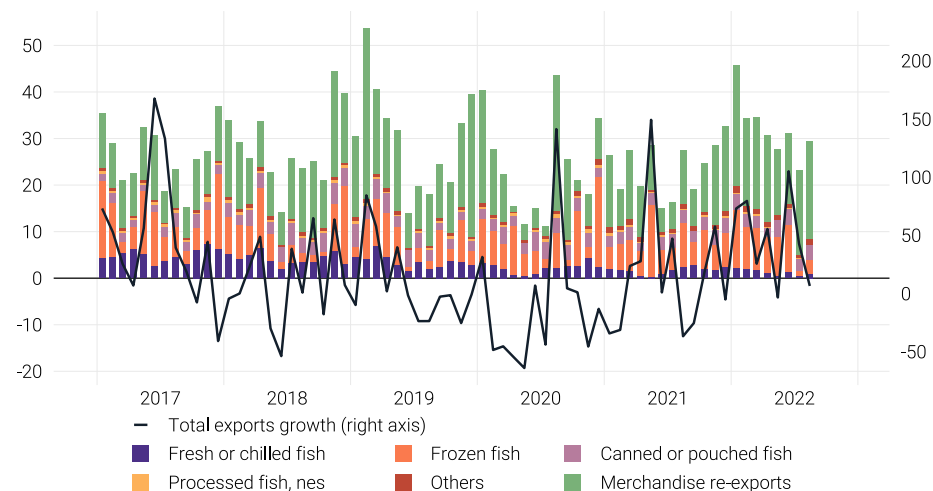


Source: Maldives Monetary Authority

# External Trade

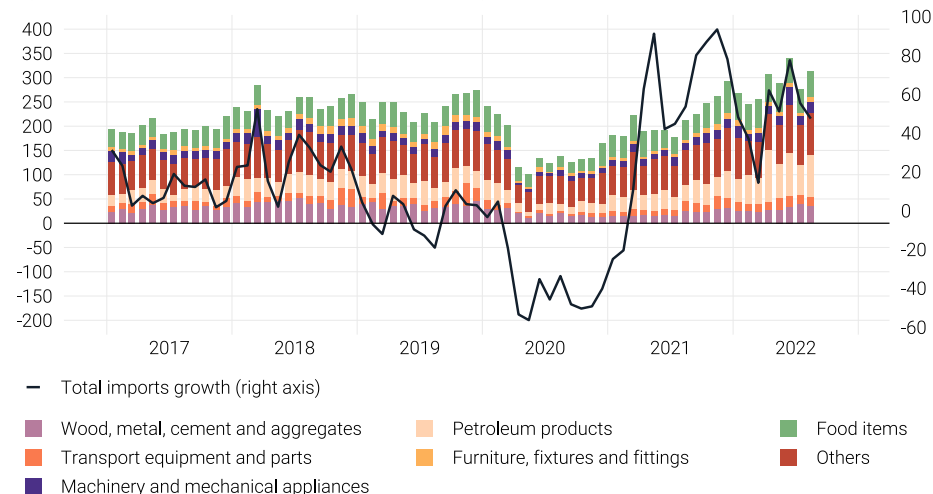
- Total exports (f.o.b) rose by 7% in August 2022 when compared with August 2021, while total imports (c.i.f) increased by 47% during the same period. In monthly terms, both total exports and total imports increased by 26% and 13% in August 2022, respectively.
  - The annual growth in total exports stemmed mainly from a significant increase in re-exports, which primarily reflected higher re-exports of jet fuel. Meanwhile, domestic exports declined during the month, largely owing to a fall in earnings from frozen skipjack tuna and frozen yellowfin tuna, followed by earnings from fresh or chilled yellowfin tuna.
  - As for the annual increase in total imports, the most significant rise was observed in the imports of petroleum products. Further, increases were observed in food items, construction-related imports, machinery and mechanical appliances and parts and electrical and electronic machinery and equipments and parts. However, import of medical and surgical supplies observed a decline during the month.
- Overall, for the period of January to August 2022, both total exports and total imports increased by 42% and 48%, respectively, when compared with the corresponding period of 2021.

**Total Exports, 2017 - 2022**  
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

**Total Imports, 2017 - 2022**  
(millions of US dollars, annual percentage change)



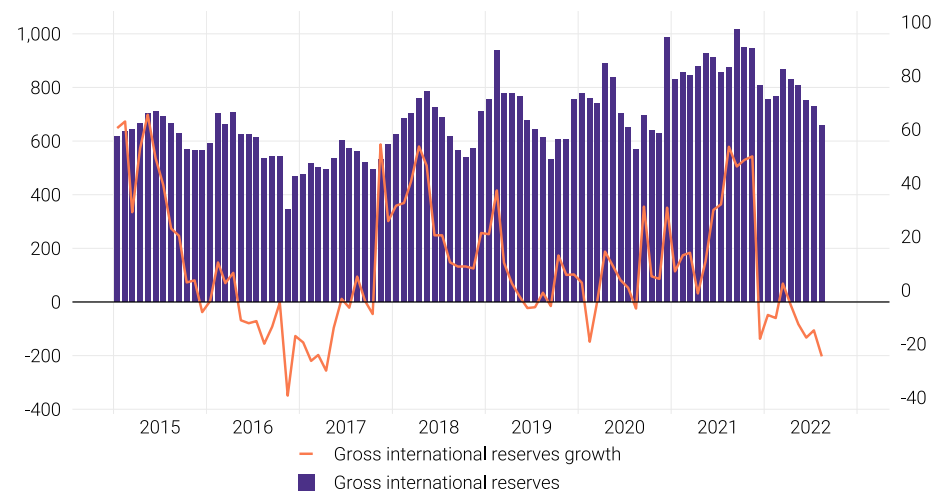
Source: Maldives Customs Service

## Gross International Reserves

- Gross international reserves<sup>2</sup> (official reserve assets) further declined to US\$658.0 million at the end of August 2022, from US\$728.2 million at the end of July 2022. Similarly, this depicts a decline from US\$874.3 million recorded at the end of August 2021.
  - In terms of growth rates, gross international reserves recorded a 10% decline when compared with July 2022, while a decline of 25% was registered when compared with August 2021.

### Gross International Reserves, 2015 - 2022

(millions of US dollars, annual percentage change)



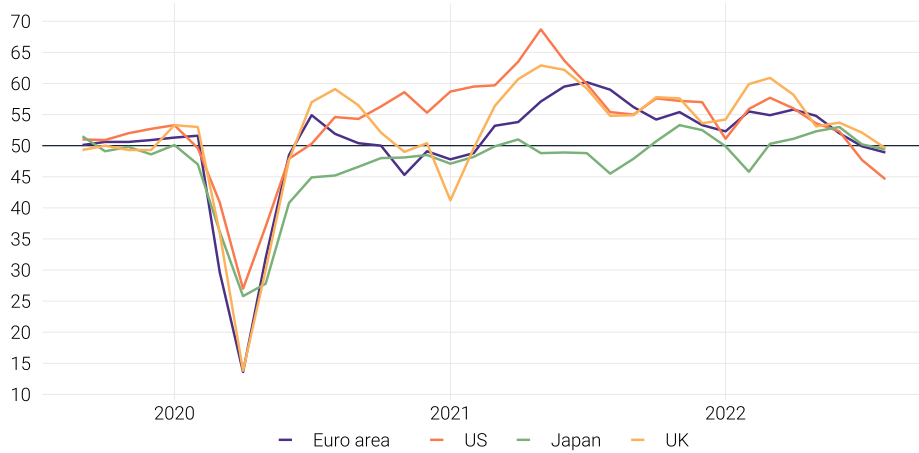
Source: Maldives Monetary Authority

<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

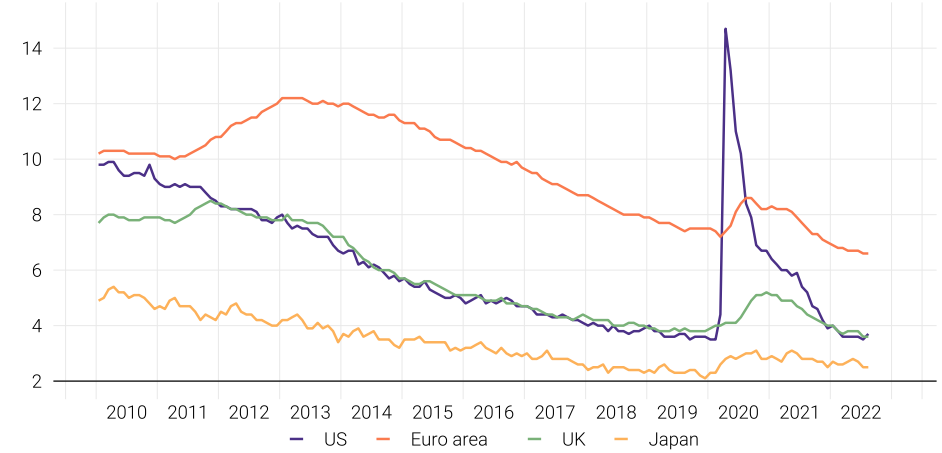
## Global Output

Purchasing Manager's Index in the Advanced Economies, 2019 - 2022  
(index points)



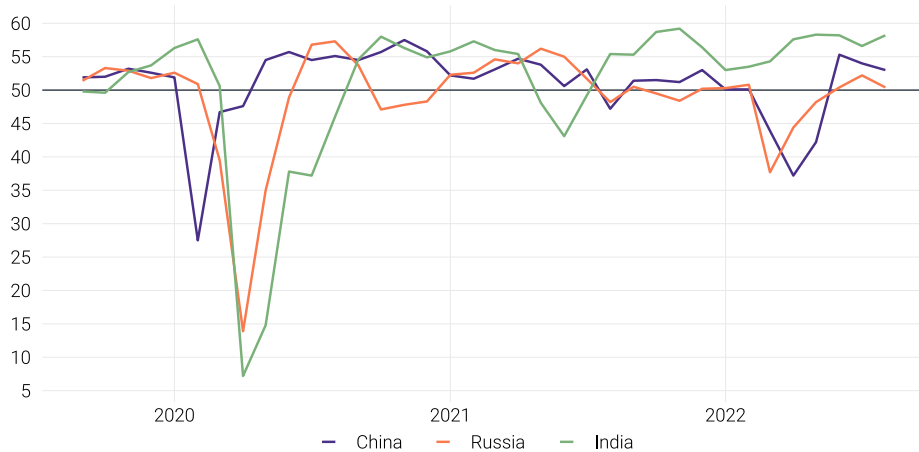
Source: Bloomberg Database

Unemployment in the Advanced Economies, 2010 - 2022  
(percent)



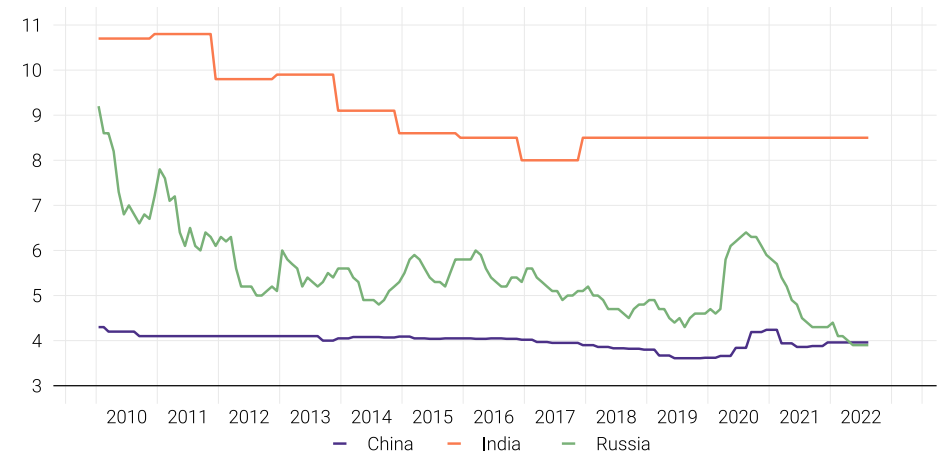
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2019 - 2022  
(index points)



Source: Bloomberg Database

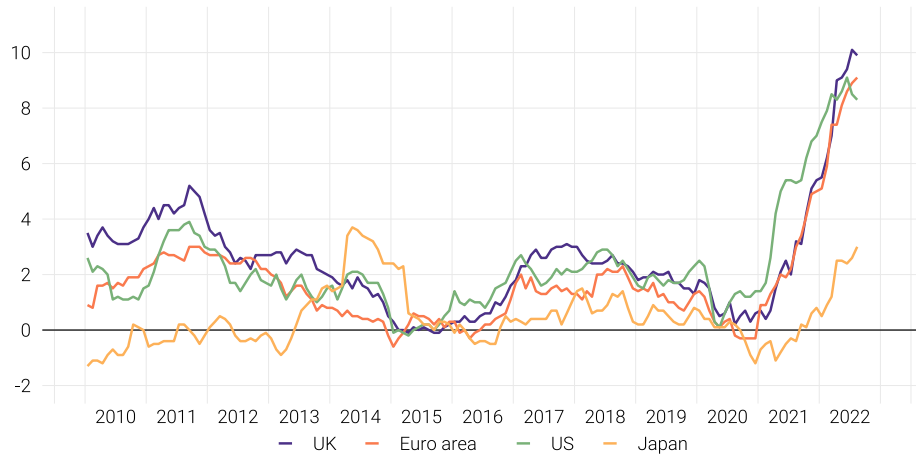
Unemployment in the Emerging Economies, 2010 - 2022  
(percent)



Source: Bloomberg Database

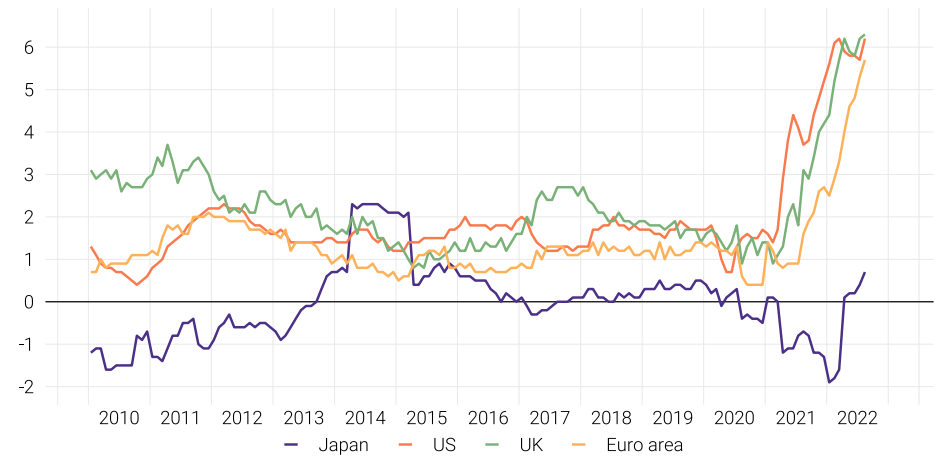
# Global Inflation

**Inflation in the Advanced Economies, 2010 - 2022**  
(percent)



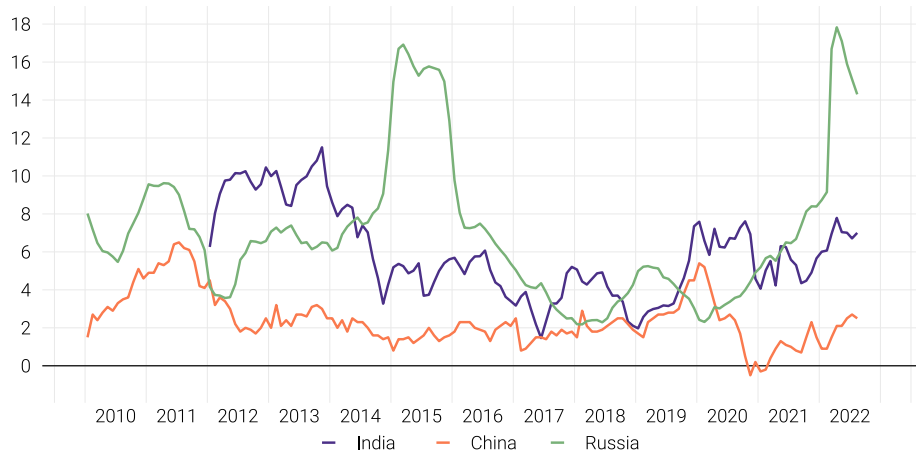
Source: Bloomberg Database

**Core Inflation in the Advanced Economies, 2010 - 2022**  
(percent)



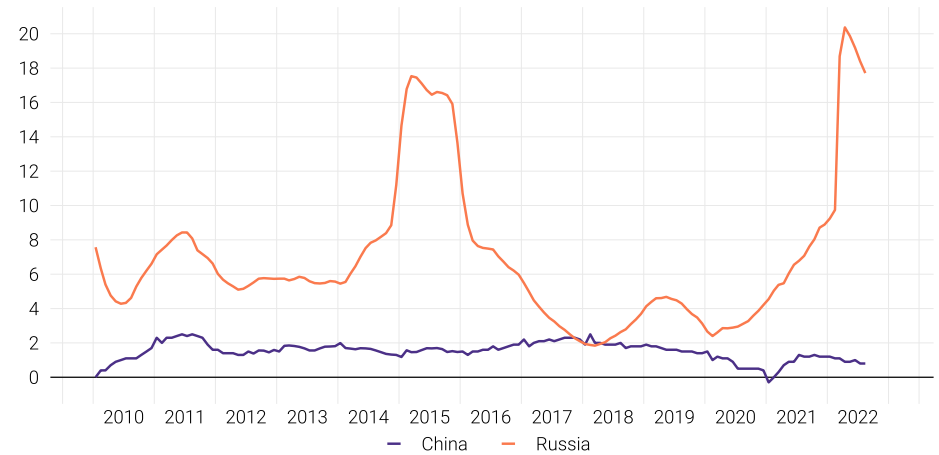
Source: Bloomberg Database

**Inflation in the Emerging Economies, 2010 - 2022**  
(percent)



Source: Bloomberg Database

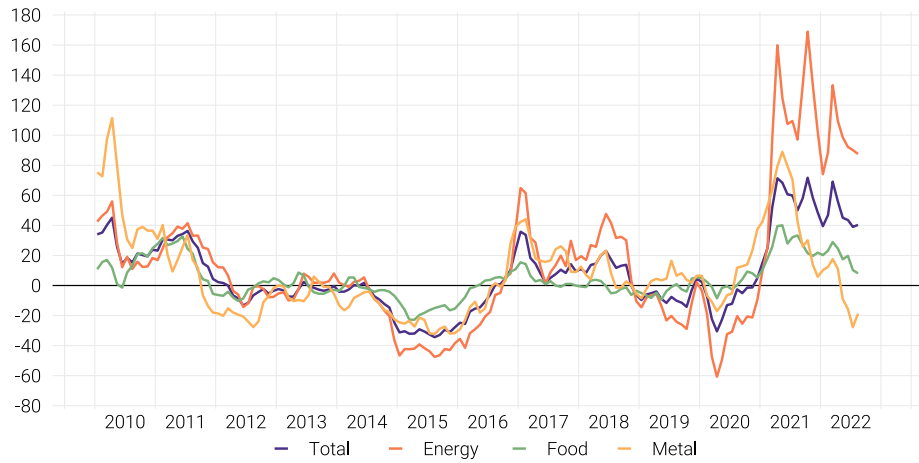
**Core Inflation in the Emerging Economies, 2010 - 2022**  
(percent)



Source: Bloomberg Database

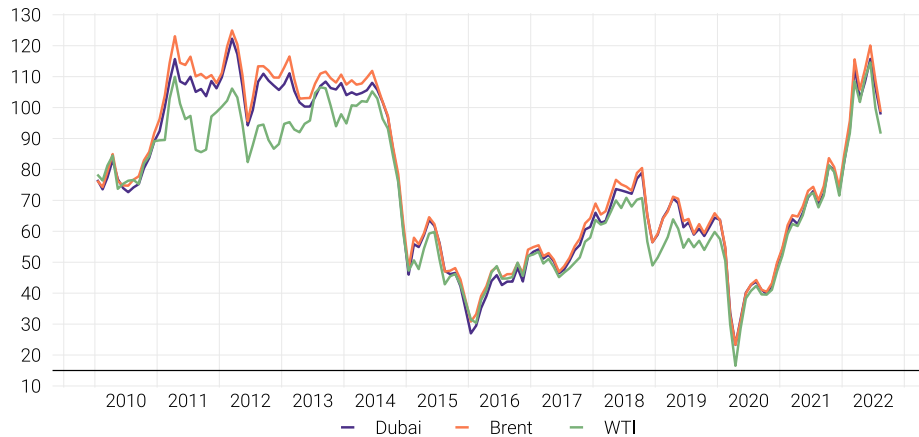
# Commodity Prices

Commodity prices, 2010 - 2022  
(annual percentage change)



Source: IMF

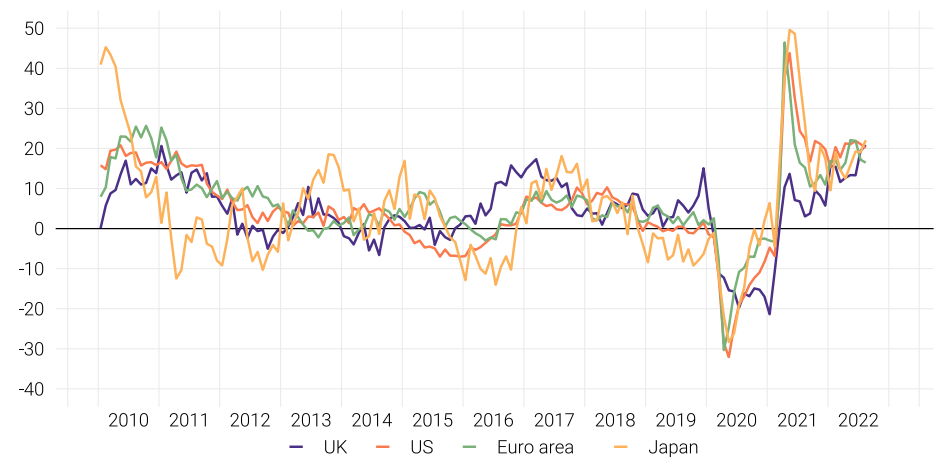
Oil prices, 2010 - 2022  
(dollars per barrel)



Source: Bloomberg Database

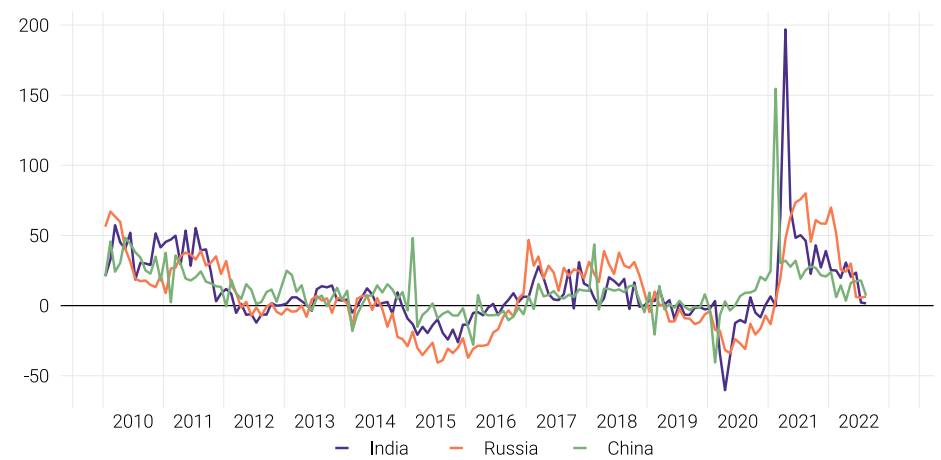
# Global Trade

Exports in the Advanced Economies, 2010 - 2022  
(annual percentage change)



Source: Bloomberg Database

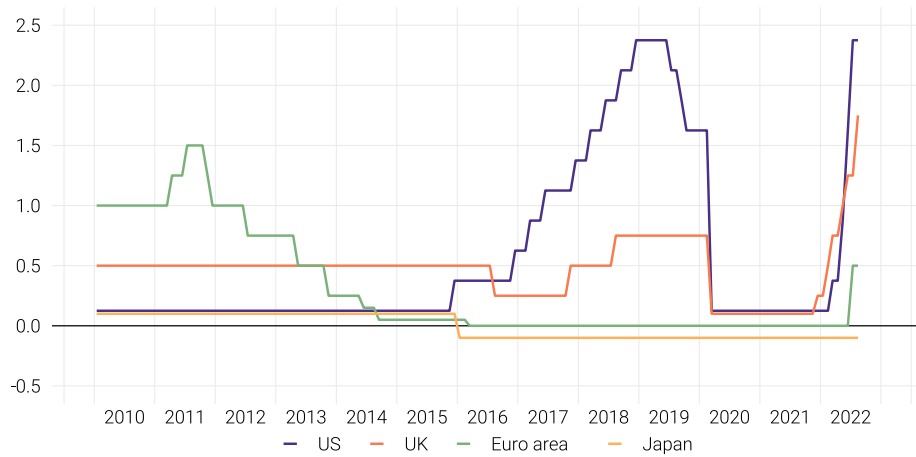
Exports in the Emerging Economies, 2010 - 2022  
(annual percentage change)



Source: Bloomberg Database

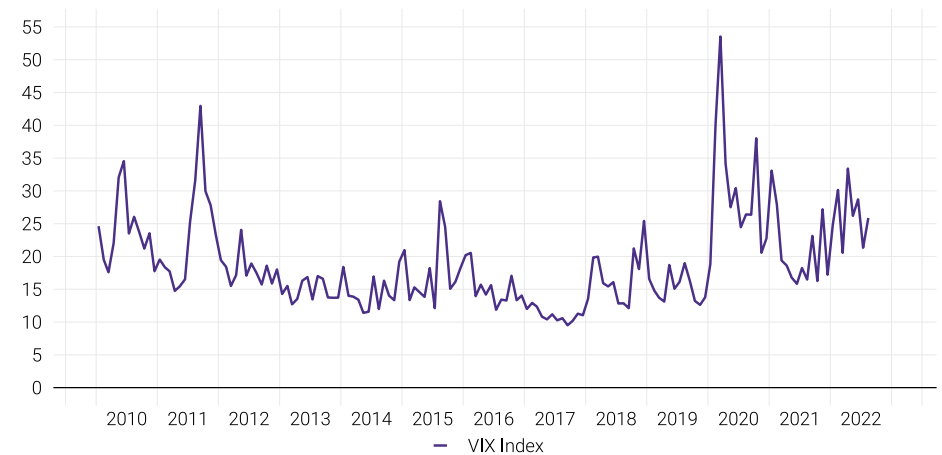
# Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2010 - 2022  
(percent)



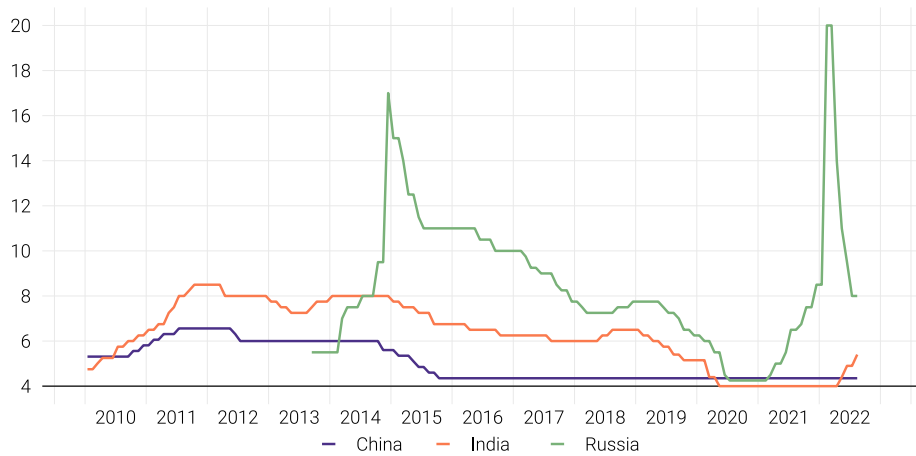
Source: Bloomberg Database

Volatility Index, 2010 - 2022  
(percent)



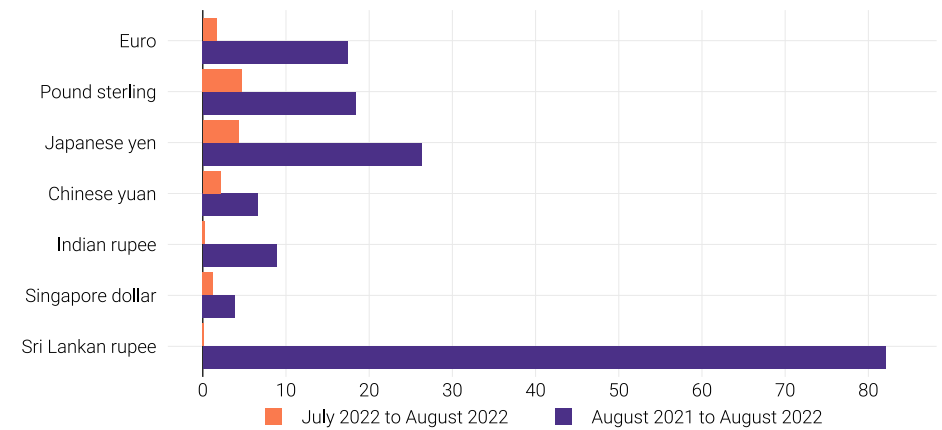
Source: Bloomberg Database

Monthly Policy Rates in the Emerging Economies, 2010 - 2022  
(percent)



Source: Bloomberg Database

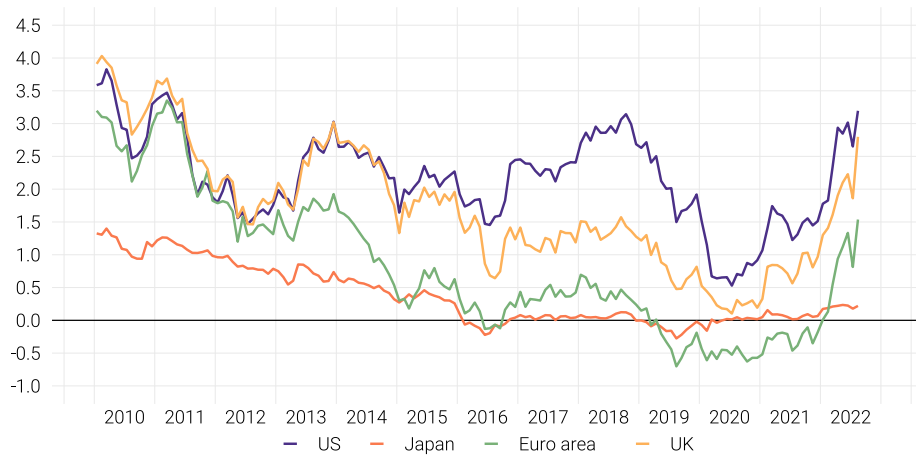
Exchange Rate of US Dollar against Currencies of Major Trading Partners, August 2022  
(percentage change)



Source: Bloomberg Database

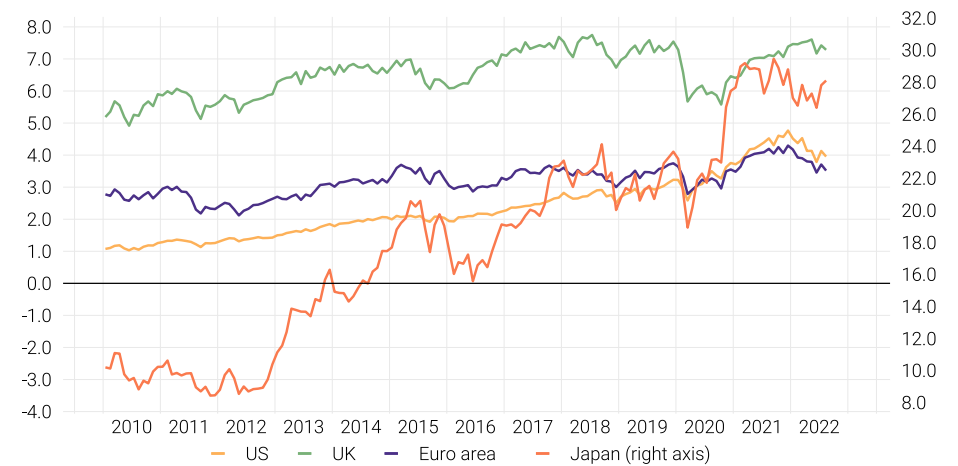
# Global Financial Markets

Sovereign Bond Yield in the Advanced Economies, 2010 - 2022  
(percent)



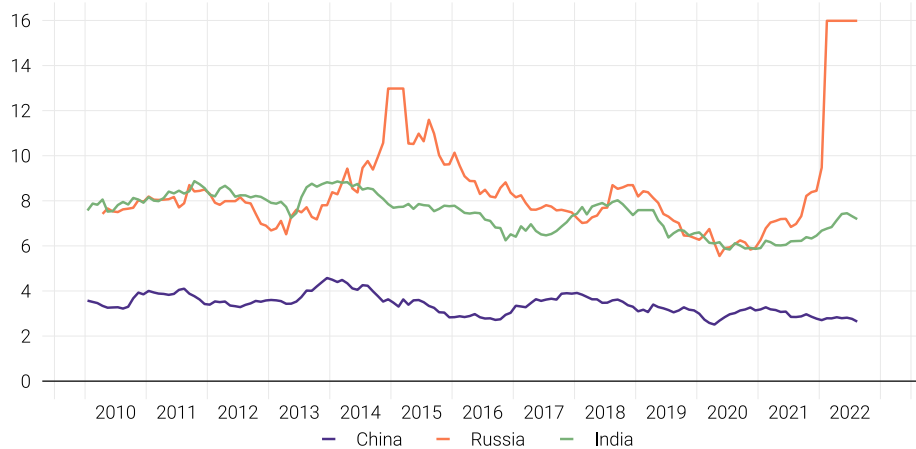
Source: Bloomberg Database

Share Price Index in the Advanced Economies, 2010 - 2022  
(price index, in thousands)



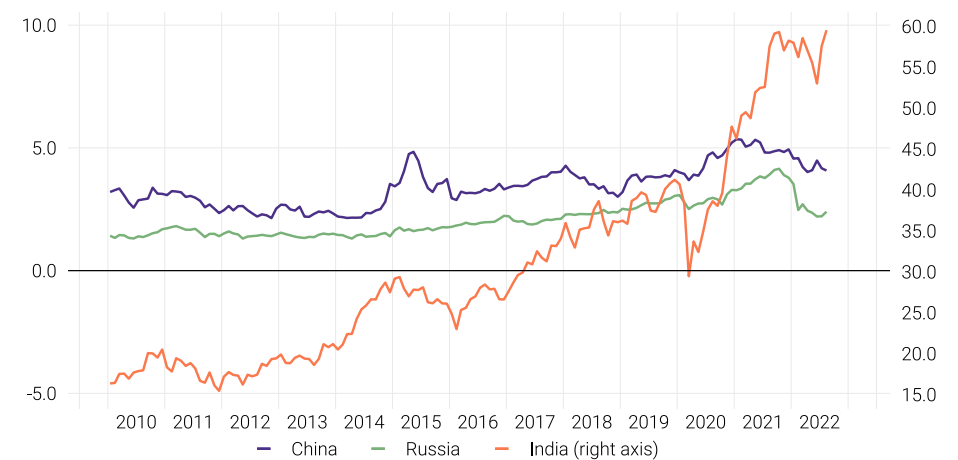
Source: Bloomberg Database

Sovereign Bond Yield in the Emerging Economies, 2010 - 2022  
(percent)



Source: Bloomberg Database

Share Price Index in the Emerging Economies, 2010 - 2022  
(price index, in thousands)



Source: Bloomberg Database



Boduthakurufaanu Magu

Male' - 20182

Republic of Maldives

Tel: (960) 3312343

Fax: (960) 3323862

Email: [mail@mma.gov.mv](mailto:mail@mma.gov.mv)

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