

MALDIVES MONETARY AUTHORITY

# ECONOMIC UPDATE

OCTOBER 2021

VOLUME 3 ISSUE 10



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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 27 October 2021.

# Domestic Economic Developments

## Real Economy

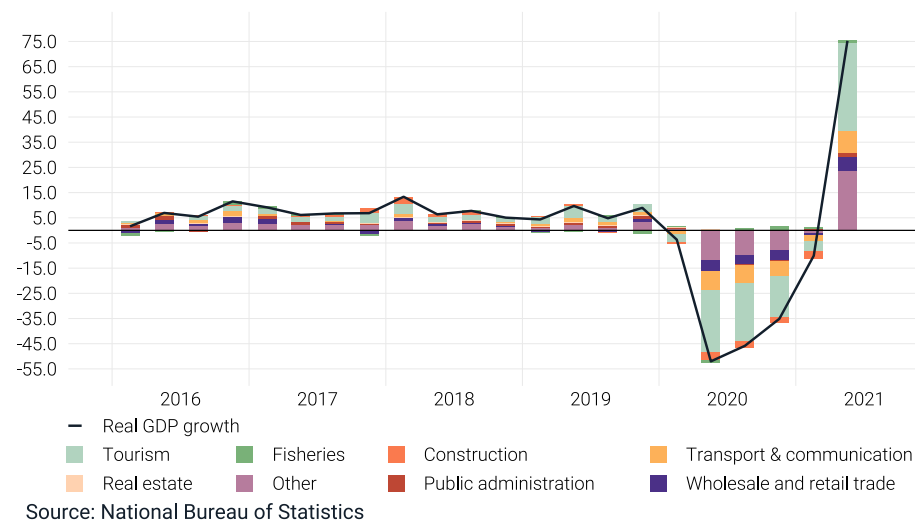
### Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts for Q2-2021 released by the Maldives Bureau of Statistics, real GDP rebounded strongly by 75.3% in Q2-2021, compared to the corresponding quarter of 2020, following a decline of 10.1% in Q1-2021. Despite the strong rebound in growth, GDP remains 15.9% below pre-pandemic levels in Q2-2019.
  - The strong rebound in the annual GDP growth during Q2-2021, was mainly driven by a significant pick-up in tourism sector, largely mirroring the base effect of the decline in the sector, following the closure of international borders in Q2-2020. In addition, positive contributions were observed in other major sectors of the economy including transport and communication; and wholesale and retail trade sector. However, quarterly real GDP observed a marked decline compared to Q1-2021, following the end of the tourism peak season and the re-imposition of stringent containment measures owing to the rapid resurgence in COVID-19 infections in April.
  - Further, a contraction was observed in the construction sector in annual terms over the review quarter.

### Annual GDP Growth Forecast

- Real GDP is estimated to have declined severely by 33.5% in 2020 according to the 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 2021<sup>1</sup>, 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)



Source: National Bureau of Statistics

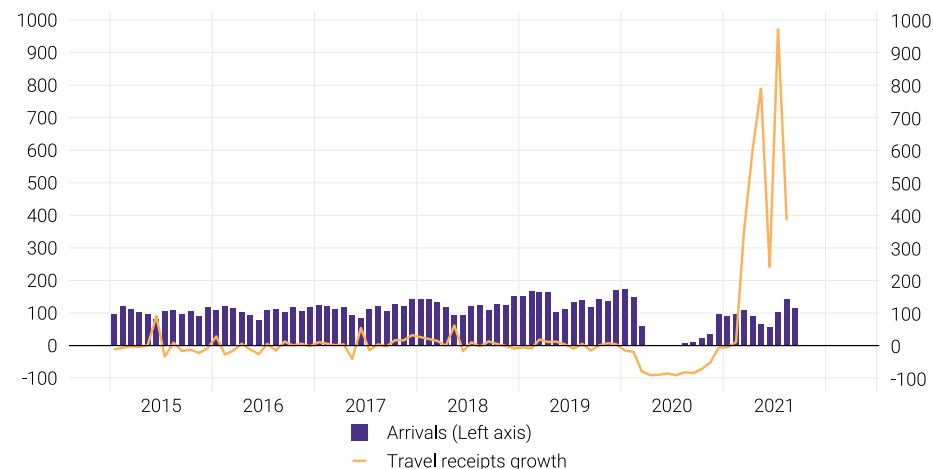
<sup>1</sup>According to the growth forecast scenarios estimated jointly by the MMA and the Ministry of Finance.

## Tourism

- In September 2021, both tourist arrivals and bednights increased (by 1,096% and 888%, respectively) when compared with September 2020, with arrivals reaching 114,896, which is 2% less than the pre-pandemic levels (compared to September 2019). Meanwhile, bednights registered a growth of 5% when compared with September 2019.
  - The annual increase in tourist arrivals reflected the base effect of the slow pickup in tourist arrivals in September 2020 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, United States and Saudi Arabia.
- The operational bed capacity of the tourism industry observed a 25,756 increase in beds when compared with September 2020 (31,139 increase in August 2021), while the occupancy rate rose to 49% in September 2021 (65% in August 2021), from 10% in September 2020.
- Overall, for the period of January to September 2021, total tourist arrivals increased by 117% in annual terms (-68% in 2020), while total bednights of the industry observed an increase of 130% (-63% in 2020). During this period, the average stay decreased to 9.0 days, from 21.6 days in the corresponding period of 2020.

### Tourism, 2015 - 2021

(thousands, annual percentage change)

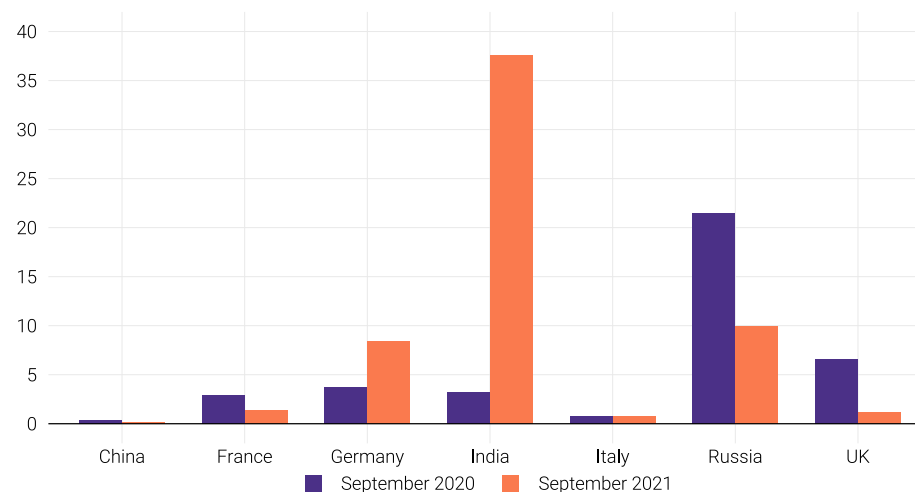


Source: Ministry of Tourism

Note: Tourism receipts available up to August 2021.

### Shares of Key Inbound Markets

(percent)

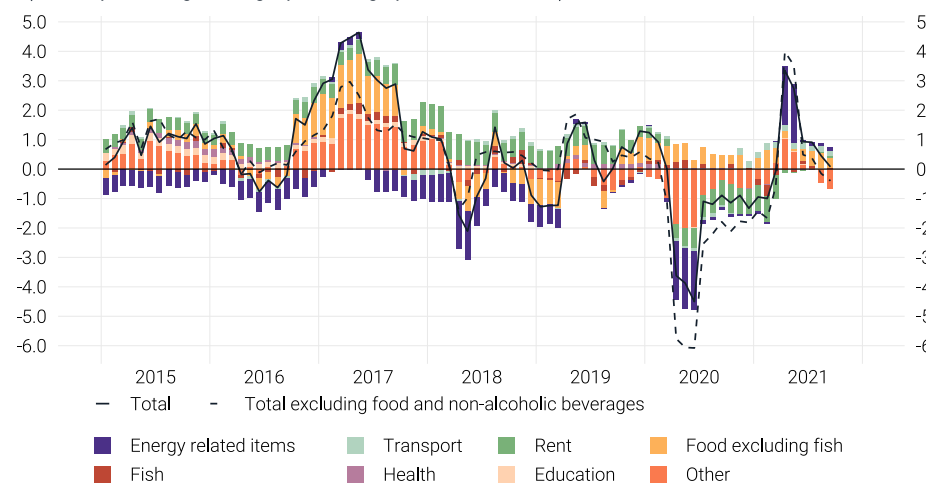


Source: Ministry of Tourism

# Inflation

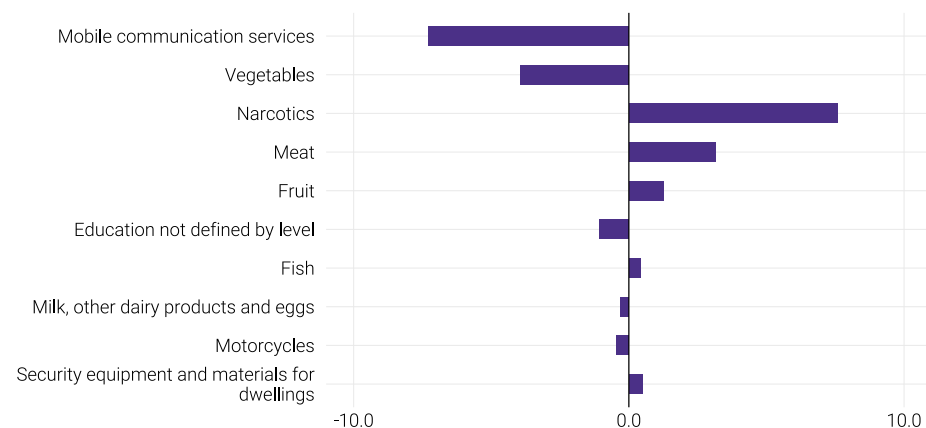
- The rate of inflation, as measured by the annual percentage change in the national CPI, further decelerated to 0.1% in September 2021, from 0.4% in August 2021.
  - From the major categories of the CPI, the largest contributors to the annual rate of inflation during September 2021 were passenger transport by air (0.2 percentage points); dairy products (0.2 percentage points); petrol for personal transport equipment (0.1 percentage points); fruits (0.1 percentage points); major household appliances (-0.1 percentage points); purchase of motorcycles (-0.1 percentage points); vegetables (-0.1 percentage points); and mobile communication services (-0.9 percentage points).
- The monthly percentage change in the national CPI declined to -0.3% in September 2021, from 0.1% in August 2021.
  - The largest contribution to the monthly rate of inflation came from narcotics (0.04 percentage points); meat (0.03 percentage points); fruits (0.03 percentage points); fish (0.02 percentage points); dairy products (-0.01 percentage points); tutoring services (-0.02 percentage points); vegetables (-0.10 percentage points); and mobile communication services (-0.28 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),  
September 2021  
(monthly percentage change)



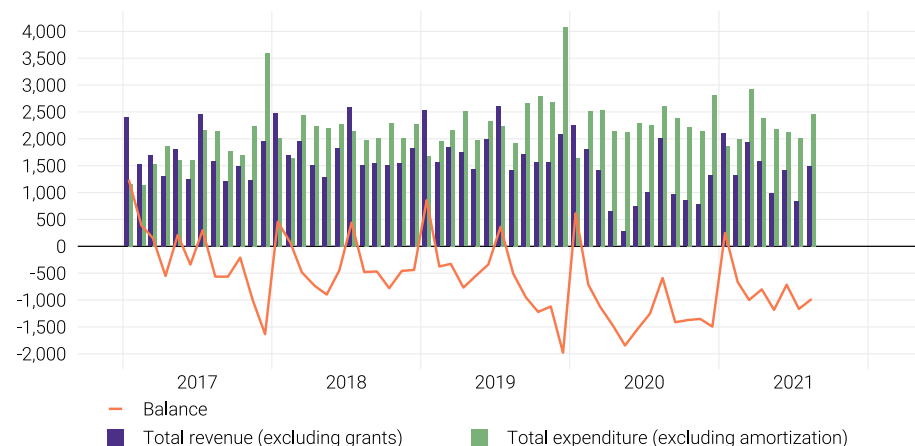
Source: National Bureau of Statistics  
Note: Ordered by the size of the contribution.

# Public Finance

- Total revenue (excluding grants) observed a decline of MVR524.7 million (or 26%) in August 2021<sup>2</sup> when compared with August 2020, mainly driven by a significant decrease in tax revenue. As such, tax revenue fell by MVR510.1 million, while non-tax revenue observed a marginal decrease of MVR15.8 million.
- Total expenditure (excluding amortisation) declined by MVR132.6 million (or 5%) in August 2021 when compared with August 2020. The decline in expenditure stemmed from a fall in capital expenditure, which posted a decline of MVR518.8 million, as recurrent expenditure posted an increase of MVR386.2 million.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR71.5 billion at the end of Q2-2021, a 5% increase from Q1-2021. Similarly, total government debt as a percentage of GDP increased to 108% at the end of Q2-2021 from 103% in Q1-2021.
  - During this period, the increase in government debt was primarily driven by external debt.

## Government Revenue and Expenditure, 2017 - 2021

(millions of rufiyaa)

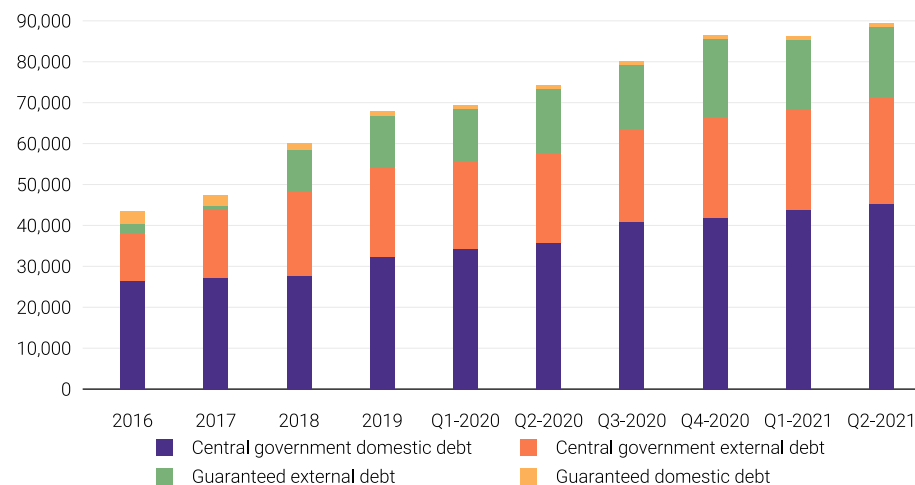


Source: Ministry of Finance

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

<sup>2</sup>Based on the latest available monthly fiscal developments.

# Monetary Developments

## Reserve Money

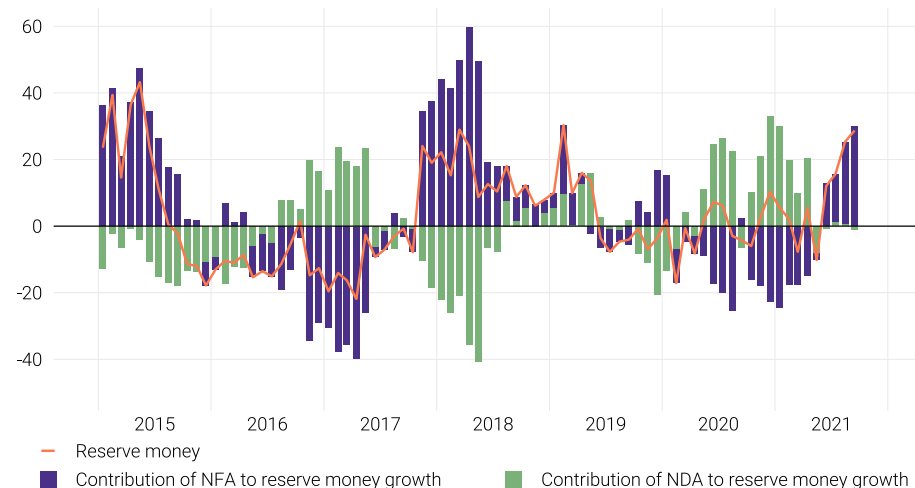
- Annual reserve money (M0) growth accelerated to 29% at the end of September 2021, after recording 25% at the end of August 2021. The increase in reserve money growth stemmed from an increase in net foreign assets of the MMA, despite net domestic assets of the MMA registering a decline.
  - Net foreign assets increased mainly due to the significant increase in foreign asset accumulation, despite an increase in foreign liabilities. The increase in foreign liabilities reflected the base effect of an increase in such liabilities in December 2020. Meanwhile, net domestic assets declined due to the increase in ODF placements by commercial banks, although this was partially offset by the increase in claims on commercial banks, despite the decline in net claims on central government.

## Broad Money

- Annual broad money (M2) growth decelerated to 25% at the end of September 2021, from 26% registered during August 2021.
  - On the components side, the annual growth in broad money was primarily driven by an increase in quasi money, mainly 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. 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 an increase in foreign liabilities of both the MMA and the commercial banks.

Sources of Reserve Money, 2015 - 2021

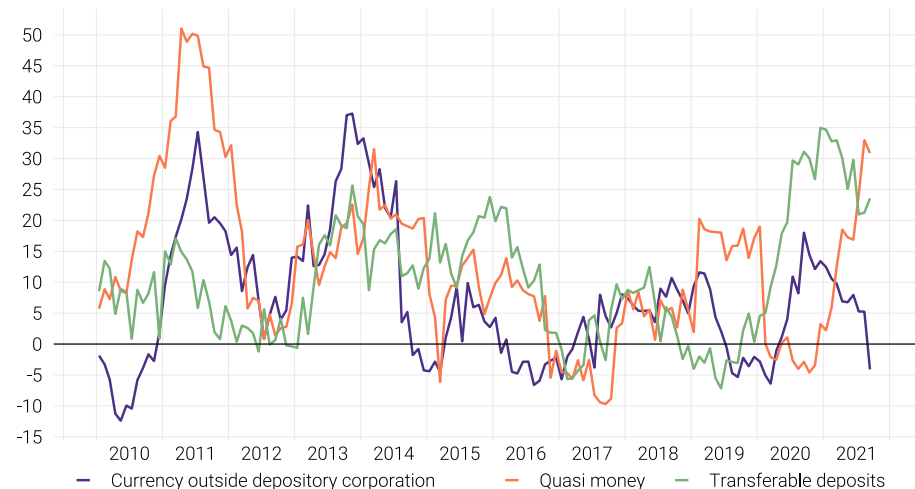
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Components of Broad Money, 2010 - 2021

(annual percentage change)



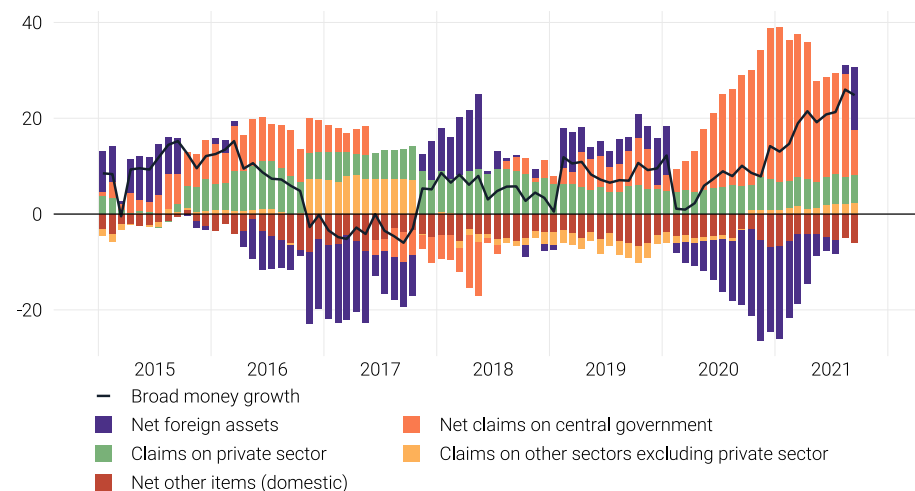
Source: Maldives Monetary Authority

## Credit to Private Sector

- The annual growth in credit to the private sector by the commercial banks remained unchanged at the end of September 2021 from 8% at the end of August 2021. However, the monthly growth in credit to the private sector increased marginally to 1.4% at the end of September 2021.
  - With regard to the composition of credit to the private sector (year-on-year), growth rates were observed for all the major sectors, namely, tourism, construction, transport and communication, commerce and real estate. Likewise, credit extended as personal loans observed a significant increase over the period.
  - Credit extended to the tourism sector observed the largest increase over the period, registering an annual growth of 12% during September 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

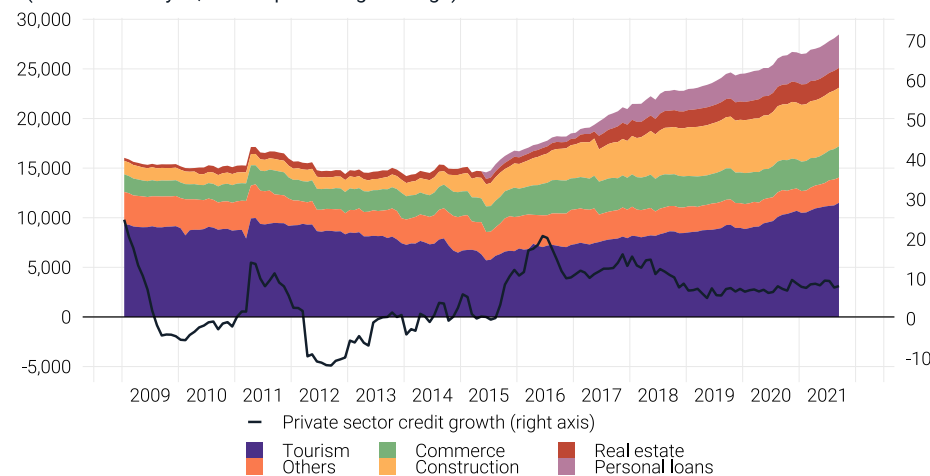
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

## Private Sector Credit, 2009 - 2021

(millions of rufiyaa, annual percentage change)



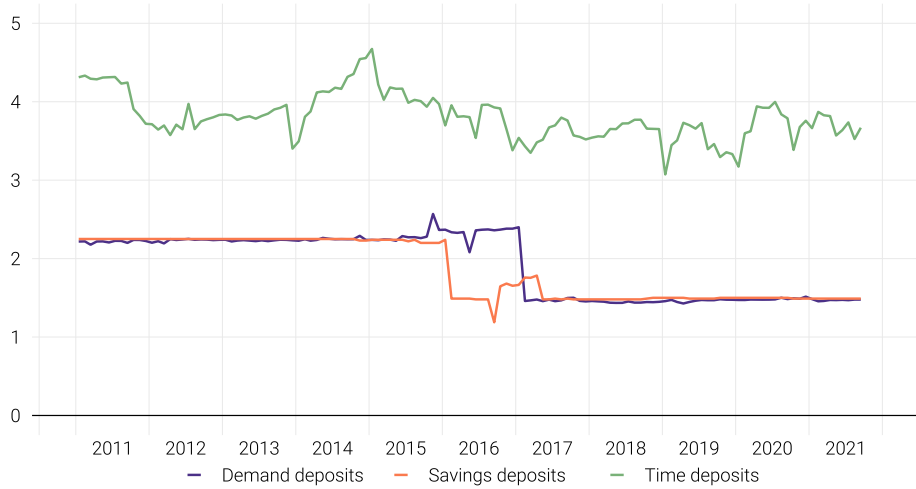
Source: Maldives Monetary Authority

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

## Interest rates

### Interest Rate on National Currency Deposits, 2011 - 2021

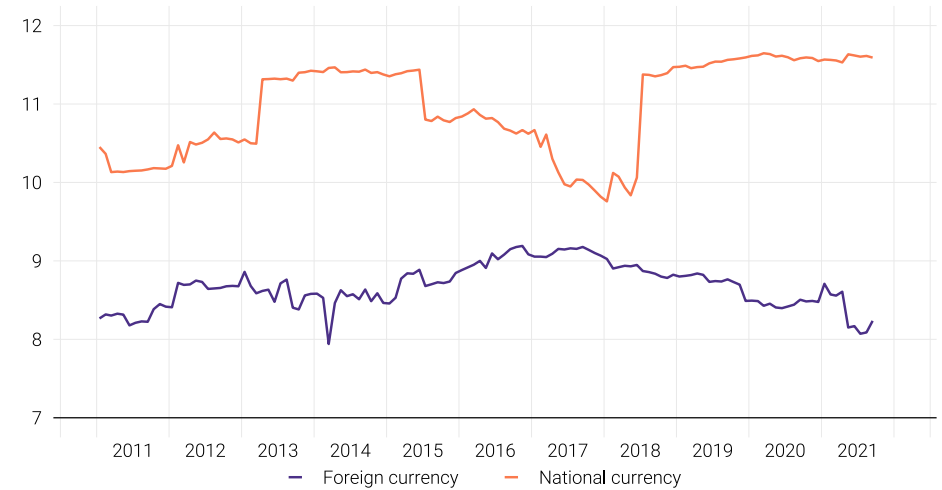
(weighted average)



Source: Maldives Monetary Authority

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

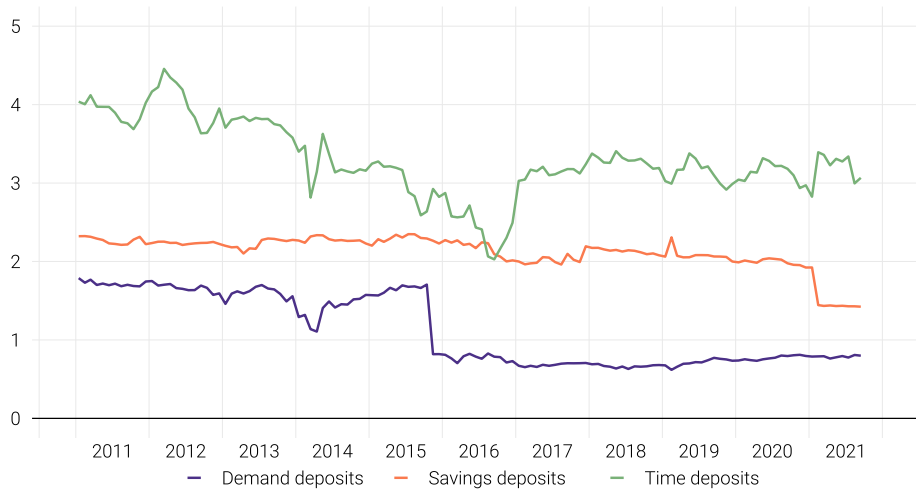
(weighted average)



Source: Maldives Monetary Authority

### Interest Rate on Foreign Currency Deposits, 2011 - 2021

(weighted average)



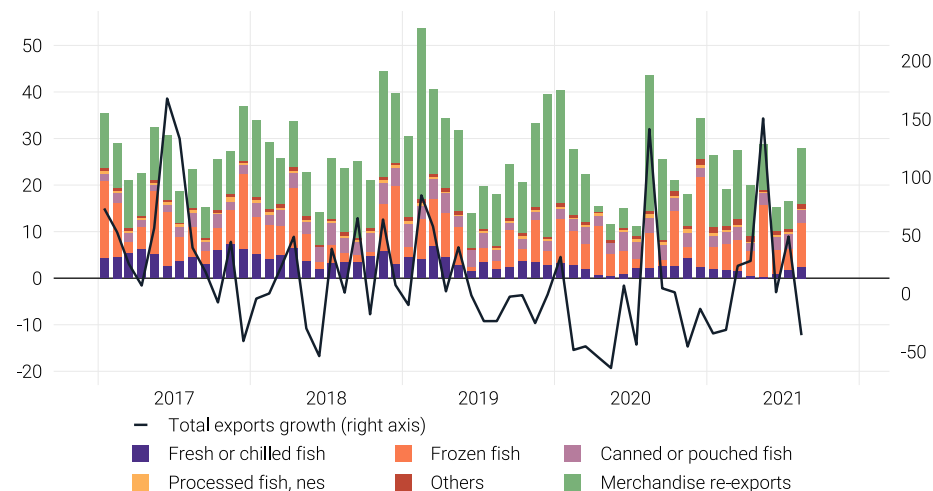
Source: Maldives Monetary Authority

# External Trade

- According to latest available data, total exports (f.o.b) decreased by 36% in August 2021 (51% in July 2021) when compared with August 2020, while total imports (c.i.f) observed an annual increase of 59% in August 2021 (45% in July 2021) when compared with August 2020. In monthly terms, total exports increased by 67% in August 2021, while total imports increased by 23%.
  - The annual decrease in total exports stemmed mainly from the decline in re-exports, despite an increase in domestic exports. The growth in domestic exports was primarily due to a sizeable increase in export earnings from frozen yellowfin tuna, followed by an increase in export earnings from fresh, chilled or frozen fish excluding tuna and salted dried tuna. This was despite a fall in export earnings from canned or pouched tuna and frozen skipjack tuna.
  - As for the annual increase in total imports, the most significant increases were observed in the imports of petroleum products; food items; transport equipment and parts; and construction related items. In contrast, electrical and electronic machinery and equipments and parts; computer equipment and supplies; and plastics and articles of plastic observed declines in August 2021.
- Overall, during the period January to August 2021, total exports recorded a 2% decline when compared with the corresponding period of 2020. However, total imports increased by 22% during the period January to August 2021, when compared with the corresponding period of 2020.

## Total Exports, 2017 - 2021

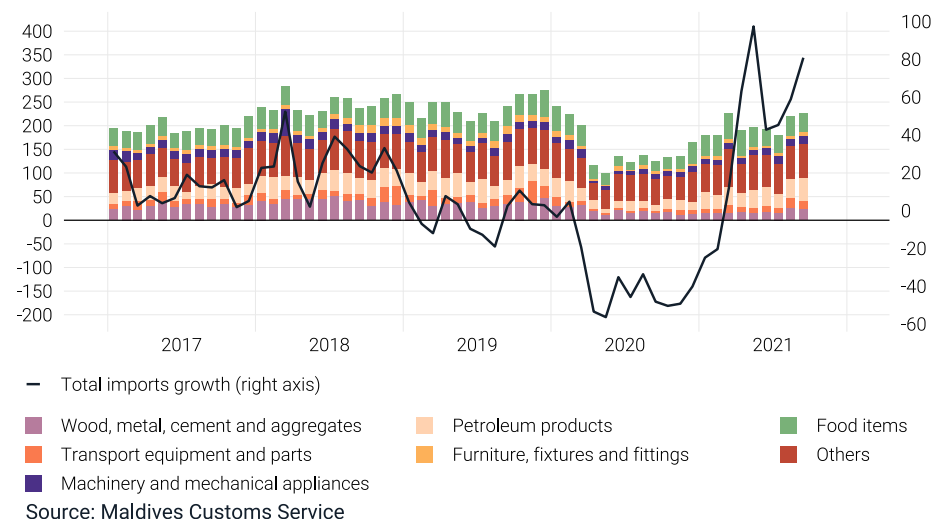
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

## Total Imports, 2017 - 2021

(millions of US dollars, annual percentage change)



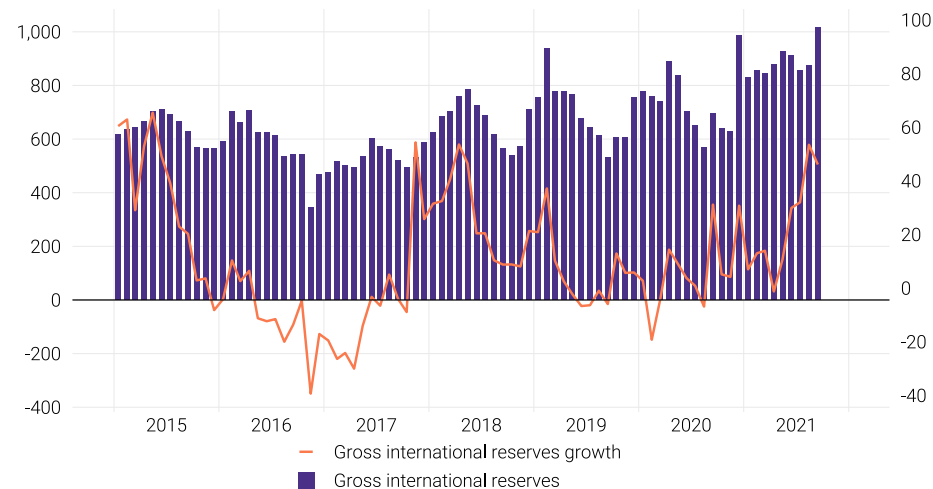
Source: Maldives Customs Service

## Gross International Reserves

- Gross international reserves (official reserve assets)<sup>3</sup> increased to US\$1.0 billion at the end of September 2021, from US\$874.3 million at the end of August 2021 and US\$696.1 million at the end of September 2020.
  - In terms of growth rates, gross international reserves increased by 16% when compared with August 2021 and by 46% when compared with September 2020.

### Gross International Reserves, 2015 - 2021

(millions of US dollars, annual percentage change)



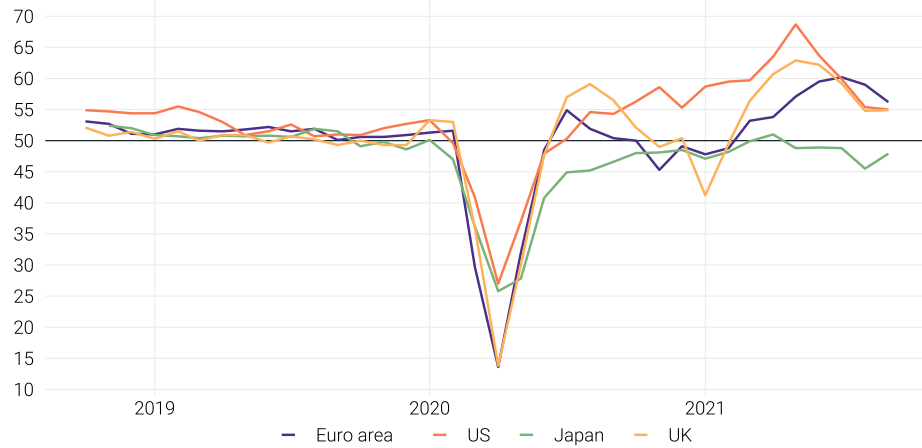
Source: Maldives Monetary Authority

<sup>3</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

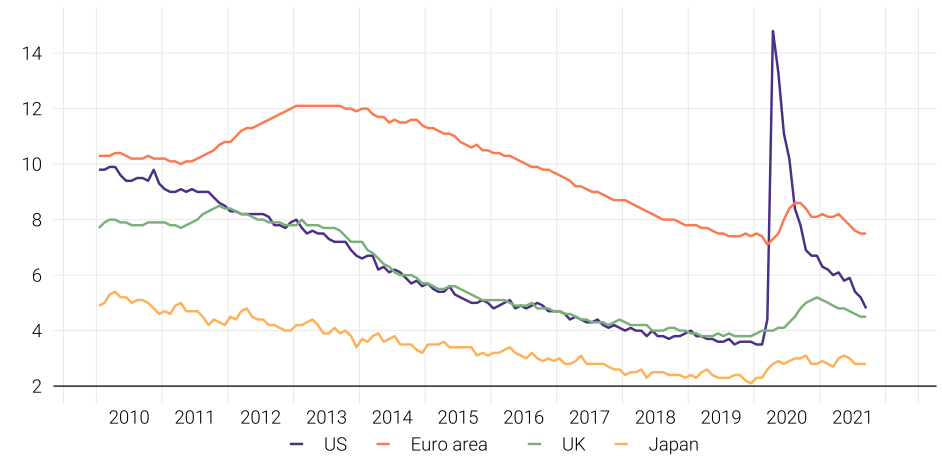
## Global Output

Purchasing Manager's Index in the Advanced Economies, 2018 - 2021  
(index points)



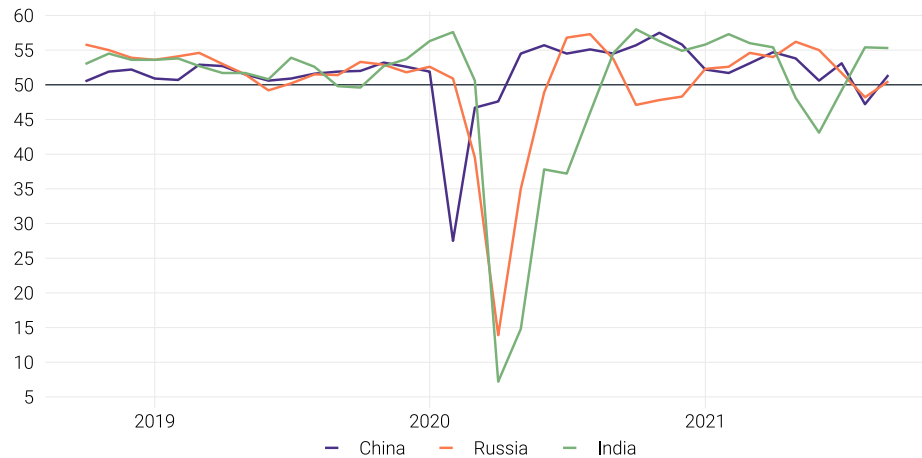
Source: Bloomberg Database

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



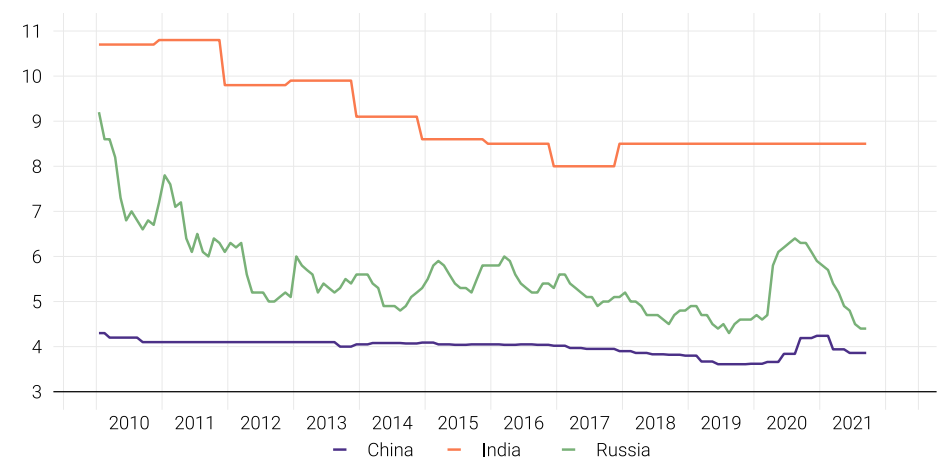
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2018 - 2021  
(index points)



Source: Bloomberg Database

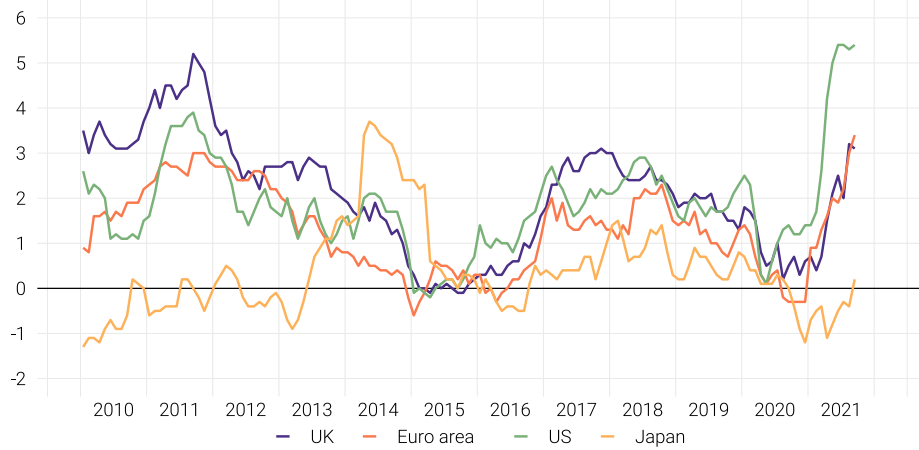
Unemployment in the Emerging Economies, 2010 - 2021  
(percent)



Source: Bloomberg Database

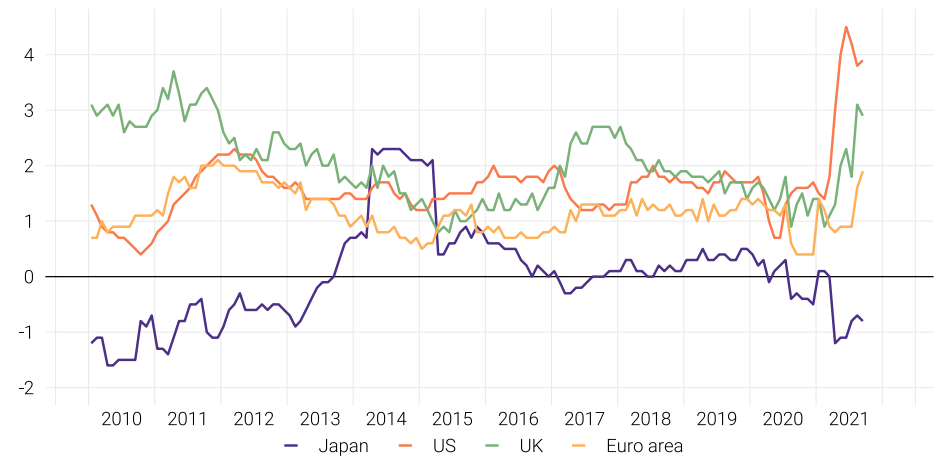
# Global Inflation

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



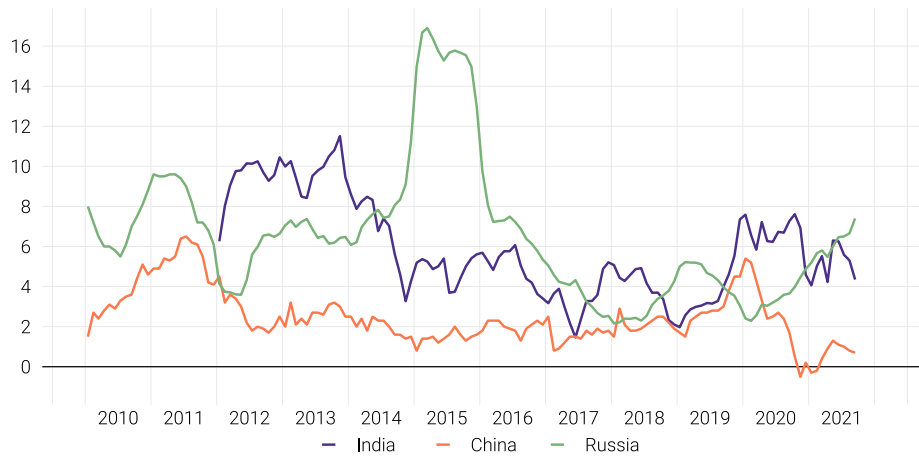
Source: Bloomberg Database

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



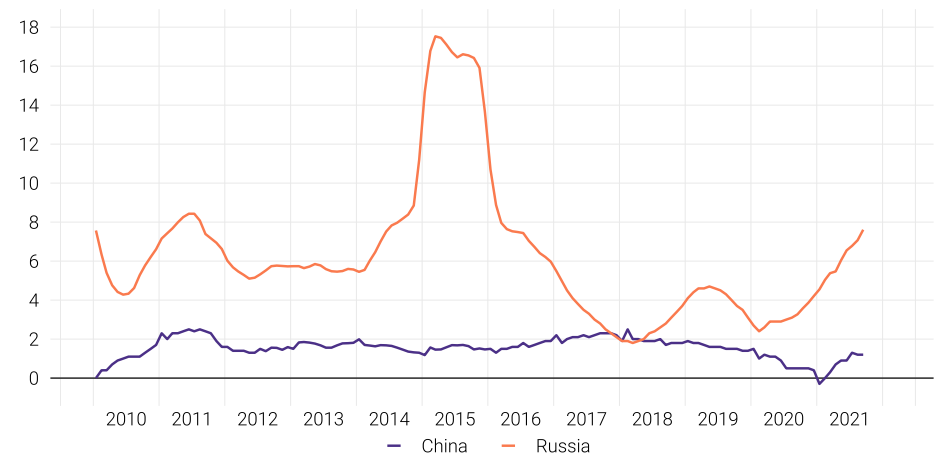
Source: Bloomberg Database

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



Source: Bloomberg Database

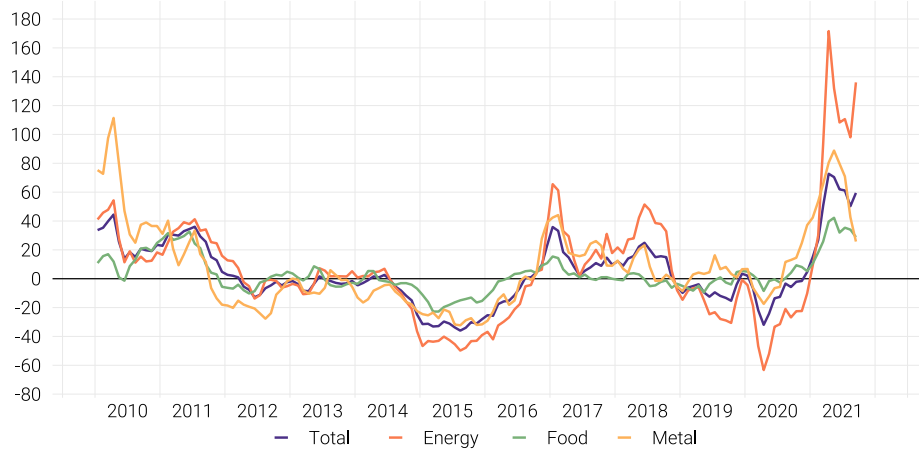
**Core Inflation in the Emerging Economies, 2010 - 2021**  
(percent)



Source: Bloomberg Database

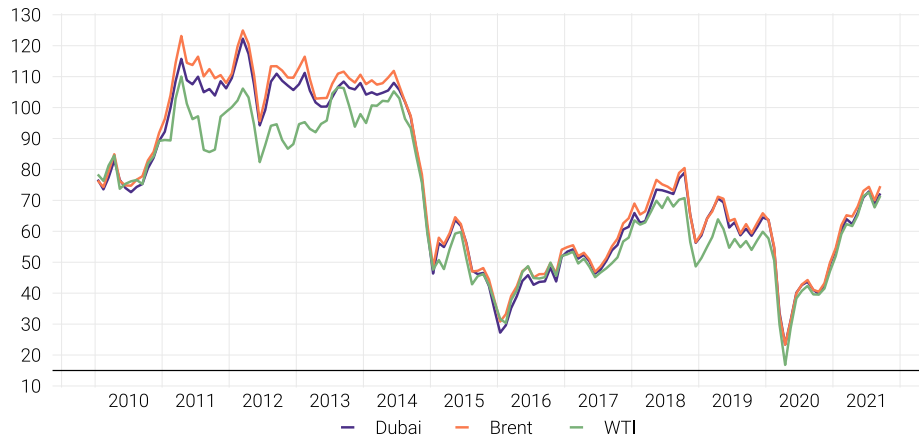
# Commodity Prices

Commodity prices, 2010 - 2021  
(annual percentage change)



Source: IMF

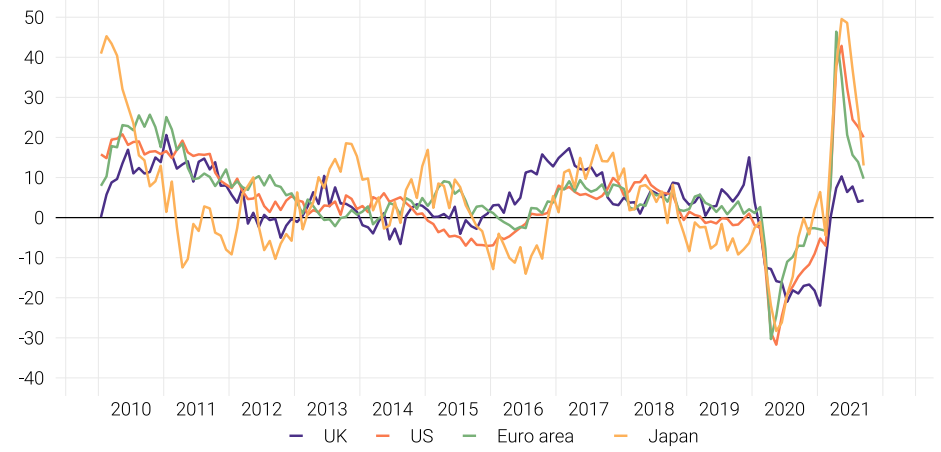
Oil prices, 2010 - 2021  
(dollars per barrel)



Source: Bloomberg Database

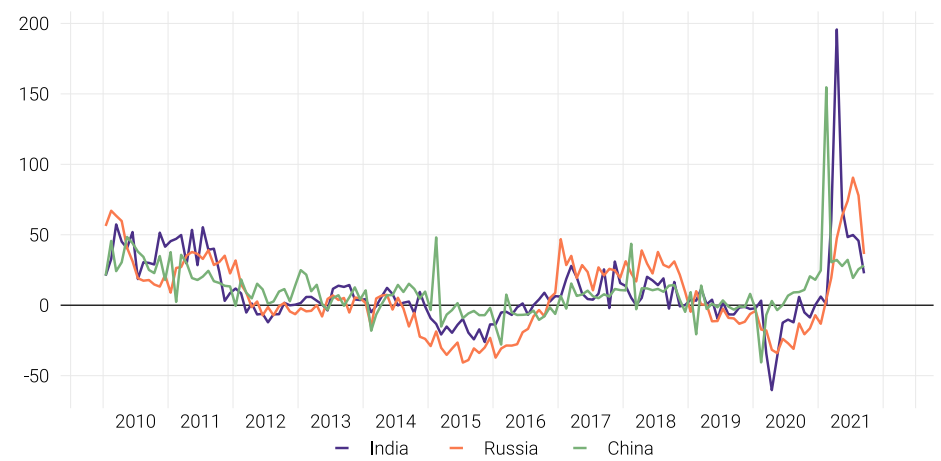
# Global Trade

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



Source: Bloomberg Database

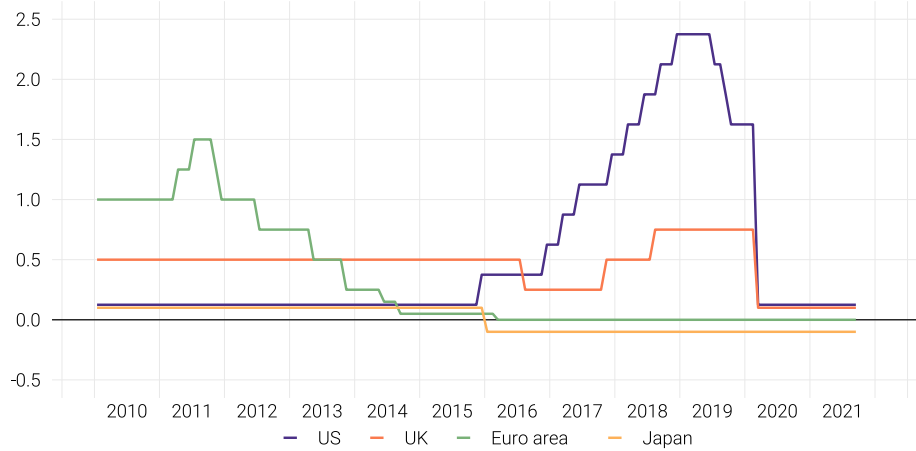
Exports in the Emerging Economies, 2010 - 2021  
(annual percentage change)



Source: Bloomberg Database

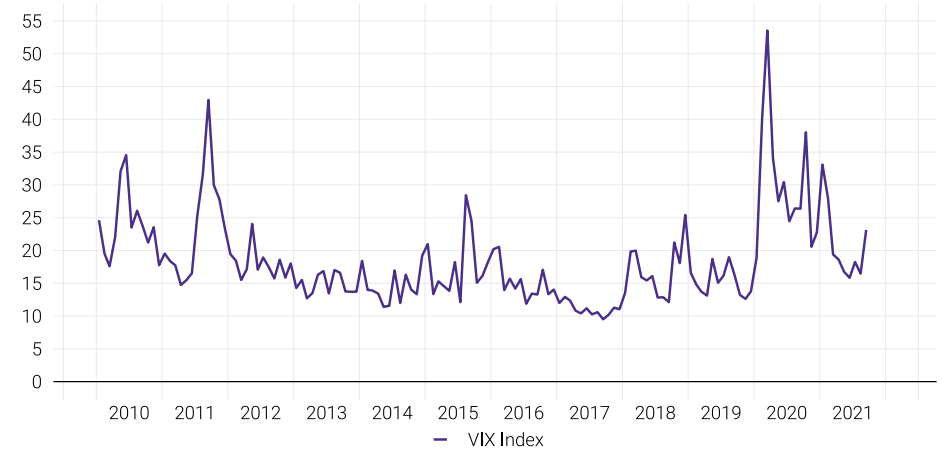
# Global Financial Markets

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



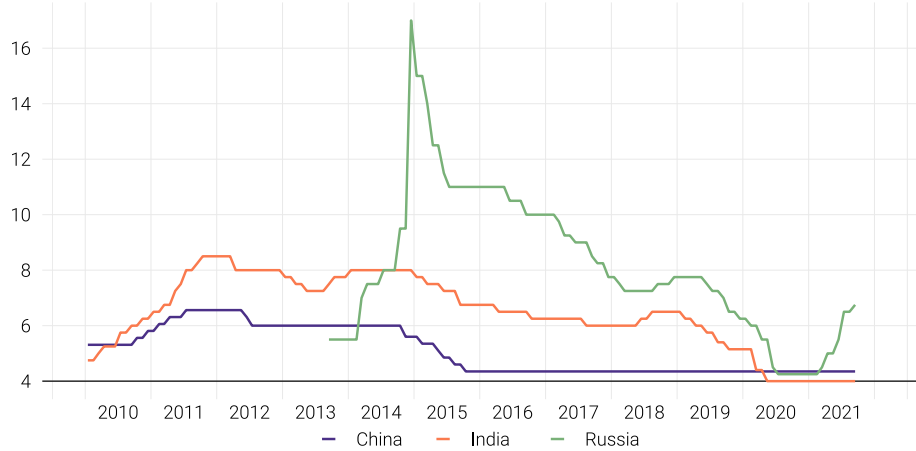
Source: Bloomberg Database

Volatility Index, 2010 - 2021  
(percent)



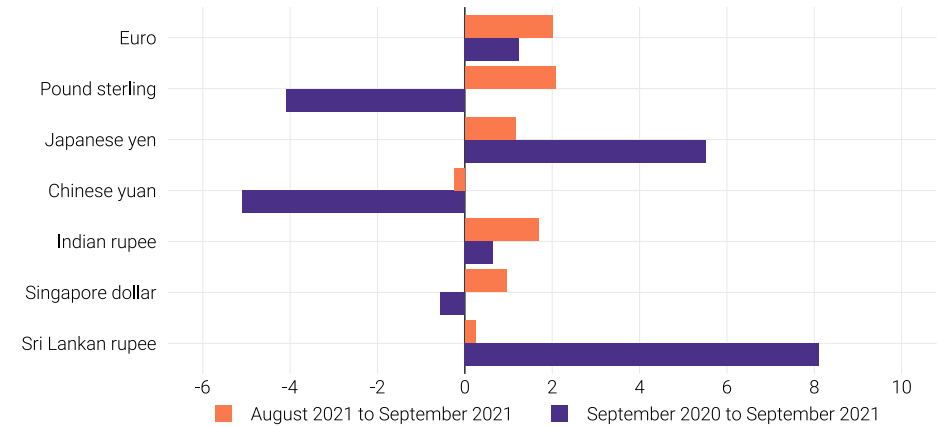
Source: Bloomberg Database

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



Source: Bloomberg Database

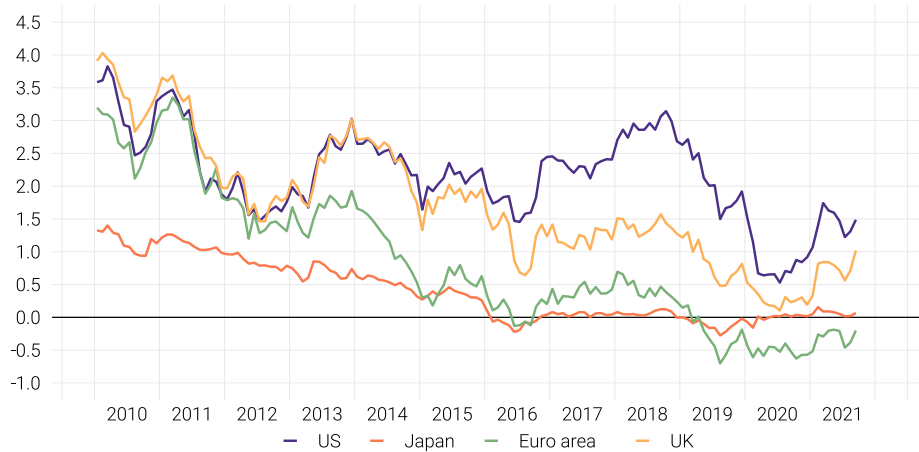
Exchange Rate of US Dollar against Currencies of Major Trading Partners, September 2021  
(percentage change)



Source: Bloomberg Database

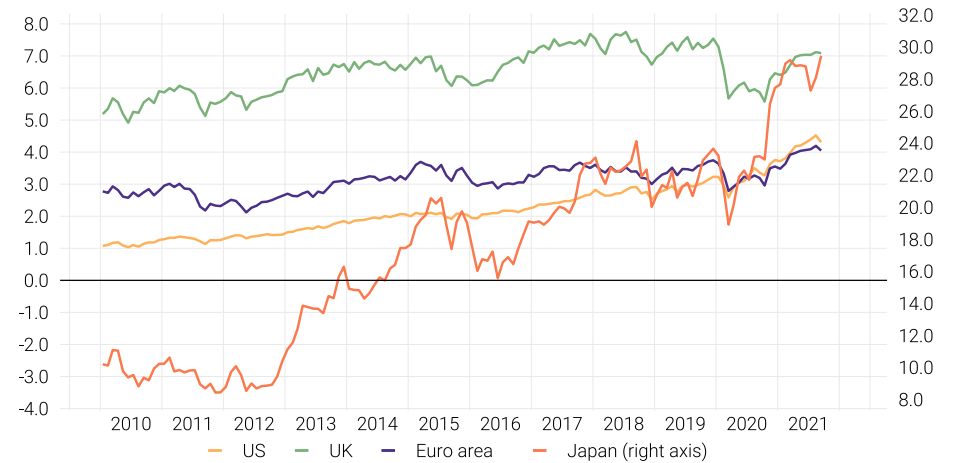
# Global Financial Markets

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



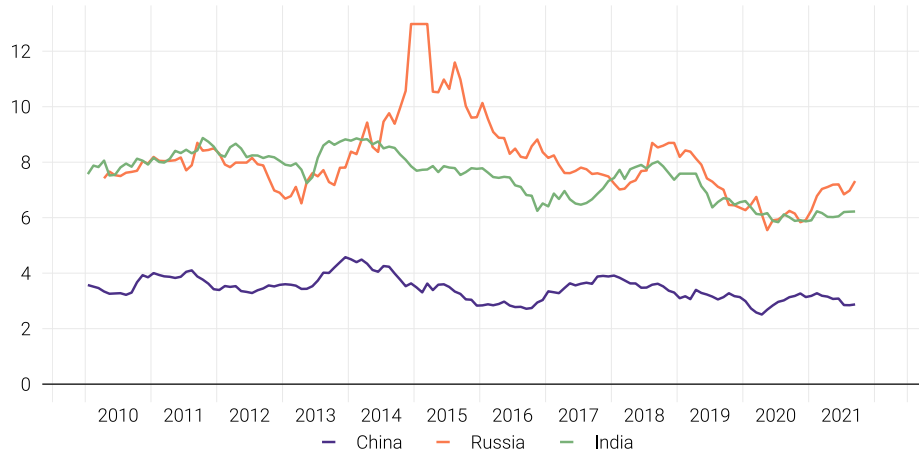
Source: Bloomberg Database

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



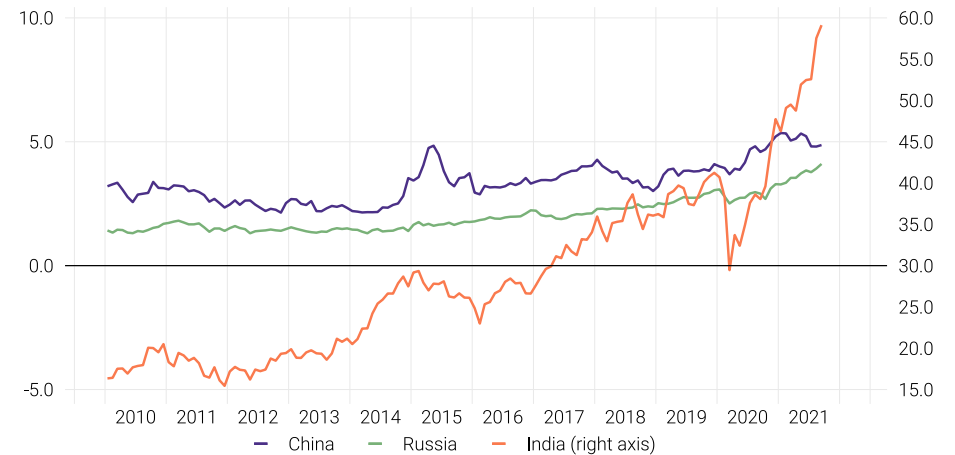
Source: Bloomberg Database

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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