

# ECONOMIC UPDATE

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VOLUME 2 ISSUE 2



## **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.

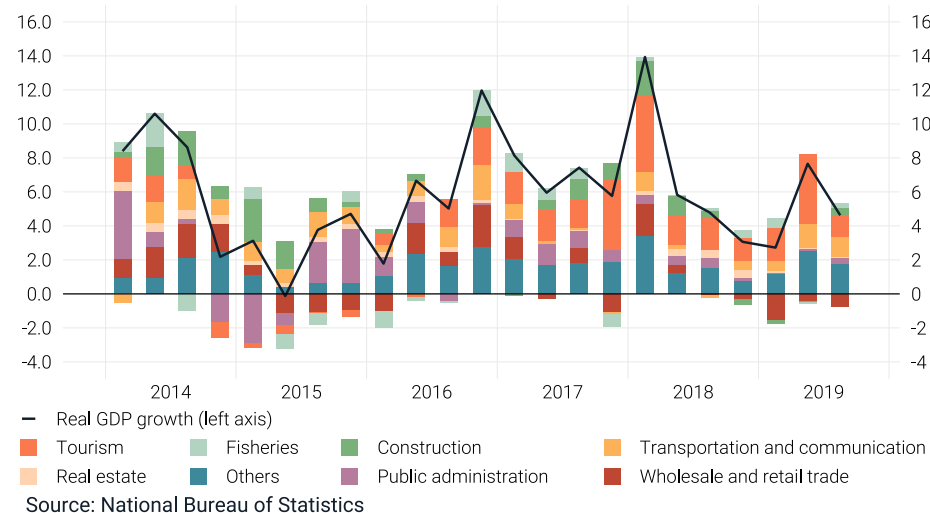
# Domestic Economic Developments

## Real Economy

### Gross Domestic Product

- According to preliminary quarterly GDP estimates for Q3-2019, by the National Bureau of Statistics, real GDP accelerated by 4.6% in annual terms in Q3-2019, although this is a deceleration from the revised growth rate of 7.7% for Q2-2019 (previously at 9.4%).
  - The deceleration in growth in Q3-2019 was mainly due to the cyclical nature of the tourism sector reflecting its seasonality. On the other hand, transport and communication sectors (which include air transportation services, travel agencies, support services and warehousing, and support activities for transportation) remained strong, while activities in the construction sector also picked up. However, wholesale and retail trade contributed negatively to growth during the quarter.

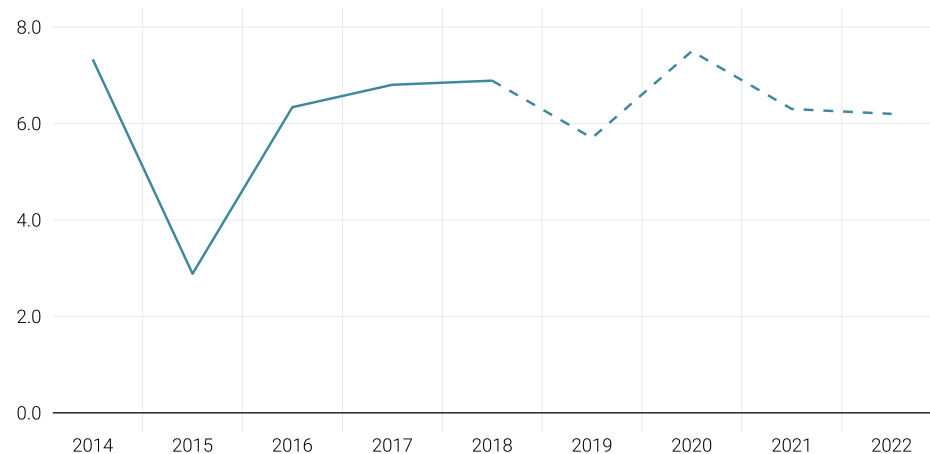
Contribution to Real GDP Growth by Economic Sectors, 2014 - 2019  
(annual percentage change, percentage point contribution)



### 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.

Real GDP Growth, 2014 - 2022  
(annual percentage change)



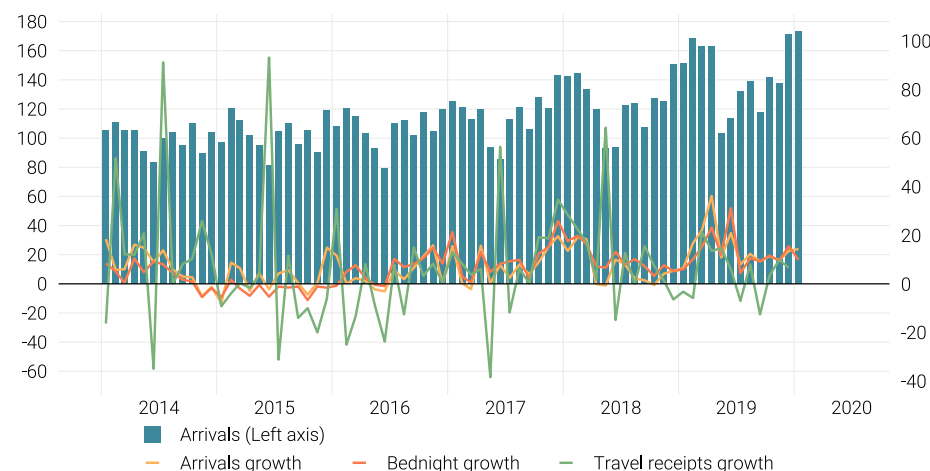
Source: National Bureau of Statistics, Maldives Monetary Authority, Ministry of Finance  
Note: The dashed lines represent forecasts.

## Tourism

- In January 2020, the annual growth rate of tourist arrivals registered 14%, while bednights grew by 10%.
  - The annual growth in tourist arrivals during the month largely reflected the increase in arrivals from Europe, particularly, Italy and Russia; while arrivals from the Asia and the Pacific region was boosted by growth in arrivals from China and India. It is noteworthy that all major source markets from Europe, except for France, observed a growth in arrivals over the period.
- During the review period, the operational bed capacity of the tourism industry increased by 14%, partially reflecting this, occupancy rate fell to 70% in January 2020 from 73% in January 2019.
- For the year 2019 as a whole, total tourist arrivals increased by 15% in annual terms, while total bednights of the industry observed an increase of 13%.

### Tourism, 2014 - 2020

(thousands, annual percentage change)

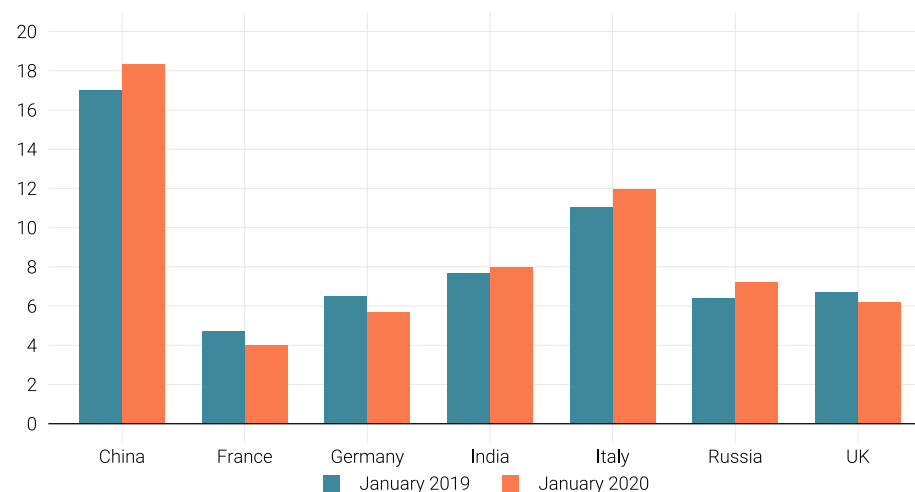


Source: Ministry of Tourism

Note: Tourism receipts available up to December 2019.

### Shares of Key Inbound Markets

(percent)

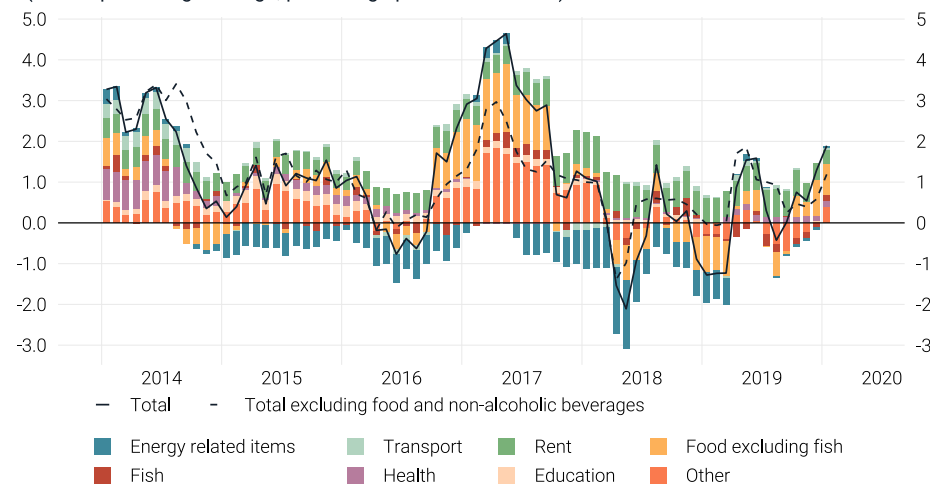


Source: Ministry of Tourism

# Inflation

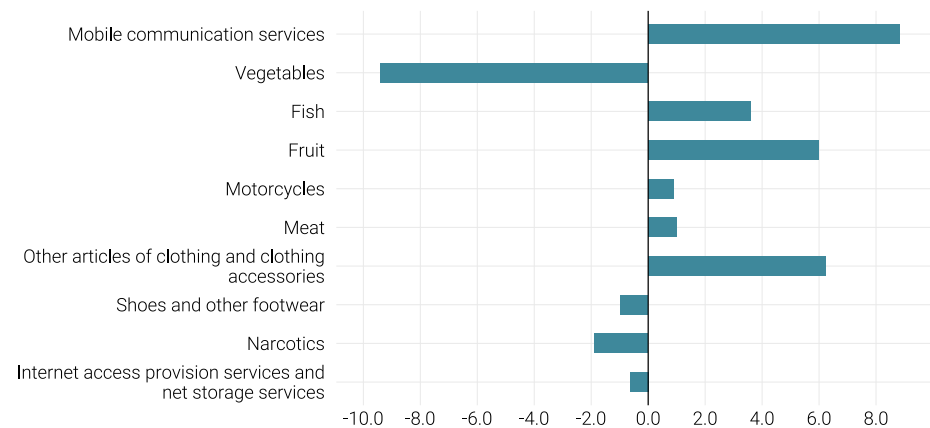
- The rate of inflation, as measured by the annual percentage change in the national CPI, accelerated to 1.9% in January 2020, after recording 1.3% in December 2019.
  - From the major categories of CPI, the largest contributors to the annual rate of inflation during January 2020 were vegetables (0.7 percentage points), information and communication services (0.6 percentage points) and rent (0.3 percentage points).
- The monthly percentage change in the national CPI remained largely unchanged from previous month, at 0.5%, in January 2020.
  - The largest contribution to the monthly rate of inflation came from information and communication services (0.5 percentage points), fish (0.1 percentage point); fruits (0.1 percentage points); and vegetables (-0.3 percentage points).

Contribution of Major Categories to CPI Inflation (National), 2014 - 2020  
(annual percentage change, percentage point contribution)



Source: National Bureau of Statistics

Monthly Changes of Subcategories of CPI Inflation (National),  
January 2020  
(monthly percentage change)



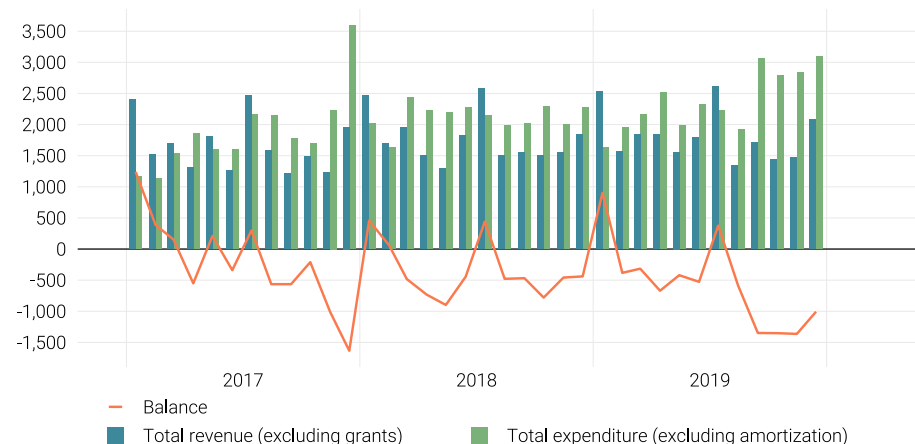
Source: National Bureau of Statistics  
Note: Ordered by the size of the contribution.

# Public Finance

- Total government revenue (excluding grants) observed an increase of MVR249.6 million (or 14%) in December 2019 when compared with December 2018.
  - This was owing to increases in both tax and non-tax revenue. As such, tax revenue rose by MVR154.3 million, while non-tax revenue increased by MVR91.8 million.
- Total expenditure (excluding amortisation) increased by MVR816.2 million (or 36%) in December 2019 when compared with December 2018.
  - The rise in expenditure was contributed by increases in both capital and recurrent expenditure, which grew by MVR448.3 million and MVR367.9 million, respectively.
- According to latest available data, the stock of government debt (excluding government guaranteed debt) amounted to MVR54.2 billion in Q4-2019, a 6% increase from Q3-2019. Similarly, government debt as a percentage of GDP increased to 62% during Q4-2019.
  - During this period, the increase in government debt was primarily driven by domestic debt.

Government Revenue and Expenditure, 2017 - 2019

(millions of rufiyaa)

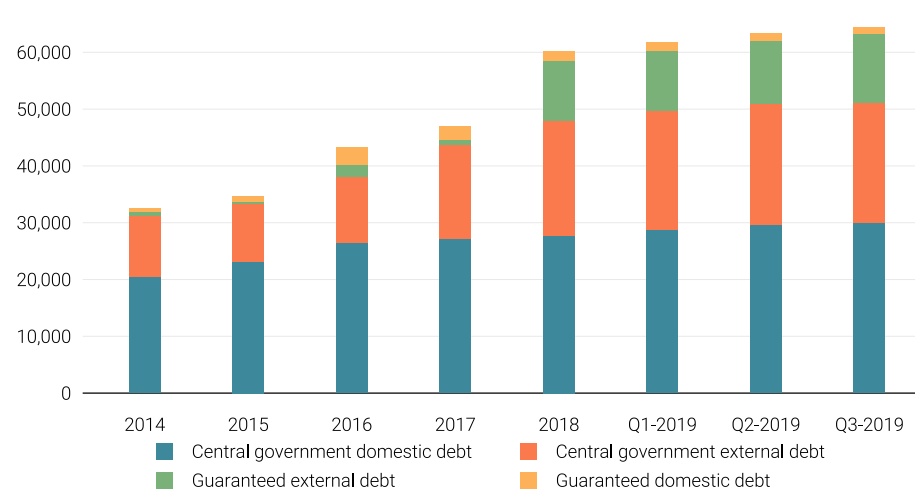


Source: Ministry of Finance

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)



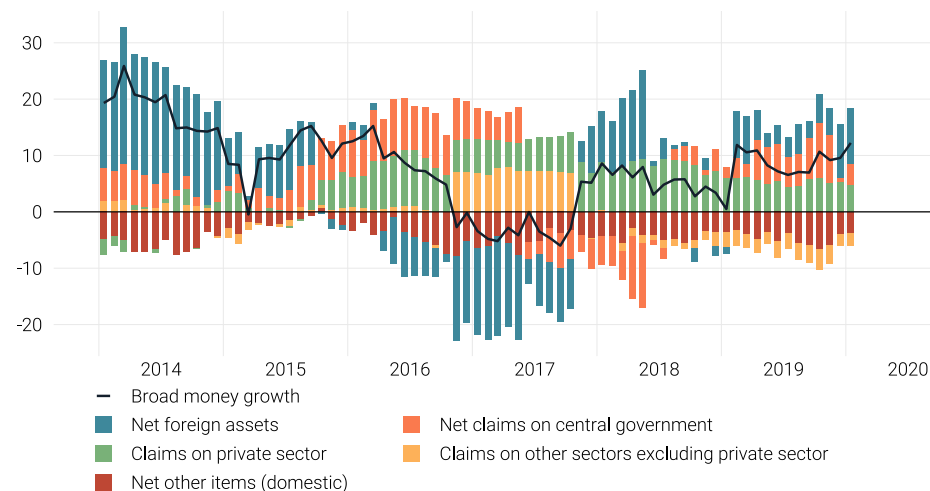
Source: Ministry of Finance

# Monetary Developments

## Broad Money

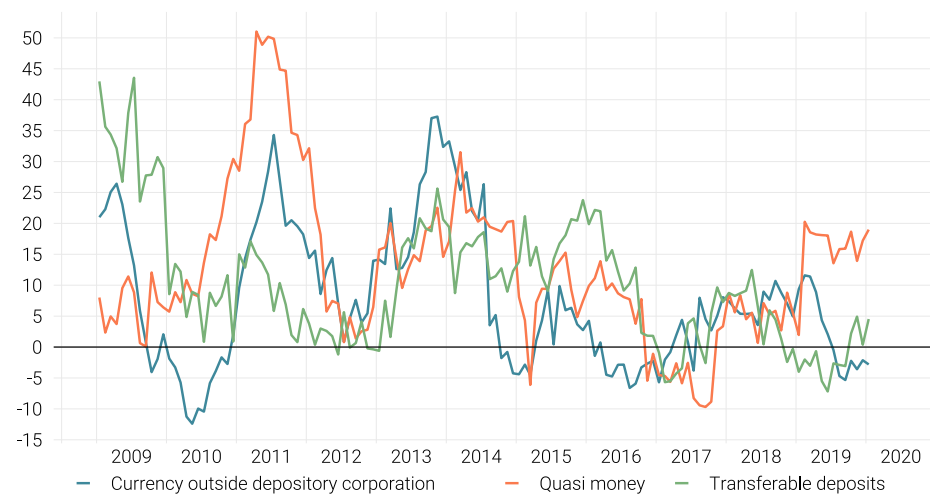
- Broad Money (M2) growth accelerated to 12% in annual terms at the end of January 2020, after registering 10% during the previous month.
  - On the components side, the acceleration in broad money growth was primarily due to an increase in quasi money, which reflected the increase in both transferable and other deposits denominated in foreign currency. Meanwhile, narrow money also recorded a slight acceleration over the period.
  - As for the sources, broad money growth was mainly driven by net foreign assets while, net domestic assets also increased owing to the increase in government securities and private sector credit growth.

Contribution to Broad Money, 2014 - 2020  
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Components of Broad Money, 2009 - 2020  
(annual percentage change)



Source: Maldives Monetary Authority

## Reserve Money

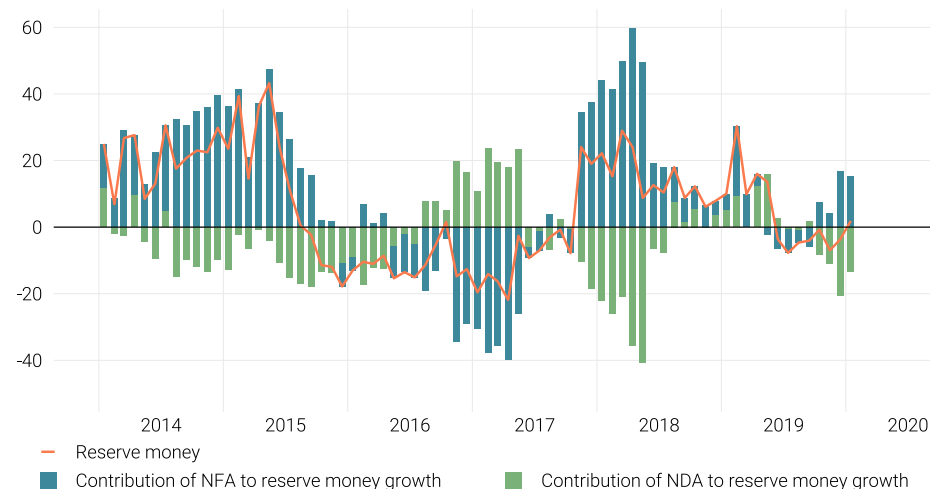
- Annual reserve money (M0) growth observed a turnaround after registering continued annual declines since June 2019. As such, M0 recorded a growth of 2% in January 2020 after registering a 4% decline in December 2019.
  - The pick up in reserve money growth stemmed from the growth in net foreign assets of the MMA which recorded an annual growth of 18% during January 2020.
  - However, growth in net domestic assets of the MMA continued to remain negative stemming from the decline in net claims on central government and claims on public nonfinancial corporations.

## Credit to Private Sector

- Credit to the private sector<sup>1</sup> by commercial banks and finance companies posted an annual growth of 7% at the end of January 2020 when compared to the corresponding period of 2019.
  - With regard to the composition of credit to private sector, similar to previous month, credit growth was observed for all main sectors, namely tourism, construction, real estate, communication and commerce; except for transport sector. Further, credit extended as personal loans observed the largest increase over the period.
  - Credit extended as personal loans was driven by growth in credit in the form of credit cards and consumer durables during January 2020, which observed an annual growth of 35% during the period.

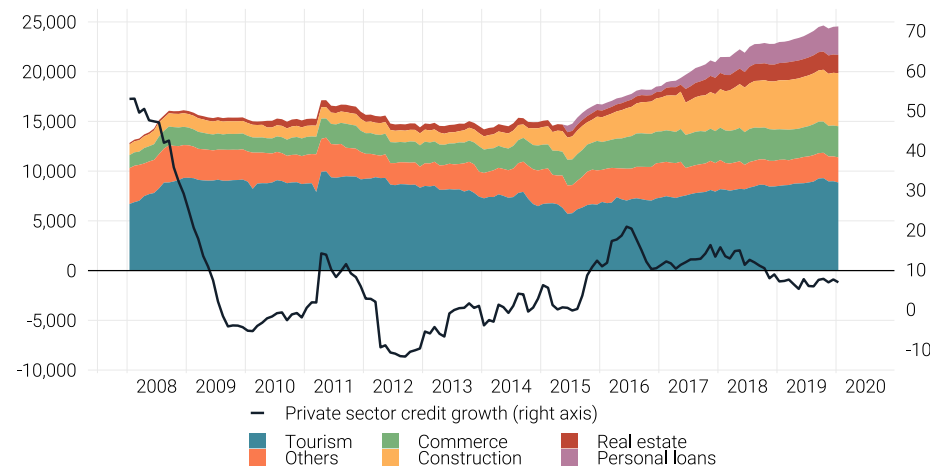
## Sources of Reserve Money, 2014 - 2020

(annual percentage change, contribution percent)



## Private Sector Credit, 2008 - 2020

(millions of rufiyaa, annual percentage change)



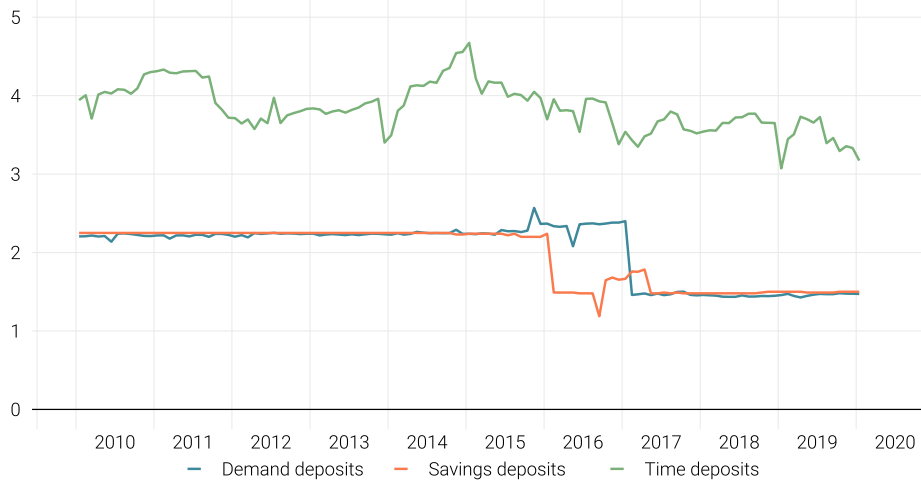
Note: Personal loans were not classified as a separate category prior to June 2015.

<sup>1</sup>Credit to the private sector by finance companies is included from February 2020 onwards.

# Interest rates

## Interest Rate on National Currency Deposits, 2010 - 2020

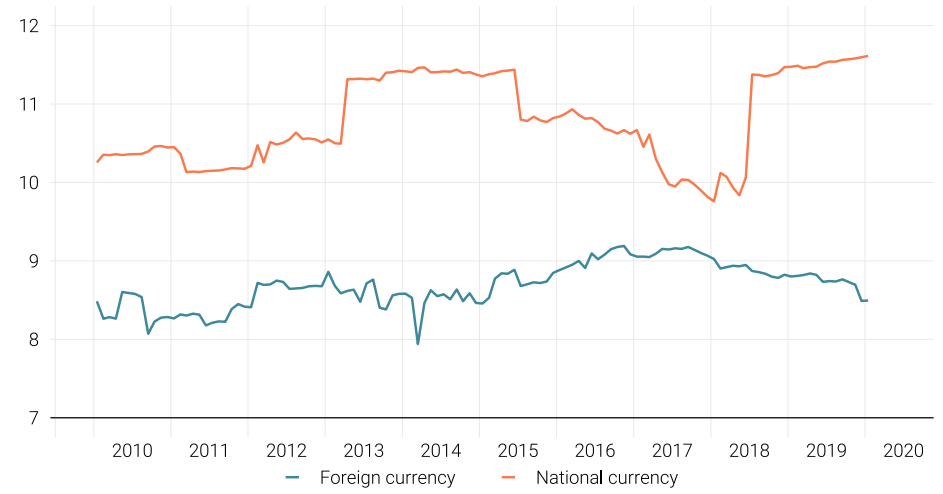
(weighted average)



Source: Maldives Monetary Authority

## Interest Rate on Private Sector Loans and Advances, 2010 - 2020

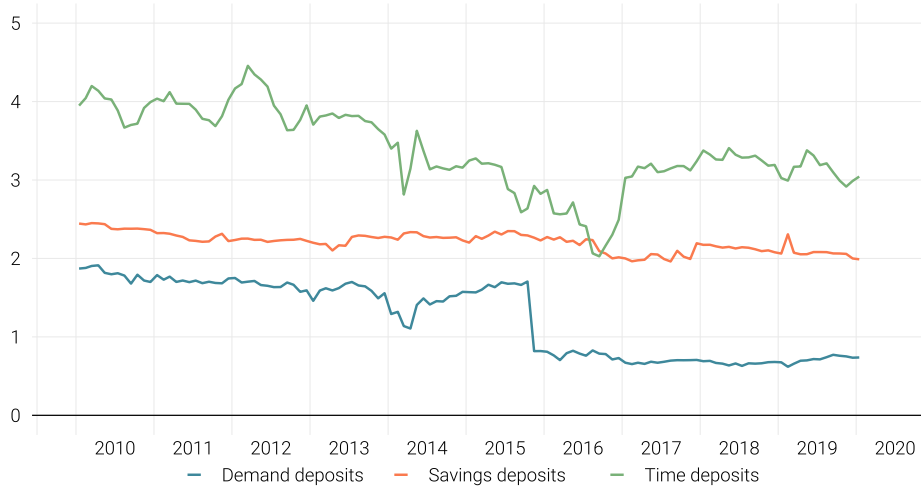
(weighted average)



Source: Maldives Monetary Authority

## Interest Rate on Foreign Currency Deposits, 2010 - 2020

(weighted average)

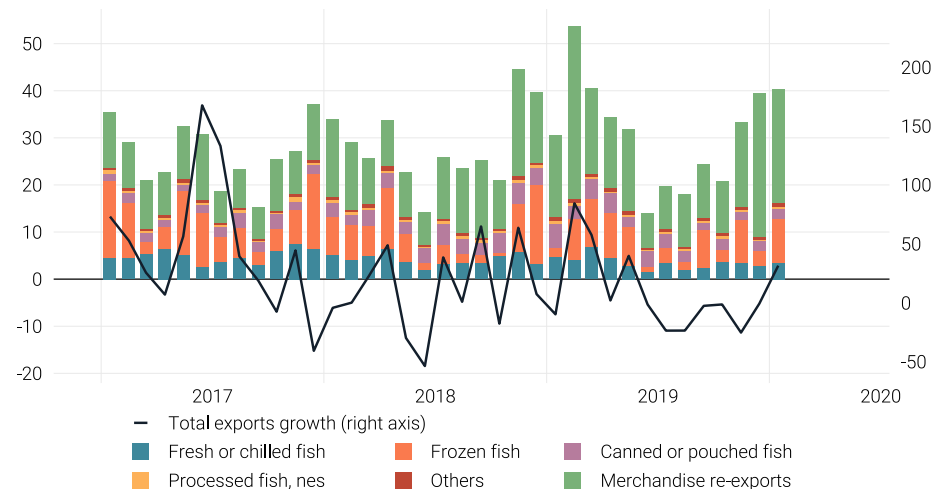


Source: Maldives Monetary Authority

# External Trade

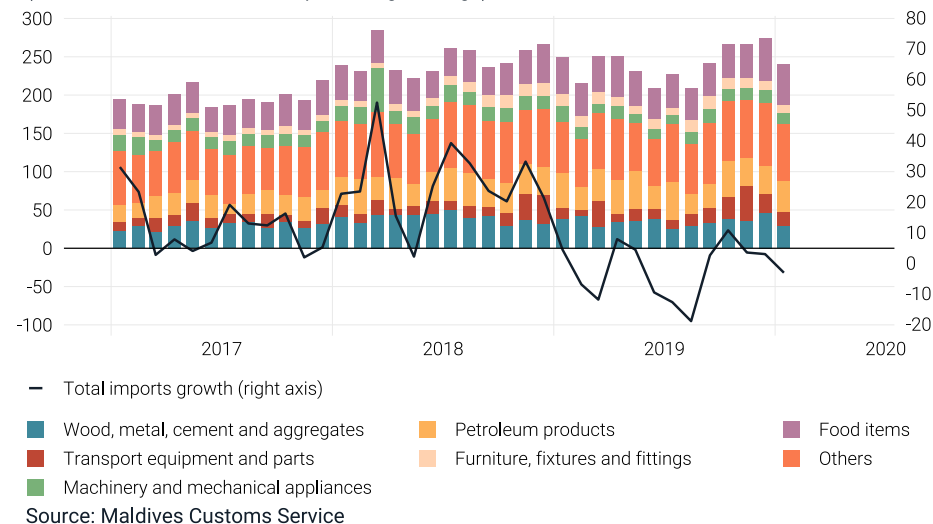
- In December 2019, total exports (f.o.b) observed a marginal annual decline, while total imports (c.i.f) observed a 3% growth.
  - The fall in total exports was mainly owing to the decline in domestic exports which partially offset a significant increase in re-exports. The decrease in domestic exports was mainly due to a marked fall in export earnings from frozen skipjack tuna, combined with a fall in earnings from canned or pouched tuna exports.
  - The growth in total imports was mainly due to the sizable increase in imports of constructed-related items and food items, which curbed the decline in imports of transport equipments and parts; and furniture, fixtures and fittings.
- Overall, during January to December 2019, total exports recorded a 6% growth while total imports decreased by 2% when compared with the corresponding period of 2018.

**Total Exports, 2017 - 2020**  
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

**Total Imports, 2017 - 2020**  
(millions of US dollars, annual percentage change)



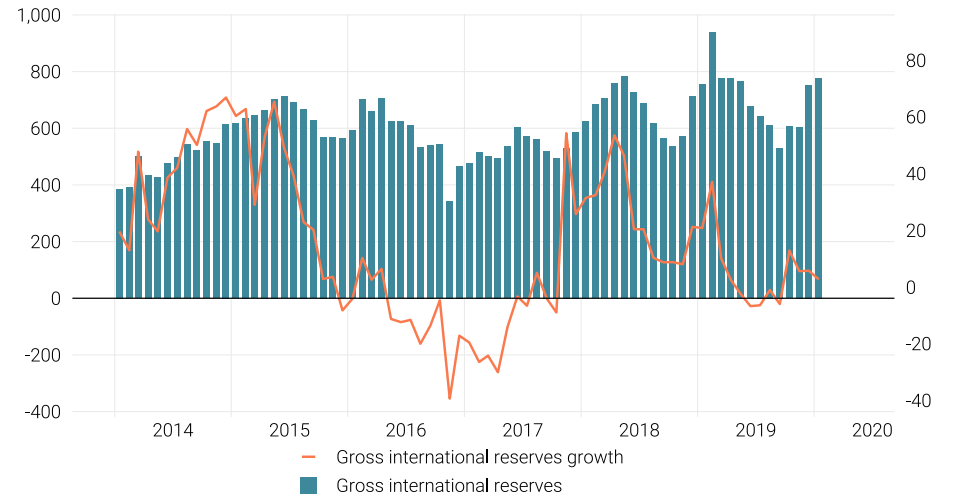
Source: Maldives Customs Service

## Gross International Reserves

- Gross international reserves increased to US\$776.6 million at the end of January 2020 from US\$753.0 million at the end of December 2019.
  - This was an increase of 3% increase when compared with both December 2019 and January 2019.

### Gross International Reserves, 2014 - 2020

(millions of US dollars, annual percentage change)

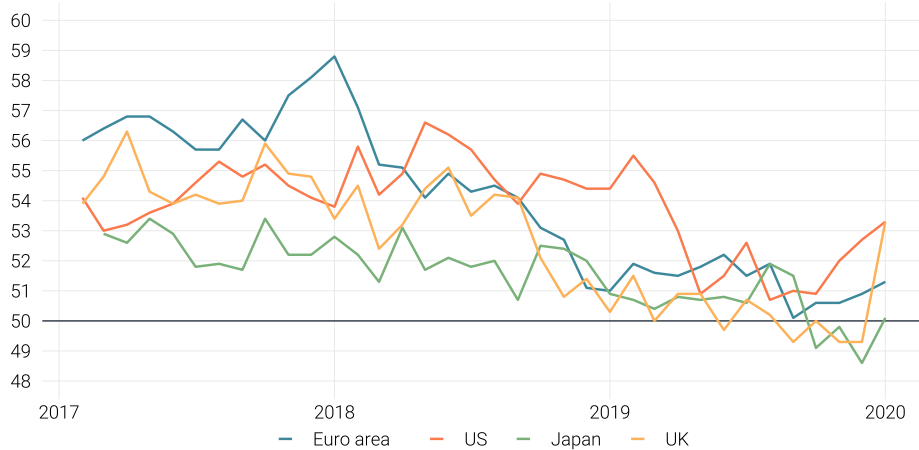


Source: Maldives Monetary Authority

# International Economic Developments

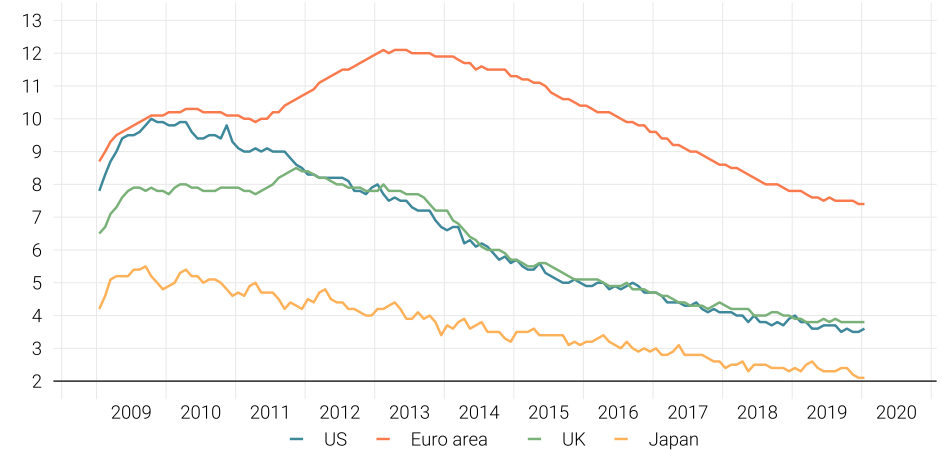
## Global Output

Purchasing Manager's Index in the Advanced Economies, 2017 - 2020  
(index points)



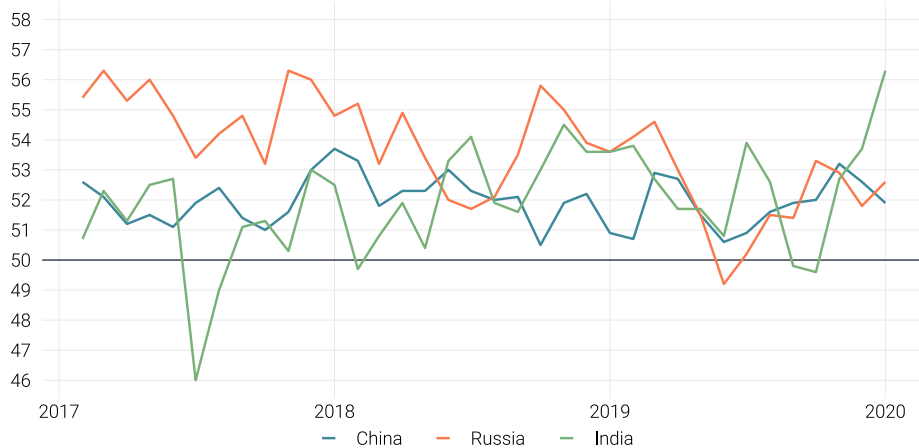
Source: Bloomberg Database

Unemployment in the Advanced Economies, 2009 - 2020  
(percent)



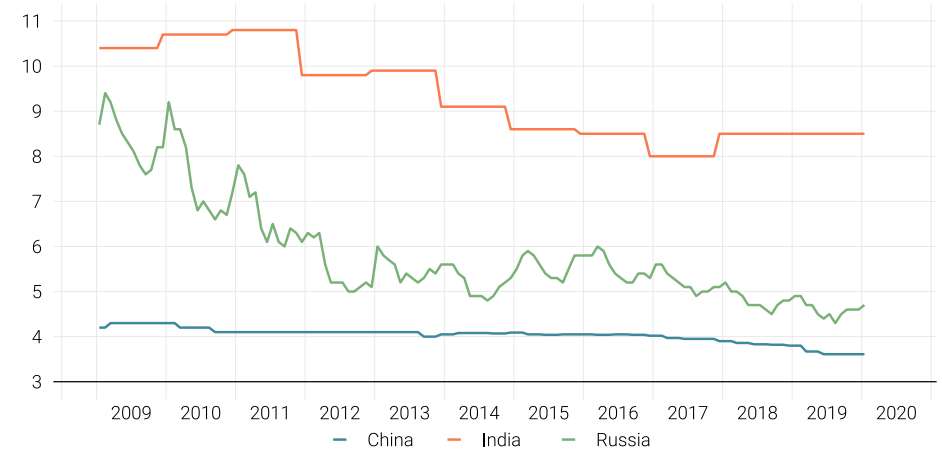
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2017 - 2020  
(index points)



Source: Bloomberg Database

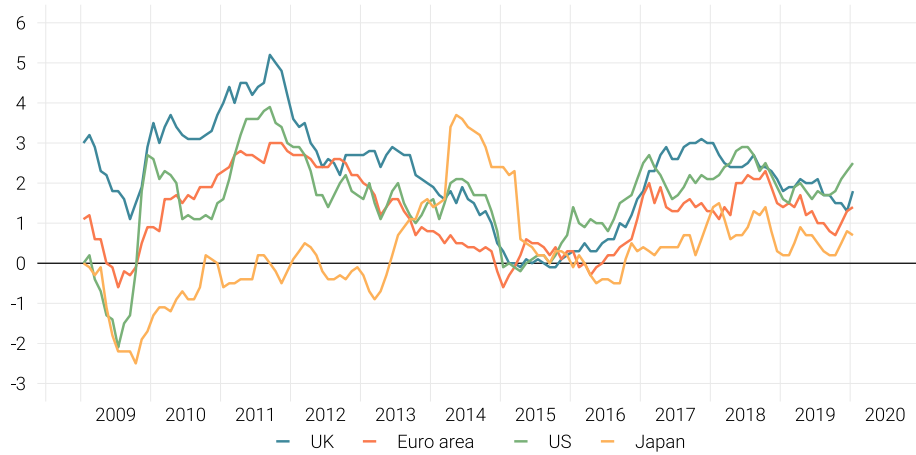
Unemployment in the Emerging Economies, 2009 - 2020  
(percent)



Source: Bloomberg Database

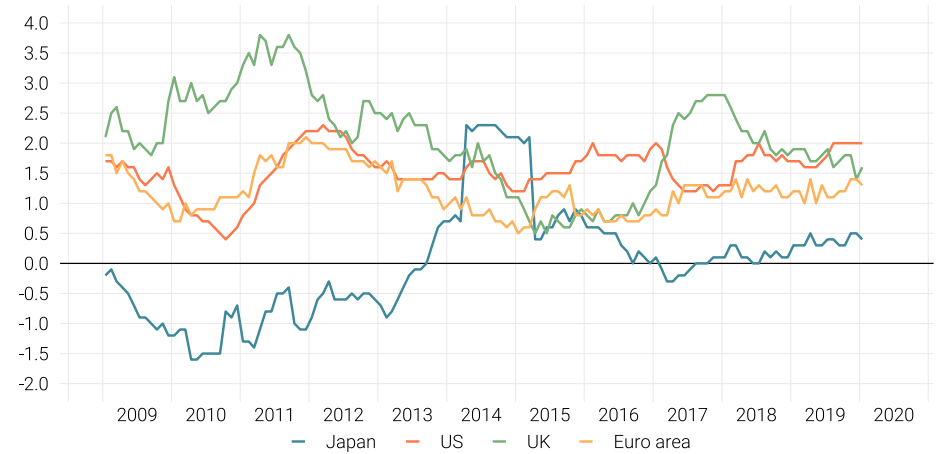
# Global Inflation

**Inflation in the Advanced Economies, 2009 - 2020**  
(percent)



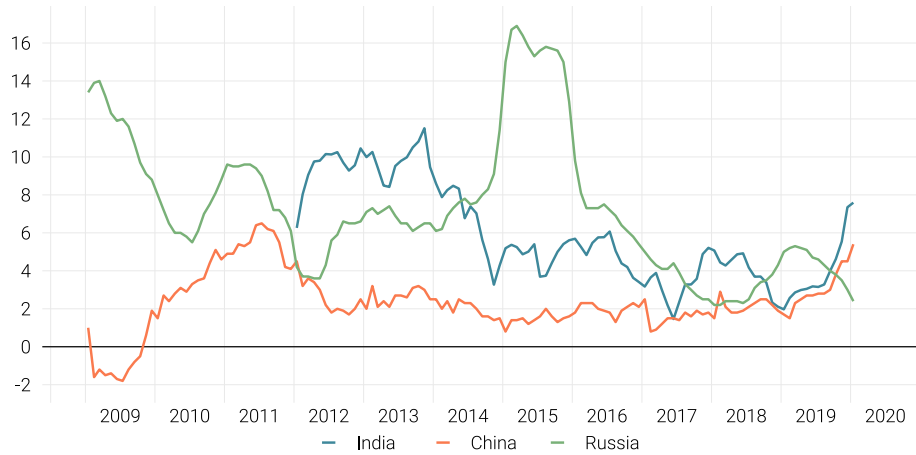
Source: Bloomberg Database

**Core Inflation in the Advanced Economies, 2009 - 2020**  
(percent)



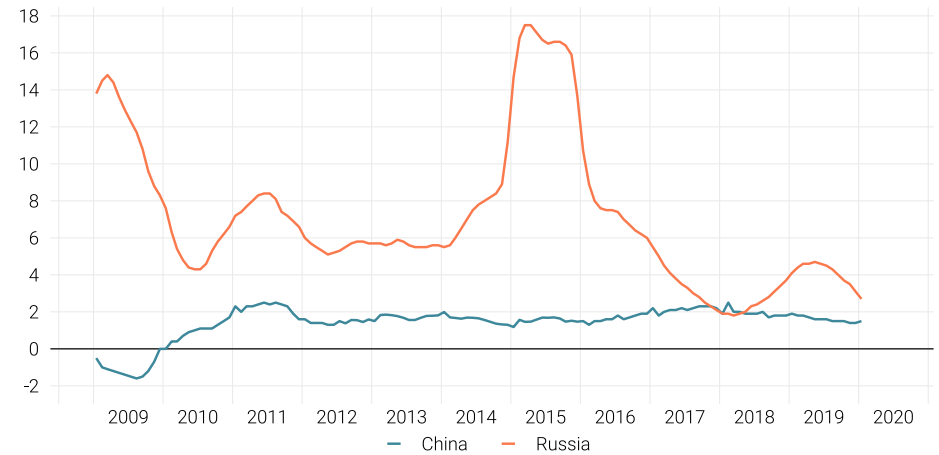
Source: Bloomberg Database

**Inflation in the Emerging Economies, 2009 - 2020**  
(percent)



Source: Bloomberg Database

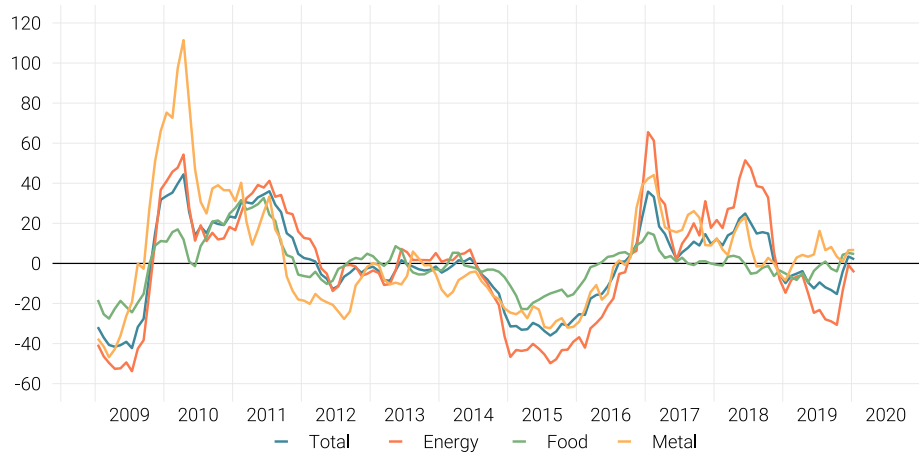
**Core Inflation in the Emerging Economies, 2009 - 2020**  
(percent)



Source: Bloomberg Database

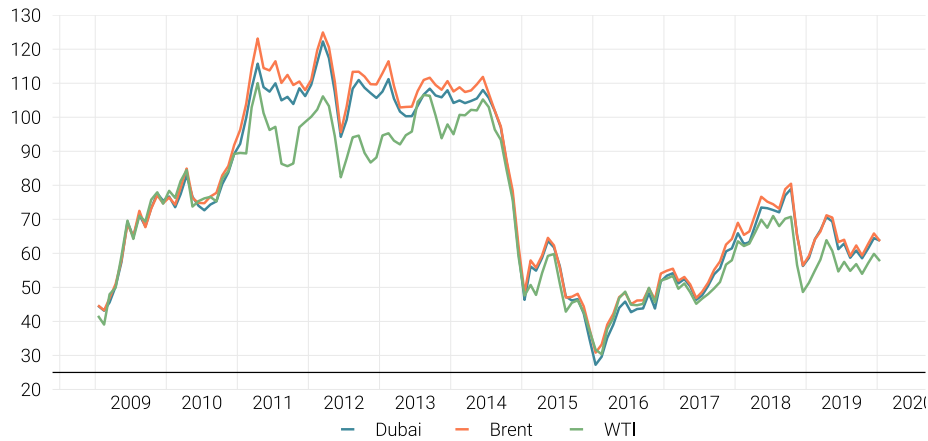
# Commodity Prices

Commodity prices, 2009 - 2020  
(annual percentage change)



Source: IMF

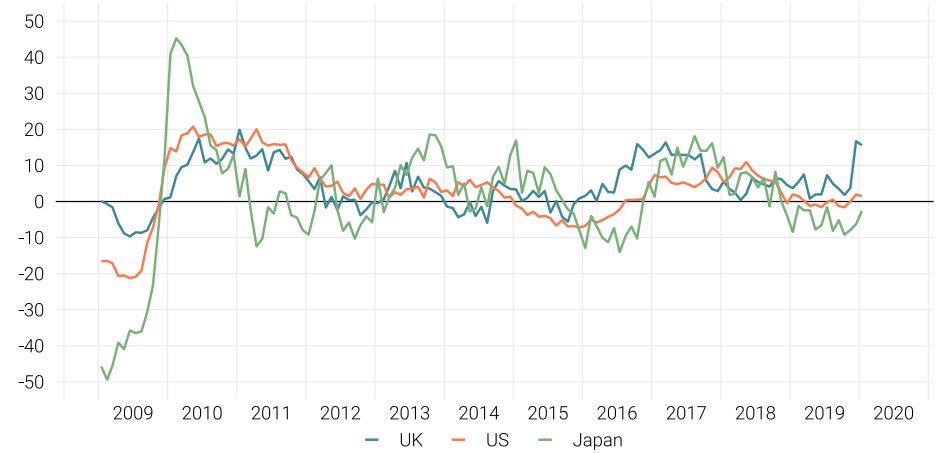
Oil prices, 2009 - 2020  
(dollars per barrel)



Source: Bloomberg Database

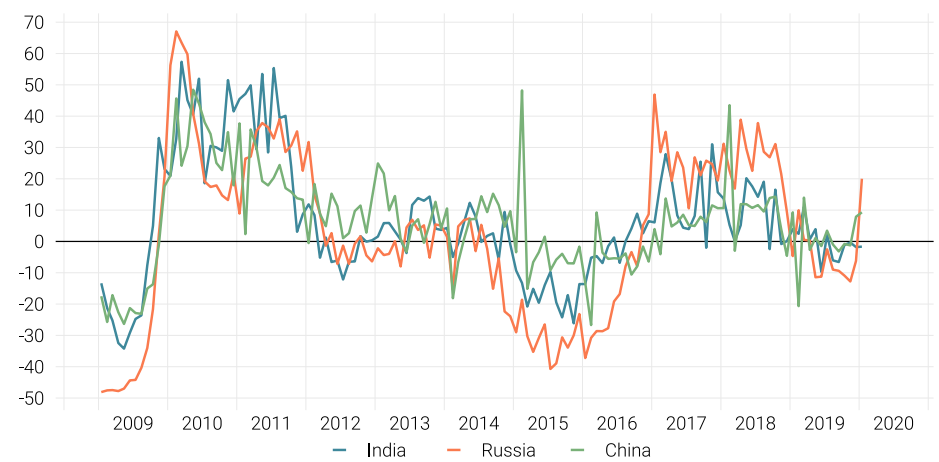
# Global Trade

Exports in the Advanced Economies, 2009 - 2020  
(annual percentage change)



Source: Bloomberg Database

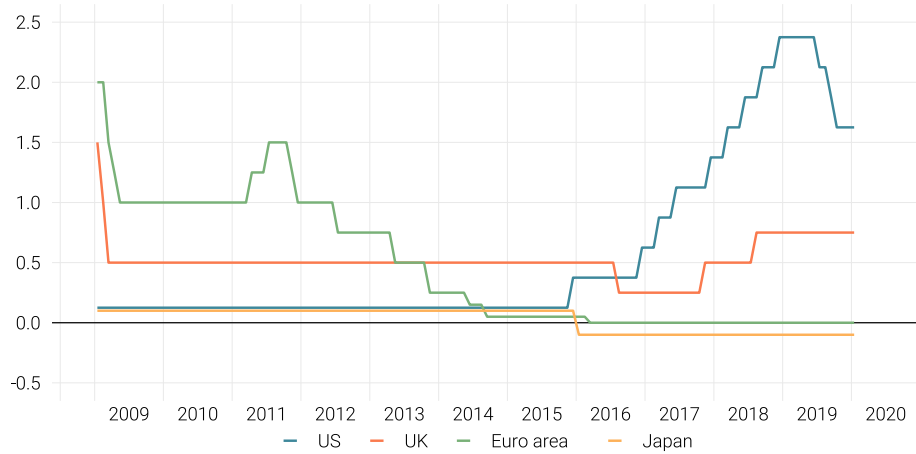
Exports in the Emerging Economies, 2009 - 2020  
(annual percentage change)



Source: Bloomberg Database

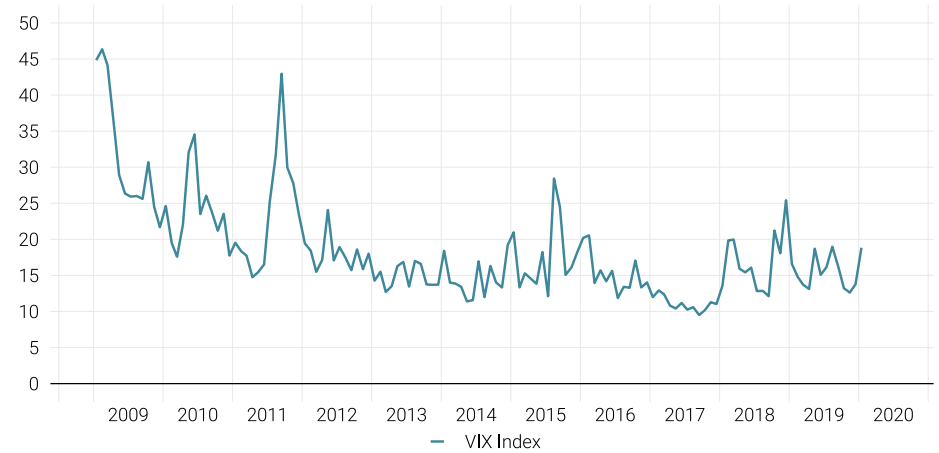
# Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2009 - 2020  
(percent)



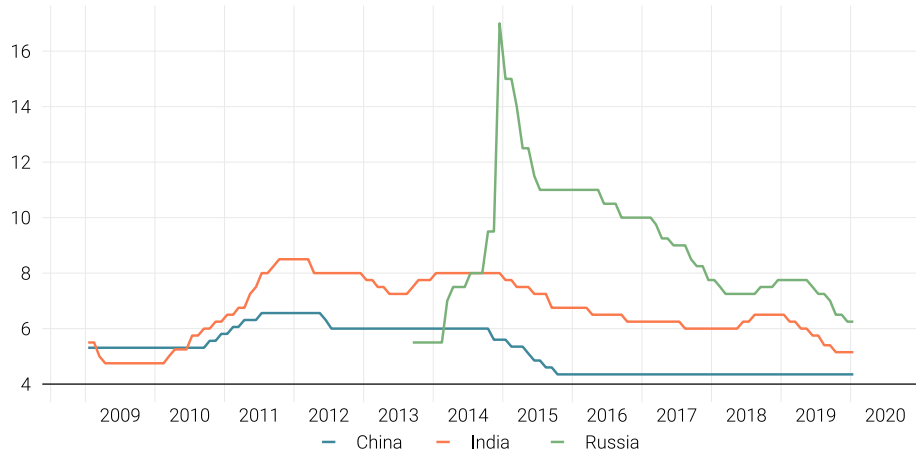
Source: Bloomberg Database

Volatility Index, 2009 - 2020  
(percent)



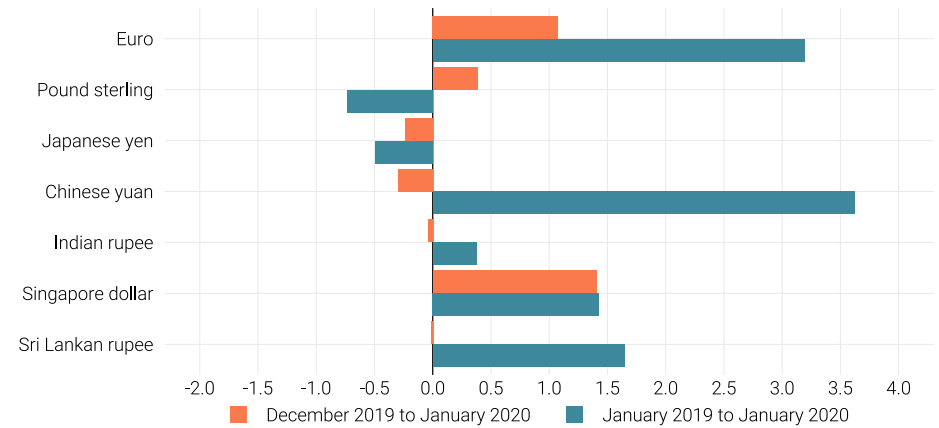
Source: Bloomberg Database

Monthly Policy Rates in the Emerging Economies, 2009 - 2020  
(percent)



Source: Bloomberg Database

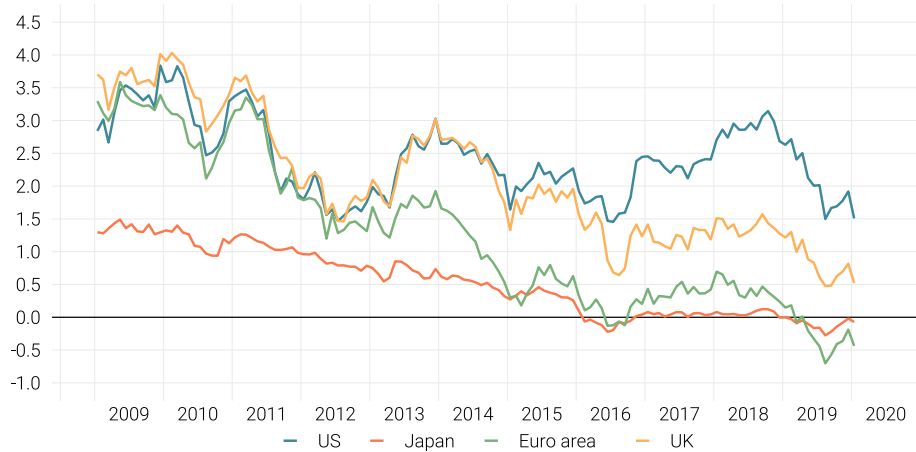
Exchange Rate of US Dollar against Currencies of Major Trading Partners, January 2020  
(percentage change)



Source: Bloomberg Database

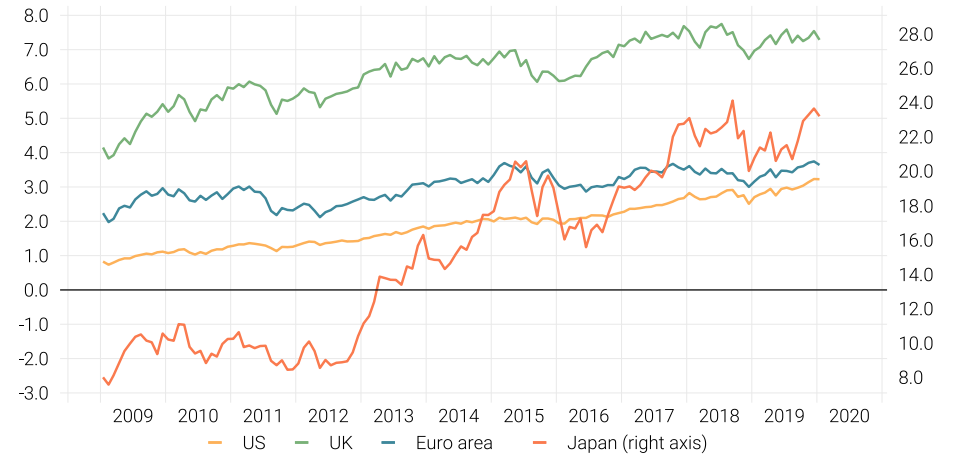
# Global Financial Markets

Sovereign Bond Yield in the Advanced Economies, 2009 - 2020  
(percent)



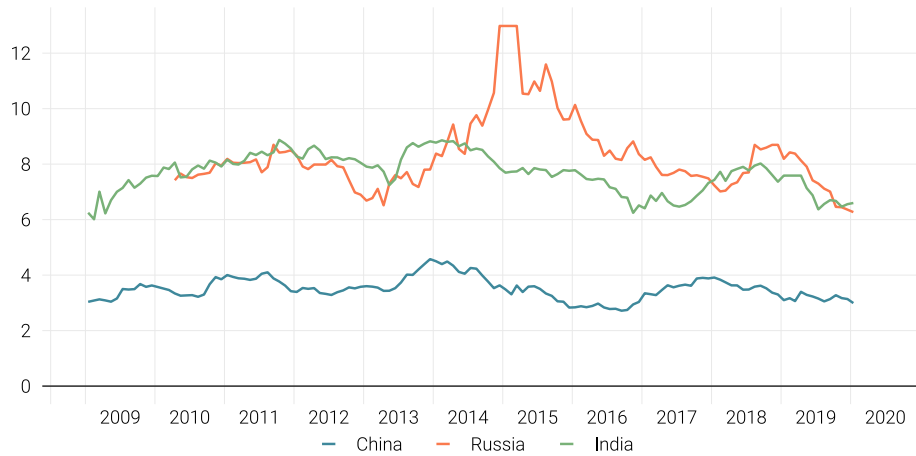
Source: Bloomberg Database

Share Price Index in the Advanced Economies, 2009 - 2020  
(price index, in thousands)



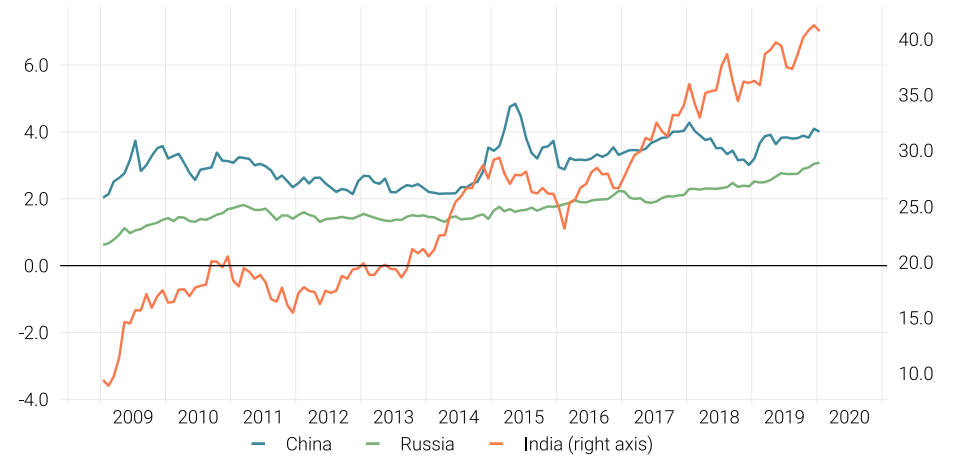
Source: Bloomberg Database

Sovereign Bond Yield in the Emerging Economies, 2009 - 2020  
(percent)



Source: Bloomberg Database

Share Price Index in the Emerging Economies, 2009 - 2020  
(price index, in thousands)



Source: Bloomberg Database



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