

ECONOMIC UPDATE

OCTOBER 2019

VOLUME 1 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

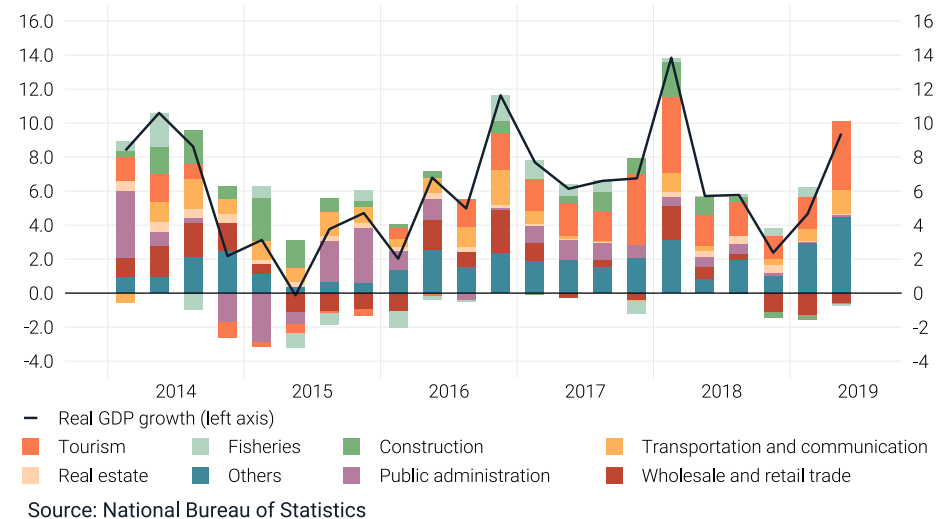
Gross Domestic Product

- As per 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.

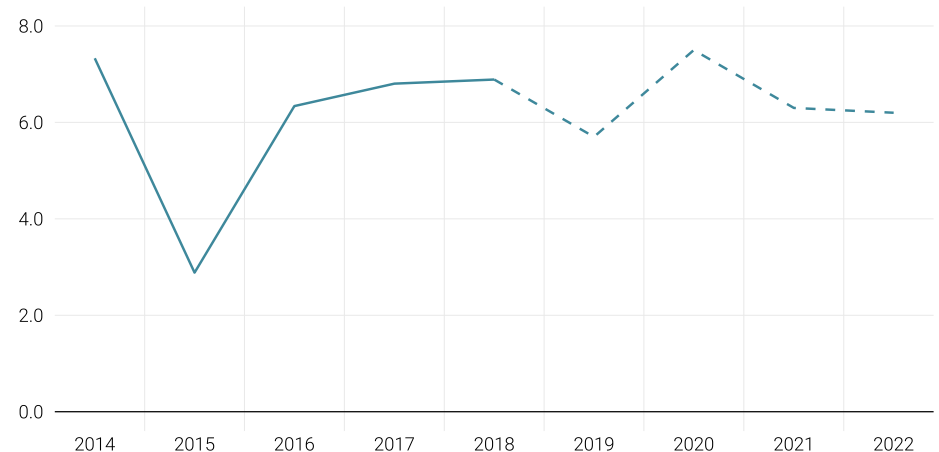
Forecast

- Based on revised estimates of October 2019 made by the MMA and Ministry of Finance, real GDP growth is projected to moderate to 5.7% in 2019, down from the 6.8% projected in October 2018. However, real GDP growth is expected to accelerate to 7.5% in 2020.
 - The moderation in growth stems mainly from the construction sector slowdown, which reflected the completion of several large-scale infrastructure projects of the government in 2018, while most of the public sector infrastructure projects for 2019 commenced towards the end of the year. 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 to higher expenditure on public sector investment projects by the government.

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



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



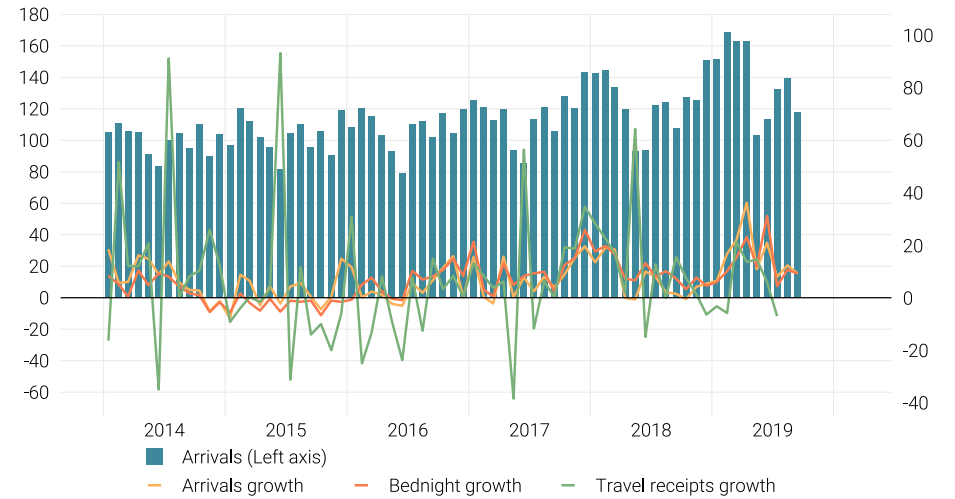
Source: National Bureau of Statistics, Maldives Monetary Authority, Ministry of Finance
Note: The dashed lines represent forecasts.

Tourism

- In September 2019, both tourist arrivals and total bednights increased at an annual rate of 9% compared to September 2018.
 - Arrivals growth during the month was largely boosted by the robust growth in arrivals from India which has more than doubled when compared with the previous year, followed by noticeable growth in arrivals from Italy, Russia and Poland.
- The operational bed capacity posted an annual increase of 16% in September 2019, while the occupancy rate of the tourism industry decreased to 48%, down from 51% in September 2018.
- Overall, for the period of January to September 2019, total tourist arrivals grew by 16%, while total bednights of the industry showed a growth of 13% when compared with the corresponding period of 2018.

Tourism, 2014 - 2019

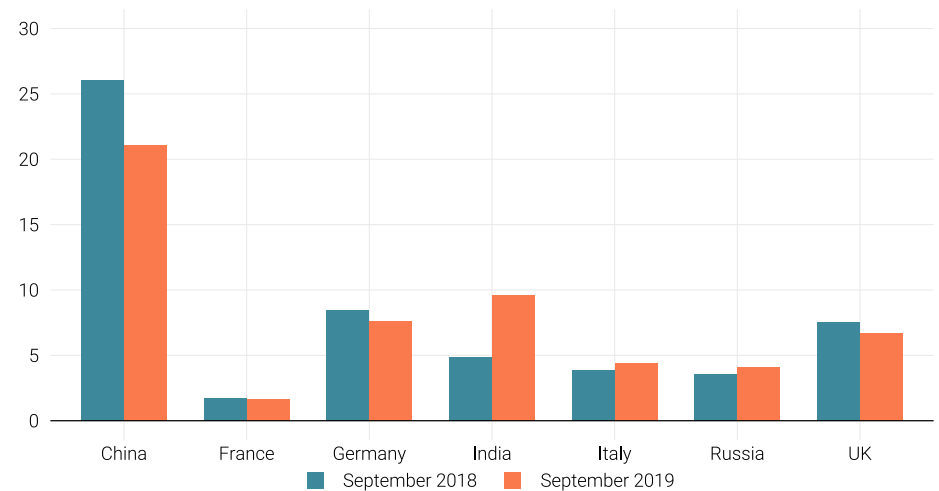
(thousands, annual percentage change)



Source: Ministry of Tourism

Shares of Key Inbound Markets

(percent)

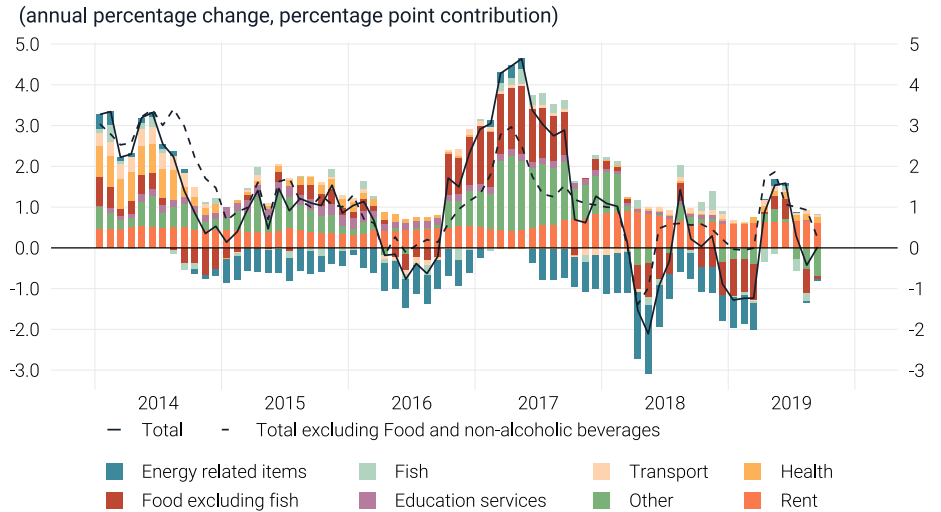


Source: Ministry of Tourism

Inflation

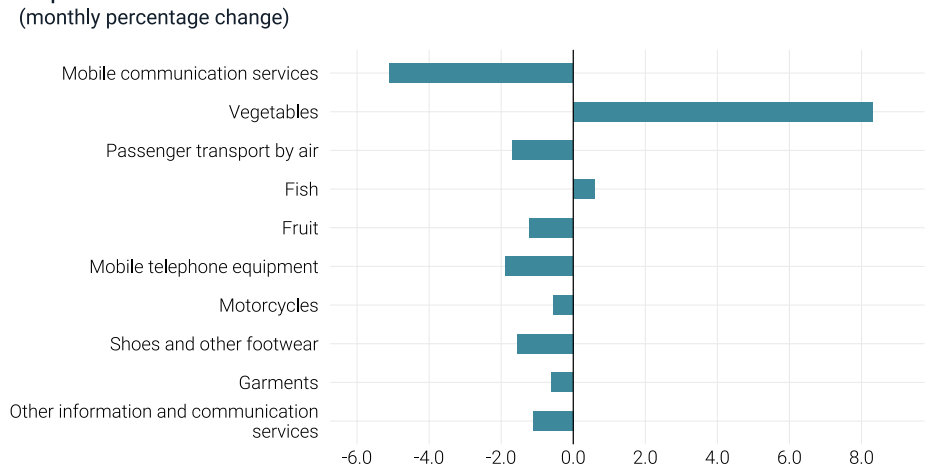
- The rate of inflation as measured by the annual percentage change in the national CPI picked up to 0.02% in September 2019 from -0.4% in August 2019.
 - From the major categories of CPI, in September 2019, the largest contributors to the annual rate of inflation were rent (0.6 percentage points), fruits (0.2 percentage points), information and communication (-0.4 percentage points); and vegetables (-0.2 percentage points).
- The monthly percentage change in the national CPI fell to -0.2% in September 2019 from 0.6% in August 2019.
 - The largest contributors to the monthly rate of inflation came from information and communication (-0.3 percentage points); transport (-0.1 percentage points) and food (0.2 percentage points) categories.

Contribution of Sub-Categories to CPI Inflation (National), 2014 - 2019



Source: National Bureau of Statistics

Monthly Changes of Subcategories of CPI Inflation (National), September 2019



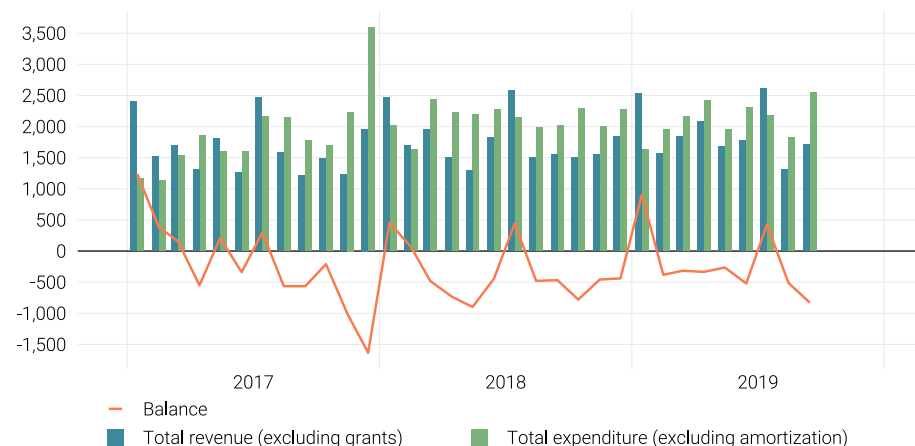
Source: National Bureau of Statistics
Note: Ordered by the size of the contribution.

Public Finance

- Total government revenue (excluding grants) decreased by MVR200.5 million (13%) in August 2019 when compared with August 2018.
 - This was on the account of decreases in both non-tax and tax revenue, which decreased by MVR99.7 million and MVR85.8 million, respectively, in August 2019 when compared with August 2018.
- Total expenditure (excluding amortisation) decreased by MVR157.9 million (8%) in August 2019 compared with August 2018.
 - The decrease in expenditure was mainly contributed by a decrease in recurrent expenditure which fell by MVR108.4 million. In addition, capital expenditure decreased by MVR49.6 million over the period.
- At the end of Q2-2019, stock of government debt (excluding government guaranteed debt) amounted to MVR50.9 billion, an increase of MVR1.2 billion (2 %) from Q1-2019. Meanwhile, government debt as a percentage of GDP stood at 56%.
 - The increase was due to an increase in both external and domestic debt.

Government Revenue and Expenditure, 2017 - 2019

(millions of rufiyaa)

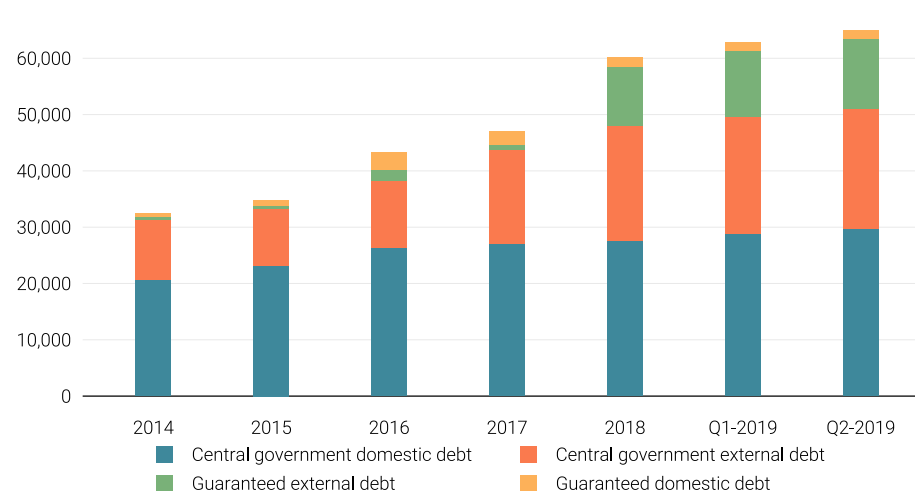


Source: Ministry of Finance

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)



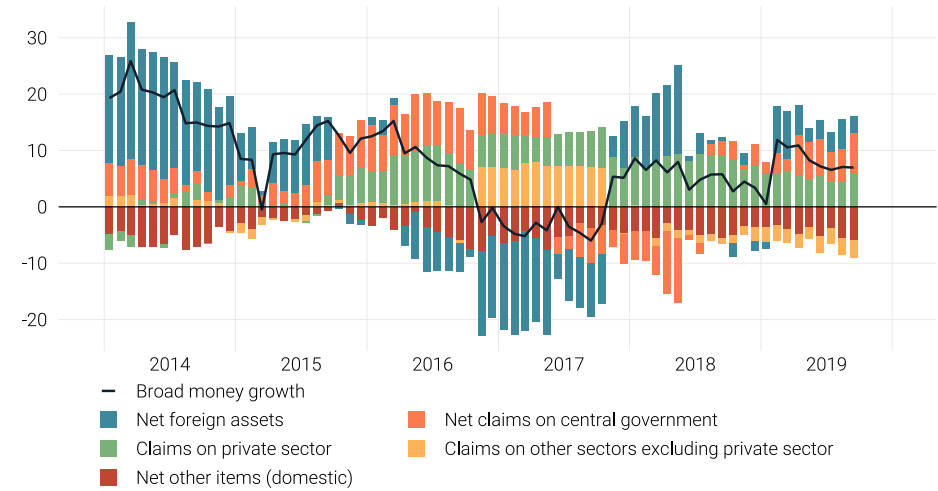
Source: Ministry of Finance

Monetary Developments

Broad Money

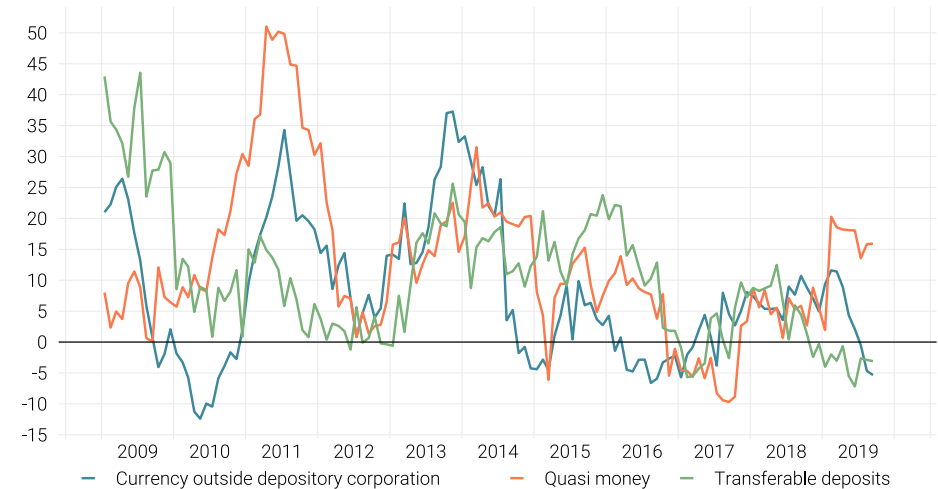
- Broad Money (M2) recorded an annual growth rate of 7% for the fourth consecutive month at the end of September 2019.
- From the components side, the stagnation in the growth of broad money stemmed entirely from the decline in narrow money growth due to decreases in both transferable deposits and currency outside depository corporations. Meanwhile, quasi money observed a significant annual growth and helped to curb a further slowdown in growth of broad money.
- As for the sources of broad money growth, both net domestic assets and net foreign assets contributed to the broad money 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

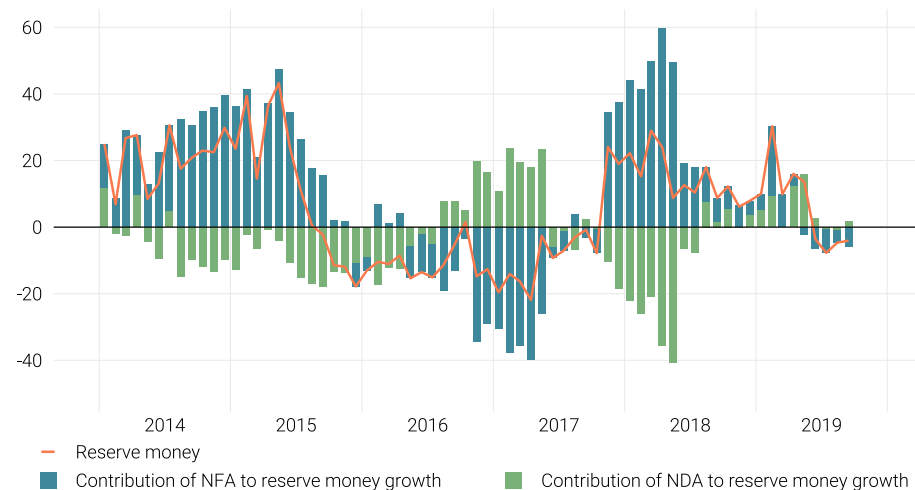
- The negative growth rate of reserve money (M0) since June 2019 continued further in September 2019 and posted an annual decline of 4% when compared with September 2018.
 - The annual decline in reserve money was largely contributed by the 7% fall in net foreign assets of the MMA due to the decrease in foreign currency deposits of commercial banks held at the MMA.
 - However, net domestic assets of the MMA observed a positive turnaround and recorded an annual growth of 8% in September 2019.

Credit to Private Sector

- Credit to the private sector posted an annual growth of 7% at the end of September 2019 when compared to the corresponding period of 2018.
 - With regard to the composition of credit to private sector, credit growth increased for all main sectors, except for the commerce sector.
 - Credit growth to the commerce sector remained sluggish and recorded a marginal annual decline in September 2019. This decline stemmed largely from the decline in credit lent to restaurants and cafés despite an upturn in loans to wholesale and retail activities.

Sources of Reserve Money, 2014 - 2019

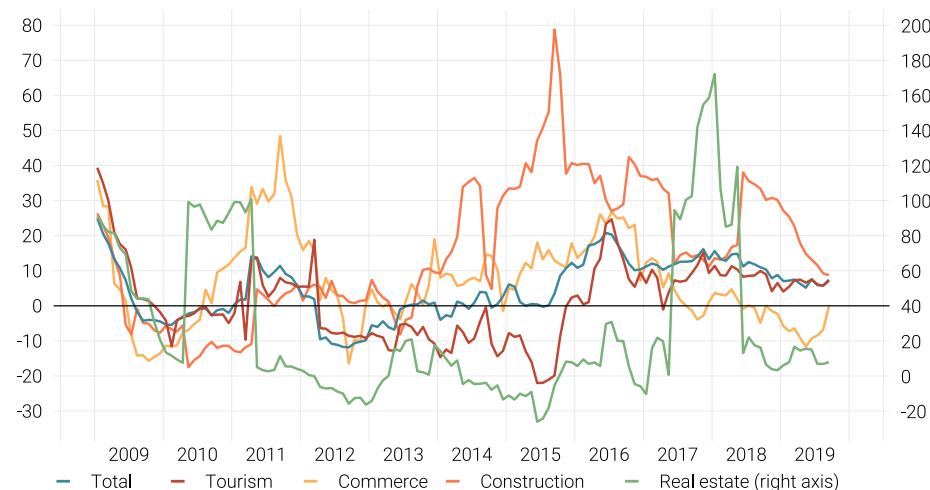
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Private Sector Credit Growth, 2009 - 2019

(annual percentage change)

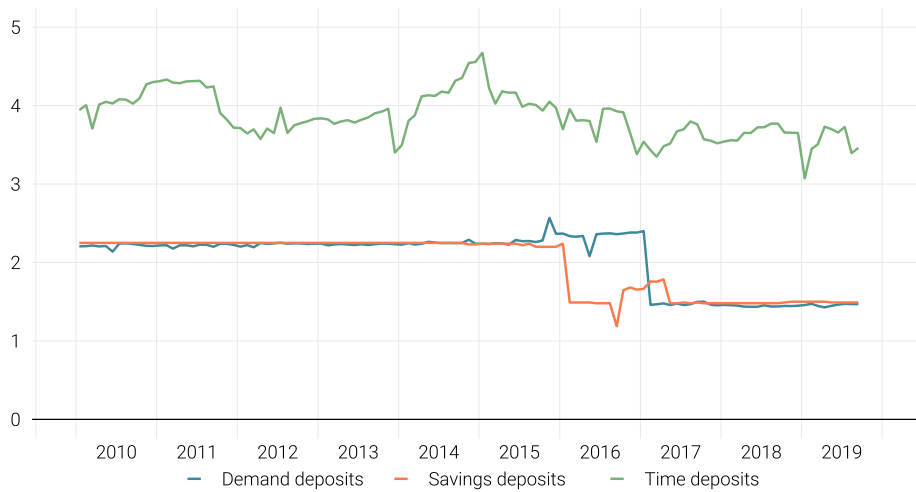


Source: Maldives Monetary Authority

Interest rates

Interest Rate on National Currency Deposits, 2010 - 2019

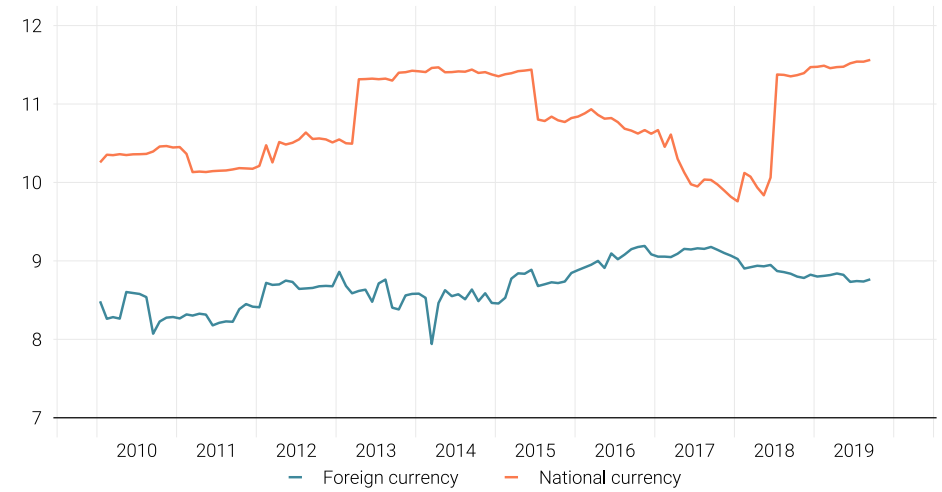
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Private Sector Loans and Advances, 2010 - 2019

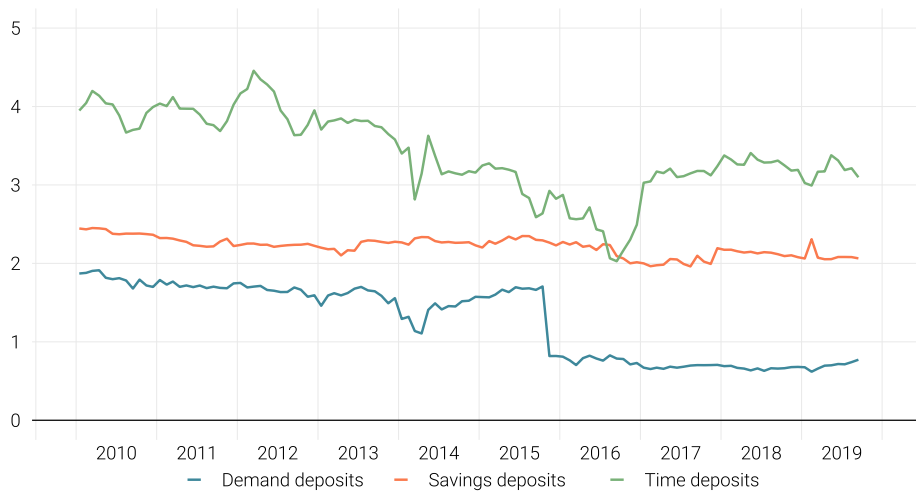
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2010 - 2019

(weighted average)

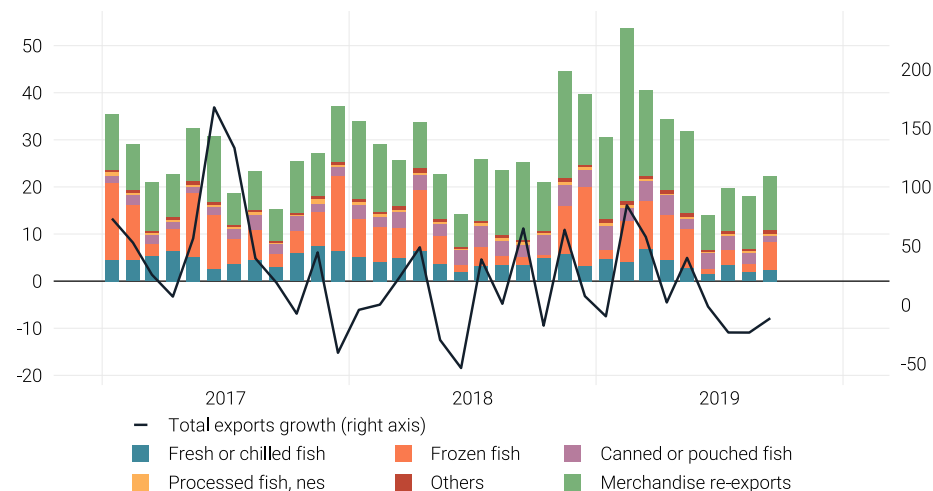


Source: Maldives Monetary Authority

External Trade

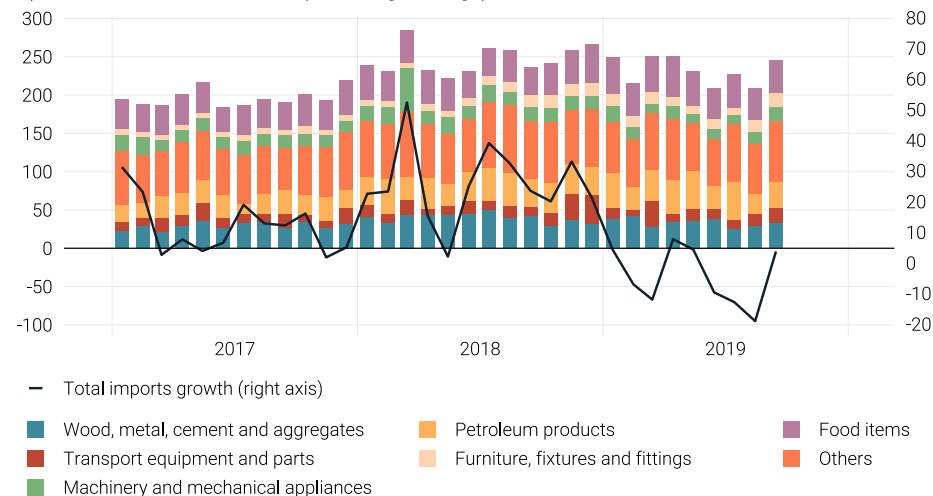
- Total exports (f.o.b) declined by 11%, while total imports (c.i.f) increased by 4% in September 2019 when compared with September 2018.
 - The decline in total exports stemmed from a decrease in re-exports, despite an increase in domestic exports during the review period. The decline in re-exports broadly reflected the base effect of the re-export of project-related capital goods. Meanwhile, domestic exports were driven by a significant upturn in fish exports, the largest component of domestic exports.
 - The growth in total imports mainly stemmed from the substantial increase in imports of transport equipments and parts; and food items.
- Overall, during January to September 2019, total exports increased by 13% while total imports decreased by 5% 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)



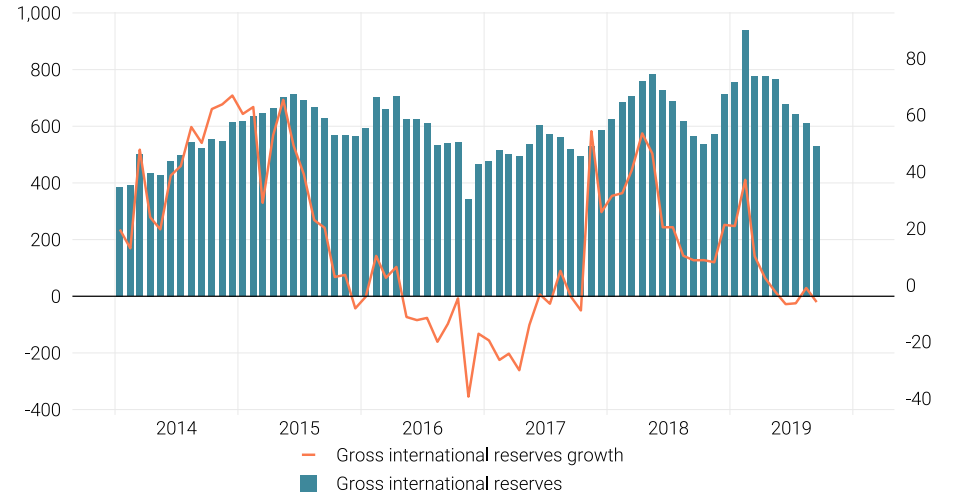
Source: Maldives Customs Service

Gross International Reserves

- At the end of September 2019 gross international reserves stood at US\$530.8 million.
 - This was a decrease of 13% when compared with August 2019 and a decrease of 6% when compared with September 2018.

Gross International Reserves, 2014 - 2019

(millions of US dollars, annual percentage change)

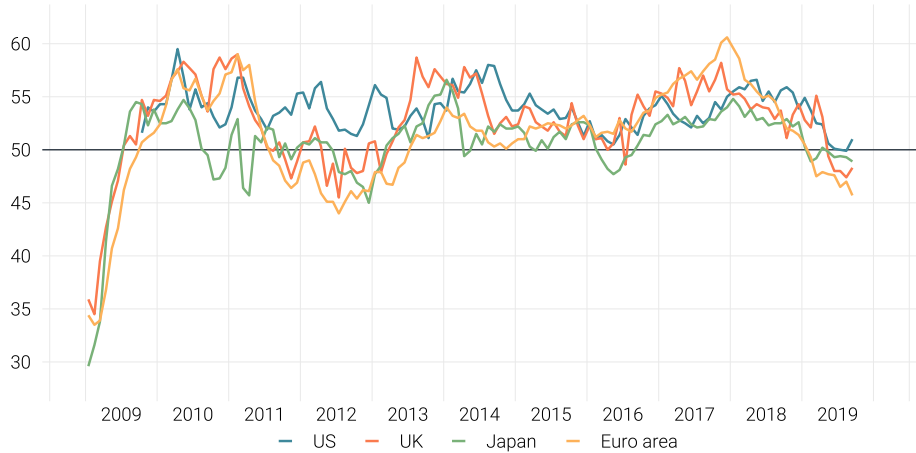


Source: Maldives Monetary Authority

International Economic Developments

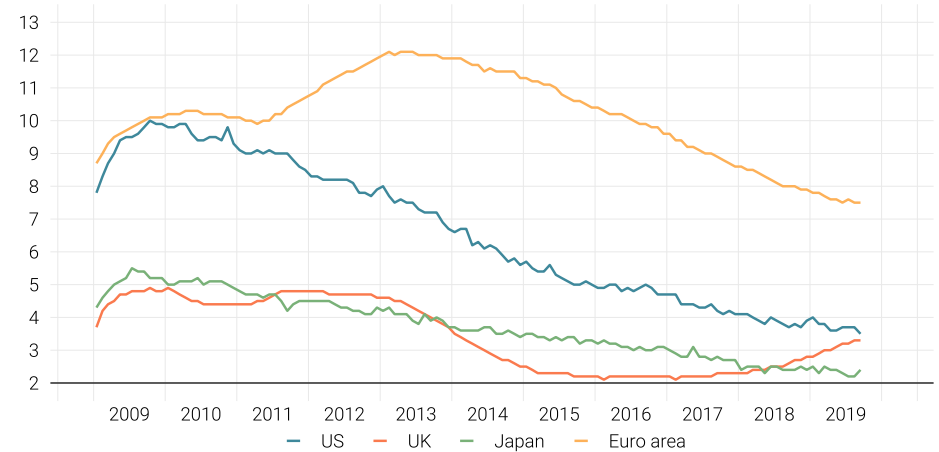
Global Output

Purchasing Manager's Index in the Advanced Economies, 2009 - 2019
(index points)



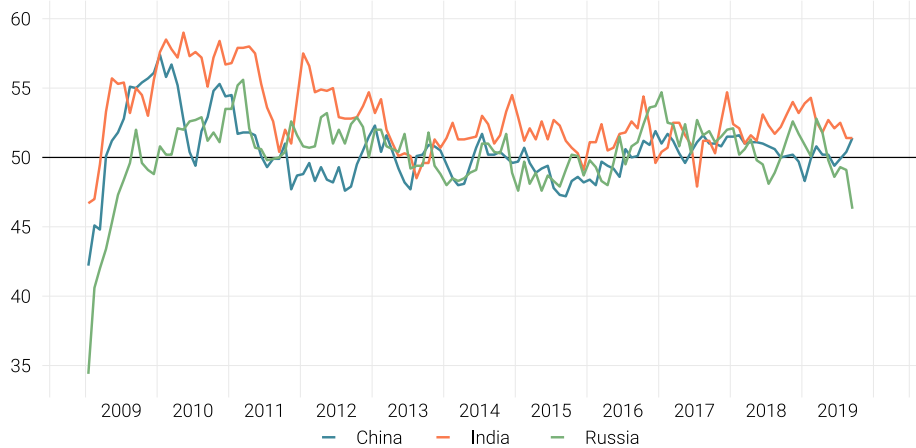
Source: Thomson Reuters Database

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



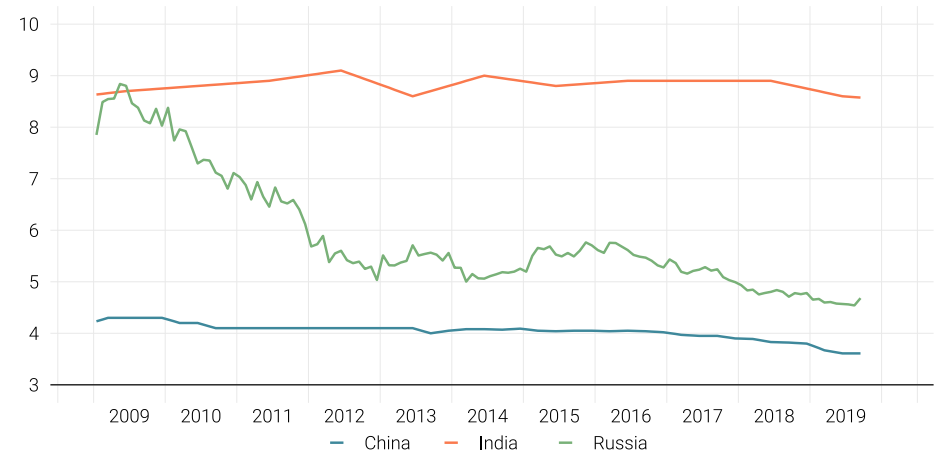
Source: Thomson Reuters Database

Purchasing Manager's Index in the Emerging Economies, 2009 - 2019
(index points)



Source: Thomson Reuters Database

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

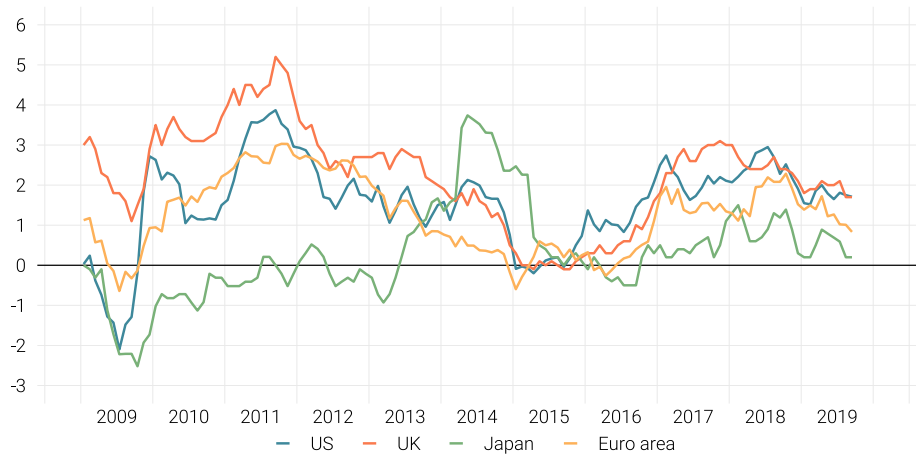


Source: Thomson Reuters Database

Global Inflation

Inflation in the Advanced Economies, 2009 - 2019

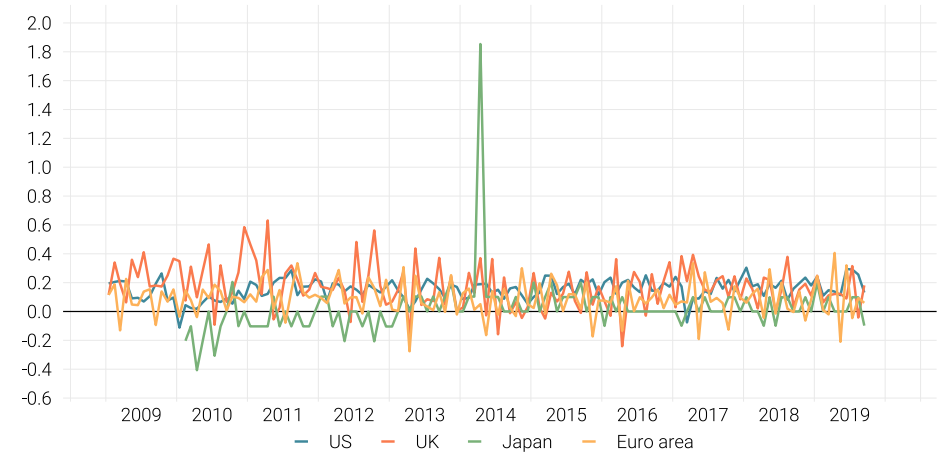
(percent)



Source: Thomson Reuters Database

Core Inflation in the Advanced Economies, 2009 - 2019

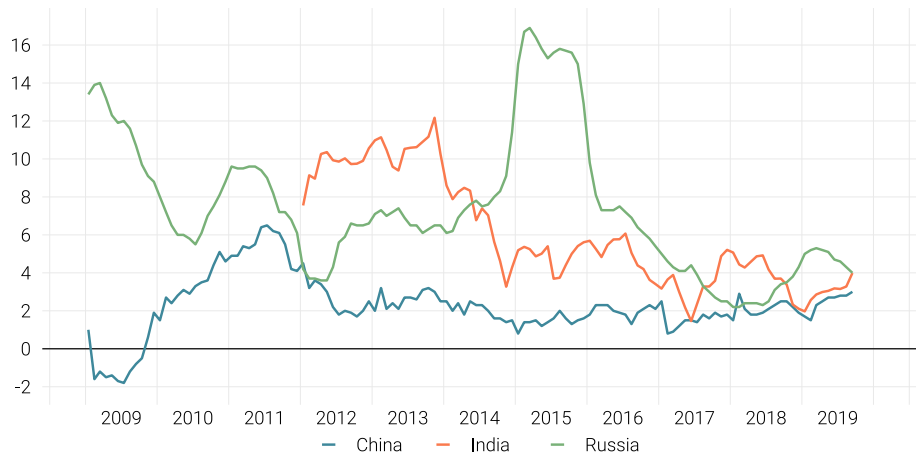
(percent)



Source: Thomson Reuters Database

Inflation in the Emerging Economies, 2009 - 2019

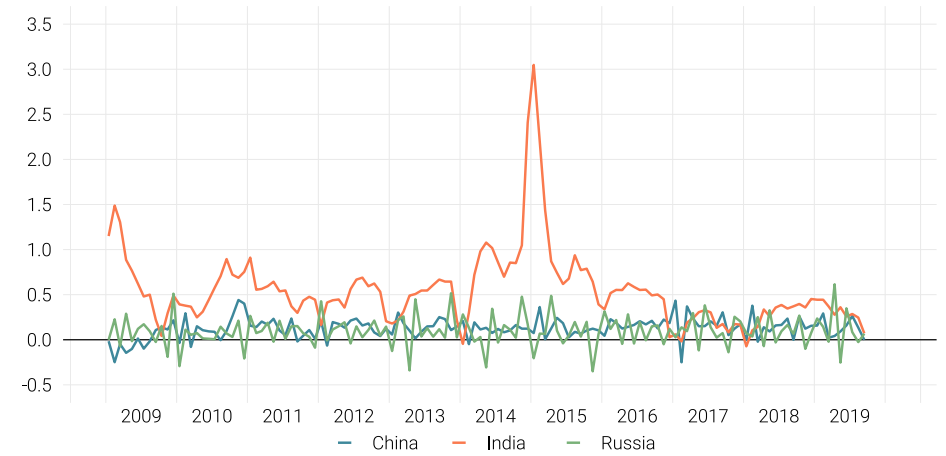
(percent)



Source: Thomson Reuters Database

Core Inflation in the Emerging Economies, 2009 - 2019

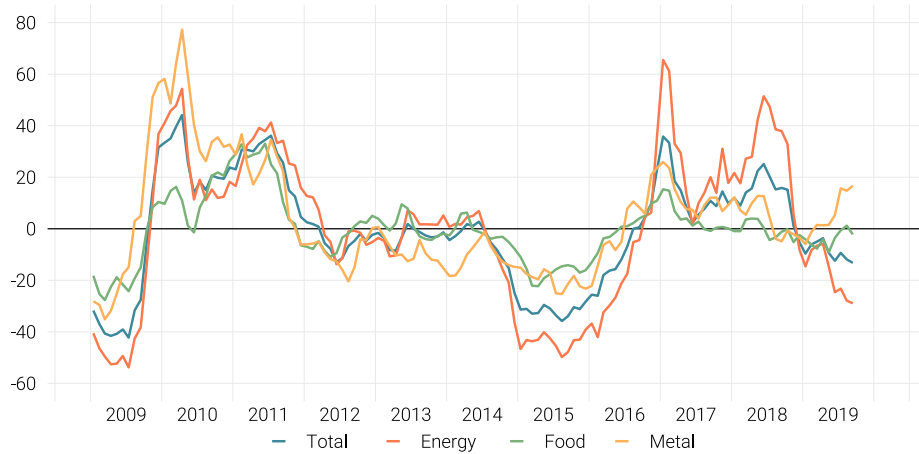
(percent)



Source: Thomson Reuters Database

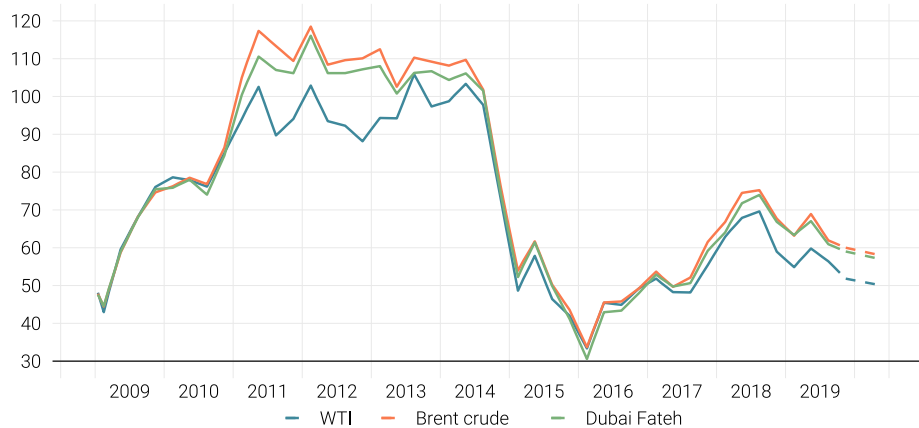
Commodity Prices

Commodity prices, 2009 - 2019
(annual percentage change)



Source: IMF

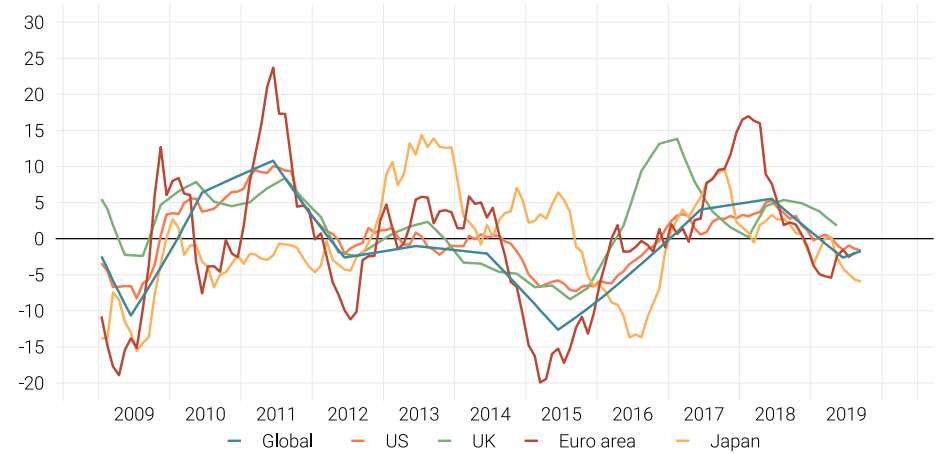
Oil prices, 2009 - 2019
(dollars per barrel)



Source: Thomson Reuters Database
Note: Line = Actual, Dotted = Forecast

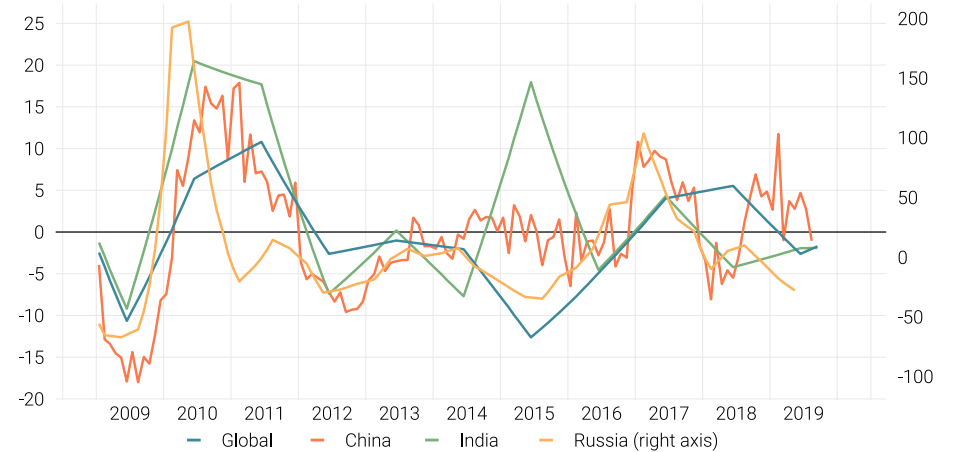
Global Trade

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



Source: Thomson Reuters Database

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

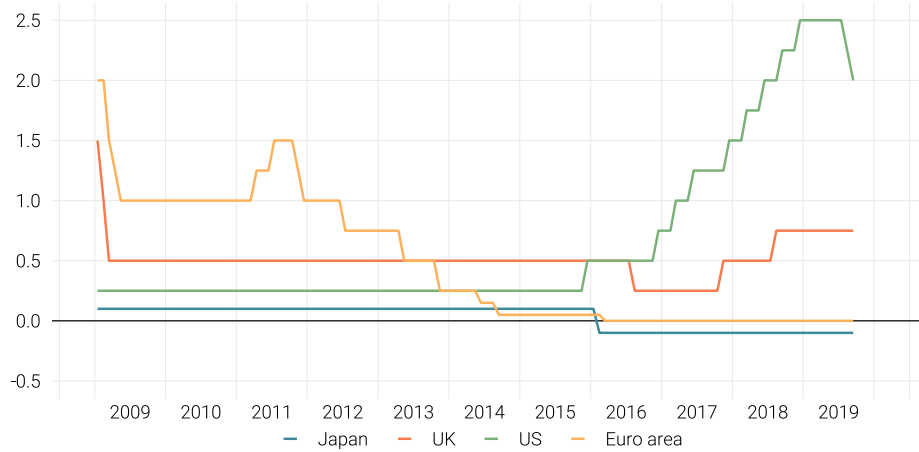


Source: Thomson Reuters Database

Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2009 - 2019

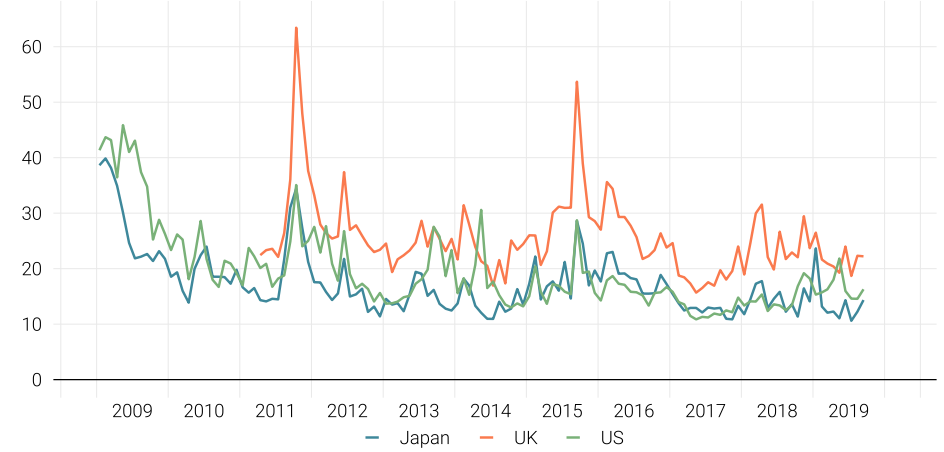
(percent)



Source: Thomson Reuters Database

Volatility Index in the Advanced Economies, 2009 - 2019

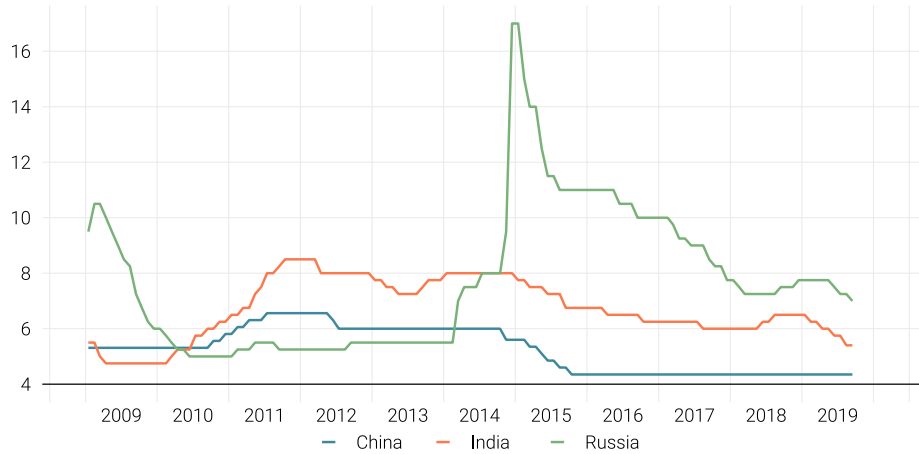
(percent)



Source: Thomson Reuters Database

Monthly Policy Rates in the Emerging Economies, 2009 - 2019

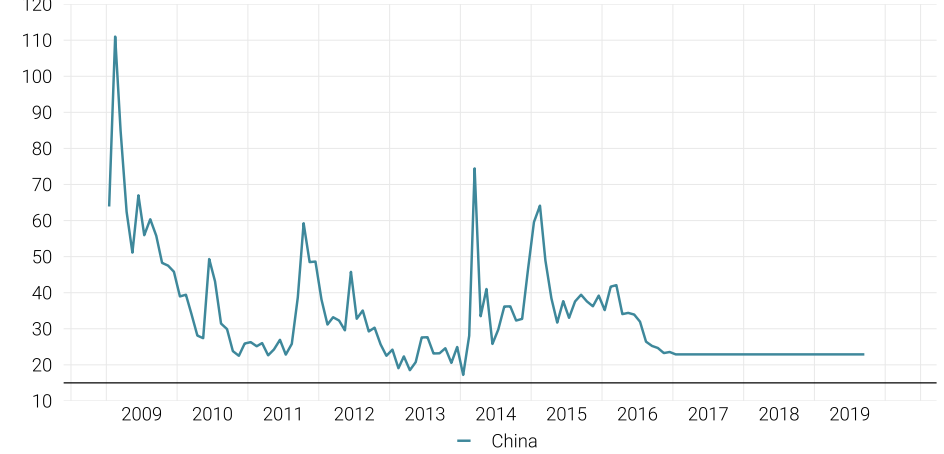
(percent)



Source: Thomson Reuters Database

Volatility Index in the Emerging Economies, 2009 - 2019

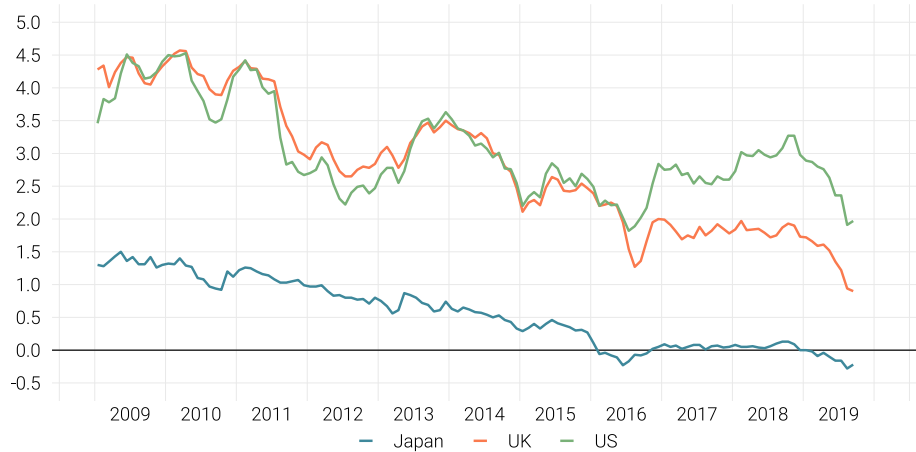
(percent)



Source: Thomson Reuters Database

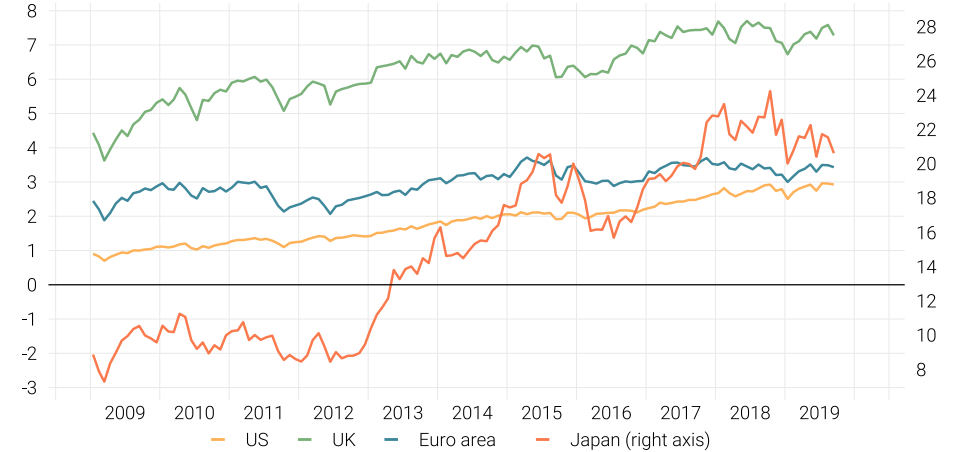
Global Financial Markets

Spread Yield of Bonds in the Advanced Economies, 2009 - 2019
(percent)



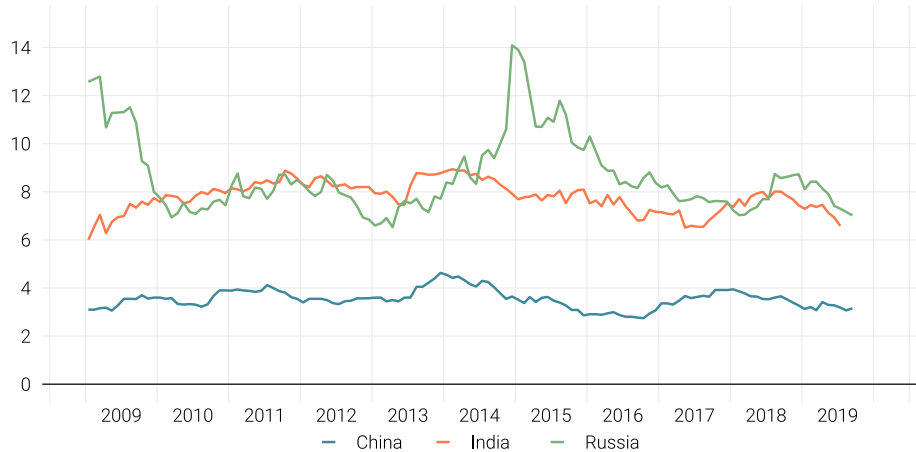
Source: Thomson Reuters Database

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



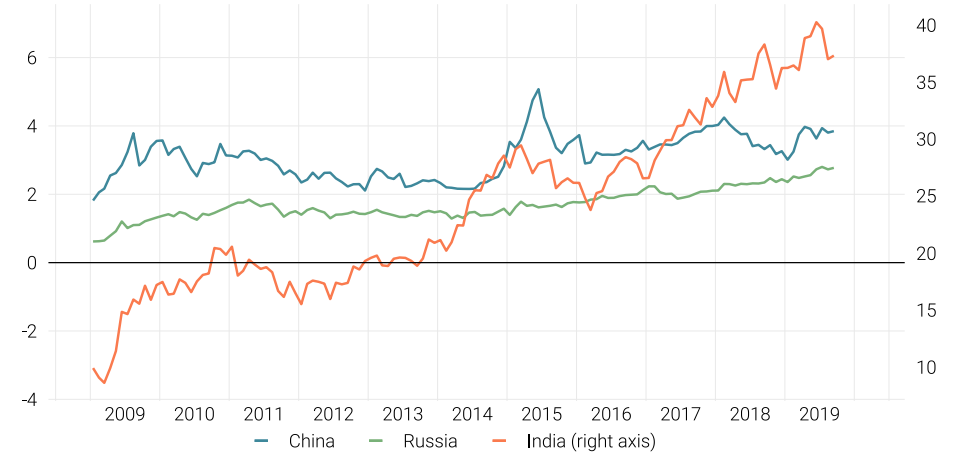
Source: Thomson Reuters Database

Spread Yield of Bonds in the Emerging Economies, 2009 - 2019
(percent)



Source: Thomson Reuters Database

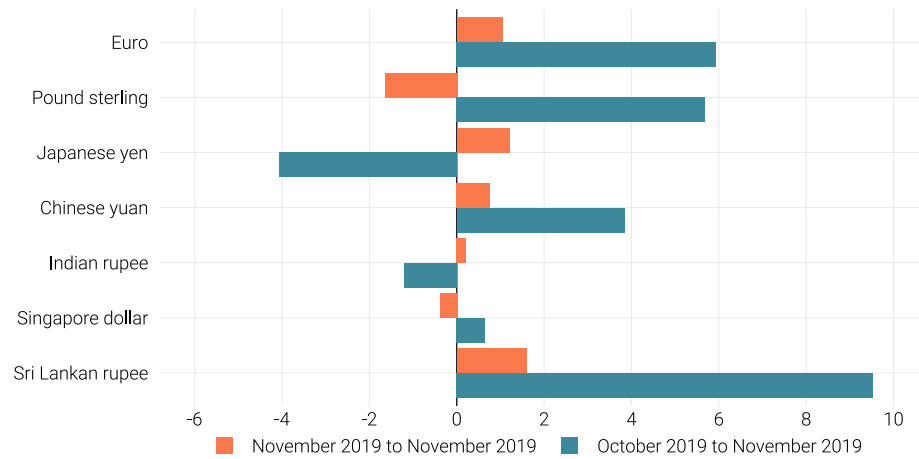
Share Price Index in the Emerging Economies, 2009 - 2019
(price index, in thousands)



Source: Thomson Reuters Database

Global Financial Markets

Exchange Rates, November 2019
(percentage change)



Source: Thomson Reuters Database



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