

ECONOMIC UPDATE

NOVEMBER 2019

VOLUME 1 ISSUE 3



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

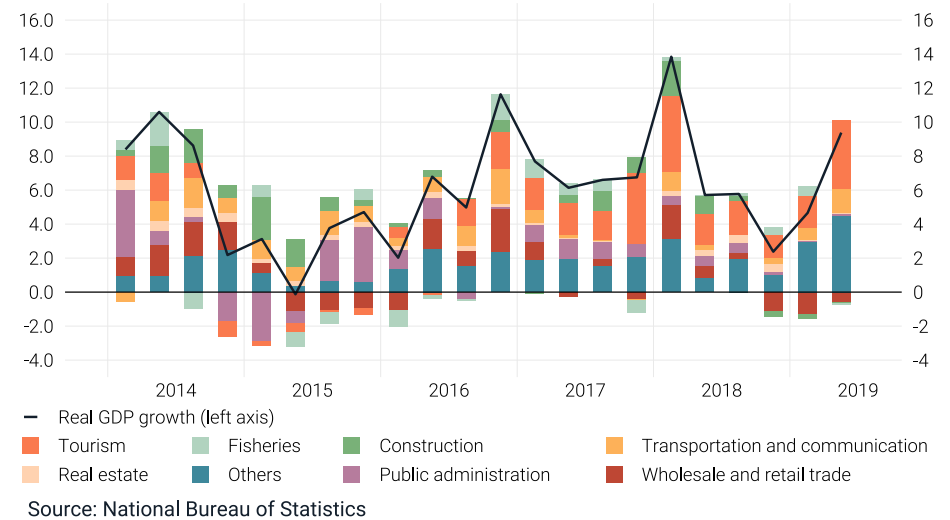
Gross Domestic Product

- 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.

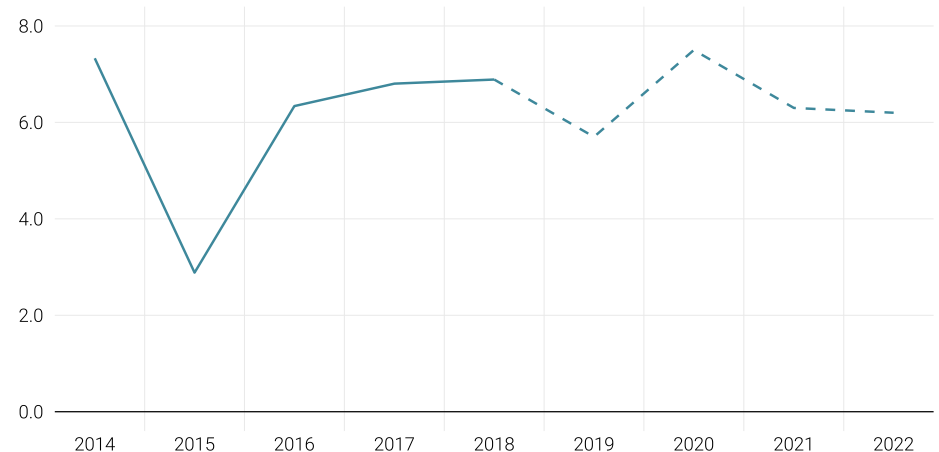
Annual GDP Growth Forecast

- 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)



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



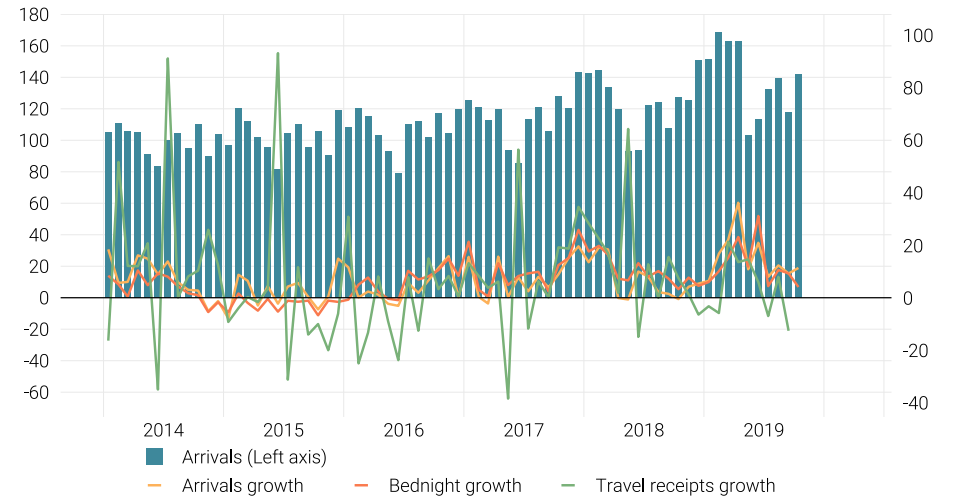
Source: National Bureau of Statistics, Maldives Monetary Authority, Ministry of Finance
Note: The dashed lines represent forecasts.

Tourism

- In October 2019, the annual growth rate of tourist arrivals picked up to 11% while bednights grew by 4%.
 - The growth in tourist arrivals during the month largely reflected the boost in arrivals from the emerging source market of India, while arrivals from Europe, particularly Russia and UK, also contributed to the growth.
- In October 2019, the operational bed capacity of the tourism industry increased by 16%, while the occupancy rate declined to 56% in October 2019 from 62% in October 2018.
- For the period January to October 2019, total tourist arrivals increased by 15%, while the total bednights of the industry observed an increase of 12% in annual terms. Meanwhile, tourism receipts for the period are estimated at US\$2.5 billion, a 3% growth when compared with the corresponding period a year ago.

Tourism, 2014 - 2019

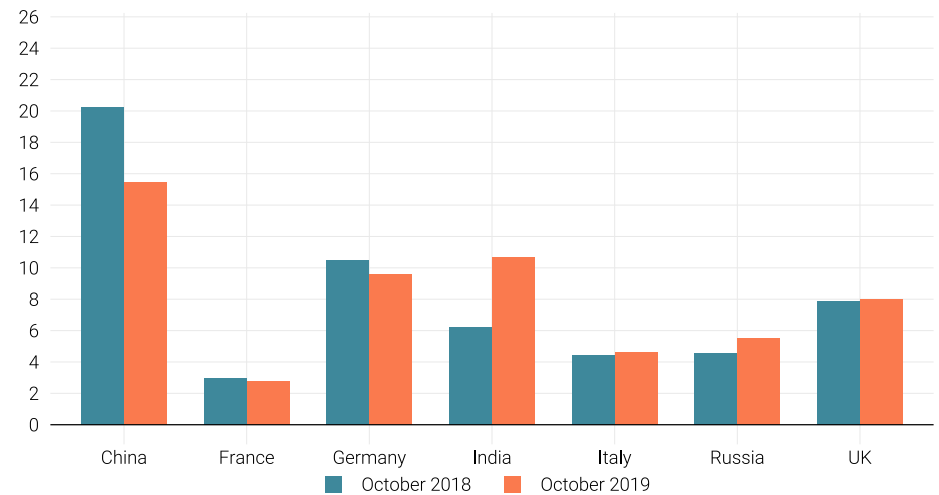
(thousands, annual percentage change)



Source: Ministry of Tourism

Shares of Key Inbound Markets

(percent)

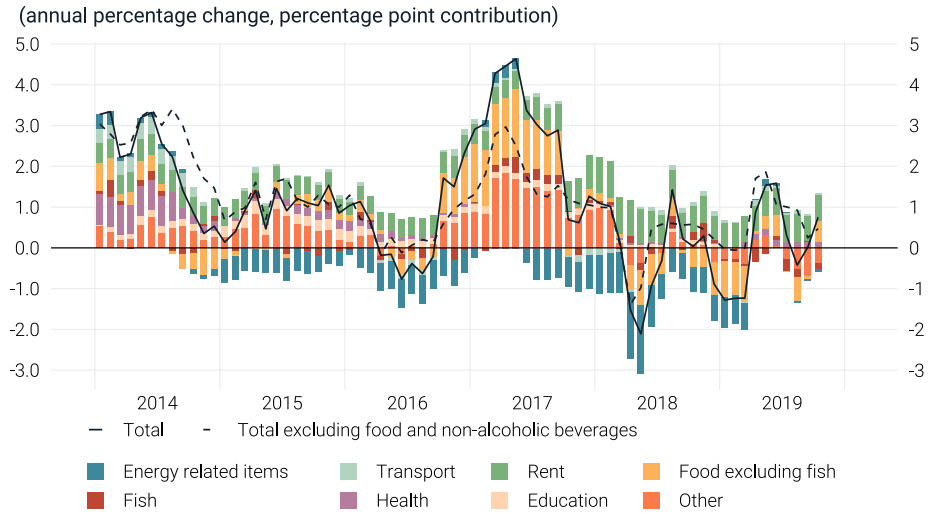


Source: Ministry of Tourism

Inflation

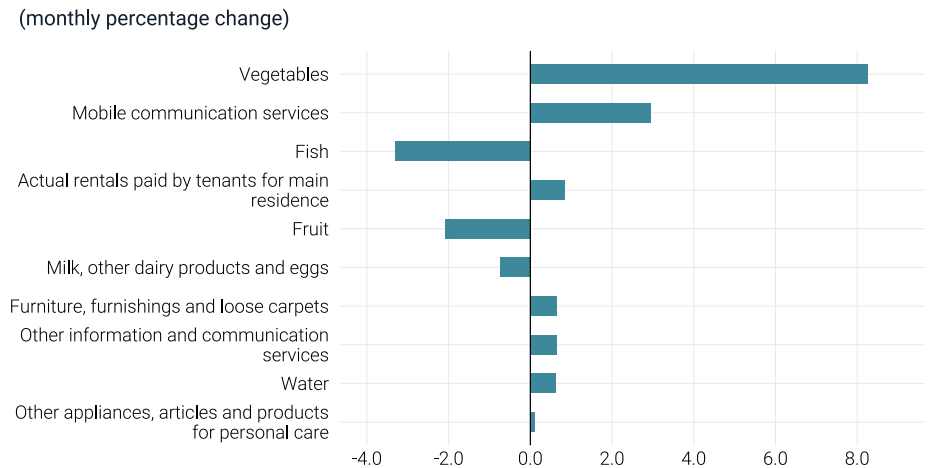
- The rate of inflation as measured by the annual percentage change in the national CPI accelerated to 0.8% in October 2019, after recording 0.02% in September 2019.
 - From the major categories of CPI, the largest contributors to the annual rate of inflation during October 2019 were rent (0.6 percentage points), vegetables (0.6 percentage points), information and communication (-0.3 percentage points), and domestic passenger air transport (-0.3 percentage points).
- The monthly percentage change in the national CPI picked up to 0.3% in October 2019, from -0.2% in September 2019.
 - The largest contribution to the monthly rate of inflation came from vegetables (0.2 percentage points), mobile communication services (0.2 percentage points), rent (0.1 percentage points) and fish (-0.1 percentage points) categories.

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



Source: National Bureau of Statistics

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



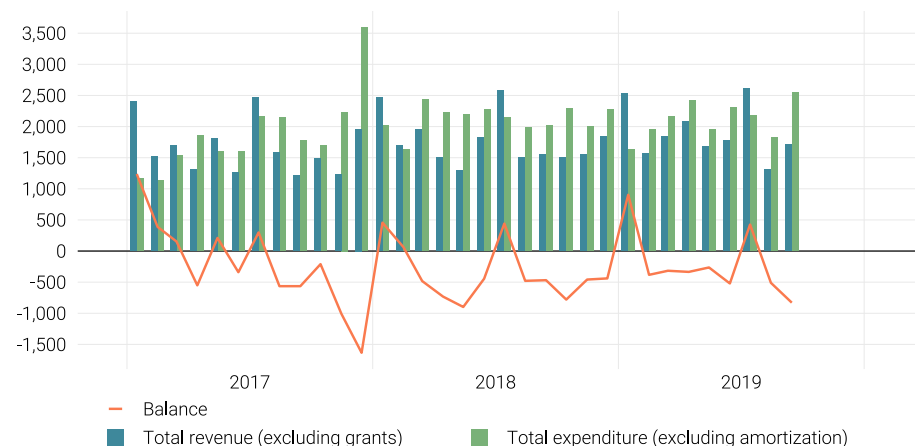
Source: National Bureau of Statistics
Note: Ordered by the size of the contribution.

Public Finance

- Total government revenue (excluding grants) increased by MVR160.4 million (10%) in September 2019 when compared with September 2018.
 - This was due to increases in both tax and non-tax revenues, which grew by MVR90.1 million and MVR76.1 million, respectively, in September 2019 when compared with the corresponding month of 2018.
- Total expenditure (excluding amortisation) observed an increase of MVR521.5 million (26%) in September 2019 compared with September 2018.
 - The rise in expenditure was entirely contributed by a marked increase in recurrent expenditure which grew by MVR589.5 million. This was offset to an extent due to the MVR68.1 million decline in capital expenditure 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)

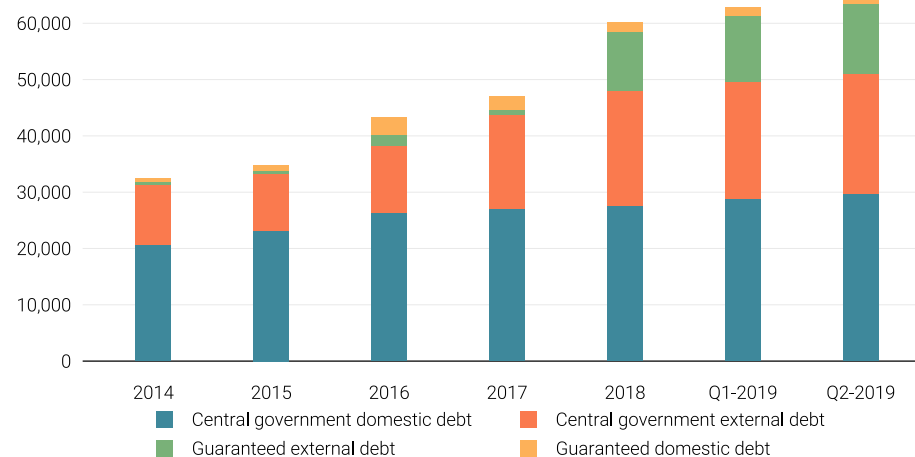


Source: Ministry of Finance

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)



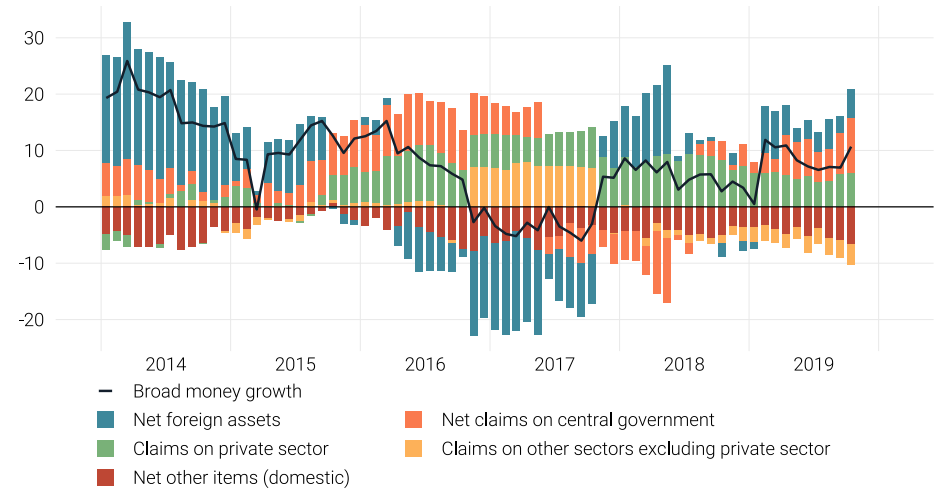
Source: Ministry of Finance

Monetary Developments

Broad Money

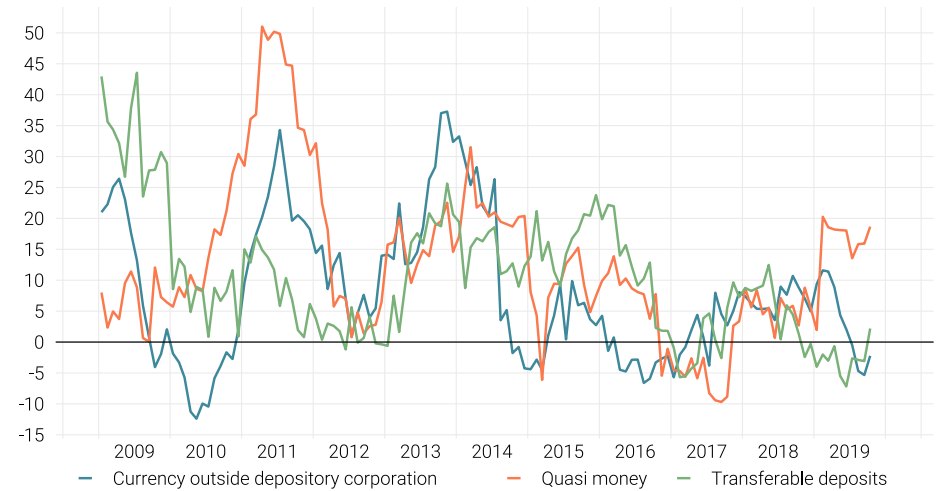
- Broad Money (M2) growth accelerated to 11% in annual terms at the end of October 2019, after recording 7% for four consecutive months.
 - On the components side, the acceleration in broad money growth was almost entirely due to an increase in quasi money, while narrow money recorded a marginal growth, owing to an increase in transferable deposits.
 - 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

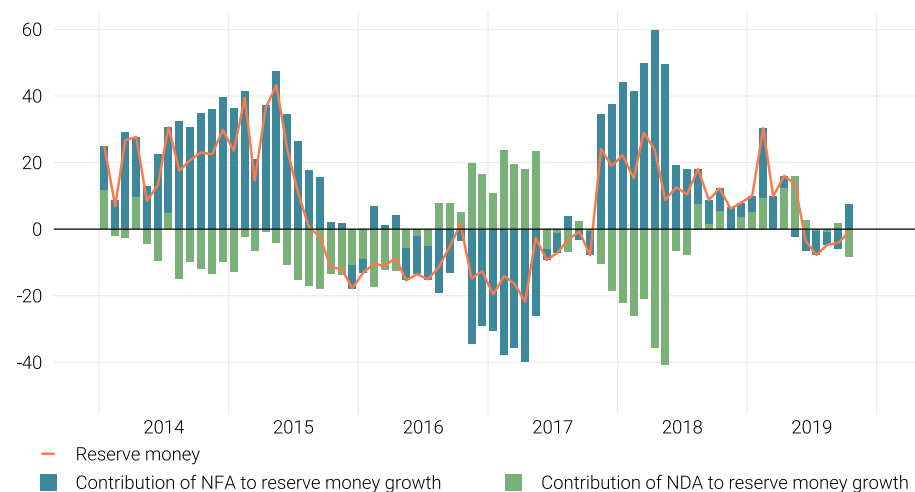
- The negative growth rate of reserve money (M0) being observed since June 2019 continued further in October 2019 and posted an annual decline of 1% when compared with October 2018. However, the pace of decline decelerated from 4% at the end of September 2019.
 - The annual decline in reserve money was largely contributed by the 32% fall in net domestic assets of the MMA stemming from decline in claims on public nonfinancial corporations.
 - However, net foreign assets of the MMA observed a positive turnaround and recorded an annual growth of 10% in October 2019.

Credit to Private Sector

- Credit to the private sector by commercial banks posted an annual growth of 8% at the end of October 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, namely tourism, construction, real estate, transport and communication; except for the commerce sector. Additionally, credit extended as personal loans increased during the period.
 - Similar to September 2019, credit growth to the commerce sector observed an annual decline in October 2019, which stemmed primarily from the decline in credit lent to restaurants and cafés; and wholesale and retail trade.

Sources of Reserve Money, 2014 - 2019

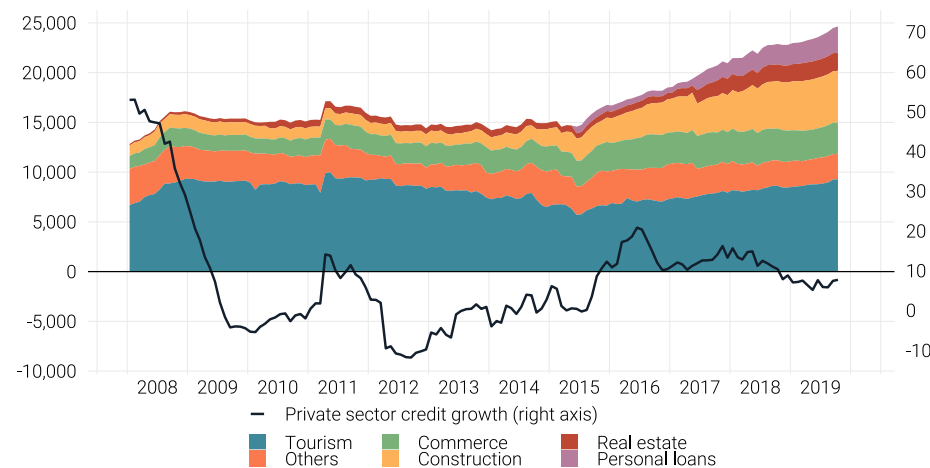
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Private Sector Credit, 2008 - 2019

(millions of rufiyaa, annual percentage change)



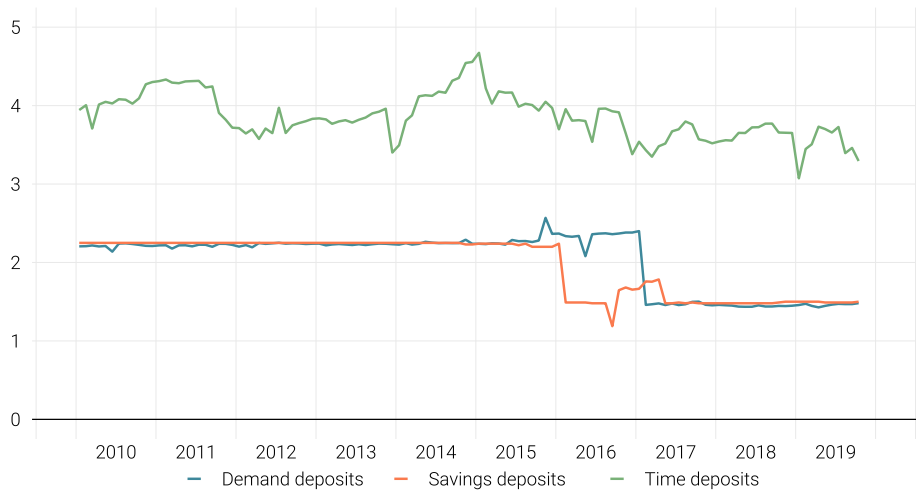
Source: Maldives Monetary Authority

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

Interest rates

Interest Rate on National Currency Deposits, 2010 - 2019

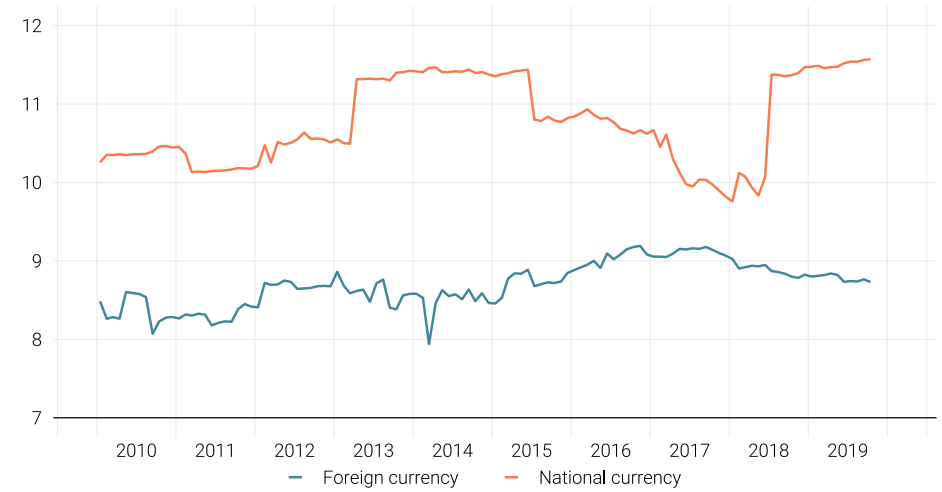
(weighted average)



Source: Maldives Monetary Authority

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

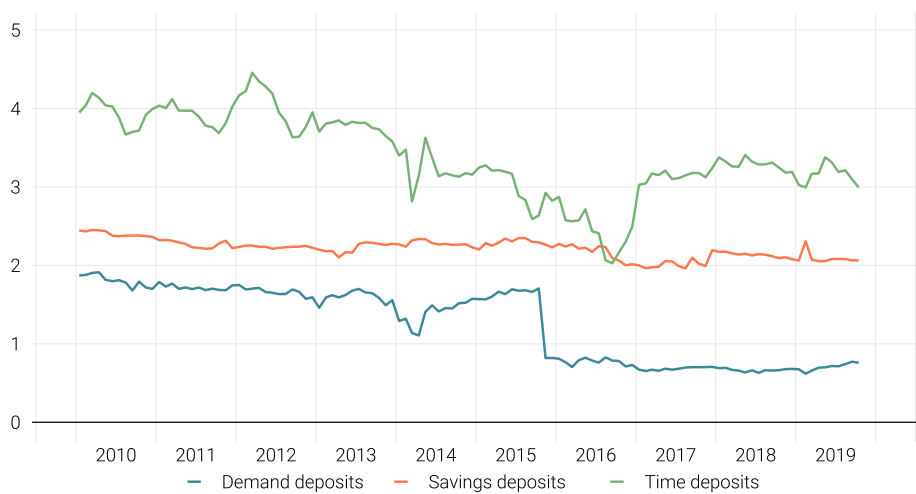
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2010 - 2019

(weighted average)

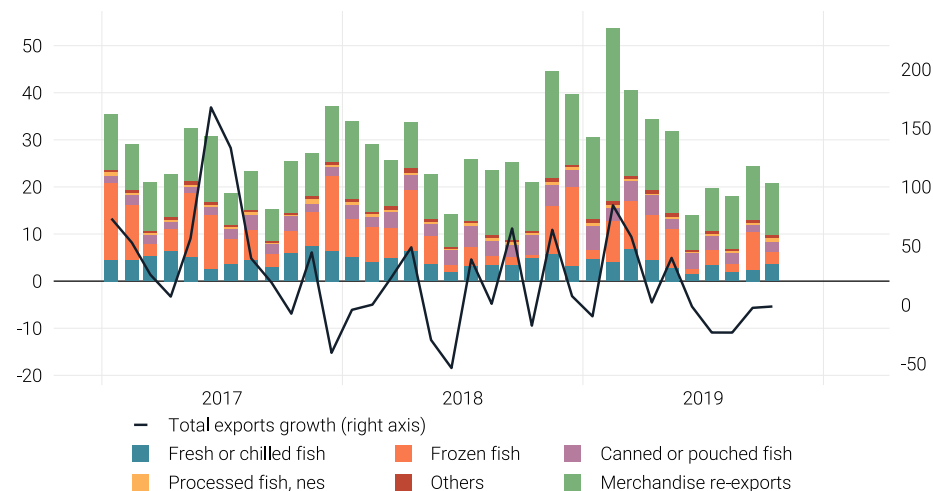


Source: Maldives Monetary Authority

External Trade

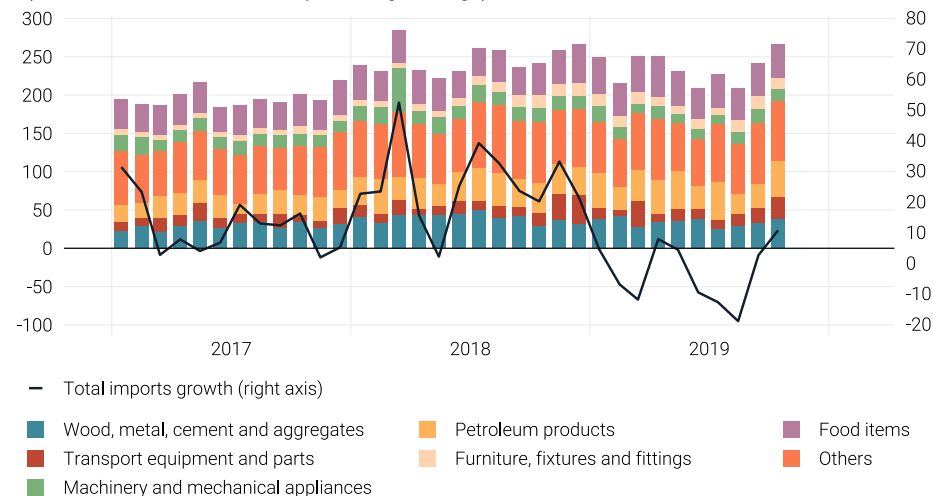
- In October 2019, total exports (f.o.b) observed a modest decline, while total imports (c.i.f) increased by 11% when compared with October 2018.
 - The decline total exports stemmed primarily from a fall in domestic exports, as re-exports recorded an upsurge during the period. The decrease in domestic exports was mainly due to a marked fall in export earnings from canned or pouched tuna during the review period. This decline was offset to an extent by growth in earnings from frozen yellowfin and skipjack tuna exports; and processed fish.
 - The growth in total imports was primarily due to the substantial increase in imports of transport equipments and parts; construction-related items; and petroleum products.
- Overall, during January to October 2019, total exports increased by 13% while total imports decreased by 4% 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)



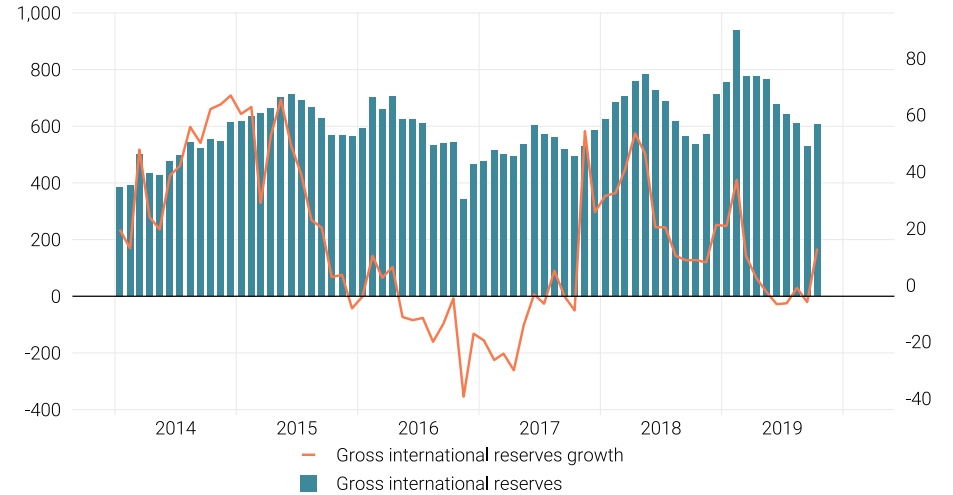
Source: Maldives Customs Service

Gross International Reserves

- At the end of October 2019 gross international reserves stood at US\$607.0 million.
 - This was an increase of 14% compared with September 2019 and an increase of 13% compared with October 2018.

Gross International Reserves, 2014 - 2019

(millions of US dollars, annual percentage change)

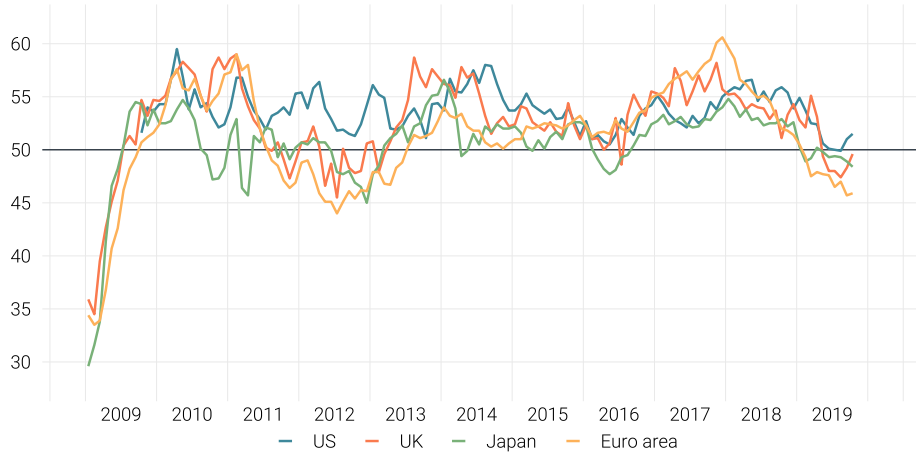


Source: Maldives Monetary Authority

International Economic Developments

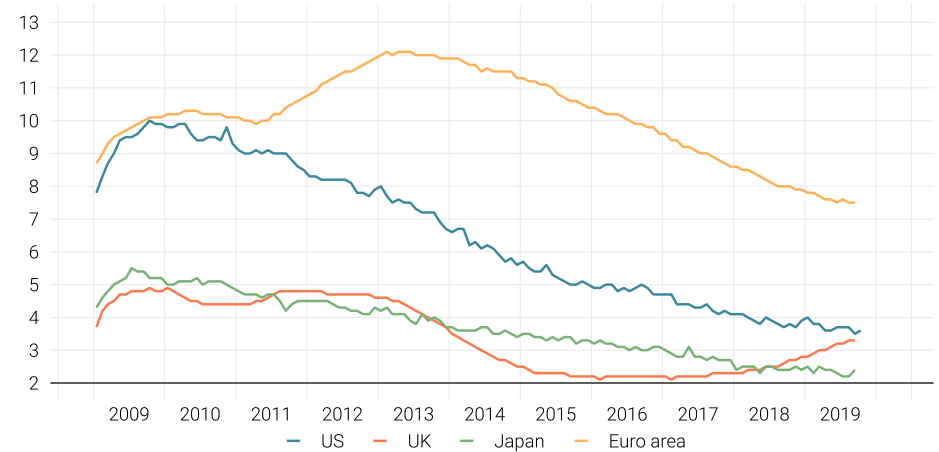
Global Output

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



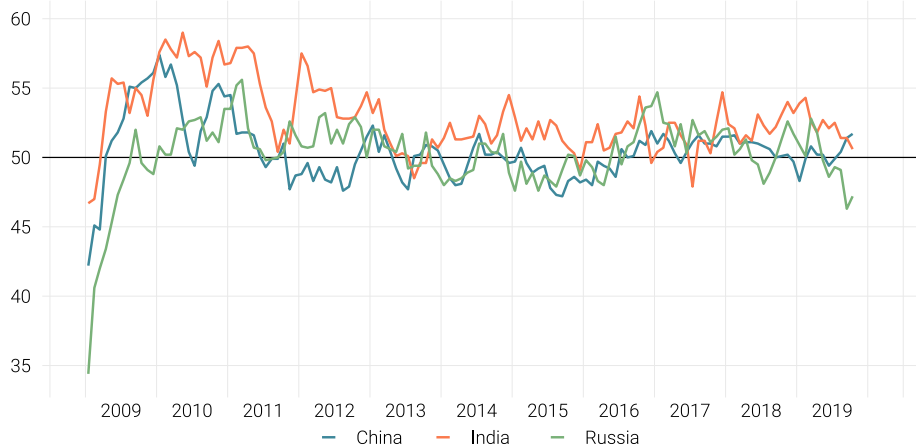
Source: Thomson Reuters Database

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



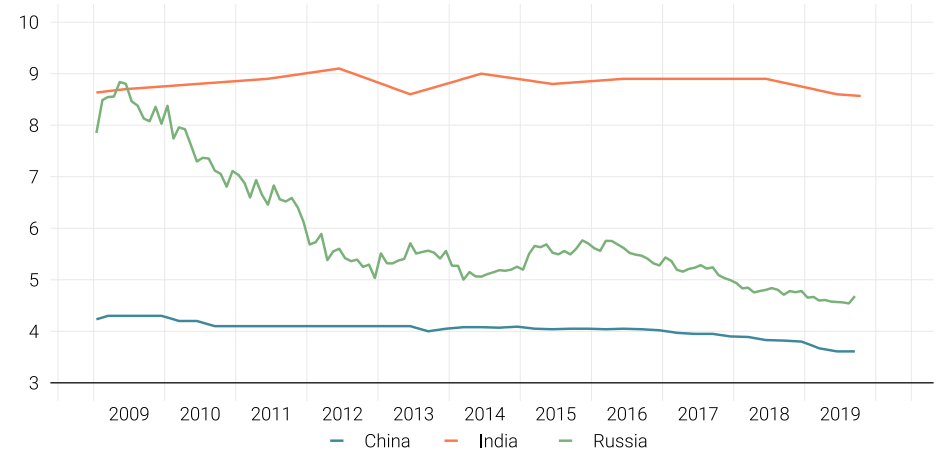
Source: Thomson Reuters Database

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



Source: Thomson Reuters Database

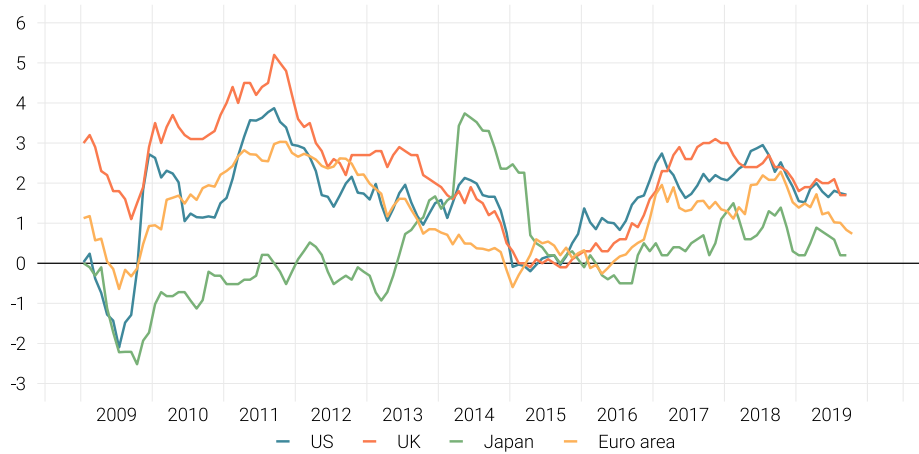
Unemployment in the Emerging Economies, 2009 - 2019
(percent)



Source: Thomson Reuters Database

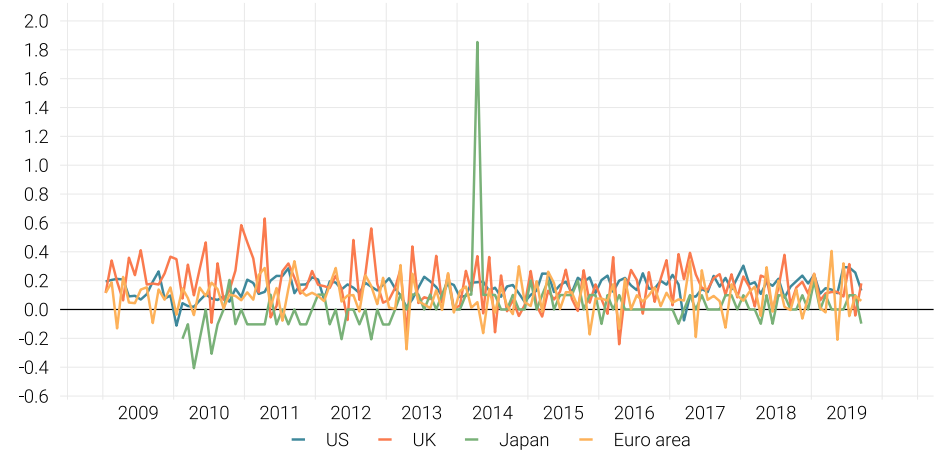
Global Inflation

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



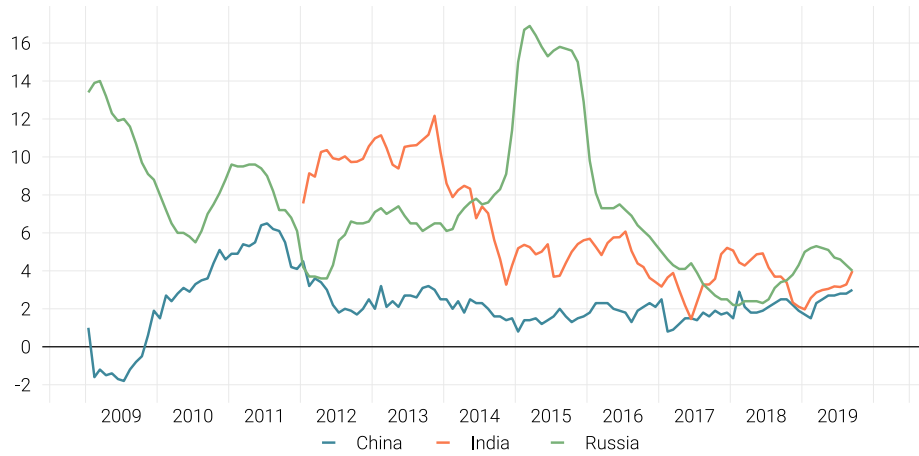
Source: Thomson Reuters Database

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



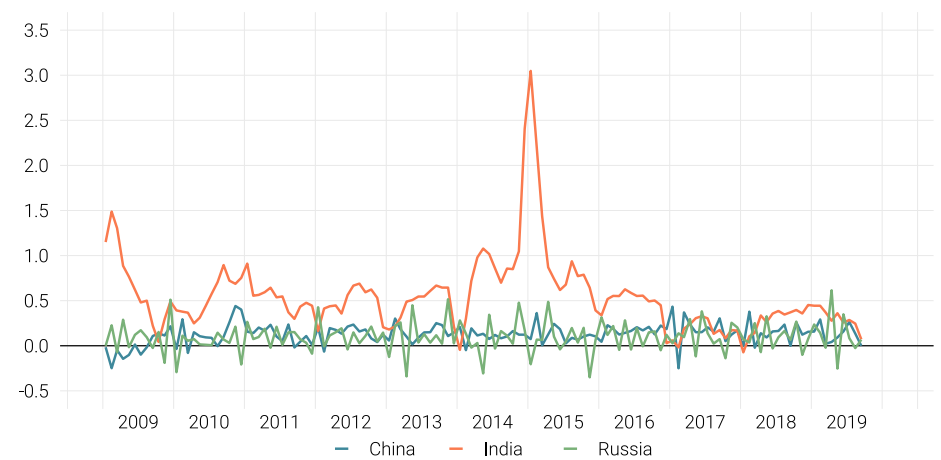
Source: Thomson Reuters Database

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



Source: Thomson Reuters Database

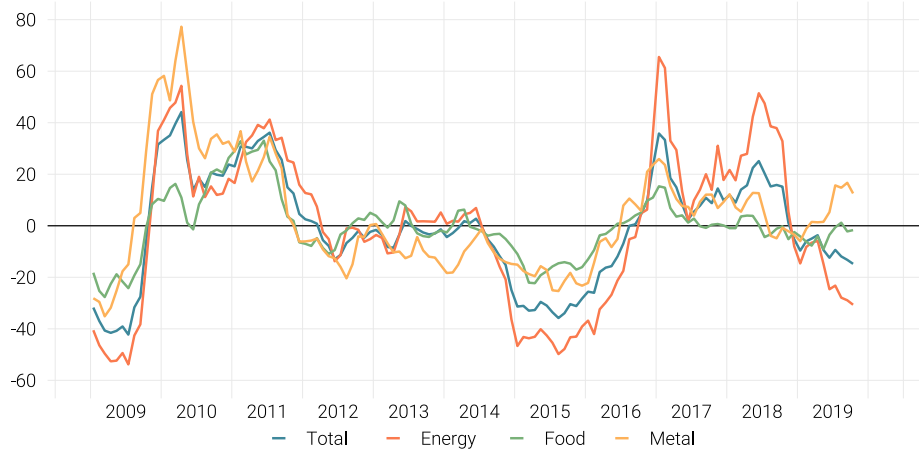
Core Inflation in the Emerging Economies, 2009 - 2019 (percent)



Source: Thomson Reuters Database

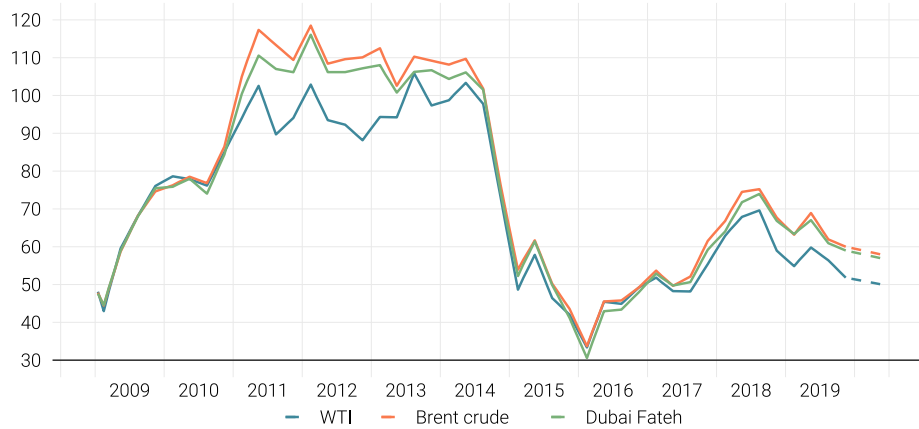
Commodity Prices

Commodity prices, 2009 - 2019
(annual percentage change)



Source: IMF

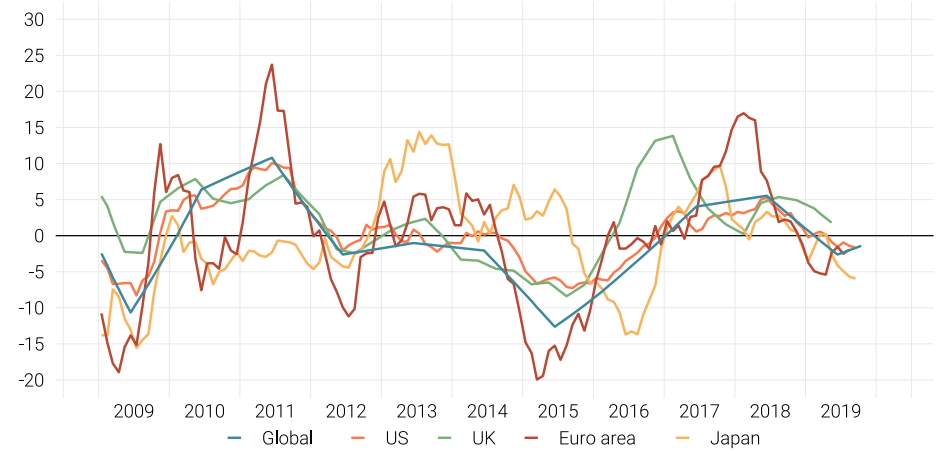
Oil prices, 2009 - 2019
(dollars per barrel)



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

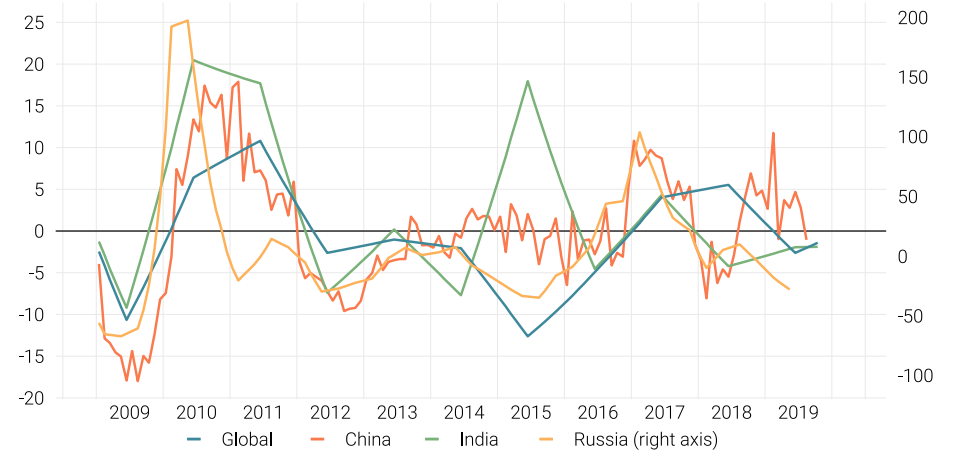
Global Trade

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



Source: Thomson Reuters Database

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

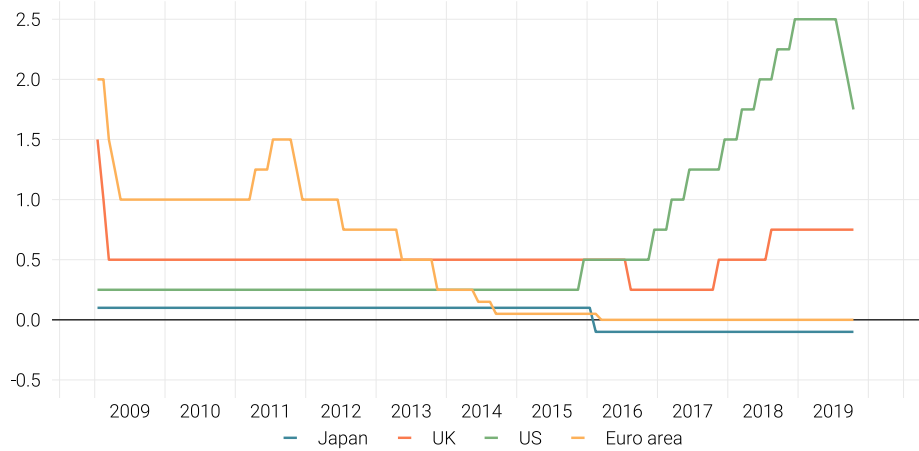


Source: Thomson Reuters Database

Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2009 - 2019

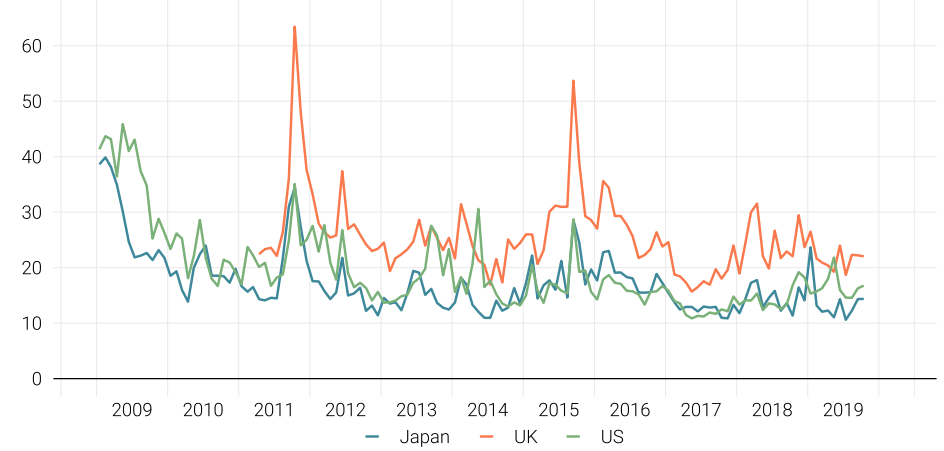
(percent)



Source: Thomson Reuters Database

Volatility Index in the Advanced Economies, 2009 - 2019

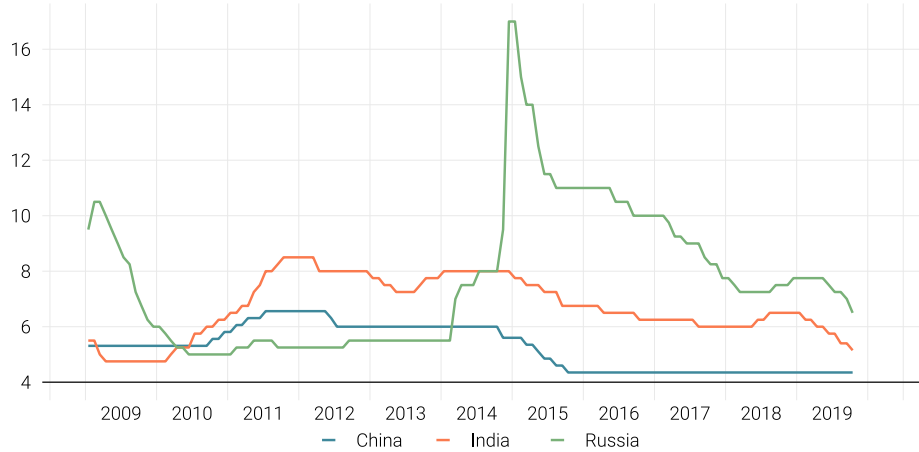
(percent)



Source: Thomson Reuters Database

Monthly Policy Rates in the Emerging Economies, 2009 - 2019

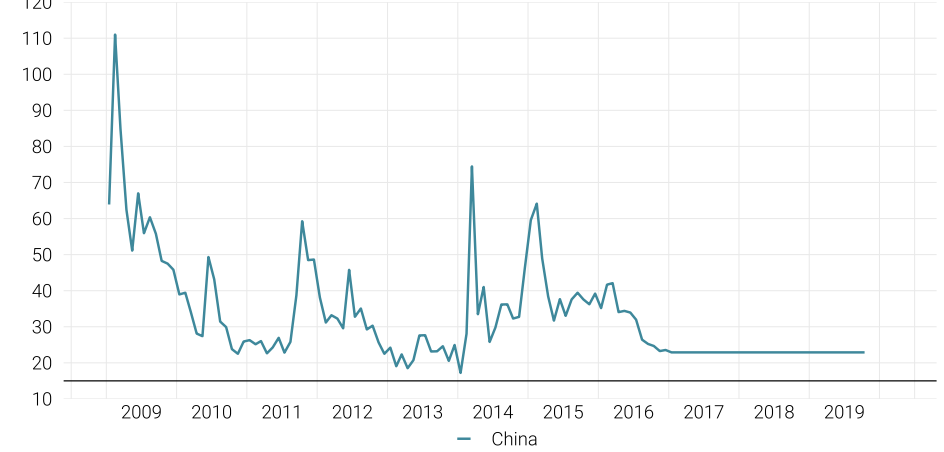
(percent)



Source: Thomson Reuters Database

Volatility Index in the Emerging Economies, 2009 - 2019

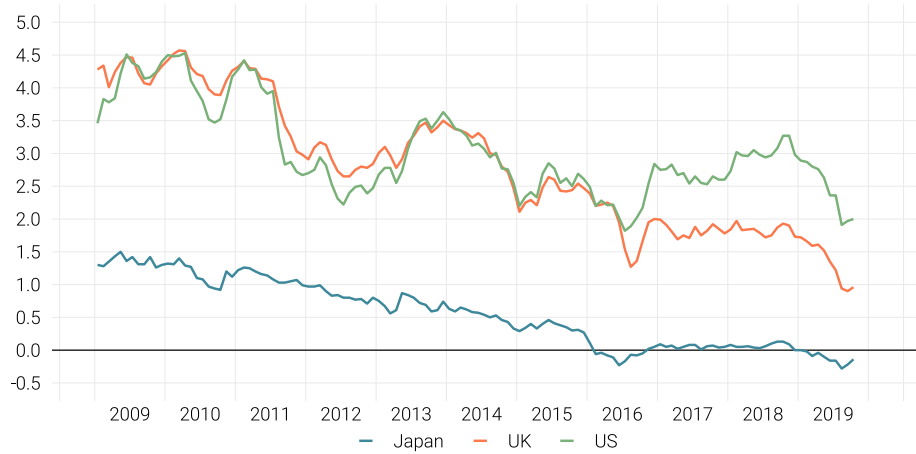
(percent)



Source: Thomson Reuters Database

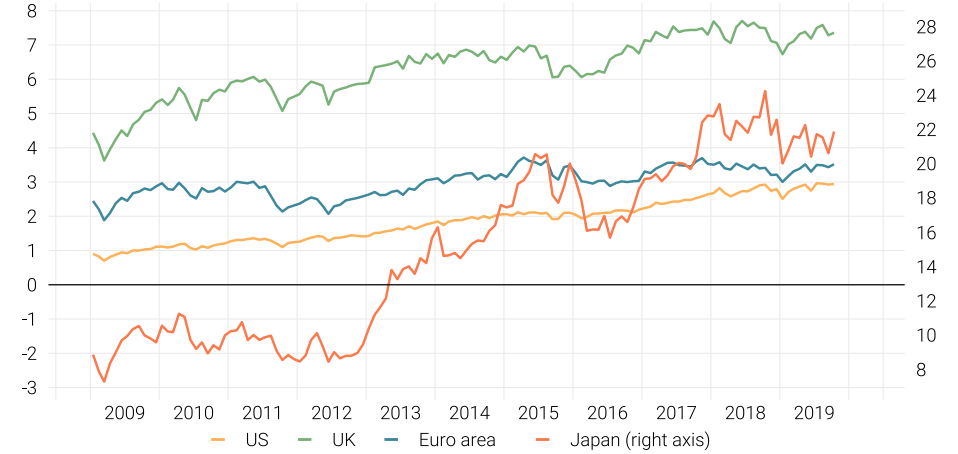
Global Financial Markets

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



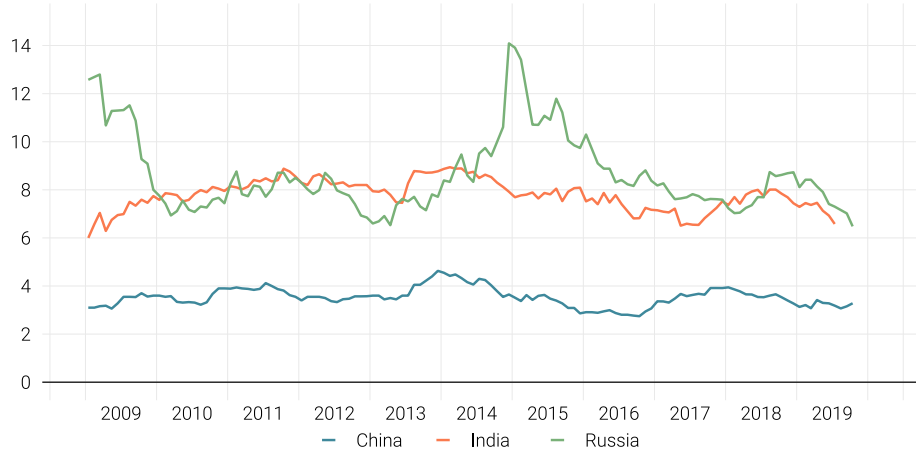
Source: Thomson Reuters Database

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



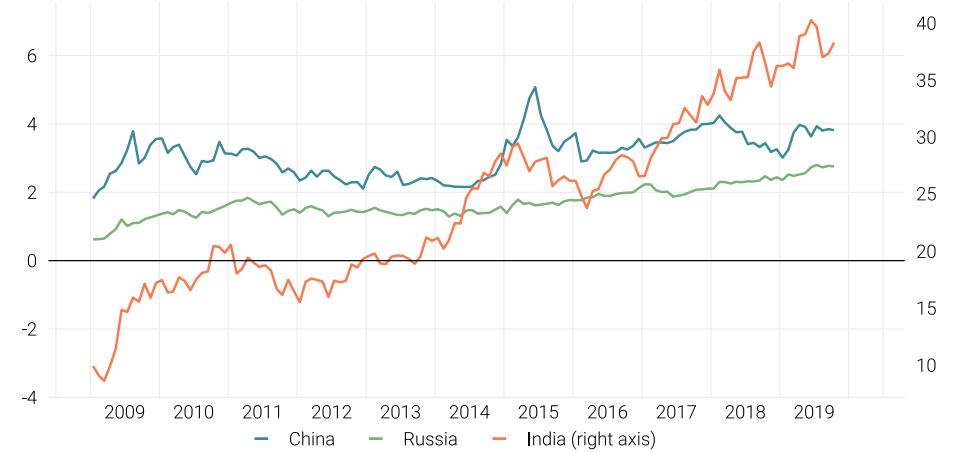
Source: Thomson Reuters Database

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



Source: Thomson Reuters Database

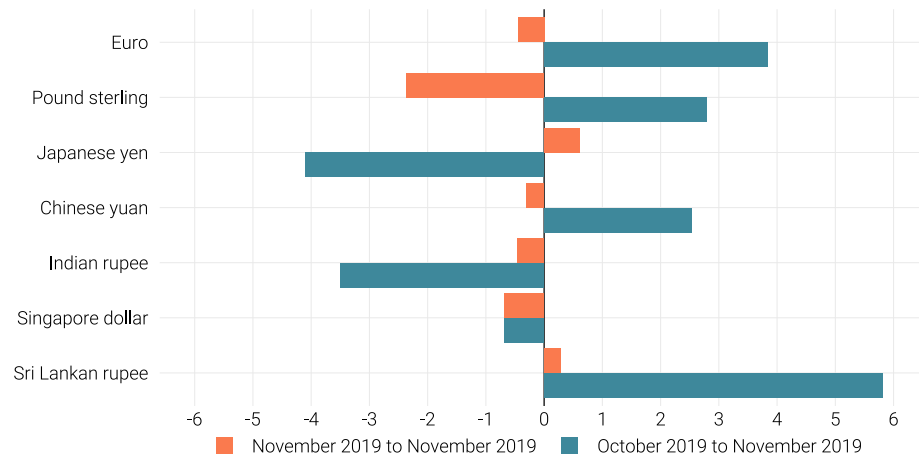
Share Price Index in the Emerging Economies, 2009 - 2019
(price index, in thousands)



Source: Thomson Reuters Database

Global Financial Markets

Exchange Rates, November 2019
(percentage change)



Source: Thomson Reuters Database



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