

MALDIVES MONETARY AUTHORITY

ECONOMIC UPDATE

JULY 2024

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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 30 July 2024.

Domestic Economic Developments

Real Economy

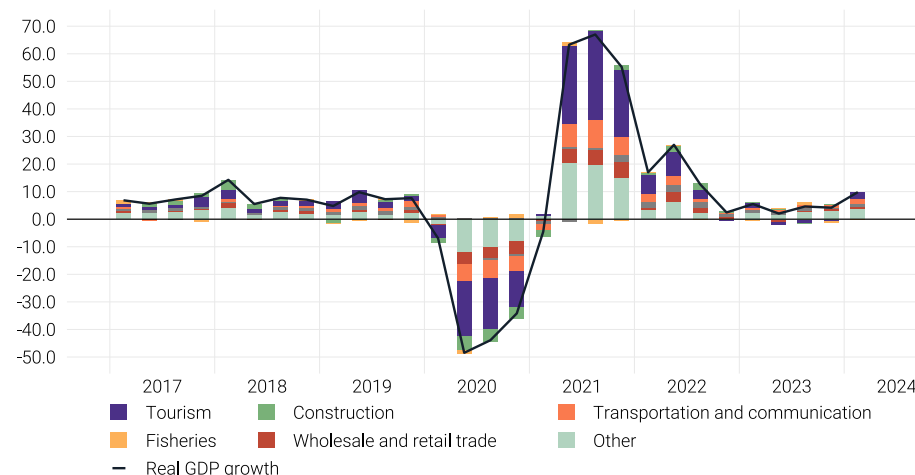
Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts (QNA) for Q1-2024 released by the Maldives Bureau of Statistics (MBS), real GDP grew by 9.8% in Q1-2024 compared to the corresponding quarter of 2023, which is an acceleration from the growth of 4.2% in Q4-2023.
 - The annual growth in real GDP during Q1-2024 was mainly driven by the robust performance of the tourism sector, and positive contributions from related sectors, such as transportation and communication, and wholesale and retail trade, which observed notable growths during the quarter. Further, notable positive contributions were also observed from public administration, financial services and the real estate sector. In contrast, the manufacturing sector contributed negatively to growth during the quarter.

Annual GDP Growth Forecast

- According to the revised forecasts published in October 2023¹, real GDP is projected to grow by 5.5% in 2024. However, growth for 2024 is now expected to be lower-than-projected at 4.9% as per May 2024 forecasts, owing to the lower-than-expected growth in 2023 and the expected moderation in construction, transportation, and communication sectors. As per the estimates of real GDP released by the Maldives Bureau of Statistics in June 2024, following a significant growth of 13.9% in 2022, the annual real GDP is estimated to have grown by 2023 in 4.1%—4.6 percentage points lower than the growth forecast of October 2023. The lower-than-projected economic growth was mainly on account of the slower-than-expected outturn in the construction sector, together with the contraction of the tourism sector—owing to the decline in resort bednights. In 2023, real GDP growth was led primarily by the expansion of the transportation and communication sector, which offset the decline in the tourism sector, and the wholesale and retail trade sector.

Contribution to Real GDP Growth by Economic Sectors, 2017 - 2024
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

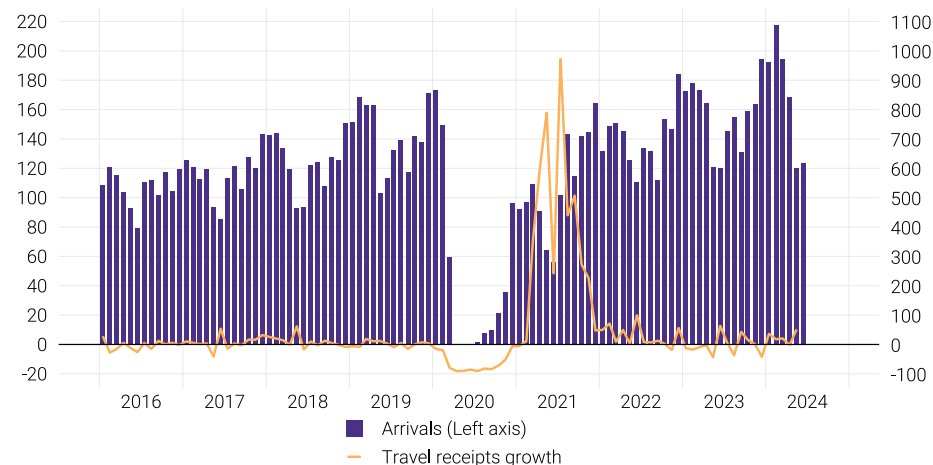
¹According to the growth forecast scenarios estimated jointly by the MMA and the Ministry of Finance.

Tourism

- In June 2024, total tourist arrivals stood at 123,284, registering a slight increase of 2% when compared with June 2023. Meanwhile, total tourist bednights declined by 9% during the month in annual terms, largely driven by the decline in guesthouse bednights. During the month, total guesthouse bednights declined by 32%, while total resort bednights declined by 4%.
 - The annual increase in tourist arrivals largely reflected robust arrivals from the main source markets of Europe as well as China. During the month, the highest number of tourist arrivals were recorded from China, Russia, India, the United Kingdom, and Germany.
- The operational bed capacity of the tourism industry observed an increase of 1,299 beds when compared with June 2023, while the occupancy rate declined to 39% in June 2024, from 43% in June 2023.
- Overall, for the period January to June 2024, total tourist arrivals increased by 9% in annual terms, while total bednights rose by 6%. During the period, the average stay remained broadly unchanged at 7.6 days when compared with the corresponding period of 2023.

Tourism, 2016 - 2024

(thousands, annual percentage change)

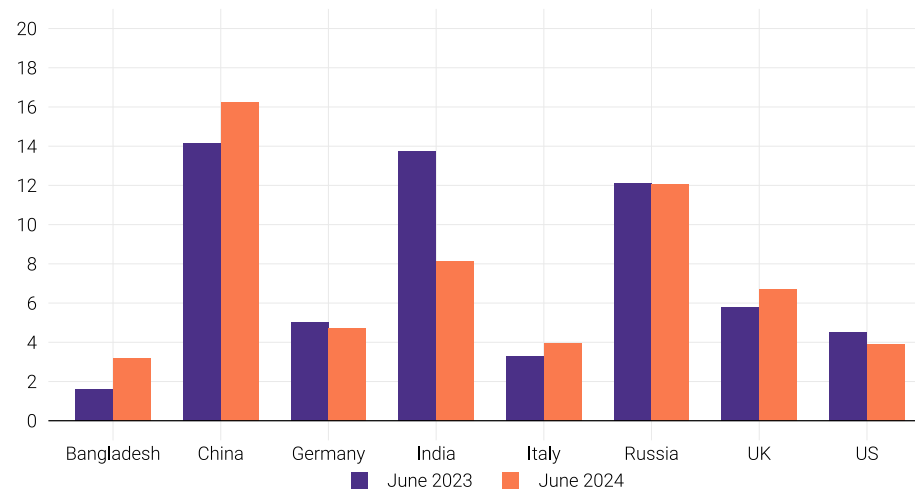


Source: Ministry of Tourism

Note: Tourism receipts available up to May 2024.

Shares of Key Inbound Markets

(percent)

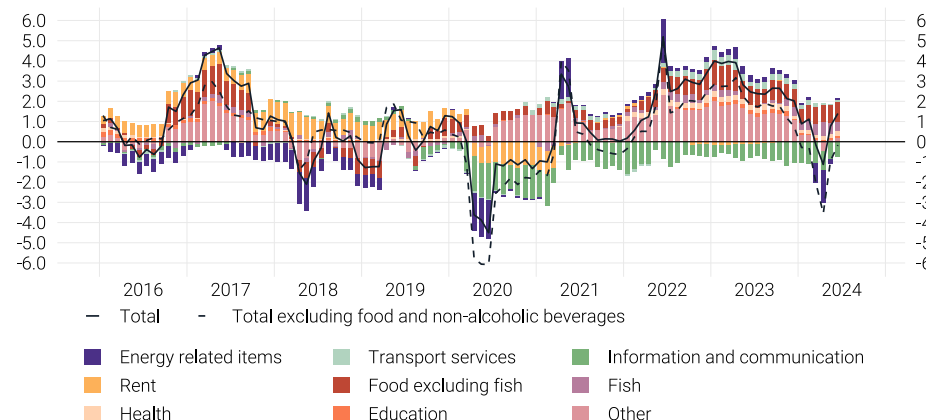


Source: Ministry of Tourism

Inflation

- The rate of inflation, as measured by the annual percentage change in the national CPI, rose to 1.4% in June 2024 from 0.8% in May 2024.
 - The largest contribution to the annual rate of inflation during June 2024 came from vegetables (0.46 percentage points); fish (0.45 percentage points); fruits (0.17 percentage points); passenger transport by sea (0.17 percentage points); electricity (0.15 percentage points); other outpatient care services (0.11 percentage points); dairy products (0.11 percentage points); major household appliances (-0.10 percentage points); passenger transport by air (-0.13 percentage points) and mobile communication services (-0.73 percentage points).
- The monthly percentage change in the national CPI decelerated to 0.7% in June 2024, from 1.5% in May 2024.
 - The largest contribution to the monthly rate of inflation came from electricity (0.37 percentage points); vegetables (0.12 percentage points); furniture, furnishings and loose carpets (0.07 percentage points); passenger transport by air (0.05 percentage points); dairy products (0.05 percentage points); other outpatient care services (0.03 percentage points); fish (0.03 percentage points); education not defined by level (0.02 percentage points); mobile telephone equipment (-0.02 percentage points) and fruits (-0.03 percentage points).

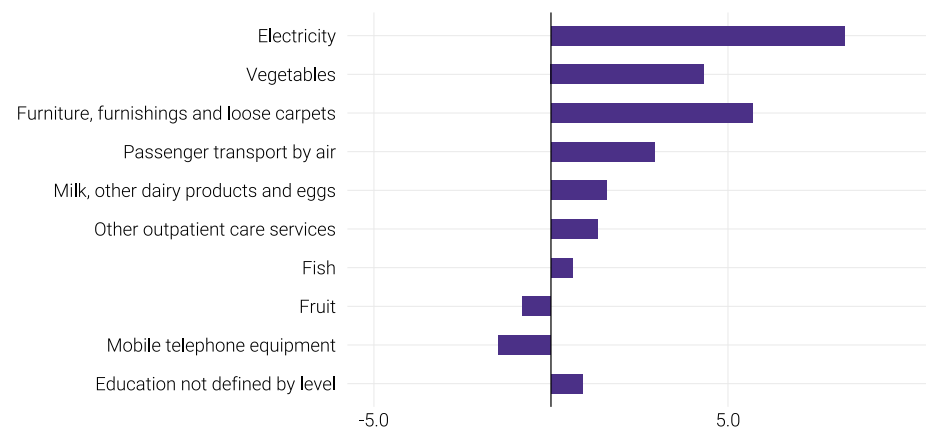
Contribution of Major Categories to CPI Inflation (National), 2016 - 2024
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

Note: Main categories in other are furnishing, personal care, restaurant and accommodation services, tobacco and narcotics, and water supply.

Monthly Changes of Subcategories of CPI Inflation (National), June 2024
(monthly percentage change)



Source: Maldives Bureau of Statistics

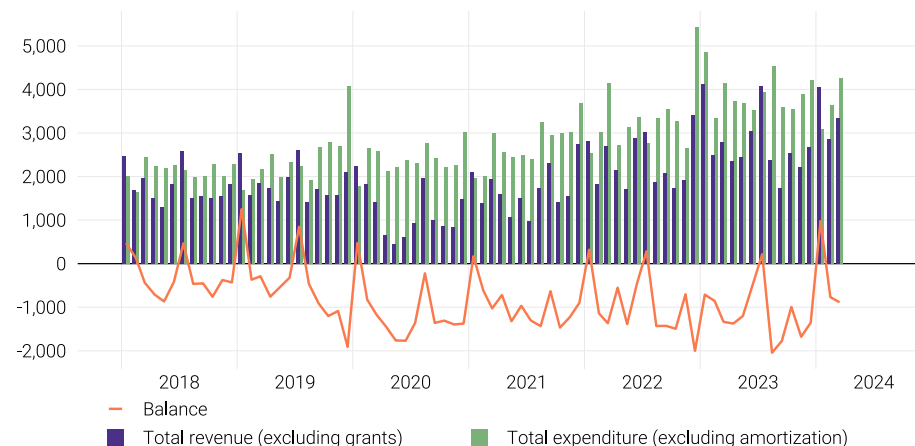
Note: Ordered by the size of the contribution.

Public Finance

- Total revenue (excluding grants) observed an increase of MVR560.3 million (or 20%) in March 2024 when compared with March 2023, owing to the increase in tax revenue, despite the decline in non-tax revenue. As such, tax revenue increased by MVR671.1 million, whereas non-tax revenue fell by MVR117.1 million.
- Total expenditure (excluding amortisation) increased by MVR115.3 million (or 3%) in March 2024 when compared with March 2023, stemming from the increase in recurrent expenditure, which rose by MVR559.8 million. Meanwhile, capital expenditure declined by MVR444.5 million in March 2024, when compared with March 2023.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR112.2 billion at the end of Q1-2024, a 1% increase from Q4-2023. Meanwhile, total government debt as a percentage of GDP declined to 98% at the end of Q1-2024, from 103% in Q4-2023.
 - During this period, the increase in government debt was primarily driven by domestic debt.

Government Revenue and Expenditure, 2018 - 2024

(millions of rufiyaa)

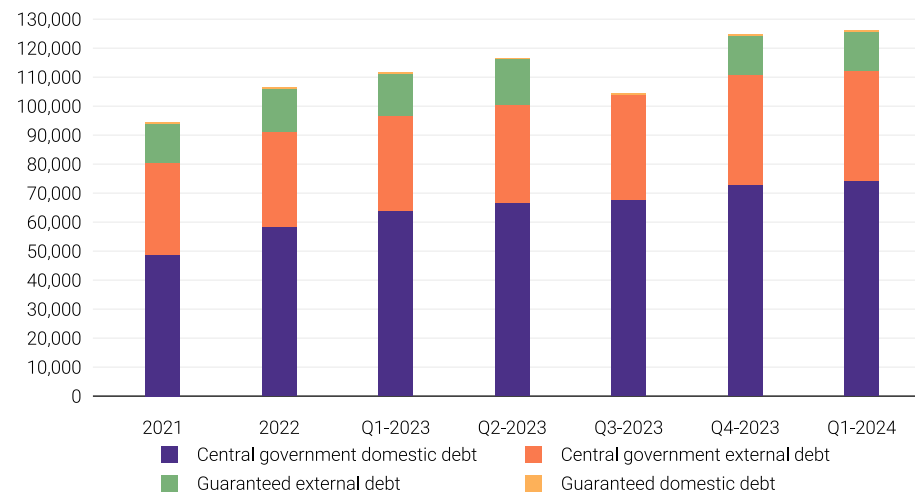


Source: Ministry of Finance

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

Total Outstanding Stock of Public Debt, 2021 - 2024

(millions of rufiyaa)



Source: Ministry of Finance

Monetary Developments

Reserve Money

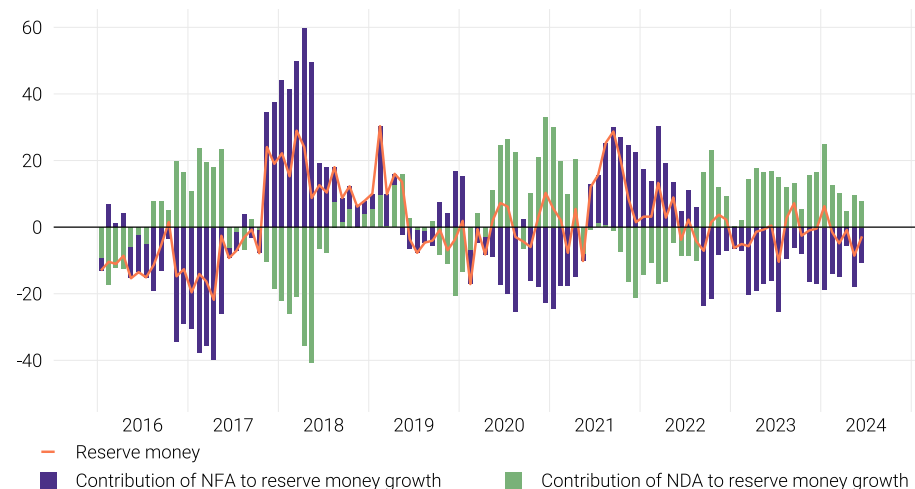
- Reserve money (M0) further declined by 3% at the end of June 2024, after declining by 9% at the end of May 2024. This mainly reflected the annual decline in net foreign assets, which offset the increase in net domestic assets during the period.
 - The decline in net foreign assets was primarily due to the substantial decrease in foreign asset accumulation during the period, despite the decline in foreign liabilities, which largely reflected the repayment of the swap facility in December 2023, availed from the Reserve Bank of India (RBI) in December 2022. Meanwhile, net domestic assets increased, mainly reflecting the decrease in placements in the overnight deposit facility (ODF), together with the increase in net claims on the central government.

Broad Money

- Broad money (M2) registered a growth of 1% at the end of June 2024, following an annual decline of less than 1 percent at the end of May 2024.
 - On the components side, the annual increase in broad money primarily reflected the increase in time and savings deposits denominated in both local and foreign currency, which entirely offset the decline in the transferable deposits. Meanwhile, currency outside depository corporations increased during the month.
 - As for the sources, the annual growth in broad money was solely driven by the increase in net domestic assets, largely owing to the growth in claims on other sectors, mirroring the increase in credit to the private sector together with public non-financial corporations. This was followed by the increase in net claims on the central government by commercial banks and the MMA during June 2024. Meanwhile, net foreign assets declined, mainly owing to the decline in foreign asset accumulation, despite the decline in foreign liabilities during the period.

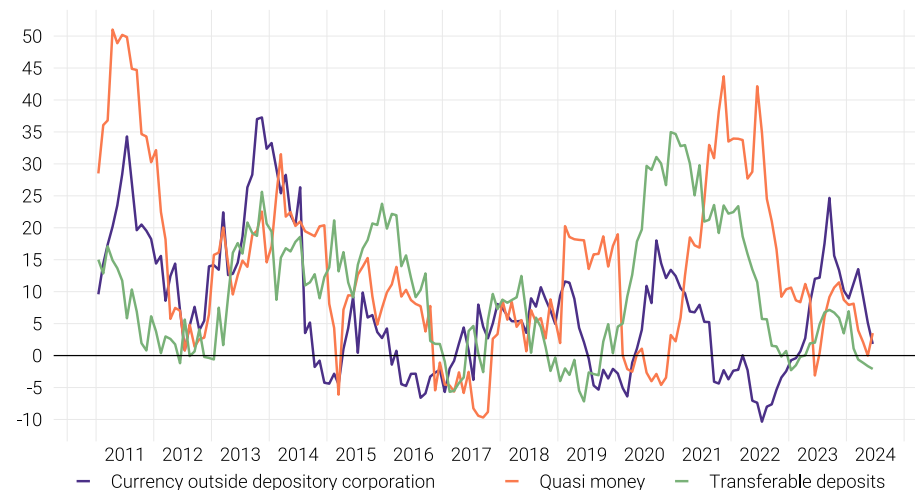
Sources of Reserve Money, 2016 - 2024

(annual percentage change, contribution percent)



Components of Broad Money, 2011 - 2024

(annual percentage change)

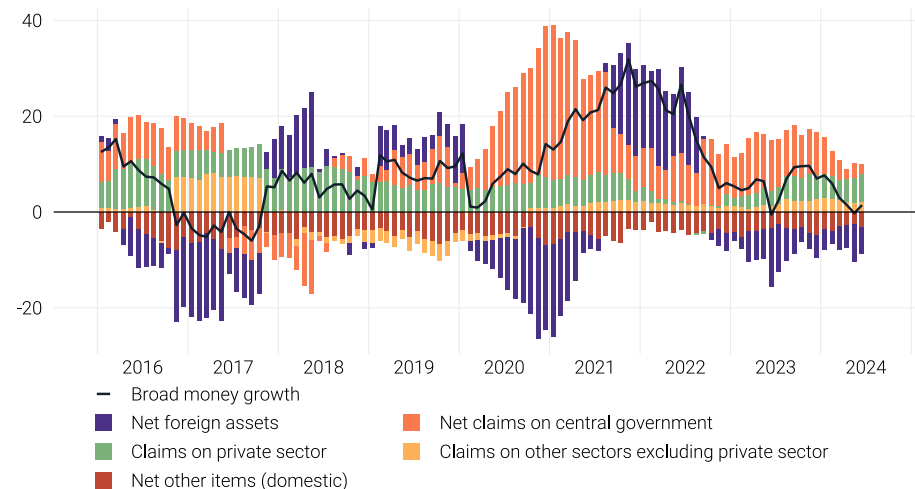


Credit to Private Sector

- The annual growth rate of credit to the private sector by the commercial banks slightly accelerated to 11% at the end of June 2024, from 10% at the end of May 2024.
 - As such, credit to all major sectors (namely tourism, construction, personal loans, and real estate), except for commerce, continued to expand in June 2024, whereby construction sector registered the highest growth during the month, with an annual increase of 25%, which was closely followed by the growth in personal loans. Meanwhile, the tourism sector continued to account for the largest share of bank credit and registered an annual growth of 7%.
 - The annual growth in credit to the construction sector was driven by broad based increase in credit lent for the sector, primarily driven by credit lent for other construction projects and property development. As for the tourism sector, the annual growth in credit to the sector was largely driven by an increase in credit lent for renovation of resorts together with credit lent as working capital and new resort development.

Contribution to Broad Money, 2016 - 2024

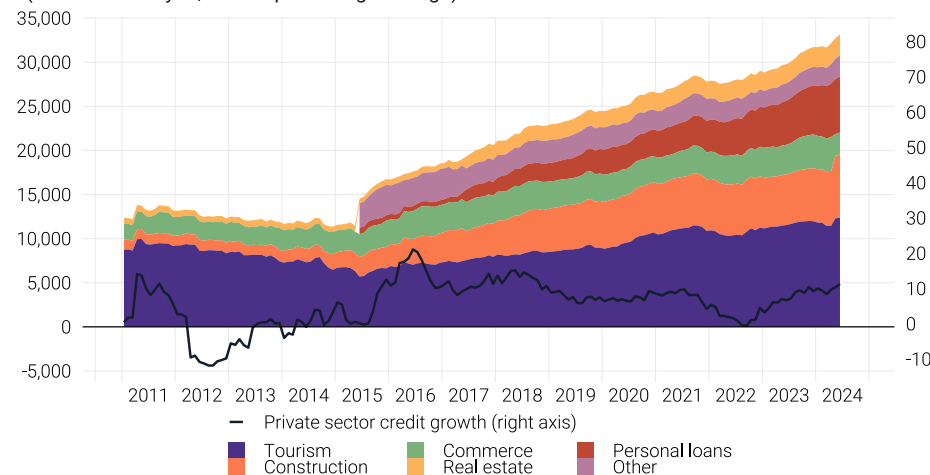
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Private Sector Credit, 2011 - 2024

(millions of rufiyaa, annual percentage change)



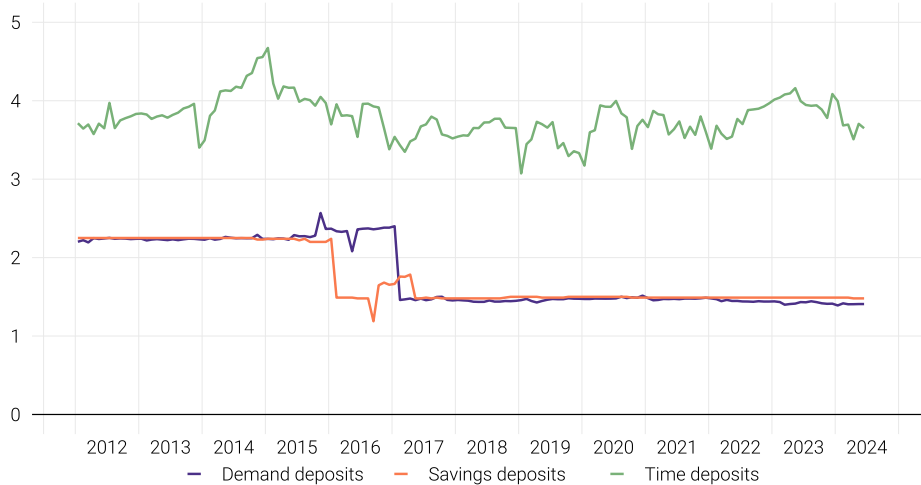
Source: Maldives Monetary Authority

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

Interest rates

Interest Rate on National Currency Deposits, 2012 - 2024

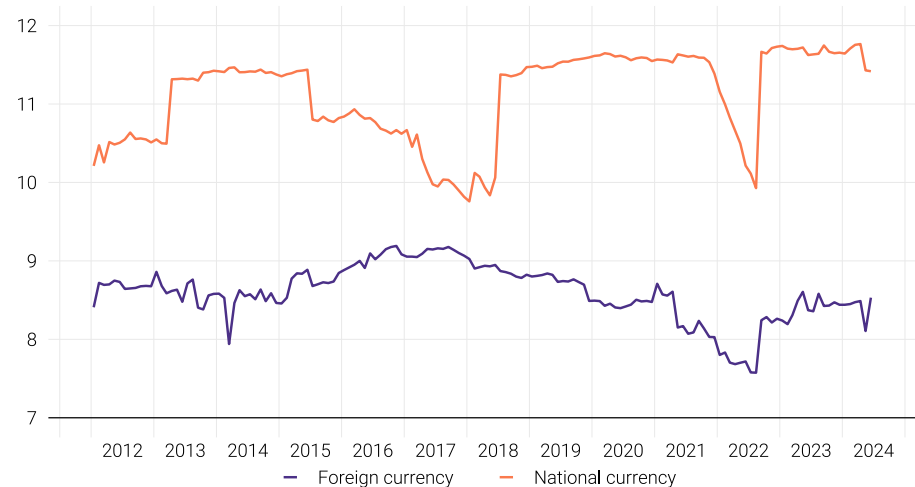
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Private Sector Loans and Advances, 2012 - 2024

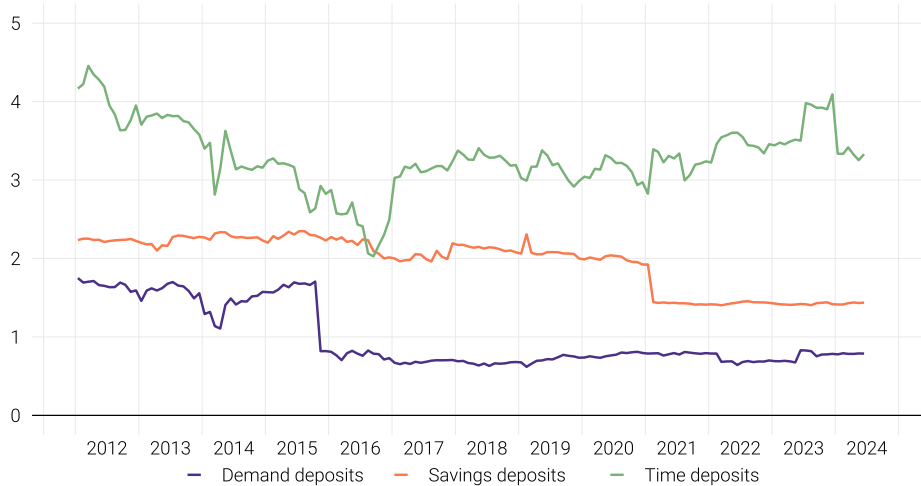
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2012 - 2024

(weighted average)



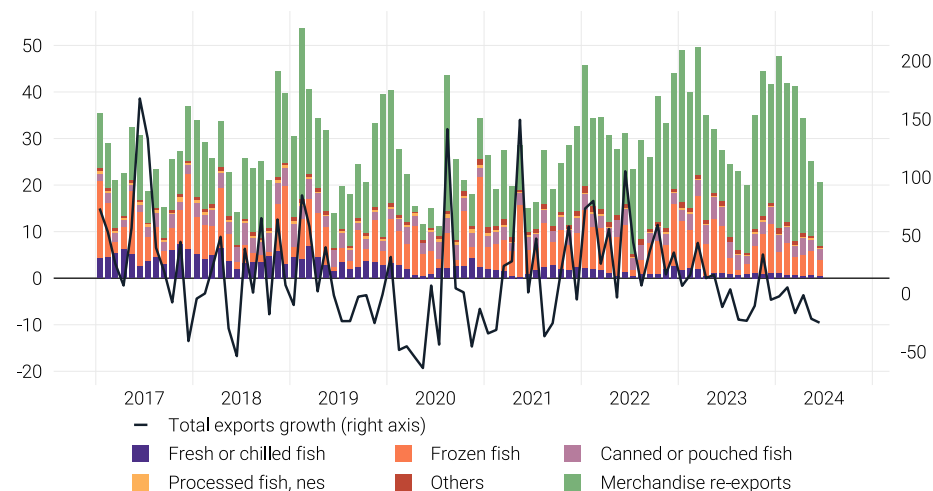
Source: Maldives Monetary Authority

External Trade

- Total exports (f.o.b) decreased by 25% in June 2024, when compared with June 2023, while total imports (c.i.f) increased by 3% during the same period.
 - The annual decline in total exports stemmed from the decline in domestic exports, largely owing to lower earnings from frozen skipjack tuna exports, together with canned or pouched tuna exports. In contrast, re-exports increased during the period, which primarily reflected higher earnings from re-exports of jet fuel.
 - The annual increase in import expenditure stemmed mainly from the increase in import expenditure on food items, construction-related items and electrical and electronic machinery, equipment, and parts. In contrast, declines were observed in import expenditure on petroleum products and machinery and mechanical appliances and parts.
- Overall, for the period January to June 2024, total exports declined by 9%, whereas total imports increased by 6%, when compared with the corresponding period of 2023.

Total Exports, 2017 - 2024

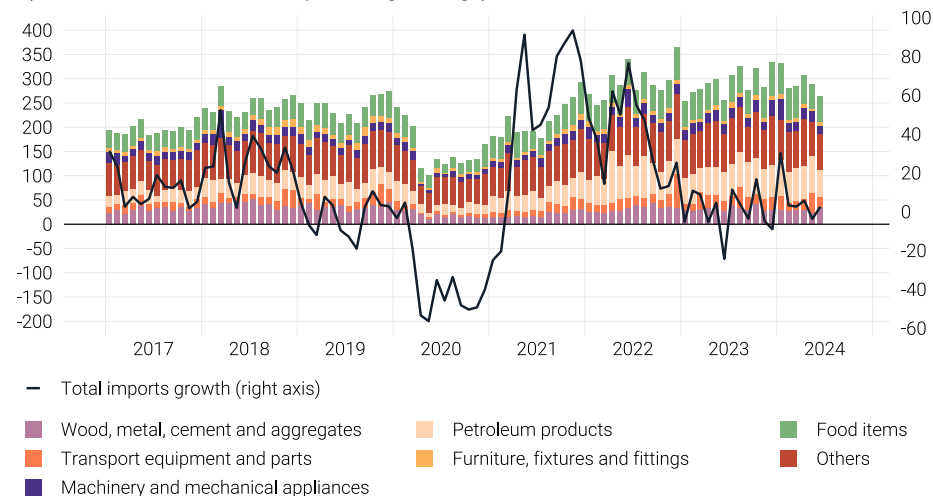
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

Total Imports, 2017 - 2024

(millions of US dollars, annual percentage change)

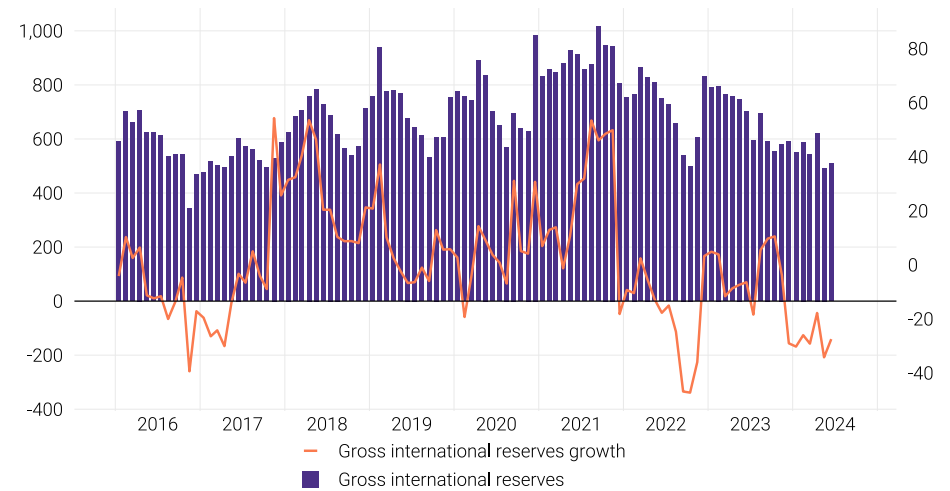


Source: Maldives Customs Service

Gross International Reserves

- Gross international reserves² (official reserve assets) increased to US\$509.2 million at the end of June 2024, from US\$492.2 million at the end of May 2024. However, this depicted a decline of US\$192.9 million from the US\$702.2 million recorded at the end of June 2023.
- In terms of growth rates, gross international reserves increased by 3% when compared with May 2024 and decreased by 27% when compared with June 2023.

Gross International Reserves, 2016 - 2024
(millions of US dollars, annual percentage change)



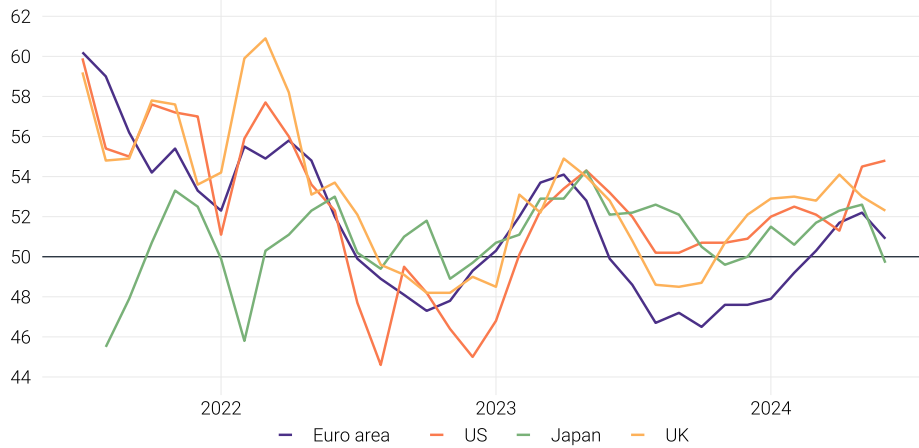
Source: Maldives Monetary Authority

²Comprises 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

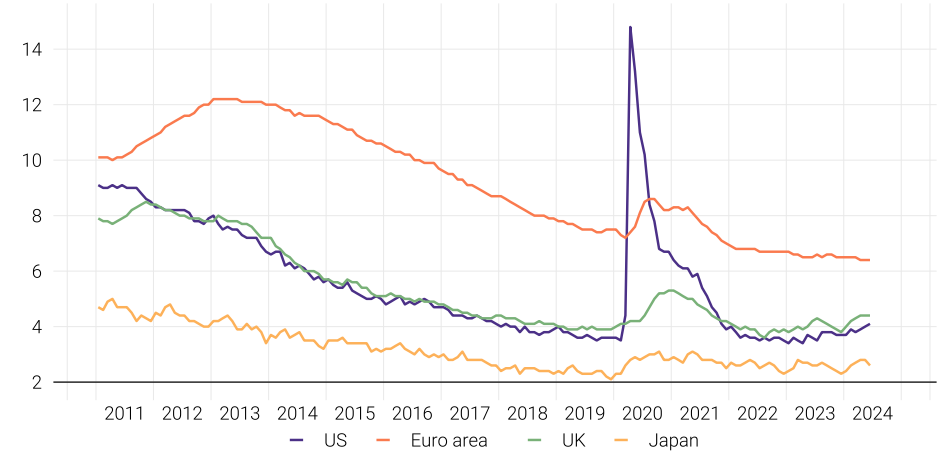
Global Output

Purchasing Manager's Index in the Advanced Economies, 2021 - 2024
(index points)



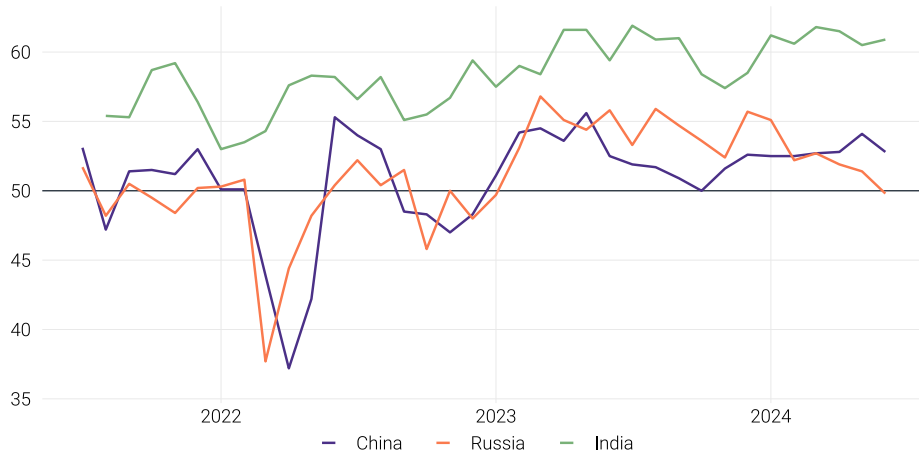
Source: Bloomberg Database

Unemployment in the Advanced Economies, 2011 - 2024
(percent)



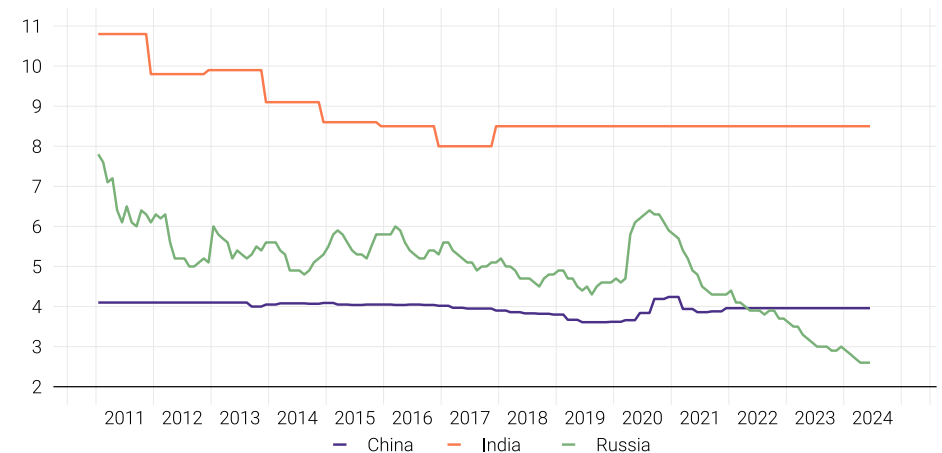
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2021 - 2024
(index points)



Source: Bloomberg Database

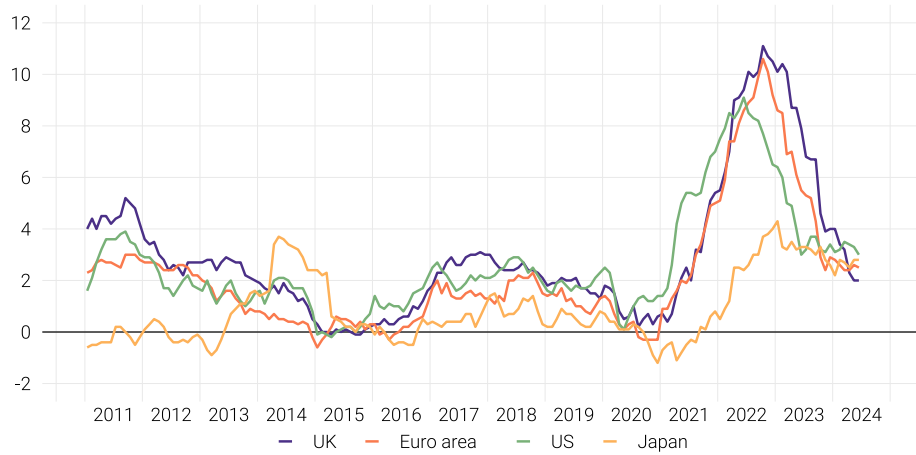
Unemployment in the Emerging Economies, 2011 - 2024
(percent)



Source: Bloomberg Database

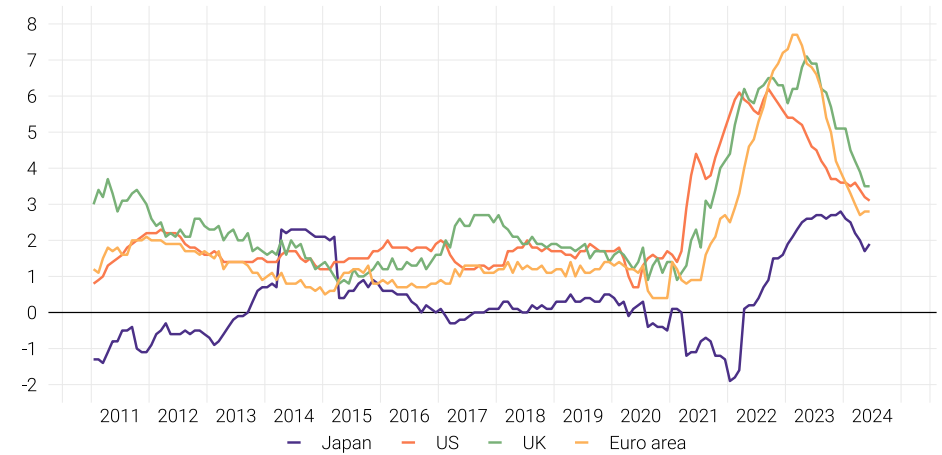
Global Inflation

Inflation in the Advanced Economies, 2011 - 2024
(percent)



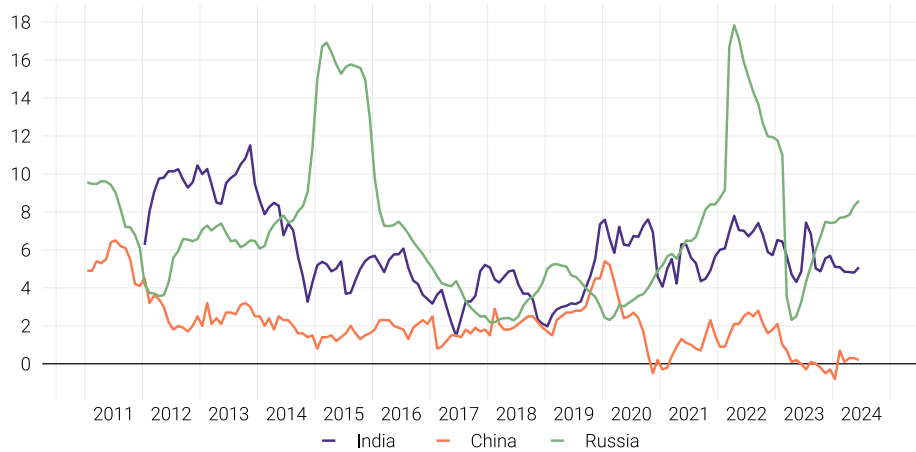
Source: Bloomberg Database

Core Inflation in the Advanced Economies, 2011 - 2024
(percent)



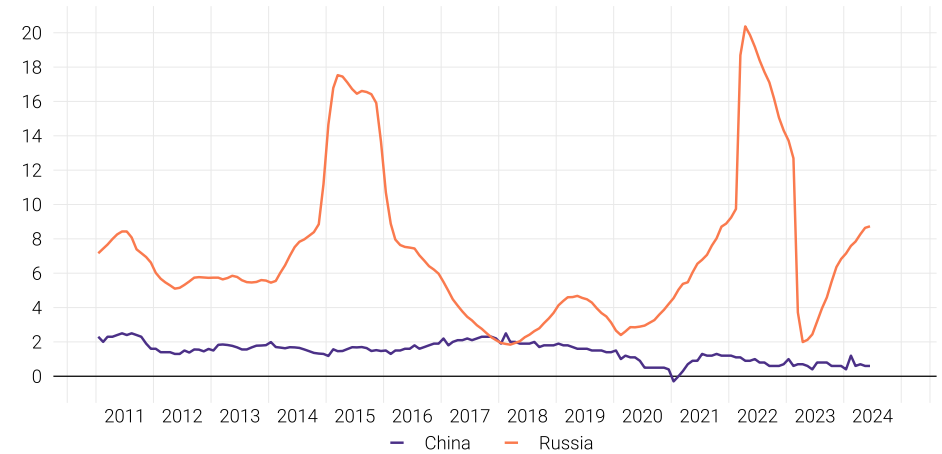
Source: Bloomberg Database

Inflation in the Emerging Economies, 2011 - 2024
(percent)



Source: Bloomberg Database

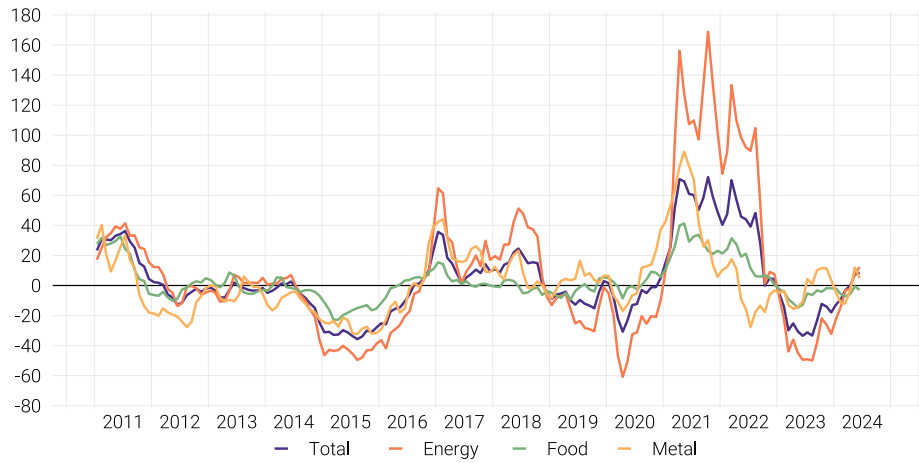
Core Inflation in the Emerging Economies, 2011 - 2024
(percent)



Source: Bloomberg Database

Commodity Prices

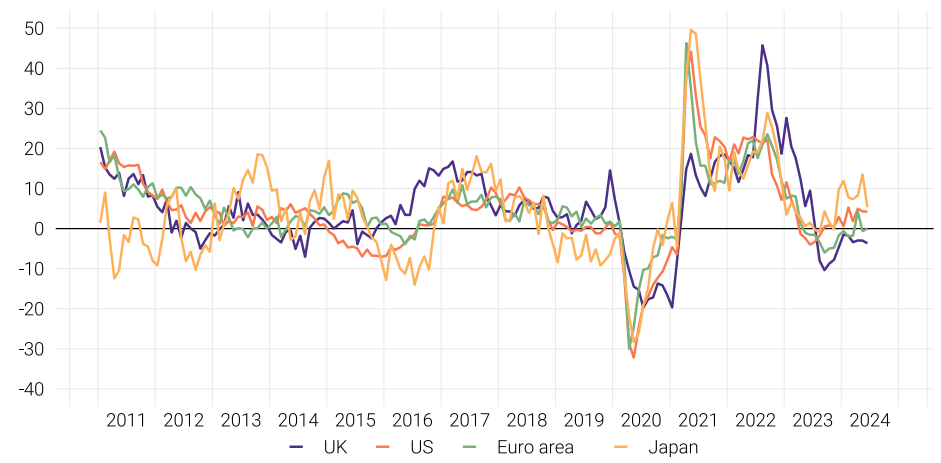
Commodity prices, 2011 - 2024
(annual percentage change)



Source: IMF

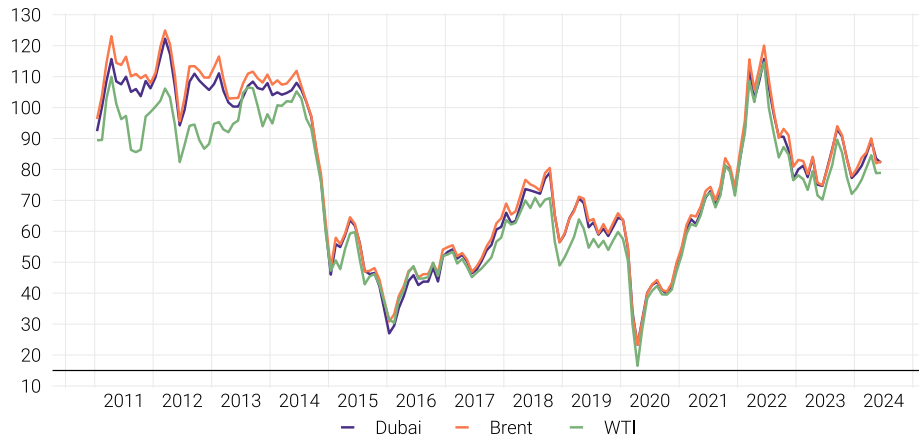
Global Trade

Exports in the Advanced Economies, 2011 - 2024
(annual percentage change)



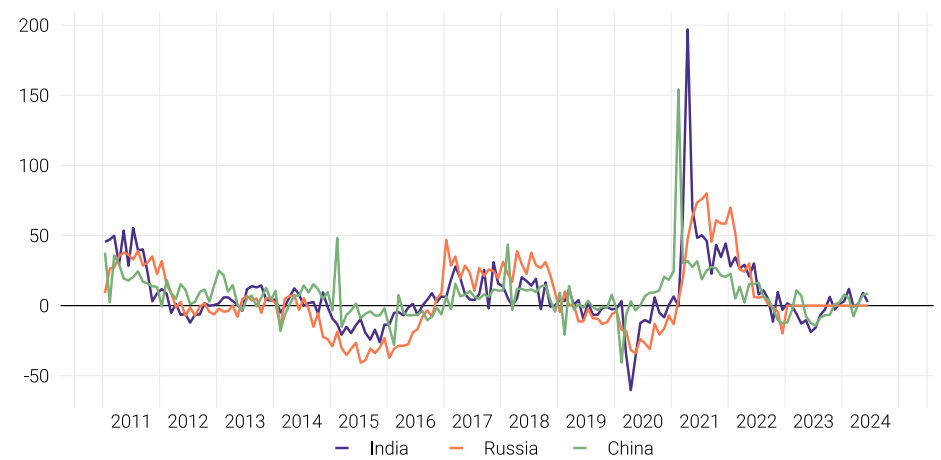
Source: Bloomberg Database

Oil prices, 2011 - 2024
(dollars per barrel)



Source: Bloomberg Database

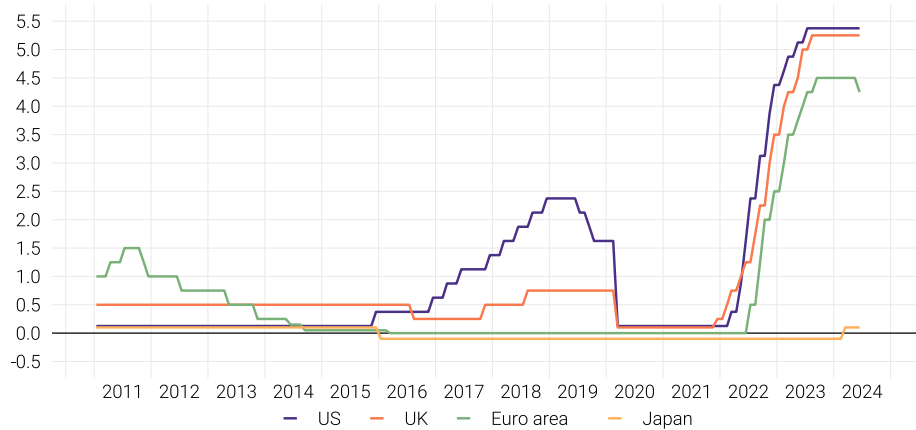
Exports in the Emerging Economies, 2011 - 2024
(annual percentage change)



Source: Bloomberg Database

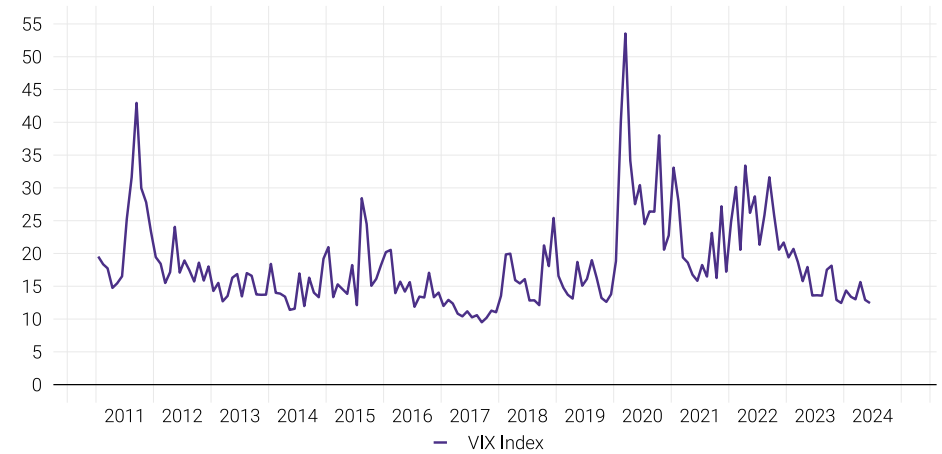
Global Financial Markets

Monetary Policy Rates in the Advanced Economies, 2011 - 2024
(percent)



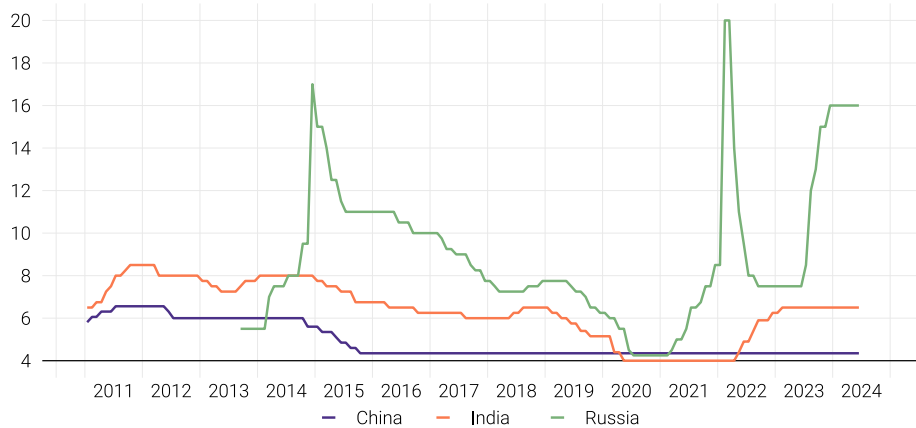
Source: Bloomberg Database

Volatility Index, 2011 - 2024
(percent)



Source: Bloomberg Database

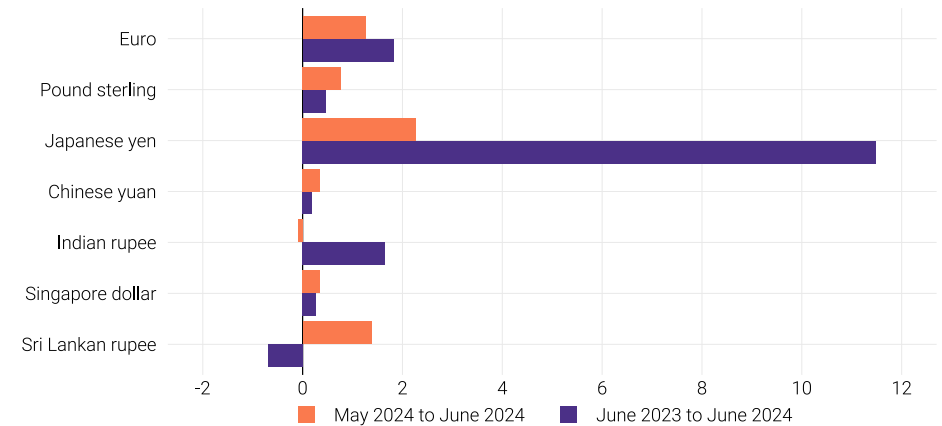
Monetary Policy Rates in the Emerging Economies, 2011 - 2024
(percent)



Source: Bloomberg Database

Note: Policy rate for China indicates the 1-Year Benchmark Lending Rates.

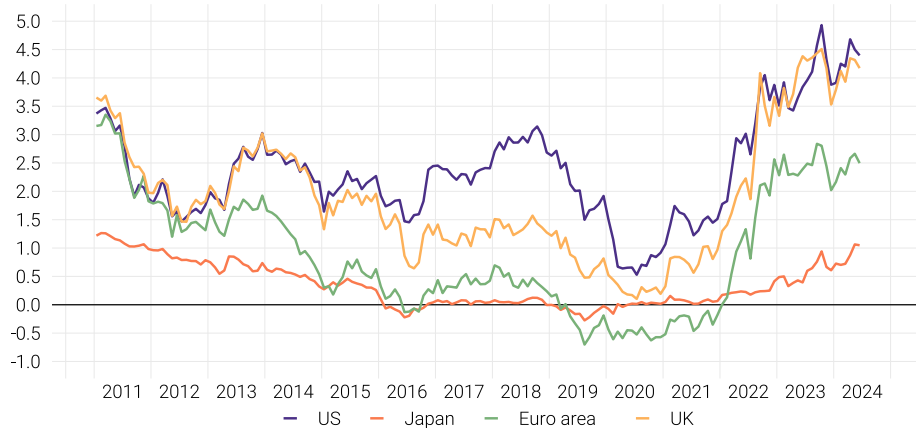
Exchange Rate of US Dollar against Currencies of Major Trading Partners, June 2024
(percentage change)



Source: Bloomberg Database

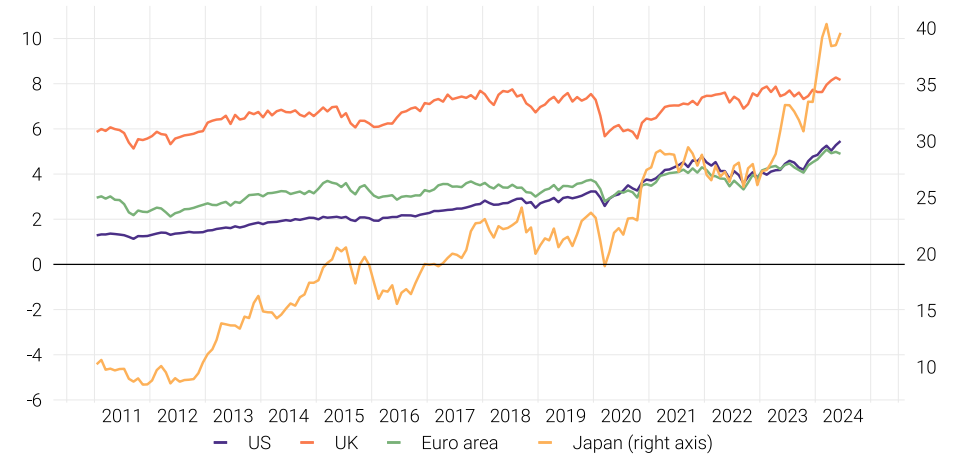
Global Financial Markets

Sovereign Bond Yield in the Advanced Economies, 2011 - 2024
(percent)



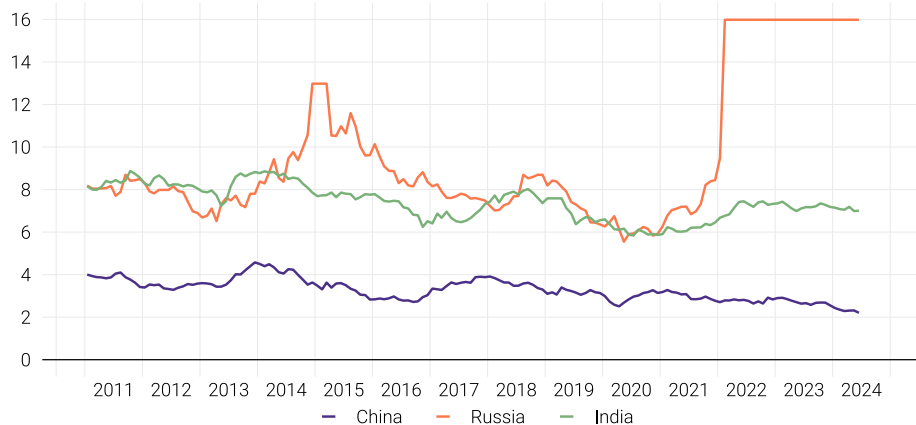
Source: Bloomberg Database
Note: 10-Year Sovereign Bond Yields.

Share Price Index in the Advanced Economies, 2011 - 2024
(price index, in thousands)



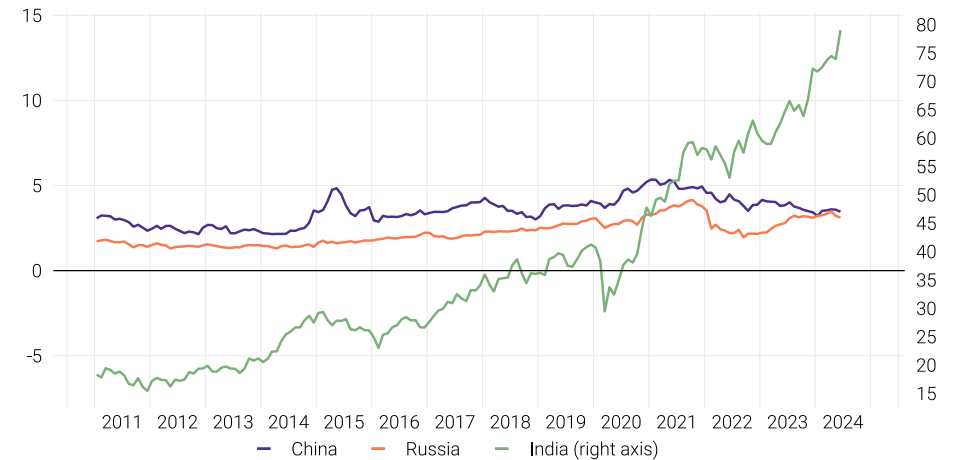
Source: Bloomberg Database

Sovereign Bond Yield in the Emerging Economies, 2011 - 2024
(percent)



Source: Bloomberg Database
Note: 10-Year Sovereign Bond Yields.

Share Price Index in the Emerging Economies, 2011 - 2024
(price index, in thousands)



Source: Bloomberg Database



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