

MALDIVES MONETARY AUTHORITY

# ECONOMIC UPDATE

**MARCH** 2022

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[mma.gov.mv](http://mma.gov.mv)

## **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 29 March 2022.

# Domestic Economic Developments

## Real Economy

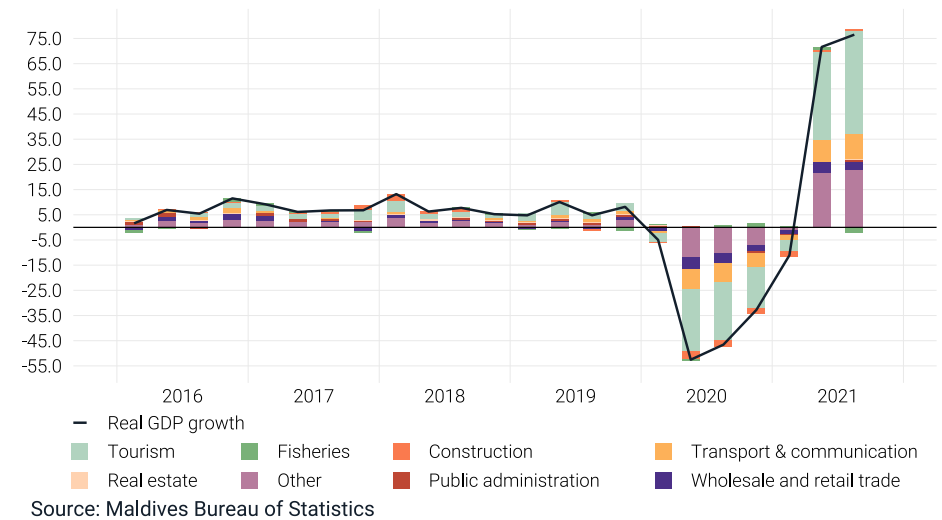
### Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts for Q3-2021 released by the Maldives Bureau of Statistics, real GDP made a strong rebound, registering 76.5% in Q3-2021, compared to the corresponding quarter of 2020, following a growth of 71.6% in Q2-2021. Despite the strong rebound in growth, GDP remains 5.7% below pre-pandemic levels in Q3-2019.
  - The strong rebound in the annual GDP growth during Q3-2021, was mainly driven by the significant pick-up in tourism sector, largely mirroring the base effect of the decline in the sector, despite the re-opening of international borders in Q3-2020. In addition, positive contributions were observed in other major sectors of the economy including transport and communication; wholesale and retail trade and construction sector. Similarly, when compared with the preceding quarter, real GDP observed a marked increase, following the easing of containment measures implemented during May-June 2021, including lifting of ban on arrivals from South Asia.
  - Meanwhile, a decline was observed in the gross value added of the fisheries sector in Q3-2021 compared to the same quarter of 2020.

### Annual GDP Growth Forecast

- According to forecasts published in October 2021<sup>1</sup>, real GDP is projected to grow in the range 28.1% and 38.5% in 2021, with the most likely growth rate as 31.6% for 2021. This was following a significant decline of 33.5% in 2020, driven by a sharp contraction in tourism sector and other major sectors due to the impact of the COVID-19 pandemic. Going forward, real GDP is projected to grow by 12.0% in 2022.

Contribution to Real GDP Growth by Economic Sectors, 2016 - 2021  
(annual percentage change, percentage point contribution)



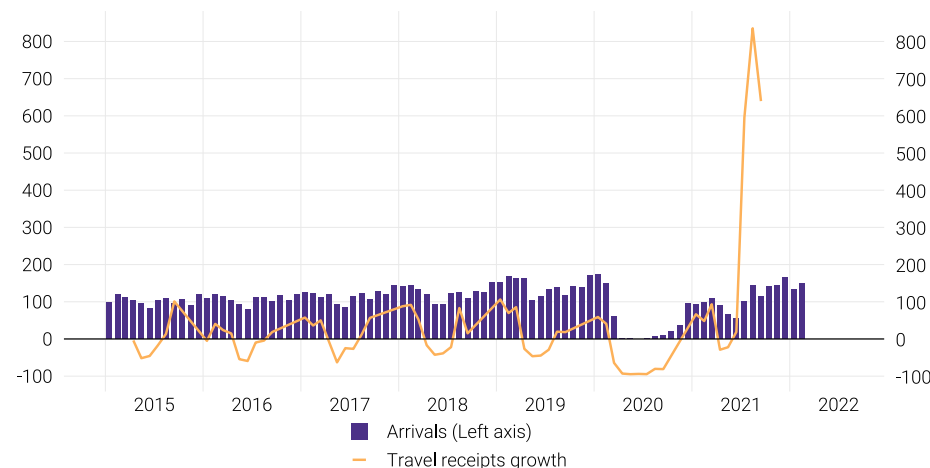
<sup>1</sup>According to the growth forecast scenarios estimated jointly by the MMA and the Ministry of Finance.

## Tourism

- In February 2022, both tourist arrivals and bednights increased significantly (by 54% and 45%, respectively) when compared with February 2021, however, tourist arrivals remain below pre-pandemic levels of February 2019. Total tourist arrivals stood at 149,008 in February 2022, which is a decline of 12% when compared with February 2019, although bednights registered an increase of 8% during the period.
  - The annual increase in tourist arrivals mainly reflected the surge in arrivals from the main source markets. During the month, the largest number of tourist arrivals were recorded from Russia, followed by the United Kingdom, India, Germany and Italy.
- The operational bed capacity of the tourism industry observed an increase of 8,869 beds when compared with February 2021, while the occupancy rate rose to 73% in February 2022, from 60% in February 2021.
- Overall, for the period of January to February 2022, total tourist arrivals increased by 49% in annual terms (-42% in 2021) while total bednights of the industry observed an increase of 39% (-26% in 2021). Meanwhile, tourist arrivals recorded a decline of 12% compared to pre-pandemic levels of 2019, although bed nights registered an increase of 10%. During this period, the average stay fell to 8.8 days from 9.0 days in the corresponding period of 2021.

### Tourism, 2015 - 2022

(thousands, annual percentage change)

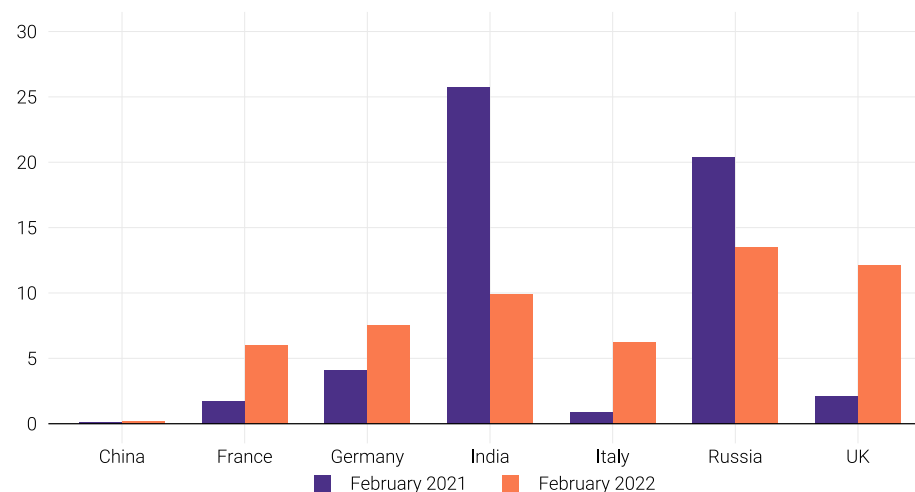


Source: Ministry of Tourism

Note: Tourism receipts available up to January 2022.

### Shares of Key Inbound Markets

(percent)

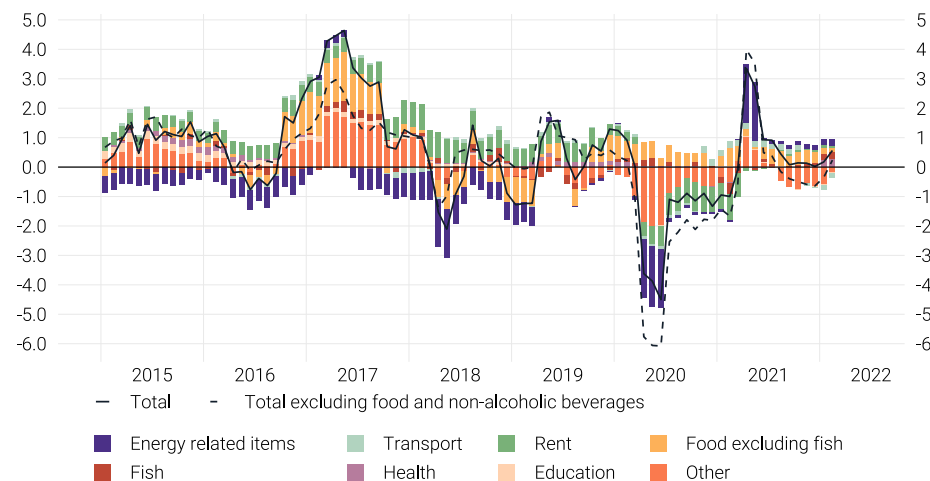


Source: Ministry of Tourism

# Inflation

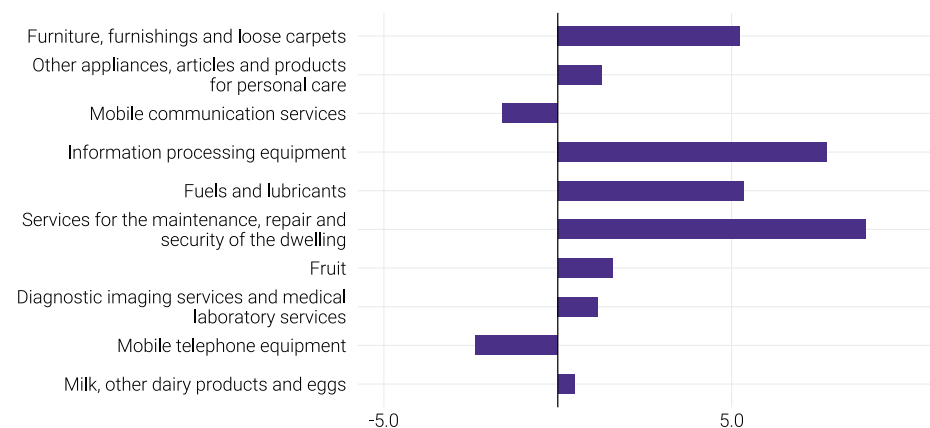
- The rate of inflation, as measured by the annual percentage change in the national CPI, edged up to 0.6% in February 2022, from 0.2% in January 2022.
  - From the major categories of the CPI, the largest contributors to the annual rate of inflation during February 2022 were fish (0.2 percentage points); petrol for personal transport equipment (0.2 percentage points); medicines (0.2 percentage points); restaurants and cafés (0.2 percentage points); narcotics (0.1 percentage points); mobile communication services (-0.9 percentage points); vegetables (-0.2 percentage points) and passenger transport by air (-0.2 percentage points).
- The monthly percentage change in the national CPI slightly fell to 0.34% in February 2022, from 0.40% in January 2022.
  - The largest contribution to the monthly rate of inflation came from furniture, furnishings and loose carpets (0.07 percentage points); other appliances, articles and products for personal care (0.06 percentage points); information processing equipment (0.04 percentage points); petrol for personal transport equipment (0.04 percentage points); mobile communication services (-0.05 percentage points); mobile telephone equipment (-0.02 percentage points) and vegetables (-0.02 percentage points).

Contribution of Major Categories to CPI Inflation (National), 2015 - 2022  
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

Monthly Changes of Subcategories of CPI Inflation (National), February 2022  
(monthly percentage change)



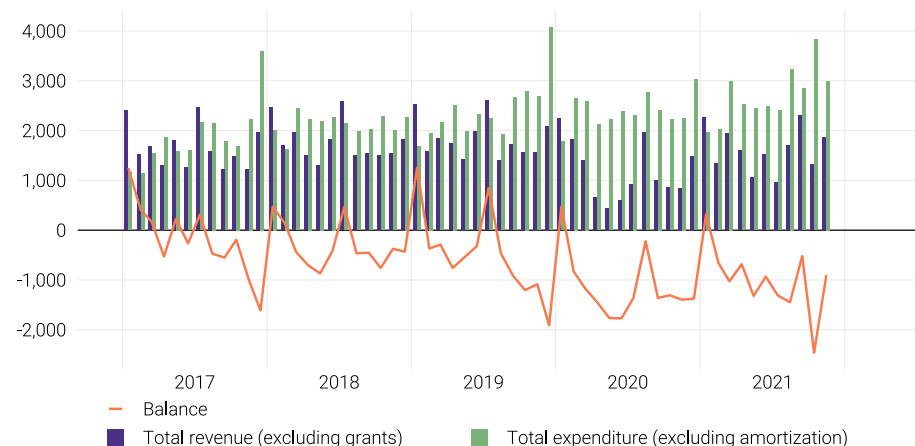
Source: Maldives Bureau of Statistics  
Note: Ordered by the size of the contribution.

# Public Finance

- According to the latest available data, total revenue (excluding grants) observed an increase of MVR1.0 billion (or 119%) in November 2021 when compared with November 2020, mainly driven by a growth in non-tax revenue, followed by a growth in tax revenue. As such, non-tax revenue rose by MVR660.4 million, while tax revenue increased by MVR347.8 million.
- Total expenditure (excluding amortisation) rose by MVR743.1 million (or 33%) in November 2021 when compared with November 2020, mainly due to an increase in capital expenditure, which posted an increment of MVR494.6 million, while recurrent expenditure increased by MVR248.5 million.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR80.0 billion at the end of Q4-2021, an 3% increase from Q3-2021. Similarly, total government debt as a percentage of GDP increased to 104% at the end of Q4-2021 from 101% in Q3-2021.
  - During this period, the increase in government debt was driven by both domestic and external debt.

Government Revenue and Expenditure, 2017 - 2021

(millions of rufiyaa)

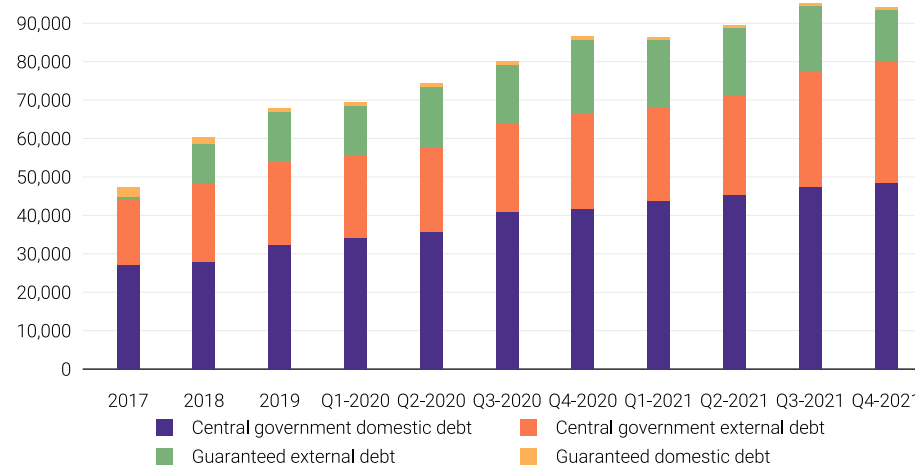


Source: Ministry of Finance

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

Total Outstanding Stock of Public Debt, 2017 - 2021

(millions of rufiyaa)



Source: Ministry of Finance

# Monetary Developments

## Reserve Money

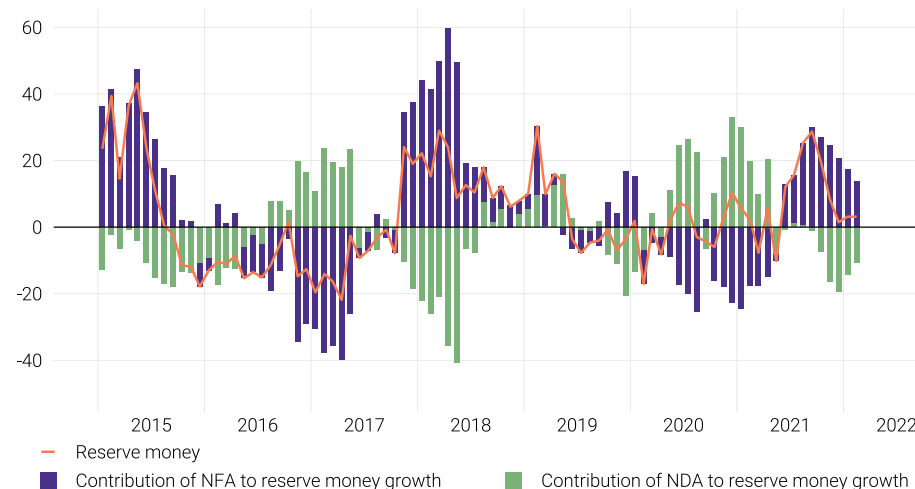
- Annual reserve money (M0) growth remained unchanged at 3% at the end of February 2022, as an increase in net foreign assets of the MMA was largely offset by a fall in net domestic assets.
  - Net foreign assets increased mainly due to the significant decline in foreign liabilities, largely reflecting the base effect of the repayment of the swap with the Reserve Bank of India (RBI), despite the decline in foreign asset accumulation. Meanwhile, net domestic assets declined mainly due to the increase in overnight deposit facility (ODF) placements by the commercial banks, followed by the fall in claims on commercial banks, despite the significant increase in net claims on central government.

## Broad Money

- Annual broad money (M2) growth stood at 27% at the end of February 2022, broadly unchanged from the growth rate registered during January 2022.
  - On the components side, the annual growth in broad money was primarily driven by an increase in quasi money, mainly owing to a substantial growth in transferable deposits denominated in foreign currency and time deposits denominated in local currency, followed by a rise in savings deposits denominated in both local 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 foreign assets, mainly owing to the increase in foreign assets of the banking system, together with the decline in foreign liabilities of the banking system. Similarly, net domestic assets also increased, due to the rise in net claims on the central government by the commercial banks and the MMA, while the growth in credit to private sector also contributed notably.

Sources of Reserve Money, 2015 - 2022

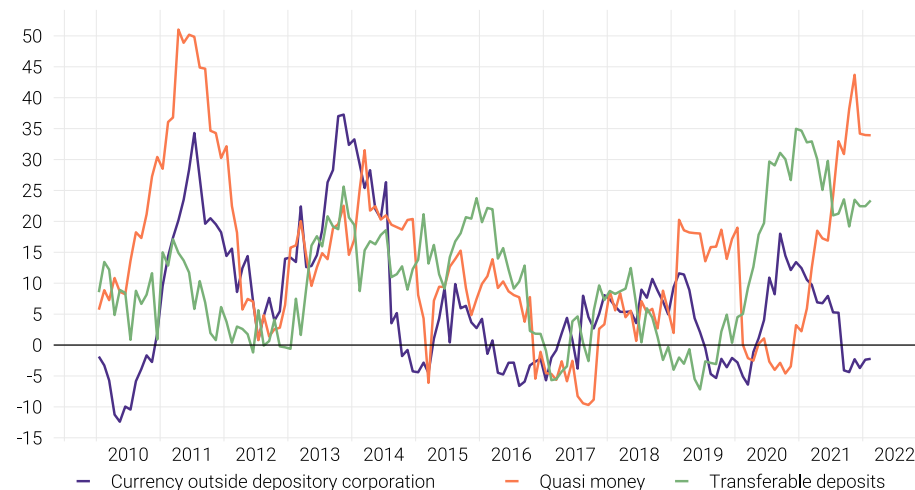
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Components of Broad Money, 2010 - 2022

(annual percentage change)



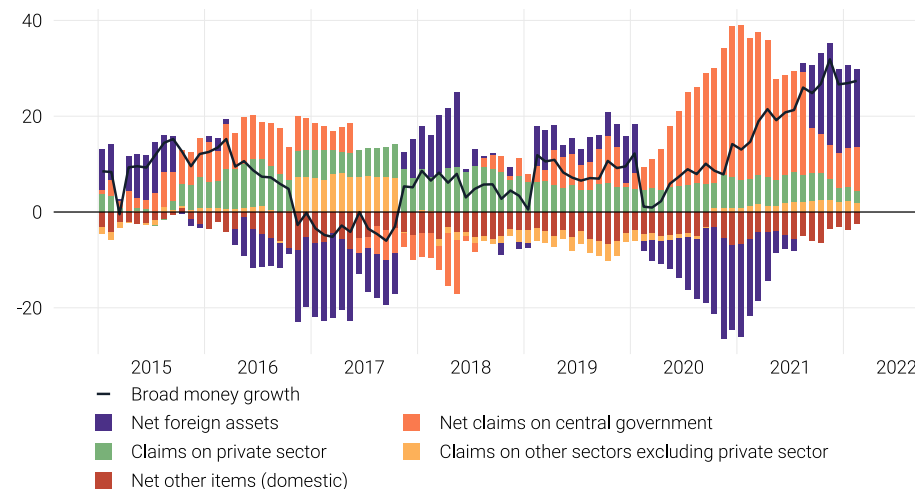
Source: Maldives Monetary Authority

## Credit to Private Sector

- The annual growth rate of credit to the private sector by the commercial banks remained unchanged at 5% at the end of February 2022. Meanwhile, on monthly terms, credit to the private sector registered -0.3% at the end of February 2022.
- With regard to the composition of credit to the private sector, annual growth rates were observed for all the major sectors, namely, tourism, transport and communication, commerce and construction, except for real estate sector. Likewise, credit extended as personal loans observed a significant increase over the period.
- Credit extended to the tourism sector registered an annual growth of 3% during February 2022, mainly driven by a marked growth in credit lent in the form of working capital, despite the decline in credit lent for new resort development and renovation of resorts.

## Contribution to Broad Money, 2015 - 2022

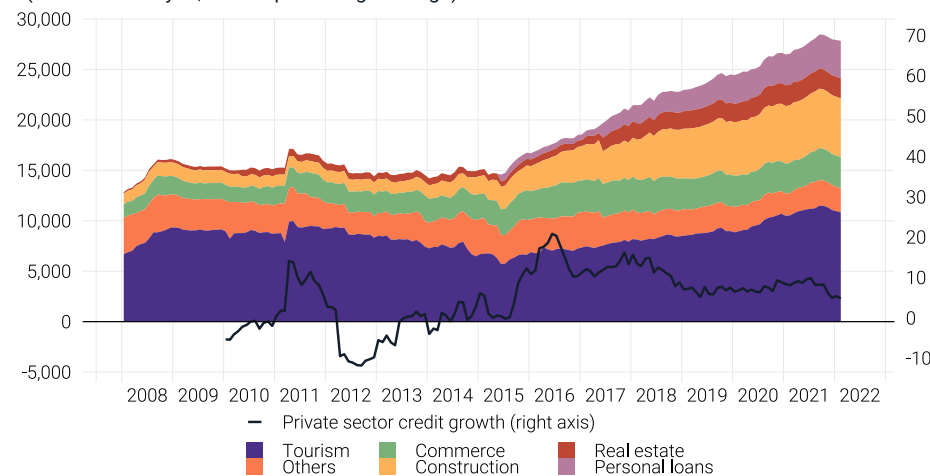
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

## Private Sector Credit, 2008 - 2022

(millions of rufiyaa, annual percentage change)



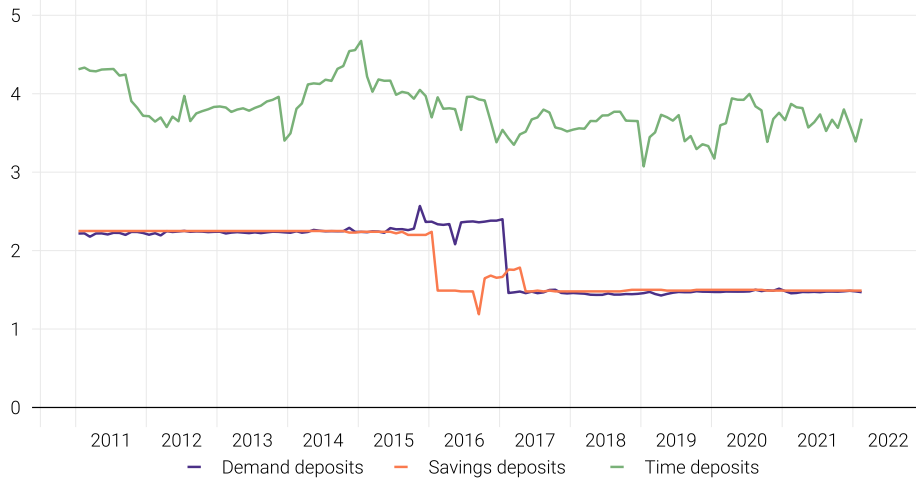
Source: Maldives Monetary Authority

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

# Interest rates

## Interest Rate on National Currency Deposits, 2011 - 2022

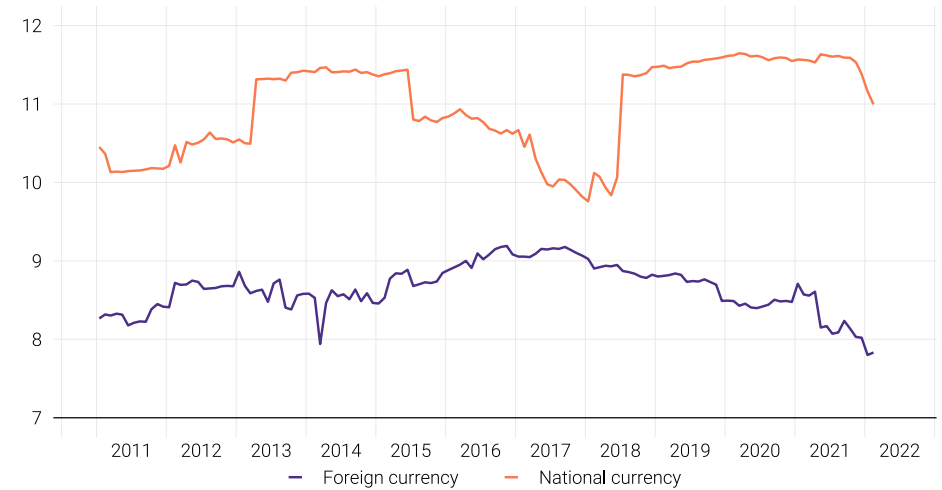
(weighted average)



Source: Maldives Monetary Authority

## Interest Rate on Private Sector Loans and Advances, 2011 - 2022

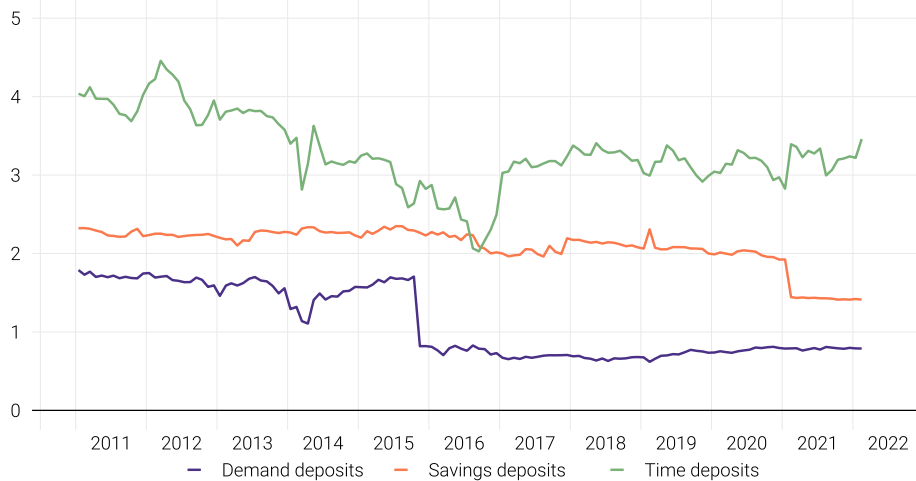
(weighted average)



Source: Maldives Monetary Authority

## Interest Rate on Foreign Currency Deposits, 2011 - 2022

(weighted average)



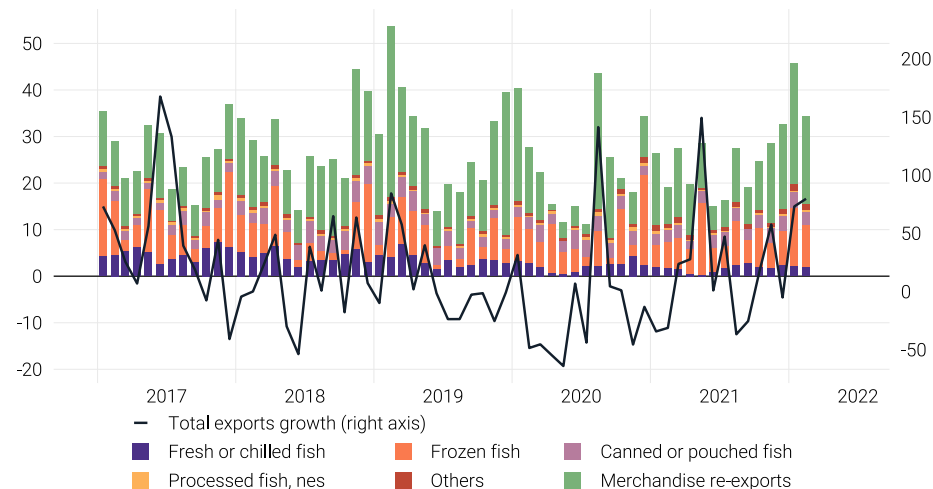
Source: Maldives Monetary Authority

# External Trade

- Total exports (f.o.b) increased significantly by 80% in February 2022 when compared with February 2021, while total imports (c.i.f) increased by 37% in February 2022 when compared with February 2021. In monthly terms, both total exports and total imports declined by 25% and 9% in February 2022, respectively.
  - The annual increase in total exports stemmed from the growth in re-exports as well as domestic exports. The increase in re-exports was primarily due to re-exports of jet fuel. Meanwhile, the increase in domestic exports was mainly due to the increase in export earnings from frozen skipjack tuna. In addition, growths were observed in export earnings from fresh or chilled yellowfin tuna and canned or pouched tuna.
  - As for the annual increase in total imports, the most significant increase was observed in the imports of petroleum products. Further, increases were observed in import of construction-related imports; food items; transport, equipment and parts; furniture, fixtures and fittings and machinery and mechanical appliances and parts.
- Overall, for the period of January to February 2022, total exports increased by 76% when compared with the corresponding period of 2021, while total imports increased by 43%.

Total Exports, 2017 - 2022

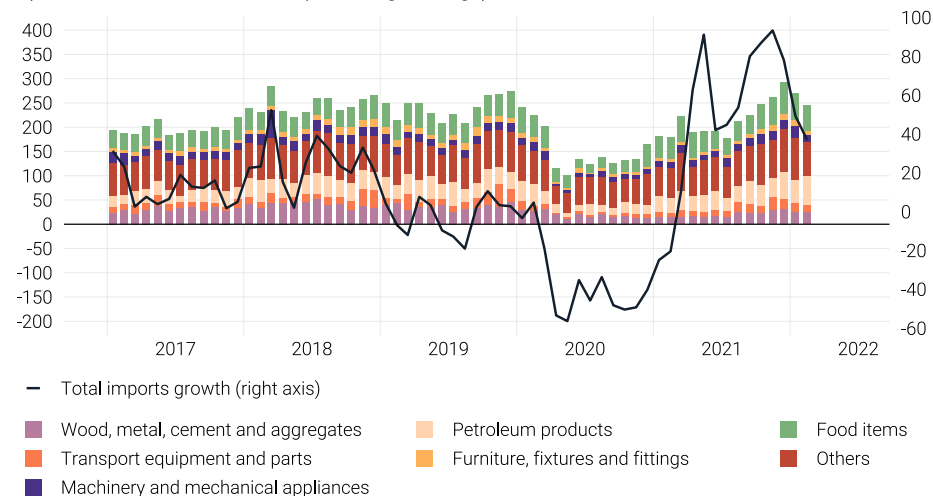
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

Total Imports, 2017 - 2022

(millions of US dollars, annual percentage change)



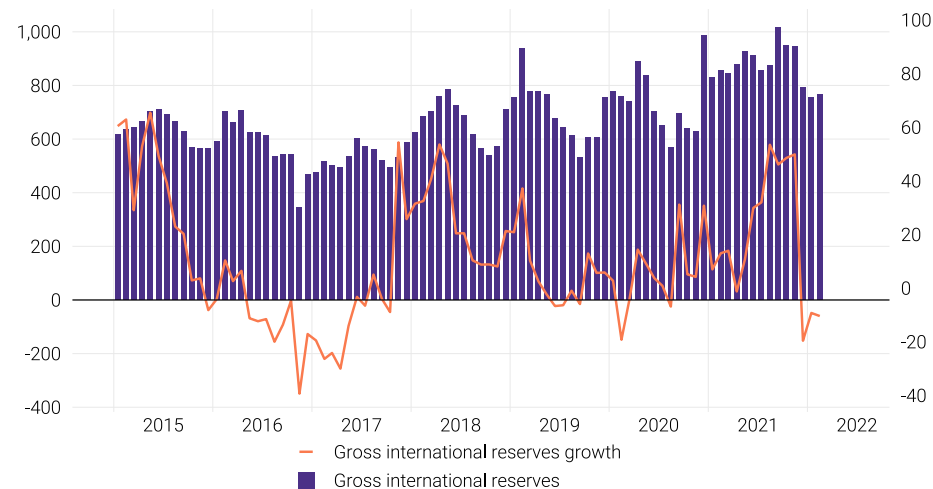
Source: Maldives Customs Service

## Gross International Reserves

- Gross international reserves<sup>2</sup> (official reserve assets) rose to US\$766.2 million at the end of February 2022, from US\$753.4 million at the end of January 2022. However, this was a decrease from the US\$855.7 million recorded at the end of February 2021.
  - In terms of growth rates, gross international reserves recorded a 2% growth when compared with January 2022, while a decline of 10% was registered when compared with February 2021, reflecting the base effect of the repayment of RBI swap.

### Gross International Reserves, 2015 - 2022

(millions of US dollars, annual percentage change)



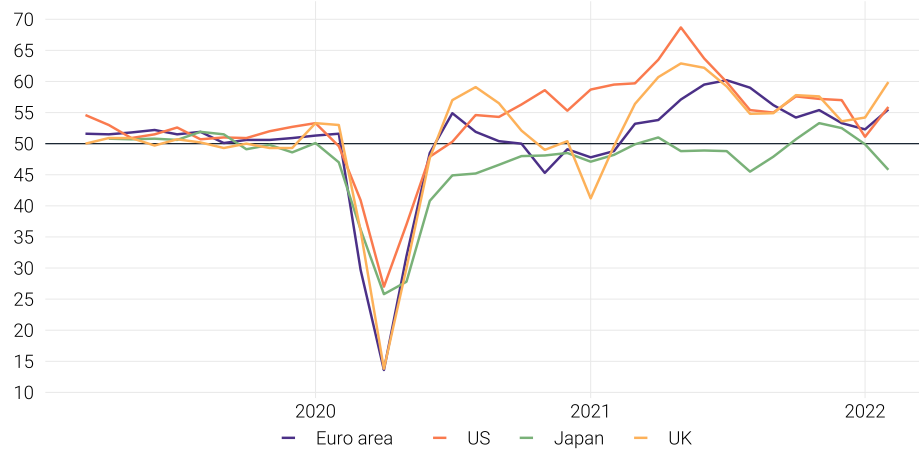
Source: Maldives Monetary Authority

<sup>2</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

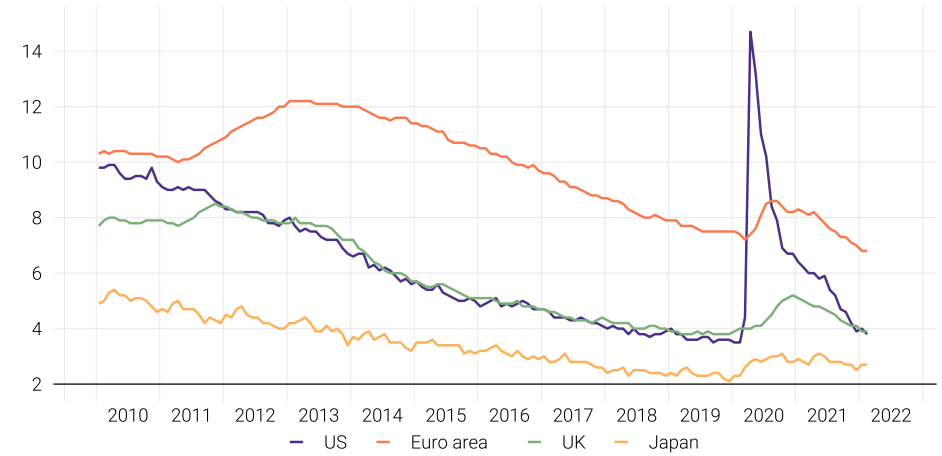
## Global Output

Purchasing Manager's Index in the Advanced Economies, 2019 - 2022  
(index points)



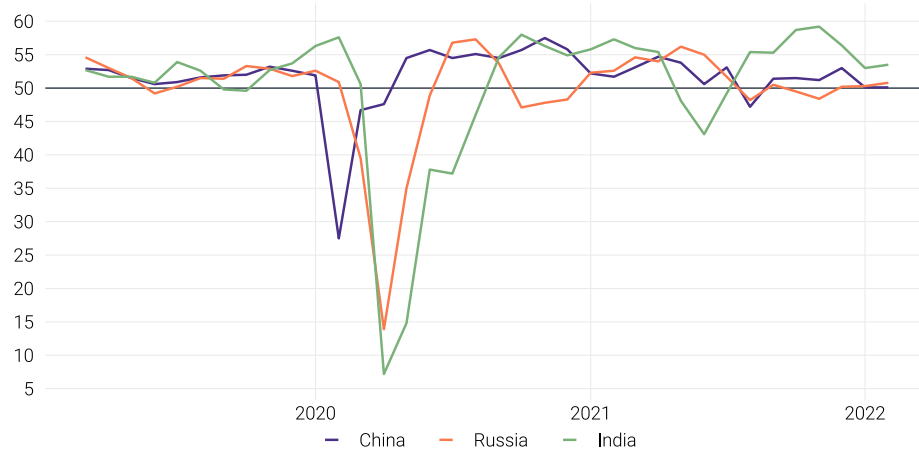
Source: Bloomberg Database

Unemployment in the Advanced Economies, 2010 - 2022  
(percent)



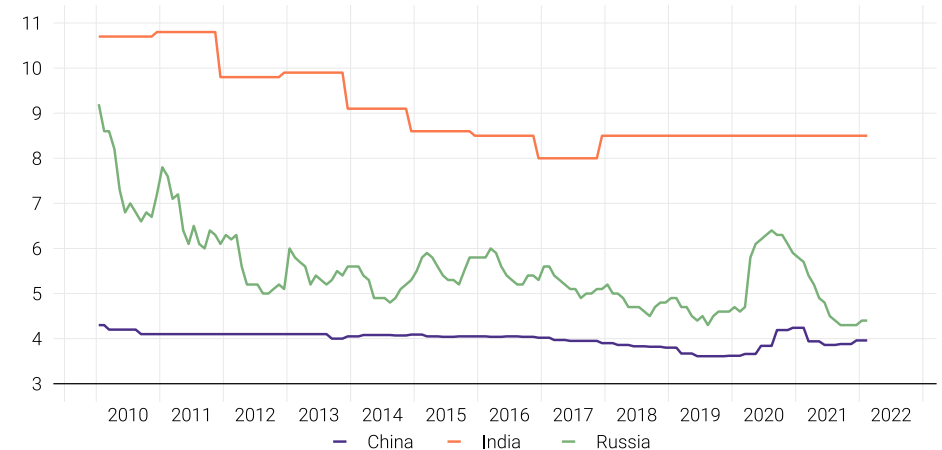
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2019 - 2022  
(index points)



Source: Bloomberg Database

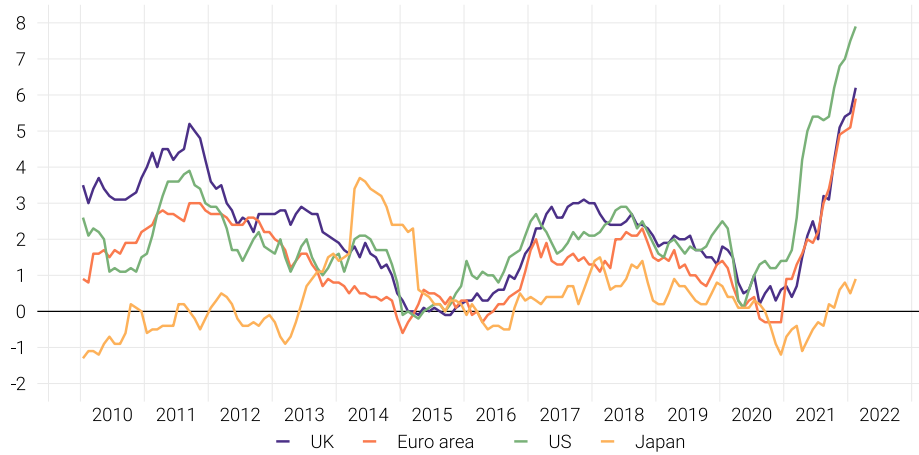
Unemployment in the Emerging Economies, 2010 - 2022  
(percent)



Source: Bloomberg Database

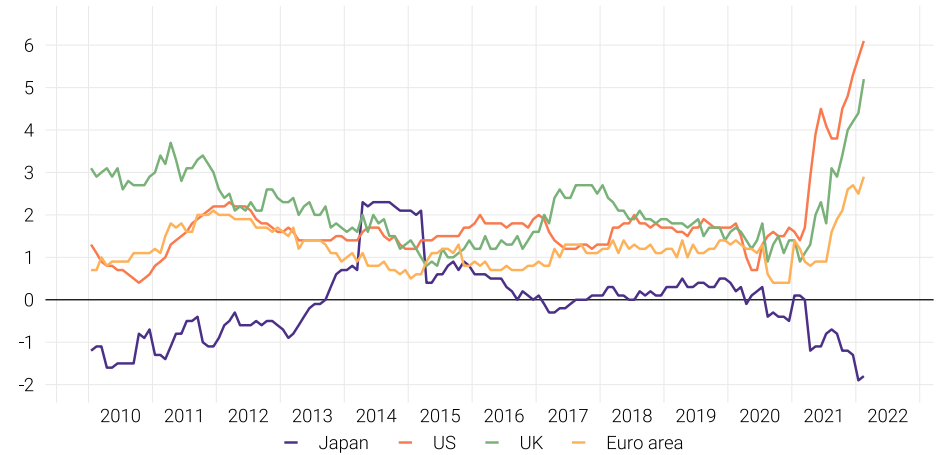
# Global Inflation

**Inflation in the Advanced Economies, 2010 - 2022**  
(percent)



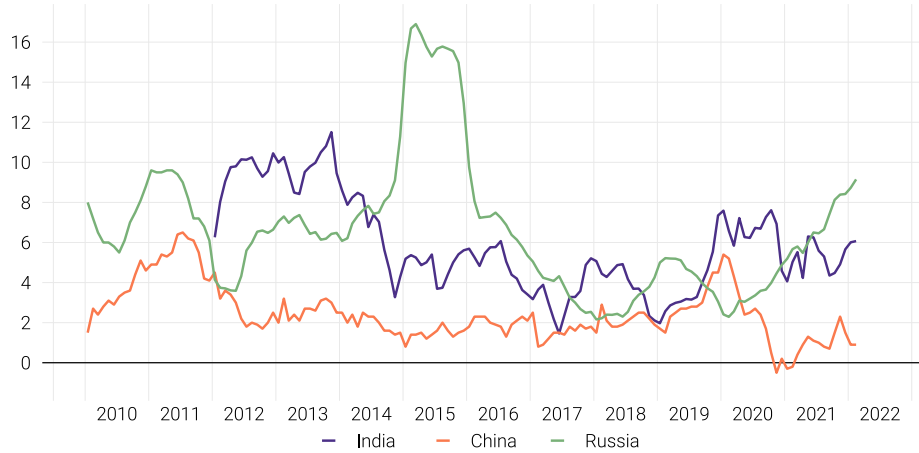
Source: Bloomberg Database

**Core Inflation in the Advanced Economies, 2010 - 2022**  
(percent)



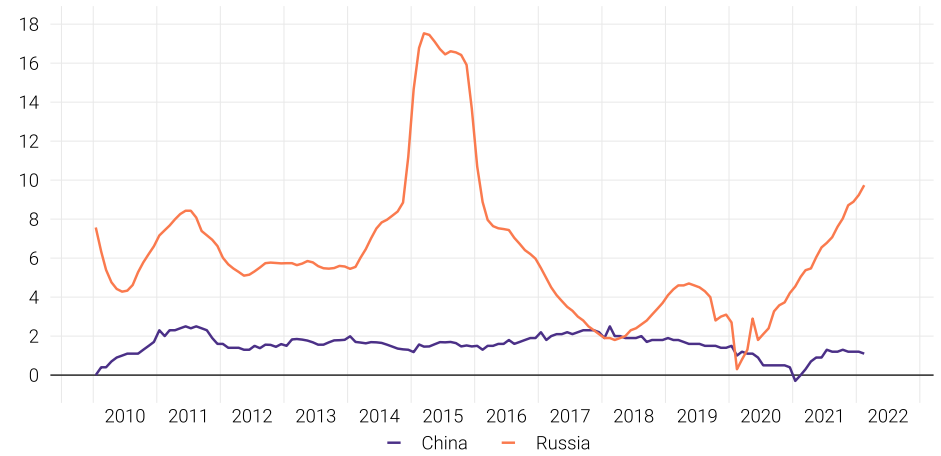
Source: Bloomberg Database

**Inflation in the Emerging Economies, 2010 - 2022**  
(percent)



Source: Bloomberg Database

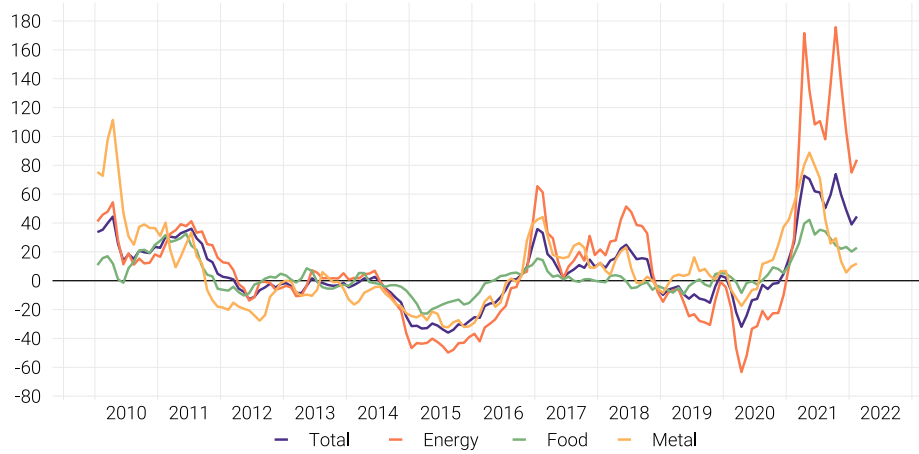
**Core Inflation in the Emerging Economies, 2010 - 2022**  
(percent)



Source: Bloomberg Database

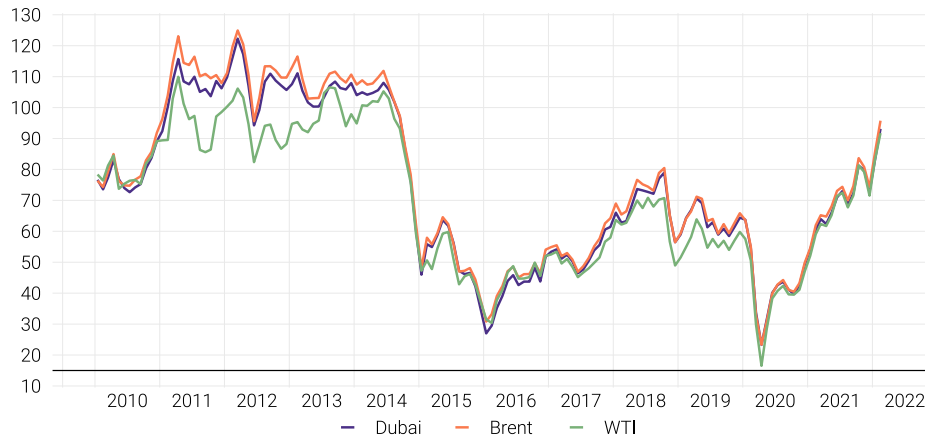
# Commodity Prices

Commodity prices, 2010 - 2022  
(annual percentage change)



Source: IMF

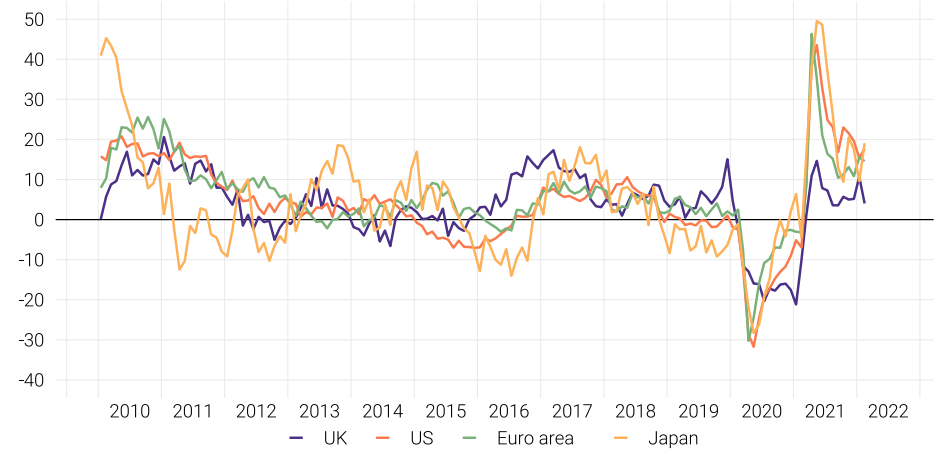
Oil prices, 2010 - 2022  
(dollars per barrel)



Source: Bloomberg Database

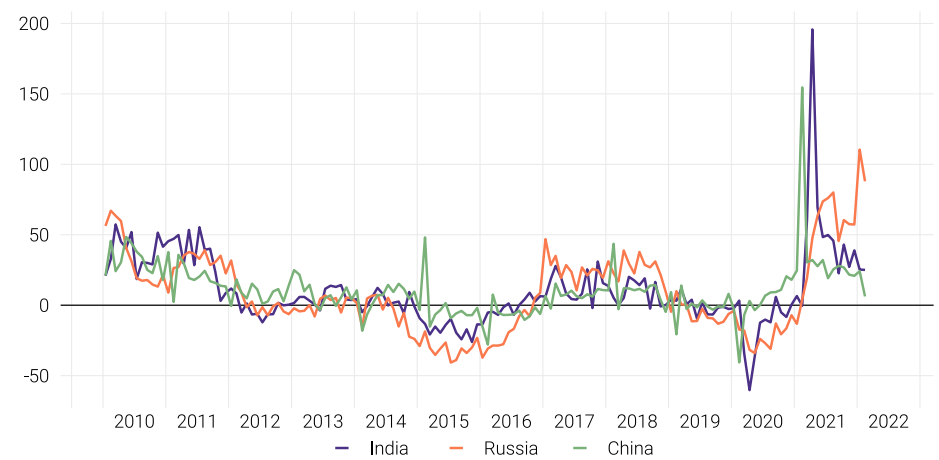
# Global Trade

Exports in the Advanced Economies, 2010 - 2022  
(annual percentage change)



Source: Bloomberg Database

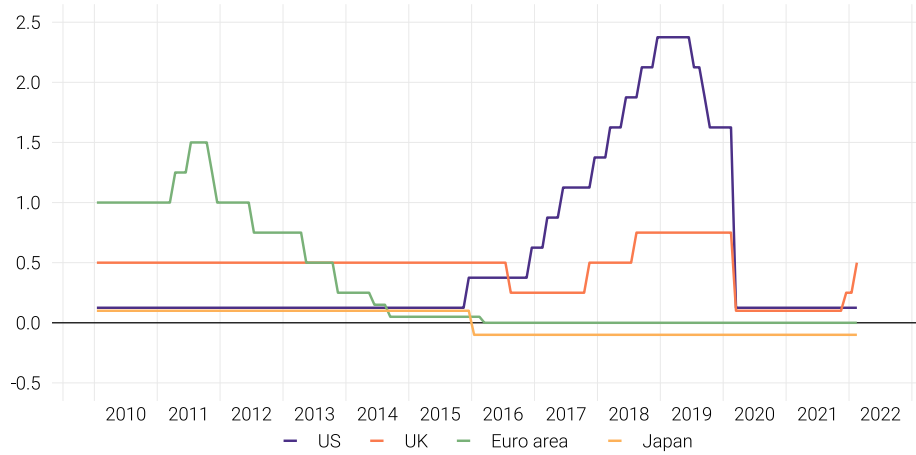
Exports in the Emerging Economies, 2010 - 2022  
(annual percentage change)



Source: Bloomberg Database

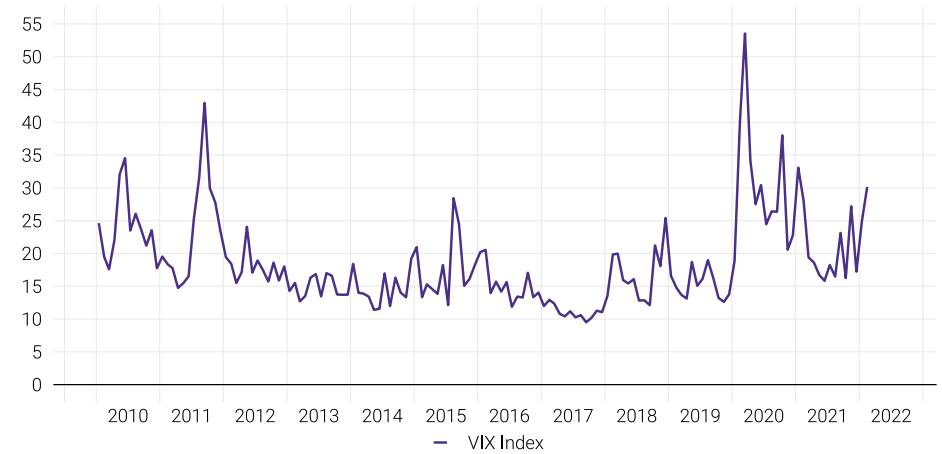
# Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2010 - 2022  
(percent)



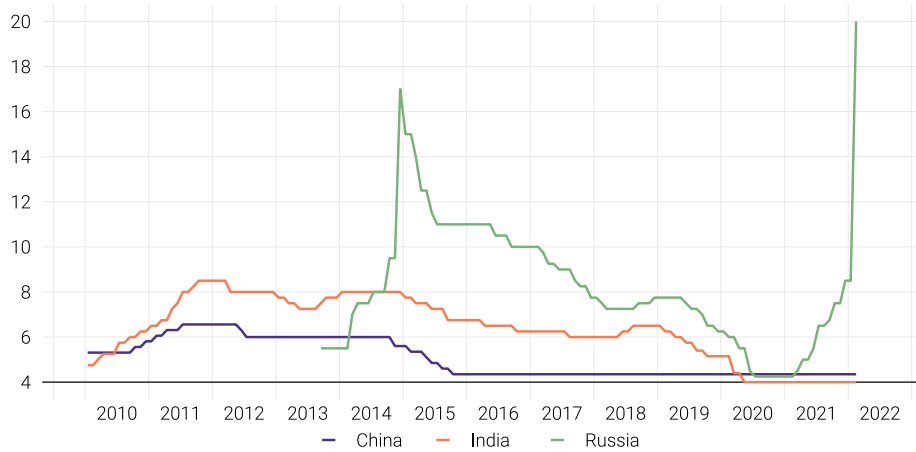
Source: Bloomberg Database

Volatility Index, 2010 - 2022  
(percent)



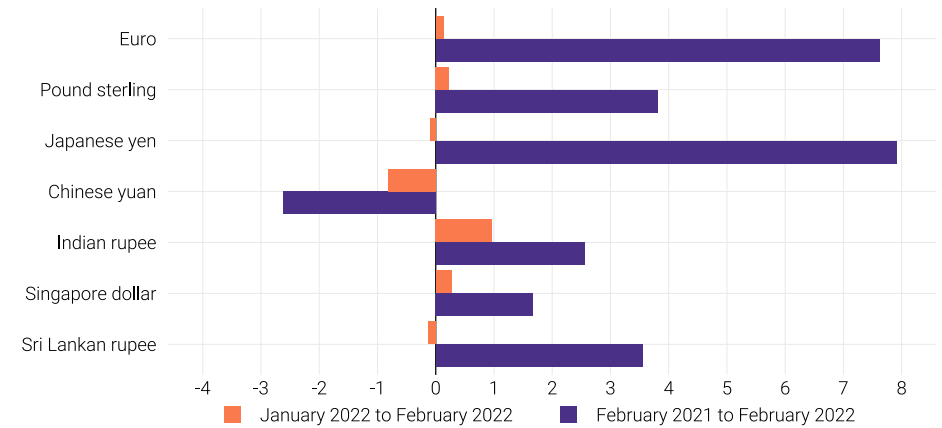
Source: Bloomberg Database

Monthly Policy Rates in the Emerging Economies, 2010 - 2022  
(percent)



Source: Bloomberg Database

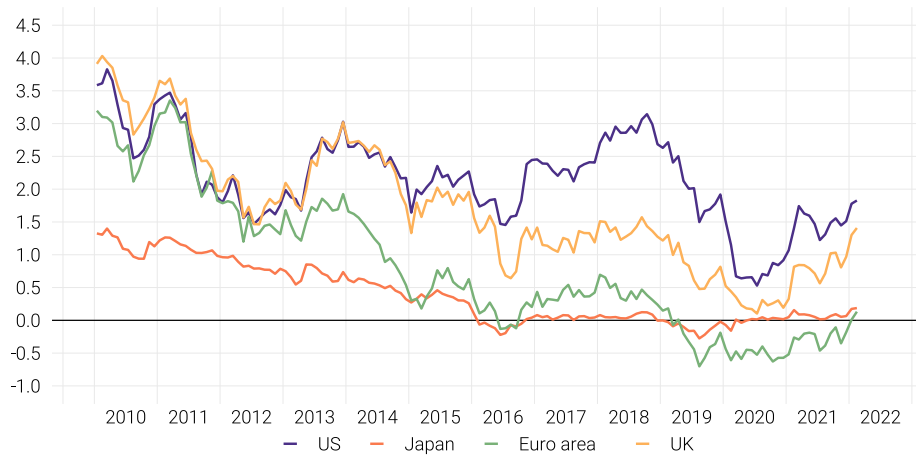
Exchange Rate of US Dollar against Currencies of Major Trading Partners, February 2022  
(percentage change)



Source: Bloomberg Database

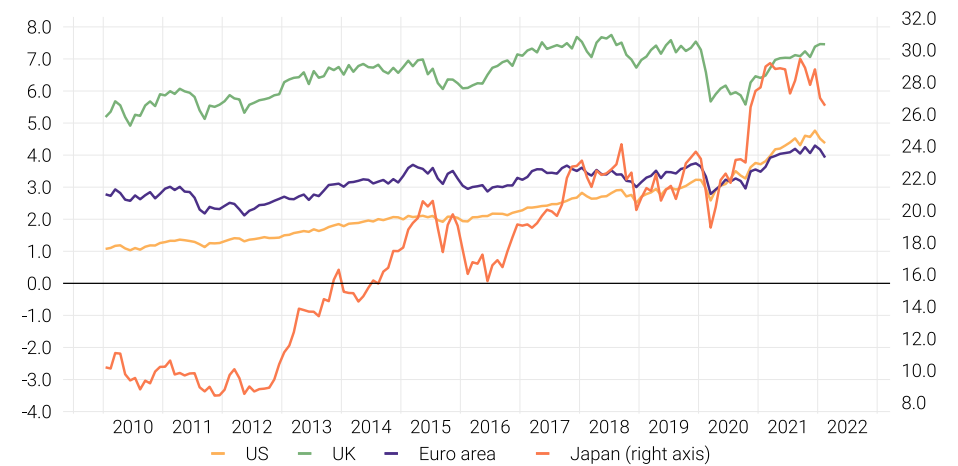
# Global Financial Markets

Sovereign Bond Yield in the Advanced Economies, 2010 - 2022  
(percent)



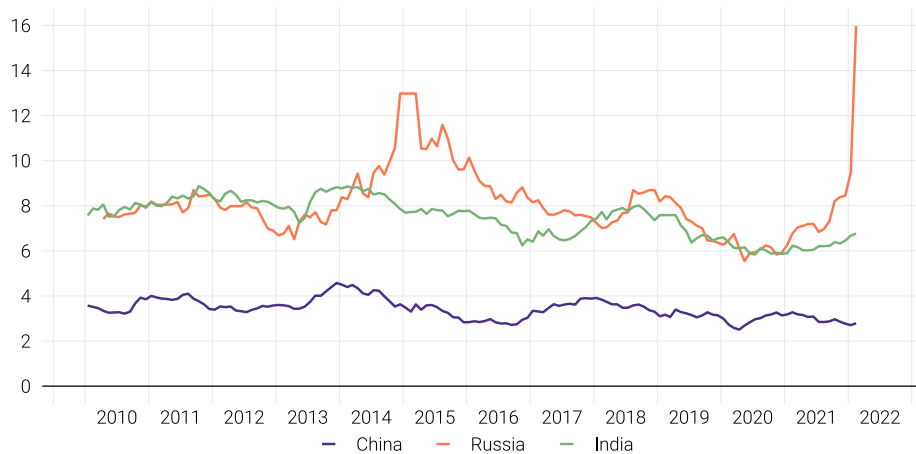
Source: Bloomberg Database

Share Price Index in the Advanced Economies, 2010 - 2022  
(price index, in thousands)



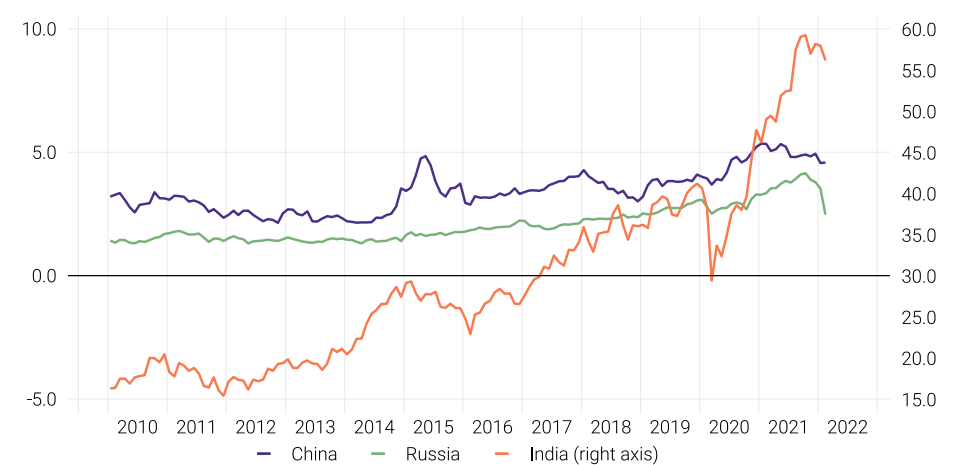
Source: Bloomberg Database

Sovereign Bond Yield in the Emerging Economies, 2010 - 2022  
(percent)



Source: Bloomberg Database

Share Price Index in the Emerging Economies, 2010 - 2022  
(price index, in thousands)



Source: Bloomberg Database



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