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This bulletin is compiled by the Research Division (RD) of the Maldives Monetary Authority (MMA). It covers developments in the domestic and international economy during the fourth quarter of 2023. The analyses are based on information provided by relevant government authorities, commercial banks operating in the country, public enterprises and other private sector sources, as at 15 February 2024. Where actual data is not readily available, estimates have been made by RD based on available information. The timely receipt of data is therefore crucial to the compilation of this publication and the analyses contained herein.

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# Abbreviations

BPT	business profit tax
CPI	consumer price index
FAO	Food and Agriculture Organization
GDP	gross domestic product
GST	goods and services tax
G-GST	general goods and services tax
GIR	gross international reserves
GWP	Gross Written Premium
HICP	Harmonised Index of Consumer Prices
IMF	International Monetary Fund
MBS	Maldives Bureau of Statistics
MIFCO	Maldives Industrial Fisheries Company
MMA	Maldives Monetary Authority
NCG	net claims on central government
NDA	net domestic assets
NFA	net foreign assets
NII	net interest income
NPL	non-performing loan
NWP	net written premium
ODF	overnight deposit facility
PMI	purchasing managers' index
ROA	return on assets
ROE	return on equity
QBS	quarterly business survey
QNA	quarterly national accounts
RBI	Reserve Bank of India
RBC	risk-based capital
SOE	state-owned enterprise
STO	State Trading Organization
T-GST	tourism goods and services tax

UNWTO	United Nations World Tourism Organization
UAE	United Arab Emirates
UK	United Kingdom
US	United States
WEO	World Economic Outlook



# **RECENT ECONOMIC DEVELOPMENTS**

# Macroeconomic Outlook

Amid the resilient recovery from the effects of the COVID-19 pandemic, geopolitical tensions and the cost-of-living crisis, activity in the global economy is expected to remain stable in 2024. According to the International Monetary Fund (IMF) *World Economic Outlook* (WEO) Update released in January 2024, global growth is projected to remain at 3.1% in 2024—0.2 percentage points higher than the estimates in October 2023 WEO. Growth for the year is expected to be supported by the faster-than-expected fall in inflation, resilient performance of the United States as well as several large emerging market and developing economies, in addition to the further fiscal support provided by the Chinese government. However, elevated central bank policy rates to manage inflation expectations, and the potential withdrawal of fiscal support across countries as high debt levels linger, are expected to weigh on growth in 2024, and continue do so well into 2025. Global growth is expected at 3.2% in 2025, remaining well below the historical average of 3.8% (over the decade from 2000 to 2019).

According to the October 2023<sup>1</sup> forecasts, real GDP growth of the Maldivian economy is projected at 8.7% for 2023, supported primarily by the continued expansion of the construction and real estate sector, as well as the continued resilient performance of the tourism sector. However, due to the weaker-than-expected performance of resort bednights, particularly over the last two quarters of the year, coupled with the slower-than-expected growth of the construction sector, real GDP growth estimates would likely be lower than anticipated. For 2024, real GDP growth projections are at 5.5%—lower than the long run average growth trend (6.5%)—with growth impetus expected to be provided by the tourism sector, as well as transport and communication sector.

With regard to the balance of payments, as per the October 2023 projections, the current account deficit is expected to widen to 22% of GDP in 2023, after recording 16% of GDP in 2022. The widening deficit reflects lower receipts from tourism activity, which partly mirrors the price competitiveness of room rates, coupled with higher import expenditure for the year in line with the increase in volume of imports, despite the projected decline in commodity prices. As the deficit on the current account is expected to outpace the inflows on the financial account, the overall balance of payment is projected to record a deficit of US\$213.7 million in 2023. The gross international reserves (GIR) stood at US\$588.6 million at the end of 2023, from US\$832.1 million at the end of 2022. By the end of 2024, the GIR is estimated to be at US\$605.7 million.

The rate of inflation maintained the decelerating path, registering 2.3% in Q4-2023, from 2.5% in Q3-2023, following the rate of 3.1% in Q2-2023. As per the revised forecasts of September 2023<sup>2</sup>, inflation is set to further decelerate to 0.7% for Q1-2024. With the potential implementation of the proposed subsidy reforms in 2024, domestic inflation is expected to rise to 3.9% for the year. The subsidy reform, which have been factored in from Q3-2024 onwards, include the removal of subsidies provided for staple food items, electricity, fuel, sanitation, and would be replaced with a cash transfer system for eligible households. However, inflation is expected to be at 1.0% if the proposed reforms are not implemented during the year.

The risks to global growth outlook have moderated since the October 2023 WEO and are broadly balanced. Upside risks include faster-than-expected reduction in inflationary pressures, as

<sup>1</sup> According to growth forecast scenarios estimated in October 2023 jointly by the MMA and the Ministry of Finance.

<sup>2</sup> Made in preparation for the Government Budget for 2024.

well as slower-than-anticipated withdrawal of fiscal support in key economies. On the downside, such risks include commodity price spikes amid the ongoing geopolitical tensions and adverse weather shocks related to extreme weather events, as well as the property sector woes in China which could result in lower real estate investment and in turn impact the growth in China. With the persistence of core inflation, further tightening of monetary policy may be required which could result in tighter global financial conditions, while, countries could turn to fiscal consolidation to reign in the high debt ratios as elevated risk of debt distress remains.

Delving into the risks to domestic growth outlook, a high level of uncertainty surrounds the growth outlook as the balance of risks continue to remain tilted to the downside. Key downside risks include the potential slowdown in key

tourism source markets such as Europe and China, which could result in lower tourism revenue and spillovers to related sectors of the domestic economy. The commodity price spikes amid the ongoing geopolitical tensions and adverse weather events, could result in worsening current account deficit as well as higher government expenditure. Additionally, the tightening of policy rates to reign in core inflation could result in more stringent global financial conditions, which could result in higher interest costs and a reduction in options to access market financing for the Maldivian government. On the upside, faster-than-anticipated recovery of economic activity in China and the slower-than-anticipated withdrawal of fiscal support in other key economies, may result in higher-than-anticipated tourist arrivals into the domestic economy.

# Overview

Incoming high frequency indicators and the MMA's *Quarterly Business Survey* (QBS) results suggests that economic activity moderated in Q4-2023 after the 2.0 percent annual growth observed for GDP in Q3-2023. As such, both the transportation and communication sector, and tourism sector is estimated to have contracted, while the construction sector depicted an expansion, and the wholesale and retail trade sector signalled towards a muted growth. The growth of the tourism sector is estimated to have declined largely due to the drop in resort bednights, although total bednights observed an increase during the review quarter driven by the growth in guesthouse bednights. Further, available high-frequency indicators showed mixed developments in the fisheries sector during the quarter.

Meanwhile, the rate of inflation (as measured by the annual percentage change in the national Consumer Price Index [CPI]) decelerated further to 2.3% in Q4-2023 from 2.5% in Q3-2023. The deceleration in domestic inflation during the quarter was primarily due to the decline in the cost of information and communication services together with a moderated growth in price of furnishing and household equipment. In addition, a moderation was observed in the cost of certain services such as healthcare and passenger transport services as well as prices of energy-related items. In contrast, major upward inflationary pressures stemmed from food inflation and rental prices.

Turning to fiscal developments, total government revenue (excluding grants) recorded an annual increase during Q3-2023<sup>3</sup>, owing to a growth in tax revenue, despite a decline in non-tax revenue during the quarter. Meanwhile, total expenditure (excluding debt amortisation) also observed a significant increase during the review quarter,

driven primarily by the rise in capital expenditure, while recurrent expenditure also posted an increase. The growth in capital expenditure mainly reflected higher spending on infrastructure assets, while the growth in recurrent expenditure stemmed from the rise in administrative and operational expenses.

As for monetary developments, annual broad money growth observed a deceleration during the quarter and recorded a growth of 7% at the end of December 2023, mirroring a decline in net foreign assets (NFA), while a slowdown was also observed in growth in net domestic assets (NDA) of the banking system. The annual decline in NFA mirrored a decrease in foreign asset accumulation as well as a drop in commercial banks' foreign currency deposits held, despite a decrease in foreign liabilities. Meanwhile, the annual growth in NDA stemmed from the rise in net credit to the government (NCG) by both the MMA and the commercial banks, as well as the expansion in bank credit to the private sector and public non-financial corporations.

With regard to the external sector, total merchandise exports registered an annual increase during the review quarter due to a rise in merchandise re-exports, despite the decline in domestic exports during the quarter. The rise in re-exports reflected an increase in other re-exports, while the decline in domestic exports mirrored a fall in export earnings from frozen skipjack tuna. Meanwhile, merchandise imports observed a slight annual decline as the moderate increase in most of the major import categories were offset by the significant decline in imports of transport equipment and parts.

<sup>3</sup> Data for Q4-2023 was not available at the time of compilation of this report.

# International Economic Developments

## Global Output

According to the IMF WEO January 2024 update, following an estimated growth of 3.1% in 2023, global growth is forecasted to remain broadly unchanged at 3.1% in 2024 as well—an upward revision of 0.2 percentage points from the estimates made in October 2023. Despite the robust global economic recovery following the COVID-19 pandemic, Russia-Ukraine conflict and the subsequent cost-of-living crisis, the anticipated slowdown in global economic growth during the year is attributed to restrictive monetary policies, the withdrawal of fiscal support, and subdued underlying productivity growth. In Q4-2023, mixed developments were observed in the global economy, across both the advanced economies and emerging market and developing economies. As such, while many advanced economies sustained growth, majority of the emerging market and developing economies surpassed expectations for the quarter.

Looking at the advanced economies, the US economy registered a growth of 3.1% in Q4-2023, after recording a growth of 2.9% in Q3-2023 (Figure 1). The acceleration in economic growth was primarily owed to stronger labour market as well as the increase in consumer spending, government spending as well as investments. Meanwhile, net exports also improved as the increase in exports offset the increase in imports. As per the Eurostat flash estimates, the euro area recorded a growth of 0.1% during Q4-2023, after remaining stable in the previous quarter. Among the major eurozone countries, after stagnating in Q3-2023, the German

Figure 1: Real GDP Growth in the Advanced Economies, 2019 - 2023

(annual percentage change)



Source: Bloomberg Database

economy contracted during Q4-2023, reflecting broad-based weakness across the economy, driven by the notable adverse impact on the manufacturing sector—due to diminished demand from China and the significant interest rate increases. Conversely, economic activity in Spain and Italy accelerated during the quarter, following muted growth in the previous quarter. Additionally, growth momentum in France remained stable during the quarter, with positive contributions from foreign trade, despite the moderation in domestic demand and inventory changes.

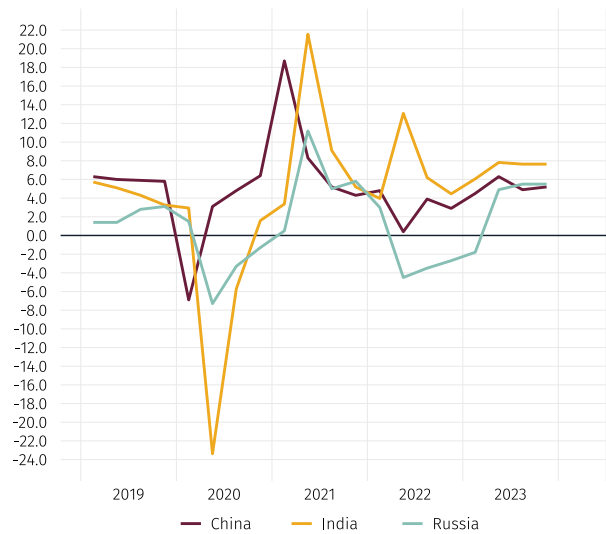
Following an expansion of 1.5% in Q3-2023, the growth momentum of the Japanese economy is expected to further moderate in Q4-2023. In this regard, the average Purchasing Manager's Index

(PMI) recorded further decline during the review quarter, following a slight contraction during the preceding quarter. Despite remaining on the recovery path, the growth momentum of Japanese economy is expected to slow down due to impeded exports and production activity, amid sluggish recovery in overseas economies. Nevertheless, domestic demand is expected to recover, with improved employment and income situations as well as business sentiments. Meanwhile, the growth momentum in the United Kingdom (UK) economy is expected to remain stable during Q4-2023, after remaining broadly unchanged at 0.3% in Q3-2023, from the previous quarter. As such, the average PMI figure for the quarter recorded a slight expansion, following a contraction in the previous quarter. Despite positive contributions from improved business confidence and real wages, economic activity in the UK is expected to remain moderate amid subdued demand and restrictive fiscal and monetary policy.

Looking at the emerging market and developing economies, China's economic growth accelerated to 5.2% in Q4-2023, from 4.9% in the previous quarter (Figure 2). The economic growth in China was supported by activity in the manufacturing and services sector. However, the Chinese economy continued to be weighed down by the persistent property market crisis, increasing local government debt as well as subdued consumer and business confidence. The growth momentum in the Indian economy is expected to remain robust in Q4-2023, following a growth of 7.6% in Q3-2023. Accordingly, the average PMI figure for the quarter depicted further expansion during the review quarter. The growth momentum of the Indian economy is expected to be boosted by the hike in state spending on infrastructure projects, against the backdrop of weak consumer spending.

The Russian economy is expected to grow faster than anticipated in Q4-2023, following an expansion of 5.5% during the third quarter of

Figure 2: Real GDP growth in the Emerging Economies, 2019 - 2023  
(annual percentage change)



Source: Bloomberg Database

the year. This mirrored the continued growth in domestic demand driven by heightened consumer activity, propelled by both the rise in real wages and robust credit growth. Furthermore, positive business sentiments, coupled with fiscal stimulus measures reinforced strong investment demand. However, the composite PMI recorded a slight moderation during the quarter. Growth momentum in the Russian economy remains restricted by the labour market situation—increasing labour shortages while unemployment remains at record levels.

## Global Inflation

Global inflation continued to remain moderate during the fourth quarter of 2023, following a year of multi-decade high inflation, due to favourable base effects in the food and energy prices. As such, headline inflation in majority of the advanced and emerging market and developing economies moderated during Q4-2023.

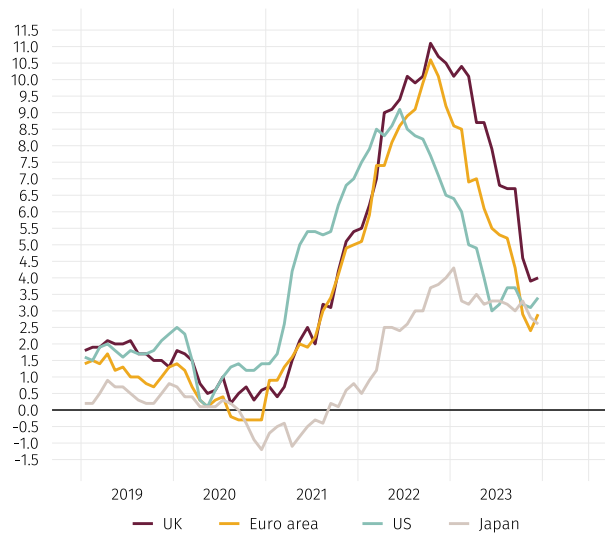
Looking at the price developments in the advanced economies, the rate of inflation in the US slightly decelerated to 3.2% in Q4-2023, from 3.5% in Q3-2023 (Figure 3). The moderation of inflation

in the US was mainly due to the decline in energy prices, as well as prices in the commodities less food and beverages, and medical services categories, while upward inflationary pressure during the quarter stemmed primarily from the rise in prices of other services, housing, and shelter categories. In the euro area, the rate of inflation, as measured by the annual change in the Harmonised Index of Consumer Prices (HICP) declined significantly to 2.7% in Q4-2023, from 5.0% in the previous quarter. This reflected the broad-based decline in prices across all major categories, led by the persistent decline in energy inflation, which slipped further into negative territory during the review quarter.

As for Japan, the rate of inflation slightly moderated to 2.9% in Q4-2023, from 3.2% in the preceding quarter. The slowdown in the inflation rate during the quarter was primarily due to the decline in prices in the energy sector, induced by government measures. Nevertheless, upward inflationary pressures persisted from the pass-through of cost increases to consumer prices—led by the prior surge in import prices—coupled with the slight increase in price of services. Meanwhile, the rate of inflation in the UK significantly declined to 4.4% in Q4-2023, after registering 6.3% in the previous quarter. Despite upward contributions from elevated prices in food and non-alcoholic beverages, as well as recreation and culture categories, the inflation rate declined due to downward contributions from falling prices in the transportation and housing, water, electricity, gas, and other fuels categories.

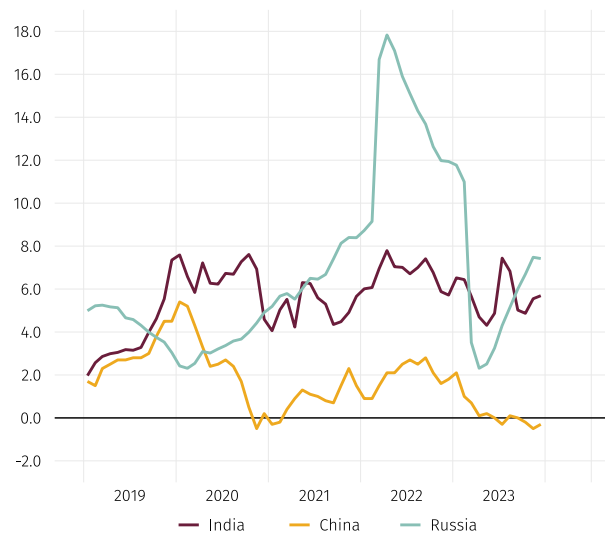
Turning to the emerging market and developing economies, the rate of inflation in China declined further to -0.3% during the review quarter, after turning negative and recording -0.1% in Q3-2023 (Figure 4). The inflation dynamics in the country primarily reflected the fall in food prices during the quarter, particularly the price of pork—a staple meat in China. Similarly, the rate of inflation in India declined to 4.8% in Q4-2023, from

Figure 3: Inflation Rate in the Advanced Economies, 2019 - 2023 (percent)



Source: Bloomberg Database

Figure 4: Inflation Rate in the Emerging Economies, 2019 - 2023 (percent)



Source: Bloomberg Database

6.4% in the preceding quarter, driven by the decline in food prices. As for Russia, the rate of inflation rose significantly to 7.2% in Q4-2023, from 5.2% in Q3-2023, with domestic demand exceeding the capacity to effectively increase the production of goods and services. The rise in prices also reflected upward inflationary pressures across an increasingly broader group of goods and services.

## Commodity Prices

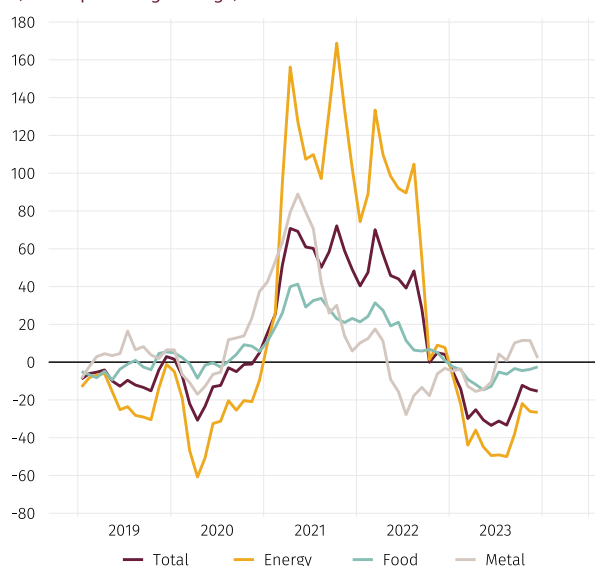
During Q4-2023, the IMF price index for all commodities declined by 15% in annual terms and increased slightly by 1% in quarterly terms (Figure 5). The annual decline in the IMF price index for all commodities was primarily due to the persistent decline in energy prices, largely reflecting easing of geopolitical tensions and concerns surrounding crude oil demand. Additionally, the decline in global food prices also contributed to the fall in the all commodities index, mainly reflecting the decrease in prices of vegetable oils, dairy, cereals, and meat. However, global metal prices recorded a growth, boosted by the mounting demand for green products that require base metals.

### Energy Prices

The price of crude oil<sup>4</sup> averaged US\$82.1 per barrel during Q4-2023, representing a decline of 4% in both annual and quarterly terms. During the quarter, concerns over oil demand weighed down on oil prices, amid the easing of geopolitical tensions and potential supply disruptions.

World oil demand slowed down during the review quarter, driven by the decline in demand from European markets—amid subdued manufacturing and industrial activity in Europe—as well as Russian and Middle Eastern markets. Additionally, stricter efficiency regulations, coupled with the increasing adoption of electric vehicles exerted additional downward pressure on global oil demand. On the supply side, with increased output from US, Brazil, Guyana as well as Iran, global supply increased during the quarter. The significant impact on global oil supply was brought on by the shift in global oil production from major Middle Eastern producers to the US and Atlantic Basin countries.

Figure 5: Commodity Prices, 2019 - 2023  
(annual percentage change)



Source: IMF

### Metal Prices

Turning to major commodities in the non-energy index, the base metal index increased by 9% and 4%, in annual and quarterly terms, respectively. The annual increase in base metal index was primarily driven by the significant demand for green products—green technologies such as electric vehicles, solar panels, and wind turbines as well as other energy-efficient appliances that require base metals. Despite the subsiding of the initial optimism regarding the reopening of the Chinese economy and the consequent impact on the metal market, green demand served as a significant counterbalance for the decline in traditional metal demand drivers such as construction and electronic goods.

### Food Prices

As for global food prices, the IMF food price index recorded an annual decline of 3% but remained broadly unchanged when compared

<sup>4</sup> Quarterly average of Brent, West Texas Intermediate and Dubai Fateh.

with the preceding quarter. Meanwhile, the Food and Agriculture Organization (FAO) food price index declined by 14% and 2% in annual terms and quarterly terms, respectively. The annual decline in food price index was led by the decrease in prices of most staples such as vegetable oils, dairy, cereals, and meat, underpinned by improving global supply conditions. However, sugar prices recorded an increase, attributed to the decline in production prospects among major producers such as Thailand and India as a result of the El Niño phenomenon.

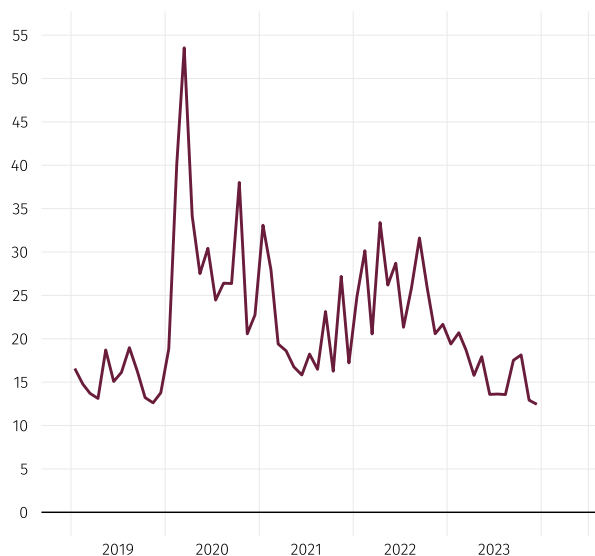
## Global Financial Markets

During Q4-2023, global financial conditions remained constrained in both the advanced and emerging market and developing economies. Nevertheless, it is anticipated that the global financial conditions would gradually improve throughout the year as inflationary pressures diminish.

In Q4-2023, share prices on average observed increases in all the advanced economies as well as majority of the emerging market and developing economies, when compared with the corresponding quarter of the previous year. Accordingly, the implied volatility of the US stock market registered a decline in annual terms during the review quarter (Figure 6)<sup>5</sup>. However, the yield-to-maturity on longer-term sovereign bonds increased in all the advanced economies, but declined in most emerging market economies, when compared with Q4-2022, mirroring the impact of monetary policy announcements on the bond market.

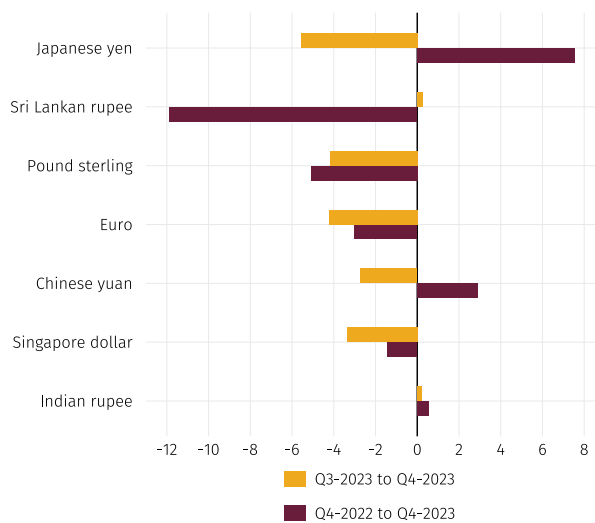
Monetary policy remained unchanged in majority of the economies during the review quarter, amid receding inflationary pressures. Accordingly, majority of the central banks in advanced economies and emerging market economies kept their policy rates unchanged

Figure 6: Volatility Index, 2019 - 2023 (percent)



Source: Bloomberg Database

Figure 7: Exchange Rates, Q4-2023 (percentage change)



Source: Bloomberg Database

Note: Percentage changes have been calculated using spot rates at the end of each quarter.

<sup>5</sup> Chicago Board of Exchange's Volatility Index (VIX Index) is used as an overall benchmark for volatility in the stock market. A VIX level above 20 is typically considered high (volatility is high), while a VIX below 12 (volatility is low) is considered low and anything in between 12 and 20 is considered normal.

during Q4-2023. In this regard, the European Central Bank kept their three key interest rates unchanged during the quarter. Similarly, the Bank of England maintained their bank rate at 5.25% in Q4-2023 with inflationary pressures expected to moderate in the country, while the Federal Reserve continued to keep their key interest rates at 5.25-5.50%—a 22-year high. Meanwhile, in the emerging markets and developing economies, the RBI kept policy rates unchanged during the quarter as well, following an upward revision to 6.50% in February 2023 to meet the central bank's inflation target. Likewise, People's Bank of China kept benchmark lending rates unchanged for the fourth consecutive month, following a second cut in three months to the one-year benchmark lending rate during August 2023. Conversely, the Central Bank of the Russian

Federation increased the key rate from 13.00% per annum to 15.00% and finally 16.00% during the quarter, amid high inflationary pressures in the country.

In the foreign exchange market, the overall performance of the US dollar against majority of the currencies of the Maldives' major trading partners weakened at the end of Q4-2023 in both annual and quarterly terms (Figure 7). In this regard, the US dollar weakened against all the currencies except for the Japanese yen, the Chinese yuan and the Indian rupee at the end of Q4-2023, when compared with Q4-2022. Meanwhile, the US dollar weakened against all the currencies except for the Indian rupee and the Sri Lankan rupee at the end of Q4-2023, relative to Q3-2023.

# Economic Developments in the Maldives

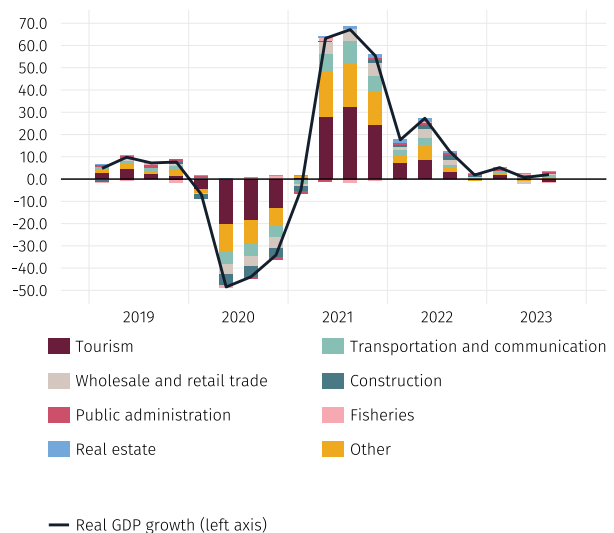
## Real Economy

### Gross Domestic Product

According to the available high frequency indicators and business survey results, most major sectors of the domestic economy showed mixed results for Q4-2023 relative to Q4-2022. Accordingly, based on the MMA's GDP nowcasts<sup>6</sup> of February 2023 (rebased estimates), real GDP is estimated to have moderated in annual terms during Q4-2023. The estimated annual growth was muted in Q4-2023 mainly due to the weak performance of the transportation and communication sector as well as the tourism sector. The tourism sector is estimated to have declined due to the decline in resort bednights in the review quarter (despite an increase in total bednights) as the gross value added (GVA) of the tourism sector is driven by resort bednights, instead of total bednights. Hence, a negative impact on resort bednights imposes a prominent impact on the growth of the sector.

According to the latest rebased<sup>7</sup> Quarterly National Accounts (QNA)<sup>8</sup> estimates released by the Maldives Bureau of Statistics (MBS) on 18 January 2024, annual real GDP growth increased by 2.0% in Q3-2023<sup>9</sup>, after registering a growth of 0.7% in Q2-2023 (Figure 8). Meanwhile, when compared to the pre-pandemic levels of Q3-2019,

Figure 8: Contribution to Real GDP Growth by Economic Sectors, 2019 - 2023  
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

real GDP registered a growth of 7.6% during the quarter. During Q3-2023, real GDP growth was supported by positive contributions from sectors such as transportation and communication (1.2 percentage points), financial services (0.7 percentage points), public administration (0.6 percentage points), human health and social work activities (0.4 percentage points), electricity

<sup>6</sup> Calculated based on monthly nowcast estimates for sectoral real GDP growth, which are aggregated to obtain quarterly estimates. For further details on the nowcasting methodology, refer to the research paper titled 'Nowcasting Monthly Sectoral Economic Growth Indices', available on the MMA website. To align with the QNA, the high frequency indicators used to nowcast real GDP growth for the tourism and the fisheries sectors have been revised to resort bednights and fish purchases, respectively.

<sup>7</sup> Quarterly real GDP was rebased from the year 2014 to the year 2019. Additionally, some methodological improvements were brought while data sources utilised in the compilation of quarterly real GDP was also expanded.

<sup>8</sup> Latest QNA data available at the time of compilation of this report was for Q3-2023. Real QGDP is released with a three-month lag.

<sup>9</sup> As QNA data for Q3-2023 used in this analysis is based on advance estimates, the data is subject to change in the upcoming revisions.

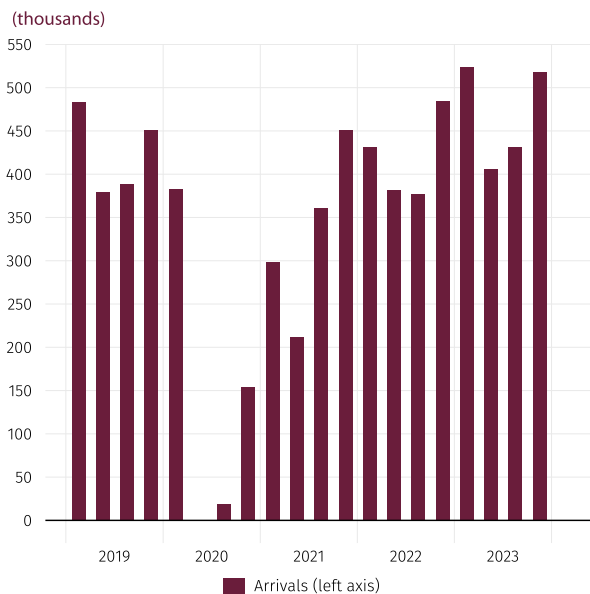
and water (0.4 percentage points), real estate (0.4 percentage points), and wholesale and retail trade (0.4 percentage points). However, these positive contributions were offset by notable declines observed in tourism (-1.2 percentage points), construction (-0.2 percentage points), entertainment, recreation and other services (-0.2 percentage points), and manufacturing (-0.1 percentage points). Meanwhile, sectors such as education, agriculture, fisheries, and professional, scientific, and technical activities registered marginal growths during the quarter.

## Tourism

With the commencement of the peak season, tourist arrivals picked up markedly compared to the previous quarter and totalled 1,878,543 by the end of 2023, exceeding the government’s annual target of 1.8 million arrivals set for the year. The strong performance in arrivals were supported by the surge in arrivals from the European source markets as well as single source markets such as India and China. It is noteworthy that India has remained as the leading single source market since 2020. Meanwhile, the robust arrivals from China since the resumption of Chinese arrivals in Q1-2023, helped place the country as the third leading market for the year 2023.

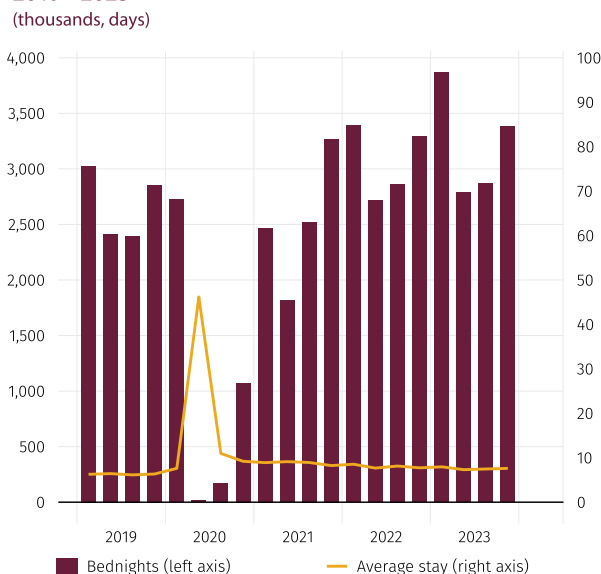
During Q4-2023, tourist arrivals totalled 517,495 and rose by 7% when compared with the corresponding quarter of 2022 as well as by 15% compared with pre-pandemic levels of Q4-2019 (Figure 9). This is a positive indication that the sector continues to maintain robust growth performance over the post-pandemic period. As for the total tourist bednights, there was a modest growth of 3% observed during the quarter in annual terms, driven entirely by the growth in guesthouse bednights. Total guesthouse bednights posted a significant growth of 33% during Q4-2023, while the total resort bednights posted a decline of 3%. The drop in resort bednights was reflected in the marginal drop observed for the average stay,

Figure 9: Inbound Tourist Arrivals, 2019 - 2023



Source: Ministry of Tourism

Figure 10: Bednights and Average Stay, 2019 - 2023



Source: Ministry of Tourism

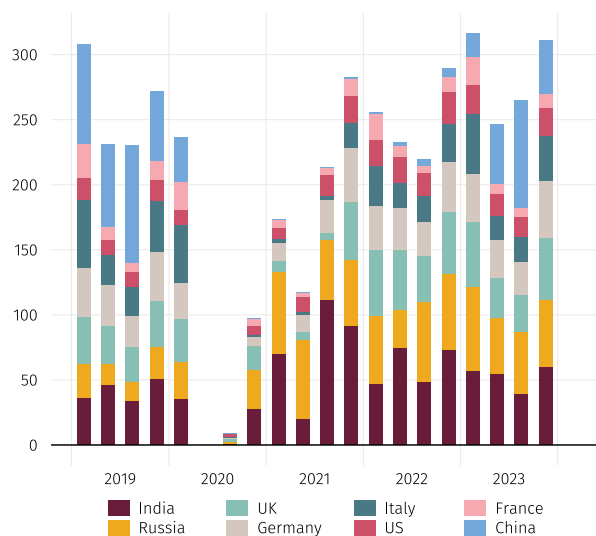
which fell in annual terms from 7.7 to 7.6 days during the review quarter (Figure 10). Despite the improvement in total tourist bednights, the overall performance of the tourism sector is likely to have contracted in Q4-2023, mirroring the annual decline in resort bednights, as the GVA of the tourism sector is driven by resort bednights. Accordingly, MMA’s nowcasts suggest that the tourism sector is estimated to have declined in the review quarter. Meanwhile, the estimated travel receipts for the

quarter posted an annual decline of 15% (US\$226 million) and totalled US\$1.3 billion, although it posted an increase of 42% when compared with the same period in 2019, indicating a strong recovery since the pandemic. Meanwhile, the significant decline in travel receipts in the review quarter reflects the base effects related to the rise in TGST rate in January 2023. Additionally, the decrease in resort bednights in Q4-2023 further contributed to the drop in travel receipts during the review quarter.

Delving into the market composition for the review quarter, Europe remained as the dominant source region, accounting for 59% of the arrivals and remained broadly unchanged compared to the corresponding quarter of 2022. Meanwhile, the market share of Asia and the Pacific region continued to increase from 28% in Q4-2022 to 31% in the review quarter. The upward trend from the Asia and the Pacific region was primarily driven by the increase of arrivals from India, together with China (Figure 11). Further, India continued to remain as the leading source market during the review quarter with a market share of 12%, albeit posting a decline of three percentage points compared with Q4-2022. This was followed by Russia (10%), UK (9%), Germany (9%), and China (8%). Notably, mirroring the the resumption of Chinese arrivals in Q1-2023, the market share of China increased by 7 percentage points to 8% in annual terms during Q4-2023.

According to international flight movements data<sup>10</sup>, the number of flight movements remained broadly unchanged relative to Q4-2022, and observed an increase of 34% relative to the same period in 2019. The sustained flight movements in annual terms reflected an increase in movements by carriers such as Air Vistara—with the commencement of its operations to Delhi—Etihad Airways, and China Eastern. Conversely, a notable decline was observed for the frequency of movements from Go Air, Turkish Airlines, and others

Figure 11: Arrivals from Major Inbound Markets, 2019 - 2023 (thousands)



Source: Ministry of Tourism

in Q4-2023. Go Air halted operation to the Maldives in Q4-2023, further contributing to offsetting the increase of flight movements in the quarter. Moreover, Beond, Virgin Atlantic and HiSky Europe commenced their flights during the review quarter, increasing direct connectivity to the Maldives.

On the supply side, the average number of operational resorts increased to 176 in Q4-2023 relative to 168 in the corresponding quarter of 2022, and 174 in Q3-2023. The operational bed capacity of the industry posted a growth of 5% in Q4-2023 compared with the corresponding quarter in 2022. Of the total operational bed capacity, resorts accounted for 69% of beds, followed by guesthouses (24%). Looking into the occupancy rate of tourism establishments, the total occupancy rate dropped slightly to 59% in Q4-2023, from 60% in Q4-2022. This decline was mainly owing to the drop in average occupancy rate of resorts from 72% in Q4-2022 to 66% in the review quarter. However, the average occupancy rate of guesthouses increased markedly from 36% in Q4-2022, to 47% in the review quarter, which helped to curb the decline of total occupancy rate of the industry in Q4-2023.

<sup>10</sup> International flight movements data include all international scheduled and non-scheduled charters.

As for the developments in global tourism, according to the United Nations World Tourism Organization's (UNWTO) World Tourism Barometer, international tourist arrivals recovered 88% of pre-pandemic levels in 2023, supported by robust pent-up demand. The estimated number of tourists who travelled internationally stood at around 1.3 billion for the year 2023—an increase of 34% compared with the same period in 2022. The continued strong recovery of the global tourism was mainly due to the sustained strong performance of the Middle East region with arrivals exceeding pre-pandemic levels by 22%, and Europe, reaching 94% of pre-pandemic levels. Looking ahead, following the strong rebound observed in 2023, global tourism is expected to fully recover to pre-pandemic levels in 2024, with the initial estimates signalling to a 2% growth above 2019 levels. The expected recovery by the end of 2024 is to be underpinned by the spread of lingering pent-up demand, enhanced air connectivity, and a robust resurgence in Asian markets and destinations.

## Construction

Activity in the construction sector is estimated to have expanded in Q4-2023, as indicated by the available high frequency indicators and the MMA's recent nowcasts, while the MMA's QBS results depict a moderation in activity for the quarter. It should also be noted that the MMA's nowcasts comprise both the construction and real estate sector, while the QBS covers only the construction sector. Additionally, the GVA by the construction sector posted a decline of 3.6% in Q3-2023 relative to the corresponding period of 2022.

The import of construction-related items and commercial bank credit<sup>11</sup> to the construction

sector<sup>12</sup>, registered an annual increase of 3% and 5%, respectively, during the review quarter. The growth in commercial bank credit was mainly owing to the increase observed in credit lent to construction of new resort development, construction of residential or housing projects, real estate of residential or housing projects<sup>13</sup>, guesthouses, construction of commercial buildings, as well as credit extended for real estate of commercial buildings and renovation of resorts. These significant increases offset the decrease observed in credit lent for other real estate projects, other construction projects, and the credit lent for property development projects.

According to the MMA's QBS for Q4-2023, the volume of construction activity index continued to expand at a slower pace, with the index falling by 46 points during to 0 during the review quarter. Further, the index for the volume of orders received turned negative, with the index dropping by 50 points to -3 during the quarter, as reported by the businesses in the construction sector.

## Fisheries

According to the available high frequency indicators and the MMA's recent nowcasts, activity in the fisheries sector showed mixed developments during Q4-2023. In this regard, an annual increase was observed in fish purchases made by fish processing companies, while the volume of fish exports recorded a decline during the review quarter. In line with increase in fish purchases the MMA's nowcasts depict a potential expansion for the sector in the review quarter. This was following a 0.3% annual decline in the GVA of the fisheries sector in Q3-2023. It is noteworthy that the GVA and nowcasts are based on fish purchases.

<sup>11</sup> Although a substantial portion of the financing for public infrastructure projects, resort development and social housing development is sourced externally, commercial bank credit to the construction sector remains an important indicator to gauge the performance of the sector.

<sup>12</sup> Construction sector-related loans include loans for new resort development, resort renovation and construction of guesthouses (classified as tourism sector loans), as well as loans to the real estate sector. Hence, this figure will be different from the loans to the construction sector reported under Monetary Developments.

<sup>13</sup> Credit lent for construction of residential or housing projects refers to credit provided for construction or refurbishment of residential or housing properties and which is or will be used by the owner (borrower) or rented for housing purposes. In contrast, credit lent for real estate residential, or housing projects includes loans secured whereby the proceeds are used for purchase of the property and construction or refurbishment improvements which are used for residential purposes.

During Q4-2023, fish purchases totalled 28,439.3 metric tonnes—a significant growth of 18% when compared with Q4-2022. This was mainly due to the 13% increase in purchases of skipjack tuna together with a 33% increase in purchases of yellowfin tuna. As for local purchase prices<sup>14</sup> during the review quarter, the average purchase price of skipjack tuna and iced skipjack tuna increased to MVR23.0 per kilogram and MVR25.0 per kilogram, respectively, from MVR15.0 per kilogram and MVR17.0 per kilogram, respectively, in Q4-2023. This price increase was due to MIFCO raising its purchase prices in September 2023. Further, average purchase prices of yellowfin tuna by the local companies rose to MVR62.9 per kilogram in Q4-2023, from MVR57.0 per kilogram in Q4-2022.

The volume of fish exports decreased by 7% (1,566.3 metric tonnes) during the review quarter compared with Q4-2022 and totalled 20,005.0 metric tonnes. The decline in the volume of fish exports primarily reflected the decrease in frozen skipjack tuna exports which plunged by 20% (3,312.4 metric tonnes), during the quarter. On the upside, frozen yellowfin tuna exports registered a growth of 159% (1,787.4 metric tonnes), and a growth of 31% (552.5 metric tonnes) was observed for exports of canned or pouched tuna in the review quarter.

## Wholesale and Retail Trade

Activity in the wholesale and retail trade sector showed mixed developments during Q4-2023, as indicated by the available high frequency indicators of the sector. Accordingly, the MMA’s nowcasts for wholesale and retail trade sector indicated an expansion after registering an annual growth of 4.0% in the GVA of the sector in Q3-2023.

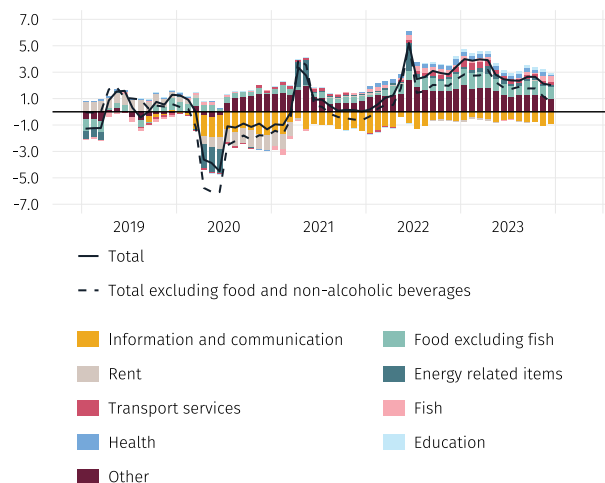
In this regard, commercial bank credit to the sector increased by 15%, while the total imports remained broadly unchanged in annual terms, during the review quarter. However, according

to the MMA’s QBS for Q4-2023, activity in the wholesale and retail trade sector, contracted with the volume of sales index plunging by 117 points to reach -44 during Q4-2023, while the index for the volume of orders placed with suppliers turned negative, registering a decrease of 111 points to -43 for the review quarter.

## Inflation

The rate of inflation (as measured by the annual percentage change in the national Consumer Price Index [CPI]) decelerated further to 2.3% in Q4-2023, from 2.5% in Q3-2023 (Figure 12). The deceleration in domestic inflation during the quarter was primarily attributable to the decline in the cost of information and communication services together with a deceleration in the prices of furnishing and household equipment. In addition, a moderation was observed in the cost of certain services such as healthcare and passenger transport services as well as prices of energy-related items. In contrast, food inflation and rental prices accelerated from the previous quarter and contributed positively to inflation.

Figure 12: Contribution of Sub-Categories to CPI Inflation (National), 2019 - 2023  
(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.

<sup>14</sup>Based on prices collected by the Ministry of Fisheries and Ocean Resources.

Looking at the major contributors to developments in the CPI, the information and communication category observed a decline of 10.5% (-1.0 percentage points) and accounted for the main downward contribution to inflation during the quarter. This largely stemmed from the continued decline in the cost of information and communication services, primarily due to the fall in prices of mobile communication services. Meanwhile, the deceleration in the prices of furnishing and household equipment which largely stemmed from the fall in prices of major household appliances including laundry and home appliances.

This was followed by the slowdown in the cost of certain services, which contributed to the weakening of inflationary pressures when compared with the previous quarter. In this regard, costs of healthcare services slowed down from the previous quarter, largely owing to a deceleration in costs of other outpatient care services. Likewise, growth in the cost of passenger transport services decelerated to 7.0% in Q4-2023, from 8.4% in the preceding quarter. This reflected slower growths in both passenger transport by air and passenger transport by sea, combined with a muted growth in passenger transport by road. In addition to this, costs of education services, and restaurant and accommodation services also observed slight decelerations from the preceding quarter.

Looking at other major downward contributors, energy-related items in the CPI<sup>15</sup> observed a growth of 3.3% in Q4-2023 (0.2 percentage points) further down from 3.9% recorded in Q3-2023. The slowdown in growth in prices of energy-related items mainly stemmed from a slowdown in the cost of electricity to 5.1% in Q4-2023, from 6.2% in Q3-2023, reflecting lower consumption in comparison to the preceding

<sup>15</sup> Energy-related items include the price charged on electricity, gas and other fuels, and price of fuels and lubricants for personal transport equipment.

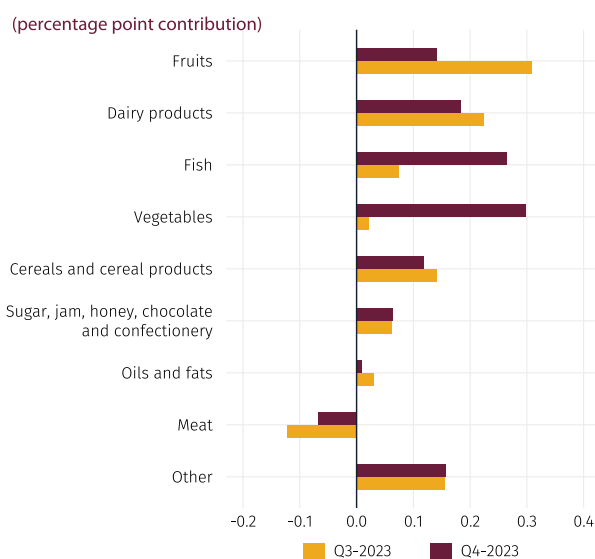
<sup>16</sup> This is based on the retail price of Fuel Supply Maldives (FSM), a subsidiary of STO—the largest importer of petroleum products in the Maldives

<sup>17</sup> Domestic petrol prices reflect market prices with a lag even though they are administered by STO.

<sup>18</sup> Quarterly average of Brent, West Texas Intermediate and Dubai Fateh.

<sup>19</sup> Due to the rebasing of the CPI, the share of food and non-alcoholic beverages category in the CPI basket rose to 23.5% in the new series from 22.0% in the old series.

Figure 13: Contribution of Food Categories to CPI Inflation (National), Q4-2023



Source: Maldives Bureau of Statistics

quarter as the tariff rates remained unchanged. In addition, the price of petrol observed a decline of 7.3% during the review quarter, after registering a decline of 9.1% in Q3-2023. Accordingly, domestic price of petrol averaged at MVR14.60 per litre<sup>16</sup> during the review quarter, reflecting the impact of the downward adjustment of the administered price of petrol by the State Trading Organization (STO)<sup>17</sup> in December 2023, mirroring the drop in global oil prices. As such, price of crude oil<sup>18</sup> averaged US\$82.1 per barrel during the review quarter, after recording an average of US\$85.3 per barrel in both Q3-2023 and Q4-2022. The domestic price of petrol was lower compared to an average of MVR14.73 per litre in Q3-2023 and MVR15.97 per litre recorded in Q4-2022.

Looking at the food and non-alcoholic beverages category—which carries the second highest weight in the CPI basket<sup>19</sup> at 23.5%—a 1.3 percentage points contribution to inflation was observed in this category, accelerating further

from the 1.1 percentage points contribution in Q3-2023. In this regard, food inflation rose to 5.6% during the review quarter, from 4.6% in the preceding quarter. This largely reflected growths in the prices of vegetables (11.7%) and fish products (5.8%) (Figure 13). Moreover, the increase in prices of vegetables can be attributed to the growth in price of onions, which soared up during the review quarter reflecting the shortage of supply from India due to lower production. On the contrary, prices of fruits, dairy products, cereal and cereal products, and oils and fats decelerated from the previous quarter.

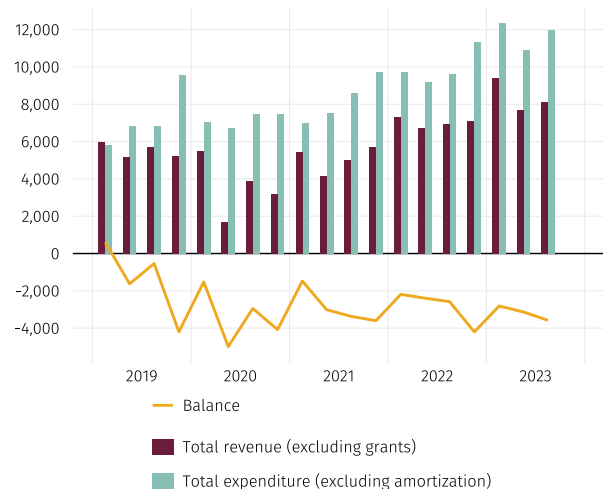
As for other major upward contributors, housing rent (accounting for 16.8% of the CPI) observed a growth of 0.1% (0.0 percentage points), after recording a decline in the preceding quarter (-0.4%). This growth was in line with the continued gradual pickup in housing rent during the year, despite remaining in negative territory in the preceding three quarters.

## Public Finance

According to the latest available data<sup>20</sup>, total government revenue (excluding grants) increased by MVR1.2 billion during Q3-2023<sup>21</sup> when compared with Q3-2022 and totalled MVR8.1 billion at the end of the quarter (Figure 14). This was predominantly owing to the significant increment in tax revenue, despite the decline observed for non-tax revenue during the quarter.

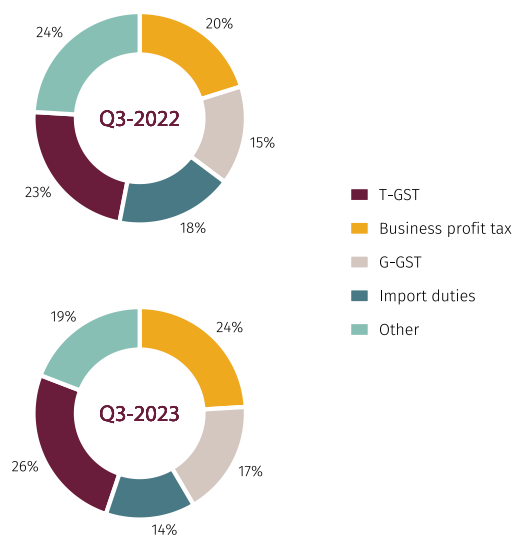
In this regard, tax revenue, which accounted for 76% of the total revenue over the period, registered an increment of MVR1.3 billion in annual terms and totalled MVR6.2 billion. The increase in tax revenue during the quarter was largely spread across all the major revenue sources, with revenue from the goods and services tax (GST) category recording the highest increase over the quarter.

Figure 14: Government Revenue and Expenditure, 2019 - 2023 (millions of rufiyaa)



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

Figure 15: Composition of Tax Revenue, 2022 - 2023



Source: Ministry of Finance

Within the category, tourism goods and services tax (T-GST)—the main single source of revenue for the government in this quarter—and general goods and services tax (G-GST), recorded a growth of MVR469.9 million and MVR345.4 million, respectively (Figure 15). The growth in T-GST and G-GST mainly reflected increment in tax rates<sup>22</sup>, along with the increased number of tourist arrivals

<sup>20</sup> Government revenue and expenditure data as of 1 February 2024. These figures might vary due to ongoing data reconciliation.

<sup>21</sup> Data for Q4-2023 was not available at the time of compilation of this report.

<sup>22</sup> According to the Sixth Amendment of the Goods and Services Tax, effective from 1st January 2023, the G-GST rate increased from 6% to 8% and T-GST rate increased from 12% to 16%.

recorded during the period. This was followed by an increase in business and property tax category, which increased by MVR500.5 million, largely driven by the significant increment registered for business profit tax (BPT) during the review quarter. Additionally, increments were also observed for airport service charge and green tax. In contrast, import duties decreased by MVR29.1 million and dropped to MVR840.9 million during the quarter.

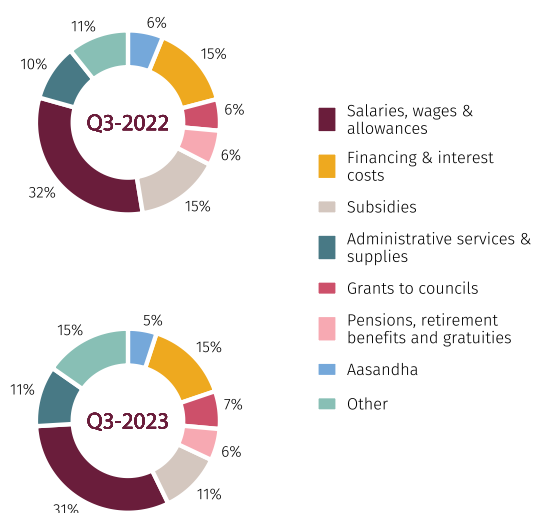
Non-tax revenue, which accounted for 24% of total revenue during the period, registered a decline of MVR140.2 million and totalled MVR2.0 billion at the end of Q3-2023, mainly owing to the significant decrease in fees and charges category. The decline in this category was largely due to the MVR547.5 million drop observed for other fees and charges, followed by the decline in fees charged for resident permits. Following this, declines were observed for interest, profit, and dividends—largely owing to the decrease in SOE dividends, which fell by MVR244.2 million. In contrast, property income category registered an increment of MVR178.3 and totalled MVR490.3 million, mainly due to the increase in collection of rent from resorts, which registered an increase of MVR166.1 million in annual terms. This was followed by the increase in land acquisition and conversion fee in the review quarter. These increments offset the marginal decline observed for other property income under this category resulting in the overall growth observed for property income in the review quarter.

Total expenditure (excluding debt amortisation) recorded a significant increase of MVR2.3 billion in annual terms and totalled around MVR12.0 billion during Q3-2023. This stemmed mostly from the increase in capital expenditure, which posted an annual growth of MVR1.6 billion in Q3-2023. Recurrent expenditure, which accounted for 67% of total expenditure, observed an increase of MVR754.6 million in the review quarter (Figure 16). The growth in recurrent expenditure reflected the significant growth in administrative and operational expenses, which rose by MVR444.7

million. This mirrored the rise in spending on administrative services, which grew by MVR117.3 million in annual terms during Q3-2023, followed by increased financing and interest costs, and increased expenditure on grants, contributions and subsidies, which rose by MVR113.3 million and MVR105.9 million, respectively. Delving into the expenditure disaggregation of grants, contributions, and subsidies; the growth was mainly driven by the increase of expenditure on other grants and contributions followed by grants given to councils. Subsequently, salaries and wages category, rose by MVR188.3 million, primarily owing to the increase of MVR101.0 million in salaries and wages, followed by the increase in allowances in Q3-2023.

Capital expenditure, which accounted for 33% of total expenditure, was mainly driven by the increase in infrastructure assets category. This primarily reflected an increase in spending on land and buildings and other infrastructure assets, which rose by MVR807.7 million and MVR358.3 million, respectively. The significant rise in spending in these components offset the declines observed in expenditure on roads, bridges and airports as well as wharves, ports, and harbours under the infrastructure assets category. Additionally, increase in expenditure on development projects

Figure 16: Composition of Recurrent Expenditure, 2022 - 2023



Source: Ministry of Finance

and investment outlays, lendings, and capital equipment further added to the overall hike in capital expenditure during the review quarter.

## Monetary Developments

### Broad Money

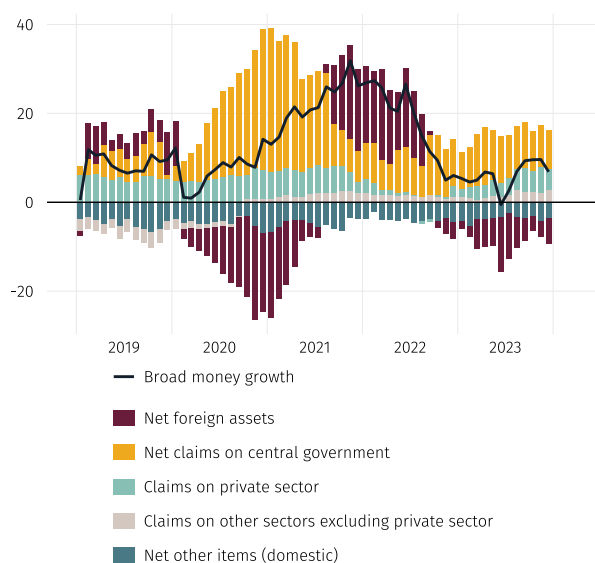
The annual growth rate of broad money (M2 or money supply) decelerated during the quarter and recorded a growth of 7% at the end of December 2023, after registering a growth of 9% at the end of September 2023 (Figure 17). On the components side, this reflected a slowdown in the transferable deposit base (demand deposits) of the banking system, together with a slowdown in currency outside depository corporations (Figure 18). Meanwhile, other deposits (savings and time deposits) of the banking system recorded an acceleration over the review period.

Demand deposits—which accounted for 69% of the money supply during the review period—decelerated to 1%; after posting an increase of 5% at the end of September 2023. This largely stemmed from a decline in such deposits denominated in foreign currency, while a deceleration was observed in such deposits denominated in local currency.

Other deposits—which accounted for 25% of money supply—posted a growth of 24% at the end of December 2023, a further acceleration from the 17% growth registered at the end of September 2023. This largely reflected an acceleration in time deposits denominated in foreign currency together with savings deposits denominated in local currency from the previous quarter. However, decelerations were observed in time deposits denominated in local currency and savings deposits denominated in foreign currency. Meanwhile, currency outside depository corporations—which accounted for 6% of money supply—observed a growth 10% at the end of December 2023, down from the 25% growth recorded at the end of September 2023.

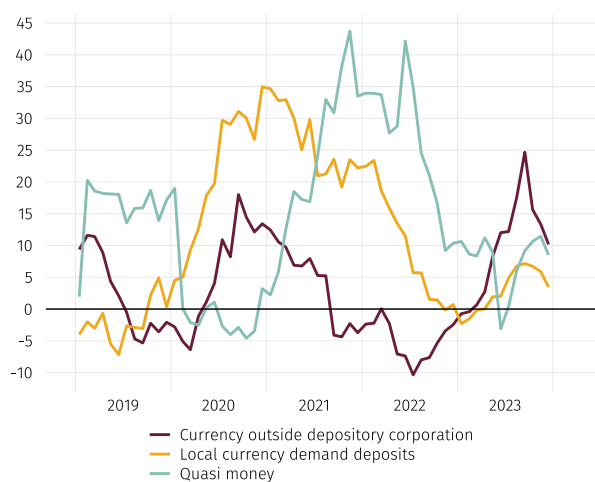
On the sources side, the deceleration in broad money growth primary reflected the decline in net foreign assets (NFA), while a slowdown was also observed in growth in net domestic assets (NDA) of the banking system. In terms of annual changes, NFA recorded a decline of 27% at the end of December 2023. The decline in NFA of the banking system was owing to a decrease in NFA of the MMA together with a fall in NFA of the

Figure 17: Contribution to Broad Money, 2019 - 2023  
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Figure 18: Components of Broad Money, 2019 - 2023  
(annual percentage change)



Source: Maldives Monetary Authority

Note: Quasi money includes time and savings deposits in both local and foreign currency plus foreign currency demand deposits and securities issued by the MMA which are held by public nonfinancial corporations.

commercial banks. In this regard, the decrease in NFA of the MMA stemmed from the decline in foreign asset accumulation, despite a decrease in foreign liabilities, which largely mirrored the repayment of foreign currency swap availed from the RBI in December 2023. Similarly, the fall in NFA of the commercial banks mirrored a reduction in foreign assets despite a decline in foreign liabilities during the period. As such, the reduction in foreign assets was mainly on account of the decline in foreign currency transferable deposits held abroad.

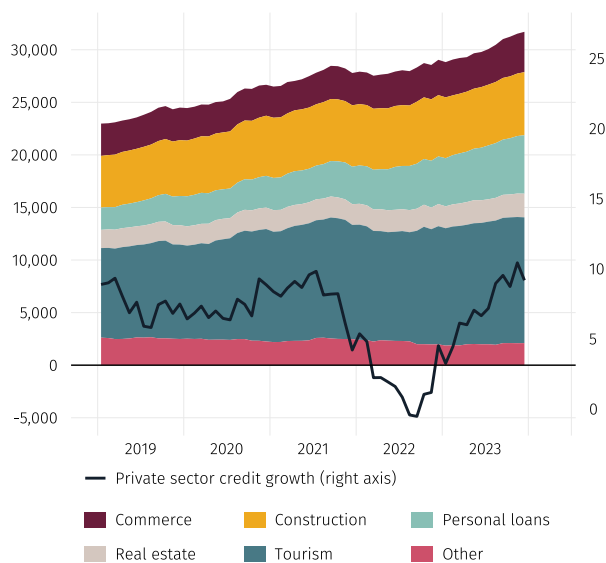
Meanwhile, the growth rate of NDA decelerated to 16% at the end of December 2023, from 18% recorded at the end of September 2023. Nevertheless, the annual growth in NDA was primarily driven by the increase in NDA of the commercial banks together with NDA of the MMA. The increase in NDA of the commercial banks was mainly driven by the increase in commercial banks' credit to the private sector, which grew by MVR2.7 billion. This was followed by the increase in net claims on central government (NCG) which recorded a growth of MVR1.8 billion, primarily reflecting the annual expansion in government securities investments. In addition, a significant increase was observed in commercial banks' credit to the public non-financial corporations, registering a growth of MVR1.6 billion at the end of December 2023. Likewise, the increase in NDA of the MMA mainly stemmed from an increase in NCG by the MMA, which also outpaced the increase in overnight deposit facility (ODF) placements by commercial banks. It is also noteworthy that the overdrawn amount of the public bank account was converted to an amortising bond in March and December 2023, which further increased the holdings of government securities by the MMA.

## Credit to Private Sector

Credit to the private sector recorded an annual growth of 9% (MVR2.7 billion) and stood at MVR31.7 billion at the end of Q4-2023, a slight deceleration from the growth rate of 10% recorded

in Q3-2023 (Figure 19). During this period, credit extended to tourism, construction, personal loans, and commerce accounted for the highest shares of credit over the period. Credit extended to the tourism sector (which accounted for 38% of total private sector credit) registered an annual growth of 6%, albeit a deceleration from the 10% annual growth recorded in September 2023. This largely stemmed from the growth in credit extended as working capital and new resort development. Meanwhile, credit extended to the construction sector observed an increase after recording a decrease in the previous quarter, primarily due to the turnaround in credit lent as residential or housing loans together with a notable growth in credit given for commercial buildings. Further, credit extended as personal loans expanded significantly and recorded an annual growth of 23%, which was the largest sectoral increase during the review quarter, reflecting the rise in credit extended through credit cards and for consumer durables. Further, credit extended to the commerce sector observed a significant growth, stemming from the rise in credit for wholesale and retail businesses.

Figure 19: Private Sector Credit, 2019 - 2023  
(millions of rufiyaa, annual percentage change)

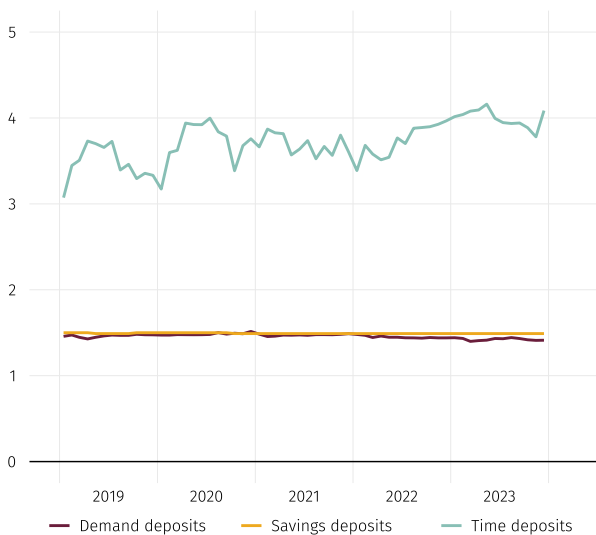


Source: Maldives Monetary Authority

## Interest Rates

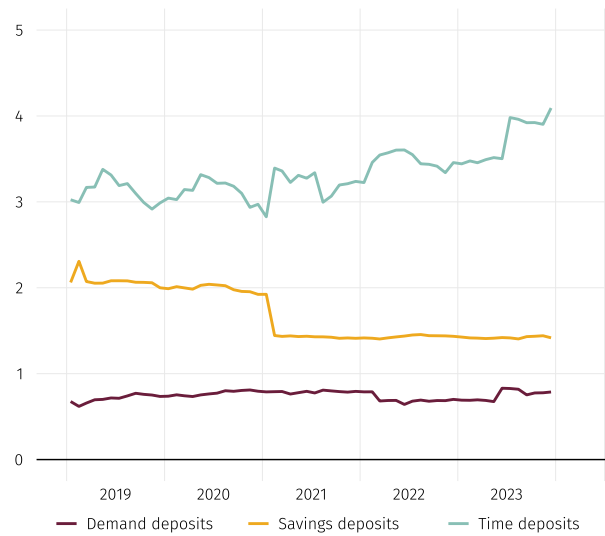
As for interest rates, the rate on local currency denominated demand deposits observed a decrease, while the rate on such deposits denominated in foreign currency recorded an increase at the end of December 2023. Meanwhile, the rate on local currency savings deposits observed a slight decrease in the review period. In contrast, the interest rate on both local and foreign currency denominated time deposits (maturity of six months to one year) posted increases over the period (Figure 20 and 21). With regard to the interest rates on loans to the private sector, the interest rate on local currency denominated private sector loans recorded a decrease while rate on such loans denominated in foreign currency observed an increase during the period (Figure 22).

Figure 20: Interest Rate on National Currency Deposits, 2019 - 2023 (weighted average)



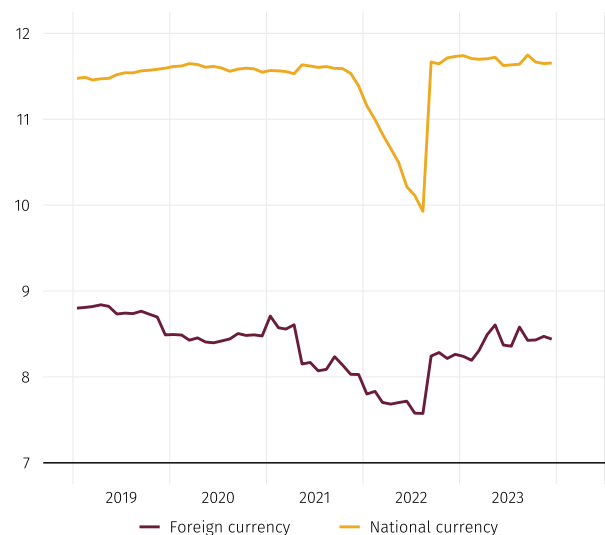
Source: Maldives Monetary Authority

Figure 21: Interest Rate on Foreign Currency Deposits, 2019 - 2023 (weighted average)



Source: Maldives Monetary Authority

Figure 22: Interest Rate on Private Sector Loans and Advances, 2019 - 2023 (weighted average)



Source: Maldives Monetary Authority

# Financial Sector

## Banking Sector

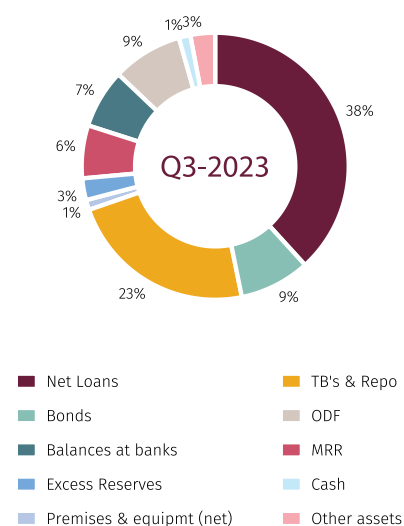
The banking sector remained strong at the end of the fourth quarter, with growth in assets, and robust capital, liquidity, and profitability indicators. The total Risk Based Capital (RBC) ratio stood 50.5%, well above the minimum regulatory requirement of 12.0%, due to a large portion of assets in low-risk categories, such as investments in treasury bills. Furthermore, the leverage ratio, measured by tier 1 capital to assets, remained at 19.3%, significantly higher than the 5.0% minimum requirement.

The asset base increased by 4% on a quarterly basis to record MVR91.2 billion, led by the growth in foreign currency deposits which is largely attributed to the peak season of the tourism sector. Lending increased during the quarter, with a 3% growth in gross loans, to reach MVR37.3 billion (Figure 23). Loans net of loan-loss provisions also increased by 3% and accounted for 38% of the asset portfolio. In terms of non-performing loans (NPLs), the absolute NPLs declined slightly by 3% on a quarterly basis largely on account of write-offs of small loans, while some moved to performing status as well. As a result, the NPLs to total loans ratio also decreased; to 4.9% from 5.2% at the end of the previous quarter. Specific loan loss provisions covered 118% of NPLs, owing to additional provisions made for performing loans with higher credit risk.

The liquidity position remained adequate, with 43% of assets held as liquid assets at the end of Q4-2023. Liquid assets included T-bills, which made up 23% of the asset portfolio; ODF constituting 9%, cash and bank balances accounting for around 8% of assets; followed by excess reserves.

Pre-tax profits were MVR4.5 billion, while profits after tax amounted to MVR3.3 billion; recording an annual growth of 12%. The increase

Figure 23: Net Asset Composition of Banking Industry, Q3-2023



Source: Maldives Monetary Authority

was driven by increased net interest income, which improved significantly by 18% or MVR666.6 million. The profitability ratios, return on average assets (ROA) and return on average equity (ROE) remained strong; with ROA increasing from 3.6% to 3.8% while the ROE decreased slightly from 15.9% to 15.6% compared to the previous year.

## Finance Companies

Financing Companies continued to perform well and recorded total assets of MVR4.2 billion at the end of Q4-2023, a quarterly growth of 2% but an annual decline of 1%. The quarterly growth in assets was due to one company issuing a Sukuk of MVR112.5 million in the fourth quarter, and a capital injection of MVR20.0 million made by another company during the quarter.

The sector's capital adequacy ratios were strong and maintained above the minimum regulatory requirements, with total capital to risk-weighted assets ratio and leverage capital ratio at 54% and 50%, respectively.

Lending increased during the quarter as well as in annual terms. Gross loans stood at MVR3.5 billion, showing an increase by MVR168.8 million or 5% compared Q3-2023, and by 10% compared to Q4-2022. Absolute NPLs slightly reduced by 2% at the end of quarter, on account of repayments and write-offs of NPLs at one institution, resulting in the NPL ratio declining to 9.8% from 10.6%. In contrast, loss-loss provisions have been on an increasing trend, resulting in higher coverage to NPLs. As of the end of the quarter, specific loan-loss provisions covered 54.8% of the NPLs, while the coverage was much lower at 32.3% a year ago.

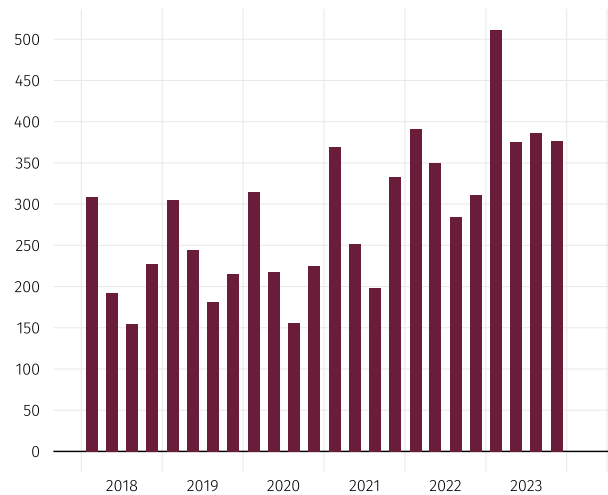
Annual net profits before taxes totalled MVR54.5 million, a significant decline of 61% compared to 2022; while the profit after tax amounted to MVR30.8 million. The decline in profitability was on account of increased loan-loss provisions during this year. Consequently, the industry profitability ratios; ROA and ROE declined significantly from 3.0% and 6.4%, to 0.7% and 1.5%, respectively, when compared with the ratios for 2022.

## Insurance Industry

In 2023, the general insurance sector demonstrated a strong performance with a significant increase in gross written premium (GWP). Excluding inward reinsurance, the GWP grew by 21%, with the annual total reaching MVR1.5 billion. Including inward reinsurance, total GWP for the year was MVR1.6 billion, marking a 23% increment from the previous year (Figure 24). The sector's expansion was largely attributed to robust growth in key insurance classes such as health and fire insurance. The total inward reinsurance for the year 2023 amounted to MVR112.9 million, marking an increase of MVR44.7 million compared to the previous year.

The primary contributors to the increase in GWP were health and fire insurance classes. Health insurance, in particular, experienced a

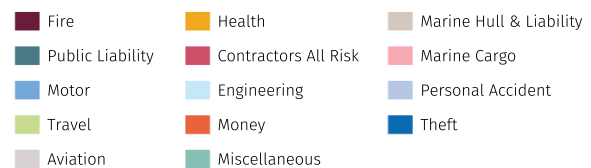
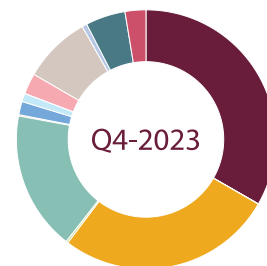
Figure 24: Gross Written Premium, 2018 - 2023 (millions of rufiyaa)



Source: Maldives Monetary Authority

Note: Gross Written Premium from March 2022 onwards excludes inward reinsurance.

Figure 25: Premium Contributions by the Classes of Insurance, Q4-2023



Source: Maldives Monetary Authority

Note: Classwise distribution of GWP excludes inward reinsurance.

significant rise compared to the previous year, with GWP increasing by MVR143.5 million to reach MVR485.5 million for the year 2023. This upward trend in health insurance premiums is consistent with the previous year's pattern, where insurers recalibrated their rates to reflect the increased pricing of healthcare service providers. Fire insurance, contractors' all risk, and public liability insurance also recorded moderate year-on-year premium increases of MVR53.3 million, MVR14.6 million, and MVR13.2 million, respectively. Health, fire, and marine insurance classes remained major contributors to the GWP, accounting for 33%, 27%, and 11% of the quarterly GWP, inclusive of inward reinsurance, respectively (Figure 25).

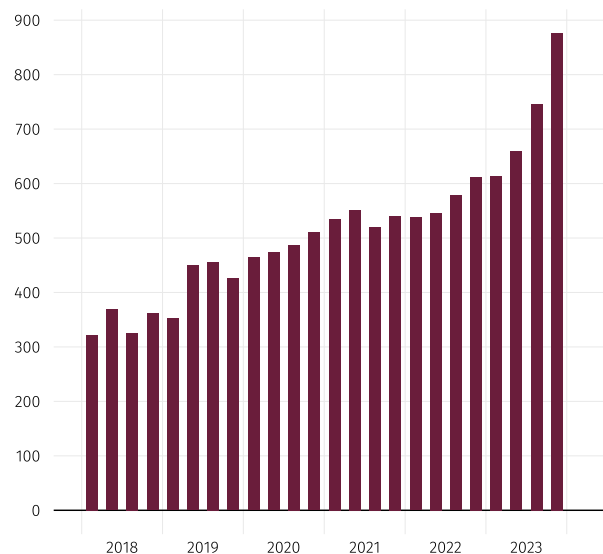
Insurance companies maintained a satisfactory capital position, with a strong equity to assets ratio of 30%, and a net written premium to equity ratio of 99% averaged over the past four quarters, showing healthy capacity to cover potential losses from claims.

The total assets of the insurance companies stood at MVR2.7 billion at the end of 2023, a 3% year-on-year reduction, primarily attributed to a decrease in reinsurance recoverable (Figure 26). Investments, which accounted for 32% of the asset portfolio, amounted to MVR876.2 million at the end of the year. A significant majority of the investment portfolio was in debt securities, accounting for 54% of the overall investments, while equity securities and fixed deposits constituted 25% and 21% of the total investments, respectively.

During the fourth quarter of 2023, insurance companies' gross claims saw considerable growth compared to that of Q4-2022, increasing from MVR193.0 million to MVR204.5 million. However, in terms of the annual gross claims for both years, it reduced by 21% to MVR615.7 million for 2023, down from the previous year's MVR776.8 million. In contrast, the net incurred claims for the year, which are claims incurred by the local insurance companies after deducting reinsurance recoveries, increased by 56% (Figure 27). This increase was

Figure 26: Investments, 2018 - 2023

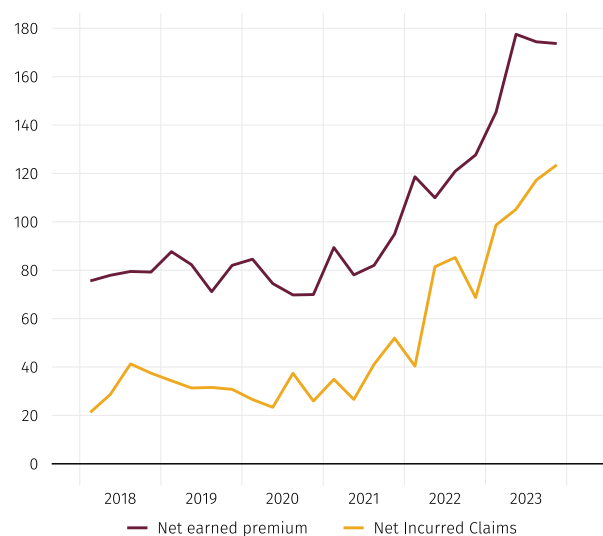
(millions of rufiyaa)



Source: Maldives Monetary Authority

Figure 27: Net Earned Premium vs Net Incurred Claims, 2018 - 2023

(millions of rufiyaa)



Source: Maldives Monetary Authority

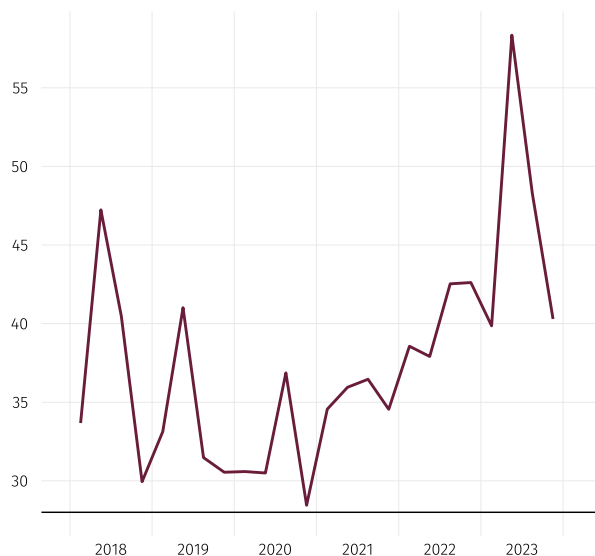
predominantly due to a substantial rise in health insurance claims, which is a class of insurance where reinsurance is very low; the local insurance companies retaining 99% of the premiums. The increase in health insurance claims can be attributed to medical inflation and a growth in the usage of health services.

In 2023, the retention ratio—a measure of the percentage of premiums that insurance companies retain—slightly increased to 46%, up from 41% in 2022 (Figure 28). This rise is mainly due to a significant increase in GWP for health insurance, which had a 99% retention rate during the year. The GWP for health insurance increased by MVR140.2 million compared to 2022.

In 2023, the combined ratio, which measures the underwriting profitability of insurers and includes both the net expense ratio and net loss ratio, increased to 101% from 93% in 2022. The increase in the combined ratio was primarily due to an increase in net loss ratio, from 58% to 66%, reflecting the increase in net incurred claims in the health insurance sector. Meanwhile, the net expense ratio, which includes management and distribution expenses, recorded a slight decline from 35% to 34% over the year.

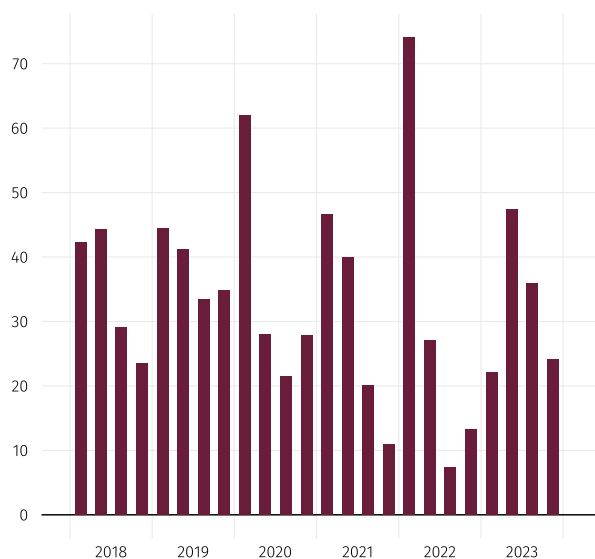
In 2023, the main contributors to the profit before taxes for general insurers were investment income and other income. In line with the increased combined ratio, the profitability of the companies decreased year-on-year. The profit before taxes amounted to MVR61.0 million, a 30% decrease over the MVR93.8 million reported in 2022 (Figure 29). Similarly, the profit after taxes declined from MVR80.6 million in 2022 to MVR52.3 million in 2023. Additionally, the annualised ROA and ROE stood at 1.9% and 6.5%, respectively.

Figure 28: Retention Ratio, 2018 - 2023 (percent)



Source: Maldives Monetary Authority

Figure 29: Pre-tax Profit, 2018 - 2023 (millions of rufiyaa)



Source: Maldives Monetary Authority

# External Trade

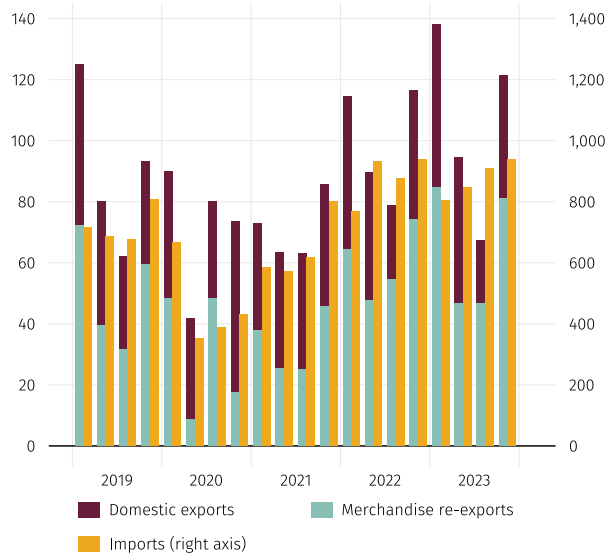
## Merchandise Exports

Total merchandise exports (f.o.b.) registered an annual increase of 4% (US\$4.7 million) in Q4-2023 and totalled US\$121.3 million. This was mainly driven by the substantial growth in merchandise re-exports, despite domestic exports observing a decline for the second consecutive quarter, during the review quarter (Figure 30). Accordingly, merchandise re-exports increased by 9% (US\$6.8 million) to total US\$80.9 million during Q4-2023.

Domestic exports—which mainly comprise fish and fish products—decreased by 5% (US\$2.1 million) during Q4-2023 and totalled US\$40.3 million. This was primarily due to the significant reduction of export earnings from frozen skipjack tuna, which declined by 16% (US\$3.7 million), reflecting the 20% drop in the volume of such exports (Figure 31). The decline in fish export earnings also reflected the relatively unchanged skipjack tuna prices in the Bangkok frozen market during the review quarter, which averaged US\$1.6 per kilogram. Additionally, declines were also observed in export earnings from fresh or chilled yellowfin tuna by 49% (US\$2.7 million). However, volume and earnings from frozen yellowfin tuna more than doubled, registering a US\$3.5 million increase in earnings from yellowfin tuna exports during the review quarter. Moreover, export earnings from canned or pouched also observed a 14% (US\$1.1 million) growth during the review quarter.

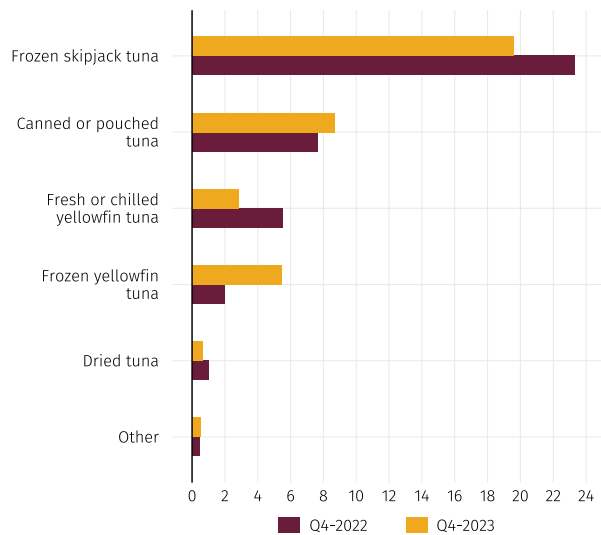
As for the direction of trade, Asia was the major continental export destination during the quarter, accounting for 70% of domestic exports during Q4-2023—a rise from the 63% recorded in the corresponding quarter of 2022. Thailand strengthened its foothold as the dominant Asian export market, accounting for 57% of total domestic exports during the review quarter—an increase

Figure 30: Total Trade Summary, 2019 - 2023  
(millions of US dollars)



Source: Maldives Custom Service

Figure 31: Composition of Fish Export Earnings, 2022 - 2023  
(millions of US dollars)



Source: Maldives Customs Service

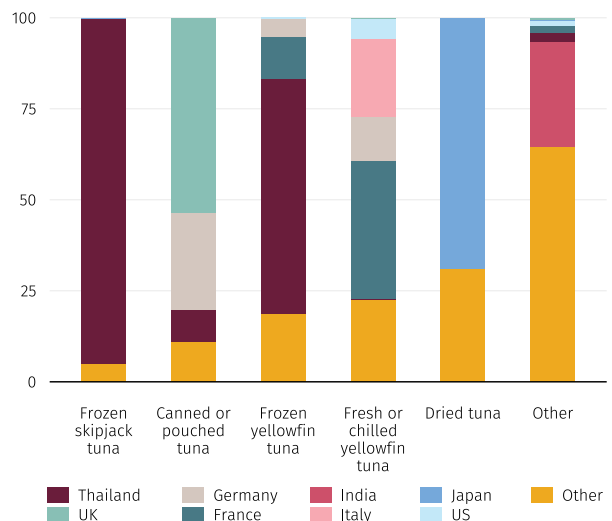
from the 51% observed in Q4-2022. Moreover, Bangladesh emerged as the second largest export market within the region, accounting for 3%—a rise from the 2% recorded in Q4-2022. Meanwhile, Europe cemented its stand as the second largest continental export destination with a market share of 29% in Q4-2023, unchanged from Q4-2022 (Figure 32). The UK continued to establish its position as the top export market within the region, accounting for 12% of total domestic exports—a rise from the 7% observed in Q4-2022. Concurrently, Germany—the second largest export destination—accounted for 7% during the review quarter, a decline from the 9% recorded in Q4-2022. Other notable export destinations include France (4%) and Switzerland (2%).

## Merchandise Imports

Total merchandise imports (c.i.f) observed a slight annual decline during Q4-2023, and totalled US\$937.7 million, reflecting modest growths in most of the major import categories which was offset by a substantial decline in import expenditure on transport equipment and parts, which plunged by 35% (US\$38.3 million). Among the major import categories that recorded growths during the quarter, the largest increase was observed for import expenditure on machinery and mechanical appliances, which surged by 41% (US\$22.6 million). Further, construction-related items, petroleum products and food items observed modest annual growths of 3% (US\$4.1 million), 2% (US\$3.4 million) and 1% (US\$2.2 million), respectively (Figure 33). Meanwhile, medical and surgical supplies—which are classified as other imports—and electrical and electronic machinery and equipment, recorded notable growths of 55% (US\$6.8 million) and 7% (US\$4.3 million), respectively.

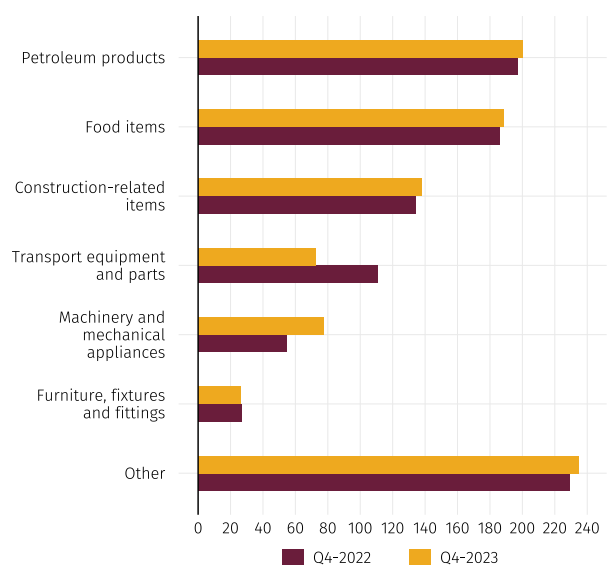
With regard to the direction of trade, Asia remained the largest continental source of imports, accounting for 84% of total merchandise imports during Q4-2023—a rise from the 79% recorded in Q4-

Figure 32: Direction of Trade by Domestic Export Categories, Q4-2023 (percent)



Source: Maldives Customs Service

Figure 33: Composition of Imports, 2022 - 2023 (millions of US dollars)



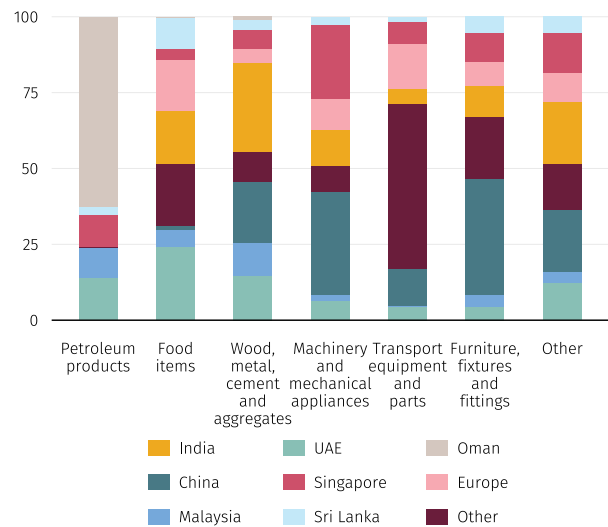
Source: Maldives Customs Service

2022 (Figure 34). During Q4-2023, India, Oman and United Arab Emirates (UAE) jointly held the largest share of imports, with each country accounting for 14% during the review quarter. Additionally, China accounted for 13% of total merchandise imports during the review quarter, a rise from the 10% registered in Q4-2022.

## Gross International Reserves

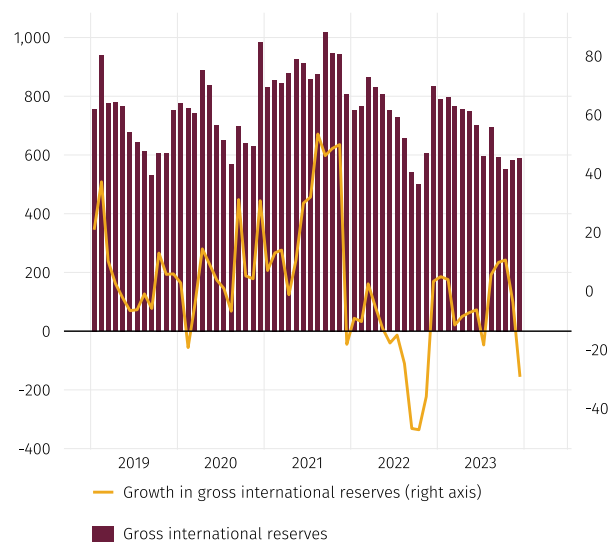
Gross international reserves (GIR)<sup>23</sup> decreased to US\$588.6 million at the end of Q4-2023, registering an annual decline of 29% (US\$243.5 million), when compared with the corresponding quarter of 2022. Similarly, when compared with the preceding quarter, GIR registered a marginal decline of 1% (US\$4.1 million) (Figure 35). The annual decline in GIR is attributed to the decline in short-term foreign liabilities, alongside the increase foreign exchange intervention activities during the period. The decline in short-term liabilities primarily reflects the repayment of the US\$100 million swap facility availed from the RBI in December 2023.

Figure 34: Direction of Trade by Import Categories, Q4-2023 (percent)



Source: Maldives Customs Service

Figure 35: Gross International Reserves, 2019 - 2023 (millions of US dollars, annual percentage change)



Source: Maldives Monetary Authority

<sup>23</sup> Also called official reserve assets, comprise of foreign currency deposits of the MMA and government, commercial banks' US dollar reserve and the Maldives' reserve position at the IMF.

# **STATISTICAL APPENDIX**

## Table of Selected Economic Indicators, 2020 - 2023

(annual percentage change over the corresponding period, unless stated otherwise)

	2020	2021	2022	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
<b>Real Sector</b>											
<b>Tourist arrivals</b>	-67	138	27	45	80	5	7	21	6	14	7
<b>Bednights of resorts</b>	-63	156	20	33	51	15	-3	6	-6	-7	-3
<b>Operational capacity of resorts</b>	-36	69	10	13	8	9	8	6	5	5	6
<b>Occupancy rate of resorts (%)</b>	29	65	71	82	66	65	72	82	59	57	66
<b>Average stay (days)</b>	18.5	8.8	8.0	8.5	7.7	8.1	7.7	8.0	7.3	7.5	7.6
<b>Fish purchases</b>	-2	11	-8	-2	3	-19	-14	34	26	-17	18
<b>Prices <sup>1</sup></b>											
<b>Total (Republic)</b>	-1.4	0.6	2.3	0.6	3.0	2.7	3.1	3.9	3.1	2.5	2.3
<b>Total excluding fish</b>	-1.6	0.6	2.2	0.4	2.9	2.4	2.9	3.8	3.1	2.5	2.1
<b>Food and non-alcoholic beverages excluding fish</b>	2.8	2.4	4.5	1.6	4.7	5.6	6.0	8.0	6.1	5.3	5.6
<b>Government Securities (millions of rufiyaa)</b>											
<b>Government securities outstanding</b>	37,566.1	44,000.8	53,138.5	47,430.8	49,609.0	50,318.6	53,138.5	58,945.5	61,817.0	62,397.9	66,845.4
<b>Treasury bonds</b>	13,478.6	13,589.9	17,535.2	16,029.1	15,996.4	15,929.9	17,535.2	21,851.2	21,809.4	23,297.6	26,020.7
<b>Treasury bills</b>	24,087.5	30,411.0	35,603.3	31,401.7	33,612.5	34,388.7	35,603.3	37,094.3	40,007.6	39,100.3	40,824.6
<b>MMA</b>	91.3	97.4	87.9	78.0	71.2	87.9	87.9	87.9	82.5	95.8	95.7
<b>Commercial bank</b>	14,350.1	18,381.7	20,668.7	19,460.5	20,477.8	20,412.2	20,668.7	21,398.5	22,132.3	21,370.7	21,650.2
<b>Others</b>	9,646.2	11,931.9	14,846.6	11,863.1	13,063.6	13,888.7	14,846.6	15,608.0	17,792.8	17,633.8	19,078.7

### Source:

Ministry of Tourism; Ministry of Fisheries and Ocean Resources; Ministry of Finance; Maldives Bureau of Statistics; Maldives Customs Service, Maldives Airports Company Limited; Gan International Airport; Maldives Monetary Authority

<sup>1</sup> The inflation rate for the year refers to the period average values, whereas inflation for the quarter represents the annual percentage change in the three-month-average.

	2020	2021	2022	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
<b>Money and banking</b>											
<b>Broad money</b>	14	26	6	26	27	11	6	5	-1	9	7
<b>Net foreign assets</b>	-49	114	-14	113	98	4	-14	-21	-42	-27	-27
<b>Net domestic assets</b>	50	9	13	7	11	13	13	17	16	18	16
<b>Net claims on central government</b>	86	12	20	12	17	25	20	23	19	17	15
<b>Claims on other sectors</b>	10	6	6	4	3	1	6	6	8	12	12
<b>o/w Private sector</b>	10	4	5	2	1	-1	5	6	7	10	9
<b>Reserve money</b>	10	1	2	13	-4	-7	2	-6	0	7	0
<b>Monetary operations<sup>1</sup></b>											
<b>Open market operations<sup>2</sup></b>	0	0	0	0	0	0	0	0	0	0	0
<b>Overnight Deposit Facility</b>	34	44	34	41	37	37	22	17	15	22	21
<b>External trade</b>											
<b>Merchandise exports (f.o.b.)</b>	-21	0	40	57	41	25	36	21	6	-15	4
<b>Domestic exports</b>	3	-7	5	43	10	-35	6	7	14	-17	-5
<b>o/w Fish exports</b>	3	-10	5	46	8	-38	6	9	16	-17	-5
<b>Re-exports</b>	-39	9	80	70	87	117	62	32	-2	-14	9
<b>Merchandise imports (c.i.f.)</b>	-36	40	37	32	63	42	17	5	-9	4	0
<b>o/w Food</b>	-30	50	19	16	27	33	5	3	-10	1	1
<b>o/w Petroleum</b>	-43	72	83	56	160	90	42	4	-33	0	2
<b>o/w Construction-related imports</b>	-41	6	47	55	57	71	17	19	19	-6	3

**Source:**

Ministry of Tourism; Ministry of Fisheries and Ocean Resources; Ministry of Finance; Maldives Bureau of Statistics; Maldives Customs Service, Maldives Airports Company Limited; Gan International Airport; Maldives Monetary Authority

<sup>1</sup> Monetary operations figures represent the average investment.

<sup>2</sup> Open market operations were suspended May 2014 onwards.

	2020	2021	2022	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
<b>Direction of Trade of Imports of Goods (as a percentage of total)</b>											
o/w Singapore	11	10	9	9	7	8	12	10	9	8	10
o/w India	13	12	14	13	13	15	15	17	16	15	14
o/w Oman	8	13	18	16	22	20	14	15	15	17	14
o/w UAE	12	13	12	15	11	11	11	14	13	12	14
o/w Europe	10	11	10	9	9	8	13	11	8	10	9
<b>Direction of Trade of Exports of Goods (as a percentage of domestic)</b>											
o/w Thailand	44	46	49	52	60	24	51	59	56	30	57
o/w India	2	4	4	5	4	4	3	3	3	6	2
o/w UK	7	7	9	9	7	13	7	11	15	21	12
o/w France	8	4	4	3	3	5	4	4	2	5	4
o/w Germany	10	11	9	6	8	18	9	4	9	15	7
<b>External Reserves</b>											
Official reserve assets (millions of US dollars)	984.9	805.8	832.1	865.2	750.4	540.3	832.1	764.6	702.2	592.7	588.6

**Source:**

Ministry of Tourism; Ministry of Fisheries and Ocean Resources; Ministry of Finance; Maldives Bureau of Statistics; Maldives Customs Service, Maldives Airports Company Limited; Gan International Airport; Maldives Monetary Authority

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