MALDIVES MONETARY AUTHORITY

ECONOMIC UPDATE

DECEMBER 2022

VOLUME 4 ISSUE 12

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 2 January 2023.

Domestic Economic Developments

Real Economy

Gross Domestic Product

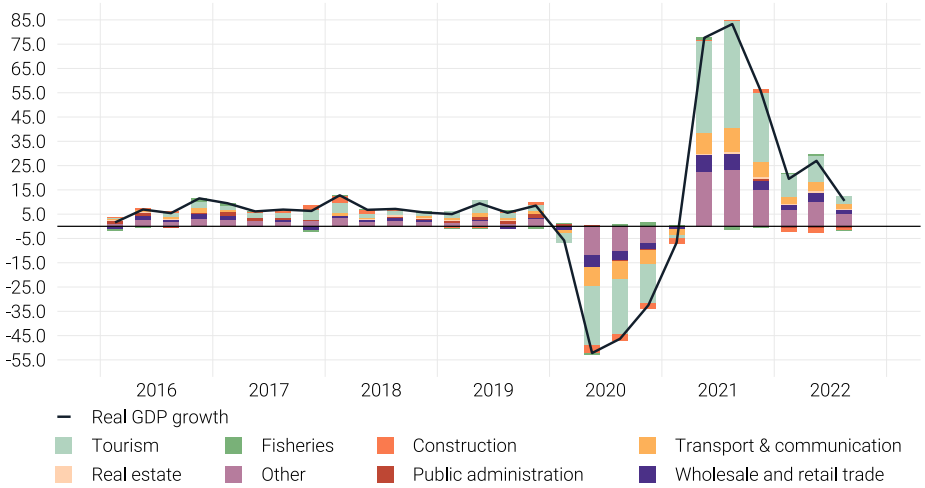
- According to the advance estimates of the Quarterly National Accounts (QNA) for Q3-2022 released by the Maldives Bureau of Statistics (MBS), real GDP grew by 10.5% in Q3-2022, compared to the corresponding quarter of 2021, after recording a growth of 27.0% in Q2-2022. Further, annual real GDP for Q3-2022 was 8.7% higher than the pre-pandemic levels of Q3-2019.
  - The upturn in annual real GDP growth during Q3-2022 was mainly driven by the robust performance of the tourism sector and its positive contribution to related sectors. In this regard, notable growths were observed in other sectors of the economy, such as transportation and communication, wholesale and retail trade, and human health and social work activities. In contrast, negative contributions were observed in construction and public administration sector during the quarter.

Annual GDP Growth Forecast

- According to revised forecasts published in October 2022[1], real GDP is projected to grow by 12.3% in 2022 and 7.6% in 2023. Meanwhile, based on the revised QNA estimates released by the MBS in October 2022, the annual real GDP grew by 41.7% in 2021, after a significant decline of 33.5% in 2020 due to the sharp contraction in tourism sector and other major sectors, owing to the impact of the COVID-19 pandemic.

Contribution to Real GDP Growth by Economic Sectors, 2016 - 2022

(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

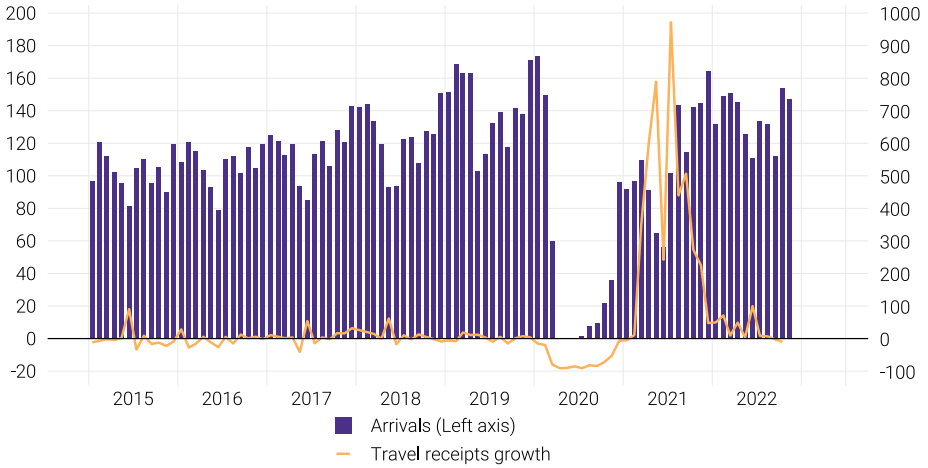
[1] According to the growth forecast scenarios estimated jointly by the MMA and the Ministry of Finance.

Tourism

- In November 2022, tourist arrivals increased by 1% when compared with November 2021, although bednights registered a decline of 6%. In total, tourist arrivals stood at 146,886 during the month and exceeded pre-pandemic levels of November 2019 by 7%. Similarly, bednights surpassed pre-pandemic levels and rose by 14% during the same period.
  - The annual increase in tourist arrivals largely reflected the robust arrivals from India and key source markets of Europe. During the month, the highest number of tourist arrivals were recorded from India, Russia, United Kingdom, Germany, and the United States.
- The operational bed capacity of the tourism industry observed an increase of 7,200 beds when compared with November 2021, while the occupancy rate dropped to 57% in November 2022, from 69% in November 2021.
- Overall, for the period of January to November 2022, total tourist arrivals increased by 29% in annual terms, while bednights rose by 25%. However, compared to the pre-pandemic levels of 2019, tourist arrivals recorded a decline of 3%, although bednights registered a growth of 15%. During the period, the average stay observed a moderate decline to 8.0 days, from 8.8 days in the corresponding period of 2021.

Tourism, 2015 - 2022

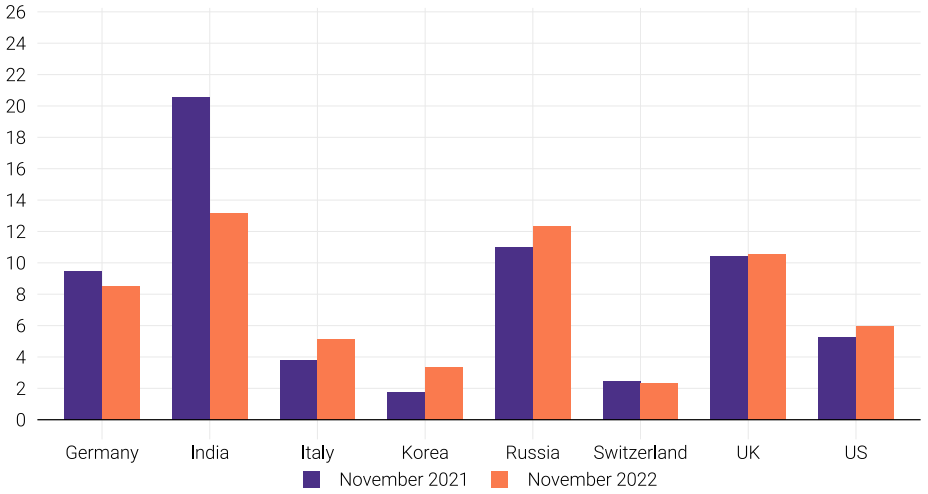
(thousands, annual percentage change)



Source: Ministry of Tourism
Note: Tourism receipts available up to October 2022.

Shares of Key Inbound Markets

(percent)



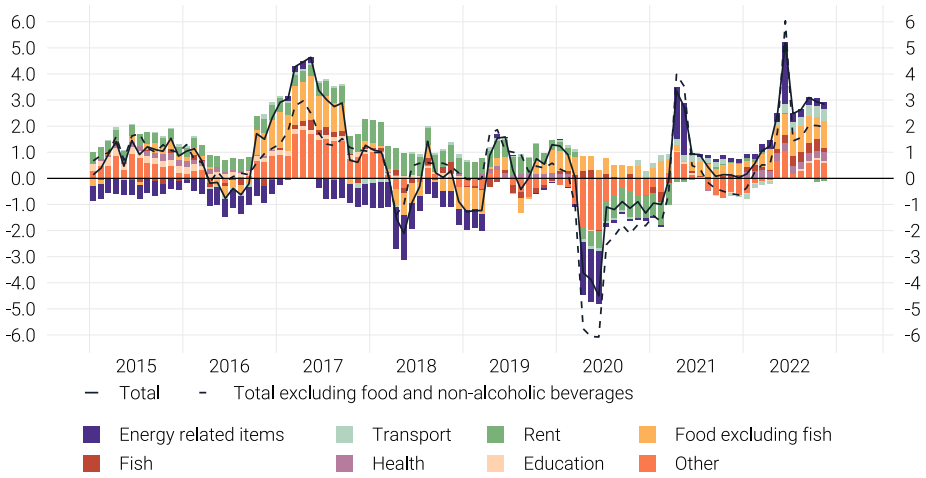
Source: Ministry of Tourism

Inflation

- The rate of inflation, as measured by the annual percentage change in the national CPI, decelerated to 2.8% in November 2022, from 2.9% in October 2022.
  - The largest contribution to the annual rate of inflation during November 2022 came from dairy products (0.3 percentage points); medicines (0.3 percentage points); petrol for personal transport equipment (0.3 percentage points); passenger transport by air (0.2 percentage points); oils and fats (0.2 percentage points); meat (0.2 percentage points); mobile communication services (-0.4 percentage points); vegetables (-0.1 percentage points) and housing rent (-0.1 percentage points).
- The monthly percentage change in the national CPI picked up to 0.02% in November 2022, from -0.07% in October 2022.
  - The largest contribution to the monthly rate of inflation came from dairy products (0.12 percentage points); oils and fats (0.05 percentage points); bread and cereals (0.05 percentage points); housing rent (0.04 percentage points); other personal care products (0.04 percentage points); sugar, jam, honey, chocolate and confectionery (0.02 percentage points); fruits (0.02 percentage points); fish (-0.28 percentage points); and meat (-0.09 percentage points).

Contribution of Major Categories to CPI Inflation (National), 2015 - 2022

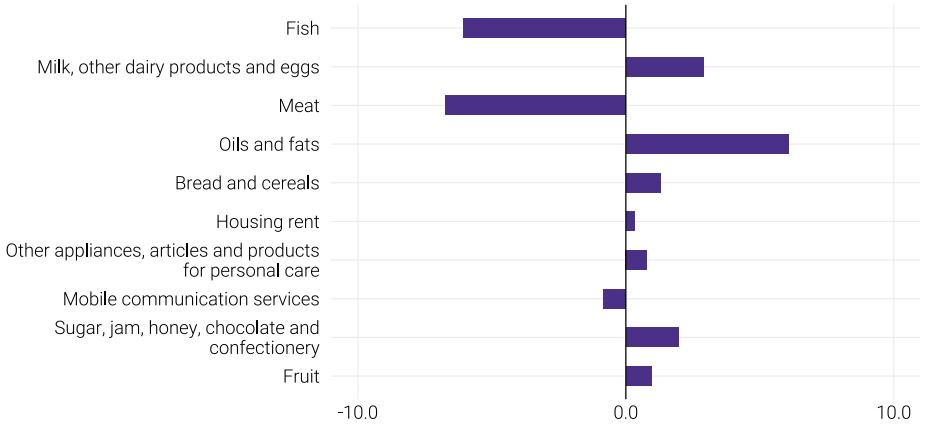
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

Monthly Changes of Subcategories of CPI Inflation (National), November 2022

(monthly percentage change)

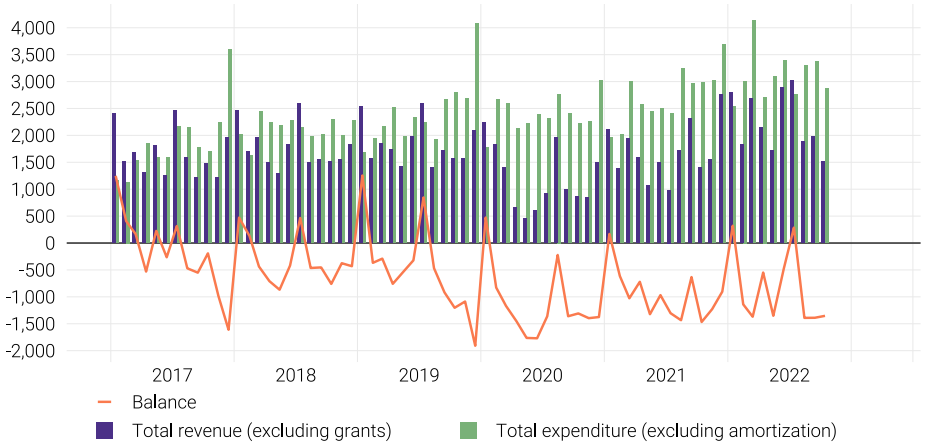


Source: Maldives Bureau of Statistics
Note: Ordered by the size of the contribution.

Public Finance

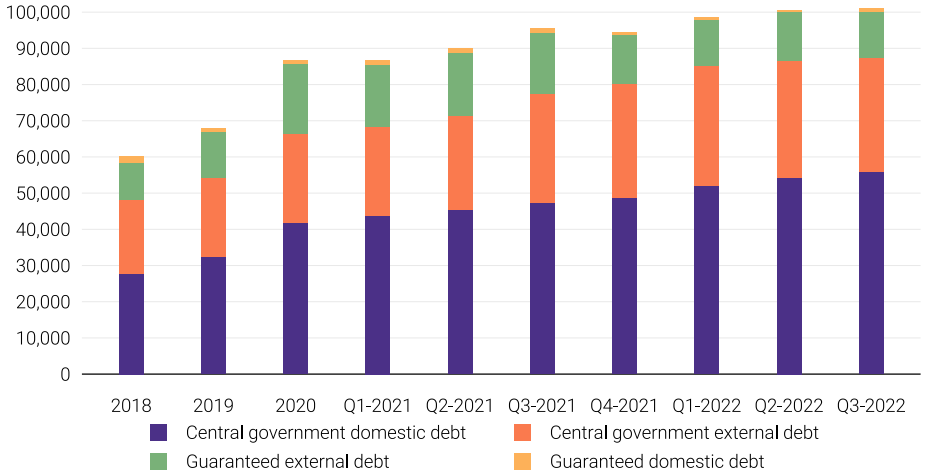
- Total revenue (excluding grants) observed an increment of MVR105.0 million (or 7%) in October 2022 when compared with October 2021, almost entirely driven by the growth in tax revenue. As such, tax revenue rose by MVR105.4 million, while non-tax revenue also observed a marginal increase.
- Total expenditure (excluding amortisation) declined by MVR122.2 million (or -4%) in October 2022 when compared with October 2021, primarily owing to the fall in recurrent expenditure, which declined by MVR227.1 million, while capital expenditure rose by MVR104.9 million.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR87.3 billion at the end of Q3-2022, a 1% increase from Q2-2022. Meanwhile, total government debt as a percentage of GDP rose to 92% at the end of Q3-2022 from 91% in Q2-2022.
  - During this period, the increase in government debt was primarily driven by domestic debt.

Government Revenue and Expenditure, 2017 - 2022
(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, 2018 - 2022
(millions of rufiyaa)



Source: Ministry of Finance

Monetary Developments

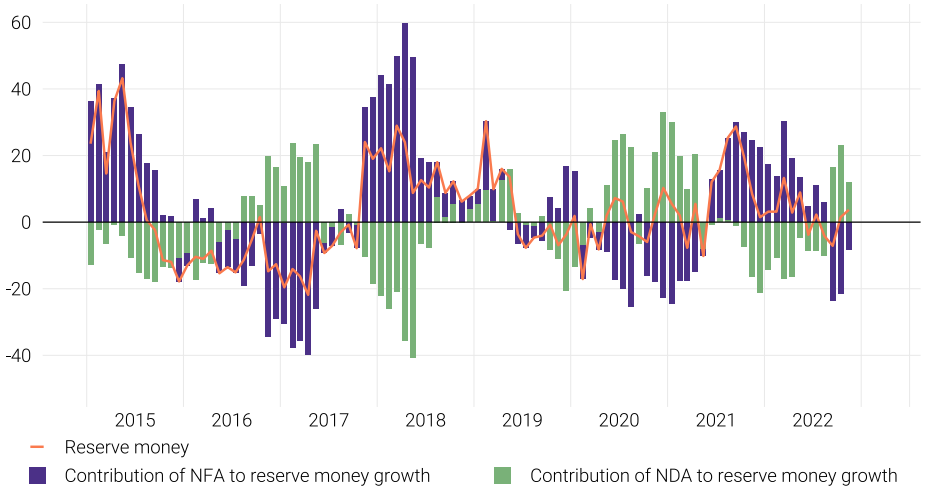
Reserve Money

- Reserve money (M0) observed an annual increase of 4% at the end of November 2022, after registering a marginal increase of 1% at the end of October 2022, mainly owing to the increase in net domestic assets, despite the decline in net foreign assets during the period.
  - The increase in net domestic assets was mainly due to the significant increase in net claims on central government, despite the fall in claims on commercial banks. Meanwhile, net foreign assets declined mainly owing to the marked decline in foreign asset accumulation, despite the decline in foreign liabilities, which largely reflected the base effect of the repayment of the foreign exchange swap with the Reserve Bank of India (RBI).

Broad Money

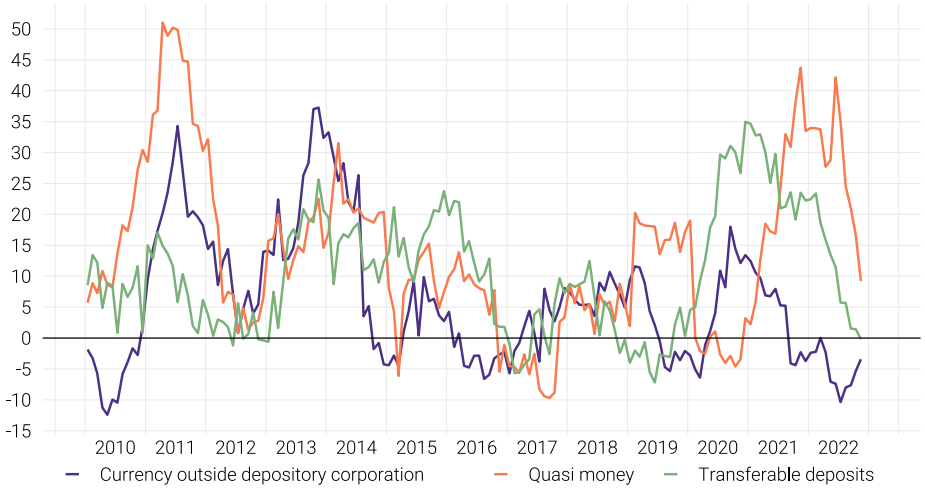
- Annual broad money (M2) growth decelerated to 5% at the end of November 2022, from 9% in October 2022.
  - On the components side, the annual growth in broad money was primarily driven by an increase in quasi money, mainly reflecting a substantial growth in transferable deposits denominated in foreign currency, followed by an increment in time deposits denominated in both local and foreign currency. Additionally, savings deposits denominated in local currency also observed a growth, followed by a marginal growth in savings deposits denominated in foreign currency. Meanwhile, narrow money marginally declined during November 2022.
  - As for the sources, the annual broad money growth was mainly driven by the significant rise in net domestic assets, largely due to the rise in net claims on the central government by the commercial banks and the MMA, while credit to public nonfinancial corporations and private sector also increased. Meanwhile, net foreign assets registered a decline, mainly owing to the decline in foreign asset accumulation, despite the decrease in foreign liabilities during the period.

Sources of Reserve Money, 2015 - 2022
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Components of Broad Money, 2010 - 2022
(annual percentage change)



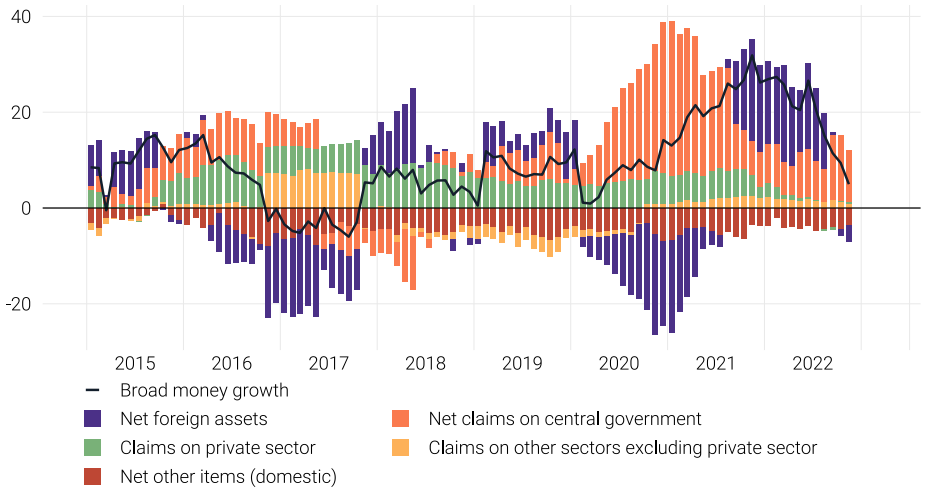
Source: Maldives Monetary Authority

Credit to Private Sector

- The annual growth rate of credit to the private sector by the commercial banks rose to 1.2% at the end of November 2022, from 1.0% at the end of October 2022.
  - As for credit growth by major sectors, personal loans as well as credit to the commerce and real estate sector continued to expand in November 2022. Meanwhile, construction sector registered a marginal increase during the month. However, credit extended to the tourism sector, which accounts for the highest share of bank credit, continued to decline and registered an annual decline of 3%.
  - The annual decline in credit to the tourism sector was mainly driven by a marked drop in credit lent for new resort development, followed by credit lent for renovation of resorts, which offset the increase in credit lent in the form of working capital.

Contribution to Broad Money, 2015 - 2022

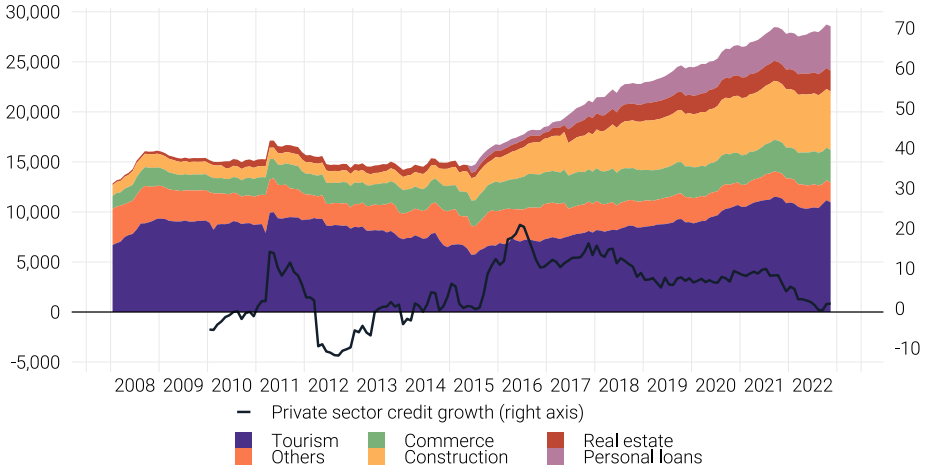
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Private Sector Credit, 2008 - 2022

(millions of rufiyaa, annual percentage change)

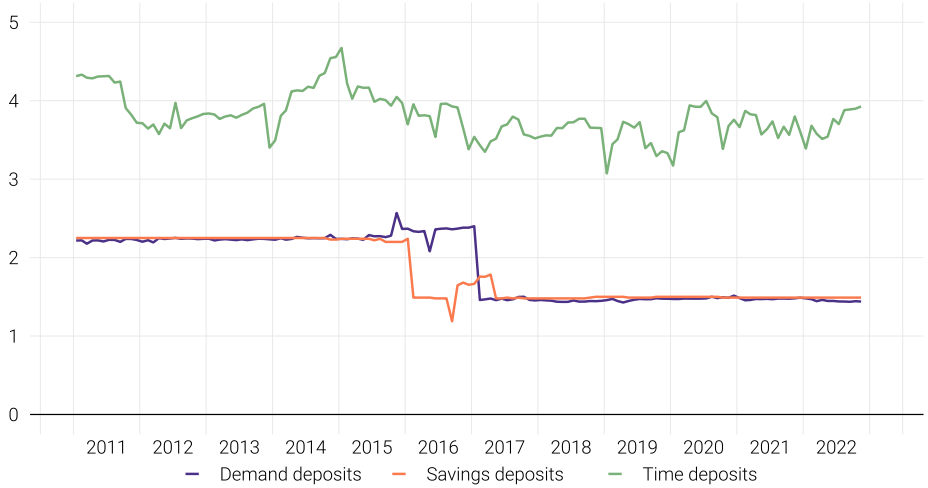


Source: Maldives Monetary Authority
Note: Personal loans were not classified as a separate category prior to June 2015.

Interest rates

Interest Rate on National Currency Deposits, 2011 - 2022

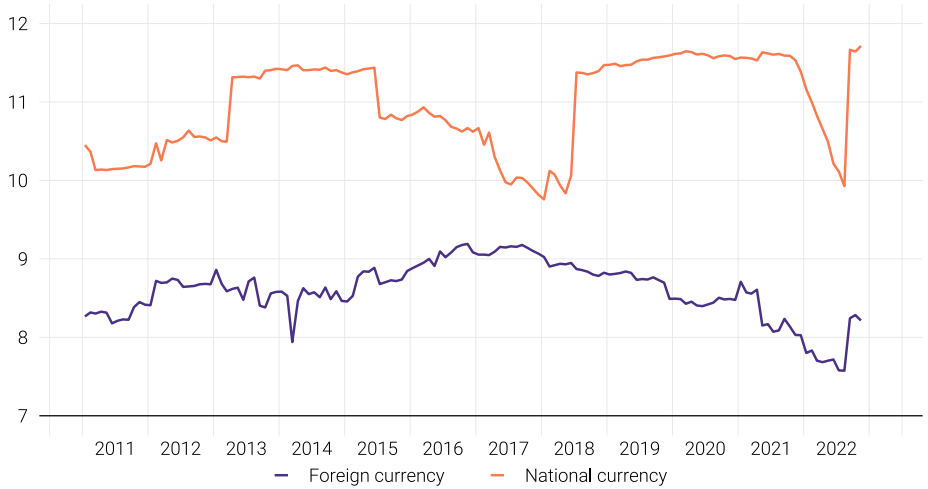
(weighted average)



Source: Maldives Monetary Authority

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

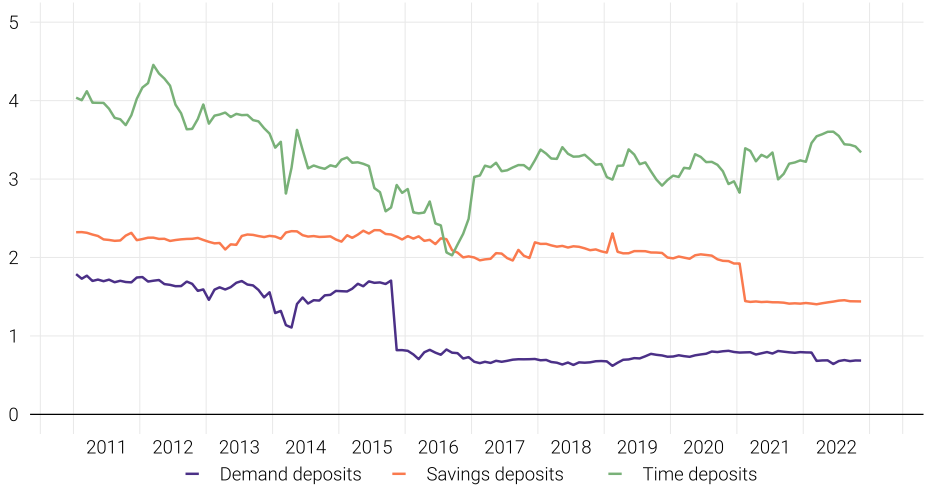
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2011 - 2022

(weighted average)



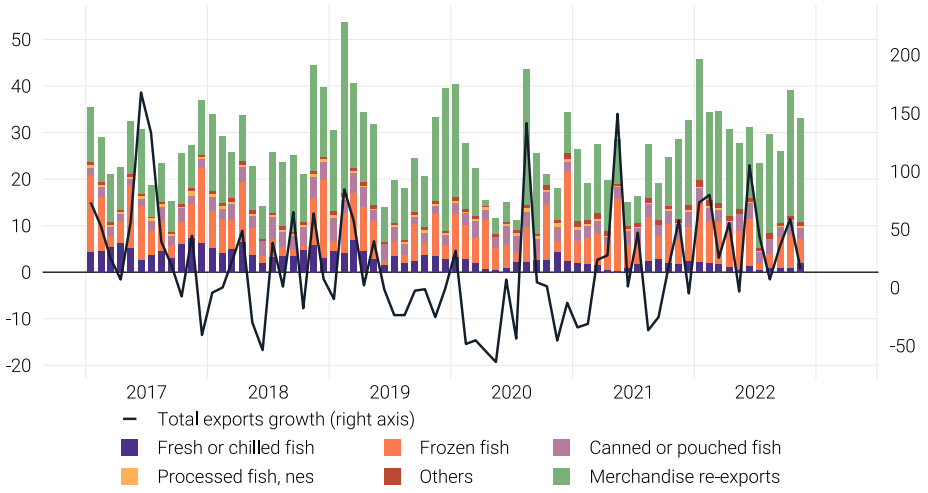
Source: Maldives Monetary Authority

External Trade

- Total exports (f.o.b) increased by 16% in November 2022 when compared with November 2021, while total imports (c.i.f) rose by 13% during the same period. In monthly terms, total exports declined by 15%, while total imports grew by 7% in November 2022.
  - The annual growth in total exports stemmed from a significant increase in re-exports, primarily reflecting higher re-exports of jet fuel. However, domestic exports declined during the month, largely owing to a fall in earnings from frozen skipjack tuna exports, together with canned or pouched tuna. In contrast, increases were observed in earnings from both frozen yellowfin tuna and fresh or chilled yellowfin tuna exports during the month.
  - As for the annual increase in total imports, growth in import expenditure stemmed primarily from petroleum products, followed by increases in import expenditure on electrical and electronic machinery and equipment and parts, and construction-related items. Meanwhile, import expenditure on machinery and mechanical appliances and parts, furniture fixtures and fittings, electronic and electrical appliances, and food items observed declines during the month.
- Overall, for the period of January to November 2022, both total exports and total imports increased by 41% and 38%, respectively, when compared with the corresponding period of 2021.

Total Exports, 2017 - 2022

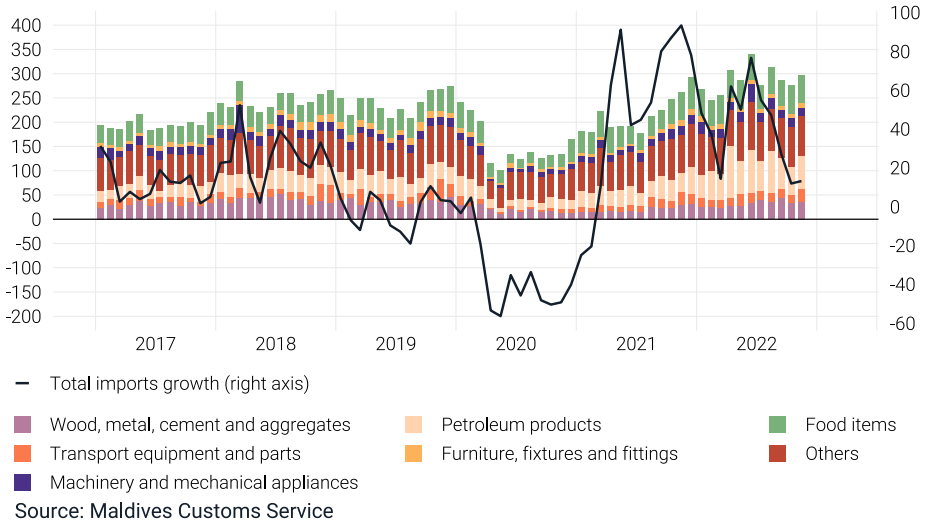
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

Total Imports, 2017 - 2022

(millions of US dollars, annual percentage change)



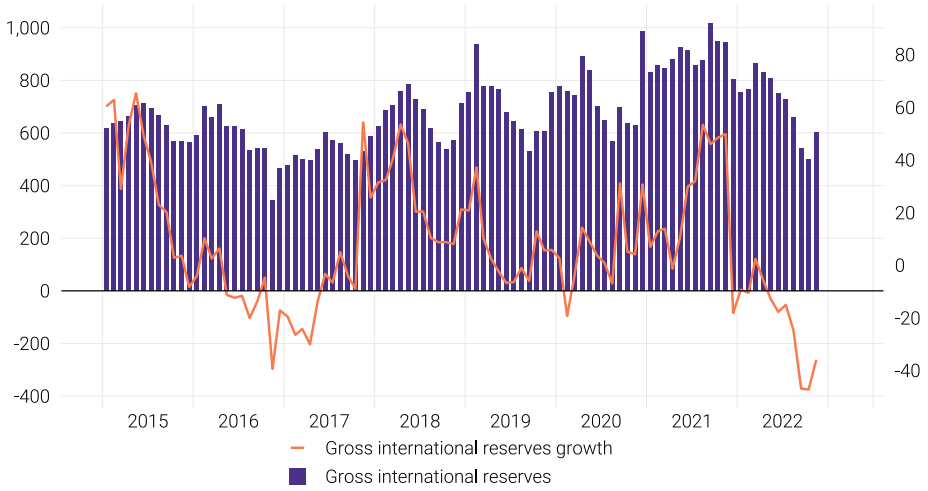
Source: Maldives Customs Service

Gross International Reserves

- Gross international reserves[2] (official reserve assets) increased to US$604.2 million at the end of November 2022, from US$499.6 million at the end of October 2022. However, this records a marked decline from US$943.8 million observed at the end of November 2021.
  - In terms of growth rates, gross international reserves recorded a growth of 21% when compared with October 2022, while a marked decline of 36% was registered when compared with November 2021.

Gross International Reserves, 2015 - 2022

(millions of US dollars, annual percentage change)



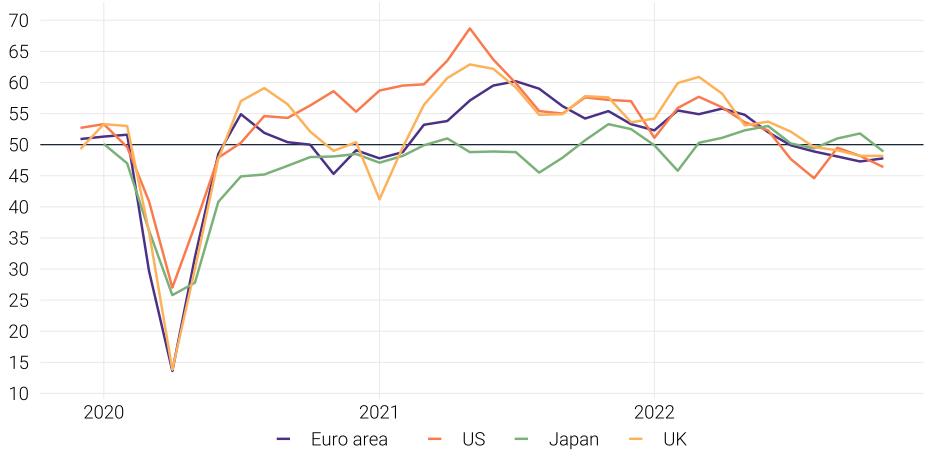
Source: Maldives Monetary Authority

[2] 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

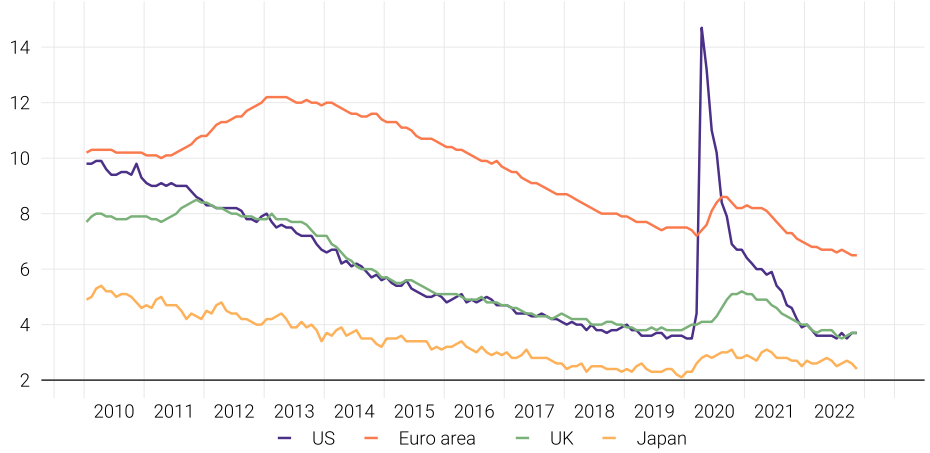
Global Output

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



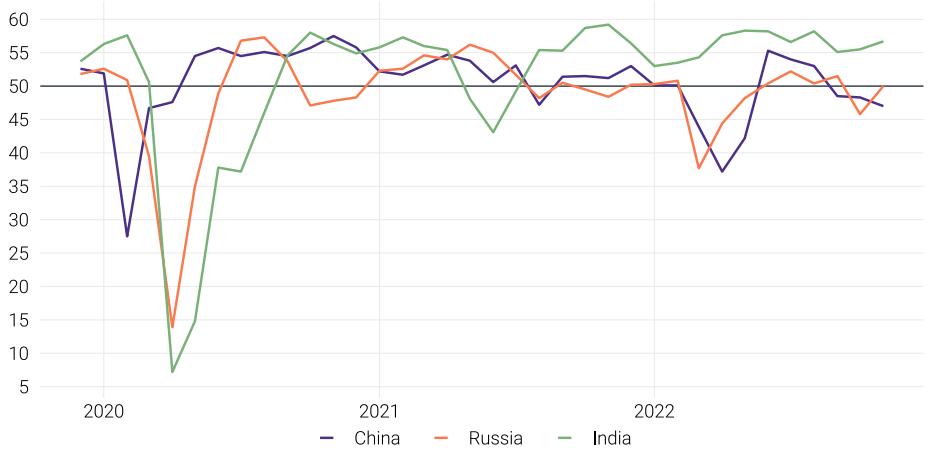
Source: Bloomberg Database

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



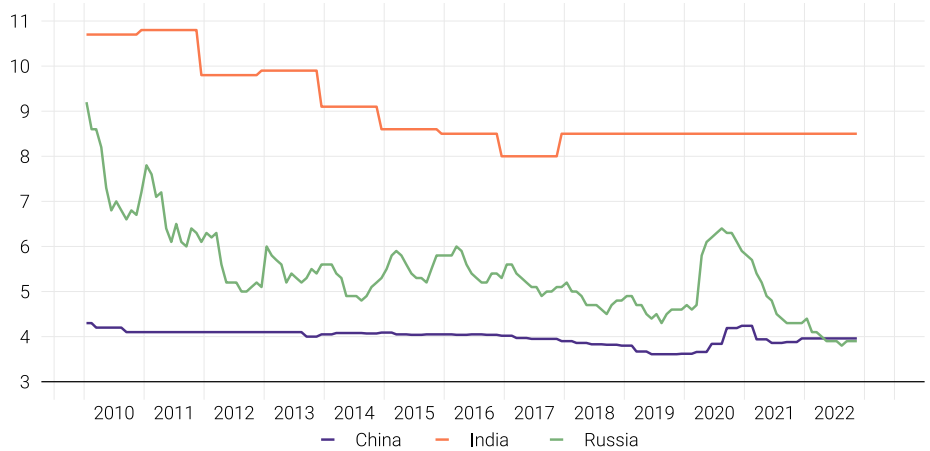
Source: Bloomberg Database

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



Source: Bloomberg Database

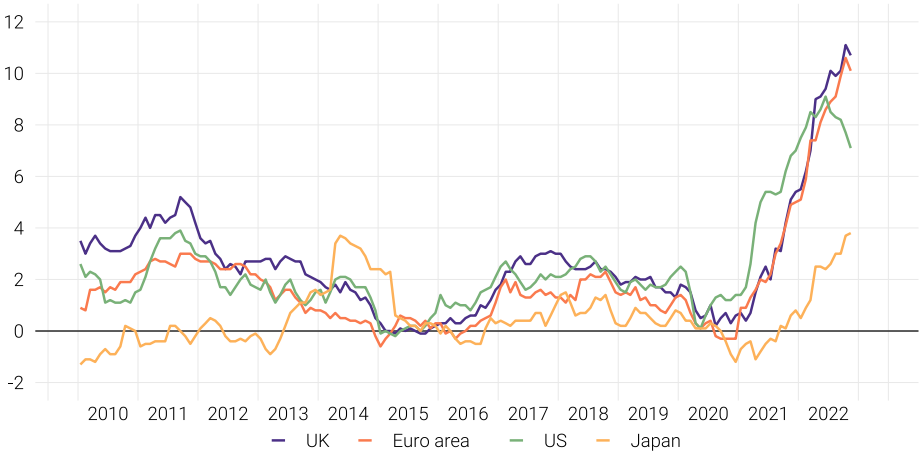
Unemployment in the Emerging Economies, 2010 - 2022
(percent)



Source: Bloomberg Database

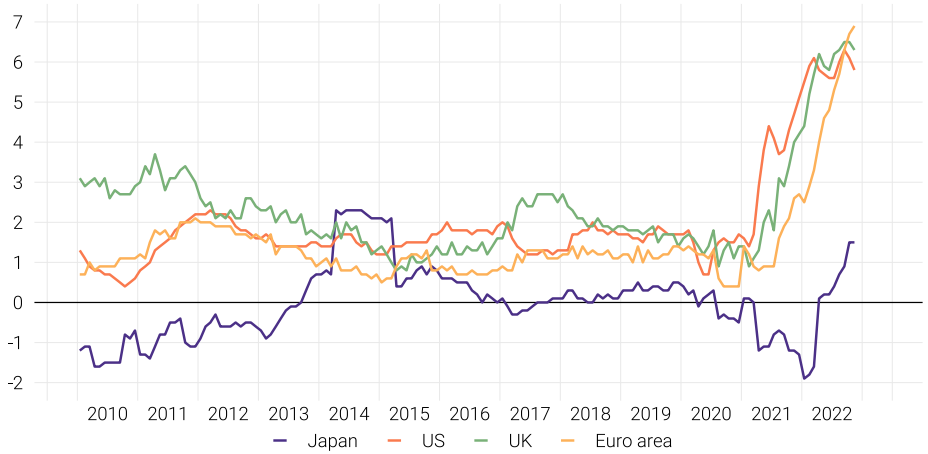
Global Inflation

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



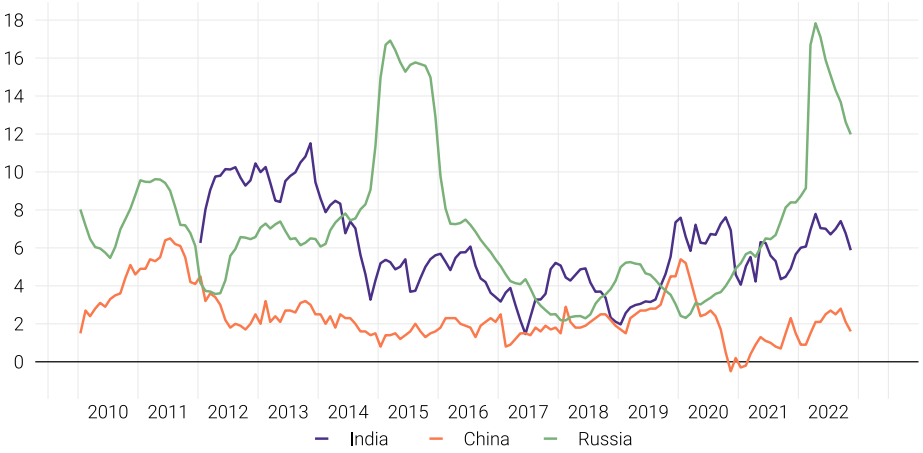
Source: Bloomberg Database

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



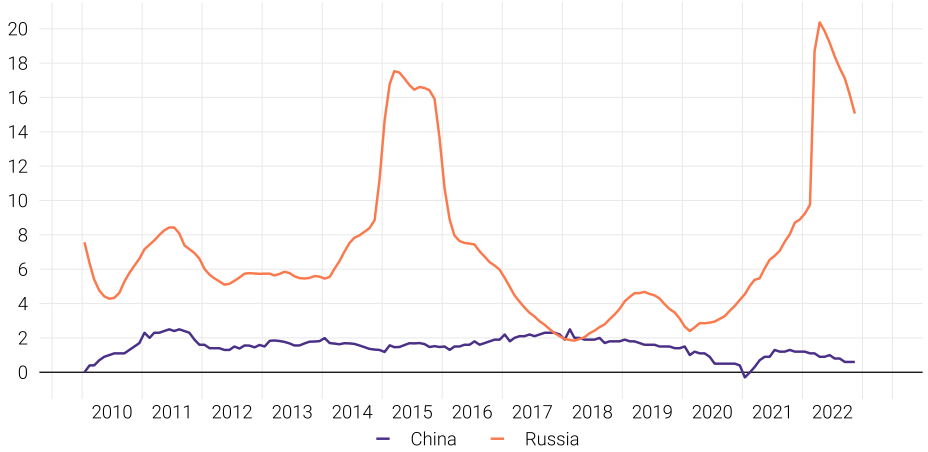
Source: Bloomberg Database

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



Source: Bloomberg Database

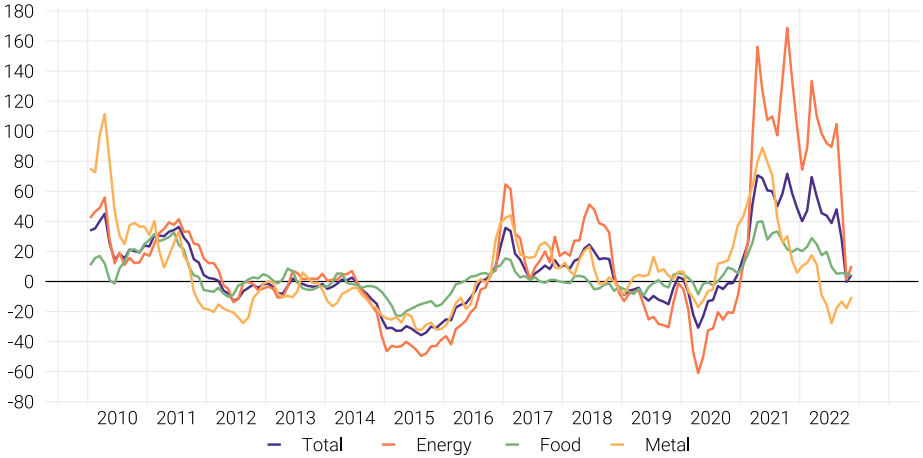
Core Inflation in the Emerging Economies, 2010 - 2022
(percent)



Source: Bloomberg Database

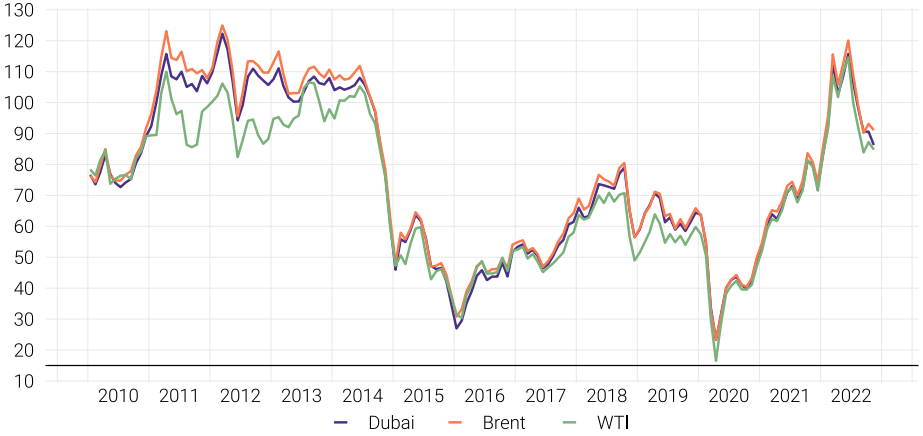
Commodity Prices

Commodity prices, 2010 - 2022
(annual percentage change)



Source: IMF

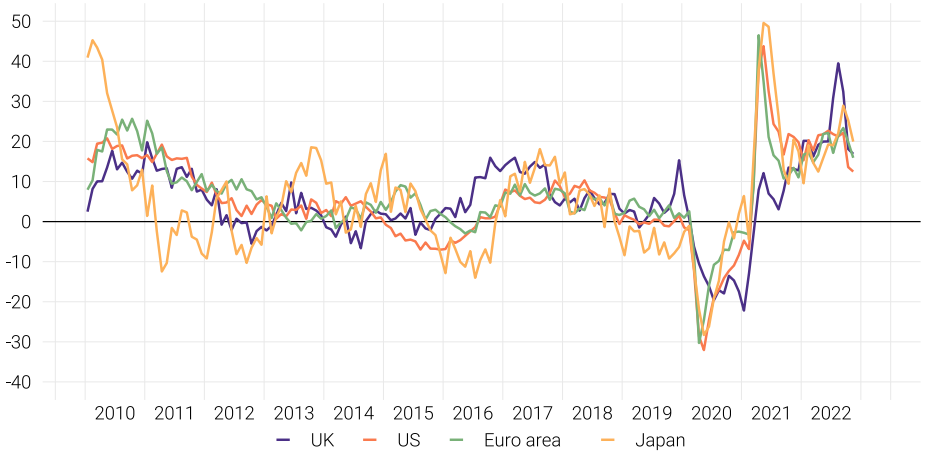
Oil prices, 2010 - 2022
(dollars per barrel)



Source: Bloomberg Database

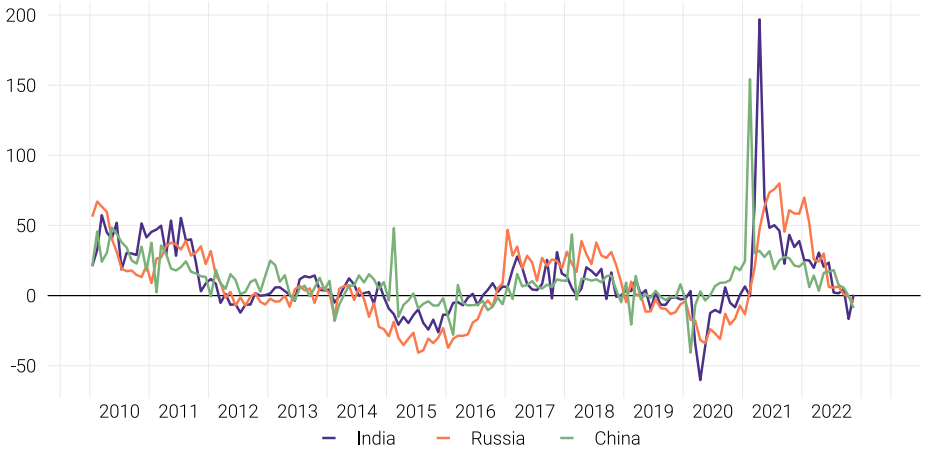
Global Trade

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



Source: Bloomberg Database

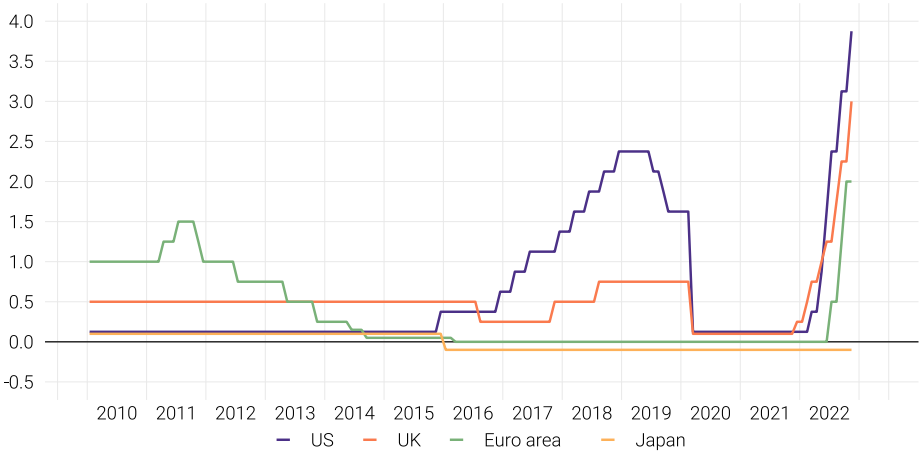
Exports in the Emerging Economies, 2010 - 2022
(annual percentage change)



Source: Bloomberg Database

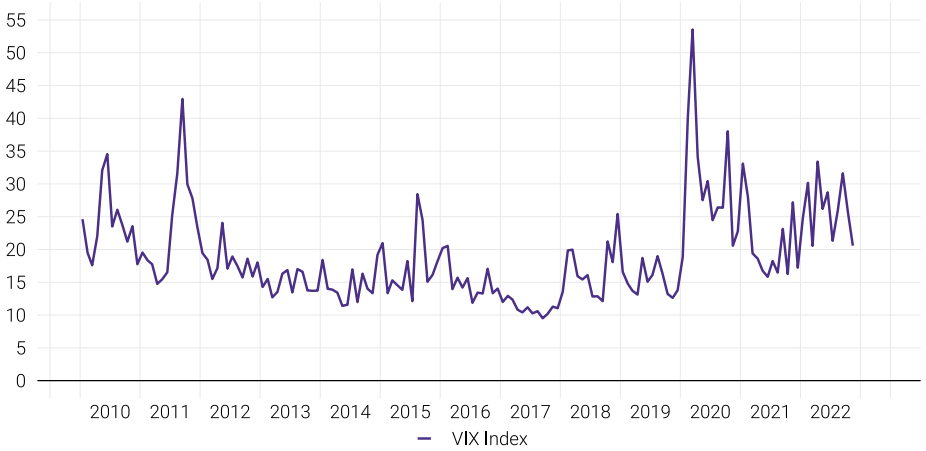
Global Financial Markets

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



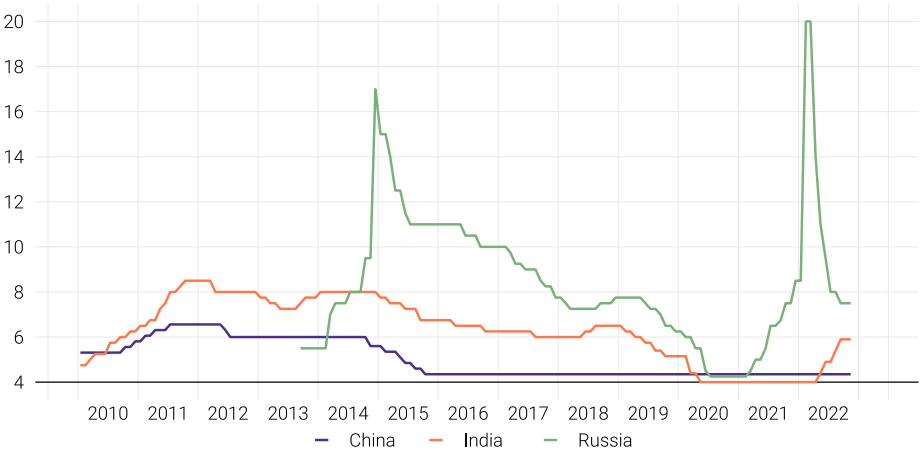
Source: Bloomberg Database

Volatility Index, 2010 - 2022
(percent)



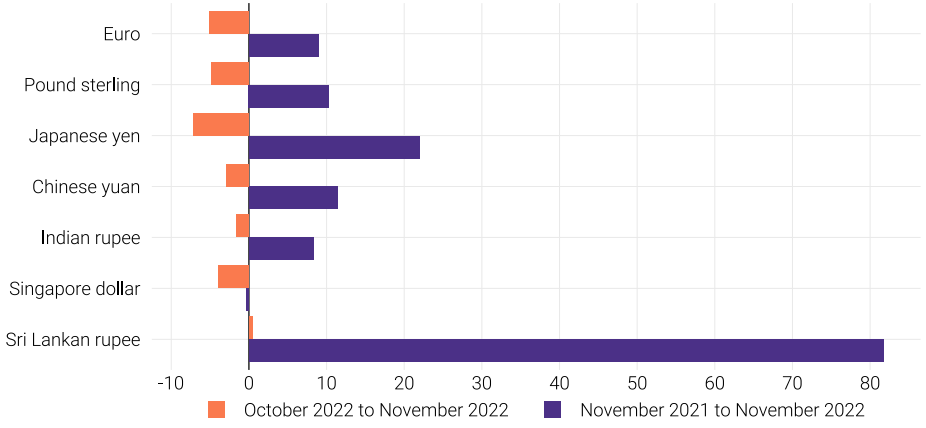
Source: Bloomberg Database

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



Source: Bloomberg Database

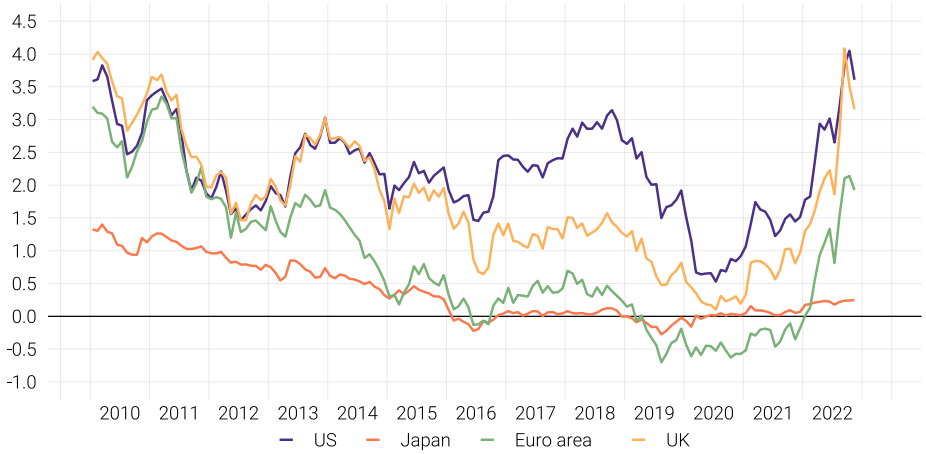
Exchange Rate of US Dollar against Currencies of Major Trading Partners, November 2022
(percentage change)



Source: Bloomberg Database

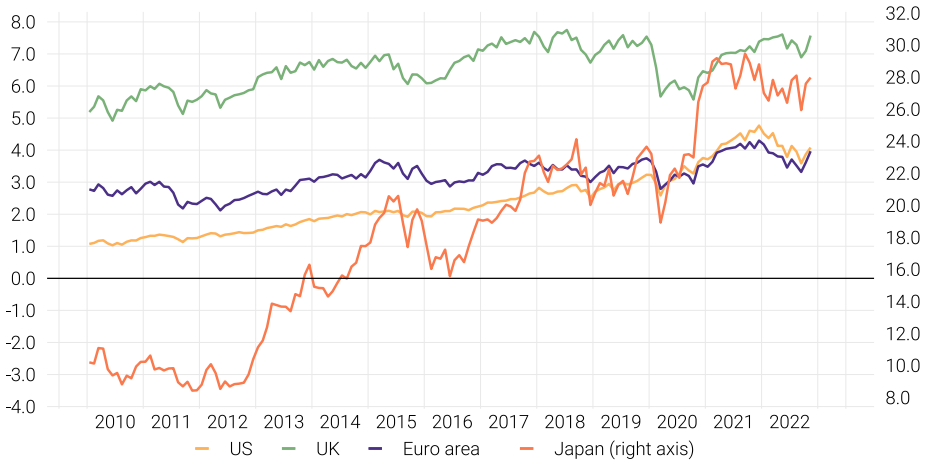
Global Financial Markets

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



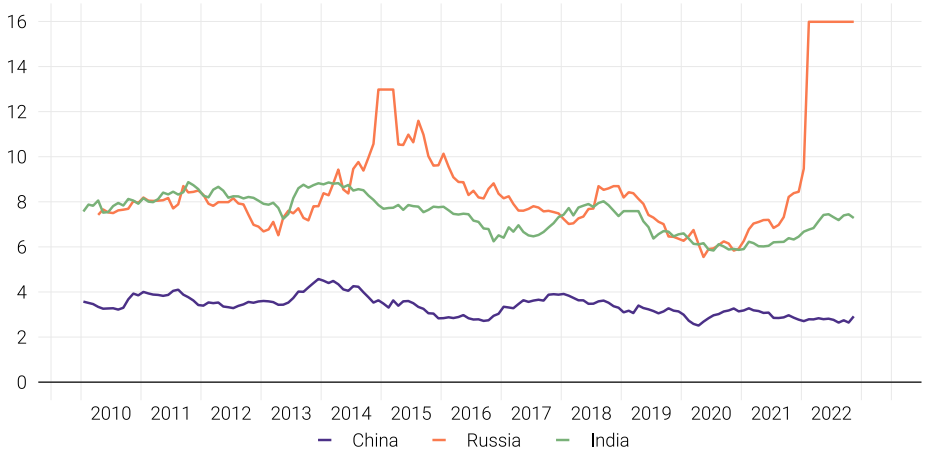
Source: Bloomberg Database

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



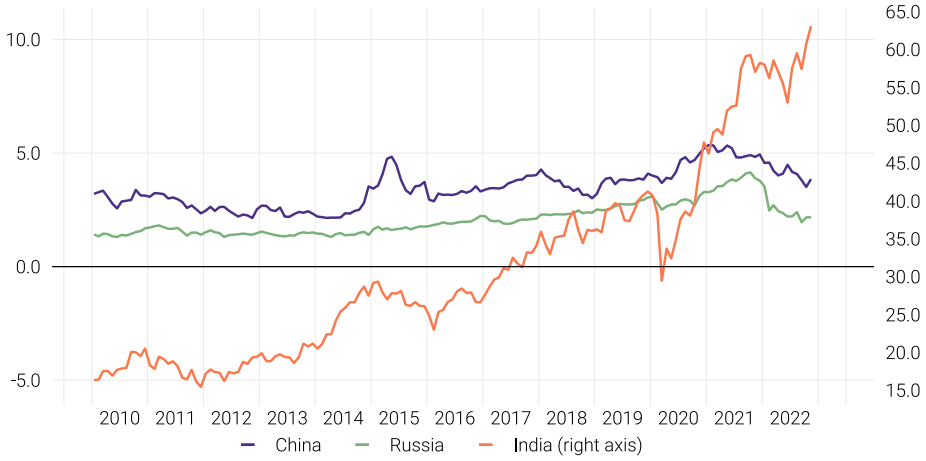
Source: Bloomberg Database

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

Boduthakurufaanu Magu
Male' - 20182
Republic of Maldives
Tel: (960) 3312343
Fax: (960) 3323862
Email: mail@mma.gov.mv
Website: www.mma.gov.mv