

MALDIVES MONETARY AUTHORITY

ECONOMIC UPDATE

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About the Economic Update

Economic Update is a new monthly publication produced by the Research Division of MMA presenting a quick overview of current developments in the Maldivian economy. It also includes a chart pack of global economic and financial indicators. The Economic Update will be posted on MMA's website at the end of each month. This Economic Update is based on the latest available data as at 30 June 2021.

Domestic Economic Developments

Real Economy

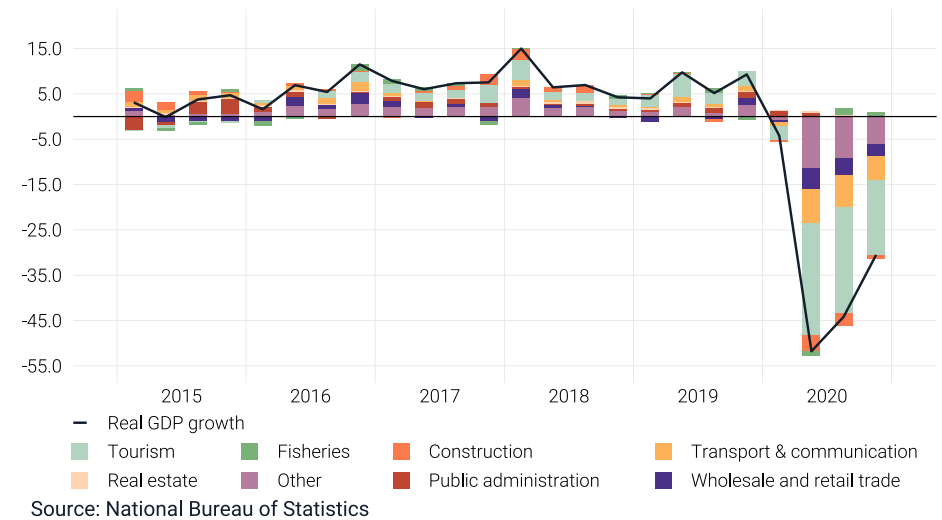
Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts for Q4-2020 released by the National Bureau of Statistics, real GDP declined by 30.5% in Q4-2020, when compared with the corresponding quarter a year ago. This was a notable moderation when compared with -44.2% for Q3-2020.
 - The moderation in the quarterly GDP growth during Q4-2020 reflected the commencement of the peak season of the tourism sector, together with the easing of lockdown measures in the Greater Male' Region. However, real GDP observed a marked decline in annual terms, reflecting the adverse effects of the spread of the COVID-19 pandemic on the domestic economy as a whole. As such, negative contributions were observed in the main sectors of the economy including transport and communication; wholesale and retail trade; tourism; and the construction sector.
 - On the upside, activity in the fisheries sector; education; financial services and human health and social work activities picked up over the review quarter.

Annual GDP Growth Forecast

- Real GDP is estimated to have declined severely by 32.0% in 2020 according to the first estimate of annual real GDP growth published by the National Bureau of Statistics, underpinned by a sharp decline in tourism sector and related sectors such as wholesale and retail trade, construction and real estate, as well as transport and communication. Going forward, according to forecasts published in May 2021, real GDP is projected to grow in the range 13.5% and 34.1% in 2021, with the most likely growth rate as 22.7%.

Contribution to Real GDP Growth by Economic Sectors, 2015 - 2020
(annual percentage change, percentage point contribution)

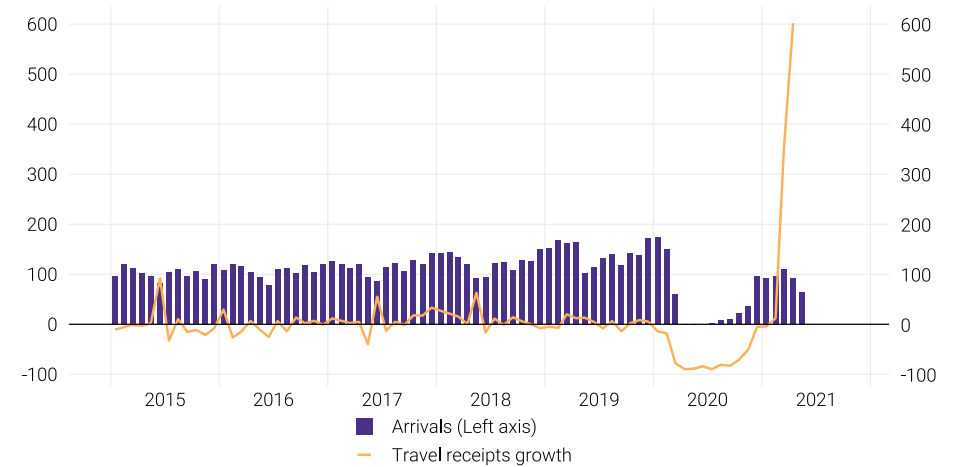


Tourism

- In May 2021, both tourist arrivals and bednights increased significantly in annual terms, after recording marked growths in April 2021 as well.
 - The annual increase in tourist arrivals reflected the base effect of the significant drop in arrivals in May 2020, following the closure of the country’s international borders on 27 March 2020, to curb the spread of pandemic. Total tourist arrivals during May 2021 reached 64,613, while only 41 tourist arrivals were recorded in May 2020. During May 2021, the largest number of tourist arrivals were recorded from Russia, followed by Germany and the United States.
- The operational bed capacity of the tourism industry observed a sixteen-fold increase when compared with May 2020 (528% in April 2021), and the occupancy rate increased to 39% in May 2021 (51% in April 2021), from 5% in May 2020.
- Overall, for the period of January to May 2021, the total tourist arrivals increased by 19% in annual terms (-49% in 2020), while total bednights of the industry observed an increase of 35% (-42% in 2020). During this period, the average stay decreased to 9.0 days, from 23.8 days in the corresponding period of 2020.

Tourism, 2015 - 2021

(thousands, annual percentage change)

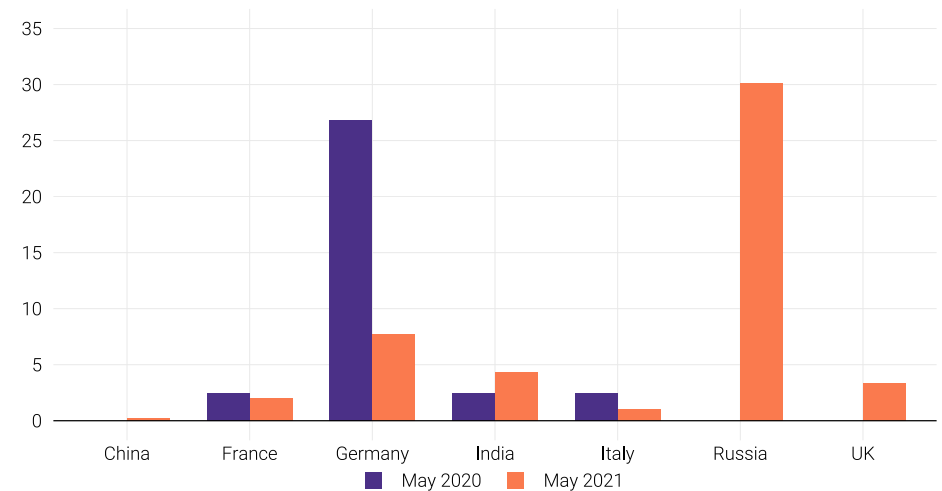


Source: Ministry of Tourism

Note: Tourism receipts available up to April 2021.

Shares of Key Inbound Markets

(percent)



Source: Ministry of Tourism

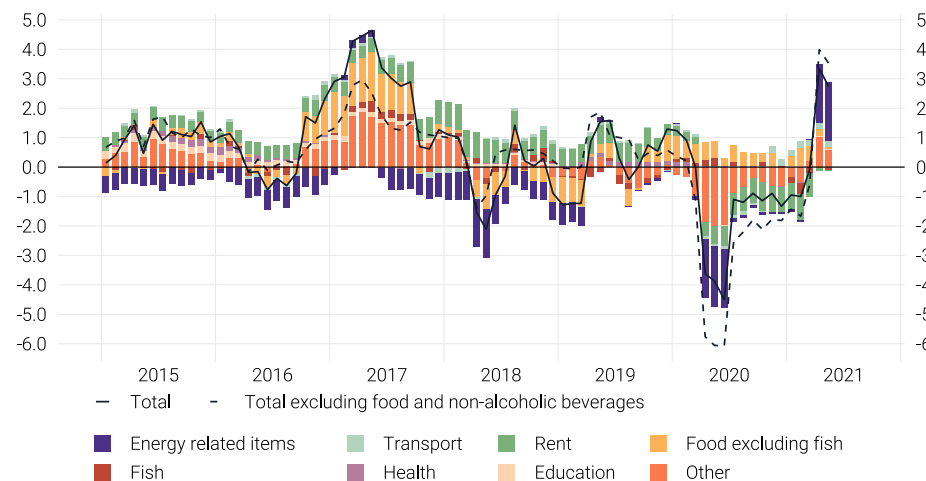
Inflation

- The rate of inflation, as measured by the annual percentage change in the national CPI, decelerated to 2.7% in May 2021, from 3.3% in April 2021. The deceleration stemmed mainly from the decline in the price of information and communication services, reflecting the reduction in telecommunication prices. Additionally, the decline in prices of vegetables and certain types of fruits contributed to the downward pressure on inflation. In contrast, the upward pressure on inflation was primarily contributed by the growth in the cost of electricity and water supply, as well as price of cigarettes. The increase in the cost of electricity and water supply mirrored the base effect of the discounts on electricity and water bills provided by the government from April to June 2020, following the COVID-19 outbreak, while the price of cigarettes rose following the ratification of the 17th amendment to Export-Import Act in July 2020, imposing additional duties on specific tobacco products. Further, increases in the cost of international air transport, as well as the prices of certain dairy products, also contributed to the upward pressure on inflation.

- From the major categories of the CPI, the largest contributors to the annual rate of inflation during May 2021 were electricity (2.0 percentage points); water supply (0.6 percentage points); tobacco (0.6 percentage points); air transport (0.3 percentage points); dairy products (0.2 percentage points); restaurants and cafés (0.1 percentage points); citrus fruits (-0.2 percentage points); vegetables (-0.2 percentage points); and mobile communication services (-0.9 percentage points).

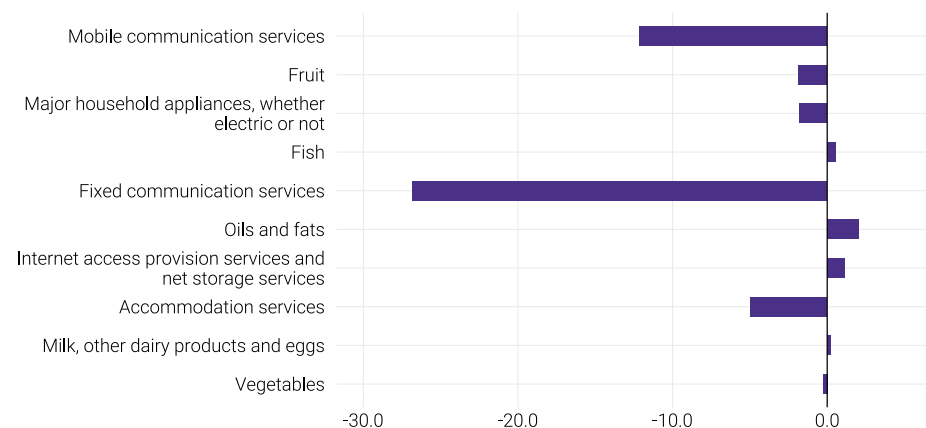
- The monthly percentage change in the national CPI decreased to -0.54% in May 2021, from 0.08% in April 2021.
 - The largest contribution to the monthly rate of inflation came from fish (0.02 percentage points); vegetable oils (0.01 percentage points); vegetables (-0.01 percentage points); major household appliances (-0.02 percentage points); fruits (-0.04 percentage points) and information and communication services (-0.49 percentage points).

Contribution of Major Categories to CPI Inflation (National), 2015 - 2021
(annual percentage change, percentage point contribution)



Source: National Bureau of Statistics

Monthly Changes of Subcategories of CPI Inflation (National), May 2021
(monthly percentage change)



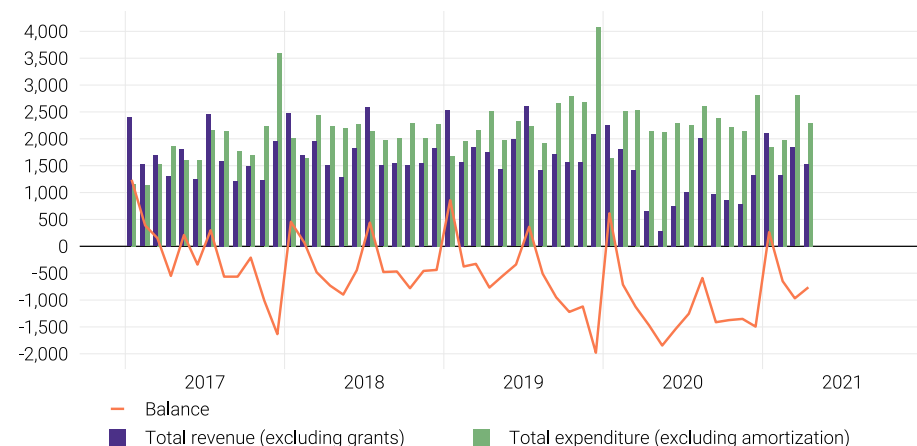
Source: National Bureau of Statistics
Note: Ordered by the size of the contribution.

Public Finance

- Total revenue (excluding grants) observed an increase of MVR870.7 million (or 131%) in April 2021 when compared with April 2020. This was mainly due to a surge in tax revenue, followed by an increase in non-tax revenue. As such, tax revenue increased by MVR708.7 million, while non-tax revenue increased by MVR161.7 million.
- Total expenditure (excluding amortisation) increased by MVR161.2 million (or 8%) in April 2021 when compared with April 2020. The increase in expenditure stemmed from a substantial growth in recurrent expenditure, which posted an increase of MVR371.7 million, while capital expenditure posted a decline of MVR210.5 million.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR68.3 billion at the end of Q1-2021, a 3% increase from Q4-2020. However, total government debt as a percentage of GDP¹ decreased to 103% at the end of Q1-2021 from 115% in Q4-2020.
 - During this period, the increase in government debt was primarily driven by domestic debt.

Government Revenue and Expenditure, 2017 - 2021

(millions of rufiyaa)

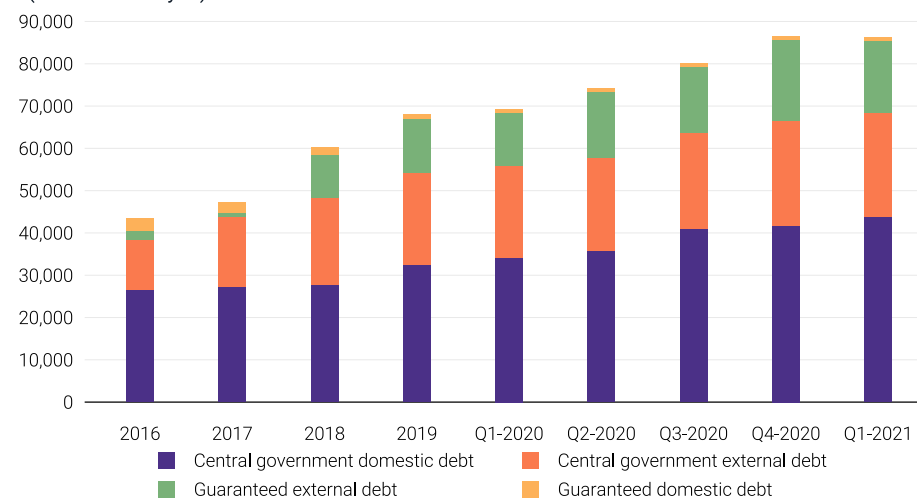


Source: Ministry of Finance

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

Total Outstanding Stock of Public Debt, 2016 - 2021

(millions of rufiyaa)



Source: Ministry of Finance

¹Based on moderate case growth forecast scenario, prepared jointly with Ministry of Finance in October 2020.

Monetary Developments

Reserve Money

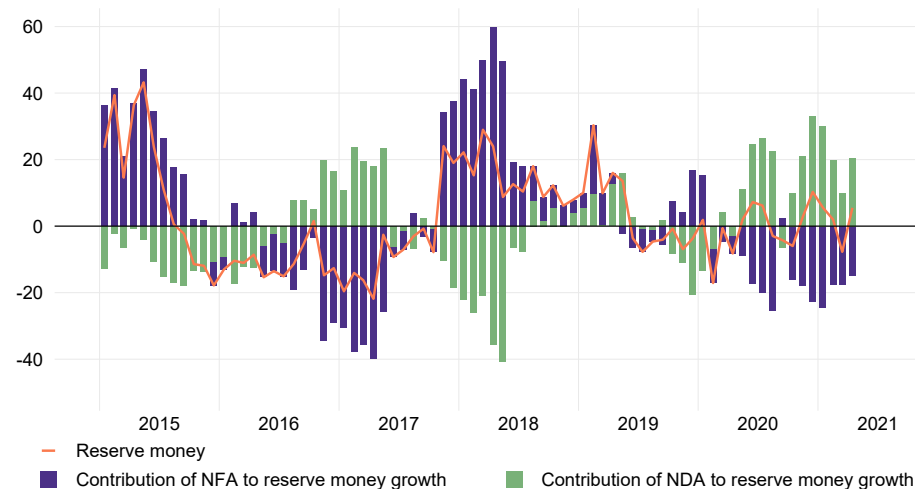
- Annual reserve money (M0) growth turned negative to record -10% at the end of May 2021, after recording 6% at the end of April 2021. The decline in reserve money growth stemmed mainly from a significant decrease in net domestic assets of the MMA, followed by a decline in net foreign assets of the MMA.
 - The decline in net domestic assets reflects the substantial growth in the ODF placements by the commercial banks coupled with a decline in net claims on the central government. However, the decline in net domestic assets was slightly dampened by the increase in claims on the commercial banks. Meanwhile, net foreign assets declined mainly due to a surge in foreign liabilities, reflecting the base effect of an increase in such liabilities in December 2020, despite an increase in foreign asset accumulation.

Broad Money

- Annual broad money (M2) growth decelerated to 19% at the end of May 2021, after registering 21% during April 2021.
 - On the components side, the annual growth in broad money was primarily driven by an increase in quasi money, owing to a substantial increase in transferable deposits denominated in foreign currency and time and savings deposits denominated in local currency, despite the decline in both time and savings deposits denominated in foreign currency. Meanwhile, narrow money also observed a notable increase, owing to a substantial increase in transferable deposits.
 - As for the sources, the annual broad money growth was mainly driven by the significant rise in net claims on the central government by the commercial banks, while the growth in credit to the private sector also contributed notably. In contrast, net foreign assets posted a decline, largely owing to the base effects of a surge in foreign liabilities of both the commercial banks and the MMA, which offset the rise in foreign assets of the banking system.

Sources of Reserve Money, 2015 - 2021

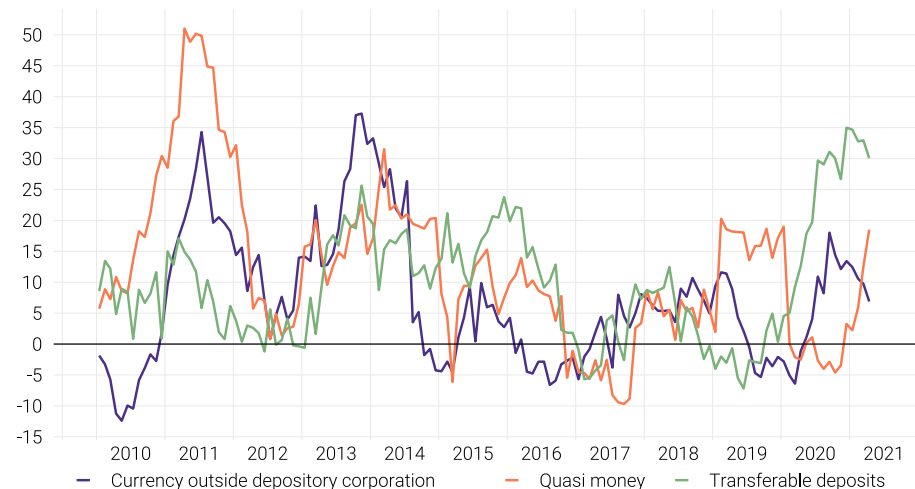
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Components of Broad Money, 2010 - 2021

(annual percentage change)



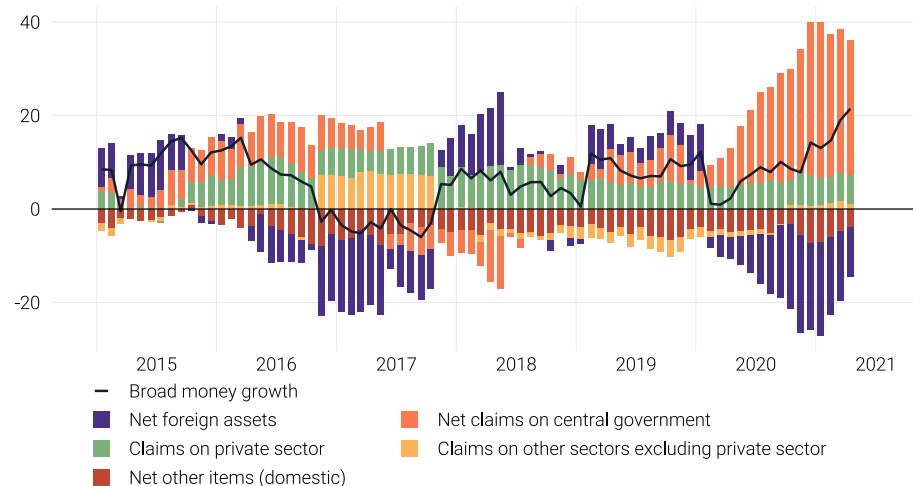
Source: Maldives Monetary Authority

Credit to Private Sector

- The annual growth of credit to the private sector by the commercial banks remained unchanged at 9% at the end of May 2021. Meanwhile, the monthly growth in credit to the private sector increased marginally to 0.5% at the end of May 2021.
 - With regard to the composition of credit to the private sector (year-on-year), similar to the previous month, growth rates were observed for most major sectors, namely tourism, construction and real estate, except for transport and communication and commerce. Likewise, credit extended as personal loans observed a significant increase over the period.
 - Credit extended to tourism sector observed the largest increase over the period, registering an annual growth of 17% during May 2021, mainly driven by the marked growth in credit in the form of working capital, followed by credit lent for new resort development and renovation of resorts.

Contribution to Broad Money, 2015 - 2021

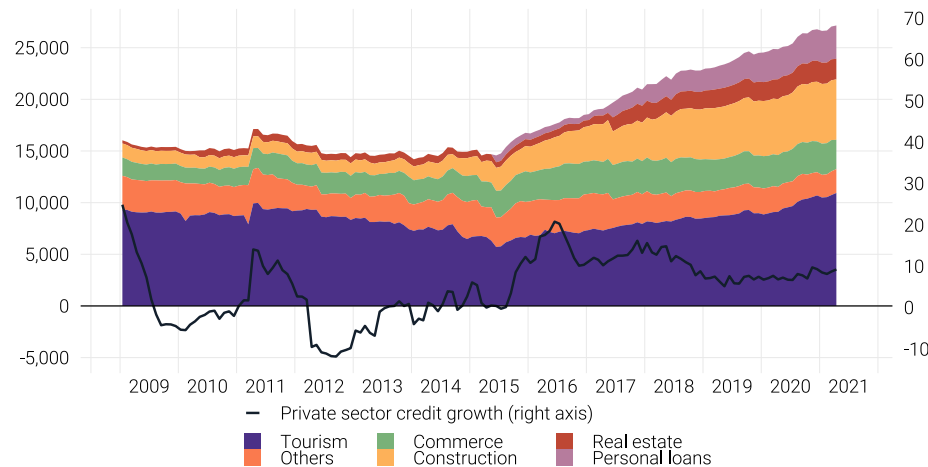
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Private Sector Credit, 2009 - 2021

(millions of rufiyaa, annual percentage change)



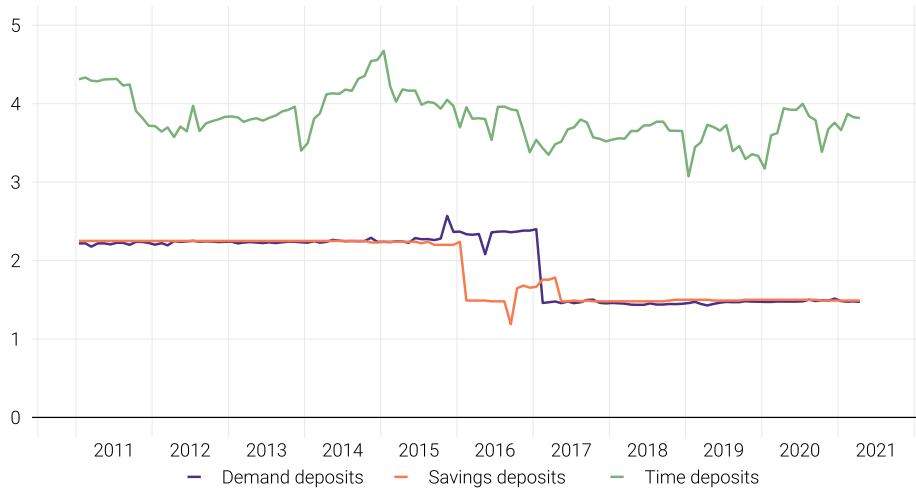
Source: Maldives Monetary Authority

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

Interest rates

Interest Rate on National Currency Deposits, 2011 - 2021

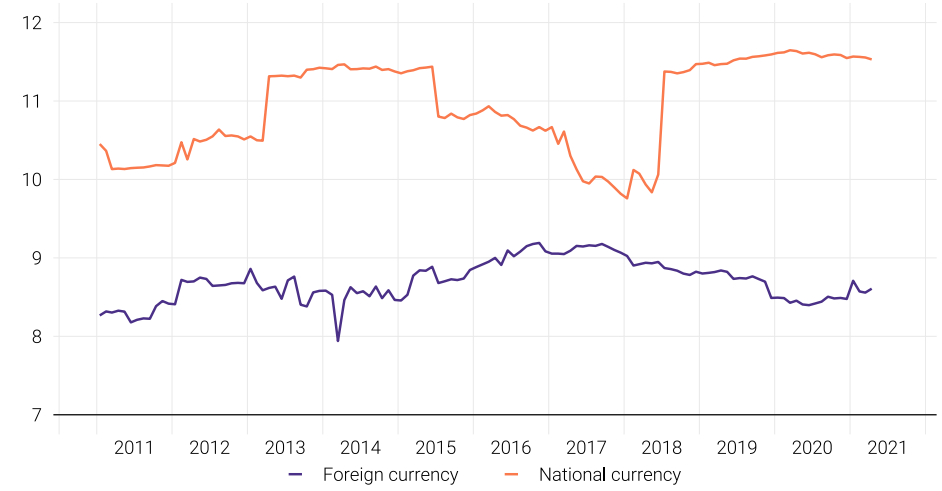
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Private Sector Loans and Advances, 2011 - 2021

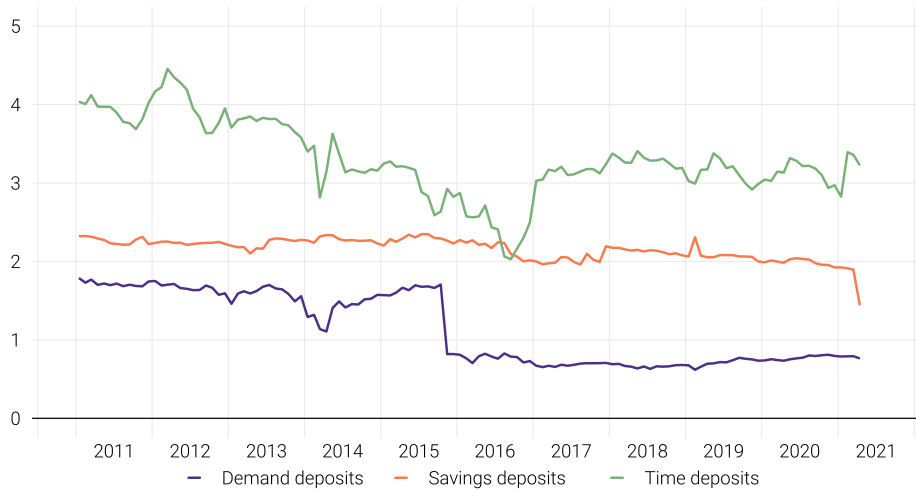
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2011 - 2021

(weighted average)



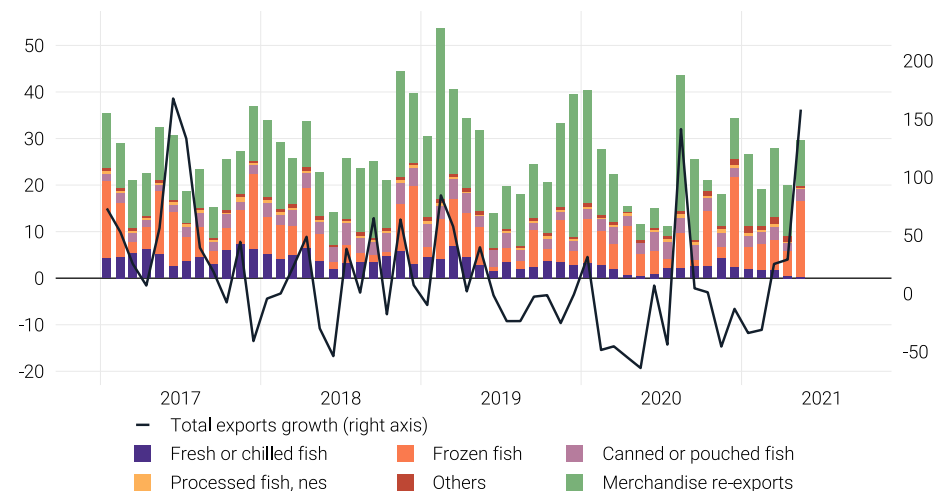
Source: Maldives Monetary Authority

External Trade

- Total exports (f.o.b) increased significantly by 158% in May 2021 (29% in April 2021) when compared with May 2020, while total imports (c.i.f) observed an annual increase of 98% (64% in April 2021) during the period. In monthly terms, total exports rose by 48%, while total imports rose by only 4%.
- The annual increase in total exports stemmed mainly from the growth in domestic exports, followed by a growth in re-exports as well. The growth in domestic exports was primarily due to a sizeable increase in export earnings from frozen skipjack tuna, followed by an increase in export earnings from frozen yellowfin tuna and canned or pouched tuna, despite a decline in export earnings from fresh or chilled yellowfin tuna.
- As for the annual increase in total imports, the most significant increases were observed in the imports of petroleum products; food items; construction-related items; transport equipment and parts; machinery and mechanical appliances and medical and surgical supplies. In contrast, imports of pharmaceuticals and price administered staples observed declines during the review month.
- Overall, during the period January to May 2021, total exports recorded a 5% growth, while total imports increased by 10% when compared with the corresponding period of 2020.

Total Exports, 2017 - 2021

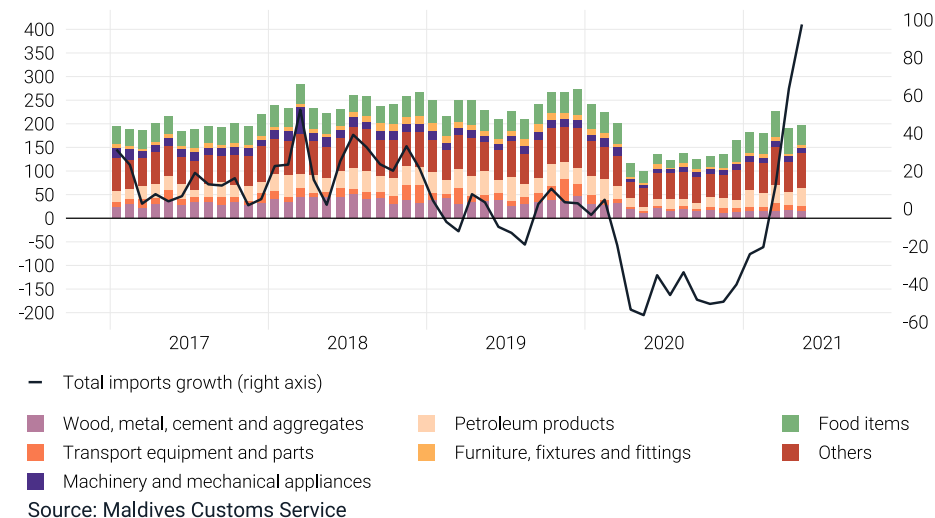
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

Total Imports, 2017 - 2021

(millions of US dollars, annual percentage change)

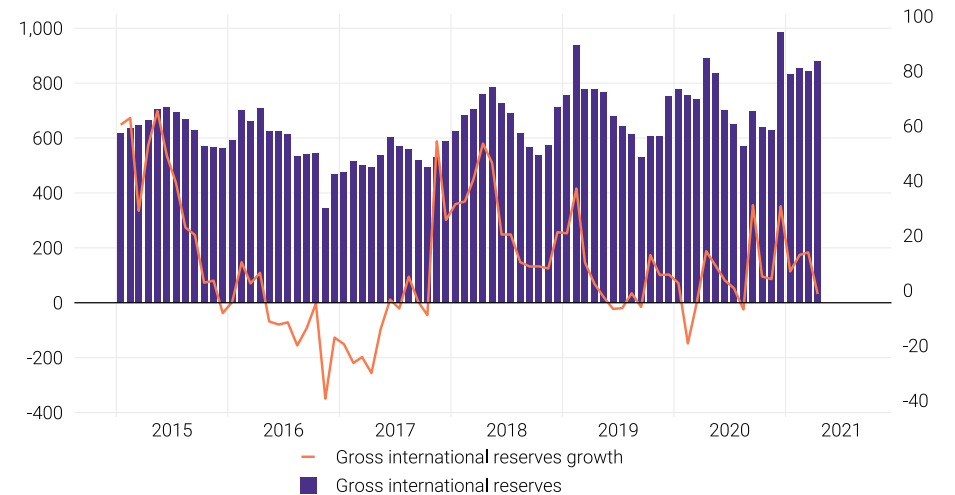


Source: Maldives Customs Service

Gross International Reserves

- Gross international reserves² (official reserve assets) increased to US\$926.1 million at the end of May 2021, from US\$878.0 million at the end of April 2021. Similarly, this was an increase compared to the US\$837.1 million at the end of May 2020.
- In terms of growth rates, this was an increase of 11% when compared with May 2020, while a 5% growth was registered when compared with April 2021.

Gross International Reserves, 2015 - 2021
(millions of US dollars, annual percentage change)



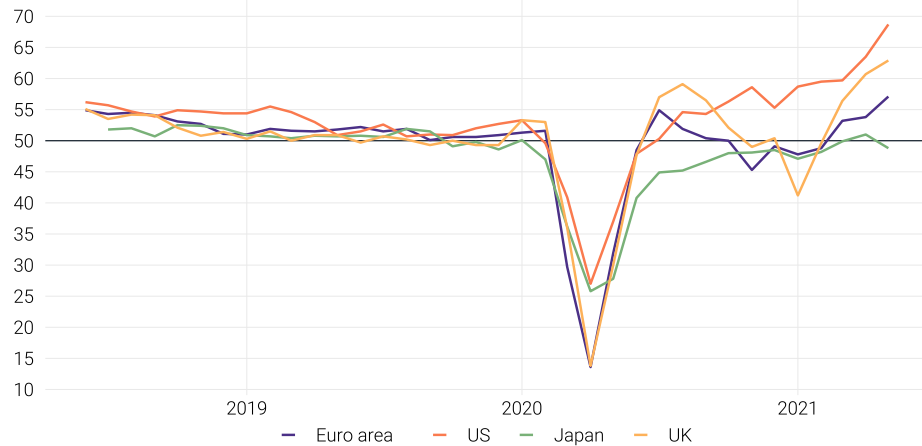
Source: Maldives Monetary Authority

²Comprises foreign currency deposits of the MMA and the government, commercial banks' US dollar reserve accounts and Maldives' reserve position at the IMF.

International Economic Developments

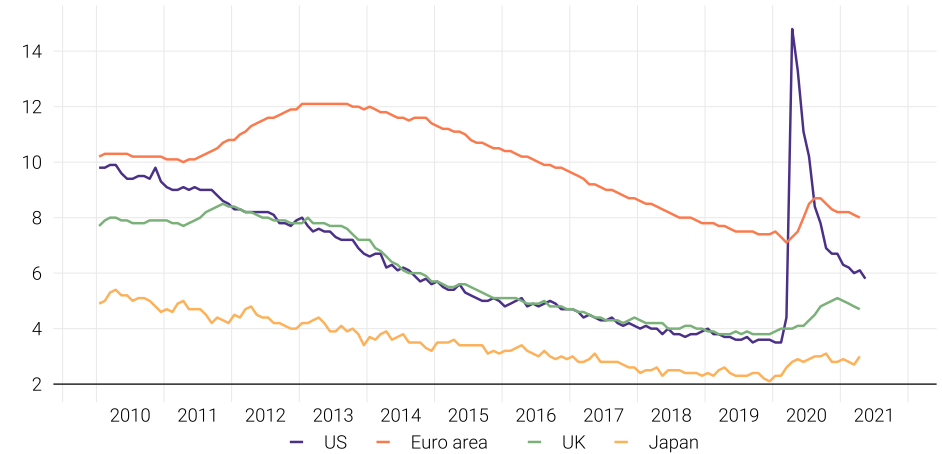
Global Output

Purchasing Manager's Index in the Advanced Economies, 2018 - 2021
(index points)



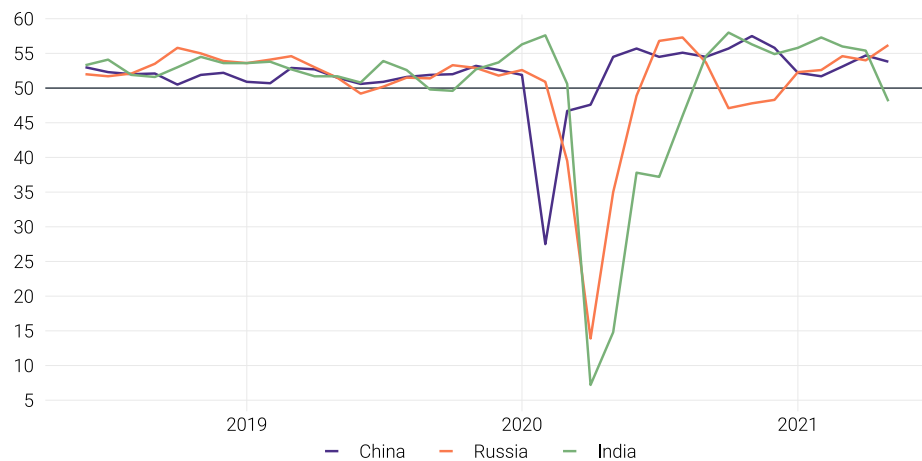
Source: Bloomberg Database

Unemployment in the Advanced Economies, 2010 - 2021
(percent)



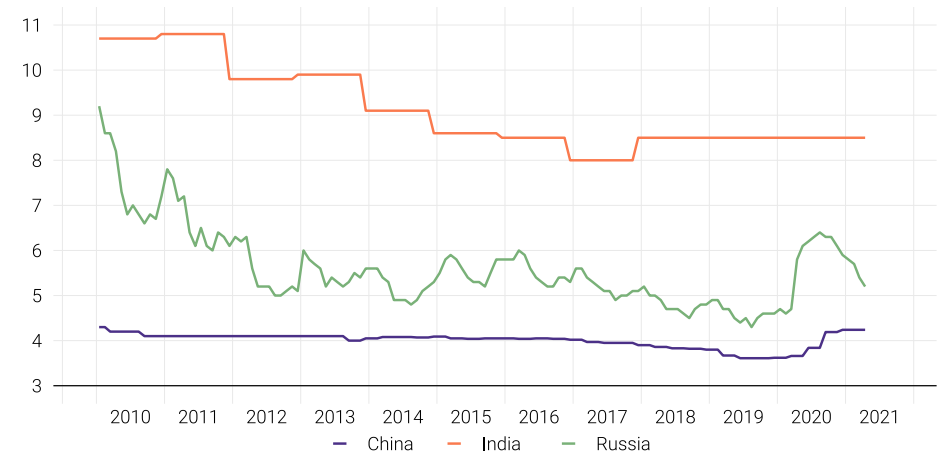
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2018 - 2021
(index points)



Source: Bloomberg Database

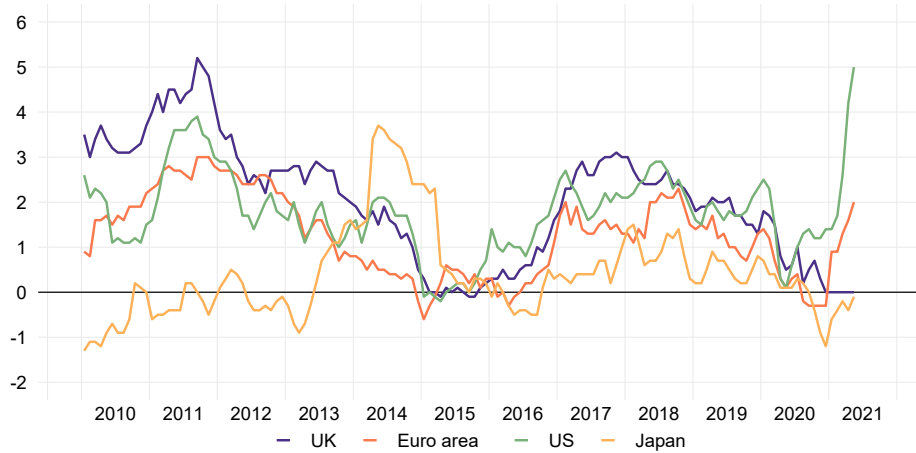
Unemployment in the Emerging Economies, 2010 - 2021
(percent)



Source: Bloomberg Database

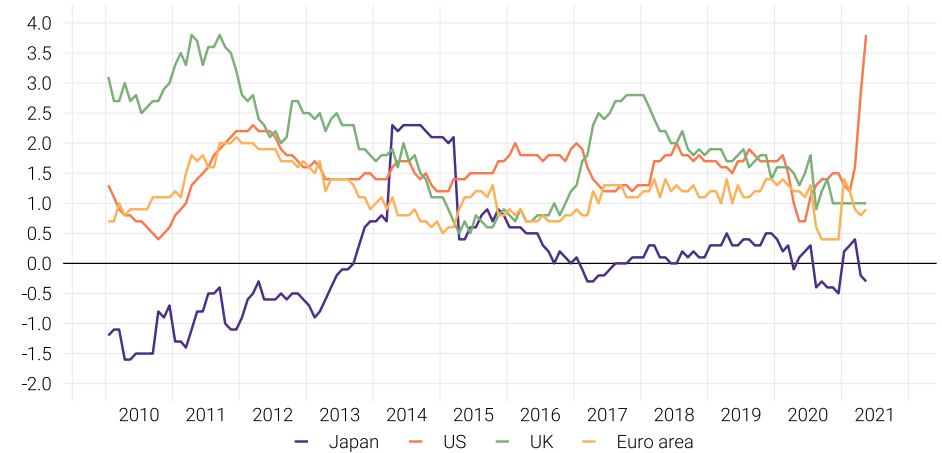
Global Inflation

Inflation in the Advanced Economies, 2010 - 2021
(percent)



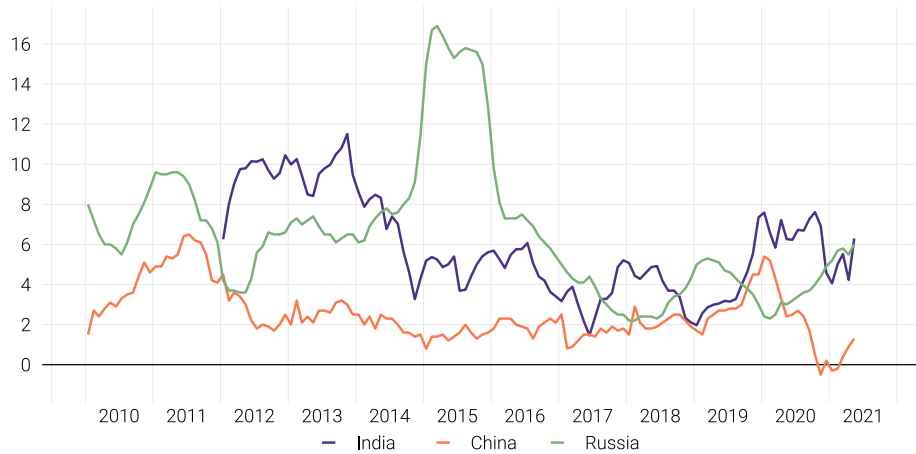
Source: Bloomberg Database

Core Inflation in the Advanced Economies, 2010 - 2021
(percent)



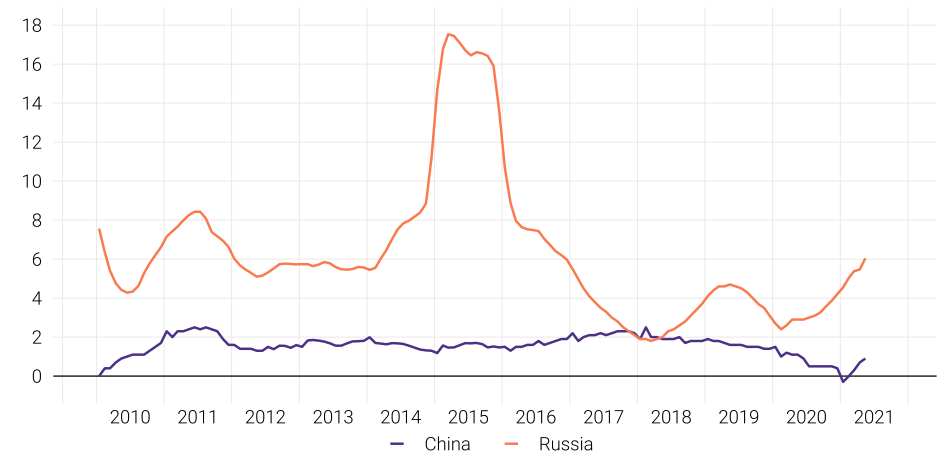
Source: Bloomberg Database

Inflation in the Emerging Economies, 2010 - 2021
(percent)



Source: Bloomberg Database

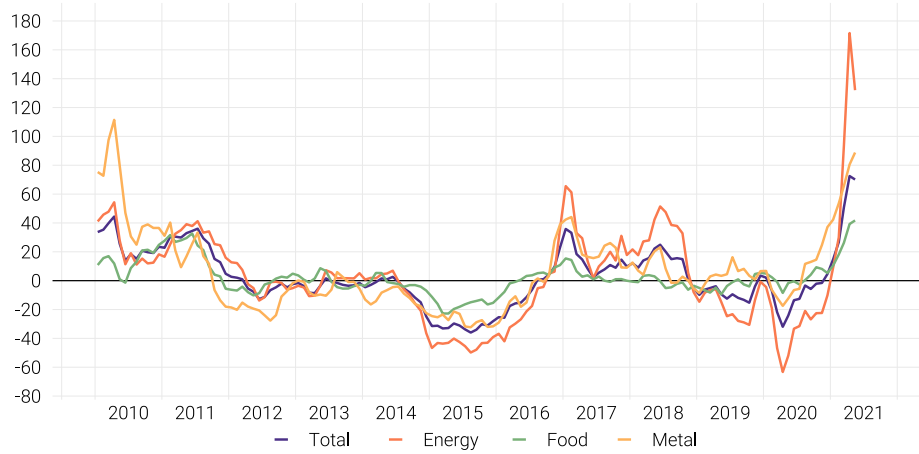
Core Inflation in the Emerging Economies, 2010 - 2021
(percent)



Source: Bloomberg Database

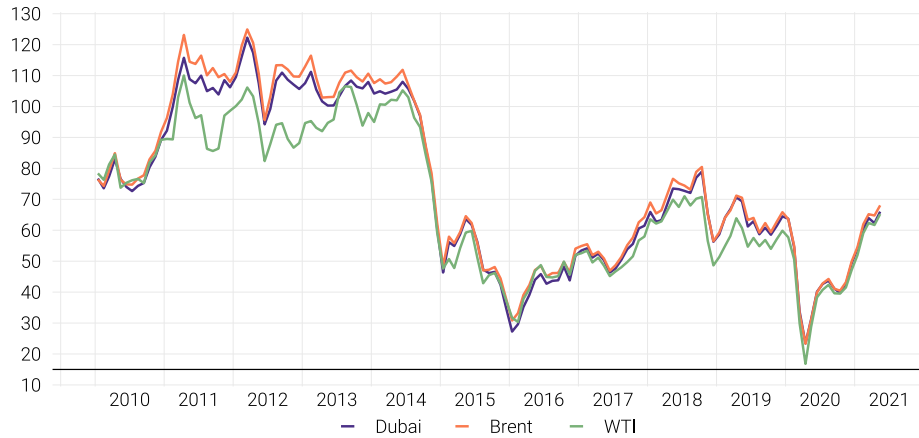
Commodity Prices

Commodity prices, 2010 - 2021
(annual percentage change)



Source: IMF

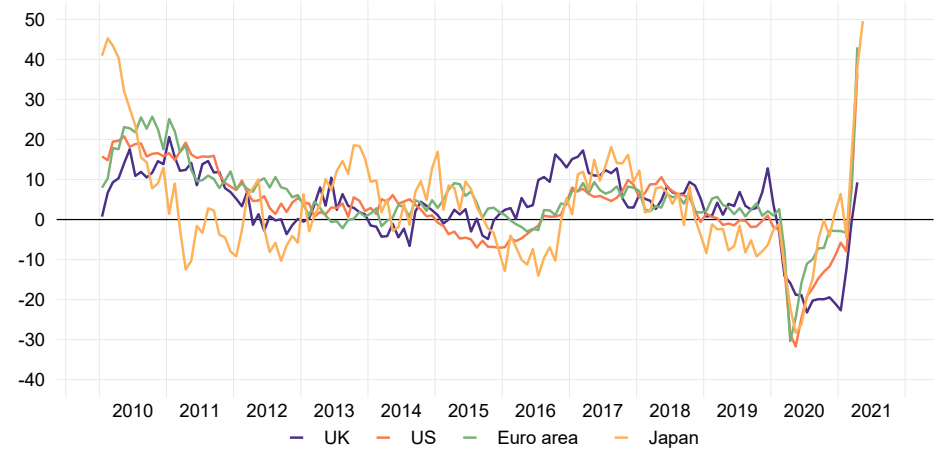
Oil prices, 2010 - 2021
(dollars per barrel)



Source: Bloomberg Database

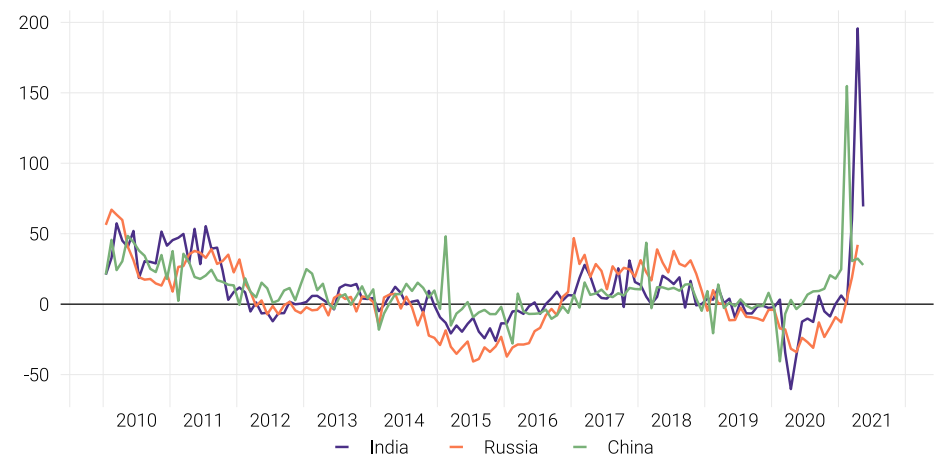
Global Trade

Exports in the Advanced Economies, 2010 - 2021
(annual percentage change)



Source: Bloomberg Database

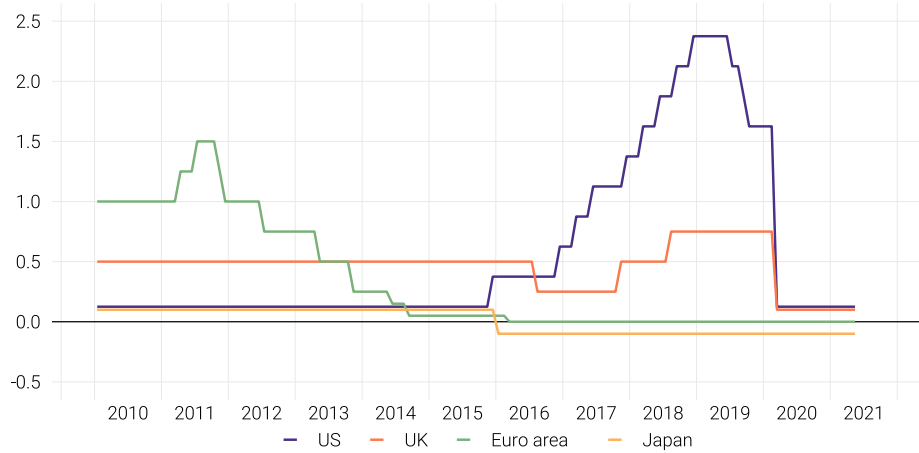
Exports in the Emerging Economies, 2010 - 2021
(annual percentage change)



Source: Bloomberg Database

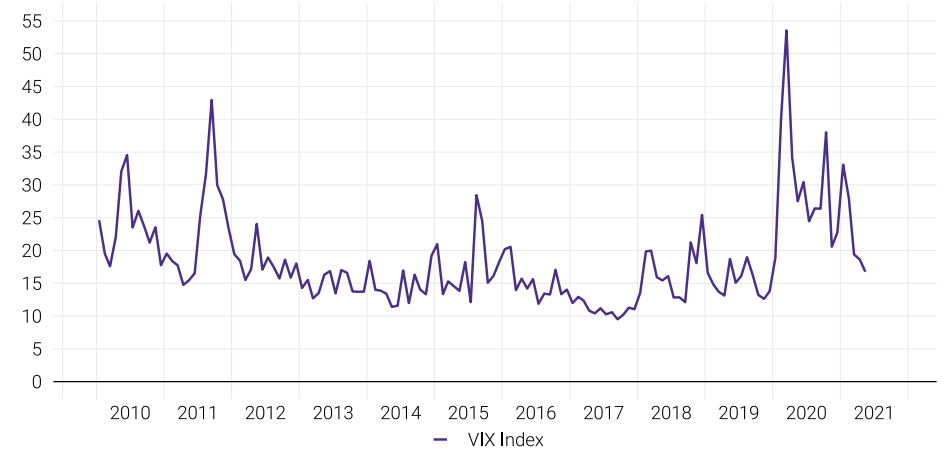
Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2010 - 2021
(percent)



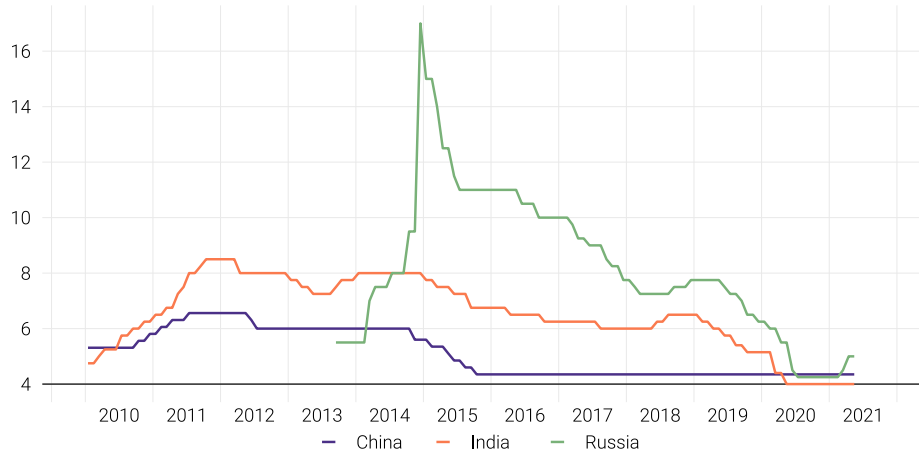
Source: Bloomberg Database

Volatility Index, 2010 - 2021
(percent)



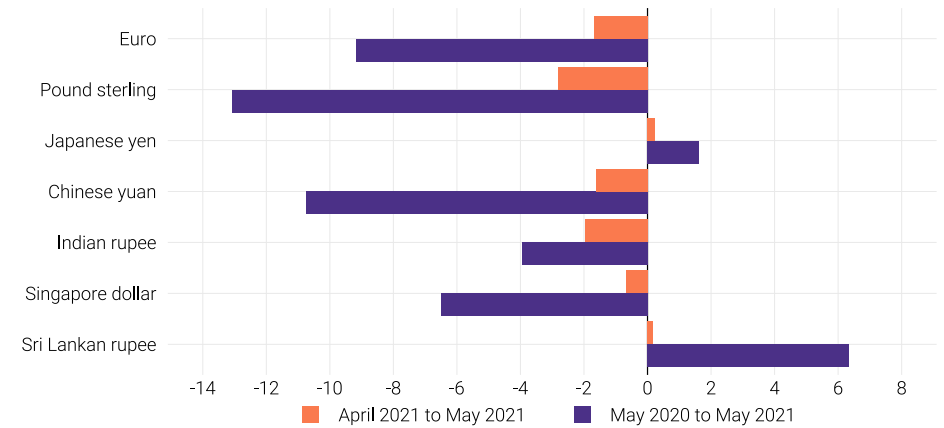
Source: Bloomberg Database

Monthly Policy Rates in the Emerging Economies, 2010 - 2021
(percent)



Source: Bloomberg Database

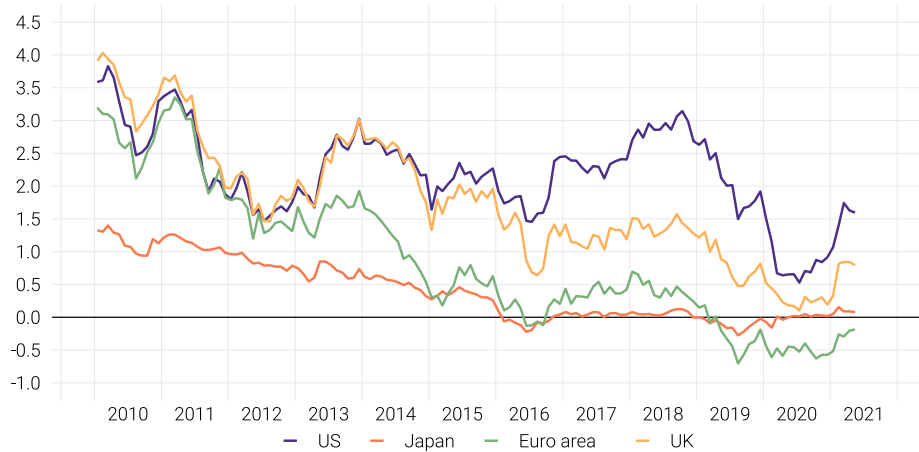
Exchange Rate of US Dollar against Currencies of Major Trading Partners, May 2021
(percentage change)



Source: Bloomberg Database

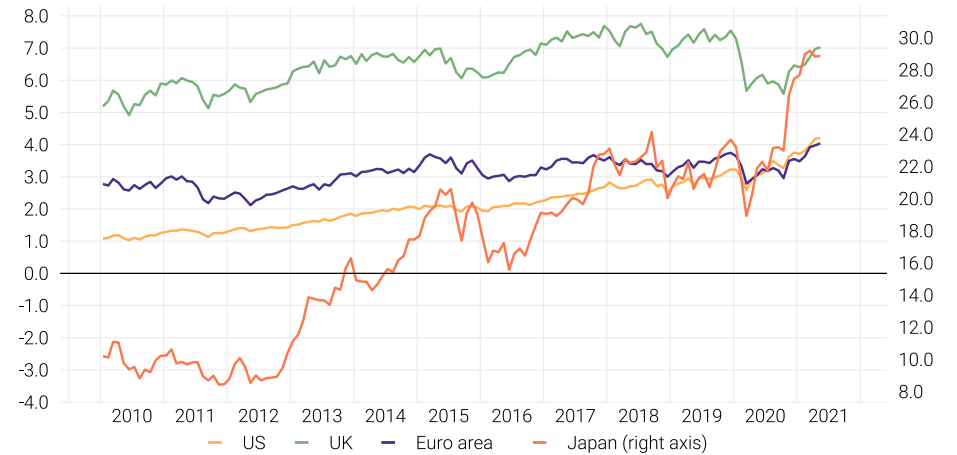
Global Financial Markets

Sovereign Bond Yield in the Advanced Economies, 2010 - 2021
(percent)



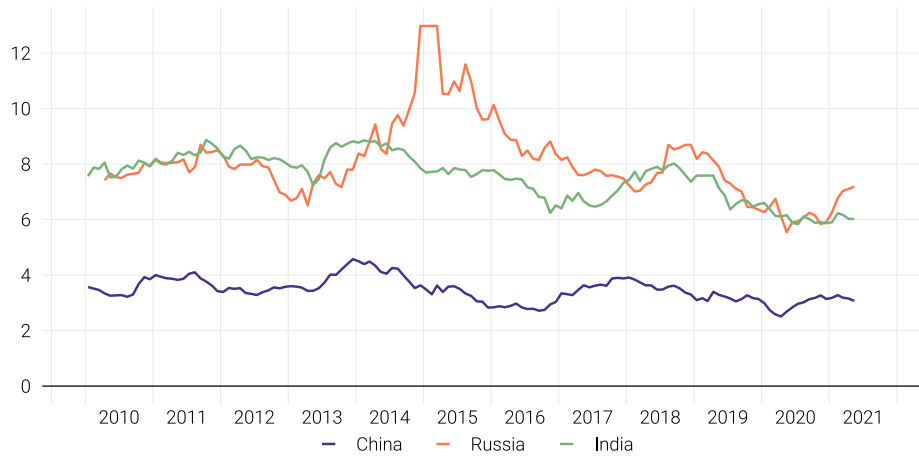
Source: Bloomberg Database

Share Price Index in the Advanced Economies, 2010 - 2021
(price index, in thousands)



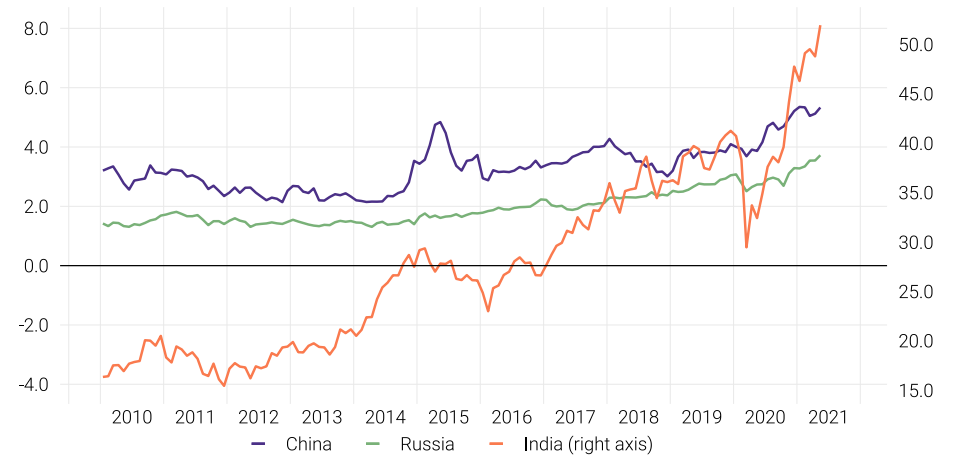
Source: Bloomberg Database

Sovereign Bond Yield in the Emerging Economies, 2010 - 2021
(percent)



Source: Bloomberg Database

Share Price Index in the Emerging Economies, 2010 - 2021
(price index, in thousands)



Source: Bloomberg Database



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