

ECONOMIC UPDATE

DECEMBER 2020

VOLUME 2 ISSUE 12



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 29 December 2020.

Domestic Economic Developments

Real Economy

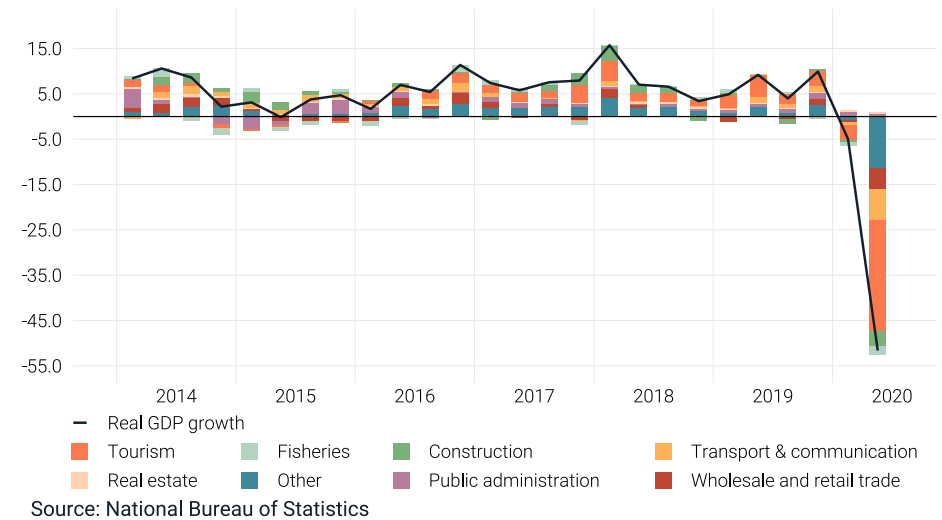
Gross Domestic Product

- According to the advance estimate of the Quarterly National Accounts for Q2-2020 released by the National Bureau of Statistics, real GDP declined significantly by 51.6% in Q2-2020, when compared with the same quarter a year ago. This was a deeper plunge when compared with the revised growth rate of -5.0% for Q1-2020 (previously at -5.9%).
 - The marked decline in growth during Q2-2020 reflected the adverse effects of spread of the COVID-19 pandemic on the domestic economy. Particularly, the government imposed a full lockdown in the Greater Male' area for a large part of the quarter, while the international border remained temporarily closed from 27 March 2020. As such, negative contributions were observed in the main sectors of the economy including tourism; transport and communication; wholesale and retail trade; and construction sector.
 - On the upside, activity in public administration; and human health and social work activities picked up over the review quarter.

Annual GDP Growth Forecast

- Real GDP is projected to decline severely by 29.3% in 2020 according to the moderate case growth forecast scenario¹, 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, real GDP is projected to grow by 13.5% in 2021.

Contribution to Real GDP Growth by Economic Sectors, 2014 - 2020
(annual percentage change, percentage point contribution)



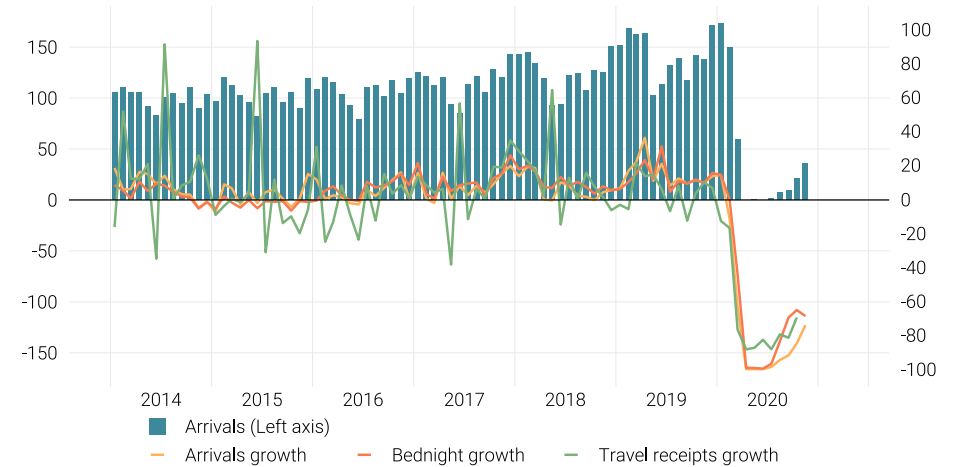
¹Prepared jointly with Ministry of Finance in October 2020.

Tourism

- In November 2020, both tourist arrivals and bednights declined annually, by 74% and 69%, respectively.
 - Although the total tourist arrivals continue to register declines in annual terms, the numbers have been improving gradually since the borders were reopened in July 2020. During November 2020, the most number of tourist arrivals were recorded from the European market.
- The operational bed capacity of the tourism industry decreased by 23% when compared with November 2019, while the occupancy rate fell to 24% in November 2020, from 60% in November 2019.
- Overall, for the period January to November 2020, total tourist arrivals decreased by 70% in annual terms, while total bednights of the industry recorded a 65% decline. During this period, average stay stood at 19.3 days, while it stood at 6.3 days in the corresponding period of 2019.

Tourism, 2014 - 2020

(thousands, annual percentage change)

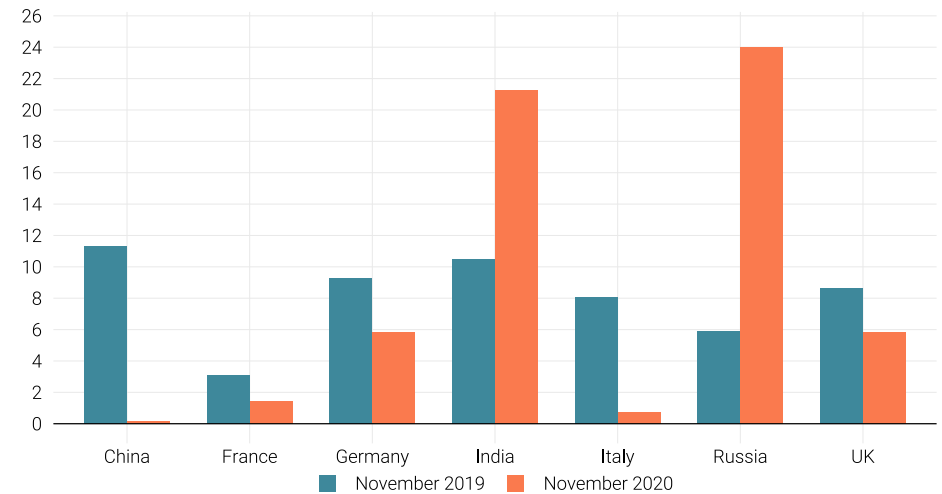


Source: Ministry of Tourism

Note: Tourism receipts available up to October 2020.

Shares of Key Inbound Markets

(percent)



Source: Ministry of Tourism

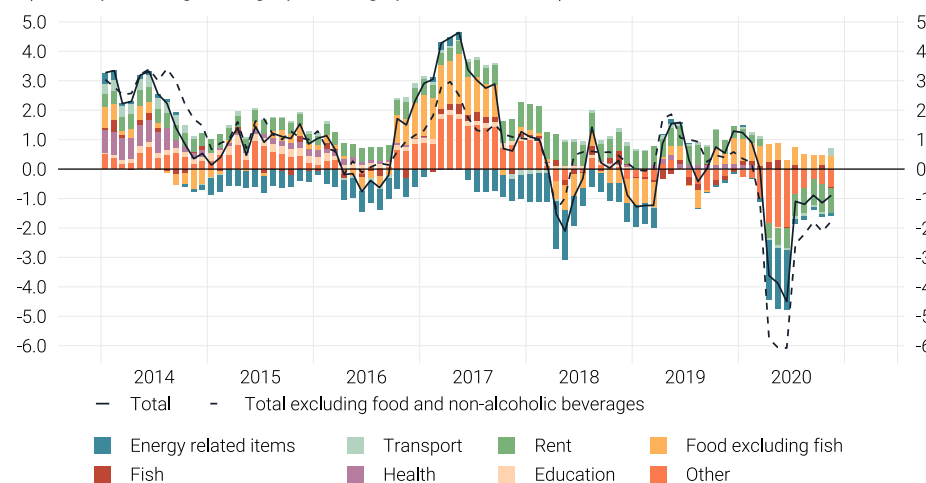
Inflation

- The rate of inflation, as measured by the annual percentage change in the national CPI, continued to remain negative in November 2020 but edged up to -0.9% in November 2020 from -1.1% in October 2020, mainly reflecting the increase in transport prices. Further, the upward pressure on annual inflation continued to be exerted by the increase in price of tobacco products and food items. During the month, the largest increase was observed in the price of tobacco, following the ratification of the 17th amendment to Import Export Act in July 2020 imposing additional duties on specific tobacco products. However, prices continued to fall for information and communication services; and housing rent, following the reduction in telecommunication prices and temporary relief given on housing rent due to COVID-19, respectively.

- From the major categories of the CPI, the largest contributors to the annual rate of inflation during November 2020 were tobacco (0.5 percentage points), transport (0.1 percentage point), dairy products (0.1 percentage point), fruits (0.1 percentage point), vegetables (0.1 percentage point), housing rent (-0.9 percentage points); and information and communication services (-1.2 percentage points).

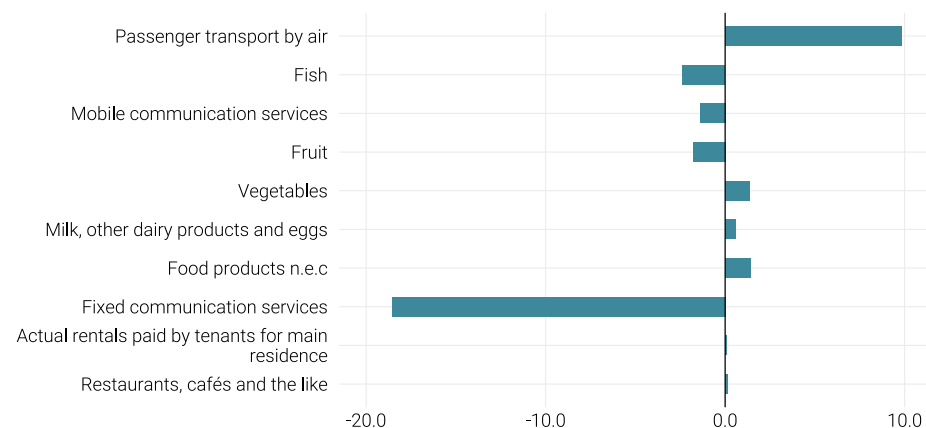
- The monthly percentage change in the national CPI edged up to 0.1% in November 2020, after recording 0.02% in October 2020.
 - The largest contribution to the monthly rate of inflation came from transport (0.25 percentage points), vegetables (0.03 percentage points), dairy products (0.02 percentage points), fruit (-0.04 percentage points), information and communication services (-0.08 percentage points); and fish (-0.10 percentage point).

Contribution of Major Categories to CPI Inflation (National), 2014 - 2020
(annual percentage change, percentage point contribution)



Source: National Bureau of Statistics

Monthly Changes of Subcategories of CPI Inflation (National), November 2020
(monthly percentage change)



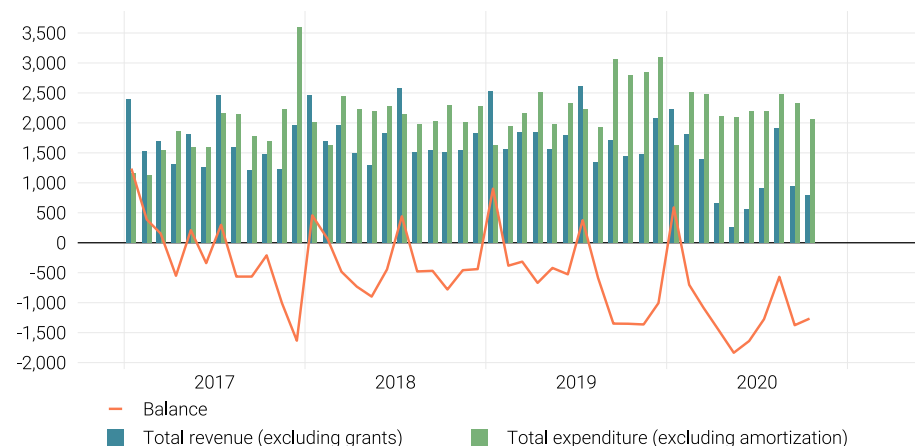
Source: National Bureau of Statistics
Note: Ordered by the size of the contribution.

Public Finance

- Government revenue (excluding grants) observed a decline of MVR647.8 million (or 45%) in October 2020 when compared with October 2019.
 - This was due to a decrease in both tax and non-tax revenue. As such, tax revenue decreased by MVR331.2 million, while non-tax revenue decreased by MVR318.4 million.
- Total expenditure (excluding amortisation) decreased by MVR733.8 million (or 26%) in October 2020 when compared with October 2019.
 - The fall in expenditure stemmed from a substantial decline in capital expenditure, which posted a decrease of MVR449.8 million, followed by a decline in recurrent expenditure of MVR284.0 million.
- Overall, during the period January to October 2020, total revenue recorded a 37% decline, while total expenditure decreased by 2% when compared with the corresponding period of 2019.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR63.6 billion at the end of Q3-2020, a 10% increase from Q2-2020. Similarly, total government debt as a percentage of GDP increased to 110% at the end of Q3-2020.
 - During this period, the increase in government debt was primarily driven by domestic debt.

Government Revenue and Expenditure, 2017 - 2020

(millions of rufiyaa)

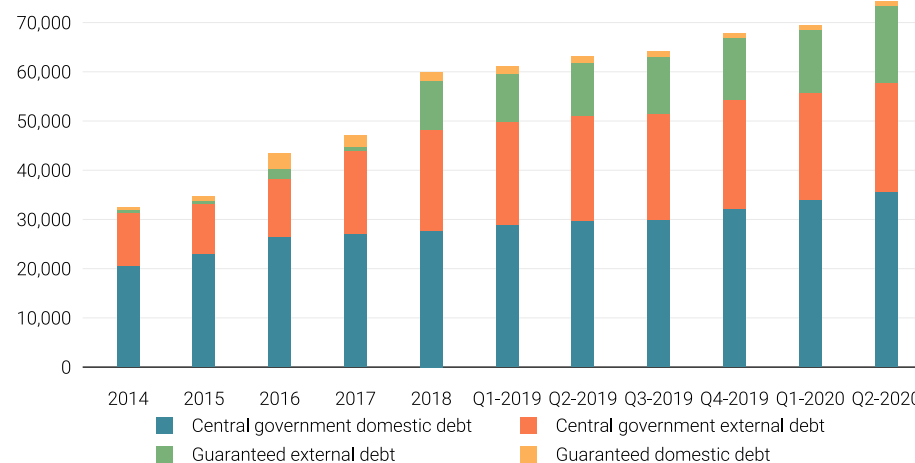


Source: Ministry of Finance

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

Total Outstanding Stock of Public Debt, 2014 - 2020

(millions of rufiyaa)



Source: Ministry of Finance

Monetary Developments

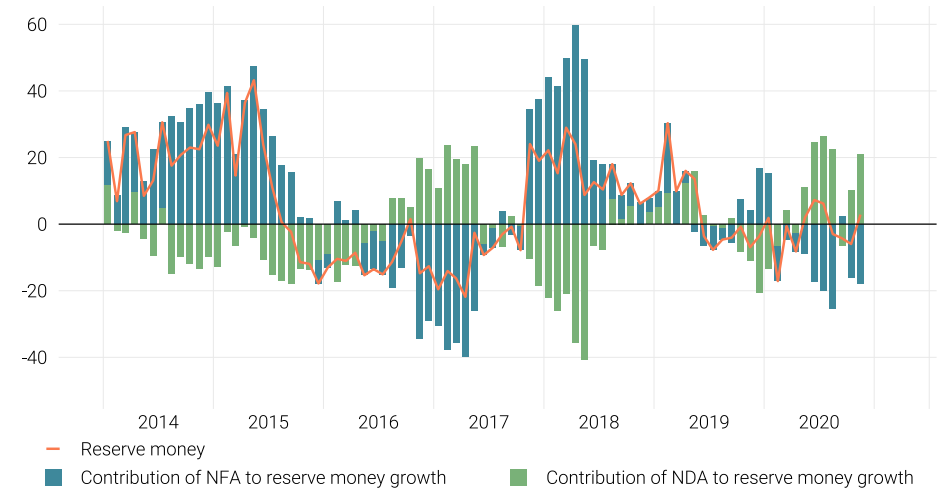
Reserve Money

- Annual reserve money (M0) growth turned positive and increased by 3% in November 2020, after recording a decline of 6% in October 2020.
 - The increase in reserve money stemmed from a significant increase in net domestic assets of the MMA, which offset the fall in net foreign assets. The increase in net domestic assets reflected the growth in net claims on government which offset the increase in ODF placements by commercial banks.
 - Meanwhile, net foreign assets declined mainly owing to a surge in foreign liabilities, reflecting the base effect of the increase in such liabilities in April 2020, despite an increase in foreign asset accumulation.

Broad Money

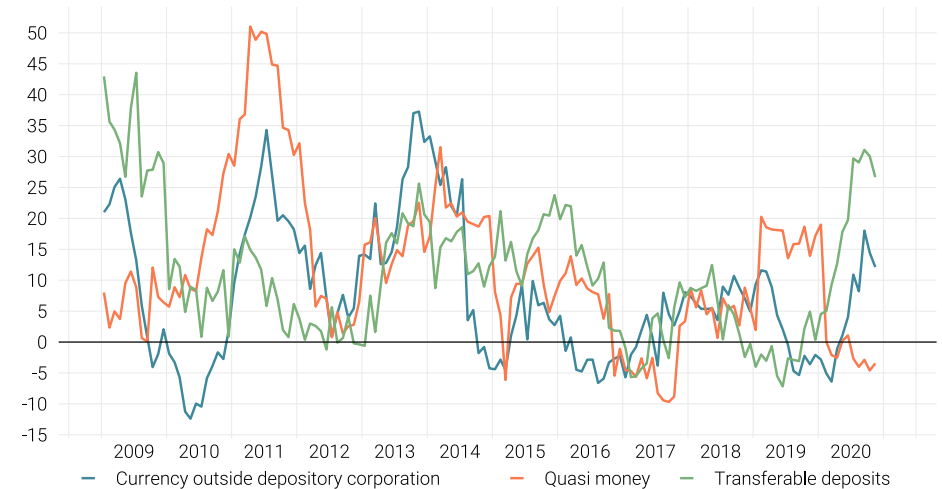
- Annual broad money (M2) growth further decelerated to 8% at the end of November 2020, after registering 9% during the previous month.
 - On the components side, the annual growth in broad money was primarily driven by an increase in narrow money, which mainly reflected a rise in transferable deposits. Meanwhile, quasi money observed a decrease owing to a decline in foreign currency transferable deposits, together with a marginal decrease in time deposits denominated in foreign currency. This was despite increases in time and savings deposits denominated in local currency and savings deposits denominated in foreign currency.
 - As for the sources, annual broad money growth was driven by the increase in net domestic assets of the banking system, which stemmed from the rise in net claims on the central government by commercial banks and the MMA, as well as the increase in private sector credit. In contrast, growth in net foreign assets posted a decline largely owing to a surge in foreign liabilities of both the commercial banks and the MMA, together with a fall in foreign assets of the banking system.

Sources of Reserve Money, 2014 - 2020
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Components of Broad Money, 2009 - 2020
(annual percentage change)

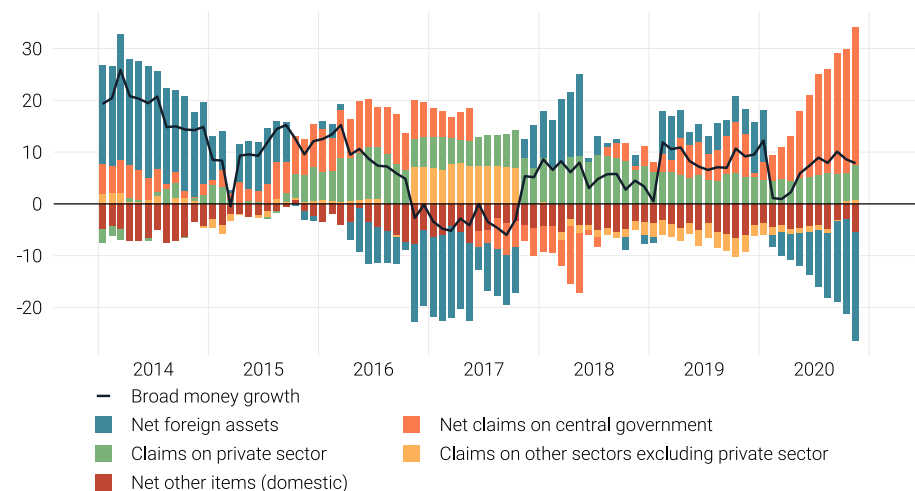


Source: Maldives Monetary Authority

Credit to Private Sector

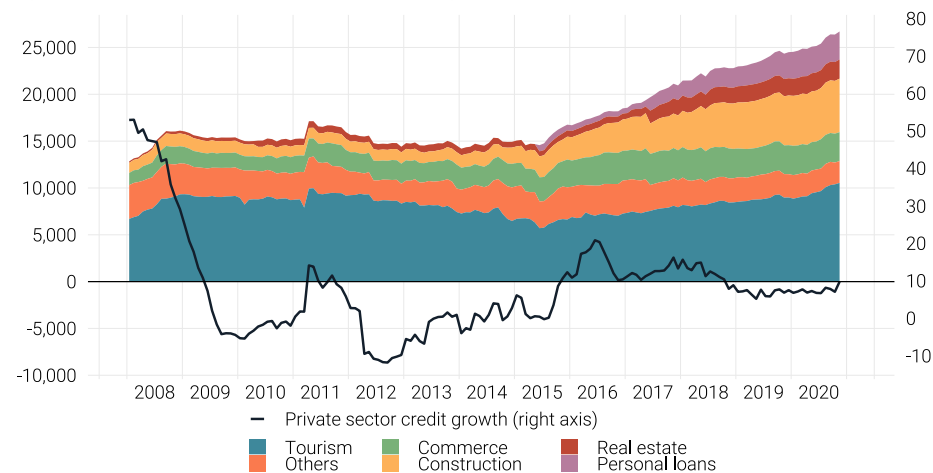
- The annual growth of credit to the private sector by commercial banks accelerated to 10% at the end of November 2020, after recording 7% at the end October 2020. Similarly, the monthly growth in credit to the private sector increased modestly, recording 1.3% in November 2020.
 - With regard to the composition of credit to the private sector, similar to the previous month, annual credit growth was observed in all the main sectors, namely tourism, construction, real estate and commerce sector, except for transport and communication. 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 18% during November 2020, mainly driven by the significant 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, 2014 - 2020
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Private Sector Credit, 2008 - 2020
(millions of rufiyaa, annual percentage change)

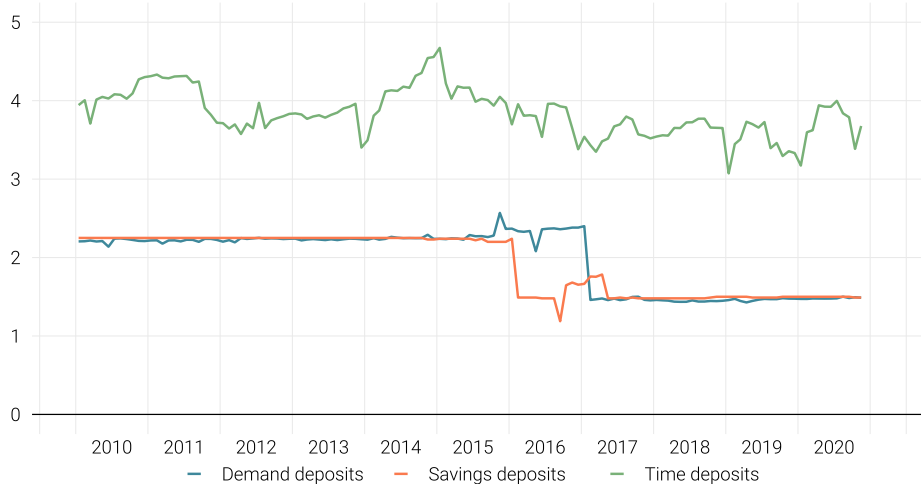


Source: Maldives Monetary Authority
Note: Personal loans were not classified as a separate category prior to June 2015.

Interest rates

Interest Rate on National Currency Deposits, 2010 - 2020

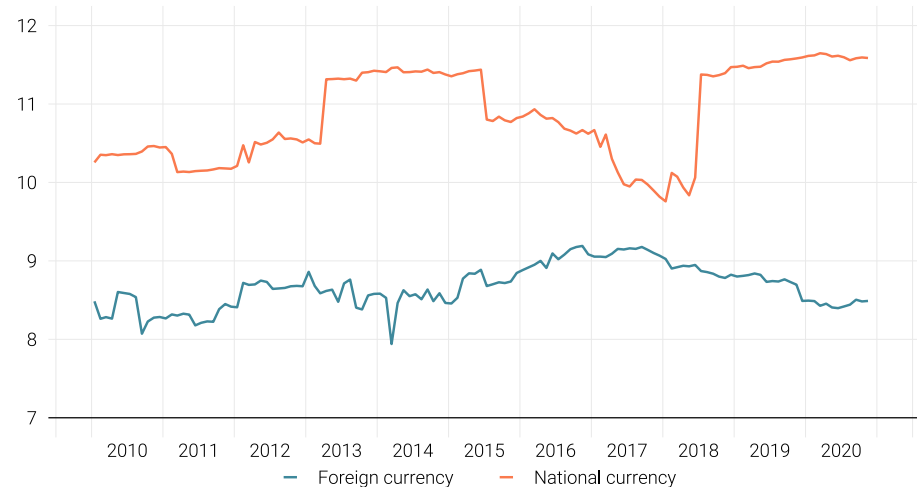
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Private Sector Loans and Advances, 2010 - 2020

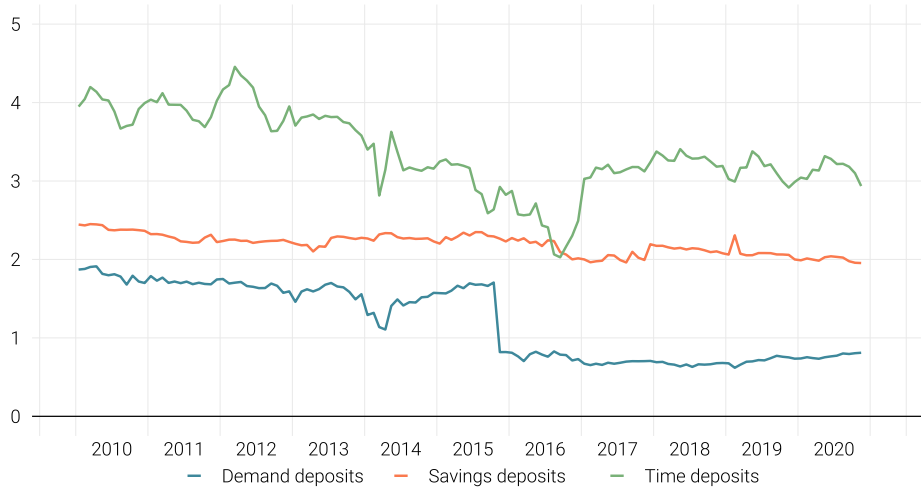
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2010 - 2020

(weighted average)

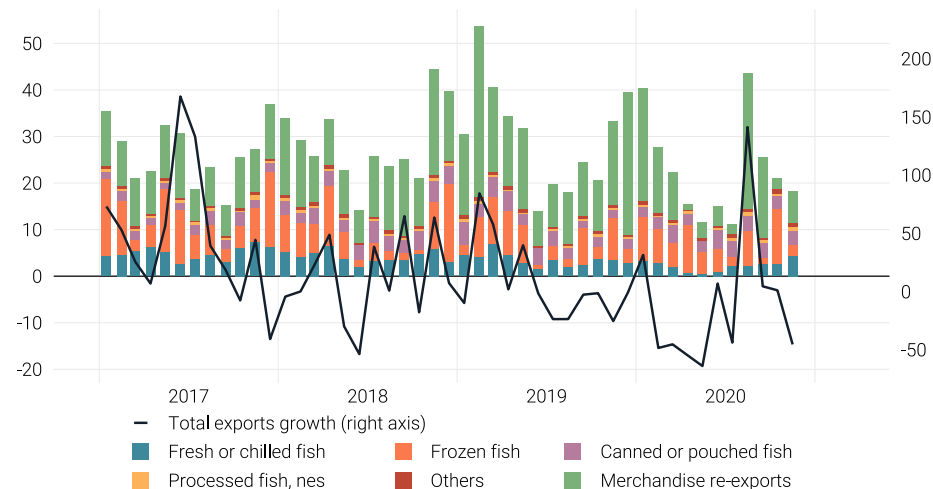


Source: Maldives Monetary Authority

External Trade

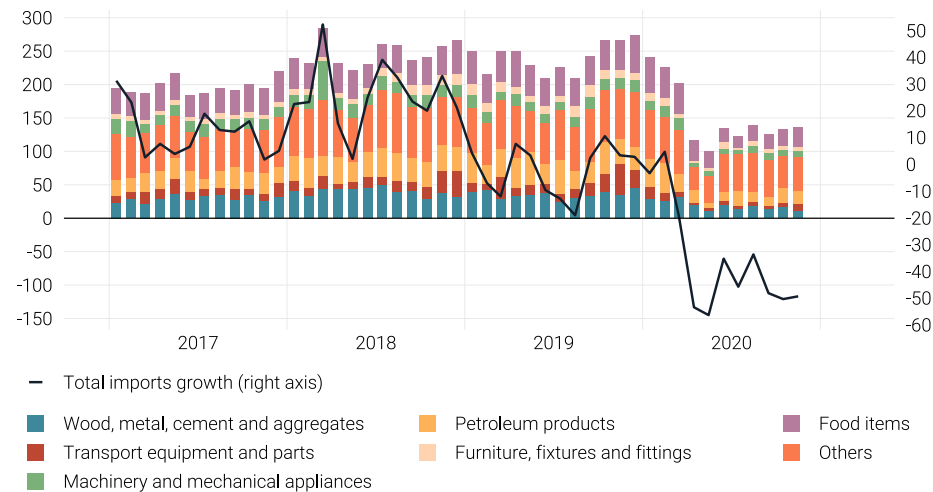
- Total exports (f.o.b) declined by 45% in November 2020 when compared with November 2019, while total imports (c.i.f) observed an annual decline of 49% during the period. In monthly terms, total exports declined by 13%, while total imports increased by 2%.
 - The annual decline in total exports stemmed from both the decrease in re-exports and domestic exports. The decrease in domestic exports was primarily due to the sizeable decrease in export earnings from frozen yellowfin tuna and frozen skipjack tuna, despite the increase in canned or pouched tuna as well as fresh or chilled yellowfin tuna.
 - As for the annual decline in total imports, the most significant decreases were observed in the imports of transport equipment and parts; construction related items; petroleum products; and food items, although the decline was broad-based across all major import categories. In contrast, import of medical and surgical supplies observed a growth during the review month.
- Overall, during the period January to November 2020, total exports recorded a 22% decline, while total imports decreased by 36% when compared with the corresponding period of 2019.

Total Exports, 2017 - 2020
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

Total Imports, 2017 - 2020
(millions of US dollars, annual percentage change)

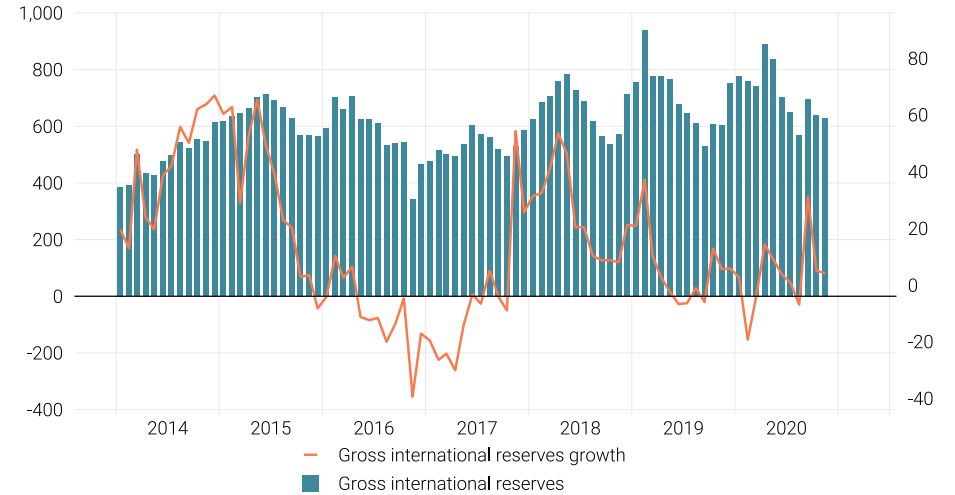


Source: Maldives Customs Service

Gross International Reserves

- Gross international reserves² (official reserve assets) decreased to US\$629.9 million at the end of November from USD\$638.1 million at the end of October 2020 and US\$604.8 million at the end of November 2019.
 - This was a decline of 1% when compared with October 2020. However, a 4% growth was registered when compared with November 2019.

Gross International Reserves, 2014 - 2020
(millions of US dollars, annual percentage change)



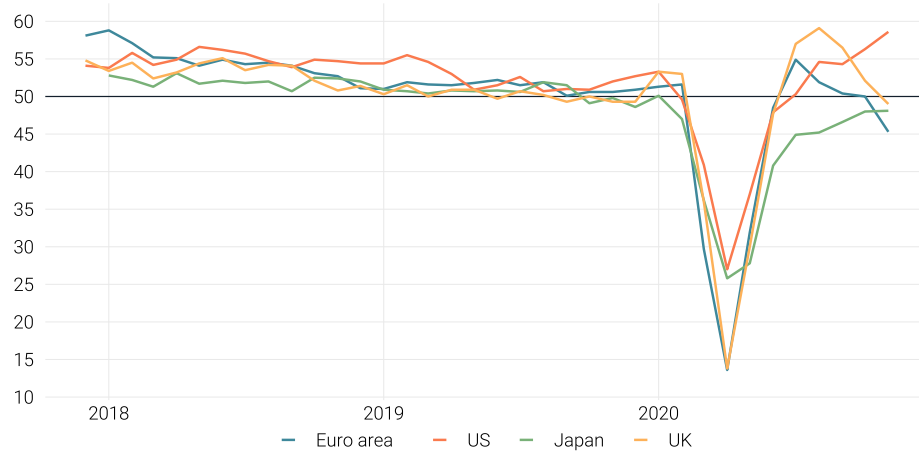
Source: Maldives Monetary Authority

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

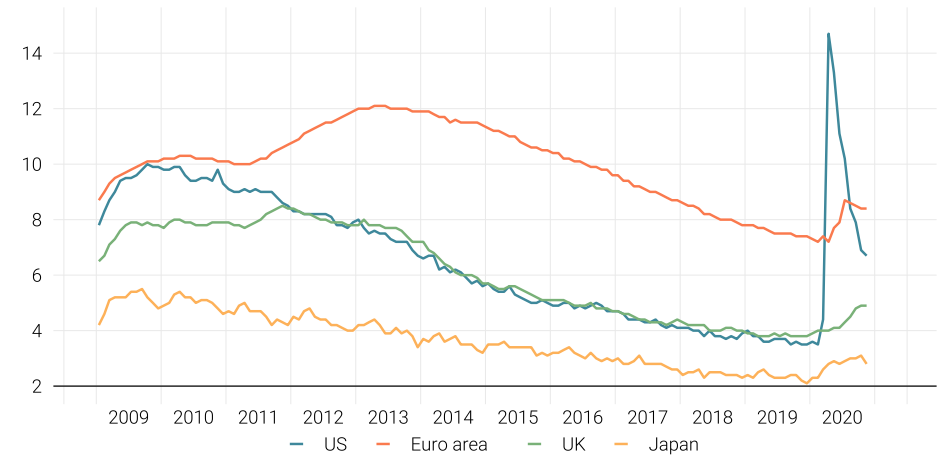
Global Output

Purchasing Manager's Index in the Advanced Economies, 2017 - 2020
(index points)



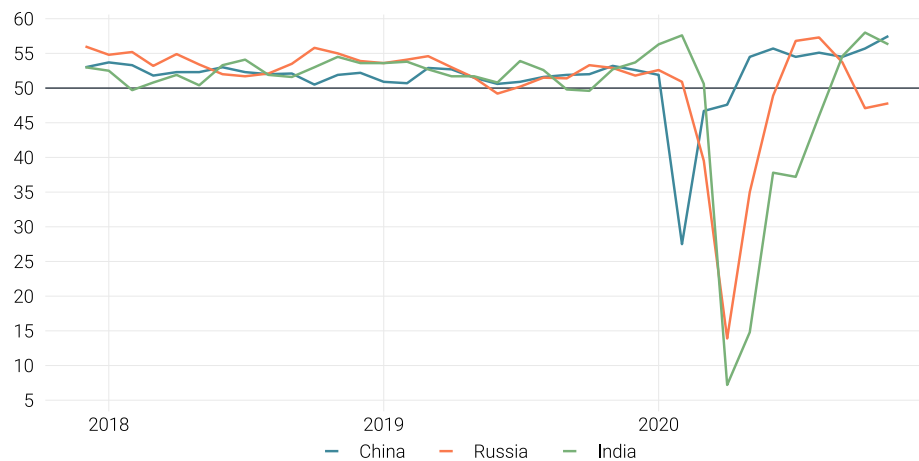
Source: Bloomberg Database

Unemployment in the Advanced Economies, 2009 - 2020
(percent)



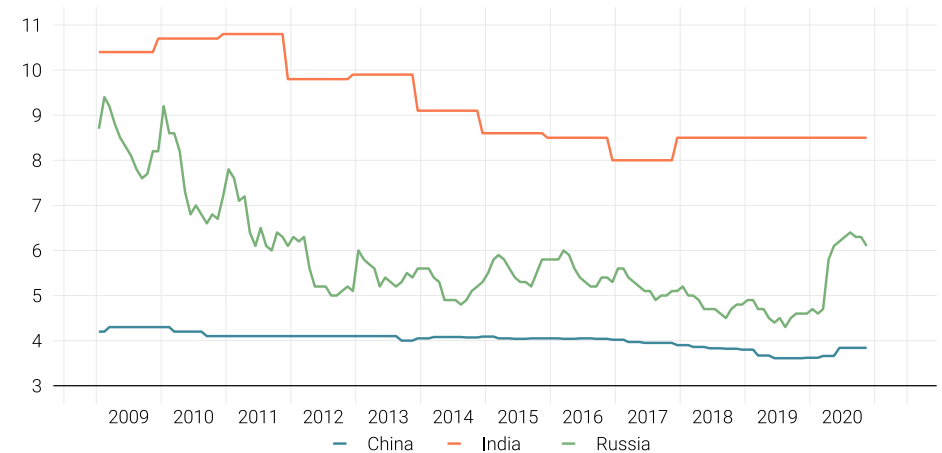
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2017 - 2020
(index points)



Source: Bloomberg Database

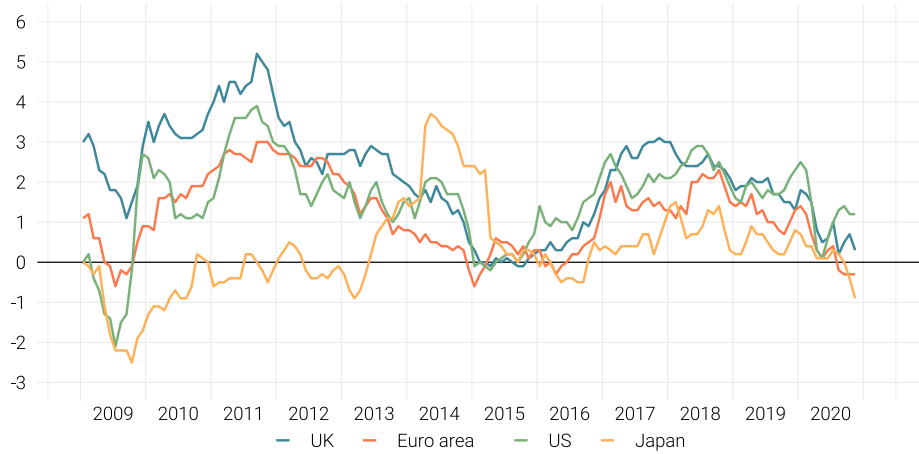
Unemployment in the Emerging Economies, 2009 - 2020
(percent)



Source: Bloomberg Database

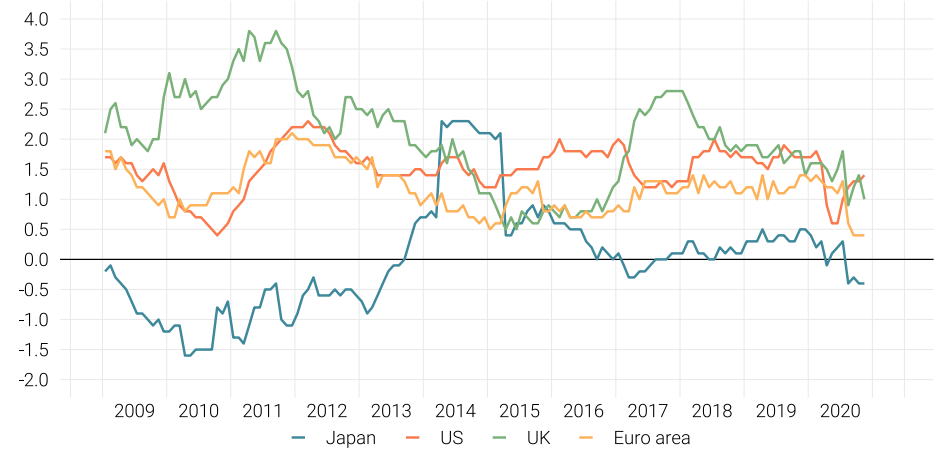
Global Inflation

Inflation in the Advanced Economies, 2009 - 2020
(percent)



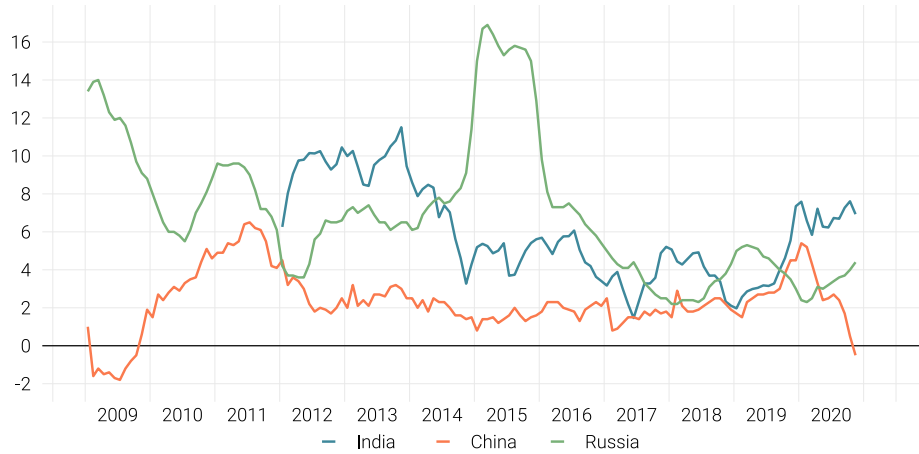
Source: Bloomberg Database

Core Inflation in the Advanced Economies, 2009 - 2020
(percent)



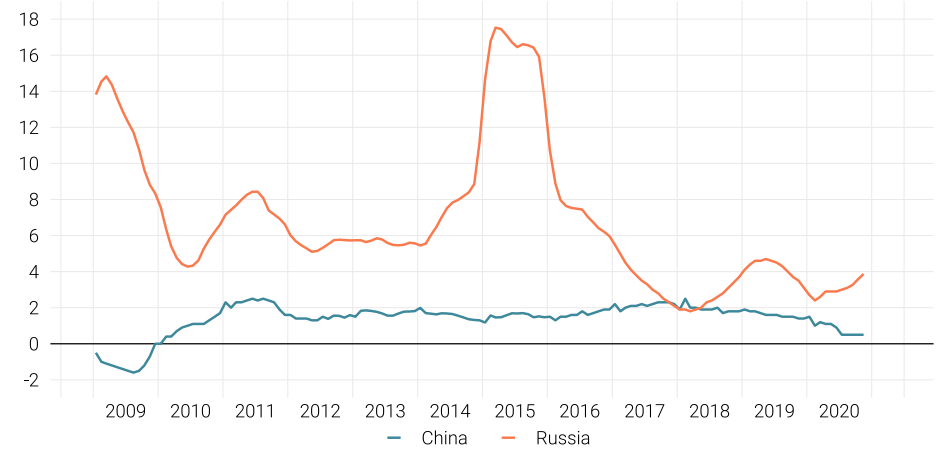
Source: Bloomberg Database

Inflation in the Emerging Economies, 2009 - 2020
(percent)



Source: Bloomberg Database

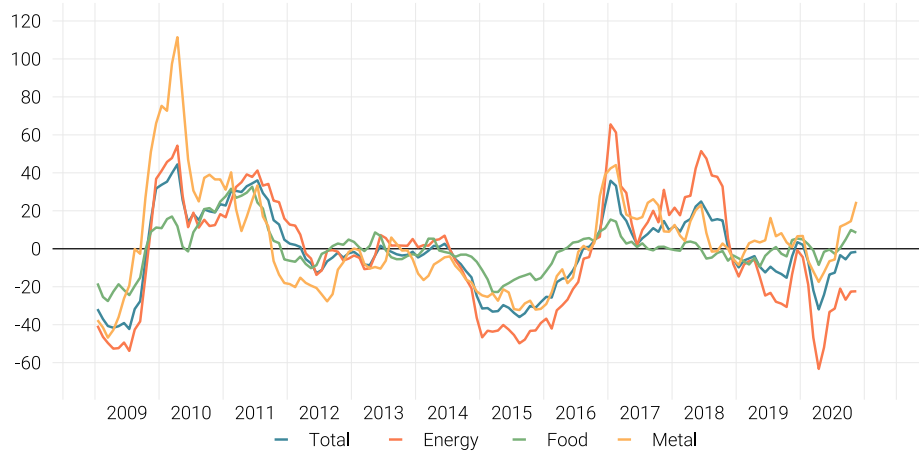
Core Inflation in the Emerging Economies, 2009 - 2020
(percent)



Source: Bloomberg Database

Commodity Prices

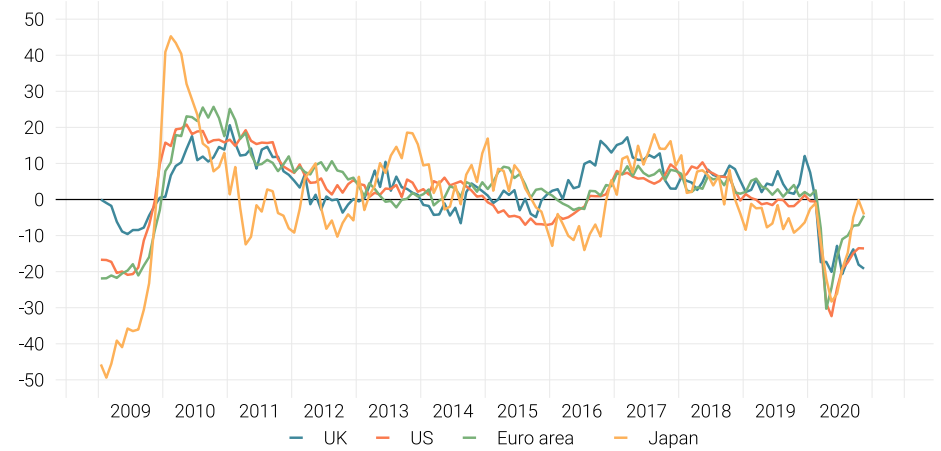
Commodity prices, 2009 - 2020
(annual percentage change)



Source: IMF

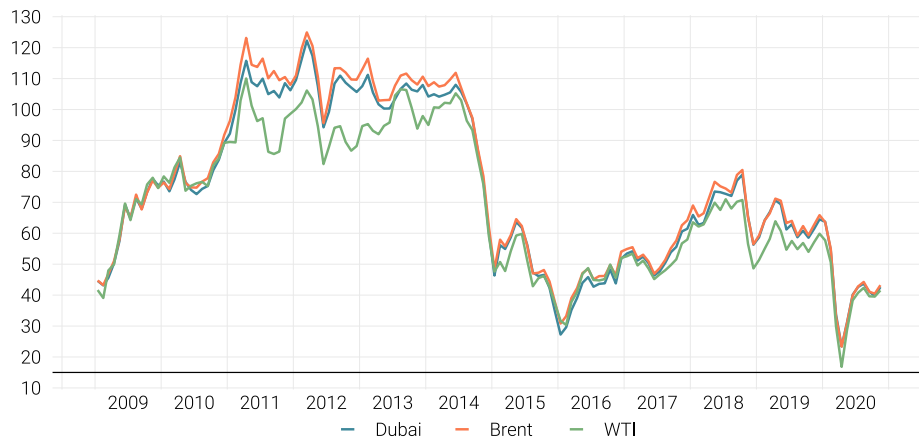
Global Trade

Exports in the Advanced Economies, 2009 - 2020
(annual percentage change)



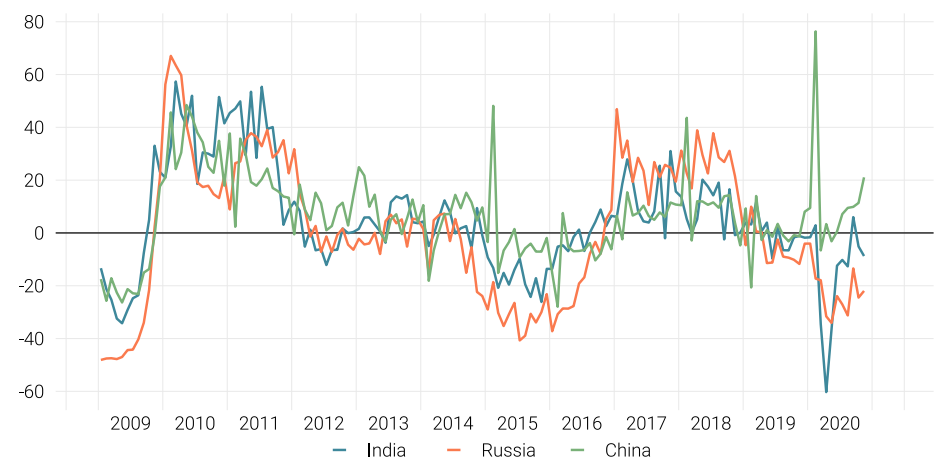
Source: Bloomberg Database

Oil prices, 2009 - 2020
(dollars per barrel)



Source: Bloomberg Database

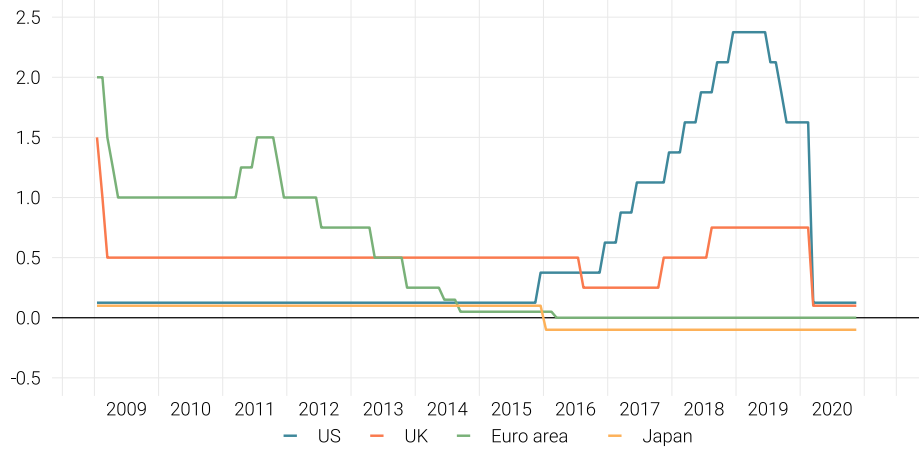
Exports in the Emerging Economies, 2009 - 2020
(annual percentage change)



Source: Bloomberg Database

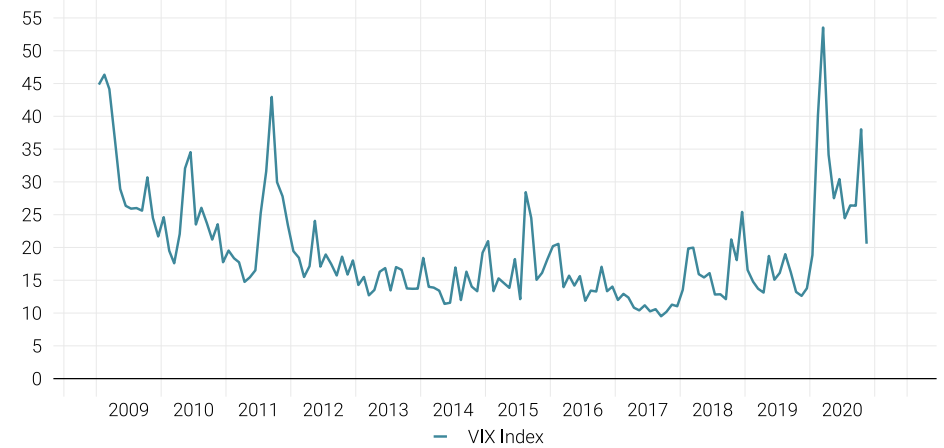
Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2009 - 2020
(percent)



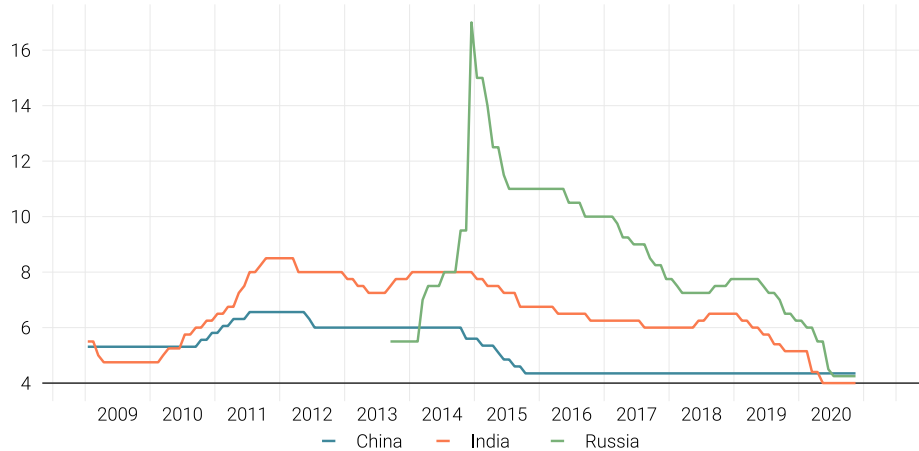
Source: Bloomberg Database

Volatility Index, 2009 - 2020
(percent)



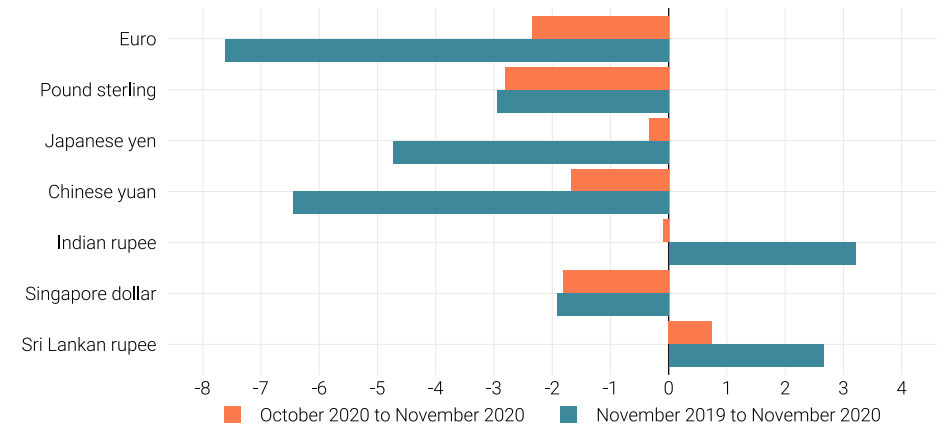
Source: Bloomberg Database

Monthly Policy Rates in the Emerging Economies, 2009 - 2020
(percent)



Source: Bloomberg Database

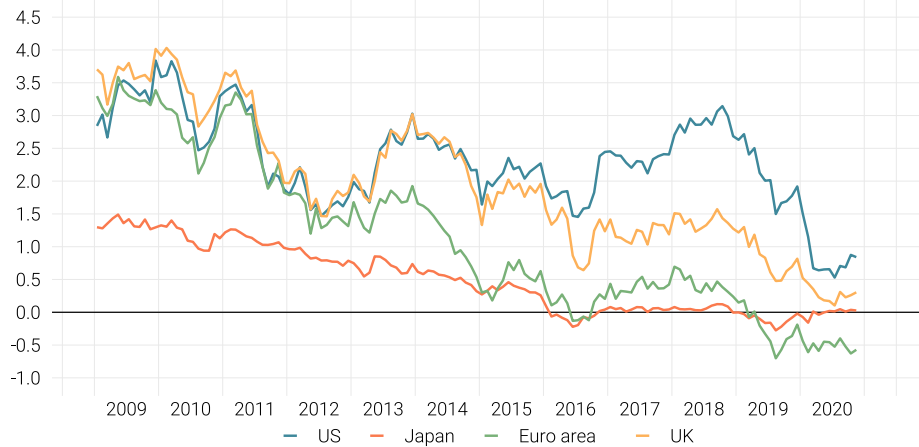
Exchange Rate of US Dollar against Currencies of Major Trading Partners, November 2020
(percentage change)



Source: Bloomberg Database

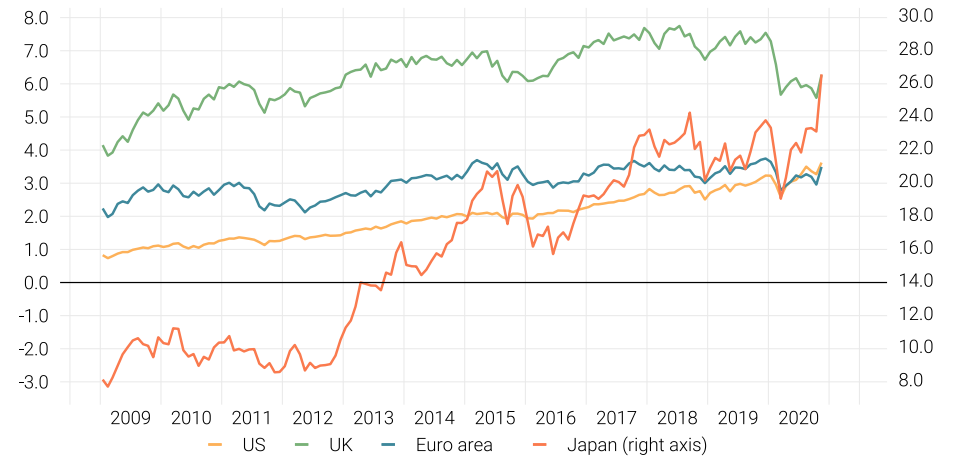
Global Financial Markets

Sovereign Bond Yield in the Advanced Economies, 2009 - 2020
(percent)



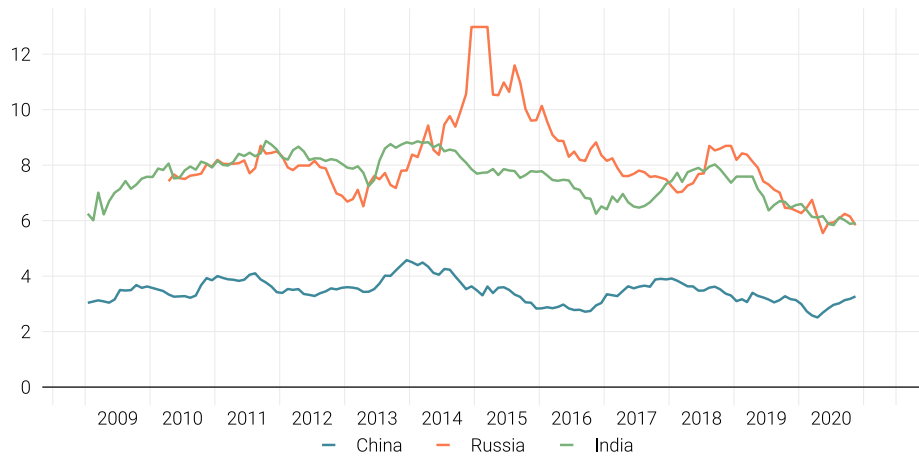
Source: Bloomberg Database

Share Price Index in the Advanced Economies, 2009 - 2020
(price index, in thousands)



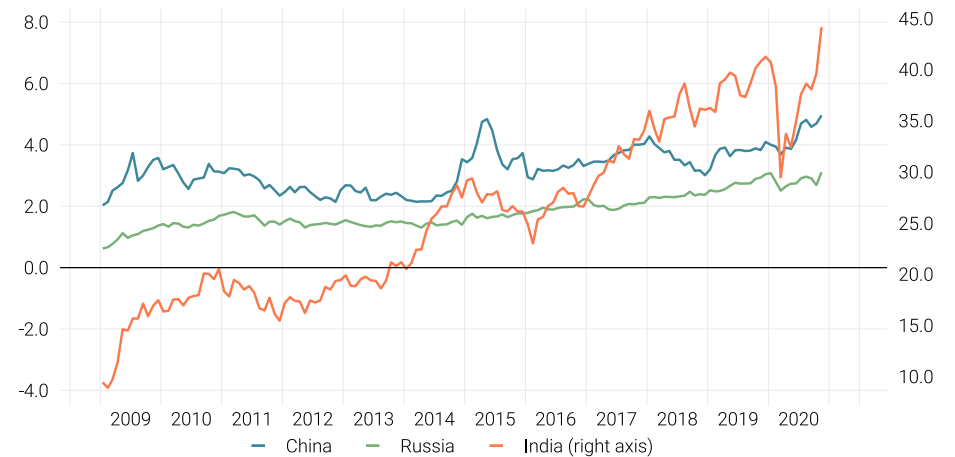
Source: Bloomberg Database

Sovereign Bond Yield in the Emerging Economies, 2009 - 2020
(percent)



Source: Bloomberg Database

Share Price Index in the Emerging Economies, 2009 - 2020
(price index, in thousands)



Source: Bloomberg Database



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