

MALDIVES MONETARY AUTHORITY

# ECONOMIC UPDATE

JUNE 2023

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## **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 6 July 2023.

# Domestic Economic Developments

## Real Economy

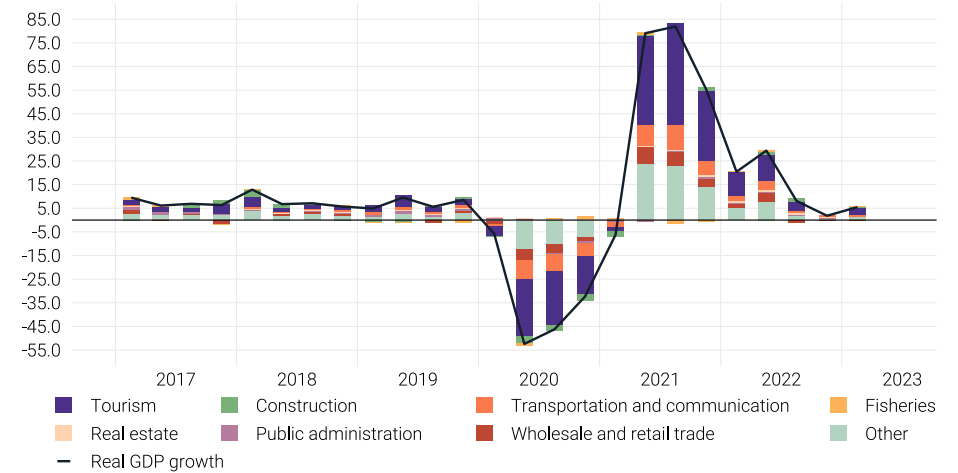
### Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts (QNA) for Q1-2023 released by the Maldives Bureau of Statistics (MBS), real GDP grew by 5.5% in Q1-2023, compared to the corresponding quarter of 2022, an acceleration from the growth of 1.8% in Q4-2022. Further, annual real GDP for Q1-2023 was 12.3% higher than the pre-pandemic levels of Q1-2019.
  - The annual growth in real GDP during Q1-2023 was mainly driven by the robust performance of the tourism sector and positive contribution to related sectors. In this regard, notable growths were observed in sectors such as transport and communication, construction, public administration, and fisheries sector. In contrast, negative contributions were observed in wholesale and retail trade sector as well as real estate sector.

### Annual GDP Growth Forecast

- According to revised forecasts published in April 2023<sup>1</sup>, real GDP is projected to grow by 9.4% in 2023. According to second estimates of real GDP released by the Maldives Bureau of Statistics in June 2023, the annual real GDP is estimated at 13.9% in 2022—1.6 percentage points higher than the initial estimate of October 2022—after recording a significant growth of 41.7% in 2021, owing to the strong growth led by the robust recovery of tourism sector and other related sectors.

Contribution to Real GDP Growth by Economic Sectors, 2017 - 2023  
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

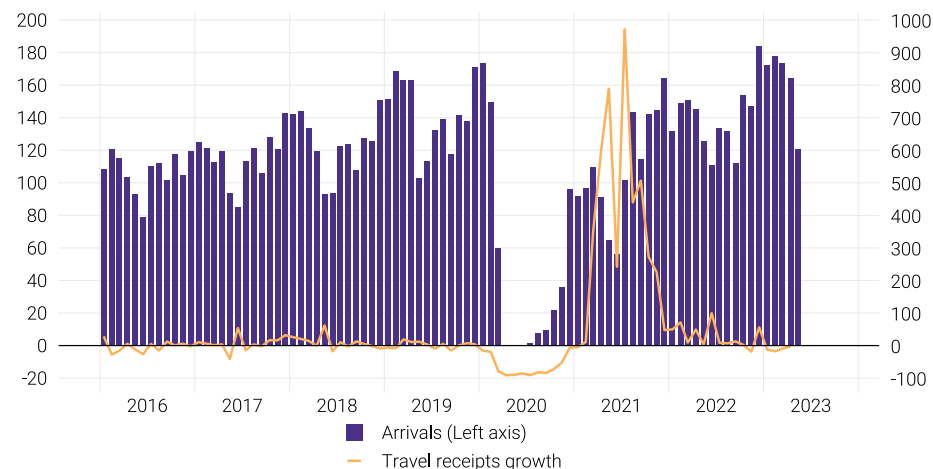
<sup>1</sup>According to the growth forecast scenarios estimated jointly by the MMA and the Ministry of Finance.

## Tourism

- In May 2023, tourist arrivals declined by 4% when compared with May 2022, while bednights also fell by 3%. In total, tourist arrivals stood at 120,959 during the month and exceeded pre-pandemic levels of May 2019 by 17%. Similarly, bednights surpassed pre-pandemic levels and registered a 17% growth during the same period.
  - Despite the annual decline, tourist arrivals remained robust, largely reflecting arrivals from key source markets of Europe and India. During the month, the highest number of tourist arrivals were recorded from India, China, Russia, Germany and the United Kingdom.
- The operational bed capacity of the tourism industry observed an increase of 3,069 beds when compared with May 2022, while the occupancy rate dropped to 45% in May 2023, from 48% recorded in May 2022.
- Overall, for the period January to May 2023, total tourist arrivals increased by 15% in annual terms, while bednights rose by 11%. Similarly, compared to the pre-pandemic levels of 2019, tourist arrivals recorded a growth of 8%, while bednights registered a growth of 25%. During the period, the average stay observed a moderate decline to 7.7 days, from 8.2 days in the corresponding period of 2022.

### Tourism, 2016 - 2023

(thousands, annual percentage change)

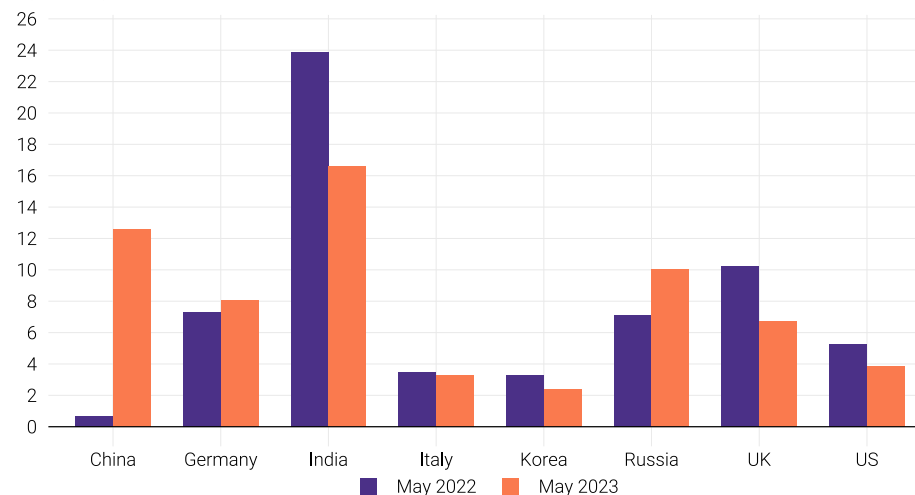


Source: Ministry of Tourism

Note: Tourism receipts available up to April 2023.

### Shares of Key Inbound Markets

(percent)

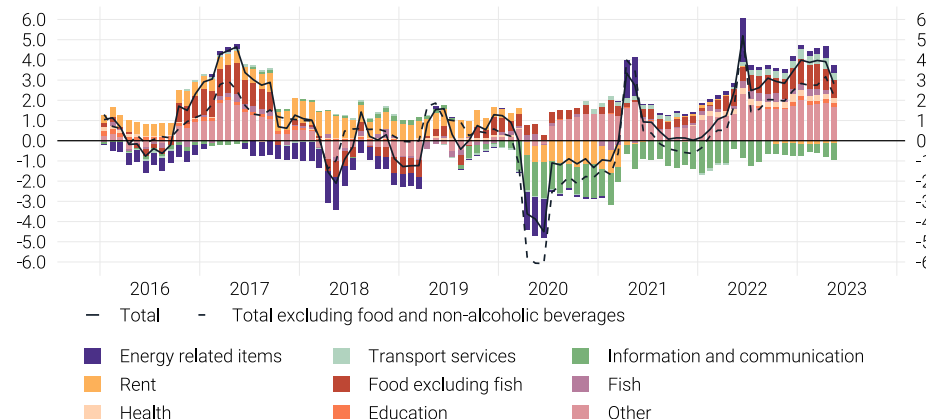


Source: Ministry of Tourism

# Inflation

- The rate of inflation, as measured by the annual percentage change in the national CPI, decelerated to 2.8% in May 2023, from 3.9% in April 2023.
  - The largest contribution to the annual rate of inflation during May 2023 came from restaurants and cafés (0.43 percentage points); electricity (0.39 percentage points); dairy products (0.24 percentage points); personal care appliances, articles and products (0.22 percentage points); passenger transport by air (0.22 percentage points); fruits (0.21 percentage points); mobile communication services (-0.79 percentage points); mobile telephone equipment (-0.11 percentage points); housing rent (-0.09 percentage points); and vegetables (-0.07 percentage points).
- The monthly percentage change in the national CPI declined by 0.4% in May 2023, following a growth of 0.2% in April 2023.
  - The largest contribution to the monthly rate of inflation came from fish (0.04 percentage points); major household appliances (0.04 percentage points); passenger transport by air (0.03 percentage points); mobile telephone equipment (0.02 percentage points); motorcycles (0.01 percentage points); electricity (-0.17 percentage points); mobile communication services (-0.14 percentage points); fruits (-0.13 percentage points); vegetables (-0.05 percentage points); and petrol for personal transport equipment (-0.03 percentage points).

Contribution of Major Categories to CPI Inflation (National), 2016 - 2023  
(annual percentage change, percentage point contribution)

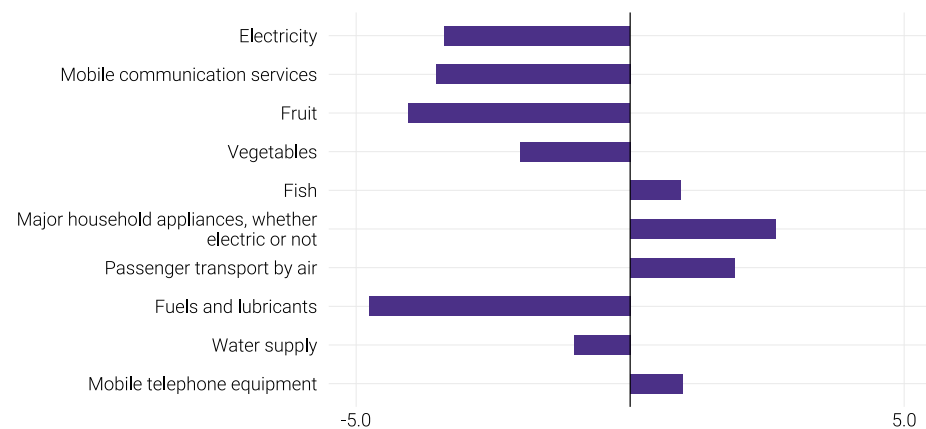


Source: Maldives Bureau of Statistics

Note: Main categories in other are furnishing, personal care, restaurant and accommodation services, tobacco and narcotics, and water supply.

Monthly Changes of Subcategories of CPI Inflation (National),  
May 2023

(monthly percentage change)



Source: Maldives Bureau of Statistics

Note: Ordered by the size of the contribution.

# Public Finance

- Total revenue (excluding grants) observed an increase of MVR266.9 million (or 12%) in April 2023 when compared with April 2022, mostly driven by the growth in tax revenue. As such, tax revenue rose by MVR251.8 million, while non-tax revenue rose by MVR15.3 million.

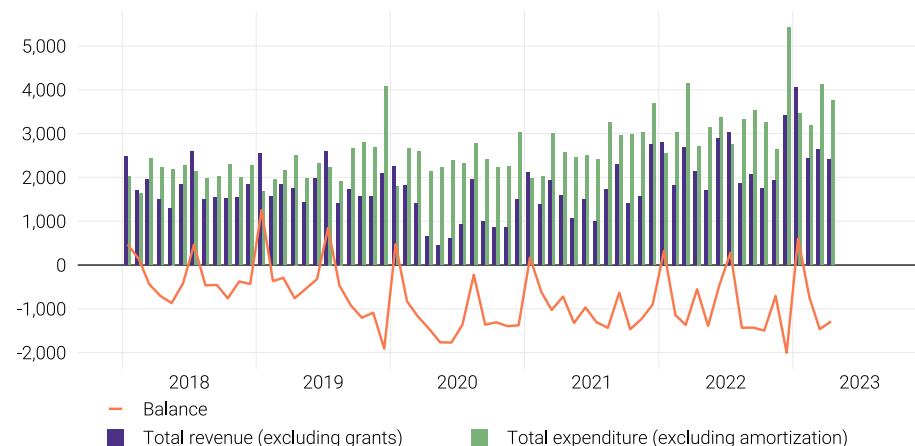
-Total expenditure (excluding amortisation) rose by MVR1.0 billion (or 38%) in April 2023 when compared with April 2022, owing to the growth in both recurrent expenditure, which increased by MVR630.0 million, as well as capital expenditure, which increased by MVR403.2 million.

- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR91.5 billion at the end of Q4-2022, a 4% increase from Q3-2022. Meanwhile, total government debt as a percentage of GDP rose to 96% at the end of Q4-2022 from 92% in Q3-2022.

– During this period, the increase in government debt was primarily driven by domestic debt.

## Government Revenue and Expenditure, 2018 - 2023

(millions of rufiyaa)

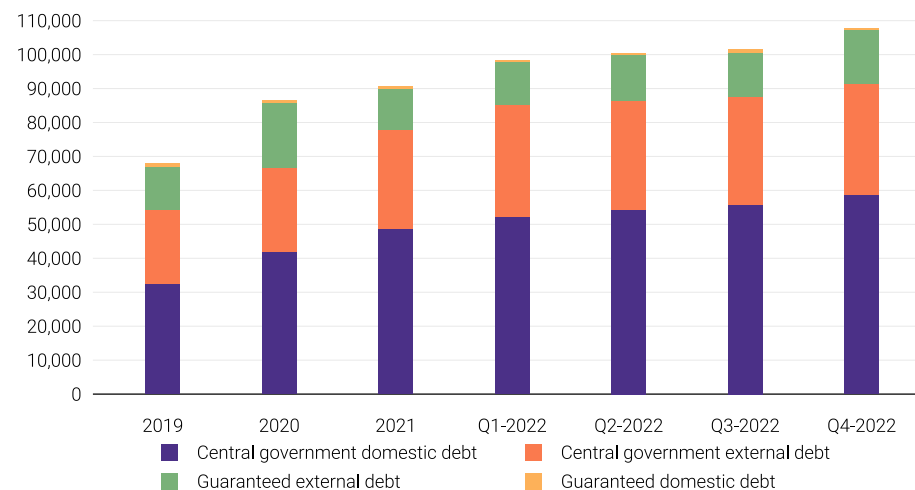


Source: Ministry of Finance

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

## Total Outstanding Stock of Public Debt, 2019 - 2022

(millions of rufiyaa)



Source: Ministry of Finance

# Monetary Developments

## Reserve Money

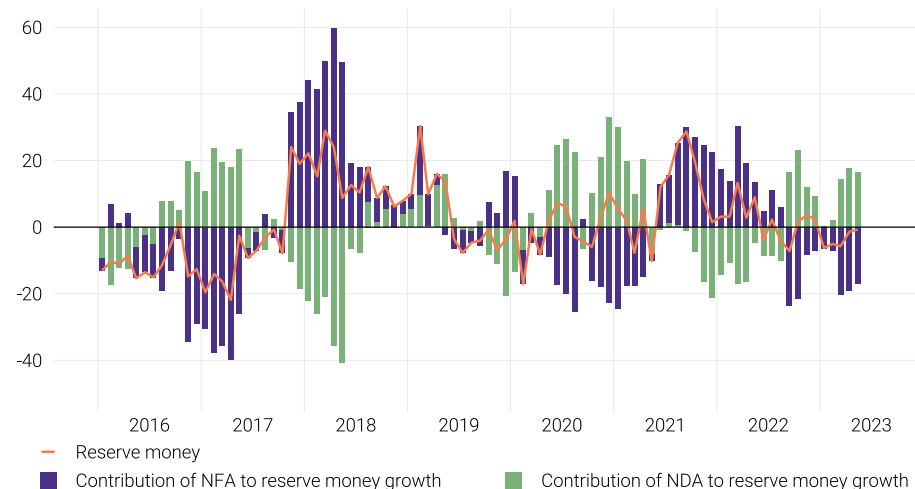
- Reserve money (M0) declined by 1% at the end of May 2023, broadly unchanged from the decline registered at the end of April 2023. The decline in reserve money mainly reflected the decline of net foreign assets, despite the growth in net domestic assets during the period.
  - The decline in net foreign assets mainly represented the increase in foreign liabilities, which reflected the swap obtained from the Reserve Bank of India (RBI) in December 2022, together with the decline in foreign asset accumulation during the period. Meanwhile, net domestic assets increased primarily owing to the increase in net claims on central government, despite the increase in overnight deposit facility (ODF) placements by the commercial banks.

## Broad Money

- Annual broad money (M2) growth slowed down to 6% at the end of May 2023 from 7% at the end of April 2023.
  - 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. Meanwhile, narrow money growth also observed an increase, owing to increase in both transferable deposits and currency outside depository corporations.
  - As for the sources, the annual growth in broad money was solely driven by the net domestic assets, largely owing to the growth in net claims on the central government by the the commercial banks and the MMA, while growth in credit to the private sector and public non-financial corporations also increased during May 2023. Meanwhile, net foreign assets declined, mainly owing to the increase in foreign liabilities, together with a decline in foreign asset accumulation during the period.

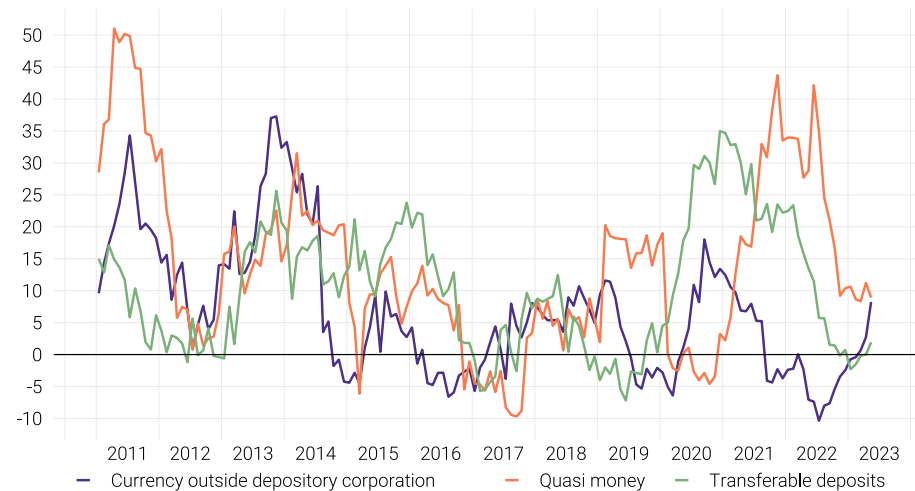
Sources of Reserve Money, 2016 - 2023

(annual percentage change, contribution percent)



Components of Broad Money, 2011 - 2023

(annual percentage change)

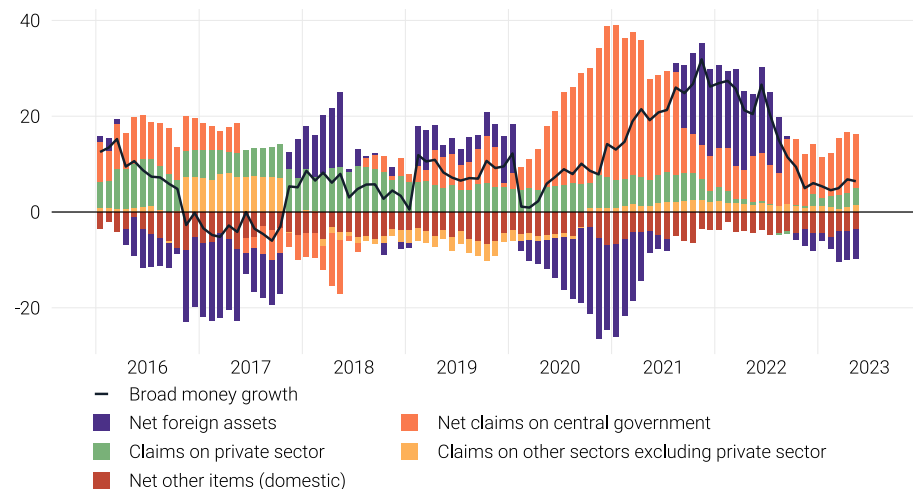


## Credit to Private Sector

- The annual growth rate of credit to the private sector by the commercial banks increased to 7% at the end of May 2023.
  - As for credit growth by major sectors, credit to all major sectors (namely personal loans, tourism, real estate, and commerce), except for the construction sector, continued to expand in May 2023, whereby tourism sector registered the highest growth during the month. The sector registered an annual increment of 11%, and also accounted for the highest share of bank credit during the month.
  - The annual growth in credit to the tourism sector was driven by a marked increase in credit lent in the form of working capital, followed by an increase in new resort development. However, credit lent for renovation of resorts declined during the month

## Contribution to Broad Money, 2016 - 2023

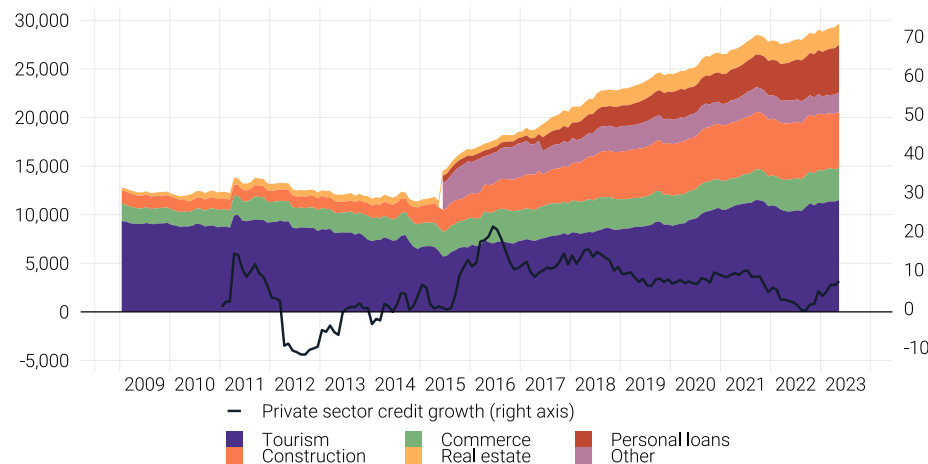
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

## Private Sector Credit, 2009 - 2023

(millions of rufiyaa, annual percentage change)



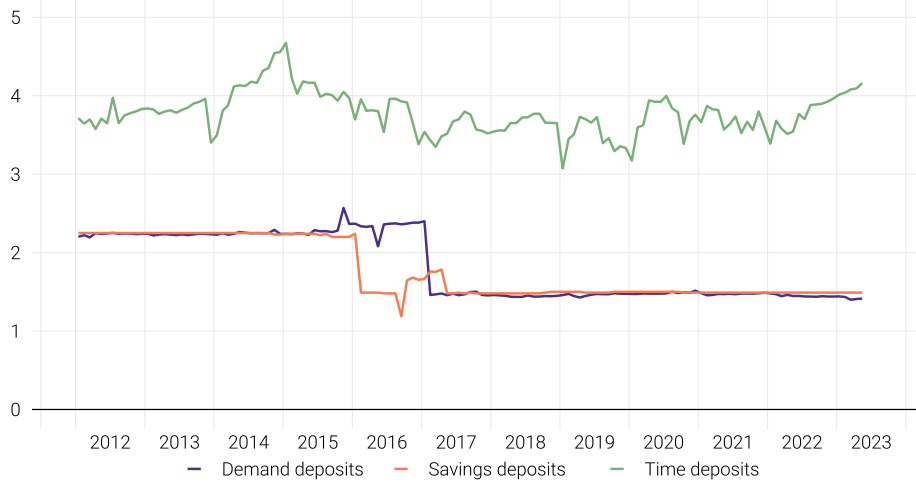
Source: Maldives Monetary Authority

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

## Interest rates

### Interest Rate on National Currency Deposits, 2012 - 2023

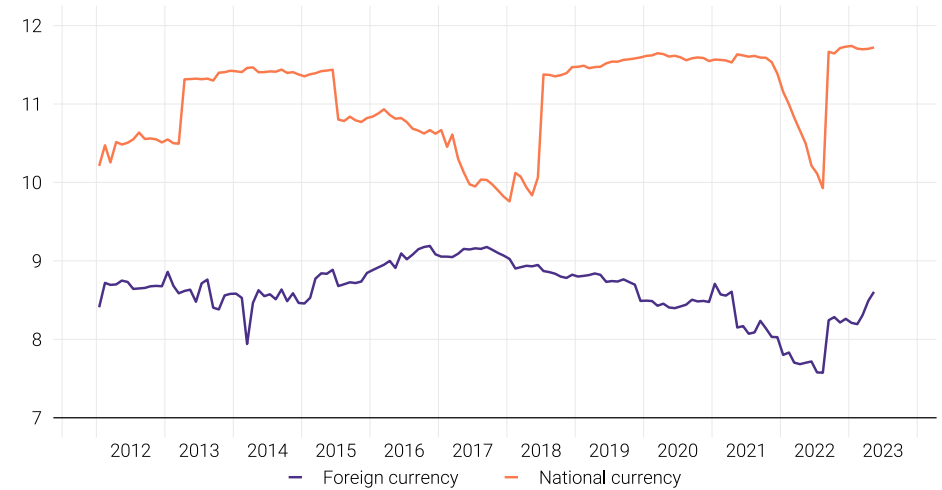
(weighted average)



Source: Maldives Monetary Authority

### Interest Rate on Private Sector Loans and Advances, 2012 - 2023

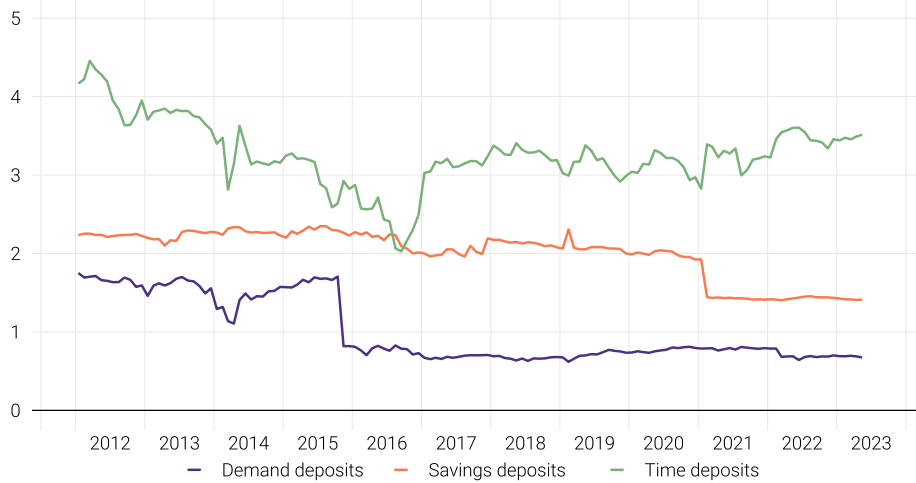
(weighted average)



Source: Maldives Monetary Authority

### Interest Rate on Foreign Currency Deposits, 2012 - 2023

(weighted average)



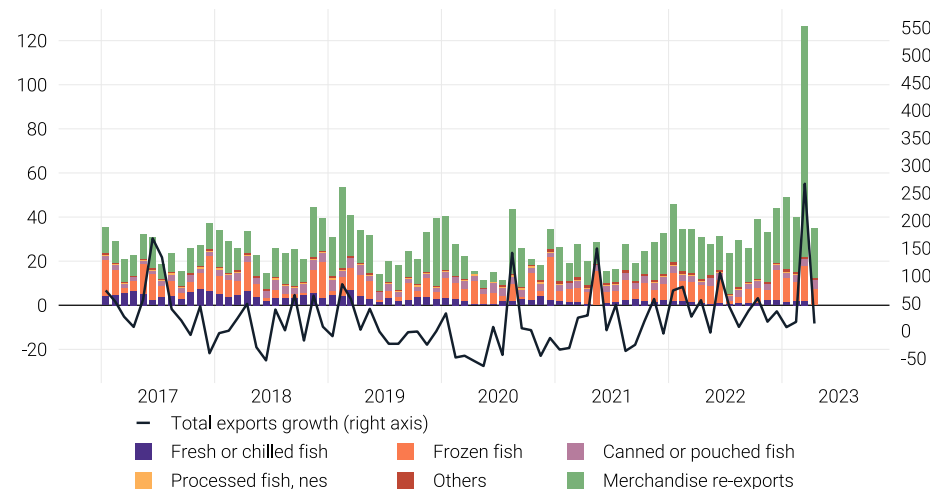
Source: Maldives Monetary Authority

# External Trade

- Total exports (f.o.b) increased significantly by 29% during April 2023 when compared with April 2022, whereas total imports (c.i.f) declined by 5% during the same period.
  - The annual growth in total exports stemmed primarily from an increment in re-exports, which reflected higher re-exports of jet fuel. Similarly, despite a significant decline in earnings from frozen yellowfin tuna exports, domestic exports also increased during the period, largely owing to an increase in earnings from frozen skipjack tuna exports, together with canned or pouched tuna exports.
  - The annual decline in import expenditure, stemmed largely from the sizeable fall in import expenditure on petroleum products, electrical and electronic machinery and equipment, electronic and electric appliances, furniture, fixtures, and fittings and food items. In contrast, increases were observed in transport equipment, construction-related items, and machinery and mechanical appliances and parts.
- Overall for the period of January to April 2023, both total exports and imports increased, by 22% and 2%, respectively, when compared with the corresponding period of 2022.

## Total Exports, 2017 - 2023

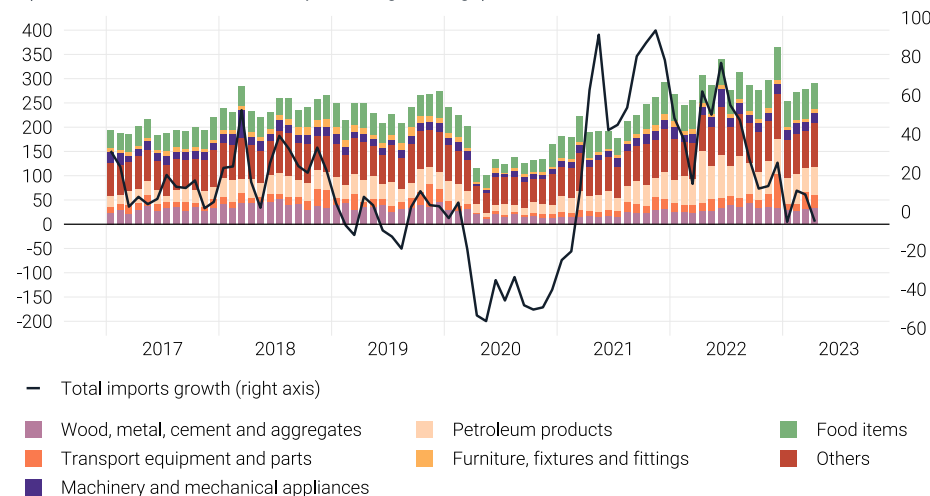
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

## Total Imports, 2017 - 2023

(millions of US dollars, annual percentage change)



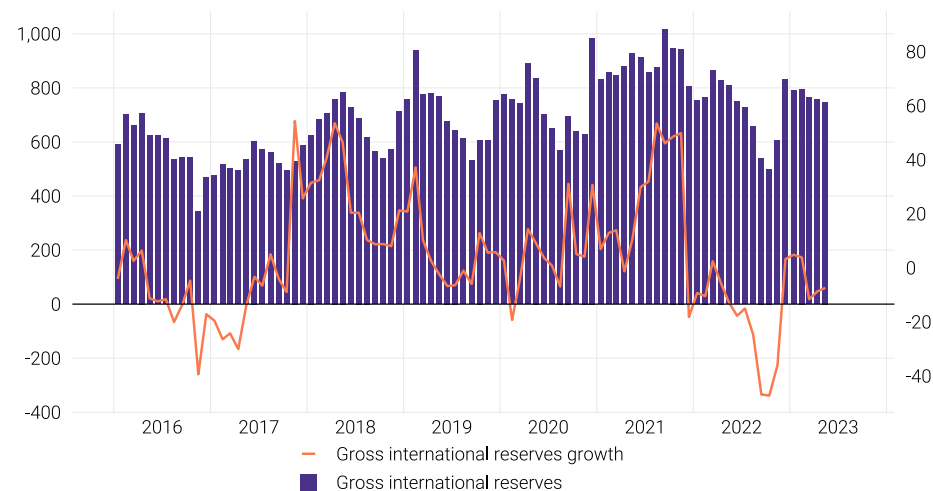
Source: Maldives Customs Service

## Gross International Reserves

- Gross international reserves<sup>2</sup> (official reserve assets) marginally dropped to US\$748.2 million at the end of May 2023, from US\$756.8 million at the end of April 2023. Similarly, this depicts a decline from US\$807.9 million recorded at the end of May 2022.
  - In terms of growth rates, a marginal decline of 1% was registered when compared with April 2023, and a decline of 7% when compared with May 2022.

### Gross International Reserves, 2016 - 2023

(millions of US dollars, annual percentage change)



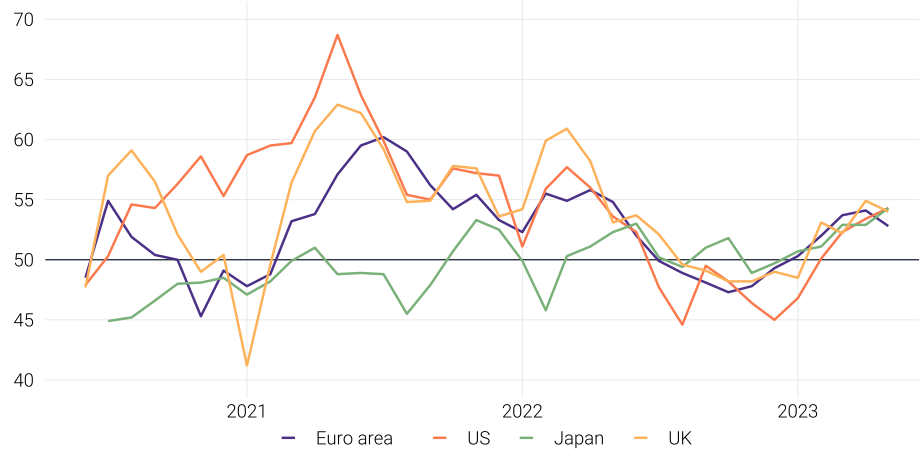
Source: Maldives Monetary Authority

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

# International Economic Developments

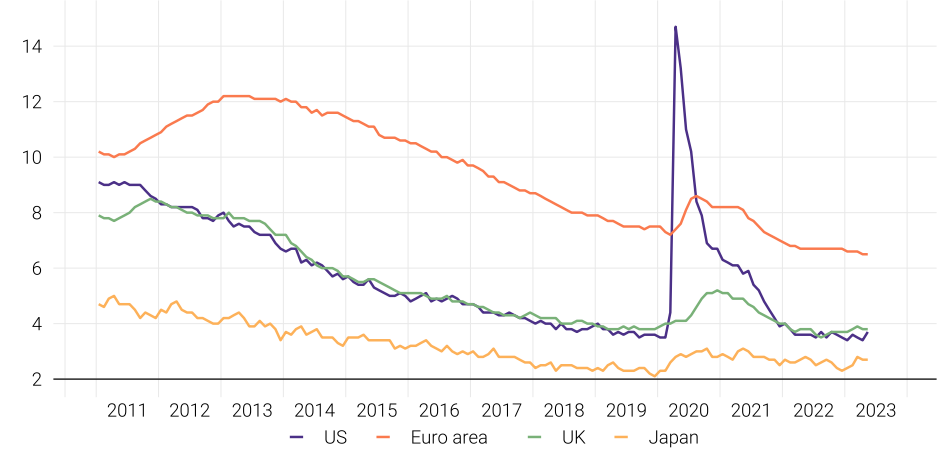
## Global Output

Purchasing Manager's Index in the Advanced Economies, 2020 - 2023  
(index points)



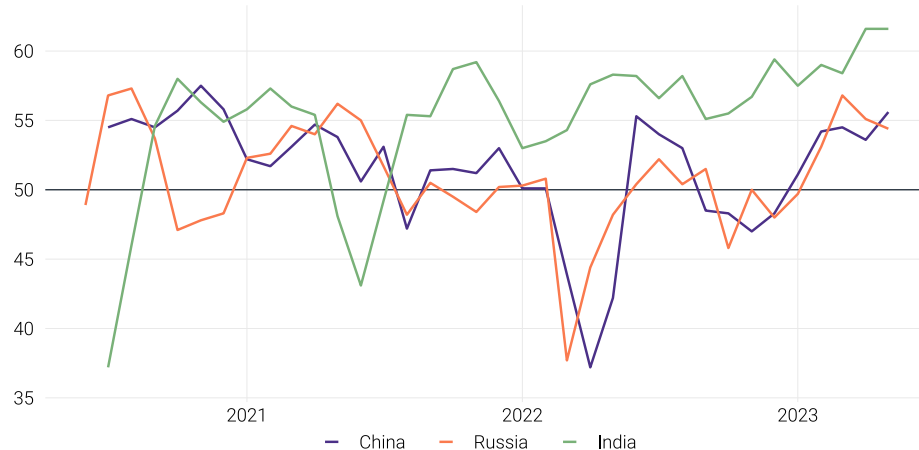
Source: Bloomberg Database

Unemployment in the Advanced Economies, 2011 - 2023  
(percent)



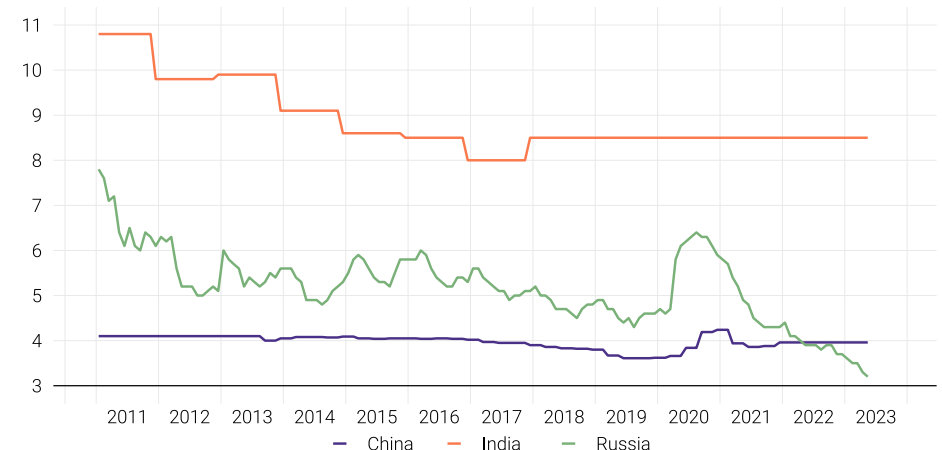
Source: Bloomberg Database

Purchasing Manager's Index in the Emerging Economies, 2020 - 2023  
(index points)



Source: Bloomberg Database

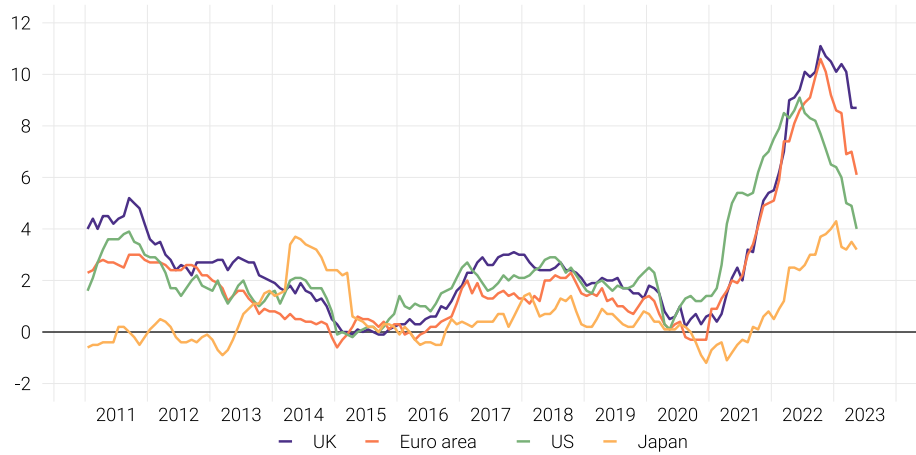
Unemployment in the Emerging Economies, 2011 - 2023  
(percent)



Source: Bloomberg Database

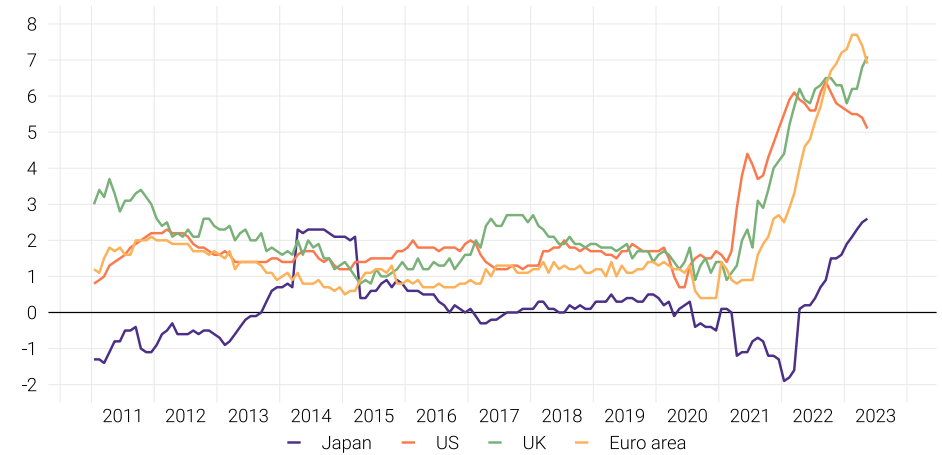
# Global Inflation

**Inflation in the Advanced Economies, 2011 - 2023**  
(percent)



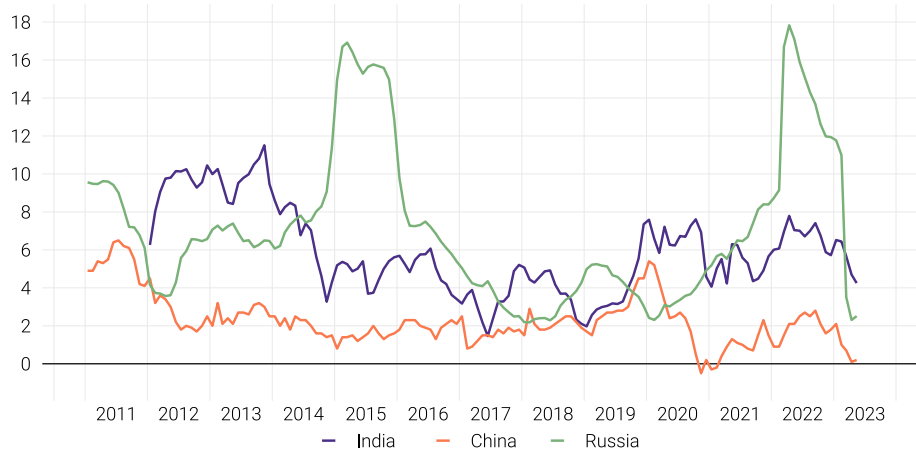
Source: Bloomberg Database

**Core Inflation in the Advanced Economies, 2011 - 2023**  
(percent)



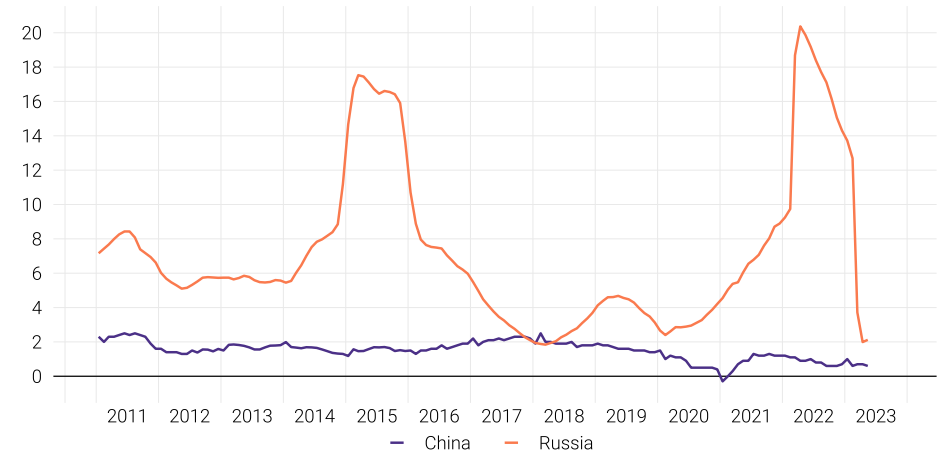
Source: Bloomberg Database

**Inflation in the Emerging Economies, 2011 - 2023**  
(percent)



Source: Bloomberg Database

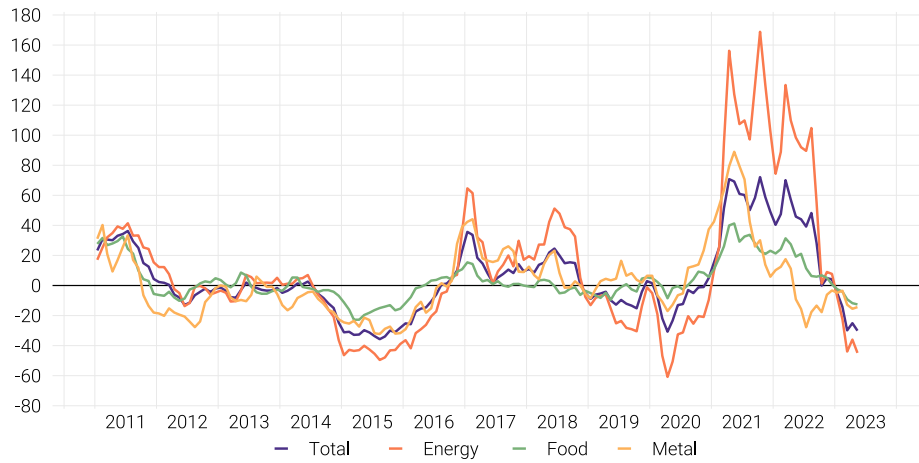
**Core Inflation in the Emerging Economies, 2011 - 2023**  
(percent)



Source: Bloomberg Database

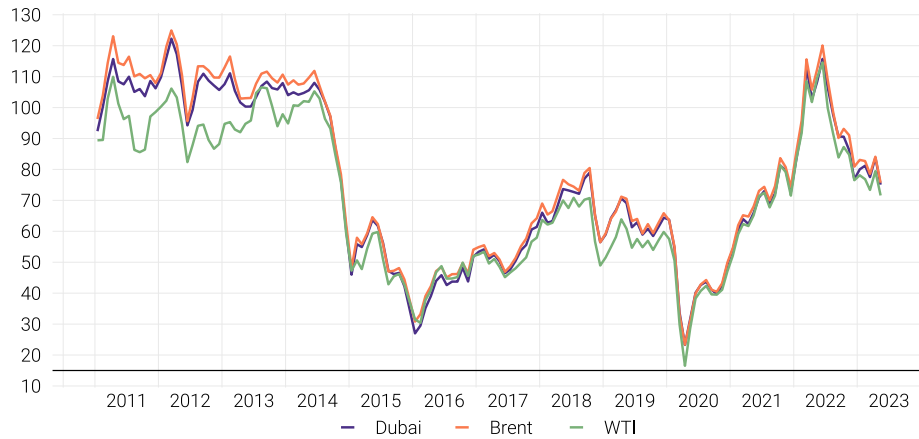
# Commodity Prices

Commodity prices, 2011 - 2023  
(annual percentage change)



Source: IMF

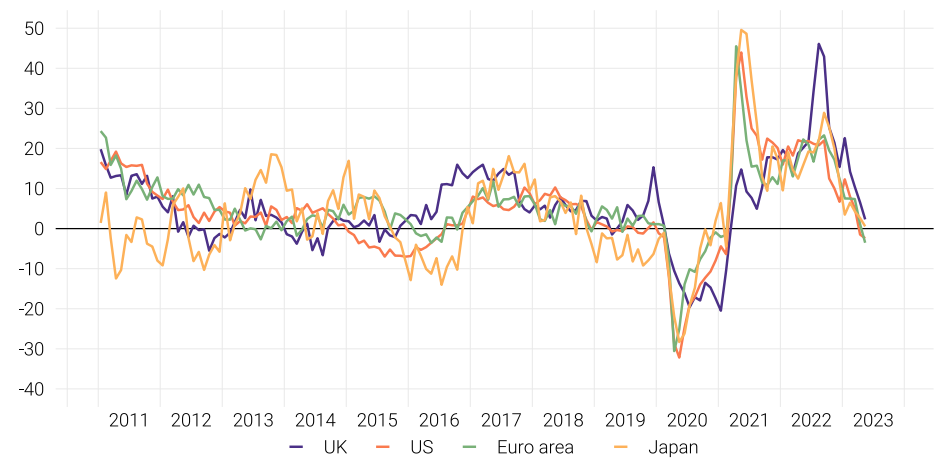
Oil prices, 2011 - 2023  
(dollars per barrel)



Source: Bloomberg Database

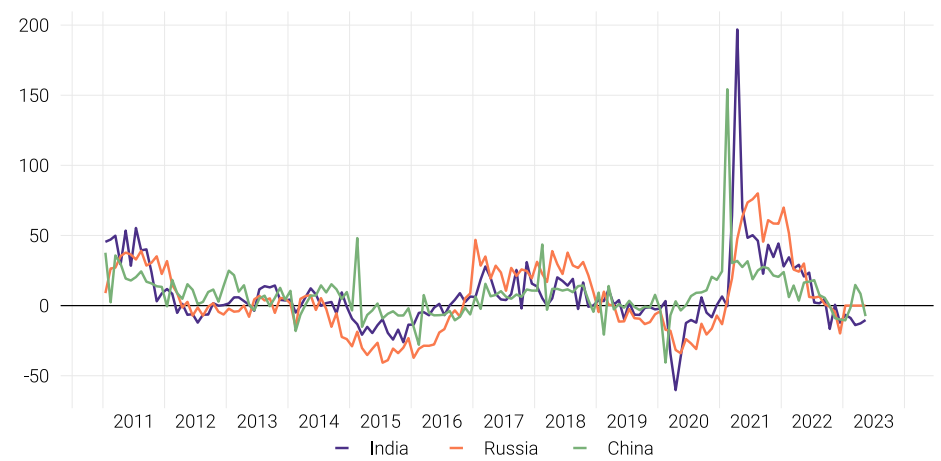
# Global Trade

Exports in the Advanced Economies, 2011 - 2023  
(annual percentage change)



Source: Bloomberg Database

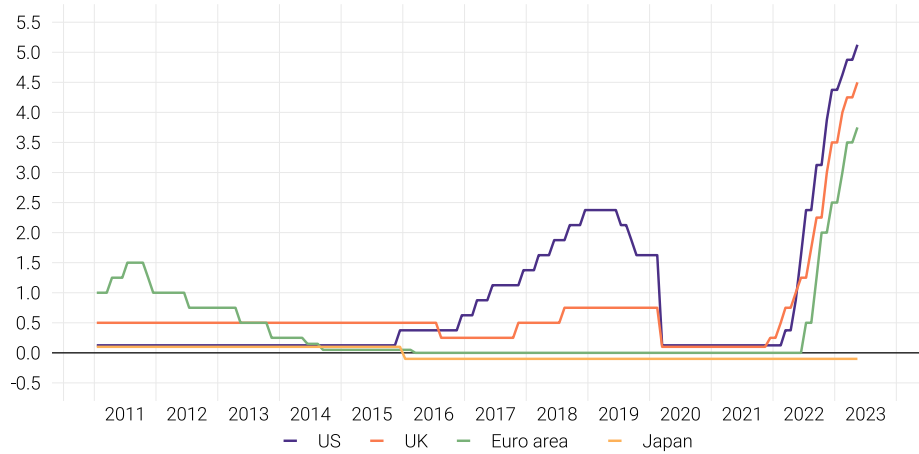
Exports in the Emerging Economies, 2011 - 2023  
(annual percentage change)



Source: Bloomberg Database

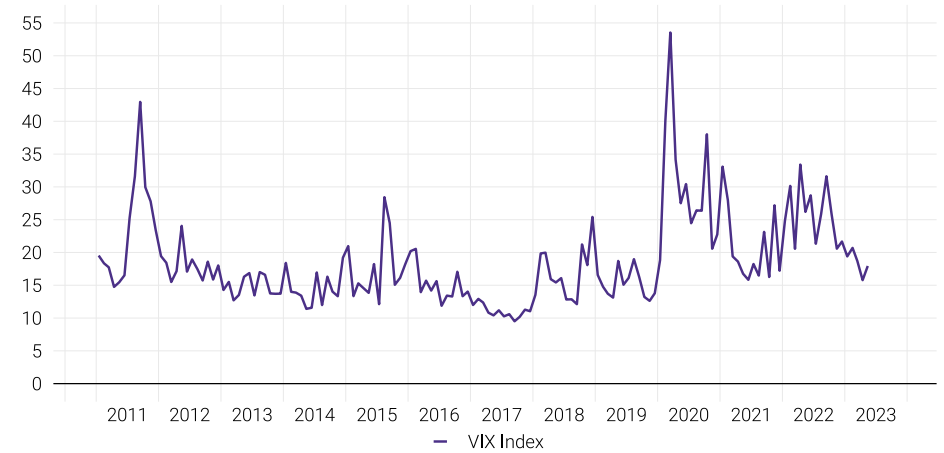
# Global Financial Markets

Monthly Policy Rates in the Advanced Economies, 2011 - 2023  
(percent)



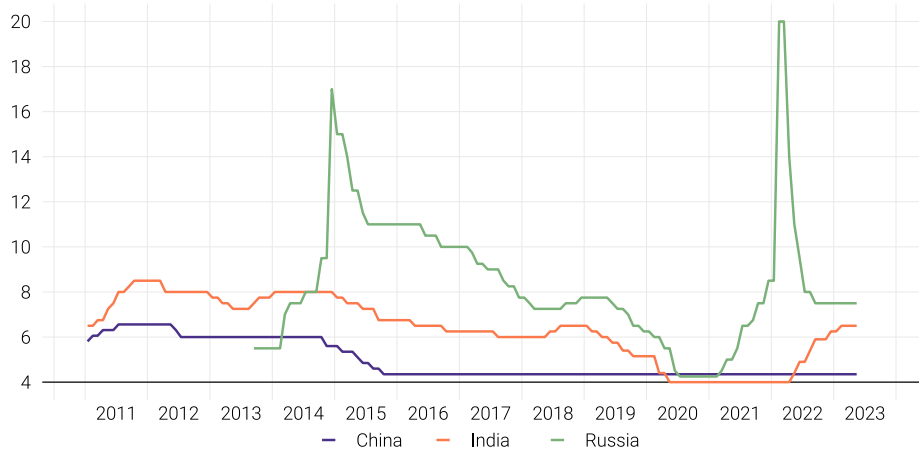
Source: Bloomberg Database

Volatility Index, 2011 - 2023  
(percent)



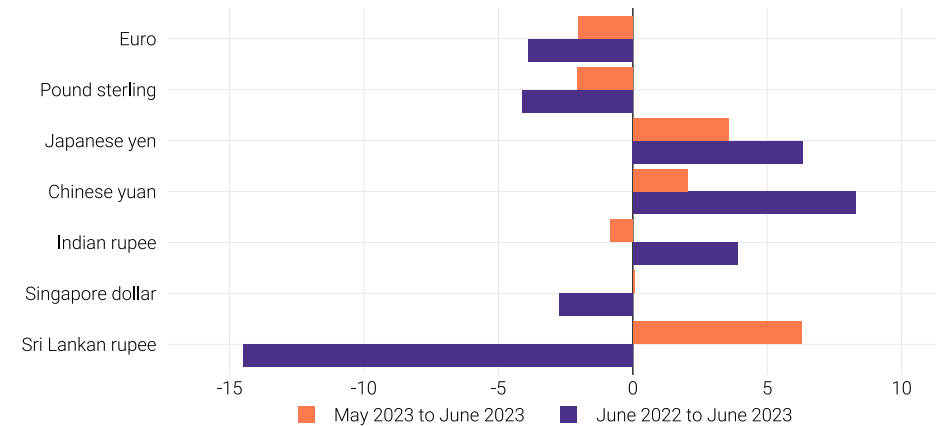
Source: Bloomberg Database

Monthly Policy Rates in the Emerging Economies, 2011 - 2023  
(percent)



Source: Bloomberg Database

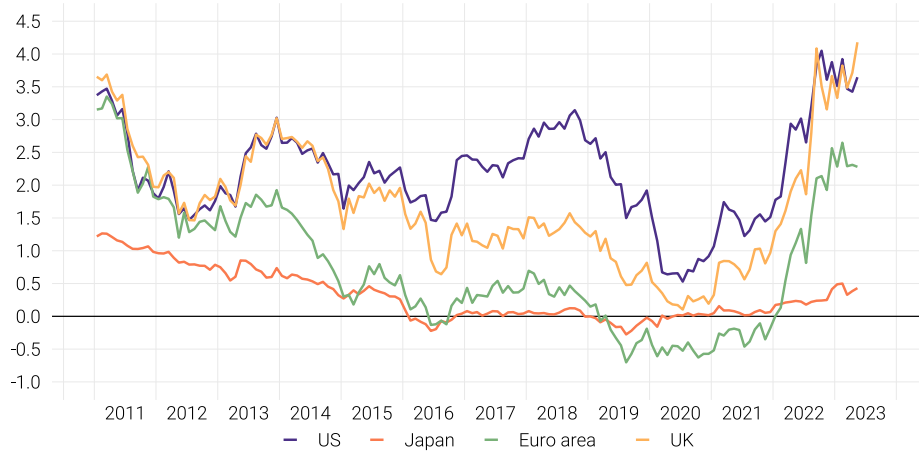
Exchange Rate of US Dollar against Currencies of Major Trading Partners, June 2023  
(percentage change)



Source: Bloomberg Database

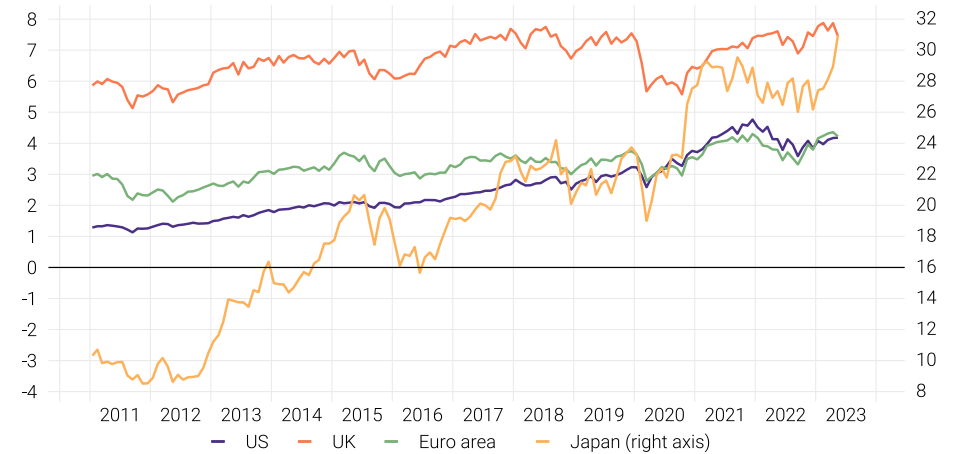
# Global Financial Markets

Sovereign Bond Yield in the Advanced Economies, 2011 - 2023  
(percent)



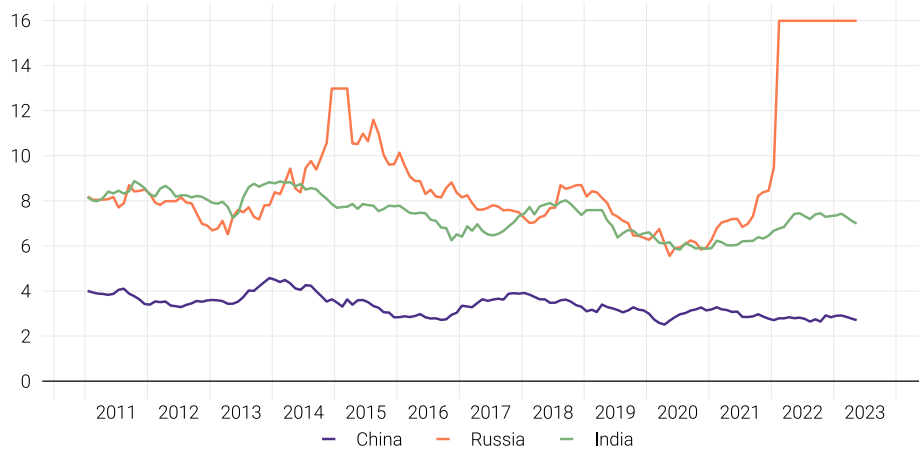
Source: Bloomberg Database

Share Price Index in the Advanced Economies, 2011 - 2023  
(price index, in thousands)



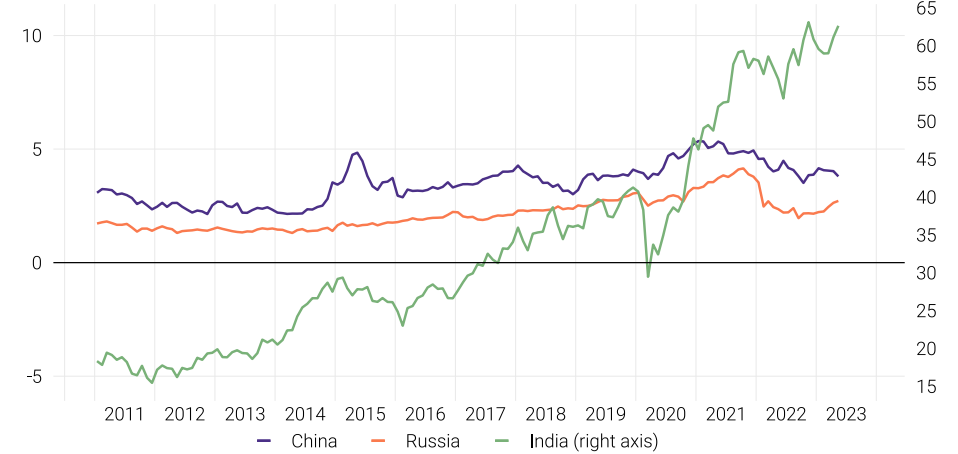
Source: Bloomberg Database

Sovereign Bond Yield in the Emerging Economies, 2011 - 2023  
(percent)



Source: Bloomberg Database

Share Price Index in the Emerging Economies, 2011 - 2023  
(price index, in thousands)



Source: Bloomberg Database



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