

MALDIVES MONETARY AUTHORITY

ECONOMIC UPDATE

NOVEMBER 2021

VOLUME 3 ISSUE 11



mma.gov.mv

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 November 2021.

Domestic Economic Developments

Real Economy

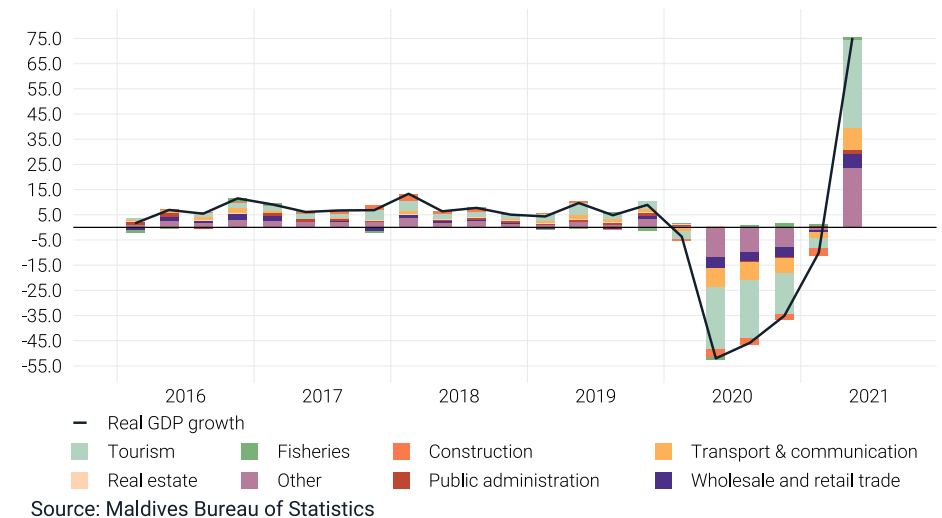
Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts for Q2-2021 released by the Maldives Bureau of Statistics, real GDP rebounded strongly by 75.3% in Q2-2021, compared to the corresponding quarter of 2020, following a decline of 10.1% in Q1-2021. Despite the strong rebound in growth, GDP remains 15.9% below pre-pandemic levels in Q2-2019.
 - The strong rebound in the annual GDP growth during Q2-2021, was mainly driven by a significant pick-up in tourism sector, largely mirroring the base effect of the decline in the sector, following the closure of international borders in Q2-2020. In addition, positive contributions were observed in other major sectors of the economy including transport and communication; and wholesale and retail trade sector. However, when compared with the preceding quarter, real GDP observed a marked decline, following the end of the tourism peak season and the re-imposition of stringent containment measures owing to the rapid resurgence in COVID-19 infections in April.
 - Further, a contraction was observed in the construction sector in annual terms over the review quarter.

Annual GDP Growth Forecast

- Real GDP is estimated to have declined severely by 33.5% in 2020, according to the annual GDP estimates published by the Maldives Bureau of Statistics in 30th September 2021. This was underpinned by a sharp decline in tourism sector and other major sectors such as wholesale and retail trade, construction and real estate, as well as transport and communication. According to forecasts published in October 2021¹, real GDP is projected to grow in the range 28.1% and 38.5% in 2021, with the most likely growth rate as 31.6% for 2021. Going forward, real GDP is projected to grow by 12.0% in 2022.

Contribution to Real GDP Growth by Economic Sectors, 2016 - 2021
(annual percentage change, percentage point contribution)



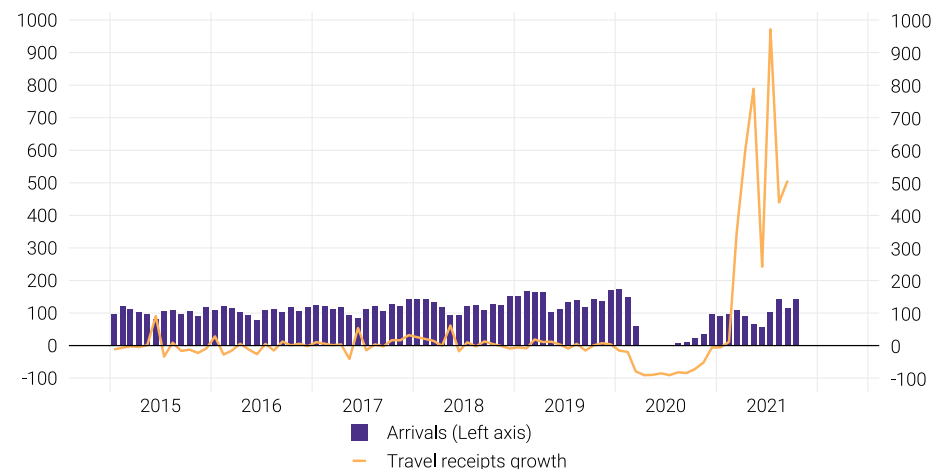
¹According to the growth forecast scenarios estimated jointly by the MMA and the Ministry of Finance.

Tourism

- In October 2021, both tourist arrivals and bednights increased substantially when compared with October 2020, exceeding the pre-pandemic levels (compared to October 2019). Total tourist arrivals rose to 142,066 in October 2021, slightly higher than 141,928 arrivals recorded in October 2019, while bednights registered a growth of 11% during the period.
 - The annual increase in tourist arrivals reflected the base effect of the slow pickup in tourist arrivals in October 2020 post border reopening, as well as a surge in arrivals from India, following the lifting of a ban on arrivals from South Asian countries in July 2021. During the month, the largest number of tourist arrivals were recorded from India, followed by Russia, Germany, United Kingdom and United States.
- The operational bed capacity of the tourism industry observed an increase of 19,140 beds when compared with October 2020 (25,756 increase in September 2021), while the occupancy rate rose to 63% in October 2021 (48% in September 2021), from 17% in October 2020.
- Overall, for the period of January to October 2021, total tourist arrivals increased by 139% in annual terms (-70% in 2020), while total bednights of the industry observed an increase of 149% (-65% in 2020). During this period, the average stay decreased to 8.9 days, from 20.4 days in the corresponding period of 2020.

Tourism, 2015 - 2021

(thousands, annual percentage change)

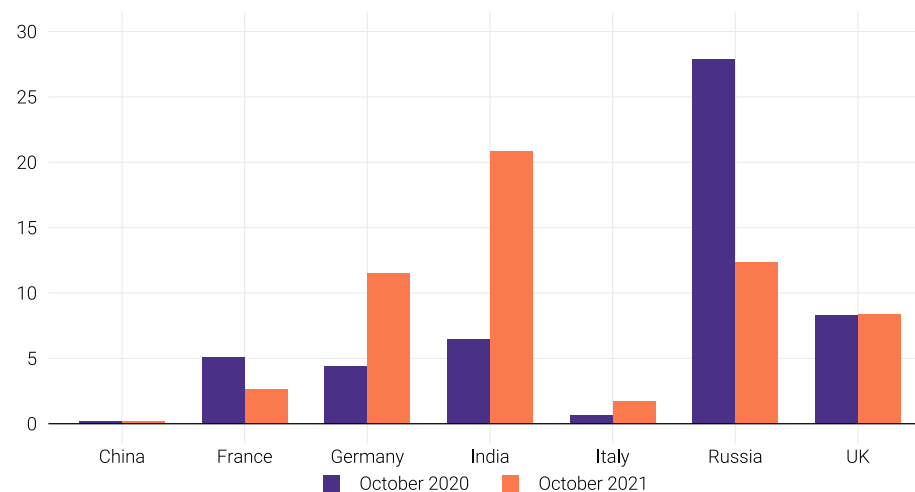


Source: Ministry of Tourism

Note: Tourism receipts available up to September 2021.

Shares of Key Inbound Markets

(percent)

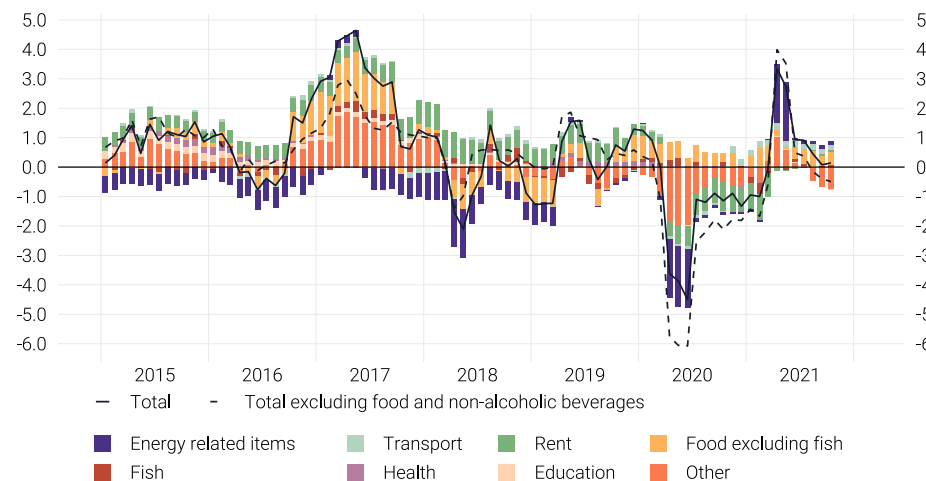


Source: Ministry of Tourism

Inflation

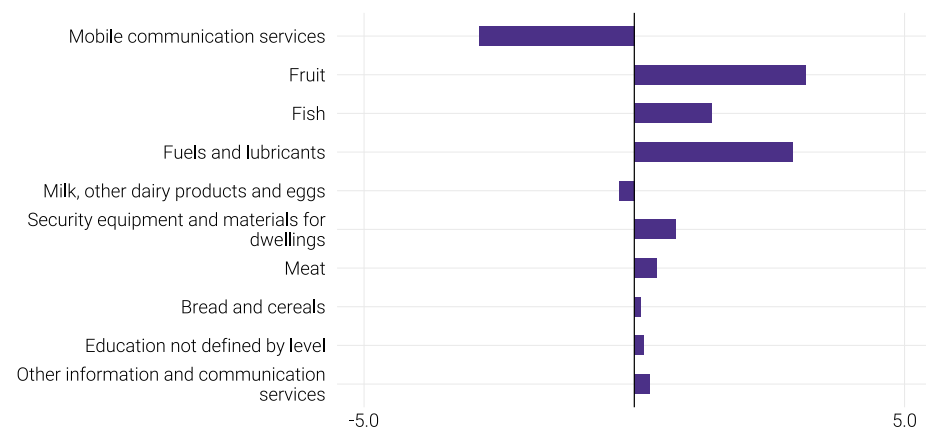
- The rate of inflation, as measured by the annual percentage change in the national CPI, remained unchanged at 0.1% in October 2021.
 - From the major categories of the CPI, the largest contributors to the annual rate of inflation during October 2021 were passenger transport by air (0.2 percentage points); fruits (0.2 percentage points); petrol for personal transport equipment (0.2 percentage points); dairy products (0.1 percentage points); major household appliances (-0.1 percentage points); motorcycles (-0.1 percentage points); and mobile communication services (-1.0 percentage points).
- The monthly percentage change in the national CPI accelerated to 0.08% in October 2021, from -0.30% in September 2021.
 - The largest contribution to the monthly rate of inflation came from fruits (0.07 percentage points); fish (0.06 percentage points); petrol for personal transport equipment (0.02 percentage points); security equipment and materials for maintenance and repair of dwelling (0.01 percentage points); dairy products (-0.01 percentage points); and mobile communication services (-0.10 percentage points).

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



Source: Maldives Bureau of Statistics

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



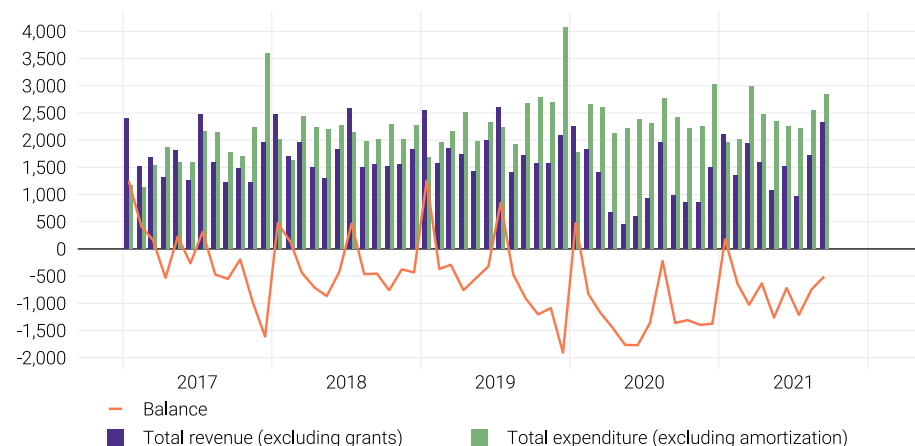
Source: Maldives Bureau of Statistics
Note: Ordered by the size of the contribution.

Public Finance

- According to the latest available data, total revenue (excluding grants) observed an increase of MVR1.3 billion (or 135%) in September 2021 when compared with September 2020, mainly driven by a significant rise in tax revenue, followed by a growth in non-tax revenue. As such, tax revenue doubled, increasing by MVR819.7 million, while non-tax revenue rose by MVR481.8 million.
- Total expenditure (excluding amortisation) rose by MVR432.7 million (or 18%) in September 2021 when compared with September 2020, mainly due to an increase in capital expenditure, which posted an increment of MVR266.4 million, while recurrent expenditure increased by MVR166.3 million.
- According to the latest available data, the stock of total government debt (excluding government guaranteed debt) amounted to MVR77.4 billion at the end of Q3-2021, an 8% increase from Q2-2021. Similarly, total government debt as a percentage of GDP increased to 101% at the end of Q3-2021 from 93% in Q2-2021.
 - During this period, the increase in government debt was primarily driven by external debt.

Government Revenue and Expenditure, 2017 - 2021

(millions of rufiyaa)

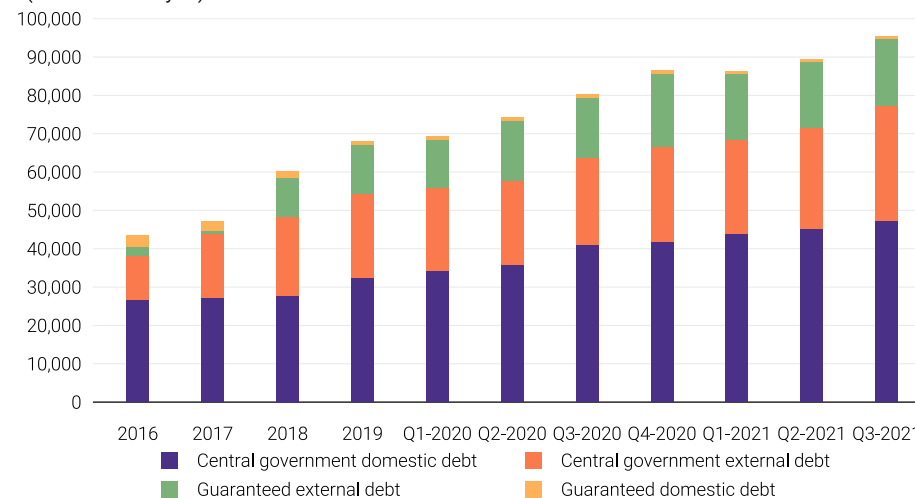


Source: Ministry of Finance

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

Monetary Developments

Reserve Money

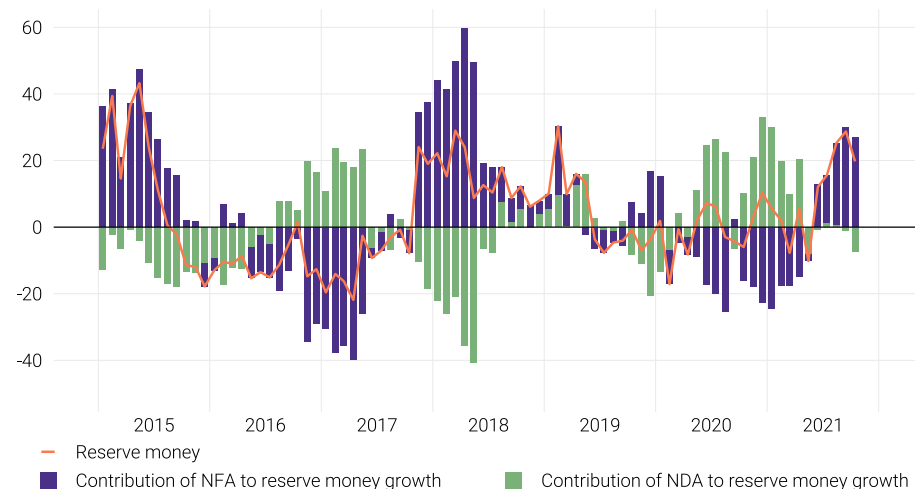
- Annual reserve money (M0) growth decelerated to 20% at the end of October 2021, after recording 29% at the end of September 2021. The decline in reserve money growth stemmed from a fall in net domestic assets of the MMA, despite net foreign assets of the MMA registering an increase.
 - Net domestic assets declined mainly due to the increase in ODF placements by the commercial banks, followed by the fall in claims on commercial banks. Meanwhile, net foreign assets increased due to the significant increase in foreign asset accumulation largely reflecting the proceeds from Sukuk issued by the government in the international market, despite an increase in foreign liabilities.

Broad Money

- Annual broad money (M2) growth accelerated to 27% at the end of October 2021, from 25% registered during September 2021.
 - On the components side, the annual growth in broad money was primarily driven by an increase in quasi money, mainly owing to a substantial increase in transferable deposits denominated in foreign currency and time deposits denominated in local currency and foreign currency, followed by an increase in savings deposits denominated in local 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 foreign assets, owing to the rise in foreign assets of the banking system, which offset base effects of an increase in foreign liabilities of both the MMA and the commercial banks. Similarly, net domestic assets also increased, due to the rise in net claims on the central government by the commercial banks, while the growth in credit to private sector also contributed notably.

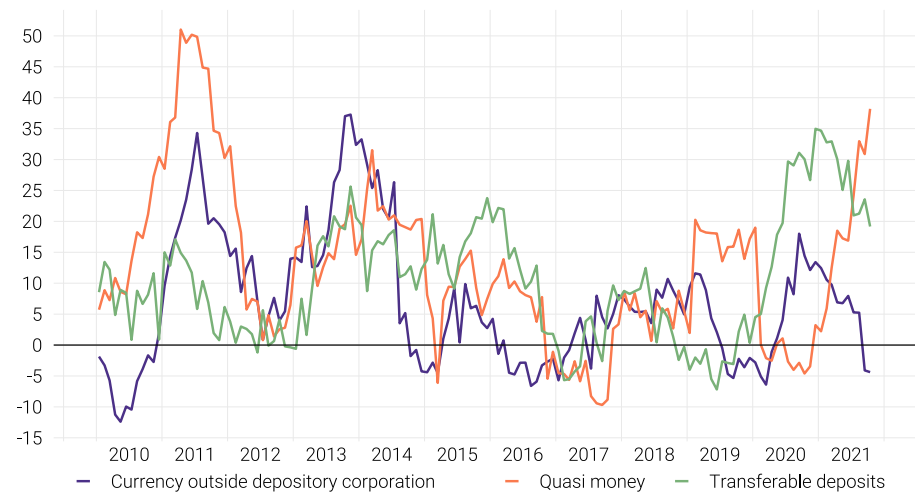
Sources of Reserve Money, 2015 - 2021

(annual percentage change, contribution percent)



Components of Broad Money, 2010 - 2021

(annual percentage change)

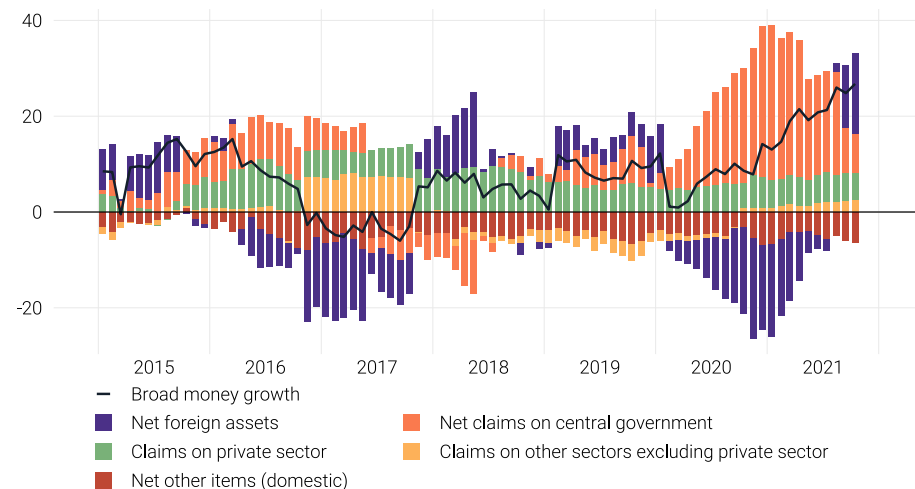


Credit to Private Sector

- The annual growth in credit to the private sector by the commercial banks remained unchanged at the end of October 2021 from 8% at the end of September 2021. Meanwhile, the monthly growth in credit to the private sector stood at -0.1% at the end of October 2021.
 - With regard to the composition of credit to the private sector, annual growth rates were observed for all the major sectors, namely, tourism, transport and communication, construction and, commerce, except for real estate sector. Likewise, credit extended as personal loans observed a significant increase over the period.
 - Credit extended to the tourism sector observed the largest increase over the period, registering an annual growth of 11% during October 2021, mainly driven by the marked growth in credit in the form of working capital, followed by credit lent for renovation of resorts and new resort development.

Contribution to Broad Money, 2015 - 2021

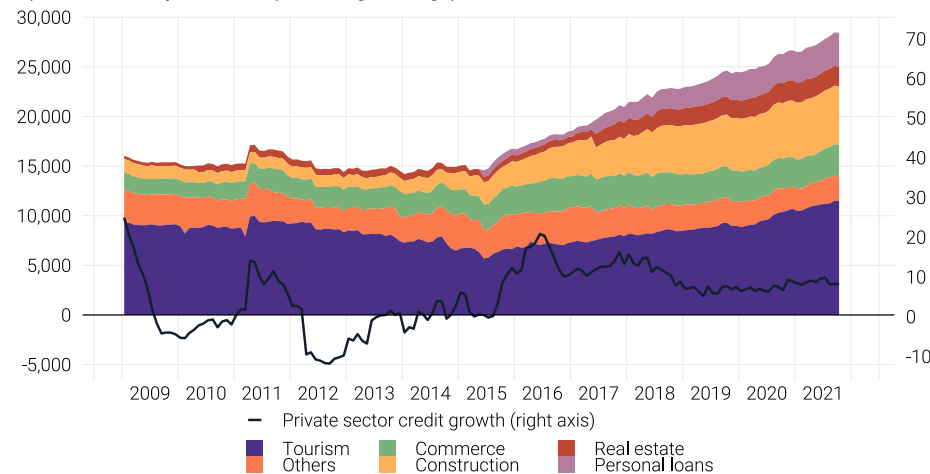
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Private Sector Credit, 2009 - 2021

(millions of rufiyaa, annual percentage change)



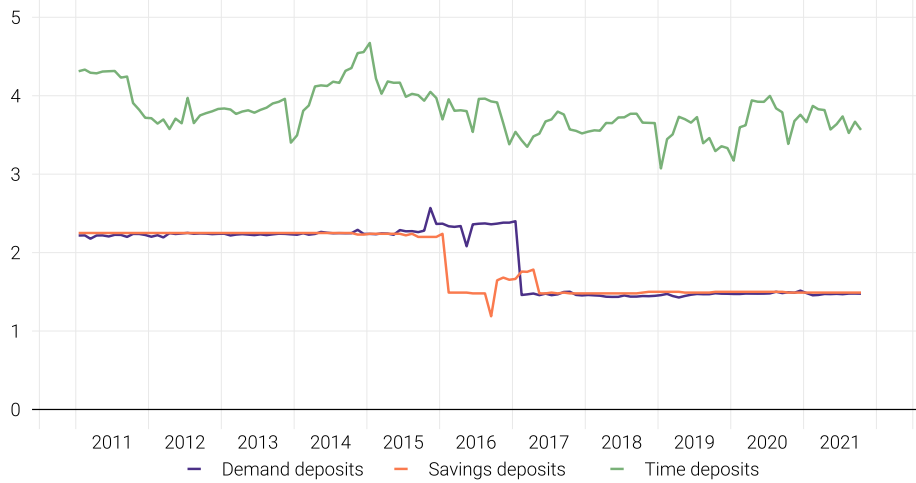
Source: Maldives Monetary Authority

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

Interest rates

Interest Rate on National Currency Deposits, 2011 - 2021

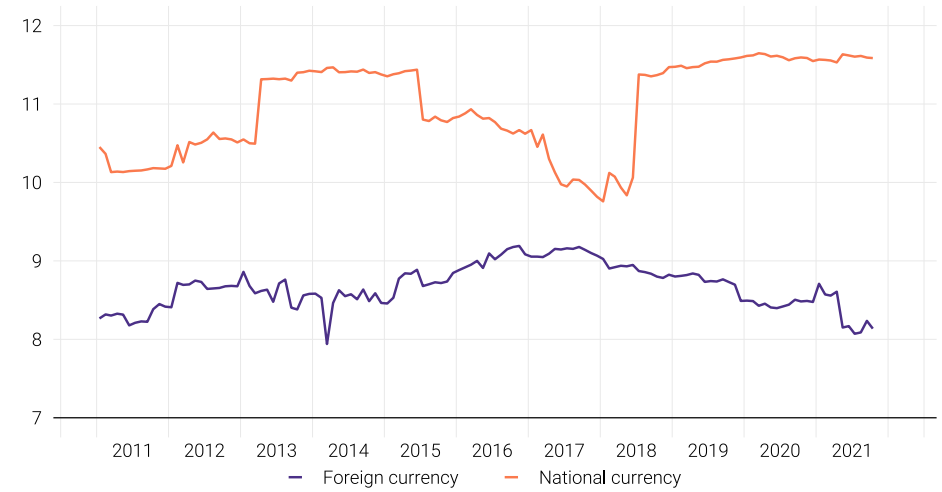
(weighted average)



Source: Maldives Monetary Authority

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

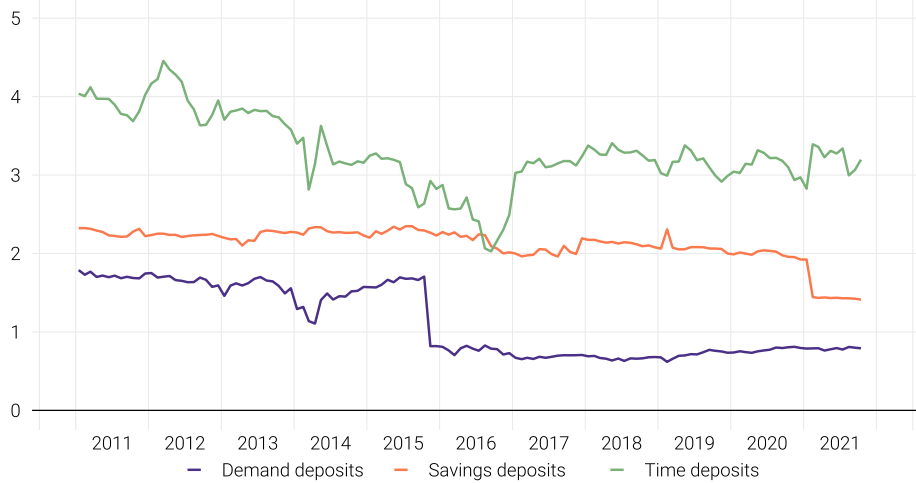
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2011 - 2021

(weighted average)



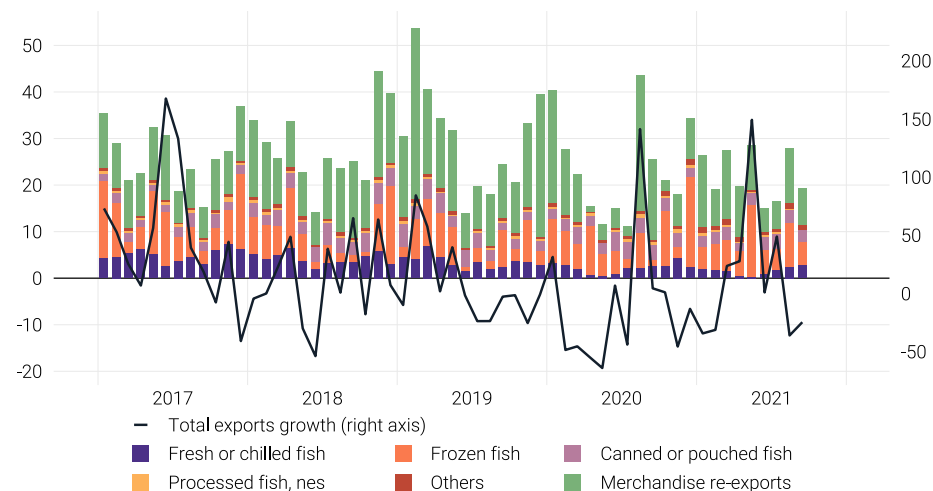
Source: Maldives Monetary Authority

External Trade

- Total exports (f.o.b) increased by 17% in October 2021 (-25% in September 2021) when compared with October 2020, while total imports (c.i.f) increased significantly by 88% in October 2021 (81% in September 2021) when compared with October 2020. In monthly terms, total exports increased by 27% in October 2021, while total imports increased by 10%.
 - The annual increase in total exports stemmed from an increase in re-exports as domestic exports registered a decline. The decline in domestic exports was primarily due to a sizeable reduction in export earnings from frozen skipjack tuna, followed by a decline in export earnings from fresh, or chilled yellowfin tuna and frozen yellowfin tuna, despite the increase in export earnings from canned or pouched tuna and fresh or chilled skipjack tuna.
 - As for the annual increase in total imports, the most significant increases were observed in the imports of food items, and petroleum products. Further, increases were observed in import of medical and surgical supplies, machinery and mechanical appliances and parts, transport equipments and parts, as well as construction-related items in October 2021.
- Overall, during the period January to October 2021, total exports recorded a 4% decline when compared with the corresponding period of 2020. However, total imports increased by 32% during the period January to October 2021, when compared with the corresponding period of 2020.

Total Exports, 2017 - 2021

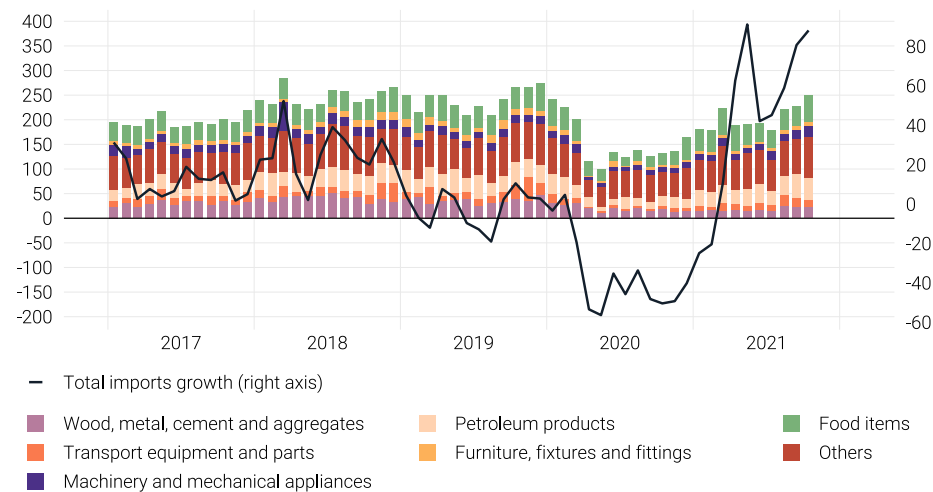
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

Total Imports, 2017 - 2021

(millions of US dollars, annual percentage change)



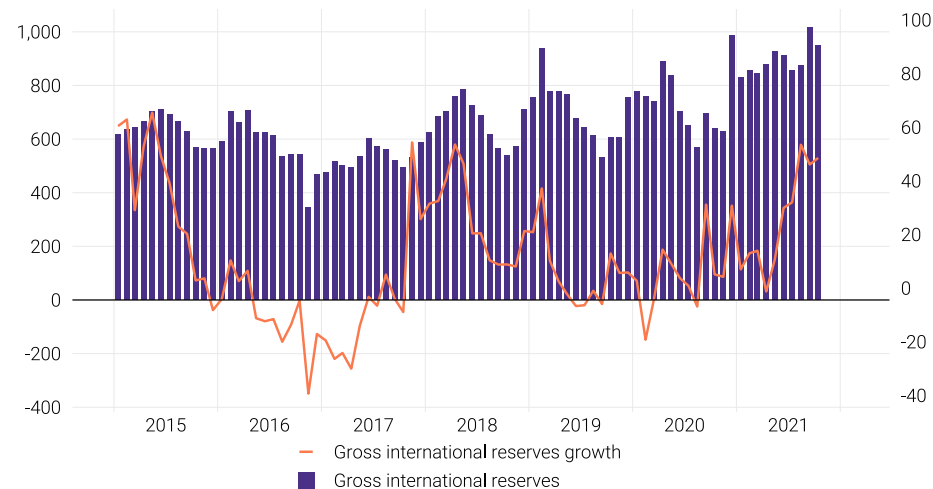
Source: Maldives Customs Service

Gross International Reserves

- Gross international reserves (official reserve assets)² declined to US\$947.6 million at the end of October 2021, from US\$1.0 billion at the end of September 2021. However, this was an increase from US\$638.1 million recorded at the end of October 2020.
 - In terms of growth rates, gross international reserves declined by 7% when compared with September 2021, while an increase of 49% in growth was registered when compared with October 2020.

Gross International Reserves, 2015 - 2021

(millions of US dollars, annual percentage change)



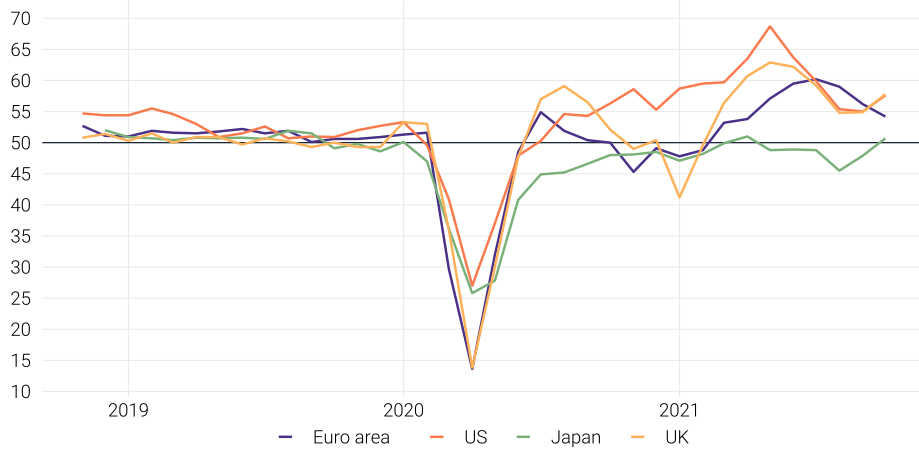
Source: Maldives Monetary Authority

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

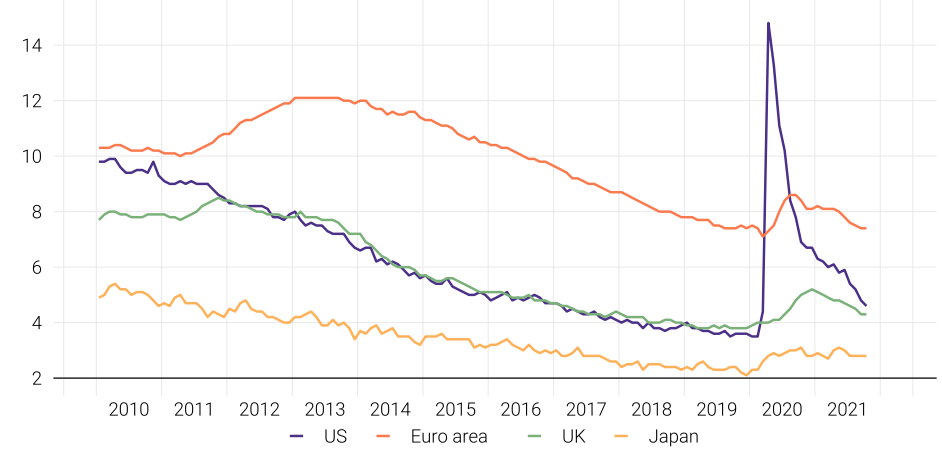
Global Output

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



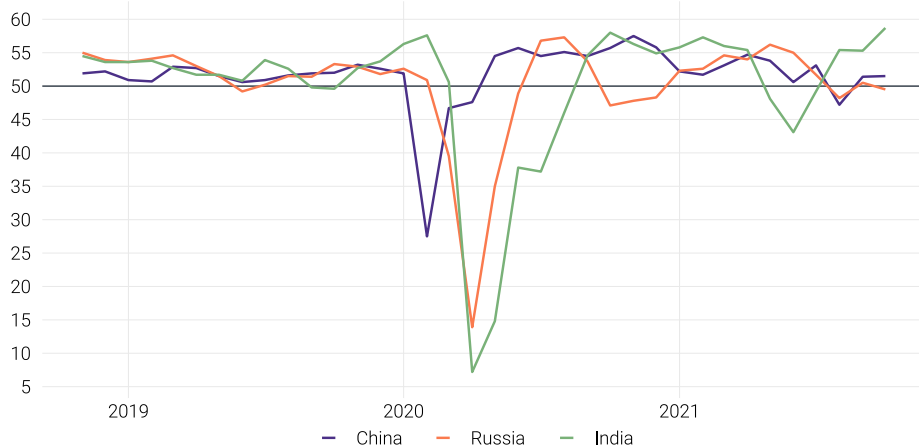
Source: Bloomberg Database

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



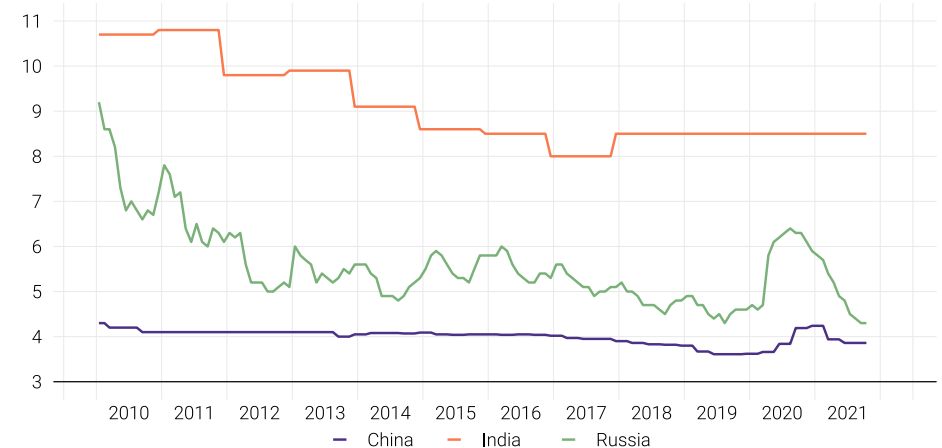
Source: Bloomberg Database

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



Source: Bloomberg Database

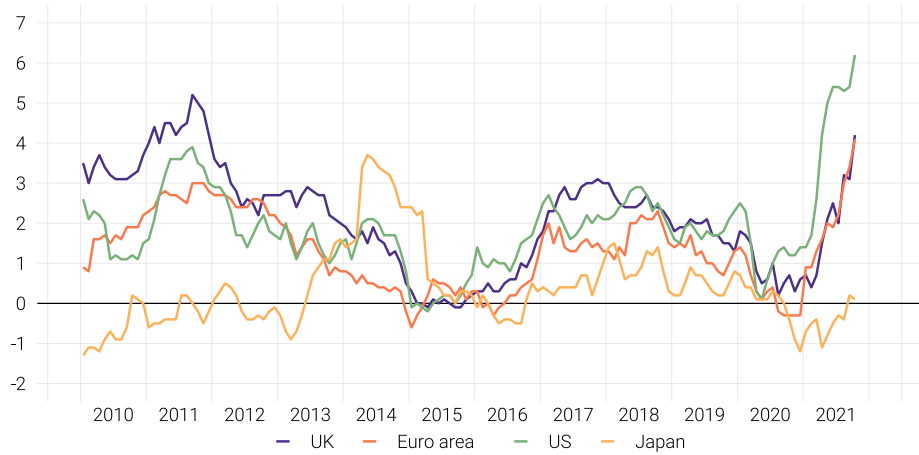
Unemployment in the Emerging Economies, 2010 - 2021
(percent)



Source: Bloomberg Database

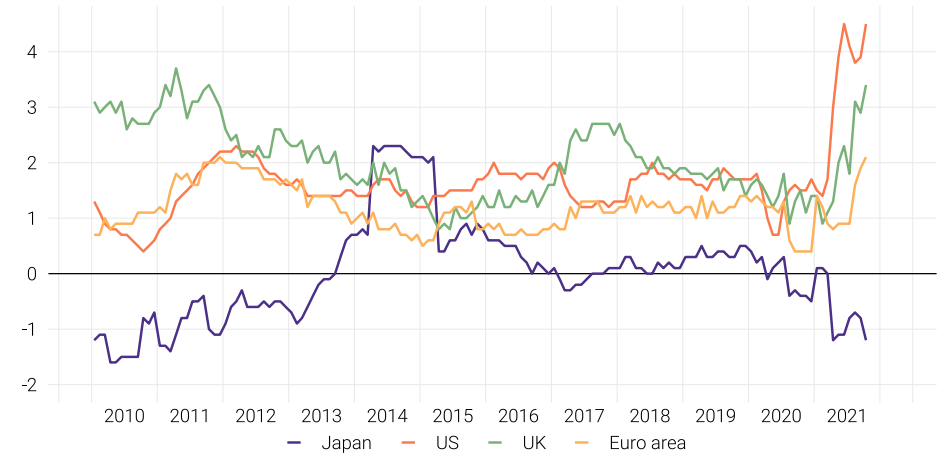
Global Inflation

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



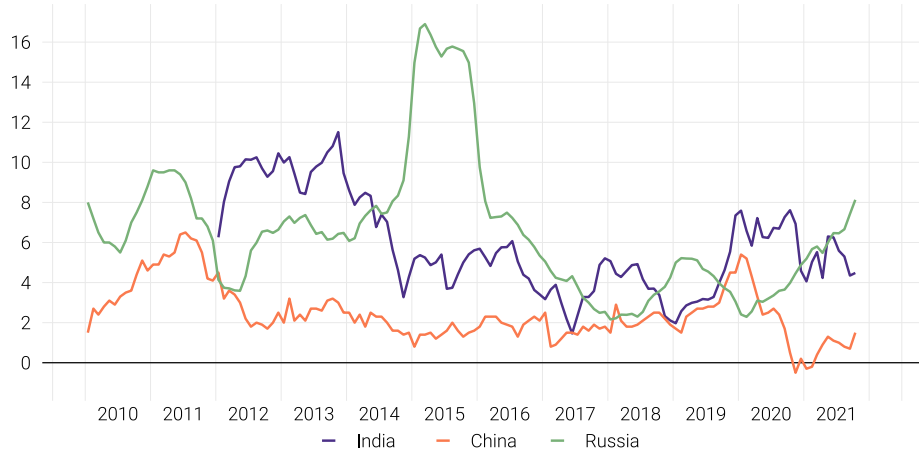
Source: Bloomberg Database

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



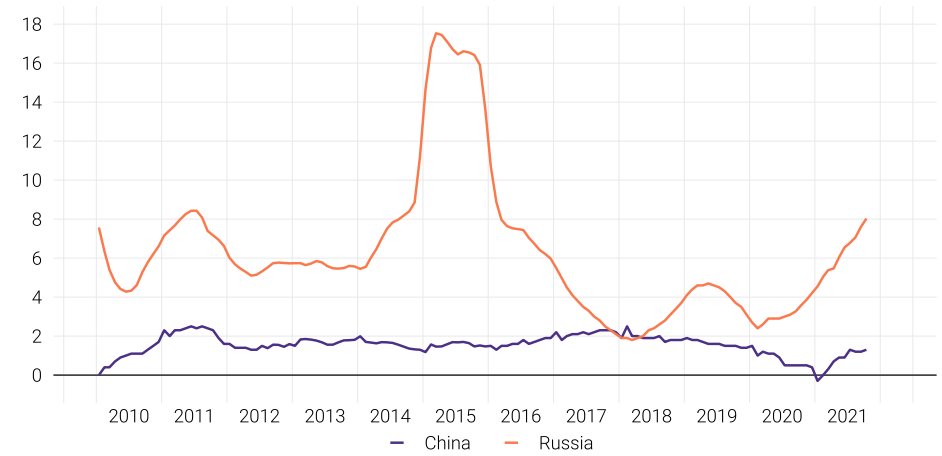
Source: Bloomberg Database

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



Source: Bloomberg Database

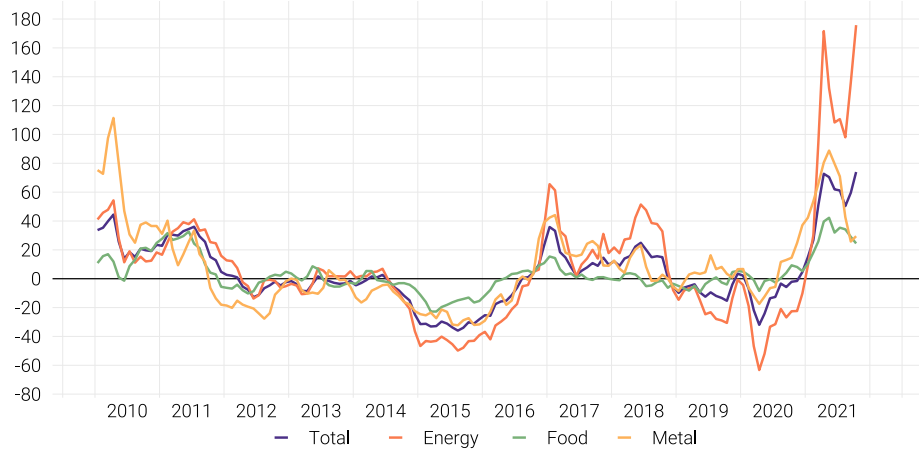
Core Inflation in the Emerging Economies, 2010 - 2021
(percent)



Source: Bloomberg Database

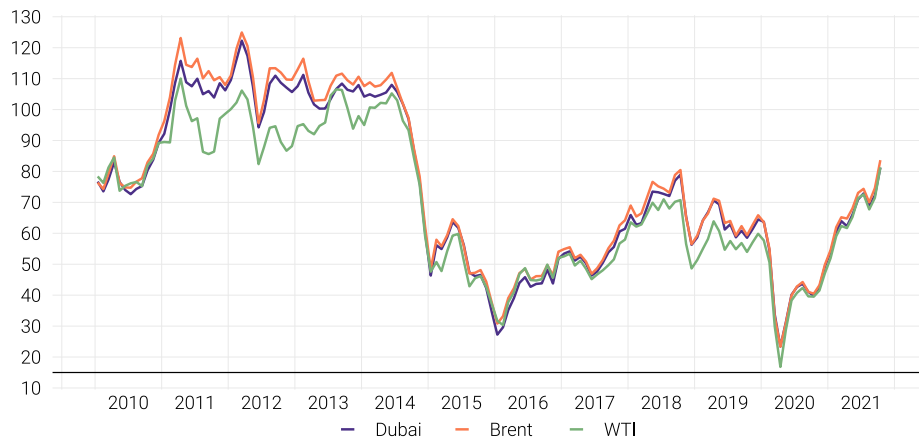
Commodity Prices

Commodity prices, 2010 - 2021
(annual percentage change)



Source: IMF

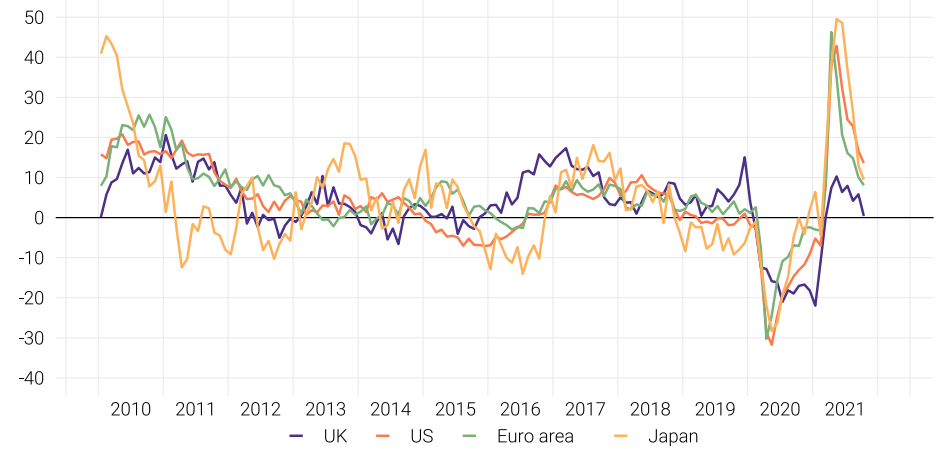
Oil prices, 2010 - 2021
(dollars per barrel)



Source: Bloomberg Database

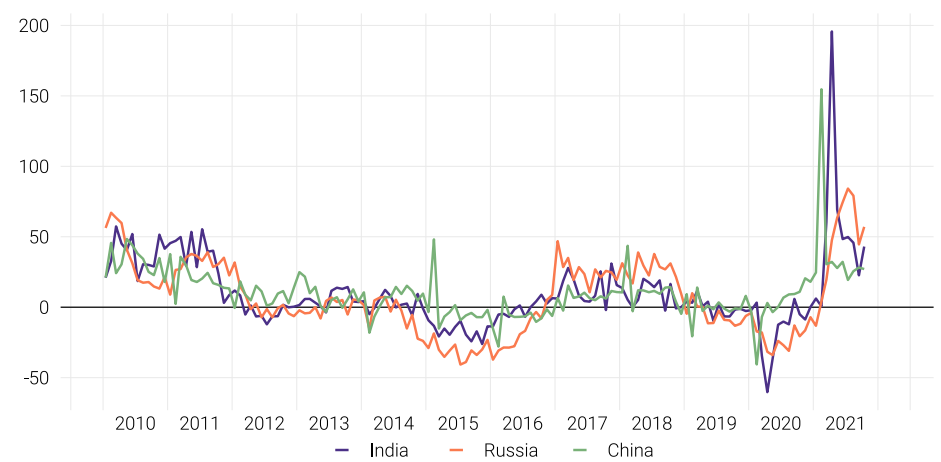
Global Trade

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



Source: Bloomberg Database

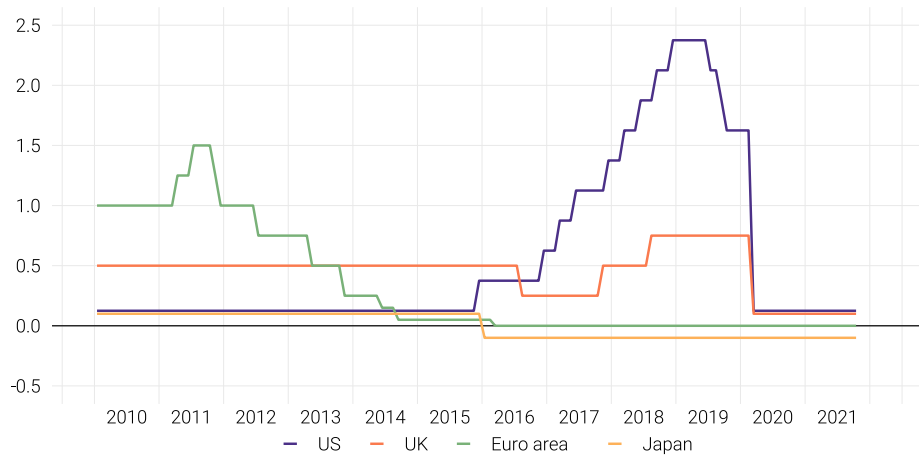
Exports in the Emerging Economies, 2010 - 2021
(annual percentage change)



Source: Bloomberg Database

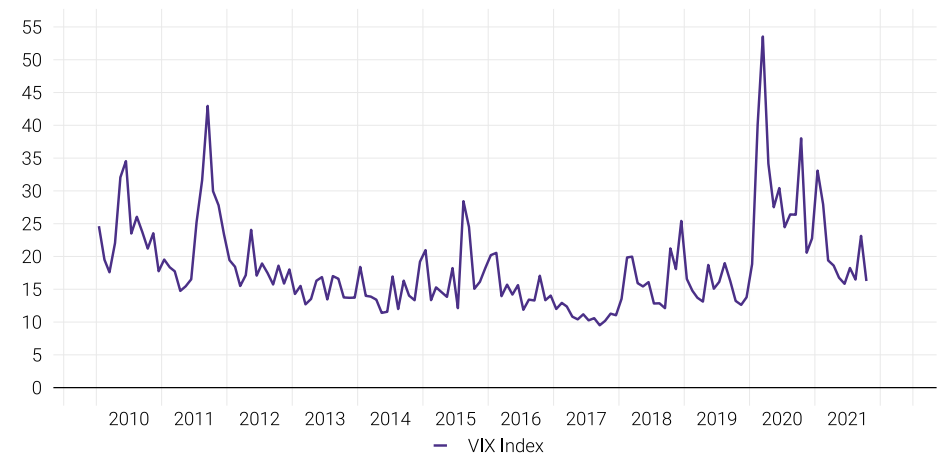
Global Financial Markets

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



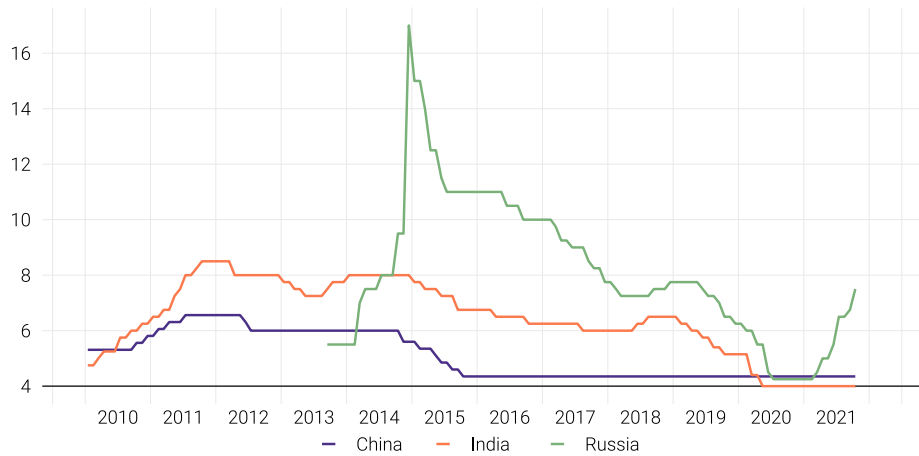
Source: Bloomberg Database

Volatility Index, 2010 - 2021
(percent)



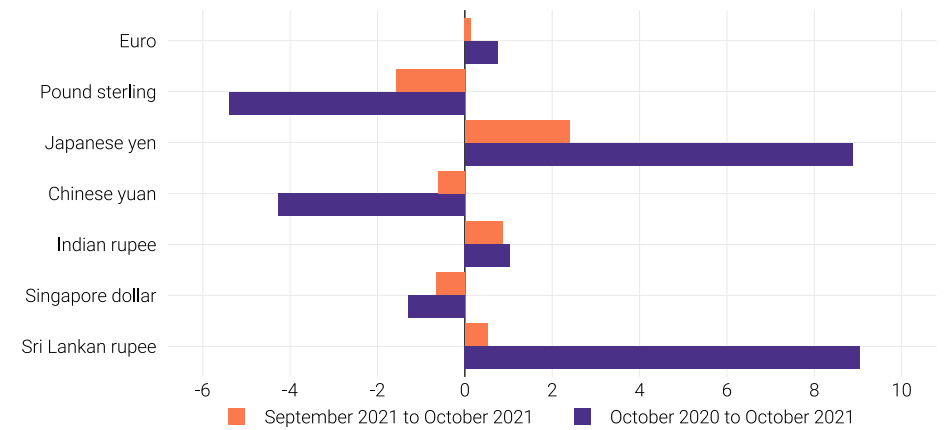
Source: Bloomberg Database

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



Source: Bloomberg Database

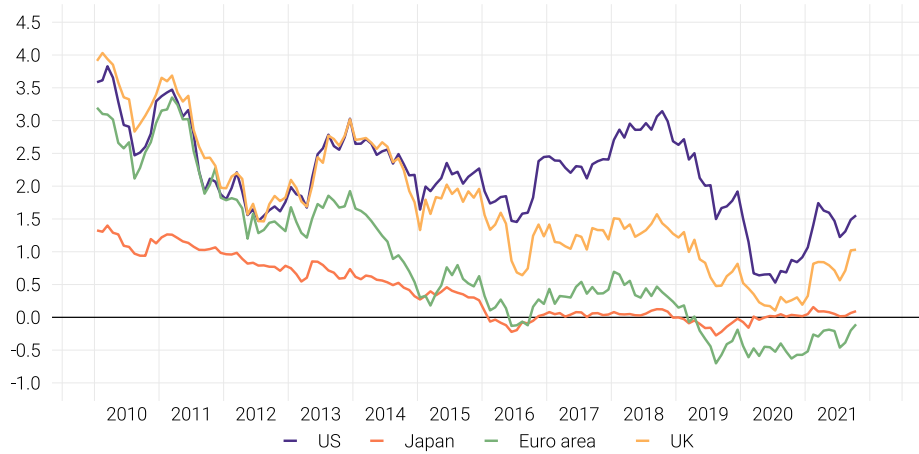
Exchange Rate of US Dollar against Currencies of Major Trading Partners, October 2021
(percentage change)



Source: Bloomberg Database

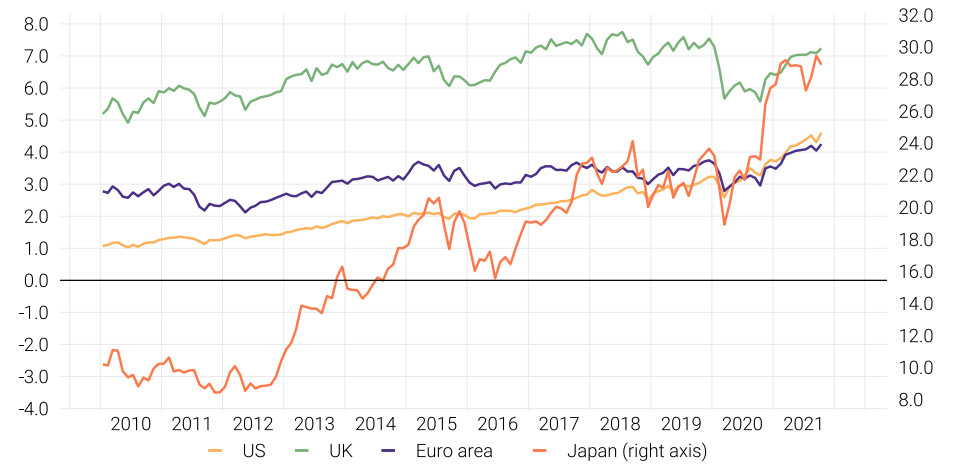
Global Financial Markets

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



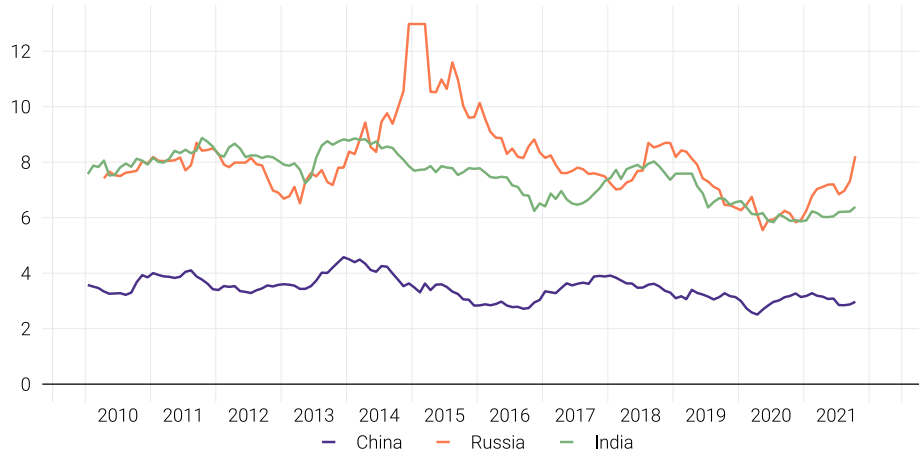
Source: Bloomberg Database

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



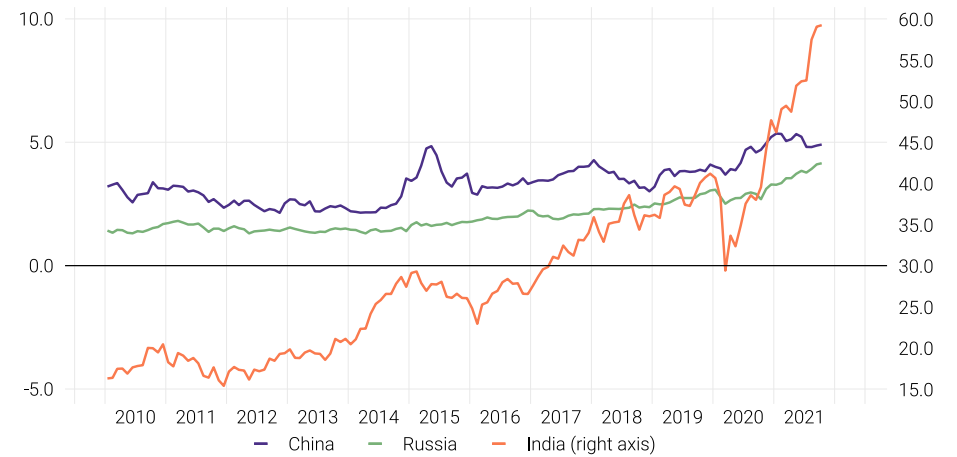
Source: Bloomberg Database

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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