

ECONOMIC UPDATE

MARCH 2020

VOLUME 2 ISSUE 3



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.

Domestic Economic Developments

Real Economy

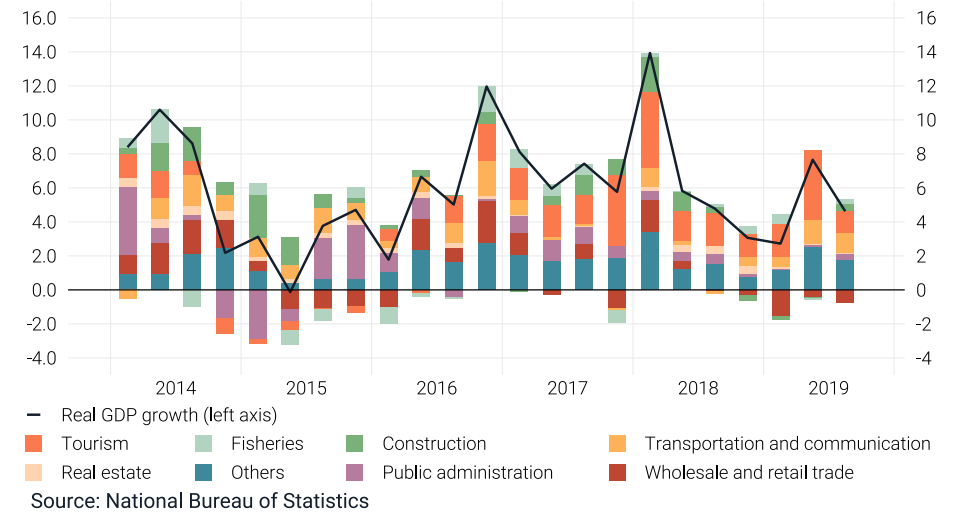
Gross Domestic Product

- According to latest available Quarterly National Accounts data released by the National Bureau of Statistics, preliminary estimates of real GDP for Q3-2019 indicated that growth decelerated to 4.6% in annual terms, from the revised growth rate of 7.7% for Q2-2019 (previously at 9.4%).
 - The deceleration in growth in Q3-2019 mainly stemmed from the cyclical nature of the tourism sector reflecting its seasonality. On the other hand, activity in the transport and communication sectors remained strong, while activity in the construction sector also picked up.
 - Meanwhile, activity in the wholesale and retail trade remained weak and contributed negatively to growth during the quarter.

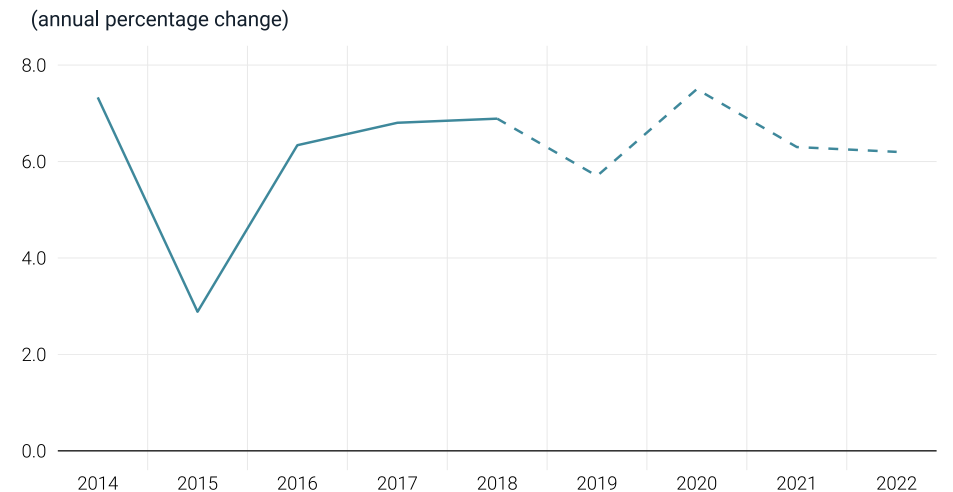
Annual GDP Growth Forecast

- Although real GDP growth was projected to accelerate to 7.5% in 2020 from 5.7% in 2019 (based on estimates made by MMA and MoF in October 2019), growth is now forecasted to decline significantly in 2020 due to the severe impact of Covid-19 pandemic on tourist arrivals. In 2020, tourist arrivals is expected to fall sharply, with negative spillover effects on all major sectors of the economy such as transport and communications; construction and; wholesale and retail trade.

Contribution to Real GDP Growth by Economic Sectors, 2014 - 2019
(annual percentage change, percentage point contribution)



Real GDP Growth, 2014 - 2022
(annual percentage change)



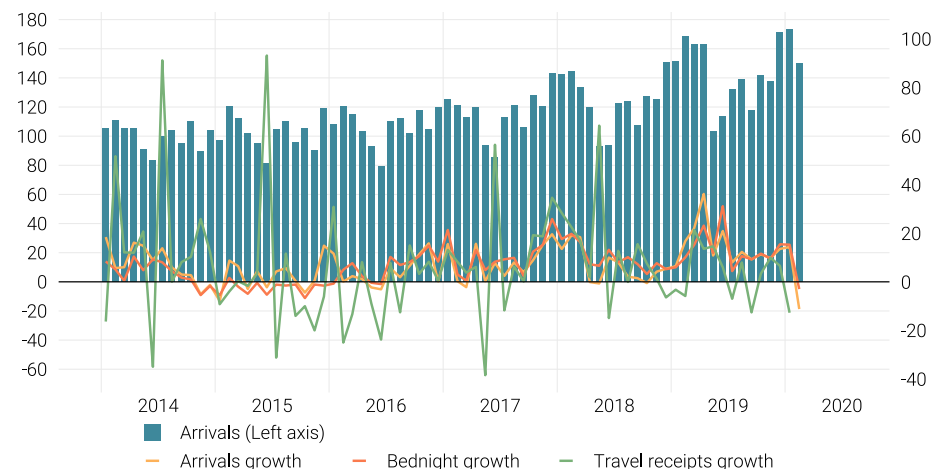
Source: National Bureau of Statistics, Maldives Monetary Authority, Ministry of Finance
Note: The dashed lines represent forecasts.

Tourism

- In February 2020, tourist arrivals registered an annual decline of 11%, while bednights fell by 3%.
 - The decline in tourist arrivals during the month largely reflected the decrease in arrivals from the Asia and the Pacific region, particularly, China due to the travel restrictions imposed by the government on arrivals from China, as a measure to combat the spread of Covid-19. Meanwhile, arrivals from Europe observed a sizeable growth, driven by growth in arrivals from Russia and Italy. It is noteworthy that arrivals from all major source markets from Europe registered a growth over the period.
- During the review period, the operational bed capacity of the tourism industry increased by 14%, while the occupancy rate fell to 67% in February 2020 from 82% in February 2019.
- Overall, for the period of January to February 2020, total tourist arrivals increased by 1% in annual terms, while total bednights of the industry observed an increase of 6%.

Tourism, 2014 - 2020

(thousands, annual percentage change)

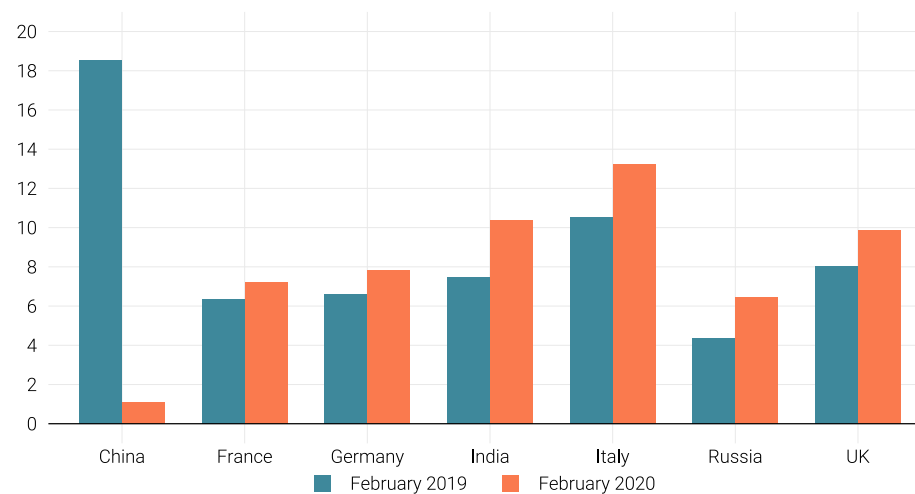


Source: Ministry of Tourism

Note: Tourism receipts available up to January 2020.

Shares of Key Inbound Markets

(percent)

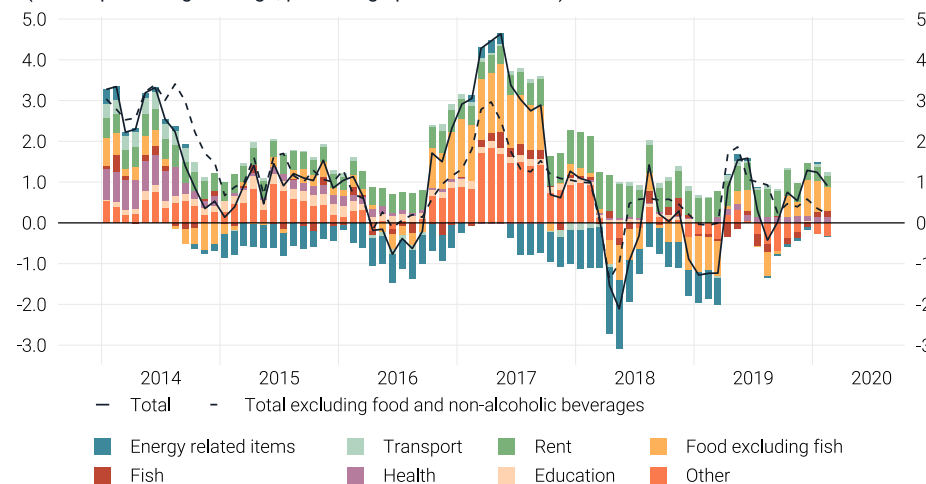


Source: Ministry of Tourism

Inflation

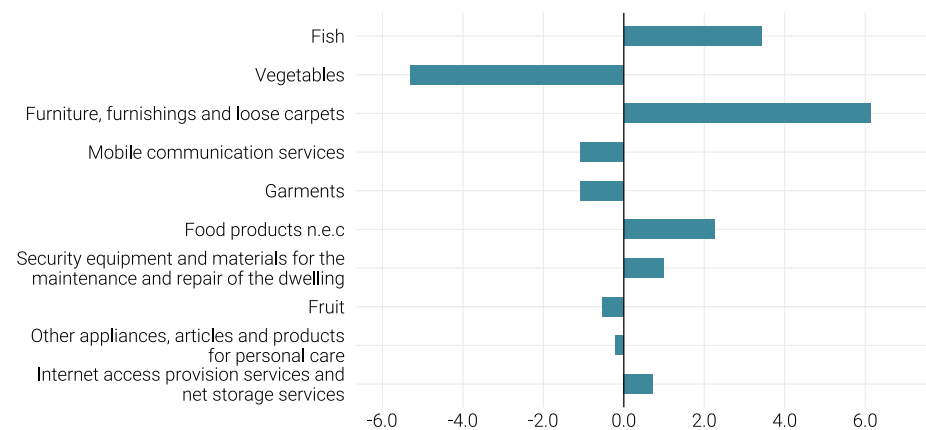
- The rate of inflation, as measured by the annual percentage change in the national CPI, decelerated to 0.9% in February 2020, after recording 1.2% in January 2020.
 - From the major categories of CPI, the largest contributors to the annual rate of inflation during February 2020 were vegetables (0.6 percentage points); rent (0.3 percentage points); restaurants and cafés (0.2 percentage points); and information and communication services (-0.3 percentage points).
- The monthly percentage change in the national CPI remained largely unchanged after recording -0.1% in January 2020.
 - The largest contribution to the monthly rate of inflation came from fish (0.1 percentage point); furniture, furnishings and loose carpets (0.1 percentage points); vegetables (-0.1 percentage points); and mobile communication services (-0.1 percentage points).

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), February 2020
(monthly percentage change)



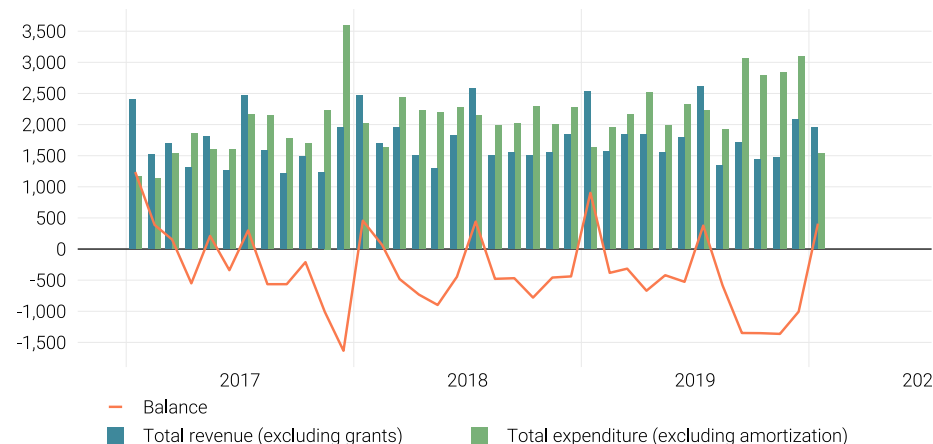
Source: National Bureau of Statistics
Note: Ordered by the size of the contribution.

Public Finance

- Total government revenue (excluding grants) observed a decrease of MVR586.2 million (or 23%) in January 2020 when compared with January 2019.
 - This was owing to fall in both tax and non-tax revenue. As such, tax revenue declined by MVR341.4 million, while non-tax revenue decreased by MVR269.2 million.
- Total expenditure (excluding amortisation) decreased by MVR90.9 million (or 6%) in January 2020 when compared with January 2019.
 - The decrease in expenditure stemmed from the MVR192.4 million decline in capital expenditure while recurrent expenditure posted a growth of MVR101.5 million.
- According to latest available data, the stock of government debt (excluding government guaranteed debt) amounted to MVR54.2 billion in Q4-2019, a 6% increase from Q3-2019. Similarly, government debt as a percentage of GDP increased to 62% during Q4-2019.
 - During this period, the increase in government debt was primarily driven by domestic debt.

Government Revenue and Expenditure, 2017 - 2020

(millions of rufiyaa)

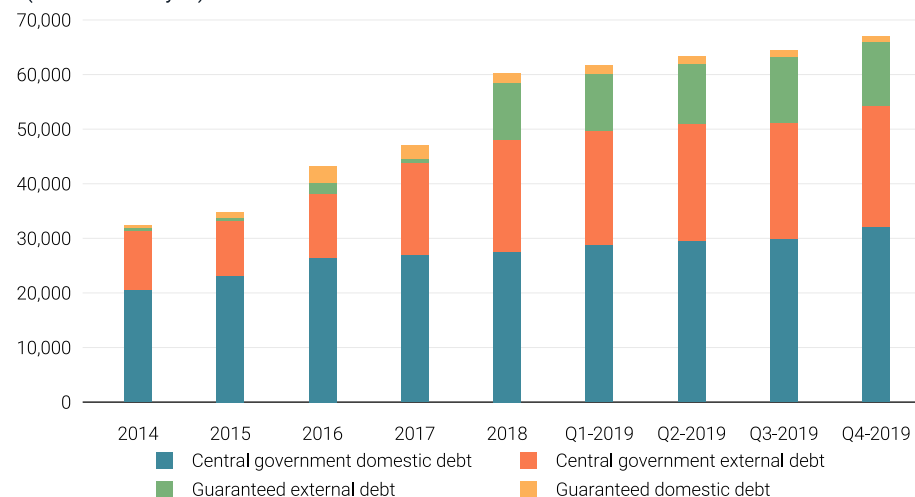


Source: Ministry of Finance

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

Total Outstanding Stock of Public Debt, 2014 - 2019

(millions of rufiyaa)



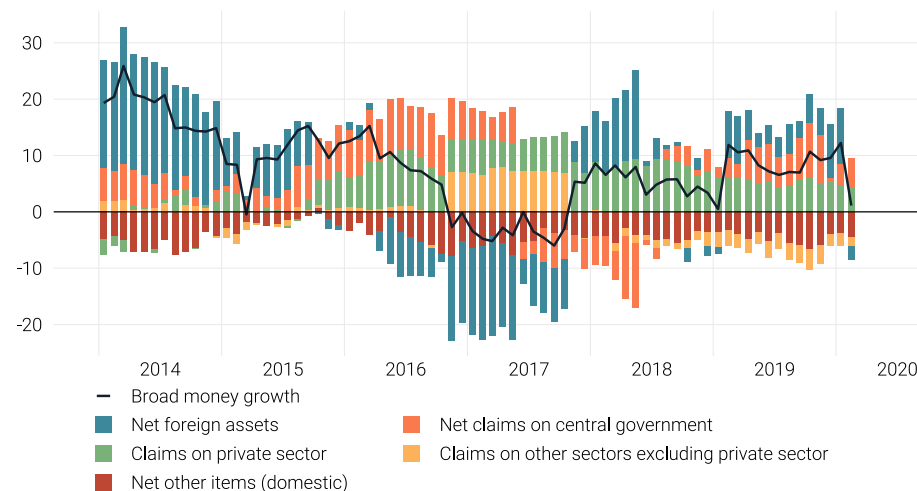
Source: Ministry of Finance

Monetary Developments

Broad Money

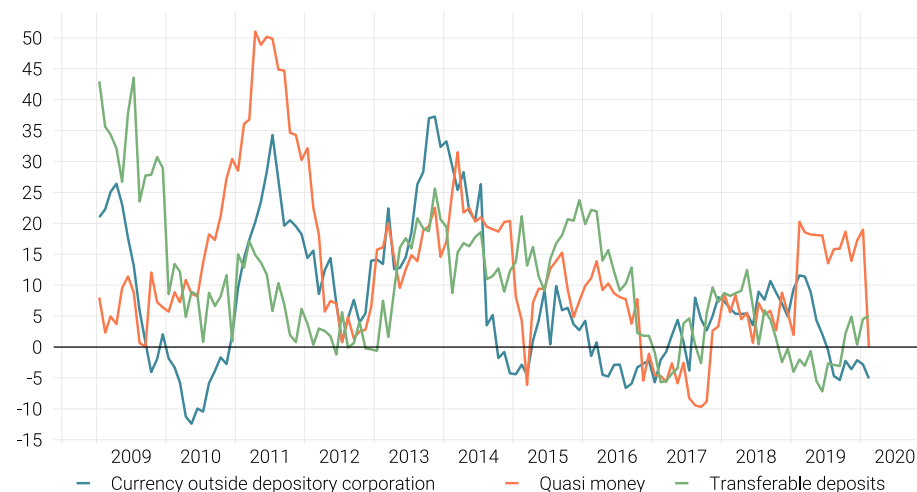
- Broad Money (M2) growth decelerated to 1% in annual terms at the end of February 2020, after registering 12% during the previous month.
 - On the components side, the deceleration in broad money growth was primarily due to a muted growth in quasi money, which mainly reflected the decrease in transferable deposits denominated in foreign currency. Meanwhile, narrow money growth also remained unchanged over the period.
 - As for the sources, broad money growth was driven by net domestic assets owing to the increase in government securities and private sector credit, while growth in net foreign assets posted a decline.

Contribution to Broad Money, 2014 - 2020
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

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



Source: Maldives Monetary Authority

Reserve Money

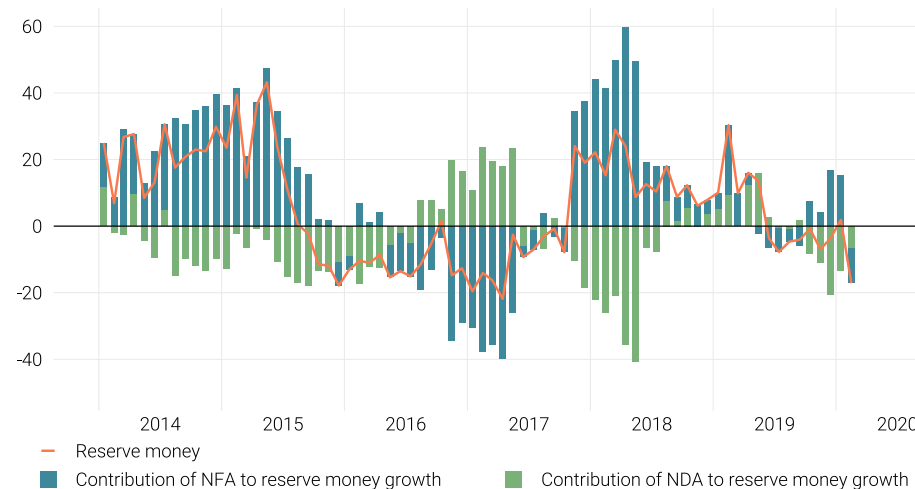
- Annual reserve money (M0) growth turned negative after observing a positive turnaround in January 2020. As such, M0 recorded a decline of 17% in February 2020 after registering a 2% growth in January 2020.
 - The decline in reserve money stemmed from the decline in both net foreign assets and net domestic assets of the MMA.
 - Net foreign assets declined owing to a slowdown in claims on non-residents while the growth rate of net domestic assets of the MMA continued to remain negative reflecting the decline in net claims on central government and claims on public nonfinancial corporations.

Credit to Private Sector

- Credit to the private sector¹ by commercial banks and finance companies posted an annual growth of 8% at the end of February 2020 when compared to the corresponding period of 2019.
 - With regard to the composition of credit to private sector, similar to the previous month, credit growth was observed for all main sectors, namely construction, tourism, real estate, commerce and communication; except for transport sector. Further, credit extended as personal loans observed the largest increase over the period.
 - Credit extended as personal loans was driven by growth in credit in the form of credit cards and consumer durables during February 2020, which observed an annual growth of 37% during the period.

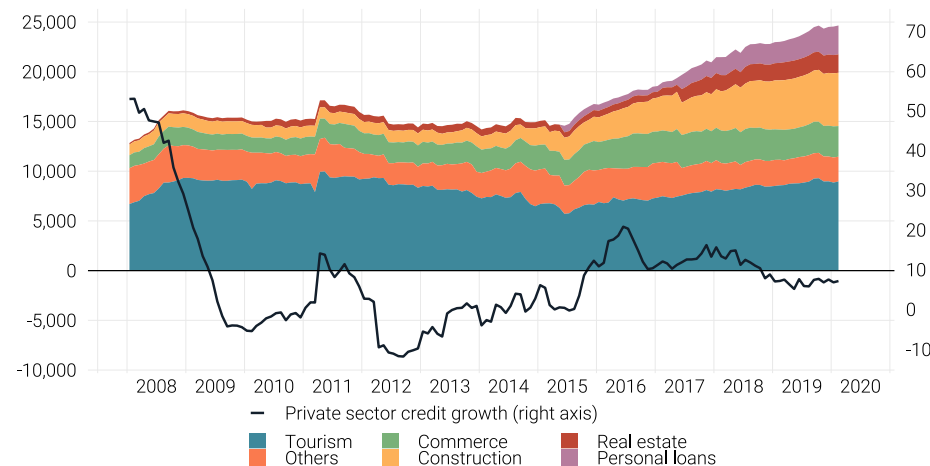
Sources of Reserve Money, 2014 - 2020

(annual percentage change, contribution percent)



Private Sector Credit, 2008 - 2020

(millions of rufiyaa, annual percentage change)



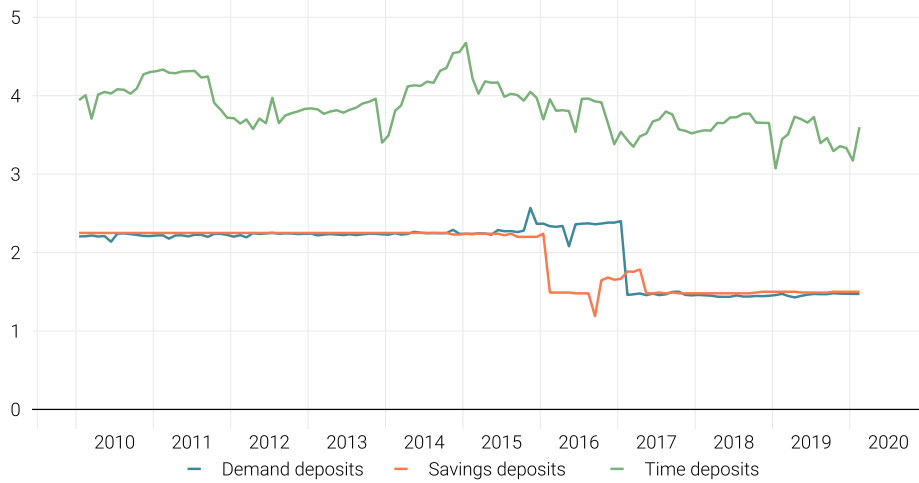
Note: Personal loans were not classified as a separate category prior to June 2015.

¹Credit to the private sector by finance companies is included from February 2020 onwards.

Interest rates

Interest Rate on National Currency Deposits, 2010 - 2020

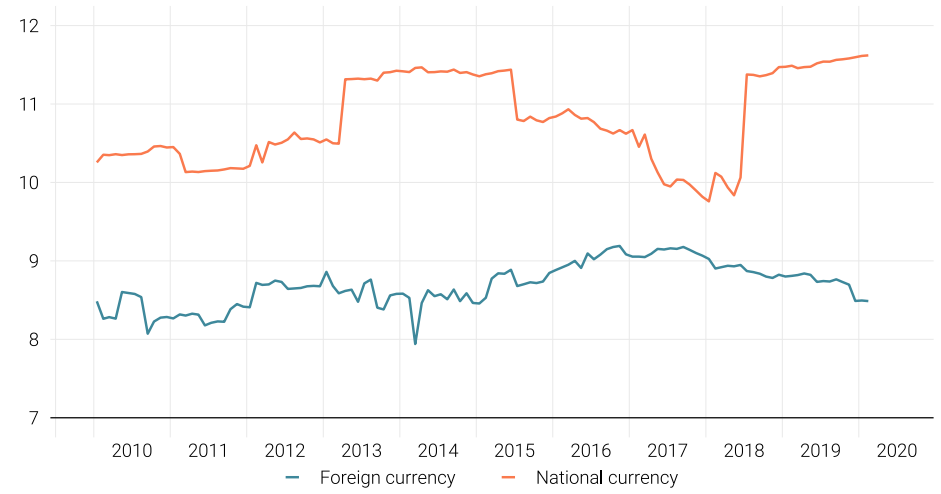
(weighted average)



Source: Maldives Monetary Authority

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

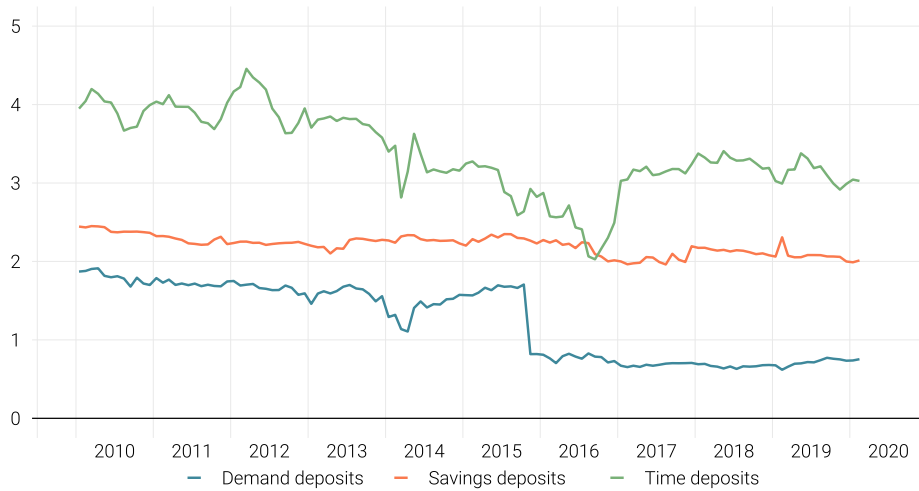
(weighted average)



Source: Maldives Monetary Authority

Interest Rate on Foreign Currency Deposits, 2010 - 2020

(weighted average)

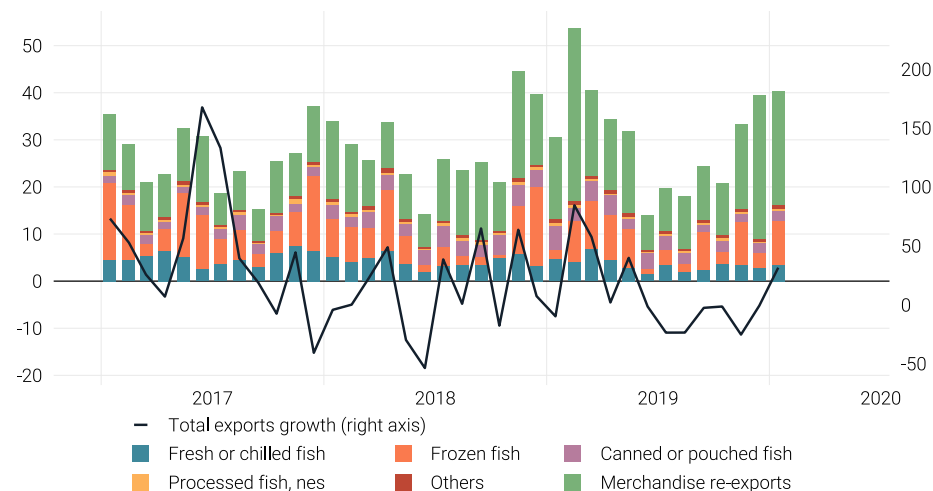


Source: Maldives Monetary Authority

External Trade

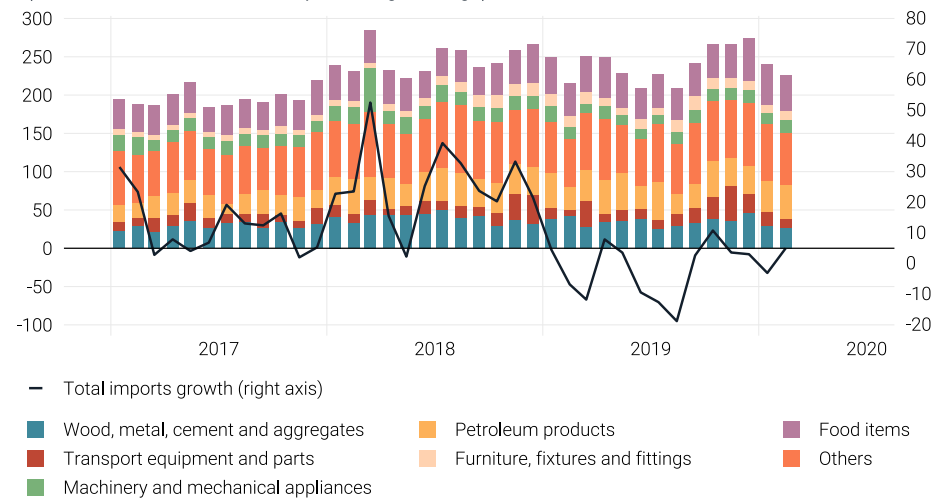
- According to latest available data², total exports (f.o.b) observed an annual growth of 32% in January 2020. Meanwhile, total imports (c.i.f) observed a 5% annual growth in February 2020.
 - The growth in total exports in January 2020 stemmed from the increase in both re-exports and domestic exports. The increase in domestic exports was mainly due to a remarkable growth in export earnings from frozen skipjack tuna, combined with export earnings from frozen yellowfin tuna despite a sizeable fall in earnings from canned or pouched tuna exports.
 - As for the increase in total imports in February 2020, it was mainly driven by a significant increase in imports of petroleum products, combined with imports of food items; electronic and electrical appliances; and transport equipments and parts, despite a sizeable decline in constructed-related items.
- Overall, during January to December 2019, total exports recorded a 6% growth while total imports decreased by 2% when compared with the corresponding period of 2018.

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)



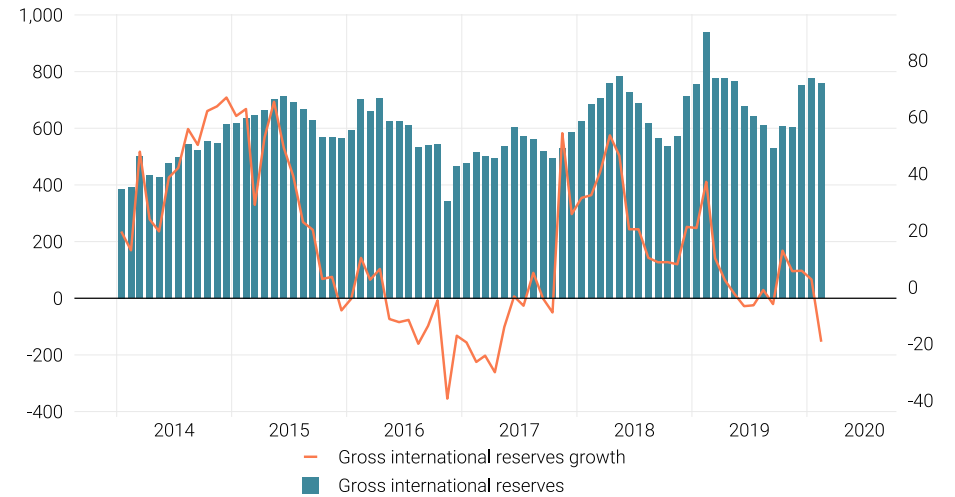
Source: Maldives Customs Service

²Data relating to re-exports was not available at the time of compilation of this report.

Gross International Reserves

- Gross international reserves decreased to US\$757.4 million at the end of February 2020 from US\$776.6 million at the end of January 2020.
 - This was a decline of 19% and 2%, respectively, when compared with February 2019 and January 2020.

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

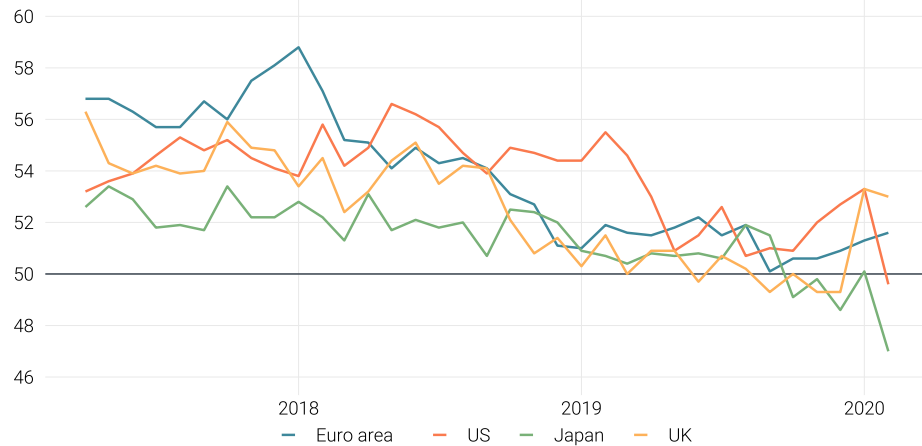


Source: Maldives Monetary Authority

International Economic Developments

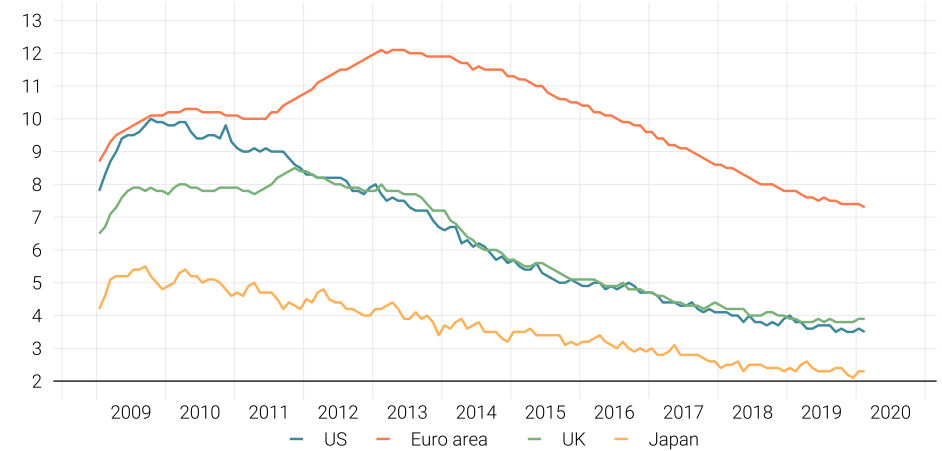
Global Output

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



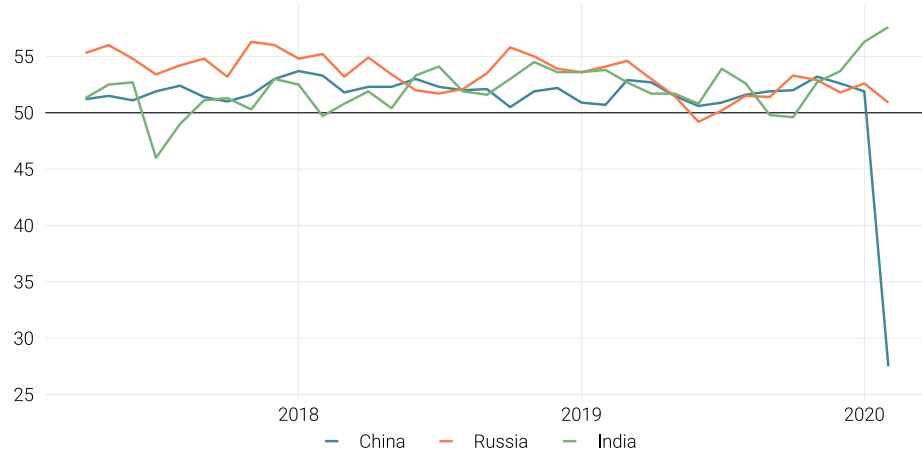
Source: Bloomberg Database

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



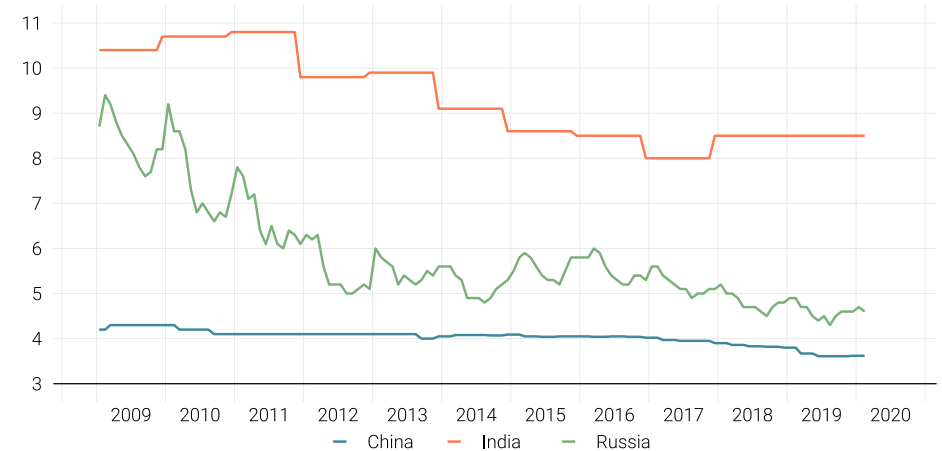
Source: Bloomberg Database

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



Source: Bloomberg Database

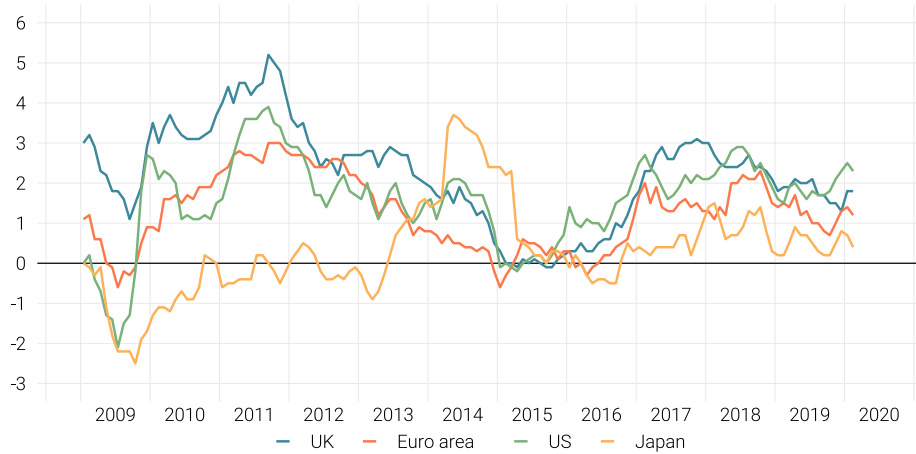
Unemployment in the Emerging Economies, 2009 - 2020
(percent)



Source: Bloomberg Database

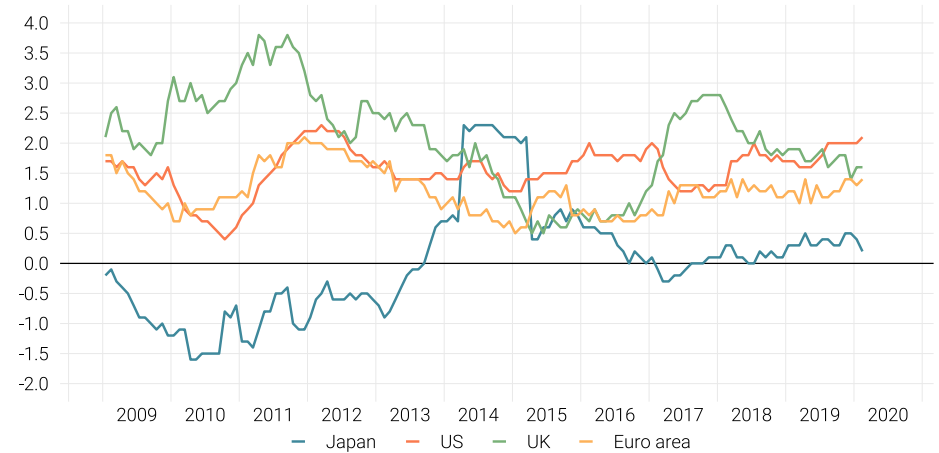
Global Inflation

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



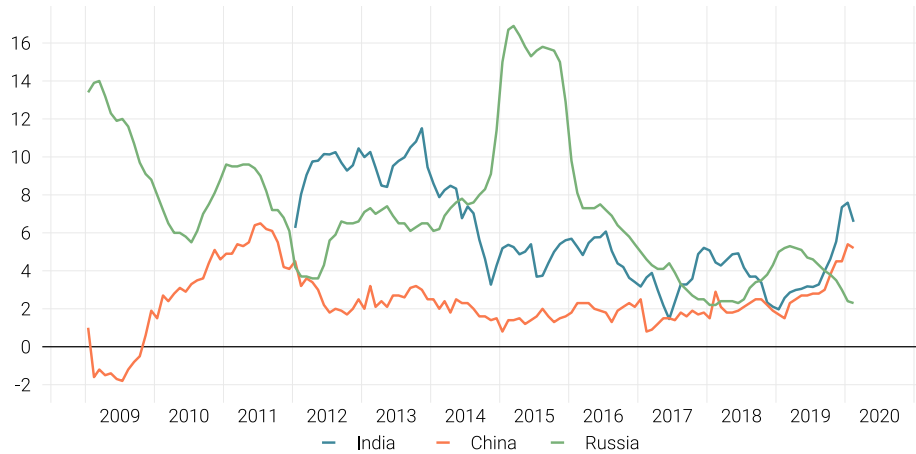
Source: Bloomberg Database

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



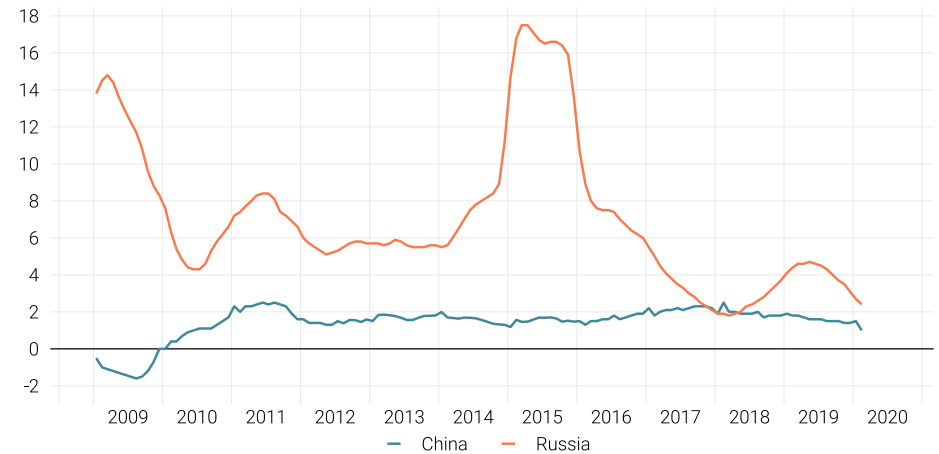
Source: Bloomberg Database

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



Source: Bloomberg Database

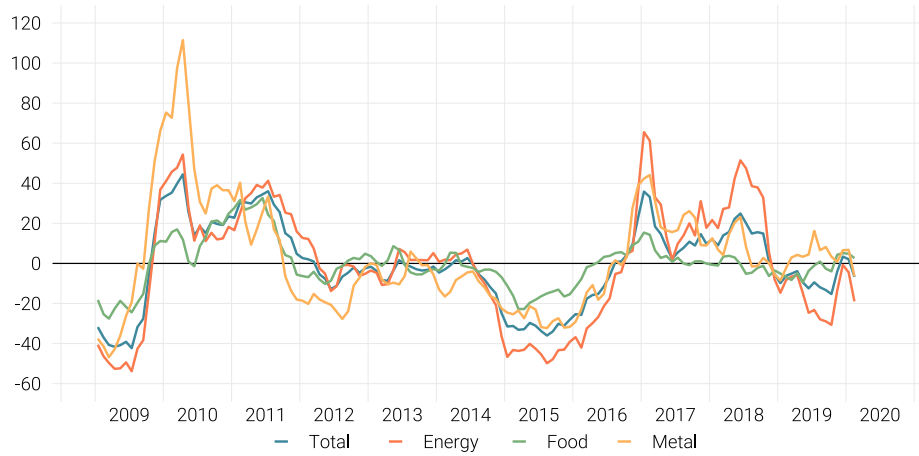
Core Inflation in the Emerging Economies, 2009 - 2020
(percent)



Source: Bloomberg Database

Commodity Prices

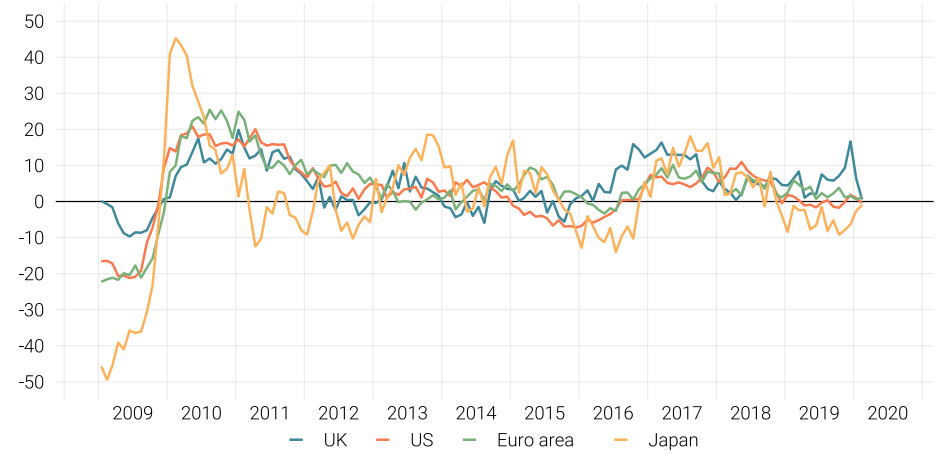
Commodity prices, 2009 - 2020
(annual percentage change)



Source: IMF

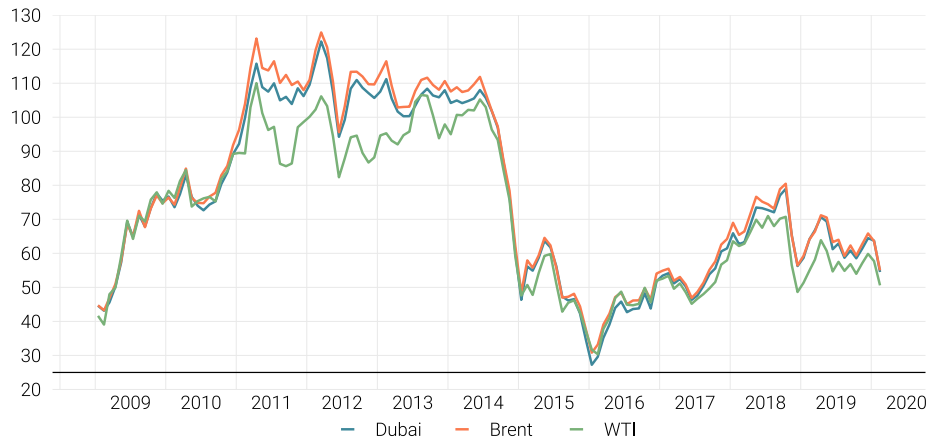
Global Trade

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



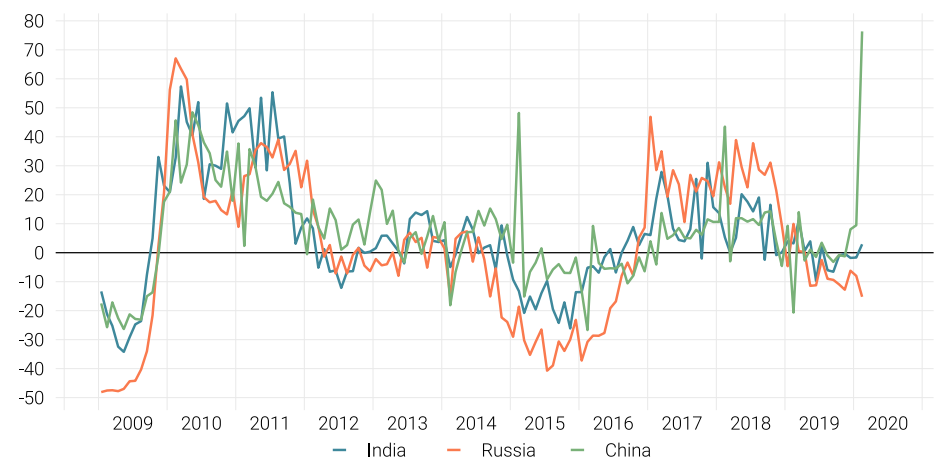
Source: Bloomberg Database

Oil prices, 2009 - 2020
(dollars per barrel)



Source: Bloomberg Database

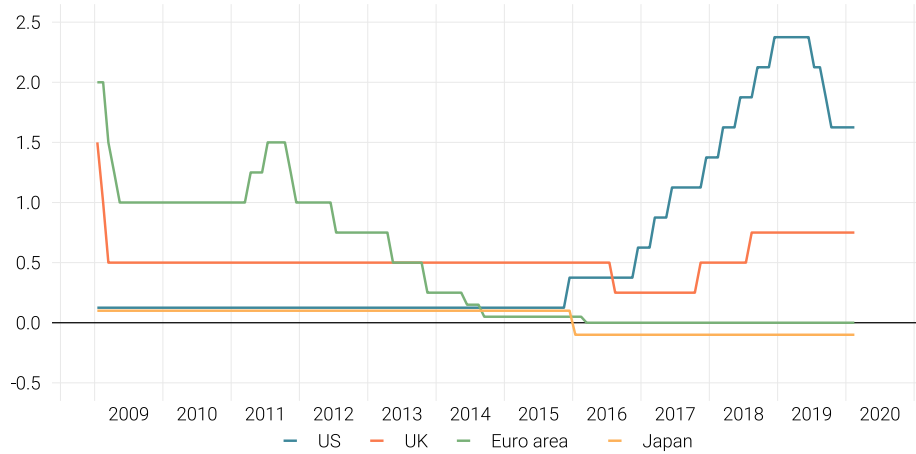
Exports in the Emerging Economies, 2009 - 2020
(annual percentage change)



Source: Bloomberg Database

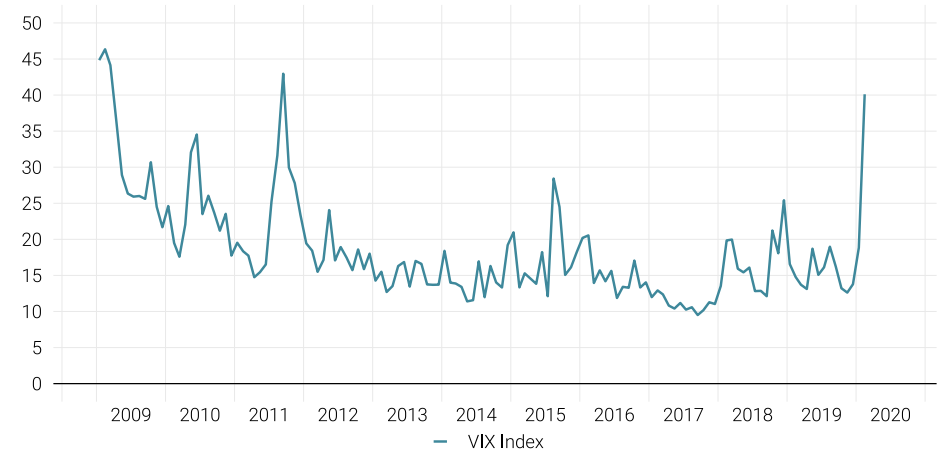
Global Financial Markets

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



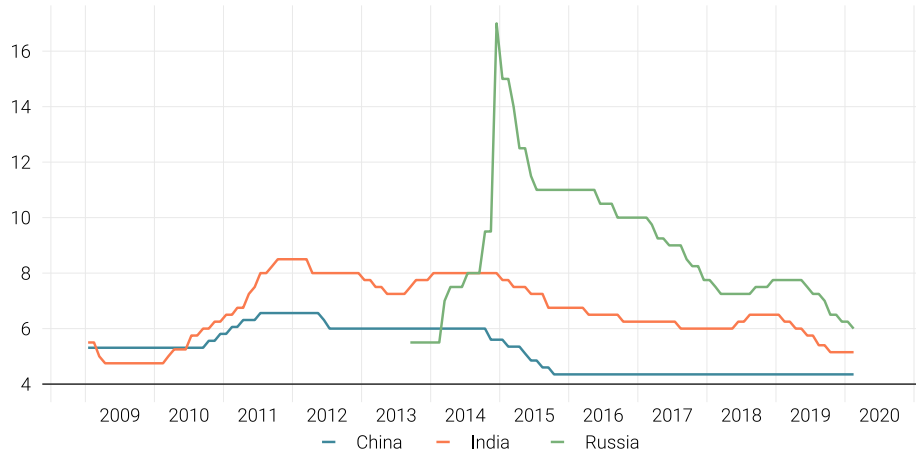
Source: Bloomberg Database

Volatility Index, 2009 - 2020
(percent)



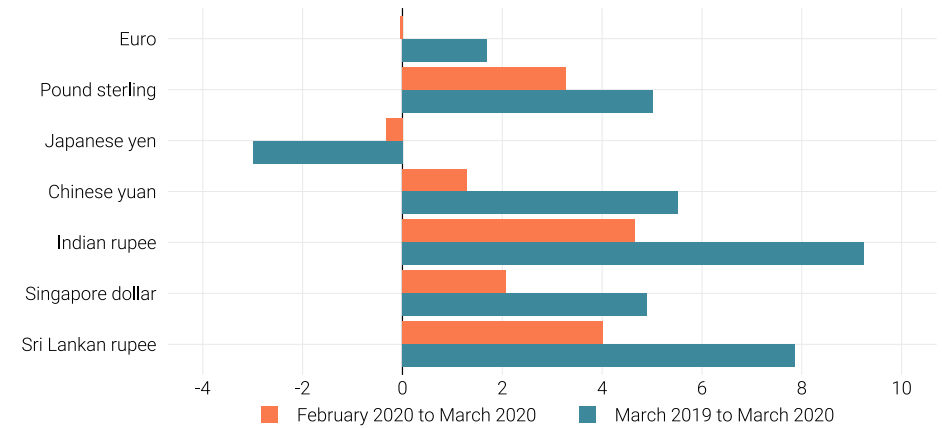
Source: Bloomberg Database

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



Source: Bloomberg Database

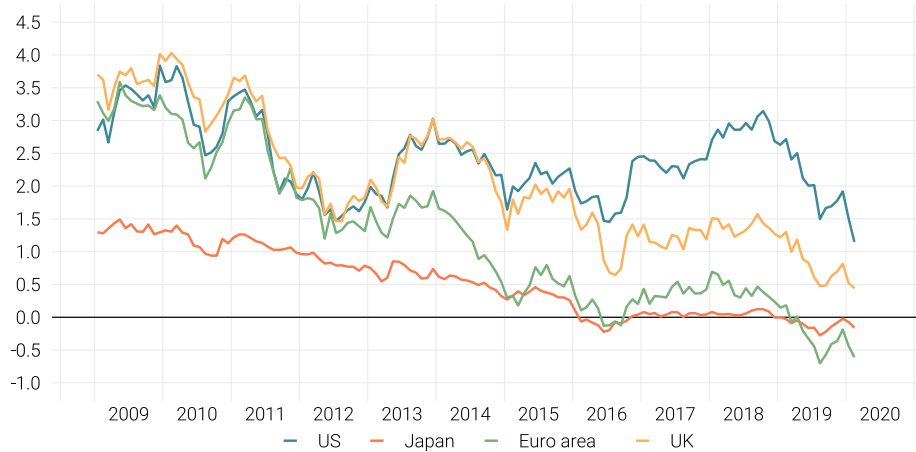
Exchange Rate of US Dollar against Currencies of Major Trading Partners, March 2020
(percentage change)



Source: Bloomberg Database

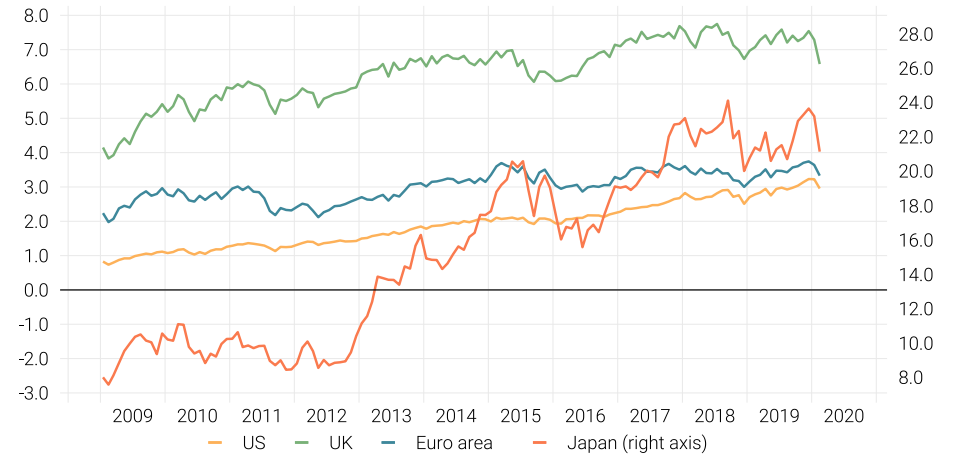
Global Financial Markets

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



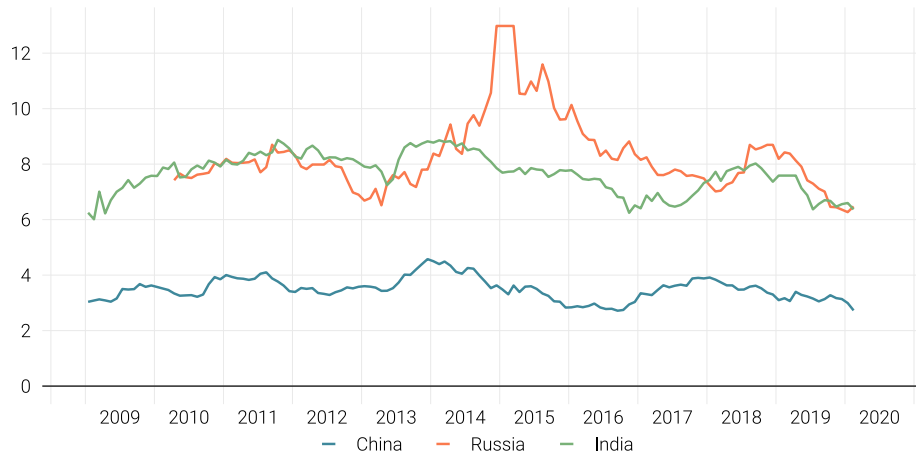
Source: Bloomberg Database

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



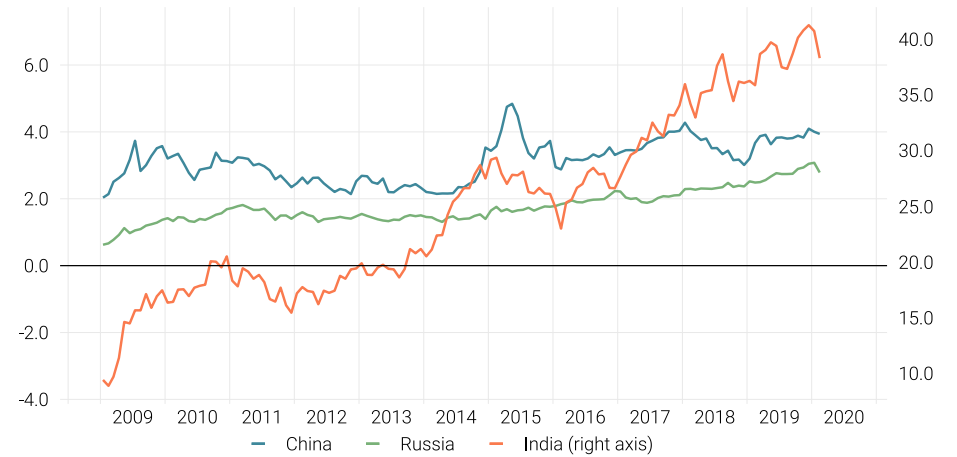
Source: Bloomberg Database

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



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