

MALDIVES MONETARY AUTHORITY

# ECONOMIC UPDATE

MARCH 2023

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[mma.gov.mv](http://mma.gov.mv)

## **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 28 March 2023.

# Domestic Economic Developments

## Real Economy

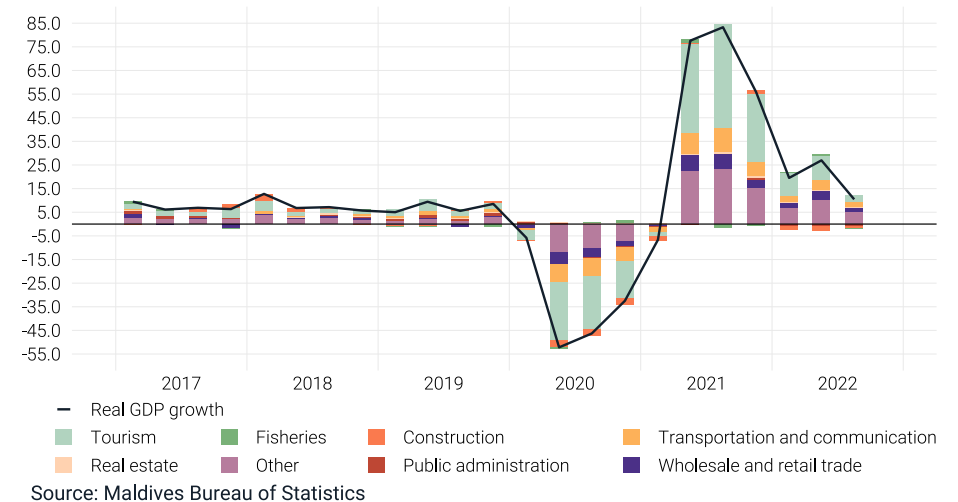
### Gross Domestic Product

- According to the advance estimates of the Quarterly National Accounts (QNA) for Q3-2022 released by the Maldives Bureau of Statistics (MBS), real GDP grew by 10.5% in Q3-2022, compared to the corresponding quarter of 2021, after recording a growth of 27.0% in Q2-2022. Further, annual real GDP for Q3-2022 was 8.7% higher than the pre-pandemic levels of Q3-2019.
  - The upturn in annual real GDP growth during Q3-2022 was mainly driven by the robust performance of the tourism sector and its positive contribution to related sectors. In this regard, notable growths were observed in other sectors of the economy, such as transportation and communication, wholesale and retail trade, and human health and social work activities. In contrast, negative contributions were observed in construction and public administration sector during the quarter.

### Annual GDP Growth Forecast

- According to revised forecasts published in October 2022<sup>1</sup>, real GDP is projected to grow by 12.3% in 2022 and 7.6% in 2023. Meanwhile, based on the revised QNA estimates released by the MBS in October 2022, the annual real GDP grew by 41.7% in 2021, after a significant decline of 33.5% in 2020 due to the sharp contraction in tourism sector and other major sectors, owing to the impact of the COVID-19 pandemic.

Contribution to Real GDP Growth by Economic Sectors, 2017 - 2022  
(annual percentage change, percentage point contribution)



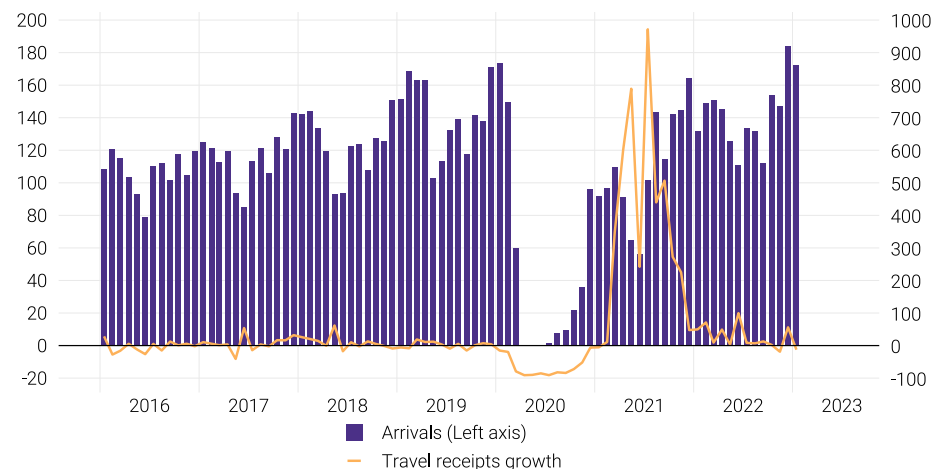
<sup>1</sup>According to the growth forecast scenarios estimated jointly by the MMA and the Ministry of Finance.

## Tourism

- In January 2023, tourist arrivals increased by 31% when compared with January 2022, while bednights also grew by 12%. In total, tourist arrivals stood at 172,499 during the month and exceeded pre-pandemic levels of January 2019 by 14%. Similarly, bednights surpassed pre-pandemic levels and registered a 29% increase during the same period.
  - The annual increase in tourist arrivals largely reflected the robust arrivals from India and key source markets of Europe. During the month, the highest number of tourist arrivals were recorded from Russia, India, Italy, United Kingdom, and Germany.
- The operational bed capacity of the tourism industry observed an increase of 5,962 beds when compared with January 2022, while the occupancy rate remained broadly unchanged at 69% in January 2023, from January 2022.

### Tourism, 2016 - 2023

(thousands, annual percentage change)

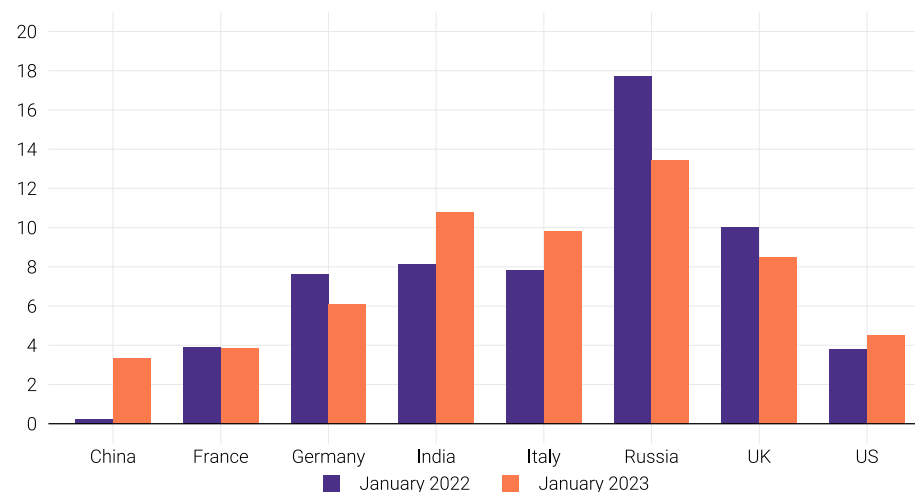


Source: Ministry of Tourism

Note: Tourism receipts available up to January 2023.

### Shares of Key Inbound Markets

(percent)

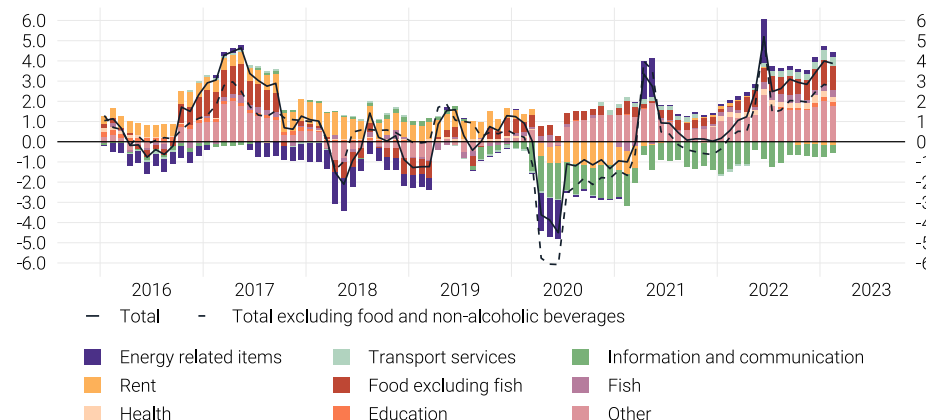


Source: Ministry of Tourism

# Inflation

- The rate of inflation, as measured by the annual percentage change in the national CPI, decelerated slightly to 3.9% in February 2023, from 4.0% in January 2023.
  - The largest contribution to the annual rate of inflation during February 2023 came from fruits (0.5 percentage points); restaurants and cafés (0.4 percentage points); fish (0.3 percentage points); dairy products (0.3 percentage points); passenger transport by air (0.2 percentage points); cereal and cereal products (0.2 percentage points); mobile communication services (-0.5 percentage points); vegetables (-0.2 percentage points) and housing rent (-0.1 percentage points).
- The monthly percentage change in the national CPI also decelerated to 0.22% in February 2023, from 0.96% in January 2023.
  - The largest contribution to the monthly rate of inflation came from restaurants and cafés (0.11 percentage points); electricity (0.10 percentage points); mobile communication services (0.09 percentage points); fruits (0.02 percentage points); other food products (0.02 percentage points); furniture, furnishings and loose carpets (-0.08 percentage points); passenger transport by air (-0.04 percentage points); jewellery and watches (-0.03 percentage points); and motorcycles (-0.02 percentage points).

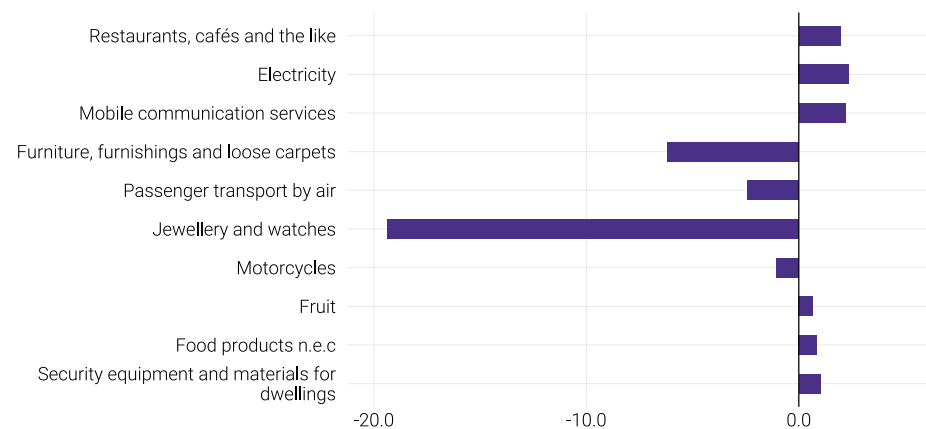
Contribution of Major Categories to CPI Inflation (National), 2016 - 2023  
(annual percentage change, percentage point contribution)



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), February 2023  
(monthly percentage change)



Source: Maldives Bureau of Statistics

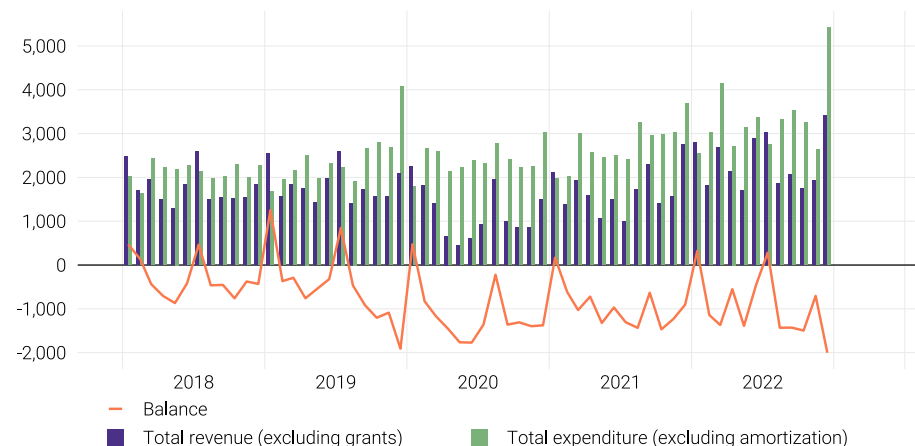
Note: Ordered by the size of the contribution.

# Public Finance

- Total revenue (excluding grants) observed an increase of MVR655.5 million (or 24%) in December 2022 when compared with December 2021, primarily driven by the growth in non-tax revenue. As such, non-tax revenue rose by MVR689.7 million, while tax revenue marginally fell by MVR35.6 million.
- Total expenditure (excluding amortisation) significantly increased by MVR1.7 billion (or 47%) in December 2022 when compared with December 2021, predominantly owing to the significant increase in capital expenditure, which rose by around MVR1.7 billion, while recurrent expenditure increased marginally by MVR85.3 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 95% in Q3-2022.
  - During this period, the increase in government debt was primarily driven by domestic debt.

## Government Revenue and Expenditure, 2018 - 2022

(millions of rufiyaa)

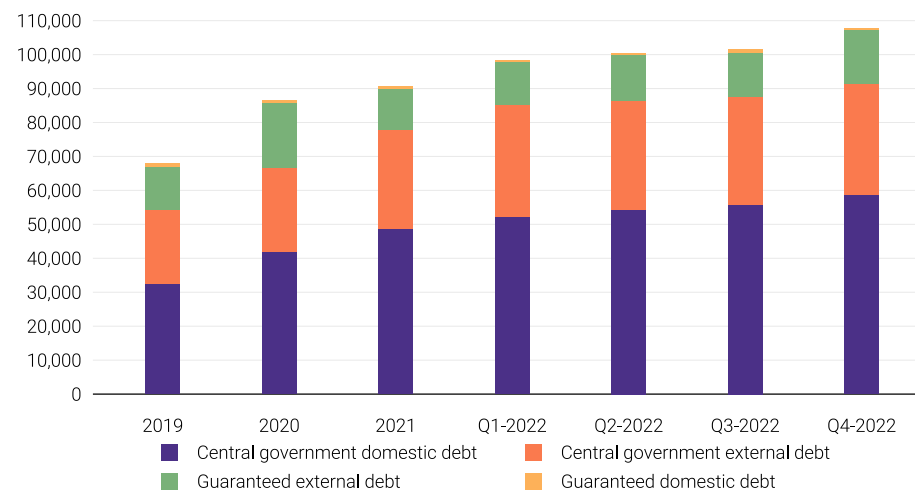


Source: Ministry of Finance

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

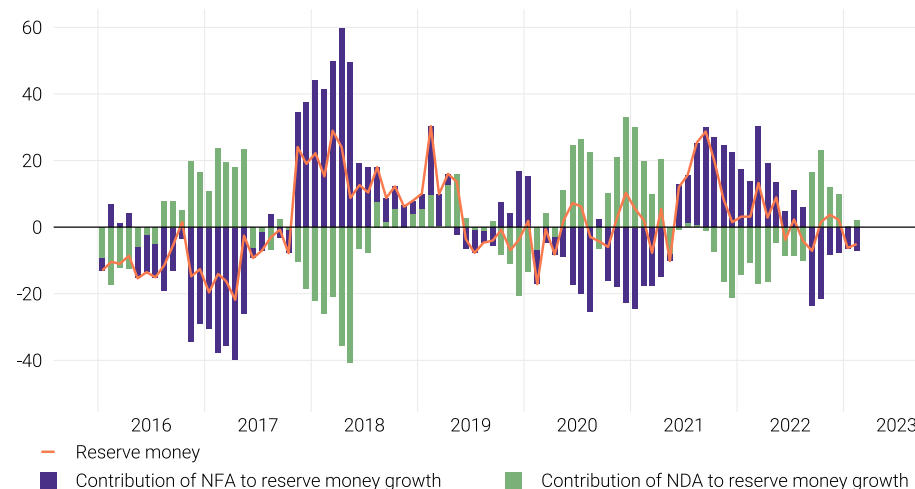
- Reserve money (M0) observed a decline of 5% at the end of February 2023, after registering a decline of 6% at the end of January 2023. The annual decline in reserve money stemmed mainly from a significant decline in net foreign assets, despite the marginal growth in net domestic assets during the period.
  - Net foreign assets declined mainly owing to the increase in foreign liabilities, which reflected the swap obtained from the Reserve Bank of India (RBI) in December 2022, despite the increase in foreign asset accumulation during the period. Meanwhile, the growth in net domestic assets primarily reflected the increase in net claims on central government, which entirely offset the increase in overnight deposit facility (ODF) placements by the commercial banks.

## Broad Money

- Annual broad money (M2) growth remained broadly unchanged at 5% at the end of February 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 declined marginally during February 2023.
  - 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 commercial banks and the MMA, while growth in credit to the private sector also increased during February 2023. Meanwhile, net foreign assets declined, mainly owing to the increase in foreign liabilities, despite a growth in foreign asset accumulation during the period.

Sources of Reserve Money, 2016 - 2023

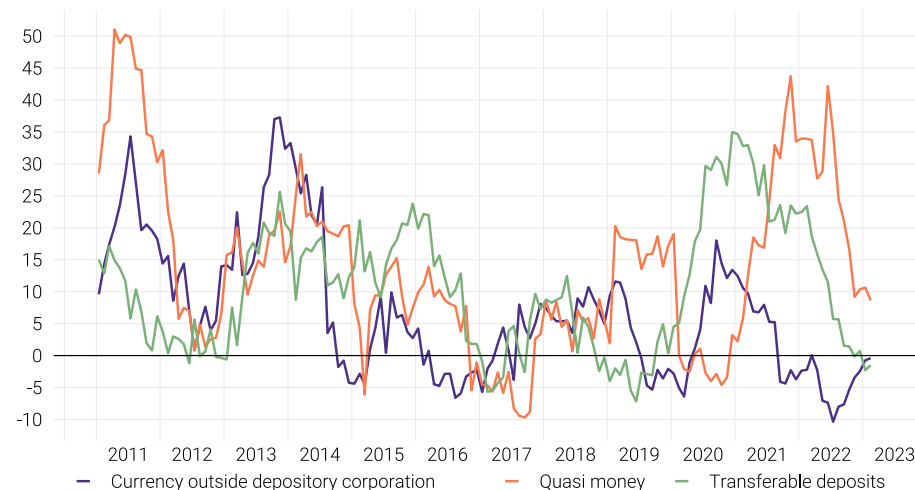
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Components of Broad Money, 2011 - 2023

(annual percentage change)



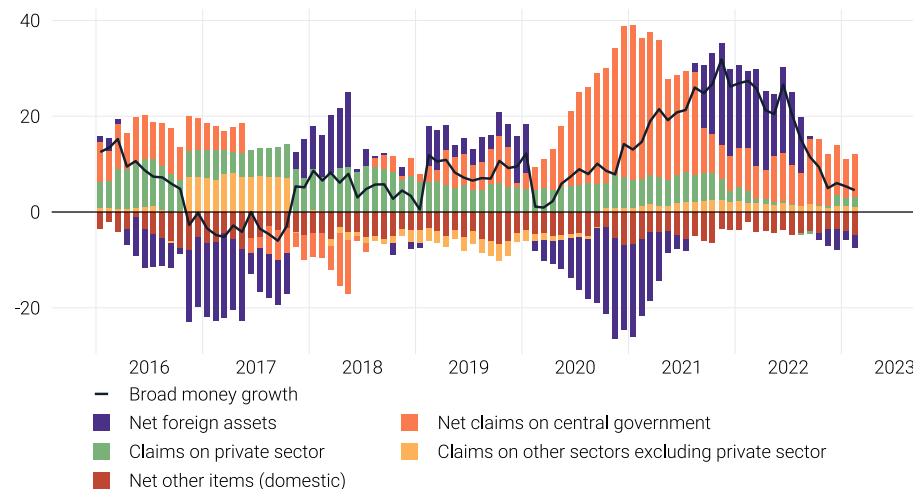
Source: Maldives Monetary Authority

## Credit to Private Sector

- The annual growth rate of credit to the private sector by the commercial banks rose to 4% at the end of February 2023, from 3% at the end of January 2023.
  - As for credit growth by major sectors, credit to all major sectors (namely tourism, personal loans, commerce, and real estate), except for the construction sector, continued to expand in February 2023, whereby personal loans registered the highest growth during the month. Similarly, credit extended to the tourism sector, which accounts for the highest share of bank credit, registered an annual increment of 4% 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, despite the decline in credit lent for new resort development and renovation of resorts.

### Contribution to Broad Money, 2016 - 2023

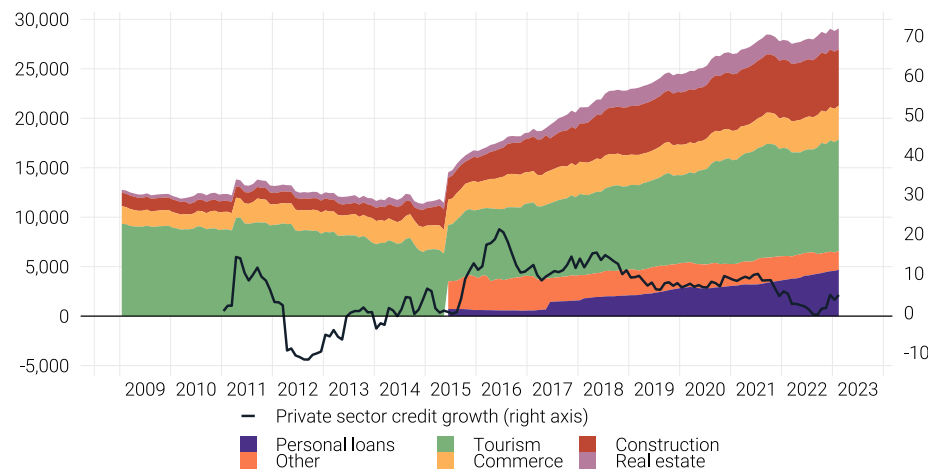
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

### Private Sector Credit, 2009 - 2023

(millions of rufiyaa, annual percentage change)



Source: Maldives Monetary Authority

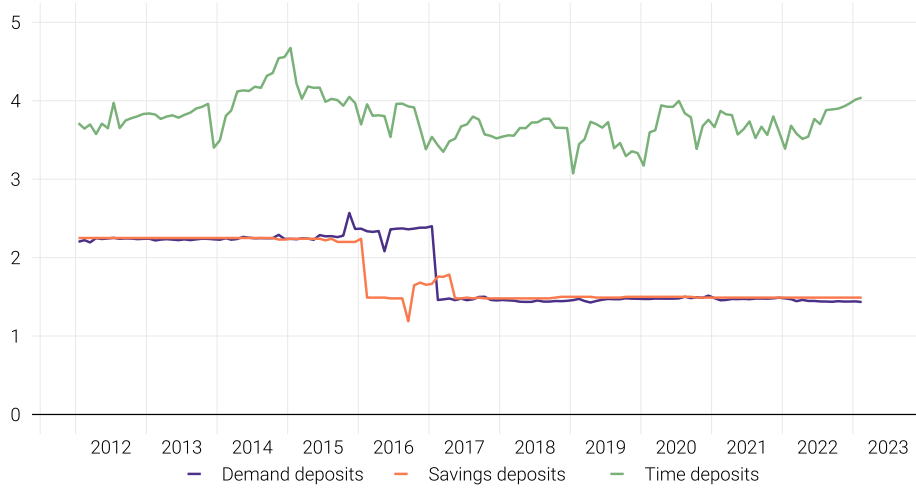
Note: Personal loans were not classified as a separate category prior to June 2015.



## Interest rates

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

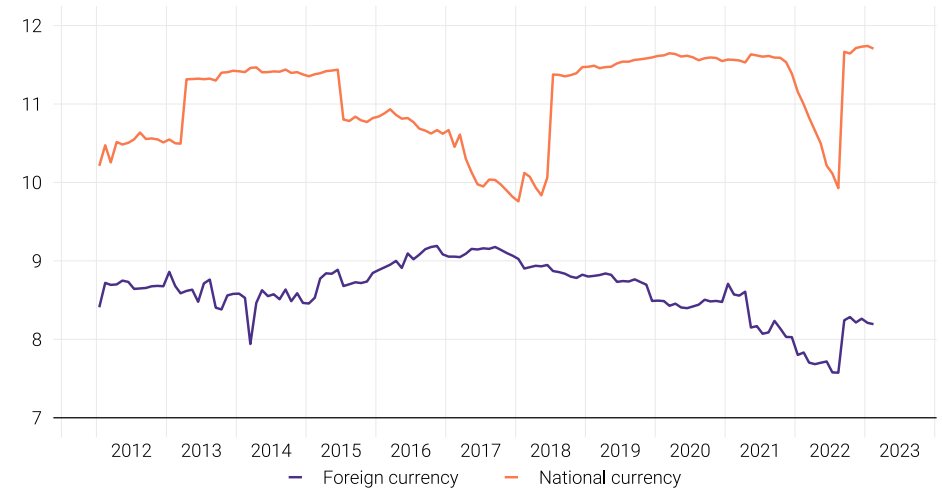
(weighted average)



Source: Maldives Monetary Authority

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

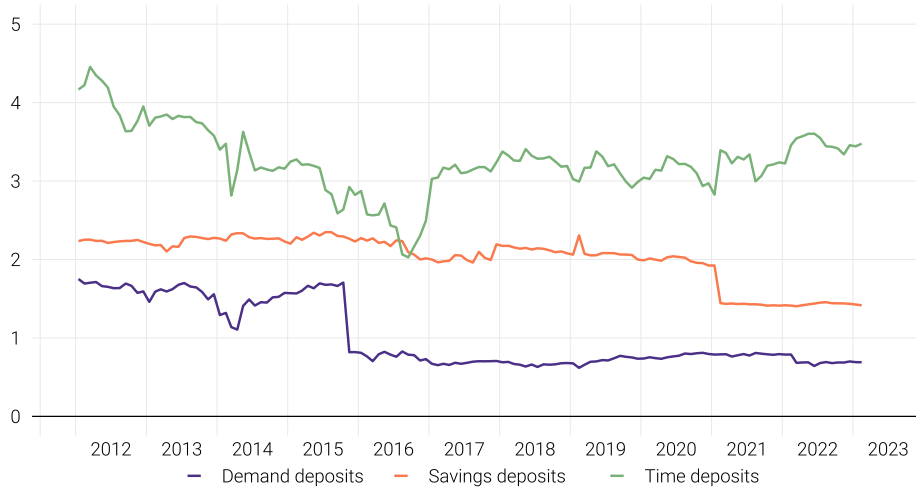
(weighted average)



Source: Maldives Monetary Authority

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

(weighted average)



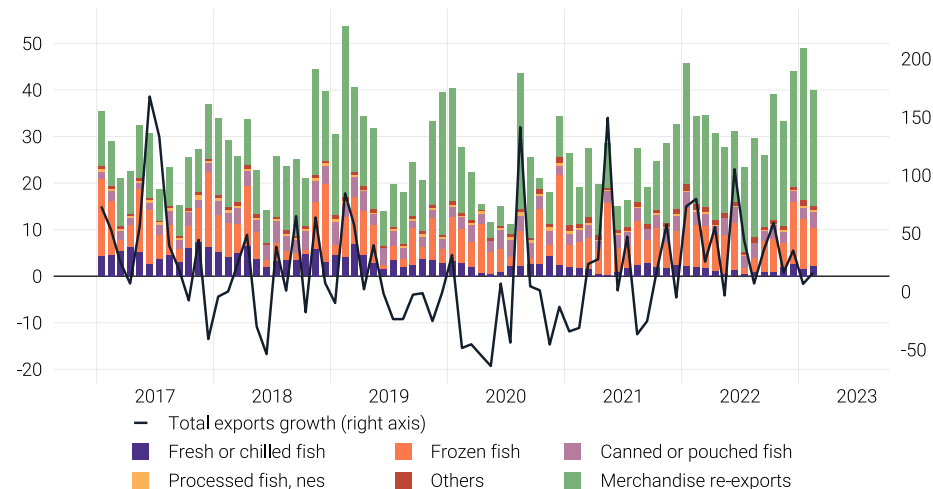
Source: Maldives Monetary Authority

# External Trade

- Total exports (f.o.b) increased by 16% in February 2023 when compared with February 2022, while total imports (c.i.f) rose by 12% during the same period.
  - The annual growth in total exports stemmed entirely from an increment in re-exports which mainly reflected higher re-exports of jet fuel. Meanwhile, domestic exports declined, largely owing to a fall in earnings from frozen skipjack tuna exports, which offset growths in canned or pouched tuna, frozen yellowfin tuna, and fresh or chilled yellowfin tuna exports.
  - The annual growth in import expenditure stemmed mainly from increases in machinery and mechanical appliances and parts, construction-related items, electrical and electronic machinery and equipments and parts, food items, and petroleum products. In contrast, declines were observed in import expenditure on furniture, fixtures and fittings, and transport equipment and parts during the month.

## Total Exports, 2017 - 2023

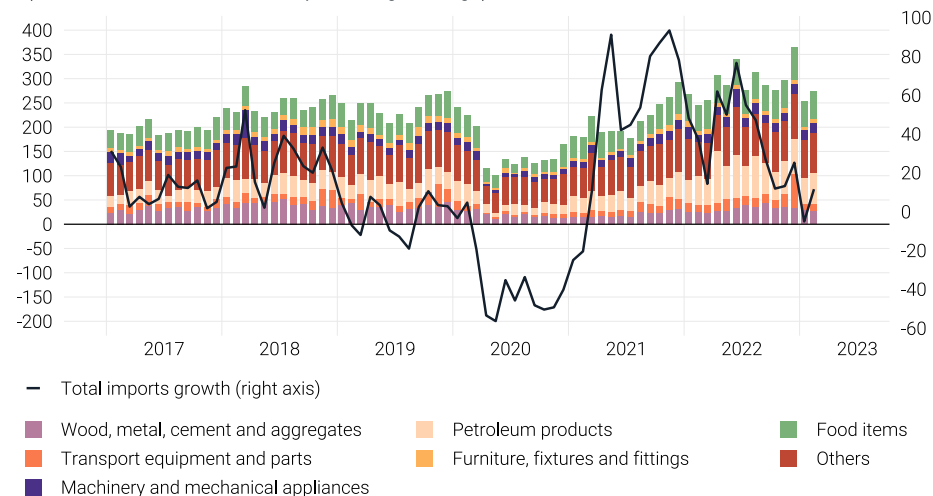
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

## Total Imports, 2017 - 2023

(millions of US dollars, annual percentage change)

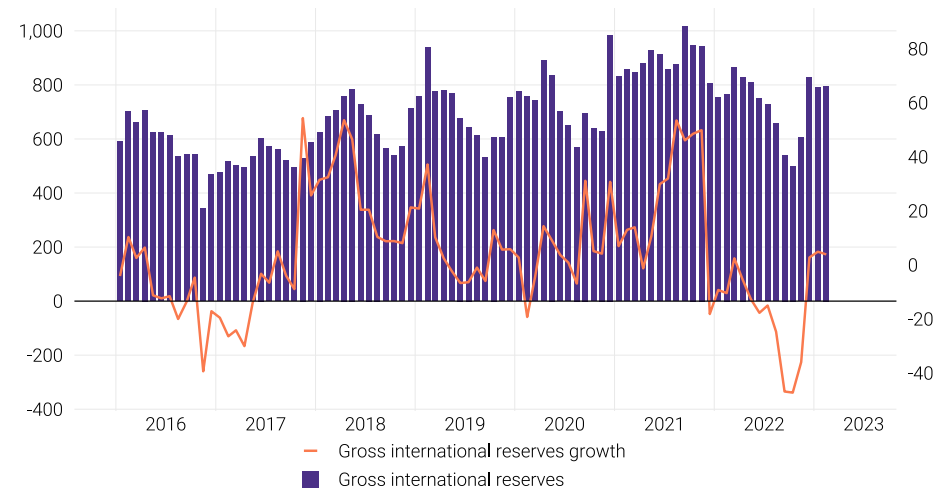


Source: Maldives Customs Service

## Gross International Reserves

- Gross international reserves<sup>2</sup> (official reserve assets) marginally rose to US\$795.8 million at the end of February 2023, from US\$790.0 million at the end of January 2023. Similarly, this was an increase from US\$766.2 million recorded at the end of February 2022.
  - In terms of growth rates, this depicts a marginal growth of 1% compared with January 2023, and a growth of 4% compared with February 2022.

Gross International Reserves, 2016 - 2023  
(millions of US dollars, annual percentage change)



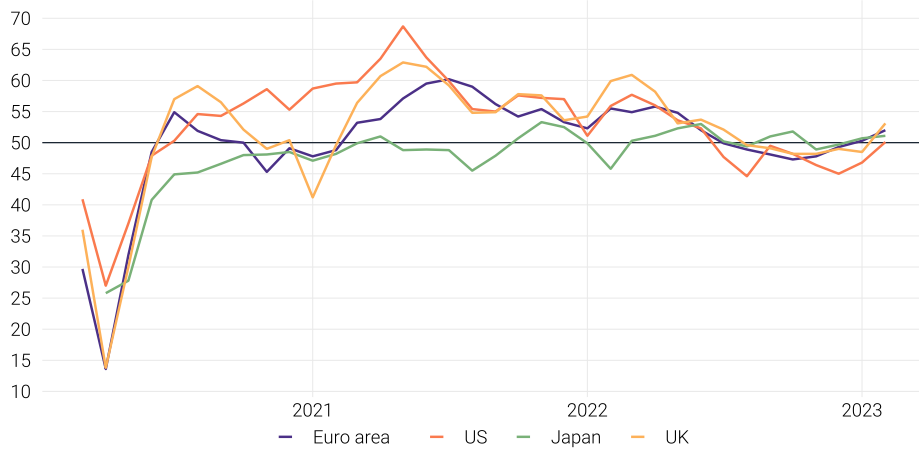
Source: Maldives Monetary Authority

<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

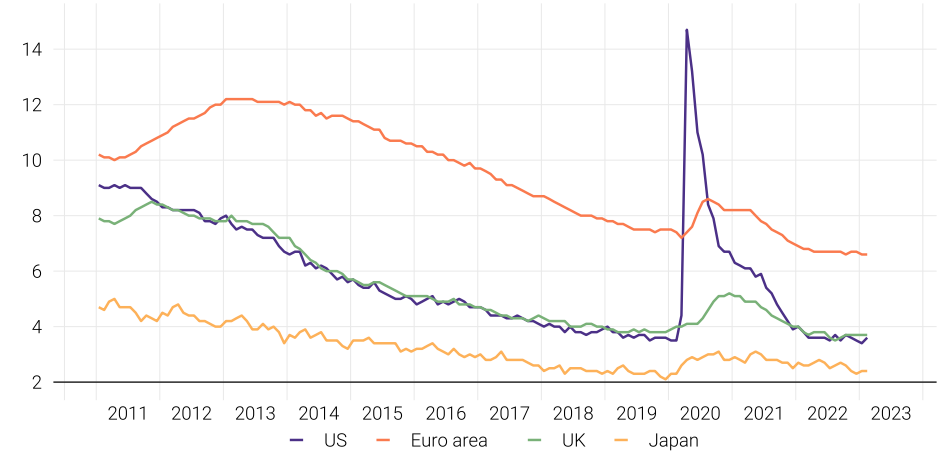
## Global Output

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



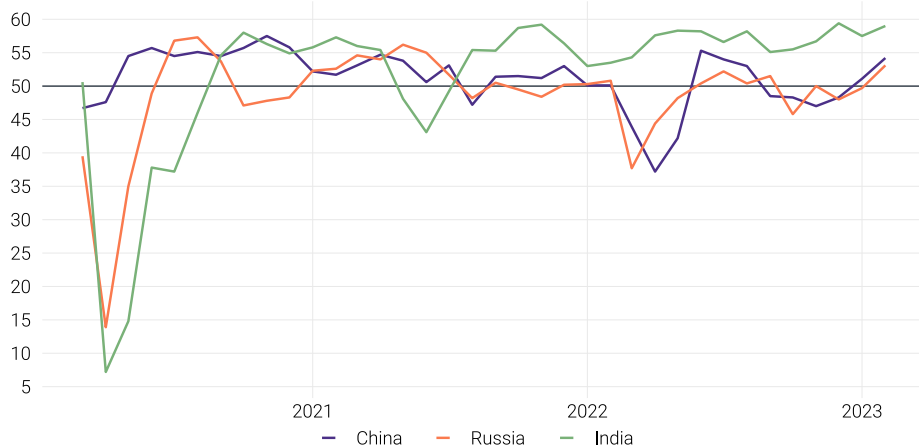
Source: Bloomberg Database

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



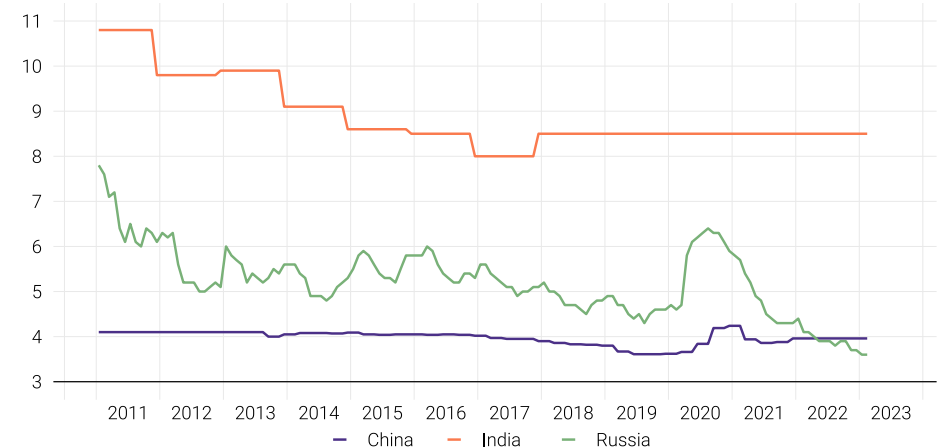
Source: Bloomberg Database

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



Source: Bloomberg Database

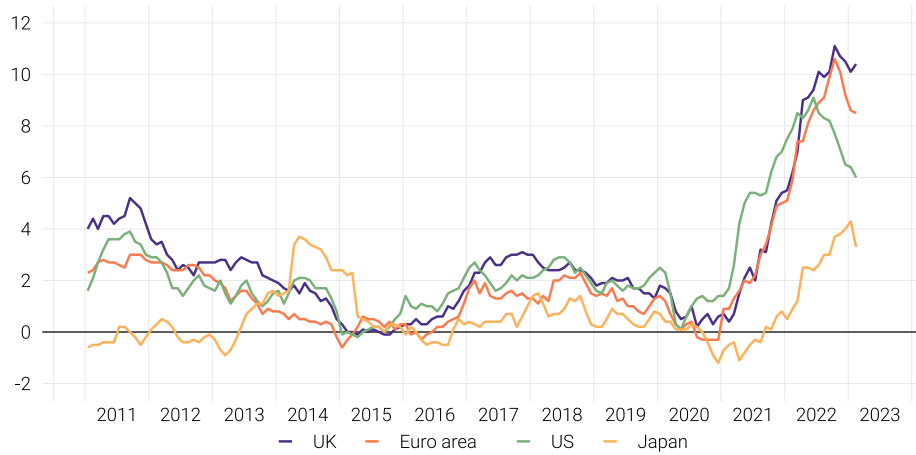
Unemployment in the Emerging Economies, 2011 - 2023  
(percent)



Source: Bloomberg Database

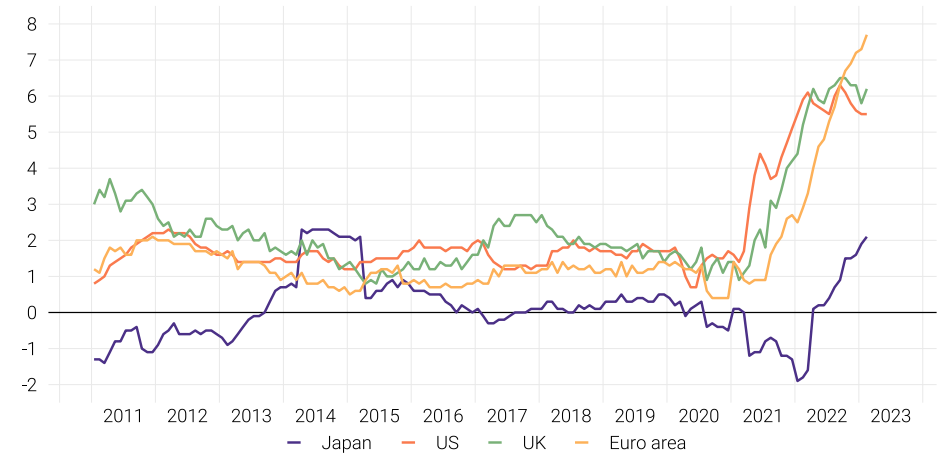
# Global Inflation

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



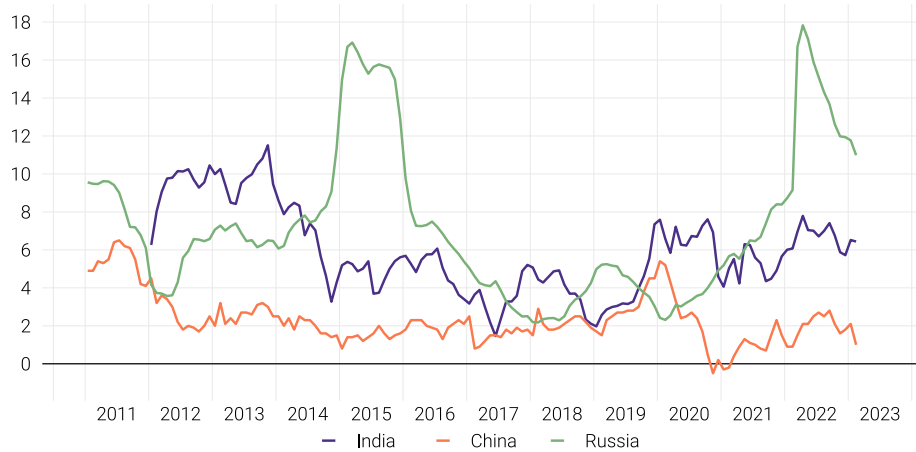
Source: Bloomberg Database

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



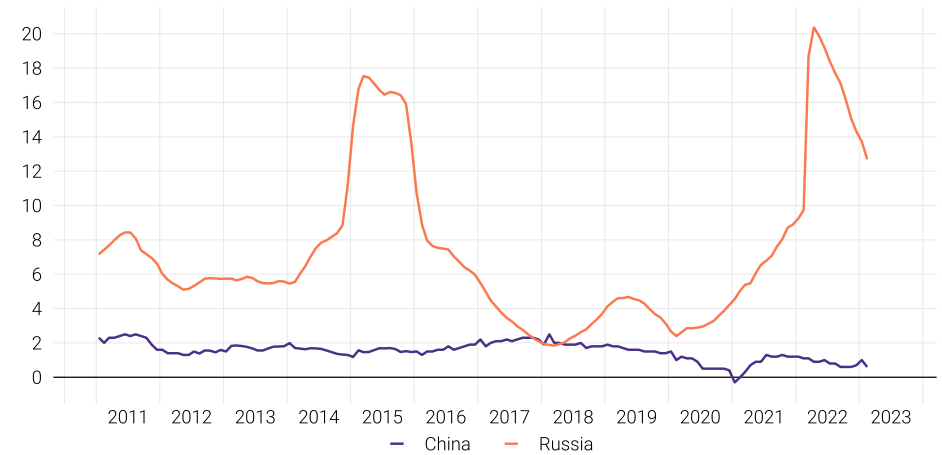
Source: Bloomberg Database

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



Source: Bloomberg Database

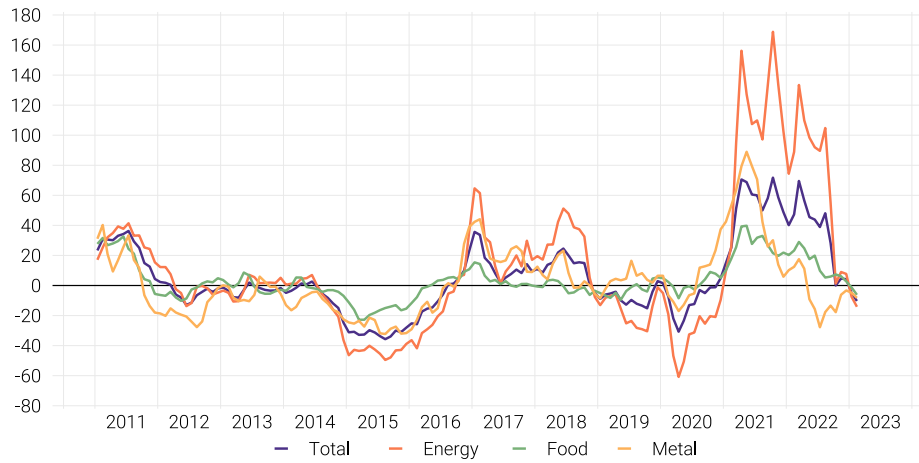
**Core Inflation in the Emerging Economies, 2011 - 2023**  
(percent)



Source: Bloomberg Database

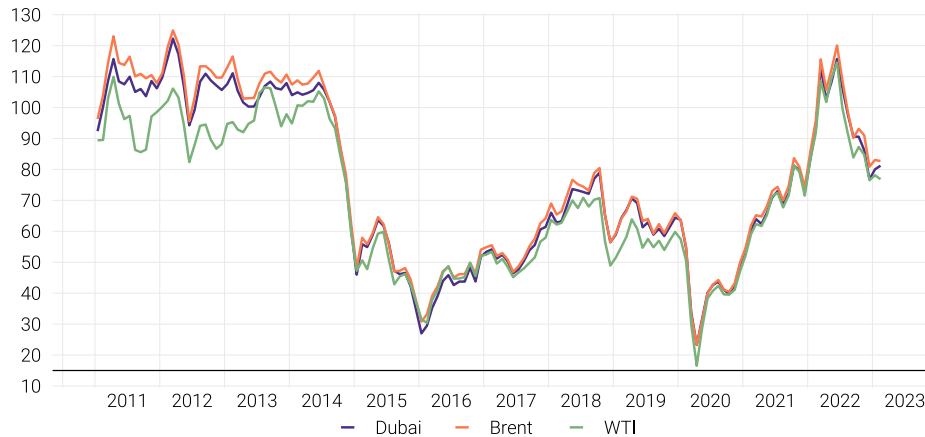
# Commodity Prices

Commodity prices, 2011 - 2023  
(annual percentage change)



Source: IMF

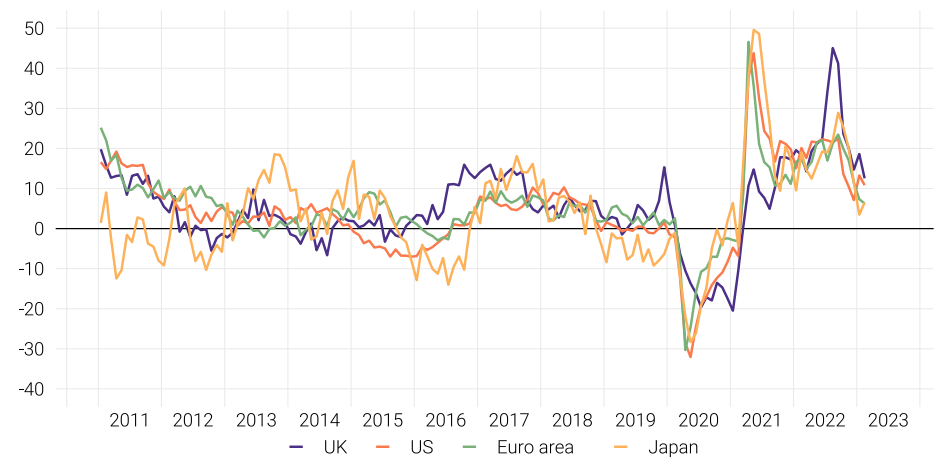
Oil prices, 2011 - 2023  
(dollars per barrel)



Source: Bloomberg Database

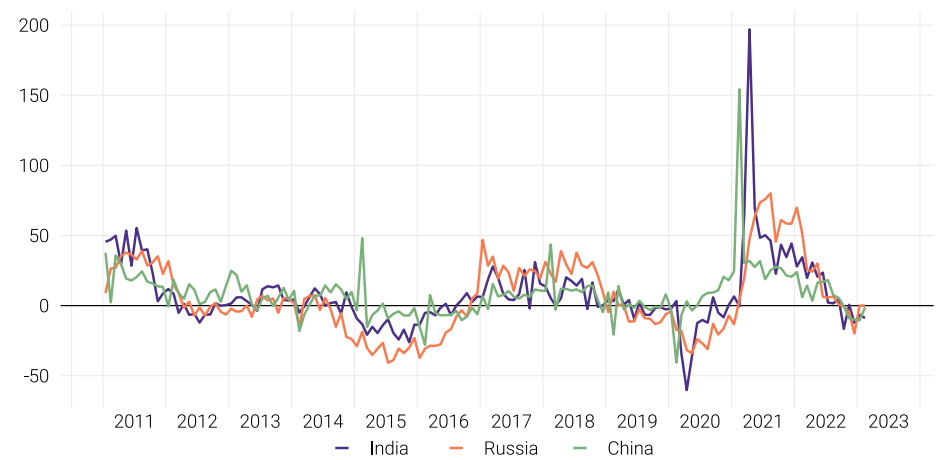
# Global Trade

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



Source: Bloomberg Database

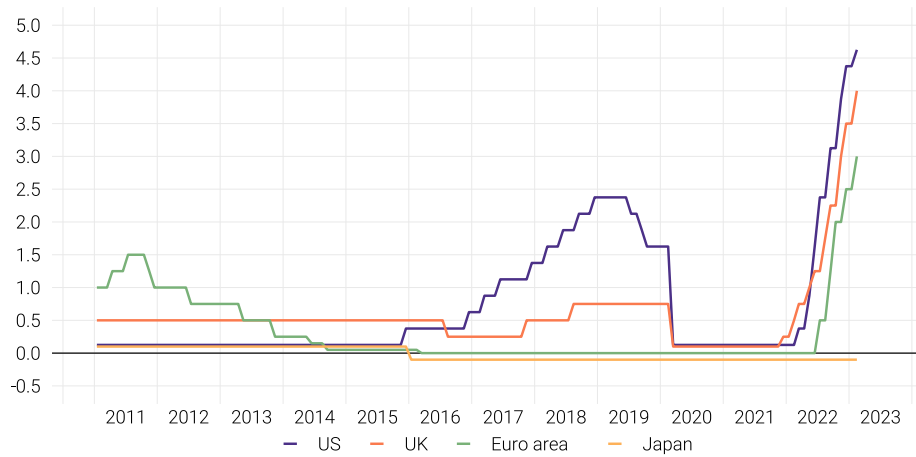
Exports in the Emerging Economies, 2011 - 2023  
(annual percentage change)



Source: Bloomberg Database

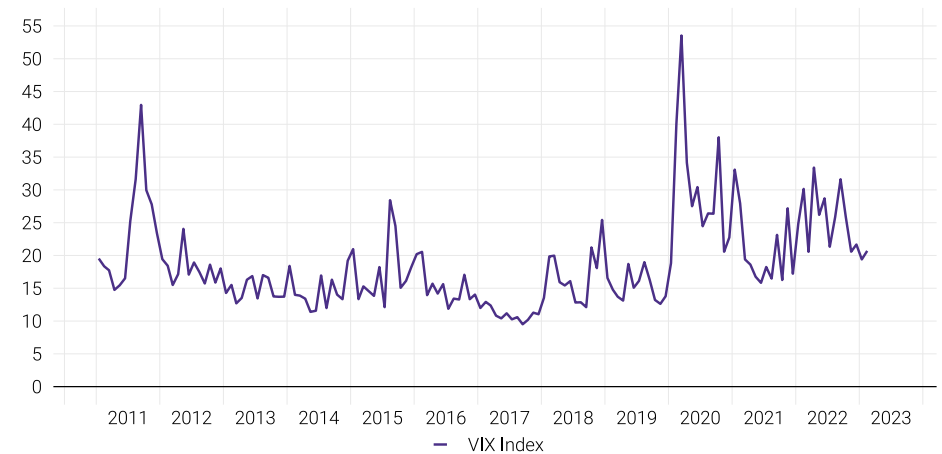
# Global Financial Markets

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



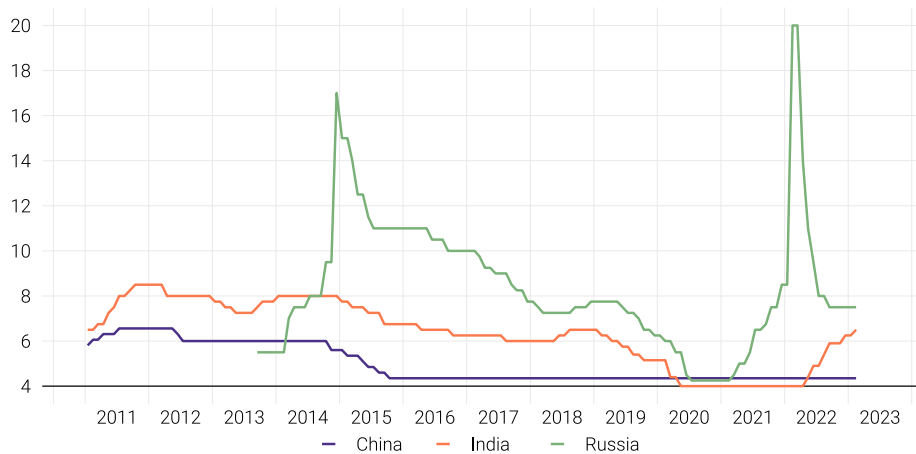
Source: Bloomberg Database

Volatility Index, 2011 - 2023  
(percent)



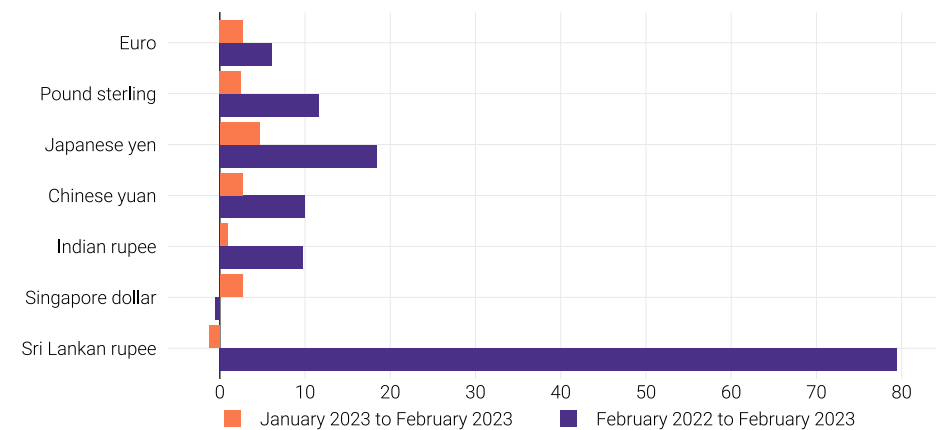
Source: Bloomberg Database

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



Source: Bloomberg Database

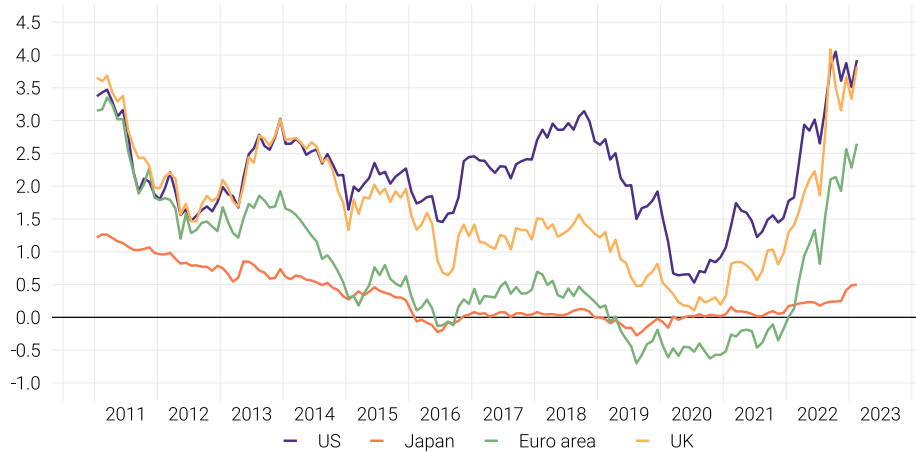
Exchange Rate of US Dollar against Currencies of Major Trading Partners, February 2023  
(percentage change)



Source: Bloomberg Database

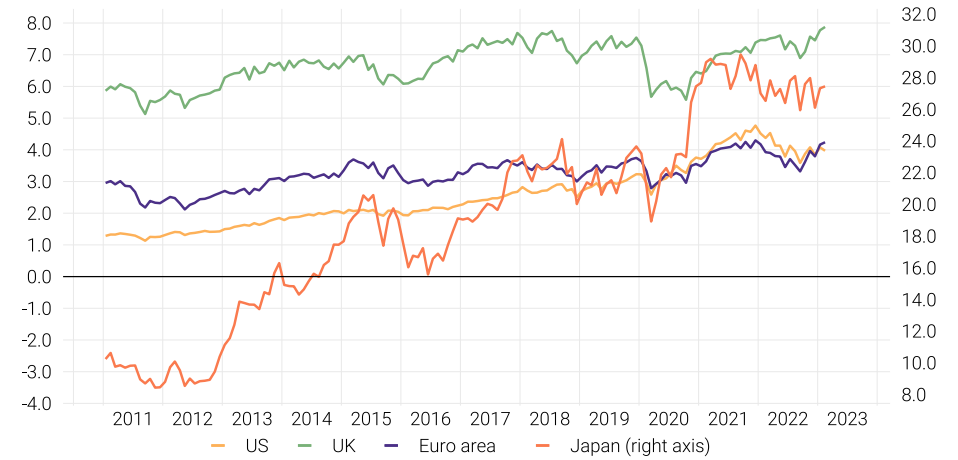
# Global Financial Markets

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



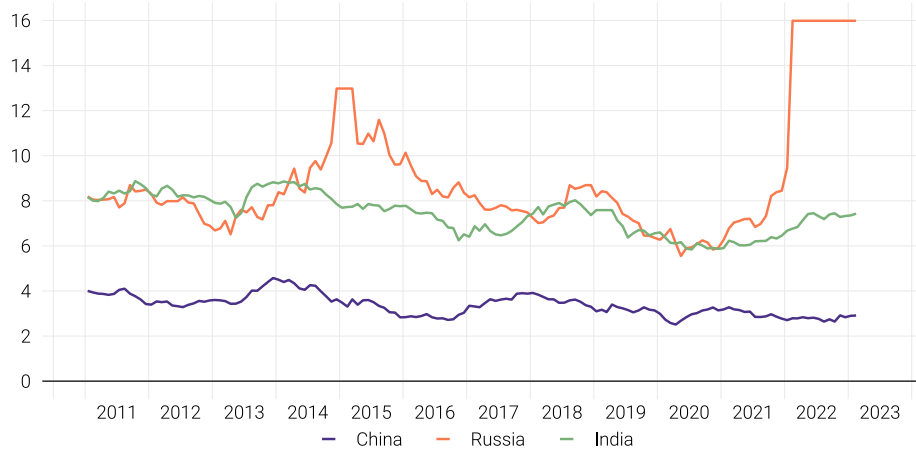
Source: Bloomberg Database

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



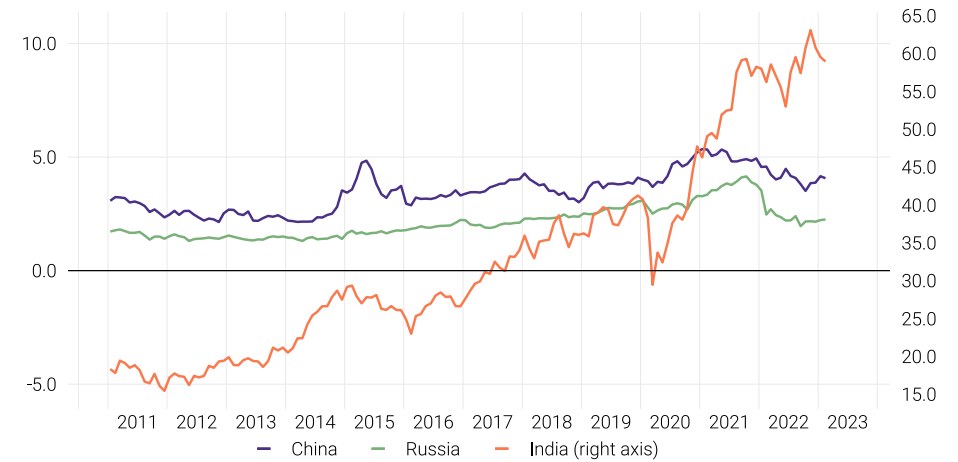
Source: Bloomberg Database

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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