ECONOMIC UPDATE

MAY 2020

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MALDIVES MONETARY AUTHORITY

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

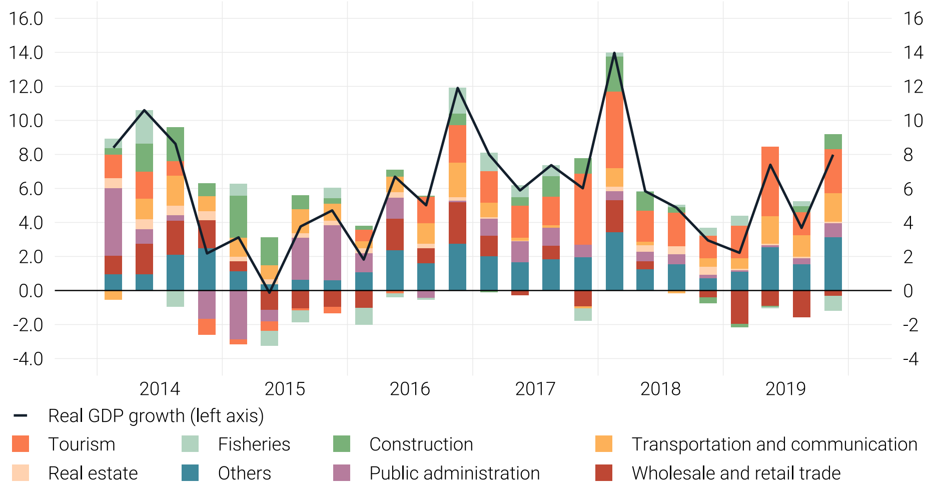
- According to the latest available Quarterly National Accounts data released by the National Bureau of Statistics, preliminary estimates of real GDP for Q4-2019 indicated that growth accelerated to 8.0% in annual terms, from the revised growth rate of 3.7% for Q3-2019 (previously at 4.6%).
  - The acceleration in growth in Q4-2019 mainly stemmed from the buoyant growth in tourism sector, reflecting its peak season. In addition, activity in the transport and communication sector remained strong, while activity in the construction sector also picked up.
  - Meanwhile, activity in the wholesale and retail trade observed an improvement and edged closer to positive territory during the quarter.

Annual GDP Growth Forecast

- Real GDP growth is now projected to decline significantly in 2020 due to the severe impact of COVID-19 pandemic on tourist arrivals amid strict measures taken by governments across the world to contain the spread of COVID-19. 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; contruction and; wholesale and retail trade.

Contribution to Real GDP Growth by Economic Sectors, 2014 - 2019

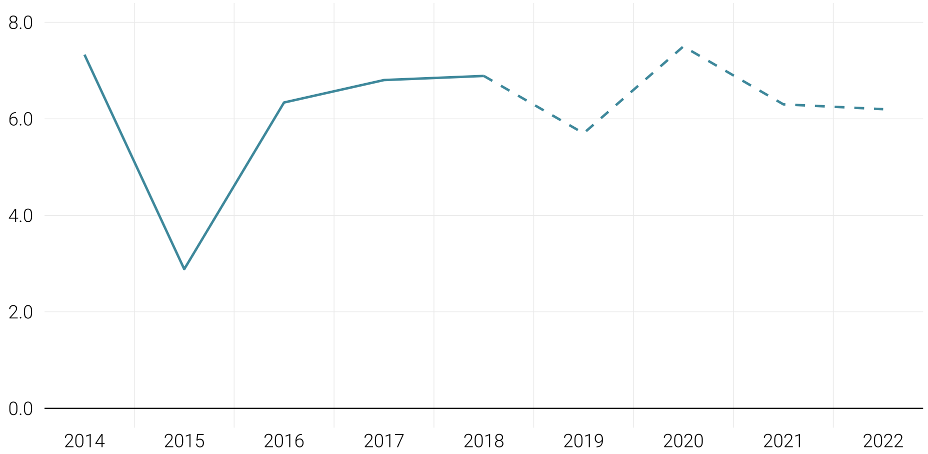
(annual percentage change, percentage point contribution)



Source: National Bureau of Statistics

Real GDP Growth, 2014 - 2022

(annual percentage change)



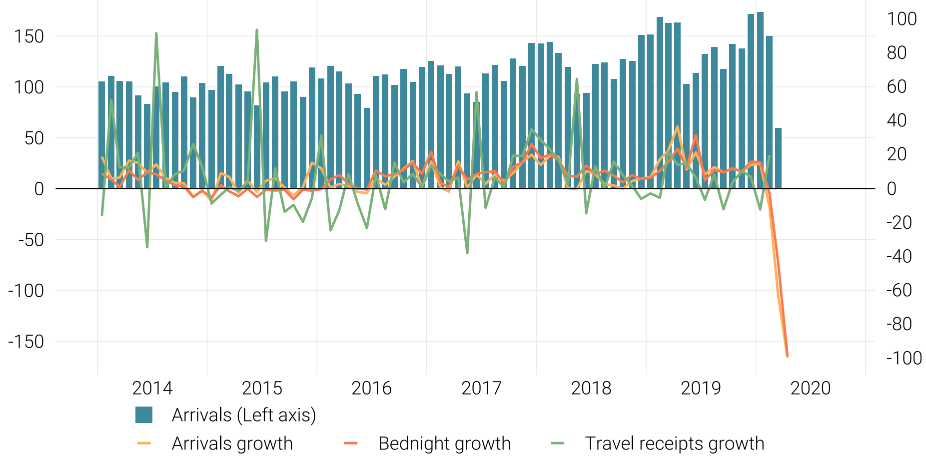
Source: National Bureau of Statistics, Maldives Monetary Authority, Ministry of Finance
Note: The dashed lines represent forecasts.

Tourism

- In April 2020, no new tourist arrivals were registered, while bednights fell by 99%.
  - The halt in tourist arrivals stemmed from the government's decision to impose travel restrictions with the temporary closure of the international border in March 2020, as a measure to contain the spread of COVID-19 pandemic.
- During the review period, the operational bed capacity of the tourism industry decreased by 78%, while the occupancy rate fell to 3% in April 2020 from 71% in April 2019.
- Overall, for the period of January to April 2020, total tourist arrivals decreased by 41% in annual terms, while total bednights of the industry recorded a 32% decline.

Tourism, 2014 - 2020

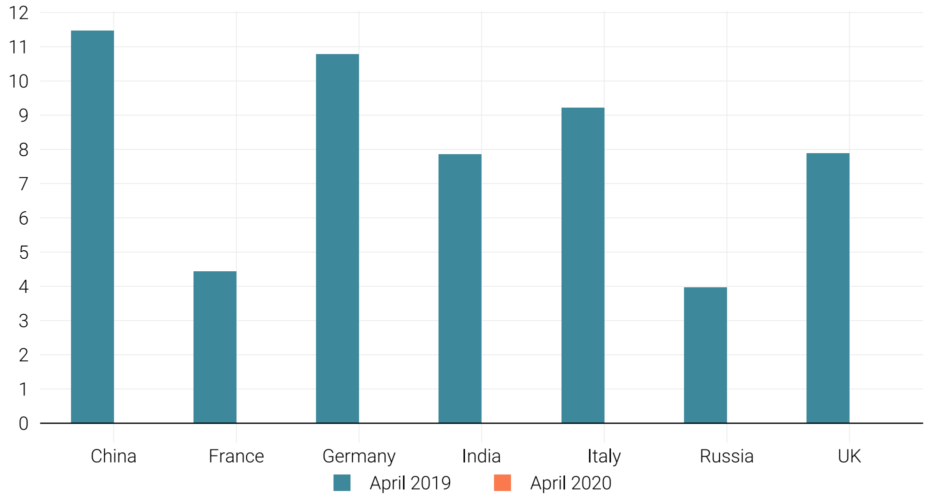
(thousands, annual percentage change)



Source: Ministry of Tourism
Note: Tourism receipts available up to February 2020.

Shares of Key Inbound Markets

(percent)

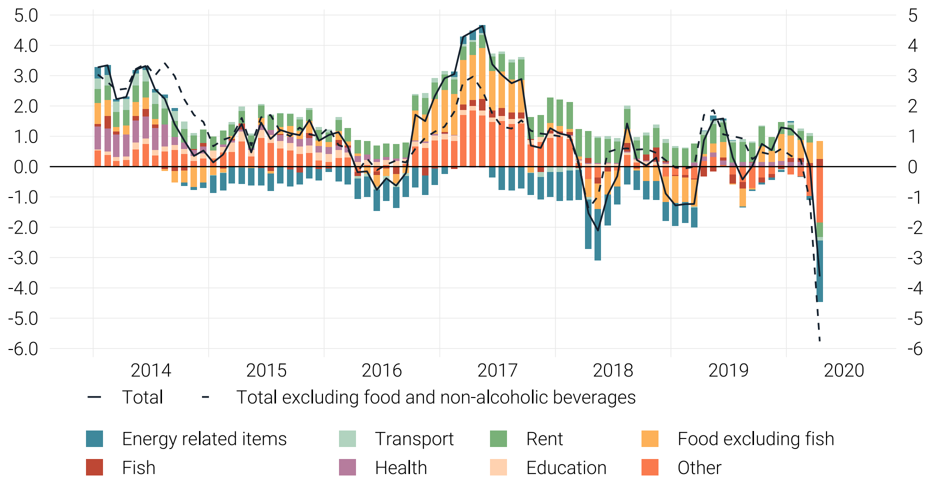


Source: Ministry of Tourism

Inflation

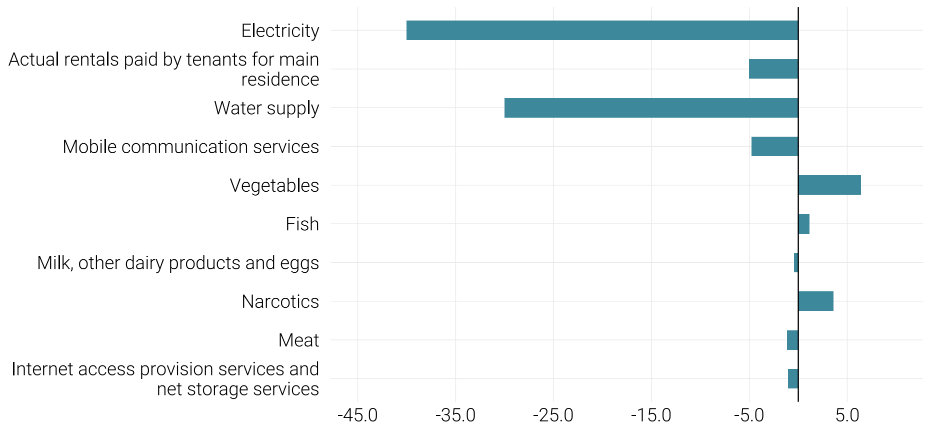
- The rate of inflation, as measured by the annual percentage change in the national CPI, turned negative to -3.6% in April 2020, after recording 0.002% in March 2020.
  - From the major categories of CPI, the largest contributors to the annual rate of inflation during April 2020 were vegetables (0.8 percentage points); electricity (-1.9 percentage points); information and communication services (-1.1 percentage points); water supply (-0.6 percentage points); and housing rent (-0.5 percentage points).
- The monthly percentage change in the national CPI declined further to -3.2% in April 2020, after recording -1.1% in March 2020.
  - The largest contribution to the monthly rate of inflation came from electricity (-1.9 percentage points); housing rent (-0.7 percentage points); and water supply (-0.6 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), April 2020
(monthly percentage change)

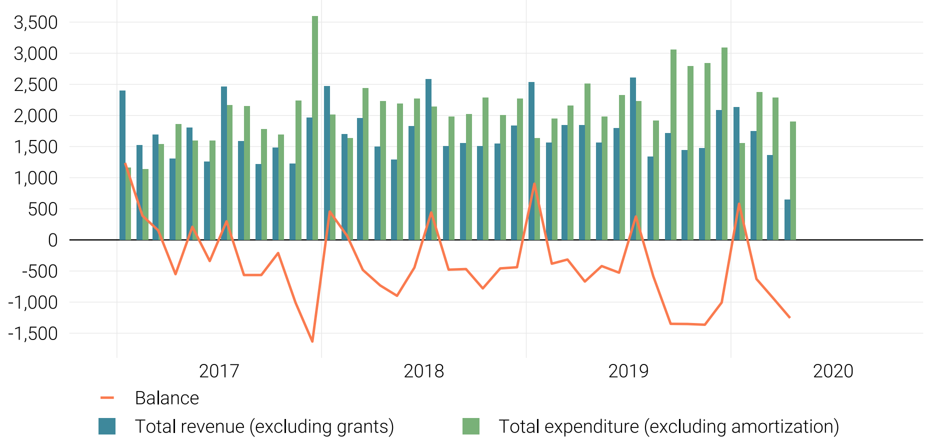


Source: National Bureau of Statistics
Note: Ordered by the size of the contribution.

Public Finance

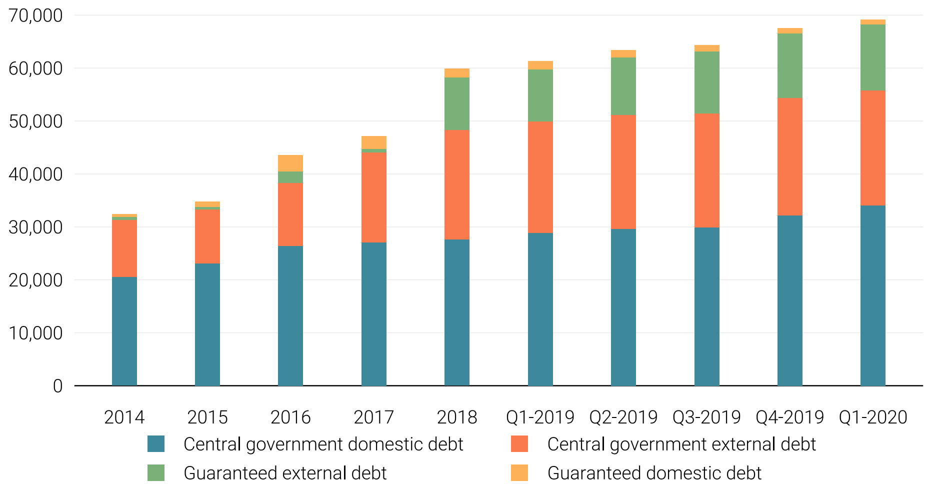
- Total government revenue (excluding grants) observed a decline of MVR1.2 billion (or 65%) in April 2020 when compared with April 2019.
  - This was owing to fall in both tax and non-tax revenue. As such, tax revenue declined by MVR960.7 million, while non-tax revenue decreased by MVR236.2 million.
- Total expenditure (excluding amortisation) decreased by MVR610.6 million (or 24%) in April 2020 when compared with April 2019.
  - The decrease in expenditure stemmed from both recurrent and capital expenditure, which declined by MVR350.7 million and MVR260.0 million, respectively.
- According to latest available data, the stock of government debt (excluding government guaranteed debt) amounted to MVR55.8 billion in Q1-2020, a 3% increase from Q4-2019. Similarly, government debt as a percentage of GDP increased to 86% during Q1-2020.
  - During this period, the increase in government debt was 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)



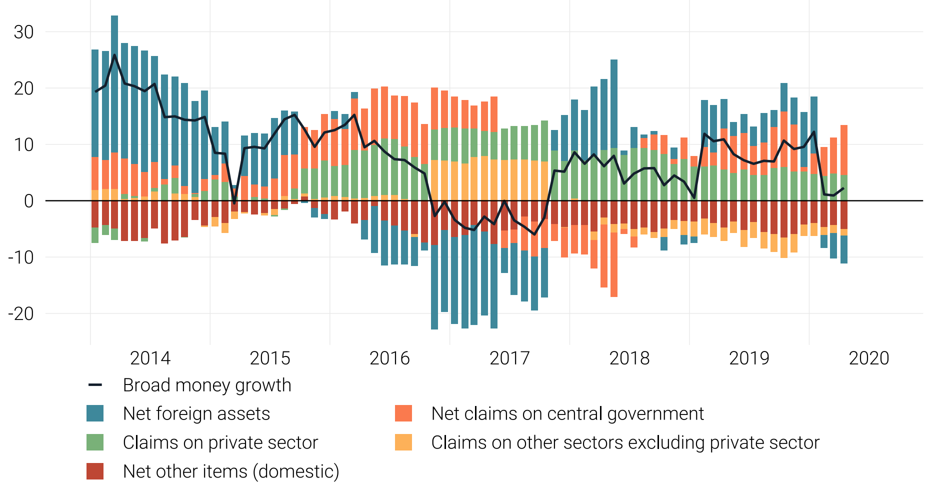
Source: Ministry of Finance

Monetary Developments

Broad Money

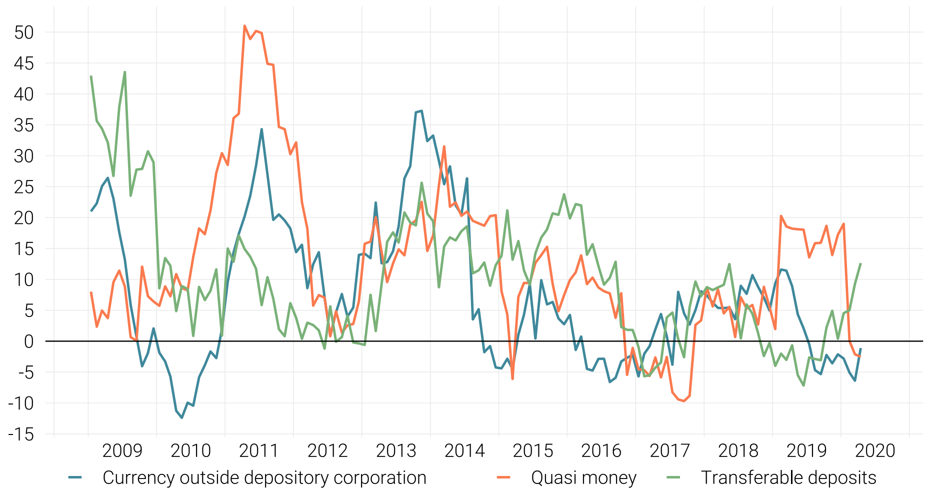
- Broad money (M2) growth slightly accelerated to 2% in annual terms at the end of April 2020, after registering 1% during the previous month.
  - On the components side, the acceleration in broad money growth was primarily due to a growth in narrow money, which mainly reflected an increase in transferable deposits denominated in local currency. Meanwhile, quasi money declined further over the period, mirroring a decrease in transferable deposits denominated in foreign currency.
  - As for the sources of broad money growth, it 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

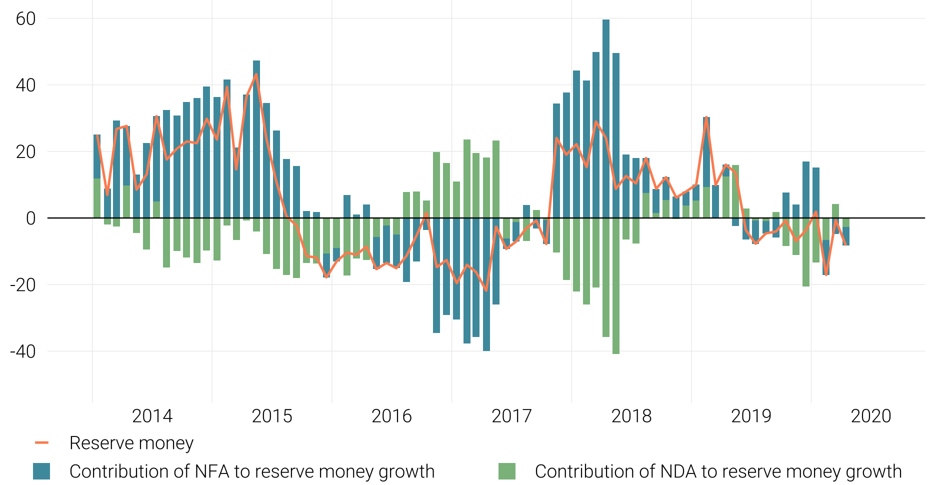
- Reserve money (M0) declined further in annual terms in March 2020. As such, M0 recorded a decline of 8% in April 2020, after registering a 1% decline in March 2020.
  - The decline in reserve money stemmed from the fall in both net foreign assets and net domestic assets of the MMA.
  - Net foreign assets declined owing to a surge in foreign liabilities, while the growth rate of net domestic assets of the MMA turned negative mainly reflecting the increase in ODF placements by commercial banks.

Credit to Private Sector

- Credit to the private sector by commercial banks posted an annual growth of 7% at the end of April 2020 (8% in March 2020).
  - 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, real estate, tourism, commerce and communication; except for the transport sector. Further, credit extended as personal loans observed the largest increase over the period.
  - Credit extended as personal loans observed an annual growth of 31% during April 2020, driven by the growth in credit in the form of credit cards and consumer durables during the period.

Sources of Reserve Money, 2014 - 2020

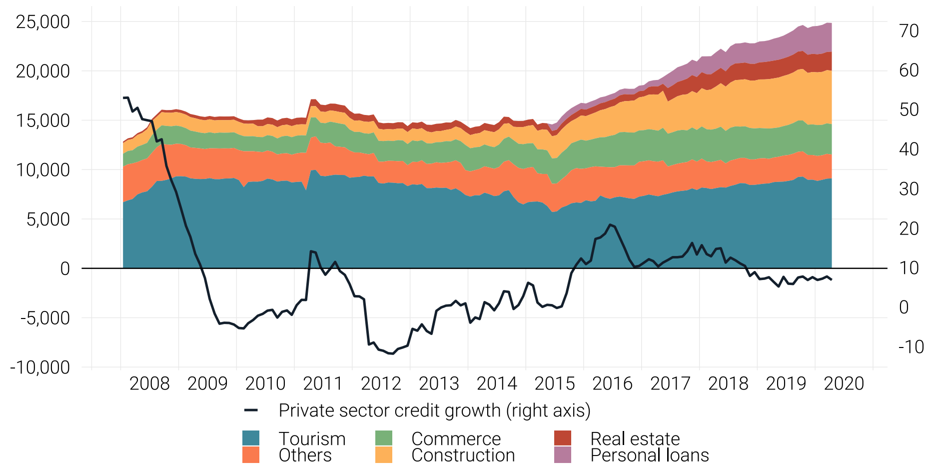
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Private Sector Credit, 2008 - 2020

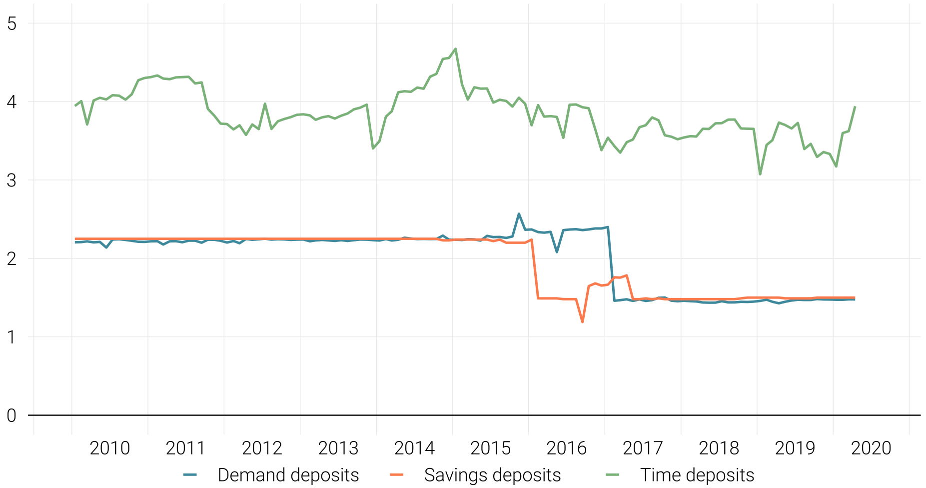
(millions of rufiyaa, annual percentage change)



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

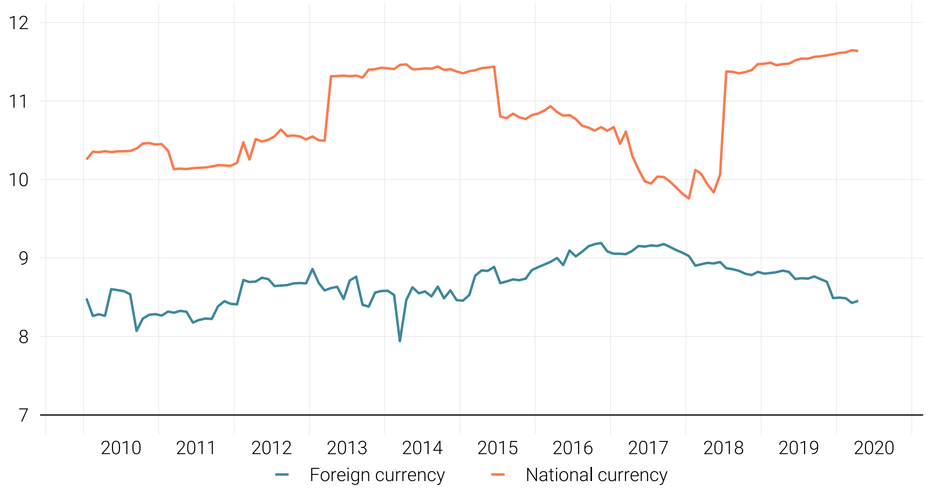
Interest rates

Interest Rate on National Currency Deposits, 2010 - 2020
(weighted average)



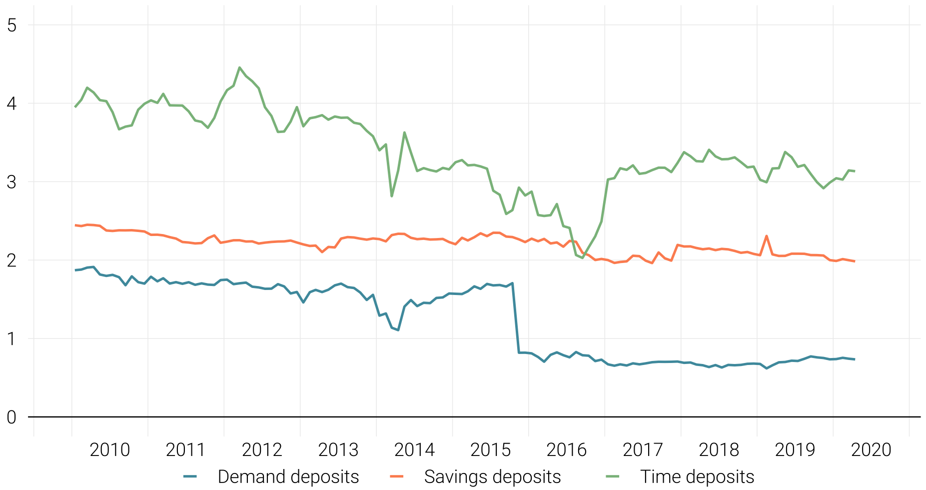
Source: Maldives Monetary Authority

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)

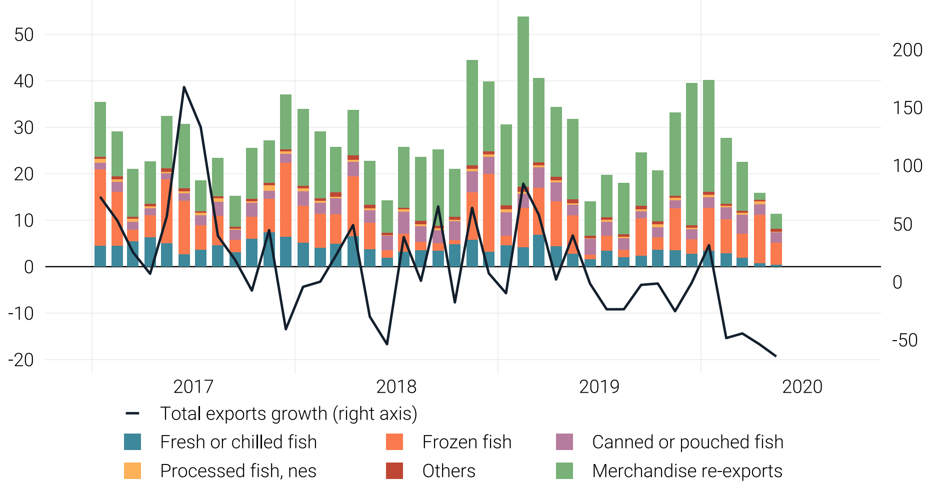


Source: Maldives Monetary Authority

External Trade

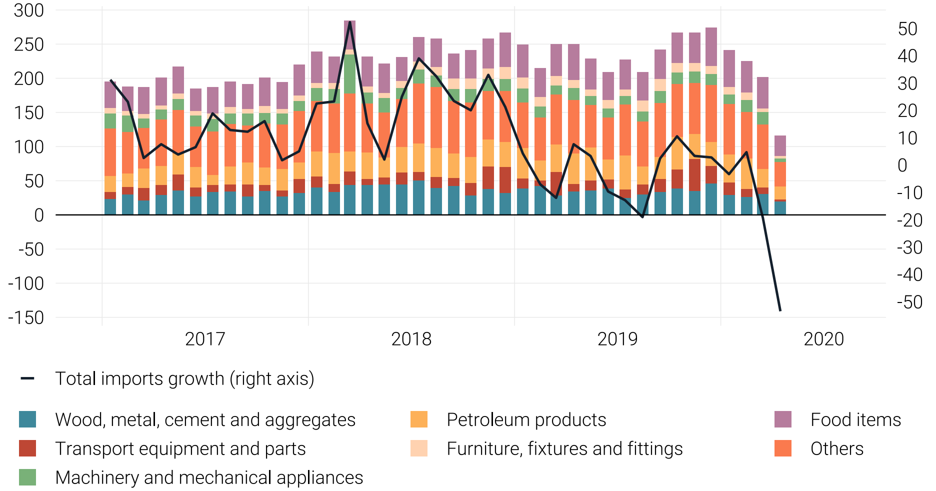
- Total exports (f.o.b) observed an annual decline of 54% in April 2020, while total imports (c.i.f) also observed an annual decline of 53% during the period.
  - The fall in total exports stemmed from the decrease in both re-exports and domestic exports. The decrease in domestic exports was driven by the decline in export earnings from fresh or chilled yellowfin tuna, frozen skipjack tuna, and canned or pouched tuna exports, despite an increase in export earnings from frozen yellowfin tuna.
  - As for the decline in total imports, the most significant decreases were observed in imports of constructed-related items, petroleum products, and food items; although the decline was broad-based across all major import categories.
- Overall, during January to April 2020, total exports recorded a 33% decline, while total imports decreased by 19% when compared with the corresponding period of 2019.

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



Source: Maldives Customs Service

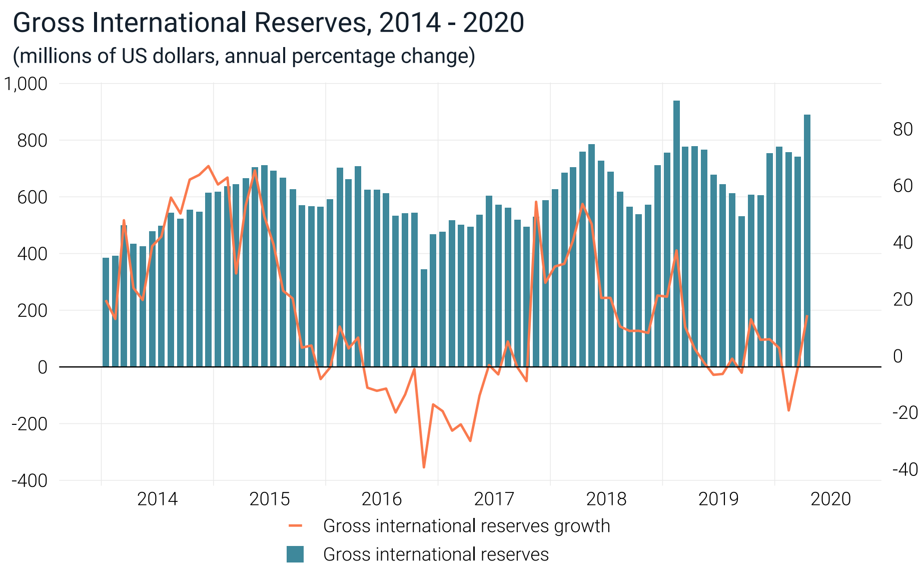
Total Imports, 2017 - 2020
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

Gross International Reserves

- Gross international reserves increased to US$889.4 million at the end of April 2020 from US$741.4 million at the end of March 2020.
    - This was a growth of 14% and 20%, when compared with April 2019 and March 2020, respectively.

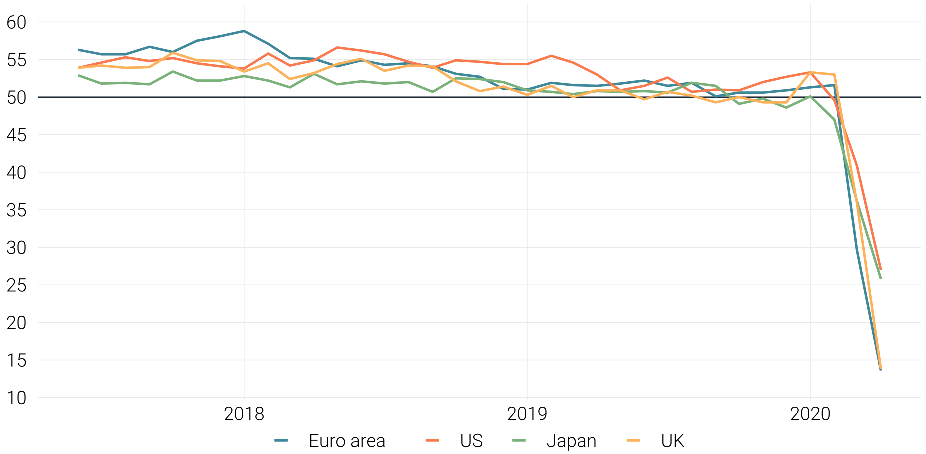


Source: Maldives Monetary Authority

International Economic Developments

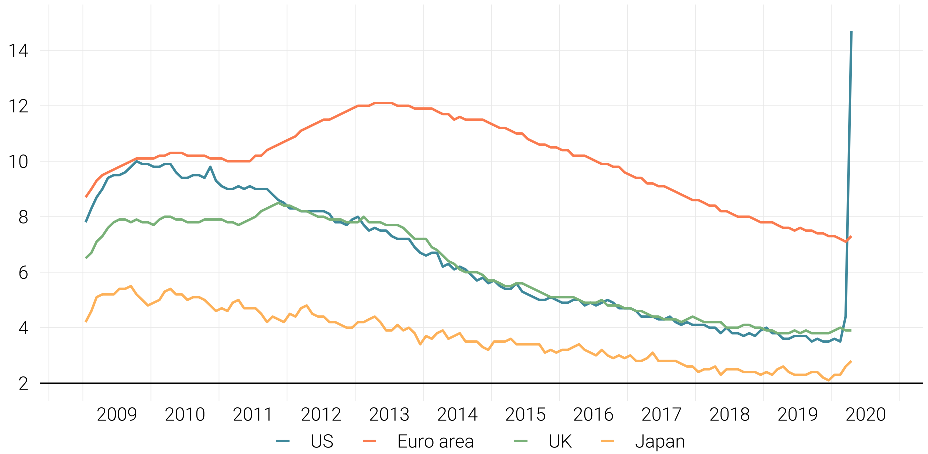
Global Output

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



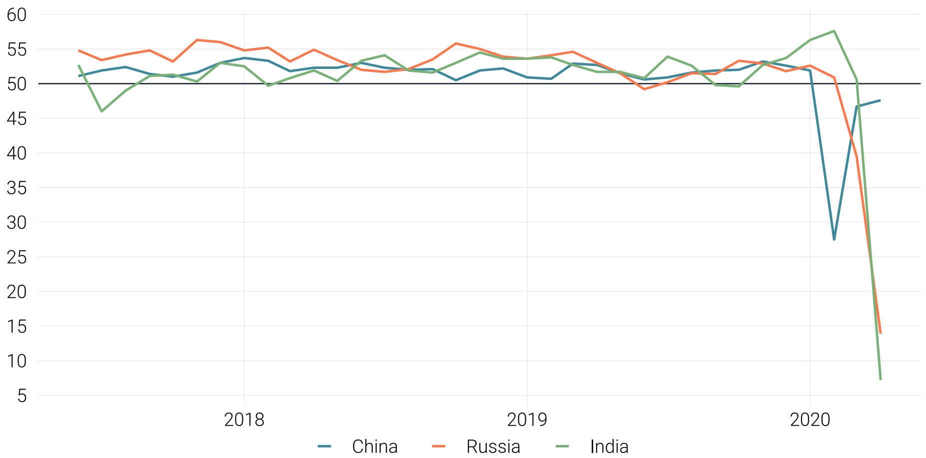
Source: Bloomberg Database

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



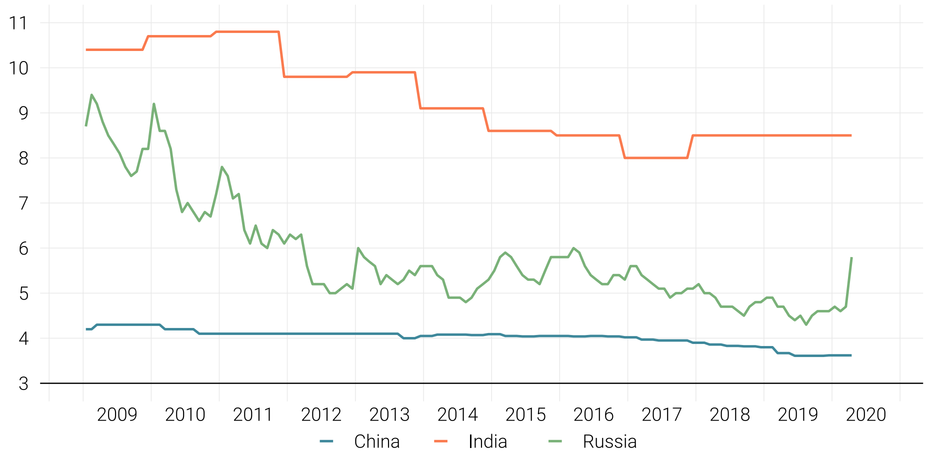
Source: Bloomberg Database

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



Source: Bloomberg Database

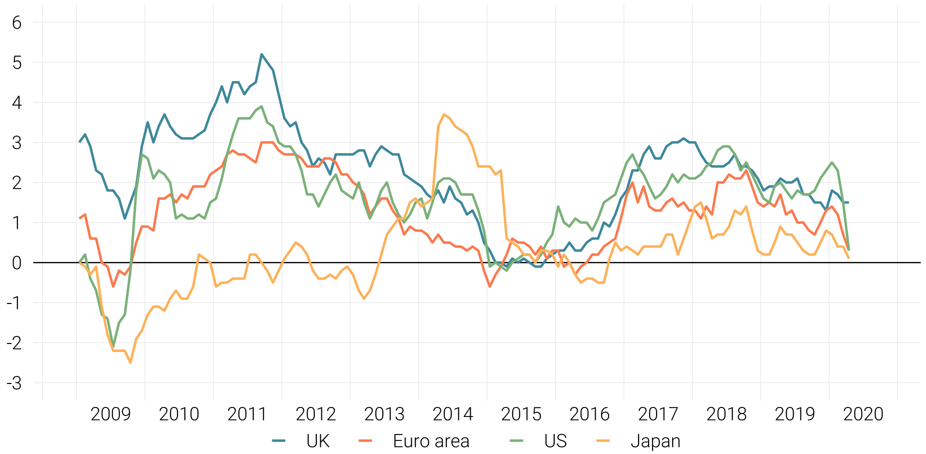
Unemployment in the Emerging Economies, 2009 - 2020
(percent)



Source: Bloomberg Database

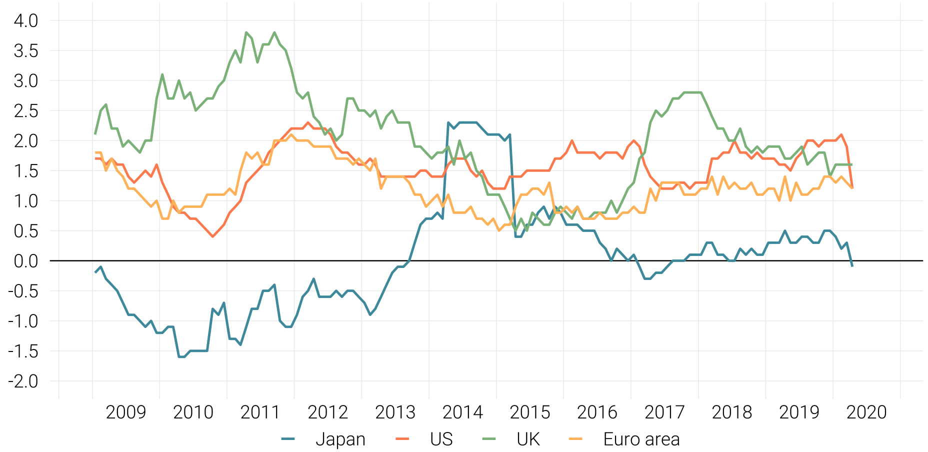
Global Inflation

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



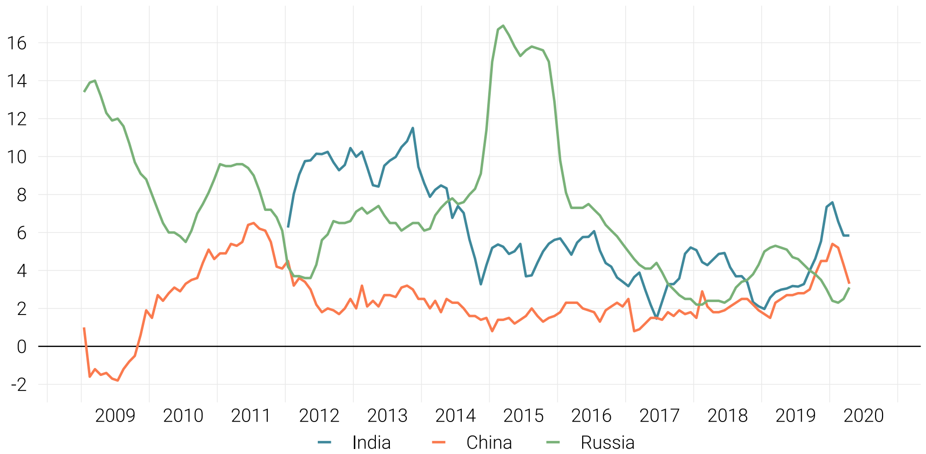
Source: Bloomberg Database

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



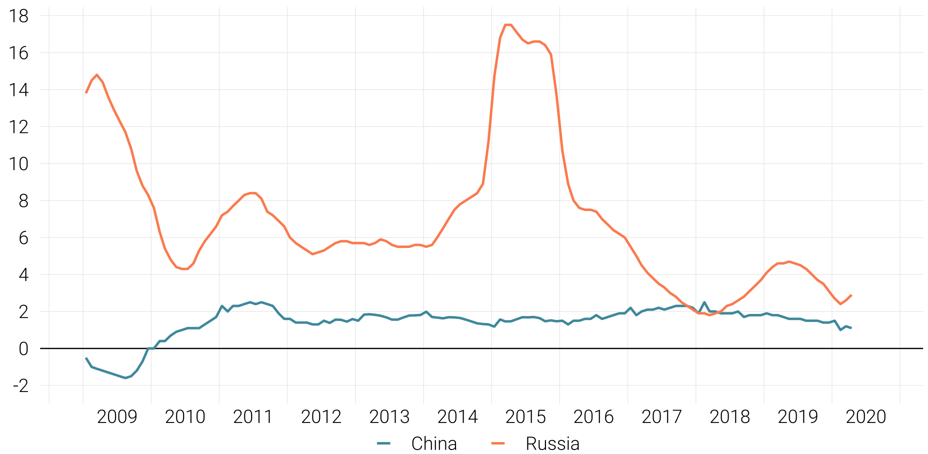
Source: Bloomberg Database

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



Source: Bloomberg Database

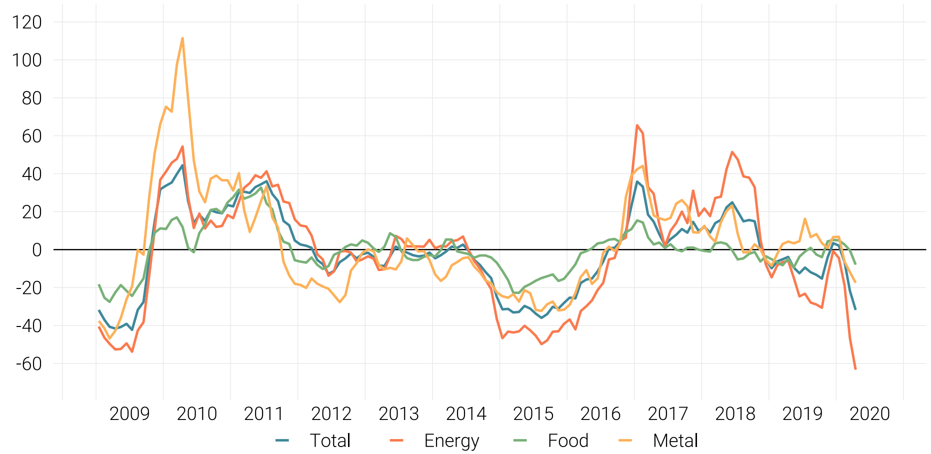
Core Inflation in the Emerging Economies, 2009 - 2020
(percent)



Source: Bloomberg Database

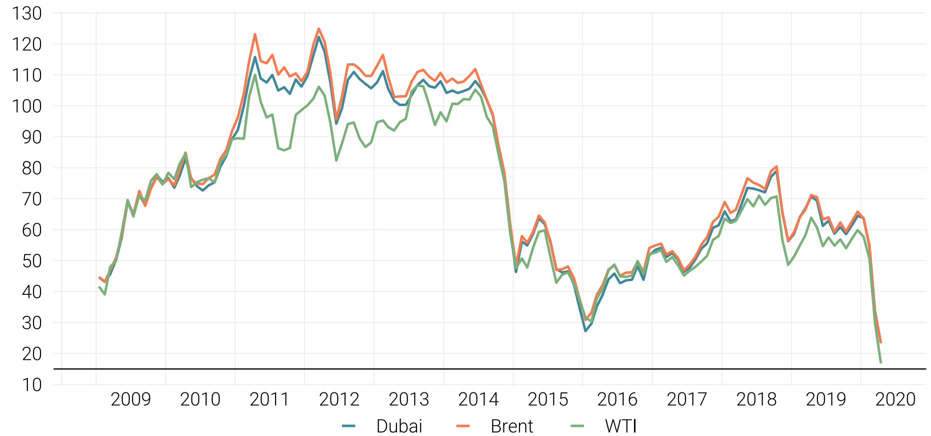
Commodity Prices

Commodity prices, 2009 - 2020
(annual percentage change)



Source: IMF

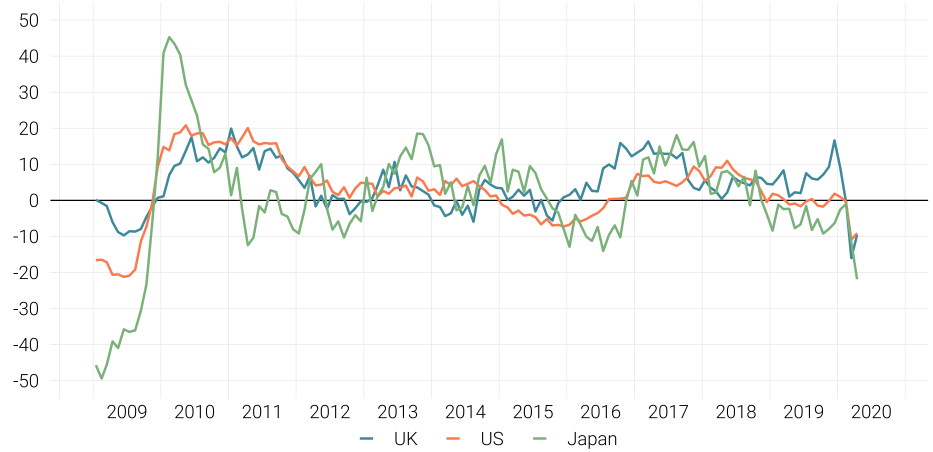
Oil prices, 2009 - 2020
(dollars per barrel)



Source: Bloomberg Database

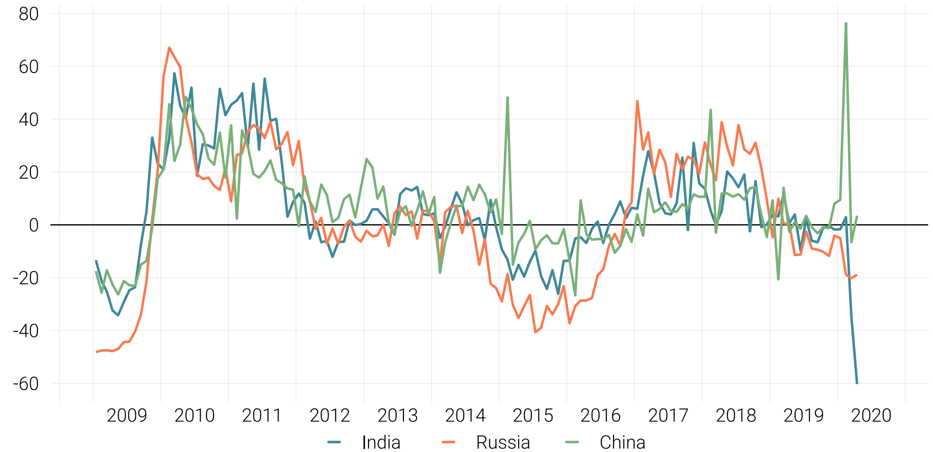
Global Trade

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



Source: Bloomberg Database

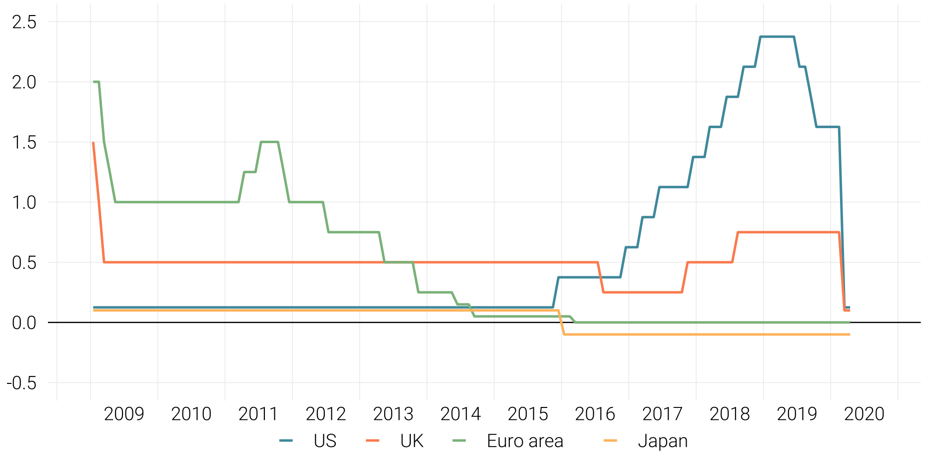
Exports in the Emerging Economies, 2009 - 2020
(annual percentage change)



Source: Bloomberg Database

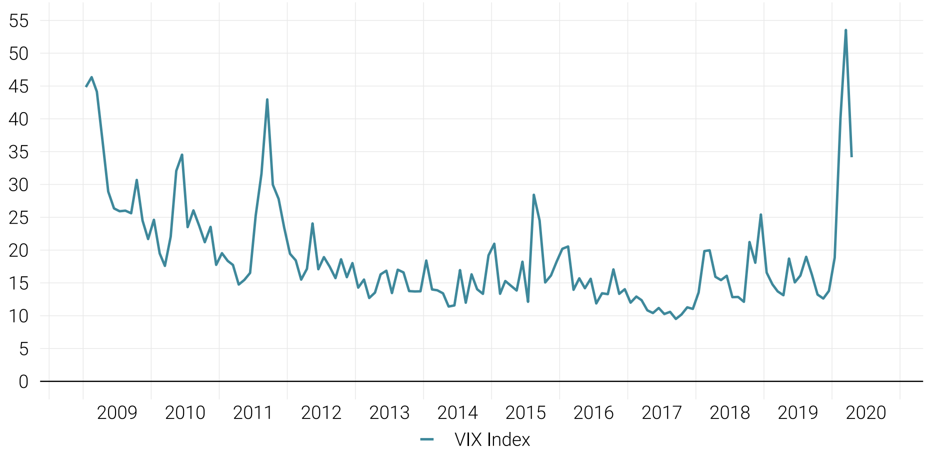
Global Financial Markets

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



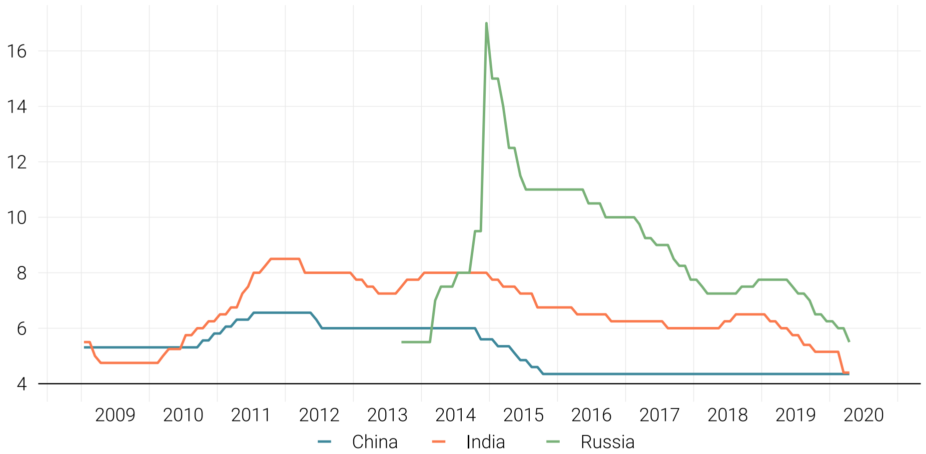
Source: Bloomberg Database

Volatility Index, 2009 - 2020
(percent)



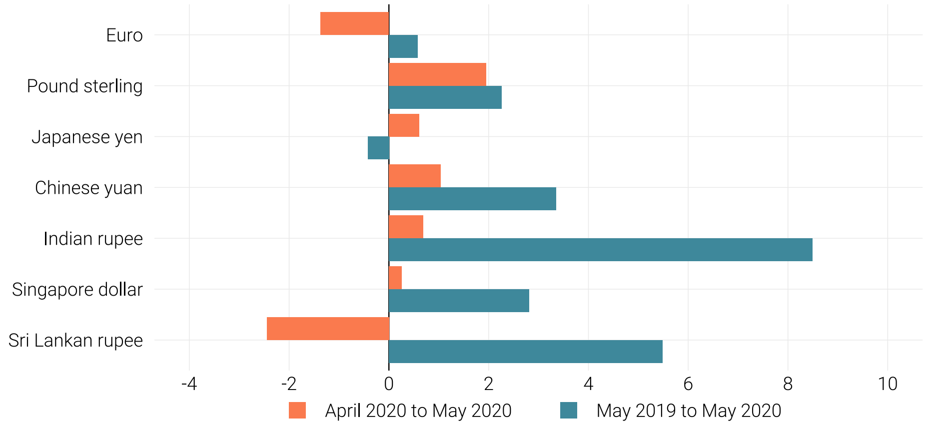
Source: Bloomberg Database

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



Source: Bloomberg Database

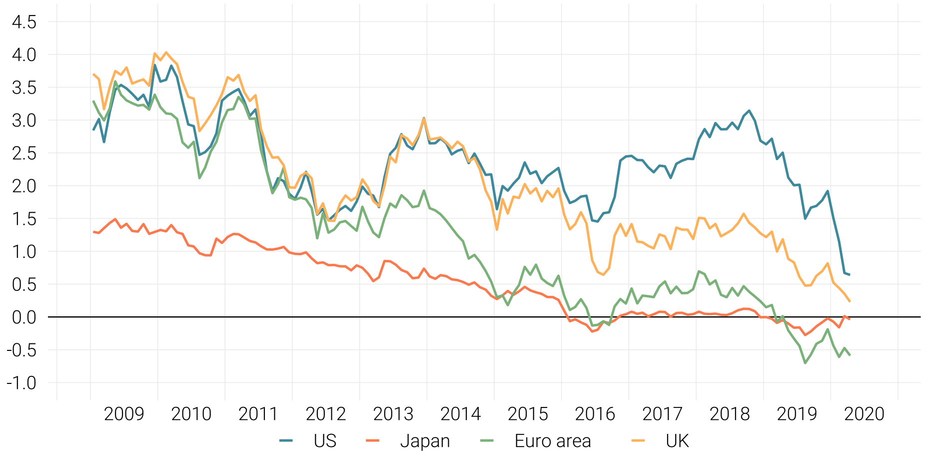
Exchange Rate of US Dollar against Currencies of Major Trading Partners, May 2020
(percentage change)



Source: Bloomberg Database

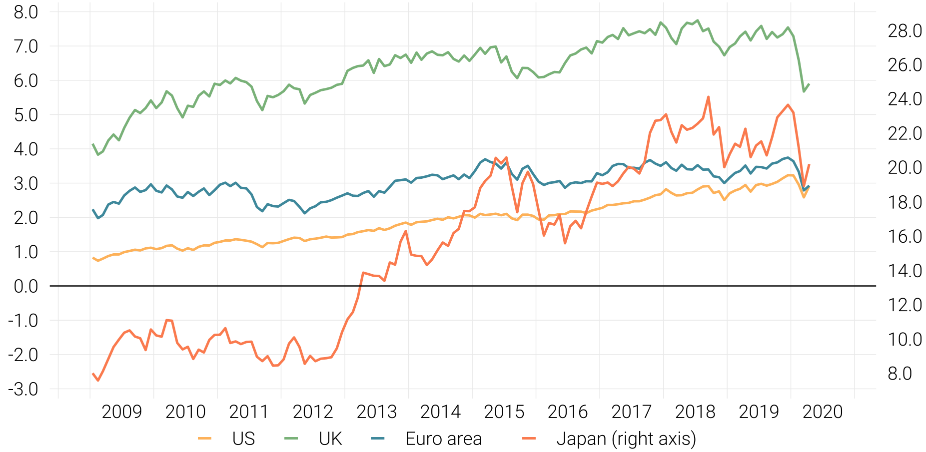
Global Financial Markets

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



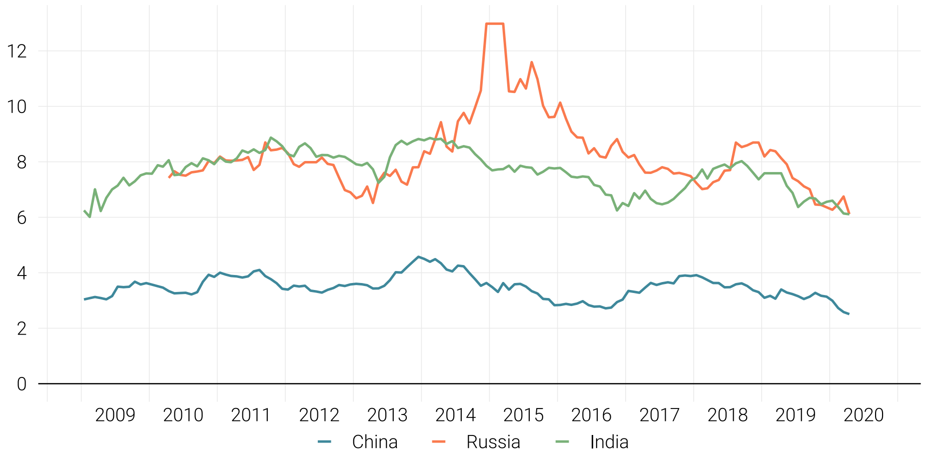
Source: Bloomberg Database

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



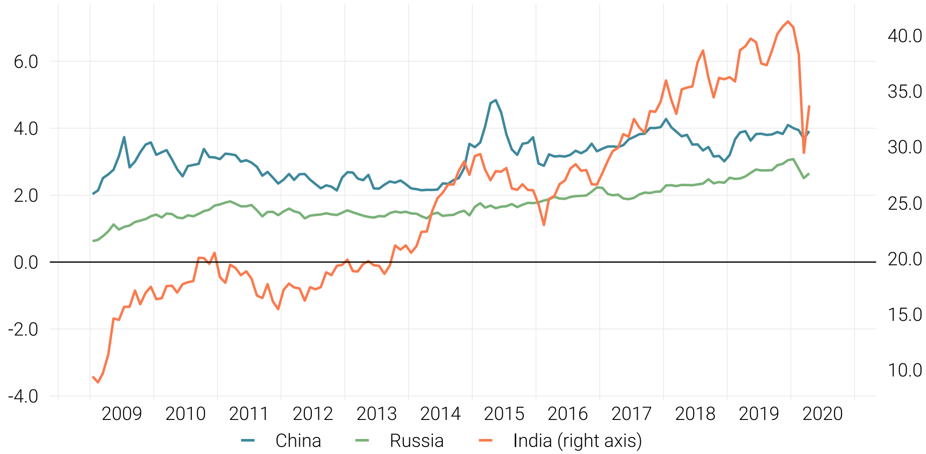
Source: Bloomberg Database

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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