

MALDIVES MONETARY AUTHORITY

# QUARTERLY ECONOMIC BULLETIN

**FIRST QUARTER 2022**

VOLUME 28 ISSUE 1



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

This bulletin is compiled by the Research Division (RD) of the Maldives Monetary Authority (MMA). It covers developments in the domestic and international economy during the first quarter of 2022. The analyses are based on information provided by relevant government authorities, commercial banks operating in the country, public enterprises and other private sector sources, as at 17 May 2022. Where actual data is not readily available, estimates have been made by RD based on available information. The timely receipt of data is therefore crucial to the compilation of this publication and the analyses contained herein.

# Contents

## Recent Economic Developments

Macroeconomic Outlook	6
Overview	7
International Economic Developments	8
Global Output	8
Global Inflation	9
Commodity Price	11
Global Trade	12
Global Financial Markets	12
Economic Developments in the Maldives	13
Real Economy	13
Inflation	17
Public Finance	18
Monetary Developments	21
Financial Sector	23
External Trade	27

## Statistical Appendix

# Abbreviations

BPT	business profit tax
CPI	consumer price index
DoC	Declaration of Cooperation
FAO	Food and Agriculture Organization
FSM	Fuel Supply Maldives
GDP	gross domestic product
G-GST	general goods and services tax
GIR	gross international reserves
GWP	Gross Written Premium
HICP	Harmonised Index of Consumer Prices
IMF	International Monetary Fund
MBS	Maldives Bureau of Statistics
MIFCO	Maldives Industrial Fisheries Company
MMA	Maldives Monetary Authority
NCG	net claims on central government
NDA	net domestic assets
NFA	net foreign assets
NPL	non-performing loan
ODF	overnight deposit facility
PMI	purchasing managers' index
ROA	return on assets
ROE	return on equity
QNA	quarterly national accounts
RBI	Reserve Bank of India
SOE	state-owned enterprise
STO	State Trading Organization
T-GST	tourism goods and services tax
UNWTO	United Nations World Tourism Organization
UAE	United Arab Emirates
UK	United Kingdom
WEO	World Economic Outlook

# **RECENT ECONOMIC DEVELOPMENTS**

# Macroeconomic Outlook

Global economy continues to recover but growth is expected to slow down in 2022. According to the IMF World Economic Outlook (WEO) April 2022, global GDP is estimated to grow by 3.6% in 2022, which is 0.8 percentage points lower than the forecast of 4.4% made in January 2022 for this year. The downward revision for 2022 mainly reflects downgrades to several economies where growth momentum is expected to moderate owing to the impact of Russia-Ukraine conflict and associated spill-overs such as a further rise in global commodity prices. The war in Ukraine along with lockdowns in China (due to a resurgence of COVID-19 infections) have intensified global supply chain disruptions and is adding to global inflationary pressures. This has prompted several central banks in the advanced economies to tighten their monetary policy and thus contributing to a tightening of global financial conditions.

Turning to the domestic economy, despite the outbreak of the war in Ukraine in late February 2022 and sanctions on Russia, the Maldivian economy is expected to grow strongly in 2022, as the impact of the war in Ukraine on the domestic tourism sector so far remains limited, given that the decline in tourist arrivals from Russia is being compensated by a surge in arrivals from India and pent-up demand from the traditional source markets of Europe. Arrivals from the Russian market, the top source market for the Maldives in 2021, registered a sharp drop in March-April, due to the suspension of airlines operating direct flights from Russia to the Maldives in early March following the outbreak of war in Ukraine. However, with Aeroflot, Russia's flag carrier, resuming operations in mid-May, arrivals from Russia have been slowly

recovering. According to the revised forecasts of October 2021<sup>1</sup>, the Maldivian economy is projected to grow by 12.0% in 2022, after expanding by 37.0% in 2021.

Overall, risks surrounding the domestic economic outlook are more towards the downside. Major downside risks include the escalation of the war in Ukraine and sanctions on Russia, which may slow the recovery of the Russian tourist arrivals; the emergence of more infectious and severe COVID-19 variants; and the relaxation of border restrictions in competitor destinations, which could lower tourist arrivals and thus the overall GDP growth. On the upside, faster-than-expected recovery of major traditional source markets of Europe reflecting stronger pent-up demand as well as faster recovery of the East Asian market may boost GDP growth.

The domestic rate of inflation increased from 0.1% in Q4-2021 to 0.6% Q1-2022. According to revised projections, the rate of inflation is expected to accelerate sharply in 2022 mainly due to a surge in global oil prices in the wake of the Russia-Ukraine war. The outlook for inflation in 2022 will largely depend on the evolution of global oil and food prices and government policies related to taxation and subsidies. Meanwhile, global inflation which has picked up substantially in recent months, reflecting an intensification of supply side bottlenecks amid lockdowns in China and the war in Ukraine, is expected to remain elevated in 2022. Although inflation is expected to slow from current high levels in 2023, it will likely remain above target in many economies.

<sup>1</sup> According to the growth forecast scenarios estimated in October 2021 jointly by the MMA and the Ministry of Finance.

# Overview

Despite a brief setback caused by the Omicron variant in January 2022, owing to a sharp increase in COVID-19 infections and related containment measures, domestic economic recovery is estimated to have gained further strength in Q1-2022. Available high frequency indicators and business survey results for Q1-2022 point to a continued strengthening of economic activity, underpinned by the significant expansion in tourism sector with positive spill-over effects on other major sectors, such as transportation and communication sector and wholesale and retail trade sector. In addition, the ongoing recovery of construction and real estate activity is also estimated to have contributed positively to GDP growth in Q1-2022.

With regard to developments in domestic prices, the rate of inflation, as measured by the annual percentage change in the National Consumer Price Index (CPI), edged up to 0.6% in Q1-2022 from 0.1% in Q4-2021, with inflation becoming more broad-based during the quarter. The increase in inflation in Q1-2022 mainly reflected faster growth in prices for health, energy-related items, fish, certain food items and rent, which offset the decline in prices for information and communication services, international passenger air transport services and vegetables.

As for fiscal developments, based on data available as of 10 May 2022 total government revenue (excluding grants) registered an annual increase during Q3-2021<sup>2</sup>, on account of a significant increase in both non-tax revenue and tax revenue, reflecting lower base effects in Q3-2020. Meanwhile, total expenditure (excluding

debt amortisation) observed an increase during Q3-2021, driven by a significant increase in recurrent expenditure, combined with an increase in capital expenditure. The increase in recurrent expenditure was driven by a substantial increase in administrative and operational expenses, while growth in capital expenditure largely stemmed from expenditure on infrastructure assets, and development projects and investment outlays.

With regard to monetary developments, annual broad money growth decelerated to 26% at the end of March 2022. This was owing to a slowdown in net domestic assets (NDA), despite a sizeable increase in net foreign assets (NFA) of the banking system. The increase in NFA reflected both a growth in foreign assets and a fall in foreign liabilities. Broad money growth was also contributed by commercial banks' investments in government securities and the expansion in bank credit to the public non-financial corporations as well as the private sector. However, the increase in overnight deposit facility (ODF) placements by commercial banks contributed negatively to broad money growth.

With regard to the external sector, total merchandise exports observed a significant increase driven by strong growths in both merchandise re-exports and domestic exports. This primarily reflected an increase in jet fuel re-exports, while the increase in domestic exports largely mirrored high earnings from frozen skipjack tuna exports. Meanwhile, merchandise imports observed a sizeable increase with all major import categories recording growths, largely reflecting the strong recovery of economic activity.

<sup>2</sup> Data was available up to Q3-2021 at the time of compilation of this report.

# International Economic Developments

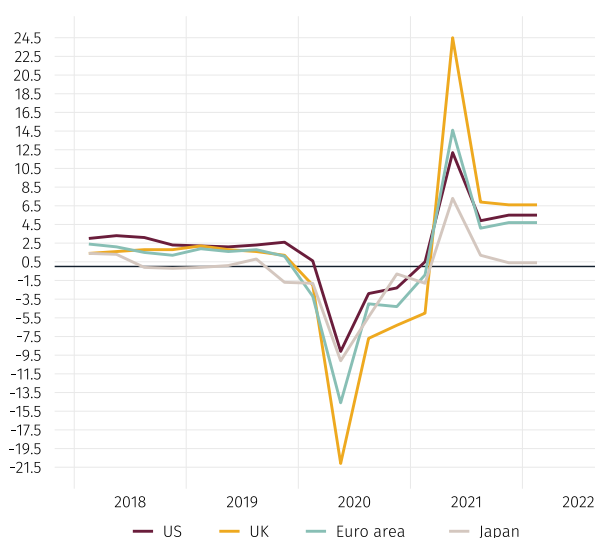
## Global Output

The global economy is estimated to have slowed down in Q1-2022, primarily due to the ongoing conflict between Russia and Ukraine and its ensuing repercussions. Further, a significant divergent pattern persists in the recovery of both advanced; and emerging markets and developing economies. According to International Monetary Fund, 'World Economic Outlook (WEO) April 2022', after registering a growth of 6.1% in 2021, global growth is estimated to decelerate to 3.6% in 2022, a downward revision of 0.8 percentage points from estimates made in January.

Looking at the advanced economies, the US economy observed a slowdown and registered a growth of 3.6% in Q1-2022, after recording 5.5% in Q4-2021 (Figure 1). This largely reflected a fall in net exports, as exports observed a decrease while imports increased significantly. In contrast, growth was observed in personal consumption expenditure primarily owing to household spending on services, particularly on healthcare spending, while the decrease in consumer spending on goods, partially curbed the growth during the review quarter.

As per the Eurostat flash estimates, the euro area recorded a growth of 5.1%, an acceleration from 4.7% recorded in the previous quarter, despite the rise of COVID-19 infections and the consequent restrictions, as well as increased uncertainty due to the negative impact of Russia-Ukraine conflict. The expansion in economic activity is underpinned by the reopening of the economies while the recovery is also supported by key factors such

Figure 1: Real GDP Growth in the Advanced Economies, 2018 - 2022  
(annual percentage change)



Source: Bloomberg Database

as compensatory fiscal measures. In this regard, the economic performance of Germany expanded primarily owing to higher capital formation while, economic growth in France slightly decelerated owing to a slowdown in household consumption expenditure. Similarly, growth in Italy observed a slight deceleration in quarterly terms, although growth remained significantly high reflecting the robustness of the domestic demand. Meanwhile, the Spanish economy further expanded during the quarter with gradual easing of containment measures.

After decelerating further to 0.4% in Q4-2021, the Japanese growth momentum is expected to have subdued in Q1-2022, albeit



signs of improvements towards the end of the quarter. In this regard, the average Purchasing Manager's Index (PMI) figure for Q1-2022 recorded a contraction, after observing an expansion in the preceding quarter. The impact of COVID-19 and rising commodity prices are key growth hindering factors although the economy continues to be supported by robust external demand.

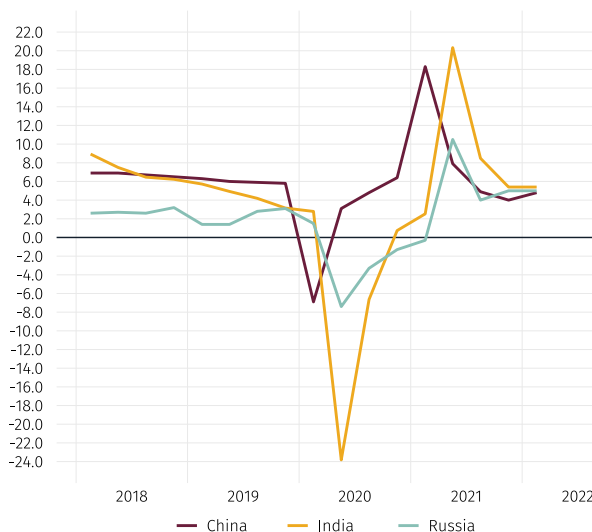
Meanwhile, the growth momentum in the United Kingdom (UK) accelerated in Q1-2022 and surpassed the pre-pandemic levels. Following a growth of 6.6% in Q4-2021, a growth of 8.7% was observed in the review quarter as services sector continued to be the main driver of economy, largely supported by the increase in output from information and communication, together with accommodation and food, and transportation and storage industries.

Looking at the emerging markets and developing economies, China's economic growth accelerated to 4.8% in Q1-2022 from 4.0% in the previous quarter (Figure 2). Despite observing a better-than-expected performance, growth continued to be hampered by the large-scale movement restrictions imposed following the emergence of the Omicron variant. In this regard, a weakening was observed in industrial production and retail sales during the quarter.

The growth momentum in India looks to have slowed down further in the review quarter after the growth decelerated to 5.4% in Q4-2021. This can be attributed to the combined effects of repressed demand, supply-chain disruptions, and Russia-Ukraine conflict. As such, despite showing improvements following the relaxation of COVID-19 restrictions, high-frequency data for the economy, namely, the composite PMI indicators for both services and manufacturing sectors observed a deceleration from previous quarter.

Despite reaching above the pre-pandemic levels at end of 2021, the Russian economy

**Figure 2: Real GDP growth in the Emerging Economies, 2018 - 2022**  
(annual percentage change)



Source: Bloomberg Database

is expected to have slowed down in Q1-2022. This was on the back of a challenging external environment which has hampered external trade. In addition, consumer demand, which is the main driver of growth, has started to decrease in real terms following a rise in propensity to save by households.

## Global Inflation

The war in Ukraine surged global commodity prices intensifying the existent pandemic led supply chain disruptions. As such, during the quarter, the rate of inflation remained elevated across both the advanced economies and the emerging markets and developing economies. However, the inflation slowed down in the emerging markets and developing economies compared to that of advanced economies, with the exception of Russia.

Looking at the price developments in the advanced economies, the rate of inflation in the US further accelerated to 8.0% in Q1-2022, exceeding 6.7% registered in the previous quarter (Figure 3).

This increase in the rate of inflation mainly reflected skyrocketing gas prices, increased housing and food costs. Further, the surge in gas prices contributed towards the increased transportation costs during the quarter.

In the euro area, the rate of inflation as measured by the annual percentage change in the Harmonised Index of Consumer Prices (HICP) hits record high at 6.1% in Q1-2022 from 4.6% in Q4-2021. This was mainly on the back of soaring energy prices and its pass-through to related items including transportation and utilities, followed by food and non-alcoholic beverages.

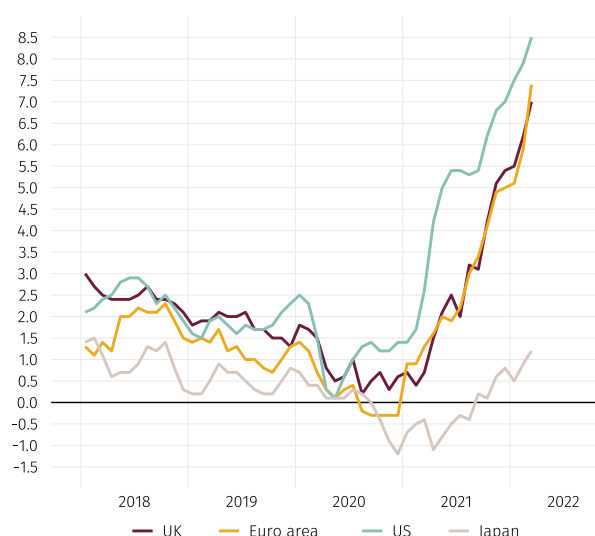
In Japan, the rate of inflation edged up to 0.9% in the review quarter, from -0.5% in the preceding quarter, mainly owing to the rise in energy prices and utilities. In addition, positive contributions from private transportation as well as expenses for culture and recreation and education added to the upward pressure on the price level. However, downward pressures were exerted by the expenses for information and communication services.

The rate of inflation in the UK increased to 5.5% in Q1-2022, further exceeding 4.4% registered in the previous quarter. The largest upward contributions stemmed from transport and housing category, reflecting the record increases in energy prices and second-hand cars. Similarly, price of clothing and footwear, and food and non-alcoholic beverages were also up during the quarter.

Turning to the emerging markets and developing economies, the rate of inflation in China fell to 1.1% in the review quarter from 1.8% recorded in Q4-2021 (Figure 4). The marginal decline mainly reflected the decline in price of food and tobacco category, attributed by the slump in price of pork, despite the increase in fresh vegetable prices. Meanwhile, transportation costs observed the highest upward trend, owing to increase global energy prices.

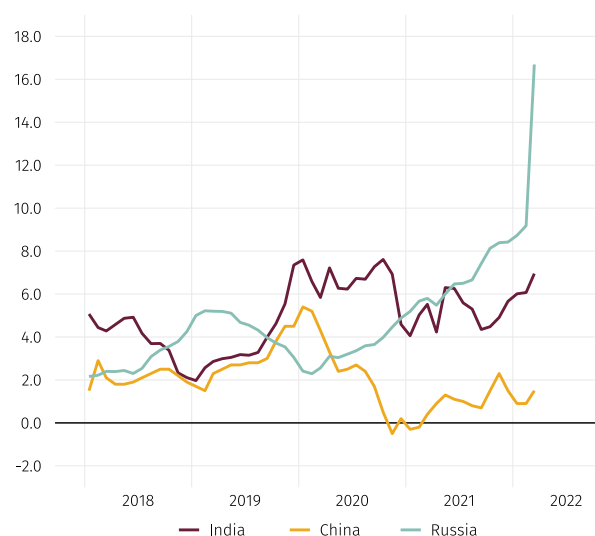
In India, the rate of inflation remained almost the same at 5.1% in Q1-2022, from 5.0% in Q4-2021.

**Figure 3: Inflation Rate in the Advanced Economies, 2018 - 2022**  
(percent)



Source: Bloomberg Database

**Figure 4: Inflation Rate in the Emerging Economies, 2018 - 2022**  
(percent)



Source: Bloomberg Database

This mainly reflected the increased price of fuel and food items such as cereals, vegetables, milk, oils, meat and fish, mainly owing to the disruption in global supply chain caused by the war in Ukraine.

The rate of inflation in Russia hiked to 11.6% in Q1-2022, up from 8.3% in Q4-2021. The acceleration mainly reflected broad-based price increases across all goods and services on the back of a weaker ruble and surging demand amid foreign trade and financial restrictions. As such,

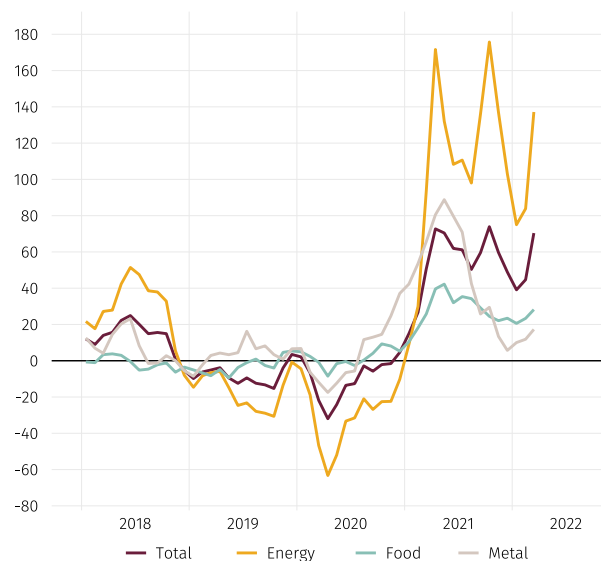
primarily increases were observed in prices of non-food durables, i.e. cars, household appliances and electronics.

## Commodity Prices

The IMF price index for all commodities increased by 52% and 13% in annual and quarterly terms, respectively, observing further increases when compared with Q4-2021 (Figure 5). During the quarter, the prices of energy, food and other commodities surged largely reflecting the war in Ukraine, as well as due to supply shortages and bottlenecks amid continued growth in demand following the gradual relaxation of COVID-19 restrictions across the world. Reflecting these developments, both energy price index and non-energy price index observed large gains in both annual and quarterly terms. Further, significant increases were observed in prices of major energy commodities, and in most non-energy prices as well.

The price of crude oil averaged US\$96.6 per barrel during Q1-2022, representing an increase of 63% and 23% in annual and quarterly terms, respectively. During the quarter, oil prices surged largely due to the war in Ukraine creating supply chain disruptions. Following the war, major western economies announced plans to ban or phase out imports of Russia which has led to shortages in the global oil supply. These developments have added to the market pressure while prices were already being driven by more balanced supply over demand fundamentals. However, the demand somewhat dropped in the review quarter on the back of a slowdown in global economic growth, with a new wave of COVID-19 in China as well as higher oil prices drawing down oil consumption. On the supply front, the lower crude oil stocks continued to support prices. However, production rose marginally as participating countries slowly reversed previous production cuts as agreed under the Declaration of Cooperation (DoC).

Figure 5: Commodity Prices, 2018 - 2022  
(annual percentage change)



Source: IMF

Turning to major commodities in the non-energy index, the base metal index rose by 13% and 16% in annual and quarterly terms, respectively, when compared with the previous quarter. This increase largely reflected the conflict between Russia and Ukraine, with the former being an important supplier in the global metal market. Further, price of metal jumped owing to higher cost of extracting and refining, as input costs have soared up with the spike in energy prices. Looking at global food prices, the IMF food price index grew by 24% and 14% in annual and quarterly terms, respectively. Similarly, the Food and Agriculture Organization (FAO) food price index registered an annual increase of 25% and a quarterly increase of 8% in Q1-2022. The increase in prices were more pronounced for commodities produced by Russia and Ukraine, as these countries are large exporters of certain food commodities. This was on top of supply chain disruptions and stronger-than-expected rebound in demand.

## Global Financial Markets

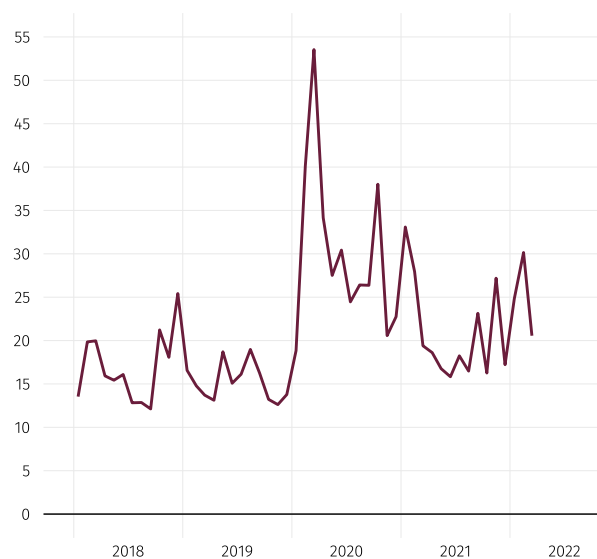
Global financial conditions have tightened in both advanced; and emerging markets and developing economies in Q1-2022. This was mainly owing to the war in Ukraine, which led to sharp rise in commodity prices and due to the prolonged supply chain disruptions.

The share prices observed increases on average for most of the advanced markets, while share prices mostly declined for emerging markets (Figure 6). In this regard, the Chinese stock market registered a decline owing to loss in investor confidence amid COVID-19 lockdowns placed during the quarter. The Russian stock market reopened for limited trading at the end of the quarter after a month-long shutdown, whereby it was closed on 25th February 2022, as Russian assets plunged following the country's invasion into Ukraine and anticipated international sanctions. Meanwhile, the yield-to-maturity on longer terms sovereign bonds accelerated in all of the selected economies, except for Chinese sovereign bonds when compared to a year ago on expectations of more Chinese monetary easing. Similarly, the Chinese sovereign bond yields observed a decline when compared to the previous quarter. However, the rest of the selected economies in both advanced and emerging markets and developing economies observed increases when compared with Q4-2021. In line with these developments and domestic economic developments, the monetary policy stances in both the country groups remained tightened in Q1-2022. As such, the Federal Reserve increased policy rate by 25 basis points, its first interest rate increase in more than three years, while the Bank of England increased the policy rate by 25 basis points during the quarter. Meanwhile, following the war between Russia and Ukraine, the Bank of Russia increased the key interest rate to 20% during the quarter.

In the foreign exchange market, the overall performance of the US dollar against the currencies

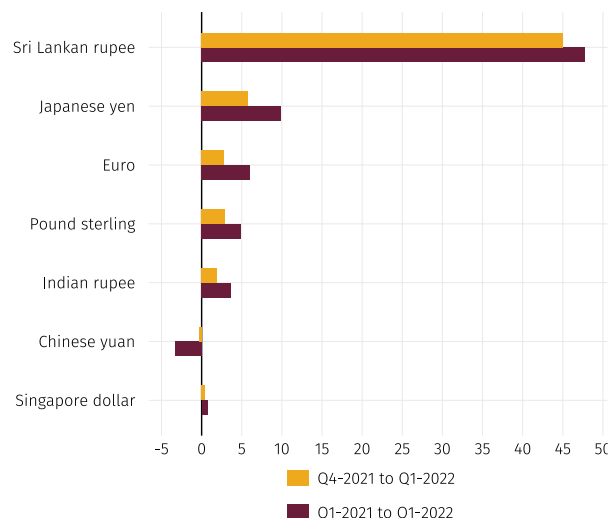
of the Maldives' major trading partners was mostly strong when compared with Q1-2021 and Q4-2021 (Figure 7). The US dollar strengthened against all the currencies except the Chinese yuan at the end of Q1-2022 when compared with Q1-2021. However, in quarterly terms, the US dollar weakened against the Chinese yuan, Singapore dollar and pound sterling, while the currency strengthened against the rest of the currencies.

Figure 6: Volatility Index, 2018 - 2022  
(percent)



Source: Bloomberg Database

Figure 7: Exchange Rates, Q1-2022  
(percentage change)



Source: Bloomberg Database

Note: Percentage changes have been calculated using spot rates at the end of each quarter.

# Economic Developments in the Maldives

## Real Economy

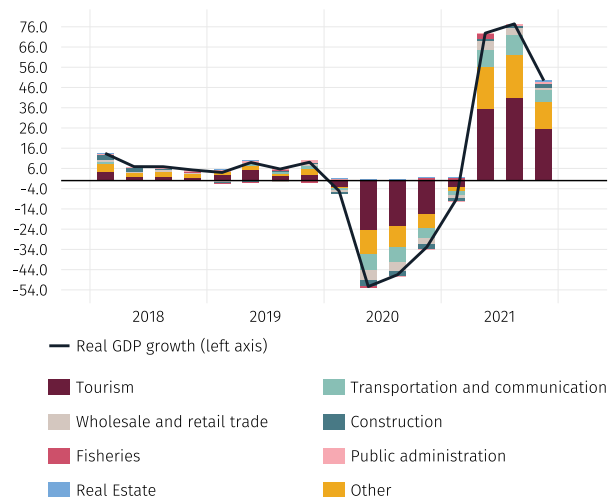
### Gross Domestic Product

The Maldivian economy continued to recover strongly in Q4-2021 and real GDP growth is estimated to have strengthened further in Q1-2022, despite a surge in COVID-19 infections<sup>3</sup> in early 2022 due to the more transmissible Omicron variant. Available high frequency indicators and business survey results for Q1-2022 suggest that the growth momentum strengthened during the quarter, driven by the significant expansion in tourism activity with positive spill-over effects on other major sectors, such as transportation and communication sector and wholesale and retail trade sector. Meanwhile, the expansion in real estate activity and the moderate recovery of the construction sector is also expected to have contributed positively to growth in Q1-2022.

Due to the rapid spread of the Omicron variant in the Maldives in early 2022, the government of Maldives re-introduced certain border restrictions and other containment measures. These include the requirement of PCR tests when travelling to islands and quarantining measures for those who have not completed their vaccine doses and prohibiting events with people exceeding more than 50, including night markets. However, the measures taken were less strict than the measures implemented during past COVID-19 waves, as the

health impact of the Omicron variant appeared to be less severe<sup>4</sup> (as indicated by the low number of COVID-19 related hospitalisations and deaths) owing to higher rates of vaccinations, including booster doses<sup>5</sup>. Subsequently, with the decline in the number of new COVID-19 cases and the continued decline in COVID-19 hospitalisations, the government of Maldives on 13 March 2022 lifted the COVID-19 related Public Health Emergency

Figure 8: Contribution to Real GDP Growth by Economic Sectors, 2018 - 2021  
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

<sup>3</sup> The total number of daily new COVID-19 cases, which stood at 161 on 2 January 2022, reached a peak of 2,838 on 30 January 2022 – the highest number of new cases recorded on a single day during the quarter. However, the total number of daily new cases fell to 291 by 13 March 2022 and the national sample positivity rate declined from 36% in 1 February 2022 to 11% in 22 March 2022.

<sup>4</sup> As for the total number of cases hospitalised, the highest number was recorded on 1 February 2022, with a total of 62 cases and as of 13 March 2022, the total number of cases hospitalised were down to 4 cases.

<sup>5</sup> As of 26 March 2022, 85% of the eligible population of Maldives have been fully vaccinated, with 34% of the population being administered booster doses.

that was declared in the Maldives two years ago, effectively removing all pandemic-related restrictions.

According to the latest Quarterly National Accounts (QNA)<sup>6</sup> estimates released by the Maldives Bureau of Statistics (MBS) on 7 April 2022, real GDP registered a strong annual growth of 49.4% in Q4-2021<sup>7</sup>, after rebounding by a significant 77.4% in Q3-2021 (Figure 8). Meanwhile, GDP marginally exceeded the pre-pandemic level of Q4-2019.

In Q4-2021, real GDP growth was mainly contributed by the robust recovery of the tourism sector (26.0 percentage points); followed by transportation and communication sector (6.2 percentage points), which is closely linked to developments in the tourism sector.

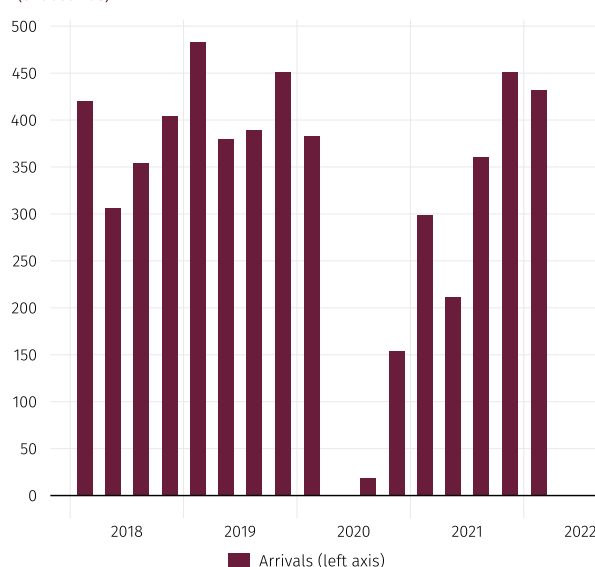
Notable positive contributions to growth were also made by the construction sector (2.3 percentage points) and human, health and social work sectors (1.5 percentage points). However, construction activity is estimated to have moderated during the quarter, as the sector continues to be severely affected by labour shortages, supply chain disruptions and high input prices. Further, the financial services sector (1.2 percentage points) grew with output exceeding pre-pandemic levels in Q4-2021, reflecting the increase in both banking and insurance services. Likewise, real estate sector registered a growth of 6.7% (0.6 percentage points) during the quarter. Meanwhile, wholesale and retail trade sector registered a growth of 6.1% (0.5 percentage points), attributed by the strong growth of the tourism sector and overall increase in the domestic demand.

The gross value added of the fisheries sector, which registered a decline in the preceding following four consecutive quarters of growth, increased marginally by 0.8% in Q4-2021 (0.1 percentage point).

## Tourism

The recovery of the tourism sector faced new challenges in Q1-2022 due to the war in Ukraine which began on 24 February 2022, as tourists from the Russian market (which accounted for 17% of arrivals in 2021) and Ukraine (which accounted for 3% of arrivals in 2021) have been a major driver of the recovery in tourist arrivals since the re-opening of Maldives borders. Following the outbreak of the war in Ukraine, the three airlines operating direct flights to the Maldives from these two countries suspended their operations in early March 2022. This led to a significant drop in average daily arrivals from Russia, from 736 arrivals per day prior to the war (i.e. from 1 January 2022 to 24 February 2022) to an average of 284 arrivals per day in March 2022, while arrivals from Ukraine came to a halt. Despite these developments, the tourism sector withheld its recovery owing to pent-up demand from traditional source markets of Europe. As such, tourist arrivals increased by 45% in Q1-2022 compared to the same period of 2021, totalling 431,520 arrivals. However, tourist arrivals remained 11% below pre-pandemic levels of Q1-2019 and was down by 4% compared to Q4-2021 (Figure 9).

Figure 9: Inbound Tourist Arrivals, 2018 - 2022  
(thousands)



Source: Ministry of Tourism

<sup>6</sup> Latest QNA data available at the time of compilation of this report was for Q4-2021. Advance estimates data are released with a four-month lag.

<sup>7</sup> As QNA data for Q4-2021 used in this analysis is based on advance estimates, the data is subject to change in the upcoming revisions.



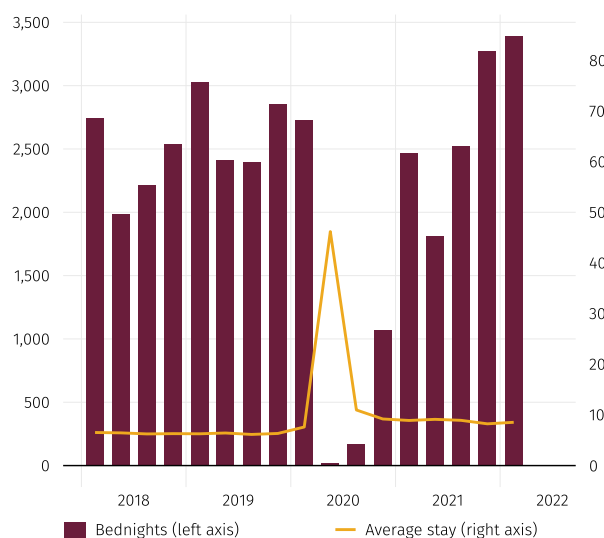
During the quarter, tourist bednights increased by 37%, despite the marginal drop in average stay from 8.9 days in Q1-2021 to 8.5 days in Q1-2022. Similarly, bednights increased by 12% compared to pre-pandemic levels of Q1-2019 (Figure 10).

In terms of market composition, Europe remained as the main source region, accounting for a sizeable 71% of tourist arrivals, while the market share of Asia declined to 16%—after registering 25% of total tourist arrivals during the previous quarter (Figure 11). During Q1-2022, Russia was the largest source market, accounting for 12%, followed closely by the UK (12%), India (11%), Germany (8%) and Italy (7%), whereby arrivals increased for the United Kingdom, Germany and Italy, whilst arrivals declined for Russia and India in annual terms. However, it is worth noting that with the onset of the war in Ukraine, Russian arrivals declined by 87% in March 2022 compared to arrivals in February 2022.

According to international flight movements data, the number of flight movements rose by 32% when compared with Q1-2021 and by 8% compared to Q1-2019. This mainly reflected the frequency in flight movements by major carriers such as Sri Lankan Airlines, Turkish Airlines, Emirates, Singapore Airlines and Saudi Arabian Airlines. It is noteworthy to mention that Aeroflot, Russia's flag carrier suspended its operations during the quarter, due to the Russia-Ukraine war, which resulted in Aeroflot's flight movements to fall to a total of 16 during March 2022, from 62 in January 2022 and 56 in February 2022.

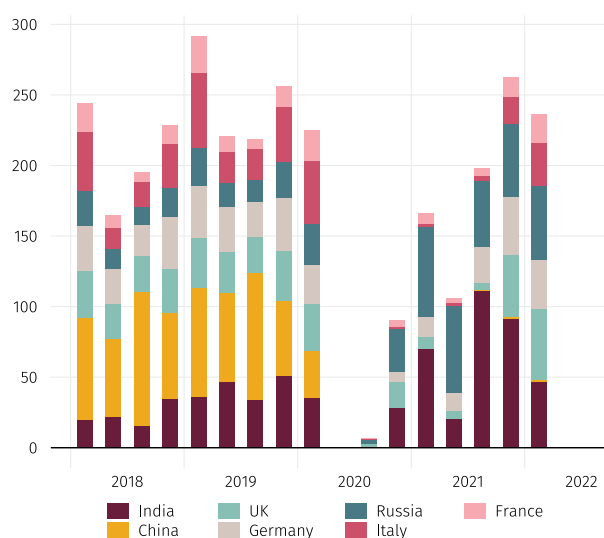
On the supply side, the number of resorts in operation on average increased to 163 resorts during Q1-2022 from 160 resorts during Q4-2021 and 147 resorts recorded in Q1-2021. The operational bed capacity of the industry rose by 20% in Q1-2022 compared to Q1-2021 and by 4% compared to previous quarter. Of the total operational bed capacity, resorts accounted for

**Figure 10: Bednights and Average Stay, 2018 - 2022**  
(thousands, days)



Source: Ministry of Tourism

**Figure 11: Arrivals from Major Inbound Markets, 2018 - 2022**  
(thousands)



Source: Ministry of Tourism

72% of beds, followed by guesthouses (20%). In Q1-2022 the occupancy rate of the industry rose to 69% up from 61% in Q1-2021. Meanwhile, the average occupancy rate of resorts rose to 80% up from 70% in Q1-2021 and remained unchanged from Q4-2021.

As for developments in global tourism, international tourist arrivals continued to recover

but remained significantly below pre-pandemic levels. According to United Nations World Tourism Organization (UNWTO) international arrivals declined by 67% in January 2022 when compared to the same period in 2019. However, the recovery remained uneven across countries and regions with Asia and the Pacific region posting the largest drop in arrivals over the same period of 2019 (-93%), while the American region recorded the smallest decline (-52%). The war in Ukraine has been identified as a major downside risk to tourism recovery, and it may add further pressure to the economic uncertainties.

## Construction

Activity in the construction sector continued to expand in Q1-2022, supported by public infrastructure projects and private residential and property development projects, as indicated by business survey results and high frequency indicators. However, the pace of construction sector growth appears to be moderate as shortages of materials and labour continue to constrain the output of the sector. Developments in the construction sector in Q1-2022 followed a 41% growth in the gross value added of the sector in Q4-2021, although gross value added of the sector remained 17 percent lower than pre-pandemic level of Q4-2019.

High frequency indicators such as the import of construction-related items increased significantly by 57% year-on-year, although commercial bank credit<sup>8</sup> to the construction sector<sup>9</sup> declined by 4% at the end of Q1-2022. This was mainly due to the decline in credit extended for new resort development and renovation of resorts, followed by the decline in credit for construction of

residential or housing projects. However, increases were observed for credit extended for construction of other projects, property development projects and commercial buildings.

According to the MMA's Quarterly Business Survey for Q1-2022, activity in the construction sector expanded during the quarter. The volume of construction activity index turned positive during the quarter increasing by 52 points to register 46 in Q1-2022. Fifty-five percent of businesses reported an increase in the volume of construction activity relative to Q4-2021, while 5% of businesses reported a decrease (44% of businesses reported no change). Meanwhile, the volume of orders received index also rose by 21 points to 23 in Q1-2022.

## Fisheries

Following a marginal increase in the gross value added of the fisheries sector in Q4-2021, activity in the fisheries sector is estimated to have moderated during Q1-2022 as indicated by fish purchases and the volume of fish exports. In Q1-2022, fish purchases made by processing companies declined compared to Q1-2021, although the volume of fish exports increased significantly by 61%.

In Q1-2022, fish purchases totalled 24,588.7 metric tonnes, registering a decline of 4% in annual terms. The decline in fish purchases in the review quarter has been driven by the 21% decline in the purchase of yellowfin tuna owing to less catch of yellowfin tuna, which offset the 2% increase in skipjack tuna purchases. At the end of the quarter, the local purchase price of skipjack tuna<sup>10</sup> and iced skipjack tuna marginally rose from MVR14.0 per kilogram to MVR15.0 per kilogram and MVR16.0

<sup>8</sup> Although a substantial portion of the financing for public infrastructure projects, resort development and social housing development is sourced externally, commercial bank credit to the construction sector remains an important indicator to gauge the performance of the sector.

<sup>9</sup> Construction sector-related loans include loans for new resort development, resort renovation and construction of guesthouses (classified as tourism sector loans), as well as loans to the real estate sector. Hence, this figure will be different from the loans to the construction sector reported under Monetary Developments.

<sup>10</sup> In September 2020, the state-owned enterprise Maldives Industrial Fisheries Company (MIFCO) abandoned the fixed rate of fish purchases.



per kilogram to MVR17.0 per kilogram, respectively. Meanwhile, the average purchase price of yellowfin tuna by local companies increased to MVR77.6 per kilogram during Q1-2022 from MVR60.8 per kilogram during Q1-2021.

The volume of fish exports rose by 61% (9,564.5 metric tonnes) in Q1-2022 when compared with Q1-2021 and totalled 25,178.2 metric tonnes. The increase in the volume of fish exports primarily reflected the increase in the export of frozen skipjack tuna which increased by 91% (8,688.0 metric tonnes). This was followed by an increase in the export of canned or pouched tuna (40%) and fresh or chilled yellowfin tuna (29%).

## Wholesale and Retail Trade

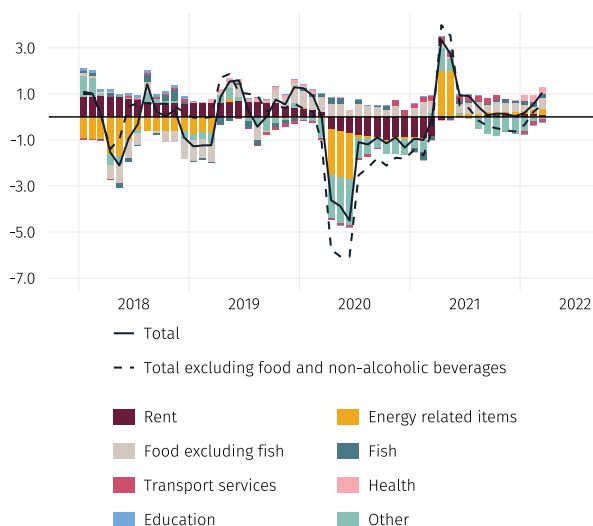
Supported by the strong growth of the tourism sector and the overall increase in domestic demand, wholesale and retail trade activity is estimated to have expanded further in Q1-2022, as suggested by private sector imports and bank credit to the sector as well as the business survey results. In Q4-2021, the gross value added of the wholesale and retail trade sector grew by 6% but remains 27% below pre-pandemic levels (Q4-2019).

In Q1-2022, private sector imports (excluding imports by the tourism sector) increased by 31% in annual terms, while the commercial bank credit to the sector rose by 6% during the quarter. According to the MMA's *Quarterly Business Survey* for Q1-2022, activity in the wholesale and retail trade sector continued to expand as indicated by the sales index and the volume of orders index, whereby the sales index remained elevated at 69 despite declining 13 points. Meanwhile, the volume of orders index rose 7 points to 89 during the quarter.

## Inflation

The rate of inflation (as measured by the annual percentage change in the national CPI) edged up to 0.6% in Q1-2022 from 0.1% in Q4-2021, with inflation becoming more broad-based during the quarter. The increase in inflation in Q1-2022 mainly reflected faster growth in prices for health, energy-related items, fish, certain food items and rent, which offset the decline in prices for information and communication services, international passenger air transport services and vegetables (Figure 12).

Figure 12: Contribution of Sub-Categories to CPI Inflation (National), 2018 - 2022  
(annual percentage change, percentage point contribution)



Source: Maldives Bureau of Statistics

Increases in the prices for food and non-alcoholic beverages including fish, which has the second-highest weight in CPI basket, contributed the most to the upward pressure on inflation in Q1-2022 (0.5 percentage points). During the quarter, food prices registered an overall increase of 2.2% mainly on account of the increase in prices of fish, which rose by 5.0% (0.2 percentage points) during the quarter. This was mainly owing to increased prices for live, fresh, chilled or frozen fish, which registered a growth of 9.0% during the quarter. Meanwhile, prices for dairy products, meats, oils and fats, and bread and cereals also increased during the quarter, which reflected higher import prices due to rising global food prices. Conversely, the decline in prices for certain vegetables (-3.4%) dampened food inflation during the quarter.

The energy sub-category<sup>11</sup> has been another major contributor to inflation in Q1-2022, mainly due to the increase in the price of petrol during the quarter. This was driven by a 49.0% increase in the price of petrol (0.2 percentage point), owing to the upward adjustment of the administered price of petrol by State Trading Organization (STO)<sup>12</sup> from MVR12.06 per litre in January 2022<sup>13</sup> to MVR14.60 per litre in March 2022, reflecting the surge in global oil prices. Global crude oil prices jumped to US\$96.6 per barrel on average at the end of Q1-2022 from US\$78.3 per barrel at the end of Q4-2021, owing to tight global supply conditions amid the war in Ukraine.

In Q1-2022, the health category registered a growth of 4.0% (0.3 percentage points), mainly owing to the increase in price of medicines (9.0%) and price of assistive products (8.0%) during the quarter.

Rent prices also increased during the quarter, registering a growth of 0.6% (0.1 percentage points) accelerating further from the growth of 0.5% observed in the preceding quarter. It is also noteworthy that rental prices have increased for the third consecutive quarter, reflecting a gradual pickup in rent after declining following the outbreak of COVID-19 in the Maldives.

Meanwhile, the decline in information and communication category were the main contributor to the downward pressure on inflation in Q1-2022 (-1.0 percentage points). The cost of information and communication services fell by 15.0% in Q1-2022 due to the reduction in the unit price of mobile services used by consumers in October 2021. This reflected the pledge made by the government to make broadband and mobile internet more affordable to consumers.

Further, price of passenger transport services which has recorded positive growth rates since Q4-2020, declined by 3.7% during Q1-2022 (-0.2 percentage points). This was mainly owing to the fall in prices for international passenger air transport which fell by 11.0% during the quarter, reflecting discounts provided on fares amid border re-opening in various destinations. In addition, prices for passenger transport by sea and inland waterway also declined by 1.5% in Q1-2022.

<sup>11</sup> Energy-related items include the price charged on electricity, gas and other fuels, and price of fuels and lubricants for personal transport equipment.

<sup>12</sup> Domestic petrol prices reflect markets prices with a lag even though they are administered by STO.

<sup>13</sup> This is based on the retail price of Fuel Supply Maldives (FSM), a subsidiary of STO, the largest importer of oil in the Maldives. Revisions brought to price charged on fuel are also reflected in the changes to the price of electricity.

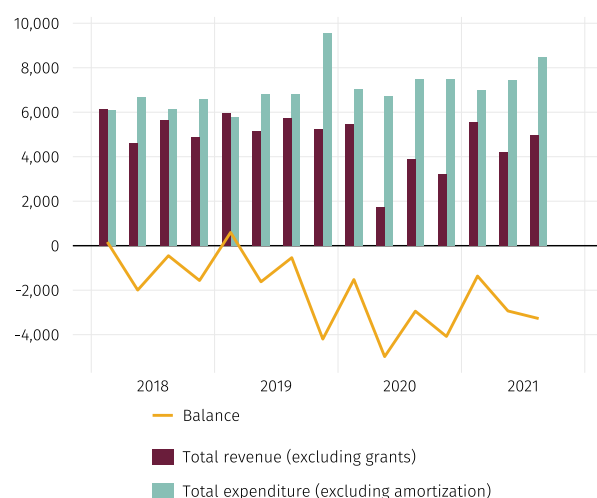
## Public Finance<sup>14</sup>

Total government revenue (excluding grants) increased by MVR1.1 billion during Q3-2021<sup>15</sup> when compared with Q3-2020 and totalled MVR5.0 billion at the end of the quarter (Figure 13). This was on account of a significant increase in both non-tax revenue and tax revenue, reflecting a lower base effect in the corresponding quarter of 2020. In this regard, tax revenues, which accounted for 74% of the total revenue over the period, registered an annual increase of MVR445.8 million

The increase in tax revenue during the quarter was witnessed across all major revenue sources except for business and property tax and from general goods and services tax (G-GST). With regard to sources of tax revenue, the largest increase stemmed from a significant rise in the tourism goods and services tax (T-GST)—the main single source of revenue for the government—which observed a growth of MVR724.6 million (Figure 14). The positive momentum in the tourism sector was further reflected in the collection of green tax and airport service charge. Import duties observed an annual increase of MVR415.0 million, reflecting the increase in volume of imports, as domestic demand showed signs of recovery. However, a significant decline was observed in the collection of business and property tax, stemming from sizeable decreases in both other business and property tax, and business profit tax (BPT), despite an increment in receipts from withholding tax. Moreover, receipts from G-GST also observed a marginal decline, due to a higher base effect of increased collections in Q3-2020, mirroring the extensions given on deadlines following the pandemic.

Non-tax revenue, which comprised 26% of the total revenue, observed an increase of MVR624.0 million in annual terms and totalled MVR1.3 billion at the end of Q3-2021. The largest increase within

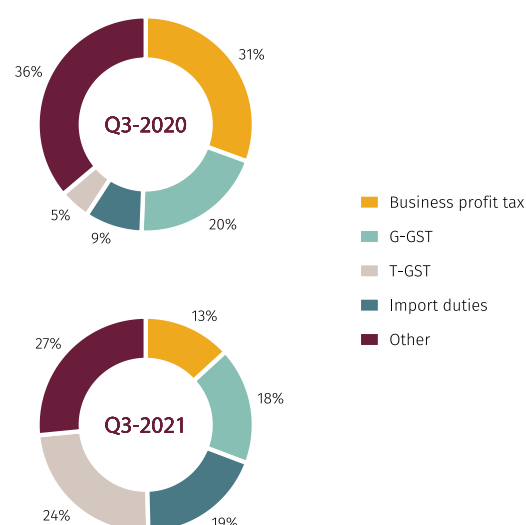
Figure 13: Government Revenue and Expenditure, 2018 - 2021  
(millions of rufiyaa)



Source: Ministry of Finance

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

Figure 14: Composition of Tax Revenue, 2020 - 2021



Source: Ministry of Finance

<sup>14</sup> Government revenue and expenditure data as of 10 May 2022. These figures might vary due to ongoing data reconciliation.

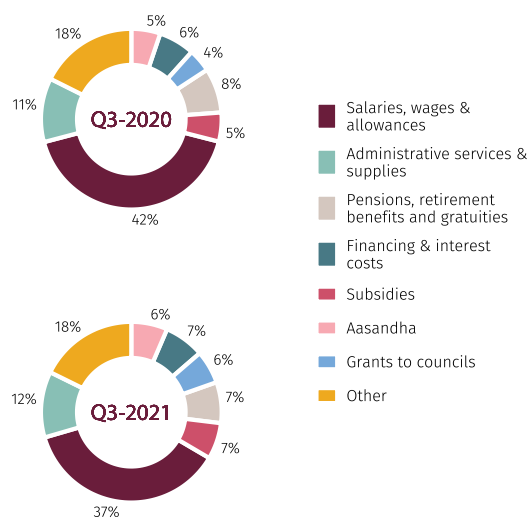
<sup>15</sup> Data was available up to Q3-2021 at the time of compilation of this report.

this category stemmed from the collection of rent from resorts, which observed a marked increase of MVR535.0 million when compared with Q3-2020. It is noteworthy that part of the rental deferments<sup>16</sup> that were granted by the government in the previous year following the pandemic fell into the review quarter, which led to the increment in rent. In addition, an increase was observed in airport development fee, reflecting a higher number of foreign departures from the international airports, which also reflected in the increment in airport service charge<sup>17</sup>. Similarly, revenue from registration and license fees, and receipts from dividends from state-owned enterprises (SOE) showed significant growths, while revenue from interest and profits, and resident permits posted declines over the review quarter.

Total expenditure (excluding debt amortisation) recorded an increase of MVR990.1 million in annual terms and totalled MVR8.5 billion during Q3-2021. This stemmed largely from a significant increase in recurrent expenditure which posted an annual growth of MVR751.6 million, together with an increase in capital expenditure. The increase in recurrent expenditure was driven by a substantial increase in administrative and operational expenses, largely due to increased spending on grants, contributions and subsidies. Within this category, a significant proportion stemmed from other grants and contributions. Further, grants to councils<sup>18</sup> increased notably while sizeable increases were also observed in subsidies and Aasandha (Figure 15). Meanwhile, capital expenditure observed an increase of MVR238.5 million, largely stemming from expenditure on infrastructure assets as well as development projects and investment outlays, despite a significant decline in lendings. This decline partly reflected the higher base

effect of lending stemming from the COVID-19 Recovery Loan Scheme in 2020. The increase in infrastructure assets primarily mirrored the rise in spending on other infrastructure assets, and expenditure on roads, bridges and airports, which grew by MVR344.2 million and MVR247.4 million, respectively.

Figure 15: Composition of Recurrent Expenditure, 2020 - 2021



Source: Ministry of Finance

<sup>16</sup> The government allowed a year-long deferment on tourism land rent as well as those on agricultural islands, as part of the fiscal measures in response to COVID-19.

<sup>17</sup> Airport Service Charge and Airport Development Fee are revenues that are collected simultaneously.

<sup>18</sup> Block grants to councils is a new policy initiative of the government outlined in the national budget to promote decentralisation.

# Monetary Developments

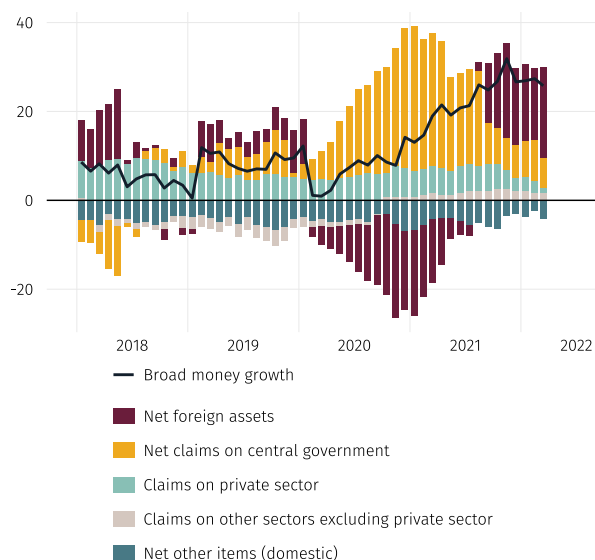
## Broad Money

The annual growth rate of broad money (M2 or money supply) slightly decelerated to 26% at the end of March 2022, after recording 27% at the end of December 2021 (Figure 16). On the components side, this reflected a deceleration in other deposits (savings and time deposits), despite a significant increase in the transferable deposit base (demand deposits) of the banking system. Meanwhile, currency outside depository corporations remained broadly unchanged over the review period.

Demand deposits—which accounted for 75% of the money supply during the period—rose by 29%; remaining broadly unchanged from the growth recorded at the end of December 2021. The growth in demand deposits during the period stemmed from a sizeable increase in such deposits denominated in both foreign as well as local currency. The increase in foreign currency denominated demand deposits stemmed largely from an increase in deposits by private non-financial corporations together with private individuals, while the increase in local currency denominated demand deposits stemmed mainly from private individuals, public non-financial corporations as well as private non-financial corporations.

Other deposits—which accounted for 19% of money supply—observed a deceleration, recording 24% at the end of March 2022, after registering 30% at the end of December 2021. This deceleration partly reflected a decline in time deposits denominated in foreign currency. The growth in other deposits stemmed from a substantial rise in time deposits denominated in local currency, together with savings deposits denominated in local as well as foreign currency. Meanwhile, currency outside depository corporations—which accounted for 6% of money supply—remained broadly unchanged at the end of March 2022, after

Figure 16: Contribution to Broad Money, 2018 - 2022  
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

observing a decline of 4% at the end of December 2021.

On the sources side, the slight deceleration in broad money growth reflected a slowdown in net domestic assets (NDA), despite a sizeable increase in net foreign assets (NFA) of the banking system. In this regard, NFA grew by 114% at the end of March 2022, after recording a growth of 112% at the end of December 2021. The increase in NFA of the banking system was driven by the rise in NFA of commercial banks as well as the MMA. The rise in NFA of the commercial banks was on the account of an increase in foreign assets stemming from the rise in foreign currency deposits held abroad. The upturn in NFA of the MMA can be attributed to a significant drop in foreign liabilities due to the base effect of the repayment of the swap with the Reserve Bank of India (RBI) in December 2021, coupled with a modest increase in foreign assets of the MMA.

Looking at the developments in NDA, growth decelerated to 7% at the end of March 2022, after recording 10% at the end of December 2021. The annual growth in NDA was solely on account of an increase in NDA of the commercial banks, which offset the decline in NDA of the MMA. The increase in NDA of the commercial banks was mainly driven by the increase in net claims on central government (NCG) which grew by MVR3.2 billion, primarily reflecting the annual expansion in government securities. In addition, commercial banks' credit to the public non-financial corporations and private sector also contributed to this increase, recording growths of MVR777.6 million and MVR439.5 million, respectively. It is further noteworthy that credit to private sector observed a significant slowdown for the second consecutive quarter, partly reflecting the conclusion of debt moratoriums extended by commercial banks. Meanwhile, the fall in NDA of the MMA stemmed from an increase in overnight deposit facility (ODF) placements by commercial banks, followed by a decrease in domestic claims of the MMA. The decrease in domestic claims of the MMA was largely driven by the fall in claims on commercial banks.

### Credit to Private Sector

Credit to the private sector observed a slowdown when compared with the previous quarter and stood at MVR27.5 billion at the end of Q1-2022. Similarly, the annual growth rate decelerated to 2% (MVR600.2 million) in March 2022 from 5% in December 2021. During this period, credit extended to tourism, construction, personal loans, and commerce accounted for the highest shares of credit over the period. Credit extended to the tourism sector (which accounted for 38% of total private sector credit) registered an annual decline of 2% in the review period, after registering an annual growth of 3% in December 2021. This was owing to sizeable declines in credit extended for

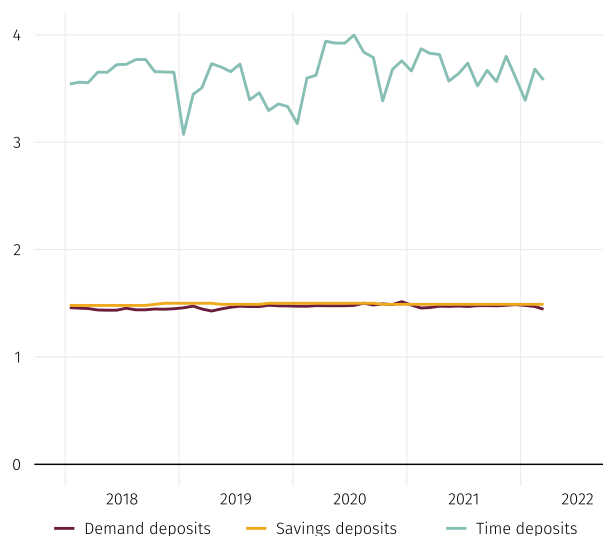
new resort development and renovation of resorts, despite the continued growth in credit extended as working capital as such loans disbursed to the sector continued to expand following the COVID-19 pandemic outbreak in the Maldives. Meanwhile, credit extended to the construction sector rose by 1%, largely due to the growth in credit lent for other construction projects. Similarly, credit extended as personal loans expanded significantly and observed the largest increase, recording a growth of 20% reflecting the rise in credit extended as credit cards and consumer durables. Likewise, credit extended to the commerce sector observed an increase, stemming from the rise in credit for wholesale and retail businesses.

### Interest Rates

As for interest rates, the rate on both local and foreign currency denominated demand deposits observed a decrease at the end of March 2022. Meanwhile, the rate on local currency savings deposits remained broadly unchanged while, the rate on foreign currency savings deposits observed a slight decrease. Further, the interest rate on local currency denominated time deposits (maturity of six months to one year) observed a decrease, although the rate on such deposits denominated in foreign currency posted an increase over the period (Figure 17 and 18). With regard to the interest rates on loans to the private sector, the interest rate on both local and foreign currency denominated private sector loans observed a decline during the period (Figure 19).

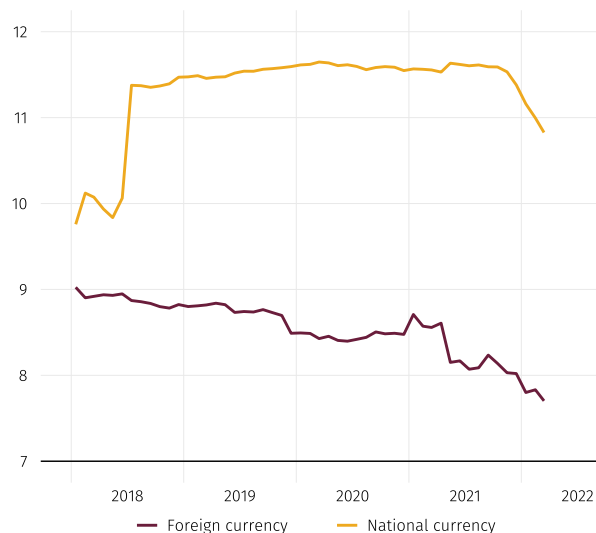


Figure 17: Interest Rate on National Currency Deposits, 2018 - 2022  
(weighted average)



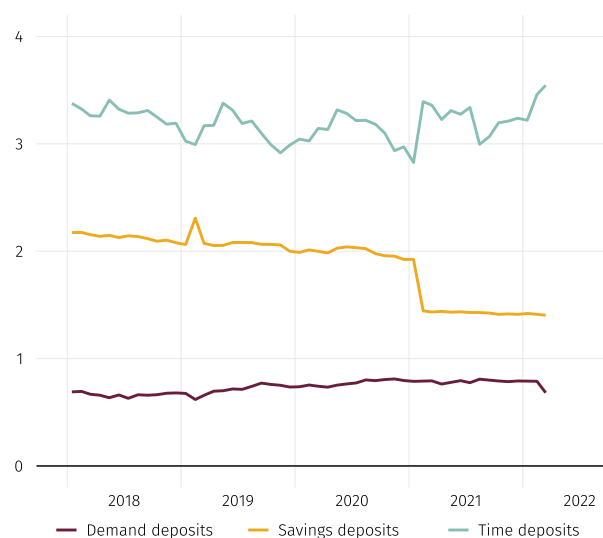
Source: Maldives Monetary Authority

Figure 19: Interest Rate on Private Sector Loans and Advances, 2018 - 2022  
(weighted average)



Source: Maldives Monetary Authority

Figure 18: Interest Rate on Foreign Currency Deposits, 2018 - 2022  
(weighted average)



Source: Maldives Monetary Authority

## Financial Sector

### Banking Sector

The performance of the banking sector during Q1-2022 has seen improvements in growth of assets, capital account and earnings ratios from a year ago. The total capital to risk-weighted assets ratio stood at 45%, and the leverage capital ratio measured by Tier 1 Capital to assets, stood at 19%. The capital adequacy ratios remained strong and well above the minimum requirements of 12% and 5% respectively.

At the end of Q1-2022, post-tax profits were at MVR914.5 million, an increase of 55% from a year ago. Improvements were seen in both net interest income and net non-interest income; however, the majority of the profit increase was due to the reversal of provisions for loan losses that had been made for loans with higher credit-risk during the COVID-19 pandemic over the past two years. Accordingly, return on average assets (ROA) increased to 5% from 4%, and return on average equity (ROE) increased to 21% from 8% a year ago.

Liquidity position of the banks remained strong during the quarter, with 68% of assets held as liquid assets (Figure 20). Such assets consisted mostly of investments in treasury bills, which accounted for 23% of the asset portfolio. Balances at banks comprised 12%, and balances in the ODF and excess reserves at the MMA represented 8% and 7% of assets respectively.

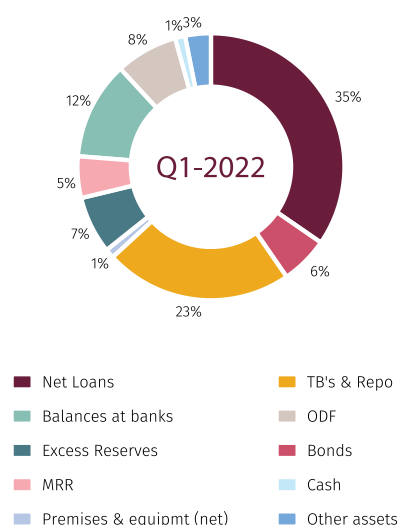
Absolute non-performing loans (NPLs) reduced by 6% during the quarter and 15% annually, due to write-off of a few NPLs. The reduction in absolute NPLs is reflected in the NPL ratio, with the ratio declining from 8% to 6% in annual terms. However, there was no significant change to the ratio in quarterly terms as the reduction of NPLs was offset by the reduction of gross loans during the quarter. Specific loan-loss provisions covered 116% of NPLs as of the end of the quarter. Gross loans stood at MVR31.2 billion, which is a 1% decline during the quarter and but an increase of 5% in annual terms.

At the end of Q1-2022, total deposits amounted to MVR56.4 billion; an annual growth of 26% and a quarterly growth of 7%, led by improved tourism and economic growth. Foreign currency deposits grew by 13% while local currency deposits grew by 2% compared to previous quarter.

## Finance Companies

Finance companies continued their growth, recording total assets of MVR3.8 billion at the end of Q1-2022, a quarterly increase of 1% and an annual increase of 19%. The annual growth in the assets is mainly due to increase in the capital of a state-owned company by MVR300 million, and due to issuance of debt securities amounting to MVR135 million during the quarter by another company. Capital strength remained strong with total capital to risk-weighted assets at 56%, indicating adequate capital strength for absorbing risks. Furthermore, the leverage capital ratio measured by equity to assets stood strong at 49%.

Figure 20: Net Asset Composition of Banking Industry, Q1-2022



Source: Maldives Monetary Authority

Gross loans amounted to MVR2.9 billion at the end of Q1-2022, an increase by MVR87.8 million or 3% compared to the previous quarter, and MVR327.2 million or 13% in annual terms. Loan portfolio growth was noted in all sectors during the quarter, with a significant growth noted in manufacturing and fishing sectors. The NPL ratio remained at 12%, unchanged from the preceding quarter. At the end of Q1-2022, absolute NPLs amounted MVR346.7 million. Specific provisions coverage of NPLs increased from 16% at the end of Q4-2021 to 30% in Q1-2022.

At the end of Q1-2022, the non-bank financial institutions recorded net profits before tax of MVR13.9 million, a 65% decline compared with the same period of 2020, on account of significant increases in provision for loan losses and non-interest expenses during the quarter. As a result, the profitability ratios, ROA and ROE, declined markedly from 4.2% and 9.3% to 0.9% and 1.8%, respectively, compared to the profitability ratios in Q1-2021.

With the capital injection of 1 company, the liquidity ratio of the industry improved to 115% from 62% a year ago, the increase mainly seen in bank balances and treasury bills investments.



## Insurance Industry

Insurance industry figures for Q1-2022 showed strong recovery from the downturn caused by the COVID-19 pandemic. The total assets of insurance companies amounted to MVR2.3 billion at the end of Q1-2022, which is an increase of 14% compared to the corresponding quarter in 2021.

The Gross Written Premium (GWP) increased by 18% compared to Q4-2021 to reach MVR391.1 million in Q1-2022, an increase of 6% when compared to Q1-2021 (Figure 21). The largest contributors to GWP were fire, health, and marine hull classes which collectively contributed to 72% of the GWP, with shares of 37%, 26%, and 9%, respectively (Figure 22).

Insurance companies reported higher amounts in gross claims in Q1-2022 compared to Q1-2021; MVR176.7 million in Q1-2022 against MVR80.4 million in Q1-2021. The increase in claims of fire and marine hull classes of insurance by 105% and 211% respectively were the main drivers behind the increase in gross claims.

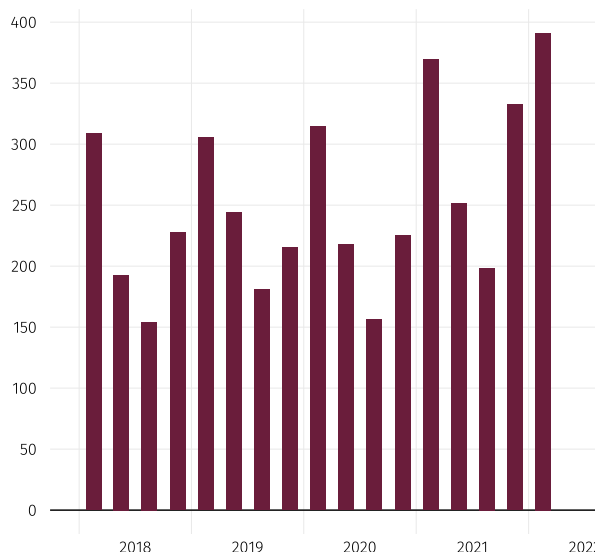
The retention ratio for the quarter increased to 39% from 35% in the corresponding period of 2021 (Figure 23). This is on account of minor increases in retention of insurance classes such as marine hull, engineering. While fire and aviation insurance classes rely heavily on reinsurance, most of the premiums generated from classes such as health and motor are retained by the insurance companies (Figure 24).

Total investments of the industry stood at MVR537.8 million at the end of Q1-2022, accounting for 24% of the asset portfolio (Figure 25). More than half the investment portfolio was in debt securities, which accounted for 55% of the total investments, while fixed deposits comprised 28%.

Despite the increase in net incurred claims, investment income increased for the quarter which led to a significant increase in pre-tax profits by

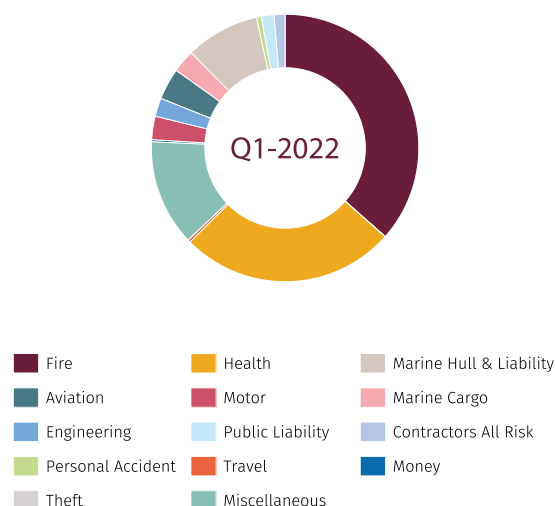
61% compared to Q1-2021 and by 304% compared to Q4-2021 (Figure 26). Overall, the industry performed well, as indicated by the profitability ratios averaged over the past four quarters; with a ROE of 24%, and ROA of 7%.

Figure 21: Gross Written Premium, 2018 - 2022  
(millions of rufiyaa)



Source: Maldives Monetary Authority

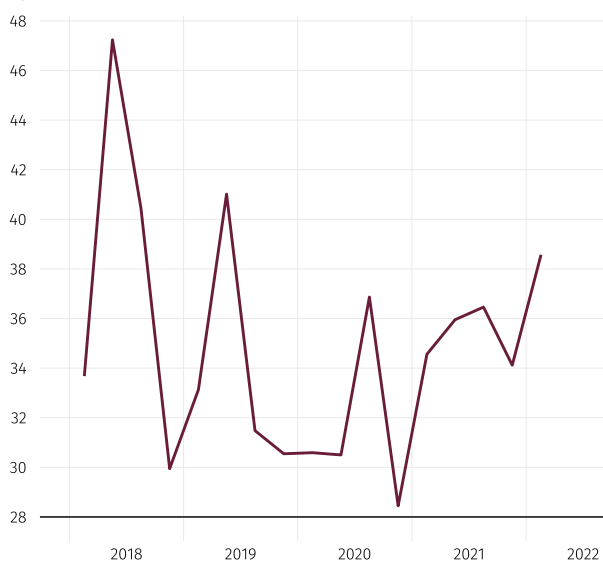
Figure 22: Premium Contributions by the Classes of Insurance, Q1-2022



Source: Maldives Monetary Authority

Figure 23: Retention Ratio, 2018 - 2022

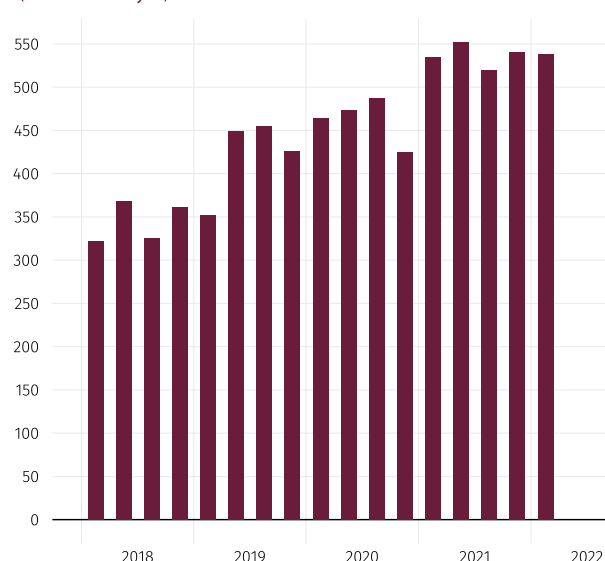
(percent)



Source: Maldives Monetary Authority

Figure 25: Investments, 2018 - 2022

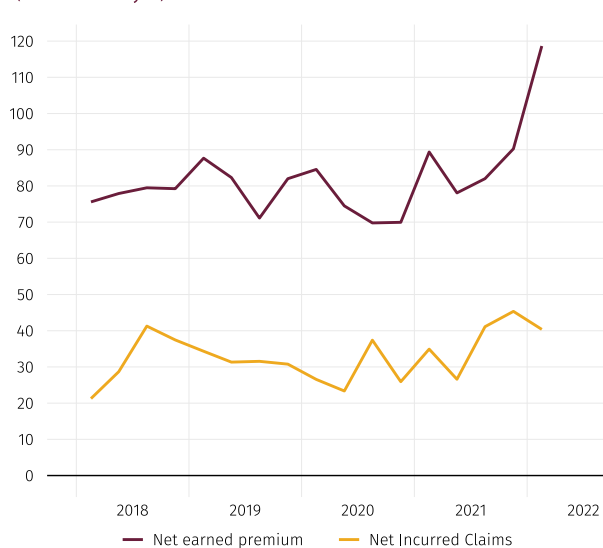
(millions of rufiyaa)



Source: Maldives Monetary Authority

Figure 24: Net Earned Premium vs Net Incurred Claims, 2018 - 2022

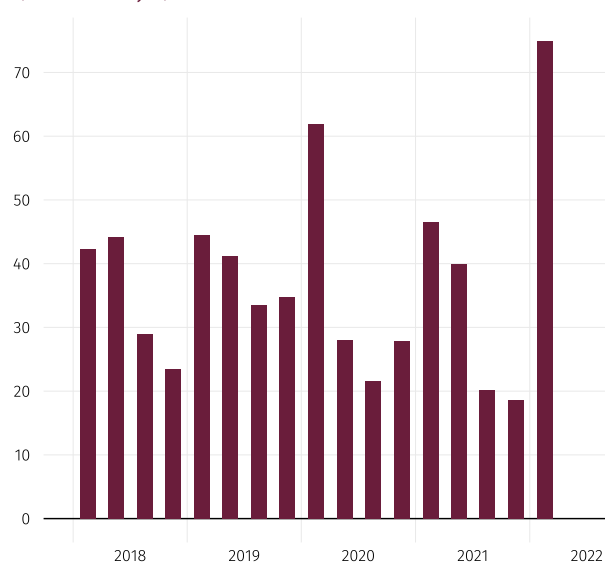
(millions of rufiyaa)



Source: Maldives Monetary Authority

Figure 26: Pre-tax Profit, 2018 - 2022

(millions of rufiyaa)



Source: Maldives Monetary Authority

# External Trade

## Merchandise Exports

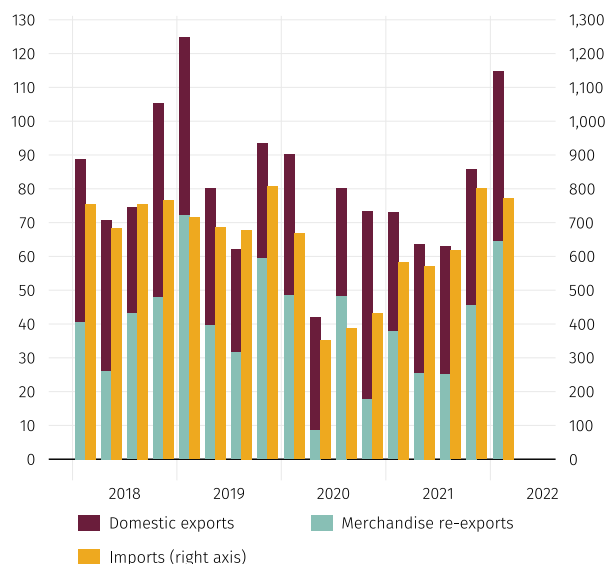
Total merchandise exports registered an annual significant increase of 57% (US\$41.7 million) in Q1-2022 and totalled US\$114.7 million. This was mainly driven by the significant increases in both merchandise re-exports and domestic exports during the quarter (Figure 27). As such, merchandise re-exports rose by 70%, (US\$26.6 million) to US\$64.4 million in Q1-2022. The significant increase in re-exports during the review quarter mirrored the increase in re-exports of jet fuel during the quarter compared to the corresponding quarter of 2021.

Domestic exports—which mainly comprise fish and fish products—increased by 43% (US\$15.1 million) during Q1-2022 and totalled US\$50.4 million. This was mainly due to the increase in export earnings from frozen skipjack tuna which more than doubled and totalled US\$26.4 million during the review quarter, reflecting the growth in export volumes during Q1-2022 (Figure 28). Similarly, the skipjack prices in the Bangkok frozen market fluctuated throughout the quarter and averaged at MVR25.7 per kilogram in Q1-2022, registering an increase of 33% compared to Q1-2021. Accordingly, export earnings from canned or pouched tuna increased by 13% (US\$1.0 million), whilst exports earnings from fresh or chilled yellowfin tuna increased by 15% (US\$0.7 million), owing to the increase in export volumes of both during the quarter. Meanwhile, export earnings from frozen yellowfin tuna declined by 7% (US\$0.3 million) during the quarter.

As for the direction of trade of exports, Asia was the major continental export destination during the quarter, accounting for 65% of domestic exports in Q1-2022—an increase from the 57% in Q1-2021 (Figure 29). Meanwhile, Europe was the

Figure 27: Total Trade Summary, 2018 - 2022

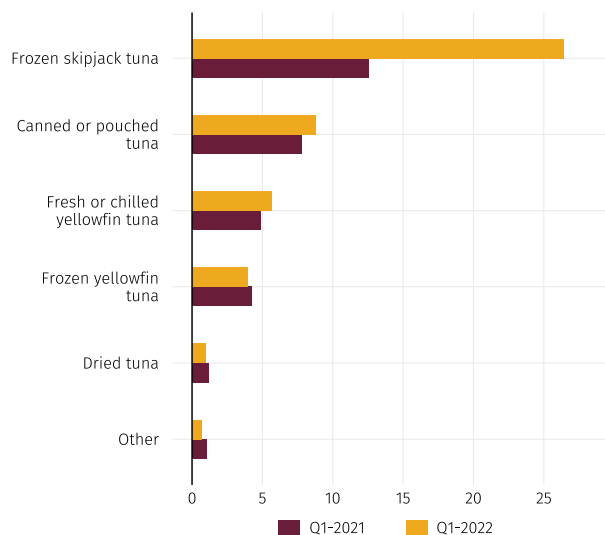
(millions of US dollars)



Source: Maldives Custom Service

Figure 28: Composition of Fish Export Earnings, 2021 - 2022

(millions of US dollars)



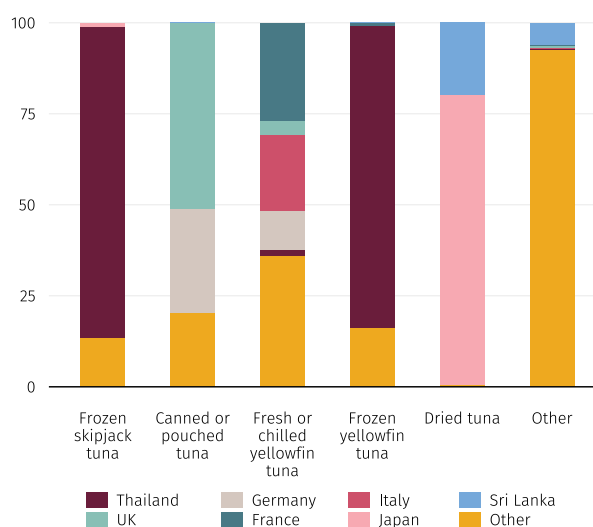
Source: Maldives Customs Service

second largest continental export destination with a market share of 27% in Q1-2022, a decline from 30% recorded in the corresponding quarter of 2021. During the review quarter, export demand declined for most of the Asian markets such as India, Japan and Sri Lanka. However, exports to Thailand increased during the quarter and remained the dominant export market, accounting for 52% of total domestic exports in Q1-2021—a noteworthy increase from 35% in Q1-2021. Meanwhile, demand for most of the European export markets decreased except for the UK. UK—the second largest export destination—accounted for 9% of the total domestic exports in Q1-2022, an increase from 6% registered in the corresponding quarter of 2021. Other notable export destinations include the Germany (6%) and India (5%), both of which observed declines in terms of market share during the review quarter.

## Merchandise Imports

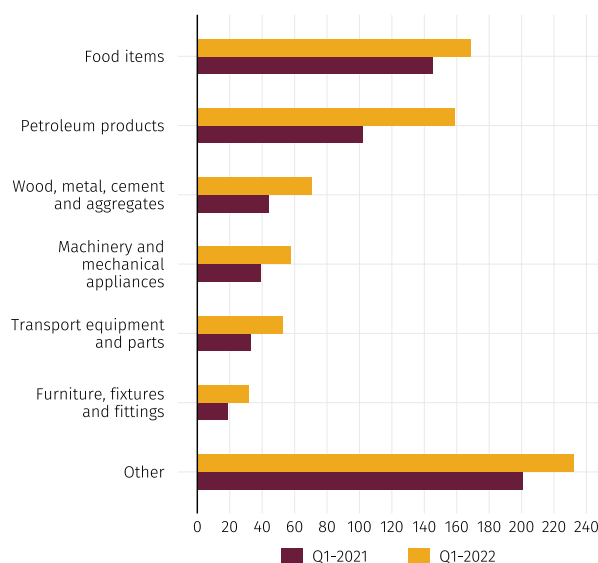
Total merchandise imports (c.i.f) recorded an annual increase of 32% (US\$188.7 million) during Q1-2022 and totalled US\$772.1 million reflecting the continued import demand experienced from 2021 onwards. Accordingly, an increase in import expenditure was observed in all the major import categories (Figure 30). The main contributors to the annual increase of merchandise imports were petroleum products, which increased by 55% (US\$56.5 million), followed by construction-related items and food items; which observed increases of 57% (US\$38.3 million) and 16% (US\$23.7 million), respectively. Additionally, import expenditure on transport equipment and parts increased by 60% (US\$19.8 million), while machinery and mechanical appliances also rose by 46% (US\$18.0 million) in tandem. Further, increases were registered for import expenditure linked to furniture, fixtures and fittings, which increased by 67% (US\$12.6 million); and plastics and articles of plastic, which rose by 47% (US\$4.6 million).

Figure 29: Direction of Trade by Domestic Export Categories, Q1-2022 (percent)



Source: Maldives Customs Service

Figure 30: Composition of Imports, 2021 - 2022 (millions of US dollars)



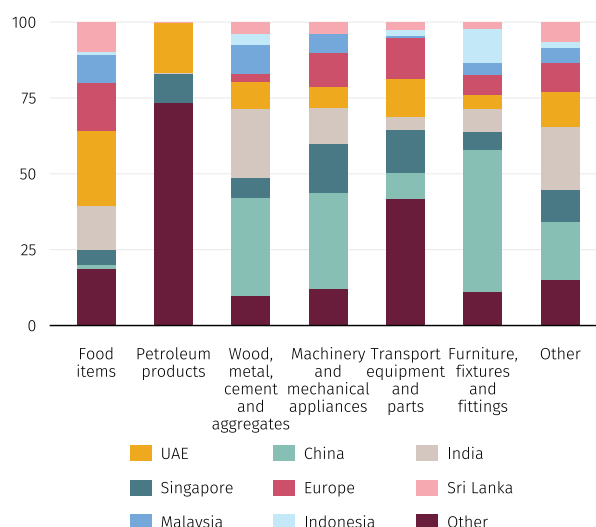
Source: Maldives Customs Service

With regard to the direction of trade of imports, Asia remained as the largest continental source of imports, accounting for 84% of total merchandise imports in Q1-2022—a rise from 83% in Q1-2021 (Figure 31). This was followed by Europe, which accounted for 9% of the total merchandise imports during the review quarter. During Q1-2022, both United Arab Emirates (UAE) and China accounted for the largest shares of source country of imports, accounting for 14% of total merchandise imports, an increase from 13% and 12%, respectively, recorded in Q1-2021. Meanwhile, India, which accounted for 13%; observed an increase from 12%, while Singapore accounted for 9% during the review quarter; down from 11% in the corresponding quarter of 2021. Additionally, Sri Lanka accounted for 5% of total merchandise imports during the quarter, a decline from 6% in Q1-2021.

## Gross International Reserves

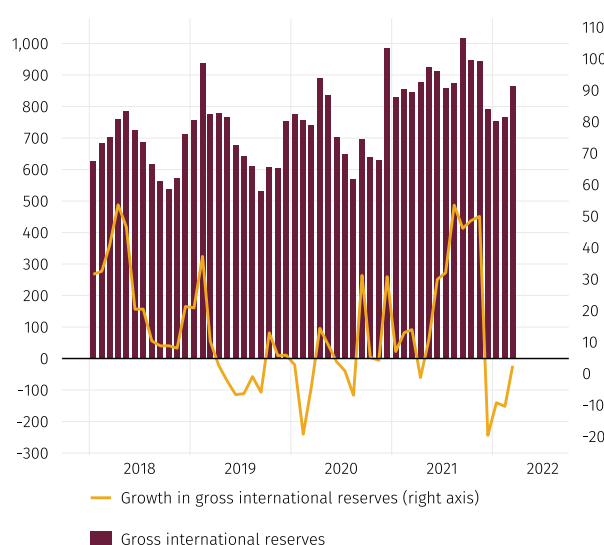
Gross international reserves (GIR)<sup>19</sup> increased to US\$865.2 million at the end of Q1-2022, registering a growth of 2% when compared with the corresponding quarter of 2021. Similarly, when compared with the preceding quarter, GIR registered a growth of 7% (Figure 32). The annual increase in GIR during the review quarter mainly reflected the increase in foreign currency receipts stemming from the increase in tourism receipts, together with foreign currency receipts received from abroad for budget financing.

Figure 31: Direction of Trade by Import Categories, Q1-2022 (percent)



Source: Maldives Customs Service

Figure 32: Gross International Reserves, 2018 - 2022 (millions of US dollars, annual percentage change)



Source: Maldives Monetary Authority

<sup>19</sup> Also called official reserve assets, comprise of foreign currency deposits of the MMA and government, commercial banks' US dollar reserve and the Maldives' reserve position at the IMF.

# **STATISTICAL APPENDIX**

	2019	2020	2021	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1
<b>Real Sector</b>								
Tourist arrivals	15	-67	138	-22	385,316	1,797	194	45
Bednights of resorts	12	-63	156	-3	10,340	1,282	190	29
Operational capacity of resorts	14	-36	69	-5	740	138	26	13
Occupancy rate of resorts (%)	74	29	65	70	48	62	80	80
Average stay (days)	6.3	18.5	8.8	8.9	9.1	8.9	8.2	8.5
Fish purchases	3	-2	4	15	35	-21	0	-4
<b>Prices <sup>1</sup></b>								
Total (Republic)	0.2	-1.4	0.6	-0.7	2.3	0.5	0.1	0.6
Total excluding fish	0.5	-1.6	0.6	-0.4	2.4	0.5	0	0.4
Food and non-alcoholic beverages excluding fish	0	2.8	2.4	3.0	1.5	2.7	2.3	1.6
<b>Government Securities (millions of rufiyaa)</b>								
Government securities outstanding	28,591.2	37,566.1	44,000.8	39,312.1	40,360.8	42,704.5	44,000.8	47,430.8
Treasury bonds	9,626.4	13,478.6	13,589.9	13,598.8	13,605.1	13,574.9	13,589.9	16,029.1
Treasury bills	18,964.7	24,087.5	30,411.0	25,713.3	26,755.7	29,129.5	30,411.0	31,401.7
MMA	103.6	91.3	97.4	73.9	60.7	97.4	97.4	78.0
Commercial bank	11,954.4	14,350.1	18,381.7	15,356.7	16,013.0	17,083.1	18,381.7	19,460.5
Others	6,906.8	9,646.2	11,931.9	10,282.8	10,682.0	11,949.0	11,931.9	11,863.1

**Source:**

Ministry of Tourism; Ministry of Fisheries, Marine resources and Agriculture; Ministry of Finance; Maldives Bureau of Statistics; Maldives Customs Service, Maldives Airports Company Limited; Gan International Airport; Maldives Monetary Authority

<sup>1</sup> The inflation rate for the year refers to the period average values, whereas inflation for the quarter represents the annual percentage change in the three-month-average.

	2019	2020	2021	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1
<b>Money and banking</b>								
<b>Broad money</b>	10	14	27	19	21	25	27	26
<b>Net foreign assets</b>	33	-49	109	-40	-12	110	109	114
<b>Net domestic assets</b>	0	50	11	52	32	13	11	7
<b>Net claims on central government</b>	2	86	12	76	41	16	12	12
<b>Claims on other sectors</b>	4	10	7	10	10	10	7	4
<b>o/w Private sector</b>	7	10	4	9	9	8	4	2
<b>Reserve money</b>	-4	10	1	-8	12	29	1	13
<b>Monetary operations<sup>1</sup></b>								
<b>Open market operations<sup>2</sup></b>	0	0	0	0	0	0	0	0
<b>Overnight Deposit Facility</b>	-26	34	44	132	60	10	26	41
<b>External trade</b>								
<b>Merchandise exports (f.o.b.)</b>	6	-21	0	-19	51	-21	17	57
<b>Domestic exports</b>	-13	3	-7	-16	14	18	-28	43
<b>o/w Fish exports</b>	-14	3	-10	-21	11	16	-29	47
<b>Re-exports</b>	29	-39	9	-22	196	-48	158	70
<b>Merchandise imports (c.i.f.)</b>	-2	-36	40	-13	63	59	86	32
<b>o/w Food</b>	10	-30	51	0	77	91	81	16
<b>o/w Petroleum</b>	3	-43	72	-9	152	110	137	55
<b>o/w Construction-related imports</b>	-17	-41	6	-44	9	31	62	57

**Source:**

Ministry of Tourism; Ministry of Fisheries, Marine resources and Agriculture; Ministry of Finance; Maldives Bureau of Statistics; Maldives Customs Service, Maldives Airports Company Limited; Gan International Airport; Maldives Monetary Authority

<sup>1</sup> Monetary operations figures represent the average investment.

<sup>2</sup> Open market operations were suspended May 2014 onwards.



	2019	2020	2021	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1
<b>Direction of Trade of Imports of Goods (as a percentage of total)</b>								
o/w Singapore	12	11	10	11	10	10	10	9
o/w India	10	13	12	12	13	13	12	13
o/w Sri Lanka	6	6	6	6	5	6	5	5
o/w UAE	19	12	13	13	13	12	13	14
o/w Thailand	4	3	3	3	3	3	3	3
<b>Direction of Trade of Exports of Goods (as a percentage of domestic)</b>								
o/w Thailand	36	44	46	35	61	45	44	52
o/w Sri Lanka	3	3	2	2	1	2	1	1
o/w France	9	8	4	5	2	4	5	3
o/w Germany	12	10	11	11	8	11	16	6
<b>External Reserves</b>								
Official reserve assets (millions of US dollars)	753.5	984.9	805.8	844.7	912.4	1,016.7	805.8	865.2

**Source:**

Ministry of Tourism; Ministry of Fisheries, Marine resources and Agriculture; Ministry of Finance; National Bureau of Statistics; Maldives Customs Service, Maldives Airports Company Limited; Gan International Airport; Maldives Monetary Authority

MALDIVES MONETARY AUTHORITY

Boduthakurufaanu Magu

Male' - 20182

Republic of Maldives

Tel: (960) 330 8679

Fax: (960) 332 3862

Email: [mail@mma.gov.mv](mailto:mail@mma.gov.mv)

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