



Ministry of Finance
Republic of Maldives

MACROECONOMIC UPDATE OCTOBER 2024

The Macroeconomic Update offers an overview of the latest macroeconomic projections for the Maldives economy. These projections are updated twice a year, in April/May for the fiscal strategy and in September/October for the national budget. This publication provides macroeconomic projections, which are based on data from various sources, including the Ministry of Finance, Maldives Monetary Authority, Maldives Inland Revenue Authority, Maldives Customs Service, Ministry of Tourism, Maldives Bureau of Statistics, and the International Monetary Fund. All figures presented in this report are based on data as of August 31st, 2024.

For queries regarding the report, please contact eapp@finance.gov.mv.

Contents

Abbreviations	2
1. Tourism Indicators.....	3
1.1. Tourism Developments.....	3
1.2. Tourism Outlook	5
2. GDP.....	7
2.1. Real GDP.....	7
2.1.1. Tourism.....	8
2.1.2. Construction and Real Estate	9
2.1.3. Other Sectors.....	9
2.2. GDP Deflator	10
2.3. Nominal GDP.....	10
3. Inflation	11
Statistical Appendix.....	12

Abbreviations

GDP	Gross Domestic Product
GIR	Gross International Reserves
GST	Goods and Services Tax
GVA	Gross Value Addition
MIRA	Maldives Inland Revenue Authority
MMA	Maldives Monetary Authority
MoT	Ministry of Tourism
MVR	Maldivian Rufiyaa
PSIP	Public Sector Investment Programs
RGDP	Real Gross Domestic Product
VIA	Velana International Airport

1. Tourism Indicators

1.1. Tourism Developments

Following the recovery of the tourism sector to pre-pandemic levels in 2023, growth in tourist arrivals and bed nights continues on an upward trajectory in 2024. Tourist arrivals reached 1.36 million in the first eight months of the year, reflecting a growth of 10.5 percent compared to the same period in 2023. The primary driver of this growth in arrivals is the substantial increase in visitors from China, combined with a steady growth from European markets. While Chinese tourists accounted for 9.8 percent of total tourist arrivals from January through August in 2023, this share increased to 14.6 percent for the corresponding period of 2024. The growth is mainly driven by ease of travel given the additional number of direct flights from China to the Maldives, with Chongqing Airline commencing operations during the latter half of June, and Xiamen Airlines launching scheduled flights in August this year. The increase in arrivals from China and Europe has compensated for the decline in tourists from India, which has been one of the top markets post pandemic.

Tourist arrivals from India has been consistently declining, following its peak in 2021. Indian tourists declined by 39.8 percent in the first eight months of 2024, compared to the corresponding period in the previous year. Opening of other similar tourist destinations with the removal of travel restrictions and limited flight connectivity with different cities in the South Asia region are expected to have contributed to this decline.

Figure 1: Monthly Tourist Arrivals and Bed Nights

Figure 1a: Monthly tourist arrivals

Thousands

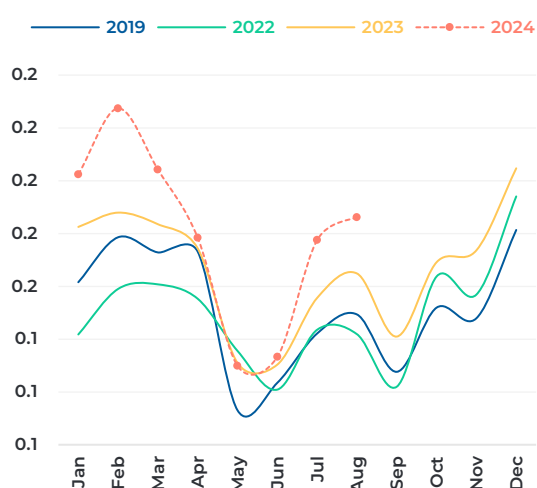
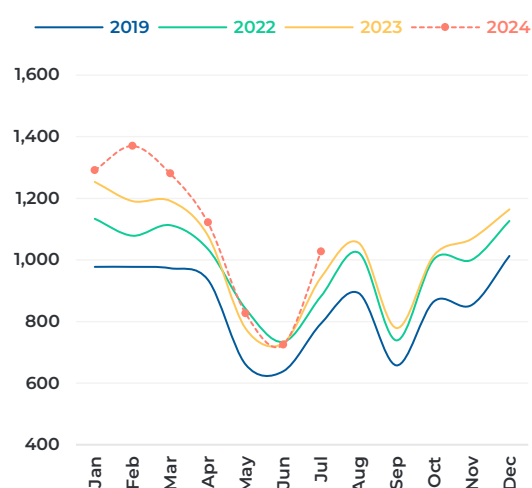


Figure 1b: Monthly bed nights

Thousands

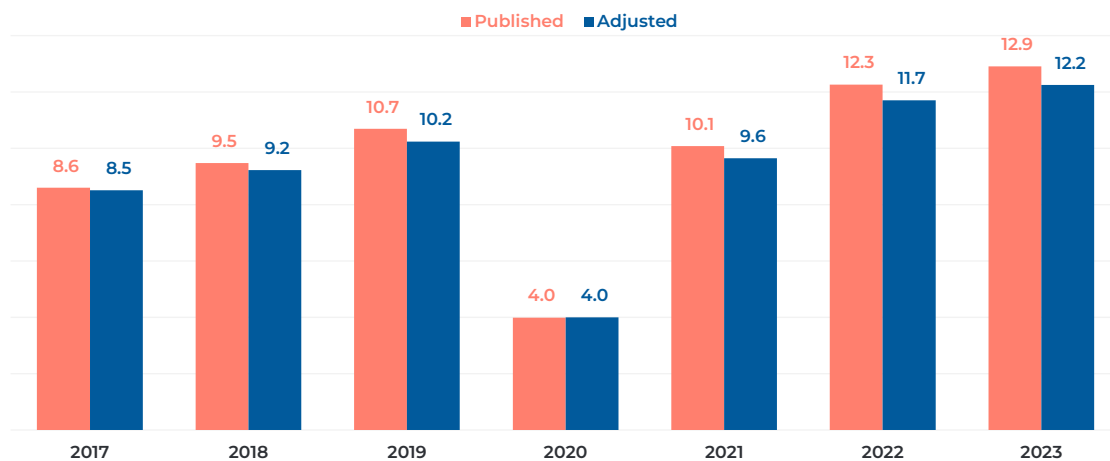


Source: Ministry of Tourism

The Ministry of Tourism (MoT) in collaboration with the Ministry of Finance have revised the bed nights statistics for 2017 to July 2024 after a comprehensive review of the current tourism bed nights calculation methodology. Tourism bed nights are currently administratively collected from two sources—the figures reported to the MoT and the Green Tax filings reported to the Maldives Inland Revenue Authority (MIRA). Following analysis into the discrepancies between the two data sources, it was observed that the bed nights in guesthouses were previously severely overestimated. Therefore, the source data for bed nights estimation has been shifted to Green Tax filings, due to MIRA’s higher compliance rates and more robust verification mechanisms, which provide more accurate and reliable estimates that better align with industry trends. Looking ahead, the Ministry of Finance in collaboration with the MoT, Maldives Immigration, MIRA and the Maldives Monetary Authority (MMA) is developing a comprehensive Guest Registration System that will further improve data accuracy by directly tracking tourist movements and eliminating the need for estimations.

The adjusted bed nights statistics have been used to evaluate the performance of the tourism sector. As such, 7.6 million bed nights have been recorded from January through July 2024, indicating a growth of 6.6 percent compared to the corresponding period of 2023. This is primarily attributed to the 7.0 percent increase in resort bed nights during this period, a marked improvement from the 1.4 percent growth in 2023 compared to the same period in 2022.

Figure 2: Adjusted Bed Nights and Bed Nights Data Published by Ministry of Tourism 2017 - 2023
Millions



Source: Ministry of Finance, Maldives Inland Revenue Authority, Ministry of Tourism

Figure 3 depicts the adjusted bed nights data and the data published by MoT by type of establishment. While there is little discrepancy in resort bed nights, in contrast to the adjusted numbers, published data indicates a decline in 2023 compared to 2022. Simultaneously, a sharp surge in published bed nights of other establishments, especially guesthouses, can be observed for the post-pandemic period, widening the gap between

published and adjusted figures. As such, the published data signals an inaccurate change in bed nights composition, with declining share of resorts especially in 2023.

Figure 3: Adjusted Bed Nights and Bed Nights Data Published by Ministry of Tourism by Type of Establishment

Figure 3a: Resorts

Millions

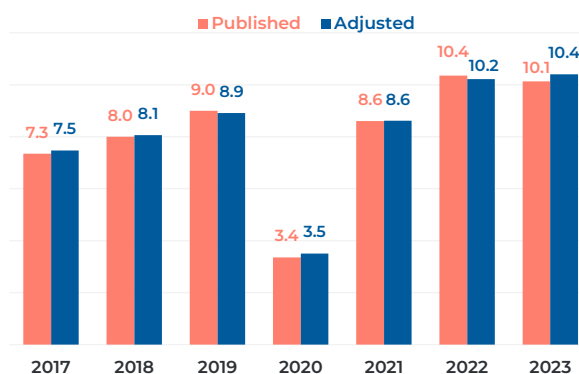
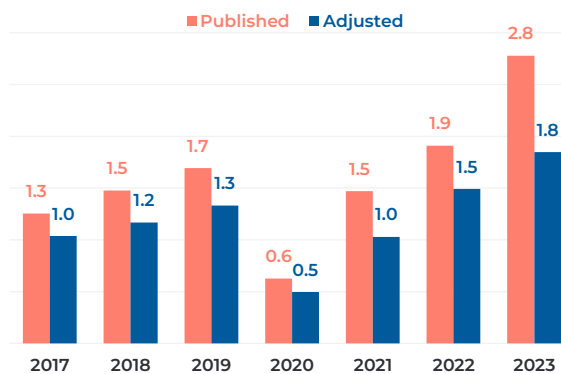


Figure 3b: Guesthouses, Hotels and Vessels

Millions



Ministry of Finance, Maldives Inland Revenue Authority, Ministry of Tourism

1.2. Tourism Outlook

The tourism indicators are expected to maintain their growth trajectory this year, with tourist arrivals projected to reach 2 million for the first time. This represents an estimated increase of 8.6 percent compared to 2023. The forecast for 2024 has been slightly revised upward from the estimates made for Fiscal Strategy 2025, reflecting the strong performance during the first eight months of the year.

The adjusted bed nights data has been used to forecast bed nights for Budget 2025. Tourist bed nights are forecasted to reach 13.1 million by the end of this year, indicating a 6.7 percent growth compared to 2023. Further, resort bed nights are forecasted to grow by 7.2 percent to reach 11.2 million bed nights in 2024. The growth in bed nights is forecasted to be slightly lower than the growth in tourist arrivals as the average duration of stay is expected to decline slightly to 6.4 days in 2024. The significant increase in Chinese tourists has resulted in a shift in the market composition of the tourism industry. As tourists from China have been observed to opt for relatively shorter durations of stay, the average stay is expected to decline. It should be noted that the downward shift in the bed nights projections seen in Figure 4 below is largely due to the revision in the bed nights data.

Figure 4: Monthly Tourist Arrivals, Bed Nights and Average Duration of Stay

Figure 4a: Tourist Arrivals

Millions

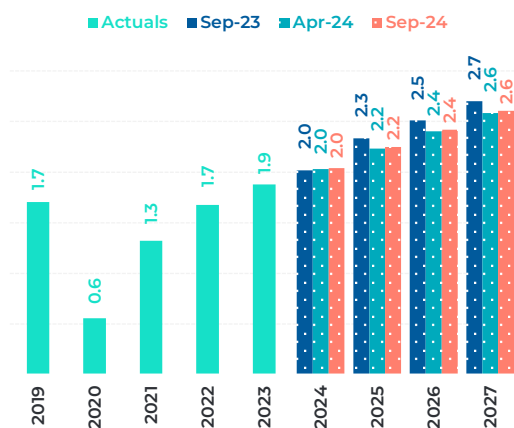


Figure 4b: Bed Nights

Millions

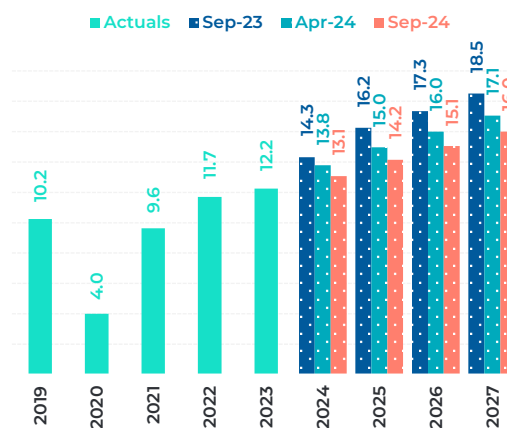
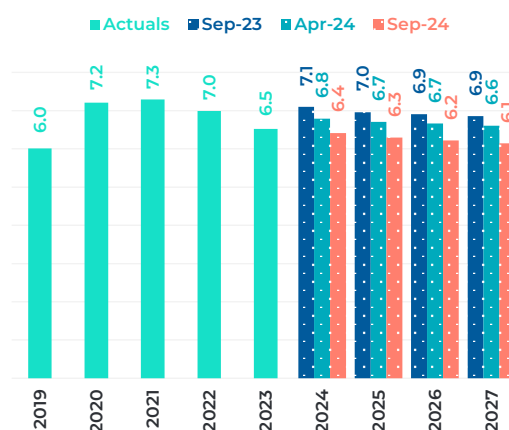


Figure 4c: Average Duration Stay

Days



Note: Date indicates the month of revision of estimates

Source: Ministry of Tourism, Maldives Monetary Authority

The completion of Velana International Airport in 2025 is expected to boost growth in tourist arrivals and bed nights, by 10.2 percent and 8.2 percent, respectively. In the outer years, growth in tourist arrivals and bed nights are expected to normalize at 7.6 percent and 6.4 percent, respectively. Furthermore, the average stay is also expected to slowly revert to pre-pandemic levels as market compositions shift back.

2. GDP

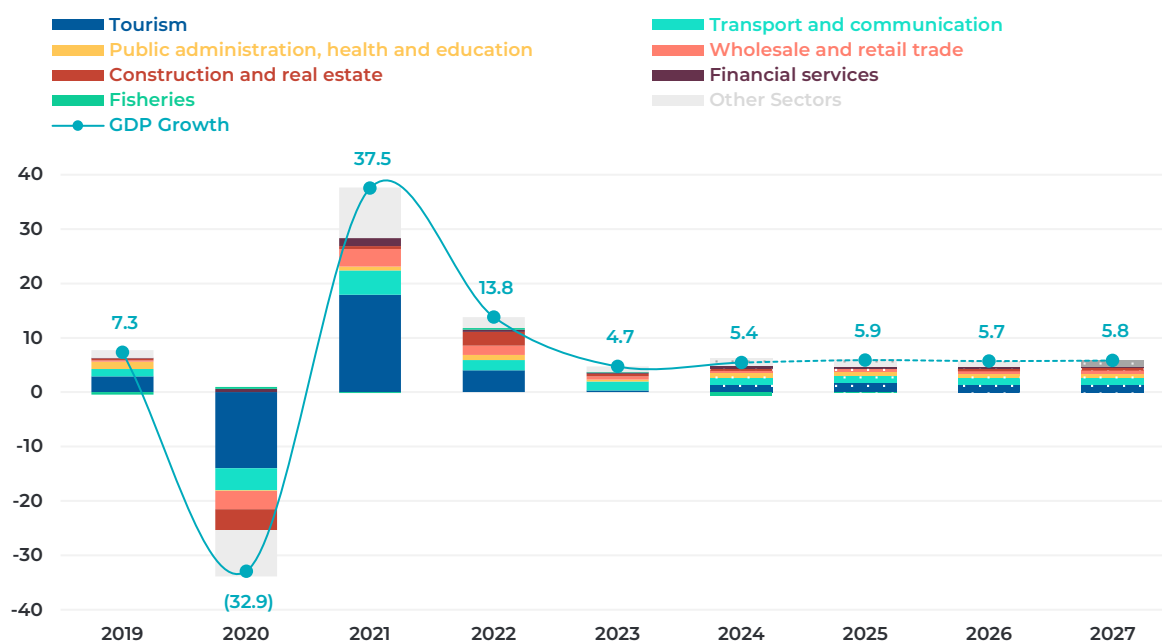
2.1. Real GDP

The Real Gross Domestic Product (RGDP) increased by 4.7 percent in 2023, mainly driven by the transportation and communication, tourism, wholesale and retail trade, and construction and real estate sectors. The deceleration in growth compared to 2022, which stood at 13.8 percent, can mainly be attributed to the stabilization of the tourism sector after its rapid rebound and the subsequent spillover effects to other related sectors. Notably, RGDP had been revised upwards by 0.7 percentage points compared to the preliminary Quarterly National Accounts (QNA) estimates, mainly due to the positive growth now seen for the tourism sector following the revision of the bed nights data, along with the positive growth in the wholesale and retail sector. RGDP for years 2021 and 2022 have also been revised to incorporate the adjusted bed nights data.

Looking ahead to 2024, RGDP is projected to grow by 5.4 percent, which is 0.6 percentage points higher than the forecast for the Fiscal Strategy 2025. This is primarily driven by the upward adjustment of the forecasts of tourism related indicators and the revised estimate for growth in 2023. The growth is expected to be mainly driven by the key sectors, namely tourism, transport and communication, and public administration, health and education.

Figure 5 - Real GDP Growth and Sectoral Contributions 2019-2027

Percentage



Source: Maldives Monetary Authority, Ministry of Finance, Maldives Bureau of Statistics

The medium-term average annual growth is forecasted to be 5.8 percent in the period 2025-2027. Looking at 2025, there is a slight uptick in the projected RGDP for the year to 5.9

percent, largely attributable to the boost in tourism and tourism-related sectors' growth from the operationalization of the new Velana International Airport passenger terminal. The major differences from the Fiscal Strategy 2025 forecasts can be attributed to the improvements in tourism data in terms of accuracy and reliability, in addition to the changes in the timeline of fiscal reforms, most notably the revised expectation that most of the consolidation from the prioritization of the Public Sector Investment Programme (PSIP) projects and the subsidy reform will be realized next year. The positive contribution to growth due to the improvement in key sectors, is anticipated to be largely offset by the expected slowdown of sectors such as the construction and public administration, health and education sectors due to the fiscal consolidation measures.

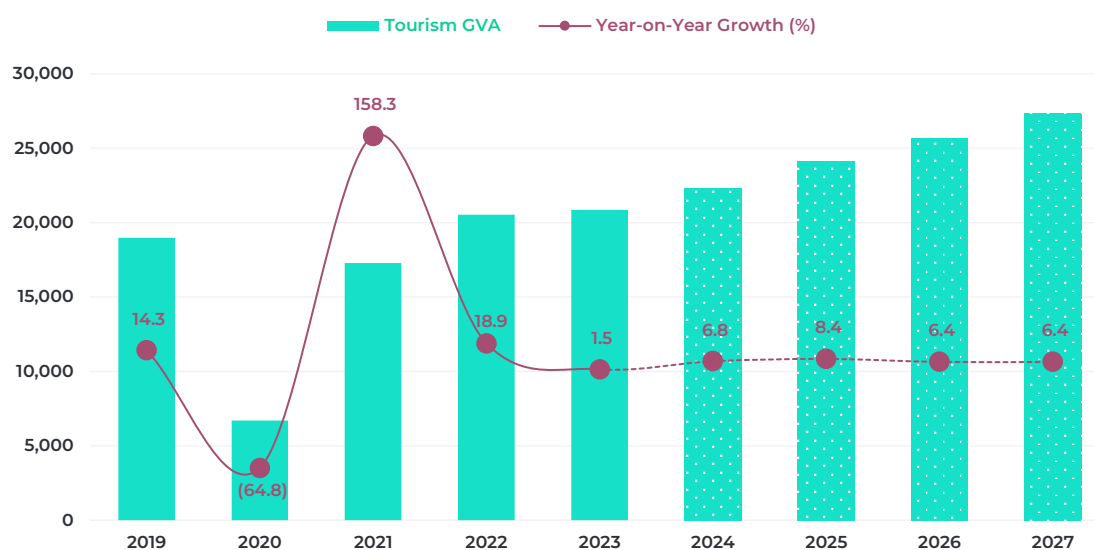
2.1.1. Tourism

With the increase in total tourist arrivals and bed nights in 2023, the real Gross Value Addition (GVA) of the tourism sector decelerated to a growth of 1.5 percent during the year compared with 18.9 percent in 2022 (Figure 6). The slowdown was mainly driven by a stabilization of the industry following the rapid post-pandemic recovery seen in 2021 and 2022.

The GVA of the tourism sector is now projected to be MVR 22,272.4 million in 2024, depicting a growth of 6.8 percent compared to last year (Figure 5). In the medium term, tourism sector is projected to grow at an average of 7.1 percent, which is higher than the average growth of 6.8 percent forecasted for Fiscal Strategy 2025. Notably, the tourism industry is projected to grow by 8.4 percent in 2025, following the completion of the Velana International Airport in 2025. The upward revision of the forecasts for the medium-term reflects market and economic developments, and the improvement in the quality of tourism data.

Figure 6 - Tourism Sector GVA and Growth

Unless otherwise stated, MVR millions



Source: Maldives Monetary Authority, Ministry of Finance, Maldives Bureau of Statistics

2.1.2. Construction and Real Estate

Based on Maldives Bureau of Statistics' latest annual GDP estimates, construction and real estate sector grew by 3.5 percent in 2023, which is a slight downward revision of 0.6 percentage points compared to the preliminary estimates. The construction and real estate sector is forecasted to grow at 3.1 percent in 2024, mainly driven by a strong performance of the real estate sector due to an increased supply of housing units. However, the sector's growth is anticipated to be hampered by a weak performance of the construction sector due to the rationalization of the PSIP and a general slowdown in construction-related imports.

The medium-term trajectory of the construction and real estate sector is expected to grow at an average of 3.3 percent over the period 2025–2027. This is expected to be mainly driven by the strong performance of the real estate sector, despite the growth in the construction sector being significantly hampered by further fiscal consolidation. However, by the end of the fiscal consolidation measures, PSIP is expected to start contributing positively in the outer years, although relatively lower compared to what was observed over the past few years.

2.1.3. Other Sectors

The transportation and communication sector continued a strong growth of 14.4 percent in 2023, reflecting the growth in tourist arrivals driving up demand for transportation and communication services. Looking ahead, the sector is expected to have a significant uptick following the opening of Velana International Airport's new terminal in 2025 and grow by 10.2 percent. The sector is expected to stabilize at an average growth rate of 9.4 percent over the medium term.

Wholesale and retail trade sector slowed to a growth of 7.1 percent in 2023, following a strong post-pandemic recovery in 2021 and 2022. While the growth rate is expected to moderate further in 2024 to 3.6 percent, the average medium term growth rate is expected to be robust at 5.4 percent over the period 2025-2027.

Public administration, health and education moderated to 2.5 percent in 2023, as growth in value added in these sectors was dampened by an increase in Financial Intermediation Services Indirectly Measured (FISIM). In 2024, growth in this sector is expected to improve with a growth of 6.8 percent following a significant increase in government spending in the relevant sectors, reflecting the trend observed for the first two quarters of 2024 in the QNA estimates. The growth of the sector is expected to slightly decrease in 2025 to 4.2 percent due to fiscal consolidation measures, before stabilizing at an average growth rate of 5.8 percent in the outer years.

2.2. GDP Deflator

Following the recovery from the COVID-19 induced economic downturn, the growth in the GDP deflator moderated to 1.9 percent in 2023, and this trend is expected to continue in 2024 with an expected growth of 1.8 percent. With the expected implementation of subsidy reforms in January 2025 and upward revision of the Goods and Service Tax (GST) rate for the tourism sector from 16% to 17% from June 2025 onwards, the GDP deflator is now expected to grow at 3.6 percent, and revert to an average of 2.5 percent for the rest of the medium term.

2.3. Nominal GDP

In 2023, the growth of the nominal GDP moderated to 6.7 percent and reached MVR 101,412.7 million, following a strong post-pandemic recovery. This increase is slightly stronger than the growth level estimated in Fiscal Strategy 2025. The main drivers for the growth in nominal GDP were robust performances from financial services, transportation and communication; wholesale and retail trade; and an increase in the value addition from taxes less subsidies. Notably, the growth of the nominal GDP was hampered by a decline in the nominal GVA of the tourism sector by 8.3 percent, despite the growth in the real GVA of the tourism sector. This was mainly driven by a decline in tourism prices reflected by the decrease of 9.7 percent in the tourism implicit price deflator. The reported average daily rates of tourist establishments also show a decline in 2023 following a period of higher prices in 2021 and 2022.

For 2024, the nominal GDP is forecasted to continue to have a strong growth of 7.4 percent to reach MVR 108,905.9 million. This is expected to be mainly driven by the growth in key sectors including tourism, transportation and communication, public administration, health and education, and financial services.

In the medium term, growth in nominal GDP is expected to average at 8.8 percent over the 2025–2027 period, driven by the opening of the new terminal of VIA and the resulting economic expansion. Further, as subsidy reforms are expected to be implemented in 2025, an increase in prices is also expected to contribute to the uptick in the growth of nominal GDP. Nominal GDP is expected to reach MVR 140,374.9 million in 2027.

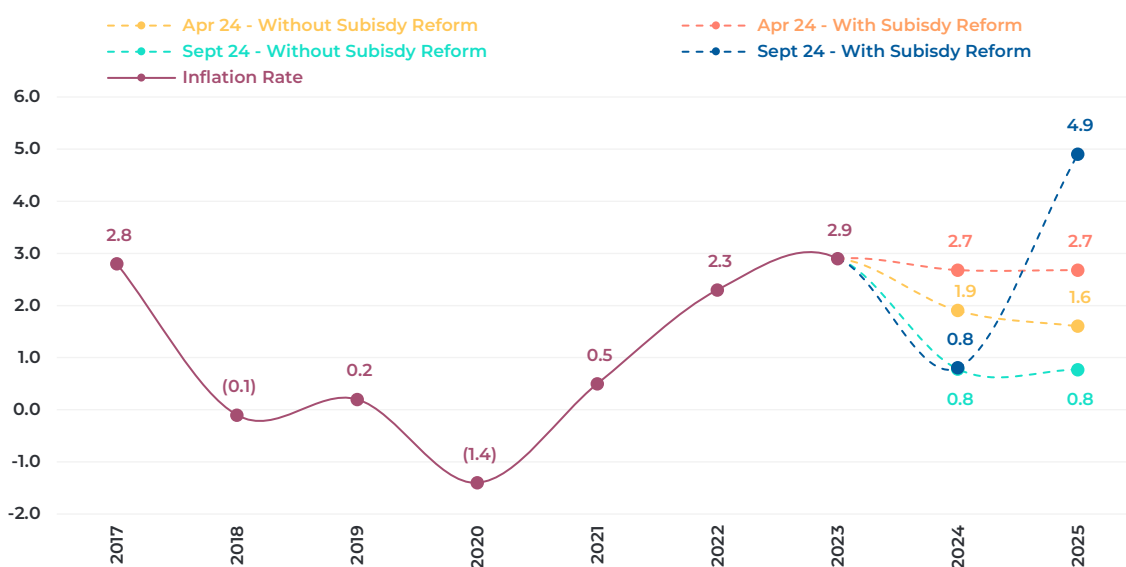
3. Inflation

The annual inflation rate for the year 2023 was 2.9 percent, which is higher than the inflation rate observed over the past five years. The increase in the GST rate for the general sector from 6 percent to 8 percent contributed to higher prices of goods and services last year. Furthermore, the highest increase in prices was observed for food and non-alcoholic beverages (excluding fish). Apart from telecommunication services, prices of all goods and services increased during 2023.

The inflation forecast for 2024 has been revised to 0.8 percent, which is lower than the projections in April 2024. With the stabilizing prices in the world market and the discounts provided by the government on electricity and water services for Ramadan this year, lower inflation rates were observed for most months during the first half of the year. Nevertheless, the downward revision of the inflation forecast for 2024 mainly stems from changes to the timeline of subsidy reform. While initially this reform was to be implemented in the second half of this year, it has now been delayed to the first half of 2025. As such, an upsurge in prices is expected during 2025, leading to a rise in the estimated inflation rate to 4.9 percent. However, in a scenario where the proposed reforms of indirect subsidies, covering staple food, fuel, electricity and sanitation are not implemented, inflation is expected to remain stable at 0.8 percent in 2025.

Figure 7 – Inflation

Percentage



Note: Date indicates the month of revision of estimates

Source: Maldives Bureau of Statistics, Maldives Monetary Authority



Statistical Appendix



Table 1: Arrivals and Bed nights

	Year	Budget 2024		Fiscal Strategy 2025		Budget 2025	
Arrivals In thousands, unless otherwise stated	2024	2,017.6	7.9%	2,030.0	8.1%	2,039.3	8.6%
	2025	2,335.3	15.7%	2,233.2	10.0%	2,248.1	10.2%
	2026	2,511.8	7.6%	2,402.5	7.6%	2,420.1	7.6%
	2027	2,701.6	7.6%	2,584.5	7.6%	2,604.5	7.6%
Bed nights In millions, unless otherwise stated	2024	14.3	7.0%	13.8	6.8%	13.1	6.7%
	2025	16.2	13.5%	15.0	8.7%	14.2	8.2%
	2026	17.3	6.8%	16.0	6.9%	15.1	6.4%
	2027	18.5	6.8%	17.1	6.6%	16.0	6.3%

Source: Maldives Monetary Authority

Note:

The tourism bed nights data has been revised following a shift in the data source—from the figures reported to the MoT to the Green Tax filings reported to the MIRA. This change was made due to MIRA's higher compliance rates and more robust verification mechanisms, which provide more accurate and reliable estimates that better align with industry trends. Looking ahead, the Ministry in collaboration with the MoT, and Maldives Immigration, MIRA and MMA is developing a comprehensive Guest Registration System that will further improve data accuracy by directly tracking tourist movements and eliminating the need for estimations.

Growth rates in bed nights for 2024 has been calculated based on the adjusted bed nights for 2023.

Table 2: Tourism Sector Real GVA

Millions of Rufiyaa, unless otherwise stated

Year	Budget 2024		Fiscal Strategy 2025		Budget 2025	
2024	24,183.9	6.6%	21,923.4	6.1%	22,272.4	6.8%
2025	27,392.3	13.3%	23,706.1	8.1%	24,144.9	8.4%
2026	29,111.4	6.3%	25,155.5	6.1%	25,690.5	6.4%
2027	30,937.9	6.3%	26,692.8	6.1%	27,329.9	6.4%

Source: Maldives Monetary Authority

Table 3: Summary of Forecast Revisions

Millions of Rufiyaa, unless otherwise stated

				Fiscal Strategy 2025 Projections			Budget 2025 Projections		
	2020	2021	2022	2023	2024	2025	2023	2024	2025
Real GDP	59,093.3	81,257.9	92,492.7	96,360.8	101,051.3	107,627.5	96,864.2	102,137.1	108,162.5
Real GDP Growth (%)	-32.9%	37.5%	13.8%	4.0%	4.9%	6.5%	4.7%	5.4%	5.9%
Tourism	-64.8%	158.3%	18.9%	-1.0%	6.1%	8.1%	1.5%	6.8%	8.4%
Construction & Real Estate	-25.3%	3.1%	20.1%	4.1%	-0.7%	5.9%	3.5%	3.1%	1.0%
Wholesale & Retail Trade	-38.0%	40.1%	20.2%	-0.3%	4.0%	5.3%	7.1%	3.6%	5.9%
Transport and Communication	-36.9%	43.0%	17.6%	7.8%	6.1%	11.8%	14.4%	9.4%	10.2%
Public Administration, Health and Education	-0.5%	3.2%	5.9%	6.7%	3.0%	3.5%	2.5%	6.8%	4.2%
Nominal GDP	57,104.6	80,744.4	95,045.0	101,057.8	108,112.9	119,122.3	101,412.7	108,905.9	119,494.6
CPI Inflation (%)	-1.4%	0.5%	2.3%	2.9%	1.9%	1.6%	2.9%	0.8%	4.9%

Source: Ministry of Finance, Maldives Monetary Authority, Maldives Bureau of Statistics

Note:

GDP estimates for 2021 and 2022 have been revised using the adjusted bed nights numbers. GDP forecasts prior to bed nights adjustment was used to calculate growth rates for 2023 for Fiscal Strategy 2025.

Table 4: Macroeconomic Indicators 2019 - 2027

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Real GDP (<i>MVR Millions</i>)	88,079.0	59,093.3	81,257.9	92,492.7	96,864.2	102,137.1	108,162.5	114,354.8	121,019.1
Real GDP Growth (%)	7.3%	-32.9%	37.5%	13.8%	4.7%	5.4%	5.9%	5.7%	5.8%
Tourism	14.3%	-64.8%	158.3%	18.9%	1.5%	6.8%	8.4%	6.4%	6.4%
Construction & Real Estate	2.2%	-25.3%	3.1%	20.1%	3.5%	3.1%	1.0%	4.1%	4.8%
Wholesale & Retail Trade	2.5%	-38.0%	40.1%	20.2%	7.1%	3.6%	5.9%	5.2%	5.2%
Transport and Communication	12.8%	-36.9%	43.0%	17.6%	14.4%	9.4%	10.2%	9.0%	9.0%
Public Administration, Health and Education	9.9%	-0.5%	3.2%	5.9%	2.5%	6.8%	4.2%	5.6%	5.9%
Nominal GDP (<i>MVR Millions</i>)	88,079.0	57,104.6	80,744.4	95,045.0	101,412.7	108,905.9	119,494.6	129,536.4	140,374.9
CPI Inflation (%)	0.2%	-1.4%	0.5%	2.3%	2.9%	0.8%	4.9%	n/a	n/a
Tourist Arrivals (<i>Millions</i>)	1.7	0.6	1.3	1.7	1.9	2.0	2.2	2.4	2.6
Bed Nights (<i>Millions</i>)	10.2	4.0	9.6	11.7	12.2	13.1	14.2	15.1	16.0
Average Stay (<i>Number of Days</i>)	6.0	7.2	7.3	7.0	6.5	6.4	6.3	6.2	6.1

Source: Ministry of Finance, Maldives Monetary Authority, Maldives Bureau of Statistics

Note:

GDP estimates for 2021 and 2022 have been revised using the adjusted bed nights numbers.

Forecasts for Budget 2025 included for the years 2024 through 2027