



THE BRITISH SRI LANKA & MALDIVES FORUM FOR BUSINESS & TRADE

INVEST

IN THE SUNNY SIDE OF BUSINESS & TRADE IN THE REPUBLIC OF THE MALDIVES



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The Big Life Quarterly Business Review is carried out by the Research Intelligence Unit (RIUNIT) associate organization, the British Sri Lanka & Maldives Forum for Business & Trade, which was formed by leaders in commerce and industry in our partner countries to help promote business and trade among the diverse business communities within the UK, Sri Lanka and the Maldives. This review focuses on current business and economic trends that facilitate doing business in the Maldives with an overall view of the state of business and trade with the various business variables that analyze the economic climate for doing business.

The present trends in employment, capacity building, and utilization are useful indicators of the direction taken by different sectors of business and trade going into 2023. The Research Division of the Maldives Monetary Authority has conducted a survey of Q4-2022, and business & trade in all sectors, with three exceptions, reported an expansion in activity. The construction sector, transport, and communication sector have reported moderate performance. The tourism sector has reported a notable increase in capacity with levels of employment increasing for the second consecutive quarter.

The Tourist Industry has been proactive, right-sizing their operations to get the best from the peak season that falls in Q1-2023, and industry leaders are optimistic that this will provide a firm foundation for the year 2023. Since tourism is the main driver of the Maldives' econo-

my, the wholesale and retail trade as well as construction, transport, and communication sectors are expected to grow, providing attractive opportunities to foreign investors since the domestic credit conditions remained tight for all the sectors in Q4-2022, and expected it to tighten further in Q1-2023. An increase of 12% in tourist arrivals was recorded in December 2022 tourist arrivals when compared with December 2021 and exceeded pre-pandemic levels of December 2019 by 7%. The annual increase in tourist arrivals was led by India and key source markets of Europe, Russia, the United Kingdom, Italy, and Germany. The operational bed capacity of the tourism industry observed an increase of 6,585 beds when compared with December 2021 and in annual terms, the total tourist arrivals in 2022 increased by 27% although a 2% gap remained when compared with the pre-pandemic levels of 2019. The main reason is some of the key inbound markets, namely, Russia, the UK, the US, France, and Germany were affected by the war between Russia and Ukraine.

The key performance indicators for tourism are total revenue and resort bookings, which turned positive in Q4-2022. On an index calculated as a percentage of resorts reporting a positive result (increase/better/ease) minus those reporting a negative result (decrease/worse/tight), tourism, which was at -79 in Q-3 rose by 179 to record 100, and are total revenue, which was at -59, rose by 153 to register 94. Price developments for the tourism sector indicated an upward trend with the input prices index remaining positive, and increased 16 points to 64 during the quarter. The average room rate index turned positive, increasing to 182 points from 88 in Q3-2022 94, with 97 percent of resorts reporting an increase in the average room rate. All businesses reported an increase in capital expenditure, with the capital expenditure index rising by 55 points to 91.

Labor market indicators for the sector too remained positive rising by 57 points to 94, and the labor costs per employee index too rose in Q4-2022, pointing towards an increase in new hires to build capacity as the outlook of the tourism industry in 2023 remained optimistic with a positive trend for all key indices.

THE REAL ECONOMY

A healthy growth of the GDP was recorded in 2022 to recover from the significant decline in 2020 due to the sharp contraction in the tourism sector and related sectors, owing to the impact of the COVID-19 pandemic. The growth forecast of the real GDP in 2023 is 7.6% according to the According to the growth forecast scenarios estimated jointly by the MMA and the Ministry of Finance.

Robust performance is expected in tourism and other sectors of the economy, such as transportation, communication, wholesale and retail trade, and human health and social work activities. However, challenges remain in the construction sector and public administration in an election year. Presidential elections are scheduled to be held on 9 September 2023.

EXTERNAL TRADE

A healthy annual growth in net external trade in 2022 was led by higher re-exports of jet fuel, while domestic exports increased largely owing to an increase in earnings from frozen skipjack tuna exports, followed by frozen and fresh or chilled yellow-fin tuna exports. Total exports (fob) increased by 35% in December 2022 when compared with December 2021. During the year 2022, both total exports and total imports increased by 40% and 37%, respectively, when compared with 2021. The import expenditure was led by transport equipment and parts, followed by petroleum products and food items. Gross international reserves stood at US\$ 827.7 million at the end of December 2022.



DOING BUSINESS IN THE MALDIVES

The Doing Business Project of the World Bank which was launched in 2002 provides objective measures of business regulations and their enforcement across 190 economies of the world. However, it looks at domestic small and medium-sized companies and measures the regulations applying to them through their life cycle. The business regulation environment is an indication of the report, the ease of starting a business stood at 89.2% for the Republic of Maldives. Score dealing with construction permits was at 73.0%, the score for getting electricity was 55.6%, registering the property at 40.0%, getting credit at 35.0%, protecting minority investors at 32.0%, paying taxes at 66.4%, trading across borders at 55.9%, enforcing contracts 52.5%, resolving insolvency 33.3%.

By way of comparison, “the starting a business” score among competitive economies in the region, Maldives ranked second behind Mauritius:

94.5% Mauritius (World Rank: 20 out of 190 economies).

89.2% Maldives (World Rank: 73 out of 190), above the regional (South Asian) average of 86.3% with India 81.6% (World Rank: 136), Indonesia 81.2% (World Rank 140), Seychelles 78.8: (World Rank: 147).

INVESTMENT-FRIENDLY DESTINATION

Maldives has many incentives for potential investors with an enabling and welcoming environment in one of the best markets to emerge in South Asia. It withstood the shocks of a pandemic and many economic and systemic meltdowns that the world has experienced. Its resilience has been a boon to investors who focused on the rapid and sustainable growth of the emerging markets in the Maldives over the last 20 years. Successive governments have adopted consistent policies that keep attractive opportunities open for foreign investors.

RIGHT TIME TO INVEST - INCENTIVES FOR INVESTORS

The main investment opportunities are available in tourism with the government targeting expansion, adding 35,000 new beds to the sector by 2023, and the focus of this expansion is on diversification and localization.

NEW TOURISM PRODUCTS

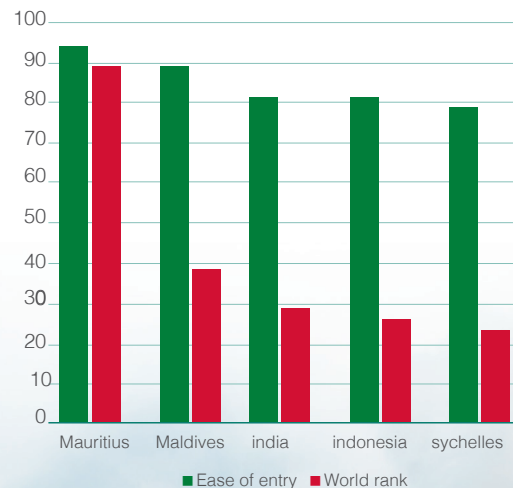
There are many new initiatives in 2023 with great potential for foreign investors seeking opportunities to invest in the Maldives.

Large-scale high-value foreign investments based on the one-island-one-resort concept, yacht marinas, luxury accommodations, and hotels are on offer, while smaller investments in the guesthouse sector are also open for foreign investors.

Specialized Investment opportunities are also available to expand culture and wellness tourism, ecotourism, Business Tourism or Business Events (MICE), and adventure tourism.

Tourism real estate offers attractive investment opportunities to develop integrated tourism projects, holiday homes, and private islands.

Ease of Starting a Business in the region



ECO-TOURISM & RESEARCH-BASED TOURISM

Maldives prides itself in enforcing regulations, and policies to practice principles of conservation of the biosphere. Its pristine seascapes have reserves and protected areas with rich and diverse marine and terrestrial fauna and flora unique to the Maldives. Therefore, great potential for investments in eco-tourism and research-based tourism.

INVEST WITH MFMC

Maldives Fund Management Corporation Limited (MFMC) is a 100% state-owned company formed with the objective of creating opportunities for local and foreign investors to benefit from investment in various sectors of the Maldivian economy. Foreign investors also have the prospect of investing in the tourism and energy sectors with MFMC. Opportunities are also open, to invest in distressed tourism projects that are in various stages of development.

There are most attractive opportunities to invest in renewable energy. The Government has targeted 30% to 70% of peak load energy to be generated from renewable sources for a sustainable energy program going forward. IT start-ups and SME development with a young tech-savvy generation offer great promise with lucrative opportunities for foreign investments.

- Free to use foreign managerial, technical, & unskilled workers.
- Unrestricted repatriation of profits & capital proceeds.
- Public Private Partnership Programs.
- Customs duty exemptions.
- Long leases of land for up to 99 years.
- No foreign exchange restrictions.
- Investment Programs for Investors.
- International arbitration in dispute settlement.
- Unified business registration service via Invest Maldives. (<https://investmaldives.gov.mv/>)

