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**MINISTRY OF FINANCE
MALE'
REPUBLIC OF MALDIVES**

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Press Release

Regarding the recent credit rating of Maldives by Moody's Investors Service

On 17 August 2021, Moody's Investors Service (Moody's) downgraded the Government of Maldives' long-term local and foreign currency issuer and long-term foreign currency senior unsecured ratings from B3 to Caa1, and concurrently upgraded the outlook from negative to stable. Acknowledging improvements on several fronts in the Maldives, Moody's took the ratings action citing higher debt levels that will only decline gradually, and a weakening of debt affordability with greater exposure to market conditions.

The Government of Maldives is of the view that the downgrade of the rating does not reflect the current fundamentals of the Maldivian economy, nor the significant improvements that happened since Moody's last rated Maldives in May 2020. While the debt-to-GDP ratio increased from 62.5 percent in 2019 to 115.0 percent in 2020 due to the widening of the fiscal deficit and the sharp contraction in nominal GDP as a result of the Covid-19 pandemic, the government remains in a position to comfortably honour all debt obligations. As the economy recovers, the debt-to-GDP is improving with fiscal consolidation measures in place and high GDP growth expected in the medium term.

The recent sukuk issuance demonstrates the government's access to international debt capital markets, as well as its ability to address liquidity risks that arose during the peak of the Covid-19 crisis. While financing from commercial sources comes at a higher cost now, the weighted average interest rate of the government's external debt portfolio inclusive of the sukuk still remains at 3.5 percent. Securing concessional financing from bilateral and multilateral partners is central to the Government's strategy. In addition, to maintain a range of financing options, we intend to remain



active in the debt capital markets as it is essential to maintain investor confidence and appetite for the Maldives' paper.

Eighteen months into the Covid-19 crisis, the Maldivian economy is in a much better position than in mid-2020. Tourism has rebounded rapidly, with the average daily tourist arrivals during the first two weeks of August 2021 exceeding the average arrival figure for 2019. Real GDP is now forecasted to grow at 22.7 percent in 2021, and expected to average at 9.8 percent over the period 2022 to 2025. Although government revenue was significantly lower than the budgeted amount in 2020, revenue realization is already exceeding forecasts in 2021 and is expected to increase above pre-pandemic levels in 2023.

The robust safety measures implemented resulted in a low positivity rate for tourists of just 0.24 percent throughout the Covid-19 delta wave, which was brought under control in July. The current sample positivity rate averages around 0.10 percent for tourists. The Covid-19 vaccine rollout has been extremely successful, with over 70 percent of the resident population over 18 years fully inoculated. The vaccination drive for children aged 12 to 17 is already in progress. With the success of the Covid-19 management strategy, the economy is in a position to maintain the growth momentum.

Moody's also upgraded the outlook of the rating from negative to stable. The outlook was upgraded citing on-going tourism recovery that will support growth and foreign exchange liquidity. The recent issuance of the debut sukuk and the subsequent tender offer on our Eurobond alleviating short-term liquidity pressures was also cited. With this tender offer, the government has already settled 76.8 percent of the large repayment that was due for 2022. Moody's further highlighted that the sukuk issuance diversified the Maldives' investor base. Moody's also expects the Maldives Sovereign Development Fund to comfortably service the remaining Eurobond principal in full, reducing the risk to the foreign exchange reserves.

The Maldives has never defaulted on its debt obligations, and the government is fully committed and able to ensure that this remains the case in the future as well.

The Government will continue to engage with investors to provide updates on developments. An investor call will be scheduled over the next few days. Further information on economic and fiscal developments can be accessed [here](#), and the most recent debt statistics can be accessed [here](#).

18 August 2021

