

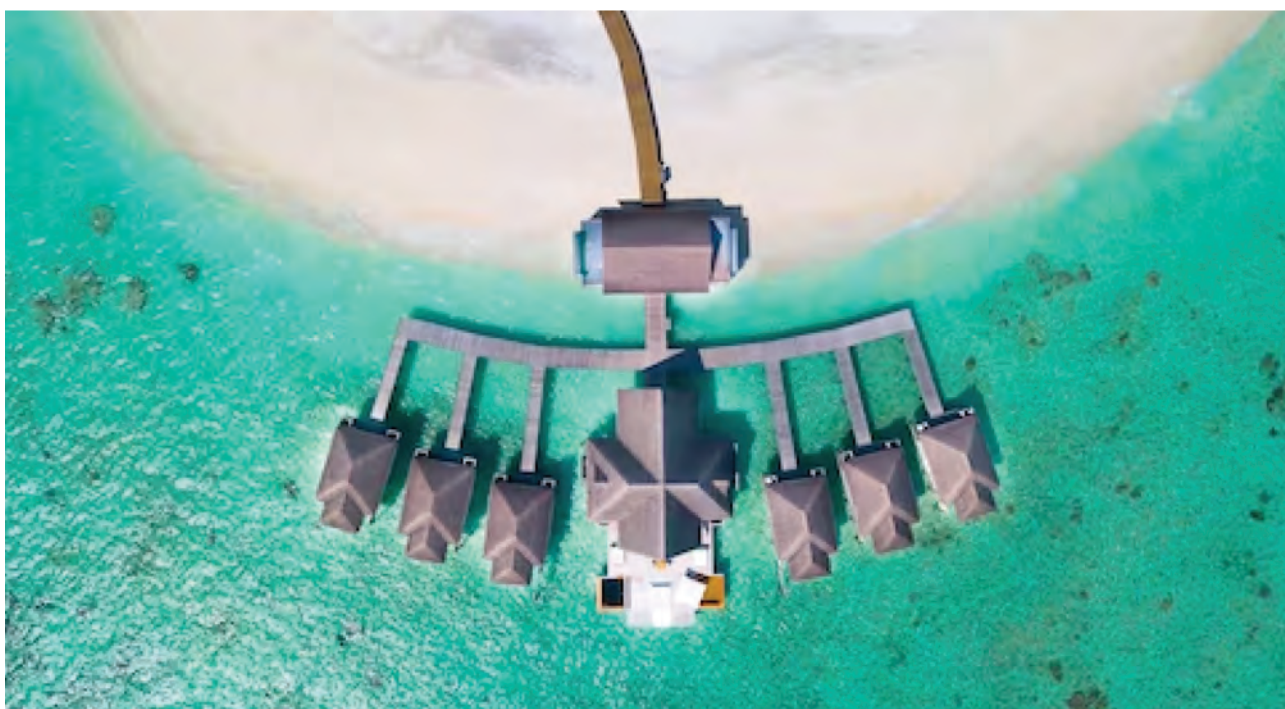


# Sweeping Through the Torrents





# Introduction



The Maldives, honored as the World's Leading Destination at the 2023 World Travel Awards, remains as a consistent stand-out in the global travel industry. Beyond accolades, the tourism sector in Maldives also stands as the cornerstone of the economy.

In this outlook, we provide a concise summary of the Maldives tourism industry in 2023 and analyze key source market characteristics that would have a bearing on the future trajectory of the industry.





# 1.7 MILLION

↑ 12.8%

## TOURIST ARRIVALS

During the year (January – 6th December)

### 10,702,000

BED NIGHTS

### 18,658,000

BED NIGHT CAPACITY

### 61,368

OPERATIONAL BED CAPACITY



## BED CAPACITY & OCCUPANCY TRENDS

For the period January to October 2023, there was growth in bed nights, bed night capacity, and operational bed capacity compared to the same period the previous year.

Despite these positive trends, the occupancy rate experienced a marginal 0.9% decrease, settling at 57.6%, and the average stay declined by 6% to 7.6 days.



171 RESORTS

↑ 7



903 GUESTHOUSES

↑ 138



13 HOTELS



161 SAFARI VESSELS

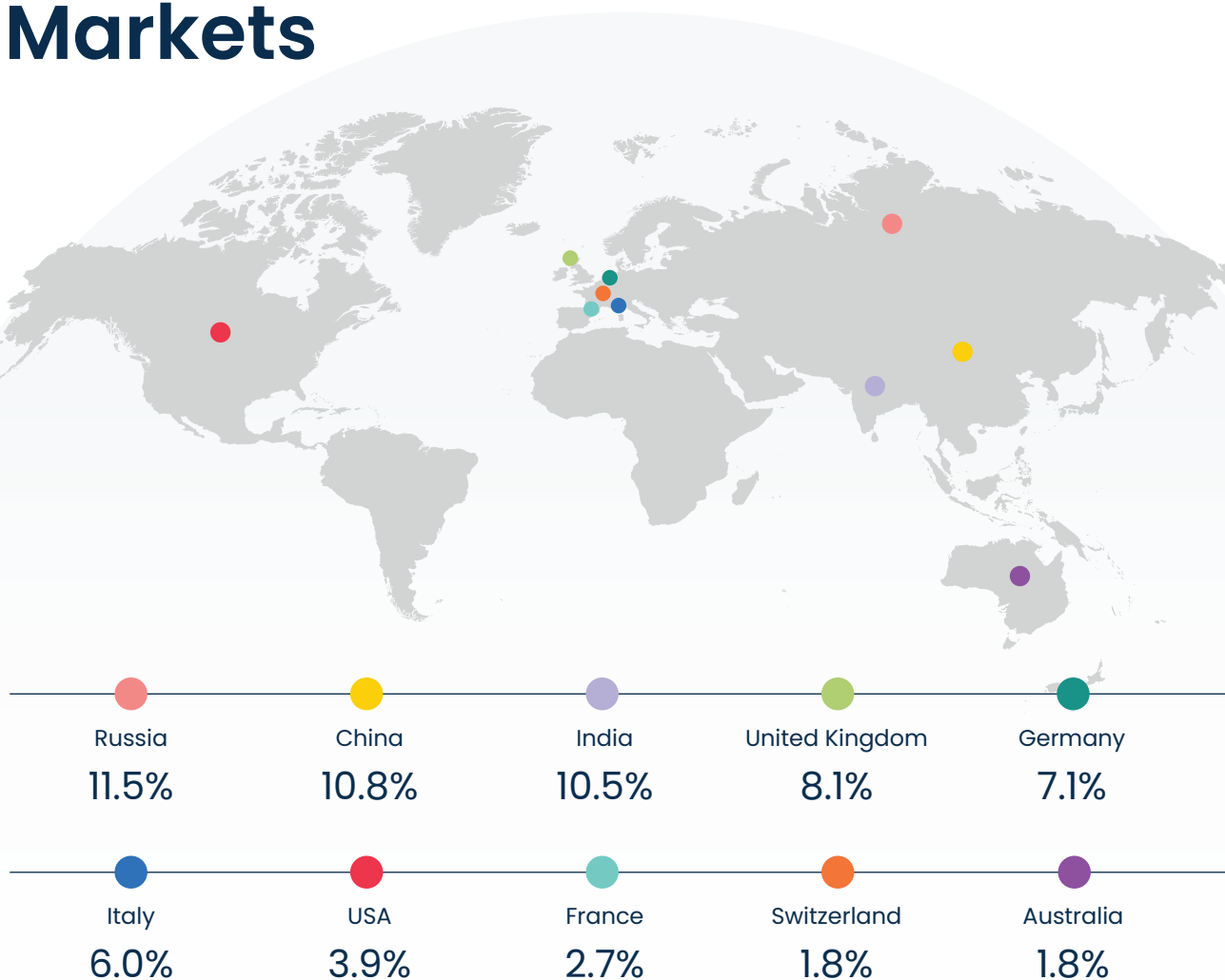
↑ 6

The significant rise in operational guesthouses reflects a positive trend in diversifying accommodation for visitors.

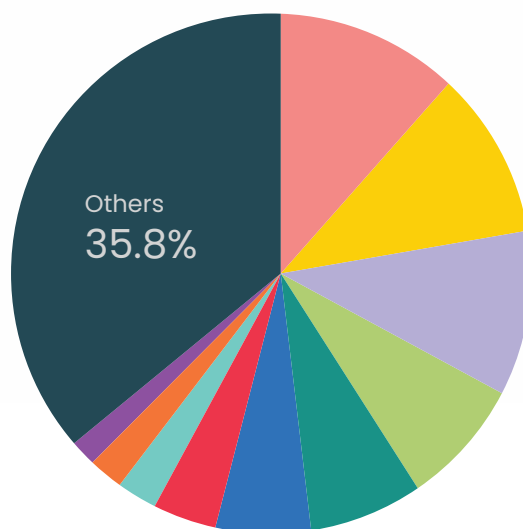
2023  
WRAP-UP



# Source Markets



Despite the significant growth of tourist arrival figures from China and India, the continued dominance of Europe in tourist distribution underscores the persistence of seasonality in the Maldivian tourism industry. Notably, tourist arrivals in 2023 witnessed a decline in the months of May and June, coinciding with the summer holidays in Europe.





# SUMMARY STATISTICS:

## KEY SOURCE MARKETS



### RUSSIA



Russia's economy is expected to achieve moderate growth with a projected real GDP growth of 1.1% in 2024, following a rate of 2.2% in 2023. The unemployment rate is anticipated to decrease to 3.1%, continuing a downward trend from 3.9% in 2022. However, concerns arise with a forecasted inflation rate of 6.3%, posing challenges to managing the cost of living and consumer purchasing power.

The Russia-Ukraine war has triggered a surge in trade restrictions for commodities, surpassing the 2016–19 average by more than six times in 2022. New sanctions effective from January 1, 2024, include a phased ban on third-country diamond imports, a direct ban on Russian non-industrial diamond imports, stricter proof requirements for adherence to the G7 Russian oil price cap, and measures limiting Russia's access to dual-use goods.





Prior sanctions by the EU, UK, and US on most crude oil and petroleum product imports from Russia have led to shifts in export destinations, with increased shipments to China, India, Türkiye, and the United Arab Emirates, and Russian oil prices exceeding the G7-imposed price cap.

The Russian Ruble depreciated by approximately 18% against the USD in 2023, raising concerns about economic stability and its impact on foreign exchange reserves. Russians are anticipated to face double-digit interest rates until at least 2025, potentially contracting consumer spending due to less favorable borrowing conditions.

Russia's upcoming presidential election on March 17, 2024, is anticipated to secure President Vladimir V. Putin's re-election for another six-year term, suggesting a low likelihood of significant policy shifts in the near future.

In summary, Russia faces a complex economic landscape in 2024. While moderate economic growth and decreasing unemployment may boost tourism to Maldives, the depreciating Russian currency, coupled with high interest rates and inflation, may limit affordability for potential tourists, potentially leading to a decline in Russian arrivals to the Maldives in the upcoming year. Predicting the trajectory of Russian tourist arrivals to the Maldives in 2024 presents inherent challenges.



## CHINA



China's projected growth rate for 2024 is 4.2%, down from the previous year's forecast of 5.0%. This slowdown is attributed to both short-term challenges and underlying structural constraints, including an aging population, increased debt levels, and persistent economic imbalances.

China's economic slowdown is influenced by a worsening property sector crisis, which has led to decreased household wealth, impacting consumer spending. Limited social protection, persistent inequality, and a time lag in translating labor market gains into improved

consumer sentiment are additional factors restraining consumption, despite improvements in the labor market, including a 5% unemployment rate in October and a 6.8% year-on-year wage growth in the first three quarters of 2023. Investment deceleration, notably in real estate, also contributes to the overall growth slowdown in China. Nevertheless, the manufacturing sector experiences growth driven by increased demand for electric vehicles, batteries, and low-carbon technologies. China's economic growth is further challenged by softer global demand, geopolitical tensions, and increased climate-related extreme weather events.



The recent Central Economic Work Conference (CEWC) emphasized economic development but lacked mention of a necessary extensive consumption stimulus to address concerns about weak prices, a key issue for policymakers. China's deflationary risk is driven by a property market slump, a decline in the global commodity cycle, and government policies lacking support for consumption. High levels of youth unemployment add to the challenges. The risk of deflation is concerning as it may lead to delayed consumption and investments and further complicates China's management of its escalating local debt.

The Chinese Yuan has depreciated by around 3% against the USD in 2023, impacting export prices and potentially enhancing the competitiveness of Chinese goods. However, there's a risk that increased sales volume may not fully compensate for reduced revenue due to lower prices, posing challenges to profitability, unemployment, and investment.

In summary, China's economic landscape is riddled with challenges. The likelihood of an increase in tourist arrivals from China to the Maldives seems low, compounded by challenges like the depreciation of the CNY, making travel to the Maldives relatively more expensive for Chinese tourists.

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## INDIA



India's economy is projected to grow at a rate of 6.3% in 2024, positioning it to become the world's third-largest economy by 2027, surpassing Japan and Germany.

India's anticipated economic growth is supported by factors such as a thriving domestic digital market, fostering growth in the startup ecosystem, especially in financial and consumer technology. The expanding middle class is a significant driver, increasing consumer spending and attracting multinational corporations across various sectors. Foreign direct investment (FDI) has

reaching a record USD 85 billion in the 2021-22 fiscal year and USD 71 billion in the 2022-23 fiscal year.

However, there is uncertainty due to the upcoming parliamentary elections in early 2024, potentially impacting investor sentiment. The expectation of limited policy rate reductions, influenced by higher U.S. interest rates, further contributes to this economic landscape.

India's inflation is expected to moderate in 2024 at 4.6%, influenced by easing in the food and beverages CPI index, contraction of the fuel and light subindex, and reduced energy prices.



The Indian rupee's depreciation by approximately 0.6% against the US dollar may add upward pressure on inflation but may also enhance the price competitiveness of imports.

India's economic outlook for 2024 is optimistic, and it presents a promising source market for potential tourist arrivals to Maldives. However, the marginal currency depreciation requires a nuanced approach, considering its potential impact on travel affordability for Indian tourists.

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## UNITED KINGDOM



The UK's economic growth forecast for 2024 stands at 0.6%, reflecting a marginal increase from the forecasted rate for 2023. However, the UK will be the slowest growing economy among the G7 nations in the upcoming year.

Post-Ukraine invasion, UK prices remain significantly higher, prompting the Bank of England to implement 14 interest rate hikes, reaching 5.25%. This may, however, have adverse effects such as lower investment and higher mortgage rates. A 3.5% reduction in living standards, compared to pre-pandemic levels in 2024-5 is predicted.

Despite forecasts of an economic slowdown, the UK's economy has surpassed expectations, maintaining a real GDP nearly 2% higher than pre-pandemic levels by mid-2023. In November 2023, annual inflation dropped below 3.9%, with a projected rate of 3.7% for 2024. The potential deflation in China may contribute to global disinflation, impacting UK's inflation due to China's significance as a major import partner.

The larger-than-anticipated drop in inflation may lead to speculation about potential interest rate cuts by mid-2024, potentially increasing investment and consumer spending. The Chancellor's policy package could also offer a



modest demand boost. The forecasted 1.6% cumulative consumption growth in 2024, however, is expected to be supported by reduced savings given the persistent household income weakness.

Potential uncertainties include Prime Minister Rishi Sunak possibly calling for a 2024 election, with warnings of challenges for the Conservative party. Furthermore, the global impact of the Israel-Hamas war may lead to prolonged elevated oil prices, affecting global inflation and growth.

Economic challenges in the UK may constrain travel budgets, potentially impacting tourism. However, with the growing economy, declining inflation, potential monetary policy easing, and currency appreciation, there's a possibility of increased tourist arrivals to Maldives.

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## GERMANY



In 2023, Germany's economy is expected to contract by 0.5% due to high interest rates, sector weaknesses, global demand issues, and geopolitical tensions. Ongoing uncertainties and a budget crisis impact the 2024 growth forecast, with the IMF projecting a 0.9% growth rate.

Germany's ifo Business Climate Index, a key indicator of Germany's business sentiment fell to 86.4 in December 2023, indicating subdued growth expectations for 2024 and a growing dissatisfaction among companies, potentially impacting investment levels.

The export-oriented economy faces challenges such as high inflation, industrial slowdown, and weakness in key trading partners. The potential deflation in China, coupled with the Euro's appreciation against the Chinese Yuan, may contribute to easing inflation, forecasted to be at 3.5% in 2024, a decrease of 2.8 percentage points from 2023's forecast.

Moreover, increasing wages and high employment are anticipated to enhance purchasing power, potentially stimulating overall economic demand, and bolstering consumer confidence.



The German economy is on the path to recovery, presenting favorable conditions for increased tourist arrivals to the Maldives. The appreciation of the Euro against the US dollar by approximately 3% in 2023, coupled with increasing wages and employment fostering higher disposable income, is expected to encourage a rise in tourist numbers due to improved affordability

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## ITALY



Italy's economic forecast for economic growth in 2024 is 0.7%, aligning with the 2023 projection. Italy's GDP showed stagnation in Q4 2023, but a return to growth is projected in early 2024. This recovery is fueled by increased disposable income, expected to drive a 0.9% boost in household consumption, coupled with a rise in foreign demand.

The recovery in disposable income stems from nominal wages outpacing consumer prices. The renewal of public wage contracts for 2022-2024, factoring in past inflation, is a contributing factor.

Employment growth observed in 2023 is anticipated to persist, with a forecasted unemployment rate of 8% in 2024.

In 2024, Italy foresees a 2.1% growth in exports, mirroring foreign demand, with imports expected to rise at a slightly slower pace. The investment outlook, notably in the private sector, is anticipated to decelerate due to factors like increased funding costs, constrained credit access, and diminishing effects of construction incentives.

Italy expects a decline in headline inflation from 6.1% to 2.7% in 2024, driven by the steady fall in energy prices.



Potential deflationary impacts in China, a key import partner, may further influence Italy's inflation outlook, with a forecasted rate of 2.6%, marking a 3.4% decrease from the previous year.

Italy's 2024 economic forecast anticipates steady but conservative growth following a sluggish end to 2023, with positive indicators for an early 2024 rebound. The favorable outlook suggests potential increase in Italian tourist arrivals to the Maldives, boosted by the Euro's appreciation against the USD, enhancing affordability for Italian travelers.

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## UNITED STATES OF AMERICA



The United States anticipates a 1.5% economic growth in 2024, signaling a decrease from the 2.1% forecasted growth rate in 2023.

Despite geopolitical tensions and slowing growth in key economic partners, the American economy has fared well. Potential economic challenges in 2024 include concerns over inflation exceeding the target level, leading to potential further tightening of monetary policy by Fed officials. This could result in moderated private consumption and investment, slowing employment growth and increasing the unemployment rate in the first half of 2024.

Furthermore, increased interest costs and slowing revenue growth pose challenges to capital spending, with a heightened risk of small business bankruptcies if high-interest rates persist.

Positively, capital spending outlook is buoyed by increased investments in artificial intelligence and federal incentives for semiconductor manufacturing. Additionally, potential monetary policy easing in the second half of 2024 is possible if inflation falls to desired level.

The U.S. budget process also poses a risk to economic growth. With differing objectives and a lack of negotiation will in Congress, a government shutdown



remains a possibility. Allies seeking war financing and potential supply shocks, especially oil price shocks from ongoing wars, could further complicate the economic outlook. Political uncertainty, driven by the upcoming U.S. election in November, shall also influence the economic outlook.

The economic outlook for 2024 appears positive, with anticipated growth, albeit at a moderate pace in areas like private consumption and employment. This suggests an optimistic outlook for tourist arrivals to Maldives.

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## FRANCE



France's 2024 economic growth is projected at 1.3%, driven by increased household consumption amid declining inflation and a 4% rise in average per capita wage.

However, challenges like tightened lending conditions and potential unemployment increases may hinder consumer spending. Concerns over the Israel-Hamas war's impact on oil prices and negative inflationary pressures from slower energy price growth are factors influencing economic stability. Inflation is expected to decrease by 3.1 percentage points to 2.5% in 2024 compared to 2023.

In 2024, investment is forecasted to stay restrained until the second half, influenced by ongoing restrictive monetary policy effects, exerting a downward impact on overall economic activity. Challenges in Germany, a key trading partner, and China's sluggish outlook may further dampen economic prospects.

Growth is expected but not without headwinds for France in 2024. Favorable projections for household consumption, coupled with the appreciation of the Euro against the USD, may contribute to increased tourist arrivals to the Maldives from France.



## SWITZERLAND



Switzerland's economic growth for 2024 is expected to reach 1.8%, marking a 0.9% increase compared to the 2023 forecast.

The country's service sector outlook is optimistic, emphasizing the domestic market, while the manufacturing sector contends with challenges from global uncertainties and tighter financial conditions. The moderate appreciation of the Swiss Franc further complicates matters for exports, potentially discouraging investment.

Growth below potential is anticipated until Q2 2024, driven by tighter monetary policy, inflation, and geopolitical tensions. Positive aspects include a slight decrease in forecasted inflation to 2% from 2.2% in 2023, and low unemployment at 2.3%, supporting consumer purchasing power.

Switzerland's 2024 outlook suggests modest growth with decreasing inflation, low unemployment, and improved consumer purchasing power. The Swiss Franc's appreciation against the USD in 2023 may boost tourist arrivals.





## AUSTRALIA



The projected economic growth for Australia in 2024 stands at 1.2%, reflecting a decrease of 0.6 percentage points compared to the 2023 forecast.

The economic slowdown results from the Reserve Bank of Australia's tightening to control inflation within the 2-3% target range. Despite a 1.8% lower inflation projection for 2024, monetary policy may not ease given that it is still above target, impacting household finances. A 23% surge in taxes worsens real disposable income. Household spending, experiencing flat quarter-on-quarter and minimal growth for four consecutive quarters, marks its most sluggish performance since the global financial crisis.

Climate change is a significant determinant of Australia's future, with potential costs ranging from A\$135 billion to A\$423 billion over the next 40 years. The increased frequency of extreme fire risk days, up by over 50% in recent decades, underscores the anticipation of substantial costs for climate change mitigation and aftermath management in 2024.

Sluggish exports exacerbate Australia's economic growth slowdown. The 2024 export industry outlook is dim, characterized by weakened exports and subdued demand from China, contributing to a forecasted contraction in the Australian surplus from 9.64 to 9.40 Australian dollars.



Australia's 2024 economic outlook faces challenges, with a slight appreciation of the Australian dollar in 2023 potentially aiding tourist arrivals to the Maldives. However, declining real disposable income dampens prospects for significant growth in tourist numbers.

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