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ECONOMIC DEVELOPMENT OF THE MALDIVES

Abstract: the article describes the state of the economy in the Maldives. It describes the industries and their roles in the economy. In addition, the dynamics of unemployment and inflation and the volume of foreign investment in the country were studied. The problems that the economy is currently facing are considered.

Keywords: economy, GDP, tourism, fishing, economy, inflation, unemployment, investment.

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ЭКОНОМИЧЕСКОЕ РАЗВИТИЕ МАЛЬДИВСКИХ ОСТРОВОВ

Аннотация: в статье исследуется состояние экономики Мальдивских островов. В ней описываются отрасли и их роль в экономике. Кроме того, изучена динамика уровня безработицы и инфляции и объема иностранных инвестиций в страну. Рассмотрена проблемы, с которыми сталкивается экономика в настоящее время.

Ключевые слова: ВВП, туризм, рыболовство, экономика, инфляция, безработица, инвестиции.

The Maldives is an island nation located in the Arabian Sea, south west of India. It consists of 184 inhabited islands with the whole population dispersed across the whole of the island nation. The Maldives is renowned for its natural beauty which attracts the eyes of thousands worldwide. Historically the economy of Maldives was based on trading. Being located near by the most famous spice route the islands were frequently stumbled upon by travelers and traders. This allowed the Maldivians to trade their produce which were valuable during that time. The most frequently traded items were Fish, Ambergris, Coir Rope and Cowries (a type of shell used as currency in the past). [16]

In the early 1990s Maldives was ranked as one of the least developed countries along with Afghanistan Bangladesh and Nepal. However As of 2011 it was considered as a middle income country. The country has been enjoying substantial increase in the growth rate with the literacy rate reaching up to 100% and a noteworthy improvement in public transport systems. The life expectancy has also increased from 78 years in 2017 to 78 years in the year of 2019. [12]

Currently the population of Maldives is 536,929 and is estimated to rise according to the recent data. The population of the Maldives is distributed amongst the 184 islands. With the most densely populated island being the capital city of Maldives Male'. The table following shows the changes in population of the Maldives and its world ranking between the years 2020 till 2010 [13].

Table 1- Population of the Maldives Between the years 2020 and 2015

Year	Population	Yearly % Change	Yearly Change	Global Rank
2020	540,544	1.81%	9,591	173
2019	530,953	2.96%	15,257	173
2018	515,696	3.89%	19,294	173
2017	496,402	4.39%	20,890	173
2016	475,512	4.53%	20,597	173
2015	454,915	4.46%	17,836	177

2010	365,734	2.73%	9,225	178

Maldivians were traditionally fishermen, engaging in fishing and all sorts of fishing related activities. Even now it plays a vital role in the economy of the Maldives accounting up to 5.1% of the countries income. With the introduction of tourism into the countries the fisheries industry had been on the decline however it still provides an important source of employment and income. In 2017 there had been a record of 17,589 fishermen and a sum of 143,300 tonnes of fish being consumed in the year of 2017. It is also important to note that the Maldives has one of the highest per capita fish consumption summing up to 142 Kg in the year 2016. Fish is one of the base foods consumed through the whole country [3].

Agriculture is the third leading industry with its GDP accounting up to 4% of the GDP of the country. Only 10% of the land of the country is used for cultivation. Many types of tropical fruits and vegetables are grown. Nonetheless most of the staple food used for daily use must be imported. Due to the small nature and vulnerable nature of the islands it is almost impossible to do large scale of agriculture [4,14].

The foreign direct investments are also mostly directed in the direction of tourism. This leaves little to no investment in the other sectors of the country. With the local population of less than 600,000 people the tourism sector which had swelled onto the international market is seen as a more attractive investment [2].

There are only about five international banks currently operating in the Maldives and only branches are opened up with no parent organization. There are several local banks with Bank of Maldives playing the role of the central bank, and the largest banking system in the country. With each of its branches being located though out the country [2].

The unemployment rate of Maldives has been noted at 6.08% in 2018 a significant increase from the previous years. The main reasons for the high unemployment rates are mainly due to lack of highly skilled workers and the reluctance to take on low end jobs for fear of being seen as the weaker party. With the resources available being scarce the government faces the major problem of creating high end jobs for the younger generation and trying to obtain skilled workers for the necessary jobs [12].

The labor force of the Maldives is mostly employed in the service sector. The following graph shows employment of the labor force by sector [9].

Table 2- Employment of the labor force by sector by percentage.

Sector	Percentage%
Agriculture	7.7%
industry	22.8%
Service	69.5% (2017 est)

The inflation rate of Maldives was estimated at 0.05% in the November of 2019. With it reaching the highest in 2011. The following graph shows the inflation rates in the Maldives in the past years [6].

Figure 1- Inflation rates of the Maldives from 2015 till 2019

Despite its success with the tourism industry Maldives still faces many problems. At the forefront is the lack of resources and the geological localization. The total sum of land accounts up to 300 km which is evenly distributed throughout the ocean area with up to 99% of the territory of Maldives consisting of the ocean. The fact that the islands are separated means that there is not enough land area to do substantial agricultural activities and hence the country has to depend on foreign imports [4].

Another problem of geographical localization as the people are spread far away from each other and the islands separated from each other by the ocean a stable mode of transport is always required. The public transport system has dramatically improved in the recent times but it still proves to be a challenge as the separation makes it more difficult for the development of the country as whole. Most of the facilities are sometimes only available in the capital city while others have to journey to the capital to obtain these services. This is one major cause of over population of Male City. The city ranks as one of the most densely populated cities in the world [4].

The country also has in internal debt of 1.9 billion USD and an external debt of 1.8 billion USD. This totals the national debt up to 3.7 billion USD. This is 53% of the GDP of the country with 38% of the debt being owed to China [1].

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