

GDP REBASING

(BASE YEAR 2019)



MALDIVES BUREAU OF STATISTICS
Ministry of National Planning, Housing & Infrastructure

GDP REBASING OF MALDIVES

What is Gross Domestic Product (GDP)

Gross Domestic Products (GDP) is the value of all final goods and services produced within a country in a given period of time. The GDP can be measured using three approaches which are production, expenditure, and income that are presented at current and constant prices.

GDP by production approach (GDP [P])

$$Y = GVA + (T - S)$$

is defined as the difference of gross value of goods and services produced less the value of raw material used as input (intermediate consumption)

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GDP by expenditure approach (GDP [E])

$$Y = C + I + G + (X - M)$$

is the sum of consumption expenditures by households, Non Profit Institutions Serving Households (NPISHs), government expenditures, investments

=

GDP by income approach (GDP [Y])

$$Y = COE + GOS + CFC + (T - S)$$

Is the sum of compensation of employees, gross operating surplus, consumption of fixed capital and other taxes less subsidies on production.

GDP at current prices or nominal GDP is estimated by using the prices at the accounting period and aimed to describe the economic structure.

GDP at constant prices or real GDP is estimated using the prices at a reference year and designed to measure the economic growth rate.

Why does Gross Domestic Product (GDP) need to be rebased?

Over the past decade, numerous changes in both global and local structures have significantly influenced the Maldivian economy. Examples of these changes include the devastating tsunami in December 2004, the global financial crisis of 2008, the implementation of tax policies in 2011, and the expansion of the financial sector. These modifications have had a notable impact on economic activities, thus highlighting the need to incorporate them into the national accounts statistics.

One of the improvements in the national accounts statistics is the rebasing of GDP from the base year 2014 to 2019. This adjustment aims to better reflect the current economic conditions. The decision to rebase is in accordance with the United Nations (UN) recommendation on the 2008 System of National Accounts (SNA), which suggests using the Supply and Use Tables (SUT) as the framework for this purpose.

What are the benefits of rebasing Gross Domestic Product (GDP) to 2019?

Rebasing GDP provides some benefits such as:

- To describe current economic condition i.e. size and economic growth rate during a given period of time
- To improve the quality of GDP
- To improve the international comparability of the GDP

What are the implications of Gross Domestic Product (GDP) rebasing?

The rebasing of GDP brings some impacts on macro economic indicators such as:

- Increase in nominal GDP, which will lead to an increase in the income group from low into medium or high income country (GDP per capita) and change economic structure.
- Changing the macroeconomic indicators such as tax ratios, debt ratios, in vestment and saving ratios, current account, and economic growth.
- Changing the data base for modelling and forecasting.

Why is 2019 used as the reference year?

Our current base year is 2014 and 2019 was selected as the new base year due to the following reasons:

- Economy is relatively stable.
- There has been transformation in the economic structure in the past decade, especially in the construction, tourism, manufacturing and trade sector affecting distribution patterns and growth of new sectors .
- UN recommendation to change GDP base year every 5 (five) years.
- The availability of new data source to improve quality of GDP such as House hold income and Expenditure survey 2019, Agricultural survey 2019 survey 2019 and Tax data
- The availability of SUT as the framework that could be used for GDP benchmarking exercise

MALDIVES SUT 2019

What is Supply and Use Table (SUT)?

Supply and Use Table or SUT is a framework that describes the balance between the flows of production and consumption (goods and services) and the generation of income in production activity. It consists of two main tables namely Supply table and Use table.

The SUT framework uses ISIC Rev. 4 classification and the CPC Ver.2.1. The SUT framework has two equations that should be fulfilled:

a. SUPPLY = USE

The value of goods and services provided by domestic industries and import should be equal to the value of goods and services used on production process and final consumption.

b. OUTPUT = INPUT

The value of goods and services produced by domestic industries should be equal to the value of goods and services used on the production process

SUT is a compilation tool for data checking and reconciliation, gap filling, and the best framework for compiling GDP in an integrated approach. When GDP was compiled independently, some statistical discrepancies may occur. It means there was a gap between GDP by industries and expenditure before the SUT compilation. However, it will be solved after the completion of the SUT.

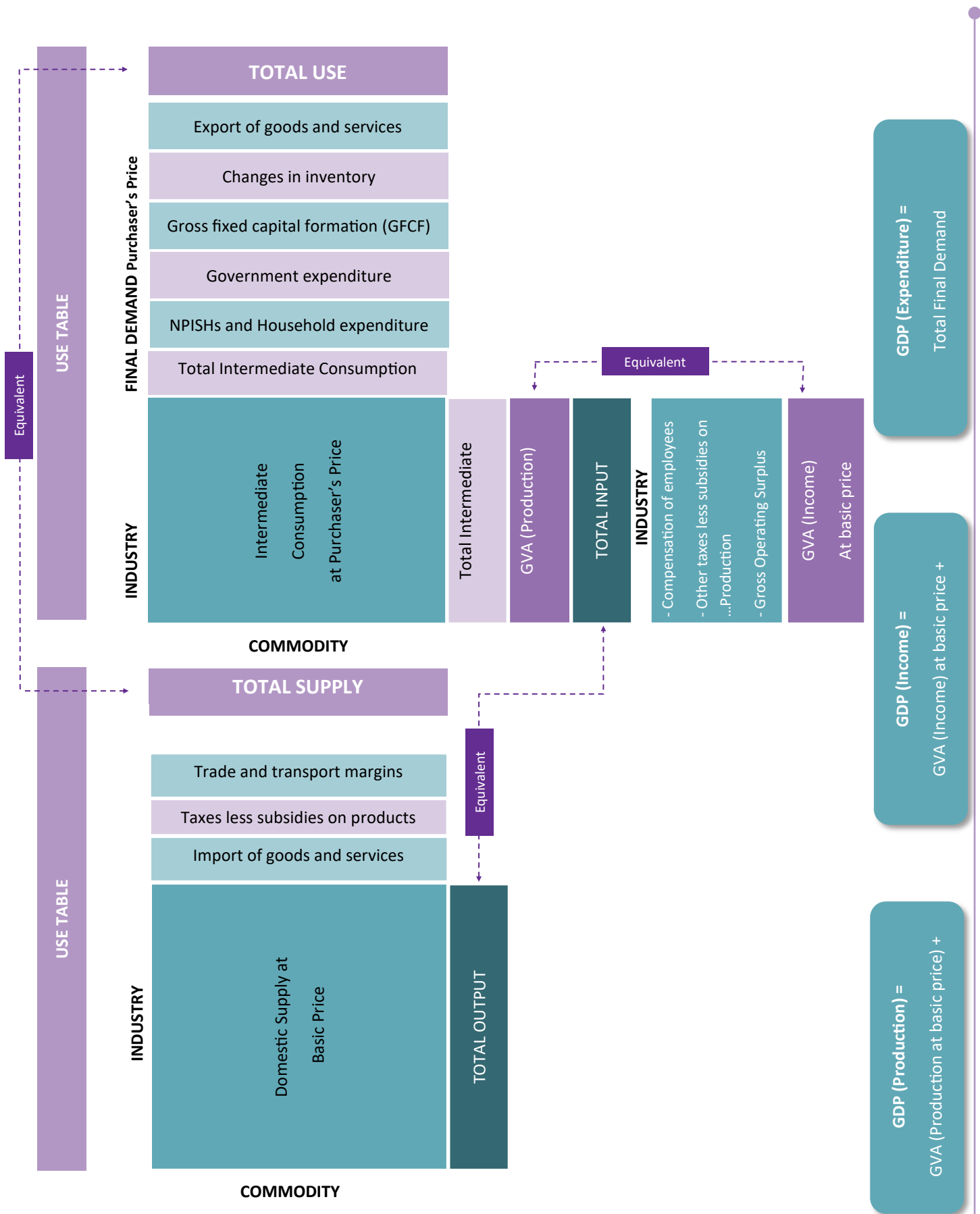


Figure 1. Framework of SUT

SYSTEM OF NATIONAL ACCOUNTS

What is SNA?

The System of National Accounts is the internationally agreed standard set of recommendations on how to compile measures of economic activity in accordance with strict accounting conventions based on economic principles. The recommendations are expressed in term of a set of concepts, definitions, classifications and accounting rules that comprise the internationally agreed standard for measuring indicators such as GDP.

2014 and 2019 SUT was compiled based on the latest version of SNA manual, SNA 2008.

What are changes in the GDP classification?

The GDP classification by industry is based on International Standard Industrial Classifications of all economic activities (ISIC). In GDP 2014 series uses ISIC Rev.2 while classification of 2019 series applies ISIC Rev.4. The comparison of the GDP classification in aggregate level can be seen on the following table.

Figure 2. Comparison of GDP Classification by industries

GDP 2014 Series		GDP 2019 Series	
A	Agriculture	A	Agriculture, Forestry and Mining
A	Fisheries	A	Fisheries Constant
C	Fish preparation	C	Fish preparation
C	Other manufacturing	C	Other Manufacturing
D	Electricity	D	Electric power generation, transmission & distribution
D	Water and sewerage	D	Water supply; sewerage, waste management and remediation activities
F	Construction	F	Construction
G	Wholesale and retail trade	G	Wholesale & retail trade; repair of motor vehicles & motorcycles
I	Resorts	I	Resorts
I	Other accommodation services	I	Other tourist accommodation and other accommodation
I	Food and beverage services	I	Food & beverage services
H	Transportation	H	Transportation
J	Postal and Telecommunication	J	Postal and Telecommunication
K	Financial intermediation	K	Financial intermediation, except insurance and pension funding
K	Insurance and auxiliary to financial intermediation	K	Insurance & auxiliary to financial intermediation
L	Real estate activities	L	Real estate activities
M	Professional, scientific and technical activities	M	Professional, scientific & technical activities
N	Travel agencies and support services	N	Travel agencies & support service activities
O	Public administration	O	Public administration & defence; compulsory social security
P	Education	P	Education
Q	Health and social work	Q	Human Health and social work activities
R	Entertainment, recreation & Other services	R	Arts, entertainment and recreation & other service activities, activities of household

How big is the difference between 2014 nominal GDP based on 2014 re-based series and 2019 rebased series?

GDP at current prices in 2019 (2014 base year) is MVR. 86,284 million, while GDP 2019 based on SUT reached MVR. 88,079 million, which totally MVR. 1,795 million (2.0%) difference.

Chart 1. The comparison between GDP 2014 and 2019 base year

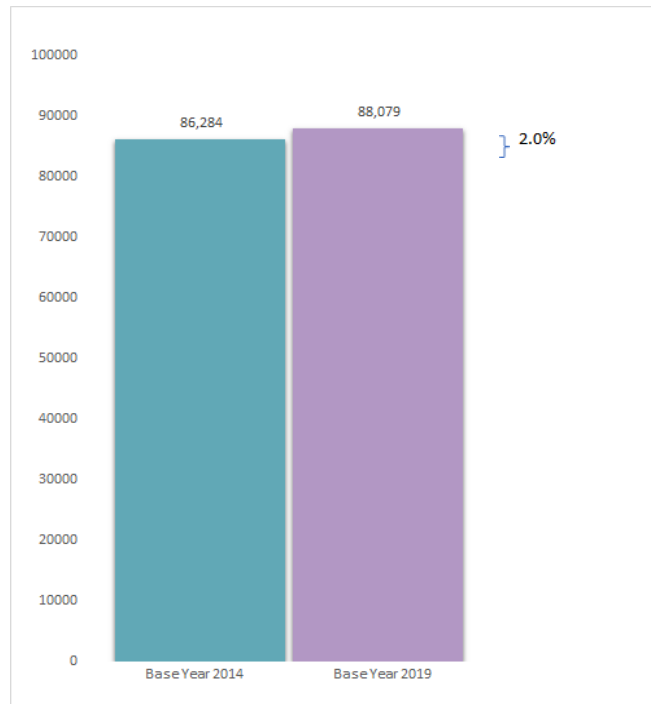


Chart 2. Comparison of Nominal GDP Growth rates from 2014 to 2019



How is the new level of GDP by industry in the new 2019 base year?

Rebasing GDP gives impact to the nominal and structural changes of 2019 GDP by industry as shown in the table below:

Table 1. Comparison of Nominal GDP by industries in two base year (2014 and 2019)

Industry		2014 Base year		2019 Base year	
		(Million MVR)	(%) Share	(Million MVR)	(%)
A	Agriculture , Forestry and Mining	912	1.1	883	1.0
A	Fisheries	3,061	3.5	3,076	3.5
C	Fish preparation	476	0.6	545	0.6
C	Other Manufacturing	1,288	1.5	1,332	1.5
D	Electric power generation, transmission and distribution	801	0.9	917	1.0
E	Water supply; sewerage, waste management and remediation activities	563	0.7	747	0.8
F	Construction	6,926	8.0	6,979	7.9
G	Wholesale and retail trade; repair of motor vehicles and motor cycles	6,975	8.1	7,814	8.9
I	Resorts and Other accommodation services	17,965	20.8	18,393	20.9
i	Resorts	15,599	na	17,957	20.4
i	Other Tourist Accommodation and Other Accommodation services	2,366	na	436	0.5
I	Food and beverage services	586	0.7	600	0.7
H	Transportation	4,500	5.2	4,537	5.2
J	Postal and Telecommunication	3,135	3.6	2,930	3.3
K	Financial intermediation, except insurance and pensioning activities	4,040	4.7	4,267	4.8
K	Insurance and auxiliary to financial intermediation	158	0.2	175	0.2
L	Real estate activities	6,157	7.1	6,266	7.1
M	Professional, scientific and technical activities	1,022	1.2	869	1.0
N	Travel agencies and support service activities	2,132	2.5	2,326	2.6
O	Public administration and defence; compulsory social security	7,114	8.2	7,164	8.1
P	Education	2,782	3.2	2,781	3.2
Q	Human health and social work activities	2,478	2.9	2,461	2.8
R	Arts, entertainment and recreation & Other service activities	1,896	2.2	2,188	2.5
Gross Value Added at basic price		74,967.3	86.9	77,247.2	87.7
Taxes less subsidies on product		11,316.5	13.1	10,831.9	12.3
GROSS DOMESTIC PRODUCT		86,283.8	100.0	88,079.1	100.0

Note: Breakdown of resorts and other accommodation services were not compiled prior to 2014.

Table 2. Comparison of Nominal and Real GDP in two base year (2014 and 2019)

		2014	2015	2016	2017	2018	2019	2020	2021	2022
Nominal GDP										
2019 series	Million MVR	56,866.7	63,307.4	67,633.7	73,757.8	83,026.7	88,079.1	57,104.7	80,773.9	94,945.4
Growth rate	%	-	11.3	6.8	9.1	12.6	6.1	(35.2)	41.4	17.5
2014 series	Million MVR	56,866.7	63,146.7	67,300.3	73,152.5	81,586.1	86,283.8	57,623.3	83,098.3	na
Growth rate	%	-	11.0	6.6	8.7	11.5	5.8	(33.2)	44.2	na
Real GDP										
2019 series	Million MVR	63,681.5	66,008.6	70,387.3	75,145.7	81,927.0	88,079.1	59,093.4	81,364.0	92,678.9
Growth rate	%	-	3.7	6.6	6.8	9.0	7.5	(32.9)	37.7	13.9
2014 series	Million MVR	56,866.7	58,507.1	62,215.5	66,701.1	72,119.3	77,238.0	51,368.8	72,812.8	na
Growth rate	%	-	2.9	6.3	7.2	8.1	7.1	(33.5)	41.7	na



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