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Issue Brief

Maldivian Economy under Muizzu Administration

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S*ummary*

According to the World Bank, the Maldives faces significant downside risks in 2026 due to upcoming large debt repayments, foreign-exchange liquidity pressures, and external shocks to tourism, supply chains, and import costs stemming from the current conflict in the Middle East.

The Maldives faced a severe economic challenge in 2024. To address the challenges, the Maldivian government implemented several policy reforms. With India's support, the Muizzu administration averted a default on debt repayment in 2024. Growth in the tourism and fisheries sectors, along with homegrown fiscal reforms, improved some economic indicators slightly in 2025. However, higher consumer price inflation, rising public debt, and low foreign exchange reserves continued to exert significant economic pressure on the Maldivian government.¹

One of the major concerns was to repay the Sukuk bond that matured in April 2026. The government addressed the concern by settling the Sukuk debt, paying US\$ 524.68 million. With this, the government claims that the ratio of state debt to Gross Domestic Product (GDP) will decrease, and the Maldives' financial sector will be further strengthened in the medium term. Nonetheless, reports suggest that the US/Israel–Iran war is putting heavy pressure on the Maldivian economy by impacting the tourism and import sectors. In this context, the brief discusses the Maldives' economy, focusing on government measures to address economic pressures and their impact on the economic outlook for 2026.

Economic Challenges

The Maldivian economy faced a major setback due to COVID-19, with GDP declining by 33 per cent in 2020. The primary reason for this decline was the downturn in the tourism sector, which is the country's major source of revenue. Due to the economic decline, the government of the Maldives obtained 12 billion Maldivian Rufiyaa (MVR) in loans in 2020 to address the economic challenges.² With the resumption of tourist arrivals in the country, the economy gradually started to recover. The GDP reached 4.9 per cent in 2023 from -32.9 per cent in 2020. The growth rate, however, could not mitigate the Maldives' high risk of external and overall debt stress.

While there has been a significant increase in the number of tourists visiting the country, other sectors, including fisheries, have faced setbacks. Sizeable infrastructure spending and generous social assistance programmes over the years, along with loans to address COVID-related challenges, led to a sharp rise in public debt. The government debt rose to 115.9 per cent of GDP by the end of 2023.³ Fiscal deficit widened to an unsustainable level. To meet the expenditure, MVR 8 billion

¹ [“Quarterly Debt Bulletin”](#), Q2, 2025, Debt Management Department, Ministry of Finance and Planning, Republic of Maldives.

² Naizak Mohamed, [“Ameer Requests to Appear at Parliament to Clarify Former Govt's Fiscal Policy”](#), *SunOnline*, 8 September 2025.

³ [“Unofficial Translation of the Presidential Address”](#), The President's Office, Republic of Maldives, 5 February 2024.

worth of currency notes were printed, leading to currency depreciation, which in turn caused inflation.⁴

To compensate debt-ridden State-Owned Enterprises (SOEs), foreign currency from the Sovereign Development Fund was withdrawn, contributing significantly to the dollar-shortage crisis. Gross international reserves steadily declined to US\$ 589 million at the end of December 2023, covering about 1.4 months of prospective imports.⁵ A decrease in official reserves, coupled with a significant debt obligation due during 2024–2026, emerged as a major concern for the import-dependent Maldives. Rating agencies downgraded the Maldives' rating, which further challenged the securing of external financing.

Policy Measures

To deal with the fiscal challenges, the Muizzu government that assumed power in November 2023, announced a fiscal reform agenda in 2024, including: (i) phasing out existing subsidies and replacing them with a targeted cash transfer scheme, (ii) improving efficiency in the health insurance scheme (*Aasandha*), (iii) reforming SOEs including enhancing their corporate governance and financial viability, and (iv) rationalising capital expenditure and revising the Public Sector Investment Program (PSIP) regulatory framework. Most of these fiscal policy reforms, however, took off in the latter part of 2024.

The 2024 economic indicators showed a decline compared to 2023 figures. The tourism sector expanded in annual terms, primarily driven by growth in total tourist arrivals and an increase in resort bed nights in 2024. However, there was a reduction in the activities of the public administration, real estate, transportation, communication, fisheries and construction sectors. There was a significant decline in the volume of fish exports, down 48.4 per cent in 2024, following a 3.6 per cent increase in 2023. This primarily reflected the marked decline in fish purchases by private fish processing companies due to the government's hike in the fish purchase price.⁶

Fishermen's protests over delayed payments by the state-owned Maldives Industrial Fisheries Company (MIFCO) also disrupted fishing activities and, thereby, exports in 2024.⁷ In 2024, construction activity declined by 7 per cent, following a 7 per cent

⁴ Ibid.

⁵ [“Maldives: 2024 Article IV Consultation—Press Release, Staff Report, and Statement by the Executive Director for Maldives”](#), IMF Country Report, No. 24/106, May 2024.

⁶ [“Annual Report 2024”](#), Maldives Monetary Authority, Republic of Maldives.

⁷ [“Maldives Fish Exports Plummet in 2024”](#), *Corporate Maldives*, 5 May 2024.

increase in 2023.⁸ The decline was due to a combination of factors, including the reduced public expenditure on infrastructure assets, halting of the government projects, delayed payments to contractors, and shortages of dollars and eroding of profit margins due to high costs of imported construction materials.⁹ Declining fishing and construction activities resulted in a 3.5 per cent annual growth rate for 2024.

The fiscal deficit widened due to increased expenditure, while revenue collection rose by 3.7 per cent. The current account deficit (CAD) remained high, with the trade deficit widening to around US\$ 3 billion. Total outstanding debt rose to 133.4 per cent of GDP in 2024, up from 123.6 per cent in 2023. Reserves fell from US\$ 590 million at the end of 2023 to US\$ 443.9 million in August 2024. As a result, settling the coupon payment on the US\$ 500 million Sukuk bond, which was due in October 2024, was a concern. Due to a fragile external liquidity position, rising public debt, and the Maldives’ difficulty in securing external financing, international rating agencies like Fitch and Moody’s downgraded the country’s credit rating, citing high ‘default risk’.¹⁰ The low credit rating further hindered the Maldivian government’s ability to attract foreign investment and loans at lower interest rates.

To address the challenges stemming from critically low foreign reserves, the Muizzu administration reached out to India and signed a US\$ 400 currency swap agreement with the Reserve Bank of India.¹¹ The swap agreement helped the Government of the Maldives make the biannual Sukuk bond coupon payments on schedule and avert becoming a debt defaulter.¹² The swap agreement and tourism growth helped increase official reserves at the end of 2024.

The government introduced the Foreign Currency Act, which came into effect on 1 January 2025, to address the dollar shortage, manage foreign currency transactions and regulate currency exchange practices. The legislation mandates that all domestic transactions must be conducted in Maldivian Rufiyaa, prohibiting the use of foreign currencies except under specific circumstances defined by law. It also introduces a framework for businesses operating under Maldivian law to exchange foreign currency obtained from realised sales proceeds. These businesses are required to exchange their foreign currency with banks operating in the Maldives, which, in turn,

⁸ [“Annual Report 2024”](#), no. 6.

⁹ [“Report: Maldives Construction Industry Grapples with Debt, Dollar Scarcity, and Stagnation”](#), *Corporate Maldives*, 12 December 2024.

¹⁰ [“Moody’s Downgrades Maldives Credit Rating”](#), *Adhadhu*, 11 September 2024.

¹¹ [“India-Maldives Bilateral Relations”](#), Ministry of External Affairs, Government of India.

¹² The Sukuk bond, which was issued in 2021 and is set to mature in 2026, requires semi-annual coupon payments. [“Government of Maldives Meets Sukuk Coupon Payment, Easing Default Concerns”](#), *Corporate Maldives*, 7 October 2024.

must sell a specified percentage of these exchanges to the Maldives Monetary Authority (MMA).¹³

Table 1. Maldives' Key Economic Indicators						
	2020	2021	2022	2023	2024	2025
GDP	-32.9%	37.5%	13.8%	4.9%	3.5%	5.4% (Projected)
Inflation	-1.4%	0.5%	2.3%	2.9%	1.4%	4%
Total Revenue & Grants (Millions of MVR)	15,221.9	21,353.4	29,034.5	34,151.3	35,085.3	37,875
Expenditure (Millions of MVR)	25,753.5	32,859.4	40,059.9	44,893.6	45,870.9	44,285.5
Fiscal Deficit (Millions of MVR)	- 13,531.6	-11.506	- 11,025.5	- 10,724.3	- 10,785.6	-6,410.6
Total Outstanding Debt (% of GDP)	150%	117 %	112.8%	123.6%	133.4%	133.1%
Domestic Debt	63.1%	60.8%	62.3%	72.3%	76%	78.8%
External Debt	86.9%	56.2%	50.5%	51.3%	57.4%	54.3%
Official Reserve Assets (Million US\$)	984.9	805.8	832.1	590.5	673.9	983
Export (Million US\$)	257.6	285.4	399.7	421.4	382.7	445.7
Import (Million US\$)	1,708.1	2,390.6	3,316.1	3,295.8	3,495.1	3,366.5
<i>Source: Maldives Monetary Authority (Compiled by the author)</i>						

¹³ “[The President Ratifies the Foreign Currency Bill](#)”, The President’s Office, Republic of Maldives, 14 December 2024.

Economy in 2025

The implementation of the policies mentioned above, rolled out primarily in the latter part of 2024 and 2025, led to a slight improvement in economic indicators in 2025. According to the Maldives Bureau of Statistics (MBS), real GDP grew by 6.7 per cent in the second quarter of 2025, compared to the corresponding quarter of 2024. The expansion in the tourism and fisheries sectors mainly drove the annual growth in real GDP during the second quarter. By the first eight months of 2025, tourist arrivals reached 1.5 million, representing a growth of 9.4 per cent, compared to the corresponding period in 2024, as a result of the return of key source markets such as Europe, China and India, and improved air connectivity and the gradual increase in accommodation capacity.¹⁴ Growth was also observed in sectors such as transportation and communication, real estate, financial services, human health and social work, manufacturing, and arts, entertainment, recreation, and other services.¹⁵

Total revenue (excluding grants) increased by MVR 294.2 million (or 13 per cent) in November 2025 compared to November 2024, primarily due to an increase in tax revenue. As such, tax revenue increased by MVR 449.6 million, whereas non-tax revenue declined by MVR 155.4 million. Given this revenue growth, real GDP for 2025 is projected to reach MVR 105,852.7 million, reflecting a growth rate of 5.4 per cent compared to 2024, according to the Maldives' Finance Ministry.¹⁶

Due to the fiscal consolidation reform, which included expenditure reductions, capital expenditure declined sharply by 62.6 per cent (y-o-y) on a cash basis by the end of the first quarter of 2025. As a result, the overall fiscal account at the end of June 2025 recorded a surplus of US\$ 80.6 million, or 1.1 per cent of GDP, compared to a fiscal deficit of US\$ 318.7 million, or 4.6 per cent of GDP, in 2024.

For the period January to November 2025, total exports increased by 15 per cent, while total imports remained broadly unchanged when compared with the corresponding period of 2024. The annual increase in total exports stemmed primarily from higher re-exports during the period, reflecting higher earnings in the other re-exports category and increased earnings from re-exporting jet fuel. Similarly, domestic exports also increased, largely owing to higher earnings from canned or pouched tuna, which completely offset the decline in earnings from frozen skipjack tuna. The annual increase in import expenditure stemmed from broad-based increases in imports across all major categories, including petroleum products,

¹⁴ “[Macroeconomic Update](#)”, Ministry of Finance and Planning, Republic of Maldives, October 2025.

¹⁵ “[Economic Update](#)”, Maldives Monetary Authority, Vol. 7, No. 12, December 2025.

¹⁶ “[Macroeconomic Update](#)”, no. 14.

machinery and mechanical appliances and parts, transport equipment and parts, construction-related items and food items.¹⁷

Gross international reserves (official reserve assets) increased to US\$ 886.5 million at the end of November 2025 from US\$ 616.2 million recorded at the end of November 2024.¹⁸ The Sovereign Development Fund (SDF) balance rose from US\$ 15 million in 2024 to US\$ 126 million as of November 2025.

Despite the improvements in the figures in 2025 compared to 2024, there are concerns. Maldives consumer price inflation increased from 1.4 per cent (y-o-y) in 2024 to an average of 5 per cent (y-o-y) in the first quarter of 2025.¹⁹ Despite a recorded fiscal surplus, the government has reportedly failed to settle outstanding payments to suppliers and private companies for various projects, resulting in the accumulation of arrears and intensifying financial difficulties in many sectors. As a result, business and property tax and general goods and services tax (GST) collections have shown signs of a decline in economic activity.²⁰

The 2025 Budget heavily prioritised infrastructure, allocating MVR 11.6 billion to transportation, housing and utilities, primarily through debt financing.²¹ While investment can boost economic growth, relying on debt to finance these investments puts the Maldives at financial risk. The stock of total government debt (excluding government-guaranteed debt) amounted to MVR 130.2 billion at the end of the third quarter of 2025, a 2 per cent increase from the end of the second quarter of 2025. Similarly, total government debt as a percentage of GDP rose to 112 per cent at the end of the third quarter of 2025, from 110 per cent in the second quarter.

During this period, the increase in government debt was primarily driven by domestic debt.²² Domestic debt (including guaranteed debt) increased to 78.8 per cent of GDP in 2025 from 76 per cent in 2024. Nevertheless, the external debt service costs were high at about US\$ 900 million in 2025.²³ India’s decision to extend the maturity of: (i) a US\$ 50 million one-year US dollar treasury bond issued through the State Bank of India (SBI), Malé branch, by an additional year in May 2025 (which had been rolled over once in 2024) and (ii) a similar US\$ 50 million bond by an additional year in September 2025, provided debt relief to Muizzu administration in 2025. However, the Maldives continues to fall into the high-debt, high-default-risk category.

¹⁷ [“Economic Update”](#), no. 15.

¹⁸ Ibid.

¹⁹ [“Maldives Development Update”](#), The World Bank, October 2025.

²⁰ Ibid.

²¹ Jeehan Mahmood, [“The Maldives 2025 Budget through a Demographic Dividend Lens”](#), The Maldives Policy Think Tank, 4 November 2024.

²² [“Economic Update”](#), no. 15.

²³ [“Maldives Development Update”](#), no. 19.

2026 Economic Outlook

According to Moody's, the Maldives' outlook has improved because it is in a stronger position to meet its debt obligations, supported by increased foreign reserves. However, it remains at Caa2, a speculative-grade rating which reflects high default risk.²⁴ Fitch also maintains the Maldives' credit rating at 'CC', indicating a very high risk of default.²⁵ External debt service costs are projected to remain high at close to US\$ 1.5 billion in 2026 (including the bullet repayment on the US\$ 500 million Sukuk and the US\$ 100 million private bond placement due in 2026). In addition to the rating agencies, the World Bank and the IMF have also expressed concerns about the Maldives positive outlook.

However, the Maldivian government is confident that it will not default on debt servicing. The government has successfully settled the US\$ 500 million Sukuk issued in 2021 by repaying the principal of US\$ 500 million and the associated coupon of US\$ 24.68 million. Even after this, the government had to settle a huge debt in 2026.²⁶ The government, nonetheless, claims that the settlement of the Sukuk Bond has significantly improved the Maldives debt sustainability indicators. The government is hopeful that continued engagement with bilateral partners to mitigate refinancing risks and meet additional financing requirements will help achieve debt sustainability.²⁷

Impact of Conflict in the Middle East

According to the 2026 budget, the government expected a strong fiscal year. GDP in 2026 was projected to be 5.3 per cent.²⁸ As per the Finance Ministry of the Maldives' earlier projection, tourist arrivals are to grow by 8.0 per cent in 2026, before stabilising at a medium-term growth rate of 7.7 per cent, due to the competition from the new passenger terminal at Velana International Airport and the upgradation of Hanimaadhoo International Airport.²⁹ However, the projection is likely to change if the US/Israel-Iran war prolongs.

According to the Maldives Independent report, after the war broke out, “fifteen inbound flights from Middle Eastern airports to the Maldives, which serve as the

²⁴ Azhaar Abdul Azeez, [“Moody's Affirms Maldives' 'Junk' CAA2 Rating but Upgrades Outlook to Stable Amid Reserve Gains”](#), *SunOnline*, 27 November 2025.

²⁵ Naizak Mohamed, [“Fitch Maintains Maldives' Credit Rating at 'CC' as Default Risks Persist”](#), *SunOnline*, 12 June 2025.

²⁶ [“The Government of Maldives Successfully Settles the USD 500 Million Sukuk”](#), Ministry of Finance and Planning, Republic of Maldives, 2 April 2026.

²⁷ *Ibid.*

²⁸ [“Selected Economic Indicators, 2020-2026”](#), Maldives Monetary Authority.

²⁹ [“Macroeconomic Update”](#), no. 14.

primary gateway for tourists, were cancelled”.³⁰ According to the report, nearly all European tourists (excluding Russians), who accounted for more than half of all arrivals in January 2026, reached the Maldives by transiting through Dubai, Doha, or Abu Dhabi. Since the war started, there has been a significant decline in tourist arrivals, despite March being the prime tourism season. As of 30 March 2026, around 500 flights were cancelled, causing an 18 per cent decline in tourist arrivals and an estimated US\$ 85 million in revenue loss.³¹

In addition to impacting tourism, the war is likely to affect the supply of essential items and import expenditure, thereby further pressuring foreign reserves. Oil imports to the Maldives are primarily sourced through Oman. In contrast, food and other essential imports mostly route through Dubai's Jebel Ali Port or other Gulf logistics hubs in the Hormuz region.³² With rising global oil prices, the Maldives' spending on diesel imports is likely to increase significantly from the current average of US\$ 443.6 million per year. Fuel prices in the Maldives have already been increased from 5 March 2026: petrol increased from MVR 13.50 to MVR 16.01 per litre, and diesel from MVR 13.92 to MVR 17.54 per litre.³³

On 1 March, the Maldivian Ministry of Finance and Planning through a press release announced that it was closely monitoring the potential impacts of the war on the Maldives' financial and economic conditions and in collaboration with relevant state institutions, was continuously working to implement timely measures to introduce necessary adjustments to fiscal policies in a manner appropriate to the situation, to maintain macroeconomic stability and ensure the continued provision of essential services.³⁴

The Muizzu administration is confident it can ensure macro-fiscal stability despite evolving challenges in the global economy.³⁵ The government has assured the people that it continues to enjoy access to multilateral trade financing facilities to meet annual energy requirements. According to the Ministry of Finance and Planning

³⁰ Shafaa Hamid, “[Middle East War Leaves Maldives Exposed on Every Front](#)”, *Maldives Independent*, 2 March 2026.

³¹ Ahmed Naish, “[War Costs Mount but Austerity Plan Stays Under Wraps Until After Saturday's Vote](#)”, *Maldives Independent*, 30 March 2026.

³² “[Press Release - Measures Being Implemented to Mitigate Potential Financial and Economic Risks to the Maldives Arising from the Situation in the Middle East](#)”, Ministry of Finance and Planning, Republic of Maldives, 1 March 2026.

³³ Eval Abdulla, “[The Iran War and the Maldives: Economic Vulnerability, Governance Failure, and the Public's Right to Know](#)”, The Maldives Policy Think Tank, 15 March 2026.

³⁴ “[Press Release - Measures being Implemented to Mitigate Potential Financial and Economic Risks to the Maldives Arising from the Situation in the Middle East](#)”, no. 32.

³⁵ “[The Government of Maldives Successfully Settles the USD 500 million Sukuk](#)”, no. 26.

report, “the government is engaging with multilateral partners to secure additional financing to address the increased financing requirement for fuel supplies”.

Despite these assurances, the common people of the Maldives are concerned about the potential adverse effects of the war on the Maldivian economy. What concerned people most was that, instead of rationalising state resources to address the potential adverse effects of the war, the Muizzu administration throughout March was “lavishly” utilising them for economic activities and project launches to gain leverage for the ruling party in the local council elections held on 4 April.³⁶

‘The pre-elections spending spree’ of the government at a time when the economy is going through a vulnerable condition did not benefit the ruling party in the local Council elections. The ruling party, People’s National Congress (PNC), lost Mayor’s seats and Women’s Development Committee presidencies in all five cities to the opposition Maldivian Democratic Party (MDP). Moreover, the majority of people have rejected the referendum on the government’s proposal to conduct the parliamentary and presidential elections on the same day. The defeat in the local council elections and the rejection of the referendum are viewed as a “midterm verdict” against the Muizzu administration.

Conclusion

The Muizzu administration has so far managed to avert a serious crisis of debt default, but the country is still not out of high debt risks. According to the World Bank assessment, the Maldives faces significant downside risks in 2026 due to upcoming large debt repayments, foreign-exchange liquidity pressures, and external shocks to tourism, supply chains, and import costs stemming from the current conflict in the Middle East. Unless effective strategies are adopted and implemented to mitigate the risks, the country will face serious issues, including weaker growth, increased poverty and food insecurity.

³⁶ Eval Abdulla, [“The Iran War and the Maldives: Economic Vulnerability, Governance Failure, and the Public’s Right to Know”](#), no. 33; Ahmed Naish, [“Referendum Defeated, Cities Lost: Voters Deliver Mid-Term Rebuke to Muizzu”](#), *Maldives Independent*, 5 April 2026.

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