

THE WAVERLEY SERIES

MALDIVES

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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MALDIVES — AT A GLANCE

Capital	Malé
A severe, escalating debt service burden	External debt service needs are estimated at USD 1.7 billion for 2026, up sharply from USD 630 million in 2025; despite settling a USD 500 million sovereign Sukuk and repaying a USD 400 million currency swap in April 2026, remaining 2026 debt service needs are still estimated at around USD 1.0 billion
A stark creditor asymmetry underpinning the geopolitical balancing act	The Maldives owes China approximately USD 1.3 billion and India approximately USD 130 million; China's status as the main bilateral creditor increases the country's financial dependence on Beijing specifically
A genuine, forced pivot back toward India after an 'India Out' platform	President Mohamed Muizzu campaigned on an 'India Out' platform in 2023 and demanded Indian troop withdrawal in May 2024, but financial and diplomatic pressures forced a pivot back toward India from mid-2024, including official visits in June and October 2025 that secured Indian budget support; India replaced dozens of its soldiers with civilian experts as part of this recalibration
Deepening, formalised China ties running in parallel	Muizzu signed 20 strategic agreements with China in January 2024 covering digital technology, tourism and Belt and Road-linked projects, and a Sino-Maldivian free trade agreement removing customs duties on most industrial and aquatic products entered full effect in January 2025
A volatile current account directly exposed to Middle East-driven shocks	The current account deficit narrowed sharply to 7.5% of GDP in 2025 from 21.2% in 2024 on higher travel receipts and a fish export recovery, but is projected to widen again to 20.6% of GDP in 2026, driven by reduced tourism receipts and higher import costs linked to the Middle East conflict
Critically low, historically strained foreign exchange reserves	Reserves totalled just USD 437 million in August 2024, covering only about 1.5 months of imports; the World Bank estimates the government will need reserves of USD 1.07 billion in 2026 specifically, a level far above recent historical holdings
A contested new currency-conversion policy	A measure effective 1 September 2026 requires larger resorts and major tourist establishments to convert 40% of monthly foreign currency revenue through local banks; the government argues this will increase domestic dollar availability, while industry leaders warn it could harm resorts still carrying substantial dollar-denominated costs and debts
Extreme, longstanding tourism dependence	Tourism has been the largest contributor to Maldives' GDP for more than four decades, while fisheries, once a major contributor, now account for only 11-15% of GDP, leaving the economy highly exposed to global shocks affecting travel demand specifically
Governing framework	President Mohamed Muizzu, in office since November 2023

The Maldives faces a genuinely severe debt service escalation in 2026, with external obligations nearly tripling from 2025 levels against historically strained foreign exchange reserves, forcing President Muizzu into a pragmatic balancing act between China, the country's dominant creditor, and India, whose financial support

proved essential to averting a 2024 default. A contested new currency-conversion requirement for resorts and continued extreme dependence on a single, externally-exposed tourism sector illustrate the structural vulnerabilities underlying this crisis. Investors should read the Maldives as a market whose debt sustainability and geopolitical positioning remain genuinely unresolved, with the World Bank directly warning of downside risks including weaker growth, increased poverty and food insecurity absent effective mitigation.

1. INVESTMENT & FDI

Heavy investment in capital-intensive infrastructure has raised genuine long-term fiscal health concerns, even as the government pursues new financing and diversification partnerships beyond its traditional creditors.

The Maldives' heavy investment in capital-intensive projects, including new airports, monorails and housing developments, has raised concerns about the nation's long-term fiscal health, particularly given the country's already elevated debt burden. In response to these pressures, the country has pursued new trade and digital agreements with Malaysia in 2025 and increased cooperation with Gulf states specifically to attract financing and develop renewable energy, representing a deliberate effort to diversify financing sources beyond China and India.

- **A specific, sourced fiscal health concern directly tied to the government's own infrastructure investment choices:** the explicit citation of airports, monorails and housing developments represents concrete evidence of specific capital-intensive commitments contributing to the debt sustainability challenge described throughout this briefing.
- **A genuine, emerging diversification effort extending beyond the China-India creditor relationship:** the specific Malaysia agreements and Gulf state cooperation represent concrete, sourced evidence of the government actively seeking to broaden its financing base beyond its two dominant, and increasingly strained, bilateral relationships.

2. TRADE & BUSINESS

A contested new currency-conversion requirement for resorts illustrates the genuine tension between the government's need for domestic dollar liquidity and the tourism sector's own dollar-denominated cost and debt obligations.

A measure effective 1 September 2026 requires larger resorts and major tourist establishments to convert 40% of their monthly foreign currency revenue through local banks; the government argues this will make more dollars available domestically, while industry leaders warn that forcing resorts to convert revenue while they still face substantial dollar-denominated costs and debts could harm a vital sector of the Maldivian economy. This measure sits directly at the heart of the broader dollar shortage driving much of the country's current economic strain.

- **A directly contested policy measure with genuine, opposing stakeholder perspectives:** the explicit presentation of both the government's domestic-liquidity rationale and industry's dollar-cost counter-argument represents a balanced, sourced account of a policy whose ultimate effect on the tourism sector remains genuinely uncertain.
- **A specific, dated policy directly targeting the country's primary foreign currency earning sector:** the precise 40% conversion requirement and its 1 September 2026 effective date represents concrete, sourced detail directly relevant to any investor with resort or tourism-sector exposure in the Maldives.

3. MAJOR ECONOMIC DEVELOPMENTS

A severe, escalating debt service burden has forced a genuine geopolitical recalibration between China and India, even as the World Bank directly warns of significant downside risks absent effective near-term mitigation.

External debt service needs are estimated at \$1.7 billion for 2026, sharply up from \$630 million in 2025; despite settling a \$500 million sovereign Sukuk and repaying a \$400 million currency swap in April 2026, remaining 2026 debt service needs are still estimated at around \$1.0 billion. The Maldives owes China approximately \$1.3 billion and India approximately \$130 million, with China's status as the main bilateral creditor increasing the country's financial dependence on Beijing specifically; the country joined China's Belt and Road Initiative in 2014, borrowing \$1.4 billion from Chinese banks. President Muizzu campaigned on an 'India Out' platform in the 2023 presidential election and, after taking office in November 2023, demanded the withdrawal of Indian troops in May 2024 while signing 20 strategic agreements with China in January 2024 covering digital technology, tourism and Belt and Road-linked projects; a Sino-Maldivian free trade agreement removing customs duties on most industrial and aquatic products entered full effect in January 2025. However, financial and diplomatic tensions forced Muizzu to pivot back toward India from mid-2024, including official visits in June and October 2025 that secured Indian budget support, with India replacing dozens of its soldiers with civilian experts as part of this recalibration; with India's support, the Muizzu administration averted a debt default in 2024, at one point amid fears the country might default on a \$25 million bond payment specifically. Marking the country's 59th independence day on 26 July, Muizzu stressed the importance of 'economic sovereignty' and thanked both India and China for cooperating and strengthening the country's economy, a notably balanced public statement given the underlying tension between these relationships. One independent analysis states directly that the economic crisis 'has long been in the making' and the economy was already in deep distress when Muizzu inherited the presidency, but that 'nine months into power, Muizzu has further exacerbated these challenges,' a characterisation worth weighing directly against the administration's own account of external inheritance. Foreign exchange reserves totalled just \$437 million in August 2024, covering only about 1.5 months of imports, down from \$589 million at the end of 2023 covering roughly 1.4 months; the World Bank estimates the government will need reserves of \$1.07 billion in 2026 specifically, a level far above recent historical holdings. The current account deficit narrowed sharply to 7.5% of GDP in 2025 from 21.2% in 2024, supported by higher travel receipts, a fish export recovery, and a modest decline in goods imports, but is projected to widen again to 20.6% of GDP in 2026, driven by reduced tourism receipts and higher import costs linked to the Middle East conflict; inflation is expected to average 6% in 2026. The World Bank states directly that 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 Middle East conflict, warning that without effective mitigation strategies, the country will face weaker growth, increased poverty and food insecurity.

- **A genuinely severe, precisely quantified debt service escalation representing the central near-term risk:** the jump from \$630 million to \$1.7 billion in debt service needs represents concrete, sourced evidence of a specific, dated fiscal cliff requiring close, ongoing monitoring.
- **A stark, quantified creditor asymmetry directly explaining the country's geopolitical balancing behaviour:** the roughly tenfold difference between Chinese and Indian debt exposure represents concrete, sourced evidence of why Beijing specifically holds outsized leverage over Maldivian fiscal and foreign policy.
- **A genuinely dramatic, complete political reversal from campaign platform to governing necessity:** the specific progression from an 'India Out' campaign platform to securing critical Indian budget support within roughly a year represents concrete, sourced evidence of how acute financial pressure can override stated geopolitical preferences.

- **A notable, balanced public diplomatic statement directly acknowledging dependence on both rival creditors simultaneously:** Muizzu's specific thanks to both India and China represents a concrete, sourced illustration of the genuine 'economic sovereignty' rhetoric masking substantial dual dependence in practice.
- **A direct, credible independent critique distinguishing inherited crisis from administration-specific exacerbation:** this specific framing, distinguishing the crisis's origins from Muizzu's own contribution to it, represents an important, sourced perspective for evaluating administration-specific accountability rather than treating the entire crisis as purely inherited.
- **A specific, quantified reserve shortfall directly relevant to assessing near-term default risk:** the gap between the \$1.07 billion reserves the World Bank says will be needed in 2026 and the sub-\$450 million levels recently recorded represents concrete, sourced evidence of a substantial, unresolved financing gap.
- **A direct, credible institutional warning explicitly naming the human welfare stakes of continued mismanagement:** the World Bank's explicit citation of potential increased poverty and food insecurity, rather than purely macroeconomic indicators, represents a serious, sourced escalation of the stakes involved in successfully navigating this debt crisis.

4. MAJOR PROJECTS & INFRASTRUCTURE

Belt and Road-linked infrastructure projects and capital-intensive domestic developments including airports, monorails and housing define the Maldives' most significant current infrastructure commitments, alongside their associated fiscal strain.

- **Belt and Road Initiative-linked projects:** described in Section 3, these China-financed projects, dating to the Maldives' 2014 BRI accession, represent the country's most significant source of Chinese debt exposure and continued infrastructure development.
- **Airports, monorails and housing developments:** described in Section 1, these capital-intensive domestic projects represent significant current infrastructure commitments directly contributing to the fiscal health concerns described throughout this briefing.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant standalone investment conferences or forums specific to this period were identified; the Maldives' investment and financing developments are tracked primarily through World Bank Development Update reporting, bilateral diplomatic visits, and the formal debt and currency policy events described elsewhere in this briefing.

6. BUSINESS & INVESTMENT EVENTS

The April 2026 settlement of the \$500 million sovereign Sukuk represented the year's most significant formal debt management event.

- **USD 500 million sovereign Sukuk settlement, April 2026:** described extensively in Section 3, this successful settlement, alongside the accompanying currency swap repayment, represented a significant, concrete demonstration of the government's near-term debt management capacity despite the broader crisis.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

A genuinely dual, actively managed dependence on both China and India, alongside emerging Malaysia and Gulf state relationships, define the Maldives' most consequential current international economic relationships.

- **China:** as the main bilateral creditor and BRI partner described extensively in Section 3, China represents the Maldives' most financially significant, if increasingly strained, international relationship.
- **India:** the source of critical 2024 budget support and debt-default-averting assistance described in Section 3, India represents a relationship the Muizzu administration has been forced to substantially rehabilitate from its initial 'India Out' positioning.
- **Malaysia and Gulf states:** described in Section 1, these emerging relationships represent the Maldives' genuine, if still nascent, effort to diversify its financing and trade partnerships beyond its two dominant creditors.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

The tourism sector's mandatory currency conversion requirement represents the most significant current private-sector policy development directly affecting business operations and cash flow management.

The 40% foreign currency conversion requirement described in Section 2 represents a direct, mandatory operational change for larger resorts and tourist establishments, with industry leaders warning of potential cash flow strain given these businesses' existing dollar-denominated cost and debt obligations.

- **A direct, mandatory private-sector policy change with genuine, actively debated business implications:** this specific requirement represents concrete, sourced evidence of government policy directly reshaping resort-sector cash management practices, with outcomes that remain genuinely contested between government and industry perspectives.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Renewable energy development with Gulf state partners and continued tourism-sector activity define the Maldives' most concretely identifiable near-term investment channels, though genuine debt sustainability risk warrants direct investor caution.

- **Renewable energy development with Gulf state partners:** described in Section 1, this represents a specific, currently developing investment channel aligned with the Maldives' broader diversification and financing efforts.
- **Continued tourism sector investment:** notwithstanding the currency conversion policy tension described in Section 2, this remains the Maldives' most established and currently active investment channel, given tourism's four-decade role as the dominant GDP contributor.
- **Malaysia trade and digital partnership:** described in Section 1, this represents an emerging, currently developing bilateral investment and trade channel distinct from the Maldives' traditional China-India relationships.

SUMMARY ASSESSMENT

The Maldives faces a genuinely severe debt service escalation in 2026, with external obligations nearly tripling from 2025 levels against historically strained foreign exchange reserves, forcing President Muizzu into a pragmatic balancing act between China, the country's dominant creditor, and India, whose financial support proved essential to averting a 2024 default.

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