

Economic Bulletin



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1. MONEY SUPPLY

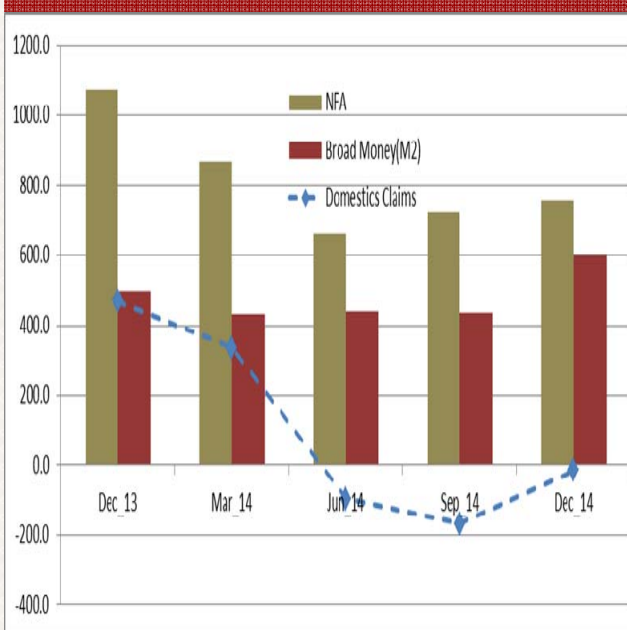
After a US\$6.8 million (1.6%) decrease in September, total broad money (M2) started to increase, rising by US\$166.1 million (38.3%) to US\$599.8 million in December quarter 2014, (see table 3 and chart 1). This increase in the quarterly growth rate of M2 was due to the rise in the growth rate of currency outside the bank, demand deposit and time deposit by 8%, 46.2% and 30.5% respectively. On an annual basis, money supply increased by US\$99.6 million (19.9%) in December 2014, compared to a US\$93.3 million (22.9%) increase in the same month of 2013.

Furthermore, net foreign assets of depository corporations increased by US\$33.3 million (4.6%) to US\$757.6 million in the December quarter, following by a US\$63.6 million (9.6%) increase in the September quarter. The increase in total net foreign assets from September to December 2014 is attributed to an increase of US\$19.7 million (2.4%) in claims on non-residents. While, Liabilities to non-residents, decreased by US\$13.6 million (15.4%).

On the other hand, total domestic claims moved from US\$168.5 in September 2014 to US\$15.5 million in December 2014.

Responsible for this change was primarily due to decrease in net claims on central government from US\$555.9 million in September to US\$207.2 million in December 2014. Timor-Leste monetary statistics has shown a negative sign in the domestic claims, means that the amount is the government deposit (i.e. a depository corporation liabilities to the central government) or an increase in Government deposits at the central bank. Claims on the private sector, on the other hand, increase by US\$2.4 million (2.3%).

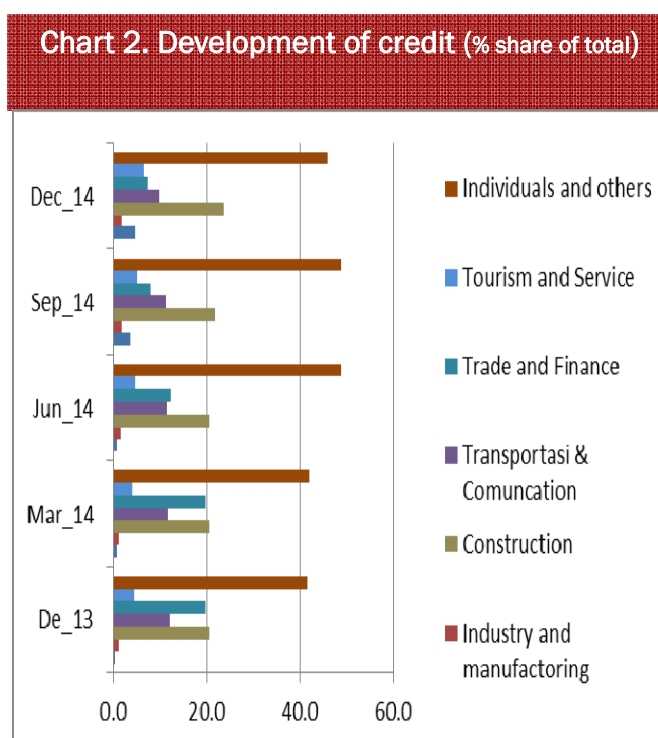
Chart 1. Monetary Survey (in millions)



Source: Central Bank

2. CREDIT TO PRIVATE SECTOR

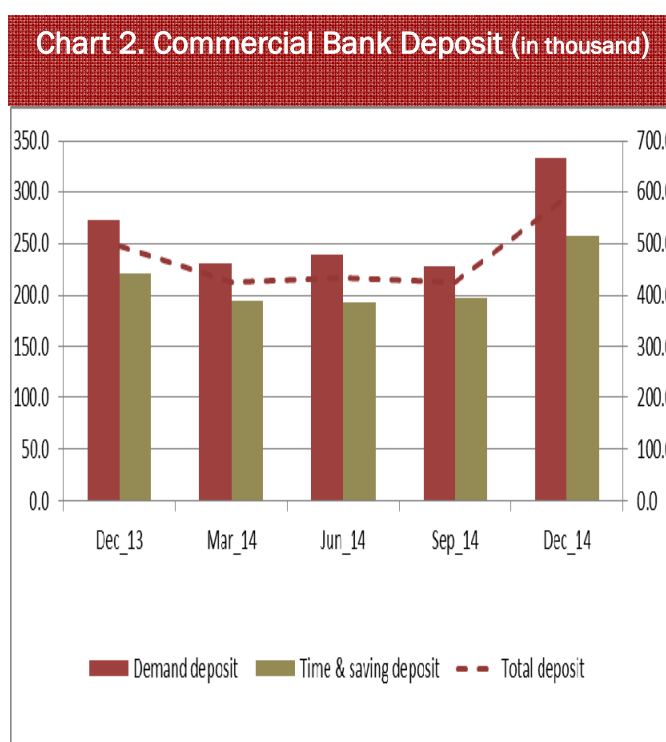
Credit is very important for the economy of a country specially for Timor-Leste. After a decrease in two quarter consecutively, total credit to commercial bank in December quarter 2014, increase over again, rising by 1.7%, compared to 0.1% decrease in the previous quarter. While, on annual basis, the rate of growth of commercial bank loans decreased by 0.1% in the December 2014, compared with 13.5% increase in the same month last year. It can be seen in chart 2. The increase in September to December quarter was characterized by higher share of credit to individuals and others (46.1%) than trade and finance(7.2%, construction(23.7%) transportation and communication(10%) and agriculture, water and forestry(4.7%).



Source: Central Bank

3. DEPOSITS WITH COMMERCIAL BANKS

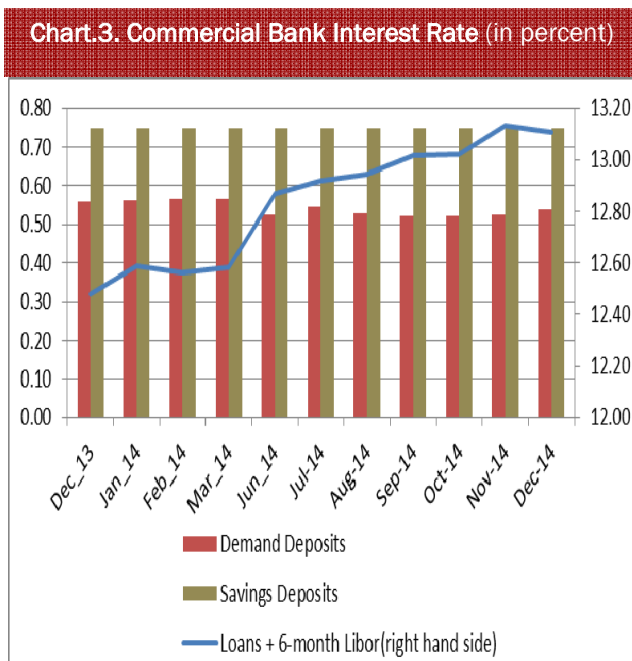
In the banking sector, the collection of funds continued to increased. In the December quarter, total deposits with commercial banks (excluding government deposits) increased by US\$165.3million(38.9%) to US\$590 million, compared to 1.7% (US\$7.6 million) decrease in previous quarter. On the annual basis, it increased by 19.6% (US\$96.6 million) to US\$590 million, following by a 22.7% (US\$91.2 million) increase in the same month last years. (see chart 2). The increase in total deposits in the three months to December 2014 was due to an increase in time deposit and saving deposit by 46.2% and 30.5% respectively.



Source: Central Bank

4. DOMESTIC INTEREST RATE

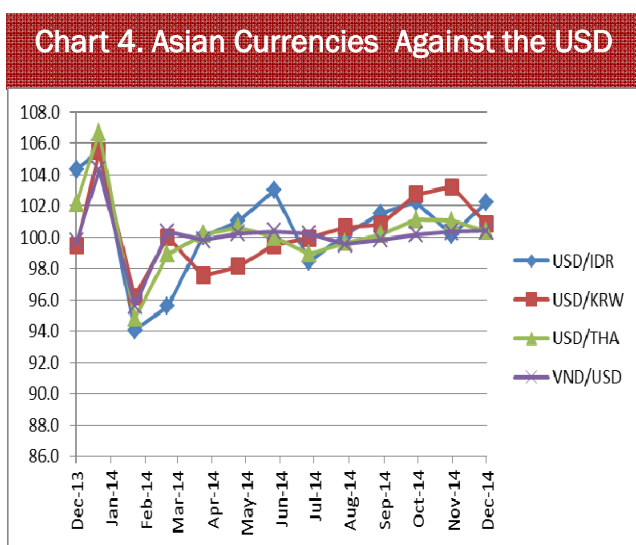
In Timor-Leste, banks are generally free to determine the interest rate they will pay for deposits and charge for loan. Its can be seen in chart 3, there is no change to much in the weighted average lending rates for commercial banks. The weighted average of lending rate edged up by 0.6 basis points to 13.11% in December of 2014 from 12.48% in the same month last year. By contrast, the weighted average interest rate of demand deposits decrease by 0.02 basis points to 0.54%, down from 0.56%in the previous year. While, interest rate of saving deposits remained constant with no significant changes at 0.8% .



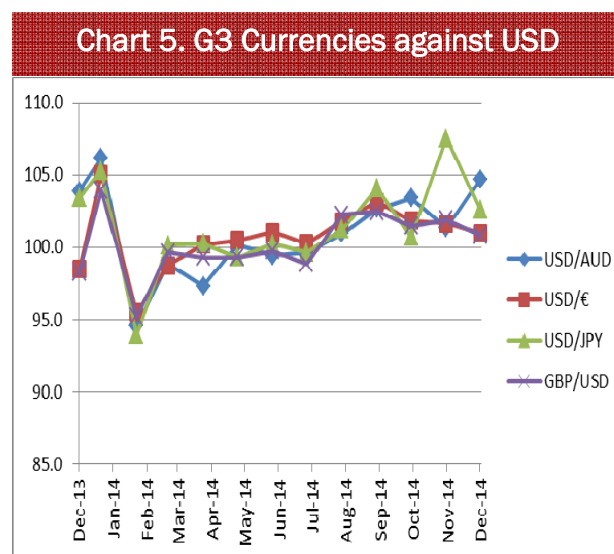
Source: Central Bank

5. EXCHANGE RATE

In the December quarter , the average US dollar exchange rate continued to appreciate against the Indonesia rupiah, Japanese yen and Vietnam dong, Australian dollar, Euro , Singapore dollar , Thailand baht, and British Pound. It appreciated against the Indonesia Rupiah by 4.6% to 12,430.75 Japanese yen by 11.2%% to 119.11 and Vietnam dong by 0.9% to 21,125.04, Australian dollar by 9.7% to 1.2097, Euro by 4.5% to 0.8094. Singapore dollar by 4.% to 1.3135, Thailand baht by 12.5% to 32.8954 and British Pound by 4.2% to 0.6387 (see chart 4,5 and table 4).



Source: Bloomberg.com



Source: Bloomberg.com

6. INTERBANK CLEARING

Clearing bank is the member of a national check clearing network of the banking institutions that has the ability to improve or clear checks for payment. In December 2014, the value of clearing transaction increase by 46.1%, after a 26% increase in previous quarter. While, volume of inter-bank cheques cleared increased by 15.8%, compare to a 10.6% decrease in previous quarter. In addition, bad checks & notes in terms of value of check and value of note increased by 43% and 1.8% respectively (see chart 6).

Chart 6. Clearing Banks (in thousand)

Clearing Transactions	Mar_14	Jun_14	Sept_14	Dec_14	% change
					Sep_14 to Dec_14
a. Value of Cheques presented (thousands of USD)					
- Total	46,437	32,299	31,113	44,328	42.5
- Average per day	744	538	511	767	50.0
b. Number of Cheques presented (volume)					
- Total	5,438	5,249	5,556	5,961	7.3
- Average per day	88	87	91	106	16.3
c. Value of Notes presented (thousand of USD)					
- Total	54,848	74,828	103,978	153,072	47.2
- Average per day	860	1,247	1,694	2,735	61.4
d. Number of Notes presented (volume)					
- Total	7,543	18,971	16,087	19,105	18.8
- Average per day	121	316	265	339	27.8
Working day	20.7	20.0	20.3	19.0	-6.6
2. Bad Checks & Notes returned					
a. Value Checks (in thousand)					
- Total	4,554.06	1,806.23	1,056.70	1,511.60	43.0
Percentage	10	6	4	3	-21.0
c. Value Notes (in thousand)					
- Total	1,265.50	897.55	1,914.65	1,949.29	1.8
Percentage	3	1	2	1	-26.3
Total Clearing Value	101,285	107,127	135,091	197,400	46.1
Total Clearing Volume	12,981	24,220	21,643	25,066	15.8

Source: Central Bank

7. PRICE EVOLUTION IN DILI

Dili Consumer Price Index (CPI) as published by the National Department of Statistics of Timor-Leste shows that the quarterly CPI decrease by 0.2% in December quarter of 2014, compared to 0.4% observe in the previous quarter. The decrease was due to price falls in several groups like rice (-0.5%), fresh and seafood (0.4%), fruits (0.6%), vegetables(-0.6%), mineral waters, soft drinks, fruit & vegetables(-3.7%), tobacco(-0.7%), maintenance and repair of the dwelling(-1.3%) and operation of personal transport equipment(-10.4%). Inflation in year on year basis deflated by 0.1% in December 2014, compared with 4.0% in same month last years. The slowdown was a result of declining of prices in the food sector specially for fresh and seafood (-6.1%), fruit (0-1%), sugar, jam, honey, chocolate and confectionery (-5.3%), and followed by alcohol and tobacco (-1.0%), housing (0.7%) transport (-5.6%) and communication (-2.5%).

Chart 7. Inflation rate (in percent)

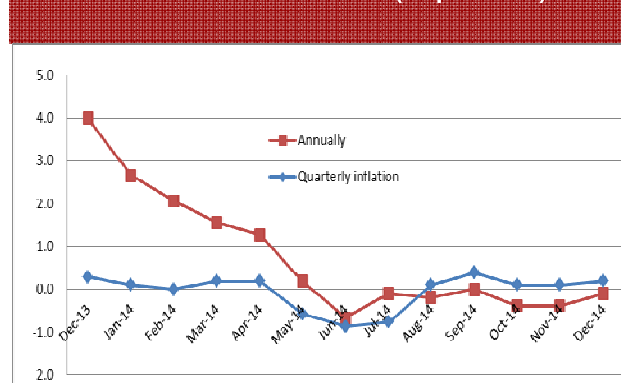


Table.2 Consumer Price Index and Inflation

Items	CPI	CPI	CPI	Inflation	Inflation
	Dec_13	Sep_14	Dec_14	Quarterly	Annually
All Groups	104.0	103.7	103.9	0.2	-0.1
Food and Non-Alcoholic Beverages	105.9	105.7	106.3	0.5	0.4
Alcohol and Tobacco	112.2	111.4	111.1	-0.3	-1.0
Clothing and Footwear	100.8	101.5	104.8	3.3	4.0
Housing	104.1	103.7	103.4	-0.3	-0.7
Furnshing, Household Supplies Equipment	103.1	99.2	99.8	0.5	-3.2
Health	100.0	103.1	103.1	0.0	3.1
Transport	99.3	98.5	93.7	-4.9	-5.6
Communication	82.7	80.7	80.6	-0.1	-2.5
Recreation and culture	100.3	106.5	106.5	0.0	6.2
Education	100.0	100.0	100.0	0.0	0.0

Source : National Statistics Department

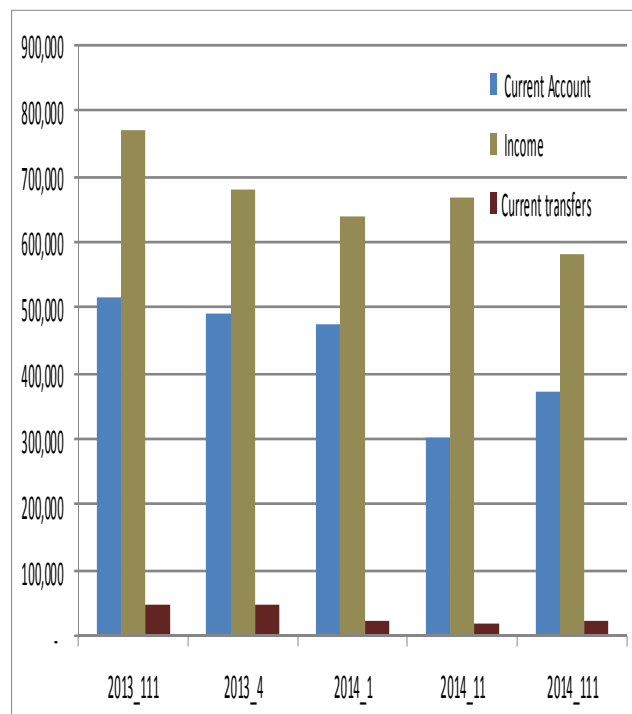
8. Balance of Payments

Balance of payments is one of the key economic statistic that systematically summarizes the economic transactions of Timor-Leste residents with the rest of the world. This analysis just pay attention on component of current account.

8. 1. Current Account

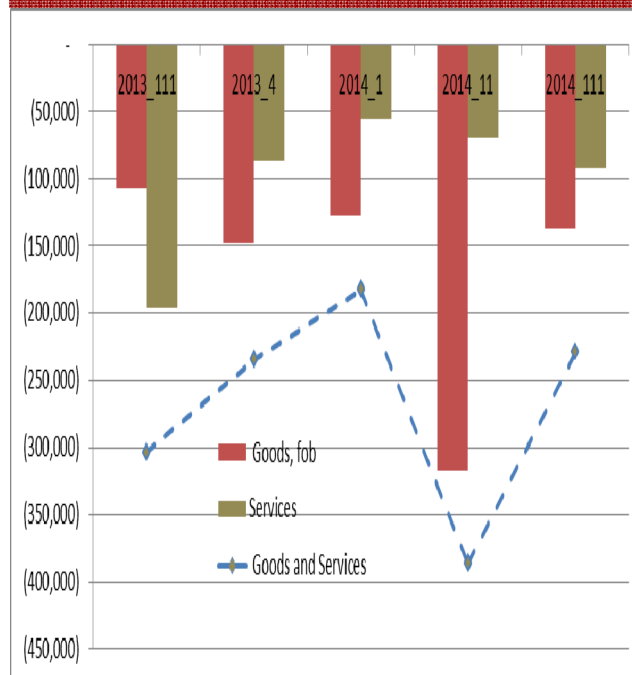
Current account is sum of the net export of goods and services, net income, and net current transfers. Latest data, in the third quarter 2014 shows that total current account increase, rising by 23.7%, compared with the decline in previous quarter. This increase in the current account surplus mostly was due to the decrease in the deficit of goods and services, down by 40.7% in the third quarter. This change was reflecting corresponding decreased in import and increase in exports. While, trade in services was increased by 33.9% in December quarter. This was largely due to increase of import services such as construction service, government service and other business services. This condition of increase in the current account balance also was contributed by net export of income and current transfer. The current account become deficit when it exclude income from oil and gas revenue, demonstrate high dependency of Timor-Leste in the oil revenue.

Chart 8. Current Account Balance(in million)



Source: Central Bank

Chart 9. Trend of good and services (in million)



Source : Central bank

Table 6. TIMOR-LESTE BALANCE OF PAYMENT (In Thousands USD)

	2013_111	2013_4	2014_1	2014_11	2014_111
Current Account Exclude other primary Income	(189,114)	(112,688)	(66,971)	(240,377)	(150,075)
Current Account	514,187	492,008	476,674	300,926	372,279
Goods and Services	(303,577)	(234,592)	(182,488)	(368,434)	(229,266)
1. Goods, fob	(107,123)	(147,646)	(128,566)	(317,128)	(136,486)
Exports, fob	4,646	9,601	2,053	627	7,406
Imports, fob	(111,769)	(157,247)	(128,619)	(317,755)	(143,892)
2. Services	(196,453)	(86,946)	(55,922)	(69,306)	(92,779)
Exports	15,437	23,210	17,593	34,308	18,032
Transportation	149	187	153	344	199
Travel	6,978	12,195	12,238	11,188	13,254
Other services, Including govt. services, n.i.e.	8,310	10,837	5,201	23,254	3,279
Imports	(211,891)	(110,156)	(73,515)	(103,614)	(111,411)
Transportation	(14,267)	(17,406)	(14,798)	(30,943)	(15,928)
Travel	(11,395)	(9,775)	(25,022)	(27,804)	(5,455)
Other services, Including govt services, n.i.e.	(186,229)	(82,973)	(33,696)	(44,045)	(88,514)
Income	772,397	680,889	637,786	687,072	580,323
Compensation of employees	533	501	240	68	833
Credit	1,118	1,118	1,118	1,118	1,118
Debit	(584)	(616)	(878)	(1,185)	(284)
Investment Income	68,503	75,092	93,901	125,637	57,136
Credit	69,440	70,393	94,783	120,759	56,057
Debit	(677)	(701)	(881)	(921)	(921)
Other primary Income (Income from JPOA), credit +	703,301	604,696	543,645	541,302	522,334
Current transfers	45,307	45,710	21,376	20,287	21,221
Credit	46,723	47,308	27,406	26,595	26,984
Debit	(1,359)	(1,598)	(6,029)	(6,308)	(5,744)
II. Capital and Financial account, Exclude Reserves	(604,812)	(183,491)	(680,623)	(914,414)	(263,334)
A. Capital account	4,881	4,881	(1,876)	201	(1,799)
B. Financial account	(609,693)	(188,372)	(682,499)	(914,615)	(261,535)
1. Direct Investment	4,332	6,472	3,636	6,364	4,364
1.1 Timor-Leste's direct Investment abroad	(3,167)	(3,167)	(3,167)	(3,167)	(3,167)
1.2 Non-residents' direct Investment In Timor-Leste	7,498	11,639	7,003	9,531	7,531
2. Portfolio Investment	(594,114)	(124,233)	(610,070)	(910,245)	(263,124)
2.1 Assets +	(594,604)	(125,003)	(611,070)	(917,245)	(264,124)
2.2 Liabilities	750	750	1,000	1,000	1,000
3. Other Investment	80,089	(72,592)	47,586	(4,735)	7,224
3.1 Assets +	46,297	(105,399)	35,188	(26,272)	18,961
3.2 Liabilities	33,792	32,807	12,397	21,537	(11,736)
III. Grand Total (I+II)	9,376	308,516	(83,849)	(613,489)	118,945
IV. Errors and omissions	(26,236)	(138,310)	(89,177)	393,654	(61,769)
V. BOP Position (III+IV)	(15,859)	170,206	(173,026)	(219,834)	57,186
VI. Change In Reserve Assets	15,859	(170,207)	173,026	219,834	(57,186)

Notes:

- This represents Timor-Leste's first set of official BOP statistics compiled by the Banking and Payments Authority, under a technical assistance program with the International Monetary Fund (IMF).
- Please refer to the attached metadata on concepts, and sources and methods used.
- Royalties and taxes received by Timor-Leste from the oil/gas activities in the Joint Petroleum Development Area (JPDA)-a joint territory of Timor-Leste and Australia- are treated as other primary income. Under this treatment, It is recognized that Timor-Leste's role in the JPDA is not as a producer but as owner of natural resources. Institutional units engaged in production in the JPDA are treated as nonresidents of the Timor-Leste economy, since they are effectively operated from the other economy. BCTL will adjust, in the medium term, the treatment as the export of Timor-Leste in line with the national account.
- Other primary income is not a standard component of the fifth edition of the Balance of Payments Manual (BPM5), but is included in the forthcoming BPM6. Other primary income in BOP includes rent (income for allowing nonresidents to use the economy's natural resources) and taxes, less subsidies, on production paid by nonresident producing units.