

Economic Bulletin



A Quarterly Publication of the Central Bank of Timor-Leste

VOLUME 22

June 2014

Data published in this bulletin is subject to revision and the Central Bank can not guarantee the accuracy of information obtained from outside sources. The bulletin does not necessarily reflect the views of the Governing Board.

CONTENTS

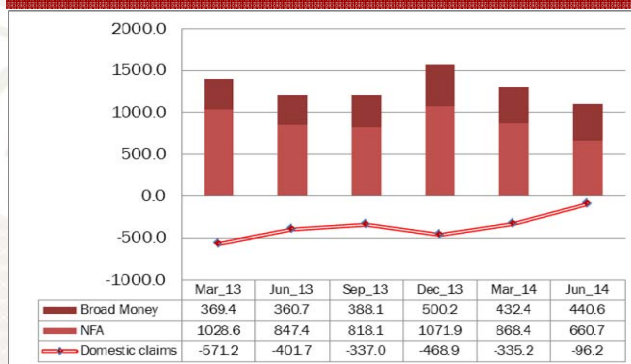
Money supply	P.1
Credit by sector and deposit with commercial bank	P.2
Domestic interest rate and exchange rate	P.3
Inter bank clearing of banks and price evolution	P.4
Balance of payments	p.5
Appendix	p.6

1. MONEY SUPPLY

Total broad money (M2) slightly increased, rising by US\$8 million (1.8%) in the June quarter of 2014, compared to a decrease of US\$67.6 million (13.5 %) in the March quarter of 2014. (See chart 1 and table 3 on last page). The increase in broad money M2 in the quarter under review was caused by an increase in narrow money of US\$9.2 million (3.8%). On contrary, quasi-money decrease by US\$1.2 million (0.6%). The increase in narrow money M1 reflected an increase in both of currency outside banks and demand deposit by 9.3% to US\$8.3 million and 3.7% to US\$238.6 million respectively. On annual basis, Total broad money increase by 22.2% (US\$79.9 million) in June 2014, compare to same month last years.

Net foreign asset (NFA) position of a country is the value of the asset that country owns abroad, minus the value of the domestic assets that owned by foreigners. As can be seen on chart 1 and table 3 on appendix. Net foreign assets of depository corporations continued to decrease by US\$208million (23.9%) to US\$660.7 million in June 2014, compared with US\$203.1 million (19%) decrease in the previous quarter. The decrease in total net foreign assets from March to June 2014 is attributed to a decrease in claims

Chart 1. Monetary Survey (in million)



Source: Central Bank

On nonresidents by US\$185.3 million(19.5%). While, liabilities to nonresident increase by US\$22.7 million(28.4%). On annual basis, total net foreign asset decrease by 22% or about US\$186.7 million in June quarter under review.

Total domestic claims in the economy recorded a decrease by 71.3% to US\$96.2 million in June 2014, following a decline of 28.6% in the previous quarter. The fall was mainly driven by the downward movement in net claims on government from US\$523.9 million in March 2014 to US\$285.6 million in June 2014. Resulting from a significant decrease in government deposits. On the other hand, claims to private sector increase by 0.3% to US\$189.4 million. On annual basis total domestic claims decrease by 76.1% to US\$96.2 million.

2. CREDIT TO PRIVATE SECTOR

Commercial banks are type of bank that provides services by accepting deposit and providing credit to the economy. Total credit provided to the private sector by commercial banks in Timor-Leste decrease by 1.8% to US\$173.9million, after increasing by 0.1% in previous quarter. While, on an annual basis, the rate of growth of commercial bank loans were 5% in the June, after 10.3% increases in the same month last year. This decrease was due to proportional decline of almost all sector, such as agriculture (1.2%, down from 1.3%), construction (20.5, down from 20.6), transportation and communication (11.3%, down from 11.6%), trade and finance (12.3%, down from 19.7%). While, tourism and services (1.7%, up from 1.3%) and industry and manufacturing (4.6%, up from 3.6%). Followed by individuals and other (48.8%, up from 42.1%).

Table 1 .Commercial Bank Credit to Private Sector (in thousand).

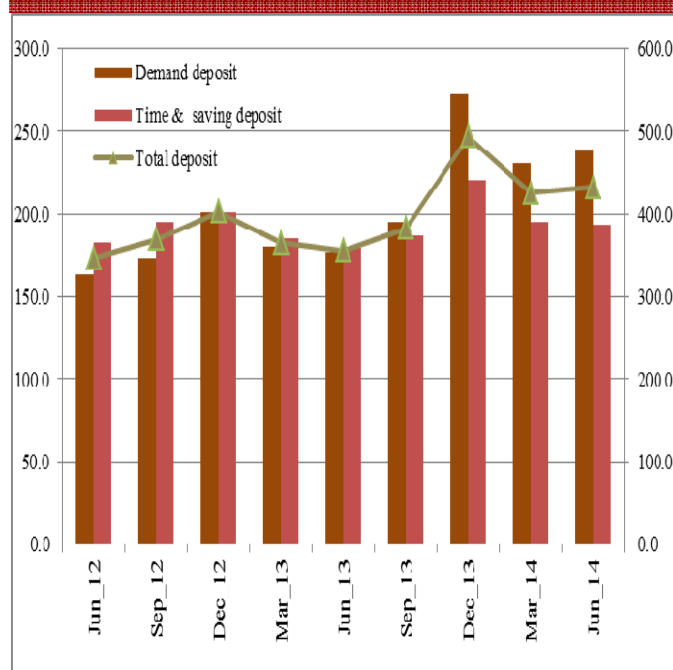
Items	Dec_12	Mar_13	Jun_13	Sep_13	Dec_13	Mar_14	Jun_14	% share of total	
								Mar_2014	Jun_2014
Agriculture, Water and Forestry	726	1,123	1,149	744	553	1,334	1,253	0.8	0.7
Industry and manufacturing	1,862	1,590	1,981	1,738	2,114	2,264	3,001	1.3	1.7
Construction	35,264	33,926	36,361	38,282	36,340	36,521	35,583	20.6	20.5
Transportation	15,507	14,545	13,837	12,665	21,477	20,480	19,737	11.6	11.3
Trade and Finance	31,777	41,366	37,920	36,465	34,992	34,899	21,424	19.7	12.3
Tourism and Service	5,732	6,150	7,466	6,954	7,849	6,978	8,007	3.9	4.6
Individuals and others	84,929	63,124	66,909	77,025	73,532	74,621	84,951	42	49
Total	155,797	161,824	165,623	173,873	176,857	177,097	173,956	100	100

Source: Central Bank

3. DEPOSITS WITH COMMERCIAL BANKS

In the June quarter total deposits with commercial banks (excluding government deposits) increase by 1.7%(US\$7.3 million) to US\$432.2 million, compared to 13.9% (US\$68.4million) decrease in previous quarter. On the annual basis, it increased by 21.6 % (US\$76.8 million) to US\$432.2 million, compared to a 2.8%(US\$9.6 million) increase in the same month last years. (See chart 2). This increase in total deposits in the three months to June 2014 was due to an increase in deposits of the private sector, which demand deposits contributed by 3.7%(US\$8.4 million), while time deposits and saving deposit decrease by 0.6%(US\$1.2 million) in the quarter under review.

Chart 2. Commercial Bank Deposit (in thousand)

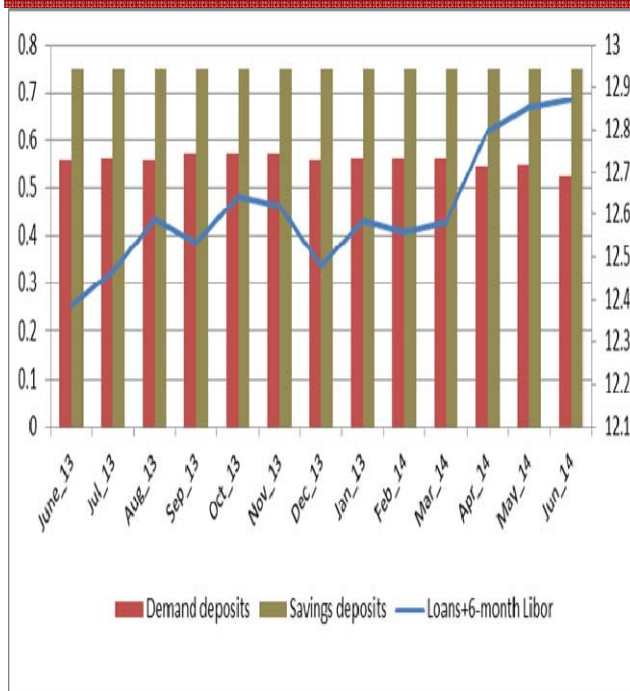


Source: Central Bank

4. DOMESTIC INTEREST RATE

The weighted average lending rates for commercial banks edged up by 0.29 basis points to 12.87% in June of 2014 from 12.58% in the previous quarter. This increase was mainly attributed to a slight adjustment in the six month Libor fluctuation applied by commercial banks. While, rate of demand and saving deposits remained consistently low and with no significant changes at 0.5% and 0.8%. The spread between deposits and loans, as measured by the credit, increase by 0.33 basis point to 12.35% in June 2014, from 12.02% in the previous quarter. High interest rate may caused by high operating expenses and weak of collateral guarantee by the private sector and household.

Chart.3. Commercial Bank Interest Rate (in percent)

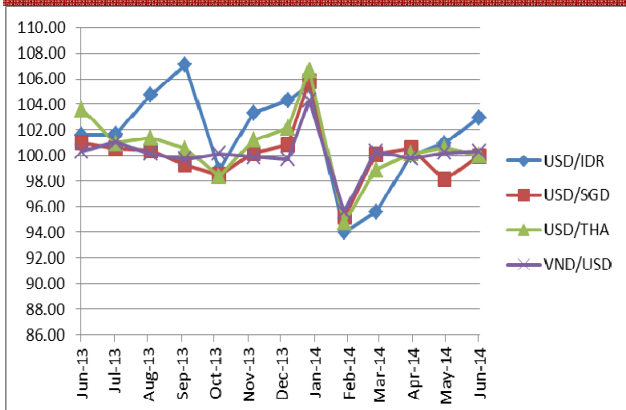


Source: Central Bank

5. EXCHANGE RATE

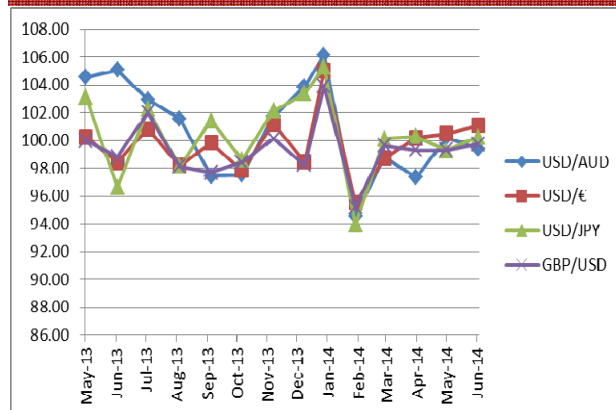
In the June quarter, daily average US dollar exchange rate continued to appreciate against the Indonesia rupiah, Euro, Thailand baht and Vietnam dong. While it depreciated against the Singapore dollar, Australian dollar, Japanese yen and British Pound. It appreciated against the Indonesia rupiah by 4% to 11.888.74, Euro by 1.7% to 0.73554, Thailand baht by 0.8% to 32.5246 and Vietnam dong by 0.4% to 21,042.82. It depreciated against the Singapore dollar by 1.3% to 1.2515, Australian dollar by 3.1% to 1.0685, Japanese yen by 0.2% to 102.09 and British Pound by 1.6% to 0.5919(see chart 4, 5 and table 4).

Chart 4. Asian Currencies Against the USD



Source: Bloomberg.com

Chart 5. G3 Currencies against USD



Source: Bloomberg.com

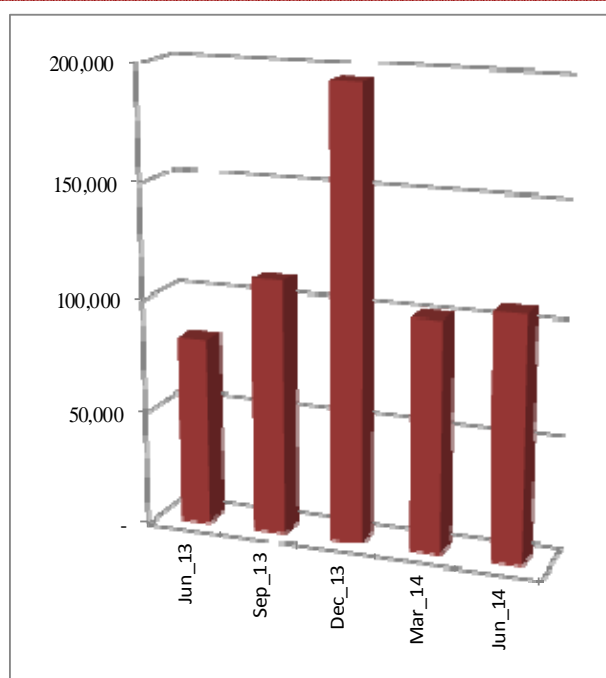
6. INTERBANK CLEARING

The Clearing House Interbank Payments System is a transferable system that can be used to conduct financial transactions between different banks. Central bank of Timor-Leste acts as the clearing house for these banks. Since all banks have their accounts with the central bank, the Central Bank can easily settle the claims of various banks against each other. As can be seen in figure 6 shows that the clearing transactions (in value terms) slight increase by 5.8% in June quarter 2014, compared with 48.3% decrease in previous quarter. The increase in total value was due to the increase in the value of notes by 36.4%, while value of cheque decrease by 30.4% in June quarter under review. The increase in value of notes was due to the increase of government and customer activity with the commercial banks.

7. PRICE EVOLUTION IN DILI

National statistics department has just published its June inflation report. As can be seen in chart 7, inflation rate has been fallen dramatically. The headline inflation rate fallen below zero to negative 0.9% in June quarter, compared to a rise of 0.2% in previous quarter. The decline in the inflation rate in March to June was mainly due to prices falling in sub groups of food items including rice (0.2%), meat (-2.7%), milk, cheese and eggs(-1.8), fruits(-1.1%),vegetable(0.5%). Followed by alcohol (-0.7%), tobacco (-3.1%) and maintenance and repair of the dwelling (-0.9%). On annual basis, headline inflation rate also continued to decrease, dropping by minus 0.7% in the June 2014, after 13.2% increase in the same month of 2013. The decrease in the total inflation rate for the June 2013-June 2014 period was mainly due to prices falling in all main components such as food (-1.1%) ,alcohol and tobacco (3.7%), clothing and footwear(1.5%), housing (0.8%), transportation(-0.5%), communication(-7.8%).

Chart 6. Clearing Banks (in thousand)



Source: Central Bank

Chart 7. Inflation rate (in percent)

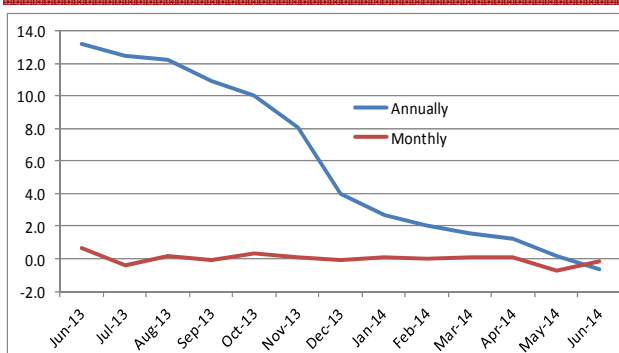


Table.2 Consumer Price Index and Inflation

Items	CPI	CPI	CPI	Inflation	Inflation
	June 2013	May 2014	June 2014	Monthly	Annually
All Groups	104.0	103.5	103.3	-0.2	-0.7
Food and Non-Alcoholic Beverages	106.4	105.4	105.2	-0.2	-1.1
Alcohol and Tobacco	107.4	111.6	111.4	-0.2	3.7
Clothing and Footwear	100.0	101.5	101.5	0.0	1.5
Housing	103.2	104.2	104.0	-0.2	0.8
Furnishing, Household Supplies Equipment	100.3	98.6	99.1	0.5	-1.2
Health	100.0	100.0	100.0	0.0	0.0
Transport	99.0	98.5	98.5	0.0	-0.5
Communication	87.5	80.7	80.7	0.0	-7.8
Recreation and culture	99.1	106.5	106.5	0.0	7.5
Education	100.0	100.0	100.0	0.0	0.0

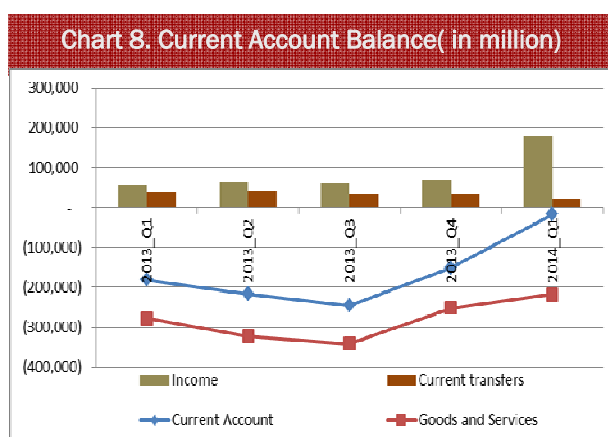
Source : National Statistics Department

8. Balance of Payment

Balance of payments is one of the key economic statistical information that systematically summarizes economic transaction of a residents with the rest of the world.

8. 1. Current Account (excluded other primary income)

Current account is sum of the net export of goods and services, net income, and net current transfers. (See chart 8 and table 5 on last pages).



Source: Bank Central

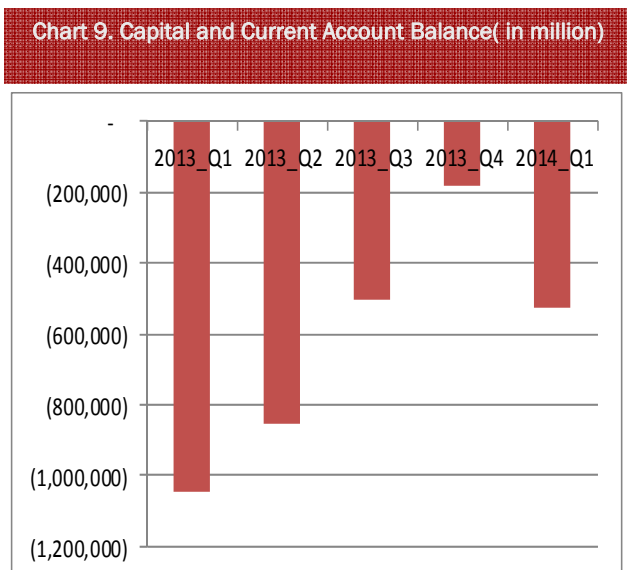
According to preliminary data, the negative current account balance lower in March quarter 2014. Lattes data published by central bank, the current account deficit of 88% to US\$16.9 million in the first quarter of 2014, down from a revised deficit of 38.6% to US\$150.5 million in the previous quarter. This decrease of deficit was due to lower deficit in both of trade in goods and trade in services. The deficit on trade in goods was decrease by 7.8% to US\$136.7 million in June quarter 2014. This was largely due to decrease of import and export by 12% and 76.6% respectively. While, deficit on services was decrease by 21.8% to US\$80.4 million. This decrease in services was due to decrease of travel service, other services, including government service and other business services.

8.2 Capital Account

The capital account comprises of two components: capital transfers and the acquisition/ disposal of non-produced, non-financial assets. The capital account recorded a surplus of US\$ 4.8 million in the June quarter, unchanged from the previous quarter.

8 3. Financial Account

Total finance account (international reserves excluded) increase by 179.6% to US\$528.1million in June quarter, following a 62.7% decline in previous quarter. This increase was mainly due to the outflows of portfolio investment abroad. The negative in capital and financial account represent an increase in Timor-Leste assets against non-resident, means that the buying of foreign assets by domestic agents (including the Petroleum Fund investment abroad) was higher than foreign buying from Timor-Leste. This can be seen as an instrument for a suggestion to, say, creates more condition to encouraged foreign investors to be invested in Timor-Leste. (See chart 9 and table 5 on the last pages.



Source: Central Bank

Table 3. MONETARY SURVEY (In million USD)

Items	Mar_13	Jun_13	Sep_13	Dec_13	Mar_14	Jun_14	% of change	
							Quarterly	Annually
Net Foreign Assets	1028.6	847.4	818.1	1071.9	868.4	660.7	-23.9	-22.0
Claims on Nonresidents	1089.0	936.2	868.3	1148.5	948.6	763.3	-19.5	-18.5
Liabilities to Nonresidents	60.4	88.7	50.2	76.6	80.2	102.5	27.9	15.6
Domestic Claims	-571.2	-401.7	-337.0	-468.9	-335.2	-96.2	-71.3	-76.1
Net Claims on Central Government	-737.4	-571.4	-514.9	-650.8	-523.9	-285.6	-45.5	-50.0
Claims on private Sector	166.2	169.7	177.9	181.8	188.7	189.4	0.4	11.6
Broad Money (M2)	369.4	360.7	388.1	500.2	432.4	440.6	1.9	22.2
Currency Outside of central Bank	5.0	5.2	6.2	6.7	7.6	8.3	9.3	60.6
Demand Deposit	179.6	176.7	195.5	272.7	230.1	238.6	3.7	35.0
Time Deposit	184.8	178.7	186.5	220.8	194.7	193.6	-0.5	8.3

Source : Central Bank

TABLE 4. DAILY AVERAGE EXCHANGE RATE
(May_2013 Jun_2014)

Month	USD/IDR	USD/AUD	USD/€	USD/JPY	USD/SGD	USD/THA	GBP/USD	VND/USD
Apr-13	9,723.43	0.9636	0.7681	97.84	1.2384	29.0600	0.6535	20,729.30
May-13	9,757.70	1.0076	0.7701	100.91	1.2475	29.7265	0.6534	20,752.93
Jun-13	9,914.45	1.0588	0.7579	97.48	1.2601	30.8860	0.6455	20,819.24
Jul-13	10,078.09	1.0899	0.7642	99.69	1.2677	31.1077	0.6585	21,088.39
Aug-13	10,556.32	1.1069	0.7505	97.80	1.2722	31.5395	0.6461	21,069.37
Sep-13	11,305.00	1.0784	0.7491	99.20	1.2630	31.7167	0.6311	21,012.70
Oct-13	11,178.73	1.0517	0.7331	97.81	1.2441	31.2123	0.6210	21,041.06
Nov-13	11,551.11	1.0700	0.7417	99.90	1.2466	31.5971	0.6217	21,021.74
Dec-13	12,049.56	1.1114	0.730322	103.28	1.2573	32.2819	0.6109	20,960.07
Jan-14	12,710.18	1.1799	0.767195	108.76	1.3301	34.4372	0.6348	21,860.22
Feb-14	11,951.68	1.1156	0.732537	102.16	1.2663	32.6418	0.6047	20,898.87
Mar-14	11,422.46	1.1025	0.7231436	102.29	1.2678	32.2805	0.6018	20,967.80
Apr-14	11,423.33	1.0730	0.724425	102.58	1.2754	32.3267	0.5977	20,927.32
May-14	11,536.54	1.0749	0.7278434	101.85	1.2516	32.5241	0.5935	20,972.90
Jun-14	11,890.74	1.0685	0.7355431	102.09	1.2515	32.5246	0.5919	21,042.82

Source : Bloomberg.com



PRO FORMA BALANCE SHEET

As at 30 June 2014

DESCRIPTION	\$ '000
ASSETS	
Cash and cash equivalents	207,838
Marketable Securities	143,620
Investments	27,287
Property, plant and equipment	989
Other assets	7,026
TOTAL ASSETS	386,760
LIABILITIES	
Government deposits	247,484
Provision transfer of surplus to Government	-
Other deposits	96,720
Other liabilities	10,566
Currency issued	8,386
Total liabilities	363,165
EQUITY	
Capital	20,000
Reserves	238
Retained earnings	3,357
TOTAL EQUITY	23,595
TOTAL LIABILITIES & EQUITY	386,760

Note:

- At 30 June 2014 the balance of Petroleum Fund account managed by the BCTL was \$16,633 million. This is to recognise the reporting requirement under IFRS.
- The Summary statements above are presented in accordance with article 58.6 of BCTL Law 2011/5 and have been prepared on an accrual basis from the financial records of BCTL as at 30 June 2014. These Financial Statements are unaudited.

Dili, 16 July 2014


Abraão de Vasconcelos
Governor



Fernando da Silva Carvalho
Chief Accountant

Table 5. TIMOR-LESTE BALANCE OF PAYMNT (In Thousands USD)

Items	2013_Q1/p	2013_Q2/p	2013_Q3/p	2013_Q4/p	2014_Q1/P
Current Account Exclude other primary income	(263,216)	(303,544)	(105,803)	(153,428)	(16,937)
I. Current Account	674,626	500,740	597,498	451,267	526,708
A. Goods and Services	(380,171)	(409,739)	(202,025)	(285,199)	(217,123)
1. Goods, fob	(193,836)	(247,815)	(82,848)	(151,947)	(138,738)
Exports, fob	2,288	1,157	4,848	9,801	2,281
Imports, fob	(196,022)	(248,772)	(87,204)	(161,648)	(138,009)
2. Services	(100,595)	(102,124)	(119,377)	(133,252)	(80,387)
Exports	(4,397)	13,351	14,571	21,717	(20,358)
Transportation	198	168	203	170	174
Travel	4,774	5,078	6,978	12,188	12,238
Other services, including govt. services, n.i.e.	(9,370)	8,107	7,389	9,381	(32,768)
Imports	(182,137)	(175,475)	(133,948)	(154,969)	(80,031)
Transportation	(20,318)	(25,584)	(12,424)	(18,082)	(15,576)
Travel	(8,845)	(10,328)	(11,370)	(9,775)	(0,710)
Other services, including govt services, n.i.e.	(132,974)	(139,564)	(110,145)	(127,112)	(34,745)
B. Income	995,534	870,048	785,288	673,610	724,144
1. Compensation of employees	723	631	549	501	240
Credit	1,118	1,118	1,118	1,118	1,118
Debit	(395)	(487)	(568)	(616)	(878)
2. Investment income	58,989	85,134	81,408	88,413	180,259
Credit	59,389	87,735	82,284	89,238	182,528
Debit	(2,420)	(2,601)	(878)	(825)	(2,269)
3. Other primary income (income from JPDA), credit ¹	937,842	804,284	703,301	604,698	543,645
C. Current transfers	39,283	40,431	34,288	62,858	19,888
Credit	45,282	46,239	46,723	47,308	27,408
Debit	(6,019)	(5,809)	(12,455)	15,548	(7,718)
II. Capital and Financial account, Exclude Reserves	(1,040,569)	(853,338)	(498,528)	(181,895)	(528,183)
A. Capital account	4,881	4,881	4,881	4,881	-
B. Financial account	(1,045,450)	(858,220)	(503,407)	(186,776)	(528,183)
1. Direct investment	3,272	1,781	881	(42)	9,204
1.1 Timor-Leste's direct investment abroad	(3,187)	(3,187)	(3,187)	(3,187)	(3,187)
1.2 Non-residents' direct investment in Timor-Leste	6,439	4,927	4,048	3,124	12,371
2. Portfolio investment	(991,079)	(867,662)	(590,614)	(120,753)	(610,570)
2.1 Assets ²	(995,329)	(871,912)	(594,864)	(125,003)	(611,070)
2.2 Liabilities	4,250	4,250	4,250	4,250	500
3. Other investment	(57,643)	7,682	86,326	(65,981)	73,183
3.1 Assets ²	(4,318)	7,270	53,920	(97,172)	83,443
3.2 Liabilities	(53,327)	412	32,408	31,191	9,740
III. Grand Total (I+II)	(385,943)	(352,599)	98,972	289,372	(1,475)
IV. Errors and omissions	180,807	187,034	(114,832)	(99,185)	(171,551)
V. BOP Position (III+IV)	(185,335)	(185,585)	(15,859)	170,207	(173,028)
VI. Change in Reserve Assets	185,335	185,585	15,859	(170,207)	173,028

Source: Central Bank