

Economic Bulletin



A Quarterly Publication of the Central Bank of Timor-Leste

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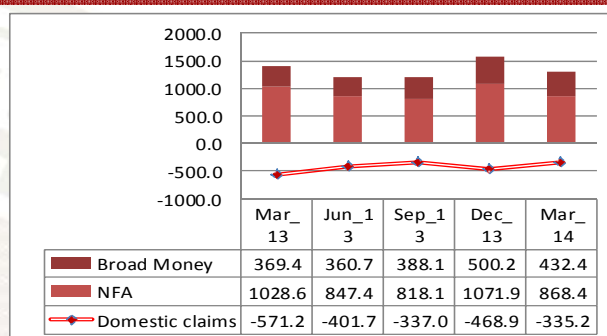
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1. MONEY SUPPLY

After a 112.1 million (28.9%) increase in December Quarter, total broad money (M2) declined by 67.8 million (13.6%) to US\$432.4 million in March quarter 2014, See table 3 on last pages and chart 1). This decrease in the quarterly growth rate of M2 was due to the slowdown in the growth rate of narrow money and quasi money by 14.9% and 11.8 % respectively. On an annual basis, broad money increased by 17.1% in March quarter 2014, compare to a 8.6% increased in the same month of 2013.

Net foreign asset (NFA) position of a country is the value of the asset that country owns abroad, minus the value of the assets that owned by foreigners (a liability of the country to the rest of the world). As can be seen on chart 1, net foreign assets of Timor-Leste depository corporations decreased by US\$203.4 million(19.4%) to US\$868.4 million in the March quarter, compare to US\$253.7 million (31%) increase in the December quarter. The decrease in total net foreign assets from December to March 2014 is attributed by the decrease of claims on nonresidents by US\$199.9 million (17.4%), while, liabilities to nonresidents increase by US\$3.6 million (4.7%).

Chart 1. Monetary Survey (in million)



Source: Central Bank

Domestic credit mostly comprises of claims on central government (net) and claims on private Sector. In the March quarter, total domestic claims decreased by 28.5%(133.7million), compared to 39.1%(131.9 million) increase in previous quarter. Responsible for this change was due to decrease in net claims on central government by 19.5% (126.8 million). Actually, there is no credit from financial system to the government. The negative sign means that the amount is a government deposit (i.a an increase in depository corporation liabilities to the central government). In contrast, a decrease in Government deposits at the central bank, mostly due to increase in government withdrawal to finance its expenditure, imply the depository liabilities is decline. While, claims on the private sector continued to increase, rising by 3.8% (6.9 million) in the quarter under reviews.

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 slightly increase by 0.1% in March quarter 2014, after increasing by 1.7% in previous quarter. While, on an annual basis, the rate of growth of commercial bank loans grew by 9.4% in the March quarter, compared to 21.4% increases in the same month last year. This increase was partly due to marginally expand in the credit to construction, with its share to total credit in the quarter of 20.6%. While, industry and manufacturing increase from 1.2% to 1.3 % and agriculture, water and forestry increase from 0.3% to 0.8% under quarter review.

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

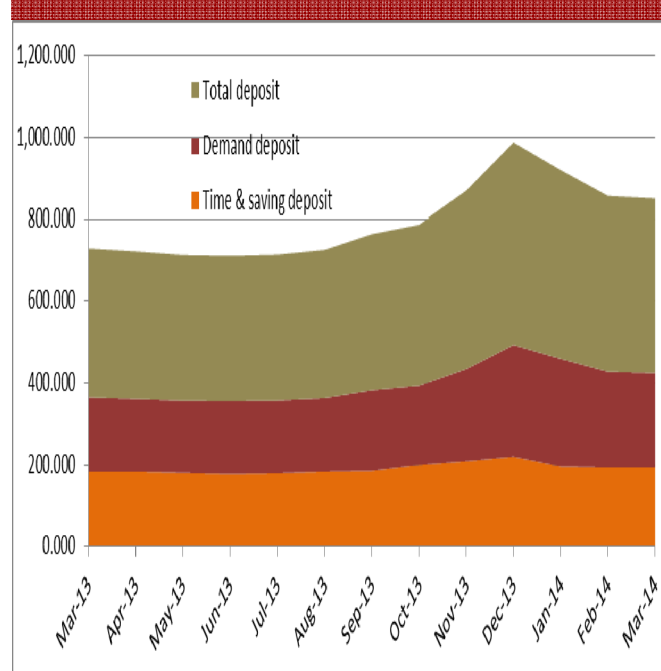
Items	Dec_12	Mar_13	Jun_13	Sep_13	Dec_13	Mar_14	% share of total	
							Dec_2013	Mar_2014
Agriculture,Water and Forestry	726	1,123	1,149	744	553	1,334	0.3	0.8
Industry and manufacturing	1,862	1,590	1,981	1,738	2,114	2,264	1.2	1.3
Construction	35,264	33,926	36,361	38,282	36,340	36,521	20.5	20.6
Transportation	15,507	14,545	13,837	12,665	21,477	20,480	12.1	11.6
Trade and Finance	31,777	41,366	37,920	36,465	34,992	34,899	19.8	19.7
Tourism and Service	5,732	6,150	7,466	6,954	7,849	6,978	4.4	3.9
Individuals and others	64,929	63,124	66,909	77,025	73,532	74,621	42	42
Total	155,797	161,824	165,623	173,873	176,857	177,097	100	100

Source: Central Bank

3. DEPOSITS WITH COMMERCIAL BANK S

In the March quarter total deposits with commercial banks (excluding government deposits) fell by 13.9% to US\$424.8 million, compared to 29.2% (US\$111.5 million) increase in previous quarter. On the annual basis, it increased by 16.6% (60.4 million) to US\$424.8 million, compared to a 8.4%(28.4 million) increase in the same month last years. (See chart 2). This decrease in total deposits in the three months to March 2014 was due to a decrease in deposits of the private sector, which demand deposits contributed by 15.6%, while time deposits and saving deposit by 11.4% in the quarter under review.

Chart 2. Commercial Bank Deposit (in thousand)

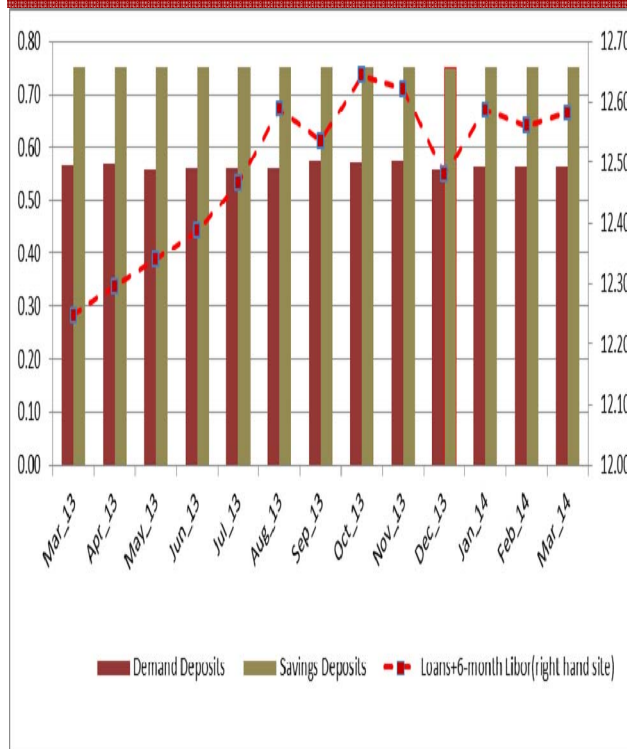


Source: Central Bank

4. DOMESTIC INTEREST RATE

The weighted average lending rates for commercial banks edged up by 0.33 basis points to 12.58% in March of 2014 from 12.25 % in the same month last year. 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 0.6% and 0.8%. The spread between deposits and loans, as measured by the credit, increase by 0.34 basis point to 12.02% in March 2014, from 11.68% in the same month last year. High interest rate may caused by high operating expenses and weak of collateral guarantee .

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

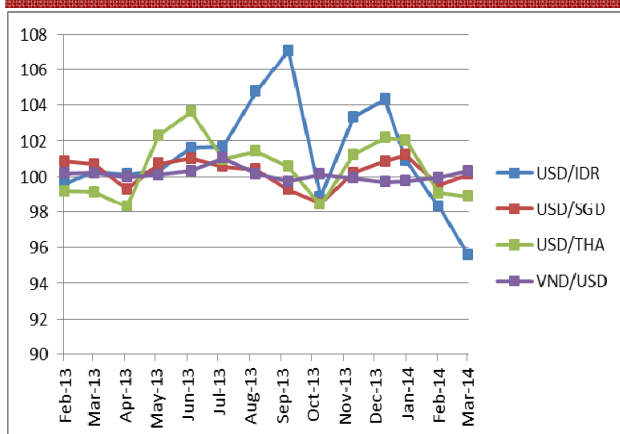


Source: Central Bank

5. EXCHANGE RATE

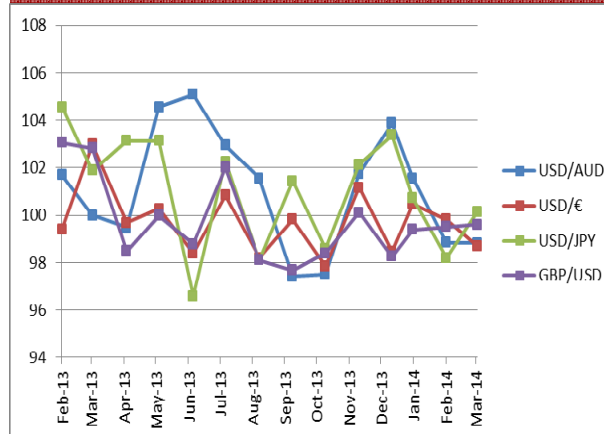
In the March quarter, the average US dollar exchange rate continued to appreciate against the Singapore dollar. While it depreciated against the Indonesia rupiah, Australian dollar, and Euro, Japanese and British Pound. While, Vietnam dong and Thailand baht are unchanged. It appreciated against the Singapore dollar by 0.8% to 1.2678. It depreciated against the Indonesia Rupiah by 5.2% to 11,422.46, Australian dollar by 0.8% to 1.1025, Euro by 1.0% to 0.7231, Japanese yen by 1% to 102.2945 and unchanged for the Vietnam dong and Thailand baht (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

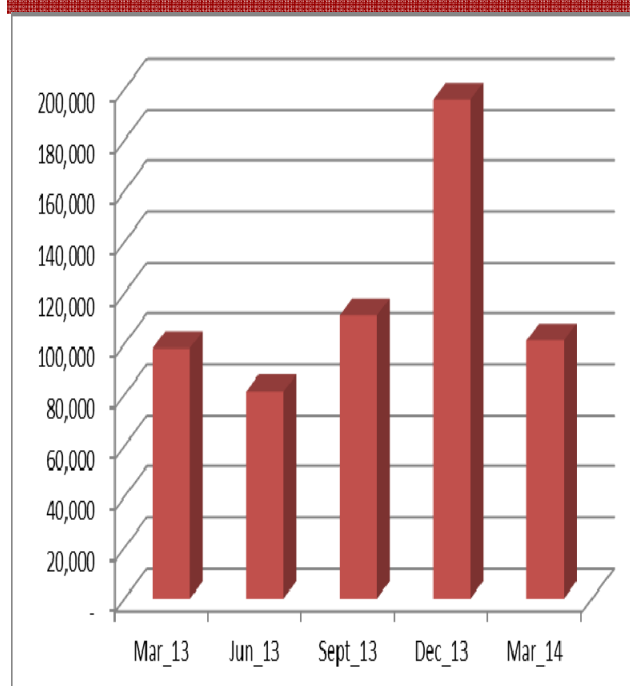
The Clearing House Interbank Payments System is a transferable system that can be used to conduct financial transactions between different banks. The central bank acts as the clearing House for these banks. Since all banks have their accounts with the central bank, the central Bank can easily settle the claims of various banks against each other. Figure 6 shows the Dollar's value of checks and notes cleared at the central bank of Timor -Leste. Clearing transactions (in value terms) decline to minus 48.3% in March quarter 2014, from 76.4% increase in previous quarter. The decline in total value was due to the decrease in the value of cheque and value of notes by 15.3% and 61% respectively. The decline on value of cheque and notes was due to the decline of government and customer activity with the commercial banks.

7. PRICE EVOLUTION IN DILI

Consumer Price Index, as publishes by National Statistic department of Timor-Leste is the most commonly used measure of inflation in Timor-Leste. The head line inflation Decrease by 0.2% in March quarter, compared to 0.3% increases in the previous quarter. This decrease was mainly due to decrease of the prices in alcohol and tobacco(1.5%), Furnishings, household supplies equipment(-0.7), clothing and food-wear(0.4%).

On annual basis, inflation fell by 1.6% in March quarter after 4.2% decline in December quarter. This was influenced mostly by the decreases of prices of the following categories: food and on-alcoholic beverages,(1.8%),alcohol and tobacco(6.3%), housing(1.7%), clothing and footwear(1.5%) and transportation(-1.4) .

Chart 6. Clearing Banks (in thousand)



Source: Central Bank

Chart 7. Inflation rate (in percent)

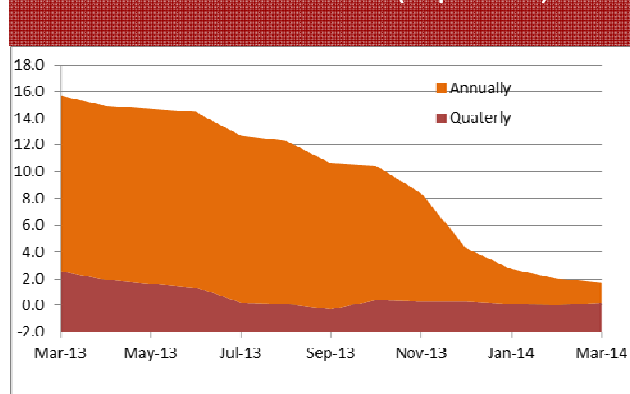


Table.2 Consumer Price Index and Inflation

Groups and Expenditure	CPI	CPI	CPI	CPI	CPI	CPI	% of changed	
	Mar_12	Mar_13	Jun_13	Sep_13	Dec_13	Mar_14	Quarterly	Annually
All groups	90.7	102.6	104.0	103.7	104.0	104.2	0.2	1.6
Food and Non-alcoholic beverages	89.3	104.1	106.4	106.0	105.9	106.0	0.2	1.8
Alcohol and tobacco	93.9	107.2	107.4	108.5	112.2	113.9	1.5	6.3
Clothing and footwear	82	99.7	100.0	100.0	100.8	101.2	0.4	1.5
Housing	94.3	102.3	103.2	104.1	104.1	104.1	0.0	1.8
Furnishings, household supplies equipment	94.4	100.3	100.3	100.1	103.1	102.4	-0.7	2.1
Health	90.4	100.0	100.0	100.0	100.0	100.0	0.0	0.0
Transport	89.6	99.9	99.0	99.3	99.3	98.5	-0.8	-1.4
Communication	100	87.6	87.5	82.6	82.7	80.7	-2.4	-7.9
Recreation and culture	95.1	100.0	99.1	100.2	100.3	106.5	6.2	6.5
Education	96.7	100.0	100.0	100.0	100.0	100.0	0.0	0.0

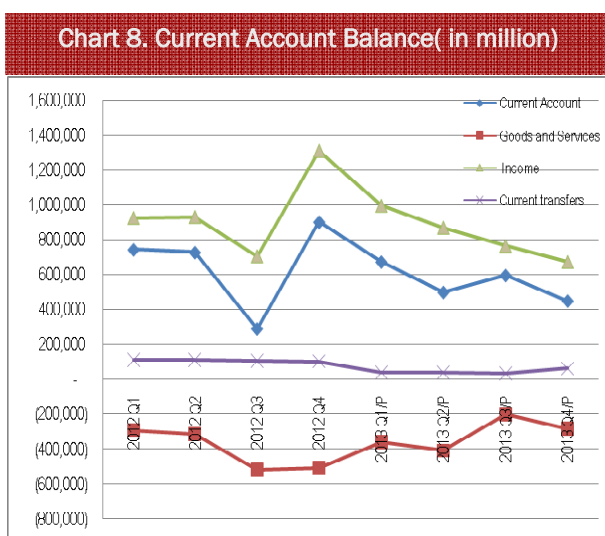
Source : National Statistics Department

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 (included other primary income)

Current account is sum of the net export of goods and services, net income, and net current transfers. As can be seen on the chart 8,



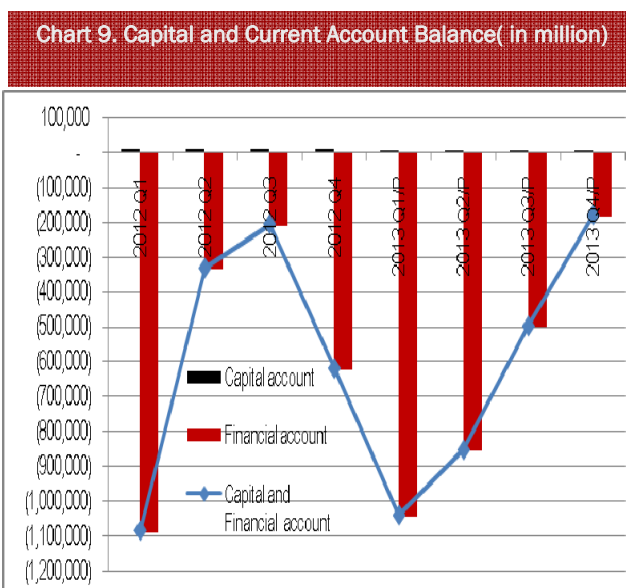
Source: Bank Central

The current account of Timor-Leste was surplus while decreased by 24% to US\$451.267 million in December quarter 2013, compared to 19% increases in previous quarter. This change was due to the decrease in income received, specially from other primary income. However, the deficit in goods and services continue increase, rising by 41% in December quarter, compare to 51% decrease in previous quarter. This change largely reflected increase deficits on trade in goods and services. The deficit on trade in goods increased by 84% in December quarter, compared to 67% in previous quarter. This change was reflecting corresponding increases in both exports and imports.

While, the deficit on trade in services was increase by 12% to US\$133.252 million in December quarter 2013. This was largely due to increase of import services such as travel service, other services, including government service and other business services.

8 3. Capital Account and Financial Account

The capital and financial account continued to decrease, down by 64% to US\$180.242 million in December quarter, following a 42% decline in previous quarter. This development was due to the decline mostly in 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, create more condition to encouraged foreign investors to be invest in Timor-Leste. (see chart 9 and table 5 on the last pages.



Source: Bank Central

Table 3. MONETARY SURVEY (In million USD)

Items	Dec_12	Mar_13	Jun_13	Sep_13	Dec_13	Mar_14	% of change	
							Quarterly	Annually
Net Foreign Assets	1179.3	1028.6	847.4	818.1	1071.9	868.4	-19.0	-15.6
Claims on Nonresidents	1251.5	1089.0	936.2	868.3	1148.5	948.6	-17.4	-12.9
Liabilities to Nonresidents	72.2	60.4	88.7	50.2	76.6	80.2	4.7	32.7
Domestic Claims	-681.2	-571.2	-401.7	-337.0	-468.9	-335.2	-28.5	-41.3
Net Claims on Central Government	-841.2	-737.4	-571.4	-514.9	-650.8	-523.9	-19.5	-28.9
Claims on private Sector	160.1	166.2	169.7	177.9	181.8	188.7	3.8	13.5
Broad Money (M2)	406.9	369.4	360.7	388.1	500.2	432.4	-13.6	17.1
Currency Outside of central Bank	4.8	5.0	5.2	6.2	6.7	7.6	13.2	53.7
Demand Deposit	201.0	179.6	176.7	195.5	272.7	230.1	-15.6	28.1
Time Deposit	201.2	184.8	178.7	186.5	220.8	194.7	-11.8	5.3

Source : Central Bank

Table 4. AVERAGE EXCHANGE RATE
(Feb 2013-March 2014)

Month	USD/IDR	USD/AUD	USD/€	USD/JPY	USD/SGD	USD/THA	GBP/USD	VND/USD
Feb-13	9,682.80	0.9687	0.7483	93.1005	1.2385	29.8193	0.6454	20,691.47
Mar-13	9,709.84	0.9686	0.7706	94.8616	1.2470	29.5589	0.6636	20,737.71
Apr-13	9,723.43	0.9636	0.7681	97.8390	1.2384	29.0600	0.6535	20,729.30
May-13	9,757.70	1.0076	0.7701	100.9070	1.2475	29.7265	0.6534	20,752.93
Jun-13	9,914.45	1.0588	0.7579	97.4810	1.2601	30.8060	0.6455	20,819.24
Jul-13	10,078.09	1.0899	0.7642	99.6874	1.2672	31.1022	0.6585	21,038.39
Aug-13	10,556.32	1.1069	0.7505	97.8005	1.2722	31.5395	0.6461	21,069.37
Sep-13	11,305.00	1.0784	0.7491	99.2035	1.2630	31.7162	0.6311	21,012.70
Oct-13	11,178.73	1.0517	0.7331	97.8132	1.2441	31.2123	0.6210	21,041.06
Nov-13	11,551.11	1.0700	0.7417	99.9008	1.2466	31.5971	0.6217	21,021.24
Dec-13	12,049.56	1.1114	0.7303	103.2772	1.2573	32.2819	0.6109	20,960.07
Jan-14	12,157.57	1.1286	0.7338	104.0283	1.2723	32.9399	0.6072	20,909.77
Feb-14	11,951.68	1.1156	0.7325	102.1575	1.2663	32.6418	0.6042	20,898.87
Mar-14	11,422.46	1.1025	0.7231	102.2945	1.2678	32.2805	0.6018	20,967.80

Source : Bloomberg.com



PRO FORMA BALANCE SHEET
As at 31 March 2014

DESCRIPTION	\$'000
ASSETS	
Cash and cash equivalents	326,929
Marketable Securities	243,466
Investments	24,275
Property, plant and equipment	1,042
Other assets	4,681
TOTAL ASSETS	600,393
LIABILITIES	
Government deposits	507,458
Provision transfer of surplus to Government	-
Other deposits	58,184
Other liabilities	4,155
Currency issued	7,766
Total liabilities	577,563
EQUITY	
Capital	20,000
Reserves	854
Retained earnings	1,976
TOTAL EQUITY	22,830
TOTAL LIABILITIES & EQUITY	600,393

Nota:

- At 31 March 2014 the balance of Petroleum Fund account managed by the BCTL was \$15,671 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 31 March 2014. These Financial Statements are unaudited.

Dili, 16 April 2014


Aini Djarat Aikatiri
Acting Governor



Fernando da Silva Carvalho
Chief Accountant

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

Items	2012 Q4	2013 Q1/P	2013 Q2/P	2013 Q3/P	2013 Q4/P
Current Account Exclude other primary income	(330,871)	(263,216)	(303,544)	(105,803)	(153,428)
I. Current Account	903,578	674,626	500,740	597,498	451,267
A. Goods and Services	(509,405)	(360,171)	(409,739)	(202,025)	(285,199)
1. Goods, fob	(175,045)	(193,636)	(247,615)	(82,648)	(151,947)
Exports, fob	10,350	2,266	1,157	4,646	9,601
Imports, fob	(185,395)	(195,902)	(248,772)	(87,294)	(161,548)
2. Services	(334,359)	(166,535)	(162,124)	(119,377)	(133,252)
Exports	18,586	(4,397)	13,351	14,571	21,717
Transportation	170	198	168	203	170
Travel	5,622	4,774	5,076	6,978	12,166
Other services, including govt. services, n.i.e.	12,794	(9,370)	8,107	7,389	9,381
Imports	(352,945)	(162,137)	(175,475)	(133,948)	(154,969)
Transportation	(20,485)	(20,318)	(25,584)	(12,424)	(18,082)
Travel	(16,985)	(8,845)	(10,328)	(11,379)	(9,775)
Other services, including govt services, n.i.e.	(315,475)	(132,974)	(139,564)	(110,145)	(127,112)
B. Income	1,309,432	995,534	870,048	765,256	673,610
1. Compensation of employees	23,873	723	631	549	501
Credit	24,268	1,118	1,118	1,118	1,118
Debit	(395)	(395)	(487)	(568)	(616)
2. Investment income	51,110	56,969	65,134	61,406	68,413
Credit	53,486	59,389	67,735	62,284	69,238
Debit	(2,376)	(2,420)	(2,601)	(878)	(825)
3. Other primary income (income from JPDA), credit ^{1/}	1,234,449	937,842	804,284	703,301	604,696
C. Current transfers	103,551	39,263	40,431	34,268	62,856
Credit	135,137	45,282	46,239	46,723	47,308
Debit	(31,587)	(6,019)	(5,809)	(12,455)	15,548
II. Capital and Financial account	(619,766)	(1,040,569)	(853,338)	(498,526)	(180,242)
Capital account	5,853	4,881	4,881	4,881	4,881
Financial account	(625,619)	(1,045,450)	(858,220)	(503,407)	(185,123)
Direct investment	5,166	3,272	1,761	881	1,611
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	8,333	6,439	4,927	4,048	4,778
Portfolio investment	(693,216)	(991,079)	(867,662)	(590,614)	(120,753)
2.1 Assets ^{2/}	(694,716)	(995,329)	(871,912)	(594,864)	(125,003)
2.2 Liabilities	1,500	4,250	4,250	4,250	4,250
Other investment	62,431	(57,643)	7,682	86,326	(65,981)
3.1 Assets ^{2/}	40,857	(4,316)	7,270	53,920	(97,172)
3.2 Liabilities	21,574	(53,327)	412	32,406	31,191
III. Grand Total (I+II)	283,812	(365,943)	(352,599)	98,972	271,026
IV. Errors and omissions	49,390	180,607	187,034	(114,832)	(100,819)
V. BOP Position (III+IV)	333,201	(185,335)	(165,565)	(15,859)	170,207
VI. Change in Reserve Assets	(333,201)	185,335	165,565	15,859	(170,207)