

# Economic Bulletin



A Quarterly Publication of the Central Bank of Timor-Leste

## VOLUME 19

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.

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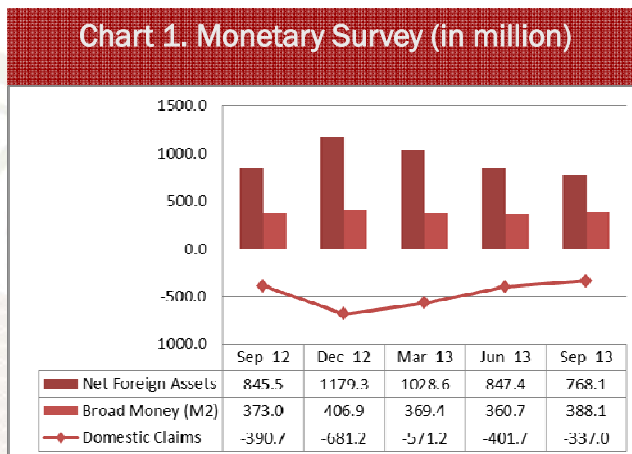
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## 1. MONEY SUPPLY

After a decrease consecutively in these two quarter, total money supply(M2) increase again by US\$27.4 million to US\$388.1 million (7.6%) in September quarter 2013(See table 3 in last page and chart 1). This increase in the quarterly growth rate of M2 is largely due to the rose in the growth rate of quasi money from -6.1% to 7.7% and narrow money(M1) from -2.6% to 19.7% at the end of the quarter under review. On an annual basis, money supply increased by 4.1% in September quarter 2013, compare to a 26.1% increase in the same month of 2012).

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, total net foreign assets of depository corporations continues to decreased by US\$79.3 million (9.4%) in September quarter, compared to US\$181.2 million (17.6%) in the previous quarter. The decrease in total net foreign assets from June to September 2013 is attributed to a decrease of both of claims on non residents and liabilities to non residents by US\$117.9 million (12.6%) and US\$38.6 million (43.5%).

Chart 1. Monetary Survey (in million)



Source: Central Bank

Domestic credit mostly comprises claims on central government (net) and claims on private sector. In the September quarter, total domestic claims continued to decreased, drop by 16.1% (64.7 million), compared to 29.7%( 169.4 million) decrease in previous quarter. Responsible for this change was due to decline by 9.9% (56.5 million) in net claims on central government. Actually, there is no credit from financial system to the government. Therefore, the negative sign means that the amount is government deposit (i.a. depository corporation liabilities to the central government). A reduction in domestic claims was due to the decrease in government deposit at the central bank, and this in turn was due to increase in government expenditure. While, claims on the private sector continued to increase by 4.8% (8.2 million) in the quarter under reviews.

## 2. CREDIT TO PRIVATE SECTOR

The commercial bank played significant role in the institutional sources for priority of economic sector in the world, and it can be seen also in Timor-Leste. Table 1 presents total bank credit to private sector during the quarter. The outstanding commercial bank credit to the private sector grew by 5% in September quarter 2013 after increasing by 2.3% in pervious quarter. While, on an annual basis, the rate of growth of commercial bank loans increase by 11.6% in the September, 2013, compared to 21.2% increase in the same month last year. The increased in June quarter to September was due to increase in construction by 5.3% and individual and other by 15.1%. On the other hand, most of recipients of credit by sector were decline. The agriculture by 35.2%, industry and manufacturing by 12.3%, transportation by 8.5%, trade and finance by 3.8%, tourism and services by 6.9%.

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

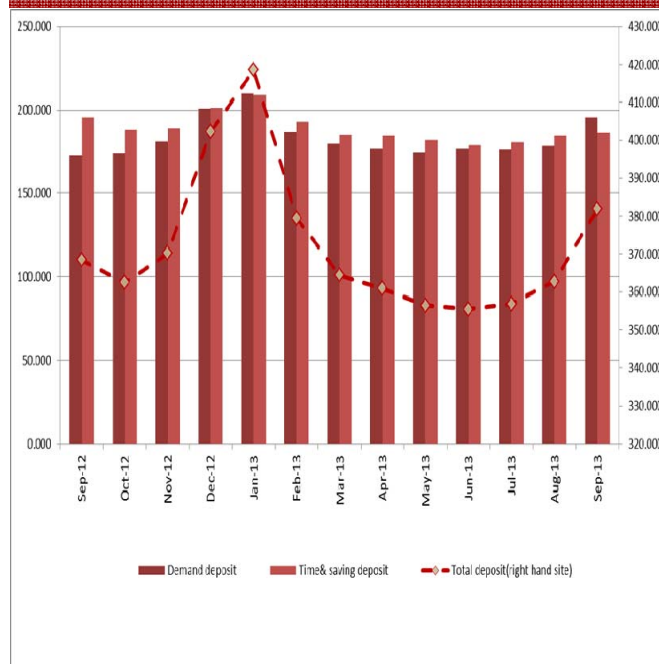
Items	Sep_12	Dec_12	Mar_13	Jun_13	Sep_13	% of change	
						Quarterly	Annually
Agriculture, Water and Forestry	590	728	1.123	1.149	744	-35.2	28.1
Industry and manufacturing	2.248	1.882	1.690	1.981	1.738	-12.3	-22.7
Construction	33.868	36.284	33.928	36.381	38.282	6.3	13.7
Transportation	18.438	16.607	14.646	13.837	12.886	-8.6	-23.0
Trade and Finance	28.828	31.777	41.388	37.920	38.485	-3.8	26.5
Tourism and Service	3.618	6.732	8.160	7.488	8.964	-8.9	87.8
Individuals and others	70.509	84.929	83.124	88.909	77.025	15.1	9.2
Total	155,787	155,797	161,824	165,623	173,873	5.0	11.6

Source: Central Bank

## 3. DEPOSITS WITH COMMERCIAL BANK S

Total deposit with commercial banks (excluding government deposits) start to increase, after decrease in two previous quarter. Total deposit increased by US\$26.5 million to US\$382 million in September quarter 2013, compared to US\$9 million decreased at previous quarter. The increase in September quarter was due to rose of demand deposits and time deposit and saving deposit by 10.6% and 4.3% respectively. On an the annual basis, total deposits continued to increase by 3.7%(US\$13.5 million) in September 2013 (see chart 2).

**Chart 2. Commercial Bank Deposit (in thousand)**

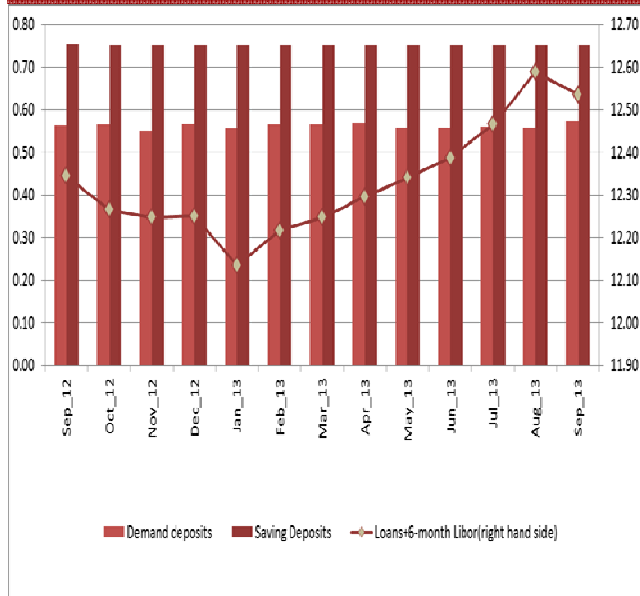


Source: Central Bank

#### 4. DOMESTIC INTEREST RATE

The terms and conditions attached to these The weighted average lending rates for commercial banks edged up by 0.2 basis points to 12.54% in September of 2013 from 12.34% 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, demand deposits and saving deposits of weighted average interest rate remained constant with no significant changes at 0.6% and 0.8%. The spread between deposits and loans, as measured by the credit, increase by 0.2 basis point to 11.96% in September 2013, from 11.8% in the same month last year .

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

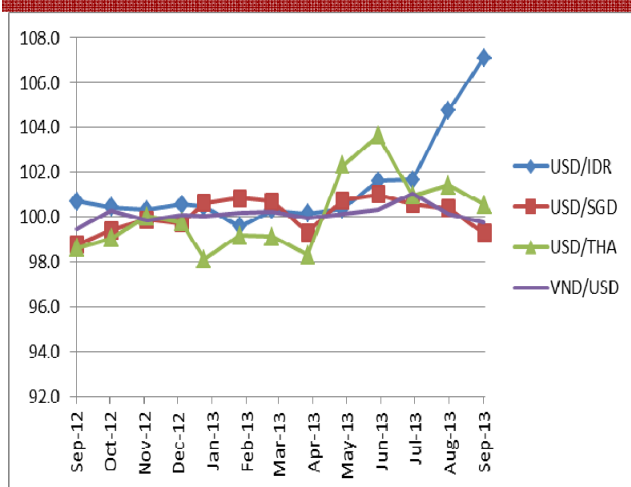


Source: Central Bank

#### 5. EXCHANGE RATE

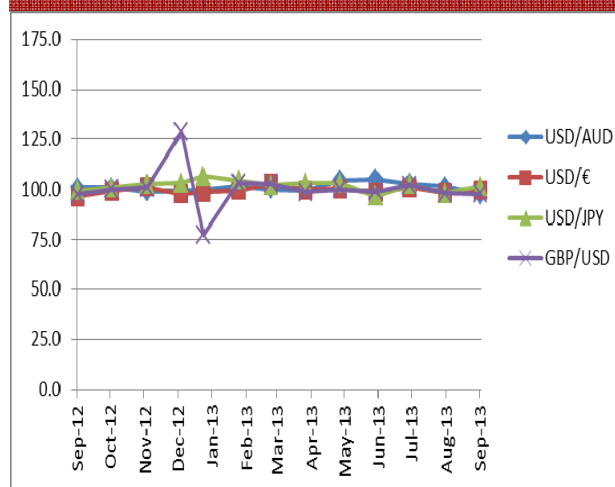
In the September quarter, the average US dollar exchange rate continued to appreciate against the Indonesia rupiah, Australian dollar, Japanese, Singapore, Thailand baht and Vietnam dong. while it depreciated against the Euro and British Pound. It appreciated against the Indonesia Rupiah by 14% to 11,305, Australian dollar by 1.9% to 1.0784, Japanese yen by 1.8% to 99.20, Singapore dollar by 0.2% to 1.2630 and Thailand baht by 3.0% to 31.7162 and Vietnam dong by 0.9% to 21,012. It depreciated against the Euro by 1.1% to 0.7491 and British Pound by 2.2% to 0.6311 (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



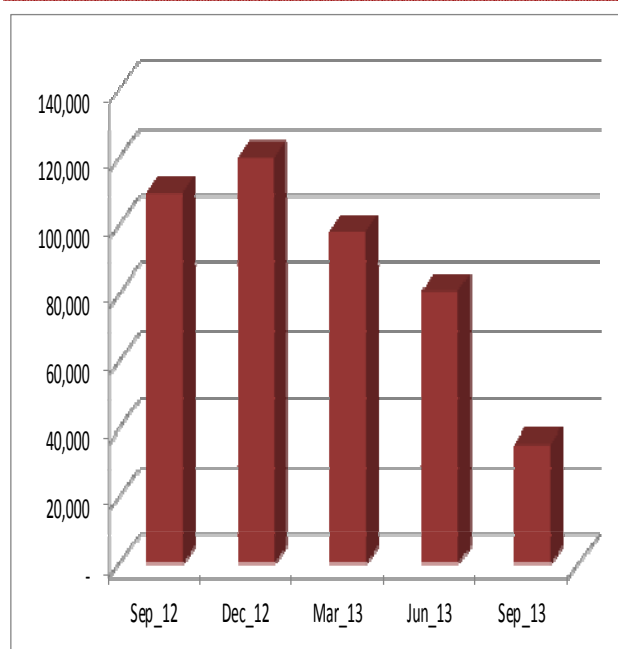
## 6. INTERBANK CLEARING

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 dollars value of checks and notes cleared at the central bank of Timor-Leste. Clearing transactions (in value terms) continue to decline by 55.9% in September quarter 2013, from 17.3% in previous quarter. The decline in total value was due to the decrease in the value of note by 46.4%. While, value of check increase by 64.5% in the quarter under review.

## 7. PRICE EVOLUTION IN DILI

Timor-Leste consumer price index has been reviewed and re-weighted by National Statistics Department. All published indexes from January 2013 have been referenced to December 2012=100. The all group CPI decrease by 0.6% on September quarter 2013, compared with a rise of 1.1% in pervious quarter. This decrease was due to a decrease in some prices especially food and non-alcoholic beverages (0.9%), alcohol and tobacco(1.1%) and communication (5.2%). "The yearly inflation between September 2012 and September 2013 has slowing down to 10.4%, compared with an acceleration of 13% in June quarter 2013. This was due to a 13.2% decrease in food and non-alcoholic beverages, vegetable(12.5%), alcohol and tobacco (46.3%) and housing(8.1%) and housing(8.1%).

Chart 6. Clearing Banks (in thousand)



Source: Central Bank

Chart 7. Inflation rate (in percent)

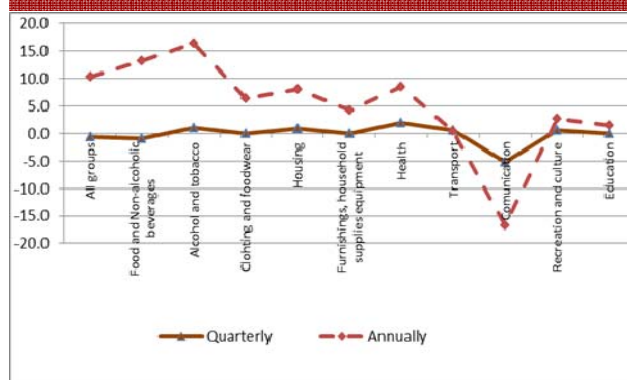


Table.2 Consumer Price Index and Inflation

Groups and Expenditure	CPI	CPI	CPI	CPI	% of change	
	Sep-12	Mar-13	Jun-13	Sep-13	Quarterly	Annually
All groups	93.7	102.9	104.0	103.4	-0.6	10.4
Food and Non-alcoholic beverages	92.4	103.9	105.6	104.6	-0.9	13.2
Alcohol and tobacco	93.9	106.6	108.1	109.3	1.1	16.4
Clothing and footwear	94.5	99.9	100.5	100.5	0.0	8.3
Housing	96.3	102.4	103.2	104.1	0.9	8.1
Furnishings, household supplies equipment	97	100.9	101.1	101.1	0.0	4.2
Health	93.9	100	99.9	101.8	1.9	8.4
Transport	99.5	100.1	99.3	99.9	0.6	0.4
Communication	100	88.2	87.8	83.2	-5.2	-16.8
Recreation and culture	97.4	100.3	99.5	100.1	0.6	2.8
Education	98.5	100	100.0	100	0.0	1.5

Source : National Statistics Department

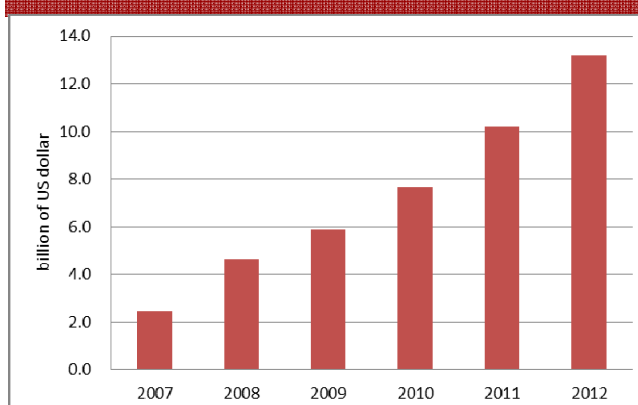
## 8. TIMOR-LESTE INTERNATIONAL INVESTMENT POSITION

The international investment position (IIP) is a statistical statement that shows at a point in time the value of: financial assets of residents of an economy that are claims on nonresidents or are gold bullion held as reserve assets; and the liabilities of residents of an economy to nonresidents. The items that comprise the IIP consist of claims on nonresidents, liabilities to nonresidents, and monetary gold. Changes in an IIP statement during a period reflect financial transactions, valuation changes resulting from exchange rate changes and other price changes, and other changes that occurred during the period and affected the levels of assets and/or liabilities. (<http://www.imf.org/external/np/sta/iip/iip.htm>).

The following information provided some explanation on the development of IIP statistics in Timor-Leste. Since 2007 until 2012, the International Investment Position (IIP) of Timor-Leste showed that net assets exceed net liabilities. At the end of 2012, the net external assets positions reached US\$12.8 billion followed with USD9.9 billion arisen at the end of previous year. Timor-Leste assets abroad increased by US\$2.9 billion at the end of 2012 to a level US\$13.2 billion. The increase in the Stock of Timor-Leste assets in 2012 was mainly due to an increase in portfolio investment recorded US\$11.8 billion indicating an increase of US\$2.5 billion, compared to the end of 2011, followed by reserve assets recorded US\$0.9 billion indicating an increase of US\$0.4 billion. While, other investment recorded US\$0.4 billion indicating an increase of US\$67 million compared to the end of 2011.

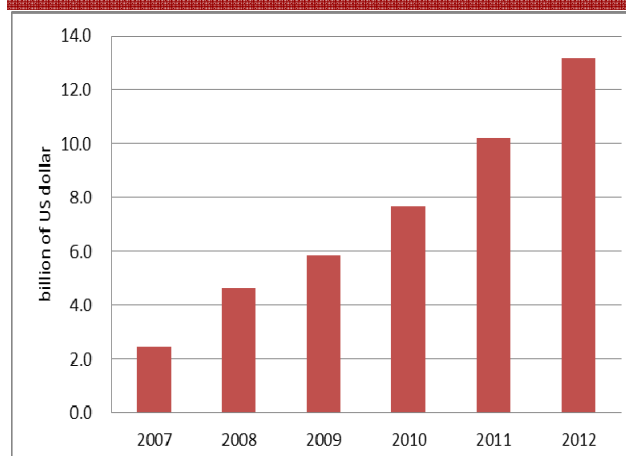
Timor-Leste liabilities increased by US\$27 million in 2012 to a level of US\$0.3 billion. The increase in Timor-Leste liabilities was primarily due to an increase in direct investment and portfolio investment by US\$18.9 million and US\$6 million respectively, included other investment increased by US\$2.5 million.

Chart 8. Net International Investment Position (Period 2007-2012)



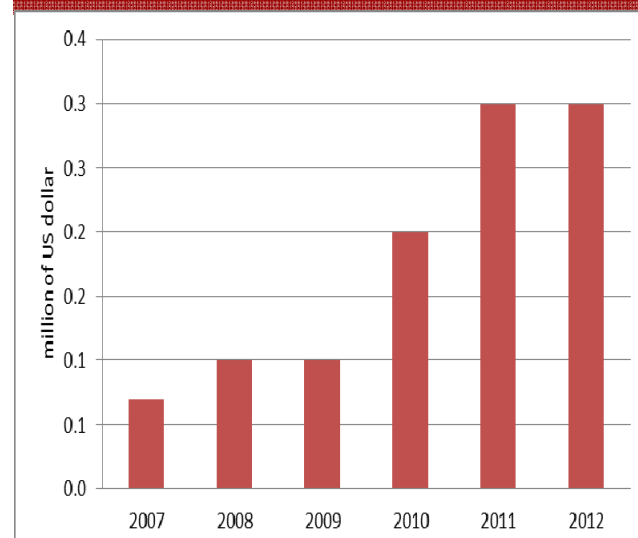
Source : Central bank

Chart 10. Development of Asset (Period 2007-2012)



Source : Central bank

Chart 10. Development of Liabilities (Period 2007-2012)



Source : Central bank

Table 3. MONETARY SURVEY (In million USD)

Items	Sep_12	Dec_12	Mar_13	Jun_13	Sep_13	% of changed	
						Quarterly	Annually
<b>Net Foreign Assets</b>	845.5	1179.3	1028.6	847.4	768.1	-9.4	-9.1
Claims on Nonresidents	897.5	1251.5	1089.0	936.2	818.3	-12.6	-8.8
Liabilities to Nonresidents	-52.0	-72.2	-60.4	-88.7	-50.2	-43.5	-3.6
<b>Domestic Claims</b>	-390.7	-681.2	-571.2	-401.7	-337.0	-16.1	-13.7
Net Claims on Central Government	-548.3	-841.2	-737.4	-571.4	-514.9	-9.9	-6.1
Claims on private Sector	157.6	160.1	166.2	169.7	177.9	4.8	12.9
<b>Broad Money (M2)</b>	373.0	406.9	369.4	360.7	388.1	7.6	4.1
Currency Outside of central Bank	4.5	4.8	5.0	5.2	6.2	18.5	36.1
Time deposit	173.0	201.0	179.6	176.7	195.5	10.6	13.0
Demand deposit	195.5	201.2	184.8	178.7	186.5	4.3	-4.6

Source : Central Bank

Table 4. AVERAGE EXCHANGE RATE  
(Sep 2012-Sep 2013)

Month	USD/DR	USD/AUD	USD/E	USD/JPY	USD/SGD	USD/THA	GBP/USD	VND/USD
Aug-12	9,489.71	0.9548	0.8072	78.63	1.2479	31.4310	0.6370	20,704.90
Sep-12	9,555.65	0.9628	0.7780	78.18	1.2324	30.9975	0.6212	20,590.07
Oct-12	9,597.82	0.9722	0.7715	78.89	1.2251	30.7041	0.6223	20,651.52
Nov-12	9,627.19	0.9620	0.7810	80.93	1.2238	30.7119	0.6272	20,624.48
Dec-12	9,679.38	0.9545	0.763059	83.54	1.2204	30.6400	0.8069	20,645.88
Jan-13	9,723.23	0.9526	0.7528	89.04	1.2280	30.0659	0.6262	20,653.38
Feb-13	9,882.80	0.9687	0.7483	93.10	1.2386	29.8193	0.6454	20,691.47
Mar-13	9,709.84	0.9686	0.7706	94.86	1.2470	29.6689	0.6636	20,737.71
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	30.8060	0.6455	20,819.24
Jul-13	10,078.09	1.0699	0.7642	99.69	1.2672	31.1022	0.6585	21,038.39
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	31.7162	0.6311	21,012.70

Source : Bloomberg.com



**PRO FORMA BALANCE SHEET**  
As at 30 September 2013


DESCRIPTION	\$'000
<b>ASSETS</b>	
Cash and cash equivalents	246,216
Marketable Securities	330,846
Investments	24,251
Property, plant and equipment	1,010
Other assets	3,641
<b>TOTAL ASSETS</b>	<b>605,964</b>
<b>LIABILITIES</b>	
Government deposits	493,914
Provision transfer of surplus to Government	-
Other deposits	72,619
Other liabilities	12,101
Currency issued	6,152
<b>Total liabilities</b>	<b>584,786</b>
<b>EQUITY</b>	
Capital	20,000
Reserves	443
Retained earnings	735
<b>TOTAL EQUITY</b>	<b>21,178</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>605,964</b>

Nota:

1. At 30 September 2013 the balance of Petroleum Fund account managed by the BCTL was \$14,558 million. This is to recognise the reporting requirement under IFRS.

2. 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 September 2013. These Financial Statements are unaudited.

Dili, 23 October 2013

  
Abraão de Vasconcelos  
Governor

  
Fernando da Silva Carvalho  
Chief Accountant

**Table 6. TIMOR-LESTE INTERNATIONAL INVESTMENT POSITION (In Thousands of USD)**

Items	Position 2007	Position 2008	Position 2009	Position 2010/r	Position 2011/r	Position 2012/p
INTERNATIONAL INVESTMENT POSITION, NET	2,370,822	4,529,633	5,694,910	7,441,720	9,898,430	12,839,068
<b>A. Assets</b>	<b>2,445,602</b>	<b>4,638,638</b>	<b>5,848,624</b>	<b>7,654,596</b>	<b>10,200,983</b>	<b>13,169,024</b>
Direct investment abroad	-	-	-	94,000	61,000	73,667
1.1 Equity capital and reinvested earnings	-	-	-	94,000	61,000	73,667
1.2 Other capital	-	-	-	-	-	-
Portfolio investment	2,085,957	4,196,772	5,376,426	6,903,797	9,311,949	11,778,307
2.1 Equity Securities	-	-	-	281,770	355,244	3,034,828
2.2 Debt Securities	2,085,957	4,196,772	5,376,426	6,622,027	8,956,705	8,743,479
Other investments	129,373	231,444	222,282	250,607	366,421	433,503
3.1 Trade credits	-	13,662	136	4,129	2,418	2,418
3.2 Loans	5,757	10,429	17,040	10,804	11,435	11,492
3.3 Currency and deposits	123,616	207,352	205,106	235,675	352,567	419,593
3.4 Other Assets	-	-	-	-	-	-
Reserve Assets	230,272	210,422	249,916	406,192	461,613	883,547
4.1 Monetary gold	-	-	-	-	-	-
4.2 Special drawing rights	-	-	-	-	-	-
4.3 Reserves position in the Fund	2	-	12,104	11,906	11,868	11,911
4.4 Foreign Exchange *	230,270	210,422	237,812	394,286	449,745	871,636
4.4.1 Currency and deposits	33,764	54,489	19,936	32,121	136,838	569,656
4.4.2 Securities	196,506	155,933	217,876	362,164	312,908	301,980
4.5 Other claims	-	-	-	-	-	-
<b>B. Liabilities</b>	<b>71,780</b>	<b>109,005</b>	<b>153,714</b>	<b>212,876</b>	<b>302,553</b>	<b>329,956</b>
Direct investment in reporting economy	36,401	70,768	119,275	147,791	196,067	214,968
1.1 Equity capital and reinvested earnings	36,401	70,768	119,275	147,791	196,067	214,968
1.2 Other capital	-	-	-	-	-	-
Portfolio investment	-	-	-	27,000	20,000	26,000
2.1 Equity Securities	-	-	-	11,000	5,000	10,000
2.2 Debt Securities	-	-	-	16,000	15,000	16,000
Other investments	38,379	38,238	34,439	38,085	86,486	88,988
3.1 Trade credits	-	7,445	5,468	7,285	9,269	9,269
3.2 Loans	663	2,797	4,121	5,619	13,193	10,523
3.3 Currency and deposits	37,716	27,996	12,747	13,276	52,152	57,264
3.4 Other Liabilities	-	-	12,103	11,904	11,873	11,932

1/ NOTE: This is a working document, subject to further revalidation/revision.