

Economic Bulletin



A Quarterly Publication of the Central Bank of Timor-Leste

VOLUME 16

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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1. MONEY SUPPLY

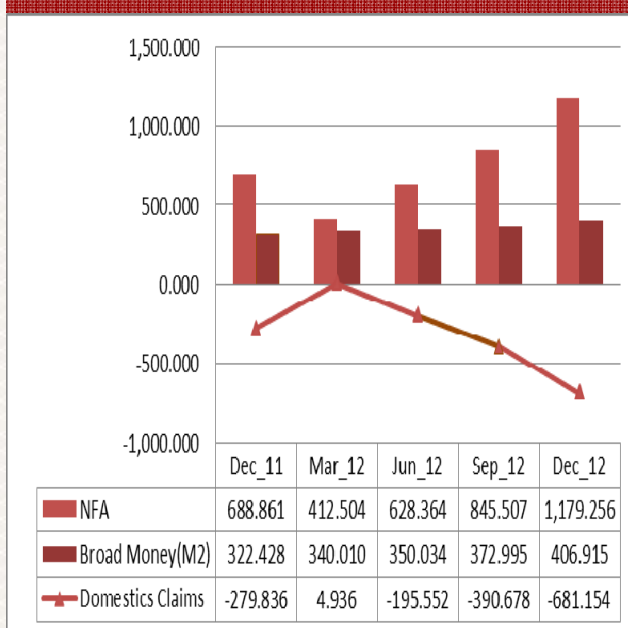
Total broad money (M2) continued to increase, rising by US\$ 33.9 million (9.1%) to US\$406.9 million in December quarter 2012, compared to an increase of US\$23 million (6.6%) in September quarter 2012. (See table 3 on last pages 6 and chart 1). This increase in the quarterly growth rate of M2 is due to a rise in the growth rate of narrow money by 15.9% at the end of the December quarter, while quasi money increased by 2.9%. On an annual basis, money supply increased by 26.2% in December quarter 2012, compared to a 9.3% in the same month of 2011.

Furthermore, net foreign assets of depository corporations increased by US\$333.7 million (39.5%) to US\$1,179.2 million in the December quarter, compared to US\$217.1 million (34.6%) increase in the September quarter. The increase in total net foreign assets from September to December 2012 is attributed to an increase of US\$353.9 million (39.4%) in claims on nonresidents. Liabilities to non-residents, however, increased by US\$20.2 million (38.8%).

On the other hand, total domestic claims moved from minus US\$390.7 in September 2012 to minus US\$681.2 million in December 2012.

Responsible for this change was primarily increase in net claims on central government that moved from minus US\$548.3 million in September to minus US\$841.2 million in December 2012. The negative sign means that the amount is a government deposit (i.e. 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, continued to increase by US\$2.5 million (1.6%).

Chart 1. Monetary Survey (in millions)



Source: Central Bank

2. CREDIT TO PRIVATE SECTOR

Domestic credit of commercial banks to the various sectors of the economy during the December quarter 2012, has been increased, however there is no big changes, rising by 0.01%, compared to a 3.7% to US\$155.8 million increase in the previous quarter. While, on annual basis, the rate of growth of commercial bank loans increased considerably by 18.6% in the December quarter, as shown in the table 1. The highest proportion of total loans to the private sector are individuals and others (41.7%), followed by construction (22.6%), trade and finance (20.4%).

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

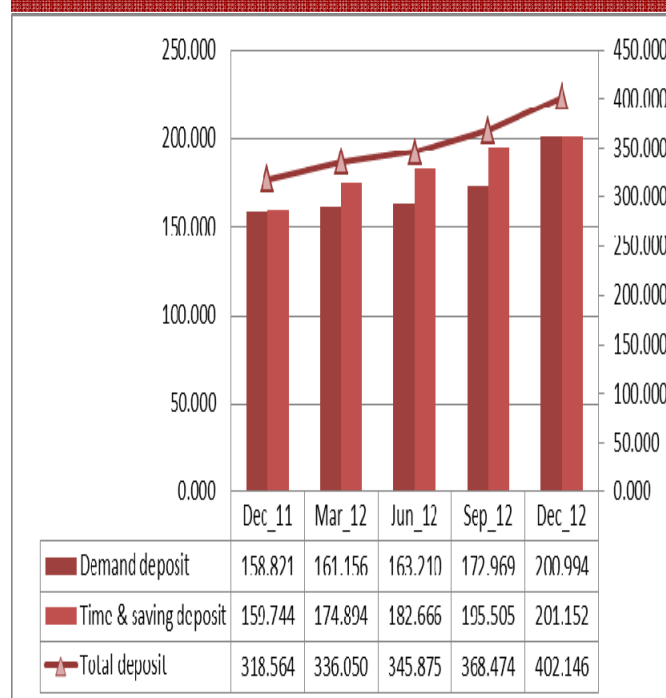
Items	Jun_12	Sep_12	Dec_12	% of share Sep_2012	% of share Dec_2012
Agriculture, water and forestry	882	590	726	0.4	0.5
Industry and manufacturing	2,849	2,248	1,862	1.4	1.2
Construction	34,317	33,658	35,264	21.6	22.6
Transportation & communication	17,319	16,438	15,507	10.6	10.0
Trade and finance	30,285	28,828	31,777	18.5	20.4
Tourism and service	5,343	3,516	5,732	2.3	3.7
Individuals and others	59,166	70,509	64,929	45.3	41.7
Total	150,161	155,787	155,797	100	100

Source: Central Bank

3. DEPOSITS WITH COMMERCIAL BANK S

In the December quarter total deposits with commercial banks (excluding government deposits) continued to increase, rising by US\$33.7 million(9.1%) to US\$402.1 million, compared to 6.5% (US\$22.6 million) increase in previous quarter. On the annual basis, it increased by 26.2% to US\$402.1 million, compared to a 9.2% increase in the same month last years. (see chart 2). The increase in total deposits in the three months to December 2012 was due to an increase in deposits of the private sector, which demand deposits contributed by 16.2%, while time deposits and saving deposit by 2.9% in the quarter under review.

Chart 2. Commercial Bank Deposit (in thousand)

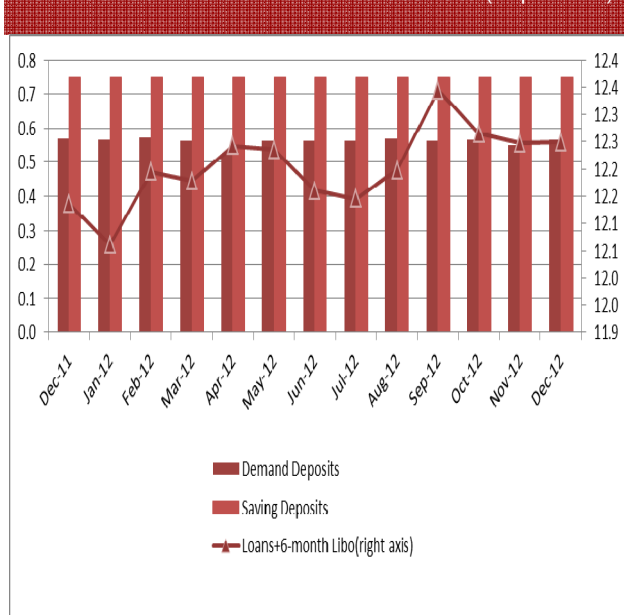


Source: Central Bank

4. DOMESTIC INTEREST RATE

Despite the strong demand for funds in financial system, there is no change to much the weighted average lending rates for commercial banks. The weighted average of lending rate edged up by 1 basis points to 12.25% in December of 2012 from 12.14 % 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% .

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

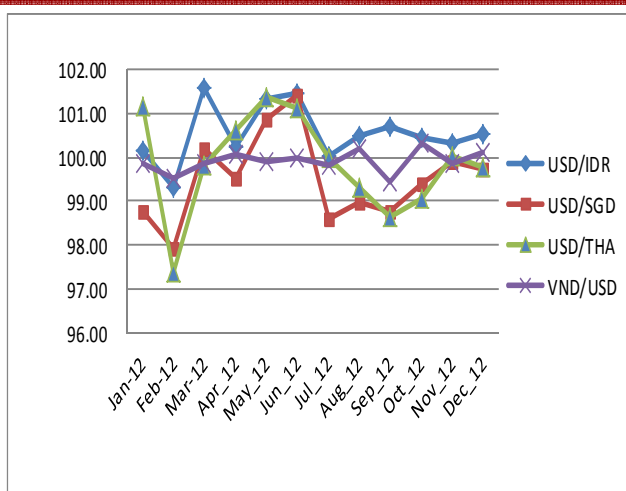


Source: Central Bank

5. EXCHANGE RATE

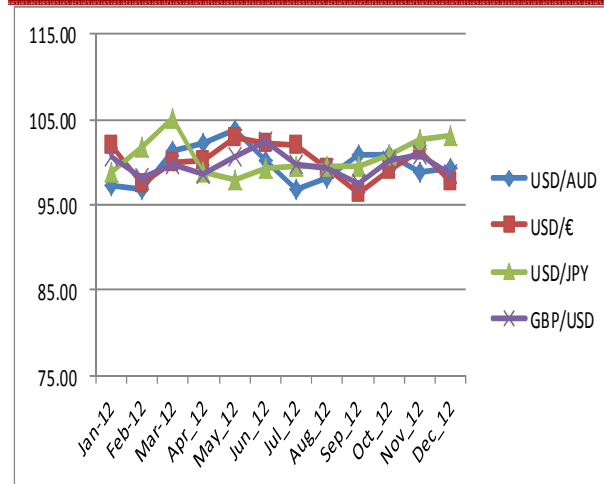
In the December quarter , the average US dollar exchange rate continued to appreciate against the Indonesia rupiah, Japanese yen and Vietnam dong, while it depreciated against the Australian dollar, Euro , Singapore dollar , Thailand baht, and British Pound. It appreciated against the Indonesia Rupiah by 1.29% to 9,679.38, Japanese yen by 6.86% to 83.54 and Vietnam dong by 0.27% .It depreciated against the Australian dollar by 0.86% to 0.9545, Euro by 1.92% to 0.7631. Singapore dollar by 0.97% to 1.2204, Thailand baht by 1.15% to 30.64 and British Pound by 0.32%.to 0.6192 (see chart 4,5 and table 4).

Chart 4. Asian Currencies Against the USD



Source: Bloomberg.com

Chart 5. G3 Currencies against USD

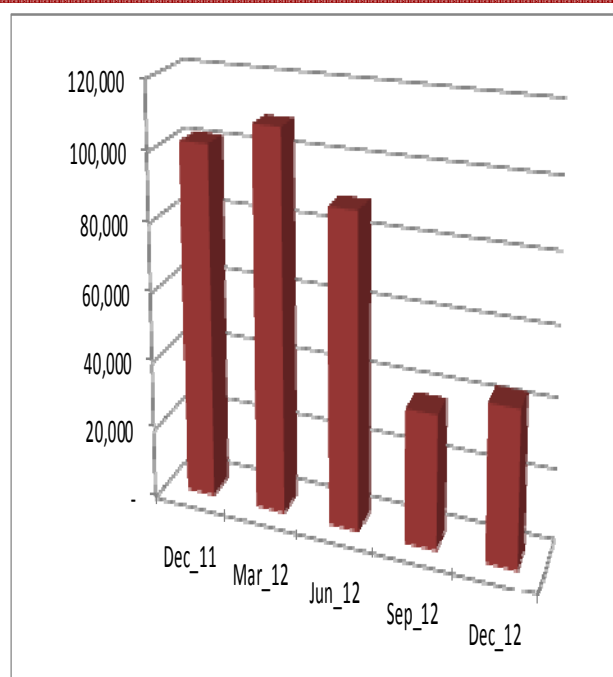


Source: Bloomberg.com

6. INTERBANK CLEARING

A clearing bank is a banking institution that is a member of a national check clearing network that has the ability to improve or clear checks for payment. 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 clearing transactions (in value terms) increase by 16.3% in December quarter, compared to 57.7% decrease in September quarter 2012. The increase was due to rise in the number of the government payment order with its customer.

Chart 6. Clearing Banks (in thousand)



Source: Central Bank

7. PRICE EVOLUTION IN DILI

The Consumer Price Index (CPI) as published by the National Department of Statistics of Timor-Leste shows that consumer prices increase 7% in December quarter of 2012, compared to an increase of 1.7% in the previous quarter. The increase was due to price rises in several groups like cereals, roots and their products (11.3%), meat and meat products (9.4%), fresh fish (4.5), fruits (7.5%), bread, cakes (14.3), men's clothing (8.8%), women's clothing (7.9), household supplies and services (3.9), and personal care (9.2).

The annual headline inflation rate was 11.7% in December 2012, lower than 17.4% in December 2011. The decrease in annual inflation was attributed to the dropped in prices of meat and meat products (0.4%), fresh fish (16.7%), vegetables (12.4%), nuts (22.3%), fruits (16%), men's clothing (19.9%), house building costs (10.3%) and transportation (19.1%).

Chart 7. Inflation rate (in percent)

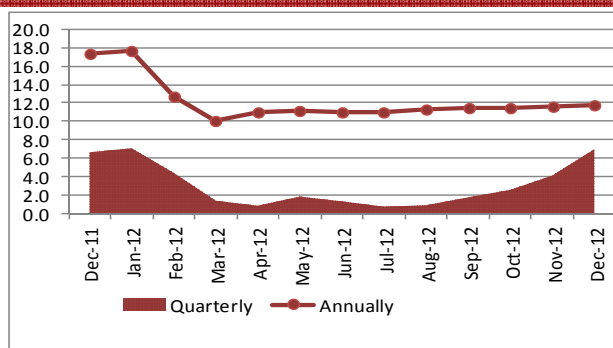


Table.2 Consumer Price Index and Inflation

Items	CPI	CPI	CPI	Inflation quarterly	Inflation Y-on-Y
	Dec 2011	Jun 2012	Dec 2012		
All Groups	191.2	196.3	213.6	7.0	11.7
Foods	204.4	207.5	229.1	8.2	12.1
Alcohol and Tobacco	171.4	175.1	184.7	4.0	7.8
Clothing and Footwear	252.2	274.8	293.2	6.9	16.3
Housing	182.8	186.4	199.8	4.0	9.3
Household Furnishings	111.4	111.9	117.9	4.6	5.8
Health	168.6	168.7	184.8	9.1	9.6
Recreation and Education	117.6	120.2	125	3.3	6.3
Transport and Com.	161.3	182.3	187.6	1.1	16.3

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. In 2011, balance of payments of Timor-Leste showed an overall surplus of 55.4 million, compared to a higher surplus of 156.3 million in 2010. This was due to a surplus in the current account, which more than offset a deficit in the financial and capital account.

8. 1. Current Account

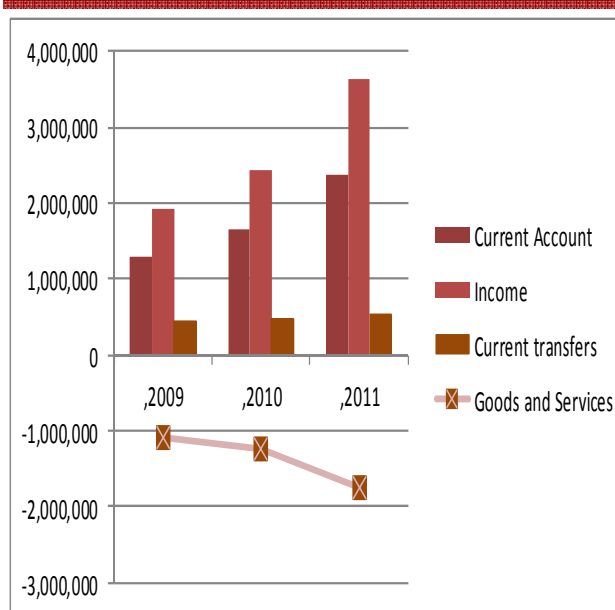
The current account is the sum of the net export of goods and services, net income, and net current transfers. Looking at chart 8 and table 6, the current account continued to show a surplus 55.2% of GDP at current market prices in 2011, higher than 52.1% in 2010. This was due to an increase in income investment (mostly from other primary income) and current transfers received from abroad. However, the good and services remained deficit by 40.9% of GDP in 2011, compared to 39.1% in 2010. This attributed to a low level of exports and increases in services spending on imported goods of transportation, travel and government services.

8. 2. Financial and Capital Account

The financial and capital account increased a deficit 53% of GDP in 2011, compared to an increased deficit 47% in 2010. The deficit in the capital and financial accounts was due to net outflows from foreign direct and other investments.

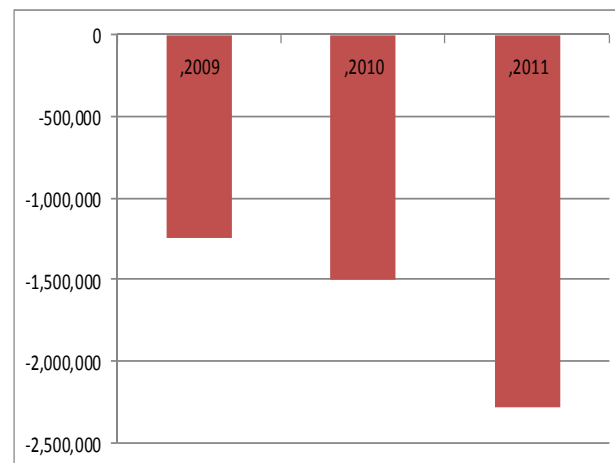
The negative capital account and financial account means that the buying of foreign assets by domestic agents (including the Petroleum Fund) was higher than foreign buying from Timor-Leste. It can be suggested that foreign investors should be encouraged to invest more in Timor-Leste .(see chart 9 and table 6 on the last pages).

Chart 8. Current Account Balance(in million)



Source: Central Bank

Chart 9. Financial and Capital Account (in million)



Source : Central bank

Table 3. MONETARY SURVEY (In million USD)

Items	Dec_11	Mar_12	Jun_12	Sep_12	Dec_12
Net Foreign Asset	688.861	412.604	628.364	846.607	1.179.266
Claims on Nonresidents	756.454	529.857	745.059	897.524	1.251.455
Liabilities to Nonresidents	-67.594	-117.353	-116.695	-52.017	-72.199
Domestics Claims	-279.836	4.936	-195.552	-390.678	-681.154
Net Claims on Central Government	-412.619	-130.184	-346.404	-548.251	-841.228
Claims on private sector	132.783	135.094	150.852	157.572	160.075
Broad Money(M2)	322.428	340.010	350.034	372.995	406.915
Narrow Money	162.684	165.117	167.368	177.490	205.763
Quasi Money	159.744	174.894	182.666	195.505	201.152

Source : Central Bank

TABLE 4. AVERAGE EXCHANGE RATE
(DEC_2012 - DEC_2013)

Month	USD/IDR	USD/AUD	USD/€	USD/JPY	USD/SGD	USD/THA	GBP/USD	VND/USD
Dec-11	9,061.12	0.9899	0.7605	77.89	1.2964	31.1992	0.6415	20,871.80
Jan-12	9,076.63	0.9625	0.7756	76.97	1.2604	31.562	0.645	20,639.66
Feb-12	9,015.66	0.9326	0.7563	78.3	1.2537	30.7363	0.633	20,742.27
Mar-12	9,159.24	0.9447	0.7583	82.42	1.2583	30.6817	0.6316	20,708.61
Apr_12	9,180.19	0.965	0.7583	81.43	1.2504	30.87	0.6235	20,724.57
May_12	9,302.89	1.0016	0.7809	79.79	1.2611	31.2932	0.6274	20,701.47
Jun_12	9,436.00	1.0034	0.7970	79.31	1.279	31.040	0.6432	20,700.04
Jul_12	9,442.30	0.9717	0.8131	78.97	1.2611	31.645	0.6409	20,661.80
Aug_12	9,489.71	0.9548	0.8072	78.83	1.2479	31.431	0.637	20,704.90
Sep_12	9,555.65	0.9628	0.778	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	20,661.52
Nov_12	9,627.19	0.962	0.761	80.93	1.2236	30.7119	0.6272	20,624.46
Dec_12	9,679.38	0.9545	0.7631	83.54	1.2204	30.64	0.6192	20,645.88

Source : Bloomberg.com



PRO FORMA BALANCE SHEET
As at 31 December 2012


DESCRIPTION	\$'000
ASSETS	
Cash and cash equivalents	640,792
Marketable Securities	301,979
Investments	24,444
Property, plant and equipment	779
Other assets	4,477
TOTAL ASSETS	972,471
LIABILITIES	
Government deposits	818,941
Provision transfer of surplus to Government	-
Other deposits	119,567
Other liabilities	8,323
Currency issued	4,773
Total liabilities	951,604
EQUITY	
Capital	20,000
Reserves	456
Retained earnings	411
TOTAL EQUITY	20,867
TOTAL LIABILITIES & EQUITY	972,471

Nota:

1. At 31 December 2012 the balance of Petroleum Fund account managed by the BCTL was \$11,775 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 31 December 2012. These Financial Statements are unaudited.

Dili, 17 January 2013


Abraão de Vasconcelos
Governor


Fernando da Silva Carvalho
Chief Accountant

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

		2009 ^{/R}	2010 ^{/R}	2011 ^{/P}
I	Current Account Exclude Other property income	-374,940	-443,122	-856,151
I	Current Account	1,285,248	1,667,068	2,383,940
A.	Goods and Services	-1,098,700	-1,250,933	-1,764,130
	1. Goods, fob	-322,747	-288,993	-343,972
	Exports, fob	14,565	28,780	34,050
	Imports, fob	-337,313	-317,773	-378,022
	2. Services	-775,953	-961,940	-1,420,158
	Exports	51,555	69,568	65,453
	Transportation	501	785	753
	Travel	16,460	25,670	21,054
	Other services, including govt. services, n.i.e.	34,593	43,113	43,646
	Imports	-827,507	-1,031,508	-1,485,611
	Transportation	-36,968	-38,879	-39,991
	Travel	-58,124	-51,589	-48,532
	Other services, including govt services, n.i.e.	-732,415	-941,040	-1,397,089
B	Income	1,933,175	2,438,344	3,621,239
	1. Compensation of employees	105,395	123,590	118,381
	Credit	106,881	125,461	119,816
	Debit	-1,486	-1,871	-1,436
	2. Investment income	167,592	204,563	262,767
	Credit	183,746	210,955	270,953
	Debit	-16,155	-6,392	-8,185
	3 Other primary income (income from JPDA), credit ^{4/}	1,660,188	2,110,190	3,240,091
C.	Current transfers	450,774	479,658	526,831
	Credit	534,858	581,162	630,148
	Debit	-84,085	-101,504	-103,317
II	Capital and Financial Account, excl. reserves	-1,245,273	-1,505,534	-2,287,686
A.	Capital account	27,334	31,255	26,223
B.	Financial account	-1,272,607	-1,536,790	-2,313,909
	1. Direct investment	49,931	28,516	47,075
	1.1 Timor-Leste's direct investment abroad	0	0	0
	1.2 Non-residents' direct investment in Timor-Leste	49,931	28,516	47,075
	2. Portfolio investment	-1,325,146	-1,508,959	-2,406,656
	2.1 Assets ^{2/}	-1,325,146	-1,508,959	-2,406,656
	2.2 Liabilities	0	0	0
	3. Other investment	2,608	-56,347	45,672
	3.1 Assets ^{2/}	8,382	-60,574	-13,152
	3.2 Liabilities	-5,775	4,227	58,824
III	Total (I + II)	39,975	161,534	96,254
IV	Errors and omissions	-479	-5,259	-40,834
	(as % of total trade)	-0.14%	-1.52%	-9.9%
V	Overall Balance (III + IV)	39,496	156,275	55,420
VI	BOP Position ^{3/}	39,496	156,275	55,420

a. 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).

b. Please refer to the attached metadata on concepts, and sources and methods used.

c. 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.

d. 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.