

Quarterly Economic Bulletin

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I. MONEY AND BANKING

Money Supply

The monetary data of March 2011 confirm an increase in the growth rate of broad money. The tendency of the growth rate is slowing down since 2007, however it is continue expand. This increase was followed by credit development from the banking system to private sector. Interbank transactions which mostly conducted through counter cash deposits and partly from clearing are the main underline upward of monetary growth in the quarter.

These developments can be seen, in some extent, its phenomenon in the evolution of the inflation rate

during the quarter to March 2011. Annual inflation rate rose sharply.

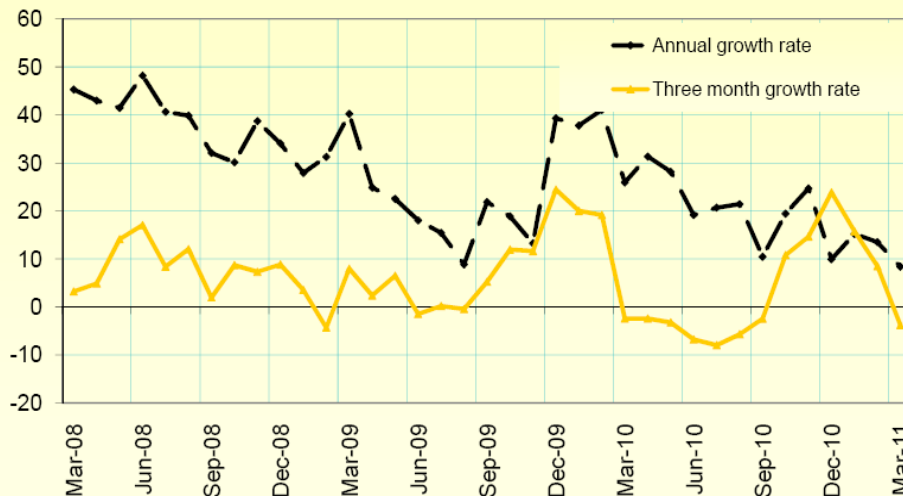
With the annual growth rate of depository institution loans to the household and mostly to private sector, the continued upward sign of movement in the loans to non financial corporation's is returned to a positive territory. However, the banking system continue concerned the issue of non-performing loans and therefore a little tighten their credit analysis and as the risk is high caused the spread of the interest rate to be large. The need to improve the behaviors, on the repayment of loans, in optimizing the financial intermediary is required.

The annual growth rate of broad money rising by 8.4%, followed an increase of 9.9% in the fourth

quarter of 2010. While, the quarterly growth rate of both broad money and credit to private sector are declined. This affects the claims of commercial banks abroad to increase. However, as the liabilities are increasing more than claims, rose more than 150%, the net foreign assets of the other depository corporations declined.

The quarterly growth rate of broad money reduced by 3.8%, reversing an upward growth of 23.9% observe in the last fourth quarter of 2010, mostly driven by demand and saving deposits. Demand deposits are the main driver, accounted about 9.8%, and saving deposit about 5.4%. While time deposit is increasing, rose

Chart 1 Broad Money Growth
(Percentage change)



by 19.2%, and currency in circulation (centavos) continues growing, rising by 4%, following a 6% increase in the last December 2010.

Further, the net foreign assets (NFA) were declined in the quarter, reduce by 25.8%, reversing an increase of 48% observed in the last December quarter. In fact this progress mostly due to huge decrease in the BPA's claims on nonresidents, down by 36.4%, reversing a 66.8% growth observes in the last quarter. While, the others depository corporations' claims on nonresidents was increased, rose by 6%, reversing a slight downward growth of 4% in the last quarter.

The main driven of the evolution of BPA's claims on nonresidents in the quarter continue to be sources from the portfolio investment securities abroad. The securities investment was declining in the quarter by 50.3% reversing an increase of 81.2% in the last December 2010. Transferable deposits, while has a

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

Sector	2010		2011	Change from March 2010	Change from Dec. 2010	Sept'10 Share (%)
	March	Dec	March			
Agriculture, Water and Forestry	452	318	573	26.8	80.2	0.5
Industry and manufacturing	1,949	6,016	5,659	190.4	-5.9	5.1
Construction	19,247	16,085	15,023	-21.9	-6.6	13.6
Transport & Comuncation	2,553	2,202	2,398	-6.1	8.9	2.2
Trade and Finance	19,032	11,328	12,880	-32.3	13.7	11.6
Tourism and Service	7,003	2,268	17,123	144.5	655.0	15.5
Individuals	55,003	72,642	57,050	3.7	-21.5	51.5
Total	105,239	110,859	110,706	5.2	-0.1	100.0

small amount compare to the security investment, has contributed to this downward changes. While, the other deposits and cash reserve were rising by 233.4% and 107.4% respectively.

However, the BPA's liability to non-resident was increased, mostly due exchange rate changes in the SDR allocation with the IMF, rising by 3%.

Further, the main driven of increase in the commercial banks' claims on nonresidents is the other deposit, grew by 18.6%. Transferable deposits and other loans to nonresident has contributed some-

what to this increase, while holdings of foreign currency was declining by 44.4%.

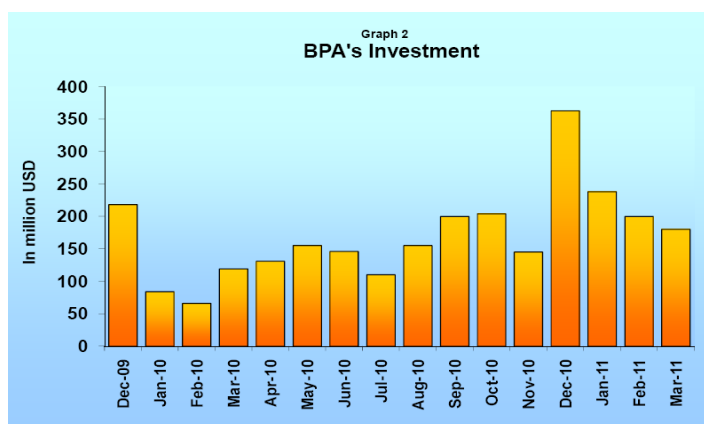
Domestic Credit

Domestic credit mostly comprises claims on central government (net) and claims on private sector. Net claims on central government contain credit and liabilities to central government from the financial system. Actually, there is no credit from the financial system to the government of Timor-Leste, therefore the net claims on the central government in the monetary statistics point of view is negative, which means that all corresponding amount is government deposits or depository corporation liabilities to the central government. Simultaneously, claims on the private sector consist of credit to domestic private sector and others claim. If there is credit to non-resident it will be recorded on claims to non-resident under NFA.

Observing the 'Timor-Leste Monetary Survey' (table 6) we can conclude that, the 'Domestic Claims' continue mark a huge growth, rising by 84.2% in year on year basis to March 2011. However, as the liability to central government is elevated, more than claims, the result is the negative in the domestic claims. Therefore, the development of this domestic claim is representing an increase in the liabilities to central government.

When considering credit from commercial banks to private sectors (table 1), it is observed that there was a slight increase in the annual growth of 5.2% in the total amount of credit awarded during the first quarter 2011, while in the quarterly basis this credit to the private sector was decreased, down by 0.1%.

The sector that absorb more resources, 51.5% of the total, was the individual credit, while declined in the growth rate during the quarter. The second sector that absorbed more credit was the tourism and services of 15.5%, construction (13.6%) and trade and



Finance of 11.6%. Agriculture, Water and Forests, still absorbing the lowest credit from our banking system, record only 0.5% of the total credit. However, it is increased in the quarter, reached about 80.2%. Tourism and services is the biggest beneficiary in the quarter, recording an increase of more than 600%, while construction has a negative growth.

Total Liquidity

In fact the total Liquidity Assets in the banking system was declined in the first quarter of 2011, down by 4.1%, reversing an increase of 1.7% in the last December 2010.

The downward growth drives liquid ratio to reduce, while still high, to 80.4%, mostly supporting by component of deposit with the BPA (53.2%) and cash in vault of 45%. Conversely the deposits with other financial institutions abroad rose by 10.7%.

The liquid ratio then has a contraction growth of 0.5% following a reduction of 0.8% observes in the last quarter. These developments caused the actual liquid requirements held, resulting excess liquidity reached 65.4%.

The BPA's portfolio investment abroad, exclude Petroleum Fund investment, decreased during the first quarter of 2011, reducing by 50.3%, reversing an increase of 81.2% in the last fourth quarter of 2010. The downward movement mostly due to the decline in the Government deposits with the BPA. As the result Timor-Leste claims on nonresident decrease, then the net foreign assets, down by 25.8%.

Interest Rate

The commercial banks' weighted average interest rate on deposits declined about 1.5 basis point, while the lending rates increased by 7.8 basis point, followed an upward growth of 2.9 basis points in December 2010.

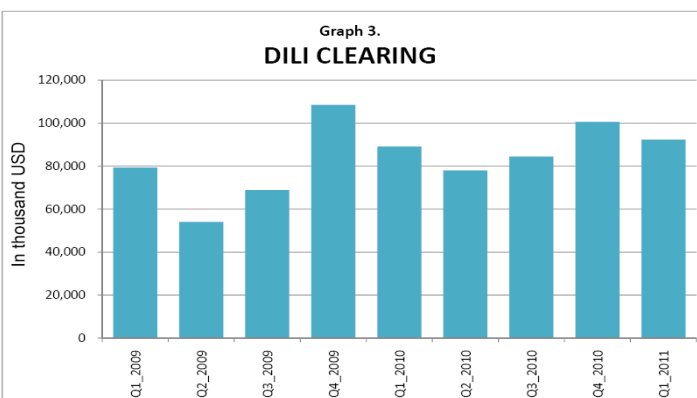
Table 2.
Commercial Banks Deposits and Lending Rates
March_2011

Weighted Average

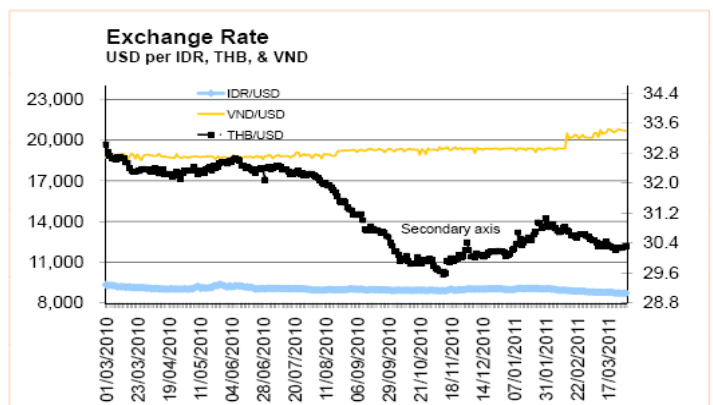
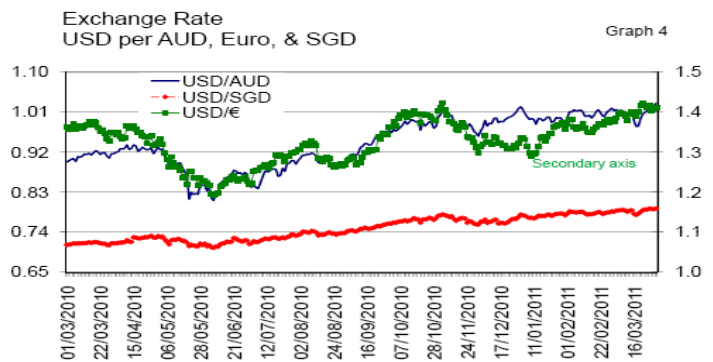
Deposit Rates				
Savings	Time Deposits			
	Up to 3 mths	3 to 6 mths	6 to 12 mths	Over 12 mths
0.75	0.80	1.04	1.20	1.30
Lending rates				
Loans + Libor 3 months				11.19

Exchange Rate

The USD depreciated against the main trading partner and major trading currencies during the quarter to March 2011. In average, the USD depreciates by 0.6% against the Euro, 1.7% against the Australian dollar, 0.6% against the Indonesia rupiah, Japanese Yen by 0.5%, and Singapore dollar by 2%, while it appreciates by 3% against the Vietnam VND and 1.8% against the Thailand Bath.



After having a consecutive increase in the last three quarter to December, clearing activities record a downward development in the quarter. The decline was supporting mostly by the number of the government payment order with its customer, contributed by 28%. The total value of clearing then decreased by 8%, reversing an increase of 19% arises in the last quarter.



II. EXTERNAL TRADE

Table 3
TIMOR - LESTE: Trade Statistics Summary

Month/Year	Imports			Exports			Balance TOTAL	Balance merchandise (Ex- Im merch.)
	Merchandise (US\$000)	Non-merch (US\$000)	TOTAL (US\$000)	Exports (US\$000)	re-export (US\$000)	TOTAL (US\$000)		
2008 (Year)	258,429	10,155	268,584	12,899	36,276	49,175	-219,408	-245,530
1st Semester/09	164,330	6,106	170,436	1,904	17,072	18,976	-151,460	-162,426
July-09	17,646	1,437	19,083	821	1,590	2,411	-16,672	-16,825
August-09	17,088	1,610	18,698	982	1,056	2,038	-16,660	-16,106
September-09	19,748	758	20,506	1,111	773	1,884	-18,622	-18,637
Q3 - 2009	54,482	3,805	58,287	2,914	3,419	6,333	-51,954	-51,568
October-09	21,208	846	22,054	2,282	1,591	3,873	-18,181	-18,926
November-09	18,787	860	19,647	624	711	1,335	-18,312	-18,163
December-09	23,787	883	24,670	766	3,226	3,992	-20,678	-23,021
Q4 - 2009	63,782	2,589	66,371	3,672	5,528	9,200	-57,171	-60,110
2st Semester/09	118,264	6,394	124,658	6,586	8,947	15,533	-109,125	-111,678
2009 (Year)	282,594	12,500	295,094	8,490	26,019	34,509	-260,585	-274,104
January-10	18,787	449	19,236	176	1,000	1,176	-18,060	-18,611
February-10	17,683	751	18,434	23	644	667	-17,767	-17,660
March-10	24,117	1,061	25,178	252	1,792	2,044	-23,134	-23,665
Q1 - 2010	60,587	2,261	62,848	451	3,436	3,887	-58,961	-60,136
April-10	28,036	199	28,235	224	1,867	2,091	-26,144	-27,812
May-10	26,039	1,313	27,352	9	2,349	2,358	-24,994	-26,030
June-10	29,954	934	30,888	959	4,942	5,901	-24,987	-28,995
Q2 - 2010	84,029	2,446	86,475	1,192	9,158	10,350	-76,125	-82,837
1st Semester/10	144,616	4,707	149,323	1,643	12,594	14,237	-135,086	-142,973
July-10	26,225	465	26,690	2,948	2,780	5,728	-20,962	-23,277
August-10	18,674	545	19,219	2,488	769	3,257	-15,962	-16,186
September-10	20,968	646	21,614	3,421	2,784	6,205	-15,409	-17,547
Q3 - 2010	65,867	1,656	67,523	8,857	6,333	15,190	-52,333	-57,010
October-10	28,291	332	28,623	1,942	3,610	5,552	-23,071	-26,349
November-10	20,044	2,096	22,140	2,804	486	3,290	-18,850	-17,240
December-10	29,816	665	30,481	1,417	1,971	3,388	-27,093	-28,399
Q4 - 2010	78,151	3,093	81,244	6,163	6,067	12,230	-69,014	-71,988
2st Semester/10	144,018	4,749	148,767	15,020	12,400	27,420	-121,347	-128,998
2010 (Year)	288,634	9,456	298,090	16,663	24,994	41,657	-256,433	-271,971

Source: National Statistics Department

III. GOVERNMENT FINANCE

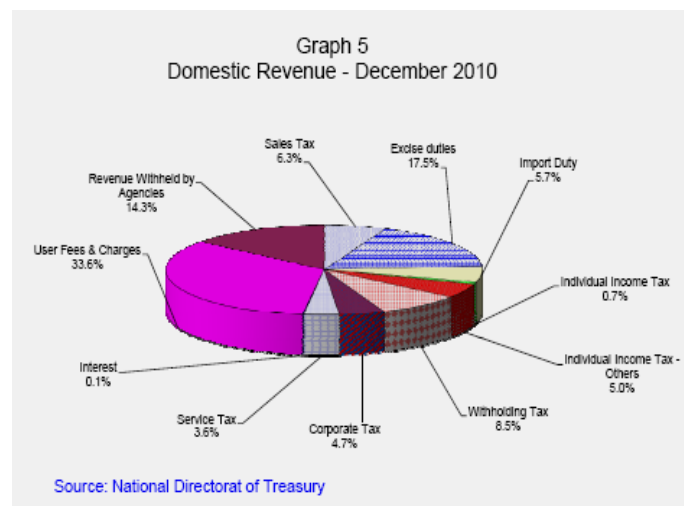
The revised budget approved for FY 2010, in July 2010, were US\$ 837.981 million, from the initial budget of US\$ 659.996 million. While, the revised domestic non-petroleum revenue estimated of US\$ 94.700 million. The total budget deficit, therefore, was estimated of US\$ 743.281. The finance was approved by Parliament to transfer from the petroleum fund, to finance the budget, amounted to US\$ 811.000 million, the remainder of US\$ 67.719 million is financed by drawdown from cash reserve.

Revenue

Total domestic revenue receipts up to the fourth quarter of 2010 were US\$ 96.360 million against the whole year budget estimates of US\$ 94.700 million. The main part of this domestic revenue was collected by Treasury (86%) and the remainder 14% from self funded by autonomous agencies. The main sources of domestic revenue receipts up to the fourth quarter 2010 were user fees & charges, which represented 33.6% of the total domestic revenue. Major contributions also came from excise duties of 17.5%, shelf-funded agencies (14%).

Expenditure

Total expenditure, for the whole year budget, up to the fourth quarter 2010 were US\$ 758.192 million, against the estimate of US\$ 837.981 million, as the result the budget execution rate, on cash basis, stay at 90%. Whole of Government expenditure performance by appropriation categories were; capital and development constituted 29%, goods and services 32%, public transfers 22%, minor capital 5%, and Salary and Wages 12%.



III. DOMESTIC ECONOMY

There is a positive development in the coffee export during the whole year of 2010. Coffee export rising by 158%, compare to a 53% drop observes in the last year of 2009.

The total amount of coffee export reached in the year was about 25.7 million kg, compare to 10 million kg achieve in the last year. While, the total value of this coffee export was about USD 16 million, which it was USD 8.3 million in 2009.

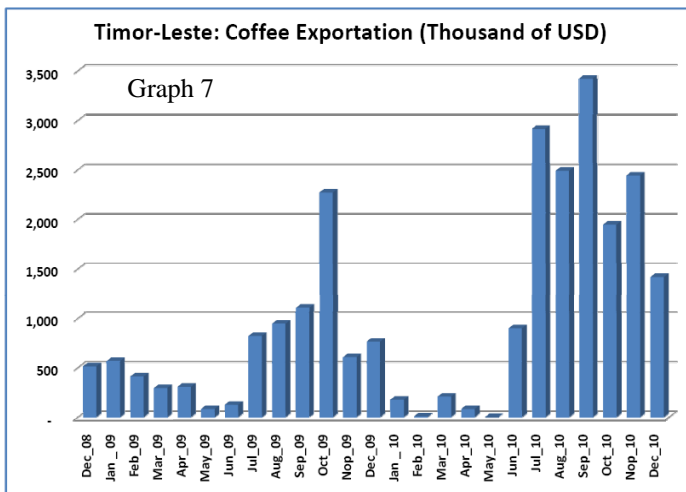
The biggest destination during the year was to the United State, with the total value share of 45% followed by Germany of 26% and Singapore about 9%. Portugal, Japan and Indonesia was about 5%, 4%, and 3% respectively.

Price Evolution in Dili

Table 4

CONSUMER PRICE INDEX (2001 = 100)							
Group	Weights (%)	Index			% Change		
		Mar_10	Dec_10	Mar_11	Mar11/ Dec10	Dec09/ Mar10	Mar11/ Mar10
ALL GROUPS	100.0	154.4	162.9	176.1	8.1	7.4	14.1
Food	56.7	159.6	170.6	187.2	9.7	9.4	17.3
Alcohol and Tobacco	4.8	139.9	144.1	147.9	2.6	2.0	5.7
Clothing and Footwear	8.9	189.3	210.6	226.3	7.5	12.9	19.5
Housing	10.2	164.7	163.6	174.3	6.5	4.6	5.8
Household Furnishings, Supplies and Services	7.9	101.7	100.9	105.2	4.3	-1.9	3.4
Health	4.2	148.7	155.9	158.8	1.9	4.4	6.8
Recreation and Education	3.4	112.1	115.6	116.9	1.1	1.1	4.3
Transport and Communication	4.2	136.5	137.6	153.5	11.6	0.6	12.5

Note: this CPI just for Dili
Source: National Statistics Department



Energy Price and Coffee

Table 5

End of period	Coffee price, ICO (USD cents/lb)		Energy prices (USD)	
	Recent	Previous day	Crude oil, W.T.I Cushing (barrel)	Natural gas, Nymex Henry Hub, \$mmBtu.
30-Mar-11	221.15	224.55	104.79	4.27
28-Feb-11	217.80	221.36	96.98	4.00
31-Jan-11	199.53	199.79	89.34	4.34
30-Dec-10	194.69	194.69	91.12	4.31
30-Nov-10	172.90	172.90	85.73	4.21
29-Oct-10	171.49	170.88	82.18	3.91
30-Sep-10	165.89	163.99	77.86	3.96
31-Aug-10	153.18	149.55	74.70	3.83
30-Jul-10	154.52	153.35	78.36	4.83
30-Jun-10	155.46	155.60	75.94	4.56

According to data recently published by the National Directorate of Statistics, between March 2010 and March 2011 there was a rise of 14,1% of the CPI at Dili.

The quarterly inflation rate rose by 8.1% in March 2011, following the 3.4% growth observes in the last fourth quarter of 2010.

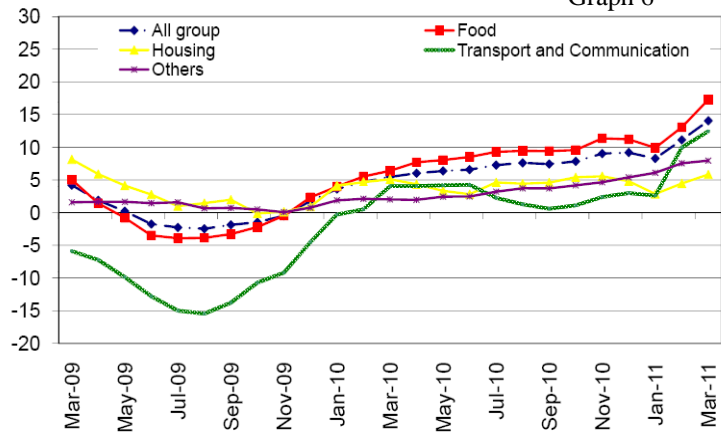
The acceleration in inflation rate in this quarter mostly reflected the impact of increase in the price of food of 17.3%, transport and communication 12.5%, housing 5.8%, and others of 8%.

The inflation in Timor-Leste, as generally, should be the function of money supply. There could be supply shock, such as food price and recent increase in the oil price. However, basically as the Government increases the money supply, through its expenditure, the demand would increase. As the demand increase faster than the quantity of goods provided, the result is the increase in inflation, thus means an ongoing fall in the whole purchasing power. It could be affect the investment.

Contribution to annual CPI Inflation

(Percentage points)

Graph 6



Timor-Leste Monetary Survey

Millions of US Dollars

Table 6

	Mar-09	Mar-10	Dec-10	Mar-11	Percentage change	
					1 Q ago	1 Year ago
NET FOREIGN ASSETS	255.547	401.214	621.781	461.200	-25.8	15.0
CLAIMS ON NONRESIDENTS	277.037	433.535	649.758	516.319	-20.5	19.1
LIABILITIES TO NONRESIDENTS	-21.490	-32.321	-27.977	-55.119	97.0	70.5
DOMESTIC CLAIMS	26.371	-50.562	-221.356	-93.111	-57.9	84.2
NET CLAIMS ON CENTRAL GOVERNMENT	-88.357	-150.971	-331.014	-204.288	-38.3	35.3
CLAIMS ON CENTRAL GOVERNMENT	7.757	16.745	22.380	12.639	-43.5	-24.5
LIABILITIES TO CENTRAL GOVERNMENT	-96.114	-167.716	-353.394	-216.927	-38.6	29.3
CLAIMS ON OTHER SECTORS	114.728	100.410	109.658	111.177	1.4	10.7
CLAIMS ON OTHER FINANCIAL CORPORATIONS	0.000	0.000	0.000	0.000	0.0	0.0
CLAIMS ON STATE AND LOCAL GOVERNMENT	0.000	0.000	0.000	0.000	0.0	0.0
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	0.000	0.000	0.000	0.000	0.0	0.0
CLAIMS ON PRIVATE SECTOR	114.728	100.410	109.658	111.177	1.4	10.7
BROAD MONEY LIABILITIES	207.984	261.911	295.025	283.867	-3.8	8.4
CURRENCY OUTSIDE DEPOSITORY CORPORATIONS	2.565	2.938	3.374	3.512	4.1	19.5
TRANSFERABLE DEPOSITS	97.339	124.610	138.012	128.331	-7.0	3.0
OTHER DEPOSITS	108.080	134.362	153.639	152.024	-1.1	13.1
SECURITIES OTHER THAN SHARES	0.000	0.000	0.000	0.000	0.0	0.0
DEPOSITS EXCLUDED FROM BROAD MONEY	0.039	0.073	0.095	0.103	8.5	42.1
SHARES AND OTHER EQUITY	11.489	16.187	17.653	17.846	1.1	10.3
OTHER ITEMS (NET)	62.407	72.482	87.652	66.196	-24.5	-8.7
IFS Vertical Check	0.000	0.000	-0.001	0.075	0.0	0.0
Petroleum Fund Assets	4,750.824	5,787.178	6,903.996			

Autoridade Bancária e de Pagamentos de Timor-Leste
Banking and Payments Authority of Timor-Leste

Avenida Bispo Medeiros, PO Box 25, Díli, Timor-Leste

Table 7

QUARTERLY SUMMARY FINANCIAL STATEMENTS

BALANCE SHEET		PROFIT AND LOSS	
As at 31 March 2011		For the period ended 31 March 2011	
In thousands of US Dollars		In thousands of US Dollars	
ASSETS	US Dollars	OPERATING PROFIT	US Dollars
Cash and cash equivalents	72,035	Interest income	413
Investments	203,628	Interest expense	(99)
Other assets	14,408	Net investment income	314
TOTAL ASSETS	290,071		
LIABILITIES		Fees and commissions	498
Government deposits	206,112	Petroleum fund management fee	2,915
Other deposits	47,418	Donations & Grants	119
Other liabilities	9,539	Other income	21
Currency issued	3,688	TOTAL OPERATING INCOME	3,867
TOTAL LIABILITIES	269,757	EXPENSES	
EQUITY		Personnel & capacity building expenses	668
Capital	20,000	Currency distribution expenses	299
Reserves	41	Administration expenses	2,500
Retained earnings	273	Depreciation	127
TOTAL EQUITY	20,314	TOTAL EXPENSES	3,594
TOTAL LIABILITIES & EQUITY	290,071	OPERATING SURPLUS	273

Notes: At 31 March 2011 the balance of Petroleum Fund account managed by the BPA was \$7,745 million. This is to recognize the reporting requirement under IFRS.

The Summary Statements above are prepared in accordance with section 36.2 of Regulation 2001/33 and have been prepared on an accrual basis from the financial records of BPA, as at 31 March 2011. These financial statements are audited.


 Abraão de Vasconcelos
 General Manager


 Fernando da Silva Carvalho
 Chief Accountant

April 15, 2011