



Quarterly Economic Bulletin

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I. MONEY AND BANKING

Money Supply

The latest monetary data for September 2009 quarter confirm the increase in annual growth rate of broad money, a signal of continue existing the source of fund. This development on some part can be reflected the movement in the counterpart, as there is continues, despite small sign, increasing in the loans to private sector within the quarter.

While there is increase in money supply, indirectly affecting by rapid increase in the government budget expenditure, followed by slightly increase in the loans to private sector, seems does not influence the infla-

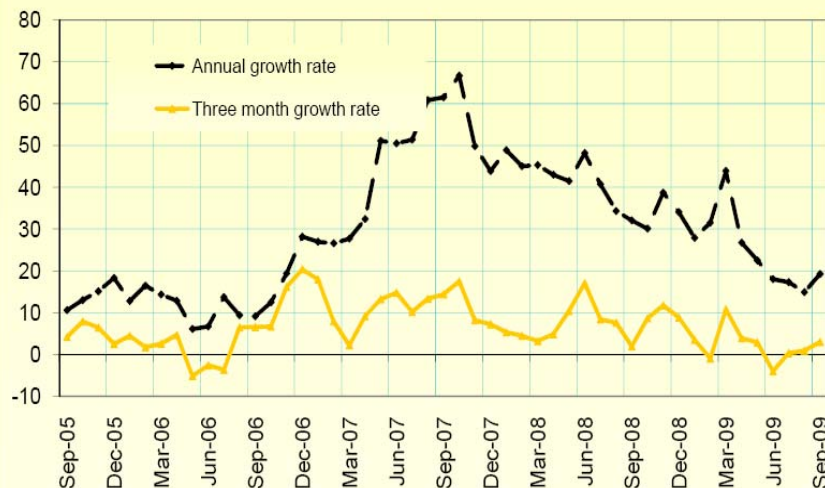
tion. And, as Timor-Leste is a dollarize economy with huge dependence in import, the effect of monetary phenomenon in the inflation does not appeared. In fact there was deflation in the quarter, and this might be affecting by others factor.

The annual growth rate of broad money has a trend to rise further while in the last quarter show some sign to moderate. Hence, the monetary expansion in Timor-Leste during the September quarter grew at 19%, up from 18% in the second quarter of 2009 and 44% in the first quarter of 2009.

The quarterly growth base of broad money grew at 3%, up from a negative growth of 4% in the last second quarter of 2009, mainly driven by transferable and saving deposit, an increase of 4.2% and 6.5% respectively. While, time deposits declining by -19.3%, down from -13.7% observe in the last quarter. In fact the BPA in the quarter put more currency in to circulation (centavos), and this has supported somewhat to the development of broad money, rising by 12%, up from -6.3%.

However, net foreign assets (NFA) have decreased, in quarterly basis, reducing by -23% from a growth of 44.6 observe in the last second quarter, reflecting a contraction mostly by the BPA's foreign assets, a decline of 50%, which in the last quarter were rising by 139.5%. However, the others depository corporations' foreign assets has been continue to growing, rising by 9%, followed by 2.3% growth occurred in

Chart 1 Broad Money Growth (Percentage change)



the last second quarter.

Yet, the BPA's foreign assets was declining mostly by BPA's portfolio investment securities abroad, decrease by 52%, from a positive growth of 57% observe in the last quarter. Other claims such as transferable deposits, other deposits and cash reserves, also had fallen.

This downward movement of the portfolio investment has reflected the government withdrawal from its account held at the BPA to finance the budget. As there was no request from the government to withdraw from the Fund during the quarter, thus no incoming transfer from the Fund to the government deposit.

Further, the commercial banks' foreign assets were driven mostly by other deposit abroad, rising by 30%, while foreign currency and transferable deposits declined by 16.8% and 3.8% respectively.

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

the private sector consist of credit to domestic private sector. If there is credit to non-resident it will be recorded on claims to non-resident under NFA.

Domestic credit in September quarter of 2009, according to table 7 monetary survey, decreased by – 109%. This was due to decline in the liabilities of BPA to central government, conversely the claims to central government is increasing. The government deposits therefore decreased by 50% while claims to government rose by 19%, as the result the net credit to government reduced by 51%. The decline in domestic credit in the June quarter also was driving by downward growth in the credit to domestic private sector, reduced by 1.6%.

Conversely, table 1 shows a slow upward in the total loans portfolio to the private sector in the quarter, rising by 6%, following an increase of 2.2% in the previous quarter. Despite the source of fund is available as broad money continues increase, commercial banks still concern on high non performing loans. However the process for reducing that risk is going on, the signal of growth trend, while small, is emerged.

This upward trend of loans to private sector in the quarter mostly concentrates on construction sector, rising by 80%, following by trade-finance and transport-communication of 37.5% and 7.3% respectively. Unfortunately, most of the beneficiaries of credit by sectors were downward growing. The agriculture, water and forestry sectors were reducing by 45%, reversing an increased of 18% in the second quarter of 2009. While, tourism and service reduced by 20%, industry and manufacturing by 17.8%, and individuals, the largest share of loans, by 8%.

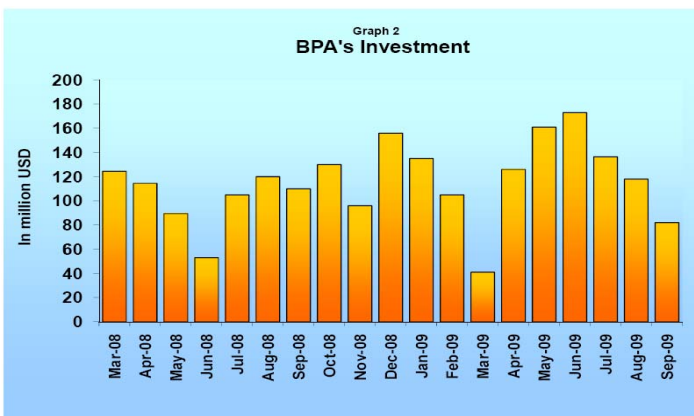
Total Liquidity

The total Liquidity Assets in the banking system during the September quarter of 2009 was increasing,

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

Sector	2009		Change from June 2009	Sept Share (%)
	June	Sept		
Agriculture, Water and Forestry	393	216	-45.0	0.2
Industry and manufacturing	1,919	1,577	-17.8	1.4
Construction	12,480	21,955	75.9	19.8
Transport & Comuncation	2,076	2,227	7.3	2.0
Trade and Finance	13,397	18,416	37.5	16.6
Tourism and Service	14,812	11,839	-20.1	10.7
Individuals	59,727	54,869	-8.1	49.4
Total	104,804	111,099	6.0	100.0

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



rose by 11.5%, following an increase of 2.9% in the last June quarter. This development was due to the growth of broad money in the quarter while the progress on credit still slow.

The growth drives liquid ratio to rise further to 76% mostly supporting by component of deposits with other financial institutions abroad, reached 17.5% in the quarter, while balances with Central Bank and cash declined by 27.4% and 17.5% respectively. The liquid ratio then has an expansion growth of 2.3% following an increase of 4.8% observes in the last June quarter. These developments caused the actual liquid requirements held, resulting excess liquidity rising to 61% from 59.4%.

However, the BPA's portfolio investment abroad during the third quarter 2009, exclude Petroleum Fund investment, has a significant reduction, reduced by 53% compare to the last second quarter of 2009. These downward movements reflecting the BPA withdrawal to meet government request from financing its budget expenditure. This security investment pull the foreign investment to decrease further, then the International Reserves is affecting, reducing by 50.5% reversing an increase of 140% observe in the last June 2009 quarter.

Interest Rate

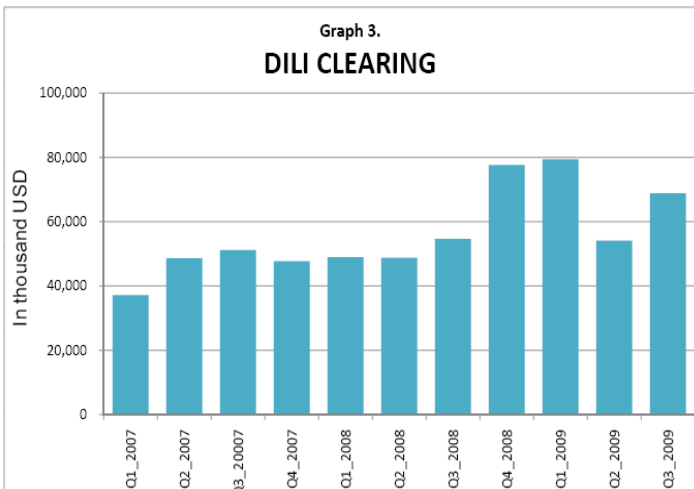
The commercial banks' weighted average interest rate on deposits decreased by 0.3 basis point while the lending rates decreased by 18 basis points in the September quarter.

Table 3.
Commercial Banks Deposits and Lending Rates
September_2009

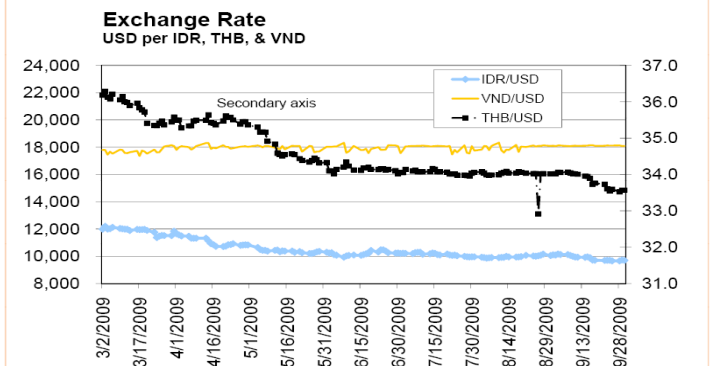
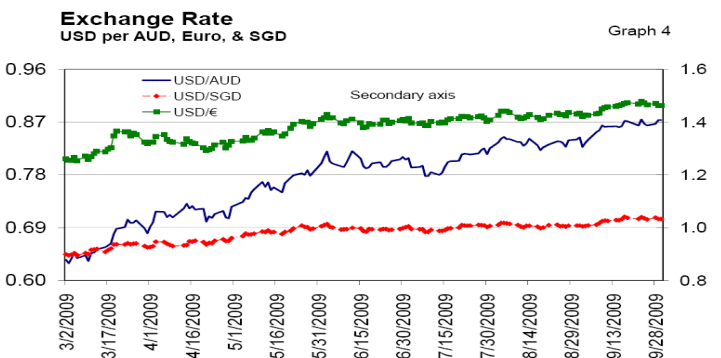
Weighted Average				
Deposit Rates				
Savings	Time Deposits			
	Up to 3 mths	3 to 6 mths	6 to 12 mths	Over 12 mths
0.75	0.82	1.05	1.22	1.31
Lending rates				
Loans + Libor 3 months				10.88

Exchange Rate

The USD continues depreciated against the main trading partner and major trading currencies during September 2009 quarter. This most likely reflects the movement out of USD assets portfolio to other currency. In average, the USD depreciates by 4.7% against the Euro, 8.8% against the Australian dollar, Singapore dollar by 2.3%, Indonesian rupiah by 5.3%, and depreciates by 3.8% against the Japanese Yen, while it appreciate against Vietnam VND by 0.2%.



Clearing activities in the quarter showing an upward development compare to the last quarter. This was due to the increase in the number of both commercial bank and the government payment order with its customer. The value of clearing then rose by 27% compared to 32% declined in the last quarter, a reflection of rising in volume of clearing of 13%.



II. EXTERNAL TRADE

Table 4
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)		
July-08	19,144	525	19,669	2,231	5,032	7,263	-12,406	-16,913
August-08	27,161	498	27,659	2,128	3,509	5,637	-22,022	-25,033
September-08	20,206	630	20,836	1,945	4,306	6,251	-14,585	-18,261
Q3 - 2008	66,511	1,653	68,164	6,304	12,847	19,151	-49,013	-60,207
October-08	26,650	838	27,488	2,515	4,677	7,192	-20,296	-24,135
November-08	40,122	3,835	43,757	2,100	1,867	3,967	-39,790	-38,022
December-08	35,277	1,055	36,332	533	967	1,500	-34,832	-34,744
Q4 - 2008	102,049	5,528	107,577	5,148	7,511	12,659	-94,918	-96,901
2st Semester/08	168,560	7,181	175,741	11,452	20,358	31,810	-143,931	-157,108
2008 (Year)	258,429	10,155	268,584	12,899	36,276	49,175	-219,408	-245,530
January-09	33,399	2,427	35,826	629	2,405	3,034	-32,792	-32,770
February-09	34,497	760	35,257	409	462	871	-34,386	-34,088
March-09	21,935	209	22,144	312	2,795	3,107	-19,037	-21,623
Q1 - 2009	89,831	3,396	93,227	1,350	5,662	7,012	-86,215	-88,481
April-09	24,190	956	25,146	321	9,522	9,843	-15,303	-23,869
May-09	24,500	925	25,425	98	734	832	-24,593	-24,402
June-09	25,809	829	26,638	135	1,154	1,289	-25,349	-25,674
Q2 - 2009	74,499	2,710	77,209	554	11,410	11,964	-65,245	-73,945
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	-18,660	-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

Source: National Statistics Department

III. GOVERNMENT FINANCE

The budget approved for FY 2009 were US\$ 680.873 million, with the domestic non-petroleum revenue estimated of US\$ 91.200 million, the total budget deficit was estimated of US\$ 589.673. The finance was approved by Parliament to withdraw/or transfer from the petroleum fund, to finance this budget deficit, amounted to US\$ 589.000 million, the remainder of US\$ 0.673 million is financed by drawdown from cash reserve.

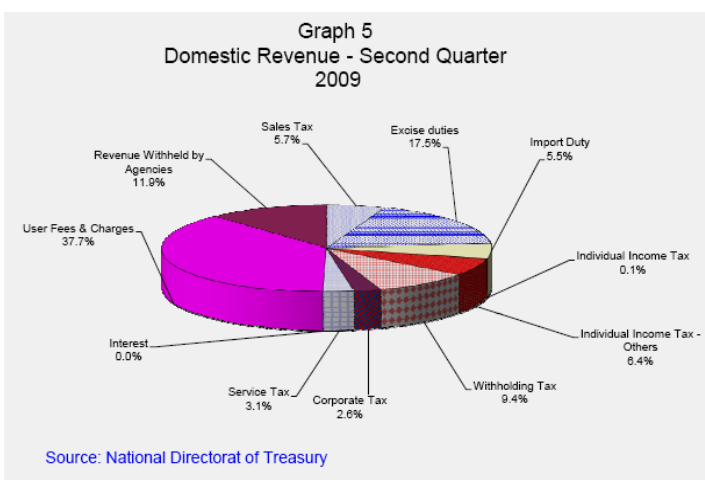
Revenue

Total domestic revenue receipts during the second quarter 2009 were US\$ 43.475 million against US\$ 91.200 million of the estimated budget. The main part of this domestic revenue was collected by Treasury (88%) and the remainder 12% from self funded by autonomous agencies. The main sources of domestic revenue receipts during this second quarter of 2009 were user fees & charges, which represented 37.7% of the total domestic revenue. Major contributions also came from excise duties of 17.5%, shelf-funded agencies (12%), withholding tax (9.4%), individual income tax—others (6.4%), and sales tax and import duty of 5.7% and 5.5% respectively.

Expenditure

Total expenditure up to the second quarter 2009 were US\$ 180.729 million, against the estimate of US\$ 680.873 million, as the result the budget execution rate stay at 29.7%. These expenditure are on cash basis, however if the rate do include the obligations and commitments the overall budget execution would be 52.2%.

Whole of Government expenditure performance by appropriation categories were; capital and development constituted 39%, goods and services 28%, public transfers 18% minor capital 7%, and Salary and Wages 8%.



IV. DOMESTIC ECONOMY

In fact, the main Timor-Leste's domestic production of export orientation, coffee, during the third quarter 2009 starts to perform an upward development. The value of coffee export reach more than 400% compare to the last June quarter, but still 50% below the same quarter of 2008. The total amount of coffee export reached in the quarter about 2.9 million kg compare to 0.5 million kg observe in June quarter, while it reached 11.8 million kg in last September 2008 quarter. The bed weather continues creates hard crops as it could produce last September 2008.

The biggest destination was Germany (38%) followed by United States of America (21%), and Samoa (23%). While Portugal, Singapore and Indonesia just reached 6.4%, 5.8% and 1.7% respectively.

Price Evolution in Dili

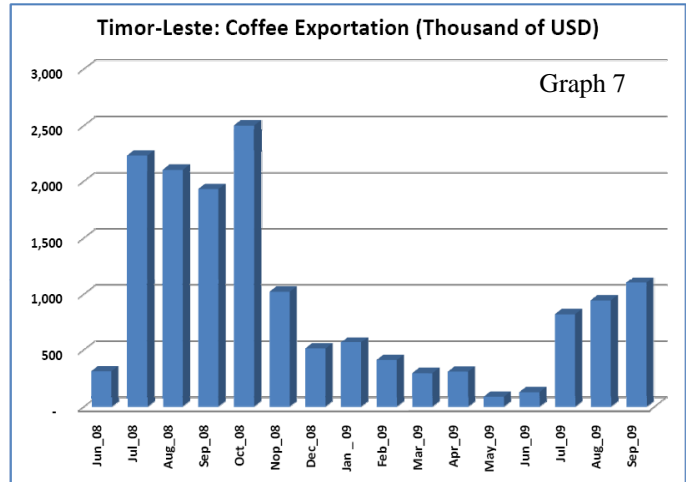
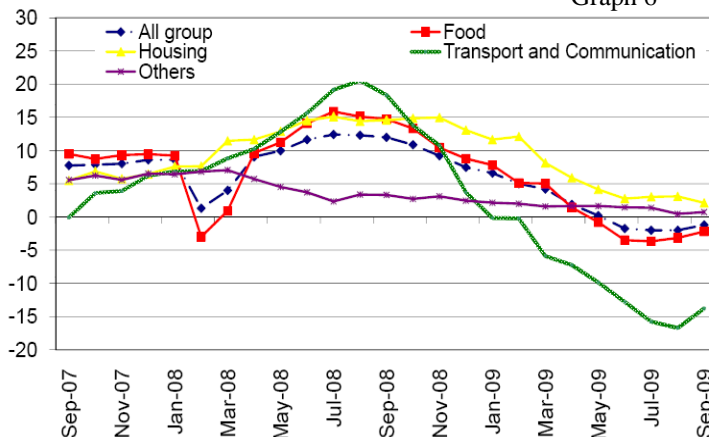
Table 5

CONSUMER PRICE INDEX (2001 = 100)							
Group	Weights (%)	Index			% Change		
		Sept_08	Jun_09	Sept_09	Sept09/ Jun09/ Jun08	Sept09/ Jun08	Sept09/ Sept08
ALL GROUPS	100.0	149.5	146.0	147.7	1.2	4.2	-1.2
Food	56.7	155.0	149.2	151.6	1.6	5.0	-2.2
Alcohol and Tobacco	4.8	138.0	137.6	137.8	0.1	2.3	-0.1
Clothing and Footwear	8.9	165.1	174.4	177.7	1.9	6.0	7.6
Housing	10.2	151.7	156.3	154.9	-0.9	8.1	2.1
Household Furnishings, Supplies and Services	7.9	102.8	102.2	102.2	0.0	-0.9	-0.6
Health	4.2	151.3	148.1	148.1	0.0	0.3	-2.1
Recreation and Education	3.4	113.4	112.1	112.1	0.0	0.2	-1.1
Transport and Communication	4.2	155.4	131.5	134.0	1.9	-5.9	-13.8

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

Contribution to annual CPI Inflation
(Percentage points)

Graph 6



Energy Price and Coffee

Table 6

Coffee price, ICO (USD cents/lb)			Energy prices (USD)	
End of period	Recent	Previous day	Crude oil, W.T.I Cushing (barrel)	Natural gas, Nymex Henry Hub, \$mmBtu.
30-Sep-09	114.00	114.44	66.71	4.89
31-Aug-09	112.25	113.85	72.74	3.05
31-Jul-09	115.62	115.64	66.94	3.70
30-Jun-09	111.84	112.07	71.49	4.04
29-May-09	128.43	127.55	65.08	3.65
30-Apr-09	111.90	112.49	50.97	3.33
31-Mar-09	110.22	110.33	48.41	3.81
27-Feb-09	109.76	105.98	45.22	4.08
30-Jan-09	113.53	113.07	41.44	4.58
31-Dec-08	100.64	101.33	39.03	5.84

The quarterly inflation rate reported by National Statistics Department rose by 1.2% in September quarter of 2009, reversing a negative growth of 0.3% observe in June 2009 quarter.

However the annual inflation rate continues stay at a negative space, reached -1.2%, from -1.7% observes in last June quarter. Deceleration in inflation could be reflected the large impact of decrease in the price of food of -2.2% - which cereal represents -11.6% -, and the transport and communication by -13.8%. These two components looks are the most influencing items on the CPI level in Timor-Leste, and as food represent high weighted in the basket of CPI, small changes will have significant effect. This phenomenon of deceleration, which contradicts with the trend of money supply, could also be affected by other factors, such as the maintenance of the weighted and the basket on the base year 2001, while the current behavior of people's consumptions might changes.

Timor-Leste Depository Corporations Survey

Millions of US Dollars

Table 7

	Sep-07	Sep-08	Jun-09	Sep-09	Percentage change 1 Q ago	1 Year ago
NET FOREIGN ASSETS	304.826	276.829	369.496	284.135	-23.1	2.6
CLAIMS ON NONRESIDENTS	332.613	318.817	397.888	333.380	-16.2	4.6
LIABILITIES TO NONRESIDENTS	-27.787	-41.987	-28.392	-49.246	73.4	17.3
DOMESTIC CLAIMS	-118.560	-38.505	-89.925	8.086	-109.0	-121.0
NET CLAIMS ON CENTRAL GOVERNMENT	-225.303	-136.267	-194.886	-95.155	-51.2	-30.2
CLAIMS ON CENTRAL GOVERNMENT	0.779	0.453	4.483	5.346	19.3	1080.7
LIABILITIES TO CENTRAL GOVERNMENT	-226.081	-136.719	-199.369	-100.501	-49.6	-26.5
CLAIMS ON OTHER SECTORS	106.743	97.762	104.961	103.241	-1.6	5.6
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	106.743	97.762	104.961	103.241	-1.6	5.6
BROAD MONEY LIABILITIES	134.019	176.991	204.924	211.043	3.0	19.2
CURRENCY OUTSIDE DEPOSITORY CORPORATIONS	2.241	2.368	2.405	2.695	12.1	13.8
TRANSFERABLE DEPOSITS	68.523	95.091	98.636	102.734	4.2	8.0
OTHER DEPOSITS	63.255	79.532	103.884	105.615	1.7	32.8
SECURITIES OTHER THAN SHARES	0.000	0.000	0.000	0.000	0.0	0.0
DEPOSITS EXCLUDED FROM BROAD MONEY	0.021	0.029	0.048	0.056	17.6	95.2
SHARES AND OTHER EQUITY	1.063	6.510	14.147	15.861	12.1	143.6
OTHER ITEMS (NET)	51.163	54.795	60.452	65.260	8.0	19.1
<i>IFS Vertical Check</i>	0.000	0.000	0.000	0.000	0.0	0.0
Petroleum Fund Assets (por memória)	1817.908	3738.353	4901.525	5301.568	8.2	41.8

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

Table 8

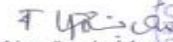
Av. Bispo Medeiros, PO Box 59, Dili, Timor-Leste

QUARTERLY SUMMARY FINANCIAL STATEMENTS

BALANCE SHEET		PROFIT AND LOSS	
As at 30 September 2009		For the period ended 30 September 2009	
In thousands of US Dollars		In thousands of US Dollars	
	US Dollars		US Dollars
ASSETS		OPERATING PROFIT	
Cash and cash equivalents	20,679	Interest income	124
Investments	106,808	Interest expense	(32)
Other assets	6,453	Net investment income	92
TOTAL ASSETS	133,940		
		Fees and commissions	182
LIABILITIES		Petroleum fund management fee	352
Government deposits	57,545	Donations & Grants	42
Other deposits	44,387	Other income	8
Other liabilities	9,059	TOTAL OPERATING INCOME	676
Currency issued	2,786		
TOTAL LIABILITIES	113,777	EXPENSES	
		Personnel & capacity building expenses	218
EQUITY		Currency distribution expenses	116
Capital	20,000	Administration expenses	238
Reserves	93	Depreciation	34
Retained earnings	70	TOTAL EXPENSES	606
TOTAL EQUITY	20,163		
		OPERATING PROFIT	70
TOTAL LIABILITIES & EQUITY	133,940		

Notes: At 30 September 2009 the balance of Petroleum Fund account managed by the BPA was \$5,301,568,442. This is to recognise the reporting requirement under IFRS.

The Summary Statements above are prepared in accordance with section 56.2 of Regulation 2001/30 and have been prepared on an accrual basis from the financial records of BPA as at 30 September 2009. These financial statements are unaudited.


 Abraão de Vasconcelos
 General Manager


 Fernando da Silva Carvalho
 Chief Accountant

October 16, 2009