



Quarterly Economic Bulletin

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I. MONEY AND BANKING

Money Supply

The latest monetary data of June 2009 quarter confirm the decline of annual growth rate of broad money, however cannot be fully explain the slow-down in the inflation rate in the quarter. Further, this phenomenon does not reflect the effect of the financial crisis, as financial system in Timor-Leste has been isolated from the world financial crisis. In fact the most supported for this shift in the broad money was the most liquid component, the transferable deposit.

This development on some part can be reflected the

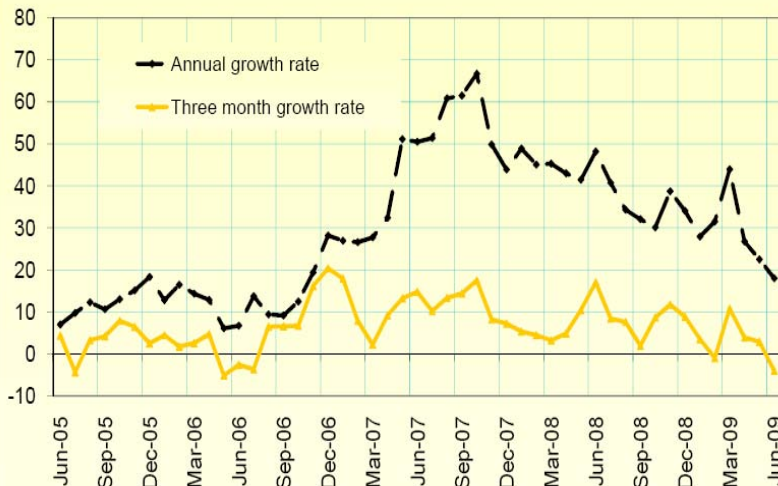
movement in the counterpart, as there is some small sign of increasing in the loans to private sector within the quarter.

While there is no significant loans growth and due to Timor-Leste is a dollarize economy the effect of monetary phenomenon in to the inflation is hard to predict, therefore the decline in the broad money in turn the slightly increase in the loans to private sector cannot be wholly reflected the slowdown in the inflation in the quarter.

The annual growth rate of broad money has a trend to moderate further while in the last quarter show some sign of increasing. Hence, the monetary expansion in Timor-Leste during the June quarter grew at 18%, down from 43.9% in the first quarter of 2009 and 34.1% in the fourth quarter of 2008. The quarterly growth base of broad money grew at -4%, down from 10.8% in the last first quarter of 2009, mainly driven by time deposits, standing at -13.7%, from 13.9% in the last quarter. Saving deposits which in the last quarter was the main driving of increased in the growth, now declining by -1.6%, down from 25.3%. Currency in circulation (centavos) has supported somewhat to this development, reducing by -6.3% from 4.5% observe in the previous quarter, while the demand deposit has a downward growth of 0.4%.

However, net foreign assets (NFA) have increased, in quarterly basis, rising by 44.6, from a reduction of 34.9% observe in the last first quarter, reflecting an expansion mostly by the

Chart 1 Broad Money Growth (Percentage change)



BPA's foreign assets, an increase of 139.5%, which in the last quarter were reducing by 60.4%. However, the others depository corporations' foreign assets has a contribution growth of 2.3%, reversing a downward growth of 8.3% occurred in the last first quarter.

Yet, the BPA's foreign assets was rising mostly by BPA's portfolio investment securities abroad, grew by 321.7%, up from a negative growth of 73.7% in the last quarter, while other claims such as transferable deposits, other deposits and cash reserves, had fallen.

This movement of the portfolio investment has reflected the demand of Government to withdraw and transfer from the Petroleum Fund account to, - its account held at the BPA -, finance the budget. The BPA's portfolio investment securities increase as the incoming fund is invested at the security. Fur-

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

Therefore, the domestic credit in June quarter of 2009, according to table 7 monetary survey, decreased by -441%, meaning that the liabilities of BPA to central government are increasing. As the government deposits increased on one side and the claims to government decline on other side, the net credit to government rise further, grew by 120.6%. The decline in the domestic credit also was driving by downward growth in the credit to domestic private sector, reduced by 8% in the June quarter.

Conversely, table 1 shows a slow upward in the total credit portfolio to the private sector in the quarter, rising by 2.2%, reversing a decline of 2.6% in the previous quarter. While the commercial banks still concern on high non performing loans, however the process for reducing that risk in the future is going on, the signal of growth trend, while small, is emerged.

Fortunately most of the beneficiaries of credit by sectors were growing. The agriculture, water and forestry sectors were rising by 18%, following the increased of 38.2% in the first quarter of 2009. Trade and finance grew by 7.7%, declined from 18.3% in the previous quarter. Individual, the largest share of the credit by sector, and construction rose by 2% respectively, while industry and manufacturing by 1.4%. However, transport and communication, and tourism and services, are the two sectors that were declined in the quarter, reducing by 2.9% and 0.9% respectively.

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

Sector	2009		Change from Mar 2009	June Share (%)
	Mar	June		
Agriculture, Water and Forestry	333	393	18.0	0.4
Industry and manufacturing	1,893	1,919	1.4	1.8
Construction	12,236	12,480	2.0	11.9
Transport & Comuncation	2,138	2,076	-2.9	2.0
Trade and Finance	12,437	13,397	7.7	12.8
Tourism and Service	14,952	14,812	-0.9	14.1
Individuals	58,533	59,727	2.0	57.0
Total	102,522	104,804	2.2	100.0

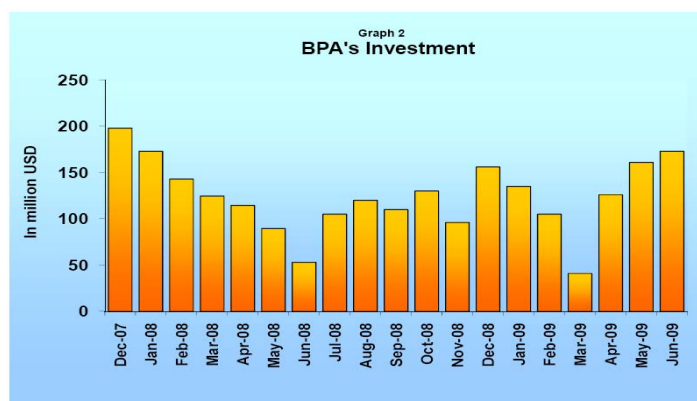
ther, the commercial banks' foreign assets were driven mostly by transferable deposit abroad, rising by 60.9%, and foreign currency (5.5%), while other deposits declined by 13%.

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

Total Liquidity

The total Liquidity Assets in the banking system dur-



ing the June quarter of 2009 was increasing, rose by 2.9%, reversing a decrease of 10% in the last March quarter. This progress on some part could be related to the decline in the broad money.

The growth drives liquid ratio to rise further to 74%, supporting by all component of liquid assets, of which balances with the Central Bank rose by 10.6% followed by cash and deposits with other financial institutions abroad of 5% and 2% respectively. The liquid ratio then has an expansion growth of 4.8% reversing a decrease of 6.2% observes in the last March quarter. These developments caused the actual liquid requirements held, resulting excess liquidity rising to 59.4 from 55.9%.

However, the BPA's portfolio investment abroad during the second quarter 2009, exclude Petroleum Fund investment, has a significant expansion, rose by 322% compare to the last first quarter of 2009. These upward movements reflecting the government withdrawal from the PF account, to finance its budget expenditure. Consequently, this transference from the PF account to the government accounts held at the BPA expands its deposits with the BPA. This security investment push the foreign investment to increase further, then the International Reserves is affecting, rising by 140% reversing a decrease of 60.4 in the last March 2009 quarter.

Interest Rate

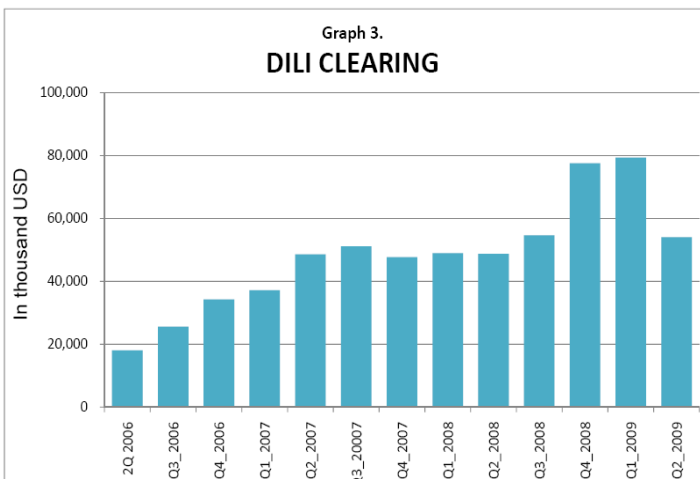
The commercial banks' weighted average interest rate on deposits has decreased by 2.6 basis point while the lending rates has decreased by 44.7 basis points in the June quarter.

Table 3.
Commercial Banks Deposits and Lending Rates
June_2009

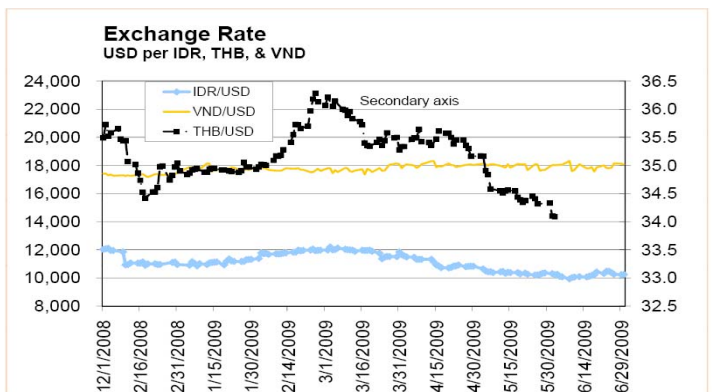
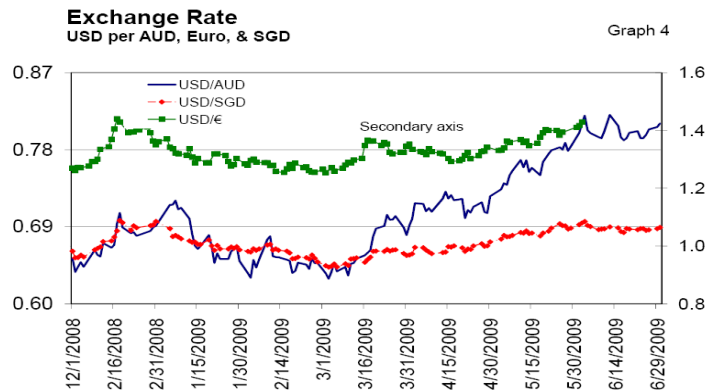
Weighted Average				
Deposit Rates				
Savings	Time Deposits			
	Up to 3 mths	3 to 6 mths	6 to 12 mths	Over 12 mths
0.75	0.83	1.06	1.23	1.32
Lending rates				
Loans + Libor 3 months				11.06

Exchange Rate

The USD has been depreciated against the main trading partner during June 2009 quarter. In average, the USD depreciates by 4.3% against the Euro, 12.5% against the Australian dollar, Singapore dollar by 2.6%, and against the Indonesian rupiah by 9%. While it appreciated against the Japanese Yen and Vietnam VND by 4% and 1.3% respectively.



Clearing activities in the quarter showing a downward development, declining sharply compare to the last quarter. This mostly was due to the reduction in the small number of government payment order with its customer. The value of clearing then reduce by 32% compared to 2.3% increase in the last quarter, a reflection of decline in volume of clearing of 6.4%.



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)		
April-08	13,474	260	13,734	344	1,425	1,769	-11,965	-13,130
May-08	14,073	487	14,560	188	3,088	3,276	-11,284	-13,885
June-08	20,754	502	21,256	355	1,658	2,023	-19,233	-20,389
Q2 - 2008	48,301	1,248	49,549	887	6,171	7,058	-42,482	-47,404
1st Semester/08	89,869	2,974	92,843	1,447	15,918	17,365	-75,477	-88,422
July-08	19,144	525	19,669	2,231	5,032	7,263	-12,406	-15,913
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	86,511	1,869	88,380	8,304	12,847	18,151	-94,013	-90,207
October-08	26,650	838	27,488	2,515	4,677	7,192	-20,296	-24,135
November-08	40,122	3,635	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	6,628	108,677	5,148	7,611	12,759	-94,918	-88,901
2nd 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	6,662	8,012	-88,216	-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	-86,246	-78,845
1st Semester/09	164,330	6,106	170,436	1,904	17,072	18,976	-151,460	-162,426

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.

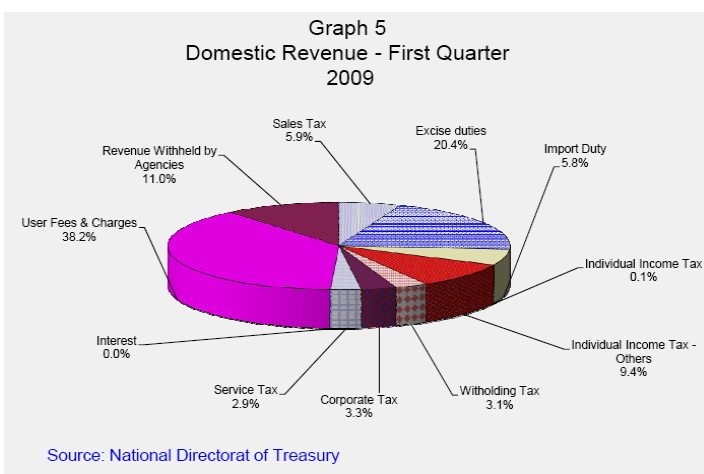
Revenue

Total domestic revenue receipts during the first quarter 2009 were US\$ 23.220 million against US\$ 91.200 million of the estimated budget. The main part of this domestic revenue was collected by Treasury (89.02%) and the remainder 10.98% from self funded by autonomous agencies. The main sources of domestic revenue receipts during the first quarter 2009 were user fees & charges, which represented 38.2% of the total domestic revenue. Major contributions also came from excise duties of 20.4, self-funded agencies (11%), individual income tax (9.4%), and sales tax and import duty of 6% respectively.

Expenditure

Total expenditure up to the first quarter 2009 were US\$ 76.630 million, against the estimate of US\$ 680.873 million, as the result the budget execution rate stay at 11.3%. These expenditure are on cash basis, however if the rate do include the obligations and commitments the overall budget execution would be 56.9%.

Whole of Government expenditure performance by appropriation categories were; capital and development constituted 45%, goods and services 22%, public transfers 20% minor capital 8%, and Salary and Wages 5%.



IV. DOMESTIC ECONOMY

Coffee production in Timor-Leste during the second quarter 2009 continues to perform a downward development. This main non oil production with the export orientation has declined sharply by 66% compare to last March 2009 quarter and by 49% compare to the same quarter of 2008. The total amount of coffee export reached in the quarter just about 0.5 million kg, which in June 2008 was 1.0 million kg. The bad weather in the year creates hard crops as it could produce last June 2008.

The coffee was export to several countries of destinations. The biggest was Germany (32%) followed by United States of America (27%), British Indian Ocean Territory (19%), and Indonesia of 14%. While Singapore and Australia of 5% and 2% respectively.

Price Evolution in Dili

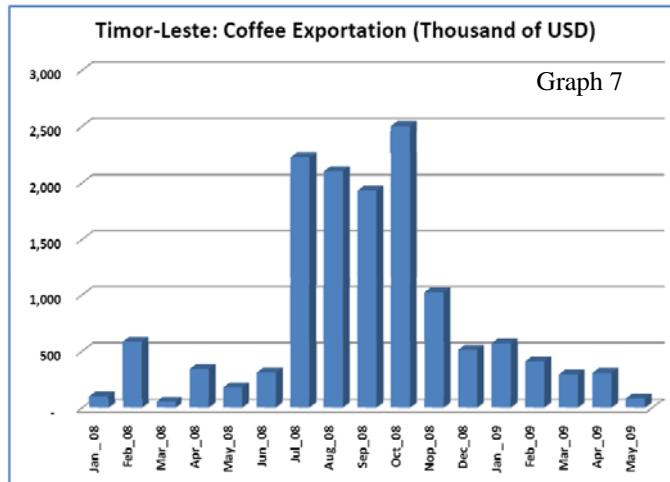
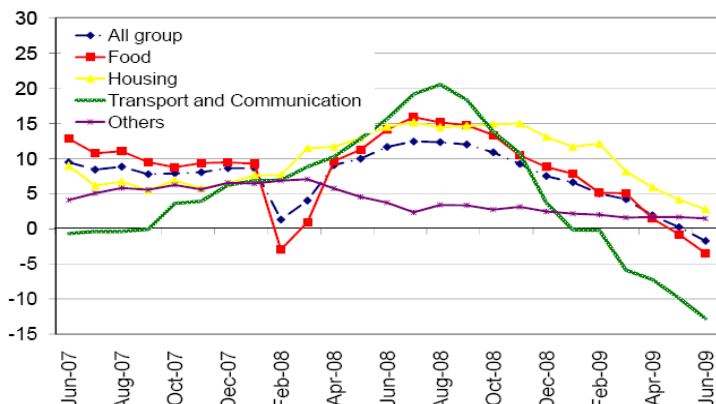
Table 5

CONSUMER PRICE INDEX (2001 = 100)							
Group	Weights (%)	Index			% Change		
		June_08	Mar_09	June_09	Jun09/ Mar09	Mar09/ Mar08	Jun09/ Jun08
ALL GROUPS	100.0	148.6	146.4	146.0	-0.3	4.2	-1.7
Food	56.7	154.6	150.0	149.2	-0.5	5.0	-3.5
Alcohol and Tobacco	4.8	134.0	137.8	137.6	-0.1	2.3	2.7
Clothing and Footwear	8.9	161.4	172.5	174.4	1.1	6.0	8.1
Housing	10.2	152.1	156.7	156.3	-0.3	8.1	2.8
Household Furnishings, Supplies and Services	7.9	103.1	102.1	102.2	0.1	-0.9	-0.9
Health	4.2	150.3	149.1	148.1	-0.7	0.3	-1.5
Recreation and Education	3.4	113.4	112.7	112.1	-0.5	0.2	-1.1
Transport and Communication	4.2	150.8	131.2	131.5	0.2	-5.9	-12.8

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

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-Jun-08	111.84	112.07	71.49	4.04
29-May-08	128.43	127.55	65.08	3.65
30-Apr-08	111.90	112.49	50.97	3.33
31-Mar-08	110.22	110.33	48.41	3.81
27-Feb-08	109.76	105.98	45.22	4.08
30-Jan-08	113.53	113.07	41.44	4.58
31-Dec-08	100.64	101.33	39.03	5.84
27-Nov-08	108.67	107.15	54.44	6.88
31-Oct-08	104.22	101.89	65.96	6.43
30-Sep-08	124.88	126.16	96.37	7.21

The quarterly inflation rate reported by the National Statistics Department decline by -0.3% in the June quarter of 2009, followed by a -0.1% observe in March 2009 quarter. The slowdown in the inflation reflects the moderation in commodity price of food, housing and others, while the transportation cost has rising as the global price of energy rose again, however this phenomena does not immediately affected price level in the quarter.

According to the National Statistics Department, the Dili annual inflation rate was slowing down sharply, reached -1.7% from 4.2% in March quarter. It was about two digits at the last June quarter of 2008 (11.6%). The slowdown in inflation reflected the large impact of decrease in the price of food of -3.5% - which cereal represents -13.2% -, and the transport and communication by -12.8%. While housing and others category in the CPI, in average, has slowing down by 2.8% and 1.5% respectively.

Timor-Leste Monetary Survey

Millions of US Dollars

Table 7

	Jun-07	Jun-08	Mar-09	Jun-09	Percentage change 1 Q ago	1 Year ago
NET FOREIGN ASSETS	338.169	222.612	255.547	369.496	44.6	66.0
CLAIMS ON NONRESIDENTS	362.415	267.765	277.037	397.888	43.6	48.6
LIABILITIES TO NONRESIDENTS	-24.247	-45.153	-21.490	-28.392	32.1	-37.1
DOMESTIC CLAIMS	-173.307	6.713	26.371	-89.925	-441.0	-1439.6
NET CLAIMS ON CENTRAL GOVERNMENT	-276.675	-90.459	-88.357	-194.886	120.6	115.4
CLAIMS ON CENTRAL GOVERNMENT	0.232	0.004	7.757	4.483	-42.2	122587.5
LIABILITIES TO CENTRAL GOVERNMENT	-276.906	-90.463	-96.114	-199.369	107.4	120.4
CLAIMS ON OTHER SECTORS	103.368	97.172	114.728	104.961	-8.5	8.0
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	103.368	97.172	114.728	104.961	-8.5	8.0
BROAD MONEY LIABILITIES	117.171	173.615	213.460	204.924	-4.0	18.0
CURRENCY OUTSIDE DEPOSITORY CORPORATIONS	1.994	2.202	2.565	2.405	-6.3	9.2
TRANSFERABLE DEPOSITS	59.188	95.482	102.815	98.636	-4.1	3.3
OTHER DEPOSITS	55.989	75.931	108.080	103.884	-3.9	36.8
SECURITIES OTHER THAN SHARES	0.000	0.000	0.000	0.000	0.0	0.0
DEPOSITS EXCLUDED FROM BROAD MONEY	0.019	0.027	0.039	0.048	21.5	79.2
SHARES AND OTHER EQUITY	-0.083	3.374	11.489	14.147	23.1	319.3
OTHER ITEMS (NET)	47.755	52.310	56.930	60.452	6.2	15.6
<i>IFS Vertical Check</i>	0.000	0.000	0.000	0.000	0.0	0.0
Petroleum Fund Assets (por memória)	1394.223	3203.073	4750.824	4901.525	3.2	53.0

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

Av. Bôgar Medeiros, PO Box 59, Díli, Timor-Leste

Table 8

QUARTERLY SUMMARY FINANCIAL STATEMENTS

BALANCE SHEET		PROFIT AND LOSS	
As at 30 June 2009		For the period ended 30 June 2009	
	US Dollars		US Dollars
ASSETS		OPERATING PROFIT	
Cash and cash equivalents	31,042,248	Interest income	1,388,882
Investments	185,582,100	Interest expense	(306,959)
Other assets	5,514,810	Net investment income	1,081,923
TOTAL ASSETS	222,139,158	Fees and commissions	568,194
LIABILITIES		Petroleum fund management fee	1,464,465
Government deposits	159,220,538	Donations & Grants	42,000
Other deposits	32,463,923	Other income	(124,245)
Other liabilities	7,740,222	TOTAL OPERATING INCOME	3,022,338
Currency issued	2,554,112	EXPENSES	
TOTAL LIABILITIES	201,988,795	Personnel & capacity building expenses	919,148
EQUITY		Currency distribution expenses	489,419
Capital	20,000,000	Administration expenses	1,452,935
Reserves	134,903	Depreciation	145,375
Retained earnings	15,460	TOTAL EXPENSES	3,006,878
TOTAL EQUITY	20,150,363	OPERATING PROFIT	16,460
TOTAL LIABILITIES & EQUITY	222,139,158		

Notes: At 30 June 2009 the balance of Petroleum Fund account managed by the BPA was 34,901,524.869. This is to recognise the reporting requirement under IFRS.

The Summary Statements above are prepared in accordance with section 56.2 of Regulation 2001/030 and have been prepared on an accrual basis from the financial records of BPA as at 30 June 2009. These Financial Statements are Unaudited.


Abraão de Vasconcelos
General Manager


Fernando da Silva Carvalho
Chief Accountant

July 17, 2009