



Quarterly Economic Bulletin

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I. MONEY AND BANKING

Money Supply

The monetary data confirm the signal of annual growth rate trend of broad money in the first quarter of 2009 to increase further after having decline somewhat during a period of time. However the development of credit to the private sector, according to the table 1, has an indication trend to continue downward in the quarter.

The development of annual growth rate of broad money in the first quarter reflects upgrading both in the household and enterprises behavior to save their additional income in the banking system although the

spread of the interest rate is high. Whereas, this steady increase of financial sources in the banking system still not becomes a priority incentive as assets to the commercial banks in Timor-Leste to extend much more credit to the private sectors, as the non performing loans still in the concern. Therefore, the priority for commercial banks is to save the depositors assets, though the effort to reduce these non performing loans is in the process.

Therefore, the trend growth rate of broad money maintain restraint, monetary expansion in Timor-Leste remains stronger above 40%. Broad money grew at an annual rate of 43.9% in March following a growth of 33.1% in December 2008. The quarterly growth base of broad money grew at 10.8%, rising

from 8.1% in December, mainly driven by savings deposit, standing at 25%, up from 7.8% in the last quarter. Time deposit which in the last quarter was the main driving of the growth, now contributed only 13.4%, down from 23.3%. Currency in circulation (centavos) has supported somewhat to this development, rising by 4.5% from 3.3% observe in the previous quarter, while demand deposit has downward growth, grew by only 1%.

However, net foreign assets (NFA) have decreased, in quarterly basis, reducing by 34.9%, from 42.1% observe in the last quarter, reflecting a contraction in both BPA's and others depository corporations' foreign assets, a reduction of 60.4% and 8.3% respectively, reversing a growth of 46.2% and 20.7% in the last quarter.

The BPA's foreign assets was dropping mostly

Chart 1 Broad Money Growth (Percentage change)



by BPA's portfolio investment securities abroad, reducing by 73.7%, reversing an increase of 42% in the last quarter, while deposits has plummet by 61.3%, in contrast with a growth of 294.2% observe in the last December 2008 quarter. These movements, whether in deposit or portfolio investment, has reflected BPA's financial management in relation to the government's demand to finance its expenditure. Further, the commercial banks' foreign assets were driven mostly by holding of foreign currency and other deposits abroad, down by 33% and 21.3% respectively, while the transferable deposit abroad has climbed by 160.5%.

Domestic Credit

Domestic credit mostly comprises claims on central government (net) and claims on private sector. Net

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

Sector	2008		2009	Change from Dec 2008	Mar Share (%)
	Mar	Dec	Mar		
Agriculture, Water and Forestry	1,221	241	333	38.2	0.3
Industry and manufacturing	1,652	1,845	1,893	2.6	1.8
Construction	27,681	15,027	12,236	-18.6	11.9
Transport & Comuncation	1,858	2,004	2,138	6.7	2.1
Trade and Finance	22,943	10,512	12,437	18.3	12.1
Tourism and Service	6,220	12,604	14,952	18.6	14.6
Individuals	44,736	63,051	58,533	-7.2	57.1
Total	106,311	105,284	102,522	-2.6	100.0

claims on central government contain credit and liabilities to central government from the financial system. There is no credit 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 the domestic private sector. If there is credit to the non-resident it will be recorded on claims to non-resident under NFA.

Domestic credit, according to table 7 monetary survey, has decreased in March 2009 quarter by 120.8%. This was primarily due to drop in the gov-

ernment deposits of 60.1% while claim to government decline by 33.3% which caused net credit to government to reduce by 61.5%. In turn, the credit to domestic private sector rose by 12%.

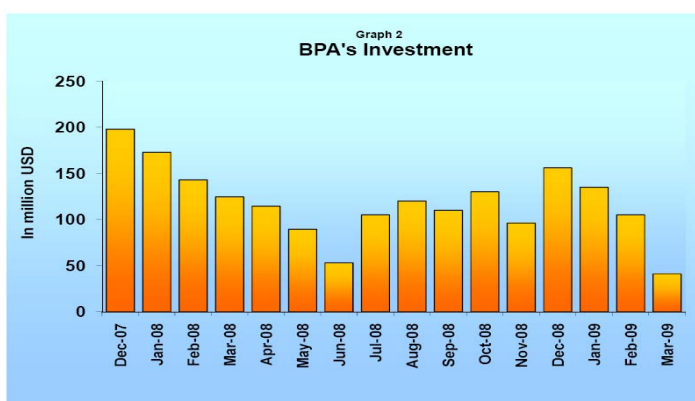
Conversely, table 1 shows a sluggish downward in the total credit portfolio to the private sector, declining by 2.6%, following a decline of 6.4% in the previous quarter. The slowing down in the credit growth reflecting both continues concern of commercial banks on high non performing loans and the course of government first quarter 2009 budget execution.

Construction, one of the major sectors that are more related to the government action plan, was the major shrink of credit by sector during March - representing the fourth largest share of the credit in the March quarter - plummets by 18.6%. As the government new budget execution on the capital development still in the process, the credit to the construction sector is affected. Individual, the sector that also contributed to this decline, was reducing by 7.2%.

Fortunately most of the recipients of credit by sectors were growing. The agriculture, water and forestry sector was rising by 38.2%, although in December quarter fell by 32.3%. Tourism and service, the second largest share of the credit by sector—representing 17.6% of total credit—, rose by 18.6%, reversing a decrease of 33.4% in the last quarter. Trade and finance grew by 18.3%, while transport and communication, and industry and manufacturing rose by 6.7% and 2.6% respectively. The positive growth rate of credit to sector of trade and finance, and tourism and services could be reflected high increase in the import of goods and the intention to attract more tourism sector in Timor-Leste.

Total Liquidity

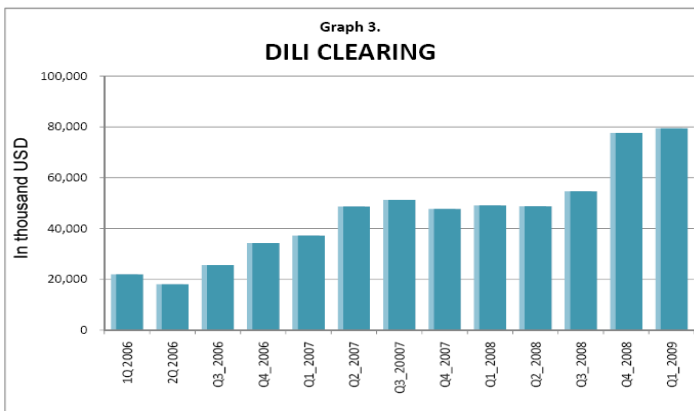
The total Liquidity Assets in the banking system was decreasing during the March quarter, down by 10%,



reversing an increase of 25.9% in the last December 2008 quarter. This development drives the liquid ratio to plummet to 70%. Although the ratio still high, the sign to use the liquid assets by the commercial banks to pump the economy has been emerged, reflecting by increase in loans to most of the sector of the economy —though the NPL still in the concern—, while there was decline in total, however, that was the contribution of the construction sector.

All of the liquid assets were decline, cash reduced by 33.4% followed by balances with the Central Bank and deposits with other financial institutions abroad of 23.8% and 6.6% respectively. The liquid ratio then has a contraction growth of 6.2% reversing an increase of 7.9% observes in the December 2008 quarter. These developments caused the actual liquid requirements held, resulting excess liquidity declining to 55.9% from 60.6%.

In fact, these movement affecting he BPA’s portfolio investment abroad in March 2009, exclude Petroleum Fund investment, to decline, reducing by 73.7% compare to 42.1% rose in the last December 2008. In addition, the downward movement in the government deposits with the BPA, reflecting the government withdrawal from its account held in the BPA to finance the expenditure, was much more contributed to this decline. As the foreign investment decline, the International Reserves is affecting, reducing by 60.4, reversing an increase of 46.2% in last December 2008 quarter.



Clearing activities continue to increased while moderated during the first quarter 2009 since the government expenditure for the new budget is in the process of execution therefore affecting the payments order and the clearing. The value of clearing therefore rising just by 2.3% compared to 42% increase in the last December quarter, a reflection of decline in the volume of clearing of 6.4%.

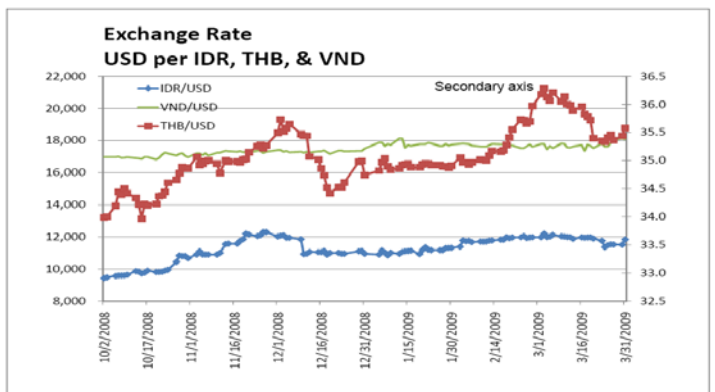
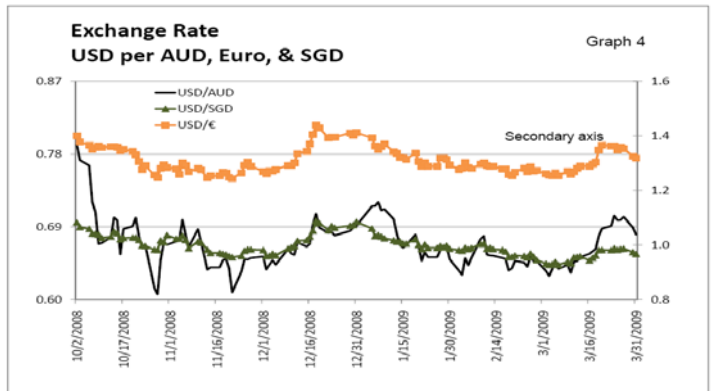
Interest Rate

The commercial banks’ weighted average interest rate on deposits and lending rates has increased by 1 basis points in the March quarter respectively.

Weighted Average				
Deposit Rates				
Savings	Time Deposits			
	Up to 3 mths	3 to 6 mths	6 to 12 mths	Over 12 mths
	0.75	0.85	1.08	1.27
				1.35
Lending rates				
Loans + Libor 6 months	11.83			

Exchange Rate

The USD continues to appreciate against the main trading partner during the March 2009 quarter, while at the end of March had some sign of depreciation which in average given the USD appreciation just 1% against the Euro, 1.1% against the Australian dollar, Singapore dollar by 1.8%, and against the Indonesian rupiah by 6.7%. While it was depreciate against the Japanese Yen of 2.7%.



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)		
January-08	13,331	912	14,243	107	954	1,061	-13,182	-13,224
February-08	13,707	511	14,218	327	490	817	-13,401	-13,380
March-08	14,530	301	14,831	115	8,303	8,419	-6,412	-14,415
Q1 - 2008	41,568	1,726	43,293	550	9,747	10,297	-32,995	-41,018
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	365	1,658	2,023	-19,233	-20,389
Q2 - 2008	48,301	1,249	49,550	897	6,171	7,068	-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	-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	3,635	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	7,511	12,659	-94,918	-98,801
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	5,662	7,012	-86,215	-88,481

Source: National Statistics Department

III. GOVERNMENT FINANCE

The revised budget approved for FY 2008 was US\$ 788.312 million, with the domestic non-petroleum revenue of US\$ 86.700 million, resulting in a budget deficit of US\$ 701.612. The revised finance was approved by Parliament to withdraw from the petroleum fund, to finance this budget deficit, amounted to US\$ 686.8 million, the remainder of US\$ 14.812 million is financed by drawdown from cash reserve. Taking into account the decision of the Court of Appeal to not transfer an amount exceeding US\$ 396, the final budget was approved of US\$ 601,513.

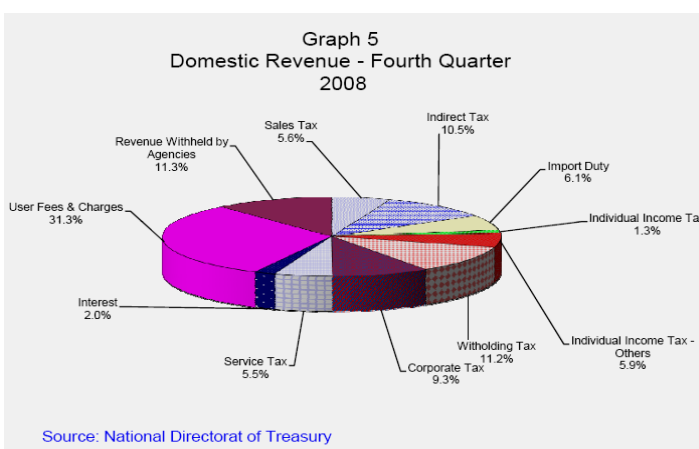
Revenue

Total domestic revenue receipts during the fourth quarter 2008 were US\$ 69.658 million against US\$ 86.700 million of the final budget. The main part of this domestic revenue was collected by Treasury (88.7%) and the remainder 11.3% from self funded by autonomous agencies. The main sources of domestic revenue receipts during the fourth quarter 2008 were user fees & charges, which represented 31.3% of the total domestic revenue. Major contributions also came from shelf-funded agencies (11.3%), withholding tax (11.2%), indirect tax (10.5%) and corporate tax (9.3%).

Expenditure

Total expenditure, include economic stabilization fund (ESF), up to the fourth quarter 2008 was US\$ 479.890 million, against the estimate of US\$ 601.513 million, as the result the overall budget execution rate stay at 79.7%. Exclude ESF the overall budget execution rate was 77.7%. These expenditure are on cash basis and do not include any obligations and commitments.

Whole of Government expenditure performance by appropriation categories were; capital and development constituted 21%, minor capital 10%, Goods and Services 37%, Salary and Wages 12%, and public transfers 20%.

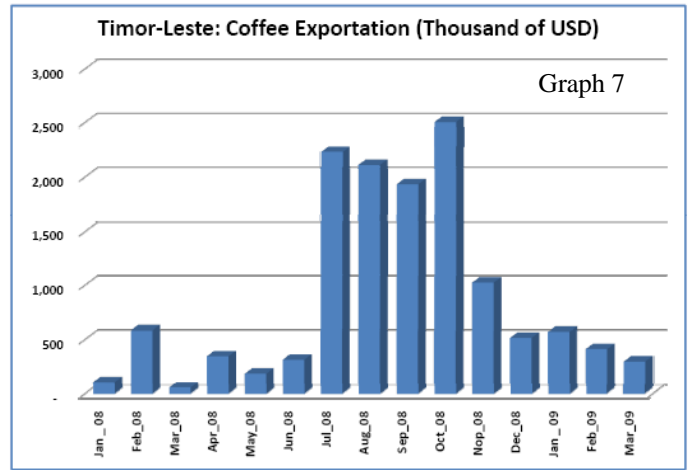


IV. DOMESTIC ECONOMY

Coffee

Coffee, the main Timor-Leste production of export orientation, has a downward development during the first quarter of 2009, declined by 75% compare to last December 2008 quarter, with the total amount exported of 1.5 million kg compare to 6.4 million kg achieved in the December. The progress reflecting the seasonal factor in the coffee harvests.

There are several biggest destination of this coffee export. In the March 2009 quarter the biggest destination was the Germany (39.7%) followed by United States of America (23.4%) and Singapore by 22.7%. While Indonesia and British Indian Ocean Territory just reached 7.8% and 6.3% respectively.



Price Evolution in Dili

Table 5

CONSUMER PRICE INDEX (2001 = 100)							
Group	Weights (%)	Index			% Change		
		Mar_08	Dec_08	Mar_09	Mar09/ Dec08	Dec08/ Dec07	Mar08/ Mar07
ALL GROUPS	100.0	140.5	146.6	146.4	-0.1	7.5	4.2
Food	56.7	142.8	149.9	150.0	0.1	8.8	5.0
Alcohol and Tobacco	4.8	134.7	138.0	137.8	-0.1	2.2	2.3
Clothing and Footwear	8.9	162.8	171.7	172.5	0.5	7.4	6.0
Housing	10.2	144.9	154.7	156.7	1.3	13.1	8.1
Household Furnishings, Supplies and Services	7.9	103.0	102.9	102.1	-0.8	0.3	-0.9
Health	4.2	148.6	150.0	149.1	-0.6	1.5	0.3
Recreation and Education	3.4	112.5	112.7	112.7	0.0	0.9	0.2
Transport and Communication	4.2	139.4	139.9	131.2	-6.2	3.7	-5.9

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

Energy Price and Coffee

Table 6

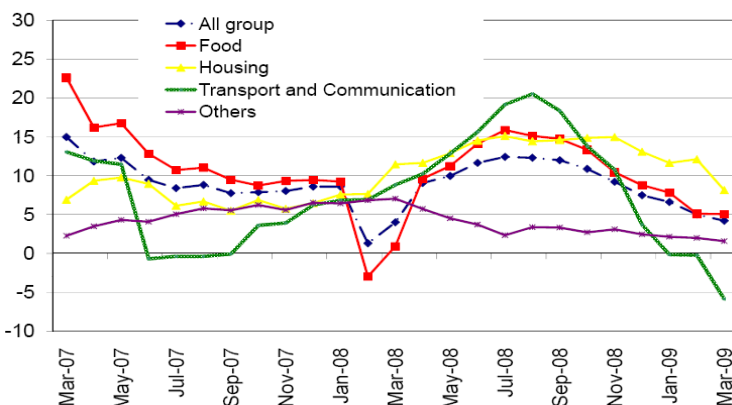
Coffee price, ICO (USD cents/lb)			Energy prices (USD)	
End of period	Recent	Previous day	Crude oil, W.T.I Cushing (barrel)	Natural gas, Nymex Henry Hub, \$mmbtu.
31-Mar-08	110.22	110.33	48.41	3.81
27-Feb-08	109.76	105.98	45.22	4.08
30-Jan-08	113.53	113.07	41.44	4.58
31-Dec-08	100.64	101.33	39.03	5.84
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 Dili consumer price index (CPI) continue to decline in the March 2009 quarter, falling by -0.1% compare to a downward of -1.9% in the December 2008 . The slowdown in the inflation still reflects moderation in commodity price and mostly the reduction in the global price of energy which affected price level in Timor-Leste to further reduce. The transportation cost in the CPI then was reducing by -6.2%, followed by -10% turned down in the last December.

According to the National Statistics Department, the Dili annual inflation rate was slowing down, reducing by 4.2%, down from 7.5% in December 2008 quarter. The downward in inflation reflected the large impact of decrease in the price of food of 5% - cereal represents 7.1%, – down from 8.8% in December 2008. While transport and communication has slowed down by -5.9% reflected the trend of decline in the global crude oil. Others category in the CPI, in average, has decreased by 1.6% compared to 2.5% observe in the last quarter.

Contribution to annual CPI Inflation (Percentage points)

Graph 6



Timor-Leste Monetary Survey

Millions of US Dollars

Table 7

	Mar-07	Mar-08	Dec-08	Mar-09	Percentage change 1 Q ago	1 Year ago
NET FOREIGN ASSETS	223.925	276.138	392.641	255.547	-34.9	-7.5
CLAIMS ON NONRESIDENTS	256.726	308.807	421.535	277.037	-34.3	-10.3
LIABILITIES TO NONRESIDENTS	-32.801	-32.668	-28.895	-21.490	-25.6	-34.2
DOMESTIC CLAIMS	-78.322	-73.199	-127.059	26.371	-120.8	-136.0
NET CLAIMS ON CENTRAL GOVERNMENT	-184.971	-167.922	-229.508	-88.357	-61.5	-47.4
CLAIMS ON CENTRAL GOVERNMENT	0.931	0.133	11.625	7.757	-33.3	5749.8
LIABILITIES TO CENTRAL GOVERNMENT	-185.903	-168.054	-241.133	-96.114	-60.1	-42.8
CLAIMS ON OTHER SECTORS	106.649	94.723	102.449	114.728	12.0	21.1
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	106.649	94.723	102.449	114.728	12.0	21.1
BROAD MONEY LIABILITIES	102.093	148.333	192.658	213.460	10.8	43.9
CURRENCY OUTSIDE DEPOSITORY CORPORATIONS	1.986	2.161	2.454	2.565	4.5	18.7
TRANSFERABLE DEPOSITS	48.587	77.395	101.837	102.815	1.0	32.8
OTHER DEPOSITS	51.519	68.777	88.367	108.080	22.3	57.1
SECURITIES OTHER THAN SHARES	0.000	0.000	0.000	0.000	0.0	0.0
DEPOSITS EXCLUDED FROM BROAD MONEY	0.017	0.025	0.031	0.039	27.4	58.5
SHARES AND OTHER EQUITY	-1.347	2.381	8.726	11.489	31.7	382.4
OTHER ITEMS (NET)	44.840	52.200	64.167	56.930	-11.3	9.1
<i>IFS Vertical Check</i>	0.000	0.000	0.000	0.000	0.0	0.0
Petroleum Fund Assets (por memória)	1217.979	2629.963	4196.972	4750.824	13.2	80.6

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

Table 8


Av.º Bispo Meletes, PO Box 55, Dili, Timor-Leste

QUARTERLY SUMMARY FINANCIAL STATEMENTS

BALANCE SHEET		PROFIT AND LOSS	
As at 31 March 2009		For the period ended 31 March 2009	
	US Dollars		US Dollars
ASSETS		OPERATING PROFIT	
Cash and cash equivalents	58,535,369	Interest income	1,285,037
Investments	54,385,318	Interest expense	(305,318)
Other assets	9,242,510	Net investment income	979,719
TOTAL ASSETS	122,163,597	Fees and commissions	430,353
LIABILITIES		Petroleum fund management fee	797,551
Government deposits	58,852,712	Donations & Grants	42,000
Provision transfer of surplus to Government of Timor-Leste	1,587,357	Other income	(208,516)
Other deposits	27,824,069	TOTAL OPERATING INCOME	2,041,107
Other liabilities	11,289,381	EXPENSES	
Currency issued	2,031,709	Personnel & capacity building expenses	647,007
TOTAL LIABILITIES	102,185,528	Currency distribution expenses	347,333
EQUITY		Administration expenses	1,090,485
Capital	20,000,000	Depreciation	108,889
Reserves	130,776	TOTAL EXPENSES	2,193,714
Retained earnings	(152,607)	OPERATING PROFIT	(152,607)
TOTAL EQUITY	19,978,169		
TOTAL LIABILITIES & EQUITY	122,163,597		

Notes: At 31 March 2009 the balance of Petroleum Fund account managed by the BPA was \$4,750,980,175. This is to recognize the reporting requirement under IFRS.

The Summary Statements above are prepared in accordance with section 59 of the Banking and Payments Authority Act 2007/30 and have been prepared on an accrual basis from the financial records of BPA as at 31 March 2009. These Financial Statements are unaudited.


José Augusto Maria
Acting Chief Accountant

April 17, 2009


BPA
TIMOR
LESTE
General Manager