



Quarterly Economic Bulletin

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I. MONEY AND BANKING

Money Supply

The monetary data confirm the trend of annual growth rate of broad money, after October 2007, to maintain moderate in the fourth quarter of 2008, however has a small upward compare to the last quarter. This trend was supporting by some restriction in the credit, albeit financial system in Timor-Leste is not affected by global financial market turmoil. This restriction simply an indication of commercial banks concern of high non performing loans, as reflecting the slow down in the domestic credit growth.

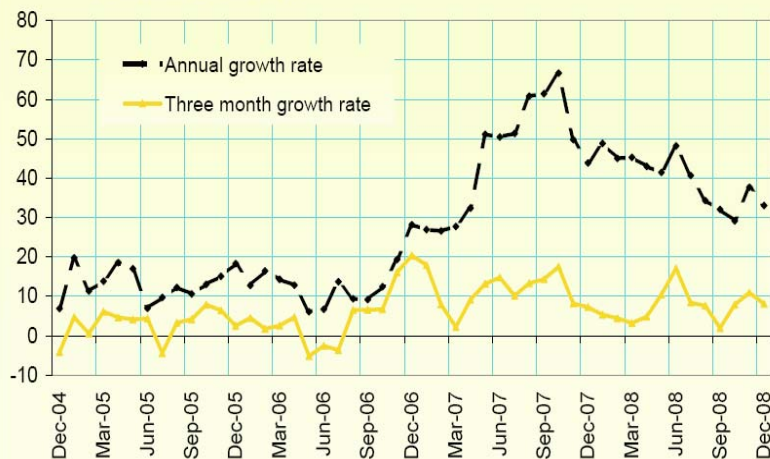
While the trend of growth rate of broad money showing some signs of restraint, the underline rate of monetary expansion in Timor-Leste remains strong above 30%. Broad money grew at an annual rate of 33.1% in December following a growth of 32.1% in September.

The quarterly growth base of broad money grew at 8.1%, rising from 1.9% in September, mainly driven by time deposits, standing at 21.1%, up from -1.3% in the third quarter. Demand deposit also contributed to this movement, which has grown by 7.1%, up from -0.4%, while currency in circulation (centavos) has slowing down to 3.3% from 7.5% in the previous quarter.

Net foreign assets (NFA) have increased, in quarterly basis, rising by 42.1%, from 24.4% observe in the last quarter, reflecting an expansion in both BPA's and others depository corporations' foreign assets, an augment of 46.2% and 37.8% respectively, following a growth of 52.7% and 3.6% in the last quarter.

However, the BPA's foreign assets was boosting mostly by deposits abroad, standing at 294.2%, reversing a decline of 58.5% in last quarter, while portfolio investment securities has increased by 42% following a growth of 107.8% observe in the last third 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. The commercial banks' foreign assets were driven mostly by deposits, rising by 24%, reversing a decline of 1.2% in the September quarter.

Chart 1 Broad Money Growth (Percentage change)



Source: BPA

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. 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

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

Sector	2007	2008		Change from Sept 2008	Dec Share (%)
	Dec	Sept	Dec		
Agriculture, Water and Forestry	1,497	356	241	-32.3	0.2
Industry and manufacturing	1,958	2,177	1,845	-15.3	1.8
Construction	31,546	12,839	15,027	17.0	14.3
Transport & Comuncation	1,959	1,913	2,004	4.8	1.9
Trade and Finance	13,035	14,419	10,512	-27.1	10.0
Tourism and Service	6,272	18,924	12,604	-33.4	12.0
Individuals	44,079	61,899	63,051	1.9	59.9
Total	100,346	112,527	105,284	-6.4	100.0

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 increased in December 2008 quarter by 238.6%. This was primarily due to raise in the government deposits of 76.4% while claim to government has significant increased, rising by 2467% which caused net credit to government to increase by 68.4%. At the same time the credit to domestic private sector rose somewhat by 1.4%.

Conversely, table 1 shows a sluggish downward in the total credit portfolio to the private sector, declining by 6.4% in December 2008 reversing an in-

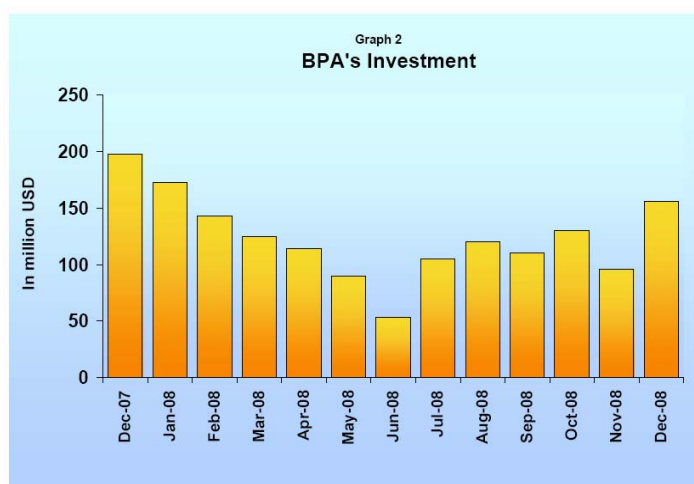
creased of 1.7% in the previous quarter. The slowing down in the credit growth reflecting either decelerate of growth in broad money or in continue high non performing loans.

The major progress of credit by sector during the December quarter was the construction, rising by 17%, reversing a decline of 56.5% in the last quarter. The raise trend of growth in the construction - representing the second largest share of the credit in the December quarter - could be reflecting increase in the government budget execution on the capital development sector. Transport and communication has grown by 4.8%, while in the September quarter grew by 3%. Individuals, the largest share of total credit, have a slowdown growth, rise by 1.9%, compare to the growth observe in the last September quarter, rose by 47.7%.

Unfortunately most of the recipients of credit by sectors were continue to decline. The agriculture, water and forestry sector was falling in the September quarter by 78.8%, in this December quarter fell by 32.3%. Tourism and service, the third largest share of the credit by sector—representing 12% of total credit—, fell by 33.4%, reversing a huge increase in the last September quarter, rising by 138.6%. Trade and finance also declined, down by 27.1%, following a downward of 43.4% in the last quarter, while industry and manufacturing has slowing down by 15.3% followed a decline of 5.5% in September quarter.

Total Liquidity

The growth rate of total Liquidity Assets in the banking system turn to have significant increase, standing at 25.9%, from 1% has been raised in September quarter. This evolution forced liquid ratio to rise fur-



ther, reached 75.6% compare to 70.1% rose in the last quarter. Cash continue the largest contributor to the increase in the liquidity assets, rising by 123.3%, compare to 29.9% grew at the September quarter. While the balances with the Central Bank rose by 23.9%, following by deposits with other financial institutions abroad of 21.8%, reversing a decrease of 0.5% in September quarter. The growth rate of liquid ratio then rose by 7.9% following an increase of 0.6% observes in the September quarter. These developments reflect further substantial impact on actual liquid requirements held, resulting excess liquidity reached 60.6%.

The BPA's portfolio investment, exclude Petroleum Fund investment, has grown up during the fourth quarter 2008, rising by 42.1% compare to September quarter which rose by 107.8%. The growth reflects the impact of increase in the government deposits with the BPA, in turn reflecting the government withdrawal from the Petroleum Fund account to finance the budget. As the foreign investment rise, the International Reserves is affecting, rising by 46.2%, a downward increase compared to September quarter, which was rose by 50.7%.

Interest Rate

The commercial banks' weighted average interest rate on deposits and lending rates has increased by 2 basis points in the December quarter respectively.

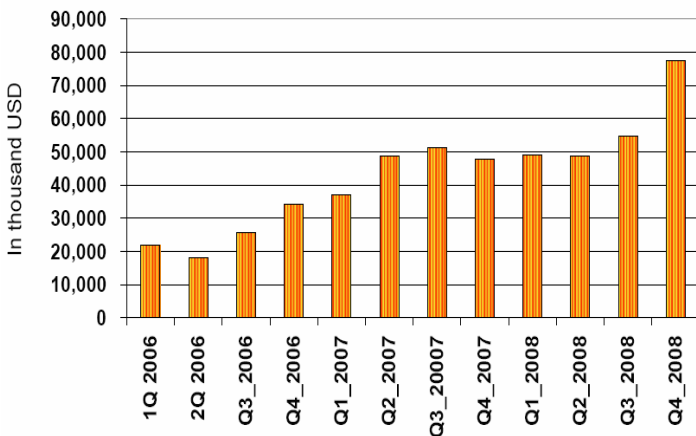
Table 3.
Commercial Banks Deposits and Lending Rates
December_2008

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	1.24
Lending rates				
Loans + Libor 6 months				12.56

Exchange Rate

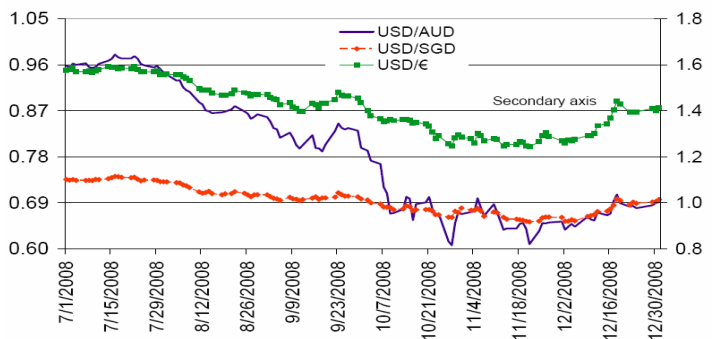
The USD continues to appreciate against the main trading partner during the December 2008 quarter. It appreciates by 14.3% against the Euro, 32.2% against the Australian dollar and Singapore dollar by 6.5%. USD also appreciates against the Indonesian rupiah and Thailand bath by 18% and 2.9% respectively, trading at an average of 10,884 rupiah and 34.8 bath per USD.

Graph 3.
DILI CLEARING

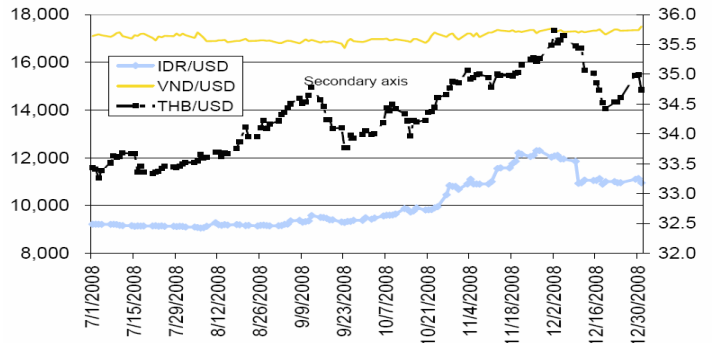


Clearing activities continues to increase since the government expenditure has been rose. The value of clearing rising by 42% in the quarter, three times more than last quarter, which was rose by 12%. While volume of clearing has an increase of 6.8% following an up ward trend of 0.7% in the September quarter.

Exchange Rate
USD per AUD, Euro, & SGD



Exchange Rate
USD per IDR, THB, & VND



II. EXTERNAL TRADE

Table 4
TIMOR - LESTE: Trade Statistics Summary (See note below)

Month/Year	Imports			Exports			Balance	Balance
	Merchandise	Non-merch	TOTAL	Exports	re-export	TOTAL	TOTAL	merchandise
	(US\$000)	(US\$000)	(US\$000)	(US\$000)	(US\$000)	(US\$000)	(Ex- Im merch.)	
January-08	13,331	912	14,243	137	954	1,091	-13,152	-13,194
February-08	13,708	511	14,219	327	490	817	-13,402	-13,381
March-08	14,528	301	14,829	115	8,303	8,419	-6,410	-14,413
Q1 - 2008	41,567	1,725	43,292	580	9,747	10,327	(32,965)	(40,987)
April-08	13,473	260	13,733	113	1,656	1,769	-11,964	-13,360
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	48,300	1,249	49,549	666	6,402	7,068	(42,481)	(47,634)
1st Semester/08	89,867	2,974	92,841	1,246	16,150	17,395	(75,445)	(88,621)
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	20,061	1,817	21,878	1,050	1,510	2,560	-19,318	-19,011
December-08	35,277	1,055	36,332	533	967	1,500	-34,832	-34,744
Q4 - 2008	81,988	3,710	85,698	4,098	7,154	11,252	-74,446	-77,890
2st Semester/08	148,499	5,363	153,862	10,402	20,001	30,403	-123,459	-138,097
2008 (Year)	238,366	8,337	246,703	11,648	36,151	47,798	-198,904	-226,718

Source: National Statistics Department and BPA (estimation)

III. GOVERNMENT FINANCE

The budget for financial year 2008 approved (before rectification) with an appropriation of US\$ 347.753 million. The rectified budget approved totaled US\$ 788.312 million. The revised revenue receipts for the financial year are estimated at US\$ 79.6 million. The revised finance was approved in the form of drawings from the petroleum fund, amounted to US\$ 686.8 million, resulting in a budget deficit of US\$ 21.9 million. This deficit is financed by drawdown from cash reserve.

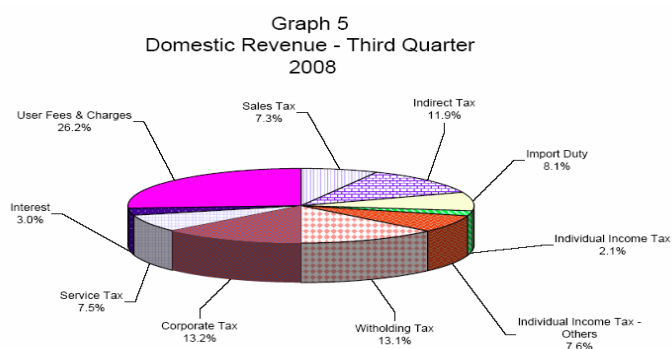
Revenue

Total domestic revenue receipts during the third quarter 2008 were US\$ 48.11 million against US\$ 86.60 million of the revised estimates. The main part of this domestic revenue was collected by Treasury (88.5%) and the remainder 11.5% from self funded by autonomous agencies. The main sources of domestic revenue receipts during the third quarter 2008 were user fees & charges, which represented 26.2% of the total domestic revenue. Major contributions also came from withholding tax (13.1%), corporate tax (13.2%), and indirect tax (11.9%).

Expenditure

Total expenditure up to the third quarter 2008 was US\$ 441.68 million, against the estimate of US\$ 548.31 million, as the result the overall budget execution rate stay at 80.6%. The execution rate including the economic stabilization fund was at 57.9%. The Expenditure comprises US\$ 203.90 million as cash payments and US\$ 237.78 million as obligations.

Whole of Government expenditure performance by appropriation category were; capital and development 92.1%, minor capital 92.7%, Goods and Services 74.2%, Salary and Wages 57.9%, and transfer 86.5%.



Source: National Directorate of Treasury

IV. DOMESTIC ECONOMY

Coffee

During the fourth quarter 2008, the main production of export orientation, coffee, has a downward development, declined by 46% compare to last September quarter, with the total amount exported of 6.4 million kg. The progress reflecting the seasonal factor in the coffee harvests. While, the annual coffee production reach 20 million kg up to December 2008, or about 160% increase compare to the average growth rate of last four years.

The biggest destination of this coffee export, in the December quarter, was the Germany (28%) followed by Indonesia (23%), Portugal and Japan (12%). United State, the biggest destination of the coffee export during the time, just standing at 10%, while the Republic of Correa of 7%.

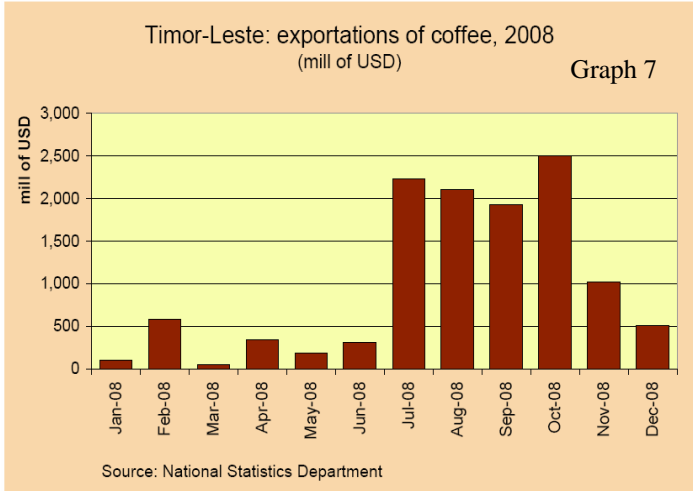
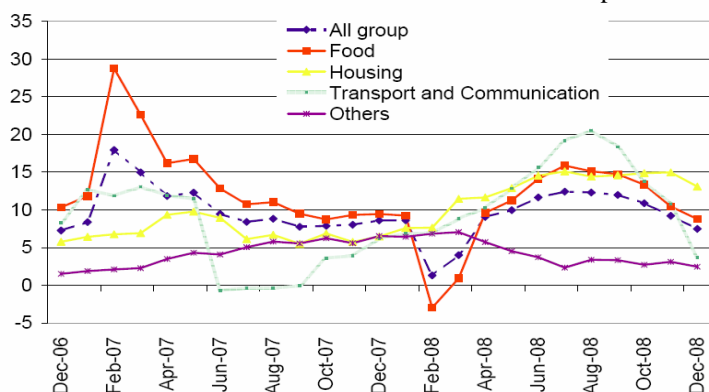
Price Evolution in Dili

Table 5

CONSUMER PRICE INDEX (2001 = 100)							
Group	Weights (%)	Index			% Change		
		Dec_07	Sept_08	Dec_08	Dec08/Sept08	Sept08/Sept07	Dec08/Dec07
ALL GROUPS	100.0	136.4	149.5	146.6	-1.9	12.0	7.5
Food	56.7	137.8	155.0	149.9	-3.3	14.7	8.8
Alcohol and Tobacco	4.8	135.0	138.0	138.0	0.0	3.1	2.2
Clothing and Footwear	8.9	159.9	165.1	171.7	4.0	8.2	7.4
Housing	10.2	136.8	151.7	154.7	2.0	14.6	13.1
Household Furnishings, Supplies and Services	7.9	102.6	102.8	102.9	0.1	0.2	0.3
Health	4.2	147.8	151.3	150.0	-0.9	3.6	1.5
Recreation and Education	3.4	111.7	113.4	112.7	-0.6	1.5	0.9
Transport and Communication	4.2	134.9	155.4	139.9	-10.0	18.4	3.7

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.
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
30-Aug-08	135.16	134.13	115.59	8.10
30-Jul-08	130.11	128.58	126.77	9.26
30-Jun-08	139.92	137.37	140.21	13.28
30-May-08	127.40	125.55	126.62	11.47

The quarterly Dili consumer price index (CPI) has been declining in the December 2008, falling - according to the National Statistics Department data - to -1.9%, down from 0.6% in September. The decline in the inflation reflects moderation in commodity price and the reduction in the global price of energy which affected price level in Timor-Leste to further reduce, the transportation cost in the CPI is declined, reducing by 10%. However others food price such as meat has increased.

According to the National Statistics Department, the Dili annual inflation rate was slowing down, reducing by 7.5% in December quarter, down from 12% in the September 2008. The downward in inflation mainly reflected the large impact of decrease in the price of food of 8.8% - cereal represents 21.4%, it was 37.8% in September - down from 14.7% in September 2008. While transport and communication has slowed down to 3.7%, decline from 18.4% in September reflected the trend of decline in the global crude oil. Others category in the CPI, in average, has decreased by 2.5% compared to 3.3% observe in the last quarter.

Timor-Leste Monetary Survey

Millions of US Dollars

Table 7

	Dec-06	Dec-07	Sep-08	Dec-08	Percentage change	
					1 Q ago	1 Year ago
NET FOREIGN ASSETS	113.179	318.138	276.829	393.486	42.1	23.7
CLAIMS ON NONRESIDENTS	144.259	355.854	318.817	421.481	32.2	18.4
LIABILITIES TO NONRESIDENTS	-31.080	-37.716	-41.987	-27.996	-33.3	-25.8
DOMESTIC CLAIMS	28.275	-118.127	-38.505	-130.390	238.6	10.4
NET CLAIMS ON CENTRAL GOVERNMENT	-83.185	-218.629	-136.267	-229.508	68.4	5.0
CLAIMS ON CENTRAL GOVERNMENT	0.966	0.199	0.453	11.625	2467.3	5752.9
LIABILITIES TO CENTRAL GOVERNMENT	-84.152	-218.827	-136.719	-241.133	76.4	10.2
CLAIMS ON OTHER SECTORS	111.460	100.502	97.762	99.118	1.4	-1.4
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	111.460	100.502	97.762	99.118	1.4	-1.4
BROAD MONEY LIABILITIES	99.894	143.714	176.991	191.264	8.1	33.1
CURRENCY OUTSIDE DEPOSITORY CORPORATIONS	1.811	2.273	2.368	2.454	3.6	8.0
TRANSFERABLE DEPOSITS	51.763	73.199	95.091	101.837	7.1	39.1
OTHER DEPOSITS	46.320	68.243	79.532	86.973	9.4	27.4
SECURITIES OTHER THAN SHARES	0.000	0.000	0.000	0.000	0.0	0.0
DEPOSITS EXCLUDED FROM BROAD MONEY	0.016	0.023	0.029	0.031	7.2	34.4
SHARES AND OTHER EQUITY	-2.767	2.314	6.510	6.562	0.8	183.6
OTHER ITEMS (NET)	44.311	53.961	54.795	65.239	19.1	20.9
<i>IFS Vertical Check</i>	0.000	0.000	0.000	0.000	0.0	0.0
Petroleum Fund Assets (por memória)	1011.764	2086.157	3738.353	4196.972	12.3	101.2

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

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

Table 8


QUARTERLY SUMMARY FINANCIAL STATEMENTS

BALANCE SHEET		PROFIT AND LOSS	
As at 31 December 2008		For the period ended 31 December 2008	
ASSETS	US Dollars	OPERATING PROFIT	US Dollars
Cash and cash equivalents	96,832,627	Interest income	1,032,614
Investments	169,328,507	Interest expense	(303,917)
Other assets	12,735,868	Net investment income	728,697
TOTAL ASSETS	278,897,002	Fees and commissions	217,008
LIABILITIES		Petroleum fund management fee	531,700
Government deposits	205,465,478	Donations & Grants	42,000
Provision transfer of surplus to Government of Timor-Leste	1,587,357	Other income	(185,234)
Other deposits	36,469,334	TOTAL OPERATING INCOME	1,334,171
Other liabilities	12,361,098	EXPENSES	
Currency issued	2,592,611	Personnel & capacity building expenses	315,271
TOTAL LIABILITIES	258,475,877	Currency distribution expenses	255,316
EQUITY		Administration expenses	587,552
Capital	20,000,000	Depreciation	73,483
Reserves	318,576	TOTAL EXPENSES	1,231,622
Retained earnings	102,549	OPERATING PROFIT	102,549
TOTAL EQUITY	20,421,125		
TOTAL LIABILITIES & EQUITY	278,897,002		

Notes: At 31 December 2008 the balance of Petroleum Fund account managed by the BPA was \$4,196,971,733. This is to recognise the reporting requirement under IFRS.

The Summary Statements above are presented 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 31 December 2008. These financial statements are unaudited.


 Abraão de Vasconcelos
 General Manager


 José Augusto Maria
 Acting Chief Accountant

January 21, 2009