



# Quarterly Economic Bulletin

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## I. MONEY AND BANKING

### Money Supply

While the growth rate of broad money, after October 2007, showing some signs of restraint, that usually reflecting a policy measures by central bank to control price stability, the fact that the underline rate of monetary expansion in Timor-Leste remains strong above 30% on annual rate, that can be benefit to the risks of price stability as the money is available for money's spenders in Timor-Leste.

There is no monetary policy in Timor-Leste as the dollarization country, therefore, no power from the BPA (Central Bank) to control the inflation. So, the decline of growth trend in the broad money mostly

reflecting the commercial banks behavior. Broad money grew at an annual rate of 32.1% in September following a growth of 48.2% in June.

In fact, the quarterly growth base grew at 1.9%, declining from 17% in June. This trend was driven mainly by a downward in the total narrow money which was overstate by the demand deposit, growing by -0.4% in September from 23.4% in June quarter. Currency in circulation (centavos) increased by 7.5% following an upward of 2% in June. Other deposits, quasi money, rose by 4.7% following an upward of 10.4% in the preceding quarter.

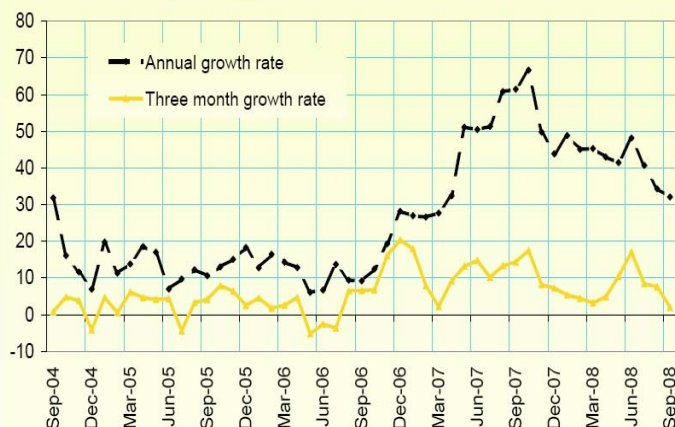
Net foreign assets (NFA) have increased in September quarter, rising by 24.4%, reflecting an expansion in the BPA's foreign assets, an augment of 50.7%. It was reversing the observed in the second quarter, a decline of 19.4%.

The BPA's NFA was boosting by expansion in the portfolio investment securities assets purchases by the BPA, as the result of increased in the cash transfer from the PF to the government CFET account. While the commercial banks NFA increase slightly by 1.5%, following a rise of 28.5% in the last second quarter.

### 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

Chart 1 Broad Money Growth (Percentage change)



Source: BPA

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.

Table 1  
Commercial Bank Outstanding Credit to Private Sector

(in thousand USD)

Sector	2007		2008		Change from June 2008	Sept Share (%)
	Sept	June	Sept	June		
Agriculture, Water and Forestry	2,085	1,676	356	-78.8	0.3	
Industry and manufacturing	1,874	2,303	2,177	-5.5	1.9	
Construction	34,334	29,507	12,839	-56.5	11.4	
Transport & Comuncation	2,050	1,855	1,913	3.1	1.7	
Trade and Finance	14,313	25,473	14,419	-43.4	12.8	
Tourism and Service	5,798	7,931	18,924	138.6	16.8	
Individuals	43,246	41,920	61,899	47.7	55.0	
<b>Total</b>	<b>103,700</b>	<b>110,665</b>	<b>112,527</b>	<b>1.7</b>	<b>100.0</b>	

According to table 7, monetary survey, domestic credit has dropdown in September 2008 quarter by 673.6% reversing an upward of 109.2% in June. This was primarily caused by growing in the government deposits of 51.1%, which caused net credit to government to increase by 50.6%, while the credit to domestic private sector rose somewhat by 0.6%.

At the same time, table 1 shows a sluggish upward trend in the total credit portfolio to the private sector, rising by 1.7% in September 2008 following an increased of 4.1% in the previous quarter. The slowing down in the credit growth reflecting decelerate of growth in broad money, meaning that as the money available for money's spenders decline, credit growth decline.

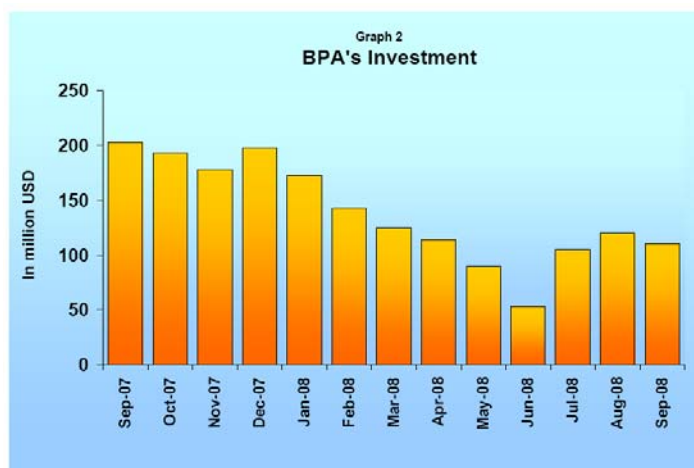
The major progress of credit by sector during the September quarter were the tourism and service sector followed by individuals, which representing 16.8% and 55% share of the total credit portfolio.

Individuals, the largest share of total credit, have a growth of 47.7%, while it was reducing by 6.3% in June quarter. This is a good sign since the commercial banks start to put confidence to the individuals' borrowers as it has the reasonable guarantee. Tourism and service is the biggest increase in the credit conceding during this quarter, rising by 138.6%, reflecting a light prospect in the sector. And, the credit to transport and communication started to increase (3.1%), reversing a consecutive decline during the last two quarter.

Unfortunately most of the recipients of credit by sectors were decline. The agriculture, water and forestry sector fell by 78.8%, reversing with the last June quarter which was grew by 37.3%. Construction declined by 56.5%, while in June quarter it was increased by 6.6%, and was the second largest of the share in the quarter, representing 26.7% of total credit. Trade and finance, continue the third large contribution of credit by sector in the quarter, has declined by 43.4%. Industry and manufacturing also has slowing down by 5.5%, whereas it was growing by 39.4% in the last quarter.

## Total Liquidity

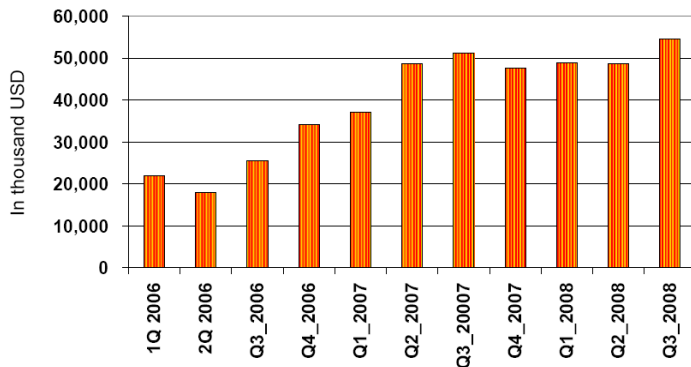
The growth rate of total Liquidity Assets in the banking system rose by 1%, while in June quarter was grown by 32.3%. Even the growth was slow but continues force the liquid ratio to rise further, reached 70%. Cash is the largest contributor to the increase in the liquidity assets, rising by 29.9%. While the balances with the Central Bank rose by 5.3%. By contrast, deposits with other financial institutions abroad decreased by 0.5%, reversing an increase of 39.2% in June quarter. The growth rate of liquid ratio then rose by 0.6% following an increase of 10.5% ob-



serves in the June quarter. These developments reflect further substantial impact on actual liquid requirements held, and resulting excess liquidity reached 55.1%.

The BPA's portfolio investment, exclude Petroleum Fund investment, has grown up during the third quarter 2008, rising by 107.8% to approximately US\$109.7 million compare to June quarter, after having a continue decline since June 2007. The growth reflects the impact of increase in the government deposits with the BPA, which reflecting withdrawal from the Petroleum Fund to finance the budget. As the investment rise, the International Reserves is affecting, rising by 50.7% at the end of September.

Graph 3.  
**DILI CLEARING**



Clearing activities have been volatile associated with the government payments order. The activity shows an increase in the quarter, rising by 12% in clearing value, reversing a declined of 0.5% in June quarter. While clearing value has an increase of 0.7% following an up ward trend of 20.7% in the June quarter.

**CLEARING AND BAD CHECKS**

Table 2.

	4Q_06	4Q_07	1Q_08	2Q_08	3Q_08
<b>1. Clearing Transactions</b>					
a. Value of Cheques presented (thousands of USD)					
- Total	13,247	13,081	13,846	16,395	18,421
- Average per month	230	228	219	266	283
b. Number of Cheques presented (volume)					
- Total	3,287	3,398	3,487	3,920	3,820
- Average per day	57	59	55	63	59
c. Value of Notes presented (thousand of USD)					
- Total	21,010	34,591	35,157	32,357	36,203
- Average per day	367	606	557	526	558
d. Number of Notes presented (volume)					
- Total	2,029	2,773	2,550	3,364	3,515
- Average per day	35	48	41	55	54
<b>2. Bad Checks &amp; Notes returned</b>					
a. Value Checks ( in thousand USD)	101	93	69	100	97
b. Value Notes ( In thousand USD)	100	135	187	125	236
Total Clearing Value	34,257	47,672	49,002	48,753	54,625
Total Clearing Volume	5,316	6,171	6,037	7,284	7,335

**Interest Rate**

The commercial banks' weighted average interest rate on deposits has increased by one basis point in the September quarter, while lending rates rising by 11 basis points.

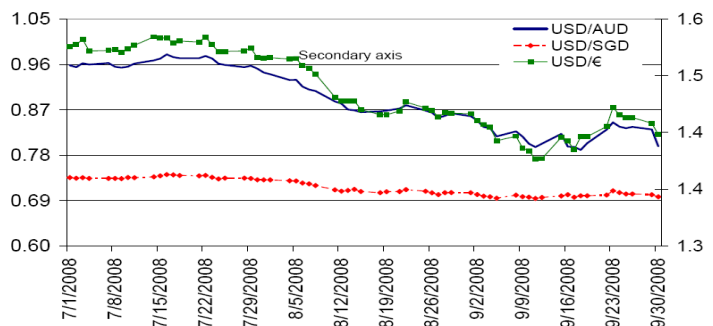
Weighted Average				
Deposit Rates				
Savings	Time Deposits			
	Up to 3 mths	3 to 6 mths	6 to 12 mths	Over 12 mths
	0.75	0.80	1.03	1.18
Lending rates				
Loans + Libor 6 months	12.55			

**Exchange Rate**

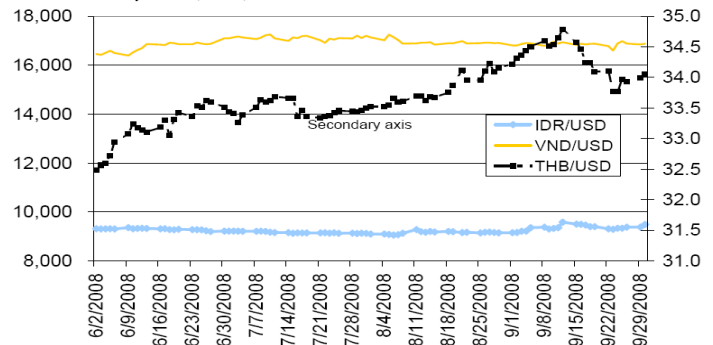
The USD start to appreciate against the main trading partner during the September 2008 quarter. It appreciates by 8.8% against the Euro, 16.8% against the Australian dollar and Singapore dollar by 5.5%. However it appreciates somewhat against the Indonesian rupiah and Thailand bath respectively, trading at an average of 9.225 rupiah and 33.85 bath per USD.

Exchange Rate  
USD per AUD, Euro, & SGD

Graph 4



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)
<b>1st Semester/08</b>	<b>89,867</b>	<b>2,974</b>	<b>92,841</b>	<b>1,246</b>	<b>16,150</b>	<b>17,395</b>	<b>(75,445)</b>	<b>(88,621)</b>
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)

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. Total revenue receipts for the financial year are estimated at US\$ 27.0 million. The finance was approved in the form of drawings from the petroleum fund, amounted to US\$ 294 million, resulting in a budget deficit of US\$ 26.7 million. This deficit is financed by drawdown from cash reserve.

**Revenue**

Total domestic revenue receipts during the second quarter 2008 were US\$ 22.67 million which are 67.9% in excess of the pro-rata revenue estimated at US\$ 13.5 million or US\$ 9.17 million more. The main part of this domestic revenue was collected by Treasury (83.1%) and the remainder 16.9% from self funded by autonomous agencies or about US\$ 3.8 million. The main sources of domestic revenue receipts during the second quarter 2008 were corporate tax, which represented 27.6% of the total domestic revenue, an increase of 36.2% compared to June 2007. Major contributions also came from withholding tax (19%), user fees and charges (15.5%), and individual income tax—others (13.4%).

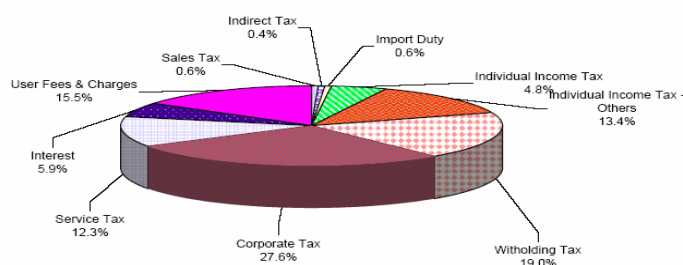
**Expenditure**

Total expenditure during the second quarter was US\$ 205.35 million, against the estimate of US\$ 347.753 million giving an overall budget execution rate of 59.1%.

The Expenditure comprised US\$ 111.74 million as cash payments and US\$ 93.61 million as obligations. These cash payments expenditure and obligation has increased by 245% and 16.3% respectively compared to the last quarter.

Whole of Government expenditure performance by appropriation category were; capital and development 69.1%, minor capital 66.6%, Goods and Services 55.7%, Salary and Wages 46.5%, and transfer 62.2%.

Graph 5  
Domestic Revenue - Second Quarter  
2008





IV. DOMESTIC ECONOMY

Coffee

As the main production of export orientation, coffee has a positive development during the September quarter, which recorded a total amount exported up to 11.8 million kg. Compare to first six month of 2008 it has an increase of almost 320%. The progress reflecting the improvement in the coffee harvests, after the civil unrest, and continues high demand for Timor-Leste's coffee.

The biggest destination of this coffee export was the United State (51%), followed by Indonesia (19%), Germany (14%), and Singapore (13%). There is also some small number of demands of coffee from Timor-Leste in this quarter, such as Japan, Canada, New Zealand, Taiwan, Nederland and Vietnam.

Price Evolution in Dili

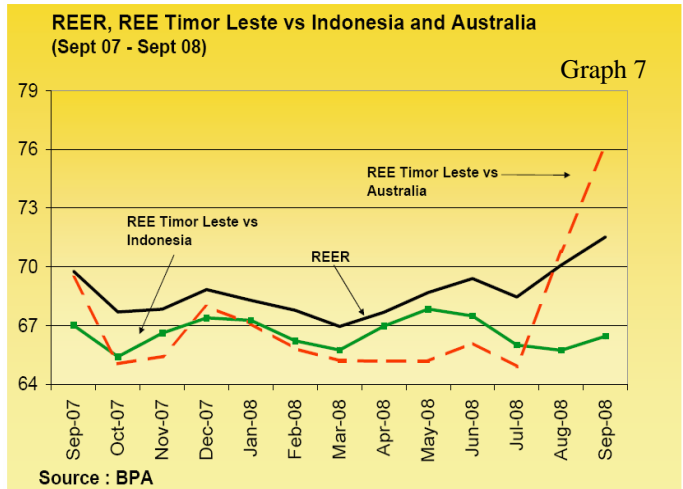
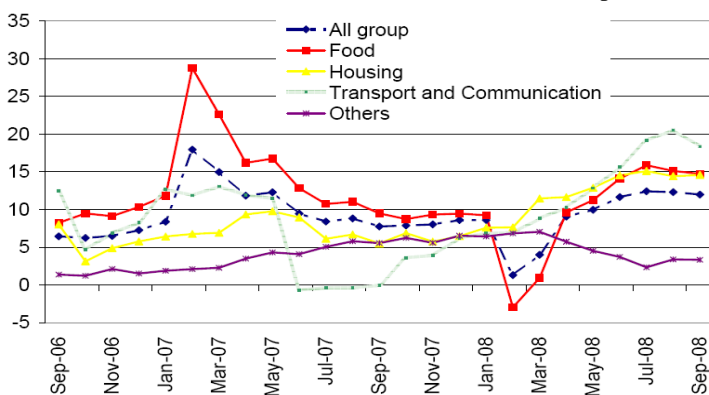
Table 5

CONSUMER PRICE INDEX (2001 = 100)							
Group	Weights (%)	Index			% Change		
		Sept_07	Jun_08	Sept_08	Sept08/ Jun08	June08/ June07	Sept07/ Sept07
ALL GROUPS	100.0	133.3	148.6	149.5	0.6	11.6	12.2
Food	56.7	135.1	154.6	155.0	0.3	14.1	14.7
Alcohol and Tobacco	4.8	133.8	134.0	138.0	3.0	0.7	3.1
Clothing and Footwear	8.9	152.6	161.4	165.1	2.3	8.8	8.2
Housing	10.2	132.4	152.1	151.7	-0.3	14.5	14.6
Household Furnishings, Supplies and Services	7.9	102.6	103.1	102.8	-0.3	1.4	0.2
Health	4.2	146.1	150.3	151.3	0.7	4.7	3.6
Recreation and Education	3.4	111.7	113.4	113.4	0.0	3.0	1.5
Transport and Communication	4.2	131.3	150.8	155.4	3.1	15.6	18.4

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-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
30-Apr-08	126.88	125.01	115.63	10.83
31-Mar-08	126.27	125.45	105.62	9.84
29-Feb-08	149.01	145.96	102.59	9.43

The quarterly Dili consumer price index (CPI) was slowing down in September 2008 to 0.6%, down from 5.8% in June 2008. The quarterly slow down in the inflation mainly due to decline in the global price of energy that affect price level in Timor-Leste and most predominantly by commodities price as the food contributed about 56.7% to the CPI in Timor-Leste.

According to the National Statistics Department, the Dili annual inflation rate continued to increase, up to 12.2 in September 2008 from 11.6% in the June and 4.0% in March 2008. The upward in inflation mainly reflected the large impact of increase in the price of food of 14.7% (cereal represent 37.8%) compared to an increase of 14.1% in June 2008. While housing cost also increased by 14.6%, transport and communication by 18.4% and others such as clothing and footwear by 3.1%, health (3.6%), and recreation (1.5%).

## Timor-Leste Monetary Survey

Millions of US Dollars

Table 7

	Sep-06	Sep-07	Jun-08	Sep-08	Percentage change	
					1 Q ago	1 Year ago
<b>NET FOREIGN ASSETS</b>	135.184	304.826	222.612	276.829	24.4	-9.2
CLAIMS ON NONRESIDENTS	172.814	332.613	267.765	318.817	19.1	-4.1
LIABILITIES TO NONRESIDENTS	-37.630	-27.787	-45.153	-41.987	-7.0	51.1
<b>DOMESTIC CLAIMS</b>	-12.259	-118.560	6.713	-38.505	-673.6	-67.5
<b>NET CLAIMS ON CENTRAL GOVERNMENT</b>	-112.459	-225.303	-90.459	-136.267	50.6	-39.5
CLAIMS ON CENTRAL GOVERNMENT	0.000	0.779	0.004	0.453	12292.3	-41.8
LIABILITIES TO CENTRAL GOVERNMENT	-112.459	-226.081	-90.463	-136.719	51.1	-39.5
<b>CLAIMS ON OTHER SECTORS</b>	100.200	106.743	97.172	97.762	0.6	-8.4
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	100.200	106.743	97.172	97.762	0.6	-8.4
<b>BROAD MONEY LIABILITIES</b>	82.987	134.019	173.615	176.991	1.9	32.1
CURRENCY OUTSIDE DEPOSITORY CORPORATIONS	1.811	2.241	2.202	2.368	7.5	5.7
TRANSFERABLE DEPOSITS	42.487	68.523	95.482	95.091	-0.4	38.8
OTHER DEPOSITS	38.689	63.255	75.931	79.532	4.7	25.7
SECURITIES OTHER THAN SHARES	0.000	0.000	0.000	0.000	0.0	0.0
<b>DEPOSITS EXCLUDED FROM BROAD MONEY</b>	0.014	0.021	0.027	0.029	7.9	36.2
<b>SHARES AND OTHER EQUITY</b>	26.842	1.063	3.374	6.510	93.0	512.2
<b>OTHER ITEMS (NET)</b>	13.082	51.163	52.310	54.795	4.7	7.1
IFS Vertical Check	0.000	0.000	0.000	0.000	0.0	0.0
Petroleum Fund Assets (por memória)	847.059	1817.908	3203.073	3738.353	16.7	105.6

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

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

Table 8

### QUARTERLY SUMMARY FINANCIAL STATEMENTS

BALANCE SHEET		PROFIT AND LOSS	
As at 30 September 2008		For the period ended 30 September 2008	
<b>ASSETS</b>	US Dollars	<b>OPERATING PROFIT</b>	US Dollars
Cash and cash equivalents	35,654,041	Interest income	526,989
Investments	123,103,153	Interest expense	(297,400)
Other assets	1,637,716	Net investment income	229,589
<b>TOTAL ASSETS</b>	<b>160,394,910</b>	Fees and commissions	96,072
<b>LIABILITIES</b>		Petroleum fund management fee	-
Government deposits	104,044,675	Donations & Grants	42,000
Provision transfer of surplus to Government of Timor-Leste	-	Other income	(110,402)
Other deposits	31,220,088	<b>TOTAL OPERATING INCOME</b>	<b>257,259</b>
Other liabilities	1,264,600	<b>EXPENSES</b>	
Currency issued	2,489,080	Personnel & capacity building expenses	162,449
<b>TOTAL LIABILITIES</b>	<b>139,018,443</b>	Currency distribution expenses	140,767
<b>EQUITY</b>		Administration expenses	427,063
Capital	18,227,188	Depreciation	36,294
Reserves	3,658,593	<b>TOTAL EXPENSES</b>	<b>766,573</b>
Retained earnings	(509,314)	<b>OPERATING PROFIT/LOSS</b>	<b>(509,314)</b>
<b>TOTAL EQUITY</b>	<b>21,376,467</b>		
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>160,394,910</b>		

Notes: At 30 September 2008 the balance of Petroleum Fund account managed by the BPA was \$3,738,353,473. This is to recognise the reporting requirement under IFRS.

The Summary Statements above are prepared in accordance with section 56.2 of Regulation 2001/00 and have been prepared on an accrual basis from the financial records of BPA as at 30 September 2008. These financial statements are unaudited.

  
 Abraão de Vasconcelos  
 General Manager

  
 José Augusto Maria  
 Acting Chief Accountant

October 21, 2008