



Quarterly Economic Bulletin

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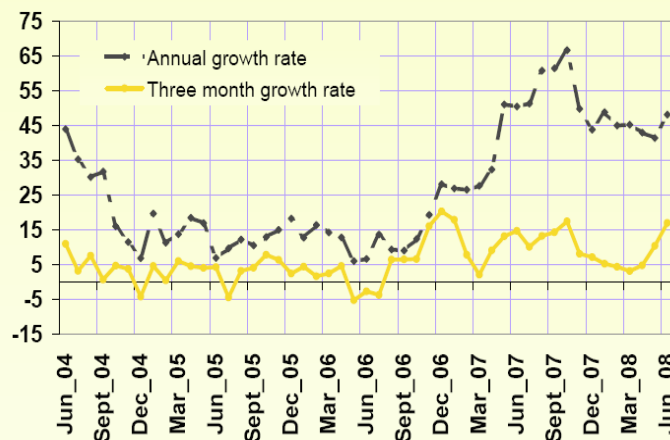
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I. MONEY AND BANKING

Money Supply

The strong underline rate of monetary expansion in Timor-Leste has been seen over the past two years with continuous robustness in the second quarter of 2008. The growth trend has been downward since June 2004, but it turn up again in June 2006 which got to a peak, at 66.7% growth, in October 2007. While the commercial banks interest rate continues to be low, the desire of people to save their money seems supported by the increase in broad money. Broad money grew at an annual rate of 48.2% in June. The quarterly base grew at 17% in the same month, increase from 3% observed in the first quar-

Chart 1 Broad Money Growth (Percentage change)



Source: BPA

ter. This trend was driven by a continued upward trend in the total narrow money which was overstate by the demand deposit, reaching 23.4% in June quarter, most consequently of individuals deposits. Currency in circulation (centavos) increased somewhat by 2%, reversing a decreased of 5% in the first quarter 2008. Quasi money rose by 10.4% following an upward of 0.8% in the preceding quarter, mostly boosted by time deposits.

Net foreign assets (NFA) continue decreased, reducing by 19.4% compare to March 2008 following a decline of 13% observed in the first quarter, as a result of a decline in the BPA's foreign assets, a reduction of 46.5%. Thus far, the BPA's NFA was reduced by contraction in the portfolio investment securities assets resulting in the financing of government's payment requests. At the same time, the commercial banks NFA increase by 28.5%, following a rise of 13.6% in the last first quarter.

Domestic Credit

Domestic credit mostly comprise claims on central government (net) and claims on private sector. Net claims on central government contains 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 the proceeding amount is government deposits or depository corpo-

ration 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.

According to table 7, monetary survey, domestic credit in the June 2008 quarter increased by 109.2% reversing a decrease of 38% in March quarter. This

Table 1

Commercial Bank Outstanding Credit to Private Sector

(in thousand USD)

Sector	2007	2008		Change from March 2008	June Share (%)
	June	March	June		
Agriculture, Water and Forestry	1,295	1,221	1,676	37.3	1.5
Industry and manufacturing	1,773	1,652	2,303	39.4	2.1
Construction	30,769	27,681	29,507	6.6	26.7
Transport & Comuncation	2,124	1,858	1,855	-0.2	1.7
Trade and Finance	14,981	22,943	25,473	11.0	23.0
Tourism and Service	3,073	6,220	7,931	27.5	7.2
Individuals	43,298	44,736	41,920	-6.3	37.9
Total	97,313	106,311	110,665	4.1	100.0

was primarily caused by a decline in government deposits which caused net credit to government to decrease by 46%, while the credit to domestic private sector has increased by 2.6% compare to March 2008 which was declining by 5.8%.

At the same time, table 1 shows a continued upward trend in the total credit portfolio to the private sector, rising by 4.1% in June 2008 quarter following an increased of 5.9% in the previous quarter. This means that the credit to private sector either to domestic private sector or it to non-resident sector is expanding.

The major progress of credit by sector during the June quarter were the sector of industry and manufacturing, agriculture, tourism and service, while representing small share of the total credit. Reversing with the two consecutive quarter, the recipients of the commercial banks' credit by category, the agriculture, water and forestry sector that had been declined, in this June quarter has risen by about

37.3%. Fortunately, the trend of credit to Industry and manufacturing sector that had been falling since December 2005, in the June quarter rose by 39.4%, which in March has dropped by 15.6%. Credit to tourism and service had an upward of 27.5%, reversing a downward (0.8) in the last quarter.

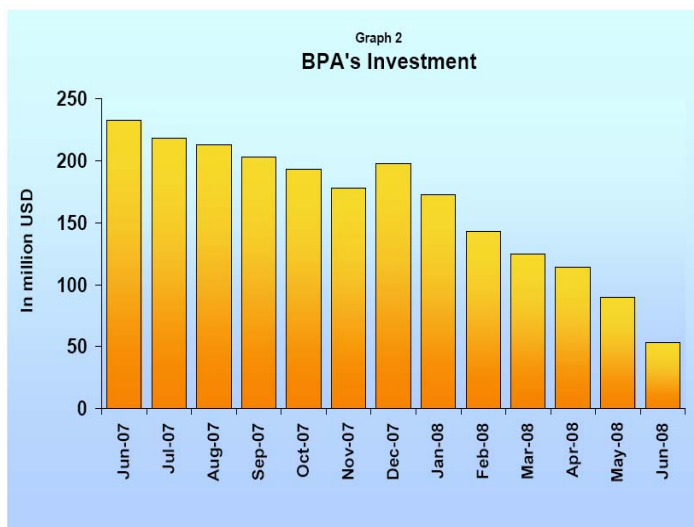
The construction, the second large contribution in the credit by sector, started to increase again, rising by 6.6%, reversing a decline of 12.3% in the March quarter. This can be related to the government budget execution on the capital and development, mainly in the construction.

The trade and finance was the major recipient of credit in the last March quarter, it represent about 11% growth in the June 2008 quarter. While the credit to transport and communication continue decline, reducing by 0.2%, following a reduction of 5.2% in the last quarter.

Individuals still comprised the largest share of total credit, while reducing by 6.3%, its representing 37.9% of total credit, followed by construction (26.7%) and trade and finance (23%).

Total Liquidity

The growth rate of total Liquidity Assets in the banking system rose by 10.5% in June compare to last March 2008, as the result the liquid ratio reached 58.2%. This was driven by an increase in balances with the Central Bank and deposits with other financial institutions abroad of 16.3% and 12.9% respectively, while cash decreased by 33.6%. The growth rate of liquid ratio reduce by 7.7% following a reduction of 2.5% observe in the March quarter. Thus far, ongoing liquidity has had a substantial impact on ac-



tual liquid requirements, resulting excess liquidity reached 43.3%.

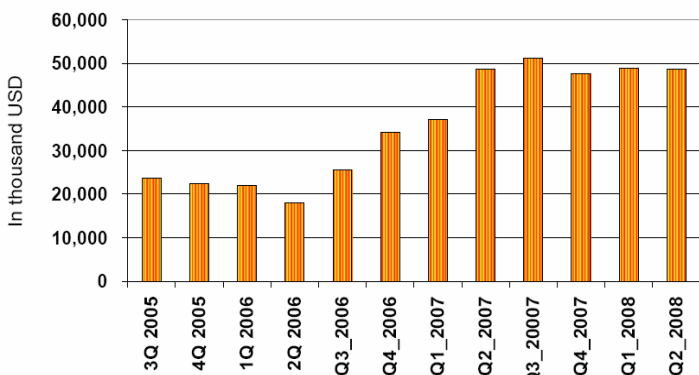
The BPA's portfolio investment, exclude Petroleum Fund investment, continue on a downward trend since June 2007 and moderated further in June 2008, declining by 57.4% to approximately US\$ 53 million following a decrease of 37% to US\$124.5 million in March quarter. This trend reflects the impact of BPA's operational management in anticipating the liquidity in cash to meet government payments. The downward trend in investment affected the decline in International Reserves, reducing by 46% at the end of June (excluding Petroleum Fund reserves).

Interest Rate

The commercial banks' weighted average interest rate on deposits has reduced by one basis point in the June quarter, while lending rates reducing by 22 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	0.78	1.02	1.16	1.27
Lending rates				
Loans + Libor 6 months				12.44

Graph 3. DILI CLEARING



Clearing activities have been volatile associated with the government payments order. The activity shows a downward trend in the quarter, declining by 0.5% in clearing value, reversing an increase of 2.8% in March quarter.

CLEARING AND BAD CHECKS

Table 2.

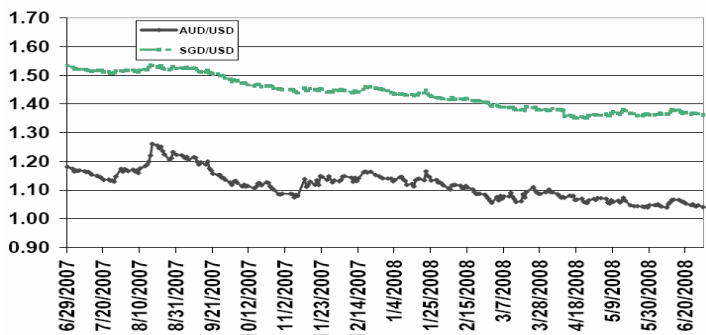
	Dec_06	1H_07	2H_07	1Q_08	2Q_08
1. Clearing Transactions					
a. Value of Cheques presented (thousands of USD)					
- Total	13,247	29,175	30,609	13,846	16,395
- Average per month	230	473	494	219	266
b. Number of Cheques presented (volume)					
- Total	3,287	6,630	6,810	3,487	3,920
- Average per day	57	107	110	55	63
c. Value of Notes presented (thousand of USD)					
- Total	21,010	56,639	69,182	35,157	32,357
- Average per day	367	919	1,117	557	526
d. Number of Notes presented (volume)					
- Total	2,029	5,034	5,365	2,550	3,364
- Average per day	35	81	87	41	55
2. Bad Checks & Notes returned					
a. Value Checks (in thousand USD)	101	201	246	69	100
b. Value Notes (in thousand USD)	100	527	647	187	125
Total Clearing Value	34,257	85,814	99,791	49,002	48,753
Total Clearing Volume	5,316	5,527	6,137	6,037	7,284

Exchange Rate

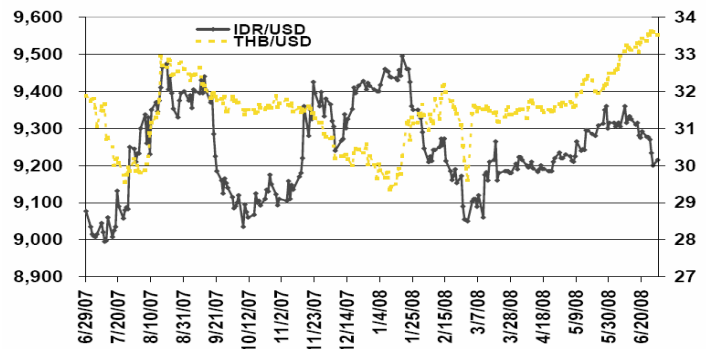
The USD continued to depreciate against Australian dollar (4.8%) and Singapore dollar (1.4%) during the June 2008 quarter, however it appreciate somewhat against the Euro by 0.02. It appreciated by 0.1% and 6.7% against the Indonesian rupiah and Thailand bath respectively, trading at an average of 9.215 rupiah and 33.5 bath per USD.

Exchange Rate USD per AUD & SGD

Graph 4



Exchange Rate USD per IDR & THB



II. EXTERNAL TRADE

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

Month/Year	Imports			Exports			Balance	Balance
	Merchandise (US\$000)	Non-merch (US\$000)	TOTAL (US\$000)	Exports (US\$000)	re-export (US\$000)	TOTAL (US\$000)	TOTAL	merchandise (Ex- Im merch.)
2006/Year	87,693	13,106	100,803	8,444	52,241	60,686	-40,117	-79,249
Q1 - 2007	37,596	5,004	42,598	2,060	12,052	14,112	(28,486)	(35,534)
Q2 - 2007	52,333	2,484	54,823	55	2,910	2,965	(51,858)	(52,284)
1st Semester/07	89,929	3,248	71,911	541	5,446	5,987	-65,924	-68,122
July-07	16,547	2,692	19,242	74	4,467	4,541	-14,701	-16,476
August-07	14,088	2,728	16,816	2,001	2,234	4,236	-12,580	-12,086
September-07	11,680	1,258	12,938	1,762	4,872	6,634	-6,304	-9,917
Q3 - 2007	42,314	6,678	48,995	3,837	11,573	15,411	(33,585)	(38,480)
Outubro/03	12,825	3,714	16,538	1,869	5,315	7,184	-9,354	-10,955
November-07	11,088	960	12,048	1,383	6,948	8,330	-3,717	-9,705
December-07	11,052	811	11,862	737	1,940	2,678	-9,185	-10,314
Q4 - 2007	34,964	5,484	40,448	3,989	14,203	18,192	(22,256)	(30,975)
2nd Semester/07	77,278	12,162	89,444	7,827	25,776	33,603	(55,841)	(69,455)
Total 2007	167,207	15,410	161,355	8,367	31,222	39,589	(121,765)	(137,577)
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)

Source: National Statistics Department and BPA (estimation)

Note : The figures for February, March, August up to December 2007 are estimated data using average for 2004 - 2006 and assumption growth of 25%

III. GOVERNMENT FINANCE

The budget for financial year 2008 approved 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.

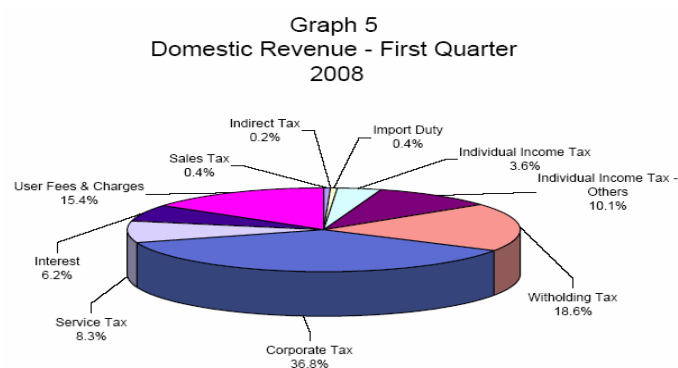
Revenue

Total domestic revenue receipts during the first quarter 2008 were US\$ 14.656 million which were 82.6% in excess of the revenue estimated at US\$ 8.025 million or about US\$ 6.63 million. The main part of this domestic revenue were collected by Treasury (46.6%), and a small part were self funded of autonomous agencies, about 7.6% (US\$ 2.1 million). The main sources of domestic revenue receipts during the first quarter 2008 were corporate tax, of US\$ 4.6 million, which represented 36.8% of the total domestic revenue, an increase of 54.5% compared to March 2007. Major contributions also came from withholding tax (18.6%), user fees and charges (15.4%), and individual income tax (10.1%).

Expenditure

Total expenditure during the first quarter was US\$ 112.935 million, against the estimate of US\$ 347.753 million giving an overall budget execution rate of 32.5%. Suppose that each quarter the Government has to execute 25% of total budget, this percentage of budget execution is good, it represent 7% higher than a quarter budget execution.

The Expenditure comprised US\$ 32.432 million as cash payments and US\$ 80.503 million as obligations. Whole of Government expenditure performance by appropriation category were; capital and development 31.12%, minor capital 40.7%, Goods and Services 30.0%, Salary and Wages 23.3%, and transfer 43.2%.



IV. DOMESTIC ECONOMY

Coffee

Fortunately, started June 2008 the data for trade has been published again by National Statistics Department. This positive development recorded an amount of coffee export up to June 2008 reached a quantity of 1.4 million kg. Compare to first six month of 2007 it has an increase of almost 200%, but it has a downward of 30% observe from the first half of 2006. The biggest destination of this coffee export was to Singapore (62%), Germany (26%) and Portugal of about 10%. Taiwan also has small demand of coffee production from Timor-Leste, was about 2%.

Other products

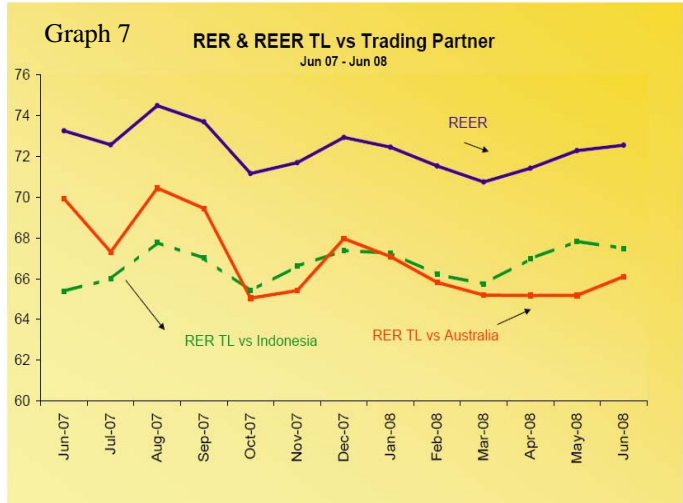
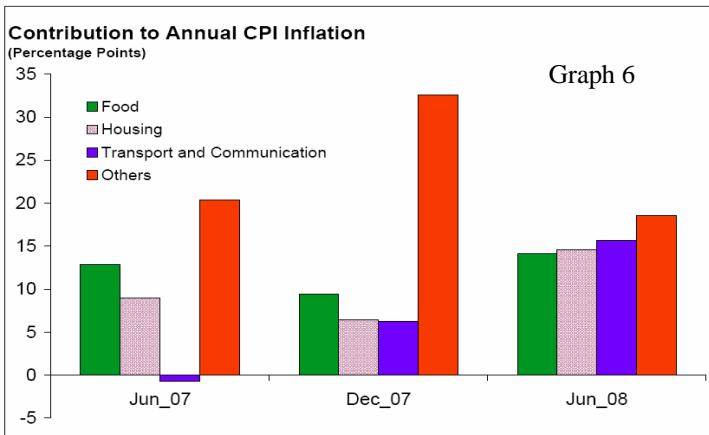
There is no other products exported up to June 2008.

Price Evolution in Dili

Table 5

CONSUMER PRICE INDEX (2001 = 100)						
Group	Weights (%)	Index			% Change	
		Jun_07	Mar_08	Jun_08	Jun08/Mar08	Jun08/Jun07
ALL GROUPS	100.0	133.1	140.5	148.6	5.8	11.6
Food	56.7	135.5	142.8	154.6	8.3	14.1
Alcohol and Tobacco	4.8	133.1	134.7	134.0	-0.5	0.7
Clothing and Footwear	8.9	148.3	162.8	161.4	-0.9	8.8
Housing	10.2	132.8	144.9	152.1	5.0	14.5
Household Furnishings, Supplies and Services	7.9	101.7	103.0	103.1	0.1	1.4
Health	4.2	143.6	148.6	150.3	1.1	4.7
Recreation and Education	3.4	110.1	112.5	113.4	0.8	3.0
Transport and Communication	4.2	130.4	139.4	150.8	8.2	15.6

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



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	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
31-Jan-08	123.20	122.75	92.33	8.06
31-Dec-07	119.79	119.79	96.00	7.31

The quarterly Dili consumer price index (CPI) remained high above 2% since December 2007. In June 2008 it was 5.8%, up from 4.2% in the previous month, against the background of continue rise in the oil price 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 11.6% in the June 2008 from 10% in May and 8.6% in December 2007. The upward in inflation mainly reflected the large impact of increase in the price of food of 14.1% (just cereal represent 28.7%) compared to an increase of 11.2% (cereal 20.2) and 9.6% (cereal 9.9) in May 2008 and December 2007 respectively. While housing cost also increased by 14.5%, transport and communication by 15.6% and others such as clothing and footwear by 8.8%, health (4.7%), and recreation (3%).

Timor Leste Monetary Survey

Table 7

In Thousand of U.S. dollars

	Jun_06	Jun_07	Mar_08	Jun_08	Percentage change 1 Q ago	1 Year ago
Net foreign assets	146,448	338,169	276,138	222,612	-19.4	-34.2
Central bank	129,716	277,635	176,297	94,294	-46.5	-66.0
Commercial bank	16,732	60,534	99,842	128,318	28.5	112.0
				0		
Net domestic credit	-28,576	-173,307	-73,199	6,713	109.2	103.9
Claims on government (net)	-130,543	-276,675	-167,922	-90,459	-46.1	-67.3
Claims on other nonfinancial corp.	-	-	-	-		
Claim to financial corporations	-	-	-	-		
Claims on private sector	101,967	103,368	94,723	97,172	2.6	-6.0
Other items (net)	1,101	-45,750	-50,703	-48,958	-3.4	7.0
Broad Money	77,862	117,171	148,333	173,615	17.0	48.2
Narrow money	39,627	61,181	79,556	97,684	22.8	59.7
Currency in circulation	1,811	1,994	2,161	2,202	1.9	10.4
Demand deposits	37,816	59,188	77,395	95,482	23.4	61.3
Quasy money	38,235	55,989	68,777	75,931	10.4	35.6
Time deposits	8,394	9,573	14,361	17,112	19.2	78.8
Saving deposits	29,842	46,417	54,416	58,819	8.1	26.7
Other	41,111	1,941	3,903	6,752	73.0	247.9
Vertical check	0	0	0	0		
Memorandum item: Petroleum Fund Assets	649,848	1,394,223	2,629,963	3,203,073	21.8	129.7

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

Table 8

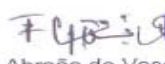
Av^o Bispo Medeiros, PO Box 59, Díli, Timor-Leste

QUARTERLY SUMMARY FINANCIAL STATEMENTS

BALANCE SHEET		PROFIT AND LOSS	
As at 30 June 2008		For the period ended 30 June 2008	
ASSETS	US Dollars	OPERATING PROFIT	US Dollars
Cash and cash equivalents	46,344,377	Interest income	7,369,334
Investments	66,185,660	Interest expense	(5,296,742)
Other assets	1,229,979	Net investment income	2,072,592
TOTAL ASSETS	113,760,016	Fees and commissions	397,211
LIABILITIES		Petroleum fund management fee	1,042,780
Government deposits	59,371,019	Other income	91,952
Provision transfer of surplus to Government of Timor-Leste	-	TOTAL OPERATING INCOME	3,604,535
Other deposits	29,349,404	EXPENSES	
Other liabilities	1,297,461	Personnel & capacity building expenses	626,085
Currency issued	2,286,440	Currency distribution expenses	401,155
TOTAL LIABILITIES	92,304,324	Administration expenses	976,443
EQUITY		Depreciation	133,490
Capital	18,227,188	TOTAL EXPENSES	2,137,173
Reserves	1,761,142		
Retained earnings	1,467,363	OPERATING PROFIT	1,467,363
TOTAL EQUITY	21,455,693		
TOTAL LIABILITIES & EQUITY	113,760,016		

Notes: At 30 June 2008 the balance of Petroleum Fund account managed by the BPA was \$3,203,073,135. This is to recognise the reporting requirement under IFRS.

The Summary Statements 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 June 2008. These Financial Statements are unaudited.


 Abraão de Vasconcelos
 General Manager




 Fernando da Silva Carvalho
 Chief Accountant

July 16, 2008