



Quarterly Economic Bulletin

Data published in this bulletin is subject to revision and the BPA can not guarantee the accuracy of information obtained from outside sources

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I. MONEY AND BANKING

Money Supply

The underline rate of monetary expansion in Timor-Leste remained robust in the March 2008 quarter, supported by continued, while slight, increase in broad money. The growth rate of broad money rose by 3% to \$148.3 million in the March, following an increase of 7.2% to \$144 million in December 2007. This was driven by a continued upward trend in the total narrow money which overstate by the demand deposit. Meanwhile, currency in circulation (centavos) decreased by 5% to \$2.1 million as the consequence of augment in re-deposit of centavos from circulation to the banks and thus at the BPA.

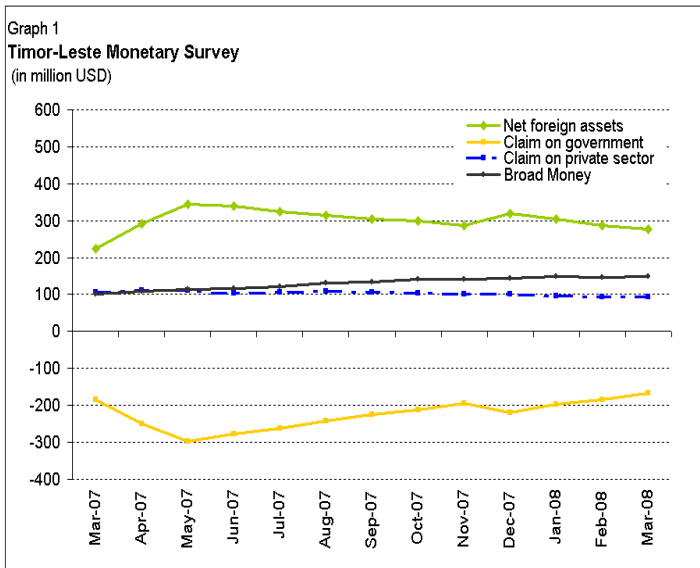
Quasi money rose by 0.8% in the quarter to \$68.8 million from 68.2 million in the preceding quarter, boosted by saving deposits.

Net foreign assets (NFA) decreased during the March quarter by 13% to \$276 million as a result of a decline in the BPA's foreign assets, a reduction of 23%. Thus far, the BPA's NFA was reduced by contraction the portfolio investment securities assets resulting the financing of government's payment requests. Conversely, there was an increase in the commercial banks' NFA, a rise of 13.6%, as the effect of continuous endeavor to place deposits abroad.

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 corporation liabilities to 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 record on claims to non-resident under NFA.



According to table 7, monetary survey, domestic credit in the March 2008 quarter reduced by 38% following a decrease of 1.8% in December 2007 quarter. This was primarily caused by a decline in government deposits which caused net credit to government to decrease to -\$168. Meanwhile the trend of credit to domestic private sector continued to decrease since the additional condition of civil

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

Sector	2007		2008	Change from December 2007	March Share (%)
	March	December	March		
Agriculture, Water and Forestry	353	1,497	1,221	-18.4	1.1
Industry and manufacturing	1,908	1,958	1,652	-15.6	1.6
Construction	30,995	31,546	27,681	-12.3	26.0
Transportasi & Comuncation	2,147	1,959	1,858	-5.2	1.7
Trade and Finance	15,248	13,035	22,943	76.0	21.6
Tourism and Service	3,092	6,272	6,220	-0.8	5.9
Individuals	42,109	44,079	44,736	1.5	42.1
Total	95,852	100,346	106,311	5.9	100.0

unrest contributed to significant increase in non performing loans and the completion of past due loans and provision for loan losses, meant a reduction of the quality of credit portfolio.

Conversely, table 1 shows a continued increase in the total credit portfolio to the private sector, rising by 5.9% in the March quarter, which was concentrated on the trade and finance sector related to the import of goods and service, including government policy on importing rice.

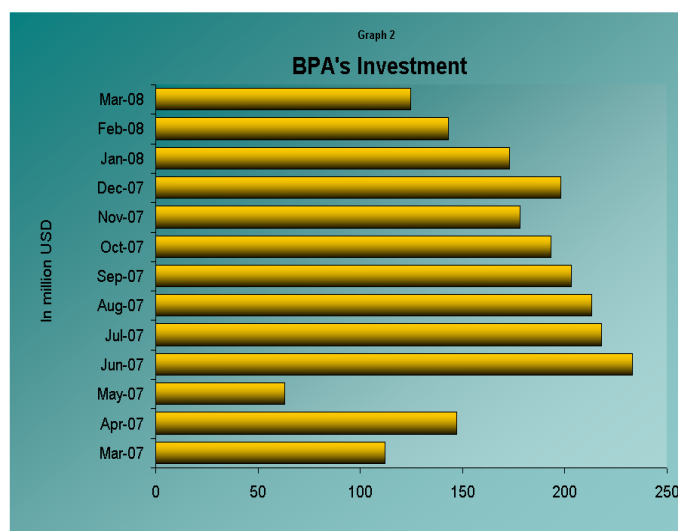
Following with the December quarter 2007, the recipients of the commercial banks' credit by category, the agriculture, water and forestry sector continue the most decrease in receiving credit, reducing by 18.4%, which in the December quarter had fallen by 28%. The credit to Industry and manufacturing sector fell by 15.6%, reversing with the December quarter that had shown an increased of 4.5%. Credit to construction sector, one of the main sectors that expected to receive more credit as a result of the

increased the government budget, in fact decreased, reducing by 12.3% followed a decrease of 8.1% in the December 2007 quarter. The major recipient of credit in this quarter by category (changes as shown in table 1) was trade and finance (76%) which in the December 2007 quarter decreased by 8.9% and contributed 13%, while in this quarter it has contributed more than 21%. Tourism and service was the major recipient of credit in the last quarter (8.2%), in this quarter reducing by 0.8%. Industry and manufacturing reduced by 15.6% followed by transport and communication with 5.2%. Individuals still comprised the largest share of total credit in the March quarter, rising by 1.5%, representing 42.1% of total credit, followed by construction (26%) and trade and finance (21.6%).

Total Liquidity

The growth rate of total Liquidity in the banking system moderated slightly in March, but remained robust, rising by 63.3% to about \$132.5 million, compared to the December quarter, down by 2.5%. This was driven by a reduction in balances with the Central Bank of 10.9%. While cash and deposits with other financial institutions abroad decreased by 12.3% and 0.8% respectively to \$7.9 and \$109.9 million. Thus far, ongoing liquidity has had a substantial impact on actual liquid requirements, making excess liquidity reach 48%.

The BPA's portfolio investment, exclude Petroleum Fund investment, has been on a downward trend since June 2007 and moderated further in March



2008, declining by 37% to \$124.5 million following a slight decrease of 3% to \$198 million in December 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, decreasing by 23% to \$177 million at the end of March (excluding the Petroleum Fund reserves), following a decrease of 2.3% to the end of December 2007.

Interest Rate

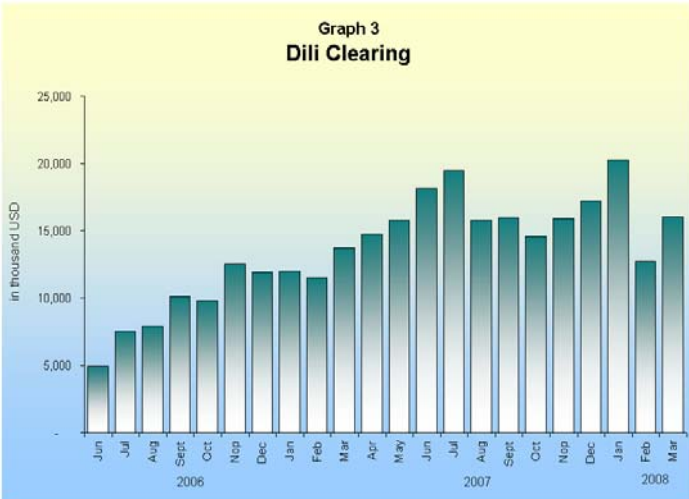
The commercial banks' weighted average interest rate on deposits has not changed, while there was a decrease in lending rates, reducing by 15.4 basis points to 12.66%.

Table 3.
Commercial Banks Deposits and Lending Rates
March_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	0.79	1.03	1.18
Lending rates				
Loans + Libor 6 months	12.66			

Exchange Rate

The USD continued to depreciate against other major currencies. It depreciated by 6.8% against the Euro during March 2008 quarter, trading at an average of \$0.6334 per USD and against the AUD by 4.2%. The USD also depreciated against the Indonesian rupiah but it appreciated by 4.6% against the THB.

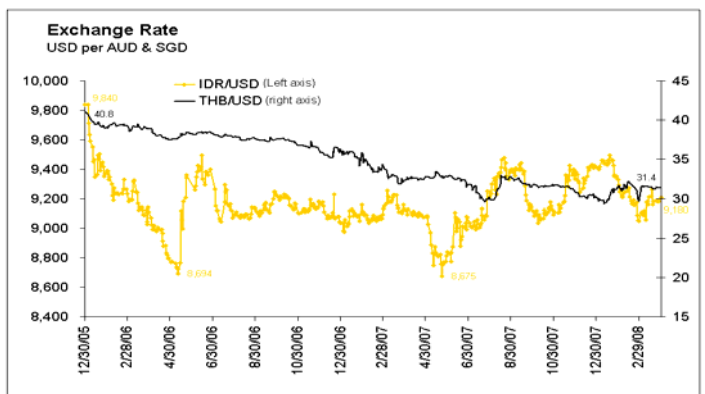
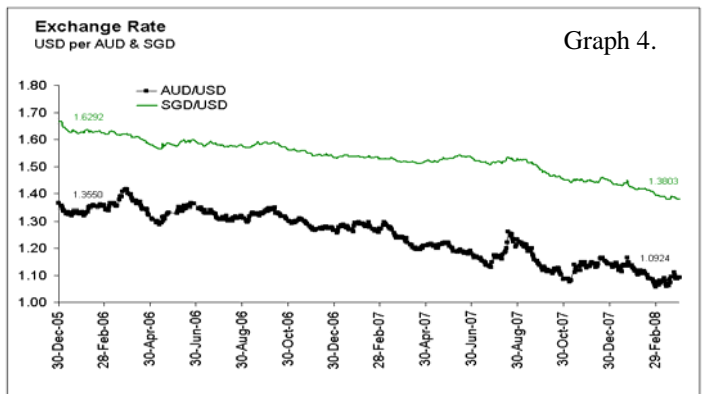


Clearing activities have been volatile associated with the government payments order, but shows an upward trend. This has increased somewhat during the March quarter, raising by 2.2% to \$49 million, reversing a decrease of 6.8% to \$47.7 million in December 2007 quarter.

CLEARING AND BAD CHECKS

Table 2.

	Dec_06	1H_07	2H_07	IQ_08
1. Clearing Transactions				
a. Value of Cheques presented (thousands of USD)				
- Total	13,247	29,175	30,609	13,846
- Average per day	689	1,418	1,481	658
b. Number of Cheques presented (volume)				
- Total	3,287	6,630	6,810	3,487
- Average per day	171	322	330	166
c. Value of Notes presented (thousand of USD)				
- Total	21,010	56,639	69,182	35,157
- Average per day	1,100	2,758	3,350	1,670
d. Number of Notes presented (volume)				
- Total	2,029	5,034	5,365	2,550
- Average per day	106	244	260	122
2. Bad Checks & Notes returned				
a. Value Checks (in thousand)				
	101	201	246	69
b. Value Notes (in thousand)				
	100	527	647	187
Total Clearing Value	34,257	85,814	99,791	49,002
Total Clearing Volume	5,316	5,527	6,137	6,037



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.)
2006/Year	87,693	13,106	100,803	8,444	52,241	60,686	-40,117	-79,249
January-07	16,326	764	17,088	486	2,536	3,022	-14,066	-15,838
February-07	9,779	2,048	11,826	1,257	4,295	5,552	-6,274	-8,522
March-07	11,491	2,192	13,683	317	5,221	5,538	-8,146	-11,174
Q1 - 2007	37,596	5,004	42,598	2,060	12,052	14,112	(28,486)	(35,534)
April-07	17,201	171	17,371	48	121	169	-17,202	-17,152
May-07	19,644	935	20,581	6	404	410	-20,171	-19,640
June-07	15,488	1,378	16,871	1	2,385	2,386	-14,485	-15,492
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	4,235	-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/07	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	31,225	39,589	(121,765)	(137,577)
January-08	16,578	695	17,274	455	3,581	4,036	-13,238	-16,123
February-08	12,460	1,447	13,908	1,406	5,112	6,518	-7,390	-11,054
March-08	14,649	1,840	16,489	338	2,801	3,139	-13,350	-14,310
Q1 - 2008	43,688	3,983	47,670	2,200	11,493	13,693	(33,977)	(41,488)

Source: National Statistics Department and BPA (estimation)

Note : The figures for February, March, August until December 2007 and 1Q 2008 are estimated data using average for 2004 - 2006 and assumption growth of 25%

III. GOVERNMENT FINANCE

The budget for the transition period of July to December 2007 included an appropriation of US\$ 116.409 million. Total revenue receipts are estimated at US\$ 22.5 million. External finance approved in the form of drawings from the petroleum fund, amounted to UD\$ 40 million, resulting in a budget deficit of US\$ 53.9 million.

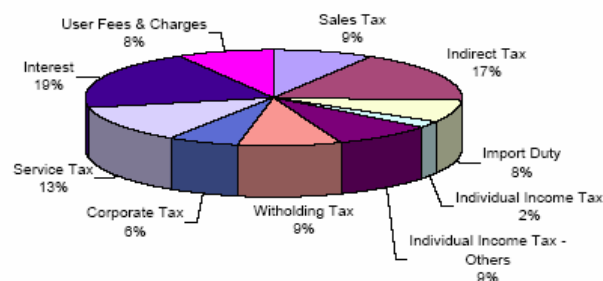
Revenue

Total revenue receipts during the Transition Period were US\$ 23.25 million which were 3.3% in excess of the revenue estimated at US\$22.5 million or about US\$ 0.75 million. A small part of the domestic revenue collected self funded from Autonomous Agencies, about 3% of total revenue. The main sources of domestic receipts during the transition period were Indirect/ Excise tax, of \$3.46 million, which represented 17% of the total domestic revenue. There was a reduction of 12% compared to December 2006. Major contributions also came from service tax (\$2.5 million), and Interest (\$4.01 million), representing 13% and 20% of total revenue respectively.

Expenditure

Total expenditure during the transition period was US\$ 104.87 million, against the estimate of US\$ 116.41 million giving an overall budget execution rate of 90.1%. Expenditure comprised US\$ 64.34 million as cash payments and US\$ 40.54 million as obligations. Whole of Government expenditure performance by appropriation category were; capital and development 98.2%, minor capital 94%, Goods and Services 89.4%, Salary and Wages 89.5%.

Graph 5
Domestic Revenue - Transition Period
July - Dec 2007



Source: National Director of Treasury

IV. DOMESTIC ECONOMY

Coffee

As described in the last quarterly economic bulletin, coffee exports, which are the Timor-Leste's largest export, fell significantly in the year 2007 due to civil unrest. There is still no data on trade from the National Statistics Department, therefore the BPA is not in a position to publish official data on trade, but it has made an estimation. Using average for 2004—2006 on the historical data available and on an assumption of growth of 25%, the BPA estimates that, under normal conditions, coffee exports will reach about 2 million kg in the March 2008 quarter.

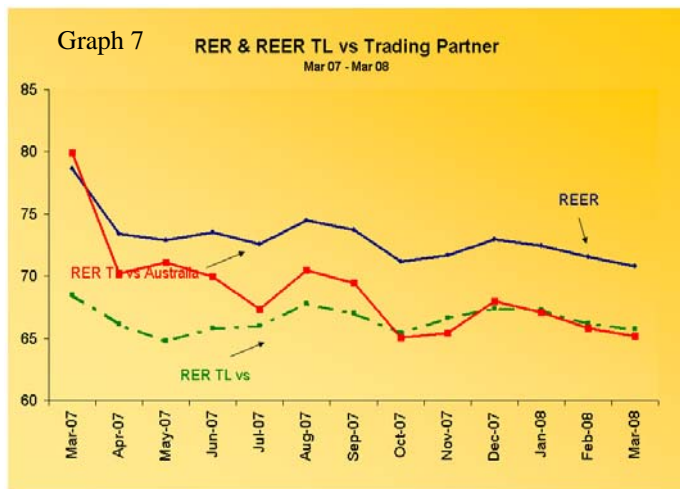
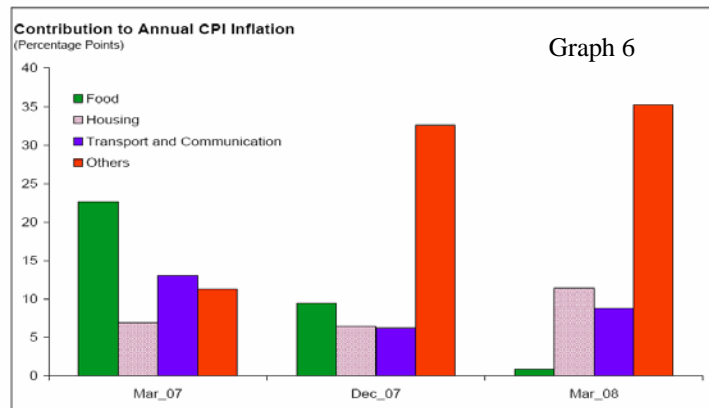
Other products

As with coffee exports, there is no data on other products that is available to be released by the BPA.

Price Evolution in Dili Table 5

CONSUMER PRICE INDEX (2001 = 100)						
Group	Weights (%)	Index			% Change	
		Mar_07	Dec_07	Mar_08	Mar08/Dec07	Mar08/Mar07
ALL GROUPS	100.0	135.1	136.4	140.5	3.0	4.0
Food	56.7	141.5	137.8	142.8	3.6	0.9
Alcohol and Tobacco	4.8	129.7	135.0	134.7	-0.2	3.9
Clothing and Footwear	8.9	143.7	159.9	162.8	1.8	13.3
Housing	10.2	130.0	136.8	144.9	5.9	11.5
Household Furnishings, Supplies and Services	7.9	101.3	102.6	103.0	0.4	1.7
Health	4.2	134.4	147.8	148.6	0.5	10.6
Recreation and Education	3.4	106.3	111.7	112.5	0.7	5.8
Transport and Communication	4.2	128.1	134.9	139.4	3.3	8.8

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.
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
30-Nov-07	115.36	113.28	91.01	7.44
31-Oct-07	112.30	111.09	90.38	8.01

The quarterly consumer price index (CPI) published by the National Statistics Department indicated that consumer prices increased by 3% during the March 2008 quarter compared with the previous quarter, when the variation was 2.2%. The rise in prices was due to a price increase in expenses, mainly in food, housing, and transport and communication. The first had an upward of 3.6%, compared to a 2% rise in the previous quarter, especially cereals (13.3%), Nuts (6.5%) and fats & oils (8%).

The annual inflation rate slowed down to 4% from 8.6% in the December 2007 quarter. The slowdown in inflation mainly reflected the large impact of the price of food of 0.9% compared to an increase of 9.5% and 22.6% in the December and March 2007 quarter respectively. While housing cost increased by 11.5%, transport and communication by 8.8% and others such as clothing and footwear by 13.3%, health (11.5%), and recreation (5.8).

Timor Leste Monetary Survey

(In Thousand of U.S. dollars)

Table 7

	Mar_05	Mar_06	Mar_07	Dec_07	Mar_08	1 Quarter ago	1 Year ago	2 Years ago
Net foreign assets	280,773.20	152,126.36	223,924.97	318,138.12	276,138.42	(13.20)	23.32	81.52
Central bank	282,709.08	145,477.65	183,997.28	230,271.66	176,296.89	(23.44)	(4.19)	21.18
Commercial bank	(1,935.88)	6,648.71	39,927.68	87,866.46	99,841.52	13.63	150.06	1,401.67
Net domestic credit	(188,531.77)	(34,373.19)	(78,322.13)	(118,126.60)	(73,199.17)	(38.03)	(6.54)	112.95
Claims on government (net)	(287,793.08)	(143,716.21)	(184,971.34)	(218,628.75)	(167,921.73)	(23.19)	(9.22)	16.84
Claims on other nonfinancial corp.	-	-	-	-	-	-	-	-
Claim to financial corporations	-	-	-	-	-	-	-	-
Claims on private sector	99,261.31	109,343.01	106,649.21	100,502.15	94,722.57	(5.75)	(11.18)	(13.37)
Other items (net)	3,727.05	450.75	(42,857.89)	(51,693.81)	(50,703.16)	(1.92)	18.31	(11,348)
Broad Money	69,910.60	79,930.66	102,092.69	143,714.35	148,333.08	3.21	45.29	85.58
Narrow money	35,197.57	40,593.69	50,573.27	75,471.39	79,556.22	5.41	57.31	95.98
Currency in circulation	1,288.18	1,811.49	1,985.89	2,272.70	2,161.05	(4.91)	8.82	19.30
Demand deposits	33,909.39	38,782.20	48,587.39	73,198.69	77,395.16	5.73	59.29	99.56
Quasy money	34,713.04	39,336.98	51,519.41	68,242.96	68,776.86	0.78	33.50	74.84
Time deposits	7,480.56	8,603.42	11,048.84	17,697.51	14,361.16	(18.85)	29.98	66.92
Saving deposits	27,232.48	30,733.56	40,470.57	50,545.45	54,415.70	7.66	34.46	77.06
Other	26,057.87	38,273.26	652.26	4,603.36	3,903.02	(15.21)	498.39	(89.80)
Vertical check	0	0	0	0	0			
Memorandum item: Petroleum Fund Assets		508,102.93	1,217,978.85	2,086,157.09	2,629,963.00	26.07	115.93	417.60

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

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

Table 8

QUARTERLY SUMMARY FINANCIAL STATEMENTS

BALANCE SHEET		PROFIT AND LOSS	
As at 31 March 2008		For the period ended 31 March 2008	
ASSETS	US Dollars	OPERATING PROFIT	US Dollars
Cash and cash equivalents	53,473,813	Interest income	6,634,050
Investments	136,654,301	Interest expense	(4,931,880)
Other assets	1,291,855	Net investment income	1,702,164
TOTAL ASSETS	191,419,829	Fees and commissions	345,205
LIABILITIES		Petroleum fund management fee	782,086
Government deposits	138,309,720	Other income	58,857
Provision transfer of surplus to Government of Timor-Leste	-	TOTAL OPERATING INCOME	2,888,312
Other deposits	28,580,240	EXPENSES	
Other liabilities	389,170	Personnel & capacity building expenses	385,517
Currency issued	2,278,831	Currency distribution expenses	271,714
TOTAL LIABILITIES	169,557,961	Administration expenses	557,414
EQUITY		Depreciation	97,054
Capital	18,227,188	TOTAL EXPENSES	1,311,699
Reserves	2,058,067	OPERATING PROFIT	1,576,613
Retained earnings	1,578,613		
TOTAL EQUITY	21,861,868		
TOTAL LIABILITIES & EQUITY	191,419,829		

Notes: At 31 March 2008 the balance of Petroleum Fund account managed by the BPA was \$2,629,963,000. This is to recognize the reporting requirement under IFRS.

The Summary Statements above 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 31 March 2008. These Financial Statements are unaudited.


 Abraão de Vasconcelos
 General Manager


 Fernando da Silva Carvalho
 Chief Accountant

April 11, 2008