



Quarterly Economic Bulletin

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

Content:

- I Money and Banking
 - II External Trade
 - III Government Finance
 - IV Domestic Economy
- Appendix: Monetary Statistics and BPA balance sheet

I. MONEY AND BANKING

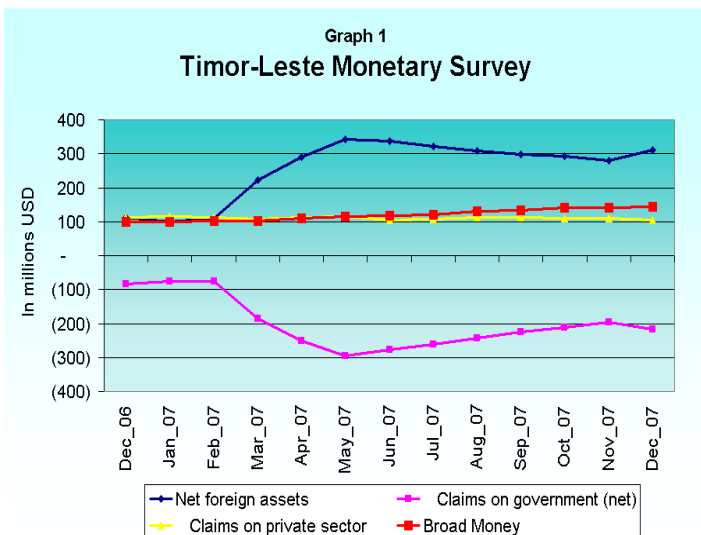
Money Supply

Broad money supply increased in December quarter 2007 by 7.2% to \$144 million, following an increase of 14.4% to \$134 million in September 2007. This was driven by a rise in total Narrow money by 6.7% to \$75.5 million, which was caused by an increase in demand deposits by 6.8% to \$73.2 million. Meanwhile the currency in circulation (centavos) increased by 1.4% to \$2.3 million.

Quasi money increased by 7.9% to \$68.3 million in the quarter from \$63.3 million last quarter. This increase was due to a significant increase in time deposits by 16.4% to \$17.7 million from \$15.2 million in

September quarter, and a slight increase in saving deposit by 5% to \$50.1 million.

The Net Foreign Assets increase by 4.4% to \$ 312.3 million reversing a decrease of 11.0% to \$299 million in September quarter. This increase in NFA was the outcome of a large increase in the commercial banks foreign assets, an increase of 29.5% or \$18.8 million from previous quarter. This increase of Commercial banks' NFA in December quarter was caused by increase in the placement of commercial banks deposits abroad, as the result of more care in providing credit to the private sector. Meanwhile the net foreign assets held by BPA decreased by 2.3% to \$230.3 million at the end of this quarter from \$ 235.7 million at the end of the September quarter.



Domestic Credit

Total domestic credit (which in negative) decreased in the December quarter, reducing by 1.8% to -\$112.6 million following a significant decrease of 33.0% to -\$114.6 million in September quarter. This contrasts with the level of total domestic credit (which in positive) in December 2006, which had increased nearly by 170% to \$30.5 million, compared to December 2005. This increase was mainly due to decline in net government deposits by 44% following an increase of credit to private sector.

The decrease of domestic credit in this quarter was partly caused by a decrease in government deposits by \$8 million, causing government net credit to de-

crease to minus \$217.9 million from minus \$226 million in September quarter. In addition, credit to the private sector declined by 3.2% (or about \$3.4 million) to \$100.4 million. The decrease in credit to the private sector reflects attitude of those commercial banks in their efforts to perform more comprehensive credit analysis as increase vigilance in providing credit to those sector of the economy.

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

Sector	2006		2007		Change from September 2007	December Share (%)
	December	September	December	September		
Agriculture, Water and Forestry	286	2,085	1,497	-28.2	1.5	
Industry and manufacturing	1,803	1,874	1,958	4.5	2.0	
Construction	32,014	34,334	31,546	-8.1	31.4	
Transportasi & Comuncation	2,216	2,050	1,959	-4.4	2.0	
Trade and Finance	14,350	14,313	13,035	-8.9	13.0	
Tourism and Service	3,239	5,798	6,272	8.2	6.3	
Individuals	38,259	43,246	44,079	1.9	43.9	
Total	92,167	103,700	100,346	-3.2	100.0	

Contrasting with the September quarter 2007, during which one of the major recipients of the commercial banks' credit by category was the agriculture, water and forestry sector, with an increase of credit by 61%, in the December quarter this sector was the most decreased, reducing by 28%, followed by construction, trade and finance, and transportation and communication, reducing by 8.1%, 4.4% and 8.9% respectively. This was the result of increasing attention by commercial banks in appraising credit proposals from borrowers, as a consequence of high non-performing loans. The major recipients of credit in this quarter by category (the changes as shown in table 1) were tourism and service (8.2%), followed by industry and manufacturing (4.5%) and individuals (1.9%). Individuals still com-

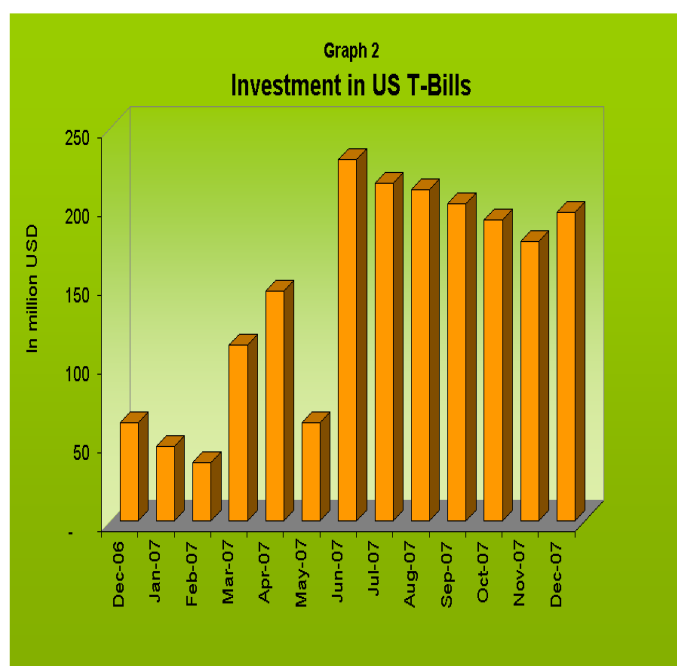
prise the largest share of total credit in the December quarter, which represents 43.9% of total credit, followed by construction (31.4%) and trade and finance (13%).

Total Liquidity

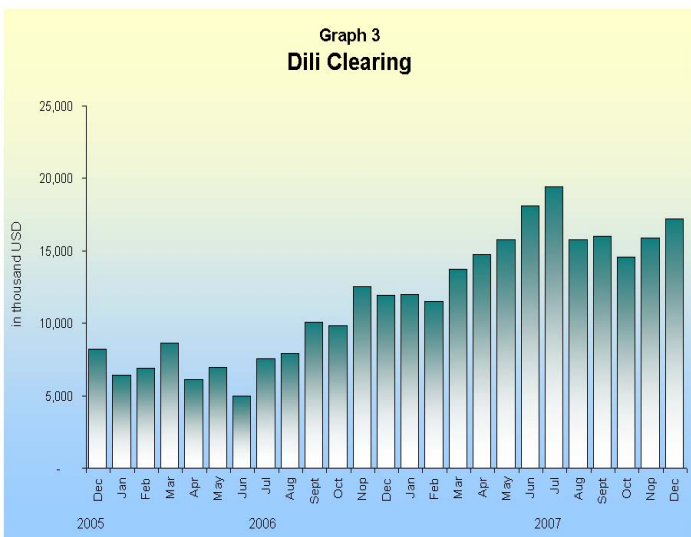
Total Liquidity in the banking system rose significantly, by 64.7% to \$136.2 million in December quarter, following an increase of 56.5% to \$107.6 million recorded in the September quarter. This increase was due to an increase of 0.2% (\$0.03 million) in the balances with the Central Bank to \$16.6 million, reversing an increase of 63.3% in the last quarter. While cash has significantly increased by 54.6% (\$3.2 million) and 29.8% (\$ 25.4 million) increase in the deposits with other financial institution abroad. As a result, excess liquidity increased by 49.7% to \$104.7 million.

BPA investment in US T-bills decreased during the December quarter, reducing by 3% to \$198 million following a decrease of 12.4% to \$201.6 million in September quarter. The management of buying and selling US T-Bills alongside depending on the maturity date of the bills also anticipating the liquidity in cash to meet government request.

International Reserves decreased by 2.3% to \$230.3 million at the end of December (excluding the Petro-



leum Fund reserves), following a decrease of 15% in the end of September quarter. These reserves cover almost 32 months of imports.



Clearing activities decreased during the quarter, reducing by 6.8% to \$47.7 million, reversing an increase of 5.2% to \$51.2 million in September quarter. This was decreasing in value of cheques and notes presented, that corresponding a reducing of 12.7% to \$13.1 million of cheques and notes by 4.4% to \$34.6 million. This reduction was due to decreased in payments order by government to finance projects, which reducing in notes presented, and reduction in banks customer transactions, which reducing in cheques presented.

CLEARING AND BAD CHECKS

	Dec_06	1Q_07	2Q_07	3Q_07	4Q_07
1. Clearing Transactions					
a. Value of Cheques presented (thousands of USD)					
- Total	13,247	13,556	15,620	14,989	13,081
- Average per day	689	637	780	700	684
b. Number of Cheques presented (volume)					
- Total	3,287	3,202	3,428	3,382	3,398
- Average per day	171	150	172	159	177
c. Value of Notes presented (thousand of USD)					
- Total	21,010	23,636	33,003	36,179	34,591
- Average per day	1,100	1,106	1,652	1,698	1,817
d. Number of Notes presented (volume)					
- Total	2,029	2,325	2,709	2,656	2,773
- Average per day	106	109	135	125	145
2. Bad Checks & Notes returned					
a. Value Checks (in thousand)	101	89	112	134	93
b. Value Notes (In thousand)	100	115	412	235	135
Total Clearing Value	34,257	37,192	48,623	51,168	47,672
Total Clearing Volume	5,316	5,527	6,137	6,038	6,171

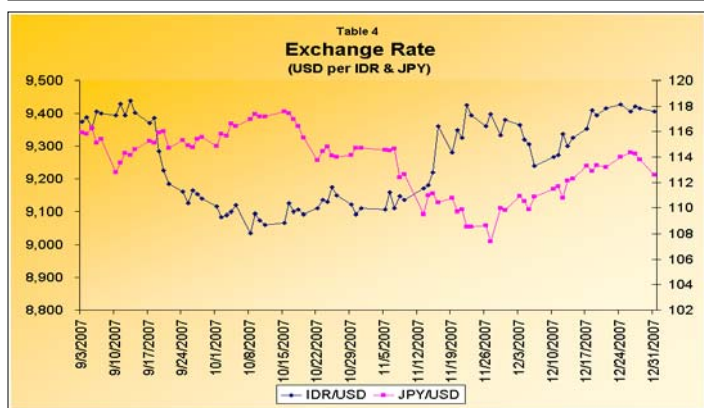
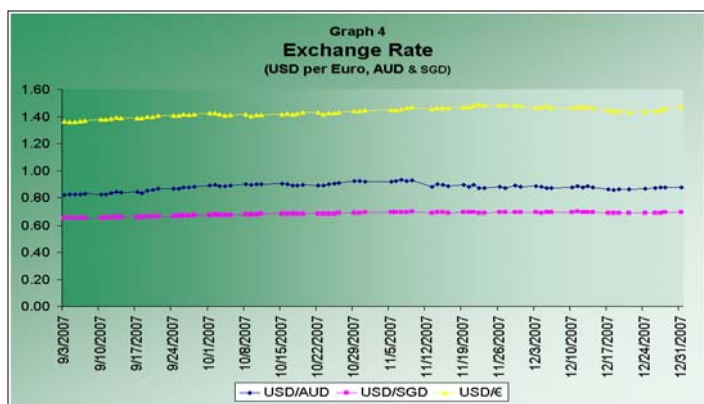
Interest Rate

The commercial banks' weighted average interest rate on deposits increased about 1 basis point from the previous quarter, while the lending rates increase by 1.3 basis points to 14.81%.

Weighted Average				
Deposit Rates				
Savings	Time Deposits			
	Up to 3 mths	3 to 6 mths	6 to 12 mths	Over 12 mths
0.78%	0.79%	1.03%	1.17%	1.28%
Lending rates				
Loans + Libor 6 months				14.81%

Exchange Rate

The USD depreciated by 3.9% against the Euro during December quarter, trading at an average of \$0.6793 per USD. The USD also depreciated against other major currencies excluding the Indonesian rupiah against which it appreciate by 2.9%, trading at an average of Rp. 9,405 9 per dollar.



II. EXTERNAL TRADE

Table 4.
TIMOR - LESTE: Trade Statistics Summary

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.)
1st Semester/06	37,087	3,196	40,283	2,222	8,954	11,176	-29,107	-34,865
2st Semester/06	50,606	9,910	60,520	6,222	43,287	49,510	-11,010	-44,384
2006/Year	87,693	13,106	100,803	8,444	52,241	60,686	-40,117	-79,249
January-07	16,324	764	17,088	486	2,536	3,022	-14,066	-15,838
February-07	na	na	na	na	na	na	na	na
March-07	na	na	na	na	na	na	na	na
Q1 - 2007	16,324	764	17,088	486	2,536	3,022	-14,066	-15,838
April-07	17,200	171	17,371	48	121	169	-17,202	-17,152
May-07	19,646	935	20,581	6	404	410	-20,171	-19,640
June-07	15,493	1,378	16,871	1	2,385	2,386	-14,485	-15,492
Q2 - 2007	52,339	2,484	54,823	55	2,910	2,965	-51,858	-52,284
1st Semester/07	68,663	3,248	71,911	541	5,446	5,987	-65,924	-68,122
July-07	16,550	2,692	19,242	74	4,467	4,541	-14,701	-16,476
August-07								
September-07								
Q3 - 2007	16,550	2,692	19,242	74	4,467	4,541	-14,701	-16,476
Outubro/03								
November-07								
December-07								
Q4 - 2007	-	0	0	-	0	0	0	0
2st Semester/07	16,550	2,692	19,242	74	4,467	4,541	-14,701	-16,476
Total 2007	85,213	5,940	91,153	615	9,913	10,528	-80,625	-84,598

Source: National Statistics Department

III. GOVERNMENT FINANCE

Fiscal data showed the general Budget of State for FY 2006/07 estimates an appropriation of \$315.91 million which included an appropriation of \$13.7 million for the Autonomous Agencies. The Revision was done in the second semester of the FY (March) and showed an increased of \$12.67 to \$328.6 million. The total revenue receipt are estimated at \$46.7 million, including \$6.5 million receipts from Autonomous Agencies and donors. This estimate was revised to \$55.7 million in March 2007. External finance approved, in the form of a drawing from the petroleum fund, amounted of \$272.8 million.

Revenue

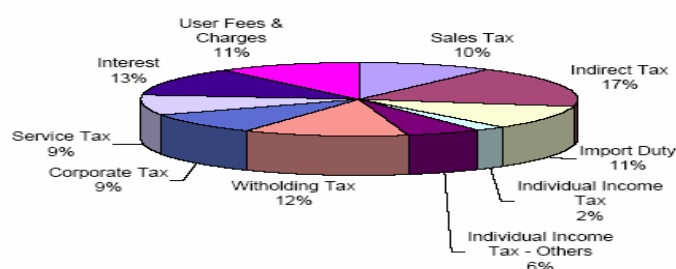
Total receipts during the Fiscal Year were \$58.7 million was 5.4% in excess of the revenue estimated at \$55.7 million. Donors' contributions were \$11.3 million, 28% less than the final estimate of \$15.6 million. The main sources of domestic receipts during the FY remained Indirect/ Excise tax of \$7.4 million, which represented 18% of the total domestic revenue. Major contributions also came from Withholding tax (\$4.9 million), Import Duty (\$4.3 million), Sales

tax (\$4 million) and Interest (\$5.1 million).

Expenditure

Total expenditure during the FY was \$264.1 million, against the annual estimate of \$328.58 million give the overall budget execution rate of 80%. The whole Government expenditure performance under the categories of appropriation are; capital and development 71%, minor capital 91%, Goods and Services 89%, Salary and Wages 88% and Transfers of 59%. From sectoral analysis of expenditure shows that Human Resources Development amounted to 26%, Infrastructure 20%, and Political Development 17%.

Graph 5
DOMESTIC REVENUE FOR FY 2006/07
June 07



Source: National Directorate of Treasury

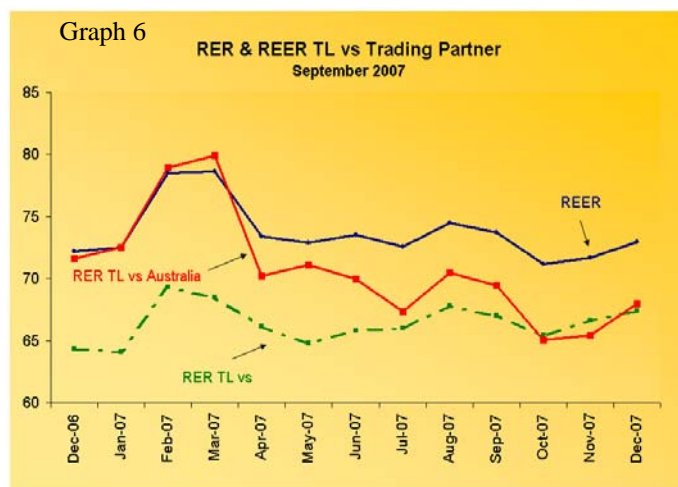
IV. DOMESTIC ECONOMY

Coffee

Coffee exports, which are the largest Timor-Leste export, plummeted significantly in this year. This is an unprecedented event for coffee exports, no exports during second quarter and first quarter except January. There are no data for coffee exports during second semester 2007 except July. This was due to still and starting building the new system in the Custom Office. Coffee export dropped by almost 93% to 0.6 million kg from 8.9 million kg compare to total quantity of coffee export achieve last year. This huge decreased in the volume of coffee export and likely to be an effect of a decrease in the harvest as the result of a long dry season and the political situation, also the result of missing data collection.

Other products

The National Statistics Department has collected data for other Timor-Leste export production such as candlenut, Teatona Grandis and Tradition Clothes, also Scrap. The Main destination of those production were United States (Candlenut), Singapore (Teatona Grandis) and Indonesia (Traditional Clothes). Up to December 2007 Timor-Leste was exporting almost 38 kg of Teatona Grandis, 15 kg of candlenut, and 11 kg for Tradition clothes and Scrap. As for coffee export, there are still missing data for other export.



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-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
28-Sep-07	115.56	118.30	82.88	6.91
31-Aug-07	106.28	107.64	73.36	5.69
31-Jul-07	105.86	106.03	76.83	6.59

Price Evolution in Dili

Table 5

CONSUMER PRICE INDEX

(2001 = 100)

Group	Weights (%)	Index			% Change	
		Dec_06	Sep_07	Dec_07	Dec07/Sep07	Dec07/Dec06
ALL GROUPS	100.0	125.6	133.5	136.4	2.2	8.6
Food	56.7	125.9	135.1	137.8	2.0	9.5
Alcohol and Tobacco	4.8	129.4	133.8	135.0	0.9	4.3
Clothing and Footwear	8.9	138.0	152.6	159.9	4.8	15.9
Housing	10.2	128.5	132.4	136.8	3.3	6.5
Household Furnishings, Supplies and Services	7.9	101.8	102.6	102.6	0.0	0.8
Health	4.2	132.5	146.1	147.8	1.2	11.5
Recreation and Education	3.4	111.6	111.7	111.7	0.0	0.1
Transport and Communication	4.2	127.0	131.3	134.9	2.7	6.2

Note: this CPI just for Dili

Source: National Statistics Department

As published by the National Statistics Department of Ministry of Finance, the Consumer Price Index (CPI) indicated that consumer prices have increased roughly 2.2%, during the December quarter compared with the previous quarter, when the variation was of 0.3%. The rise in prices was due to a price increase in expenses, mainly food, clothing and footwear, housing and transportation & communication. The first had an increase of 2%, compare to a 0.3% decline in the previous quarter, especially cereals (0.5%), preserved fish (3.7%) and fats & oils (13.3%).

The annual inflation rate has risen to 8.6% reversing a decline to 7.7% in the previous quarter. Compared to the same month of the previous year, there was an increase, when inflation was 7.3%. The increase in inflation was mainly due to price increases in expenses of clothing and footwear (15.9%) and health (11.5%), which were 3.6% and 1.8% respectively in the previous year.

Timor Leste Monetary Survey

(In Thousand of U.S. dollars)

	Dec_04	Dec_05	Dec_06	Sep_07	Dec_07	1 Quarter Ago	1 Year Ago	2 Years Ago
Net foreign assets	184,428	159,023	112,263	299,006	312,249	4.4	178.1	96.4
Central bank	182,457	153,298	84,726	235,699	230,271	-2.3	171.8	50.2
Commercial bank	1,971	5,724	27,537	63,307	81,977	29.5	197.7	1332.1
Net domestic credit	(99,184)	(43,523)	30,522	(114,557)	(112,494)	-1.8	-468.6	158.5
Claims on government (net)	(186,803)	(149,503)	(83,003)	(226,027)	(217,919)	-3.6	162.5	45.8
Claims on other nonfinancial corp.	17	20	18	34	21	-37.3	15.2	4.7
Claims on private sector	87,602	105,960	113,505	111,437	105,404	-5.4	-7.1	-0.5
Other items (net)	(3,787)	1,150	43,650	48,531	53,509	10.3	22.6	4553.5
Broad Money	65,905	77,991	99,849	134,038	143,737	7.2	44.0	84.3
Narrow money	32,292	39,507	53,499	70,765	75,482	6.7	41.1	91.1
Currency in circulation	1,104	1,790	1,811	2,241	2,273	1.4	25.5	27.0
Demand deposits	31,187	37,717	51,688	68,524	73,209	6.8	41.6	94.1
Quasi money	33,614	38,484	46,351	63,273	68,255	7.9	47.3	77.4
Time deposits	6,777	8,591	8,960	15,208	17,698	16.4	97.5	106.0
Saving deposits	26,837	29,892	37,391	48,065	50,557	5.2	35.2	69.1
Other	23,125	36,359	(715)	1,881	2,510	33.5	-451.1	-93.1
Memorandum item: Petroleum Fund Assets		370	1,012	1,818	2,086	14.8	106.2	463.4

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

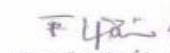
Avº Bispo Medeiros, PO Box 59, Dili, Timor-Leste

QUARTERLY SUMMARY FINANCIAL STATEMENTS


BALANCE SHEET		PROFIT AND LOSS	
As at 31 December 2007		For the period ended 31 December 2007	
ASSETS	US Dollars	OPERATING PROFIT	US Dollars
Cash and cash equivalents	34,386,722	Interest income	5,216,822
Investments	208,933,392	Interest expense	(4,096,678)
Other assets	1,381,856	Net investment income	1,120,144
TOTAL ASSETS	244,701,970	Fees and commissions	290,909
LIABILITIES		Petroleum fund management fee	521,392
Government deposits	188,986,425	Other income	34,992
Provision transfer of surplus to Government of Timor-Leste	510,780	TOTAL OPERATING INCOME	1,967,437
Other deposits	30,426,098	EXPENSES	
Other liabilities	1,406,810	Personnel & capacity building expenses	261,397
Currency issued	2,272,697	Currency distribution expenses	209,059
TOTAL LIABILITIES	223,602,810	Administration expenses	387,292
EQUITY		Depreciation	64,355
Capital	18,227,188	TOTAL EXPENSES	922,103
Reserves	1,826,638		
Retained earnings	1,045,334	OPERATING PROFIT	1,045,334
TOTAL EQUITY	21,099,160		
TOTAL LIABILITIES & EQUITY	244,701,970		

Notes: At 31 December 2007 the balance of Petroleum Fund account managed by the BPA was \$2,086,197,085. This is to recognize the reporting requirement under IFRS.

The Summary Statements above are prepared in accordance with section 66.2 of Regulation 2001/30 and have been prepared on an accrual basis from the financial records of BPA as at 31 December 2007. These Financial Statements are unaudited.


 Abraão de Vasconcelos
 General Manager




 Fernando da Silva Carvalho
 Chief Accountant

January 18, 2008