

Economic Bulletin

A Quarterly Publication of the Banking and Payments Authority of Timor-Leste

Volume 2, Number 3
October 2004

The results of the Census 2004

IN THIS ISSUE

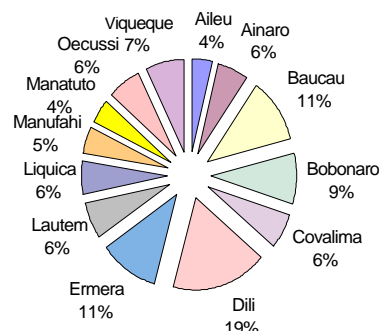
The results of the Census 2004	1
Youth unemployment: a worldwide problem	3
Behind the glass curtain	4
Monetary statistics	5
Prices;	
BPA Balance sheet	6
Financial and Foreign Exchange markets	7
Statistical sources on Timor-Leste	8
Oil and the world economy	10

The results of the Census 2004 have been recently announced.

Through this announcement we learnt that on Census date (July 11, 2004) there were 924,642 Timorese living in the national territory, 50.6% being men (467,757) and 49.4% women (456,885). The larger number of men compared to women is typically observed in the younger age group, because the male birth rate is usually higher than that for females. In the older age groups the number of women tends to surpass the number of men. Consequently, in countries where lifespans are longer, there are normally, in aggregate, more women than men because men tend to die earlier than women.

The proportions observed in the census is an initial sign that the population of our country is, on average, relatively young. While the data by age groups has not yet been published, anecdotic information suggests that the number of children aged 15 years or less is about the same as the number of people aged 16 years and older. Thus, around 48 – 50% of our population is less than 16 years old. A headache for any Minister of Education... and any Minister of Finance, forced to find resources for such an enormous number of students (actual or potential).

District	Men	Women	TOTAL	Census 2004: Population by district; %
Aileu	19,049	17,840	36,889	
Ainaro	26,964	26,665	53,629	
Baucau	52,483	52,088	104,571	11%
Bobonaro	40,955	41,430	82,385	9%
Covalima	28,018	27,923	55,941	6%
Dili	88,373	79,404	167,777	19%
Ermera	51,960	51,209	103,169	11%
Lautem	28,174	29,279	57,453	
Liquiçá	27,786	27,272	55,058	
Manufahi	22,564	21,671	44,235	
Manatuto	19,363	19,217	38,580	
Oecussi	29,119	29,402	58,521	7%
Viqueque	32,949	33,485	66,434	7%
Total	467,757	456,885	924,642	



Note that...

- ? According to the Census 2004 there are **924,642 Timorese living in the country, 50.6% being males**
- ? The data from the Suco Survey of 2001 have an error, different from district to district and in the total population. This is the reason why comparisons between its data and the Census 2004 should not be made
- ? **Youth unemployment is an almost universal phenomenon and not just of Timor-Leste**
- ? In Southeast Asia, 4 in 5 unemployed are young
- ? **The area of Information Technology of BPA is one of the most advanced of Timor Leste**
- ? The BPA Web site (www.bctl.east-timor.org) can be consulted in the near future
- ?? **The inflation rate in 2004 should be around 3% or less**
- ? There is already many statistics on Timor-Leste available at internet

If we compute the ratio of men to women by district, we see that the ratio is 1.023 at the national level, and ranges from 0.962 in Lautem (28.2 thousand men and 29.3 thousand women) to 1.067 in Aileu, the highest value, where there are more men (19 thousand) than women (17.8 thousand).

The population lives in 195,000 homes, an average of 4.7 people per home. This relatively high average is exceeded in 5 districts: Dili the "record holder", with 5.5 people per home; followed by Covalima (5.3 people); Manufahi (5.1); Liquiçá (5.0) and Ermera (4.9 people per home). The districts with the fewest people per home (4.3) are Lautem and Viqueque.

It is worth noting that some observers, taking into account the high number of children in each family, think that this data is undervalued. However, one must remember that there are a considerable number of smaller sized families – including people living alone.

The results of the census include the fact that the district of Dili has the highest population, being 18.1% of the national total, with 168,000 inhabitants. Baucau with nearly 105,000 people and Ermera with 103,000 are the second and third largest districts by population; relevant is the fact that the figures for both are very close. The three districts with the smallest populations are Aileu (the least populated with 37,000 souls, or 4% of the total population, Manatuto (38.6 thousand) and Manufahi (44.1 thousand).

If we further analyse the results at the sub-district level, we find that the most populated sub-district is, not surprisingly, in Dili; being the Dom Aleixo sub-district in the city centre, with 58.5 thousand residents. The second most populated sub-district is Cristo Rei, also in Dili (41.1 thousand people), followed by Baucau, the capital of the district with the same name, with 41 thousand people. The smallest sub-district by population is Fatululic, in Covalima, with only 1,893 people, followed by Soibada, in Manatuto, with 2,926 people and then Laleia, also in Manatuto, with 3,188.

Continues on pg. 2

The results of the Census 2004 (Continued from page 1)

The number of people recorded this year represents an increase of 23.7% compared with the 1990 census, prepared by Indonesia, when a large number of their nationals were living in our country.

Below are several figures showing the population of Timor-Leste at different points in time and drawn from different sources. Some result from censuses and others, the majority, from a variety of estimates made along the way. Our objective is not only to register this data for future reference but also to highlight what seems obvious to us concerning the more recent numbers (2000–2001): the disparity in the estimates, an obvious sign of the difficulty of the task of calculating them due to the differing methodologies used, some less appropriate than others, and the care one must take when using them in comparisons intended to give us an idea of the evolution of the population of our country over time.

POPULATION OF TIMOR-LESTE IN DIFFERENT YEARS AND ACCORDING TO DIFFERENT SOURCES

		TOTAL	WOMEN	MEN
Census 1990 (Indonesia)	747557	360796 (48,3%)	386761 (51,7%)	
Intercensus "Survey" - SUPAS 1995	839719	412840 (49,2%)	426879 (50,8%)	
UNTAET estimate May/2000	779567	394826 (50,6%)	384741 (49,4%)	
		UNTAET estimate July/2000	813000	
Suco "Survey" (Feb/Mar 2001)	841303	415557 (49,9%)	425746 (50,1%)	
Suco "Survey" (corrected; Oct/2001)	787340 (±790000)	(49%)	(51%)	
		UNTAET estimate May/2001	793000	
Civil Registry (estimate Jun/2001)	737811	(49,7%)	(50,3%)	
			For comparison:	
Census 2004	924642	456885 (49,4%)	467757 (50,4%)	

These difficulties are reflected in the report of the "Suco Survey" of Timor Leste in October 2001. There it is clearly stated that the compilers had to use figures from different periods of time with varying degrees of accuracy and resulted, when all was said and done, in a "process [that] may cause substantial errors of the estimates at aldeia, suco and even sub-district levels", but believing that any errors were probably less significant at district and country levels (being the global level of population and numbers of each sex) than at aldeia level. However, the existence of error was unavoidable due to the methodology used – even though the authors tried to minimise the margin of error.

Several factors contributed to the existence of differences between reality and the estimates, all originating from the way the estimates were made – we reiterate that they were "estimations" and not, as now, data resulting from a door-to-door census.

Let us remember some of the difficulties that were encountered at the time that influenced the final results of the estimates made (see Suco Survey Report, published in Oct 2001):

a) The survey was primarily based on questionnaires (with direct inquiry to some suco chiefs) submitted to the Suco Chiefs at a time (late 2000 – early 2001) when the country was still in an unstable situation; where the lists of people that they were obliged to keep and update were, by the very nature of the situation at the time, out of date due to absence of large numbers people who were refugees in West Timor or due to the fact that people had moved to other parts of the country.

b) The corrections made to the resulting numbers from that questionnaire/inquiry — that pointed to a population of around 841,000 people – were based on "field work" information from the surveyors preparing the "Household Survey" undertaken during the second half of 2001; this information highlighted errors in the different levels in the listings of the Suco Chiefs. This Survey, however, was based on a sample of only 1800 households, 1% of the households considered to exist at the time; the corrections made also took into consideration the results of the civil registration that occurred in mid-2001 for the elections of August 2001.

These factors seem to be sufficient reason not to treat the data from the Suco study of 2001 with the same degree of confidence as we put on the data from the 2004 Census. It also alerts us to the need to avoid the obvious temptation – even if understandable—to compare the data from the Sucos Survey, being the latest data available, with the data from the 2004 Census.

We believe it would be wrong to take the comparisons too far, because the data from the survey seems to have a higher level of error than it was believed at the time when the results were published, and worse, there are varying levels of error from district to district.

As an example is the fact that, according to the 2004 Census data, Dili showed an increase in population of 40% in three years, whereas Baucau increased by only 3%. If these increases actually happened, the imbalance of growth in the country from a regional development perspective would be much more serious than previously thought. If such an increase had really occurred, and it was not simply an overstatement, we would be facing a real disaster.

If the rate of natural increase in the population of Timor-Leste is around 2.6% -- as at the Key Indicators of Developing Asia and Pacific Countries recently published by ADB-Asian Development Bank (Table 6 pg 62) during the period 1990 to 1995 --, this would mean that the increase in population of Baucau should have been around 8-9% during those three years. An increase lower than this could have arisen either by significant emigration or by another factor that seems more credible to us: namely that the population in Baucau was overestimated in the 2001 survey. Using the same reasoning, we note that the data for Dili appears to have been underestimated in 2001. Unpublished estimates at the time predicted that the population of Dili was around 130 to 140,000 people rather than the 120,000 listed in the Survey. If these latter estimates were correct, the increase from 2001 to date would have been only 20% -- using the higher estimates as the basis for the computation — or a maximum increase of 30%.

These values are still too high and indicate a situation that appears credible at first sight: during the past few years many people have "come to the city" seeking a future that their birthplaces, in rural areas, could not give them.
To whom it may concern...

Youth unemployment: a worldwide problem

While there are no reliable statistics on this matter, it is generally recognised that one of the main problems of the national economy is unemployment and, in particular, unemployment of young people in our society. Of course we must try to find solutions for this problem, but we must not think that this is a problem of our country alone.

All around the world millions and millions of young people are searching for their first employment opportunity so that they can start to perform a more active role in the betterment of their countries and of their families. Naturally and most importantly, apart from this they want to feel that they are useful and want to feel better morally and socially, because the connection between unemployment and social exclusion is well known. This is the "bad influence" that often leads to varying degrees of social conflict.

The importance of this problem recently prompted the International Labor Organisation to publish (August 2004) a specific study about it: *Global Employment Trends for Youth*. It is the basic source of the following, and the document itself is available at www.ilo.org/trends.

For the job market, "youth" includes those aged from 15 to 24 years old. On the other hand, only people actively looking for employment (i.e. registered with support services seeking jobs for unemployed people) are considered unemployed.

In developing countries, where most jobs are in the so-called "informal sector" and where employment services do not exist, it is difficult to identify this type of person. Because of that it is not surprising to see relatively low numbers of unemployment reported, compared to the total population, as noted below.

The ILO considers that there are around 88 million young people now unemployed around the world, representing around 47% (almost half) of the total unemployed. This value is particularly significant if one remembers that youth accounts for only around 25% of the working age population.

Yet, the situation in developing countries is proportionally more dramatic because a youth has 3.8 times more chance of being unemployed than an adult. In industrialised countries this ratio is 2.3. To make this situation even worse jobs for young people are, generally

speaking, more precarious, demand more working hours and are paid below average, the argument being that they have less experience.

Considering that high rates of population growth – including the population of working age – are occurring in developing countries, it is in these countries that during the next few years the problem of youth unemployment will become increasingly important. This is the result of the fact that demand for new jobs by young people is not being met by a capacity to supply them through productive investment. This is what is occurring in Timor-Leste.

However, it is not solely a problem of developing countries, because in the more industrialized countries the creation of new jobs is even more costly. In several of these countries, the economic upturn that we have witnessed over the past years has not generated enough new jobs to absorb the jobs lost elsewhere, let alone absorb the new arrivals in the job market. Youth unemployment is consequently increasing more and more.

The youth population of the world has grown, in the last 10 years, by around 10.5%, but youth employment has only increased by around 0.2%. That the difference is not even worse is because a large percentage of the youth – fortunately an increasing percentage in the majority of countries – is spending more and more time in school and professional training, increasing their qualifications.

The future is, however, different from region to region in the world, depending on their demographic evolution. For example, estimates say that between 2003 and 2015 the youth work force will increase by 45 million people only 147,000 of which will be in industrialised countries, where longer periods of schooling will have more impact on the labor market. East Asia will see this labour force shrink by 5.9 million people while South East Asia will experience a growth of around 2.7 million. The record-holders for the increase in youth work force are Sub-Sahara Africa (29 million) and South Asia (22 million).

It is worth noting that the ratio between unemployed youth and unemployed adults will, according to ILO, evolve differently in the various groups of countries. South East Asia is where the situation will worsen most, experiencing

an increase in the ratio from 3.9 to 4.8, which means that if today there are almost 4 times more youths unemployed than adults, by 2015 that proportion will be almost 5 times.

This suggests that the problem of youth unemployment won't be easy to solve; worse than that, it will actually tend to become more intractable in the majority of South East Asian countries.

The world average ratio is projected to deteriorate from 3.1 in 2003 to 3.5 in 2015, with industrialised countries seeing their ratio stabilising at 2.3, and East Asia falling from 3.1 to 2.9.



The employment situation that youth face is not, in itself, the same for everyone. It is common to see, for example, negative discrimination being suffered by young women. As an example, South East Asia's rate of female youth unemployment is two percentage points higher than that for young males. Besides this, there are a lot less young women working (proportionally to their age group) than young men: the activity ratio of men is, still in South East Asia, 18% higher than that for women.

A phenomenon that has been developing in both industrialised and developing countries is an increase in the ratios for unemployment or under-employment (the result of using overqualified employees for a particular type of work). In several developing countries, under-employment amongst youths with tertiary education has caused a "brain drain" to industrialized countries, diminishing still further the human resources available to those developing countries.

The UNDP – United Nations Developing Programme – calculates that around 450,000 people qualified in Arab Universities are currently working in European countries or in the United States. It is also universally recognised that a very high percentage of Indian IT

Youth unemployment: a worldwide problem (Continued from page 3)

technicians are working in the US, which, in common with other countries in the world, has an immigration policy “specialized” in obtaining “grey matter” from developing countries but at the same time ensuring that potential immigrants lacking or having lower qualifications stay where they are.

In face of this situation, the questions that emerge are: how can the situation be resolved, and how will it develop over time? Unfortunately giving the answers is a lot more difficult than putting the questions...

There is no infallible solution to this problem. The most obvious answer is: “economic growth”. It still is the primary solution but (1) this raises another question: “How can we guarantee

growth?” and, in any case, (2) growth is “not what it used to be” because its job content is now much less than before.

This means that a higher rate of growth is needed to generate the required level of employment, and this higher rate demands more and better human and financial resources. The latter requires that an increasing level of “social investment” – barlaque (dowry), etc – be transferred to increasing *economic* investment (small and medium manufacturing/services enterprises) and an increasingly opening the economy to Foreign Direct Investment, which needs to be encouraged.

Another answer would be (and this is more appropriate for some countries than others) encouraging international emigration. There are some countries that, facing an inability to generate enough

domestic employment, end up “exporting” their work forces and living, in part, on the remittances from its emigrants abroad.

Last but not least, part of the answer has to be to recognise that the population cannot keep increasing as in the recent past and, because the children born today will have children in around 20 years, the sooner one starts a programme of birth control, the better. In the future the “life insurance” for the aged should be focused on having *better* (= better qualified) children rather than having *more* children but who have reduced access to a better life.

Glass walls: IT activities at BPA

Information Technology (IT) is essential in any modern organisation. The BPA is no exception and the most is being made of modern IT technology to support its activities.

During the first years of BPA's development one of the primary objectives was to create an enterprise-wide, highly computerized environment to facilitate the organisation's activities. This called for high-quality professional training for the team of national technicians who are responsible for managing the activities in this complex area.

The BPA's IT Division was created in 2002. It now has four national staff supported by an international expert funded by the Government of Finland.

The tasks assigned to the Division encompass a range of activities including network management – maintaining the internal network (Intranet) as well as external connections (Internet) – programming, and support for the various business units of the BPA, who are the users of the IT Division's services.

To keep its present leadership position amongst Timor-Leste's institutions in terms of computerized environment, much effort still needs to be expended, both in developing staff

and material resources (equipment, etc).

Both areas are essential to keep up with advances in global technology that impact on the role of the BPA, particularly in the financial area, including international finance, which is very demanding in terms of hardware and software.

During 2004, which has been a year of consolidation for the IT Division, several projects are being undertaken, including developing new services, particularly relating to information security in the intranet and to developing Internet connections.

There are also important projects in progress for data recovery in case of disaster, and increasing the security of data storage. A project to introduce a new generation infrastructure and IT services is also well advanced.

It is intended that e-mail services and the BPA Web site will soon be operational, and these will greatly improve communication between the BPA and the general public. For example, all BPA publications will be available on-line, including the various editions of this *Economic Bulletin*.

The BPA Internet domain has already been registered. There is work going on

to enable the extension “.tl” on the national URL (instead of the existing “.tp”) which is nearing a conclusion. Once this is complete our address will also be updated.

The registered domain of the BPA is **bctl.east-timor.org**, and our new page on the web will soon be available at www.bctl.east-timor.org.

The IT Division is also preparing for the future by identifying some of the challenges that lie ahead. In cooperation with others, developments will be made in the areas of *e-commerce*, *e-banking* and other activities in the B-to-B (Business to Business) areas and electronic services to the consumer.



Opening ceremony of the ABP/BPA branch in Oecusse

Monetary statistics

Thousands of USD	June	July	August	September
Net Foreign Assets	121.988	111.573	107.630	141.251
<i>Claims on non residents</i>	<i>165.999</i>	<i>165.999</i>	<i>164.652</i>	<i>191.746</i>
Claims of ABP/BPA	103.948	104.067	104.689	131.435
Claims of commercial banks (1)	62.050	61.932	59.963	60.311
<i>Liabilities to non residents</i>	<i>44.010</i>	<i>54.425</i>	<i>57.022</i>	<i>50.494</i>
Liabilities of ABP/BPA	12.023	12.023	12.023	12.023
Liabilities of commercial banks (1)	31.987	42.402	44.999	38.471
Domestic Claims (2)	-13.560	-8.902	-3.066	-33.135
Claims on central government	0	0	0	0
Claims of ABP/BPA	0	0	0	0
Claims of commercial banks	0	0	0	0
Deposits of Central Government	78.710	79.600	78.741	104.314
at ABP/BPA	78.710	79.600	78.741	104.314
at commercial banks	0	0	0	0
(Net claims on Central Government = Loans minus Deposits) (2)	-78.710	-79.600	-78.741	-104.314
Credit (to private sector = private and enterprises)	65.150	70.699	75.674	71.179
Credit of ABP/BPA	379	716	586	-280
Credit of commercial banks (1)	64.771	69.983	75.088	71.459
Deposits of commercial banks at ABP/BPA	6.142	5.075	6.197	6.936
Deposits (Demand and time)	84.687	80.036	82.704	85.868
Demand deposits at commercial banks (1)	49.993	49.105	50.979	53.918
Public non-financial corporations	257	248	271	316
Other resident sectors	49.737	48.857	50.709	53.602
Time and Savings Deposits (1)	34.693	30.931	31.725	31.950
Deposits of ABP/BPA	0	0	0	0
Time deposits of other residents	34.693	30.931	31.725	31.950
Others Items (Net)	-4.172	-1.451	-1.517	-820
idem, ABP/BPA	-388	-712	-758	-886
idem, commercial banks (1)	-3.784	-739	-758	67
Capital and reserves	18.172	18.859	19.567	20.193
Capital	18.500	19.010	19.351	19.541
idem, of ABP/BPA	7.727	7.727	7.727	7.727
idem, of commercial banks (1)	10.773	11.283	11.623	11.814
Retained earnings	-789	-794	-426	9
Retained earnings of ABP/BPA	185	84	154	255
Retained earnings of commercial banks (1)	-974	-878	-580	-246
General and special reserve	461	643	643	643
Reserve of ABP/BPA	461	643	643	643
Reserves of commercial banks (1)	0	0	0	0

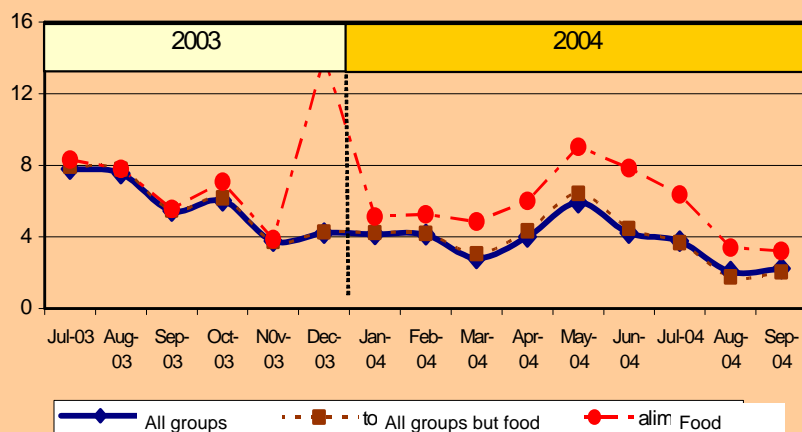
- 1) Since August 2003 the monetary statistics have included Bank Mandiri, with the Banking sector comprising four institutions (three commercial banks and a micro-credit institution).
- 2) The negative value of "net claims on central government" means that the banking system is holding more government deposits than government debt (of which there is none in Timor-Leste). For a similar reason "domestic claims" is also negative

During the September quarter of 2004 the monetary aggregates registered the following noteworthy developments:

- ?????BPA claims on non-residents increased more than 25%, from US\$104 to 131 million. This was primarily as a result of an increase in deposits of the Central Government at BPA of US\$25 million during the quarter.
- ?????Despite an increase in August, commercial banks maintained the same overall level of credit to the economy at the beginning and end of the quarter
- ?????Term deposits at commercial banks increased to almost US\$54 million, being 10% greater than at the beginning of the quarter.
- ?????Aggregate bank deposits also increased to US\$85.8 million on 30th September – meaning that on average (based on the recently published population data), each inhabitant of Timor-Leste had about US\$90 deposited in the bank.

Price dynamics in Dili

Evolution of the inflation rate in Dili, Jul/03 to Sep/04



The National Department of Statistics of the Ministry of Finance and Planning is the entity responsible for gathering, processing and publishing information on the price developments in Timor-Leste.

Every month they publish two price indices and the respective inflation rates.

The figures we use here are those relating to the development of prices in Dili. This is because the data from the capital of the country is a very significant element of the national data, and the Dili data seem to be collected more representatively. The national and Dili CPI figures are, in fact, only slightly different.

As can be seen from the graph, there is a clear trend showing a reduction in the rate of price increase, at least since June 2003, with one exception, at the beginning of the second quarter this year, due to a price increase of rice and eggs last April and May.

The graph, which shows the relative inflation between a month in one year and the same month the previous year, and its related figures confirm that inflation during 2003 (December 2002 to December 2003) was 4.2% and that the relative inflation for September was 2.2%, with a noticeable drop since last May, when inflation reached almost 6% relative to May 2003.

In a report arising from the April 2004 visit to Timor-Leste under Article IV of its statutes, the IMF estimated that the inflation rate would be about 3% in 2004. Developments in the past two months allow us to predict an even lower rate, somewhere between 2 and 3%, perhaps closer to the latter than the former.

We note that some observers – mainly consumers – consider that this price index may be somewhat out of touch with reality, and does not reflect the real change in prices as experienced on a day-to-day basis by each of us. On this point we should remember that the structure of the consumption “basket” used as a base for these calculations dates from 1997 and may well be out of date, thereby influencing the final results. Because of this, we call for the consumption basket to be reviewed and updated urgently. Then there should be few doubts about the reality of the published figures for the actual rate of inflation.

Interim Summary Financial Statements of ABP/BPA

BALANCE SHEET as at 30 September 2004 (USD)

ASSETS

Cash and Bank	53,601,548
Investments	78,966,466
Other Assets	<u>1,207,093</u>
TOTAL ASSETS	133,775,107

LIABILITIES

Currency Issued	969,503
Government Deposits	104,540,343
Domestic Financial Institutions	6,855,285
International Financial Institutions	12,023,020
Other Liabilities	<u>801,481</u>
TOTAL LIABILITIES	125,189,632

NET ASSETS **8,585,475**

EQUITY

Capital	7,727,188
General Reserve	642,599
Retained Earnings	<u>215,688</u>
TOTAL EQUITY	8,585,475

PROFIT AND LOSS STATEMENT

For the 3 months ended 30 September 2004 (USD)

INCOME

Income from Financial Assets	244,646
Income from Government	155,000
Income from Foreign Govt Securities	66,218
Fees and Charges Recover	97,346
Other Income	1,952
Currency Gains (Losses)	<u>43,160</u>
TOTAL INCOME	608,322

EXPENSES

Interest and Bank Charges	170,287
Distribution of Currency	69,180
Personnel	53,217
Administration	59,569
Depreciation	<u>40,381</u>
TOTAL EXPENSES	392,634

NET PROFIT

215,688

Prepared on an accrual basis from the financial records of BPA as at 30 September 2004. These Financial Statements are unaudited.

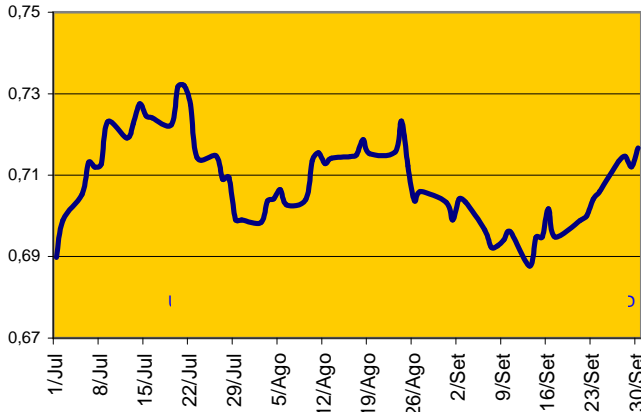
Foreign Exchange markets

Latest developments

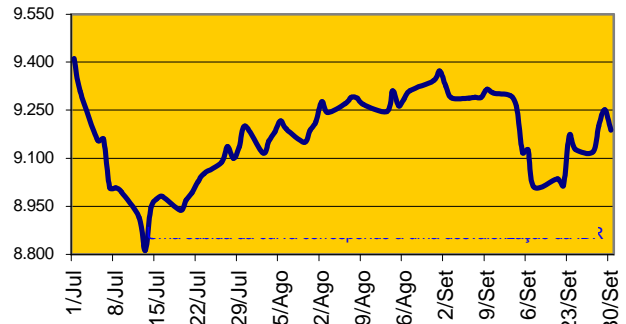
In the two graphs below and to the left, where we can see the amount of foreign currency (AUD-Australian dollar, and Euro) that each unit of national currency (USD) can buy, a depreciation of USD is represented by an ascent of the respective curve.

In the graph of the right, representing the amount of Indonesian rupiahs bought by each USD, a depreciation of the USD is represented by a descent of the curve because it will allow to buy less rupiahs.

USD per AUD
(Jul 04 - Set 04)

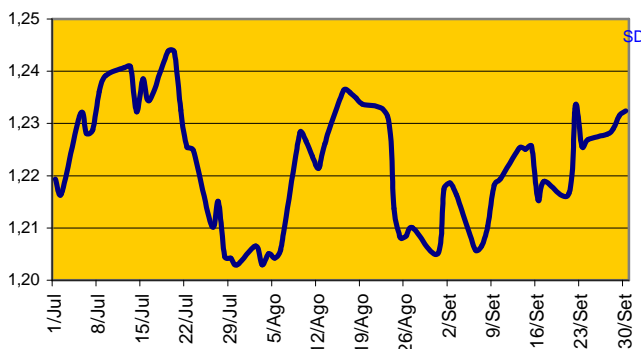


IDR per USD
(Jul 04- Set 04)



Fonte: Oanda

USD per Euro
(Jul 04 - Set 04)



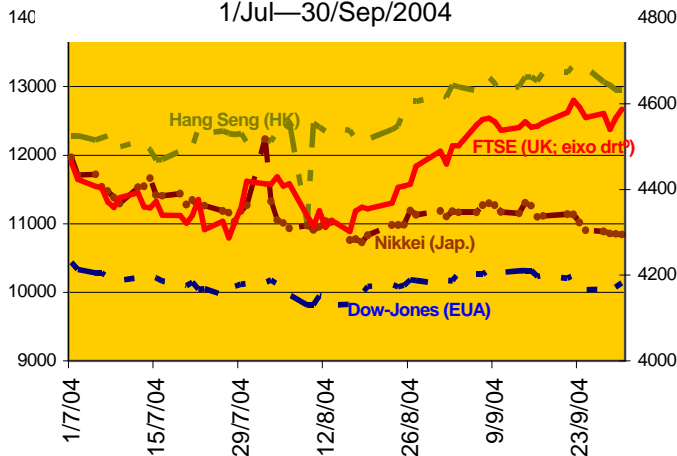
During the third quarter of 2004—the period of July 1 to September 30 of this year—there were a mixed behaviour of the USD to the Australian dollar and Euro. Actually, to depreciations of the American currency were followed by some appreciation, the net result being, by the end of the quarter, a very slight depreciation in relation to the beginning of the period.

As for the relationship with the Indonesian rupiah (IDR), to a depreciation in the beginning of the period followed an appreciation of the USD and then a new depreciation once again followed, close to the end of the quarter, by a new appreciation of the USD. Between the beginning and the end of the quarter there were a slight depreciation of the american dollar / revaluation of the Indonesian rupiah.

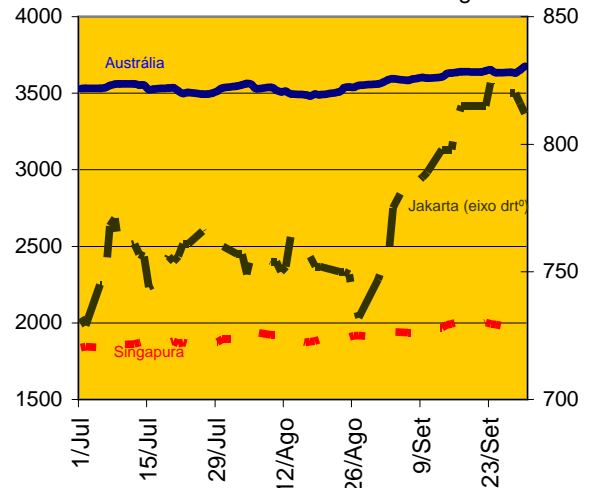
Financial Markets

Latest developments

Evolution of the main Stock Exchanges indexes
1/Jul—30/Sep/2004



Evolution of the main Asian Stock Exchanges indexes



Statistical sources on Timor-Leste: what? Where?

When approaching the analysis of economic development, the first step in the methodology is usually to make a diagnosis of a country's economic and social situation.

Such a diagnosis should not merely be restricted to taking a "snapshot" of the state of the nation at some given moment, based on information about a range of variables, but should also include producing a "movie" showing the development of the economy and society over time, and revealing the mechanics of these developments.

These "snapshots" and "movies" must be created to show the various dimensions of society, particularly the economic and social components.

For reasons that need not concern us here, it is a fact that our country is at the moment better equipped with *social* information than what we would strictly classify as *economic* information. There is therefore a need to create a better balance between these two types of information, and this is an issue that the authorities are not only aware of, but are actively working to achieve.

The objective of this article is to draw attention to, and from time to time to identify the characteristics of, some of the sources of economic and social statistics concerning Timor-Leste. Because we clearly lack space, it is not intended to be an exhaustive study.

From an institutional viewpoint, the responsibility to develop a national statistical system has been given to the National Directorate of Statistics (NDS), which has its head office in Cai-coli, Dili. Their work needs to be done in collaboration with other producers of statistical information, including the BPA as the producer of monetary statistics (which are available in this Economic Bulletin and which we anticipate will shortly be available on the Web at www.bctl.east-timor.org) and also the National Customs Department, which is the producer of statistics on international trade.

The NDS has worked to accomplish this mandate with the limited material and human resources at its disposal, and with support from some of Timor-Leste's development partners.

It is the NDS which produces and publishes, for example, the Consumer Price Index (CPI), which allows us to calculate the inflation rate for Timor-Leste. The NDS also organised and implemented the 2004 Census, from which initial results were published (see <http://dne.mopf.gov.tp>) a few weeks ago.

One important gap in the national system of statistics is the lack of a systematic calculation of the National Accounts, which show the country's production and development. The NDS and the government are aware of this situation and are actively seeking a solution to this problem. However, without the help of our development partners it will be extremely difficult to find a solution to fill this gap.

On the CPI, the NDS produces two indexes: one relates to Dili and the other to Timor-Leste as a whole. However, one must pay attention to the fact that the latter collates information about price developments in only a limited number of districts, and is dominated by prices from the capital. As such it is difficult to consider it a truly "national" CPI. However, the Dili CPI is just what it pretends to be: an index of price developments in our capital city.

We note that for various reasons it has not yet been possible to get updated information about the average structure of household expenditure within the city; this is why we still use the standard "basket of expenditure" determined in 1997 by the Indonesian administration. If this basket has subsequently

changed – and recall the major transformations suffered by Timorese society since 1999 – then the reported CPI for Dili may not accurately reflect actual changes in the cost of living as experienced by the city's inhabitants.

On the question of population, the Census will be of inestimable value as a source of information. Elsewhere in this Bulletin we have commented not so much on the results – which are still limited – but about people's inclination to compare its results with those of the 2001 Suco Survey. In this context, and we believe we have provided sufficient background information, we call attention again to the need to avoid making comparisons of data from the two sources because the data from the Suco Survey appears to have a larger margin of error than previously thought, primarily in relation to a few districts, but also for the total level of the population.

Besides information about prices the NDS, in collaboration with the National Customs Department, also publishes information about international trade. The quality of this information has improved considerably since October 2003 when information started to be produced using ASYCUDA, a programme implemented with UNDP support to manage customs transactions. Some problems with the quality of the information have been recently overcome and today we can rely on the statistical information as being relatively credible for this essential sector of the national economy.

In the area of Public Finance the main source of information is the State Budget (available on http://pascal.iseg.utl.pt/~cesa/tl%20orcamento%202004_05.zip), with parts of this information being incorporated in other sources, primarily in documents of international organisations such as the IMF report cited below.

The Balance of Payments is another area that has not yet been possible to fully develop, and to date there is no Timorese organisation responsible for its calculation. Due to the lack of information at present this calculation is not easy but we are optimistic that it will be possible to have the matter resolved within the next year.

Some Balance of Payments statistics together with information about national production are available in reports from the IMF, the most recent being the statistical annex dated October 2004, and a report published last April following an IMF Mission to Timor-Leste. Their statistics were of necessity estimated and as such are subject to error. One source of difference that arises between the effective production and these estimates is the fact that they do not take into consideration so-called "*traditional agriculture*", about which is very difficult to make any estimates. The report can be found at www.imf.org/external/pubs/ft/scr/2004/cr04320.pdf.

The NDS also closely coordinated an important project – financed by the Asian Development Bank (ADB), the World Bank (WB), the Japanese Cooperation programme (JICA), and the United Nations Development Programme (UNDP) – to analyse the social situation of the country with respect to poverty and which included two "*surveys*" made in 2001: The Sucos and the Household surveys. The first is available at <http://www.gov.easttimor.org/TLDevPart/docs/Suco20%survey/TLSS.zip> and the second at <http://pascal.iseg.utl.pt/~cesa/analise20%pobreza.pdf>.

The latter concluded that 40% of Timor-Leste's population had income at levels below the national poverty line (defined as corresponding to USD 0.55 per person per day) and as

Statistical sources on Timor-Leste (cont.)

such they were considered as poor. This made them one of the main targets of economic policy. The majority of the rural poor live in rural areas and hence economic policy should be, in part, be directed at that social group.

The World Bank also publishes statistical information on Timor Leste, accessible at

http://www.worldbank.org/cgi-bin/sendoff.cgi?page=%2Fdata%2Fcountrydata%2Ffaag%2Ftmp_aag.pdf.

In common with the World Bank, the Asian Development Bank also publishes statistical data about our country at http://www.adb.org/Documents/books/Key_indicators/2004/pdf/ETM.pdf.

It should be noted that sometimes there is not an exact match between information published by different statistical sources, making it necessary to take care when using published data. Such care is always needed in any circumstance, particularly when analysing statistical data produced by national authorities. The data is there to be used, but the onus is on users to understand exactly what they have at hand.

Such are the primary sources of statistical information on the economics of our country. Some of these same sources also publish statistical information of a more social nature, in connection with poverty, education, health, etc. As we noted earlier, these sources contain the basic information needed to make a realistic diagnosis of the situation and functioning of both our economic and societal mechanisms.

One of these sources is the first National Human Development Report of Timor-Leste, published in 2002, a week before Independence, by UNDP-Timor Leste; it is available in Portuguese and English versions; the former is at www.undp.easttimor.org/documentsreports/nhdr/Human%20report%20Portuguese.pdf. The World Human Development Report published this year also contains data about Timor-Leste (see: http://hdr.undp.org/statistics/data/cty/cty_f_TMP.html).

In the area of education, it is obligatory to refer to the document "The Way Forward" published by the World Bank, and which is available at http://siteresources.worldbank.org/INTTIMORLESTE/Resources/The_way_forward.pdf.

On health matters, one of the sources of information is <http://www3.who.int/whosis/country/indicators.cfm?country=tls> but there is further related information for this sector scattered in the other cited documents.

So ends our review of the available sources on statistical information for Timor-Leste. We remind our readers that we do not – and cannot – pretend to have provided a comprehensive list, but we have merely attempted to categorise some of the available information that is scattered about in diverse sources.



Numismatic coins of Timor-Leste

Years:	2003	2004
BNC	15,00	10,00
PROOF	50,00	35,00

Prices in USD
The 2004 sets are now available
for the first time

The Banking and Payments Authority is selling coin sets of "Centavos" specially designed for numismatic purposes or for all those that want to keep a high quality *souvenir* of the first issue of the national Timor-Leste coins.

These sets are available at the following prices (USD):

	2003	2004
BNC—Brilliant Non-Circulated (folder)	15,00	10,00
Proof— Wooden box and numbered certificate	50,00	35,00

Higher Oil Prices Affect the Global Economy

Oil prices remain an important determinant of global economic performance. Overall, an oil-price increase leads to a transfer of income from importing to exporting countries through a shift in the terms of trade.

The magnitude of the direct effect of a given price increase depends on the share of the cost of oil in national income, the degree of dependence on imported oil and the ability of end-users to reduce their consumption and switch away from oil.

Naturally, the bigger the oil-price increase and the longer higher prices are sustained, the bigger the macroeconomic impact. For net oil-exporting countries, a price increase directly increases real national income through higher export earnings, though part of this gain would be later offset by losses from lower demand for exports generally due to the economic recession suffered by trading partners.

Adjustment effects, which result from real wage, price and structural rigidities in the economy, add to the direct income effect. Higher oil prices lead to inflation increased input costs, reduced non-oil demand and lower investment in net oil importing countries. These effects are greater the more sudden and the more pronounced the price increase and are magnified by the impact of higher prices on consumer and business confidence.

An oil-price increase also changes the balance of trade between countries and exchange rates. Net oil-importing countries normally experience deterioration in their balance of payments, putting downward pressure on exchange rates. As a result, imports become more expensive and exports less valuable, leading to a drop in real national income. Without a change in central bank and government monetary policies, the dollar may tend to rise as oil-producing countries' demand for dollar-denominated international reserve assets grow.

The economic and energy-policy response to a combination of higher inflation, higher unemployment, lower exchange rates and lower real output also affects the overall impact on the economy over the longer term.

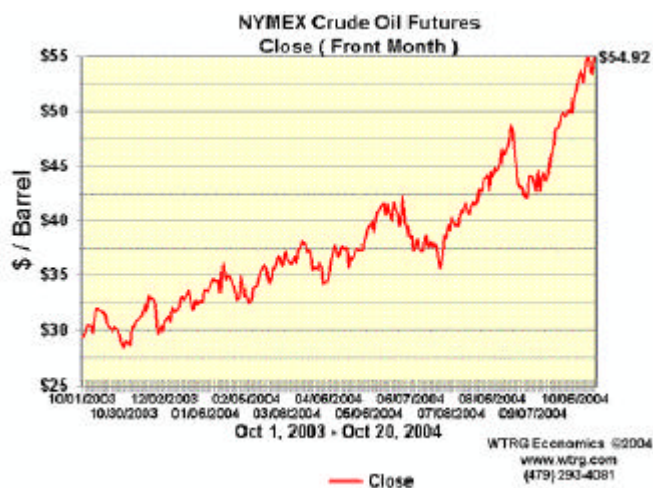
Government policy cannot eliminate the adverse impacts described above but it can minimize them. While the general mechanism by which oil prices affect economic performance is generally well understood, the precise dynamics and magnitude of these effects – especially the adjustments to the shift in the terms of trade – are uncertain.

Quantitative estimates of the overall macroeconomic damage caused by past oil price shocks and the gains from the 1986 price collapse to the economies of oil importing countries vary substantially. This is partly due to differences

in the models used to examine the issue.

Nonetheless, the effects were certainly significant: economic growth fell sharply in most oil-importing countries in the two years following the price hikes of 1973/1974 and 1979/1980. Indeed, most of the major economic downturns in the United States, Europe and the Pacific since the 1970s have been preceded by sudden increases in the price of crude oil, although other factors were more important in some cases.

Similarly, the boost to economic growth in oil-exporting countries provided by higher oil prices in the past has always been less than the loss of economic growth in importing countries, such that the net effect has always been negative. The growth of the world economy has always fallen sharply in the wake of each major run-up in oil prices, including that of 1999-2000.



This is mainly because the propensity to consume of net importing countries that lose from higher prices is generally higher than that of the exporting countries. Demand in the latter countries tends to rise only gradually in response to higher prices and export earnings, so that net global demand tends to fall in the short term.

Oil prices remain an important macroeconomic variable: higher prices can still inflict substantial damage on the economies of oil-importing countries and on the global economy as a whole. The general economic background to the current run-up in prices is significantly different to previous oil-price shocks, all of which coincided with an economic boom when economies were already overheating. Prices are now rising in a situation of tentative economic revival, excess capacity and low inflation. Firms are less able to pass through higher energy-input costs in higher prices of goods and services because of strong competition in wholesale and retail markets. As a result, higher oil prices have so far eroded profits more than they have pushed up inflation.