

Timor-Leste: Balance of Payments (BOP) Statistics METADATA

I. Analytical Framework, Concepts, Definitions, and Classifications

The task of the BOP compilation in Timor-Leste is officially assigned to the Central Bank of Timor-Leste (CBTL), specifically under its Economic and Statistics Division. In accordance with the Statistics Law, the Ministry of Finance has officially declared BOP as part of Timor-Leste's official statistics, with CBTL as its official compiler.

Under a technical assistance program with the International Monetary Fund, the CBTL has developed its first set of official BOP statistics for the years 2006 and 2007. The CBTL continue made effort to compile the BOP data after the technical assistance mission which result the publication of 2008 – 2012 BOP data.

Analytical Framework, Concepts and Definitions

The balance of payments (BOP) data cover all economic transactions of residents of the Timor-Leste economy with nonresidents.

For individuals, the following are in principle considered residents of Timor-Leste: (a) Timor-Leste nationals living in the country; (b) all those who have been residing in the country for at least one year, regardless of their nationality. Exceptions are diplomats and civilian staff of foreign embassies located in Timor-Leste and international military personnel; (c) Timorese nationals who are abroad for study or medical treatment regardless of their length of stay abroad; (d) Timorese diplomats and civilian staff of Timor-Leste embassies abroad; (e) Timorese working abroad for less than one year; and (f) civilian staff of international organizations located in Timor Leste, if they have been living/working in Timor-Leste for at least one year.

Companies operating or undertaking production activities within Timor-Leste are residents of the Timor-Leste economy, regardless of the nationality of their owners. All economic-producing units operating in the Timor Sea exclusive territory are treated as residents of Timor-Leste, regardless of their owners. On the other hand, there is a Joint Petroleum Development Area or JPDA, which is a joint territory of Australia and Timor-Leste. In the current BOP of Timor-Leste, all producing units operating in the JPDA are treated as nonresidents of Timor-Leste since they are effectively operated from the other economy. It is noted that Timor-Leste's role in the JPDA activities is as owner of the natural resources and not as a producer.

All Timor-Leste embassies abroad are residents of Timor-Leste. On the other hand, foreign embassies and international organizations located in Timor-Leste are nonresidents, in accordance with international statistical standards.

The Timor-Leste government and all its instrumentalities are naturally treated as residents.

The BOP statistics of CBTL are broadly consistent with the IMF's Balance of Payments Manual, fifth edition (BPM5), with an additional item that is aligned with the BPM6. This additional item is “other primary income” representing income of Timor-Leste for allowing nonresidents to use its natural resources in the JPDA.

Classification System

The CBTL’s BOP statistics are classified broadly according to the standard components of the BPM5 (with an additional item from BPM6 under income), and with an analytical presentation showing the balance of payments position, current account balance, and capital and financial account balance. The major categories are shown as follows:

Current account

Goods

Services

 Transportation

 Travel

 Other services, including government services, n.i.e.

Income

 Compensation

 Investment income

 Other primary income,¹ (income of TL as owner of resources in the JPDA)

Current Transfers

Capital and Financial Account

 Capital Account

 Financial Account

 Direct Investment

 Portfolio Investment

 Other Investment

Errors and Omissions

Balance of Payments Position (Equal to Changes in Reserve Assets)

Memorandum Items:

- a) Reserve assets position
- b) Changes in Reserve Assets + Net Portfolio Investment Transactions from Sovereign Wealth Fund (Petroleum Fund)
- c) Sovereign Wealth Fund (Petroleum Fund) Asset Position, as of end-reference period

II. Scope of Data

Unit Coverage

The balance of payments data compiled by the CBTL cover in principle all transactions with nonresidents by resident units: including households (individuals), non-financial corporations, banks, monetary authority, and government.

Transaction Coverage

The BOP data cover resident to nonresident transactions involving goods and services, income, current and capital transfers, and financial account transactions.

Receipts from operations in the Joint Petroleum Development Area, an area that is subject to claims (joint sovereignty) by both Australia and Timor-Leste, are treated as income from the pre-defined nonresident producing units in the JPDA for their use of Timor-Leste's part of the natural resources in the joint area.

Geographic Coverage

The geographic territory of reference is the exclusive economic territory of Timor-Leste, including its foreign embassies abroad.

Periodicity

The CBTL is producing its BOP statistics for the first time on an annual basis, starting 2006. Plans are underway for the regular compilation on a quarterly basis.

Timeliness

BOP data will be made available within six months from the end of reference period, hereafter.

III. Accounting Conventions

Unit of Account

Timor-Leste adopts the US dollar as its currency. All data are presented in US dollars.

Valuation

Transactions are valued at market prices, whenever possible. Exports of good are valued at f.o.b. price. Since imports data are collected on a c.i.f. basis, 10 percent (7.5 percent for freight and 2.5 percent for insurance) is deducted to come up with valuation at f.o.b. price. The corresponding freight and insurance charges are recorded under services. Portfolio investment assets are at market value including accrued coupon. BOP excludes market revaluations that are not part of transactions (e.g., unrealized holding gains and losses).

Time of recording

Exports and imports of goods are recorded at the time they cross the border. Other transactions are recorded on an accrual basis, whenever possible. Data drawn from administrative records and from selected corporations, particularly those relating to services, are a mix of accrual and time of settlement/payment basis.

IV. Nature of Data Sources

Exports and Imports of Goods

Data for general merchandise trade come mostly from the foreign trade statistics compiled by National Statistics Directorate (DNE). The DNE officially releases monthly foreign trade statistics based on imports and exports documents from the Customs Office which, in turn, uses the ASYCUDA (Automated System of Customs Data) system. DNE data are broken down into merchandise & “non-merchandise” trade. Merchandise trade, which is used in the BOP, excludes temporary exports/imports, goods in transit, returnable containers, goods consigned to foreign embassies or military installations in Timor-Leste. Goods imported from companies that perform project under grants which is recorded under non-merchandise import, is derived to be included in the BOP. Data on goods procured in port (fuels purchased by nonresident airlines in Timor-Leste) are taken from a survey of nonresident airlines operating in Timor-Leste. Data on equipment donated by international organizations (recorded as imports, contra-entry to capital transfers) are derived from available information from donor international organization (e.g., UN) and from External Assistance Office. There is estimation on trade data under coverage by Custom. As there was no partner data available for comparison, the Government budget execution data were derived to estimate the under coverage of import.

Services

Data on services are based mainly on administrative-based records, and available data derived incidental to the survey of direct investment enterprises. Among the sources of data are: the Immigration on the number of visitor arrivals and departure, supplemented by DNE’s hotels survey on the number of tourist and number of night spent; government records on the number of officials traveling abroad and corresponding allowances, and other services (e.g., consultancy/ professional services) paid by the government to nonresidents; embassies of Timor-Leste abroad; foreign embassies in Timor-Leste which estimate by using data from BOPSY on each country government expenditure on goods and services (debit); and international organizations located in Timor-Leste, specifically UN, for expenses spent by nonresident internationals while in Timor-Leste. Administrative-based data are supplemented by data coming from a survey of important direct investment enterprises. Imports of construction and other government services, n.i.e., which are offsets to current and capital transfers, are derived from grants-related data from External Assistance Office. There is estimated data derived to cover imported goods for construction service which is recorded as government construction under construction service. The FISIM data is derived from financial statement of banks.

Income

Compensation received by residents from nonresidents is estimated based on data on the number of residents employed in international organizations and foreign embassies located in Timor-Leste. There is also information on gross salaries of nationals employed in a particular international organization in Timor-Leste. The Ministry of Foreign Affairs, on

the other hand, provides data on income paid to nonresidents particularly by Timor-Leste embassies abroad.

Investment income are derived from the profit and loss statement of the petroleum fund; and income and expense statements of the commercial banks and the CBTL.

Income derived from the JPDA (royalties and taxes from oil/gas activities) which are treated as other property income, specifically in the form of rent, for the non-residents' use of Timor-Leste's part of the natural resources in the joint territory are taken from the balance sheet/income statement of the Petroleum Fund. These are validated by data from the National Petroleum Authority (before was Timor Sea Designated Authority) and from the Tax Office of the Ministry of Finance. This current treatment will be revised in the future, with the development of statistics, to adjust according to the treatment of the national account, which is treated the oil as export of Timor-Leste.

Current and Capital Transfers

Data on grants implemented directly by donors are derived from the External Assistance Office, primarily based on Report on External Assistance (REA) Report 54- project disbursements by status, which are compiled based on data provided by donor agencies. The External Assistance Office also has a number of other grants-related data. The United Nations Integrated Mission, in addition, has some information on donations, particularly on value of used equipment provided to Timor-Leste after use by UN. Meanwhile, cash transfers in the form of budget assistance to the government are taken from the Budget Office. Data are supplemented by available information on workers' remittances from Timor-Leste nationals who have been working abroad for more than one year, based on records on workers sent abroad from the Ministry of Labor. On the debit side, remittances correspond to the fraction of the income received by long-term international staff of international organizations and the Government that is not spent in Timor-Leste (i.e., assumed remitted outward). The incoming and fraction of outgoing transfer also derived from report data on Western Union.

Direct Investment

Data on direct investment are taken from a survey of the biggest direct investment enterprises in Timor-Leste and supplemented by using data from CDIS (Coordinated Direct Investment Survey) of the IMF publication on coordinated survey (Table 6. Direct Investment position by all reporting economies cross-classified by counterpart economies)

Portfolio Investment

Portfolio investment asset transactions are derived from the balance sheet of the Petroleum Fund, on investments in US treasury notes out of receipts from royalties and taxes from oil activities in the JPDA. In relation to the portfolio investment Liabilities transactions are derived from CPIS (Coordinated portfolio investment Survey) of the IMF publication data.

Other Investment

The monetary and financial statistics, particularly the Other Depository Corporations Survey serve as basis for compiling other investment accounts, particularly currency and deposits, and other investment. These are supplemented by available data from survey of FDI companies which have bank accounts abroad. Data are derived from BIS publication report of vocational banking statistics for non bank sector, table 7B (External Loans and deposit of reporting bank vis-à-vis the non-bank sector) of BIS.

Reserve Assets

Data are taken from the monetary and financial statistics of Timor-Leste, particularly the Central Bank Survey.

V. Compilation Practices

For trade in goods, data from the foreign trade statistics are adjusted for: (a) coverage: to include estimates of value of goods that are not covered by customs, estimates for missing data (for 2006 and 2007), offsets to capital goods transfers received by Timor-Leste, and goods procured in port by nonresident airlines; and (b) valuation, i.e., imports c.i.f. value is converted to f.o.b. value by deducting estimates of insurance and freight). Estimates of missing data (for 2006 and 2007) are based on an assumed growth rate derived from available indicators, specifically trends in relevant available partner-country data. Estimates values of goods for 2008 – 2012 that are not covered by customs are based on an assumed used of goods imported on related government budget (execution).

For transportation services, credits are compiled based on receipts for airport navigation fees and other charges paid to Timor-Leste by nonresident airlines. TL has no other transportation services receipts since it does not operate ships/carriers for transporting nonresidents. On the debit side, estimates are based on international passenger fares paid by Timor-Leste government officials and staff and officers of Timor-Leste companies when they travel abroad, and a fraction of the value of passenger plane tickets sold by nonresident airlines' ticketing offices in Timor-Leste.

For travel, estimates are based on number of visitors x average length of stay x average daily expenditure. Credits also include spent allowances of UN short-term international civilian personnel (excluding international military personnel).

Construction services are estimated based on government budget for capital development and goods imported assumed for government construction services.

Other services are mostly taken directly from administrative-based sources, including payments for consultancy services and other business services. The data from commercial banks financial statement are using to calculate FISIM on deposit and loans by measure pure interest minus interest receivable and vise versa.

Government services, n.i.e. credits, include the sum of expenditure of embassies and international organizations in Timor-Leste, spent allowances of international military personnel, and visa fees received from nonresidents. Foreign embassies expenditure in Timor-Leste is estimates based on BOPSY (country table) and official UN per diem rates (per diem rates selected country). Debit includes operating expenses abroad of Timor-Leste embassies, visa fees paid to other governments by Timor-Leste residents, and offsets to current transfers or goods and services, including military services, received without quid pro quo by Timor-Leste residents from international organizations.

Estimates of compensation income, credits, are based on the number of residents employed in international organizations and foreign embassies in Timor-Leste and average salary. On the debit side, data are based on salaries paid to nonresidents by Timor-Leste embassies abroad, and salaries of foreigners employed for less than one year in companies in Timor-Leste.

Portfolio investment income credits are taken from the profit and loss statement of the petroleum fund as well as the income statement of the CBTL and commercial banks. Other investment income credits are derived as the relevant flows based on income statement of the Petroleum Fund and the CBTL. For interest income of banks, the percent share of asset position with nonresidents to total asset position is multiplied by total interest income on corresponding assets. Debits include the sum of interest expense of banks and interest paid by resident companies on their foreign loans. For interest expense of banks, estimates are derived by taking the percent share of liability position with nonresidents to total liability position, multiplied by the total interest expense on corresponding liabilities. Data from companies are as reported in the survey.

Direct investment is the sum of equity capital (placements less withdrawal), reinvested earnings, and inter-company obligations (from foreign parent) of direct investment companies in Timor-Leste.

Portfolio investments are measured at market value including accrued coupon and excluding market revaluation that are not part of transactions.

Other investments are mostly measured as the difference between available stock data between two periods, excluding revaluation, whenever possible.

VI. Plans for Improvements

Short-term

The CBTL will continue to strengthen its institutional arrangements with other agencies that provide inputs to the BOP compilation. The CBTL staff will continue cover the others companies which have not yet included to the direct investment survey.

Medium- and long-term

The CBTL will set up an information system/databank for BOP data and data inputs, and prepare automated templates/programs for processing inputs and generating output tables. It will develop a monitoring system for international transfers and remittances to/from private individual/household residents.

BCTL will make effort to revised and adjust the treatment of oil as export of Timor-Leste in line with the current development of national account.

The CBTL will develop additional skills in data organization and management development of data system and templates to handle the growing database in the future.