

contents

Chapter

01

Chapter

02

Introduction	6	Recent evolution of the national economy	32
International Economic Trends	10	2.1. Real Sector	34
1.1. Major World Economies	12	2.1.1. Production, expenditure and economic activity	34
1.1.1. Economic growth in major economies	12	2.1.2. Prices and Inflation	38
1.1.2. Inflationary Trends in Major Economies	14	2.2. Public Finances	40
1.1.3. Commodity markets	15	2.2.1. Budgetary Program for 2017	40
1.1.4. Major financial markets	16	2.2.2. Budget Execution in 2017	42
1.2. Asian Economic Trends and Outlook	18	2.2.2.1. Revenue	42
1.3. Economic Transmission Channels to Timor-Leste	23	2.2.2.2. Expenditure	43
1.3.1. Summary	23	2.2.2.3. Budget Balance and Sources of Financing	45
1.3.2. Imported Inflation	24	2.3. Monetary and Exchange Rate Sector	47
1.3.3. Global Energy Markets and Petroleum Revenues	26	2.3.1. Monetary Base	47
1.3.4. Financial Markets and the Petroleum Fund	28	2.3.2. Interest Rate	48
		2.3.3. Exchange Rate	49
		2.3.4. Money Supply	50
		2.3.5. Credit to the Economy	52
		2.3.6. Indicators Financial Deepening	54
		2.4. External Sector	55
		2.4.1. Net International Reserves (NIR)	55
		2.4.2. Index of Real Effective Exchange Rate	56
		2.5. Balance of Payments	58
		2.5.1. Current Account	59
		2.5.1.1. Goods	60
		2.5.1.2. Services	62
		2.5.1.3. Primary Income Account	63
		2.5.1.4. Secondary Income Account	64
		2.5.2. Financial Flows	64
		2.6. Development of the Banking System in Timor-Leste	65
		2.6.1. Asset Structure	65
		2.6.1.1. Evolution and Structure fo the Asset	65
		2.6.1.2. Liability	68
		2.6.1.3. Profitability	71
		2.6.2. Transfer Services	72
		2.6.2.1. Money Transfer Services	72
		2.6.2.2. Money Transfer Operators (MTO)	72

Chapter 03

The BCTL: Mission and the Main Mandate, Organization and Governance, and Activities

	74
3.1. Main Mandate and Functions	77
3.2. Organization and Governance of BCTL	78
3.3. The Activities of BCTL in 2017	80
3.3.1. National Payment System	82
3.3.1.1. Interbank Clearing and Settlement System	82
3.3.1.2. The SWIFT and RTGS System (R-Timor)	83
3.3.1.3. Electronic Banking	84
Box 1. National Strategy for Financial Inclusion	87
3.3.1.4. Import and Export of Currency	88
Box 2. The Development of National Payment System	90
3.3.2. Financial System and Banking Services	92
3.3.2.1. Licensing and Regulation of the Financial System	92
Box 3. Implementation of National Strategies of Financial Education Program	93
Box 4. Implementation of Master Plan for Financial Sector Development in Timor-Leste	96
Box 5. Signing of Memorandum of Understanding	100
Box 6. Meetings	102
3.3.2.2. Insurers	103
3.3.3. Management of the Petroleum Fund	104
3.3.4. Institutional Strengthening	106
3.3.5. Staff and Training Program	106
3.3.6. External Relations	109
Box 7. BCTL Action Plan for 2018	110
Internal Organization of the BCTL as of December 31, 2017	115

Chapter 04

Financial Statements for the period ended 31st December 2017

	116
4.1. Statement of Compliance	119
4.2. Statement of financial position	120
4.3. Statement of Profit or Loss and Other Comprehensive Income	121
4.4. Statement of Changes in Equity	122
4.5. Statement of Cash Flows	123
4.6. Notes to the Financial Statements	124
4.7. Independent Auditor's Report	154

charts & tables

Charts

1.1.	GDP real % growth – 3 Major Blocs	13	2.1.	Real GDP growth and its components; Production measures	35
1.2.	GDP % growth – Selected Regions	13	2.2.	GDP structure by sector (%)	35
1.3.	GDP real % Growth - 4 Largest World Economies	13	2.3.	Real GDP growth and economic indicator	36
1.4.	Inflation Rates % - Selected Economies	14	2.4.	Economic Activity Indicator	37
1.5.	Major Commodities Prices – Annual % changes	15	2.5.	Inflation (Dili): Rate of change	38
1.6.	2 Year Treasury Bond Yields	16	2.6.	Inflation (Dili): annual % change and its contributions	38
1.7.	10 Year Treasury Bond Yields	16	2.7.	Evolution of Tax revenues	42
1.8.	Major FX rates vs US \$. 2011=100	17	2.8.	Evolution of Current Expenditure	43
1.9.	Major Equity Markets, Prices Indexed in USD	17	2.9.	Sources of Deficit Financing	46
1.10.	GDP real growth rates	19	2.10.	Interest rate on Loans and Deposits	48
1.11.	Inflation Rates - Annual % changes	19	2.11.	Nominal Exchange Rate	49
1.12.	Exchange Rates - % changes vs USD	20	2.12.	Growth rate of monetary aggregate	50
1.13.	2 Years Treasury Bond Yields	20	2.13.	M2 and its components	50
1.14.	BoP Current Account in % of GDP	21	2.14.	Weighted of Deposits by Ownership	51
1.15.	Public Budget in % of GDP	21	2.15.	Credit by Sector of Activity - Dec 2017	53
1.16.	Domestic vs External Inflation – annual % changes	25	2.16.	Growth rate of monetary aggregate: in % of GDP	54
1.17.	Regional Inflation Rates in USD – annual % changes	25	2.17.	Net Internacional Reserves	56
1.18.	Asian Currencies vs the USD - annual % changes	25	2.18.	Index of Real effective exchange rate	56
1.19.	Partners Inflation Rates - in local currency	25	2.19.	Index of Real effective exchange rate; bilateral	56
1.20.	Spot Energy Prices – 2011 Dec = 100	26	2.20.	Current account of Balance of payments	59
1.21.	Spot Energy Prices - % change	26	2.21.	Goods account	60
1.22.	2 Year Yields – %	29	2.22.	Services	63
1.23.	10 Year Yields - %	29	2.23.	Primary Income account	63
1.24.	Equity Markets – 2012 Dec = 100	30	2.24.	Trend of Banking System Asset	66
1.25.	Currencies vs USD – 2012 Dec = 100	30	2.25.	Assets Structure	67
			2.26.	Structure of Eligible Liability	68
			2.27.	Deposits trend	69
			2.28.	Structure of Deposits	69
			2.29.	Structure of Resident Depósitos	70
			2.30.	Transfer to and from Exterior	72

ables

Tables

3.1. Automatic Payments Boxes	86	2.1. Inflation: Products with the highest annual variation (%) – Dili	39
3.2. Automático Payments Terminals	86	2.2. State Budget and Execution	41
3.3. Bank Accounts	86	2.3. Budget detail for infrastructure (million USD)	45
3.4. Currency Transactions	88	2.4. Weighted average interest rate of Commercial Banks (%)	49
3.5. Performance of Insurance business	103	2.5. Main factors of variation of Money Supply (M2)	52
3.6. Evolution of Petroleum Fund Assets	104	2.6. Evolution of Credit to the Economy	52
3.7. Professional Careers	107	2.7. Balance of Payments	59
3.8. Number of Training days and Workshops	108	2.8. Export by countries	60
3.9. Number of employees participating in training	109	2.9. Import by countries	61
		2.10. Import by chapter	62
		2.11. Worker remittances	64
		2.12. Source of Financing	64
		2.13. Structure of Commercial Bank Assets	67
		2.14. Result of Banking activities	71
		3.1. Transaction in Dili clearing house	82
		3.2. National and International Payments	83
		3.3. Incoming and outgoing of Transfer (SWIFT)	84
		3.4. Cash and non-cash Transaction	85
		3.5. Currency movement	89