

Economic Bulletin



A Quarterly Publication of the Central Bank of Timor-Leste

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I. External Sector

I.1. Net International reserves (NIR)

As of September 2024, the net international reserves (NIR) balance reached \$629.9 million, reflecting a 11.1% decrease from the value recorded in the June quarter of 2024 (\$708.5 million), and still lower than the value observed in September 2023 (\$796 million). When measured in terms of months of coverage for total imports of goods, the NIR continues to remain well above the standard global target of 3 months. In September 2024, it equated to 11.4 months of imports of goods, indicating a slight decrease compared to 12.9 months in June 2024.

Chart 1. Net International Reserves



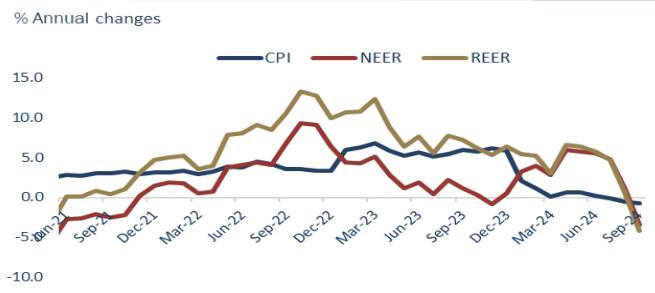
Source: DGE and BCTL

I. 2. Real Effective Exchange Rate Index

In September 2024, the Real Effective Exchange Rate Index (REERI), a key indicator for evaluating a country's competitiveness in tradable goods, recorded its first depreciation against trading partners, declining by 4.2%. The depreciation reflects a decline in the Real Effective Exchange Rate, signaling an increase in the competitiveness of the national economy to the rest of the world. This depreciation is driven by both the weaken-

ing of the US dollar—since lower interest rates typically reduce its attractiveness compared to other currencies—and slower economic growth and lower domestic inflation rates relative to key trading partners. The Nominal Effective Exchange Rate Index (NEER) recorded a year-on-year depreciation of 3.5%, marking a slowdown compared to June 2023, when it showed a year-on-year appreciation of 1.8%. Regarding bilateral exchange rates with two major trading partners, Indonesia and Australia,

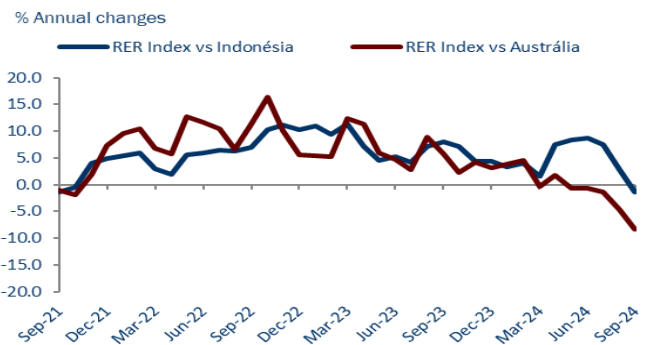
Chart 2. Real Effective Exchange Rate (REER)



Source: Bloomberg e BCTL analysis

the US dollar depreciated by 1.3% against the rupiah and by 8.3% against the Australian dollar in September 2024. This trend is consistent with the global REER index, which also reflected a depreciation of the US dollar. As a result, the country's exports may become more competitive. However, it's worth

Chart 3. Bilateral Real Exchange Rate



Source: Bloomberg e BCTL analysis

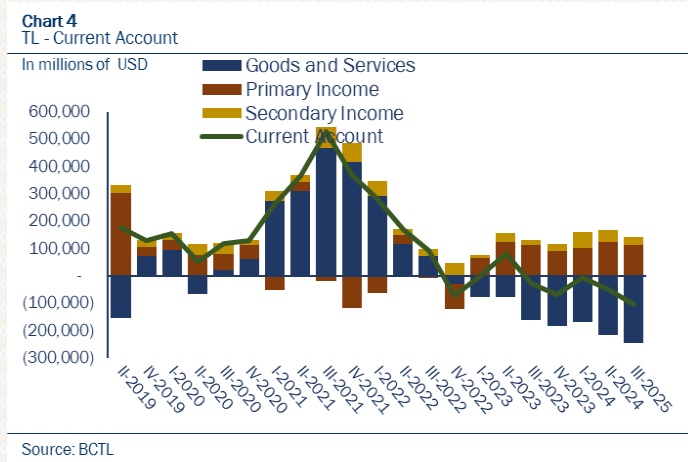
noting that the main export of the country, coffee, is primarily determined by the international price of coffee and is only slightly influenced by the fluctuations in these effective exchange rates.

1.3. Balance of payments

The balance of payments is a crucial economic statistic that systematically summarizes a country's residents' economic transactions with the rest of the world. As a vital statistic, the BOP provides essential information to economic policymakers, including those in Timor-Leste, helping guide informed decisions on the best course of action.

1.3.1. Current Account

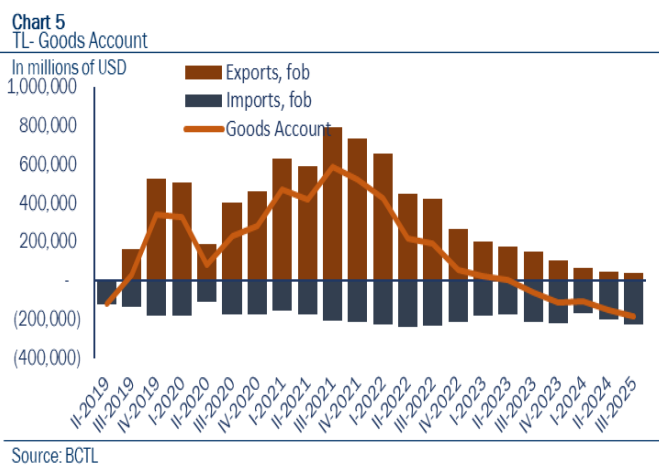
In the September quarter of 2024, the current account, including oil, recorded a deficit of \$104.4 million. This marks a significant increase compared to the \$49.37 million deficit in the previous quarter and the \$27.2 million deficit in the same quarter of 2023. The widening deficit was primarily driven by a larger trade deficit, resulting from increased import bills combined with reduced goods exports, a decline in primary income, and a slight deterioration in the services account. Revenue from Timorese oil and gas, which continues to decline, along with modest coffee exports, was insufficient to offset the current account deficit during this period.



1.3.1.1 Goods Account

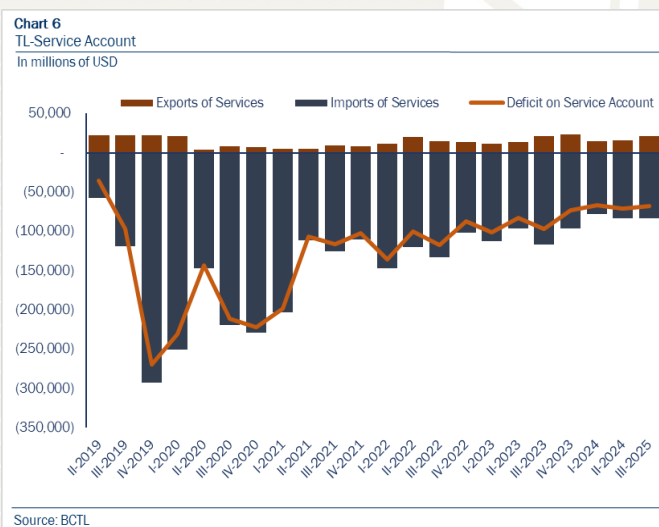
The country's net exports of goods, including oil exports, remained in deficit as of September 2024. The goods account balance recorded a deficit of \$184 million in September of 2024, an increase of 23.4% compared to June quarter of 2024, which recorded a deficit of \$149.1 million. The export of goods is projected to decrease by 18.3% to an amount of \$39.5 million in September 2024, compare to \$150.4 million in September 2023 and \$48.2 million in June 2024. On the other hand, the country con-

tinues to record a high level of imports of goods. In the quarter of September 2024, total imported goods amounted to US\$223.4million, although it increase by 4.6% compared to September 2023 and 13.2% compare to June quarter of 2024.



1.3.1.2. Service Account

The trade services account recorded a deficit of USD67.5 million in the September quarter of 2024, reflecting a 4.9% decrease compared to the June quarter of the same year. This also represents a 30.1% improvement from the same quarter in September 2023, when the deficit was USD29.1 million. As shown in Chart 6, the decrease in the services account deficit in this quarter resulted from a 37.9% increase in services exports, reaching USD 21.1 million, while imports of services fell by 0.2% to USD83.6 million. The growth in services exports was primarily driven by increases in transportation, telecommunications, travel and other services. On the import side, there was a decrease in manufacturing services, and other business services. other categories experienced an increase.

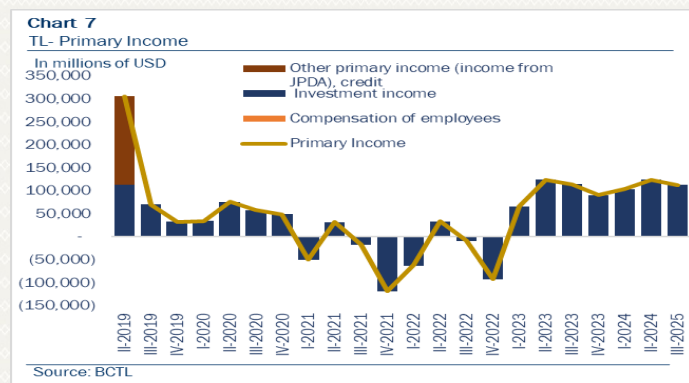


I.3.3. Primary Income Account

The primary income recorded a surplus of \$112.8 million in September 2024, compared to \$124.8 million surplus in the June quarter of 2024, represent an decrease of 9.6%. In comparison to the same quarter of 2023, the surplus decreased by 1.8%. The quarter-on-quarter decline was primarily driven by a reduction in investment income, which recorded a total net inflow of \$139 million during the period. Chart 7 shows the evolution in primary income from the first quarter of 2019 to the September quarter of 2024.

I.3.4. Secondary Income Account

The secondary income account includes workers' remittances and payments for government development and technical assistance. The balance of the secondary income account recorded an outflow of resources of \$25.5 million in the September quarter of 2024, an increase of 10.9% compared to June quarter of 2024. It decreased by 29.5% against the same quarter of 2023. While, remittance inflows into the country in the September quarter of 2024 totaled \$54 million, marking an 36.2% increase compared to the same quarter last year and a 3% decline from the June 2024 quarter. These values contributed to the deficit in the secondary income account of \$29.6 million in the September quarter of 2024. It is important to note that remittances outflows in the quarter from foreign migrant workers in Timor-Leste exceeded those sent by Timorese workers abroad.

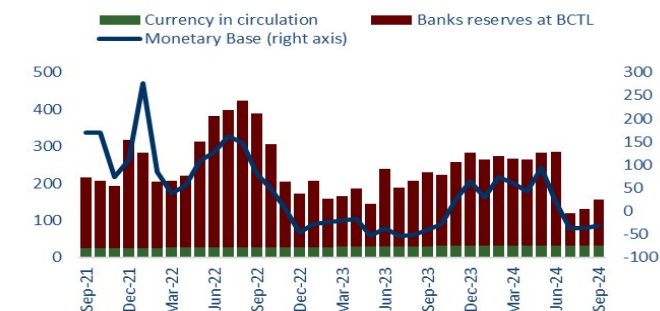


II. Monetary and Banking Sector Development

II.1. Monetary Base

The monetary base decrease in September 2024 in relation to September 2023, fall by 32% to the amount of \$156 million, while it decrease by 45% in relation to June 2024. Bank reserves, deposits at the central bank were the main contributors to explain this evolution in monetary base, decrease by 38% to \$124 million compare to September 2023 as well as decrease 51% in quarterly basis. Meanwhile, currency in circulation increased by 6% year-on-year and 4% quarter-on-quarter, reaching \$32.4million.

Chart 8. Structure and Change in Monetary Base



II.2. Money Supply

Monetary aggregate, M2, is the broadest measure of money supply in Timor-Leste, which includes narrow money or M1 - comprising currency and demand deposits - and other deposits (time and saving deposits). The money supply (M2) situated in about \$1,184 million (\$1,152 million in June 2024 and \$1,250 million in September 2023, respectively), reflected a decrease of 5.3% (YoY) and 2.8% on a quarterly basis. The annual change in this aggregate is primarily driven by the contribution of net foreign assets (NFA), which negatively impacted M2 growth by -5%. While, net credit to the government, contributed by -2.1%. The negative sign represents an increase in the financial system's liabilities to the government, since there are no loans to the government through this system. On the other side, the increase in

Chart 9. The Evolution of Monetary Aggregate

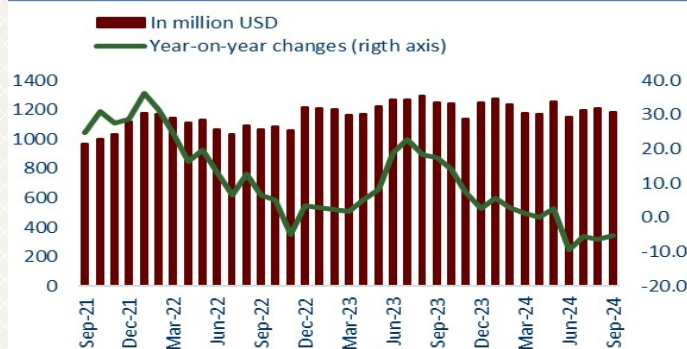
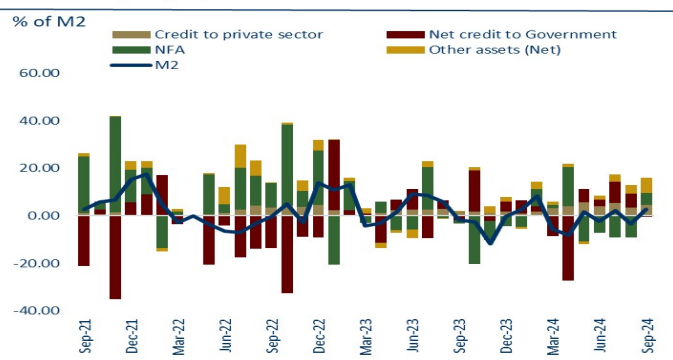


Chart 10. Liquidity Expansion Factors

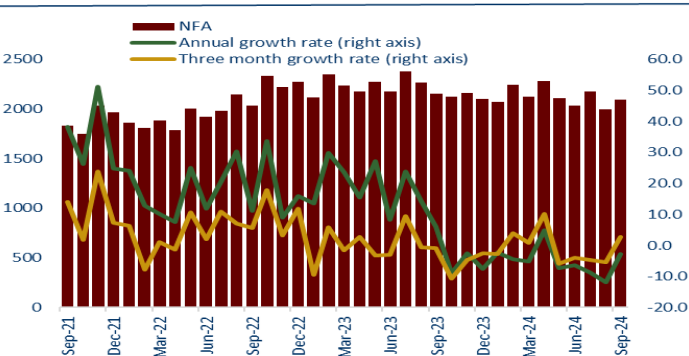


M2 was supported as well by the contribution of credit to the private sector of 12.8%. Lending by the financial system to the private sector maintained its upward trend, rising 38% year-on-year and 10.6% quarter-on-quarter, reaching \$574.4 million in September 2024. In terms of M2 components, transferable deposits or demand deposits continued to be the main driver of money supply trends in September 2024, its decrease by 12.6% year-on-year to \$536.6 million from \$608.6 million in September 2023. This component contributed by -5.8% to M2 growth in September 2024. While, Time and savings deposits - other deposits, as classified in monetary statistics - registered upward trend in September 2024, increase by 0.8% to \$616 million, compared to \$612 million in June 2023. This type of deposit contributed -0.9% to boost the downward trend in M2 growth in September quarter of 2024.

II.3. Net Foreign Assets

Net foreign assets (NFAs) showed an upward trend, on a quarterly basis, increasing by 3% in September 2024 to \$2.093 million, compared to \$2.035 million in June 2024. Meanwhile, year-on-year, the NFA declined, down -2.9%. The quarterly change was driven by an increase in state liabilities to non-residents by 5% to \$280.4 million in September 2024, compared to \$267.9 million in June 2024. Meanwhile, claims to non-residents increase by 3% to \$2,093.6 million, compared to \$2,025.8 million in June 2024. Conversely, the decline in total NFA was mainly due to a 20% decrease in the central bank's NFA, which fell to \$663.2 million in September 2024, compared to \$828.3 million in the same month the previous year. In contrast, the NFA of other depository corporations increased by 7.8%, reaching \$1,430 million. The decline in Central Bank NFA was driven by a decline in claims on non-residents, down 19.7% to \$673.6 million in September 2024, compared with \$838.5 million in the same month last year. This dynamic is practically caused by the decline in growth of transferable deposit and other deposit in foreign currency to non-residents by -94% and -17% respectively. Meanwhile the increase in other depository NFA was driven by increase in transferable deposit and other loans in foreign currency claims on non-residents which rose by 46% to \$663.6 million and 63.7% to \$243.1 million in September 2024 respectively.

Chart 11. Net Foreign Assets



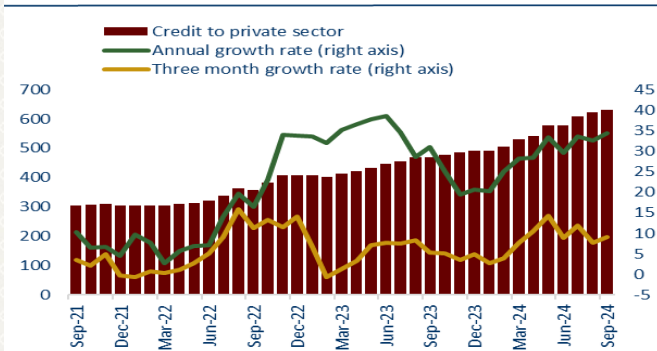
Source: BCTL

II.4. Banking System Credit to the Economy

Overall, Annual credit growth continued to increase, primarily driven by higher demand from the private sector, individuals, and other groups. Credit extended to the private sector by banks showed a positive trend, growing by 38% year-on-year to \$574.4 million in the quarter ending September 2024, compared to \$416.5 million in September 2023.

The strong growth in credit was primarily driven by improved business conditions, support for the recovery of economic activities, and the central bank's supportive macroprudential policy, including the implementation of the loans-to-deposit ratio instruction, along with favourable fiscal conditions.

Chart 12. Credit to Economy

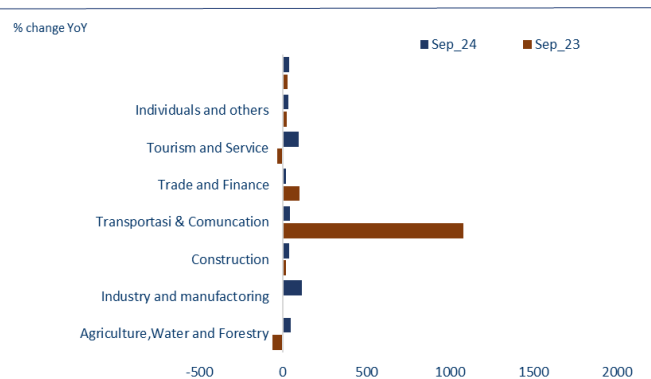


Source: BCTL

The main drivers of credit growth during the quarter were industry and manufacturing services, which surged by 114.5% to \$33.3 million from \$15.5 million in September 2023. Other significant sectors included tourism and services (up 94.2%), agriculture, water, and forestry (49.4%), transport and communication (44.5%), construction (40.5%), trade and finance (18.5%), and individuals and others (32%).

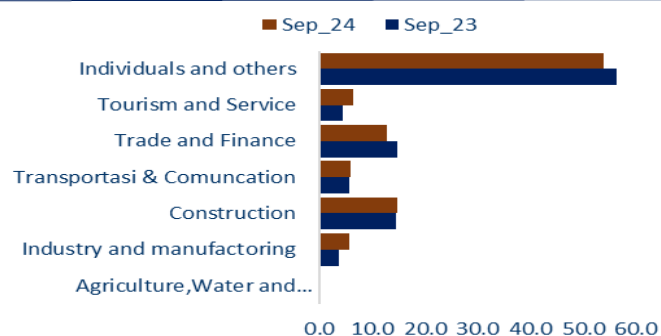
In terms share in total credit as of June 2024, individuals and others made up the largest portion, representing 53.9% of the total bank credit portfolio. This was followed by construction (14.7%), trade and finance (12.7%), tourism and services (6.4%), transport and communication (6%), and industry and manufacturing (5.8%). Other economic activities, such as agriculture, water, and forestry, held smaller shares, with only 0.4% of total credit.

Chart 13. Bank's credit to selected economic activities



Source: BCTL

Chart 14. Share of Bank's credit to selected economic activities



Source: BCTL

I.6. Development of Banks' Assets and Liabilities

As of the end of September 2024, total bank assets rose by 12.8% year-on-year, reaching \$2,590 million, up from \$2,297 million in September 2023. This increase was driven by increases in loans and advance (41.4%), placement to another bank (15.5%) and fixed assets (11.4%). While cash & BCTL balance, investment and others asset decrease by 27.5%, 25.8% and 23.6% respectively. In terms of share of total assets; placements in other banks abroad continued to represent the largest share, standing at 66% of total assets in September 2024, followed by loans and advances (21.8%), cash and BCTL balances (7%), investments (3.7%), fixed assets (1.2%) and other assets (0.3%). The ratio of banking sector's non-performing loans (NPLs) slight decrease by 2.17%, compare with 2.2% in the same month last year. On the other side of the balance sheet, the banking sector's liabilities were mostly made up of deposits, which represented 70.1% of total liabilities in September 2024 and continued to be the main source of funds for the banking system. In terms of growth rate, the overall growth of deposits was +0.8%, followed by debts to commercial banks (+24.9%), capital (+20%) and other liabilities (+139.6%), other sundry liabilities (76.1%) and central bank (1.2%).

II.5. Commercial Banks Interest Rate

The average bank interest rate charged on loans to the private sector continued decrease in September 2024, down 0.10 basis points to 10.58%, compared with 10.68% in the same month of 2023. On the other hand, there was a slight decrease in the weighted average interest rates offered on deposits by banks, decrease by -0.03 basis point to 0.51%, compared with 0.54% in the same month last year (Table 1 and chart 15). Despite these decreases, the interest rate spread remains high, though it is gradually narrowing. As of September 2024, the bank interest rate spread stood at 10.1%, unchanged from the same month the previous year.

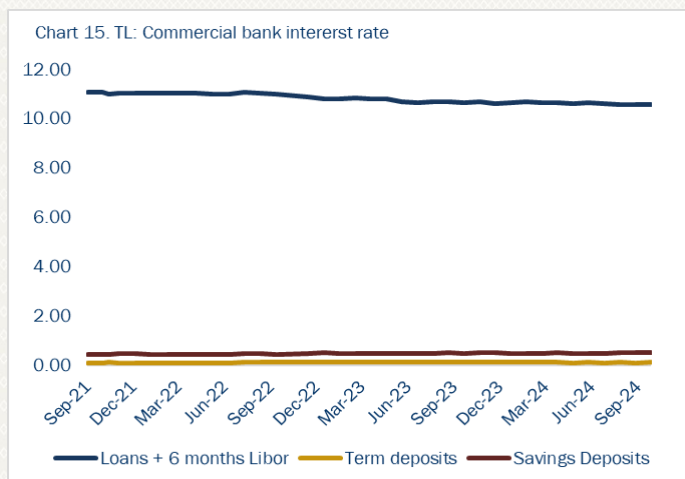


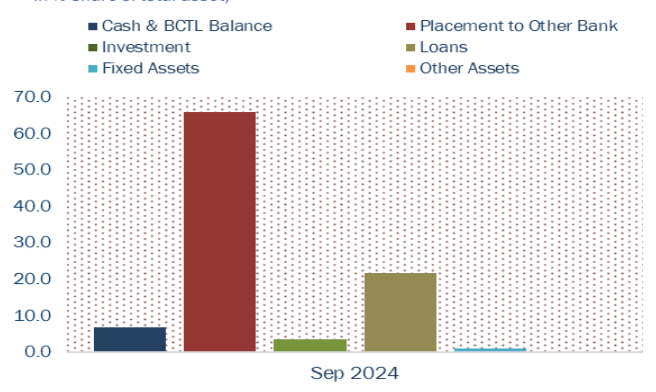
Table 1. Weighted Average Interest Rate of Commercial Banks

(In percentage)

Period	Loans + 6 months Libor	Term deposits	Savings Deposits	Term deposits				Average deposits rate	Margin	
				1 month	3 months	6 months	12 months			
2023	Mar	10.80	0.13	0.47	0.58	0.61	0.66	0.64	0.52	10.3
	Jun	10.67	0.12	0.48	0.63	0.65	0.71	0.64	0.54	10.1
	Sep	10.68	0.12	0.50	0.62	0.65	0.70	0.65	0.54	10.1
	Dec	10.65	0.12	0.50	0.55	0.57	0.62	0.65	0.50	10.1
2024	Mar	10.65	0.12	0.51	0.51	0.53	0.59	0.66	0.49	10.2
	Jun	10.64	0.11	0.50	0.53	0.56	0.62	0.65	0.50	10.1
	Sep	10.58	0.12	0.52	0.54	0.57	0.63	0.67	0.51	10.1

Source: BCTL

Chart 16. Structur of Asset
In % share of total asset)



With regard to the net income of the banking system, they continue to show a positive trend. Consolidated net income in September 2024 increased by 18.3% (YoY) to US\$56.2 million, up from US\$47.5 million in September 2023. In terms of relevant components, gross income increased by 22%. The increase in total income was due to rising interest income (+24.9%) and non-interest income by (8%). On the other side, the annual expenses increased by +25.5% in September 2024, which was driven by a simultaneous increase in interest expense, operating expenses, and provision for income tax of 69.9%, 18% and 31.4%, respectively. While extraordinary expenses and non-interest expenses continue decrease by negative 90.4% and 14.5%, respectively.

Table 2.TL: Banking system: asset development

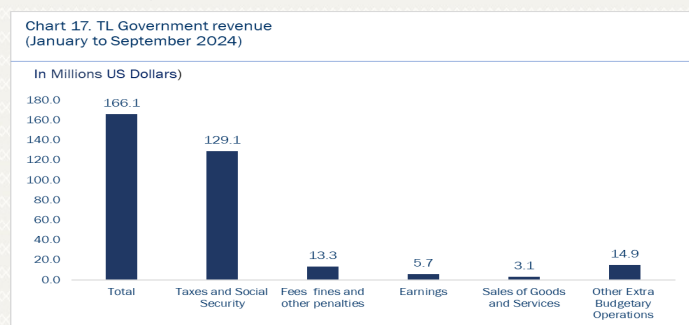
Items	Nominal in Millions US Dollars			Change %		Weight % (Sep-24)
	Sep_23	Jun_24	Sep_24	Quarter	Annual	
Cash & BCTL Balance	248.9	305.1	180.5	-40.8	-27.5	7.0
Placement to Other Bank	1480.4	1589.5	1709.7	7.6	15.5	66.0
Investment	129.1	102.1	95.8	-6.2	-25.8	3.7
Loans	400.4	496.5	566.0	14.0	41.4	21.8
Fixed Assets	27.3	28.3	30.4	7.4	11.4	1.2
Other Assets	10.9	13.8	8.3	-39.3	-23.6	0.3
Total	2297.0	2535.3	2590.8	2.2	12.8	100

III. Public Finance

From January to September 2024, total domestic revenue amounted to \$166.1 million, while government expenditure reached \$1.171 billion, representing 52.3% of the execution rate (including obligations).

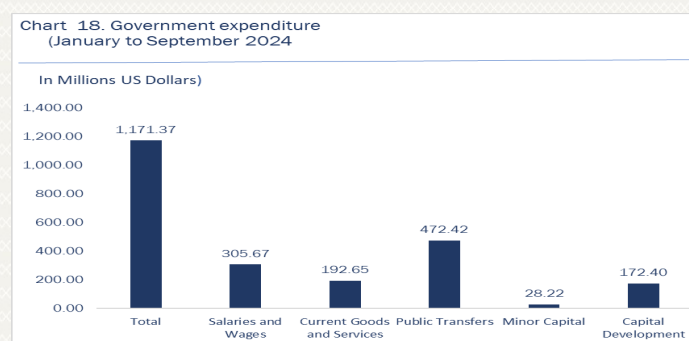
3.1. Revenue

The total revenue collection from January to September of 2024 amounted to \$166.1 million. In terms of the taxes collected, taxes recorded the highest collection in the quarter, reaching \$129.1 million. Followed by extra budgetary (14.9 million), fees fines and other penalties (13.3 million), sales of goods (3.1 million) and earning (5.7 million). Transfers totalled \$1,052 million, consisting of \$522 million from the Petroleum Fund ESI, \$528 million from the above ESI, and \$2.4 million from other sources.



3.2. Expenditure

During the period January to September 2024, total expenditure amounted to \$1.171 billion, representing 52.3% execution rate (including obligation), of which salary and wage expenditure was \$308.4 million, capital minor and capital development expenditure was \$27.1 million and \$173.5 million, good and services \$195.5 million and transfer \$473.4 million with the execution rate of 63%, 53.8%, 41.7%, 54.3%, and 50.7% respectively. In term of share; transfer representing 40.2% of total expenditure in the period under review, while capital expenditure occupies only 14.7% part of total expenditure.



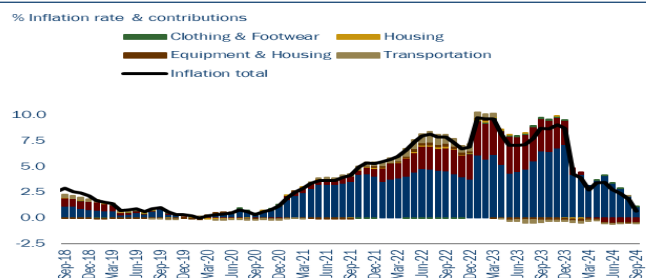
IV. Economic Development in Timor-Leste

IV.1. Prices and inflation

Annual inflation decelerated to 0.6% in the September quarter of 2024, down from 2.8% in the previous quarter and significantly

lower than the 8.7% recorded in the same quarter of 2023. This decline was influenced by changes in both food and non-food prices. Food inflation contributed 0.7% to headline inflation, down from 2.9%, while non-food inflation contributed -0.4%, from -0.5%. Food inflation increase by 1.9%, down from 5.8% in June quarter and 11.4% in the quarter ending September 2023. The decrease in food items was driven by lower prices of rice (6.5%, down from 19.2% in June quarter, and 24.2% in September 2023), vegetables (8%, from 8.4%), meat (-0.2%, down from 0.5%), food product (0.0%, from 3.4%), mineral waters (0.5%, down from 8.5%), sugar (-7.4%, down from -2.4%), fruit (-0.3%, down from -5.1%) other food items which experienced declines such as fish and seafood (-2.7%, down from 0.5%), oils and fats (-6.4, down from -9.2%), sugar (-2.4%, down from -1%) and milk, cheese and eggs (-0.6%, from -2.6%). Likewise, non-food inflation was contributed by the decrease in the price of alcohol (-4.4% from -5.1%, housing (0.0% down from -1%), furnishing (-0.8%, from -1.1%), transport (-0.9%, from -1%) While others non-food items experienced an increase in price.

Chart 19. Inflation



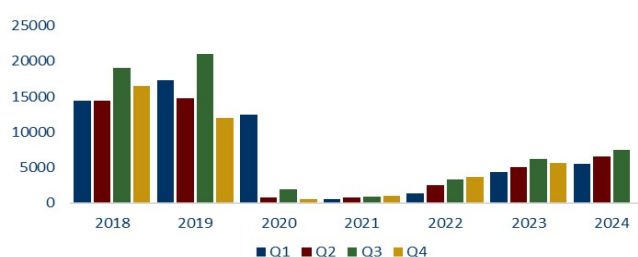
Source: DGE & BCTL Analysis

IV.2. Tourism

Timor-Leste has experienced a steady increase in tourist arrivals after the COVID-19 pandemic, though the recovery pace remains slower than pre-pandemic levels.

In the September 2024 quarter, tourist arrivals rose by 14% compared to the previous quarter and by 20.6% on an annual basis, reaching 7,478 visitors. This follows a significant increase of 82.6% to 6,202 arrivals in the same quarter of 2023. Tourist arrivals experienced a significant decline in 2020 and 2021 due to the COVID-19 pandemic. However, as the health crisis was managed and the economy began to recover, tourism gradually rebounded. This recovery was supported by improvements in both the healthcare system and overall economic conditions.

Chart 19. Number of Tourist Arrival

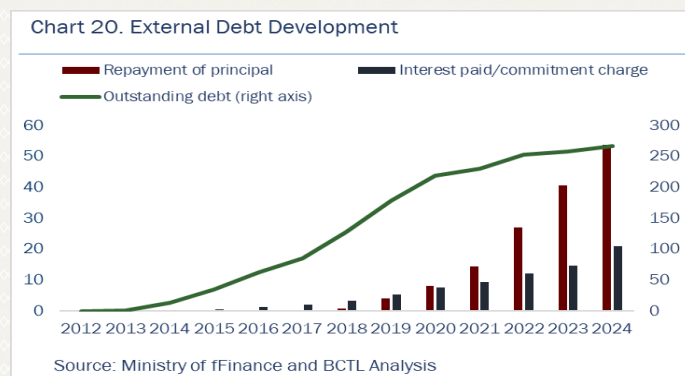


Source: Immigration Office of Timor-Leste and BCTL analysis

We remain hopeful that the national economy will continue its positive trajectory, and that the government will persist in promoting domestic tourist attractions, ultimately boosting the return of foreign tourists to the country, at least at the pre pandemic level.

IV.3. External Debt Development

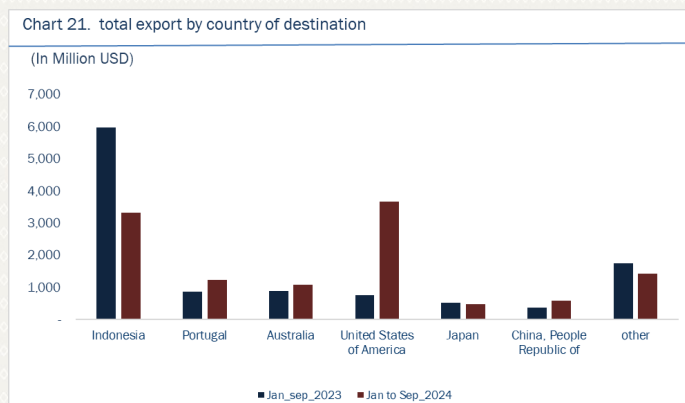
Total outstanding external debt increase by US\$7.7 million to US\$265.8 million in September quarter of 2024, representing 15.4% of projected non-oil GDP in 2024, compared with \$258.2 million recorded in the corresponding quarter in 2023. There is significant proportion of this outstanding external debt that dominated by multilateral creditors, accounting for 65.2% of the total debt, while bilateral creditors stood at 12.8%. This outstanding external debt already accounted for repayment of principal and interest paid (commitment charge) of \$53.7 million and \$21 million, respectively.



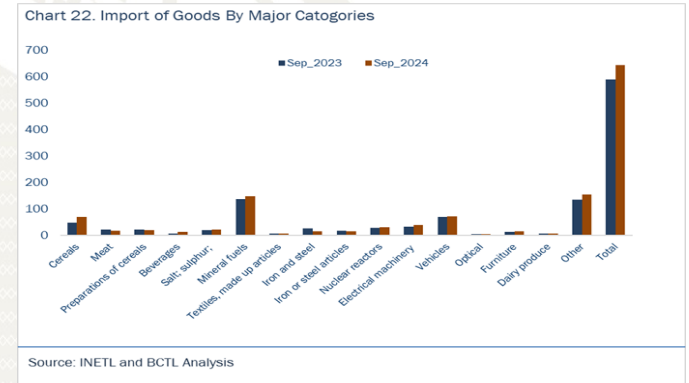
IV.4. Export and import

Export of goods (exclude oil export) is projected to reach an amount of \$11.7 million in the period January to September 2024, recorded an increase of 6% in relation the same period of 2023. In fact, on average, the country's export compose mostly of coffee, or more than 90% of the total exports are coffee. The destination of the country's exports from January to September was mainly to: United State of America, representing (31.1%) of total export, Indonesia (28.4%), followed by Portugal (10.6), Australia (9.3%) and Japan and China (4.1%) and 4%, respectively.

Import of goods are register to increase by 10.4% in the period of January to September 2024, stood at \$649.3 million, compared to \$588.2 million in the same month of 2023. Material goods for



consumption account for the main share of total imported goods, such as mineral fuels, representing 22%, followed by vehicles (11.1%), cereal (10.7%). On the other hand, imported goods for investment, made up of nuclear reactors and electricity machinery, represent only 5.2% and 5.9%, iron and steel and steel articles (2.3%) and 2.3%, stone, cement, etc. (0.2%), which demonstrate slightly low demand of goods for investment in the country compared to consumption goods demanded.

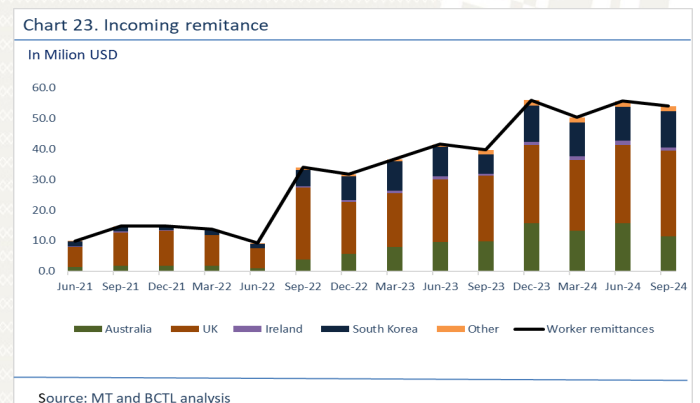


IV.5. Remittances

Total worker remittances increased by 36.1% year-on-year, reaching \$54 million in the third quarter of 2024, up from \$39.7 million in the same quarter of 2023. This rise may be attributed to an increase in the number of workers abroad and greater demand for family support back home.

In terms of source countries, the largest remittance inflows to Timor-Leste in the September quarter of 2024 came from the United Kingdom, accounting for 52% of the total. Remittances from South Korea and Australia were 22% and 21%, respectively, with the remaining inflows originating from Ireland.

The UK's share of remittances has steadily decreased since September 2022, falling from its typical share of 70% to 54% in June 2023, and further to 52% in September 2024. In contrast, Australia's share has continued to rise, increasing from just 11% in September 2022 to 24% in September 2023, before stabilizing at 21% in September 2024. This shift may be attributed to the growth of the government-sponsored seasonal temporary worker programs to both South Korea and Australia.



Annex: Monetary and Balance of Payments Statistics

Table 3. Depository Corporation Survey

Millions of US Dollars

	Sep-23	Jun-24	Sep-24	% point cont. 1 Y ago	% change quatrely	% change Annuall
Net Foreign Asset	2155.6	2035.9	2093.6	-2.9	2.8	-2.9
Claim on non residents	2390.9	2303.8	2374.0	-0.8	3.0	-0.7
Liabilities to nonresidents	-235.3	-267.9	-280.4	-2.1	4.6	19.1
Domestic claims	-428.4	-421.2	-342.0	-20.2	-18.8	-20.2
Net claims on central government	-897.5	-951.8	-919.6	5.1	-3.4	2.5
Claims on central government	0.3	0.6	0.0	0.0	-96.8	-93.4
Liabilities to central government	-897.8	-952.4	-919.6	2.4	-3.4	2.4
Claims on other sectors	469.2	530.7	577.6	-12.1	8.8	23.1
Claims on private sector	469.2	530.7	577.6	-12.1	8.8	23.1
Broad money liabilities	1250.7	1152.1	1184.2	-5.3	2.8	-5.3
Currency outside depository corporations	30.5	31.1	32.4	0.2	4.0	6.2
Transferable deposits	608.6	519.9	535.6	-5.8	3.0	-12.0
Other deposit	611.6	601.0	616.2	0.4	2.5	0.8
Securities other than shares	0.0	0.0	0.0	0.0		
Deposit excluded from broad money	27.5	37.6	36.9	-1.9	-1.9	34.2
Loans	0.0	0.0	0.0			
Shares and other equity	376.5	415.8	439.4	5.7	5.7	16.7
Other items(net)	72.6	88.4	140.4	58.8	58.8	93.5

Source: BCTL

Table 4 TL: Balance of Payment

	In Million of USD		
	Sep_23	jun_24	Sep_24
Current account exclude oil activity	(124,234)	(66,676)	(115,025)
I. Current Account	(27,184)	(49,266)	(104,076)
A. Goods and Services	(159,805)	(217,538)	(246,508)
1. Goods, fob	(63,286)	(149,075)	(183,992)
Exports, fob	150,426	48,236	39,453
Of which: Oil	141,696	43,615	26,090
Imports, fob	(213,712)	(197,311)	(223,445)
Of which: Oil	11,570	3,561	2,130
2. Services	(96,519)	(70,940)	(67,462)
Exports	20,850	15,275	21,069
Imports	(117,370)	(83,738)	(83,586)
B. Primary Income	114,947	124,837	112,846
1. Compensation of employees	991	1,780	1,780
Credit	1,213	2,003	2,003
Debit	(222)	(222)	(222)
2. Investment income	113,957	123,056	111,066
Credit	131,790	147,288	138,948
Debit	17,834	24,232	27,882
3. Other primary income (income from JPDA), credit ^{1/}	-	-	-
C. Secondary Income	17,673	43,436	29,587
Credit	53,797	66,392	55,049
Debit	36,124	22,956	25,462
II. Capital, Exclude Reserves	12	59	437
Gross acquisitions	-	-	-
Capital account	12	59	437
III. Financial account	(104,792)	(161,084)	(146,422)
1. Direct investment	29,367	(20,616)	(22,865)
2. Portfolio investment	(126,873)	(56,808)	(187,368)
3. Other investment	(87,516)	(1,398)	142,423
3. Reserves Assets	80,231	(82,262)	(78,611)
IV. Errors and omissions	(77,620)	(111,877)	(42,782)