

Economic Bulletin

A Quarterly Publication of the Central Bank of Timor-Leste



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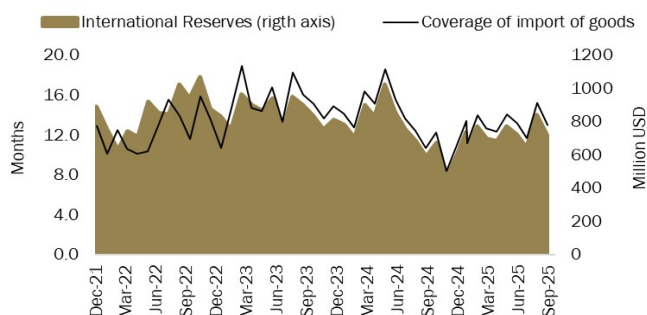
I. External Sector

I.1. Net International reserves (NIR)

As of September 2025, net international reserves (NIR) stood at \$717 million, representing a 1.1% decline from the June 2025 quarter (\$725 million) but remaining higher than the September 2024 level of \$674 million. Measured in months of import coverage, the NIR continues to exceed the global benchmark of three months. In September 2025, the reserves provided 13 months of goods import coverage, up from 12.2 months in September 2024.

Chart 1. Net International Reserves

Reserve Coverage Ratio of Imports in months



Source: DGE and BCTL

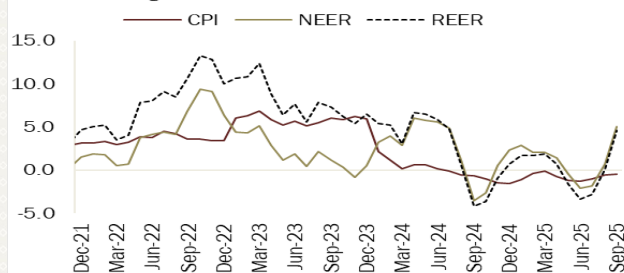
I. 2. Real Effective Exchange Rate Index

In September 2025, the Real Effective Exchange Rate Index (REERI) appreciated by 4.6% year-on-year, indicating reduced competitiveness of Timor-Leste's tradable goods due to relatively lower domestic inflation or exchange rate movements that made imports cheaper and exports more expensive. The Nominal Effective Exchange Rate Index (NEER) also appreciated by 5.1%, mainly driven by the stronger U.S. dollar against the currencies of major trading partners. Bilaterally, the U.S. dollar appreciated by 6% against the Indonesian rupiah and depreciated slightly by

0.2% against the Australian dollar. These developments may weaken export competitiveness, although the country's main export, coffee, is largely determined by international prices and is only marginally affected by effective exchange rate changes.

Chart 2. Real Effective Exchange Rate (REER)

% Annual changes



Source: Bloomberg e BCTL analysis

Chart 3. Bilateral Real Exchange Rate

% Annual changes



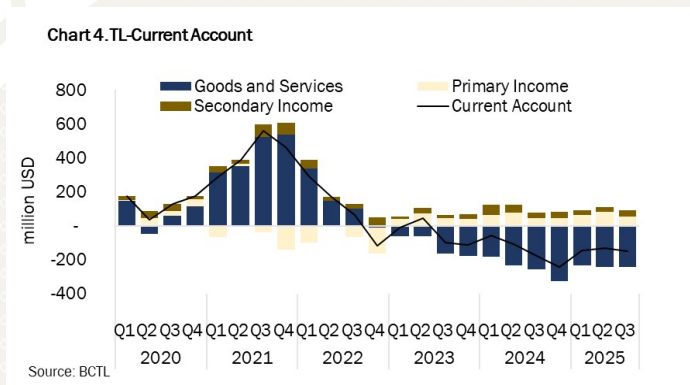
Source: Bloomberg e BCTL analysis

3. Balance of payments

The balance of payments is a key economic statistic that systematically records a country's economic transactions with the rest of the world. As a core external sector indicator, it provides essential information for policymakers, supporting informed decision-making on economic policy

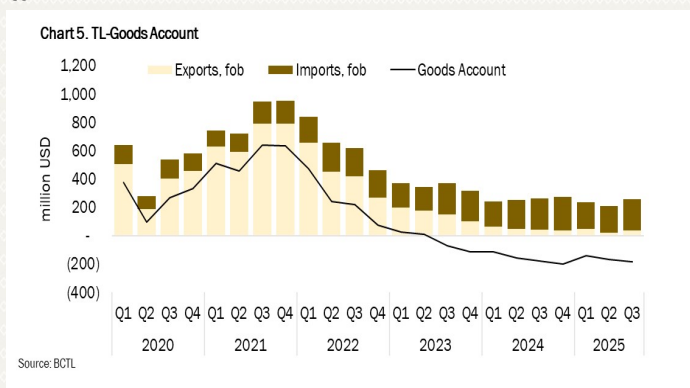
1.3.1. Current Account

In the September quarter of 2025, the current account including oil recorded a deficit of \$151 million, higher than the \$131.9 million deficit in the previous quarter but narrower than the \$178.4 million deficit in the same period of 2024. The deficit was driven by a larger trade gap, reflecting higher imports and lower goods exports, along with a slight decline in the services account. A notable reduction in oil and gas exports also contributed to the widening deficit.



1.3.1.1. Goods Account

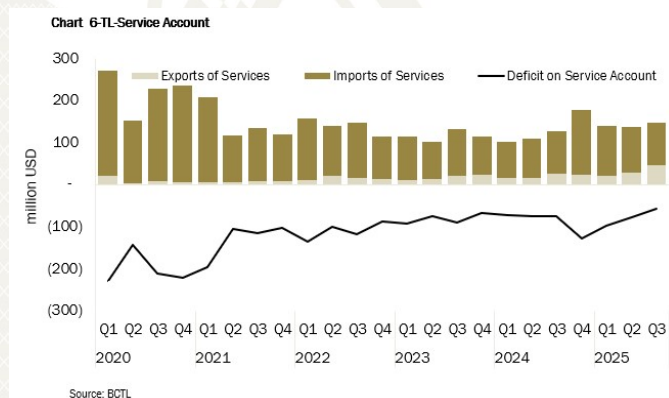
In the September quarter of 2025, net exports of goods, including oil, remained in deficit. The goods account deficit widened to \$186 million, up 12.6% from \$165.2 million in the June 2025 quarter. Goods exports are estimated to decline by 17.6% to \$35.6 million in September 2025, compared with \$43.3 million in September 2024, though they increased by 65.4% from \$21.5 million in June 2025. Meanwhile, imports remained high, totaling \$221.6 million in the September 2025 quarter—slightly down by 0.3% from September 2024 but up 18.7% from the June 2025 quarter.



1.3.1.2. Service Account

The services trade account recorded a deficit of \$54.4 million in the September 2025 quarter, a 31% improvement compared with the June 2025 quarter and a 27.9% improvement relative to September 2024. As shown in Chart

6, the narrower deficit was driven by a 66.8% increase in services exports to \$51.6 million and a 3.4% decline in services imports to \$105.9 million. Export growth was mainly supported by higher travel, transport, and other services—including government services—while declines in imports were observed across travel, manufacturing services, maintenance and repair, financial services, telecommunications, and other business services.

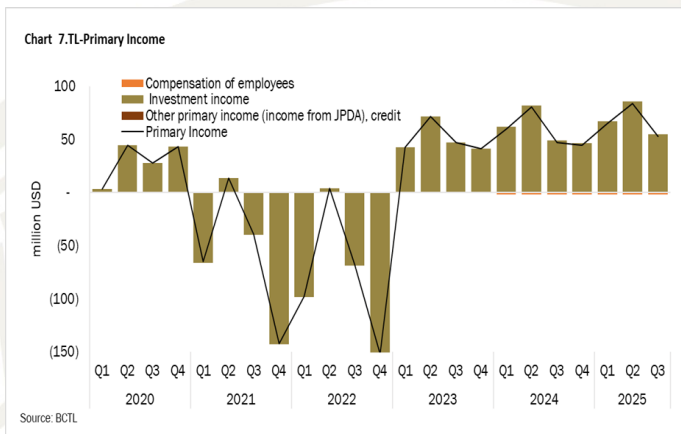


1.3.3. Primary Income Account

In the September 2025 quarter, the primary income account recorded a surplus of \$53.1 million, down 36.8% from the \$84 million surplus in the June 2025 quarter, but 14.4% higher than the same period in 2024. The quarter-on-quarter decline was mainly driven by a 3.2% decrease in investment income, with net inflows falling to \$149.5 million from \$154.5 million in June 2025. Chart 7 presents the trend in primary income from the December 2019 quarter through September 2025.

1.3.4. Secondary Income Account

In the September 2025 quarter, the secondary income account, which includes workers' remittances and payments for government development and technical assistance, recorded an outflow of \$36.2 million, up 29.3% from the June 2025 quarter and 22.3% higher than the same period in 2024. Remittance inflows totaled \$47.7 million, declining to 11.7% year-on-year and 0.6% quarter-on-quarter. Despite this decrease, the secondary income account maintained a surplus of \$25.7 million in September 2025. Notably, remittances from Timorese workers abroad slightly exceeded those sent by foreign migrant workers in Timor-Leste.



II. Monetary and Banking Sector Development

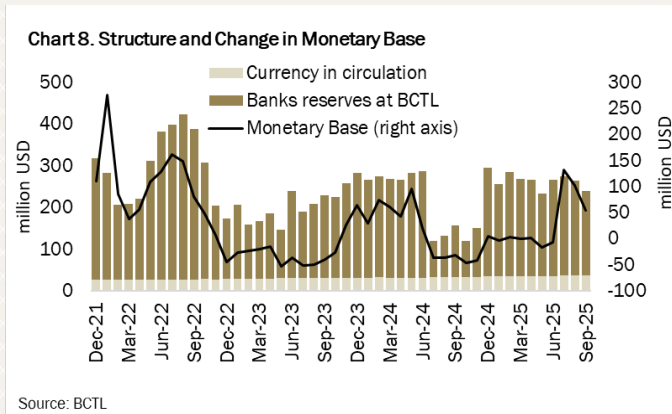
II.1. Monetary Base

The monetary base increased significantly in the September quarter of 2025, rising by 754% compared with the same quarter of the previous year to reach \$239.7 million, although it declined by 10% relative to June 2025. This expansion was primarily driven by an increase in currency in circulation, which grew by 12% year-on-year and 5% quarter-on-quarter. Additionally, bank reserves—deposits held by commercial banks at the central bank—rose by 64% year-on-year to \$203 million, but decreased by 12% on a quarterly basis.

II.2. Money Supply

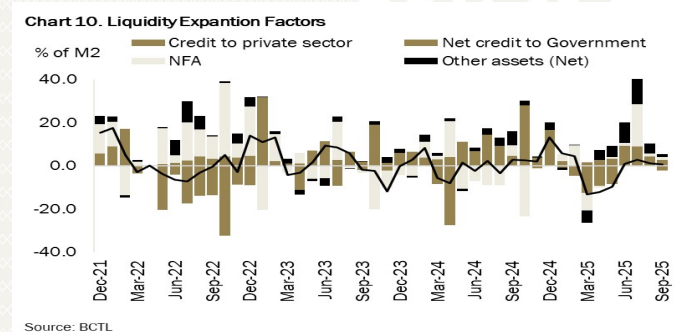
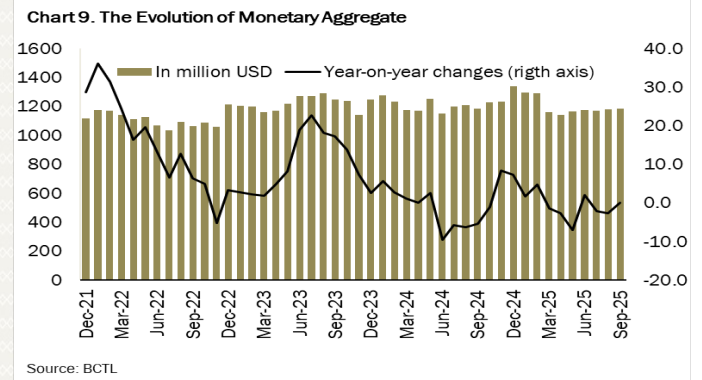
Monetary aggregate M2, the broadest measure of money supply in Timor-Leste, comprises narrow money (M1)—consisting of currency and demand deposits—and other deposits, including time and savings deposits. As of September 2025, M2 stood at approximately \$1,185 million, compared with \$1,176 million in June 2025 and \$1,184 million in September 2024, reflecting a year-on-year (YoY) increase of 0.1% and a quarterly rise of 0.8%.

The modest annual growth was primarily driven by net credit to the government, which contributed positively to M2 by 4.4%, despite the financial system not extending direct loans to the government. Growth was further supported by credit to the private sector, which continued its upward trend, in-



creasing 16% YoY and 4.4% quarter-on-quarter, reaching \$668 million in September 2025.

Among M2 components, transferable (demand) deposits remained a key driver of money supply trends. In September 2025, these deposits rose 3.2% YoY to \$552.8 million, up from \$535.6 million in September 2024, contributing 1.5% to overall M2 growth. In contrast, time and savings deposits (classified as other deposits) fell 1.7% YoY but increased 0.9% on a quarterly basis.



II.3. Net Foreign Assets

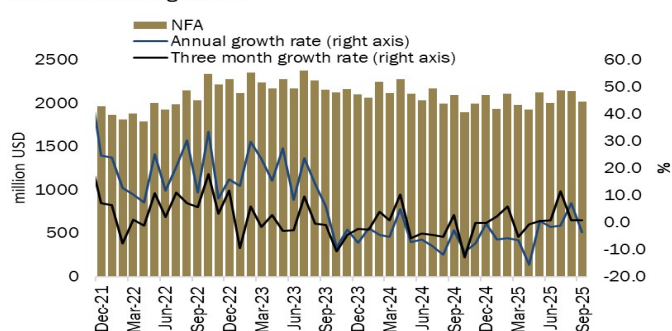
Net foreign assets (NFA) in the banking system increased slightly by 0.8% quarter-on-quarter, reaching \$2,016 million in September 2025, up from \$2,000 million in June 2025. The quarterly increase was primarily driven by higher claims on nonresidents, partially offset by a rise in liabilities to nonresidents. Claims on nonresidents grew by 2.5% over the quarter, from \$2,235 million to \$2,291 million, reflecting an expansion in foreign assets, including foreign reserves and external investments. Meanwhile, liabilities to nonresidents rose sharply by 16.6%, from \$235.61 million to \$274.72 million. Despite the increases in both claims and liabilities, the growth in claims (in absolute terms) outweighed the rise in liabilities, resulting in a net increase in NFA for the quarter.

On an annual basis, however, NFA declined by 3.7%, indicating that, despite the short-term improvement, the overall external position remains weaker than a year ago. This decline was driven by an 8.4% reduction in the NFA of other

depository corporations, which fell from \$1,430 million in September 2024 to \$1,310 million in September 2025. In contrast, the central bank's NFA rose by 6.5%, from \$663.2 million to \$706.4 million over the same period.

The decrease in other depository corporations' NFA was mainly due to a 7.4% reduction in claims on nonresidents, which fell to \$1,574 million in September 2025 from \$1,700 million a year earlier. This trend was largely caused by a sharp decline in other deposits and securities denominated in foreign currency held by nonresidents, which decreased by 24.4% and 22.7%, respectively.

Chart 11. Net Foreign Assets



Source: BCTL

II.4. Banking System Credit to the Economy

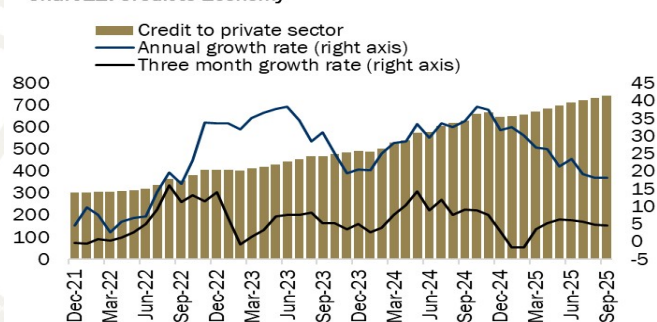
Annual credit growth continued to strengthen, driven mainly by higher demand from the private sector, individuals, and other groups. Credit to the private sector rose 16.3% year-on-year to \$668 million in the quarter ending September 2025, up from \$574.4 million a year earlier.

This growth was supported by improved business conditions, the recovery of economic activities, and the central bank's supportive macroprudential policies, including the loans-to-deposit ratio instruction, alongside favourable fiscal conditions.

Construction led the quarterly growth, surging 91.8% to \$162.2 million, followed by trade and finance (up 63.5% to \$119.6 million), transport and communication (15.6% to \$40 million), agriculture, water, and forestry (13.4%), and individuals and others (2.5%). Credit to industry and manufacturing, tourism and services, and agriculture declined by 68.5%, 61.1%, and 11.6% to \$10.5 million, \$14.3 million, and \$2.2 million, respectively.

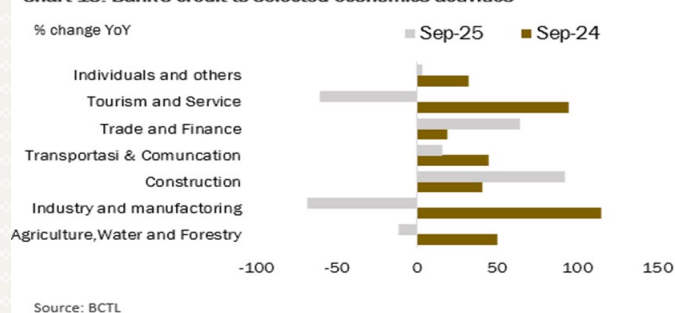
In terms of share of total credit, individuals and others accounted for 47.8%, followed by construction (24.3%), trade and finance (17.9%), transport and communication (6%), tourism and services (2.1%), industry and manufacturing (1.6%), and agriculture, water, and forestry (0.3%).

Chart 12. Credit to Economy



Source: BCTL

Chart 13. Bank's credit to selected economics activities



Source: BCTL

II.5. Commercial Banks Interest Rate

The average bank interest rate on loans to the private sector continued to decline in September 2025, falling by 0.21 percentage points to 10.37%, compared with 10.58% in the same month of 2024. Similarly, the weighted average interest rate on deposits offered by banks decreased slightly by 0.03 percentage points to 0.48%, down from 0.51% a year earlier (Table 1 and Chart 14). Despite these reductions, the interest rate spread remains relatively high, though it is gradually narrowing. As of September 2025, the bank interest rate spread stood at 9.9%, compared with 10.1% in the same month of the previous year.

Chart 14. TL: Commercial bank interest rate

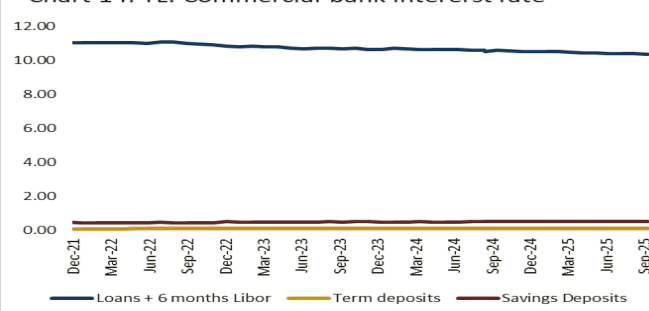


Table 1. Weighted Average Interest Rate of Commercial Banks (In percentage)

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	0.64	0.67	0.51	10.1
	Dec	10.50	0.11	0.52	0.53	0.57	0.63	0.66	0.50	10.0
2025	Mar	10.46	0.12	0.53	0.46	0.48	0.55	0.67	0.47	10.0
	Jun	10.40	0.11	0.54	0.43	0.46	0.53	0.68	0.46	9.9
	Sep	10.37	0.12	0.54	0.47	0.50	0.57	0.68	0.48	9.9

Source: BCTL

II.6. Development of Banks' Assets and Liabilities

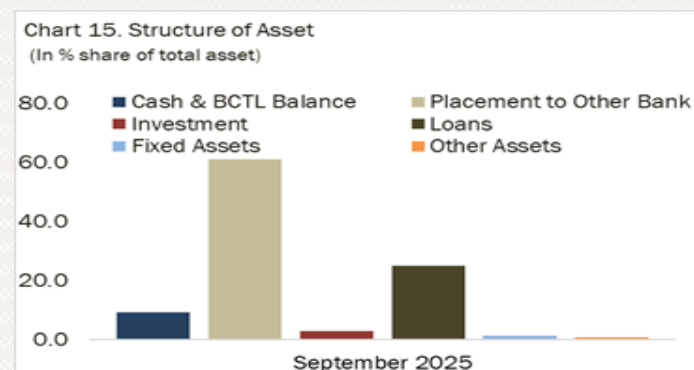
As of September 2025, total bank assets increased slightly by 0.3% year-on-year to \$2,598 million, up from \$2,590 million in September 2024. Growth was driven by cash and BCTL balances (19%), loans (14.6%), fixed assets (6.8%), and other assets (124.8%), while investments and placements to other banks declined by 22.7% and 7.2%, respectively.

Placements in foreign banks remained the largest component at 61.1%, followed by loans and advances (25%), cash and BCTL balances (9.1%), investments (2.9%), fixed assets (1.2%), and other assets (0.7%). Non-performing loans remained stable at 2.27%, compared with 2.29% a year earlier.

On the liabilities side, deposits accounted for 67.5% of total liabilities, remaining the main funding source. Total liabilities increased primarily due to a 38% rise in capital and a 3.4% increase in other sundry current liabilities, while debts to commercial banks, debts to the central bank, deposits, and other liabilities declined by 8.9%, 12.6%, 3.4%, and 57.7%, respectively.

Consolidated net income for the banking system fell 21% year-on-year to \$44.6 million, driven by an 11.6% decline in interest income and a slight 0.2% decrease in non-interest income, despite a 204.4% surge in extraordinary income. Total annual expenses rose 1.6%, led by increases in interest expenses (8.4%), non-interest expenses (26.3%), and income tax provisions (5.5%), while operating and extraordinary expenses fell by 3% and 1.9%, respectively.

Items	Nominal in Millions US Dollars			Change %		Weight % (Sep-25)
	Sep_24	Jun_25	Sep_25	Quarter	Annual	
Cash & BCTL Balance	180.5	247.3	237.4	-4.0	31.5	9.1
Placement to Other Bank	1709.7	1490.4	1587.0	6.5	-7.2	61.1
Investment	95.8	70.4	74.1	5.2	-22.7	2.9
Loans	566.0	618.3	648.7	4.9	14.6	25.0
Fixed Assets	30.4	33.7	32.5	-3.6	6.8	1.2
Other Assets	8.3	18.4	18.8	2.0	124.8	0.7
Total	2590.8	2478.5	2598.4	4.8	0.3	100



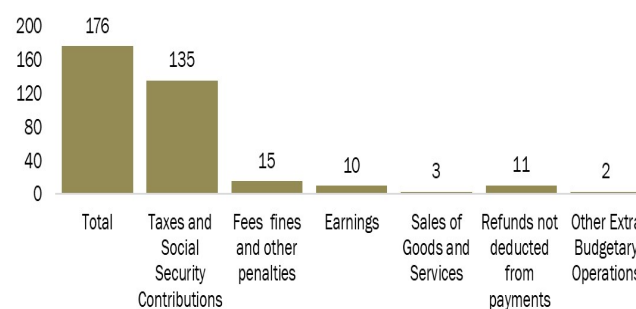
III. Public Finance

From January to September 2025, total domestic revenue amounted to \$175.8 million, while government expenditure reached \$1,161.9 billion, representing 44.4% of the execution rate (exclude obligations).

3.1. Revenue

The total revenue collection from January to September of 2025 amounted to \$175.8 million. This increase was mainly due to the tax which recorded the highest collection for the quarter, reaching \$135 million. This was followed by refunds not deducted from payments (\$10.6 million), fees fines and other penalties (\$15.2 million), other Extra Budgetary Operations (\$2.3 million), and sales of goods and services (\$2.9 million). The above revenue excluded transfers totalled \$554.4 million.

Chart 16. Government Revenue (Jan-September 2025)



3. 2. Expenditure

During the period January to September 2025, total expenditure amounted to \$1,161.9 billion, representing a 44.4% execution rate (exclude obligation), of which salary and wage expenditure was \$336.6 million, capital minor and capital development expenditure was \$5.8 million and \$117 million, goods and services \$174.3 million, and transfer \$528 million, with the execution rate of 67.1%, 19.2%, 26.5%, 44.1%, and 56%, respectively. In terms of share, transfer represents 45% of total expenditure in the period under review, while capital expenditure occupies only 10.1% of total expenditure.

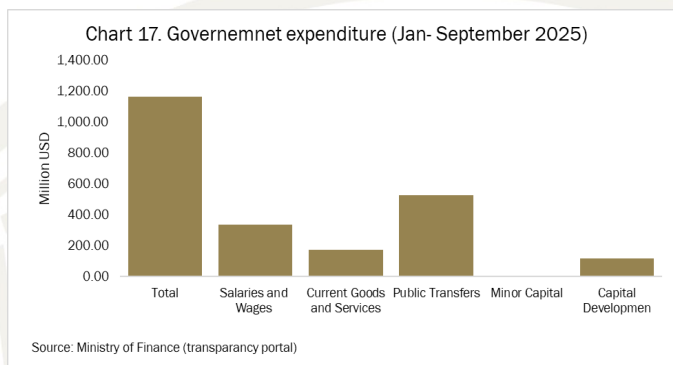


Table 3. product with the highest annual change (%)

Product classes	Sep-24	Jun-25	Sep-25
Rice	6.5	-2.4	-1.7
Vegetables	8.0	7.1	12.7
Meat	-0.2	-0.3	-0.3
Milk, cheese and eggs	0.6	-1.1	-4.0
Fruit	-5.1	-1.6	3.4
Sugar, jam, honey, chocolate an	-7.4	-9.6	-7.1
Mineral waters, soft drinks, frui	0.5	-1.4	2.4
Fish and seafood	-2.9	0.7	0.9
Oils and fats	-6.9	0.8	2.7
Alcohol	4.2	-2.8	-1.5
Tobacco	-6.1	-0.4	-4.0
Operation of personal transport	-1.6	-4.0	-2.1
Telecommunication equipment	-0.9	-0.9	-0.2
Total inflation	0.6	0.0	0.9

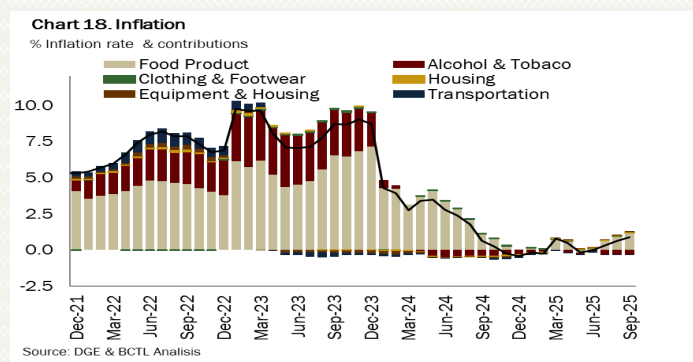
IV. Economic Development in Timor-Leste

IV.1. Inflation

The annual inflation rate increase slightly by 0.9% in September 2025, compared to 0.0% in the June quarter of 2025, and was higher than the 0.6% recorded in the same quarter of 2024. This increase was influenced mainly by changes in prices of food basket, which rose by 1.18%, while non-food inflation experienced a deflation of 0.24%,

In terms of annual change, food inflation increased by 2%, rising from 0.1% in the June quarter 2025, which is higher than 1.9% in the quarter ending September 2024. The increase in food prices was driven by increase in the price of vegetables (12.7%, up from 7.1%), fruits (3.4%, up from -1.6%), oils and fats(2.7%, up from 0.8%,bread and cereals (2.4%, up from-0.4%), mineral waters, soft drinks(2.4%, up from -1.4%). However, some food items experienced price decreases, including sugar, jam, honey, chocolate and confectionery(-7.1%, from -9.6%), milk, cheese and eggs(-4%, from -1.1%) , rice(-1.7%, from -2.4%) and meat (-0.3%, from -0.3%).

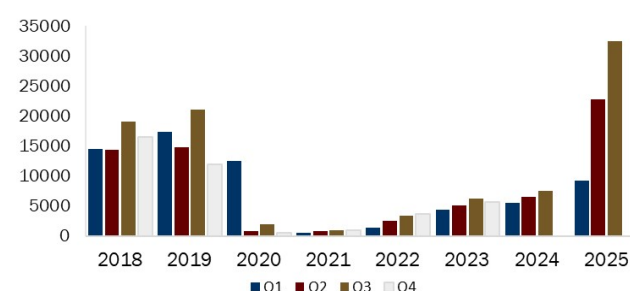
Similarly, non-food inflation was influenced by price increases in household furniture and textiles(2.2%, from 2.3%),water, electricity, gas and other fuels(1.6%, from 0.5%), goods and services for routine household maintenance(0.9%,from 0.6%) and garments for women(0.8%, from 1.1%).In contrast, prices of other non-food items declined, including alcohol (-1.5%, compared to -2.8%), tobacco (-4%, from -0.4%), operation of personal transport equipment (-2.1%, down from -4%), and telecommunication equipment and services (-0.2%, versus -0.9%), footwear and clothing accessories(-1%, down from 1%



IV.2. Tourism.

Tourism sector from September 2024 to September 2025 show an accelerating upward trend, indicating strong growth in tourism activity over the four observed periods. In September 2024, the figure stood at 7,478 arrival, which increased moderately to 9,272 arrival in March 2025 – representing a growth of around 24%. This initial rise suggests a gradual recovery in the tourism industry, possibly due to post-pandemic improvements, regional events, or the easing of travel restrictions. Furthermore in March and June 2025, when tourism numbers more than doubled, reaching 22,766 arrival(145%). The momentum continued into September 2025, when the figure peaked at 32,399 arrival, marking an increase of over 42% from the previous quarter and more than 333% compared to the same period in 2024. This figure under review is registered as higher number of arrivals for September 2025. The increase in Timor-Leste's tourism sector in September 2025 is largely attributed to the Timor-Leste Tourism Investment Forum held from September 25 to 27, 2025 arrival, in Dili. This event was a strategic platform aimed at promoting tourism as a key driver of economic diversification.

Chart 19. Number of Tourist Arrival

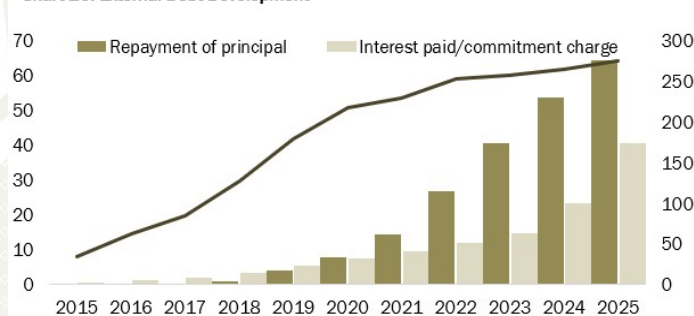


IV.3. External Debt Development

Total outstanding external debt increased by US\$9.8 million to US\$275.6 million in September quarter of 2025, representing 14.1% of projected non-oil GDP in 2025, com-

pared with \$265.8 million recorded in the corresponding quarter in 2024. There is significant proportion of this outstanding external debt that dominated by multilateral creditors, accounting for 65.2% of the total debt. This outstanding external debt already accounted for repayment of principal and interest paid (commitment charge) of \$64.5 million and \$40.7 million, respectively.

Chart 20. External Debt Development



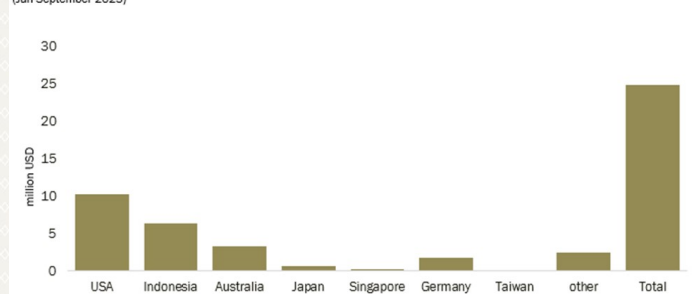
Source: Ministry of Finance and BCTL Analysis

IV.4. Export and import

From January to September 2025, exports of goods excluding oil reached \$24.8 million, marking a 112% increase compared to the same period in 2024. Coffee comprises over 90% of the country's total exports, making it the dominant export product. The main export destinations were the United States (41.3%), Indonesia (25.3%), and Australia (12.9%), followed by Germany (7.1%), Japan (2.3%), the People's Republic of China (2.3%), and New Zealand (1.4%).

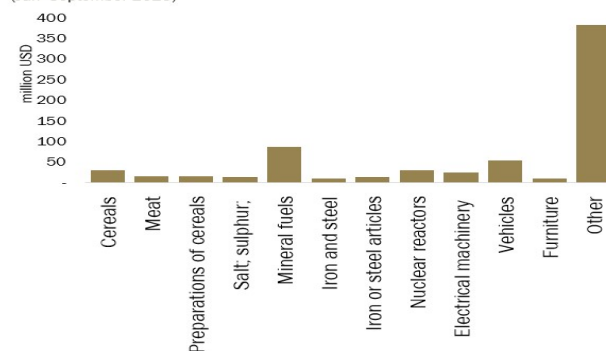
During the same period, imports rose by 5.8%, reaching \$684.9 million compared to \$649.3 million in January-September 2024. The largest share of imports consisted of consumer goods, including mineral fuels (12.7%), vehicles (7.9%), cereals (4.4%), nuclear reactors (4.3%), electrical equipment (3.6%), meat and meat products (2.2%), cereal preparations (2.1%), salt (2.0%), iron and steel articles (1.4%), and tobacco (2.5%).

Chart 21 total export by country of destination
(Jan-September 2025)



Source: INETL and BCTL analysis

Chart 22. Import of Goods by Major Categories
(Jan -September 2025)



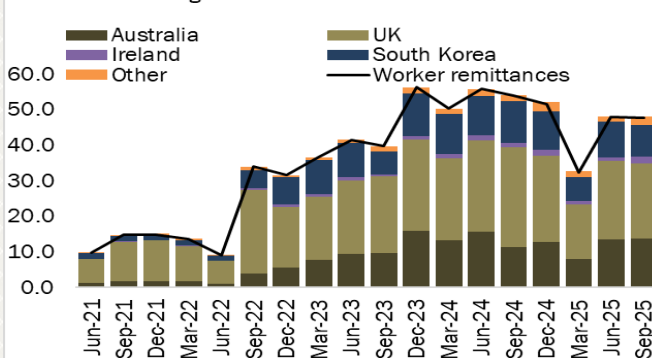
Source: INETL and BCTL Analysis

IV.5. Remittances

People who move to a different country to find work often send money back to their families. The movement of funds from the country of work back to a home country is known as remittances. In September 2025, worker remittances were \$47.7 million, which is lower than September 2024 (\$54 million), showing an annual decrease of about 11.7%. However, when compared to June 2025 (also \$48 million), remittances in September 2025 remained almost unchanged, with only a -0.6% quarterly basis. Overall, although remittances in September 2025 were still below the level of the previous year, they maintained a stable trend compared to the previous quarter, indicating that the sector was in a recovery and consolidation phase – no longer falling sharply but not yet back to 2024's higher levels. In terms of source countries, the largest remittance inflows to Timor-Leste in the September quarter of 2025 came from the United Kingdom, accounting for 21% of the total. Remittances from South Korea and Australia were 9.1% and 14%, respectively, with the remaining inflows originating from Ireland and others.

The UK's share of remittances has steadily decreased since September 2022, falling from its typical share of 70% to 54% in September 2023, and further to 52% in September 2025 and 44% in September 2025. In contrast, Australia's share has continued to rise, increasing from just 11% in September 2022 to 24% in September 2023, 21% in September 2024 and 29% in September 2025.

Chart 23. Incoming Remittance



Source: MTO and BCTL Analysis

Annex: Monetary and Balance of Payments Statistics

Table 3. Depository Corporation Survey Millions of US Dollars						
	Sep-24	Jun-25	Sep-25	% point cont. 1 Y ago	% change quarterly	Annually
Net Foreign Asset	2093.6	2000.1	2016.5	-3.7	0.8	-3.7
Claim on non-residents	2374.0	2235.7	2291.2	-4.0	2.5	-3.5
Liabilities to nonresidents	-280.4	-235.6	-274.7	0.3	16.6	-2.0
Domestic claims	-342.0	-132.2	-124.9	-63.5	-5.5	-63.5
Net claims on central government	-919.6	-845.7	-870.8	-14.3	3.0	-5.3
Claims on central government	0.0	0.0	0.0	0.0	-0.2	-30.7
Liabilities to central government	-919.6	-845.7	-870.8	-5.3	3.0	-5.3
Claims on other sectors	577.6	713.4	745.9	-18.3	4.5	29.1
Claims on private sector	577.6	713.4	745.9	-18.3	4.5	29.1
Broad money liabilities	1184.2	1175.6	1185.1	0.1	0.8	0.1
Currency outside depository corporations	32.4	34.7	36.3	0.3	4.6	12.1
Transferable deposits	535.6	556.0	552.8	1.5	-0.6	3.2
Other deposit	616.2	585.0	596.0	-1.7	1.9	-3.3
Securities other than shares	0.0	0.0	0.0	0.0		
Deposit excluded from broad money	36.9	25.9	33.2	28.1	28.1	-10.0
Loans	0.0	0.0	0.0			
Shares and other equity	439.4	562.2	586.3	4.3	4.3	33.4
Other items(net)	140.4	104.1	87.1	-16.4	-16.4	-38.0
Source: BCTL						

Table 4. TL: Balance of Payments Millions of US Dollars			
	Sep-24	Jun-25	Sep-25
I. Current Account*	(178.39)	(131.98)	(151.04)
A. Goods and Services*	(254.40)	(243.99)	(240.35)
1. Goods, fob*	(179.04)	(165.19)	(186.00)
Credit, fob*	43.25	21.53	35.62
Of which: Oil*	29.89	18.40	0.00
Debit, fob*	222.29	186.72	221.62
Of which: Oil	4.99	5.17	0.00
2. Services*	(75.36)	(78.80)	(54.35)
B. Primary Income*	46.42	84.03	53.09
1. Compensation of employees	(1.68)	(1.68)	(1.68)
Credit	2.00	2.00	2.00
Debit	3.68	3.68	3.68
2. Investment Income*	48.10	85.71	54.77
Credit*	138.95	154.54	149.55
Debit*	90.85	68.83	94.78
3. Other Primary Income (income from JPDA), Credit	0.00	0.00	0.00
C. Secondary Income*	29.59	27.98	36.18
Credit*	55.05	53.90	61.89
Debit*	25.46	25.93	25.71
II. Capital Account*	0.44	0.00	0.00
Gross Acquisitions - Credit	0.00	0.00	0.00
Capital Account - Credit*	0.44	0.00	0.00
III. Financial Account*	(163.98)	(137.71)	(278.14)
1. Direct Investment*	(62.10)	(51.04)	(69.84)
2. Portfolio Investment*	(187.37)	(116.65)	(204.58)
3. Other Investment*	164.10	6.38	3.91
4. Reserves Assets*	(78.61)	23.59	(7.62)
	0.00	0.00	0.00
IV. Errors and Omissions	13.98	(5.73)	(127.10)