

Economic Bulletin



A Quarterly Publication of the Central Bank of Timor-Leste

VOLUME 18

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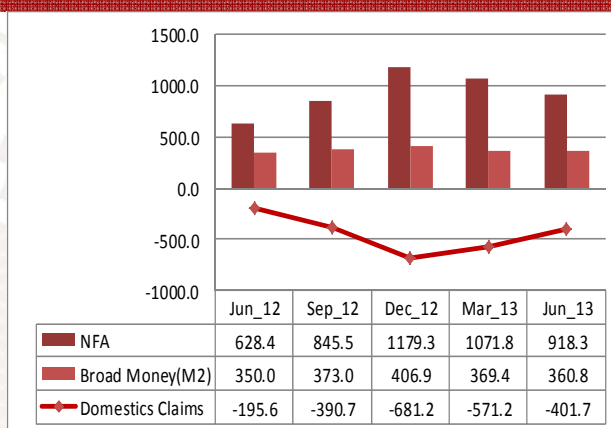
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1. MONEY SUPPLY

Broad money(M2), which consists of currency outside bank and customers deposit with the banking system, continues to decreased by US\$8.6 million (2.3%), from US\$369.4 million in March to US\$360.8 million in June 2013. The decrease in broad money M2 in the quarter under review was caused by decreased in both of quasi-money and narrow money by US\$6.1 million (3.3%) and US\$2.5 million (1.4%) respectively. (See table 3 on last pages and chart 1). On an annual basis, money supply increased by 8.6% in June quarter 2013, compare to a 19.8% in the same month of 2012).

Net foreign asset (NFA) position of a country is the value of the asset that country owns abroad, minus the value of the domestic assets that owned by foreigners. As can be see on chart 1, Total net foreign assets of depository corporations continues to decreased by US\$153.5 million(14.3%) in June quarter, compared to US\$107.4 million (9.1%) in the previous quarter. The decrease in total net foreign assets from March to June 2013 is attributed to a decrease of claims on non residents by US\$152.7 million (14%). While, liabilities to non residents increase by US\$0.8 million (4.9%).

Chart 1. Monetary Survey (in million)



Source: Central Bank

Domestic credit mostly comprises claims on central government (net) and claims on private sector. In the June quarter, total domestic claims decreased by 29.7%(169.4 million), compared to 16.1%(110 million) decrease in previous quarter, Responsible for this change was due to net claims on central government decrease by 22.5% (165.9 million). Actually, there is no credit from financial system to the government. The negative sign means that the amount is a government deposit (i.a depository corporation liabilities to the central government) or a decrease in Government deposits at the central bank due to increase in government expenditure. While, claims on the private sector continued to increase by 2.1% (3.5 million) in the quarter under reviews.

2. CREDIT TO PRIVATE SECTOR

The commercial bank played significant role in the institutional sources for priority of economic sector in Timor-Leste. Table 1 presents total bank credit and development of commercial bank credit to priority sector during the quarter. The outstanding commercial bank credit to the private sector grew by 2.3% in June quarter 2013 after increasing by 3.9% in previous quarter. While, on an annual basis, the rate of growth of commercial bank loans increase by 10.3% in the June, 2013, compared to 19.1% increase in the same month last year. The increased in March quarter to June was due to increase in agriculture by (2.3%), industry and manufacturing (24.6%), construction (7.2%), and tourism and services (21.4%), while, transportation and communicating and trade and finance decrease by 4.9% and 8.3% respectively.

Table 1 .Commercial Bank Credit to Private Sector (in thousand)

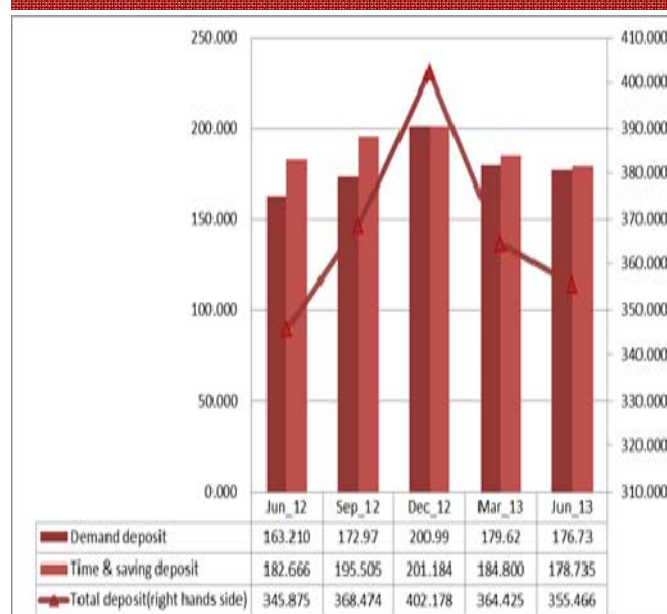
Items	Jun_12	Sep_12	Dec_12	Mar_13	Jun_13	% of change Quarterly
Agriculture,Water and Forestry	882	690	726	1,123	1,149	2.3
Industry and manufacturing	2,849	2,248	1,962	1,690	1,981	24.6
Construction	34,317	33,668	36,264	33,926	36,361	7.2
Transportation	17,319	16,436	16,607	14,646	13,637	-4.9
Trade and Finance	30,286	28,928	31,777	41,366	37,920	-8.3
Tourism and Service	6,343	3,616	6,732	6,160	7,466	21.4
Individuals and others	69,166	70,609	64,929	63,124	66,909	6.0
Total	150,161	155,787	155,797	161,824	165,623	2.3

Source: Central Bank

3. DEPOSITS WITH COMMERCIAL BANK S

Total deposit with commercial banks (excluding government deposits) continues to decreased by US\$9 million to US\$ 355.5 million in June quarter 2013, compared to US\$37.8 million decreased at previous quarter. The decrease in June quarter was due to dropped of demand deposits and time deposit and saving deposit by 1.6% and 3.3% respectively. On an the annual basis, total deposits continued to increase by 2.8% (US\$9.6 million) to US\$355.5 million in June, 2013. Compared to a 28.% (US\$75.8 million) increase in the same month last years. (see chart 2).

Chart 2. Commercial Bank Deposit (in thousand)

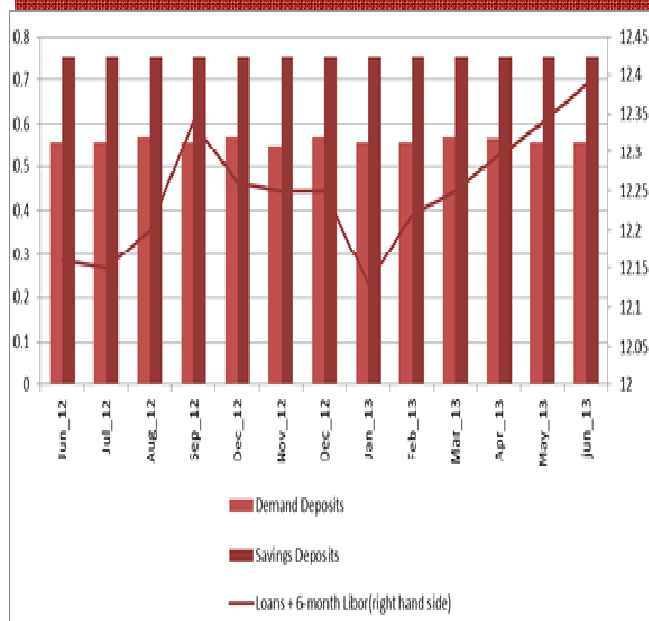


Source: Central Bank

4. DOMESTIC INTEREST RATE

The weighted average lending rates for commercial banks edged up by 0.23 basis points to 12.39% in June of 2013 from 12.16% in the same month last year. This increase was mainly attributed to a slight adjustment in the six month Libor fluctuation applied by commercial banks. While, demand deposits and saving deposits of weighted average interest rate remained constant with no significant changes at 0.6% and 0.8%. The spread between deposits and loans, as measured by the credit, increase by 0.2 basis point to 11.83% in June 2013, from 11.60% in the same month last year .

Chart.3. Commercial Bank Interest Rate (in percent)

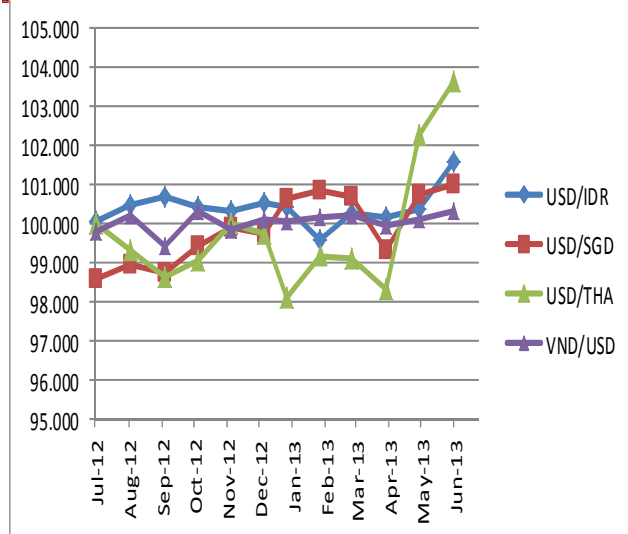


Source: Central Bank

5. EXCHANGE RATE

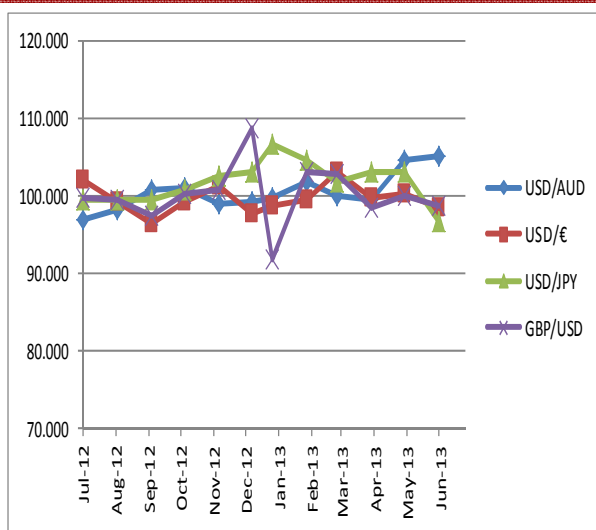
In the June quarter, the average US dollar exchange rate continued to appreciate against the Indonesia rupiah , Australian dollar, Japanese , Singapore, Thailand baht and Vietnam dong, while it depreciated against the Euro and British Pound. It appreciated against the Indonesia Rupiah by 2.3% to 9,914.45, Australian dollar by 9.3% to 1.0588, Japanese yen by 2.8% to 97.48 , Singapore dollar by 1.1% to 1.2601 and Thailand baht by 4.2% to 30.8060 and Vietnam dong by 0.4%. It depreciated against the Euro by 1.6% to 0.7579 and British Pound by 2.7% to 0.6455 (see chart 4,5 and table 4).

Chart 4. Asian Currencies Against the USD



Source: Bloomberg.com

Chart 5. G3 Currencies against USD



Source: Bloomberg.com

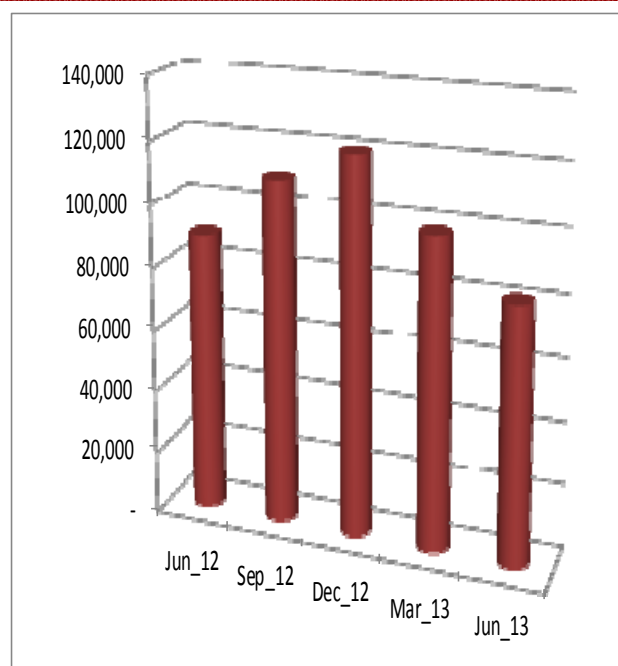
6. INTERBANK CLEARING

The Clearing House Interbank Payments System is a transferable system that can be used to conduct financial transactions between different banks. The central bank acts as the clearing house for these banks. Since all banks have their accounts with the central bank, the central bank can easily settle the claims of various banks against each other. Figure 6 shows the dollars value of checks and notes cleared at the central bank of Timor-Leste. Clearing transactions (in value terms) decline to minus 17.3% in June quarter 2013, from 18.3% in previous quarter. The decline in total value was due to the decrease in the value of note by 37.1%. While, value of check increase by 17.1% in the quarter under review.

7. PRICE EVOLUTION IN DILI

Timor-Leste consumer price index has been reviewed and re-weighted by National Statistics Department. All published indexes from January 2013 have been referenced to December 2012=100. The all group CPI rose 0.3% on a monthly basis. This increase was due to an increase in some prices especially clothing and footwear (0.7%), Food and non-alcoholic beverages (0.4%) and Transport (0.4%). "The yearly inflation between June 2012 and June 2013 has risen by 13.2% due to a 15.6% increase in food and non-alcoholic beverages specially driven by increases in most food components, in particular rice(6.9%), meat(18.4%) and vegetables(15,4%). while, communication decrease by 12.1% .

Chart 6. Clearing Banks (in thousand)



Source: Central Bank

Chart 7. Inflation rate (in percent)

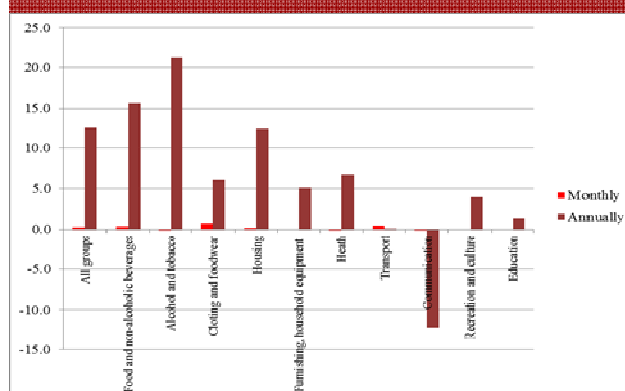


Table.2 Consumer Price Index and Inflation

Groups and Expenditure	CPI			% of Change	
	Jun_12	May_2013	Jun_13	Monthly	Annually
All groups	92.0	103.7	104.0	0.3	12.7
1. Food and non-alcoholic beverages	90.9	105.2	105.6	0.4	15.6
2. Alcohol and tobacco	89.2	108.2	108.1	-0.1	21.2
3. Clothing and footwear	94.3	99.8	100.5	0.7	6.1
4. Housing	91.6	103.0	103.2	0.2	12.5
b. Furnishing, household equipment and routine household maintenance	96.2	101.1	101.1	0.0	5.1
6. Health	93.6	100.0	99.9	-0.1	6.7
7. Transport	99.3	98.9	99.3	0.4	0.1
8. Communication	100	87.9	87.8	-0.1	-12.2
9. Recreation and culture	95.7	99.5	99.5	0.0	4.0
10. Education	98.6	100.0	100.0	0.0	1.4

Source : National Statistics Department

8. Balance of Payment

Balance of payments is one of the key economic statistical information that systematically summarizes economic transaction of Timor-Leste residents with the rest of the world. This article just pay attention in current account excluded primary income and financial account.

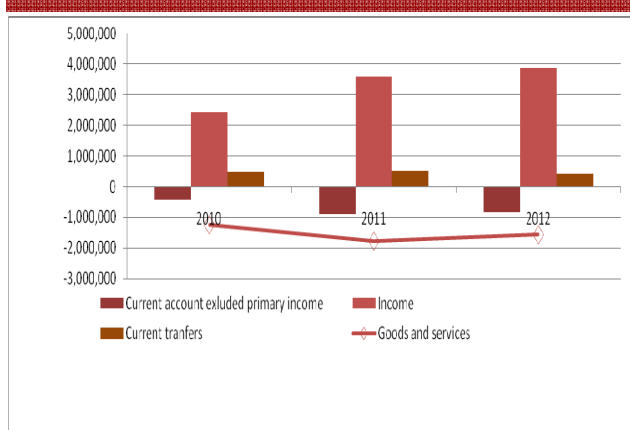
8. 1. Current Account

Current account is sum of the net export of goods and services, net income, and net current transfers. Current account excluded primary income narrowed deficit by 9% to 819.8 million in 2012, higher than 107% increase in 2011. This changed largely reflected lower deficit on trade in good and services. The deficit on trade in goods increased by 83.1% in 2012, compared to 25.7% in 2011. This change was reflecting corresponding increases in both exports and imports. While, the deficit on trade in services was reduced by 34.9% in 2012. Mostly higher payments on trade in commercial services and lower receipts on transportation services accounted for the changes. On the other side, income (excluded primary income) decreased by US\$23.071 million (2.8%) in the 2012 to US\$314.419 million. This mainly reflected decreased on compensation and investment income by US\$22.768 million(19%) and US\$302.422 million(0.14%) respectively. Current transfer decreased by US\$101.510 million (19%) in the quarter under review.

8. 2. Financial Account

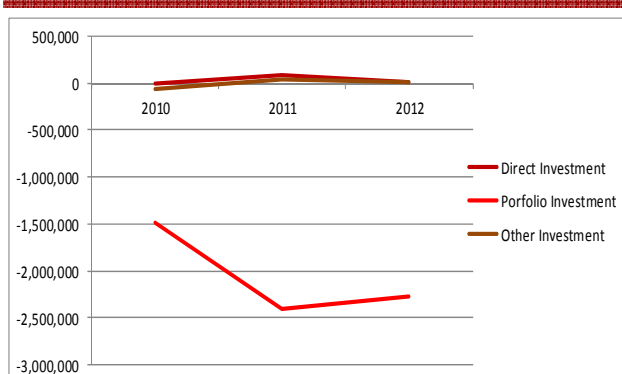
Financial account comprises transaction of asset and liabilities between the resident and nonresident. Direct investment and foreign portfolio both of supplied funds to Timor-Leste economy. Foreign direct investment decreased their asset in Timor-Leste by 61% to US\$18.216 million in 2012, compared to higher investment of 67% to US\$48.276 million in 2011. While, Portfolio investment income recorded a decrease of 5% to US\$2.275 billion in 2012, following an increase of 69% to US\$2.400 billion in the previous years. This decrease was due to decrease in both debt and equity securities .

Chart 8. Current Account Balance(in million)



Source : Central bank

Chart 9. Financial Account (in million)



Source : Central bank

Table 3. MONETARY SURVEY (In million USD)

Items	Mar_12	Jun_12	Sep_12	Dec_12	Mar_13	Jun_13
Net Foreign Asset	412.5	628.4	845.5	1179.3	1071.8	918.3
Claims on Nonresidents	529.9	745.1	897.5	1251.5	1089.0	936.3
Liabilities to Non residents	-117.4	-116.7	-52.0	-72.2	-17.2	-18.0
Domestic Claims	4.9	-195.6	-390.7	-681.2	-571.2	-401.7
Not Claims on Central Government	120.2	246.4	549.2	941.3	727.4	571.4
Claims on Private Sector	135.1	150.9	157.6	160.1	166.2	169.7
Broad Money(M2)	340.0	350.0	373.0	406.9	369.4	360.8
Narrow Money	185.1	187.4	177.5	205.8	194.6	182.1
Quasi Money	154.9	162.7	195.5	201.2	174.8	178.7

Source : Central Bank

Table 4. AVERAGE EXCHANGE RATE
(Jun 2012 -Jun 2013)

Month	USD/IDR	USD/AUD	USD/€	USD/JPY	USD/SGD	USD/THA	GBP/USD	VND/USD
Jun-12	9,438.60	1.0034	0.7976	79.31	1.2790	31.6460	0.6432	20,700.84
Jul-12	9,442.30	0.9717	0.8131	78.97	1.2611	31.6450	0.6409	20,661.80
Aug-12	9,489.71	0.9548	0.8072	78.63	1.2479	31.4310	0.6370	20,704.90
Sep-12	9,555.65	0.9628	0.7780	78.18	1.2324	30.9975	0.6212	20,590.07
Oct-12	9,597.82	0.9722	0.7715	78.89	1.2251	30.7041	0.6223	20,651.52
Nov-12	9,627.19	0.9620	0.7810	80.93	1.2238	30.7119	0.6272	20,624.48
Dec-12	9,679.38	0.9545	0.763059	83.54	1.2204	30.6400	0.6815	20,645.88
Jan-13	9,723.23	0.9526	0.7528	89.04	1.2280	30.0659	0.6262	20,653.38
Feb-13	9,682.80	0.9687	0.7483	93.10	1.2385	29.8193	0.6454	20,691.47
Mar-13	9,709.84	0.9688	0.7706	94.86	1.2470	29.5589	0.6636	20,737.71
Apr-13	9,723.43	0.9636	0.7681	97.84	1.2384	29.0600	0.6535	20,729.30
May-13	9,757.70	1.0076	0.7701	100.91	1.2475	29.7265	0.6534	20,752.93
Jun-13	9,914.45	1.0588	0.7579	97.48	1.2601	30.8080	0.6455	20,819.24

Source : Bloomberg.com



PRO FORMA BALANCE SHEET
As at 30 June 2013


DESCRIPTION	\$'000
ASSETS	
Cash and cash equivalents	185,755
Marketable Securities	399,908
Investments	24,44-
Property, plant and equipment	1,031
Other assets	4,814
TOTAL ASSETS	615,952
LIABILITIES	
Government deposits	526,597
Provision transfer of surplus to Government	-
Other deposits	58,917
Other liabilities	4,332
Currency issued	5,363
Total liabilities	595,209
EQUITY	
Capital	20,000
Reserves	434
Retained earnings	309
TOTAL EQUITY	20,743
TOTAL LIABILITIES & EQUITY	615,952

Notes:

1. At 30 June 2013 the balance of Petroleum Fund account managed by the BCTL was \$13,624 million. This is to recognise the reporting requirement under IFRS.

2. The Summary statements above are presented in accordance with article 58.6 of BCTL Law 2011/5 and have been prepared on an accrual basis from the financial records of BCTL as at 30 June 2013. These Financial Statements are unaudited.

Dili, 11 July 2013


Abraão de Vasconcelos
Governor


Fernando da Silva Carvalho
Chief Accountant

Table 6. TIMOR-LESTE BALANCE OF PAYMNT (In Thousands USD)

BALANCE OF PAYMENTS STATISTICS: TIMOR-LESTE				
In Thousand US Dollars				
		2010 ^{7R}	2011 ^{7R}	2012 ^{7P}
Current Account Exclude Other primary income		-434,107	-899,722	-819,835
I Current Account		1,676,083	2,340,369	2,739,286
A. Goods and Services		-1,238,397	-1,764,043	-1,559,575
1. Goods, fob		-277,479	-348,872	-638,869
Exports, fob		28,780	25,066	33,266
o/w record at DNE		27,072	23,433	30,793
Imports, fob		-306,259	-373,937	-672,135
o/w record at DNE		246,311	278,533	664,014
2. Services		-960,918	-1,415,171	-920,706
Exports		74,600	78,921	69,418
Transportation		785	753	770
Travel		30,701	24,449	21,174
Other services, including govt. services, n.i.e.		43,113	53,718	47,475
Imports		-1,035,518	-1,494,092	-990,124
Transportation		-41,886	-44,978	-75,765
Travel		-51,589	-48,542	-60,404
Other services, including govt services, n.i.e.		-942,042	-1,400,572	-853,955
B. Income		2,434,822	3,577,580	3,873,540
1. Compensation of employees		123,590	118,375	95,606
Credit		125,461	119,816	97,070
Debit		-1,871	-1,442	-1,464
2. Investment income		201,042	219,115	218,812
Credit		207,433	227,030	226,080
Debit		-6,392	-7,915	-7,267
3 Other primary income (income from JPDA), credit ^{1/}		2,110,190	3,240,091	3,559,121
C. Current transfers		479,658	526,831	425,321
Credit		581,162	630,148	530,889
Debit		-101,504	-103,317	-105,567
II Capital and Financial Account, excl. reserves		-1,504,534	-2,246,961	-2,303,535
A. Capital account		31,255	26,223	23,411
B. Financial account		-1,535,790	-2,273,184	-2,326,946
1. Direct investment		2,516	81,276	6,235
1.1 Timor-Leste's direct investment abroad		-26,000	33,000	-12,667
1.2 Non-residents' direct investment in Timor-Leste		28,516	48,276	18,901
2. Portfolio investment		-1,481,959	-2,400,656	-2,275,674
2.1 Assets ^{2/}		-1,508,959	-2,406,656	-2,281,674
2.2 Liabilities		27,000	6,000	6,000
3. Other investment		-56,347	46,196	-57,506
3.1 Assets ^{2/}		-60,574	-13,152	-65,805
3.2 Liabilities		4,227	59,348	8,299
II Total (I + II)		171,548	93,407	435,751
IV Errors and omissions		-15,273	-37,988	-13,816
(as % of total trade)		-4.56%	-9.52%	-2.0%
V Overall Balance (III + IV)		156,275	55,420	421,934
V: BOP Position ^{3/}		-156,275	-55,420	-421,934

Notes:

- This represents Timor-Leste's first set of official BOP statistics compiled by the Banking and Payments Authority, under a technical assistance program with the International Monetary Fund (IMF).
- Please refer to the attached metadata on concepts, and sources and methods used.
- Royalties and taxes received by Timor-Leste from the oil/gas activities in the Joint Petroleum Development Area (JPDA)-a joint territory of Timor-Leste and Australia-are treated as other primary income. Under this treatment, it is recognized that Timor-Leste's role in the JPDA is not as a producer but as owner of natural resources. Institutional units engaged in production in the JPDA are treated as nonresidents of the Timor-Leste economy, since they are effectively operated from the other economy. BCTL will adjust, in the medium term, the treatment as the export of Timor-Leste in line with the national account.
- Other primary income is not a standard component of the fifth edition of the Balance of Payments Manual (BPM5), but is included in the forthcoming BPM6. Other primary income in BOP includes rent (income for allowing nonresidents to use the economy's natural resources) and taxes, less subsidies, on production paid by nonresident producing units.