

Economic Bulletin



A Quarterly Publication of the Central Bank of Timor-Leste

VOLUME 15

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CONTENTS

Money supply	P.1
Credit by sector and deposit with commercial bank	P.2
Domestic interest rate and exchange rate	P.3
Clearing of banks and price evolution	P.4
Balance of payments	p.5
Appendix	p.6

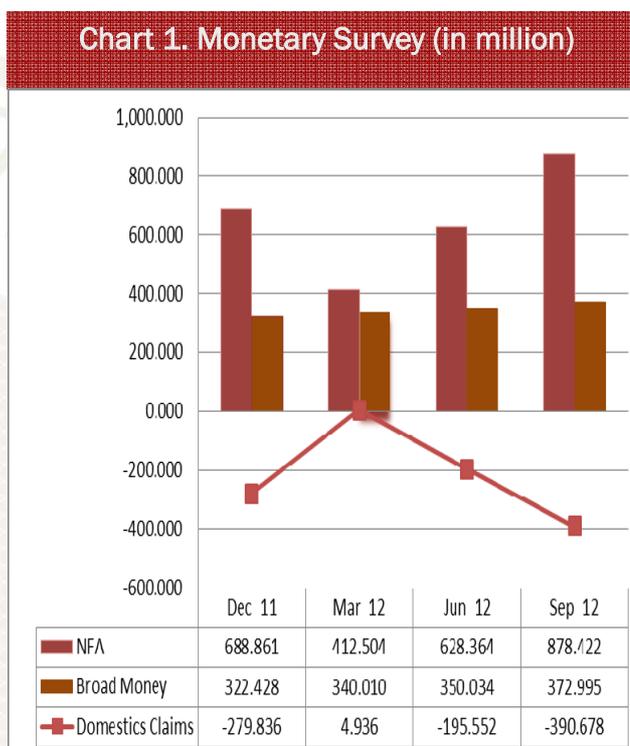
1. MONEY SUPPLY

Total broad money (M2) continued to increase, rising by US\$23 million (6.6%) to US\$372.995 million in September of 2012, compare to an increase of US\$10 million (2.9%) in the June quarter (See table 3 on last pages and chart 1). This increase in the quarterly growth rate of M2 is due to a rise in the growth rate of narrow money by 6% at the end of the September quarter, while quasi money increased by 7%. On an annual basis, money supply increased by 26.1% in September 2012 compared to a 24.2% increase in the same month of 2011.

Furthermore, net foreign assets of depository corporations increased by US\$250.058 million (39.8%) to US\$878.4 million in the September quarter, compare to US\$215.860 million (52.3%) increase in the June quarter. The increase in total net foreign assets from June to September 2012 is attributed to an increase of US\$152.5 million (20.5%) in claims on nonresidents. Liabilities to non-residents, however, decreased by US\$97.6 million (83.6%).

On the other hand, total domestic claims moved from minus US\$195.55 in June 2012 to minus US\$390.678 million in September quarter of 2012. Responsible for this change was primarily

Chart 1. Monetary Survey (in million)



Source: Central Bank

net claims on central government that moved from minus US\$346.404 million in June to minus US\$548.251 million in September quarter. The negative sign means that the amount is a government deposit (i.e. depository corporation liabilities to the central government) or an increase in Government deposits at the central bank. Claims on the private sector, on the other hand, continued to increase by US\$6.7 million (4.5%).

2. CREDIT TO PRIVATE SECTOR

Domestic credit of commercial banks to the various sectors of the economy during the September quarter 2012 slight increase, by 3.7% to US\$155.787 million, compared to a 12.7% is the changes (the increase) or stock in the previous quarter. While, on an annual basis, the rate of growth of commercial bank loans went up by 21.2% in the September quarter, compared to 23.1% increase in the September 2011. The increase in credit during the three months to June 2012 reflected large expansion in the level of economic activity in the economy. As shown in table 1, the highest proportion of total loans to the private sector are individuals and others (39.4%), followed by construction (21.6%),

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

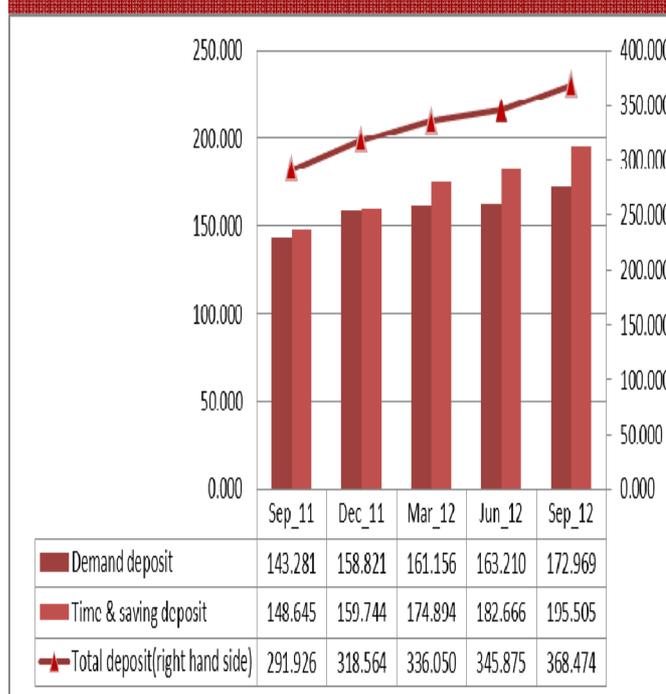
Items trade and finance (18.5).	Mar_12	Jun_12	Sep_12	% of share Jun_2012	% of share Sep_2012
Agriculture, water and forestry	947	882	590	0.6	0.4
Industry and manufacturing	2,398	2,849	2,248	1.9	1.4
Construction	32,324	34,317	33,658	22.9	21.6
Transportation & communication	287	17,319	16,438	11.5	10.6
Trade and finance	33,634	30,285	28,828	20.2	18.5
Tourism and service	6,657	5,343	3,516	3.6	2.3
Individuals and others	57,027	59,166	70,509	39.4	45.3
Total	133,274	150,161	155,787	100	100

Source: Central Bank

3. DEPOSITS WITH COMMERCIAL BANK S

In the September quarter total deposits with commercial banks (excluding government deposits) continued to increase, rising by US\$22.6 million (6.5%) to US\$ 386.474 million, compared to 2.9%(9.8 million) increase in previous quarter. On the annual basis, total deposits continued to increase, rising by 26.2% to US\$368.474 million, compared to a 24.2% increase in the same month last year. (see chart 2). The increase in total deposits in the three months to September 2012 was due to an increase in deposits of the private sector, demand deposits up by 6%, while time deposits and saving deposit increased by 7% in the quarter under review.

Chart 2. Commercial Bank Deposit (in thousand)

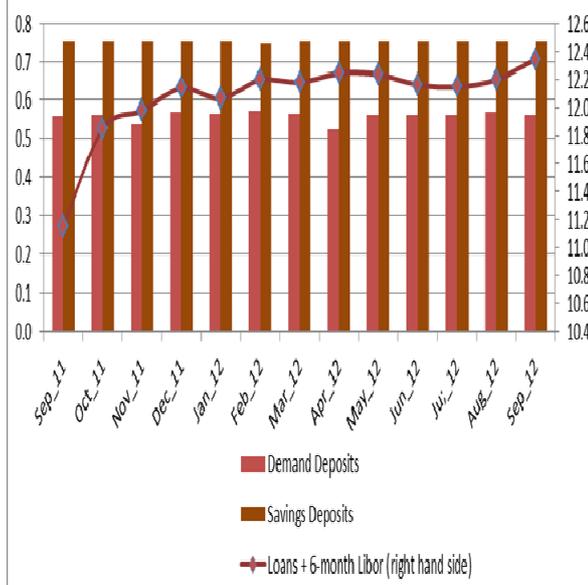


Source: Central Bank

4. DOMESTIC INTEREST RATE

The weighted average lending rates for commercial banks edged up by 1.12 basis points to 12.34% in September of 2012 from 11.15 % 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% . Despite earning a low interest rate, total deposits continued to increase by 26.2% in September quarter of 2012, compared to September last year.

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

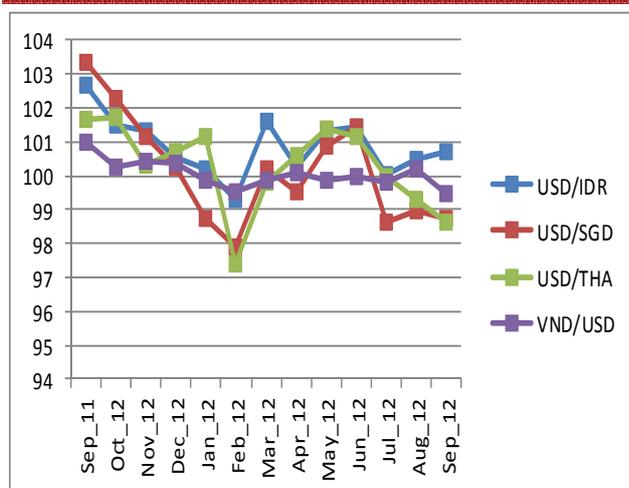


Source: Central Bank

5. EXCHANGE RATE

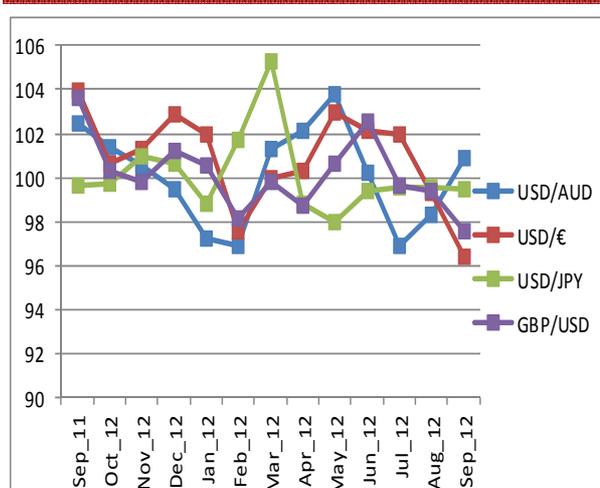
In the September quarter , the average US dollar exchange rate continued to appreciate against the Indonesia rupiah , while it depreciated against the Australian dollar, Euro , Singapore dollar , Thailand baht, Vietnam dong , British Pound and Japanese yen. It appreciated against the Indonesia Rupiah by 1.24% to 9,555.65, . It depreciated against the Australian dollar by 4.05% to 0.9628, Euro by 2.46% to 0.778, Singapore dollar by 3.64% to 1.2324, Thailand baht by 2.05% to 30.9975, Vietnam dong by 0.53% to 20,590.07.% and British Pound by 3.42%.to 0.6212 and Japanese yen by 1.42% to 78.18 (see chart 4,5 and table 4).

Chart 4. Asian Currencies Against the USD



Source: Bloomberg.com

Chart 5. G3 Currencies against USD

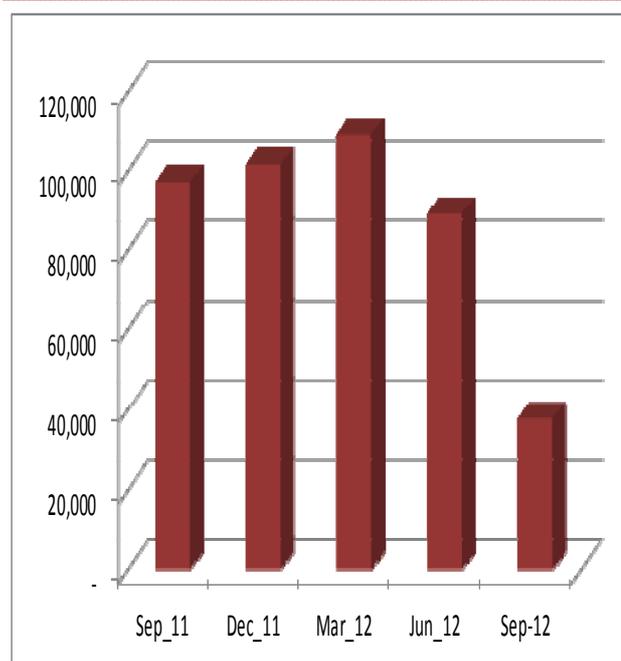


Source: Bloomberg.com

6. CLEARING OF BANKS

A clearing bank is a banking institution that is a member of a national check clearing network that has the ability to improve or clear checks for payment. 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) continued to decline to minus 57.7% in September quarter 2012, from 18.1% in previous quarter 2012. The decline in total value was due to the decrease in the value of cheque and value of notes by 67.1% and 69.2% respectively.

Chart 6. Clearing Banks (in thousand)



Source: Central Bank

7. PRICE EVOLUTION IN DILI

The Consumer Price Index (CPI) as published by the National Department of Statistics of Timor-Leste shows that consumer prices increase 1.7% in the third quarter of 2012 compared to 1.3% in the previous quarter.

The increase was due to price rise in several groups like nuts (6.4%), house building cost (4.5%), cereal, roods and their products (3.9%) and vegetables (3.7%),

The annual headline inflation rate was 11.4% in September quarter of 2012, higher than 11.3% in the June of 2012. The increase in annual inflation was attributed to the higher price of fresh fish (10.3%), vegetable (14.3), nuts (19.0) fruits (17.4), house building cost (11.6) and transportation (11.6).

Chart 7. Inflation rate (in percent)

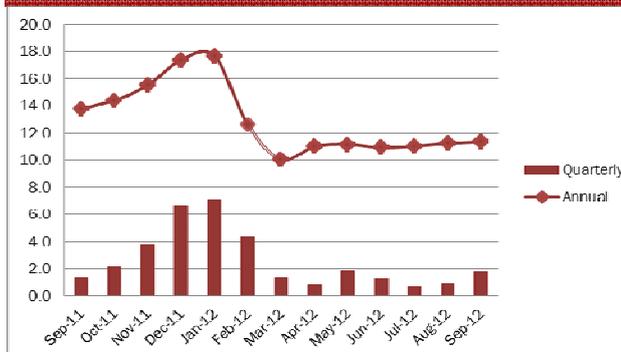


Table.2 Consumer Price Index and Inflation

Items	CPI	CPI	CPI	Inflation quarterly	Inflation Y-on-Y
	Sep 2011	Jun 2012	Sep 2012		
All Groups	179.3	196.3	199.7	1.7	11.4
Foods	188.6	207.5	211.8	2.1	12.3
Alcohol and Tobacco	156.6	175.1	177.8	1.4	13.4
Clothing and Footwear	240.2	274.8	274.2	-0.2	14.2
Housing	175.3	186.4	192.2	3.1	9.6
Household Furnishings	108.8	111.9	112.7	0.7	3.6
Health	164.8	168.7	169.4	0.4	2.8
Recreation and Education	115.2	120.2	121	0.7	5.0
Transportation and Communications.	159.9	182.3	195.5	1.8	16.0

Source : National Statistics Department

8. Balance of Payment of Timor-Leste

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. In the 2011, balance of payment of Timor-Leste showed an overall surplus of 55,420 million, compared to a higher surplus of 156.275 million in 2010. This was due to a surplus in the current account, which more than offset a deficit in financial and capital account.

8. 1. Current Account

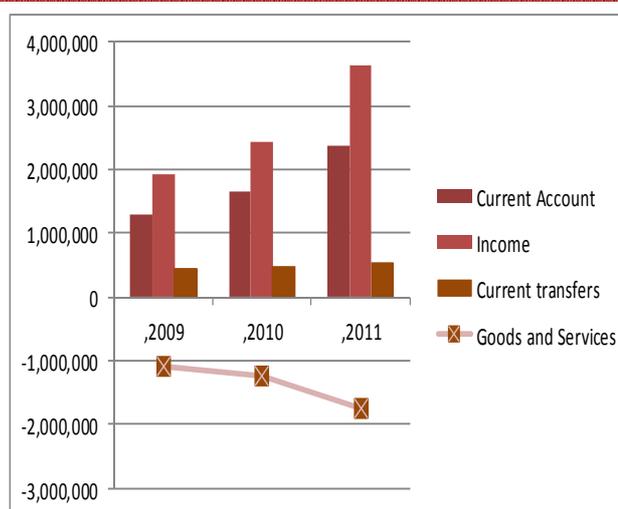
Current account is sum of the net export of goods and services, net income, and net current transfers. Looking at the chart 8 and table 6, current account continued to surplus by 55.2% of GDP at the current market prices in 2011, higher than 52.1% of GDP in 2010. This was due to the increase in income investment (mostly from other primary income) and current transfers receives from abroad. However, the good and services remain deficit by 40.9% of GDP in 2011, compare to 39.1% in 2010. This attributed by the low level of export and increase in services spending on imported goods of transportation, travel and government services.

8. 2. Financial and Capital Account

Financial and capital account increase in asset by 53% of GDP in 2011, compare to 47 % in 2010. The increase in the capital and financial accounts was due

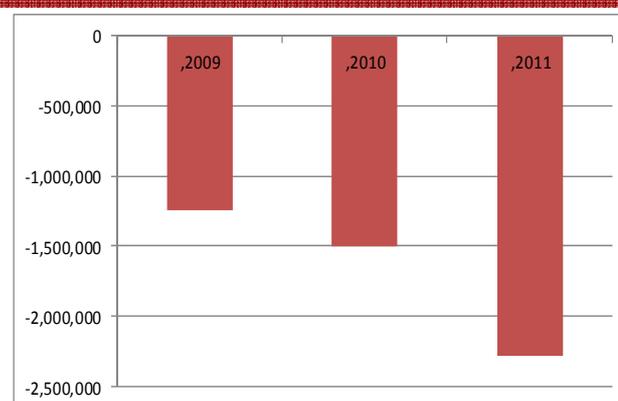
to net outflows of Timor-Leste investment mostly in the terms of portfolio investment to foreign countries. The negative capital account and financial account means that the buying of foreign assets by domestic agents (including the Petroleum Fund) was higher than foreign buying from Timor-Leste. This could become a reason, how, to create more condition to encourage foreign investor to invest more in Timor-Leste. (see chart 9 and table 6 on the last pages).

Chart 8. Current Account Balance(in thousand)



Source: Central Bank

Chart 9. Financial and Capital Account (in million)



Source : Central Bank

Table 3. MONETARY SURVEY (In million USD)

Items	Sep_11	Dec_11	Mar_12	Jun_12	Sep_12
NFA	450.253	688.861	412.504	628.364	878.422
Claims on Nonresidents	586.765	756.454	529.857	745.059	897.524
Liabilities to Nonresidents	136.512	67.594	117.353	116.695	19.102
Domestic Claims	-67.437	-279.836	4.936	-195.552	-390.678
Net Claims on Central Governments	-199.231	-412.619	-130.184	-346.404	-548.251
Claims on Private Sector	131.794	132.783	135.094	150.852	157.572
Broad Money (M2)	295.722	322.428	340.01	350.034	372.995
Narrow Money	147.078	162.684	165.116	167.369	177.49
Quasi Money	148.645	159.744	174.894	182.666	195.505

Source : Central Bank

Table 4. AVERAGE EXCHANGE RATE
(Sep 2011 -Sep 2012)

Month	USD/IDR	USD/AUD	USD/€	USD/JPY	USD/SGD	USD/THA	GBP/USD	VND/USD
Sep_11	8,763.84	0.9771	0.7257	76.85	1.2501	30.3679	0.6334	20,663.57
Oct_11	8,892.99	0.9902	0.7303	76.64	1.2787	30.8914	0.6353	20,716.12
Nov_11	9,011.50	0.9956	0.7395	77.38	1.2931	30.9825	0.634	20,798.45
Dec_11	9,061.12	0.9899	0.7605	77.89	1.2964	31.1992	0.6415	20,871.80
Jan_12	9,076.63	0.9625	0.7756	76.97	1.2804	31.562	0.645	20,839.66
Feb_12	9,015.66	0.9326	0.7563	78.3	1.2537	30.7363	0.633	20,742.27
Mar_12	9,159.24	0.9447	0.7563	82.42	1.2563	30.6817	0.6316	20,708.61
Apr_12	9,180.19	0.965	0.7583	81.43	1.2504	30.87	0.6235	20,724.57
May_12	9,302.89	1.0016	0.7809	79.79	1.2611	31.2932	0.6274	20,701.47
Jun_12	9,438.60	1.0034	0.7976	79.31	1.279	31.646	0.6432	20,700.64
Jul_12	9,442.30	0.9717	0.8131	78.97	1.2611	31.645	0.6409	20,661.80
Aug_12	9,489.71	0.9548	0.8072	78.63	1.2479	31.431	0.637	20,704.90
Sep_12	9,555.65	0.9628	0.778	78.18	1.2324	30.9975	0.6212	20,590.07

Source : Bloomberg.com



BALANCE SHEET
As at 30 June 2012

DESCRIPTION	\$'000
ASSETS	
Cash and cash equivalents	183,266
Marketable Securities	201,900
Investments	24,579
Property, plant and equipment	763
Other assets	2,286
TOTAL ASSETS	412,794
LIABILITIES	
Government deposits	332,260
Provision transfer of surplus to Government	-
Other deposits	48,250
Other liabilities	7,510
Currency issued	4,204
Total liabilities	392,224
EQUITY	
Capital	20,000
Reserves	457
Retained earnings	113
TOTAL EQUITY	20,570
TOTAL LIABILITIES & EQUITY	412,794

Notes:
1. At 30 June 2012 the balance of Petroleum Fund account managed by the BCTL was \$10.601 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 2012. These Financial Statements are unaudited.

Dili, 11 July 2012

Abraão de Vasconcelos
Governor

Fernando da Silva Carvalho
Chief Accountant

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

	2009 ^{/R}	2010 ^{/R}	2011 ^{/P}
Current Account Exclude Other property income	-374,940	-443,122	-866,161
I Current Account	1,285,248	1,667,068	2,383,940
A. Goods and Services	-1,098,700	-1,250,933	-1,764,130
1. Goods, fob	-322,747	-268,993	-343,972
Exports, fob	14,565	28,780	34,050
Imports, fob	-337,313	-317,773	-378,022
2. Services	-775,953	-961,940	-1,420,158
Exports	51,555	69,568	65,453
Transportation	501	785	763
Travel	16,460	25,670	21,054
Other services, including govt. services, n.i.e.	34,593	43,113	43,646
Imports	-827,507	-1,031,508	-1,485,611
Transportation	-36,968	-38,879	-39,991
Travel	-56,124	-61,569	-48,532
Other services, including govt. services, n.i.e.	-732,415	-941,040	-1,397,089
B. Income	1,933,175	2,438,344	3,621,239
1. Compensation of employees	105,395	123,590	118,381
Credit	106,861	125,461	119,816
Debit	-1,466	-1,871	-1,436
2. Investment income	167,592	204,563	262,767
Credit	183,746	210,955	270,963
Debit	-16,155	-6,392	-8,185
3. Other primary income (income from JPDA), credit ^{2/}	1,660,188	2,110,190	3,240,091
C. Current transfers	450,774	479,658	526,831
Credit	534,858	581,162	630,148
Debit	-84,085	-101,504	-103,317
II Capital and Financial Account, excl. reserves	-1,245,273	-1,505,534	-2,267,660
A. Capital account	27,334	31,255	26,223
B. Financial account	-1,272,607	-1,536,790	-2,313,909
1. Direct Investment	49,931	28,516	47,075
1.1 Timor-Leste's direct investment abroad	0	0	0
1.2 Non-residents' direct investment in Timor-Leste	49,931	28,516	47,075
2. Portfolio investment	-1,325,146	-1,508,959	-2,406,656
2.1 Assets ^{2/}	-1,325,146	-1,508,959	-2,406,656
2.2 Liabilities	0	0	0
3. Other investment	2,608	-56,347	45,672
3.1 Assets ^{2/}	8,382	-60,574	-13,152
3.2 Liabilities	-5,775	4,227	58,824
III Total (I + II)	39,975	161,534	96,264
IV Errors and omissions	-479	-5,259	-40,834
(as % of total trade)	-0.14%	-1.52%	-9.9%
V Overall Balance (III + IV)	39,496	156,275	55,420
VI BOP Position ^{3/}	-39,496	-156,275	-55,420

Notes:

- a. 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).
- b. Please refer to the attached metadata on concepts, and sources and methods used.
- c. 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.
- d. 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.