

# Economic Bulletin



A Quarterly Publication of the Central Bank of Timor-Leste

## VOLUME 14

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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 |
| Appendix  | p.5 |

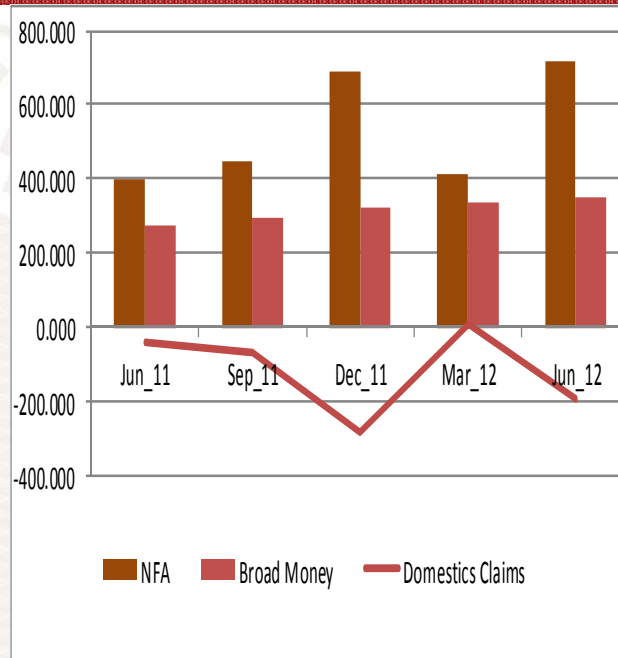
## 1. MONEY SUPPLY

Total broad money (M2) continued to increase, rising by US\$ 10 million (2.9%) in the June, compared to an increase of US\$17.5 million (5.5%) in the March 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 1.4% at the end of the June quarter, while quasi money increased by 4.4%. On an annual basis, money supply increased by 27.8% in June 2012 compared to a 12.1% increase in the same month of 2011 .

Furthermore, net foreign assets of depository corporations increased by US\$307.6 million (74.6%) in the June quarter, compared to US\$276.36 million (40.12%) decrease in the March Quarter. The increase in total net foreign assets from March to June 2012 is attributed to an increase of US\$215.2 million (40.6%) in claims on nonresidents. Liabilities to nonresidents, however, decreased by US\$92.4 million (78.8%).

On the other hand, total domestic claims moved from US\$4.94 million in March 2012 to minus US\$195.55 million in June 2012. Responsible for this change was primarily net claims on central government that moved from minus

Chart 1. Monetary Survey (In million)



Source: Central Bank

US\$130.184 million in March to minus US\$346.654 million in June. 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, increased by US\$15.8 million (11.7%).

## 2. CREDIT TO PRIVATE SECTOR

Domestic credit of commercial banks to the various sectors of the economy during the June quarter 2012 continued to increase, by 12.7% to US\$150.161 million, compared to a 1.4% (US\$133.274 million) increase in the previous quarter. While, on an annual basis, the rate of growth of commercial bank loans went up by 19.1% in the June quarter a 17.4% increase from June 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 (22.9%), trade and finance (20.2%).

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

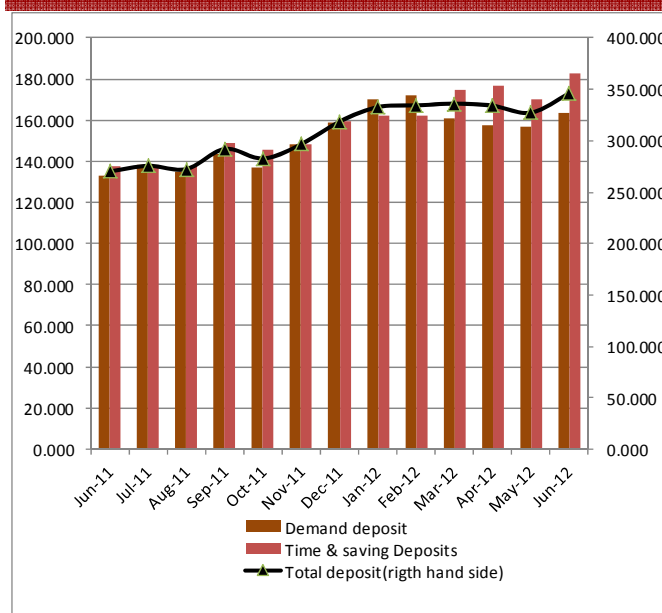
| Items                           | Dec_11         | Mar_12         | Jun_12         | % of share<br>Mar_2012 | % of share<br>Jun_2012 |
|---------------------------------|----------------|----------------|----------------|------------------------|------------------------|
| Agriculture, water and forestry | 482            | 947            | 882            | 0.7                    | 0.6                    |
| Industry and manufacturing      | 6,306          | 2,398          | 2,849          | 1.8                    | 1.9                    |
| Construction                    | 36,345         | 32,324         | 34,317         | 24.3                   | 22.9                   |
| Transportation & communication  | 159            | 287            | 17,319         | 0.2                    | 11.5                   |
| Trade and finance               | 28,866         | 33,634         | 30,285         | 25.2                   | 20.2                   |
| Tourism and service             | 4,005          | 6,657          | 5,343          | 5.0                    | 3.6                    |
| Individuals and others          | 55,224         | 57,027         | 59,166         | 42.8                   | 39.4                   |
| <b>Total</b>                    | <b>131,387</b> | <b>133,274</b> | <b>150,161</b> | <b>100</b>             | <b>100</b>             |

Source: Central Bank

## 3. DEPOSITS WITH COMMERCIAL BANK S

In the June quarter total deposits with commercial banks (excluding government deposits) continued to increase, rising by 2.9% (9.8 million) to US\$345.875 million, compared to 5.5% (US\$17.5 million) to US\$ 336.050 million in previous quarter. On an the annual basis, total deposits continued to increase by 28% to US\$345.875 million, compared to a 12% increase in the same month last year. (see chart 2). The increase in total deposits in the three months to June 2012 was due to an increase in deposits of the private sector, demand deposits up by 1.3%, while time deposits and saving deposit increased by 4.4% in the quarter.

**Chart 2. Commercial Bank Deposit (in thousand)**

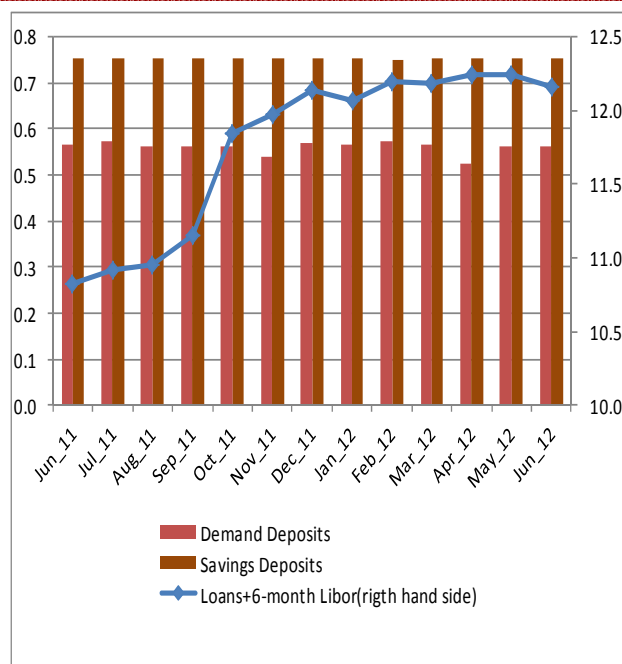


Source: Central Bank

#### 4. DOMESTIC INTEREST RATE

The weighted average lending rates for commercial banks edged up by 1.12 basis points to 12.16% in June of 2012 from 10.92 % 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 28% in June quarter of 2012, compared to June last year.

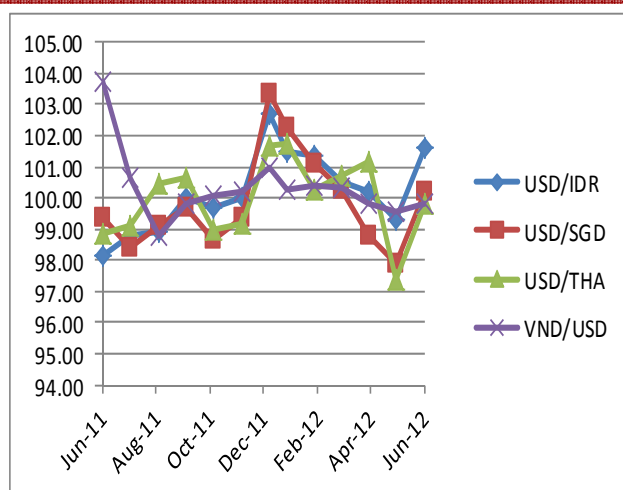
Chart.3. Commercial Bank Interest Rate (in percent)



#### 5. EXCHANGE RATE

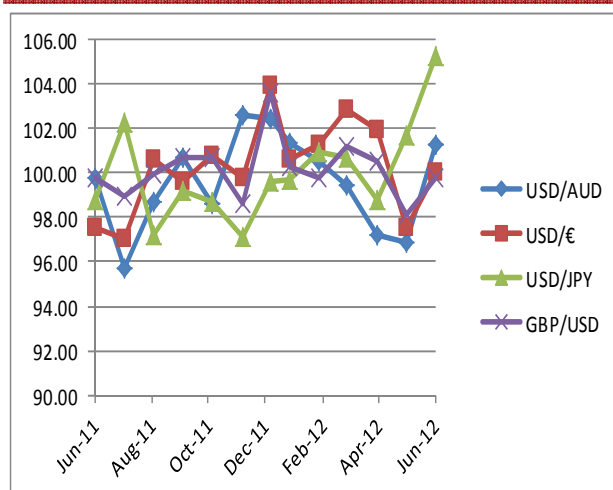
In the June quarter, the average US dollar exchange rate continued to appreciate against the Indonesia Rupiah , Australian dollar, Euro , Singapore dollar , Thailand baht, Vietnam dong and British Pound , while it depreciated against the Japanese yen. It appreciated against the Indonesia Rupiah by 3% to 9,438.60, Australian dollar by 6.2% to 1.0034, Euro by 5.5%, Singapore dollar by 1.8%, Thailand baht by 3.1%, Vietnam dong by 3.5% and British Pound by 1.8%. It depreciated against the Japanese yen by 3.8%(see chart 4,5 and table 4 on the last page).

Chart 4. Asian Currencies Against the USD



Source: Bloomberg.com

Chart 5. G3 Currencies against USD

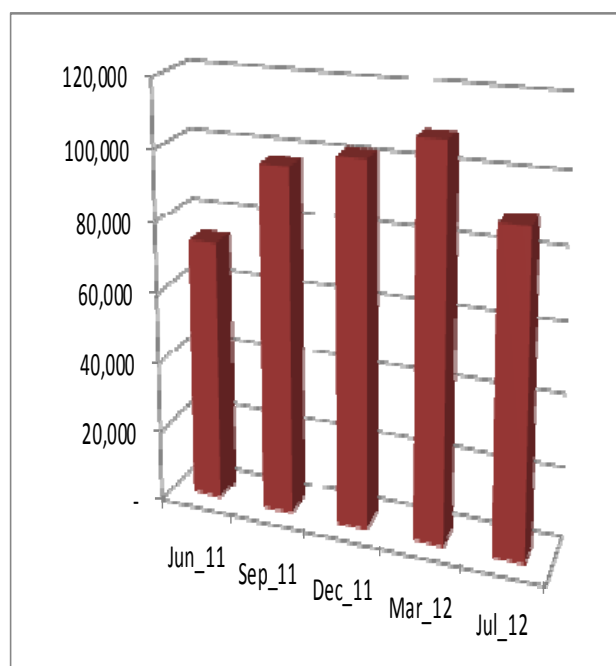


Source: Bloomberg.com

## 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) declined to minus 18% in June quarter 2012, from 7% in previous quarter 2012. The decline in total value was due to the decrease in the value of cheque and value of notes by 8.5% and 4.0 respectively.

Chart 6. Clearing Banks (in thousand)



Source: Central Bank

## 7. PRICE EVOLUTION IN DILI

Quarterly headline inflation, as measured by the consumer price index, was 1.3% in the June quarter of 2012, compared to 1.4% in the March quarter. The decrease was due to price falls in several groups like preserved fish (-0.6%), vegetables(0.9%), men's clothing (0.4%), women's clothing (0.0%), house building costs(-2.0%), household fuel and utilities (1.1%) and education (0.7%).

The annual headline inflation rate was 11% in June quarter of 2012, higher than 10.1% in the March of 2012. The increase in annual inflation was attributed to the higher of prices of foods especially in cereals, roots and their products (33.4%), fresh fish (6.5%), nuts (12.3%), tobacco (13.9), education (5.0%) and transport (17.9%).

Chart 7. Inflation rate (in percent)

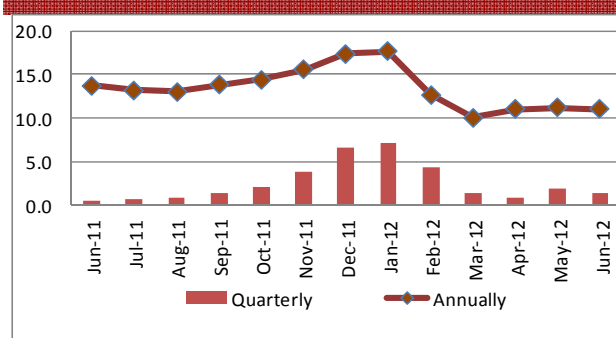


Table.2 Consumer Price Index and Inflation

| Items                    | CPI      | CPI      | CPI      | Inflation quarterly | Inflation Y-on-Y |
|--------------------------|----------|----------|----------|---------------------|------------------|
|                          | Jun 2011 | Mar 2011 | Jun 2012 |                     |                  |
| All Groups               | 176.9    | 193.8    | 196.3    | 1.3                 | 11.0             |
| Foods                    | 185.8    | 204.6    | 207.5    | 1.4                 | 11.4             |
| Alcohol and Tobacco      | 153.6    | 173.5    | 175.1    | 0.9                 | 14.0             |
| Clothing and Footwear    | 236.4    | 269.7    | 274.8    | 1.9                 | 16.2             |
| Housing                  | 173.4    | 188.3    | 186.4    | -1.0                | 7.5              |
| Household Furnishings    | 108.0    | 111.2    | 111.9    | 0.6                 | 3.6              |
| Health                   | 165.1    | 167.0    | 168.7    | 1.0                 | 2.2              |
| Recreation and Education | 115.5    | 119.8    | 120.2    | 0.3                 | 4.1              |
| Transport and Com.       | 158.2    | 170.6    | 182.3    | 6.9                 | 17.9             |

Source : National Statistics Department

Table 3. MONETARY SURVEY (In million USD)

| Items                            | Jun_11        | Sep_11        | Dec_11         | Mar_12         | Jun_12          |
|----------------------------------|---------------|---------------|----------------|----------------|-----------------|
| <b>Net Foreign Assets</b>        | <b>399.07</b> | <b>450.25</b> | <b>688.86</b>  | <b>412.504</b> | <b>720.123</b>  |
| Claims on Nonresident            | 526.66        | 586.76        | 756.4          | 529.857        | 745.059         |
| Liabilities to nonresidents      | -127.59       | -136.51       | -67.59         | -117.353       | -24.936         |
| <b>Domestics Claims</b>          | <b>-41.14</b> | <b>-67.44</b> | <b>-279.84</b> | <b>4.936</b>   | <b>-195.552</b> |
| Net Claims on Central Government | -168.4        | 199.23        | -412.62        | -130.184       | -346.404        |
| Claims on Private Sector         | 127.26        | 131.79        | 132.78         | 135.094        | 150.852         |
| <b>Broad Money(M2)</b>           | <b>273.82</b> | <b>295.72</b> | <b>322.43</b>  | <b>340.010</b> | <b>350.034</b>  |
| Narrow money                     | 136.39        | 147.08        | 162.68         | 165.117        | 167.368         |
| Quasi Money                      | 137.43        | 148.65        | 159.74         | 174.894        | 182.666         |

Source : Central Bank

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

| Month  | USD/IDR  | USD/AUD | USD/€  | USD/JPY | USD/SGD | USD/THA | GBP/USD | VND/USD   |
|--------|----------|---------|--------|---------|---------|---------|---------|-----------|
| Jun-11 | 8,563.32 | 0.9419  | 0.6944 | 80.51   | 1.2341  | 30.4208 | 0.6156  | 20,412.76 |
| Jul-11 | 8,535.05 | 0.9288  | 0.6996 | 79.47   | 1.2175  | 30.1107 | 0.6198  | 20,422.30 |
| Aug-11 | 8,534.05 | 0.9533  | 0.6983 | 77.16   | 1.2095  | 29.8692 | 0.6111  | 20,459.17 |
| 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 | 0.6340  | 20,798.45 |
| Dec-11 | 9,061.12 | 0.9699  | 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  | 31.5620 | 0.6450  | 20,839.66 |
| Feb-12 | 9,015.66 | 0.9326  | 0.7563 | 78.30   | 1.2537  | 30.7363 | 0.6330  | 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 | 0.9650  | 0.7583 | 81.43   | 1.2504  | 30.8700 | 0.6235  | 20,724.57 |
| May-12 | 9,302.69 | 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   | 1.2790  | 31.6460 | 0.6432  | 20,700.64 |

Source : Bloomberg.com



**BALANCE SHEET**  
As at 30 June 2012

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

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