

Economic Bulletin



A Quarterly Publication of the Central Bank of Timor-Leste

VOLUME 12

Data published in this bulletin is subject to revision and the Central Bank can not guarantee the accuracy of information obtained from outside sources. The bulletin does not reflect the Governing Board views.

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

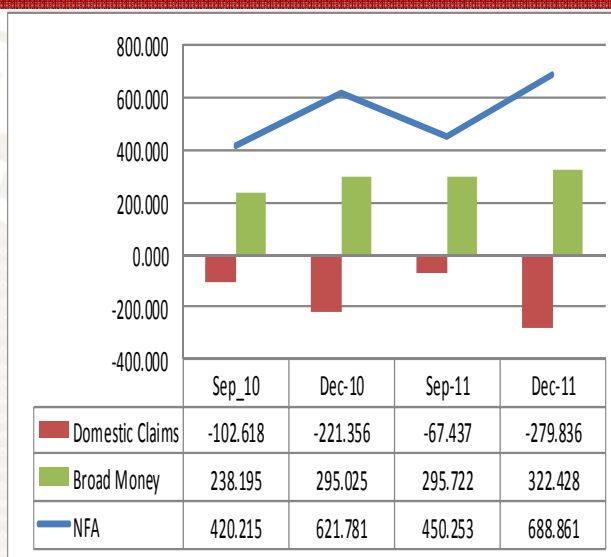
1. MONEY SUPPLY

Total broad money (M2) continued to increase, rising by US\$26.7 million (9.03 %) in the December quarter of 2011, compared to the increase of US\$21.90 million (8 %) in the September 2011. (See table 3 in last page and chart 1). This increase in the quarterly growth rate of M2 is largely due to the rise in the growth rate of narrow money from 7.8% to 10.6% at the end of the 4th quarter under review, while quasi money decrease by 7.47%. On an annual basis, money supply increase by 9.29% in December 2011 compare to 18.2% increase in same month of 2010 .

Furthermore, the net foreign assets of depository cooperation increase significantly by US\$238.61 million (52.99%) in December 2011 compare to US\$51.18 million (12.8%) observe in September 2011. The increase in total net foreign asset from September to December 2011 reflected increase of US\$169.69 million in claim on nonresident, while US\$68.92 million decrease on the liabilities to nonresident.

The continued expansion growth rate in the net foreign assets was the result of policy restriction in the credit to the private sector. Therefore,

Chart 1. Monetary Survey (in million)



most of the increase in money supply will end up at the net foreign assets.

On other hand, domestic claims increased by US\$212.40 million to US\$279.84 million in December quarter 2011. The increase in domestic claims from three month to December 2011 was due to a US\$0.9 million rose in domestic credit and US\$213.39 million increase in claims on Central Government. There is no public debt from financial system. This increase was influenced by an increase in Government deposits at the Central Banks

2. CREDIT TO PRIVATE SECTOR

The growth rate of commercial bank credit to the various sectors of the economy during the December quarter seems continue stagnant, just increase by 2.2% to US\$131.387 million compare to 1.9% in the September quarter 2011. While, on annual basis, the rate of growth of commercial bank loans went up by 18.5% in the December 2011 from a decline of 0.2% decrease in the same month of December 2010. The raise in credit from three month to December 2011 reflected large expansion level of economic activity taking place in the economy. The highest proportion of total loans to private sector are construction (27.7%), followed by trade and finance (22%) and industry and manufacturing (4.8%). While, the individuals and others dropped by 42%, tourism and service dropped by 3% and agriculture, water and forestry dropped by 0.4% in the quarter under review.

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

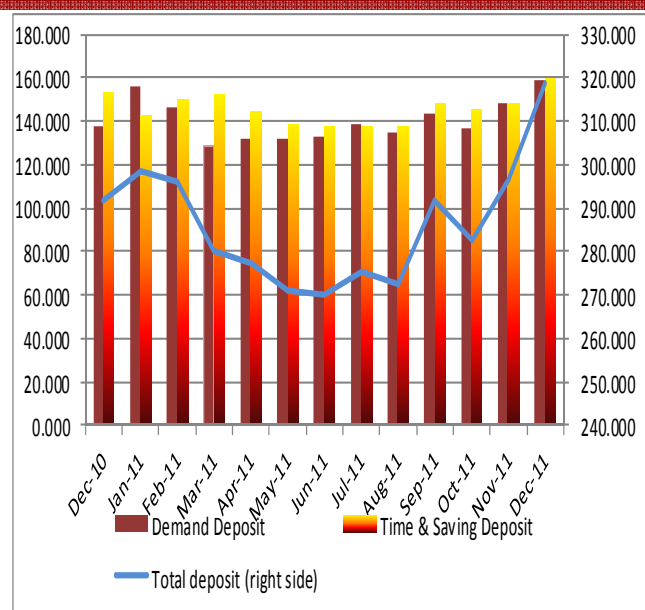
Items	Dec_10	Sept-11	Dec-11	% of share Sept_2011	% of share Dec_2011
Agriculture, water and forestry	318	1,851	482	1.4	0.4
Industry and manufacturing	6,016	4,448	6,306	3.5	4.8
Construction	16,085	13,419	36,345	10.4	27.7
Transportation & communication	2,202	189	159	0.1	0.1
Trade and finance	11,328	26,963	28,866	21.0	22.0
Tourism and service	2,268	4,026	4,005	3.1	3.0
Individuals and others	72,642	77,617	55,224	60.4	42.0
Total	110,859	128,513	131,387	100	100

Source: Central Bank

3. DEPOSIT WITH COMMERCIAL BANK

In December quarter, total deposit with the commercial banks (excluding government deposit) continued to increase, rising by 9.1% (US\$26.6 million) to US\$ 318.564 million following an increase of 8.1% in the previous quarter. On the annual basis, total deposits dropped by 9.2%, lower than the 18.2% expansion in the same month in the previous year (see chart 2). The growth of total deposit in the three months to December 2011 was due to increase in deposits of private sector, demand deposits (up US\$10.8 million), while time deposits and saving deposit dropped by 7.5% in the quarter under review.

Chart 2. Commercial Bank Deposit (in thousand)

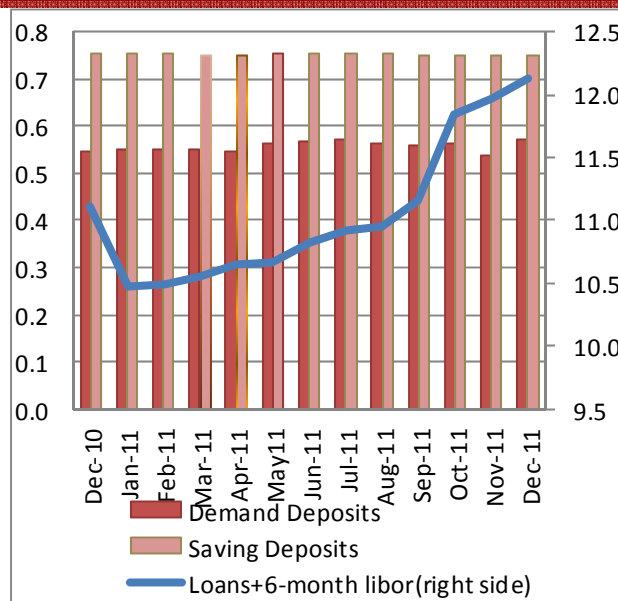


Source: Central Bank

4. DOMESTIC INTEREST RATE OF COMMERCIAL BANKS

Commercial bank weighted average interest rate for lending increase by 12.1% in December 2011 compare to 11.2% growth observe in the September quarter 2011. This increase was mainly attributed to adjustment of six month Libor fluctuation applied by commercial banks . The weighted average interest rate on demand deposit and saving both remained constant with no significant change by 0.6% and 0.8% in September 2011. Despite earning a low interest rate, demand deposits have continued increase in December quarter compare to previous quarter.

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

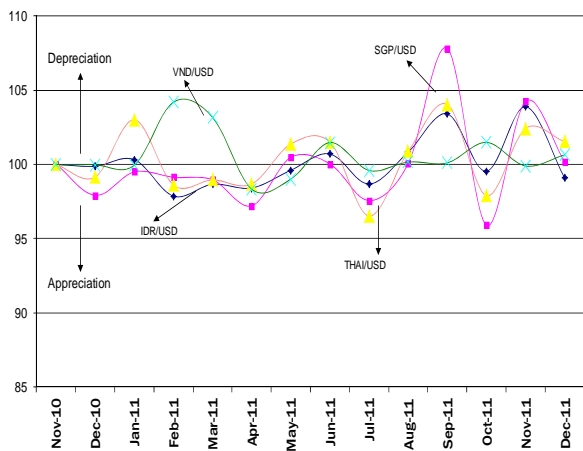


Source: Central Bank

5. EXCHANGE RATE

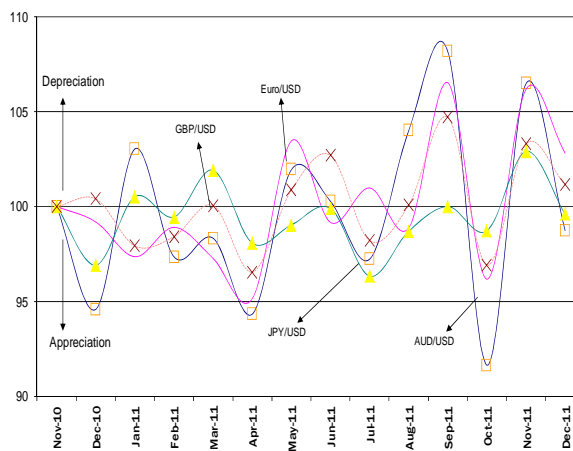
As evidence in the graph, the US Dollar is weakening against the other currencies from November 2010 to December 2011 provides evidence that the short term trend in that currencies is down, causing goods produced in the country of the other currency to be more expensive to US purchasers. The depreciation of US dollar usually has its impact of reducing the dollar assets particularly US stocks and bonds, to be avoiding the losses of currency drops its offers a diversification option for global currency portfolios.

Chart 4. Asian Currencies Against the USD



Source: Bloomberg.com

Chart 5. G3 Currencies against USD

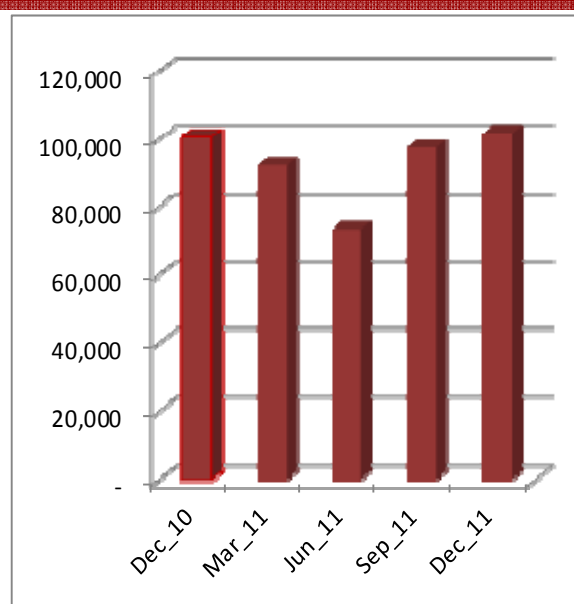


Source: Bloomberg.com

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. There is evidence that business in Timor-Leste are increasingly carrying at domestic transaction in US dollar. As figure 6 show the amount of dollars of check and notes processed at the central bank of Timor –Leste. Clearing transactions (in value terms) in December 2011 increase by 4.5% following an increase of 32.5% in the September quarter 2011. The increase in total value was due to the increase in the value of cheque and value of notes by 2.5% and 5.8% respectively in the December 2011. These value coming from both commercial bank and government order with its customer.

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 continued increase by 6.6% in the four quarter of 2011 compared to September quarter of 1.4%. This increase was caused by the increase in sub groups meat and meat products (19.8%), men's clothing (16.9%), non-alcoholic drinks (11.7%), cereal, roots and their product (13.3%), alcohol (11.1%), fruits (8.8%), tobacco (8.5%), and vegetables (8.1%). The annual headline inflation rates continued to increase, rising by 17.4% in December 2011 (y-o-y), compared to 9.2% in the same month of 2010. The increase in the total inflation rate for the December 2010-December 2011 period was mainly due to the raise in sub groups like "fruits (49.8%), men's clothing(33.9%), meat and meat products (33.3), nuts (31.7%),vegetables (31.3%), tobacco (21.2%), and transport (20.9).

Chart 7. Inflation rate (in percent)

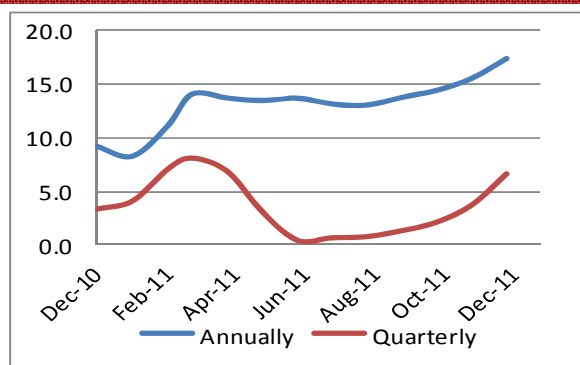


Table.2 Consumer Price Index and Inflation

Items	CPI Dec 2010	CPI Sep 2011	CPI Dec 2011	Inflation quarterly	Inflation Y-on-Y
All Groups	162.9	179.3	191.2	6.6	17.4
Foods	170.6	188.6	204.4	8.4	19.8
Alcohol and Tobacco	144.1	156.6	171.4	9.5	18.9
Clothing and Footwear	210.6	240.2	252.2	5.0	19.8
Housing	163.6	175.3	182.8	4.3	11.7
Household Furnishings	100.9	108.8	111.4	2.4	10.4
Health	155.9	164.8	168.6	2.3	8.1
Recreation and Education	115.6	115.2	117.6	2.1	1.7
Transport and Com.	137.6	159.9	161.3	0.9	17.2

Source : National Statistics Department

Table 3. MONETARY SURVEY (In million USD)

Items	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Quarterly	Annually
						(%)	(%)
Net Foreign Assets	621.78	461.2	399.07	450.25	688.86	53.99	10.79
Claims on Nonresident	649.76	516.32	526.66	586.76	756.4	28.92	16.42
Liabilities to nonresidents	-27.98	-55.12	-127.59	-136.51	-67.59	-50.48	141.61
Domestics Claims	-221.36	-93.11	-41.14	-67.44	-279.84	314.96	26.42
Net Claims on central Government	-331.01	-204.29	-168.4	199.23	-412.62	107.11	24.65
Claims on Private Sector	109.66	111.18	127.26	131.79	132.78	0.75	21.09
Broad Money(M2)	295.03	283.87	273.82	295.72	322.43	9.03	9.29
Narrow money	141.39	131.84	136.39	147.08	162.68	10.61	15.06
Quasi Money	153.64	152.02	137.43	148.65	159.71	7.44	3.97

Source : Central Bank



BALANCE SHEET
As at 31 December 2011

DESCRIPTION	€'000
ASSETS	
Cash and cash equivalents	160,317
Marketable Securities	312,907
Investments	24,454
Property, plant and equipment	842
Other assets	13,879
TOTAL ASSETS	512,399
LIABILITIES	
Government deposits	418,516
Provision transfer of surplus to Government	-
Other deposits	55,077
Other liabilities	14,489
Currency issued	3,863
Total liabilities	491,945
EQUITY	
Capital	20,000
Reserves	338
Retained earnings	116
TOTAL EQUITY	20,454
TOTAL LIABILITIES & EQUITY	512,399

Nota:

1. At 31 December 2011 the balance of Petroleum Fund account managed by the BCTL was \$9.310 millions. This is to recognise the reporting requirement under IFRS.

2. The Summary statements above are presented in accordance with section 58.6 of BCTL Law 2011/5 and have been prepared on an accrual basis from the financial records of BCTL as at 31 December 2011. These Financial Statements are unaudited.

Dili, 12 January 2012

Abraão de Vasconcelos
Governor

Fernando da Silva Carvalho
Chief Accountant