



# Quarterly Economic Bulletin

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## I. MONEY AND BANKING

### Money Supply

The latest monetary data show a tendency to decelerate further however continue strong in the growth rate of broad money, while the credit development perform a small sign of increase. Time deposit was the underlined of downward monetary growth in the quarter, while currency in circulation, although just represent a small nomination amount of centavos, in some extent contributed to brake the decline in growth rate of broad money in the quarter.

The quarterly growth rate of broad money continue to decline while the credit to private sector expand

slightly in the June quarter, which resulting the commercial banks claims abroad declining and consequently the downward growth in the net foreign assets of the other depository corporations.

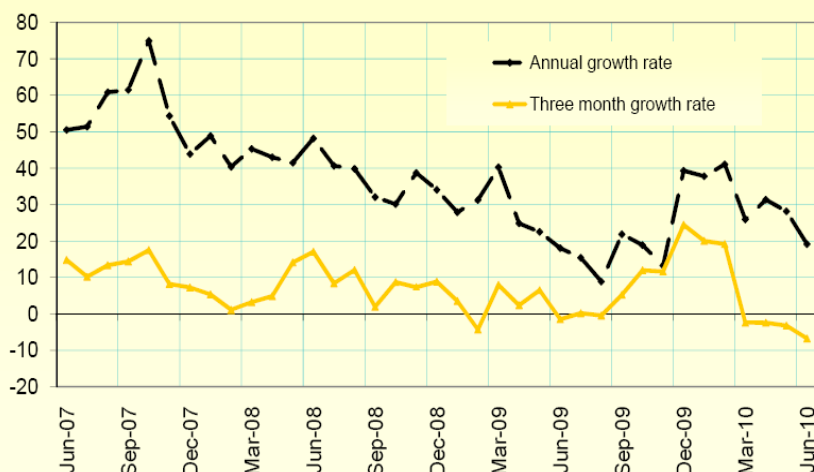
However, the annual growth rate of broad money continue expand although slowing down in June 2010, rising by 19.2%, following an increase of 26% in the first quarter of 2010.

The quarterly growth rate of broad money declining by 6.8%, following a downward growth of 2.4% observe in the last first quarter, driven by all component of deposits. Time deposits are the main driver, accounted by 12.5%, while demand and saving deposits by 3% and 1.6% respectively. Conversely, currency in circulation (centavos) continues growing, rising by 1.2%, following a 4.9% increase in the last March quarter.

Further, the net foreign assets (NFA) rise somewhat by 0.3% in June, reversing the reduction of 9.4% observe in the last first quarter of 2010. In fact this progress mostly due to increase in the BPA's foreign assets, rose by 9.6%, following a 32% growth observes in the last quarter. While, the others depository corporations' foreign assets was dropping in the quarter, down by 5.9%, reversing a consecutive growth observe in the last three quarter, of which in March 2010 was rising by 17%.

The main driven of the evolution of BPA's foreign asset in the quarter continue to be

**Chart 1 Broad Money Growth**  
(Percentage change)



sources from the portfolio investment securities abroad. The securities investment was falling down in the last quarter of March, declining by 45%, while it turn back to rise in June quarter by 22.7%. Other deposits contributed somewhat to this development. While, the transferable deposits and cash reserve were declining by 39.4% and 28.4% respectively. However, the BPA's liability to non-resident was declining, mostly due exchange rate changes in the SDR allocation with the IMF, reducing by 2.6%.

Further, the main driven of decrease in the commercial banks' foreign assets were transferable deposit, holdings of foreign currency and other loans to non-resident, reducing by 36.9%, 16.4% and 7.3% respectively. While, other deposits increase by 11.8% following an increase of 33.8% in the last quarter.

### Domestic Credit

Domestic credit mostly comprises claims on central government (net) and claims on private sector. Net claims on central government contain credit and liabilities to central government from the financial

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

Sector	2009		2010		Change from June 2009	Change from Mar 2010	June'10 Share (%)
	June	March	June	March			
Agriculture, Water and Forestry	393	452	500	27.2	10.6	0.5	
Industry and manufacturing	1,919	1,949	1,607	-16.3	-17.5	1.5	
Construction	12,480	19,247	20,963	68.0	8.9	19.5	
Transport & Comunication	2,076	2,553	2,412	16.2	-5.5	2.2	
Trade and Finance	13,397	19,032	17,900	33.6	-5.9	16.7	
Tourism and Service	14,812	7,003	7,128	-51.9	1.8	6.6	
Individuals	59,791	55,003	56,902	-4.8	3.5	53.0	
Total	104,868	105,239	107,412	2.4	2.1	100.0	

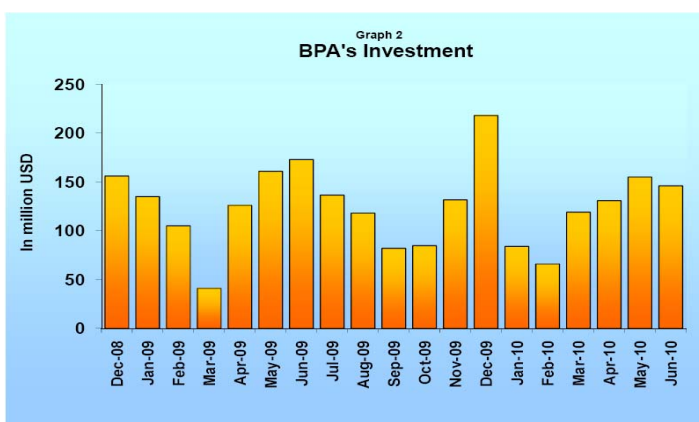
system. Actually, there is no credit from the financial system to the government of Timor-Leste, therefore the net claims on the central government in the monetary statistics point of view is negative, which means that all corresponding amount is government deposits or depository corporation liabilities to the central government. Simultaneously, claims on the private sector consist of credit to domestic private sector. If there is credit to non-resident it will be recorded on claims to non-resident under NFA.

On the 'Timor-Leste Monetary Survey' (table 7) we can observe, for the months of June 2010 when compared with the same period of 2009, that the 'Domestic Claims' mark, by negative, drop of 13.2%, however this has a positive effect on recovery when compared with March 2010. The domestic claims rising by 54.4% in June 2010, supported by both net claims on Central Government, which liabilities contributed by an increase of 13.2% reversing a downward growth in the claims on Central Government of 56.7%, and claims on other sectors mostly on private sector of 4.1%.

When considering credit by commercial banks to private sectors (table 1), it is observed that for the month of June 2010 and its 2009 corresponding period, there was a slight increase of 2.4% in the total amount of credit awarded, while compare to March 2010, this credit to the private sector is increasing by 2.1%. The sector that contributed more to this growth in June quarter are agriculture, water and forestry, rising by 10.6%, followed by construction of 8.9%, individuals of 3.5% and trade and service of 1.8%. The sector that absorb more resources, 53% of the total, was the individual credit, followed by industry and manufacturing of 19.5% and Commerce and Finance of 16.7%. While, the lowest value was in the field of Agriculture, Water and Forests, absorbing only 0.5% of the total credit. Although the credit to this sector is increasing in the quarter, reached about 10.6%, the share is excessively low when it compare to the size of dependency of Timorese people on the agriculture sector.

### Total Liquidity

After a continue growing during the last consecutive four quarter the total Liquidity Assets in the banking system recorded a downward development in June 2010, drop by 5%, reversing an increase of 12.4% in the last March.



The downward growth drives liquid ratio to decline to 79%, supporting by all component, of which cash in vault supply by 16.8%, deposit with the BPA 13.4% and deposits with other financial institutions abroad, which was the main contributor to the upward development in the last quarter, give up a negative growth of 3.7%.

The liquid ratio then has a contraction growth of 2% reversing an increase of 4.8% observes in the last quarter. These developments caused the actual liquid requirements held, resulting excess liquidity, while still high, down to 64%.

The BPA's portfolio investment abroad, exclude Petroleum Fund investment, increased during the second quarter of 2010, rising by 22.7%, reversing a 45% decreased in the last first quarter. The upward movement mostly due to the increase in the Government deposits with the BPA, as the consequence of the Government request to withdraw from the Petroleum Fund to finance the budget expenditure. Further, this expansion in the portfolio investment abroad pushes the Timor-Leste claims on nonresident to increase, then the International Reserves is affecting, rising by 9.6% reversing a decrease of 32% observe in the last March 2010 quarter.

### Interest Rate

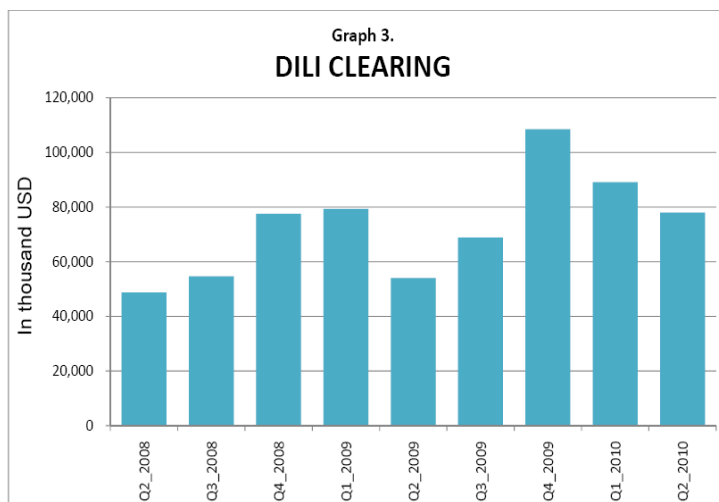
The commercial banks' weighted average interest rate on deposits rose by 0.7 basis point while the lending rates increased by 25 basis points in the June 2010 quarter.

Table 3.  
Commercial Banks Deposits and Lending Rates  
June\_2010

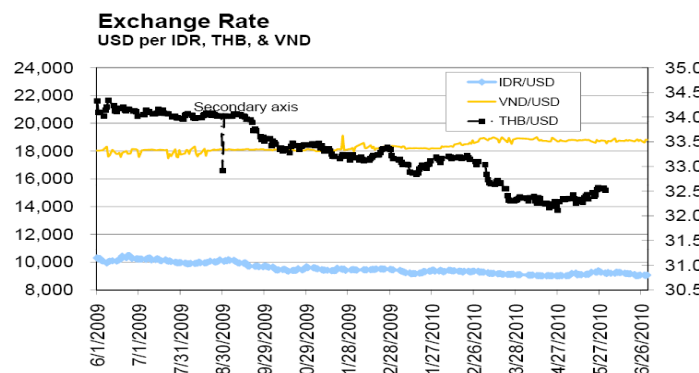
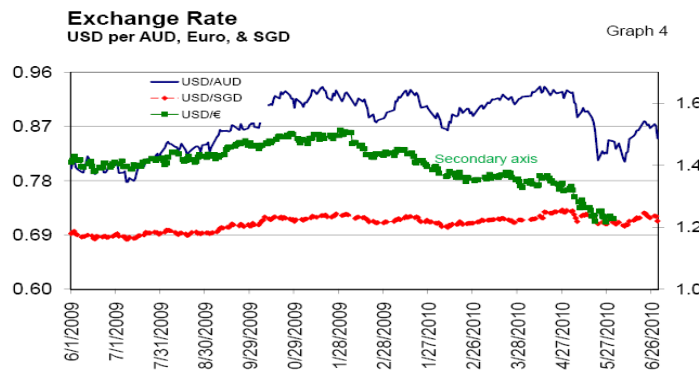
Weighted Average				
Deposit Rates				
Savings	Time Deposits			
	Up to 3 mths	3 to 6 mths	6 to 12 mths	Over 12 mths
0.75	0.81	1.05	1.21	1.31
Lending rates				
Loans + Libor 3 months				11.13

### Exchange Rate

The USD appreciated against the main trading partner and major trading currencies during June 2010 quarter. In average, the USD appreciates by 9% against the Euro, 2.5% against the Australian dollar, Vietnam VND by 1.3%, and appreciates by 1.5% against the Japanese Yen, while it depreciate by 1.6% against Indonesia rupiah, 0.9% against the Singapore dollar and 1.6% against the Thailand bath.



Clearing activities in the quarter continue showing the downward development following the decline in the last quarter. It was supporting by the number of both commercial bank and the government payment order with its customer. The first was declined by 13.6% and the last was about 11.6%. Total value of clearing then decreased by 12.4% compared to 17.9% decline in the last quarter.



## II. EXTERNAL TRADE

**Table 4**  
**TIMOR - LESTE: Trade Statistics Summary**

Month/Year	Imports			Exports			Balance TOTAL	Balance merchandise (Ex- Im merch.)
	Merchandise (US\$000)	Non-merch (US\$000)	TOTAL (US\$000)	Exports (US\$000)	re-export (US\$000)	TOTAL (US\$000)		
2008 (Year)	258,429	10,155	268,584	12,899	36,276	49,175	-219,408	-245,530
Q1 - 2009	89,831	3,396	93,227	1,350	5,662	7,012	-86,215	-88,481
April-09	24,190	956	25,146	321	9,522	9,843	-15,303	-23,869
May-09	24,600	925	25,425	98	734	832	-24,593	-24,402
June-09	25,809	829	26,638	135	1,154	1,289	-25,349	-25,674
Q2 - 2009	74,499	2,710	77,209	554	11,410	11,964	-65,245	-73,945
1st Semester/09	164,330	6,106	170,436	1,904	17,072	18,976	-151,460	-162,426
July-09	17,646	1,437	19,083	821	1,590	2,411	-16,672	-16,825
August-09	17,088	1,610	18,698	982	1,056	2,038	-16,660	-16,106
September-09	19,748	758	20,506	1,111	773	1,884	-18,622	-18,637
Q3 - 2009	54,482	3,805	58,287	2,914	3,419	6,333	-51,954	-51,568
October-09	21,208	846	22,054	2,262	1,591	3,873	-18,181	-18,926
November-09	18,767	860	19,647	624	711	1,335	-18,312	-18,163
December-09	23,767	883	24,670	766	3,226	3,992	-20,678	-23,021
Q4 - 2009	63,782	2,589	66,371	3,672	5,528	9,200	-57,171	-60,110
2st Semester/09	118,264	6,394	124,658	6,586	8,947	15,533	-109,125	-111,678
2009 (Year)	282,594	12,500	295,094	8,490	26,019	34,509	-260,585	-274,104
January-10	18,767	449	19,236	176	1,000	1,176	-18,060	-18,611
February-10	17,683	751	18,434	23	644	667	-17,767	-17,660
March-10	24,117	1,061	25,178	252	1,792	2,044	-23,134	-23,865
Q1 - 2010	60,587	2,261	62,848	451	3,436	3,887	-58,961	-60,136
April-10	28,036	199	28,235	224	1,867	2,091	-26,144	-27,812
May-10	26,039	1,313	27,352	9	2,349	2,358	-24,994	-26,030
June-10	29,954	934	30,888	959	4,942	5,901	-24,987	-28,995
Q2 - 2010	84,029	2,446	86,475	1,192	9,158	10,350	-76,125	-82,837
1st Semester/10	144,616	4,707	149,323	1,643	12,594	14,237	-135,086	-142,973

Source: National Statistics Department

## III. GOVERNMENT FINANCE

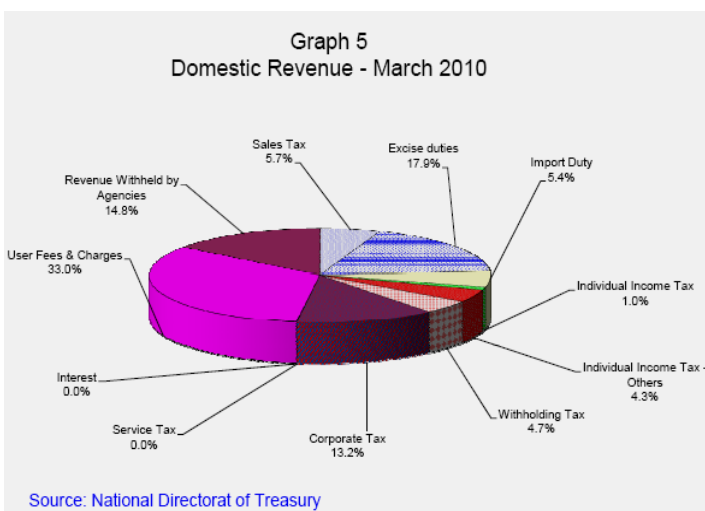
The budget approved for FY 2010 were US\$ 659.996 million, with the domestic non-petroleum revenue estimated of US\$ 87.200 million, the total budget deficit was estimated of US\$ 572.796. The finance was approved by Parliament to withdraw/or transfer from the petroleum fund, to finance this budget deficit, amounted to US\$ 502.000 million, the remainder of US\$ 70.796 million is financed by drawdown from cash reserve.

### Revenue

Total domestic revenue receipts during the first quarter of 2010 were US\$ 23.3 million against the whole year budget estimates of US\$ 87.2 million. The main part of this domestic revenue was collected by Treasury (85%) and the remainder 15% from self funded by autonomous agencies. The main sources of domestic revenue receipts up to the first quarter of 2010 were user fees & charges, which represented 33% of the total domestic revenue. Major contributions also came from excise duties of 18%, self-funded agencies (15%) and corporate tax of 13.2%.

### Expenditure

Total expenditure up to the first quarter of 2010 were US\$ 79.406 million, against the estimate of US\$ 659.996 million, as the result the budget execution rate, on cash basis, stay at 11%. Whole of Government expenditure performance by appropriation categories were; capital and development constituted 4%, goods and services 46%, public transfers 23% minor capital 1%, and Salary and Wages 26%.





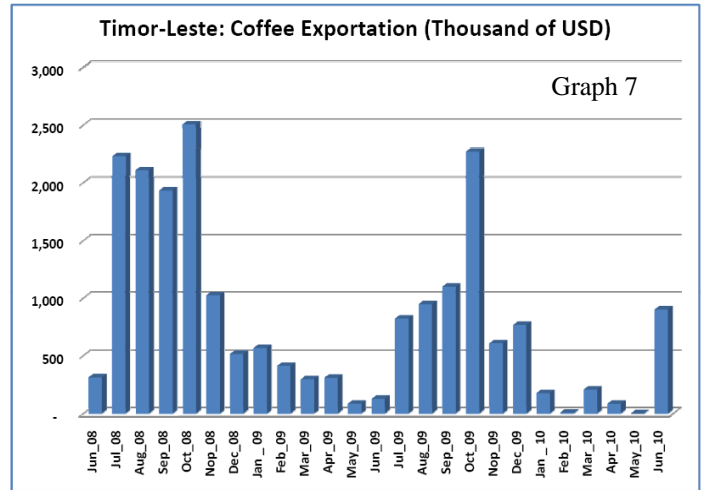
**IV. DOMESTIC ECONOMY**

Coffee export during the quarter shown an upward development, rising by 152.5%, reversing 89% drop observes in the last quarter. When compare to the total value export during the second quarter of 2009 it increased by 90.8% .

The total amount of coffee export reached in the quarter was about 0.8 million kg, compare to 0.9 million kg achieve in the last quarter.

Although the total value in the quarter is growing, in fact the total amount of coffee export is less than the previous quarter. The higher price could be one of the reasons of higher value of coffee export in June.

The biggest destination during the quarter was the Germany with the total value share of 32.8% followed by Indonesia of 30.8% and USA of 16.8%.



**Energy Price and Coffee** Table 6

Coffee price, ICO (USD cents/lb)			Energy prices (USD)	
End of period	Recent	Previous day	Crude oil, W.T.I Cushing (barrel)	Natural gas, Nymex Henry Hub, \$mmbtu.
30-Jun-10	155.46	155.60	75.94	4.56
31-May-10	128.46	128.46	73.97	4.38
30-Apr-10	125.77	123.79	85.17	4.03
31-Mar-10	130.14	128.94	82.37	4.01
26-Feb-10	123.21	122.91	77.92	4.80
29-Jan-10	124.02	126.13	73.64	5.14
30-Dec-09	124.52	124.52	78.87	5.83
30-Nov-09	120.25	118.04	76.05	5.16
30-Oct-09	119.43	120.71	79.87	5.10
30-Sep-09	114.00	114.44	66.71	4.89

**Price Evolution in Dili** Table 5

CONSUMER PRICE INDEX (2001 = 100)							
Group	Weights (%)	Index			% Change		
		Jun_09	Mar_10	June_10	Jun10/ Mar10	Mar10/ Mar09	Jun10/ Jun09
ALL GROUPS	100.0	146.0	154.4	155.6	0.8	5.5	6.6
Food	56.7	149.2	159.6	161.9	1.4	6.4	8.5
Alcohol and Tobacco	4.8	137.6	139.9	140.1	0.1	1.5	1.8
Clothing and Footwear	8.9	174.4	189.3	193.6	2.3	9.7	11.0
Housing	10.2	156.3	164.7	160.7	-2.4	5.1	2.8
Household Furnishings, Supplies and Services	7.9	102.2	101.7	101.3	-0.4	-0.4	-0.9
Health	4.2	148.1	148.7	148.7	0.0	-0.3	0.4
Recreation and Education	3.4	112.1	112.1	112.1	0.0	-0.5	0.0
Transport and Communication	4.2	131.5	136.5	137.1	0.4	4.0	4.3

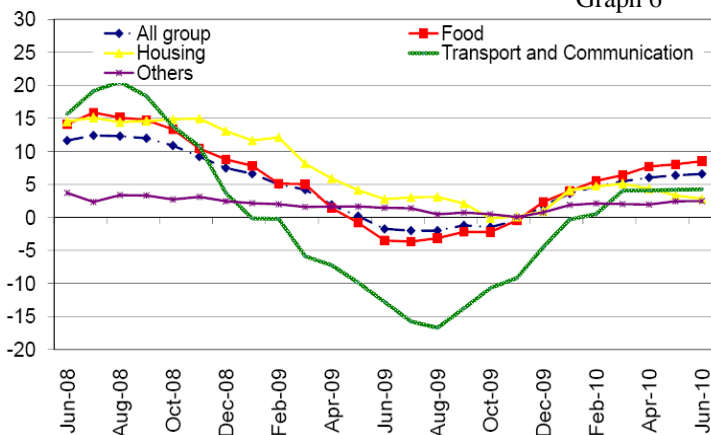
*Note: this CPI just for Dili*  
*Source: National Statistics Department*

The quarterly inflation rate reported by National Statistics Department rose by 0.8% in June 2010, following the 3.5% growth observes in the first quarter of 2010.

After a deceleration during the period of six month in the second half of 2009, the annual inflation rate start to rise and continue rising during the first half of 2010, rising from 3.6% observed in January to the 6.6% in June. The acceleration in inflation rate mostly reflected the impact of increase in the price of clothing and footwear of 11%, followed by food of 8.5%, transport & communication and housing of 4.3% and 2% respectively.

No study has been done on how the price mechanism works in Timor-Leste. However, as almost 90% of Timor-Leste demand is satisfied by imports, the price setting in Timor-Leste could be related to the demand for import. Therefore an increase in the budget and then the money supply could be influence the demand for import, subsequently the import price and inflation.

**Contribution to annual CPI Inflation** (Percentage points) Graph 6



## Timor-Leste Monetary Survey

Millions of US Dollars

Table 7

	Jun-08	Jun-09	Mar-10	Jun-10	Percentage change	
					1 Q ago	1 Year ago
<b>NET FOREIGN ASSETS</b>	222.612	369.497	401.214	402.547	0.3	8.9
CLAIMS ON NONRESIDENTS	267.765	397.890	433.535	436.016	0.6	9.6
LIABILITIES TO NONRESIDENTS	-45.153	-28.392	-32.321	-33.470	3.6	17.9
<b>DOMESTIC CLAIMS</b>	6.713	-89.925	-50.562	-78.078	54.4	-13.2
NET CLAIMS ON CENTRAL GOVERNMENT	-90.459	-194.886	-150.971	-182.638	21.0	-6.3
CLAIMS ON CENTRAL GOVERNMENT	0.004	4.483	16.745	7.255	-56.7	61.8
LIABILITIES TO CENTRAL GOVERNMENT	-90.463	-199.369	-167.716	-189.893	13.2	-4.8
CLAIMS ON OTHER SECTORS	97.172	104.961	100.410	104.560	4.1	-0.4
CLAIMS ON OTHER FINANCIAL CORPORATIONS	0.000	0.000	0.000	0.000	0.0	0.0
CLAIMS ON STATE AND LOCAL GOVERNMENT	0.000	0.000	0.000	0.000	0.0	0.0
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	0.000	0.000	0.000	0.000	0.0	0.0
CLAIMS ON PRIVATE SECTOR	97.172	104.961	100.410	104.560	4.1	-0.4
<b>BROAD MONEY LIABILITIES</b>	173.615	204.928	261.911	244.181	-6.8	19.2
CURRENCY OUTSIDE DEPOSITORY CORPORATIONS	2.202	2.405	2.938	2.972	1.2	23.6
TRANSFERABLE DEPOSITS	95.482	98.636	124.610	120.763	-3.1	22.4
OTHER DEPOSITS	75.931	103.888	134.362	120.447	-10.4	15.9
SECURITIES OTHER THAN SHARES	0.000	0.000	0.000	0.000	0.0	0.0
<b>DEPOSITS EXCLUDED FROM BROAD MONEY</b>	0.027	0.048	0.073	0.081	11.4	70.5
<b>SHARES AND OTHER EQUITY</b>	3.374	14.147	16.187	15.609	-3.6	10.3
<b>OTHER ITEMS (NET)</b>	52.310	60.449	72.482	64.597	-10.9	6.9
IFS Vertical Check	0.000	0.000	0.000	0.000	0.0	0.0
<b>Petroleum Fund Assets</b>	3,203.073	4,901.525	5,787.178	6,299.129	8.8	28.5

*Autoridade Bancária e de Pagamentos de Timor-Leste*  
*Banking and Payments Authority of Timor-Leste*

Av. Biqui-Mecias, PO Box 59, Dili, Timor-Leste

Table 8

### QUARTERLY SUMMARY FINANCIAL STATEMENTS

BALANCE SHEET		PROFIT AND LOSS	
As at 30 June 2010		For the period ended 30 June 2010	
In thousands of US Dollars		In thousands of US Dollars	
<b>ASSETS</b>	US Dollars	<b>OPERATING PROFIT</b>	US Dollars
Cash and cash equivalents	34,586	Interest income	374
Investments	170,110	Interest expense	(97)
Other assets	8,946	Net investment income	277
<b>TOTAL ASSETS</b>	<b>213,742</b>		
<b>LIABILITIES</b>		Fees and commissions	615
Government deposits	139,964	Petroleum Fund management fee	3,187
Other deposits	41,140	Donation & Grants	42
Other liabilities	9,516	Other income	(1)
Currency issued	3,045	<b>TOTAL OPERATING INCOME</b>	<b>4,120</b>
<b>TOTAL LIABILITIES</b>	<b>193,665</b>	<b>EXPENSES</b>	
<b>EQUITY</b>		Personnel & capacity building expenses	872
Capital	20,000	Currency distribution expenses	510
Reserves	42	Administration expenses	2,552
Retained earnings	35	Depreciation	151
<b>TOTAL EQUITY</b>	<b>20,077</b>	<b>TOTAL EXPENSES</b>	<b>4,035</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>213,742</b>	<b>OPERATING SURPLUS</b>	<b>35</b>

Notes: At 30 June 2010 the balance of Petroleum Fund account managed by the BPA, was \$6,299,129,786. This is to recognise the reporting requirement under IFRS.

The Summary Statements above are presented in accordance with section 56.2 of Regulation 2011/00 and have been prepared on an accrual basis from the financial records of BPA as at 30 June 2010. These Financial Statements are unaudited.



  
 Fernando da Silva Carvalho  
 Chief Accountant

July 6, 2010