



Quarterly Economic Bulletin

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I. MONEY AND BANKING

Money Supply

Recent development in the monetary data point to continue strong although declined in the growth rate of broad money, at the mean time the credit development was slowing down. Growth in transferable deposit was underlined the downward of monetary growth in the quarter. However, inflationary pressures from this monetary phenomenon are not appearing, inflation was rising.

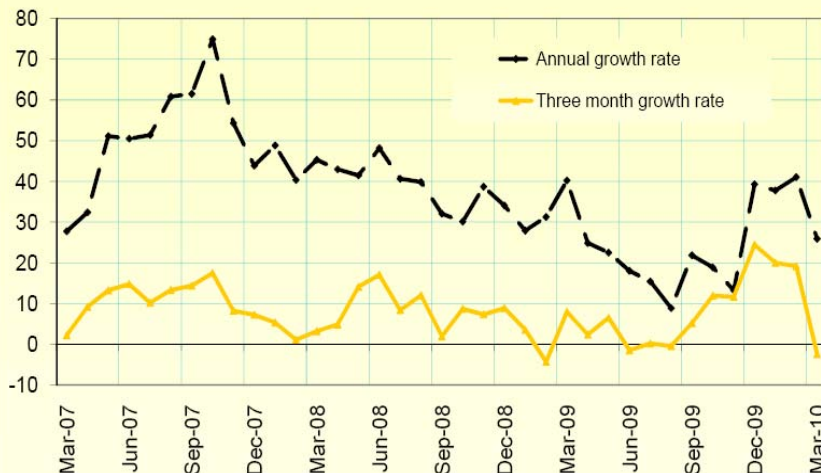
The decline observe in the quarterly growth rate of broad money was continued to be driven mainly by offset increase in the claims abroad which result in

the expansion in net foreign assets of the other depository corporations, in contrast the demand deposit declined.

Although slowing down, the annual growth rate of broad money continue expand in March 2010 quarter, rising by 26%, followed an increase of 39% in the December 2009.

Further, the quarterly growth rate of broad money declining by 2.4%, down from 18% observe in the last December 2009 quarter, mainly driven by transferable deposit, a decrease of 19.4%. Conversely, time and saving deposits rose by 20% and 21.6% respectively. Currency in circulation (centavos) continues growing, rising by 4.9%, followed a 3.9% increase in the last December quarter.

Chart 1 Broad Money Growth (Percentage change)



Net foreign assets (NFA) decreased, in quarterly basis, by 9.4%, reversing an increase of 55.8% observe in the last quarter of December 2009. In fact this mostly due to the decline in the BPA's foreign assets, a drop of 32%, of which in the last quarter rose by 141%. However, the others depository corporations' foreign assets continue growing, rose by 17%, followed by 10.5% growth occurred in the last fourth quarter.

The BPA's portfolio investment securities abroad continue to be the main driven of up and down in the foreign assets. The securities investment falls down in the quarter by 45%, reversing an expansion of 165.8% in the last quarter. While, other

deposits also contributed to this downward development, reducing by 39.7%. On the other side, the transferable deposits and cash reserve were rising by 55% and 160% respectively. However, the BPA's liability to non-resident was declining, mostly due exchange rate changes in the SDR allocation with the IMF.

Further, the main driven of increase in the commercial banks' foreign assets were transferable deposit and other deposits, rose by 37% and 33.7% respectively, while holding of foreign currency decrease by 58.6%, reversing an increase of 219% observes 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 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

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

Sector	2009	2010	Change from Dec 2009	March Share (%)
	December	March		
Agriculture, Water and Forestry	218	452	107.3	0.4
Industry and manufacturing	1,711	1,949	13.9	1.9
Construction	19,413	19,247	-0.9	18.3
Transport & Comuncation	2,357	2,553	8.3	2.4
Trade and Finance	19,113	19,032	-0.4	18.1
Tourism and Service	13,081	7,003	-46.5	6.7
Individuals	55,143	55,003	-0.3	52.3
Total	111,036	105,239	-5.2	100.0

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.

Domestic credit in March quarter of 2010, according to table 7 monetary surveys, shows a decline of 50.7%. This contraction was due to decrease in the

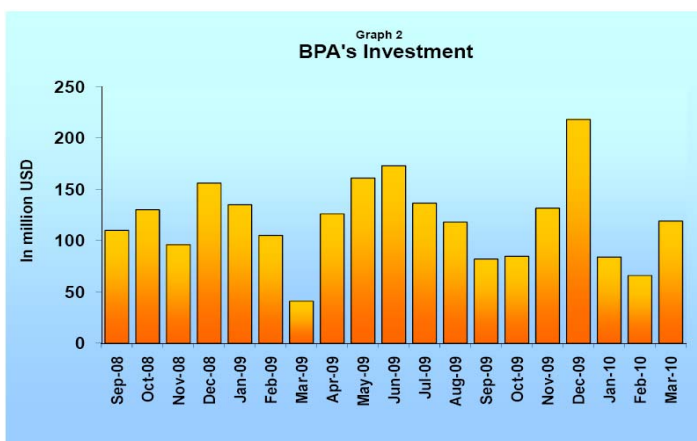
liabilities of the BPA to central government, conversely the claims to central government was rising. The liabilities to central government therefore decreased by 19%, while claims raised by more than a thousand percent. The result was the net credit to government decline by 26.8%. As the trend growth in the credit to domestic private sector is declined, it further contributed to the downward growth in the domestic credit.

Moreover, table 1 shows a downward in the total loans portfolio to the private sector in the quarter, reducing by 5.2%, following a fall of 0.1% in the previous quarter. Despite the trend growth of broad money was slowing down, there is continue available of the sources of fund. Total liquid assets are more than 80% and excess liquidity still more than 65%. It seems that there is 65% of the fund staying as the idle money. In fact is not, as about 70% of these liquid assets are deposit abroad. The issue is the non-performing loans continue high, the commercial banks have to continue construct provision for loan losses, therefore reduce the loans to private sector.

The downward trend of loans to private sector in the quarter mostly concentrates on tourism and services, the fourth biggest beneficiary of loans, having a reduction of 46.5%, followed by constructions sector of 0.9%, trade & finance of 0.4%, and individuals, the biggest share of loans to private sector, about 0.3%. Agriculture, water and forestry, the lowest beneficiary of credit by sectors in the quarter, are growing by 107.3%, followed by the others lowest share of credit, industry & manufacturing, and transport & communication, with the growth of 13.9% and 8.3% respectively.

Total Liquidity

Total Liquidity Assets in the banking system during



the March quarter of 2010 continue to increase, rose by 12.4%, following an increase of 2.6% in the last December quarter.

The growth drives liquid ratio to rise further to 80% mostly supporting by component of deposits with other financial institutions abroad, reached 35.6%. While, cash in vault and deposit with the BPA declined in the quarter by 58.9% and 45.2% respectively. The liquid ratio then has an expansion growth of 4.8% following an increase of 1.1% observes in the last December quarter. These developments caused the actual liquid requirements held, resulting excess liquidity rising to 65.6%.

The BPA's portfolio investment abroad, exclude Petroleum Fund investment, decreased during the first quarter of 2010, reducing by 45%, compare to 166% increased in the last fourth quarter. The downward movement mostly due to the decrease in the Government deposits with the BPA, as the consequence of the Government withdrawal to finance the budget expenditure. Further, this downward movement in portfolio investment abroad pushes the Timor-Leste claims on nonresident to decrease, then the International Reserves is affecting, reducing by 32% reversing an increase of 141% observe in the last December 2009 quarter.

Interest Rate

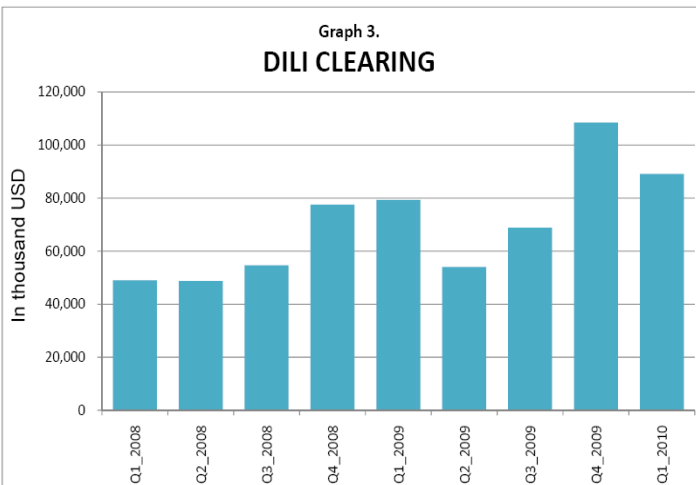
The commercial banks' weighted average interest rate on deposits declined by 1.1 basis point while the lending rates increased by 5 basis points in the March 2010 quarter.

Table 3.
Commercial Banks Deposits and Lending Rates
March_2010

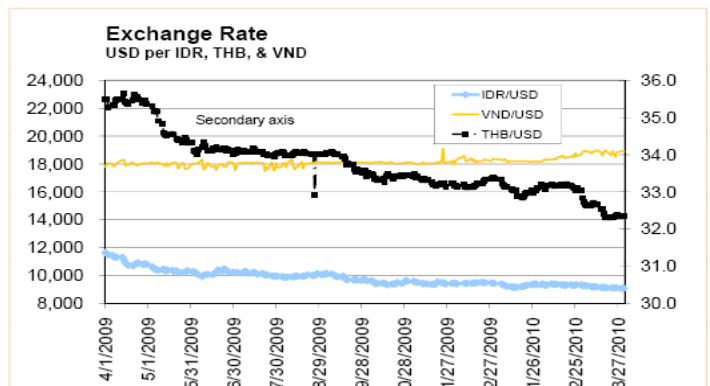
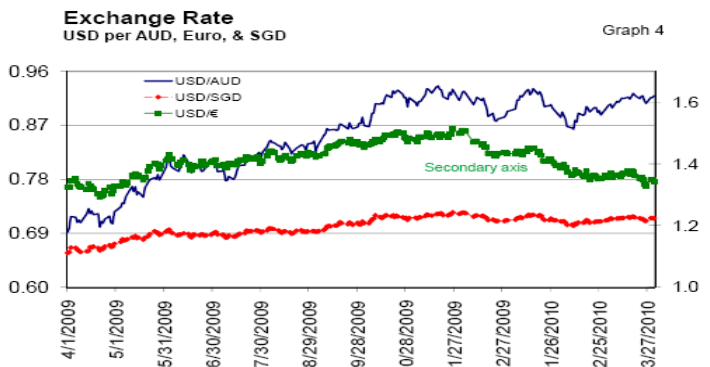
Weighted Average				
Deposit Rates				
Savings	Time Deposits			
	Up to 3 mths	3 to 6 mths	6 to 12 mths	Over 12 mths
0.75	0.80	1.04	1.20	1.30
Lending rates				
Loans + Libor 3 months				10.87

Exchange Rate

The USD appreciated against the main trading partner and major trading currencies during March 2010 quarter. In average, the USD appreciates by 6.8% against the Euro, 0.5% against the Australian dollar, Singapore dollar by 0.6%, Vietnam VND by 2%, and appreciates by 1% against the Japanese Yen, while it depreciate against Indonesia rupiah by 2.2% and 1.3% against the Thailand bath.



Clearing activities in the quarter showing a downward development compare to the last December quarter. It was supporting by decline in the number of both commercial bank and the government payment order with its customer. The first was contributed by 6% and the last was about 16%. Total value of clearing then decreased by 18% compared to 57.7% rose 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
January-09	33,399	2,427	35,826	629	2,405	3,034	-32,792	-32,770
February-09	34,497	760	35,257	409	462	871	-34,386	-34,088
March-09	21,935	209	22,144	312	2,795	3,107	-19,037	-21,623
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	24,500	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	2,282	1,591	3,873	-18,181	-18,926
November-09	18,787	860	19,647	624	711	1,335	-18,312	-18,163
December-09	23,787	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	18,787	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

Source: National Statistics Department

III. GOVERNMENT FINANCE

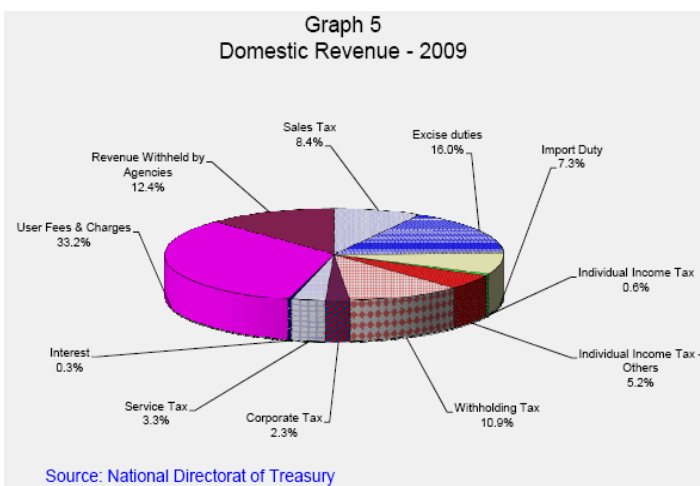
The budget approved for FY 2009 were US\$ 680.873 million, with the domestic non-petroleum revenue estimated of US\$ 91.200 million, the total budget deficit was estimated of US\$ 589.673. The finance was approved by Parliament to withdraw/or transfer from the petroleum fund, to finance this budget deficit, amounted to US\$ 589.000 million, the remainder of US\$ 0.673 million is financed by drawdown from cash reserve.

Revenue

Total domestic revenue receipts up to the fourth quarter 2009 were US\$ 86.210 million against US\$ 91.200 million of the estimated budget. The main part of this domestic revenue was collected by Treasury (87.5%) and the remainder 12.5% from self funded by autonomous agencies. The main sources of domestic revenue receipts up to the fourth quarter 2009 were user fees & charges, which represented 33.2% of the total domestic revenue. Major contributions also came from excise duties of 16%, self-funded agencies (12.4%), withholding tax (10.9%), sales tax (8.4%) and import duty of 7.3%.

Expenditure

Total expenditure up to the fourth quarter 2009 were US\$ 605.340 million, against the estimate of US\$ 680.873 million, as the result the budget execution rate, on cash basis, stay at 89%. Whole of Government expenditure performance by appropriation categories were; capital and development constituted 29%, goods and services 35%, public transfers 16% minor capital 6%, and Salary and Wages 14%.



IV. DOMESTIC ECONOMY

Coffee export during the quarter shown a downward development of 89%, reversing 27% growths observed in the last December quarter. It declined by 69% compare to total value export during the first quarter of 2009.

Total amount of coffee export reached in the quarter was about 0.9 million kg compare to 5 million kg reached in the last quarter.

The evolution seems a seasonal basis, the export of coffee will be decline in the period of November—June and it mostly increase during July—October.

The biggest destination during the quarter was the United States of America with the total value share of 50% followed by Portugal of 28%. Indonesia and Germany were about 11% and 8% respectively.

Price Evolution in Dili

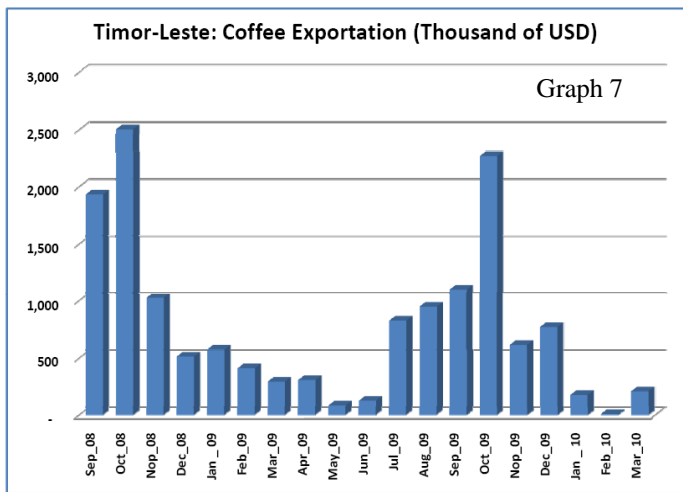
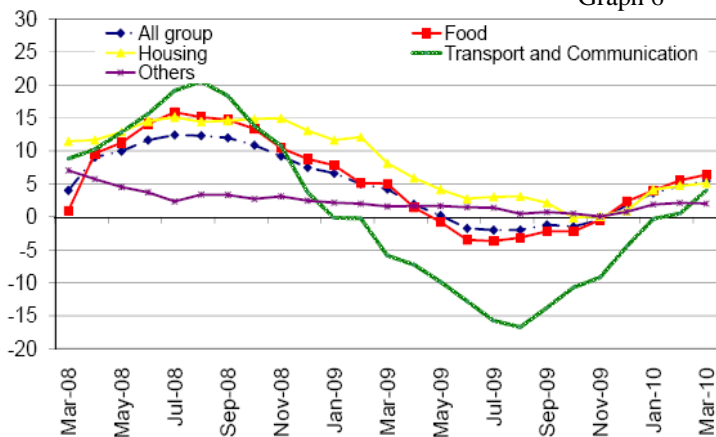
Table 5

CONSUMER PRICE INDEX (2001 = 100)							
Group	Weights (%)	Index			% Change		
		Mar_09	Dec_09	Mar_10	Mar10/ Dec09	Dec09/ Dec08	Mar10/ Mar09
ALL GROUPS	100.0	146.4	149.2	154.4	3.5	1.8	5.5
Food	56.7	150.0	153.4	159.6	4.0	2.3	6.4
Alcohol and Tobacco	4.8	137.8	138.1	139.9	1.3	0.1	1.5
Clothing and Footwear	8.9	172.5	182.3	189.3	3.8	6.2	9.7
Housing	10.2	156.7	156.1	164.7	5.5	0.9	5.1
Household Furnishings, Supplies and Services	7.9	102.1	102.2	101.7	-0.5	-0.7	-0.4
Health	4.2	149.1	148.1	148.7	0.4	-1.3	-0.3
Recreation and Education	3.4	112.7	112.1	112.1	0.0	-0.5	-0.5
Transport and Communication	4.2	131.2	133.6	136.5	2.2	-4.5	4.0

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

Contribution to annual CPI Inflation (Percentage points)

Graph 6



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.
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
31-Aug-09	112.25	113.85	72.74	3.05
31-Jul-09	115.62	115.64	66.94	3.70
30-Jun-09	111.84	112.07	71.49	4.04

The quarterly inflation rate reported by National Statistics Department rose by 3.5% in March 2010, followed by 1% growth observed in last December quarter after recorded negative growth during the second half of the year of 2009.

The annual inflation rate was accelerated in the quarter, rising by 5.5% from 1.8% observed in last December quarter. The inflation was stood at two digits in September 2008, of 12%, and slowing down to 4.2% in March last year and continues decelerated to—1.2% in September 2009.

The acceleration in inflation during March quarter reflected the impact of increase in the price of clothing and footwear of 9.7% followed by food of 6.4%, and housing and transport & communication of 5.1% and 4% respectively. The other baskets of the consumer price were continuing declining in the quarter.

From a simple analysis of the data, in fact, there is less positive correlation between the inflation and broad money in Timor-Leste.

Timor-Leste Monetary Survey

Millions of US Dollars

Table 7

	Mar-08	Mar-09	Dec-09	Mar-10	Percentage change	
					1 Q ago	1 Year ago
NET FOREIGN ASSETS	276.138	255.547	442.728	401.214	-9.4	57.0
CLAIMS ON NONRESIDENTS	308.807	277.037	468.847	433.535	-7.5	56.5
LIABILITIES TO NONRESIDENTS	-32.668	-21.490	-26.118	-32.321	23.7	50.4
DOMESTIC CLAIMS	-73.199	26.371	-102.653	-50.562	-50.7	-291.7
NET CLAIMS ON CENTRAL GOVERNMENT	-167.922	-88.357	-206.194	-150.971	-26.8	70.9
CLAIMS ON CENTRAL GOVERNMENT	0.133	7.757	1.147	16.745	1359.8	115.9
LIABILITIES TO CENTRAL GOVERNMENT	-168.054	-96.114	-207.341	-167.716	-19.1	74.5
CLAIMS ON OTHER SECTORS	94.723	114.728	103.541	100.410	-3.0	-12.5
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	94.723	114.728	103.541	100.410	-3.0	-12.5
BROAD MONEY LIABILITIES	148.333	207.984	268.356	261.911	-2.4	25.9
CURRENCY OUTSIDE DEPOSITORY CORPORATIONS	2.161	2.565	2.801	2.938	4.9	14.5
TRANSFERABLE DEPOSITS	77.395	97.339	154.642	124.610	-19.4	28.0
OTHER DEPOSITS	68.777	108.080	110.913	134.362	21.1	24.3
SECURITIES OTHER THAN SHARES	0.000	0.000	0.000	0.000	0.0	0.0
DEPOSITS EXCLUDED FROM BROAD MONEY	0.025	0.039	0.064	0.073	13.0	85.9
SHARES AND OTHER EQUITY	2.381	11.489	15.547	16.187	4.1	40.9
OTHER ITEMS (NET)	52.200	62.407	56.108	72.482	29.2	16.1
<i>IFS Vertical Check</i>	0.000	0.000	0.000	0.000	0.0	0.0
Petroleum Fund Assets	2629.963	4750.824	5376.626	5787.178	7.6	21.8

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

Table 8

Av.º Bispo Medeiros, PO Box 59, Díli, Timor-Leste

QUARTERLY SUMMARY FINANCIAL STATEMENTS

BALANCE SHEET		PROFIT AND LOSS	
As at 31 March 2010		For the period ended 31 March 2010	
In thousands of US Dollars		In thousands of US Dollars	
ASSETS	US Dollars	OPERATING PROFIT	US Dollars
Cash and cash equivalents	46,146	Interest income	283
Investments	143,701	Interest expense	(174)
Other assets	18,031	Net investment income	209
TOTAL ASSETS	207,878		
LIABILITIES		Fees and commissions	478
Government deposits	121,992	Petroleum fund management fee	2,253
Other deposits	44,189	Donations & Grants	42
Other liabilities	18,712	Other income	6
Currency issued	3,058	TOTAL OPERATING INCOME	2,988
TOTAL LIABILITIES	187,951	EXPENSES	
EQUITY		Personnel & capacity building expenses	711
Capital	20,000	Currency distribution expenses	445
Reserves	53	Administration expenses	1,647
Retained earnings	(126)	Depreciation	111
TOTAL EQUITY	19,927	TOTAL EXPENSES	3,114
TOTAL LIABILITIES & EQUITY	207,878	OPERATING DEFICIT	(126)

Notes: At 31 March 2010 the balance of Petroleum Fund account managed by the BPA was \$5,787,178,454. This is to recognise the reporting requirement under IFRS.

The Summary Statements above are presented in accordance with section 55.2 of Regulation 2001/30 and have been prepared on an accrual basis from the financial records of BPA as at 31 March 2010. These financial statements are unaudited.

Abraão de Vasconcelos
 General Manager

Fernando da Silva Carvalho
 Chief Accountant

April 15, 2010