



# Quarterly Economic Bulletin

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## I. MONEY AND BANKING

### Money Supply

The monetary data for December 2009 quarter point to a continuation of the increase in annual growth rate of broad money. While, there is no significant development of loans to the private sector.

Monetary growth is currently supporting by additional rise in savings that could be as the translation of increase in the proportion of income by both enterprise and individuals, a beneficial outcome of government policy.

Despite the broad money continue to increase and therefore the availability in the source of fund, but the sign of growing in the loans to private sector continue

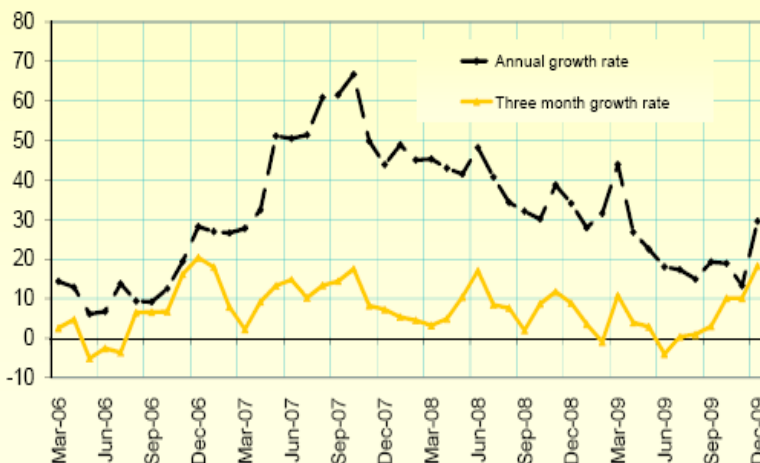
small, even decline in the quarter. Thus, the development of commercial banks loans to private sector continues to be driven mainly by the performance of nonperforming loans. In fact, part of broad money is allocating abroad (while in December quarter was declining) to earn more interest that could adding up the capital, however should be deduct to secure the provision for loan losses.

The annual growth rate of broad money expand further in December 2009 quarter, rising by 29.6%, followed an increase of 19% in the September quarter. The quarterly growth base of broad money grew at 18%, up from 4% observe in the last third quarter of 2009, mainly driven by transferable deposit, an increase of 32%. While, time and saving deposits rose by 1.2% and 5.6% respectively. Currency in circulation (centavos) has supported somewhat to the development of broad money, rising by 3.9%, followed a 12% increase in the last September quarter.

Net foreign assets (NFA) increased, in quarterly basis, by 55.8%, reversing a decreased of 23% observe in the last third quarter, reflecting an expansion mostly by the BPA's foreign assets, a rise of 141%, which in the last quarter were declining by 50%. However, the others depository corporations' foreign assets continue growing, rose by 10.5%, followed by 9% growth occurred in the last third quarter.

The BPA's foreign assets continue to be driven by its portfolio investment securities abroad, an increase of 165.8%, up from a

Chart 1 Broad Money Growth (Percentage change)



negative growth of 52% occur in the last quarter. While, other claims also contributed to this development, such as transferable deposits by 30.5%, other deposits about 66% and cash reserves of 9.5%. The upward movement of these assets is an indication of increase in the BPA's claim to nonresident. In turn, the BPA's liabilities to central government also go up, as there is expansion of the government account held at the BPA. In fact, there was a request from the government to withdraw from the Fund during the quarter, thus the incoming transfer from the Fund to the government deposit with the BPA. Further, the commercial banks' foreign assets were driven mostly by holding of foreign currency, an increase of 217%, reversing a decline of 16.8% observes in the last quarter. While other deposits was declining by 23% which was the main determined in the last quarter, rose by 30.2%.

**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

Domestic credit in December quarter of 2009, according to table 7 monetary surveys, shows a huge decline, reduced by more than a thousand percent. This fact was due to amplify in the liabilities of the BPA to central government, conversely the claims to central government was falling. The liabilities to central government therefore increased by 106%, while claims declined by 78.5%, as the result the net credit to government rose by 116.7%. As the trend growth in the credit to domestic private sector is markedly small, it further contributed to the downward growth in the domestic credit.

Further, table 1 shows a downward in the total loans portfolio to the private sector in the quarter, reducing by 0.1%, reversing an increase of 6% in the previous quarter. Despite one of the sources of fund is available, as broad money continues to increase, however as the nonperforming loans continue high, the commercial banks have to continue construct provision for loan losses, therefore reduce the income and fund for loans.

This downward trend of loans to private sector in the quarter mostly concentrates on construction sector, reducing by 11.6%, which reversing 80% increased observe in the last quarter. The decline of loans in the construction sector could be recognizing, as high demand of fund was appear in the last quarter to finance the "referendum package project", while the project was planning to end up in the December 2009. Conversely, most of the beneficiaries of credit by sectors were growing. Tourism & service and industry & manufacturing were the biggest destination of loans during the quarter, rising by 10.5% and 8.5% respectively. However, the agriculture sector increased only by 0.9%.

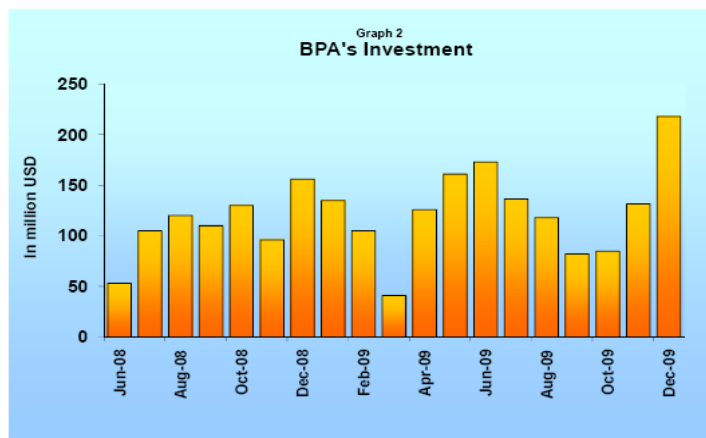
**Total Liquidity**

The total Liquidity Assets in the banking system during the December quarter of 2009 continue to in-

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

Sector	2009		Change from Sept 2009	Sept Share (%)
	Sept	Dec		
Agriculture,Water and Forestry	216	218	0.9	0.2
Industry and manufacturing	1,577	1,711	8.5	1.5
Construction	21,955	19,413	-11.6	17.5
Transport & Comunciation	2,227	2,357	5.8	2.1
Trade and Finance	18,416	19,113	3.8	17.2
Tourism and Service	11,839	13,081	10.5	11.8
Individuals	54,869	55,143	0.5	49.7
<b>Total</b>	<b>111,099</b>	<b>111,036</b>	<b>-0.1</b>	<b>100.0</b>

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.



crease, rose by 2.6%, following an increase of 11.5% in the last September quarter.

The growth drives liquid ratio to rise further to 77% mostly supporting by component of cash in vault and balances with central bank, reached 225% and 153% respectively. While, deposits with other financial institutions abroad declined in the quarter by 16.7%. The liquid ratio then has an expansion growth of 1.1% following an increase of 2.3% observes in the last September quarter. These developments caused the actual liquid requirements held, resulting excess liquidity rising to 62% from 61%.

Further, the BPA's portfolio investment abroad, exclude Petroleum Fund investment, was increased during the fourth quarter of 2009, rising by 166%, compare to 53% decreased in the last third quarter. The upward movement mostly due to the increase in the Government deposits with the BPA, which in turn decrease in the PF account, as the consequence of the Government withdrawal from the petroleum fund to finance the budget expenditure. Further, this movement in portfolio investment abroad pushes the Timor-Leste claims on nonresident to increase, then the International Reserves is affecting, rising by 141% reversing a decrease of 50.5% observe in the last September 2009 quarter.

### Interest Rate

The commercial banks' weighted average interest rate on deposits increased by 0.2 basis point while the lending rates decreased by 6 basis points in the December quarter.

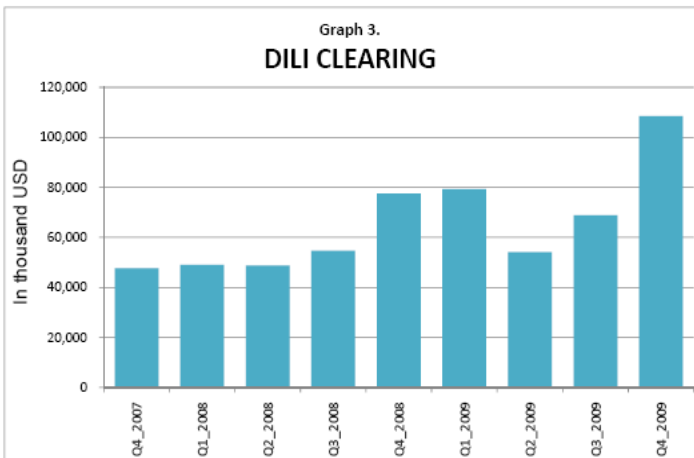
Table 3.  
Commercial Banks Deposits and Lending Rates  
December\_2009

Weighted Average

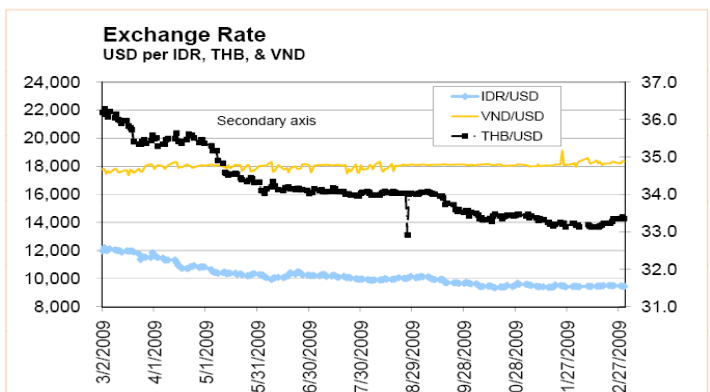
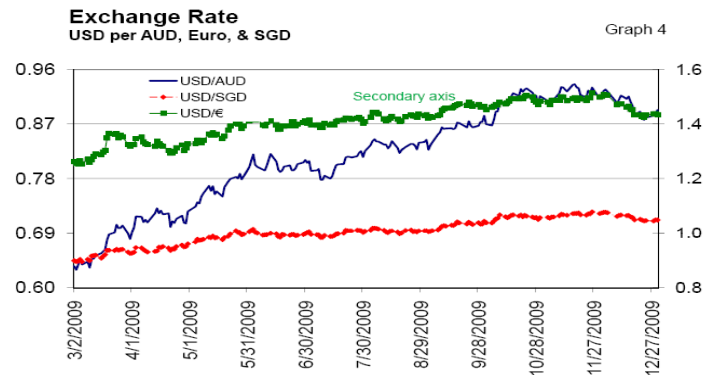
Savings	Deposit Rates			
	Time Deposits			
	Up to 3 mths	3 to 6 mths	6 to 12 mths	Over 12 mths
	0.75	0.82	1.06	1.23
Lending rates				
Loans + Libor 3 months	10.83			

### Exchange Rate

The USD continues depreciated against the main trading partner and major trading currencies during December 2009 quarter. In average, the USD depreciates by 3.3% against the Euro, 8.6% against the Australian dollar, Singapore dollar by 3.1%, Indonesian rupiah by 5.3%, and depreciates by 3.8% against the Japanese Yen, while it appreciate against Vietnam VND by 0.2%.



Clearing activities in the quarter showing an upward development compare to the last quarter. This was due to the increase in the number of both commercial bank and the government payment order with its customer. The value of clearing then rose by 57.7% compared to 27% rose in the last quarter, a reflection of rising in volume of clearing of 11.6%.



## 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)		
Q3 - 2008	66,511	1,653	68,164	6,304	12,847	19,151	-49,013	-60,207
October-08	26,650	838	27,488	2,515	4,677	7,192	-20,296	-24,135
November-08	40,122	3,635	43,757	2,100	1,867	3,967	-39,790	-38,022
December-08	35,277	1,055	36,332	533	967	1,500	-34,832	-34,744
Q4 - 2008	102,049	5,528	107,577	5,148	7,511	12,659	-94,918	-96,901
2st Semester/08	168,560	7,181	175,741	11,452	20,358	31,810	-143,931	-157,108
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	-18,672	-18,825
August-09	17,088	1,610	18,698	992	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	880	19,667	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

Source: National Statistics Department

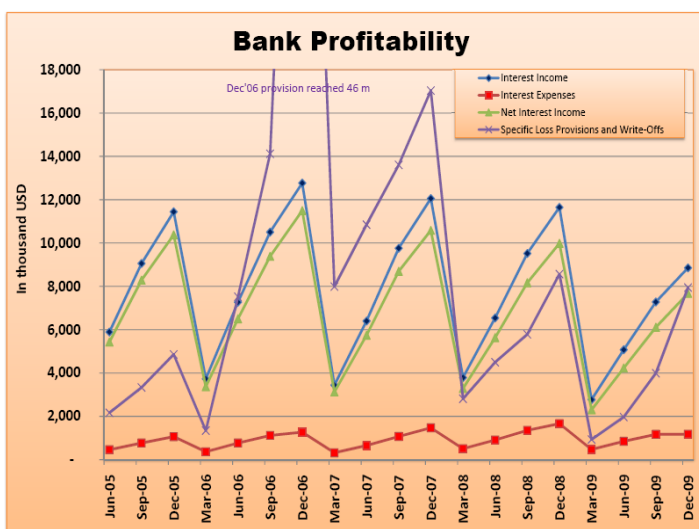
### III. An Overview of Profitability and Capital in Timor-Leste Banking System

There are three commercial banks and one microfinance institutions operated in Timor-Leste. In fact, the three commercial banks are branch of foreigner banks. This is a challenge in calculating the Capital Adequacy Ratio (CAR) on the banking system in Timor-Leste. Therefore, the BPA currently only apply the calculation of CAR for the microfinance institution (MFI-TL). Base on the instruction CPO/B-2000/2, the minimum ratios required for CAR are 12%, however for IMF-TL apply special treatment of 50%.

The capital adequacy ratio of the Microfinance Institutions at the end of the December 2009 was relatively high, reached 80% over 74% achieved in the previous year. While, the Tier-1 capital to risk weighted assets ratio remained high at 80 percent. Accordingly, microfinance institutions' capital is sufficient to absorb risk and provide adequate room to expand the credit.

On the other side, despite a slight decline over the year of 2009 compared to the previous year, the

banking system in Timor-Leste (include all commercial banks) has maintained its profitability. However, most of the profitability garnered from interest income has to cover anticipated unfavorable credit quality by maintaining their loan losses provision. Thus, as the allocation expenses for provision in 2009 decreased, declining by 7.3%, the operational profit (include other operating income) after provision is increasing, rose by 2%.

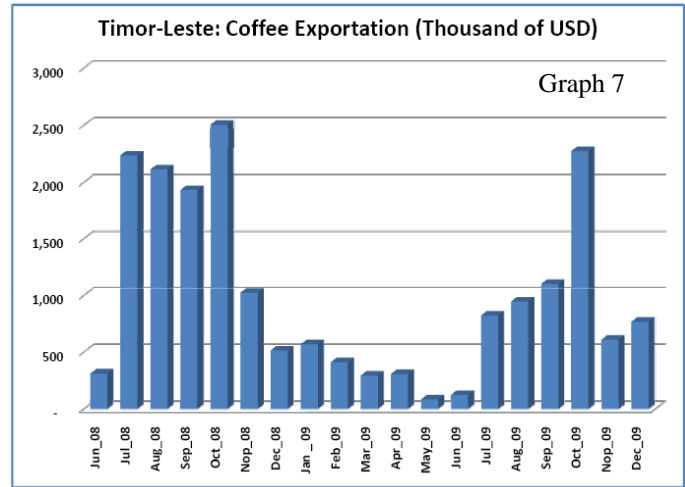




**IV. DOMESTIC ECONOMY**

Coffee export during the quarter show an upward development, increase by 27%, followed 400% growths observes in the last September quarter. However it decline in annual basis by 30% compare to total value export during 2008. Total amount of coffee export reached in the quarter was about 5 million kg compare to 2.9 million kg observe in the last September quarter. While, total amount reached during 2009 was about 10 million kg, decline 100% compare to amount exported during 2008. The bad weather creates hard crops as it could be produced last year.

The biggest destination during the year was the United States of America with the total value of 32% followed by Germany (29%). Portugal reached 9%, while Indonesia and Japan about 5%.



**Price Evolution in Dili**

Table 5

CONSUMER PRICE INDEX (2001 = 100)							
Group	Weights (%)	Index			% Change		
		Dec_08	Sept_09	Dec_09	Dec09/ Sept09	Sept09/ Sept08	Dec09/ Dec08
ALL GROUPS	100.0	146.6	147.7	149.2	1.0	-1.2	1.8
Food	56.7	149.9	149.2	153.4	2.8	-2.2	2.3
Alcohol and Tobacco	4.8	138.0	137.8	138.1	0.2	-0.1	0.1
Clothing and Footwear	8.9	171.7	177.7	182.3	2.6	7.6	6.2
Housing	10.2	154.7	154.9	156.1	0.8	2.1	0.9
Household Furnishings, Supplies and Services	7.9	102.9	102.2	102.2	0.0	-0.6	-0.7
Health	4.2	150.0	148.1	148.1	0.0	-2.1	-1.3
Recreation and Education	3.4	112.7	112.1	112.1	0.0	-1.1	-0.5
Transport and Communication	4.2	139.9	134.0	133.6	-0.3	-13.8	-4.5

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

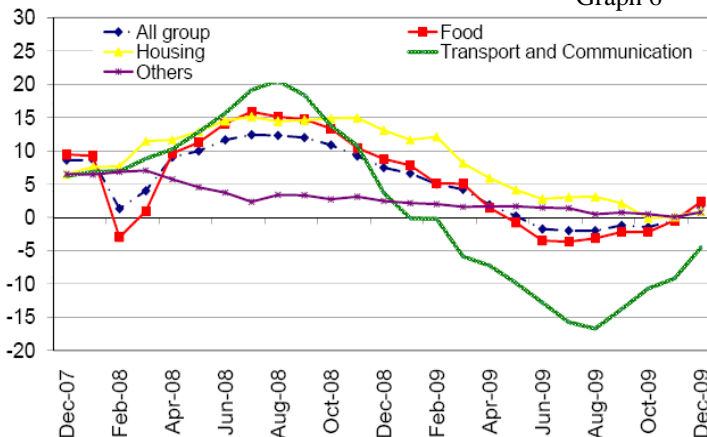
**Energy Price and Coffee**

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-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
29-May-09	128.43	127.55	65.08	3.65
30-Apr-09	111.90	112.49	50.97	3.33
31-Mar-09	110.22	110.33	48.41	3.81

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

Graph 6



The quarterly inflation rate reported by National Statistics Department rose by 1.0% in December 2009, followed by a 1.2% growth observes in last September quarter.

Furthermore, the annual inflation rate start to increase again to positive space, reached 1.8%, from -1.2% and -1.7% observes in last September and June quarter respectively. The acceleration in inflation could be reflected the impact of increase in the price of food of 2.3%, followed by alcohol and tobacco of 0.1%. Despite clothing & footwear and housing were slowing down, reached 6.2% and 0.9% respectively, but as they are in the positive space, contributed to this development. Transport and communication and others groups are increasing while still at negative space.

This phenomenon of acceleration in the price inflation mostly, except transportation, could be corresponding to the high demand during the month of December due to the Christmas day.

## Timor-Leste Monetary Survey

Millions of US Dollars

Table 7

	Dec-07	Dec-08	Sep-09	Dec-09	Percentage change	
					1 Q ago	1 Year ago
<b>NET FOREIGN ASSETS</b>	318.138	392.641	284.135	442.728	55.8	12.8
CLAIMS ON NONRESIDENTS	355.854	421.535	333.380	468.834	40.6	11.2
LIABILITIES TO NONRESIDENTS	-37.716	-28.895	-49.246	-26.106	-47.0	-9.7
<b>DOMESTIC CLAIMS</b>	-118.127	-127.059	8.086	-102.654	-1369.6	-19.2
<b>NET CLAIMS ON CENTRAL GOVERNMENT</b>	-218.629	-229.508	-95.155	-206.194	116.7	-10.2
CLAIMS ON CENTRAL GOVERNMENT	0.199	11.625	5.346	1.147	-78.5	-90.1
LIABILITIES TO CENTRAL GOVERNMENT	-218.827	-241.133	-100.501	-207.341	106.3	-14.0
<b>CLAIMS ON OTHER SECTORS</b>	100.502	102.449	103.241	103.539	0.3	1.1
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	100.502	102.449	103.241	103.539	0.3	1.1
<b>BROAD MONEY LIABILITIES</b>	143.714	192.658	211.043	249.605	18.3	29.6
CURRENCY OUTSIDE DEPOSITORY CORPORATIONS	2.273	2.454	2.695	2.801	3.9	14.2
TRANSFERABLE DEPOSITS	73.199	101.837	102.734	135.871	32.3	33.4
OTHER DEPOSITS	68.243	88.367	105.615	110.933	5.0	25.5
SECURITIES OTHER THAN SHARES	0.000	0.000	0.000	0.000	0.0	0.0
<b>DEPOSITS EXCLUDED FROM BROAD MONEY</b>	0.023	0.031	0.056	0.064	15.1	109.5
<b>SHARES AND OTHER EQUITY</b>	2.314	8.726	15.861	15.547	-2.0	78.2
<b>OTHER ITEMS (NET)</b>	53.961	64.167	65.260	74.857	14.7	16.7
<i>JFS Vertical Check</i>	0.000	0.000	0.000	-0.001	0.0	0.0
<b>Petroleum Fund Assets</b>	2086.157	4196.972	5301.568	5376.626	1.4	28.1

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

Table 8

Av. Bispo Madeiros, PO Box 59, Dili, Timor-Leste

### QUARTERLY SUMMARY FINANCIAL STATEMENTS

BALANCE SHEET		PROFIT AND LOSS	
As at 31 December 2009		For the period ended 31 December 2009	
In thousands of US Dollars		In thousands of US Dollars	
	US Dollars		US Dollars
<b>ASSETS</b>		<b>OPERATING PROFIT</b>	
Cash and cash equivalents	22,367	Interest income	202
Investments	242,707	Interest expense	(58)
Other assets	2,338	Net investment income	144
<b>TOTAL ASSETS</b>	<b>267,412</b>		
<b>LIABILITIES</b>		Fees and commissions	330
Government deposits	162,558	Petroleum fund management fee	1,742
Other deposits	78,232	Donations & Grants	42
Other liabilities	3,721	Other income	9
Currency issued	2,890	<b>TOTAL OPERATING INCOME</b>	<b>2,266</b>
<b>TOTAL LIABILITIES</b>	<b>247,451</b>	<b>EXPENSES</b>	
<b>EQUITY</b>		Personnel & capacity building expenses	492
Capital	20,000	Currency distribution expenses	294
Reserves	71	Administration expenses	1,521
Retained earnings	(110)	Depreciation	70
<b>TOTAL EQUITY</b>	<b>19,961</b>	<b>TOTAL EXPENSES</b>	<b>2,377</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>267,412</b>	<b>OPERATING DEFICIT</b>	<b>(110)</b>

Notes: As at 31 December 2009 the balance of Petroleum Fund account managed by the BPA was \$5,376,626,556. This is to recognise the reporting requirement under IFRS.

The Quarterly Statements above are presented in accordance with section 56.2 of Regulation 2001/00 and have been prepared on an accrual basis from the financial records of BPA as at 31 December 2009. These Financial Statements are unaudited.

  
BPA  
TIMOR-LESTE  
Abraão de Vasconcelos  
General Manager

  
Fernando da Silva Carvalho  
Chief Accountant

January 19, 2010