Summary:

- Total Government Expenditure significantly increased 84% in Q3 2021 compared to Q3 2020 and also an increase of 75% compared to Q2 2021. The massive increase of expending in Q3 mainly contributed by spending on Public Transfers.

- Domestic revenue fell 7% compared to the same period last year. Fees and charges fell by -75% due to EDTL and Bee TL becoming public enterprises in 2021 so they no longer contribute to domestic revenue.

- Imports increased by 21% compared to last year; imports related to investment and construction increased by 38% and consumption good imports grew by 35%.

- The total non-oil exports significantly increased in Q3 2021 compared to the same period in last year. Coffee exports rebounded in Q3 with the easing of lockdown restrictions.

- Inflation increased by 4.1% in Q3 2021. It is expected remain positive, increasing at 2.0% and 1.8% in 2022 and 2023 respectively. This will positively contribute to increasing Timor-Leste’s competitiveness, with inflation expected to be lower than the regional average.

- The World Bank (WB) food price index increased significantly with 27% between September 2020 and September 2021. However, world rice price decreased -11% while coffee prices have increased by 35% compared to last year.

- Oil prices have now fully recovered and surpassed the prices prior to the COVID-19 crisis where the price of oil halved due to suppressed global demand.

- Monetary: both nominal and real effective exchange rate have decreased since Q3 2020.
The total Government Expenditure increased by 84% in Q3 2021 compared to Q3 2020 and also increased 75% compared to Q2 in the same year. This is mainly contributed by a rise in spending on Public Transfers.

Spending on Transfers nearly tripled (increasing by 266%) in Q3 2021 compared to Q3 2020, due to a large rise in payment on the public grants. Spending on goods & services grew by 24% in Q3 2021 compared to Q3 2020.

Minor Capital spending is also higher in Q3 2021 compared to Q3 2020.

Capital Development spending fell -40% YoY in Q3 2021.

Total domestic revenue fell -7% in Q3 2021 compared to Q3 2020, but increased compared to Q2 2021.

Tax revenue decreased by 4% in Q3 2021 compared to Q3 2020. It also decreased 15% compared to Q2 2021.

Fees and charges in Q3 2021 fell significantly by -75% YoY. This is as EDLT and Bee TL became public enterprises at the start of 2021 so they no longer contribute to domestic revenue.

Autonomous Agencies and Special Administrative Region revenue in Q3 2021 had a large rise (489%) compared to the same period last year due to large payment from CLN. This was also significantly increased by 278% in Q3 compare to Q2 2021.
Imports

Total imports of investment for Q3 2021 increased by 21% compared to Q3 2020. It also increased by 34% compared to the second quarter in 2021.

Imports relating to investment and construction increased YoY, specifically:
- Merchandise imports increased 22%
- Capital Goods imports increased by 3%
- Machinery imports increased 22%
- Cement imports increased 38%

Consumption good imports increased by 35% in Q3 2021 compared to Q3 2020. It also increased by 44% compared to Q2 in 2021.

Cereal imports more than doubled (213%) in Q3 2021 compared to Q3 2020.

Beverages also significantly increased 62% in Q3 2021 compared to Q3 2020. They also one and a half time increase compared to Q2 in 2021.

Source: DG Statistics, Ministry of Finance, October 2021

Source: DG Statistics, Ministry of Finance, July 2021
Exports

- Total non-oil exports in Q3 2021 saw a large increase (1160%) compared to Q3 2020.
- Coffee export significantly increased by 140% in Q3 2021 compared to Q3 2020. This is due to increased flexibility and improvements to trade activity and Covid-19 induced global slowdown.

Source: DG Statistics, Ministry of Finance, October 2021

Inflation

- In September 2021, YoY inflation in Timor-Leste saw an uptick of 4.1%.
- Between Q3 2020 and Q3 2021 inflation in the Districts was 4.4% which is higher compared to inflation in Dili which was about 3.4%.
- The price of alcohol and tobacco was the CPI category with the biggest increase at +7.2% (YoY).
- The CPI category with the biggest decrease was furnishing and household equipment which decreased -0.5% YoY.
- Domestic food prices rose in September 6.4% (YoY) and 0.6% (QoQ). This will be detrimental to poorer households who spend most of their income on food.
World Commodity Prices

- The World Bank (WB) food price index increased 27% between September 2020 and September 2021 (YoY). This is bad for poorer households where food make up a large amount of their spending.
- Rice is a main staple of the diet in Timor and the world rice price has decreased -21% since September 2021 (YoY) and -11% over the last 3 months (QoQ). There was a brief spike in prices in April 2020 ($564/mt) but prices are now stabilising around ($466/mt). This is good for Timorese consumers.
- Coffee is Timor’s most important non-oil export. The world price of coffee (Arabica) has increased 35% over the last year (YoY). This will positively affect those families who rely on coffee production in Timor-Leste.
- In Q3 2021, crude oil (Brent) rose 79% in September 2021 compared to the year before. Oil prices have now fully recovered and surpassed the prices prior to the COVID-19 crisis where the price of oil halved due to supressed global demand. It is also likely to have an upward effect on general inflation in the near future.
Monetary indicators:

- Between September 2020 and September 2021 Timor-Leste’s NEER depreciated by -2.3% while the REER depreciated -2.2%. Over this period the NEER also experienced a -11.1% decrease against a weighted Thai Baht and Vietnamese Dong Hong-Kong dollar basket whereas the REER depreciated by -8.9% against the same basket.

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