



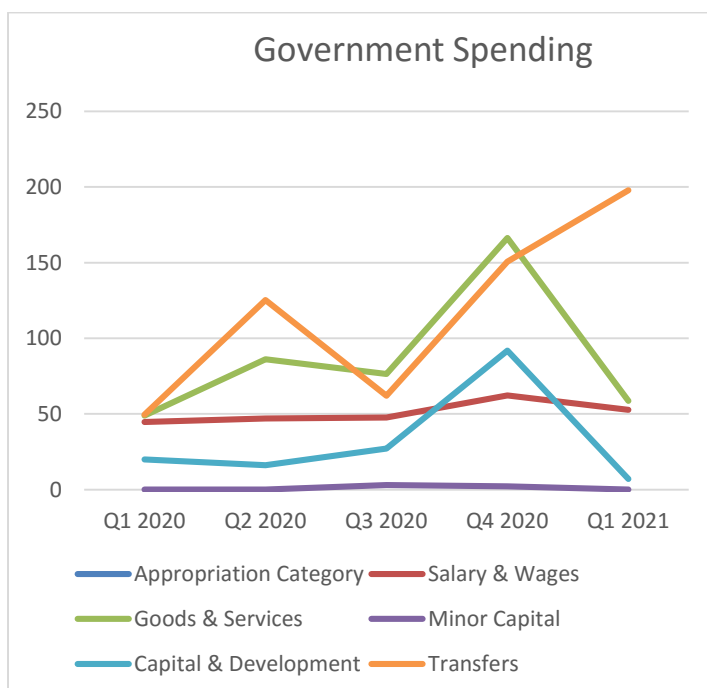
*DNPE Quarterly Economic Indicators*

*Q1 2021 vs Q12020*

**Summary:**

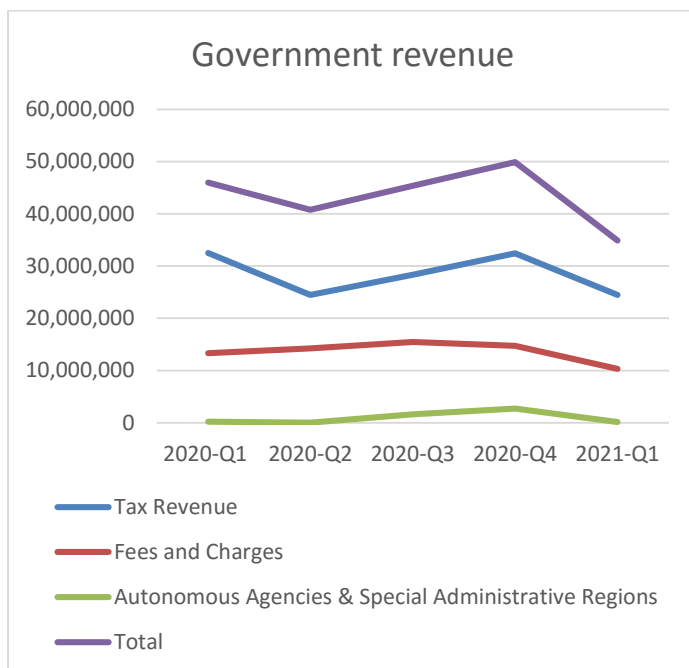
- Gov spending has almost doubled in comparison to Q1 2020 when there was a duodecimal system.
- Gov revenue has fallen by a quarter compared to Q2021 although Q12020 was unusually high.
- Imports fell by 20%; investment related imports fell while consumption imports grew on the whole.
- Exports increased slightly with coffee exported 4x higher than Q12020 and rebounding to 2019 levels.
- Inflation has increased 2.9% in March 2021 compared to last year, domestic food prices have risen.
- World commodity prices: oil returned to its pre-Covid price and will drive the general level of inflation in TL upwards; rice prices have gone down from their spike in April 2020; coffee price increased.
- Monetary: both nominal and real effective exchange rate have decreased since March 2020 YoY and money supply has increased.
- Please note due to the lockdown data for April is not available for most sources and data collection for a number of indicators such as electricity consumption, remittances and new business registration have not been received.

**Government Spending**



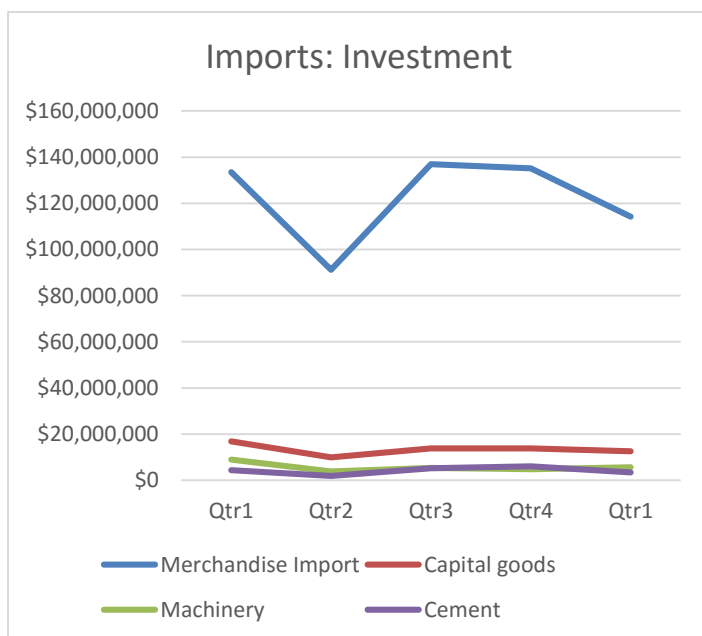
- Government Expenditure increased 94% when you compare Q1 2021 with Q1 2020 due last year's duo decimal regime constraining public spending.
- The biggest increase was in transfer payments which increased 4 fold.
- Capital development fell 65% compared to Q1 2020.
- **Update for April 2021:** Government spending in April fell 30% compared to March 2021 although still 20% higher than April 2020. Biggest fall was goods and services which fell 60% YoY.

## Government revenue



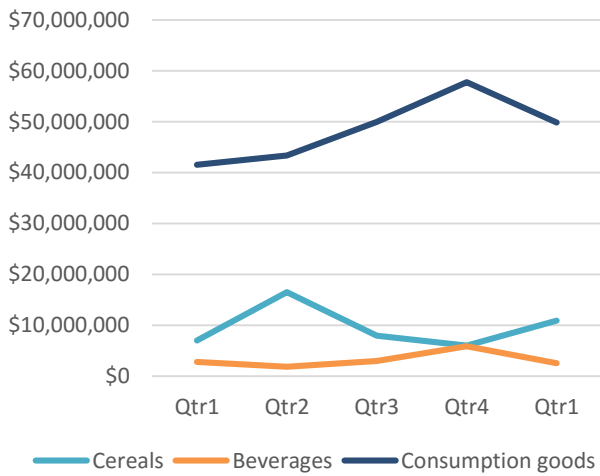
- Overall government revenue fell 25% between Q12021 and Q12020. Q1 2020 was particularly high due to a spill over of withholding tax from 2019.
- Electricity is the biggest contributor to fees and charges (60% of F&C). EDTL will be an autonomous agency in 2021. This is expected to reduce annual government revenue by 17%.
- **April 2021 update:** April 2021 tax revenue increase 20% since March 2021, and 14% since April 2020. Fees and Charges decreased 35% MoM but were up 8% YoY. AA is up 40% YoY but their reporting tends to be lumpy.

## Imports



- Total imports fell 20% compared to Q12020.
- However, imports relating to investment & construction all fell YoY:
  - Merchandise imports fell 15%
  - Capital goods imports fell 25%
  - Cement imports fell 22%
  - Machinery fell 37%.

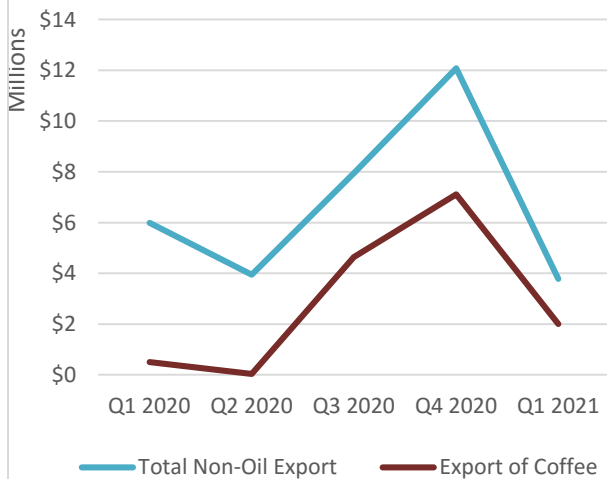
### Imports: consumption



- Consumption good imports on the other hand increased 20% compared to Q12020
- Cereal imports increased 55% compared to Q12020.
- Beverage imports decreased 10% compared to Q12020.

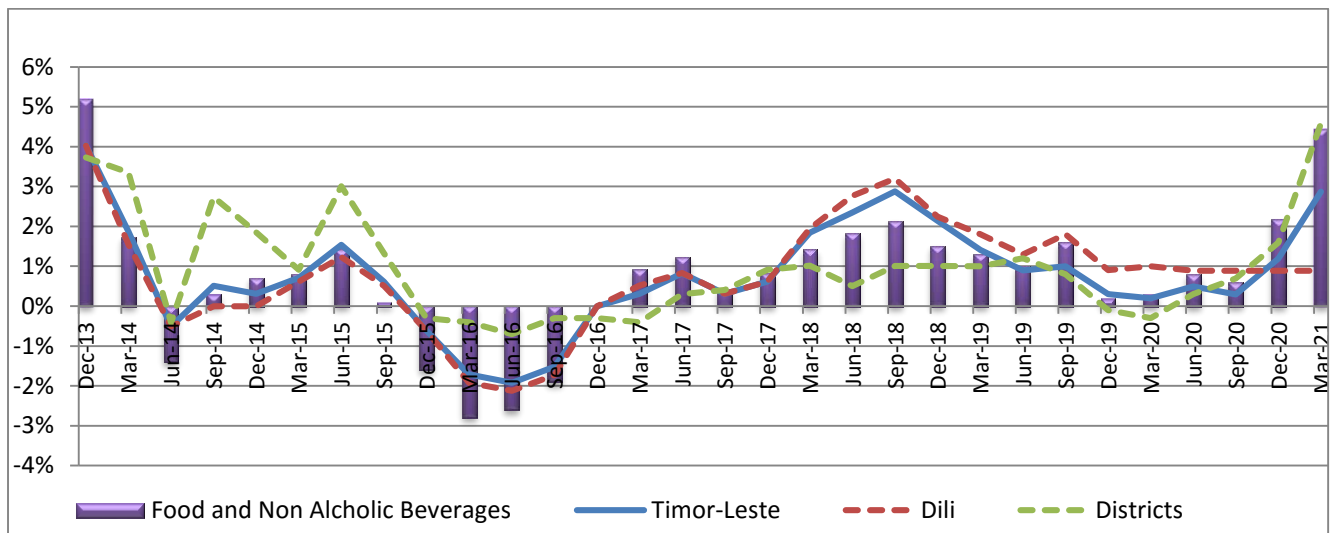
### Exports

#### Total Non Oil Exports & Coffee Exports



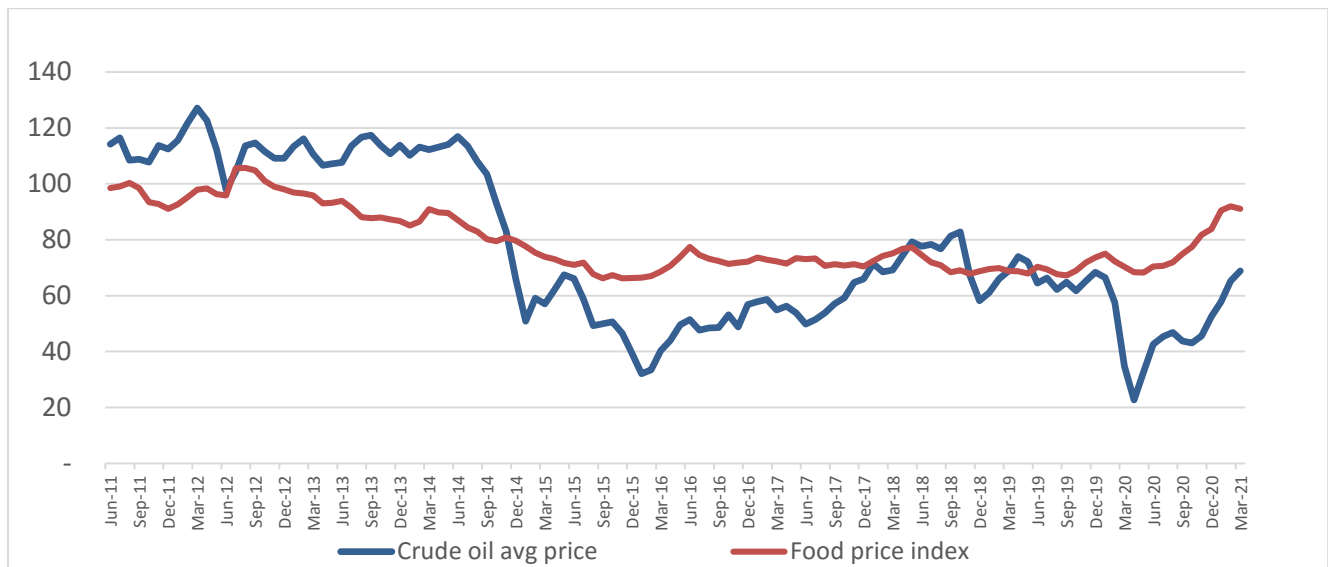
- Total non-oil exports fell 37%.
- Coffee exports increased 4 fold compared to Q12020 recovering to 2019 levels.
- Given the size of imports relative to exports this represents an improvement in the trade balance for Q12021 vs Q12020 of 17% ie \$30m.

## Inflation



- In March 2021 over the last year (Year on Year, **YoY**) inflation in Timor-Leste has remained stable at 2.9%.
- During the first quarter of 2021 (Quarter on Quarter, **QoQ**) inflation in the whole country was 2.1%.
- Between January and March (QoQ) inflation in Districts was higher than in the Dili (3.2% in districts vs 1.4% in Dili)
- Core inflation ie removing volatile categories such as food and transport, is 1.1% when compared the same quarter last year.
- CPI category with biggest increase in the first quarter of the year was Alcohol and tobacco 7.5% (QoQ).
- CPI category with the biggest decrease was clothing and footwear which decreased -0.5% over the first quarter (QoQ).
- Domestic food prices rose in March 4.4% (YoY) and 2.7% (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 30% between March 2020 and March 2021 (YoY) and 9% over the last 3 months (QoQ).
- Rice is a main staple of the diet in Timor and the world rice price has increased 6% since March 2020 (YoY) and 1% over the last 3 months (QoQ). There was a brief spike in prices in April 2020 (\$ 564/mt) but are now stabilising around (\$525/mt). This is good for Timorese consumers.
- Coffee is one of Timor’s most important non-oil exports. The world price of coffee (Arabica) has increased 13% over the last year (YoY) and increased 7% in the fourth quarter (QoQ). This is still around 63% the price seen in 2011, but recovering from a 10 year low seen in May 2019 when prices were 45% of prices in 2011. This should be good news for coffee farmers and exporters.
- The price of oil halved in the 1<sup>st</sup> quarter of 2020 year due to the fall in global demand during the height of the Covid-19 crisis, bottoming out at \$21.04 per barrel in April 2020, but prices have recovered since, increasing to \$63.83 per barrel in March 2021. The price of oil is now higher than it was before the start of the Covid-19 crisis in Dec 2019.). This is also like to have an upward effect on general inflation in the near future.

## Monetary Indicators

- The Nominal Effective Exchange Rate (NEER) decreased -6.9% (YoY) while the Real Effective Exchange Rate (REER) decreased -5.1% (YoY). This will have a negative effect on consumers and importers in Timor Leste as imports become more expensive but will have a positive effect on exporters whose products become cheaper overseas. It may benefit the trade balance.
- Money Supply in March 2021 increased YoY 6.9%.

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