

NATIONAL DIRECTORATE FOR ECONOMIC POLICY

QUARTERLY INFLATION REVIEW

MARCH -JUNE 2021

n.37

KEY STATISTICS

- In June 2021 over the last year (Year on Year, **YoY**) inflation in Timor-Leste has rose slightly at 3.6%.
- During the second quarter of 2021 (Quarter on Quarter, **QoQ**) inflation in the whole country was 1.2%.
- Between March and June (QoQ) inflation in districts was higher (0.7%) than in the Dili (0.0%).
- Core inflation ie removing volatile categories such as food and transport, is 1.2% when compared the same quarter last year.
- CPI category with biggest increase in the second quarter of the year was Transport 1.6% (QoQ).
- CPI category with the biggest decrease was furnishings, household equipment and routine household maintenance which decreased -0.6% over the second quarter (QoQ).
- The World Bank (WB) food price index increased a massive 39% between June 2020 and June 2021 (YoY) and 7% over the last 3 months (QoQ).
- Rice is a main staple of the diet in Timor and the world rice price has decreased -10% since June 2020 (YoY) and -11% over the last 3 months (QoQ). There was a brief spike in prices in April 2020 but are now decreasing. This is good for Timorese consumers.
- Coffee is Timor's most important non-oil export. The world price of coffee (Arabica) has increased 36% over the last year (YoY) and increased 15% in the second quarter (QoQ). This is still around 60% the price seen in 2011, but recovering from a 10 year low seen in May 2019. This should be good news for coffee farmers and exporters.
- Domestic food prices rose in June though these remained muted at 5.9% (YoY) and 2.0% (QoQ). This is bad news for poorer households who spend most of their income on food.
- The price of oil halved in the 1st 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 \$71.80 per barrel in June 2021. The price of oil is now higher than it was before the start of the Covid-19 crisis in Dec 2019). This is likely to have a upward effect on general inflation in the near future.
- The Nominal Effective Exchange Rate (NEER) decreased -3.8% (YoY) while the Real Effective Exchange Rate (REER) decreased -3.2% (YoY). This will have a negative 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.

- Government Expenditure decreased -8.8% when you compare Q2 2021 with Q2 2020.
- Money Supply in June 2021 increased YoY 7.9%.
- The second quarter of 2021 saw a smaller increase in the price of non-tradeables (0.1%) than tradeables (0.2%).

Inflation Outlook	2018	2019	2020	2021*	2022*	2023*
Timor-Leste*	2.3%	0.9%	0.5%	2.3%	2.0%	1.8%

ANNEX 1: CONCEPTS AND TERMINOLOGY

Year-on-year (YoY) inflation is the most commonly used measure and is calculated by comparing the price index from a given period with the same month in the previous year. For example, the year-on-year inflation in March 2021 measures the percentage change in prices between June 2020 and June 2021.

Quarter-on-quarter inflation (QoQ) is calculated by comparing the price index from the last month of a given quarter (March, June, September or December) with the last month of the previous quarter. Eg QoQ inflation in June 2021 measures the percentage change in prices between January 2020 and June 2021.

Month-on-month inflation (MoM) is calculated by comparing the price index from the latest month to the previous month. Eg, MoM inflation in June 2021 measures the percentage change in prices between mei 2021 and June 2021. Timor-Leste's Consumer Price Index is published monthly by General Directorate of Statistics (MPF)¹.

ANNEX 2: NOTES

This bulletin is produced by the National Directorate for Economic Policy, Ministry of Finance, on a quarterly basis. Please refer any queries to the below contacts:

1. Epifanio Martins, *Director of NDEP*
Email: epmartins@mof.gov.tl
2. Nelio Francisco B.S. Mesquita, *Analyst*
Email: nmesquita@mof.gov.tl
3. Georgina Conway, *Macroeconomist*
Email: gconways@mof.gov.tl

¹ See for latest CPI data from the General Directorate of Statistics (<http://www.statistics.gov.tl/category/survey-indicators/consumer-price-index/?lang=en>)