



EAST TIMOR OVERVIEW

ECONOMIC OUTLOOK
2013

PLMJ
INTERNATIONAL
LEGAL NETWORK

MEMBER OFFICES ANGOLA • BRAZIL • CAPEVERDE • CHINA
EAST TIMOR • MACAO • MOZAMBIQUE • PORTUGAL

GLTL 
GABINETE LEGAL TIMOR-LESTE
ADVOGADOS

COUNTRY INFORMATION AND PRINCIPAL ECONOMIC DATA¹

AREA
15 007 KM²

LOCATION
SOUTH-EAST ASIA

BORDERS
TO THE WEST WITH INDONESIA AND NORTH, SOUTH AND EAST WITH THE OCEAN

POPULATION
1 066 582 (2010 CENSUS)

POPULATION DENSITY
71 INH/KM²

PROVINCES
BOBONARO, LIQUIÇÁ, DÍLI, BAUCAU, MANATUTO AND LAUTÉM ON THE NORTHERN COAST, COVA-LIMA, AINARO, MANUFAHI AND VIQUEQUE, ON THE SOUTHERN COAST, ERMERA AND AILEU, IN THE MOUNTAINOUS INTERIOR, AND OECUSSI-AMBENO, AN ENCLAVE IN INDONESIAN TERRITORY.

CAPITAL
DILI (200 000 INHABITANTS)

OTHER IMPORTANT CITIES
DARE, BAUCAU, MALIANA, ERMERA

OFFICIAL NAME:
DEMOCRATIC REPUBLIC OF TIMOR-LESTE



Country risk: General risk: C (April 2013)
(AAA = lower risk; ; and = higher risk)
Political risk: C

Degree of openness and relative size of market: Exp. + Imp. / GDP (except oil)= 50.1% (2010)
Imp. / GDP (except oil)= 47.5% (2010)
Imp. / Worldwide Imp. = 0.002% (2010)

Sources: Government of East Timor (online), The Economist Intelligence Unit (EIU) - ViewsWire (April 2013), World Trade Organization (WTO), East Timor National Directorate of Statistics, AICEP – Portuguese Agency for External Investment and Trade

OFFICIAL LANGUAGE

PORTUGUESE AND TETUM

OTHER LANGUAGES

ATAURENSE, BAIQUENO, BECAIS, BÚNAQUE, CAUAIMINA, FATALUCO, GALÓLI, HABO, IDALACA, LOVAIA, MACALERO, MACASSAI, MAMBAI, QUÉMAQUE AND TOCODEDE

RELIGION

MORE THAN 90% OF THE POPULATION IS CATHOLIC. ANIMISM IS ALSO PRACTICED

CURRENCY UNITUNITED STATES DOLLAR (USD)
1 EUR = 1.311 USD
(10 APRIL 2013)**INTERNET CODE**
.LT**DIALLING CODE**
+670**TIME**

GMT + 8 HOURS

DATE OF RESTORATION OF INDEPENDENCE

20 MAY 2002

POLITICAL SYSTEM

PARLIAMENTARY REPUBLIC

COUNTRY INFORMATION AND PRINCIPAL ECONOMIC DATA**PRESIDENT:**

TAUR MATAN RUAK

VICE-PRESIDENT:

JOSÉ ALEXANDRE XANANA GUSMÃO

DATE OF CURRENT CONSTITUTION:SIGNED ON 22 MARCH 2002;
CAME INTO FORCE ON 20 MAY 2002**MAIN POLITICAL PARTIES:**FRETILIN - EAST TIMOR REVOLUTIONARY FRONT
INDEPENDENT (GOVERNMENT)
DEMOCRATIC PARTY (PD)
SOCIAL DEMOCRAT PARTY (PSD)
SOCIAL DEMOCRAT ASSOCIATION (ASDT)
NATIONAL CONGRESS FOR THE RECONSTRUCTION OF TIMOR (CNRT)**PUBLIC HOLIDAYS 2013**

DATE	HOLIDAY	NOTES
1 January	World Fraternity Day	-
29 March	Good Friday	-
1 May	World Workers Day	-
20 May	Restoration of Independence	Homage to the date the country regained its sovereignty
30 May	Corpus Christi	-
9 August	Idul Fitri	End of Ramadan
30 August	Popular Consultation Day	Homage to the date the people demonstrated their intention to become independent
15 October	Idul Adha	Muslim day of sacrifice
1 November	All Saints Day	-
2 November	Day of the Faithful Dead	-
12 November	National Youth Day	-
28 November	Day of Proclamation of Independence	Celebration of the date East Timor gained its independence from Portugal
7 December	National Heroes Day	Anniversary of the invasion of the country by Indonesia in 1975
8 December	Immaculate Conception	-
25 December	Christmas	-

MAIN MACROECONOMIC INDICATORS

GDP EXCEPT OIL (10⁶)
757

EIU INFLATION RATE FORECAST

4.8% (AVERAGE)

IMF GDP FORECAST 2013

10% GROWTH

INDICATORS	UNIT	2009 ^a	2010 ^a	2011 ^b
Population	10 ⁶	1,1	1,2	1,2
Gross national income ^c	USD 10 ⁶	2.465 ^b	2.969 ^b	n.a.
GDP except oil	USD 10 ⁶	556	628	757
Real growth in GDP except oil	%	12.9	6.0	8.5
Rate of Inflation (average)	%	0.7	6.8	12.8
Current account balance	USD 10 ⁶	1.315 ^b	1.699 ^b	n.a.
Foreign exchange reserves	USD 10 ⁶	249,9	406,2	n.a.

Source: The Economist Intelligence Unit (EIU); ABPTL, East Timor Planning and Finance Ministry, IMF and Bank of Portugal calculations - Bank of Portugal document on the Evolution of the PALOP and East Timor Economies of 2010/2011

The banking system is made up of three branches of foreign banks (from Portugal, Australia and Indonesia) and one specialised micro-credit institution (the Micro-Finances Institution), all under the supervision of the Central Bank.

List of commercial banks:

- Caixa Geral de Depósitos, SA (CGD) Timor-Leste (CGD/BNU)
- Australia and New Zealand Bank (ANZ) Banking Group
- Banco Nacional de Comércio de Timor-Leste (BNCTL)
- PT. Bank Mandiri (Persero) Tbk. Dili – Agency in East Timor

^aActual data

^bEstimates

^cIncludes income from off-shore oil and gas exploration
n.a. - not available

ECONOMIC SITUATION AND PROSPECTS

THE OIL SECTOR IS SEEN AS A TOOL FOR THE DEVELOPMENT OF THE COUNTRY

FOR 2010 AND 2011, THE INCREASES IN (NON-OIL) GDP WERE 6% AND 8.5%.

FOR 2013, THE INTERNATIONAL MONETARY FUND FORECAST A GROWTH RATE OF 10% OF GDP.

FOR 2012 AND 2013, THE EIU ESTIMATE IS FOR AN AVERAGE ANNUAL INFLATION RATE OF 4.7%.

The majority of the population of East Timor lives on agriculture and on a subsistence economy. However, there are plans to bring a new direction to the economy of the country.

In May 2002, a plan was approved at a meeting of the partners for the development of the National Development Plan (NDP) focusing on the objective of reducing poverty levels. The NDP covers a number of sectors including the primary sector, infrastructures (electricity and communication) and social services (education and health).

More recently it prepared the East Timor Strategic Development Plan (SDP) for 2011-2030 which results from the government's work in developing the main pillars of the NDP.

One of the central points of the SDP is the oil sector. This sector's contributions to the development of the East Timor economy has had a strong positive influence on the country's macroeconomic conditions and this situation has made it possible to obtain external account surpluses.

The oil sector is seen as a tool for the development of the country and for the fight against some of the structural weaknesses and considerable social needs. This is why a strategy for the management of the oil fund was created in 2005, in accordance with international best practice. A fund for infrastructures was also created which is used to finance large scale projects for the development of human capital, particularly in the area of professional training and education.

In terms of GDP, excluding oil, 2005 saw an increase of 6.1%. However, as a result of the unstable situation between April and May, this level saw a change of direction in 2006 when it fell to 5.7%. Nevertheless, 2007 brought a return to growth and non-oil GDP

witnessed growth to higher than 9%.

The figures for 2008 and 2009 are even more solid as a result of a growth in GDP of 10.9% and 12.9%, respectively. This increase was brought about by the financial stimulus that had already been applied in a similar way in 2007.

For 2010 and 2011, the increases in (non-oil) GDP were 6% and 8.5%. The state budget for 2012 makes provision for a very expansionist policy, with spending set at almost 30% higher than the level for 2011.

For 2013, the International Monetary Fund forecast a growth rate of 10% of GDP.

East Timor's rate of inflation is a macroeconomic indicator that has been subject to some variation over recent years. It went from 3.9% in 2006 to 10.3 in 2007 and increasing prices, in particular, food products and oil, contributed to this increase.

In 2008 the rate of inflation fell slightly to 9.1% but in 2009 it fell much more dramatically to 0.7%.

In 2010 the rate of inflation began to climb again and reached 6.8%. For 2011 the estimate was around 12.8%, above all because of the increase in food product prices in the international markets.

For 2012 and 2013, the EIU estimate is for an average annual inflation rate of 4.7%.

EAST TIMOR FORECASTS FOR GROWTH (GDP REAL GROWTH RATE, %)

	2012	2013
Economist Intelligence Unit	7.2	7.2
IMF	10.0	10.0

TRADE

MAIN EXPORT

COFFEE

MAIN IMPORTS

MOTOR VEHICLES,
TRACTORS, BICYCLES
AND OTHER LAND VEHICLES
AND PARTS

MAIN SUPPLIER

INDONESIA

MAIN CLIENT

USA

EVOLUTION OF BALANCE OF TRADE

BALANCE OF TRADE (10 ³ USD)	2006	2007	2008	2009	2010
Exports	8 455	7 734	12 899	8 491	16 395
Imports	100 802	206 133	268 584	295 096	298 091
Balance	-92 347	-198 399	-255 658	-286 605	-281 696

Source: East Timor National Directorate of Statistics

The numbers for exports and imports differ greatly. For exports, according to available data, only 2008 and 2010 saw values above 10 million dollars.

As far as imports are concerned, the values are precisely the reverse with a jump from 108.8 million dollars in 2006 to almost 300 million dollars in 2010.

Faced with these figures it is not difficult to conclude that the balance of trade is extremely negative.

MAIN CLIENTS	% OF THE TOTAL	MAIN SUPPLIERS	% OF THE TOTAL
1 USA	43.9	1 Indonesia	39.0
2 Germany	25.7	2 Singapore	18.3
3 Singapore	9.1	3 Australia	10.2
4 Portugal	4.4	4 China	8.7
5 Indonesia	4.3	6 Portugal	2.9

Source: East Timor National Directorate of Statistics

The USA is East Timor's main client taking almost half the country's exports.

Indonesia is the main supplier to East Timor with an almost 40% share of all imports.

EXPORTS	% OF TOTAL	IMPORTS	% OF TOTAL
Coffee	97.5	Motor vehicles, tractors, bicycles and other land vehicles and parts	22.4
		Fuel and minerals	16.7
		Mechanical machinery and equipment	9.6
		Electronic machinery and equipment	9.5
		Cereal	5.7

Source: East Timor National Directorate of Statistics

Coffee has become East Timor's main export product. Exports of this product represented 97.5% of all exports in 2010, up from 92.8% in 2009.

For imports, the product category of motor vehicles, tractors, bicycles and other land vehicles and parts represented 22.4% of the total value in 2010.

INVESTMENTS

INDIRECT INVESTMENT

10 ⁶ USD	2006	2007	2008	2009	2010
Foreign investment in East Timor	8.5	8.7	39.7	49.9	279.6
Investment by East Timor abroad	-	-	-	-	-
World ranking					
Inbound	181	189	174	167	124
Outbound	-	-	-	-	-

Source: UNCTAD - World Investment Report 2011

As a result of reduced foreign investment, East Timor has benefitted from international aid. This financial support has been used in a number of areas such as agriculture, education, health and infrastructures.

ECONOMIC RELATIONS WITH PORTUGAL

IMPORTANCE OF EAST TIMOR IN TRADE WITH PORTUGAL

		2007	2008	2009	2010	2011	2012 (Jan/Fev)
Foreign investment in East Timor	Position	132	123	82	96	107	100
	% Out	0.00	0.01	0.03	0.02	0.01	0.01
World ranking As receiver	Position	156	143	127	126	132	124
	% Out	0.00	0.00	0.00	0.00	0.00	0.00

Source: INE - National Institute of Statistics

As a client of Portugal, East Timor has been a modest player. From 2007 to 2009 its positions improved. However, over recent years, the movement has reversed and it found itself in 107th position in 2011.

EVOLUTION OF THE BILATERAL BALANCE OF TRADE

10 ³ EUR	2010	2011	Var. % ^a 07/11	2011 (Jan/Feb)	2012 Jan/Feb	Var. % ^b 11/12
Exports	6 667	4 912	90.7	544	978	80.0
Imports	1 119	1 026	56.1	91	88	-3.9
Balance	5 558	3 885	-	452	891	-
Coefficient	542.7%	478.6%	-	595.8%	1 115.8%	-

Source: INE - National Institute of Statistics

EAST TIMOR HAS BENEFITTED FROM INTERNATIONAL AID

BETWEEN 2007 AND 2011, THE BILATERAL BALANCE OF TRADE AS ALWAYS BEEN FAVOURABLE TO PORTUGAL

^a Mathematical average of annual growth rates for the period 2007-2011

^b Annual rate of change 2011-2012
2010 to 2012: Preliminary Results

When it comes to imports, the country was in 132nd place in 2011, a lower position that it had been in in the two preceding years.

Between 2007 and 2011, the bilateral balance of trade was always in favour of Portugal, and in 2009 and 2010 it exceeded EUR 5 million.

Over the period studied, the import coverage ratio varied between values of around 400% in 2008 and more than 1000% in 2009.

EXPORTS BY PRODUCT GROUP	2007	% Total de 2007	2010	% Total de 2010	2011	% Total de 2011	Var. % 10/11
Machinery and appliances	532	44.2	4 385	65.7	2 071	42.2	-52.8
Food	226	18.8	768	11.5	824	16.8	7.3
Cellulose pulp and paper	275	22.8	242	3.6	689	14.0	184.6
Base metals	62	5.2	372	5.6	500	10.2	34.2
Agricultural	1	0.1	242	3.6	242	4.9	0.0
Vehicles and other transport equipment	68	5.6	98	1.5	163	3.3	65.9
Minerals and mining	3	0.2	28	0.4	83	1.7	200.4
Textile materials	3	0.2	54	1.3	58	1.2	-31.6
Plastics and rubber	4	0.3	31	0.5	48	1.0	55.8
Wood and cork	0	0.0	62	0.9	42	0.9	-31.6
Optical and precision instruments	7	0.6	11	0.2	21	0.4	88.7
Clothing	1	0.1	6	0.1	14	0.3	147.2
Chemicals	2	0.1	33	0.5	6	0.1	-81.3
Skins and leather			0	0.0	3	0.1	\$
Mineral fuels			0	0.0	2	0.0	545.0
Shoes	0	0.0			1	0.0	\$
Other products	16	1.3	315	4.7	146	3.0	-53.6
Confidential values	4	0.3					\$
Total	1 202	100.0	6 677	100.0	4 912	100.0	-26.1

Source: INE - National Institute of Statistics

Note: \$ - Coefficient of variation > = 1000% or zero in 2010

Machinery and appliances make up 42.2 % of total Portuguese exports to East Timor (2011), followed by food products with 16.8%, cellulose pulp with 14% and base metals with 12%.

When it comes to food exports, it should be noted that wine represents 48% of the total of this category.

Around 97% of the value of the cellulose pulp and paper category relates to books, brochures and similar printed materials.

STATE BUDGET FOR 2013

THE TOTAL VALUE OF THE BUDGET IS USD 1.6 THOUSAND MILLION.

The East Timor General State Budget was approved unanimously on 18 February 2013, having been approved by all the members of the national parliament present.

The total value of the budget is USD 1.6 thousand million.

NATIONAL AND INTERNATIONAL RELATIONS

EAST TIMOR IS A MEMBER OF THE COMMUNITY OF PORTUGUESE-SPEAKING COUNTRIES (CPLP)

The Democratic Republic of Timor-Leste is a member of the Asian Development Bank (ADB) and the United Nations (UN) and its special agencies including the World Bank (WB), the International Monetary Fund (IMF) and the United Nations Conference on Trade and Development (UNCTAD).

On the regional level, East Timor is a member of the Community of Portuguese-speaking countries (CPLP) and since 2002 it has enjoyed the status of "special observer" at the Pacific Islands Forum.

It should be mentioned that East Timor's relations with the European Union are governed by the Cotonou Agreement, which came into force on 1 April 2003 and substituted the Lomé Conventions which had governed cooperation relations between the Member States of the

EU and the countries of Africa, the Caribbean and Pacific (ACP) for decades.

The new agreement is in force for 20 years and establishes a new legal framework to regulate cooperation between the parties. The main objective of the agreement is to eliminate social deprivation, particularly poverty,

through sustainable development and the progressive and phased integration of the ACP countries into the world economy.

In the partnership agreement between the EU and the ACP countries, the parties agreed to enter into new commercial arrangements compatible with the rules of WTO (Economic Partnership Agreements - EPAs). The aim of this approach is to progressively eliminate barriers to trade and to strengthen joint efforts in areas such as standardisation, certification and quality control, competition policy and consumer policy, among others.

In the context of continuous improvement of relations between states, in 2009 an Interim Partnership Agreement was signed between the EU and a Papua New Guinea and Fiji. The rest of the countries of the Pacific region chose not to join the agreement in light of their levels of trade with the EU.

THE AIM OF THIS APPROACH IS TO PROGRESSIVELY ELIMINATE BARRIERS TO TRADE AND TO STRENGTHEN JOINT EFFORTS IN AREAS SUCH AS STANDARDISATION, CERTIFICATION AND QUALITY CONTROL, COMPETITION POLICY AND CONSUMER POLICY, AMONG OTHERS.

MAIN SOURCES CONSULTED

- **Government of East Timor**
<http://timor-leste.gov.tl>
- **The Economist Intelligence Unit**
<http://country.eiu.com>
- **World Trade Organization (WTO)**
<http://www.wto.org>
- **Banco Central de Timor-Leste**
<http://www.bancocentral.tl>
- **East Timor National Directorate of Statistics**
<http://dne.mof.gov.tl>
- **AICEP – Portuguese Agency for External Trade and Investment**
<http://www.portugalglobal.pt/PT/Paginas/index.aspx>
- **IMF - International Monetary Fund**
<http://www.imf.org/external/index.htm>
- **National Institute of Statistics**
<http://www.ine.pt>
- **Bank of Portugal**
<http://www.bportugal.pt>
- **UNCTAD - United Nations Conference on Trade and Development**
www.unctad.org
- **World Bank**
<http://www.worldbank.org>
- **International Trade Center**
<http://www.intracen.org>



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