

TIMOR-LESTE'S ECONOMIC DEVELOPMENT & PRIORITIES



Macroeconomic Stability for a Vibrant
Private Sector-Led Growth

HELDER LOPES
Governor of the Central Bank of Timor-Leste

OUTLINE

ECONOMIC GROWTH OF TL

1. Growth, size, sectoral contributions.

3. EMPLOYMENT

3. Demography, labor force, employment by sectors, and remittance

2. INFLATION IN TL

2. Headline and drivers of inflation

4. PUBLIC FINANCE

4. Revenue and expenditures

5. MONETARY SECTOR

5. Money supply, financial assets, deposits and credits

6. EXTERNAL SECTOR

6. Import, export, and balance of payment

7. POLICY PRIORITY



KEY ECONOMIC PRIORITIES

Macroeconomic stability for a vibrant private sector-led growth



Upper-Middle Income Country

Timor-Leste to become upper-middle income country with educated and healthy population by 2030

GDP Growth: 5%

The Government targets an economic growth of 5%/year – strong recovery, towards resilience and sustainable growth .



Inflation Target: 4%

An annual inflation target of 4% - to have price stabilities for consumption and to increase competitiveness.

Private Investment Growth: 10%

A minimum of 10% annual private investment growth for a transformation, diversified, and sustainable economy



Fiscal Sustainability

Prudent fiscal policy to promote fiscal sustainability, macroeconomic stability, and inclusive growth and development.

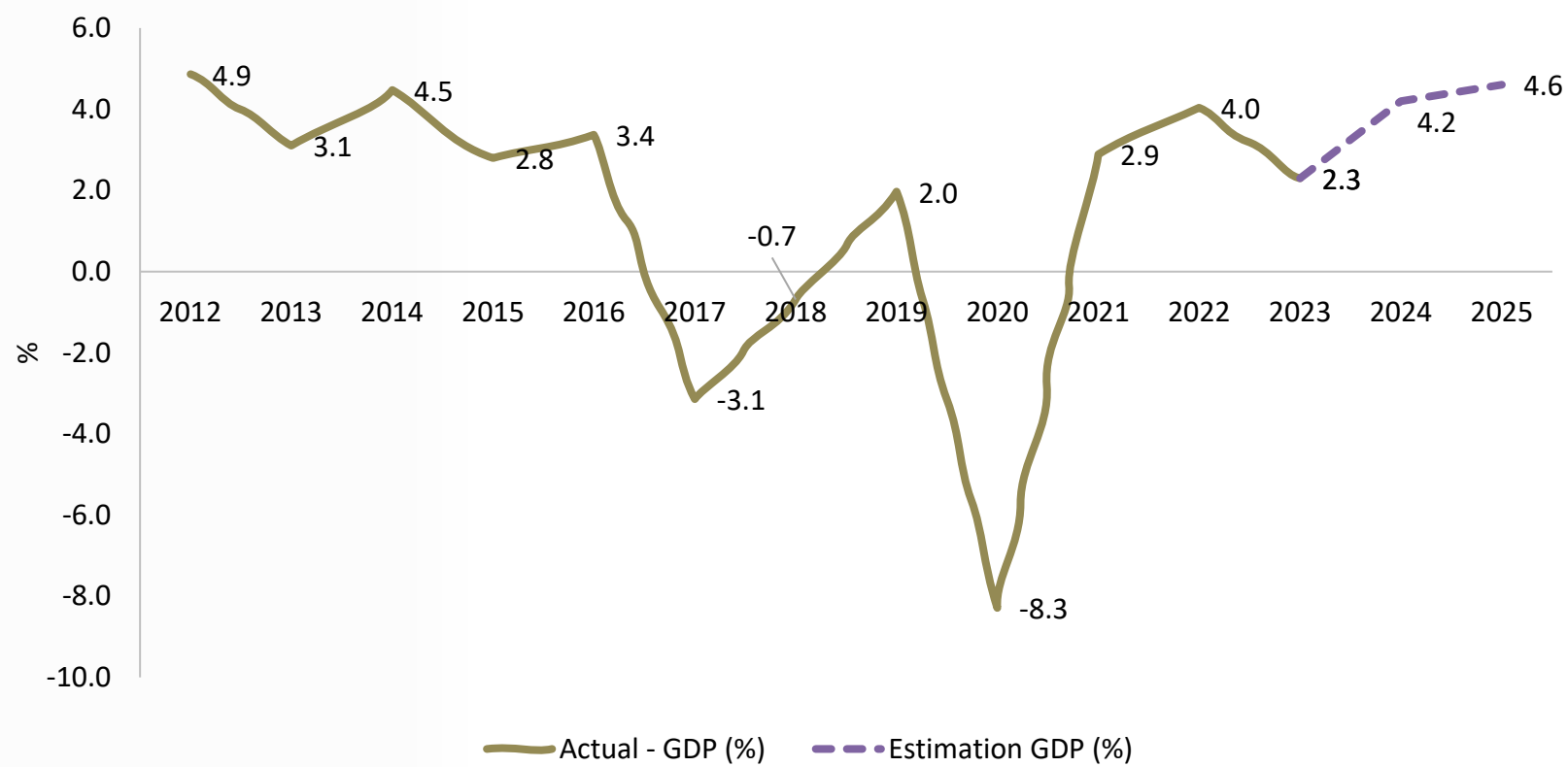
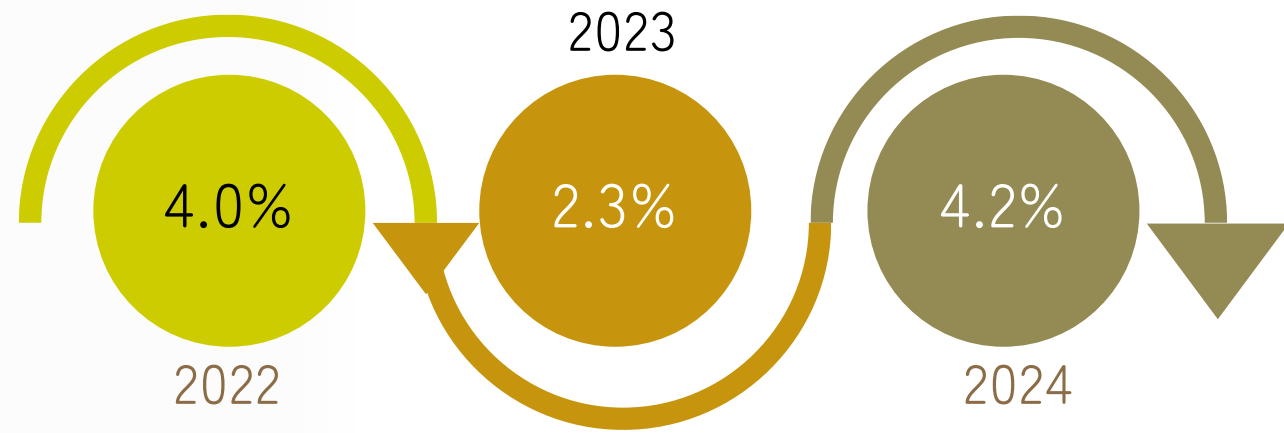
Financial Sector Development

Robust financial sector development with a secured, accessible, digital, and inclusive financial services.

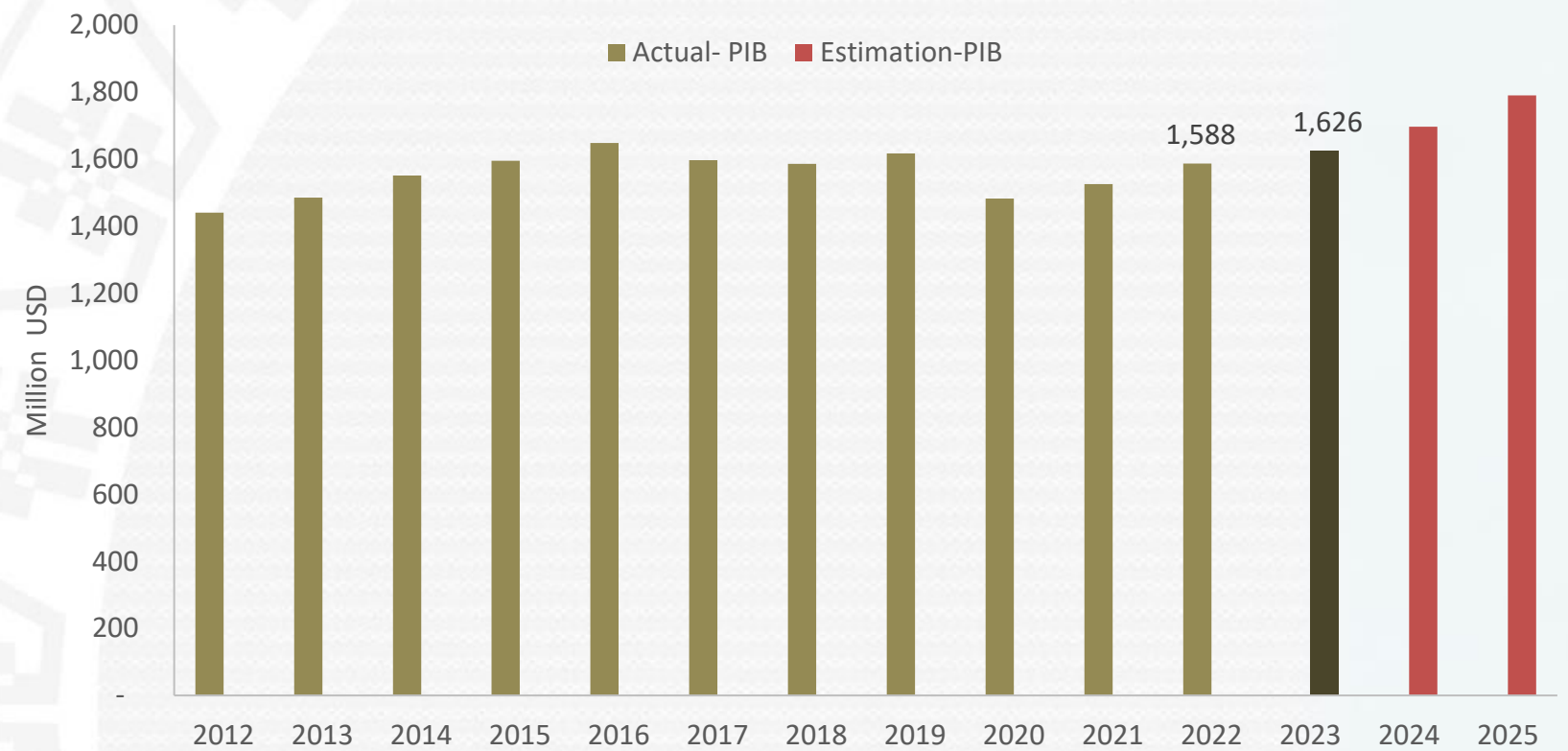


1. ECONOMIC GROWTH OF TIMOR-LESTE

Economic Growth



Economic Size of Timor-Leste

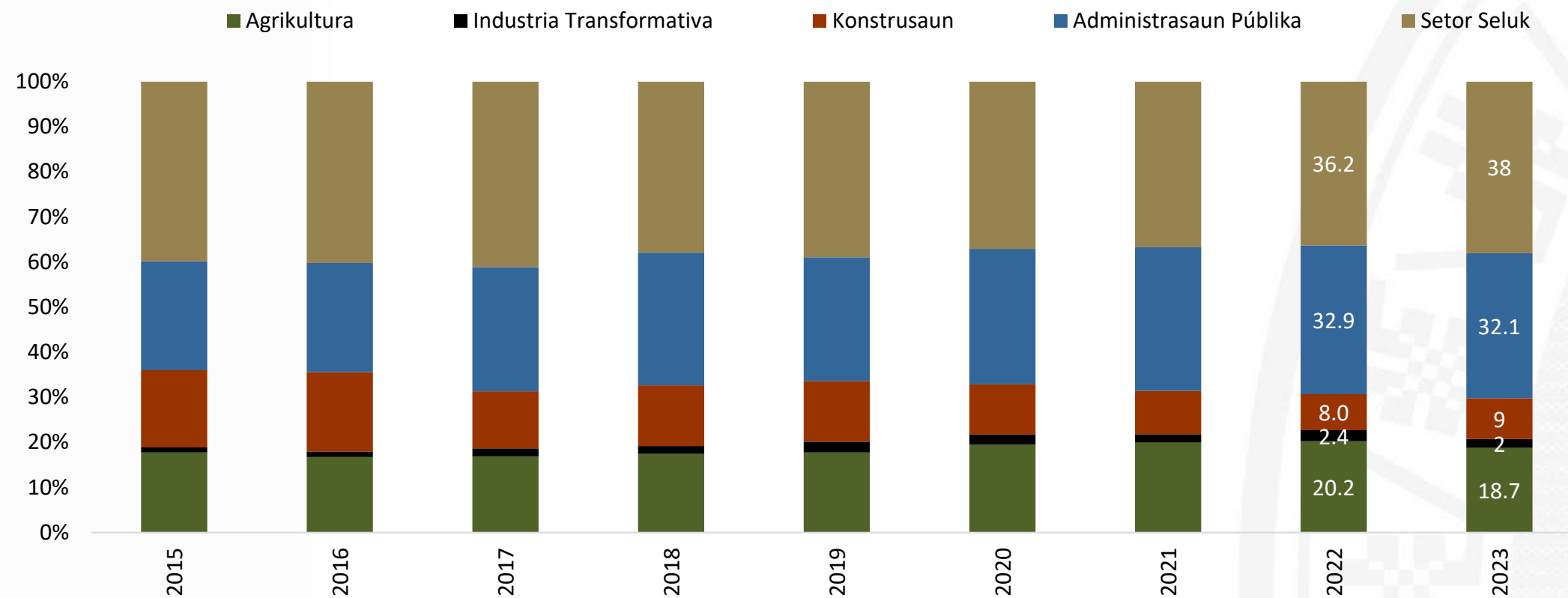


- Timor-Leste’s economy grew at 2.3% in 2023 compared to 4.0% in 2022. Growth declined due to contraction in public expenditure
- Despite economic growth decline, the economic size continued expanded.
- The economic growth and size are expected to increase in 2024 and 2025

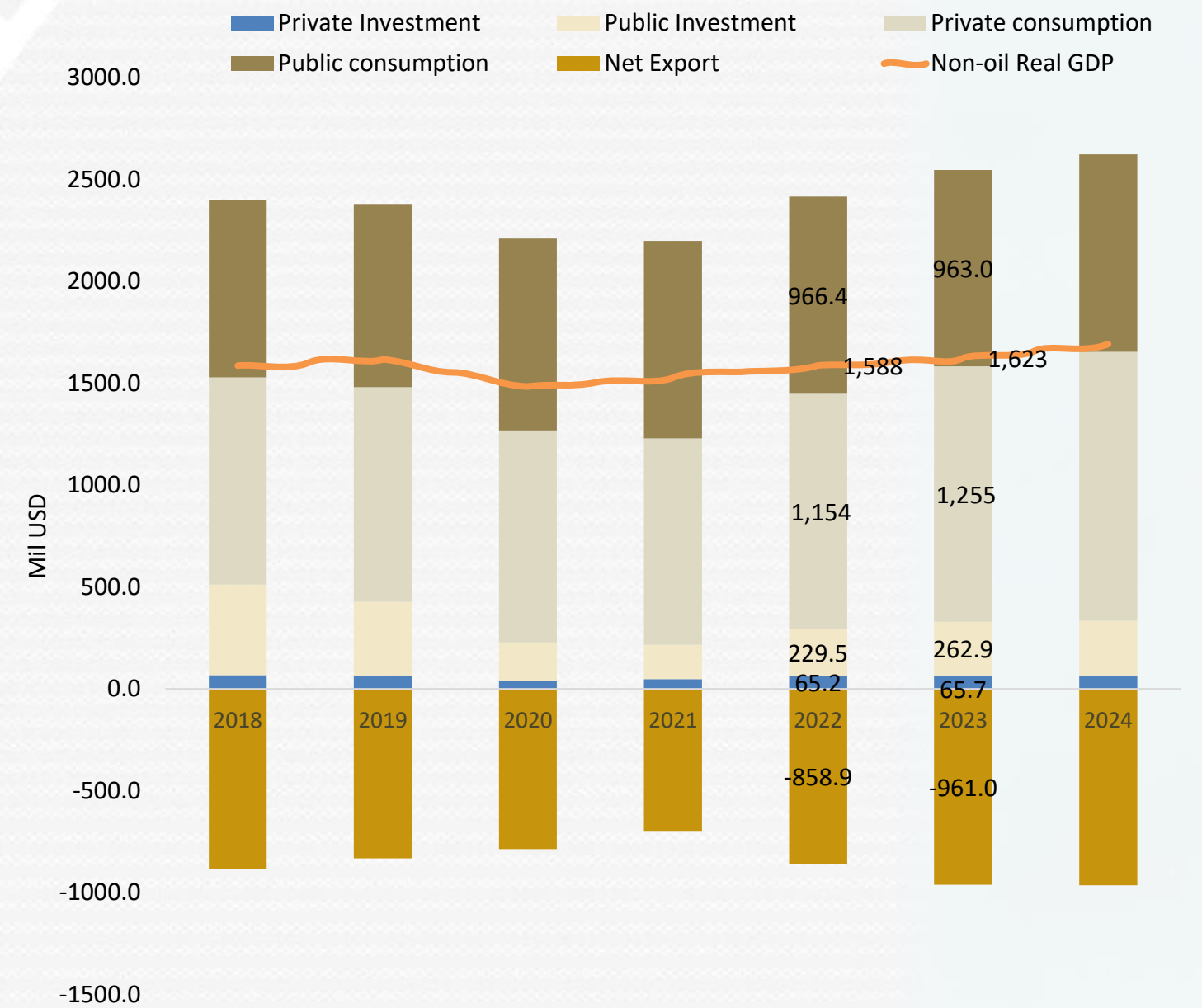


1. ECONOMIC GROWTH OF TIMOR-LESTE

Contribution to GDP



Contribution to GDP



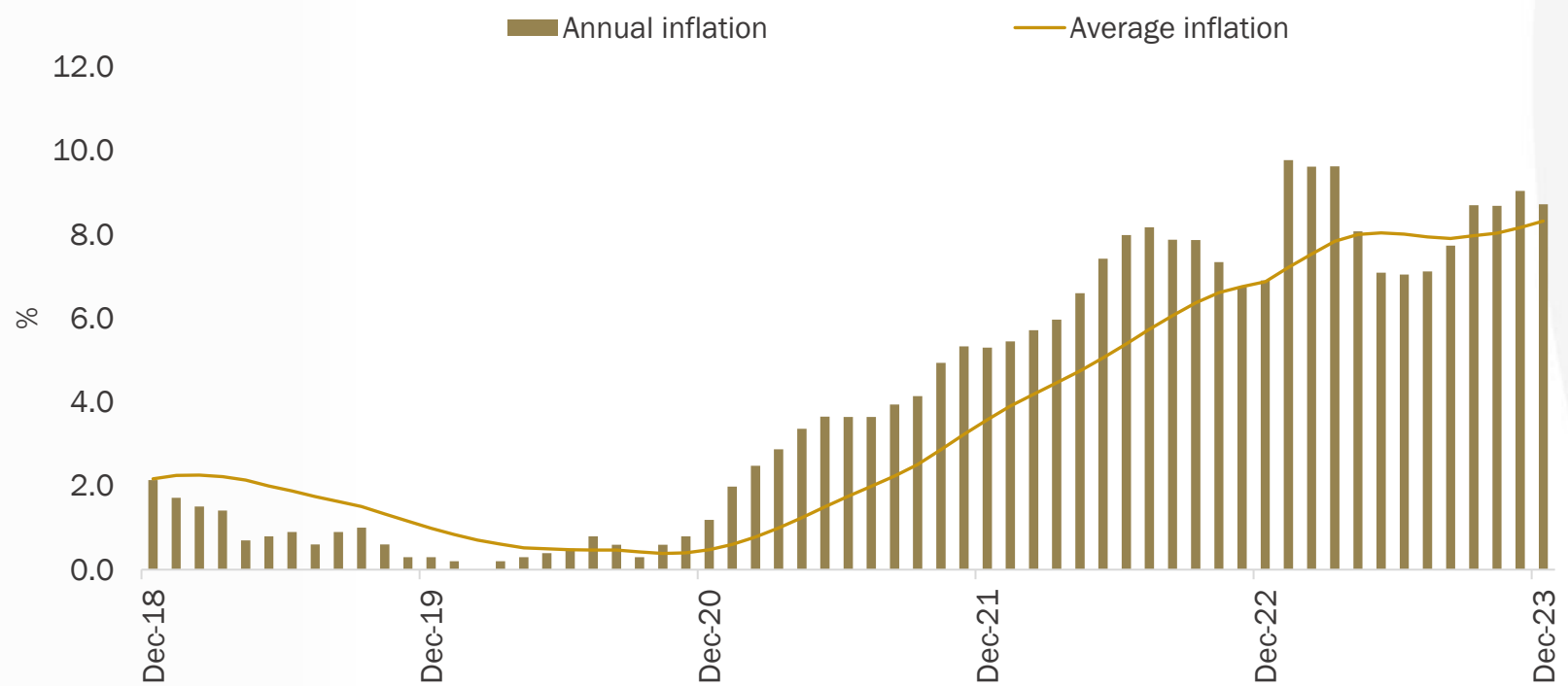
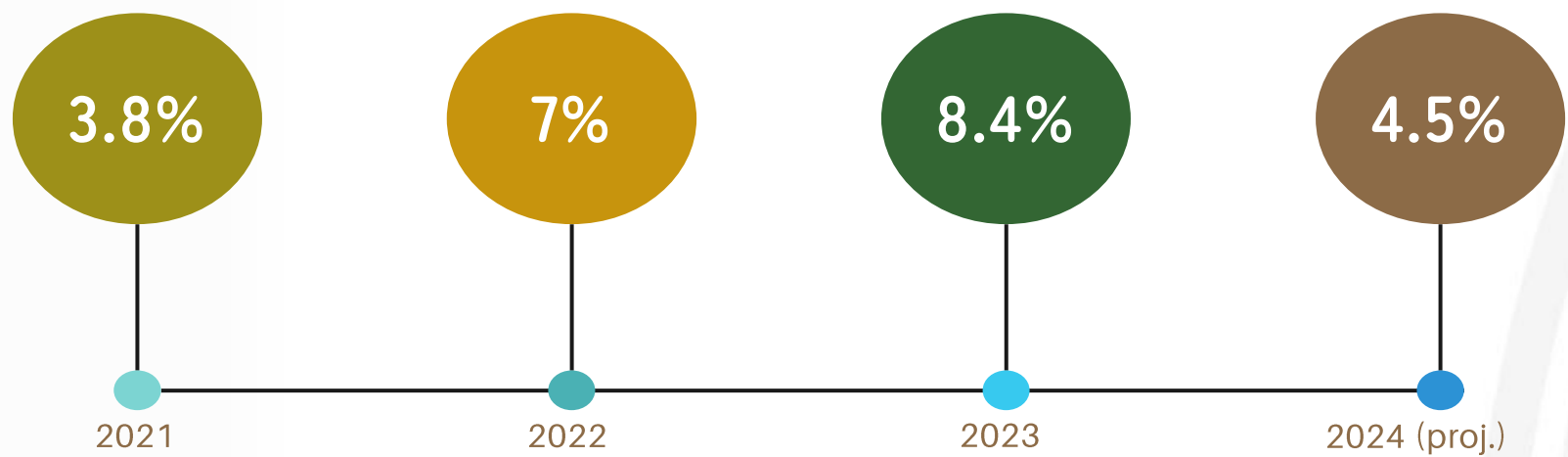
- Timor-Leste’s economy is public sector driven.
- Productive and private sector contributions to GDP are still small.
- Agriculture sector contribution is still relatively high and decreasing.
- Productive sector such as tourism and manufacturing contribute less than 5%, respectively.



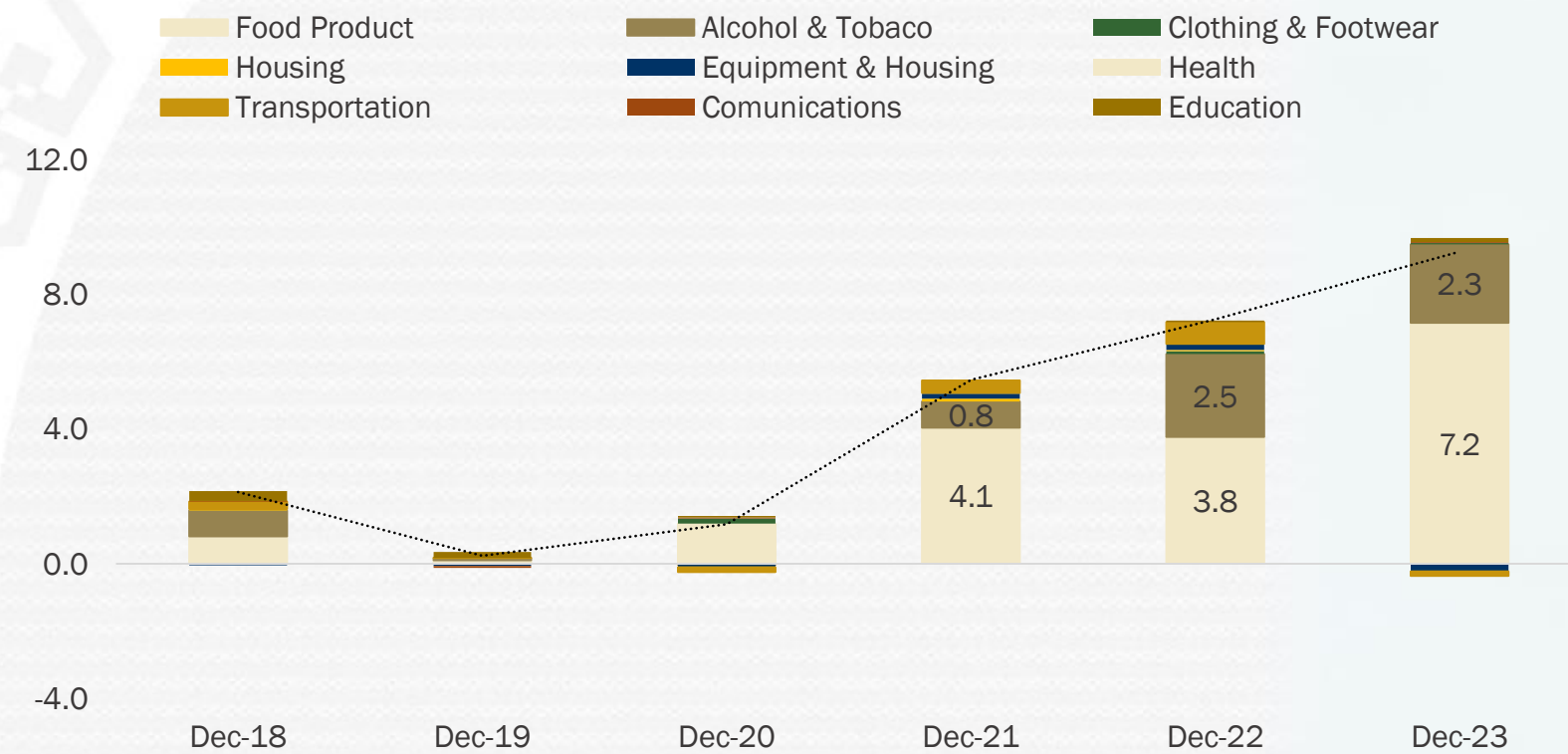
2. INFLATION IN TIMOR-LESTE

Inflation Rate

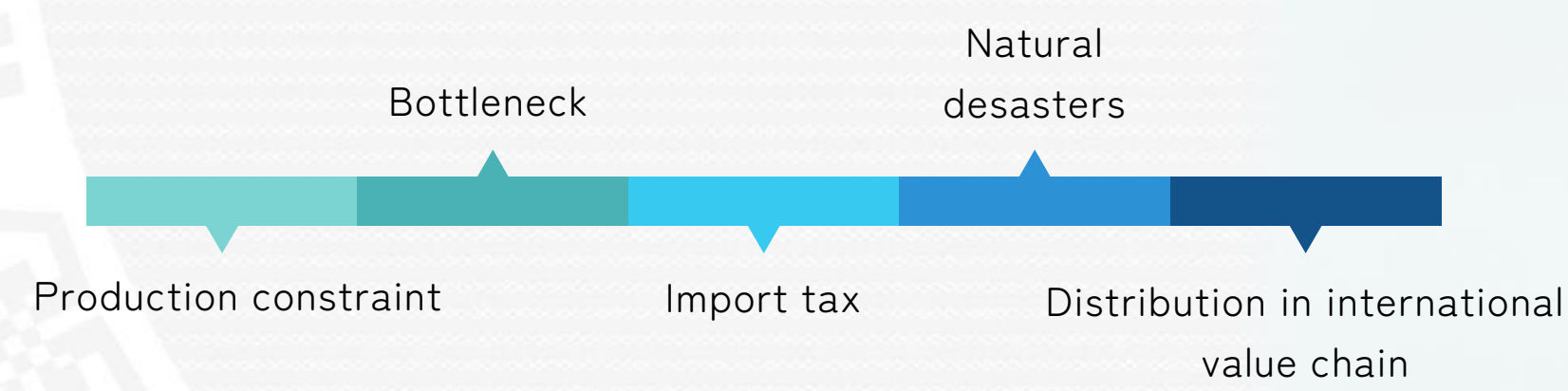
Annual Inflation



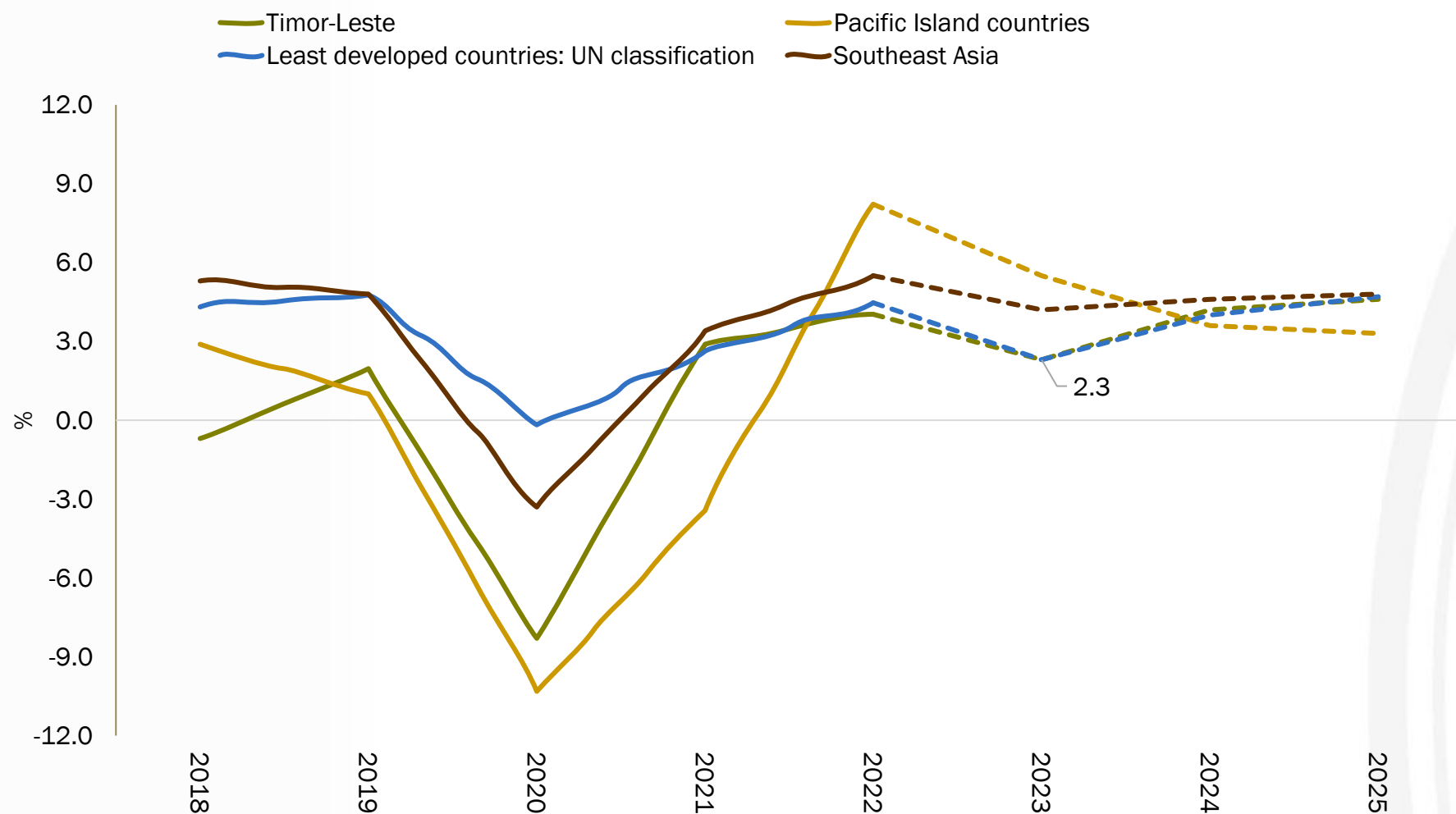
Drivers of Inflation



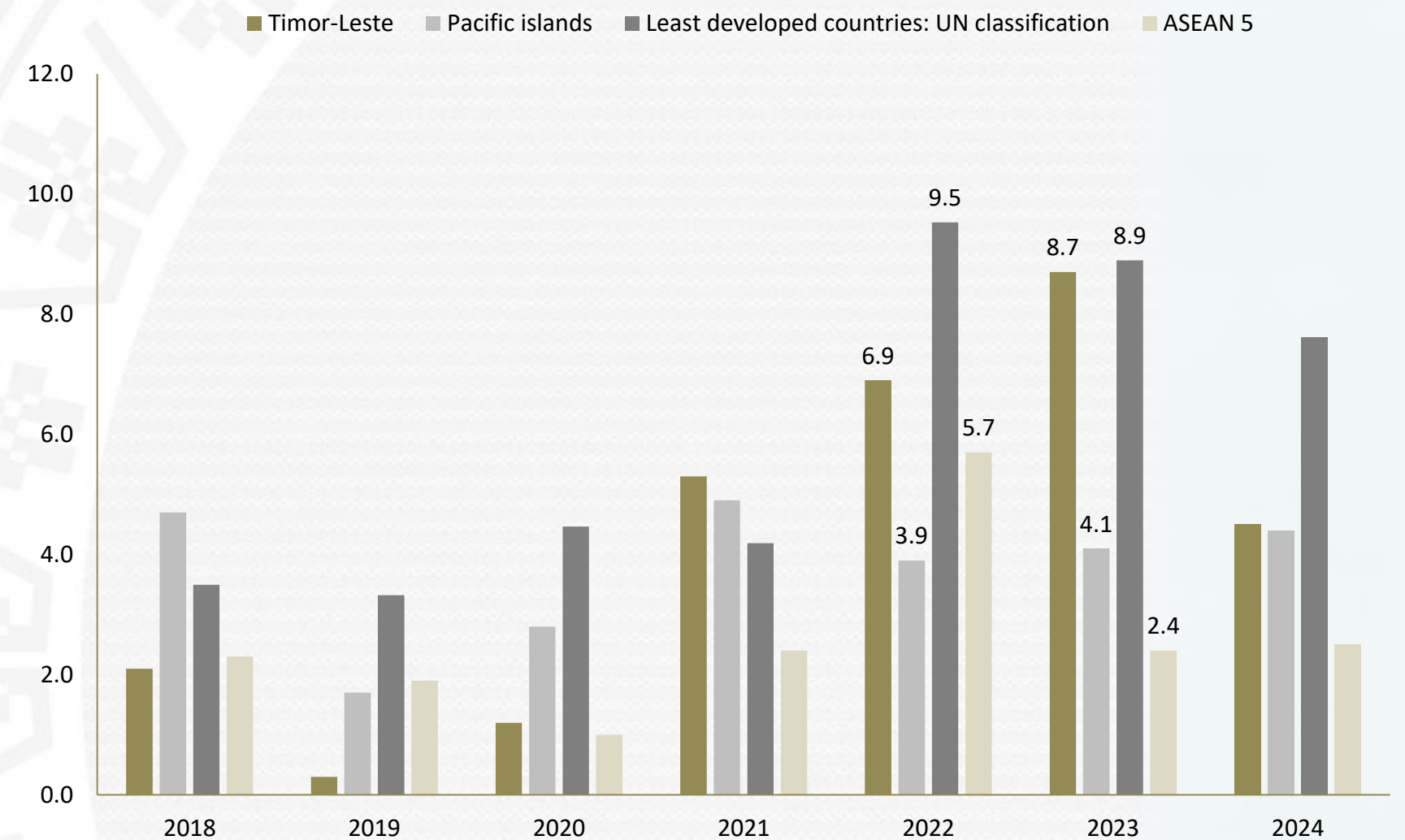
Other Drivers of Inflation in Timor-Leste



International Comparison- Economic Growth



International Comparison - Inflation



- Timor-Leste and other countries started recovering their economies since 2021.
- Timor-Leste’s economic growth trend is similar with international peers, mostly with LDCs

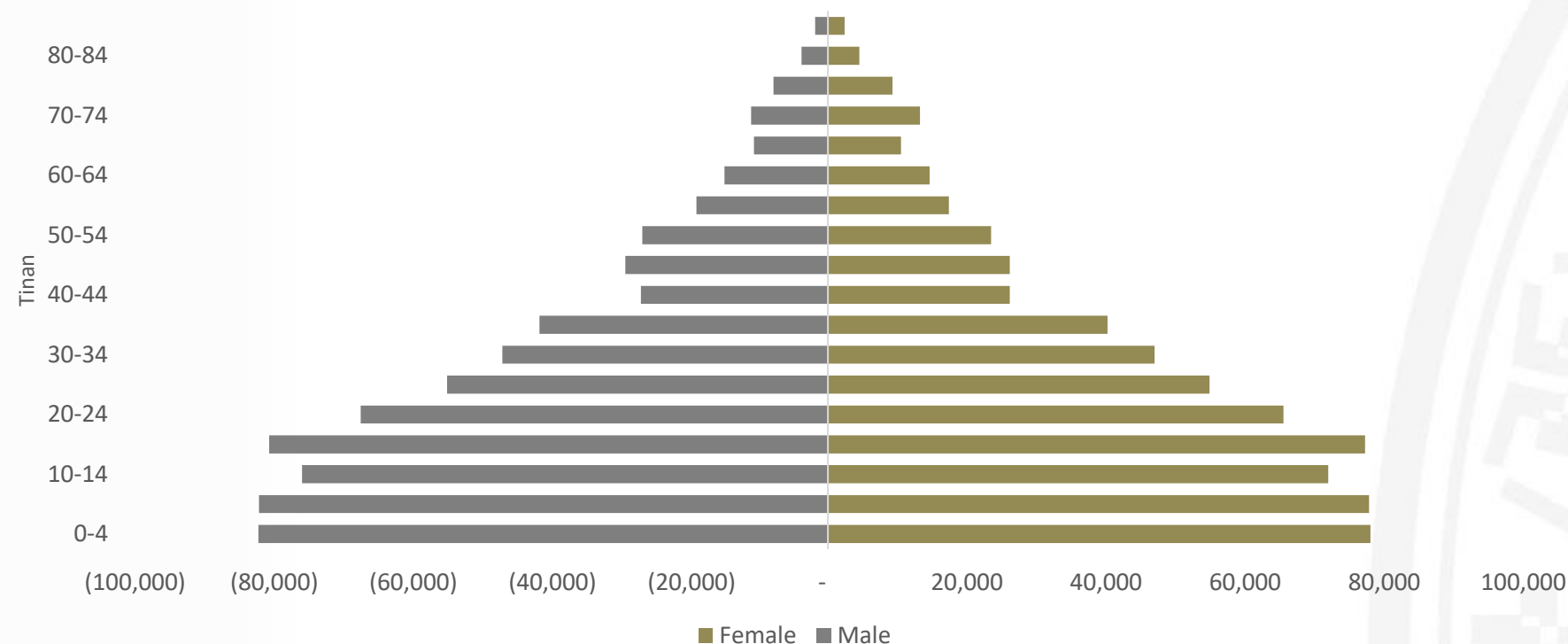
- Countries experienced high inflation since 2021
- LDCs and Timor-Leste had higher inflations in 2022.
- Timor-Leste’s inflation is higher than its trading partners.



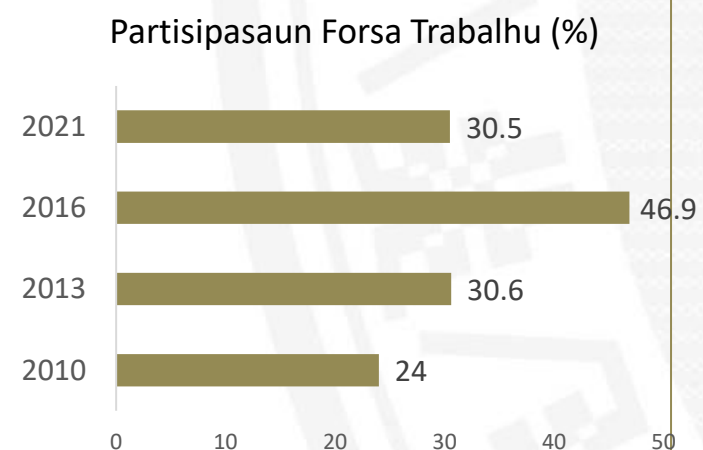
3. EMPLOYMENT

EMPLOYMENT IN TIMOR-LESTE

Timor-Leste's Population Pyramid



Description	LFT 2010	LFT 2013	LFT 2016	LFT 2021
	2010	2013	2016	2021
Working age population (15+)	627.0	696.2	724.5	809.3
Labor force	150.9	213.3	339.5	247
Employment	139.1	189.3	304	234.3
Unemployment	11.8	23.4	35.4	12.7
Outside of labor force	477.5	483.0	385.0	562.4
Subsistence farmers	206.3	178.9	109.7	162.4
In Percent	2010	2013	2016	2021
Labor force participation rate	24	30.6	46.9	30.5
Employment rate	7.8	11	10.4	5.1

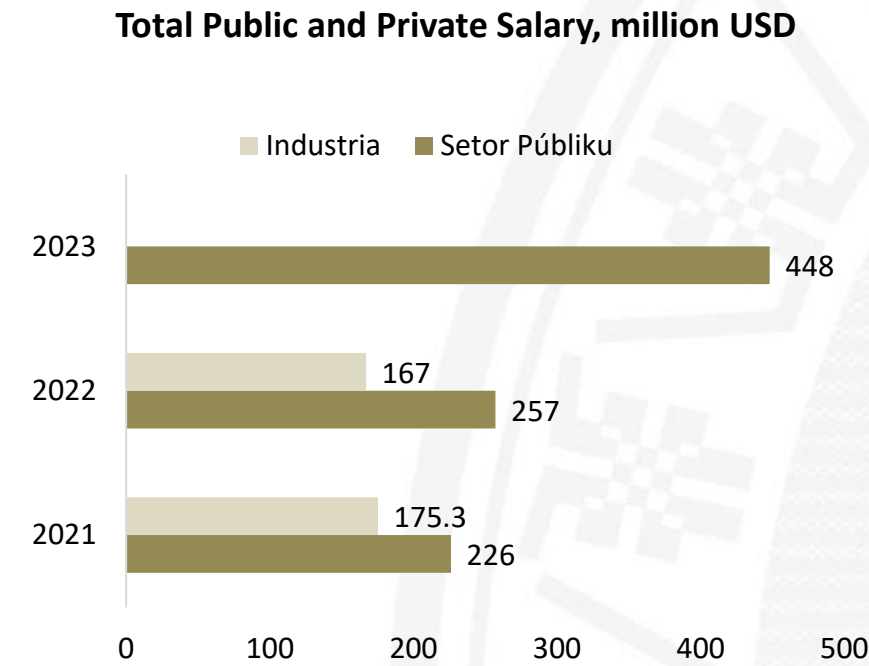


- The latest employment and population census data are in 2021
- Total population of Timor-Leste is 1,341,737 (Male 681,258 and Female 660,483).
- Total population with age between 15-64 is 779,587
- Working age population is around 803,000. But only 247,000 or (30.5%) participated in the labor force.
- Labor force participation continued decline - the country does not maximize the benefit of young population.
- Total population outside of the labor force is 562,000.
- Unemployment rate is 5.1% in 2021, but it does not reflect the reality given that low labor force participation rate and high employment in subsistent agriculture.

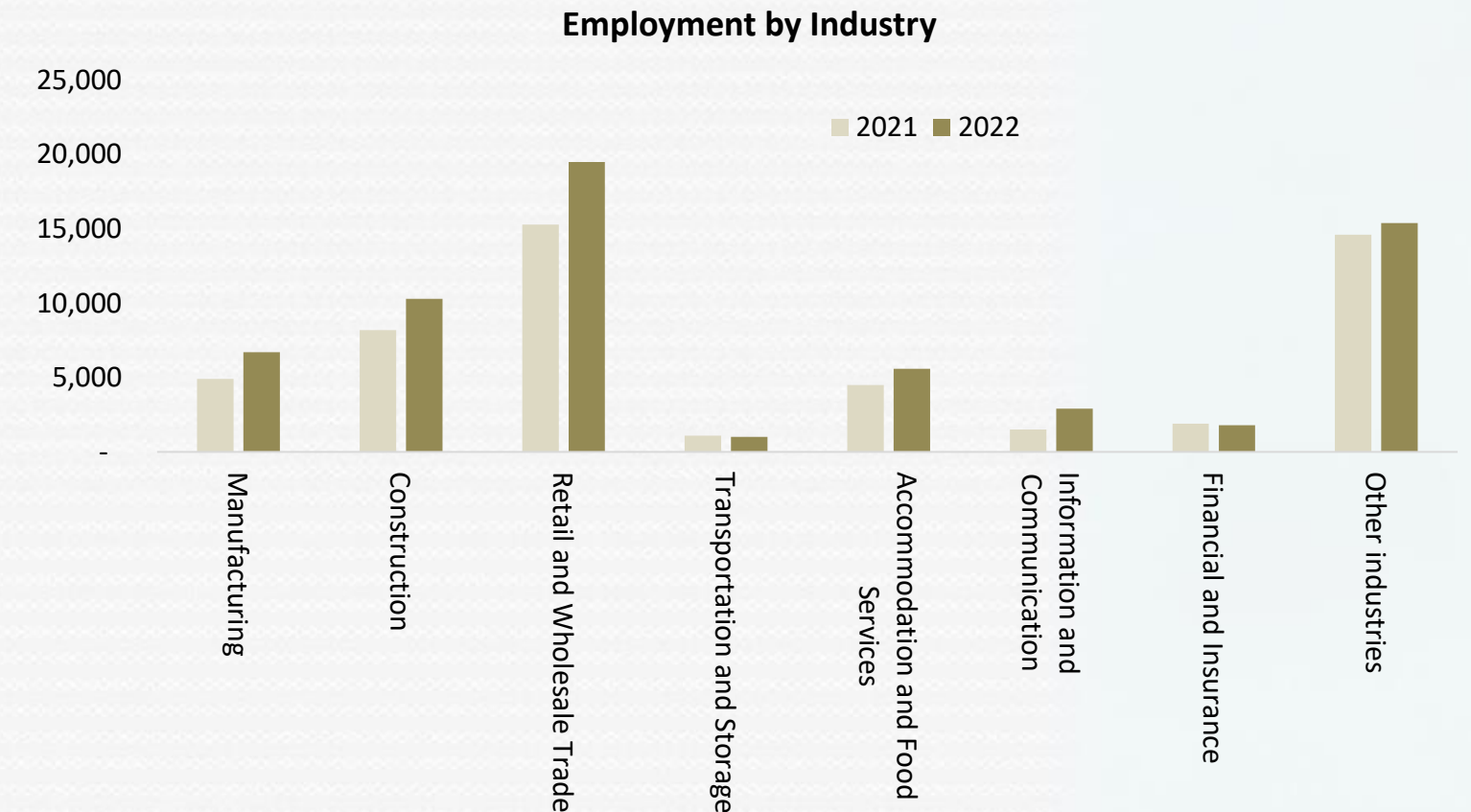


3. EMPLOYMENT

EMPLOYMENT IN TIMOR-LESTE



INDUSTRIES	2021		2022	
	Mane	Feto	Mane	Feto
Manufacturing	3,800	1,100	4,700	1,900
Construction	7,400	800	9,200	1,100
Retail and Wholesale Trade	9,800	5,500	12,300	7,200
Transportation and Storage	900	200	800	200
Accommodation and Food Services	1,800	2,700	2,200	3,400
Information and Communication	1,000	500	2,000	1,000
Financial and Insurance	1,200	700	1,200	600
Other industries	10,300	4,300	9,800	5,700
Total	36,400	15,900	42,200	21,100



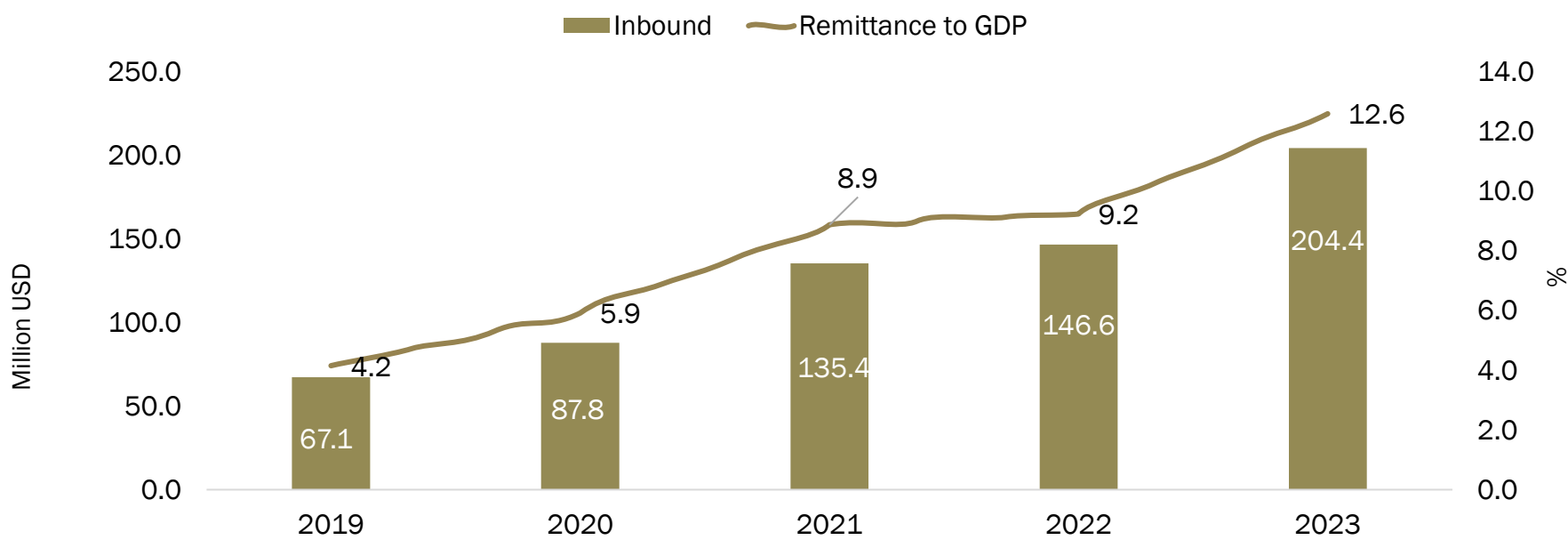
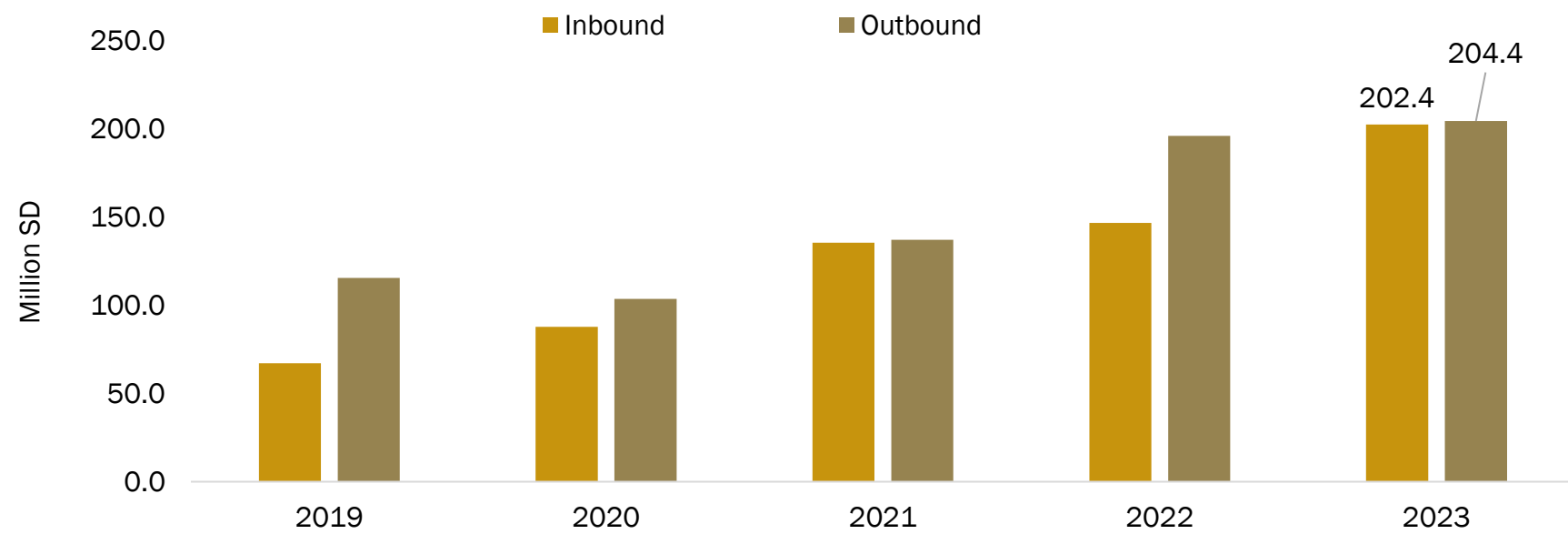
- Employments and salaries mostly from the public sector rather than industries.
- Data for industries' employment and salary for 2023 are not available yet.
- In 2022, industries contributed 63.300 employments and paid a total of \$167.9 millions to the salary
- Industries employed more man than women, and the industry that had most employment was retail and commerce with the total employment of 19,500 in 2022.



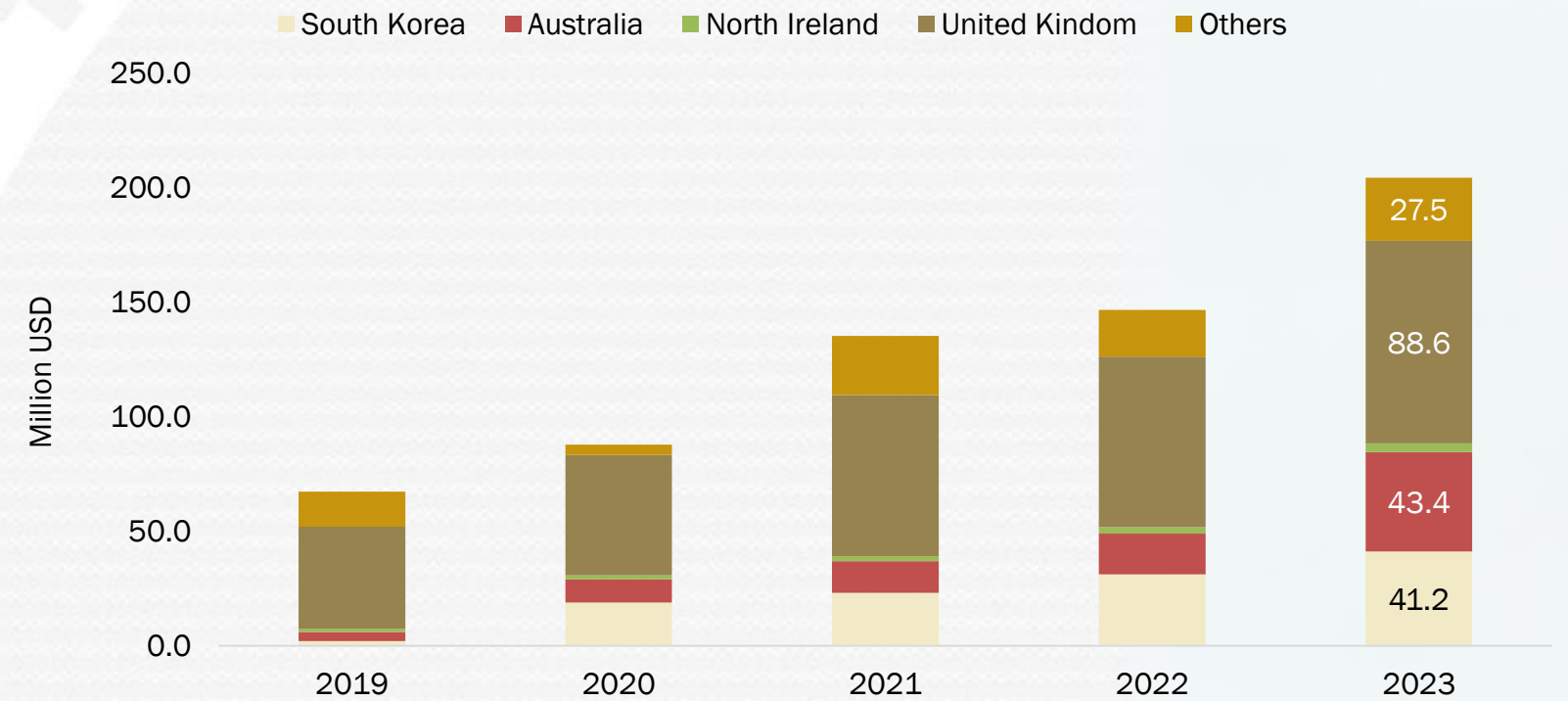
3. EMPLOYMENT

REMITTANCE

Remittance From the Immigrants



Inbound Remittance by Country of Origin

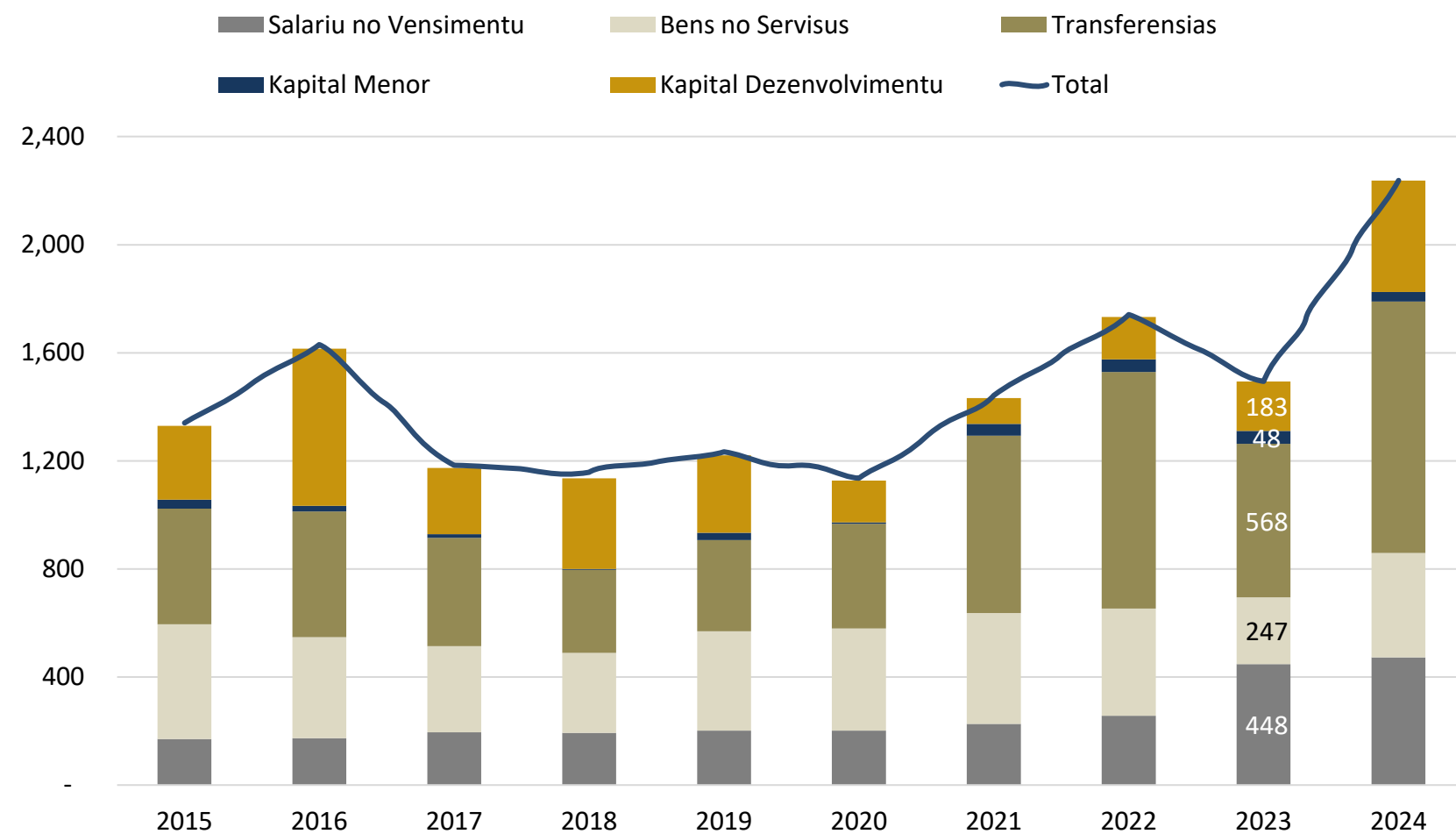


- Inbound and outbound of remittance in 2023 is almost equal.
- Inbound remittance to Timor-Leste continue increasing every year. In 2023, inbound remittance accounts for \$204.4 million, representing 12.6% of GDP
- Inbound remittances in 2023 are mostly from United Kingdom (\$88 million), Australia (\$43 million) and South Korea (\$41 million)

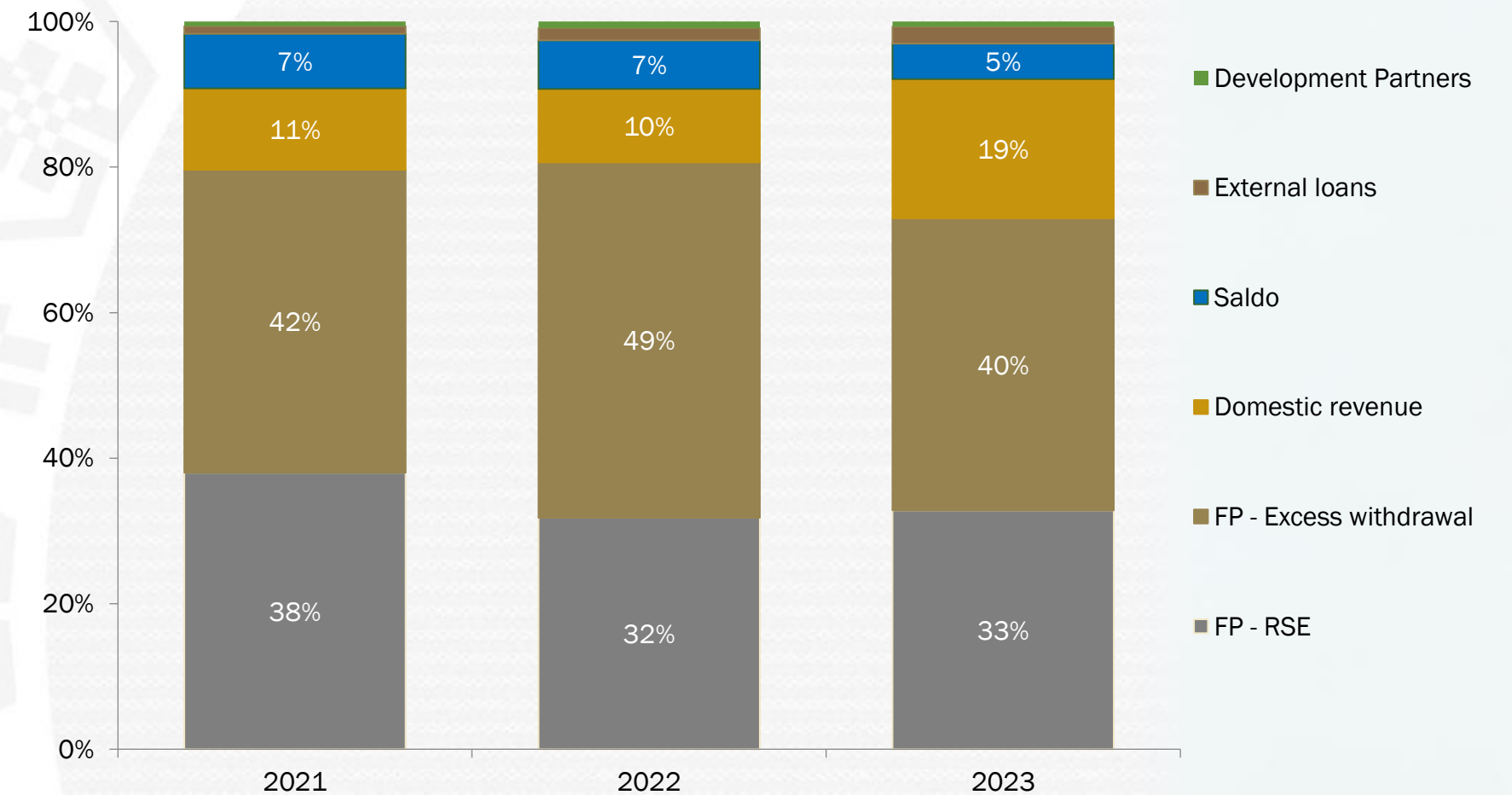


4. PUBLIC FINANCE

Public Expenditure by Category



Source of Financing for Public Expenditure



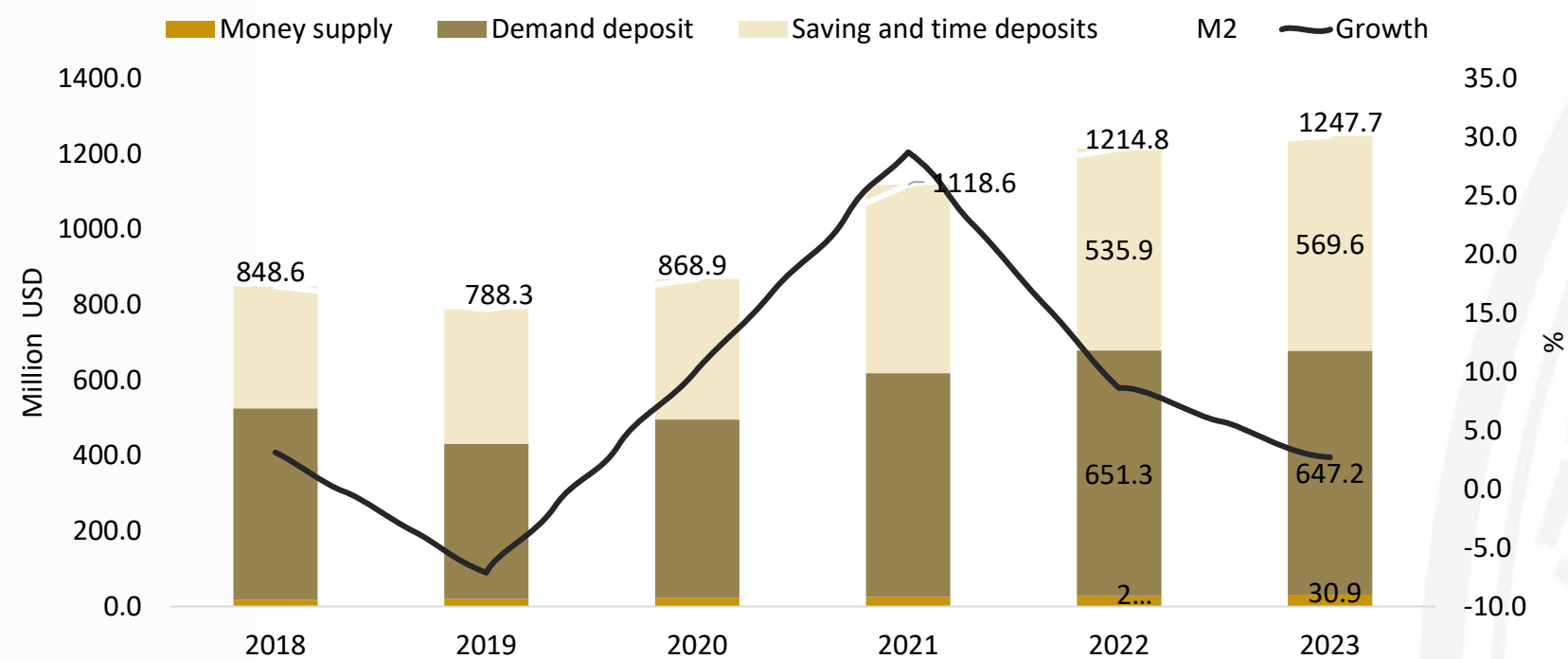
- Public expenditure on salary and wages is on upward trend.
- For 2024, Government increases allocation in capital and development.

- Most financing source of public expenditure is from the Petroleum Fund.
- Domestic revenue only accounts for 19% to public expenditure in 2023.

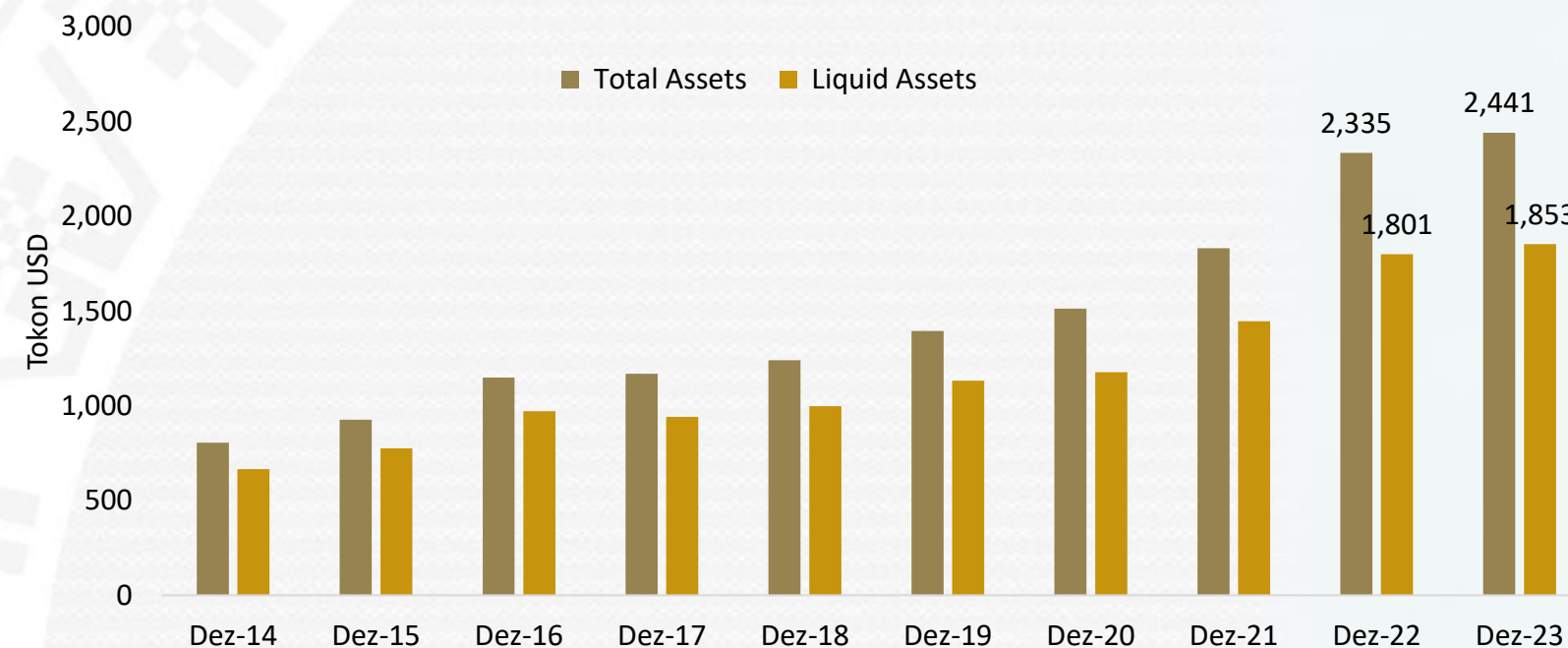


5. MONETARY SECTOR

Component of Money Supply (M2)

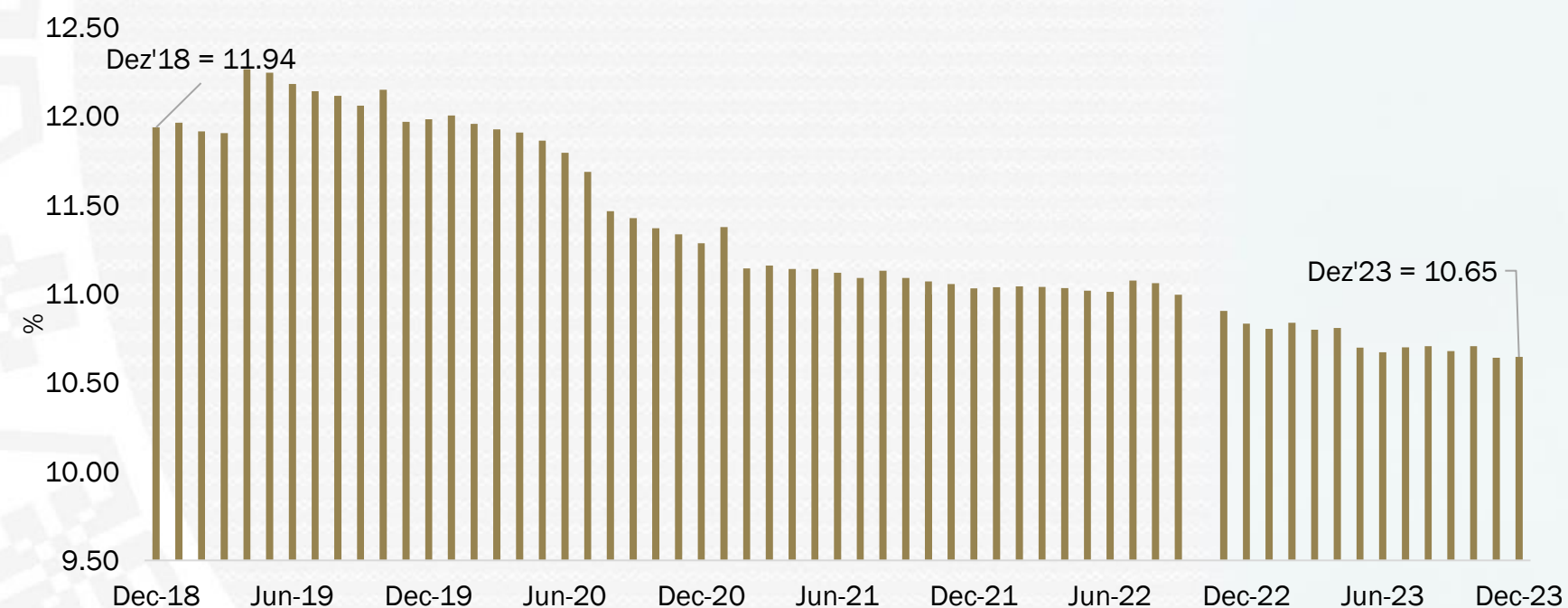


Total and Liquid Assets of Financial Sector



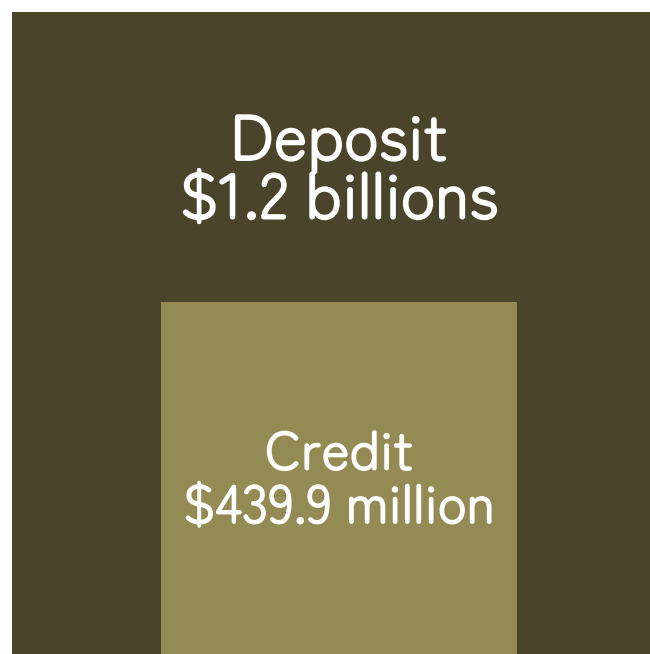
- In 2023, total money supply was \$1.247 billions, which included \$30.9 millions of coins
- Total assets of financial sector was \$2.441 billions in 2023 compared to \$2.335 billions in 2022.
- Timor-Leste has most liquid financial assets with the total liquid assets of \$1.853 billions, representing 76% of total assets.
- However, average interest rate for credit is still relatively high, around 10.65%

Average Interest Rate for Credit in Timor-Leste

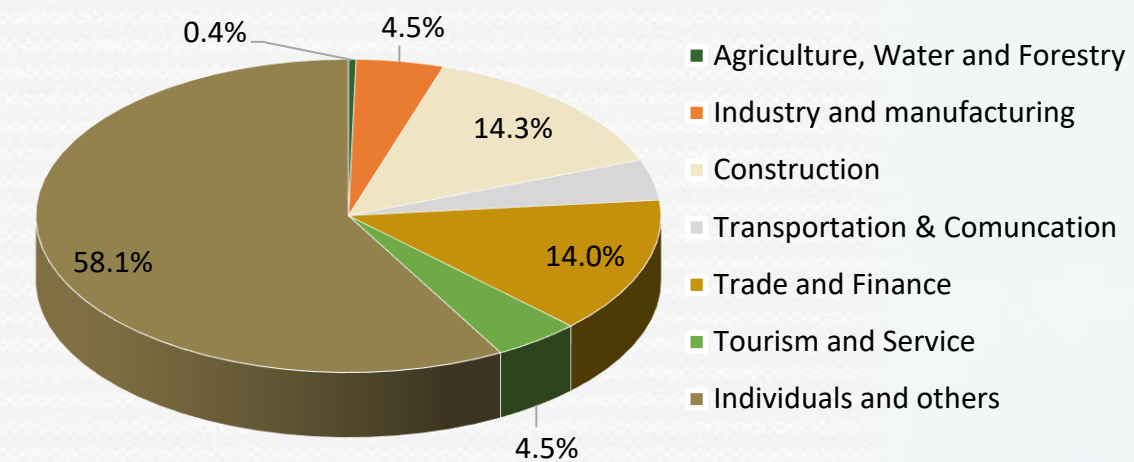


5. MONETARY SECTOR

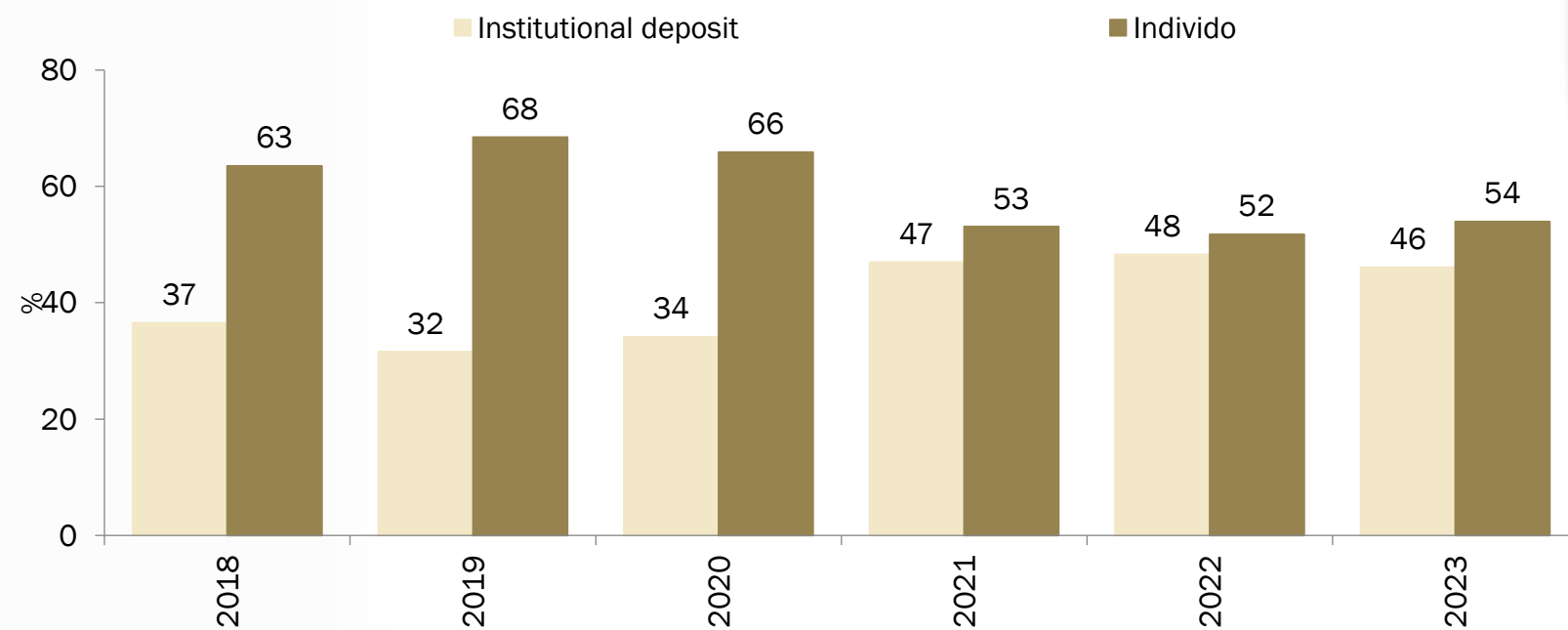
Total Deposit and Credit in 2023



Credit by Sector, December 2023



Private and Institutional Deposit



Credit by Sector, 2022-2023

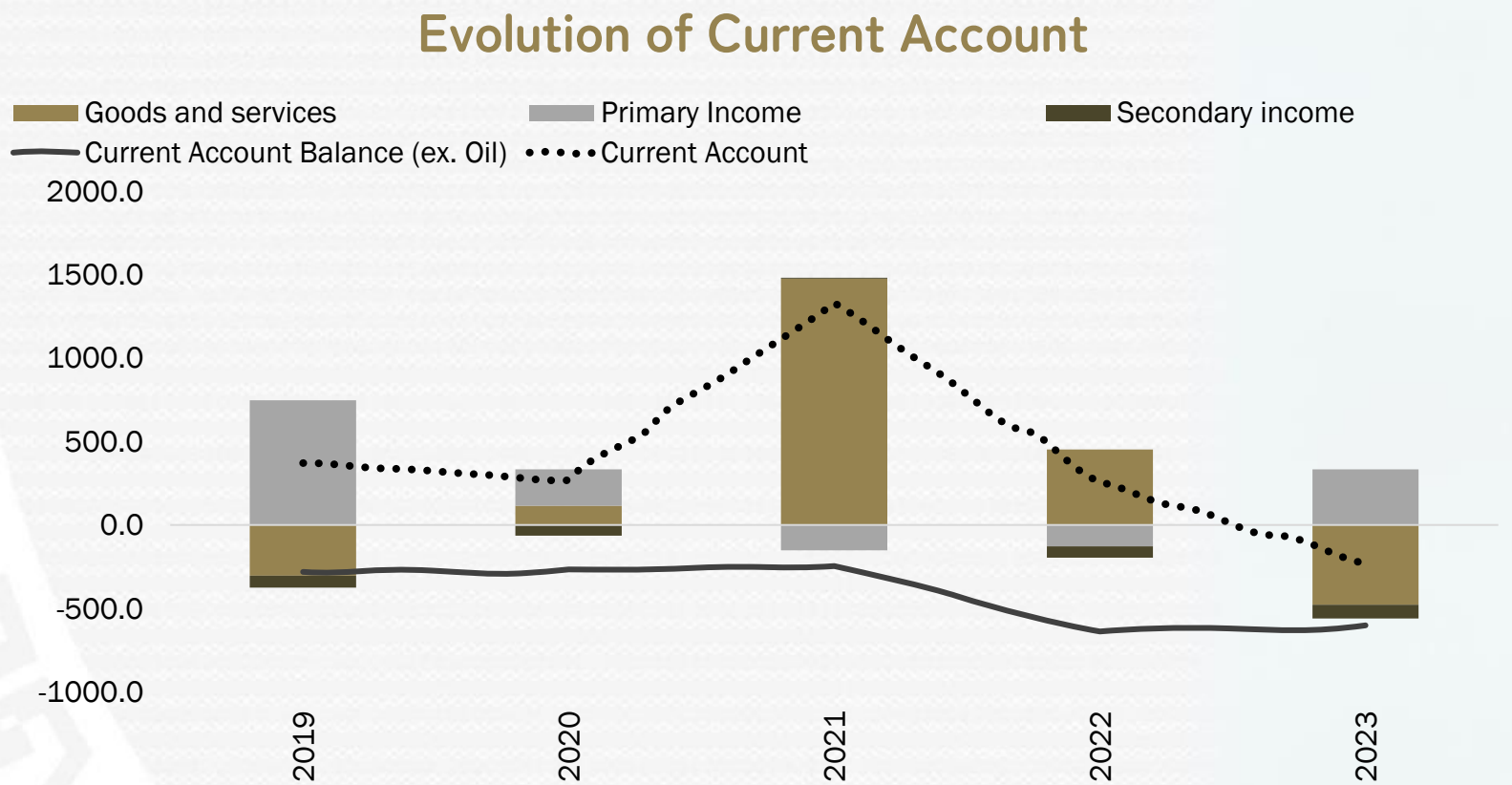
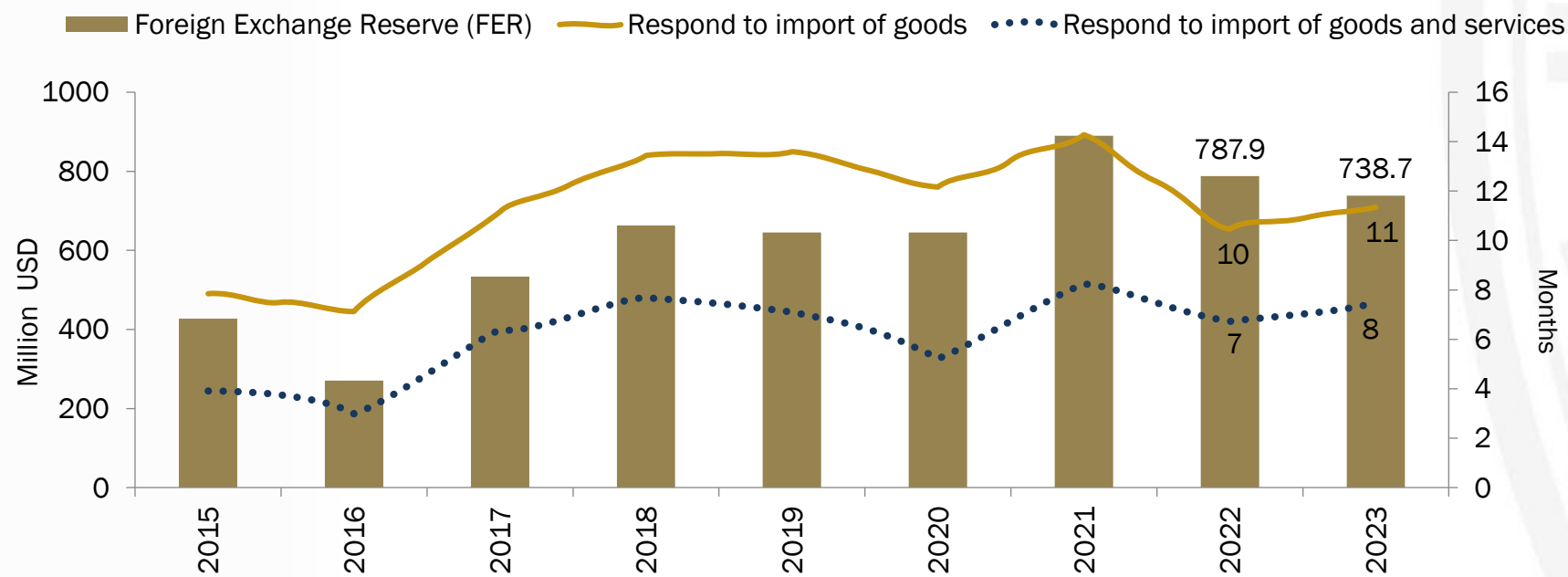
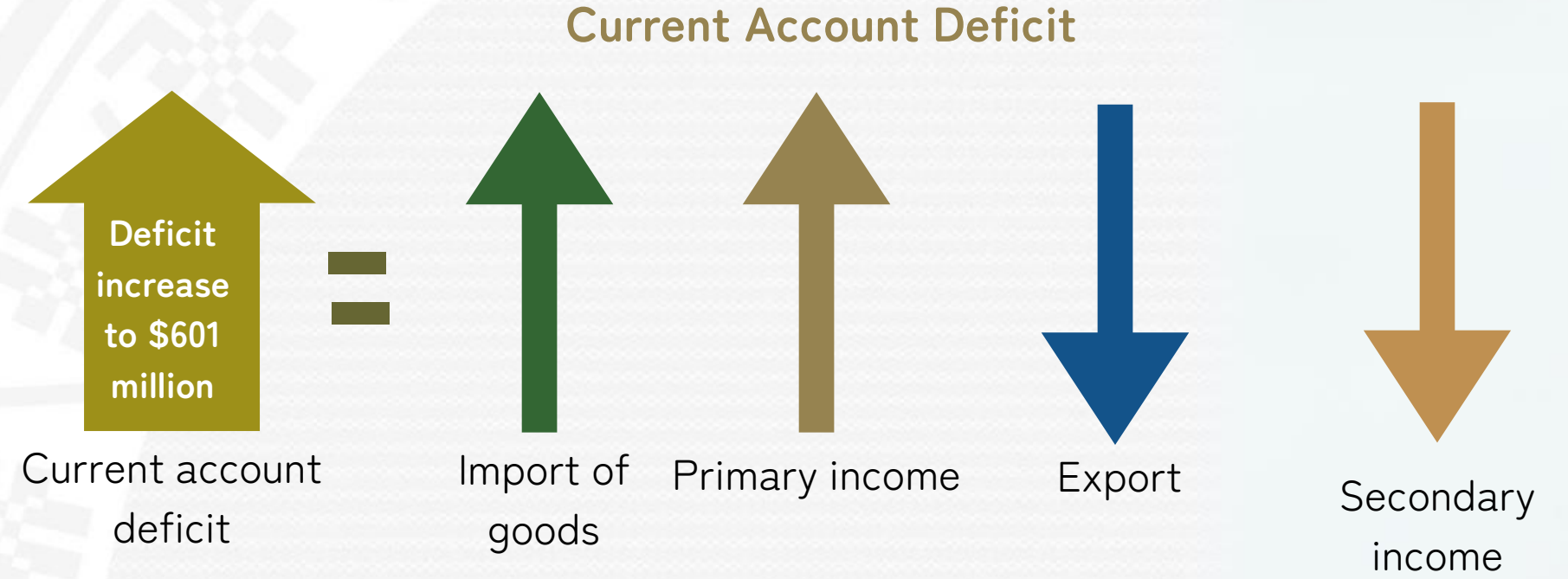
Credit	Saldo (million USD)		Variation		Composition	
	2022	2023	Nominal	%	2022	2023
Agriculture, Water and Forestry	1.5	1.7	0.2	13.7%	0.4%	0.4%
Industry and manufacturing	16.6	19.9	3.3	20.2%	4.6%	4.5%
Construction	65.8	62.8	-2.9	-4.4%	18.2%	14.3%
Transportation & Communication	48.2	18.5	-29.7	-61.6%	13.3%	4.2%
Trade and Finance	26.5	61.6	35.1	132.4%	7.3%	14.0%
Tourism and Service	11.1	19.8	8.7	78.4%	3.1%	4.5%
Individuals and others	192.0	255.5	63.5	33.1%	53.1%	58.1%
Total	361.6	439.9	78.3	22%	100%	100%



6. EXTERNAL SECTOR: Current Account

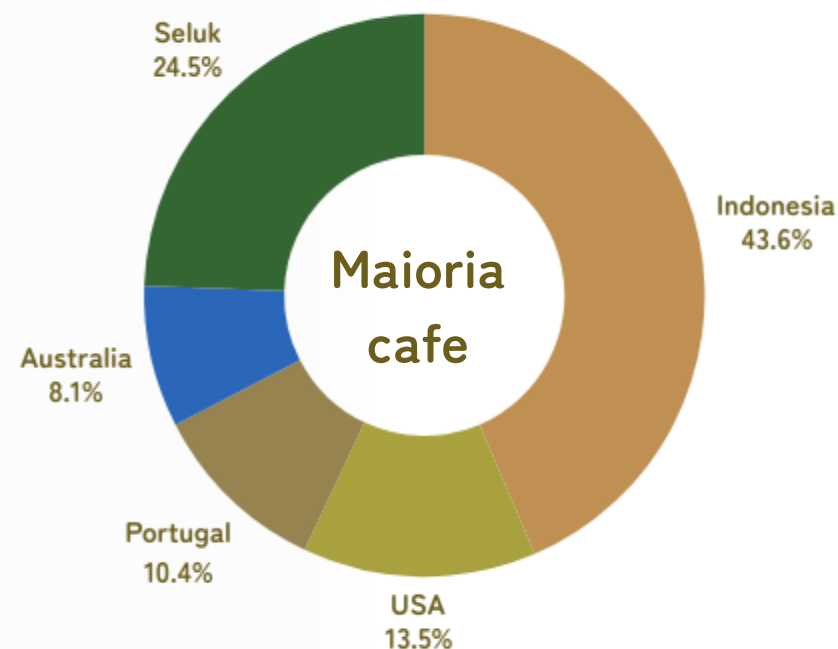
Foreign Exchange Reserve (FER) 2023 decline to \$739 million

Saldo FER's 2023 responds to

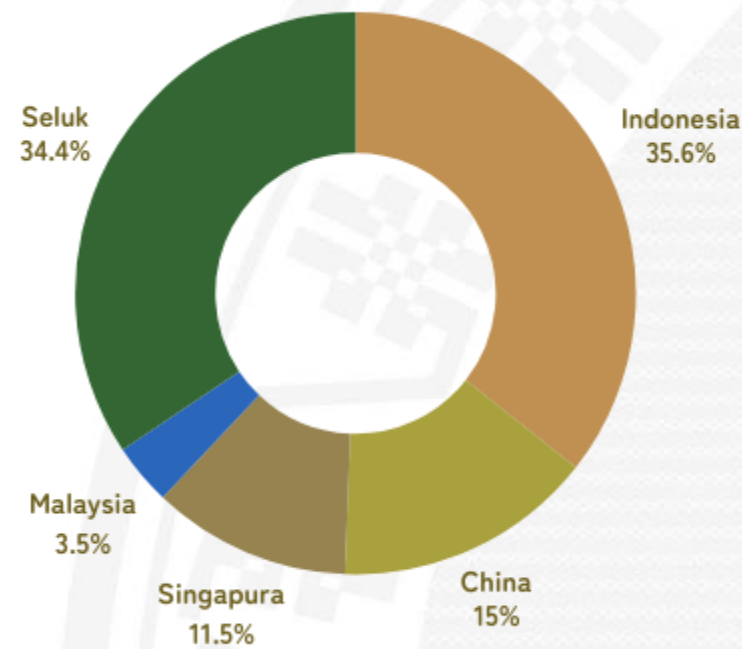


6. EXTERNAL SECTOR: Goods account

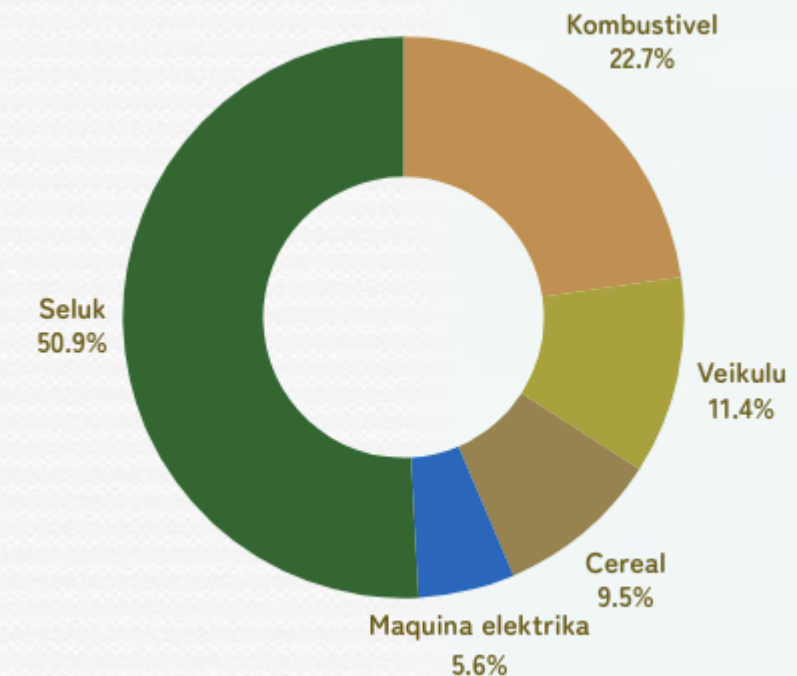
Main Export Destination in 2023



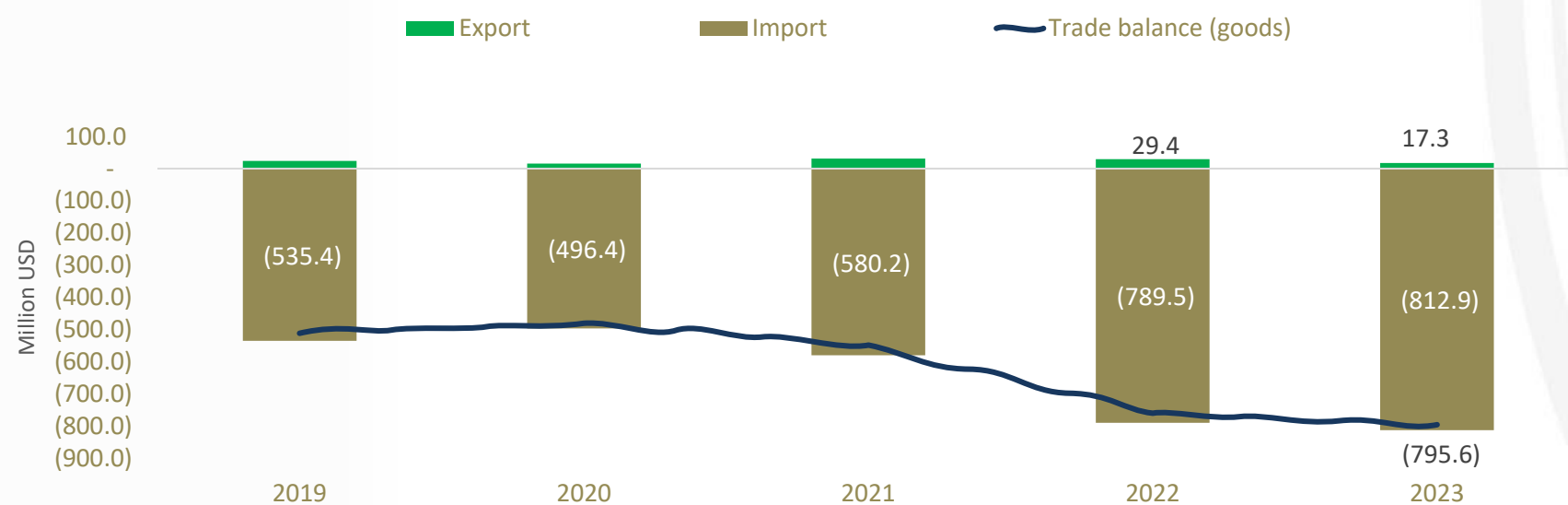
Main Importers in 2023



Main Import Products in 2023



Export and Import of Goods (non-oil)



Import Products

	USD Million			%	
	2022	2023	Var % Ano	2022	2023
Petroleum Products	219	186	-15%	26%	23%
Vehicles	72	94	30%	9%	11%
Cereals	67	78	16%	8%	9%
Soft drinks	29	9	-69%	3%	1%
Electricity appliances	38	46	21%	5%	6%
Machineries	58	42	-27%	7%	5%
Meet products	33	28	-15%	4%	3%
Cements products	22	26	19%	3%	3%
Refined cereals	26	28	8%	3%	3%
Irons and metals	20	21	2%	2%	3%
House appliances	15	19	27%	2%	2%
Iron products	21	31	48%	2%	4%
Others	219	213	-2%	26%	26%
Total	839	821	-2%	100%	100%



7. STRATEGIC PRIORITIES

VIBRANT PRIVATE SECTOR-LED ECONOMIC GROWTH



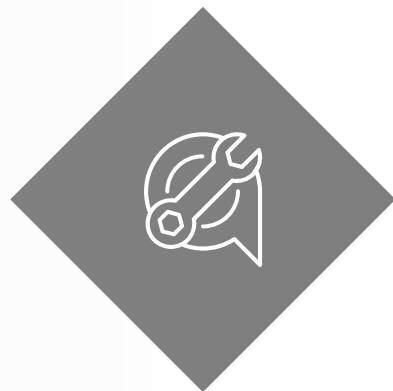
Infrastructure and Human Capital

Continue invest in infrastructure and human capital to bring down cost for private sector, increase productivity and promote economic competitiveness.



Efficient Laws and Regulations

Promote efficient regulatory environment to facilitate, mitigate risk, and protect investors.



Efficient Bureaucracy and Coordination

Enhance efficient public services through good bureaucracy and coordination to facilitate private sector development.



Access to Financial Services

Facilitate access to financial services with low costs and enhance financial education to promote entrepreneurs, particularly for MSMEs.



Market Expansion

Facilitate market expansion in and out of the country through promoting value chain and maximizing the benefits of membership to WTO, ASEAN, and establish Free Trade Agreements (FTAs) if necessary.

