

# TIMOR-LESTE'S ECONOMIC DEVELOPMENT AND PRIORITIES



# 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

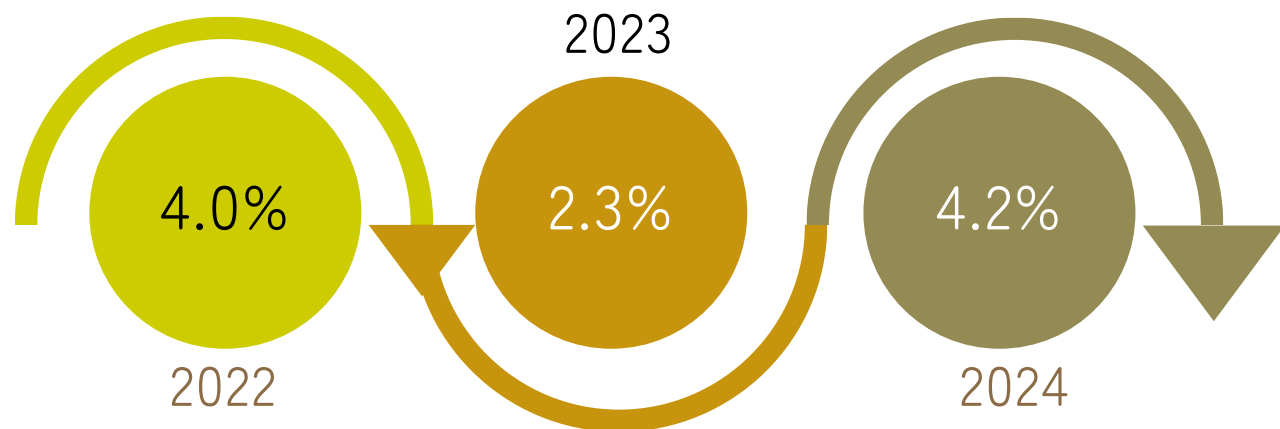
## **6. EXTERNAL SECTOR**

- 6.** Import, export, and balance of payment

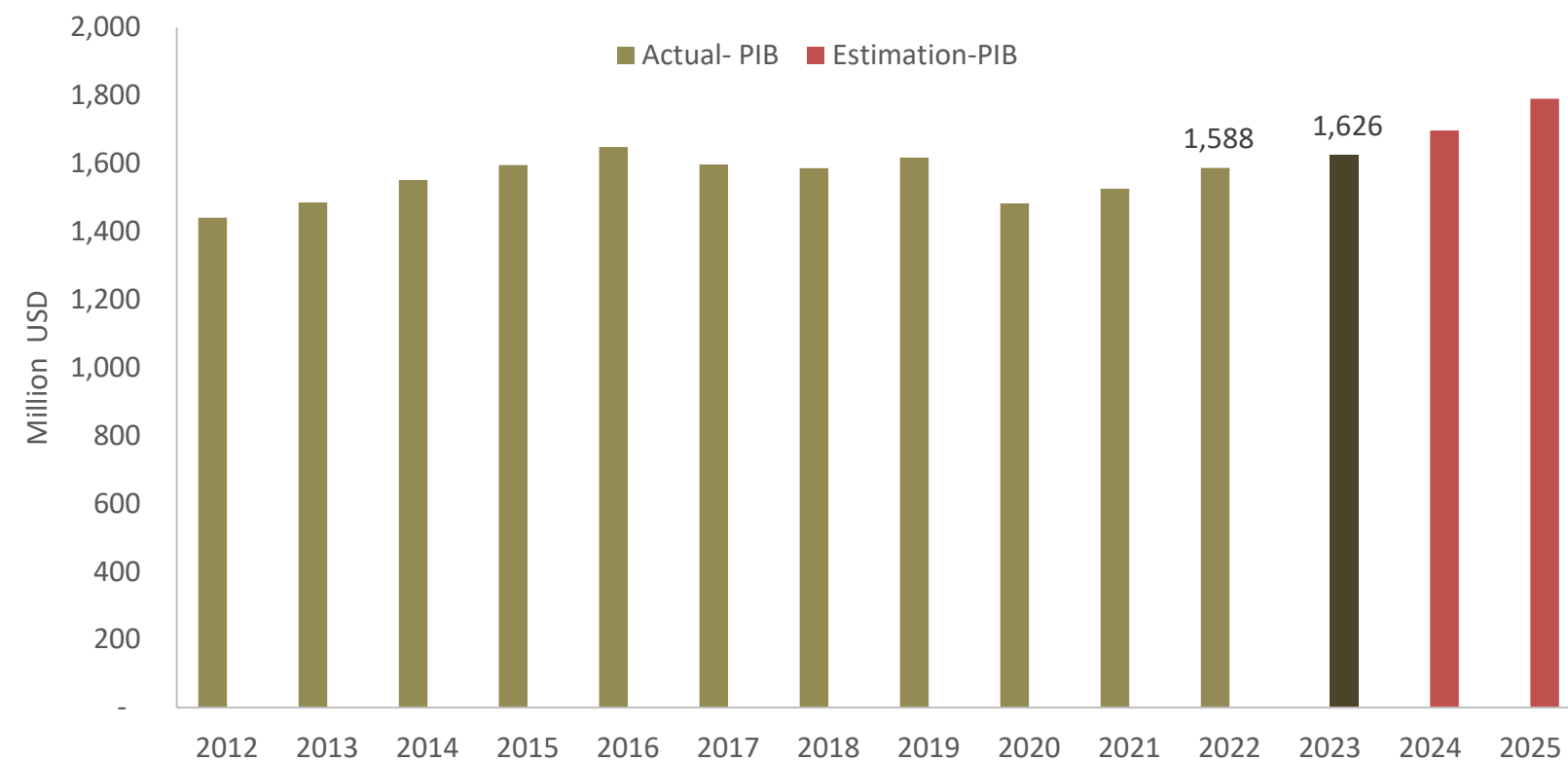
## **7. POLICY PRIORITY**

# 1. ECONOMIC GROWTH OF TIMOR-LESTE

## Economic Growth



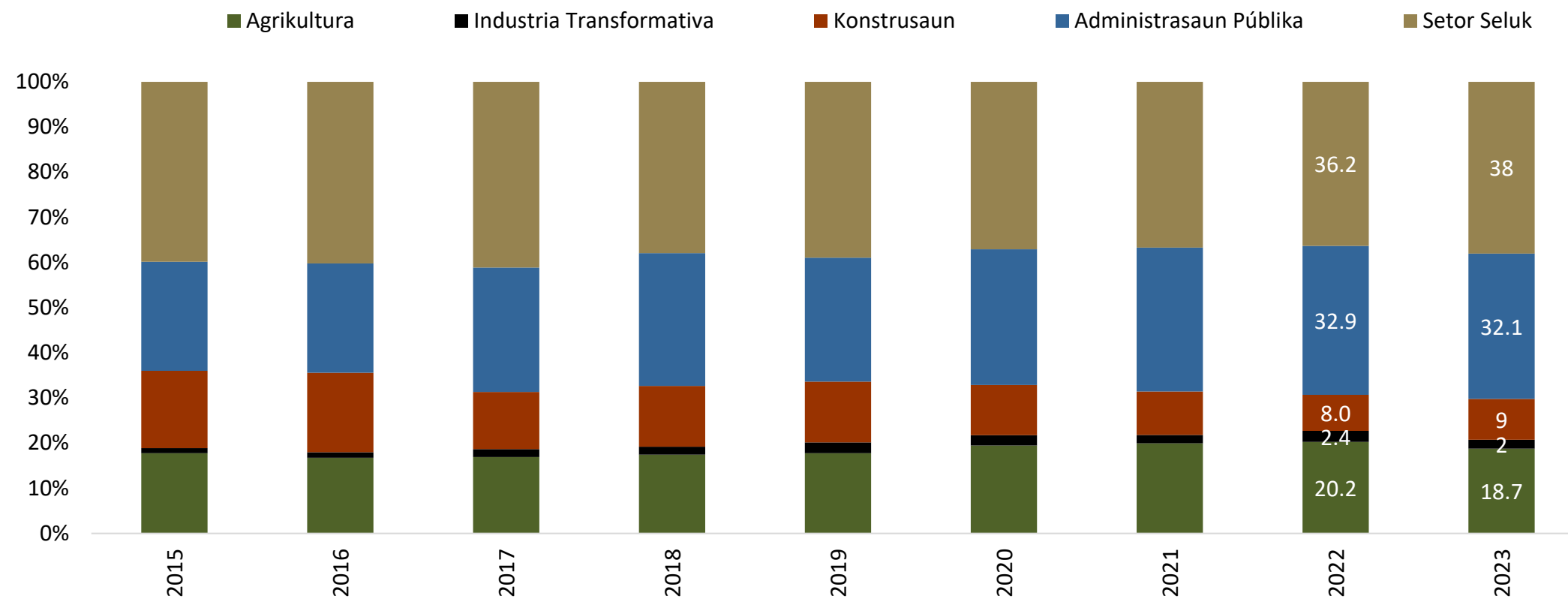
## Economic Size of Timor-Leste



- 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

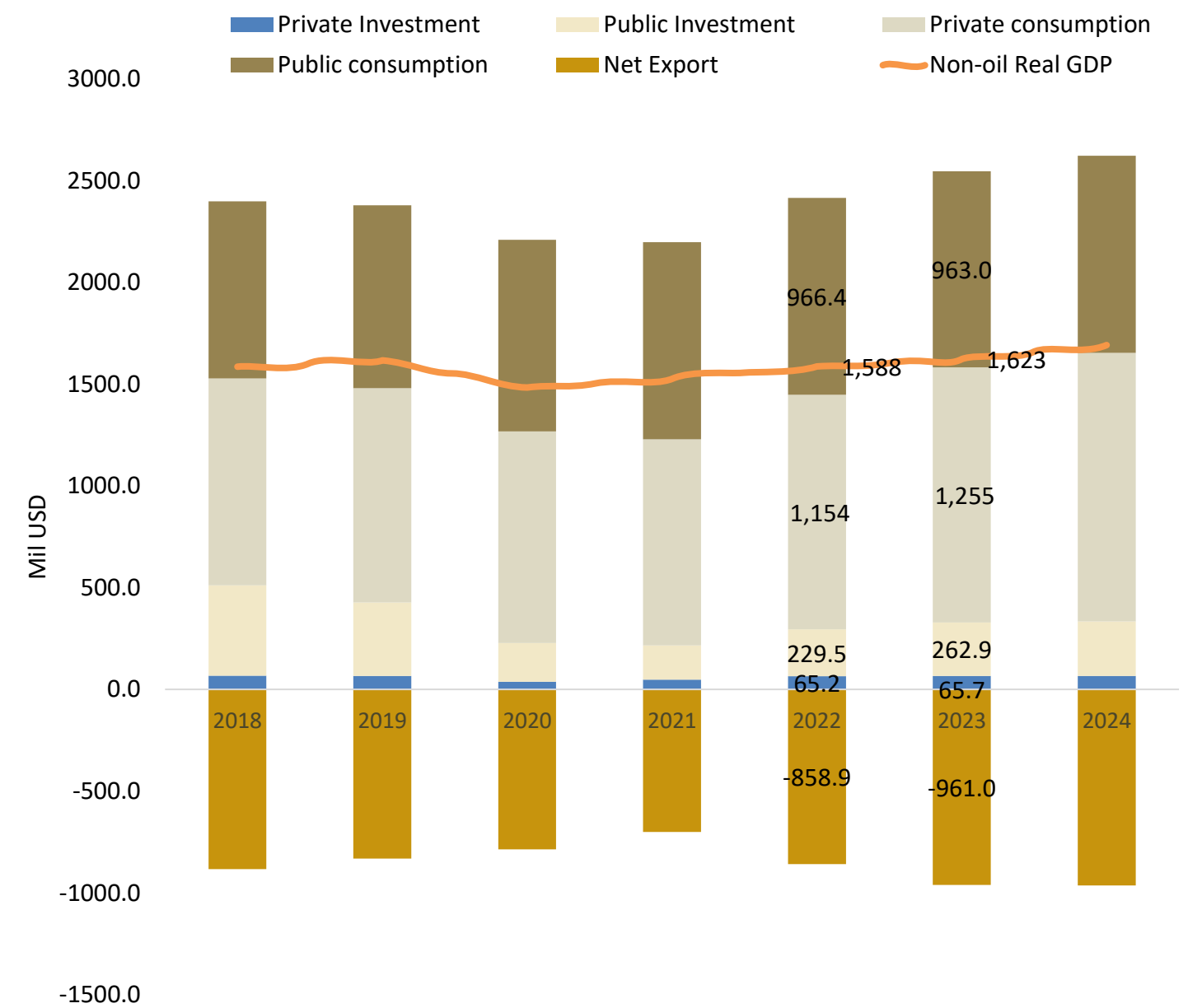
# 1. ECONOMIC GROWTH OF TIMOR-LESTE

## Contribution to GDP



- 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.

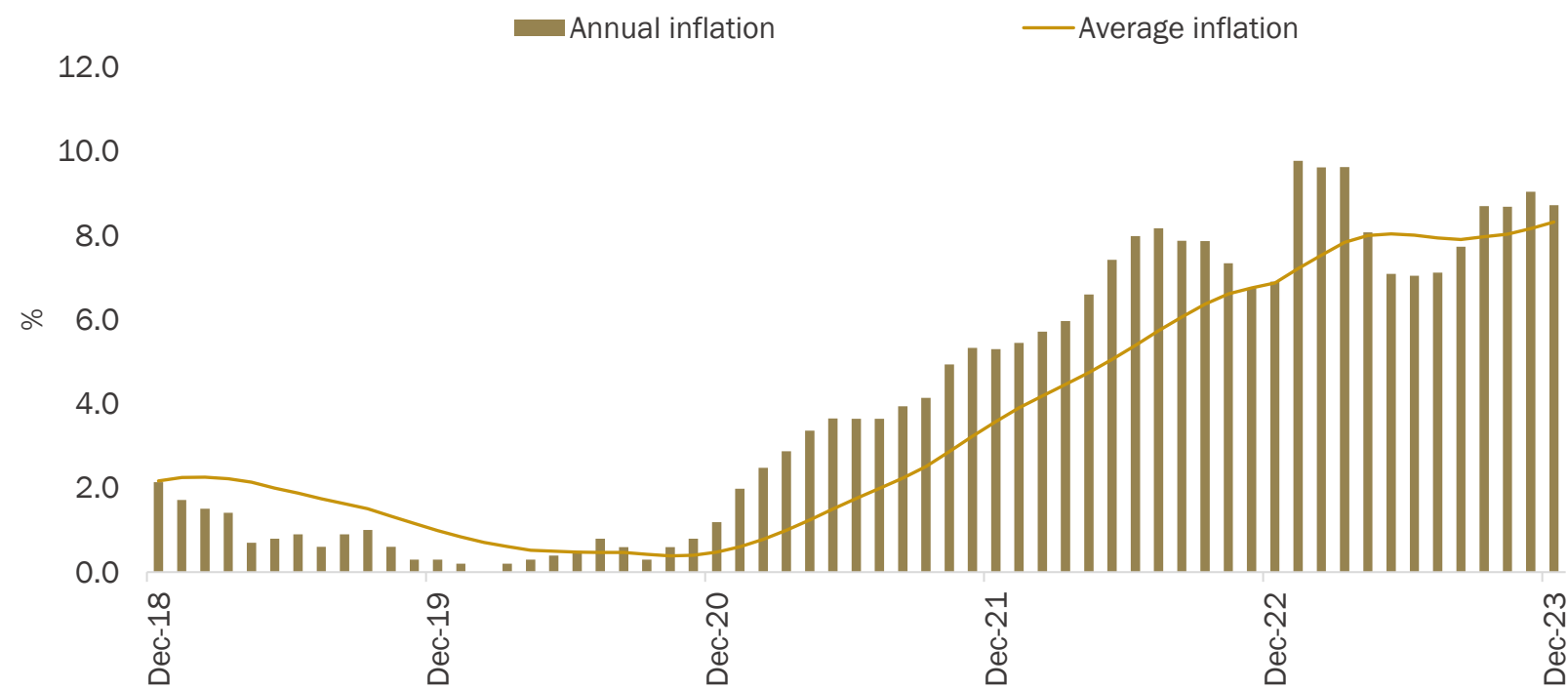
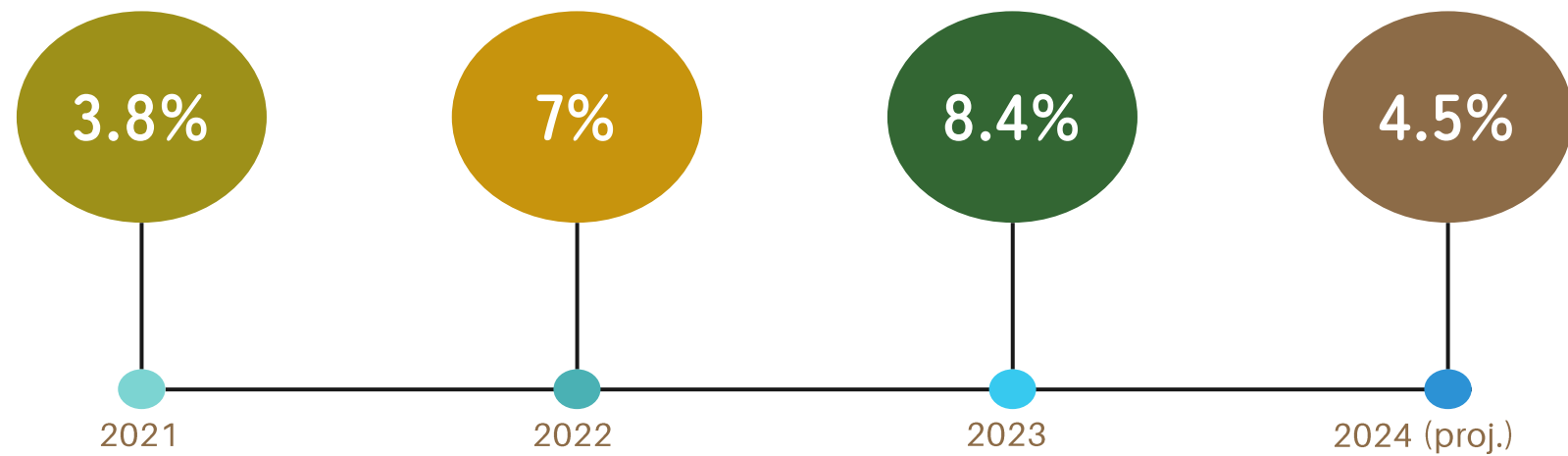
## Contribution to GDP



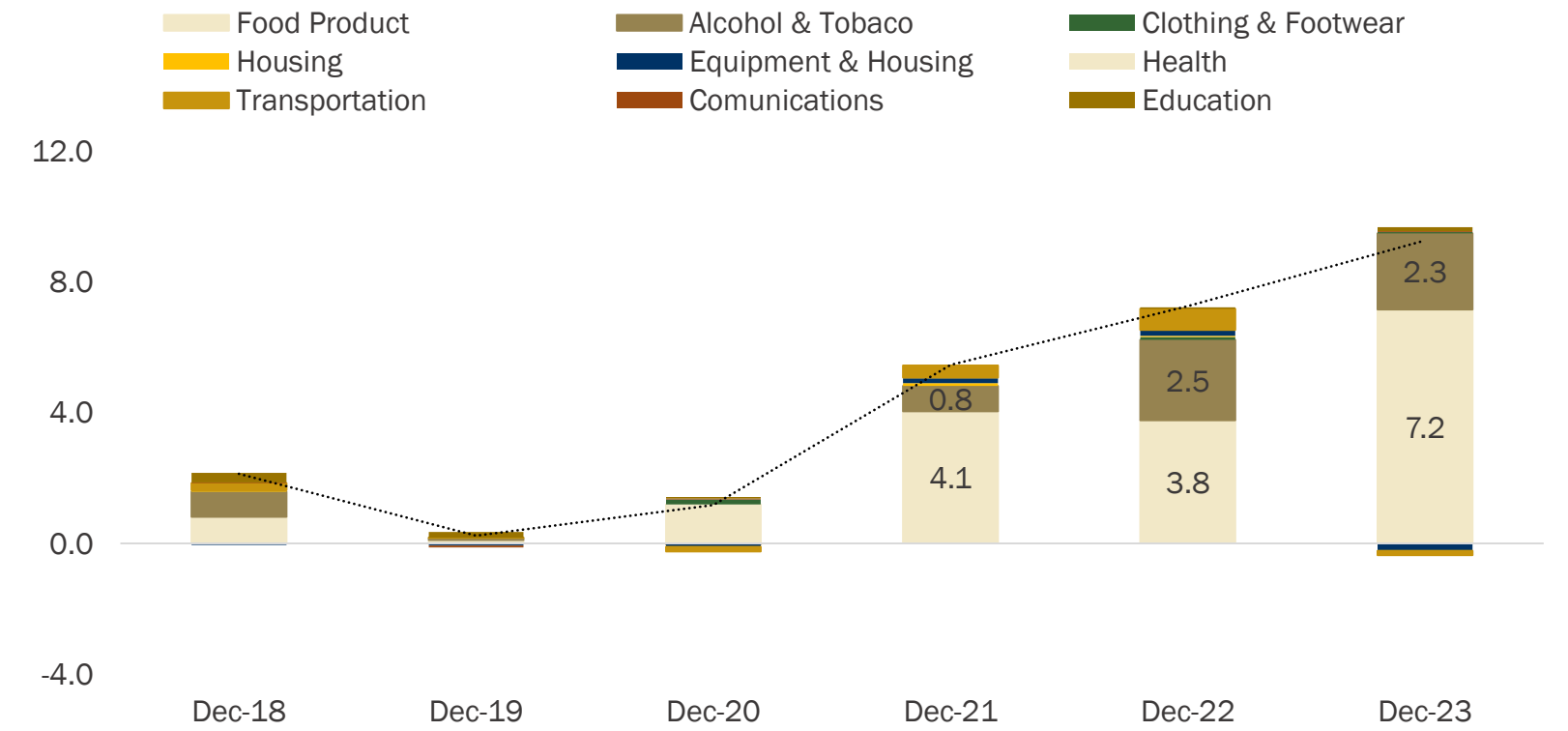
## 2. INFLATION IN TIMOR-LESTE

### Inflation Rate

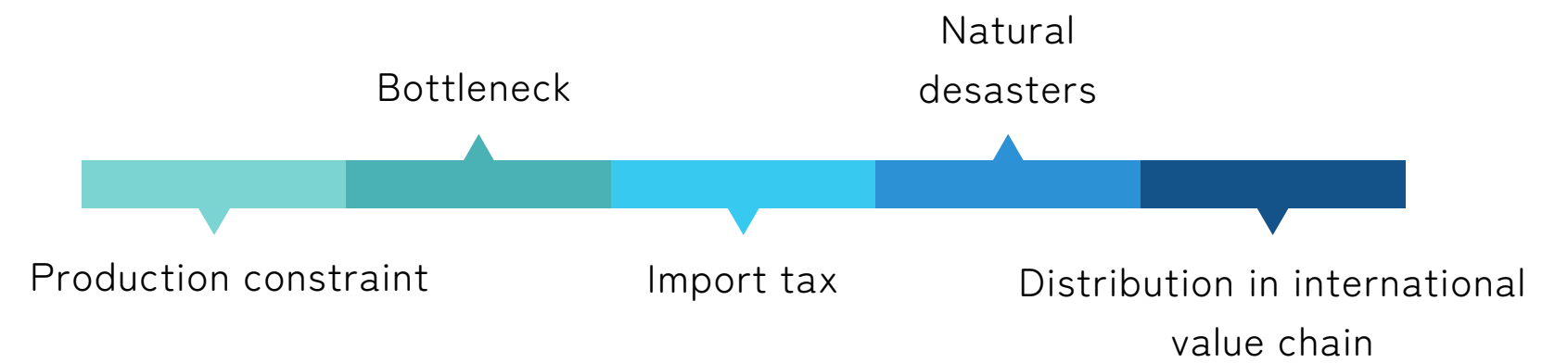
#### Annual Inflation



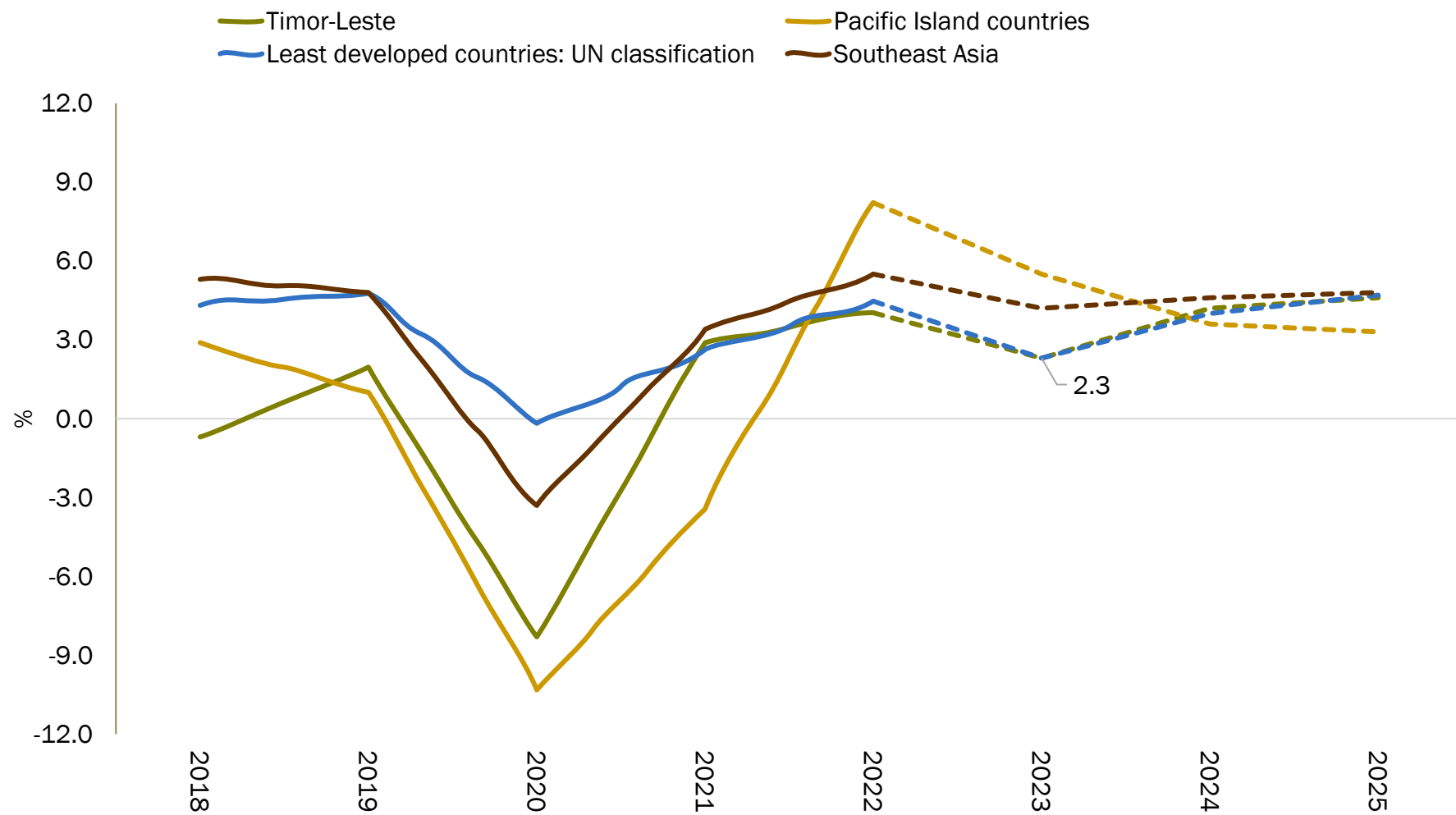
#### Drivers of Inflation



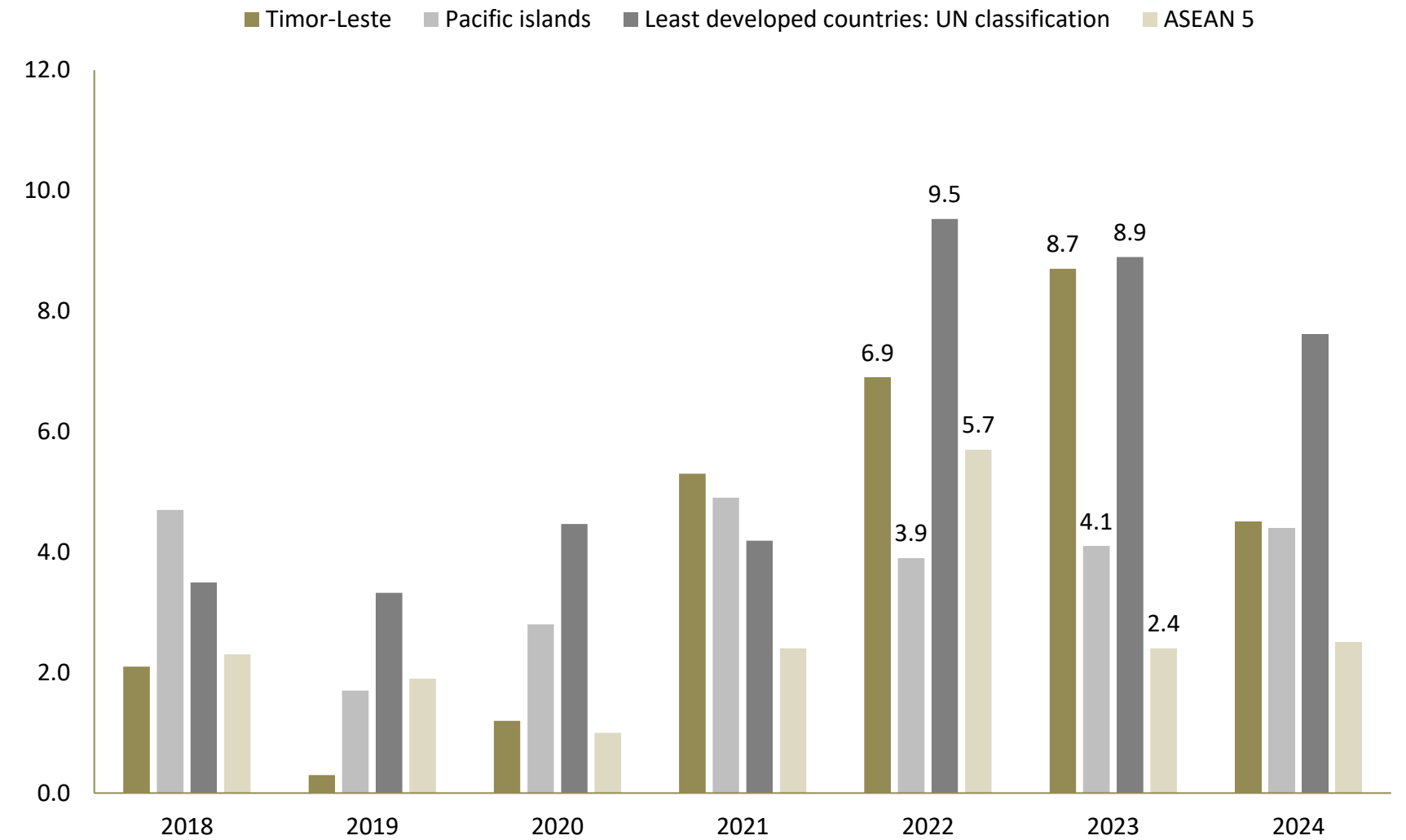
#### Other Drivers of Inflation in Timor-Leste



## International Comparison- Economic Growth



## International Comparison - Inflation



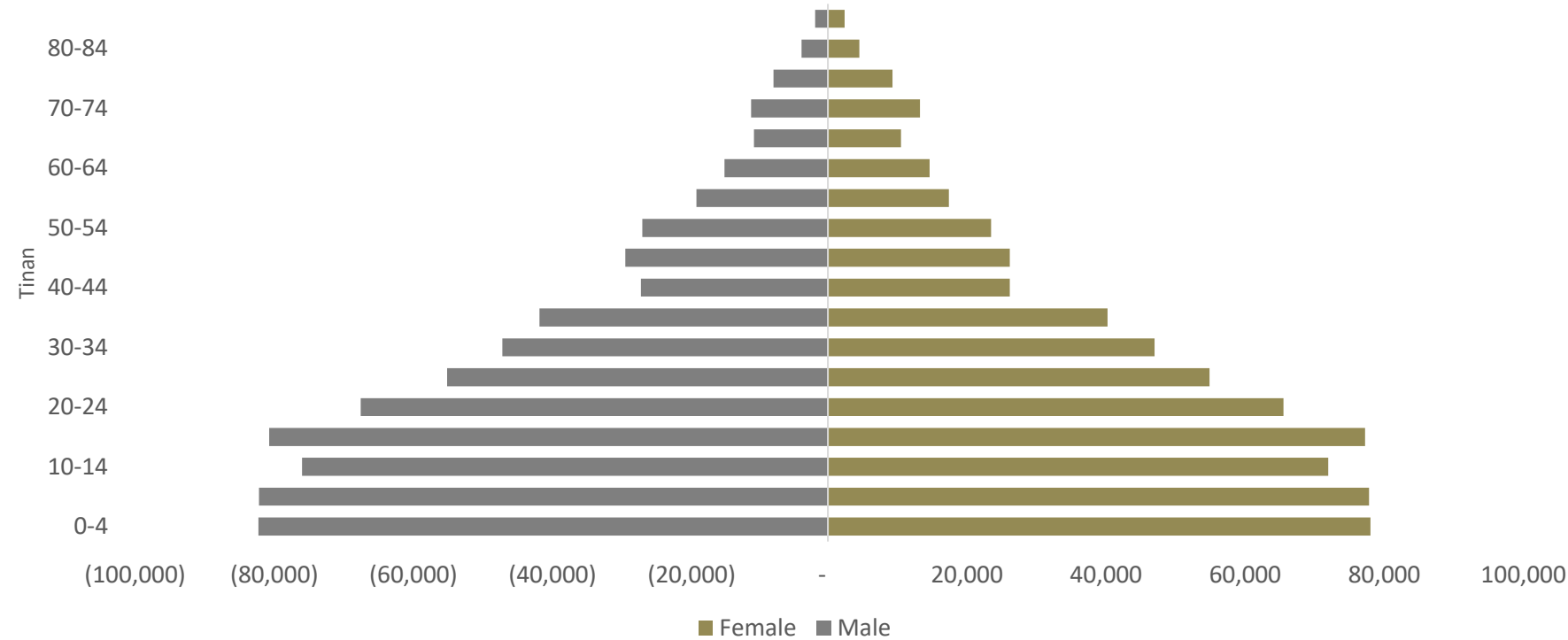
- Timor-Leste and other countries started recovering their economies since 2021.
- Timor-Leste's economic growth trend is similar with international peers, mostly with LDCs

- 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.

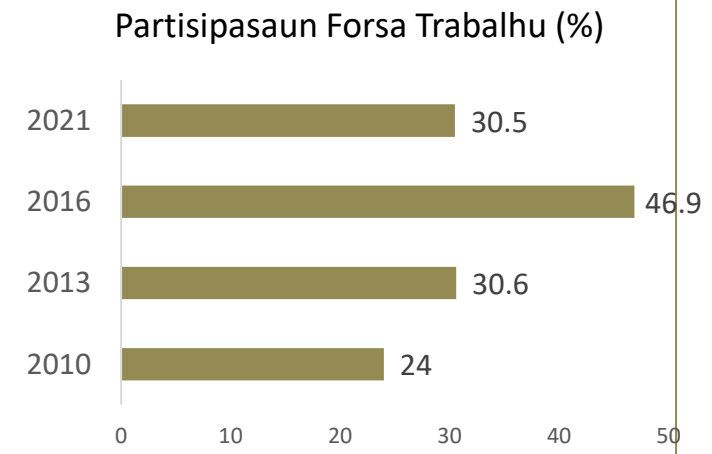
# 3. EMPLOYMENT

## EMPLOYMENT IN TIMOR-LESTE

Timor-Leste's Population Pyramid



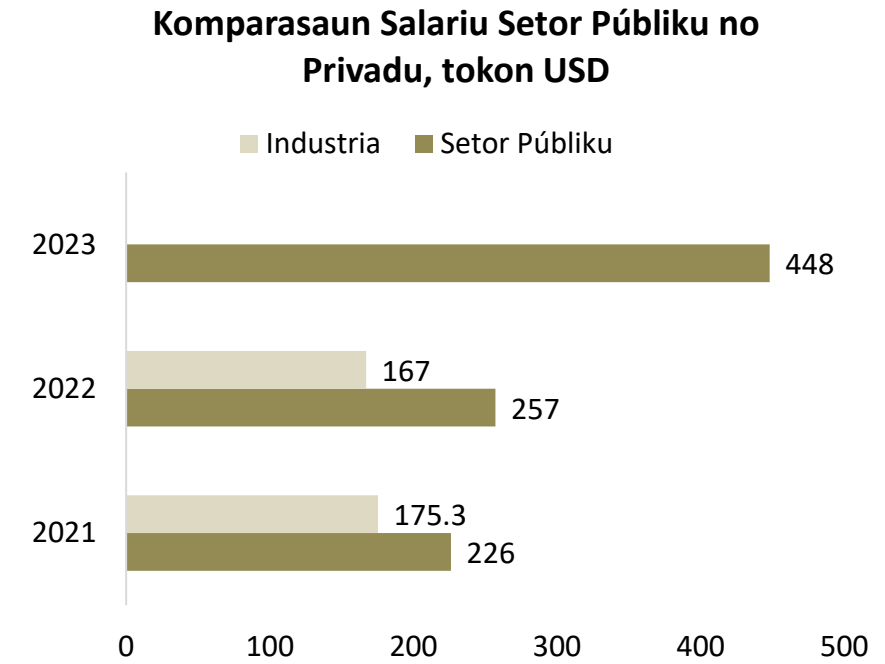
Description	LFT 2010	LFT 2013	LFT 2016	LFT 2021
	2010	2013	2016	2021
<b>Working age population (15+)</b>	627.0	696.2	724.5	809.3
<b>Labor force</b>	150.9	213.3	339.5	247
<b>Employment</b>	139.1	189.3	304	234.3
<b>Unemployment</b>	11.8	23.4	35.4	12.7
<b>Outside of labor force</b>	477.5	483.0	385.0	562.4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



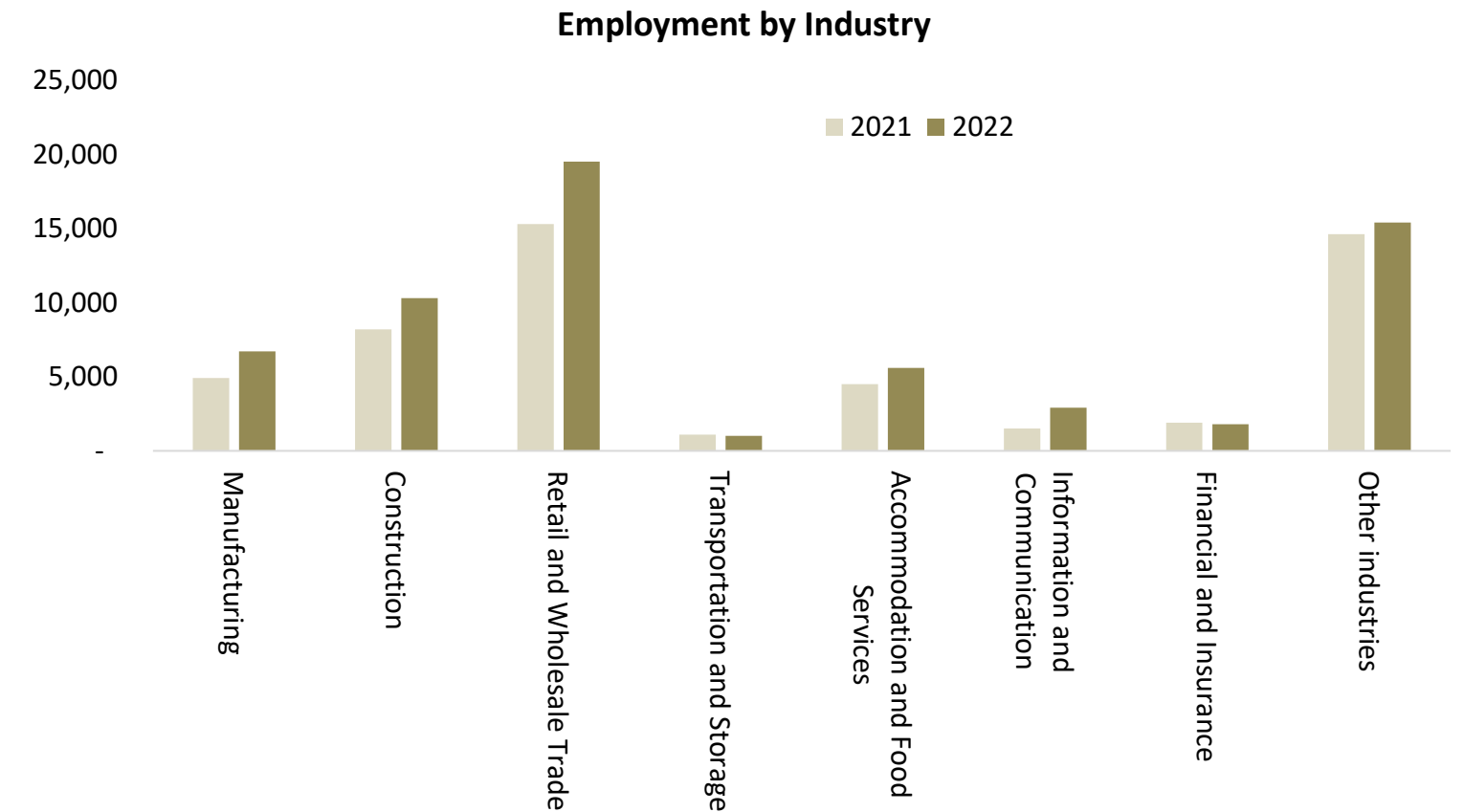
- The latest employment and population census data are in 2021
- Total population of Timor-Leste is 1,341,737 (Male 681,258 and Female 660,483).
- Total population with age between 15-64 is 779,587
- Working age population is around 803,000. But only 247,000 or (30.5%) participated in the labor force.
- 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
<b>Total</b>	<b>36,400</b>	<b>15,900</b>	<b>42,200</b>	<b>21,100</b>



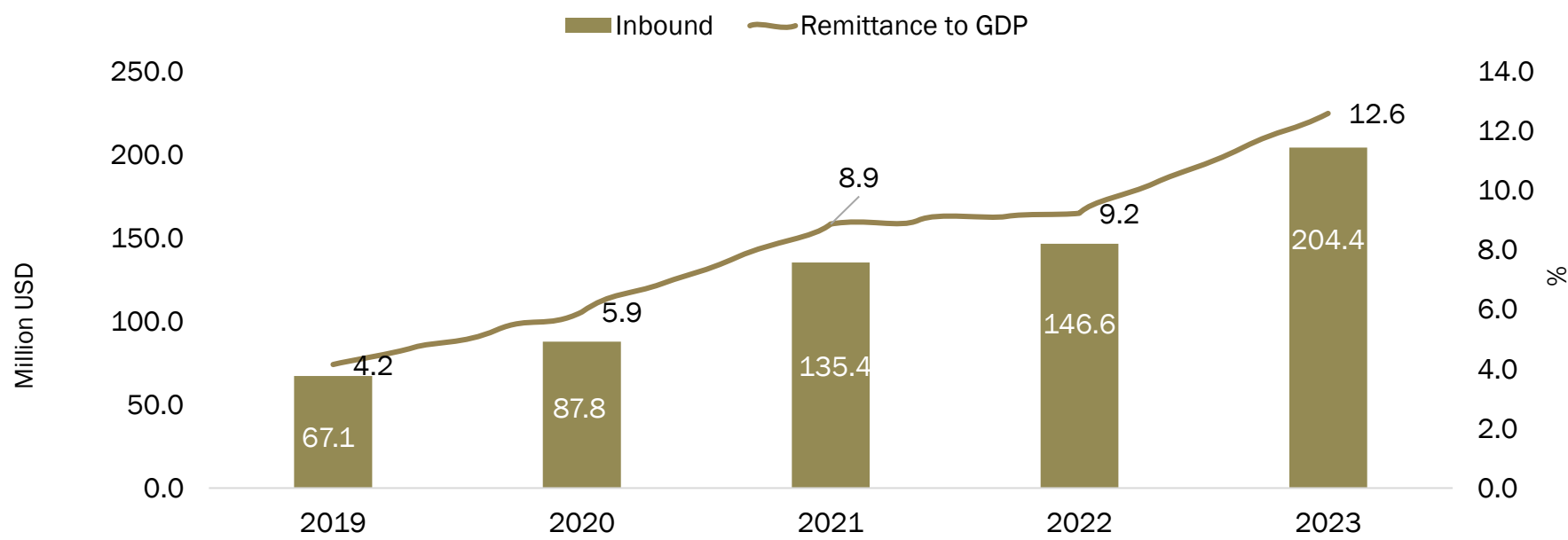
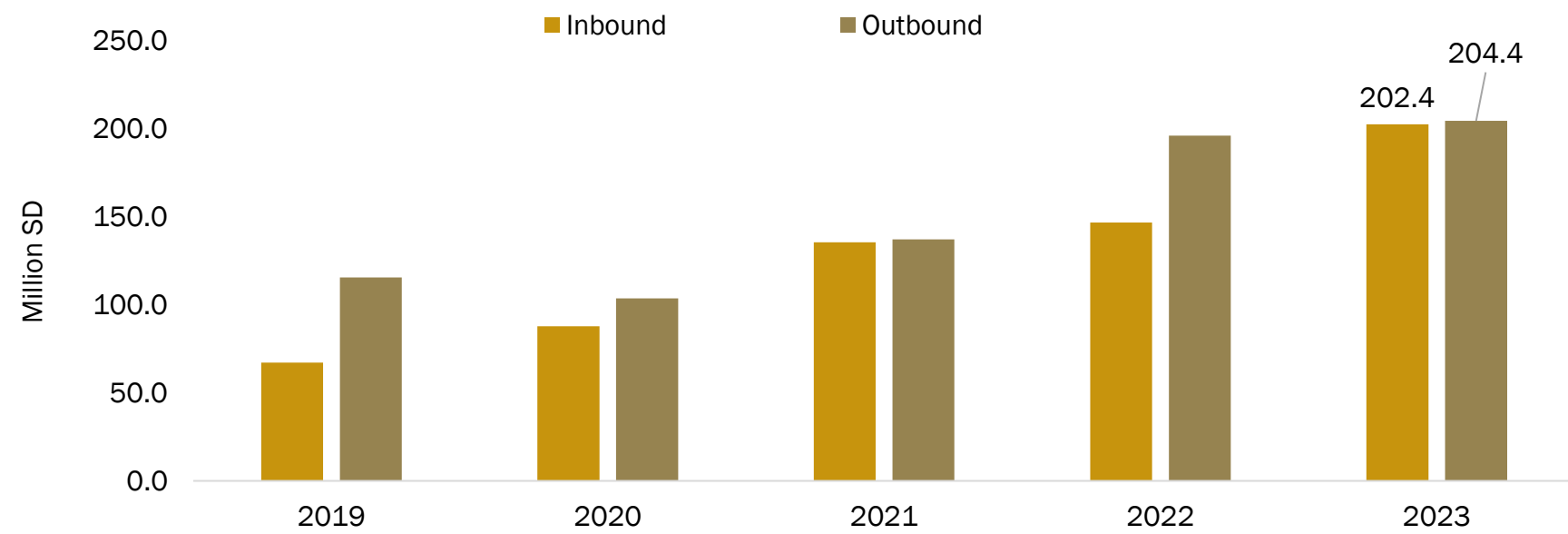
- Employments and salaries mostly from the public sector rather than industries.
- Data for industries' employment and salary for 2023 are not available yet.
- In 2022, industries contributed 63.300 employments and paid a total of \$167.9 millions to the salary
- Industries employed more man than women,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



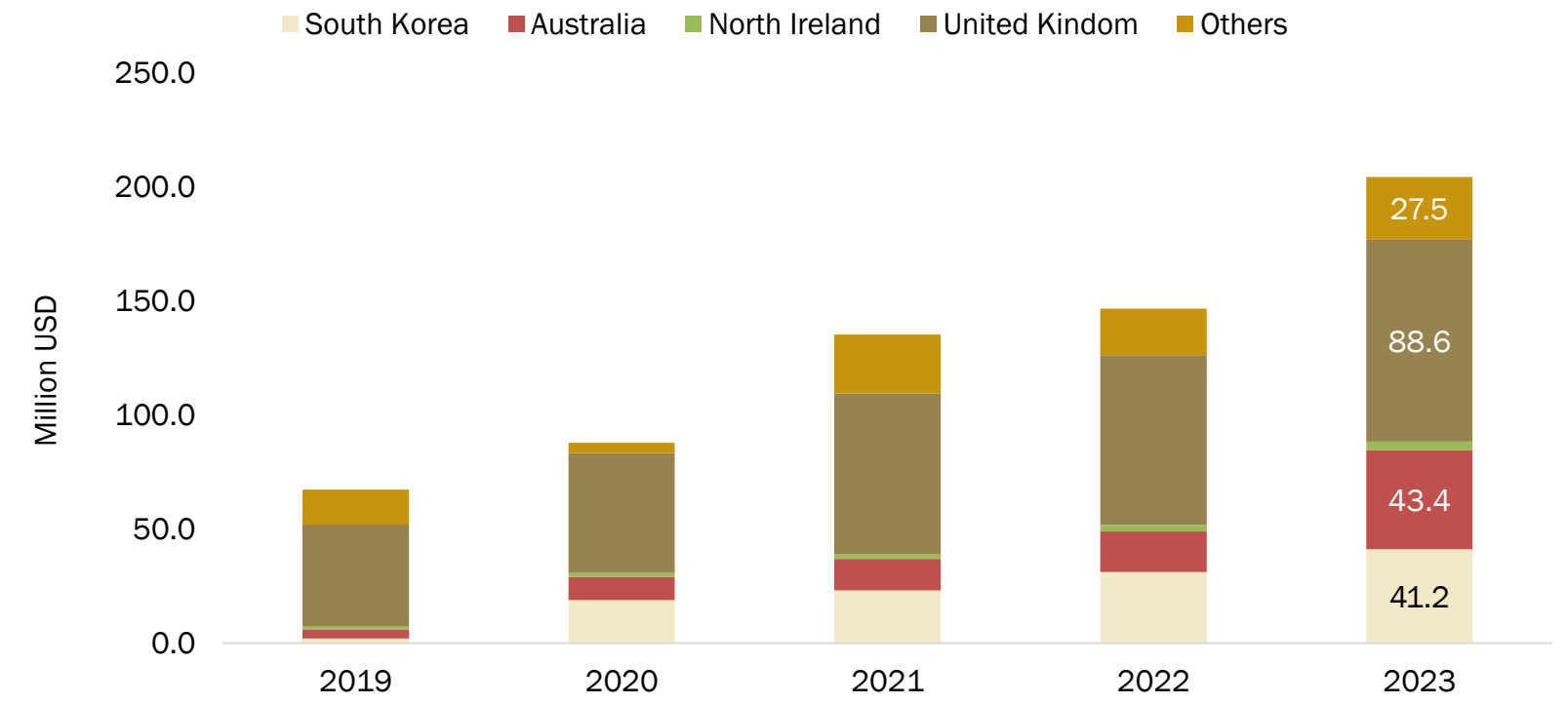
# 3. EMPLOYMENT

## REMITTANCE

### Remittance From the Immigrants



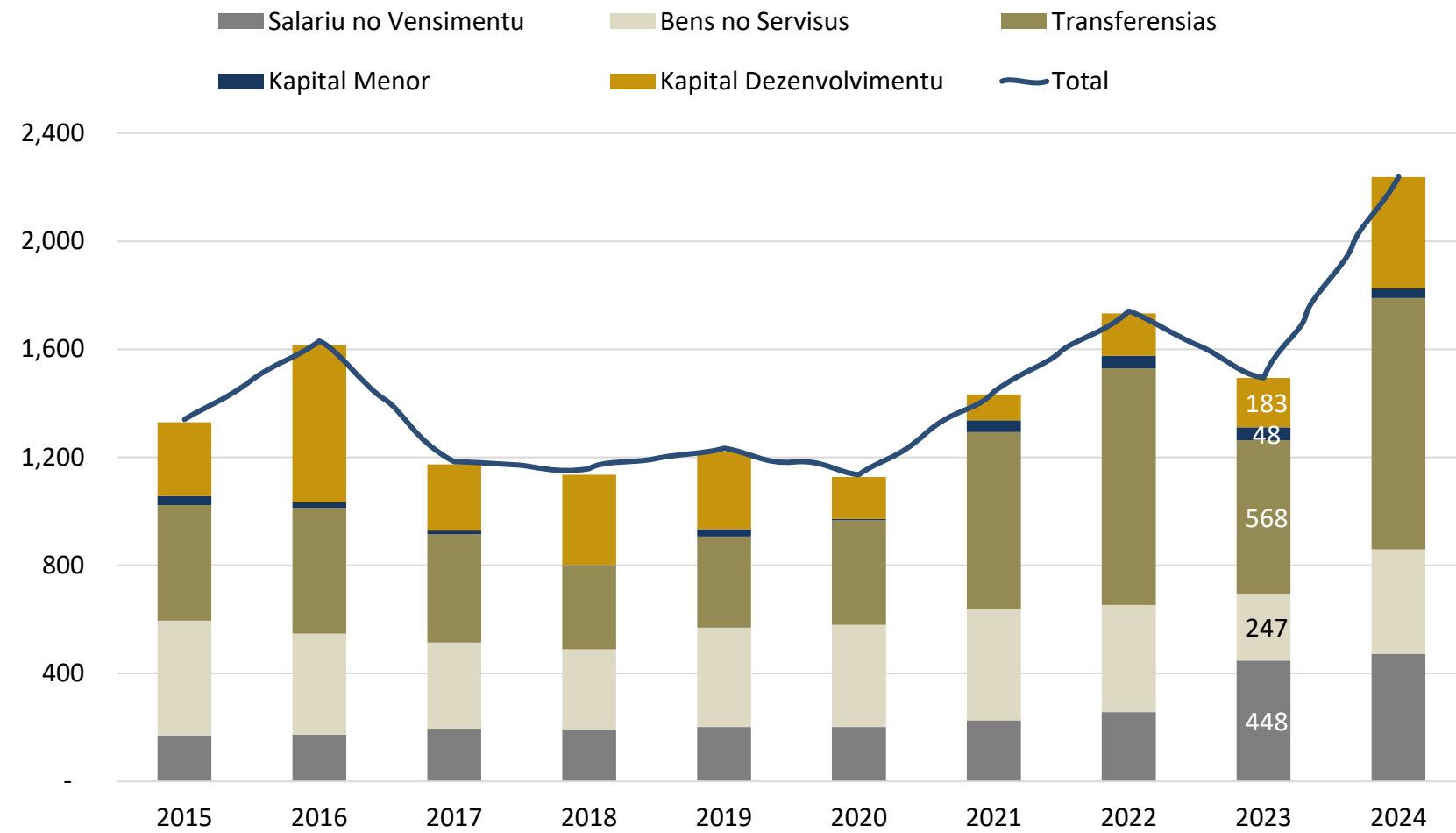
### Inbound Remittance by Country of Origin



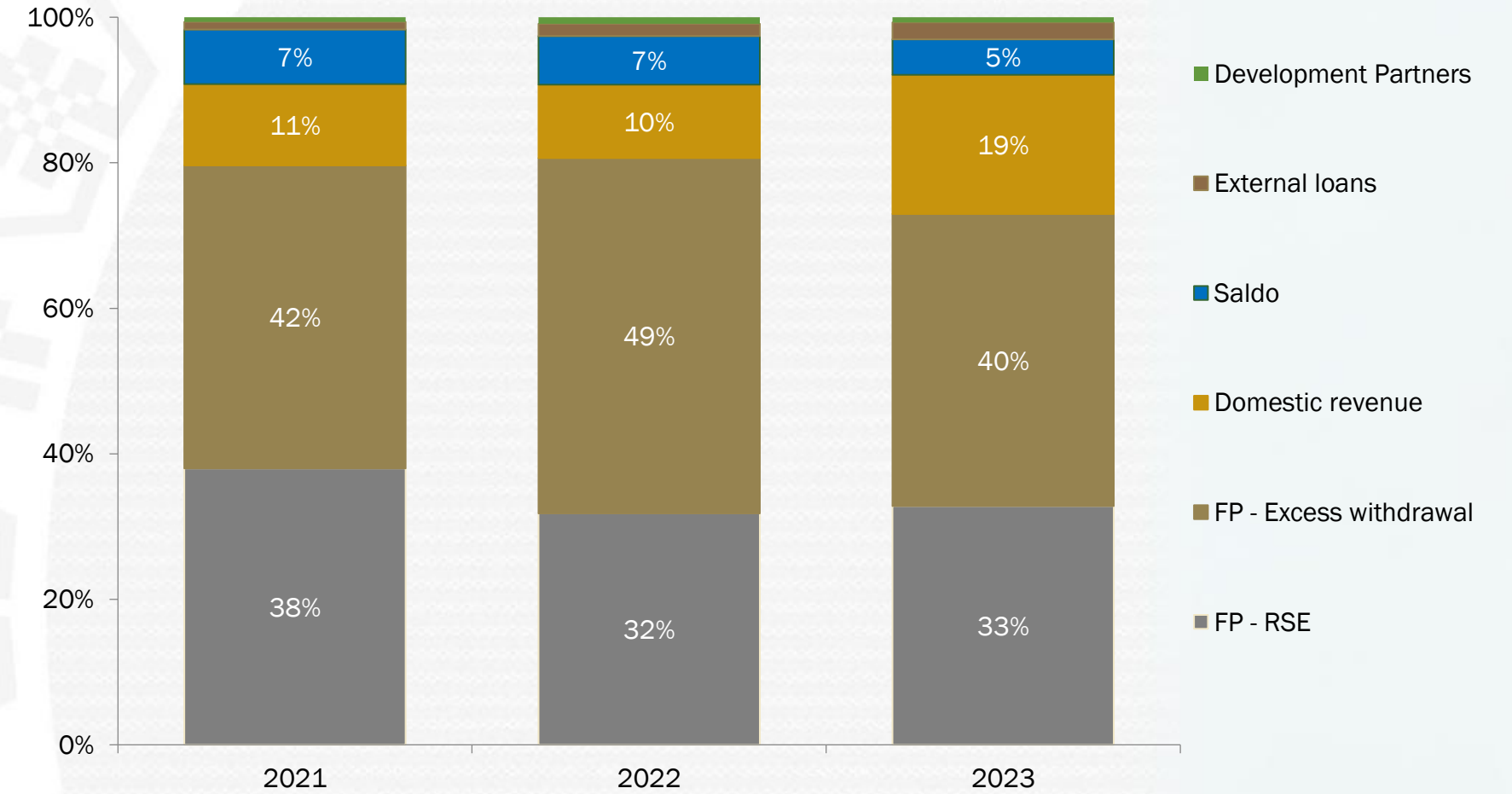
- Inbound and outbound of remittance in 2023 is almost equal.
- Inbound remittance to Timor-Leste continue increasing every year. In 2023, inbound remittance accounts for \$204.4 million, representing 12.6% of GDP
- Inbound remittances in 2023 are mostly from United Kingdom (\$88 million), Australia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

# 4. PUBLIC FINANCE

### Public Expenditure by Category



### Source of Financing for Public Expenditure



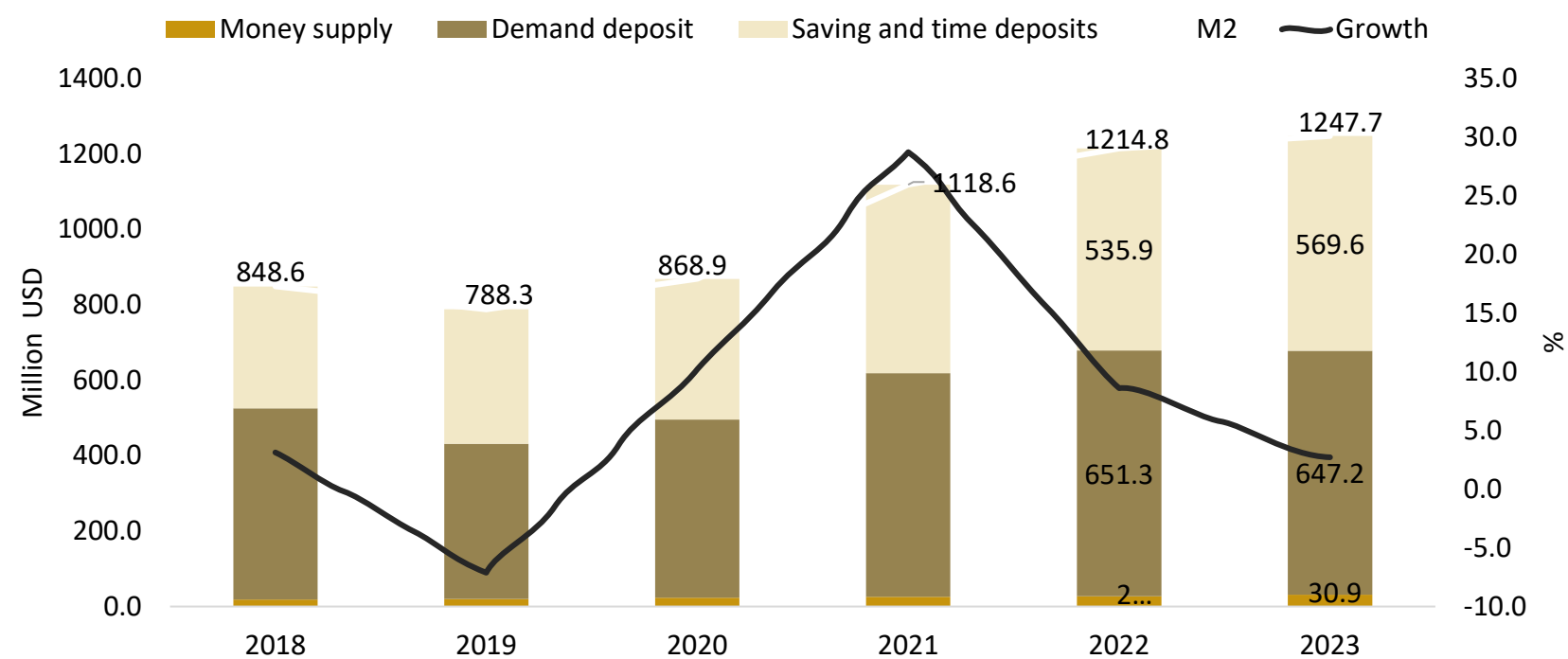
- Public expenditure on salary and wages is on upward trend.
- For 2024, Government increases allocation in capital and development.

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

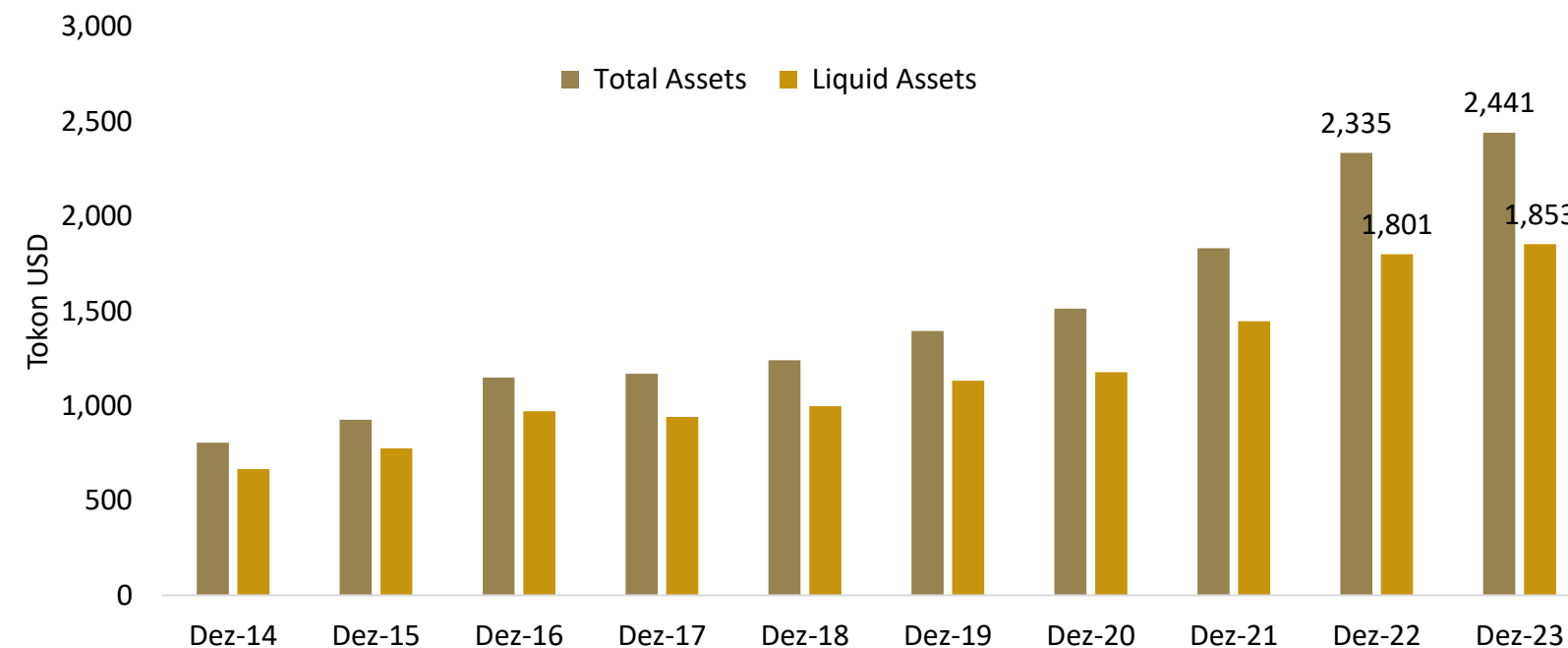


# 5. MONETARY SECTOR

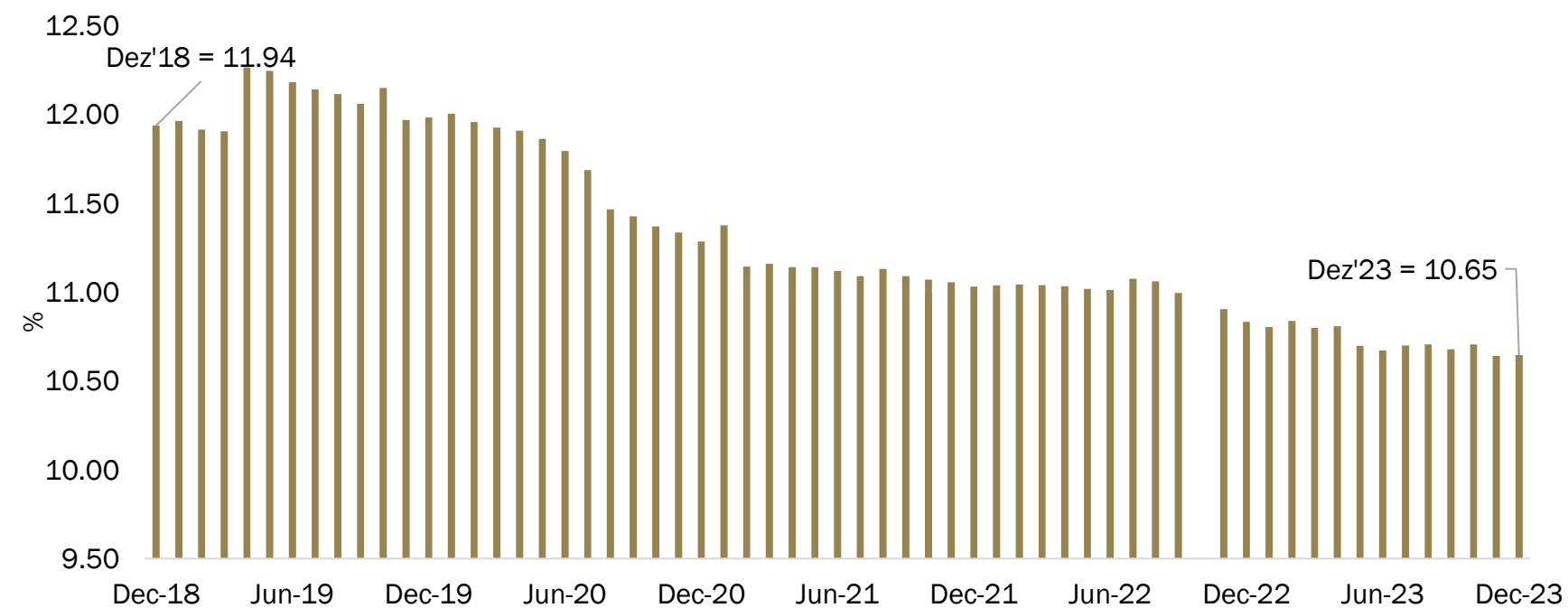
## Component of Money Supply (M2)



## Total and Liquid Assets of Financial Sector



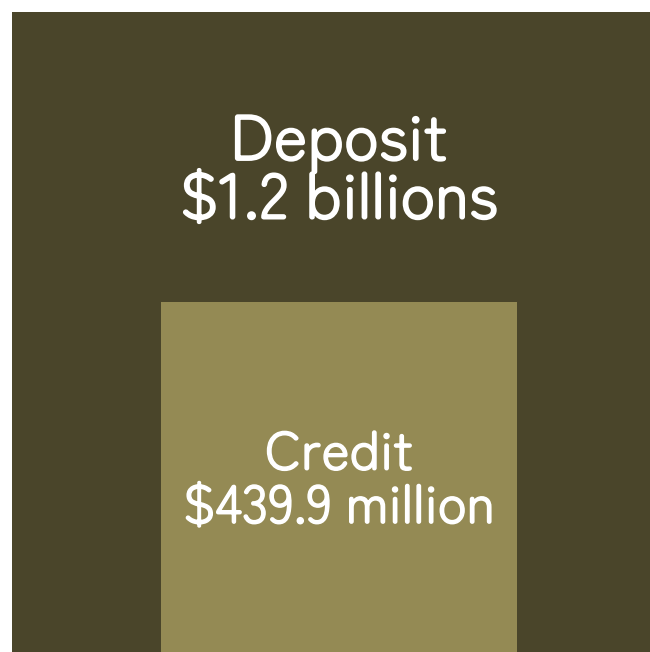
## Average Interest Rate for Credit in Timor-Leste



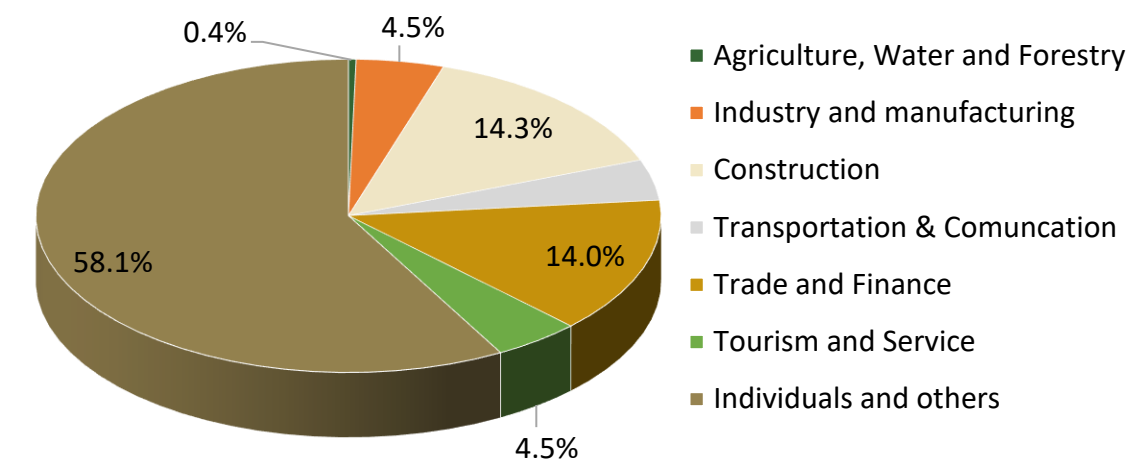
- In 2023, total money supply was \$1.247 billions, which included \$30.9 millions of coins
- Total assets of financial sector was \$2.441 billions in 2023 compared to \$2.335 billions in 2022.
- Timor-Leste has most liquid financial assets with the total liquid assets of \$1.853 billions, representing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

# 5. MONETARY SECTOR

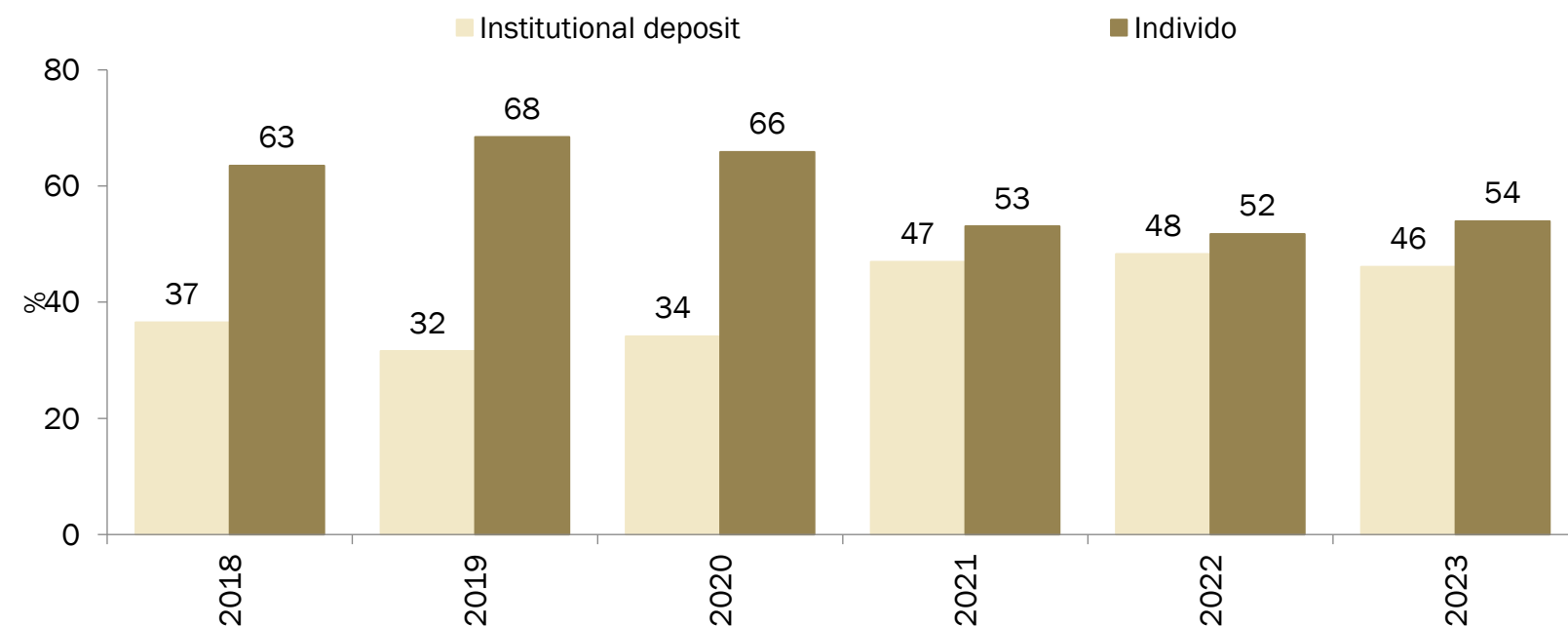
## Total Deposit and Credit in 2023



## Credit by Sector, December 2023



## Private and Institutional Deposit



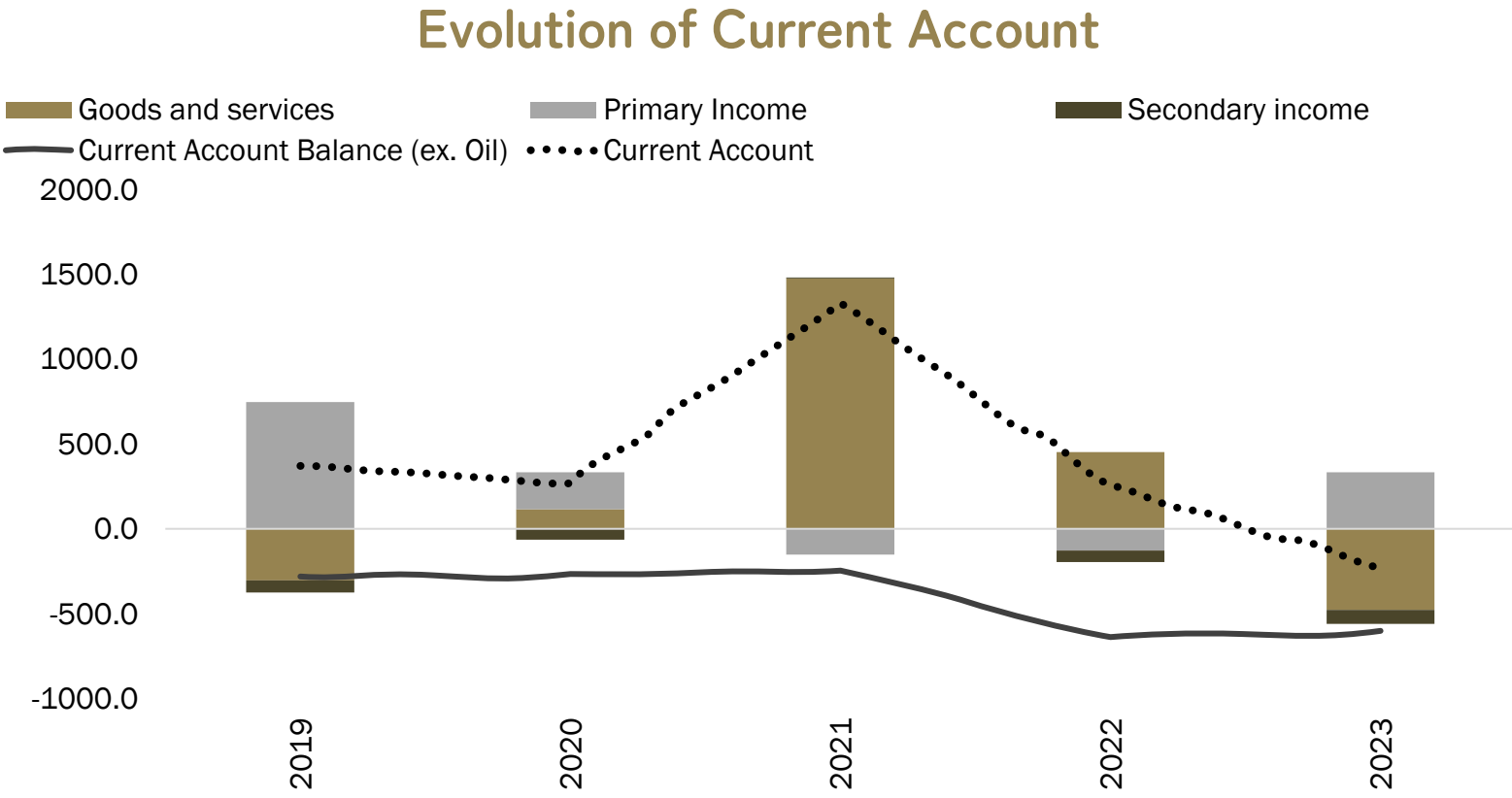
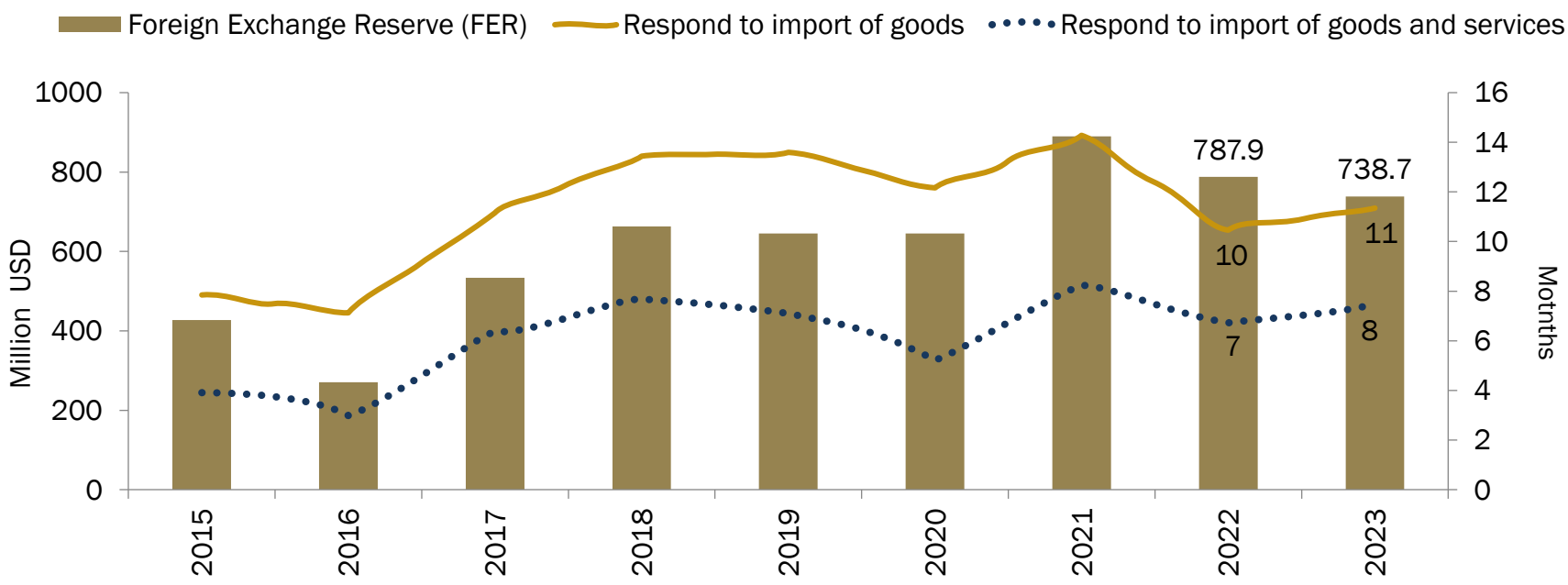
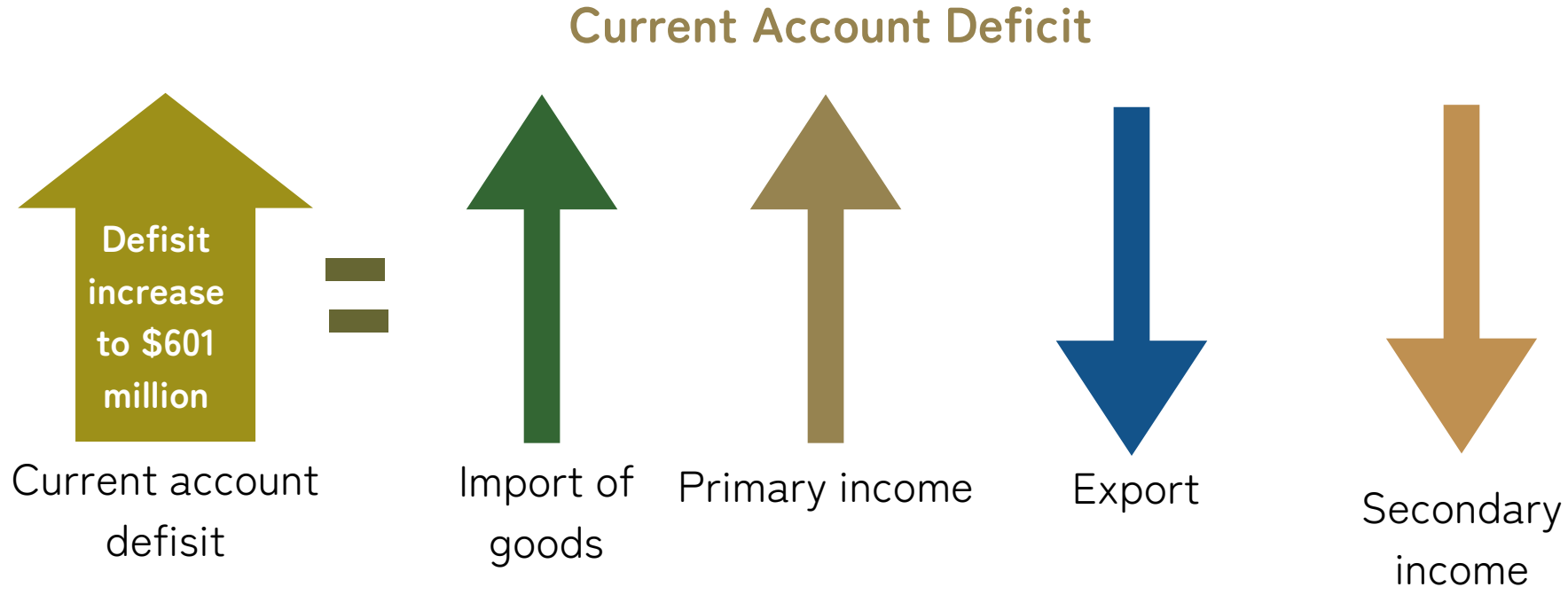
## Credit by Sector, 2022-2023

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%
<b>Total</b>	<b>361.6</b>	<b>439.9</b>	<b>78.3</b>	<b>22%</b>	<b>100%</b>	<b>100%</b>

# 6. EXTERNAL SECTOR: Current Account

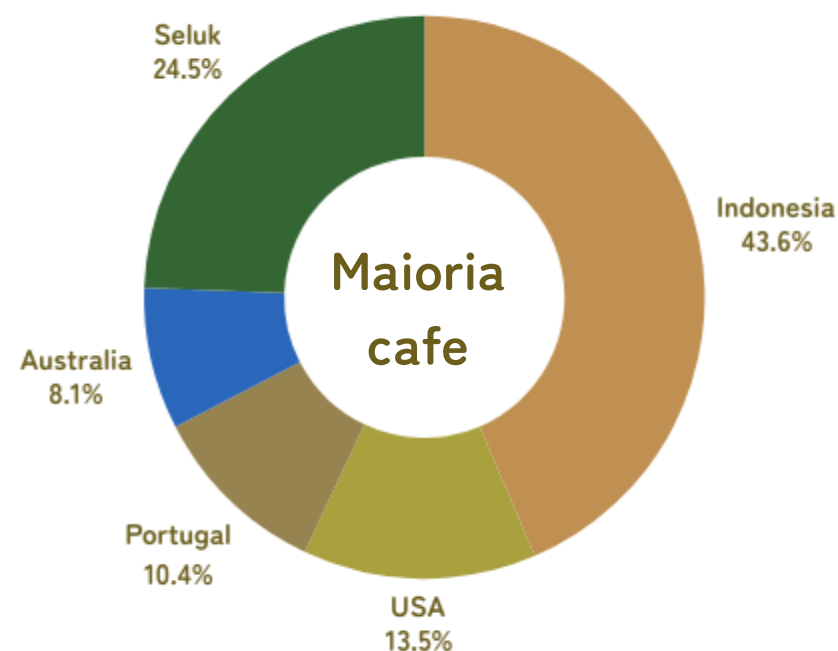
Foreign Exchange Reserve (FER) 2023 decline to \$739 million

Saldo FER's 2023 responds to

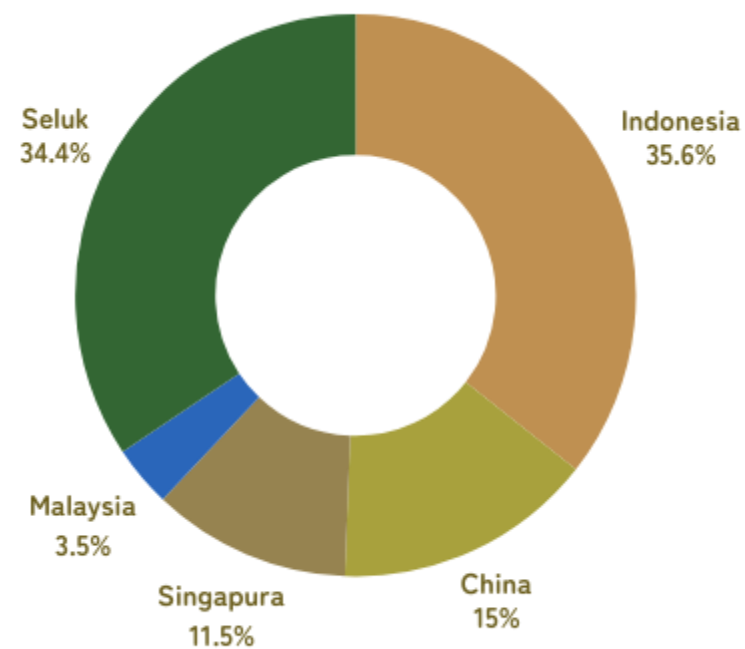


## 6. EXTERNAL SECTOR: Goods account

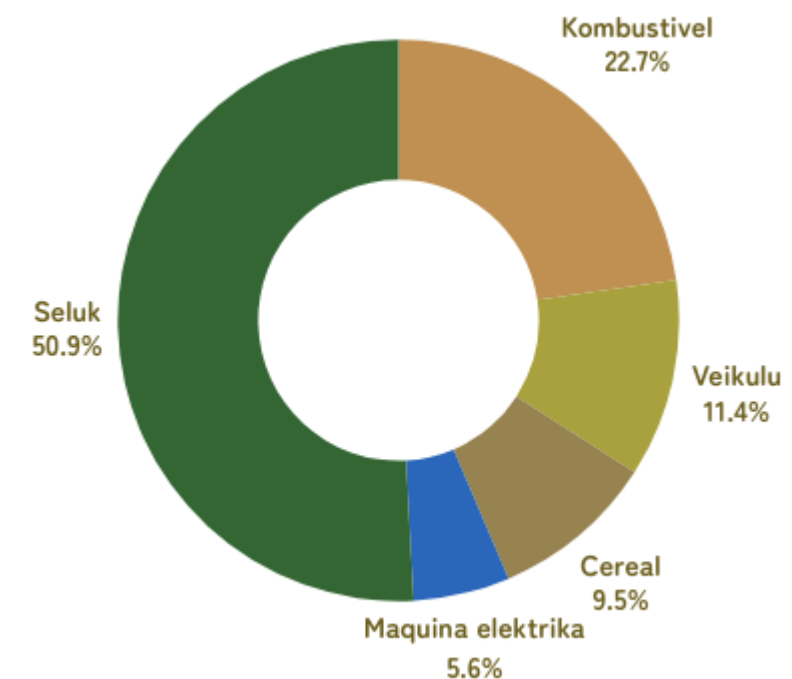
### Main Export Destination in 2023



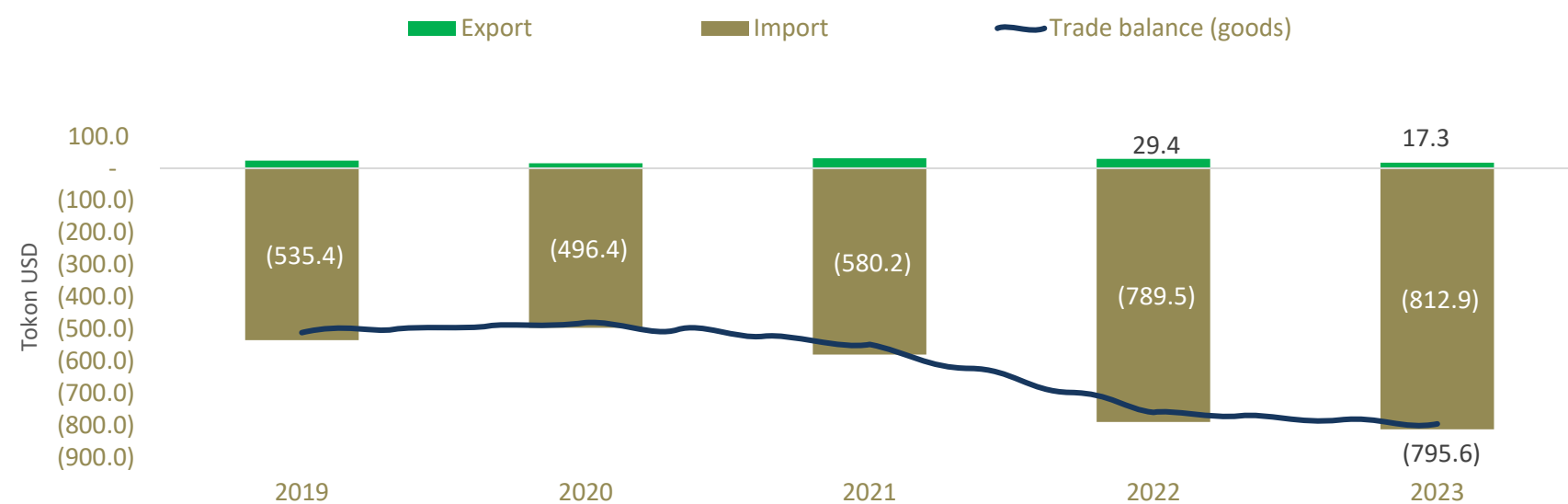
### Main Importers in 2023



### Main Import Products in 2023



### Export and Import of Goods (non-oil)



### Import Products

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

# 7. RECOMMENDATIONS

## 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.



### Access to Financial Services

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



### Efficient Laws and Regulations

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



### 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.



### Efficient Bureaucracy and Coordination

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