

TIMOR-LESTE ECONOMIC OUTLOOK AND DIVERSIFICATION STRATEGY



Macroeconomic Stability for a Vibrant
Private Sector-Led Growth

HELDER LOPES
Governor of the Central Bank of Timor-Leste

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

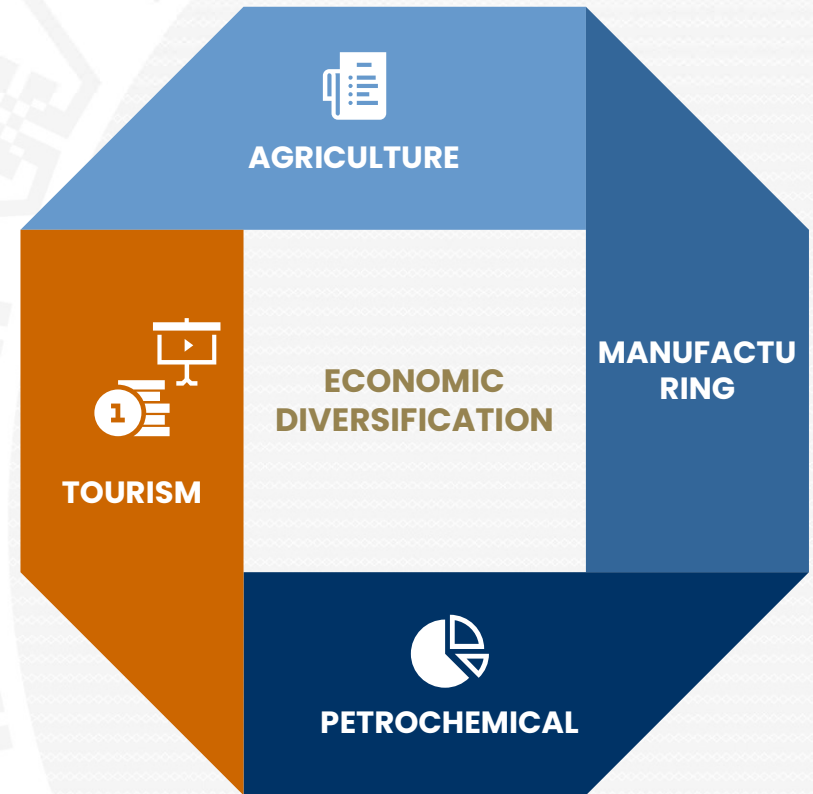
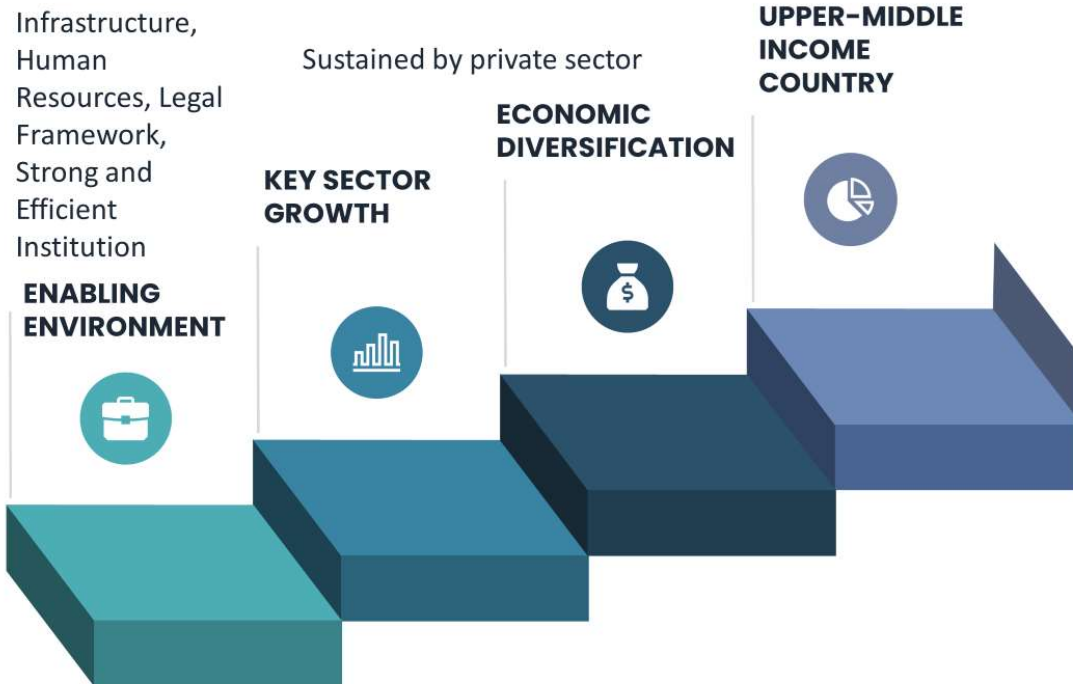
Robust financial sector development with a secured, accessible, digital, and inclusive financial services.



KEY MESSAGE

Promote sound macroeconomic policies to facilitate private sector development.

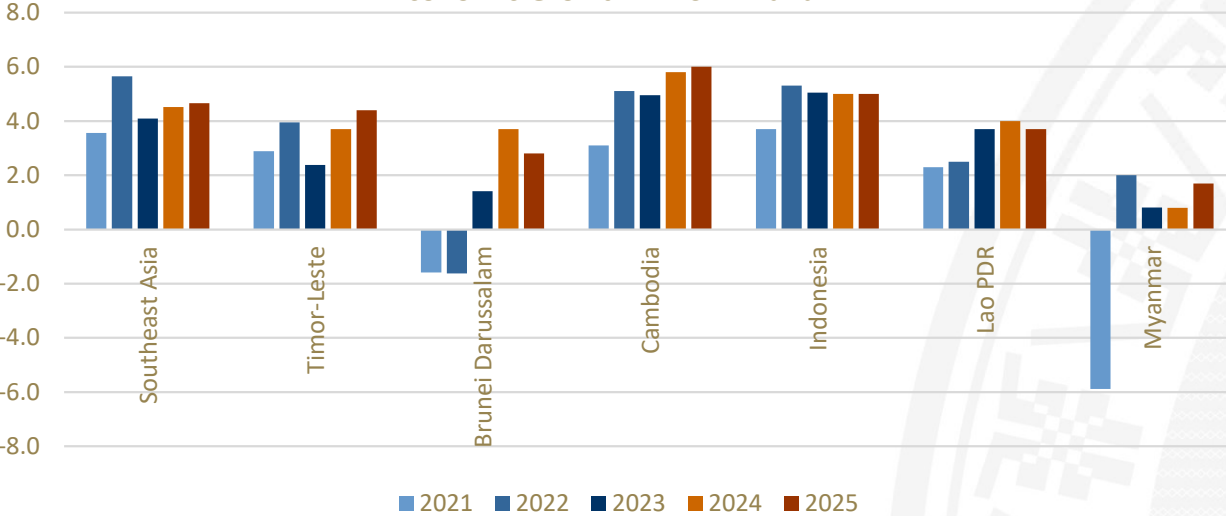
Towards Upper-Middle Income



KEY MESSAGE

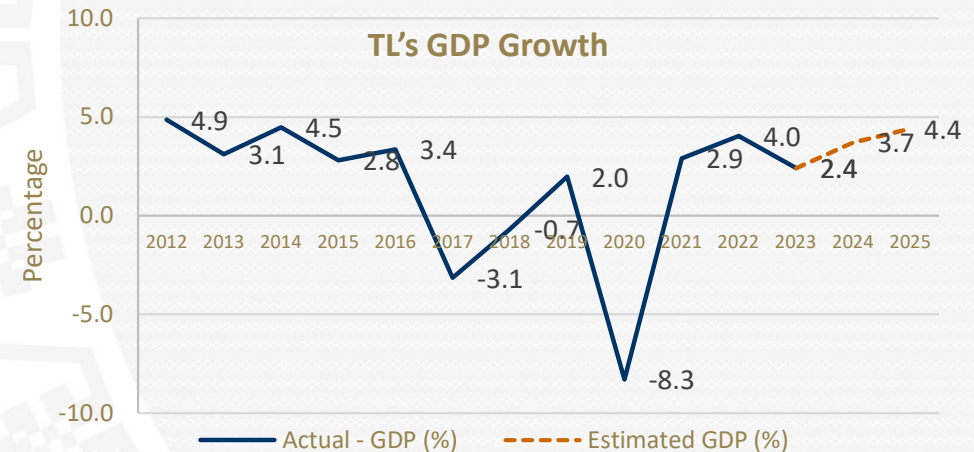
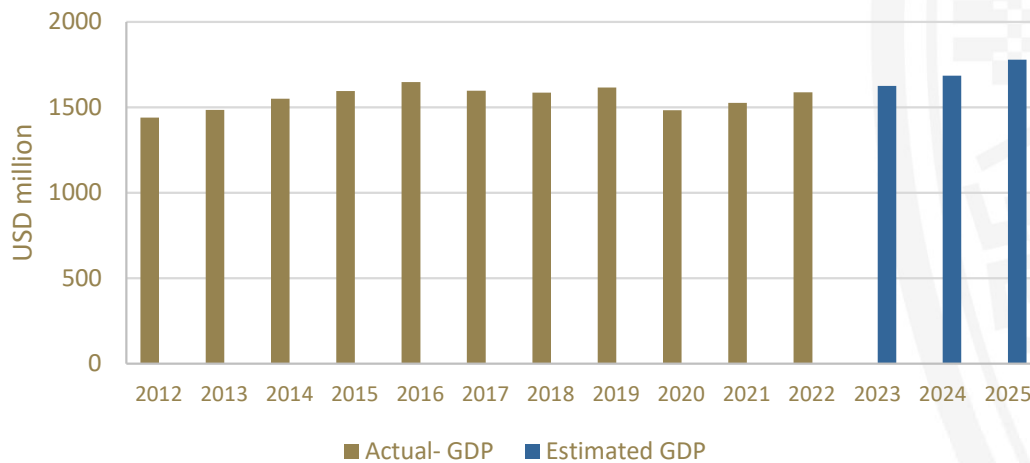
1. Roadmap to achieve development objectives is well-defined.
2. Economic diversification is the priority
3. Private sector is the key partner to make objective achievable.

Economic Growth in ASEAN and TL



- Prior to the recent economic downturn, Timor-Leste enjoyed moderate to high growth rates.
- The recent economic contractions were due to limited public expenditures and the pandemic.
- Strong recovery is underway.
- The GDP growth target is 5% per year.
- The growth target is based on the commitment for promoting macroeconomic stability, legislative reform, efficiency, and soft and hard infrastructures

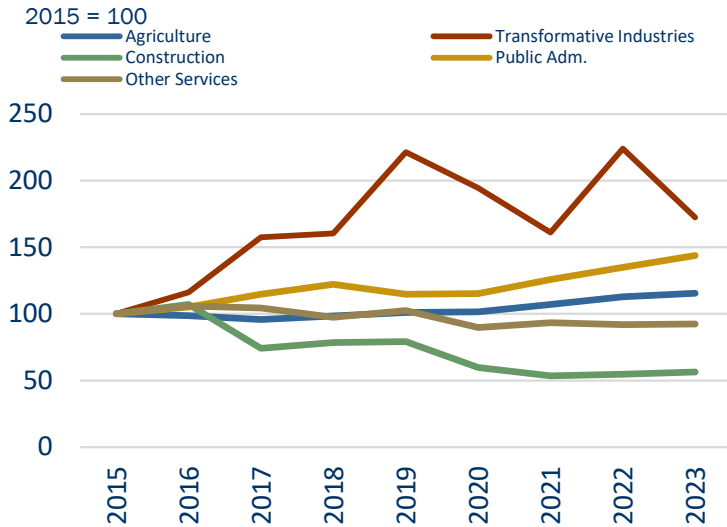
TL's GDP Growth



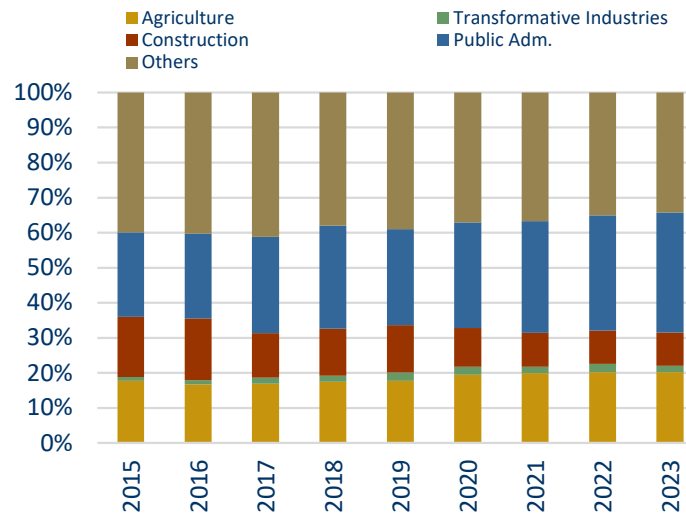
KEY MESSAGE

Timor-Leste has growth potentials – opportunities for private sector

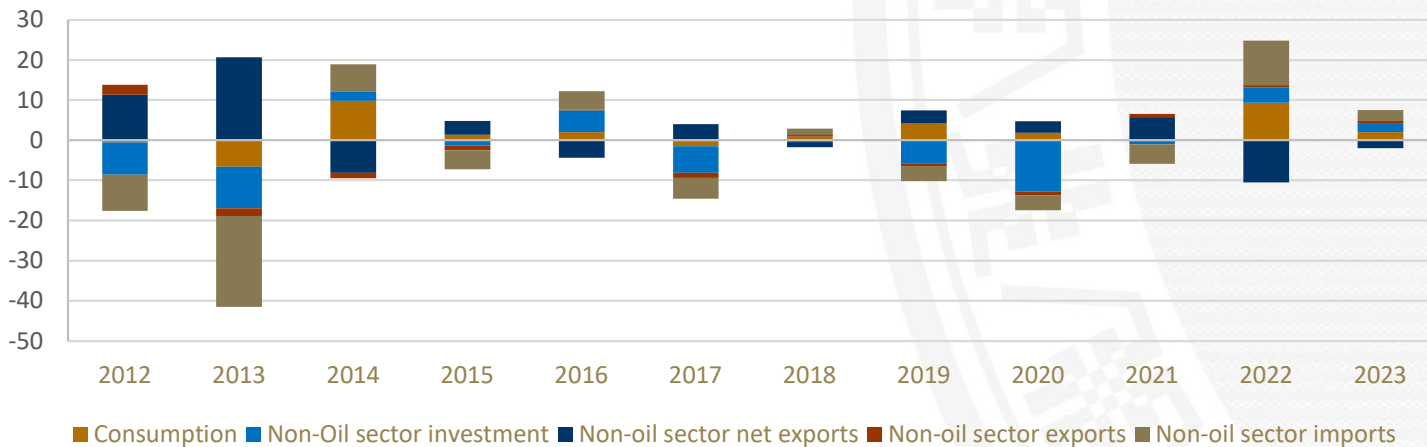
TL GDP: Sectoral Growth Trend



Share to GDP



Growth of Drivers of TL's GDP



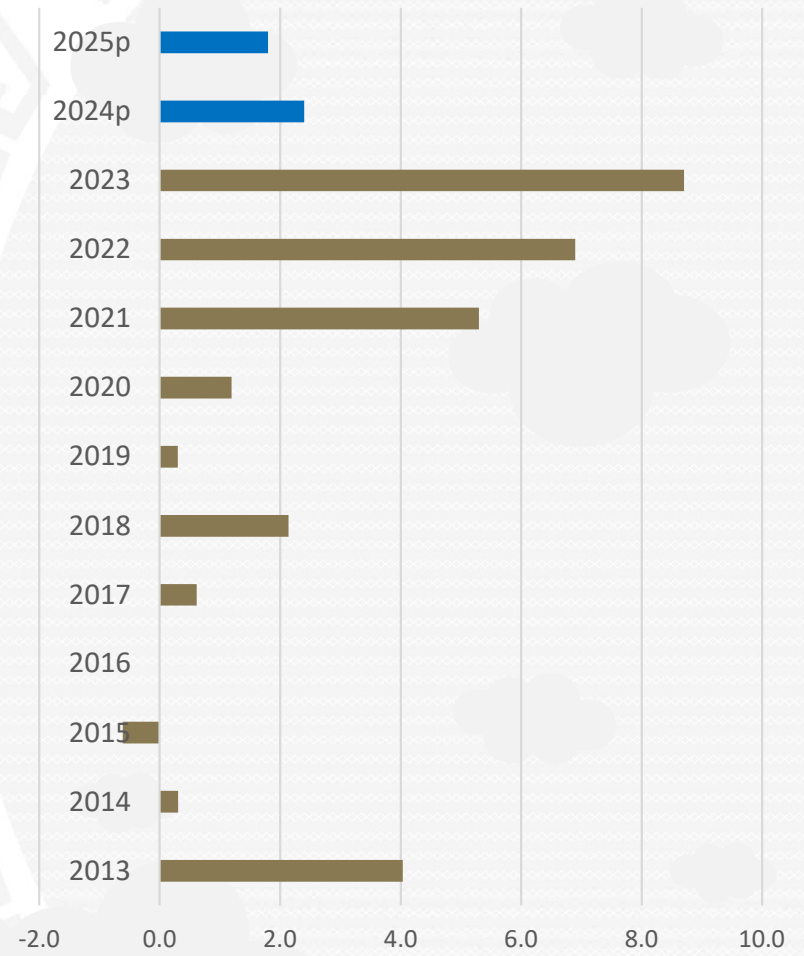
- Economic diversification: agriculture, tourism, manufacturing.
- These sectors are potentials, but still underdeveloped.
- Promote manufacturing to balance external trade.
- Public expenditure remains key driver of growth – but needs transition and transformation.



KEY MESSAGE

Timor-Leste to become a manufacturing hub and a “LITTLE LATIN” in Asia

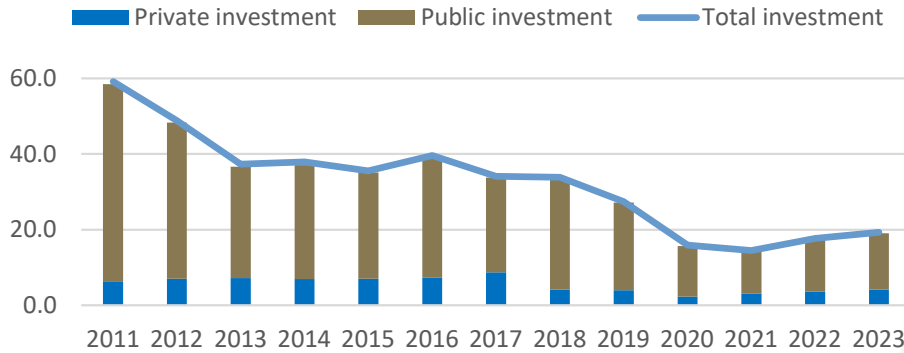
INFLATION



KEY MESSAGE

Ensuring price stability to promote competitiveness to attract private investments

Investment as percentage of GDP



INVESTEMENT

Investment in 2011-2023

PRIVATE INVESTMENT

Private investment account for an average of 5.1% to GDP in the last decade

TOTAL INVESTMENT

Over the past decade, total investment to GDP was around 27.6% annually.

INVESTMENT PROSPECTS

Endowment of potential and opportunities, facilitation, and stabilities.

PUBLIC INVESTMENT

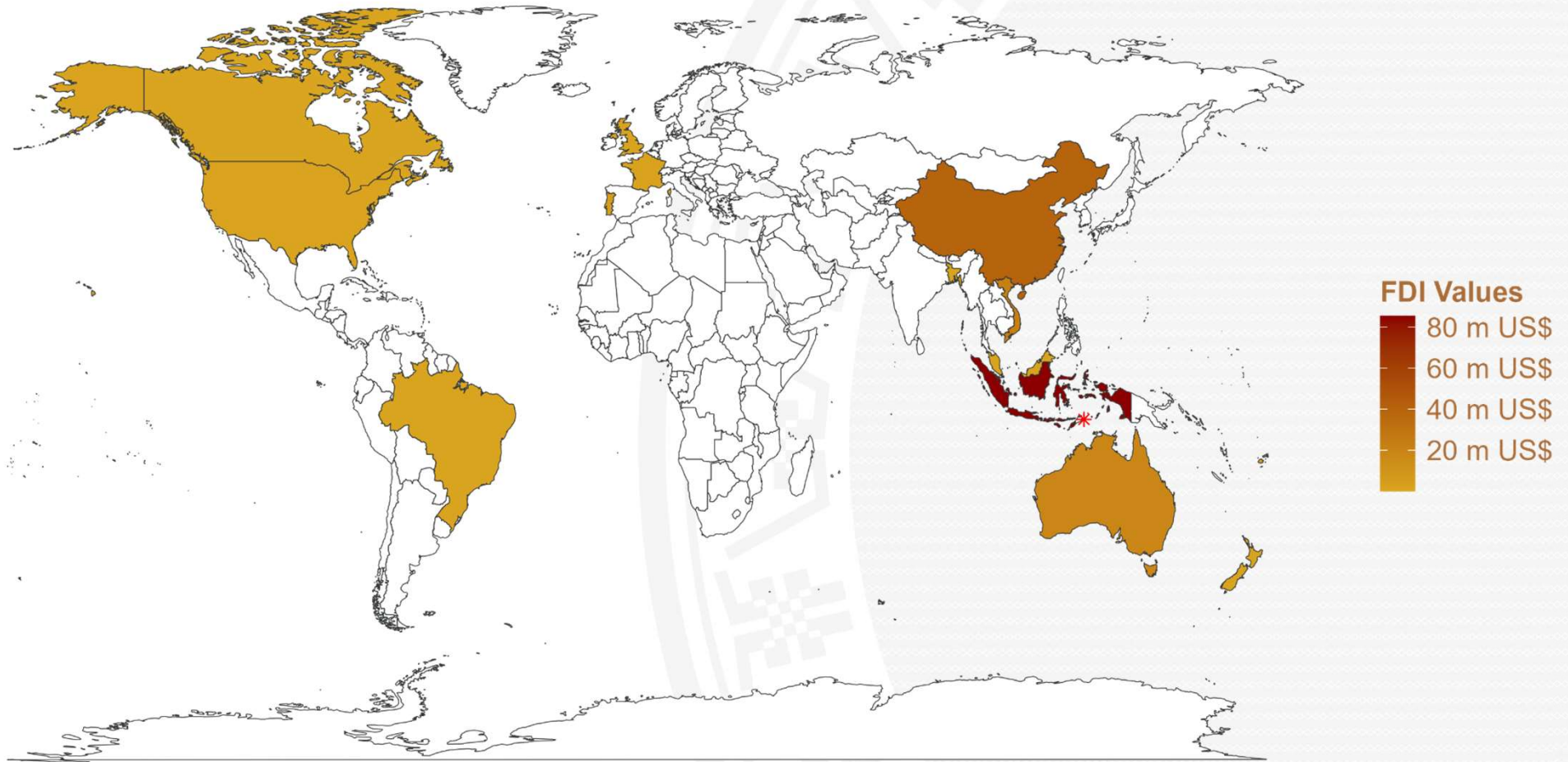
Around 22.1% of public investment to GDP, 4x bigger than private investment. Public investment is mainly for infrastructure development



KEY MESSAGE

1. Public investments are opportunities for private sector
2. Public investments to facilitate private sector growth
3. Commitment to a private-sector driven economy

In 2023, total Foreign Direct Investment (FDI) **inflows** into Timor-Leste amounted to **US\$ 205.5 million**, with the majority originating from **ASEAN** and **China**

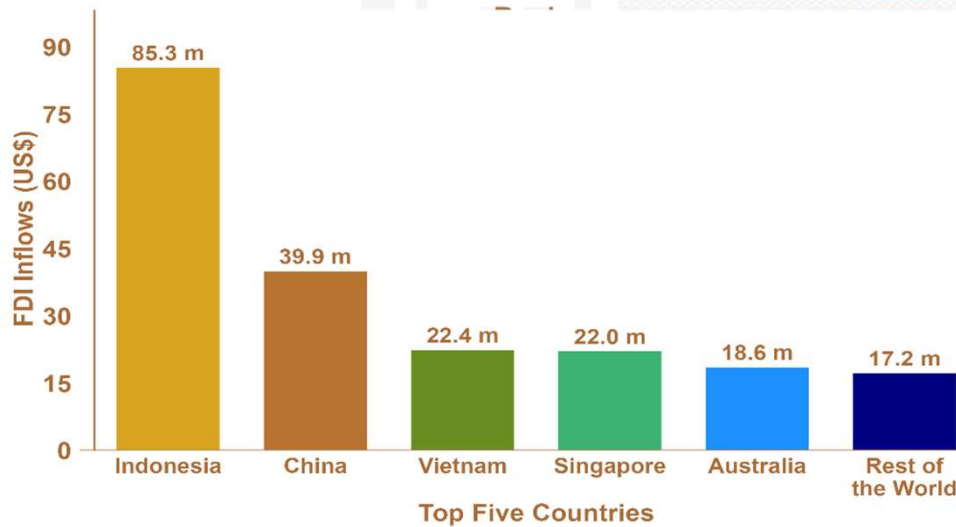


KEY MESSAGE

For your better future, making Timor-Leste your investment destination.

WHY SHOULD INVEST IN TIMOR-LESTE

- Potentials and opportunities
- Sound macroeconomic policy
- Commitment to enhance regulatory framework
- Efficiency



SEVERAL INITIATIVES

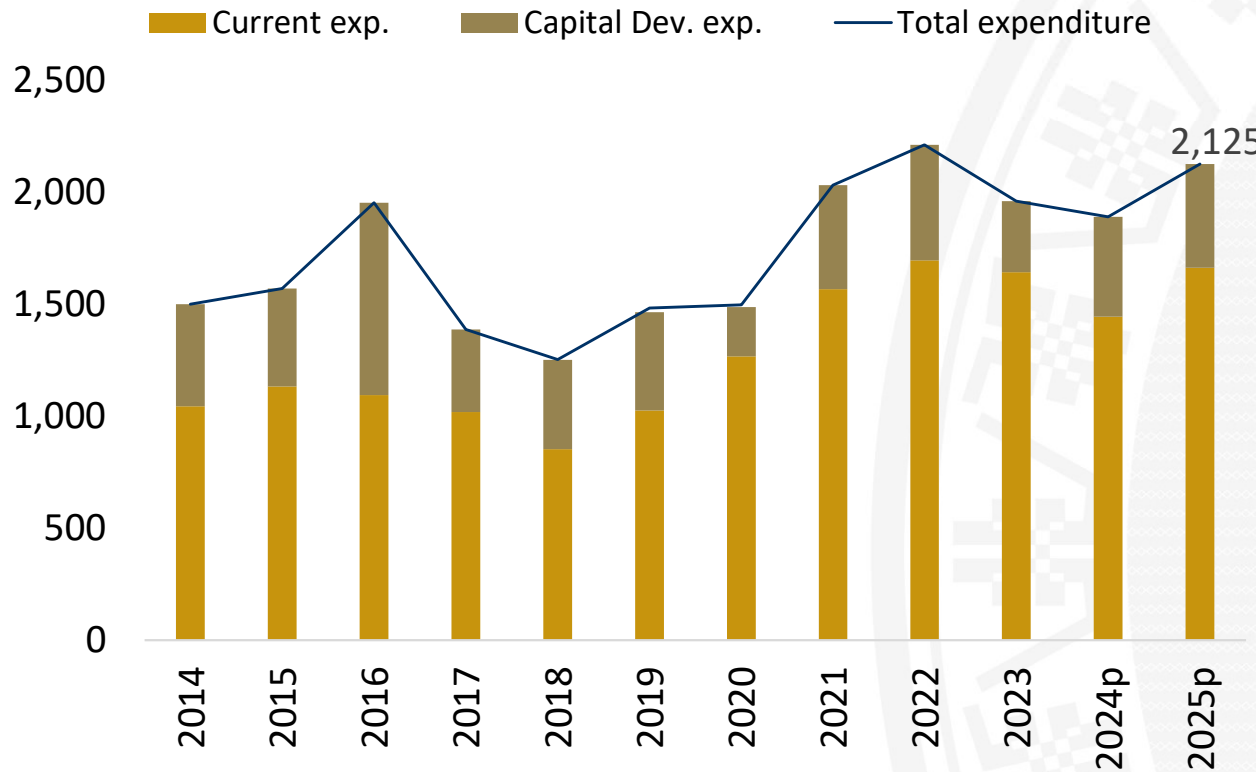
- Timor-Leste Investment Cooperation (TLIC)
- Development Bank of Timor-Leste.
- South Coast Development
- PPP Projects
- Solar panel project



KEY MESSAGE

For your better future, making Timor-Leste your investment destination.

Public Expenditures



- Government expenditure is currently the main driver of economic growth.
- 15% Revenue to GDP by 2028 – through economic efficiencies.
- Rationalization of expenditure: infrastructure, human resources, and economic transformation are the priorities.
- Enabling business environment for a vibrant private-led growth.

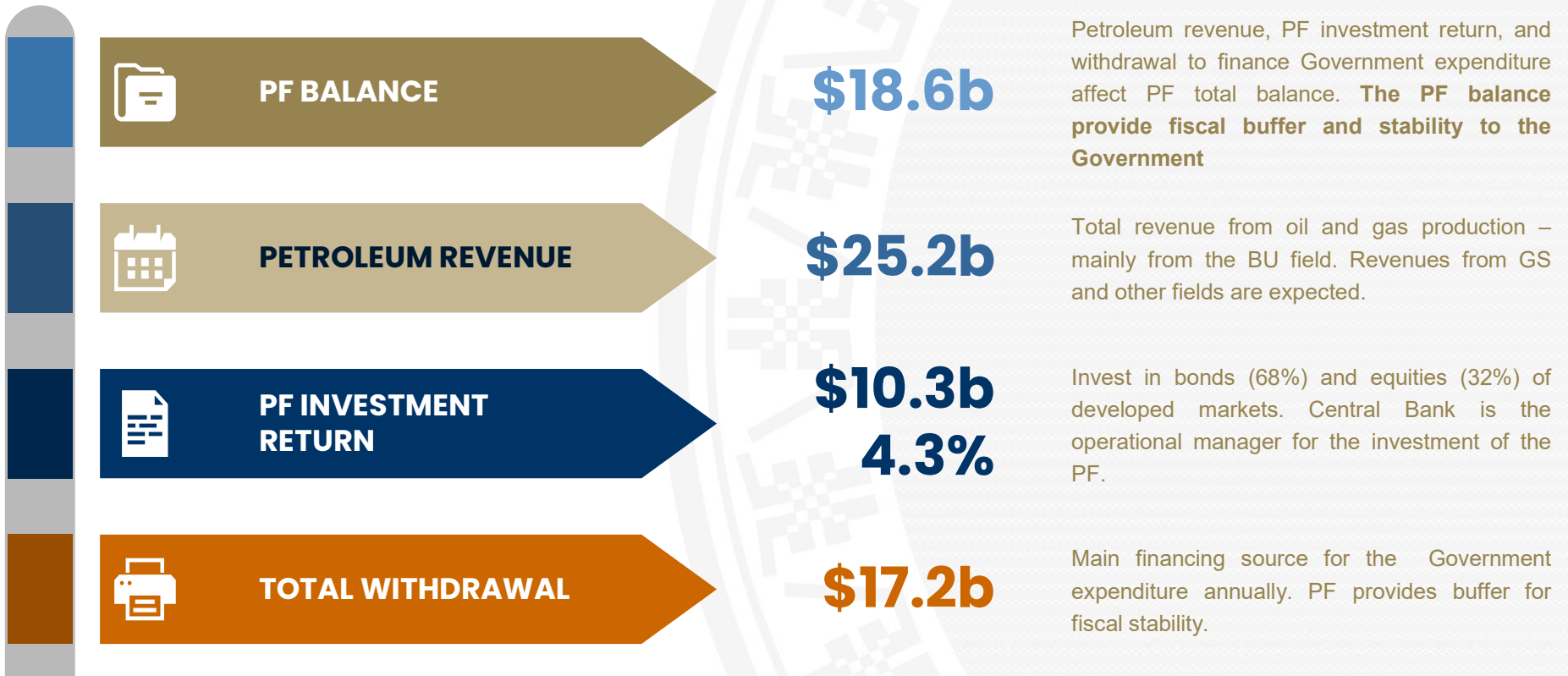


KEY MESSAGE

Sound fiscal policy for macroeconomic stabilities and to facilitate private investments

PETROLEUM FUND INFORMATION

“FISCAL BUFFER AND COUNTER CYCLICAL FISCAL POLICY”
 “The Main Financing Source for Government Expenditure”



KEY MESSAGE

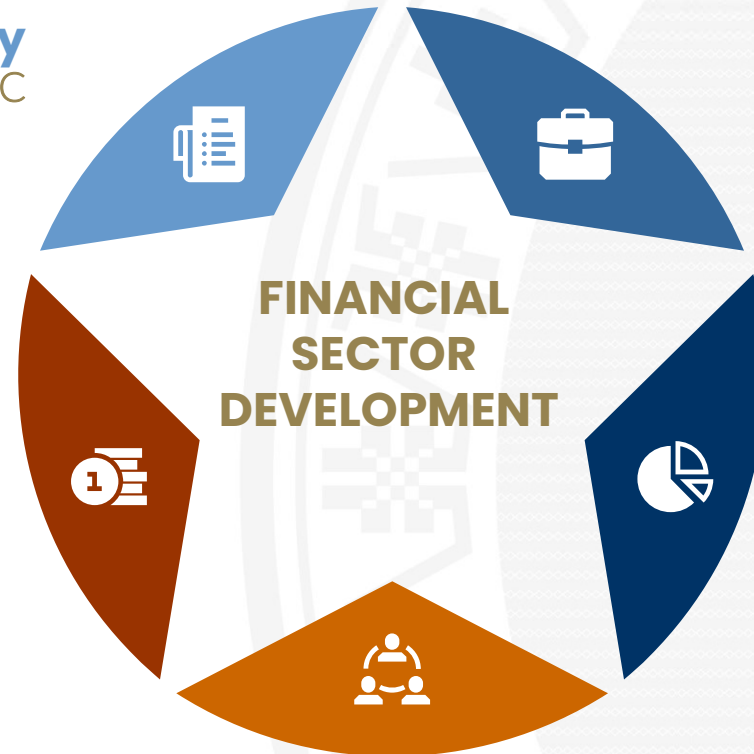
Petroleum Fund – ensuring fiscal stability and supporting facilitation to private investment

PRIORITIES FOR FINANCIAL SECTOR DEVELOPMENT

Dollar Economy
Pros and cons, CBDC

Financial Inclusion
More financial institutions are better;
Digital financing to enhance inclusion.

Digital Financing
e-pocket (financial services are in my pocket);
Financial literacy



Credit Market
Enhancing accessibility and reducing costs

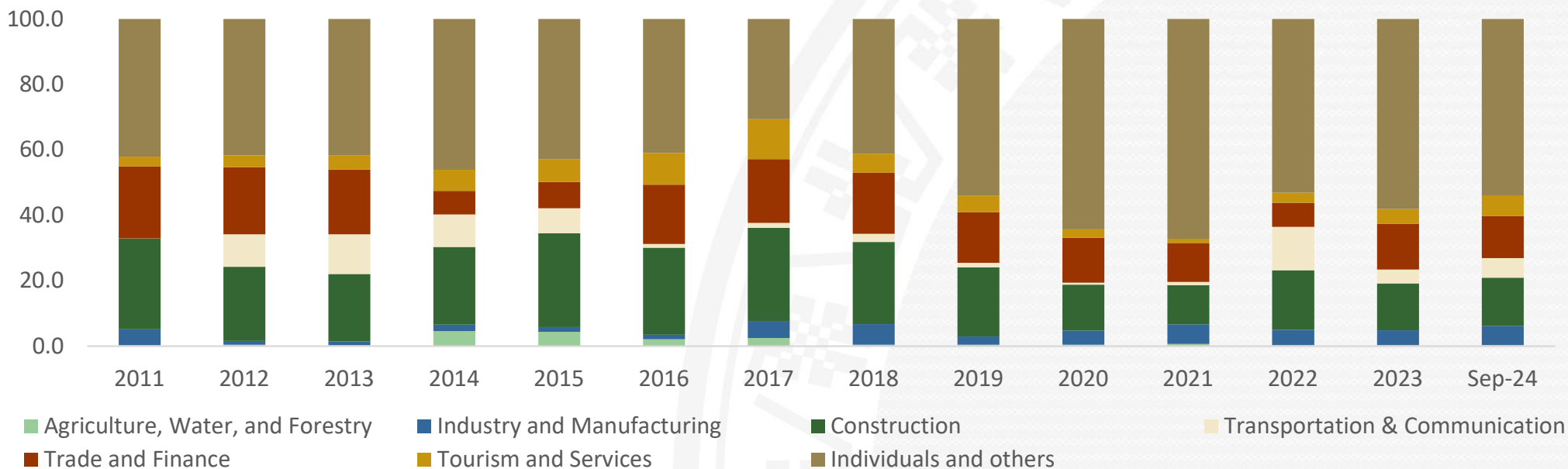
Petroleum Fund Investment
Maximize investment returns



KEY MESSAGE

Making Timor-Leste a financial hub in the region.

Credit by sector



Ratios	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Sep-23
Loan to Deposit Ratio (LDR)	37.6%	34.9%	30.3%	26.3%	19.2%	23.0%	21.9%	23.0%	23.2%	18.8%	20.9%	24.8%
LDR Exclude Government Account	39.7%	36.1%	31.7%	30.6%	25.6%	28.5%	27.0%	30.3%	30.4%	24.6%	30.2%	34.0%
Non-Performing Loans (NPL)	30.8%	27.9%	26.6%	23.1%	15.3%	17.6%	5.4%	5.2%	1.9%	2.5%	1.8%	2.2%
RoA	1.7%	2.2%	1.3%	0.8%	1.1%	1.4%	1.2%	1.6%	1.3%	0.9%	1.3%	2.3%
RoE	82.4%	66.0%	23.2%	15.7%	20.1%	20.2%	16.0%	18.5%	13.1%	10.6%	12.9%	19.0%
Liquidity ratio	82.8%	82.9%	87.1%	87.7%	89.2%	86.3%	86.7%	88.2%	87.2%	85.3%	85.1%	84.5%



KEY MESSAGE

Financial sector is growing to serve the economy

THE 'DNA'

Private sector is the 'DNA' for diversification and sustainable economic development



Infrastructure & 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 entrepreneurship, 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.



KEY MESSAGE

Economic reform for private sector growth

WELCOME TO TIMOR-LESTE

LAND OF OPPORTUNITIES

UNDISCOVERED POTENTIALS

YOUR BETTER FUTURE

HOW COULD WE ASSIST YOU?

