

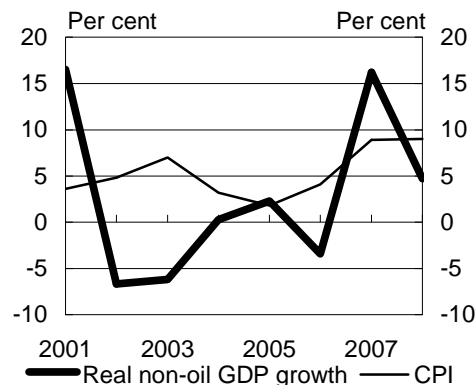
# TIMOR-LESTE ECONOMIC FACT SHEET



Timor-Leste (East Timor) became a fully independent republic in May 2002 after a long period of conflict. Economic conditions have remained poor since this time. The economy has primarily been driven by the oil and gas industry as well as aid-related expenditure. With frequent civil unrest and limited non-oil related output, the outlook for the economy appears difficult and will continue to require international assistance.

Section 22 Not Relevant

CHART 1: GDP GROWTH & INFLATION

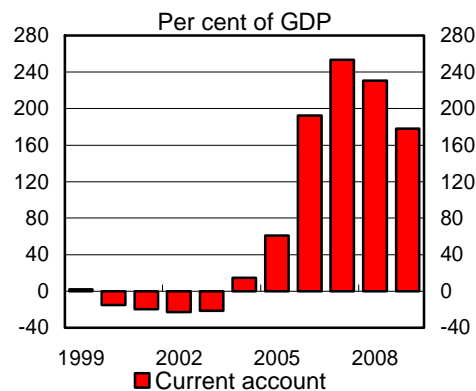


Source: IMF Timor-Leste: Article IV Consultation 2008

Oil production increased significantly in 2004 and has continued at strong growth levels, resulting in large fiscal surpluses.

Section 22 Not Relevant

CHART 2: CURRENT ACCOUNT BALANCE

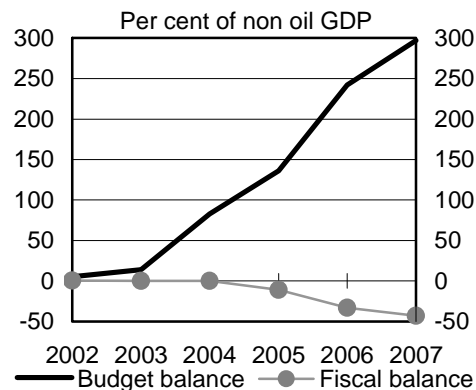


Source: IMF World Economic Outlook, April 2008

The budget position is very strong (Chart 3). This is due to oil/gas revenue as well as improved non-oil tax administration.

Section 22 Not Relevant

CHART 3: BUDGET BALANCE



Source: IMF Timor-Leste: Selected Issues & Stat Appendix 2008

**Economic Conditions**

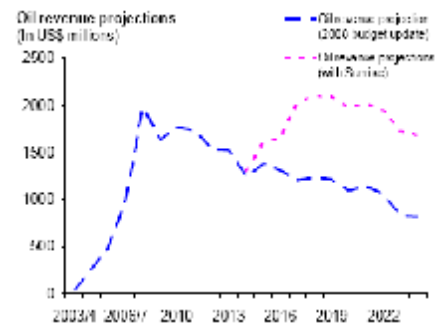
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**The Oil and Gas Sector**

- Timor-Leste inherited no permanent maritime boundaries when it gained independence. An agreement between Australia and Timor-Leste in 2002 established a Joint Petroleum Development Area (JPDA) in the Timor Sea. Timor-Leste receives 90 per cent of the tax and royalty revenues from petroleum production in the JPDA; Australia the remaining 10 per cent.

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- Timor-Leste royalty revenues from the Bayu-Undan project are about US\$900 million per year. Timor-Leste also receives significant company tax revenues from the field bringing the total revenue for 2007 to US\$1,309 million. Australian royalty revenues from the Bayu-Undan project are currently running at about US\$100 million per year.
- Only 20 per cent of the Greater Sunrise gas field, the largest petroleum resource in the Timor Sea, falls within the JPDA. In January 2006, the Treaty on Certain Maritime Arrangements in the Timor Sea (CMATS Treaty) was signed by Australia and Timor-Leste equally split the revenue (potentially US\$20 billion) from this area.
  - The Greater Sunrise field could commence production by 2015. Joint venture partners in the project are Woodside, ConocoPhillips, Shell and Osaka Gas Australia.
- The introduction of large-scale oil production in 2004 resulted in Timor-Leste's oil and gas revenues rising by over 400 per cent. The share of oil and gas reserves within total revenues has increased strongly to 98 per cent in 2007/08 up from 36 per cent in 2002/03. The government introduced the Petroleum Fund which is a large intergenerational investment fund. Royalties and interest income are automatically placed into the fund. Only tax revenues are available for budget financing.
  - The Petroleum Fund, as of March 2008 US\$2.6 billion, is estimated to reach US\$3.12 billion by December 2008. Sustainable income from the fund is currently estimated to be \$US294 million per year.
  - Every \$20 change in global oil/gas prices changes estimated sustainable spending by 10–15 percent of GDP annually.
  - Money placed into the fund is invested in US securities, primarily US Treasury bonds, and parliamentary approval is required to withdraw funds above the Estimated Sustainable Income (ESI). The ESI is equal to the interest earned by the fund, and its use aims to ensure a continual income stream into the future.
  - Recently, the falling US dollar and low official US interest rates have reduced returns on the Fund's investments. Diversification appears a possibility with a study being undertaken into equity investment in Europe.



**Section 22 Not Relevant**

## KEY STATISTICS

		2003	2004	2005	2006	2007	2008	2009
Real GDP	\$US millions	323	324	331	320	383	393	395
Real GDP	% growth	-6.2	0.3	2.3	-3.4	19.8	2.5	0.6
GDP per capita	PPP terms	2,090	2,108	2,155	2,089	2,506	2,560	2,568
Gross Investment	% of non-oil GDP	29.4	20.5	20.7	20.7	28.1	-	-
CPI	% increase	7.0	3.2	1.8	4.1	7.8	4.0	3.5
Current account	% of GDP	-21.4	14.8	61	192.2	253.3	230.5	178.1
Exports	% of non-oil GDP	12.0	11.9	11.5	12.1	11.0	-	-
Imports	% of non-oil GDP	-102.5	-95.2	-79.1	-78.9	-93.6	-	-
Budget balance	% of non-oil GDP	13.5	83.0	128.7	241.5	148.5	-	-

Sources: IMF WEO April 2008 and IMF Selected Issues and Statistical Appendix 2008.  
Note: Shading represents IMF estimates and forecasts.

## MAP OF TIMOR-LESTE



## MAP OF PETROLEUM SYSTEMS

