Preface

We are very proud and happy to be able to present the first ever Business Activity Survey (BAS) in Timor-Leste. This survey constitutes an important landmark in the understanding of the development of our business sector. The results of the BAS give the Government a clear picture of the performance and composition of the non-petroleum business sector and the size of its contribution to the national economy and our Gross Domestic Product (GDP).

The Business Activity Survey comprises a sample of 1,220 out of approximately 4,260 businesses of the kind considered in this study. These non-petroleum producing businesses are spread out across the country and mainly located in the major towns of each district. The BAS includes all public and private financial enterprises (banks and insurance companies) as well as all public and private non-financial businesses, with a few major exceptions: general government agencies (administration, health, education etc) and agricultural production and other informal economic activities conducted by households. So-called not-for-profit institutions (NGOs, charities, churches etc) were surveyed only if they earned more than 50 per cent of their incomes in 2010 from trading activities. Estimates of the economic contribution of subsistence farming and other informal economic activities can be made based on data previously collected in household surveys.

The BAS is a vital source of information for the development and monitoring of economic policies. The data will help the Government identify and address policy issues concerning the performance of the Timorese business environment as a whole, or related to the progress of specific sectors of the economy. The survey also gives the Government and other stakeholders, including the business sector itself, an idea of employment numbers and the size and composition of the revenues, expenses, and profits of enterprises acting in different parts of the economy. In fact, such is the importance of having access to reliable information of this kind that the National Statistics Directorate from now on is planning to conduct Business Activity Surveys on an annual basis.

A closer look at the results of the Business Activity Survey serves as a stark reminder of the indisputable fact that most business activities in Timor-Leste take place in Dili. Businesses based in Dili employ more than 80 per cent of the 46,700 persons working for Timorese companies. Businesses operating in the capital also generate more than 90 per cent of the total income of the national business sector. These revealing numbers highlight the need for public policies and other actions to promote a healthy business climate outside the capital, in order to generate employment and income in all parts of the country.

The BAS was conducted with financial support from the Asian Development Bank and with technical assistance from the Australian Bureau of Statistics. We are very grateful for the unwavering support of both institutions when it comes to assisting us with the further development of official statistics in Timor-Leste.
Finally we would like to express our immense gratitude to the business community for its support of this groundbreaking survey and to the specific businesses that provided us with detailed information about their activities.

Dili, 24 January 2012

Antonio Freitas
General Director for Analysis and Research

Elias dos Santos Ferreira
Director DNE
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<tr>
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<tr>
<td>Change in inventories</td>
<td>13</td>
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<td>Change in inventories of finished goods</td>
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<td>Compensation of employees</td>
<td>14</td>
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<td>Employment</td>
<td>15</td>
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<tr>
<td>Income from sale of goods and services</td>
<td>15</td>
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<tr>
<td>Industry value added</td>
<td>15</td>
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<tr>
<td>Intermediate Use</td>
<td>16</td>
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<td>Labour costs</td>
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<td>Manufacturing</td>
<td>16</td>
</tr>
<tr>
<td>Non-wage benefits</td>
<td>16</td>
</tr>
<tr>
<td>Other expenses</td>
<td>16</td>
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<tr>
<td>Other income</td>
<td>17</td>
</tr>
<tr>
<td>Other industries</td>
<td>17</td>
</tr>
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<td>Other intermediate expenses</td>
<td>18</td>
</tr>
<tr>
<td>Other intermediate use</td>
<td>18</td>
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<tr>
<td>Other output</td>
<td>18</td>
</tr>
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<td>Output</td>
<td>18</td>
</tr>
<tr>
<td>Profit</td>
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</tr>
<tr>
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<tr>
<td>Purchases of supplies and materials</td>
<td>19</td>
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<tr>
<td>Purchases of supplies, materials and finished goods</td>
<td>19</td>
</tr>
<tr>
<td>Retail and wholesale trade</td>
<td>19</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>20</td>
</tr>
</tbody>
</table>
BUSINESS ACTIVITY SURVEY OF TIMOR-LESTE 2010

INTRODUCTION

This publication presents the results from the inaugural Business Activity Survey (BAS) of Timor-Leste, conducted by the National Statistics Directorate (DNE), Ministry of Finance, in respect of the 2010 calendar year. The BAS provides detailed measures of the performance and structure of non-petroleum producing businesses operating in Timor-Leste.

The scope of the BAS includes the non-petroleum producing business sector of Timor-Leste that actively traded during the 2010 calendar year. This includes:

- private non-financial enterprises (excluding agricultural production);
- private financial enterprises;
- public non-financial and financial enterprises where more than 50 per cent of their revenue was generated from trading activities; and
- not-for-profit institutions earning more than 50 per cent of their revenue from trading activities.

The survey scope excludes petroleum producing businesses, general government agencies (e.g. administration, health, education) and the informal economic activity of households. The informal sector involves a large number of very small businesses, however, their collective contribution to the economic estimates for industries presented in this report is expected to be very small.

Results are presented in two chapters, with chapter one including details on employment, income, expenses and profit. Chapter two presents BAS results using national accounting concepts. The results are presented by geography (Dili and Districts) and by industry.

Technical notes and a glossary of terms are presented at the end of this report.

The DNE expects that the BAS will henceforth be conducted on an annual basis.

The DNE expresses its gratitude to the business community for its support of the survey and to the businesses that provided the data from which these statistics have been compiled. The survey was conducted under the authority of Decree Law 17/2003 (1st October 2003) and in accordance with that law the data have been presented in such a way that the activities of no individual business can be discerned from the statistical tables.

The BAS was conducted with financial support from the Asian Development Bank and with technical support from the Australian Bureau of Statistics. DNE wishes to express its appreciation to both organizations for their support in developing official statistics in Timor-Leste.

The DNE is fully committed to improving the statistical information released to the public. The DNE welcomes comments and suggestions from users regarding future surveys of Timor-Leste businesses.
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ABBREVIATIONS

BAS   Business Activity Survey
COE   Compensation of Employees
DNE   National Statistics Directorate, Ministry of Finance
ISIC  International Standard Industrial Classification
IVA   Industry Value Added
RSE   Relative Standard Error
m     million
CHAPTER 1 KEY DATA ITEMS

This chapter contains summary information about non-petroleum producing businesses for selected employment, income, expense and profit data items.

Employment

As at December 2010, there were 46,700 persons employed in Timor-Leste businesses, of which 70 per cent were male (or 32,700 persons). The majority of these workers (82 per cent or 38,500 persons) were employed in businesses operating in Dili.

The 'Retail and Wholesale Trade' industry had the highest level of employment, accounting for 26 per cent (or 12,100 persons) of all employed persons. The second largest individual industry was 'Construction' with 14 per cent (or 6,400 persons).

Income

During 2010, non-petroleum businesses in Timor-Leste generated total income of $892.3m, of which 95 per cent (or $846.8m) was from the sales of goods and services. About 91 per cent (or $814.1m) of all income in Timor-Leste was generated by businesses operating in Dili.

The 'Retail and Wholesale Trade' and the ‘Construction’ industries together accounted for over half (56 per cent, or $500.6m) of total income generated in Timor-Leste during 2010.

Expenses

During 2010, total operating expenses incurred by non-petroleum businesses in Timor-Leste was $657.4m, of which 94 per cent (or $614.8m) was incurred by businesses operating in Dili. Purchases of supplies, materials and finished goods accounted for 64 per cent (or $423.2m) of all operating expenses of which the ‘Retail and Wholesale Trade’ industry accounted for $278.4m. Total labour costs accounted for 14 per cent (or $92.3m) of total operating expenses.

Profit

Total profit generated by Timor-Leste businesses during 2010 was $234.9m. The 'Retail and Wholesale Trade' industry accounted for 37 per cent (or $87.1m) of all profit generated during 2010.

Profit per person employed (defined as the ratio of profit to total employment) was $5,030. Profit per person employed was slightly higher for Dili ($5,177) compared with the Districts ($4,395). The ‘Retail and Wholesale Trade’ industry recorded $7,198 in profit for every person employed, with the ‘Manufacturing’ industry the second highest at $5,853 per person employed.
Capital Expenditure

During 2010, purchases of capital assets were $54m. The 'Manufacturing' industry reinvested the greatest proportion of its profit into capital expenditure, with 45 per cent of profit being used to make $9m of capital purchases.
Table 1.1 Structural data by geography, non-petroleum producing businesses, 2010

<table>
<thead>
<tr>
<th></th>
<th>Dili</th>
<th>Districts</th>
<th>Total Timor-Leste</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male *</td>
<td>n</td>
<td>26,300</td>
<td>6,400</td>
</tr>
<tr>
<td>Female *</td>
<td>n</td>
<td>12,200</td>
<td>1,700</td>
</tr>
<tr>
<td><strong>Total employment</strong> *</td>
<td>n</td>
<td>38,500</td>
<td>8,100</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from sales of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>goods and services</td>
<td>$m</td>
<td>772.1</td>
<td>74.7</td>
</tr>
<tr>
<td>Other income</td>
<td>$m</td>
<td>42.1</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>$m</td>
<td>814.1</td>
<td>78.2</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>$m</td>
<td>79.5</td>
<td>7.1</td>
</tr>
<tr>
<td>Non-wage benefits</td>
<td>$m</td>
<td>4.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Total labour costs</td>
<td>$m</td>
<td>84.3</td>
<td>8.0</td>
</tr>
<tr>
<td>Purchases of supplies,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>materials and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>finished goods</td>
<td>$m</td>
<td>390.8</td>
<td>32.3</td>
</tr>
<tr>
<td>Other expenses</td>
<td>$m</td>
<td>139.7</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$m</td>
<td>614.8</td>
<td>42.6</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td>$m</td>
<td>199.3</td>
<td>35.6</td>
</tr>
<tr>
<td><strong>Average wages per</strong></td>
<td>$</td>
<td>2,100</td>
<td>900</td>
</tr>
<tr>
<td>employee **</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td>$m</td>
<td>45.1</td>
<td>9.0</td>
</tr>
</tbody>
</table>

* Estimates of employment have been rounded to the nearest 100 persons.
** Estimates of average wages per employee have been rounded to the nearest $100.
Table 1.2 Structural data by industry, non-petroleum producing businesses, 2010

<table>
<thead>
<tr>
<th></th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Retail and Wholesale Trade</th>
<th>Accommodation and Food Services</th>
<th>Other industries</th>
<th>Total Timor-Leste</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male *</td>
<td>n</td>
<td>2,800</td>
<td>5,700</td>
<td>7,500</td>
<td>1,700</td>
<td>15,000</td>
</tr>
<tr>
<td>Female *</td>
<td>n</td>
<td>600</td>
<td>800</td>
<td>4,600</td>
<td>3,900</td>
<td>4,000</td>
</tr>
<tr>
<td>Total employment *</td>
<td>n</td>
<td>3,400</td>
<td>6,400</td>
<td>12,100</td>
<td>5,700</td>
<td>19,100</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from sales of goods and services $m</td>
<td>50.0</td>
<td>89.7</td>
<td>399.3</td>
<td>59.7</td>
<td>248.0</td>
<td>846.8</td>
</tr>
<tr>
<td>Other income $m</td>
<td>3.3</td>
<td>2.8</td>
<td>8.8</td>
<td>1.3</td>
<td>29.3</td>
<td>45.6</td>
</tr>
<tr>
<td>Total income $m</td>
<td>53.4</td>
<td>92.5</td>
<td>408.1</td>
<td>61.0</td>
<td>277.3</td>
<td>892.3</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages and salaries $m</td>
<td>6.0</td>
<td>8.8</td>
<td>20.0</td>
<td>7.8</td>
<td>44.1</td>
<td>86.6</td>
</tr>
<tr>
<td>Non-wage benefits $m</td>
<td>0.5</td>
<td>0.7</td>
<td>3.4</td>
<td>0.2</td>
<td>0.8</td>
<td>5.6</td>
</tr>
<tr>
<td>Total labour costs $m</td>
<td>6.4</td>
<td>9.5</td>
<td>23.4</td>
<td>8.0</td>
<td>44.9</td>
<td>92.3</td>
</tr>
<tr>
<td>Purchases of supplies, materials and finished goods $m</td>
<td>22.7</td>
<td>40.2</td>
<td>278.4</td>
<td>14.5</td>
<td>67.4</td>
<td>423.2</td>
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<tr>
<td>Other expenses $m</td>
<td>4.3</td>
<td>15.4</td>
<td>19.2</td>
<td>12.2</td>
<td>90.9</td>
<td>142.0</td>
</tr>
<tr>
<td>Total expenses $m</td>
<td>33.4</td>
<td>65.0</td>
<td>321.0</td>
<td>34.7</td>
<td>203.2</td>
<td>657.4</td>
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<tr>
<td>Profit</td>
<td>$m</td>
<td>19.9</td>
<td>27.5</td>
<td>87.1</td>
<td>26.3</td>
<td>74.1</td>
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<tr>
<td>Average wages per employee **</td>
<td>$ 1,700</td>
<td>1,400</td>
<td>1,700</td>
<td>1,400</td>
<td>2,300</td>
<td>1,900</td>
</tr>
<tr>
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<td>9.0</td>
<td>7.3</td>
<td>28.1</td>
<td>4.0</td>
<td>5.6</td>
<td>54.0</td>
</tr>
</tbody>
</table>

* Estimates of employment have been rounded to the nearest 100 persons.
** Estimates of average wages per employee have been rounded to the nearest $100.
CHAPTER 2 ECONOMIC DATA ITEMS

This chapter presents data and analysis of some key economic data items.

Industry Value Added

Industry Value Added (IVA) is a measure of an industry’s contribution to a national economy. It is calculated as the difference between the market value of the output of an industry (Output) and the purchases of materials and expenses incurred in the production of that output (Intermediate use).

During 2010, total IVA for all non-petroleum producing businesses operating in Timor-Leste was $329.3m. Businesses operating in Dili accounted for 88 per cent (or $289.2m) of total IVA.

The 'Retail and Wholesale Trade' industry was the largest contributor, accounting for 33 per cent (or $108.8m) of total IVA in Timor-Leste. The 'Construction' industry contributed 11 per cent ($37.1m), while the 'Accommodation and Food Services' industry was the third largest contributor at 10 per cent ($34.1m) of total IVA.

Compensation of Employees

Compensation of employees (COE) is a measure of the total remuneration, in cash or in-kind, payable by a business to an employee in return for work done by the employee during the accounting period. COE includes salaries and wages, non-wage benefits such as meals and private use of motor vehicles, and own account capitalized wages.

During 2010, total COE for all non-petroleum businesses operating in Timor-Leste was $94.1m.
Table 2.1 Economic data by geography, non-petroleum producing businesses, 2010

<table>
<thead>
<tr>
<th></th>
<th>Dili</th>
<th>Districts</th>
<th>Total Timor-Leste</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from sales of goods and services</td>
<td>$m 772.1</td>
<td>74.7</td>
<td>846.8</td>
</tr>
<tr>
<td>(less) Purchases of finished goods</td>
<td>$m 271.6</td>
<td>15.4</td>
<td>287.0</td>
</tr>
<tr>
<td>Other output</td>
<td>$m 30.0</td>
<td>-</td>
<td>30.0</td>
</tr>
<tr>
<td><strong>Total output</strong></td>
<td>$m 530.5</td>
<td>59.3</td>
<td>589.8</td>
</tr>
<tr>
<td><strong>Intermediate use</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of supplies and materials</td>
<td>$m 119.2</td>
<td>17.0</td>
<td>136.2</td>
</tr>
<tr>
<td>Other intermediate use</td>
<td>$m 122.0</td>
<td>2.2</td>
<td>124.3</td>
</tr>
<tr>
<td><strong>Total intermediate use</strong></td>
<td>$m 241.2</td>
<td>19.2</td>
<td>260.5</td>
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<td><strong>Industry value added</strong></td>
<td>$m 289.2</td>
<td>40.1</td>
<td>329.3</td>
</tr>
<tr>
<td><strong>Compensation of employees</strong></td>
<td>$m 86.1</td>
<td>8.0</td>
<td>94.1</td>
</tr>
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</table>

- Nil or rounded to zero.

Table 2.2 Economic data by industry, non-petroleum producing businesses, 2010

<table>
<thead>
<tr>
<th></th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Retail and Wholesale Trade</th>
<th>Accommodation and Food Services</th>
<th>Other industries</th>
<th>Total Timor-Leste</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from sales of goods and services</td>
<td>$m 50.0</td>
<td>89.7</td>
<td>399.3</td>
<td>59.7</td>
<td>248.0</td>
<td>846.8</td>
</tr>
<tr>
<td>(less) Purchases of finished goods</td>
<td>$m -</td>
<td>3.2</td>
<td>264.8</td>
<td>0.3</td>
<td>18.6</td>
<td>287.0</td>
</tr>
<tr>
<td>Other output</td>
<td>$m 0.2</td>
<td>0.6</td>
<td>3.6</td>
<td>0.1</td>
<td>25.4</td>
<td>30.0</td>
</tr>
<tr>
<td><strong>Total output</strong></td>
<td>$m 50.3</td>
<td>87.1</td>
<td>138.1</td>
<td>59.5</td>
<td>254.8</td>
<td>589.8</td>
</tr>
<tr>
<td><strong>Intermediate use</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of supplies and materials</td>
<td>$m 22.7</td>
<td>37.0</td>
<td>13.6</td>
<td>14.2</td>
<td>48.7</td>
<td>136.2</td>
</tr>
<tr>
<td>Other intermediate use</td>
<td>$m 3.0</td>
<td>13.1</td>
<td>15.7</td>
<td>11.1</td>
<td>81.3</td>
<td>124.3</td>
</tr>
<tr>
<td><strong>Total intermediate use</strong></td>
<td>$m 25.7</td>
<td>50.0</td>
<td>29.3</td>
<td>25.3</td>
<td>130.1</td>
<td>260.5</td>
</tr>
<tr>
<td><strong>Industry value added</strong></td>
<td>$m 24.6</td>
<td>37.1</td>
<td>108.8</td>
<td>34.1</td>
<td>124.7</td>
<td>329.3</td>
</tr>
<tr>
<td><strong>Compensation of employees</strong></td>
<td>$m 6.5</td>
<td>9.5</td>
<td>24.5</td>
<td>8.0</td>
<td>45.5</td>
<td>94.1</td>
</tr>
</tbody>
</table>

- Nil or rounded to zero.
TECHNICAL NOTES

Introduction

This publication presents results from the Business Activity Survey of Timor-Leste (BAS) for the 2010 reference period.

Although financial estimates relate to the full twelve months, employment estimates relate to the last day of December 2010. As a result, estimates of wages and salaries per person employed may be affected by fluctuations in employment during the reference period.

All financial estimates in this report are in US dollars.

Classifications

The businesses that contribute to the statistics in this publication are classified:

- by industry, in accordance with the International Standard Industrial Classification of All Economic Activities, Rev 4. (ISIC), 2006 edition (http://unstats.un.org/unsd/default.htm); and
- by geography – Dili, and remainder of Timor-Leste under the category ‘Districts’.

Data are presented for the four largest non-petroleum producing industries operating in Timor-Leste – ‘Manufacturing’, ‘Construction’, ‘Retail and Wholesale Trade’ and ‘Accommodation and Food Services’. The remaining industries, as defined in ISIC, were combined into an ‘Other Industries’ category.

Scope

The scope for the BAS includes the non-petroleum producing business sector of Timor-Leste that actively traded during the 2010 calendar year.

The scope includes businesses whose primary income is generated from the following activities:

- Private non-financial businesses, including ‘Manufacturing’, ‘Construction’, ‘Retail and Wholesale Trade’, ‘Accommodation and Food Services’ and other service providers;
- Private financial services; and
- Aid/charitable organizations where the majority (more than 50 per cent) of revenue was generated from trading activities in Timor-Leste.

Public trading enterprises where a majority of their income (more than 50 per cent) was generated from the direct provision of services were also in-scope of BAS.

The scope excludes the following types of businesses:
The petroleum producing businesses that submit tax through the National Directorate of Petroleum Revenue;

- General government agencies (such as administration, education and health);
- Public trading enterprises, where the majority of their income was received from government transfers or payments;
- Non-businesses or non-trading enterprises (such as embassies and missions); and
- The informal sector of the economy, including:
  - subsistence agricultural production;
  - piecemeal and informal manufacturing; and
  - street vendors.

The BAS does not include the informal sector. There are no robust survey frames from which to survey these micro-businesses. Although this sector involves a large number of very small businesses, their collective contribution to gross domestic product is expected to be very small, with the exception of subsistence agriculture.

Agricultural production is mainly subsistence farming only, and has not been included in the survey. However, some coffee cooperatives, which were registered either with the National Directorate of Domestic Taxes or the Peace Dividend Trust, were included in the survey.

A large number of own account taxi and truck drivers were also excluded from the survey, as were a large number of (mostly female) piecemeal manufacturing contractors.

Survey Frame

A list frame was used for the Business Activity Survey. The frame was created from a list of businesses obtained from the National Directorate of Domestic Taxes that actively remitted tax to the National Directorate of Domestic Taxes during 2010.

This tax list was augmented with businesses taken from the Peace Dividend Trust (PDT) registry of businesses, ensuring greater coverage of business activity in Timor-Leste - in particular, for those businesses not yet registered for taxation purposes. Where businesses appeared on both the Tax and PDT lists, the tax registration record was used as the survey unit and the PDT registration was removed from the BAS frame.

Coverage

The primary coverage source for non-petroleum producing businesses was the list of tax remitting businesses for 2010 – that is, from the National Directorate of Domestic Taxes. Additional coverage sources included the PDT listing of individual member businesses. These businesses are not necessarily registered with domestic revenue services.

A number of administrative data sources were used for compiling information on the banking industry and for the public trading enterprises.
Financial data for the banking sector were obtained directly from the Banking and Payments Authority, from which consolidated balance sheet and profit/loss statements were available. Employment data for the financial sector were sought directly from the banks operating in Timor-Leste.

**Statistical Unit**

The statistical unit is the business or entity associated with a tax identification number (TIN) as assigned by the National Directorate of Domestic Tax, or for businesses taken from the Peace Dividend Trust, the PDT business number.

**Survey Design**

A stratified simple random sample was used to collect data from approximately 1,220 businesses from a total survey frame count of about 4,260 businesses.

Stratified number raised estimation was used for the BAS. Weights were applied to businesses that participated in the survey to account for those businesses that were either not surveyed or did not participate in the survey.

**Forms Strategy**

A two questionnaire strategy was adopted to limit the reporting load on small businesses. A long questionnaire consisting of about 50 questions was used for larger businesses operating in Dili, while a short questionnaire of 28 questions was used for all other businesses.

The content of the long questionnaire included finer level breakdowns of income, expenses, taxes, inventories and capital acquisition and disposal of assets. This additional content is considered essential for compiling detailed aggregate data for national accounts purposes.

**Rounding**

Where figures have been rounded, discrepancies may occur between totals and the sums of the component items. Proportions, ratios and other calculated figures shown in this publication have been calculated using unrounded estimates and may be different from, but are more accurate than, calculations based on the rounded estimates.

Estimates of employment have been rounded to the nearest 100 persons. Estimates of average wages per employee have been rounded to the nearest $100.

**Reliability of data**

The data estimated from the BAS have been obtained from a sample of businesses. As such, these data are subject to sampling variability; that is, they may differ from the figures that would have been produced if the data had been obtained from all businesses in the population.
One measure of the likely difference is given by the standard error, which indicates the extent to which an estimate might have varied by chance because the data were obtained from only a sample of units. There is about a 67 per cent chance that a sample estimate will differ by less than one standard error from the figure that would have been obtained if all units had been included in the survey, and about a 95 per cent chance that the difference will be less than two standard errors.

Sampling variability can also be measured by the relative standard error (RSE), which is obtained by expressing the standard error as a percentage of the estimate to which it refers. The RSE is a useful measure in that it provides an immediate indication of the percentage errors likely to have occurred due to the effects of random sampling, and this avoids the need to refer also to the size of the estimate.

To illustrate, the estimate of total income for Timor-Leste in 2010 was $892.3m (see table 3.1). The RSE of this estimate is shown as 3.9 per cent, giving a standard error of approximately $34.4m. Therefore, there is a 95 per cent chance (i.e., a confidence interval of 95 per cent) that the figure is within 2 standard errors (or $68.8m) and would have been within the range of $823.5m to $961.2m.

Table 3.1 Relative standard errors by geography, non-oil producing businesses, 2010

<table>
<thead>
<tr>
<th></th>
<th>Dili</th>
<th>Districts</th>
<th>Total Timor-Leste</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimate</td>
<td>RSE (%)</td>
<td>Estimate</td>
</tr>
<tr>
<td>Total employment</td>
<td>n</td>
<td>38,500</td>
<td>10.5</td>
</tr>
<tr>
<td>Total income</td>
<td>$m</td>
<td>814.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$m</td>
<td>614.8</td>
<td>4.2</td>
</tr>
<tr>
<td>Output</td>
<td>$m</td>
<td>530.5</td>
<td>5.8</td>
</tr>
<tr>
<td>Intermediate use</td>
<td>$m</td>
<td>241.2</td>
<td>7.9</td>
</tr>
<tr>
<td>Industry value added</td>
<td>$m</td>
<td>289.2</td>
<td>8.0</td>
</tr>
<tr>
<td>Compensation of employees</td>
<td>$m</td>
<td>86.1</td>
<td>10.8</td>
</tr>
</tbody>
</table>

Acknowledgment

The BAS publication draws extensively on information provided freely by businesses and other organizations. Their cooperation is very much appreciated; without it, the range of statistics published by the DNE would not be available. Information received by the DNE is treated in strict confidence as required by the Decree Law 17/2003 (1st October 2003).

GLOSSARY

Accommodation and food services

Accommodation and food services refers to the industry defined under ‘Section I – Accommodation and food service activities’ of the International Standard Industrial Classification of All Economic Activities, Revision 4.
This industry includes the provision of short-stay accommodation for visitors and other travelers and the provision of complete meals and drinks fit for immediate consumption.

**Average wages per employee**

Average wages are a measure of the average annual cash wages and salaries paid by businesses to persons working for that business.

Average wages per employee is defined as wages and salaries divided by total employment.

**Capital expenditure**

Capital expenditure refers to the expenditure on capital assets.

Capital expenditure includes expenditure on:
- land
- dwellings
- other buildings and structures
- plant, machinery and equipment
- motor vehicles.

**Capitalized purchases of materials**

Capitalized purchases of materials refer to capitalized purchases of goods for use in capital work done by the employees or proprietors of a business, for the business’s own use.

**Capitalized wages and salaries**

Capitalized wages and salaries refers to capitalized payments for work done by own employees in manufacturing, constructing, installing or repairing assets.

**Change in inventories**

Change in inventories is equal to the value of total inventories at the end of the reference period, less the value of total inventories at the start of the reference period.

Change in inventories is defined as:  
closing inventories of raw materials  
plus closing inventories of work in progress  
plus closing inventories of finished goods  
less opening inventories of raw materials  
less opening inventories of work in progress  
less opening inventories of finished goods
Change in inventories of finished goods

Change in inventories of finished goods is equal to the value of inventories of finished goods at the end of the reference period, less the value of inventories of finished goods at the start of the reference period.

Inventories of finished goods include goods, merchandise and trading stock that are bought with the intention of resale, without transformation.

Change in inventories of raw materials

Change in inventories of raw materials is equal to the value of inventories of raw materials at the end of the reference period, less the value of inventories of raw materials at the start of the reference period.

Inventories of raw materials include supplies and materials used as inputs, by a business, in producing goods and services.

Change in inventories of work in progress

Change in inventories of work in progress is equal to the value of inventories of work in progress at the end of the reference period, less the value of inventories of work in progress at the start of the reference period.

Inventories of work in progress include manufacturing and construction projects that have commenced but are not completed at the end of the reference period.

Construction

Construction refers to the industry defined under ‘Section F – Construction’ of the International Standard Industrial Classification of All Economic Activities, Revision 4.

This industry includes general construction and specialized construction activities for buildings and civil engineering works. It includes new work, repair, additions and alterations, the erection of prefabricated buildings or structures on the site and also construction of a temporary nature.

Compensation of employees

Compensation of employees is a measure of the total remuneration, in cash or in-kind, payable by a business to an employee in return for work done by the employee during the accounting period.

Compensation of employees is defined as:

- wages and salaries
- plus non-wage benefits
plus capitalized wages and salaries.

Dili
Dili refers to the district of Dili, including the island of Atauro.

Districts

Districts refer to all 12 districts in Timor-Leste outside of Dili. This covers the districts of Ainaro, Aileu, Baucau, Bobonaro, Covalima, Ermera, Liquica, Lautem, Manufahi, Manatuto, Oecusse and Viqueque.

Employment

Employment refers to all employees on the payroll during the last pay period ending in December 2010. Employees absent on paid or prepaid leave, and owners of the business who also work for the businesses are included. This item includes both Timorese and foreign nationals.

Income from sale of goods and services

This item includes both income from the sales of goods and income from the provision of services. Income from the sale of goods includes:
- income from the sale of goods not produced (such as imported goods, retail or wholesale sales)
- income from the sale of goods produced (such as goods manufactured).

Income from the provision of services includes:
- income generated from restaurant and hotel operations
- income from accounting, legal service or consulting services
- income from repair and maintenance services
- rent leasing and hiring income
- management fees and charges
- installation charges (e.g. air conditioning installation)
- income from construction services
- income from transport services
- bank fees and bank charges
- other income from the provision of services.

Income from sales of goods and services excludes interest income, and the profit on the sale of assets.

Industry value added

Industry value added (IVA) is a measure of an industry’s contribution to the national economy. It represents the value added by an industry to the intermediate inputs used by the industry. IVA
is calculated as the difference between the market value of the output of an industry (Output) and the purchases of materials and expenses incurred in the production of that output (Intermediate use).

IVA is defined as Output less Intermediate use.

**Intermediate Use**

Intermediate use is a measure of the value of inputs required by an industry to produce that industry’s outputs.

Intermediate use is defined as:

- purchases of supplies and materials
- *plus* other intermediate expenses
- *plus* capitalized purchases of materials
- *less* change in inventories of raw materials

Intermediate use does not include any labour costs or any other remuneration payable to employees. It also excludes bad and doubtful debts, interest expenses and depreciation and amortization.

**Labour costs**

Labour costs are defined as wages and salaries *plus* non-wage benefits.

**Manufacturing**

Manufacturing refers to the industry defined under ‘Section C – Manufacturing’ of the International Standard Industrial Classification of All Economic Activities, Revision 4.

This industry includes the physical or chemical transformation of materials, substances, or components into new products.

**Non-wage benefits**

Non-wage benefits are the estimated costs of providing in-kind and non-cash remuneration to employees in return for labour. Examples include meals provided to employees, or an employee’s private use of a business’s motor vehicle.

**Other expenses**

Other expenses refer to all expenses other than labour costs and the purchases of supplies, materials and finished goods. Other expenses exclude capitalized expenditure.

Other expenses include:
− contract, subcontract and commission expenses
− rent, leasing and hiring expenses
− telecommunication services
− payments for electricity
− transportation and storage services
− printing and marketing services
− legal and accounting services
− bad and doubtful debts
− depreciation and amortization
− interest expenses
− other payments for services.

Other expenses include bad and doubtful debts, interest expenses and depreciation and amortization. In contrast, other intermediate expenses do not include these items.

Other income

Other income includes all income other than income from the sales of goods and income from the provision of services.

Other income includes:
− interest income
− income from the sale of assets
− donations
− other income not from the sales of goods or the provision of services.

Other industries

‘Other industries’ refers to all industries other than ‘Manufacturing’, ‘Construction’, ‘Retail and Wholesale Trade’ and ‘Accommodation and Food Services’.

Other industries are defined as being the industries that make up the following sections of the International Standard Industrial Classification of All Economic Activities, Revision 4:

− A Agriculture, forestry and fishing
− B Mining and quarrying
− D Electricity, gas, steam and air conditioning supply
− E Water supply; sewerage, waste management and remediation activities
− H Transportation and storage
− J Information and communication
− K Financial and insurance activities
− L Real estate activities
− M Professional, scientific and technical activities
− N Administrative and support service activities
− P Education
As the petroleum producing industry of Timor-Leste is out of scope of this survey, estimates of other industries are exclusive of petroleum producing businesses.

Other intermediate expenses

Other intermediate expenses are the value of inputs used by an industry in creating outputs, other than purchases of supplies and materials.

Other intermediate expenses are defined as:

- other expenses
- less bad and doubtful debts
- less interest expenses
- less depreciation and amortization.

Other intermediate expenses exclude capitalized expenditure.

Other intermediate use

Other intermediate use refers to all intermediate use other than purchases of supplies and materials.

Other output

Other output refers to all output other than income from the sales of goods and income from the provision of services.

Output

Output is a measure of the market value of production in an industry. It includes the value of goods produced by an industry, plus the value of services provided by an industry, plus the margin on goods resold by an industry.

Output is defined as:

- income from the sale of goods and services
- less purchases of finished goods
- plus change in inventories of finished goods
- plus capitalized purchases of materials
- plus capitalized wages and salaries
- plus change in inventories of work in progress.
Profit

Profit is a measure of operating profit (or loss) during the reference period. Profit is derived as:

\[
\text{total income} \quad less \quad \text{total expenses} \quad plus \quad \text{change in inventories.}
\]

Purchases of finished goods

Purchases of finished goods are purchases of goods, merchandise and trading stock that are bought with the intention of resale, without transformation. Purchases of finished goods are the major cost incurred by businesses in the ‘Retail and Wholesale Trade’ industry. Purchases of finished goods exclude purchases of supplies and materials, payments for services and capitalized purchases.

Purchases of supplies and materials

Purchases of supplies and materials are the cost of non-capitalized goods used in the production of the output of a business.

Purchases of supplies and materials include:
- raw materials used in manufacturing and construction
- foodstuffs for use in preparing meals and take away food
- parts and fuels for motor vehicles
- guest supplies for use in hotel rooms
- other purchases of supplies and materials.

Purchases of supplies and materials exclude purchases of finished goods and trading stock that are resold without transformation. It also excludes contract, subcontract and commission expenses, payments for services and capitalized purchases.

Purchases of supplies, materials and finished goods

Purchases of supplies, materials and finished goods are defined as purchases of supplies and materials plus purchases of finished goods.

Retail and wholesale trade

Retail and wholesale trade refers to the industry defined under ‘Section G – Wholesale and retail trade; repair of motor vehicles and motorcycles’ of the International Standard Industrial Classification of All Economic Activities, Revision 4.

This industry includes wholesale and retail sales (that is, sale without transformation) of any type of goods and the provision of services incidental to the sale of these goods. Also included in this industry is the repair of motor vehicles and motorcycles.
Wages and salaries

Wages and salaries refer to the cash wages and salaries paid to employees of the business in return for labour.