

BRUNEI DARUSSALAM KEY ECONOMIC DEVELOPMENTS

PREPARED BY

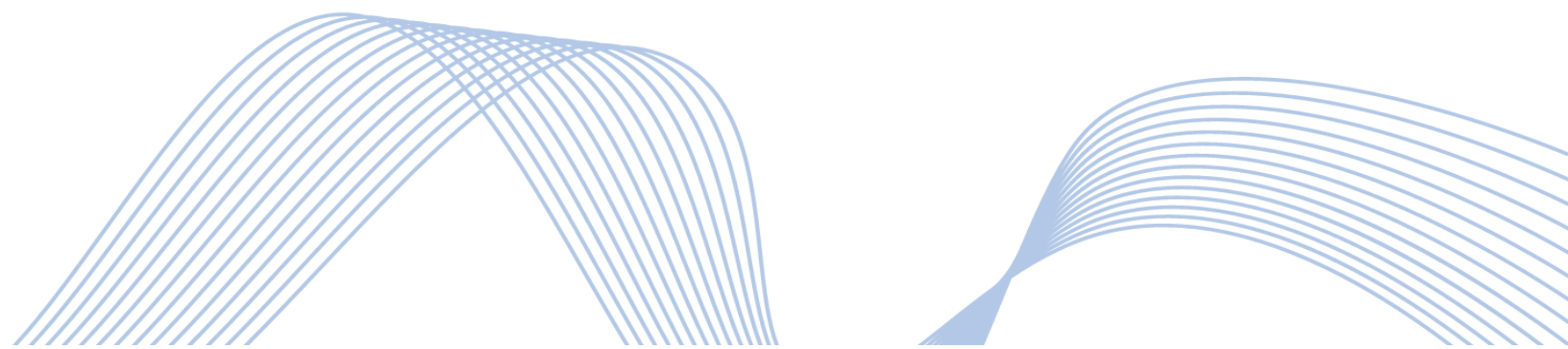
DEPARTMENT OF PLANNING
DEPARTMENT OF ECONOMIC PLANNING AND STATISTICS
MINISTRY OF FINANCE AND ECONOMY



**FIRST
QUARTER
Q1 2022**

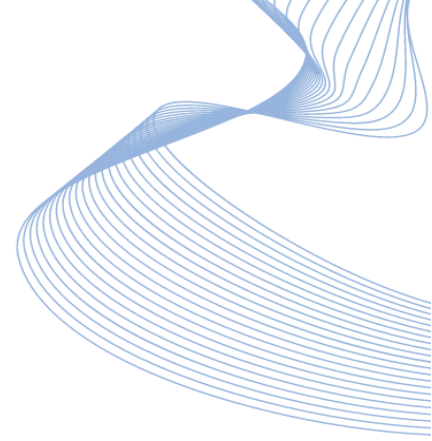
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BRUNEI ECONOMY

Q1 2022



GROSS DOMESTIC PRODUCT



The overall economy contracted by 4.2%.
The Oil & Gas Sector contracted by 9.0%.
The Non-Oil & Gas Sector grew by 1.0%.

CONSUMER PRICE INDEX



The overall CPI rose by 3.3%.
The Food Index rose by 2.8%.
The Non-Food Index rose by 3.4%.

INTERNATIONAL MERCHANDISE TRADE



A trade surplus of BND1.8 billion was recorded.
Total exports amounted to BND4.4 billion.
Total imports amounted to BND2.6 billion.

GOVERNMENT FISCAL



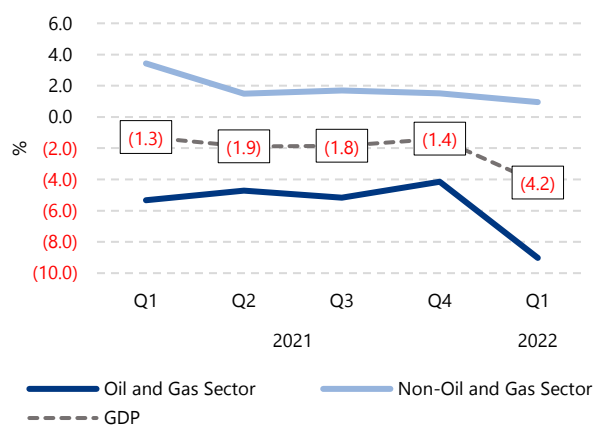
A fiscal deficit of BND326.1 million was recorded.
Total fiscal revenue amounted to BND1.5 billion.
Total fiscal expenditure amounted to BND1.8 billion.

Gross Domestic Product (GDP)

Overview

Brunei Darussalam's economy began the first quarter of 2022 (Q1 2022) with a negative growth of 4.2 per cent year-on-year (y-o-y). The downturn was mainly due to the Oil and Gas Sector, which contracted sharply by 9.0 per cent, offsetting the positive growth of 1.0 per cent recorded in the Non-Oil and Gas Sector (**Exhibit 1**).

Exhibit 1 : GDP Growth (Q1 2021 – Q1 2022)



Source: Department of Economic Planning and Statistics

Oil and Gas Performance

The decline in the Oil and Gas Sector was mainly owing to a decrease in the production of crude oil, natural gas, and liquefied natural gas (LNG) (**Table 1**). In particular, the reduction in crude oil and natural gas production was due to maintenance and rejuvenation activities. Meanwhile, the decline in LNG production was due to a decrease in gas production.

Table 1 : Production of Crude Oil, Natural Gas and LNG (Q1 2021 & Q1 2022)

	Q1 2021	Q1 2022
Crude Oil (Thousand barrels /day)	114.9	101.6
Natural Gas (Million m ³ /day)	32.6	29.8
LNG (MMBtu/day)	891,347	732,357

Source: Energy Department, Prime Minister's Office

Non-Oil and Gas Performance

The expansion of the Non-Oil and Gas Sector was supported by positive growths recorded in several subsectors (**Table 2**).

Table 2 : Growth of Selected Non-Oil & Gas Sectors (Q1 2022)

	Growth (%)
Manufacturing of Petroleum and Chemical Products	8.4
Other Manufacturing	13.2
Wholesale and Retail Trade	3.4
Transportation	22.0
Hotels	12.2
Electricity and Water	3.0
Agriculture, Forestry and Fishery	0.8
Finance	(4.2)
Business Services	(3.4)
Construction	(4.1)
Restaurants	(7.4)

Source: Department of Economic Planning and Statistics

In particular, growth of the Non-Oil and Gas Sector was mainly attributed to expansion in the Manufacture of Petroleum and Chemical Products Subsector arising from increased production of petroleum products such as Diesel and RON92, as well as the new production of chemical products, specifically urea fertilizer.

The Other Manufacturing Subsector also posted a positive growth, backed by an improved turnout in glass manufacturing activities.

This was followed by an improved performance in Wholesale and Retail Trade, gaining primarily from wholesale activities, including medical equipment items, food and beverages. The encouraging performance of this sector was also supported by increased domestic demand, benefitting from the easing of domestic and border restrictions.

Meanwhile, the Transportation Subsector marked a double-digit growth, bolstered by improvements in water and air transportation activities. In particular, the rise in air transport activities was in line with an increase in the number of arrivals and departures of air passengers as entry and exit from the country have been permitted according to the conditions set by the Prime Minister's Office (**Table 3**).

Table 3 : Air Arrivals and Departures (Q1 2021 & Q1 2022)

	Q1 2021	Q1 2022
Arrivals	5,253	10,735
Departures	7,889	13,477

Source: Department of Immigration

The Hotels Subsector also gained in this quarter on the back of further relaxation of COVID-19 preventative measures and border restrictions, which has led to increased travel activities.

Meanwhile, growth in the Electricity and Water Subsector was underpinned by increased production of electricity and water. In particular, the increase in electricity output ensued from increased government and domestic use while the increase in water output was primarily driven by domestic consumption.

Elsewhere, the Agriculture, Forestry, and Fisheries Sector maintained a positive performance, edging a 0.8 per cent growth. In particular, the Fishery Subsector grew on the back of higher production in the capture industry involving small-scale fishermen activities. Meanwhile, growth in the Agriculture Subsector emanated from increased production of paddy, vegetables and fruits. As for the Forestry Subsector, increased production of round and sawn timber contributed to its expansion.

On the other hand, several subsectors registered negative growths as follows:

- The Finance Subsector, due to losses from investment operations.
- The Business Services Subsector, weighed down by activities such as technical testing, analysis, and computer consultancy due to lower demand for the related services from the construction industry.
- The Construction Subsector, in line with the completion of major construction projects such as the Brunei Fertilizer Industries' plant.
- The Restaurants Subsector, due to a reduction in the number of customers dining in restaurants. As such, the dine-in capacity limitation in Q1 2022

was set at 75 per cent compared to full capacity in the first quarter of the previous year.

GDP by Expenditure

By the expenditure approach, the reduction in GDP growth in Q1 2022 was mainly attributed to a 28.0 per cent y-o-y decline in the Net Exports owing to high value of imports, primarily mineral fuels for industrial usage. This was followed by a reduction in the Gross Capital Formation, primarily private investment in machinery and equipment. However, this growth was moderated by an increase in the Government Final Consumption Expenditure and the Household Final Consumption Expenditure by 3.8 per cent and 5.5 per cent, respectively (**Table 4**).

Table 4 : GDP by Expenditure (Q1 2022)

	Q1 2021 (BND Million)	Q1 2022 (BND Million)	Growth (%)
Government Final Consumption Expenditure	1,155.9	1,199.8	3.8
Household Final Consumption Expenditure	1,026.4	1,083.3	5.5
Gross Capital Formation	1,189.7	1,141.1	(4.1)
Net Exports	1,158.3	833.9	(28.0)
GDP	4,786.9	4,586.0	(4.2)

Source: Department of Economic Planning and Statistics

Global Economic Developments

Most countries reported positive growths in Q1 2022, with Saudi Arabia recording a considerable gain of 9.9 per cent y-o-y (**Exhibit 2**). The increase was strengthened by a rise in most economic activities, including Crude Petroleum & Natural Gas, Petroleum Refining, Wholesale & Retail Trade, and Restaurants & Hotels¹.

Despite difficulties from recent COVID-19 outbreaks and geopolitical uncertainty, China reined in a 4.8 per cent growth in Q1 2022. Among others, better performance in the high-tech manufacturing industry helped to support the expansion².

The United Kingdom's economy logged a 8.7 per cent increase in Q1 2022 compared to Q1 2021. The

¹GDP Press Release Report Q1 2022: Saudi economy grows by 9.9% in Q1/2022 on an annual basis achieving the highest growth rate since 2011. *General Authority for Statistics*.

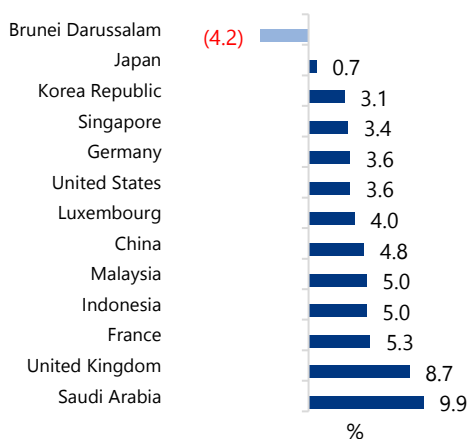
² China Q1 2022 Economic Data Overview (April 29, 2022). *China Briefing*.

resounding increase was primarily due to growth in the services sector, particularly information and communication, lodging and food, and transportation and storage³.

Both Malaysia and Indonesia charted a positive growth of 5.0 per cent y-o-y. Malaysia's economy expanded primarily due to improvements in the manufacturing and services sectors. In particular, these sectors' growth were spurred by a rise in both local and external demand due to initiatives under expansionary Budget 2022 and the influence of Budget 2021 and previous stimulus and assistance packages⁴. As for Indonesia, its growth emerged from improvements across most economic activities such as transportation and logistics, industry, services, agriculture, and construction⁵.

Elsewhere, the Singapore economy expanded by 3.4 per cent, buoyed by improved turnouts in both the goods-producing and services-producing industries, up 5.3 per cent and 3.9 per cent, respectively. In particular, the goods-producing industries gained from a strong showing in the manufacturing sector while the services-producing industries profited from improvements in the information and communications, finance and insurance, and professional services sectors⁶.

Exhibit 2 : GDP Growth of Selected Countries (Q1 2022)



Source: Organisation for Economic Co-operation and Development (OECD), General Authority for Statistics, Department of Statistics Malaysia and Ministry of Trade & Industry Singapore.

³ GDP First Quarterly Estimate, UK: January to March 2022 (May 12, 2022). UK Office for National Statistics.

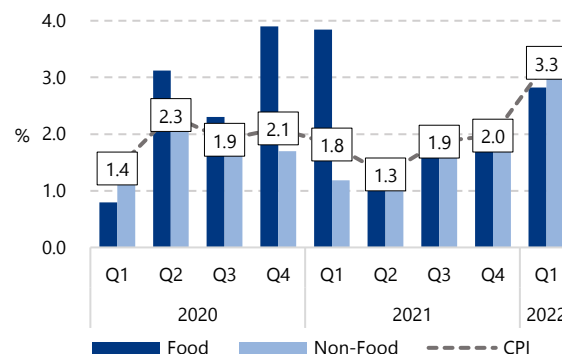
⁴ Press Release – First Quarter 2022 GDP Grew by 5 Per Cent: Malaysia's Economy Continued its Recovery Momentum (May 13, 2022). Official Portal of Ministry of Finance Malaysia.

Consumer Price Index

Overview

The Consumer Price Index (CPI) rate for Q1 2022 increased by 3.3 per cent y-o-y compared to Q1 2021. Both the Food Index and the Non-Food Index increased by 2.8 per cent and 3.4 per cent respectively (**Exhibit 3**).

Exhibit 3 : Consumer Price Index (% Growth y-o-y), Q1 2020 – Q1 2022



Source: Department of Economic Planning and Statistics

Food Prices

In Q1 2022, the increase in the Food Index was attributed by several sub-indices:

- Meat by 6.9 per cent, driven by prices of chicken, and beef & buffalo meat, which increased by 4.5 per cent and 14.2 per cent respectively.

The increase in chicken prices during Q1 2022 was influenced by an increase in the price of chicken feed (**Table 5**) in line with increase in inputs, primarily corn and soybeans, which rose by about 24.8 and 6.4 per cent, respectively (**Exhibit 4**). Soybean prices have risen due to drought, particularly in South America, the world's largest soybean exporter. The Russia-Ukraine war has disrupted corn supply as Ukraine accounts for

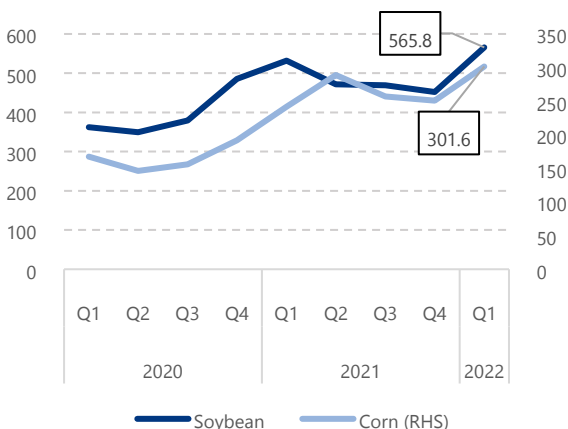
about 15 per cent of global corn trade. As a result, this has led to rising corn prices⁷.

Table 5 : Average Price of Chicken Feed

BND/Kg	Q1 2021	Q1 2022
Local Production	0.85	0.96
Imports	0.58	0.63

Source: Department of Agriculture and Agrifood, Ministry of Primary Resources and Tourism

Exhibit 4 : Price of Soybean and Corn (USD/MT)



Source: World Bank, "Pink Sheet" Data

The price increase for beef and buffalo meat was caused by, among others, increased domestic demand and limited import supply.

- Cooking oil prices increased by 27.7 per cent owing to an increase in import prices. As Indonesia and Malaysia are the main importers of cooking oil for Brunei Darussalam, the price increases are down to the following factors:
 - Limited import supply as Indonesia increased the domestic market obligation (DMO) imposed on palm oil producers from 20 per cent to 30 per cent. This measure is intended to meet domestic demand while preventing domestic prices from rising further⁸.

- The production of palm oil in Malaysia had decreased due to shortage of foreign plantation workers⁹.
- Due to shortage of major edible oils brought on by unfavorable weather conditions in South America and the Russia-Ukraine war, demand for palm oil has skyrocketed¹⁰.

Non-Food Prices

In Q1 2022, the increase in the Non-Food Index was attributed by several sub-indices:

- The price of motor vehicle insurance drove up Miscellaneous Goods and Services by 14.0 per cent.
- The price of transportation increased by 5.4 per cent owing to an increase in the price of selected motor vehicles and air fares.
- Clothing and footwear increased by 7.7 per cent, primarily due to an increase in the price of men's and women's clothing.

Inflation Outlook

Food prices are expected to rise by about 20 per cent this year before levelling off in 2023, according to the World Bank¹¹. This is in view of the following factors:

- Russia and Ukraine account for 25.8 per cent of global wheat and 11.4 per cent of global edible oil exports, respectively. Any further disruption in supply and trade in these countries as a result of the war could drive prices even higher.
- Global wheat and maize supply are expected to fall by 1.5 per cent in 2022-2023 due to lower projected crop yields in Argentina, Australia, and Ukraine. However, global rice and soybean supplies are expected to rise by 0.6 per cent and 3.5 per cent, respectively, in 2022-2023, compared to 2021-2022.
- Rising input prices have been a major contributor to the rise in food prices. Russia's announced ban

⁷ The Ukraine Conflict and Other Factors Contributing to High Commodity Prices and Food Insecurity. International Agricultural Trade Report, (April 2022). *Foreign Agricultural Service*.

⁸ Indonesia tightens palm oil export curbs in new hit to global supplies. Barnadette Christina & Fransiska Nangoy, (March, 2022). *Reuters*.

⁹ Fertilizer, Worker Shortages to Cut Malaysia Palm Oil Output. Bloomberg, (June 2022), *Bloomberg*.

¹⁰ CPO prices to moderate in 2022 on higher output. Priya Vasu, (March 2022), *The Malaysian Reserve*.

¹¹ Food prices continued their two-year-long upward trajectory. Baffes, J., & Temaj, K., (May 25, 2022), *World Bank*.

on fertilizer exports (an agricultural input) has further destabilised an already volatile market.

- Food export restrictions may have an impact on food price forecasts. For example, India and Indonesia recently announced bans on wheat and palm oil exports, respectively.

Brunei Darussalam Central Bank, in its policy statement for the first half of 2022 expected inflation rate for Brunei Darussalam in 2022 is to be low in the range of 2.0 per cent to 3.0 per cent despite International Monetary Fund (IMF) having forecasted 2022 global inflation at 3.6 per cent. This is due to the tightening of Monetary Authority of Singapore (MAS) monetary policy thrice so far in the first 7 months of 2022¹².

Regional Developments

Malaysia's inflation rate for Q1 2022 rose by 2.2 per cent y-o-y compared to Q1 2021. Core inflation¹³, on the other hand, increased on average by 1.7 per cent¹⁴.

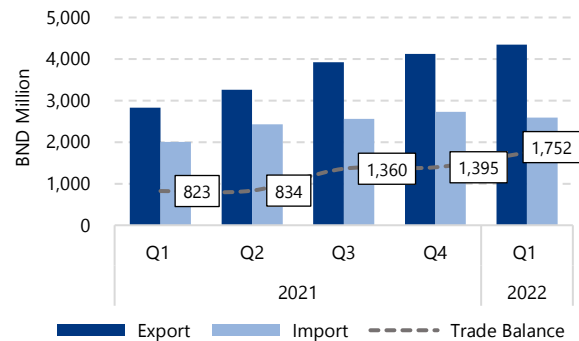
Singapore's inflation rate for Q1 2022 rose by 4.6 per cent y-o-y compared to Q1 2021. However, MAS core inflation rate (excluding accommodation and private transport) increased by 2.5 per cent¹⁵.

International Merchandise Trade

Overview

Brunei Darussalam's total merchandise trade in Q1 2022 increased by 43.7 per cent, from BND4,828.6 million to BND6,937.4 million. In particular, both exports and imports rose by 53.7 per cent and 29.5 per cent respectively, following a strong performance in the downstream petrochemical industry. Overall, the country's trade balance remained in surplus, rising to BND1.8 billion in Q1 2022 (**Exhibit 5**).

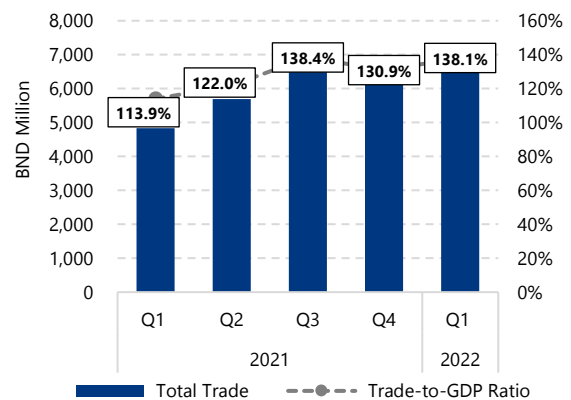
Exhibit 5 : Trade Statistics (Q1 2021 – Q1 2022)



Source: Ministry of Finance and Economy

Meanwhile, total trade as a percentage of GDP climbed to 138.1 per cent from 113.9 per cent in the same quarter of 2021¹⁶ (**Exhibit 6**). This implies that international merchandise trade had played a more influential role in driving economic growth in this quarter.

Exhibit 6 : Trade-to-GDP Ratio (Q1 2021 – Q1 2022)



Source: Estimates by Department of Planning, Department of Economic Planning and Statistics

Export Development

Brunei Darussalam's total exports in Q1 2022 amounted to BND4,344.7 million, rallying from BND2,825.9 million in Q1 2021. The sheer increase was fuelled by the recovery of oil prices (**Table 6**).

¹² BDCB Policy Statement for the First Half of 2022, (July 22, 2022) *Brunei Darussalam Central Bank*.

¹³ Core inflation measures changes in the prices of all goods and services, excluding volatile items of fresh food as well as administered prices of goods by the government.

¹⁴ BNM Quarterly Bulletin Vol 37 No.1 (Q1 2022). *Bank Negara Malaysia*.

¹⁵ Singapore Consumer Price Index (March, 2022). *Department of Statistics Singapore*.

¹⁶ The trade-to-GDP ratio indicates a country's openness or integration in the global economy. The ratio measures domestic producers' reliance on foreign markets (export) as well as domestic demand's reliance on foreign supply of goods and services (import).

Table 6 : Exports (Q1 2021 & Q1 2022)

	Q1 2021 (BND Million)	Q1 2022 (BND Million)	Change (BND Million)
Domestic Exports	2,759.3	4,242.8	1,483.5
Re-Exports	66.6	101.9	35.3
Total Exports	2,825.9	4,344.7	1,518.8

Source: Ministry of Finance and Economy

Oil and gas commodities accounted for 38.4 per cent of the total exports, while non-oil and gas exports accounted for 61.6 per cent.

In Q1 2022, crude oil and LNG saw a decrease in volume compared to the same period last year (**Table 7**). However, the export value increased compared to Q1 2021, primarily owing to higher prices (**Table 8** and **Table 9**). The higher prices of crude oil and methanol were partly driven by disruptions and sanctions in a major global oil producer's supply chains¹⁷. For LNG, this was due to increased demand and limited supply¹⁸.

Table 7 : Exports Volume of Crude Oil and LNG (Q1 2021 & Q1 2022)

	Q1 2021	Q1 2022
Crude Oil (Thousand barrels per day)	75.4	50.2
LNG (MMBtu per day)	891,347	732,357

Source: Energy Department, Prime Minister's Office

Table 8 : Oil and Gas Exports (Q1 2021 & Q1 2022)

	Q1 2021 (BND Million)	Q1 2022 (BND Million)	Change (BND Million)
Crude Oil	565.2	635.8	70.6
LNG	756.2	1,031.2	275.0
Total	1,321.4	1,667.0	345.6

Source: Energy Department, Prime Minister's Office

Table 9 : Prices of Major Export Commodities (Q1 2021 & Q1 2022)

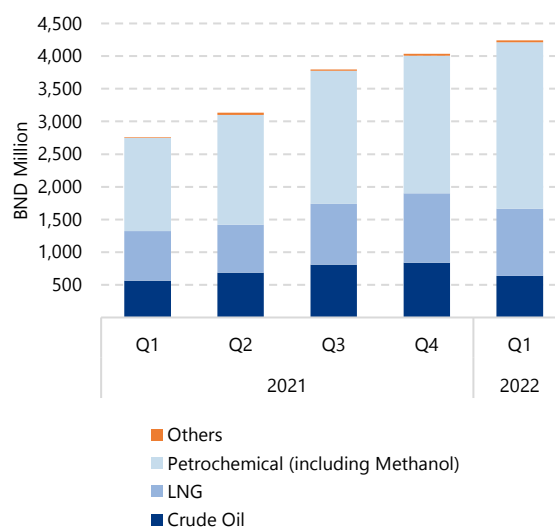
	Q1 2021	Q1 2022
Crude Oil (USD/barrel)	62.70	104.17
LNG (USD/MMBtu)	7.08	11.56

Source: Energy Department, Prime Minister's Office

On the other hand, the petrochemical industry continued to add value in the country's overall exports amounting to BND2,544.5 million in Q1 2022, an increase from BND1,425.1 million in Q1 2021 (**Exhibit 7** and **Table 10**). In particular, the increase was contributed by mineral fuel products such as automotive diesel fuels and other motor spirit (gasoline) as well as chemical products, particularly p-Xylene.

Meanwhile, other domestic exports also increased to BND31.2 million in Q1 2022 compared to BND12.8 million in Q1 2021. Among the primary contributors to the increase were food items, largely comprised of shrimp products, exported mainly to Taiwan and Japan.

Exhibit 7 : Domestic Exports (Q1 2021 – Q1 2022)



Source: Ministry of Finance and Economy

Table 10 : Domestic Exports (Q1 2021 & Q1 2022)

	Q1 2021 (BND Million)	Q1 2022 (BND Million)	Change (BND Million)
Crude Oil and LNG	1,321.4	1,667.0	345.6
Petrochemical Products	1,425.1	2,544.5	1,119.5
Others	12.8	31.2	18.4
Total	2,759.3	4,242.8	1,483.5

Source: Ministry of Finance and Economy

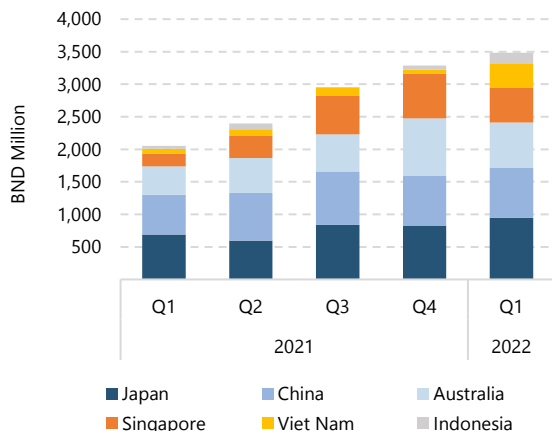
¹⁷ Methanol Price Trend and Forecast. *ChemAnalyst*.

¹⁸ LNG industry rebounds in 2021 amid supply constraints and volatile prices (February 21, 2022). *Shell Global*.

In terms of exports by destination, Japan and China remained the top two markets for LNG and downstream petrochemical products respectively, buoyed by strong demand (**Exhibit 8**).

Meanwhile, Australia made up the third largest export market with crude oil and automotive diesel fuel exported predominantly.

Exhibit 8 : Domestic Exports (Top 6 Destinations), Q1 2021 – Q1 2022



Source: Ministry of Finance and Economy

Import Development

Brunei Darussalam's total imports totalling BND2,592.7 million in Q1 2022 were higher compared to Q1 2021 (**Table 11**).

In particular, imports of mineral fuels, mainly used as feedstock for the petrochemical industry, remained significantly higher compared to the same period last year. This was followed by increase in imports of chemicals and others (**Exhibit 9**).

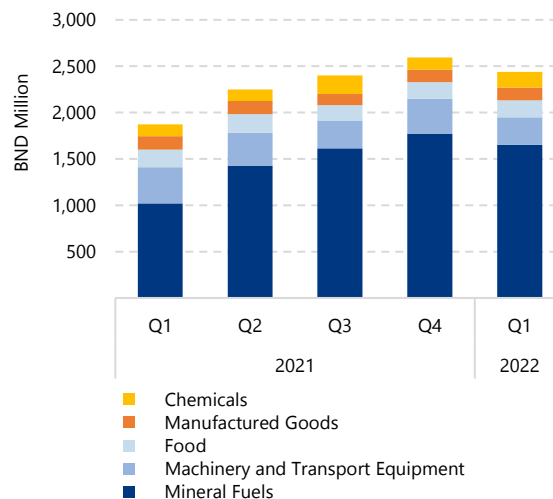
Otherwise, other imports including food, manufactured goods, and machinery & transport equipment registered a decrease.

Table 11 : Imports by Commodity (Q1 2021 & Q1 2022)

	Q1 2021 (BND Million)	Q1 2022 (BND Million)	Change (BND Million)
Food	191.5	182.8	(8.7)
Mineral Fuels	1,020.1	1,652.3	632.2
Chemical	125.9	169.1	43.1
Manufactured Goods	145.9	135.6	(10.3)
Machinery & Transport Equipment	388.8	297.4	(91.4)
Others	130.5	155.6	25.1
Total	2,002.7	2,592.7	590.0

Source: Ministry of Finance and Economy

Exhibit 9 : Imports by Top 5 Commodity, (Q1 2021 – Q1 2022)



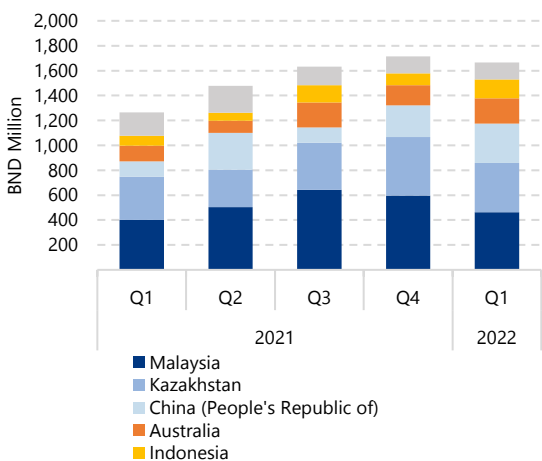
Source: Ministry of Finance and Economy

In terms of import origins, Malaysia was the top import market, valued at BND462.7 million, comprising mostly of mineral fuels (45.8 per cent) and food items (18.9 per cent) made up of aquaculture, feedstock and other various food products (**Exhibit 10**).

In particular, majority of Brunei Darussalam's food imports were sourced from Malaysia, accounting for 47.8 per cent of the total food imports in Q1 2022. There is a clear advantage in importing food from a nearby bordering country such as Malaysia due to the nature of food as a perishable product, resulting in a significant 51.8 per cent import of food from Malaysia by sea, and 47.4 per cent by land.

The second biggest import originated from Kazakhstan consisting wholly of mineral fuels in the form of crude oil. This was followed by China, the third highest consisting mainly of mineral fuels at 43.4 per cent, with machinery and transport equipment at 16.2 per cent.

Exhibit 10 : Import Origins (Q1 2021 – Q1 2022)



Source Ministry of Finance and Economy

Trade Outlook

Trade outlook is mixed for 2022, attributed to high level of uncertainty and volatility that could potentially wipe any gains from positive developments in other sectors.

Crude oil and LNG production targets are lowered compared to 2021, with exports expected to follow suit. The average selling price of oil and gas is anticipated to fluctuate significantly due to various factors such as politics and disruptions in the global order, conflicts affecting supply chains, and economic slowdowns in key trading partners related to the pandemic.

The downstream petrochemical production target for 2022 is also mixed. This is in view of lowered target of current downstream petrochemical production, and the ramping up of production and export from Brunei Fertiliser Industries, which commenced this quarter.

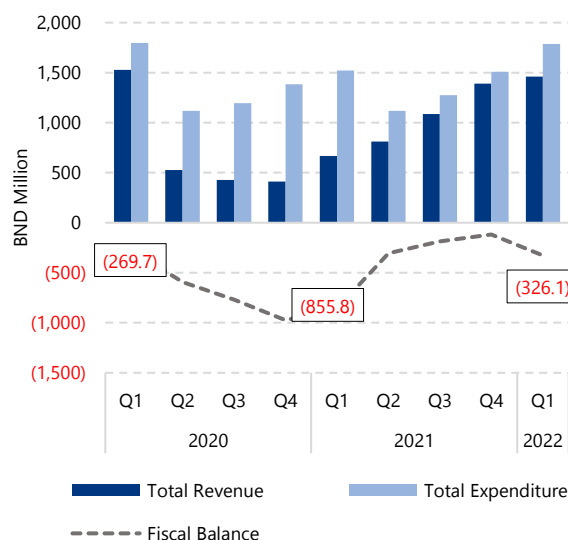
Exports of foods are promising this quarter and are expected to continue trading at a heightened level into 2022 and will likely surpass 2021's trade performance.

Imports in early 2022 compared to last year comprised primarily of mineral fuels used as feedstock in the downstream petrochemical industry. Therefore, future import levels will likely be heavily influenced by the production capacity and demand for downstream products.

Fiscal

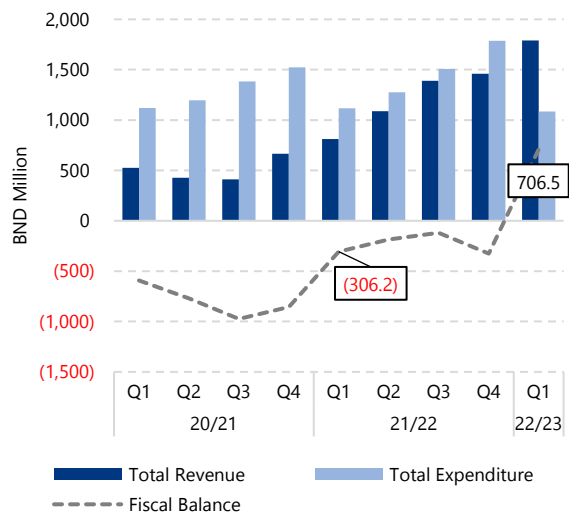
In Q1 2022, Brunei Darussalam's fiscal deficit narrowed to BND326.1 million compared to an enormous deficit of BND855.8 million recorded in the same period last year (**Exhibit 11**). This was primarily attributable to a significant increase in government revenue by BND794.2 million, driven by higher oil and gas revenue, despite a modest increase in government expenditure by BND264.5 million.

Exhibit 11 : Fiscal Balance (Q1 2020 – Q1 2022)



Source: Treasury Department, Ministry of Finance and Economy

Exhibit 12 : Fiscal Balance (FY2020/2021 - FY2022/2023)



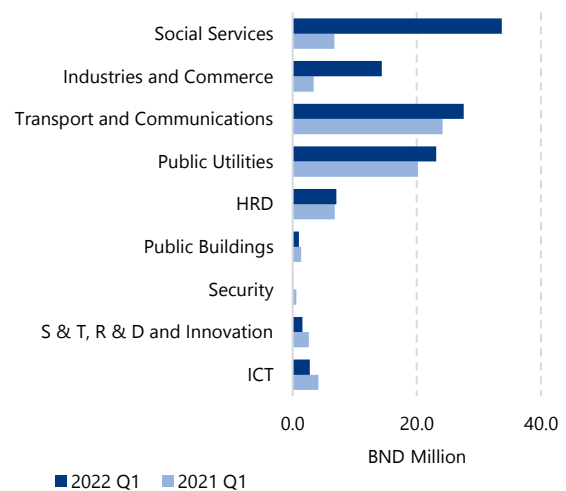
Source: Treasury Department, Ministry of Finance and Economy

With oil and gas accounting for a substantial share of government revenue (82.5 per cent in Q1 2022), the revenue increase in Q1 2022 corresponded to a rise in domestic export of crude oil and LNG during the same quarter owing to higher prices.

Meanwhile, the increase in government expenditure was largely contributed by an increase in other charges annual recurrent (OCAR) expenditure by BND155.5 million.

Other than that, development expenditure also recorded an increase from BND72.4 million in Q1 2021 to BND113.9 million in Q1 2022. The rise was consistent with an increase in project spending, particularly in the social services sector, about 37 per cent, from BND6.7 million in Q1 2021 to BND33.7 million in Q1 2022. In addition, expenditures on projects related to industries and commerce also increased from BND3.4 million in Q1 2021 to BND14.4 million in Q1 2022 (**Exhibit 13**).

Exhibit 13 : Main National Development Plan Sectors Expenditure, Q1 2021 & Q1 2022



Source: Treasury Department, Ministry of Finance and Economy

The Kampong Lugu National Housing Phase 2 project (1,500-unit houses) accounted for more than 60 per cent of the spending in the social services sector. As of Q1 2022, about 40 per cent of the construction of one thousand terrace houses in Kampong Lugu had been finished, with completion scheduled by the end of the year or early 2023. This further signifies the country's pursuit of providing quality and affordable housing in improving the welfare of its citizens is in line with the Wawasan Brunei 2035.

Meanwhile, under the industries and commerce sector, projects on the Development Plan for Livestock Industry and the Opening of 500 Hectare Commercial Paddy Planting, Kandol Area, Belait District, 2nd Phase, contributed about 75 per cent of the total spending (BND10.8 million). In particular, the recent development of the Kandol project involves a paddy plantation area of 145 hectares as well as the construction of a water reservoir of 58 hectares, which are expected to be completed in December 2022. The ongoing projects are expected to contribute to increasing livestock and agricultural production, achieving long-term output targets, and achieving self-sufficiency.

Priority Sectors Development

Downstream Oil and Gas

In Q1 2022, the Downstream Oil and Gas Sector contributed about BND478.8 million to Gross Value Added (GVA), which is progressively higher than the BND329.9 million recorded in the same period a year ago (**Exhibit 14**). The improvement in the sector's performance was mainly driven by petroleum and chemical products activities which increased from BND288.9 million in Q1 2021 to BND426.0 million in Q1 2022.

This quarter also marked another milestone as Brunei Fertilizer Industries (BFI) started production in January 2022 and contributed about BND10.4 million of GVA for the whole quarter to the downstream sector.

Exhibit 14 : Downstream Oil and Gas Sector GVA at Current Prices (Q1 2020 – Q1 2022)



Source: Department of Economic Planning and Statistics

Meanwhile, exports from the Downstream Oil and Gas Sector amounted to BND2,592.5 million in Q1 2022, compared to the BND1,427.2 million recorded in the same period last year (**Exhibit 15**).

This was mainly driven by the increase in export volume of diesel and as well as the new export of Ron 90 Gasoline in Q1 2022 (**Table 12**).

Exhibit 15 : Downstream Oil and Gas Exports, (Q1 2020 – Q1 2022)



Source: Estimates by Department of Planning, Department of Economic Planning and Statistics

Table 12 : Production and Export of Gasoline and Diesel (Q1 2021 & Q1 2022)

		Q1 2021	Q1 2022
Gasoline (Tonnes)			
Production	RON90	0	134,848
	RON92	0	171,398
	RON97	0	43,546
Export	RON90	0	254,903
Diesel (Tonnes)			
Production		535,436	706,711
Export		532,420	628,588

Source: Energy Department, Prime Minister's Office

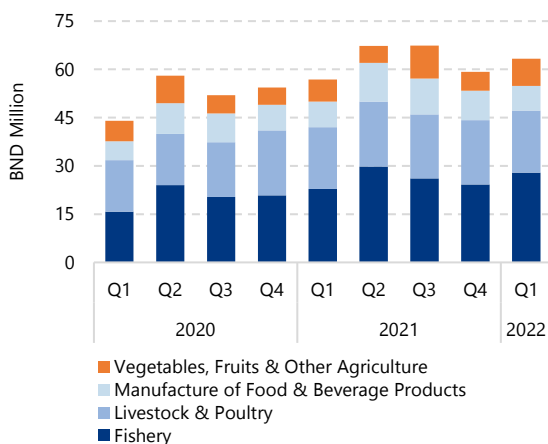
In February 2022, Brunei Fertilizer Industries (BFI) continued its momentum by recording its first export of urea fertiliser to Thailand, followed by a second shipment to South Korea, amounted to 6,200 MT and 6,100 MT respectively¹⁹.

¹⁹ Brunei is home to largest single train fertiliser plant in SEA (February 12, 2022). *Borneo Bulletin*.

Food

The Food Sector, which consists of four subsectors, namely Vegetables, Fruits, and Other Agriculture; Livestock and Poultry; Fishery; and Manufacture of Food and Beverage Products contributed BND63.4 million to GVA in Q1 2022, increasing from BND56.8 million in the same quarter of 2021 (**Exhibit 16**).

Exhibit 16 : Food Sector GVA at Current Prices, Q1 2020 – Q1 2022



Source: Department of Economic Planning and Statistics

By subsector, the Vegetables, Fruits, and Other Agriculture Subsector was valued at BND8.4 million at GVA in Q1 2022, increasing from BND6.9 million in Q1 2021. The improvement was supported by increased production in several commodities (**Table 13**).

Table 13 : Agriculture Production in Metric Tonnes (Q1 2021 & Q1 2022)

	Q1 2021	Q1 2022
Paddy	1,117.0	1,557.3
Vegetables	1,769.3	1,871.1
Fruits	1,153.5	1,195.8
Miscellaneous Crops	381.0	416.3

Source: Department of Agriculture and Agrifood, Ministry of Primary Resources and Tourism

As for the Livestock and Poultry Subsector, despite reporting lower production, its GVA was valued slightly higher at BND19.3 million compared to the BND19.2 million in Q1 2021. This was mainly due to an increase in the price of the following commodities²⁰:

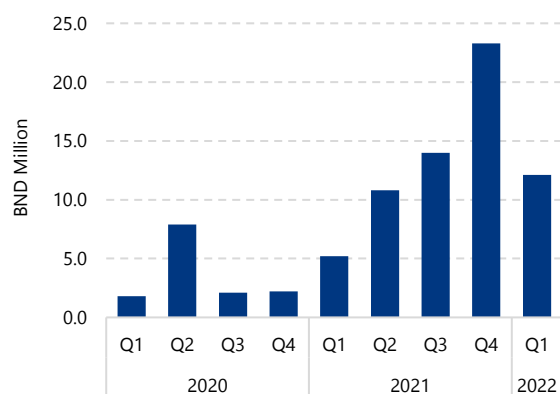
- Buffalo and Cattle meat; Goat and Lamb meat, increased by 14.2 per cent and 6.5 per cent respectively. This is due to the increase in the price of imported buffalo and cattle.
- Broiler chicken increased by 4.5 per cent, primarily driven by higher cost of shipping and animal feed as well as shortage of labour²¹.

Meanwhile, the Fishery Subsector was valued at BND27.9 million at GVA in Q1 2022, up from BND22.8 million in Q1 2021. This improvement was aided by an increase in production in the capture industry by 23.6 per cent. However, the aquaculture industry saw declining production by 0.5 per cent. This was due to lower production of fish in cages owing to a short stock of fingerlings.

On the other hand, the Manufacture of Food & Beverage Products Subsector amounted to BND7.7 million at GVA in Q1 2022, slightly lower than the BND7.9 million recorded in Q1 2021. The decline was due to the decreasing production value of all processing activities, i.e. livestock, agriculture and food & beverages.

In terms of the Food Sector's exports, it amounted to BND12.1 million in Q1 2022, up from BND5.2 million in the same quarter of 2021. In terms of product type, shrimp products accounted for the majority of total domestic exports in Q1 2022, primarily to Taiwan and Japan (**Exhibit 17**).

Exhibit 17 : Food Exports, Q1 2020 – Q1 2022



Source: Department of Economic Planning & Statistics

In addition, other initiatives aimed at accelerating the development of the food industry are among others:

²⁰ Department of Economic Planning and Statistic, Ministry of Finance and Economy, Brunei Darussalam.

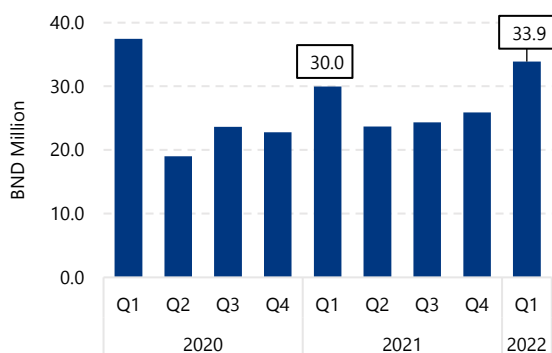
²¹ Labour shortage affects broiler industry, (March 5th, 2022). *Borneo Bulletin*.

- In order to increase food security, the Ministry of Primary Resources and Tourism (MPRT) has set aside more than 32% of its proposed BND96.13 million budget. The projected budget for MPRT for the fiscal year 2022–2023 is an increase of 40.1% from the prior year²².
- During the second meeting of the Joint Working Group (JWG) for agri-food cooperation between the two nations, Brunei Darussalam and Singapore discussed potential areas of cooperation in the agriculture and fisheries sectors, sharing of information on certification to aquaculture farms, and collaboration in other potential areas of research and development²³.
- Due to continued COVID-19-related restrictions on freight movement into China, the Chinese aquaculture company Hiseaton has shifted its focus to creating a hatcheries business in Brunei Darussalam. The company plans to grow its operations early this year and has been attempting to enter the Chinese market for years²⁴.

Tourism

In the wake of the third wave of COVID-19 which struck in February 2022, the performance of the Tourism Sector continued to remain below pre-pandemic levels. In Q1 2022, the Tourism Sector's GVA was valued at BND33.9 million, increasing from the BND30.0 million recorded in the same period last year (**Exhibit 18**).

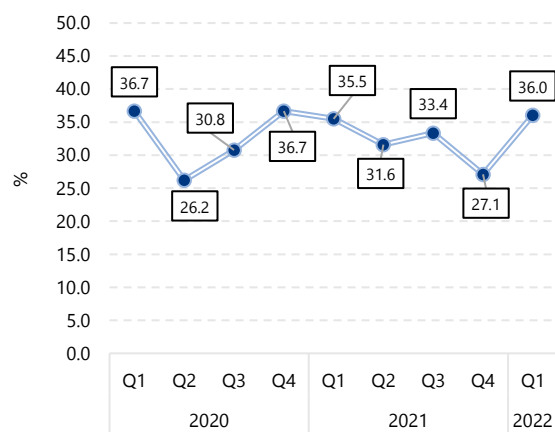
Exhibit 18 : Tourism GVA at Current Prices (Q1 2020 – Q1 2022)



Source: Department of Economic Planning and Statistics

Nevertheless, the figure in Q1 2022 marked the best reading since the onset of the pandemic in Q2 2020, perhaps indicative of recovery underway. This encouraging development stemmed primarily from improvements in accommodation services, which was reflected in the higher occupancy rate y-o-y. As such, the average occupancy rate in Q1 2022 stood at 36.0 per cent, higher than the 35.5 per cent registered in Q1 2021 (**Exhibit 19**).

Exhibit 19 : Occupancy Rate of Hotels, Resorts, Apartments and Guest Houses (Q1 2020 – Q1 2022)



Source: Ministry of Primary Resources and Tourism

Since the beginning of the crisis, international air arrivals have plummeted due to non-essential travel bans imposed in most part of the world. In Q1 2022, about 1,570 international visitors arrived in the country by air (**Exhibit 20**). Although this represented a slight increase on a y-o-y basis, this is still a far cry from the pre-pandemic figures. Furthermore, initial plans to lift the ban on non-essential travel on 1st January 2022 had been postponed by the Government, citing alarming concerns over the rise of the omicron variant²⁵.

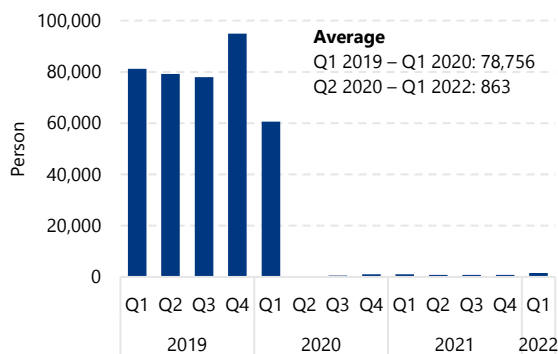
²² MPRT receives 40% hike in proposed budget to boost food security. (February 28th, 2022). *The Scoop*.

²³ Making way for agriculture, fisheries collaborations. (April 1st, 2022). *Borneo Bulletin*.

²⁴ Brunei aquaculture firm switches to seedlings as transport to China remains closed. (January 5th, 2022). *Seafood Source News*.

²⁵ Brunei Backtracks on Plans to Lift Travel Curbs Over Omicron Concerns (December 29, 2021). *The Scoop*.

**Exhibit 20 : International Air Arrivals
 (Q1 2019 – Q1 2022)**



Source: Tourism Development Department, Ministry of Primary Resources and Tourism

Despite the recent outbreak, a number of coronavirus-related restrictions has been cautiously loosened in phases in line with the early endemic phase, amongst which include lifting of bans enforced on dine-in services by food-serving establishments, which was reflected in the improved quarter-to-quarter sales from food and beverage services. However, this still marked a lower reading 10.6 per cent compared to the same period of the previous year (**Table 14**).

Table 14 : Food & Beverages Services, Index, Value of Sales and Growth (Q1 2022)

	Q1 2022 Index (2019 = 100)	Value of Sales (BND Million)	Growth y-o-y (%)
Restaurants	102.0	59.6	(12.6)
Fast-Food Outlets	111.0	17.3	(5.7)
Catering Service Activities	37.1	3.2	(15.0)
Other Food Service Activities	126.7	10.6	(1.5)
Beverage Serving Activities	101.5	2.6	(12.7)
Total	99.7	93.3	(10.6)

Source: Department of Economic Planning and Statistics

In the face of adversity, domestic tourism has in the recent quarters, provided a silver lining with local authorities actively promoting the agenda through various initiatives. As such, the Tourism Development

Department (TDD) has launched new destination packages for each of the country's districts in a bid to kickstart the tourism industry with domestic activity in the early endemic phase. The packages for have been designed as map brochures on Brunei Tourism's website, and consolidate new and existing attractions – focusing on experiential tours; where visitors can discover cultural sites, local products, enjoy nature, and partake in recreational activities²⁶.

On 1st June 2022, Brunei Darussalam officially moved from the early endemic phase into the endemic phase, subsequently prompting further easing of restrictions. Although this has brought some solace to the Tourism Sector, its outlook in the near term remains uncertain in light of the rise of new and highly contagious variants, which continue to plague the rest of the world and now pushing up daily local infection cases. Tourism and travel-related businesses in particular, will continue to face significant headwinds as fears over contracting the virus linger. According to the Asia Travel-ready (ATR)²⁷ index 2022 released by the Economist Intelligence Unit (EIU), Brunei Darussalam has been ranked among the least favourable Asia Pacific destinations to revive their pandemic-battered tourism industries²⁸.

On the bright side, considerable success in the national vaccination rollout campaigns (with more than 90 per cent of the total population fully vaccinated) on top of steady uptakes in booster shots spell encouraging news, lifting confidence and hopes of overturning the crisis.

That said, it is too early to predict the long-term implications of the crisis will be for tourism, but a return to business as usual may take some time.

Info-Communication & Technology (ICT)

In Q1 2022, the Info-Communication and Technology (ICT) Sector was valued at BND122.5 million at GVA in Q1 2022, a slight decline from BND125.7 million in the same quarter of 2021 (**Exhibit 21**).

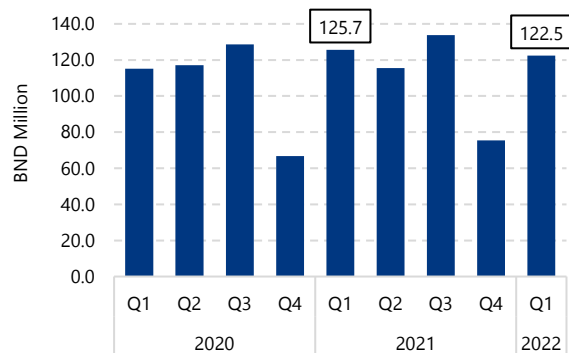
²⁶ Brunei Tourism Launches Packages to Kickstart Tourism in Endemic Phase (February 27, 2022). *Biz Brunei*.

²⁷ ATR index assesses prospects for a tourism recovery across Asian economies. The index captures three factors that might affect international tourists' sentiment vaccination coverage in the destination; the ease of travelling to the

destination; and quarantine requirements when they return to their place of residence. The index allocates a greater weight to restriction factors compared with vaccination.

²⁸ Brunei among countries with strict travel policies (May 6, 2022). *Borneo Bulletin*.

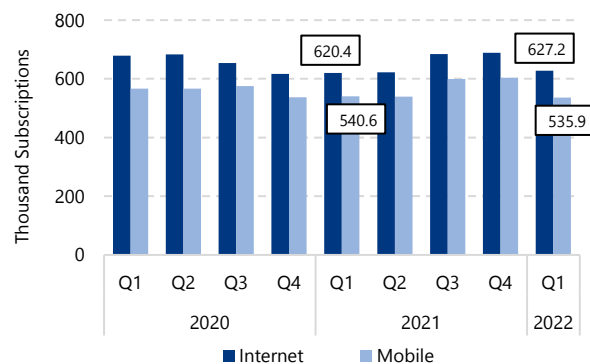
Exhibit 21 : ICT Sector GVA at Current Prices (Q1 2020 – Q1 2022)



Source: Department of Economic Planning & Statistics

The decrease in Q1 2022 was in line with the decline in the number of mobile subscriptions by 0.9 per cent, however, it was moderated by the rise in the internet (fixed and mobile broadband) subscriptions by 1.1 per cent (Exhibit 22).

Exhibit 22 : Mobile and Internet Subscriptions (Q1 2020 – Q1 2022)



Source: Authority for Info-Communications Technology Industry (AITI)

The fall in mobile subscriptions in Q1 2022 was mainly due to lower subscriptions of prepaid mobile plan in view of decreasing demand during the pandemic.

As for improvement in internet subscriptions, it was due to an increase in fixed broadband subscriptions by 16.2 per cent (Exhibit 23). This was mainly attributed by:

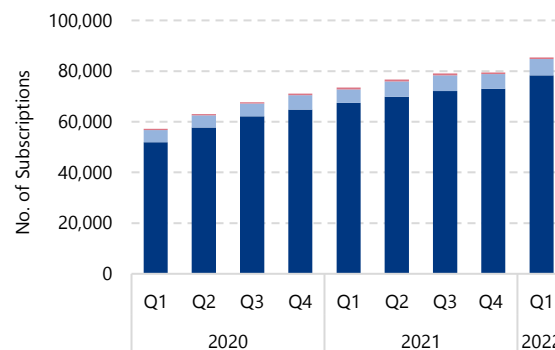
- Increase in residential users from 67,413 in Q1 2021 to 78,330 in Q1 2022 in line with the continuous Government's effort to suspend in-person learning and switching to online learning

that helps to curb the surge in COVID-19 cases²⁹ during the third wave; and

- Increase in Business and government users from 5,396 in Q1 2021 to 6,474 in Q1 2022.

Meanwhile, leased line users decreased from 730 in Q1 2021 to 616 in Q1 2022.

Exhibit 23 : Fixed Broadband Subscriptions (Q1 2020 – Q1 2022)

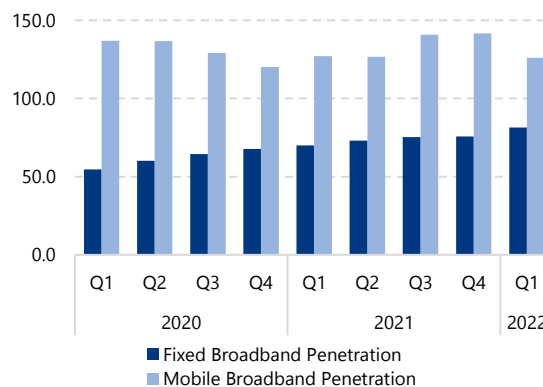


■ Residential ■ Business/ Government ■ Leased Lines

Source: Authority for Info-Communications Technology Industry (AITI)

In terms of broadband penetration, mobile broadband penetration fell from 127.2 per cent in Q1 2021 to 126.0 per cent in Q1 2022. Meanwhile, fixed broadband penetration climbed from 70.0 per cent to 81.4 per cent in line with the increased subscriptions, indicating increasing internet access using fixed broadband (Exhibit 24).

Exhibit 24 : Mobile and Fixed Broadband Penetration (Q1 2020 – Q1 2022)



Source: Authority for Info-Communications Technology Industry (AITI)

²⁹ Schools suspend in-person classes, shift to online learning for two weeks (March 4, 2022). *The Scoop*

In other developments, Brunei Darussalam remains steadfast in its pursuit of digital transformation and becoming a smart nation. Among others include:

- Brunei Darussalam has recently been awarded Gold Award under the Digital Content Category in the ASEAN ICT Awards 2021 (AICTA 2021) through a product called “Techsim and Virtual Explore” led by Rumine Corporation³⁰.
- In February 2022, the Ministry of Transport and Infocommunications (MTIC) made an initiative to upgrade TransportBN app which enables user to access to driving and vehicle licences in digital form. Since December 2021, about 16,600 new users (about 21.1 per cent increase) registered and have used the apps³¹.
- In March 2022, the Ministry of Education (MOE) and Ministry of Religious Affairs (MORA) together with the Unified National Network (UNN) and other telecommunication service providers supported e-Learning approach through ‘e-Education solution project’. The new project will provide accessibility of learning tools for online classes. The e-Learning tools will be distributed to more than 280 schools and about 15,000 units of laptops and 1,700 mobile dongles (devices) are expected to be distributed to teachers and students³². This is in line with the aspiration of equipping a workforce with future-ready skills to adapt to rapid global developments.
- The Authority for Info-Communications Technology Industry (AITI) also worked on programme named ‘Digital Skills’ to upgrade job seekers and youth’s skills in view of rapid changes in technology and consumer expectations³³. As such, the establishment of Council for Research and Advancement on Technology and Science (CREATES) plays a vital role in supporting and exploring the development of new fields of science, technology and innovation towards a proactive approach of digital- and future-ready for Brunei Darussalam.

Services

The Services Sector comprising activities of Wholesale & Retail Trade, Business Services, Transport & Logistics and Other Private Services performed significantly well

this quarter contributing about BND507.8 million to GVA, compared to BND477.7 million in Q1 2021 (**Exhibit 25**).

Exhibit 25 : Services Sector GVA at Current Prices (Q1 2019 – Q1 2022)



Source: Department of Economic Planning and Statistics

The increase was mainly driven by Wholesale & Retail Trade, particularly in wholesale activities, including wholesale of medical equipment items, food and beverages. The encouraging performance of this sector was also supported by increased domestic demand, benefitting from the easing of domestic and border restrictions. Nevertheless, majority of sales across retail activities contracted as movement restriction mandates continued (**Table 15**).

Table 15 : Quarterly Retail Estimated Value of Sales and Growth Rate by Activity (Q1 2022)

	Q1 2021 (BND Million)	Q1 2022 (BND Million)	% Growth (Q12022/Q1 2021)
Department Store	129.5	122.3	(5.6)
Supermarket	72.1	77.6	7.6
Mini Mart	12.8	15.0	17.2
Food and Beverages in Specialised Stores	6.7	6.8	1.5
Petrol Station	45.4	35.6	(21.6)
Computer & Telecommunications Equipment	26.3	27.2	3.4
Textiles, Wearing Apparel & Footwear	19.2	15.4	(19.8)
Hardware, Paints and Glass in Specialised Stores	29.0	25.8	(11.0)

³⁰ Brunei wins Gold in ASEAN ICT Awards 2021 (February 01, 2022). *Borneo Bulletin*.

³¹ Riding the digitisation wave (February 23, 2022). *Borneo Bulletin*.

³² Brunei Telecommunication Industry Supports Ministries’ Approach to e-Learning through its e-Education Solution (March 09, 2022). *UNN News*.

³³ Focus on digital transformation (March 20, 2022). *Borneo Bulletin*.

Furniture & Household Equipment	12.5	12.1	(3.2)
Electrical Household Appliances and Lighting Equipment in Specialised Stores	28.9	28.8	(0.3)
Books, Newspapers and Stationery in Specialised Stores	6.1	5.4	(11.5)
Recreational Goods	9.7	9.3	(4.1)
Pharmaceutical and Medical Goods, Cosmetic and Toilet Articles in Specialized Stores	12.6	15.1	19.8
Watches & Jewellery	20.1	20.7	3.0
Others	37.6	32.9	(12.5)
Total	468.5	450.1	(3.9)

Source: Department of Economic Planning and Statistics

In terms of freight by transport medium in Q1 2022, the main type of goods exported via air were exports of miscellaneous manufactured articles and re-export of various machinery and transport equipment. On the other hand, imported goods by air mainly comprised of medicaments, fruits as well as miscellaneous manufactured articles of medical and laboratory equipment (**Table 16**).

As for sea freight, mineral fuels accounted for a large share of the exported goods while imports through sea were mainly comprised of mineral fuels, building materials such as cement clinkers and stone-related products as well as various foods such as raw and processed ingredients.

Meanwhile for land freight, majority was re-exported goods including animal complete feeds, scrap and waste and building materials such as iron and steel products. On the other hand, imports via land largely comprised building materials such as pebbles and gravels, animal feed for poultry as well as food products, particularly fruits.

Table 16 : Main Exports and Imports in weight/volume by Transport Medium (Q1 2022)

	Main Exports	Main Imports
Air	Misc. Manufactured parts Machinery parts	Medicaments Medical and lab equipment Foods
Sea	Mineral fuels	Mineral fuels Building materials Foods
Land	Animal feed Scrap and waste Building materials	Building materials Animal feed Food

Source: Department of Economic Planning and Statistics

As we look ahead, the Services Sector is expected to continue its momentum and expand further in the coming quarter. Transition to the endemic phase and further easing travel restrictions will benefit the transport sector especially, in air transport activity. Nevertheless, some activities such as wholesale, retail and logistics that have benefitted from higher domestic demand due to the movement restriction are expected to face challenges from such policy change.