

Gross Domestic Product (GDP)

In Q1 2020, Brunei Darussalam recorded a positive GDP growth of 2.4 per cent year-on-year (y-o-y). The growth was contributed by a strong performance in the Non-Oil and Gas sector, which grew by 10.9 per cent y-o-y. Meanwhile, the Oil and Gas Sector contracted by 4.0 per cent y-o-y¹.

Expansion of the Non-Oil and Gas Sector was driven by the Non-Oil Manufacturing Subsector, which grew by 334.3 per cent y-o-y, bolstered by the new production of petroleum and chemical products from downstream activities. Meanwhile, other manufacturing activities particularly Manufacture of Food and Beverages also performed well this quarter. Furthermore, improved performances were observed in subsectors such as Wholesale and Retail Trade, Business Services, Construction, Real Estate and Ownership of Dwellings, Health Services and Agriculture, Forestry and Fishery.

The Wholesale and Retail Trade Subsector grew by 4.1 per cent y-o-y, supported by improved performances in activities such as sale of motor vehicles, retail sales in supermarkets, department stores and mini-marts as well as retail sales of computer and telecommunication equipment, electrical household appliances and lighting equipment in specialised stores.

The Business Services Subsector grew by 7.7 per cent y-o-y supported by improved performances in activities particularly engineering and consultancy in line with increased construction activities in this quarter.

The Construction Subsector expanded by 8.5 per cent y-o-y, supported by increased construction activities related to the oil and gas industry. Growth is also supported by an increase in development expenditure with reference to construction projects involving expansion of Residency Road (Phase II) and construction of Tanah Jambu link road & flyover at Mengkubau National Housing junction / Mentiri main road.

The Real Estate and Ownership of Dwellings Subsector registered a positive growth of 2.8 per cent y-o-y, backed by an increase in property financing including purchasing of land and house, construction, and home improvement.

The Health Services Subsector grew by 6.3 per cent y-o-y as both private and government health services showed improvements in this quarter.

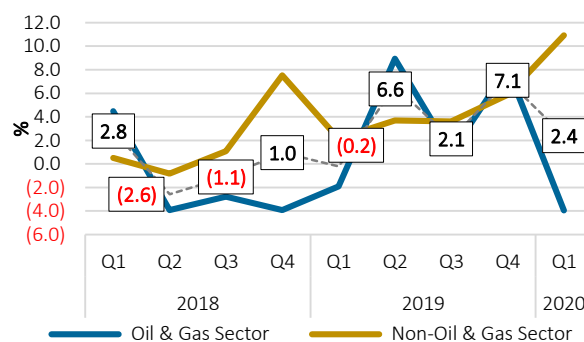
The Agriculture, Forestry and Fishery Sector grew by 5.0 per cent y-o-y, supported by increased productions in the Fishery, Livestock and Poultry; and Vegetables, Fruits and Other Agriculture subsectors. In particular, encouraging growth in the Fishery Subsector (by 9.9 per

cent y-o-y) is mainly due to higher productions in the small-scale capture industry and aquaculture activities such as shrimp, cage fish and freshwater fish. Meanwhile, the Livestock and Poultry Subsector grew by 8.3 per cent y-o-y supported by an increase in the production of beef, chicken and egg. As for the Vegetables, Fruits and Other Agriculture Subsector, it grew by 1.7 per cent y-o-y, supported by higher productions of paddy in this quarter.

On the other hand, the decline in the Oil and Gas Sector was mainly due to a decrease in the production of crude oil, natural gas and LNG.

By expenditure approach, the positive GDP growth is attributed to an increase in external demand (exports of goods and services) by 29.1 per cent y-o-y supported mainly by the new exports of petroleum and chemical products. On the other hand, domestic demand registered a negative growth of 12.4 per cent y-o-y, particularly in capital expenditure. However, this was moderated by an increase in the household final consumption expenditure by 2.1 per cent y-o-y.

GDP Growth (2018 – Q1 2020)



Source: Department of Economic Planning and Statistics

GDP by Expenditure (Q1 2019 & Q1 2020)

	Q1 2019 (BND Million)	Q1 2020 (BND Million)	Growth (%)
Government Final Consumption Expenditure	1,484.7	1,241.1	(16.4)
Household Final Consumption Expenditure	917.5	936.4	2.1
Gross Fixed Capital Formation	1,524.6	1,260.7	(17.3)
Export of Goods and Services	2,727.9	3,520.6	29.1
Import of Goods and Services	1,901.6	1,800.9	(5.3)
GDP	4,742.1	4,855.6	2.4

Source: Department of Economic Planning and Statistics

¹ The Oil & Gas Sector is comprised of oil and gas mining and manufacturing of LNG. Meanwhile, the Non-Oil & Gas Sector is comprised of the primary sector, industry sector such as non-oil manufacturing (including petroleum and chemical products), electricity and water and construction; and services sector.

Top 5 Economic Sectors Contribution for Q1 2019 & Q1 2020:

Q1 2019	Q1 2020
Wholesale and Retail Trade	Non-Oil Manufacturing
Finance	Wholesale and Retail Trade
Government Services	Business Services
Real Estate and Ownership of Dwellings	Construction
Restaurants	Real Estate and Ownership of Dwellings

Global and Regional Developments

In comparison to one of the oil-producing countries particularly United Arab Emirates, its growth declined by 1.0 per cent y-o-y in Q1 2020. This was due to a decrease in its non-hydrocarbon sector by 3.0 per cent y-o-y following the outbreak of the Covid-19 pandemic. On the other hand, its hydrocarbon sector increased by 3.7 per cent y-o-y.²

	UAE	Brunei
GDP Growth (%)	(1.0)	2.4
Oil and Gas (%)	3.7	(4.0)
Non-Oil and Gas (%)	(3.0)	10.9

Meanwhile, Brunei Darussalam's close neighbour in the ASEAN region, Malaysia, posted a minimal growth of 0.7 per cent y-o-y in Q1 2020. The modest growth was supported mainly by an increase in the Services and Manufacturing Sector. On the other hand, its Mining and Quarrying, Construction and Agriculture sectors recorded a decrease in this quarter.³

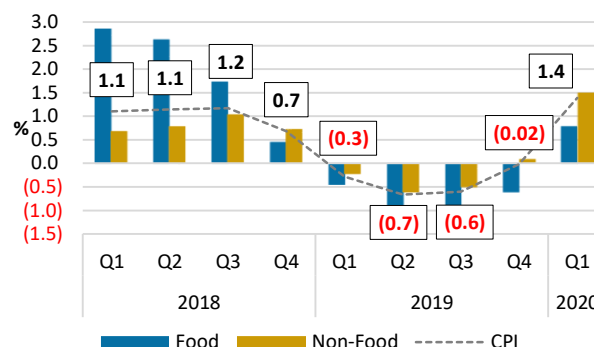
Inflation

The inflation rate for Q1 2020 was 1.4 per cent y-o-y – an increase from 0.3 per cent in Q1 2019. Prices of the Food Index and Non-Food Index increased by 0.8 per cent and 1.5 per cent respectively.

The increase was contributed by increases in several indices. Prices of Miscellaneous Goods and Services increased by 11.2 per cent y-o-y mainly due to a rise in prices of car insurance this year compared to last year. Restaurants and Hotels increased by 5.1 per cent driven by catering services. Meanwhile, the 0.8 per cent-growth in Food and Non-Alcoholic Beverages resulted from increased prices of imported food commodities and limited supply. The increase in this quarter was moderated by decreases in Transport by 2.1 per cent;

Housing, Water, Electricity, Gas and Other Fuels by 1.0 per cent; and Communication by 0.3 per cent.

Prices for Transport decreased due to the fall in prices of motor cars. Prices for Housing fell due to reduced rental prices. Costs in Communication also decreased due to the introduction of new product packages and rates through Unified National Networks (UNN).

Consumer Price Index (2018 – Q1 2020)

Source: Department of Economic Planning and Statistics

Regional Developments

In comparison to Malaysia, which is one of the main trading partners of Brunei Darussalam, the Consumer Price Index (CPI) increased by 0.9 per cent y-o-y in Q1 2020, from 0.2 per cent in the previous quarter.

In addition, its CPI fell by 0.2 per cent in March 2020 y-o-y due to the decrease in the Transport index by 8.9 per cent driven by lower average prices of RON95 in March 2020. However, Food & Non-Alcoholic Beverages increased by 1.2 per cent in March 2020 y-o-y.⁴

Comparing with Singapore, the CPI for all items dipped to 0 per cent y-o-y in March, from 0.3 per cent in the previous month. This mainly reflected a fall in the cost of private transport, specifically petrol prices and parking fees, and a steeper decline in the cost of services specifically transport services and telecommunication services.⁵

International Merchandise Trade

Total trade in Q1 2020 increased by 25.7 per cent y-o-y as both exports and imports rose by 33.4 per cent and 9.8 per cent respectively. A stronger increase in total exports led to higher trade surplus from BND1,303 million in Q1 2019 to BND2,029 million in Q1 2020. The increase in imports for this quarter was solely driven by the import of mineral fuels (which rose by about BND400 million) required as a feedstock to the newly operating petrochemical plant. Other import

² Quarterly Economic Report, Central Bank of the UAE (CBUAE)

³ Malaysia Economic Performance First Quarter 2020, Department of Statistics Malaysia

⁴ Consumer Price Index Malaysia March 2020, Department of Statistics Malaysia

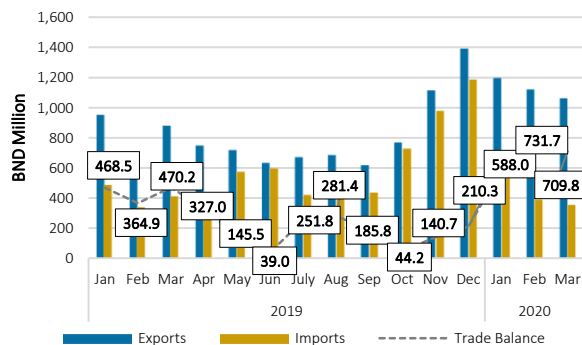
⁵ Consumer Price Developments in March 2020, Ministry of Trade and Industry Singapore

commodities demand are weaker compared to the first quarter of 2019.

The increase in exports was mainly contributed by the export of mineral fuels and chemicals valued at BND3,341 million in this quarter compared to BND2,406 million last quarter. This was particularly driven by the export of petrochemical product.

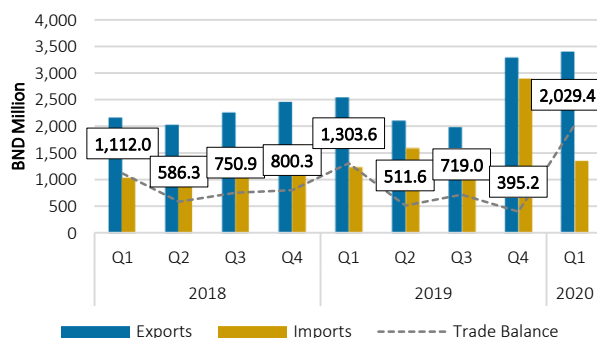
Major Exports	Q1 2019 (BND Million)	Q1 2020 (BND Million)	Change (BND Million)
Crude Oil	1,042.4	1,075.3	32.9
LNG	1,280.9	1,147.5	(133.3)
Methanol	40.4	64.3	23.9
Other Petroleum & Gas Products	-	1,021.8	1,021.8

International Merchandise Trade (2019 – Q1 2020)



Source: Department of Economic Planning and Statistics

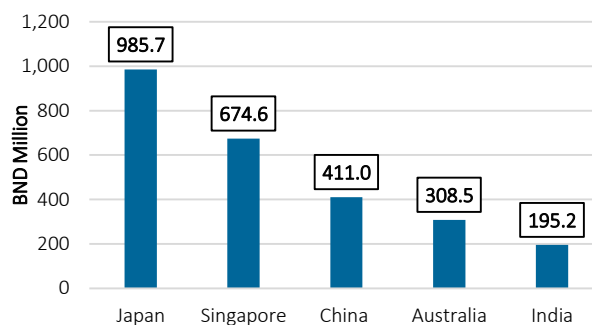
International Merchandise Trade (2018 – Q1 2020)



Source: Department of Economic Planning and Statistics

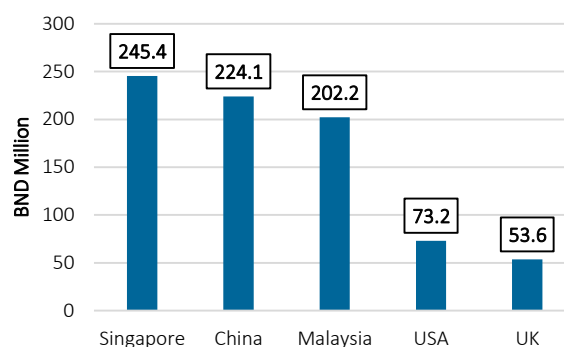
In terms of trade partner, the top 5 export destinations for Q1 2020 are Japan, Singapore, China, Australia and India. Meanwhile, the top 5 import origins are Singapore, China, Malaysia, USA and UK.

Export Destination (Q1 2020)



Source: Department of Economic Planning and Statistics

Import Origin (Q1 2020)



Source: Department of Economic Planning and Statistics

In comparison to Malaysia, its total trade in Q1 2020 increased from RM35.0 billion to RM37.0 billion, up 5.7 per cent y-o-y as both its exports and imports rose by 2.0 per cent and 1.3 per cent respectively⁶.

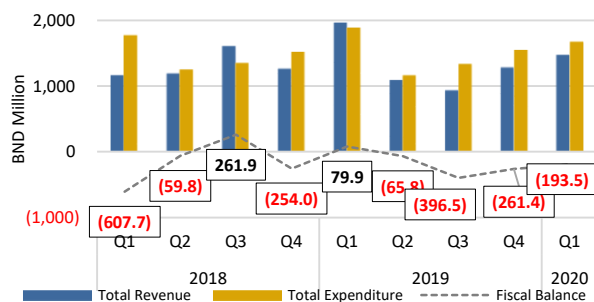
Government Fiscal

In Q1 (Jan-Mar) 2020, the fiscal balance experienced a fiscal deficit of BND193 million compared to a surplus of BND80 million in Q1 (Jan-Mar) 2019. This was mainly due to a larger decrease in the government revenue by BND485.9 million compared to a decrease in expenditure by BND212.6 million.

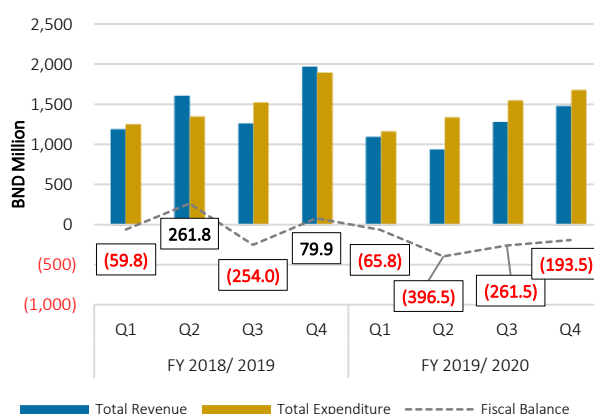
The decrease in Government revenue was due to a fall in oil and gas revenue in line with the decrease in LNG exports values.

On the expenditure side, the decrease was contributed by a lower current expenditure (OCAR expenditure). Meanwhile capital expenditure (development expenditure) showed an increase of BND1.5 million. The top three project contributors, namely Next Generation Government Hosting Infrastructure and Services (soft infrastructure project), Expansion of Residency Road (Phase II) and Construction of Tanah Jambu Link Road & Flyover at Mengkubau National Housing Junction / Mentiri Main Road (both hard infrastructure).

⁶ Department of Statistics Malaysia

Fiscal Balance (2018 – Q1 (Jan-Mar) 2020)

Source: Treasury Department, Ministry of Finance and Economy

Fiscal Balance (FY2018/2019 & 2019/2020)

Source: Treasury Department, Ministry of Finance and Economy

Priority Sectors Developments**Downstream Oil & Gas**

Hengyi Industries has generated \$1.22 billion in export revenue since its aromatics plant started production last November and its products have been exported to 15 countries including the US, China and Singapore. The petrochemical company's refinery operates at near full capacity producing 160,000 barrels per day⁷. Despite the COVID-19 pandemic, the petrochemical company is able to continue production whilst ensuring safety measures, helping to stabilise and stimulate the country's economy.

In creating an industry-ready workforce, Hengyi Industries has introduced Hengyi Industries' IBTE – Lanzhou Petrochemical College Scholarship Programme to students and provide opportunities to qualified 'O' Level students to be a part of Hengyi Industries as future Refinery Operators. The scholarship is a three-year programme where the students will undergo 12 months of institutional-based training at IBTE Jefri Bolkiah

⁷ Hengyi exports \$1.22 billion of petrochemical products (March 14, 2020). *The Scoop*. <https://thescoop.co/2020/03/14/hengyi-exports-1-22-billion-of-petrochemical-products/>

⁸ Hengyi Industries conducts IBTE – Lanzhou Scholarship Programme Roadshow (March 6, 2020). *Borneo Bulletin*. <https://www.hengyi-industries.com/media/press-releases/hengyi-industries-conducts-ibte-%E2%80%93-lanzhou-scholarship-programme-roadshow/>

Campus, Kuala Belait; 12 months of institutional-based training at Lanzhou Petrochemical Polytechnic, China; and 12 months of on-the-job-training with Hengyi Industries at Pulau Muara Besar (PMB). Upon completion of the programme, the scholars will be offered an employment at Hengyi Industries⁸.

Food

According to data from the Department of Agriculture and Agrifood (DAA), Brunei Darussalam's paddy output grew by 36.0 per cent y-o-y in Q1 2020 as more commercial rice farms plant the latest high-yielding hybrid rice variety Sembada188. The planting of Sembada188 seedlings last October marked the official start of the commercial rice farm in the Agricultural Development Area (KKP) of Kandol in the Belait district. The farm, managed by the government-owned firm PaddyCo harvested 21.7 metric tonnes of paddy across seven hectares during its first season⁹.

Amid growing interests from Japan in Halal food, BMC Food Industries has collaborated with four Japanese companies to come up with Brunei-made Halal Japanese food products. The company, which started its factory operation in Mentiri at the end of last year, has a current production capacity of 40,000 products per month and its first shipment to Japan is expected to be out soon¹⁰.

Superfish Growers is looking to employ about 200 locals in the next five years as they eye future expansion, which includes establishing production facilities for muskmelon derivatives to meet rising international demand. The company has also collaborated with local businesses including Butter and Eggs, Bakerlyn, Pan and Wok and Brew9 to develop products that can be derived by the company's Japanese premium muskmelons; and is looking to collaborate with more independent and home businesses¹¹.

Amid weakening production of its flagship product, the blue shrimp, Golden Corporation has started culturing the pacific white shrimp to boost production levels and revenue. The company is also working to research into its blue shrimp brood stock to strengthen its genetic make-up and culture of their blue shrimp.

Aquaculture production saw a staggering 43.4 per cent y-o-y increase with the highest growth from Fresh

⁹ Brunei's Paddy Output Grows by 36 Per Cent in Q1 (May 22, 2020). *The Bruneian*. <https://www.thebruneian.news/bruneis-paddy-output-grows-by-36-per-cent-in-q1/>

¹⁰ Brunei Halal Food Enters Japanese Market (March 1, 2020). *Borneo Bulletin*. <https://www.bizbrunei.com/2020/02/kandol-first-harvest-exceeding-expectations-paddyco/>

¹¹ Superfish Growers to Hire More Locals, Increase Muskmelon Production. *The Bruneian*. <https://www.thebruneian.news/superfish-growers-to-hire-more-locals-increase-muskmelon-production/>

Water Fish type at 467.2 per cent increase y-o-y, and 18.2 per cent growth in Farm Prawn type y-o-y.

According to the Department of Agriculture and Agrifood, the overall value of gross output of Livestock and Poultry Sector increased to BND41.1 million in Q1 2020 from BND36.0 million in Q1 2019. Factors that contributed to the growth in Livestock and Poultry Sector include increased output of beef and cattle meat from PDS Abattoir Sdn Bhd that contributed 871 cattle in Q1 2020 compared to 295 cattle in Q1 2019.

Overall production levels of Livestock and Poultry Sector also increased in line with an increase in GDP at constant prices of 8.3 per cent y-o-y in Q1 2020.

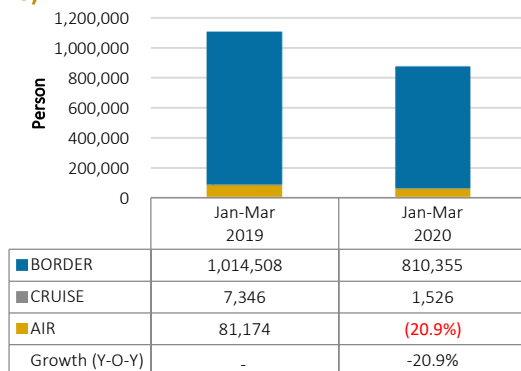
Tourism

Earlier in the quarter, Brunei Darussalam and China launched a joint tourism initiative to build wider business and trade connections in areas beyond tourism, with Tourism Promotion and Business Matching event held as the first important activity of the Brunei-China Tourism Year 2020. This will be one of the initiatives that can help to increase tourist arrivals into Brunei Darussalam.

However, the COVID-19 pandemic has triggered an unprecedented crisis in the global tourism industry as well as in Brunei Darussalam. In Q1 2020, the number of international visitor arrivals to Brunei Darussalam by land, sea and air declined from 1,103,028 in Q1 2019 to 872,315.

By air, the number of tourist arrivals in Q1 2020 declined to 60,434 from 81,174 in Q1 2019. A huge decline was evident in the month of March which saw a drop from 26,230 persons in 2019 to 7,573 persons in line with the closure of Brunei Darussalam's border effective 15th March. Air arrivals from the top three (3) countries, namely China, Malaysia, and Indonesia, saw major declines particularly China which dropped by 47.3 per cent y-o-y to 11,156 persons.

International Visitors Arrivals to Brunei (Q1 2019 & Q1 2020)



Source: Ministry of Primary Resources and Tourism

On top of that, the Hotel industry in Brunei Darussalam also suffered major setbacks. According to the survey conducted by the Tourism Development Department, 20 out of 25 hotels and apartments were affected by the pandemic with loss of revenue due to cancellations (from the 14th December 2019 to 31st March 2020) amounted to BND1.56 million. This is in line with the decline in the Hotel Subsector GDP from BND11.3 million in Q1 2019 to BND10.9 million in Q1 2020.

Moreover, the average occupancy rate also showed a decrease from 36.7 per cent in Q1 2019 to 32.4 per cent in Q1 2020.

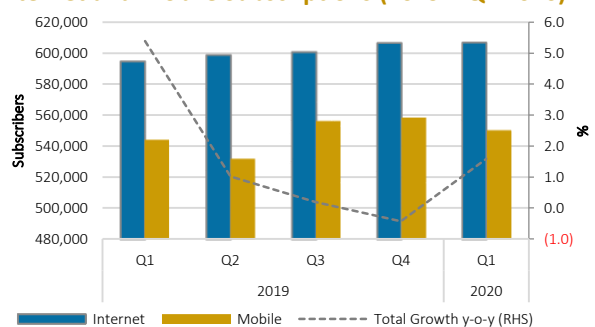
In addition, 17 out of 20 travel agent establishments were affected with a reported loss of revenue due to cancellation of tour packages (from 10th December 2019 to 31st March 2020) amounted to BND9.5 million.

ICT

In Q1 2020, the number of both internet (fixed + mobile broadband) and mobile subscribers grew by 2.0 per cent and 1.1 per cent y-o-y, respectively due to the introduction of new and improved services from the telecommunication service providers. On top of that, the BND25 annual license fee has been waived which took effect from January 24.

Elsewhere, as part of the Government's initiative to combat the spread of COVID-19 in the country, all schools and learning institutes in the country has commenced online learning starting from 30 March 2020. In support of this initiative, UNN has partnered with the Ministry of Education and the Ministry of Finance and Economy alongside all the three telecommunication companies – DST, imagine and Progresif to provide all time access to identified online learning education applications and platforms for teachers and students to enable remote teaching and access to e-learning solutions. In order to meet this special requirement, UNN has expanded its capacity and configured the network, ensuring access to all identified educational contents are always available at a favourable speed¹².

Internet and Mobile Subscriptions (2019 – Q1 2020)



Source: Ministry of Primary Resources and Tourism

¹² UNN Provides All Time Access to Identified Online Learning Apps & Platforms Effective 30 March 2020

<https://unn.com.bn/news-unn-provides-all-time-access-to-identified-online-learning-apps-platforms-effective-30-march-2020>

Furthermore, in March, the Authority for Info-communications Technology Industry of Brunei Darussalam (AITI) released its latest edition of the Brunei Darussalam ICT Household Report and ICT Business Report based on the surveys conducted from October 2018 to May 2019. Based on the ICT Household Report, about 95 per cent household respondents use the internet which are mostly used for seeking information and general knowledge; messaging and teleconferencing; and social media. On the other hand, among the key findings in the ICT Business Report include, most businesses have implemented ICT systems and continually improving them to stay competitive in their respective industry; 90 per cent of businesses have access to the Internet; 56 per cent of the businesses have computer access for their employees; and 16 per cent of businesses sell their products online (e-Commerce). These favorable results will bring Brunei Darussalam closer towards its goal of being a smart nation.

Services

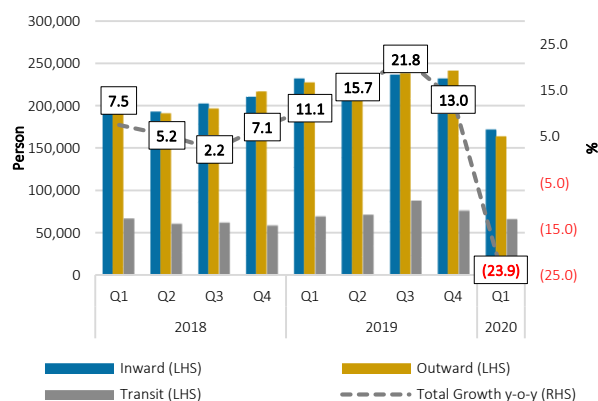
In Q1 2020, the Services Sector showed a mix of positive developments, from Wholesale and Retail Trade while others showed significant contractions.

In Finance, overall loans and advances (lending) increased by 11.0 per cent y-o-y. General consumption and other personal loans grew by 9.7 per cent with total bank income from loans and advances increased by 13.0 per cent.

Notably, the first quarter of 2020 saw a significant rise in foreign lending by 216.5 per cent due to increased lending from local banks to companies abroad.

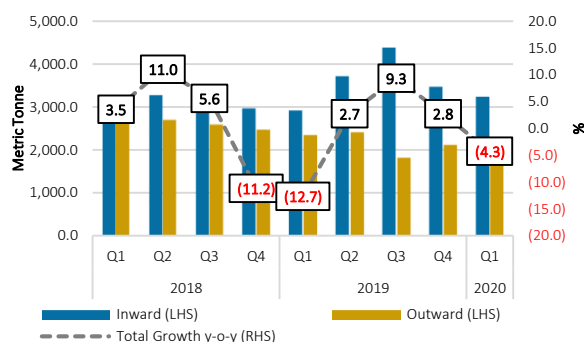
In Air Transport, air passenger activity declined by 23.9 per cent y-o-y in Q1 2020. Meanwhile air freight activity (cargo based on aircraft) decreased by 4.3 per cent. This is mainly attributed to lowering demand of air travel in the COVID-19 pandemic and hence less economical to send freight by air.

Air Passenger Activity (2019 – Q1 2020)



Source: Ministry of Transport and Info-Communications

Air Freight Activity (2019 – Q1 2020)



Source: Ministry of Transport and Info-Communications

In Wholesale and Retail Trade, the sales volume of motor vehicle recorded the highest increase among all the quarters from 2018 up to the first quarter of 2020. In Q1 2020 it went up by 14.1 per cent y-o-y which is equivalent to 3,300 unit sales compared to 2,895 unit sales in Q1 2019.

Motor Vehicle Sales Volume (2018 – Q1 2020)



Source: ASEAN Automotive Federation