

BRUNEI DARUSSALAM KEY ECONOMIC DEVELOPMENTS



PREPARED BY

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**SECOND
QUARTER
Q2 2022**

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BRUNEI ECONOMY

Q2 2022

GROSS DOMESTIC PRODUCT



The overall economy contracted by 4.4%.
The Oil & Gas Sector contracted by 9.3%.
The Non-Oil & Gas Sector grew by 1.0%.

CONSUMER PRICE INDEX



The overall CPI rose by 3.9%.
The Food Index rose by 5.3%.
The Non-Food Index rose by 3.5%.

INTERNATIONAL MERCHANDISE TRADE



A trade surplus of BND1.3 billion was recorded.
Total exports amounted to BND5.2 billion.
Total imports amounted to BND3.9 billion.

GOVERNMENT FISCAL



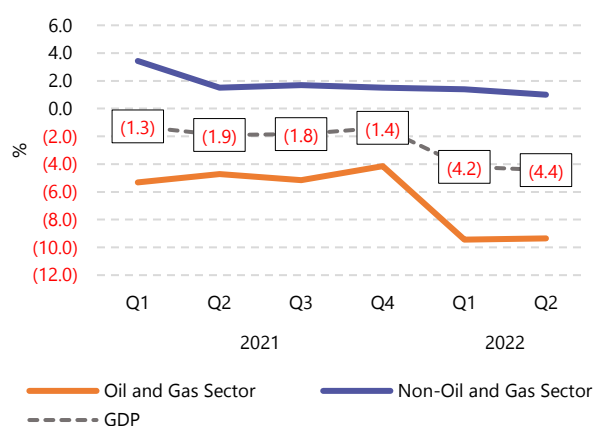
A fiscal surplus of BND706.5 million was recorded.
Total fiscal revenue amounted to BND1.8 billion.
Total fiscal expenditure amounted to BND1.1 billion.

Gross Domestic Product (GDP)

Overview

In the second quarter (Q2) of 2022, the Non-Oil and Gas Sector continued to grow by 1.0 per cent. Meanwhile, the Oil and Gas Sector recorded a significant decline of 9.3 per cent which resulted in the negative growth of Brunei Darussalam's GDP in Q2 2022 by 4.4 per cent compared to the previous year (Exhibit 1).

Exhibit 1 : GDP Growth (Q1 2021 – Q2 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). The reduction in crude oil and natural gas production was due to planned and scheduled maintenance. Correspondingly, lower LNG production in Q2 2022 was due to scheduled shutdown activities carried out at the LNG plant from May to Jun 2022, taking opportunities and aligning with the offshore platform scheduled rejuvenation activities.

Table 1 : Production of Crude Oil, Natural Gas and LNG (Q2 2021 & Q2 2022)

	Q2 2021	Q2 2022
Crude Oil (Thousand barrels /day)	111.1	94.5
Natural Gas (Million m ³ /day)	31.5	27.3
LNG (MMBtu/day)	852,689	685,438

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) and mainly attributed to expansion in the Manufacture of Petroleum and Chemical Products Subsector following the rise in methanol production by 20.5 per cent, from 136,921 metric tonnes in Q2 2021 to 164,926 metric tonnes in Q2 2022. The improvement was also supported by an increase in the production of petroleum products, particularly RON90, and new chemical product production, specifically urea fertilizer.

Table 2 : Growth of Selected Non-Oil & Gas Sectors (Q2 2022)

	Growth (%)
Manufacturing of Petroleum and Chemical Products	32.0
Business Services	9.9
Communication	5.5
Air Transport	114.3
Fishery	7.2
Finance	(15.7)
Wholesale and Retail Trade	(5.2)
Construction	(4.1)
Livestock & Poultry	(15.8)
Electricity and Water	(3.6)

Source: Department of Economic Planning and Statistics

The growth in Business Services was mainly in line with the increase in engineering and technical activities due to the rise in oil and gas maintenance activities.

The positive development in the Communication Subsector was supported by the increase in internet and mobile phone subscribers by 2.9 per cent and 1.3 per cent, respectively (Table 3) in view of some government and private agencies and educational institutions still practicing work-from-home policies. In addition, some telecommunication companies have launched promotions and provided an attractive package to attract more customers.

**Table 3 : Mobile and Internet Subscribers
(Q2 2021 & Q2 2022)**

	Q2 2021	Q2 2022
Internet Subscribers	621,713	639,603
Mobile Subscribers	538,808	545,669

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

Meanwhile, the Air Transport Subsector grew substantially backed by an increase in the number of arrivals and departures of air passengers as entry into and exit from the country have been permitted (**Table 4**). Furthermore, this increase was supported by new guidelines implemented in early April 2022, such as the reactivation of the travel green list with updates and the inclusion of several countries, including Australia, Cambodia, the People's Republic of China, Japan, the Republic of Korea, Malaysia (air travel only), New Zealand, the Republic of Singapore, the United Kingdom, the United Arab Emirates, and Saudi Arabia. Travel to and from the countries mentioned above is no longer restricted to only essential travel but was also open to non-essential travel.

**Table 4 : Air Arrivals and Departures
(Q2 2021 & Q2 2022)**

	Q2 2021	Q2 2022
Arrivals	5,253	10,735
Departures	7,889	13,477

Source: Department of Immigration

As for the Fisheries Subsector, its improvement stemmed from increased production in both the capture and aquaculture industries. In particular, higher production from small-scale fishermen activities were the main contributor to the capture industry whilst the aquaculture industry gained primarily from higher production of farm prawn.

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

- The Finance Subsector, in view of net investment income having been impacted by the adverse global market reaction from the current macroeconomic events.
- The Wholesale and Retail Trade Subsector, in view of the opening of the air border, which has affected domestic demand. This is reflected in the decline in retail sales, mainly from department stores and petrol stations.

- The Construction Subsector, in line with the completion of major construction projects such as the Brunei Fertilizer Industries plant.
- The Livestock and Poultry Subsector, due to lower production of chicken broiler, buffalo meat and beef, and goat. In particular, rising chicken feed prices, lack of day-old chicks, and increasing death rate of chickens all contributed to the fall in chicken broiler production. Meanwhile, the decrease in the production of buffalo meat and beef resulted from companies importing less due to stock availability and high prices.
- The Electricity and Water Subsector, undermined by a decrease in electricity and water production. In particular, the decline in electricity output resulted from reduced consumption from commercial activities, the oil and gas industry, and government services.

GDP by Expenditure

By expenditure approach, the decline in GDP growth in the Q2 2022 was primarily caused by a 300.0 per cent year-on-year (y-o-y) decline in the Net Exports of Goods and Services. In particular, the decline was due to higher imports of goods particularly mineral fuel in response to rising demand from downstream industries, as it is a key input for their production. This is followed by a reduction in the Private and Government Gross Capital Formation and the Government Final Consumption Expenditure. However, this was moderated by an increase in the Household Final Consumption Expenditure by 3.8 per cent (**Table 5**).

Table 5 : GDP by Expenditure (Q2 2022)

	Q2 2021 (BND Million)	Q2 2022 (BND Million)	Growth (%)
Government Final Consumption Expenditure	881.5	825.4	(6.4)
Household Final Consumption Expenditure	1,090.6	1,132.0	3.8
Gross Capital Formation	1,694.1	1,627.3	(3.9)
Net Exports of Goods and Services	148.0	(322.2)	(317.7)
GDP	4,695.4	4,487.3	(4.4)

Source: Department of Economic Planning and Statistics

Global Economic Developments

According to the OECD, most countries experienced favorable growth in Q2 2022 such as Saudi Arabia, whose GDP growth increased by 12.2 per cent (**Exhibit 2**). The growth was primarily attributed to oil and non-oil activities, which expanded by 22.9 per cent and 8.2 per cent respectively. In particular, progress was seen in most economic activities, particularly Crude Petroleum & Natural Gas, Petroleum Refining and Wholesale & Retail Trade, Restaurants & Hotels¹.

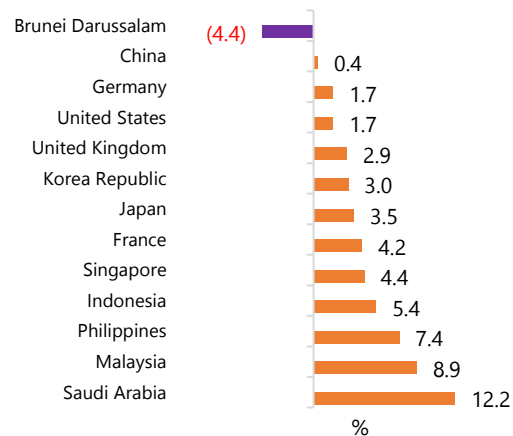
Recovering strongly and maintaining its momentum, Malaysia's economy for Q2 2022 expanded further to 8.9 per cent, outperforming the economic performance of several developed and regional countries. The encouraging development was attributable to, among others, positive spill over from the Budget 2021 and previous stimulus and assistance packages, as well as accommodative monetary policy. Growth was also supported by the full reopening of the economy and international borders, driving up the private consumption demand by 18.3 per cent².

As for Indonesia, the boom in exports ensued from the rise in commodity prices had accelerated the growth of its economy by 5.4 per cent. In particular, the upward cycle in commodity prices due to the Ukraine War contributed to the country's strong exports whilst increasing household consumption and expansion of the manufacturing industry contributed a further boost³.

Meanwhile, Singapore's economy grew by 4.4 per cent, supported mainly by improvements in subsectors such as Food and Beverages (28.0 per cent), Real Estate (11.7 per cent), Retail Trade (11.5 per cent), Information & Communications (8.1 per cent), Professional Services (6.8 per cent), Manufacturing (5.7 per cent), and Construction (3.3 per cent)⁴.

On the other hand, China's economy grew marginally by 0.4 per cent compared to 4.8 per cent growth seen in the first three months of the year. Several of the main economic indicators, such as Retail Sales and Fixed Asset Investment recorded a decline following the resurgence of COVID-19 outbreaks and more stringent measures in the major cities⁵.

Exhibit 2 : GDP Growth of Selected Countries (Q2 2022)



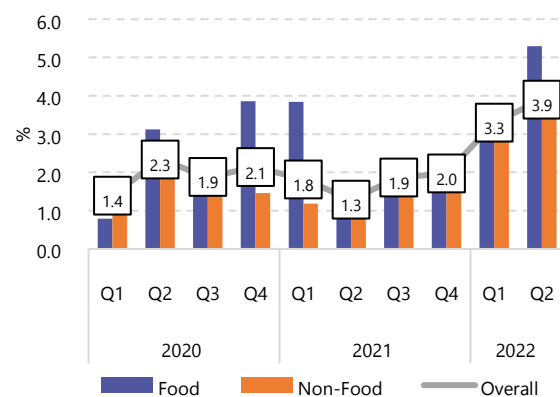
Source: Organisation for Economic Co-operation and Development (OECD), Department of Statistics Malaysia, Ministry of Trade & Industry Singapore, Bank Indonesia Economic Update Report.

Consumer Price Index

Overview

In Q2 2022, the Consumer Price Index rose 3.9 per cent y-o-y as compared to Q2 2021. The Food and Non-Food Index contributed to the increase by 5.3 per cent and 3.5 per cent, respectively (**Exhibit 3**).

Exhibit 3 : Consumer Price Index (% Growth y-o-y), Q1 2020 – Q2 2022



Source: Department of Economic Planning and Statistics

¹GDP Press Release Report Q2 2022: Saudi Real GDP growth reaches 12.2% in Q2/2022, the highest growth since Q3/2011. *General Authority for Statistics*.

² Press Release – 2Q 2022 GDP Growth At 8.9%: Government Policies To Restore And Stimulate The Economy Impactful And Effective (August 12, 2022). *Official Portal of Ministry of Finance Malaysia*.

³ Indonesia GDP growth beats forecast in Q2, fastest in a year (August 6, 2022). *Borneo Bulletin*.

⁴ Press Release - MTI Narrows Singapore's GDP Growth Forecast for 2022 to "3.0 to 4.0 Per Cent" (August 11, 2022). *Ministry of Trade and Industry Singapore*.

⁵ A Quick Read of China's Key Economic Indicators of H1 2022 (July 15, 2022). *China Briefing*.

Food Prices

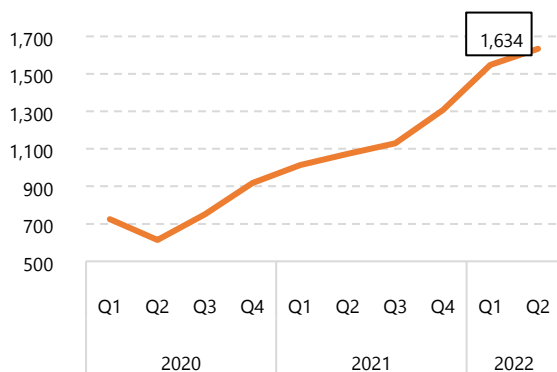
The increase in Food Index Q2 2022 was associated with the rise in the following sub-indices:

➤ The price of Oil and Fats saw an increase of 21.7 per cent driven by the increase in cooking oil by 30.5 per cent. This resulted from an increase in import prices from Malaysia and Indonesia as primary producers and exporters of palm oil. The following are the factors affecting palm oil production in Malaysia and Indonesia, which are the primary contributors to the rise in cooking oil prices:

- The export restrictions imposed by Indonesia resulted in a global shortage of palm oil supply.
- As an alternative to Indonesia's supply, Malaysia's palm oil market is also experiencing price increase due to labour shortages⁶.

In addition, the rise in the price of cooking oil was also due to demands for palm oil that had skyrocketed in response to the Russia-Ukraine war along with unfavourable weather conditions in South America, which caused shortages of major edible oils⁷.

Exhibit 4 : Price of Palm Oil (USD/MT)



Source: World Bank

Meat prices increased 11.0 per cent, driven by the increase in the price of Beef & Buffalo (17.7 per cent) and Chicken (10.9 per cent).

- The increase in beef and buffalo meat price owed to the tight global supply of slaughter-

ready cattle from key producing countries such as Australia, leading to low imported cattle compared to last year⁸.

- Labour shortages and rising import prices for chicken feed had driven up chicken prices.

Fish and Seafood prices increased by 6.5 per cent due to an increase in operational costs and uncertain weather conditions.

Non-Food Prices

The following sub-indices contributed to the increase in the Non-Food Index:

- Miscellaneous goods and services registered the highest increase of 14.8 per cent, owing primarily to a 23.3 per cent increase in the prices of vehicle insurance.
- Transport prices showed an increase of 5.1 per cent resulting from an increase in the prices of selected motor vehicles and flight tickets.
- Housing, Water, Electricity, Gas and other fuels saw an increase of 2.3 per cent, led by an increase in the cost of Maintenance and Repair of the Dwelling by 7.6 per cent.

Inflation Outlook

According to the International Monetary Fund, second-quarter inflation in emerging and developing economies is expected to be around 9.8 per cent. The following are among the factors for the expected increase in inflation⁹:

- In most economies, headline inflation is caused by supply constraints in various sectors, rising food and energy prices, and a rebounding demand for services.
- The increased cost of fertilizers will reduce demand and agricultural yields, resulting in crop shortages and high food prices.
- Food trade policies threaten food prices, especially among key producers' major commodities. Most of these food commodities from key countries have an expected end date of export restrictions until the end of 2022¹⁰.

⁶ Palm oil rises as Indonesia sets preconditions on resuming exports, (May 20, 2022) *S&P Global Commodity Insights*.

⁷ Commodity Markets Outlook (April, 2022) *World Bank*.

⁸ Australian beef production recovery underway, but unlikely to reach full potential (May 5, 2022) *Rabobank seasonal outlook*.

⁹ World Economic Outlook, (Jul, 2022) *International Monetary Fund*

¹⁰ World Bank Food Security Update, (July 29, 2022) *World Bank*.

- The conflict in Ukraine continues to be a significant factor in global food inflation, particularly for cereals such as wheat, as Russia and Ukraine account for 25.8 per cent of global wheat production.

Selected World Developments

Table 6 shows overall and food inflation rate for selected countries.

Table 6 : Q2 2022 Inflation overall and food (% change y-o-y)

	Q2 2021 / Q2 2022	
	Overall	Food
Singapore	5.9	4.7
Indonesia	3.8	5.7
Malaysia	2.8	5.1
China	2.2	2.4
United States	8.7	10.0

Sources: Countries CPI data statistics

Among ASEAN countries, Singapore is experiencing notable overall inflation mainly influenced by higher accommodation and private transport inflation¹¹. Indonesia is also enduring an uptrend inflation rate in the second quarter. The three-week palm oil exports ban had helped to deflate Indonesia’s cooking oil prices, however global inflationary pressure on local food prices is still imminent¹². Food inflation remains a major contributor to overall inflation in Malaysia in their second quarter, owing to military conflict in Ukraine, unfavourable weather conditions in major food-exporting countries as well as weaker Malaysian Ringgit against US dollar¹³.

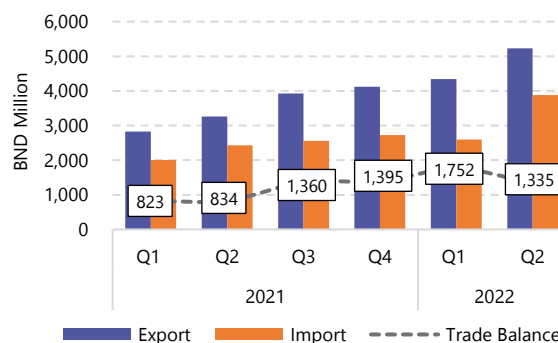
The United States bears its highest inflation rate in 40 years driven by the heightened energy and food prices as a consequence of the Ukraine War, poor harvests, livestock illness, among others¹⁴. In contrast, inflation rate remains significantly lower in China due to its “zero covid” policy which drives down demand and production¹⁵.

International Merchandise Trade

Overview

Brunei Darussalam’s total merchandise trade in Q2 2022 increased by 60.1 per cent, to BND9,109.4 million from BND5,689.9 million in the previous year. In particular, exports and imports rose by 60.2 per cent and 59.9 per cent, respectively, following a strong performance in the downstream petrochemical industry. Overall, the country’s trade balance remained in surplus, amounting to BN1,344.5 million in Q2 2022. **(Exhibit 5).**

Exhibit 5 : Trade Statistics (Q2 2021 – Q2 2022)



Source: Department of Economic Planning and Statistics

Meanwhile, total trade as a percentage of GDP climbed to 144.9 per cent from 122.0 per cent in the same quarter of 2021¹⁶ **(Exhibit 6)**. This implies that the international merchandise trade had played a more influential role in driving economic growth in this quarter.

¹¹ Consumer Price Developments, Monetary Authority of Singapore (MAS).
¹² Indonesia’s inflation inches up in May, stays within c.bank target (June 2, 2022), Reuters.

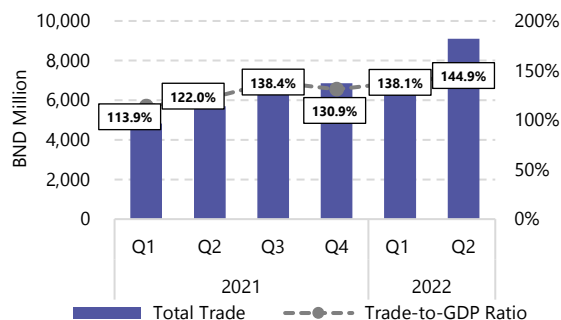
¹³ Malaysia’s Inflation Rate Increased To 2.8% During 2Q, 2022 (August 12, 2022), Business Today.

¹⁴ What is causing inflation: The factors driving prices high each month (July 26, 2022). The Washington Post.

¹⁵ What inflation? China’s peppercorn purveyors are feeling the heat (July 15, 2022), The Washington Post.

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).

Exhibit 6 : Trade-to-GDP Ratio (Q1 2021 – Q2 2022)



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

Export Development

Brunei Darussalam's total exports in Q2 2022 amounted to BND5,227.0 million, rallying from BND3,261.9 million in Q2 2021 (**Table 7**). The sheer increase was fuelled by the recovery of oil prices (**Table 10**).

Table 7 : Exports (Q1 2021 & Q1 2022)

	Q2 2021 (BND Million)	Q2 2022 (BND Million)	Change (BND Million)
Domestic Exports	3,134.1	5,121.2	1,987.0
Re-Exports	127.7	105.8	(21.9)
Total Exports	3,261.8	5,227.0	1,965.1

Source: Department of Economic Planning and Statistics

Oil and gas commodities accounted for 32.6 per cent of the total exports, while non-oil and gas exports accounted for 67.4 per cent.

In Q2 2022, crude oil and LNG volume decreased compared to previous year's period (**Table 8**). However, the export value increased compared to Q2 2021 due to higher prices (**Table 9** and **Table 10**).

Table 8 : Exports Volume of Crude Oil and LNG (Q2 2021 & Q2 2022)

	Q2 2021	Q2 2022
Crude Oil (Thousand barrels per day)	81.1	57.2
LNG (MMBtu per day)	736,653	540,712

Source: Energy Department, Prime Minister's Office

Table 9 : Oil and Gas Exports (Q2 2021 & Q2 2022)

	Q2 2021 (BND Million)	Q2 2022 (BND Million)	Change (BND Million)
Crude Oil	685.5	852.5	167.0
LNG	737.2	852.5	115.3
Total	1,422.7	1,705	282.3

Source: Energy Department, Prime Minister's Office

Table 10 : Prices of Major Export Commodities (Q2 2021 & Q2 2022)

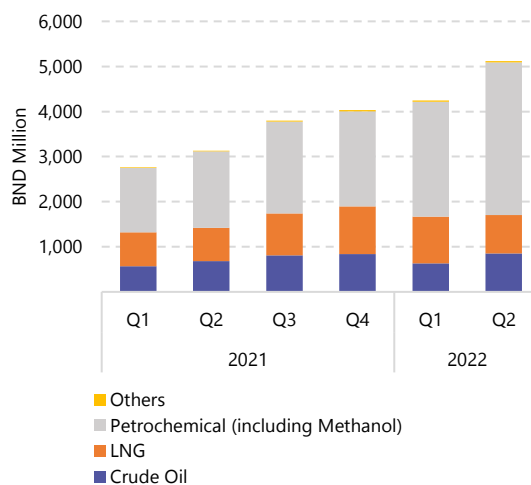
	Q2 2021	Q2 2022
Crude Oil (USD/barrel)	69.67	119.87
LNG (USD/MMBtu)	8.90	13.05

Source: Energy Department, Prime Minister's Office

On the other hand, the petrochemical industry continued to add value to the country's overall exports amounting to BND3,383.7 million in Q2 2022, an increase from BND1,692.6 million in Q2 2021 (**Exhibit 7** and **Table 11**). In particular, the rise was contributed by mineral fuel products such as automotive diesel fuels and other motor spirits (gasoline) as well as chemical products, particularly p-Xylene.

Meanwhile, other domestic exports also increased to BND32.5 million in Q2 2022 compared to BND18.9 million in Q2 2021. Among the primary contributors to the increase were manufactured goods, largely steel related products.

Exhibit 7 : Domestic Exports (Q1 2021 – Q2 2022)



Source: Department of Economic Planning and Statistics

Table 11 : Domestic Exports (Q2 2021 & Q2 2022)

	Q2 2021 (BND Million)	Q2 2022 (BND Million)	Change (BND Million)
Crude Oil and LNG	1,422.7	1,705.0	282.3
Petrochemical Products	1,692.6	3,383.7	1,691.1
Others	18.9	32.5	13.6
Total	3,134.1	5,121.2	1,987.0

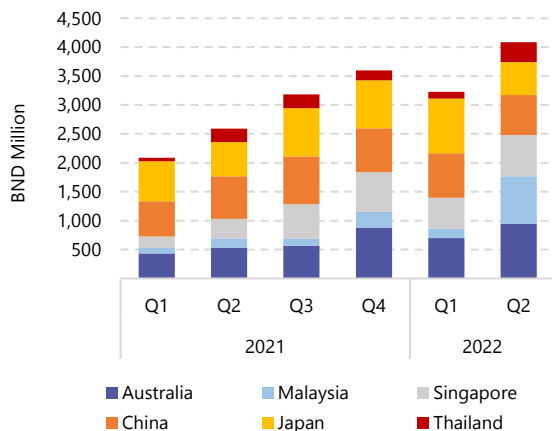
Source: Department of Economic Planning and Statistics

Australia retakes the top export trading partner spot this period, with their high demand for mineral fuels, primarily automotive fuels, and crude oil. (Exhibit 8).

This was followed by Malaysia, which surpassed other countries in the final month of Q2 due to high outflow of a mix of mineral fuels and chemicals.

Exports to Singapore were the third largest, with automotive fuels and LNG as the main commodities exported.

Exhibit 8 : Domestic Exports (Top 6 Destinations), Q1 2021 – Q2 2022



Source: Department of Economic Planning and Statistics

Import Development

Brunei Darussalam's total imports totalling BND3,882.5 million in Q2 2022 were higher compared to Q2 2021 (Table 12).

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 various inedible crude materials. (Exhibit 9).

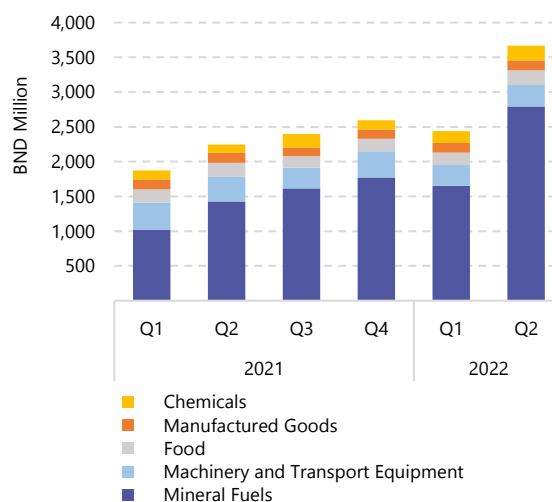
Meanwhile, other imports such as manufactured goods, and machinery & transport equipment registered a decrease.

Table 12 : Imports by Commodity (Q2 2021 & Q2 2022)

	Q2 2021 (BND Million)	Q2 2022 (BND Million)	Change (BND Million)
Food	198.8	211.9	13.1
Mineral Fuels	1,426.5	2,792.9	1,366.4
Chemicals	123.6	213.0	89.4
Manufactured Goods	142.3	141.9	(0.4)
Machinery & Transport Equipment	356.6	310.3	(46.3)
Others	180.3	215.5	32.2
Total	2,428.1	3,882.5	1,454.4

Source: Department of Economic Planning and Statistics

Exhibit 9 : Imports by Top 5 Commodity, (Q1 2021 – Q2 2022)



Source: Department of Economic Planning and Statistics

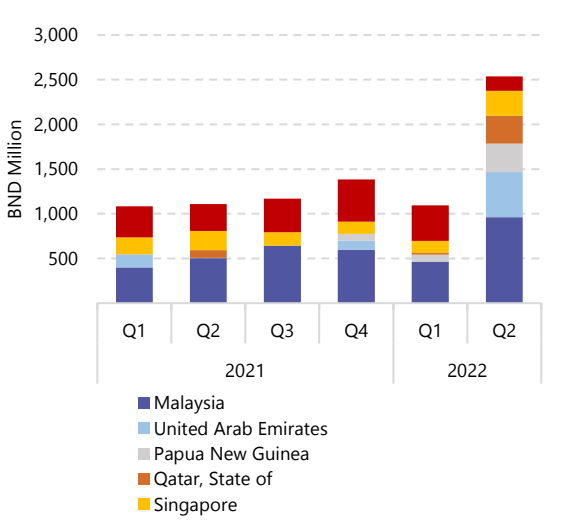
In terms of import origins, Malaysia was the top import market, valued at BND961.0 million, comprising mostly of mineral fuels (68.5 per cent) and food items (10.4 per cent) made up of aquaculture, feedstock and other various food products (Exhibit 10).

Majority of Brunei Darussalam's food imports continues to be sourced from Malaysia, accounting for 47.4 per cent of the total food imports in Q2 2022. Due

to the nature of food as a perishable product, importing food from a nearby bordering country such as Malaysia is advantageous. As a result, 53.9 percent of food imports from Malaysia are transported by sea, while 45.0 percent are transported by land.

The second and third biggest import originated from the United Arab Emirates and Papua New Guinea, respectively, consisting wholly of mineral fuels in the form of crude oil.

Exhibit 10 : Import Origins (Q1 2021 – Q2 2022)



Source Department of Economic Planning and Statistics

Global Trade Developments

Other countries in the ASEAN region have also shown good growth in trade performance in various sectors.

Malaysia, our top trading partner in Q2, saw their export growth since the beginning of 2022, contributed primarily by strong demand for their electrical and electronic products, petroleum products and chemicals and related products, among others.

Australia experienced a widening of their trade surplus compared to last year's Q2, which contributed mainly due to the increase in the value of exports of goods, particularly metal ores and minerals which are among the main export products of Australia. Most of these metal ores and minerals were exported to China.

Singapore in particular recorded higher than expected trade performance for the second quarter, mainly due to higher oil prices and raised demand for electronics. Non-oil domestic exports have also shown good

growth for both electronics and non-electronic related products.

Despite challenging domestic conditions in certain regions in China during the second quarter relating to covid outbreaks and lockdowns, trade rose compared to the previous year, contributed by robust growth for exports of machinery products and labour-intensive products.

Table 13 : Total Trade Growth y-o-y in Partner Nations (Q2 2022)

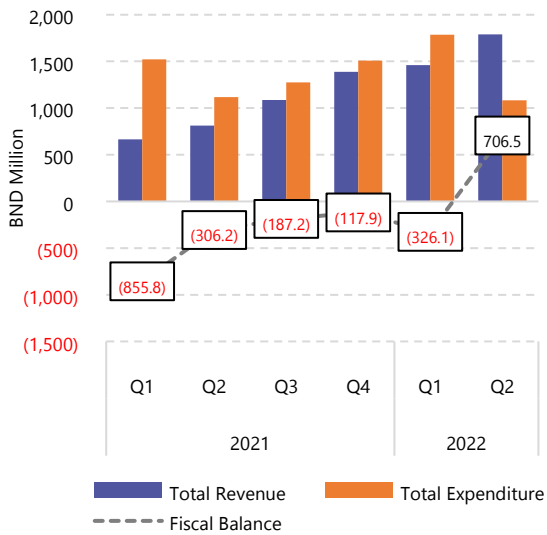
Countries	Q2 2022 % Growth
Malaysia	32.7%
Australia	22.5%
Singapore	28.1%
China	8.0%

Source: Individual National Statistics Portal, OECD, business today, CEIC.

Fiscal

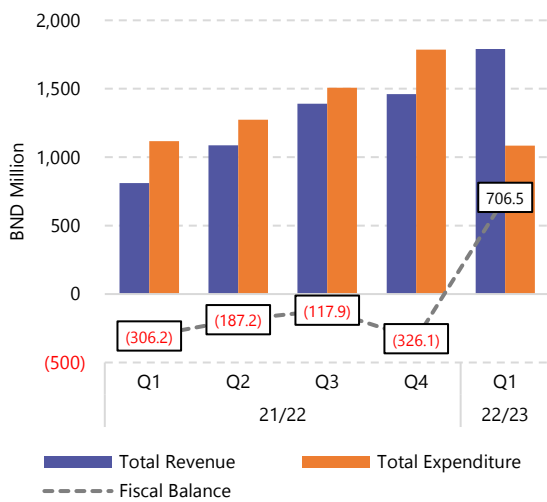
After having a fiscal deficit since Q2 2019, Brunei Darussalam experienced a surplus of BND706.5 million in the second quarter of 2022 (**Exhibit 11** and **Exhibit 12**). This performance was primarily attributable to a significant increase in government revenue by BND979.9 million, driven by higher oil and gas revenue. Meanwhile, government expenditure declined to BND1,084.5 million in Q2 2022 compared to BND1,117.3 million in Q2 2021.

Exhibit 11 : Fiscal Balance (Q1 2020 – Q2 2022)



Source: Treasury Department, Ministry of Finance and Economy

Exhibit 12 : Fiscal Balance (FY2019/2020 - FY2022/2023)



Source: Treasury Department, Ministry of Finance and Economy

With oil and gas accounting for a substantial share of government revenue (91.0 per cent in Q2 2022), the revenue increase in Q2 2022 corresponded to a rise in domestic export of crude oil and LNG during the same quarter owing to higher prices.

The fall in total government expenditure was mainly due to a decrease in ordinary expenditure primarily attributable to the decline in other charges annual recurrent (OCAR) expenditure by BND22.9 million. Furthermore, personnel emoluments expenditure fell slightly by BND4.1 million. The decline in government expenditure was also driven by a fall in charged

expenditure and development expenditure by BND4.9 million and BND0.8 million, respectively.

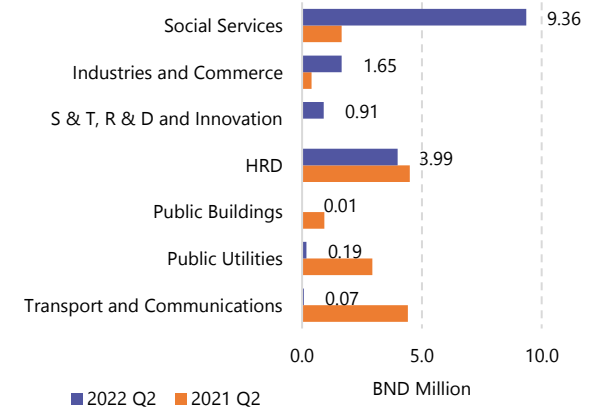
In terms of development expenditure, the decline in Q2 2022 was in line with a significant drop in project expenditure under the transport and communication sector to BND0.07 million from BND4.4 million during the same period last year. Moreover, the Public Utility Sector, Public Buildings Sector, and Human Resource Development Sector also recorded a drop in expenditure by about BND4.1 million. This decline was in line with most National Development Plan (RKN) projects having neared or seen completion.

Nevertheless, there are some ongoing RKN projects that contribute to development expenditure particularly in the Social Services Sector; Industries and Commerce Sector; and Science & Technology, Research & Development and Innovation Sector. **(Exhibit 13).**

The ongoing project of one thousand units of terrace houses built on a 165-hectare site under the Kampong Lugu National Housing Phase 2 contributed about 33.0 per cent of the overall Q2 2022 expenditure. This project was expected to be completed by the end of this year or early in 2023, with a current progress status of about 66.0 per cent.

Elsewhere, projects on the Development Plan for Livestock Industry and the Opening of 500 Hectare Commercial Paddy Planting, Kandol Area, Belait District, 2nd Phase under the Industries and Commerce Sector remain the major contributor of Q2 2022 expenditure total of BND1.4 million out of BND1.7 million total expenditure for this sector.

Exhibit 13 : Main National Development Plan Sectors Expenditure, Q2 2021 & Q2 2022



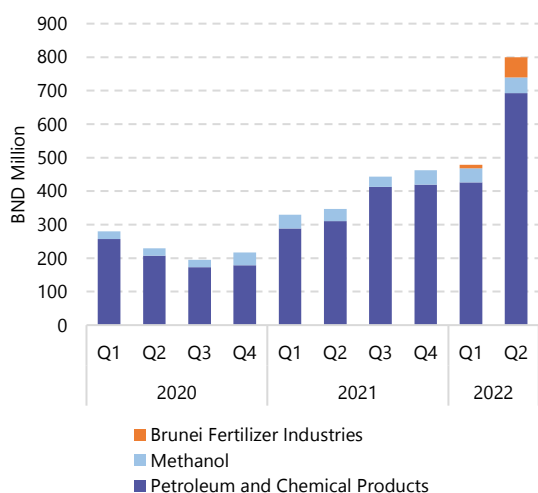
Source: Treasury Department, Ministry of Finance and Economy

Priority Sectors Development

Downstream Oil and Gas

The Downstream Oil and Gas Sector has continued to play a pivotal role in driving the country's push for economic diversification, highlighting the onset of the Brunei Fertilizer Industries (BFI) early this year. The sector was valued at BND800.0 million in Q2 2022, rallying on a quarter-to-quarter basis and increasing significantly from the BND346.7 million reported in the same period last year (**Exhibit 14**).

Exhibit 14 : Downstream Oil and Gas Sector GVA at Current Prices (Q2 2020 – Q2 2022)



Source: Department of Economic Planning and Statistics

The progress in this quarter ensued from the increase in the production of petroleum and chemical products, methanol as well as the new chemical product, specifically urea fertilizer. In particular, the improvement in petrochemical activities was in line with the rise in production of RON97, Diesel and the new product RON90 (**Table 14**). On the same note, the higher methanol production by 20.5 per cent contributed to the improvement in methanol activities, from 136,921 metric tonnes in Q2 2021 to 164,926 metric tonnes in Q2 2022.

Table 14 : Production and Export of Gasoline and Diesel (Q2 2021 & Q2 2022)

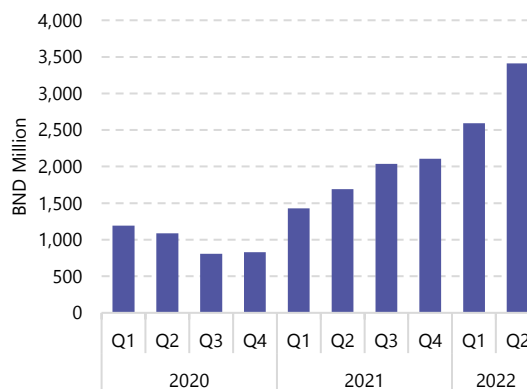
		Q2 2021	Q2 2022
Gasoline (Tonnes)			
Production	RON90	0	384,050
	RON97	0	62,641
Diesel (Tonnes)			
Production		568,751	709,640

Source: Energy Department, Prime Minister's Office

This quarter also saw significant progress in the country's venture into the production of urea as BFI more than doubled its previous quarter's production from 58,649 metric tonnes to 137,004 metric tonnes exporting to a range of markets such as Australia, Thailand, and the United States.

Meanwhile, exports from the Downstream Oil and Gas Sector during the Q2 2022 amounted to BND3,411.9 million which was a significant increase from the BND1,692.6 million recorded in the same period last year backed by higher export price and volume (**Exhibit 15**).

Exhibit 15 : Downstream Oil & Gas Exports, (Q1 2020 – Q2 2022)

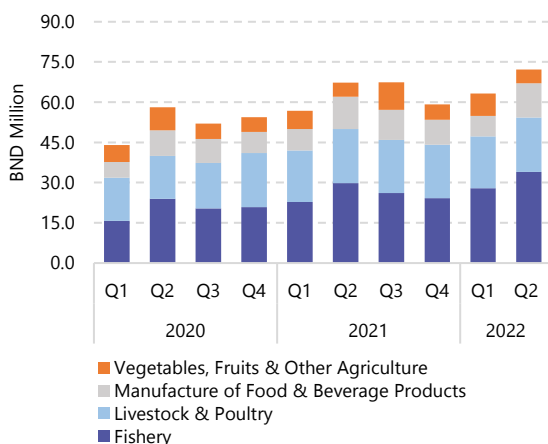


Source: Estimates by Department of Planning, Department of Economic Planning and Statistics

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 BND72.1 million to GVA in Q2 2022, increasing from BND67.3 million in the same quarter of 2021 (**Exhibit 16**).

Exhibit 16 : Food Sector GVA at Current Prices, Q1 2020 – Q2 2022



Source: Department of Economic Planning and Statistics

By subsector, the Vegetables, Fruits, and Other Agriculture Subsector was valued at BND5.1 million at GVA in Q2 2022, decreasing from BND5.2 million in Q2 2021. The decrease was caused by lower production of several commodities (**Table 15**).

Table 15 : Agriculture Production in Metric Tonnes (Q2 2021 & Q2 2022)

	Q2 2021	Q2 2022
Paddy	1,067.3	495.5
Vegetables	1,984.4	1,848.0
Fruits	1,454.0	1,211.5
Miscellaneous Crops	434.2	435.8

Source: Ministry of Primary Resources and Tourism

The decrease in agriculture products was mainly due to labour shortages, an increase in the cost of fertilisers, the off-season for certain vegetables and fruits, as well as pest and disease issues.

As for the Livestock and Poultry Subsector, despite reporting lower production, its GVA at current prices was valued slightly higher at BND20.3 million in Q2 2022 compared to the BND20.2 million in Q2 2021.

This was mainly due to an increase in the price of the following commodities:

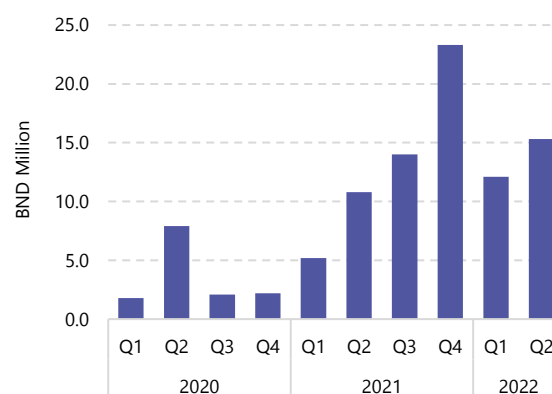
- Buffalo and Cattle meat increased by 23.3 per cent. This is due to the increase in the price of imported buffalo and cattle.
- Broiler chicken increased by 7.1 per cent, primarily driven by labour shortages, the lack of day-old chicks and rising costs of animal feed.

Meanwhile, the Fishery Subsector was valued at BND34.0 million at GVA in Q2 2022, up from BND29.8 million in Q2 2021. This improvement stemmed from increased production in the capture industry especially from small-scale fishermen's activities by 9.5 per cent. The aquaculture industry, on the other hand, increased by 4.1 per cent due to higher production of farm prawn.

The Manufacture of Food & Beverage Products Subsector amounted to BND12.8 million at GVA in Q2 2022, an increase from the BND12.1 million recorded in Q2 2021. This is driven by the increase in production of animal feed by 12.7 per cent.

In terms of the Food Sector's exports, they amounted to BND15.3 million in Q2 2022, up from BND10.8 million in the same quarter of 2021. In terms of product type, shrimp products accounted for the majority of total domestic exports in Q2 2022, primarily to Malaysia and Taiwan (**Exhibit 17**).

Exhibit 17 : Food Exports, Q1 2020 – Q2 2022



Source: Department of Economic Planning & Statistics

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

- After a successful run at Expo 2020 Dubai at Brunei's pavilion, Ghanim International

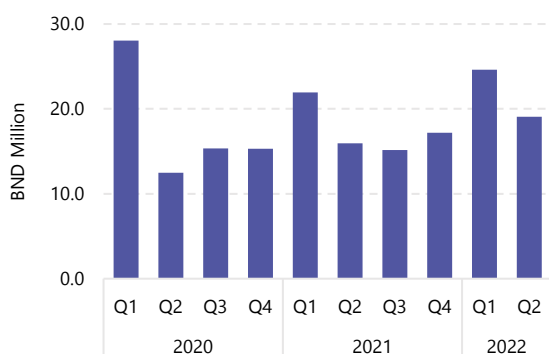
Corporation's BruneiHalalfoods entered AllDay and Carrefour stores in the United Arab Emirates (UAE). With the completion of their own cutting-edge food and beverage (F&B) facility later this year, known as the Brunei Food Industry Development (BFID) Multipurpose Manufacturing and Processing Facility, Ghanim anticipates an increase in exports in the near future¹⁷.

- Five local companies recently made their debuts at Japan's premier F&B exhibition, FOODEX 2022, to test the market and look into possible export opportunities. Distributors, retailers, and other possible business partners visited Brunei's stand in Japan, which featured local goods from Ghanim International Corporation, Volco Venture, Sabli Group of Companies, Taurean Bakeshop & Café, and Syarikat Rizqussalam. As part of DARE's Market Access initiatives, which aims to give local companies opportunities to access new markets locally and abroad through business networking, tradeshows, and the provision of direct online and offline sales channels, Brunei businesses will be participating in FOODEX for the first time¹⁸.

Tourism

In Q2 2022, the Tourism Sector's GVA at current prices was valued at BND19.1 million, increasing from the BND16.0 million recorded in the same period last year (Exhibit 18)¹⁹.

Exhibit 18 : Tourism GVA at Current Prices (Q1 2020 – Q2 2022)

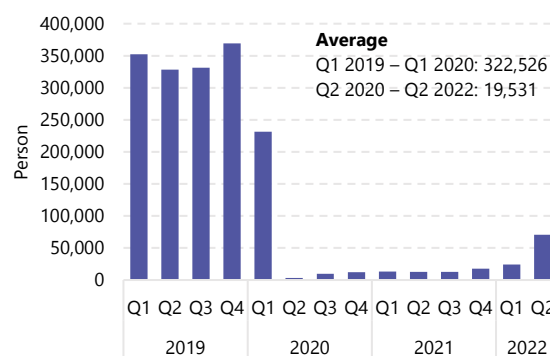


Source: Department of Economic Planning and Statistics

The improvement in Q2 2022 was supported primarily by the aviation sector in view of an increase in the

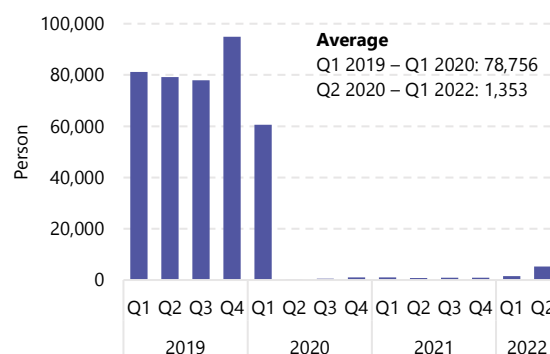
number of arrival and departure by air by 466.8 per cent y-o-y (Exhibit 19). Likewise, the number of international visitors arriving by air also rose to 5,277 visitors compared to 817 visitors in Q2 2021 (Exhibit 20). As such, this encouraging development was partly attributed to the new protocol for air travel announced by the Government on 6th May 2022, which included the withdrawal of the Travel Green List and the need for quarantine upon arrival in the country. Previously, only travellers departing from 11 "green-listed" countries could enter the country for non-essential reasons²⁰.

Exhibit 19 : Total Air Arrivals and Departure (Q1 2019 – Q2 2022)



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

Exhibit 20 : International Air Arrivals (Q1 2019 – Q2 2022)



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

Besides aviation, food and beverages services under the Tourism Sector also registered an increase of 0.2 per cent y-o-y in Q2 2022 (Table 16). This was despite

¹⁷ BruneiHalalfoods enters AllDay and Carrefour in UAE. (May 11,, 2022). *Biz Brunei*

¹⁸ Five local businesses join FOODEX Japan to explore export opportunities. (May 12, 2022). *Biz Brunei*.

¹⁹ The Tourism Sector's GVA values from Q1 2020 to Q1 2021 has been revised from the previous publications.

²⁰ Dust off your passports: Brunei government relaxes more travel protocols (April 22, 2022). *The Scoop*.

several pandemic-related restrictions remaining intact during the COVID-19 Early Endemic Phase compared to Q2 2021 where no restrictions were imposed. In addition, sales volume on a quarter-to-quarter basis also showed an increase of 4.8 per cent in line with the cessation of the Early Endemic Phase on 31st May 2022, where commercial premises including restaurants, cafe and food courts were allowed to operate at full capacity.

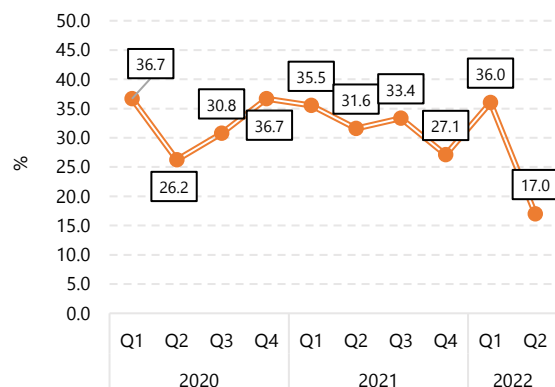
Table 16 : Quarterly Food & Beverages Sales and Growth Rate by Activity (Q2 2022)

	Q2 2021 (BND Million)	Q2 2022 (BND Million)	% Growth (Q22022/Q2 2021)
Restaurants	63.3	63.8	0.8
Fast-Food Outlets	18.3	18.0	(1.7)
Catering Service Activities	3.9	3.8	(3.1)
Other Food Service Activities	9.8	10.0	2.3
Beverage Serving Activities	3.1	2.9	(3.5)
Total	98.5	98.7	0.2

Source: Department of Economic Planning and Statistics

As for the accommodation and hospitality activity, the average occupancy rate marked a steep decline to 17.0 per cent in Q2 2022 compared to 31.6 per cent in Q2 2021 (**Exhibit 21**). Despite a rise in the number of international visitors by air, the decline in occupancy rate was partly due to increasing number of visitors arriving for family visit purposes (i.e. staying at their family or relative's house). As such, the number of visitors arriving for family visit purpose increased to 1,434 in Q2 2022 compared to 119 in the same period of the previous quarter.

Exhibit 21 : Occupancy Rate of Hotels, Resorts, Apartments and Guest Houses (Q1 2020 – Q2 2022)



Source: Ministry of Primary Resources and Tourism

In a bid to keep the tourism industry afloat, several initiatives have been introduced. Among others include:

- The Tourism Development Department under the Ministry of Primary Resources and Tourism launched the Brunei Mid-Year Conference and Exhibition 2022 or Brunei MYCE 2022, serving as a platform to invite or attract Meetings, Incentives, Conferences and Events (MICE), especially business travellers to the Sultanate. The Brunei MYCE 2022 introduced tourism products in the form of knowledge sharing, the proliferation of ideas, the promotion of new discoveries in various fields and the increase of 'networking' and business activities among scientists and entrepreneurs from within and outside the country. Through the involvement of presenters and participants from within and outside the country, this initiative was in line with the vision of the Tourism Development Department (JKP), which is to increase the number of tourists and contribute to the growth of economic activities including hospitality, aviation, restaurants, transport and the like²¹.
- 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

²¹ Brunei MYCE returns with second edition on 1 June (April 6, 2022). *The Bruneian*.

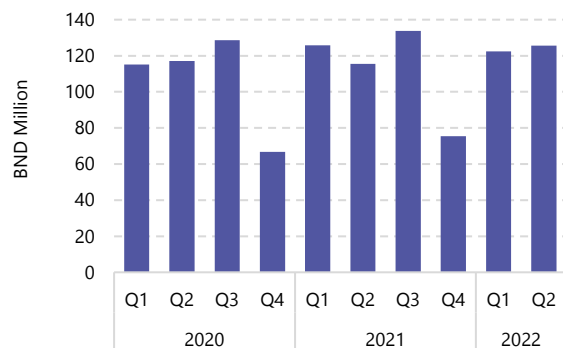
continue to plague the rest of the world and now pushing up daily local infection cases. Tourism and travel-related businesses in particular, will continue to face significant headwinds as fears over contracting the virus linger. According to the Asia Travel-ready (ATR)²² index 2022 released by the Economist Intelligence Unit (EIU), Brunei Darussalam has been ranked among the least favourable Asia Pacific destinations to revive their pandemic-battered tourism industries²³.

Notwithstanding, 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 Q2 2022, the Info-Communication and Technology (ICT) Sector was valued at BND125.6 million at GVA, an increase from BND115.6 million in the same quarter of 2021 (**Exhibit 22**).

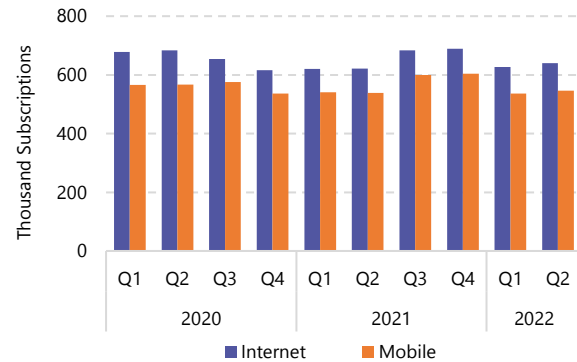
Exhibit 22 : ICT Sector GVA at Current Prices (Q1 2020 – Q2 2022)



Source: Department of Economic Planning and Statistics

The new normal coupled with several national initiatives in transforming Brunei into a Smart Nation continues to drive the demand for ICT services as the number of mobile subscriptions increased by 1.3 per cent from 538,808 in Q2 2021 to 621,713 in Q2 2022 while internet subscriptions also increased by 2.9 per cent from 545,669 in Q2 2021 to 639,603 in Q2 2022 (**Exhibit 23**).

Exhibit 23 : Mobile and Internet Subscriptions (Q1 2020 – Q2 2022)

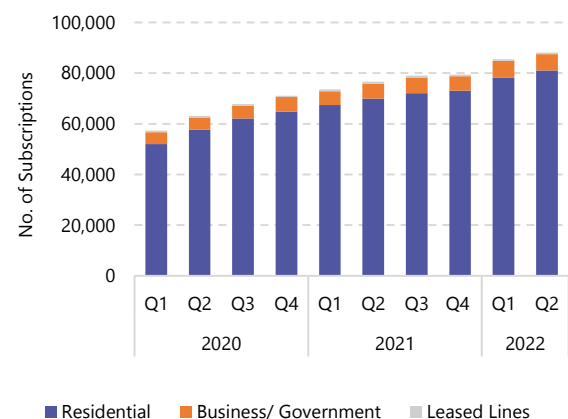


Source: Authority for Info-Communications Technology Industry (AITI)

The rise, particularly for internet subscriptions, was mostly caused by fixed broadband subscriptions which increased by 15.0 per cent from 153,268 in Q2 2021 to 176,246 in Q2 2022 (**Exhibit 24**). This was mainly attributed by:

- Increase in residential users from 69,912 in Q2 2021 to 81,123 in Q2 2022 in line with the continuous Government's covid restrictions (work from home for schools, offices – government and private) as well as aggressive promotions by the 3 telecommunication companies; and
- Increase in Business and Government users from 5,989 in Q2 2021 to 6,376 in Q2 2022.

Exhibit 24 : Fixed Broadband Subscriptions (Q1 2020 – Q2 2022)



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

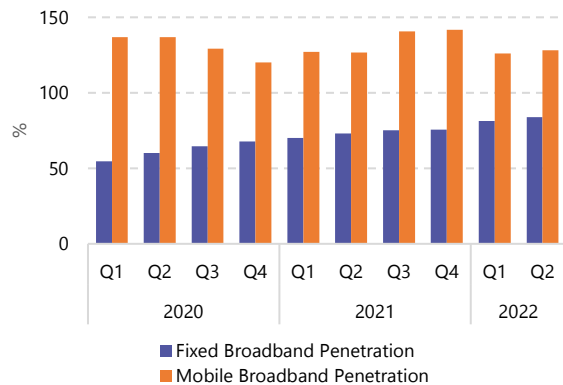
²² ATR index assesses prospects for a tourism recovery across Asian economies. The index captures three factors that might affect international tourists' sentiment vaccination coverage in the destination; the ease of travelling to the destination; and quarantine requirements when they return to their place of

residence. The index allocates a greater weight to restriction factors compared with vaccination.

²³ Brunei among countries with strict travel policies (May 6, 2022). *Borneo Bulletin*.

The shift in consumer's preference for fixed broadband from mobile broadband saw fixed broadband penetration climbed from 73.0 per cent to 83.9 per cent. Meanwhile, mobile broadband penetration fell from 126.8 per cent in Q2 2021 to 126.1 per cent in Q2 2022 (**Exhibit 25**).

Exhibit 25 : Mobile and Fixed Broadband Penetration (Q1 2020 – Q2 2022)



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

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

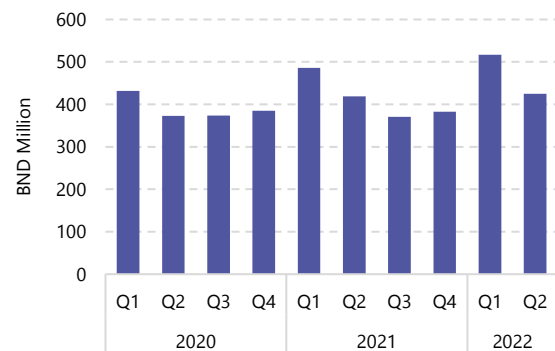
- A memorandum of understanding (MoU) was signed between the Brunei Government and the Government of Singapore to enhance digital cooperation. It covers activities such as the exchange of knowledge, technical expertise and best practices in the areas of digital connectivity, personal data protection, emerging technologies, digital government, cybersecurity and other areas of mutual interest between both countries²⁴.
- To help companies in Brunei digitalise, Huawei is working with its partners and customers in 3 key areas – customer-centricity, addressing customer challenges and provide strong solutions²⁵.
- A memorandum of understanding (MoU) between Progresif Sdn Bhd and ThreeG Media Sdn Bhd, aimed at outlining the commitment by both parties towards a more digitalized partnership.²⁶ ThreeG Media for the past years has been the key partner for Progresif particularly in the Bill Payment and Electronic Top Up Services. Continuous and strategic collaboration between

local companies will ensure a more productive and vibrant business ecosystem can be achieved in the ICT sector.

Services

The Services Sector comprising activities of Wholesale & Retail Trade, Business Services, and Transport & Logistics, recorded another positive growth this quarter contributing about BND425.0 million to GVA, compared to BND418.7 million in Q2 2021 (**Exhibit 26**).

Exhibit 26 : Services Sector GVA at Current Prices (Q1 2019 – Q2 2022)



Source: Department of Economic Planning and Statistics

The increase was primarily caused by Business Services activities, which increased in tandem with the maintenance operations in the Oil & Gas Sector, and Transport & Logistics activities, which were notably driven by an increase in air freight transportation by 29.5 per cent in Q2 2022 (**Table 17**).

Table 17 : Air Freight Movements (in kg)

	Q2 2021	Q2 2022	% Growth (Q2 2022/Q2 2021)
Inward	1,859,566	2,495,484	34.2
Outward	457,558	635,039	38.8
Transit	837,907	954,618	13.9
Total	3,155,031	4,085,141	29.5

Source: Department of Civil Aviation

This is in line with increase in trade activities via air as follows:

²⁴ Enhancing Brunei-Singapore Digital Cooperation (May 31, 2022). *Borneo Bulletin*.

²⁵ Huawei Committed to Digitalisation (June 10, 2022). *Borneo Bulletin*.

²⁶ MOU Outlines Commitment Towards More Digitalised Partnership (June 29, 2022). *Borneo Bulletin*.

Table 18 : Trade via Air (in Tons)

	Q2 2021	Q2 2022	% Growth (Q22022/Q2 2021)
Export	65	75	14.6
Import	1,056	2,207	109.0
Total	1,121	2,282	103.6

Source: Department of Economic Planning and Statistics

Nevertheless, the growth in the Transport & Logistics activities was moderated by the decline in seaborne cargo volume in the country's national port (**Table 19**):

Table 19 : Seaborne Cargo (in Tons)

	Q2 2021	Q2 2022	% Growth (Q22022/Q2 2021)
Discharged	264,460	210,711	(20.3)
Loaded	19,561	12,113	(38.1)
Total	284,021	222,884	(21.5)

Source: Muara Port Company

In terms of freight by transport medium in Q2 2022, both the main type of goods imported and exported via air were imports and re-exports of various machinery and transport equipment, such as aircraft parts. Imports of medicaments however, is the largest in terms of a single commodity type. (**Table 20**).

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, vehicles and various machinery parts.

Meanwhile for land freight, majority was re-exported goods including animal complete feeds, scrap and waste materials. On the other hand, imports via land largely comprised of food products, particularly fisheries, complete feeds and fruits.

Table 20 : Main Exports and Imports in weight/volume by Transport Medium (Q2 2022)

	Main Exports	Main Imports
Air	Various machinery parts	Medicaments Various machinery parts
Sea	Mineral fuels	Mineral fuels Vehicles Various machinery parts
Land	Animal feed Scrap and waste	Animal feed Food

Source: Department of Economic Planning and Statistics

Having been benefitting from border restrictions for these past quarters, the recent change in travel protocol policy adversely affected the country's wholesale and retail trade activities. With fewer border restrictions, weakened domestic demand was evident as majority of sales across retail activities contracted in the Retail Sales Index (RSI) for Q2 2022 (**Table 21**).

Table 21 : Quarterly Retail Estimated Value of Sales and Growth Rate by Activity (Q2 2022)

	Q2 2021 (BND Million)	Q2 2022 (BND Million)	% Growth (Q22022/Q2 2021)
Department Store	140.6	131.1	(6.8)
Supermarket	76.1	78.8	3.5
Mini Mart	13.1	14.3	9.1
Food and Beverages in Specialised Stores	6.6	6.7	2.1
Petrol Station	46.3	42.5	(8.1)
Computer & Telecommunications Equipment	23.9	24.5	2.7
Textiles, Wearing Apparel & Footwear	22.9	20.0	(12.6)
Hardware, Paints and Glass in Specialised Stores	26.2	25.2	(3.8)
Furniture & Household Equipment	16.4	13.8	(15.8)
Electrical Household Appliances and Lighting Equipment in Specialised Stores	33.0	29.9	(9.4)
Books, Newspapers and Stationery in Specialised Stores	4.3	4.1	(3.6)
Recreational Goods	8.5	9.4	9.9

Pharmaceutical and Medical Goods, Cosmetic and Toilet Articles in Specialized Stores	12.72	12.66	(0.5)
Watches & Jewellery	19.2	20.8	8.5
Others	38.3	34.3	(10.5)
Total	488.2	468.3	(4.1)

Source: Department of Economic Planning and Statistics

As we look ahead and continue our pursuit in economic recovery after the pandemic, the Services Sector is expected to continue its momentum and expand further in the coming quarters. For example, preliminary information on the seaborne cargo for the next quarter had shown significant increase compared to the Q3 of 2021. 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 a policy change.