

BRUNEI DARUSSALAM KEY ECONOMIC DEVELOPMENTS



Q4 2020 & ANNUAL 2020

**Department of Planning
Department of Economic Planning and Statistics
Ministry of Finance and Economy**



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THE BRUNEI DARUSSALAM ECONOMY Q4 2020

GROSS DOMESTIC PRODUCT



In Q4 2020, Real GDP
grew by **-1.4%**



Non-Oil & Gas
Sector

7.4%



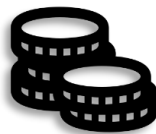
Oil & Gas
Sector

-8.6%

FISCAL

In Q4 2020, Fiscal
Balance was

-950.6m



Fiscal Revenue

408.1m



Fiscal Expenditure

1,358.7m

PRICES



In Q4 2020, the Consumer
Price Index (CPI) rose by

2.1%



Food

3.9%



Non-Food

1.7%

INTERNATIONAL MERCHANDISE TRADE



In Q4 2020, Total Trade
fell by

-30.9%



Exports

-42.5%



Imports

-17.8%

THE BRUNEI DARUSSALAM ECONOMY

2020

GROSS DOMESTIC PRODUCT



In 2020, Real GDP grew by **1.2%**



Non-Oil & Gas Sector

9.0%



Oil & Gas Sector

-4.9%

FISCAL

In 2020, Fiscal Balance was

-2.58b



Fiscal Revenue

2.89b



Fiscal Expenditure

5.47b

PRICES



In 2020, the Consumer Price Index (CPI) rose by

1.9%



Food

2.5%



Non-Food

1.8%

INTERNATIONAL MERCHANDISE TRADE



In 2020, Total Trade fell by

-2.3%



Exports

-7.7%



Imports

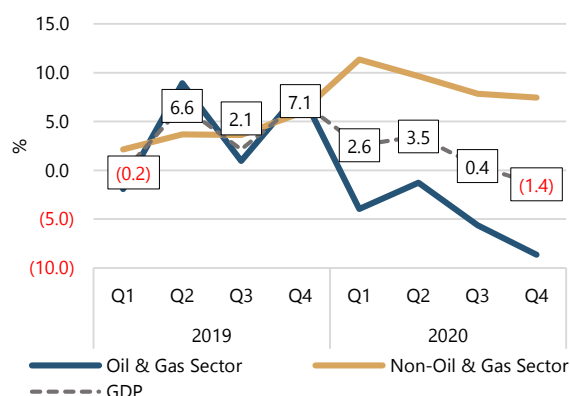
5.5%

Gross Domestic Product (GDP)

Overview

In Q4 2020, Brunei Darussalam's economy recorded a negative growth of 1.4 percent year-on-year. This growth was due to a decrease in the Oil & Gas Sector by 8.6 per cent. Meanwhile, the Non-Oil & Gas Sector recorded an increase of 7.4 per cent.

Exhibit 1 : GDP Growth (Q1 2019 – Q4 2020)



Source: Department of Economic Planning and Statistics

Oil & Gas Performance

The decline in the Oil & Gas Sector was mainly due to a decrease in the production of crude oil, natural gas, and liquefied natural gas (LNG). The reduction in crude oil production and natural gas was due to unscheduled deferrals in relation to shut down and maintenance. Meanwhile, the LNG production decline was mainly due to limited gas supply following the maintenance activities.

Non-Oil & Gas Performance

Meanwhile, the growth in the Non-Oil & Gas Sector was mainly due to the downstream activities following the increase in the production of petroleum and chemical products.

This was followed by an increase in the subsector of Wholesale and Retail Trade which contributed by an increase in the domestic demand as travel restrictions remain effective amid the COVID-19 pandemic. The increase in this subsector was also in line with the increase in retail sales driven mainly by the sales of Computer & Telecommunication Equipment, Electrical Household Appliances and Lighting Equipment, Hardware, Paints and Glass; Department Stores and Supermarkets.

The Health Services Subsector also increased in line with the increase in both government and private health services activities.

The country's food industry is making further progress especially in terms of increasing food production for both exports and food security. The Agriculture, Forestry & Fishery Sector recorded an increase of 27.5 percent in Q4 2020. This growth was due to the rise in subsectors' production such as Fishery, Livestock & Poultry and Vegetable, Fruits & Other Agriculture.

Fisheries activities drive the country's production for exports in particular the production of marine shrimp in aquaculture.

Meanwhile in terms of food security, the livestock & poultry as well as paddy's production continue to increase to meet the higher domestic demand.

Table 1 : Growth of Selected Non-Oil & Gas Sectors (Q4 2020)

	Growth (%)
Manufacture of Other Petroleum & Chemical Products	142.5
Wholesale & Retail Trade	7.5
Agriculture, Forestry & Fishery	27.5
Health	9.8
Construction	4.4
Real Estate & Ownership of Dwellings	2.4
Communication	(0.9)
Business Services	(6.5)
Finance Services	(3.2)
Education Services	(9.1)
Government Services	(2.4)
Air Transport Services	(83.6)

Source: Department of Economic Planning and Statistics

The Construction Sector also posted a growth of 4.4 per cent in Q4 2020, after growing at 2.1 per cent in the previous quarter. This growth was supported by the increase in oil and gas construction.

Meanwhile, growth in the Real Estate & Ownership of Dwellings Subsector was in line with an increase in property financing particularly in housing purchase.

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

- Air Transport declined sharply for the fourth consecutive quarter weighed down by continued slump in air traffic activities (both passenger and cargo) due to ongoing travel restrictions and sluggish air transport demand;
- Education Services decreased by 9.1 per cent primarily due to a decline in government education services;
- Finance Services shrank by 3.2 per cent, mainly due to lower interest income on offshore placements. Total loans and advances (lending) also declined, particularly in the household personal loan.
- Similarly, Business Services posted a decline in Q4 2020 by 6.5 per cent, mainly due to professional services activity.
- The decline in the Communication Sector by 0.9 per cent was mainly due to a reduction in mobile subscriptions.

GDP by Expenditure

By expenditure approach, negative GDP growth was mainly due to a decrease in the external demand (exports of goods and services) by 10.2 per cent. Domestic demand also recorded a decrease of 1.2 per cent due to decreases in the Government Final Consumption Expenditure by 5.4 per cent and Gross Capital Formation by 1.9 per cent particularly government investment. However, this growth was moderated by an increase in the Household Final Consumption Expenditure by 5.0 per cent.

Table 2 : GDP by Expenditure (Q4 2020)

	Q4 2019 (BND Million)	Q4 2020 (BND Million)	Growth (%)
Domestic Demand	4,001.0	3,954.0	(1.2)
Government Final Consumption Expenditure	1,206.2	1,140.9	(5.4)
Household Final Consumption Expenditure	1,035.6	1,087.6	5.0
Gross Fixed Capital Formation	1,759.2	1,725.4	(1.9)
External Demand	3,844.0	3,452.6	(10.2)
Exports	3,844.0	3,452.6	(10.2)
GDP	5,122.8	5,049.7	(1.4)

Source: Department of Economic Planning and Statistics

Overall Performance in 2020

For the year 2020, Brunei Darussalam's economy grew by 1.2 per cent which was attributed to an increase in the Non-Oil & Gas Sector by 9.0 per cent. Meanwhile, the Oil & Gas Sector recorded a decline of 4.9 per cent. The overall growth in 2020 was achieved after the GDP in the first nine months recorded a positive growth.

The growth in the Non-Oil and Gas Sector was due to the increase in the subsectors such as Manufacturing of Petroleum and Chemical Products (323.9 per cent), Communication (15.9 per cent), Wholesale and Retail Trade (2.8 per cent), Business Services (5.0 per cent), Real Estate & Ownership of Dwellings (2.5 per cent) and Agriculture, Forestry & Fishery (11.7 per cent).

The growth in the Manufacturing of Petroleum and Chemical Products Subsector was in line with the increase in petroleum production from the downstream activities.

The Wholesale and Retail Trade Subsector's improved performance was due to encouraging growth in retail sales driven mainly by the sales of department store, computer & telecommunication equipment and supermarket. Other than that, the increase in sales volume of motor vehicles also contributed to this subsector's positive performance.

Meanwhile, the increase in the Business Services Subsector was in relation to increase in the downstream and oil and gas activities.

The increase in the Real Estate & Ownership of Dwellings Subsector in 2020 was in line with increased property financing, particularly in housing purchase.

In 2020, the Agriculture, Forestry, and Fishery Subsector recorded the highest growth since 2010 due to an increase in fishery and livestock & poultry output. The rise in fishery was mainly due to an increase in the production of aquaculture. Meanwhile, the increase in the Livestock & Poultry Subsector was in line with the increase in cattle and chicken broilers' output.

On the other hand, the decrease in the Oil and Gas Sector was mainly due to a reduction in the Oil and Gas Mining Subsector in line with the decline in crude oil production from 121.3 thousand barrels per day in 2019 to 110.0 thousand barrels per day in 2020. Natural gas production also recorded a decrease from 34.3 million cubic meters per day to 33.1 million cubic meters per day in the same period. In addition, Manufacture of Liquefied Natural Gas (LNG) Subsector also recorded a decrease which attributed by the decline in the LNG production from 972,407 MMBtu per day in 2019 to 911,954 MMBtu per day in 2020.

By expenditure approach, positive GDP growth was mainly due to an increase in the external demand (exports of goods and services) by 7.5 per cent. On the other hand, domestic demand recorded a decrease of 5.4 per cent due to a reduction in the Government Final Consumption Expenditure by 9.6 percent and Gross Capital Formation by 9.3 percent. However, this growth was moderated by an increase in the Household Final Consumption Expenditure by 7.2 percent.

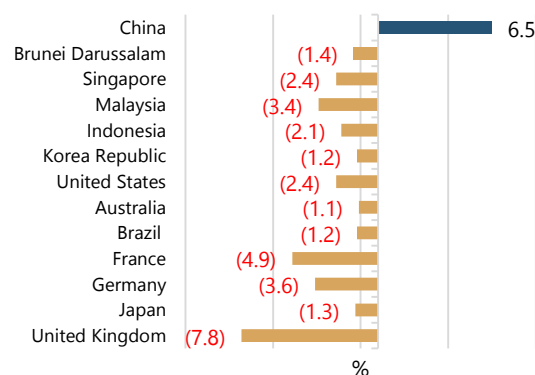
Global Economic Developments

According to OECD, most countries experienced negative growth except China which recorded an increase of 6.5 per cent.

For ASEAN countries, most of it experienced negative growth. As such, Malaysia's GDP recorded a decline of 3.4 per cent year-on-year, which was influenced by the decline in all economic sectors. The services sector was the main contributor to the negative performance, particularly in the tourism-related industries, following travel restrictions that contributed to the lower foreign tourists' arrival to Malaysia and movement restriction of domestic tourists in the country.

In Q4 2020, Singapore economy contracted by 2.4 per cent due to a decline in the sectors such as construction (27.4 per cent), retail trade (4.7 per cent), transportation & storage (27.4 per cent), accommodation (19.7 per cent), food & beverages services (19.0 per cent), real estate (10.8 per cent), professional services (7.5 per cent), administrative & support services (14.9 per cent) and other services industries (5.7 per cent).

Exhibit 2 : GDP Growth of Selected Countries (Q4 2020)



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

Brunei Darussalam Economic Outlook 2021

Brunei Darussalam's initial Gross Domestic Product (GDP) growth forecast for the year 2021 was in the range of 0.8 per cent to 1.6 per cent. Non-oil and gas expected to be the primary driver of this growth forecast, which was in the range of 1.1 per cent to 2.9 per cent. On the other hand, oil and gas also projected to be positive at 0.5 per cent.

The Non-Oil and Gas Sector, which is expected to be the main driver to the strong growth in 2021, is mainly due to the production of petroleum and chemical products from the downstream activities. This expectation is also in line with the increasing demand for petroleum products from China as our major importer concerning the petroleum industry's prediction to grow steadily in the coming decades.

This growth is also associated with the growth of the Agriculture, Forestry & Fishery Sector, supported by an increase in subsectors' production such as Fishery, Livestock & Poultry and Vegetable, Fruits & Other Agriculture. An increase in livestock production is in line with the expected increase in demand for broilers and eggs. The country's efforts in increasing exports have been a significant factor in the increase in fishery production, mainly in the capture and aquaculture industries. Meanwhile, the increase in the production of Vegetables, Fruits & Other Agriculture is due to the rise in the production of paddy, vegetables, and tropical fruits, in line with the country's effort to increase self-sufficiency.

The positive outlook is also supported by an increase in the subsectors such as Electricity & Water, Wholesale & Retail Trade, Communication, and Water Transport. The increase in the Electricity and Water Subsector is in line with the development of economic activities. Meanwhile increase in the Wholesale & Retail Trade is due to the rise in domestic demand as travel restrictions are expected to remain effective. The increase in LNG production has led to the development of water transport activity.

Meanwhile, the Oil and Gas Sector is projected to expand at 0.5 per cent in 2021 driven by the increase in production of LNG and crude oil.

Global Economic Outlook 2021

According to International Monetary Fund (IMF) outlook, the world economy is expected to grow by 5.5 per cent in 2021. The growth is contributing by the continued strong economic rebound in China and policy support in large economies such as the United States and Japan. Besides, the roll-out of coronavirus vaccines could boost economic activity in the second half of the year.

Table 3 : Growth Outlook of Selected Countries in 2021

	Growth (%)
China	8.1
US	5.1
Japan	3.1
Singapore	4.0 to 6.0
Malaysia	7.0

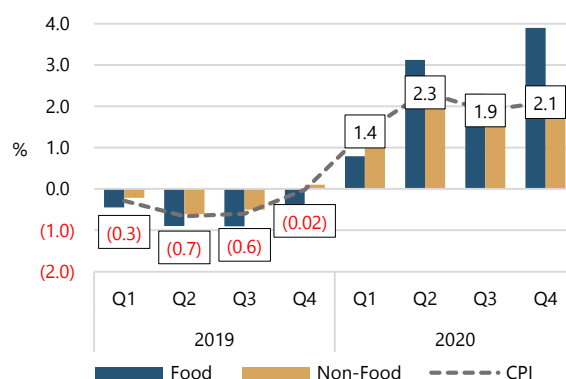
Source: International Monetary Fund

Inflation

Overview

The Consumer Price Index (CPI) rate for Q4 2020 increased to 2.1 per cent y-o-y compared to Q4 2019, marking the fourth consecutive increase recorded in 2020. Both Food Index and Non-Food Index increased by 3.9 per cent and 1.7 per cent respectively.

Exhibit 3: Consumer Price Index (% Growth y-o-y), Q1 2019 - Q4 2020



Source: Department of Economic Planning and Statistics

Food Prices

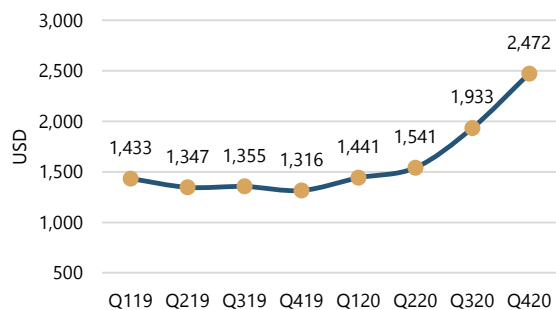
In Q4 2020, the increase in the Food Index was attributed by several sub-indices:

- Vegetables by 14.8 per cent, specifically fresh fruit type like chillies and brinjals, and fresh root type (shallots and ginger) due to seasonal factors and limited supply from countries such as Malaysia and China; and
- Meat by 4.4 per cent, specifically fresh beef and fresh chicken.

Overall, the hike in prices of food commodities was due to factors such as weather conditions, limited supply from producing countries, limited alternatives of importing countries, and increased logistic costs at the regional and global level from disrupted supply chains owing to the COVID-19 pandemic. Limited supply has been an ongoing problem however, the effect was more felt with imposed travel restrictions and consequent rise in domestic demand at the end of the year.

In addition, travel restrictions have made it difficult for local importers to bring specific officials to examine and certify the halal status of imported beef.

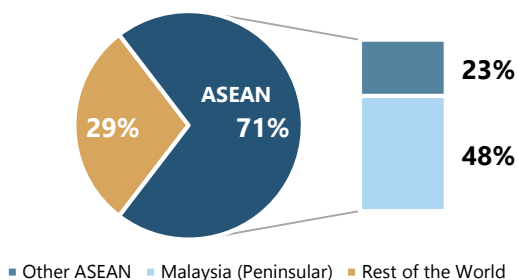
Exhibit 4: Global Container Freight Price, Q1 2019 - Q4 2020



Source: Freightos Baltic Index (FBS)

The increase in food prices in Malaysia is one of the underlying factors to imported food inflation in Brunei Darussalam. As such, Malaysia's food inflation in Q4 2020 rose by 1.4 per cent y-o-y. This is considering Malaysia as the country's main source of food imports, comprising about 48.0 per cent in 2020.

Exhibit 5: Food Imports by Trading Partners (% Share), 2020



Source: Department of Economic Planning and Statistics

Non-Food Prices

In Q4 2020, the increase in the Non-Food Index was attributed by several sub-indices:

- Transport, which increased by 4.2 per cent was mainly driven by motor car prices following upgrades in the specification of selected car models, and air fares (for essential travel) to cover operational costs from limited scheduled flights;
- Miscellaneous Goods and Services, which increased by 17.6 per cent due to an increase in the price of car insurance; and

- Education, which increased by 2.0 per cent, mainly attributed to the increase in tuition fees of selected private tertiary educational institutions.

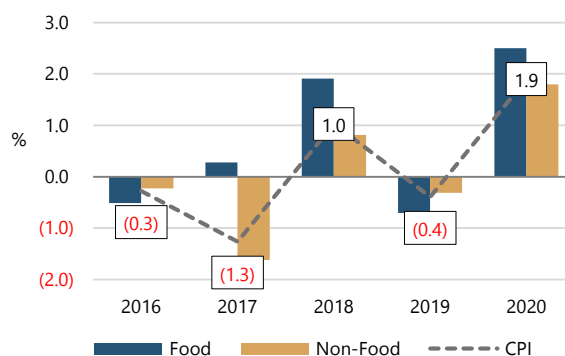
Meanwhile, several sub-indices of the Non-Food Index recorded a decrease:

- Clothing and Footwear decreased by 4.2 per cent, particularly clothing material for both men and women and scarves;
- Restaurants and Hotels experienced the fourth decline (by 0.7 per cent) weighed down by hotel promotions providing attractive family packages for the school holidays; and
- Furnishings, Household Equipment and Routine Household Maintenance fell by 0.5 per cent, specifically weighed down by goods and services for routine household maintenance, specifically wedding package and non-durable household goods.

Annual Inflation

For the whole year of 2020, inflation rose by 1.9 per cent compared to 2019 driven by increases in the Food Index and Non-Food Index by 2.5 per cent and 1.8 per cent respectively.

Exhibit 6: Annual Consumer Price Index (% Growth), 2016 - 2020



Source: Department of Economic Planning and Statistics

Increase in the Food Index was attributed to fresh fruit type and root type vegetables; soft drinks; beef and buffalo and to a smaller degree, chicken and fish. Meanwhile, the Non-Food Index was driven by Miscellaneous Goods and Services, especially car insurance; and Transport, especially prices of flight tickets and saloon cars.

Inflation Outlook

Although global inflation is expected to increase gradually in 2021 with the projected pickup in economic activities, the increase is likely to remain subdued as overall demand may continue to be weak amidst the ongoing COVID-19 pandemic. In particular, the impact of the pandemic may continue to pose downward pressures on several price indices particularly Restaurants and Hotels, and Recreation and Culture. Nevertheless, uncertainties remain around the outlook as it also hinges on the duration and intensity of the COVID-19 outbreak and thus its impact on global and domestic inflation¹.

International Merchandise Trade

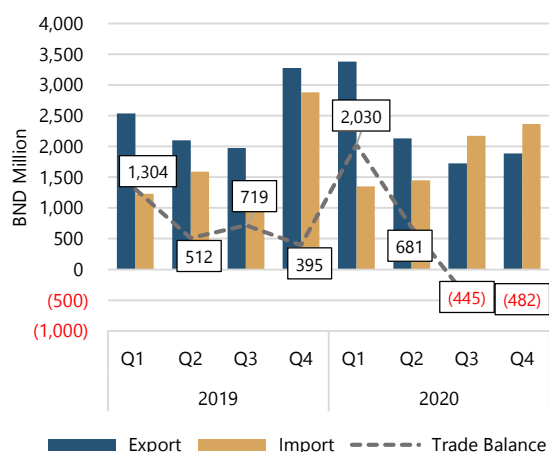
Overview

In Q4 2020, total trade decreased by 30.9 per cent y-o-y mainly due to the decrease in total exports by 42.5 per cent as well as total imports by 17.8 per cent.

This consequently turned the country's trade balance to a deficit of BND482 million.

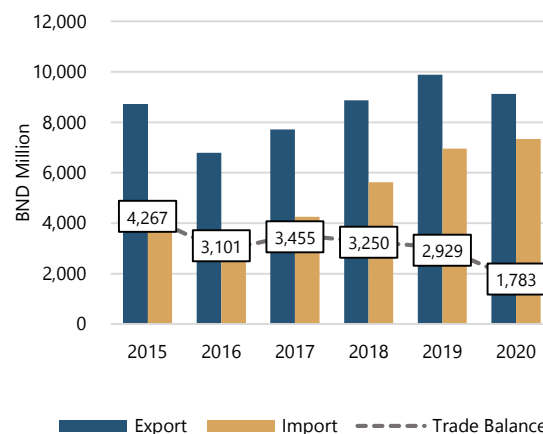
Overall, total trade for the year 2020 decreased by 2.3 per cent compared to the year 2019. This was attributed to a decrease in total exports of 7.7 per cent from 2019 despite an increase in the amount imported by 5.5 per cent from the previous year.

Exhibit 7 : Trade Statistics (Q1 2019 – Q4 2020)



Source: Ministry of Finance and Economy

Exhibit 8 : Trade Statistics (2015 – 2020)



Source: Ministry of Finance and Economy

Export Development

Despite significant development in the export of petrochemical earlier in the year, Brunei Darussalam's total exports contracted by 42.5 per cent y-o-y in this quarter. Exports continue to be impacted with weaker global demand in general amid the ongoing COVID-19 pandemic that continues to disrupt global trade activities and export value has not grown significantly compared to the previous quarter.

Table 4 : Exports (Q4 2019 & Q4 2020)

	Q4 2019 (BND Million)	Q4 2020 (BND Million)	Change (BND Million)
Domestic Exports	3,090.7	1,843.1	(1,247.6)
Re-Exports	183.6	41.1	(142.5)
Total Exports	3,274.3	1,884.2	(1,390.1)

Source: Ministry of Finance and Economy

In particular, the country's major exports declined significantly due to weakened crude oil and LNG demand that has put downward pressure on their commodity prices.

¹ Autoriti Monetari Brunei Darussalam Policy Statement 2/2020 (December 31, 2020). *Autoriti Monetari Brunei Darussalam*.

Table 5 : Major Exports (Q4 2019 & Q4 2020)

	Q4 2019 (BND Million)	Q4 2020 (BND Million)	Change (BND Million)
Crude Oil	1,128.3	346.7	(781.6)
LNG	1,090.8	609.3	(481.5)
Methanol	66.7	67.4	0.7
Total	2,285.8	1,023.3	(1,262.5)

Source: Ministry of Energy

Crude Oil, LNG and Methanol were the only major exports (Making up more than 90% of the country's total export on average (2012-2019)) prior to the operation of the new petrochemical industry in November 2019.

Due to the lower price in all three commodities and lower exports volume in crude oil and LNG, major exports shrank by almost 50.0 per cent.

Table 6 : Prices of Major Export Commodities (Q4 2019 & Q4 2020)

	Q4 2019	Q4 2020
Crude Oil (USD/barrel)	69.5	43.2
LNG (USD/MMBtu)	9.1	6.2
Methanol (USD/MT)	1,346.6	239.4

Source: Ministry of Energy

Table 7 : Volume of Major Export Commodities (Q4 2019 & Q4 2020)

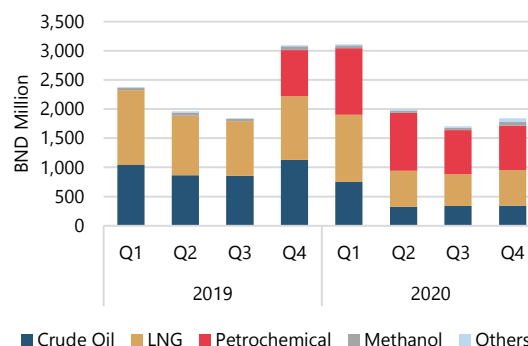
	Q4 2019	Q4 2020
Crude Oil (Thousand barrels per day)	112.8	69.5
LNG (MMBtu per day)	944,795	798,912
Methanol (MT)	237,683	210,266

Source: Ministry of Energy

Export volume decreased for both crude oil and LNG while methanol increased.

On the other hand, the petrochemical industry continues to add value in the country's overall exports, where in Q4 2020 export of petrochemical products amounted to 758.2 million.

Exhibit 9 : Domestic Exports (Q1 2019 – Q4 2020)



Source: Ministry of Finance and Economy

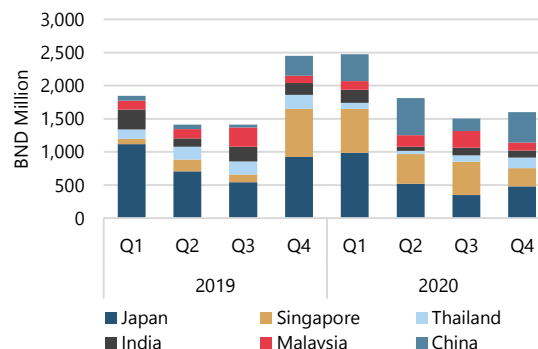
Table 8 : Domestic Exports (Q4 2019 & Q4 2020)

	Q4 2019 (BND Million)	Q4 2020 (BND Million)	Change (BND Million)
Major Exports	2,285.8	1,023.3	(1,262.5)
Petrochemical Products	792.0	758.2	(33.8)
Others	12.9	61.7	48.7
Total	3,090.7	1,843.1	(1,247.6)

Source: Ministry of Finance and Economy

In terms of export destinations, Japan was the top export partner for Brunei Darussalam in this quarter with export products comprising of mainly LNG, followed by China, comprising of mainly petrochemicals and LNG, and Singapore with refined petroleum.

Exhibit 10 : Domestic Exports (Top 6 Destinations), Q1 2019 – Q4 2020



Source: Ministry of Finance and Economy

Import Development

Brunei Darussalam's total imports decreased by 17.8 per cent y-o-y in this quarter. Despite an increase in the imports of food and chemicals, this is mostly offset by the decrease in import of mineral fuels.

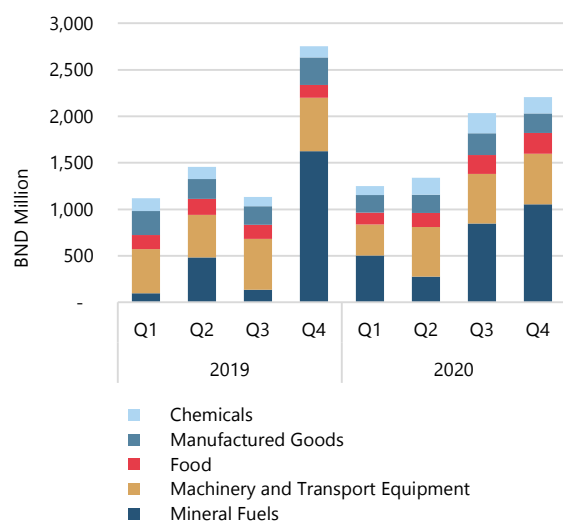
Table 9 : Imports by Commodity (Q4 2019 & Q4 2020)

	Q4 2019 (BND Million)	Q4 2020 (BND Million)	Change (BND Million)
Food	139.4	224.5	85.1
Mineral Fuels	1,624.0	1,053.6	(570.4)
Chemical	119.0	176.9	58.0
Manufactured Goods	295.2	208.1	(87.1)
Machinery & Transport Equipment	574.2	543.2	(31.0)
Others	127.3	159.6	32.3
Total	2,879.1	2,366.0	(513.1)

Source: Ministry of Finance and Economy

In Q4 2020, import of mineral fuels was significantly reduced from the previous year. This was mainly due to a decrease in imports of feedstock for petrochemical industry.

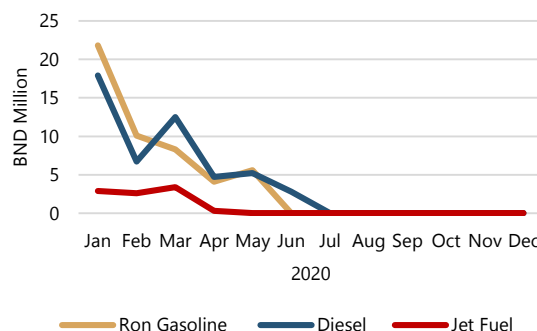
Exhibit 11 : Imports by Top 5 Commodity (Q1 2019 – Q4 2020)



Source: Ministry of Finance and Economy

Among the top five (5) imports by commodity, food and chemicals imports increased by 61.0 per cent and 48.7 per cent y-o-y respectively, while the others fell compared to Q4 2019.

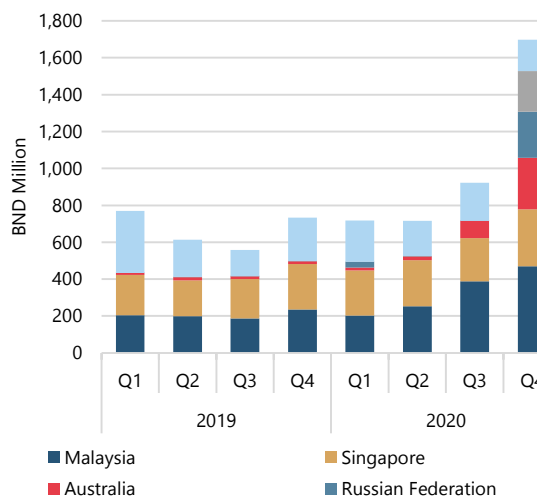
Exhibit 12 : Import of Ron Gasoline, Diesel and Jet Fuel (Jan-Dec 2020)



Source: Ministry of Energy

In Q4 2020, importation of petroleum products i.e. Ron Gasoline, Diesel and Jet Fuel remains unchanged where they were phased out completely in the previous quarter.

Exhibit 13 : Import Origins (Q1 2019 – Q4 2020)



Source: Ministry of Finance and Economy

In terms of import origins, Malaysia was the top import market with import values of BND469.5 million, comprising mostly of crude oil, medicaments, computer equipment and food items. In Q4 2020, a significant amount of crude oil was also imported from Australia, Saudi Arabia, and the Russian Federation as a feedstock for petrochemical production.

Trade Outlook

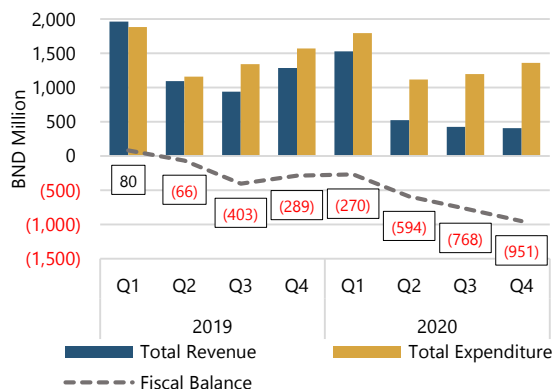
Trade outlook for Brunei Darussalam remains subdued although crude oil prices are beginning to show signs of pickup in the recent months. Notwithstanding, recovering global energy demand is likely to give a positive prospect of crude oil being traded in large volumes. Japan as Brunei Darussalam's main export partner for mineral fuels in 2020, has ambitions to increase the share of renewable energy sources moving forward, but will continue its heavy demand for LNG in 2021. At the same time, South Korea's growth for petroleum demand is reported to rise while their growth for gas demand will slow down according to Korea's Mid-Term Energy Demand Outlook. Despite this, South Korea will most likely continue to demand LNG and crude oil for energy creation in the near future. Similarly, China plans to continue to demand LNG and crude oil despite their aim to reduce reliance on non-renewable energy for 2021 onwards,

On the other hand, petrochemical demand will likely to continue increase, albeit much will depend on the pace of recovery in the global/regional demand for energy commodities and the volume of exports. Moreover, positive prospects for economic recovery and growth in China will drive demand for petrochemical products.

Government Fiscal

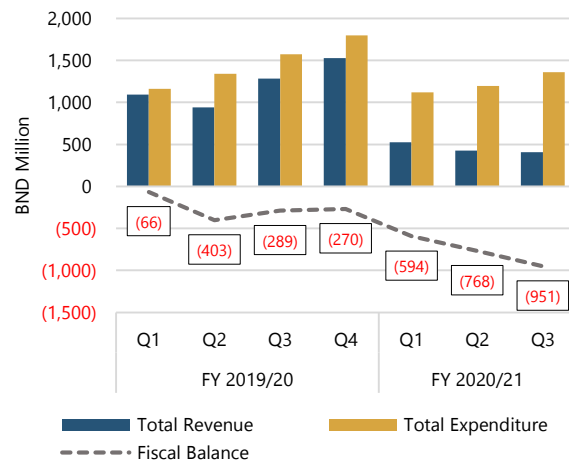
In Q4 (Oct-Dec) 2020, Brunei Darussalam fiscal deficit widened to BND951 million compared to a deficit of BND289 million in the same period last year. This was mainly due to a fall in the government revenue by BND876 million despite a decrease of expenditure by BND215 million.

Exhibit 14 : Fiscal Balance (Q1 2019 – Q4 2020)



Source: Treasury Department, Ministry of Finance and Economy

Exhibit 15 : Fiscal Balance (FY2019/2020 & 2020/2021)



Source: Treasury Department, Ministry of Finance and Economy

With oil and gas accounting for a substantial share of government revenue (63.2 per cent in Q4 2020), the decline in revenue in Q4 2020 is mirrored by steep declines in both oil and gas exports in the same quarter. Other than that, declines were also observed in government returns from investments and savings.

Meanwhile, the overall decline in government expenditure was largely due to reductions in both charged and development expenditure (by BND98 million and BND64 million respectively). In particular, the decline in development expenditure was in view of a number of major National Development Plan (RKN) projects having neared or seen completion.

To date, a total of twenty (20) RKN projects have been completed. Among these are Sultan Haji Omar 'Ali Saifuddin Bridge; Development of Pulau Muara Besar (PMB) - Phase 1; and Upgrading of Secondary Road for Serasa Industrial Sites. The completion of these projects mark a significant stride in the country's transport and logistics infrastructure development through improving connectivity, providing vital links for industry operations and supporting economic growth. In addition, the completion of the Prawn Breeding Industry Phase 4 project further signifies the country's pursuit of developing the Food Industry as one of the sectors key to the national economic diversification efforts.

Nevertheless, government expenditure on several strategic economic RKN projects remained ongoing. These include: -

- Commercial Rice Farm in the Agricultural Development Area of Kandol project in the Belait District with the objective of meeting national rice self-sufficiency targets. It is estimated that once fully operational in 2021, this project is expected to contribute 11 per cent to 15 per cent of the country's rice requirements with an estimated yield of 6,000 to 8,000 tonnes per hectare.
- Development of PMB – Phase 2 project. As such, exports from the oil refinery and petrochemical plant in PMB has amounted to BND4.4 billion since its start of commercial operation in late 2019.

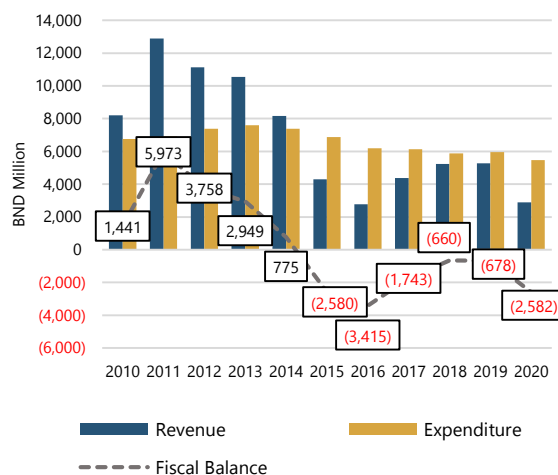
Elsewhere, several projects geared towards social development particularly in expanding and upgrading educational infrastructure are also in progress. These include the Sultan Sharif Ali Islamic University (UNISSA) project, the Rebuilding of Sultan Hassan Bangar Secondary School Temburong project and the Seri Begawan Religious Teachers University College (KUPUSB) project. Other than that, towards fulfilling national public housing needs, the Kg Tanah Jambu National Housing Phase 7 project under the National Housing Scheme is also currently ongoing.

By share of government capital expenditure, public utilities (mostly electricity) projects account for the largest share (40.0 per cent), amounting to around BND22 million. This is followed by projects related to human capital development such as I-Ready, Capacity Building Centre and Technical and Vocational Education Scholarship.

Annual Government Fiscal

As for the whole year of 2020, fiscal balance continued to record a deficit of BND2,582.2 million from a deficit of BND677.8 million in 2019 as government revenue declined sharply from BND5,282.2 million in 2019 to BND2,889.4 million in 2020.

Exhibit 16 : Fiscal Balance (2010-2020)



Source: Treasury Department, Ministry of Finance and Economy

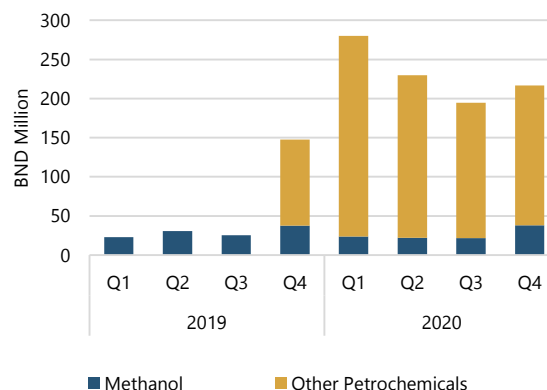
Priority Sectors Development

Downstream Oil & Gas

In the fourth quarter of 2020, the Downstream Oil & Gas Sector, comprising Manufacture of Other Petroleum and Chemical Products contributed about BND216.7 million to Gross Value Added, increasing from the BND147.8 million recorded in the same quarter of 2019.

As for the whole year of 2020, the Downstream Oil & Gas Sector contributed about BND921.2 million to Gross Value Added, a significant increase from the BND226.4 million recorded in 2019 as the petrochemical plant only started commercial production towards the end of 2019.

Exhibit 17 : Downstream Oil & Gas Sector GDP at Current Prices (Q1 2019 – Q4 2020)

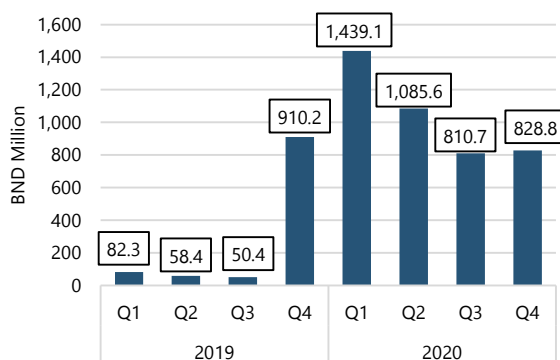


Source: Department of Economic Planning & Statistics

Meanwhile, exports from the Downstream Oil & Gas Sector amounted to BND828.8 million in Q4 2020, compared to the BND910.2 million recorded in the same quarter of 2019. This was mainly caused by lower prices for petrochemical products as exports volume generally increased y-o-y.

As for the whole year of 2020, exports from the Downstream Oil & Gas Sector amounted to BND4,165.1 million, a significant increase from the BND1,101.4 million recorded in 2019 with similar reason.

Exhibit 18 : Downstream Oil & Gas Exports (Q1 2019 – Q4 2020)



Source: Department of Economic Planning & Statistics

In other developments, Hengyi Industries Sdn Bhd has partnered with Bureau Veritas Brunei, one of the leading ISO accreditation bodies serving major oil and gas operators and other major contractor organisations in the country for the Third-Party Health, Safety and Environment Management System (HSEMS) audit service contract. The HSEMS audit service contract focusses on HSE risk management and site commissioning for Hengyi’s petrochemical plant as per the requirement by the Safety, Health and Environment National Authority (SHENA).² This collaboration marks a step forward in the country’s economic diversification efforts with positive spin-offs resulting from the development in the Downstream Oil and Gas Sector.

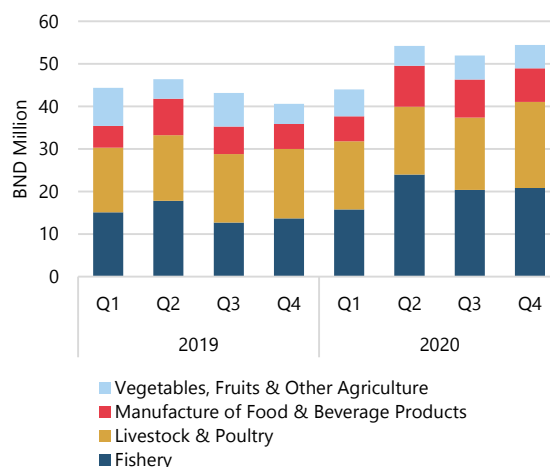
² Hengyi Industries, Bureau Veritas Brunei sign on dotted line (December 3, 2020). *Borneo Bulletin*.

Food

In the fourth quarter of 2020, the Food Sector, comprising Vegetables, Fruits & Other Agriculture, Livestock & Poultry, Fishery and Manufacture of Food & Beverage Products contributed about BND54.4 million to Gross Value Added, increasing from the BND40.6 million recorded in the same quarter of 2019.

As for the whole year of 2020, the Food Sector contributed about BND204.6 million, increasing from the BND174.5 million recorded in 2019 as domestic demand for food increased and external demand remained robust despite border restrictions.

Exhibit 19 : Food Sector GDP at Current Prices (Q1 2019 – Q4 2020)



Source: Department of Economic Planning & Statistics

By subsector, the Livestock & Poultry Subsector was valued at BND20.2 million at GDP current prices in Q4 2020 compared to BND16.3 million in Q4 2019. This improvement came from increased productions in the following commodities: -

- Broiler chicken, which increased from 6,330.1 MT in Q4 2019 to 7,218.7 MT in Q4 2020.
- Chicken eggs, which increased from 40.3 million eggs in Q4 2019 to 43.4 million eggs in Q4 2020.
- Buffalo and cattle meat, which increased from 285.0 MT in Q4 2019 to 658.0 MT in Q4 2020.
- Goat and lamb meat, which increased from 7.3 MT in Q4 2019 to 40.8 MT in Q4 2020.

For the Fishery Subsector, it was valued at BND20.8 million at GDP current prices in Q4 2020 compared to BND13.7 million in Q4 2019. This improvement was supported by increased productions in the aquaculture industry, particularly marine shrimp which increased from 117.8 MT in Q4 2019 to 1,138.4 MT in Q4 2020.

Meanwhile as for the Vegetables, Fruits & Other Agriculture Subsector, it was valued at BND5.4 million at GDP current prices in Q4 2020 compared to BND4.7 million in Q4 2019. This improvement was mainly supported by increased production of paddy from 188.2 MT in Q4 2019 to 1,235.9 MT in Q4 2020. Among the primary factors which contributed to the increase were: -

- Increase in the area of high yielding hybrid paddy cultivation, namely Sembada188, from 37.4 hectares in 2018/2019 season to 262 hectares in the 2019/2020 season.
- Opening of paddy plantation area in Kandol Agriculture Development Area (KKP), whereby for 2020, the yield from Sembada188 paddy cultivation on Phase I planting area (area of 20 hectares) has managed to produce a total of approximately 72 MT.
- Increase in average paddy productivity from 4.96 tonnes/ hectare per season in the off-season 2019 to 6.10 tonnes/ hectare per season in the main season 2019/2020.

Meanwhile, several other activities in the Vegetables, Fruits & Other Agriculture Subsector showed declines in production including vegetables and fruits (from 6.3 MT and 3.8 MT in Q4 2019 to 6.1MT and 2.5 MT respectively in Q4 2020). Among the primary factors that led to the declines were: -

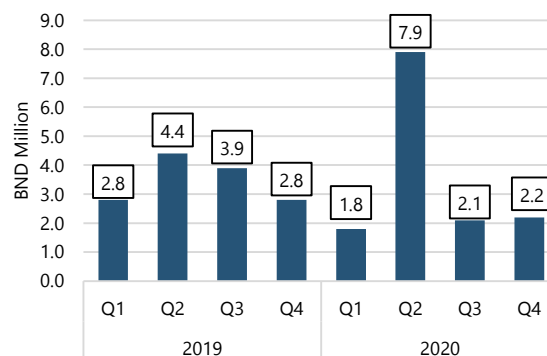
- Prolonged periods of rain which have particularly affected the performance of paddy plantations.
- Difficulties in importing agricultural input materials such as seeds and fertilizers due to the COVID-19 pandemic.

For Manufacture of Food & Beverage Products, it was valued at BND7.9 million at GDP current prices in Q4 2020 compared to BND5.8 million in Q4 2019. This improvement was supported by the increase in production of fishery processing industry from 704.6 MT in Q4 2019 to 1,005.6 MT in Q4 2020.

In terms of exports from the Food Sector, it amounted to BND2.2 million in Q4 2020, lower than the BND2.8 million recorded in the same quarter of 2019. By type of products, majority of exports in Q4 2020 were comprised of processed food products exported mainly to the United Arab Emirates and shrimp products exported mainly to Malaysia.

As for the whole year of 2020, exports from the Food Sector amounted to BND14.0 million, a modest increase from the BND13.9 million recorded in 2019.

Exhibit 20 : Food Exports (Q1 2019 – Q4 2020)



Source: Department of Economic Planning & Statistics

In other developments, several initiatives were laid out in line with the country's goal of accelerating the development of the food industry. These include: -

- With halal branding and certification as one of the major pre-requisites setting the scene for the country's growing food industry, the industry is set to benefit from the recent agreement reached between the Brunei Darussalam BIMP-EAGA Business Council (BD-BEBC) and the Taiwan External Trade Development Council (TAITRA). The agreement emphasised on promoting the development of the Halal economy in the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) region with the primary focus on Halal products and certifications³.

³ MoU gives boost for Halal economy in BIMPEAGA (December 3, 2020). *Borneo Bulletin*.

- Muara Port Company Sdn Bhd (MPC) has collaborated with the Department of Fisheries, Ministry of Primary Resources and Tourism (MPRT) to design, build, operate and maintain as part of modernisation and redevelopment plans for the Muara Fish Landing Complex⁴.
- Ten local food and beverage (F&B) businesses are looking to replicate the success of Golden Corporation (frozen blue shrimp) and Suci (distilled water) that have already exported to Japan. The ten companies including Superwater Marketing (RainFresh), Taurean Bakeshop and Cafe, Volco Ventures Company, Bruhouse (BruPhar), Sabli Food Industries, Syanisah Enterprise, Ianna Enterprise, Rizqussalam, Mori Farm, and Ghanim International Corporation (bruneihalalfoods) are undergoing a product development project with consultation sessions provided by Japan's Association of International Business Advisors (AIBA), focusing on product quality improvements and understanding Japan's import requirements. Product samples from each company are sent to Japan to be assessed and advised on the qualitative and technical specifications of their products and improvements that can be made⁵.
- In response to the Government's call for increasing productivity and consumption of local produce as well as the number of farms in Brunei Darussalam that are Good Agriculture Practice (GAP)-certified, Brunei's first online marketplace for farmers, Agrome Market, launched their retail store at DARE's Beribi Industrial Site to provide wider market access for local produce. The store enables customers to buy smaller amounts, with the majority of produce on the website sold per kilogramme. In addition, a training site is also provided for going through the Brunei GAP certification – which Agrome IQ is the sole government-endorsed trainer for⁶.
- Ghanim International Corporation has reached an agreement with Hamitan Marketing that has over 500 retail outlets nationwide for the distribution of its bruneihalalfoods products. This initiative is part of Ghanim's renewed push to increase consumption of local products within the country

and reduce reliance on imports, following the COVID-19 pandemic which disrupted global supply chains and export markets⁷.

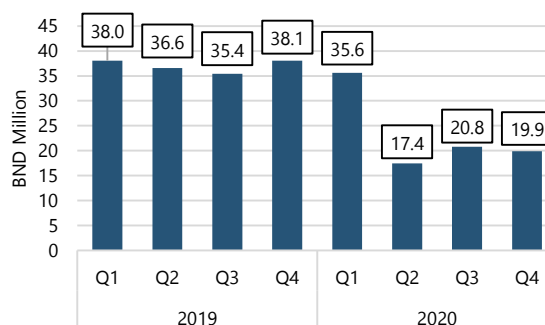
- Brunei-based Saahtain Asia has launched the world's first halal plant-based meat ready meals, Plantasi, which will be available locally and first exported to Sweden. Currently, Saahtain has the capacity to produce eight million meals annually and has been certified with HACCP and GMP. The company has also doubled its annual production capacity of halal ready meal products to eight million packs by acquiring five new processing machines for its Salambigar factory. The increased production is expected to meet growing demand for ready meals for humanitarian relief in the Middle East and Southeast Asia and emerging halal markets in the United Kingdom, Australia, and Japan. Alternatively, these product lines are not only for the use of Saahtain but also can be offered as OEM products for various Brunei start-ups⁸.

Tourism

In the fourth quarter of 2020, the Tourism Sector contributed about BND19.9 million to Gross Value Added, decreasing from the BND38.1 million recorded in the same quarter of 2019.

As for the whole year of 2020, the Tourism Sector contributed about BND93.7 million to Gross Value Added, a significant decrease from the BND148.1 million recorded in 2019.

Exhibit 21 : Tourism GDP at Current Prices (Q1 2019 – Q4 2020)



Source: Department of Economic Planning & Statistics

⁴ MPC, banks sign on dotted line (December 23, 2020). *Borneo Bulletin*.

⁵ 10 Brunei F&B manufacturers undergo export training for Japan market (December 24, 2020). *Biz Brunei*.

⁶ Agrome Market launches first retail store in Beribi (October 26, 2020). *Biz Brunei*.

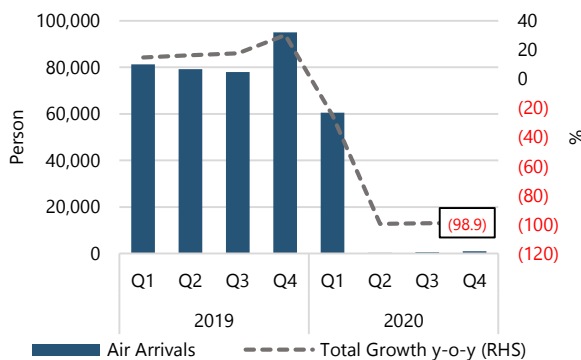
⁷ Bruneihalalfoods to be distributed nationwide with Hamitan Marketing (October 15, 2020). *Biz Brunei*.

⁸ Saahtain launches world's first halal plant-based meat ready meals (November 2, 2020). *Biz Brunei*.

The performance of the Tourism Sector continued to be underwhelmed as restrictions on non-essential travel remained in place. As such, international arrivals by air plunged (by 98.9 per cent y-o-y) for the third consecutive quarter since Q2 2020. Similarly, arrivals by sea and land declined by 95.3 per cent and 98.1 per cent respectively.

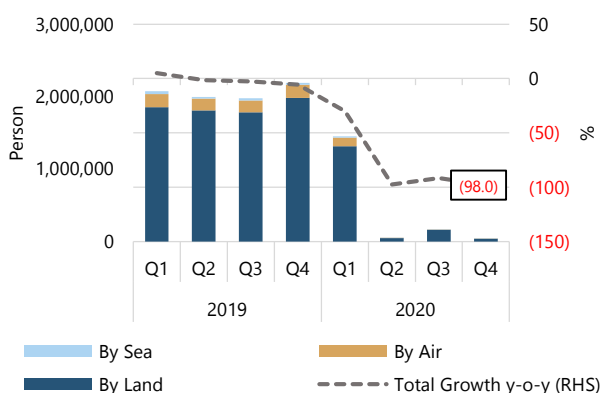
On an annual basis, international arrivals by air were down by 81.3 per cent in 2020 compared to the previous year. Meanwhile, arrivals by sea and land declined by 81.5 per cent and 79.1 per cent respectively.

Exhibit 22 : International Air Arrivals (Q1 2019 – Q4 2020)



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

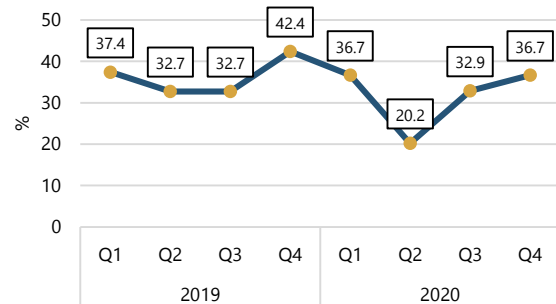
Exhibit 23 : Arrivals by Air, Sea and Land (Q1 2019 – Q4 2020)



Source: Department of Immigration, Ministry of Home Affairs

Occupancy rates in accommodation places also registered declines in Q4 2020, down on average by 36.7 per cent compared to 42.4 per cent in Q4 2019. Similarly, on an annual basis, occupancy rates averaged 31.6 per cent in 2020, the lowest recorded in the last five years⁹.

Exhibit 24 : Occupancy Rate of Hotels, Resorts, Apartments and Guest Houses (Q1 2019 – Q4 2020)



Source: Ministry of Primary Resources and Tourism

The slump in international tourist arrivals has to a large extent dampened the performance of the country's tourism industry. Notwithstanding, increased collaborative efforts have been made between the Government and businesses in order to keep the industry afloat, particularly by promoting domestic tourism.

As such, more Bruneians have spent their holidays, leisure and recreational activities within the country. Hotels with integrated facilities including pools and restaurants or that are near malls or places of interest have seen over ninety per cent occupancy almost throughout December¹⁰.

Recent months have also seen a rise in 'staycation' packages and tours: -

- MPRT has introduced its domestic tourism campaign, Selera Bruneiku (a taste of Brunei), which has seen participation of more than 40 local businesses in the tourism and hospitality industry across four districts¹¹.
- Darussalam Travel and Tours has introduced the Tutong District One Village One Product (1K1P) package, which enables visitors to explore the customs and traditions of the Tutong District¹².

⁹ Data obtained from the Ministry of Primary Resources and Tourism on occupancy rate of hotels, resorts, apartments and guest houses in Brunei Darussalam.

¹⁰ Increased production costs raise price of poultry in Brunei (December 29, 2020). *Biz Brunei*.

¹¹ More than 40 businesses join MPRT's domestic tourism campaign 'Selera Bruneiku' (November 9, 2020). *Biz Brunei*.

¹² Boost for Tutong Tourism (October, 12, 2020). *Borneo Bulletin*.

- Continental Tours and Travel has introduced its first Brunei River Cruise package that allows holidaymakers to enjoy the spectacular view of Brunei's riverside landmarks at night and a relaxing evening cruise along the tranquil Brunei River¹³.

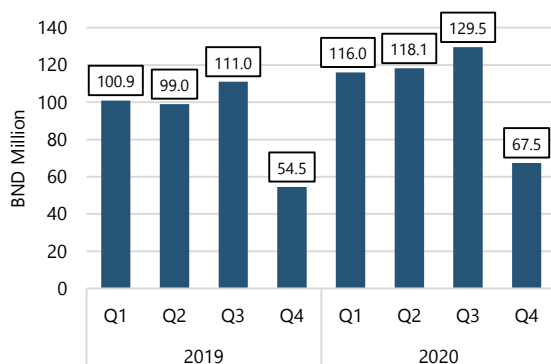
Looking ahead, the short to medium-term outlook of the Tourism Sector remains on the downside as it is likely to be hindered by effective travel restrictions imposed by the Government to curb the outbreak of COVID-19.

Info-Communication & Technology (ICT)

In the fourth quarter of 2020, the ICT Sector contributed about BND67.5million to Gross Value Added, increasing from the BND54.5 million recorded in the same quarter of 2019.

As for the whole year of 2020, the ICT Sector contributed about BND427.6 million, increasing from the BND362.4 million recorded in 2019.

Exhibit 25 : ICT Sector GDP at Current Prices (Q1 2019 – Q4 2020)

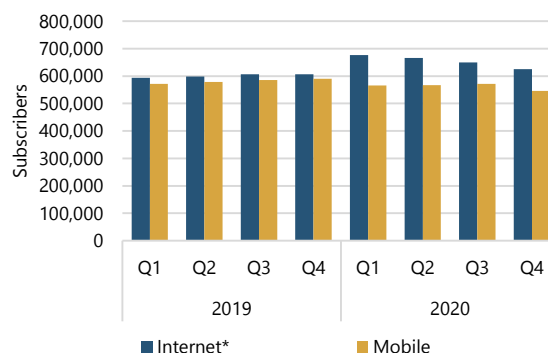


Source: Department of Economic Planning & Statistics

The improved performance of the ICT Sector in Q4 2020 was in line with the increase in the number of internet (fixed and mobile broadband) subscriptions by 3.1 per cent y-o-y despite the decline in the number of mobile subscriptions by 7.6 per cent y-o-y.

Similarly, on an annual basis, the ICT Sector's improvement was mirrored by the increase in the number of internet (fixed and mobile broadband) subscriptions by 8.8 per cent despite the decrease in the number of mobile subscriptions by 3.3 per cent.

Exhibit 26 : Internet and Mobile Subscriptions (Q1 2019 – Q4 2020)



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

*Internet subscriptions only include fixed and mobile broadband subscriptions.

In other developments, local banks such as BIBD has reported a rapid growth in digital adoption amid the COVID-19 pandemic. The bank's e-wallet solution, QuickPay, has seen a 200.0 per cent increase in digital transactions, while its ATM cash withdrawal services have dropped by 7.0 per cent¹⁴. This shift in trend perhaps offers a glimpse of the society's readiness to embrace cashless payments as we move towards a digital economy.

Meanwhile, a number of initiatives were put into practice in line with the country's pursuit of becoming a smart nation and embracing the digital economy. These include: -

- AiTi has partnered with local startup, Beep Digital Solutions in a pilot project that gives targeted businesses such as parking lots, laundromats and convenience stores incentives to adopt a cashless payment system¹⁵.

¹³ Continental Tours River Cruise: Magical Sunset, Starry Night Along Brunei River (October 26, 2020). *The Bruneian News*.

¹⁴ COVID-19 drives 116% growth in interbank fund transfers: AMBD Banks report significant rise in digital payments as consumers take advantage of bank fee waiver (December 10, 2020). *The Scoop*.

¹⁵ Pilot project offers incentives for businesses to go cashless AITI partners with Beep Digital Solutions to accelerate drive towards a cashless society (November 27, 2020). *The Scoop*.

- DARE LINKS, an online directory listing business opportunities have enabled established businesses to save BND30,000 in sourcing costs by advertising their business opportunities for micro, small and medium enterprises (MSMEs). Since 2019, 81 MSMEs have registered as vendors and 16 large companies have signed on as partners on the portal. Successful linkages through the portal include the provision of housekeeping services for Armada, in-flight supplies for Royal Brunei Airlines and operating a coffee outlet at Pantai Jerudong Specialist Centre¹⁶.
- Recognising the need to provide diversity in the local market for the ease and growth of businesses through the latest in technology and expertise, imagine Sdn Bhd has partnered with Stratq Group, a multinational Malaysia-based ICT solutions provider that has established links with notable partners such as Amazon, VMWare and Microsoft. Through this initiative, it will open up wider opportunities for Bruneian companies to enhance their services for the general population¹⁷.
- Brunei based software company, Modasys Technology recently launched HeloBn, a one-stop app or platform that gives local businesses the opportunity to showcase and promote their products and services all under one roof¹⁸.
- Two of Nuara Group's Enterprise Resource Planning (ERP) software, HSE Management NuaraSAFE and supply chain management Nuara ePRO have become the first Brunei-made IT solutions to be listed on Microsoft's Azure and AppSource marketplaces. Meanwhile, its human resource management solution NuaraHR is currently in the pipeline for both marketplaces. Through these listing, the company's ERP will feature a cloud-based functionality that will enable data analytics and real-time reporting to provide clients with more detail and convenience that can help streamline business operations¹⁹.
- Datastream Digital Sdn Bhd (DST) recently launched InnoConnect, a data exchange platform, that can be securely and seamlessly accessed by various stakeholders, particularly local developers, allowing partnership opportunities for co-creation of products and services together with DST²⁰.
- DSTIncomm, the retail arm of DST launched letsbuy.com.bn, an online marketplace portal that provides a platform for small and medium enterprises (SMEs) to run online businesses with little start-up costs and a secure payment gateway²¹.
- BruXchange, the country's first online currency booking platform has been launched offering up a safe, reliable and easy-to-use booking platform and allowing reservation of foreign currency. Moving forward, there are plans for the platform to be licensed to other money changers in the country²².
- Darussalam Enterprise (DARE) has launched an online store housing premium local products including fashion, cosmetics, handicrafts, textiles and jewelry for its newly rebranded Bruneian Made Finest platform. The platform is a market access initiative by DARE to help local producers increase exposure for their products and provide new channels for sales in high traffic areas²³.

Services

In the fourth quarter of 2020, the Services Sector, comprising activities of Wholesale & Retail Trade, Business Services and Transport & Logistics contributed about BND385.8 million to Gross Value Added, increasing slightly from the BND384.9 million recorded in the same quarter of 2019.

As for the whole year of 2020, the Services Sector contributed about BND1,619.7 million, increasing from the BND1,548.8 million recorded in 2019.

¹⁶ Established businesses connecting with MSMEs through DARE LINKS (December 22, 2020). *Biz Brunei*.

¹⁷ New partnership widens opportunities for customers (October 8, 2020). *Borneo Bulletin*.

¹⁸ HeloBN: the one-stop platform for everything Brunei (October 13, 2020). *The Bruneian News*.

¹⁹ Nuara becomes first Brunei company to list ERP solutions on Microsoft marketplaces (October 14, 2020). *Biz Brunei*.

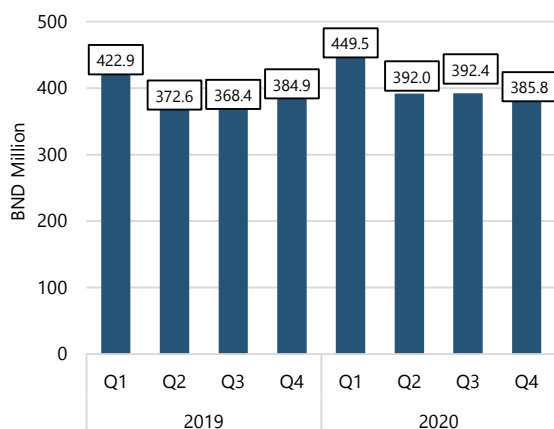
²⁰ InnoConnect powering digital transformation in Brunei (October 14, 2020). *Borneo Bulletin*.

²¹ New marketplace portal for SMEs (October 17, 2020). *Borneo Bulletin*.

²² BruXchange: digital money changer to bring seamless user experience (October 5, 2020). *The Bruneian News*.

²³ DARE's Bruneian Made Finest launches online store and display shelves (December 4, 2020). *Biz Brunei*.

Exhibit 27 : Services Sector GDP at Current Prices (Q1 2019 – Q4 2020)



Source: Department of Economic Planning & Statistics

In particular, Wholesale & Retail Trade showed encouraging developments in Q4 2020 supported by the 11.9 per cent y-o-y increase in retail sales following restrictions on outbound travel due to the COVID-19 outbreak. This has led to an increase in the consumer demand for goods such as computer and telecommunication equipment, recreational goods, electrical appliances and lighting equipment, pharmaceutical and medical items as well as cosmetics and toiletries.

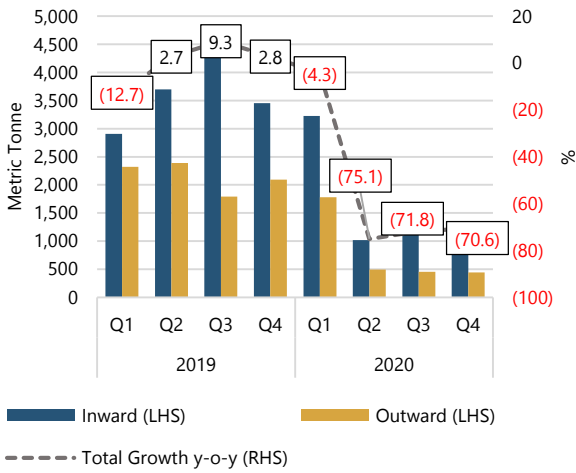
Table 10 : Value of Sales and Growth Rate by Activity (Q4 2020)

	Q4 2020 Index (2017 = 100)	Value of Sales (BND Million)	Growth y-o-y (%)
Department Store	17.3	136.1	9.0
Supermarket	14.5	62.8	6.0
Mini Mart	3.5	10.9	1.8
Food and Beverages in Specialised Stores	2.3	7.0	(0.4)
Petrol Station	1.9	42.6	(1.3)
Computer & Telecommunications Equipment	83.4	32.9	23.7
Textiles, Wearing Apparel & Footwear	14.7	16.8	41.1
Hardware, Paints and Glass in Specialised Stores	23.1	27.2	22.6
Furniture & Household Equipment	34.9	15.8	17.5
Electrical Household Appliances and Lighting Equipment in Specialised Stores	53.0	37.7	21.6
Books, Newspapers and Stationery in Specialised Stores	0.1	7.0	87.5
Recreational Goods	29.5	10.6	14.4
Pharmaceutical and Medical Goods, Cosmetic and Toilet Articles in Specialized Stores	26.5	11.1	5.7
Watches & Jewellery	22.3	13.6	9.7
Others	20.7	23.4	7.7
Total	21.3	455.6	11.9

Source: Department of Economic Planning and Statistics

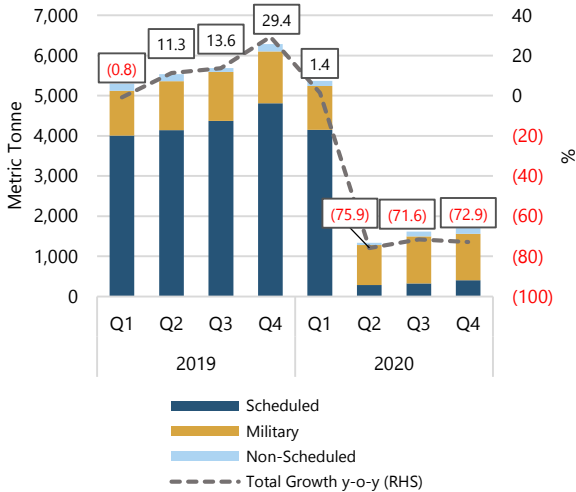
Meanwhile, in Transport & Logistics, both air and sea freight volumes continued its downward trend exacerbated by effective border restrictions.

Exhibit 28 : Air Freight Activity (Q1 2019 – Q4 2020)



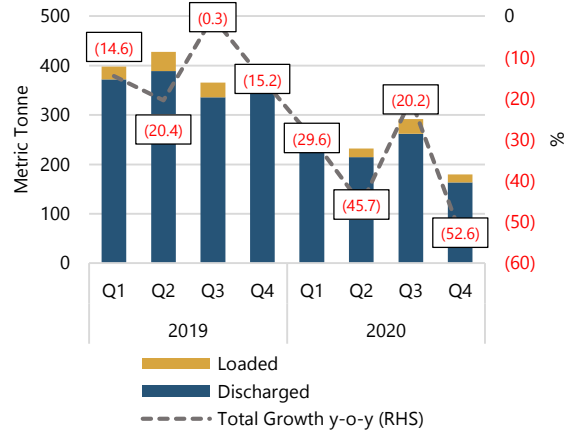
Source: Ministry of Transport and Info-Communications

Exhibit 29 : Aircraft Movements (Q1 2019 – Q4 2020)



Source: Ministry of Transport and Info-Communications

Exhibit 30 : Sea Freight Activity (Q1 2019 – Q4 2020)



Source: Maritime and Port Authority Brunei Darussalam

In terms of the main goods exported and imported via each transport medium (air, sea and land) in Q4 2020, they are as shown in Table 11: -

Table 11 : Main Exports and Imports in weight/volume by Logistic Medium (Q4 2020)

	Main Exports	Main Imports
Air	Machinery parts,	Medicaments, Machinery parts
Sea	Mineral fuels	Mineral fuels, Vehicles, Machinery parts
Land	Disinfectants, Wire nails	Medicaments, Animal feed, Food