



Q2 2021

BRUNEI DARUSSALAM KEY ECONOMIC DEVELOPMENTS

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

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Brunei Economy

Q2 2021



GDP



GDP fell by

-2.1%



Oil & Gas
-4.7%



Non-Oil & Gas
0.9%

Prices



CPI rose by

1.3%



Food
1.3%



Non-Food
1.3%

Fiscal

-293m



Fiscal Deficit



Revenue
792m



Expenditure
1.1b

Trade



-25m

Trade Deficit



Exports
3.59b



Imports
3.61b

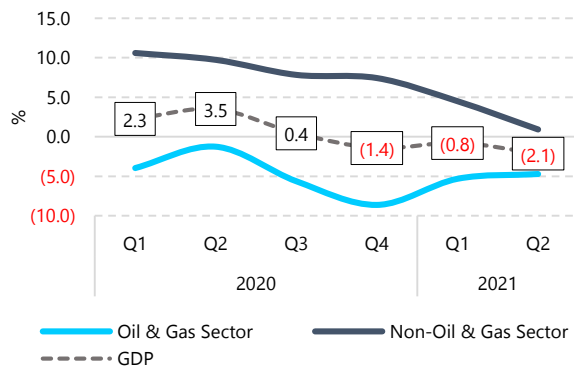
Gross Domestic Product

Overview

Brunei Darussalam's economy entered its third successive quarter of negative growths, down by 2.1 per cent year-on-year (y-o-y) in Q2 2021. The setback came despite the Non-Oil and Gas Sector extending its streak of growth upturns since Q3 2018, edging 0.9 per cent in this quarter.

Nevertheless, the overall economic growth was inevitably weakened by prolonged contractions in the Oil and Gas Sector, which tumbled 4.7 per cent in Q2 2021.

Exhibit 1 : GDP Growth, Q1 2020 - Q2 2021



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 and natural gas production was due to shutdown turnaround activities. Meanwhile, the decline in LNG production was due to limited gas supply and maintenance activities at one of the LNG plant facilities.

Non-Oil & Gas Performance

The improvement in the Non-Oil & Gas Sector is underpinned by double-digit growths registered in several subsectors as follows:

- Wholesale and Retail Trade by 11.8 per cent, spurred by robust domestic demand amid effective non-essential travel restrictions and the Aidilfitri festive season in mid-May 2021. The increase in this subsector is also reflected in rising

retail sales of department stores; and textiles, wearing apparel & footwear in Q2 2021;

- Restaurants by 32.4 per cent, buoyed by strong domestic demand as non-essential travel restrictions remained intact;
- Electricity and Water by 10.7 per cent mainly due to higher electricity production in line with increased electricity consumption by commercial, public and industry; and
- Agriculture, Forestry & Fishery by 12.9 per cent on the back of increased production of subsectors such as fisheries, livestock & poultry, and forestry. For fisheries, higher production was observed in the capture industry stemming from small-scale fishermen while increased production of farm prawns was the primary contributor to the increase in the aquaculture industry. As for livestock & poultry, the increase is associated with an expansion in the production of buffalo meat, goat meat, broiler meat and chicken eggs. Meanwhile, Forestry reported an increase in round timber production in line with higher demand from industries.

Furthermore, the Health Services Subsector also expanded by 8.7 per cent in line with the rise in both private and Government health services activities.

Table 1 : Growth of Selected Non-Oil & Gas Sectors, Q2 2021

	Growth (%)
Wholesale and Retail Trade	11.8
Restaurant	32.4
Electricity And Water	10.7
Agriculture, Forestry And Fishery	12.9
Health Services	8.7
Transportation	(1.8)
Business Services	(1.8)
Construction	(6.2)
Manufacturing	(6.5)
Finance	(9.1)

Source: Department of Economic Planning and Statistics

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

- Finance by 9.1 per cent, weighed down by lowered performance in banking and insurance activities. The decline in banking activities was due to lower income from offshore placements. Meanwhile, the decline in insurance activities was due to higher claims of life insurance;
- Manufacturing by 6.5 per cent, mainly due to a slowdown in the downstream activities, amid lower demand and production of diesel, jet fuel, and mixed aromatics. Meanwhile, the production of methanol also declined, marred by shutdown turnaround activities in June and few unscheduled plant shutdowns;
- Construction by 6.2 per cent due to declines in both Government and private construction; and
- Transportation by 1.8 per cent mainly due to negative growth in water transport in view of lower exports of LNG.

GDP by Expenditure

By expenditure approach, the negative GDP growth was mainly due to lower external demand (exports of goods and services), down by 10.9 per cent¹. A fall in the volume of major export items such as crude oil, LNG, and methanol primarily led to the decline in goods export while services export fell in view of less construction activities.

Domestic demand, on the other hand, notched a 10.4 per cent increase, backed by higher Government final consumption expenditure, gross capital formation (particularly private investment) and household final consumption expenditure.

In particular, Government final consumption expenditure rose on account of higher charged expenditure. As for private gross capital formation, the rise was supported by increased investments in both construction & machinery equipment. Meanwhile, the increase in private final consumption expenditure was largely attributable to higher expenditure on textiles, wearing apparel & footwear; food & beverages; and hardware, paints & glass.

Table 2 : GDP by Expenditure, Q2 2020 & Q2 2021

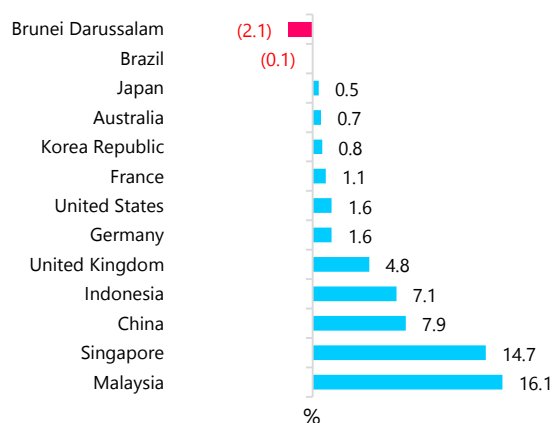
	Q2 2020 (BND Million)	Q2 2021 (BND Million)	Growth (%)
Domestic Demand	3,305.3	3,650.1	10.4
Government Final Consumption Expenditure	844.7	866.6	2.6
Household Final Consumption Expenditure	889.4	1,013.1	13.9
Gross Fixed Capital Formation	1,571.3	1,770.4	12.7
External Demand	3,409.9	3,037.9	(10.9)
Exports	3,409.9	3,037.9	(10.9)
GDP	4,785.4	4,683.5	(2.1)

Source: Department of Economic Planning and Statistics

Global Economic Developments

According to Organisation for Economic Co-operation and Development (OECD), most countries have recovered faster than expected after implementing an aggressive strategy in their COVID-19 vaccine rollout campaigns.

Exhibit 2 : GDP Growth of Selected Countries, Q2 2021



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

Our neighbouring countries such as Malaysia, Singapore, and Indonesia recorded high GDP growth in Q2 2021. The strong growth was mainly due to the low base in the second quarter of 2020 as they implemented strict measures to control the outbreak of the COVID-19 pandemic.

In Q2 2021, Malaysia's GDP grew by 16.1 per cent mainly due to continuous growth in the

¹ calculated at constant prices.

Manufacturing Subsector and rebound of the Services Subsector. The increase in the manufacturing activities was driven by petroleum, chemicals, rubber & plastics products; electrical, electronic & optical products; transport equipment, other manufacturing & repair; and non-metallic mineral products, base metals, and fabricated metal products. Meanwhile, the Services Sectors performed well due to activities such as wholesale and retail trade, finance & insurance, transportation & storage, information and communications, and food & beverage and accommodation².

Singapore also experienced a significant growth of 14.7 per cent due to an increase in the subsectors such as manufacturing; construction; wholesale & retail trade; transportation & storage; information & communication; finance & insurance; and professional services³.

The United Kingdom's GDP is expected to grow by 4.8 per cent in Q2 2021, which is mainly due to the easing of the coronavirus restrictions. The main contributors to the positive performance are wholesale and retail trade, accommodation and food service activities, and education⁴.

China's economy continued to grow at a fast pace of 7.9 per cent in Q2 2021, mainly driven by improvements in retail and industrial production⁵.

Second Half 2021 Economic Outlook

The OECD has projected that most countries will continue to perform well in the second half of 2021 following the easing of measures to contain the COVID-19 pandemic, allowing more businesses to resume operations at greater normality.

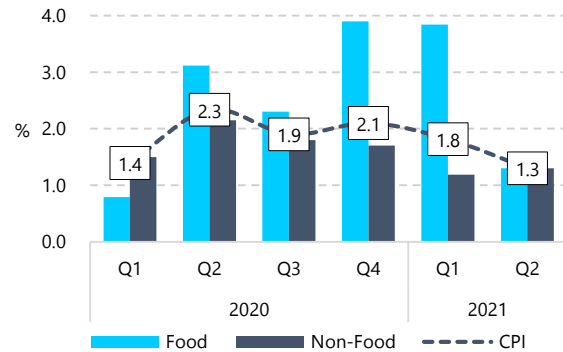
In the case of Brunei Darussalam, the second wave of the pandemic will likely have adverse implications on several services subsectors that had been severely disrupted during the first outbreak mainly due to partial lockdown measures imposed by the Government, thus casting a grim outlook for the second half of 2021.

Inflation

Overview

The Consumer Price Index (CPI) rate rose for the sixth consecutive quarter, up by 1.3 per cent in Q2 2021 compared to Q2 2020. Both the Food Index and the Non-Food Index increased by 1.3 per cent each.

Exhibit 3: Consumer Price Index (% Growth y-o-y), Q1 2020 - Q2 2021



Source: Department of Economic Planning and Statistics

Food Prices

The increase in the Food Index was attributed by several sub-indices:

- Meat by 7.9 per cent, driven by prices of beef and buffalo meat (15.9 per cent) and meat preparations (11.5 per cent) as import prices shot up by 145.8 per cent compared to the same quarter in the previous year.

Australia has extended its shipments to Brunei Darussalam starting April this year⁶. High Australian prices have been supply-driven due to drought and lower cattle inventory, causing increased competition for available supplies; and

- Oil and fats by 12.1 per cent specifically vegetable oil, palm oil and to a lesser extent, sunflower oil with increasing import prices in two (2) major exporters: Malaysia by 53.6 per cent and Indonesia by 21.9 per cent.

With the recovery of major economies, Malaysia saw a 7.0 per cent increase in output and 10.0 per cent increase in exports compared to the

² Malaysia Economic Performance Second Quarter 2021 (August 13, 2021). Department of Statistics, Malaysia.

³ Singapore's GDP grew by 14.7 Per Cent in the Second Quarter of 2021 (July 14, 2021). Ministry of Trade and Industry, Singapore.

⁴ GDP first quarterly estimate, UK: April to June 2021 (August 12, 2021). Office for National Statistics.

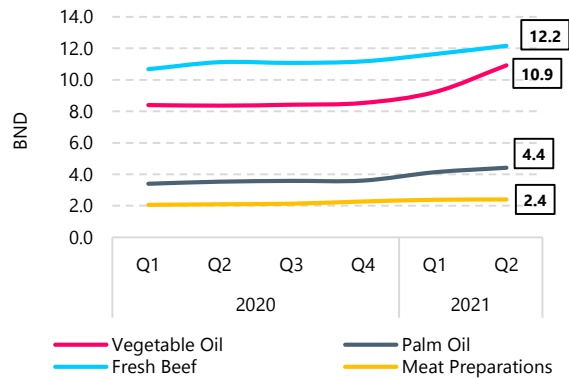
⁵ China's GDP grew 7.9% in the second quarter; retail sales beat expectations (July 14, 2021). CNBC.

⁶ SE Asia Report: Feeder prices hold above \$4/kg (June 06, 2021). Beef Central.

previous month⁷. Prices have not eased with the continued Movement Control Order and firm global demand.

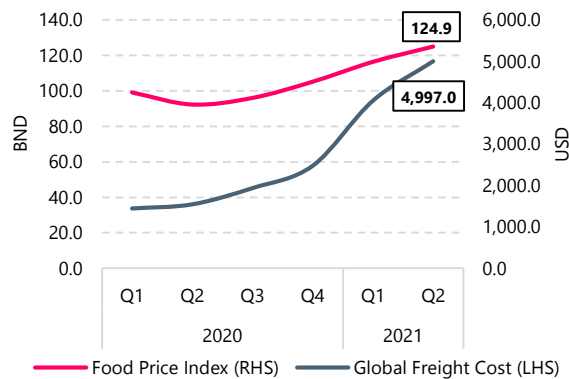
Moreover, Brunei Darussalam has bought refined palm oil from Indonesia as its lower palm olein tax and levy has made refined palm oil products more competitive⁸.

Exhibit 4: Average Prices for Selected Food Items, Q1 2020 - Q2 2021



Source: Department of Economic Planning and Statistics

Exhibit 5: Global Food Commodity Price Index and Global Container Freight Price, Q1 2020 - Q2 2021



Source: Food and Agriculture Organization; Freightos Baltic Index

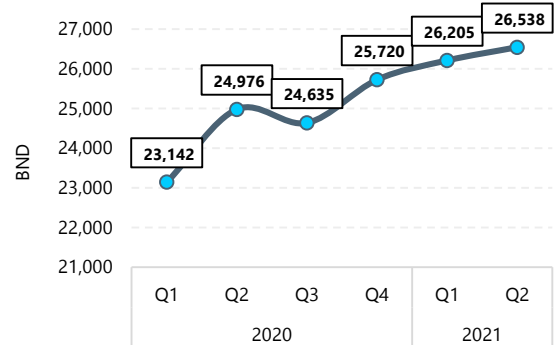
Non-Food Prices

The increase in the Non-Food Index was driven by Transport and Restaurants & Hotels:

- Transport costs continued to rise by 7.0 per cent, mainly driven by motor car prices following

upgrades in the specification of selected car models; and

Exhibit 6: Average Price of Saloon Cars, Q1 2020 - Q2 2021



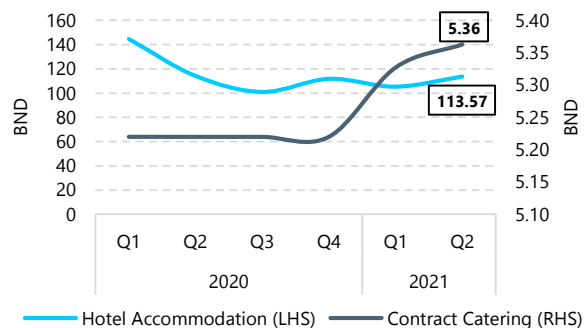
Source: Department of Economic Planning and Statistics

- Restaurants & Hotels prices edged up by 0.9 per cent due to higher costs of contract catering packages from costly food items this quarter.

Some local eateries found it difficult to continue operations due to labour shortage⁹. Restaurateurs were therefore inclined to increase menu prices to boost revenue, thus pushing restaurants prices up.

Hotel accommodation services showed negative performance (-4.6 per cent). Even so, the hotel occupancy rate showed significant growth i.e. by 64.4 per cent y-o-y. Hotels may have offered packages to attract locals seeking domestic tourism (staycation) given closed borders. This is supported by the fall in arrivals and departure by 31.6 per cent and 97.4 per cent, respectively.

Exhibit 7: Average Price - Restaurants & Hotels, Q1 2020 - Q2 2021



Source: Department of Economic Planning and Statistics

⁷ Higher CPO Prices Drive Plantation's Strong 1Q Performance (June 28, 2021). *Malaysia Palm Oil Council*.

⁸ Malaysia's End-June Palm Oil Stocks Seen Rising To Nine-Month High. *Malaysia Palm Oil Council*.

⁹ Brunei restaurants struggling to survive due to staff shortages (June 26, 2021). *The Star*.

Inflation Outlook

While the global economy continues its rebound from the pandemic with easing of restrictions and vaccination rollouts, the emergence of the Delta variant may hinder the momentum. Other than that, port congestion and container shortages have led to soaring global freight rates, peaking at USD11,109 during September, thereby may likely keep import prices elevated in the upcoming quarters.

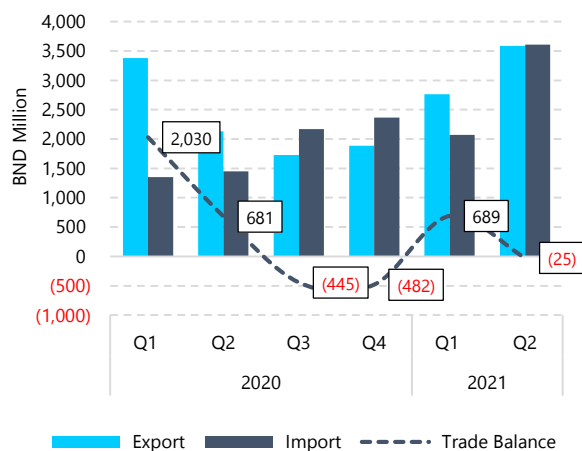
International Merchandise Trade

Overview

The past few quarters have seen total merchandise trade gradually regaining momentum, recovering from last year's heavily pandemic-induced downturn. Total exports, in particular, have risen to new heights in Q2 2021, up 68.4 per cent y-o-y, albeit was moderately eclipsed by a stronger upsurge in total imports (mainly mineral fuels) by 149.2 per cent y-o-y. Subsequently, this led to a modest trade deficit of BND24.9 million in Q2 2021.

On the other hand, total trade expressed as a percentage of GDP, came in at 154.4 per cent in Q2 2021, higher than the 90.2 per cent recorded in the same period last year. This implies that international merchandise trade had played a more influential role in driving economic growth in this quarter.

Exhibit 8 : Trade Statistics, Q1 2020 – Q2 2021



Source: Ministry of Finance and Economy

Export Development

In Q2 2021, Brunei Darussalam's total exports reached BND3,587.1 million, representing a 68.4 per cent increase from Q2 2020 and a record high since 2012. In particular, total exports have been in uptrend since Q3 2020, recovering steadily from last year during which oil prices had plunged.

Table 3 : Exports, Q2 2020 & Q2 2021

	Q2 2020 (BND Million)	Q2 2021 (BND Million)	Change (BND Million)
Domestic Exports	2,112.5	3,459.4	1,346.9
Re-Exports	17.4	127.7	110.3
Total Exports	2,129.8	3,587.1	1,457.2

Source: Ministry of Finance and Economy

Despite lower export volume for all major exports (crude oil, LNG and methanol), this was broadly offset by a sharp recovery in the prices of the major exports compared to the same period last year during which global trade activity had been severely hampered by the COVID-19 pandemic.

Table 4 : Major Exports, Q2 2020 & Q2 2021

	Q2 2020 (BND Million)	Q2 2021 (BND Million)	Change (BND Million)
Crude Oil	323.1	685.5	362.4
LNG	622.5	737.2	114.7
Methanol	34.2	56.6	22.3
Total	979.8	1,479.3	499.5

Source: Ministry of Energy

Note: 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.

Table 5 : Prices of Major Export Commodities, Q2 2020 & Q2 2021

	Q2 2020	Q2 2021
Crude Oil (USD/barrel)	28.19	69.67
LNG (USD/MMBtu)	5.23	8.26
Methanol (USD/MT)	142.27	312.33

Source: Ministry of Energy

Table 6 : Volume of Major Export Commodities, Q2 2020 & Q2 2021

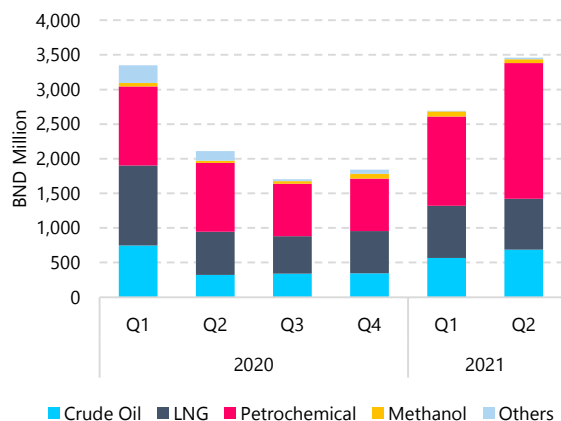
	Q2 2020	Q2 2021
Crude Oil (Thousand barrels per day)	89.2	81.1
LNG (MMBtu per day)	924,414	736,653
Methanol (MT)	169,674	135,706

Source: Ministry of Energy

Note: 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 with its highest ever contribution amounting to BND1,958.8 million in Q2 2021.

Exhibit 9 : Domestic Exports, Q1 2020 – Q1 2021



Source: Ministry of Finance and Economy

Table 7 : Domestic Exports, Q2 2020 & Q2 2021

	Q2 2020 (BND Million)	Q2 2021 (BND Million)	Change (BND Million)
Major Exports	979.8	1,479.3	499.5
Petrochemical Products	992.1	1,958.8	966.7
Others	140.6	21.4	(119.2)
Total	2,112.5	3,459.4	1,346.9

Source: Ministry of Finance and Economy

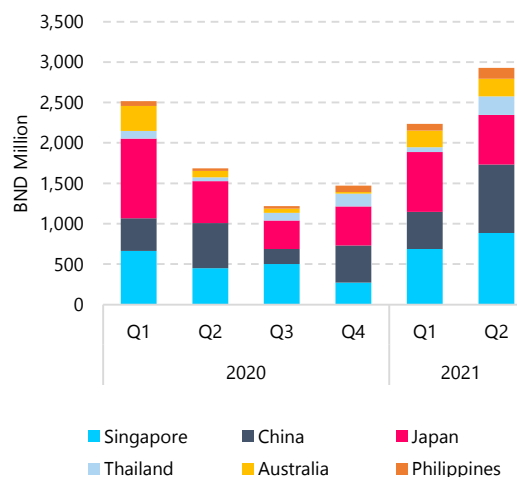
In terms of export destinations, Singapore was the top export partner for Brunei Darussalam in this quarter with export products comprising mainly of automotive fuels and other mineral fuels. Total exports to Singapore have gathered traction compared to the

previous quarters with their high demand expected to continue into 2021.

China is the second biggest export partner with export performance higher than previous quarters comprising of petrochemical products and LNG; and this trend is expected to continue into 2021.

Japan, which had been typically the leading contributor to export in the previous quarters reined in as the third biggest export partner in view of lower demand for LNG during this quarter. Export performance to Japan was, and is expected to be uncertain despite approaching the Tokyo Olympics 2021 event in the month of July. This is partly due to Japan's major investment into their unique hydrogen energy ecosystem as well as renewable sources of energy from solar that powers the entirety of Tokyo Olympics 2021. Japan aims to reduce its share of energy creation from fossil fuel sources such as LNG towards 2030 which will negatively impact their demand for LNG in the long run, as well as in the short run¹⁰.

Exhibit 10 : Domestic Exports (Top 6 Destinations), Q1 2020 – Q2 2021



Source: Ministry of Finance and Economy

Import Development

Brunei Darussalam's total imports also marked a new high, totalling BND3,612.0 million (up by 149.2 per cent) in Q2 2021. This increase was mainly due to a steep rise in mineral fuels import while import of crude materials, inedible and food also registered upticks.

¹⁰Japan sets 60% target for non-fossil energy sources by fiscal 2030 (*The Japan Times*, July 2021).

Oil and gas products accounted for 71.8 per cent of imports in this quarter while non-oil and gas imports accounted for 28.2 per cent.

Table 8 : Imports by Commodity, Q2 2020 & Q2 2021)

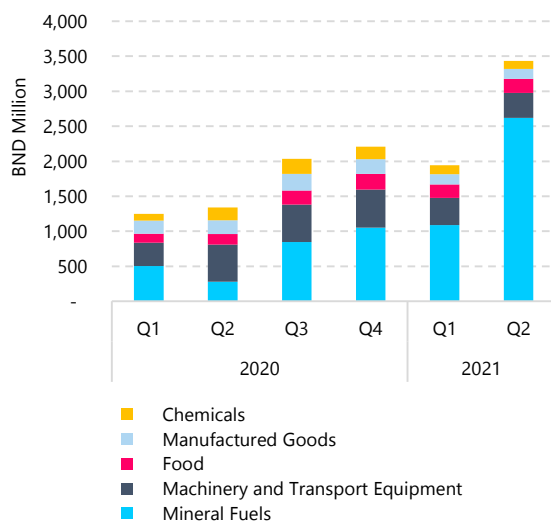
	Q2 2020 (BND Million)	Q2 2021 (BND Million)	Change (BND Million)
Food	151.1	198.8	47.7
Mineral Fuels	278.0	2,620.4	2,342.4
Chemical	181.4	113.6	(67.8)
Manufactured Goods	195.5	142.3	(53.2)
Machinery & Transport Equipment	532.3	356.6	(175.7)
Others	110.9	180.3	69.4
Total	1,449.2	3,612.0	2,162.7

Source: Ministry of Finance and Economy

In particular, mineral fuel import, mainly used as feedstock for the petrochemical industry, was significantly higher in Q2 2021 (up 842.5 per cent) compared to the same period last year during which it was weaker due to the pandemic.

On the other hand, import of food increased by 31.5 per cent, chemicals fell by 37.4 per cent; machinery and transport equipment decreased by 33.0 per cent; and manufactured goods declined by 27.2 per cent.

Exhibit 11 : Imports by Top 5 Commodity, Q1 2020 – Q2 2021



Source: Ministry of Finance and Economy

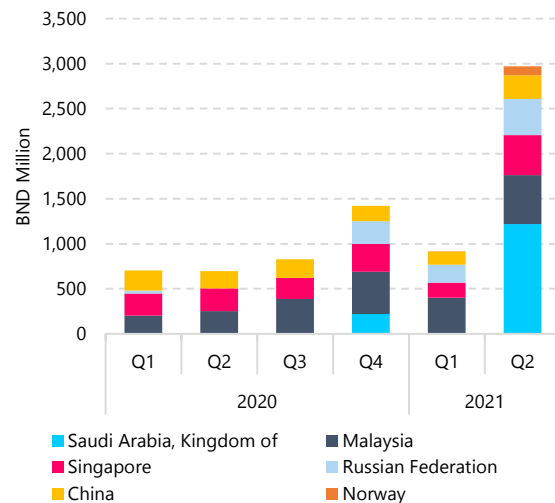
In terms of import origins, Saudi Arabia was the top import market with an import value of BND1,219.1 million comprising mainly of mineral fuels, particularly crude oil.

This is followed by Malaysia comprising mostly of mineral fuels at 56.0 per cent of their imports, medicaments at 3.4 per cent and food items at 15.8 per cent made up of aquaculture and agriculture products. Most of Brunei Darussalam's food imports are from Malaysia accounting for 43.4 per cent of total food imports in this quarter. There is a clear advantage to importing food from a nearby bordering country such as Malaysia due to the nature of food as a perishable product, resulting in a significant 46.0 per cent import of food from Malaysia by land, and 53.0 per cent by sea. The second biggest food imports are from Australia at 15.9 per cent consisting mainly of live cattle, followed by Singapore at 7.0 per cent consisting of general food products.

Imports from Singapore is the third highest in Q2 2021 consisting of crude oil at 42.9 per cent, automotive fuels at 32.1 per cent, machinery & transport equipment at 12.5 per cent.

A significant amount of mineral fuels was also imported from the Russian Federation and Norway in the form of crude oil for petrochemical production.

Exhibit 12 : Import Origins, Q1 2020 – Q2 2021



Source: Ministry of Finance and Economy

Trade Outlook

Trade outlook is mixed in the coming quarters as production target for oil and gas is lowered for the year 2021 compared to the previous year. Thus, oil and gas exports are expected to be strained in the coming quarters. Petrochemical production target on the other hand, is heightened for the year 2021 overall, leaving room for improved export performance in the coming quarters, compared to the previous year.

Average prices for major exports products have undergone great recovery and will be crucial in determining the final export value. Food exports, particularly aquaculture reached its seasonal peak this quarter and are expected to weaken in the coming quarters.

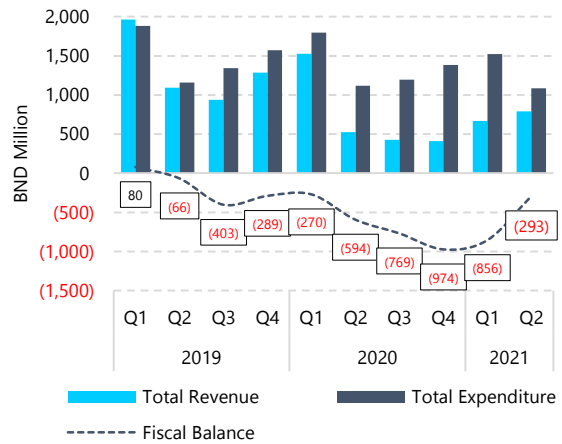
As for imports, the overall expectations are mixed for the same reason of exports due to the new COVID-19 pandemic wave. Imports are most likely to be lower however, as industry production and productivity are likely to be affected and inputs for production will not be required in the quantities to before this new pandemic wave.

Fiscal

Despite ongoing fiscal consolidation efforts by the Government, the persistent run of fiscal deficit extended to Q2 (Apr-Jun) 2021, albeit narrowing to BND293.0 million and easing gradually from the past four (4) quarters.

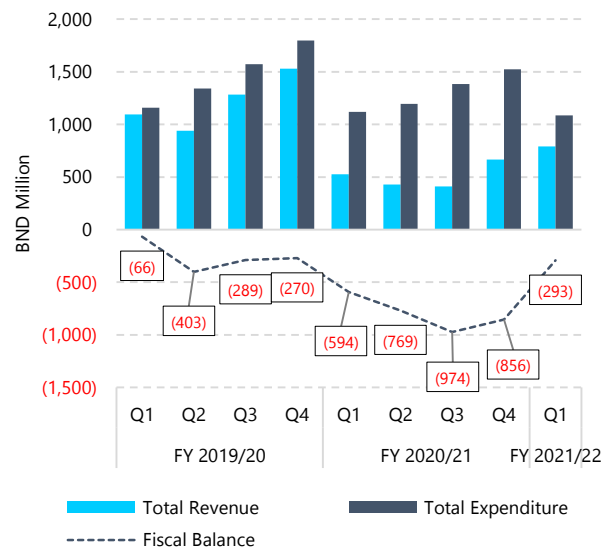
The lower shortfall in deficit is attributed to a substantial increase in fiscal revenues, amounting to BND791.5 million in Q2 2021 compared to BND525.4 million in Q2 2020. On the other hand, Government expenditure declined to BND1,084.5 million in Q2 2021 compared to BND1,119.1 million in Q2 2020.

Exhibit 13 : Fiscal Balance, Q1 2019 – Q2 2021



Source: Treasury Department, Ministry of Finance and Economy

Exhibit 14 : Fiscal Balance, FY2019/2020, 2020/2021 & 2021/2022



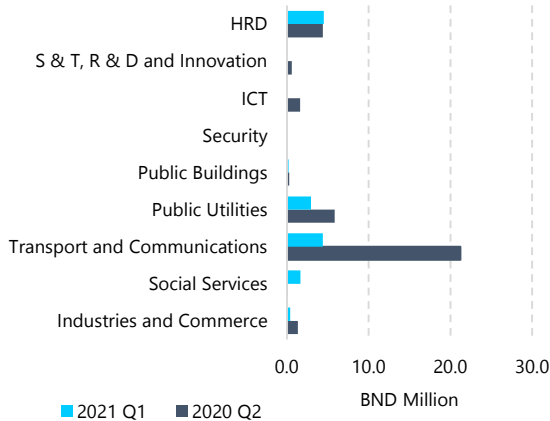
Source: Treasury Department, Ministry of Finance and Economy

Higher fiscal revenues in Q2 2021 were primarily contributed by increased oil and gas receipts as oil and LNG exports prices rebounded steadily from last year's pandemic-induced record low.

Meanwhile, the decline in fiscal expenditure was largely due to reductions in both Other Charges Annually Recurrent (OCAR) and development expenditures (by about BND50 million and BND22 million, respectively). On the other hand, there was a slight increase in personnel emoluments expenditure by BND0.3 million due to salary increment and filling up of vacant positions at the Government sector.

In terms of development expenditure, the decline in Q2 2021 was in line with a significant drop in project expenditure under the Transport and Communication sector to BND4.4 million from BND21.2 million during the same period last year. This was in view of major National Development Plan (RKN) projects having neared or seen completion.

Exhibit 15 : Main Sectors Expenditure, Q2 2020 & Q2 2021



Source: National Development Plan Division, Ministry of Finance and Economy

Nevertheless, there are other major RKN projects which are currently ongoing that would contribute to the increase in development expenditure.

Under the Industries and Commerce Sector, projects such as the Tanjong Kajar Industrial Site, the Construction of Flyover at Muara - Tutong Highway Interchange / Tanjong Kajar Industrial Site have been carried out which aim to support the development of industrial activities through providing efficient routes for the transportation of industrial materials. Currently, the Tanjong Kajar Industrial Site, which houses medium-heavy industries and services, has six (6) local companies in operation. In addition, these projects will also serve the needs of the Foreign Direct Investment (FDI) companies within the designated industrial site through an efficient road network infrastructure, especially on important routes that are close to industrial sites and major highways.

At the same time, towards the provision of an efficient road network infrastructure, projects related to the construction or improvement of new roads and bridges have also been carried out, among others, are the Improvement and Repair of Road Infrastructure

Programme, and Improvement and Repair of Bridge Infrastructure Programme.

Elsewhere, several projects under the Industries and Commerce sector are also currently ongoing, for instance, the Development Plan for Livestock Industry. By the year 2022, the Livestock industry gross output is targeted to increase to BND296.2 million from BND238.8 million in 2016. One of the initiatives to increase the production of the Livestock industry, especially in supporting the export programme, is the enhancement of veterinary laboratory services to meet the international guidelines such as Environmental, Health and Safety; International Standard of ISO/IEC 17025; and OIE Veterinary Services. Therefore, this is in line with the development of a new Centre for Research, Analysis and Reference of Livestock Diseases at agriculture development site in Terunjing.

Meanwhile, the Opening of 500 Hectare Commercial Paddy Planting, Kandol Area, Belait District (2nd Phase) is among the efforts of the government towards further increasing production as well self-sufficiency of the country's rice supply in assuring the country's food security. This commercial-scale paddy planting area has the potential to become the country's newest paddy planting area, which can yield up to 8,000 metric tonnes of paddy. Up to the second planting season (November 2020 - March 2021), Kandol plantation, with an area of 27.23 hectares, has paddy production yield almost 155 metric tonnes.

As for the Fisheries Industry, projects related to the development of sites including the improvement of site infrastructure particularly for aquaculture activities will help to increase the growth, productivity as well as exports of this industry. This project will also help to ease the process for the FDI companies to set up in the country. By the year 2022, the gross output from the aquaculture activities is expected to increase from BND9.9 million in 2016 to BND68.4 million.

Priority Sectors Developments

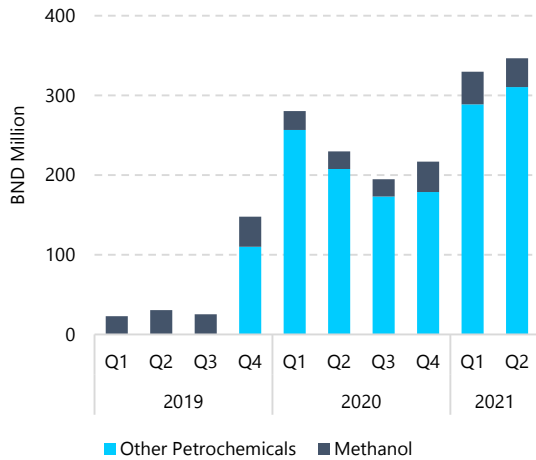
Downstream Oil & Gas

Since the onset of Hengyi Industries' Oil Refinery and Petrochemical Plant in late 2019, the Downstream Oil & Gas Sector has continued to play a pivotal role in driving the country's push for economic diversification. The sector was valued at BND346.7million in Q2 2021, rallying on a quarter-to

quarter basis and increasing significantly from the BND229.6 million reported in the same period last year.

The progress in this quarter ensued as both methanol and other petrochemical activities charted increasing GVA values. In particular, the improvement in petrochemical activities was in line with the rise in price and production of paraxylene, as well as higher prices of gasoline RON88 and diesel. On the same note, higher prices of methanol were the main contributing factor to the improvement in methanol activities whereby methanol prices averaged USD311.5 per metric tonne in Q2 2021 compared to USD142.3 per metric tonne in Q2 2020.

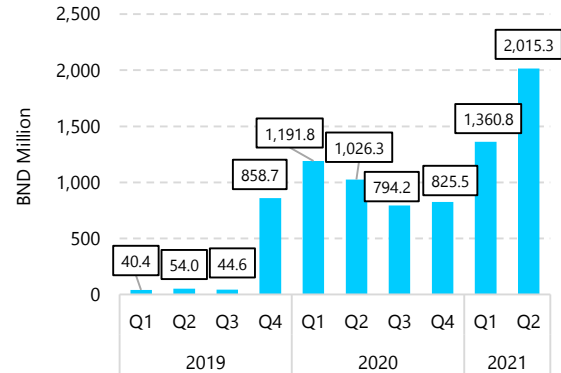
Exhibit 16 : Downstream Oil & Gas Sector GDP at Current Prices, Q1 2019 – Q2 2021



Source: Department of Economic Planning & Statistics

Meanwhile, exports from the Downstream Oil & Gas Sector amounted to BND2,015.3 million in Q2 2021, a sheer increase from the BND1,026.3 million recorded in the same period last year, backed by higher export prices.

Exhibit 17 : Downstream Oil & Gas Exports, Q1 2019 – Q2 2021



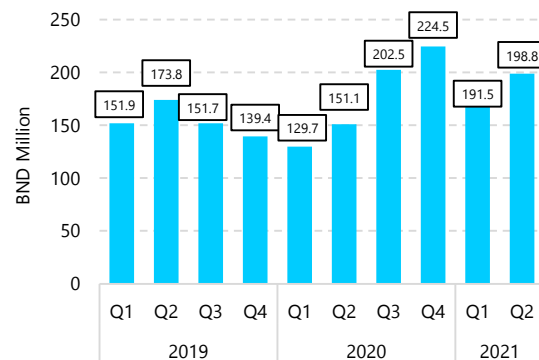
Source: Department of Economic Planning & Statistics

To date, China's Hengyi Industries is one of the largest foreign direct investment projects in Brunei Darussalam, exporting about 9 million metric tonnes of petrochemical products worth about US\$4 billion since the start of their oil refinery operations in November 2019¹¹.

Food

The COVID-19 pandemic has triggered Governments worldwide to take more drastic actions in addressing food security concerns and food supply chain disruptions accounting to heavy reliance on imports. Tellingly, pre-pandemic figures of food imports in Brunei Darussalam paint a glaring contrast to the current trend with food imports in some of the recent quarters during the pandemic period peaking higher values.

Exhibit 18 : Food Imports, Q1 2019 – Q2 2021

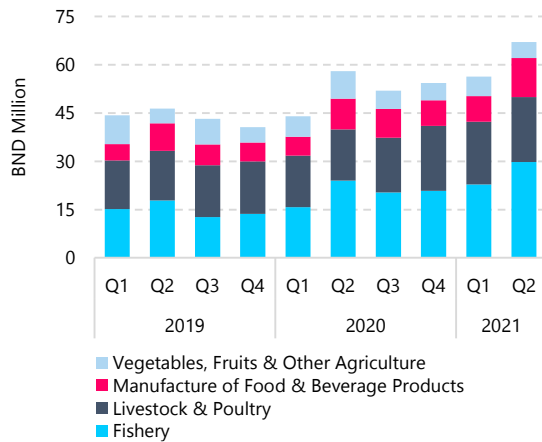


Source: Department of Economic Planning & Statistics

¹¹ Brunei-China trade up 72.5%, says Chinese envoy (April 11, 2021). The Scoop.

Nevertheless, continued efforts have been made in ramping up food production to ensure the level of food sufficiency in the country is met. As such, the GVA of the Food Sector expanded for the fourth quarter in a row since Q3 2020, yielding a resounding outturn of BND67.1 million in Q2 2021 compared to the BND58.1 million recorded in the same quarter of 2020.

Exhibit 19 : Food Sector GDP at Current Prices, Q1 2019 – Q2 2021



Source: Department of Economic Planning & Statistics

By subsector, Livestock & Poultry was valued at BND20.2 million at GDP current prices in Q2 2021 increasing from the BND16.0 million recorded in Q2 2020. This improvement came from increased productions in the following commodities:

- Broiler meat, which increased from 6,242.5 MT in Q2 2020 to 7,884.2 MT in Q2 2021;
- Chicken eggs, which increased from 42.3 million eggs in Q2 2020 to 43.6 million eggs in Q2 2021;
- Buffalo and cattle meat, which increased from 447.0 MT in Q2 2020 to 1,177.5 MT in Q2 2021; and
- Goat and sheep meat, which increased from 8.7 MT in Q2 2020 to 46.5 MT in Q2 2021.

For the Fishery Subsector, it was valued at BND29.8 million at GDP current prices in Q2 2021, higher than the BND24.0 million recorded in Q2 2020. This improvement was supported by increased productions in both the capture and the aquaculture industry. In particular, the total output of the capture

industry increased from 3,651.8 MT in Q2 2020 to 4,073.5 MT in Q2 2021. Meanwhile, the aquaculture industry continued its uptrend, driven by significant increases in marine shrimp productions, which increased from 732.3 MT in Q2 2020 to 1,070.4 MT in Q2 2021. This increase was mainly contributed by one of the Foreign Direct Investment (FDI) aquaculture companies, accounting for 741.2 MT (69.2 per cent) of overall marine shrimp productions in view of the company having practiced stocking density of shrimp seeds at a rate of 100 – 150 pcs/m².

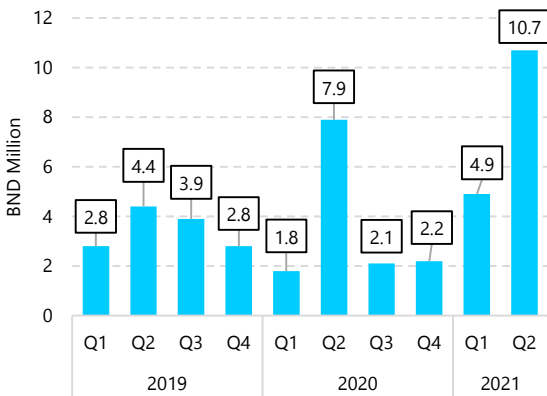
As for the Vegetables, Fruits & Other Agriculture Subsector, it was valued at BND5.0 million at GDP current prices in Q2 2021, lower than the BND8.6 million recorded in Q2 2020. The decline was due to decreased production in the following commodities:

- Paddy, which declined from 1,805.9 MT in Q2 2020 to 1,025.9 MT in Q2 2021 due to delay in harvest and to some extent, crop pests and diseases; and
- Vegetables and fruits, which declined from 2,130.7 MT and 1,867.5 MT in Q2 2020 to 1,912.9 MT and 1,415.1 MT respectively in Q2 2021.

For Manufacture of Food & Beverage Products, it was valued at BND12.1 million at GDP current prices in Q2 2021, increasing from the BND9.6 million recorded in Q2 2020, mainly attributed to higher production of processed meat and seafood products as well as animal feed.

In terms of exports from the Food Sector, it amounted to BND10.7 million in Q2 2021, the highest recorded compared to the previous quarters. By type of products, majority of exports in Q2 2021 comprised of shrimp products exported mainly to Taiwan, Japan and Singapore.

Exhibit 20 : Food Exports, Q1 2019 – Q2 2021



Source: Department of Economic Planning & Statistics

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

- The opening of a BND7 million six-hectare broiler farm in Kampong Masin operated by Ya Nur Poultry Farm is expected to strengthen local chicken production. The farm will house nine 'high-tech' chicken coops, each with a capacity of 33,000 chickens. Three of the nine coops had been completed in Phase One of the project and is expected to produce 740 metric tonnes of chicken products with an estimated value of BND3.3 million. Full completion of the project is expected to increase local broiler production by 2,200 metric tonnes per year, valued at BND10 million¹².
- The Sinaut Agricultural Training Centre is being converted into a campus for Universiti Islam Sultan Sharif Ali's (UNISSA) agriculture programmes. Faculty of Agriculture (FP) will offer academic programmes comprising Bachelor Degree, Master Degree and Doctor of Philosophy (PhD) in the field of agribusiness and followed with agrotech, aquaculture, horticulture, livestock farming and veterinary. In the near future, the FP will organise workshops that will be coordinated virtually including smart farming approach to maximise soil; soilless media and crop productivity, integrated farming techniques of fresh water prawn culture¹³.

¹² BND7m broiler farm opens (April 07, 2021). *Borneo Bulletin*.

¹³ Agriculture training centre now a UNISSA campus (Jun 16, 2021). *Borneo Bulletin*.

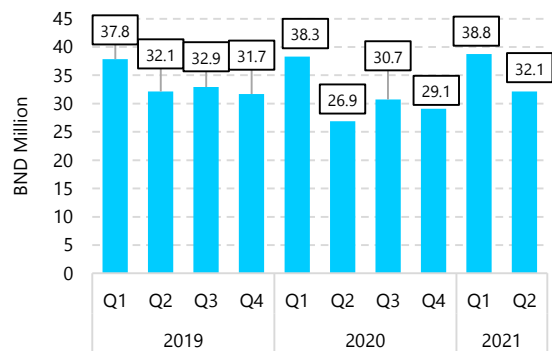
- A number of strategic initiatives have been identified through the nation's food industry roadmap key challenges in agriculture such as enhancing local business development and capacity, promoting high value-added activities including R&D through foreign direct investment (FDI) and government linked companies (GLC) and increasing productivity and profitability which include higher educational institutions. This was highlighted at the Brunei Darussalam conference on 'Agricultural Sector: Challenges and Way Forward' at the International Convention Centre¹⁴.

Tourism

The ongoing COVID-19 pandemic continues to undermine the development of the tourism industry with some countries having reported a spike in the number of infections, prompting lockdowns and re-activation of restrictive measures including extension of travel bans.

Notwithstanding, year-on-year figures reveal signs of recovery of the Tourism Sector in Brunei Darussalam in tandem with the gradual uplifting of restrictions by the Government after having successfully contained domestic infections since May 2020 up to this quarter. In particular, the Tourism Sector amounted to BND32.3 million in GVA in Q2 2021, rebounding from the record-low BND27.2 million registered in Q2 2020¹⁵.

Exhibit 21 : Tourism GDP at Current Prices, Q1 2020 – Q2 2021



Source: Department of Economic Planning & Statistics

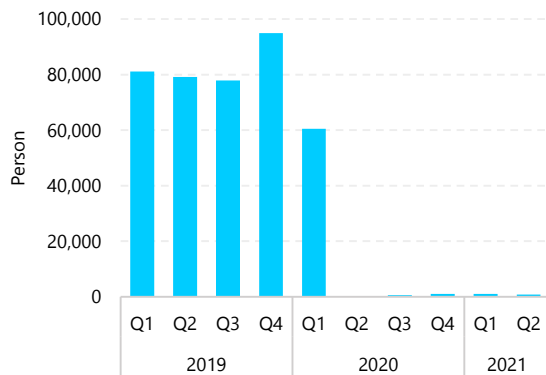
¹⁴ All efforts in to overcome agriculture challenges (Jun 13, 2021). *Borneo Bulletin*.

¹⁵ The Tourism Sector comprises GVA proportions of each of the following subsectors: Wholesale & Retail Trade, Transport, Hotels, Restaurants, Business Services and Other Private Services.

Although the Tourism Sector continues to be strained by the pandemic, domestic tourism activities have helped to cushion the blow, at least partially, benefiting from Government restrictions of cross-border movement. As such, more people have been spending locally, prompted by innovative services such as re-pricing of hotel rooms and rebranding of tourist attractions to encourage locals to sign up for 'staycations'¹⁶.

Contrastingly, international tourism activities have seen a near-complete cessation since the beginning of the coronavirus crisis with international air arrivals languishing at unprecedentedly low levels for the fifth straight quarter as restrictions on non-essential travel remained intact.

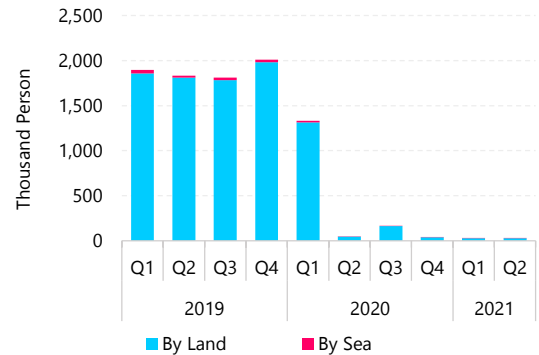
Exhibit 22 : International Air Arrivals, Q1 2019 – Q2 2021



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

Likewise, arrivals by land and sea remained at markedly low levels for the fifth consecutive quarter.

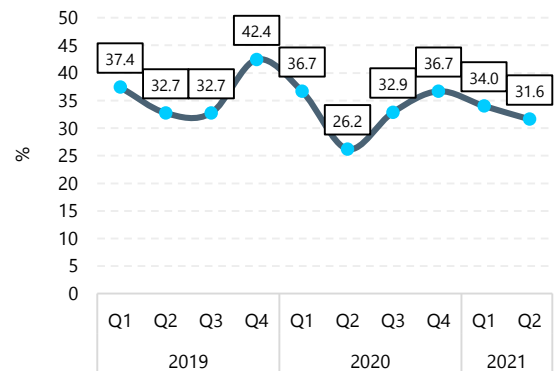
Exhibit 23 : Arrivals by Land and Sea, Q1 2019 – Q2 2021



Source: Department of Immigration, Ministry of Home Affairs

Meanwhile, in view of increased domestic tourism activities, occupancy rates in accommodation increased in Q2 2021, up on average by 31.6 per cent compared to 26.2 per cent in Q2 2020.

Exhibit 24 : Occupancy Rate of Hotels, Resorts, Apartments and Guest Houses (Q1 2019 – Q2 2021)



Source: Ministry of Primary Resources and Tourism

Looking ahead, the second wave of the COVID-19 pandemic in Brunei Darussalam has refuelled uncertainties and likely derailed revival prospects of the Tourism Sector, particularly with the emergence of the highly transmissible Delta variant triggering an upsurge in infection rates and prompting stricter containment measures. Nevertheless, encouraging news on vaccination rollouts both domestically and globally have perhaps shed light, boosting hopes of overturning the crisis. But for now, it is too early to predict the long term implications of the crisis will be for tourism, but a return to business as usual is highly unlikely.

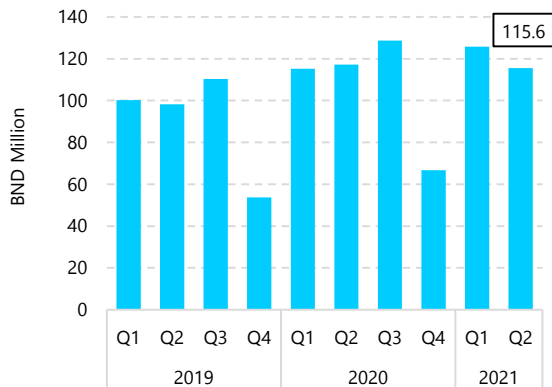
¹⁶ CSPS: Domestic tourism gains momentum amid border closures (May 13, 2021). *The Scoop*.

Info-Communication and Technology

The Info-Communication and Technology (ICT) Sector has been arguably one of the few sectors that has stood to gain from the COVID-19 pandemic with remote working and learning practices due to social-distancing and lockdown measures forcing a shift in the society's demand for ICT services and products.

Accordingly, the recent quarters since the outbreak of the pandemic in Q1 2020 have seen Brunei Darussalam's ICT Sector clinching higher GVA values. However, the sector showed a slight decline in Q2 2021, amounting to BND115.6 million compared to BND117.1 million recorded in the same period last year¹⁷.

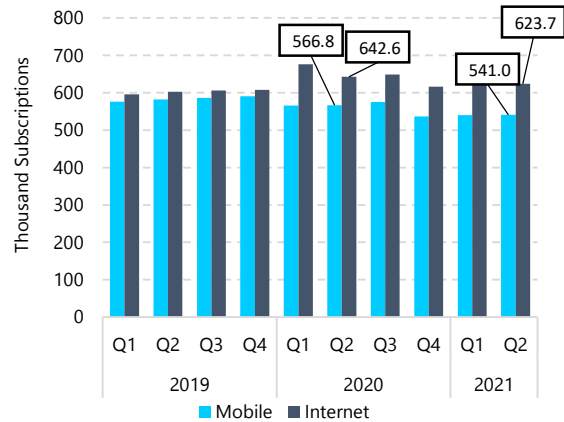
Exhibit 25: ICT Sector GDP at Current Prices, Q1 2019 – Q2 2021



Source: Department of Economic Planning & Statistics

In particular, the decline in Q2 2021 was mainly due to a fall in both the number of mobile subscriptions (by 4.5 per cent y-o-y) and internet subscriptions (by 8.7 per cent y-o-y).

Exhibit 26: Mobile and Internet Subscriptions, Q1 2019 – Q2 2021



Source: Ministry of Transport and Infocommunications

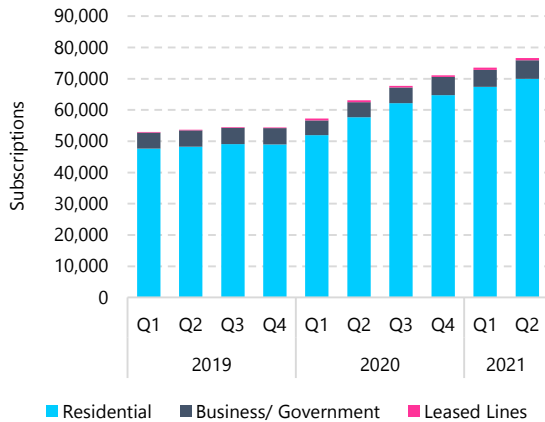
The decline in mobile subscriptions in Q2 2021 was mainly due to lower subscriptions of prepaid mobile plan in view of decreasing demand during the pandemic.

As for internet subscriptions, it was mainly pulled down by lower subscriptions of mobile broadband despite an increase in fixed broadband subscriptions. As such, fixed broadband subscriptions rose from 63,072 in Q2 2020 to 76,440 in Q2 2021, attributed mainly to residential users, followed by business and Government users:

- Residential users, increased from 57,702 in Q2 2020 to 69,912 in Q2 2021; and
- Business and Government users, increased from 4,820 in Q2 2020 to 5,989 in Q2 2021.

¹⁷ The ICT Sector comprises GVA of the following subsectors: Telecommunication, Computer Programming, Consultancy & Information Services and Publishing, Motion Pictures, Television and Radio.

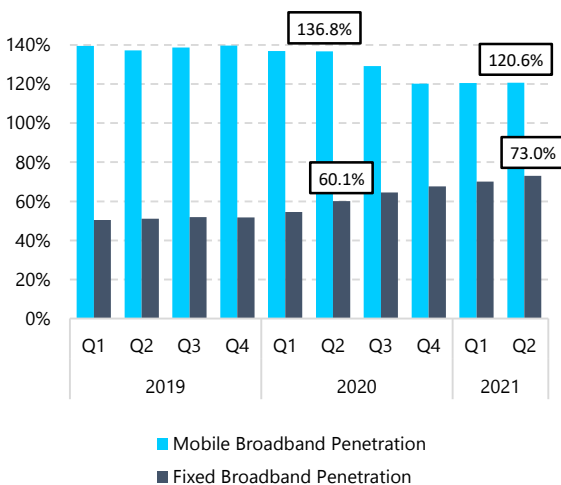
Exhibit 27: Internet Fixed Broadband Subscriptions, Q1 2019 – Q2 2021



Source: Ministry of Transport and Infocommunications

In terms of broadband penetration, mobile broadband registered a decline in penetration rate from 136.8 per cent in Q2 2020 to 120.6 per cent in Q2 2021. Meanwhile, fixed broadband penetration rate rose from 60.1 per cent to 73.0 per cent during the same period in line with the increased subscriptions, indicating increasing access to internet using fixed broadband.

Exhibit 28: Internet Mobile Broadband and Fixed Broadband Penetration, Q1 2019 – Q2 2021



Source: Ministry of Transport and Infocommunications

In other developments, as part of cyber security initiatives, the Authority for Info-communications Technology Industry of Brunei Darussalam (AITI) as the Interim Data Office is developing a new law for

the protection of individuals' personal data which will apply to the private sector in Brunei Darussalam. The new data protection law will help businesses ensure that personal data is secure and properly protected¹⁸.

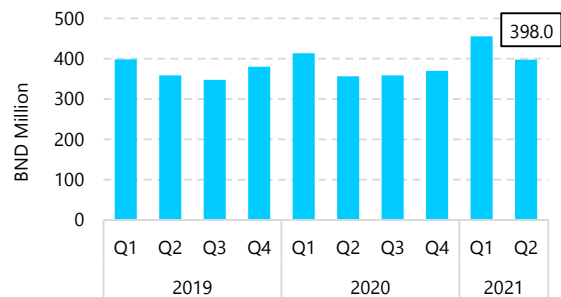
Meanwhile, MyDST, the mobile app and website developed by Multi-Sys Technology Corporation together with DST, was recently completed. The platform has a much user-friendly interface for both existing and newly added services thus improving customer digital experience and enabling subscribers to manage their DST accounts online¹⁹.

Services

Across the globe, the services industry has been dealt a huge blow by the ongoing COVID-19 crisis due to mobility curbs and social distancing measures. In the contrary, the Services Sector in Brunei Darussalam has shown resilience with GVA values since the first outbreak hovering steadily at about pre-pandemic levels. Although several subsectors, particularly Transport & Logistics, have been adversely affected by the pandemic, Wholesale & Retail Trade has remained firm, benefitting largely from effective border closures.

As of Q2 2021, the Services Sector, comprising activities of Wholesale & Retail Trade, Business Services and Transport & Logistics contributed about BND398.0 million to GVA, easing from the previous quarter's peak of BND455.5 million. Nevertheless on a y-o-y basis, this represented a marginal increase from the BND392.1 million logged in Q2 2020²⁰.

Exhibit 29 : Services Sector GDP at Current Prices (Q1 2019 – Q2 2021)



Source: Department of Economic Planning & Statistics

¹⁸ New law to protect personal data (May 22, 2021). *Borneo Bulletin*.

¹⁹ DST launches mobile app jointly developed by MultiSys (May 5, 2021). *Borneo Bulletin*.

²⁰ The Services Sector comprises GVA proportions of each of the following subsectors: Wholesale & Retail Trade, Transport, Business Services and Other Private Services.

In particular, the improvement in the Services Sector in this quarter was supported by a robust performance in Wholesale & Retail Trade amid effective border closures. This is reflected in the rising retail sales, up 9.9 per cent y-o-y with Department Store; Textiles, Wearing Apparel and Footwear; and Petrol Station among the activities reporting the highest increase in sales.

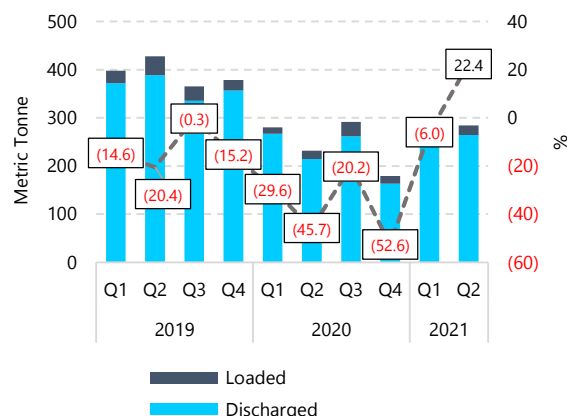
Table 9 : Value of Sales and Growth Rate by Activity, Q2 2021

	Q2 2021 Index (2017 = 100)	Value of Sales (BND Million)	Growth y-o-y (%)
Department Store	134.6	147.9	7.3
Supermarket	116.6	64.0	2.6
Mini Mart	92.8	11.1	8.6
Food and Beverages in Specialised Stores	98.0	6.1	0.2
Petrol Station	116.2	42.3	19.1
Computer & Telecommunications Equipment	101.4	22.7	(15.3)
Textiles, Wearing Apparel & Footwear	161.3	24.7	65.3
Hardware, Paints and Glass in Specialised Stores	85.0	28.3	22.3
Furniture & Household Equipment	131.1	18.4	15.8
Electrical Household Appliances and Lighting Equipment in Specialised Stores	146.1	37.7	2.9
Books, Newspapers and Stationery in Specialised Stores	55.3	3.6	20.4
Recreational Goods	120.2	7.9	(4.4)
Pharmaceutical and Medical Goods, Cosmetic and Toilet Articles in Specialized Stores	102.1	11.0	10.0
Watches & Jewellery	137.7	15.7	37.5
Others	124.8	22.9	6.2
Total	121.3	464.5	9.9

Source: Department of Economic Planning and Statistics

Meanwhile, in Transport & Logistics, sea freight activities made a sizeable recovery of 22.4 per cent (y-o-y), marking the first time it had been positive since Q2 2018. This was mainly contributed by an increase in discharged cargoes to Singapore and China.

Exhibit 30 : Sea Freight Activity, Q1 2019 - Q2 2021



Source: Maritime and Port Authority Brunei Darussalam

In terms of freight by transport medium in Q2 2021, the main type of goods exported via air was re-exports of machinery parts, particularly aviation parts. On the other hand, imported goods via air mainly comprised of medicaments, flowers as well as food products, particularly fruits and some fish.

As for sea freight, mineral fuels made up a large share of the exported goods while imports through sea were mainly comprised of mineral fuels, building materials such as cement clinkers and stone-related products as well as animal feed for poultry.

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

Table 10 : Main Exports and Imports in weight/volume by Transport Medium, Q2 2021

	<i>Main Exports</i>	<i>Main Imports</i>
Air	Machinery parts	Medicaments Food
Sea	Mineral fuels	Mineral fuels, Building materials, Animal feed
Land	Liquid containers Scrap and waste Building materials	Building materials, Animal feed Food

Source: Department of Economic Planning and Statistics

In other developments, as part of the initiatives to promote development in the Services Sector, Royal Brunei Airlines (RB) has repurposed one of its seven A320neo aircraft into a cargo carrier as it seeks to diversify its operations amid the COVID-19 pandemic and capitalise on growing air freight demand²¹.

Following the COVID-19 pandemic, domestic runners have become an essential service to connect businesses and customers in a safe and professional manner. The runners primarily make deliveries but also offer other errands related services. This development gives businesses in the country the needed exposure on the importance of integrating e-commerce platform and fulfilment centre in providing logistics solution²². So far, at least 30 companies have been registered under the Ministry of Transport and Info-communications that offer domestic runner services²³.

²¹ Royal Brunei Airlines turns passenger plane into all-cargo aircraft (June 26, 2021). *The Scoop*.

²² Brunei's first parcel delivery app ONZ targets fulfilment centre and online marketplace (April 11, 2021). *Biz Brunei*.

²³ Directory of Domestic Runners in Brunei Darussalam. *Ministry of Transport and Infocommunications*.