



Country report

BRUNEI





Brunei Darussalam

National facts

Type of government	Constitutional sultanate
Capital	Bandar seri Begawan
Surface area (thousand sq km)	5,770
Population (millions)	0.4
Main languages	Malay (official) English
Main religions	Muslim, official (67%) Buddhist (13%) Christian (10%)
Head of State (sultan)	Sir Hassanal Bolkiah
Head of Government (prime-minister)	Sir Hassanal Bolkiah
Monetary unit	Brunei dollar (BND)

Economy (2009)

Economic size	bn USD	% world total
Nominal GDP	15	0.02
Nominal GDP at PPP	19	0.03
Export value of goods and services	8	0.00
IMF quotum (in mln SDR)	215	0.10
Economic structure	2009	5-year av.
Real GDP growth	-1.8	2.6
Agriculture (% of GDP)	1	1
Industry (% of GDP)	74	68
Services (% of GDP)	25	31

Social and governance indicators

	rank / total
Human Development Index (rank)	37 / 169
Ease of doing business (rank)	112 / 183
Economic freedom index (rank)	n.a.
Corruption perceptions index (rank)	38 / 178
Press freedom index (rank)	142 / 178
Gini index (income distribution)	n.a.
Population below \$1 per day (PPP)	n.a.

Foreign trade (2009)

Main export partners (%)		Main import partners (%)	
Japan	38	Singapore	38
Indonesia	26	Malaysia	19
Korea	14	Japan	7
Australia	7	China	5
Main export products in 2008 (%)			
Fuel			96
Manufactures			3
Ores and metals			0
Food			0
Main import products in 2008 (%)			
Manufactures			79
Food			17
Fuel			2
Ores and metals			1



year economic data of 2009 were published only in September 2010. The data shows that GDP contracted by 1.8% yoy in 2009. Contributing to the decline were lower global oil and gas prices, combined with 4.6% lower output in the hydrocarbon sector. The non-hydrocarbon sector expanded by 0.9% yoy. While this is a good sign, it must be noted that the non-hydrocarbon sector, many of which is state linked, is financed ultimately by oil and gas revenues. This means Brunei is still a long way from achieving a more balanced economic structure. Domestic consumption grew in 2009. Private consumption rose by 4.7% yoy and government consumption 5.3% yoy. Exports fell by 5.3%, mostly as a result from lower oil production and lower global oil prices. Brunei's main trading partners are other Asian countries such as Japan, Indonesia, Singapore and Malaysia.

Economic growth of 1-2% is estimated for 2010, but economic data is expected to be released by the Brunei government not before September 2011. For 2011, at least 2% GDP growth is expected. Mostly, as Brunei's main trading partners have experienced an economic recovery, this has resulted in sustained external demand. Obviously, the level of global oil and gas prices in 2011 also plays a large role. In the longer term, the sustainability of economic growth depends on the success of the country's diversification efforts.

Political and social situation

The political situation is very stable in Brunei and no significant change is expected in the coming years, as the ruling family intends to maintain its hold on power and has not allowed any genuine opening of the political process. The country is ruled by sultan Hassanai Bolkiah Mu'zaddin since 1967.. The sultan is very powerful as he has full executive power. He acts as the prime minister and also as defense and finance minister. The sultan's strong grip on power has resulted in a high degree of political stability. He favors a moderate form of Islam and is very popular. While the legal system is based on British common law, for Muslims Shari'a law supplants civil law in some areas. Despite the sultan's absolute power and disproportionate amount of wealth, the social situation is stable. The government keeps the population content by providing free education up to university level, free social security, subsidizing housing and rice. Furthermore, no income tax is levied and the public sector is the favorite employer. To a certain extent, the entire population is living of the country's oil wealth.

The sultan did announce in 2004 to shift from an absolute monarchy to a parliamentary democracy. To this end, the sultan revived the parliament, known as the legislative council. However, since then, no real change has occurred in the political scene. Plans were that 15 of the 45 member body would be directly elected but this has never come into fruition. The parliament remains incomplete with 30 government-appointed members. Even these members do not have any genuine legislative or scrutinizing abilities as requests from members for more details on government finances have been rejected out of hand in recent years. Slight risk is a growing disenchantment by the population of the extravagant lifestyle of the royal family. However, as the population also benefits significantly from the oil wealth and no real opposition has emerged, we expect the social and political situation to remain stable in the coming years.

Relations with Malaysia have improved last year. A border dispute concerning an oil and gas rich maritime area has been resolved, as the countries have agreed to engage in joint exploration of the area.

Economic policy

The latest statistics concerning government finances stem for FY 2008/09, in which the budget surplus was USD 4bn, equivalent to 25% of GDP. For FY 2010/11, the fiscal position is expected to remain strong due to substantial oil and gas export revenues. While the strength of the fiscal



position is certain, detailed analysis of government finances is not possible as the figures are untimely and spending categories are vague and too broadly defined. Even so, as long as hydrocarbon reserves hold up, similarly large budget surpluses are expected to continue. General economic policy is directed towards diversification away from the hydrocarbon sector and reduction of the size of the public sector. Key areas are IT and Islamic banking, but progress is expected to be gradual. Other plans include upgrading the labor force, strengthening the banking and tourist sectors and increasing agricultural production. Increasing agricultural production was defined by the government as a key policy point to reduce imported food-dependency. The country intends to reach 60% self-sufficiency by 2015.

While this might also reduce imported inflationary pressures, inflation has historically not been a problem in Brunei. Inflation averaged 1.8% yoy in 2009 and is estimated at 0.4% in 2010, which are very low levels. The government's policy of price controls means no alarming inflationary pressures are expected this year.

Brunei installed a central bank just last year, known as the Brunei Darussalam Monetary Authority. It is handed the tasks of monetary policy and supervision of the financial sector. It has already taken measures to curb a credit bubble in the household sector.

The Brunei dollar is fixed via a currency board with the Singapore dollar at parity. The currency peg has served Brunei well, as the Singapore economy is well-managed. It has prevented erratic exchange rate fluctuations and has successfully contained imported price pressures.

Balance of Payments

The surplus on the current account has always been substantial in Brunei, fully attributable to the trade balance. In 2009, the trade surplus was USD 4.6bn, lower than the USD 8.6bn recorded in 2008. This fall reflects the fall in global oil and gas prices in that year. The value of exports fell by 30% in 2009. Oil exports fell by 37% yoy and gas prices by 24%. The only other significant export product, textile and garments, fell by a whopping 53% yoy, as competition in this industry from its neighbouring countries is fierce. Imports fell only slightly, by 4.3%. The import of animal and vegetable oil fell by 26% and imports of machinery



Brunei Darussalam

Selection of economic indicators	2003	2004	2005	2006	2007	2008	2009
Key country risk indicators							
GDP (% real change pa)	2.9	0.5	0.4	5.1	0.4	-2.0	-0.5
Consumer prices (% change yoy)	0.3	0.9	1.1	0.2	0.4	0.8	1.0
Current account balance (% of GDP)	47.7	48.6	52.8	55.9	57.3	56.5	56.1
Total foreign exchange reserves (mln USD)	376	385	431	460	625	n.a.	n.a.
Economic growth							
GDP (% real change pa)	2.9	0.5	0.4	5.1	0.4	-2.0	-0.5
Gross fixed capital formation (% of GDP)	15.0	13.4	11.4	10.4	n.a.	n.a.	n.a.
Household consumption (% growth)	10.6	3.1	8.3	18.7	n.a.	n.a.	n.a.
General government expenditure (% growth)	-2.6	4.1	-1.0	12.8	n.a.	n.a.	n.a.
Exports of goods and services (% of GDP)	69.3	68.8	70.2	71.2	n.a.	n.a.	n.a.
Imports of goods and services (% of GDP)	36.0	31.8	27.3	25.0	n.a.	n.a.	n.a.
Economic policy							
Primary balance (% of GDP)	8.9	9.5	18.2	20.6	26.2	29.6	n.a.
M2 growth (% change pa)	4.0	16.0	-4.5	2.2	-0.7	n.a.	n.a.
Consumer prices (% change yoy)	0.3	0.9	1.1	0.2	0.4	0.8	1.0
Exchange rate							