

## Gross Domestic Product (GDP)

In Q2 2020, Brunei Darussalam's economy continued to grow by 2.8 per cent year-on-year (y-o-y). The growth was contributed by an increase in the Non-Oil & Gas Sector by 8.1 per cent while the Oil & Gas Sector decreased by 1.3 per cent.<sup>1</sup>

Expansion of the Non-Oil & Gas Sector was mainly due to an increase in downstream activities, involving new manufacturing of petroleum and chemical products, which resulted in an increase of 481.0 per cent in the Manufacture of Other Petroleum and Chemical Products Subsector. This is followed by increases in subsectors such as Finance; Real Estate & Ownership of Dwellings; Communication; and Wholesale and Retail Trade.

The improved performance of the Finance Subsector (by 11.8 per cent) was attributed to the increase in investment income related to banking services activities.

In addition, Real Estate & Ownership of Dwellings increased by 2.4 per cent in line with the rise in property financing which was mainly contributed by an increase in housing purchases. The Communication Subsector continued to increase by 2.5 per cent in Q2 2020, after an increase of 3.2 per cent in the previous year. This improvement was due to increased demand for both mobile (postpaid and prepaid) and internet (fixed and mobile broadband) subscriptions by 5.4 per cent and 3.5 per cent respectively. This was in line with increased online learning and teaching activities due to the closure of all schools, as well as work-from-home (WFH) arrangements during the COVID-19 pandemic.

The pandemic has also caused a shift in consumer demand, reflected in the country's Wholesale and Retail Trade Subsector. According to the Retail Sales Index, encouraging growth was recorded in sales of computer & telecommunication equipment; recreational goods; electrical household appliances & lighting equipment; and pharmaceutical and medical goods, cosmetic & toilet articles. Both department stores and supermarkets also experienced positive growths.

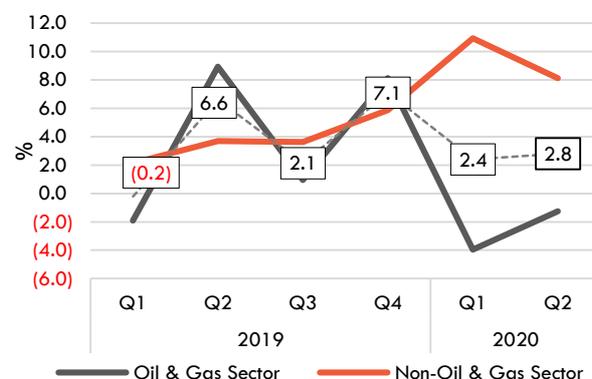
On the other hand, several subsectors registered negative growths as follows:

- Education Services by 18.4 per cent in line with the decrease in government and private education services;
- Air Transport by 93.1 per cent due to limited travel operations following COVID-19;
- Restaurants by 19.6 per cent due to the suspension of food catering services (dine-in) and limited number of customers/diners at any one time; and
- Government Services by 4.6 per cent in line with the decrease in payment of personnel emoluments.

As for the Oil & Gas Sector, the decline was mainly due to decreases in the production of natural gas and Liquefied Natural Gas (LNG). In addition, oil and gas exports also declined mainly crude oil and LNG in response to the impacts of COVID-19 spread around the world. This pandemic has resulted in a significant decrease in global demand as most countries implement the lockdowns and quarantine.

By expenditure approach, the GDP growth is attributed to an increase in the external demand (exports of goods and services) by 16.5 per cent, in line with the new exports of petroleum and chemical products, mainly exported to China and Singapore. On the other hand, domestic demand registered a negative growth of 15.9 per cent due to a decline in the capital expenditure mainly in machinery and government final consumption expenditure. However, this was moderated by an increase in the household final consumption expenditure by 2.7 per cent.

### GDP Growth (2019 – Q2 2020)



Source: Ministry of Finance and Economy

<sup>1</sup> The Oil & Gas sector is comprised of oil and gas mining and manufacturing of LNG. Meanwhile, the Non-Oil & Gas sector is comprised of the primary sector, industry sector such

as non-oil manufacturing (includes petroleum and chemical products), electricity and water and construction; and services sector.

**GDP by Expenditure (Q2 2019 & Q2 2020)**

	Q2 2019 (BND Million)	Q2 2020 (BND Million)	Growth (%)
<b>Domestic Demand</b>	<b>3,922.4</b>	<b>3,300.4</b>	<b>(15.9)</b>
Government Final Consumption Expenditure	890.1	844.7	(5.1)
Household Final Consumption Expenditure	860.8	884.5	2.7
Gross Fixed Capital Formation	2,171.5	1,571.3	(27.6)
<b>External Demand</b>	<b>2,927.2</b>	<b>3,409.9</b>	<b>16.5</b>
Export	2,927.2	3,409.9	16.5
<b>GDP</b>	<b>4,623.1</b>	<b>4,752.8</b>	<b>2.8</b>

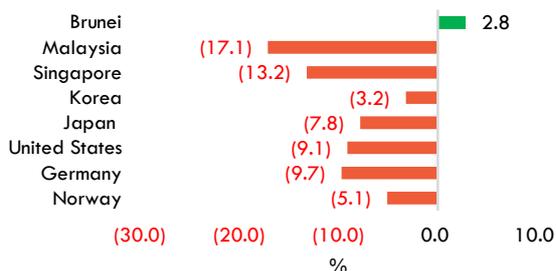
**Top 5 GDP Contributors by Economic Sectors (Q2 2019 & Q2 2020)**

Q2 2019	Q2 2020
Wholesale and Retail Trade	Manufacturing
Finance	Finance
Government Services/Public Administration	Real estate & Ownership of Dwellings
Real Estate & Ownership of Dwellings	Communication
Restaurants	Wholesale and Retail Trade

**International Developments**

Most of the developed countries such as Norway, Germany, United States, Japan, and South Korea experienced negative GDP growths in Q2 2020 resulting from the coronavirus outbreak.<sup>2</sup>

**GDP Growth in Q2 2020**



Comparing with the top oil producers in 2020, particularly Russia, the economic growth is expected to decline by 3.2 per cent in Q2 2020 due to the pandemic and oil crisis. All economic activities, excluding agriculture, recorded negative

performance such as the retail, transportation, and services sectors.<sup>3</sup>

Meanwhile, within the ASEAN region, Singapore recorded a negative growth of 13.2 per cent in Q2 2020. The decline in GDP growth was due to the Circuit Breaker (CB) measures implemented from 7 April to 1 June 2020 to slow the spread of COVID-19, as well as weak external demand amidst a global economic downturn caused by the COVID-19 pandemic.

In terms of sectors, the decline was contributed by a decrease in sectors such as Manufacturing (0.7 per cent); Construction (59.3 per cent); Wholesale & Retail Trade (8.2 per cent); Transportation & Storage (39.2 per cent); Accommodation & Food Services (41.4 per cent); Information & Communication (0.5 per cent); Business Services (20.2 per cent); and Other Services Industries (17.8 per cent).<sup>4</sup>

**Inflation**

The inflation rate for Q2 2020 was 2.3 per cent y-o-y – an increase from -0.7 per cent in Q2 2019. On a quarterly basis, the consumer price index (CPI) increased by 0.5 per cent compared to the previous quarter in 2020. The current rate is the second highest recorded in the last two years.

Prices of the Food Index and Non-Food Index increased by 3.1 per cent and 2.1 per cent respectively.

The Food Index achieved the highest growth recorded since 2016, which was driven by increases in several sub-indices:

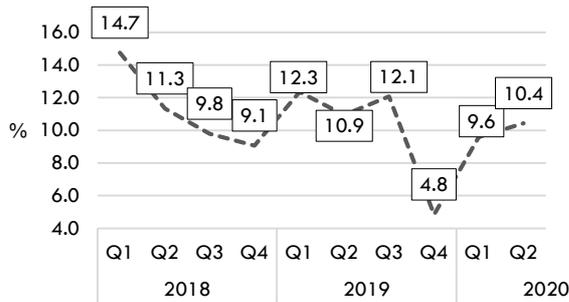
- Prices of vegetables have risen since February 2020 mainly caused by limited supply from exporting countries such as Thailand and India;
- Meat prices grew by 3.0 per cent in Q2 2020 y-o-y. Significant decreases in imported cattle and chicken meat by 93.5 per cent and 55.4 per cent have outweighed increases of local products.<sup>5</sup> This may have contributed to the overall price increase given our reliance on imports;

<sup>2</sup> The GlobalEconomy.com. [https://www.theglobaleconomy.com/rankings/economic\\_growth\\_q\\_on\\_q/](https://www.theglobaleconomy.com/rankings/economic_growth_q_on_q/) & Department of Economic Planning & Statistic  
<sup>3</sup> Unprecedented falls in GDP in most G20 economies in second quarter of 2020 (September 14, 2020). OECD. <https://rappler.com/business/gross-domestic-product-russia-q2-2020>

<sup>4</sup> MTI Narrows 2020 GDP Growth Forecast to “-7.0 to -5.0 Per Cent” (August 11, 2020). Ministry of Trade and Industry Singapore. <https://www.singstat.gov.sg/-/media/files/news/gdp2q2020.pdf>  
<sup>5</sup> Ministry of Primary Resources and Tourism.

- Fish and seafood prices picked up by 2.4 per cent due to increased market value of fresh fish in Q2 2020 compared to Q2 2019 and seasonal factors;<sup>6</sup> and
- Mineral water and soft drinks prices increased mainly due to selected non-aerated soft drinks.

**Food Imports (% Share of Total imports), 2018 - Q2 2020**



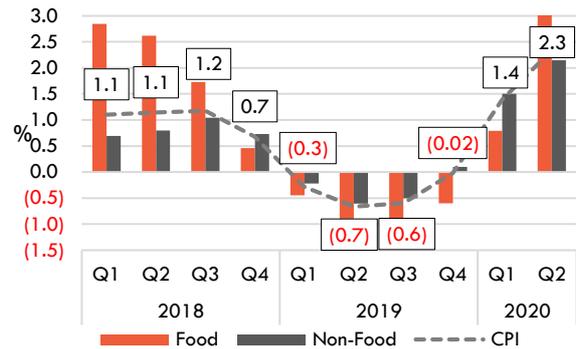
Source: Ministry of Finance and Economy

Meanwhile, the increase of the Non-Food Index was contributed by several sub-indices:

- Miscellaneous Goods and Services by 11.6 per cent y-o-y due to increases in car and domestic maid insurance;
- Clothing and Footwear by 7.2 per cent due to rising prices of ready-made clothing and clothing material set by the respective outlets; and
- Transport by 1.2 per cent due to price hike of air tickets to cover costs caused by dampened operations during the COVID-19 pandemic.

All goods and services registered increased rates except Restaurants and Hotels which decreased by 0.6 per cent. This was due to accommodation and food & beverage promotions which were effects of pandemic-related restrictions i.e. travel and dine-in ban at all food premises.

**Consumer Price Index, 2018 - Q2 2020**



Source: Ministry of Finance and Economy

**Regional Developments**

Malaysia’s CPI in Q2 2020 decreased by 2.6 per cent compared to Q2 2019. On a quarterly basis, the CPI fell to 3.0 per cent compared to the previous quarter in 2020.<sup>7</sup>

Its CPI in June 2020 also declined by 1.9 per cent y-o-y weighed down by Transport; Housing, Water, Electricity, Gas & Other Fuels; and Clothing & Footwear – moderated by increases in Food & Non-Alcoholic Beverages (1.6 per cent) and Miscellaneous Goods & Services (3.0 per cent).

Singapore’s CPI in June 2020 for all items dipped to -0.2 per cent y-o-y, unchanged from May. This mainly reflected the steeper drop in the cost of services being offset by higher food inflation, as well as smaller declines in the costs of retail & other goods and electricity & gas.<sup>8</sup>

**Outlook**

According to the Food and Agriculture Organization, after showing negative growth in Q2 2020 (-2.3 per cent y-o-y), global food prices in July and August 2020 grew by 1.3 per cent and 2.0 per cent month-on-month respectively.<sup>9</sup> The recent outbreak has caused supply chain disruptions and increased imported food prices. We expect upward pressure from imported inflation to continue next quarter.

According to Bank of England’s Monetary Policy Report, Brent crude oil prices have climbed since May and reached US\$40 per barrel.<sup>10</sup> As global demand recovers, oil prices will continue to grow and affect energy-related components in the CPI basket.

<sup>6</sup> Department of Statistics, International Merchandise Trade Statistics: The production of local fresh fish and imports increased by 45.6% and 43.8% respectively in Q2 2020 compared to Q2 2019.

<sup>7</sup> Consumer Price Index Malaysia (March 2020). Department of Statistics Malaysia.

<sup>8</sup> Consumer Price Developments in March 2020. Ministry of Trade and Industry Singapore.

<sup>9</sup> Food and Agriculture Organization of the United Nations, World Food Situation, FAO Food Price Index.

<sup>10</sup> Bank of England, Monetary Policy Report (August 2020).

Altogether, Brunei Darussalam’s inflation is expected to continue to increase in months ahead. Autoriti Monetari Brunei Darussalam (AMBD)’s inflation forecast for 2020 is within the range of 1.0 per cent to 2.0 per cent depending on the duration of the outbreak and global as well as domestic inflation.<sup>11</sup>

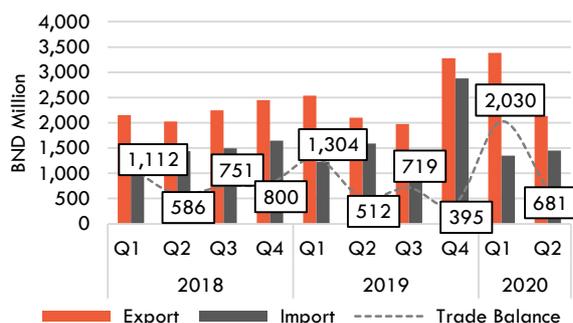
## International Merchandise Trade

### Overview

Total trade in Q2 2020 went down by 3.0 per cent y-o-y mainly due to the decrease in total imports by 8.8 per cent as total exports rose moderately by 1.4 per cent.

Nevertheless, trade balance went up y-o-y from BND512 million in Q2 2019 to BND681 million in Q2 2020.

### Trade Statistics (2018 – Q2 2020)



Source: Ministry of Finance and Economy

### Export Development

The COVID-19 pandemic has placed unprecedented stresses on the global trade. While most countries’ exports took a nosedive since the pandemic, Brunei Darussalam was able to grow its exports moderately owing to the strong performance in the domestic exports.

	Q2 2019 (BND Million)	Q2 2020 (BND Million)	Change (BND Million)
Domestic Exports	1,963.2	2,112.5	149.3
Re-Exports	137.7	17.3	(120.4)
<b>Total Exports</b>	<b>2,101.0</b>	<b>2,129.9</b>	<b>28.9</b>

However, the drastic reduction of global demand for energy has pushed the price of global energy commodities downward and hence negatively affecting the country’s major exports.

Major Exports	Q2 2019 (BND Million)	Q2 2020 (BND Million)	Change (BND Million)
Crude Oil	865.6	323.0	(533.6)
LNG	1,017.5	622.4	(395.1)
Methanol	53.9	34.2	(19.7)
<b>Total</b>	<b>1,937.1</b>	<b>979.8</b>	<b>(957.3)</b>

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 went down by almost 50.0 per cent.

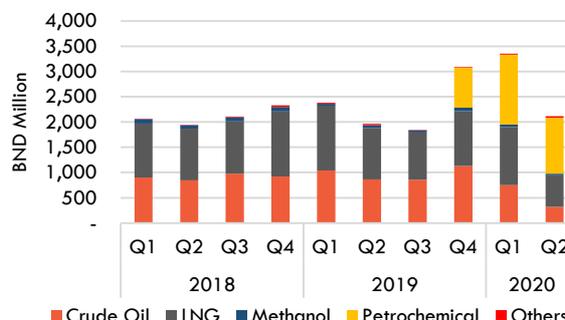
Export Price	Q2 2019	Q2 2020
Crude Oil (USD/barrel)	72.7	28.6
LNG (USD/MMBtu)	9.1	5.3
Methanol (USD/MT)	775.8	142.7

Export Volume	Q2 2019	Q2 2020
Crude Oil (Thousand barrels per day)	92.2	89.2
LNG (MMBtu per day)	928,440	926,215
Methanol (MT)	51,474	169,674

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

Fortunately, in Q2 2020, the petrochemical industry exported products amounting to BND1,103.4 million in value thus compensating the fall in the country’s major exports. This is also the case for the previous quarter whereby the drop in major exports was overshadowed by substantial amount of new petrochemical exports.

### Domestic Exports (2018 – Q2 2020)



Source: Ministry of Finance and Economy

Perhaps the timing for such events were precise in terms of showing the importance of diversification

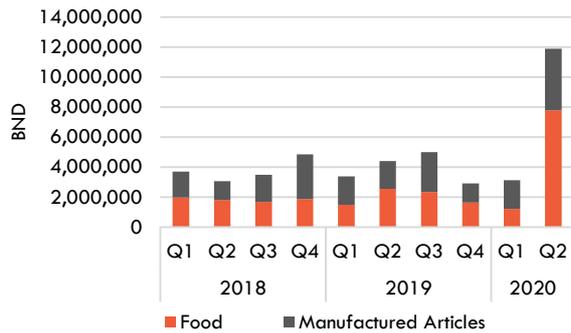
<sup>11</sup> Autoriti Monetari Brunei Darussalam Policy Statement 1/2020.

and the role of the new petrochemical industry in spearheading development in the country's downstream activities.

Domestic Exports	Q2 2019 (BND Million)	Q2 2020 (BND Million)	Change (BND Million)
<b>Major Exports</b>	1,937.1	979.8	(957.3)
<b>Petrochemical Products</b>	-	1,103.4	1,103.4
<b>Others</b>	26.0	29.2	(3.2)
<b>Total</b>	<b>1,963.2</b>	<b>2,112.5</b>	<b>149.3</b>

Apart from that, after the major disruptions in the global trade, the country's Food and Miscellaneous Manufactured Articles exports picked up in the second quarter driven by the exports of aquaculture (mainly to Singapore and Taiwan) and clothing products (mainly to United States of America and Chile) respectively.

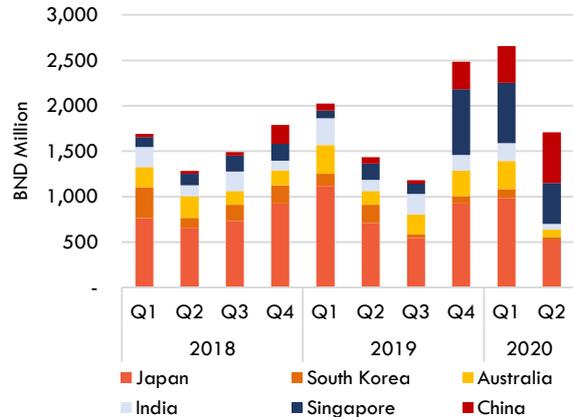
**Export of Food & Miscellaneous Manufactured Articles (2018 – Q2 2020)**



Source: Ministry of Finance and Economy

In terms of export destination, Japan (mainly LNG) remains the top export partner for Brunei Darussalam. This is generally followed by Australia, India and South Korea as the main importers of the country's crude oil. However, the recent development in the petrochemical industry shows that more products are exported to Singapore and China.

**Domestic Exports Top 6 Destinations (2018 – Q2 2020)**

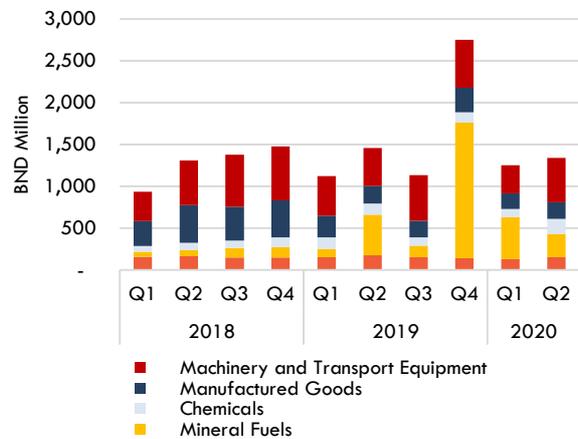


Source: Ministry of Finance and Economy

**Import Development**

For imports, with the operation of the new petrochemical plant, the country has started to import significant amount of mineral fuels as a feedstock. As a result, the past few quarters saw the country's import of mineral fuels increased significantly.

**Import by Top 5 Commodity (2018 – Q2 2020)**

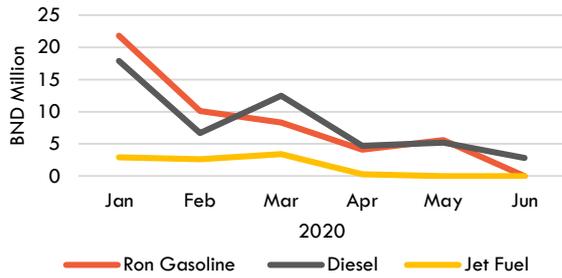


Source: Ministry of Finance and Economy

However, the imports of mineral fuel for Q2 2020 was slightly lower on a year-on-year basis. This was partly contributed by less dependency on imported mineral fuels for domestic consumption.

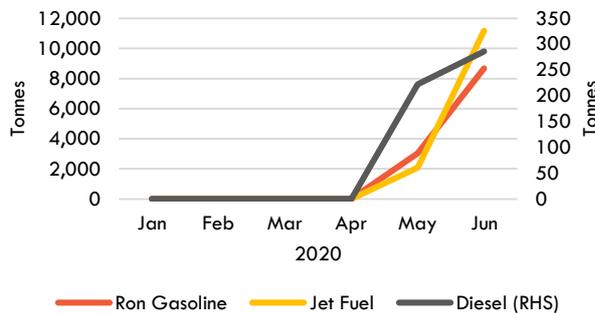
The figures below showed that the availability of domestically produced mineral fuels from the petrochemical plant reduces the country's dependency on imported Ron Gasoline, Diesel and Jet Fuel.

**Import of Ron Gasoline, Diesel and Jet Fuel (Jan-Jun 2020)**



Source: Ministry of Finance and Economy

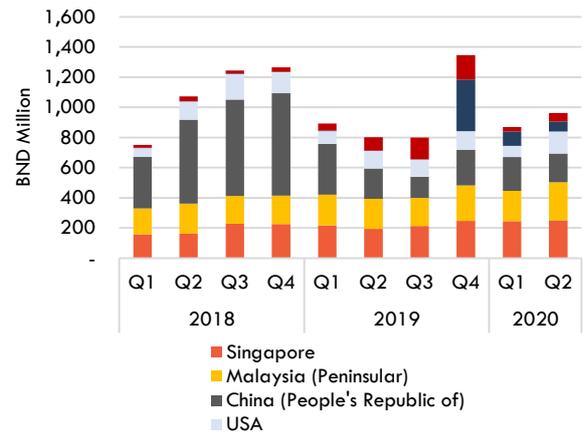
**Domestic Sales of Ron Gasoline, Diesel and Jet Fuel (Jan-Jun 2020)**



Source: Ministry of Finance and Economy

Similarly, in terms of imports origin, the main development revolves around the new petrochemical industry. During the construction period, the country's imports mainly originated from China. As construction came to completion in Q1 2019, imports from China started to decline and followed by sudden increase in imports from United Arab Emirates in Q4 2019. This increase is in line with the increase in the imports of mineral fuels as a feedstock to the petrochemical industry.

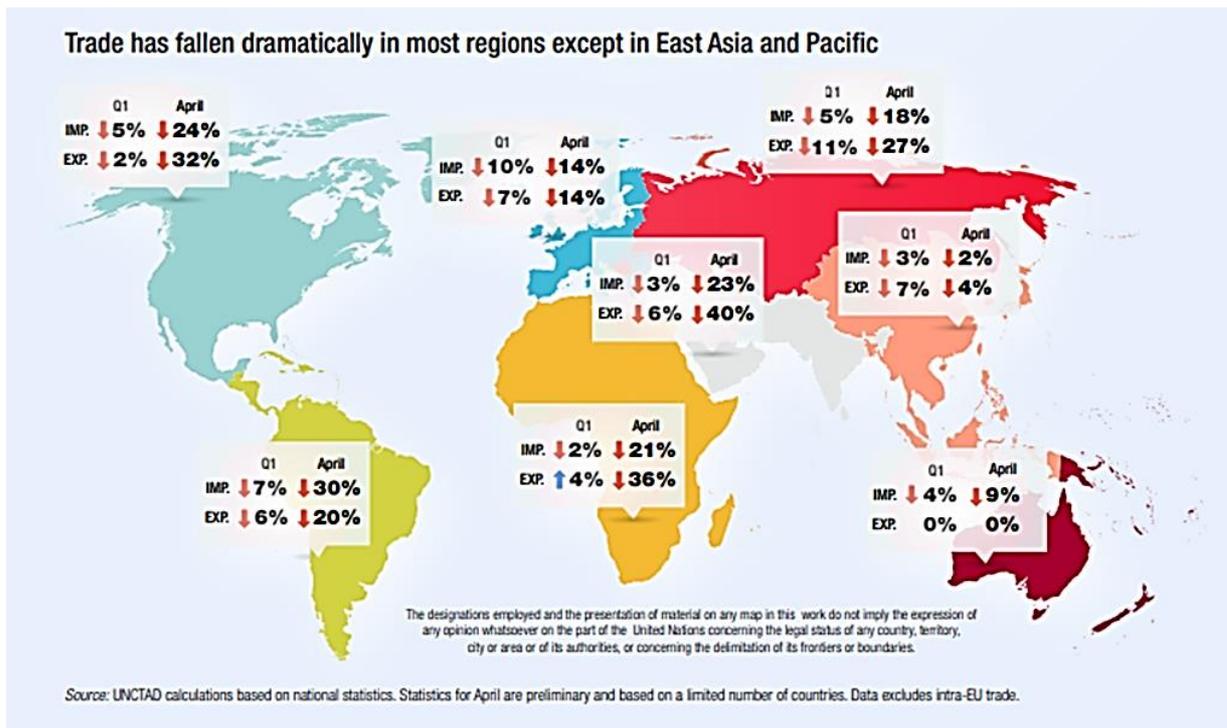
**Import Origin (2018 – Q2 2020)**



Source: Ministry of Finance and Economy

**Outlook**

Going forward, similar situations are expected in the next quarter with petrochemicals driving the country's exports as the crude oil price is nowhere near the level it was in Q3 2019 (USD66 per barrel). Minimal progress in the aviation industry recovery will keep demand for jet fuel low. Thus, other export commodities particularly with trading partners within the East Asia and Pacific regions are expected to recover or stabilised considering signs of trading recoveries in those regions.



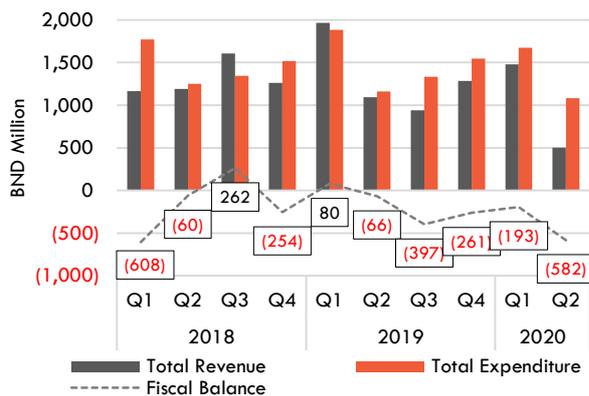
## Government Fiscal

In Q2 (Apr-Jun) 2020, Brunei Darussalam recorded a widening fiscal deficit of BND582 million compared to a deficit of BND66 million in Q2 (Apr-Jun) 2019. This was mainly due to a larger decrease in the government revenue by BND592 million. On the positive side, total expenditure recorded a decrease by BND76 million.

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

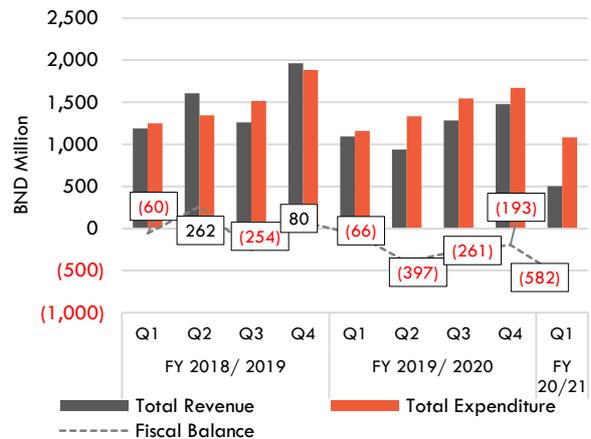
On the expenditure side, the decrease was contributed by both lower current expenditure (charged expenditure) and lower capital expenditure (development expenditure). On top of that, the capital expenditure contributed to a larger decrease by BND49 million mainly due to near completion of major projects, in particular, the Temburong Bridge project.

### Fiscal Balance (2018 – Q2 2020)



Source: Ministry of Finance and Economy

### Fiscal Balance (FY2018/2019, 2019/2020 & 2020/2021)



Source: Ministry of Finance and Economy

## Priority Sectors Developments

### Downstream Oil & Gas

In the second quarter of 2020, the oil refinery and petrochemical industry contributed about BND300 million to Gross Value Added and around BND1.0 billion of domestic exports.

In May, Hengyi Industries Sdn Bhd officiated the first supply of transportation fuels (Gasoline, Diesel and Jet A1 fuel) from Hengyi to Brunei Shell Marketing Company Sdn Bhd (BSM), marking the start of the Pulau Muara Besar Refinery's supply of refined fuel products to the domestic market. The refinery is expected to reduce Brunei Darussalam's dependency on imported fuel products while also generating products for export. Hengyi will be supplying a total of 427,509 barrels of refined fuel products to BSM, consisting of 190,778 barrels of gasoline, 159,924 barrels of diesel, and 76,807 barrels of jet fuel to meet monthly domestic demand of petroleum products. Additionally, Hengyi will be supplying Euro V fuels in time to domestic demand providing the highest quality and a cleaner fuel.<sup>12</sup>

In a joint collaboration between Hengyi Industries Sdn Bhd and Institute of Brunei Technical Education (IBTE) in providing education to the local workforce, IBTE will offer the Diploma (Level 5) in Refinery Operator (Hengyi) training programme for the August intake. The three-year programme will include 12 months institutional-based training at IBTE Jefri Bolkuah Campus in Kuala Belait, 12 months of institutional-based training with Lanzhou Petrochemical Polytechnic in China, and 12 months

<sup>12</sup> First Domestic Supply of Refined Fuel Products From Hengyi (May 18, 2020). Hengyi Industries Sdn Bhd.

<https://www.hengyi-industries.com/media/press-releases/first-domestic-supply-of-refined-fuel-products-from-hengyi/>

on-the-job training at Hengyi Petrochemical Plant at Pulau Muara Besar.<sup>13</sup>

On the other hand, following developments of the hydrogenation plant in Sungai Liang Industrial Park (SPARK), the world's first international hydrogen supply chain between Brunei Darussalam and Japan reached a milestone after successfully extracting hydrogen (H<sub>2</sub>) from a liquid organic hydrogen carrier (LOHC) that was shipped from Brunei Darussalam to Japan. The Advanced Hydrogen Energy Chain Association for Technology Development (AHEAD) demonstration project aims to show that a global hydrogen supply chain can be established using LOHC — a chemical that can safely transport hydrogen at room temperature and ambient pressure.<sup>14</sup> The hydrogen is used for power generation at the Mizue plant in Japan.<sup>15</sup> As of May and June 2020, Brunei Darussalam exported around 382.9 tonnes of extracted hydrogen to Japan.

### Food

According to data from the Department of Agriculture and Agrifood, rice production increased to about 585.3 metric tonnes in Q2 2020 compared to the same period in 2019. Increased production was observed due to increased area of Sembada 188 paddy cultivation, high yield hybrid rice varieties, from 37.4 hectares in the 2018/2019 season to 262 hectares during 2019/2020 season. The average paddy productivity also increased from 4.96 tonnes/hectare per season outside the 2019 season to 6.10 tonnes/hectare per season in the main season 2019/2020.

Following the development of rice cultivation, in April, another batch of Sembada 188 rice seeds has been provided for Brunei Darussalam's agricultural fields, as part of a contract to supply up to 10.8 tonnes of Sembada 188 seeds for the 2020/2021 planting season. The new batch of Sembada 188 seeds will partly be used for the next phases in the pilot planting project at Agricultural Development Area (KKP) Kandal, which is slated to cover 500 hectares of land and will be the largest paddy estate in Brunei Darussalam, when fully operational.<sup>16</sup>

The Ministry of Primary Resources and Tourism also plans to introduce the hybrid Titih to farmers by the end of this year which can produce six metric tonnes

of paddy per hectare. The cultivation of Titih will provide an alternative for Brunei farmers to grow even more output and earn more profits through paddy farming.<sup>17</sup>

In the second quarter, aquaculture production saw a staggering increase in output with the highest production of farm prawn to about 732 metric tonnes from 103 metric tonnes in Q1 2019 based on data from the Department of Fisheries. The increase was contributed by the production of shrimps which was mainly exported to Australia, Singapore, and Taiwan.

In the Livestock and Poultry Subsector, output of buffalo & cattle meat, broiler and chicken eggs have experienced improvements in growth. In Q2 2020, the production of local meat increased to 335.8 metric tonnes compared to the same period in 2019.

### Tourism

In March, the first cluster of COVID-19 patients was identified in Brunei Darussalam prompting swift and appropriate measures to control the spread of the pandemic in the country. These measures include the closure of land borders and all non-essential flights to and from Brunei Darussalam, enacting a lockdown including closure of public spaces and stores as well as strict social distancing guidelines.

As such, the tourism industry was severely affected and the impact is felt in Q2 2020 during the lockdown where they were unable to operate either fully or at any capacity. In Q2 2020, the number of international visitors' arrivals to Brunei Darussalam by land, sea and air reached an all-time low of 753 visitors in total compared to 1,107,323 visitors in Q2 2019.

Brunei Darussalam saw no visitors by cruise in Q2 2020. By air, the number of tourist arrivals declined from 79,199 in Q2 2019 to 202 in Q2 2020. Majority were students returning from United Kingdom particularly in the month of June.

On top of that, the Hotels industry in Brunei Darussalam also suffered major setbacks. According to the Tourism Development Department, the average occupancy rate in Q2 2020 was only about 19.0 per cent.

The unfavourable development of the Tourism Industry in Q2 2020 is in line with the negative GDP

<sup>13</sup> IBTE, Hengyi Petrochemical Plant Roll Out Joint Diploma Programme (May 9, 2020). *Borneo Bulletin*. <https://borneobulletin.com.bn/ibte-hengyi-petrochemical-plant-roll-out-joint-diploma-programme/>

<sup>14</sup> New Milestone for Hydrogen Supply Chain (May 11, 2020). *Borneo Bulletin*. <https://borneobulletin.com.bn/new-milestone-for-hydrogen-supply-chain-2/>

<sup>15</sup> AHEAD launches Brunei-Japan hydrogen supply chain for power generation in Tokyo Bay (June 25, 2020). *S&P Global Platts*. <https://www.spglobal.com/platts/en/market->

[insights/latest-news/natural-gas/062520-ahead-launches-brunei-japan-hydrogen-supply-chain-for-power-generation-in-tokyo-bay](https://www.thebruneian.news/brunei-eyes-to-grow-high-yield-rice-variety-titih/)

<sup>16</sup> New batch of Sembada 188 Arrives to Boost Rice Production (April 16, 2020). *Borneo Bulletin*. [borneobulletin.com.bn/new-batch-of-sem-bada-188-arrives-to-boost-rice-production-2/](https://borneobulletin.com.bn/new-batch-of-sem-bada-188-arrives-to-boost-rice-production-2/)

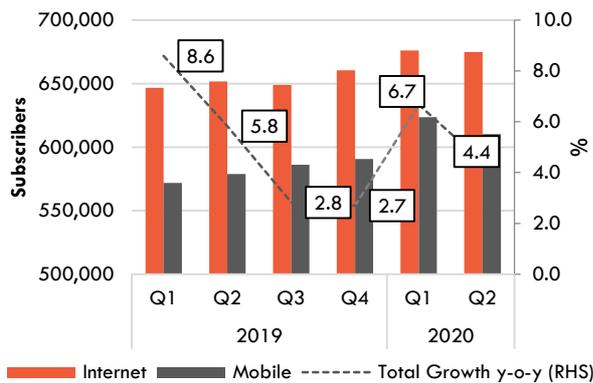
<sup>17</sup> Brunei Eyes to Grow High-Yield Rice Variety Titih (June 22, 2020). *The Bruneian*. <https://www.thebruneian.news/brunei-eyes-to-grow-high-yield-rice-variety-titih/>

growths of Air Transport and Hotels subsectors of 93.1 per cent and 55.5 per cent y-o-y, respectively.

**ICT**

In line with the positive GDP growth of the Communication Subsector, the number of both internet (fixed and mobile broadband) and mobile subscribers increased by 5.4 per cent and 3.5 per cent y-o-y, respectively in Q2 2020. Increasing demand with attractive tariffs and packages amid the COVID-19 pandemic has contributed to the increase in the number of subscribers.

**Internet and Mobile Subscriptions (2019 – Q2 2020)**



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

The Ministry of Transport and Info-Communications (MTIC) launched the MTIC 2025, its strategic plan for the next five years. The main focus of the plan is in line with His Majesty’s aspiration for the country to become a ‘Smart Nation’, with the approach guided by six core strategies.<sup>18</sup>

Towards transforming Brunei Darussalam into a ‘Smart Nation’, the Government’s Digital Economy Council has launched its first five-year masterplan. The Digital Economy Masterplan 2025, which was unveiled on June 4, 2020, outlines strategies for Brunei Darussalam to become a ‘Smart Nation’ that has a digital and future-ready society, vibrant and sustainable economy as well as a conducive digital ecosystem. The masterplan listed 17 projects that are expected to be implemented in the next five years, including the public transport information system, national business service platform, school network infrastructure and halal certification system. These projects are expected to have a significant

impact on economic growth through the implementation of digital transformation.<sup>19</sup>

In the wake of the COVID-19 outbreak in the country, an artificial intelligence (AI)-enabled COVID-19 response platform known as the BruHealth app was developed for epidemic prevention and control as well as to improve the quality and efficiency of Brunei Darussalam’s healthcare system. The platform was built through collaboration between the Government and EYVD Technology - a local-based medical artificial intelligence (AI) company, which traced its roots to YiduCloud, a leading medical AI and big data company based in China.<sup>20</sup> This initiative is also seen as supporting the country’s transition towards a digital economy, with the aim of transforming the national healthcare systems through data intelligence.

Furthermore, Brunei Darussalam is set to welcome a technological revolution through the creation of BAHDigital, an online platform that centralises content such as case studies, stories, and tools for users in Brunei Darussalam to tackle the digital future successfully. The resources shared through the BAHDigital platform will empower the country to capitalise on the 4<sup>th</sup> Industrial Revolution, bringing Brunei Darussalam closer towards its goal of becoming a smart nation. These technologies are set to enrich life as illustrated through the various initiatives implemented in light of the global COVID-19 pandemic.<sup>21</sup>

Continuing the digitalisation trend, the Government launched the National Welfare System or Sistem Kebajikan Negara (SKN). The system, developed by the Ministry of Culture, Youth and Sports (MCYS) in collaboration with the Ministry of Finance and Economy (MoFE) along with other agencies such as the Ministry of Religious Affairs (MoRA) and the Ministry of Education (MoE) is aimed to align the process of providing aid run by these agencies. In addition, the initiative is hoped to enhance cooperation in information sharing through the establishment of a centralised database.<sup>22</sup>

The private sector is also embracing online platforms with Bruneian-based Agritech start up Agrome IQ having launched the Agrome Market, an e-commerce platform that connects local farm products to customers via door-to-door delivery services.<sup>23</sup>

<sup>18</sup> MTIC Launches New Strategic Plan (April 17, 2020). *Borneo Bulletin*. <https://borneobulletin.com.bn/mtic-launches-new-strategic-plan/>  
<sup>19</sup> Gov’t Releases First Digital Economy Masterplan (June 5, 2020). *The Scoop*. <https://thescoop.co/2020/06/05/govt-releases-first-digital-economy-masterplan/>  
<sup>20</sup> Carry the Kampong Spirit Forward Fight Together to Defeat the Epidemic (March 26, 2020). *Borneo Bulletin*. <https://borneobulletin.com.bn/2020/03/combating-covid-19-outbreak-with-kampong-spirit/>

<sup>21</sup> BAHDigital Aims for Technological Revolution (April 18, 2020). *Borneo Bulletin*. <https://borneobulletin.com.bn/bahdigital-aims-for-technological-revolution/>  
<sup>22</sup> National Welfare System to Begin on July 15 (June 22, 2020). *The Bruneian*. <http://thebruneian.news/national-welfare-system-to-begin-on-july-15>  
<sup>23</sup> Online Platform Launched to Help Local Farmers (April 15, 2020). *Borneo Bulletin*. [borneobulletin.com.bn/online-platform-launched-to-help-local-farmers/](https://borneobulletin.com.bn/online-platform-launched-to-help-local-farmers/)

**Services**

In Q2 2020, the Services Sector showed a mix of positive developments such as from Finance and Wholesale and Retail Trade while others showed contractions.

In Finance, overall loans and advances (lending) increased by 6.9 per cent y-o-y to about BND5.9 billion in Q2 2020. This was contributed by a significant rise in foreign lending by 189.8 per cent y-o-y due to increased lending abroad from banks in Brunei Darussalam.

Furthermore, in terms of domestic lending, the second quarter of 2020 saw a decline in both the household and non-household sectors. For the household sector, the decline was due to lower personal loans in vehicle, credit card, home improvement and general consumption. Meanwhile, property financing saw an increase particularly contributed by purchase of houses. For the non-household sector, the decline was mainly due to lower loans in commercial (property development) and other construction, transportation and services sectors.

The positive growth of the Wholesale and Retail Trade Subsector is in line with the 1.6 per cent growth of retail sales. This is mainly attributed to higher sales of computer & telecommunication equipment activity following the increased demand for these equipment for online learning and teaching due to the closure of all schools, as well as for work-from-home (WFH) arrangements during the COVID-19 outbreak. Moreover, the impact of travel restrictions abroad was reflected in the increase of domestic sales of several retail activities including department stores and supermarkets.

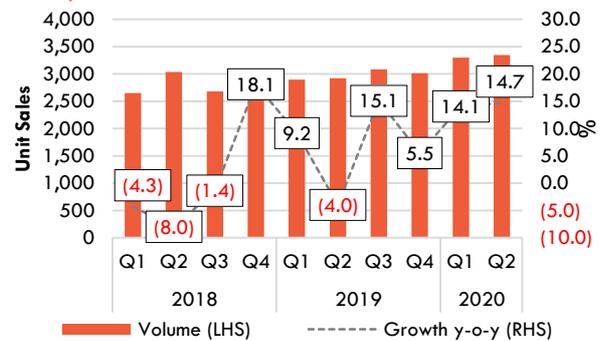
**Value of Sales and Growth Rate by Activities (Q2 2020)**

Activity	Q2 2020 Index (2017=100)	Value of Sales (BND Million)	Growth y-o-y (%)
Department Store	125.4	137.8	7.7
Supermarket	113.7	62.4	7.3
Mini Mart	85.4	10.2	(4.2)
Food and Beverages in Specialised Stores	97.8	6.1	(20.3)
Petrol Station	97.6	(14.8)	(18.2)
Computer & Telecommunications Equipment	119.7	26.8	59.0
Textiles, Wearing Apparel & Footwear	97.6	14.9	(32.4)

Hardware, Paints and Glass in Specialised Stores	69.4	23.1	(17.2)
Furniture & Household Equipment	113.2	15.9	(10.7)
Electrical Household Appliances and Lighting Equipment in Specialised Stores	142.0	36.6	18.1
Books, Newspapers and Stationery in Specialised Stores	45.9	3.0	(33.8)
Recreational Goods	125.7	8.3	29.6
Pharmaceutical and Medical Goods, Cosmetic and Toilet Articles in Specialized Stores	92.8	10.0	11.8
Watches & Jewellery	100.1	11.4	(2.1)
Others	117.5	21.6	4.1
<b>Total</b>	<b>110.3</b>	<b>423.7</b>	<b>1.6</b>

Furthermore, the sales volume of motor vehicle recorded the highest increase among all the quarters from 2018 up to the second quarter of 2020. In Q2 2020, sales volume increased by 14.7 per cent y-o-y which is equivalent to 3,346 unit sales compared to 2,917 unit sales in Q2 2019.

**Motor Vehicle Sales Volume (2018 – Q2 2020)**



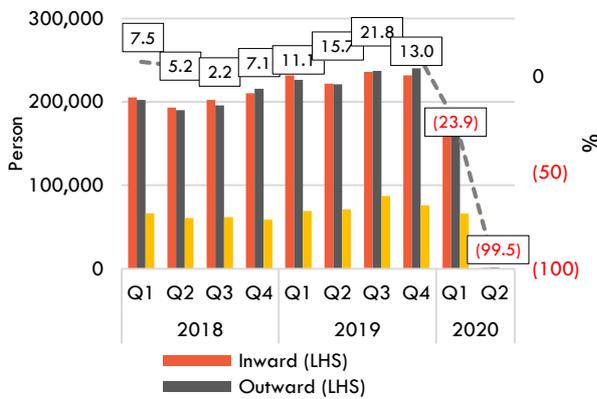
Source: ASEAN Automotive Federation

On the other hand, the Restaurants Subsector endured a setback in GDP growth following the impact of the dine-in ban at all food premises starting March 2020 due to the COVID-19 outbreak. Nevertheless, food delivery services have seen surge in business. As eateries across the nation reel from the suspension of dine-in services, fledgling online food delivery service, GoMamam has experienced a surge with orders increasing by two folds as more Bruneians remain at home amid the COVID-19 pandemic. Other food delivery services like Ta-pow! were also able to find success

as people realise the ease and convenience these services bring.<sup>24,25</sup>

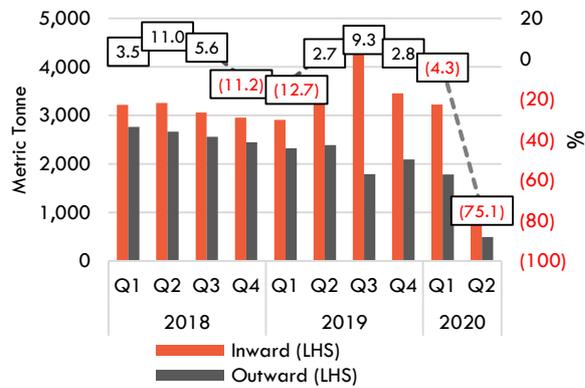
In the second quarter of 2020, the Air Transport Subsector was also hit hard by the pandemic. Air passenger activity declined by 99.5 per cent y-o-y in Q2 2020. Meanwhile, air freight activity (cargo based on aircraft) decreased by 75.1 per cent y-o-y. The effects of the border lockdown are in full effect and there is very limited amount of air passenger activity. Related to less air travel, air freight activity is affected as they mainly share the same flight to maximise cost saving and take advantage of economies of scale.

**Air Passenger Activity (2019 – Q2 2020)**



Source: Ministry of Transport and Info-Communications

**Air Freight Activity (2019 – Q2 2020)**



Source: Ministry of Transport and Info-Communications

<sup>24</sup> Food Delivery Service, Gomamam Sees Surge in Business (March 29, 2020). *The Bruneian*. <https://www.thebruneian.news/food-delivery-service-gomamam-sees-surge-in-business/>

<sup>25</sup> Ta-Pow!: Connecting People With Food, Supporting MSMEs (May 11, 2020). *The Bruneian*. <https://www.thebruneian.news/ta-pow-connecting-people-with-food-supporting-msmes/>