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**BRUNEI ECONOMIC BULLETIN (BEB)**  
**JPKE (DEPARTMENT OF ECONOMIC PLANNING AND DEVELOPMENT)**  
**PRIME MINISTER'S OFFICE**

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**BRUNEI DARUSSALAM THIRD QUARTER ECONOMIC REVIEW - Brunei Economy performs better than earlier estimate**

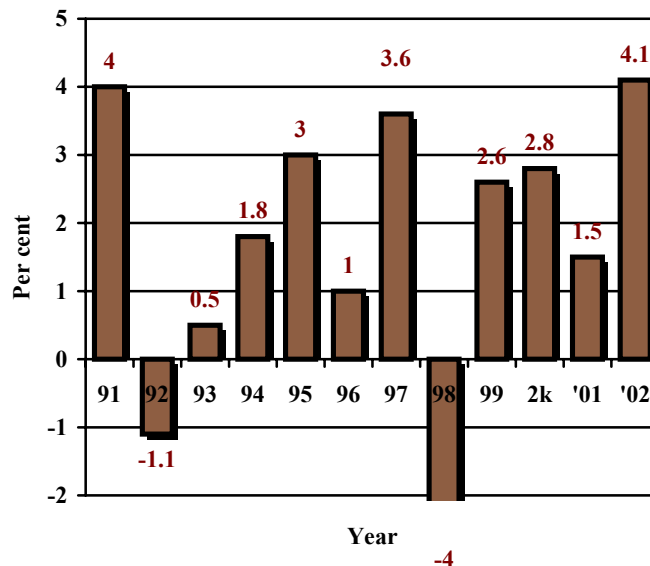
**GDP Growth**

Brunei Darussalam's latest estimate on GDP growth for 2002 is 4.1 per cent compared to 3.0 per cent, forecasted earlier. The oil and gas sector is estimated to grow at 2.9 per cent compared to the earlier forecast of 2.0 per cent.

With the implementation of Short Term Economic Recovery Measures, the National Development Projects and Government's efforts to diversify its economy, the non-oil sector is estimated to grow at 5.6 per cent compared to the earlier forecast of 4.1 per cent where the activities in Fishery; Manufacturing; Construction; Wholesale and Retail; and Transport and Communication provided the main impetus for growth of the non-oil sector.

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**Annual GDP Growth Rate**



**Statistical Data (Q3 - 2002)**

- CPI : 119.9
- Total Exports: BND 1,878.82 million
- Total Import: BND 514.55 million
- Trade Surplus : BND 1,038.2 million
- Exchange Rate (September) : BND 1.7655 to USD 1
- Brunei Crude Oil Price: US \$ 27.58 per barrel

## BRUNEI DARUSSALAM THIRD QUARTER ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS

Oil and Gas Production Index		Sectoral Review		
	2000	2001	2002	
JAN	109.7	108.0	111.2	
FEB	113.1	100.0	109.0	
MAC	112.6	108.0	104.4	
APR	103.7	92.6	91.6	
MAY	98.7	83.2	92.0	
JUN	75.9	98.2	102.7	
JUL	93.3	97.1	107.8	
AUG	93.7	99.9	112.2	
SEP	91.6	102.6	100.9	
OCT	91.8	101.7		
NOV	107.0	108.3		
DEC	109.0	118.0		
<b>Average Index for the Year</b>	<b>100.0</b>	<b>101.5</b>		
<b>Average Index for Q1</b>	<b>111.8</b>	<b>105.5</b>	<b>108.2</b>	
<b>Average Index for Q2</b>	<b>92.8</b>	<b>91.2</b>	<b>95.4</b>	
<b>Average Index for Q3</b>	<b>92.9</b>	<b>99.8</b>	<b>107.0</b>	
<b>Average Index for Q4</b>	<b>102.6</b>	<b>109.3</b>		
<b>Average Index for 1H</b>	<b>102.3</b>	<b>98.3</b>	<b>101.7</b>	
<b>Average Index for 2H</b>	<b>97.7</b>	<b>104.6</b>		
Base year 2000=100				
<b>Production of Fishery Sector</b>				
Q2 - Q3 2002				
	2002			
	Q2	Q3		
<b>Capture Industry (Metric Tons)</b>	<b>5,076.79</b>	<b>2,434.91</b>		
Commercial	839.56	595.34		
Small Scale Fishermen	4,237.23	1,839.57		
<b>Aquaculture Industry (Metric Tons)</b>	<b>91.93</b>	<b>115.78</b>		
Fish	9.99	12.42		
Prawn	70.00	88.00		
Fresh Water Fish	11.94	15.36		
<b>Total Production</b>	<b>5,168.72</b>	<b>2,550.69</b>		
Source: Fishery Department				
<b>Production of Forestry Sector</b>				
Q2 - Q3 2002				
	Q1	2002	Q3	
		Q2		
<b>Round Timber (Cubic Metre)</b>	<b>32,843.90</b>	<b>27,068.23</b>	<b>30,501.03</b>	
<b>Bakau Poles (Pieces)</b>	<b>12,670</b>	<b>25,885</b>	<b>26,200</b>	
Source: Forestry Department				
<b>Imports of All Construction Materials</b>				
	2002			
	Q2	Q3		
<b>Total imports (BND)</b>	<b>5,299,702</b>	<b>4,659,111</b>		
<b>Imports of Cements</b>				
Q2 - Q3 2002				
	2002			
	Q2	Q3		
<b>Total imports (BND)</b>	<b>336,567</b>	<b>955,042</b>		
<b>Number of Newly Registered Vehicles</b>				
Q2 2002 - Q3 2002				
	2002			
	Q1	Q2	Q3	
<b>No. of Units</b>	<b>2,541</b>	<b>3,178</b>	<b>3,046</b>	
Source: Department of Land Transport				

The performance of the oil and gas sector for Q3 2002 has improved compared to Q2 2002. The oil and gas production index (OGPI) increased by 12.2 per cent to 107.0 compared to 95.4 during those period. The OGPI for Q3 2002 increased by 7.2 per cent to 107.0 compared to 99.8 during the same period last year. Compared to the same month in 2001, the OGPI in September 2002 decreased by 1.7 per cent from 102.6 to 100.9 and when compared to the previous month, the OGPI decreased by 10.1 per cent.

Similarly the performance of non-oil and gas sector showed an upward trend although activities in the sub-sectors showed varied performance. Activities in the construction and supply-related industries have shown mixed signals in Q3 2002 relative to Q2 2002. Total revenue collection from calibration on construction related activities declined by 6.1 per cent from BND 45,821.0 in Q2 2002 to BND 43,010.3 in Q3 2002. Importation of all construction materials decreased by 12.1 per cent from value of BND 5,299,702 in Q2 2002 to BND 4,659,111 in Q3 2002. On the other hand, importation of cements improved by 183.8 per cent from BND 336,567 to BND 955,042 during the same period. Moreover, production of local cements for Q3 2002 increased by 4.7 per cent to 61,888 metric tons relative to 59,126 metric tons in Q2 2002. Compared to Q3 2001, cement production increased by 8.1 per cent from 57,273 metric tons.

Activities in the fishery sector have slowed down in Q3 2002 compared to Q2 2002. This was mainly due to the drop in the production of the capture fishery sector. The production of this sector decreased by 52.0 per cent from production of 5,076.8 metric tons in Q2 2002 to 2,434.9 metric tons in Q3 2002. The unfavorable weather condition was the main cause for the decline. Meanwhile, the output of aquaculture sector improved by 25.9 per cent from production of 91.9 metric tons to 115.8 metric tons during the same period.

Activities in the agricultural sector improved in Q3 2002 compared to Q2 2002. Value of crop production including vegetables increased by 7.1 per cent from BND 7,693,815.9 in Q2 2002 to BND 8,237,989.3 in Q3 2002. However, value of livestock production sector recorded a contraction of 0.9 per cent from BND 17,981,322.6 to BND 17,818,458.8 during the same period.

Activities in the forestry sector has shown improvement in Q3 2002 relative to Q2 2002. Production of round timber expanded by 12.7 per cent from 27,068.2 cubic metres to 30,501.0 cubic metres, whereas, production of bakau poles expanded by 1.2 per cent from 25,885 pieces to 26,200 pieces during the period.

In the manufacturing/processing sector, production of garments expanded by 16.4 per cent from 843,978.3 dozens in Q2 2002 to 982,784.2 dozens in Q3 2002. On a year-on-year basis, production decreased by 4.3 per cent compared to 1,026,616.87 dozens of garment produced in Q3 2001. Production of sawn timber increased by 2.5 per cent to 15,050.6 cubic metres in Q3 2002 relative to 14,678.0 cubic metres in Q2 2002.

Meanwhile, production of mineral water declined by 11.8 per cent from 1,083,565.9 litres in Q2 2002 to 955,466.0 litres in Q3 2002. Compared to Q3 2001, the production rose by 2.7 per cent from 930,499.3 litres. Processing industry of the fishery sector decreased by 11.6 per cent from production of 60.3 metric tons during the first two months of Q2 2002 to 53.3 metric tons during the first two months of Q3 2002.

In the transport & communication sector, sales of vehicles slowed down in Q3 2002 compared to Q2 2002. Total number of newly registered vehicles declined by 4.2 per cent from a total of 3,178 units registered in Q2 2002 to 3,046 units in Q3 2002. Registration of private vehicles declined by 7.0 per cent from 3,134 units in Q2 2002 to 2,916 units in Q3 2002.

## BRUNEI DARUSSALAM THIRD QUARTER ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS

Gas Production			
Unit - US\$/Million Btu/Day			
	2000	2001	2002
JAN	1,106,160.0	1,033,542.9	1,046,388.0
FEB	1,080,486.9	962,006.0	1,095,799.0
MAC	1,075,867.1	1,141,934.0	990,443.0
APR	848,097.7	864,858.0	750,836.0
MAY	783,538.7	682,869.0	687,569.0
JUN	712,241.0	960,671.0	915,497.0
JUL	1,053,055.2	838,649.0	1,061,756.0
AUG	895,911.6	936,035.0	1,061,236.0
SEP	866,616.7	1,023,296.0	980,426.0
OCT	849,102.3	1,048,142.0	
NOV	1,024,072.7	976,540.0	
DEC	1,031,082.9	1,146,837.0	
<b>Gas Production for the Year</b>	<b>943,992.40</b>	<b>968,124.00</b>	
<b>Average Gas Production Q1</b>	<b>1,087,658.90</b>	<b>1,048,621.70</b>	<b>1,042,490.37</b>
<b>Average Gas Production Q2</b>	<b>781,317.15</b>	<b>834,448.50</b>	<b>783,567.35</b>
<b>Average Gas Production Q3</b>	<b>939,309.48</b>	<b>931,674.80</b>	<b>1,035,060.13</b>
<b>Average Gas Production Q4</b>	<b>967,477.42</b>	<b>1,058,049.40</b>	
<b>Average Gas Production 1H</b>	<b>934,488.03</b>	<b>940,943.40</b>	<b>912,313.60</b>
<b>Average Gas Production 2H</b>	<b>953,393.45</b>	<b>994,862.10</b>	

Source: Petroleum Unit, Prime Minister's Office

Gas Production Index			
	2000	2001	2002
JAN	117.2	109.5	110.8
FEB	114.5	101.9	116.1
MAC	114.0	121.0	104.9
APR	89.8	91.6	79.5
MAY	83.0	72.3	72.8
JUN	75.4	101.8	97.0
JUL	111.6	88.8	112.5
AUG	94.9	99.2	112.4
SEP	91.8	108.4	103.9
OCT	89.9	111.0	
NOV	108.5	103.4	
DEC	109.2	121.5	
<b>Average Index for the Year</b>	<b>100.0</b>	<b>102.6</b>	
<b>Average Index for Q1</b>	<b>115.2</b>	<b>111.1</b>	<b>110.4</b>
<b>Average Index for Q2</b>	<b>82.8</b>	<b>88.4</b>	<b>83.0</b>
<b>Average Index for Q3</b>	<b>99.5</b>	<b>98.7</b>	<b>109.6</b>
<b>Average Index for Q4</b>	<b>102.5</b>	<b>112.1</b>	
<b>Average Index for 1H</b>	<b>99.0</b>	<b>99.7</b>	<b>96.6</b>
<b>Average Index for 2H</b>	<b>101.0</b>	<b>105.4</b>	

Base year 2000=100

Oil Production			
Unit - US\$/Barrel/Day			
	2000	2001	2002
JAN	205,681	207,290	215,020
FEB	217,272	191,472	204,550
MAC	216,297	197,709	201,230
APR	211,948	179,623	186,880
MAY	203,764	169,771	193,561
JUN	146,835	186,537	203,188
JUL	164,901	194,308	204,150
AUG	179,867	193,504	216,474
SEP	176,673	193,351	192,335
OCT	178,751	188,568	
NOV	205,389	213,154	
DEC	210,380	224,901	
<b>Crude Oil Production for the Year</b>	<b>193,101</b>	<b>195,065</b>	
<b>Average Crude Oil Production Q1</b>	<b>212,991</b>	<b>199,069</b>	<b>207,013</b>
<b>Average Crude Oil Production Q2</b>	<b>187,694</b>	<b>178,546</b>	<b>194,532</b>
<b>Average Crude Oil Production Q3</b>	<b>173,783</b>	<b>193,725</b>	<b>204,450</b>
<b>Average Crude Oil Production Q4</b>	<b>198,095</b>	<b>208,828</b>	
<b>Average Crude Oil Production 1H</b>	<b>200,343</b>	<b>188,751</b>	<b>200,738</b>
<b>Average Crude Oil Production 2H</b>	<b>185,939</b>	<b>201,276</b>	

Source: Petroleum Unit, Prime Minister's Office

Oil Production Index			
	2000	2001	2002
JAN	106.5	107.3	111.4
FEB	112.5	99.2	105.9
MAC	112.0	102.4	104.2
APR	109.8	93.0	96.8
MAY	105.5	87.9	100.2
JUN	76.0	96.6	105.2
JUL	85.4	100.6	105.7
AUG	93.1	100.2	112.1
SEP	91.5	100.1	99.6
OCT	92.6	97.7	
NOV	106.4	110.4	
DEC	108.9	116.5	
<b>Average Index for the Year</b>	<b>100.0</b>	<b>101.0</b>	
<b>Average Index for Q1</b>	<b>110.3</b>	<b>103.1</b>	<b>107.2</b>
<b>Average Index for Q2</b>	<b>97.2</b>	<b>92.5</b>	<b>100.7</b>
<b>Average Index for Q3</b>	<b>90.0</b>	<b>100.3</b>	<b>105.9</b>
<b>Average Index for Q4</b>	<b>102.6</b>	<b>108.1</b>	
<b>Average Index for 1H</b>	<b>103.8</b>	<b>97.7</b>	<b>104.0</b>
<b>Average Index for 2H</b>	<b>96.3</b>	<b>104.2</b>	

Base year 2000=100

## BRUNEI DARUSSALAM THIRD QUARTER ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS

### Inflation

The Consumer Price Index (CPI) for the third quarter of 2002 compared to the second quarter 2002 remained constant at 119.9. The CPI for July, August and September 2002 stood at 119.8, 120.0 and 119.9 respectively. The CPI for the period January-September 2002 declined by 2.6 per cent compared to the same period last year. The CPI for the third quarter of 2002 compared to the same period last year recorded a marginal decrease of 0.03 per cent from 119.93 to 119.90. Inflation rate in 2001 was 0.6 per cent.

#### Consumer Price Index (July-Sept 2002)

Commodity Group	Weight	2002		
		July	Aug	Sept
<b>All</b>	<b>10,000</b>	<b>119.8</b>	<b>120.0</b>	<b>119.9</b>
I. Food	3,873	118.5	119.1	119.0
II. Clothing	640	134.7	134.7	134.7
III. Housing	1,864	106.2	106.2	106.2
IV. Transport & Communication	1,989	127.0	126.6	126.6
V. Miscellaneous	1,634	123.9	123.9	123.9

#### CPI changes for the third quarter of 2002 relative to the second quarter 2002

The CPI remained constant at 119.9. This was brought about by marginal increase in the Major Group Indices for Food by 0.1 per cent. Major Group Indices for Transport and Communication; and Housing decreased by 0.2 per cent and 0.1 per cent, respectively. Major Group Indices for Miscellaneous Items; and Clothing & Footwear remained constant.

The 0.1 per cent increase in the Major Group Index for Food was the result of a 1.7 per cent increase in the Cooked Food Sub-Group Index as well as Sub-Group Indices for Coffee, Tea & Cocoa (+1.5 per cent); Cooking Oil & Fat (+0.7 per cent); Sugar, Sugar Preserved & Confectionery (+0.2 per cent); and Dairy Products & Eggs (+0.1 per cent). However, Vegetables Sub-Group Index decreased by 1.6 per cent as well as Sub-Group Indices for Fruits (-1.4 per cent); Non-Alcoholic Beverages (-0.3 per cent); Meat & Meat Products (-0.2 per cent); Other Food (-0.1 per cent); Seafood & Seafood Products (-0.05 per cent). Sub-group Index for Rice & Cereal Products remained constant.

The marginal 0.02 per cent increase in the Major Group Index for Clothing and Footwear was the result of a 0.2 per cent increase in the Footwear Sub-Group Index. The remaining Sub-Group Indices such as Ready-Made Clothing & Accessories; Clothing Materials; Tailoring Charges; and Haberdasheries all remained constant.

The 0.2 per cent decrease in the Major Group Index for Transport & Communication was the result of a 0.2 per cent decrease in the Private Road Transport Sub-Group Index. The remaining Sub-Group Indices such as Public Transport; Other Travel & Transport; and Communication all remained constant.

The 0.1 per cent decrease in the Major Group Index for Housing was the result of a 0.1 per cent decrease in the Household Goods & Operation Sub-Group Index whereas the Sub-Group Indices for Fuel & Utilities; and Household Goods & Operation remained constant.

Major Group Index for Miscellaneous Items remained constant mostly on the account of a 0.1 per cent increase for both Sub-Group Indices of Education; and Recreation & Entertainment. Personal Effects & Other Personal Goods Sub-Group Index, however, decreased by 0.3 per cent as well as Sub-Group Indices for Personal Care (-0.1 per cent) such as the cost of shampoos, baby lotion, tissue box. The remaining Sub-Group Indices such as Medical & Health; Cigarettes; Domestic Services; and Others remained constant.

#### CPI changes for the third quarter of 2002 relative to the same period in 2001

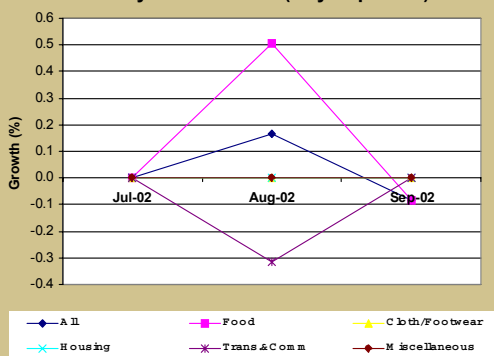
Compared to Q3 2001, the CPI for Q3 2002 declined by 2.7 per cent. This was mainly due to lower Major Group Indices of Transport & Communication (-10.5 per cent); Clothing & Footwear (-1.9 per cent); and Housing (-1.6 per cent). However, Food and Miscellaneous Major Group Indices were both more expensive by 0.4 per cent and 0.3 per cent, respectively.

Lower cost of Private Road Transport Sub-Group Index in Q3 2002 relative to Q2 2001 was mainly contributed by the reduction in import duty announced on November 6, 2001 from the rate of as high as 200 per cent to a flat rate of 20 per cent on all motor vehicles.

Likewise, the reduction in the rental fees for commercial and telephone lines

Commodity Group	Weight	2002		
		2001 Q3	2002 Q2	2002 Q3
<b>All</b>	<b>10,000</b>	<b>123.2</b>	<b>119.9</b>	<b>119.9</b>
I. Food	3,873	118.4	118.7	118.9
II. Clothing	640	137.3	134.7	134.7
III. Housing	1,864	107.9	106.3	106.2
IV. Transport & Communication	1,989	141.5	127.0	126.7
V. Miscellaneous	1,634	123.7	123.9	123.9

Monthly Growth of CPI (July-Sept 2002)

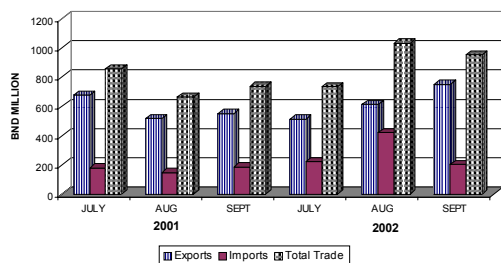


## BRUNEI DARUSSALAM THIRD QUARTER ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS

### Brunei Darussalam Export, Import & Total Trade Q3 2001 & 2002

Item	2001				2002			
	July	Aug	Sept	Total	July	Aug	Sept	Total
<i>In BND million</i>								
Exports	676.23	517.88	550.88	1,744.99	514.56	613.57	750.69	1,878.82
Imports	180.27	146.96	187.32	514.55	219.94	419.67	201	840.61
Total	856.5	664.84	738.2	2,259.54	734.5	1,033.24	951.69	2,719.43

BRUNEI DARUSSALAM EXPORT, IMPORT & TOTAL TRADE Q3 2001 & 2002



from BND 25.00 and BND 17.00 respectively to BND 13.00 per month as well as international call charges commencing January 1, 2002 contributed to the much lower price of Communication Sub-group Index.

### Fiscal Sector Development

Total government revenue, as of September 2002, stood at BND 3,061.49 million. It was lower by BND 129.39 million or 4.1 per cent compared to the same period last year. This was mainly due to the unstable world oil price. Majority of the revenue, about 53.9 per cent, was from the tax revenue. The latter consists of corporate income tax, import duty, licenses, as well as stamp and estate duties.

Total government expenditure, on the other hand, increased by BND 375.34 million or 13.2 per cent to BND 3,218.99 million compared to BND 2,843.65 million reported last year. Majority of the outlay was on personnel emoluments (30.1 per cent) and followed by other charges on annual recurrent (25.7 per cent), charged expenditure (24.1 per cent), other charges on special expenditure (11.8 per cent) and development expenditure (8.3 per cent).

### External Trade

#### Exports

Total exports for the third quarter 2002 increased by 7.67 per cent to BND 1,878.82 million from BND 1,744.99 million of the same period last year. Petroleum exports (crude and condensate) increased by 7.07 per cent, reflecting higher oil price (average weighted crude oil price increased by 9.05 per cent from US\$25.29 in Q3 2001 to US\$27.58 in Q3 2002); exports of LNG also increased by 4.36 per cent. Total oil and gas exports for the third quarter 2002 increased by 7.96 per cent from BND 1,397.87 million, same period last year to BND 1,509.18 million.

Japan remains the dominant export market for oil and gas which account for 38.94 per cent of total exports in the third quarter of 2002. This is followed by ASEAN (29.19 per cent), Australia (10.39 per cent) and Korea (6.9 per cent). Brunei export to Japan increased by 4.58 per cent during this period compared to 2001 while export to ASEAN countries decreased by 3.44 per cent in 2002.

The overall Non-Oil & Gas export increased at the same period by 6.76 per cent, from BND370.60 million in 2001 to BND369.63 million in the same quarter of 2002. This is mainly attributed to the increased in the re-export of Machinery and Transport Equipment to Malaysia. The total value of garments export increase by 18.69 per cent i.e. from BND106.18 million in the third quarter of 2001 to BND126.03 million in the same quarter of 2002.

#### Imports

Total imports increased by 63.37 per cent, from BND 514.55 million in the third quarter of 2001 to BND 840.61 million of the same period in 2002. In value terms, Miscellaneous Transactions and Commodities increased by 293.6 per cent followed by Machinery & Transport Equipments (222.95 per cent), Miscellaneous Manufactured Articles (24.26), Animal & Vegetable Oils and Fats (9.18 per cent), Crude Materials Inedible (8.81 per cent), Beverages & Tobacco (8.23), Manufactured Goods (6.44 per cent), Chemicals (2.73 per cent). Imports of Food & Live animals decreased by 0.56 per cent.

34 per cent of total imports were from ASEAN countries. Imports from USA, accounted for 31 per cent while Japan and European Union made of 12 per cent and 9 per cent respectively.

#### Balance of Trade

In the third quarter of 2002, increase in imports by 63.37 per cent adversely affected the balance of trade for this period. The trade surplus was reduced by 15.62 per cent, from BND 1,230.44 million in Q3 2001 to BND 1,038.2 million in the same period in 2002.

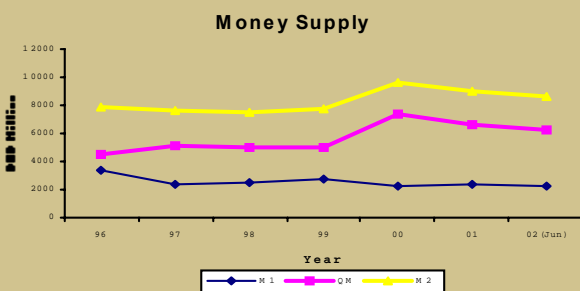


**BRUNEI DARUSSALAM THIRD QUARTER ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS**

**Monetary Development**

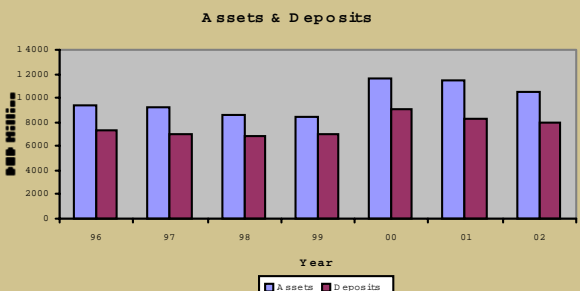
*Money Supply*

The M1 position contracted since the last six months of the year compared to the same period in 2001. A contraction of 4 per cent from BND 2,395 millions in January 2002 to BND 2,299 millions in June 2002 was due to the decrease in demand for cash of 3.8 per cent from BND 657 millions to BND 633 millions. However in 2001, a 12.8 per cent expansion was partly a result of the increase in demand deposits of private sectors of 20.4 per cent. The contraction of narrow money adversely affected the expansion of M2. The broad money position declined by 1.6 per cent since January 2002. The contraction was mainly due to the decrease in demand deposits of private sectors and in quasi money.

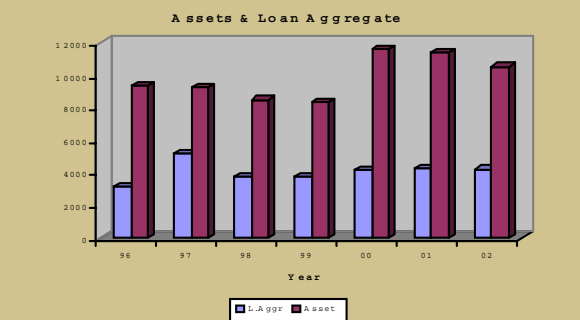


*Assets*

Brunei Currency Board foreign assets increased by 2 per cent from January 2002 to June 2002 due to market valuation and interest gained. Conversely, domestic assets fell by 6.8 per cent due to the decrease in claims on its assets at commercial banks and other demand liabilities. Reserve deposits by commercial banks and finance companies also decreased by 5.1 per cent but still adequate to meet their liabilities domestically.

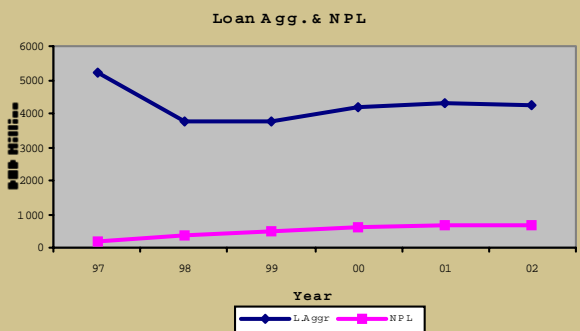


The slow pace of domestic economic growth affected the commercial banks' assets which fell by 5.8 per cent from BND 11,186 millions to BND 10,541 millions in June 2002. This also resulted in the decrease in deposits by 1.4 per cent from BND 8,053 millions in January 2002 to BND 7,937 millions in June.

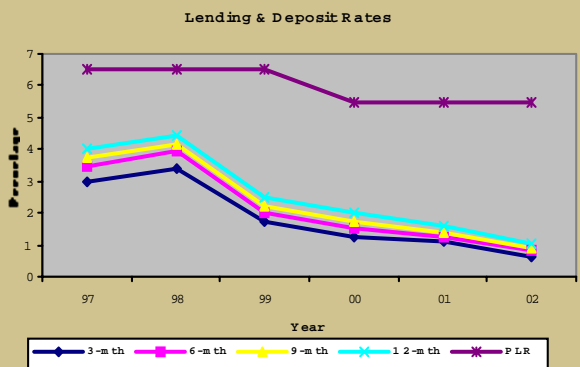


*Loan Aggregates And Non-Performing Loans*

In relation to broad money, business activities play a crucial role to support its expansion. Through the activities, loan aggregates in June 2002 were almost stagnant with slight decrease of 0.02 per cent. Loans in manufacturing fell by 6.8 per cent from BND 88 millions to BND 82 millions, transportation, construction and general commerce were down by 13.9 per cent from BND 231 millions to BND 199 millions, 5.1 per cent to BND 464 millions and 2.5 per cent to BND 557 millions respectively. Other industries such as agriculture, credit and finance, professional services and personal loans were in opposite trend, increasing by 1.8 per cent, 7.4 per cent, 3.5 per cent and 2.6 per cent respectively from the first quarter of the year.



The total aggregates of non-performing loans on month-to-month basis fluctuated but generally increased by 2.0 per cent from January 2002 due to liquidity inconsistency. The increase in the NPL was normally on a temporary basis and might be reduced to its lowest aggregates based on seasonal economic forces.

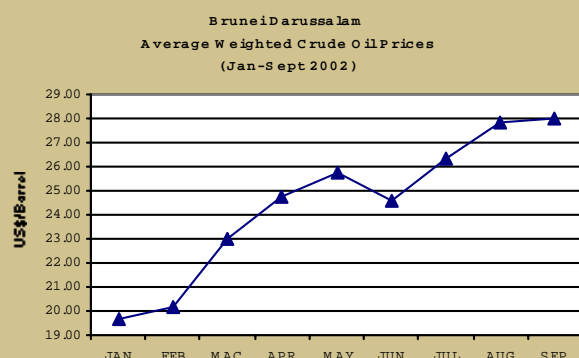
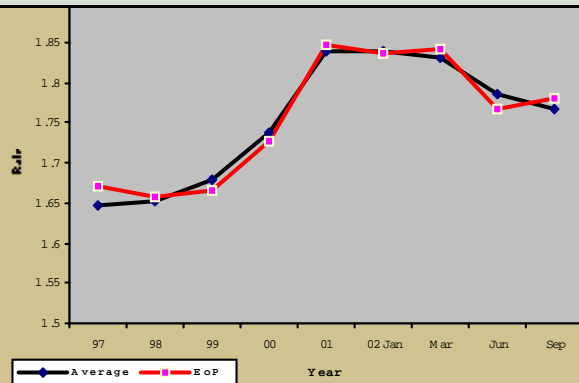


*Interest Rate and Foreign Exchange*

The prime lending rate remains unchanged at 5.5 per cent since last September 2000 compared to other short-term rates. These short-term rates were continuously on a decline by almost 63 per cent to 0.625 per cent during the same period. The trends strategically show that the domestic banking system were also facing difficulties to meet the domestic economic environment compared to other banking systems in the region. Apart from the money market instrument, downturn in the world economy is another threat to domestic economy's GDP growth which directly affects the revenue from the US dollar-based oil and gas export. For this reason, the need for fiscal policy adjustments should be applied to balance the situations.

The US currency depreciated since the beginning of 2002 due to un-

## BRUNEI DARUSSALAM THIRD QUARTER ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS



**Average Weighted Price of Crude Oil**  
Unit - US\$/ Barrel

	2000	2001	2002
JAN	25.15	26.24	19.67
FEB	27.36	27.27	20.17
MAC	28.48	26.79	22.99
APR	25.83	27.75	24.76
MAY	29.41	28.99	25.73
JUN	31.22	28.05	24.60
JUL	31.42	25.99	26.31
AUG	31.71	24.91	27.85
SEP	35.36	24.96	28.64
OCT	33.11	20.19	
NOV	32.85	18.79	
DEC	27.84	18.60	
<b>Average W.Crude Oil Price for the Year</b>	<b>29.71</b>	<b>24.67</b>	
<b>Average W.Crude Oil Price Q1</b>	<b>26.98</b>	<b>26.73</b>	<b>20.87</b>
<b>Average W.Crude Oil Price Q2</b>	<b>28.47</b>	<b>28.23</b>	<b>25.03</b>
<b>Average W.Crude Oil Price Q3</b>	<b>32.77</b>	<b>25.29</b>	<b>27.58</b>
<b>Average W.Crude Oil Price Q4</b>	<b>31.14</b>	<b>19.19</b>	
<b>Average W.Crude Oil Price 1H</b>	<b>27.66</b>	<b>27.45</b>	<b>22.95</b>
<b>Average W.Crude Oil Price 2H</b>	<b>29.19</b>	<b>23.19</b>	

**Average Weighted Crude Oil Price Index**

	2000	2001	2002
JAN	84.7	88.3	66.2
FEB	92.1	91.8	67.9
MAC	95.9	90.2	77.4
APR	86.9	93.4	83.3
MAY	99.0	97.6	86.6
JUN	105.1	94.4	82.8
JUL	105.8	87.5	88.6
AUG	106.7	83.8	93.7
SEP	119.0	84.0	96.4
OCT	111.4	68.0	
NOV	110.6	63.2	
DEC	93.7	62.6	
<b>Average Index for the Year</b>	<b>100.0</b>	<b>83.0</b>	
<b>Average Index for Q1</b>	<b>90.8</b>	<b>90.0</b>	<b>70.2</b>
<b>Average Index for Q2</b>	<b>95.8</b>	<b>95.0</b>	<b>84.2</b>
<b>Average Index for Q3</b>	<b>110.3</b>	<b>85.1</b>	<b>92.8</b>
<b>Average Index for Q4</b>	<b>104.8</b>	<b>64.6</b>	
<b>Average Index for 1H</b>	<b>93.1</b>	<b>92.4</b>	<b>77.2</b>
<b>Average Index for 2H</b>	<b>98.2</b>	<b>78.1</b>	

Base year 2000=100

even economic recovery in the US. The trend continued in the following month due to another crisis caused by WorldCom and Enron scandals affecting the US share prices. The exchange rate on average declined by 3.0 per cent from 1.8400 in January 2002 to 1.7844 in June 2002. It further declined by an average of 1.1 per cent to 1.7655 in September 2002.

The declining trend is expected to continue for the rest of the year because of a systematic failure in the US financial system affected by both companies' scandals, an outright abandonment of the strong dollar policy to protect domestic jobs and a possibility of a war led by the US on Iraq.

### Medium-term Outlook

The outlook for Brunei Darussalam's economy for Q4 2002 remains favourable despite the current global uncertainty. This is mainly due to the current favourable oil price i.e. around US\$28 per barrel and at the same time oil production is expected to increase slightly during the period. The performance of the non-oil sector for Q4 is also expected to improve further. This is mainly due to: -

1. Projects under the BND 1 billion National Development Plan, currently at the implementation stage;
2. Three months Brunei Grand Sales which started on the 1<sup>st</sup> November 2002 and the coming festive season will provide a strong impetus to the wholesales and retail sector; and
3. The continuous diversification efforts.

### Crude Oil Price Index

The average weighted Crude Oil Price Index (COPI) for the third quarter of 2002 increased by 9.0 per cent to 92.8 compared to that of 85.1 in the same period last year. Compared to that of the same month in 2001, the COPI in September 2002 increased by 14.8 per cent from 84.0 to 96.4 and when compared to the previous month, the COPI increased by 2.9 per cent.

Brunei Darussalam's average weighted crude oil price had been rising continuously during the third quarter of 2002 in which it recorded price of US\$26.31 per barrel in July 2002 (+7.0 per cent growth compared to previous month), US\$27.85 per barrel in August 2002 (+5.9 per cent growth) and US\$28.64 per barrel in September 2002 (+2.9 per cent growth).

Crude prices shored up in mid-July 2002 after it was predicted that the US economy was set for faster growth than previously expected. In early August 2002, prices edged higher when Nigeria commented that the country would lobby the Organisation of the Petroleum Exporting Countries (OPEC) to allow it to pump more crude as their young democracy was at risk due to sharply reduced earnings from oil. However, the price of oil rose as Venezuela and Kuwait were in favour of leaving tough limits on hold at the cartel's policy meeting in September 2002. Prices continued to climb higher in mid-August 2002 as US fuel supplies decreased heavily when its crude inventories were down by 9.5 million barrels to 295.65 million, a level not seen since early 2001. The fall outpaced analysts' expectations of a 1.2 million barrel decline. Furthermore, the American Petroleum Institute recorded lower stocks of gasoline and contra seasonal decrease in distillate stocks which pushed up prices.

High oil prices subsequently subsided in late August 2002 after it was reported that the OPEC cartel would probably relax tough output curbs in the fourth quarter of 2002. However, this did not last long when prices continued to rise again until the first half of September 2002 amid the possibility of a US-led military attack on Iraq. On September 17, 2002 oil prices eventually fell after Iraq agreed to the uncon-

## BRUNEI DARUSSALAM THIRD QUARTER ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS

ditional return of UN arms inspectors to Iraq. However, oil prices started to rise again the next day as the threat of a US assault on Iraq again grew after Iraq vowed to reject any new Security Council resolution. September 23, 2002 then saw oil prices at a fresh 19-month high as forecast of lower US supplies added to fears of a US attack on Iraq combined with Israel's siege of headquarters of Palestinian leader and an expected tropical storm to hit US during that time.

At the latest OPEC meeting held on September 19, 2002, OPEC agreed to maintain severe restraints on oil production for the fourth quarter of 2002 to keep crude prices high. This was despite worries among consumer nations about the impact of high energy costs on the world economy.

With the demand of fuel increasing ahead of the northern hemisphere winter and the US pressing for a military attack against Iraq, the cost of fuel may quickly come under further upward pressure. Producers will meet again on December 12, 2002 to review policy for the first quarter of 2003 by which time any US plans for military action may be clearer.

### 8TH NATIONAL DEVELOPMENT PLAN Projects Implementation Review

#### *Status of NDP Projects as of September 2002*

Efforts undertaken to improve and inverse the implementation capacity and inverse the implementing agencies in the 2nd quarter has begun to show some degree of success in terms of increasing number of projects progressing into the next phase of implementation. However, the expenditure expanded during the period, although increasing does not commensurate with the additional efforts to accelerate the rate of implementation. A better measure of achievement would include on the ground progress which is not available at this stage. Several factors contributed to the slow progress in implementation of NDP projects are as follow:-

- ◆ Delay in appointment of consultant;
- ◆ Finalisation and acquisition of site; and
- ◆ Delay in finalising project brief

The total expenditure in the third quarter of 2002 was BND 266,163,286 or 27 per cent out of BND 1 billion allocated for 2002.

By sectors, Public Utility recorded the highest expenditure of around 16 per cent comprising Electricity (BND 151,805,035), Sanitation (BND 4,759,458), and Drainage (BND 1,531,937) followed by Social Services (4 per cent) and Transport and Communication (3 per cent). It is expected by the end of this year that the total expenditure will be around BND 400 millions to 500 millions.

Summary of the allocation and expenditure for 2002 by major sectors are shown in Table 1.

**Table 1 : Summary of allocation and expenditure for 2002**

MAIN SECTORS	2002 ALOCATION (BND)	EXPENDITURE (BND) AS AT Sep-02	Per cent SPENT
Public Utility	295,840,000	158,398,135	15.84
Social Services	195,850,861	36,215,289	3.62
Transport and Communication	189,743,746	30,341,252	3.03
Public Buildings	80,176,690	20,318,886	2.03
Industry and Commerce	132,714,800	16,251,987	1.63
Miscellaneous	12,823,903	2,967,820	0.30
Security	61,850,000	1,526,047	0.15
Info-Communication Technology and Science & Technology	31,000,000	144,410	0.01
<b>Total</b>	<b>1,000,000,000</b>	<b>266,163,826</b>	<b>26.62</b>



*Physical Progress of NDP Projects as of September 2002***a) On-Going Projects**

Out of 177 on-going projects, a total of 82 projects with an allocation of BND 77.9 millions have been completed. Works on 95 projects with an allocation of BND 442 millions are currently in various stages of implementation.

**b) New Projects**

A total of 274 new projects have been given a total allocation of BND 499 millions at the beginning of 2002. The implementation status of these projects is as shown in Table 2.

**Table 2 : Status of New Projects**

Status	Jun-02		Sep-02	
	No. of Projects	Allocation 2002 BND (millions)	No. of Projects	Allocation 2002 BND (millions)
Completed	0		5	0.6
Under Implementation	15	46	35	142.4
Tender Awarded	10	43	1	5
Tendering Process	65	109	69	110
Other Stages	184	301	164	241
	<b>274</b>	<b>499</b>	<b>274</b>	<b>499</b>

**Appointment of Consultants**

The total number of 213 projects are identified as Development projects. To date, 32 consultants have been appointed to undertake NDP projects. 23 other projects have been schedule for the appointment of consultant for this year.

Table 3 shows the list of projects for which consultant have been appointed.

**Table 3 : PROJECTS WITH APPOINTED CONSULTANTS**

NO	VOTE NUMBER	PROJECT DESCRIPTION
1	803-022	Extension of Muara Fish Landing Complex
2	805-004	Open Market Complex in Tutong
	805-005	New Markets in Tutong
3	814-024	Stabilisation of Sg Lumut Estuary
4	817-001-005	Telemetry System
5	817-013-001	Temburong Water Supply Development
	817-013-002	- Phase 3 New Raw Water Intake, Raw Water Pipeline And Raw Water Pumping Plant
	817-013-002	- New Treatment Works
6	817-005-001	Imang Dam and Tank - Phase II
	817-015	Construction of Puncak & Southern Canal
7	817-018	Swabbing Facilities for Raw Water Pipelines from Kuala Abang To Bukit Barun
8	8310-024	Improvement of Sg. Ukong and Sg. Bakong, Kg Lumut, Belait
9	831-015	Drainage Improvement Kg Beribi
10	831-003	Channelisation of Sg Berakas ( from Airport Bridge to Kg Jaya Bakti)
11	831-020	Flood Mitigation Scheme Seria Town, Belait District
12	831-014	Drainage Improvement of Sg Belaban, Kg Tungku and Police Headquarters, Gadong and Construction of the Storm Drain From Sungai Bengkala
13	831-004	Drainage Improvement at Kuala Belait dan Seria ( Channelisation of Kuala Belait /Seria Diversion Road)
14	831-021	Flood Defence System Projects at Temburong - Phase I
15	831-018	Improvement of Drainage System For Kg Sg Tali and Kg Sg Taring, Mukim Lumut II - Belait District
16	831-016	Subok / Belimbing Catchments Flood Mitigation Scheme Stage II
17	831-017	Drainage Improvement Implementation at Kg Lamunin
18	831-019	Refurbishment and Upgrading of Hydrometric Network for Negara Brunei Darussalam

**Warrant Issued and Expenditures**

Warrants issued during the first nine months of 2002 amounted to BND 397,769,603, that is 40 per cent of the amount allocated. The actual expenditure incurred during the corresponding period was only BND 266,163,826 which correspond to 27 per cent of the allocation and 67 per cent of the warrant valued. The total warrant issued and the expenditures for each sectors is as shown in Table 4.

**TABLE 4 : Warrant Issued and Expenditures**

Sector	Title	Scheme Value 2002	Allocation 2002	Warrant Issued	Expenditures*
801	Agriculture	90,479,000.00	12,010,000.00	2,617,223.00	772,000.00
802	Forestry	73,297,000.00	10,549,000.00	3,971,582.00	3,099,691.00
803	Fisheries	89,941,000.00	12,105,800.00	5,945,577.00	1,481,811.00
804	Industrial Development	808,510,400.00	90,660,000.00	37,075,649.00	10,893,514.00
805	Commercial and Entrepreneurial Development	41,279,000.00	3,790,000.00	4,972.00	4,971.00
806	Education	266,057,000.00	57,890,000.00	24,022,568.00	13,851,531.00
807	Roads	433,062,000.00	81,651,000.00	27,205,892.00	17,443,645.00
808	Civil Aviation	30,270,000.00	13,120,000.00	4,170,795.00	2,764,845.00
809	Marine and Ports	52,177,000.00	11,942,488.00	3,128,316.00	2,621,886.00
810	Electricity	547,660,000.00	196,650,000.00	187,162,711.00	151,805,035.00
811	Telecommunications	223,680,000.00	67,049,000.00	9,683,912.00	6,500,925.00
812	RTB	74,866,000.00	10,750,300.00	1,524,675.00	483,789.00
813	Postal Services	15,904,600.00	5,150,000.00	724,843.00	526,162.00
814	Government Housing	35,343,000.00	1,877,700.00	250,011.00	220,027.00
815	Medical and Health	130,745,000.00	15,589,114.00	7,503,015.00	4,175,146.00
816	Sanitation	82,665,000.00	9,300,000.00	1,520,605.00	301,705.00
817	Water Supply	394,359,000.00	75,740,000.00	6,784,522.00	4,759,458.00
818	Public Facilities & Environment	109,251,000.00	7,475,799.00	1,696,910.00	995,147.00
819	Public Building	570,722,000.00	78,976,980.00	37,595,063.00	20,318,886.00
820	National Housing	900,000,000.00	82,657,000.00	24,848,336.00	16,780,746.00
821	Religious Affairs	7,756,000.00	2,700,000.00	1,121,700.00	182,900.00
822	Feasibility Studies	71,967,000.00	9,408,200.00	4,058,130.00	2,967,820.00
823	Information and Information Technology	983,837,000.00	31,000,000.00	144,411.00	144,410.00
824	Human Resources Development and Science and Technology	279,960,000.00	27,655,000.00	77,792.00	9,792.00
825	ABDB Bolkiah	20,000,000.00	6,000,000.00	-	-
826	ABDB Penanjong	16,000,000.00	2,000,000.00	120,193.00	120,193.00
827	ABDB Muara	100,000,000.00	20,000,000.00	138,260.00	138,260.00
828	ABDB Miscellaneous Projects	139,435,000.00	23,000,000.00	25,065.00	25,065.00
829	Pulau Muara Besar Project	300,000,000.00	5,000,000.00	-	-
830	Police	41,040,000.00	10,850,000.00	2,367,900.00	1,242,529.00
831	Drainage	147,146,000.00	14,150,000.00	2,278,975.00	1,531,937.00
832	Contingency	222,591,000.00	3,302,619.00	-	-
<b>TOTAL</b>		<b>7,300,000,000.00</b>	<b>1,000,000,000.00</b>	<b>397,769,603.00</b>	<b>266,163,826.00</b>

\* Source - Information from Treasury Department.

# BRUNEI EXTERNAL TRADE DEVELOPMENT (1991-2001)

CHART 1 : TRADE PERFORMANCE (1991-2001)

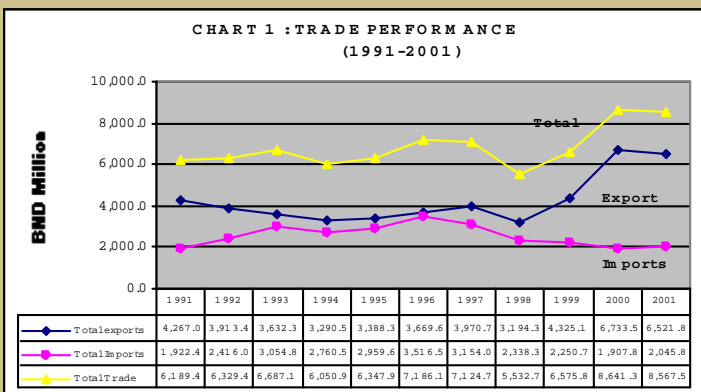


CHART 2 : TRADE BALANCE (1991-2001)

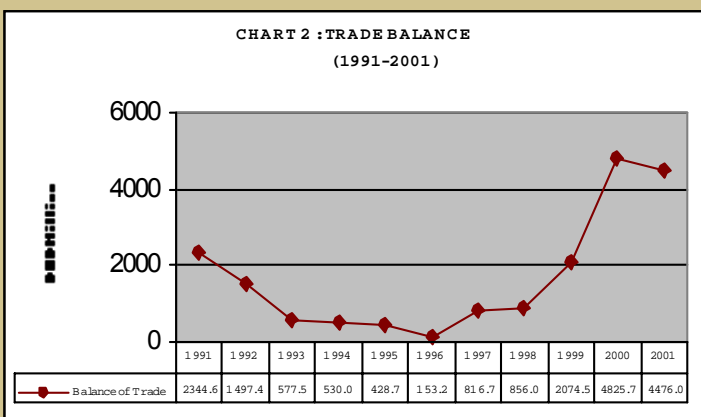


CHART 3 : BRUNEI DARUSSALAM OIL & GAS EXPORT (1991-2001)

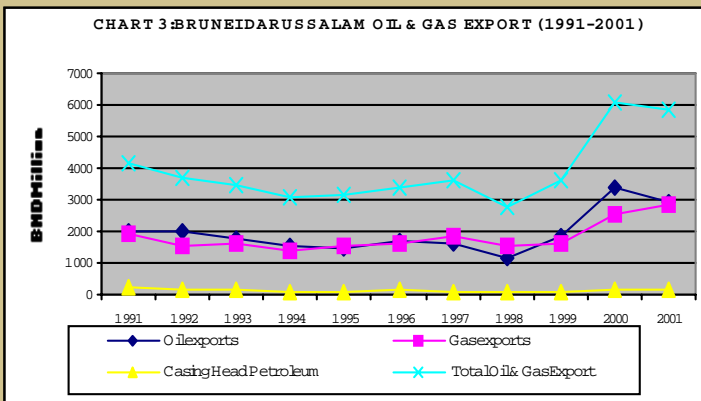
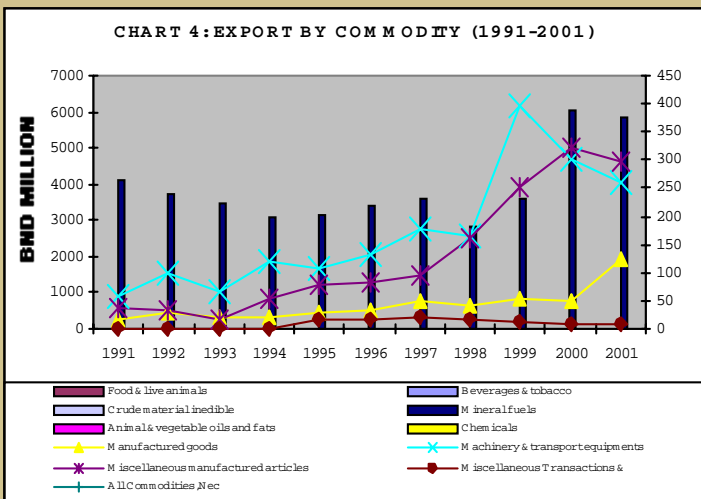


CHART 4 : EXPORT BY COMMODITY (1991-2001)



## Introduction

The investment inflow into the oil industry and revenue generated has altered the country's economic landscape. The oil revenue has enabled the enlargement of the government sector and implementation of many development projects for the well-being of the population. However, this dependence on the oil sector has created an undiversified economy and consequently leads to laxity on other productive sectors. Today, Brunei Darussalam's economy is preoccupied with its diversification drive to make the private sector the engine of growth while trying to reduce its dependence on the oil and gas sector. However, both internal and external factors, have, in one way or another influenced the development strategies. The global and/or regional economic integration, for example, has changed the way in which the government drafted policies for economic development.

## Growth In Total Trade

The value of trade grew at an average annual rate of 4.3 per cent over the 10 year period from BND6,189.35 million in 1991 to BND8,567.56 million in 2001 (Chart 1). But in 1998, the value of trade was down by 22 per cent over the previous year due to economic downturn and declining oil price. In 2002, total trade is expected to decrease by 2.3 per cent to BND8,370.5 million. Exports is expected to decrease by 6 per cent whilst imports will grow by 9 per cent.

## Trade Balance

The trade balance recorded higher surplus in recent years. In 2000, the trade balance increased significantly by 132.6 per cent from BND2,074.5 million in previous year to BND4,825.7 million which accounted for 66 per cent of GDP. However in 2001, the trade surplus declined by 7.2 per cent to BND4,476.04 million which accounted for 57 per cent of GDP (Chart 2).

## Composition of Exports

The major exports of Brunei Darussalam consist of hydrocarbons which accounted for 89 per cent of total exports. The trend in total exports has been determined to a large extent by oil and gas exports and was greatly affected by their prices as well as productions. The sharp increase in exports by 47 per cent from 1998-2000 was due to the increase in average oil price from US\$13.43 per barrel in 1998 to US\$29.71 per barrel in 2000. Oil production also increased from 157 thousand bpd to 193 thousand bpd during the same period. In 2001, total oil and gas exports decreased by 3.6 per cent to BND5,826 million from the previous year (Chart 3). Between 1991 and 2001, there was a sharp increase of about 137 per cent in export of machinery and transport equipments which were mostly re-exports components. The exports of miscellaneous manufactured articles such as garments increased by 42 per cent between 1996 and 2000 (Chart 4). The domestic exports also showed increasing trend for miscellaneous manufactured articles from 1993-2000.

CHART 5: EXPORT MARKET IN 2001

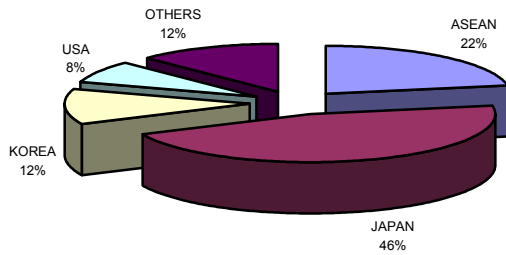


CHART 6: IMPORT BY COMMODITY IN 2001

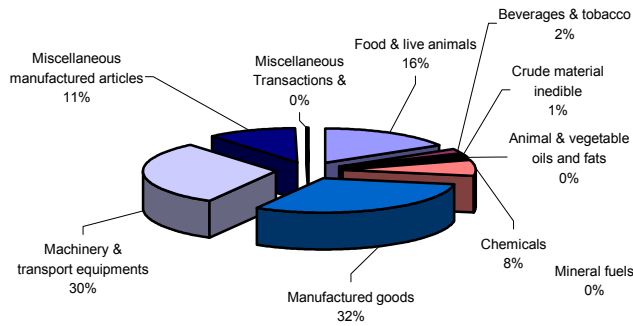


CHART 7 : IMPORT BY COMMODITY (1991-2001)

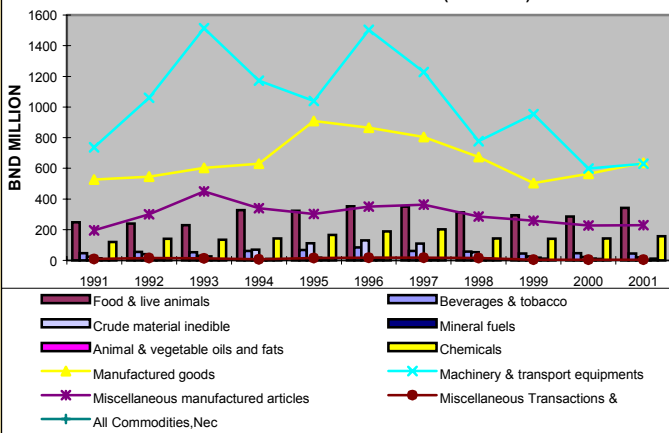
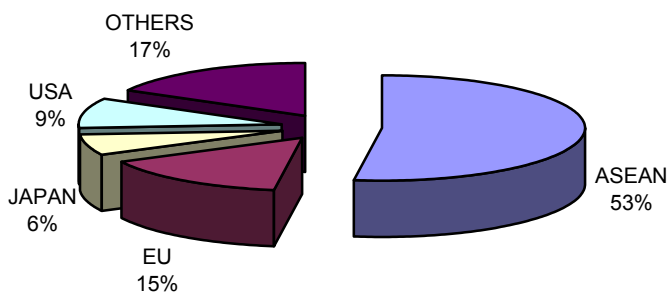


CHART 8: SOURCE OF IMPORT IN 2001



### Export Performance

Export had shown a downward trend from 1991-1994 (Chart 1). However it had grown in volume each year during 1995-2000 except during the economic downturn in 1998. There was a 19.6 per cent decline in total exports in 1998 due to significant drop in average oil price. It decreased by 37 per cent from US\$21.48/barrel in 1997 to US \$13.43 per barrel in 1998. Likewise, oil production has decreased slightly from 160 thousand barrels per day in 1997 to 157 thousand barrels per day in 1998. This situation was worsened by a 25 per cent drop in the price of LNG from US\$3.86 per MMBTU in 1997 to US\$2.91 per MMBTU in 1998. Similarly, LNG export volume decreased by 3.15 per cent from 1,243,856 MMBTU per day in 1997 to 1,204,552 MMBTU per day in 1998. In 2002, total exports are estimated to drop by about 6 per cent mainly due to a decrease in LNG exports by 8 per cent to BND2,580.54 million.

### Brunei's Major Export Markets

In 2001, Japan remains the dominant export market and absorbed approximately 46 per cent of total exports. South Korea and the USA were also important international market and purchased 12 per cent and 8 per cent of total exports, respectively. Exports to ASEAN countries decreased slightly to 22 per cent from the previous year (Chart 5).

### Composition of Imports

The major import components of Brunei Darussalam consisted of Food and Live Animals, Machinery and Transport Equipment, and Manufactured goods. In 2001, manufactured goods items such as consumer electronics and electrical appliances contributed the highest share (41.7 per cent) of total imports. This was followed by Machinery and Transport Equipment (30.3 per cent) and Food (including live animals) which comprised 16.4 per cent of total imports (Chart 5).

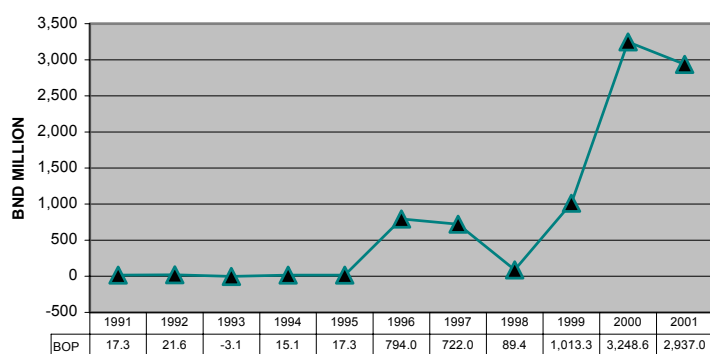
### Import Performance

There was an increasing trend in imports from 1991-1993 and 1994-1996 which shows the country's increasing dependence on imported commodities (Chart 1). However, in 1998 there was a significant decrease of 26 per cent over the previous year from BND3,154 million to BND2,338 million. The trend continued until it reached its lowest in 2000 (BND1,908 million). In 2001, the total import increased by 7 per cent from the previous year to BND 2,045.8 million. Machinery and transportation equipments increased by 5 per cent from BND 597.57 million in 2000 to BND 630.17 million in 2001 as a result of increase in the number of vehicles. The importation of foodstuffs increased by 21 per cent and manufactured goods increased by 16 per cent over the period between 1991 and 2001 (Chart 7).

### Source of Import

In 2001, ASEAN retained its position as the most important source of imports and recorded a 53 per cent share of total imports. Imports from European Union increased from 12 per cent in 2000 to 15 per cent in 2001 while imports from USA have declined slightly from 11 per cent to 9 per cent in the same period (Chart 8).

CHART 9: BALANCE OF PAYMENTS (1991-2001)



## Balance of Payments

Over the years Brunei Darussalam's balance of payments recorded a surplus. The surplus grew at an increase rate from BND17.3 million in 1991 to BND2,937 million in 2001 (Chart 9). This reflected the steady improvement in the current account. This surplus was attributed mainly to current account balance.

## Current Account Balance

During the 10 year period (1991-2001), Brunei Darussalam's current account recorded a surplus with annual average of BND5,000 million. In 2000, current account surplus had improved by 54 per cent over the previous year to BND6,907 million. The increase was mainly due to the effects of increase in production and prices of oil and gas. As a result, the current account surplus had increased from 63 per cent of GDP in 1999 to 93 per cent of GDP in 2000. In 2001, the surplus had decreased by 1.7 per cent to 86 per cent of GDP at BND6,818.2 million (Chart 10).

## Other Current Account Transactions

During the last 10 years, services account recorded higher deficit. Net outflows on services account occurred each year in the form of payments for foreign travel, consultation, management and other professional fees in the oil and gas sector. In 2001, the services account registered a deficit of 13 per cent of GDP. Net investment income recorded a surplus of BND3,434.8 million which accounted for 45 per cent of GDP in 2001. Current transfer outflows mainly consist of remittances by immigrant workers from neighboring Asian countries. In 2001, the outflow was BND175 million which accounted for 2 per cent of GDP (Chart 11).

## Capital Account Transactions

Portfolio and direct investment inflows have risen in recent years. Recorded inflows, however are dwarfed by long-term capital outflows. Short-term capital (the sum of recorded transactions through the domestic banking system and by the Brunei Shell group of companies, plus estimated export trade credits and transactions through Brunei Currency Board) provided net financing in most years. In placing their structural excess liquidity abroad, commercial banks in Brunei contributed importantly to both outward portfolio investment and short-term lending in most years. The performance showed a decrease in direct and portfolio investment by 5 per cent from BND-3,658 million in 2000 to BND-3,852.1 million in 2001 (Chart 12).

## Trade Policy

Trade policy formulation and implementation is carried out by the Ministry of Industry and Primary Resources, with the support of other ministries, notably the Ministry of Finance. To encourage foreign investment, Brunei Darussalam offers many investment in-

CHART 10 : CURRENT ACCOUNT BALANCE(1991-2001)

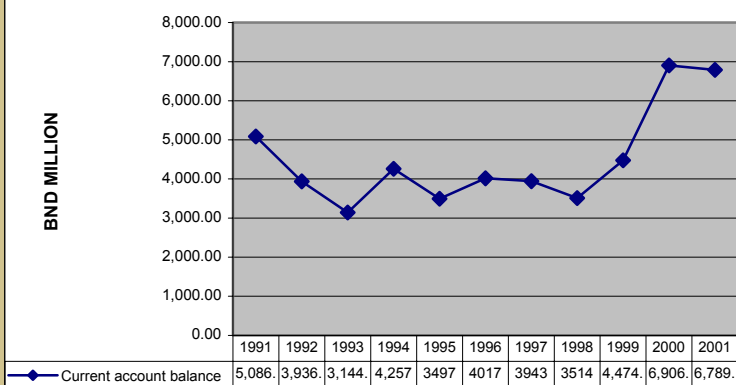


CHART 11: OTHER CURRENT ACCOUNT (1991-2001)

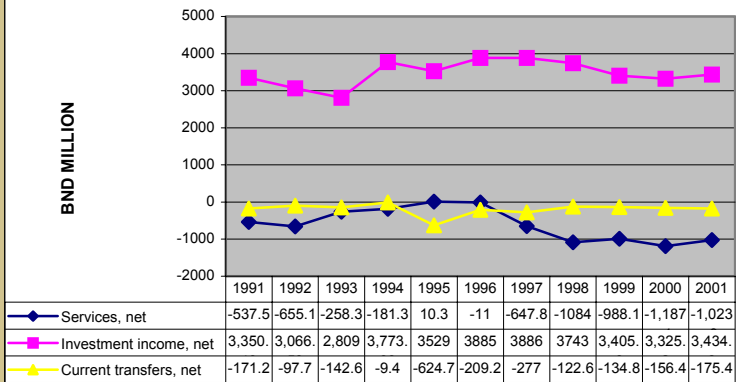
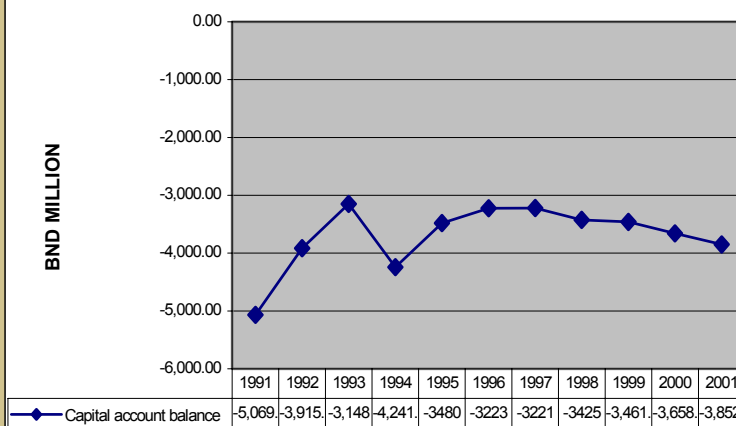


CHART 12: CAPITAL ACCOUNT (1991-2001)





centives.

With the implementations of BEDB's Two Pronged Investment Strategy to kick start the diversification of Brunei Darussalam's economy and with the implementation of the Industrial Coordination Order 2001, the investment climate in the country will be more conducive and hence more investment opportunities will be created.

As a stimulus to the ailing transport sector, on the 6<sup>th</sup> November 2001, the import duty on automobiles was reduced to a flat rate of 20 per cent from the previous rate which range from 20 per cent to 200 per cent introduced in 2<sup>nd</sup> February 1995. The past six years saw a dramatic increase in the number of imported reconditioned vehicles. Since the reduction in car tax, car new registration has increased from 324 units in November 2001 to 810 units in December 2001. It also invigorated other related industries such as insurance companies, road hauler and custom clearance. The import duty reduction on automobiles has a positive effect on the economic recovery.

## BRUNEI GRAND SALE 2002 (BGS 2002)

As its annual project, JPKE in its effort to boost economic activities in the country is organizing yet again, the Brunei Grand Sale. This project has always been joint effort between this Department and business community to offer big discounts and other forms of promotion. To most business community, BGS in fact has been the climax of their annual sales. The 8th Brunei Grand Sale 2002 (BGS 2002) will be held from November until end of January 2003. This will facilitate budget shopping for festive seasons like Hari Raya Aidilfitri, Christmas and Chinese New Year. At the same time, this will help parents to meet schooling requirements of their children.

The BGS 2002 uphold its previous objectives, the most important of which is to encourage our local people to shop in Brunei and at the same time to lessen the outflow of local currency. Thus it will help to stimulate economic activities in the country. However, this year's efforts are also being made to attract tourists to come and shop in Brunei Darussalam especially during the BGS period. Arrangements have been made with Royal Brunei Airlines, Hotels and inbound tour operators to offer special holiday packages for tourist to take advantage of the Grand Sale.

Beside encouraging departmental stores to hold regular activities such as Weekly-Themes Sales, Weekend Special discounts, and to give offer prizes, gift vouchers and other promotional items, BGS 2002 will also organize new events such as Local Foods Fair and Local Products promotion.

As part of the overall program, the media sector is expected to offer attractive discount to BGS participants for their sales advertisement.

The BGS 2002 will be officially launched on 1<sup>st</sup> November 2002 less than a week before the start of the fasting month.

## Short Term Economic Recovery Plan

### Implementation Status of Housing Development Scheme - Phase 1 - (PWD)

Site	Package Number	No. of Houses	Types of Houses	Status
Kg. Katok A	1	24	E	On going
	2	26	E	Behind Schedule
	3	22	E	Behind schedule
	4	25	E	Completed
	5	24	E	Completed
	6	21	D	Completed
	7	23	D	Completed
	8	23	C	Completed
	9	24	C	Completed
	10	19	C	Completed
Kg. Katok B	11	29	D	Completed
	12	20	C	Completed
	13	20	C	Completed
<b>Total</b>	<b>13</b>	<b>300</b>		

as of 30 August 2002

Source : Department of Implementation and Monitoring, JPKE

### Implementation Status of Housing Development Scheme - (HDD)

Site	Contract Number	No. of Houses	Types of Houses	Status
Lambak Kanan	H35A	19	D	Completed
Kg Pandan	H10A	5	D	On going
	H10B	22	Terrace	Behind Schedule
	H10C	22	Terrace	Behind Schedule
	H10D	22	Terrace	Behind Schedule
Kg Rimba	H23A	12	D	Behind Schedule
	H23B	13	D	Behind Schedule
	H29 A	20	D	On going
	H29B	32	D	On going
	H29C	17	D	On going
	H29D	27	D	Ongoing
<b>Total</b>	<b>11</b>	<b>211</b>		

as of 30 August 2002

Source : Department of Implementation and Monitoring, JPKE

### Implementation Status of Housing Development Scheme - Phase 2 -(PWD)

Site	Package Number	No. of Houses	Types of Houses	Status
Kg Katok B	14	15	D & E	Award
	15	15	E	Award
Kg Katok A	16	14	D	Award
Kg Sungai Buloh	17	22	D	Tender stage
	18	22	D	Tender stage
	19	28	D	Tender stage
	20	24	D	Tender stage
	21	24	D	Tender stage
	22	24	D	Tender stage
	23	23	E	Design stage
	24	24	E	Design stage
	25	15	E	Design stage
<b>Total</b>	<b>12</b>	<b>250</b>		

as of 30 August 2002

Source : Department of Implementation and Monitoring, JPKE

This time around, BEB reports on 2 programs under the Short Term Economic Recovery Plan namely Public Housing and Working Capital Credit Fund.

## Public Housing

One of the projects implemented under the Short-term Economic Recovery Plan is the construction of houses in support of the National Development Plan. This project is primarily intended to provide jobs to small and medium contractors.

### First Phase

In the first phase of this project, the construction of 300 houses is to be implemented by the Public Work Department (PWD) while the Department of Housing Development (HDD) is to implement the construction of 211 houses. PWD divided the construction into 13 packages which were tendered out since June 2000 and awarded to successful contractors. Since then 10 of these packages were delayed. In part, the delay is due to the contractors' lack of financial and management capability in handling projects bigger than they have experienced. Considering the nature of Short-term Economic Recovery Plan's objective of stimulating the small and medium entrepreneurs, the Government has considered the extension of time of these contracts.

In addition to the 13 housing construction packages, there are 11 contracts involving infra-structural development works (water pipe distribution, sewerage pumping station, telecommunication works, street-lighting, etc). 8 of these contracts have been completed to date and the other 3 are still on-going.

So far, the Government has paid a total of BND 23,481,404 to the contractors.

HDD divided the construction of 211 houses into 11 contracts. To date only one of the contracts has been completed. Two of these contracts were delayed for similar reasons mentioned earlier. The rest of the contracts are still on-going. A sum of BND 4,851,840 has already been paid to the contractors.

Through the Short-term Economic Recovery Plan the Government also made available the Working Capital Credit Scheme from which entrepreneurs, including contractors who successfully bid for government contracts, can obtain loans.

### Second Phase

Construction of more houses including infrastructures are to be carried out in the second phase. A total of 250 houses are to be built, 44 units at Kg Katok while 206 units at Kg Sungai Buluh, Jalan Muara.

Three contracts involving 44 houses have been awarded just recently. Tenders for the remainder of the contracts are currently being assessed. These contracts are expected to be awarded soon.

## Working Capital Credit Fund

The Working Capital Credit Fund, which was launched on 17th January 2001 as part of a stimulus package under Short Term Recovery Plan, has received a strong response from local small and medium enterprises

## Short Term Economic Recovery Plan

Table 1. Loan Approval Based on Banks. (January 2001—September 2002)

Banks	No. of Loans Approved	Loan Amount BND
Baiduri	28	8,976,000
HSBC	22	5,114,000
IBB	29	5,461,000
IDBB	15	4,169,000
UOB	2	535,000
<b>TOTAL</b>	<b>96</b>	<b>24,255,000</b>

(SMEs). The Fund's provision of BND 20 million in the first phase, allows for up to BND 26.6 million to be loaned to entrepreneurs through participating banks, on the basis that government guarantees cover for 75 per cent of loan amounts while the banks assume risk on the remaining 25 per cent.

As of September 2002, a total of 96 loan applications from entrepreneurs were approved involving BND 24,255,000. The loans go towards funding projects in several key sectors of the economy, such as services, construction, commerce, ICT, primary resources, manufacturing and tourism.

## THE EFFECTS OF IMPORT TAX REDUCTION AND NEW FORMULA FOR REGULATING PRICE OF CAR

Table 1: NUMBER OF IMPORTED NEW VEHICLES AND AMOUNT OF IMPORT TAX REVENUE (NEW VEHICLES)\*

YEAR	Number of new vehicles imported		Amount of tax on new vehicles imported	
	2001	Jan – July 2000	2001	Jan – July 2002
<b>Total</b>	4,391	6,464	BND 43,216,373.48	BND 28,590,159.59

Note:  
\* Source: Royal Custom and Excise Dept. Ministry Of Finance.

Table 2: NUMBER OF REGISTERED VEHICLE\*

Year	Month												Total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	
<b>2001</b>	387	430	414	398	408	351	411	443	443	407	324	810	<b>5,173</b>
<b>2002</b>	790	774	880	949	981	994							<b>6,367</b>

Note:  
\* Source: Land Transport Department, Ministry of Communications – Not including self-import.

Table 3: EMPLOYMENT IN THE CAR DEALER COMPANIES\*

	Before Nov 2001	After Nov 2001**	Difference
MANAGEMENT DEPARTMENT	127	126	-1
SALES DEPARTMENT	196	207	11
SERVICES DEPARTMENT	313	328	15
SPARE PARTS DEPARTMENT	81	81	0
<b>TOTAL</b>	<b>717</b>	<b>742</b>	<b>25</b>

Note:  
\* Source: the Brunei Automobile Traders Association (BATA).  
\*\* Number of employees in July 2002

### 1. INTRODUCTION

1.1. On 6th November 2001, the Government reduce the tax rate on imported vehicles to 20 per cent for all types except for heavy vehicles which is 15 per cent. This is in line with the government's efforts to activate business and industrial sectors, informal sectors, and to relieve the burden of people's expenses as well as to increase employment opportunities\*.

1.2. At the same time JPKE introduced a new formula for regulating prices of new cars. This is aimed at building the buyers' confidence and to protect the interests of car dealers.

1.3. The objective of this paper is to highlight the direct as well as indirect effects of these actions.

### 2. EFFECTS ON TAX REVENUE

2.1. Assuming the volume of car imports remaining the same, the tax reduction would obviously result in negative effect on government tax revenue. However, the tendency is the volume will increase. Therefore, this negative effect is expected to be counter-balanced by increasing demand for new cars. This is actually happening as can be seen from the table below.

2.2. Table 1 above shows that the number of new vehicles imported during the period of 7 months in 2002 exceeded the number of import in 2001. The record in 2001 was 4,391, while within the 7 months of 2002 the number is already 6,464, an increase of 2,073 vehicles.

2.3. The total amount of tax revenue collected in 2001 was slightly over BND 43 millions compare to close to BND 29 million so far collected during the seven months of 2002, which is about 66 per cent that of the previous year.

### 3. EFFECTS ON THE CAR DEALERS

3.1. *THE DEMAND FOR NEW CARS:* The direct result of the tax reduction and the new formula of regulating prices of cars is that the prices of new cars become much cheaper. This cheaper prices inevitably lead to the increase in demand. This is depicted by the number of new cars registered with the Land Transport Department as in Table 2.

3.2. Table 2 shows that the number of new vehicles registered during the seven months in 2002 was already over six thousands, far exceeded the 2001 record.

3.3. *BUSINESS TRANSACTIONS OF SALESMEN:* Based on the information provided by car dealers' salesmen, JPKE found out that business transactions have increased by as high as 70 per cent before the tax reduction. In fact the increase could have been higher if the car

**THE EFFECTS OF IMPORT TAX REDUCTION AND NEW FORMULA FOR REGULATING PRICE OF CAR**

**Table 4: NUMBER AND TOTAL OF LOANS (For new vehicles)\***

	2001	Jan – June 2002
Number of Loans	3,976	3,927
Total of Loans	BND 109,153,341.00	BND 93,087,829.00

Note:  
Source: The Financial Institutions Division, Ministry of Finance.  
From 3 financial institutions: IBB Kredit Bhd, Baiduri Finance Bhd and HSBC Finance Bhd.

**Table 5: AMOUNT OF INSURANCE PREMIUM COLLECTED (for new cars)\***

Year	2001	Jan – Jul 2002
Amount of Insurance Premium Collected	BND 4,797,568.89	BND 3,836,414.41

Note:  
\* Source: The Financial Institutions Division, Ministry of Finance.

**Table 6: REVENUE FROM ROAD TAX CHARGES (new cars)\***

Year	2001	Jan – July 2002
Total Amount of Road Tax Charges	BND 341,838.00	BND 322,410.00

Note:  
\* Source: Land Transport Department, Ministry of Communications.

dealers could meet the actual demand in the country. Suppliers were just unable to meet the orders from local car dealers on time.

3.4. *EMPLOYMENT OPPORTUNITIES*: The increasing demand as reflected in Table 2 certainly stimulated the development in the car dealers sector itself and consequently this should create more job opportunities as shown in Table 3.

**4. INDIRECT EFFECTS**

**4.1 EFFECTS ON BANKING AND INSURANCE SECTORS**

4.1.1. The increase in car sales this year has led to a dramatic increase in the number of car loans (Table 4). By second quarter of 2002 alone both the number of loans and their value have almost matched those of whole year of 2001.

4.1.2. However the figure is believed to be under-estimated as there are buyers who made their purchase in cash term but financed through personal loan from commercial banks.

4.1.3. The effect on insurance sector in terms of amount of premium collected can be seen from Table 5. It shows that the total amount collected in 2001 was over BND 4.8 million the amount in the first 7 months of 2002 was over BND 3.8 million, which is almost 80 per cent of the previous year's figure.

**4.2 EFFECTS ON THE BUSINESS OF TRANSPORTERS**

4.2.1 The greater number of new cars transported from Muara Port to various stockyards has meant greater business for transport companies. Based on the transport charge of BND 30.00 per car being transported, such companies would have already exceeded their 2001's revenue (BND 131,731.00) by July this year.

**4.3 EFFECT ON REVENUE FROM ROAD TAX CHARGES**

4.3.1 Table 6 shows, it could be seen clearly that the total income from road tax charges in 2001 was BND 341,838.00 and in 2002 (for the period of 7 months) was BND 322,410.00. This indicates that during the period of only 7 months in 2002 a total of 94 per cent of the charges in 2001 is already reached.

## Miscellaneous



### JPKE HOTLINE

- JPKE, Prime Minister's Office has set up a hotline for the public to make any inquiries, complaint, and comment, regarding prices, sales activities and promotion carried out by the Implementation and Monitoring Department of this Department.
- Hotline **451892** is located at JPKE Headquarters, Jalan Pengiran Babu Raja, Beribi, Gadong BE 1118. The hotline operates **during office hours**.
- With this initiative, it is hoped that JPKE can provide and maintain quality assurance services for the public.

### WHAT'S IN THE NEXT ISSUE

1. 2002, 4th Quarter Economic Review;
2. 4th Quarter Short term recovery measures – reviews and new projects; and
3. 8th NDP – 4th quarters /Project implementations.
4. Issues:-
  - ♦ Car pricing
  - ♦ SME's
  - ♦ HRD
  - ♦ Population and The Housing Census
  - ♦ Unemployment
  - ♦ Economic Survey



***Please direct any comments and suggestions to:-***

**THE EDITOR  
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