



BRUNEI ECONOMIC BULLETIN

Volume 4 Issue 2
September 2005

BRUNEI DARUSSALAM Q2 2005 ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS

Inside this issue:

Brunei Darussalam Second Quarter Economic Review and Outlook	1
Crude Oil Price Index	10
Medium Term Outlook	11
8th National Development Plan	12
Short-Term Economic Recovery	15
JPKE List of Publications	18
Miscellaneous	18

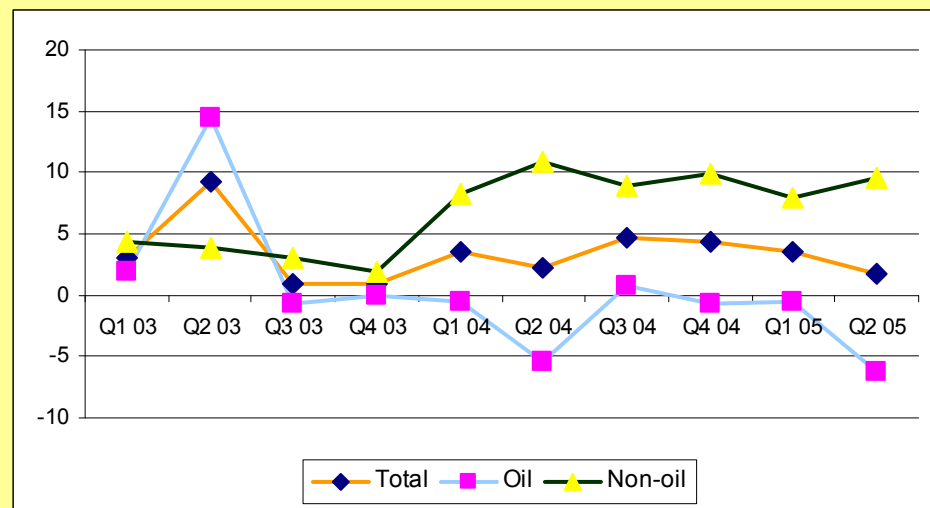
Statistical Data (Q2 - 2005)

- GDP Growth (provisional estimate) : 1.7 per cent
- Change in CPI : 1.1 per cent
- Total Exports : BND 2,198.8 million
- Total Import : BND 633 million
- Government Revenue : BND 1,763.42 million
- Government Expenditure : BND 910.9 million

Gross Domestic Product

Brunei Darussalam's economy in Q2 2005 had expanded by 1.7 per cent from the same quarter last year (**Chart 1.1**). This brought the second quarter GDP to BND 1,183.7 million. The Q2 2005 growth was driven by Forestry, Fishery, Construction, Wholesale & Retail, Restaurants & Hotel, Transport & Communications, Banking & Finance and Insurance sectors.

Chart 1.1: Year-on-Year Growth of Gross Domestic Product at Constant Prices



On a quarter-on-quarter comparison, seasonally unadjusted Brunei Darussalam's economy registered a contraction of 2.7 per cent in Q2 2005 against the Q1 2005. This was attributed to the relative decline in oil and gas, agriculture, and ownership sectors.

The **oil and gas sector** contracted by 0.6 per cent in Q2 2005, year-on-year, due to a drop in the Average Weighted Oil Production (AWOP) by 4.1 per cent to 193,504 barrels per day, against 201,738 barrels per day in the same quarter last year (**Table 1.1**). The drop in production, fortunately, was offset by a 44.5 per cent increase in the price of crude oil, which averaged at US\$55.19 per barrel in Q2 2005 against US\$38.20 per barrel in Q2 2004.

THE EDITOR:
BRUNEI ECONOMIC
BULLETIN (BEB)
JPKE (DEPARTMENT OF ECONOMIC
PLANNING AND DEVELOPMENT)
PRIME MINISTER'S OFFICE
Phone:
+673-2-233344
Fax: +673-2-230226
Email: info@jpke.gov.bn

BEB Panel of Advisors

- ♦ Permanent Secretary
Prime Minister's Office
- ♦ Director General JPKE
- ♦ Deputy Director Generals JPKE

BEB Editors

- ♦ Directors, JPKE
- ♦ Assistant Directors, JPKE
- ♦ Economic Expert, JPKE

BEB Contributors

- ♦ Hj Abd Razak Hj Angas
- ♦ Abd Amin Hashim
- ♦ Shahrom Hj Suhaimi
- ♦ Hj Mazlan Hj Mohd Salleh
- ♦ Dk Hjh Siti Nirmala Pg Hj Mohammad
- ♦ Shamsul Bahrin Hj Mohd Hussain
- ♦ Zureidah Hj Abit
- ♦ Pg Metussin Pg Hj Tuah
- ♦ Hjh Aisah Hj Sani
- ♦ Hjh Norfatiniwati Hj Muhammad

BEB Publishers

- ♦ Hairol Nizam Hj Abd Hamid

BRUNEI DARUSSALAM Q2 2005 ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS

**Table 1.1: Oil Production
Unit – Barrels/Day**

	2001	2002	2003	2004	2005
JAN	207,290	215,020	207,785	213,223	191,227
FEB	191,472	204,550	199,502	211,055	216,101
MAC	197,709	201,230	206,610	197,933	212,061
APR	179,623	186,880	210,221	212,929	203,979
MAY	169,771	193,561	205,183	201,172	178,109
JUN	186,537	203,188	214,122	191,130	198,938
JUL	194,308	204,150	205,119	195,142	
AUG	193,504	216,474	203,128	214,846	
SEP	193,351	192,335	210,727	207,879	
OCT	188,568	199,427	197,564	196,390	
NOV	213,154	211,479	214,029	209,686	
DEC	224,901	207,524	212,788	217,913	
Crude Oil Production for the year	195,065	203,021	207,240	205,750	
Average Crude Oil Production Q1	199,069	207,013	204,803	207,323	206,142
Average Crude Oil Production Q2	178,546	194,532	209,790	201,738	193,504
Average Crude Oil Production Q3	193,725	204,450	206,277	205,935	
Average Crude Oil Production Q4	208,828	206,085	208,063	207,978	
Average Crude Oil Production 1H	188,751	200,738	207,311	204,531	199,788
Average Crude Oil Production 2H	201,276	205,268	207,170	206,956	

Source: Petroleum Unit, Prime Minister's Office

**Table 1.2: LNG Production
Unit – MMBtu/Day**

	2001	2002	2003	2004	2005
JAN	1,033,542.9	1,046,388.0	1,118,431.0	1,117,753.6	1,063,129
FEB	962,006.0	1,095,799.0	1,112,133.0	1,073,981.0	1,046,040
MAC	1,141,934.0	990,443.0	1,165,771.0	1,063,286.8	1,119,859
APR	864,858.0	750,836.0	1,037,552.0	1,126,284.33	838,344
MAY	682,869.0	687,569.0	1,002,617.0	785,019.35	662,121
JUN	960,671.0	915,497.0	1,088,055.0	946,134.00	1,028,893
JUL	838,649.0	1,061,756.0	1,050,631.0	1,061,481.61	
AUG	936,035.0	1,061,236.0	948,691.0	1,060,398.06	
SEP	1,023,296.0	980,426.0	970,991.7	932,439.00	
OCT	1,048,142.0	1,062,589.0	992,310.7	849,614.19	
NOV	976,540.0	1,037,404.0	1,038,770.0	1,097,901.67	
DEC	1,146,837.0	1,059,582.0	1,062,209.0	1,082,719.35	
LNG Production for the year	968,124.0	978,804.0	1,049,143.0	1,016,001.9	
Average LNG Production Q1	1,048,621.7	1,042,490.4	1,132,777.6	1,085,249.5	1,077,353.0
Average LNG Production Q2	834,448.5	783,567.4	1,042,283.9	950,639.0	841,130.0
Average LNG Production Q3	931,674.8	1,035,060.1	990,426.5	1,019,037.4	
Average LNG Production Q4	1,058,049.4	1,053,363.3	1,031,013.2	1,009,123.8	
Average LNG Production 1H	940,943.4	912,243.8	1,087,280.5	1,017,944.2	958,589.0
Average LNG Production 2H	994,862.1	1,044,211.7	1,011,005.5	1,014,080.6	

Source: Petroleum Unit, Prime Minister's Office

Table 1.3: Oil and Gas Production Index

	2000	2001	2002	2003	2004	2005
JAN	109.7	108.0	111.2	110.9	112.8	103.1
FEB	113.1	100.0	109.0	107.7	110.6	111.6
MAC	112.6	108.0	104.4	112.0	105.6	112.5
APR	103.7	92.6	91.6	109.2	113.0	100.6
MAY	98.7	83.2	92.0	106.2	97.8	85.6
JUN	75.9	98.2	102.7	112.2	99.4	104.8
JUL	93.3	97.1	107.8	107.8	104.5	
AUG	93.7	99.9	112.2	103.8	111.6	
SEP	91.6	102.6	100.9	107.2	105.0	
OCT	91.8	101.7	106.1	103.2	98.2	
NOV	107.0	108.3	109.6	110.6	110.9	
DEC	109.0	118.0	108.9	110.9	113.4	
Average Index for the year	100.0	101.5	104.7	108.5	106.9	
Average Index for Q1	111.8	105.5	108.2	110.3	109.7	109.0
Average Index for Q2	92.8	91.2	95.4	109.2	103.3	96.9
Average Index for Q3	92.9	99.8	107.0	106.2	107.0	
Average Index for Q4	102.6	109.3	108.2	108.2	107.5	
Average Index for 1H	102.3	98.3	101.7	109.7	106.5	102.9
Average Index for 2H	97.7	104.6	107.6	107.2	107.3	

Source: Petroleum Unit, Prime Minister's Office

On a quarter-on-quarter basis, AWOP dropped by 6.1 per cent from 206,142 barrels per day in Q1 2005. But such quarter-on-quarter production decline was also offset by a 9.8 per cent increase in the price of crude oil, which in Q1 2005 averaged at US\$50.26 per barrel.

The Average Weighted LNG Production (AWLNGP) also declined by 11.5 per cent year-on-year to 841,130 MMBtu per day, from 950,639 MMBtu per day in Q2 2004 (Table 1.2). The fall in production was offset by a 21.8 per cent surge in the price of LNG which averaged at US\$5.70 per MMBtu in Q2 2005 against US\$4.68 per MMBtu in the same quarter last year.

On the whole, the net effect was a contraction in the total output of oil and gas sector by 6.3 per cent year-on-year. On a quarter-on-quarter basis, the total output of Oil and Gas declined by 11.1 per cent (Table 1.3).

The non-oil and gas sector had expanded by 9.4 per cent in Q2 2005 compared to the same period last year. The year-on-year growth was mainly attributed to the fishery; construction; wholesale; retail; restaurant and hotels; insurance; and transport & communication sectors. The quarter-on-quarter comparison showed that this sector had also grown by (4.8 per cent).

The forestry sector had grown by 1.4 per cent in Q2 2005 year-on-year. On a quarter-on-quarter basis it registered a 7.5 per cent growth. The decline in round timber production was offset by an increase in Bakau Poles production, resulting in an overall increase in the Forestry Production Index by 1.4 per cent, year-on-year (Table 1.4).

Table 1.4: Forestry Sector

	Q2 04	Q1 05	Q2 05	growth (%) (Q-O-Q)	growth (%) (Y-O-Y)
Round Timber ('000 cubic metres)	34.1	25.0	22.4	-10.5	-34.3
Bakau Poles (thousand pieces)	32.4	34.8	40.1	15.1	23.5
Forestry Production Index	46.4	43.8	47.1	7.5	1.4

Source: Forestry Department

Activities in the fishery sector grew by 42.9 per cent year-on-year in Q2 2005. This sector also registered a quarter-on-quarter growth of 48.5 per cent due to the strong production in the capture industry. The production of the capture industry went up from 3,192.0 metric tonnes in Q2 2004 to 4,817.0 metric tonnes in Q2 2005. (Table 1.5).

Table 1.5: Fishery Sector

	Q2 04	Q1 05	Q2 05	growth (%) (Q-O-Q)	growth (%) (Y-O-Y)
Capture Industry (Metric Tonnes)	3,192.0	3,168.6	4,816.9	52.0	50.9
Commercial	875.2	859.8	1,356.6	57.8	55.0
Small Scale Fishermen	2,316.8	2,308.8	3,460.3	49.9	49.4
Aquaculture Industry (Metric Tonnes)	156.5	109.1	129.3	18.5	-17.4
Fish	21.0	16.8	12.4	-25.9	-40.9
Prawn	106.6	71.0	97.3	37.1	-8.7
Fresh Water Fish	28.9	21.4	19.6	-8.3	-32.3
Total Production	3,348.5	3,277.7	4,946.2	50.9	47.7
Fishery Production Index	45.5	43.8	65.0	48.5	42.9

Source: Fishery Department

BRUNEI DARUSSALAM Q2 2005 ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS

Table 1.6: Transport and Communications Sector

	Q2 04	Q1 05	Q2 05	growth (%) (Q-O-Q)	growth (%) (Y-O-Y)
Aircraft movements (Thousands)	5.5	4.8	6.0	24.9	8.8
Airpassenger Movements (Thousands)	342.2	304.3	299.6	(1.5)	(12.4)
Airfreight Movements (Thousands kg)	6,185.2	5,014.6	5,646.0	12.6	(8.7)
Airmail Movements (Thousands kg)	88.3	37.6	97.1	158.0	9.9
Volume of Seaborne Cargo Handled (Tonnes)	491,424	503,860	527,131	4.6	7.3
Number of BruNet Services Subscribers	30,395	31,034	31,170.0	0.4	2.5
Number of ESPEED Services Subscribers	11,778	15,632	16,495.0	5.5	40.0
International Call Duration (Million Minutes)	8.1	8.1	7.3	(9.8)	(10.2)
Volume of Postal Articles Handled (Thousands)	2,534.5	2,598.9	2,237.4	(13.9)	(11.7)

Source: Department of Civil Aviation, Ports, Postal Services and Communications, Ministry of Communications

Chart 1.2: Hotel Occupancy Rates

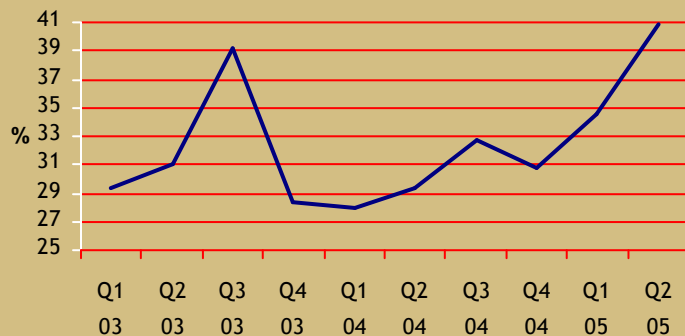
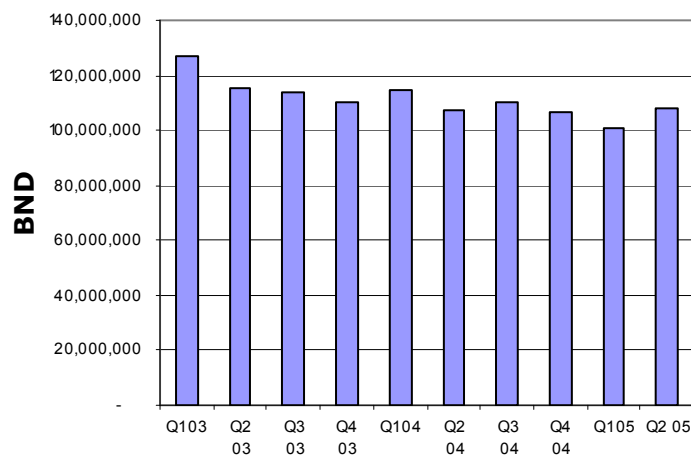


Chart 1.3 Interest Income from Bank Loans and Advances



The **construction sector** registered a 28.9 per cent growth in Q2 2005 year-on-year. It had also expanded by 28.1 per cent, compared with the previous quarter, suggesting some dynamism in the construction activities.

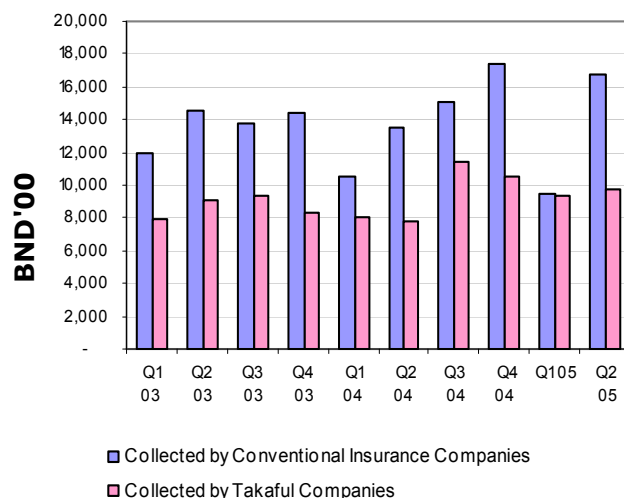
The **wholesale and retail trade sector** posted a 16.1 per cent growth in Q2 2005 compared to the same quarter last year. Survey on selected major wholesale companies showed a 27.4 per cent growth in the value of sales in Q2 2005 year-on-year. The value of sales also rose by 9.2 per cent quarter-on-quarter basis. Likewise, selected major retail companies registered a 8.5 per cent increase in the value of sales in Q2 2005 year-on-year.

The **restaurants and hotels sector** had grown by 6.6 per cent in Q2 2005 compared to the same period last year. Compared with the previous quarter, this sector had also grown by 6.9 per cent. Hotels occupancy rates went up from 29.4 per cent in Q2 2004 to 40.8 per cent in Q2 2005. On a quarter-on-quarter basis, the occupancy rates in the Q2 2005, was also higher compared to the Q1 2005 of 34.6 per cent (**Chart 1.2**). The value of sales in the selected major restaurants in Q2 2005 increased by 71.1 per cent, year-on-year.

The 14.0 per cent year-on-year growth in the **transport and communication sector** was driven by the growth in the aircraft and airmail movements, volume of seaborne cargo, as well as in the increased number of Brunet and ESPEED subscribers (**Table 1.6**).

In the **banking and finance sector**, the total interest income from loans and advances stood at BND 108.3 million in Q2 2005 compared to BND 107.0 million and BND 101.1 million in Q4 2004 and Q1 2005, respectively. This translated into a 1.2 per cent growth in Q2 2005 year-on-year. (**Chart 1.3**). The **insurance sector** also registered a growth of 1.2 per cent in Q2 2005, year-on-year. The total gross premium collection by Islamic Insurance (Takaful) companies, for example, amounted to BND 9.8 million in Q2 2005 against BND 7.8 million and BND 9.3 million in Q2 2004 and Q1 2005, respectively (**Chart 1.4**).

Chart 1.4: Gross Premium Collected



BRUNEI DARUSSALAM Q2 2005 ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS

Table 1.7: Agricultural Sector

	Q2 04	Q1 05	Q2 05	growth (%) (Q-O-Q)	growth (%) (Y-O-Y)
Crop Production					
Vegetables (mt)	3,035	2,454	2,317	-5.6	-23.7
Fruits (mt)	820	955	1,032	8.1	25.9
Ornamental horticulture (trees)	57,021	74,985	40,525	-46.0	-28.9
Cut Flowers (unit)	34,459	38,659	34,224	-11.5	-0.7
Various Plantations (mt)	87	76	103	35.5	18.4
Livestock Production					
Buffaloes (mt)	105	18	119	578.0	13.0
Cattle (mt)	0.9	0.6	4.1	555.6	358.9
Goats (mt)	0.5	0.6	0.3	-48.4	-36.0
Broiler Chicken (mt)	3,967	3,943	3,589	-9.0	-9.5
Chicken Eggs (Millions)	29	23	25	5.9	-14.4
Fresh Milk (Litres)	16,900	21,836	23,487	7.6	39.0
Agriculture Production Index	32.2	29.1	28.7	-1.4	-11.0

Table 1.8: Non-Oil Mining, Quarrying and Manufacturing Sector

	Q2 04	Q1 05	Q2 05	growth (%) (Q-O-Q)	growth (%) (Y-O-Y)
Garment Production (Dozens)	1,274,853.5	1,192,872.0	1,269,547.5	6.4	-0.4
Cement Production (Tonnes)	59,041.5	61,941.1	61,480.3	-0.7	4.1
Sawn Timber Production (Thousands cubic metre)	15.0	12.8	12.9	0.5	-14.4
Fish Processing Production (Tonnes)	130.1	67.7	158.0	133.3	21.4
Cable Production (Kg)	202,683.0	208,328.0	297,367.7	42.7	46.7
Roofing Production (Tonnes)	543.0	777.0	766.0	-1.4	41.1
Switchboard Production (Unit)	965.0	895.0	801.0	-10.5	-17.0
Quarry (Cubic yards)	123,720.2	98,037.9	100,219.5	2.2	-19.0

Source: Department of Economic Planning and Development

Table 2.1: CPI Second Quarter Key Figures

Commodity Group	Q2 05 / Q1 05 % change	Q2 05 / Q2 04 % change
All	0.2	1.1
I. Food & Non-Alcoholic Beverages	-0.5	0.0
II. Clothing & Footwear	2.1	-0.6
III. Housing, Water, Electricity & Maintenance	-0.3	0.1
IV. Household Goods, Services & Operations	1.2	0.1
V. Transport	0.0	2.3
VI. Communication	0.2	-2.5
VII. Education	0.1	-1.5
VIII. Medical & Health	1.0	2.4
IX. Recreation & Entertainment	1.1	8.5
X. Miscellaneous Goods & Services	0.3	0.2

Source: Dept of Economic Planning and Development

Such positive developments in the above sectors, however, were somewhat offset by the decline in other sectors (agriculture, mining, quarrying and manufacturing sectors).

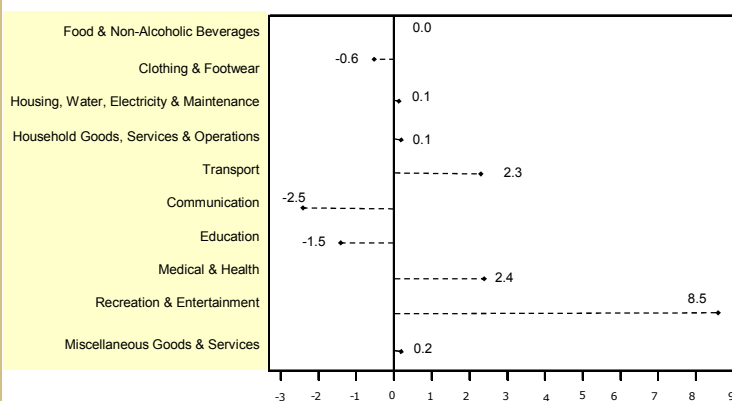
In Q2 2005 activities in the **agricultural sector** registered a contraction by 11.0 per cent year-on-year. This was caused by the drop in the production of broiler chicken; vegetables; goats; ornamental horticulture (trees); cut flowers; and chicken eggs (**Table 1.7**). This sector also registered a decline by 1.4 per cent on a quarter-on-quarter basis.

The **mining, quarrying and manufacturing sector** contracted marginally by 0.4 per cent in Q2 2005 compared to Q2 2004. The downward influence was due to lower production of garments, switchboard, quarry and sawn timber (**Table 1.8**).

Consumer Price Index

The average CPI for Q2 2005 was higher by 1.1 per cent, compared to the same period last year (**Table 2.1**) contributed by the Recreation & Entertainment; and Transport Major Group Indices.

Chart 2.1: Percentage changes for Q1 2005 vis-à-vis the same period in 2004



The Major Group Indices of Housing, Water, Electricity & Maintenance increased by 0.1 per cent compared to the same period last year; Household Goods, Services & Operations were up by 0.1 per cent; Medical & Health by 2.4 per cent; and Miscellaneous Goods & Services were up by 0.2 per cent (**Chart 2.1**).

The 8.5 per cent increase in the Recreation & Entertainment Index was mainly due to an almost 12 per cent rise in the price of Holiday Packages, which in turn was a consequence of the increase in the cost of air fuel.

The Transportation index rose by 2.3 per cent reflecting an increase in the price of Air Transport, due to high demand for travel during June school Holidays.

The largest downward influence in the CPI came from the Communication Index (**Chart 2.1**), which dipped by 2.5 per cent on the back of steep reduction in the prices of Instrument including Accessories.

CPI Changes for the period January-June 2005/2004

In the first half of 2005, the CPI increased by 1.3 per cent compared to the same period last year, brought about by the increase in the Major Group Indices. Food & Non-Alcoholic Beverages went up by 0.7 per cent; Housing, Water, Electricity & Maintenance increased by 0.4 per cent; Transport by 2.6 per cent; Medical & Health by 2.0 per cent; and Recreation & Entertainment was up by 10.4 per cent, year-on-year.

BRUNEI DARUSSALAM Q2 2005 ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS

Chart 2.2: CPI Changes for the period of January-June 2005 relative to the same period in 2004

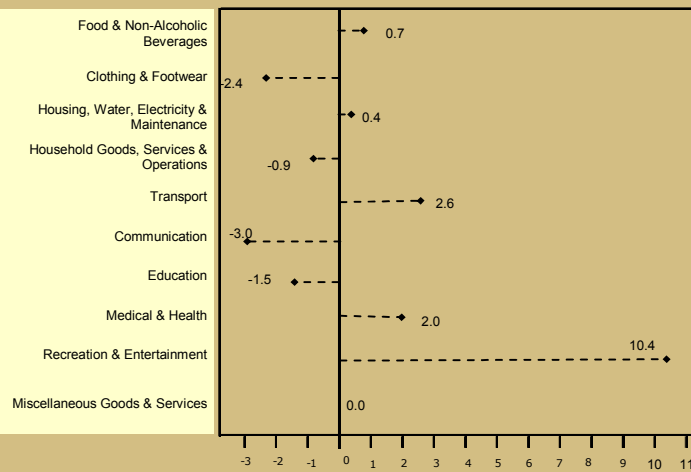


Chart 2.3: Percentage change from the previous quarter

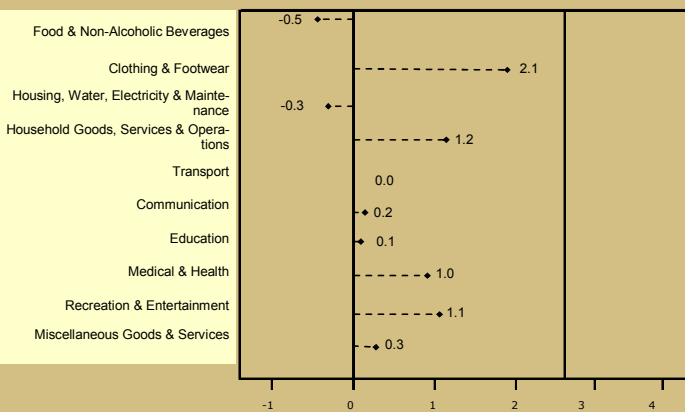


Chart 2.4: Inflation Rate

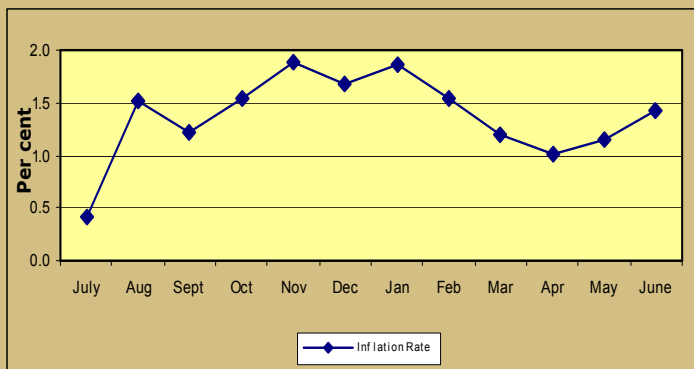


Table 2.2 : Consumer Price Index Q2 04, Q1 05 and Q2 05

Commodity Group	Weight	Q2 04	Q1 05	Q2 05
All	10,000	101.3	102.2	102.4
I. Food & Non-Alcoholic Beverages	2877	100.8	101.4	100.8
II. Clothing & Footwear	561	96.0	93.5	95.4
III. Housing, Water, Electricity & Maintenance	884	98.4	98.8	98.5
IV. Household Goods, Services & Operations	860	95.0	93.9	95.1
V. Transport	2251	106.5	109.0	109.0
VI. Communication	548	93.3	90.9	91.0
VII. Education	471	99.9	98.3	98.4
VIII. Medical & Health	98	98.2	99.6	100.6
IX. Recreation & Entertainment	814	108.3	116.3	117.6
X. Miscellaneous Goods & Services	636	101.3	101.2	101.5

The 0.7 per cent increase in the index for Food and Non-Alcoholic Beverages was the result of increases in the sub-group indices of Rice & Cereal Products by 0.5 per cent; Meat and Meat Products by 2.5 per cent; Seafood & Seafood Products by 1.5 per cent; Dairy Products & Eggs by 2.2 per cent; and Sugar, Sugar Preserves and Confectionery by 6.7 per cent, year-on-year.

The Housing, Water, Electricity & Maintenance index went up by 0.4 per cent as a result of an increase in the price of accommodation by 1.0 per cent, year-on-year.

The Transportation index increased by 2.6 per cent, reflecting an increase in the price of Private Road Transport by 2.0 per cent and Air Transport by 9.4 per cent, year-on-year.

The Medical & Health index was up by 2.0 per cent due to the increases in the sub-group indices of Dental Treatment by 2.7 per cent; and Proprietary Medicines & Supplies by 4.3 per cent, year-on-year.

The Major Group Index of Recreation and Entertainment increased by 10.4 per cent due to the soaring prices of Holiday Package Expenses which rose by 14.5 per cent, year-on-year.

The largest downward effect was from the Major Group Index of Communication (**Chart 2.2**). The price dipped by 3.0 per cent as a result of decreases in the price of Instruments including Accessories by 13.3 per cent while Charges for Telephone/Fax/Internet and Postal remained unchanged.

CPI Changes for the Q2 2005 relative to Q1 of 2005

Overall the average inflation rate, in the second quarter of 2005 was higher by 0.2 percent compared to previous quarter (**Chart 2.4**). It also recorded an increase of 1.1 per cent when compared to the same period last year. The inflation rates for April, May and June 2005 (year-on-year) were 0.9 per cent, 1.1 per cent, and 1.4 per cent, respectively (**Table 2.3**).

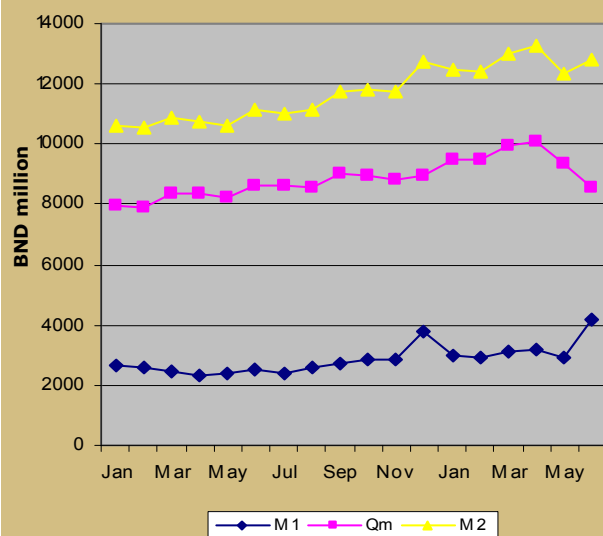
Table 2.3: Consumer Price Index April - June 2005

Commodity Group	Weight	2005		
		Apr	May	June
All	10,000	102.2	102.4	102.6
I. Food & Non-Alcoholic Beverages	2877	101.0	100.8	100.7
II. Clothing & Footwear	561	93.7	96.5	96.1
III. Housing, Water, Electricity & Maintenance	884	97.9	98.9	98.6
IV. Household Goods, Services & Operations	860	94.9	95.0	95.3
V. Transport	2251	109.0	109.0	109.2
VI. Communication	548	91.2	91.0	90.9
VII. Education	471	98.4	98.4	98.4
VIII. Medical & Health	98	100.5	100.7	100.7
IX. Recreation & Entertainment	814	116.6	116.9	119.2
X. Miscellaneous Goods & Services	636	101.6	101.5	101.5

**BRUNEI DARUSSALAM Q2 2005
ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS**

TABLE 3.1: GOVERNMENT REVENUE & EXPENDITURE (BND MILLION)				Fiscal Sector
	Q2/2005	Q1/2005	Q2/2004	Fiscal Position
Total Revenue	1,763.42	1,637.28	1,398.52	In Q2 2005, Brunei Darussalam posted a budget surplus of BND 852.56 million, compared to a surplus of BND 74.11 million in Q1 2005. This was partly due to the increase in the world's price of oil, and partly due to the decline in the total expenditure.
Tax Revenue	1,006.43	936.01	743.71	
Taxes on Net Income and Profits	975.94	909.13	715.13	Government Revenue The government's revenue rose from BND 1,637.28 million in Q1 2005 to BND 1,763.42 million in Q2 2005 (Table 3.1). This was mainly attributed to the increase in receipts from the oil sector, from BND 1,516.64 million in Q1 2005 to BND 1,586.05 million in Q2 2005. The tax revenue from Oil and Gas Production Companies continued to dominate over the non-tax receipts (ie, royalties and dividends). Some 58.8 per cent of the total oil and gas revenue came from taxes on oil and gas. The remaining 41.2 per cent came from non-tax receipts. Taxes on International Trade comprised of only 1.5 per cent of total revenue. In Q2 2005, revenue from these taxes increased by 14.5 per cent from the previous quarter, due to the increase in Motor Vehicles Tax.
Corporate Taxes	974.97	908.45	714.39	
Oil & Gas Production				
Companies	932.94	906.82	643.17	
Other Companies	42.03	1.63	71.22	
Individual (Estate Duty)	0.26	0.02	0.01	
Stamps	0.71	0.66	0.73	
Taxes on International Trade	27.07	23.64	25.63	
Import Duties	27.07	23.64	25.63	
Motor Vehicles Tax	15.36	13.9	14.23	
Tobacco	5.91	4.3	5.44	
Others	5.8	5.44	5.96	
Taxes on Goods and Services	3.42	3.24	2.95	
Licenses	3.42	3.24	2.95	
Financial Companies	0.01	0.14	0.07	
Others	3.41	3.1	2.88	
Non-tax Revenue	756.99	701.27	654.81	
Property Income	672.23	621.8	589.08	
Oil Sector	653.11	609.82	578.6	
Oil & Gas Royalties	179.05	194.39	121.86	
Dividend Paid by Oil				
Companies	474.06	415.43	456.74	
Other	19.12	11.98	10.48	
Other Royalties	0.26	0.31	0.35	
Rent and Interest	15.48	8.33	3.66	
Others	3.38	3.34	6.47	
Administrative Fees and Charges on Sales of Goods				
Fines	83.99	78.57	64.97	
Telecoms & Utilities	62.84	61.9	44.16	
Other	21.15	16.67	20.81	
Other Non-tax Revenue	0.77	0.9	0.76	
Total Expenditure	910.86	1,563.17	912.53	
Current	734.14	1,242.03	782.14	
Wages & salaries	342.18	437.19	326.76	
OCAR	309.1	438.96	289.65	
Charged	82.86	365.88	165.73	
Capital	176.72	321.14	130.39	
OCSE	62.27	187.92	51.88	
Development Expenditure	76.2	108.22	78.51	
Investments in Public Enterprise	38.25	25	NA	
Budget Surplus/ Deficit	852.56	74.11	485.99	

Source: Treasury Department, Ministry of Finance

**BRUNEI DARUSSALAM Q2 2005
ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS**
Chart 4.1 MONEY SUPPLY


Source: Financial Institutions Division, Ministry of Finance

Monetary Sector
Money Supply

In June 2005, M1 (the narrow money) expanded by 66.5 per cent, year-on-year. This rate was higher than in March 2005 when M1 grew by 25.2 per cent, year-on-year, suggesting some acceleration in the economic activities in Q2 2005. Such growth in money supply was driven by the increase in the level of deposit that went up from BND 2,405.5 million in March 2005 to BND 3,516.6 million in June 2005.

The growth in M2 (the broader definition of money), however, slowed. In June 2005, M2 grew by 15 per cent year-on-year, compared to 20 per cent, year-on-year, in March 2005. Such slowing in M2 growth was attributed to a decline in the level of fixed deposits (from BND 7,063.5 million in March 2005 to BND 5,781.8 million in June 2005), and a drop in savings and other deposits (**Chart 4.1**). The decline in the size of time and savings deposits held by the banking sector coincided by the introduction by the loan cap policy in Q2 2005.

Assets & Liabilities

In June 2005, the commercial banks' total assets fell by 6.9 per cent to BND 16,041 million from BND 17,221 million in March 2005 (**Table 4.1**). This was explained by the decline in receivables from BND 9,311 million in March 2005 to BND 7,928 million in June 2005.

The corresponding decline on the liabilities side was mainly explained by the fall in the total deposit and in the level of account payables. In June 2005, the increase in demand deposit was more than offset by the fall in the time deposit, bringing the total deposit down to BND 12,104 in June 2005 from BND 12,325 million in March 2005. The level of account payables was down from BND 2,792 in March 2005 to BND 1,787 in June 2005.

Domestic and foreign deposits aggregates declined by 36.0 per cent from BND 2,792 million to BND 1,787 million. Loans and advances disbursements increased by only 1.4 per cent from BND 5,568 million to BND 5,647 million compared to the previous quarter's decrease of 0.2 per cent from BND 5,578 million to BND 5,568 million. Other assets increased by 14.4 per cent from BND 1,109 million to BND 1,269 million.

Table 4.1 – Assets and Liabilities

Assets / Liabilities	2004				2005	
	Mar	Jun	Sep	Dec	Mar	Jun
Assets	13,690	14,594	15,282	16,274	17,221	16,041
Cash	175	146	156	153	164	161
Due from bank :	6,272	7,045	7,524	8,406	9,311	7,928
in BD	1,151	1,488	1,515	1,527	2,019	1,159
outside BD	5,121	5,557	6,009	6,879	7,292	6,769
Loans and Advances	5,392	5,437	5,516	5,578	5,568	5,647
Investment	942	977	1,031	1,071	1,069	1,036
Other assets	909	989	1,055	1,066	1,109	1,269
Liabilities	13,690	14,593	15,280	16,274	17,221	16,041
Deposits	10,201	10,473	11,062	12,057	12,325	12,104
Demand	1,825	1,863	2,060	3,130	2,405	3,517
Time	5,640	5,827	6,200	6,040	7,063	5,782
Saving	2,736	2,783	2,802	2,887	2,857	2,805
Due to bank	1,538	2,060	2,147	2,127	2,792	1,787
in BD	1,444	1,937	2,027	1,997	2,670	1,607
outside BD	94	123	120	130	122	180
Other liabilities	1,951	2,060	2,071	2,090	2,104	2,150

Source: Financial Institutions Division, Ministry of Finance

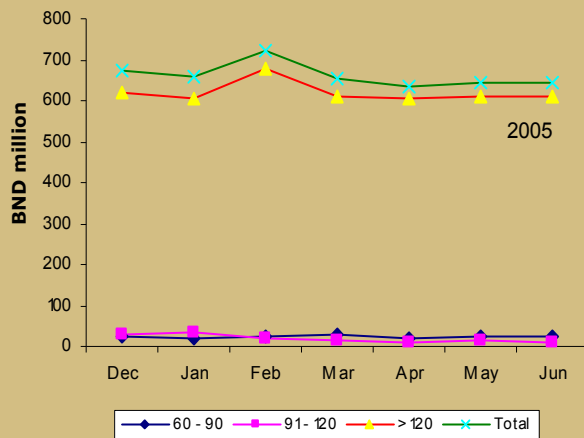
BRUNEI DARUSSALAM Q2 2005 ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS

Table 4.2 – Direction of Lending

	2004				2005	
	March	June	Sep	Dec	March	June
Total	5391	5438	5516	5576	5568	5647
Agriculture	41	33	34	34	33	36
Credit & Finance	21	27	14	11	10	12
Manufacturing	90	91	94	113	149	162
Transportation	193	203	212	207	197	216
Construction	450	484	469	496	475	464
General Commerce	465	476	492	504	471	499
Professional Services	94	43	67	44	40	60
Personal Loans	3567	3621	3681	3718	3741	3464
Mortgage	470	460	453	449	452	734

Source: Financial Institutions Division, Ministry of Finance

Chart 4.2 : Non-Performing Loans



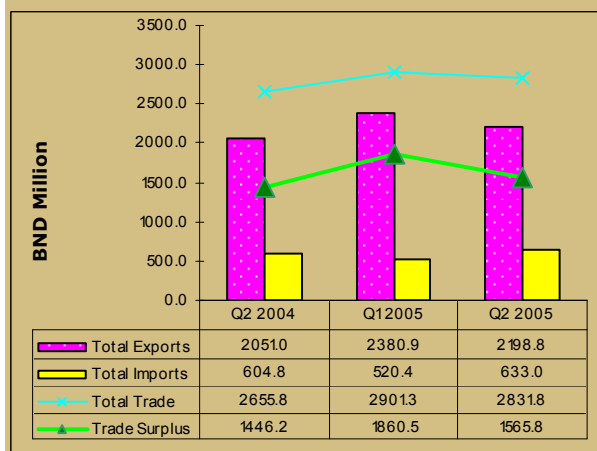
Source: Financial Institutions Division, Ministry of Finance

Table 4.3 – Non-Performing Loans

	Mar	Jun	Sep	Dec	Mar	June
60 - 90 days	29.09	25.90	27.91	20.86	63.55	42.18
91 - 120 days	14.88	7.63	9.20	9.46	16.07	16.56
>120 days	607.77	611.99	621.75	625.34	591.75	573.14
Total	651.74	645.52	658.86	655.66	671.37	631.88

Source: Financial Institutions Division, Ministry of Finance

CHART 5.1 : BRUNEI DARUSSALAM EXPORT, IMPORT & BALANCE OF TRADE Q2 2004 AND (Q1&Q2) 2005



Source : Department of Economic Planning and Development

On a year-on-year basis, the total assets of the banking sector went up by 9.9 per cent, from BND 14,594 million in June 2004 to BND 16,041 million in June 2005. This was driven by growth in account receivables (12.5 per cent), and the growth in Other Assets (28.3 per cent). Loans and advances only grew by 3.8 per cent.

Lending

The growth in Lending and Advances was only 1.4 per cent, from BND 5,568 in March 2005 to BND 5,647 in June 2005. Such an increase was explained by loan growth to agriculture sector (9 per cent), credit and finance sector (20 per cent), manufacturing sector (8.7 per cent), transportation sector (9.6 per cent), general commerce (by 5.9 per cent), and mortgage (by 62.4 per cent). Loans to the construction sector and personal loans individuals, both declined. Personal loans, contracted by 7.4 per cent, from BND 3,741 million to BND 3,464 million (Table 4.2).

In terms of lending composition, personal loans still accounted for the largest proportion of the total lending. Its share to the total lending had come down to 61.3 per cent in June 2005, compared to 67.2 per cent in March 2005. Such a decline was partly attributed to the introduction in mid-May of the government's new personal loan application procedure. The remaining one-third of the banking sector loan went to the productive sector. Agriculture sector took up a bit more than 0.5 per cent of the total banking sector loan. In comparison, the manufacturing sector accounted for 2.9 per cent of the total banking sector loan.

Non-Performing Loans

The level of non-performing loans (NPLs) had fluctuated somewhat. The total size of NPLs had increased from BND 645.52 million in June 2004 to BND 671.37 in March 2005, and then fell to BND 631.88 in June 2005. Such figures translated to ratios of 11.9 per cent (in June 2004), 12.1 per cent (in March 2005), and 11.2 per cent (in June 2005).

Chart 4.2 showed that the NPLs based on 6-month classification were down from BND 591.75 million (10.6 per cent of the total loans) in March 2005 to BND 573.14 million (10.1 per cent of the total loans) in June 2005.

Based on 3-month classification, the ratio of NPLs has remained stable from 0.28 per cent in March 2005 (or BND 16.07 million) to 0.29 per cent in June 2005 (BND 16.56 million).

Conclusion

The development in the monetary sector in Q2 2005 indicated that the financial sector remains stable. There was some indications that the level of household debt started to decline. The growth in loans suggested that there continued to be some activities, albeit not strong, in the economic front in the second quarter of 2005.

External Sector

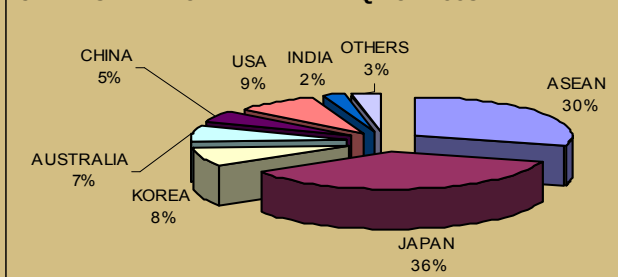
Total and Balance of Trade

In Q2 2005, the total exports were recorded at BND 2,198.78 million and the total imports were BND 932.99 million. Such figures brought the total trade volume to BND 2,831.8 million, against BND 2,655.8 million recorded in Q2 2004. The trade surplus of BND 1,565.8 million represented an increase of 8.3 per cent, compared to the same period last year. However, it represented a decline of 15.8 per cent against the Q1 2005 figure (Chart 5.1).

**BRUNEI DARUSSALAM Q2 2005
ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS**
TABLE 5.1: EXPORTS BY MAJOR COMMODITY, Q2 2004 AND (Q1 & Q2) 2005

	BND Million			Changes (%)	
	Q2 2004	Q1 2005	Q2 2005	Q2 '05 & Q1 '05	Q2 '04 & Q2 '05
Oil and Gas	1746.5	2240.5	2046.2	-8.7	17.2
Petroleum	1083.2	1426.6	1392.0	-2.4	28.5
LNG	663.3	813.9	654.2	-19.6	-1.4
Non-Oil & Gas	304.6	140.4	152.6	8.7	-49.9
Garment	80.0	38.8	47.5	22.4	-40.6
Others	224.5	101.6	105.0	3.4	-53.2
Total Exports	2051.0	2380.9	2198.8	-7.6	7.2

Source: Department of Economic Planning and Development

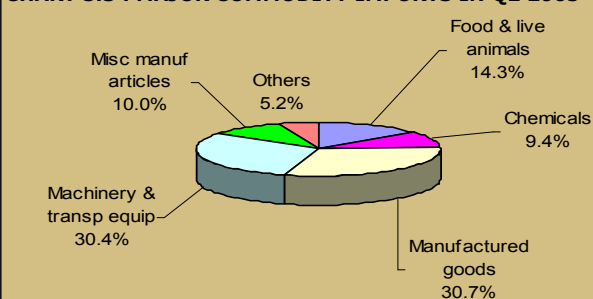
CHART 5.2: EXPORT MARKET IN Q2 OF 2005


Source: Department of Economic Planning and Development

TABLE 5.2: IMPORTS BY COMMODITY, Q2 2004 AND (Q1 & Q2) 2005

	BND Million			% Change	
	Q2 2004	Q1 2005	Q2 2005	Q2 '05 & Q1 '05	Q2 '04 & Q2 '05
Food & live animals	82.4	79.4	90.3	13.7	9.6
Beverages & tobacco	16.8	15.3	18.4	20.8	9.6
Crude material inedible	5.6	3.62	4.1	13.3	(26.4)
Mineral fuels	5.3	6.3	5.2	(18.3)	(2.7)
Animal & vegetable oils and fats	4.0	2.7	2.4	(10.3)	(38.8)
Chemicals	50.8	50.0	59.7	21.8	17.5
Manufactured goods	164.0	118.4	194.3	64.2	18.5
Machinery & transport equipments	207.2	189.7	192.5	1.5	(7.1)
Miscellaneous manufactured articles	66.9	53.7	63.6	18.5	(4.9)
Miscellaneous transactions	2.0	2.3	2.5	6.0	27.2
Total imports (c.i.f)	604.8	520.4	633.0	21.6	4.7

Source: Department of Economic Planning and Development

CHART 5.3: MAJOR COMMODITY IMPORTS IN Q2 2005


Source: Department of Economic Planning and Development

Exports

Total exports in Q2 2005 were BND 2,198.8 million, which was lower than the first quarter figure of BND 2,380.9 million in Q1 2005. However, on a year-on-year basis, the second quarter figure represented an increase of 7.2 per cent from the same period last year. Oil and gas accounted for some 93 per cent of Brunei Darussalam's exports. The average oil price per barrel increased significantly from US\$ 38.2 in Q2 2004 to US\$ 55.19 in Q2 2005.

The exports of LNG exports fell to BND 654.2 million in Q1 2005 from BND 813.9 million in Q1 2005. But on a year-on-year basis, on the back of an increase in gas price (from US\$ 4.7 per MMBtu in Q2 2004 to US\$ 5.7 per MMBtu in Q2 2005), gas exports were up by 1.4 per cent.

In Q2 2005, the Non-Oil and Gas exports were registered at BND 152.6 million. This represented an increase of 8.7 per cent from BND140.4 million in Q1 2005. Compared to the same period last year, non-oil exports fell sharply by 49.9 per cent. The year-on-year decline was attributed to a 40.6 per cent decline in the garments exports, from BND 80.0 million in Q2 2004 to BND 47.53 million in Q2 2005 (Table 5.1).

Japan remained the main exports market. Some 36 per cent of Brunei Darussalam's total exports went to Japan. It was followed by ASEAN (30 per cent), USA (9 per cent), Korea (8 per cent), Australia (7 per cent), China (5 per cent) and India (2 per cent). Compared to Q1 2005, Brunei Darussalam's exports to China increased by 142.4 per cent. Brunei Darussalam's export to ASEAN went up by 24.4 per cent. Meanwhile, exports to USA and India grew by 10.8 per cent and 3.1 per cent, respectively.

On a year-on-year basis, Brunei Darussalam's exports to USA, ASEAN, and China had gone up by 65.7 per cent, 59.6 per cent, and 58.3 per cent, respectively. On the other hand, exports to India decreased by 58.5 per cent, year-on-year.

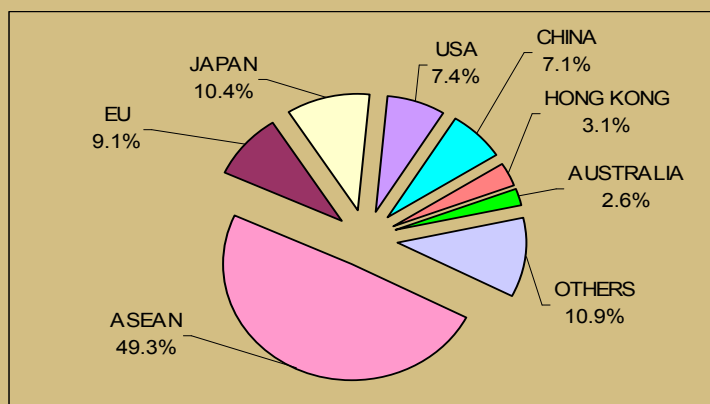
Imports

Total imports in Q2 2005 were up to BND 633 million from BND 604.8 in the same quarter last year. Imports were also up compared to Q1 2005. The increase in imports mainly came from manufactured goods (up by 64.2 per cent), chemicals (grew by 21.8 per cent), beverages and tobacco (up by 20.8 per cent), miscellaneous manufactured articles (18.5 per cent), food & live animals (13.7 per cent), and crude material inedible (13.3 per cent) (Table 5.2).

On a year-on-year basis, imports were also up by 4.7 per cent compared to the same period last year (of BND 604.8 million). The increase in imports was attributed to imports of manufactured goods (by 18.5 per cent), chemicals (by 17.5 per cent), food & live animals (9.6 per cent), and beverages & tobacco (9.6 per cent). Imports of animal & vegetables oils and fats fell by 38.8 per cent, year-on-year. Imports of machinery & transport equipments, miscellaneous manufactured article, and mineral fuels, also fell by 7.1 per cent, 4.9 per cent, and 2.7 per cent, respectively (Table 5.2).

With regards to the composition of imports, the manufactured goods accounted for 30.7 per cent of the total imports. Machinery and transport equipment accounted for another significant share (30.4 per cent) (Chart 5.3).

With respect to the origin of imports, some 49 per cent of total imports in Q2 2005 came from ASEAN countries, followed by Japan (10.4 per cent), European Union (9.1 per cent), USA (7.4 per cent), China (7.1

**BRUNEI DARUSSALAM Q2 2005
ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS**
CHART 5.4: ORIGIN OF IMPORT IN Q2 2005


Source : Department of Economic Planning and Development

Table 6.1: Average Weighted Price of Crude Oil
Unit - US\$/Barrel

	2000	2001	2002	2003	2004	2005
JAN	25.2	26.2	19.7	30.0	32.7	42.0
FEB	27.4	27.3	20.2	31.0	36.2	48.8
MAC	28.5	26.8	23.0	33.4	38.5	58.9
APR	25.8	27.8	24.8	27.7	37.2	59.2
MAY	29.4	29.0	25.7	27.2	39.4	51.9
JUN	31.2	28.1	24.6	27.1	37.8	54.2
JUL	31.4	26.0	26.3	30.0	41.1	
AUG	31.7	24.9	27.9	30.4	47.6	
SEP	35.4	25.0	28.6	29.4	49.6	
OCT	33.1	20.2	26.6	32.4	54.4	
NOV	32.9	18.8	26.5	32.3	47.9	
DEC	27.8	18.6	31.0	31.4	39.1	
Average Crude Oil Price for the Year	29.7	24.7	25.3	30.2	41.8	
Average Crude Oil Price Q1	27.0	26.7	20.9	33.4	35.6	50.3
Average Crude Oil Price Q2	28.5	28.2	25.0	27.3	38.2	55.2
Average Crude Oil Price Q3	32.8	25.3	27.6	29.3	46.3	
Average Crude Oil Price Q4	31.1	19.2	28.0	32.0	46.7	
Average Crude Oil Price 1H	27.7	27.5	23.0	30.3	36.9	52.5
Average Crude Oil Price 2H	29.2	23.2	27.5	30.7	46.5	

Average Weighted Crude Oil Price Index

	2000	2001	2002	2003	2004	2005
JAN	84.7	88.3	66.2	101.0	110.2	141.3
FEB	92.1	91.8	67.9	104.3	121.9	164.4
MAC	95.9	90.2	77.4	112.5	129.5	198.3
APR	86.9	93.4	83.3	93.2	125.3	199.3
MAY	99.0	97.6	86.6	91.5	132.6	174.5
JUN	105.1	94.4	82.8	91.1	127.3	182.4
JUL	105.8	87.5	88.6	101.1	138.3	
AUG	106.7	83.8	93.7	102.2	160.1	
SEP	119.0	84.0	96.4	98.8	166.9	
OCT	111.4	68.0	89.5	109.0	183.1	
NOV	110.6	63.2	89.2	108.6	161.3	
DEC	93.7	62.6	104.4	105.5	131.5	
Average Index for the Year	100.0	83.0	85.3	101.5	140.8	
Average Index for Q1	90.8	90.0	70.2	112.5	119.8	169.2
Average Index for Q2	95.8	95.0	84.2	92.0	128.6	185.8
Average Index for Q3	110.3	85.1	92.9	98.7	155.9	
Average Index for Q4	104.8	64.6	94.3	107.7	157.1	
Average Index for 1H	93.1	92.4	77.2	102.1	124.2	176.8
Average Index for 2H	98.2	78.1	92.6	103.4	156.5	

Base year 2000=100

Source: Petroleum Unit, Prime Minister's Office

per cent), Hong Kong (3.1 per cent) and Australia (2.6 per cent) (**Chart 5.4**).

Compared to Q1 2005, imports from China were up by 51.8 per cent. In contrast, imports from the USA and EU fell by 10 per cent and 1 per cent, respectively.

On a year-on-year basis, Brunei Darussalam's imports from China grew by 29.8 per cent. Compared to the same period last year, Brunei Darussalam's import from ASEAN, Japan, Australia, and EU were up by 11.6 per cent, 5.6 per cent, 3.1 per cent, and 1.9 per cent, respectively. Imports from Hong Kong and USA fell by 42.8 per cent and 41.3 per cent, respectively.

Average Weighted Crude Oil Price Index

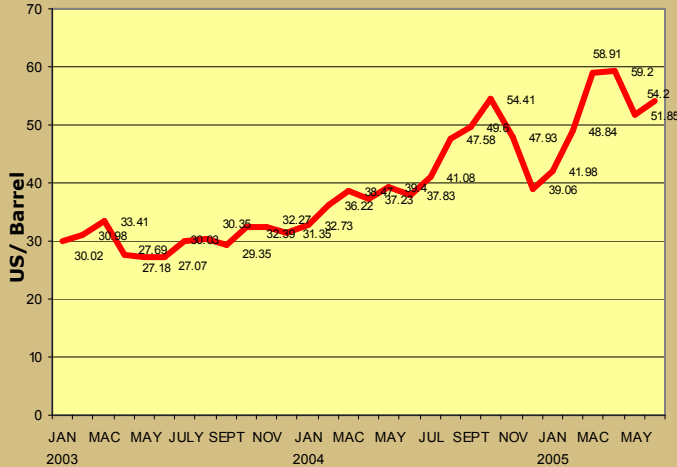
The Brunei Darussalam's Average Weighted Crude Oil Price Index (COPI) for Q2 2005 went up by 44.5 per cent, year-on-year from 128.6 to 185.8. On a quarter-on-quarter basis, the COPI also rose by 9.8 per cent (**Table 6.1**).

Brunei Darussalam's average weighted crude oil price increased by 0.5 per cent, from US\$58.9 per barrel in March 2005 to US\$59.20 per barrel in April 2005 (**Table 6.1** and **Chart 6.1**). However, it decreased by 12.4 per cent to US\$51.85 per barrel in May 2005. Then, it rose again by 4.5 per cent to US\$54.20 per barrel in June 2005. The average weighted crude oil price stood at US\$55.19 per barrel in Q2 2005 compared to US\$38.2 per barrel in Q2 2004 and US\$50.26 per barrel in Q1 2005.

The US light crude oil price closed at around US\$52.85 per barrel at the end of Q1 2005. There were several factors that explained the rise in the price of oil in April. The concern over rising US gasoline demand, expectation that global economic recovery gathered steam amid tight spare capacity, policies that discouraged foreign investment in Iran, Bolivia, Mexico or Indonesia, worked in favour of higher oil prices globally. The oil price fell slightly to US\$55.60 per barrel after US data showed refineries accelerating activity, and following the increasing oil production by OPEC. By end of April 2005, the oil price fell below \$50 to US\$49.72 per barrel as traders shifted focused to a slower-than-expected US economic growth, and expanding crude oil supplies in the US.

In early May 2005, the oil price increased further to US\$51.49 per barrel amid speculation that US refineries may struggle to produce enough fuel to meet rising demand in the second half of the year. By mid May 2005, the oil price fell to US\$46.97 per barrel after an Energy Department showed US stockpiles rose four times faster than analysts expected. By end May 2005, the oil price increased after US crude inventories fell by 1.6 million barrels, and on the back of the expectation that the summer driving season will continue to eat away US crude stockpiles. The price of oil stood at US\$51.97 per barrel on May 31.

On June 1, the oil price rose further on fears of the tight supplies at the end of the year. In mid June 2005, the oil price rose to US\$56.58 per barrel amid signs that surging global fuel consumption would strain the production capacity of OPEC and other exporters. Approaching the end of June 2005, oil prices rose further on the concern about the limited

**BRUNEI DARUSSALAM Q2 2005
ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS**
Chart 6.1 Brunei Darussalam Average Weighted Crude Oil Prices


Source: Petroleum Unit, Prime Minister's Office

oil supplies, and especially over worries that Iran's new president may limit foreign investment in the nation's oil industry.

Outlook

GDP growth rate for Q2 2005 was recorded at 1.7 per cent, year-on-year. This represented a faster year-on-year growth, compared to the 1.3 per cent GDP growth (year-on-year) in Q1 2005. The preliminary Q1 2005 growth figure (of 0.9 per cent, year-on-year) is revised upward to 1.3 per cent, year-on-year.

Going forward, reflecting on the economic development in the Q3 2005, GDP in Q3 2005 is expected to grow modestly. The development in the world price of oil, and the preparation in the lead up to the Sultan's birthday celebration in mid-July 2005 are expected to have worked in favour of a modest Q3 2005 growth.

The preparation towards the Sultan's birthday celebration, and early preparations for the Ramadan and Syawal celebrations, and the incessant efforts by the government to push for swifter implementation of RKN8 projects, all may have stimulated growth in demand and investment in some sectors, such as wholesale and retail trades and construction sectors.

The persistently high oil price in Q2 2005 may have prompted oil production companies and the Petroleum Unit to moderate production of the mineral resources in order to balance out production with conservation efforts. In view of that, the expansion in the oil sector during Q3 2005 is expected to be modest despite the strong demand of oil from China and India.

The budget surplus enjoyed by the government in the first half of 2005 is expected to continue in the second half of 2005 despite the effort to accelerate the implementation of the remaining RKN8 projects. This will push economic growth further.

The non-oil private sector is also expected to grow moderately during Q3 2005 brought about by expansions in the construction, wholesale and retail trade, transport and communications sectors. These sectors will also benefit from acceleration of the RKN8 project implementation.

In the price front, the trend in inflation is expected to continue in Q3 2005. As has been described earlier, Consumer Price Index rose marginally during Q2 2005, brought about by price pressures in the transport, medical and health and in the entertainment and recreation sectors. Such pressures perhaps will remain in Q3 2005.

8th NATIONAL DEVELOPMENT PLAN

TABLE 1: Budget Allocation by Major Sectors and Category of Projects

Sectors	On-Going Projects (BND) & % of Total Sectoral Allocation	New Projects (BND) & % of Total Sectoral Allocation	TOTAL SECTORAL ALLOCATION (BND)
Transport & Communication	99,826,200 (72.6%)	37,729,553 (27.4%)	137,555,753
Social Services	116,549,550 (56.7%)	89,165,260 (43.3%)	205,714,810
Public Utilities	83,277,639 (47.0%)	93,950,011 (53.0%)	177,227,650
Public Buildings	30,140,050 (44.2%)	37,978,214 (55.8%)	68,118,264
Security	47,522,500 (49.8%)	47,947,436 (50.2%)	95,469,936
Miscellaneous	12,981,290 (23.6%)	41,930,235 (76.4%)	59,911,525
ICT	34,650,000 (41.7%)	48,505,741 (58.3%)	83,155,741
GRAND TOTAL	473,489,919 (52.6%)	426,510,081 (47.4%)	900,000,000 (100%)

TABLE 2: BREAKDOWN OF STATUS OF ON-GOING PROJECTS Q2 2005

	COMPLETED PROJECTS		ON-GOING PROJECTS		PROJECTS IN OTHER STAGES ¹	
	Number of Projects	BND million	Number of Projects	BND million	Number of Projects	BND million
TOTAL	66	35.7	172	421.3	11	16.4

¹Other Stages here include projects which are in the process of tender documentation, pre-design, design, concept formulation and awaiting appointment of consultants. It also includes projects which are being KIV and other stages prior to implementation

TABLE 3: STATUS OF NEW PROJECTS FOR Q2 2005

Status	Number of New Projects	2005 Allocation BND million
Completed	14	4.1
Under Implementation	72	274.8
Tender Awarded	2	1.5
Awaiting Tender	27	44.5
Tendering Process	25	39.9
Other stages ²	146	61.7
Total	286	426.5

²Other Stages include projects which were in the process of pre-design, design, concept formulation and awaiting appointment of consultants. It also included projects which were KIV and other stages prior to implementation.

Q2 2005 Project Implementation Review

A total of BND 900 million has been allocated to implement some 535 projects of the fifth year of the 8th National Development Plan. Out of this amount, BND 473 million has been allocated to fund 249 on-going projects, including projects which have been completed, but are awaiting penultimate and final payments.

The balance of this fund (BND 427 million) will finance 286 new projects, which are projects that have not been implemented.

The BND 900 million allocation has been distributed to major development sectors as shown in **Table 1**.

From Table 1, the Social Services Sector receives the highest allocation of BND 206 million. Out of this, 56.7 per cent has been allocated to finance on-going projects while the remaining 43.3 per cent will be utilized to fund new projects.

Meanwhile, the Miscellaneous Sector receives the least allocation of almost BND 60 million, for which 24 per cent will be used to finance on-going projects, while 76 per cent has been allocated to fund new projects.

Q2 2005 IMPLEMENTATION ACHIEVEMENT: PHYSICAL STATUS

A. On – Going Projects

Out of 249 on-going projects, a total of 66 projects (with allocations of about BND 36 million) was completed. **Table 2** summarizes the status of on-going projects.

B. New Projects

As with new projects, out of a total of 286 projects, only 14 was completed (with allocation of BND 4.1 million). The status of other new projects are as shown in **Table 3**.

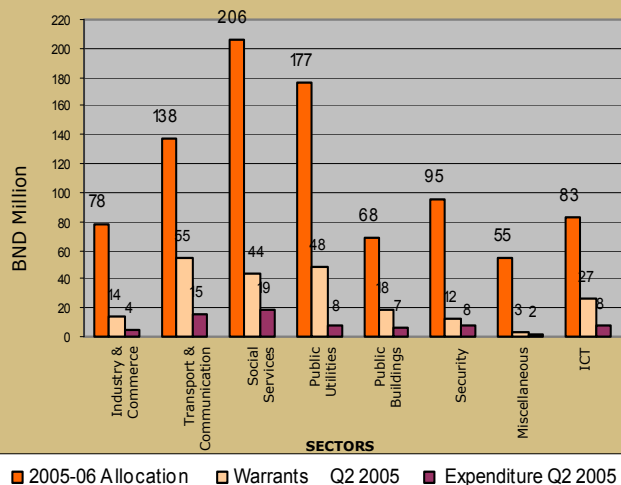
Appointment of Consultants

During Q2 2005, 10 consultants were appointed, to undertake projects as shown in **Table 4**.

TABLE 4: PROJECTS WITH APPROVED CONSULTANTS FOR Q2 2005

No	VOTE NO	PROJECT DESCRIPTION	DATE OF APPOINTMENT
1	801-004	DEVELOPMENT SCHEMES FOR ORNAMENTAL HORTICULTURE AND FLOWER INDUSTRY	09 May 2005
2	805-010	NEW MARKET MUARA TOWN	09 May 2005
3	806-038	COLLEGE DORMITORY FOR UNDERGRADUATES OF UBD	09 May 2005
4	809-003	INLAND CONTAINER DEPOT (ICD) INCLUDING REPAIRS AND CLEANING OF CONTAINERS	09 May 2005
5	812-006	BELAIT DISTRICT STUDIO	09 May 2005
6	814-006	HOUSING FOR FIRE SERVICES STAFF, LIMAU MANIS FIRE STATION	10 May 2005
7	815-018	HEALTH CENTRE AT LAMBAK KANAN	10 May 2005
8	818-012	MULTIPURPOSE HALL AT KUALA BELAIT	10 May 2005

8th NATIONAL DEVELOPMENT PLAN

CHART 1: 2005 - 2006 Allocation, Warrants and Expenditure by Major Sectors Q2 (2005)**Q2 2005 IMPLEMENTATION ACHIEVEMENT: FINANCIAL STATUS****Warrants Issued**

The breakdown of the financial warrants issued in Q2 2005, by major sectors is as shown in **Chart 1** and **Table 5**. A total of about BND 221 million worth of warrants for all major sectors were approved. The **Transport and Communication Sector** received the highest amount of about BND 55 million, accounting for 25 per cent of the total worth of warrants issued.

Expenditure

Chart 1 and **Table 5** also illustrate the amount of expenditure in Q2 2005 for each major sector.

The **Social Services Sector** recorded the highest expenditure in Q2 2005 as compared with the rest of the major sectors. During this period between April 2005 to June 2005, this sector spent BND 19.3 million or 44 per cent against approved warrants worth BND 44 million.

Spending was least in the **Miscellaneous Sector** in Q2 2005.

Overall, expenditure Q2 2005 amounted to BND 72 million or 8 per cent against 2005 - 2006 allocation and about 33 per cent against approved warrants worth BND 221 million.

ANALYSIS OF ACHIEVEMENTS FOR Q2 2005

Approved warrants for the period of April to June 2005 totaled **BND220,761,742** which was 111 per cent of the target.

Expenditure for the same period of time totaled **BND 71,878,354**, which was 36 per cent of the target.

However, the favourable increase in approved warrants was not accompanied by a commensurate increase in expenditure. In fact up to Q2 2005, the total expenditure recorded was about 33 per cent of total warrants issued for the same period, and only about 8 per cent of total allocations for the said quarter. This is shown in **Table 5**.

Table 5: ALLOCATION, WARRANT AND EXPENDITURE, Q2 2005

SECTORS	2005 / 06 Allocation (BND)	Warrants Issued (BND) Q2 (05)	Percentage Of Warrants Issued Against Total Warrants	Expenditure Q2 2005 (BND)	Percentage of Expenditure Against Allocation	Percentage of Expenditure Against Warrants
Industry and Commerce	77,846,320	14,184,364	6.4	3,781,862	4.9	26.7
Transport and Communication	137,555,755	55,172,822	25.0	15,490,068	11.3	28.1
Social Services	205,714,804	43,984,425	19.9	19,384,839	9.4	44.1
Public Utilities	177,227,657	47,758,406	21.6	8,135,800	4.6	17.0
Public Building	68,118,263	17,575,353	8.0	6,644,134	9.8	37.8
Security	95,469,936	11,959,699	5.4	8,177,021	8.6	68.4
Miscellaneous	54,911,524	2,778,603	1.3	2,483,703	4.5	89.4
ICT	83,155,741	27,348,270	12.4	7,780,928	9.4	28.5
Grand total	900,000,000	220,761,942	100.0	71,878,354	8.0	32.6

Source: Information on allocation and warrants are from JPKE.
Information on Expenditure is sourced from Department of Financial Services, Ministry of Finance

8th NATIONAL DEVELOPMENT PLAN

On a year-on-year comparison, spending in Q2 2005 (BND 72 million) was an 8 per cent decrease as compared to Q2 2004 (BND 78.5 million).

Physical status of projects had improved only slightly on a year – on – year comparison. The number of projects completed was 1.26 per cent (80 projects) higher in Q2 2005 as compared to Q2 2004 (79 projects).

From the record, out of 249 on-going projects, 66 projects, with an estimated allocation of BND 36 million. Only 11 projects are in 'other stages category', while 172 other projects are still in 'implementation stage', with an estimated allocation of BND 421 million.

The remaining 286 new projects, with an estimate allocation of BND 427 million, 14 projects were completed (with allocation of BND 4.1 million). Seventy – two (72) projects have just commenced their implementation. Fifty – four (54) projects (with allocation BND 86 million) that have just been awarded and projects that are in the other stage of tendering are expected to commence implementation in the third and fourth quarters of 2005.

While the amount of warrants approved may have exceeded targets and expectations, expenditure is far off targets.

Currently, JPKE is continuing its on-going efforts to monitor the implementation of improvement measures by all client departments and implementing agencies.

IMPLEMENTATION PROJECTION

Spending in the second quarter of the financial year has been observed to be low. Performance in Q3 2005 and particularly in Q4 2005 is anticipated to improve by virtue of the fact that tender for 2 projects have just been awarded, while another 27 projects are currently awaiting tender approval. This will soon increase as 25 other projects are currently in tendering process.

SHORT TERM ECONOMIC RECOVERY

Table 1: Implementation Status of Housing Development Scheme Phase 1 (PWD)

Site	Package Number	No. Of Houses	Types of Houses	Status
PROJECTS RETENDERED				
Kg. Katok A	1	24	E	ON GOING
Sub Total	1	24	E	
PROJECTS COMPLETED				
	2	26	E	COMPLETED
	3	22	E	COMPLETED
	4	25	E	COMPLETED
	5	24	E	COMPLETED
	6	21	D	COMPLETED
	7	23	D	COMPLETED
	8	23	C	COMPLETED
	9	24	C	COMPLETED
Kg Katok B	10	19	C	COMPLETED
	11	29	D	COMPLETED
	12	20	C	COMPLETED
	13	20	C	COMPLETED
Sub Total	12	276	C/D/E	
TOTAL	13	300	C/D/E	

Source: Department of Implementation and Monitoring, JPKE

Table 2: Implementation Status of Housing Development Scheme Phase 1 (HDD)

Site	Contract Number	No. of Houses	Types of Houses	Status	Completion Date/(Revised)
PROJECTS RETENDERED					
Kg. Pandan	H10B	22	TERRACE	COMPLETED	28/02/2005
Kg. Rimba	H29A	20	D	ON GOING	31/03/2005
Sub Total : To Be Retendered	1	20	TER-RACE /D		
PROJECTS COMPLETED					
Lambak Kanan	H35A	19	D	COMPLETED	
Kg Pandan	H10A	5	D	COMPLETED	
	H10C	22	TERRACE	COMPLETED	
	H10D	22	TERRACE	COMPLETED	
Kg Rimba	H23A	12	D	COMPLETED	
	H23B	13	D	COMPLETED	
	H29B	32	D	COMPLETED	
	H29C	17	D	COMPLETED	
	H29D	27	D	COMPLETED	
Sub Total : Completed	9	169	D,TERRACE		
TOTAL	10	189	D,TERRACE		

Source: Department of Implementation and Monitoring, JPKE

Table 3: Implementation Status of Infrastructure Phase 1 – (PWD)

Site	Project	Status
Kg Katok A	1. Improvement of Jalan Tungku	DELAYED
Kg Katok B	2. Supply & Laying Water Pipe	DELAYED

Source : Department of Implementation and Monitoring, JPKE

PUBLIC HOUSING DEVELOPMENT SCHEME

FIRST PHASE

A sum of BND 37,698,170 was spent under Phase 1, of which BND 24,115,340 was for projects implemented by the Public Works Department (PWD) and BND 13,582,830 by the Housing Development Department (HDD).

A. Construction Of Houses (PWD & HDD)

1. Construction of 300 houses by the Public Works Department (PWD)

As shown in **Table 1**, the contract for Package 1 involving 24 houses in Kg. Katok A was still delayed. The contractor was yet to apply for an extension of time. No other contract was completed during Q2 2005.

As reported previously, the number of houses that were already handed over to beneficiaries remained 204 as none was handed over in Q2 2005.

2. Construction of 211 houses by Housing Development Department (HDD)

Table 2 shows only one contract was completed. The only remaining contract H29A, consisting 20 houses in Kg Rimba were still on-going where as contract H10B, a retendered contract involving 22 terrace houses in Kg Pandan was already completed.

Contract H29A which was given first extension of time of 3 months was still delayed. The contract was supposed to be completed in the last quarter was still not completed by the end of Q2 2005.

B. Infrastructure Works

Table 3 shows the status of the remaining infrastructure works within the First Phase. No further improvement in the Road Works. Meanwhile, the contract on Water Reticulation System in Kg. Katok B was delayed. The contract was supposed to be completed by early Q2 2005. A further extension of time was still required.

SECOND PHASE

A total of BND 13,451,505 has been spent in the second phase for projects implemented by the Public Works Department (PWD).

A. Construction Of Houses (PWD)

Construction of 250 houses by the Public Works Department.

As shown in (**Table 4**), no further contract was completed in Q2 2005. Package 14 of Katok A was still in its tendering stage.

The basic construction of 206 houses at Kg. Sungai Buloh under packages 17 to 25 were already completed (**Table 4**). But the overall early completion of the contracts were hampered by the delay in infrastructure works. Although extension of time were given to the relevant contractors, some works that were directly connected to the infrastructure contracts were unable to be completed, contributing to

SHORT TERM ECONOMIC RECOVERY

Table 4: 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	RETENDERED
	15	15	E	COMPLETED
Kg Katok A	16	14	D	COMPLETED
Kg Sungai Buloh	17	22	D	ON GOING
	18	22	D	ON GOING
	19	28	D	ON GOING
	20	24	D	ON GOING
	21	24	D	ON GOING
	22	24	D	ON GOING
	23	23	E	ON GOING
	24	24	E	ON GOING
	25	15	E	ON GOING
Total	12	250		

Source : Department of Implementation and Monitoring, JPKE

Table 5: Summary of all houses under PWD and HDD

Implementor	Phase	No. of Houses	No. of Houses Completed	No. of Houses Handed over to Beneficiaries
Jabatan Kemajuan, JKR	1	300	276	204
	2	250	29	0
Jabatan Kemajuan Perumahan	1	189	189	169
Total		739	494	373

Source : Department of Implementation and Monitoring, JPKE

Table 6: DISTRIBUTION OF CONTRACTS, NUMBER OF CONTRACTS & NUMBER OF SUCCESSFUL COMPANIES

PHASE	TOTAL NO. OF CONTRACTS	NUMBER OF CONTRACTS AWARDED	NUMBER OF SUCCESSFUL COMPANIES
1	51	50	31
2	134	128	82
3	139	132	68
4	66	55	33
5 (re-tendered)	22	22	17
TOTAL	412	387	231

TABLE 7: PHYSICAL IMPLEMENTATION PROGRESS

PHASE	NO. OF WORKS AWARDED	NO. OF WORKS TERMINATED	NO. OF IMPLEMENTED WORKS	NO. OF WORKS COMPLETED AND PAID	NO. OF WORKS COMPLETED AND FINAL MEASUREMENT	NO. OF WORKS UNDER IMPLEMENTATION	NO. WORKS DELAYED	NO. OF WORKS TO BE TERMINATED
1	50	2	48	46	0	0	2	0
2	128	17	111	108	0	0	1	2
3	132	5	127	119	2	1	4	1
4	55	0	55	40	9	6	0	0
5	22	0	22	16	2	1	2	1
TOTAL	387	24	363	329	13	8	9	4

the delay in completing the housing contract.

B. Infrastructure Works (PWD)

For Kg. Katok B, Package 14, only the water and electrical works were already completed where as the telecommunication works was still progressing very slowly.

All 5 of the infrastructure works at Kg Sungai Buloh which comprises of roads, water, electrical and telecoms are all still behind schedule. But the sewerlines works are progressing rapidly.

MAINTENANCE OF GOVERNMENT BUILDINGS, COMPOUNDS AND ASSETS

The maintenance of government buildings, compounds and assets under the Short-Term Economic Recovery Plan continues to be implemented by the Department of Planning and Estate Management, Ministry of Education and Department of Building Services, Public Works Department.

The projects were implemented in 5 stages beginning March 2002. The overall number of works tendered in the five phases was 412, in which 387 contracts were awarded to 231 successful companies (Table 6).

Overall physical progress

With regards to the physical progress, as of 30th June 2005, out of 363 contracts that were carried out, 329 contracts were completed and paid. Out of the remaining 34 contracts, 13 contracts were already completed but still under final measurement stage, whilst 8 were still under various stages of implementation, 4 are to be terminated due to several reasons, such as failure of the awarded contractors to complete the contracts on time, and 9 contracts were reported delayed (Table 7).

Phase 1

As of 30th June 2005, of the total 50 contracts awarded, 2 contracts were terminated due to the failure of the awarded contractors to complete the contracts on time, 48 were implemented of which 46 contracts were completed, while the remaining 2 contracts were delayed (Table 7). Payments made for this phase totalled BND 965,957.32.

Phase 2

Under Phase 2, 82 contractors were given 128 contracts in total, where 17 of them were terminated due to failure of the awarded contractors to complete the contracts. As of 30th June 2005, 108 out of 111 contracts were completed, 1 was delayed and 2 will

SHORT TERM ECONOMIC RECOVERY

be terminated (**Table 7**). Payment made for this phase totalled BND 4,023,024.40.

Phase 3

For Phase 3, 68 contractors were awarded a total of 132 contracts. 5 were terminated due to several reasons such as failure of the awarded contractors to complete the contracts on time. At end of Q2 2005, 119 out of 127 contracts were completed, 2 were under final measurement stage and 1 was under implementation while the remaining 4 contracts were delayed and 1 will be terminated (**Table 7**). Payments made for this phase totalled BND 7,761,386.16.

Phase 4

Under phase 4, 33 contractors were awarded a total of 55 contracts. At end Q2 2005, 40 out of 55 contracts were completed, 9 were still under final measurement stage, whilst the remaining 6 were still under implementation (**Table 7**). Payments made for this phase totalled BND 2,907,134.94.

Phase 5

Out of 22 re-tendered contracts which were implemented under Phase 5, 16 contracts were completed, 2 were still under final measurement stage, 1 was under implementation, 2 were delayed and 1 will be terminated (**Table 7**). As of 30th June 2005, payments made for this phase totalled BND 414,590.06.

Miscellaneous

JPKE LIST OF PUBLICATIONS

No.	List	BND
1.	Brunei Darussalam Statistical Yearbook 82 / 83, 83 / 84	7.00
2.	Brunei Darussalam Statistical Yearbook 2000 / 2001, 2002, 2003	8.00
3.	Brunei Statistics of External Trade 1991, 1992, 1993, 1994, 2001, 2002	20.00
4.	Vital Statistics 1991, 1992, 1993, 1994, 1998, 2000, 2001, 2002	7.00
5.	Sixth National Development Plan 1991-1995	30.00
6.	Seventh National Development Plan 1996-2000	15.00
7.	Rancangan Kemajuan Negara ke 4 1996-2000	7.00
8.	Rancangan Kemajuan Negara ke 7 1996-2000	15.00
9.	Summary Tables of the Brunei Population Census 1991	20.00
10.	Report on the 1991 Population Census	20.00
11.	Report on the 1991 Housing Census	20.00
12.	Report on the Labour Force Survey	10.00
13.	Demographic Situation & Population Projection 1991 – 2011	10.00
14.	PERJALANAN NBD memasuki ALAF BARU (Kulit Nipis)	25.00
15.	PERJALANAN NBD memasuki ALAF BARU (Kulit Tebal)	40.00
16.	The JOURNEY Brunei Darussalam into the next Millennium (Hard Cover)	40.00
17.	Preliminary Report of the Population and Housing Census 2001	2.50
18.	Consumer Price Index for Negara Brunei Darussalam Base 1990 = 100	7.00
19.	Preliminary Report of the 2002 Economic Census	2.50

JPKE HOTLINE

- JPKE has dedicated a hotline for the public to make any inquiries, complaints, and comments, regarding prices, sales and promotion activities.
- The hotline is **2230223** is located at Level 3 (West Wing) Department of Implementation and Monitoring, JPKE, Jalan Ong Sum Ping, Bandar Seri Begawan, BA1311. The hotline operates **during office hours**.
- With this initiative, it is hoped that JPKE can provide and maintain quality assurance services to the public.

The Editors Welcome any comments and suggestions from readers through:-

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

**BLOCK 2A
JALAN ONG SUM PING
BANDAR SERI BEGAWAN, BA1311
NEGARA BRUNEI DARUSSALAM**

All rights reserved. Copyright of the Government of His Majesty The Sultan and Yang Di Pertuan of Brunei Darussalam. No part of this publication may be reproduced in any material form or by any means, electronic or mechanical, including photocopying, recording or in any information storage or retrieval system without prior permission from the Government, except for permitted fair dealing under Copyright Order 2000.