

BRUNEI DARUSSALAM

Fiscal and Monetary Review 2003

Ministry of Finance

Commonwealth Drive

Bandar Seri Begawan BB3910

Brunei Darussalam

April 2004

FOREWORD

The Ministry of Finance is committed to continuing its efforts in providing an enabling climate for the economic and financial development of Brunei Darussalam. In this regard I am happy the Ministry of Finance is launching an inaugural report entitled ***Brunei Darussalam 2003 Fiscal and Monetary Review***. This report is based on information available as of end-January 2004. The new *Fiscal and Monetary Review* series will comprise of an annual report followed by interim quarterly updates.

The objective of the report is to provide an overall macroeconomic assessment of developments in Brunei Darussalam covering (a) economic output and inflation; (b) external trade and balance of payments; (c) budget and fiscal policies; and (d) monetary and financial sector developments. With respect to the first two areas, the report draws on the work of Economic Planning and Development Department of the Prime Minister's Office.

The Ministry of Finance hopes that the improved availability and understanding of key fiscal and monetary developments in Brunei Darussalam will facilitate business decision making, promote international investor understanding, and enhance consumer and public awareness.

I would like to take this opportunity to thank the staff team of the Ministry of Finance, particularly Dr. Nissanke Weerasinghe, Financial Expert, who has edited this inaugural report of the *Fiscal and Monetary Review*. I would also like to thank the various departments of the Ministry of Finance, Economic Planning and Development Department and other agencies for their cooperation in this endeavor. Comments or suggestions pertaining to this report are welcome, and should be directed to the Research and International Division, Ministry of Finance; Commonwealth Drive, Bandar Seri Begawan BB3910.

Dato Paduka Haji Yakub Abu Bakar
Deputy Minister of Finance

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.

© Copyright 2004

CONTENTS

Foreword	
I. Executive Summary	
Economic Background	1
Recent Economic and Financial Developments	1
II. Real Sector Developments	
Overview	3
Oil and Gas Sector	5
Non-Oil and Gas Sector	6
Inflation	7
Unemployment	8
Government Initiatives	9
III. External Sector Developments	
Overview	10
Exports	12
Imports	14
Trade and Current Account Balance	15
International Reserves	16
Exchange Rate	16
IV. Fiscal Developments	
Overview	17
Government Revenue	17
Government Expenditure	20
Fiscal Position	22
V. Money and Banking Developments	
Monetary Developments	23
Overview	23
Changes in Broad Money	24
Interest Rates	26
Banking Indicators	27
Overview	27
Structure of Lending	27
Non-Performing Loans	28
Appendix	
Table 1 : Real Sector Indicators	
Table 2 : External Sector Indicators	
Table 3 : Fiscal Indicators	
Table 4 : Monetary Indicators	

I. EXECUTIVE SUMMARY

ECONOMIC BACKGROUND

The economy of Brunei Darussalam is heavily dependent on oil and natural gas. Presently the energy sector accounts for 90% of total exports, 88% of government revenue, and 53% of GDP. Income per capita at B\$22,500 is among the highest in the region. Reflecting the earnings from its oil and gas endowment, the country has over the years built up a comfortable international investment position.

Diversification of the economic base remains an important policy challenge. The government provides a wide range of public services and employs over half of the labor force. The non-oil private sector - mainly construction and services - accounts for about 40% of GDP. But growth in these sectors has in the past depended on government development expenditures and the role of the private sector, while growing, remains limited. A significant share of the labor force comprise of foreign workers, mostly employed in low-skilled work.

The Currency Interchangeability Agreement between Brunei Darussalam and Singapore has helped underpin Brunei's price and financial stability. Under the agreement, the Brunei dollar is pegged to the Singapore dollar at one-to-one parity and provides for the acceptance of each other currencies at par. Brunei Darussalam maintains a liberal exchange and trade system.

RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS

Economic activity has continued to recover from the recession of the late 1990s, while inflation has remained firmly under control. Real GDP growth is estimated at 3.7% in 2003 (based on the outturn of the first three quarters), after growing at 3.4% in 2002. Growth in 2003 was supported by higher production of oil and gas, consumption-led growth in the private sector, and the strength of the housing and real estate sector. The negative impact of SARS on inward tourism was in part weathered by increased spending by Bruneians locally. Meanwhile, government development expenditures contracted reflecting the slow progress with project implementation. Unemployment in 2003 is estimated at 4.3%, reflecting in part the mis-match in job opportunities and job expectations. Inflation remained well under control, with CPI inflation running below 1% in 2003, similar to the inflation trend in Singapore.

Buoyed by high energy prices in recent years, the external trade and current account balances have recorded substantial surpluses. During 2000-2002, export earnings from oil and gas averaged 78% of GDP, compared with 46% in the second half of the 1990s. In 2003, with the further strengthening of oil/gas prices, export earnings increased by about 20% in Jan-Sept 2003 compared with the same period the year before. The export of natural gas has increasingly become as important a foreign exchange earner as oil. Brunei Darussalam's balance of payments statistics are incomplete due to the lack of capital account data. At end-December 2003, international reserves, defined as the external assets of the BCMB and Brunei Darussalam's reserve position with the IMF, but excluding the international investment position of the Brunei Investment Agency, stood at B\$1,222 million or equivalent to 6.8 months of imports. The Brunei dollar, which is pegged at par to the Singapore dollar appreciated by 2% vis-à-vis the US dollar in 2003 reflecting the general weakening of the US dollar.

The fiscal position has remained strong in recent years, reflecting the increased revenues from oil and gas on account of higher prices. Revenue from oil and gas rose to an average of about 50% of GDP during 2000-2003, compared with an average of 27% of GDP in the second half of the 1990s. With the rise in oil prices in 2003, revenue from oil and gas increased to an estimated 52% of GDP in 2003. The present tax system is narrowly based on the oil/gas sector. Current expenditures in 2003 were kept within budget and the increase in expenditure on wages and salaries contained to 1.8%, broadly in line with the increase in employment and inflation. Development expenditures declined to an estimated B\$260 million in 2003, which was well below budget. Since 2000, the overall fiscal position has recorded surpluses reflecting the higher oil/gas revenues. These surpluses have helped strengthen the position of the Consolidated Fund. The Consolidated Fund, which since 1999 is being managed directly by the Treasury Department, Ministry of Finance (MOF), is increasingly being operated as a stabilization fund to smoothen out the impact of oil/gas price fluctuations on the budget.

The monetary policy framework of Brunei Darussalam reflects its currency board arrangement. In the 12-months to September 2003, broad money grew by 5.5%, with the main contribution to growth coming from the increase in net foreign assets of the commercial banks. Currency in circulation grew by 1.8%, below GDP growth. Credit to the private sector remained stagnant, growing by less than 1%. Within credit aggregates, personal loans, which account for over half of all loans continued to record strong growth. The consumer credit boom is similar to that experienced by some other Asian countries in the region. Caution is needed on this front to ensure that this does not lead to portfolio problems in the future. Meanwhile, despite the weakness of credit demand in the productive sectors the prime lending rate has remained unchanged at 5.5% for some years now. On the deposit side, rates declined in 2003 broadly in line with trends in Singapore. The non-performing loans (NPL) ratio of the banking system, which had risen since 1998 and peaked at 14.1% in 2002, declined to 13.4% by September 2003.

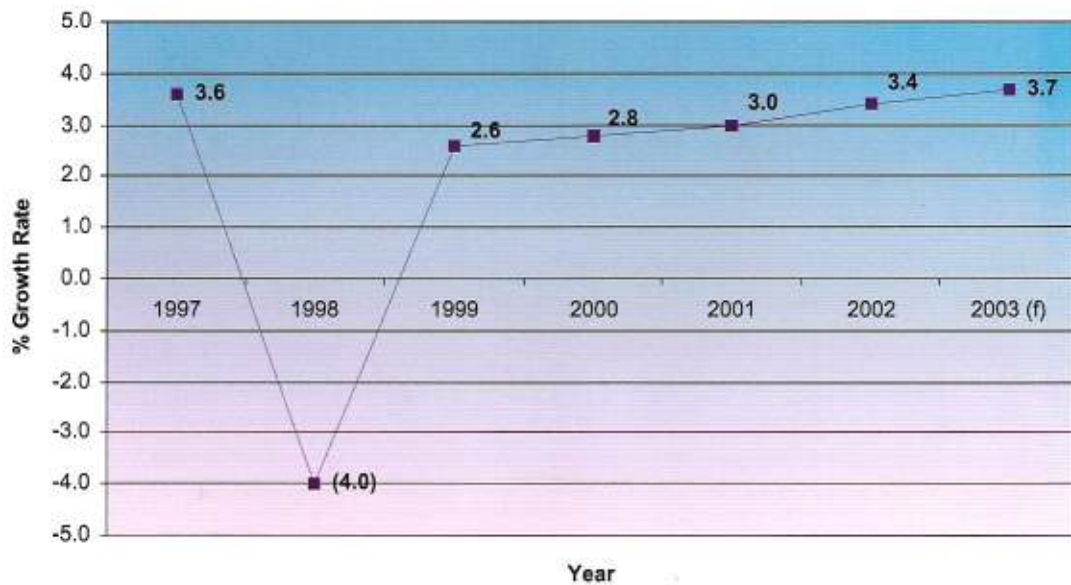
II. REAL SECTOR DEVELOPMENTS

OVERVIEW¹

The economy of Brunei Darussalam has hitherto been dominated by oil and liquefied natural gas, which accounts for more than 50% of the economy's total GDP and about 90% of total exports. The economy also enjoys the extensive revenues derived from these exports. While increases in total GDP share of the non-oil sector has been evident in the last seven years, the oil sector still holds a much greater share of the economy's total GDP. The oil and gas reserves have proven to be substantial and exploration is ongoing, however an important objective in the development policy is the diversification of Brunei Darussalam's economic base.

The Oil and Gas industry plays a major role on the economic performance of Brunei Darussalam contributing about 50% of the nation's economic activity. During the economic crisis, there was a sharp decline in GDP to about -4% in 1998 followed by a recovery in 1999 to a 2.6% growth rate. Since then GDP has been increasing steadily within the range of 2.6% to 4.0%.

Figure 2.1: GDP at Constant prices



(f) – Forecasted

Sources: Economic Planning and Development Department, Prime Minister's Office

¹ All estimates for 2003 in this sector are provisional based on the actual outcome in the first three quarter of 2003.

As indicated on Figure 2.1, Brunei Darussalam's real GDP growth was estimated at 3.7% in 2003 of which about 2% was attributed to the oil sector. The estimates for 2003 are provisional based on actual outcome for January to September 2003. During the first three quarters of 2003, GDP grew on a year-on-year basis by 7.1%, 8.6% and 1.7% respectively. In comparison to fellow ASEAN member countries, Brunei Darussalam's GDP seems to be performing at a slower rate, for example in 2002, Brunei Darussalam's GDP growth was seen to perform below the average of a few ASEAN member countries i.e. Vietnam at 7% followed by Laos at 5.9%.

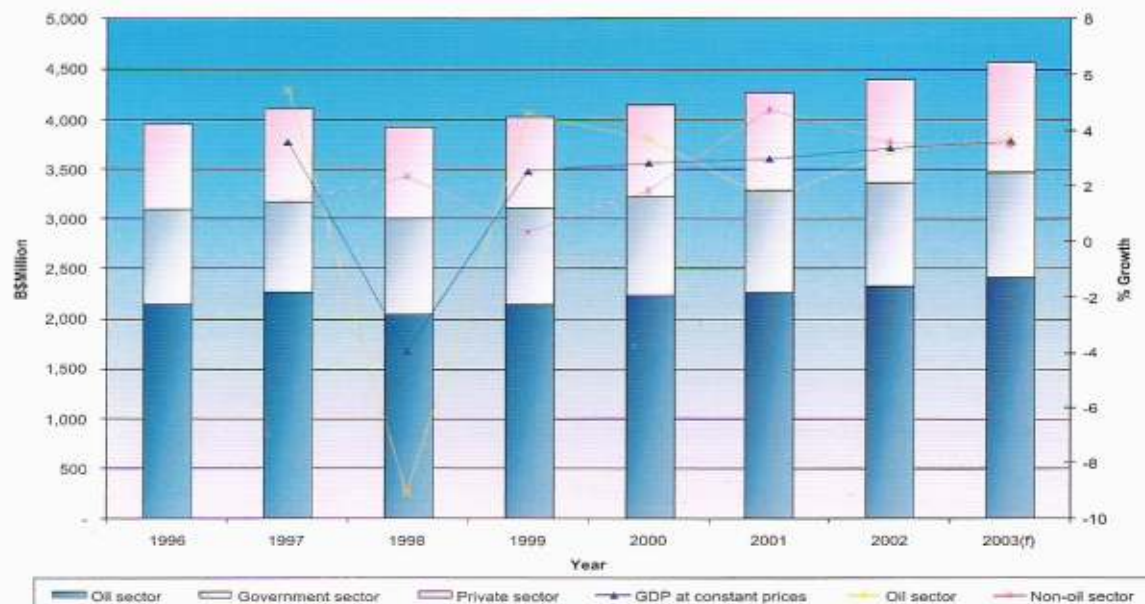
Table 2.1: Quarterly GDP Growth, 2003

GDP Growth	Year-On-Year 2003 (Q1 03/ Q1 02)	Year-On-Year 2003 (Q2 03/ Q2 02)	Year-On-Year 2003 (Q3 03/ Q3 02)
Total	7.1	8.6	1.7
Oil	1.9	14.5	-0.7
Non-oil GDP	12.9	2.0	4.5
Government	6.1	-7.7	0.3
Private	19.7	11.6	8.6

Source: Economic Planning and Development Department, Prime Minister's Office

Despite the seemingly good prospects for oil and gas exports, the Brunei Darussalam economy is vulnerable to movements in global oil prices. Any fall in the oil and gas prices would have a negative impact on Brunei Darussalam's economy as indicated during the 1997-1998 when oil prices fell sharply together with the regional financial crisis.

Figure 2.2: GDP by Oil and Non-Oil Sector at Constant Price



Source: Economic Planning and Development Department, Prime Minister's Office

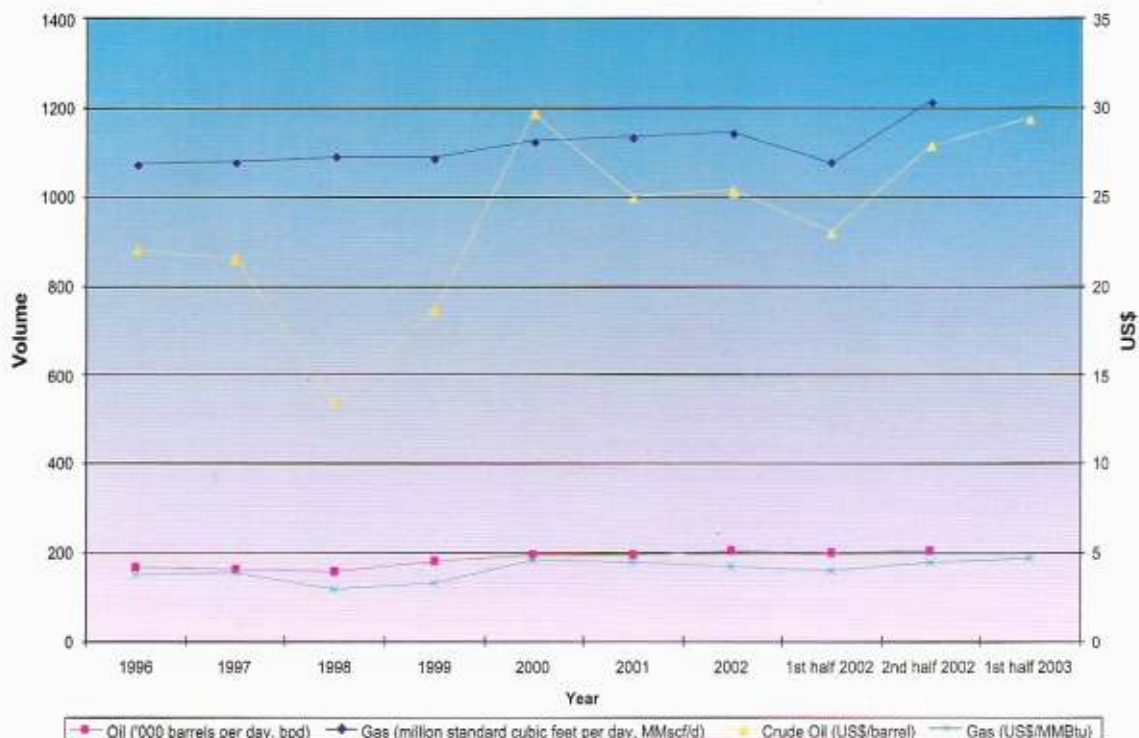
OIL AND GAS SECTOR

Contributing to the growth in GDP was the sharp increase in crude oil prices from a low of US\$14 in 1997 to the current price of about US\$30 resulting in the economy's strong revenue from oil and gas exports.

The oil and gas sector continued to grow in 2003 by about 3.8% from the 3.2% growth in 2002. In the first half of 2003, the Iraq War had caused instability in the Middle-Eastern oil industry, benefiting the other oil producing nations, including Brunei Darussalam. However, as we see improvements in the Middle-East economy, this strong upward trend in Brunei Darussalam's oil sector may not last.

Another factor that may inhibit further advancement in Brunei Darussalam's oil and gas sector is the presence of Russia in the world's oil market. Russia is the biggest producer of oil as of today and could have a major impact on the oil market. As a non-member of OPEC, Russia may set low oil prices which would have an effect on Brunei Darussalam's economy, among many others. Taking into account such possibilities, Brunei Darussalam has also been focusing on its gas exports, which currently accounts for 45% of its total oil and gas exports and remains committed to long-term contracts with its clients. Meanwhile, ongoing exploration for oil and gas continues, particularly in the offshore fields.

Figure 2.3: Oil and Gas Production and Prices

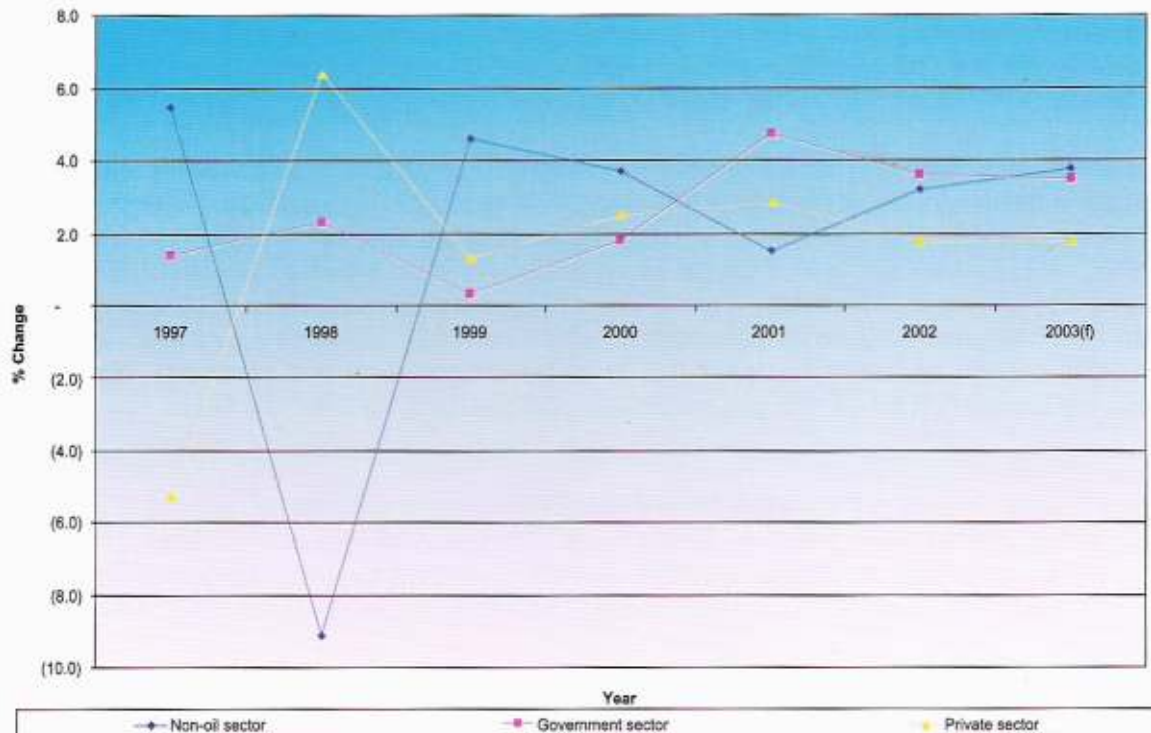


Source: Economic Planning and Development Department, Prime Minister's Office

NON-OIL AND GAS SECTOR

In 2003, the non-oil and gas sector increased slightly by about 3.5%, which accounts for a 1.8% increase in the government sector and 5.2% growth in the private sector.

Figure 2.4: Non-oil sector GDP Percentage Change



Source: Economic Planning and Development Department, Prime Minister's Office

The primary sectors comprising of agriculture, forestry and fisheries grew by 5.3% in 2003, down from 7.9% in 2002. Although the forestry and fisheries sectors had significant growth in 2003, the forestry sector growth rate fell to 10.7% from 13.6%, while the fisheries sector fell to 13.4% from 43.5% in the previous year. However, the agriculture sector grew at 1.1%, up from a 4% decline in 2002. Meanwhile, the electricity, gas and water sector growth increased slightly to 5% in 2003, up from 4.6% in 2002. The mining, manufacturing and quarrying sector grew at 4%, up from 3.2% in 2002.

Real Estate and business services showed improvement of 22% for 2003 up from 16.4% in 2002. Similarly, the construction sector grew by 7% compared to the 5.5% in 2002. This growth was due to a number of projects implemented throughout the year such as those for the short term economic recovery which comprises of construction of public housings.

Banking & Finance and Insurance Sectors grew by 6% and 1% respectively in 2003, compared to 3.5% and a 1% contraction in the previous year. One factor would be the impact from the decrease in car import tax in November 2001, which prompted people to purchase cars bringing about increases in these related sectors.

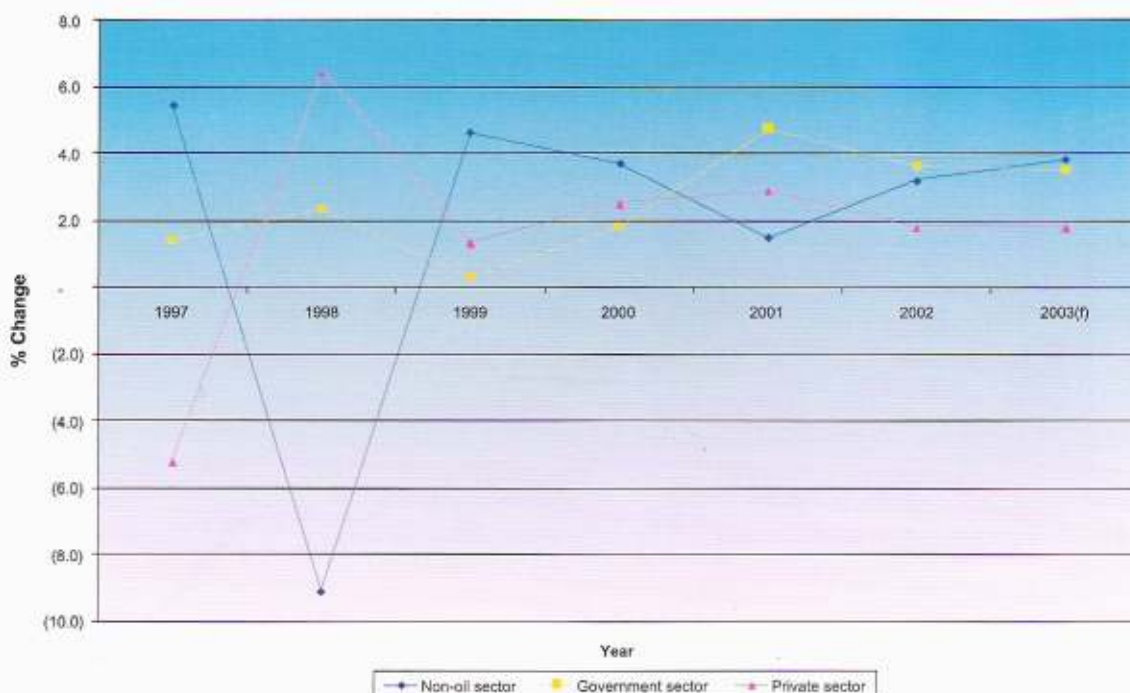
In the tertiary sector, restaurants and hotels declined at 10%, down from a 4.5% growth in 2002 whilst Transport, Storage & Communication sector fell by 2.6% in 2003, compared to 3.5% increase in the previous year. During the February – July period, when the SARS crisis had influenced the affected economies, Brunei Darussalam saw a boost in local spending and retail trade. The retail trade sector rose by 15%, following up on the 18% growth in 2002. The SARS epidemic had a negative impact on the services sector because it adversely affected Brunei Darussalam's tourism sector. At the same time, this outbreak of SARS in the neighboring countries had caused significant decrease in the number of Bruneians going overseas, which provided an impetus to the local spending and businesses.

Government development expenditure for 2003 is estimated at B\$260 million, much lower than the actual allocated amount of B\$1 billion and also down from actual government expenditure of B\$430 million in 2002. This was due to the fact that many government projects were not implemented as planned.

INFLATION

The Consumer Price Index (CPI) was recently rebased from 1990 to the year of 2002 and changed from 5 baskets of goods to 10 baskets of goods. Inflation for 2002 was -2.3%, which was mainly due to the reduction in car tax. There was also influx of cheaper priced goods from China such as those B\$1 shops. At the same time, inflation was negative in Singapore in 2002 and contributed to the downward price movement. The estimated inflation for 2003 is less than 1%, similar to the trend of Singapore's inflation rate.

Figure 2.5: Inflation Rate



(f) – Forecasted

Source: Economic Planning and Development Department, Prime Minister's Office

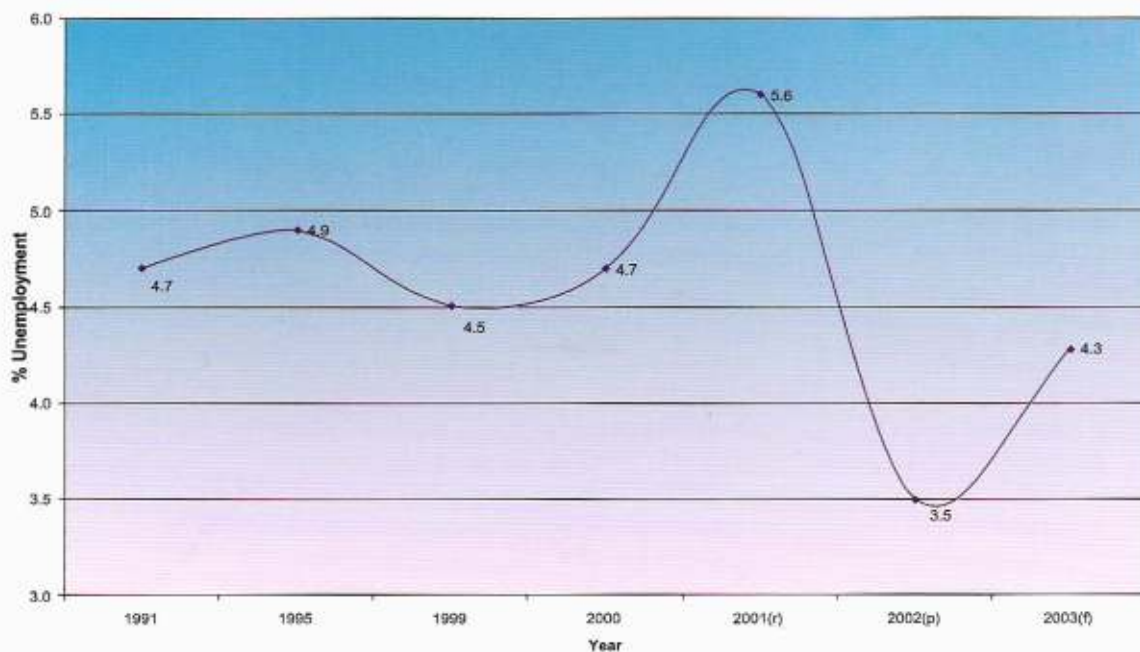
UNEMPLOYMENT

The jobseekers rate increased to 7,075 as of December 2003, which accounted for approximately 4.3% of the total working population of 160,000. In 2001, the Labour Department, Ministry of Home Affairs introduced a scheme called the "Apprenticeship scheme" whereby they encouraged people to seek employment in the private sector but their salary was paid for by the government for the first six months. After the six months, the private company shall decide whether to continue with the employment. Meanwhile the government has also initiated a number of efforts to alleviate the problem like job-replacement schemes, which are run by some government departments. These include the Apprenticeship Scheme, which is run by the Labour Department; Training in the Hospitality and Tourism Industry and Training Scheme on Industry and Info Communications, coordinated by the Economic Planning and Development Department (EPDD).

In January 2004, EPDD announced the start of yet another skill training program leading to over 500 more job opportunities now on offer to local job seekers. The new scheme, "Advance Training Scheme for Industrial Skills and Info-Communication Technology" involves a series of consultations between government agencies and the private sector as well as the introduction of government-sponsored training.

Brunei Economic Development Board (BEDB) announced that with the projects that they have in hand, they would be able to create job opportunities for up to 7,200 people by the year 2008. As such, the country is looking towards providing appropriate training to produce skilled workers, i.e. technical education.

Figure 2.6: Unemployment Rate



(r) – Revised (p) – Provisional (f) – Forecasted
Source: Economic Planning and Development Department, Prime Minister's Office

GOVERNMENT INITIATIVES

In January 2000, the Government formulated a report under Brunei Darussalam Economic Council (BDEC) to look into ways to help improve and sustain economic developments in Brunei Darussalam whereby it had recommended that a government spending package be implemented to stimulate the economy in the short term and provide financial assistance to small and medium-sized private enterprises. The report introduced and recommended some diversification strategies, away from oil and gas as the primary source of revenue and activity. Longer term objectives include the strengthening of government finances by widening the tax base, limiting government expenditure (not including the stimulus package), encouraging foreign investment and privatizing state run enterprises.

The report highlighted an integrated strategy that can be implemented in order to provide for sustainable growth for Brunei Darussalam:

- | | | |
|-----------------------------------|-----------------------------------|--|
| i. Strengthen government finances | ii. Strengthen the private sector | iii. Strengthen the foundations for growth |
|-----------------------------------|-----------------------------------|--|

Brunei International Financial Centre (BIFC)

In July 2000, the Brunei International Financial Centre was established to position Brunei Darussalam in the global financial market place by creating new opportunities for the financial sector and its supporting sectors. The motives in establishing a primary financial centre are more strategic, socio-economic and above all fulfilling, both for the country and its population rather than simply to generate an additional income stream.

BIFC is well-equipped in terms of legislation with ten statutes currently effective. These include the Money Laundering Order, Criminal Conduct (Recovery of Proceeds) Order, International Business Companies Order, International Limited Partnerships Order, International Banking Order, Registered Agents and Trustees Licensing Order, International Trusts Order, Mutual Funds Order, Securities Order and International Insurance and *Takaful* Order.

Information Communication Technology (ICT)

In Brunei Darussalam, the usage of ICT has expanded in the field of administration, trade and business. The government is committed in developing ICT and this is evident given the allocation of B\$526 million in the 8th National Development Plan for this sector and the establishment of the BIT Council. The Treasury Accounting and Financial Information System (TAFIS) was adopted as the first flagship project followed by the Prime Minister's Office Network (PMONet).

Brunei Economic Development Board (BEDB)

In an effort to stimulate the country's economic diversification, the Brunei Economic Development Board announced its strategy to kick-start Brunei Darussalam's economic diversification. This two-pronged strategy is scheduled for commercial operation by 2008 and, over the next five years, is expected to create 7,200 jobs and lure B\$4.5 billion in new investment, of which more than 70% will be foreign direct investment (FDI).

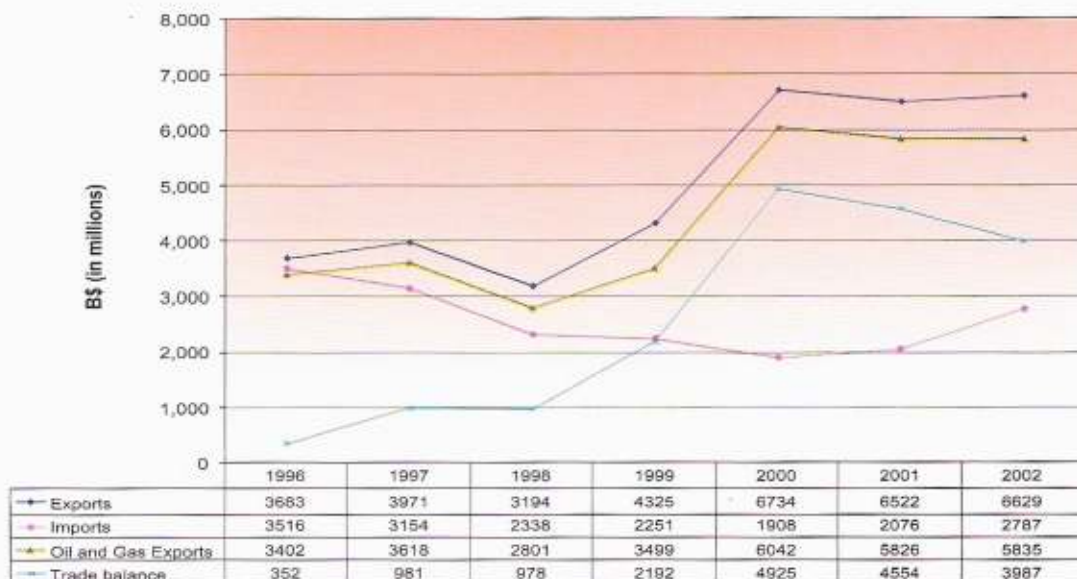
The first prong of the strategy involves a 'Two-Pool' concept to access and attract overseas investment to develop downstream and manufacturing industries, power supply and infrastructure projects in the major industrial sites of Sungai Liang and Pulau Muara Besar. In addition to the foreign direct investment associated with this strategy, the second prong involves identifying and prioritising industry clusters with growth potential for Brunei Darussalam to develop.

III. EXTERNAL SECTOR DEVELOPMENTS

OVERVIEW

A steady export of oil and gas, higher world oil and gas prices and an increase in the accumulation of international reserves, provide Brunei Darussalam with a good external position.² Exports of oil and gas are a major contributor to the economy of Brunei Darussalam. Between January to September 2003, 90% of the total exports comprised of the export of oil and gas with Japan and Thailand being the largest importers of the commodity respectively. The other top five ranking of commodity exports mainly deal with re-exportation. During the first three quarters of 2003, imports declined slightly while exports continued to rise. However, referring to the trend from the year 2000 to 2002, it can be seen that both the current and trade balances, although showing surpluses, declined due to annual increase in imports and fluctuation in exports. In Q3 2003, the average prices of crude oil and gas was US\$29.91/barrel and US\$4.4707/MMBtu respectively. Total international reserves stood at B\$1,222 million as at 31st December 2003. Brunei Darussalam's international reserves are defined as Brunei Currency and Monetary Board's external assets plus IMF quota subscription and holdings of SDR, but excluding the international investment position of the Brunei Investment Agency.

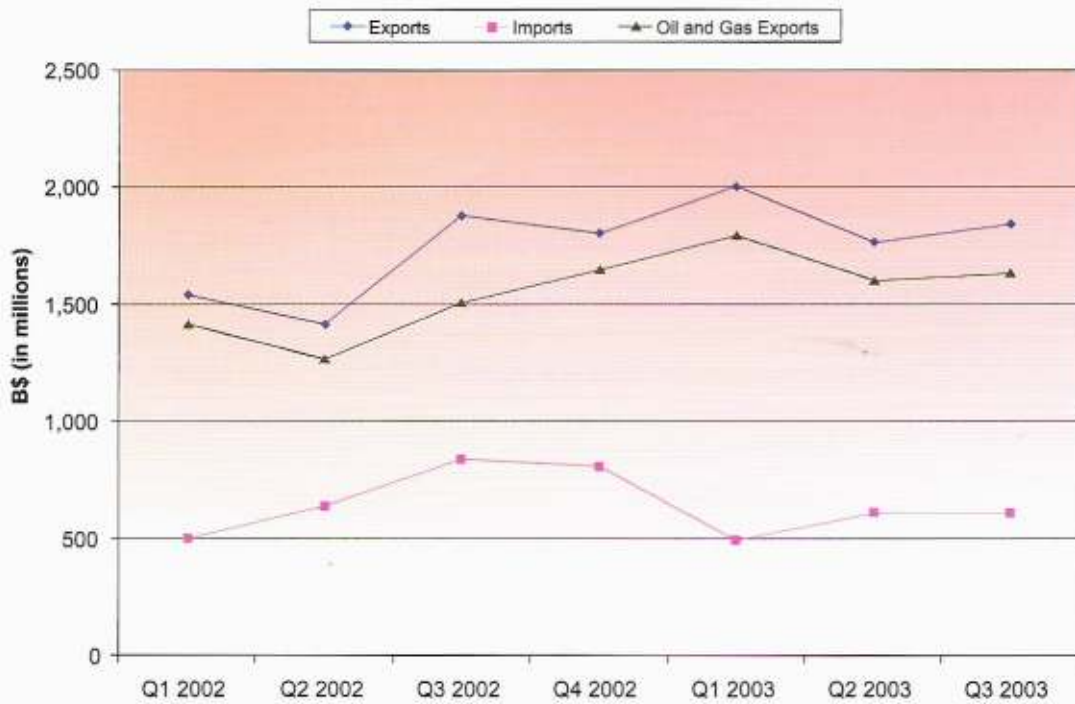
Figure 3.1: Brunei Darussalam – Exports and Imports



Source: Economic Planning and Development Department, Prime Minister's Office

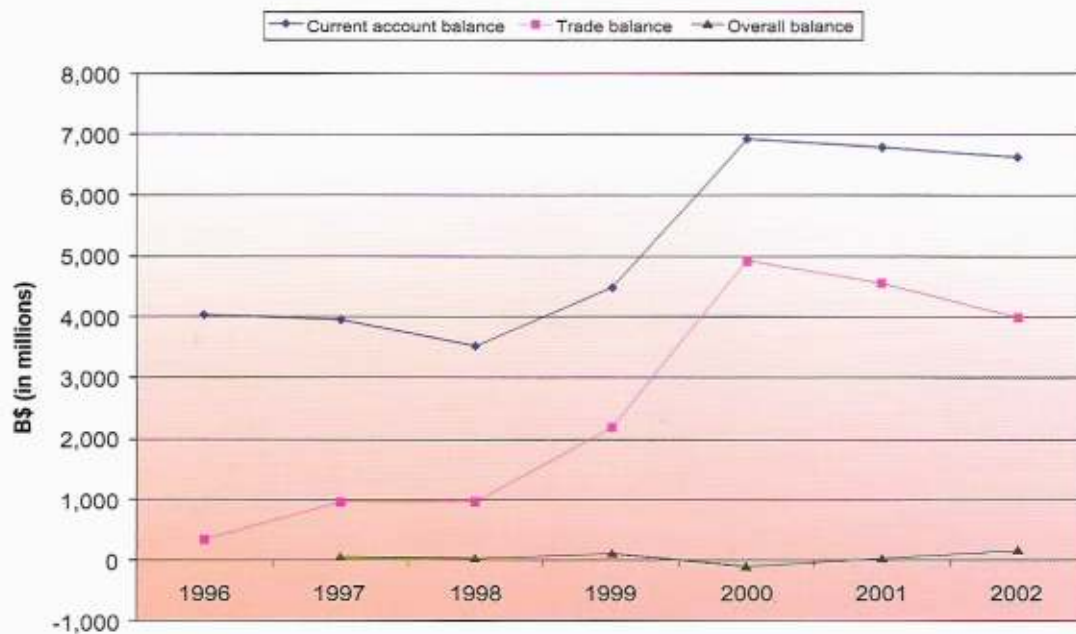
² Ministry of Finance is compiling statistics based on available and limited data from various departments and agencies. Data on the external sector is based on Economic Planning and Development Department, Prime Minister's Office. The major gap in the compilation of balance of payments statistic is the lack of capital account data.

Figure 3.2: Brunei Darussalam – Exports and Imports (Quarterly)



Source: Economic Planning and Development Department, Prime Minister's Office

Figure 3.3: Brunei Darussalam – External Balances (1996-2002)



Source: Economic Planning and Development Department, Prime Minister's Office

EXPORTS

Exports consist mainly of oil and gas encompassing more than 85% of the total export throughout the year 2000 to 2003. As at September 2003, oil and gas exports comprised of 90% of the total exports.

Total exports increased by 19.8% between January to September 2003 compared to the same period in 2002. This was attributed to the increase in both the price and production of oil and gas. Petroleum and LNG exports increased by 4.6% and 11.8% respectively during the period January to September 2003 compared to the same period in 2002. In the first three quarters of 2003, the average prices of crude oil and gas were US\$29.58/barrel and US\$4.5833/MMBtu respectively. This showed an increase of prices for both commodities by 20.7% and 13.5% respectively, that is, from an average price of US\$24.50/barrel for crude oil and US\$4.0388/MMBtu for gas for the period of January to September 2002. Comparisons of the oil and gas export volume and prices are tabulated in Table 3.1 below.

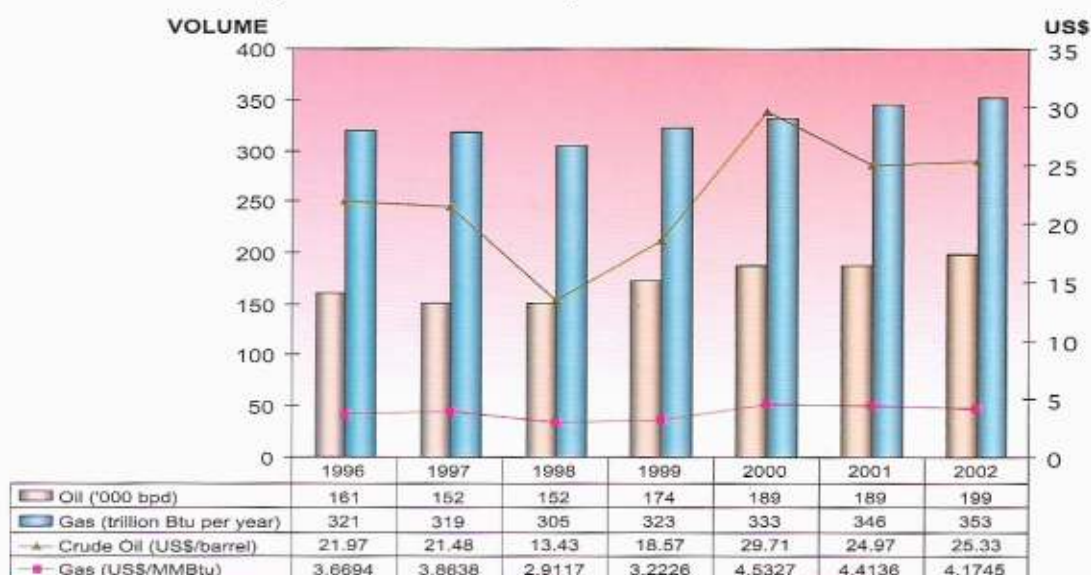
Table 3.1: Comparison of Oil and Gas Export Volume and Average Prices

	2002 (Jan - Sept)	2003 (Jan - Sept)	Percentage Change
EXPORT VOLUME			
Oil ('000 bpd)	196	205	4.59%
Gas (Trillion Btu per year)	254	284	11.81%
AVERAGE PRICES			
Crude Oil (US\$/barrel)	24.5	29.58	20.73%
Gas (US\$/MMBtu)	4.0388	4.5833	13.48%

Source: Economic Planning and Development Department, Prime Minister's Office

In terms of the value of exports, oil and gas exports decreased by 3.6% in 2001 from B\$6,041 million in 2000 to B\$5,826 million in 2001. It, then, increased by 0.15% in 2002 with a value of B\$5,835 million. With reference to the volume of exports, from Figure 3.4, it can be seen that when prices were high, the exports volume was higher than the normal trend.

Figure 3.4: Oil and Gas Exports Price and Volume

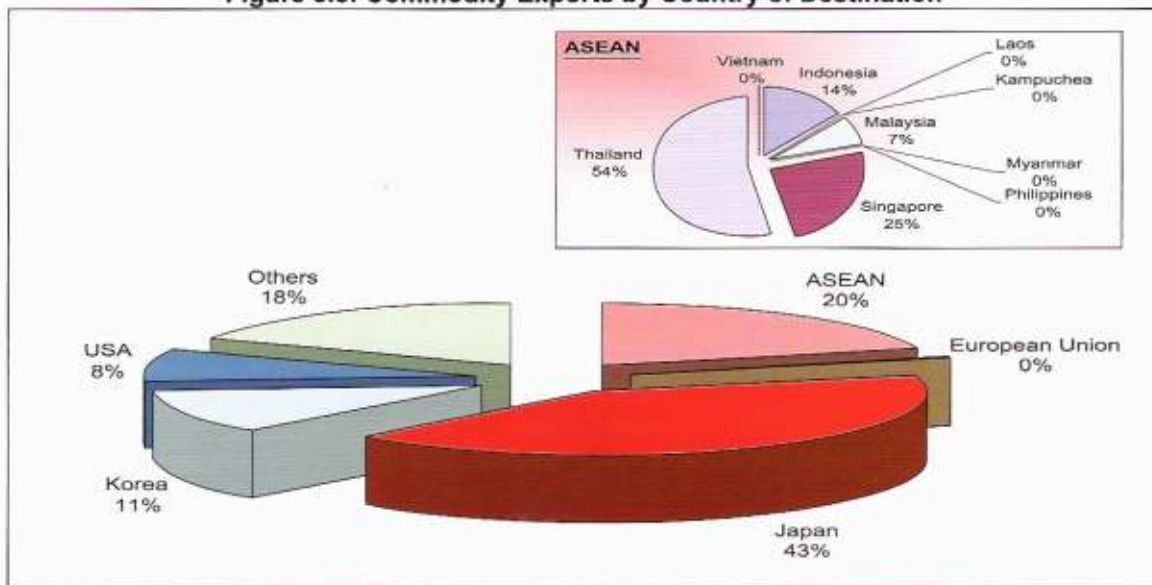


Source: Economic Planning and Development Department, Prime Minister's Office

DIRECTION OF EXPORTS

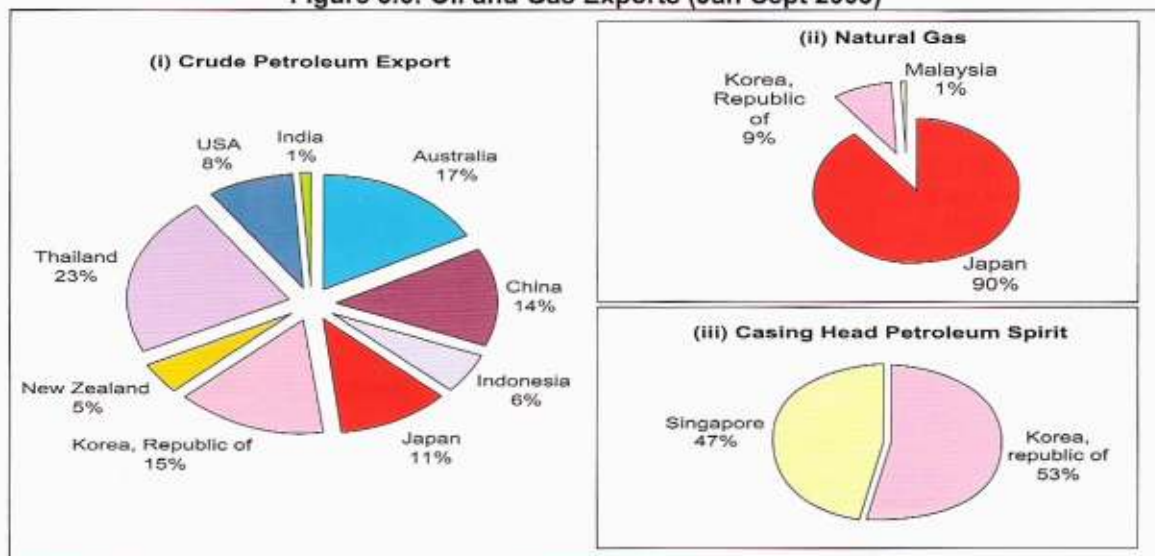
In 2003, 43% of the total commodity exports went to Japan. Japan remains the dominant export market for natural gas. In the first three quarters of 2003, 90% of the volume of the natural gas was exported to Japan. It is noted that in Q3 2003, Malaysia started to import natural gas from Brunei Darussalam. Thailand is the dominant export destination for crude oil but during the period range of Q4 2002 and Q1 2003, Republic of Korea was the largest importer of oil. Exports to ASEAN countries declined by 5.2% in 2003 (January to September) compared to the same period in 2002. This decline was due to the decrease in the amount of exports to Malaysia, Thailand and Philippines. In reference to the trend of exports in previous year, the volume of exports to ASEAN countries is estimated to increase in 2003 in comparison to the previous year.

Figure 3.5: Commodity Exports by Country of Destination



Source: Economic Planning and Development Department, Prime Minister's Office

Figure 3.6: Oil and Gas Exports (Jan-Sept 2003)



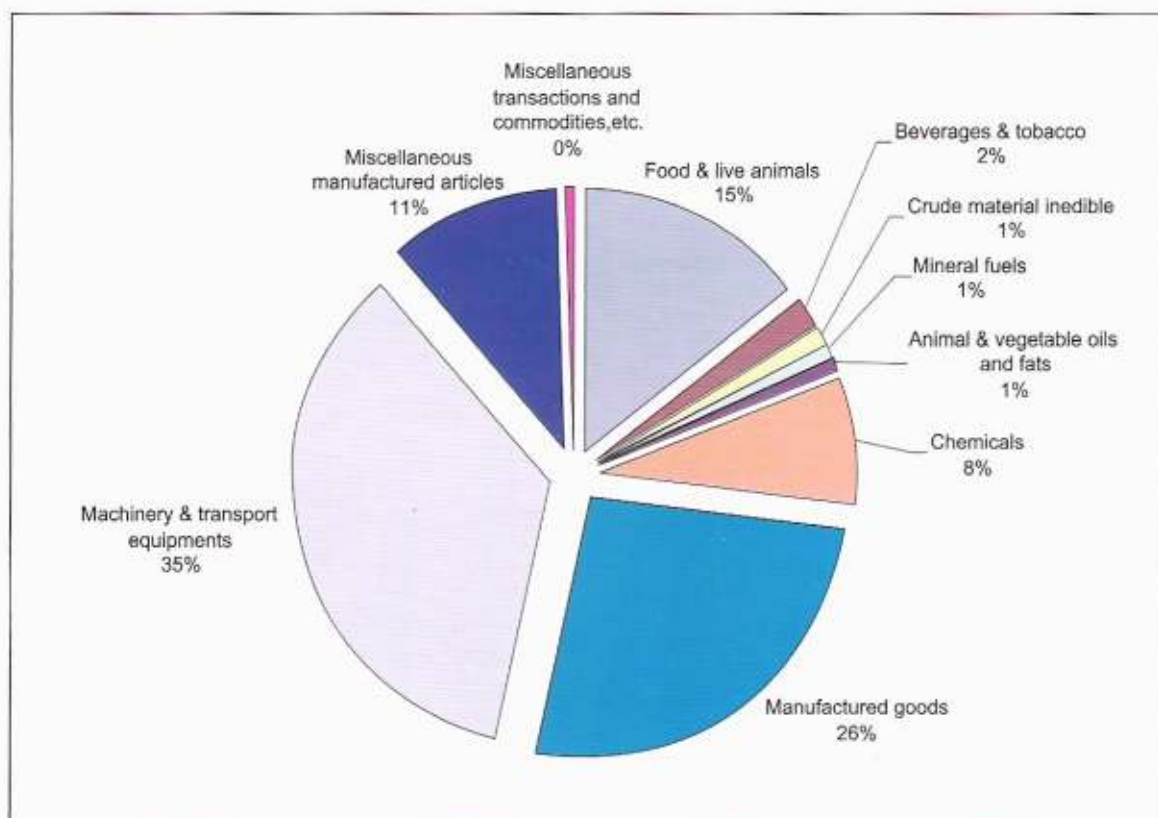
Source: Economic Planning and Development Department, Prime Minister's Office

Gas is becoming an important commodity export relative to oil export. At present, oil and gas exports comprise of 55% and 45% of the total export respectively. With greater competition in the world oil market and the increased stability in the Middle-east, Brunei Darussalam has also increased its focus on gas export. However, competition arises from China and Malaysia, and also from the intention of Middle-East countries to produce/export gas. Reflecting Brunei Darussalam's conservation policy and long-term contracts with Japan and Korea, the volumes of oil and gas exports follow a stable trend. The changes in the value of oil and gas exports mostly reflect price fluctuations in the world oil market.

IMPORTS

Total imports increased by 46.6% from B\$1,908 million in 2000 to B\$2,787 million in 2002. Total imports declined by 13.6% during 2003 (January to September) compared to the same period in the previous year. The largest share of commodity imports was machinery and transport equipment, which amounted to 35.2% of total imports (as shown in Figure 3.7). This reflected increases in construction and oil and gas production. A high portion of the machinery and transport equipments consisted of equipments for oil exploration. But in reference to the annual growth rate of this commodity imports, the rate has declined for 2003 when compared to 2002.

Figure 3.7: Commodity Composition of Imports (Jan-Sept 2003)

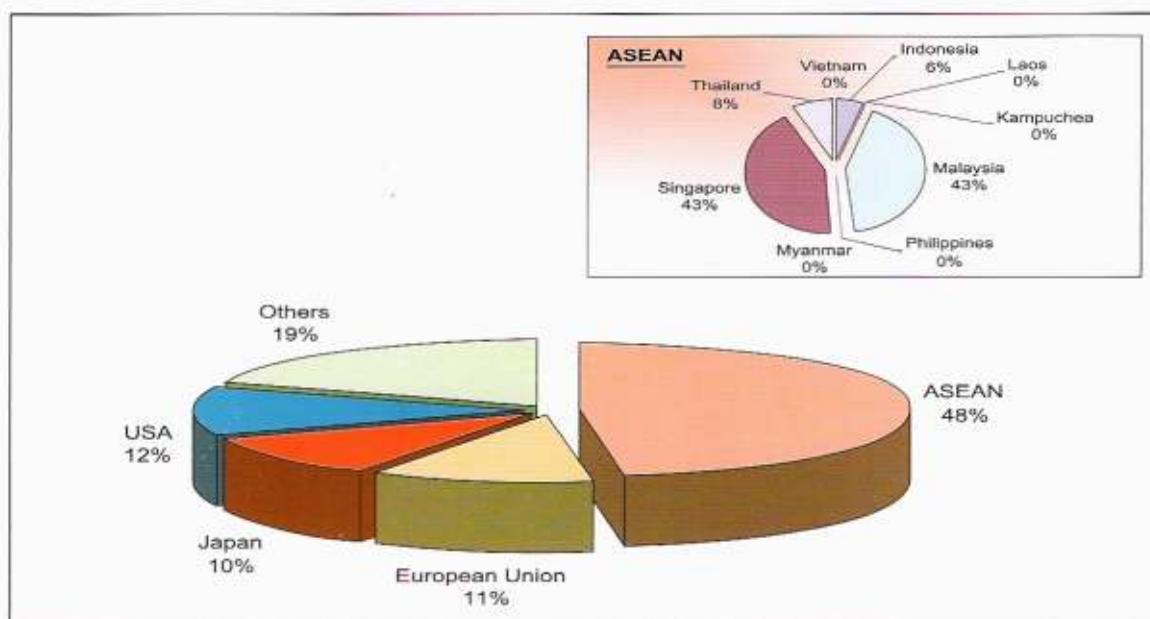


Source: Economic Planning and Development Department, Prime Minister's Office

Consumption import has the highest growth rate in total imports of 12.9%, which valued at B\$299 million in 2002 (January to September) to B\$333 million for the same period in 2003. Investment imports declined by 30% in 2003 (January to September) compared to the same period in 2002.³

Looking at the origin of imports, in 2003 (January to September), 48% of total imports were from ASEAN countries. Imports from European Union, accounted for 11% in share. Imports from Japan, accounted for 10% of total imports. This is summarized in Figure 3.8 below.

Figure 3.8: Imports by Country of Origin



Source: Economic Planning and Development Department, Prime Minister's Office

TRADE AND CURRENT ACCOUNT BALANCE

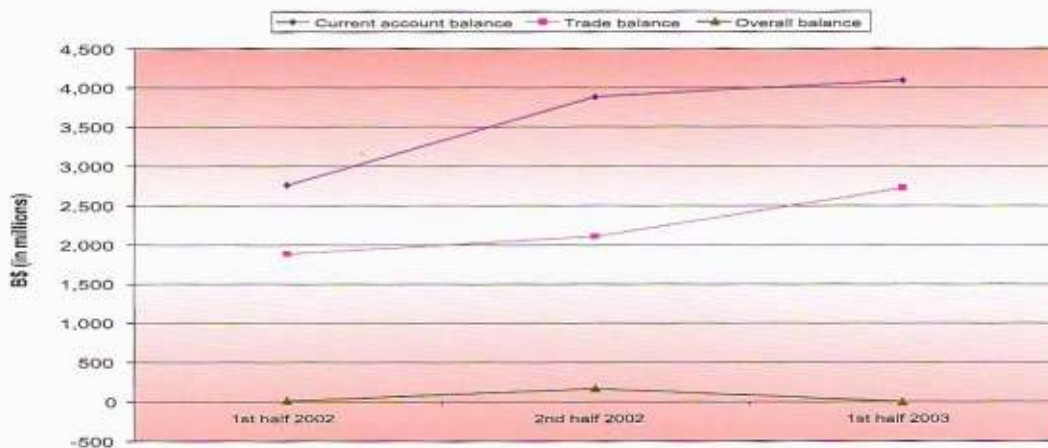
The current account continued to post significant surplus during 2000 to 2002. However, the growth rates have been declining from 96.7% of GDP to about 86.2% due to reduction in earnings of oil and gas. It is likely to decline in the period ahead with oil prices returning to more normal level. The trade surplus also showed a decreasing trend from 66.2 percent of the total GDP to 51.9% of GDP in 2000 and 2002 respectively. This was mainly due to declining oil prices from US\$29.71/barrel in 2000 to US\$25.33/barrel in 2002.

³ Investment imports, according to the Economic Planning and Development Department, refer to imports of machinery and transport equipments.

INTERNATIONAL RESERVES

As mentioned in the Executive Summary, international reserves refer to Brunei Currency and Monetary Board's (BCMB) (formally known as Brunei Currency Board) external assets plus IMF quota subscription and holdings of SDR. The international reserves position of Brunei Darussalam is comfortable where it increased from B\$942 million in 2000 to B\$1,140 million in 2002. This situation occurred due to the increase in both the BCMB external assets and IMF holdings. The increase in external assets was also followed by the increase in the foreign exchange coverage of currency in circulation from 87% to 96% in the year 2000 and 2002 respectively. Between 2002 and 2003, international reserves increased somewhat from B\$1,140 million to B\$1,222 million, an equivalent to 6.8 months of imports.

Figure 3.9: Brunei Darussalam External Balances (Half Yearly 2002 -2003)

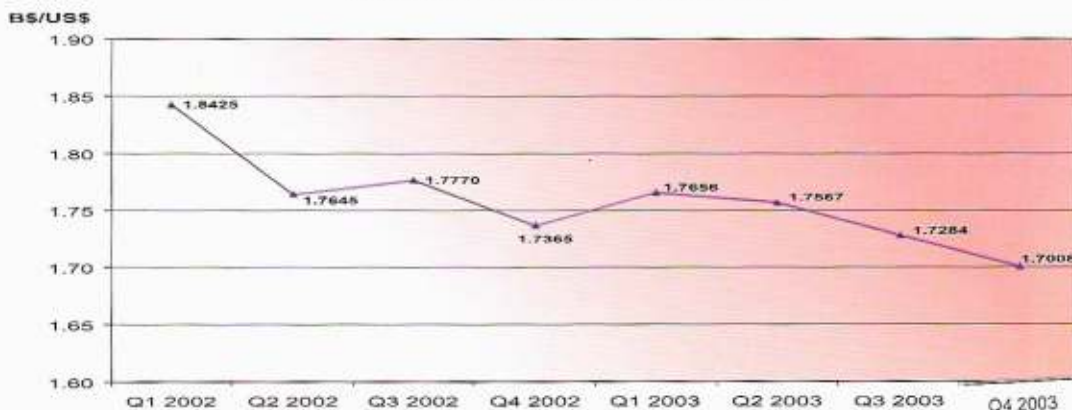


Source: Economic Planning and Development Department, Prime Minister's Office

EXCHANGE RATE

Under Brunei Darussalam's Currency Interchangeability Agreement with Singapore, the Brunei dollar is pegged to the Singapore dollar at one-to-one parity. The US dollar weakened during 2003 resulting in the strengthening of the Brunei dollar to B\$1.7008 as of end-December 2003.

Figure 3.10: Exchange rate B\$/US\$



Source: Various editions of International Financial Statistic (IMF)

IV. FISCAL DEVELOPMENTS

OVERVIEW

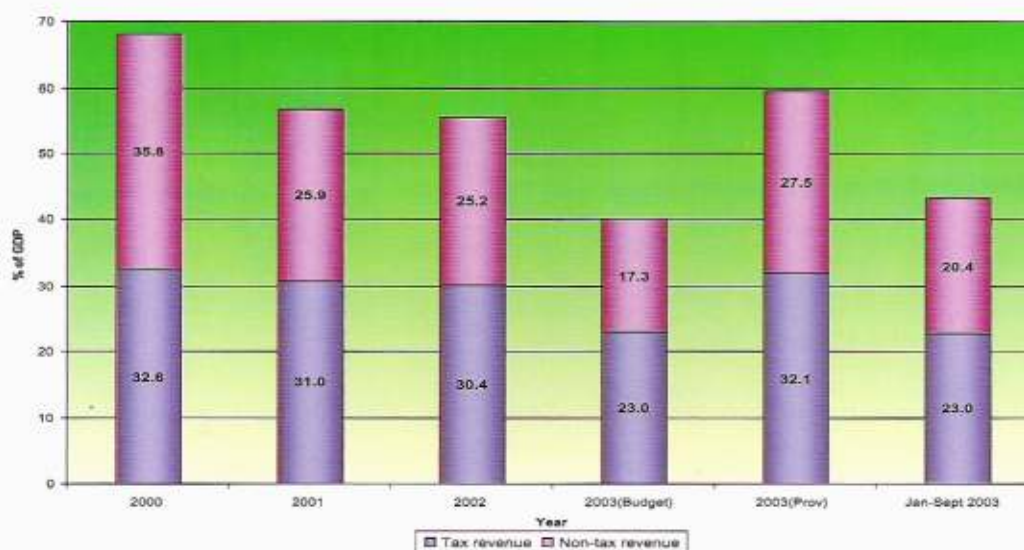
Revenues from the oil and gas sector dominate government revenue in Brunei Darussalam. Around 87.6% of total revenue comes from this sector, which is about 52.2% of GDP. The revenue of Brunei Darussalam continues to be strong since the year 2000 as a result of high oil price, which averaged US\$27.47/barrel.⁴ The present tax system is mostly based on the oil and gas sector.

As for expenditure, current expenditure was contained, however, expenditure on wages and salaries has increased slightly. Total government expenditure for 2003 decreased from the previous year due to the slowdown in new development projects. Overall, the fiscal position recorded a surplus due to an increase in government revenue and a decrease in expenditure.

GOVERNMENT REVENUE

In 2003, Government revenue estimated to have increased by 17.7% from B\$4,268 million in 2002 to B\$5,025 million. This was mainly due to the increase in oil and gas revenue. However, the budgeted government revenue for the year 2003 was lower by 47.9% from the provisional government revenue reflecting the lower oil price assumption of US\$21/barrel.

Figure 4.1: Fiscal Revenue (2000 – 2003)



Source: Treasury Department, Ministry of Finance

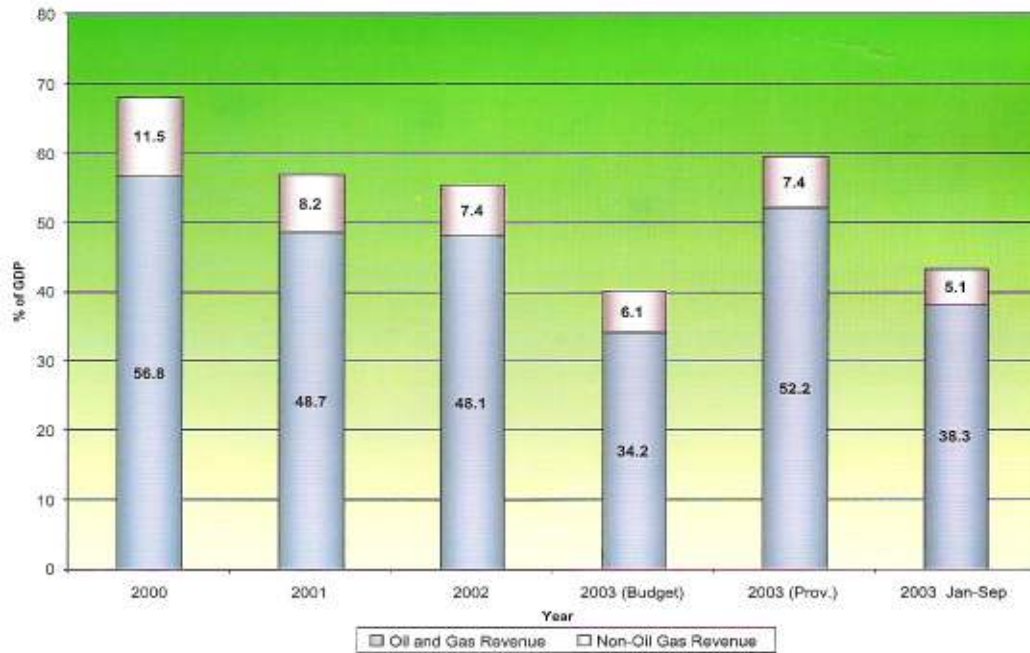
Figure 4.1 shows fiscal revenue of tax and non-tax revenue in percentage of GDP. Tax revenue for 2003 increased to 32.1% from 30.4% of GDP in 2002 and non-tax revenue also increased from 25% of GDP in 2002 to 27% of GDP.

⁴ Average oil price (US\$/barrel), 2000 - 2003

Tax revenue, which consists of taxes on net income and profits, taxes on international trade and taxes on goods and services increased from B\$2,332 million in 2002 to B\$2,706 million in 2003. However, the budgeted tax revenue in 2003 was lower by 9.1% of GDP.

Taxes on net income and profits, which accounted for 95% of tax revenue increased because of higher income tax receipt from oil and gas companies.

Figure 4.2: Fiscal Revenue (2000-2003)



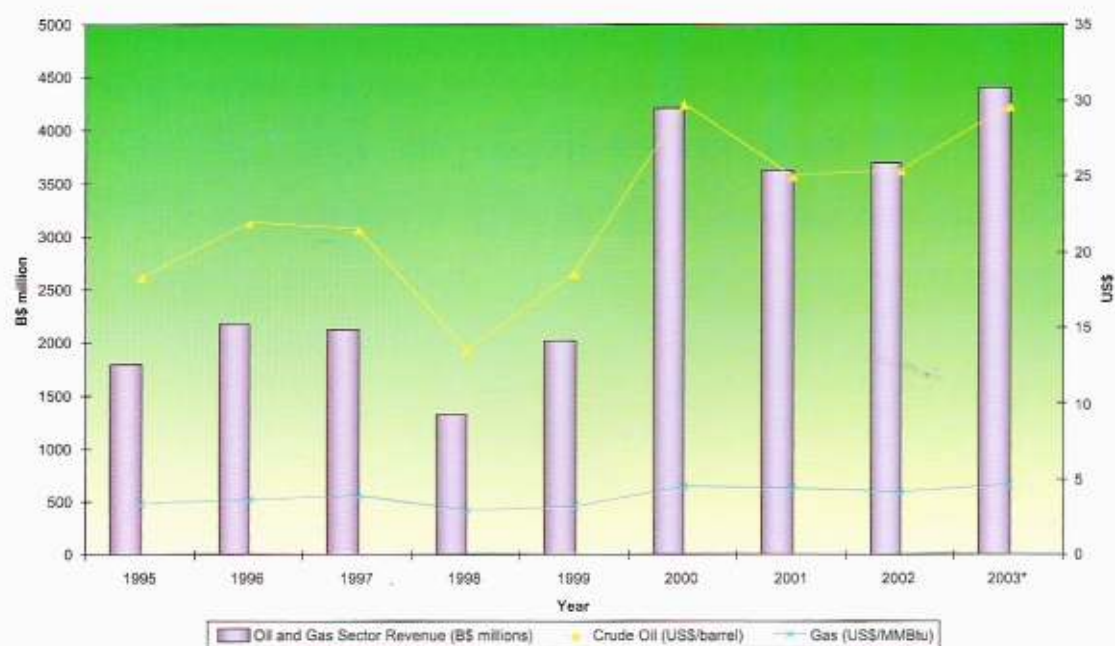
Source: Treasury Department, Ministry of Finance

Government revenue in Brunei Darussalam is highly dependant on its oil and gas sector. In 2002, 86.6% of total revenue comes from oil and gas sector and the figure was 88% (provisional) in 2003. In 2003, 52.2% of GDP in revenue comes from this sector, which was an increase of 4.1% from the previous year.

The total revenue received for January to September 2003 has already exceeded the budgeted amount of B\$3,398 million with oil and gas revenue being B\$3,235 million and non-oil revenue being B\$421 million.

Oil and gas sector revenue in 2003 was budgeted to decrease by 22.0% from the previous year. However, it was estimated to be B\$4,402 million, an increase of 52.6% from budgeted.

Figure 4.3: Oil & Gas Revenue and Average price (1995 – 2003)



Source: Treasury Department, Ministry of Finance

As we can see from Figure 4.3 above, if the oil and gas price as well as production levels were high, then the government revenue would correspondingly be large.

Oil price averaged US\$29.85/barrel (provisional)⁵ in 2003, which was at its peak compared to prices in the second half of the 1990s, which averaged US\$18.75/barrel⁶. In the second half of the 1990s, oil and gas revenue only accounted 27% of GDP compared to 52% of GDP in 2003.

Import duties, which accounted for 4.0% of tax revenue decreased by 7.5% because of reduction in import duties of motor vehicle. Due to the relaxation of its fiscal policy on import tax of new cars in November 2001, import duty now stands at a flat rate of 20% from a range of 40% to 200% before. Although the volume of new car imports increased, import tax revenue declined significantly.

Non-tax revenue which consists of property income, administrative fees and charges on sales of goods and fines, and other non-tax revenue increased by 19.8% from the previous year to B\$2,319 million, however, it was budgeted to decrease by 24.8% to B\$1,456 million.

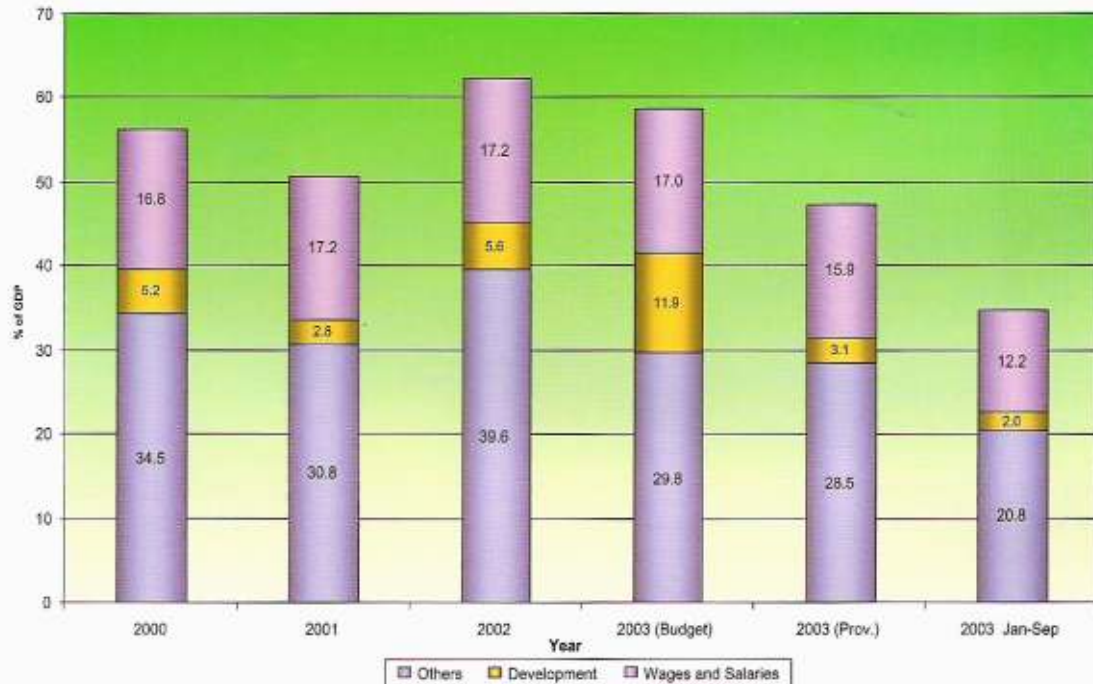
⁵ Average oil price (US\$/barrel), January – October 2003

⁶ Average oil price (US\$/barrel), 1995 – 1999

GOVERNMENT EXPENDITURE

Government expenditure decreased by 16.3% from B\$4,790 million in 2002 to B\$4,008 million in 2003 and the expenditure for 2003 was 19.0% lower than what was budgeted.

Figure 4.4: Fiscal Expenditure (2000 – 2003)



Source: Treasury Department, Ministry of Finance

Current Expenditure

The current expenditure which includes Personnel Emoluments, Other Charges Annually Recurrent (OCAR) and Charged expenditure decreased by 16.7% from B\$3,777 million in 2002 to B\$3,147 million in 2003.

Wages and Salaries form the biggest share, about 42.6% of current expenditure followed by OCAR (35.4%) and Charged expenditure (22.0%).

The amount allocated to wages and salaries was B\$1,438 million, but the projected amount (B\$1,342 million) was not as high as budgeted. Wages and salaries expenditure increased by 1.8%. This reflected a small increase in the number employed, while inflation was less than 1%.

Capital Expenditure

Development Expenditure

Under the 8th National Development Plan (NDP), B\$1 billion is allocated every year to stimulate and develop the economy. This fiscal stimulus is mainly used to finance public investment infrastructure.

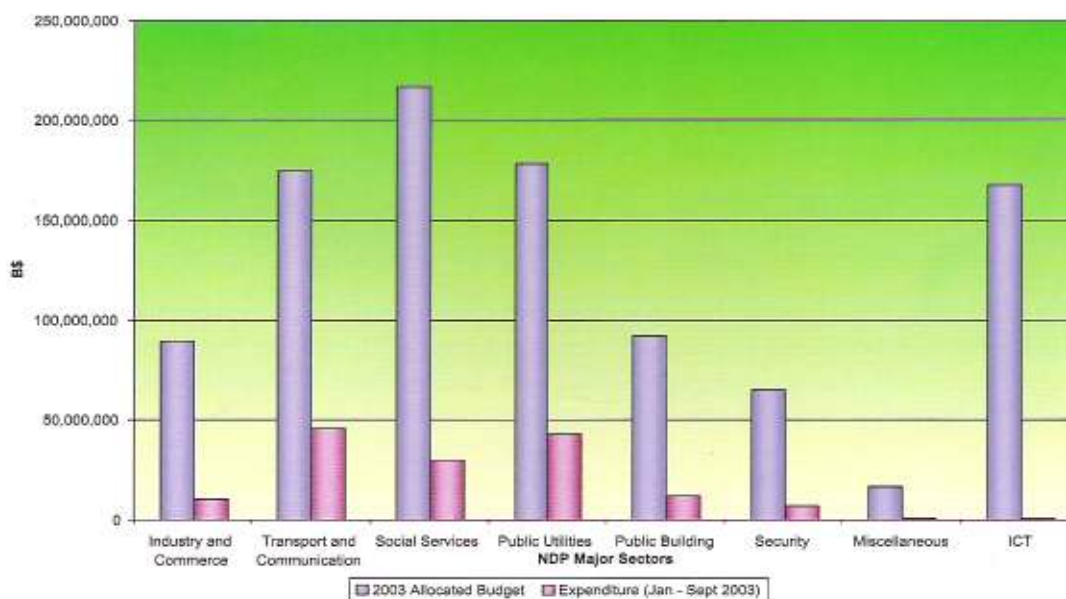
In 2002, 43.2% of the allocated budget of B\$1 billion for development expenditure was used but only 26.0% (B\$260 million) is estimated for 2003.

Table 4.1: Brunei Development Plan (Jan - Sept 2003)

		B\$ 2003 Allocation	B\$ Expenditure
1	Industry and Commerce	89,571,500	10,369,455
2	Transport and Communication	175,001,659	45,264,238
3	Social Services	216,460,593	30,049,027
4	Public Utilities	177,710,200	42,820,909
5	Public Building	92,401,400	12,614,907
6	Security	65,104,217	6,661,992
7	Miscellaneous	16,600,820	1,346,550
8	ICT	167,149,611	1,187,458
	TOTAL	1,000,000,000	150,314,536

Source: Economic Planning and Development Department, Prime Minister's Office

Figure 4.5: Sectoral Allocation & Expenditure of National Development Plan



Source: Economic Planning and Development Department, Prime Minister's Office

On the third year of the 8th NDP, 542 projects were to be implemented and 80% of the allocated budget was to be spent. However, by end of September 2003, only 73 projects have been completed, involving a budget allocation of B\$49 million.

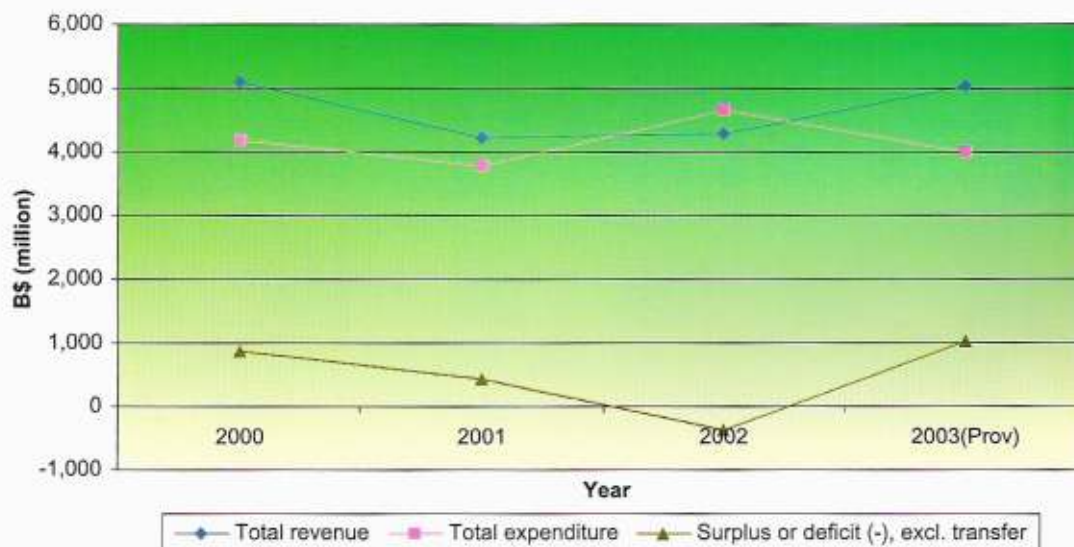
The cumulative expenditure for this period (January – September 2003) was around B\$150 million; a decrease from B\$266 million for the same period the previous year with transportation and communication having the highest expenditure compared to the rest of the major sectors.

The reason for this reduction in development spending is mainly due to the slow implementation processes of the projects. Several factors contributed to this slow progress including the delay in appointment of consultant; finalisation and acquisition of site and delay in finalising project brief.

FISCAL POSITION

Brunei Darussalam experienced a budget surplus of B\$1,017 million in 2003 from a budget deficit of B\$523 million in 2002. This was achieved due to the increase by 17.7% in 2003 government revenue and a decrease by 16.3% in government expenditure for that year.

Figure 4.6: Fiscal balances (2000 – 2003)



Source: Treasury Department, Ministry of Finance.

In 2002, reflecting the clearing of a backlog in payments of oil and gas royalties in that year, there was a one-time increase in charged expenditure and the overall position registered a deficit. Since the year 2000, the budget has been running surpluses reflecting the higher oil and gas prices (except year 2002).

The fiscal surplus has helped strengthen the position of the Consolidated Fund. The Consolidated Fund, which since 1999 is being managed directly by the Treasury/Ministry of Finance, is increasingly being operated as a stabilization fund to smoothen out the impact on the budget of fluctuations in oil and gas revenues.

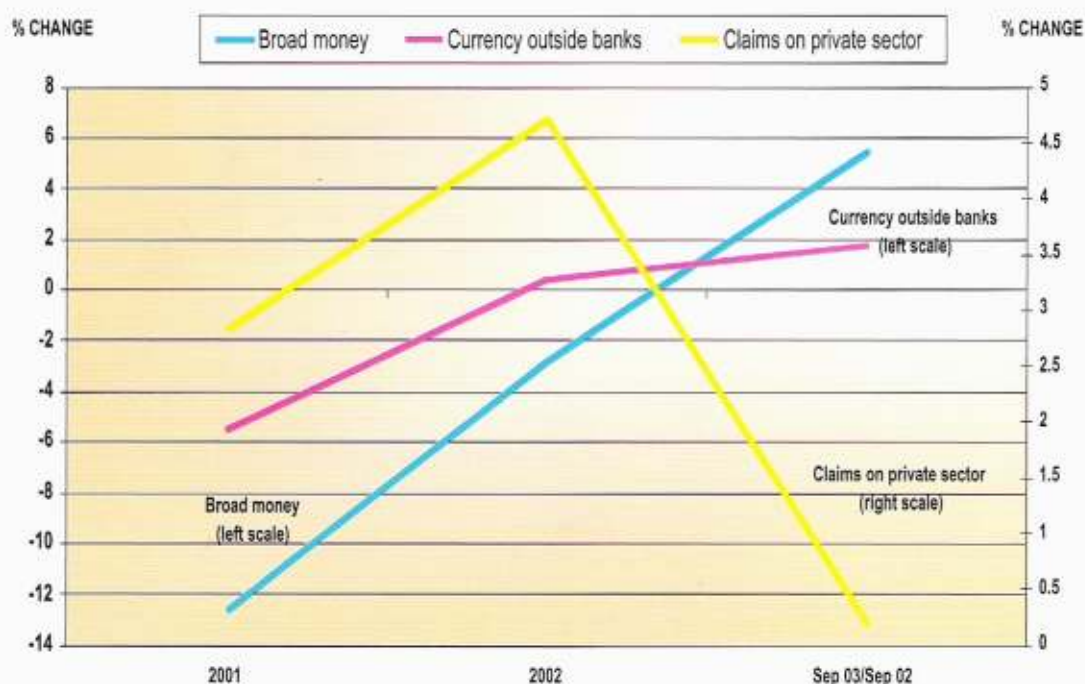
V. MONEY & BANKING DEVELOPMENTS

A. MONETARY DEVELOPMENTS

OVERVIEW

In 2003, broad money (M2) growth picked up following a negative growth in 2002.⁷ The growth was up 5.4% with the main contribution to growth coming from the Net Foreign Assets. Particularly, a large increase in the foreign assets of the commercial banks was accompanied by a reduction in their foreign borrowings. Currency outside banks grew by 1.8%, which was below the estimated GDP growth of 3.7%. As shown in Figure 5.1 below, claims on private sector remained stagnant with growth of less than 1%. Consequently, a number of sectoral lending was on a downturn especially the agriculture, credit & financial services and general commerce. There was a large build up in government deposits on account of the fiscal surplus. Total deposits rose by 5.7% of which the deposits growth came mostly from the continual increase in fixed (time) deposits.

Figure 5.1: Monetary Developments



Source: Financial Institutions Division & Brunei Currency and Monetary Board, Ministry of Finance

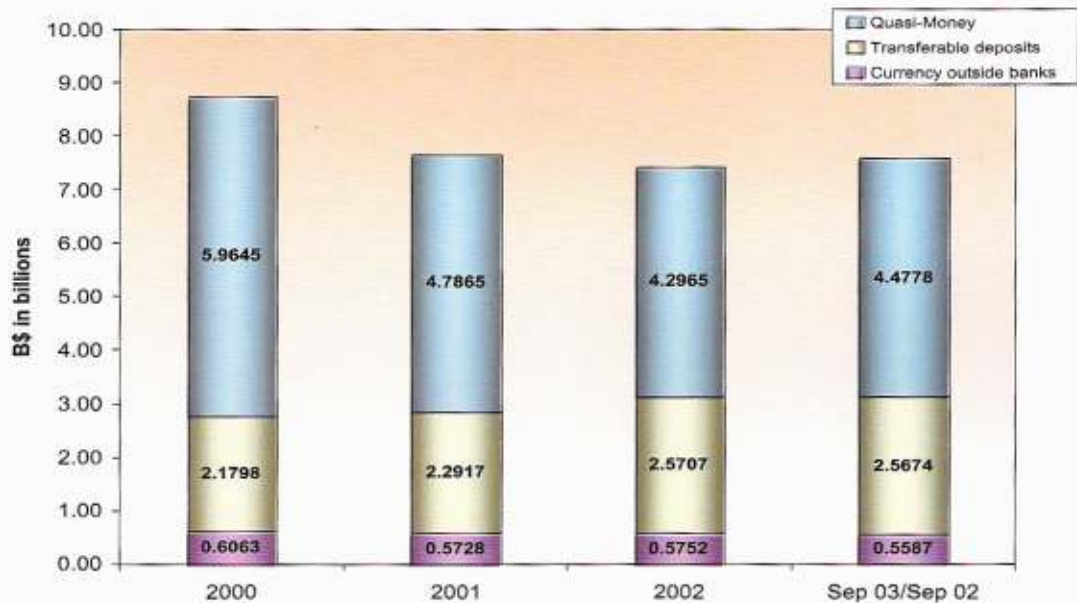
⁷ All the preceding discussion use the 12-month period ended 30th September 2003 unless otherwise stated. This overall monetary survey includes TAIB transactions.

CHANGES IN BROAD MONEY

Liabilities Side

The expansion of broad money was by 5.4% to B\$7,604 million in 2003 and the currency outside banks grew by 1.8%, which was below the nominal GDP growth of 3.7%. Total deposits posted growth of 5.7% following on continuing growth of the fixed (time) deposits. The total of fixed (time) deposits reached B\$3,469 million in the third quarter as opposed to B\$3,350 million and B\$3,454 million in the first and second quarters respectively. Although year-on-year growth of the transferable deposits which comprised of the demand and the savings deposits was positive in 2003, on quarterly basis, the performance has been weak especially in quarter one and three of 2003 (refer to Table 5.1).

Figure 5.2: Broad Money – Liability Side



Source: Financial Institutions Division & Brunei Currency and Monetary Board, Ministry of Finance.

Table 5.1: Change in Deposits (%)

DEPOSITS	Year-on-Year (Percent change)	Quarter-on-Quarter (Percent change)		
	Sept 2003/Sept 2002	Q1 2003	Q2 2003	Q3 2003
Transferable deposits	3.6%	-1.9%	3.1%	-1.2%
Fixed (time deposits)	6.4%	0.2%	3.1%	0.4%
Total deposits	5.7%	-1.5%	3.7%	0.5%

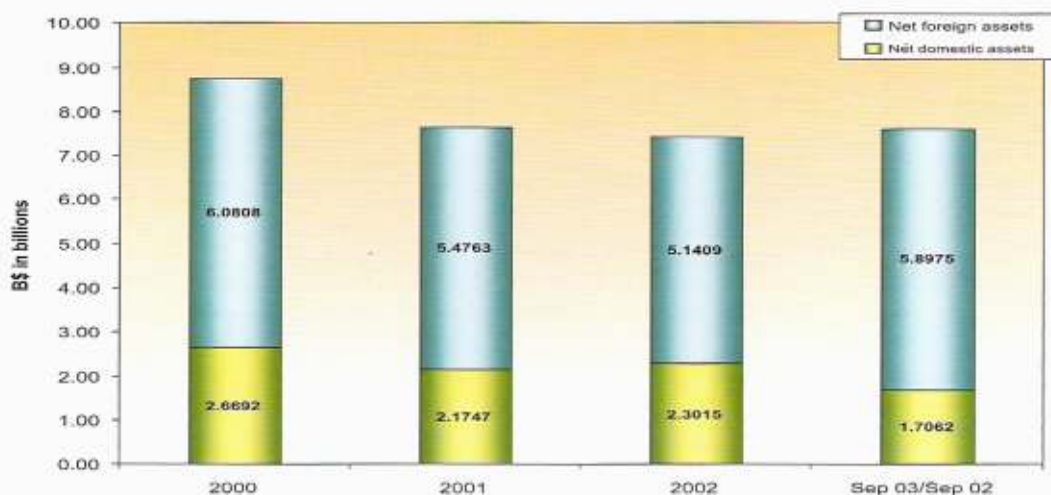
Source: Financial Institutions Division, Ministry of Finance

Assets Side

On the assets side, the growth of broad money was significantly affected by the upsurge in the net foreign assets of the commercial banks throughout 2003. Net domestic assets continued to be sluggish resulting from minimal growth of private sector lending and large buildup of government deposits. The rise in the latter reflects the fiscal surplus.

Foreign assets of the commercial banks increased sharply from B\$4,729 million in 2002 to B\$5,231 million in 2003. Accordingly, a substantial reduction of the commercial banks' foreign borrowings was recorded due to the foreign assets buildup.

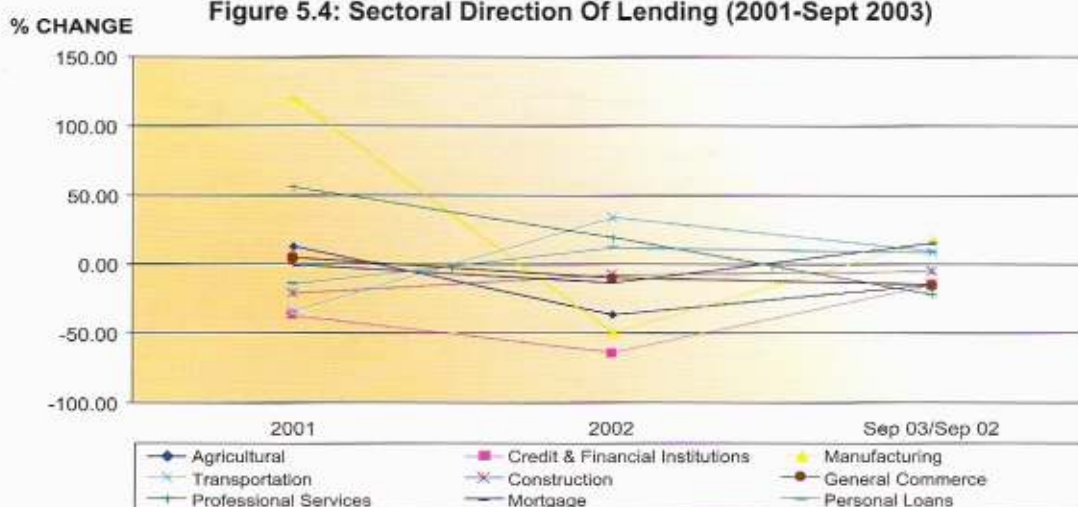
Figure 5.3: Broad Money – Assets Side



Source: Financial Institutions Division & Brunei Currency and Monetary Board, Ministry of Finance

Claims on private sector in 2003 posted growth of only 0.2% reflecting banks being very cautious in giving out loans. Lending in some sectors has increased namely Manufacturing (18.8%), Mortgage (16.0%), Transportation (9.8%) and Personal loans (9.5%). Meanwhile, in some other sectors, lending continued to post negative growth especially in General commerce (-14.5%), Credit & financial services (-14.4%) and Agriculture (-13.9%). Figure 5.4 displayed the annual change of sectoral lending between the period of 2001 to September 2003.

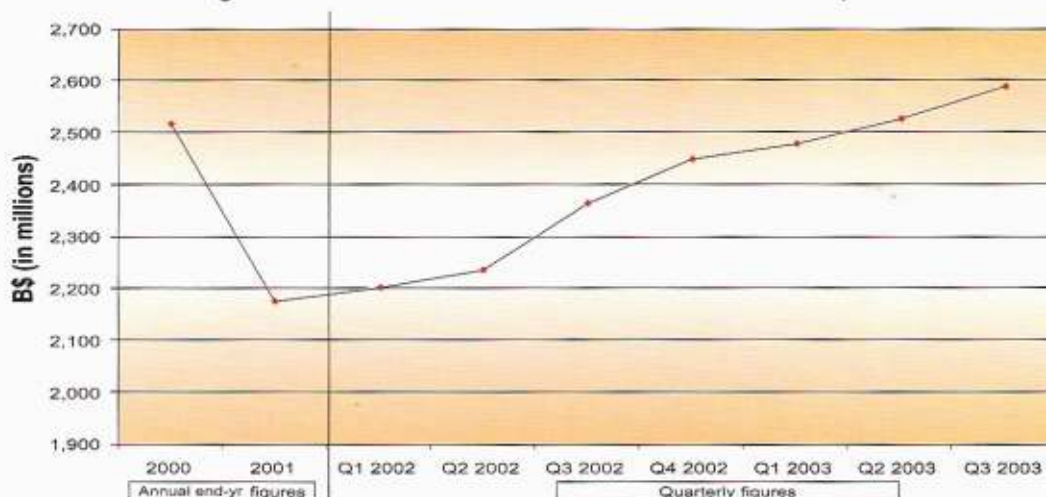
Figure 5.4: Sectoral Direction Of Lending (2001-Sept 2003)



Source: Financial Institutions Division, Ministry of Finance

The largest sectoral lending was directed toward Personal loans, which accounted for nearly two-thirds of total loans in 2003 with an amount of approximately B\$2.5 billion. As shown in Figure 5.5, there was an upward trend in this type of lending since 2002. The use of personal loans is primarily for personal consumption. Presently, banks have been extending personal loans at increasingly higher multiples of income.

Figure 5.5: Trend in Personal Loans From 2000 – Sept 2003



Source: Financial Institutions Division, Ministry of Finance

INTEREST RATES

Prime lending rate in Brunei Darussalam has been constant at 5.5% since 1999 despite variance in the rates in Singapore during same period. Reportedly, lending rates in Brunei Darussalam have remained essentially unchanged in 2003 even though there was ample liquidity in the banking system.

**Table 5.2: Brunei Deposit Rates For Quarters 1-3 2003
(In percent)**

	Q1 2003			Q2 2003			Q3 2003		
	3 Mths	6 Mths	12 Mths	3 Mths	6 Mths	12 Mths	3 Mths	6 Mths	12 Mths
Brunei	1.132	1.335	1.789	1.046	1.224	1.624	1.035	1.216	1.609

Note: Rates computed based on the average quoted by all the banks
Source: Financial Institutions Division, Ministry of Finance

The three-month deposit rate in Singapore declined in the second quarter and remained the same in the third quarter. Correspondingly, the rates for the three-month deposit in Brunei Darussalam also decreased in the second quarter and continued to decline in the third quarter as displayed by Table 5.2 above.

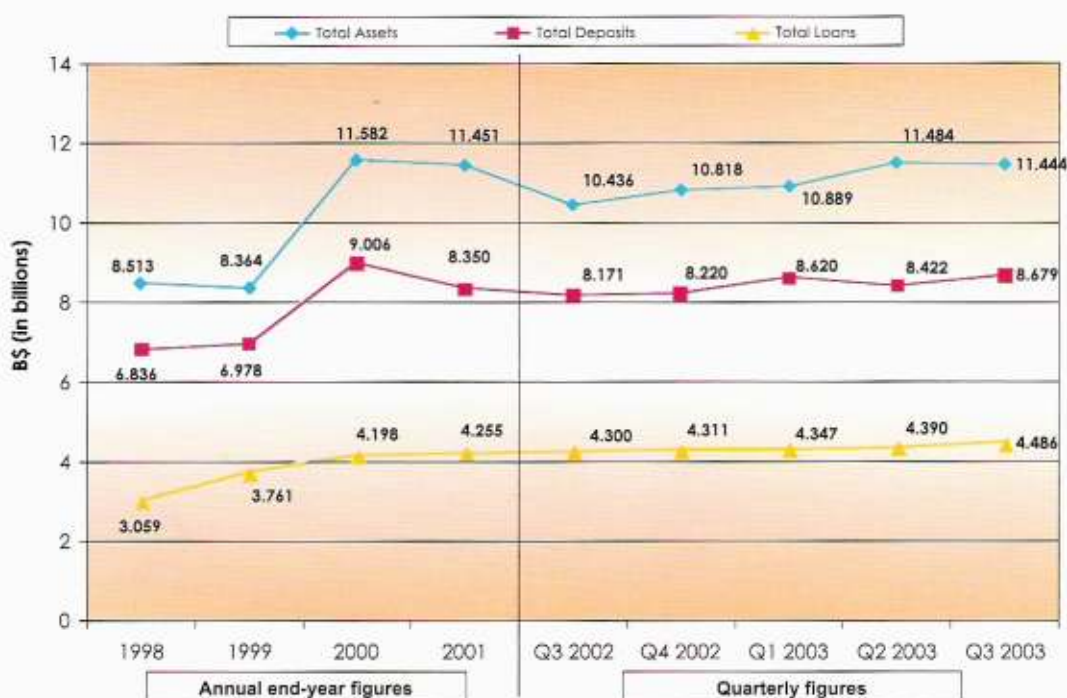
B. BANKING INDICATORS

OVERVIEW

Brunei Darussalam has nine banks; three of which are local banks, and serves a population of 350,000. The banking sector⁸ as at Sept 2003 remains small and relatively concentrated.

Total assets increased by 9.7% to B\$11,444 million at the end of September 2003 in comparison to September 2002 figures. Total deposits and total loans rose correspondingly by 6.2% and 4.3% respectively. The non-performing loans ratio peaked in December 2002 at 14.1% but has declined to 13.4% in September 2003.

Figure 5.6: Total Assets, Total Deposits and Total Loans of Banks from 1998 – Sept 2003



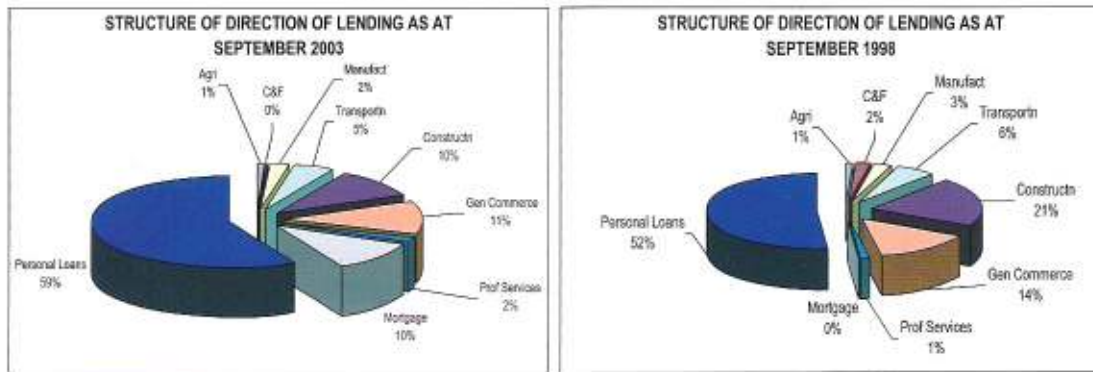
Source: Financial Institutions Division, Ministry of Finance

STRUCTURE OF LENDING

Figure 5.7 shows the breakdown of lending by sectors. Mortgage was introduced as a separate category in 2001 and currently accounts for 10% of total loans. From 2000 onwards, there has been a drop in extending credit to the Construction and General Commerce sectors. These two sectors represent the 2nd and 3rd highest portion of total loans.

⁸ TAIB is not included in this section as it is not classified as a bank.

Figure 5.7: Comparison of Structure of Lending Sept 2003 & Sept 1998



Source: Financial Institutions Division, Ministry of Finance

Personal loans currently accounts for approximately 59% of total loans i.e. more than \$2.5billion, compared with a share of 52% in 1998 (see Figure 5.7). From 2001 onwards, lending to this sector has risen steadily.

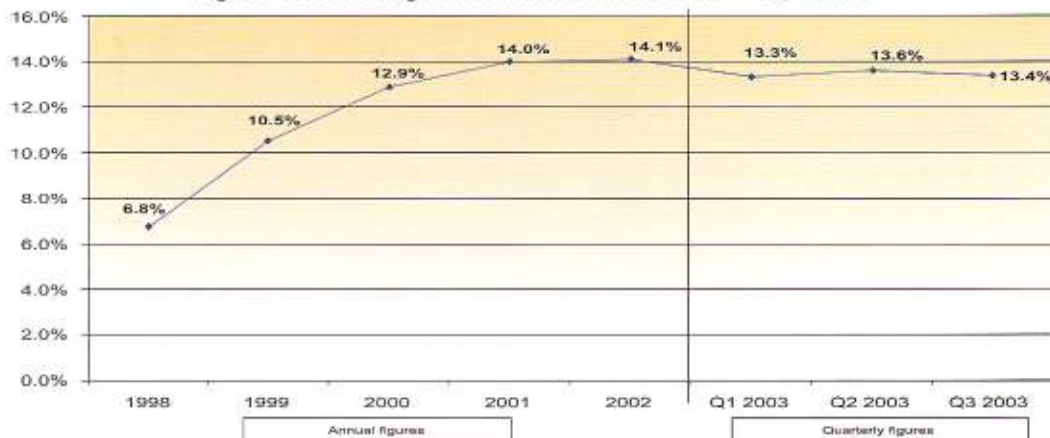
The rapid growth in personal loans could lead to potential asset risk problems in the future and hence, banks need to be vigilant. Brunei Darussalam is not the only country facing this issue; other Asian countries are also experiencing similar developments.

NON-PERFORMING LOANS

Non-performing loans are identified here those past due loans “over 120 days”.

NPL ratio is calculated as follows = $\frac{\text{Over 120 days past due loans}}{\text{Total loans}}$

Figure 5.8: Average NPL Ratios From 1998 – Sept 2003



Source: Financial Institutions Division, Ministry of Finance

The overall NPL ratio of the banks has been steadily rising from 10.2% in 1998 and peaked in 2002 at 14.1% but declined to 13.4% by September 2003.

Table 5.9: Change of NPL Ratios

	Sep-02	Dec-02	Mar-03	Jun-03	Sep-03
NPL %	13.8%	14.1%	13.3%	13.6%	13.4%
Quarter-on-Quarter	-	0.3%	-0.8%	0.3%	-0.2%
Year-on-Year					-0.4%

Source: Financial Institutions Division, Ministry of Finance

TABLE 1: Brunei Darussalam: REAL SECTOR INDICATORS
Gross Domestic Product

	1996	1997	1998	1999	2000	2001 ^(e)	2002 ^(e)	2003 ^(e)
	(In million of Brunei dollars)							
GDP at current prices	7,408.6	7,628.1	6,534.0	7,144.7	7,441.1	7,440.2	7,682.7	8,438.1
Oil sector	2,686.3	2,991.7	2,139.2	2,688.1	2,951.1	2,717.6	2,835.5	3,375.9
Non-oil sector	4,722.3	4,636.4	4,394.8	4,456.6	4,495.0	4,722.6	4,847.2	5,062.2
Government sector	1,905.0	1,713.2	1,763.9	1,783.6	1,803.6	1,866.7	1,856.8	1,909.1
Private sector	2,817.3	2,923.2	2,630.9	2,673.0	2,686.4	2,855.9	2,990.4	3,153.1
GDP at constant prices	3,951.5	4,093.8	3,930.6	4,031.4	4,145.3	4,269.7	4,414.2	4,575.4
Oil sector	2,145.4	2,262.3	2,056.3	2,150.9	2,230.5	2,264.0	2,336.4	2,425.2
Non-oil sector	1,806.1	1,831.5	1,874.3	1,880.5	1,914.8	2,005.7	2,077.8	2,150.2
Government sector	947.0	897.4	955.3	968.3	992.7	1,021.3	1,039.8	1,058.5
Private sector	859.1	934.1	919.0	912.2	925.1	984.4	1,038.0	1,091.7
	% Growth Rate							
GDP at current prices		3.0	(14.3)	9.3	4.1	(0.0)	3.3	9.8
Oil sector		11.4	(28.5)	25.7	9.8	(7.9)	4.3	19.1
Non-oil sector		(1.8)	(5.2)	1.4	0.9	5.1	2.6	4.4
Government sector		(10.1)	3.0	1.1	1.1	3.5	(0.5)	2.8
Private sector		3.8	(10.0)	1.6	0.5	6.3	4.7	5.4
GDP at constant prices		3.6	(4.0)	2.6	2.8	3.0	3.4	3.7
Oil sector		5.4	(9.1)	4.6	3.7	1.5	3.2	3.8
Non-oil sector		1.4	2.3	0.3	1.8	4.7	3.6	3.5
Government sector		(5.2)	6.5	1.4	2.5	2.9	1.8	1.8
Private sector		8.7	(1.6)	(0.7)	1.4	6.4	5.4	5.2
Memorandum items:								
GDP per capita at current prices (B\$ thousand)	25.2	25.3	21.1	22.5	22.9	22.4	22.5	24.2

(f) – Forecasted (e) – Estimated

Sources: Economic Planning and Development Department, Prime Minister's Office

TABLE 2: Brunei Darussalam: EXTERNAL SECTOR INDICATORS
Balance of Payments

	2000	2001	2002	Q1 2002	Q2 2002	Q3 2002	Q1 2003	Q2 2003	Q3 2003
Trade balance	4,925.2	4,553.6	3,987.4	1,068.7	808.4	1,081.1	1,535.6	1,182.9	1,266.0
Exports, f.o.b.	6,733.5	6,521.8	6,628.7	1,540.2	1,412.9	1,877.9	2,002.5	1,759.4	1,841.4
Imports, f.o.b.	1,808.3	1,968.2	2,641.3	471.5	604.5	796.8	466.9	576.6	575.4
Services and Investment Income, net	2,137.8	2,410.9	2,806.9	532.0	433.8	486.4	679.7	775.1	
Receipts	4,239.3	4,628.3	4,678.2	1,022.5	887.4	945.8	1,182.2	1,235.0	
Payments	2,101.5	2,217.4	1,871.3	490.5	453.6	459.4	502.5	459.9	
Current transfers, net	-156.4	-175.4	-159.9	-41.7	-45.5	-32.8	-44.0	-41.4	
Current account balance	6,906.7	6,789.1	6,626.9	1,559.0	1,196.7	1,534.7	2,171.3	1,916.6	
Capital account balance (including e. & o.)	-7,013.1	-6,762.2	-6,455.7	-1,545.3	-1,198.8	-1,540.3	-2,190.5	-1,906.9	
Overall balance	-106.4	26.9	171.2	13.7	-2.1	-5.6	-19.2	9.7	-23.3
Memorandum items:									
Oil and Gas export as percentage of GDP (%)	81	78	76						
Trade balance as a percentage of GDP (%)	66	61	52						
Current a/c balance as a percentage of GDP (%)	93	91	86						
Average oil price (US\$/Barrel)	29.71	24.97	25.33	20.87	25.03	27.59	31.53	27.30	29.89
International reserves (B\$ million) ¹	941.6	968.5	1,139.6	982.2	980.1	974.5	1,120.4	1,130.1	1,106.9
Import coverage	6.2	5.9	5.2	6.25	4.86	3.67	7.20	5.88	5.77
Foreign exchange coverage of currency (%)	87	94	96	96	96	95	93	95	94
B\$/US\$ (end of period)	1,7315	1,8510	1,7365	1,8425	1,7645	1,7770	1,7656	1,7567	1,7284

¹ Defined as BCB External Assets plus IMF Quota Subscription & Holdings of SDR
Sources: Economic Planning and Development Department, Prime Minister's Office, Brunei Currency and Monetary Board and International Financial Statistics (IMF)

Table 3: Brunei Darussalam: FISCAL INDICATORS
Fiscal Position

	2000	2001	2002	2003	2003	2003
				(Budget)	(Prov)	Jan - Sept
B\$Million						
Total revenue	5,084.4	4,232.6	4,267.8	3,397.8	5,025.1	3,656.6
Tax revenue	2,422.1	2,306.4	2,331.7	1,941.6	2,706.3	1,938.4
Oil & Gas sector	2,256.1	2,125.3	2,115.5	1,710.0	2,493.0	1,770.8
Non-oil sector	166.0	181.1	216.2	231.6	213.3	167.6
Non-tax revenue	2,662.4	1,926.2	1,936.1	1,456.2	2,318.9	1,718.2
Oil & Gas sector	1,970.7	1,497.9	1,581.6	1,174.0	1,909.2	1,464.5
Non-oil sector	691.6	428.4	354.5	282.2	409.7	253.7
Total expenditure	4,196.5	3,783.0	4,790.9	4,949.5	4,008.0	2,946.0
Current Expenditure	3,813.2	3,573.5	3,776.6	3,242.0	3,146.6	2,330.6
Wages and salaries	1,249.9	1,278.7	1,318.8	1,437.8	1,342.1	1,026.1
OCAR	2,387.6	2,093.8	1,231.4	1,262.0	1,113.9	848.9
Charged	175.8	201.0	1,226.4	542.1	690.7	455.7
Capital Expenditure	383.3	209.5	1,014.3	1,707.6	861.4	615.4
Of which: Ordinary	-	-	524.2	707.6	601.3	447.3
Of which: Development	383.3	209.5	432.3	1,000.0	260.1	150.3
Investments in Public Enterprises	-	-	57.8	NA	NA	NA
Surplus or deficit (-), excl. transfer	887.9	449.6	-523.1	-1,551.8	1,017.2	710.6
(In percent of GDP)						
Total revenue	68.3	56.9	55.6	40.3	59.6	43.3
Tax revenue	32.5	31.0	30.4	23.0	32.1	23.0
Oil & Gas sector	30.3	28.6	27.5	20.3	29.5	21.0
Non-oil sector	2.2	2.4	2.8	2.7	2.5	2.0
Non-tax revenue	35.8	25.9	25.2	17.3	27.5	20.4
Oil & Gas sector	26.5	20.1	20.6	13.9	22.6	17.4
Non-oil sector	9.3	5.8	4.6	3.3	4.9	3.0
Total expenditure	56.4	50.9	62.4	58.7	47.5	34.9
Current expenditure	51.3	48.0	49.2	38.4	37.3	27.6
Capital expenditure	5.2	2.8	13.2	20.2	10.2	7.3
Surplus or deficit (-), excl. transfer	11.9	6.0	-6.8	-18.4	12.1	8.4
Memorandum items						
Consolidated Fund	3,680.9	3,716.6	2,683.6	-	-	-
Oil Price (US\$/barrel)	29.7	25.0	25.3	21.0	29.85 ¹	29.5
Gas (US\$/MMBtu)	4.5	4.4	4.2	-	4.57 ²	4.6
Oil & gas (in % of total revenue)	83.1	85.6	86.6	84.9	87.6	88.5
Oil & gas (in % of GDP)	56.8	48.7	48.1	34.2	52.2	38.3

¹ Average oil price (US\$/barrel), Jan - Oct 2003

² Average gas price (US\$/MMBtu), Jan - Sept 2003

Source: Treasury Department, Ministry of Finance

Table 4: Brunei Darussalam: Monetary Indicators
Monetary Survey

	2000	2001	2002	Sept-02	Sept-03
	B\$ Million				
Net foreign assets	6176.8	5476.3	5140.9	5102.7	5897.5
BCB	716.2	705.5	775.5	722.8	789.5
Commercial banks	5460.7	4770.8	4365.4	4379.9	5108.0
Assets	5581.7	5117.5	4678.2	4729.7	5231.6
Liabilities	121.0	346.7	312.8	349.8	123.6
Claims on private sector	4672.9	4804.7	5030.6	5027.0	5037.2
Claims on Government Net	-1211.3	-1774.2	-1595.3	-1748.9	-2203.8
Other assets	35.2	181.7	213.6	209.2	263.3
Commercial banks	34.9	181.1	207.6	208.0	224.2
Claims on Nonfinancial Public Corporations	0.4	0.6	5.9	1.2	39.1
Assets=liabilities	9673.8	8688.5	8789.8	8590.1	8994.2
Money	2786.0	2864.5	3145.9	3027.3	3126.0
Currency	606.3	572.8	575.2	548.9	558.7
Transferable deposits	2179.8	2291.7	2570.7	2478.4	2567.4
Quasi-money	5964.5	4786.5	4296.5	4184.2	4477.8
Other deposits at commercial banks	5964.5	4786.5	4296.5	4184.2	4477.8
Other liabilities	923.3	1037.4	1347.4	1378.6	1390.5
Memorandum items:					
Currency with banks	93.9	75.5	79.6	87.5	92.3
Broad money	8750.5	7651.1	7442.4	7211.4	7603.8
Prime lending rate (end of period)	5.50	5.50	5.50	5.50	5.50
	(Percent change)				
Net foreign assets	-	-11.3	-6.1	-	15.6
Claims on private sector	-	2.8	4.7	-	0.2
Claims on Government Net	-	-46.5	10.1	-	-26.0
Money	-	2.8	9.8	-	3.3
Currency	-	-5.5	0.4	-	1.8
Transferable deposits	-	5.1	12.2	-	3.6
Quasi-Money	-	-19.8	-10.2	-	7.0
Other deposits at commercial banks	-	-19.8	-10.2	-	7.0
	(In percent of broad money 12 months ago)				
Contribution to broad money growth					
Net foreign assets	-	-8.0	-4.4	-	11.0
Claims on private sector	-	1.5	2.9	-	0.1
Claims on Government Net	-	-6.4	2.3	-	-6.3
Memorandum item:					
Broad money	-	-12.6	-2.7	-	5.4

Source: Financial Institutions Division, Ministry of Finance

