

## Technical Notes for Business Sentiment Index (BSI)

### Definition

The Business Sentiment Index (BSI) is designed to measure the level of sentiment/confidence of businesses in Brunei Darussalam. The index serves as an indicator to assess the current business climate of the private sector as a whole as well as within sectors. Thus, the index can be a leading macroeconomic indicator of economic growth.

### Data Sources

The BSI is compiled using surveys which are distributed to a sample of businesses. Survey interviewers will be assigned to interview businesses on a monthly basis.

### Methodology

The selected businesses are grouped into 11 sectors [Table 1]. A sample of 692 businesses was drawn using a mixture of random and non-random sampling, to achieve a 5-10% sampling error. In case of non-usable responses, no replacements are drawn to retain the sample size. Non-random sampling was used for Oil & Gas Related, Wholesale & Retail, Finance & Insurance, Transport & Communication, Hotels & Restaurants, and Health & Education where the larger businesses were selected to represent these sectors. For the remaining sectors, random sampling was carried out. The Oil & Gas Related sector includes Manufacture of Petrochemicals and Methanol and Water Transport as these activities are highly correlated with the performance of the core Oil & Gas sector.

Table 1

Sectors	Subsectors
Oil & Gas Related	Oil and gas mining Manufacture of liquefied natural gas and methanol Water Transport
Manufacturing	Manufacture of wearing apparel & textiles Manufacture of food and beverage products Other manufacturing Electricity and water
Construction	Construction
Wholesale & Retail	Wholesale & Retail
Transport & Communication	Land transport Air transport Other transport services Communication
Agriculture, Forestry, Fisheries & Livestock	Vegetables, fruits & other agriculture Livestock and poultry Forestry Fishery
Finance & Insurance	Finance & Insurance
Real estate & ownership of dwellings	Real estate & ownership of dwellings
Hotels & Restaurants	Hotels Restaurants
Health & Education services	Health services Education services
Other private services	Other private services

The questionnaires have four parts: [1] Business conditions, [2] Investment expenditure, [3] Employment of workers and [4] Cost of doing business. Questions include businesses' own assessments on current conditions as well as on future outlooks on the aforementioned categories. Responses to the questions are of qualitative nature only (for example: better, worse, same or no change). Businesses are encouraged to elaborate on any supporting reasons for their answers for each question so that a more comprehensive analysis can be conducted. All responses will be kept confidential.

The survey data is processed to compute for diffusion indices which is available for each sector as well as the overall private sector. The process involves: (a) assigning numerical values to answers for questions (+1 for positive responses, 0 for “no change” responses and -1 for negative responses); (b) scaling each business’ answers by its size as proxied by their annual revenue in 2018 and/or number of employees as at end of 2018; and (c) taking a simple weighted sum of scaled responses.

The annual revenue and/or number of employees will be asked during the first month of the rollout of the survey and repeated annually to assess if there are sufficient structural changes to warrant a reweighting of the responses. The threshold to reweight is when a business’ share of the sector increases/decreases by over 50%, e.g. 10.0% share increased to 15.1%. Historical published data will not be adjusted to reflect a reweighting.

The overall diffusion index across all sectors is generated by scaling each sector’s diffusion index with the sector’s average gross value added (GVA) in constant prices. The GVA for 2016-2018 will be used for the initial BSI and will be assessed annually for reweighting based on a rolling 3-year period. The threshold to reweight is when a sector’s share of the economy increases/decreases by over 50%, e.g. 10.0% share increased to 15.1%.

From the survey data, several diffusion indices are generated. The headline Business Sentiment Index (BSI) is based on businesses’ perception of current business conditions, scaled by businesses’ sizes and sectoral sizes. Other diffusion indices generated are (1) businesses’ expectations of future business conditions; (2) businesses’ current investment expenditure; (3) businesses’ expectations of future investment expenditure; (4) businesses’ current employment changes; (5) businesses’ expectations of future employment changes; (6) businesses’ perception of current costs of doing business; and (7) businesses expectations of future costs of doing business.

### **Periodicity**

The index is compiled and published on a monthly basis.

### **Publication**

Figure and analysis for the headline BSI will be published on BDCB’s website. Other diffusion indices may be accessible via a subscription to BSI reports.