



PRESS RELEASE

BUSINESS SENTIMENT INDEX (BSI) FOR BRUNEI DARUSSALAM FOR JULY 2023

1. Brunei Darussalam Central Bank (BDCB) today published Brunei Darussalam's Business Sentiment Index (BSI) for July 2023. The index is based on surveys conducted on almost 500 micro, small, medium, and large businesses from eleven economic sectors in Brunei Darussalam, across all districts.
2. The monthly index is designed to measure the level of business confidence/sentiment in the country covering various aspects including current and future business conditions; investments; employment of workers; as well as costs of running the businesses. Therefore, the BSI serves as a leading macroeconomic indicator with its forward-looking element.

3. The BSI and sub-indices can be interpreted as below:

BSI value	Interpretation
Above 50	Expansion / Optimism compared to the previous month
50	Similar / No change compared to the previous month
Below 50	Contraction / Less optimism compared to the previous month

4. There are nine sub-indices within the BSI. The main headline index, which is the **Current Business Conditions sub-index**, was 50.6 in July 2023. This indicated that business conditions were more optimistic compared to June 2023, mainly driven by businesses expecting a pickup in activities and sales as a result of events associated with birthday celebrations of His Majesty The Sultan and Yang Di-Pertuan in July. Survey results also showed that some businesses were more optimistic with the award and commencement of new projects, while some expected resumption and increase in business activities after renovation and maintenance works carried out in previous months. Looking ahead, the index for one month (1M) ahead stood at 50.4, indicating businesses expected to improve further in August 2023 compared to July 2023. Most of the optimism was attributed to the expected arrival of more inventories, new hirings as well as additional projects being awarded. There were expectations that previous investments made to improve technology, procurement of new equipment and machinery, as well as efforts to hire and train employees would result in businesses being able to work at a higher capacity.
5. The **Investment sub-index** was 49.9 for the current month, 50.1 for one month (1M) ahead, and 50.1 for three months (3M) ahead. This indicates that, in general, businesses are expected to decrease their investment expenditure in July 2023 compared to June 2023, mainly because significant investments had already been made in previous months. However, looking ahead, several businesses expect to increase their level of capital expenditure slightly in the next few months, especially project-related investments.

Some businesses also planned to invest in various aspects such as upgrading IT systems, purchasing new machinery and equipment, renovating facilities, as well as increasing inventory to meet higher consumer demand.

6. The **Employment sub-index** was 50.3 for the current month, and 50.3 for 1M ahead. Continuing the trend from previous months, businesses generally expected to increase their employee headcount in July and August 2023. This is in line with new projects and expansion efforts. Some companies expressed the ongoing hiring challenges of both local and foreign employees. A small number of companies are reducing headcounts due to poor business performance.
7. The **Costs sub-index** was 50.4 for the current month and 50.6 for 1M ahead. Companies generally expected the costs of running their businesses in July 2023 to be higher than the previous month. This was mainly linked to the businesses' expectations that a pickup in business activities and projects would generally lead to an increase in operational costs. Survey results also showed that businesses expected to incur higher salary costs as a result of previous hiring efforts as well as an increase in costs of carrying out major maintenance works. Many businesses in several industries also raised cost concerns over the impact of the revised customs import and excise duties on plastic products effective from 17 May 2023.¹ in particular the Manufacturing; Wholesale and Retail Trade; and the Agriculture, Forestry, Fisheries & Livestock sectors.

BSI July 2023	
Current Business Conditions	50.6
1M Ahead Business Conditions	50.4
Current Investment	49.9
1M Ahead Investment	50.1
3M Ahead Investment	50.1
Current Employment	50.3
1M Ahead Employment	50.3
Current Costs	50.4
1M Ahead Costs	50.6

Note: 1M – one month, 3M – three months

8. In terms of **economic sectors**, four out of eleven sectors reported expectations of more optimistic business conditions in July 2023. The Oil and Gas Related sector showed the highest optimism at 50.8, where businesses shared expectations of a pickup in production capacity after maintenance as well as better profit margins. The Transport and Communications sector also reported optimism with the expectations of peak travel season being in July, whereas businesses in the Finance and Insurance sector also expected better market performance. Survey results similarly showed that the Hotels and Restaurants sector expected consumer spending within the country to pick up as a result of His Majesty the Sultan and Yang Di-Pertuan's birthday celebrations in July 2023. On the contrary, two sectors that

¹ The Ministry of Finance and Economy (MOFE) announced on 6 July 2023 the temporary suspension of the excise duty rate of BND5 per kilogramme on a number of plastic products. Source:

[https://www.mofe.gov.bn/Press%20Room/Press%20Release%2006.07.2023%20\[English\]%20-%20Temp%20Remit%20of%20Excise%20Duty%20Rate%20for%20Plastic's%20Primary%20Form.pdf](https://www.mofe.gov.bn/Press%20Room/Press%20Release%2006.07.2023%20[English]%20-%20Temp%20Remit%20of%20Excise%20Duty%20Rate%20for%20Plastic's%20Primary%20Form.pdf)

reported slightly pessimistic business conditions in July 2023 compared to the previous month were the Agriculture, Forestry, Fisheries and Livestock; and the Wholesale and Retail Trade sectors. Businesses in these sectors cited the revision in customs import and excise duties on plastic products, and its impact on their overall costs and business performance as a concern. The other five sectors reported similar business conditions to the previous month.

Current Business Conditions July 2023 by Sector	
Oil and Gas Related	50.8
Finance & Insurance	50.7
Transport & Communication	50.7
Hotels & Restaurants	50.5
Construction	50.0
Health & Education	50.0
Manufacturing	50.0
Other Private Services	50.0
Real Estate & Ownership of Dwellings	50.0
Agriculture, Forestry, Fisheries & Livestock	49.9
Wholesale & Retail Trade	49.5

9. In terms of the index by **business size**, businesses of micro and large size reported expectations of better business conditions in July 2023 compared to the previous month. Generally, these businesses expected an increase in business activities due to new projects and higher demand for their products and services. Small businesses reported similar conditions to the previous month while medium-sized businesses faced slightly worse conditions than June 2023.

Current Business Conditions July 2023 by Size	
Micro	50.2
Small	50.0
Medium	49.9
Large	50.3

10. The time-series charts for the BSI and its sub-indices since August 2020 can be found in **ANNEX 1**. For more information on the BSI, members of the public can refer to the technical notes on the methodology and statistics on the BDCB website at www.bdcg.gov.bn and follow updates on the BSI through future press releases and BDCB's Instagram account @centralbank.brunei.

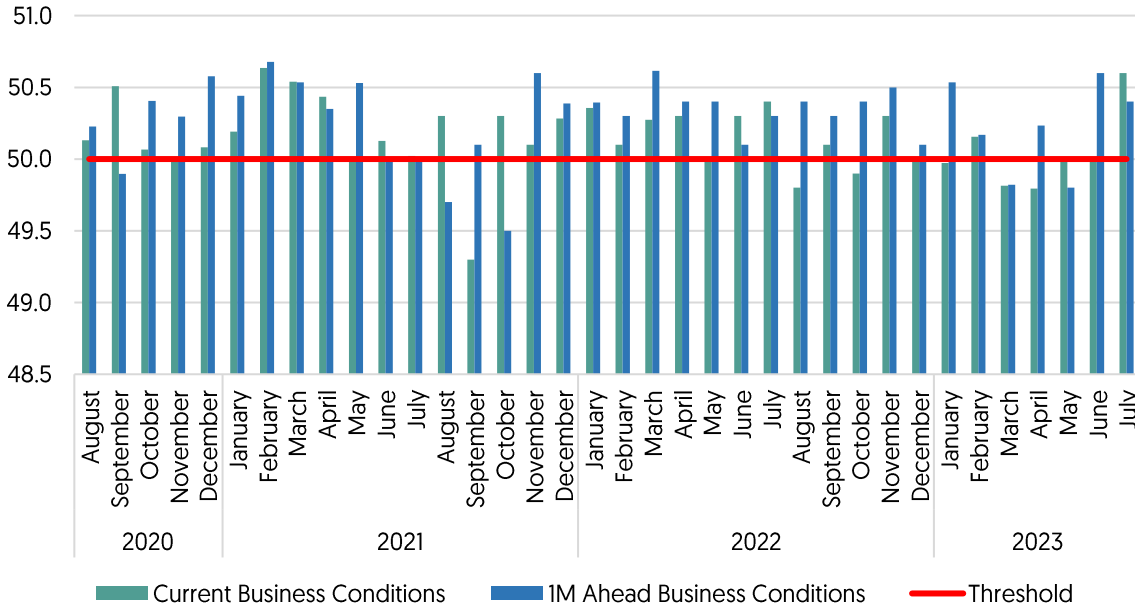
Brunei Darussalam Central Bank

Date: 22 Safar 1445H / 8 September 2023M

Ref: BDCB/COMMS/3

ANNEX 1

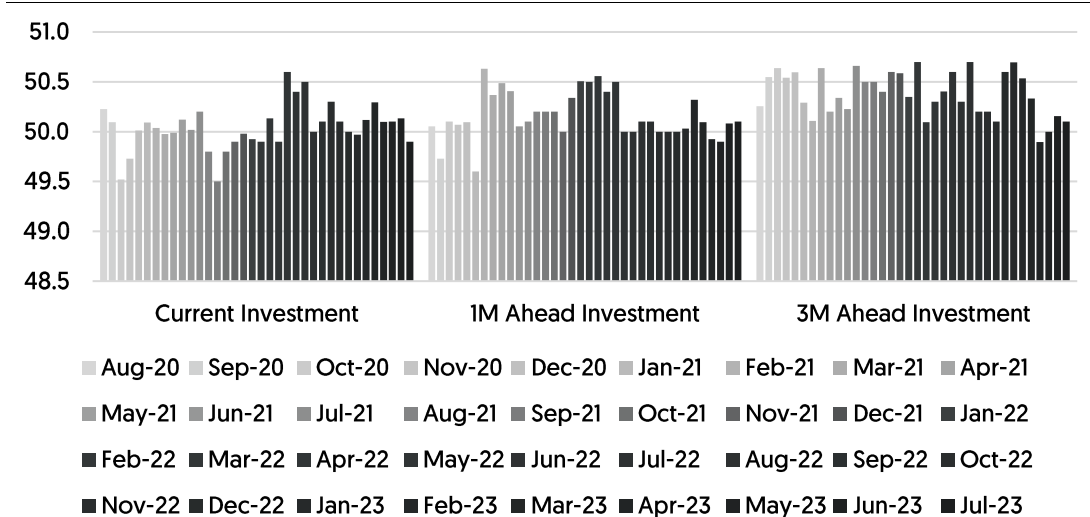
Business Conditions



Note: For 1M Ahead Business Conditions, the result compares expected business conditions in the month ahead compared to the current month.

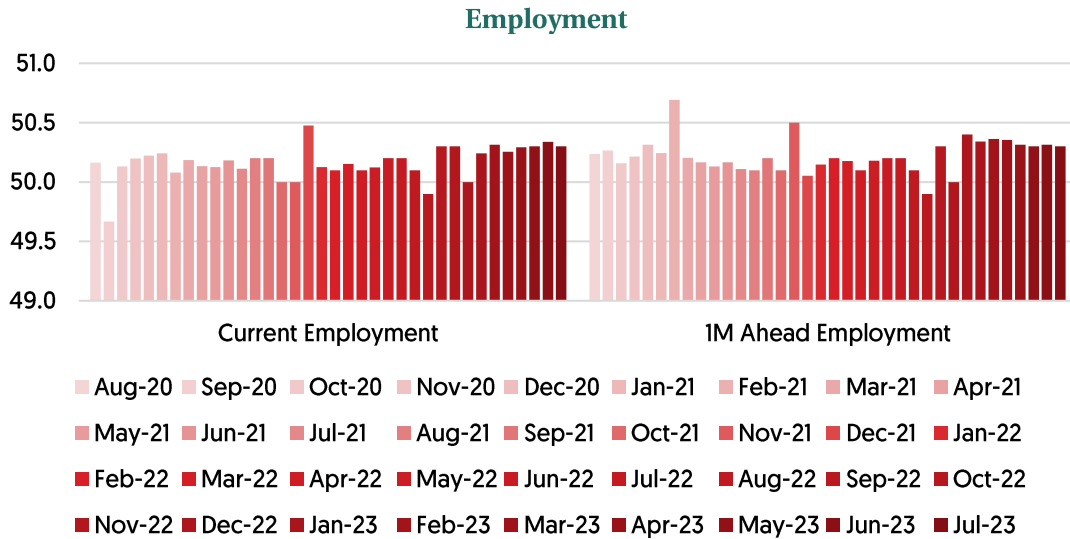
For Business Conditions sub-index, above 50 indicates expansion/optimism compared to the previous month. Index at 50 indicates similar/no change compared to the previous month while below 50 indicates contraction / less optimism compared to the previous month.

Investments



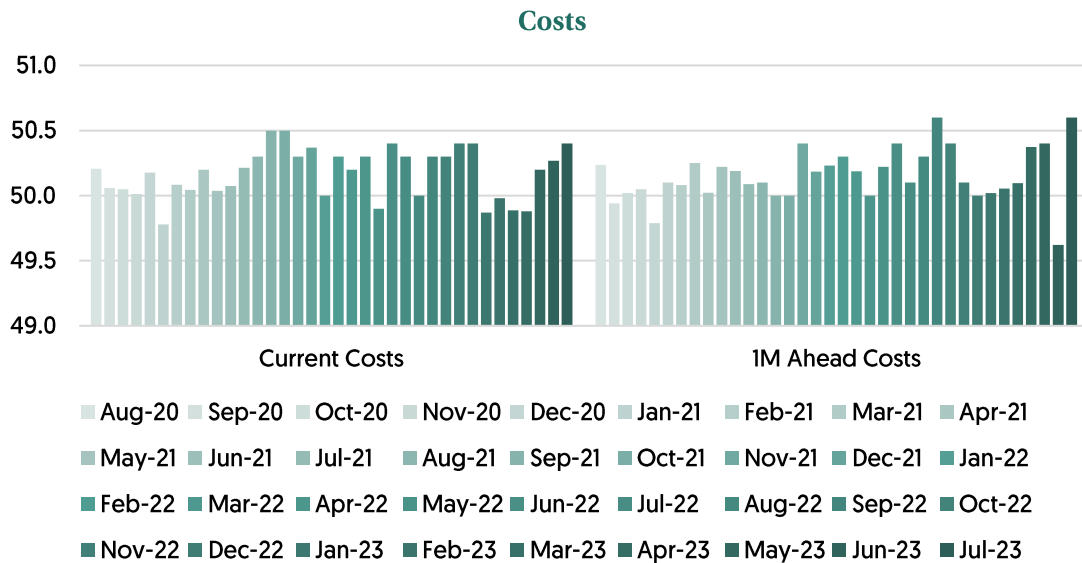
Note: For 1M Ahead Investments, the result compares expected investment in the next month compared to the current month while for the 3M Ahead Investment, the result compares expected investments 3 months ahead compared to the current month.

For Investments sub-index, above 50 indicates increased investment compared to the previous month. Index at 50 indicates similar/no change compared to the previous month while below 50 indicates reduced investment compared to the previous month.



Note: For 1M Ahead Employment, the result compares expected employment in the next month compared to the current month.

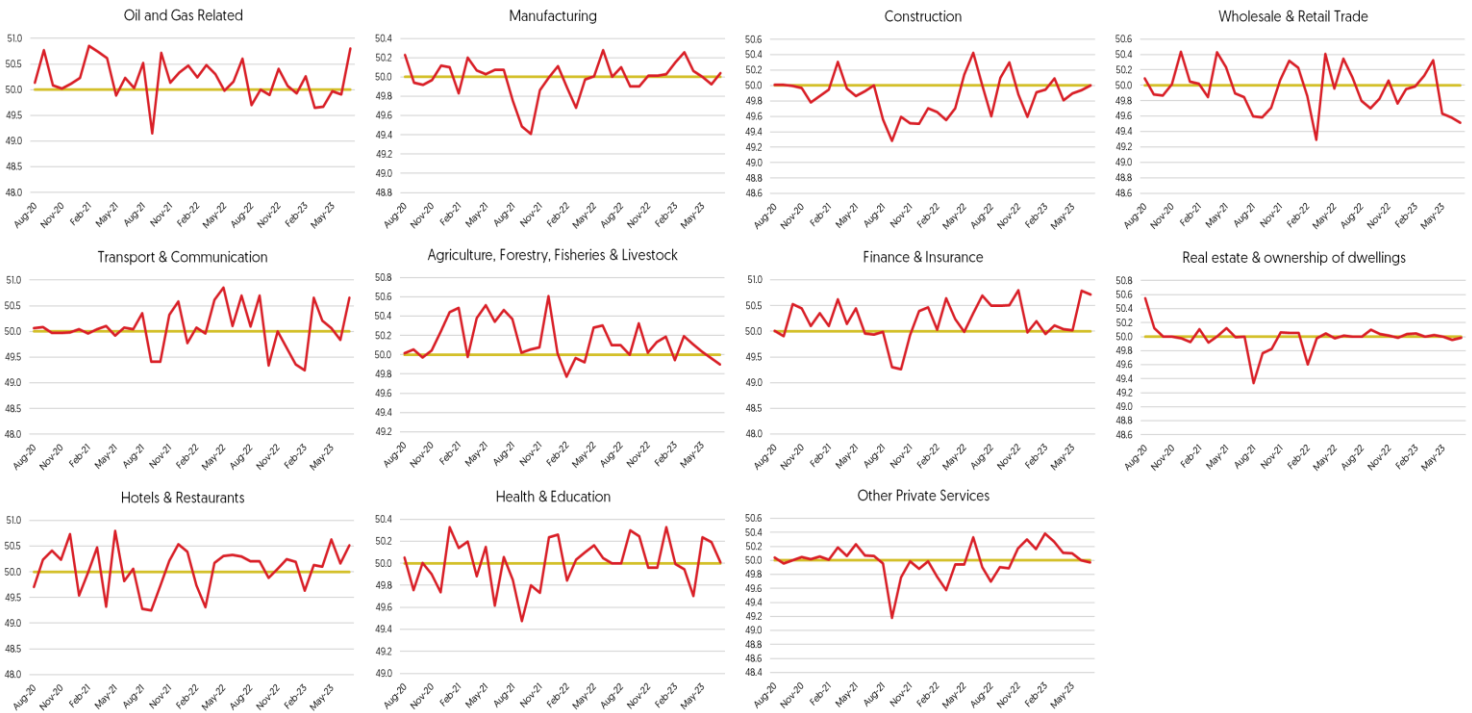
For Employment sub-index, above 50 indicates more new hires compared to the previous month. Index at 50 indicates similar/no change compared to the previous month while below 50 indicates a reduction in employee headcount compared to the previous month.



Note: For 1M Ahead Costs, the result compares expected costs in the next month compared to the current month.

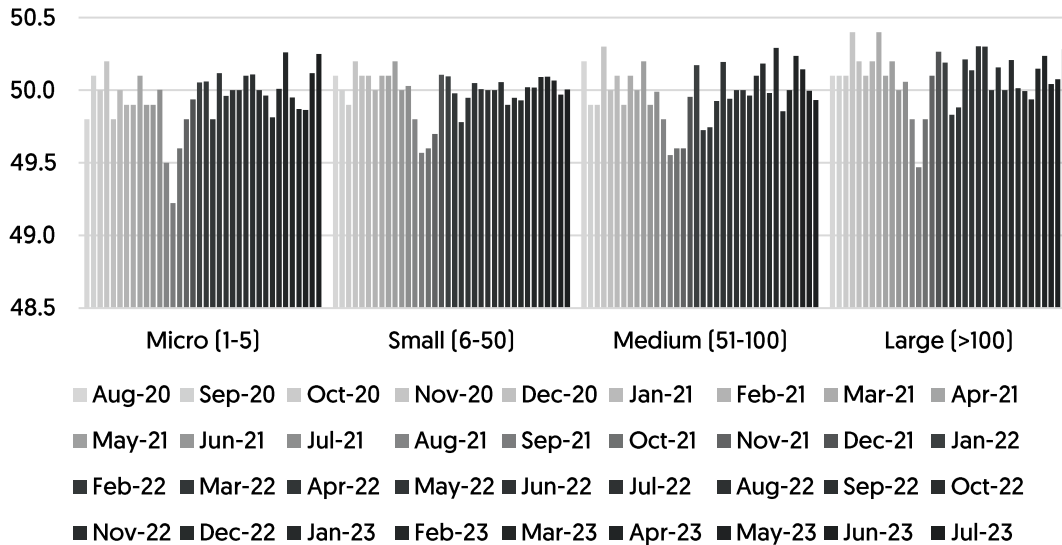
For Costs sub-index, above 50 indicates an increase in costs, and conversely for below 50. Index at 50 indicates costs were more or less the same in the current month compared to the previous month.

Sectoral BSI – August 2020 to July 2023



Note: An index above 50 indicates expansion/optimism compared to the previous month. Index at 50 indicates no change compared to the previous month while below 50 indicates contraction / less optimism compared to the previous month.

Sentiment by Business Size



Note: An index above 50 indicates expansion/optimism compared to the previous month. Index at 50 indicates similar/no change compared to the previous month while below 50 indicates contraction / less optimism compared to the previous month.