



## **Autoriti Monetari Brunei Darussalam Policy Statement 1/2015**

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### **Global Economy**

1. Global economic growth remained moderate and uneven in the first half of 2015. Accommodative monetary policies and soft commodity prices provided some support to growth, in particular in the Euro area and Japan. Economic growth slowed in emerging market economies due to weak external demand and growing domestic debt burden which constrained private domestic consumption.

### **Brunei Darussalam's Economic Developments**

2. Economic growth in the final quarter of 2014 picked up slightly to 0.2% y-o-y after three consecutive quarterly contractions. As a result, overall economic output contracted in 2014 by 2.3%. Output in the Oil and Gas Sector fell by 3.7% in 2014, partly due to the steep declines in the price of oil since the second half of last year. The Non-Oil and Gas Sector, meanwhile, contracted by 0.4% due to lacklustre growth in the Construction Sector and Business Services Sector. Positive growth however was recorded in other areas, among others were in Health Care, Education, Government Services, and Financial Services Sectors.
3. Consumer prices remained broadly stable in 2014 and early 2015. The CPI contracted by 0.2% during 2014 and was 0.3% down y-o-y in May 2015<sup>1</sup>. Prices declined for Transport-related goods services, Clothing and Footwear

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<sup>1</sup> Department of Economic Planning and Development (DEPD), Prime Minister's Office

and Education. Brunei Darussalam benefitted from the continued decline in global food prices over the past few years. The latest UNFAO<sup>2</sup> Food Price Index for June 2015 decreased by 21% y-o-y and stood 31.2% below its February 2011 level.

4. The Brunei Dollar, in line with the Singapore Dollar, has depreciated against a continuously strong US Dollar. However, relative to other trading partners' currencies, the Brunei Dollar has been appreciating since the beginning of the year. This trend is expected to continue and will help dampen inflationary pressures from the likely modest increase in global inflation in the coming months.

### **Brunei Darussalam's Financial Developments**

5. AMBD has issued several new Regulatory Notices to relevant financial institutions on 28th May 2015. These Regulatory Notices aim to reduce household debt, which is as a source of vulnerabilities to the socio-economy as a whole by:-
  - 5.1 Inculcating responsible and ethical lending practices by banks in their dealings with individual customers;
  - 5.2 Promoting and enhancing financial debt management amongst the public which in turn contributes to economic and financial stability; and
  - 5.3 Further strengthening the protection of consumers' interests.
6. The main contents of the notices which were effective from 8th June 2015, amongst others includes the introduction of a Total Debt Service Ratio (TDSR) to all customers applying for a credit/financing facility, regulation for Unsecured Personal Financing/ Credit Facilities, a regulation to allow for a Consolidation Loan / Financing Scheme and the regulation on selected service fees/charges.

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<sup>2</sup> Food and Agriculture Organization of the United Nations.

7. In 2014, the total assets and deposits of the banking system have declined by 3.7% and 4.3% respectively. This trend has continued as at end of Q1 2015 where total assets recorded a decline by 5.2% y-o-y due to a decrease in placements abroad, while total deposits decreased 6.6% y-o-y. Loans/financing grew 1.0% y-o-y in 2014 and a positive growth of 2.4% was further recorded in Q1 2015 as total loans/financing amounted to BND5.6 billion.
8. The banking sector continued to be resilient with regulatory capital adequacy ratio of 21% as of Q1 2015, well above the regulatory requirements of 10%. The key profitability indicators of Return on Assets (ROA) and Return on Equity (ROE) as of Q1 2015 were at 1.1% and 7.9% respectively. Non-performing loans/financing ratio has shown improvement in which it has declined to 5.9% in Q1 2015 from 7.4% in Q1 2014.
9. Two notices under the Securities Markets Order, 2013 (SMO) were issued on 17th November 2014 and 1st February 2015 respectively:-
  - 9.1 The first notice was on registration of investment linked insurance contracts which applies to companies registered or licensed to carry out insurance or takaful business under any written law relating to the regulation of insurance or takaful in Brunei Darussalam.
  - 9.2 The second notice was on the commencement of the Securities Markets Regulations, 2015 (SMR) which applies to all regulated persons under Securities Markets Order, 2013 (SMO). The SMR, 2015, subsidiary legislation to the SMO has come into effect on 1st February 2015.
10. AMBD, in line with international best practices, has set to expand the Credit Bureau's data coverage by including credit information from utility providers such as electricity and telecommunication. AMBD has recently signed two separate Memoranda of Understanding (MoU) with the Department of

Electrical Services, Prime Minister's Office on 30 April 2015 and DST Communication Sendirian Berhad on 5 May 2015. The MoUs establish a basis of cooperation and collaboration with these utility providers to share relevant credit information of their customers with the Credit Bureau. This would enhance the credit risk management function of the banks and finance companies; improve their debt recovery and collection process and reduce the delinquencies of their customers; establish a good credit history for the first time borrowers or those with thin credit files; and inculcate a healthy credit culture amongst the general public.

11. AMBD Day 2015 was held on 28 – 30 May 2015, with the main objective of promoting and increasing public awareness on the roles and functions of AMBD as the central bank of Brunei Darussalam. In addition, AMBD Day 2015 also aimed at encouraging a savings culture and prudent financial management which is in line with the theme, "Facilitating your Financial Future". This message is appropriate and fitting with the country's aspirations towards creating a financially inclusive and literate society and takes into account the variety of innovative financial products and services available today. This is also in line with His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah ibni Al-Marhum Sultan Haji Omar 'Ali Saifuddien Sa'adul Khairi Waddien, Sultan and Yang Di Pertuan of Brunei Darussalam's Titah during the Islamic New Year 1430 Hijrah for the citizens of Brunei Darussalam to continue to move forward in order to increase their standard of living to achieve zero poverty as well as to support one of Brunei Darussalam's national vision "Wawasan 2035" goals, that is, to raise the quality of life for Bruneians. During the event, His Royal Highness Prince Haji Al-Muhtadee Billah ibni Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, the Crown Prince and Senior Minister at the Prime Minister's Office also declared 28 May as Brunei Darussalam's "National Savings Day", stressing the importance of prudent spending and wise financial management.
12. AMBD also launched a smartphone application, which aims to introduce the public to AMBD and its information, including on financial institutions licensed by AMBD, as well as to enhance awareness of financial scams. The

AMBD smartphone application was developed with the collaboration of a local IT company, DotRoot Technologies where the key features of this smartphone application includes a search feature to identify licensed financial institutions, information on financial scams, AMBD news and updates, and facility to contact AMBD.

### **Future Developments**

13. AMBD, in collaboration with the Ministry of Finance, is currently undertaking a project on establishing a local stock exchange. The establishment is expected to contribute significantly to enhance the financial industry activity and increase the financial services contribution to GDP as envisioned in Wawasan 2035. Companies in the country will have alternative funding avenues other than bank loans. It will also provide a platform for Bruneians to invest in shares conveniently.
  
14. AMBD, in collaboration with the Brunei Insurance and Takaful Association (BITA), has published a financial education programme of 'My Takaful and Insurance Book' both in English and Malay, aimed to increase the public's understanding on the concept and benefits of both Takaful and insurance. AMBD is also looking at enhancing collaboration with other relevant stakeholders to increase access to insurance awareness through technology and social media.