

Autoriti Monetari Brunei Darussalam

Policy Statement 2012

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Introduction

1. The road to global economic recovery continues to be bumpy. Nonetheless, amidst the still fragile global economic environment, recent indicators have shown encouraging signs of improvement. Against this backdrop, Brunei Darussalam's economy remained resilient; posting positive growth in 2011 through 2012. Domestic inflationary pressures have eased since the end of 2011 mainly due to moderate global food prices and the strengthening of the Brunei Dollar.
2. The financial sector in Brunei Darussalam remains sound and continues to grow. The continuous prudent and effective supervision of the financial institutions undertaken by AMBD and the recent introduction of additional financial safety nets have fortified financial stability. All these have contributed significantly towards further development in the domestic financial sector and provided the necessary impetus for the progress in the other sectors.
3. The country's monetary policy framework is based on a currency board system. Within this framework, the Currency Interchangeability Agreement (CIA) which was signed with the Republic of Singapore in 1967 remains in effect. This year marks the 45th anniversary of the CIA and this arrangement continues to provide a strong underpinning to the macroeconomic stability of Brunei Darussalam.

Brunei Darussalam's Economic and Financial Developments

4. Gross Domestic Product (GDP) for Q2 2012 posted growth of 1.0 percent year-on-year, a slight increase from Q1 2012, despite a 2.0 percent contraction in the Oil and Gas sector¹. The growth was mainly attributed to the expansion of the Non-Oil and Gas sector by 3.6 percent.
5. For the first ten months of 2012, the average Consumer Price Index (CPI) rose by 0.4 percent compared to the same period in 2011. The CPI for October 2012 posted a slight increase of 0.4 percent year-on-year, mainly contributed by the increase in Food and Non-Alcoholic Beverages; Housing, Water, Electricity, Gas and Other Fuels; and Recreation and Culture indices².

¹ Department of Economic Planning and Development, Prime Minister's Office, *Quarterly Gross Domestic Product, Second Quarter 2012, Negara Brunei Darussalam*.

² Department of Economic Planning and Development, Prime Minister's Office, *Consumer Price Index (CPI), October 2012, Negara Brunei Darussalam*.

Moderate appreciation of the Brunei Dollar against major trading partners' currencies and moderation in the increase of global food prices have helped to contain inflation.

6. In the area of financial sector regulation and supervision, a new credit card notice was enforced to supplement the earlier one issued to the banks in 2010. In addition to continuing to inculcate a more disciplined credit culture, this notice also serves to alleviate debt repayment burden of credit card holders. AMBD also issued a notice to the banks and finance companies to remove the requirement for personal guarantees. The objective is to promote prudent credit risk assessment by adopting fair, transparent and ethical practices in assessing their customers' credit worthiness.
7. The legal framework for combating financial crime and the financing of terrorism was further strengthened with the enactment of a new anti-money laundering legislation entitled the Criminal Asset Recovery Order, 2012 (CARO) on 16th June 2012. AMBD is now legally empowered to require financial institutions and designated non-financial businesses and professions to discharge their obligations under the law to prevent money laundering and the financing of terrorism.
8. Another important milestone was achieved when the Credit Bureau of AMBD became fully operational. The bureau aims to help the banks and finance companies significantly improve credit risk management, reduce information gaps and make more informed decisions efficiently. Besides that, it will instil greater financial discipline amongst borrowers so that they maintain good credit history.

Future Developments

9. AMBD's prudent supervision of financial institutions continues to be fundamental in maintaining the country's macroeconomic stability. Furthermore, the increased inter-linkages between the different sectors of the economy require more emphasis on macroprudential supervision.
10. High on AMBD's agenda will be the enhancement and further strengthening of the financial sector infrastructure. To this end, the modernisation of the national payment and settlement system is especially crucial in our efforts to further develop the capital market. Special attention will be devoted towards growing and expanding the domestic Islamic Finance industry as well as to promote Brunei Darussalam as an Islamic Financial hub. This effort will leverage on the existing excellent Islamic credentials the country possesses and capitalise on the tremendous growth potential of Islamic Finance regionally and globally.

11. AMBD will continue to be vigilant against the possible misuse of the domestic financial sector which could pose a threat to the stability of the financial system. Efforts in further enhancing compliance with international best practices and fostering closer cooperation with foreign authorities and international financial institutions will be intensified. It is also crucial that the public is well informed and able to comprehend the risks associated with unlicensed and illegal financial activities. In this regard, AMBD will embark on more outreach programmes to educate and to promote financial literacy among the general public. The success of these programmes will benefit from the strong support of financial institutions and closer collaboration with other relevant agencies.
12. As mandated, AMBD will continue to take appropriate measures to safeguard domestic price stability and ensure financial system stability. AMBD has begun the groundwork towards establishing the national payment and settlement system and will strive to further develop the financial services sector. Such endeavours are crucial to complement national efforts towards achieving a sustainable and dynamic economy.