



KEYNOTE ADDRESS

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STANDARD CHARTERED GLOBAL RESEARCH BRIEFING FOR H2 2022

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Indera Samudra Grand Ballroom, The Empire Hotel,

Jerudong, Brunei Darussalam

BISMILLAHIRRAHMAANIRRAHIM
ALHAMDULILLAHI RABBIL ALAMIN
WASSALATU WASSALAMU 'ALA
ASYRAFIL AMBIYA E'WALMURSALEEN,
SAYYIDINA MUHAMMADIN WA'ALA ALIHI
WASAHBIHI AJMAIN
WA BA'ADU

His Excellency John Virgoe, British High Commissioner to Brunei Darussalam

Yang Mulia Pengiran Aki Ismasufian bin Pengiran Haji Ibrahim, Chief Executive Officer of Standard Chartered Bank, Brunei Darussalam

Distinguished Speakers and Panelists,

Esteemed Attendees,

Ladies and Gentlemen,

ASSALAMUALAIKUM WARAH MATULLAHI WABARAKATUH
And A VERY GOOD MORNING.

Alhamdulillah, I am delighted to join you this morning as the keynote speaker. It is certainly refreshing to be able to attend this event physically as it undeniably offers a more interactive avenue for discussions and exchange of ideas.

As we stride into the fourth quarter of 2022, geopolitical risks continue to cause vulnerabilities towards global economic growth and distort the predictability of financial markets. In addition, the spillover effects from the ongoing conflict between Russia and Ukraine are pushing global inflation and energy prices up and now accelerated inflation beyond forecasts.

Ladies and gentlemen,

Inflation is indeed a global concern. Many central banks around the world have begun tightening monetary policy while being mindful of the possibility and potential consequences of economic recession which could

derail the post-pandemic recovery in many economies, as well as additional risk to highly-leveraged corporates and households. The Managing Director of the International Monetary Fund (IMF) had recently described business conditions in the last three months to have “darkened significantly,” and the risk of a global economic recession is on the rise. Furthermore, the social impact of inflation is also being carefully monitored as the income inequality gap, that had widened in the wake of the COVID-19 pandemic, could be further exacerbated with fast rising prices.

In Brunei Darussalam, rapidly rising prices are often featured in day-to-day conversations. Though the overall inflation is rising at a relatively more manageable pace compared to many major economies around the world, businesses and households alike here have had to adjust their costing and spending patterns significantly. Many businesses interviewed in BDCB’s monthly Business Sentiment Index survey have shared their concerns regarding rising operational costs stemming from more expensive raw materials, as well as high transportation and logistics costs that erode their profit margins.

Nonetheless, despite the relatively higher inflation averaging at 3.3 per cent in the first quarter of 2022, the domestic economy is expected to hold up well this year with higher government revenue from elevated oil prices, further relaxation of COVID-19 restrictions, and several ongoing Foreign Direct Investment (FDI) projects. After a 1.6 per cent contraction in 2021, the Department of Economic Planning and Statistics (DEPS), Ministry of Finance and Economy, forecasted GDP growth rate to be within the range of 0.4 to 0.8 per cent in 2022. The Non-Oil and Gas Sector is expected to be the primary growth driver contributing between 6.3 to 7.0 per cent while the Oil and Gas sector contribution is expected to decline by about 5.2 per cent.

Ladies and gentlemen,

Many of us have heard that the tipping point is certainly near. There are heightened concerns that the confluence of numerous downside risks could tip some countries into recession in the near to medium-term. The International Monetary Fund has revised down its global growth forecast for the third time this year from 3.6 per cent to 3.2 per cent for 2022 and from 3.6 per cent to 2.9 per cent for 2023 to reflect the impact of, among other factors, rising inflation, aggressive interest rate hikes by central banks, a slowdown in global economic growth and sanctions against Russia.

The financial markets are not spared from these impacts. We are also facing a unique situation as we observed that the typical negative correlation between equity and bond markets no longer hold. Both the bond and equity markets are indeed heavily affected by the rising global inflation. On one hand, the surging inflation and the rapid interest rates hikes by the Federal Reserve have sent bond yields up and prices sharply lower, detrimentally impacting Fixed Income investments. On the other hand, MSCI World Index has

declined by 15.0 per cent year-to-date, as businesses continued to be affected by the higher costs of production and investors need to look harder in search of returns.

There is also market meltdown in cryptocurrencies and stablecoins in the past few months which have pushed global financial regulators to call for tighter oversight of such virtual assets, with concerns on the extreme volatility and vulnerabilities that could impact other assets. International standard setting bodies such as the International Organisation of Securities Commissions (IOSCO) have published a roadmap for crypto-asset regulation earlier this month, outlining its ambition to lay down a basic framework of principles and recommendations to address risks across the crypto-asset ecosystem and to apply them globally, in the next 12 to 24 months. While the use of cryptocurrencies and stablecoins is not yet prevalent domestically, BDCB foresees this to be a potential risk area and is also working on putting in place the necessary frameworks to bring such crypto-assets into its regulatory fold and to address such harms.

While all of these issues may seem overwhelming for entities around the globe, they bring about the very important lesson on **resilience** – that is the ability to withstand unpredictable threats or changes and to emerge stronger. Few could have predicted the perils we face today, and things may continue to be unpredictable in the future. All one could and should do is be prepared.

Alhamdulillah, His Majesty The Sultan and Yang Di-Pertuan of Brunei Darussalam's Government's diversification and digitalisation initiatives as outlined in the Economic Blueprint and the Digital Economy Masterplan are well underway to support future economic developments that will spur sustainable growth in the country. Moreover, the corresponding frameworks and infrastructures are envisaged to be able to weather both acknowledged and unexpected shocks.

Complementing the initiatives, BDCB continues on our pursuit to further develop and diversify the financial services sector that will serve as a catalyst to economic growth. Through the strategies chartered in the Financial Sector Blueprint and Digital Payment Roadmap, we aspire to create a conducive environment that can cultivate the growth of a dynamic and diversified financial services sector equipped with the ability to withstand shocks and vulnerabilities.

Like many central banks or regulators, BDCB has also strengthened its regulatory frameworks and putting in place important prudential safeguards. Financial Institutions are more robust and continue to be safe and sound, as what we have seen throughout the past 2 years. But we will not be complacent because the current chain of events are unprecedented.

With active collaboration between policy-makers and the industry players, we shall be able to emerge from this challenging time standing tall as the headwinds facing the global economy and financial markets are likely to persist for a while. However, what defines us are our responses and strategies in navigating through this turbulent time.

I shall stop here, I look forward to hearing views on the current issues facing us today and I wish everyone a successful day ahead.

WABILLAHITAUFIKWALHIDAYAH

WASSALAMU'ALAIKUMWARAHMATULLAHIWABARAKATUH.