



## **Policy Statement**

**2/2025**

Date: 30 December 2025

### **Global and Regional Economic Developments**

1. In the World Economic Outlook (WEO) October 2025 report, the International Monetary Fund (IMF) revised upwards their global growth forecasts to 3.2% for 2025 and 3.1% for 2026 from earlier estimates of 2.8% and 3.0%, respectively. This was driven by the robust activity in the first half of the year, which was largely contributed by smaller-than-expected trade policy shocks and temporary factors such as front-loaded trade and investment activities as well as inventory adjustments. Nevertheless, the global economic outlook remains fragile as these effects diminish. Key risks including prolonged policy uncertainty, escalation of protectionist measures and potential financial market volatility may continue to weigh on global economic prospects.
2. The IMF expects global headline inflation to decline from 5.7% in 2024 to 4.2% in 2025 and 3.7% in 2026. While the downward inflationary trend underpinned by past monetary tightening is expected to continue, the inflation outlook is somewhat divergent among economies, reflecting different extents of inflationary pressures. Upward price pressures continue to persist in the United States (U.S) and United Kingdom, whereas the rest of the world are expected to see muted price growth amid favourable supply-side conditions. Globally, risks to inflation remain tilted to the downside, driven by softer global demand, adequate supply conditions, oversupply in oil markets and slower global growth momentum.
3. Global oil prices declined during the year, influenced by factors such as easing geopolitical tensions, higher production by the Organisation of the Petroleum Exporting Countries (OPEC+) as well as other major producers, such as the U.S., Canada, and Brazil, and weaker global demand amid sluggish economic activity. Oil prices are expected to remain at low levels as OPEC+ plans a modest output increase in late 2025 before pausing additional production in early 2026 to prevent a potential supply glut. Natural gas prices also fell, reflecting abundant supply and soft demand in key markets, such as China and India. The decline was compounded by rising renewable energy use, improved energy

efficiency, and milder weather conditions. However, prices are expected to rebound slightly in the nearer term, supported by seasonal winter demand, while lower inventories following strong production buildup in late 2025 are expected to keep prices elevated in the following year.

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

4. In the first three quarters of 2025, Brunei Darussalam's Gross Domestic Product (GDP) reported a 0.7% year-on-year contraction. The Oil and Gas sector grew by 0.6% on the back of stabilising oil and gas production, while the Non-Oil and Gas sector declined by 1.9%, largely due to declined performance in several subsectors. Reduced activities in the Manufacture of Petroleum and Chemical Products subsector, driven by scheduled maintenance activities had led to lower production of methanol and urea fertiliser. The Finance sector also contributed to the weakness in overall performance, contracting by 4.5% year-on-year, as a lower global interest rate environment resulted in reduced income from banking activities.
5. The growth outlook for Brunei Darussalam is expected to moderate to a sustainable pace in 2025 as both upstream and downstream oil and gas production continue to stabilise towards the end of the year. Other developments in key foreign direct investment projects, in addition to the implementation of strategic projects under the 12<sup>th</sup> National Development Plan (RKN12), are further expected to bolster economic growth.
6. The Business Sentiment Index (BSI) recorded an average of 50.0 during the January – November 2025 period, reflecting mixed sentiments amongst private sector businesses across different sectors and sizes. Optimism was largely supported by seasonal demand linked to festive celebrations, large-scale events, and school holidays, as well as new project awards, contract tenders, and promotional activities that stimulated spending. On the other hand, pessimistic sentiments were driven by factors such as slower project mobilisation, adverse weather conditions, cash flow constraints, and competitive pressures. Meanwhile, external factors also weighed on sentiment for export-oriented companies amid softer demand from key export markets and commodity price volatility.
7. In line with the downward trend in global inflation, Brunei Darussalam recorded average inflation rate of -0.3% year-on-year between January to November 2025. This was attributed to lower prices in the Food and Non-alcoholic Beverages index and Non-Food indices, especially Transport and Recreation & Culture. Looking ahead, inflationary pressures are expected to remain relatively contained with government subsidies, administrative price controls and the country's monetary policy in place. The effects of imported inflation on domestic prices have been minimised owing to the Brunei Dollar's one-to-one parity to the Singapore Dollar. This is expected to continue as the Monetary Authority of Singapore maintained policy settings for a modest and gradual appreciation

of the Singapore Dollar Nominal Effective Exchange Rate (S\$NEER) after easing its monetary policy twice earlier this year. Taking these factors and the latest Consumer Price Index (CPI) data into consideration, Brunei Darussalam Central Bank (BDCB) forecasts inflation for Brunei Darussalam in 2025 to fall within the range of -0.6% to 0.4%.

### **Brunei Darussalam's Monetary and Financial Sector Developments**

8. Given the recent developments where global interest rates have been declining, the Financial and Monetary Stability Committee (FMSC) lowered the Overnight Deposit Rate and Overnight Lending Rate by a total of 100 basis points in its July, September and November 2025 meetings to 0.50% and 1.50%, respectively. These measures ensure that BDCB's monetary operations continue to align with the Currency Board principles while encouraging domestic money market activities. The FMSC will continue to ensure that there is ample liquidity for a well-functioning domestic financial system.
9. Persistent trade protectionism, heightened geopolitical tensions, and uncertainty surrounding the global growth outlook have also continued to weigh on investor confidence. Although Brunei Darussalam's direct exposure to these external shocks remains contained, such developments underscore the need for continued vigilance and the preservation of strong macro-financial buffers to safeguard stability amid a slower global growth environment and shifting policy dynamics.
10. As of Q3 2025, Brunei Darussalam's financial sector, consisting of both Islamic and conventional financial institutions, continued to demonstrate resilience and stability – growing by 5.5% with a total asset size of BND25.6 billion. The Islamic finance sector assets amounted to BND14.8 billion, representing 57.5% of the total assets, while the conventional finance sector held BND10.9 billion. Overall, deposit-taking institutions made up 91.5% of the sector with an asset base of BND23.5 billion. Meanwhile, the takaful and insurance industry and capital markets industry held 8.4% and 0.1%, respectively of total financial sector assets.
11. The banking industry remained well-capitalised and highly liquid, with an aggregate Capital Adequacy Ratio (CAR) of 18.7%, comfortably above regulatory requirements, and a Liquid Assets-to-Total Assets ratio of 41.6%, indicating ample liquidity to support financial intermediation and absorb potential shocks. Total banking assets grew by 5.5% year-on-year to BND20.8 billion, driven by an 11.5% year-on-year increase in lending to BND8.3 billion, mainly from corporate financing. Asset quality improved with the Net Non-Performing Loans/Financing ratio (NPLF) at 1.0% from 1.3% a year earlier, supported by prudent risk management and sound provisioning. Deposits rose 5.6% to BND16.8 billion, reflecting higher demand for demand deposits and continued public confidence in the banking system. Despite a slight moderation in profitability, with Return on Assets (ROA) at 1.4%

and Return on Equity (ROE) at 10.0%, earnings remained robust on the back of steady credit growth and strong capital positions.

12. BDCB continues to engage actively with industry stakeholders to ensure that its regulatory and supervisory frameworks remain robust and responsive to evolving market developments, thereby safeguarding the stability and resilience of the financial system. As part of these ongoing efforts, BDCB is developing the Digital Payment Roadmap 2026-2030 which aims to ensure that digital payments in Brunei Darussalam are convenient, secure, and aligned with consumer needs. In developing the roadmap, BDCB conducted industry and public surveys between July to September 2025, focusing on current challenges and consumer needs in digital payments.
13. On 25 November 2025, BDCB officially launched the Brunei Darussalam Sustainable Finance Roadmap (SFR), themed “A Sustainable and Climate-Resilient Financial Sector”. The SFR serves as a strategic guide for the financial sector in adopting and integrating sustainable finance, encompassing climate adaptation and mitigation measures.
14. Brunei Darussalam ranked 13<sup>th</sup> out of 140 countries assessed globally in the Islamic Finance Development Report (IFDI) 2025: 50 Years of Exponential Growth, published by the Islamic Corporation for the Development of the Private Sector (ICD) and the London Stock Exchange Group (LSEG). Drawing on 2024 data, the report shows that Brunei’s IFDI 2025 score improved to 31 points, up from 29 points in the preceding year, with the greatest improvement in the Awareness indicator.

**Data sources:**

Brunei Darussalam Central Bank (BDCB)

Department of Economic Planning and Statistics (DEPS), Ministry of Finance and Economy

International Monetary Fund (IMF)