



BRUNEI DARUSSALAM

March 2025

STAND-ALONE PROPOSAL TO MOVE BRUNEI DARUSSALAM TO A 24-MONTH ARTICLE IV CONSULTATION CYCLE FROM ITS CURRENT 12-MONTH CYCLE

This paper on Brunei Darussalam was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the Brunei Darussalam to move it to a 24-month Article IV consultation cycle. It is based on the information available at the time it was completed on February 19, 2025.

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KEY ISSUES

Recent Developments, Outlook, and Risks. Brunei's economy remains strong, with its resilience boosted by comfortable buffers and continued prudent macroeconomic policies. The outlook is stable. As in the 2024 Article IV Consultation, risks remain balanced; global policy uncertainty is mitigated, inter alia, by robust commodity prices.

Main Recommendations. Brunei Darussalam is currently on a 12-month Article IV Consultation cycle. Following the conclusion of the 2024 Article IV Consultation with Brunei Darussalam in September 2024, staff discussed with the Executive Director and authorities shifting to a 24-month Article IV Consultation cycle. The proposed decision would effect this change in consultation cycle. Brunei comfortably meets all criteria to move into a 24-month Article IV Consultation Cycle, as detailed in [Decision No. 14747-\(10/96\)](#). It is expected that the next Article IV Consultation with Brunei Darussalam will take place in FY 2027, with a Board meeting by September 2026, two years after the completion of the last Article IV Consultation.

Approved By
Maria Gonzalez (APD)
and **Tokhir Mirzoev**
(SPR)

Prepared by Ritu Basu (head), Irina Yakadina, and Ricardo Pinto Davico (all APD). Julianne Ams and Sebastian Grund (LEG) provided helpful guidance and contributed to the paper, and Carol Reis (APD) helped prepare this report.

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CONTEXT AND RECENT DEVELOPMENTS

1. **Brunei Darussalam is on a 12-month Article IV Consultation Cycle.** After the conclusion of the 2024 Article IV Consultation with Brunei Darussalam in September 2024, staff discussed with the Executive Director and authorities shifting to a 24-month Article IV Consultation cycle. The proposed decision would effect this change in consultation cycle.
2. **Brunei's economy remains strong, with its resilience boosted by comfortable buffers, and continued prudent macroeconomic policies.** As noted in the 2024 Article IV Consultation, the economic outlook is stable, and risks remain balanced—with the downside from global policy uncertainty mitigated, inter alia, by robust commodity prices (Table 1, Annex 1). Given these strengths, the country's limited potential for outward spillovers and the fact that it has no outstanding credit to the Fund, Brunei comfortably meets the criteria for moving to a 24-month surveillance cycle.
3. **The shift to a longer Article IV Consultation cycle would continue to adequately support Fund surveillance and a strong policy dialogue with Brunei.** Moving to a 24-month cycle would provide the Bruneian authorities with adequate time for implementing the policy reform priorities identified in the 2024 Article IV Consultation. It would also allow to continue with the close ongoing engagement in policy dialogue and capacity development (CD), in compliance with Decision No. 1474-(10/96), as amended (see below). The Bruneian authorities have agreed to a 24-month Article IV Consultation cycle.

BACKGROUND

4. **Criteria for moving to the 24-month cycle:** As per [Decision No. 14747-\(10/96\)](#), as amended, the Fund can extend a member's consultation cycle up to 24 months unless the member: *(i) is of systemic or regional importance; (ii) is perceived to be at some risk because of policy imbalances or particular threats from exogenous developments, or the member is facing pressing policy issues of broad interest to the Fund membership, or (iii) has outstanding credit to the IMF over 150 percent of its quota.*¹ Under the Decision, a move to a 24-month cycle also requires consultation with the Executive Director and the member's consent. Fund members in arrangements such as the FCL, PLL, or SLL, which require the member to automatically be placed on a 12-month cycle, (13, [Decision No. 14747-\(10/96\)](#)), are not eligible. None of these restrictions applies to Brunei Darussalam.
5. **Modalities to ensure continued engagement.** While on a 24-month cycle, an interim staff visit will replace the Article IV consultation mission every other year to allow continued engagement. The authorities' capacity development (CD) requests will be processed as usual, based on agreed-upon priorities by the authorities and the Fund. It is expected that the next Article IV Consultation with Brunei Darussalam will take place in FY 2027, with a Board meeting by September 2026, two years after the completion of the last Article IV Consultation.

¹ See Table 2, Policy Paper No. 2025/001. "[Considerations for the Comprehensive Review of GRA Access Limits.](#)"

Table 1. Brunei Darussalam: Selected Economic and Financial Indicators 1/ (2020 - 2030)

Area: 5,765 sq. kilometers
 Population (2023): 450,500
 Nominal GDP per capita (2023): US\$33,581.1

Main export destinations (2023): Australia (21.5 percent), China (16.9), and Singapore (16.7)
 Unemployment rate (2023): 5.1%
 Labor force participation rate (2023): total 67.2; male 75.8%; female 57.3%

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Output and Prices											
Nominal GDP (millions of Brunei dollars)	16,564	18,822	23,003	20,274	20,872	22,794	23,535	24,311	25,251	26,574	27,828
Nominal non-oil and gas GDP (millions of Brunei dollars)	8,868	9,790	11,043	10,883	11,442	12,495	13,721	15,162	16,361	17,794	19,118
Real GDP (percentage change) 1/	1.1	-1.6	-1.6	1.4	2.6	2.7	2.6	2.7	2.9	3.1	3.1
Oil and gas sector GDP	-4.9	-4.8	-7.3	-2.0	2.6	3.1	3.1	1.6	1.4	1.2	1.0
Non-oil and gas sector GDP	8.9	2.0	4.3	4.5	2.6	2.2	2.2	3.5	4.1	4.6	4.7
Oil production ('000 barrels/day)	110	107	92	74	84	94	94	95	94	94	94
Natural gas output (millions BTUs/day)	1,358	1,253	1,151	1,214	1,226	1,201	1,220	1,290	1,301	1,303	1,303
Average Brunei oil price (U.S. dollars per barrel)	43.3	72.1	107.7	87.1	87.2	83.6	78.4	76.1	75.1	74.4	73.9
Average Brunei gas price (U.S. dollars per million BTU)	6.7	9.1	14.4	10.9	9.5	11.5	10.1	8.4	7.3	6.8	6.4
Consumer prices (period average, percentage change)	1.9	1.7	3.7	0.4	-0.4	1.0	1.0	1.0	1.0	1.0	1.0
(Fiscal Year, In percent of GDP)											
Public Finances: Budgetary Central Government											
Total revenue	12.6	24.0	28.3	17.3	19.2	18.7	17.4	16.3	15.5	15.1	14.9
Oil and gas	7.7	20.2	24.5	13.0	13.6	13.3	12.1	11.1	10.1	9.5	9.2
Other	5.0	3.8	3.9	4.3	5.6	5.4	5.3	5.2	5.4	5.6	5.6
Total Expenditure	32.6	29.1	26.7	29.2	29.1	28.0	27.5	26.9	26.1	25.2	24.5
Current	31.3	28.0	25.8	27.4	26.8	25.8	25.2	24.6	23.8	22.9	22.3
Capital	1.3	1.1	1.0	1.8	2.4	2.3	2.3	2.3	2.3	2.3	2.2
Overall balance 2/	-20.0	-5.1	1.6	-11.8	-9.9	-9.3	-10.1	-10.6	-10.6	-10.2	-9.7
Overall primary balance excluding royalties	-25.8	-22.5	-19.8	-22.6	-21.2	-20.3	-20.1	-19.7	-18.9	-17.9	-17.2
Non-oil and Gas Balance (In percent of non-oil and gas GDP)	-46.1	-44.3	-40.2	-41.8	-38.7	-36.5	-33.8	-31.3	-28.9	-26.6	-24.8
(12-month percent change)											
Money and Banking											
Private Sector Credit	0.2	2.7	6.0	3.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Narrow money	20.8	6.5	1.2	0.7	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Broad money	-0.4	2.7	1.3	2.7	2.6	2.7	2.7	2.7	2.7	2.7	2.7
(In millions of U.S. dollars, unless otherwise indicated)											
Balance of Payments											
Goods	1,359	2,679	5,153	3,800	4,128	4,719	4,555	4,043	4,050	4,144	4,448
Exports	6,535	11,001	14,130	11,238	11,514	12,474	12,498	12,139	12,447	12,838	13,295
Of which: oil and gas	2,943	4,730	5,660	4,185	4,023	4,805	4,626	3,888	3,680	3,616	3,584
Imports	5,176	8,322	8,977	7,439	7,386	7,755	7,943	8,096	8,397	8,694	8,847
Services (net)	-855	-696	-848	-1,302	-1,321	-1,268	-1,170	-1,083	-1,010	-955	-973
Primary Income (net)	360	90	-370	194	315	229	187	201	166	125	79
Secondary Income (net)	-350	-502	-671	-747	-640	-686	-691	-672	-683	-682	-679
Current Account Balance	514	1,570	3,264	1,944	2,482	2,993	2,881	2,488	2,522	2,631	2,875
Current Account Balance (in percent of GDP)	4.3	11.2	19.6	12.9	15.9	17.9	16.7	13.9	13.6	13.5	14.1
Gross Official Reserves 3/	3,997	4,980	5,035	4,485	4,586	4,687	4,781	4,879	4,981	5,088	5,198
In months of next year's imports of goods and services	5.2	5.9	6.7	5.9	5.9	5.9	5.9	5.9	5.9	5.9	...
Brunei dollars per U.S. dollar (period average)	1.38	1.34	1.38	1.34	...	...	...	...	...	...	...
Brunei dollar per U.S. dollar (end of period)	1.34	1.36	1.35	1.33	...	...	...	...	...	...	...

Sources: Data provided by the Brunei authorities; and Fund staff estimates and projections.

1/ Non-oil and gas GDP includes the downstream sector.

2/ In absence of government debt and interest payments, this is also primary balance.

3/ Comprises foreign exchange assets of Brunei Darussalam Central Bank, SDR holdings, and reserve position in the Fund.

Annex I. IMF Article IV Policy Recommendations for Brunei Darussalam, 2022-24¹

Article IV Consultation	Structural Reforms	Fiscal Policy	Monetary, Exchange Rate and Financial Policies
2024	<p>"The authorities' commitment to ambitious and sustained structural reforms will be critical to ensure growth and diversification, including by transitioning to a low-carbon economy."</p> <p>"Data provided to the Fund has some shortcomings that somewhat hamper surveillance and data quality should be strengthened."</p>	<p>"The narrowing output gap, O&G revenue uncertainty and long-term decarbonization trends warrant a prudent fiscal stance, while protecting the vulnerable and public investment. While the use of fiscal buffers in FY 2023/24 was appropriate in view of the cyclical position and to support economic recovery, restoring fiscal buffers through growth-friendly fiscal consolidation should be prioritized going forward. This will require enhanced revenue generation, and could be supported by a low-rate carbon tax, and expenditure rationalization—including via more targeted subsidies. These efforts should be guided by a fiscal consolidation plan with clear fiscal targets. Plans to establish a MTFE and fiscal anchors, strengthening fiscal risk management and transparency are welcome."</p>	<p>"The currency board arrangement with Singapore is sound and has played a key role in supporting Brunei's macroeconomic and financial sector stability."</p> <p>"The financial sector remained stable with strong capital and liquidity buffers."</p>
2023	<p>"Despite its negligible share of global emissions, Brunei has committed to an ambitious Net Zero Target by 2050 and efforts should focus on implementing the transition plan without delay."</p> <p>"Structural reform efforts should focus on reducing O&G dependency."</p> <p>"Data quality should be improved."</p>	<p>"Given the uncertainty around O&G reserves and prices, and the long-term decarbonization pressures, fiscal prudence should be maintained by implementing a well-targeted consolidation policy, while protecting the vulnerable and public investment. While the investment-driven fiscal expansion in FY 2023/24 is appropriate in view of the cyclical position and scarring from pandemic, a growth-friendly fiscal consolidation should be prioritized. A credible medium-term fiscal framework focused on the non-O&G balance as a share of non-O&G GDP should anchor consolidation efforts, and could focus on mobilizing non-O&G revenue, containing the wage bill, shifting from broad-based to targeted subsidies, improving fiscal transparency of GLCs, and enhancing fiscal risk analysis. The fiscal reserves could be leveraged to deploy temporary policy support should downside risks materialize."</p>	<p>"Brunei's longstanding currency board arrangement with Singapore has played a key role in supporting Brunei's macroeconomic and financial sector stability."</p> <p>"The financial sector is stable, has strong capital buffers and abundant liquidity, and efforts are needed to deepen the financial markets to support economic diversification."</p>
2022	<p>"The recent efforts to diversify the economy are welcome and should continue. Compared to other large O&G exporters in the world, the Brunei economy is</p>	<p>"Targeted fiscal support measures remain important to sustain the economic recovery, while pandemic relief measures should be discontinued. Targeted fiscal support to the vulnerable should be provided until the recovery is solid and fiscal buffers should be restored under recent high energy prices. Looking beyond the short term, fiscal reforms should be implemented</p>	<p>"Preliminary estimates for 2021 suggest the external position is substantially weaker than suggested by fundamentals and desirable policies. Wage containment measures for the public sector and</p>

¹ Extracts from the Executive Board Assessments in IMF Country Report No. 24/301, Country Report No. 23/346, and Country

Article IV Consultation	Structural Reforms	Fiscal Policy	Monetary, Exchange Rate and Financial Policies
	<p>significantly less diversified. Expanding the export portfolio and increasing the alignment between the export structure and the country's comparative advantages should help support growth and sustainability. In this regard, recent growth in downstream sectors, as well as in fertilizers and food industries are encouraging. Continued improvement in human capital development and digital infrastructure will facilitate the expansion of diverse industries and private sector led growth."</p> <p>"The authorities have made efforts to improve data management. Continued commitment to improve data compilation and reporting is recommended and closer cooperation in capacity development with the Fund is welcome."</p>	<p>continuously to make public finance efficient and secure intergenerational equity. Staff therefore advocates increased fiscal consolidation to the level of sustainable long-term expenditure. This effort could include: (i) preservation of growth-enhancing spending, (ii) reform of untargeted subsidy and social spending, (iii) reduction in the wage gap between the public and private sectors, (iv) mobilization of revenues from the non-O&G sector, (v) active promotion of corporatization and PPP, and (vii) improvement of GLCs' performances. Accelerated digitalization of fiscal activities should help improving efficiency."</p>	<p>fiscal consolidation would help rebalance the external position."</p> <p>"Credit to the private sector should be expanded in conjunction with diversification initiatives."</p>