

BEST'S COUNTRY RISK REPORT

Brunei Darussalam

CRT-4

August 22, 2018

Region: Asia

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political and Financial System Risk.
- Brunei Darussalam has high levels of economic and financial system risks and a moderate level of political risk. Its economy is concentrated in the hydrocarbon sector and is vulnerable to fluctuations in global demand and price volatility for oil and gas. The country reverted to growth in 2017, and the growth rate in 2018 is expected to be 1%; the economy is projected to experience rapid expansion over the medium term, reaching 8% in 2019, while inflationary pressures will remain subdued.
- A.M. Best categorizes the majority of countries in Southeast Asia as CRT-3, CRT-4, or CRT-5. A notable exception is Singapore, a CRT-1 country.



- Country Risk Tier 1 (CRT-1)** Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2)** Low Level of Country Risk
- Country Risk Tier 3 (CRT-3)** Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4)** High Level of Country Risk
- Country Risk Tier 5 (CRT-5)** Very High Level of Country Risk

Regional Summary: Southeast Asia

- Southeast Asia largely consists of the countries located north of Australia, west of New Guinea, east of India, and south of China.
- The region is particularly vulnerable to trade protectionist policies, given its reliance on exports to fuel economic growth. To diminish some of the vulnerability to external conditions, most of the region's countries are trying to implement structural changes which encourage economic diversification and capital market development. Improving infrastructure and shrinking bureaucracy would also bolster the prospects for sustainable economic growth.
- Additional headwinds for the region include political turmoil/uncertainty, poverty due to growing income inequality, endemic corruption, bureaucracy, susceptibility to natural disasters, and the volatility of capital flows and exchange rates owing to ongoing monetary policy normalization in developed countries.
- Growth in the region has been supported by improving global conditions as well as growing domestic demand and increased levels of government spending, particularly on infrastructure.

Vital Statistics 2017

Nominal GDP	USD bn	12.74
Population	mil	0.4
GDP Per Capita	USD	29,712
Real GDP Growth	%	0.5
Inflation Rate	%	-0.1

United Nations Estimates

Literacy Rate	%	96.0
Urbanization	%	77.8
Dependency Ratio	%	38.4
Life Expectancy	Years	77.3
Median Age	Years	30.2

Insurance Statistics - As of 2016

Insurance/Takaful and Capital		
Insurance Regulator	Market Supervision Division of the Monetary Authority	
Premiums Written (Life)	USD mil	59
Premiums Written (Non-Life)	USD mil	49
Premiums Growth (2015 - 2016)	%	0.8

Regional Comparison

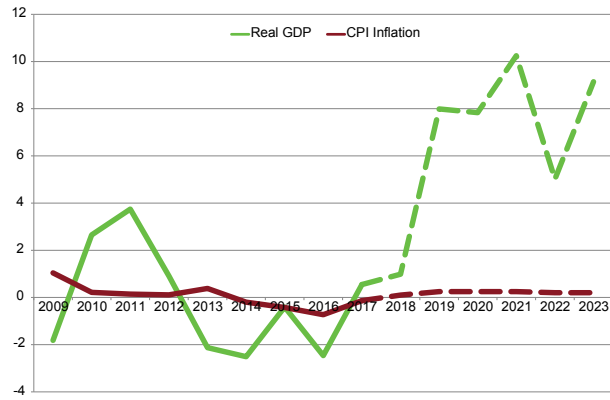
	Country Risk Tier
Brunei Darussalam	CRT-4
Indonesia	CRT-4
Malaysia	CRT-3
Philippines	CRT-4
Singapore	CRT-1
Thailand	CRT-3

Source: IMF, UN, Swiss Re, Axco and A.M. Best



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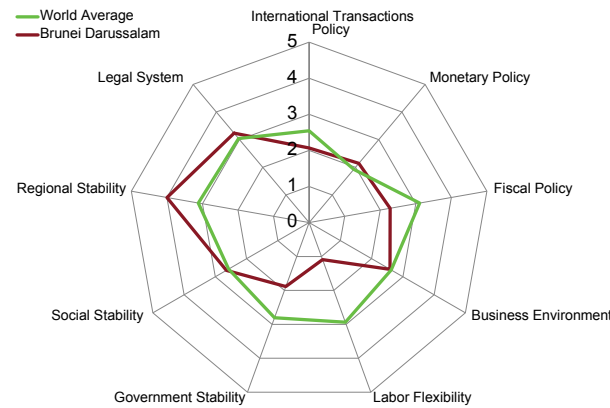
Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

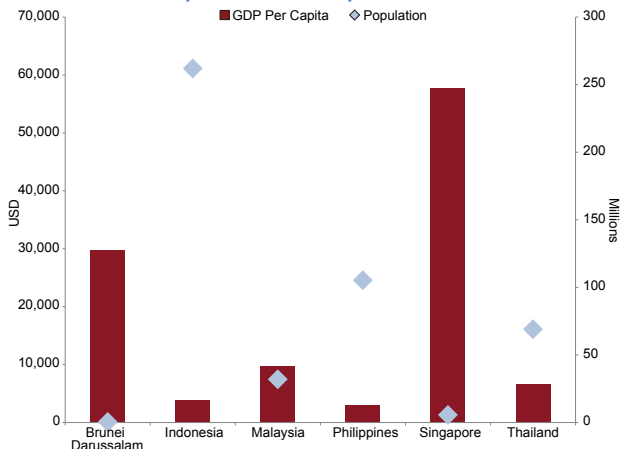
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: High

- Brunei enjoys substantial oil and gas reserves, making it a significant energy producer globally. Hydrocarbon production is the economic mainstay, accounting for 50% of GDP and 90% of exports.
- A positive global outlook, higher oil prices, increased oil production, and construction will drive near-term expansion. Further growth is expected as the Pulau Muara Besar island oil project comes on line at the end of 2018.
- Brunei is a small but affluent country with almost no poverty, thanks to its abundant natural resources. Infrastructure is undergoing modernization and is expected to better support economic activity.
- The country has a consistent current-account surplus, but depends heavily on imports of certain goods, which can expose it to external fluctuations.
- The tax system is attractive in parts of the economy other than the petroleum sector, on which the government depends for most tax revenues.

Political Risk: Moderate

- Brunei is a constitutional sultanate that is largely authoritarian but highly stable. Sultan Hassanal Bolkiah has served as the head of state, prime minister, minister of defense, and minister of finance since 1967.
- The sultan is consistently pro-business, which results in a highly predictable agenda. Corruption is uncommon. However, given the nature of authoritarianism and the country's high power concentration, stability is not guaranteed over the long term.
- Judicial independence ranks 60 out of 137 countries according to the World Bank. The legal environment is stable for business operations. Civil law is gradually being replaced by sharia, but this applies only to Muslims.
- The affluence of the population and good labor relations contribute to a very low risk of social unrest.
- Estimates are that oil and gas reserves will be exhausted around 2040; if no additional discoveries or sources of revenues are secured, political stability can be endangered.

Financial System Risk: High

- The insurance industry is regulated by the Insurance/ Takaful and Capital Market Supervision Division of the Monetary Authority.
- The financial system lacks of transparency, particularly in the energy sectors.
- The country benefits from a low debt burden, large foreign reserves, and strong liquidity and solvency ratios; however, the economic and export base requires diversification.
- The IMF has recommended broadening fiscal reforms and strengthening growth-friendly consolidation efforts.
- Regulation and supervision in the financial sector need enhancements to improve efficiency.