

Growth Accounting and Total Factor Productivity in Brunei Darussalam: A Comparison with ASEAN and GCC Countries

Koh Wee Chian

Abstract

This paper presents the first growth accounting exercise and total factor productivity growth estimates for Brunei Darussalam over the period 1981–2011, and makes a comparison with ASEAN and GCC countries. The results show that Brunei has the lowest GDP and labour productivity growth among the countries. This is primarily due to Brunei having the lowest contribution from total factor productivity and capital input growth. Brunei's growth has largely been driven by its labour input but this contribution has also been declining, suggesting the need to explore other growth avenues. A viable strategy involves increasing productive investments to build up the country's capital stock to address the relatively low levels of investment and declining capital per worker, and concurrently emphasising human capital, R&D and innovation with a longer term view.

Keywords: growth accounting, total factor productivity, Brunei Darussalam, ASEAN, GCC

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Trade Openness and Economic Growth of Brunei Darussalam

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Abstract

Brunei's economy has been growing at a slow and steady rate for the past 50 years mainly on the back of oil and gas production. Recent calls for diversification into other sectors of the economy imply that eventually international trading activity will be higher. This paper explores the relationship between the level of trade openness and growth in the Brunei context employing OLS regression, Granger causality and the ARDL bounds testing cointegration technique. The results suggest that openness and physical capital are not important in explaining both the short run and long run dynamics of GDP growth. In contrast, human capital and inflation show a significant impact on GDP growth in the short run but not in the long run. Given that the benefits of opening up the economy to international trade are yet to be realised in full in the economy of Brunei, pursuing policies that promote international competition will enhance productivity growth. It is also prudent to pursue any policy that helps promote investment and development of import substitution industries. The paper concludes with other policy recommendations.

Keywords: Openness, Economic Growth, Cointegration

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Macroeconomic Consequences of Potential Population Ageing in Brunei

Muhammad Shahid Siddiqui

Abstract

UN population projection shows that Brunei will face more stringent ageing growth than the global average and even the US ageing growth, if it follows business as usual policy strategies. In the absence of addressing ageing issues, Brunei will observe ageing effects in its macroeconomic activities with a decline in its per capita output, consumption and savings. To mitigate the ageing effects, Bruneian policies should address the issues of low fertility rate and potential old age dependency. To raise the fertility rate, levelheaded social strategies such as some monetary transfer, further rationalization of paid maternity leave for working women, and the initiatives of childhood education and care allowances contingent with family income could be helpful. These incentive policies, however, should be contingent on a monitoring mechanism that can control the dynamics of fertility rate whenever it exceeds a desired level in the future. To reduce old age dependency, policies should be made that: i) promote human capital with the emphasis on financial literacy and ii) ensure access to diverse financial products through capital market diversification. Strategies along these lines would enable young and middle generations to enhance their productivity and savings, which ultimately would motivate these generations to work longer than their predecessors. The link between high life expectancy and longer retirement age would partially resolve the issues of labour supply shortage. As productivity growth is considered as a core to reduce the macroeconomic issues of ageing, in-depth investigation in this direction requires a country-specific study on age-productivity linkages.

Keywords: population ageing, fertility rate, longevity, portfolio diversification, saving, productivity

This paper was presented by Muhammad Shahid Siddiqui while he was working as a Senior Research Fellow at CSPS. He received his Ph.D. in Economics from the University of Ottawa, Canada. In addition, he has high experience of conducting research and policy analyses at inter-continental level, including North America, South Asia, and South East Asia. His research interests include environmental and energy economics and macroeconomic modeling. He has published his research and analytical works in reputed international journals.

The Establishment of a Stock Exchange in Brunei: Overview and Recommendations for Implementation

Chong Ming Rui

Abstract

This paper provides a brief summary of Brunei's financial landscape, and suggests that recent developments provide a conducive environment for the creation of a stock exchange. It also touches on the benefits as well as challenges of having a stock exchange, and uses existing literature to show that empirical evidence supports the establishment of a stock exchange in Brunei. This paper also provides some recommendations in order to address the challenges mentioned and aid in the implementation of a stock exchange.

Keywords: Stock exchange, stock market, economic growth, Wawasan, productivity, financial development, capital market

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