



## Media Release

---

### **RAM Ratings reaffirms Brunei's $gA_{1(pi)}$ rating on sizeable sovereign reserves**

---

RAM Ratings has reaffirmed Brunei's respective global- and ASEAN-scale ratings of  $gA_{1(pi)}$ /stable and  $_{sea}AAA_{(pi)}$ /stable. The ratings reflect the country's solid net asset position (around 3 times the size of its GDP), backed by sizeable sovereign reserves, which provide a strong buffer against near-term fiscal and external deterioration stemming from sharply lower energy prices in recent years.

"Brunei's sturdy sovereign balance sheet is a strong anchor against output and price volatilities in the energy sector, considering its heavy reliance on hydrocarbons for fiscal and external performance," notes Esther Lai, RAM's Head of Sovereign Ratings. The government registered a substantial fiscal deficit of 16.9% of GDP in FY 2016, and projected to remain wide at 14.6% of GDP in FY 2017 in view of depressed hydrocarbon revenue and a still-high expenditure level. That said, fiscal reserves are estimated to hold up firmly at 303.6% of GDP as at end-FY 2017, after factoring in drawdowns to fund fiscal shortfalls. While Brunei's current account is expected to slip into a deficit of 4.1% of GDP in 2017 owing to lower energy export receipts and increased imports in relation to large-scale projects, its foreign reserve holdings (24.9% of GDP in 2015) are adequate to meet external liquidity needs.

The economy remains heavily concentrated in the hydrocarbon sector (comprises 58% of overall GDP) and exposed to its vagaries, as seen in economic recessions in recent years triggered by production disruptions in the sector. Non-hydrocarbon sectors, however, lack vibrance and are reliant on energy-related activities and public sector-driven investments.

#### **Analytical contact**

Cheong Kah Weng  
(603) 7628 1113  
kahweng@ram.com.my

#### **Media contact**

Padthma Subbiah  
(603) 7628 1162  
padthma@ram.com.my

## **Date of release: 5 January 2017**

The credit rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment on the security's market price or its suitability for a particular investor, nor does it involve any audit by RAM Ratings. The credit rating also does not reflect the legality and enforceability of financial obligations.

RAM Ratings receives compensation for its rating services, normally paid by the issuers of such securities or the rated entity, and sometimes third parties participating in marketing the securities, insurers, guarantors, other obligors, underwriters, etc. The receipt of this compensation has no influence on RAM Ratings' credit opinions or other analytical processes. In all instances, RAM Ratings is committed to preserving the objectivity, integrity and independence of its ratings. Rating fees are communicated to clients prior to the issuance of rating opinions. While RAM Ratings reserves the right to disseminate the ratings, it receives no payment for doing so, except for subscriptions to its publications.

Similarly, the disclaimers above also apply to RAM Ratings' credit-related analyses and commentaries, where relevant.

Published by RAM Rating Services Berhad  
© Copyright 2017 by RAM Rating Services Berhad