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'Govt may seek special dividend'

PETRONAS ANNUAL PAYMENT

'GOVT MAY SEEK SPECIAL DIVIDEND'

Malaysia's subsidy bill likely to hit RM28b this year without more targeted approach

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THE government may end up leaning on Petroliaam Nasional Bhd (Petronas) for a special dividend to help plug the subsidy bill gap and keep the broader fiscal deficit at around six per cent of gross domestic product (GDP), said OCBC Bank.

Its economist, Wellian Wiranto said without a shift to a more targeted subsidy from the current blanket approach, Malaysia's subsidy bill might reach RM28 billion (1.7 per cent of GDP) this year versus RM11 billion (0.7 per cent of GDP) last year.

"While the (commodity price) upsurge is felt across the commodities complex, the pertinent one remains that of the price of crude oil, given how it filters most pervasively throughout all economies.

"To that end, even a net oil and gas producer such as Malaysia is not spared. Although the price surge benefits its trade balance and fiscal revenues, it will have to

choose between a rise in fiscal expenditure if it keeps the fuel subsidy and an inflationary wave if it does not."

Wellian said the government was opting for the middle ground, floating the idea of a more targeted subsidy scheme that allowed only the poorer households to enjoy discounted fuel rather than the current blanket approach.

He added that given the large gap between real and subsidised prices (RON95 fuel sells at RM2.05 a litre although it costs RM3.70, or 80 per cent higher), potential leakages from some transactions could not be dismissed.

"Having access to the Petronas pot would be especially important given that it remains unclear how the targeted subsidy scheme would work in practice," he said in a report.

Wellian said the pass-through of high commodity prices to domestic inflation should remain relatively muted for Malaysia should the government decide to implement a more targeted subsidy scheme rather than the cur-



OCBC Bank economist Wellian Wiranto (inset) says having access to Petroliaam Nasional Bhd's special dividend is important for the government given that it remains unclear how a targeted subsidy scheme would work in practice. EPA PIC

rent blanket approach.

The subject of special dividends is nothing new.

In 2019, Petronas paid an additional RM30 billion in special dividend, pushing its total div-

idend commitment to RM54 billion.

This was to help the government in the repayment of the Goods and Services Tax and income tax refunds of RM37 billion.

Last year, Petronas declared an additional RM7 billion dividend for the government, which brought the annual sum to RM25 billion, exceeding its initial target of RM18 billion.