

KERATAN AKHBAR

TARIKH : 27 APRIL 2022
AKHBAR : THE STAR
MUKA SURAT : 11

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KUALA LUMPUR: The government is likely to introduce a targeted fuel subsidy mechanism to cushion the impact of the rising crude oil prices, especially on the lower income group.

Minister in the Prime Minister's Department (Economy) Datuk Seri Mustapa Mohamed said the government is still working on a suitable structure and expects it to be completed soon.

He added that the Finance Ministry is looking at whether the government is able to bear the subsidy, and fuel prices for RON95 and diesel will remain for the time being.

"Those who can afford should pay more and the people who do not deserve (the subsidy) should not be given the subsidy at all. Subsidies are meant for the poor people, particularly the B40. The issue is timing, when it is going to be implemented," he said in The Nation programme aired at Bernama TV yesterday.

Mustapa said fuel subsidy has played an important role in moderating price increases in Malaysia, whereby the government has been able to maintain price increases between 2% and 3% for the last 10 to 20 years.



The fuel subsidy has played an important role in moderating price increases in Malaysia. – **BERNAMAPIX**

"However, it will be a big strain on the budget. When we outlined our budget last year, the estimate was about RM5 billion in subsidies, now the estimate is somewhere around RM30 billion, representing a sixfold increase in the amount of subsidies," he added.

Mustapa said the oil subsidies involved four items – RON95, diesel, liquefied natural gas and cooking oil.

He added that the rise in crude oil prices has affected the country's inflation rate, where the Consumer Price Index in March 2022 rose by 2.2% to 125.6 against 122.9 in

March 2021, surpassing the average inflation rate for the January 2011-March 2022 period, which stood at 1.9%.

"We believe this will be challenging for us moving forward. The impact is mainly on prices. We have not revised our growth projection and we are still sticking to Bank Negara Malaysia's forecast of 5.3% to 6.3% growth this year.

"We have to be realistic as this is a very challenging period and there is a need to revise our growth forecast. The government will do the necessary," Mustapa added. – Bernama.