

KERATAN AKHBAR

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KUALA LUMPUR: Malaysia has begun work on replacing its blanket petrol and cooking oil subsidies with a more targeted approach, as government spending rises to blunt higher living costs.

"The target is to ensure that those who need subsidies, will get the subsidies," Minister in the Prime Minister's Department (Economy) Datuk Seri Mustapa Mohamed said in a Bloomberg TV interview yesterday.

"The sooner it is done, of course, it will relieve pressure on the government's budget."

Unanticipated subsidies are expected to push the government's total spending in 2022 "significantly higher", by about RM30bil, the Finance Ministry said last Friday, adding that the higher revenue from rising commodity prices was insufficient to offset the spike.

The extra funds were mainly for petrol, chicken and egg subsidies as well as flood reliefs, it added.

Prime Minister Datuk Seri Ismail Sabri Yaakob said Monday that the final subsidy bill this year could breach RM71bil.

Malaysia's inflation rate is expected to slightly increase, yet remain within the forecast range of 2.2% to 3.2% in 2022, Mustapa said. Consumer prices rose by a modest 2.3% in April, while the core measure that strips volatile food and energy costs gained 2.1%.

The rising prices correspond with the country's economic recovery.

Gross domestic product gained speed in the first quarter of this year, as the country dropped most restrictions.

That allowed the central bank room to raise

borrowing costs last month to preemptively fight inflation, even though consumer prices are gaining at the slowest rate in South-East Asia.

Bank Negara estimated the economy to quicken between 5.3% and 6.3% in 2022 from a year ago, a forecast that Mustapa reaffirmed.

"This is premised on, of course, good growth in the first quarter of 2022 of 5%," he said.

"The first few months of the second quarter, particularly in April and May looked promising. So first half we're going to do well, and for the full year as a whole, we remain optimistic that 5.3% to 6.3% is achievable as highlighted by our central bank." — Bloomberg