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'Drastic deficit cut risky for economy'

PRUDENT MEASURES NEEDED

'DRASTIC DEFICIT CUT RISKY FOR ECONOMY'

Development projects related to education, healthcare and rural infrastructure may be affected, warns PM

DAWN CHAN
AND HANA NAZ HARUN
KUALA LUMPUR
news@nst.com.my

PRIME Minister Datuk Seri Anwar Ibrahim has warned that drastically reducing the fiscal deficit will adversely affect the country's economy, especially development projects related to education, healthcare and rural infrastructure.

Anwar, who is also finance minister, thus said that prudent measures must be taken to gradually reduce the country's deficit to an acceptable level as announced earlier.

"Economic wisdom and Bank Negara Malaysia's plans will determine the ringgit's strength, but we also have to consider that a sharp rise in the overnight policy rate (OPR) would have a negative impact on businesses," he said during the ministerial question time at the Dewan Rakyat yesterday.

He was replying to Dr Radzi Jidin's (PN-Putrajaya) question on the effects of the ringgit's depreciation on the nation's economic recovery and the approach being taken to strengthen the local currency.

Elaborating on the ringgit's performance, Anwar said the low rate recorded recently was due to the strengthening of the United States (US) dollar.

"Since Dec 31, 2022, the ringgit has eased 3.8 per cent against the US dollar. The Japanese yen fell more than six per cent to the greenback, while the Australian dollar, South Korean won and Chinese yuan also dropped about three per cent," he said.

On the OPR, Anwar said BNM had raised the key interest rate by 125 basis points (bps) since January last year.

This, he said, was lower than that of Singapore (380bps), Indonesia (225bps) and the US (500bps) itself.

Anwar also pointed out that un-



(Above) A Tenaga Nasional Bhd worker taking a reading from an electricity meter in Kota Baru in 2020. (Below) Pilgrims waving goodbye to their families in Sepang recently as they prepare to go for the haj. The government plans to reduce subsidies for electricity and haj pilgrims for those in the affluent group. FILE PIX

der the current unity government, the OPR had only been raised once.

The prime minister also took a swipe at politicians who used the issue of subsidies as "campaign materials".

He said the reduction of subsidies, such as those for electricity and haj, only impacted the *maha kaya* (very rich) and not the ordinary people.

"When you talk about the reduction of subsidies, I don't understand, where are they being reduced?"

"They (electricity and haj subsidies) are only being reduced for the rich, not for the rakyat, but for the *maha kaya*."

"Why are you making this a political issue? The reduction of subsidies will not affect the majority of people."

Anwar said 90 per cent of the people would not be affected by the increase in electricity tariff, including owners of small-medium enterprises and those in the

food industry.

"Who are you trying to be a hero for?" he asked.

Earlier, Radzi said the weakening of the ringgit had impacted the prices of imported goods, including food, which had burdened the people. And this would be made worse when coupled with the reduction in subsidies.

Anwar said the haj subsidy would not be taken away from ordinary people.

"You are already so rich, should Tabung Haji still be subsidising you to go to Makkah?"

"There have been complaints about this, but I stand firm. We must reduce subsidies (for the rich) to help the people."

"Can't I even take RM50 or RM60 million from (business tycoon) Tan Sri Syed Mokhtar (Albukhary)? What kind of policy is this?" he asked.

He said he was forced to take from the rich so that the poor would not be burdened, and even so, it was done at a minimal rate.