

KERATAN AKHBAR

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'Padu to help reduce fuel subsidies by RM6b this year'

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KUALA LUMPUR: The Central Database Hub (Padu), launched by Prime Minister Datuk Seri Anwar Ibrahim with a focus on fair subsidy distribution, will help in the effort to reduce fuel subsidies by RM6 billion this year by allowing "means-testing" eligibility based on net disposable income.

Maybank Investment Bank (Maybank IB) said the usage of Padu, which integrates socio-economic data from various ministries, federal agencies, state governments and statutory bodies, can be optimised to facilitate the targeting of other subsidies and social assistance.

The government has been considering several options to "means-testing" eligibility for targeted subsidies as alternatives to the current monthly household income classifications, the bank said in its *Malaysia 2024 Outlook and Lookouts* report.

The report said they are based on individual net disposable income, and targeted subsidies for the eligible recipients to be provided in "cash" via the social

➤ Maybank IB says database can be used to facilitate other targeted social aid

protection system; based on household net disposable income, and targeted subsidies for the eligible recipients to be given in "cash" via combination of social protection and social assistance schemes; and "subsidy cards" to be given to eligible households and individuals based on their net disposable incomes.

"We assume the above 'cash' options will be to compensate for inflation and cost of living impact from adjustments in the subsidised fuel prices, while the 'subsidy cards' will be the non-cash option and is to allocate quota (e.g. in litres per a given period) for subsidised fuel to eligible recipients," Maybank IB said.

The bank said Padu usage can be optimised to facilitate the targeting of other subsidies and social assistances in order to improve the existing cash handouts, welfare,

social protection and safety nets programmes with the aim of addressing exclusion/inclusion errors, abuses and leakages.

"(It can) ultimately ensure the biggest bang for the buck in government budget for subsidies and social assistance by reaching the intended and the deserving."

Maybank IB said this can possibly end subsidies on essential food items and substitute them with additional cash handouts or financial offsets instead, and improve and streamline various welfare, social protection and safety net programmes.

The bank also expects that the process and timing of fuel subsidy rationalisation to be gradual, taking cue from the apparent target to cut fuel subsidy by RM6 billion this year, compared with the record high RON95 and diesel subsidies amount of RM41.75 billion in 2022.

It said fuel subsidy rationalisation - and hence the adjustment in fuel prices - must be gradual to mitigate the impact on inflation.

Despite potential interest rate cuts in other major economies, Maybank IB said Bank Negara Malaysia is expected to maintain the Overnight Policy Rate (OPR) at 3.0% in this year to manage inflation.

The bank forecast inflation to be around 3.0% in 2024, up from an estimated 2.6% last year.

"However, the upside to inflation will also be tempered by our expectation of a firmer ringgit versus the US dollar, which we expect to end 2024 at 4.40 versus the 4.70 close at the end of 2023.

"This outlook reflects the expectations of US Federal Reserve interest rate cuts amid a stable OPR, thus narrowing the interest rate differential which has widened to all-time high in 2023, as well as the expected execution and implementation of macro blueprints that should be positive for investor and business confidence, hence on ringgit," it said. - Bernama