

Impact from petrol price hike minimal

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By SYED AZMAN

KUALA LUMPUR: Malaysia said on Friday it was studying whether to allow petrol prices to rise for the first time since 1983.

Prime Minister Datuk Seri Dr Mahathir Mohamad said it was not possible for the government to continue subsidising petrol in view of the sharp increase in crude oil prices, which more than doubled to **US\$30** (RM114) a barrel since last year.

But he was quoted by the Bernama news agency as saying the study was imperative because should petrol prices go up, there could be a corresponding rise in prices of goods and services. This could stoke inflation and hurt the economy, he said.

But economists said its impact would be minimal, saying that inflation was not worrying.

"There will certainly be an impact if you increase pump prices because a lot of sectors will be affected," said **Nizam** Idris, regional economist at IDEAglobal.com in Singapore.

"But the impact will be quite marginal," he said. "Given an already benign inflation environment in Malaysia, it's not worrying."

The government would have to spend more than **RM1** billion on petrol subsidies this year to keep pump

prices for unleaded petrol at RM1.10 a litre.

The prices are one of the lowest in Southeast Asia. Malaysia is a major **non-Opec** oil producer and a net crude oil exporter.

Mahathir was commenting on a report on Thursday that there may be a slight increase in the prices of petroleum products following a government decision to review oil prices.

A local daily reported that the finance ministry had been conducting studies on a price increase and its impact on the economy.

Mahathir said that because of government subsidy, the local petrol prices had become so cheap that it was being smuggled to neighbouring countries.

"In other words, we are actually subsidising foreigners . . . but of course that will always happen if the price is distorted and we have a low price in Malaysia and high price in neighbouring countries," he said.

Analysts said a small increase in pump prices would have little impact on inflation in Malaysia which has remained subdued this year.

Malaysia's consumer price index increased by 1.5% between January and June compared with the same period last year.

Bank Negara has forecast inflation at 3.2% in 2000, up from 2.8% in 1999.

— Reuters