

RM14 bil to subsidise petrol prices, says PM
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The government may have to fork an additional RM4 billion on subsidies if no adjustments are made to petrol prices, Prime Minister Najib Abdul Razak said today.

He said that would be an addition to the RM10 billion in subsidies allocated for this year.

"Whether there is a need to adjust petrol prices, it will depend on inflation," he said at a press conference following a board briefing from Bank Negara in Kuala Lumpur.

"A sharp rise in oil prices because of the uncertainty and developments in the Middle East will be the biggest threat to global economic growth," he said.

Najib, who is also finance minister, said that the government was committed to the subsidy rationalisation programme but on a gradual basis with the target being the lower and middle income people.

The prime minister also said that the government's deficit would depend on how much revenue the government would get against the increase in subsidy cost particularly if there was no revision in terms of prices of petrol, oil, diesel and other items.

He also said that measures will be taken if energy prices continue to rise above critical point and impact global economic growth.

These would include ensuring that domestic demand continued at high level, especially private consumption and investment by the private sector, he said.

"Private sector investment has fallen over the years but with the introduction of the ETP (Economic Transformation Programme) and entry point projects, private sector investment is expected to rise," he said.

"Continuing rising inflation will continue to impact consumers," said Najib.

The sovereign debt crisis is still manageable, he said.

Najib said at the moment, there was no need for pump priming unless there was a severe global economic recession.

"What we are seeing now is moderate lower growth," he said.

Najib said while there was an increasing trend in terms of property prices, it was still manageable and that the government was closely watching price trends.

"We are also looking at the supply side, if there is enough supply of houses around RM200,000 in Klang Valley."

Najib said that the subprime crisis that happened in the US will not happen in Malaysia, as there is tight supervision.

"The government is committed to achieve the targetted growth of six per cent per annum through ETP projects and ensuring domestic demand can be at strong level.

"However, there are several challenges because of the slowing global growth as compared to 2010 and this affects the exports of manufactured goods."

He cited the banking sector as still remaining strong, contributing 11.6 per cent to Gross Domestic Product in 2010.

In terms of household debt which was reportedly rising, he said that it was still manageable although at individual level there were concerns that people should not over-borrow.

The government is monitoring the situation, he said, adding that NPL (non-performing loans) were still at low levels.

In terms of the extent of foreign bank equity participation, he said while there was an increasing trend, it will be considered on a merit case.

- Bernama

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