Gov't in dilemma to maintain fuel prices
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The government expects to almost double the amount it spends on subsidies this year to RM20 billion ($6.7 billion) as it tries to reduce fuel and commodities costs, the deputy premier said today.

Rising global oil prices are pushing up Malaysia's subsidy bill up despite efforts to cut government spending, Muhyiddin Yassin told state media.

He said RM18 billion would be spent subsidising RON95 petrol, diesel and cooking gas after global oil prices hit a record 32-month high of $125 per barrel in April, before easing to below $100 this week.

The government spent RM10.32 billion on subsidies last year but has allowed fuel, sugar and the prices of other items to rise slowly, as it seeks to strike a balance between reducing its deficit and appeasing hard-pressed voters.

"Despite this, from time to time, where it is considered fair, the sector concerned will receive assistance, especially for consumer products," he was quoted as saying by Bernama.

"But we cannot maintain the subsidy rate forever. There is a specific stage when deemed fair, the rate will be reduced," he added.

The government had cut subsidies as part of economic reforms instituted by premier Najib Abdul Razak since taking power in 2009 and aimed at creating 3.3 million jobs and pushing the country towards developed-nation status by 2020.

Najib has said he expects the economy to expand by 5.0-6.0 percent this year despite the challenges of slower global growth and rising crude oil prices.

The economy slowed to 4.8 percent growth in the fourth quarter of 2010, hit by falling exports, but for the whole year it posted a better-than-expected 7.2 percent expansion.

Rising prices could also hurt the government's chances of an emphatic win during general elections widely expected to take place within a year.

In 2008, the government lost its traditional two-thirds Parliamentary majority partly over complaints of inflation and economic mismanagement.

- AFP