

M'sia in better position to absorb higher fuel cost

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Malaysia's economy is in a much better position to absorb higher fuel cost than previously, Bank Negara Malaysia governor Zeti Akhtar Aziz said today.

She said the country's economy was more diversified now and therefore the impact would be less as compared to 2008 when oil prices increased to US\$147 (RM450) per barrel.

"So, the extent would not be as bad as previously," she told reporters after delivering a keynote address at the International Centre for Leadership in Finance (Malaysia) in Kuala Lumpur.

Brent crude oil is currently traded at around US\$110 per barrel.

Meanwhile, Zeti said Bank Negara might revise its inflation forecast for this year if prices of controlled items like fuel and electricity were to increase more than expected.

She said the central bank had priced in some increases in the current projection of between 3.0 and 3.5 percent on average for the year.

"If it is more than what we have priced in, it (the forecast) may be raised upward," she said.

Zeti said the fuel cost increase should affect domestic demand as it would lead to higher cost of investment and consumption when a higher amount would have to be spent on fuel and food.

"Therefore, this will cause less income for discretionary expenditure.

"But then again, we move toward economising and enhancing efficiency. If we undertake all these measures then... this can support investment going forward," she said.

Right now, Zeti said the country was seeing investments gaining momentum.

"This is one of the very positive aspects. While we have all these growing developments in Malaysia and global taking place, we are able to promote domestic growth," she said.

- Bernama