

Price hike: Surprise move makes people unhappy
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The government surprisingly hiked fuel and sugar prices on Friday to reduce expensive subsidies, a controversial move that will save the government more than US\$230 million this year alone.

But the decision could have serious political repercussions for Prime Minister Najib Abdul Razak and it could spark a rise in prices of other goods and services, analysts said.

The government defended the subsidy cut, saying it was important to achieve its development goals and promote healthier lifestyles.

azlan"The government has made a difficult, but bold decision," it said in a statement.

"By choosing to implement these modest subsidy reforms, we have taken a crucial step in the right direction towards meeting our commitment to reduce the fiscal deficit, without overburdening the Malaysian people."

The cuts will save RM750 million, or US\$234.4 million, this year.

The government will still be spending RM7.82 billion from now till the end of the year on subsidies for fuel and sugar.

"These measures are a demonstration of our fiscal responsibility. They will enhance Malaysia's financial stability, while also protecting the people," the government said.

Malaysia had a budget deficit of seven percent of gross domestic product in 2009, which it aims to narrow to 5.3 percent this year.

Khoo Kay Peng, a political analyst, said the move had caught consumers by surprise.

"The way it was announced has made many people unhappy," he said.

"It will translate into votes against the government. Something is totally wrong with this government. The opposition will exploit and attack the government on this issue," he said.

The opposition scored unprecedented gains in elections in 2008 which saw it claim five states and a third of parliamentary seats.

The next election is not officially due until 2013 but pundits say it could be held next year.

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