

**Gov't to save RM1.2 bil from subsidy cuts**  
**Malaysiakini.com**  
**Disember 4, 2010**

The cut in subsidies for fuel and sugar will save the government RM1.18 billion and will help reduce its budget deficit.

Idris Jala, minister in the prime minister's department and Pemandu chief, described the price increase as "minimal" and that it would result in some savings.

"I believe people will be able to accept it," he was quoted as saying by the Star newspaper, adding that the savings would be used for infrastructure development.

Wan Suhaimi Saidi, an economist with Kenanga Investment Bank, told AFP today that a cut in the subsidy will reduce the government's operating expenditure as it aims to lower the budget deficit.

The government is eyeing a robust economic growth of up to 7.0 percent for 2010, after the economy contracted 1.7 percent last year.

Analysts had previously said that price hikes of essential items will make voters unhappy and they may punish the ruling coalition in the polls.

**Immediate affect**

The cuts will have an immediate affect, with fuel prices by five sen to RM1.90 a litre for RON95 petrol and RM1.80 for diesel. Liquefied petroleum gas will rise five sen to RM1.90 a kilogram.

Sugar price will be hiked by 20 sen to RM2.10 a kilogramme, in a move also seen as promoting healthier lifestyles.

It is the second time in five months that the prices for these two key commodities were raised, and the increases come into effect as oil prices rose to their highest level in more than two years.