

Government tackling rising prices amid deficit challenge

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The government said it would tackle rising food and energy prices which is making it harder for the government to slash its budget deficit as subsidies mount. MCPX

nor mohamed yakcop "We are taking action to focus on the right issues," second finance minister Nor Mohamed Yakcop told reporters.

The government wants to cut its fiscal deficit to 3.1 percent of GDP this year from 3.2 percent in 2007 but inflation has raised concerns that the budget deficit could rise instead.

Nor said the government was taking steps to help resolve the issue of rising prices and mounting subsidies and had established a cabinet-level committee to combat inflation and ensure prices of essential items remain stable.

Gov't committee meets weekly

"The committee will meet almost every week. All the basic issues will be resolved by the committee. At this point, there is no change in our deficit target," Nor said.

"Given the circumstances and the new global reality, management of fiscal issues has become much more challenging than in previous years," he added.

Food prices have spiralled higher globally in recent months and analysts have warned Asian governments face strikes, protests and hoarding in response.

In Malaysia, the government earlier this year was forced to flood the market with flour and cooking oil to end severe shortages which stripped supermarket shelves.

Anger over rising prices was also a major factor in the March elections which saw the ruling coalition lose a third of parliamentary seats and five states in its worst results in half a century.

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