

Subsidy cuts frozen, says PEMANDU
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By Shannon Teoh

KUALA LUMPUR, March 19 — Putrajaya has halted a plan to slash subsidies just a year after unveiling it due to rising cost of living in the country, according to the Performance Management and Delivery Unit (PEMANDU).

The Najib administration had rolled out the subsidy rationalisation programme, which saw the first round of subsidy cuts in July 2010, to help reduce the fiscal deficit from a two-decade high of over seven per cent in 2009 to near-balance by 2020.

File photo of sugar on sale at a supermarket in Bosnia. Putrajaya said in January it was spending an additional RM200 million this year to keep sugar at RM2.30 per kg. — Reuters pic

But the unit in the Prime Minister's Office told The Malaysian Insider that the programme was shelved after inflation breached a 27-month high of 3.5 per cent last June.

"We have put it on hold because the government has changed its focus to cost of living," said Alex Iskandar Liew, its communications director for the Government Transformation Programme (GTP).

"The ministries and agencies have progressively implemented the programme as per the earlier recommendation, i.e. every six months.

"However, due to rising commodity prices affecting the global community in 2011, we had to take stock to review the programme due to the cost of living issues," he wrote in an email sent to The Malaysian Insider.

Liew said that "since the April 2010 announcement and the follow-up implementation on subsidy rationalisation up till mid-2011, the responsibilities and latest data points are now residing in the respective government ministries and agencies."

Datuk Seri Najib Razak had said he would allow funds to be channelled to improving services such as education and healthcare.

The last round of subsidy cuts was at the end of June last year which saw price hikes to basic goods such as fuel, electricity and sugar.

But the federal government still saw its subsidy bill double to RM22 billion despite the cuts it said were necessary to rein in its fiscal deficit which hit a two-decade peak of over seven per cent in 2009.

The prime minister instead announced a new National Key Result Area under the GTP to tackle rising cost of living on July 27, 2011.

No further subsidy cuts have been made since then with the government saying in January it was spending an additional RM200 million this year to keep sugar at RM2.30 per kg.

This came after inflation persisted at over three per cent from March to December 2011 before easing at the start of this year.

Analysts say cost of living is expected to be a major election issue for federal polls that must be called by May 2013 but the recent RM500 cash handout to households earning below RM3,000 per month saw a surge in Najib's approval ratings.

A survey conducted by independent pollsters Merdeka Center last month saw support for Najib surge by 10 percentage points to 69 per cent.

The prime minister gained 78 per cent approval from households earning less than RM1,500 per month, a demographic which makes up 40 per cent of the population.

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