

**Putrajaya's cash aid for the poor will contribute to inflation, says economist  
Malaysian Insider  
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Putrajaya's cash aid to the poor in the form of the 1Malaysia People's Aid (BR1M) programme will generate inflation although it has helped low-income earners cope with the rising cost of living, the New Straits Times reported today.

The daily quoted BIMB Securities economist Imran Nurginias Ibrahim as saying that instead of having a multiplier effect on the real side of the economy, BR1M has pushed consumer prices to higher levels.

"Although it is well received and very popular, BR1M is, in part, fuelling an inflation phenomena, such as demand-induced inflation, as traders and firms take advantage by increasing their prices," the Umno-controlled daily quoted him as saying.

Imran said it was worrying that the direct cash transfers from Putrajaya were spent as current expenditure or government consumption.

"This provides minimal economic multiplier effects on the real side of the economy, except for pushing consumer prices to higher levels," the paper quoted him as saying.

Imran said BR1M should be looked at as an ad-hoc measure, namely, a short-term measure instead of a long-term or permanent solution.

When tabling the 2014 Budget last October, Prime Minister Datuk Seri Najib Razak who is also Finance Minister announced households with monthly income of RM3,000 and below were eligible to receive BR1M of RM650.

Unmarried individuals earning not more than RM2,000 would receive aid amounting to RM300.

A total of RM4.6 billion was allocated which would benefit 7.9 million Malaysians.

The BR1M Project was a scheme devised by Najib in 2012 to help poor Malaysians.

The amount of RM500 was given to households with an income of less than RM3,000 a month.

Under the second BR1M Project, more than RM2.5 billion was distributed to 5.7 million households.

The government had also allocated RM250 for unmarried people (earning less than RM3,000).

Political analysts and opposition politicians had claimed that BR1M which was launched before last year's general election was a vote-buying exercise among the poor for Barisan Nasional to remain in power.

Imran also told the newspaper that while the subsidy rationalisation programme was necessary, it should be implemented gradually, taking into account "changing economic circumstances".

The programme was initiated by Najib in 2010 via a reduction in subsidies for fuel and sugar. In the 2014 Budget, RM43 billion was allocated for subsidies and incentives.

Further cuts in subsidies for these items and other products are planned over a three- to five-year period in order to strengthen government finances and improve economic efficiency.

Imran said in managing rising prices, there should be complementing measures, including policies to promote competition, competitiveness, efficiency and production.

Salary levels, too, need to be increased, in line with the rising cost of living. Imran said the biggest challenge faced by the Malaysian economy is to meet its projected growth level to break out of the middle-income trap, and attain high-income and developed nation status by 2020.

"Reform needs to be done to increase the productivity of the lower-income group. However, there is a political side to this, as the move may not be popular among some. The government has to be serious about this," he said. – May 10, 2014.

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