



## **Inflation could reach 11% without subsidies, says Tengku Zafrul**

PETALING JAYA: The level of inflation in Malaysia could reach “around 11%” if the government did not subsidise essential goods like fuel, says finance minister Tengku Zafrul Aziz.

He said Putrajaya had Malaysia’s inflation under control when compared to its regional and international counterparts.

“(Malaysia’s) inflation is forecasted to be between 2.2% and 3.2%. In fact, for the first six months of the year, inflation was around 2.5%, and that’s largely due to the large size of subsidies that we have introduced,” he said in an interview with CNN yesterday.

Tengku Zafrul said the government still had fiscal room, citing how the nation’s statutory debt stood at 60% of the gross domestic product (GDP) currently.

He also pointed out that Parliament had imposed a debt ceiling of 65% in October last year, so there was still fiscal space while the government maintained its targeted budget deficit of 6%.

“If we didn’t implement these subsidies, our statistics department said our inflation could be around 11%,” he said.

However, Tengku Zafrul reiterated that the current policy of giving subsidies to everyone across the board was unsustainable, though necessary for short-term economic recovery.

He said the government was also staying cautious with monetary policy also being tightened.

According to the **statistics department, Malaysia’s** inflation, as measured by the consumer price index (CPI), increased by 3.4% in June from a year earlier, driven by rising food prices.

Chief Statistician Uzir Mahidin said the food index increased 6.1% and remained the main contributor to the rise in inflation that month.

In July, the monetary policy committee of Bank Negara Malaysia announced that it raised the overnight policy rate (OPR) basis points to 2.25%, amid rising food and energy prices.

Analysts believe the central bank will further normalise its policy rate going forward and gradually raise the OPR to 3% by next year.

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