

Inflation in Malaysia still manageable thanks to subsidies: Economist

KUALA LUMPUR: Malaysia is one of the Asean countries with low inflation rate which is manageable compared with other parts of the world such as the United States, which rose to new peak of 9.1 per cent in June 2022 and Turkiye which rose to nearly 80 per cent last month.

Former Alliance Bank Malaysia Bhd chief economist Manokaran Mottain said the basket of goods used to measure inflation includes controlled items which helped in bringing down the inflation rate, thanks to the subsidies provided by the government, especially for fuel and food in Malaysia.

He applauded the government's initiative to allocate a big chunk for subsidies compared to previous years that were between RM20 billion and RM30 billion.

"The allocations seem to be good enough, however the implementation needs to be carefully curated to make sure there are no leakages," he told Bernama.

Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz had on June 25 said the total subsidies of RM77.3 billion included for petrol, diesel and liquified petroleum gas (LPG) amounting to RM37.3 billion and cooking oil (RM4 billion) and various forms of aid including the Bantuan Keluarga Malaysia (BKM) (RM11.7 billion), as well as other subsidies (RM14.6 billion).

Nevertheless, Manokaran said the basket of goods used to measure inflation need to be updated based on the current spending patterns and the weightage needs to be reviewed.

Although the subsidies were helpful to control inflation rate, he said it is high time for the government to implement targeted subsidies for the people especially to help the lower income group.

"Inflation rate can be controlled and kept lower if we really monitor the implementation of subsidies provided. For example, the fuel subsidy provides RON95 only for Malaysians and RON97 is for Malaysians and non-Malaysians. But whether we are really monitoring the implementation is still a question mark," he said.

According to international news reports, four Asean economies have experienced a rapid increase in inflation rate in the year to April, including Indonesia (149 per cent), Singapore (161 per cent), Laos (206 per cent) and Thailand (267 per cent).

Meanwhile, it said the inflation rate declined in Malaysia, while it remained mostly unchanged in the Philippines and Vietnam.

On June 30, Communications and Multimedia Minister Tan Sri Annuar Musa said despite the inflation rates being on the rise across the world, Malaysia is still among the countries with the lowest rates, which is at 2.8 per cent.

Based on the data showed by the **Department of Statistics Malaysia (DoSM)**, Malaysia's Consumer Price Index (CPI) increased 2.8 per cent year-on-year to 126.6 in May 2022 from 123.1 in May 2021.

The department said the increase surpassed the average inflation in Malaysia for the January 2011-May 2022 period (1.9 per cent).

Although it is impossible to sustain lower inflation rate, Manokaran said the government enforcement in implementing related policies or initiatives to curb the increasing inflation rate would be crucial to ensure the percentage is in manageable level.

Meantime, the recent Moody's Analytics research also said although Indonesia and Malaysia were developing economies that grew quite strongly in the sample decades, history suggests that inflation is likely to return to more normal readings at a pace akin to that in developed economies.

"This might reflect the relatively heavy use of government subsidies to keep domestic prices low, thereby reducing inflation persistence. Also, this pair is rich in natural resources such as energy commodities and mineral ores," it said.-Bernama

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