

More subsidy rationalisation plans to boost fiscal position

PUTRAJAYA: Malaysia plans to rationalise more subsidies and move billions of ringgit in government employee housing loans off its balance sheets to bolster its fiscal position.

The government will gradually remove subsidies from petrol, liquefied petroleum gas and cooking oil in coming years, said Treasury secretary-general Tan Sri Dr Mohd Irwan Serigar Abdullah yesterday.

A Fitch Ratings decision to pull back from downgrading Malaysia was giving the country space to reinforce its fiscal credentials, he said.

"This would help us to further strengthen and continue our effort despite all these noises, which I consider temporary," he said at his Finance Ministry office, here. "We are very committed in our fiscal consolidation."

Chua Hak Bin, an economist at Bank of America Merrill Lynch in Singapore, said: "The government should press ahead with fiscal reforms and subsidy cuts, despite the political distractions."

Malaysia scaled back subsidies for petrol and diesel last year after falling oil prices provided an opportunity to wean the country off a decades-old policy of cheap fuel.

"We cannot afford to be in subsidy mode forever. We are at a point where there are too many subsidies and the government budgetary system can't afford to carry such a burden," said Irwan.



*The government will gradually remove subsidies from petrol, among others, according to Treasury secretary-general **Tan Sri Dr Mohd Irwan Serigar Abdullah**. Pix by Luqman Hakim Zubir*

The Goods and Services Tax had helped counter a decline in government revenue following the plunge in crude oil prices and collections from had exceeded the government's estimate, he said.

The government was also creating a statutory body to take over the housing loans it currently managed for civil servants, he added.

That will move about RM40 billion into off-balance-sheet liabilities and reduce the government's debt-to-gross domestic product ratio.

"In the last five years, debt-to-gross domestic production has risen so much that the entire space for running counter-cyclical fiscal policy has basically disappeared," said Rahul Bajoria, a Singapore-based regional economist at Barclays Plc.

"Taking that debt off the books will actually help them in regaining some more space on the fiscal side."

The government was also trying to rein in its contingent liabilities by imposing a fee on government-guaranteed debt, said Irwan. **Bloomberg**