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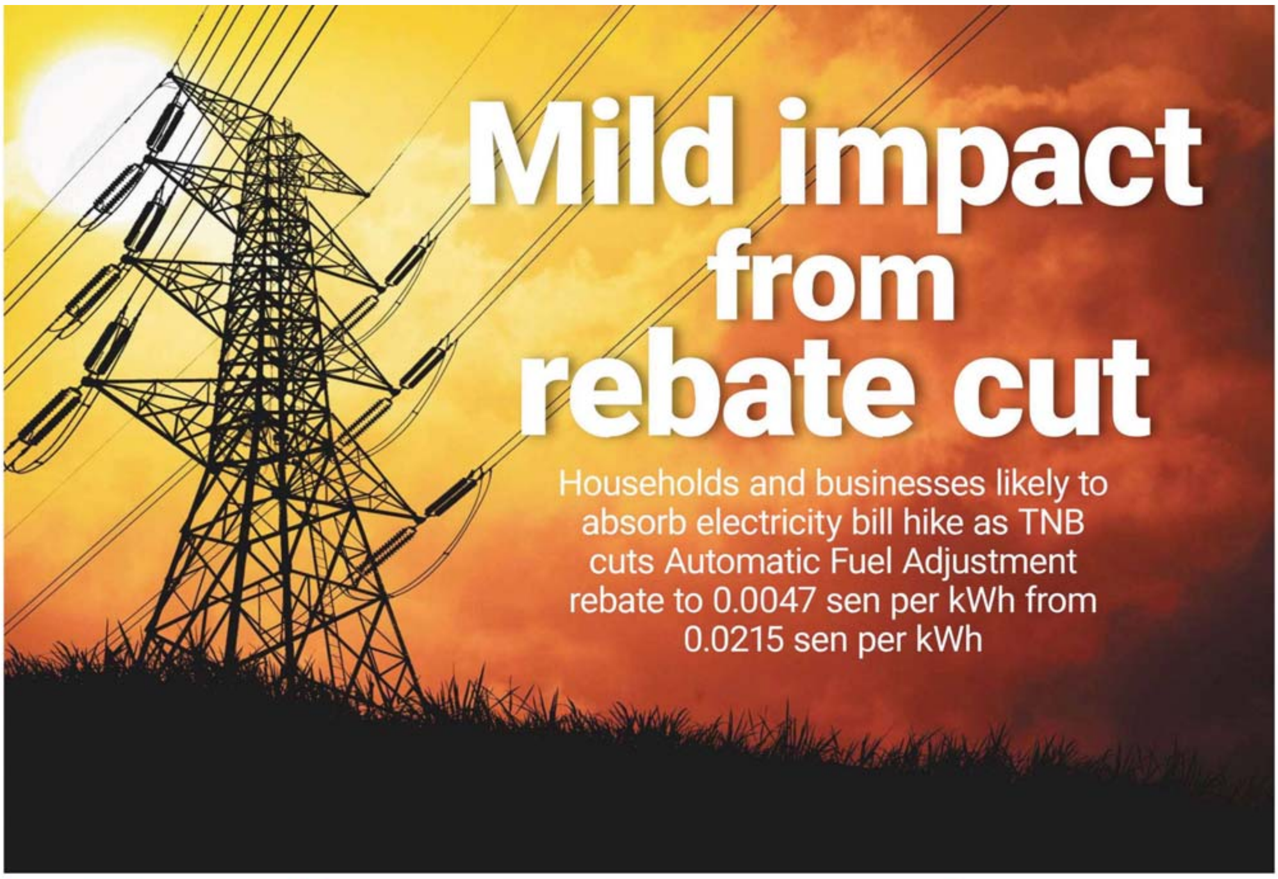
02 APR, 2026

Mild impact from rebate cut

The Star, Malaysia



UTILITIES

By KEITH HIEW
keith.hsk@thestar.com.my

PETALING JAYA: The impact of Tenaga Nasional Bhd (TNB) lowering the rebate to 0.47 sen per kWh from 2.15 sen per kWh (or from RM0.0215 to RM0.0047 per kWh) will be slight for affected users in Peninsular Malaysia, unless the rebate is reduced further.

TNB announced on Tuesday the latest change to the Automatic Fuel Adjustment (AFA) rebate for April 2026, setting it at 0.47 sen per kWh, down from 2.15 sen per kWh in March 2026.

This results in a lower rebate, effectively leading to higher bills for affected users.

Analysts believed the increase can be absorbed by households and businesses for now, but noted that second-round effects may become a problem.

To allay concerns, TNB posted an example of the impact on consumers alongside the announcement.

Stressing that the new rebate affects only users consuming above 600kWh, TNB used the example of a household using 800kWH, noting that it would be paying RM329.68 for its April bill after factoring in a RM3.76 rebate.

For comparison, the same household would have received a rebate of RM17.20 in March, with the bill totalling RM316.24.

> "If inflation expectations rise on the view that higher costs are here to stay, this often leads to increased precautionary savings for risk management, especially when food and transport uncertainties rise."
>
> Bernard Aw

Rakuten Trade head of equity sales Vincent Lau said it is too early to tell whether the rebate adjustment will affect public consumption or electricity-intensive industries such as data centres, as well as the manufacturing and plantation sectors.

"The impact of this latest AFA will not be as significant as fuel price increases, unless the rebate is sustained or reduced further. We believe industry players, at this point in time, should be able to absorb this relatively minor change," he told *StarBiz*.

Coface chief economist for Asia Pacific, Bernard Aw, pointed out that Malaysia's electricity-related component in the country's consumer price index (CPI) has historically remained stable.

He explained that targeted subsidies and regulatory smoothing limit cost pass-through, meaning energy-related adjustments, including electricity, typically have a limited impact on overall headline inflation.

"Even with AFA rebates shrinking, the direct CPI impact is likely to be small because electricity's CPI weight is only 2.7%, and analyst estimates place the share of residential users consuming less than 600kWh at 85%," he observed.

Nevertheless, Aw told *StarBiz* that while electricity's direct CPI impact is small, second-round effects may emerge in some segments.

He noted that energy cost shocks mainly affect transport-intensive sectors, as fuel and electricity costs influence logistics, adding that higher logistics and energy costs could also fuel food inflation.

In addition, he said smaller rebates primarily affect middle-income and high-electricity usage households.

Given Malaysia's average household electricity consumption is estimated at 440kWh, the real income impact is modest, particularly for lower-income households.

"However, households facing higher energy costs tend to cut discretionary spending while maintaining essentials.

"If inflation expectations rise on the view that higher costs are here to stay, this often leads to increased precautionary savings for risk management, especially when food and transport uncertainties rise," said Aw.

IPP Global Wealth investment strategist and economist Mohd Sedek Jantan concurred with Aw that the direct impact of the AFA rebate reduction could be small, although he stressed that it is not negligible.

"The more relevant channel is second-round effects via business costs. Electricity typically accounts for 3% to 8% of operating costs, implying a 0.1% to 0.4% increase in total business costs.

"Businesses are unlikely to absorb this fully, especially in a margin-compressed environment, which leads to gradual pass-through into prices," he cautioned.

Mohd Sedek noted that the food and beverage industry could be the most exposed to the AFA move, as electricity is a key input in processing, storage, and distribution.

He said given the sector's large weigh in the CPI at 29.8%, even partial pass-through can meaningfully contribute to persistent core inflation.

On private consumption, Mohd Sedek said the increase of around 1% to 3% in electricity bills is modest relative to overall income.

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Private consumption expected to remain resilient

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As such, the drag on real disposable income is minimal and unlikely to materially affect aggregate purchasing power.

"Therefore, private consumption should remain resilient, with little evidence of a broad-based pullback. Higher-income households typically have stronger financial buffers and a lower marginal propensity to consume, which limits spillover into overall demand.

"Any adjustment is likely to be contained within discretionary spending, rather than a shift towards higher savings or increased reliance on government support. Overall, there is no meaningful hit to mass-market consumption, and demand conditions should remain stable," said Mohd Sedek.

On the other hand, Aw believes that energy-intensive business sectors could face disproportionate cost pressure, citing a 2023 estimate from the National Tech Association of Malaysia or Pikom, which found that heavy power users could see electricity charges rise by up to 40% when Imbalance Cost Pass-Through surcharges increased from 3.7 sen to 20 sen per kWh.

"This would have a significant impact on operating expenses. While AFA adjustments are smaller, persistently high energy prices would reduce rebates and increase effective tariffs, affecting the operating expenses of energy-intensive industries," he warned.

Aw added that prolonged high energy prices would lead to companies facing higher operating expenses, lower expected returns and cash-flow constraints, potentially threatening corporate investment plans and reducing the competitiveness of energy-intensive sectors.

From a broader perspective, Mohd Sedek said energy-intensive segments such as certain manufacturing clusters and data centres may be more exposed to rebate changes, but opined that these industries often have pricing power, long-term contracts or efficiency buffers to help absorb part of the increase.

In contrast, he said small and medium enterprises (SMEs) are more vulnerable, given their thinner margins and weaker cost absorption capacity, while plantations are relatively less sensitive as energy is not a dominant cost driver.

"Importantly, this also creates a clear incentive for energy transition, as persistently higher grid costs strengthen the case for firms, particularly energy-intensive ones, to accelerate adoption of renewable energy, on-site generation and efficiency upgrades to reduce long-term cost volatility."

While there could be some near-term caution, particularly among SMEs, Mohd Sedek believes there will not be a broad pullback in capital expenditure (capex).

In fact, he said part of the adjustment may be reallocated towards green capex, especially in solar and energy efficiency solutions.

Export competitiveness may face marginal pressure, especially in price-sensitive segments, but this is unlikely to be decisive relative to larger drivers such as global demand and exchange rate dynamics.

"As a result, the overall impact on gross domestic growth in 2026 is likely minimal, with the tariff adjustment acting more as a headwind to margins rather than a constraint on growth, while also nudging firms towards a more sustainable and cost-resilient operating model over the medium term," said Mohd Sedek.