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PETALING JAYA: Consumers should brace themselves for a gradual increase in prices of goods following the implementation of the new electricity tariffs effective July 1, say business groups.

This is because manufacturers and those in the affected sectors may not be able to absorb higher costs and would likely pass on to consumers.

SME Association of Malaysia president Chin Chee Seong said it is too early to gauge the overall increase in electricity bills for businesses.

"It is difficult to say how much their electricity bills will increase at the moment.

"This is because the new tariffs are based on the amount of electricity used and on different rates of consumption.

"Talk among some SMEs is that there is likely to be at least a 20% increase in electricity bills," he said when contacted yesterday.

Chin said the association will gather feedback from its members to determine how much more they have to pay for their electricity.

Asked whether the SMEs will absorb the higher electricity costs, Chin said it is unlikely.

"Most of them would not absorb the cost and pass it down to either their supply chain or consumers.

"We should expect to see an increase in prices, especially among the SMEs, food and beverage, and the retail sectors," he said.

Federation of Malaysian Business Association vice-chairman Nivas Ragavan said some businesses may try to absorb the elec-

tricity cost increase, but not entirely.

"Manufacturers have always tried to absorb cost increases where possible through efficiency measures and cost optimisation.

"However, with rising cumulative costs such as raw materials, logistics, labour and now energy, many, particularly the SMEs and export-driven businesses with thin margins, will not be able to absorb the full cost," he said when contacted yesterday.

He said the manufacturing sector is expected to see its electricity bills increase between 5% and 7%.

"For energy-intensive industries, the impact could be more significant, especially if they are not eligible for the Imbalance Cost Pass-Through rebate," he added.

As a result of this, Nivas said

that it is likely that some portion of the increased energy cost will be passed down the supply chain.

"This could take the form of adjusted pricing to downstream partners and eventually may have an impact on consumer prices, depending on the sector and product," he said.

He noted that some manufacturers will try to minimise the increase in cost where possible to remain competitive, especially in global markets.

Federation of Malaysian Manufacturing (FMM) president Tan Sri Soh Thian Lai said the new electricity tariffs will not have a uniform impact on the manufacturing sector and will vary according to electricity usage.

"FMM understands that 70% of medium voltage customers, many of whom are industrial users, will

have a reduction in electricity bill ranging from 4% up to 18% depending on the load factor.

"The higher their load factor, the higher the reduction in their bills," he said when contacted yesterday.

However, Soh said the remaining 30% with a low load factor may see an increase of between 3% and 10% in the electricity bills.

"Some customers in this category have installed solar PV systems, allowing them to offset the increase in bill through the revised mechanism under the renewable energy schemes," he added.

Asked whether the increase in cost will be passed down through the supply chain, Soh said it is unlikely due to stiff market competition.