



27 JUN, 2022

Price retention on water, electricity tariff will support businesses and economy—Economists

Borneo Post (KK), Malaysia



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KUALA LUMPUR: The government made a strategic call to keep the status quo on electricity and water charges to support businesses, the economy and the people at large, according to economists.

Juwai IQI Global chief economist Shan Saeed said the decision by the government is in line with market expectations in order to fully support the industry and enhanced economic confidence backed by strong domestic demand so that the gross domestic product (GDP) trajectory remained solid.

He said citing data from <https://www.globalpetrolprices.com> for September 2021, the price of electricity in Malaysia is competitive at US\$0.05 per kilowatt hour (kWh) for households and US\$0.088 per kWh for businesses in Malaysia, which included all components of the electricity bill such as the cost of power, distribution and taxes.

"Malaysia is still very affordable in the region," he told Bernama.

He was commenting on the government's decision on Friday to maintain the current water and electricity tariff rate.

Shan said for comparison, the average price of electricity in the world for that period was US\$0.133 per kWh for households and US\$0.125 for businesses.

He said the report noted that during the same period, electricity price among some Asean household compared to Malaysia namely Indonesia were US\$0.097 per kWh lower, but it was higher in Thailand at US\$0.107 kWh, the Philippines US\$0.165 kWh and Singapore at

US\$0.180 per kWh.

Following the noise in the global power market coupled with the ongoing conflict in Russia-Ukraine, ageing coal power plants, Covid-19 and winter, some countries have recently revised their electricity tariffs namely Singapore, Indonesia, India and Australia.

"From this report, it shows that Malaysia's electricity tariff is still very competitive and affordable in the region among Asean countries.

"Besides, the arrival of more international tourist arrivals into Malaysia will bodes well for local businesses and the economy. We at Juwai IQI are buoyant on the economic outlook of the country," he said.

He said his firm remains upbeat on Malaysia's economy and expect the country's GDP to meander around four to five per cent this year with higher commodity prices to boost the fiscal side of the government's balance sheet.

Meanwhile, Bank Islam Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid said in the current context, the country is racing against time to make important decisions but the removal of subsidies might lead to higher inflation.

He shared the country did experience such a situation in June 2008 when the government decided to cut the RON97 subsidies by 78 sen per litre at one go.

The inflation rate surged to 8.5 per cent in June 2008 from 3.8 per cent in the previous month and such trend sustained for a number of months. — Bernama