

Headline	Ringgit gets power boost		
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REINING IN DEFICIT: Electricity price increase positive in terms of fiscal improvement, says analyst

THE ringgit climbed the most in five weeks on optimism that the first electricity price increase in two years will further rein in the country's budget deficit.

"The electricity tariff increase is positive in terms of fiscal improvement," said Saktiandi Supaat, head of foreign exchange research at Malayan Banking Bhd in Singapore.

The ringgit strengthened 0.5 per cent, the biggest gain since October 28, to close at 3.2090 against the US dollar, according to data compiled by Bloomberg.

It reached 3.2050 earlier, the highest since November 22. One-month implied volatility, a measure of expected moves in the exchange rate used to price options, climbed three basis points to 8.34 per cent.

The currency was also supported by data from China, Malaysia's biggest export market, showing manufacturing growth had beaten economists' forecasts.

Energy, Green Technology and Water Minister Datuk Seri Dr Maximus Ongkili yesterday announced the tariff rationalisation exercise, which will see Tenaga Nasional Bhd (TNB) raising prices by an average of 15 per cent in Peninsular Malaysia from January 1.

The tariff increase is part of the gradual energy subsidy rationalisation exercise planned by the government. Energy subsidies touched RM15.578 billion last year. As a result of rising subsidies, the total revenue foregone by Pet-

ronas from the power and non-power sectors since 1997 amounted to RM182.8 billion as of December 31, 2012.

According to MyPower Corporation, a special-purpose agency set up by the government to drive reforms in the electricity supply industry, the government cannot continue to subsidise increasing fuel prices.

It said the country needs to move from blanket subsidies to targeted subsidies, as the former tend to result in inefficient allocation of resources.

According to the International Monetary Fund report in 2011, when low- to medium-income countries apply blanket subsidies, about 46 per cent of the energy subsidies benefit the top 20 per cent of society, with only seven per cent reaching the lowest 20 per cent of the population.

This is because the rich generally consume more resources compared with the poor. Consumption by the rich could almost be limitless if goods are too cheap. → Turn to B2

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Manufacturers call for lower rates

→ *From B1*

For the poor, their consumption is always limited, said MyPower in a statement yesterday.

It said the adjustment of electricity tariffs is one of the steps to restructure subsidies into a form that is more targeted and sustainable.

This subsidy rationalisation exercise has been discussed since 2010 by the Performance Management and Delivery Unit via its subsidy labs and public engagement initiatives.

Shares in TNB were suspended from trade earlier yesterday pending the tariff revision announcement.

Meanwhile, the Federation of Malaysian Manufacturers has urged the government to reconsider lowering the quantum of the tariff increase for the industry.

FMM also asked the government to extend the implementation date to give manufacturers time to mitigate the higher cost of doing business.