

Fuel price increase in malaysia



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For over twenty-one years, fuel price in Malaysia has been fluctuating ever since. Back then, the cost of a litre of petrol was only RM0. 89. The history of fuel price increment started since the year 1990 when petrol price increased to RM1. 10. Today, the price of a litre of RON97 is retailed at RM2. 40 while RON95 at RM1. 90. Malaysia government is subsidizing fuel pump at around 40 sen per litre and had already spent up to RM56 billion by giving gasoline, diesel and gas subsidies each year.

It was announced that the raise of price were planned to bring fuel prices in line with the global market cost. Government can no longer provide more subsidies needed to maintain fuel prices at current levels following the spike in global crude oil prices. Crude oil prices have risen dramatically over the last few years, driven by the strong global demand, limited spare oil production capacity and continuing political instability in certain oil producing regions.

It is also announced that with the money now saved by ending the subsidy, government will begin to make public transport cheaper and more convenient for public who wish to avoid paying for the more expensive petrol to fuel their personal automobiles. On a brighter note, Malaysia still has the cheapest RON95 cost compared to neighbouring countries such as Indonesia (RM2. 46/litre), Singapore (RM4. 36/litre) and Thailand (RM4. 25/litre).

As on 1st August 2010, Malaysia government had set a law that foreign-registered vehicles are only allowed to purchase RON97 petrol as the fuel would no longer be subsidized but subjected to a managed float. The decision to ban the sale of subsidized petrol, RON95 to foreign-registered

vehicles was in accordance with the government's policy that the subsidy was only meant for Malaysians. The inflation of fuel price in Malaysia have affected many especially the public in both ways – directly and indirectly.

Owner of motor vehicles have to pay more for their travel expenses or even change means of transportation due to the higher fuel price. Back in 2008 when government announced the increase of petrol price to RM2. 70, transportation companies also declare an increase of 35% in trucking and logistics fees. As for commercial and small businesses, electricity rates rose to 26% and low-cost housing was no longer possible due to the rising cost of building materials. The Effect on the Market Equilibrium of Complementary Goods & Services due to the Increase in Fuel Price.