



Minister says postponement is to prepare Malaysians to accept the PSP. – BERNAMAPIX

## Lower inflation forecast if targeted petrol subsidy delayed further

**PETALING JAYA:** HLIB Research said its 2020 inflation forecast will remain broadly intact at 2% if the implementation of proposed targeted petrol subsidy is still within the first quarter of the year.

However, should the implementation be delayed to the middle of the year, its forecast could be lowered to 1.7% year on year.

“Given the scarcity of details regarding the new implementation timeline, our 2020 inflation forecast is left unchanged at 2% for now,” it said.

This is based on the assumption that Brent oil price averages US\$60 a barrel and the ringgit averages US\$/RM4.15-4.20 in 2020. Fuel takes up an 8.5% weight within the Consumer Price Index basket.

Last week, Domestic Trade and Consumer Affairs Minister Datuk Seri Saifuddin Nasution Ismail said the government will delay the

implementation of the Petrol Subsidy Programme (PSP) until further notice.

He said the postponement was to allow more explanations to be conducted in order to better prepare Malaysians to accept the PSP and to facilitate the registration of M40 recipients, according to news reports.

Meanwhile, the research house said it is also maintaining its expectation of a 25 basis point cut to the Overnight Policy Rate in the first half of the year.

“While there are some signs of stabilisation in global economic and financial environment, we remain cautious on the sustainability of positive momentum as trade uncertainties, geopolitical volatility may resurface in 2020, after the proposed signing date between US and China on phase 1 trade deal on Jan 15, 2020 and Brexit on Jan 31, 2020,” it said.