

BUFF/10/112

July 29, 2010

**Statement by the Staff Representative on Malaysia
Executive Board Meeting
July 30, 2010**

The information below has become available following the issuance of the staff report (SM/10/201). It does not alter the thrust of the staff appraisal.

Economic developments. High-frequency data suggest that Malaysia's expansion remains on track. Consumption indicators are strong, suggesting continued household confidence, while industrial production experienced in May the third consecutive month of double-digit year-on-year growth. Declining momentum for exports and industrial output suggest, however, a slower pace of activity in the quarters ahead. Inflation is not a concern at present. The June CPI was 1.7 percent higher than a year earlier and in line with the staff's projections.

Policy developments. On July 16, 2010, the government reduced subsidies for some key commodities. The price of sugar has been raised by 15 percent; low-octane gasoline and diesel prices have been increased by some 3 percent, and the price of liquefied petroleum gas has gone up by about 6 percent. High-octane gasoline is no longer subsidized. Although these measures fall short of earlier official proposals, they mark the beginning of the subsidy reform program highlighted in the New Economic Model and advocated by the Fund in past consultations.