Written by Administrator
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<p>27 November 2007</p><p> </p><p>Malaysian fuel prices could rise by more than 20 percent early next year, in a "painful" move that would push inflation up to 3.2 percent in 2008, an independent think tank said today.</p><div style="position: absolute; top: 0pt; left: 0pt; visibility: hidden"></div> <p>Prime Minister Abdullah Ahmad Badawi said early this month that energy subsidies would have to be reduced, signalling further fuel price hikes even as the nation heads for elections tipped for next year. </p><p align="justify">The Malaysian Institute of Economic Research (MIER) said it expects pump prices to be increased by 30 to 40 sen�from current levels of RM1.92 per litre.

Highway tolls are also expected to rise in January, a year after hikes of up to 60 percent were imposed, in a double burden for motorists.

"I think it will be done soon ... probably after elections along with the toll hike. These are painful changes," said MIER chief Mohamed Ariff Abdul Kareem.

The twin increases "will raise the cost of doing business and inflation could hit 3.2 percent next year," he told reporters. </p><div align="justify"> </div><p align="justify">Bank Negara's forecast

Malaysia's central bank has forecast inflation to fall between 2.0 to 2.5 percent in 2007, but has not made any prediction for 2008.

The government imposed its highest-ever fuel price rises in February 2006, citing the spiralling cost of crude oil, and pledged to use the cost savings to boost the country's substandard transport system.

Political and civil society groups organised rare demonstrations in the streets of the capital Kuala Lumpur to condemn the decision, arguing it was unnecessary as Malaysia is a net exporter of oil.

The MIER reiterated that it expects economic growth to slow to 5.4 percent in 2008, against an official forecast of up to 6.5 percent, due to weakness in the United States and the global economy.

The MIER is tipping 5.7 percent expansion for 2007, lower than the government's forecast of 6.0 percent.</p> - AFP<p> </p>