

BUDI95: Blanket Citizen Subsidy, With Key Gaps to Watch

On **30 September 2025**, the government will roll out the BUDI95 targeted subsidy programme for RON95 petrol. Under the scheme, all Malaysian citizens holding a valid driving licence will be eligible to purchase RON95 at **RM1.99 per litre**, compared to the current subsidised price of RM2.05. Non-citizens and large companies will no longer be entitled to the subsidy and will instead pay the **unsubsidised market price of around RM2.60 per litre**.

The programme will be introduced in phases. Beginning **24 September 2025**, B40 income groups, police personnel, and members of the armed forces will be able to enjoy the subsidised price earlier, ahead of the nationwide rollout on 30 September. The new mechanism uses MyKad verification at petrol pumps, complemented by digital integration with major e-wallet and fuel apps (Touch 'n Go, Setel, etc.).

Coverage is broad, expected to reach around **16 million Malaysians**, making it rather a **blanket citizen benefit** rather than an income-targeted scheme. Also, at this juncture, it remains unclear what criteria define "*large corporates*" that will be required to pay the unsubsidised price.

Quick take:

The BUDI95 programme underscores the government's commitment to **shield households from cost pressures** while delivering on its pledge to implement subsidy rationalisation. By ensuring broad citizen coverage and tightening control over leakages, the initiative sends a positive signal of policy responsiveness and **social protection**.



Key Features of Budi Madani RON95 (BUDI95)

- ✓ **Effective date:** 30 Sept 2025 (nationwide)
- ✓ **Beneficiaries:** All Malaysian citizens with a valid driving licence (~16m people)
- ✓ **Price for citizens:** RM1.99/litre (vs RM2.05 previously)
- ✓ **Price for non-citizens & corporates:** Unsubsidised market rate (~RM2.60/litre)
- ✓ **Mechanism:** MyKad verification + digital app integration (TNG, Setel)
- ✓ **Objective:** Reduce subsidy leakage to foreigners & corporates while protecting citizens
- ✓ **Nature:** Blanket citizen coverage, not income-targeted

Subsidy Rollout Eases Pump Prices, Inflation Risks Still Contained

The immediate macro impact of BUDI95 is expected to be benign, with **minimal inflationary pass-through**. The effective pump price for citizens falls slightly (RM1.99 vs RM2.05 previously), making the measure **mildly disinflationary** in the near term. The subsidy cap of 300 litres per month per citizen is unlikely to create upward price pressures, as **average monthly consumption stands at ~250 litres***, leaving most households below the ceiling.

At the household level, the scheme **potentially offers a small positive boost to disposable income**, particularly for middle- and lower-income groups that are more sensitive to fuel costs. This cushioning effect helps keep broader cost-of-living pressures in check, reinforcing the benign inflation outlook in the near term.

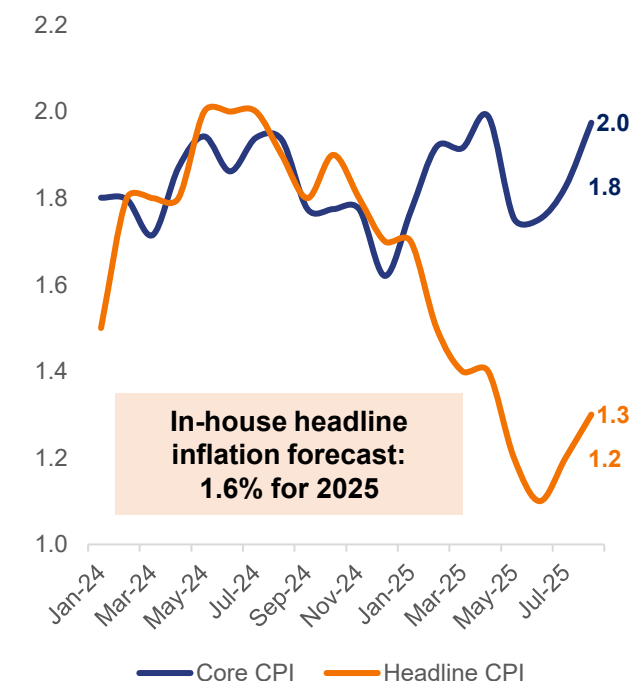
Risks to the inflation outlook would only emerge if future rationalisation involves a **shift towards floating prices or a means-tested scheme**, which would expose households to greater volatility in global oil markets. For now, inflationary risks from this policy are contained, and headline CPI trajectory remains primarily shaped by food and services components.

Did you know?



- **Inflation (CPI) measures changes in the prices of goods and services consumed by residents.** It **excludes foreign spending** inside Malaysia. This means price increases paid only by foreigners (e.g., *unsubsidised RON95 under BUDI95*) do not show up in official CPI.
- As such, while BUDI95 requires non-citizens and corporates to pay the market price (~RM2.60/litre), this has **no direct impact on measured inflation**. Only changes affecting Malaysian households' basket drive CPI.

Malaysia's Inflation (Headline vs core), %yoy



Sources: CEIC, Department of Statistics, BMMB Economics

* Sourced from Bernama article [DPM Ahmad Zahidi Hails BUDI95 Targeted Subsidy as Principled Action For the People](#)

Fiscal Gains Modest, Oil Prices Still the Key Risk

The **fiscal implications of BUDI95 are mixed** in our view. On one hand, leakage to foreigners and corporates is plugged, ensuring subsidies flow more directly to citizens. On the other, coverage remains broad — with around 16 million Malaysians eligible, the scheme resembles a blanket citizen benefit rather than a tightly targeted programme. This caps fiscal savings, especially as pump subsidies remain sizeable in absolute terms.

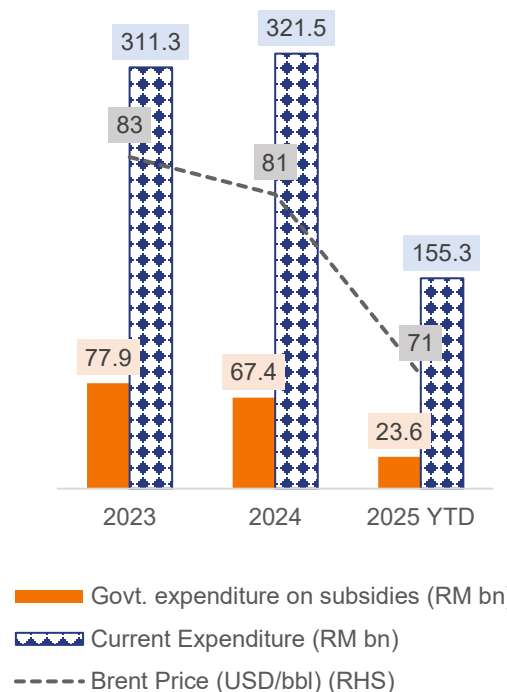
Potential savings from the programme are relatively modest i.e. RM2.5 – RM4 billion annually by current estimates — far smaller than earlier projections of up to RM8 billion had high-income groups also been excluded. Importantly, recent fiscal relief has been **driven more by softer global oil prices than by efficiency gains from targeting**. This makes oil prices the decisive lever: any sustained rally would quickly widen the subsidy bill and re-expose fiscal vulnerabilities.

Risks to the fiscal outlook stem from three areas:

- **Broad coverage:** with subsidy costs still linked to global oil price swings, fiscal exposure remains high.
- **Future ambiguity:** it is unclear how “large corporates” will be defined and monitored, raising enforcement questions.
- **Policy credibility:** while BUDI95 reflects responsiveness, both markets and rating agencies will scrutinise whether broader fiscal reforms — especially subsidy rationalisation — remain credible and on track.

Bottom line: BUDI95 shows **the government’s effort to ease household cost-of-living pressures** while signalling commitment to subsidy targeting. The rollout also highlights an **attempt to leverage MyKad technology**, which remains underutilised; if successful, this could pave the way for more targeted assistance, including income-based subsidy rationalisation. That said, **fiscal consolidation goals remain in question**, as broad coverage and oil price volatility mean savings from this measure alone may not be enough to materially improve the medium-term deficit path.

Government Subsidy Bill Moves with Brent Crude



Sources: CEIC, MOF, BMMB Economics