

Prime Minister’s Special Announcement – Cost of Living Relief Package: Immediate Measures and Fiscal Impact

The announcement on **23 July 2025** by the Prime Minister was not entirely unexpected — it was teased days earlier as a “*major news*” for the rakyat, sparking widespread speculation both on the ground and in the markets. Public attention quickly zeroed in on the likely contours of the relief, with growing chatter around **fuel subsidy restructuring, direct cash assistance, and a possible boost** to domestic welfare programs.

Framed as a gesture of appreciation to the rakyat, the package — titled ‘*Penghargaan Untuk Rakyat Malaysia*’ — reflects the Government’s intent to balance short-term relief with its broader push toward subsidy rationalisation and a more targeted social support framework. While some initiatives provide immediate assistance, others — particularly the fuel subsidy targeting — signal an **ongoing shift toward more disciplined and outcome-driven fiscal management**.

Table 1: Key Relief Measures and Fiscal Allocation (Announced 23 July 2025)

No.	Measure	Description	Allocation
1	RM100 One-Off SARA Cash Handout	<ul style="list-style-type: none">RM100 credited to all Malaysian citizens* aged 18 and above via MyKad.Usable at 4,100+ participating outlets from 31 Aug to 31 Dec 2025.	RM2.0 billion (new) (Total STR + SARA: RM15 billion in 2025)
2	Public Holiday on 15 Sept 2025	<ul style="list-style-type: none">Declared as an additional holiday in conjunction with Malaysia Day to encourage domestic travel.	Nil direct fiscal allocation
3	Expansion of Jualan Rahmah MADANI	<ul style="list-style-type: none">Rahmah sales program expanded in frequency, location and product variety, covering all 600 DUNs.	+RM300 million (from RM300 million to RM600 million total)
4	Toll Hike Deferral	<ul style="list-style-type: none">Scheduled toll increases for 10 highways postponed. Govt to absorb compensation costs to concessionaires.	>RM500 million (estimated Govt outlay)
5	RON95 Fuel Subsidy Targeting	<ul style="list-style-type: none">Subsidy restructuring to take effect by end-Sept 2025. Eligible citizens to pay RM1.99/litre; non-citizens to pay market rate (~RM2.50/litre).	RON95 subsidy currently ~RM20 billion/year (Potential fiscal savings post-reform)

*Distributed on a per-individual basis, not by household
Source: Prime Minister’s Speech – “Penghargaan untuk Rakyat Malaysia”

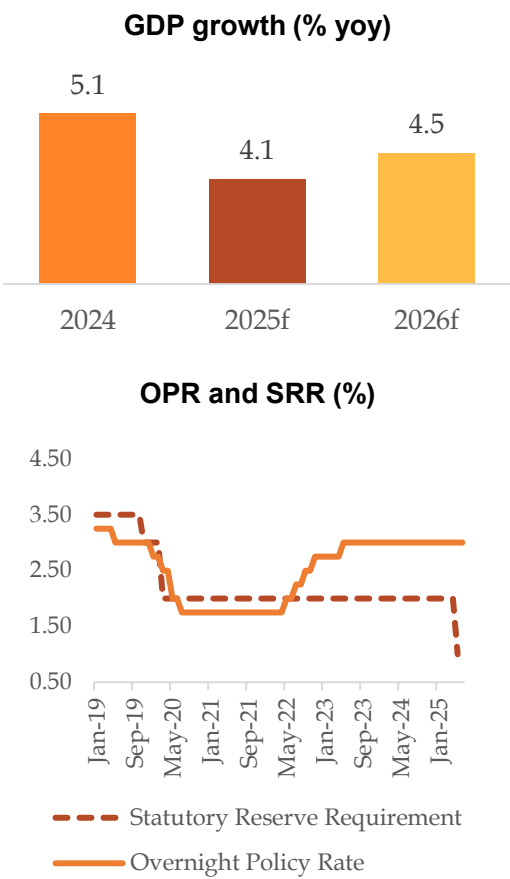
Our take: Cash Relief, Reform Signals — A Pragmatic Policy Mix

The announced measures are expected to add around RM3 billion to government spending in 2025. While relatively small as a share of budgeted Govt. spending, the package reinforces the current **policy mix of targeted relief and fiscal recalibration**. On this, we applaud the Govt. decision to proceed with RON95 subsidy rationalisation as a critical step toward fiscal consolidation, despite **rising political pressure**. The price cap at RM1.99/litre helps contain inflation risk in the near term, though effective targeting and enforcement will be key to ensuring credibility and impact. Other measures — including the cash handout, *Rahmah* sales expansion, and toll hike deferral — offer short-term support to household spending, particularly as external demand softens in the second half of the year.

Taken together with the recent OPR and SRR cuts, the **overall policy stance has clearly shifted toward growth support**. We maintain our **2025 GDP forecast at 4.1%**, with **headline inflation at 2.0%**, as domestic demand is expected to remain well supported and inflationary pressures broadly contained.

Table 2: Estimated Near-Term Impact on GDP and Inflation

RM100 One-Off SARA Cash Handout	<ul style="list-style-type: none"> Broad-based consumption support in 3Q–4Q. Expected to add 0.2 ppt to GDP in 2025
Public Holiday on 15 Sept 2025	<ul style="list-style-type: none"> Minor short-term uplift to domestic tourism and retail;
Expansion of Jualan Rahmah MADANI	<ul style="list-style-type: none"> Eases cost burden for essentials with targeted price control measures. Negligible impact on baseline GDP and inflation forecast for 2025
Toll Hike Deferral	<ul style="list-style-type: none"> Prevents immediate upward pressure on transport and logistics costs. Not factored into baseline; no direct impact on GDP or inflation forecast for 2025
RON95 Fuel Subsidy Targeting	<ul style="list-style-type: none"> Signals fiscal discipline shift. May reduce leakages and support subsidy targeting narrative. Inflationary risk mitigated by price cap for eligible groups and benign global commodity prices.



Source: Prime Minister’s Speech – “Penghargaan untuk Rakyat Malaysia, BMMB Economics

* This estimate excludes any revised allocation that may be required for the implementation of targeted fuel subsidies

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