

# MEF says businesses will feel the pinch

THE Malaysian Employers Federation (MEF) said the increase in fuel prices and the electricity tariff hike will have a negative impact on the competitiveness of businesses and employers here.

“Businesses in the transportation industry will not be able to absorb the hefty increases in petrol and diesel prices. They will either increase fares and transport charges, stop servicing unprofitable routes or wind up the

business,” MEF said in a statement issued yesterday.

MEF said if employers downsize their businesses, it would lead to retrenchment — placing higher pressure on the job market and adding to the unemployment rate.

“In addition, employers in the private sector will face pressure from employees to increase salaries to meet increased cost of living,” it said.

With 30 per cent of economic activities related to the cost of petroleum products, consumer spending will reduce in areas such as retail, travel and tourism.

There could also be an impact on foreign investment as investors see it as a less attractive destination due to higher cost of carrying out businesses.

“Existing investors in the country, whether foreign or local, may also consider relocating to other

lower cost countries,” it said.

MEF pointed out that the implementation of cash rebates for fuel would add to bureaucracy and red tape compared to the previous subsidy system.

MEF said it will be undertaking a national survey on the impact of increased prices of petrol, diesel and electricity on employers and make the necessary recommendations to the government.