



## **MALAYSIA BUDGET 2027 – A Rakyat Friendly Budget**

The tabling of Budget 2027 marks a *Rakyat*-friendly budget and carries political significance as it is expected to be the final tabling under Datuk Seri Anwar Ibrahim's administration before the next General Election (GE), the timing of which remains uncertain. The spotlight was on the minimum wage hike, which presents a critical pain point for labour-intensive retailers, planters and manufacturers to protect their margins. Nevertheless, bigger tax breaks and robust cash assistance to consumers, coupled with higher production volumes could help cushion the impact of rising operating expenditure (OpEx) on the sectors. The Johor-Singapore Special Economic Zone (JSSEZ) blueprints, alongside Tenaga Nasional Berhad's (TNB) RM15bn grid investment, reinforce the government's commitment to infrastructure development in the southern region and its aim of attracting record foreign direct investment (FDI). The reiteration of MediAsas further reinforces the possibility of a volume boost for hospitals with greater exposure to lower- and middle-income populations. The least impacted sectors are Oil & Gas (O&G), petrochemicals, telcos, gaming REITs and Banks, in our view.

### **1. Consumers (99SMART, NESTLE, QL, FFB)**

→ Benefiting from targeted subsidies, cash aid programmes, and contained inflation. A stable consumption outlook supports earnings resilience. Increased allocations under the Rahmah and SARA programmes underscore the government's efforts to ease household pressures from rising living costs.

### **2. Construction & Infrastructure (GAMUDA, IJM, WCT, SUNCON)**

→ Federal development expenditure rises 2.5% YoY to RM83bn, while public-private investment increases 10% to RM11bn. GLIC investment, however, moderates to RM25bn from RM30bn. Road and rural infrastructure spending remain relatively steady. Meanwhile, public housing emerges as a clearer Budget 2027 winner. The reinstatement of the Variation of Price mechanism for diesel and bitumen further reinforces our positive stance on the sector.

### **3. Property (LAGENDA, MATRIX, SKYWLD, MAHSING)**

→ Expanded stamp duty relief for first-home buyers purchasing homes priced up to RM750,000, alongside RM20bn in SJKP financing guarantees, supports affordability. However, the relief applies to both new and subsale homes, limiting the direct uplift to developers' sales. JS-SEZ development remains supportive of industrial property demand.

### **4. Renewable Energy & Utilities (TENAGA, IAB, SMRT, SALCON)**

→ TNB's RM15bn grid investment, UEM Lestara's RM1bn energy projects, and the extension of green investment tax incentives to 2030 reinforce Malaysia's energy-transition agenda. The centralised RM1.5bn solar park for government buildings and LSS6 allocations offer incremental opportunities for solar EPCC players, alongside grid reinforcement and ASEAN Power Grid connectivity.

### **5. Tourism & Aviation (AAGB, CAPITALA, SUNWAY, LSH)**

→ The RM935m allocation for the tourism sector, alongside RM240m for preparations for the 2027 SEA Games and ASEAN Para Games, should support tourism promotion, visitor arrivals, and hospitality demand. International and charter flight-matching grants, incentives for MICE activities, higher duty-free shopping limits, and entertainment duty exemptions could encourage tourism spending and event-related travel.

## **Numbers at a Glance**

Federal government revenue growth is expected to moderate in 2027F, reflecting slower tax revenue growth of 5.8% (2026F: 8.1%) and a moderation in SST collections growth to 9.5% (2026F: 20%). This is partly attributable to proposed tax relief measures and personal income tax rate reductions. Nevertheless, stronger corporate income tax growth is expected to partially offset the slowdown. Separately, the Ministry of Finance (MoF) projects petroleum-related revenue to remain unchanged at RM20.5bn in 2027F, based on its assumption that average global crude oil prices will remain steady at c.US\$85/bbl. Federal development expenditure rises 2.5% YoY to RM83bn from RM81bn, while public-private investment increases 10% to RM11bn. GLIC investment, however moderates to RM25bn from RM30bn.

| <b>Federal Government Finance</b>                                    |              |              |              |
|----------------------------------------------------------------------|--------------|--------------|--------------|
| <b>(RM bn)</b>                                                       | <b>2027F</b> | <b>2026P</b> | <b>2025A</b> |
| Revenue                                                              | 380.8        | 363.6        | 336.1        |
| Operating Exp                                                        | (376.8)      | (363.1)      | (330.8)      |
| Development Exp                                                      | (83.0)       | (81.0)       | (81.9)       |
| Overall Deficit                                                      | (77.5)       | (78.5)       | (75.3)       |
| GDP Growth (%)                                                       | 4.2-5.2      | 4.8-5.3      | 5.2          |
| - Agriculture                                                        | 0.5          | (2.1)        | 2.2          |
| - Construction                                                       | 5.7          | 6.4          | 12.2         |
| - Manufacturing                                                      | 4.1          | 6.2          | 4.5          |
| - Mining                                                             | 1.2          | 2.6          | 0.6          |
| - Services                                                           | 5.2          | 5.5          | 5.4          |
| Source: Economic Report 2025/2026, Ministry of Finance, PCM Oct 2025 |              |              |              |
| A = Actual<br>P = Preliminary<br>F = Forecast                        |              |              |              |

Source: Budget 2027, MoF Malaysia, PCM Oct'26

# Sector Highlights

## 1. Consumer, household income & cost of living

### Announcement:

- The combined allocation for Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) will increase to RM16bn in 2027, from RM15bn previously. SARA assistance of up to RM150 per month, or RM1,800 annually, will be extended to all STR recipients, benefiting up to 9m Malaysians.
- Malaysians aged 18 and above who are not STR recipients will receive RM100 of SARA MADANI assistance on two occasions, ahead of Aidilfitri and in conjunction with National Day. The measure will benefit up to 13m Malaysians, including those in the M40 income segment.
- SARA assistance will be expanded to cover purchases of fresh produce and perishable goods at 216 FAMA farmers' markets and Tamu markets nationwide. The number of participating small grocery shops and cooperatives will also increase from 6,800 to 10,000.
- The allocation for Jualan Rahmah MADANI and Jualan Agro MADANI will increase from RM630m to RM750m, supporting 35,000 programmes nationwide. A total of 5,000 Jualan Agro MADANI programmes will offer selected fresh produce at prices of up to 30% below prevailing market prices.
- The individual tax relief threshold will be increased from RM9,000 to RM12,000. Resident individual income tax rates will also be reduced by one percentage point to 18% for chargeable income between RM70,001 and RM100,000 and to 24% for chargeable income between RM100,001 and RM150,000.
- Individual tax reliefs will be expanded to include postpartum care, broader expenses for the care of parents and grandparents, tuition and education across all fields, AI software subscriptions, sports shoes and selected pet-related expenses. Collectively, these measures are expected to provide approximately 5m taxpayers with additional disposable income of up to RM1,600.

### Comment:

We view Budget 2027 as positive for the Consumer sector, supported by higher cash assistance, personal income-tax reductions and expanded tax relief. The wider support for both B40 and M40 households should strengthen spending on groceries, household necessities and affordable discretionary products.

Among retailers, we favour **99SMART** as the clearest beneficiary of the expanded SARA programme, with most of its stores participating in the MyKasih programme. Its extensive store network, price leadership and high exposure to essential products should support footfall and sales volumes. We are also positive on Consumer Staples names with products eligible under SARA. **NESTLE** should benefit from its broad range of household necessities, while **QL**, **FFB** and **F&N** could benefit from SARA's expansion into fresh and perishable foods. **QL** offers exposure to eggs and poultry, **FFB** to fresh milk and dairy products, and **F&N** to dairy and beverage staples. However, the expanded assistance is expected to support stable volumes rather than materially lift group earnings.

## 2. Wages, employment & the gig economy

### Announcement:

- The national minimum wage will be increased from RM1,700 to RM2,000 per month, effective June 2027. Micro, small and medium enterprises with annual sales below RM50m will initially be exempted to provide additional time to adjust their business models.
- The Government will begin reforming the wage framework by introducing a RM2,500 monthly wage floor for semi-skilled workers and graduates. Separately, GLICs and GLCs have committed to increasing their living-

wage benchmark from RM3,100 to RM3,400 per month, which the Budget speech states is expected to benefit 230,000 workers.

- To discourage the employment of undocumented foreign workers, companies other than MSMEs will only be allowed to claim tax deductions on wage expenditure where wages are paid through bank accounts permitted under the Employment Act 1955.
- The Government and Grab will jointly fund a RM160m support package for e-hailing and p-hailing workers. The programme covers minimum-income support, vehicle maintenance, insurance and contributions to the Social Security Organisation. Median monthly net income is expected to increase by up to RM227 for e-hailing drivers and up to RM100 for p-hailing workers.
- The Government will provide a 35% matching incentive for Social Security Organisation contributions made by e-hailing and p-hailing workers. This will rise to 50% where the platform company also contributes. A separate 70% matching incentive will be extended to 200,000 self-employed individuals across 17 non-mandatory sectors.
- E-hailing and p-hailing drivers may receive matching incentives of up to RM600 annually for EPF contributions, subject to a lifetime limit of RM6,000. BSN and Agrobank will also provide RM270m of financing for gig workers seeking to start businesses or purchase their first homes.

#### **Comment:**

The increase in the minimum wage from RM1,700 to RM2,000 per month effective June 2027 should strengthen household purchasing power, particularly among lower-income workers. Higher wages should support affordable discretionary spending. However, the higher wage bill could pressure margins for labour-intensive retailers and F&B operators unless offset by productivity gains, selective price increases and tighter cost control.

We favour **MRDIY**, supported by its investment in warehouse automation, procurement scale and supply-chain efficiencies. The automated warehouse should improve inventory handling, reduce logistics costs and support operating leverage as utilisation increases, helping the group absorb part of the higher wage bill. We exclude **ECOSHOP** from our preferred picks due to minimum-wage pressure and the risk that further price adjustments could weigh on SSSG and market sentiment. We believe **EMPIRE** should benefit from stronger discretionary spending and higher consumer traffic. Nevertheless, it remains exposed to store-level labour costs. Preserving margins will depend on its ability to sustain outlet productivity, implement measured price adjustments and generate sufficient sales growth to absorb the increased staffing costs.

We also see **HLIND** as a potential beneficiary, given its exposure to mass-market discretionary spending through motorcycles and consumer products. The gig-worker support package may provide an incremental demand tailwind for motorcycles, particularly among e-hailing and delivery workers, but we expect the earnings contribution to be modest.

### **3. Agriculture, plantation & food security**

#### **Announcement:**

- The Government will allocate RM2.62bn to paddy farmers, equivalent to approximately RM4,300 per hectare in assistance for seeds, fertilisers, pesticides, ploughing and paddy-price support.
- RM100m of hybrid financing will be provided to help 4,500 oil-palm smallholders replant ageing palms. Qualifying smallholders will be required to repay only half of the financing amount.
- A further RM200m soft-loan facility will finance oil-palm replanting for landholdings of up to 40 hectares. Repayment will be deferred for four years while the replanted palms remain immature, with smallholders bearing an interest rate of 2% and the Government absorbing the remaining interest cost.

- The Government will provide RM30m to address crop diseases and pest infestations, including Ganoderma, bagworms and mealybugs in the oil-palm sector, as well as diseases affecting cocoa and pepper crops.
- The Rubber Production Incentive activation price will be increased from RM3.00 per kilogram to RM3.30 per kilogram, benefiting more than 300,000 rubber smallholders.
- As of September 2026, approximately 290,000 smallholders received monthly assistance of RM400. Eligible recipients include farmers, livestock breeders and small-scale operators involved in oil palm, rubber, cocoa, pepper and kenaf.

**Comment:**

Budget 2027 is supportive of the wider agriculture ecosystem, although most of the direct assistance targets smallholders and farmers rather than listed companies. The paddy allocation and higher rubber incentive should support rural incomes. The replanting facilities and funding for disease and pest control are positive for long-term oil palm yields and industry sustainability. However, these measures are unlikely to provide a near-term earnings catalyst for listed planters. For these companies, the more immediate Budget effect is the higher minimum wage, which will raise estate labour costs. The size of the impact will depend on each company's wage structure, workforce mix and level of mechanisation.

Despite the cost pressure, a structurally tight supply outlook, ageing tree profiles and expanding biodiesel mandates should keep CPO prices firm and partly offset higher labour costs. **SDG** and **IOICORP** stand out for their scale, diversification and downstream exposure, while **SWKPLNT** and **HSPLANT** offer greater upstream leverage to CPO prices and production growth.

Beyond plantations, the wider agri-food push should support steady protein demand, favouring integrated poultry players such as **LHI**.

#### **4. Fiscal & tax measures**

**Announcement:**

- Fiscal deficit targeted at 3.3% of GDP in 2027 (2026 estimate: 3.6%), with no reintroduction of GST.
- Individual tax relief raised to RM12,000 from RM9,000. Rates cut by 1ppt for two bands: RM70,001–RM100,000 to 18% (from 19%), and RM100,001–RM150,000 to 24% (from 25%).
- Qualifying SMEs taxed at 14% (from 15%) on the first RM150,000 of chargeable income, and 16% (from 17%) on RM150,001–RM600,000.
- First-home stamp duty relief extended to 2030, with partial relief now covering homes up to RM750,000 (see Property section). Opening savings and current accounts exempt from stamp duty from 1 Jan 2027.
- Non-MSME companies can only claim tax deductions on salaries paid into bank accounts through channels allowed under the Employment Act 1955, to curb illegal foreign workers. Other expenses are unaffected.
- Malaysian shipping companies' full income tax exemption extended to YA2036.
- New Global Services Hub companies get a 5% tax rate; treasury centres exempted from withholding tax on interest.

**Comment:**

The tax measures are neutral to positive for financials. There is no new levy on banks, and personal and SME tax cuts leave borrowers more cash for repayments. Deficit reduction supports Malaysia's credit standing, though bond yields remain a swing factor for banks' treasury income.

As the first-home stamp duty relief applies to both new launches and subsale homes, its benefit flows to mortgage lenders across the housing market, not just developers. **PBBANK**, with its large mortgage book, is a key beneficiary. The account stamp duty exemption and salary rule should lift low-cost deposits at **Maybank, PBBANK and CIMB**. The 5% Global Services Hub rate could add cash management business for **Maybank** and **CIMB**. Extending the shipping tax exemption to YA2036 keeps tax certainty for **MISC** and **Orkim**, and possibly FPSO players such as **Bumi Armada**, if their vessels qualify.

## 5. Rakyat wellbeing & financing access

### Announcement:

- STR/SARA cash aid raised to RM16bn (2026: RM15bn). Minimum wage raised to RM2,000 from Jun 2027, with MSMEs below RM50m in sales exempted for now.
- Bankruptcy threshold raised to RM150,000 from RM100,000 from 2027; ABMB, Maybank and CIMB now offer a basic credit card at no more than 14% a year.
- BNM's facility for SMEs affected by the Middle East conflict doubled to RM10bn; SJPP/CGC guarantees of up to RM32bn, with SJPP extended to mid-tier companies.
- MediAsas medical plan, with diagnosis-based hospital charges, launches Jan 2027, with premiums payable from EPF Akaun Sejahtera (members under 55); private hospital bills to be standardised from 2027.
- Road Transport Act to require drunk or drugged drivers to compensate victims; telematics to become mandatory for commercial vehicles (voluntary until 2027).

### Comment:

The bigger STR/SARA allocation and higher minimum wage give B40/M40 households more room to repay loans and spend at mass-market grocers such as **99SMART**. The 14% card is a new product, not a rate cap, so card income is barely affected. The higher threshold, however, bars bankruptcy action on debts below RM150,000. With smaller MSMEs exempt, wage pressure falls on mid-sized and larger firms, where new SJPP coverage lowers banks' risk on new lending, favouring **ABMB, RHB Bank and Hong Leong Bank**. We stay **Neutral-to-Positive** on banks, preferring **PBBANK, RHB Bank and ABMB**.

MediAsas could widen medical cover via EPF, though insurers' margins are likely thin. Over time, diagnosis-based pricing and standardised bills could help contain medical claims inflation, benefiting **Allianz Malaysia** and **Syarikat Takaful Malaysia**. **KPJ Healthcare**, with more moderate pricing, is well placed for MediAsas patients. Drink-driving compensation and mandatory telematics may aid claims recovery for **LPI Capital**, subject to final legislation. We are **Positive** on insurers.

## 6. Islamic finance & halal economy

### Announcement:

- Shariah-compliant fund managers get a 40% income tax exemption for YA2028–2030.
- Sukuk Prisma issuers can deduct SC-approved issuance costs for YA2027–2030, and grants under the SRI Sukuk and Bond Grant Scheme become tax-exempt from 1 Jan 2027.
- A tokenised retail savings sukuk will be introduced using blockchain, letting individuals invest in government sukuk and choose whether proceeds fund education, health or social protection.
- First-time halal certification gets a matching grant of up to RM5,000 for MSMEs, and EPF Simpanan Shariah members can now pay zakat straight from their dividends.

- Bumiputera financing: TERAJU to provide up to RM1bn, PUNB fund enlarged to RM500m, and a flat RM10 stamp duty on CAKNA II financing (2027–2030).

**Comment:**

Budget 2026 positioned Labuan as a digital Islamic finance hub. Budget 2027 builds on this with tax incentives for sukuk issuers, retail investors and Shariah fund managers. The 40% exemption for Shariah fund managers only starts in YA2028, so there is no immediate earnings impact, but it signals the Government's intent to grow Islamic funds managed in Malaysia. This benefits the asset management arms of **Maybank**, **CIMB** (via Principal) and **Kenanga**.

Allowing Sukuk Prisma issuers to deduct issuance costs should encourage more sustainable sukuk deals, adding fee income for arrangers **Maybank IB**, **CIMB IB** and **RHB IB**. Our preferred proxy for this theme is **Maybank**. Its Islamic arm is the largest in Malaysia, and the group also has sukuk arranging and Shariah asset management businesses, so it benefits from incentives at every stage rather than just one. The halal certification grant and zakat payment from EPF dividends widen the Shariah-compliant customer base, a mild positive for **RHB Bank** (via RHB Islamic) and **Syarikat Takaful Malaysia**.

## 7. Power & utilities

**Announcement:**

- Tenaga Nasional Bhd (TNB) will invest RM15bil in the national power grid under Budget 2027, while new funding and energy projects are set to support the country's energy transition.
- UEM Lestra will invest RM1 billion, including in energy storage projects at Kuala Lumpur International Airport (KLIA) and a 1-gigawatt hybrid energy project in Johor.
- The Retirement Fund Inc (KWAP) will also establish a RM1bil climate fund, while green investment allowances will be extended until 2030 to encourage investment in sustainable energy initiatives
- Households will receive rebates of up to RM200 for energy-efficient air conditioners and refrigerators under the Nur Madani programme.
- Government will extend green investment tax incentives until Dec 31, 2030, including investment tax allowances of up to 100 per cent for qualifying green technology projects, electric vehicle charging stations and green technology assets acquired for own use.
- A centralized solar park for government buildings will be developed with a RM1.5 billion investment. It provides opportunities for 34 Bumiputera construction, engineering and maintenance companies. Under the LSS6 (Large Scale Solar 6) solar project, 150MW is reserved for Bumiputera companies.
- To encourage more companies to transition to green and sustainable technology, the government has agreed to extend and enhance tax incentives until Dec 31, 2030. The extension includes investment tax allowances of up to 100% for companies undertaking green and sustainable technology projects, electric vehicle charging stations, and companies purchasing green technology assets for self-use.
- The government has extended the full income tax exemption for Malaysian shipping companies until YA2036. Stamp duty on loans to purchase or construct Malaysian ships is fixed at RM2,000 for loans up to RM100mn and RM5,000 for loans exceeding RM100mn.

**Comment:**

We believe grid and water infrastructure will remain the key beneficiaries of Budget 2027, underpinned by sustained investment in national grid reinforcement, regional electricity connectivity and ageing water pipeline replacement. **TENAGA's** RM15bn grid investment, together with the RM204m allocation for STATCOM installations in Sabah, should support further transmission and distribution upgrades as electricity demand rises.

In addition, the government's renewed emphasis on the ASEAN Power Grid (APG) could accelerate high-voltage transmission projects to facilitate cross-border electricity trading, benefiting contractors with established transmission capabilities.

For the water sector, the reiterated RM2.5bn non-revenue water (NRW) programme to replace 1,900km of ageing pipelines could support project implementation and contract awards, sustaining demand for ductile iron and mild steel pipes. Potential beneficiaries span water utilities, infrastructure providers and digital-water companies. Companies exposed to water infrastructure investment could benefit as utilities accelerate spending to improve supply resilience, reduce NRW and upgrade ageing networks. Within the listed universe, **IAB**, **SMRT**, **SALCON**, **TALIWORKS**, and **RANHILL** offer varying degrees of exposure to digital water management, water infrastructure, treatment, and utility operations.

Meanwhile, solar-related measures, including the RM1.5bn centralised solar park initiative for government buildings and the extension of GITA to 2030, present incremental opportunities for solar EPCC players and battery energy storage system (BESS) adoption. However, we expect limited near-term earnings contributions from these measures, with solar EPCC order replenishment remaining primarily driven by LSS6 and CRESS. We favour **CHEEDING** for its exposure to TNB's grid investments and potential APG-related transmission opportunities, **KEEMING** for substation and related M&E works, **KJTS** given its exposure to Malaysia's growing cooling energy market and **ENGTEX**, given its position as Malaysia's sole domestic ductile iron pipe manufacturer. **MALAKOF** and **CYPARK** could also benefit from the centralised solar park initiative, leveraging their established solar project development capabilities.

In the marine transport sector, the extension of the income tax exemption and the reduction in stamp duties for vessel purchases by Malaysian shipping companies until 2036 are expected to benefit **ORKIM**, **MISC** and **MTT**, as these measures provide greater long-term tax certainty for the domestic shipping industry's fleet renewal programs.

## 8. Tourism & heritage

### Announcement:

- The duty-free shopping limit for visitors and tourists in Langkawi and Labuan will be raised to RM10,000 under Budget 2027, subject to a minimum stay of 48 hours.
- RM935m allocated to Tourism, Arts and Culture Ministry as extension for Visit Malaysia Year 2027, to support promotional grants and tourism events, improve facilities such as jetties and heritage sites, and promote Malaysia's arts, culture and heritage.
- Rebates would also be offered to event organisers at venues with a capacity of at least 10,000 spectators to position Malaysia as a preferred destination for major international events. In addition, tax incentives for incentive trips, conferences and international trade exhibitions would be extended until the 2030 year of assessment.
- QR payments would be expanded to 15 locations next year, including resort islands, to address difficulties faced by residents and tourists in accessing ATMs and help small traders avoid losing sales when customers did not have cash.
- To improve access for international tourists, International and Charter Flight Matching Grant would be introduced to facilitate new direct flight routes from China, India, Central Asia and Europe. The grant would also be extended to cruise ships, ferries and tour buses bringing international tourists to Malaysia.
- Tickets for local films and theatre performances in the Federal Territories will be fully exempt from entertainment duty starting in 2027, as part of the government's efforts to support the local creative industry.
- An allocation of RM240 million has been set aside for Malaysia's preparations to host the 2027 SEA Games and ASEAN Para Games

#### Comment:

To sustain the tourism sector's momentum following VMY2026, Budget 2027's allocation for the tourism sector has doubled to RM935m to support promotional grants and tourism events. Furthermore, an additional RM240m has been set aside for Malaysia's preparations for the SEA Games. We view the increased allocation as broadly positive for Malaysia's tourism sector at a time when the global tourism industry is being affected by the recent West Asia conflict, which has slowed international tourist arrivals as escalating fuel prices have resulted in widespread flight cancellations and travel delays.

We see the introduction of matching grants for international and charter flights, cruises, ferries and buses as helpful in positioning Malaysia as a central connectivity hub and encouraging more international airlines to establish regular flight schedules to Malaysia as the country prepares for the SEA Games next year. Meanwhile, we expect continued support for the aviation industry to provide some relief to aviation players, including **AAGB** and **Cap A**, which have been negatively affected by the recent jump in oil prices. We also expect these initiatives to benefit hotel and resort operators such as **SUNWAY**, **LSH**, **GENM** and **GENT**, as well as F&B operator **KOPI**, through spillover effects from the higher tourism promotion budget. Convenience stores **MyNews** and **SEM** in prime locations should also benefit from higher spending by international tourists.

Visitors are also encouraged to spend more, as the duty-free shopping threshold has been raised. Together with the entertainment duty exemption in the Federal Territories, this enhances Malaysia's appeal to event organisers seeking to hold more concerts or sporting events. The extension of tax incentives for MICE activities should continue to support tenant sales in retail malls and the hospitality sector, particularly **KLCCP**, **IGBREIT**, **PAVREIT**, **SUNREIT** and **PARADIGM**.

### 9. Semiconductor & E&E

#### Announcement:

- Khazanah and KWAP to invest **RM1.2bn** (Budget 2026: RM550m) to move local semiconductor firms up the value chain, including a Khazanah–Selangor fund. Khazanah and InvestPenang to set up a **RM100m** Penang Strategic Investment Fund for early-stage semiconductor and advanced manufacturing firms.
- **RM2.1bn** from the NIMP fund, Dana Pamacu and the MTC Fund for mid-tier E&E, digital, aerospace and medical-device companies. BPMB to allocate **RM7bn** across seven sectors, including semiconductors. MTDC's SemiconStart moves to follow-on equity in IC design, advanced packaging and materials.

#### Comment:

GLIC semiconductor capital more than doubles and now targets higher-value segments. Beneficiaries are IC designers **Oppstar** and **SkyeChip**, advanced packaging players **Inari** and **MPI**, fab-service providers **Frontken** and **Kelington**, and Penang automation makers **ViTrox**, **Pentamaster** and **Greatech**. Watch items: the Reinvestment Allowance review, and the RM2,000 minimum wage for labour-intensive EMS players (**VS Industry**, **SKP Resources**).

### 10. AI, sovereign cloud & cybersecurity

#### Announcement:

- RM6bn for R&D and commercialisation across ministries. MDEC gets RM30m to help 4,000 MSMEs adopt AI, and AI Malaysia Bhd gets ~RM15m (target: 200k AI-skilled workers).
- The Sovereign AI Cloud is “now being planned”, with no new allocation figure (Budget 2026: RM2bn via MCMC). NACSA and MCMC to develop home-grown post-quantum cryptography.

#### Comment:

The focus moves to adoption and skills. Direct AI cash is small (~RM45m), and the Sovereign AI Cloud remains at the planning stage, with no new allocation figure in the 2027 speech. The data-sovereignty push could favour

**TM** and **YTL Power**, although procurement has not been confirmed. The cybersecurity push supports **LGMS**, and digital ID and e-government favour **MyEG** and **Datasonic**.

#### **11. Data centres, connectivity & power grid**

##### **Announcement:**

- GEAR-UP to mobilise RM25bn, including the RM1.25bn New Economy Venture Fund (SD Property, EPF, LTAT) for data centres and logistics in Elmina.
- JENDELA RM5bn, including the SALAM submarine cable. TNB to invest RM15bn to strengthen the national grid. UEM Lestra to invest RM1bn, including KLIA energy storage and a 1GW hybrid project in Johor.

##### **Comment:**

Power availability is emerging as a key constraint for data-centre expansion, so TNB's RM15bn national-grid investment (timing not specified) matters more than the headline fund sizes. **TNB** is the most direct beneficiary through its regulated asset base. Grid contractors **MN Holdings** and **Cheeding**, and DC builders **SunCon** and **Gamuda**, benefit only if the funding converts into tenders and awards. The NEVF supports land monetisation at **SD Property**, and SALAM and JENDELA support **TM**, **TIME dotCom** and **OCK Group**.

#### **12. Startups, VC & innovation financing**

##### **Announcement:**

- RM450m from Jelawang Capital and Dana Perintis, RM270m for ECF/P2P, RM41m for Cradle and a RM50m UNIVC Fund (Government + KWAP). Tax exemption for angel and ECF investors extended to 2030.
- SJPP/CGC guarantees of up to RM32bn, including RM1bn for mid-tier M&A. SC–SFC dual-listing cooperation, with matching grants for listing costs.

##### **Comment:**

Funding now runs from angel investment to M&A guarantees, addressing the “missing middle” for tech scale-ups. **Bursa Malaysia** gains indirectly from a deeper IPO pipeline and the dual-listing route with Hong Kong.

#### **13. Tech talent & tax incentives**

##### **Announcement:**

- RM8bn for TVET (Budget 2026: RM7.9bn), RM3bn for HRD Corp (3m training places) and RM500m for PTPK.
- ACA on ICT equipment, software and locally made machinery extended to 2030. Sales tax refund on locally bought machinery. Minimum wage rises to RM2,000 from June 2027, with RM2,500 for semi-skilled workers and graduates.

##### **Comment:**

The ACA extension keeps automation incentives in place for five more years, supporting **Greatech**, **Pentamaster**, **UWC**, **ViTrox** and IT distributor **VSTECS**. Higher wage floors raise costs for labour-intensive EMS players but should speed up automation demand.

#### 14. Property – Strengthening homeownership & industrial development

##### Announcement:

- **First-homebuyer stamp duty relief:** Full exemption on loan agreements and property transfers for homes up to RM500,000. For homes above RM500,000 to RM750,000, full exemption on the first RM500,000 and 50% exemption on the balance. Applies to SPAs signed during 2027–2030.
- **Housing financing:** RM20bn SJKP guarantees support 80,000 first homebuyers, particularly those self-employed or without fixed income.
- **Affordable housing:** Nearly RM1bn for Rumah Mesra Rakyat and Program Residensi Rakyat. Bandar MADANI Bukit Jalil includes comprehensive amenities and a vertical school; Phase 1 registration opens 12 October 2026.
- **Abandoned projects:** Full stamp duty exemptions on loan agreements and property transfers for qualifying rescue developers, contractors and original buyers during 2027–2030.
- **Industrial development:** JS-SEZ Master Plan and Blueprint launches by end-2026. Nexus Sedenak targets potential investment of RM12bn and 45,000 jobs, supported by road and connectivity upgrades.

##### Comment:

We view Budget 2027 as neutral for the property sector with measures largely continuing existing support. The key enhancement is expanded stamp duty relief for first homes priced above RM500,000 and up to RM750,000, alongside an extension to 2030. This lowers upfront purchase costs while higher wages and personal tax relief could improve purchasing power and loan eligibility for some buyers, enabling them to consider higher-priced homes. **Lagenda, SkyWorld, Matrix Concepts** and **Mahsing** could benefit from their affordable and mid-market offerings. However, relief applies to both new launches and subsale properties, spreading the benefit across the housing market and limiting the direct uplift to developers' sales.

The RM20bn SJKP guarantees remain unchanged, sustaining financing access rather than providing fresh stimulus. Sales conversion still depends on buyers' credit profiles and repayment capacity. Meanwhile, government-led affordable housing programmes offer limited direct upside to listed developers without confirmed project participation.

The forthcoming JS-SEZ Master Plan and Blueprint should provide greater clarity on priority industries and infrastructure, supporting property demand and land monetisation. **UEM Sunrise, Eco World Development, SP Setia** and **Sime Darby Property** could benefit through their Johor developments and landbank exposure with upside dependent on investment conversion, infrastructure delivery and project positioning. Overall, the Budget improves affordability and reinforces existing growth themes but provides limited grounds for immediate sector-wide earnings upgrades or a re-rating.

#### 15. Construction & infrastructure

##### Announcement:

- RM83bn in federal development expenditure, supplemented by RM25bn in GLIC investment and RM11bn in public-private investment.
- Johor's elevated autonomous rapid transit system (e-ART) received an explicit government commitment to proceed.
- Federal road maintenance receives RM2.5bn, including RM800m for G1–G4 contractors, while state road maintenance under MARRIS receives RM5.7bn.

- Road projects in Sabah and Sarawak receive RM3.3bn, covering the Trans Borneo Highway, Sarawak–Sabah Link Road and Pan Borneo Sabah Phase 1B.
- The national non-revenue water (NRW) programme receives RM2.5bn, targeting the replacement of 1,900km of ageing critical pipes.
- RM2.3bn is allocated for rural roads, while RM3.3bn is budgeted for rural basic infrastructure, covering roads, community facilities, water and electricity.
- Public housing receives almost RM1bn, with new projects in Kulai, Nilai, Paya Rumput and Lembah Pertang, alongside Bandar MADANI Bukit Jalil.
- RM320m is allocated for slope stabilisation, drains and drainage upgrades.
- The government will reintroduce Variation of Price (VOP) clauses specifically to account for increases in diesel and bitumen costs.
- The minimum wage will be raised from the current RM1,700 to RM2,000 in June 2027, with SMEs generating less than RM50.0m in revenue exempted.
- The government and Malaysia Airports Holdings will allocate RM1.1bn for improvements to port areas and airports in Kota Kinabalu, Miri, Tawau, Sandakan and Penang, as well as the Long Banga and Ba’Kelalan STOLports.

#### Comment:

We view Budget 2027 as net positive for the construction sector. Federal development expenditure rises 2.5% YoY to RM83b from RM81b, while public-private investment increases 10% to RM11b. GLIC investment, however, moderates to RM25b from RM30b. With road and rural infrastructure spending remaining relatively steady, we see limited incremental upside for large-cap contractors. The national non-revenue water (NRW) programme receives RM2.5b, below the RM3.0b allocated under Budget 2026. However, the scope of pipe replacement expands significantly to 1,900km of ageing critical pipes from more than 820km previously. This should benefit **ENGT** and **ISF**.

Public housing emerges as a clearer Budget 2027 winner, with almost RM1b allocated to Rumah Mesra Rakyat and Program Residensi Rakyat, compared with RM672m under Budget 2026, implying an increase of approximately 40–50% YoY. This should benefit **MGB**. Confirmation of the e-ART project should benefit the winning consortium, although most of its members are not listed on Bursa Malaysia, with **ANCOMNY** being a notable exception through its 42%-owned subsidiary, Nylex (Malaysia), which is a consortium member.

In our view, the reinstatement of the Variation of Price (VOP) mechanism for diesel and bitumen is the most positive development. This should mitigate the risk of margin compression on eligible government contracts, benefiting **GAMUDA**, for which Malaysian government projects account for 29% of its orderbook. The main negative is the increase in the minimum wage to RM2,000 from RM1,700, effective June 2027, representing an 18% increase. Based on our discussions with large-cap contractors, we understand that they are unlikely to be directly affected, as their entry-level wages start at approximately RM3,000. However, they acknowledged that some subcontractors may face higher labour costs and could pass these increases on to the main contractors.

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