BUDGET 2025

Turning Fiscally Conservative

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EXECUTIVE SUMMARY

1. DOMESTIC ECONOMY

Malaysia's GDP to grow at +4.5-5.5% in 2025. The government released its latest economic forecast, predicting Malaysia's economy will growth at +4.5-5.5% next year (2024e: +4.8-5.3%). In comparison, we predict Malaysia's economy will grow at more normalised pace at +4.6%, partly due to absence of technical boost from low base effect.

Robust growth in domestic demand. Private consumption is projected to grow stronger by +5.9% in 2025.

Inflation is projected to be between 2%~ 3.5% in 2025. One primary reason for the expected rise in inflation is the government's plan to rationalize subsidies, particularly for RON95 petrol.

2. PUBLIC SECTOR FINANCE

RM86b for development expenditure (DE). Public investment is projected to continue growing by +4.9% while construction sector is expected to expand by +9.4% among others attributed to public infrastructure projects.

Fiscal deficit declined to -3.8% of GDP in 2025. The government remains committed to ensure improvement in fiscal position will bring down the size of fiscal deficit to -3.8% of GDP next year (2024e: -4.3%).

Direct tax to increase in line with growing economy and income. The government projected that the collection of direct tax will increase further +6.6% to RM188.8b in 2025.

Increase in OE due to civil servant pay hike and higher debt service charges. The government's Operating Expenditure (OE) is estimated to increase by +4.2% to RM335b in 2024.

3. MOVING FORWARD

As expected, there are no material surprises at headline level. Overall, no major surprises in Budget 2025 at the headline level to materially excite or perturb the local equity market.

The construction sector is an obvious beneficiary from the DE. Despite the reduction in DE, the most obvious beneficiary of Budget 2025 will be the construction sector.

Consumer sector another possible beneficiary. Despite the plans to rationalise RON95 subsidy, it will only be implemented in mid-2025. In addition, 85% of Malaysians will continue to receive some form of support. The combination of financial aid and cash assistance is expected to create a positive environment for both staple and discretionary goods, enhancing overall consumer demand and sector growth.

The market shall remain sanguine driven by liquidity inflows and resilient fundamentals. Going forward, we foresee the local equity market will remain sanguine to be driven by further inflows of foreign liquidity.

Maintain our 2024 targets. In view of the Budget 2025 containing no material surprises, we maintain our FBM KLCI, FBM Hijrah, and FBM70 targets for 2024 at **1,750 points** or PER25 of 14.8x, **14,100 points** or PER25 of 20.2x, and **18,900 points** or PER25 of 16.0x, respectively.

Top picks of possible winners of Budget 2025. Since we believe that the construction and consumer sectors to be beneficiaries of Budget 2025, we opine that it is worthwhile for investors to look at stocks in these sectors, amongst others:

	Rec.	Price (RM) @ 18/10	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4 Good?
Construction								
IJM Corp	BUY	2.95	3.89	31.9%	2.7%	34.6%	3	No
Gamuda	BUY	8.20	9.01	9.9%	2.4%	12.3%	2	No
Malayan Cement	BUY	5.02	6.60	31.5%	2.0%	33.5%	3	No
Consumer								
Padini	BUY	3.55	4.30	21.1%	3.4%	24.5%	3	Yes
Aeon	BUY	1.40	1.67	19.3%	3.1%	22.4%	1	Yes
F&N	BUY	31.16	37.00	18.7%	2.5%	21.2%	4	Yes
Power								
Samaiden	BUY	1.04	1.57	51.0%	0.0%	51.0%	3	No
Sunview	BUY	0.48	0.75	56.3%	0.0%	56.3%	-	NR
Pekat	BUY	0.94	1.32	40.4%	0.0%	40.4%	-	NR
Property								
Mah Sing	BUY	1.78	1.97	10.7%	3.1%	13.8%	4	Yes
UOA Development	BUY	1.91	2.06	7.9%	5.2%	13.1%	3	No
Matrix Concepts	BUY	2.08	2.22	6.7%	5.5%	12.3%	3	Yes
IJM Corp	BUY	2.95	3.89	31.9%	2.7%	34.6%	3	No

A. ECONOMIC COMMENTARY AND ANALYSIS

Malaysia's GDP to grow at +4.5-5.5% in 2025. The government released its latest economic forecast, predicting Malaysia's economy will growth at +4.5-5.5% next year (2024e: +4.8-5.3%). This indicates confidence that the economy could grow around +5.0% for 2 consecutive years, supported by the government's plans and initiatives included in the Budget 2025. We noticed a more optimistic view on the domestic spending outlook, on top of larger contribution from the net exports. In comparison, our preliminary GDP growth forecast for 2025 is at the lower end of the government's forecast range, as we predict Malaysia's economy will grow at more normalised pace at +4.6%, partly because we expect no more technical boost from low base effect.

Robust growth in domestic demand. Private consumption is projected to grow stronger by +5.9% in 2025, driven by accelerating income growth, supportive domestic economic conditions and notable momentum in tourism and travel-adjacent segments. The increase in minimum wage from RM1,500 to RM1,700, starting from 1 February 2025, and the civil servant's salary hike will also contribute to income growth next year. As for tourism activities, RM550m is allocated for promoting Visit Malaysia Year 2026. The government highlighted that the Sumbangan Tunai Rahmah (STR) cash aid minimum payment will be raised by almost +24% from RM3,700 to RM4,600. The new minimum STR for singles at RM600 is also +20% higher than the previous payment RM500. The STR program will continue to benefit 9 million recipients or 60% of the adult population. On top of that, the allocation for cash assistance under the Department of Social Welfare (JKM) will be increased from RM2.4b to RM2.9b. With the government's plan to continue offering targeted fuel subsidies for 85% of the rakyat, we expect the subsidy rationalisation for RON95 may not have a significant adverse impact and this perhaps explains why the government is more bullish on the domestic consumption outlook next year.

Accelerating growth in private investment. Private investment is expected to grow steadily by +8.9% in 2025 as Malaysia continues to benefit from expanding external demand, elevated commodity prices and steady domestic economic growth. Capital expenditure on structural investments and machinery/equipment acquisitions is expected to rise to support increasing domestic and external demand. Investment approval trajectories, exhibiting improvement over pre-pandemic levels, are poised to crystallize into multi-year projects, predominantly in the E&E, transport equipment, and ICT subsectors. The Invest Malaysia Facilitation Centre (IMFC) established by the Government is expected to further boost investment activities, apart from programmes and initiatives in the national masterplans such as NETR, and NIMP2030. The government's attention towards supporting SME development will also encourage more domestic investment into halal and food industry, adoption of technology and automation, and shift towards export markets.

RM86b for development expenditure (DE). Public investment is projected to continue growing by +4.9% while construction sector is expected to expand by +9.4% among others attributed to public infrastructure projects such as the East Coast Rail Link (ECRL), Rapid Transit System Link (RTS Link) between Johor Bahru and Singapore as well as Pan Borneo Highway Sabah. In addition, whilst the construction of data centre is expected to further improve the non-residential buildings subsector, affordable house residential projects, including the 36 Program Perumahan Rakyat, are expected to support the residential buildings subsector.

Brent oil and CPO prices to average lower at USD75-80pb and RM3,500-4,000 per tonne. The government predicts a moderate outlook for commodity prices. Brent is seen averaging lower at USD75-80pb (2024e: USD80-85pb) dragged down by expectations of lower demand. At the same time, the crude oil and condensate subsector is projected to fall due to a decline in crude oil production. As a result of the maintenance shutdowns, the mining sector is projected to experience a -1.0% decline next year. Meanwhile, CPO prices are predicted to average relatively lower at RM3,500-4,000 per tonne (2024e: RM3,800-4,300/tonne) due to improved supply. Despite the higher proportion of aging oil palm plantations, production in the oil palm sub-sector is expected to continue growing, supported by better weather and labour conditions. This will help the agriculture sector to expand by +1.9% next year.

The stronger labour market as jobless rate forecasted at 3.1% for 2025. Following promising growth prospects, Malaysia's labour market to remain healthy and stable in 2025. The jobless rate is projected to trend slightly lower to 3.1% in 2025 (2024: 3.2%), The government expects the job market to pick up further from the pandemic due to favourable economic conditions. The government also predicts an increase in the low-skilled foreign workers and expatriates in 2025, particularly to address critical skills gaps in high-priority sectors. On top of that, the government remains committed to improving labour productivity via technology adoption, digitalisation and modern management practices. Upskilling programmes such as the Academy-in-Industry programme to improve the development of skilled talent to meet industries' requirements.

Boosting tourism through heritage restoration. Services sectors are projected to expand +5.5% in 2025 fuelled by ICT advancements and tourism resurgence. Khazanah's RM600m investment in heritage restoration of Sultan Abdul Samad Building and Carcosa Seri Negara could further enhance the country's tourism appeal expected to attract both domestic and international tourists. Overall, in addition to higher tourist spending, the services sector will continue to grow on the back of more robust growth in domestic spending, which will contribute towards stronger expansion in sub-sectors such as wholesale & retail trade; F&B services and accommodation; and even utilities.

Manufacturing expected to grow +4.5% driven by strong E&E exports. The government anticipates that the manufacturing sector will grow faster at +4.5% in 2025, driven by both increased production in export- and domestic-oriented sectors. For the export sector, the growth will be supported by increased production in the E&E segment, particularly semiconductors. Meanwhile, for the domestic sector, production will increase as the outlook remains positive for both domestic consumption and investment spending. In other words, companies will continue to increase production in view of growing demand.

Public projects fuelling construction sector to grow +6.8%. DE is projected to remain at RM86b to support the ongoing public projects and infrastructure development initiatives. These allocations include flood mitigation projects, water supply, highway construction, and improvements to health facilities and educational institutions. Major projects include airport expansion, PLUS highway expansion in Johor, Penang LRT, and continued work on the Pan Borneo Highway could boost the sector. In addition, higher public investment will also be supported by RM120b spending by public companies or the GLCs.

Table 1: GDP by Expenditure and Sector (YoY%)

	2023	2024f	2025f
Real GDP	**3.6**	**4.8-5.3**	**4.5-5.5**
By Expenditure			
Private Consumption	6.7	7.5	9.1
Private Investment	6.5	13.1	12.1
Public Consumption	4.8	5.0	6.4
Public Investment	10.5	11.5	7.7
Real Exports	(9.3)	10.7	5.1
Real Imports	(7.4)	11.4	4.4
By Sector			
Agriculture	0.7	2.0	1.9
Mining	0.5	2.2	(1.0)
Manufacturing	0.7	4.1	4.5
Construction	6.1	14.1	9.4
Services	5.1	5.3	5.5

Source: MOF; MIDFR

Inflation is projected to be between 2%~ 3.5% in 2025. The rationale behind this forecast includes several key factors that influence both domestic and global economic conditions. One primary reason for the expected rise in inflation is the government's plan to rationalize subsidies, particularly for RON95 petrol. Annual RM20b expenditure on RON95 petrol subsidies disproportionately benefits higher-income households. By phasing out or adjusting these subsidies, the government seeks to reallocate funds towards education and healthcare while addressing fiscal constraints.

Fiscal deficit declined to -3.8% of GDP in 2025. The government remains committed to ensure improvement in fiscal position will bring down the size of fiscal deficit to -3.8% of GDP next year (2024e: -4.3%). With measures such as further push for targeted subsidies, improved revenue collection, broadening of the scope for SST and improved public-private partnership ecosystem, the reduced deficits look reasonable as it is close to our expectations for the deficit to final decline to below -4.0% of GDP in 2025. For the longer term, the updated Medium-Term Fiscal Framework (MTFF) suggests a lower deficit of -3.5% of GDP in the medium term or specifically for the period 2025-2027 can be achieved. However, this reflects virtually no change from the previous estimate for the 3-year period to 2026. Going forward, to further improve fiscal position, we opine that the government will need to explore ways to boost fiscal revenue—either through tax-related measures or by ensuring more efficient, targeted spending that prioritizes support for those most in need.

Table 2: Government Finance 2023-2025

	RM Billion			YoY%		
	2023	2024p	2025f	2023	2024p	2025f
Revenue	315.0	322.1	339.7	7.0	2.3	5.5
Operating Expenditure	311.3	321.5	335.0	6.3	3.3	4.2
Current Balance	3.7	0.6	4.7	-	-	-
Development Expenditure	95.1	84.8	84.7	35.5	(10.8)	(0.2)
Overall Balance	(91.4)	(84.3)	(80.0)	-	-	-
Overall Balance as % of GDP	(5.0)	(4.3)	(3.8)	-	-	-

Source: MOF; MIDFR

Direct tax to increase in line with growing economy and income. The government projected that the collection of direct tax will increase further +6.6% to RM188.8b in 2025. The biggest contribution to the higher direct taxes will come from higher collection of corporate income tax, underpinned by the implementation of e-invoicing and improved companies' profitability on the back of positive economic outlook. Moreover, the government also expects higher taxes from individual income, taking into account the healthy labour market and income growth, including the salary hike for civil servants. On the other hand, petroleum income tax is expected to drop further by -4.6% to RM20.7b with assumption crude oil prices will be lower next year.

Several tax measures to increase indirect taxes. The government outlined in Budget 2025 that there will be tax-related measures which will contribute towards higher collection of indirect taxes next year. This includes widening the scope and base for the sales and services tax, such as charging SST on items which are not necessities and fee-based financial services. The government estimates indirect taxes will increase by +9.8% to RM70.2b in 2025, on the back of increased consumption spending and higher collection of excise duties on motor vehicles. Other measures include imposing 2% tax on more than RM100K in dividend income for individuals. In addition, the government will raise the excise duties on sugary drinks by RM0.40 a litre starting 1 January 2025.

Lower investment income to affect non-tax income. Non-tax revenue is projected to decrease -0.4% to RM80.7b due to lower investment income. Meanwhile, dividends from BNM and Khazanah are expected to increase to RM4b (2024e: RM2.85b), RM2b (2024e: RM1b), respectively. Dividends from PETRONAS, on the other hand, are expected to remain unchanged at RM32b. The government estimated that KWAP will also contribute RM4b next year, higher than RM3b estimated for 2024. Other sources such as collection from motor vehicle licenses and levy on foreign workers are expected to remain stable at +RM3.3b and RM3.7b, respectively. Compared to last year, the value of non-tax revenue appears to be much higher. On that note, we opine this component has the potential to contribute more, in line with the positive economic and investment outlook.

Table 3: Federal Government Revenue 2023-2025

	RM Billion			YoY%		
	2023	2024^p	2025^f	2023	2024^p	2025^f
Tax Revenue	**229.2**	**241.0**	**259.0**	**9.8**	**5.2**	**7.5**
Direct Tax	171.3	177.1	188.8	11.6	3.3	6.6
Corp. Income Tax	91.7	98.5	106.5	11.7	7.4	8.1
Personal Income Tax	37.7	40.8	44.0	11.8	8.0	7.8
Petroleum Income Tax	26.1	21.8	20.7	11.4	(16.7)	(4.6)
Indirect Tax	57.8	64.0	70.2	4.6	10.6	9.8
Non-tax Revenue	**85.8**	**81.0**	**80.7**	**0.2**	**(5.5)**	**(0.4)**
Total Revenue	**315.0**	**322.1**	**339.7**	**7.0**	**2.3**	**5.5**
Total revenue as % of GDP	17.3	16.5	16.3	-	-	-

Note: ^{f} revenue in 2025 excludes Budget 2025 measures
Source: MOF; MIDFR

Increase in OE due to civil servant pay hike and higher debt service charges. The government's Operating Expenditure (OE) is estimated to increase by +4.2% to RM335b in 2024. The OE expansion will be mainly contributed by +6.2% increase in emoluments (which account for nearly one-third of OE) mainly because of the pay hike for civil servants. In addition, the size of debt service charges will increase further by +7.7% to RM54.7b, making it a larger component or 16.3% of OE (2024e: 15.8%; 2023: 14.9%). It remains as an opportunity cost which eats up a larger portion of the government's fiscal space, limiting the government's ability to support other more productive spending plans.

Further push for subsidy rationalisation. The amount of allocation for subsidies & social assistance is projected to decrease -14.4% to RM52.6b next year as the government will proceed with its plan rationalise subsidies and shift towards targeted allocation. As mentioned in the Budget 2025, the rollout of targeted RON95 subsidy will be rolled in the middle of next year. Nevertheless, the targeted RON95 subsidies will still be enjoyed by 85% of the rakyat (i.e. B40, M40 and the bottom T5).

DE to be kept at RM86b. The allocation of RM86b for Development Expenditure (DE) was lower than our expectation of RM90b but will be the same amount spent for 2024. Although no new mega projects were announced, among projects included in the Budget 2025 are Pan Borneo Highway; airport expansion in Penang, Tawau and Miri; Sabah-Sarawak Link Road Phase 2; and Penang LRT. Other than transport projects, the government also announced plans to construct 44 new schools and developments near national borders such as upgrading of ICQS in Rantau Panjang and Bukit Berapit and construction of bridges linking Rantau Panjang and Golok as well as Pengkalan Kubor and Tumpat. The push for digital development includes measures to improve internet connectivity for schools in rural areas and all public universities. Apart from the DE by the Federal Government, there will also be higher spending of RM120b by the Government-linked companies, which we believe will contribute towards greater investment and construction activities by the public sector next year.

Table 4: Federal Government Expenditures 2023-2025

	RM Billion			YoY%		
	2023	**2024e**	**2025f**	**2023**	**2024e**	**2025f**
Operating Expenditures (OE)	**311.3**	**321.5**	**335.0**	**6.3**	**3.3**	**4.2**
Emoluments	91.9	99.8	106.0	4.6	8.6	6.2
Retirement charges	34.1	34.4	40.6	8.5	1.1	17.7
Debt service charges	46.3	50.8	54.7	12.3	9.6	7.7
Supplies & services	35.9	39.2	40.7	3.5	9.2	3.7
Subsidies & social assistance	71.9	61.4	52.6	6.7	(14.6)	(14.4)
Development Expenditures (DE)	**96.1**	**86.0**	**86.0**	**34.3**	**(10.5)**	**0**
Economic	57.2	41.4	40.0	46.3	(27.7)	(3.4)
Transport	17.8	16.3	17.6	7.3	(8.5)	8.0
Social	24.2	28.2	29.9	14.7	16.4	6.0
Security	11.4	12.5	12.3	38.6	10.0	(1.4)
Total Expenditures (OE+DE)	**407.4**	**407.5**	**421.0**	**11.8**	**0.0**	**3.3**
Total expenditure as % of GDP	22.4	20.9	20.2			

Source: MOF; MIDFR

Government to reduce new borrowings. While the outstanding amount of government debts will continue to increase, the government reiterated its plan to reduce the number of new borrowings. With the smaller overall deficits, the government expects the new government debts will increase by +RM80b in 2025 (2024e: +RM85b), a continued downtrend from +RM100b in 2022. In other words, the improvement in fiscal balance will help the government to reduce reliance on new debts to finance fiscal spending (mainly for DE). Given this commitment, we agree with the government's estimate that the overall government debts can be reduced to 3% of GDP in line with the threshold set under the Fiscal Responsibility Act (FRA).

Overall liabilities would increase to RM1.58t. Adding together the government debts and other liabilities (i.e. government guarantees), we estimate the total liabilities of the government would be around RM1.58t in 2025. In terms of ratio, the size of liabilities will reduce from 81.6% to 80.6% of GDP. While keeping the same amount of DE allocation will help to limit the government's direct exposure to development projects, we foresee the government guarantees will increase especially for projects and public investment initiatives by the GLCs.

B. SECTORAL REVIEW

1. Automotive Sector (Maintain NEUTRAL)

Analyst: MIDF Research

Measures	Allocation (RM'm)	Remarks
The blanket subsidy for the widely used RON95 petrol will be revised in mid-CY25.	N/A	Total industry volume (TIV) demand in the automotive sector in CY25 may be negatively impacted, contingent on further information regarding the rollout of subsidy rationalisation. However, we understand that only the top 15% of users by income level will be affected.
The RM2,400 subsidy for electric bikes will remain in place.	10.0	The scheme is available to buyers earning less than RM120,000 per year. **EP Manufacturing Berhad (Non-rated)** could benefit from this as it has been developing its EV bike business, currently the distributor of Blueshark e-bikes in Malaysia and other Southeast Asian markets.
The existing EV tax incentive framework will be restructured.	N/A	This aims to support the goal of encouraging the transition to locally assembled CKD electric vehicles (EVs). There is no mention of any extension to the EV tax breaks, meaning that CBU EV tax breaks will end in CY25. Starting in CY26, only CKD EVs will be tax-free, and the exemption for EV road tax will also conclude in CY25.

2. Banking Sector (Maintain POSITIVE)

Analyst: Imran Yassin Yusof

Measures	Allocation (RM'm)	Remarks
Development project by adopting PPP approach with consideration for the 'consumer pay' element to ease the Government's fiscal burden. Projects include: • Sultanah Aminah Hospital 2 in Johor. • Juru and Sungai Dua Elevated Highway, Penang. • WISE Highway from Gopeng to Kuala Kangsar, Perak. • Two-Year Five-Season Rice Planting Project in MADA area Kedah and Perlis. • WCE Highway for the Banting to Gelang Patah alignment.	N/A	This provides opportunity for banks to offer project financing be it via arranging projects owners to tap into the bond or sukuk market, or direct borrowings. We expect that this will provide a robust pipeline of loans demand next year.
The government will table the Consumer	N/A	We opine that to ensure that household indebtedness can

Credit Bill. A User Credit Monitoring Agency is to be established to regulate non-bank credit providers and credit service providers such as factoring companies, leasing not by a bank and "Buy Now Pay Later".		be kept under control which in turn will ensure that the banking and financial system remains stable.
Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) to guarantee up to 80% of halal SME financing.	1,000	Provides opportunity for banks to continue providing financing to SMEs. Most notably, financing for SMEs allows for higher margins. Most notable beneficiary will be SME-specialist banks.
SJPP will continue to guarantee SME financing up to RM20 billion including a special RM5 billion guarantees for Bumiputera SMEs.	20,000	

3. Construction Sector (Maintain POSITIVE)

Analyst: Royce Tan Seng Hooi

Measures	Allocation (RM'm)	Remarks
Development expenditure **Projects focused on:** **Perak** 1. Kerian Integrated Green Industrial Hub (KIGIP), the first high-tech green hub in SEA, led by SD Guthrie and PNB 2. Raw water channelling project from Perak River 3. Automotive High Technology Valley (AHTV) in Tanjong Malim 4. Lumut Maritime Industrial City (LuMIC) **Pahang** 1. High-priority flood mitigation projects 2. Construction of Jalan Pintasan Cameron Highlands **Johor** 1. Widening of North-South Expressway from four to six lanes (Phase 3) from Simpang Renggam to Machap 2. Johor-Singapore RTS 3. Construction of dam and riverbank water retention in Sungai Sedili **Kelantan** 1. Machang water treatment plant 2. Extension of Sultan Ismail Petra Airport runway **Melaka** 1. Elevated and direct U-turns from Persimpangan Pulau Gadong hingga Persimpangan Taman Cheng Perdana	86,000	The Development Expenditure (DE) allocation came in lower at RM86b (-4.4%) with RM2b as contingency savings. This came in -9.1% lower than Budget 2023 at RM99b. The initiatives announced in Budget 2025, which will be detailed further below, while positive for both construction and building materials companies, are not much of a surprise, in line with the Prime Minister's statement that now is not the time to implement mega projects. The government will instead focus on projects that benefit the people and facilities that support industrial areas, based on priorities of individual states. While it may seem that there is a lack of mega projects, what needs to be considered is the government's limited fiscal position as far as development expenditure is concerned and this is where the private sector comes in via public-private partnerships (PPPs) for infrastructures. Such projects include the MRT3 Circle Line and the KL-Singapore High-Speed Rail (HSR) for instance is envisioned to be entirely private-funded. We maintain our **POSITIVE** view on the Construction sector, with top picks namely **Gamuda (BUY, TP: RM9.01), IJM Corp (BUY, TP: RM3.89)** and **Malayan Cement (BUY, TP: RM6.60).**

Measures	Allocation (RM'm)	Remarks
2. Melaka Sentral Market **Perlis** 1. Road connecting Jalan Pesisir Pantai to Kuala Sanglang; upgrading of Jalan Persiaran Wawasan from two to four lanes 2. Upgrading of control post and construction of new ICQS block in Wang Kelian **Selangor** 1. Sungai Langat 2 flood mitigation project 2. Expansion of Port Klang **Kedah** 1. Expansion of Kulim Hi-Tech Park 2. Additional building for Kulim Hospital **Kuala Lumpur** 1. Restoration of Sultan Abdul Samad Building, Kuala Lumpur Railway Station, and Carcosa Seri Negara by Khazanah 2. Laluan Istana – Kiara (LIKE) from Jalan Duta to Jalan Istana **Negri Sembilan** 1. Upgrading Jalan Bahau-Keratong, Jempol 2. Upgrading Kuala Sawah Regional Sewage Treatment Plant **Penang** 1. Penang LRT 2. Expansion of Penang International Airport 3. Batu Kawan Industrial Park 3 **Terengganu** 1. Sungai Tepoh and Banggol Air Lilih flood mitigation project 2. Cypark Hybrid Solar Power Plant 3. Kenyir hybrid floating solar farm and green hydrogen hub		
East Malaysia Development allocation 1. Sabah 2. Sarawak 3. Provision of clean water and electricity for 5,150 in Sabah and Sarawak 4. Airport expansion projects – Tawau Airport (Sabah) and Miri Airport	 6,700 5,900 500 253	Both states in East Malaysia will continue to benefit greatly from the higher development allocations, both receiving an additional RM100m each. Stronger construction project flows in Sarawak are set to be a boon for **Cahya Mata Sarawak (BUY, TP: RM1.53)**, being the only cement producer in the state.

Measures	Allocation (RM'm)	Remarks
(Sarawak)		
Letter of Acceptances (LOAs) have been awarded for 17 packages for Pan Borneo Sabah Phase 1B	9,700	Pan Borneo Sarawak is expected to be completed by Nov-24. In total, the government has spent RM25.1b for the Pan Borneo Highway project for both Sabah and Sarawak.
Phase 2 of the Sarawak-Sabah Link Road (SSLR) with a length of 320km	7,400	Two packages have been awarded. Two more will be awarded before end-2024. Going by news reports, Sunmow Holding Bhd secured a RM1.02b package while Pansar Bhd secured a RM771.1m package
Public Private Partnership (Projects) 1. Sultanah Aminah 2 Hospital (Johor) 2. Juru-Sungai Dua Elevated Highway (Penang) 3. West Ipoh Span Expressway (WISE) 4. West Coast Expressway (from Banting to Gelang Patah)	 N/A N/A but previous news reports indicate RM1.8b N/A N/A	This will aid the government in easing the strain on its fiscal position. The PPP will require companies with deep pockets or healthy balance sheets which are like **Gamuda (BUY, TP: RM9.01), IJM Corp (BUY, TP: RM3.89) and Sunway Construction (NEUTRAL, TP: RM4.46)**
Flood mitigation projects 1. Sungai Damansara, Selangor 2. Sungai Likas, Kota Kinabalu 3. Sungai Triang, Bera, Pahang 4. Sungai Tepoh and Banggol Air Lilih, Kuala Nerus, Terengganu 5. Development of Lembangan Sungai Bersepadu Sungai Kelantan Phase 2, Kota Bharu	3,000	These are among the 12 flood mitigation projects where the LOAs have been issued. To date, a total of 8 flood mitigation projects worth RM540m have been completed. Torrential downpours leading to floods are massive issues that affect thousands of Malaysians annually, hence the urgent need for such projects. We can expect bigger names in the sector such as **Gamuda (BUY, TP: RM9.01)**, **IJM Corp (BUY, TP: RM3.89)** and **MRCB (BUY, TP: RM0.67)** to compete for the larger-sized packages.
Geotechnical and earthworks 1. Allocation for slopes repair nationwide 2. Allocation to address issues of sinkholes in Kerian Laut, Perak, Kedah and Perlis 3. Geotechnical studies for major roads around Kuala Lumpur Golden Triangle	 250 21 10	Occurrences of sinkholes and landslides increased recently, with the most tragic case involving an Indian national woman who fell into a sinkhole in Jalan Masjid India, Kuala Lumpur and her body was never found. Another sinkhole appeared in front of KLIA's Bunga Raya complex while another took place in Penang recently. This could call for more stringent feasibility studies, benefiting companies specialising in geotechnical and earthworks.
Roads and bridges 1. Allocation to build and repair village		Projects will be spread across the country, benefiting contractors of all sizes, depending on the size of the

Measures	Allocation (RM'm)	Remarks
roads, such as in Kota Belud (Sabah), Pasir Puteh (Kelantan) and Kuala Lipis (Pahang) 2. Maintenance of federal roads, which include secondary roads, FELDA roads, industrial roads and those damaged due to floods 3. Allocation under Malaysia Road Record Information System (MARRIS) for state roads 4. Installation of new streetlights and smart streetlights on Federal roads 5. Building and repairing bridges, installation of village streetlights 6. Build and upgrade road from Lingkaran Pulau Indah to Pelabuhan Utara Klang	1,800 2,800 5,500 178 350 107	individual projects. We expect these projects to benefit smaller-sized contractors.
Education 1. Upgrading and maintenance of schools nationwide 2. Maintenance of all schools, especially those with dilapidated classrooms 3. Maintenance of all schools, especially those with dilapidated classrooms 4. Upgrading of 543 schools with inadequate infrastructure, especially in Sabah and Sarawak 5. Improvement of infrastructure, replacement of outdated equipment and expansion of internet access in all public universities 6. Reparatory works for canteen and prayer rooms in schools 7. 11 new PERMATA centres to be built to ensure every state is equipped with an education centre for autistic children 8. Two new schools for students with special needs in Tuaran (Sabah) and Johor Bahru 9. Establishment of an Autism Service Centre	2,000 1,000 1,000 1,000 635 100 N/A 300	Education has always been among the top priorities of the Government and ensuring accessibility to schools and conducive learning environments are always at the forefront of importance. These projects will benefit both mid and small cap players and similar sized private contractors.

Measures	Allocation (RM'm)	Remarks
10. Maintenance of Islamic education infrastructure such as pondok schools, tahfiz schools and public religious schools	5	
11. Building of 44 new schools – SK Bandar Putra Indah, Batu Pahat, Johor; SMK Bandar Seri Putra (2), Hulu Langat, Selangor; SMK Lok Kawi, Putatan, Sabah; SMK Semeling, Sungai Petani, Kedah; and SK Dudong, Sibu, Sarawak	150 N/A	
Healthcare		We expect most of these projects to be undertaken by smaller-sized contractors. As for the Sarawak Cancer Centre, the Federal Government and the Sarawak State Government will work together to develop it.
1. Refurbishment of healthcare infrastructure, including repairing hospital toilets and dilapidated patient wards	1,350	
2. Upgrading of old clinics nationwide	300	
3. Sarawak Cancer Centre	1,000	
Development of Waqf lands		
1. Construction of self-sufficient retirement homes for low-income retirees	300	The funding will be provided by KWAP
2. Development of affordable housing	200	The funding will be provided by UDA
Miscellaneous projects for smaller contractors		
1. Allocation to empower G1-G4 contractors with small and medium projects such as construction and repairing roads and maintenance of public amenities	1,300	
2. Cash flow assistance under the CAKNA 2 scheme for G1-G4 contractors undertaking small-scale government projects up to RM1.5m	200	
Housing		
1. Allocation to implement 48 Program Residensi Rakyat (PRR) and 14 Rumah Mesra Rakyat projects and two new PRR projects in Port Dickson and Central Seberang Perai.	900	
2. Maintenance of low- and medium-cost strata housing and replacement of old lifts	200	

Measures	Allocation (RM'm)	Remarks
3. Upgrading of basic and social amenities at Kampung Baru Cina	84	
Miscellaneous projects for smaller contractors		The smaller sized projects would benefit smaller contractors, especially those classified below the G7 category.
1. Allocation to empower G1-G4 contractors with small and medium projects such as construction and repairing roads and maintenance of public amenities	1,300	
2. Cash flow assistance under the CAKNA 2 scheme for G1-G4 contractors undertaking small-scale government projects up to RM1.5m	200	
3. Upgrading of facilities at Taman Negara Endau Rompin (Johor), Pulau Redang (Terengganu) and Pantai Tusan Bekenu (Sarawak)	110	
4. To restore and enhance the value of the Sultan Abdul Samad Building and Carcosa Seri Negara. This includes the construction of an elevated bridge connecting the Perdana Botanical Gardens with Carcosa Seri Negara	600	
5. Construction and upgrading of stalls and markets nationwide and business facilities under DBKL and MARA	100	
6. Urban Transformation Centre (UTC) in Seberang Perai, Penang	N/A	
Other projects		
1. Upgrading of sewerage treatment plants nationwide and the construction of a sewerage pipe network in Sungai Kim Kim, Johor	N/A	
2. PERKESO to construct a state-of-the-art rehabilitation centre in Terengganu that will offer services such as rehabilitation treatment to return-to-work programs, further strengthening efforts to create a more resilient and inclusive workforce	600	
3. Construction of police headquarters	2,100	

Measures	Allocation (RM'm)	Remarks
and police stations – IPK Pahang; IPD Wangsa Maju; IPD Petaling Jaya and Tanjung Minyak Police Station		
4. Allocation to enhance national borders with projects including: building and upgrading the Immigration, Customs, Quarantine and Security (ICQS) facilities in Rantau Panjang and Bukit Berapit; two new border ppsts in Bantul and Serudung (Sabah)	560	
5. Development of border towns bordering Kalimantan and Southern Thailand with basic infrastructure, including a new bridge from Rantau Panjang to Golok and from Pengkalan Kubor to Tumpat worth RM50m	1,000	
6. Building, maintenance and upgrading of government quarters including teachers, doctors, police, Fire and Rescue Department, prison and Rumah Keluarga Angkatan Tentera	1,800	

4. Consumer Sector (Maintain POSITIVE)

Analyst: Eunice Ng Qing Rong

Measures	Allocation (RM'm)	Remarks
Expansion of Sales and Service Tax (SST) • Sales tax will be exempt on essential food items and applied to non-essential premium goods, especially imported premium goods such as salmon and avocado. • The service tax will cover various commercial services, such as fee-based financial services. • The expanded SST scope will take effect on 1 May 2025, following stakeholder engagement.	N/A	The expansion of the SST is not expected to have a direct impact on consumer companies under our coverage, as essential food items are excluded from tax. However, the details of the expansion are still uncertain. The potential ripple effects on logistics costs from the broader SST scope could indirectly affect consumer companies. As logistics companies are likely to pass on increased operating costs, including the elevated SST, this may lead to higher transportation fees for businesses, which typically incorporate fuel prices and other associated costs. Consequently, while the immediate impact may be limited, the overall cost structure for consumer companies could be affected as these additional expenses are passed down the supply chain.
Implementation of Dividend Tax • 2% tax on dividend income exceeding RM100,000	N/A	The government is set to introduce a new 2% tax on dividend income exceeding RM100,000, which may have a nuanced impact on the consumer sector. This tax is likely to affect higher-income investors, resulting in a reduction in

Measures	Allocation (RM'm)	Remarks
		their disposable income. As a consequence, these investors may adopt a more cautious approach to spending, particularly on discretionary items such as fashion, luxury goods, and non-essential services. Although this could lead to a slight decline in consumer spending within the discretionary sector, demand for essential goods is expected to remain relatively unaffected, as necessities spendings tends to be inelastic. Companies in the consumer staples sector, such as **QL Resources (BUY, TP: RM4.83)** and **Leong Hup International (BUY, TP: RM0.80),** are likely to sustain steady demand as consumers prioritize basic needs. In this environment, these companies should continue to perform well, as their products are essential to daily life. Overall, while the new dividend tax may pose some challenges for discretionary spending, the demand for essential goods and staple products is expected to remain resilient amidst these changes.
Rationalization of subsidy RON95 • The government plans to implement subsidies targeting RON95 by mid-2025. • The government will continue to bear an estimated RM12b in subsidies for the needs of 85% of the population	N/A	With the government implementing targeted subsidies for RON95 petrol starting in mid-2025, 85% of Malaysians will continue to receive this financial support. This approach is expected to provide relief to the consumer sector by stabilizing fuel prices, which will help control transportation and logistics costs. Such stability is likely to prevent significant price hikes for essential goods and services, thereby preserving consumer purchasing power, particularly for lower- and middle-income households. However, 15% of the population that does not receive the subsidy may face higher fuel prices, impacting their disposable income and spending habits. Despite this, with living costs remaining manageable for the majority and the continuation of cash assistance, overall consumer spending is expected to remain steady, supporting demand for both essential and discretionary items. Retailers, F&B outlets, and other consumer-facing businesses could benefit from enhanced consumer sentiment and resilience in spending, as households are less pressured by inflationary concerns.
Food Security Enhancement Program • Aims to boost the production of local food crops that currently rely on external imports. • Involves a collaboration of RM300m, significantly increasing from over RM150m allocated in Budget 2024, to support initiatives such as onion	527	Corn and soybean meals are essential components of poultry feed, making this initiative crucial for the industry. By gradually reducing reliance on imported corn, the program is expected to enhance control and stability over the supply of corn used in animal feed. Companies in the poultry sector, particularly **QL Resources (BUY, TP: RM4.83)** and **Leong Hup International (BUY, TP: RM0.80)**, are likely to be the primary beneficiaries of this enhancement in local food production.

Measures	Allocation (RM'm)	Remarks
production, red tilapia breeding, and enhancing rice yields.		
Continue support for rice farmers and fishermen • An allocation of RM2.78b is provided as subsidies, aid, and incentives for these groups. • The ceiling rate for aid to construct or relocate fishermen's houses is increased to RM84k (up from RM56k) for the Peninsula. • For Sabah and Sarawak, the ceiling rate is raised to RM90k (up from RM68k).	2,780	The government is committed to enhancing the welfare of rice farmers and fishermen through various supportive measures. These initiatives aim to encourage fishermen to maintain their operations, thereby ensuring a sustainable supply of marine products. A primary beneficiary of these efforts is **QL Resources (BUY, TP: RM4.83),** which depends on a consistent and reliable source of raw fish from local fishermen. QL's Marine Product Manufacturing segment significantly relies on this steady supply, as raw fish is collected daily for processing into surimi and surimi-based products.
Sumbangan Tunai Rahmah (STR) • Allocation increased to RM13b (previously RM10b). • Singles receive RM600. • The maximum amount for households rose to RM4,600 from RM3,700.	13,000	The extensive cash assistance and financial assistance measures in the Budget are set to provide a significant boost to household income, particularly for the B40 group, helping them navigate inflationary pressures. These initiatives will stabilize purchasing power and are expected to strengthen consumer spending on essential goods. As such, we foresee resilient demand for consumer staple brands under our coverage, including **QL Resources (BUY, TP: RM4.83), F&N (BUY, TP: RM37.00),** and **Spritzer (NEUTRAL, TP: RM2.78).** The injection of disposable income through these programs will likely drive steady sales for these well-established brands, supporting revenue stability. Additionally, the increase in disposable income is likely to stimulate spending in the discretionary sector, particularly benefiting mid-tier retailers. Companies like **Padini (BUY, TP: RM4.30)** and **AEON (BUY, TP: RM1.67)** are well-positioned to capitalize on this uplift, as consumers may allocate more to fashion and lifestyle products. Overall, the combination of financial aid and cash assistance is expected to create a positive environment for both staple and discretionary goods, enhancing overall consumer demand and sector growth.
Sumbangan Asas Rahmah (SARA) • RM100 per month is allocated to 4.1m STR recipients (up from 700k).		
Social Welfare • Monthly welfare aid for senior citizens increased to RM600 from RM500. • Poor senior citizens will receive over RM10,000 a month, up from the current RM8,000. • Aid for impoverished children under six years old rose to RM250 from RM200. • Welfare aid for children aged seven to 18 increased to RM200 from RM150.	2,900	
Continue Payung Rahmah program. • Expand Rahmah Sales Program, offering necessities at reasonable prices in all state assemblies' month.	300	
Allocation for Inisiatif Pendapatan Rakyat (IPR).	250	

Measures	Allocation (RM'm)	Remarks
• Aims to expand the participation of low-income individuals in the IPR Program to boost income		
My50 monthly pass continues • Benefits over 180k residents in Klang Valley. • Provides affordable access to bus and rail services, supporting their commuting needs.		
Revise of minimum wage • Increase the minimum wage rate from RM1,500 per month to RM1,700 per month which will be effective from 1st February 2025. • Employers with under five workers will have a deferment until August 1, 2025. • Issued a guideline for starting salary guidelines for all job sectors for reference employees.	N/A	The increase in the minimum wage from RM1,500 to RM1,700 per month is expected to significantly boost disposable income, especially among lower-income households, driving higher consumer spending across the board. This will have a direct positive impact on the consumer discretionary sector, as households will have more flexibility to spend on non-essential goods and services such as fashion, dining, and leisure. Retailers like **Aeon (BUY, TP: RM1.67)** and **Padini (BUY, TP: RM4.30)** and are well positioned to benefit from the rise in demand for mid-to-high-end products. As consumers shift a larger share of their income toward non-essential purchases, these companies are likely to experience growth in top-line sales. Overall, this wage hike could lead to a structural shift towards increased consumption levels, particularly benefiting discretionary spending categories, while helping to sustain growth momentum in the consumer sector.
Higher sugar drink excise duty • Excise duty on sugary drinks will increase by 40 cents per liter, effective from 1st January 2025. • Additional revenue generated from the tax hike will be allocated to public health expenditures.	N/A	The increase in the sugar tax from 50 sen to 90 sen per liter represents an 80% hike from the current level, which could potentially reduce demand for sugary beverages. However, we anticipate that the impact on **Nestle Malaysia (NEUTRAL, TP: RM126.00)** and **F&N (BUY, TP: RM37.00)** will be manageable, as both companies have already been reformulating its products to lower sugar content. The significant tax increase may encourage consumers to shift their purchasing behavior, but beverage manufacturers are likely to absorb the additional costs rather than passing them on to consumers. Companies like Nestle and F&N are expected to continue adjusting its formulas to maintain sugar levels within the non-taxable limit. Given its diversified product portfolios and strategic focus on healthier options, we maintain a neutral view on the overall impact of this substantial tax increase on their financial performance.

5. Glove Sector (Maintain NEUTRAL)

Analyst: Martin Foo Chuan Loong

Measures	Allocation (RM'm)	Remarks
The government has agreed to increase the minimum wage rate from RM1,500 per month to RM1,700 per month which will take effect from 1 February 2025. The government plans to make it mandatory for all non-citizen employees to contribute to the EPF. This proposal will be implemented in phases.	N/A	**Further pressure on cost.** Typically, labour cost accounts for 10% to 20% of total production cost. The increase of RM200 per month or +13.3% will translate into a marginal increase in production cost. Note that foreign workers usually constitute up to 70% of the total workforce. This should increase further should there be mandatory contribution by the foreign workers to the provident fund. On the flip side, a certain degree of automation and cost optimisation exercise could potentially negate the likely increase in labour cost. All things considered, we are keeping our earnings forecasts and recommendations unchanged at this juncture for gloves companies under our coverage pending further details on the mandatory contribution to the provident fund.

6. Healthcare Sector (Maintain POSITIVE)

Analyst: MIDF Research Team

Measures	Allocation (RM'm)	Remarks
Ministry of Health:		
Allocation increases by +10.0%yoy; the second largest increases among ministries	45,300	The Healthcare sector remain one of the nation's priorities under Malaysia MADANI. This is due to Malaysia projecting a rise in the aging population to 7.4% by CY25, 15.3% by 2030 and 32.0% by 2050. The demographic shift presents a set of challenges in terms of NCD treatments and prevention, as well as enhancing infrastructure and access to healthcare nationwide. We believe the increase in allocation is fair in consideration of the possible higher cost of pharmaceuticals and medical equipment in the long term, as well as the sustainability and capacity of medical workers. Additionally, NCDs – most notably diabetes and cardiovascular diseases - are expected to increase in tandem with the growing aging population, and to an extent, the unhealthy lifestyle practiced by the younger population. Treatment costs for NCDs are projected to reach USD47t worldwide. Hence, we believe that preventing NCDs while catering to the elderly is crucial to sustain the welfare of the citizens,

<table>
<tr><th>Measures</th><th>Allocation (RM'm)</th><th>Remarks</th></tr>
<tr><td></td><td></td><td>consequently making this allocation apt and timely.</td></tr>
<tr><td>Healthcare Services and Fundings:
• Rakan KKM Initiative to be introduced, involving the collaboration with GLICs to provide affordable healthcare services at reasonable rates. This initiative will be implemented in 5 MOH hospitals with high demand (including Cyberjaya Hospital)
• Partnership with 91 private hospitals to outsource KKM patients for services including cardiology, radiology and nephrology.
• Rare Diseases Fund to cover medical costs for rare diseases, which will be eligible for tax deductions equal to the actual donation amount
• MySalam scheme to be expanded and include rare diseases and rheumatoid arthritis
• Provision of peritoneal dialysis treatment to more end-stage kidney patients in tandem with FELDA's efforts to enhance dialysis centre
• Individual income tax relief for medical expenses to cover the cost of diagnostic tests, health monitoring equipment, testing kits and self-care practices
• Revision of individual income tax relief for the elderly (parents and grandparents) to include: (i) vaccination cost, (ii) sporting equipment and activities expenses, (iii) medical treatment expenses, and (iv) care allowances.</td><td>25
N/A
25
N/A
N/A
(up to RM10,000 per individual taxpayer)
1,000</td><td>The prevalence of NCDs, i.e. diabetes, cardiovascular diseases, and kidney diseases, as well as cancer and rare diseases, are expected to rise annually. Vulnerable groups, which include the poor, the elderly and children, are susceptible to this prevalence due to: (i) higher cost of treatment, (ii) lack of awareness on healthy lifestyle, and (iii) lack of funding and access for uncommon diseases in conjunction with NCDs.

The schemes and incentives offered in Budget 2025 will focus on fulfilling the demand for treatments of NCDs and other diseases not listed in the top five most prevalent illnesses in the country. This would not only improve accessibility, but also reduce the cost of treating rare diseases, which ranged between USD8,000-140,000 a year – approximately 7 times higher than the average treatment for NCDs.

Meanwhile, establishing partnerships with private hospitals to outsource patients with NCDs creates an opportunity for better treatments of NCDs, considering that private hospitals are well-equipped with advanced medical devices and care. We also believe that this could lift the burden of public medical doctors, as public hospitals have a doctor-patient ratio of 1:1,870 (private hospitals, 1:454), and subsequently improve healthcare quality for patients. We believe KPJ Healthcare (BUY, TP: RM2.54) and IHH Healthcare (BUY, TP: RM7.35) are poised to benefit from this collaboration.

The government had also highlighted that high-income groups should contribute to improving healthcare services in government hospitals, while the savings obtained can be used to fund medical devices for the poor and to upgrade equipment in public hospitals and clinics. This can be procured through individual income tax and medical subsidies. We opine that this would benefit society as a whole, although the risks of perceived inequity, as well as complex and costly tiered contribution system for the healthcare service providers to manage. Nevertheless, we expect that, with the many tax incentives introduced in Budget 2025, the collaboration with private hospitals and GLICs is manageable in the long term.</td></tr>
</table>

Measures	Allocation (RM'm)	Remarks
Healthcare Infrastructure and Workers:		
• Maintenance and upgrades of healthcare infrastructure, including dilapidated hospitals with disrepair amenities and outdated patient wards • Upgrading underdeveloped clinics across the country • Equipment assistance to Healthcare Centres of Excellence, which includes preliminary work to establish a cancer centre in Kuching and a specialist heart hospital in Kota Kinabalu • New targeted work system in hospitals and clinics, with an increase in oncall duty allowances to RM55-65 for medical officers and dental officers, depending on services and specialties • Continuation of mobile clinics by university teaching hospitals, including mammogram screenings provided by UMMC • 9 additional mobile dental clinics (total to 54)	1,350 300 100 N/A N/A N/A	Priority of the allocation will concentrate on the replacement, repair, retrofit and maintenance of existing hospitals, healthcare clinics and medical equipment, as well as general amenities like toilets and seating. The government continues to focus on improving the infrastructure of its healthcare facilities, while continue to establish newbuilds of specialist hospitals and healthcare centres to increase treatment access to the population, particularly in East Malaysia. We opine that this would give opportunities to other healthcare providers and medical ancillary players to expand their footprint in the nation and continue to benefit from the higher demand for more well-equipped hospitals and clinics. Consequently, the additional mobile clinics and expansion of healthcare service providers will provide hands-on training for medical skill workers. This is expected to improve the quality of healthcare services provided by future healthcare personnels, supported by the increase in on-call allowances and upgraded facilities. However, we noted that this may not be enough to keep the risk of medical workers shortages at bay. Public-private partnerships are still crucial to addressing the shortage, and we are positive that these improvements in infrastructure is a good start to attract and sustain public medical workers.
Awareness and Prevention:		
• Increasing sugar tax on sugary beverages by 40 sen per Liter • Boosting of sports and recreational activities including National Sports Day, in line with the National Healthy Malaysia Agenda • Increased supply of SGLT-2 inhibitors for diabetes treatment	N/A 27 N/A	There are many advantages to preventing NCDs and encouraging healthy lifestyles among the population, including: (i) reducing treatment cost post development of NCDs, (ii) better health outcomes and lesser complications, and (iii) reduced disease burden on other matters including livelihood and education. Prevention and awareness could assist in allocating healthcare resources more efficiently, focusing on other more complex treatments, and sustain the healthcare system as a whole. We believe preventive healthcare could also address the challenges of the aging population, aligning with the global goal of improving health outcomes while reducing healthcare costs.

7. Oil and Gas Sector (Maintain POSITIVE)

Analyst: MIDF Research Team

Measures	Allocation (RM'm)	Remarks
Fuel subsidy:		
RON95 to be maintained for most of the population (85%), targeted subsidy to begin in mid-2025	12,000	We are overall optimistic of the RON95 targeted subsidy that is planned to commence in mid-2025. This gives time for the Diesel targeted subsidy rationalization to mature, subsequently boosting the management of a RON95 targeted subsidy. We echo the government's reassurance that most of the population will not be affected. However, the cost management and the tracking of eligible consumers leaves room for uncertainty of the feasibility of the changes, considering that about 85% of the cars registered in Malaysia are petrol-powered. We believe the changes in fuel subsidy is a matter of deep discussion in the long run, depending on consumer demands and the observation on the Diesel subsidy.
Energy transition:		
• KWAP Drive Fund to invest in 8 key sectors, including energy transition	500	NETR had paved the way for energy companies to invest in renewables and clean fuel, as part and parcel of achieving the nation's sustainability goals, which includes: (i) 70% renewable energy by 2050, (ii) net-zero emissions by 2050, and increased energy efficiency and security. Given that most of the projects highlighted in NETR – especially Hydrogen and CCUS – are considered significantly expensive to produce and run, cost management takes centerstage in ensuring that these energy transition projects are on track. We believe that allocating funds and introducing financing schemes, while also collaborating with major players in the O&G and Utilities sectors, could assist the industrial players and OGSE companies involved in these projects, further ensuring that the energy transition would run smoothly.
• Green Hydrogen Hub in Terengganu, under the collaboration of PETRONAS and TNB	N/A	
• Continuation of the Green Technology Financing Scheme (GTFS)	1,000	
CCUS:		
Expansion as downstream products with tax incentives provided based on the New Investment Incentive Framework. This includes sustainability financing.	N/A	While there is no allocation presented for CCUS projects as highlighted in NETR, we believe the tax incentives that will be provided to industry players that pursue CCUS in its operations remain attractive, as part of the nation's goal to achieve carbon neutrality by 2030. The government intends to table a Progressive Regulatory Framework Bill to address CCUS in the near future, and we believe this framework would include options for CCUS operators to secure funding, as CCUS is costly, with operation cost ranging from USD1b-2b per project. In the longer term, we expect companies like **Petronas Gas (BUY, TP: RM19.23)** and **MISC (BUY, TP: RM9.75)** to possibly benefit.

8. Plantation Sector (Maintain NEUTRAL)

Analyst: MIDF Research Team

Measures	Allocation (RM'm)	Remarks
Budget for FELDA, FELCRA and RISDA rose by +8.3% from RM2.4b	2,600	We believe this would support sustainable agriculture various initiatives such as the development of agro-food sustainability and availability.
Adjustment on Windfall Profit Levy (WPL) threshold from RM3,000/Mt to RM3,150/Mt for Peninsular, meanwhile from RM3,500/Mt to RM3,650/Mt for Sabah and Sarawak	N/A	Since the increases in the WPL threshold are insignificant, and the cost of production is still relatively high c. RM2,500-2,700, the adjustment would not positively benefit planters under our coverage.
Grant for PO smallholders	100	These measures will provide support in the form of financial assistance to help smallholders to have better control over their palm oil age profile. Note that, based on the latest pocket of Stats data, independent smallholders stood at 14.4% of the total planted area.
Establishment of Sustainable aviation fuel (SAF) production from palm oil mill waste by Petronas along with SD Guthrie and FGVH	N/A	This would benefit their ESG scorecard in the eyes of international clients/investors.
Tax Incentives on Mechanization activities	N/A	We believe that this tax incentive will positively impact planters' bottom lines, as the incentive will provide income tax exemptions on capex related to adopted technologies.
EUDR - Anti-Palm Oil Campaign	65	The incentive was reduced by RM5.0m from RM70m in the 2024 budget; however, the government continues to show its strong commitment to bolstering the anti-palm oil movement and enhancing the sector's sustainability.
Rubber industry - matching grant for Lateks smallholders	60	The grant will assist small rubber production capacity, development and competitiveness as industry needed.
Rubber industry- abandoned land restoration incentives	20	A good incentive to kickstart rejuvenation program on second most important commodity industry.
Rubber industry - pest control incentives	10	Mostly benefiting smallholders.
Increase the minimum wage rate from RM1,500 currently to RM1,700, with effect from Feb 1, 2025	N/A	The increase in minimum wage is not expected to increase the planter's cost of production significantly as most of the workers are well paid above minimum wage.

9. Power Sector (Maintain NEUTRAL)

Analyst: Royce Tan Seng Hooi

Measures	Allocation (RM'm)	Remarks
Fund to facilitate national energy transition	300	An increase from RM100m allocated under Budget 2024

Measures	Allocation (RM'm)	Remarks
Projects under NETR		
1. Floating solar farm and hydro hybrid in Lake Kenyir	N/A	This will potentially generate up to 1,000MW and half of this capacity will be used for the first green hydrogen hub in Terengganu, involving the collaboration between Petronas and TNB.
2. Large scale solar (LSS)	N/A	The deadline of the bidding submissions for LSS5 was in Jul-24, and the evaluation is expected to be completed by Dec-24. The LSS is aimed at developing utility-scale solar power plants with a quota of 2,000MW. Evaluation of the bids is expected to be completed by Dec-24. Based on the quota, we expect RM6b-RM8b of prospective EPCC jobs, which will benefit companies such as **Samaiden (BUY, TP: RM1.57)**, **Pekat (BUY, TP: RM1.32)** and **Sunview (BUY, TP: RM0.75)**.
Net Energy Metering (NEM) programme to be extended until 30th June, 2025	N/A	The current NEM program is scheduled to expire end-2024. The proposed extension till Jun-2025 is a positive for the rooftop solar sub-sector, which has seen increased demand following electricity subsidy rollbacks by the government since January 2023. This will also benefit **Samaiden (BUY, TP: RM1.57)**, Pekat **(BUY, TP: RM1.32) and Sunview (BUY, TP: RM0.75)**
Implementation of Green Energy Financing Scheme (GTFS) until 2026	1,000	
Enhancement of transmission capacity, distribution and decarbonise industrial areas	16,000	This will be an investment from UEM Lestra and TNB.
Corporate Renewable Energy Scheme (CRESS)	N/A	An open grid access to enable corporate companies to obtain electricity supply from selected renewable energy generators.
Solar panels for walkways in Putrajaya	N/A	Rooftop spaces along 5km of pedestrian walkways and 62 parking spaces will be fitted with solar panels in a move to drive Putrajaya into a low carbon city. Solar EPCC companies such as **Samaiden (BUY, TP: RM1.57)**, **Pekat (BUY, TP: RM1.32) and Sunview (BUY, TP: RM0.75)** stand to benefit from this

10. Property Sector (Maintain POSITIVE)

Analyst: Jessica Low Jze Tieng

Measures	Allocation (RM'm)	Remarks
Increase the minimum wage rate from RM1,500 currently to RM1,700, with effect	N/A	The increase in minimum wage is not expected to increase construction costs of property as most of the

Measures	Allocation (RM'm)	Remarks
from Feb 1, 2025		workers are paid above minimum wage.
The government will unveil "special" incentives for the Johor-Singapore Special Economic Zone by the end of the year.	N/A	The Johor-Singapore SEZ is aimed to boost trade and strengthen economic connectivity between Malaysia and Singapore and that will spur buying interest from locals and foreigners on properties in Johor. Property developers that have exposure to Johor namely **Sunway Berhad (NEUTRAL, TP: RM4.24), Mah Sing Group (BUY, TP: RM1.97), UEM Sunrise (Non-rated)** and **IOI Properties (NEUTRAL, TP: RM2.04)** are expected to benefit from the Johor-Singapore SEZ.
Government guarantees to help first-time home buyers own a property which would benefit over 57,000 people.	12,800	The aid for first time home-buyers and tax relief are expected to increase demand for properties that priced below RM750k. Property developers such as **Mah Sing Group (BUY, TP: RM1.97), UOA Development (BUY, TP: RM2.06)** and **Matrix Concepts (BUY, TP: RM2.22)** are expected to benefit from the stronger demand for properties as most of their projects are priced within that price range. We maintain our **POSITIVE** stance on the property sector. **Our top picks for the sector are Mah Sing Group (BUY, TP: RM1.97) and Matrix Concepts (BUY, TP: RM2.22)**.
RM900 million allocation to implement 48 People's Residency Programmes (PRR) 14 Rumah Mesra Rakyat projects.	900	
Individual tax relief of up to RM7,000 on housing loan interest payments for purchase of property priced below RM500k.	N/A	
Individual tax relief of up to RM5,000 on housing loan interest payments for purchase of property priced RM500k - RM750k.	N/A	
Tax relief can be claimed for 3 consecutive assessment years for SPA completed between 1 Jan'25 and 31 Dec'27.	N/A	

11. REIT (Maintain POSITIVE)

Analyst: Jessica Low Jze Tieng

Measures	Allocation (RM'm)	Remarks
Enhance tourism promotion and activities during Visit Malaysia Year 2026.	550	The measures will improve tourist arrivals and benefit REITs with shopping malls at tourist hotspots. Shopping malls that are favoured by tourists are Suria KLCC, Pavilion KL Mall, Sunway Pyramid Mall, Mid Valley Megamall and The Gardens Mall. REITs such as KLCCP Stapled Group, Pavilion REIT, Sunway REIT and IGB REIT are expected to benefit from higher tourist arrivals as that will improve shopper footfall and consumer spending at malls. We maintain our **POSITIVE** stance on REIT. **Our top picks for the sector are Sunway REIT (BUY; TP: RM1.90) and Pavilion REIT (BUY; TP: RM1.60)**.
Enhance tourism areas, establish ecotourism partnerships, and support UNESCO nominations.	110	

12. Transportation Sector (Maintain NEUTRAL)

Analyst: MIDF Research Team

Measures	Allocation (RM'm)	Remarks
Aviation		
Funding for tourism promotion for Visit Malaysia Year 2026	550	Enhanced marketing efforts drive up tourism, leading to greater demand for airline services and more activity at domestic airports. This could potentially encourage airlines to further expand their routes, while airports may invest in infrastructure improvements to accommodate the growing number of passengers. Moreover, higher-spending international travellers generate greater duty-free sales.
Expansion of Tawau and Miri airports.	253	These two airports are operated by **MAHB (Accept Offer, OP: RM11.00)**. The upgrade for Tawau Airports, set to begin early next year, will involve a 50% expansion to increase its annual passenger capacity from 1.5m to 2.5m, with completion expected in 3 years. Meanwhile, the expansion of Miri Airport will enable it to accommodate 15.0m passengers annually, tripling the current terminal's capacity, with completion expected in 3 to 5 years. This increased capacity is expected to positively impact MAHB's passenger traffic.
Allocation to enhance tourism areas, promote eco-tourism partnerships, and support the UNESCO nomination.	110	This initiative enhances attractions by investing in facilities that make destinations more appealing. Promoting eco-tourism partnerships encourages sustainable practices, attracting environmentally conscious travelers. Improved infrastructure, such as roads and public services, facilitates easier access and enhances the visitor experience.
Khazanah will allocate funds to preserve Kuala Lumpur as a cultural and creative city.	600	
Port & Logistics		
Logistics companies engaged in "complex smart logistics activities" will receive a 60% investment tax allowance for five years.	N/A	Logistics players under our coverage have been benefitting from similar tax incentives provided by the Malaysian Investment Development Authority (MIDA), and any unclaimed tax credits can typically be carried forward beyond the 5-year period. This encourages logistics companies to invest in capital expenditures for expansion and development initiatives and reinvest the savings into their operations, workforce, or infrastructure.
Construction and upgrading works for Jalan Lingkaran Pulau Indah and Pelabuhan Utara Klang, Selangor.	107	The upgrade of roads may lead to improved efficiency with faster delivery times and reduced vehicle maintenance, increased capacity for transporting more goods, and lower operational costs due to lower fuel consumption and maintenance expenses.

C. STRATEGY

Equity Market

Seems to be turning more fiscally conservative. We opine that the government seems to be turning more fiscally conservative despite expectation of a robust economic growth of 4.5% to 5.5% in 2025 (vs. our expectation for GDP to normalised to +4.6%). Our view is predicated on the reduction of DE from RM90b in Budget 2024 to RM86b, which is lower than our expectation. Meanwhile, as expected, there will be subsidy normalisation while revenue is expected to increase in line with economic growth and additional tax measures.

The construction sector is an obvious beneficiary from the DE. We were not surprised by yet another expansionary Budget. Despite the reduction in DE, the most obvious beneficiary of Budget 2025 will be the construction sector where it will provide much support for the sector with opportunities in store for both large and smaller contractors. Hence, we maintain our **POSITIVE** view on the construction sector.

Consumer sector another possible beneficiary. Despite the plans to rationalise RON95 subsidy, it will only be implemented in mid-2025. In addition, 85% of Malaysians will continue to receive some form of support. Meanwhile, increase in minimum wage and extensive cash assistance and financial assistance measures in the Budget are set to provide a significant boost to household income, particularly for the B40 group, helping them navigate inflationary pressures. Overall, the combination of financial aid and cash assistance is expected to create a positive environment for both staple and discretionary goods, enhancing overall consumer demand and sector growth.

Dividend tax is a surprise. Budget 2025 did not offer much of a surprise to us, except one, which is the introduction of 2% tax on dividends for individuals, with a threshold of RM100K of dividend income. Based on our understanding of personal income tax, dividends are already considered taxable income. Therefore, this implies that the tax on dividends is in addition to the dividends taxed as personal income. This may potentially affect the dividend outlook of entrepreneur led companies where other means of rewarding shareholders may be considered such as Dividend Re-investment Schemes or share buybacks. At the moment, we are neutral on this new form of tax, and we opine that it may have a neutral impact on overall market sentiment.

Market Outlook

As expected, there are no material surprises at headline level. Overall, no major surprises in Budget 2025 at the headline level to materially excite or perturb the local equity market. The total spending in Budget 2025 is projected to rise by merely +3.3%yoy to RM421b (2024: RM408b). It is also noteworthy that the proposed amount allocated for gross development expenditure of RM86b is slightly lower than our expectation. Moreover, total revenue for next year is projected to rise by +5.5%yoy to RM340b (2024: RM322b). Hence, projecting a lower fiscal deficit of -RM81b (2024: -RM86b).

Importantly, on track to meet mid-term deficit target. The percentage of fiscal deficit to GDP is expected to decline from -4.3% this year to -3.8% in 2025 as the economy is forecasted to grow by between 4.5% and 5.5% next year. In this regard, Malaysia is on track to meet its medium-term target of fiscal deficit to GDP of -3.0%. Therefore, the nation's sovereign risk would not likely be compromised despite the further accumulation of fiscal debt. Malaysia's new government borrowings are expected to decline to RM80b in 2025, from circa RM85b in 2024 and RM90b in 2023.

No discernible knee-jerk reaction to the budget announcement. We observed no discernible knee-jerk market reaction to the Budget 2025 announcement. The FBM KLCI ended slightly higher on Friday. Likewise, many other regional equity indices closed higher on Friday arguably in reaction to the overnight rise on Wall Street.

The market shall remain sanguine driven by liquidity inflows and resilient fundamentals. However, going forward, we foresee the local equity market will remain sanguine to be driven by further inflows of foreign liquidity. This expectation is supported by the prospect of strengthening Ringgit vis-à-vis US Dollar (and other major currencies) in view of further monetary (liquidity) easing with more interest rate cuts by the US Fed (as well as other major central banks). Moreover, the premise (investment case) of further liquidity inflows is seen to be underpinned by Malaysia's continued resilient macro economy and corporate earnings performance.

Maintain our 2024 targets. In view of the Budget 2025 containing no material surprises, we maintain our FBM KLCI, FBM Hijrah, and FBM70 targets for 2024 at **1,750 points** or PER25 of 14.8x, **14,100 points** or PER25 of 20.2x, and **18,900 points** or PER25 of 16.0x, respectively.

Top picks of possible winners of Budget 2025. Since we believe that the construction and consumer sectors to be beneficiaries of Budget 2025, we opine that it is worthwhile for investors to look at stocks in these sectors, amongst others:

	Rec.	Price (RM) 18/10	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
Construction								
IJM Corp	BUY	2.95	3.89	31.9%	2.7%	34.6%	3	No
Gamuda	BUY	8.20	9.01	9.9%	2.4%	12.3%	2	No
Malayan Cement	BUY	5.02	6.60	31.5%	2.0%	33.5%	3	No
Consumer								
Padini	BUY	3.55	4.30	21.1%	3.4%	24.5%	3	Yes
Aeon	BUY	1.40	1.67	19.3%	3.1%	22.4%	1	Yes
F&N	BUY	31.16	37.00	18.7%	2.5%	21.2%	4	Yes
Power								
Samaiden	BUY	1.04	1.57	51.0%	0.0%	51.0%	3	No
Sunview	BUY	0.48	0.75	56.3%	0.0%	56.3%	-	NR
Pekat	BUY	0.94	1.32	40.4%	0.0%	40.4%	-	NR
Property								
Mah Sing	BUY	1.78	1.97	10.7%	3.1%	13.8%	4	Yes
UOA Development	BUY	1.91	2.06	7.9%	5.2%	13.1%	3	No
Matrix Concepts	BUY	2.08	2.22	6.7%	5.5%	12.3%	3	Yes
IJM Corp	BUY	2.95	3.89	31.9%	2.7%	34.6%	3	No

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock prices are expected to *rise* by >10% within 3 months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock prices are expected to *fall* by >10% within 3 months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology