Strategy

Pre-Budget 2027

Rationale for report: Market Update

Analyst (s)

Paul Yap Ee Xing, CFA
paul.ee-xing@ambankgroup.com
+603 2036 2281

Doing more with less

Budget 2027 is likely to prioritise reallocation. With oil prices currently trading above US$100/bbl and expected to lift the fuel subsidy bill towards RM40bil (from the budgeted RM15bil), we believe the government has limited room for broad-based stimulus. Furthermore, global oil prices are highly likely to average higher than in 2026. As such, the Budget should focus on targeted cost-of-living support and infrastructure spending, while maintaining fiscal discipline. From an investment perspective, we continue to favour consumer-related names, led by 99SMART (BUY). At the same time, investors should also monitor potential labour cost pressures from a minimum wage review and selective beneficiaries of government spending.

- **Limited fiscal flexibility due to higher fuel subsidies.** While higher oil prices are expected to lift the fuel subsidy bill to around RM40bil vs. the RM15bil budgeted, only part of the increase is likely to be offset by stronger government revenue. This reinforces our view that Budget 2027 will be less about expanding development spending and more about operating expenditures, by directing limited fiscal resources towards targeted assistance and high-multiplier investments, while keeping fiscal consolidation broadly on track.

- **Consumer remains the clearest beneficiary.** We expect targeted household assistance to remain the centrepiece of Budget 2027 through a further expansion of the Sumbangan Asas Rahmah (SARA) programme and other targeted cash transfers. While these measures are unlikely to widen the fiscal deficit materially, they should provide meaningful support for lower-income households' spending. Our preferred exposure is 99SMART (BUY), which we estimate captures >21% of SARA disbursements, making it the largest listed beneficiary.

- **Minimum wage review is the key risk to watch.** Reviewed every two years, the previous minimum wage increase from RM1,500 to RM1,700 was announced in Budget 2025. Another review would further support household purchasing power, but could increase cost pressures for labour-intensive industries. We see plantations, glove manufacturers and EMS companies as the most exposed, while consumer retailers could benefit from higher disposable income over the medium term.

- **Government spending will remain selective.** Rather than broad stimulus, we expect Budget 2027 to channel spending towards areas that promote inclusivity and long-term competitiveness. This includes continued investment in infrastructure in Sabah and Sarawak, rural connectivity and flood mitigation, alongside support for JENDELA (Jalinan Digital Negara) and 5G rollout. We also expect further expansion of the SJPP (Skim Jaminan Pembiayaan Perniagaan), BNM-CGC (Bank Negara Malaysia-Credit Guarantee Corporation) financing schemes, and SJKP (Skim Jaminan Kredit Perumahan) guarantees to improve access to financing for businesses and first-time homebuyers.

EXHIBIT 1. Potential Budget 2027 initiatives

Sector	Impact	Initiatives	Description
Banks *(by Chan Jit Hoong)*	Neutral	Further expansion of SJPP and BNM-CGC credit guarantee programs to unlock financing for underserved businesses and HGHV sectors. Recall, Budget 2026 raised the SJPP ceiling by 50% to RM30bil, while BNM introduced a new RM10bil CGC portfolio guarantee scheme (c.2x annual BAU approved run-rate).	Encourage greater risk-sharing while keeping incremental asset quality risks in check. That said, we expect the combined financing capacity to stay fairly modest vs system loans, similar to the c.2% seen in 2026. **Beneficiaries: All banks, especially smaller ones like Alliance, given relative balance sheet size.**
Construction *(by Tan Wai Wern)*	Positive	Higher priority for Sabah, Sarawak and rural infrastructure Committed spending on flood mitigation, drainage, water and sewarage works Reaffirmation on MRT 3 with a clearer tender and award timeline	Higher allocation for infrastructure in East Malaysia should support multi-year projects such as Sabah-Sarawak Link Road Phase 2 (SSLR2) and remaining packages for Pan Borneo Highway. Water and rail related works could provide significant order book replenishment opportunities to certain established contractors and consultants. **Beneficiaries: Cahya Mata Sarawak, Gamuda, Ranhill, Malayan Cement and HSS Engineering**
	Neutral	Continued funding for projects under construction such as Penang LRT and Pan Borneo Expressway	Broadly neutral for diversified infrastructure contractors and building material producers. **Beneficiaries: Gamuda and SunCon**
Consumer *(by Heng Yii Paul)*	Positive	Expansion of SARA cash-aid and targeted subsidiies for additional cost-of-living support	One-off SARA cash aid and additional cost-of-living support could benefit retailers, followed by staples **Beneficiaries: 99SMART, KKMart, Nestle, F&N, QL, Farm Fresh, Dutch Lady**
		Agriculture support & food security	Operational cost support (i.e. fertiliser, transportation, land tax, feed cost) benefits farmers **Beneficiaries: QL, F&N, Leong Hup, Teo Seng, CAB, PWF, Farm Fresh**
	Neutral	Strengthening of social protection & min wage hike	Min wage hike impact would increase OPEX, but result in higher disposable income, net effect is more positive. If social protection is expanded (i.e. EPF contribution expansion) effect could be negative **Impacts all consumer names, most exposed are retailers: 99SMART, MyNews, KKMart, Aeon, Ecoshop, MrDIY**
Insurance *(by Chan Jit Hoong)*	Positive	Higher tax relief for life/family takaful premiums (currently RM3k), alongside higher or standalone relief for medical insurance (currently sharing a RM4k limit with education insurance). Measures to support MediAsas adoption ahead of its nationwide rollout in Jan-27.	Drive greater insurance penetration and narrow the protection gap, while cushioning the Rakyat from rising medical premiums. **Beneficiaries: Allianz**
Plantation *(by Gan Huey Ling)*	Neutral	Allocation for cattle farming, aquaculture, etc	Grants and incentives will continued to be granted for smallholders and farmers
		Replanting incentives for smallholders	No beneficiaries as the incentives are for smallholders

Power *(by Gan Huey Ling)*	Neutral	Incentives for rooftop solar systems for residential segment will continue	These will benefit solar EPCC companies that focus on rooftop solar systems for the residential segment **Beneficiaries: Sunview, Samaiden**
		We do not expect a carbon tax, as this was delayed earlier this year.	
Property *(by Chan Jit Hoong)*	Positive	Further expansion of the SJKP guarantee scheme to improve financing access for first-time homebuyers and those without fixed incomes. Recall, the allocation doubled to RM20bil under Budget 2026.	Support demand for affordable and mass-market housing. **Beneficiary: Mah Sing**
REITs *(by Chan Jit Hoong)*	Positive	Elevated tourism support (>RM700mil allocation; +c.27%) to persist as Visit Malaysia 2026 extends through end-2027.	Indirectly benefit retail- and hotel-centric REITs through stronger visitor arrivals and spending. **Beneficiaries: IGB, Sunway, Pavilion REIT**
Technology *(by Paul Yap)*	Positive	Funding for talent development	Improved talent pipeline can help ease labour shortage issue in the industry and support future expansion plans. **Beneficiaries: All Tech companies** Spending on IT equipment for schools and educational institutions can benefit distributors like **VSTECS**.
Telecoms *(by Paul Yap)*	Neutral	Continued JENDELA expansion	Telcos can benefit from infrastructure contracts, increased data usage and long-term sub growth. However, earnings impact will likely be gradual, unless there is an acceleration in investments. **Beneficiaries: All Telcos**
Transport & Logistics *(by Aimi Nasuha)*	Positive	Continuation to Budget 2026 initiatives: 1.4k electric buses and 300 electric vans will be procured in phases through 2030. Fiscally positive for government in the long term, lowering subsidy burden, given the volatility of diesel prices.	This supports localisation of EV supply chain. **Beneficiaries: Hi Mobility, Bus Cap** **Charging infra players: TNB, Petronas Gentari**
		Support to first and last-mile connectivity ahead of RTS link opening in Jan 2027	Allocation for feeder buses and supporting infra following RTS Link's commencement in 2027. **Beneficieries: Hi Mobility**

Source: AmInvestment Bank Bhd.

DISCLOSURE AND DISCLAIMER