Market Outlook

BUDGET 2027

Rationale for report: Market Update

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Support today, growth tomorrow

PM Anwar entered Budget 2027 facing a tough act: contain the fiscal deficit amid elevated fuel subsidies, without squeezing households or sacrificing growth. His response is a record RM460bil budget that pairs cost-of-living relief with continued investment, without resorting to broad-based austerity. The Government aims to narrow the fiscal deficit to 3.3% of GDP in 2027, signalling that fiscal consolidation need not come at the expense of growth. Household support should underpin near-term domestic consumption, while investments in high-value industries and infrastructure sustain Malaysia's longer-term growth ambitions.

- **Staying the course on fiscal consolidation.** Budget 2027 maintains the Government's fiscal consolidation trajectory despite higher fuel subsidies. The fiscal deficit is projected to narrow to 3.3% in 2027, from an estimated 3.6% in 2026, keeping Malaysia on track towards its 3% target by 2028. The Government is delivering its largest-ever budget of RM460bil (+10% YoY). While fuel subsidies are expected to remain elevated at RM40bil, this is offset by targeted subsidies, broader tax compliance, petroleum income and fiscal discipline. Federal revenue is projected to increase by 5% YoY to RM380.8bil in 2027.
- **Consumer staples benefit from household support, while labour costs rise.** Consumer staples is the clearest near-term beneficiary, as the STR/SARA allocation increases 7% YoY to RM16bil in 2027. STR recipients will be eligible for SARA assistance of up to RM150 monthly, while other Malaysians aged 18 and above will receive two RM100 SARA MADANI payments. Personal tax measures are also expected to provide up to RM1.6k in additional disposable income for approximately 5mil taxpayers. However, the monthly minimum wage will rise from RM1.7k to RM2k from June 2027, benefiting over 4mil workers but increasing operating costs for labour-intensive businesses. We favour consumer staples exposed to mass-market spending, while remaining cautious on labour-intensive retailers and manufacturers with limited pricing power.
- **Semiconductor and power infrastructure offer targeted growth opportunities.** Capital allocation towards higher-value industries creates opportunities for semiconductor companies, data centre infrastructure providers and power-sector suppliers. GLICs will mobilise RM25bil in domestic investments, including RM1.25bil for DC and logistics assets and RM1.2bil from Khazanah and KWAP to advance local semiconductor companies. Separately, TNB will invest RM15bil to strengthen the national grid, while UEM Lestra commits RM1bil to energy storage and hybrid energy projects. We see opportunities in engineering providers exposed to grid expansion, energy storage and semiconductor upgrading, although earnings contributions are likely to build over the medium to long term.
- **Construction upside remains selective despite continued spending.** Infrastructure spending remains supportive, but the incremental boost to the broader construction sector is likely to be modest. Federal development expenditure increases just 2.5% YoY to RM83bil in 2027. Allocations for Sabah and

Overall Budget 2027 Impact

Sector	Impact
Consumer	**Positive**
Construction	**Positive**
Technology	**Positive**
Power	Positive
Transportation	**Positive**
Property	**Positive**
Healthcare	**Positive**
REIT	**Positive**
Telecoms	**Positive**
Insurance	**Positive**
Banking	**Neutral**
Oil and Gas	**Neutral**
Plantations	**Neutral**

Sarawak will reach RM18.7bil and RM16.2bil, respectively, with RM3.3bil allocated for road projects across both states. Prasarana will invest over RM3.4bil in rail rehabilitation, while 42 new ETS and KTM Komuter train sets will be acquired. These measures should benefit contractors and engineering companies directly involved in the projects.

EXHIBIT 1. Sector impact from Budget 2027 initiatives

Sector	Impact	Initiatives	Description
Banks	Neutral	SJPP & CGC guarantees of up to RM32bil, with total financing and guarantee facilities rising to RM57bil from RM50bil BNM to double its SME Stabilisation Relief Facility to RM10bil. Bankruptcy threshold raised to RM150k from RM100k. Basic credit card interest rates capped at 14% p.a.	Continued risk-sharing should provide some AQ support, although incremental financing remains small relative to system loans (<1%) and is unlikely to move the needle. A higher bankruptcy threshold does not necessarily reduce underlying credit risk. Meanwhile, basic credit cards should have limited impact on lending yields, given their targeted nature. **Beneficiaries: All banks, particularly smaller players like Alliance, given their smaller balance sheets**
Construction	Positive	**Contractor cost recovery and procurement** Reinstatement of VOP for diesel and bitumen RM7.5bil procurement for G1-G4 Bumiputera contractors	Helps contractors manage input cost pressures Expand government work opportunities for smaller Bumiputera contractors **Beneficiaries: Malayan Cement**
		East Malaysia Infrastructure RM18.7bil for Sabah, RM16.2bil for Sarawak RM3.3bil for Sabah and Sarawak road project Continued SSLR and Pan Borneo Sabah Phase 1B implementation	Higher overall federal allocations Sustains road construction across both states Maintains progress on major road links **Beneficiaries: HSS Engineering**
		Road maintenance and rural connectivity RM2.5bil federal road maintenance RM5.7bil under MARRIS RM2.3bil rural roads	Supports recurring maintenance and rehabilitation works Funds state road repairs and maintenance Improves village accessibility
		Flood mitigation and river rehabilitation RM100mil Klang Valley flood mitigation and dam assessment Planning for Lebir Dam River rehabilitation and Sungai Rambai flood mitigation New flood mitigation projects in Kuching, Sungai Golok and Sungai Kemaman	Funds retention ponds and river maintenance Begins planning for long-term flood mitigation solutions Expands flood protection pipeline **Beneficiaries: Gamuda, HSS Engineering, Vestland**
		Rail and urban transport Johor e-ART ECRL extension to Rantau Panjang RM3.4bil comprehensive rail rehabilitation	Introduces an elevated urban transit system Extend rail connectivity towards the border Supports rehabilitation of existing rail services **Beneficiaries: Ancom Nylex, Sunway Construction**
		Water supply and distribution Machang Water Treatment Plant and ageing pipe replacement RM2.5bil national non-revenue water programme 40-year Perak-Penang bulk water supply agreement	Improves treated water supply Supports replacement of ageing pipes Establishes long-term interstate supply arrangement **Beneficiaries: Gamuda, HSS Engineering, ISF, Ranhill**
		Data centres and digital infrastructure RM1.25bil New Economy Venture Fund for Elmina Planned Sovereign AI Cloud	Property S, KWSP and LTAT will fund data centre and logistics assets development in Elmina Supports domestic control over national and strategic data **Beneficiaries: Sunway Construction**
		Industrial corridors and supporting infrastructure JS-SEZ master plan and blueprint RM12bil potential investment in Nexus Sedenak	Establishes a coordinated framework for industrial investment Supports new industrial hub and associated connectivity improvements **Beneficiaries: YTL, AME Elite**
Consumer	Positive	STR-SARA expansion to RM16b (from RM15b) SARA Madani: RM100x2 one-off cash aid	SARA expansion is beneficial to retailers, though category expansion and more small-shop partners will dilute share of SARA spend. **Beneficiaries: 99SMART, KKMart**
		Personal tax relief for M40 limit increased to RM12,000 (from RM9,000) Income tax rate 1ppt reduction for RM70-150k bracket (M40)	Improves sentiment and higher disposable income **Beneficiaries: MrDIY, Ecoshop, Padini, AEON, Bonia, Yoong Onn**

	Negative	Minimum wage raised to RM2,000 (from RM1,700)	Min wage hike affects retailers most, though higher disposable income alleviates cost pressures. **Impacted companies: KKMART, 99SMART, EcoShop, MrDIY, Padini**
Healthcare	Positive	MediAsas launches January 2027, supported by EPF-funded premiums and targeted first-year SME premium subsidies. Hospital payments follow diagnosis and treatment	Expands access to private care, but profitability depends on reimbursement rates and case mix. Migration of existing patients into cheaper plan could partially offset new volumes. **Beneficiaries: All hospitals; but margin impact uncertain**
	Negative	9,000 contract doctors offered permanent public-sector positions; post-basic incentives for nurse/paramedics double to RM200 monthly.	Improve public-sector retention and make private recruitment more competitive
Insurance	Positive	EPF members <55 y/o can pay MediAsas premiums through Akaun Sejahtera. Standardized billing categories for private hospitals, alongside wider adoption of electronic medical records.	These initiatives should encourage medical insurance penetration and help narrow the protection gap. Greater billing transparency and cost discipline will also help contain medical claims inflation, easing pressure on insurers' margins. **Beneficiary: Allianz**
Oil and Gas	Neutral	GLC & Petronas combined procurement target of RM45bil for Bumiputera companies.	No disclosure on targeted sector beneficieries
		Higher dividends from Petronas. Gov has revised 2026 Petronas dividend to RM27bil from RM20bil previously and expects a further increase to RM32bil in 2027 (+18.5% YoY).	Additional RM7bil 2026 dividends to government amid higher global crude oil prices (Gov 2026 Brent est. revised upward: USD85bbl vs USD60-65bbl previously)
Plantation	Neutral	Minimum wage raised to RM1,700 to RM2,000	Insignificant impact as estate workers are already paid higher than RM2,000/month.
		A slew of grants and incentives for paddy farmers, rubber, oil palm and FELDA smallholders	These include replanting and road upgrading incentives. The incentives are for smallholders and not large plantation companies.
	Negative	Hi-Tech Valley in Tanjung Malim will be designated as automotive hub. Local vendors that move over there will be granted tax deduction on moving cost of up to RM5mil from 1 Jan 2027 to 31 Dec 2030	This is negative for **KL Kepong** (KLK) as Hi-Tech Valley will compete with the KLK Tech Park, which is also in Tanjung Malim. We do not expect this to affect KLK's net profit however as the group's earnings are driven by CPO prices.
Power	Positive	Companies that carry out green technology and charging stations will get an 4nvestment allowance of up to 100%	This is positive as it would encourage companies to invest more in green energy. **Beneficiaries: Solarvest, Pekat**
	Neutral	Biggest utility in the country will invest RM15bil to upgrade the grid	This is not new as under RP4, the base capex is RM26.6bil for three years while the contignet capex is RM16.3bil
Property	Positive	First-home stamp-duty relief for SPAs signed during 2027–2030: full exemption for homes ≤RM500k; homes above RM500k up to RM750k receive full relief on the first RM500k and 50% on the balance.	Reduces upfront purchase costs. The RM500k–750k segment gets the clearest incremental benefit. **Beneficiaries: MAHSING, LBS**
		Infrastructure support including ECRL, RTS Link, Penang's Mutiara LRT, LRT3 and KVDT2, and faster investment facilitation in JS-SEZ	Developers with land near the projects should benefit from rising land value. **Beneficiaries: MATRIX (MVV TechValley), SIMEPROP (VBP)**
	Neutral	JS-SEZ blueprint, Sedenak road upgrades and Johor transport improvements.	Support industrial demand and later residential demand. **Beneficiaries: ECOWLD**
	Negative	Minimum wage raised to RM1,700 to RM2,000	Increases contractor costs
REITs	Positive	Visit Malaysia campaign extended to 2027, with RM935mil allocated for tourism and	Retail- and hospitality-focused REITs should benefit indirectly from higher tourist arrivals, retail spending,

		culture. MICE tax incentives extended to 2030 (existing scheme offers 100% income tax exemption for qualifying organisers).	demand for accommodation and event venues. **Beneficiaries: IGB, Sunway Pavilion REIT.**
Technology	Positive	Khazanah and KWAP are injecting RM2.2bil into local semiconductor companies to develop higher-value capabilities in IC design, advanced packaging, wafer fabrication and testing. Establish a RM150mil Semiconductor Strategic Investment Fund and a RM100mil Penang Tech Finance Hub fund to support local semiconductor firms and early-stage startups. RM200mil under the NIMP 2030 Strategic Joint Investment Fund, including RM20mil each for advanced packaging development and local semiconductor capability development in front-end testing and inspection. RM237mil for high-value technology flagship projects, including strategic chip design collaboration with ARM and local talent development.	Support can help grow local semiconductor companies, which may lead to potential IPOs in the future and also help with efforts to move up the value chain.
Technology (cont'd)	Negative	Minimum wage raised to RM1,700 to RM2,000	Being the most labour intensive, EMS companies will be the worst hit, followed by OSAT. Equipment makers will be the least impacted, as their workforce is mainly comprised of engineers. **Impacted companies: EMS and OSAT**
Telecoms	Positive	RM500 mil under JENDELA 2 to expand broadband coverage across 1,000 rural and remote locations, within the broader RM5 bil JENDELA programme. Expand 4G coverage to all Orang Asli villages, improve connectivity across 7,000 km of highways and 1,700 km of railway lines, and deploy the SALAM Subsea Cable.	Telcos can benefit from infra contracts, increased data usage and long-term sub growth **Beneficiaries: CelcomDigi, Telco M, TM**
Transport & Logistics	Positive	**Shipping tax exemption** Extends the existing 100% income tax exemption on qualifying Malaysian shipping profits by another 10 years to YA2036, longer extension compared to three years previously. Ship purchase/construction loan stamp duty fixed at RM2,000 for loans ≤RM100m, or RM5,000 above RM100m.	The extension eliminates a potential increase in the effective tax burden to 7.2% on qualifying shipping profits under Section 54A, providing longer-term earnings visibility **Beneficiaries: MTT Shipping, Orkim**
		Bus connectivity Additional bus routes and frequencies ahead of RTS opening. RM270mil (+35% YoY) allocation to improve stage-bus services in major cities.	**Beneficiary: HiMobility**
		Ports and airport connectivity. RM1.1bil jointly provided by government and MAHB for road improvements ports & airports	Improvement in cargo accessibility and road efficiency. **Beneficiaries: Westports, Swift Haulage, FM Global, TASCO, AirAsia**
		Visit Malaysia 2027 Higher tourism allocation of RM935mil (from RM705mil previously)	**Beneficiaries: AirAsia, HiMobility**

Source: Ministry of Finance, AmInvestment Bank Bhd.

EXHIBIT 2. Estimated earnings impact from minimum wage hike (ceteris paribus)

Company	Sector	% impact to earnings	Comments
V.S. Industry	Technology	-24.7%	
KKMart	Consumer	-12.0%	>90% min wage worker ~5.8k
Mr DIY	Consumer	-6.1%	Will be partially offset by heightened disposable income.
Johor Plant	Palm oil	-5.5%	Minimal impact as estate workers are already paid more than RM2,000/month
Gent Plant	Palm oil	-5.1%	
99SMART	Consumer	-4.6%	Will be largely offset by higher cash-aid
IOI	Palm oil	-3.2%	Minimal impact as estate workers are already paid more than RM2,000/month
KLK	Palm oil	-3.0%	
Kim Loong	Palm oil	-2.6%	
Westports Holdings	Ports	-2.0%	Minimal impact, Wesports' min wage at RM1.9k
Inari	Technology	-1.0%	
Hospital K	Healthcare	-0.9%	Minimal impact as most employees earn above min wage
Ecoshop	Consumer	-0.8%	Will be partially offset by rising disposable income (internal min wage was RM1.8k)
Sunway Construction	Construction	-0.3%	
Gamuda	Construction	-0.2%	
IHH	Healthcare	-0.1%	
	Banks		No impact as union staff is already earning >RM2.3k/mth
	REITs		Minimal impact, assuming 30% of maintenance cost is for workers with min. wage, the step up to RM2k/mth will just shave <1% from distributable income
	Oil and Gas		Direct labour - which involves oil & gas skilled and technical engineers/labour earns more than RM2k. All Petronas staffs paid above RM2k

Source: Company, AmInvestment Bank Bhd.

EXHIBIT 3. Federal Government Financial Position

	2025	2026	2027	2025	2026	2027
Revenue	336,069	363,640	380,817	3.5	8.2	4.7

Operating expenditure	330,776	363,055	376,840	2.9	9.8	3.8
Current balance	**5,293**	**585**	**3,977**			
Gross development expenditure	81,921	81,000	83,000	(2.5)	(1.1)	2.5
Less: Loan recovery	1,339	1,900	1,500	(22.9)	41.9	(21.1)
Net development expenditure	80,582	79,100	81,500	(2.1)	(1.8)	3.0
Overall balance*	**(75,289)**	**(78,515)**	**(77,523)**			
Primary balance*	**(21,578)**	**(21,215)**	**(16,510)**			

** Exclude COVID-19 fund*

Source: Ministry of Finance, JANM

EXHIBIT 4. Federal Government Revenue

RM 'mil	2025	2026	2027	2025	2026	2027
Tax revenue	**259,826**	**280,762**	**297,060**	**8.2**	**8.1**	**5.8**
Direct tax of which:	***180,558***	***191,025***	***199,898***	**5.2**	**5.8**	**4.6**
Companies income tax	97,816	101,688	106,614	5.4	4.0	4.8
Individual income tax	45,570	101,688	51,837	10.9	123.1	(49.0)
Petroleum income tax	18,063	20,528	20,528	(12.0)	13.6	-
Indirect tax of which:	**79,268**	**89,737**	**97,162**	**15.7**	**13.2**	**8.3**
SST	55,874	66,999	73,341	24.8	19.9	9.5
Excise duties	12,789	11,746	11,784	(4.4)	(8.2)	0.3
Import duty	3,064	3,203	3,323	(0.3)	4.5	3.7
Export duty	1,808	1,845	1,914	(13.6)	2.0	3.7
Non-tax revenue of which:	***76,243***	***82,878***	***83,575***	**(9.7)**	**8.7**	**0.8**
Licenses and permits	15,526	15,544	17,229	(8.9)	0.1	10.8
Investment income	43,982	46,108	46,656	(3.9)	4.8	1.2
Total revenue	**336,069**	**363,640**	**380,817**	3.5	8.2	4.7
Share of GDP (%)	**16.6**	**16.6**	**16.4**			

Source: Ministry of Finance

EXHIBIT 5. Federal Government Operating Expenditure by Component

RM 'mil	2025	2026	2027	2025	2026	2027
Emoluments	101,451	108,417	111,606	5.7	6.9	2.9
Retirement charges	38,559	42,801	44,597	7.4	11.0	4.2
Debt service charges	53,711	57,300	61,103	6.4	6.7	6.6
Grants and transfers to state govt	9,808	11,403	11,504	9.6	16.3	0.9
Supplies and services	42,174	41,629	45,502	12.0	(1.3)	9.3
Subsidies and social assistance	55,268	74,473	72,729	(18.0)	34.7	(2.3)
Asset acquisition	1,281	922	1,312	7.7	(28.0)	42.3
Refunds and write-offs	435	547	552	(12.8)	25.7	0.9
Grants to statutory bodies	15,120	15,037	17,094	8.0	(0.5)	13.7
Others	12,969	10,526	11,381	36.1	(18.8)	8.1
Total	**330,776**	**363,055**	**377,380**	2.9	9.8	3.8
% of GDP	**16.3**	**16.6**	**16.3**			

Source: Ministry of Finance

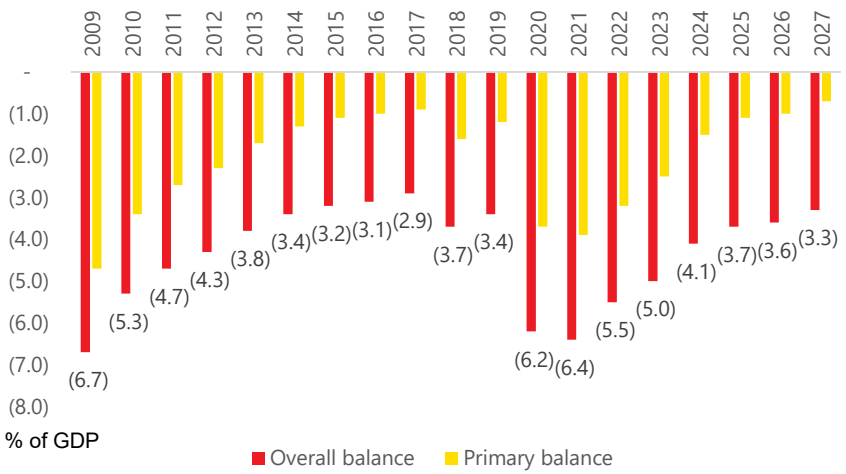
EXHIBIT 6. Federal Government Development Expenditure by Sector

RM 'mil	2025	2026	2027	2025	2026	2027
Economic of which:	***38,758***	***37,135***	***37,655***	***(10.7)***	***(4.2)***	***1.4***
Transport	17,706	17,234	17,557	(13.5)	(2.7)	1.9
Trade and industry	3,020	3,281	3,513	1.2	8.6	7.1
Energy and public utilities	2,574	2,490	2,751	17.8	(3.3)	10.5
Agriculture	2,804	2,793	2,921	(0.2)	(0.4)	4.6
Environment	2,825	3,418	3,605	7.6	21.0	5.5
Social of which:	***27,592***	***27,442***	***27,988***	***7.8***	***(0.5)***	***2.0***
Education and training	14,115	13,951	13,550	12.1	(1.2)	(2.9)
Health	6,068	6,669	6,907	3.4	9.9	3.6
Housing	1,836	1,457	1,681	14.5	(20.6)	15.4
Security	***11,918***	***11,788***	***12,240***	***3.0***	***(1.1)***	***3.8***
General administration	***3,653***	***4,635***	***5,117***	***6.4***	***26.9***	***10.4***

Total	**81,921**	**81,000**	**83,000**	(2.5)	(1.1)	2.5
% of GDP	**4.0**	**3.7**	**3.6**			

Source: Ministry of Finance

EXHIBIT 7. Federal government overall and primary balance



Source: Ministry of Finance

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