



AmInvestment Bank

BUDGET 2026

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Sector Report

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Steady as She Grows
Rationale for report: Market Update

Overall Budget 2025 Impact

Consumer	Positive
Construction	Positive
Power	Positive
Tech	Positive
Transportation	Positive
Plantation	Positive
Banking	Positive
Telecoms	Positive
Property	Neutral
Oil and Gas	Neutral
Automotive	Neutral

Within a world unsettled by regional political volatility and trade rifts, PM Anwar's fourth budget offers investors something rare: stability, predictability and continuity. Fiscal prudence is maintained through sharper prioritisation, ensuring Malaysia's structural stories in inclusivity, energy transition and value-chain ascent remain intact. Consumer and selective construction plays stand out as beneficiaries, while sin industries may face margin pressure from higher duties. Digging through the fine print, we also spotted a potential liquidity boost of up to RM10bil from additional ASB 3 Didik and ASM units. We view market reaction will be one of measured optimism anchored by policy consistency

- Up to RM10bil liquidity injection into financial markets.** This will increase industry AUM by 3% and should keep market activity vibrant, amid dwindling cash levels, upcoming mega IPOs soaking liquidity and profit taking activities (see latest *Port Pulse*). 5bil additional units of ASB 3 Didik and ASM units will be made available, financial opportunities which offer ~5% annual yield with no capital volatility. Both funds invests in mixed assets, primarily securities listed on Bursa Malaysia. In 2025, MAS launched a SGD5bil programme, that helped the Straits Times Index rally +16.8% YTD.
- Steady hands, steady course.** Budget 2026 stays true to Malaysia's reform trajectory, showing clear policy continuity with the 13th Malaysia Plan, a trait markets tend to reward. The fiscal deficit is set to narrow to 3.5% (on track toward the below 3% goal by 2030), supported by a RM470bil (+4% YoY) allocation partly funded through GLICs (government linked investment companies), GLCs (government linked companies), statutory bodies and public-private mobilisation. Its emphasis on expanding renewable energy under NETR (National Energy Transition Roadmap), introducing a carbon tax and strengthening the semiconductor ecosystem, reflects 13MP's focus on a low-carbon transition and industrial upgrading, while measures like SARA (Sumbangan Asas Rahmah) cash aid, childcare reliefs and tourism incentives reinforce shared prosperity and domestic resilience.
- Winners ride the wave, others face the heat.** The Consumer sector stands out as the biggest beneficiary of Budget 2026, supported by the repeat of the RM100 SARA payout in Feb 2026 and tourism spending from Visit Malaysia 2026, positives for 99SMART, Nestlé, and Spritzer. While overall development expenditure remains flattish, selective opportunities emerge in Construction, with data-centre-related projects and renewed focus on flood-mitigation works favouring LSH. The renewable energy theme supports players like Solarvest and Kelington. On the flip side, sin industries could face margin pressure from higher excise duties on alcohol and tobacco, while the introduction of a carbon tax adds compliance costs, initially impacting the iron, steel, and energy sectors.
- Boring can be exciting.** The consistency shown in Budget 2026 reinforces Malaysia's image as a dependable haven in an unpredictable neighbourhood. Although the KLCI has slipped 1.2% YTD and lags regional peers, fresh liquidity could soon breathe life back into sentiment. Beneath the surface, a quieter transformation is taking shape, driven by energy transition, semiconductor advancement and the rise of AI and data centres. At the same time, resilient domestic demand remains the anchor, supported by cash aid measures, tourism incentives, and steady employment. Aligned with this, we favour companies anchored in domestic demand and selective structural growth themes. Our top picks include Hong Leong Bank, Maxis, Greatech, Kelington, LSH and Johor Plantations.

EXHIBIT 1: SECTOR IMPACT FROM BUDGET 2026 INITIATIVES

Sector	Impact	Initiatives	Description
Automotive	Positive	EV Ecosystem Expansion (Charging Infra <i>UEM Lestra & PLUS Collab</i>) & NETR. Vehicles older than 20y eligible for scrappage grant up to RM4k to upgrade to local brand. CBU EV tax exemption ending in 2025 & CKD EV tax exemption extended until end-27.	Proton EVs and Perodua's upcoming low-cost EV launching Dec-25 to enjoy CKD tax exemption, maintaining competitive pricing, whilst other EV peers would be hit by heavy taxes. Uptake on local EVs could improve with EV infrastructure developments. Beneficiaries: Pecca, Sime Darby, MBMR
	Negative	CBU EV tax exemption removal starting 2026.	CBU EV sales would fall until locally assembled, expect 30-100% price hikes (Import Duty 10-30%, Excise 50-100%). Companies impacted: Sime Darby, Bermaz Auto [EVs 5-6% of Group Revenue]
Banks	Positive	SJPP's total government guarantee has been raised to RM30bil from RM20bil, now covering micro-entrepreneurs, halal SMEs (up to RM2bil), and export-oriented mid-sized firms (up to RM5bil with 70% financing guarantee).	Positive for all banks to support loan growth, as government guarantees help reduce financing risks for micro-SMEs and SMEs expanding locally or into new markets.
Construction	Positive	Budget 2026 reaffirms fiscal continuity and adds execution milestones for East Malaysia highways. (lifetime envelope: RM48bil) Pan Borneo Sarawak, Pan Borneo Sabah and SSLR are multi-year carry-through projects first funded in Budgets 2023–2025. Explicit allocations (RM2bil): - Pan Borneo Sabah (Phase 1A): RM1.7bil in 2026. - Durin–Salim (Sibu, Sarawak): RM350mil for road pavement and structure upgrade.	Continued rollout of Pan Borneo Sabah, SSLR, and Trans Borneo Highway (LTB) sustains visibility for East Malaysian contractors over the medium term (2025–2029). Beneficiaries: TCS Group, Azam Jaya, Kimlun, Hock Seng Lee, Bina Puri, KKB Engineering, and Cahya Mata Sarawak

Construction (cont'd)		RM2.3bil will be invested for Penang, Kota Kinabalu, Tawau, and Miri airports, all targeted for completion by 2028.	Bidding for Penang International Airport (PIA) Package 3 (main building) of RM1.2bil is currently ongoing, being front runners; Beneficiaries: IJM Corp, Sunway Construction, HSS Engineers Remaining RM1.1bil is expected to be allocated for Kota Kinabalu, Tawau and Miri airports, relatively small packages (est ~300mil) each. Beneficiaries: Azam Jaya, Hock Seng Lee, HSS Engineers, Ibraco, Cahya Mata Sarawak
		RM2.2bil for 43 high-priority Flood Mitigation Plan (RTB) projects, inclusive 12 new RTB projects that will commence next year	No surprises, continuation of annual flood mitigation initiatives. Beneficiaries: Varia, TRC Synergy, LSH Resources, HSS Engineers
	Negative	Reiteration of carbon tax implementation (pilot stage) in 2026. Phase 1 covers iron, steel and energy sectors. Mechanism intended to align with global practices, prepare exporters for CBAM (Carbon Border Adjustment Mechanism) compliance.	This is expected to increase construction costs, driven by higher building material prices, particularly steel and cement. For reference, rebar prices hover at RM2.3k per tonne as at Sept 2025 (+9% YTD). Full cost impact remains difficult to quantify pending details on the tax rate. Companies impacted: All construction companies due to rising input cost. Steel manufacturers; Press Metal, Ann Joo Steel, CSC Steel Holdings and Southern Steel to see margin compression.

Consumer	Positive	Increase Sumbangan Tunai Rahmah (STR) cash handouts to RM15bil up from RM13bil in Budget 2025. RM100 SARA for all 2.0 totaling RM2.2bil in Feb 2026. In March, a one-off Special Financial Assistance of RM500 will be given to all civil servants in Grade 15 and below, including those on contract. Additionally, RM250 will be provided to all government pensioners, pensioned veterans, and non-pensionable veterans. RM1bil RAHMAH to address cost of living, including RM600 million to expand Umbrella program RAHMAH in all DUN constituencies. More than RM700mil allocation to tourism	Consumer sentiment will be boosted by rising disposable income Beneficiaries: 99SMART, MrDIY, Ecoshop, Nestle More than RM700 mil will be allocated to elevate the tourism sector, including RM500 mil to ensure the success of Visit Malaysia 2026. Beneficiaries: Spritzer
	Neutral	Alcohol & Tobacco Excise Duty	Effective November 1, 2025, excise duties on alcoholic beverages will increase by 10%. In addition, duties on cigarettes will rise by 2 sen per stick, with RM40/kg imposed on cigars, cheroots, and cigarillos, and RM20/kg on heated tobacco products. These changes have largely been priced in. Companies impacted: Heineken, Carlsberg, BAT
Oil and Gas	Positive	Under ASEAN Power Grid, TNB and PETRONAS to jointly fast-track the Vietnam–Malaysia–Singapore renewable power project, transmitting clean energy from southern Vietnam.	Commitment to extend Petronas energy portfolio beyond hydrocarbons, opportunity to position itself as an aggregator and trader of clean energies (offshore wind and solar). Beneficiaries: Petronas Gentari (Petronas' renewables energy arm)

Oil and Gas (cont'd)	Neutral	38% lower Petronas dividend of RM20bil YoY to government. The lowest payout since 2017, amid a challenging sector backdrop of sustained low oil prices.	This signals capital preservation and capex discipline supportive of long-term reinvestment in upstream and energy projects (CCS, CCUS and RE).
		The petroleum-related revenue to decline to 12.5% of the government's total revenue (compared to 18% in 2024).	Broadly neutral, since no fresh funding allocated for the sector.
Plantation	Positive	RM50mil to upgrade plantation roads nationwide.	Lowers logistics costs and improves efficiency of FFB evacuation.
		RM20mil for automation and mechanisation R&D to reduce labour reliance.	This reduces reliance on foreign labour and raises productivity over the medium term.
		RM63mil to counter anti-palm oil campaigns and enhance global market acceptance.	Encourage sustainable certification (including RSPO/MSPO) supports long-term demand in export markets.
Power	Positive	Green Financing (GTFS 5.0) has been extended until 31 Dec 2026 with a total allocation of RM1bil. The scheme provides government guarantees of up to 80% for green technology projects in waste, energy, water, transport, and manufacturing.	This will lower financing risks and improve bankability for renewable energy developers, particularly those undertaking large-scale solar, CRESS, and waste-to-energy projects. Beneficiaries: Solarvest, Mega First
		Malaysia to enhance cross-border electricity integration. TNB and Petronas will jointly participate in the Vietnam–Malaysia–Singapore renewable energy trading project.	
		Global tech players including Microsoft, Google, and AWS are set to invest billions of USD into Malaysia's digital infrastructure.	Positive for YTL Power as hyperscalers and AI players are the target tenants. These clients typically sign long-term PPAs and colocation contracts, driving recurring cashflows.
		Large-Scale Solar (LSS 6) projects with a 2GW capacity are being implemented, involving RM6bil in private investment.	Positive for EPCC and asset developer Beneficiaries: Solarvest
	Negative	Carbon tax will be introduced on iron, steel and energy sectors in 2026F. The quantum of the carbon tax was not announced.	Companies impacted: YTL Power, Malakoff, Petronas Chemicals

Property	Positive	RM20bil SJKP guarantee (up from RM10bil). 80k more first home buyers offered SJKP guarantee to include self-employed and gig workers.	Positive for the sector as it will spur the interest among the first-time home buyers and increase demand for affordable housing.
		Stamp duty for the purchase of the first home up to 500k extended until Dec 31 2027	Beneficiaries: Scientex, MahSing
		NIMP Industrial allocation	RM180mil allocated under NIMP Industrial Development Fund for high-impact sectors, supporting demand for specialised industrial facilities. This will spur the demand for industrial properties. Beneficiaries: Ecoworld, SP Setia, Simeprop, UEM Sunrise
	Neutral	Investment approvals will be accelerated via Iskandar Malaysia Facilitation Centre and Johor Super Lane	The Iskandar Malaysia Facilitation Centre Johor serves to expedite investment process with the support of Johor Super Lane, effectively reducing the local authority approval timeframe. Johor property and data center players will be able to secure and execute projects faster. Beneficiaries: KSL, Ecoworld, Sime Darby Property, UEM Sunrise
		There is no enforcement on the build-then-sell (BTS) system.	BTS is not enforced, which was highlighted in 13th MP. Additionally, the government encourages banks to support BTS and rent-to-own schemes. This removes the uncertainty and reduce disruptions if BTS were to be implemented. However, BTS enforcement has not been priced so the impact should be minimal.
		Stamp duty for foreigners raised from 4% to 8% for non-residents and foreign companies to maintain affordability for locals.	Negative for the sector as this would disincentivizes foreigners to buy residential properties. This would reduce the demand for properties and potentially forcing property developers to reduce launch prices.

Technology	Positive	The Residence Pass-Talent Fast Track continues to support strategic investors by streamlining the hiring of foreign talent, including waiving the usual three-year Employment Pass requirement. TVET funding will rise to RM7.9bil next year, up from RM7.5bil.	Efforts can help ease talent shortage issue for the industry
		MIDA's Investor Pass provides a 12-month Multiple Entry Visa to foreign investors and will be proactively offered to multinational companies and key sector players like those in E&E. RM180mil has been allocated under the NIMP Industry Development Fund to support development programmes in high-impact sectors like pharmaceuticals, semiconductors, AI, digital, and sustainability. Khazanah and KWAP are investing RM550mil in the semiconductor ecosystem to boost collaboration between local and multinational firms. Under the National Semiconductor Strategy, BPMB will offer RM500mil in soft loans to boost high-value R&D, particularly by local firms in the E&E ecosystem. Malaysia will launch SemiconStart, an MTDC-led incubator programme with global partners to support semiconductor start-ups through mentorship, discounted prototyping, global financing, and customer network access.	Support can help grow local semiconductor companies, which may lead to potential IPOs in the future and help with efforts to move up the value chain.
Telecoms	Positive	JENDELA 2 allocates RM780mil to expand broadband to 2,700 new locations.	Telcos can benefit from infra contracts, increased data usage and long-term sub growth Beneficiaries: CelcomDigi, Maxis, TM

Transport & Logistics	Positive	1.4k electric buses and 300 electric vans will be procured in phases through 2030, as Malaysia shift towards low-carbon green mobility.	Localisation of EV supply chain is supported Beneficiaries: Fleet Operators: Hi Mobility (operates 50+ electric buses under Causeway Link) Charging infra players: Petronas Gentari, Yinson GreenTech (Yinson Holdings).
		RM700mil allocation to boost tourism sector. Out of it, RM500mil allocated for Visit Malaysia Year 2026 Campaign (v. VM2014: RNM316mil). Target CY26: 47mil tourists arrivals; Annualised CY25F: 42mil tourists arrivals. The remaining RM200mil, includes RM50mil matching grants for international and charter flights; and RM25mil of tourist facilities upgrade. Combined with RM1k domestic tourism tax relief, this forms coordinated policy to stimulate both inbound and local travel for VM 2026.	Positive spillover to transport companies (aviation, bus and cruise terminals operator) from improved connectivity and higher tourist arrivals. While the budget is modest in absolute terms, it carries a strong multiplier effect, positioning the country for a successful VM 2026, a push to recover tourism post-pandemic. Beneficiaries: Capital A, Hi Mobility, Westports

Source: AmlInvestment Bank

EXHIBIT 2: FEDERAL GOVERNMENT FINANCIAL POSITION

RM 'mil	2024	2025	2026	Change (%)		
				2024	2025	2026
Revenue	324,618	334,115	343,124	3.1	2.9	2.7
Operating expenditure	321,509	332,150	338,202	3.3	3.3	1.8
Current balance	3,109	1,965	4,922			
Gross development expenditure	84,012	80,000	81,000	(12.6)	(4.8)	1.3
Less: Loan recovery	1,737	1,321	1,500	72.4	(23.9)	13.6
Net development expenditure	82,275	78,679	79,500			
Overall balance*	(79,166)	(76,714)	(74,578)			
Primary balance*	(28,265)	(22,414)	(16,278)			

* Exclude COVID-19 fund

Source: Ministry of Finance, JANM, AmInvestment Bank

EXHIBIT 3: FEDERAL GOVERNMENT REVENUE

RM 'mil	2024	2025	2026	Change (%)		
				2024	2025	2026
Tax revenue	240,192	253,400	270,383	4.8	5.5	6.7
Direct tax of which:	171,693	177,145	187,357	0.2	3.2	5.8
Companies income tax	92,776	98,033	103,353	(1.1)	5.7	5.4
Individual income tax	41,099	44,859	49,069	13.5	9.1	9.4
Petroleum income tax	20,528	16,906	15,698	(21.3)	(17.6)	(7.1)
Indirect tax of which:	68,499	76,255	83,026	18.4	11.3	8.9
SST	44,758	53,424	59,627	26.2	19.4	11.6
Excise duties	13,383	12,508	12,791	1.8	(6.5)	2.3
Import duty	3,072	3,077	3,081	1.2	0.2	0.1
Export duty	2,092	1,920	1,913	2.6	(8.2)	(0.4)
Non-tax revenue of which:	84,426	80,715	72,741	(1.6)	(4.4)	(9.9)
Licenses and permits	17,041	15,879	15,726	1.8	(6.8)	(1.0)
Investment income	45,782	50,374	36,676	(18.0)	10.0	(27.2)
Total revenue	324,618	334,115	343,124	3.1	2.9	2.7
Share of GDP (%)	16.8	16.6	16.1			

Source: Ministry of Finance

EXHIBIT 4: FEDERAL GOVERNMENT OPERATING EXPENDITURE BY COMPONENT

RM 'mil	2024	2025	2026	Change (%)		
				2024	2025	2026
Emoluments	95,936	103,522	109,366	4.4	7.9	5.6
Retirement charges	35,901	40,060	42,801	5.3	11.6	6.8
Debt service charges	50,481	54,300	58,300	9.0	7.6	7.4
Grants and transfers to state govt	8,949	9,260	9,828	3.0	3.5	6.1
Supplies and services	37,668	42,497	40,292	4.9	12.8	(5.2)
Subsidies and social assistance	67,360	57,062	49,004	(6.3)	(15.3)	(14.1)
Asset acquisition	1,189	1,182	1,002	16.2	(0.6)	(15.2)
Refunds and write-offs	499	541	547	(5.1)	8.4	1.1
Grants to statutory bodies	13,997	14,804	15,809	(11.1)	5.8	6.8
Others	9,529	8,922	11,253	82.0	(6.4)	26.1
Total	321,509	332,150	338,202	3.3	3.3	1.8
% of GDP	16.6	16.5	15.9			

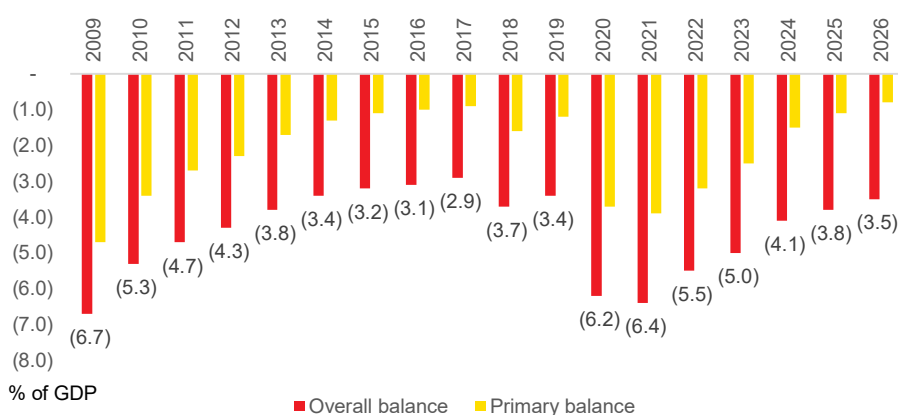
Source: Ministry of Finance

EXHIBIT 5: FEDERAL GOVERNMENT DEVELOPMENT EXPENDITURE BY SECTOR

RM 'mil	2024	2025	2026	Change (%)		
				2024	2025	2026
Economic of which:	43,401	36,648	36,785	(24.2)	(15.6)	0.4
Transport	20,466	16,368	17,534	15.2	(20.0)	7.1
Trade and industry	2,985	2,615	3,031	(0.9)	(12.4)	15.9
Energy and public utilities	2,185	2,471	2,790	(8.0)	13.1	12.9
Agriculture	2,810	2,940	551	(7.0)	4.6	(81.3)
Environment	2,625	3,005	3,818	41.1	14.5	27.1
Social of which:	25,602	27,784	28,592	5.6	8.5	2.9
Education and training	12,590	14,703	14,451	3.3	16.8	(1.7)
Health	5,867	6,825	6,969	22.3	16.3	2.1
Housing	1,603	1,318	1,457	(23.8)	(17.8)	10.5
Security	11,576	11,861	11,738	1.7	2.5	(1.0)
General administration	3,433	3,707	3,885	6.4	8.0	4.8
Total	84,012	80,000	81,000	(12.6)	(4.8)	1.3
% of GDP	4.4	4.0	3.8			

Source: Ministry of Finance

EXHIBIT 6: FEDERAL GOVERNMENT OVERALL AND PRIMARY BALANCE



Source: Ministry of Finance

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