

Market Strategy

Budget 2025: Revitalising The Economy, Driving Transformation, Advancing Public Well-Being

Stocks Covered 145
 Rating (Buy/Neutral/Sell): 92 / 44 / 9
 Last 12m Earnings Revision Trend: Positive

- **Checks all the boxes.** Budget 2025 saw allocations rising 3.3% YoY to MYR421bn with key proposals checking boxes on fiscal discipline, advancing the reform agenda, broadening the tax base, social support programmes, and infrastructure investments. The commitment to rationalise subsidies for RON95 fuel is a strong statement of political will to improve public finances and will help burnish the Government's reform credentials. The hike in minimum wage will impact industries with a high labour component. Speculation on inheritance and high value goods tax and higher duties on the sin sectors did not materialise. Notwithstanding the net negative impact on plantations, we expect the budget proposals to be broadly neutral for markets.
- **RON95 subsidy rationalisation.** Following up on earlier price adjustments on diesel, the Government intends to end blanket subsidies for RON95 fuel by mid-2025. Partial subsidies costing MYR12bn will still be maintained to ease the impact, which will see net savings of MYR8bn. However, the mechanism to achieve this remains unclear, with either a big bang adjustment to the unsubsidised price – cushioned by offsets – or partial price adjustment. The unsubsidised RON95 price currently stands at MYR2.76/litre.
- **Minimum wage hike.** Beginning Feb 2025, the monthly minimum wage will be raised to MYR1,700 from MYR1,500 (last adjusted in May 2022). Sectors affected will include plantations, construction, consumer, manufacturing, and rubber gloves. Whilst the rise in minimum wage will translate to higher disposable incomes, this will be offset by the inflationary impact from businesses passing on the higher costs.
- **Construction.** While the size of net development expenditure (DE) was flattish at MYR84.7bn for 2025 (2024: MYR84.9bn) – we take comfort from a higher absolute DE allocation for the transport subsector - which comprises highways, industrial parks and hospitals. No mentions on Mass Rapid Transit (MRT) 3, Kuala Lumpur-Singapore High Speed Rail (HSR), and Johor Bahru Light Rail Transit (LRT) and Autonomous Rapid Transit (ART), but we believe that funding and alignment considerations are still being worked on.
- **Strategy.** Bursa Malaysia's relative outperformance indicates that we are not likely to see aggressive window dressing activity towards the year-end. Key investment themes include near-term defensive posturing, staying nimble to build positions on broad-based market weakness, a tactical focus on laggards, and concentration on stocks with a Johor angle – this is coupled with a bottom-fishing strategy on small-mid caps. We maintain OVERWEIGHT on the banking, property, M-REITs, construction, technology, healthcare, basic materials, oil & gas, utilities, and rubber products sectors.
- **Key risks** include negative geopolitical developments, higher inflation risks causing the US Federal Reserve to re-evaluate its monetary policy, and an escalation of the US-China trade war.

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Company Name	Rating	Target (MYR)	% Upside (Downside)	P/E (x) Dec-25F	P/B (x) Dec-25F	ROAE (%) Dec-25F	Yield (%) Dec-25F
AMMB	Buy	5.90	14.1	9.0	0.8	9.2	5.0
Dayang Enterprise	Buy	3.90	73.3	8.1	1.2	14.3	2.7
Farm Fresh	Buy	1.88	4.7	26.6	4.2	16.5	1.4
Focus Point	Buy	1.20	46.8	8.9	2.4	28.8	5.6
Gamuda	Buy	9.79	19.4	18.1	1.9	10.7	2.4
Guan Chong	Buy	5.10	75.8	6.9	1.4	22.0	3.6
IHH Healthcare	Buy	8.80	22.4	37.0	2.0	5.5	0.8
Kerjaya Prospek	Buy	2.57	21.4	14.6	2.2	15.6	4.7
Mah Sing	Buy	2.26	26.7	16.2	1.1	6.9	2.8
Malaysian Pacific Industries	Buy	38.50	42.5	19.2	2.4	13.0	1.9
Mr DIY Group	Buy	2.59	17.4	25.8	9.4	38.5	2.7
Sime Darby Property	Buy	2.00	30.4	18.3	1.0	5.4	2.3
Tenaga Nasional	Buy	16.70	13.8	17.5	1.4	7.9	3.7

Source: Company data, RHB

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Figure 1: Earnings outlook and valuations

COMPOSITE INDEX @ 1,645.99 18 Oct 2024	FBM KLCI			RHB BASKET			RHB BASKET (EX-FBM KLCI)		
	2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F
Revenue growth (%)	2.5	6.4	3.6	2.5	6.4	5.3	2.9	6.4	8.7
EBITDA growth (%)	(2.4)	8.2	5.5	(4.3)	9.9	5.7	(9.5)	14.9	6.2
Total PATAMI (MYRm)	55,339	62,206	66,832	75,566	87,512	94,802	20,227	25,306	27,970
Total PATAMI growth (%)	(2.3)	12.4	7.4	(8.8)	15.8	8.3	(9.7)	25.1	10.5
Weighted earnings growth (%)	2.4	10.6	6.4	3.3	11.3	7.9	(4.3)	13.9	14.2
P/E (x)	18.6	16.6	15.4	19.2	16.6	15.3	20.8	16.6	15.0
Weighted earnings growth (%) ex-plantation	4.7	11.1	6.4	5.4	11.6	7.9	(2.5)	13.9	14.2
P/E (x) ex-plantation	18.5	16.2	15.1	19.2	16.3	15.1	21.0	16.7	15.1
P/BV (x)	1.6	1.5	1.5	1.5	1.4	1.5	1.3	1.2	1.3
Dividend yield (%)	3.6	3.6	3.8	3.5	3.5	3.7	3.2	3.3	3.4
ROE (%)	8.6	9.3	9.6	7.8	8.7	9.6	6.3	7.5	8.5

Note: Excludes FBM KLCI stocks not under RHB Research's coverage, ie HILFG, YTLC, RHB Bank, and PPB

Source: Bloomberg, RHB

Figure 2: FBM KLCI weightings and valuations of the stocks under our coverage

	Market Cap MYRbn	Weight (%)	Weighted Earnings Growth (%)			P/E (x)		
			FY23	FY24F	FY25F	FY23	FY24F	FY25F
Sime Darby	16.5	1.60	(3.4)	14.0	16.8	14.3	12.5	10.7
Auto	16.5	1.60	(3.4)	14.0	16.8	14.3	12.5	10.7
CIMB	87.4	8.47	25.7	9.0	6.2	12.5	11.4	10.8
Hong Leong Bank	45.9	4.45	16.0	9.9	4.5	11.4	10.3	9.9
Malayan Banking	128.6	12.47	16.6	5.5	4.8	13.7	13.0	12.4
Public Bank	88.7	8.60	8.7	5.2	4.4	13.3	12.7	12.1
Banking	350.6	34.00	14.6	8.0	4.9	12.8	12.0	11.4
Press Metal	39.6	3.84	(13.2)	24.4	13.0	31.9	25.6	22.7
Basic Material	39.6	3.84	(13.2)	24.4	13.0	31.9	25.6	22.7
Nestle	24.4	2.37	21.0	(11.3)	10.4	32.5	36.6	33.2
Mr DIY	20.9	2.03	16.9	14.3	23.7	36.4	31.9	25.8
QL Resources	17.5	1.70	59.6	22.5	3.8	33.6	27.4	26.4
Consumer	62.8	6.09	22.1	(9.5)	10.4	32.5	32.3	28.5
IHH Healthcare	63.3	6.14	(7.3)	30.3	0.8	48.6	37.3	37.0
Healthcare	63.3	6.14	(7.3)	30.3	0.8	48.6	37.3	37.0
Sunway	25.4	2.47	19.1	1.1	3.2	32.5	32.2	31.2
Property	25.4	2.47	19.1	1.1	3.2	32.5	32.2	31.2
MISC	34.2	3.32	6.0	11.9	(3.4)	15.5	13.8	14.3
Petronas Dagangan	17.8	1.72	24.7	6.7	2.6	18.9	17.7	17.2
Oil & Gas	97.0	9.41	(19.5)	12.6	3.3	20.5	16.8	15.8
IOI Corp	23.4	2.27	(24.2)	(25.5)	15.6	15.7	21.0	18.2
Kuala Lumpur Kepong	23.4	2.27	(39.8)	(34.8)	14.7	16.2	24.9	21.7
SD Guthrie	32.6	3.17	(57.8)	49.8	4.8	36.1	24.1	23.0
Plantation	79.5	7.71	(40.0)	(27.0)	13.2	20.7	23.3	21.0
Axiata	22.0	2.14	(65.9)	42.0	79.2	40.1	28.2	15.8
CelcomDigi	42.2	4.10	29.1	5.3	21.8	27.2	25.8	21.2
Maxis	29.2	2.83	2.6	2.2	(3.9)	21.6	21.2	22.0
Telekom Malaysia	25.1	2.43	29.8	(13.3)	13.3	13.4	15.5	13.6
Telecommunication	118.5	11.50	3.7	(3.4)	17.8	22.2	21.9	18.1
Petronas Gas	34.9	3.39	7.2	0.5	0.9	18.9	18.8	18.6
Tenaga Nasional	85.3	8.28	(19.5)	31.4	14.9	26.4	20.1	17.5
YTL Power	28.9	2.80	441.9	61.8	(14.8)	14.0	8.6	10.1
Utilities	149.2	14.47	8.3	19.2	2.8	20.8	15.7	15.5
FBM KLCI	1031.2	100.00	2.4	10.6	6.4	18.6	16.6	15.4

Source: Bloomberg, RHB

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Figure 3: Top BUYs

	FYE	Price	TP	Shariah compliant	Market cap (MYRm)	EPS (sen)		EPS Growth (%)		3 yrs EPS CAGR (%)	P/E (x)		P/BV (x)	P/CF (x)	DY (%)
		(MYR/s)	(MYR/s)			FY24F	FY25F	FY24F	FY25F	FY22-FY25	FY24F	FY25F	FY25F	FY25	FY25F
18 Oct 2024															
Tenaga Nasional	Dec	14.68	16.70	YES	85,334	73.1	84.0	31.4	14.9	6.7	20.1	17.5	1.4	5.0	3.7
IHH Healthcare	Dec	7.19	8.80	YES	63,341	19.3	19.4	30.3	0.8	6.8	37.3	37.0	2.0	15.0	0.8
Telekom Malaysia	Dec	6.53	8.40	YES	25,060	42.3	47.9	(13.3)	13.3	8.4	15.5	13.6	2.4	5.9	4.1
Gamuda	Jul	8.20	9.79	YES	23,130	32.9	42.9	4.8	30.4	11.3	24.9	19.1	1.9	(228.9)	2.4
Mr DIY Group	Dec	2.21	2.59	YES	20,896	6.9	8.6	14.3	23.7	18.2	31.9	25.8	9.4	18.2	2.7
AMMB^	Mar	5.17	5.90	NO	17,115	55.2	58.2	5.4	5.3	3.5	9.4	8.9	0.8	n.a.	5.1
Sime Darby Property	Dec	1.53	2.00	YES	10,405	7.5	8.4	27.1	11.0	27.5	20.3	18.3	1.0	18.3	2.3
Malayan Cement	Jun	5.02	7.18	YES	6,712	41.7	42.9	196.5	2.9	76.8	12.0	11.7	0.9	11.7	2.6
Mah Sing Group	Dec	1.78	2.26	YES	4,557	10.0	11.0	12.4	10.6	14.1	17.9	16.2	1.1	28.2	2.8
Guan Chong	Dec	2.90	5.10	YES	3,406	33.9	41.7	266.8	23.0	41.4	8.6	6.9	1.4	3.6	3.6
Kerjaya Prospek	Dec	2.12	2.57	YES	2,673	12.9	14.5	24.6	13.2	16.9	16.5	14.6	2.2	21.6	4.7
Dayang Enterprise	Dec	2.25	3.90	YES	2,605	26.0	27.7	60.4	6.5	42.1	8.6	8.1	1.2	6.4	2.7
Focus Point	Dec	0.82	1.20	YES	379	8.0	9.2	13.5	14.2	5.5	10.2	8.9	2.4	4.2	5.6

Note: ^FY24-25F valuations refer to that of FY25-26F

Source: RHB

Figure 4: Top SELLs

	FYE	Price	TP	Shariah compliant	Market cap (MYRm)	EPS (sen)		EPS growth (%)		3-yr EPS CAGR (%)	P/E (x)		P/BV (x)	P/CF (x)	DY (%)
		(MYR/s)	(MYR/s)			FY24F	FY25F	FY24F	FY25F	FY22-FY25	FY24F	FY25F	FY25F	FY25F	FY25F
18 Oct 2024															
Affin Bank	Dec	3.00	1.60	NO	7,201	18.6	21.0	6.8	12.9	2.2	16.1	14.3	0.6	n.a.	2.8
RCE Capital^	Mar	1.60	1.35	YES	2,345	21.2	22.3	12.1	5.1	5.6	7.5	7.2	1.3	n.a.	10.5
Ranhill Utilities	Dec	1.29	1.10	YES	1,672	3.2	3.7	1019.7	13.9	26.0	40.0	35.2	2.0	10.0	1.2
Tan Chong	Dec	0.61	0.65	YES	394	(12.6)	(7.1)	26.8	44.0	8.4	n.m.	n.m.	0.2	4.3	1.7
Chin Well	Jun	1.02	0.76	YES	292	2.9	11.0	(77.9)	275.0	(31.1)	34.8	9.3	0.4	(4.4)	4.3

Note: ^FY24-25F valuations refer to that of FY25-26F

Source: RHB

Figure 5: RHB Basket sector weightings and valuations

Sectors	Mkt Cap MYRbn	Weight %	Weighted Earnings Growth (%)			P/E (x)			Recommendation
			FY23	FY24F	FY25F	FY23	FY24F	FY25F	
Banking	387.9	26.6	16.2	7.5	5.0	12.7	11.9	11.3	Overweight
Utilities	158.4	10.9	(4.7)	23.3	7.4	23.2	16.0	15.5	Overweight
Oil & Gas	125.0	8.6	(33.6)	17.5	5.3	19.2	14.8	14.5	Overweight
Property	78.1	5.4	21.8	3.4	1.3	22.6	21.0	20.9	Overweight
Healthcare	75.0	5.2	(5.3)	26.8	1.7	43.0	35.2	34.0	Overweight
Basic Materials	49.9	3.4	(6.5)	46.5	10.2	30.6	21.4	19.3	Overweight
Construction	46.7	3.2	9.2	5.0	27.7	27.3	24.2	19.4	Overweight
Property-REITs	38.8	2.7	6.9	12.7	5.4	19.4	17.8	16.7	Overweight
Technology	28.2	1.9	(56.7)	30.3	43.8	33.9	32.0	22.8	Overweight
Rubber Products	26.1	1.8	(103.9)	1307.2	101.6	n.m.	710.6	81.9	Overweight
Telecommunications	128.2	8.8	6.3	(1.7)	16.2	22.2	21.6	18.0	Neutral
Consumer	107.9	7.4	15.5	(5.6)	10.1	22.1	20.3	17.7	Neutral
Plantation	98.1	6.7	(42.0)	(23.4)	12.1	19.4	21.4	19.5	Neutral
Transport	32.7	2.2	81.5	20.3	11.2	22.7	19.8	17.7	Neutral
Gaming	32.6	2.2	311.5	75.2	18.1	19.0	11.5	9.7	Neutral
Auto	21.9	1.5	7.1	4.0	7.1	12.6	11.7	10.3	Neutral
Non-Bank Financials	21.2	1.5	14.0	5.4	7.2	10.6	9.8	9.1	Neutral
RHB BASKET	1456.7	100.0	3.3	11.3	7.9	19.2	16.6	15.3	

Source: RHB

Sector Review

Auto & Autoparts – nothing new

NEUTRAL

Under Budget 2025, the scheme to incentivise the uptake of CKD electric motorcycles continues. This will still be in the form of rebates worth up to MYR2,400 per person. While this positively contributes to the growth of the local EV industry by attracting more participants into the ecosystem, we think the near-term impact on automotive companies under our coverage is minimal to none, as the incentive is targeted at electric motorcycles only.

No news on import and excise duty exemptions on CBU EVs, which means the tax holiday for CBU EVs will not get extended beyond end-2025 as we expected. The focus will mainly be on attracting original equipment manufacturers or OEMs to manufacture and assemble their EVs locally.

Overall, we think Budget 2025 offers no surprises for the automotive sector, given the absence of any new incentives – particularly on the initiatives to encourage the installation of public charging stations. Given the status quo, we maintain our NEUTRAL call on the sector, with Bermaz Auto (BAUTO MK, BUY, TP: MYR3.05) still as our Top Pick.

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Banks – Expansion of SST scope

OVERWEIGHT

Under Budget 2025, certain fee-based business-to-business (B2B) financial services could be included under the expanded scope of items that are chargeable – at a 6%, 8% or other specified – sales & services tax (SST) rate. While details of the implementation are scarce at present, we think certain B2B services such as treasury flows and SME wealth could fall under this category. As we understand, a number of such offerings by the banks are already taxed at a certain SST rate, while some others are exempted from any SST. Nevertheless, we expect to see a minimal impact on the demand for such services and, as such, maintain our earnings forecasts and OVERWEIGHT sector rating.

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Construction – Still a lot to keep contractors occupied

OVERWEIGHT

We maintain our OVERWEIGHT stance on the sector. The federal DE allocation (on a net basis excluding loan recoveries) of MYR84.7bn for 2025 marks a slight 0.2% decline from the MYR84.9bn net DE (revised estimate) for 2024. Despite Prime Minister Dato' Seri Anwar Ibrahim stating that this was not the time to carry out mega projects, the DE allocated will revolve mainly on infrastructure works – which include flood mitigation, water distribution, and highway projects among others – that are not just beneficial for the people, but should also have sizeable contract values for contractors (Figure 7)

Notwithstanding the slightly lower net DE for 2025, the percentage of DE allocated to the transport sub-sector – ie railways, highways, and ports – increased to 20.4% for 2025 vs 2024's revised estimate of 18.9%. The transport DE of MYR17.6bn for 2025 represents an 8% YoY increase from 2024's MYR16.3bn with a 5-year CAGR of 19%. The focus is on improving connectivity – particularly in rural areas – and reducing congestion in more developed zones. Notable new projects under this allocation include: i) The construction of bridges and roads from Ng Belawai Road to Song-Kapit Road in Sarawak, ii) additional lanes (to six from four) for the North-South Expressway or PLUS from Yong Peng to Senai Utara (Phase 3: Simpang Renggam-Machap) in Johor, as well as iii) ongoing projects (these include, among others, the Pan Borneo Highway Sabah and Sabah-Sarawak Ring Roads).

The DE allocation for environment sub-sector remains strong at 3.7% or MYR3.2bn for 2025 vs the revised estimate of 3.9% or MYR3.3bn for 2024. Recall: The DE allocated to the environment sub-sector was lower than MYR2bn from 2021 to 2023. So far, the Government

has completed eight flood mitigation projects worth MYR540m with another 12 (worth MYR3bn) being issued letters of acceptance – these have started as scheduled (Figure 6). Such allocations under the environment sub-sector would have positive implications for contractors with exposure in flood mitigation projects – namely Malaysian Resources Corp (MRC MK, BUY, TP: MYR0.86) – as the 2025 allocation for this sub-sector covers two newly approved flood mitigation projects for the Langat and Samagagah Rivers in Selangor and Perak. MRC itself has clinched the MYR250m Langat River (Phase 2) flood mitigation project in 2024 along and river rehabilitation projects for the Pahang River. Other notable names in the flood mitigation space include Varia (VARIA MK, NR) and TRC Synergy (TRC MK, NR).

Figure 6: Some of the flood mitigation projects which have seen awards being issued

Flood mitigation projects
Damansara River
Likas River, Kota Kinabalu, Sabah
Triang River, Bera, Pahang
Tepoh River and Banggol Air Lilih in Kuala Nerus, Terengganu
Sungai Kelantan Integrated Basin Phase 2

Source: Ministry of Finance (MOF)

We also flag the MYR3.1bn DE allocation for the trade and industry sub-sector in 2025 (2024's revised estimate: MYR3.6bn) that covers, among others, the Johor-Singapore Special Economic Zone Infrastructure Facilitation Fund and development of the Silver Valley Technology Park 1 at Kinta in Perak. Opportunities may arise for contractors in the form of design and build contracts for buildings such as warehouses and manufacturing facilities.

Figure 7: Major projects by states

State	Latest updates
Perak	Kerian Integrated Green Industrial Park by SD Guthrie (SDG MK, BUY, TP: MYR5.35) and Permodalan Nasional
	Raw water transfer project from the Perak River to supply water in Penang and Northern Perak
	Automotive High Tech Valley in Tanjung Malim by Proton and Geely
	Lumut Maritime Industrial City as a regional maritime industrial hub
Pahang	High priority flood mitigation projects for rivers in Pahang
	Construction of Cameron Highlands shortcut roads by upgrading the road from McDonald's Roundabout to the junction at Brinchang
Johor	Lane addition for the PLUS highway to six from four lanes under Phase 3 that covers Simpang Renggam-Machap
	Johor-Bahru Rapid Transit System Link, which is targeted to commence operations in 2027
Kelantan	Construction of barrage and reservoir for Sedili Besar River at Kota Tinggi
	Machang water treatment plant
Melaka	Runway extension for the Sultan Ismail Petra Airport (Kota Bharu)
	Melaka Sentral Market construction
Perlis	Construction of a multi-storey U-turn and direct U-turn from the Pulau Gadong junction to the Taman Cheng Perdana junction in Melaka Tengah
	Construction of a road connecting Pesisir Pantai Road to Kuala Sanglang together with the upgrading of Persiaran Wawasan Road in Kangar to four lanes from two
Selangor	Upgrading of control post and construction of new block of Immigration Customs Quarantine and Security Complex at Wang Kelian
	Langat River 2 flood mitigation project
Kedah	Port Klang expansion
	Expansion of Kulim Hi-Tech Park, which will place companies like Infineon
Kuala Lumpur	Construction of additional building for Kulim Hospital
	Upgrading the Sultan Abdul Samad Building, the Kuala Lumpur Train Station, and Carcosa Seri Negara by Khazanah Nasional
Negeri Sembilan	Highway from Duta to Istana Road
	Upgrading of Bahau-Keratong Road in Jempol
Penang	Upgrading of regional sewerage treatment plant in Kuala Sawah
	Penang Light Rail Transit
	Penang International Airport expansion
Terengganu	Batu Kawan Industrial Park 3
	Flood mitigation project at Tepoh River and Banggol Air Lilih at Kuala Nerus
	Solar hybrid power plant at Merchang by Cypark (CYP MK, NR)
	Floating solar hydro hybrid farm in Kenyir and green hydrogen hub

Source: MOF

Sarawak and Sabah have received higher allocations of MYR5.9bn (2024: MYR5.8bn, 2023: MYR5.6bn) and MYR6.7bn (2024: MYR6.6bn, 2023: MYR6.5bn) under Budget 2025. On further scrutiny, Phase 1B of the Pan Borneo Highway Sabah has seen 17 packages (worth MYR9.7bn) awarded, with two more packages in the process of being awarded.

Separately, the Government has finalised four work packages for the Sabah-Sarawak Link Road Phase 2 worth MYR7.4bn, under which two packages have been dished out. The remainder to be awarded by end 2024.

As per the Public-Private Partnership (PPP) Masterplan 2030 launched in September – some projects have been identified to be implemented via a user fee mechanism to alleviate the Government's fiscal challenges, which cover some highways and hospitals among others (Figure 8). In general, private finance initiative projects are expected to be worth MYR9bn in 2025.

Figure 8: Projects under PPP

Projects under PPP	Estimated contract value	Potential beneficiaries
Sultanah Aminah Hospital, Johor	Not available	Kimlun Corp (KICB MK, NR) and Tuju Setia (TJSETIA MK, NR)
Juru-Sungai Dua Elevated Expressway, Penang	MYR1.8bn	Pintaras Jaya (PINT MK, BUY, TP: MYR1.85)
West Ipoh Span Expressway	MYR5.8bn	IJM Corp (IJM MK, BUY, TP: MYR4.39)
West Coast Expressway Stretch from Banting to Gelang Patah to be prioritised in planning	Not available	IJM Corp, Advancecon (ADVC MK, NR)

Source: MOF, Various media

Emphasis has also been given towards rural infrastructure, with almost MYR1.8bn earmarked for village roads in Kota Belud (Sabah), Pasir Puteh (Kelantan) and Kuala Lipis (Pahang). Federal road maintenance works have been assigned a budget worth MYR2.8bn in 2025, which covers non-primary, industrial, and FELDA roads, as well as roads damaged by floods. As for state roads – a funding of MYR5.5bn has been provided under the Malaysia Road Record Information System or MARRIS in addition to some budget related to temporary Bailey bridges for each state government.

While no mention was made on MRT3 – we believe the project will eventually be rolled out sometime in 2026, as the public inspection exercise (until 2 Dec) and land acquisition processes are taking place. Moreover, the monthly ridership of the MRT Kajang and Putrajaya Lines have reached record highs of 7.5m and 4.4m passengers in August. Such ridership levels provide justification for the expansion of the public transportation system in the Klang Valley via the MRT3 circle line.

The absence of a highlight on the HSR was no surprise, as the project is aimed to be privately funded. We were expecting some details on whether or not a LRT (estimated cost: MYR1.7bn) or ART (estimated cost: MYR7bn) is planned for Johor Bahru. Nonetheless, we believe the outcome to decide on an ART or LRT may be known by year's end.

On the labour development side – a higher minimum wage of MYR1,700 from MYR1,500 will take effect from 1 Feb 2025. We gathered that major contractors such as Gamuda, Sunway Construction, and IJM Corp have pretty much been paying construction workers (on their payrolls) above MYR1,700 per month. We even gathered that the daily pay for general construction workers (that can be on a subcontract basis) is between MYR80 and MYR100. Taking the mid-point of MYR90 for the daily wage for a 22 working days a month period, the monthly pay has surpassed the MYR1,700 floor. Therefore, this is not much of a concern for contractors.

The Government also mentioned plans to make it compulsory for all non-citizen workers to contribute to the Employees Provident Fund (EPF), which will be implemented in phases. No timing or details was given on this proposal. Assuming this is applicable to foreign workers, we believe it will be a disincentive for such workers to come to Malaysia. Assuming the contribution is 11%, workers would be taking home only MYR1,513 based on the revised MYR1,700 minimum wage. In addition, contractors would have to contribute EPF for workers, which – based on the current contribution rate – is 13% for wages below MYR5,000 per month. Assuming the minimum monthly wage of MYR1,700, this means an additional cost of MYR221 per month per worker.

The multi-tiered foreign worker levy is also being proposed by the Government to reduce dependency on foreign labour, which was mulled in previous budgets. Proceeds from the levy would be channelled to the industries for automation and mechanics. Until now, no exact details have been laid out yet with regards to the tiers of the levy – depending on the foreign worker dependency ratio – but we believe the impact could be manageable. We also think it

will lead to increasing adoption of industrialised building systems or IBS, which could reduce the need for large numbers of workers.

All in, we hold the view that the pipeline of project should still keep the contractors busy in the coming years. More favourable operating conditions, namely adequate labour supply, and manageable building and material price cost trends, put contractors in a sweet spot to take on new projects. Our Top Picks for the construction sector include Gamuda (GAM MK, BUY, TP: MYR9.79), Kerjaya Prospek (KPG MK, BUY, TP: MYR2.57), and Sunway Construction (SCGB MK, BUY, TP: MYR5.50). Downside risks: Further delays in project rollouts and huge increase in levy for foreign workers.

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Consumer – Positives outweigh negatives

NEUTRAL

Maintain NEUTRAL on sector. Overall, Budget 2025 is a positive to the sector. We believe the upsized cash handouts and higher minimum wage will benefit the lower-income groups which have a higher propensity to spend. On the other side of the coin, the raise in minimum wages translates to higher operating costs to most of the companies under our coverage - this could be exacerbated should the multi-tier levy and EPF contribution for foreign workers materialise. Meanwhile, the targeted approach of petrol subsidy rationalisation initiatives falls largely within our earlier expectations, and should not significantly hamper consumer spending. On the other hand, a hike in sugar tax rates was proposed but we anticipate manageable implications, given the content reformulation earlier after the tax was first introduced in 2019. Lastly, no news is good news for the sin sector.

The cash handouts for the lower-income groups under various programmes will be increased by 30% to MYR13bn from the MYR10bn in Budget 2024. As usual, this is an effective tool to lend support to consumer spending on the back of a heightened cost of living. This should benefit most of the consumer companies under our coverage. Meanwhile, the Government provided some details on the plans to retarget the petrol subsidy. It aims to trim 40% or MYR8bn off the total subsidy bill by taking away the petrol subsidies from 15% of the users by mid-2025. Although there is no mention of the mechanism, the approach is largely in line with our expectation. This should have a muted impact on the affected the T15 consumers (ie the top 15% earners) and, hence, result in minimal implications for the sector.

On the other hand, the Government is proposing for the minimum wage to be raised by 13% to MYR1,700 from MYR1,500, effective Feb 2025. This comes after the hike to MYR1,500 from MYR1,200 in May 2022. Whilst the higher wages should translate to higher disposable incomes, the effective increments could be offset by the inflationary impact as businesses are likely to pass on cost hikes. Within the sector, we believe retailers with a large network of stores and sizeable presence in more rural areas will be affected the most, including Mr DIY (MRDIY MK, BUY, TP: MYR2.60) and 99 Speed Mart (99SMART, NR) but we think they will be able to pass on the higher costs. In addition, with both being the dominant market leaders in the respective industries, the competitors are likely to find it more difficult to cope with the higher wage costs – given the smaller scale of operations. This could give rise to industry consolidation. Meanwhile, for the electronics manufacturing services or EMS players, they will negotiate with their end-customers to pass on the higher costs – on which previous efforts have been successful.

The Government has also proposed to raise the excise duty on sugar-sweetened beverages by 40 sen per litre (+80%) from 50 sen per litre. This may not lead to a significant disruption for the associated manufacturers, as there was some earlier reformulation to ensure that the sugar content of products was below the thresholds set (after the sugar tax was introduced in 2019). Meanwhile, no news is good news for the sin sector – there were no excise duty hikes proposed. There was also no follow-up to the luxury or high-value goods tax, which was proposed in previous years.

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Energy (Utilities and Oil & Gas) – Carbon tax in 2026?**OVERWEIGHT**

The extension of the Net Energy Metering or NEM programme, rollout of the 2GW Large-Scale Solar (LSS) 5 initiative, as well as the continuation of the Green Technology Financing Scheme (GTFS) will encourage higher adoption of renewable energy. The 1GW Kenyir Hybrid Hydro-Floating Solar (HHFS) initiative is part of the committed 2.5GW HHFS flagship project under the National Energy Transition Roadmap or NETR. Pending further disclosure, we believe the MYR16bn expenditure on transmission and distribution networks collectively by Tenaga Nasional (TNB MK, BUY, TP: MYR16.70) and UEM Lestra somewhat reiterate the regulator's commitment in grid upgrades, thereby anchoring our belief that regulatory capex spending will increase in the upcoming Regulatory Period 4.

The implementation of a carbon tax starting 2026 is a surprise to us. For now, there are no details on how it would be implemented and whether it is applicable to energy sector. There is a possibility that both the oil & gas and utilities sectors (not just the E&P players and independent power producers (IPPs), but related services players too) will be subjected to the carbon tax. What we can assess is based on the greenhouse gas (GHG) emissions data provided in annual reports. Most corporations have disclosed GHG emissions, with a breakdown between Scope 1 and Scope 2 emissions. Theoretically, a carbon tax should be implemented on direct emissions, ie Scope 1. However, companies with international exposure would include their overseas emissions into the calculation, and we are not yet certain whether these emissions abroad would be subjected to tax charges.

There are currently no details on whether the carbon tax will be passed through to the end-user. We do expect the bottomlines of companies who have a high level of emissions to be impacted by this tax, however. Within the utilities sector, undoubtedly, TNB will be affected the most, with its Scope 1 and 2 emissions amounting to 39.3m tCO₂e in 2023, followed by Malakoff (MLK MK, BUY TP: MYR1.11) with 16.6m tCO₂e, then Petronas Gas (PTG MK, NEUTRAL, TP: MYR17.47) with 5.9m tCO₂e. Meanwhile, MISC (MISC MK, BUY TP: MYR9.31) has the highest emissions, at 4.1m tCO₂e in 2023, among the oil & gas peers.

The Government expects Petronas to commit to a relatively flattish dividend of MYR32bn in 2025 (2024: MYR32bn), with an average oil price assumption of USD80 per bbl (our 2025 in-house projection: USD80 per bbl). We believe such an amount is still reasonable and within our expectations, backed by its solid estimated operating cash flow. This should not jeopardise the national oil company's balance sheet – it had net cash of MYR116bn as of 2Q24.

The implementation of a targeted subsidy on RON95 petrol will be rolled out in mid-2025, which should cover 85% of consumers. Depending on the implementation method, we expect to see some slight knee-jerk reactions from retailers and a likely reduction in smuggling activities. This could affect the overall sales volumes of petrol retailers such as Petronas Dagangan (PETD MK, NEUTRAL, TP: MYR20.24).

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Plantation – Net negative impact from Budget 2025**NEUTRAL**

We believe Budget 2025 is a net negative for the sector, with steeper export taxes, higher wages, potential EPF contributions and a higher foreign worker levy – offset slightly by higher windfall tax thresholds. However, we make no changes to our earnings estimates, as the impact is not significant at this juncture

With effect from 1 Jan 2025, the windfall tax threshold will be raised by MYR150 per tonne to MYR3,150 per tonne for West Malaysia and to MYR3,650 per tonne for East Malaysia. The rate remains unchanged at 15%. We estimate the impact to earnings to be +1-4% pa.

From 1 Nov onwards, the Government will implement more thresholds for CPO export taxes, bringing it up to MYR4,050 (from MYR3,450 per tonne). Previously, the maximum tax rate was 8%, but this is now raised to 10%. With this change, the net impact for planters would be an additional +MYR4-23 per tonne in revenue below MYR3,800 per tonne, but a reduced -MYR16-68 per tonne in revenue above MYR3,800 per tonne. This change, however, raises Malaysia's competitiveness vs Indonesia.

The minimum wage is set to rise to MYR1,700 from MYR1,500 (+13%) on 1 Feb 2025. Based on our sensitivity analysis, every 10% (MYR150/month) hike would impact earnings of the companies under our coverage by -2-5% – with the exception of FGV (FGV MK, NEUTRAL, TP: MYR1.30), which has a lower earnings base. As the increase in minimum wage is MYR200/tonne, the impact would be just slightly higher, ie in the region of -3-6% pa.

The Government also mentioned plans to mandate all non-Malaysian workers to contribute to the EPF, which will be implemented in phases. No timing was given, nor details on this proposal. Assuming this is applicable to foreign workers, we believe it will be a disincentive for workers to come to Malaysia. Assuming the contribution is 11%, workers would be taking home only MYR1,513, based on the revised MYR1,700 minimum wage. In addition, plantation companies would have to contribute EPF for workers, which based on the current contribution rate is 13% for wages below MYR5,000 per month. Assuming minimum wage of MYR1,700, this means an additional cost of RM221 per month per worker. This will be negative for planters' earnings.

The Government is also talking about instituting the multi-tiered foreign worker levy in early 2025 – aimed at reducing dependency on foreign workers, with proceeds to be channelled back to the industry for automation and mechanisation. While there are no details yet, it is possible planters could be exempted, given the difficulty in hiring locals to work in these jobs. In any case, we estimate that every 10% hike in the foreign worker levy would impact earnings by about -1-2% pa (again, with the exception of FGV).

Maintain NEUTRAL sector weighting. We believe the net impact to the sector from Budget 2025 would be negative, as the negative changes (minimum wage, export taxes, foreign worker levy, foreign worker EPF contributions) offset the small positive adjustment made to windfall taxes. We make no changes to our Top Picks: SD Guthrie (SDG MK, BUY, TP: MYR5.35), Johor Plantations (JPG MK, BUY, TP: MYR1.20) and Sarawak Oil Palms (SOP MK, BUY, TP: MYR3.60).

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Property – Goodies for first-time home buyers

OVERWEIGHT

In Budget 2025, as an effort to encourage first-time home ownership, the Government plans to provide individual income tax relief on housing loan interest payments. A MYR7,000 tax relief will be granted for houses priced up to MYR500,000, while a MYR5,000 tax relief is provided for homes priced between MYR500,000 and MYR750,000. Note: The sales & purchase agreements for such homes must be executed between 1 Jan 2025 and 31 Dec 2027.

Recall: The tax relief on interest expended to finance the purchase of residential property is not new. It was offered in 2010-2015, whereby home buyers could claim up to MYR10,000 per year for three years of assessments as personal tax deductions. However, what is different this round is that the tax relief is introduced to first-time home buyers only.

We are positive on this tax relief on housing mortgage interest payments. Developers in general are expected to benefit from the incentives for first-time home buyers that were announced during Budget 2025. Most developers under our coverage are selling houses priced below the MYR1m mark. Among them: Mah Sing (MSGB MK, BUY, TP: MYR2.26), UOA Development (UOAD MK, NEUTRAL, TP: MYR2.02), LBS Bina (LBS MK, NEUTRAL, TP: MYR0.72), Matrix Concepts (MCH MK, BUY, TP: MYR2.26), and Tambun Indah (TILB MK, BUY, TP: MYR1.20) have products mainly targeted at first-time home buyers. Besides the incentives announced in the budget, we remain optimistic on the property sector, as the Government specifically mentioned that some special incentives related to the Johor-Singapore special economic zone will be announced by year's end.

Overall, we maintain our OVERWEIGHT rating on the property sector. Demand for property will continue to be driven by better economic growth outlook, influx of foreign and domestic direct investments, return of tourist arrivals, and easing of the Malaysia My Second Home programme, as well as major infrastructure developments. Our Top Picks remain unchanged: i) Sime Darby Property (SDPR MK, BUY, TP: MYR2.00), ii) Mah Sing, iii) Sunway (SWB MK, BUY, TP: MYR5.00), and iv) UEM Sunrise (UEMS MK, BUY, TP: MYR1.60).

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REITS – high-value goods tax (HVGT) a curious absentee**OVERWEIGHT**

After two consecutive national budgets with a proposal for a HVGT (previously known as the luxury goods tax), it was noticeably absent from Budget 2025. To recap, the Government initially aimed to enact new legislation to impose a 5-10% tax on certain high-value goods in May, but the implementation was deferred indefinitely in March for further engagement with industry players and stakeholders.

We previously noted that the HVGT could negatively affect the higher-end retail REITs in the Kuala Lumpur city centre such as Suria KLCC and Pavilion Kuala Lumpur. The Government would implement the Tourist Refund Scheme alongside the HVGT, alleviating our main concern of it affecting tourism spending. We think the omission from Budget 2025 is a positive for the sector, but will continue to look out for a potential revival of the tax.

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Rubber Products – Minimum impact from minimum wage reform**OVERWEIGHT**

The hike in the minimum wage from 1 Feb 2025 onwards will have an estimated c.1% impact on glovemakers' FY25 earnings. According to our channel checks, glovemakers are confident that the incremental cost can be passed on to customers, given the better demand outlook. That said, the sector ASP is expected to increase further to USD22-23 per 1,000 pieces starting November, indicating a 5-10% increase from the current ASP of USD21 per 1,000 pieces in 3Q24 – which is more than enough to offset the weaker USD (3Q24: -6% QoQ).

All in all, we maintain our OVERWEIGHT call on the sector. Our sector Top Picks are Hartalega (HART MK, BUY, MYR3.47) Kossan (KRI MK, BUY, MYR2.51) and Riverstone (RSTON SP, BUY, SGD1.02). Key risks in relation to Budget 2025 include: i) Mandatory EPF contributions for foreign workers (still at the planning stage); and a ii) multi-tier foreign worker levy (no specific levy rates were mentioned).

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Technology – Cost pressures from higher minimum wage**OVERWEIGHT**

The Government has agreed to raise the minimum wage rate to MYR1.7k per month from MYR1.5k per month previously, effective 1 Feb 2025. It also plans to make it compulsory for all non-citizen workers to contribute to the EPF, which will be implemented in phases. These moves will be net negative to technology players that – in our view – rely on foreign workers at near-minimum wage levels, ie OSATs, electronics manufacturing services or EMS, engineering support services, and (to a lesser extent) automated test equipment or ATE players.

Within our coverage, Inari Amertron (INRI MK, NEUTRAL, TP: MYR3.06), Malaysian Pacific Industries (MPI MK, BUY, TP: MYR38.50), Unisem (M) (UNI MK, BUY, TP: MYR3.93), Globetronics Technology (GTB MK, NEUTRAL, TP: MYR0.68), Pentamaster Corp (PENT MK, BUY, TP: MYR5.95), JHM Consolidation (JHMC MK, NEUTRAL, TP: MYR0.52), and Coraza Integrated Technology (CORAZA MK, BUY, TP: MYR0.62). We expect a 1-5% impact on FY25F earnings based on our back-of-envelope calculations. However, we believe the potential cost pressures will be mitigated through cost-pass through, automation, and process improvement exercises with some time lag.

Conversely, the Government agreed to introduce the Investment Incentive Framework by 3Q25 to support high-value activities via products-based incentives. To facilitate strategic investors, the Malaysian Investment Development Authority is now authorised to approve employment passes involving non-local university graduates to meet capital requirements in New Industrial Master Plan (NIMP) sectors.

Government-linked investment companies or GLICs – through GEAR-uP efforts – will increase their direct strategic investments in the country (amounting to MYR120bn) for the next five years. The focus is on NIMP and high-value sectors such as semiconductors. These are expected to enhance the ecosystem of the E&E industry domestically and encourage more

investments. They are also set to help our local companies, in our view, to move up the value chain and be more competitive. The new incentive frameworks include:

- i. Increasing the level of sector cohesion in the E&E economy through high-value-added activities such as integrated circuit (IC) design services and advanced materials, as well as tax incentives for upgrade exports extended to IC design activities;
- ii. Providing high-income jobs to the people in the field of artificial intelligence (AI) with special tax deductions given to private universities and institutions that develop new technologies in the fields of digital technology, AI, robotics, IoT, data science, fintech, and sustainable tech;
- iii. Strengthening the local supply chain and key sector ecosystems. Supply chain resilience will be introduced with incentives such as double tax deductions, tax incentive packages, and investment matching grants.

On digitalisation and automation, the spending on ICT equipment purchases, computer software packages, and consulting fees will be given accelerated capital allowance to be fully claimed within two years. The Government also plans to implement various levy mechanisms early next year to reduce the dependency foreign workers. The proceeds from this levy collection will be channelled back into the tech industry to engineer business processes towards automation and mechanisation.

Along with the increasing importance of cyber security and implementation of e-invoicing by 1 Jul 2025, the demand for ICT-related products are expected to increase, in our view, benefiting IT hardware, solutions, cyber security, data management, and related training providers/players. We believe this bodes well for locally listed IT operators, accounting software distributors, and system integrators such as Autocount (ADB MK, NR), Awanbiru Technology (PRES MK, NR), Censof Holdings (CSHB MK, NR), Cloudpoint Technology (CLOUDPT MK, NR), Heitech Padu (HTPADU MK, NR), Infoline Tec (INFOTEC MK, NR), LGMS (LGMS MK, NR), Microlink Solutions (MICL, NR), and VSTECS (VST MK, NR).

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Telecommunications – Connectivity improvements

NEUTRAL

The improvement in broadband connectivity remains a key thrust with continued allocations for rural areas, schools, and public universities under the Point of Presence (PoP) projects. These projects aim to close the digital gap in rural areas by using schools as a hub for the provision of fibre broadband infrastructure – hence, enabling schools, government premises, and surrounding housing areas to have access to fibre broadband services.

Funded by the Communications Ministry, Phase 1 of these PoP projects – which involved an allocation of MYR673m for 677 locations nationwide – have been largely completed. Meanwhile, Phase 2 (MY3.9bn) – which commenced in Dec 2022 and involves 3,693 sites – is ongoing with target completion of end 2025. The POP projects will see a further allocation of MYR800m under Budget 2025, with a MYR100m allocation under a new fibre broadband infrastructure connectivity programme for schools in villages and rural areas.

We see Telekom Malaysia (TM) (T MK, BUY, TP: MYR8.40), Maxis (MAXIS MK, NEUTRAL, TP: MYR3.86), CelcomDigi (CDB MK, BUY, TP: MYR4.55), and OCK Group (OCK MK, BUY, TP: MYR0.78) as key beneficiaries of the extended PoP investments as they were involved in the earlier phases. TM was awarded 233 sites nationwide under PoP Phase 1 and 174 sites under PoP Phase 2, mainly in the Central Region. Maxis delivered undisclosed number of sites in the Southern Region while CDB's involvement is under Phase 2 via its strategic partnership with Borneo Restu, which was awarded 681 sites in Sarawak.

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FIRST AGENDA: SPARKING CHANGE TOWARDS THE PINNACLE OF PURPOSE

Measure 1: Fiscal responsibility and debt management

Fiscal deficit expected to decrease to 4.3% in 2024 and 3.8% in 2025, from 5% in 2023.

Measure 2: Revenue collection

Revenue collection has been revised upwards to RM322bn. The government anticipates revenue to further increase to RM340bn in 2025.

Measure 3: Tax base expansion:

- i. SST will be expanded to non-essential goods and commercial services;
- ii. Dividend tax of 2% on dividend income >MYR100k introduced.

Measure 4: Targeting of subsidies

Implementing targeted subsidies for RON95 petrol in mid-2025.

Measure 5: Estimated expenditure for 2025

Estimated budget for 2025 is MYR421bn: MYR335bn for opex and MYR86bn for DE.

Measure 6: Inclusive development:

- i. MYR6.7bn and MYR5.9bn DE allocated to Sabah and Sarawak;
- ii. Plans to double the Special Grant for Sarawak and Sabah to MYR600m.

Measure 7: Public-private partnership

Boost private investment by MYR78bn and create 900k job opportunities by 2030.

Measure 8: Combating corruption

MYR360m allocated to Malaysian Anti-Corruption Commission and MYR200m allocated to the National Audit Department.

Measure 9: Parliamentary institution

MYR180m allocated for Parliament.

Measure 10: Legal reform

Allocation for the Legal Affairs Division increased to MYR209m (from MYR194m).

Measure 11: Government institution reform

Entities with similar roles within the Government have been centralised to ensure that their founding mandates are fulfilled more effectively, such as the Halal Development Corp (HDC) and the Malaysia External Trade Development Corporation (MATRADE).

Measure 12: Commitment to administrative efficiency:

- i. MYR25M allocated for Special Task Force for Agency Reform (STAR) to collaborate with Malaysian Productivity Corp (MPC) to further streamline bureaucracy across government agencies;
- ii. Establishing a centralised channel at Urban Transformation Centre to assist citizens in applying for various government assistance programmes;
- iii. MYR100m allocated to enhance mobile services for rural communities.

Measure 13: Sejati MADANI

In 2025, MYR1bn will be allocated to enhance economic activities in rural areas.

Measure 14: Optimal resource usage

Continues to enhance the functionality and user experience of MyDigital ID.

Measure 15: Cyber security

The NACSA will receive an additional 100 staff positions and an allocation of MYR10m.

Measure 16: Disasters and calamities

MYR600m for flood disasters and MYR250m for slope repairs nationwide.

SECOND AGENDA: REVITALISING THE ECONOMY TOWARDS SUCCESS

Measure 17: Framework for new investment incentives:

- i. Tax incentives for export enhancement will be extended to IC design activities;
- ii. Ready to implement a global minimum tax (GMT) on multinational companies.

Measure 18: Strategic investment:

- i. Government-linked investment companies will increase domestic direct investments by MYR120bn over five years;
- ii. Retirement Fund Incorporated or KWAP is investing MYR500m in data centres, advanced manufacturing, etc;
- iii. Khazanah Nasional is allocating MYR1bn to support the local semiconductor industry.

Measure 19: Start-up companies:

- i. The NFOF is set to operate next month with a fund of MYR1bn with MYR300m allocated for 2025;
- ii. KWAP has allocated MYR1bn, with MYR200m specifically for 2025.

Measure 20: Digitalisation and automation:

- i. USD16.9bn investments secured from global technology giants;
- ii. The National AI Office has been allocated MYR10m to enhance AI usage;
- iii. The Government intends to implement a multi-tier levy mechanism early next year.

Measure 21: Johor-Singapore Special Economic Zone

Forest City as a free trade zone to support tourism activities and the local economy.

Measure 22: Export market support:

- i. MYR1bn to support the capacity building of local companies;
- ii. MYR750m to encourage local exporters to expand operations overseas;
- iii. The Government plans to grant a 60% investment tax allowance to logistics companies.

Measure 23: Visit Malaysia Year 2026:

- i. MYR550m has been allocated to enhance tourism promotions and activities;
- ii. MYR600m to restore and enhance the Sultan Abdul Samad and Carcosa Seri Negara buildings.

Measure 24: ASEAN-Malaysia Chairmanship 2025

The South China Sea issue, the Myanmar crisis, and climate change are key concerns.

Measure 25: Energy transition:

- i. MYR300m will be allocated under the National Energy Transition Facilitation Fund, compared to MYR100m in 2024;
- ii. Introduction of a carbon tax on the iron, steel, and energy industries in Malaysia by 2026 to encourage the adoption of low-carbon technologies.

Measure 26: Protection of natural resources

Ecological Fiscal Transfer fund is increased to MYR250m from MYR200m, to support state efforts in protecting forests and wildlife.

Measure 27: Food security

The budget allocates MYR300m for agriculture, MYR2.78bn for farmer support, and boosts rice production with a MYR1bn investment.

Measure 28: Plantation and commodities:

- i. Allocations for Federal Land Development Authority (FELDA), Federal Land Consolidation and Redevelopment Authority (FELCRA), and Rubber Industry Smallholders Development Authority (RISDA) to RM2.6bn, enhancing support for the palm oil and rubber sectors;
- ii. The Government plans to raise palm oil profit levy thresholds and allocate MYR100m for smallholders to replant unproductive palms.

Measure 29: Innovation in Islamic finance

MYR100m allocated to promote innovative Islamic financing models, focusing on projects related to climate finance and food security.

Measure 30: Halal industry development

Bank Pembangunan Malaysia and SME Bank will provide nearly MYR600m in financing for halal SMEs, while SJPP will guarantee up to 80% of halal SME financing, totalling MYR1bn.

Measure 31: Waqf land development

The Waqf MADANI initiative will expand, supported by government agencies, with KWAP allocating MYR300m for *waqf* land development aimed at building independent retirement homes for low-income retirees.

Measure 32: Business assistance and financing

The Government is focusing on developing MSMEs which contribute 40% to GDP and employ nearly half of the workforce, with an overall allocation of MYR40bn for business financing and loan facilities.

Measure 33: Facilities for vendors and small traders

MYR100m allocated for improving the comfort and safety of stalls and markets nationwide, ensuring a better environment for vendors and small traders.

Measure 34: Transformation of the bumiputera economy

The launch of the Bumiputera Economic Transformation Plan aims to implement new directions and policies to elevate the status and dignity of the bumiputera community.

THIRD AGENDA: ENHANCING PEOPLE'S WELLBEING TO ACHIEVE HAPPINESS

Measure 35: Cost of living for the rakyat:

- i. The Government emphasises improving management and targeting subsidies to provide meaningful assistance to the people, with an increase in cash aid through Sumbangan Tunai Rahmah or STR and Sumbangan Asas Rahmah or SARA to MYR13bn in 2025, benefiting 9m recipients;
- ii. The monthly aid for low-income households will increase, with STR recipients receiving MYR600, and SARA recipients getting MYR100 starting Apr 2025, while various welfare assistance rates will also be raised, such as the elderly assistance increasing to MYR600 per month.

Measure 36: Rakyat's income

The Government raised the minimum wage from MYR1.5k per month to MYR 1.7k per month, effective from 1 Feb 2025.

Measure 37: Social protection:

- i. The Skim Keselamatan Sosial Pekerjaan Sendiri will cover up to 70% of employee contributions with an allocation of MYR100m;
- ii. The EPF i-Saraan matching incentive has been increased to 20%, up from 15%.

Measure 38: Mainstream education:

- i. MYR64.1bn allocated to the Ministry of Education;
- ii. MYR2bn will be provided for school upgrading and maintenance projects nationwide, with an allocation of MYR5.3bn for 17 types of education assistance.

Measure 39: Higher education:

- i. The Ministry of Higher Education was allocated MYR18bn;
- ii. The Government proposes that individual tax relief on net savings in the National Education Savings Scheme (SSPN) be extended for another three years.

Measure 40: AI

AI-related education will be expanded across all research universities, with an increased allocation of MYR50m, up from MYR20m this year.

Measure 41: Technical and Vocational Education and Training (TVET) employment

The Government has raised the allocation for TVET to MYR7.5bn, up from MYR6.8bn.

Measure 42: Healthcare:

- i. The Ministry of Health has been allocated MYR45.3bn, the second-highest allocation, compared to MYR41.2bn this year;
- ii. The Government will increase the excise duty on sugary drinks in phases, starting 1 Jan 2025, by MYR0.40 per litre.

Measure 43: People's residential housing

MYR900m has been allocated to implement 48 People's Residence Programmes (PRR) and 14 People-Friendly House projects, including two new PRRs.

Measure 44: Rural basic infrastructure

Nearly MYR2.9bn has been allocated to improve basic infrastructure in rural areas.

Measure 45: Digital connectivity

Malaysian Communications and Multimedia Commission or MCMC has committed MYR120m to improve internet access in public universities, schools, military camps, and MARA institutions.

Measure 46: Public transport:

- i. The Sabah and Sarawak Rural Air Service will continue with an allocation of over MYR200m;
- ii. An additional MYR2.8bn will be allocated for the maintenance of federal roads.

Measure 47: Women empowerment

Employers hiring women returning to the workforce will be eligible for a 50% tax deduction on wages paid for 12 months.

Measure 48: Youth

MYR5bn for young individuals seeking to purchase their first home.

Measure 49: Children

The Government will build 34 new preschools and 16 childcare centres across various states.

Measure 50: Senior citizens

Budget allocation for elderly welfare will be increased to MYR1bn, which will fund cash assistance, pocket money for elderly institutions, and activity centres.

Measure 51: Persons with disabilities

Welfare allocation for persons with disabilities (PWDs) under the Social Welfare Department will be increased to MYR1.3bn, and eligibility criteria for the PWD Worker Allowance will be raised to MYR1.7k from MYR1.5k.

Measure 52: Indigenous people

Allocation for the indigenous community under the MADANI Budget will be increased to nearly MYR380m from MYR330m.

Measure 53: Second chances initiatives

The Prison Department will continue the Second Chance Programme (PEKA) to reintegrate inmates into society, involving the National Anti-Drug Agency to decriminalise drug addicts, with MYR10m allocated for the PEKA programme.

Measure 54: Islamic advocacy initiatives

A budget of MYR2bn is allocated for Islamic affairs, which includes MYR150m for the maintenance of Islamic education infrastructure, along with an increase of 1,500 quotas for KAFA teachers to meet the demand for religious education.

Measure 55: Sports development initiatives

A budget of over MYR230m is allocated for sports development, which includes podium programmes, athlete training, preparation for Deaflympic Tokyo 2025, maintenance of youth and sports facilities nationwide, and matching grants to support sports competitions organised by associations and NGOs.

Measure 56: Volunteerism initiatives

To foster unity and strengthen character amidst societal differences, programmes aimed at promoting unity and self-identity will be increased with a MYR50m allocation.

Measure 57: Language and creative works initiatives

To preserve the richness of language and literature, the Government has allocated MYR50m for Dewan Bahasa dan Pustaka or DBP to collaborate with language practitioners to enhance language and literary activities, especially among youth.

Measure 58: National border management and security:

- i. MYR2.12bn will be allocated for assets dedicated to the Royal Malaysian Police or PDRM and other uniformed agencies under the Ministry of Home Affairs to enhance public safety, by addressing rising crime and preventing divisive elements from disrupting the community;
- ii. The Government aims to develop the local defence industry through technology transfers from military asset suppliers and encourage local industry players to penetrate export markets.

Measure 59: National border management and security

- i. Malaysia continues to advocate for peaceful resolutions regarding the South China Sea disputes through negotiations, while maintaining a firm stance on protecting the country's rights and sovereignty;
- ii. MYR560m will be allocated to enhance national border security.

Measure 60: Civil servant welfare initiatives

The Government will implement a targeted work system in healthcare with increased on-call allowances, introduce the APEL.Q education support programme, allocate MYR1.8bn for civil servant housing, launch a young civil servants housing financing scheme, and expand the Ex-Gratia Work Disaster Scheme for enhanced social protection.

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