

Strategy

Budget 2027: More Cheer For Main Street

Highlights

- The Fifth MADANI Budget, themed “Reaching for the Skies, Rooted in the Earth”, is broadly market-neutral with selective sector opportunities, as anticipated. Its larger spending and investment envelope, coupled with continued fiscal consolidation and a range of people-friendly measures, is expected to provide further impetus to domestic demand.
- Key highlights include expanded cash assistance, personal income tax relief, higher minimum wages, targeted investments in grid infrastructure and renewable energy (alongside tax incentives), high-value industries, semiconductor and AI development. Affordable housing, abandoned-project revival, enhanced social protection and the extension of Visit Malaysia into 2027 further reinforce the people-centric agenda.
- While the Budget offers selective opportunities rather than a broad market re-rating catalyst, net beneficiaries include utilities, renewable energy, consumer, affordable housing, the E&E supply chain, and tourism sectors. On the flipside, higher minimum wages could weigh on labour-intensive businesses, particularly EMS manufacturers, while earnings benefits from investment initiatives will depend on execution and deployment timelines.

Analysis

- **Fifth MADANI Budget: Pro-growth stance, sustaining fiscal reform while strengthening household welfare.** As the second budget under the 13th Malaysia Plan, Budget 2027 reaffirms the government’s commitment to improving people’s welfare and supporting domestic investment while maintaining fiscal prudence. The overall spending and investment envelope increases to RM510b, from RM470b in 2026 (+8.5%). This comprises RM459.8b in federal expenditure, split between RM376.8b in operating expenditure and RM83.0b in development expenditure, alongside RM50.2b in investments by GLICs, public-private partnerships, federal statutory bodies and MoF Inc companies. The larger envelope supports an expansionary spending stance, while the fiscal deficit is targeted to narrow to 3.3% of GDP from 3.6% in 2026, underscoring continued fiscal consolidation.
- **Consumer spending receives a marginal boost.** Budget 2027 reinforces household welfare through higher STR/SARA allocations, personal income tax relief and minimum wage increases, supporting disposable income and spending on essential goods and selected discretionary purchases (beneficiaries: 99 Speedmart, Eco-Shop). However, the increase in minimum wage to RM2,000 from Jun 27 could exert pressure on manufacturers’ margins, with a potentially greater impact on labour-intensive retail, plantation and EMS players but a smaller impact on OSAT and semiconductor production equipment players (refer to overleaf for impact assessment).
- **Clearer beneficiaries: Utilities, renewable energy, property and construction.** TNB’s RM15b grid investment, solar and energy transition developments, rail rehabilitation, water infrastructure and public facility upgrades should support project flows across engineering, construction and equipment suppliers (beneficiaries: Gamuda, SunCon, Solarvest, Pekat, Northern Solar). The reinstatement of the Variation of Price clause for diesel and bitumen also provides some relief for eligible contractors. Housing guarantees and stamp duty exemptions should improve first-home affordability (beneficiaries: Eco World, Mah Sing, Matrix), while JSSEZ development supports select industrial property and logistics opportunities.
- **Technology measures strengthen long-term positioning, with a more gradual earnings impact.** Semiconductor investment by Khazanah and

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Current FBMKLCI: 1,608

Target end-26 FBMKLCI: 1,760

Focus Of Budget 2027

- Pro-growth while maintaining fiscal discipline
- Broader tax relief categories expand to cover postpartum care, wider parental/grandparent care expenses, sports shoes, children’s tuition, AI subscriptions and specified pet-related expenses
- Green financing incentives and support for private adoption of Malaysia’s energy transition
- Minimum wage increase to RM2,000 from RM1,700 with MSMEs generating sales below RM50m exempted.
- RM2,500 minimum wage for semi-skilled jobs and graduates will be introduced. GLICs/GLCs raise their living-wage benchmark to RM3,400, from RM3,100.

Key Economic Assumptions For 2027

	2025	2026F	2027F
GDP growth (%)	5.2	4.8-5.3	4.2-5.2
Inflation (%)	1.4	1.5-2.5	1.8-2.8
Unemployment (%)	(3.0)	(3.0)	(3.0)
Fiscal deficit (% of GDP)	(3.7)	(3.6)	(3.3)
Current account balance (% of GNI)	1.7	2.0	1.9
Global oil price (US\$/bbl, average)	68	85	85

Source: MoF, BNM, Economic/Fiscal Outlook 2027

Federal Government Revenue

(RMb)	2025	2026F	2027F
Total Revenue	336.1	363.6	380.8
Operating Expenditure	330.8	363.1	376.8
Current Account Balance	4.9	0.6	4.0
Net Dev Expenditure	80.6	79.1	81.5
Overall Budget Balance	(75.3)	(78.5)	(77.5)
Deficit (% of GDP)	(3.7)	(3.6)	(3.3)

Source: MoF, BNM, Economic/Fiscal Outlook 2025

KWAP, support for IC design and advanced packaging, the planned Sovereign AI Cloud and enterprise AI adoption initiatives reinforce Malaysia's ambitions in higher-value technology. Potential spillovers extend to automation, cloud infrastructure, ICT services and data centre supply chains. However, funding deployment, commercial viability and procurement timelines remain key determinants of near-term earnings benefits.

Action

- **We maintain our end-26 FBM KLCI target of 1,760** which broadly implies - 0.5SD PE (15.6x 2026F). While Budget 2027 is likely to have a broadly neutral market impact, with selective sector opportunities, sentiment could remain fragile amid rising bond yields and expectations of further interest rate increases.
- **Strategy:** We expect volatility to remain elevated as investors navigate a higher-for-longer cost environment, underpinned by elevated oil prices, evolving Middle East geopolitical tensions and upward pressure on global interest rates. Against this backdrop, we favour high-quality, large-cap domestic leaders with resilient earnings, robust cash flows and defensive characteristics. We also advocate selective exposure to mid-cap growth companies offering strong earnings visibility and identifiable structural catalysts as highlighted in our Alpha picks report.
- **Top picks:** 99 Speedmart, CIMB Group, Eco World Development, Gamuda, Greatech, Kuala Lumpur Kepong, MISC and Solarvest Holdings.

Peer Comparison

Company	Ticker	Rec*	Share	Target	Upside	Last	PE			Yield	ROE	Market	Price/
			Price	Price	To TP	Year	2025	2026F	2027F	2026F	2026F	Cap.	NAV ps
			(RM)	(RM)	(%)	End	(x)	(x)	(x)	(%)	(%)	(RMm)	(x)
99 Speedmart	99SMART MK	BUY	3.23	4.19	29.7	Dec-25	44.2	38.9	34.0	1.6	36.1	27,132.0	13.6
CIMB Group	CIMB MK	BUY	7.26	9.30	28.1	Dec-25	9.9	9.4	8.7	7.0	12.0	78,384.0	1.1
Eco World Development	ECW MK	BUY	1.93	2.70	39.9	Oct-25	14.8	11.6	10.2	4.3	9.9	6,221.2	0.9
Gamuda	GAM MK	BUY	5.09	6.26	14.1	Jul-26	28.8	26.9	22.1	2.3	10.8	29,797.9	2.3
Greatech	GREATEC MK	BUY	2.70	3.00	11.1	Dec-25	61.4	52.9	31.0	0.0	11.3	6,777.0	6.0
Kuala Lumpur Kepong	KLK MK	BUY	20.62	28.50	38.2	Sep-25	22.2	14.2	12.7	3.5	11.4	22,607.8	1.7
MISC	MISC MK	BUY	7.59	9.50	25.2	Dec-25	14.3	12.7	10.9	4.8	6.3	33,880.2	0.9
Solarvest Holdings	SOLAR MK	BUY	4.24	4.20	-0.9	Dec-25	45.1	35.9	30.3	0.0	9.7	4,037.8	4.3

Source: Bloomberg, UOB Kay Hian

Budget 2027 Measures

Sector	Measures	Stock Impact/Comments
Macro/General	Revenue: Up 4.7% From RM363.6b In 2026F To RM380.8b In 2027F - Tax revenue is expected to grow 5.8%, mainly due to better income tax collection following further adoption of e-invoicing - Dividends from Petronas, Kwap and Khazanah Nasional expected at RM27b, RM7b and RM2b respectively Total Expenditure: +3.8% To RM459.8b Or 19.8% Of GDP - OE +3.8% to RM338.2b or 16.4% Of GDP, reflecting higher allocations for public services and targeted support for the <i>rakyat</i>, including social assistance and subsidies - DE +2.5% at RM83b with the largest portion dedicated to the social sector (35.5%), followed by the security (9.0%) and economic (5.8%) sectors Real GDP Growth Targets of 4.8-5.3% For 2026 And 4.2-5.2% In 2027	
Taxes	Fiscal Deficit Down To 3.3% In 2027 From 3.6% In 2026F - Personal income tax relief: Basic individual relief increases from RM9,000 to RM12,000. Tax rates fall by one percentage point to 18% for chargeable income of RM70,000-100,000 and 24% for RM100,000-150,000. Income exceeding RM1m will be taxed at 30%. The government estimates savings of up to RM1,600 for approximately 5m taxpayers. - Broader tax deductions: Relief categories expand to cover postpartum care, wider parental/grandparent care expenses, sports shoes, children's tuition, AI subscriptions and specified pet-related expenses. - Fully locally owned automotive vendors relocating to Tanjong Malim's Automotive Hi-Tech Valley (AHTV) are eligible to claim tax deductions of up to RM5m on relocation costs incurred between 2027 and 2030. - Islamic fund-management incentive. Shariah-compliant fund-management service providers receive a 40% income-tax exemption for YA2028-2030. - Companies looking to install green technology assets like solar panels and BESS will also be eligible for Green Investment tax Allowance (GITA) claims of up to 100% of project value.	

Tourism Sector	- Extension of Visit Malaysia Year until 2027 with an RM935m allocation for tourism and cultural development	
Automotive	- RM40b allocation for fuel subsidies. - Fully locally owned automotive vendors relocating to Tanjong Malim's Automotive Hi-Tech Valley (AHTV) are eligible to claim tax deductions of up to RM5m on relocation costs incurred between 2027 and 2030.	NEUTRAL - No significant consumer incentives were announced, including any incentives for electric vehicles (EVs). The government continues to shield consumers from elevated global energy prices, with RM40b allocation for fuel subsidies, which should help sustain vehicle demand, particularly in the mass-market segment.
Banking	- SME Financing Guarantee. Through the government guarantee scheme for business loans (SJPP), the government will raise the guarantee ceiling to up to RM32b in guarantees for 2027 (from RM30b). - SJKP housing guarantees. The Home Guarantee Scheme (SJKP) increases coverage to RM20bn from RM15bn. - Additional BNM SME financing. Another RM5bn, on top of the existing RM5bn, for SMEs affected by the Middle East conflict, bringing the facility to RM10bn. - Savings and current-account opening. Full stamp-duty exemption on opening savings and current accounts from 1 Jan 2027. - Salary payments through bank accounts. Companies other than MSMEs may claim salary-expense tax deductions only where salaries are paid through bank accounts, consistent with permitted channels under the Employment Act 1955. - Basic credit cards interest capped. Basic credit cards are offered at interest rates not exceeding 14% annually. Alliance Bank, Maybank and CIMB are acknowledged as already offering them. - Islamic fund-management incentive. Shariah-compliant fund-management service providers receive a 40% income-tax exemption for YA2028–2030. - Malaysia–Hong Kong dual listings: Regulatory cooperation facilitates listings in both markets, with matching grants to cover listing costs.	NEUTRAL. Budget 2027's initiatives are largely neutral for the banking sector, with limited direct earnings impact. The RM7bn increase in loan and financing-guarantee facilities to RM57bn, alongside RM5bn in additional BNM SME financing, is modest relative to system loans. Their contribution to loan growth will depend on utilisation, disbursement timing and incremental borrowing. Higher SJPP and SJKP guarantee ceilings should support SME financing and mortgage access, while additional BNM funding could ease pressures on SMEs affected by the Middle East conflict. Stamp-duty exemptions on account opening and requiring non-MSMEs to pay salaries through bank accounts for salary-expense tax deductions could support transaction banking and CASA. However, funding benefits are likely modest, as larger formal employers generally already bank in salaries. The 14% interest-rate ceiling on basic credit cards could moderate interest income on these narrow range of products. Meanwhile, Islamic fund-management tax incentives and Malaysia–Hong Kong dual-listing support offer potential asset-management and investment-banking benefits, although contributions are likely gradual. Overall, these measures should have limited impact on the sector's earnings outlook.
Construction	- Higher government development expenditure of RM83b from RM81b: +2.5% yoy. - However, including RM11b Public-Private investments, RM14.2b Federal Statutory Bodies and MKD companies' investments, and RM25b direct domestic investment from GLICs, public development expenditure for 2026 will be RM133.2b (2026:RM131.8b). - Reinstatement of the Variation of Price (VOP) clause for diesel and bitumen cost increases. Selected projects using JKR pre-approved plans, valued up to RM5m, can proceed through quotation procurement. - Minimum wage increases from RM1,700 to RM2,000 from June 2027, with MSMEs generating sales below RM50m exempted. - Some of the infrastructure projects highlighted are: a) Flood mitigation projects; and b) Johor's elevated autonomous rapid transit (E-ART) project. Other than that, there is a lack of new mega projects being announced.	NEUTRAL. As anticipated, nothing significant/share-price moving for the construction sector from Budget 2026. - The reinstatement of VOP clause for diesel and bitumen cost increases will provide construction cost relief to infrastructure-oriented construction projects, allaying earlier fear on margin compression for smaller contractors. - Meanwhile, the minimum wage increases from RM1700 to RM2000 (from July 2027) are not viewed as material risks for mid-large cap contractors under our coverage and remain manageable. Notably, large-cap contractors such as Gamuda, Suncon and IJM has already been paying most of their construction workers above RM1,700. Furthermore, the sector's median salary is above RM2,500, hence impacts towards larger construction companies are likely manageable.
Consumer	- Cost-of-living support: More than RM80b for subsidies, assistance and incentives, including RM40b for fuel subsidies and nearly RM3.3b for welfare assistance. - Increased allocations for STR, RM16b from RM15b. Increased RM150 cash handouts under the Sumbangan Tunai Rahmah (STR) program - MySARA cash handouts totaling RM200 across two RM100 tranches. SARA purchases extend to fresh food at 216 FAMA markets. RM750m supports 35,000 RAHMAH and Agro MADANI sales events" - Personal income tax relief: Basic individual relief increases from RM9,000 to RM12,000. Tax rates fall by one percentage point to 18% for chargeable income of RM70,000–100,000 and 24% for RM100,000–150,000. Income exceeding RM1m will be taxed at 30%. The government estimates savings of up to RM1,600 for approximately 5m taxpayers. - Broader tax deductions: Relief categories expand to cover postpartum care, wider parental/grandparent care expenses, sports shoes, children's tuition, AI subscriptions and specified pet-related expenses. - Higher wage floor: Minimum wage increases from RM1,700 to RM2,000 from June 2027, with MSMEs generating sales below RM50m exempted. A RM2,500 minimum wage for semi-skilled jobs and graduates will be introduced. GLICs/GLCs raise their living-wage benchmark to RM3,400, from RM3,100. - Extension of Visit Malaysia Year until 2027 with an RM935m allocation for tourism and cultural development	- Cost-of-living support: More than RM80b for subsidies, assistance and incentives, including RM40b for fuel subsidies and nearly RM3.3b for welfare assistance. - Increased allocations for STR, RM16b from RM15b. Increased RM150 cash handouts under the Sumbangan Tunai Rahmah (STR) program - MySARA cash handouts totaling RM200 across two RM100 tranches. SARA purchases extend to fresh food at 216 FAMA markets. RM750m supports 35,000 RAHMAH and Agro MADANI sales events" - Personal income tax relief: Basic individual relief increases from RM9,000 to RM12,000. Tax rates fall by one percentage point to 18% for chargeable income of RM70,000–100,000 and 24% for RM100,000–150,000. Income exceeding RM1m will be taxed at 30%. The government estimates savings of up to RM1,600 for approximately 5m taxpayers. - Broader tax deductions: Relief categories expand to cover postpartum care, wider parental/grandparent care expenses, sports shoes, children's tuition, AI subscriptions and specified pet-related expenses. - Higher wage floor: Minimum wage increases from RM1,700 to RM2,000 from June 2027, with MSMEs generating sales below RM50m exempted. A RM2,500 minimum wage for semi-skilled jobs and graduates will be introduced. GLICs/GLCs raise their living-wage benchmark to RM3,400, from RM3,100. - Extension of Visit Malaysia Year until 2027 with an RM935m allocation for tourism and cultural development

Gloves	Minimum wage increases from RM1,700 to RM2,000 from June 2027, with MSMEs generating sales below RM50m exempted.	Slight negative - It is estimated that 75-80% of workers in glove factories fall below the revised minimum wage of RM2000. Labour cost is estimated to be about 10-12% of total production cost. - The RM300 minimum wage hike translates to about an 1.5% increase in production cost for Malaysian glovemakers. This is about US\$0.35-0.50/1000 pieces of gloves. Nevertheless, given current's more balanced supply-demand dynamics, such increase in production cost can be pass through to end customers, hence limiting margin compression for Malaysian glovemakers.
Healthcare	Budget 2027 increased the Ministry of Health's (MoH) allocation by 2.6% to RM47.7b (Budget 2026: RM46.5b), accounting for 10.3% of total government expenditure (Budget 2026: 9.9%). Key priorities include improving healthcare workers' welfare through permanent positions for medical graduates and higher allowances for medical staff. The allocation for outsourcing public hospital patients increased to RM200m from RM140m, with the scope expanded to include operating theatre services. The MediAsas Basic Medical Plan will be introduced in Jan 2027, with hospital charges based on diagnosis and treatment categories to improve cost predictability. EPF members below 55 will be allowed to use Account Sejahtera to pay MediAsas premiums, while eligible SMEs will receive a first-year premium subsidy of RM200 per employee, capped at 50 employees per company. From 2027, private hospital bills will adopt standardised charge categories, while electronic medical records will be expanded to enhance billing transparency and reduce price distortions.	NEUTRAL. The implementation of MediAsas and DRG forms part of the government's initiatives under the RESET framework to improve the affordability, transparency and sustainability of Malaysia's private healthcare system. We believe KPJ Healthcare is best positioned to capture incremental patient volumes from the MediAsas-backed population over the longer term, as the plan targets lower- to middle-income groups who are previously uninsured or have lapsed coverage. This aligns with KPJ's mass-market positioning and extensive hospital network, which provide broad access to the targeted patient segment. We expect DRG implementation to be phased, initially focusing on more common and predictable cases. This should provide private hospital operators with a runway for continued earnings growth in the near to medium term, as the impact of DRG adoption is likely to be gradual.
Materials	None	NEUTRAL. With the lack of new mega projects announcements and minimal new infrastructure projects announced such as: a) Flood mitigation projects; and b) Johor's elevated autonomous rapid transit (E-ART) project, we remain neutral on any favourable impact towards the sector. Any upside will be dependent on cement demand from the execution of ongoing mega infrastructure projects which are set largely set to materialise in 2027.
Oil & Gas	Petroleum Nasional Bhd (Petronas) is expected to contribute RM32b (US\$7.8b) dividend to the federal government in 2027 (+19% yoy). This is similar to 2024/2025 dividend and also the 10-year average between 2015-2025. Note that 2026 dividend was revised up to RM27b, from RM20b. This is most likely to support the government's soaring fuel subsidy bill which was revealed to be at RM40b, or about RM1,900 per eligible voter, and more than double the RM15b allocation estimated in the previous Malaysia Budget 2026. Aside from more friendly renewable energy - related budget allocation, there are no notable specific allocation that directly benefits the O&G Services & Equipment (OGSE) industry.	NEUTRAL. The higher dividend revision for 2026 and higher allocation for 2027 are not expected to be major constraint to Petronas' balance sheet. To recap, in 1H26 Petronas had a RM22b capital injection into Pengerang Refining Company and Petrochemical (PRefChem), which resulted in a slight FCF loss of RM1-2b after dividend. It is also possible in our view, for Petronas to contribute a little more capital injection in 2H26, to close off PRefChem's transfer from subsidiary Petronas Chemical (PCHEM MK, NR) as Petronas is committed to retain full ownership of PRefChem, which is strategically important as a refinery for fuel security. Despite this, O&G prices are expected to remain persistently high due to ongoing geopolitical developments in the Middle East. This means two directions for Petronas. Firstly, its upstream segment will continue to benefit from high O&G prices. Secondly, Petronas is expected to continue to anchor Malaysia's fuel security, which is also aligned to its long-term target of domestic O&G production of 2m boepd The Budget highlighted Petronas' diversification strategy which is paying fruit, including expansion of LNG Canada 2, potential monetisation of the significant Suriname discovery, and the recent restructuring of Petronas Carigali portfolio to Searah (a Petronas-Eni JV), Enquest and Vestigo. So long as Petronas manages inventory and procurement strategies efficiently, it should theoretically earn sufficient FCF from decent volumes and high O&G prices alone to support the dividends. On this theme, O&G stocks that will also benefit include Dialog (BUY/Target: RM2.95) and Hibiscus Petroleum (HIBI MK,NR) We remain Neutral on the sector outlook, as the near-term sector earnings will see volatility risk especially in 3Q26 results season on the service contract novation related to services rendered for Petronas Carigali (which is novated to Searah). On the longer-term, the key pivot to rejuvenate the sector's valuation must still come from an absolute resolution of the Petronas-Petros constitutional issue, which was the key cause that dragged down sector valuations since 2H24. The next Federal Court hearing of this important issue is set for 25-29 Jan 27, which will involve a full bench of 9-11 Federal Judges. However, selective themes will benefit Dialog (as mentioned above), Petronas Chemical (potential removal of PRefChem which was its earnings drag), and MISC (sole beneficiary of crude tanker sentiment and a key Petronas subsidiary for Gas & Maritime outlook)
Plantation	- Budget 2027 raised the national minimum wage by 17.6% to RM2,000 per month (from RM1,700), effective Jun 2027. SMEs with annual sales below RM50m are exempted to allow time for business model adjustments. - A minimum wage of RM2,500 per month will be introduced for semi-skilled and graduate positions, as an initial step to reform the workers' income framework. - Non-SME companies will only be able to claim tax deductions on salary expenses if wages are paid through bank accounts, in line with channels	SLIGHTLY NEGATIVE. Mildly negative on planters' costs, neutral to positive on sector structure. The minimum wage hike is a key headwind. Most other measures support smallholders and ESG, with limited direct earnings impact on listed names. <u>Cost headwinds:</u> - Minimum wage RM1,700 → RM2,000 from Jun 27 (+17.6%). Only SMEs with sales below RM50m are exempt, so all listed planters are affected. No exclusion for foreign workers. Field/upkeep workers on base pay are hit hardest; harvesters on piece rates less so. FY27 takes ~7 months of impact, with the full-year effect in FY28.

	permitted under the Employment Act 1955. - Telematics systems will be made mandatory for commercial vehicles to monitor speed, location and risky driving patterns, with voluntary adoption until 2027. - The allocation for repairing estate roads was doubled to RM100m (Budget 2026: RM50m). - RM100m in hybrid financing will be provided to support oil palm replanting for 4,500 smallholders, who are only required to repay half of the financing. - An additional RM200m soft financing facility was introduced for replanting of up to 40ha, with repayments deferred for four years. Smallholders bear only 2% interest, with the balance borne by the government. - RM30m was allocated to curb crop diseases and pests, including Ganoderma and bagworm in the oil palm sector. - Manufacturers will be able to claim back sales tax on machinery, spare parts and equipment purchased from local traders, including raw materials used to produce fertilisers and pesticides. - RM15m of cess collected from the palm oil industry will be channelled to conservation efforts, prioritising the habitats of the Malayan tiger, Borneo elephant and orangutan. - The Pengerang Biorefinery, developed in partnership with Eniilve, will expand the production of low-carbon fuels, including sustainable aviation fuel (SAF), hydrotreated vegetable oil (HVO) and bio-naphtha. - The Green Investment Tax Allowance of up to 100% for green technology projects and green asset purchases was extended to 31 Dec 2030. - Sabah's infrastructure will be strengthened through continued Pan Borneo Highway works and grid stability measures to secure electricity supply.	- New RM2,500 minimum for semi-skilled & graduate roles. Could lift pay for mill technicians, assistants and junior field staff. - Salary tax deductions only if paid via bank account. Largely formalises existing practice. - Mandatory telematics for commercial vehicles (voluntary until 2027). Minor compliance cost for FFB haulage fleets. <u>Support measures:</u> - Smallholder replanting: RM100m hybrid financing (only half repayable) for 4,500 smallholders, plus RM200m soft loans (up to 40ha, 4-yr moratorium, 2% interest). Slight near-term output dip from smallholders, but better yields from 2030. - Estate road repairs doubled to RM100m, plus RM30m for Ganoderma, bagworm and other pest control. - Fertiliser & pesticide makers can claim back sales tax on inputs. Marginally eases fertiliser costs. - RM15m of palm industry cess for wildlife conservation (tigers, Borneo elephants, orangutans). Supportive for the sector's EUDR/ESG positioning. - Pengerang biorefinery (SAF, HVO, bio-naphtha). A new domestic outlet for palm-based waste feedstock (POME oil, UCO). - Green Investment Tax Allowance up to 100% extended to 2030. Covers mill biogas capture and estate solar. - Sabah infrastructure (Pan Borneo roads, grid stability). Positive for planters with large Sabah exposure. Top picks: SD Guthrie, Kuala Lumpur Kepong and Genting Plantations
Property	- Extended 100% stamp duty exemption for first time home buyers up to RM500,000. For homes up to RM750,000, full exemption on the first RM500,000 and 50% on the balance. Applies to SPAs executed from 1 Jan 27 to 31 Dec 30. - 100% stamp duty exemption for rescued abandoned projects from 2027 to 2030. - SJKP will provide housing financing guarantees of up to RM20b for 80,000 first time home buyers, unchanged from last year when it was doubled from RM10b. - Nearly RM1b is allocated for projects such as Rumah Mesra Rakyat and Program Residensi Rakyat (vs RM671m last year), with four new projects in Kulai, Nilai, Paya Rumpit and Lembah Pertang. - Civil servants: Allocation for quarters raised to RM2.3b, from nearly RM2.2b last year.	Neutral to mildly positive. The existing full stamp-duty exemption for first homes priced up to RM500,000 has been extended by three years to Dec 30. Meanwhile, stamp-duty relief for homes priced above RM500,000, which lapsed in Dec 23, has been reintroduced for properties up to RM750,000. This should help reduce upfront purchasing costs in the mid-market segment, where REHDA's latest survey indicated growing loan rejection rates of 31-45% for homes priced RM500,000-700,000. On end financing, there were no major new measures and the SJKP guarantee unchanged at RM20b. Johor remains a key beneficiary. The government's continued commitment to the JS-SEZ was reaffirmed, with the master plan and blueprint now targeted for launch by end-26 following earlier delays. The RM10b elevated ART network, which will connect the Skudai, Tebrau and Iskandar Puteri corridors to the RTS Link, should further improve connectivity and support property demand over the longer term. However, with completion expected to take about four years, interim bus, KTM Komuter and shuttle services will be important in easing connectivity constraints. Overall, these initiatives should continue to support developers with Johor exposure. Top picks: Eco World and Mah Sing
REITs	Tourism and culture allocation rose to RM935m from over RM700m last year, with the Visit Malaysia campaign already extended into 2027.	Neutral. Retail and hospital REITs indirectly benefit via extended visit Malaysia year and higher budget allocation. Top picks: CLMT, PREIT, SREIT
Technology	Khazanah and KWAP will invest RM1.2bn to lift local semiconductor companies into higher-value segments, including a semiconductor investment fund with the Selangor state government. The NIMP Fund, KWAP's Pemacu Fund and Khazanah's MTC Fund, worth RM2.1bn in total, will build up mid-sized companies in E&E, digital, aerospace and medical devices. "Penang is mapped as the Nation's financial technology hub. Khazanah and InvestPenang will set up a RM100m Strategic Investment Fund to help semiconductor and advanced manufacturing companies in their early growth stage. SemiconStart by MTDC will provide follow-on equity investment to startups in IC design and advanced packaging." Higher wage floor: Minimum wage increases from RM1,700 to RM2,000 from June 2027, with MSMEs generating sales below RM50m exempted. A RM2,500 minimum wage for semi-skilled jobs and graduates will be introduced. GLICs/GLCs raise their living-wage benchmark to RM3,400, from RM3,100. Higher wage floor: Minimum wage increases from RM1,700 to RM2,000 from June 2027, with MSMEs generating sales below RM50m exempted.	Positive for long-term capability building for semicon & E&E, with selective near-term spillovers. The investment commitments should improve access to growth capital and accelerate local companies' expansion into IC design, advanced packaging and other higher-value activities. Potential indirect beneficiaries include semiconductor equipment, automation and precision-engineering suppliers as investee companies expand capacity and upgrade technology. However, much of the support targets startups and mid-sized companies, while the RM2.1b funding pool spans several industries. The immediate earnings uplift for listed semiconductor players is therefore likely to be selective and dependent on funding deployment and project execution. "Budget 2027 keep the policy push for the semiconductor sector ongoing. Support from GLIC fund favour local mid-caps moving up the value chain, but there are no new National Semiconductor Strategy (NSS) tax incentives. Slight positive for Penang's semiconductor ecosystem, with limited immediate earnings impact on listed players. The RM100m Strategic Investment Fund should improve access to growth capital for early-stage semiconductor and advanced manufacturing companies, supporting innovation and expansion into higher-value activities. Potential indirect beneficiaries include listed automation, semiconductor equipment and precision-engineering suppliers as investee companies scale up. However, given the fund's modest size and early-stage focus, near-term earnings spillovers are likely to be selective, with benefits accruing gradually as investments translate into commercial projects and orders.

	A RM2,500 minimum wage for semi-skilled jobs and graduates will be introduced. GLICs/GLCs raise their living-wage benchmark to RM3,400, from RM3,100.	Negative to EMS; slight impact to OSAT/SPE. The higher wage hike of 18% could increase operating costs for EMS companies, given their heavy reliance on foreign labour. While EMS contracts are generally structured on a cost-plus basis, the extent of cost pass-through will depend on negotiations with customers and the timing of contract repricing. Customer cost-down programmes and ongoing tariff pressure may limit full pass-through in the near term. As a result, we expect margin pressure from Jun-27 onwards, likely most visible in the first one to two quarters after the hike, before repricing catches up.
Telco	- Malaysia's Dual Wholesale 5g Network (Dnb And Umobile) To Achieve 80% Coverage Countrywide By 2026 - Expansion Of Fibre Coverage To More Than 2,700 New Locations Through Jendela Phase 2, With Government Allocations Up To Rm780m (Jendela Phase 1: Rm28b, 40% Government Funded And 60% Commercially Funded). - Mcmc Has Allocated Up To Rm2b For A 3,190km Submarine Cable Known As Kabel Dasar Laut Madani (Salam), Connecting Johor To Sarawak And Sabah.	Key Beneficiaries Would Include Telekom Malaysia - Who Will Benefit From The Rollout Of 5g Coverage By U Mobile As The Second Network Provider. It Could Also Play A Role In Submarine Cable Works. The Rollout Of Jendela Phase 2 Programme Will Benefit Ock, Edotco (Under Axiata) And Reach Ten. Top Picks: Celcomdigi, Time, Maxis.
Utilities	Tenaga Nasional Bhd is investing RM15b to reinforce the national grid to ensure continuous power supply for the country. This is within expectations, forming part of Regulatory Period 4 (RP4)'s total regulated CAPEX spent - which averages RM13b annually over 2025-27. To recap, total regulated CAPEX under RP4 is RM42b with 64% earmarked towards infrastructure upgrades to accommodate higher injection of Renewable Energy, grid connection and the National Energy Transition Roadmap (NeTR) Renewable Energy - The government will be investing an expected RM1.5b for the development of a centralised solar farm (~375MW) for the generation and transmission of renewable energy to government buildings. The EPCC award will be prioritised towards bumiputera contractors - Green Investment tax Allowance (GITA) for the development of green technology projects and installation of EV charging stations will be extended until 31 Dec 30. - Companies looking to install green technology assets like solar panels and BESS will also be eligible for Green Investment tax Allowance (GITA) claims of up to 100% of project value. We expect Solarvest, Pekat Group and Northern Solar to benefit from this extension as more commercial and industrial customers look to adopt solar + BESS systems while benefitting from an attractive payback period of five years thanks to the capital allowance.	C&I orderbook replenishments for solar + BESS and standalone BESS are expected to be robust supported by the Green Investment tax Allowance (GITA). Currently, C&I orderbook stands at RM200m/ RM150m/ RM100m annually for Solarvest/ Pekat/ Northern Solar respectively. Broadly, we expect the RE EPCC players to benefit from positive regulatory outlook and elevated orderbook replenishment opportunities. To recap, we expect total EPCC opportunities of 8GW over 2027-32, driven by the take-off of CRESS projects in 4Q26/1Q27 and the government awarding the tender for LSS6 in 1H27. Assuming a construction cost of RM3.5m per MW, total EPCC replenishment opportunities are estimated at a staggering RM16b-24b over the next five years. Top Picks: Solarvest, Pekat Group and Northern Solar

Source: MOF, BNM, UOB Kay Hian

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