Thematic Report | Monday, April 17 2023

# THEMATIC REPORT

## Exploring Opportunities in the Golden State of Malaysia (part 2)

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## KEY HIGHLIGHTS

- **Rancangan Selangor 1 (RS-1): Envisioning a smart, liveable and prosperous state by 2025. RS-1 is a development plan for the state of Selangor to chart its path towards achieving a smart, liveable and prosperous state for the next five years from 2021. The blueprint has four strategic themes (1) Economy, (2) Social, (3) Sustainability and (4) Governance with 261 initiatives.**
- **Selangor GDP set to expand by +6.5~7% per annum in 2021-2025. Under the RS-1, the state government of Selangor forecast average annual growth rate for the period of 2021-2025 is +6.5~7% per annum.**
- **Selangor International Aero Park to be the game-changing project.**
- **Meanwhile, the port and logistics sector in Malaysia is set to experience significant growth with the building the third mega port in Port Klang. This is part of nine exciting projects, programmes and initiatives (PPIs)**
- **Also, the various development plans by the state government augurs well for the construction sector, which is expected to benefit both small and large-sized contractors, providing them with job flows over the foreseeable medium term.**
- **For the property sector, the strategies outlined under Rancangan Selangor Pertama (RS-1) help to improve vibrancy of property sector as it addresses the housing affordability issue.**
- **Other impacted sectors are Telecommunications, Technology, Healthcare, Consumer and Plantation.**

## ECONOMICS & POLICY

On 10th April 2023, MIDF hosted a **dialogue session with Selangor Menteri Besar YAB Dato' Seri Amirudin Shari** discussing the development agenda as outlined in the First Rancangan Selangor (RS1). The aspiration in RS1 envisions Selangor to be a smart state, with an economy that is liveable and prosperous for the people. The medium-term 5-year development plans in RS1 will involve allocation of RM212.44b for the period 2021-2025.

**Adopting regional development in RS1.** YAB Dato' Seri Amirudin mentioned that the strategy adopted by the state government is to promote regional developments. Based on unique strength by areas and localities, the Selangor government has basically classified areas into clusters. For example, the development of special economic zones in Pulau Carey, Kuala Langat will be part of efforts to strengthen the logistics industry in Selangor. The regional development plans as outlined in RS1 are IDRISS, SABDA and SMG (or Selangor Maritime Gateway).

**IDRISS and SABDA.** Under the Integrated Development Region in South Selangor (IDRISS), the state government envisions that the development of port in Pulau Carey would bring positive spillover effect to nearby areas. For the Southern region, the government aims to promote greater development in Pulau Carey even up to Morib Beach in Banting. To the North, YAB Dato' Menteri Besar shared about SABDA or the Development of Sabak Bernam, which would contribute towards the initiatives to improve food security in Selangor. While the fluctuation in food prices was mainly influenced by external and global commodity price movement, the state believes the room to intervene is by ensuring stable supply chain for the food industry.

Selangor's Budget 2023

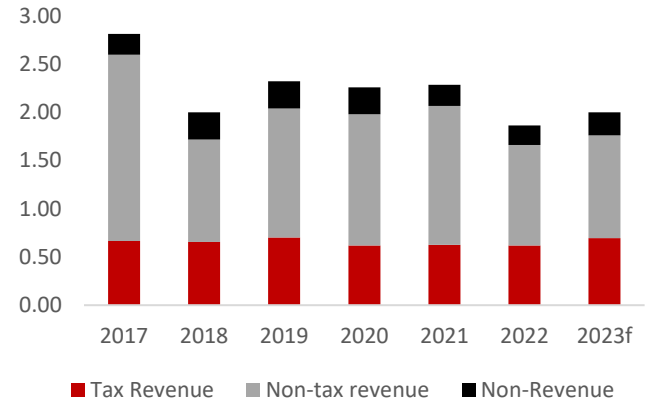
**Aspirations from RS1 in Budget 2023.** Given RS1 has been in place since last year, we noticed that the state's own Budget 2023 was aligned to the longer-term development targets and aspirations as outlined in RS1. For example, the budget also includes emphasis on green and environmentally friendly development. The flood mitigation projects, for example involving Klang River and Langat River Basins, are also one of the major allocations in 2023, where the implementation will

be done together with projects under Federal Government's allocation. On another note, the state government outlines a plan to develop Selangor Green Energy Ecopark in Rawang which will improve waste management in Selangor in the long run through the waste to energy (WTE) project. There are various other initiatives that will promote development of talents, via collaboration with local and international institutions for technical and vocational trainings, and assistance and scholarship for high education, as well as stress on human capital and sports developments.

**Expansionary state budget with higher allocation for DE.** The Selangor state government tabled an expansionary budget for 2023, with total allocation of RM2.45b or 4.6% more than 2022. According to the state Budget 2023, RM1.2b which is equivalent to 60% of the state revenue collection will be spent for development expenditures (DE). With a +6.9% increase in the DE allocation from 2022, the biggest portion or RM895.4m of the DE allocation will be managed by the Office of Menteri Besar and SUK. In particular, the total allocation RM895.4m is equivalent to slightly more than one-fifth of RM4.19b for list of projects under the 12th Malaysia Plan.

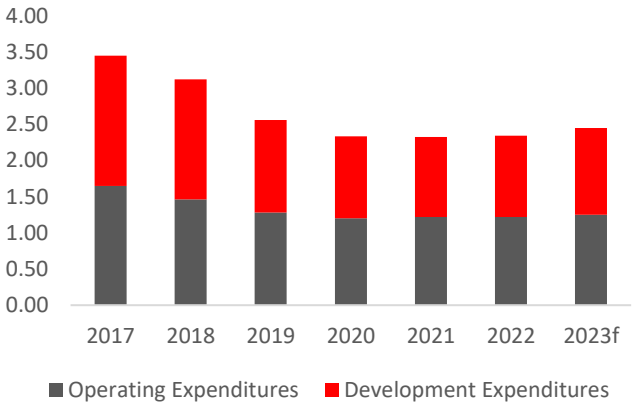
**Largest DE allocations for the wellbeing of the rakyat.** Looking at the details, the budget under the Office of MB and SUK will be utilized to support programmes for the wellbeing of the people. We noticed RM191m of the overall DE allocation will be spent on areas related to Women and Family, Charity and Healthcare. Additional RM116.8m will be used for Iltizam Selangor Penyayang programmes such as among others Free Water Programme, *Tabung Warisan Anak Selangor,* and *Skim Mesra Usia Emas.* By sector, this is in line with nearly 54% of the overall DE to be spent for social and economic developments; nearly 30% for infrastructure development; and 7.8% is for the education sector.

**Chart 1: Breakdown of Revenue (RM b)**




Source: AG's reports, MIDFR

**Chart 2: Breakdown of Expenditures (RM b)**




Source: AG's reports, MIDFR

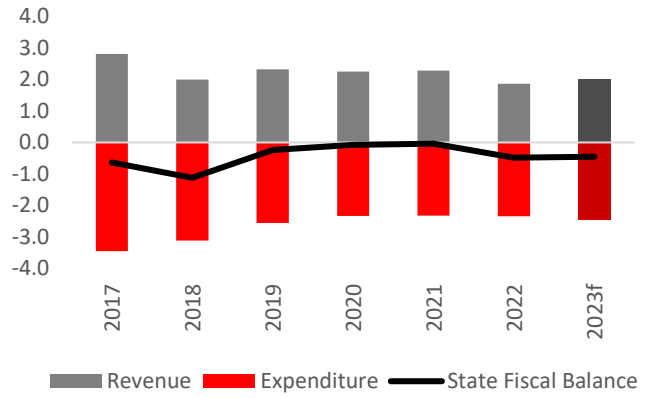
**OE will be mainly for services & supplies and emoluments.** While operating expenditures (OE) will cover 51% of total government spending, the projected +2.5% increase in OE is relatively slower than DE. Spending on services & supplies will be the largest component, which will cover 44.9% of OE in 2023. emoluments, being the second major component (share: 36% of OE), will see a smaller growth of +0.7% for this year (2022: +1.5%). Despite the slower growth, the size of emoluments in 2023 will be the highest allocation on record.

**Running on deficit budgets to support the state economy.** Despite the plan for expansionary spending, Selangor government's 2023 Budget comes with slightly smaller deficit of -RM450m (2022: -RM478.9m). Based on the past budgets, only for 2020 and 2021 the state government tabled a more or less balanced budget. Prior to the pandemic, the size of deficit in the state's 2018 Budget was larger at -RM1.12b. Nevertheless, under the current administration, the budget deficits were generally smaller, averaging around -RM0.26b looking at the 5 most recent Selangor budget documents between 2019 to 2023.

**The state government managed to reduce debts.** The prudent management of the state government finance also resulted in the sharp -97.1% reduction in its public debts. According to Auditor's General report, the public debts held by Selangor state has dropped from RM1.1b in 2020 to RM0.03b in 2021. This was achieved despite the economy yet to be fully reopened after another round of nationwide lockdown in 2021. With the size of budget deficit remains under control, we do not expect a surge in the state's borrowing to cover its expenses. Unlike the Federal Government, the amount of

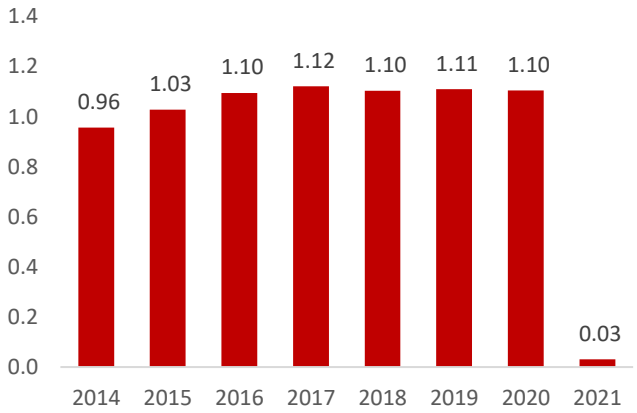
annual revenue collected is more than enough to cover the state's operational expenses, estimated at 62.5% of the Selangor government's annual income in 2023 (2022: 65.4%).

**Chart 3: Selangor Government's Fiscal Balance (RM b)**




Source: AG's reports, MIDFR

**Chart 4: Public Debts Held by Selangor Government**

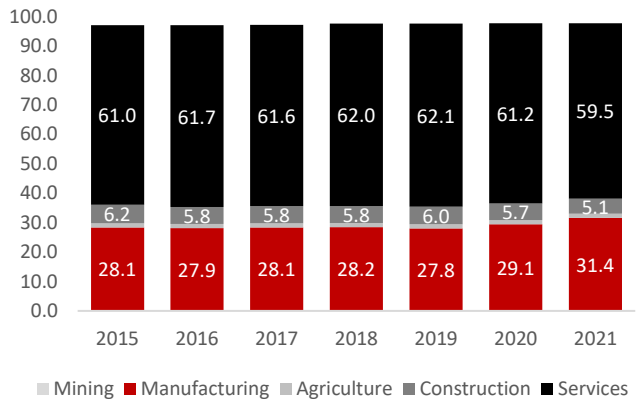



Source: AG's reports, MIDFR

**Selangor held the largest share in Malaysian economy.** In 2015, Selangor contributed 22.8% to national GDP. After half of decade, the contribution rate has increased to 24.8% by 2021. This surpassed the 12th Malaysia Plan (12MP) target rate of 23.6% by 2025. Steady economic expansion in Selangor in comparison to other states which grew at relatively slower pace contributed to the GDP ratio surge. Since 2016, GDP growth in Selangor outperformed national economic growth. Using CAGR measurement, the golden state of Malaysia grew by +4.6% per annum against Malaysia's +3% per annum for the period 2016-2021. Prior to Covid-19 pandemic crisis, the annual average growth rate of 2016-2019 for Selangor was +6.4% (11MP target rate: +6.9%) while Malaysia registered +4.9% (11MP target range +5~6%). The state economy contracted by -5.2% in 2020 and recovered strongly by +5% in the following year. We opine resiliency of the state economy lies on the strength of its diversified manufacturing sector and huge consumer demand.

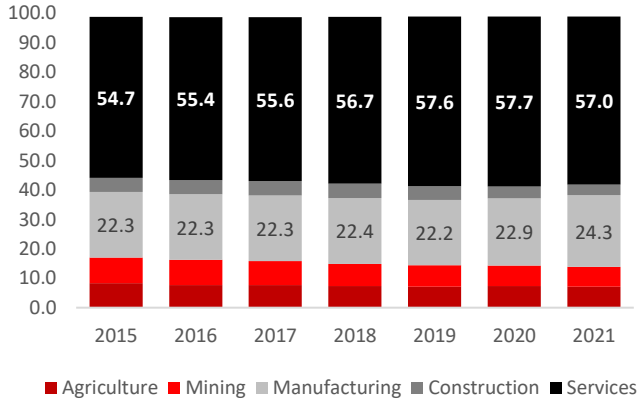
**Services and manufacturing are the main anchor.** Services sector supported more than 50% of the state economy since 2015. Growing population growth and high-skilled employment are among key fundamentals supporting the services sector as well as overall economy in Selangor. Manufacturing is the second key sector in the state, contributing more than one-third of the economy. Construction sectoral share stood at 5.1% while agriculture and mining sectors scored 1.4% and 0.2% respectively in 2021. By sector, three sectors outperformed 11MP's target while other two underperformed. Excluding Covid-19 pandemic crisis, agriculture sector increased by +3.8% per annum (11MP: +3.6%), mining by +14.9% (11MP: -1.2%) and manufacturing by +6.4% (11MP: +5.4%). The underperforming sectors such as services grew by +6.9% (11MP: +7.1%) and construction by +5.6% (11MP: +12.9%).

**Chart 5: Selangor GDP Structure by Sector (% of State GDP)**



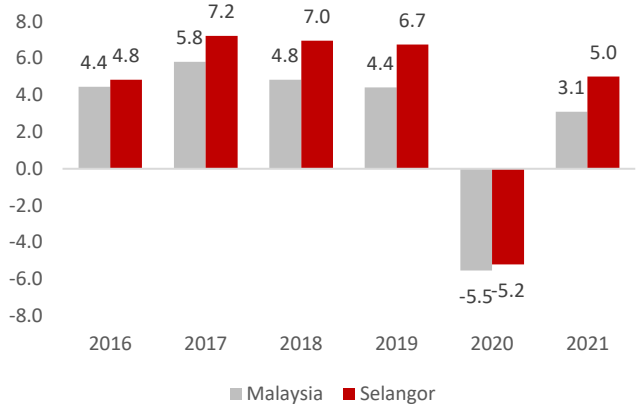

Source: DOSM, MIDFR

**Chart 6: Malaysia GDP Structure by Sector (% GDP)**



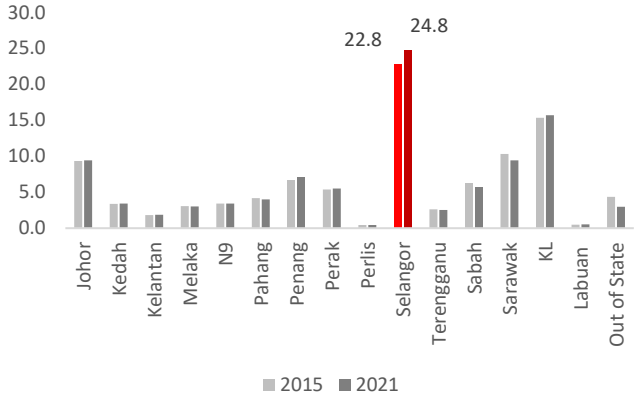

Source: DOSM, MIDFR

**Chart 7: Selangor vs. Malaysia GDP (YoY%)**




Source: DOSM, MIDFR

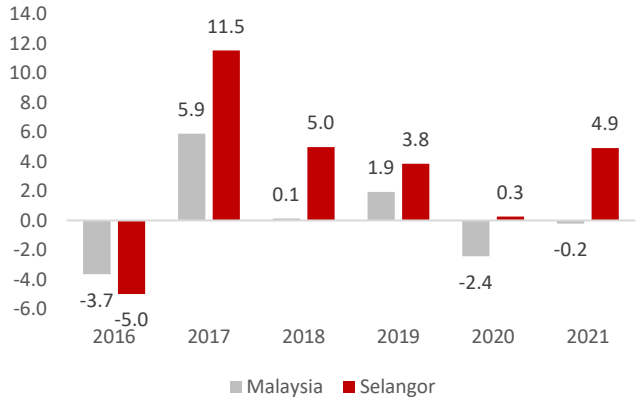
**Chart 8: National GDP Contribution by State (% of GDP)**




Source: DOSM, MIDFR

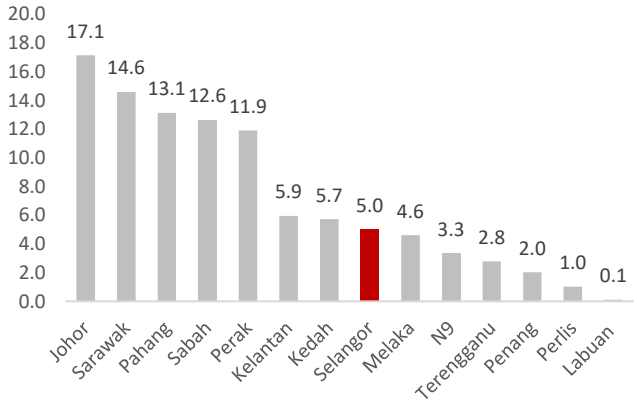
**Selangor top in construction, manufacturing and services sectors.** The uptick of Selangor economic contribution to Malaysia is in line with its strong key sectors. Selangor's construction, manufacturing and services sectors are the largest contributor to Malaysia economy in accordance to each sector. Selangor's manufacturing constituted about 32% in 2021 (2015: 28.8%) of national factory output, the highest ever recorded. Construction in the state represented 34.3% in 2021 (2015: 30.1%). Selangor's services sector contributed 25.9% in 2021 (2015: 25.5%). Selangor ranked 8th with 5% national contribution in agriculture sector, improved from 4.2% in 2015. As for mining sector, more than 95% of national output produced in Sabah, Sarawak and out-of-state areas.

**Chart 9: Selangor vs. Malaysia Agriculture GDP (YoY%)**



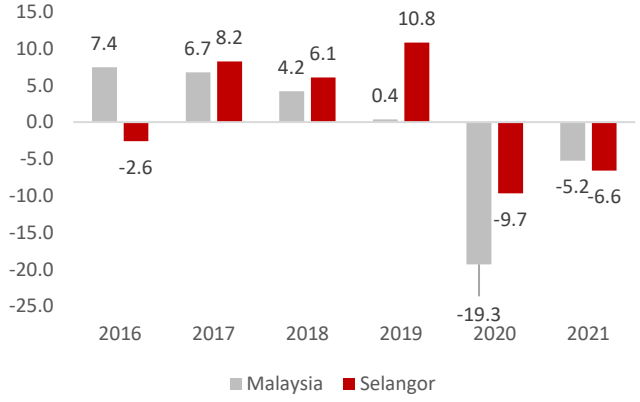

Source: DOSM, MIDFR

**Chart 10: Contribution by State (% of Agriculture GDP)**



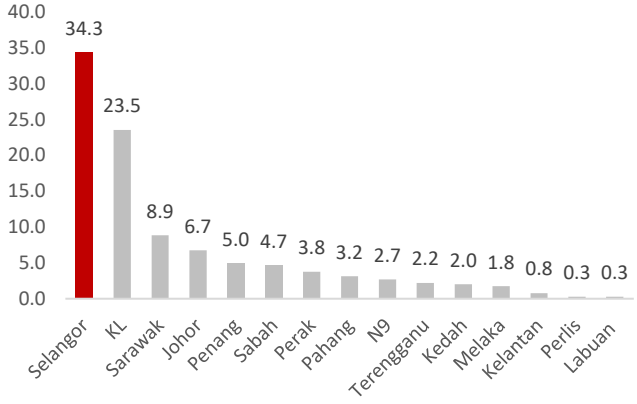

Source: DOSM, MIDFR

**Chart 11: Selangor vs. Malaysia Construction GDP (YoY%)**



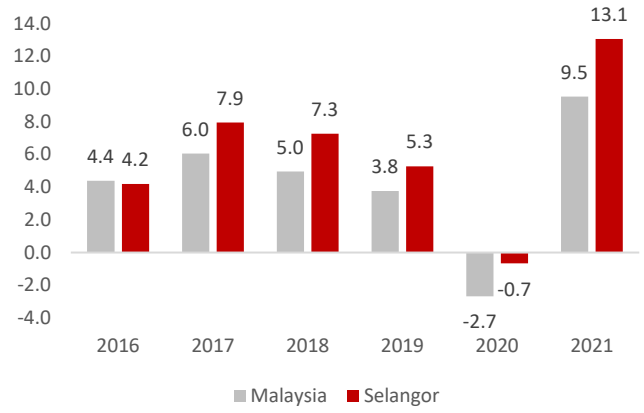

Source: DOSM, MIDFR

**Chart 12: Contribution by State (% of Construction GDP)**



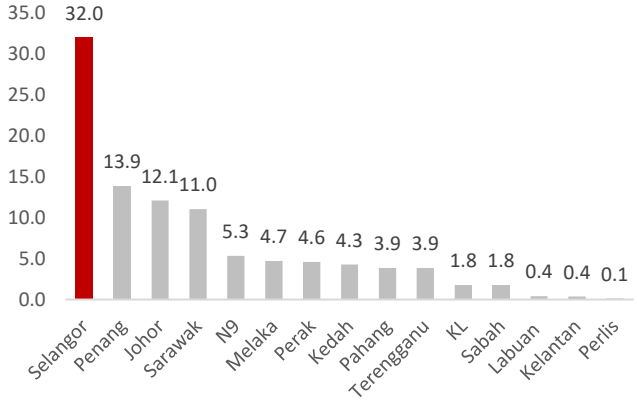

Source: DOSM, MIDFR

**Chart 13: Selangor vs. Malaysia Manufacturing GDP (YoY%)**



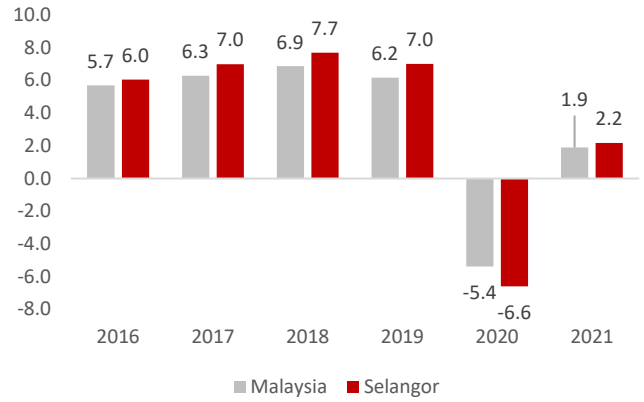

Source: DOSM, MIDFR

**Chart 14: Contribution by State (% of Manufacturing GDP)**



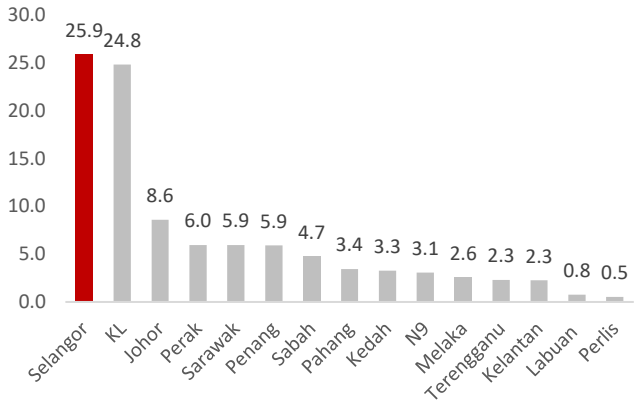

Source: DOSM, MIDFR

**Chart 15: Selangor vs. Malaysia Services GDP (YoY%)**




Source: DOSM, MIDFR

**Chart 16: Contribution by State (% of Services GDP)**




Source: DOSM, MIDFR

**One fifth of Malaysia's population resides in Selangor.** Ascending from 19.8% in 2015 to 21.5% in 2021 of Malaysia's population, Selangor saw +2.3% population growth per annum against Malaysia's +0.7%. Faster population growth pace in Selangor is attributed by the steady expansion of state economy. Excluding mining, all sectors in Selangor expanded firmly especially with construction, manufacturing and services sectors are the largest in Malaysia. Better employment opportunities and supportive state policies & incentives for women, family and community are among key attraction.

**Table 1: Malaysian Population by State**

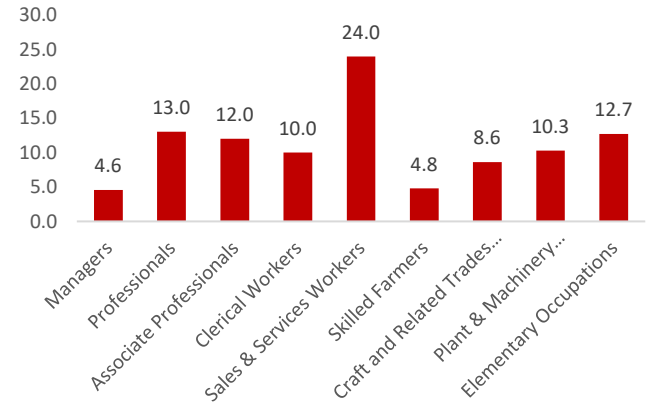
| | % of Total Population | | | YoY% | | |
|---|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2019** | **2020** | **2021** |
| **Malaysia** | - | - | - | 0.4 | (0.2) | 0.4 |
| Johor | 11.6 | 12.4 | 12.3 | 0.3 | 6.6 | 0.3 |
| Kedah | 6.7 | 6.6 | 6.6 | 0.5 | (1.9) | 1.0 |
| Kelantan | 5.8 | 5.5 | 5.6 | 1.3 | (4.8) | 1.1 |
| Melaka | 2.9 | 3.1 | 3.1 | 0.7 | 7.5 | 0.6 |
| Negeri Sembilan | 3.5 | 3.7 | 3.7 | 0.3 | 6.6 | 0.4 |
| Pahang | 5.1 | 4.9 | 4.9 | 0.4 | (4.8) | 0.6 |
| Pulau Pinang | 5.4 | 5.4 | 5.3 | 0.3 | (1.6) | (0.0) |
| Perak | 7.7 | 7.7 | 7.7 | 0.2 | (0.5) | 0.8 |
| Perlis | 0.8 | 0.9 | 0.9 | 0.2 | 12.2 | 0.9 |
| **Selangor** | **20.0** | **21.6** | **21.5** | **0.5** | **7.5** | **0.3** |
| Terengganu | 3.8 | 3.5 | 3.6 | 1.3 | (7.6) | 1.9 |
| Sabah | 12.0 | 10.5 | 10.5 | 0.2 | (12.4) | (0.2) |

| | % of Total Population | | | YoY% | | |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| Sarawak | 8.6 | 7.6 | 7.6 | 0.5 | (12.6) | 0.5 |
| Kuala Lumpur | 5.5 | 6.1 | 6.0 | (0.4) | 11.2 | (0.9) |

Source: DOSM, MIDFR

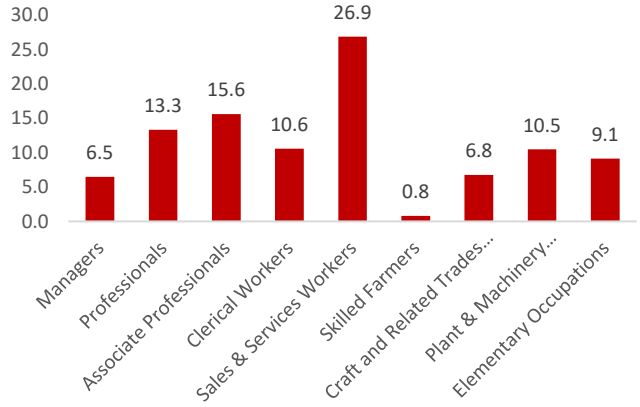
**High-skilled occupation dominant.** By occupation, high-skilled jobs dominate in Selangor, 35.4% in 2021 vs 29.6% in Malaysia. High-skilled jobs such as managers, professionals and associate professionals are relatively higher compared to overall Malaysian occupations. Sales & services workers constituted about 26.9%, thanks to strong retail trade and other services sub-sectors. Skilled farmers came in only 0.8% in Selangor, in line with its agriculture sector significance. 10.5% of employment is plant & machinery workers which is meant to support the diversified manufacturing sector.

**Chart 17: Malaysia's Employment by Occupation (Share %)**




Source: DOSM, MIDFR

**Chart 18: Selangor's Employment by Occupation (Share %)**




Source: DOSM, MIDFR

**More than 20% national employment in Selangor.** In line with population trend, Selangor is the first in terms of the national employment pool. In 2021, 23.4% of national employment located in the state. More than half of the state workforce is in services sector which among others work in distributive trade and food & beverages activities. Selangor holds the largest services, manufacturing, construction and mining employment in Malaysia. Selangor ranked 3rd for agriculture employment. Moving into 2023, we believe better employment growth in the state particularly with expansion of construction, manufacturing and services sectors. Construction of railway works, roads, residential and non-residential buildings to support employment in the sector. We believe the reopening of China effects and ratification of CPTPP and RCEP will prop-up external trade activities and creating employment opportunities in the state among others.

**Table 2: Sectoral Employment Share by State in 2021 (%)**

| | Total | Agriculture | Mining | Construction | Manufacturing | Services |
|---|---|---|---|---|---|---|
| **Malaysia ('000)** | **15,064** | **1,550** | **82** | **1,160** | **2,501** | **9,771** |
| Johor | 11.7 | 10.4 | 12.0 | 9.5 | 17.0 | 10.8 |
| Kedah | 6.2 | 6.4 | 1.6 | 6.4 | 6.9 | 6.0 |
| Kelantan | 4.6 | 4.7 | 3.1 | 7.0 | 2.6 | 4.8 |
| Melaka | 2.9 | 0.8 | 3.2 | 2.7 | 3.8 | 3.0 |
| Negeri Sembilan | 3.1 | 1.6 | 4.6 | 3.7 | 3.0 | 3.3 |
| Pahang | 4.7 | 8.7 | 6.0 | 4.3 | 2.6 | 4.6 |
| Pulau Pinang | 5.7 | 1.1 | 1.7 | 4.8 | 12.0 | 4.9 |
| Perak | 6.9 | 5.5 | 9.0 | 6.4 | 7.7 | 7.0 |
| Perlis | 0.7 | 0.8 | 0.2 | 0.8 | 0.3 | 0.8 |

| | Total | Agriculture | Mining | Construction | Manufacturing | Services |
|---|---|---|---|---|---|---|
| **Selangor** | **23.4** | **12.1** | **18.3** | **20.7** | **23.0** | **25.6** |
| Terengganu | 3.1 | 2.1 | 8.3 | 6.0 | 2.2 | 3.1 |
| Sabah | 12.3 | 31.1 | 11.2 | 9.9 | 9.3 | 10.4 |
| Sarawak | 8.5 | 13.8 | 14.2 | 11.9 | 6.7 | 7.7 |
| Kuala Lumpur | 5.7 | 0.8 | 1.1 | 5.5 | 2.7 | 7.3 |

Source: DOSM, MIDFR

**Selangor's jobless rate is always lower than national average.** Unemployment rate in Selangor recorded lower than national average since 2015. Thanks to diversified economic sectors, we opine this buffer the state economy from global market uncertainties. The state has minimal exposure to prices fluctuations particularly crude oil and CPO prices. The state also benefits from construction activities and growing population strengthen services sector, keeping employment opportunities high. Steady pick-up in domestic economic activities, expansionary external trade flows and improving tourism are predicted to drive up employment and lower the jobless rate in the state.

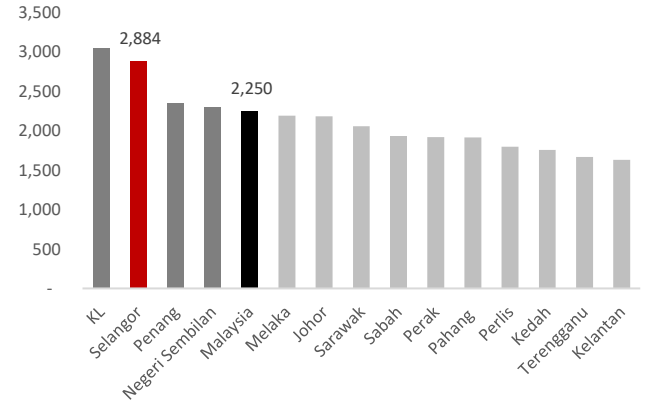
**Table 3: Unemployment Rate by State (%)**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|
| **Malaysia** | **3.1** | **3.4** | **3.4** | **3.3** | **3.3** | **4.5** | **4.6** |
| Johor | 3.1 | 3.6 | 3.4 | 3.0 | 2.7 | 3.5 | 3.8 |
| Kedah | 2.6 | 2.9 | 2.8 | 2.9 | 2.8 | 4.2 | 3.9 |
| Kelantan | 3.6 | 3.8 | 3.6 | 4.0 | 4.0 | 4.3 | 4.2 |
| Melaka | 1.0 | 0.9 | 1.0 | 1.1 | 1.1 | 2.2 | 2.0 |
| Negeri Sembilan | 3.1 | 2.7 | 2.8 | 3.0 | 3.1 | 3.8 | 4.2 |
| Pahang | 2.9 | 2.6 | 2.9 | 2.6 | 2.9 | 3.1 | 3.3 |
| Pulau Pinang | 1.6 | 2.1 | 2.1 | 2.2 | 2.0 | 3.5 | 3.6 |
| Perak | 3.2 | 3.4 | 3.7 | 3.3 | 3.4 | 4.8 | 5.3 |
| Perlis | 2.9 | 2.9 | 3.4 | 3.4 | 3.3 | 4.3 | 4.3 |
| **Selangor** | **2.4** | **3.2** | **2.8** | **2.8** | **2.9** | **4.3** | **4.3** |
| Terengganu | 4.0 | 4.2 | 4.5 | 4.8 | 3.5 | 4.1 | 4.0 |
| Sabah | 5.0 | 5.4 | 5.6 | 5.8 | 5.8 | 8.0 | 8.2 |
| Sarawak | 3.5 | 3.3 | 3.0 | 3.2 | 3.1 | 4.3 | 4.5 |
| Kuala Lumpur | 3.3 | 3.3 | 3.1 | 2.4 | 2.6 | 4.0 | 4.2 |

Source: DOSM, MIDFR

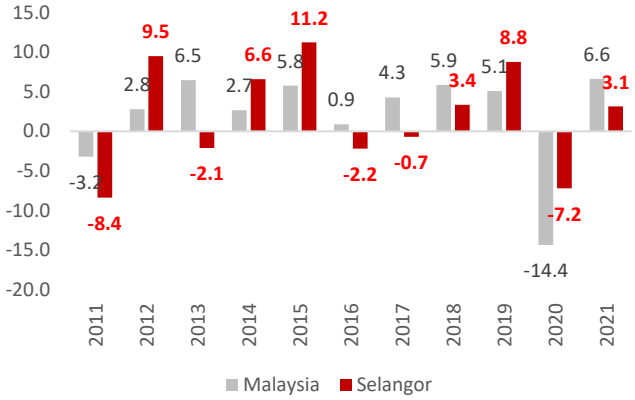
**Selangor median wage almost returned to 2019's level.** Median wage & salary for Selangor rebounded to RM2,884 per month in 2021 (2020: RM2,725), only slightly lower or -2.4% less than pre-pandemic level of RM2,956 in 2019. As comparison, although national median wage & salary improved and rose to RM2,250 (2020: RM2,062), it was still -7.9% lower than RM2,442 in 2019. As inflation rate in Selangor higher than national average, real wage growth rate hit +3.1% as compared to +6.6% for Malaysia in 2021. High inflation poses downside risk to Selangor's wage growth, particularly reducing real wage growth, disposable income and purchasing power.

**Chart 19: Median Salary by State in 2021 (RM per month)**




Source: DOSM, MIDFR

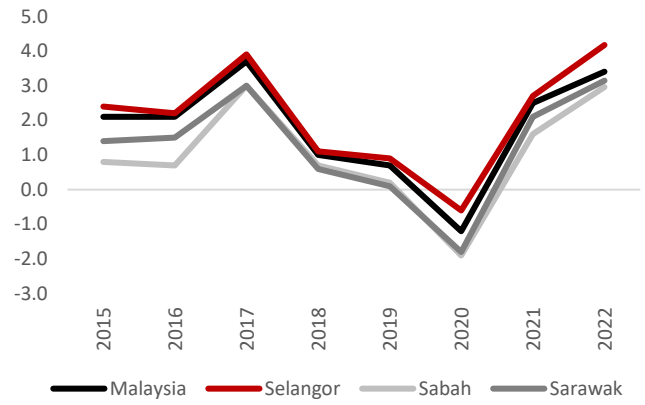
**Chart 20: Real Wage Growth Selangor vs. Malaysia (YoY%)**




Source: DOSM, MIDFR

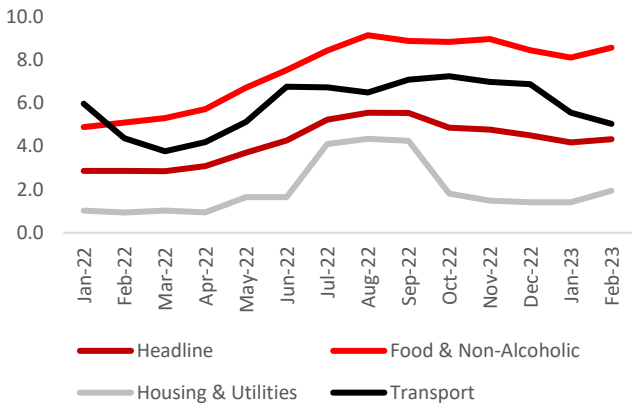
**State economic structure and environment among contributors to elevated inflation**. In comparison to Sarawak and Sabah, inflationary pressure in Selangor is relatively higher. Average annual inflation rate for the period of 2015-2022 for Selangor is +2.1% against Malaysia (+1.8%), Sarawak (+1.3%) and Sabah (+1%). From GDP standpoint, agriculture sector exposure to the state economy is trivial, approximately 5%. Increasing population size and density also contribute to the high inflation rate, especially food prices. In comparison, Sabah's food inflation in particular is not as high as in other areas, thanks to better food supply. Agriculture sector covers a larger share in Sabah's economy at 15.9% of its GDP, 11% in Sarawak and 7.1% of Malaysia's national GDP in 2021.

**Chart 21: Selangor vs. Malaysia CPI (YoY%)**




Source: DOSM, MIDFR

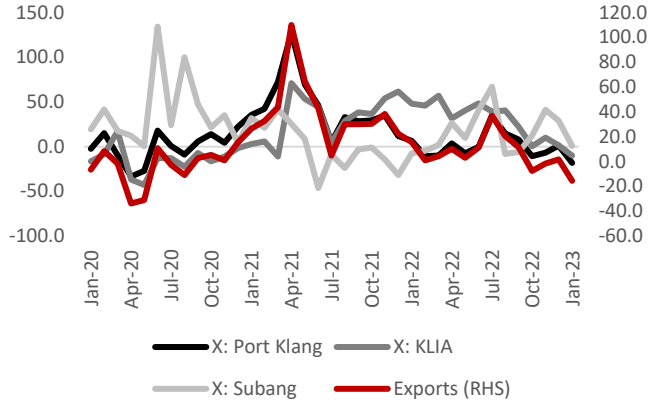
**Chart 22: Key CPI Components in Selangor (YoY%)**




Source: DOSM, MIDFR

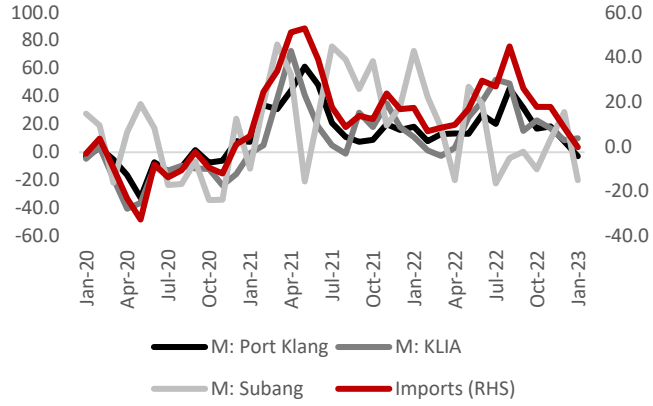
**Less busy in Port Klang and KLIA**. In terms of total trade, Selangor contributes 28.3% to Malaysia's total trade flows. It is the second contributor after Johor. However, the contribution rate has fallen to record low. Same goes to Port Klang at 19.9% (2015: 21.8%) and KLIA at 7.8% (2015: 9.9%). Total trade growth in Selangor touched double-digit rate +13.8% in 2021. We opine the slight reduction of Selangor's total trade share is mainly due to faster expansion rate in other states especially those associated with primary sectors namely mining and agriculture. The skyrocketed global commodity prices benefited robust outbound shipments of primary products last year. Of all gateway points, Selangor run a trade deficit where imports are higher than exports. This is because imports are supporting the manufacturing and construction sectors in the state through the imports of intermediate and capital goods.

**Chart 23: Exports by Selangor's Trade Point (YoY%)**




Source: DOSM, MIDFR

**Chart 24: Imports by Selangor's Trade Point (YoY%)**




Source: DOSM, MIDFR

**Table 4: Total Trade Performances by State**

| | % Total Trade | | | YoY% | | |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| Johor | 25.4 | 26.0 | 28.4 | (4.9) | 27.4 | 41.0 |
| Kedah | 1.8 | 2.0 | 1.6 | (13.5) | 40.0 | 0.5 |
| Kelantan | 0.1 | 0.1 | 0.2 | (30.2) | 16.4 | 149.9 |
| Melaka | 1.2 | 0.9 | 1.2 | (5.7) | (11.1) | 83.6 |
| Negeri Sembilan | 0.5 | 0.6 | 0.8 | (30.6) | 60.9 | 67.6 |
| Pahang | 2.1 | 2.1 | 1.9 | 30.6 | 25.3 | 15.3 |
| Perak | 0.6 | 0.8 | 0.8 | (17.7) | 61.2 | 27.3 |
| Perlis | 0.3 | 0.4 | 0.3 | (28.6) | 45.7 | 16.6 |
| Penang | 28.5 | 27.3 | 27.4 | 7.6 | 19.3 | 28.0 |
| Sabah | 2.8 | 2.2 | 2.3 | 4.6 | 1.6 | 28.2 |
| Sarawak | 4.8 | 4.9 | 5.8 | (15.5) | 27.7 | 52.6 |
| Selangor | 30.5 | 31.7 | 28.3 | (7.6) | 29.5 | 13.8 |
| Terengganu | 0.9 | 1.1 | 0.9 | (26.0) | 52.6 | 7.9 |

Source: DOSM, MIDFR

**Rancangan Selangor 1 (RS-1): Envisioning a smart, liveable and prosperous state by 2025**. RS-1 is a development plan for the state of Selangor to chart its path towards achieving a smart, liveable and prosperous state for the next five years from 2021. The blueprint has four strategic themes (1) Economy, (2) Social, (3) Sustainability and (4) Governance with 261 initiatives. Under Theme-1 Economy, there are nine focus sectors including ports & logistics and aerospace. Carey Island development and Selangor International Aero Park in Subang are among gamechangers set in the development plan under the first theme. Under Theme-2 Social, there are six focus areas including affordable housing. Rumah Selangorku Program: Rumah Idaman & Harapan to be included. Under Theme-3 Sustainability, there are five focus areas among others low carbon state, water management and resilience & disaster management. Among strategies under sustainability is to develop GHG inventory & low carbon cities capacity building for every local authority and integrated solid-waste management center with a waste-to-energy treatment plant.

**Table 5: Rancangan Selangor 1 – Framework**

| Theme 1: Economy | Theme 2: Social | Theme 3: Sustainability | Theme 4: Governance |
|---|---|---|---|
| **9 Focus Sectors** | **6 Focus Areas** | **5 Focus Areas** | **5 Focus Areas** |
| • Ports & Logistics<br>• Tourism<br>• Digital Economy<br>• Aerospace<br>• Automotive<br>• Electrical & Electronics and Machinery & Engineering<br>• Halal Industry<br>• Life Sciences<br>• Agrotechnology | • Income Generation and Social Welfare<br>• Special Focus on Target Groups<br>• Women, Family and Community<br>• Affordable Housing<br>• Public Health<br>• Education | • Resilience and Disaster Management<br>• Water Management<br>• Low Carbon State<br>• Waste Management<br>• Biodiversity and Natural Resources | • Strategic Alignment of Goals and Policies<br>• Managing Performance and Accountability<br>• Agile Public Workforce<br>• Revenue Sustainability<br>• Technological Transformation |

Source: UPEN Selangor, MIDFR

**Selangor GDP set to expand by +6.5~7% per annum in 2021-2025**. Under the RS-1, the state government of Selangor forecast average annual growth rate for the period of 2021-2025 to be +6.5~7% per annum. The forecast rate is much higher than 12MP's forecast rate of +4.7%. If Selangor economy were to grow at above +6.5%, we believe the state economic contribution to national GDP to breach 25% level, against 23.8% in 2025 target under 12MP. RS-1 also set a target for household median income in Selangor to reach RM9,290 per month by 2025 (2019: RM8,210). Under sustainability 2025 target, the state is set reach reduction in Greenhouse Gas (GHG) emission intensity to GDP at 35% and 15% water recycling rate. We opine the RS-1 targets are crucial for the state as well as Malaysia due to the golden state economic size. The themes, strategies and targets will shape the new landscape for the state economy and beneficial for Malaysia's macroeconomic performances and financial market.

**Table 6: Nine Focus Sectors under Theme 1: Economy**

| Key Projects, Programs, Initiatives | | |
|---|---|---|
| **Sector: Port & Logistics** | | |
| Carey Selangor | West Port 2 Expansion | Pulau Indah Free Trade Zone |
| Maritime and High-Tech Industry Parks | Port Klang Cruise Terminal | Selangor Digital Port Initiative |
| Serendah Logistics Hub | Klang: The Prime Port City | Selangor Maritime University |
| **Sector: Tourism** | | |
| Go Selangor App | Selangor Tourism PPP Program | Campaign Pusing Selangor |
| Selangor Tourism E-Voucher | Selangor Tourism Reemployment Program | Selangor Ecotourism Master Plan |
| Selangor Community Host | Selangor Tourism Cluster | Digital Tourism Selangor - Training |
| Digital Tourism Selangor - Connectivity | | |
| **Sector: Digital Economy** | | |
| Jalur Lebar Industri Selangor (Jalin) | Selangor e-Commerce Education | Selangor e-Commerce Onboarding Program |
| Malaysia Top E-Commerce Merchant Awards | Selangor SME Digitalisation Matching Grant | Jelajah Usahawan Digital Selangor |
| Selangor Accelerator Program and Pitch@Selangor | Selangor Logistics e-Fulfillment Centre | Amazon Web Services Smart Selangor Cloud Accelerator Learning Program (SCALE) |
| Smart Selangor SME Platform | Rakan Digital Selangor / Platform Selangor – PLATS | Establishment of Cybersecurity Unit |
| Wi-Fi Smart Selangor | 5G Network Facilitation in Selangor | Selangor International Business Summit (SIBS) |
| Selangor Innovation Fund | Smart Selangor Centre of Excellence (CoE) | Selangor Digital School |

| Key Projects, Programs, Initiatives | | |
|---|---|---|
| Perbadanan Perpustakaan Awam Selangor (PPAS) Network System | | |
| **Sector: Aerospace** | | |
| Selangor International Aero Park (SAP) | Selangor Drone Centre of Excellence (SDCOE) | Bernam River Airfield |
| Selangor Skills Framework Platform | Positioning Selangor as the First Drone Port and Airwaze Friendly State In Malaysia | Selangor Aviation Show |
| Apprenticeship 4.0: World-call Engineering Workforce and Aerospace Training for SMEs | | |
| **Sector: Automotive** | | |
| EV Infrastructure development | Malaysian Smart Factory 4.0 -Expansion for Centre of Emerging Technologies (MSF4,0 - CET) | Bridging loans for SME development |
| IKTISASS - Pembangunan Kurikulum TVET Industri | IKTISASS - Penawaran Persijilan Profesional yang Diiktiraf oleh Industri | |
| **Sector: Electrical & Electronics and Machinery & Engineering** | | |
| Malaysian Smart Factory 4.0 - Expansion for Centre of Emerging Technologies (MSF4.0 - CET) | Solar PV Centre of Excellence (CoE) | Selangor Government Incentive (SGI) |
| Bridging loans for SME development | Buy local program | IKTISASS - Pembangunan Kurikulum TVET Industri |
| IKTISASS - Penawaran Persijilan Profesional yang Diiktiraf oleh Industri | Jalur Lebar Industri Selangor | |
| **Sector: Halal Industry** | | |
| Central Information Platform | Selangor Halal Economic Zone | Authorised Halal Operator |
| Selangor Halal Cooperative | Selangor Halal Funding Program | Halal Ingredients Database |
| Halal Selangor Promotion | Selangor Halal SME Development Program | Selangor Halal Business Hub |
| Selangor Halal Capacity Development | | |
| **Sector: Life Sciences** | | |
| S-BIOCO establishment | SELBIO Accelerate | Online Biotech networking and promotion portal |
| Selangor Biotechnology Funding Program (Matching grant) | Trainings for bridging University-Industry-Government and strengthening talents | Special Incentive Allowance (SIA) |
| Soft Landing Centre | Lab partnership programs with IHLs and RIs | |
| **Sector: Agrotechnology** | | |
| Selangor Agriculture Modernisation Program - Phase 1 | Selangor Agriculture Modernisation Program - Phase 2 | Selangor High Value Agriculture Program |
| Smart Selangor Agro Park and Smart Selangor Agro Farm | Selangor Agri-Tech Accelerator Program | Development of Digital and Connectivity Infrastructure |

Source: UPEN SELANGOR, MIDFR

**Table 7: Six Focus Areas under Theme 2: Social**

| Key Projects, Programmes, Initiatives | | |
|---|---|---|
| **Focus Area: Enhancing Social Inclusivity and Well being** | | |
| Iltizam Selangor Penyayang | Skim Hijrah Selangor | Dana Usahawan Mikro Selangor |
| A new wellbeing index for the state of Selangor | Pusat Wanita Berdaya (PWB) | Program Blueprint Pembasmian Kemiskinan Micro-grant scheme |
| Indian Selangor Empowerment and Entrepreneurs Development (I-SEED) | Selangor Freelance Job Matching Platform | Incentives and promotions for professional certifications |
| Skim Mesra Usia Emas | Implement a monitoring framework for all social welfare programmes | Increase promotion and outreach for social welfare programmes and collaboration with NGOs for implementation |

| Key Projects, Programmes, Initiatives | | |
|---|---|---|
| **Focus Area: Special Focus on Target Groups** | | |
| Selangor Silver Workforce Employment Platform | Implementation of Dasar Belia Selangor | Penggerak Belia Selangor (PeBS) |
| Selangor Youth Community (SAY) Volunteer Programme | Selangor Keriaya (MBI) Job Matching Platform | JelaJah Selangor Bekerja Mega Job Fair |
| Selangor Youth Excel Programme | Selangor Active Ageing Programme | Establish retirement facilties and provision of caretaker training for senior citizens |
| Implementation of Dasar Mesra OKU Selangor | SAY LEAD | Expansion of sheltered workshops, and independent learning centers (ILC) |
| **Focus Area: Women, Family and Community** | | |
| Ensuring Safe and Reliable Childcare and Support Services | Implement Dasar Wanita Selangor initiatives and programmes | Kursus Intensif Perkembangan Kanak-Kanak (KIPK) |
| ASUH Pintar Cash Assistance programme | TUNAS Cash Assistance Programme | Anak Istimewa Selangor Programmes (ANIS) for Special Needs Children |
| Encouraging private preschool operators to set up in underserved areas | Advocacy of positive family practices and working arrangements | Implementation of Dasar Pembangunan Kanak- Kanak Selangor |
| Implementation of smart city solutions for crime preventions by Smart Selangor Delivery Unit (SSDU) | | |
| **Focus Area: Affordable Housing** | | |
| Rumah Selangorku Programmes; Rumah IDAMAN, and Harapan | Skim Smart Sewa and SkimSmart Sewa to Ownership (2STAY) | Post-COVID-19 Affordable Home Construction Incentives |
| Skim Ceria Home Repair Programme | Program Bina Baru dan Baikpulih Rumah Kerajaan Prihatin | Repair of homes in Orang Asli villages |
| **Focus Area: Public Health** | | |
| Iltizam Selangor Sihat | Enhancement of Program Nutrisi Kanak-Kanak /Program Anak Selangor Anak Sihat | Bantuan Sihat Selangor Aid Programme |
| SELCAN Selangor Cancer Screening Programme | Advocacy campaigns for M40 and T20 to take-up private health insurance | Program Slim Selangor to encourage healthy lifestyle |
| Program Kawalan dan Pencegahan Denggi to reduce dengue prevalence | Program Selangor Saring Health Screening | Prevention of Outbreak at Ignition Sites (POIS) |
| Preparing for ageing healthcare | Program Mental Sihat Selangor | Consolidation and digitalisation of all state healthcare programmes on SELangkah app |
| **Focus Area: Education** | | |
| Pusat Tuisyen Rakyat Selangor (PTRS) | Inisiatif Kemahiran Teknikal Ikhtisas Smart | Selangor (IKTISASS) |
| Selangor Bitara (BPSM) | BITARA Programme (Yayasan Selangor) | Convertible Loans (Yayasan Selangor) |
| Hadiah Institut Pengajian Tinggi (HPIPT) | Program Sekolah Angkat Zakat Selangor (PROSAZ) | Form Six Sponsorship Programme (PTEYS) |
| Convertible Loans (BPSM) | HIPERS Programme | Covering education gaps from the lost generation |
| Language Discovery Programme @ Selangor Public Library | Program Pembangunan Kemahiran STEM | Program Pembangunan Remaja |
| Program Pemerkasaan Mahasiswa Selangor | Program Pembangunan Gugusan | Majlis Konsultasi Akademia-Industri Selangor |
| Program Pembangunan and Penyelidikan Selangor | Pemerkasaan Institusi Pengajian Tinggi di bawah Kerajaan Negeri | |

Source: UPEN SELANGOR, MIDFR

**Table 8: Six Focus Areas under Theme 3: Sustainability**

| Key Projects, Programmes, Initiatives | | |
|---|---|---|
| **Focus Area: Resilience and Disaster Management** | | |
| Smart Selangor C5i Operations Centre (SSOC) | Disaster Management Action Plan development | Implementing flood mitigation infrastructure projects immediately |
| Adopting nature-based solution projects for disaster mitigation | Skuad Pantas Selangor | Reassessment of existing drainage systems and catchment areas |
| Disaster Preparedness and Awareness Programme | | |

| Key Projects, Programmes, Initiatives | | |
|---|---|---|
| **Focus Area: Water Management** | | |
| Selangor Maritime Gateway (SMG) - Klang river cleaning and rehabilitation | Digitalisation of Water Resource Monitoring | Development of new water supply schemes and water treatment plants |
| Enhancements of regulation and enforcement capacity | Friends of River Selangor | Implementation of Polluter Pay Principle and Zero Discharge Policy |
| Non-Revenue Water (NRW) reduction programme | Promote water efficiency programme at residential, industrial, and commercial premises | Holistic integrated water resource management study for long-term water security with regards to climate change |
| **Focus Area: Low Carbon State** | | |
| Developing GHG inventory and low carbon cities capacity building for every local authority | Net-zero cities Selangor 2050 | Adoption of the national Low Carbon Mobility Blueprint for statewide implementation |
| **Focus Area: Waste Management** | | |
| Development of Integrated Solid Waste Management Centre (ISWMC) with a Waste-to- Energy (WTE) treatment plant | Developing Materials Recovery Facilities (MRF) in every district | Developing a waste management blueprint for Selangor |
| Prioritise efforts on separation at source and 3R (reduce, reuse, recycle) programmes | Centralise and coordinate scheduled, industrial, and commercial waste collection | |
| **Focus Area: Biodiversity and Natural Resources** | | |
| Leveraging on existing voluntary carbon market standards for Selangor's natural resources | Gazettement of environmentally sensitive areas for government land according to its type | Control development on peatlands subject to its terms and conditions set by State and local authorities |
| Prevent intrusive activities in water catchment forest areas | Maintenance of at least 30% permanent forest reserve areas of total State land | Selangor Central Forest Spine (CFS) Management Plan 2020 -2029 |
| Selangor State Park Development Master Plan | Emphasise sustainable development principles through a green technology approach | Enhancing urban biodiversity through the development of urban green spaces |

Source: UPEN SELANGOR, MIDFR

## EQUITY

## TRANSPORTATION.....Maintain NEUTRAL

### AVIATION

**Selangor International Aero Park to be the game-changing project.** While there are measures in place as part of RS1 to spur tourism activities in the wake of the pandemic, these efforts may only have a marginal impact on the aviation players that we cover. However, the state's plan to develop an 809-hectare land into a dedicated aerospace industrial park called the Selangor International Aero Park (SAP) is a promising development. We understand that the park will be designed as a free trade zone, catering to activities such as maintenance, repair, and overhaul (MRO), engines and aero manufacturing, warehousing, as well as training, research, and development. State-of-the-art hangars, office complexes, test bed facilities, and bonded warehouses will be included in the development, along with direct access to existing runways. While details are still scarce, this news is encouraging for the sector, as there is increasing demand from existing and new industry players to set up their APAC regional operations in Selangor. It already hosts 63% of the aerospace companies and aerospace-related companies in the country.

### PORT AND LOGISTICS

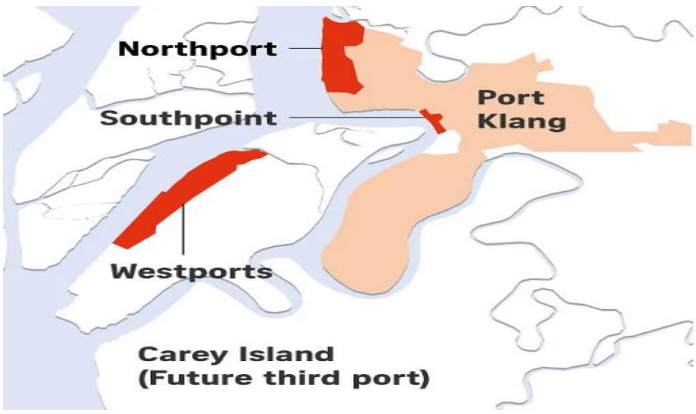
**Building the third mega port in Port Klang.** The port and logistics sector in Malaysia is set to experience significant growth, with nine exciting projects, programmes and initiatives (PPIs) identified to drive its development. Among these, the standout project is Carey Selangor, a proposed 6,000-hectare Special Economic Zone (SEZ) development in Pulau Carey that promises a mix of industrial, commercial, logistics, port, and leisure facilities. The jewel in the crown of Carey Selangor will be Port Klang's third major port, boasting an impressive 16km of total wharf length and the capacity to handle 35.5m TEUs of containers, 23.9m tonnes of dry bulk, and 15.5m tonnes of liquid bulk. The port development on Carey Island will take place over four phases, with the preliminary preparations expected to be completed by 2025, and the full project spanning a total of 35 years. While Port Klang Authority (PKA) has yet to finalise the partners or operators for the project, several potential players have been identified for the joint development.

**Table 25: Carey Island Port Development**

| Period | Target |
|---|---|
| 2025-2030 (Phase 1A) | Conventional berths. |
| 2030-2040 (Phase 1B) | ~10.0m TEUs of container facilities. |
| 2040-2050 (Phase 2) | Additional ~10.0m TEUs of container facilities. |
| 2050-2060 (Phase 3) | Additional ~10.0m TEUs of container facilities. |

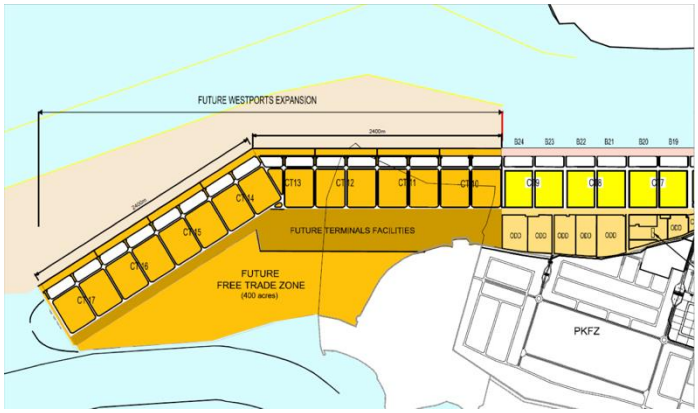
*Source: Port Klang Authority, MIDFR*

**Chart 26: Location of Carey Island Port**




*Source: Straits Times Graphics*

**Chart 27: Westports 2 Expansion Plan**




*Source: Westports*

**Competition with the existing port operators.** The plan to build Carey Island Port is a strategic move aimed at complementing the operations of Westports and Northport, rather than competing with them. Westports, which is operated

by **Westports Holdings Berhad (NEUTRAL, TP: RM3.90),** has an annual capacity of 14.0m TEUs and dominates the container business in Port Klang with a market share of over 75%. Northport, on the other hand, has an annual capacity of 5.6m TEUs and has a limited room for expansion due to its size. Westports has planned a significant expansion that includes the development of 8 new container terminals, which will double its terminal handling capacity to 28.0m TEUs by 2040. Although the award of the concession for the Westports 2 expansion is still pending approval from the relevant authorities, it is expected to make headway in 2HCY23. At the early stage (Phase 1), the third port will focus more on conventional cargoes and the idea is for the additional container port capacity from Carey Island to be phased in gradually as the Westports 2 expansion reaches optimal capacity.

**Other initiatives.** There are several other initiatives that have been identified to support and catalyse shipping and logistics activities in Selangor. These include: (i) the designation of Pulau Indah as a Free Trade Zone, (ii) the development of industry parks at Port Klang, Pulau Indah and Rantau Panjang, (iii) the adoption of digital technologies and IR4.0 at Selangor ports, and (iv) the development of the Serendah Logistics Hub. The state government is also looking to promote the Port Klang Cruise Terminal (PKCT), of which Westports has a 50% ownership interest in following its acquisition in Sep-21, as a prime destination for luxury cruise ships. PKCT currently has the infrastructure and handling facilities to accommodate large passenger cruise liners of up to 8,000 passengers at a time. Discussions with the Ministry of Transport are ongoing to extend the wharves at PKCT to allow more ships to call at its terminal, and the business plan for PKCT is expected to be completed in 3QCY23 at the earliest, according to the management.

**Beneficiaries of the port expansion.** Overall, we are positive on the measures outlined by the state government to further develop the port and logistics sector. Singapore has embarked on the plan to gradually consolidate its port operations at Tuas Port by 2040, which will almost double the country's annual capacity to 65.0m TEUs. The first phase is expected to come on stream in 2027. The additional capacity in Port Klang is viewed as necessary to meet rising demand attributed to the expansion of industrial hubs in Selangor and neighbouring states as well as to avoid losing any more market share as global shipping alliances shift operations to Singapore. We have a **NEUTRAL** call on **Westports (TP: RM3.90)** as the demand for transshipment cargoes have been subdued on the back of moderating global consumer demand. The finalisation of the concession agreement for Westports 2 remains a key catalyst. We believe **Suria Capital Holdings Berhad (BUY, TP: RM1.30)** is in a better position to weather these macro headwinds on the back of: (i) stable production of palm oil and crude oil in the state and (ii) growing construction activities for the mega foreign investment projects in Kota Kinabalu Industrial Park (KKIP). For the logistics sector, we believe **Swift Haulage Berhad (BUY, TP: RM0.90)** is well positioned to benefit from higher port throughput as it is a dominant player in the container haulage business (9% market share) with sizeable presence in Port Klang. Apart from that, it has large in-house assets which allows it to fetch superior profit margins and its performance is insulated from the volatility of market freight rates.

## CONSTRUCTION.....Maintain NEUTRAL

**Strategic approach.** The five-year RS-1 serves as the guiding beacon for Selangor's development in its vision to become a smart, liveable and prosperous state. Unlike most state or township development plans, the development of Selangor has to take on a more strategic approach, to ensure the sustainability and effectiveness of such initiatives. As explained by the YAB Menteri Besar, the challenge for Selangor is that it is a 70% brownfield instead of greenfield, the latter a situation which would allow new regional development areas to be set up from scratch. Therefore, in the case of the RS-1, the developments are broken down into sector-focussed and geographic-focussed.

**Table 9: Construction-related Developments in RS-1**

| Plans | Timeline | Remarks |
|---|---|---|
| **Carey Selangor** | **2025-2060** | Dubbed one of the game-changing projects for Selangor, this is a proposed Special Economic Zone Development in Carey Island comprising 6,000ha focussing on manufacturing, sea port and logistics and distribution hub |

| Plans | Timeline | Remarks |
|---|---|---|
| **Westports 2 expansion** | **MOT expected to finalise concession in 2H23** | This is an expansion of the port infrastructure to double the current port capacity from 14m TEUs to 28m TEUs |
| **Pulau Indah Free Trade Zone** | **Not stated** | One-stop free trade zone for build, lease, maintain and transfer scheme |
| **Maritime and High-Tech Industry Parks** | **Not stated** | There are plans for developing industry Parks at Port Klang, Pulau Indah and Rantau Panjang |
| **Serendah Logistics Hub** | **Not stated** | The state plans to make Serendah a logistics hub, concurrent with the ECRL development which will pass through Serendah |
| **Selangor Maritime University** | **Not stated** | Establishment and development of a world-class maritme university |
| **Selangor International Aero Park (SAP)** | **2023-2033** | Another game changer project, this is a JV development between MBI Selangor and Selangor Aviation & Technology Innovation Sdn Bhd (SELATI) for the first aerospace park in Sepang |
| **Selangor Drone Centre of Excellence (SDEC)** | **Not stated** | SELATI has been mandated to develop the SDEC in Bestari Jaya, with 40km of testing space |
| **Bernam River Airfield** | **Not stated** | There is a proposed establishment of a small airfield in Bernam to cater for small and private jets |
| **Development of new water supply schemes and water treatment plants** | **Various** | These are the planned developments, construction and commissioning of seven new water supply schemes and water treatment plants to increase water capacity |
| **Integrated Development Region in South Selangor (IDRISS)** | **Ongoing (launched on March 15, 2023)** | This is an integrated private investment development in Sepang and Kuala Langat with a size of 40,000 acres and a GDV of RM1 trillion |
| **Sungai Rasau Water Supply Scheme** | **2022-2028** | The project is to identify new water sources to ensure that 8.4 million consumers continue to have access to clean water while also acting as a flood mitigation system. This plant will also increase the water reserve margin in Selangor by 10%. Our top construction pick **Gamuda (BUY, TP: RM5.04)** won one of the main packages last year, with a contract value of RM1.97b |
| **Pulau Indah Power Plant (PIPP)** | **2021-2024** | The RM3.3b PIPP is a 1,200 MW power plant featuring a natural gas-powered combined cycle gas turbine, being developed by PIPP Sdn Bhd, a consortium of Worldwide Holdings Bhd, which is wholly-owned by PKNS and Korea Electric Power Corporation (25%) |
| **Shah Alam Sports Complex Development** | **2022-2026** | The development of the Shah Alam Sports Complex will be undertaken by **MRCB (BUY, TP: RM0.40)** with an aim to make it a vibrant and sustainbale stadium, fitted with the latest technological features |

Source: UPEN SELANGOR, MIDFR

**Maintain POSITIVE.** The various development plans by the state government augurs well for the construction sector, which is expected to benefit both small and large-sized contractors, providing them with job flows over the foreseeable medium term. Selangor has always been the main driver of Malaysia's construction sector with the highest value of work

done annually and we expect the RS-1 initiatives to continue propelling Selangor as the forefront contributor of the construction sector and ultimately, the country's economic growth. Recall that in 2022, the value of construction work done was RM28.37b, or 23.3% of the work done nationwide, which was RM121.89b. This was a slight improvement over 2021, with RM27.83b of work done, or 24.9% of the total work done nationwide at RM111.98b. We maintain our **POSITIVE** view on the construction sector and our top picks are **Gamuda (BUY, TP: RM5.04)**, **Sunway Construction (BUY, TP: RM2.00)** and **IJM Corp (BUY, TP: RM1.90)**.

## PROPERTY.....Maintain NEUTRAL

**Three main issues in affordable housing in Selangor.** The affordable housing in Selangor faces three main issues. Firstly, there is a mismatch between supply and demand for the size and type of house. According to Rancangan Selangor Pertama (RS-1) report, a survey conducted showed that buyers preferred properties which were 1,000 to 1,500 square feet and non-strata properties as strata properties is associated with additional maintenance. Currently majority of units under affordable housing programmes by Selangor are strata units below 1,000 square feet in size. Secondly, location of affordable housing units is the issue faces by the current affordable housing programme. Some affordable housing projects were unsold due to the non-strategic locations of the projects. Thirdly, difficulty in obtaining financing is the issues face by affordable housing in Selangor. Many low-income applicants who successfully qualify for affordable homes in Selangor are unable to secure financing to purchase their homes due to non-steady income.

**Strategies to address issues.** Under Rancangan Selangor Pertama (RS-1), new strategy has outlined to explore new models for affordable housing. The strategy is focused on providing affordable housing which addresses connectivity and size of affordable housing units through enhancements and improvements of existing affordable housing policies. Besides, new strategy has also outlined for expansion of home rental and repair programmes. This is to address the needs of those who do not qualify for home financing. This will be done through implementation of rent-to-own scheme and expanding the existing home repair schemes in Selangor.

**Table 10: Six Projects, Programmes, and Initiatives (PPI) under affordable housing**

| Key Projects, Programs, Initiatives | Brief Explanation |
|---|---|
| **Rumah Selangorku Programmes; Rumah IDAMAN, and Harapan** | Affordable housing policy in Selangor requiring developers to construct 60,000 affordable housing units by 2025 focusing on Rumah IDAMAN and Harapan with a minimum built of 1,000 sq ft |
| **Skim Smart Sewa and SkimSmart Sewa to Ownership (2STAY)** | Affordable rental programme for maximum of 5 years renting period with the option to transition to a rent-to-own scheme. Tenants are eligible for a 30% rebate of their total rent payment. |
| **Post-COVID-19 Affordable Home Construction Incentives** | Waiving of development fees (RM500) for all affordable housing projects in Selangor until 2023 and reduction of land premium deposit from 150% to 100% for Selangor |
| **Skim Ceria Home Repair Programme** | Provide home repair assistance to fix low-cost housing and Rumah Selangorku properties |
| **Program Bina Baru dan Baikpulih Rumah Kerajaan Prihatin** | Provide home repair for B40 homeowners living in a property which is considered 'not suitable for occupancy' |
| **Repair of homes in Orang Asli villages** | Improving the living standards of Orang Asli communities by repairing dilapidated homes |

Source: UPEN SELANGOR, MIDFR

**Improve house ownership in Selangor.** As Selangor house prices increased in the past few years, housing affordability issues have become pertinent. The six PPI under affordable housing are positive to the property sector as it will help to increase the rate of home ownership. Besides, the focus of building a bigger size affordable home with minimum built of

1,000 sq ft would help to improve quality of living of people. As for property developers that offered affordable house under Rumah Selangorku Programmes, Rumah IDAMAN, and Harapan as part of the requirement for project development in Selangor, their involvement in affordable housing development help to increase reputation. On another note, the waiving of development fees (RM500) for all affordable housing projects in Selangor until 2023 and reduction of land premium deposit from 150% to 100% for Selangor are expected to ease burden of rising cost of developers slightly.

**Maintain NEUTRAL on property sector.** In a nutshell, the strategies outlined under Rancangan Selangor Pertama (RS-1) help to improve vibrancy of property sector as it addresses the housing affordability issue. Meanwhile, we maintain our **NEUTRAL** view on the property sector. We see that properties in the mid-market and affordable segment will continue to see resilient buying interest from property buyers as buyers look for properties that they could afford amid normalizing interest rate environment. Hence, we continue to favour companies which focus on affordable price range, namely **Mah Sing Group (BUY, TP: RM0.75)** and **Glomac Berhad (BUY, TP: RM0.43)** due to their high exposure to mid-market and affordable homes segments.

## TELECOMMUNICATION.....Maintain NEUTRAL

**Jalur Lebar Industri Selangor (JALIN) project.** The Jalur Lebar Industri Selangor (JALIN) initiative in Selangor aims to enhance telecommunications infrastructure and internet facilities in industrial areas to promote advanced technologies adoption and attract high-tech manufacturing investments. Led by SMARTSEL Sdn Bhd in partnership with Menteri Besar Selangor Pemerbadanan (MBI) and Invest Selangor, the initiative targets to improve connectivity for 20% of all industrial parks in Selangor by 2025. This is expected to boost foreign and domestic investments, solidifying Selangor's position as a preferred investment destination. We think the JALIN initiative aligns with Malaysia's recognition of the internet as a third utility and supports Selangor's goal of becoming a technology-driven and investment-friendly state.

**Smart Selangor C5i Operations Centre (SSOC).** The Smart Selangor C5i Operations Centre (SSOC) is a state-of-the-art facility that offers key stakeholders from Selangor state access to advanced capabilities. The SSOC serves as a central hub for monitoring disaster incidents, allowing for quick response and efficient management during emergencies. Moreover, it consolidates live analytics data from various Smart Selangor applications, providing a comprehensive overview of critical information. This enables decision-makers to make informed choices based on real-time data, enhancing situational awareness and response effectiveness. The SSOC empowers Selangor's stakeholders with advanced tools and technologies to proactively address disaster incidents and leverage data-driven insights for effective decision-making.

**Maintain NEUTRAL.** While the Selangor initiative paints an encouraging outlook to our sector, we maintain **NEUTRAL** on telco sector until there is greater clarity on the implementation of 5G. We like fixed segment, **TM (BUY, TP:RM6.60)**, due to its potential for revenue growth driven by demand for fibre broadband, data centres, and cloud services, alongside less competitive pressures. Despite recent reductions in fibre broadband prices, we expect earnings impact to be manageable as the cuts were lower than initially proposed by regulators and downtrading may be limited. The subdued share prices of fixed telco players may have already factored in these challenges. However, we remain cautious until there is further clarity on commercial agreements between fibre access providers and seekers.

## TECHNOLOGY.....Maintain POSITIVE

**E&E in Selangor.** Malaysia ranks ninth globally and third among ASEAN nations in electrical and electronics (E&E) product exports, with a significant presence in the semiconductor market. Despite the pandemic's economic impact, the semiconductor industry has shown resilience. However, many E&E companies in Malaysia focus on the low-end value chain and face challenges in improving capabilities. In contrast, Selangor has a robust E&E value chain, ranking second in national E&E production after Penang in 2019 and contributing RM25.1b or 28.5% of the national E&E GDP. Selangor also received the second-highest Foreign Direct Investment (FDI) in Malaysia's manufacturing sector, with RM10.4b in 2019.

**Amazon Web Services Smart Selangor Cloud Accelerator Learning Programme (SCALE).** The Smart Selangor Cloud Accelerator for Enterprises (SCALE) is a free 10-month program aimed at promoting cloud adoption among local businesses in Selangor. Led by Smart Selangor, it offers mentorship from industry experts, pitching opportunities for co-

innovation, and exclusive access to cutting-edge technologies and Amazon Web Services (AWS) credits. Graduates with impactful innovations may also receive state support to monetize their solutions. With a vision of delivering innovative solutions for the benefit of Selangor citizens, SCALE has the potential to drive Selangor towards becoming a thriving Smart State in ASEAN by 2025.

**Selangor Government Data Exchange (SELGDX).** The Selangor Government Data Exchange (SelGDX) platform, a collaborative effort between Selangor state government and TM, seeks to optimize inter-departmental data sharing, eliminating delays and minimizing costs. The platform will facilitate access to Land Office data for departments such as the Selangor Zakat Board, enhancing the efficiency of aid verification processes. With RM2.0m allocated in the 2022 Selangor Budget, SelGDX is based on the MyGDX platform developed by Malaysian Administrative Modernization and Management Planning Unit (Mampu) in 2018 and is projected for completion by 1Q2025. The Selangor government is also open to data sharing with Putrajaya to align with the MyDigital initiative. We are positive on this as it allows realization of Selangor's aspiration to be technologically advanced state in ASEAN.

**Malaysian Smart Factory 4.0.** The Selangor Human Resource Development Centre (SHRDC) has introduced the Malaysian Smart Factory (MSF) 4.0 program, which provides competency training for smart factories through a combination of hands-on and online/remote learning methods. Developed in partnership with the Swiss Smart Factory and launched in 2016, the MSF 4.0 program aims to enhance skills and knowledge in the field of smart factory operations. We like the initiative as it addresses the skill gap, in the field of smart factory operations, equipping participants with the necessary competencies to meet the demands of the evolving manufacturing landscape, making it a timely and relevant initiative.

**Maintain POSITIVE in technology sector.** The outlook for Selangor's electrical and electronics (E&E) sector appears promising. With its strategic location, strong infrastructure, and skilled workforce, Selangor continues to attract investments from global E&E players. The state's focus on advanced manufacturing, research and development, and innovation is expected to drive growth in the sector. Additionally, the initiatives are poised to further boost the E&E sector's competitiveness and create new opportunities for businesses. Overall, Selangor's E&E sector is anticipated to thrive, contributing to the state's economic growth and job creation.

## HEALTHCARE.....Maintain POSITIVE

**Priority on aging population.** Selangor state's measures for the Healthcare sector prioritise the wellbeing of the public. In addition to awareness campaigns for healthier communities, through its Slim Selangor and Mental Sihat Selangor Programmes, the state is giving more concentration to the aging population, which is projected to be up by approximately +6% to +11% growth in 30 years. As such, screening and prevention programmes are crucial to the communities with comorbid diseases and the elderly. We believe the SELCAN Selangor Cancer Screening and Selangor Saring Health Screening Programmes are manufactured to provide the essential diagnosis, as well as tapping into the awareness on the importance of early detection, in order to control the onset of NCDs among the people.

**Concentration on low-income groups.** Communicable diseases (CDs) and non-communicable diseases (NCDs) are expected to increase in rate, in tandem with the projected aging population. Hence, CDs and NCDs treatments are expected to remain high in demand. However, healthcare screenings, especially for rare diseases, are not affordable to low-income groups. Selangor's initiatives through Iltizam Selangor Sihat and Bantuan Sihat Selangor Aid Programmes are aimed specifically at the B40 group, with aids in treatment costs and access to private healthcare facilities. Meanwhile, for the M40 and T20 groups, Selangor had initiated campaigns to take up private health insurance. Despite a robust and functional hospital network across the state, nationwide, only 1 in 12 citizens had taken up healthcare insurance. We opine that the financial assistance and the advocacy for healthcare insurance will be a major turnpoint for the healthcare sector in Selangor, as this will not only help the citizens to access better healthcare, but also benefit the providers as well.

**Environmental prevention.** In addition to the initiatives on diseases and treatments, Selangor is also taking preventive measures for controllable diseases through its Kawalan dan Pencegahan Denggi and Prevention of Outbreak at Ignition Sites (POIS) Programmes. Controllable diseases CDs through insects and animals, plants and rocks are often preventable with the right initiatives, treatments, and awareness. Considering that Selangor is a developing state, the happenstances of CDs through the environment is unavoidable, as the source of the CDs are often overlooked. Hence, we believe an orderly

programme to manage and prevent the spreading of diseases is crucial in making sure the wellbeing of the Selangor citizens stays positive.

**Maintain POSITIVE.** Selangor is a primary state where healthcare is a main driver to better management of its other sectors including education, industrials, and construction. Without proper and orderly measures to its Healthcare sector, the prosperity of the state would be jeopardized. We strongly believe Selangor will be able to carry out its healthcare sector, in line with the trend of: (i) increasing prevalence of digital healthcare and blockchain technology for healthcare facilities, (ii) growing aging population which translates to higher rates of CD and NCD cases, and (iii) improving Healthcare research and development for the betterment of treatment methods through better screenings, access and awareness.

Our **TOP PICKS** are **IHH Healthcare (BUY, TP: RM6.91)** and **KPJ Healthcare (BUY, TP:RM1.48)** for the sector. IHH and KPJ are expected to be one of the hospital networks that could leverage their expertise in specialty care, as well as its CDs and NCDs treatments. Their past collaborations with the government, NGOs and social enterprises to reach out to local communities will be a strength that could be utilized under Selangor's Healthcare measures.

The pharmaceutical industry in Malaysia is more prominent in the central region of the Peninsula, especially in Selangor. All six publicly listed pharmaceutical manufacturing companies are based in Selangor. They account for 59% of the market share in Malaysia valued at RM1.7 billion in 2015 (Chart 4.6). Data in 2019 showed households spending an average of RM105.60 per month on healthcare, with RM54 or more than 50% of it being on pharmaceutical products.

## CONSUMER.....Maintain POSITIVE

**High quality job opportunity supports consumer spending in the long term.** Under Theme 1- Economy of RS-1, the Selangor state government targets to implement sector-focused development that could result in the creation of several high-quality jobs with higher wages in Selangor. For instance, the completion of Carey Selangor is expected to create 115k jobs, while Jalur Lebar Industri Selangor (JALIN) anticipates having roughly 20k trained professionals by 2025. The developments are then anticipated to increase demand for skilled workers, resulting in greater employment opportunities and income for the local population. The anticipation of better job markets and income prospects in Selangor will improve consumer disposable income and boost consumer spending. The higher consumer spending is expected to benefit consumer staple-related companies, including F&B producers, and retailers in the long term. That bodes well for sales for retail outlets that are situated in the state of Selangor, including general merchandise retailers like **Aeon Co (BUY, TP: RM1.90)** and convenience stores such as Family Mart under **QL Resources (BUY, TP: RM6.80).**

**Expanding Selangor's Halal market benefits local F&B companies.** Based on RS-1, the state government aspires to position Selangor as a global halal hub to accommodate future global demand for halal products while expanding the state's halal industry. According to the Halal industry master plan 2030, Malaysian Halal market is expected to grow from USD68.4b in 2016 to USD113.2b in 2030 which translates into approximately +4.3% of CAGR. This is consistent with projections that the global halal industry would grow from USD3.1t in 2018 to USD5t by 2030. Additionally, the Department of Statistics Malaysia (DOSM) reported that the export value of halal F&B items from Malaysia increased by +57.8%yoy to RM27.8b in 2022, showing the rising global demand for halal F&B. This was greater than the RM22.0b pre-pandemic level in 2019. As such, the Selangor government established Selangor Halal Hub industrial park in Pulau Indah to draw in investors. Meanwhile, Aspire Flagship Sdn Bhd (a division of Menteri Besar Selangor Incorporated) was also created as part of the Selangor Halal Action Plan ("SHAP") 2021–2031 to grow the halal industry in the state. Overall, we believe that the above-mentioned initiatives could create business opportunities for Selangor's companies, particularly F&B producers, to capitalise on the growing demand for Halal goods and profit from the state government's numerous initiatives and programmes. The potential beneficiary is **F&N (BUY, TP: RM33.50),** which recently acquired Cocoaland to expand into more Halal food as an addition to the already-existing Sri Nova (halal products). The state government's initiatives could also be favourable to **Nestle Malaysia (NEUTRAL, TP: RM139.50),** which presently manufactures more than 500 Halal goods and is the largest Halal manufacturer in the Nestlé global organisation.

**Increase in tourism activities support out-of-home consumption in Selangor.** Under Theme-1 Economy, the RS-1 targets to increase Selangor's tourist arrivals as well as tourist receipts. Shah Alam Contemporary and Modern Art ("SAMA") was launched in 2023 to increase the revenue of Selangor's tourism sector as well as to attract more local and foreign tourists

to the state. Higher tourist arrivals to Selangor will increase out-of-home activities, which will benefit the consumer sector, including F&B and retailers that produce and provide packaged foods, bottled water, and isotonic drinks for consumption outside the home. This will also benefit well-known F&B and poultry producers that could provide a large volume of fresh poultry and F&B products to restaurants and hotels that cater to tourists. Overall, the expansion of out-of-home and tourism activities creates business opportunities for Selangor's F&B producers like **F&N (BUY, TP: RM33.50), Nestle Malaysia (NEUTRAL, TP: RM139.50),** and **Spritzer (BUY, TP: RM2.80).** The steady increase in tourism may also benefit general retailers like **Aeon Co (BUY, TP: RM1.90)** and retailers of convenience stores like family mart under **QL Resources (BUY, TP: RM6.80)** as customers may buy snacks or beverages there. The largest poultry producers in Malaysia with economies of scale such as **Leong Hup International (BUY, TP: RM0.90)** and **QL Resources (BUY, TP: RM6.80),** could also benefit by supplying the restaurant and hotels with a sizable supply of fresh chicken at a competitive price.

**Maintain POSITIVE**. In the long run, the RS-1 will potentially improve consumer spending, business opportunities in the Halal market, and tourism activity in Selangor. As such, we are optimistic that some consumer companies will benefit in the long term from the various initiatives introduced in the RS-1. In a nutshell, we maintain **POSITIVE** on consumer sector due to: (1) a stable labour market that supports domestic consumption, (2) high tourist movement, which supports retail sales and out-of-home consumption, and (3) better margins for F&B producers supported by the lower commodity prices and a stronger MYR. Given the inelastic demand for essential items, we continue to flavour consumer staple-related companies such as **QL Resources (BUY, TP: RM6.80), F&N (BUY, TP: RM33.50),** and **AEON (BUY, TP: RM1.90).**

## PLANTATION.....Maintain NEUTRAL

**Selangor State's performance by far.** Selangor's PO industry has taken a hit last year, dropping from seventh to eighth place (by planted area) in comparison to other states. The planted area has decreased to 106,008 hectares, causing a reduction in both matured and immature areas, which now stand at 96,282 hectares (-4.2%yoy) and 9,726 hectares (-0.3%yoy), respectively. This has resulted in a decline in the FFB collection by mill and CPO output, with only 2.67m tonne and 0.49m tonne produced, respectively. The FFB and Oil Yield have also decreased significantly to 16.74 tonne/ha and 3.16 tonne/ha, respectively, by -12.8%yoy and -14.1%yoy. The reason for this decline is the rising trend of population migration from other states, causing a surge in urbanization in Selangor. To support services and manufacturing, satellite city development has become a necessity. We're seeing this has led to plantation players engaging in land disposal activities, such as the recent SPA signed by Sime Darby Plant. with Sime Darby Property, where about 948.826 acres of agricultural land in Kapar, Klang was disposed of.

However, despite these challenges, Port Klang's proximity enables the local PO industry to continue to embrace innovation and expansion (throughout the expansion of downstream subsegment). The state's CPO & CPKO Processed by Refinery (tonne) managed to increase by +8.8%yoy to 3.76m tonne last year, and Port Klang ranked as the nation's top port for handling tonnage.

**Table 11: Selangor's PO Operational Stats.**

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| **Upstream** | | | |
| **Planted Area (ha)** | **126,525** | **110,250** | **106,008** |
| Growth | | -12.9% | -3.8% |
| State's % of Malaysia | 2.2% | 1.9% | 1.9% |
| **Mature (ha)** | **113,911** | **100,495** | **96,282** |
| Growth | | -11.8% | -4.2% |
| State's % of Malaysia | 2.2% | 2.0% | 1.9% |
| **Immature (ha)** | **12,614** | **9,754** | **9,726** |
| Growth | | -22.7% | -0.3% |
| State's % of Malaysia | 2.0% | 1.6% | 1.8% |
| **FFB Received by Mill (tonne)** | **2,706,805** | **2,759,641** | **2,666,802** |
| Growth % | | 2.0% | -3.4% |

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| State's % of Malaysia | 2.8% | 3.0% | 2.8% |
| **Avg FFB Yield** | **19.15** | **19.20** | **16.74** |
| Growth % | | 0.3% | -12.8% |
| **CPO Production (tonne)** | **509,535** | **522,372** | **498,904** |
| Growth % | | 2.5% | -4.5% |
| State's % of Malaysia | 2.7% | 2.9% | 2.7% |
| **Avg Oil Yield** | **3.67** | **3.68** | **3.16** |
| Growth % | | 0.3% | -14.1% |
| **OER %** | **19.17** | **19.15** | **18.90** |
| Growth % | | -0.1% | -1.3% |
| **Downstream** | | | |
| **CPO & CPKO Processed by Refinery (tonne)** | **3,810,623** | **3,454,489** | **3,757,504** |
| Growth % | | -9.3% | 8.8% |
| State's % of Malaysia | 22.8% | 23.6% | 24.2% |
| **Export of PO by Port Klang** | **910,947** | **3,198,767** | **3,187,566** |
| Growth % | | 251.1% | -0.4% |

Source: MPOB, MIDFR

**Zooming into Rancangan Selangor 1 - Framework**, where 9 of Focus Sectors under Theme-1 Economy were introduced. The state's pledge to intensify 6 small agriculture through projects/programmes/initiatives (PPI) includes Selangor Agriculture Modernisation Program - Phase 1 & Phase 2, Selangor High Value Agriculture Program, Smart Selangor Agro Park and Smart Selangor Agro Farm, Selangor Agri-Tech Accelerator Program, Development of Digital and Connectivity Infrastructure. The six PPIs that were introduced (Table 12) were primarily intended for small farmers or SMEs with the goal of increasing disposal income through the use of new crops and making the work less strenuous through the use of technology, in line with state government ambition.

**Table 12: Selangor's 6 Key PPI**

| Key Projects, Programs, Initiatives | Brief Explanation |
|---|---|
| Selangor Agriculture Modernisation Program - Phase 1 | Promote modernisation of agricultural practices by facilitating UPEN Sektoral the immediate adoption of readily available agri-tech solutions (i.e. Drone, Irrigation Management) among farmers who are currently producing Selangor's key crops (i.e. Coconut, Cassava, Pineapple, Banana, Melon) |
| Selangor Agriculture Modernisation Program - Phase 2 | Promote modernisation of agricultural practices by facilitating the adoption of high technology solutions in agriculture |
| Selangor High Value Agriculture Program | Developing import substitution capabilities by adopting tech solutions and increasing production of high value crops in Selangor (i.e. Melon, Papaya, Maize, Corn) |
| Smart Selangor Agro Park and Smart Selangor Agro Farm | Establishment of agro parks and agro farms that will promote multiple agricultural activities, ranging from R&D activities, to training and capacity development to introduce new crops among farmers |
| Selangor Agri-Tech Accelerator Program | Accelerator programme to promote and facilitate digital entrepreneurship in Selangor by supporting the development of new high technology agritech solutions, leveraging on Sidec |
| Development of Digital and Connectivity Infrastructure | Development of digital and connectivity infrastructure at key agricultural locations to ensure availability of internet coverage which is key to the adoption of high technology agritech solutions |

Source: MPOB, MIDFR

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|---|---|
| **STOCK RECOMMENDATIONS** | |
| BUY | Total return is expected to be >10% over the next 12 months. |
| TRADING BUY | Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow. |
| NEUTRAL | Total return is expected to be between -10% and +10% over the next 12 months. |
| SELL | Total return is expected to be <-10% over the next 12 months. |
| TRADING SELL | Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow. |
| **SECTOR RECOMMENDATIONS** | |
| POSITIVE | The sector is expected to outperform the overall market over the next 12 months. |
| NEUTRAL | The sector is to perform in line with the overall market over the next 12 months. |
| NEGATIVE | The sector is expected to underperform the overall market over the next 12 months. |
| **ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell** | |
| ☆☆☆☆ | Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |
| ☆☆☆ | Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |
| ☆☆ | Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |
| ☆ | Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology