BUDGET 2024

Supporting NIMP2030, NETR and 12MP MTR

MIDF Research Team
research@midf.com.my

EXECUTIVE SUMMARY

1. DOMESTIC ECONOMY

Malaysia's GDP growth set to increase by +4.0~5.0% for 2024. The government of Malaysia foresee the GDP growth to remain above +4.0% for 2024 amid steady expansion in domestic demand and recovery in external trade.

MOF foresees headline inflation to hover between +2.1~3.6% for 2024. Judging from the inflation forecast, we opine the government to opt for a managed-float retail fuel price mechanism rather than a free-float option.

2. PUBLIC SECTOR FINANCE

Fiscal deficit to fall to -4.3% of GDP in 2024. As indicated in the 12MP mid-term review, the government remains committed to continue with fiscal consolidation with the size of fiscal deficit projected to shrink further to -4.3% of GDP in 2024 (2023e: -5%; 2022: -5.6%).

The Federal government debt to GDP to remain below 65%. The government has maintained the statutory debt limit at 65% of GDP in view of the elevated government debt during the pandemic and meeting the target of the 12th Malaysia Plan.

3. MOVING FORWARD

Overall, no major surprises in Budget 2024 at its headline level to materially excite or perturb the equity market. Notably, the proposed amount allocated for gross development expenditure of RM90.0b is well within our expectation.

Potential catalyst for the market. The proposed implementation of capital gains tax (CGT) at 10% starting 1 March 2024 on the disposal of non-listed shares with possible exemption for initial public offering (IPO) may attract more listings on the equity market. Besides, the proposed tax exemption on income from Islamic Securities Selling and Buying (ISBB) would raise the volume and liquidity in the equity market. We reckon the CGT as well as tax exemption on income from ISBB could act as catalysts to reinvigorate the local Bursa Malaysia equity market.

The external sector will hold more sway. However, going forward, we expect external factors namely US economic data and interest rate outlook to continue driving equity market sentiment. In this regard, we believe investors are beginning to look beyond the possibility of a final US Fed hike this year and taking more heed of the favorable growth and inflation outlook into next year.

Maintain year-end FBM KLCI target of 1,540. In view of the Budget 2024 meeting our broad expectation, we therefore maintain our **FBM KLCI end-2023 target at 1,540 points** or PER23 of 15.4x. Similarly, we maintain our **FBM70 end-2023 target at 14,500 points** or PER23 of 19.2x

A. ECONOMIC COMMENTARY AND ANALYSIS

Malaysia's GDP growth set to increase by +4.0~5.0% for 2024. The government of Malaysia foresee the GDP growth to remain above +4.0% for 2024 amid steady expansion in domestic demand and recovery in external trade. Domestic demand including expansionary fiscal policy is projected to continue supporting the economic growth. The government project faster pace in both private and public expenditures for 2024. For instance, private consumption is forecasted to grow slightly better from +5.6% in 2023 and +5.7% in 2024. Similarly, public consumption to increase by +2.6% as compared to +1.0% in 2023.

External trade back to expansionary next year. The World Trade Organization (WTO) in its latest forecast update halved +1.7% to +0.8% global trade in goods for 2023. WTO opined that global trade would bounce back in 2024, keeping its forecast target at +3.3%. We expect Malaysia's external trade to stabilize and regain its momentum in 4QCY23 onwards. Both exports and imports growth to return to positive territory in 4QCY23 with better recovery in China, positive sentiments over stabilizing monetary policy in major economies and persistently elevated commodity prices. The government expect the external trade momentum to turn better in 2024, predicting real exports and imports to expand by +4.1% and +3.9%, respectively. In fact, the government highlight the upcycle trend of E&E and projecting the E&E exports to rebound from +0.1% in 2023 to +4.9% in 2024. In the long-run, Malaysia's external trade sector to benefit from the ratifications of the RCEP and CPTPP in 2022 as well as expanded capacity from increased FDIs into the country.

Domestic demand continues to anchor growth. As domestic economic recovery continues, Malaysia's services sector is expected to increase steadily by +5.6% in 2024. Continuous recovery in labour market, improving income growth and better of tourism activities will fuel private consumption and overall domestic demand. As for tourism activities, the liberalisation plan of visa which includes "Multiple Entry Visa" will encourage the arrival of China and India's tourists. The government highlight that Sumbangan Tunai Rahmah (STR) cash aid minimum payment to be raised by almost +20% from RM3,100 to RM3,700. Also, the new minimum STR for single is RM500, +42.9% higher than previous payment RM350. The STR program will benefit 9 million persons or 60% of adult population. On top of that, the government to provide one-off incentive payment for civil servants and pensioners, ranging from RM1,000 to RM2,000. These payments to be transferred in Feb-24 to Apr-24.

Upbeat private and public investment expenditures. Private investment is projected to pick-up strongly by +5.4% in 2024 as Malaysia continues to benefit from expanding global demand, elevated commodity prices and stable domestic politics. Also, public investment growth rate to maintain above +8.0%, among others attributed by NIMP 2030 and NETR fiscal injection. We believe the NIMP 2030 investment is related to expansion of semiconductor supply chain especially in exploring the high-end segments; (i) IC Design and (ii) Wafer Fabrication. Apart from that, continuous buoyant commodity prices will keep fuelling investment activity in mining and agriculture sectors in particular.

Development expenditure above RM90b, more works for construction. Construction sector is projected to grow stronger by +6.8% among others attributed by public infrastructure projects such 33 flood barrier, build & road upgrades in villages, health facilities upgrade, water supply, Pan-Borneo Highway, Central Spine Road, Sarawak-Sabah Link Road (SSLR) Phase 2, LRT3, Penang LRT and 5G roll-out & coverage. In addition, affordable house residential projects will add additional boost to the construction sector.

Brent oil price forecast USD85pbd, CPO RM4,000~4,500 per tonne for 2024. The government seen optimistic on the commodity prices outlook. Apart from the elevated levels, the government view higher output from palm oil amid minimal impact from El Nino and better labour supply. Agriculture sector is expected to expand by +1.2%. As for mining sector, the government foresee the sector to grow higher by +2.7% next year underpin by more natural gas production especially from new and current gas fields.

Stronger labour market as jobless rate forecasted at 3.4% for 2024. Following promising growth prospects, Malaysia's labour market to remain in full-employment condition. Jobless rate is projected to trend slightly lower of 3.4% in 2024 (2023: 3.5%). Even though still higher than 2019's unemployment rate 3.3%, the government expect post-pandemic recovery momentum to sustain and further expansion of all economic sectors. The government expect higher return of low-skilled foreign workers and expatriates in 2024. On top of that, the government remain committed to improve productivity via automation and digitalisation. Multi-tiered levy system implementation to be expedited as to encourage more local employment and reduce dependency on foreign workers.

Table 1: GDP by Expenditure and Sector (YoY%)

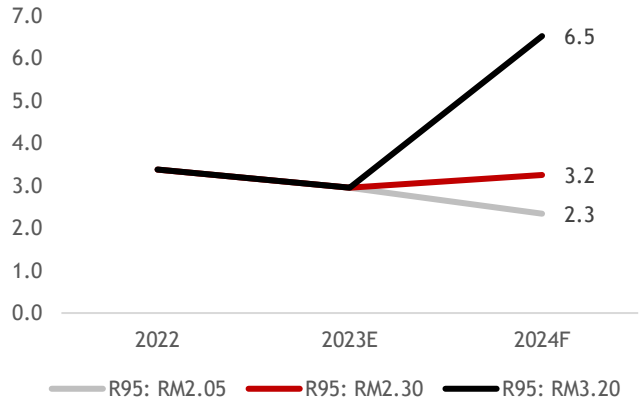
	2022	2023[f]	2024[f]
Real GDP	8.7	4.0	4.0~5.0
By Expenditure			
Private Consumption	11.2	5.6	5.7
Private Investment	7.2	4.3	5.4
Public Consumption	4.5	1.0	2.6

	2022	2023[f]	2024[f]
Public Investment	5.3	8.2	8.3
Real Exports	14.5	(6.2)	4.1
Real Imports	15.9	(6.8)	3.9
By Sector			
Agriculture	0.1	0.6	1.2
Mining	2.6	(0.8)	2.7
Manufacturing	5.0	1.4	4.2
Construction	8.1	6.3	6.8
Services	10.9	5.5	5.6

Source: MOF; MIDFR

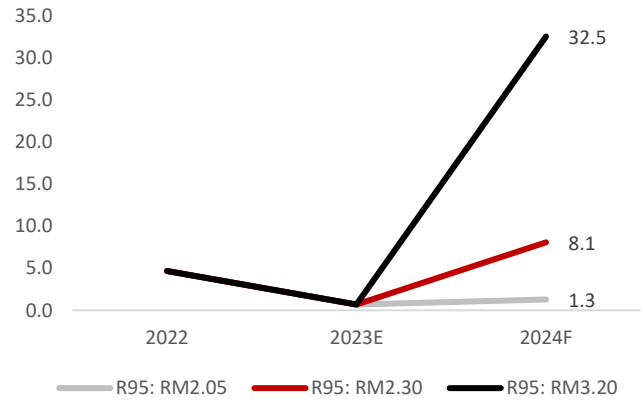
MOF foresee headline inflation to hover between +2.1~3.6% for 2024. Judging from the inflation forecast, we opine the government to opt for a managed-float retail fuel price mechanism rather than a free-float option. This is referring to RON95 and Diesel prices. Using the MOF's assumption on Brent oil price forecast USD85pbd for 2024, RON95 price is estimated at RM3.20 per litre. If the government were to opt for the free-float fuel price mechanism, we should expect overall inflationary pressure to surge by +6.5% and transport inflation rate at +32.5% for 2024. On a flip side, inflation rate to average lower at +2.3% if current fuel subsidy mechanism is maintained. Henceforth, we are confident that the government will opt for the managed-float retail fuel price mechanism by raising the RON95 price from RM2.05 to RM2.30 per litre. Under this scenario, overall inflationary pressure to rise by +3.2% which is in line with the range set by the government of Malaysia. We opine this managed-float price mechanism is a balanced and fair approach by reducing fiscal burden while ensuring a sustainable domestic demand. With inflation rate below +3.5%, this will keep Malaysia's real wage growth on positive territory since average nominal growth rate at +5~6% per annum.

Chart 1: Headline Inflation Rate (%)



Source: DOSM, MIDFR

Chart 2: Transport Inflation Rate (%)



Source: DOSM, MIDFR

Fiscal deficit to fall to -4.3% of GDP in 2024. As indicated in the 12MP mid-term review, the government remains committed to continue with fiscal consolidation with the size of fiscal deficit projected to shrink further to -4.3% of GDP in 2024 (2023e: -5%; 2022: -5.6%). Compared to our estimate for the deficit to drop towards -4.5% to -4.8% of GDP, the Federal Government's projection looks more optimistic. Based on the updated Medium-Term Fiscal Framework (MTFF), the government's initiatives to strengthen its fiscal position (through measures such as shift towards targeted subsidies and widening of the tax base to improve fiscal collection) will further reduce the ratio of fiscal deficit to the economy towards -3.5% in 2024-2026. Looking at the MTFF target, we opine the consolidation progress is more optimistic than our projection because the targeted -3.5% of GDP can be achieved assuming the ratio will shrink further from -4.3% in 2024 to nearly -3.0% in the following 2 years. In other words, in addition to the targeted subsidy, this will require introduction of tax reforms (such as re-introduction of GST or VAT) that will sustainably increase fiscal revenue and effectively reduce fiscal deficits.

Table 2: Government Finance 2022-2024

	RM Billion			YoY%		
	2022	2023[p]	2024[f]	2022	2023[p]	2024[f]
Revenue	294.4	303.2	307.6	25.9	3.0	1.5
Operating Expenditure	292.7	300.1	303.8	26.4	2.5	1.2
Current Balance	1.7	3.1	3.8	-	-	-
Development Expenditure	71.6	97.0	90.0	10.9	37.2	(7.4)
Covid-19 Fund	31.0	-	-	(17.9)	-	-
Overall Balance	(99.5)	(93.2)	(85.4)	0.8	(6.3)	(8.4)
Overall Balance as % of GDP	(5.6)	(5.0)	(4.3)			

Source: MOF; MIDFR

Direct tax is expected to record strong gains. On the domestic economy's resilience, direct tax is expected to rise by +6.9% to RM185.0b in 2024. The robust growth is foreseen to be supported by continuous corporate profitability, a stable labour market and sustained wage growth. Companies income tax (CITA) will remain the largest direct tax component, expected to increase by +8.1% to RM106.4b, making up 34.6% (2023[p]: 32.5%) of total revenue. Overall, the direct tax is to make up 60.1% (2023[p]: 57.0%) of total revenue.

Wider source of tax revenue through the introduction of capital gains tax and luxury goods tax. The government's sources for indirect tax revenue broaden through the introduction of 10% capital gains tax for disposal of shares of non-listed companies and 5%-10% tax on luxury goods items in 2024. However, the tax on luxury goods will exempt foreigners to ensure the tourism industry remains supported. The service tax (ST) will also be expanded to include logistics, brokerages, underwriting and karaoke services, further widening the tax income streams. The ST will also be increased from 6% to 8% with the exception of F&B and telecommunications so as not to burden the lower income group. The higher ST is expected to increase indirect tax by +4.7% to RM58.6b, accounting for 19.1% (2023[p]: 18.5%) of total revenue.

Non-tax revenue to decline on lower investment income receipts. Revenue flow from investment income is foreseen to decline by -16.9% to RM39.7b in 2024. For 2023, investment income is estimated to be -17.9% lower as compared to last year as the dividend from PETRONAS is expected to fall to RM40.0b (2022: RM50.0b) and BNM at RM2.75b (2022: RM5.0b). Collection in 2023 also saw revenue composition that is reflective of the government's effort to reduce the reliance on oil revenue. Share of petroleum-related revenue is expected to make up a lower 23.0% (2022: 28.0%) of total revenue in 2023 on lower crude oil prices. The fall in petroleum-related revenue, however, is expected to be well cushioned by an increase in other sources of revenue. The government is expected to strengthen its non-tax revenue further by implementing the recommendations from the tax reform initiative.

Table 3: Federal Government Revenue 2022-2024

	RM Billion			YoY%		
	2022	2023[p]	2024[f]	2022	2023[p]	2024[f]
Tax Revenue	**208.8**	**229.0**	**243.6**	**20.2**	**9.7**	**6.4**
Direct Tax	153.5	173.0	185.0	18.0	12.7	6.9
Corp. Income Tax	82.1	98.4	106.4	2.9	19.8	8.1
Personal Income Tax	33.8	39.7	42.5	24.9	17.6	6.9
Petroleum Income Tax	23.4	20.5	21.8	102.4	(12.4)	6.0
Indirect Tax	55.3	56.0	58.6	26.8	1.3	4.7
Non-tax Revenue	**85.6**	**74.2**	**64.0**	**42.5**	**(13.3)**	**(13.8)**
Total Revenue	**294.4**	**303.2**	**307.6**	**25.9**	**3.0**	**1.5**
Total revenue as % of GDP	16.4	16.4	15.6	-	-	-

Note: [f] revenue in 2023 excludes Budget 2023 measures
Source: MOF; MIDFR

OE will grow despite smaller budget for subsidies. The government estimated that Operating Expenditures (OE) will increase further by +1.2% to RM303.8b next year. Although spending for subsidies & social assistance is expected to drop -17.9% to RM52.8b with the start of the targeted subsidy, the main contributor to the higher OE next year will come from higher emoluments (projected growth: +4.8%; share: 31.5% of total OE). Other components like debt service charges (projected growth: +8%) and supplies & services (projected growth: +11.8%) also add to the 2024 OE growth. It is not surprising to see the fiscal spending on debt services charges increased further, becoming a larger portion in OE which is estimated to account 16.4% of total OE next year (2023: 15.4% of OE; 2022: 14.1% of OE). It is as an opportunity cost which eats up a larger portion of the government's fiscal space, limiting the government's ability to support other more productive spending plans.

Still large RM90b allocation for DE. As expected, the budget allocation for Development Expenditures (DE) remains large at RM90b, as mentioned during the Mid-term Review of 12th Malaysia Plan (12MP). The large DE allocation, despite estimated to be -0.8% less than 2023, will ensure the government spending will support economic growth next year, which will entail financing the infrastructure projects under 12MP such as Pan Borneo Highway, Central Spine Road and RTS Link in Johor Bahru. Moreover, the government will continue to spend to develop and improve the digital infrastructure in the country as outlined under Jendela. Given the multiplier effect to the economy, we expect the government to push for better connectivity that will provide a more vibrant business environment and make Malaysia an interactive investment destination. However, because of the large DE, this will add to government debts next year by more or less the same amount as almost all of DE will be financed through government borrowings.

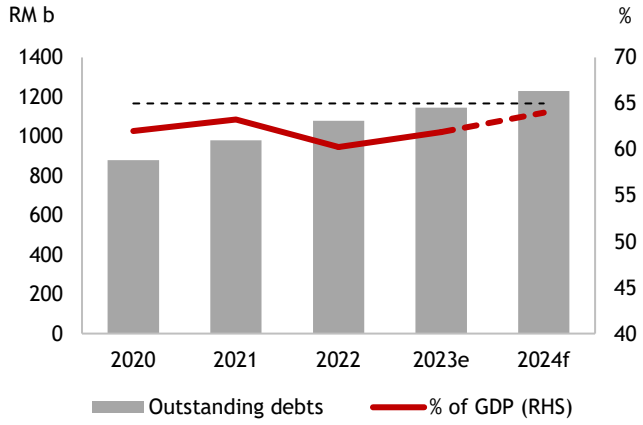
Table 4: Federal Government Expenditures 2022-2024

	RM Billion			YoY%		
	2022	**2023e**	**2024f**	**2022**	**2023e**	**2024f**
Operating Expenditures (OE)	**292.7**	**300.1**	**303.8**	**26.4**	**2.5**	**1.2**
Emoluments	87.8	91.3	95.6	2.3	4.0	4.8
Retirement charges	31.4	32.1	32.4	7.9	2.2	1.1
Debt service charges	41.3	46.1	49.8	8.4	11.7	8.0
Supplies & services	34.7	34.0	38.0	39.2	(2.0)	11.8
Subsidies & social assistance	67.4	64.2	52.8	192.3	(4.6)	(17.9)
Development Expenditures (DE)	**71.6**	**97.0**	**90.0**	**11.4**	**35.5**	**(7.2)**
Economic	39.1	55.0	45.2	27.0	40.7	(17.8)
Transport	16.6	17.6	19.1	5.0	6.1	8.9
Social	21.1	26.5	28.3	12.0	25.6	6.7
Security	8.2	11.5	12.6	6.1	40.3	9.0
Total Expenditures (OE+DE)	**364.3**	**397.1**	**393.8**	**23.2**	**9.0**	**(0.8)**
Total expenditures as % of GDP	20.3	21.5	19.9	-	-	-

Source: MOF; MIDFR

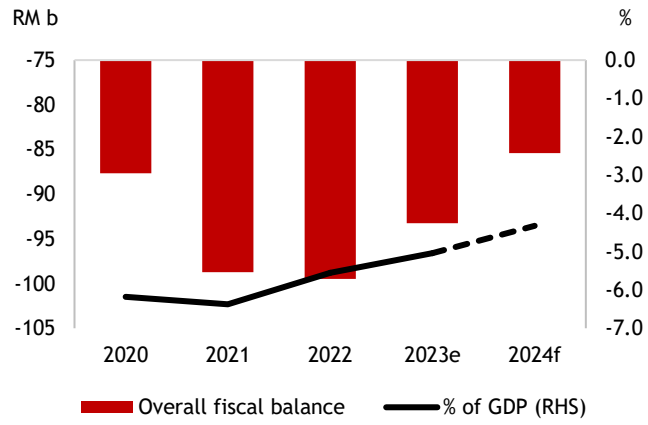
The Federal government debt to GDP to remain below 65%. Outstanding government debts will grow further next year to close the estimated RM85.4b fiscal deficit, mainly to finance the government's development spending. Despite the increase in new borrowings, the statutory debt limit at 65% of GDP will not be breached as the government projected the debt-to-GDP ratio will be around 64% of GDP by year-end 2024. This explains why the debt service charges are also projected to grow further in 2024. Going forward, the commitment to strategies in the MTFF and the proposed Public Finance and Fiscal Responsibility Act will eventually help to reduce fiscal deficits as well as reduce reliance on debts to support fiscal spending.

Chart 3: Outstanding Government Debts (RM b)



Source: MOF, MIDFR

Chart 4: Overall Fiscal Balance (RM b)



Source: MOF, MIDFR

Overall liabilities reached RM1.51t in 2023. Increased guarantees by the government led to the continued rise in the overall liabilities of the Federal Government, which rose to RM1.51t in 2023 (2022: RM1.45t). To improve transparency, the government will improve its reporting on the fiscal risks as well as ensure prudent issuance of government guarantees (GG). Recognizing the limited room in the fiscal space GG issuance will likely remain a key support the infrastructure projects. Nevertheless, on stricter fiscal risk management, we foresee GG to moderate to 16.5% of GDP in 2024 (Jun-23: 17.2%). The upcoming Public Finance and Fiscal Responsibility Act (FRA) will also introduce a numerical limit to ensure the guarantees will not balloon, as the size has reached 81.6% of GDP this year (2022: 80.7%). Other liabilities will also moderate on the re-evaluation of Public-private Partnership (PPP) approach under PPP 3.0, which will shift the focus to user-pay projects, reducing financial involvement by the government. On that account, we predict total debt to GDP ratio to moderate marginally lower at 80.8% by year-end 2024. Again, by adhering to the MTFF commitment, the improvement in fiscal management will help to reduce exposure to fiscal risks on top of strengthening the government's overall fiscal space and flexibility.

B. SECTORAL REVIEW

1. Automotive Sector (Maintain NEUTRAL)

Analyst: Hafriz Hezry

Measures	Allocation (RM'm)	Remarks
Introduction of purchase rebate under the Electric Motorcycle Incentive Scheme	RM2,400/unit	The scheme is eligible for buyers earning <RM120K/annum and could accelerate the transition to e-mobility in the 2-wheeler space. The RM2400 rebate is considerably meaningful within the 'affordable' e-bike segment, accounting for 12%-16% of the estimated RM13K-20K price points. Among the listed companies, we believe **EP Manufacturing Bhd** (EPMB) *(Non-Rated)* is one of the beneficiaries of this incentive. EPMB currently distributes Blueshark e-bikes for Malaysia and other Southeast Asian markets with plans to locally assemble the models.
Extension of individual income tax relief of up to RM2500 on expenses related to EV charging facilities for 4 years until 2027	N/A	The extension of these incentives coupled with the existing excise & import duty exemptions on CBU and CKD BEVs are welcomed moves to sustain development of the EV ecosystem and further encourage the transition to e-mobility. The incentive for rental of non-commercial EVs could spur demand for EV subscriptions we believe,

Extension of income tax deduction of up to RM300K on EV rental cost for 2 years until 2027		providing a potentially good alternative to outright EV purchases which require high initial capital layout and long-term financial commitment by the consumer. **Tan Chong (NEUTRAL, TP: RM0.94)** is already offering the Nissan Leaf for subscriptions and could be a beneficiary of improved take-up of this service.

2. Banking Sector (Maintain POSITIVE)

Analyst: Samuel Woo Choong Yi

Measures	Allocation (RM'm)	Remarks
Increasing service tax for brokerage and underwriting to 8% (from 6%)	N/A	This could cut into banking non-interest incomes (NOII) – though the effects are likely to be minimal.
Waiver of tax from Islamic Securities Selling and Buying (ISSB) tax activities to promote more transactions.	N/A	Again, effects are minimal, but possibly benefiting banks' NOII.
Higher allocation to National Scam response Centre (NSRC)	20	Reduces the incidence of financial scam crimes.

3. Construction Sector (Maintain POSITIVE)

Analyst: Royce Tan Seng Hooi

Measures	Allocation (RM'm)	Remarks
Development expenditure	90,000	As expected, the Government has allocated RM90b for development expenditure, with RM2b as contingency savings. This came in 9.1% lower than Budget 2023 at RM99b. The initiatives announced in Budget 2024, which will be detailed further below, are definitely positive for both construction and building material players. We can see the government's commitment in pushing through with vital projects to improve connectivity and in providing better amenities and infrastructures for Malaysians which mean opportunities for both large and small contractors alike. While it may seem that there is a lack of mega projects, what needs to be considered is the Government's limited fiscal position as far as development expenditure is concerned and this is where the private sector comes in via public-private partnerships (PPPs) for infrastructures. Such projects include the MRT3 Circle Line (not mentioned in Budget 2024 as it has always been an off-Budget project) and the Penang LRT. The KL-Singapore High-Speed Rail (HSR) for instance is envisioned to be entirely private-funded. We maintain our **POSITIVE** view on the CONSTRUCTION sector, with top picks namely **Gamuda (BUY, TP: RM5.38), IJM Corp (BUY, TP: RM2.11), Sunway Construction (BUY, TP: RM2.09)** and **Malayan Cement (BUY, TP: RM4.50)** being the

Measures	Allocation (RM'm)	Remarks
		beneficiary of a pick-up in construction activities, commanding a market share of about 60% in Peninsular Malaysia.
East Malaysia Development 1. Sabah 2. Sarawak	 6,600 5,800	Both states in East Malaysia will continue to benefit greatly from the increased development allocation as Sabah and Sarawak become increasingly crucial moving forward, being among the main gateways to Kalimantan, where Indonesia will be relocating its capital to. Allocations to Sabah increased by RM100m to RM6.6b while Sarawak saw an increase of RM200m to RM5.8b. Meanwhile, technical agencies in both states were also given the authorities to implement development projects under RM50m, allowing projects to be expedited, making job flows more active for smaller contractors.
Revival of five axed LRT3 stations – Tropicana, Raja Muda, Temasya, Bukit Raja and Bandar Botanik	4,700	The five stations were part of the six stations that were scrapped in 2018 as part of the cost-cutting measures for the rail project. The reinstatement of the five stations is expected to benefit 2 million citizens via additional connectivity. This also immediately adds RM4.7b worth of new jobs through variation order to **MRCB (NEUTRAL, TP: RM0.42)**, bringing its outstanding order book level to about RM20b.
Penang LRT (Island to Seberang Perai)	10,000	This is based on the initial estimates of RM10b as planned by the state government, which will be carried out via a public private partnership (PPP). This will largely benefit **Gamuda (BUY, TP: RM5.38)** which confirmed that it will play a role in the LRT project, though the exact role has yet to be disclosed. It's 60%-owned SRS Consortium is the project delivery partner of the broader Penang Transport Master Plan (PTMP).
33 flood mitigation projects	11,800	The Government will roll out crucial flood mitigation projects which includes Lembangan Sungai Pahang; Sungai Langat Phase 2; Sungai Jelai; Sungai Likas; Kuching Phase 2; Baling Phase 2 and Pembangunan Lembangan Sungai Bersepadu in Kelantan, among others. Torrential downpours leading to floods are massive issues that affect thousands of Malaysians annually, hence the urgent need for such projects. We can expect the bigger names in the sector such as **Gamuda (BUY, TP: RM5.38)**, **IJM Corp (BUY, TP: RM2.11)** and **MRCB (NEUTRAL, TP: RM0.42)** to compete for the larger-sized packages.
19 packages for Phase 1b to Pan Borneo Sabah, ranging 366km	15,700	The tender process for the 19 packages is expected to be completed by November. There is commitment by the Government to expedite the project as the progress of the Sabah portion of the Pan Borneo has been lacking as compared to Sarawak. This will spur construction activities and we gather that quite a few Peninsular-based contractors

Measures	Allocation (RM'm)	Remarks
		are bidding for the packages, including **Gamuda (BUY, TP: RM5.38)**
Phase 2 of the Sarawak-Sabah Link Road (SSLR) with a length of 320km	7,400	The project will be kicked off by the end of 2023.
Roads and bridges		Projects will be spread across the country, benefiting contractors of all sizes, depending on the size of the individual projects.
1. Maintaining federal roads and bridges (RM300m for G1 to G4 contractors)	2,800	
2. Construction and upgrading of roads in village and rural areas, including Bachok (Kelantan); Tambun Tulang (Perlis) and Kuala Lukut to Chuah (Negeri Sembilan)	1,630	
3. Widening of the North-South Expressway from four to six lanes from Sedenak to Simpang Renggam	931	
4. 115 projects to upgrade dilapidated bridges and build new bridges	57	
Education		Education has always been among the top priorities of the Government and ensuring accessibility to schools and conducive learning environments are always at the forefront of importance. These projects will benefit both mid and small cap players and similar sized private contractors.
1. 26 new schools to be built, including SMK Laya-laya (Sabah); SMK Baie (Sarawak); SMK Seri Melati (Pahang); SMK Bandar Universiti (Perak) and SMK Binjai (Kelantan)	2,500	
2. Maintenance works for all schools, including special education school, with a focus on needs for students with autism	1,000	
3. Upgrading works for buildings and dilapidated facilities at 450 schools, including 185 in Sarawak and 155 in Sabah	930	
4. Construction of 18 new blocks for special education, including SMK Kubang Rotan (Kedah); SK Bandar Baru Perda (Penang) and SMK Dato' Ali Ahmad (Perlis)	180	
5. Construction of 26 new pre-schools including SK Abang Kadir Gedong (Sarawak); SK Bunut Rendang (Pahang) and SJK(C) Chabau (Melaka)	82	
6. Construction of 10 new nurseries and childcare centres in Kampung Paya	31	

Measures	Allocation (RM'm)	Remarks
Berenjut (Terengganu); Felda Jelai 1 (Negeri Sembilan) and Taman Kota Masai (Johor)		
7. Upgrading works for the early childhood education premises under Jabatan Kemajuan Masyarakat (KEMAS)	20	
8. Construction of two Islamic education institutions – Kompleks Sekolah Menengah Integrasi Sains Tahfiz, Bukit Jalil and Sekolah Menengah Kebangsaan Agama Jempol	200	
9. Allocation for the Department of Islamic Development Malaysia (JAKIM) for the maintenance and upgrading of infrastructures at Islamic education institutions	150	
Healthcare		The Covid-19 pandemic has raised the importance of having a robust healthcare system and sufficient networks of hospitals and clinics. Companies under our coverage that have track records of building hospitals are **IJM Corp (BUY, TP: RM2.11)** and **WCT Holdings (NEUTRAL, TP: RM0.52)**.
1. Development of Phase 1 of Universiti Sains Islam Malaysia (USIM) Teaching Hospital Complex in Kota Tinggi	938	
2. Initial works for the construction of Hospital Sultanah Aminah 2 in Johor Bahru	N/A	
3. Additional pathology block for Hospital Raja Perempuan Zainab II in Kelantan	175	
4. Additional buildings for the Emergency and Trauma Department for Hospital Sultan Abdul Aziz Shah, Universiti Putra Malaysia in Selangor	N/A	
5. Construction of five health clinics in Rantau (Negeri Sembilan), Kuala Tahan (Pahang), Kuala Jengal (Terengganu) and Pulau Mantanani (Sabah)	150	
6. Renovation of 400 dilapidated clinics with wooden structures and old wirings nationwide	300	
Housing		
1. Allocation to encourage developers to revive identified abandoned projects	1,000	
2. 36 Program Perumahan Rakyat (PPR) projects, including a new project in	546	

Measures	Allocation (RM'm)	Remarks
Kluang (Johor)		
3. Construction of 3,500 units of house under 14 Rumah Mesra Rakyat programmes	358	
4. Assistance for 65,000 citizens in rural areas to build new or fix dilapidated homes	460	
5. Maintenance of low and middle cost public and private strata housing nationwide	100	
6. Maintenance and renovation of Rumah Keluarga Angkatan Tentera (RKAT)	400	
7. Build and rehabilitate quarters for civil servants, teachers, hospital staff, police, military and firefighters	2,400	
Public amenities, utilities and others		The smaller sized projects would benefit smaller contractors, especially those classified below the G7 category.
1. Water supply to 5,150 homes and electricity supply to 2,200 homes	939	
2. Installation of 60,000 streetlights and maintenance of 500,000 streetlights for village roads	134	
3. Renovation and upgrading of hawker centres and dilapidated public markets at 150 local council areas	110	
4. Construction of 4,000 new units of business premises in all local council areas	50	
5. Repairing of damaged irrigation and drainage systems	20	
6. Projects to solve water supply issues, with projects in Machang, Kota Kinabalu and Labuan	1,100	
7. Upgrading, building and repairing basic facilities such as town halls, community halls, public squares and covered pathways in rural areas under the Social Amenities Project	100	
8. Basic infrastructure and social facilities for Kampung Baru Cina	100	
9. Maintenance and upgrading of youth and sports facilities nationwide	50	
10. Allocation to rehabilitate and repair		

Measures	Allocation (RM'm)	Remarks
public toilets nationwide	150	
Port and Airport 1. Request for Proposal (RFP) for Carey Island Port 2. Improvement of passenger facilities and runway expansion at Tioman Airport	N/A 47	Previous reports have indicated that the entire Carey Island project will be in the tune of RM28b. Feasibility studies have found it suitable for a third port in Port Klang but it will be developed in stages, over 25 to 30 years.

4. Consumer Sector (Maintain POSITIVE)

Analyst: Genevieve Ng Pei Fen

Measures	Allocation (RM'm)	Remarks
Expansion of services tax ("SST") to 8% (from 6%). • Excludes F&B and telecommunications. • Expands the scope to include logistics, brokerage, underwriting, and karaoke services.	N/A	The expansion of SST to 8% does not have a direct impact on the consumer companies under our coverage, given that it excludes the F&B sector. However, the ripple effect through logistics costs resulting from the expansion of the scope to logistics companies will have an effect. Given that logistics companies are likely to pass on the increased operating costs, including the heightened SST, to consumers (which includes consumer companies). Note that transport fees typically include fuel prices along with other costs and margins.
Implementation of High Value Goods Tax at a rate of 5-10%. • Applied to high-value items like jewelry and watches. • Determined based on the threshold value of the goods.	N/A	The Malaysian government is set to introduce new legislation for the implementation of a high-value goods tax, which bears a resemblance to the luxury tax introduced in Budget 2023. This new tax will be levied at a rate of 5-10%. However, this tax won't be applicable to tourists, as tourists will be able to claim a refund for the tax paid upon leaving the country. This will modestly impact on the rental income generated by **AEON Co (BUY, TP:RM1.40)**'s PMS division. Recall that the PMS division's rental income comprises both fixed rates and variable income, with a portion tied to tenant sales. The implementation of this high-value tax is likely to influence the sales of tenants involved in the jewelry and watch business, potentially resulting in reduced rental collections.
Removal of price ceilings for chicken and eggs.	N/A	The removal of retail price ceilings and government subsidies is expected to provide poultry players with the flexibility to adjust prices based on input cost fluctuations and supply-demand dynamics. As a result, we anticipate that market prices for chicken and eggs will normalize after these adjustments. This is likely to benefit poultry companies within our coverage, including **QL Resources (BUY, TP: RM6.75)** and **Leong Hup International (NEUTRAL, TP: RM0.50).** Moreover,

Measures	Allocation (RM'm)	Remarks
		smaller poultry players will also benefit from these changes, ensuring a steady supply of chicken and eggs in Malaysia. Additionally, the recent drop in global commodity prices for corn and soybean meal will contribute to lower costs, resulting in more stable margins for poultry players.
Rationalisation of diesel prices in phased manner. • In principle, subsidized diesel prices will continue to be enjoyed by selected users, such as freight transportation companies.	N/A	The rationalization of diesel prices in a phased manner will have an impact on consumers who use diesel vehicles. However, the subsidy for RON95 fuel remains, which could encourage existing diesel users to shift from diesel cars to other vehicles. Therefore, we believe that the impact on consumer spending on consumer products should remain manageable due to resilient demand for staple products. Meanwhile, considering that subsidized diesel prices will continue for freight transportation companies, we can expect no impact on the transportation costs of consumer companies. Note that the transport fees charged to these companies are based on the diesel fuel price, with an additional margin.
3.3 million **job opportunities** with a **median monthly salary** of 4.51k by 2030 through NIMP.	N/A	The various initiatives aimed at creating jobs and increasing the median monthly salary are poised to support domestic spending in Malaysia. These measures will effectively shield consumers from the impact of inflationary pressures, subsequently bolstering consumer spending on essential items. As such, we anticipate continued resilient sales for well-established household brand consumer staple companies such as **F&N (BUY, TP: RM33.50), QL Resources (BUY, TP: RM6.75), Spritzer (BUY, TP: RM1.85),** and **Nestle Malaysia (NEUTRAL, TP: RM139.50).** Additionally, the stable job market and improved income prospects may also lead to stable domestic retail spending on fashion products, benefiting companies like **Padini (BUY, TP: RM4.60), Aeon Co (BUY, TP: RM1.40),** as well as Family Mart under **QL Resources (BUY, TP: RM6.75).**
More allocation for Inisiatif Pendapatan Rakyat (IPR). • To increase the participation of more hardcore poor people to supplement income.	500	
50k **contract job opportunities** in the public sector and Government-Linked Companies (GLCs) through the **MySTEP programme** on the MyFutureJobs platform. • All MySTEP appointees will have the chance to take part in skills enhancement programs available on the MyFutureJobs platform. • To help individuals build a future career and increase their income potential.	NA	
Ensure the employment of vulnerable groups, such as individuals with disabilities (OKU), former inmates, and senior citizens, **with competitive salaries.** • PERKESO will offer a special incentive of RM1.5k per month for	30m	

Measures	Allocation (RM'm)	Remarks
six months to support the employment of 3,300 job seekers.		
Maintain the subsidy for diesel for fishermen. • At RM1.65 per litre for certain-class fishermen, with an annual quota of 840 million litres.	N/A	The budget for Malaysia in 2024 includes a range of subsidies, allowances, incentives, and initiatives aimed at supporting the fishing industry. These measures are expected to incentivize fishermen to continue their operations, which, in turn, will contribute to a sustainable supply of marine products. The key beneficiary is **QL Resources (BUY, TP: RM6.75)** which ensure a consistent and reliable source of raw fish from local fishermen. REQL's Marine Product Manufacturing segment heavily relies on a steady supply of raw fish, which is collected every morning and processed into surimi and surimi-based products.
Monthly living allowance of RM300 for fishermen.	N/A	
Fishermen's catch incentive of RM1k per month	N/A	
Construction of new houses for aging fishermen.	10	
Food Security Enhancement Program • To boost the production of local food crops currently reliant on external imports. • Involves a collaboration of 150 million with state governments to optimize land use for increasing crop and livestock yields.	400	Recall that corn and soybean meal serve as the primary components of poultry feed. Consequently, this initiative is expected to gradually reduce the dependence on imported corn, thus ensuring greater control and stability in the continuous supply of corn for animal feed. The primary beneficiaries among the companies under our coverage will be poultry industry players, such as **QL Resources (BUY, TP: RM6.75)** and **Leong Hup International (NEUTRAL, TP: RM0.50).**
Agriculture Disaster Fund • to provide compensation of up to 50% of the value of losses due to disasters.	50	The government has initiated measures to protect farmers, livestock breeders, and fishermen who face disasters resulting in the destruction of livestock. This move aims to offer additional protection beyond insurance coverage for events like Avian Flu or Newcastle Disease, which could necessitate the culling of affected livestock. Consequently, potential beneficiaries of this protection include **QL Resources (BUY, TP: RM6.75)** and **Leong Hup International (NEUTRAL, TP: RM0.50).**
Community Drumming Program • To support the distribution of essential commodities like petrol, LPG, flour, rice, and cooking oil in rural and inland regions. • Expansion plans include reaching new areas such as the Abai zone in Sandakan, Sabah, and the Engkerebai zone in Mukah, Sarawak.	225	The various allocations of financial assistance, programs, and initiatives are intended to sustain the cost of living and household income for the B40 income group. This measure will effectively shield them from the impact of inflationary pressures, subsequently bolstering consumer spending on essential items. As such, we anticipate continuous resilient in sales for well-known household brand consumer staple companies such as **F&N (BUY, TP: RM33.50), QL Resources (BUY, TP: RM6.75), Spritzer (BUY, TP: RM1.85),** and **Nestle Malaysia (NEUTRAL, TP: RM139.50).** Besides, the uptick in disposable income may also translate into increased spending
Continue Payung Rahmah program.	200	

Measures	Allocation (RM'm)	Remarks
• Expand Rahmah Sales Program, offering basic necessities at prices up to 30% lower, to more State Assembly areas nationwide. • Continue Rahmah Market Program, which offers incentives to 1.2 million wholesale market, night market, and farmers' market entrepreneurs.		on fashion products in the moderately priced segment, thereby benefiting **Padini (BUY, TP: RM4.60).**
Sumbangan Tunai Rakyat (STR) • Increase to RM10b (from RM8b). • Maximum rate of STR increase to RM3.7k (from RM3.1k) • The maximum rate of STR for youth increase to RM500 (from RM350). • Raised first payment of STR for households to RM500 (from RM300) and will distribute before Ramadhan	10,000	
Sumbangan Asas Rahmah (SARA) • Expand RM100 ringgit per month for 12 months (from six months) to MyKad of 700k (from 200k) STR recipients. • 1st of up to RM500 will be made in February 2024.		
Cash Assistance Distribution by JKM • To 450k people, including poor households rigit, elderly, children and disabled	2,400	
Well-being of senior citizens. • Includes funding for cash assistance and the distribution of funds for elderly care institutions and senior citizen activity centers.	1,000	
My50 monthly pass continues • Benefits over 180k Klang Valley residents • Provides affordable access to bus and rail services • Supports their commuting needs	N/A	

Measures	Allocation (RM'm)	Remarks
for work and livelihood.		
Enhancing Visa-On-Arrival facilities, social visit passes, and Multiple Entry Visa offerings • To encourage the entry of tourists and investors, with a focus on those from India and China.	N/A	The various initiatives and offerings aimed at boosting tourism activities in Malaysia are poised to benefit retailers, F&B, and poultry players under our coverage. Recall that tourist expenditure on shopping accounted for 32.9% of total tourist expenditure, while F&B contributed 11.1% of the total tourist expenditure in Malaysia in 2019. Therefore, we are optimistic that consumer companies under our coverage will benefit from the increased tourist activity, resulting in heightened product demand and a boost in sales.
Higher sugar drink excise duty. • Increased from 40 cents to 50 cents per litre • Funds redistributed, specifically for diabetes treatment and support, including assistance for dialysis centers.	NA	This will impact all sugar beverage companies under our coverage, particularly **F&N (BUY, TP: RM33.50), and Nestle Malaysia (NEUTRAL, TP: RM139.50).** As such, this will likely encourage the beverage companies to reduce the production of sugary drinks and shift towards healthier beverages. However, the impact on F&N is expected to be manageable, given its diversified product range, operations in Thailand, and initiatives to expand its revenue base into the Halal food segment and dairy farming. Nevertheless, the impact on Nestle is also manageable, given its diversified product portfolio of more than 500 products.
Introduction of public service compensation system (SSPA) study: • To examine the salary of civil servants based on the requirements of all service schemes. • Expected to be finalized at the end of the next year.	N/A	The review of government salaries, along with the early system study incentive payment, is expected to increase the disposable income of civil servants and, consequently, boost their spending. This is poised to have a positive impact on the fashion sector, particularly benefiting companies like **Padini (BUY, TP: RM4.60),** which offer well-established household brand names with products at moderate price points.
Early System Study Incentive Payment made in a lump sum at end of Feb 2024 • RM2K to all civil servants in Grade 56 and below, including contract appointments. • RM1K to all Senior Public Sector Officials, including those in the police force, fire brigade, military, armed forces, and all uniformed personnel. • RM1k to all Government retirees, including pensioned veterans and non-pensioned veterans.	N/A	

5. Glove Sector (Maintain NEGATIVE)

Analyst: Genevieve Ng Pei Fen

Measures	Allocation (RM'm)	Remarks
Multi-tier levy • Implementation set by end of 2024 • Funds to be reimbursed for employer benefit, promoting automation and local worker training.	N/A	Introduction of a multi-tiered levy mechanism to reduce dependence on foreign labor. This strategic initiative aims to promote automation, mechanization, and the upskilling of local employees across various sectors. However, this will have a negative impact on the glove sector, which is known for its labor-intensive nature and heavy reliance on foreign labor. The new levy mechanism is likely to increase operational costs and cause disruptions within the glove industry. This shift could potentially drive the sector towards automation, reducing its reliance on foreign labor. Consequently, we continue to see a negative outlook for the glove sector in the near term. Overall, we maintain **NEGATIVE** on glove sector.

6. Healthcare Sector (Maintain POSITIVE)

Analyst: MIDF Research Team

Measures	Allocation (RM'm)	Remarks
Ministry of Health: Allocation increase by +13.5%yoy; the largest increases among ministries	41,200	The Healthcare sector continued to be the main priority for the nation, more so with the citizen's welfare being one of the most important factors in Budget 2024 under the Malaysia MADANI flag. With the impact of the Covid-19 pandemic diminishing, the nation would now prepare against communicable diseases (CDs) and non-communicable diseases (NCDs), in line with the increase of the aging population. By 2030, it is expected that the aged will consist of more 15% of Malaysia's population, making Malaysia an aged nation. We believe the increase in allocation is fair in consideration of the inflationary risk that could impact the supply and the cost of medicines and treatments, as well as the availability of functioning medical devices and sufficient healthcare workers. Additionally, NCDs, namely diabetes, heart diseases and kidney problems are on the rise, and are expected to increase in tandem with the increase in aging population. Treatments for these diseases can also be expensive, as pharmaceutical cost are subjected to changes in drug regulations, inflationary pressures and manufacturing expenditure. Hence, why we believe such massive allocation by the government is crucial to sustain the welfare of the citizens, especially from the B40 group.
Pharmaceuticals:		The increased allocation is following the uptrend in demand for

Measures	Allocation (RM'm)	Remarks
Procurement of medicines, reagents, vaccines and consumables (+12.2%yoy)	5,500	pharmaceutical products post-pandemic, notwithstanding the Covid-19 vaccines, is in line with: (i) the increased accessibility to certified medical products, (ii) the rising of aging population, and (iii) increasing number of cases for NCDs, CDs and rare diseases. However, the issue that should be addressed for the subsector would be the dependency of drug and active ingredients procurement on imports. Malaysia has the potential to establish its own pharmaceutical hub, with collaborations within the nations in the region. While the allocation is fair, we believe more can be done to properly regulate the subsector, more so in the transparency of its supply chain and its drug patents.
Medical Equipment: • Procurement of medical equipment in KKM hospitals to replace equipment that reached Beyond Economic Repair (BER) • Procurement of devices for the Emergency and Trauma Unit Services • Claims for cost of medical services for NCDs, such as stents for heart surgeries	766 200 50	Existing medical devices in hospitals are not all up-to-date, and with the rapidly advancing technology in medical engineering, many of our devices may not be relevant in the future. Moreover, in consideration of the rising prevalence of chronic diseases, many patients and healthcare servicers would opt for portable devices in tandem with the increase in digitalisation of the healthcare system. However, medical devices are expected to retain a higher acquisition cost, at an expected 10-Y CAGR of 5%. We believe this could be mitigated with the allocations that the government had announced, especially for equipment used in a fast-paced treatment and delicate surgeries. This is also in line with the expectation of an increase in NCD cases in the near future.
Healthcare Workers: Part and parcel of incentive to increase industry-trained local workforce	30	Dissatisfaction among government healthcare professionals on their working conditions had been an open issue since the onset of the pandemic. According to CodeBlue, 89% out of 87 workers surveyed had been struggling with mental health, as the state of the health workforce were considered as understaffed, overworked, and underpaid. While this allocation is minimal to other matters pertaining in the healthcare industry, we believe this could assist staff shortages for the time being. Nevertheless, we opine there could be more done for healthcare workers – both permanent and contractual – to lighten the burden in the healthcare service provider industry whilst tackling the increasing demand for such services.
Healthcare Facilities: • Development of Universiti Sains Islam Malaysia (USIM) Teaching Hospital Phase 1 (Johor) • Additional pathology block at Raja Perempuan Zainab II Hospital (Kelantan) • 5 new clinics in Negeri Sembilan, Pahang, Terengganu and Sabah	938 175 150 300	While we believe that the replacement, repair, retrofit and maintenance of existing facilities and equipment are top tier precedence when it comes to the betterment of the healthcare facilities in general, additional hospitals and clinics are also a great way to prioritise and cater for the access to healthcare services, especially in rural and suburban areas. Nevertheless, newer facilities would add into the challenges of worker and equipment shortages. Hence, we opine that the issue on medical workers should be addressed first and foremost prior to the development of the projects allocated in Budget 2024.

Measures	Allocation (RM'm)	Remarks
• Rehabilitation of 400 poor and underdeveloped clinics		
Digitalisation: Maintenance of information technology (IT) system under MoH, including Clinic Management System Subscription (CCMS) in 100 healthcare clinics	150	Digitalisation of the healthcare system marks a pivotal step in enhancing healthcare services. The streamlining of patient records, appointments, and data management, ultimately promotes efficiency and improvement of the overall quality of care. In the climate of a worker shortage and less-efficient devices, the digital system would assist in reducing administrative burdens and ensuring that vital patient information is readily accessible, contributing to better healthcare outcomes and patient satisfaction. Therefore, we opine that such allocation for the maintenance of the IT system is fair for the sector.
Aging and Disabled Care: • Part and parcel for the well-being of the elderly • Proposal to provide Industrial Construction Allowance to private nursing home for the elderly approved by MoH at 10% of building and/or purchase cost (from CY24 to CY26) • Various assistance to the disabled including healthcare	1,000 1,200	The aged population and the disabled are two very vulnerable groups identified among the citizens, with the latter being often less treated within the healthcare system due to their physical conditions and limited financial aid. We believe with the allocations to increase the number of nursing homes and assistance for the disabled in healthcare services would be in line with Malaysia's MADANI movement aspired for the people. Additionally, the construction and property sector would also benefit from the discount in converting a premise to a private nursing home, consequently adding in more options for the aged population in seeking care.
Healthcare Screening and Treatment: • Under the Healthy Malaysia National Agenda including health screening, early screening of newborn, and vaccination for pregnant women • Part and parcel for the accessibility and availability of Public Services, including mobile clinics for basic treatments and breast cancer screening, and expansion of dental services in Sabah	130 26	Most NCDs, oncological and rare diseases are anticipated to see an annual increase in their occurrence, especially to vulnerable groups. As a result, early screening and timely vaccinations are crucial in ensuring the population's protection from the onset of these conditions, which are often manageable in their initial stages, thus offering the possibility of curing, treating, and caring for patients, post-discovery. Furthermore, we believe the allocation of resources for healthcare screening is expected to contribute to the advancement of screening methods and improved accessibility of screening and treatments to women and children.
Healthcare Schemes: • Expansion of the MADANI Medical Scheme to the whole country, benefitting 700,000 citizens • Continuation of mySalam Scheme for another 2 years	100	Despite the initial plan to liquidate mySalam after its expected insignificance post-pandemic, the success of the scheme had earned itself a continuation for another 2 years. This proved that the citizens are benefitting from these schemes as NCD and CD treatments remained elevated. We believe the schemes would help the citizens to ease financial burdens when high prices of goods and additional taxes in other matters may affect their monthly spending.

Measures	Allocation (RM'm)	Remarks
Community Welfare: • Improvement of outsourcing 90 patients to military, university and private hospitals to reduce overcrowding in public hospitals • Excising duty on chewing tobacco products at 5% rate plus RM27 per kilogram • Current excise duty rate for sugary drinks increased from 40sen to 50sen per litre; the revenue to be rechannelled to treat diabetes and support for dialysis centres	200 N/A N/A	The initiative to increase the number of government hospitals and clinics, as well as to increase the number of healthcare workers, these initiatives may take longer than just one year. Hence, why we believe that, to avoid overcrowding, such measures to outsource patients to other hospitals are necessary. With the allocation given, we do believe this would be important to ensure a smooth transaction when outsourcing the patients from a public facility to a private or academic facility. With the expected uptrend of NCDs – notably diseases relating to or from cancer and diabetes – in tandem with the rising aging population and increasing sedentary lifestyle among working adults in Malaysia, prevention of the diseases would be more beneficial than searching for a cure. Hence, we commend the government's move to tax all tobacco products and sugary beverages. We believe that this could at least assist the population to adapt a healthier and more sustainable lifestyle.

7. Oil and Gas Sector (Maintain POSITIVE)

Analyst: MIDF Research Team

Measures	Allocation (RM'm)	Remarks
Training: Part and parcel of providing professional certification recognised by the industries to TVET graduates, and as incentives to industries collaborating with public TVET institutions	100	Technical and Vocational Education and Training (TVET) had been proven to have high potential to add in more experts in the oil and gas sector, especially in niche job scopes pertaining the maintenance and operation of the oil and gas facilities within the nation. PETRONAS has collaborated with the Institute National Youth Skills (IKBN) in Johor to prepare industrial training services which meet the specifications of petrochemical industry in Pengerang. This will subsequently add in the value of the operations in large oil and gas hubs, in line with the National Energy Policy 2022-2040. Overall, we opine that the allocation is fair, to encourage more graduates to train in the industry, subsequently adding more value into the sector.
Energy Transition: • Allocation to further enable key projects in the National Energy Transition Roadmap 2030 • Ensuring Petroleum Act 1967 remain relevant for the upstream, with addition to tax	2,000 N/A	The implementation of NETR is timely for the oil and gas sector. As a hard-to-abide sector in terms of carbon emissions, NETR aids to highlight the potential of the oil and gas industry to participate and contribute to a cleaner, more sustainable energy security in the nation. With the industry's expertise in the upstream (exploration and development) and downstream (refinery), aspirations for CCS projects within the waters of Malaysia, as well as the production of hydrogen fuel as an option fuel to natural gas. We believe the

Measures	Allocation (RM'm)	Remarks
incentives for CCS and Hydrogen projects		allocation could not only help companies and state governments involved in the projects, but it could also potentially attract more local oil and gas services and equipment (OGSE) companies to help make NETR possible.
Petrochemical: Pengerang Integrated Petroleum Complex (PIPC) to be used as a hub for the development of chemical and petrochemical sector by giving tax incentive packages, including special tax rate and investment tax allowance	N/A	The petrochemical subsector is expected to see a strong rebound in the near future. Apart from the elevated Brent crude oil price, the need for more sustainable products for everyday use had seen an increase in demand since the end of the pandemic, especially on products made with specialty chemicals. While there are no allocations set for petrochemicals in Budget 2024, we believe the proposed tax incentives for petrochemical players in PIPC would increase more interest to develop a proper hub for the subindustry in Malaysia, if not the region. We opine that this will also help to decrease the dependency of petrochemical feedstock imports in the long run.

8. Plantation Sector (Maintain NEUTRAL)

Analyst: MIDF Research Team

Measures	Allocation (RM'm)	Remarks
Incentive Palm Replanting Program	100	These measures will provide a support in the form of financial assistance (grants and loans) to help smallholder to have better control over its palm oil age profile. Note that, based on 1H23 MPOB data, independent smallholder stood at 14.5% of total planted area.
International Anti-Palm Oil Campaign	70	This action will bolster the anti-palm oil movement and boost the sector's sustainability level, defending our continuous palm oil production from unfounded charges made by western countries. In fact, according from Oil World data, the average output of palm oil was higher than that of its competitors, at roughly 15.49 tonnes/ha (Soybean's average yield was around 2.67 tonnes/ha, while Rapeseed and Sunflower seed average yields were just 1.83 and 1.93 tonnes/ha, respectively).
Tax incentive for automation usage in commodity sector	N/A	Through automation and mechanization, such as drones, this will reduce reliance on foreign labor in the oil palm, rubber, cocoa, pepper, and kenaf industries.
Grants for stimulant gas pilot project	10	We believe that these measures will not have any material impact on companies under our coverage as the incentive is to support small rubber farmers pilot project in a 1,000-hectare farm.
Grants to bolstering smallholders' mini food security projects	90	We opine that these measures will not have any material impact on companies under our coverage as the incentive is to support smallholders to optimize the use of farmland through the production of food crops and livestock such as mushrooms,

Measures	Allocation (RM'm)	Remarks
		pineapples, mature coconuts, cows and chickens
The Federal Government biodiversity sukuk	1,000	A brilliant fixed-income instrument incorporating the regeneration of damaged forests will earn carbon credits that will contribute to the ESG pillar.
Strategic Framework for Ensuring Food Security: A Comprehensive Approach	100	We believe that this project helps food security programs, the environment, the community, and the State Islamic Religious Council by creating chances for the growth of waqf assets.
2) Loan funds for SME companies	600	We believe this would support sustainable agriculture various initiatives such as the development of agro-food sustainability and availability.
3) Grants for FELDA, FELCRA and RISDA	2,400	
4) Subsidies and incentives to rice farmers and fishermen	2,600	
Optimizing land use to increase crop and livestock yields with state government	150	
A new method of procurement of fertilizer	50	
Grants for rice farmers	50	This will help 50 thousand rice farmers with bio and organic fertilizers to improve soil fertility.
Loan facilities to agro-food entrepreneurs	430	These loans will assist the increase in the production capacity of agricultural products and the competitiveness of young agropreneurs.
Agricultural Disaster Fund	50	To compensate up to 50% of the value of losses due to disasters. This will safeguard farmers agro business and support sustainable agriculture various initiatives
Rice Crop Takaful Scheme	50	To benefits 240 thousand farmers.
Increase in floor price of paddy	N/A	The government to raise the minimum price to 1,300 ringgit per metric ton to support farmers' wellbeing
Subsidy allocation hill paddy or huma paddy	50	This will benefit hill paddy or huma paddy grower in Sarawak particularly

9. Power Sector (Maintain POSITIVE)

Analyst: Hafriz Hezry

Measures	Allocation (RM'm)	Remarks
Extension of Net Energy Metering (NEM) program until 31st December 2024	N/A	The current NEM program is scheduled to expire end-2023. The proposed extension till end-2024 is a positive for the rooftop solar sub-sector, which has seen increased demand following electricity subsidy rollbacks by the Government since January 2023. However, there is a lack of indication of any potential

Measures	Allocation (RM'm)	Remarks
		expansion of NEM quota for the extension period. Of the total 1050MW quota allocated for the year 2021-2023, up to 77% has been taken up. We reckon further clarity on NEM quota could follow suit. Key beneficiaries of NEM are the solar EPCC players **Samaiden, (BUY, TP: RM1.54), Sunview (BUY, TP: RM1.48), Pekat (BUY, TP: RM0.63)** and **Solarvest** *(Non-Rated)*. **Tenaga (BUY, TP: RM11.00)** via G-Sparx also stands to benefit from being one of the largest asset owners in the rooftop solar segment.
Development of rooftop solar leasing program	N/A	The rooftop leasing mechanism was first mooted under NETR to allow premise owners to monetise their rooftop space in return for allowing 3rd parties to utilize it for solar generation. Launch of the program is expected to catalyse further growth in residential rooftop solar.
Installation of solar panels on Government building rooftops in collaboration with Tenaga and Gentari	N/A	This measure is another positive catalyst for rooftop solar and should benefit **Tenaga** as one of the key rollout partners of the program. Compared to other NEM programs, NEM Gomen (which is specifically for Government premises) currently entails poor take-up of just 38% of its 100MW quota allocation.
Introduction of National Energy Transition Facility (NETF)	2,000	The NETF is part of the funding plan under NETR to support marginally bankable energy transition projects. Among those that fall in this category are hydrogen and CCUS, which are still nascent technologies. Beyond NETF, other potential financing avenues for marginally bankable projects outlined in NETR include development finance, support from sovereign wealth funds or GLICs as well as public catalytic funding.
Further refinement of targeted electricity subsidy based on consumption	N/A	Subsidy rollback for domestic consumers was initiated in the recent June 2023 ICPT review where domestic consumers with >1500kwh/month consumption were slapped with ICPT surcharge of 10sen/kwh vs. a 2sen rebate previously. Further refinement of the targeted subsidy could catalyse demand for rooftop solar which provides an avenue to reduce the impact of higher grid electricity tariff.
Government will continue to explore the TPA model to drive investments into RE	N/A	Third Party Access (TPA) to the grid is one of the measures mooted under NETR to drive the Government's 70% RE mix target by 2050. TPA is expected to enable expansion of direct corporate PPAs at market-driven rates. The TPA framework is pending finalization. Upon rollout, **Tenaga** is expected to benefit from TPA wheeling and grid upgrade charges while **RE asset owners** and **EPCC players** are expected to benefit from potential expansion in RE capacity.

10. Property Sector (Maintain POSITIVE)

Analyst: Jessica Low Jze Tieng

Measures	Allocation (RM'm)	Remarks
• Allocation RM546m to sustain 36 PPRs, including a new project in Kluang, Johor. • RM2.47b has been allocated for public housing projects (PPRs) for the year 2024. • Allocation of RM358m to continue construction of 14 affordable housing projects, involving 3,500 housing units.	546 2,470 358	The measures are **neutral** to listed property developers as listed property developers are focusing mainly on private projects.
• RM10b allocation to expanding the Skim Jaminan Kredit Perumahan, benefiting 40,000 borrowers within the SJKP (Sektor Jaminan Kredit Perumahan) category	10,000	The scheme would help buyers to get financing for house purchases and to increase house ownership. The scheme is expected to benefit 40k borrowers.
• Threshold for en-bloc sale is reduced from 100% to a level that is consistent with international standard.	N/A	The measure will help and encourage the redevelopment of the city centre and the area in city centre. This is a long-term positive for the sector.
• 4% flat rate stamp duty on Memorandum of Transfer (MOT) by non-citizens and foreign-owned companies, with the exemption of permanent residents	N/A	The imposition of stamp duty is to reduce speculation activity in property sector. This is **slight negative** to property sector as it will dent buying interest by foreigner slightly.
• Nominal stamp duty of RM10 to replace the previous ad-valorem rate on real estate transfer documents, specifically those involving beneficiaries relinquishing their rights to eligible beneficiaries in accordance to a will, Faraid, or the Distribution Act 1958 in 2024	N/A	The measure is expected to have minimal impact on property sector.
• Ease conditions for Malaysia My Second Home (MM2H) applications to boost the arrival of foreign investors.	N/A	The easing of MM2H conditions is **positive** to property sector as that will boost buying interest on property by foreigners. We expect property in KL, Johor and Penang to see stronger buying interest with the easing of MM2H conditions.
• Pengerang Integrated Petroleum Complex (PIPC) is to be designated a chemical and petrochemical development hub with the provision of a special tax rate or investment	N/A	This is expected to benefit developers that have township projects near PIPC. One of the townships that could benefit from PIPC is Meridin East township by **Mah Sing Group (BUY, TP: RM1.01)**.

Measures	Allocation (RM'm)	Remarks
tax allowance.		
• RM4.7b to construct five LRT3 stations at Tropicana, Raja Muda, Temasya, Bukit Raja and Bandar Botanic. • Penang LRT connecting the island and the mainland.	4,700 10,000	The infrastructure projects are expected to improve connectivity in Klang Valley and Penang. That will support demand for property in Klang Valley and Penang. Overall, we remain **POSITIVE** on property sector as we expect the positive of easing of MM2H and new infrastructure projects to offset the slight negative of stamp duty on Memorandum of Transfer (MOT) for foreigners. Our **top picks** for the sector are **Mah Sing Group (BUY, TP: RM1.01)** and **Matrix Concepts (BUY, TP: RM1.86)** as we remain sanguine on property developers that focus on mid-market and affordable segment amid resilient demand for affordable homes.

11. REIT (Maintain POSITIVE)

Analyst: Jessica Low Jze Tieng

Measures	Allocation (RM'm)	Remarks
• Introduce new initiatives under the Visa Liberalization Plan including improving Visa-On-Arrival, social visit passes and Multiple Entry Visa to spur tourist arrivals and investors, especially from India and China • Visit Malaysia Year scheduled for 2026. • Allocation of RM350m for tourism activities and promotion including organizing Visit Malaysia Year 2026 promotional campaigns, matching grants for private chartered flight operators that increase international air connectivity into Malaysia. • Grant to Islamic Tourism Centre to boost Muslim-friendly tourism activities.	N/A	The measures are expected to increase tourist arrival and bodes well for REIT. REITs that should benefit from higher tourist arrival are **KLCCP Stapled Group (NEUTRAL, TP: RM7.08)** as Suria KLCC and Mandarin Oriental should receive a boost from higher tourist arrival. Besides, **Pavilion REIT (BUY, TP: RM1.63)** and **Sunway REIT (BUY; TP: RM1.70)** should see better performance of its retail assets which are tourist attractions. Overall, we remain **POSITIVE** regarding REIT as the sector will continue to benefit from higher tourist arrivals, which will support shopper footfall and rental reversion.

12. Transportation Sector (Maintain POSITIVE)

Analyst: MIDF Research Team

Measures	Allocation (RM'm)	Remarks
Aviation		
Providing financial assistance for air travel in the rural areas of Sabah and Sarawak.	209.0	Receiving an allocation similar to that of last year, this measure alleviates the financial strain on the residents and enhances their accessibility to nearby towns. MASwings, a subsidiary airline of **Malaysia Aviation Group Berhad (Unlisted)** handles minor routes within Sabah and Sarawak. The short take-off and landing (STOL) ports on these routes tend to operate at a loss and are cross subsidised by **Malaysia Airports Holdings Berhad's (NEUTRAL, TP: RM7.45)** profitable airports. Hence, the overall impact on them remains minimal.
The government intends to host Visit Malaysia Year (VMY2026) with a target arrival of 26.1m foreign tourists.	N/A	These include: • Organising promotional campaigns for VMY2026, • Cooperating with industry partners to jointly promote and arrange both domestic and international tourism events, • Supporting over 200 cultural activists in organising art and cultural activities, • A matching grant for chartered flights to facilitate improved access to international flights to Malaysia, and • Allocating funds to the Islamic Tourism Centre to boost and market Muslim-friendly tourism activities.
Funding earmarked for a range of tourism activities and promotional efforts.	350.0	Enhanced marketing campaigns stimulate higher tourism, leading to increased demand for airlines and greater airport activity. Higher-spending international travelers should contribute to increased airline revenue, potentially incentivising route expansion, while airports may invest in infrastructure improvements to handle higher traveler volumes and reap the benefits of increased duty-free sales.
Upgrading facilities at Tioman Island Airport.	47.0	This is considered a win-win situation, particularly in light of the decision to scrap plans for a new airport months ago due to environmental concerns. The Tioman airstrip currently serves smaller aircraft from operators like Berjaya Air, Pelangi Airways and SKS Airways. Extending the existing 0.9km airstrip to 1.3km will enable ATR aircraft to land. Consequently, unlisted commercial carriers using ATR aircraft, such as Firefly and Batik Air, can now operate on the Tioman route. This could have a slightly positive impact on MAHB, as the introduction of larger aircraft on the island is expected to increase tourist arrivals, particularly from neighbouring countries.

Port & Logistics		
A grant is set to be jointly allocated with the Port Klang Authority to facilitate the upkeep of Port Klang's roads, concurrently with the implementation of weight restrictions on heavy vehicles.	50.0	Better maintained roads may result in improved infrastructure, leading to smoother transportation routes and reduced wear and tear on vehicles. This may reduce maintenance costs for logistics providers. Implementing weight restrictions may lead to fewer accidents and lower insurance costs for logistics companies. However, they may need to invest in monitoring and compliance measures to ensure their vehicles adhere to the weight restrictions.
Joint allocation with the Port Authority to enhance the Malaysia Maritime Single Window (MMSW) system.	20.0	An integrated portal at the port streamlines interactions between businesses and government agencies, ensuring faster approvals, reducing errors, and saving costs. It expedites customs clearances and improves compliance, facilitating the movement of goods and enhancing transparency through real-time access to information.
The development of the Carey Island port will be realised through a Request for Proposal (RFP) process.	N/A	The Carey Island port development comprises four phases, with initial preparations targeted for completion by 2025, spanning a total of 35 years. During the early stage (Phase 1), the third port will emphasise conventional cargo, with container capacity from Carey Island being incrementally added as Westports 2 expansion approaches maximum utilisation. As reported in the media, the development cost is estimated to be RM28.0b, with substantial investments required for the construction of a breakwater due to the new port's exposure to the open sea and harsher weather conditions compared to the existing ports, providing Westports 2 with a cost and competitive advantage based on its location and established client base.
Logistics firms and select groups will continue to have access to subsidised diesel.	N/A	This means that it will be business as usual for logistics companies as it continues to benefit from subsidised diesel. To note, the inclusion of fuel clauses in its contracts allows for adjustments in transportation rates based on the weekly diesel prices. While there may be a slight lag in passing these cost changes on to customers, the impact on the logistics companies is expected to be minimal.

C. STRATEGY

Equity Market

Construction sector is a clear winner with another expansionary budget. We were not surprised by yet another expansionary Budget. This was hinted at during the 12MP Mid Term Review (12MP-MTR) tabling, which we believe the construction sector had been given more prominence. Planned development expenditure has been increased by RM15b and the government is expected to spend circa RM90b per year on development expenditure for the remainder of the 12MP period. This could entail more infrastructure works. However, there we no announcement on large rail projects, except Penang LRT and construction of five LRT3 stations. Nevertheless, in our opinion, we can expect large rail projects such as the MRT3 and the proposed revival of the KL-Singapore High Speed Rail (HSR) will be given clarity later and this will provide a boost to order books of construction companies. We believe the most obvious beneficiary of Budget 2024 will be the construction sector where it will provide a lot of support for the sector with opportunities in store for both large and smaller contractors. Hence, we maintain our **POSITIVE** view on the construction sector.Our top **BUY** calls for the sector are **Gamuda (TP: RM5.04)**, **IJM Corp (TP: RM2.11)** and **Sunway Construction (TP: RM2.09)**.

Supporting NETR. We are pleased (and as we expected) that sustainability continues to be given emphasis and we believe that the Budget 2024 is there to provide support to the realization of the National Energy Transition Roadmap (NETR). Sustainability has been a key concern not just from an investor point of view but the rakyat as well. Emphasizing ESG and developing (and launching) plans to address this issue will ensure a more sustainable development. We believe that it may be a new economic catalyst for the country, which will open new industries. The recently launched NETR is a good start. Hence, we expect players in the RE space to benefit from this, either RE asset owners such as **Tenaga (BUY, TP: RM11.00)**, **Ranhill Utilities (BUY, TP: RM0.80)** and **YTL Power (BUY, TP: RM2.45)** or RE EPCC players such as **Samaiden (BUY, TP: RM1.54)**, **Sunview (BUY, TP: RM1.48)** and **Pekat (BUY, TP: RM0.63)**.

Potential beneficiary from Property sector as well. Overall, we remain **POSITIVE** on property sector as we expect the positive of easing of MM2H and new infrastructure projects to offset the slight negative of stamp duty on Memorandum of Transfer (MOT) for foreigners. Our **top picks** for the sector are **Mah Sing Group (BUY, TP: RM1.01)** and **Matrix Concepts (BUY, TP: RM1.86)** as we remain sanguine about property developers that focus on the mid-market and affordable segment amid resilient demand for affordable homes.

Market Outlook

No material surprises at headline level. Overall, no major surprises in Budget 2024 at its headline level to materially excite or perturb the equity market. The total spending in Budget 2024 is proposed at RM393.8b and total revenue for next year is estimated at RM307.6b thus projecting a fiscal deficit of RM86.2b in 2024. Notably, the proposed amount allocated for gross development expenditure of RM90.0b is well within our expectation. The percentage of fiscal deficit to GDP is expected to decline from -5.0% this year to -4.3% in 2024 as the economy is forecasted to grow by between 4.0% and 5.0% next year. Hence, the nation's sovereign risk would not likely be compromised despite the further accumulation of fiscal debt. Moreover, the medium-term target of fiscal deficit to GDP is set at 3.0%.

Meanwhile, at granular level, the proposed cutback in subsidies such as electricity and diesel can be seen as a preamble to more widespread subsidy rationalization in ensuing years which is vital to sustainably improve the nation's fiscal position. Moreover, the proposed implementation of capital gains tax (CGT) at 10% starting 1 March 2024 on the disposal of non-listed shares with possible exemption for initial public offering (IPO) may attract more listings on the equity market. Besides, the proposed tax exemption on income from Islamic Securities Selling and Buying (ISBB) would raise the volume and liquidity in the equity market. We reckon the CGT as well as tax exemption on income from ISBB could act as catalysts to reinvigorate the local Bursa Malaysia equity market.

FBM KLCI ended higher today despite regional weakness. It seems the knee-jerk reaction to Budget 2024 was a tad positive as the FBM KLCI ended slightly higher on Friday. In contrast, almost all other regional equity indices closed lower arguably in reaction to the overnight decline on Wall Street.

External factors to continue hold sway over equity market sentiment. However, going forward, we expect external factors namely US economic data and interest rate outlook to continue driving equity market sentiment. In this

regard, we believe investors are beginning to look beyond the possibility of a final US Fed hike this year and taking more heed of the favorable growth and inflation outlook into next year. It must be highlighted that recently the US Fed revised upward its GDP growth projections for 2023 and 2024 to 2.1% (from 1.0%) and 1.5% (from 1.1%) respectively. Moreover, its inflation (Core PCE) projections for 2023 and 2024 were revised down to 3.7% (from 3.9%) and maintained at 2.6% respectively.

Maintain FBM KLCI end-2023 target at 1,540 points. In view of the Budget 2024 meeting our broad expectation, we therefore maintain our FBM KLCI end-2023 target at 1,540 points or PER23 of 15.4x. Similarly, we maintain our FBM70 end-2023 target at 14,500 points or PER23 of 19.2x

Top picks of possible winners of Budget 2024. Since we believe that the construction sectors and the power to be winners of Budget 2024, we opine that it is worthwhile for investors to look at stocks in these sectors. In fact, most of the Budget 2024 beneficiaries almost mirror our top ten picks for 4QCY23. Hence, we opine that there is no reason to change our top picks following the Budget announcement (baring Oil & Gas):

	Rec.	Price (RM) @ 13/10	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
Construction								
Gamuda	BUY	4.60	5.38	17.0%	2.1%	19.1%	2	N
IJM Corp	BUY	1.90	2.11	11.1%	3.7%	14.8%	4	N
Sunway Construction	BUY	1.92	2.09	8.9%	2.9%	11.7%	NR	N
Power								
Ranhill Utilities	BUY	0.62	0.80	29.0%	4.0%	33.0%	4	Y
Samaiden	BUY	1.21	1.54	27.3%	0.0%	27.3%	NR	N
Tenaga Nasional	BUY	10.02	11.00	9.8%	3.8%	13.6%	3	Y
Property								
S P Setia	BUY	0.97	1.25	28.9%	1.4%	30.2%	3	Y
Mah Sing	BUY	0.86	1.01	17.4%	3.6%	21.0%	4	Y

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
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