Authors

Imran Yassin Yusof
Head of Research
imran.yassin@midf.com.my

Abdul Mui'zz Morhalim
Chief Economist
abdul.muizz@midf.com.my

Eunice Ng Qing Rong,
Analyst (Consumer)
eunice.ng@midf.com.my

Jessica Low Jze Tieng
jessica.low@midf.com.my
03-2173 8391

Strategy Report

Gift to the Rakyat

Assessing the Impact of YAB PM's Announcement

KEY INVESTMENT HIGHLIGHTS

- The government announced RM100 cash aid under the SARA programme, a special public holiday, and a temporary reduction in RON95 petrol prices to ease living costs. These fiscal measures complement recent monetary easing and aim to boost domestic consumption.
- The initiatives are expected to be fiscally neutral, funded by expanded SST collections and savings from lower oil subsidies. Inflation may rise in 2HCY25 due to stronger demand and policy changes but remains manageable.
- Consumer spending is projected to increase by RM2–3 billion, potentially lifting GDP growth to 4.45% in 2025. The consumer sector is set to benefit, especially discretionary players like AEON, Padini, and Oriental Kopi.
- Retail REITs may gain from higher footfall, while Petronas Dagangan is expected to weather subsidy changes with minimal impact.
- Stocks mention in this report: F&N (BUY, TP: RM32.68), AEON (BUY, TP: RM1.77), Life Water (BUY, TP: RM1.00), Pavilion REIT (BUY; TP: RM1.88) and PetDag (BUY, TP: RM22.25).

BACKGROUND

Adding fiscal support after monetary policy easing.

PM Anwar Ibrahim yesterday announced fiscal measures to address rising cost of living. The government has decided to unveil a series of initiatives aimed at easing the cost of living and rewarding the rakyat for their resilience. Central to the announcement was a RM100 cash aid under the **Sumbangan Asas Rahmah (SARA)** programme, which will be distributed via MyKad and usable at over 4,100 participating stores nationwide from 31 August to 31 December 2025

Special public holiday also announced.

In addition to the cash aid, Anwar announced a **special public holiday** on August 30, 2025, as a gesture of appreciation ahead of National Day. This is intended to give Malaysians a chance to rest and celebrate the country's progress. Furthermore, the government will implement a **temporary reduction in RON95 petrol prices**, easing transportation costs for the public. These measures reflect the administration's commitment to sharing the fruits of economic growth with the people, especially amid ongoing global uncertainties.

Highlighting Malaysia's improving economic indicators.

YAB PM Anwar also highlighted Malaysia's improving economic indicators, noting a 4.4% GDP growth in 1QCY25 and a projected 4.5% in 2QCY25. He emphasized that Malaysia has climbed 11 spots to 23rd in the World Competitiveness Index and that the ringgit has strengthened over 5% against the US dollar, making it one of Asia's top-performing currencies

Reaffirmed focus on structural reforms.

The Prime Minister concluded by reaffirming his administration's focus on structural reforms, including raising the minimum wage to RM1,700 (effective August 1, 2025), expanding healthcare staffing, and ensuring that GLCs provide a living wage of RM3,100 to over 150,000 workers. These initiatives, he stressed, are part of the Ekonomi MADANI framework.

ECONOMIC & POLICY

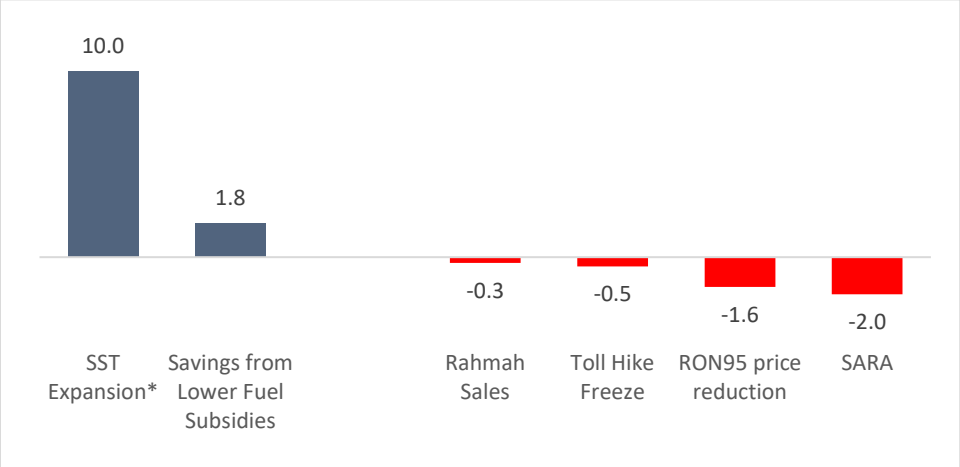
Further boost to domestic consumption amid external uncertainties.

The fiscal measures announced by the government will be positive to address the people's concerns about rising cost of living. At the same time, the announcement came after the recent OPR cut by BNM to ensure the country's economic growth will be sustained and secured. The one-off SARA allocations will be positive to improve consumer sentiment and support spending on basic necessities. Meanwhile, savings from the reduced spending on fuel (following reduction in the subsidised RON95 price) can be used and redirected to support other consumption. Together with the recent monetary policy easing, we opine the fiscal measures as proactive actions by the government to promote domestic spending, which will cushion the impacts from external trade slowdown, and support the overall economic growth.

Neutral impact on fiscal position.

We expect the additional allocations for SARA, freezing the toll hikes, Rahmah sales and other areas will not cause a deterioration in the government's fiscal position. We estimate these measures will be sufficiently covered by the additional collection of RM10b, which is higher than RM5 estimated previously, from the expansion. of SST coverage. At the same time, the government indicated that the actual oil subsidy spending is less than budgeted given the level of crude oiil, which now hovering below USD70pb, is lower than the average USD75-80pb assumed for the Budget 2025. In other words, the unutilized subsidy allocation allows the government to reduce the RON95 price, which will be effective in the latter part of the year. On that note, we expect no additional government borrowings will required as the additional fiscal spending will be covered by the larger fiscal collection and redirecting savings from unutilized allocations.

Chart 1: Fiscal Impact from Selected Fiscal Measures (RM b)



* The additional SST collection will be higher than RM5b estimated in Budget 2025
Source: MOF, MIDFR

Some easing to cost-push inflation.

The reduction in the subsidised RON95 petrol price carries implications on inflation, affecting both supply and demand dynamics. On the supply side, Prime Minister Anwar Ibrahim indicated that the price of RON95 will be set at RM1.99/litre for MyKad holders, a reduction from its current RM2.05/litre. This move is expected to mitigate inflationary pressures that have previously posed a downside risk to economic forecasts, serving as a measure to ease the cost of living amidst earlier expectations of RON95 price increases due to further subsidy rationalisation. Approximately 18 million car and motorcycle users are projected to benefit from this reduction in petrol costs. Nevertheless, the precise mechanisms for the rollout of these subsidies are yet to be fully clarified.

A more robust demand pressures.

Simultaneously, the reduced fuel price also presents potential impacts on inflation from stronger demand pressures. We anticipate several recently announced initiatives will contribute to demand-pull inflation, potentially leading to an upward revision of our inflation forecasts. The STR & SARA cash aid, now at a record RM13b, including the additional SARA allocation of RM100 per adult citizen. This substantial financial support is poised to significantly boost domestic consumption. Additionally, the Rahmah sales budget will be doubled from RM300m to RM600m, a move designed to further enhance consumer purchasing power and encourage increased spending. In addition, consumer spending will be supported by higher income, which will also be supported by the increase in minimum wage to RM1,700 and the implementation of living wage policy (of at least RM3,100 a month) by GLCs and GLICs.

Inflation to accelerate in 2H but remain under control.

Overall, we project higher price pressures, which will be predominantly driven by supply-side factors. Although we recently revised our inflation forecast to +1.8% (previous: +2.2%) due to milder inflation in 1HCY25 (+1.4%yoy; 2HCY24: +1.9%yoy), we continue to expect inflation will trend higher in 2HCY25 due to the higher cost pressures and policy changes, including the implementation of expanded SST coverage. In addition, the stronger demand could also add to the price pressures following the recent OPR adjustment and the fiscal measures that were announced yesterday. Moreover, consumers are expected to increase expenditures on the back of resilient labour market conditions, with healthy employment and wage growth. While non-citizens and the top income earners will be affected by the upward revision to petrol prices, the price pressures will be partly limited by the reduction in subsidised RON95 price.

Sufficient policy support for now.

On the policy front, we believe the latest fiscal measures reduce the need for further monetary stimulus by BNM, after the OPR cut earlier this month. We expect BNM will keep the existing policy space to support the economy especially when the growth outlook weakens significantly. For now, we expect activities in the domestic economy will remain supported by the recent monetary and fiscal stimulus. More fiscal measures will be announced in Budget 2026, scheduled for tabling in early Oct-25, which will support economic activities next year. In addition, other structural reforms and development agenda outlined in the upcoming 13th Malaysia Plan could also boost Malaysia's growth potential in the next 5 years.

Potential boost to GDP growth.

These new fiscal measures could boost consumer spending by at least +RM2-3b or adding around +1.0-1.5% to Malaysia's GDP this year. Together with the OPR reduction, we estimate the overall GDP growth forecast for 2025 may be revised up to +4.45% from our existing forecast of +4.0%, factoring in the stronger private consumption. Despite this upside boost, the weak export performance in recent months suggests that external trade could be a larger downward drag on growth in 2HCY25. We will review our 2025 growth forecast after the full GDP data for 2QCY25 is published next month.

SECTORAL VIEW

Consumer……Maintain POSITIVE

MADANI fiscal measures reinforce household support and demand recovery.

Prime Minister Datuk Seri Anwar Ibrahim unveiled a broad suite of cost-of-living relief and income enhancement measures under the Ekonomi MADANI framework. Key initiatives include a one-off RM100 cash disbursement to all adult Malaysians under the SARA program (effective 31 Aug), retargeted RON95 fuel subsidy with a lower pump price of RM1.99/litre, postponement of toll hikes on 10 highways, and an additional public holiday on 15 Sep. These short-term measures are further supported by structural policy shifts—namely, a minimum wage increase to RM1,700 effective Feb-25, and enforcement of a RM3,100/month living

wage for 153,000 GLIC/GLC employees. Additionally, electricity tariffs have been lowered for 85% of domestic users, with July bills reduced by up to 14% compared to 1H2025 levels.

Multi-layered relief to ease household burden.

The policy rollout delivers a multi-tiered fiscal cushion through direct cash transfers, wage support, and utility savings. The RM100 per individual handout—totalling RM2b—is restricted to essential purchases at over 4,100 participating outlets and valid from August to December 2025. This complements the broader STR and SARA programs, which now carry a record RM15b allocation. Concurrently, monthly welfare assistance under JKM has been increased to RM2.9b, reinforcing income stability for vulnerable households. On the cost front, toll hike deferments, cheaper RON95 petrol, and lower electricity tariffs provide tangible savings, effectively enhancing real household disposable income.

Positive consumption impulse for consumer players.

We view these developments as incrementally positive for the consumer sector. The individual-targeted nature of the RM100 aid expands its reach and spending power, benefiting value-focused retailers, grocery chains, and F&B operators. The implementation window aligns with key spending periods—Merdeka, Malaysia Day, and year-end festivities—providing a timely volume catalyst.

Sentiment and mobility tailwinds to broaden recovery.

Beyond monetary injections, the additional public holiday and toll freeze are likely to spur increased domestic travel and footfall in retail and F&B outlets. When combined with income uplift and lower essential costs, these measures are expected to reinvigorate consumer sentiment, particularly among the low- and middle-income segments. Overall, the fiscal stance remains firmly geared towards sustaining private consumption as a key driver of domestic economic resilience in 2HCY25.

Consumer discretionary to capture immediate bains.

We anticipate the consumer discretionary segment to register the most immediate upside, given its sensitivity to short-term demand shifts and sentiment. Likely beneficiaries include **AEON** (broad retail exposure), **Padini** (affordable fashion), **Oriental Kopi** (F&B), and **99 Speedmart** (non-rated), which commands strong traction among price-sensitive urban and semi-urban consumers. The convergence of fiscal stimulus, mobility support, and festive spending creates a favourable backdrop for discretionary names to outperform.

Staples segment to remain defensive.

The consumer staples segment remains structurally resilient, with consistent volume support driven by essential nature of demand and targeted cash disbursements. Players such as F&N, Life Water, and Leong Hup are poised to benefit from steady consumption of beverages, bottled water, and poultry products.

Maintain POSITIVE.

All in, we maintain our **POSITIV**E stance on the consumer sector, underpinned by a policy environment that remains explicitly consumption friendly. The combination of direct fiscal transfers, wage hikes, and cost-of-living relief offers a supportive framework for retail and F&B earnings in the near term. Our top picks remain unchanged: **F&N (BUY, TP: RM32.68), AEON (BUY, TP: RM1.77), and Life Water (BUY, TP: RM1.00)**. —each offering scalable operations, defensible demand profiles, and leverage to broad-based household recovery.

REITs……Maintain NEUTRAL

Retail REIT benefits from "SARA for ALL".

The "SARA for All" RM100 per adult citizens are expected to be positive to retail REIT as it will increase disposable income of people. That will improve shopper footfall and tenants' sales of shopping malls. We think that REIT with higher turnover rent contribution namely IGB REIT (12%-15%) and Pavilion REIT (10%) will benefit from higher footfall and higher consumer spending at malls.

Maintain NEUTRAL on REIT due to compressed yield of ~4.4%. Our top pick for the sector is **Pavilion REIT (BUY; TP: RM1.88).**

Maintain NEUTRAL on REIT

Petronas Dagangan……Maintain BUY, TP: RM22.25

During the Prime Minister Anwar Ibrahim's recent special address, it was announced that the targeted RON95 will be implemented. This will reduce the price of RON95 petrol for Malaysian citizens to RM1.99/L- a slight decrease (-2.9%) from the current subsidized price of RM2.05/L. This move is aimed at: (i) optimizing national resources, (ii) ensuring most Malaysians continue to benefit from subsidies, and (iii) curbing leakages to ineligible recipients. The use of MyKad is anticipated to be involved in the implementation of this targeted scheme.

RON95 subsidised to RM1.99/L.

Approximately 18 million car drivers and motorcyclists, including youths as young as 16 and gig economy workers, are expected to benefit from this lower price. Meanwhile, foreign nationals and presumably high-income individuals (the ultra-rich) will be required to pay the unsubsidized market price for RON95, which is currently around RM2.50/L. Full details of this subsidy mechanism are expected to be announced by the end of Sept CY25.

Unsubsidised RM2.50/L for ineligible consumers.

We anticipate that there will be initial adjustments and operational challenges due to the targeted subsidy. However, overall impact on Petronas Dagangan's (PDB) profitability might not be significantly negative in the long run. The higher margins on unsubsidized sales could help cushion any volume reduction, and the continued high demand from eligible Malaysians will remain a strong base. The successful implementation and the government's compensation mechanism will be key to PDB's performance under the new system. Alluding to the previous targeted subsidy scheme for Diesel, we anticipate that the setbacks will be temporary. We roughly calculated that the targeted subsidy has the potential to provide an added +4.3% to +4.5% of the total profit from RON95 consumption, should the scheme operate as intended, mainly from the sales of the unsubsidised RON95. This indicates that the targeted subsidy scheme would have a neutral to slightly positive impact for PDB in the long term.

Minimal negative impact to PDB's earnings.

In terms of the overall RON95 sales volume, we expect a slight, temporary dip (approx. -15% to -25%) as foreigners and high-income individuals might initially reduce consumption or seek alternative transportation to mitigate using the unsubsidised fuel. However, demand for fuel remains inelastic as it is a deemed a necessity, given that over 90% of registered vehicles in Malaysia still depends heavily on fossil fuels and public transportation are not widespread beyond major cities. Despite most Malaysian citizens falling under the low- to middle-income groups (approximately 80-85% of the total population), the impact from the initial lower pump sales will eventually be balanced by the sales of the unsubsidised fuel, consequently avoiding volume contractions.

Initial risks likely to be temporary.

The two-tiered pricing system might lead to some operational adjustments at petrol stations to verify eligibility. This could impact transaction times and methods, subsequently require system upgrades or overhaul to accommodate the scheme. However, PDB has established its digital platform (Setel) which could securely store information on the customers' eligibility and ensure that the subsidies reached the right group. Another challenge is the necessity to train and/or upskill petrol station staff to manage and comply to this new system, especially in preventing abuse from ineligible individuals. Nevertheless, these non-fuel risks could be mitigated from PDB's non-fuel retail and commercial segments, which are expected to continue diversifying the group's revenue stream. Additionally, the uptake from the cheaper subsidised fuel might encourage higher sales in these areas.

Caution on other non-fuel risks.

All in all, we maintain positive on this latest announcement on RON95. We believe the demand for RON95 will remain supported due to continuous utilisation for fossil fuel out of necessity. While the margins for the dealers through this scheme are yet to be disclosed, PDB is expected

Maintain BUY.

to be compensated for selling the fuel below market price to eligible consumers, while higher margins are anticipated for the unsubsidised fuel sold to ineligible recipients. Initial risks may persist in terms of uptake and utilisation post-implementation of the RON95 targeted subsidy, although we believe PDB still has the upper hand to mitigate them. As such, we maintain our **BUY** call for PDB, with **a target price of RM22.25**.

MBSB RESEARCH (formerly known as MIDF RESEARCH) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) 197501002077 (24878-X).

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MBSB Investment Bank Berhad (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) 197501002077 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD). The directors, employees and representatives of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MBSB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.

MBSB INVESTMENT BANK (formerly known as MIDF AMANAH INVESTMENT BANK): GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.
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